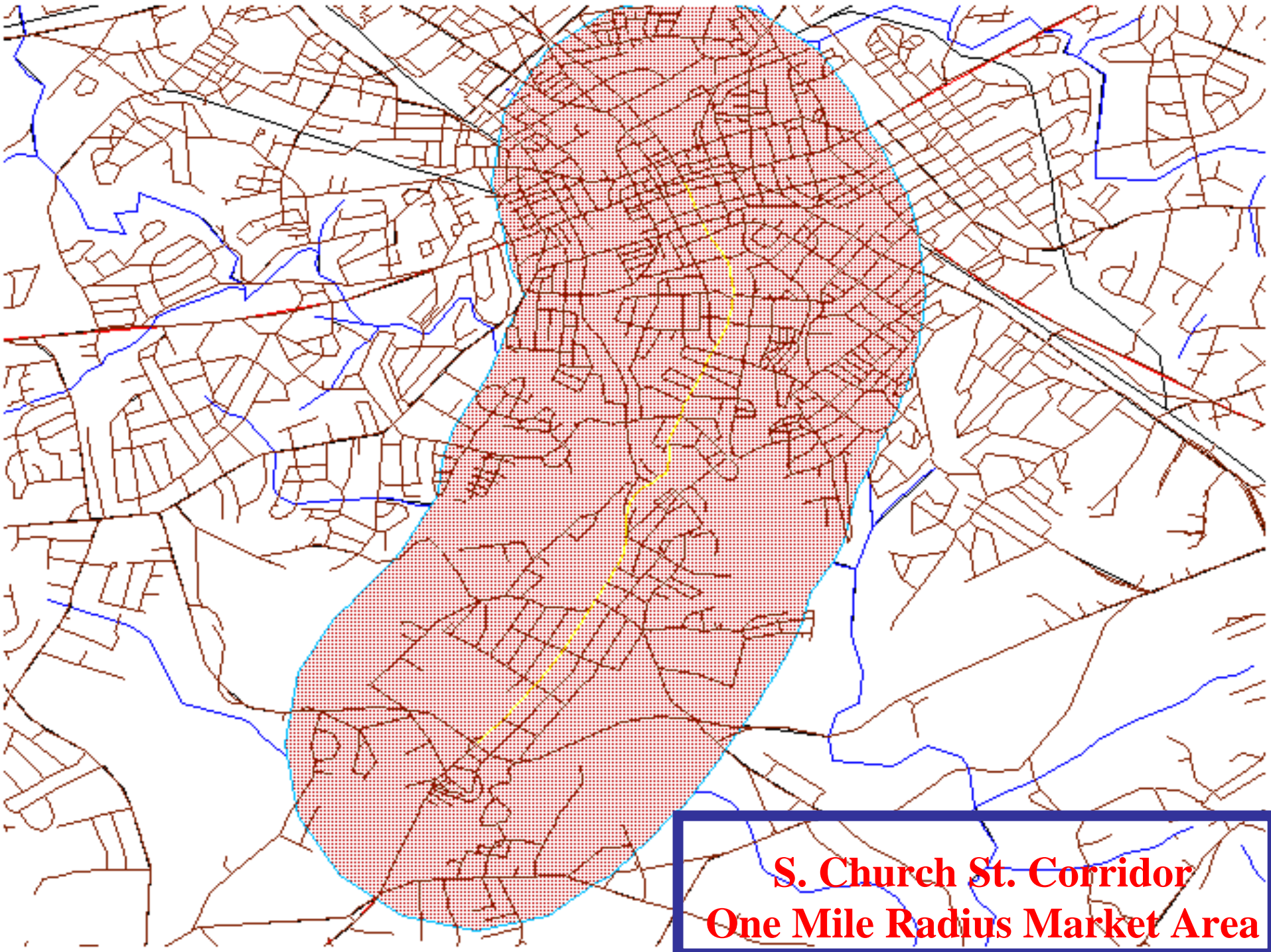


# Neighborhood Retail Development Case Studies

Charlotte, NC  
Spartanburg, SC

# Spartanburg, SC

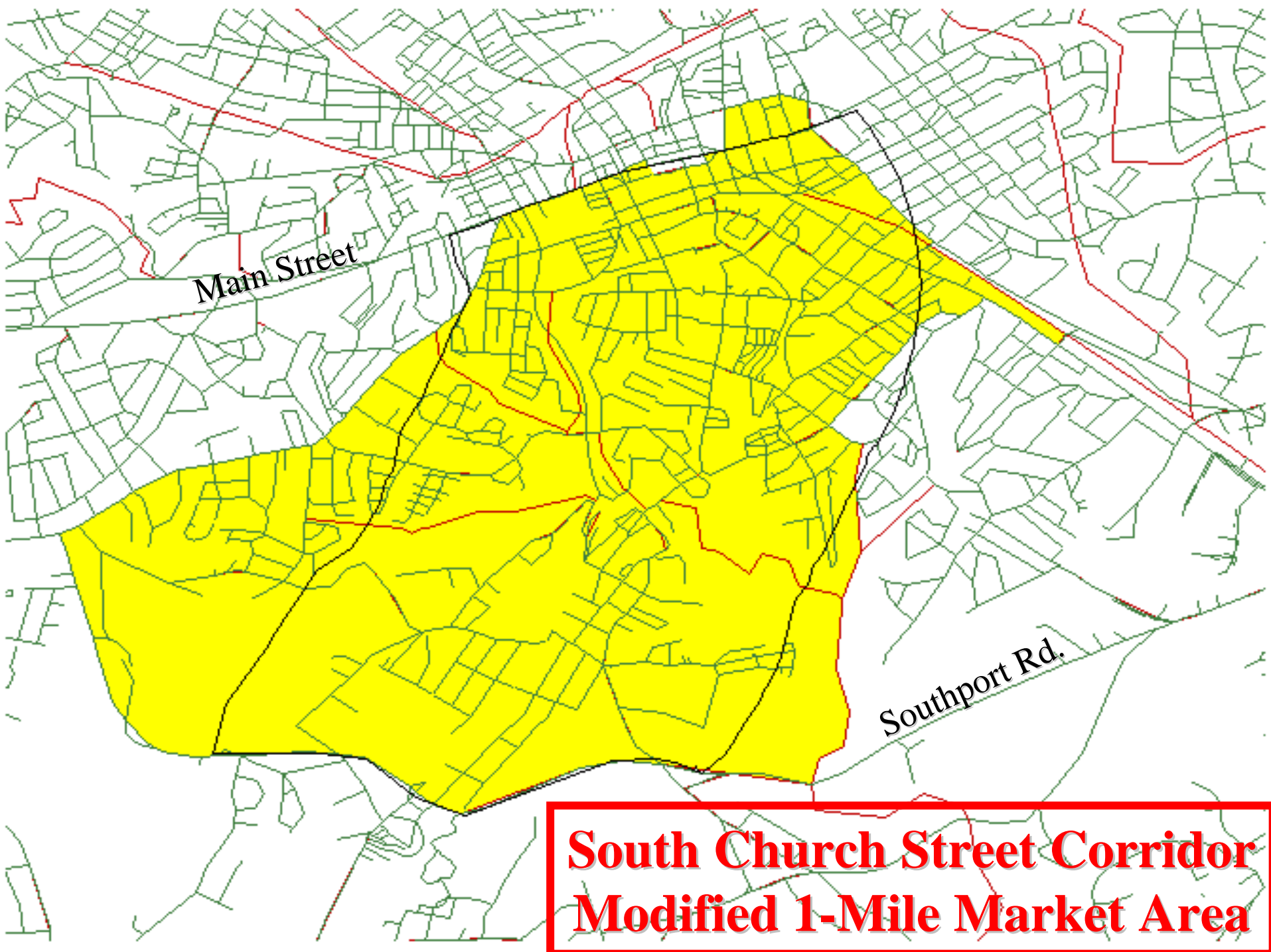
South Church Street Corridor



**S. Church St. Corridor**  
**One Mile Radius Market Area**

# Calculation of S. Church Street Corridor Market Potential

|  |  |                     |                  |
|--|--|---------------------|------------------|
| <b>Number of HH's in S. Church St Corridor</b>     |  | <b>10,052</b>       |                  |
|  |  |                     |                  |
|  |  | <b>Income-Based</b> | <b>Age-Based</b> |
|  |  |                     |                  |
| <b>S. Church St. Corridor Expenditures</b>         |  |                     |                  |
| Food eaten at home (groceries)                     |  | \$ 29,471,617       | \$29,113,122     |
| Food eaten away from home (restaurants)            |  | \$ 21,843,270       | \$20,916,626     |
| Apparel and services (clothes & shoes)             |  | \$ 18,707,196       | \$17,264,538     |
| Entertainment (theater tickets, TV's, radios, etc) |  | \$ 19,401,894       | \$18,769,540     |
| Personal care products & services                  |  | \$ 4,433,625        | \$ 4,089,953     |



Main Street

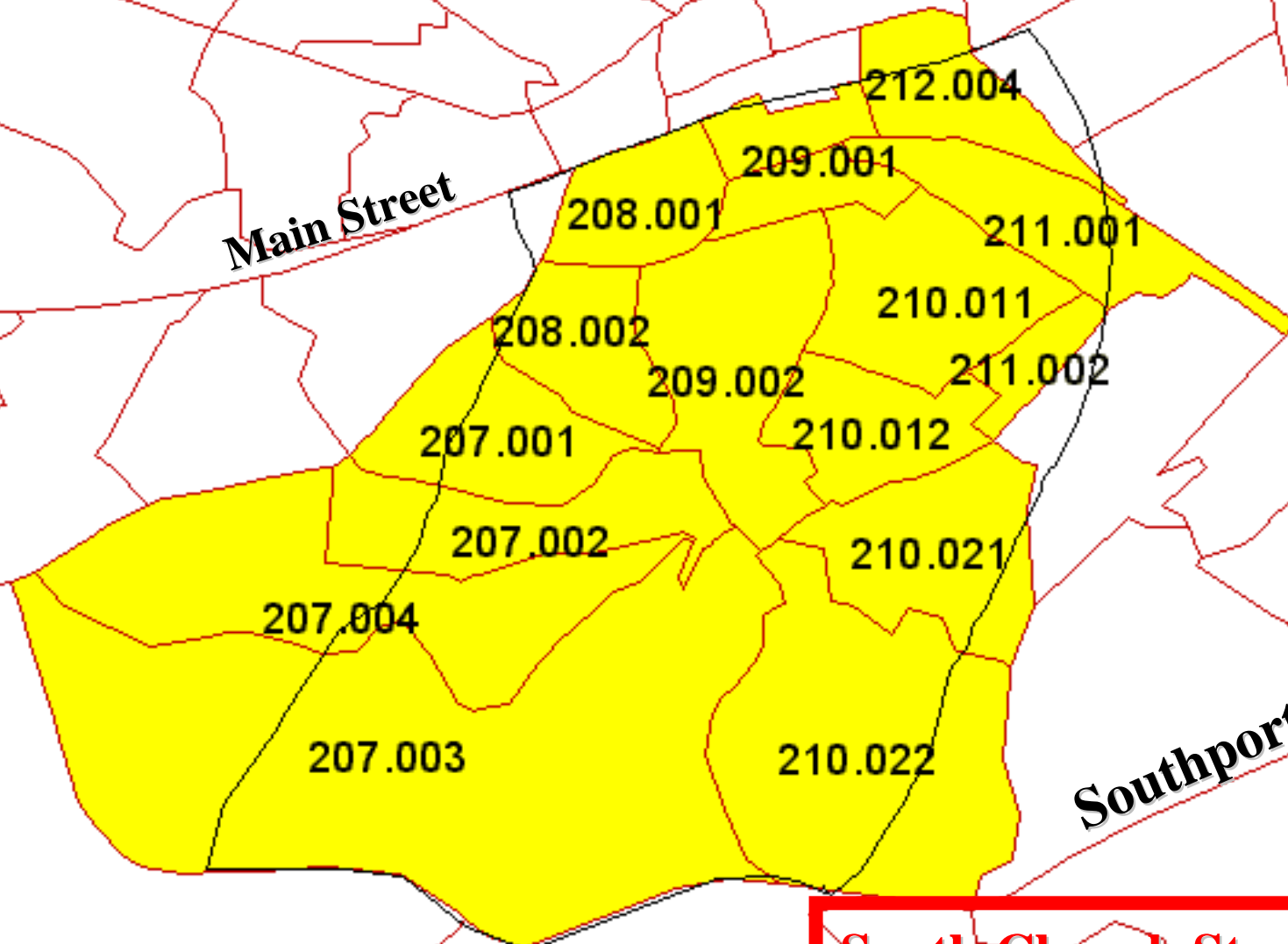
Southport Rd.

**South Church Street Corridor  
Modified 1-Mile Market Area**



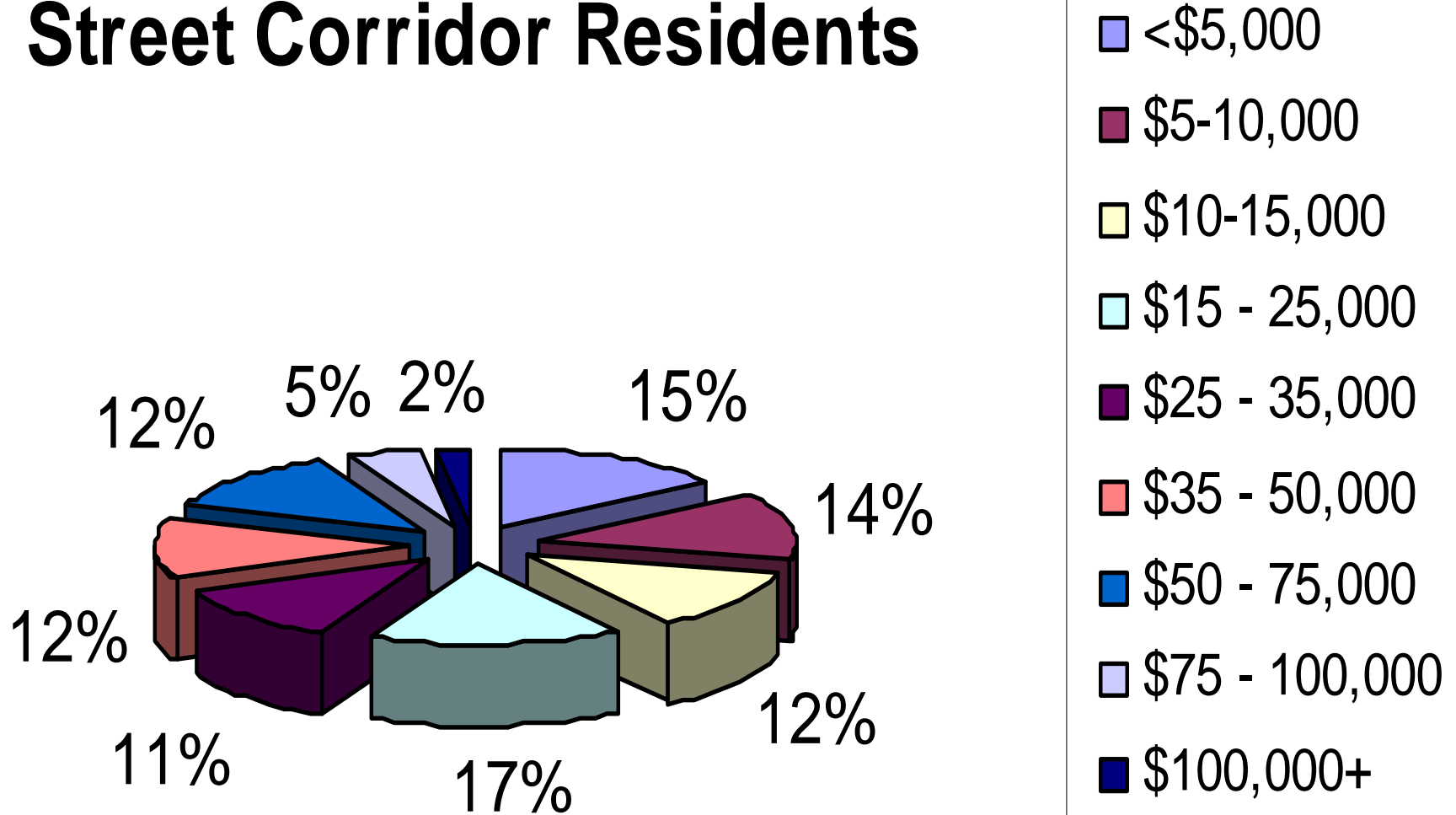
**Main Street**

**Southport Rd.**

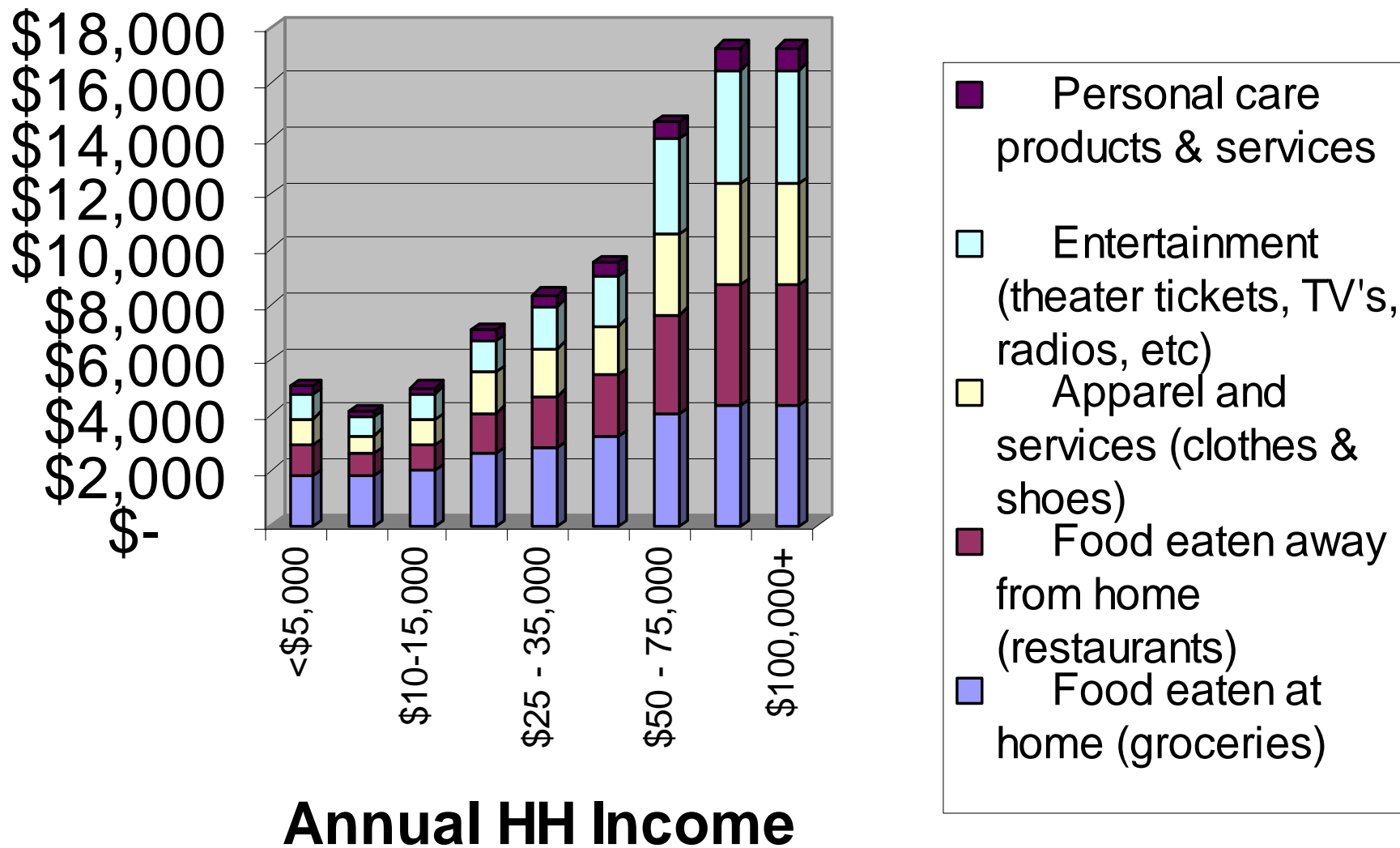


**South Church Street Corridor  
Modified 1-Mile Market Area  
Census Block Groups**

# Income Distribution of S. Church Street Corridor Residents

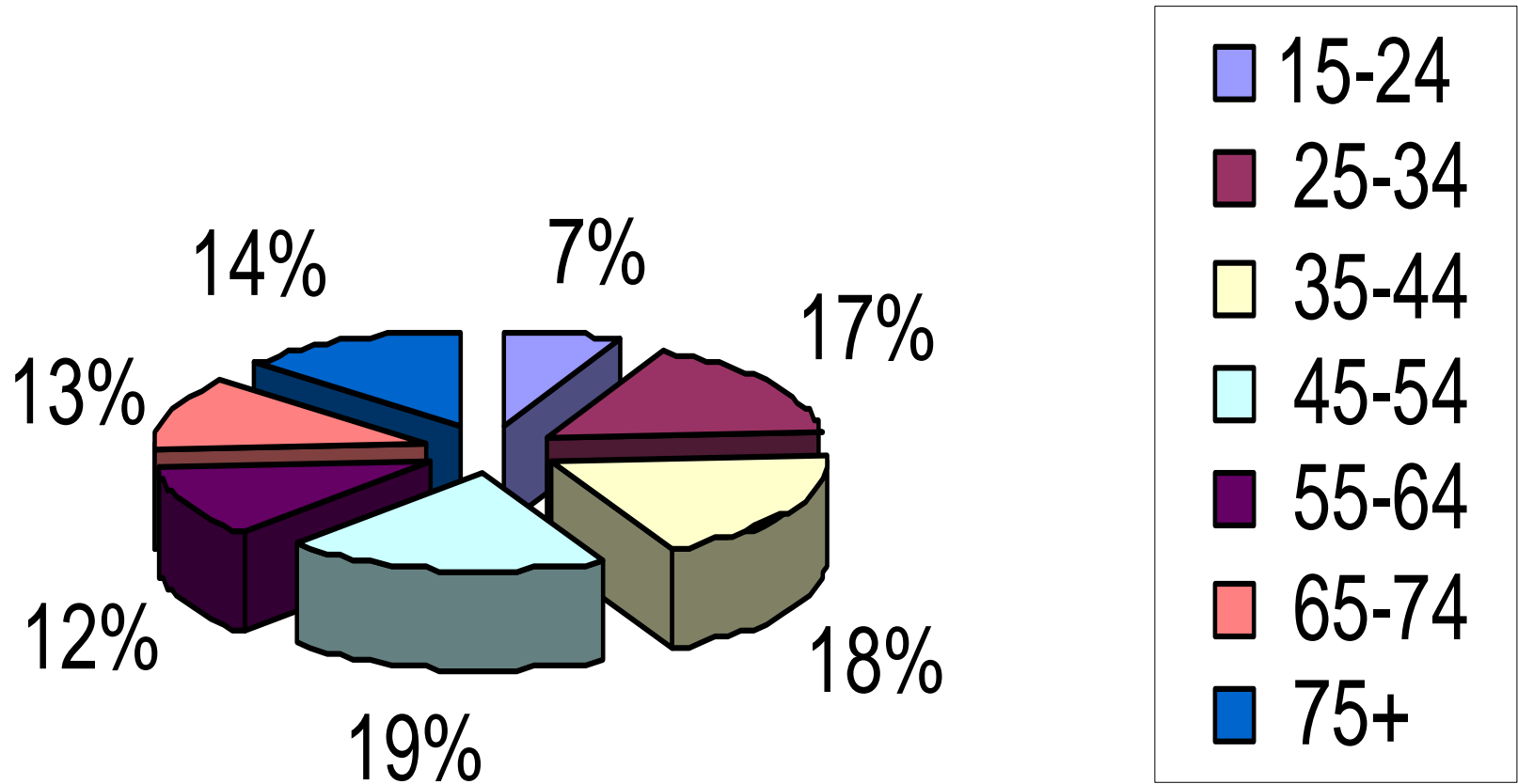


# Selected Annual HH Expenditures

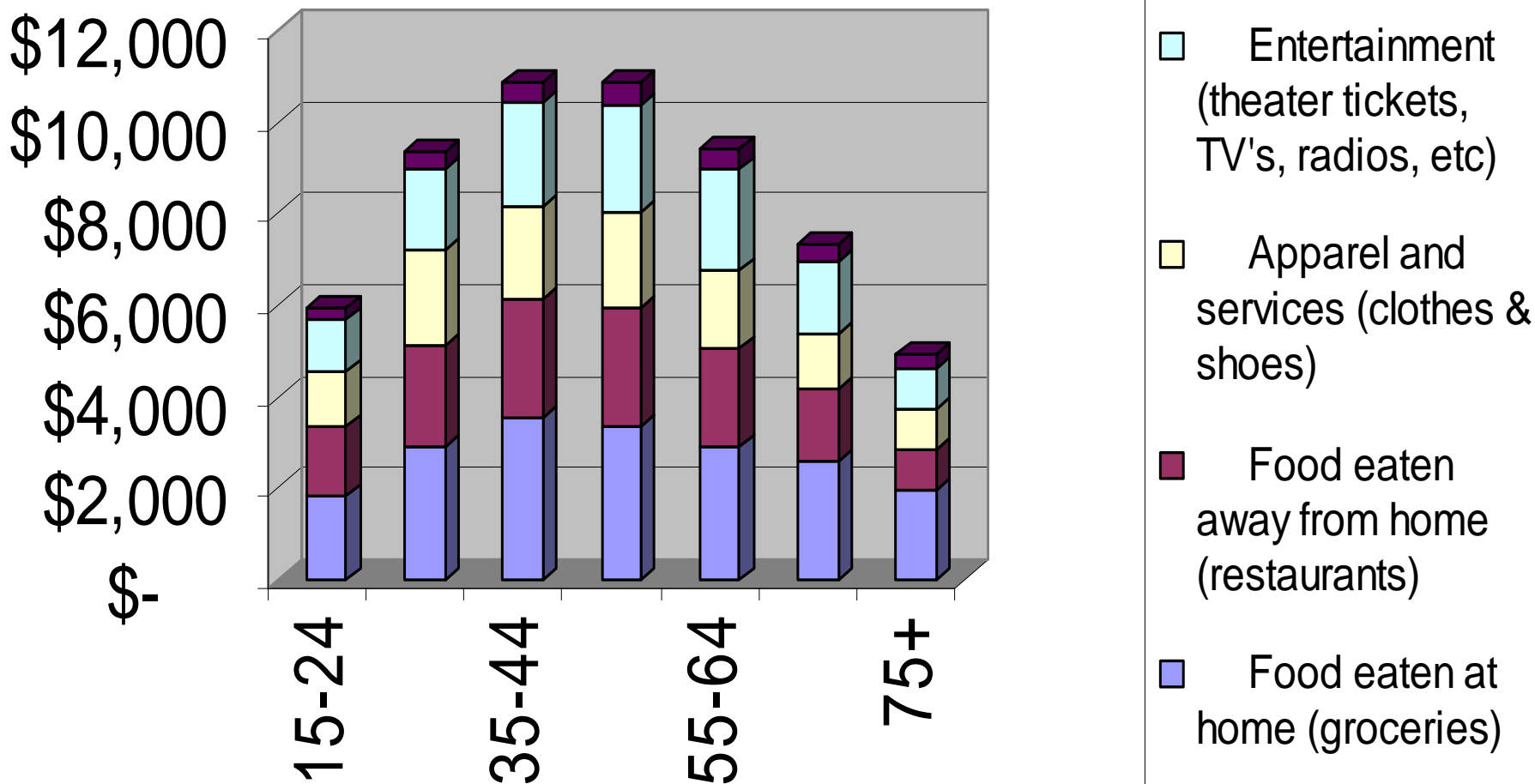




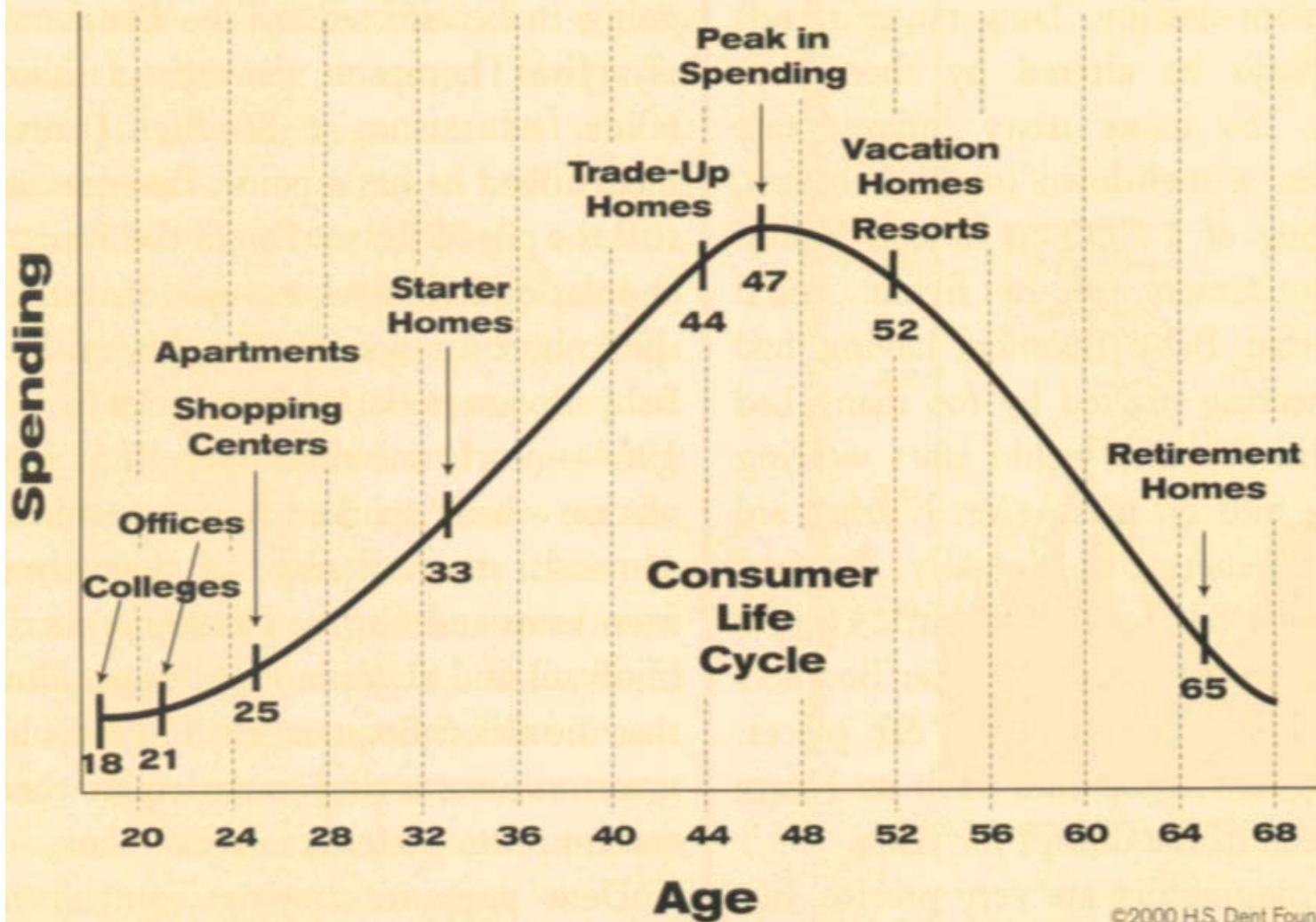
# Age of Household Heads in S. Church St. Corridor



# Annual HH Expenditures by Age of Household Head



# Key Consumer Expenditures/Investments



# Modified Calculation of South Church Street Corridor Market Potential

|  |  |  |  |  |  |  |                      |  |                      |
|--|--|--|--|--|--|--|----------------------|--|----------------------|
| <b>Number of HH's in the S. Church St. Corridor (Modified)</b> |  |  |  |  |  |  | <b>5,354</b>         |  |                      |
|  |  |  |  |  |  |  |                      |  |                      |
|  |  |  |  |  |  |  | <b>Income-Based</b>  |  | <b>Age-Based</b>     |
|  |  |  |  |  |  |  |                      |  |                      |
| <b>S. Church St. Corridor Expenditures</b>                     |  |  |  |  |  |  |                      |  |                      |
| <b>Food eaten at home (groceries)</b>                          |  |  |  |  |  |  | <b>\$ 14,428,804</b> |  | <b>\$ 15,301,076</b> |
| <b>Food eaten away from home (restaurants)</b>                 |  |  |  |  |  |  | <b>\$ 9,941,635</b>  |  | <b>\$ 10,946,703</b> |
| <b>Apparel and services (clothes &amp; shoes)</b>              |  |  |  |  |  |  | <b>\$ 8,643,845</b>  |  | <b>\$ 9,059,332</b>  |
| <b>Entertainment (theater tickets, TV's, radios, etc)</b>      |  |  |  |  |  |  | <b>\$ 8,748,948</b>  |  | <b>\$ 9,816,482</b>  |
| <b>Personal care products &amp; services</b>                   |  |  |  |  |  |  | <b>\$ 2,079,684</b>  |  | <b>\$ 2,151,873</b>  |

# Pro Forma of Potential Businesses for the South Church Street Corridor

|                        |             |        | Groceries            |             | Restaurants          |             | Clothes/Shoes       |
|------------------------|-------------|--------|----------------------|-------------|----------------------|-------------|---------------------|
| Income-Based           |             |        | \$ 14,428,804        |             | \$ 9,941,635         |             | \$ 8,643,845        |
| Age-Based              |             |        | <u>\$ 15,301,076</u> |             | <u>\$ 10,946,703</u> |             | <u>\$ 9,059,332</u> |
| Averaged Mkt Potential |             |        | \$ 14,864,940        |             | \$ 10,444,169        |             | \$ 8,851,589        |
| Cost of Operations     | 75.4%       |        | \$ 11,208,165        | 42.8%       | \$ 4,470,104         | 57.6%       | \$ 5,098,515        |
| Salaries & Wages       | 10.2%       |        | \$ 1,516,224         | 18.6%       | \$ 1,942,615         | 13.0%       | \$ 1,150,707        |
| Taxes Paid             | 1.5%        |        | \$ 222,974           | 4.1%        | \$ 428,211           | 2.3%        | \$ 203,587          |
| Interest Paid          | 0.8%        |        | \$ 118,920           | 1.9%        | \$ 198,439           | 1.3%        | \$ 115,071          |
| Depreciation, etc.     | 1.8%        |        | \$ 267,569           | 3.1%        | \$ 323,769           | 2.1%        | \$ 185,883          |
| Pensions, etc.         | 1.7%        |        | \$ 252,704           | 1.1%        | \$ 114,886           | 1.1%        | \$ 97,367           |
| Other                  | 7.9%        |        | \$ 1,174,330         | 24.7%       | \$ 2,579,710         | 19.3%       | \$ 1,708,357        |
| Operating Margin       | <u>0.7%</u> |        | <u>\$ 104,055</u>    | <u>3.7%</u> | <u>\$ 386,434</u>    | <u>3.3%</u> | <u>\$ 292,102</u>   |
|                        |             | 100.0% | \$ 14,864,940        | 100.0%      | \$ 10,444,169        | 100.0%      | \$ 8,851,589        |

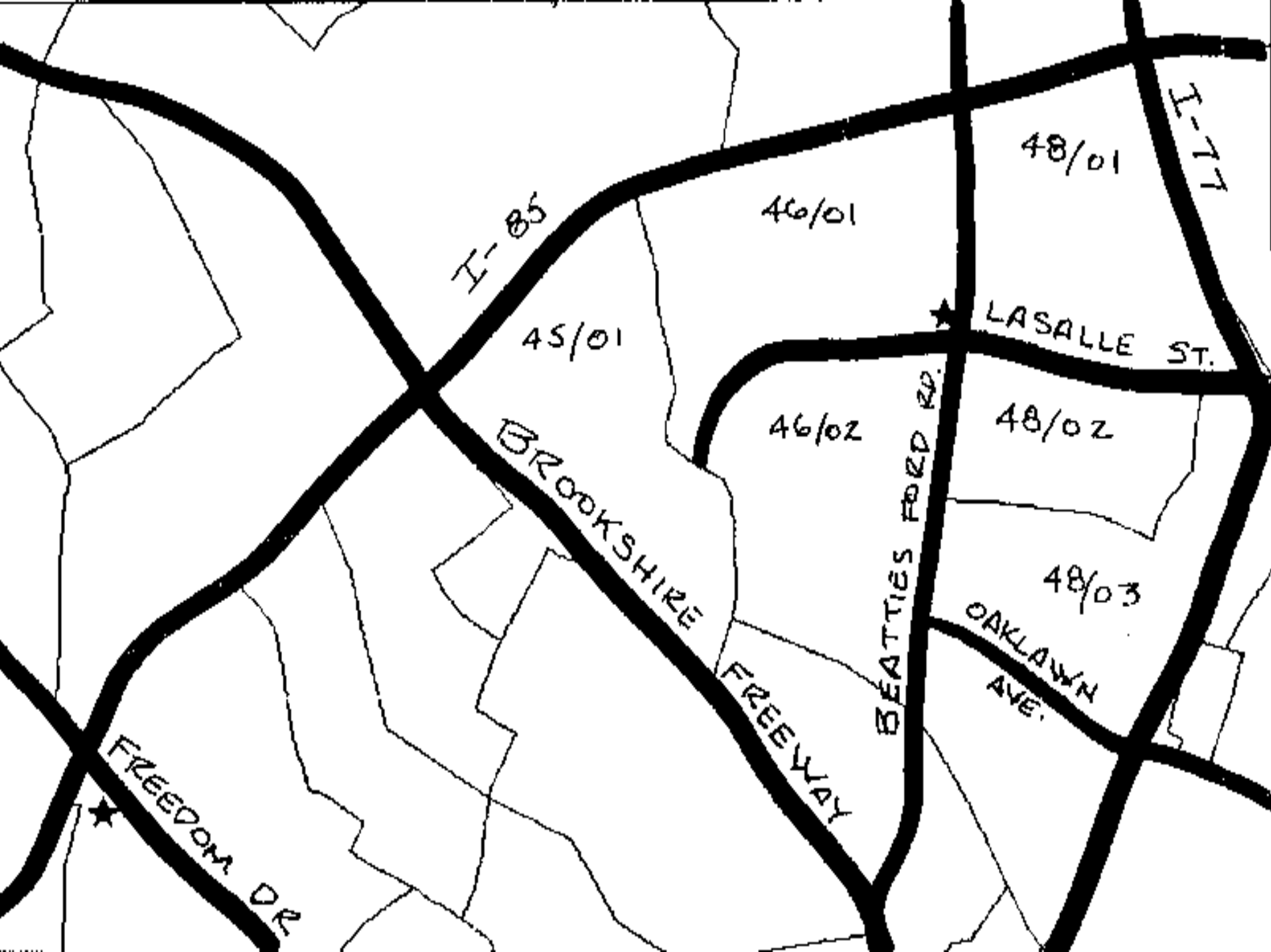
# Pro Forma of Potential Businesses for the South Church Street Corridor

|                        |              |                   | Entertainment       |             | Personal Care/Svc   |
|------------------------|--------------|-------------------|---------------------|-------------|---------------------|
| Income-Based           |              |                   | \$ 8,748,948        |             | \$ 2,079,684        |
| Age-Based              |              |                   | <u>\$ 9,816,482</u> |             | <u>\$ 2,151,873</u> |
| Averaged Mkt Potential |              |                   | \$ 9,282,715        |             | \$ 2,115,779        |
| Cost of Operations     | 27.1%        | \$ 2,510,974      |                     | 74.5%       | \$ 1,576,255        |
| Salaries & Wages       | 18.0%        | \$ 1,670,889      |                     | 10.3%       | \$ 217,925          |
| Taxes Paid             | 5.1%         | \$ 473,418        |                     | 1.4%        | \$ 29,621           |
| Interest Paid          | 2.4%         | \$ 218,144        |                     | 0.8%        | \$ 16,926           |
| Depreciation, etc.     | 7.1%         | \$ 659,073        |                     | 1.2%        | \$ 25,389           |
| Pensions, etc.         | 0.3%         | \$ 27,848         |                     | 1.0%        | \$ 21,158           |
| Other                  | 29.8%        | \$ 2,766,249      |                     | 8.5%        | \$ 179,841          |
| Operating Margin       | <u>10.3%</u> | <u>\$ 956,120</u> |                     | <u>2.3%</u> | <u>\$ 48,663</u>    |
|                        | 100.0%       | \$ 9,282,715      |                     | 100.0%      | \$ 2,115,779        |



# Charlotte, NC

Beatties Ford Road Corridor



I-85

I-77

48/01

46/01

45/01

LASALLE ST.

46/02

48/02

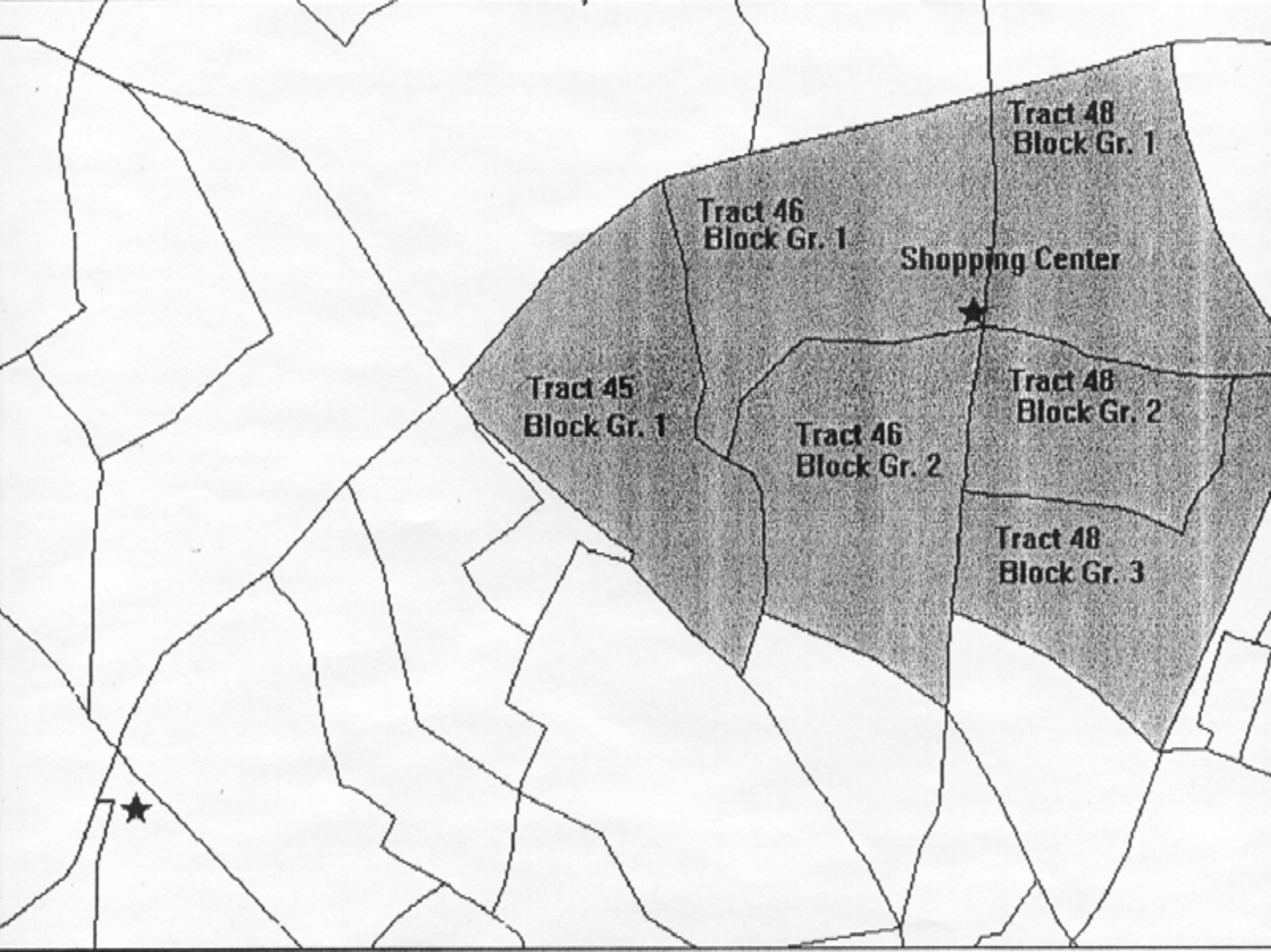
BROOKSHIRE  
FREEWAY

BEATTIES FORD RD.

48/03

OAKLAWN  
AVE.

FREEDOM DR.



Tract 48  
Block Gr. 1

Tract 46  
Block Gr. 1

Shopping Center

Tract 45  
Block Gr. 1

Tract 48  
Block Gr. 2

Tract 46  
Block Gr. 2

Tract 48  
Block Gr. 3





**UNMET RETAIL NEEDS IN THE NORTHWEST CORRIDOR**

SELECTED CONSUMER EXPENDITURES - 1996/97

| <b>NEIGHBORHOOD</b>               | <b>CENSUS BLOCK<br/>TRACT GROUP</b> | <b><u>FURNITURE</u></b> | <b><u>HH FURNISHINGS</u></b> | <b><u>HH APPLIANCES</u></b> | <b><u>THEATRES</u></b> | <b><u>APPARREL</u></b> |
|-----------------------------------|-------------------------------------|-------------------------|------------------------------|-----------------------------|------------------------|------------------------|
| SEVERSVILLE                       | 41 01                               | \$67,020                | \$18,830                     | \$15,660                    | \$10,580               | \$313,720              |
| WESLEY HEIGHTS                    | 41 02                               | \$111,580               | \$41,080                     | \$27,430                    | \$18,900               | \$512,170              |
| SMALLWOOD                         | 45 02                               | \$179,580               | \$45,970                     | \$41,940                    | \$25,100               | \$811,350              |
| BIDDLEVILLE<br>& FIVE POINTS      | 47 01,02 & 03                       | \$153,500               | \$49,620                     | \$35,650                    | \$25,390               | \$660,620              |
| WASHINGTON HGTS.<br>& TAYLOR AVE. | 46 02                               | \$165,750               | \$48,370                     | \$40,980                    | \$23,510               | \$765,250              |
| LINCOLN HGTS.                     | 48 02                               | \$132,300               | \$53,940                     | \$34,600                    | \$19,430               | \$581,610              |
| OAKLAWN PARK                      | 48 03                               | \$127,510               | \$51,780                     | \$32,530                    | \$21,180               | \$591,360              |
| McCROREY HGTS.                    | 48 04                               | \$58,100                | \$30,300                     | \$16,280                    | \$10,560               | \$273,040              |
| OAKVIEW TERRACE                   | 45 01                               | \$86,260                | \$21,970                     | \$19,100                    | \$13,640               | \$403,000              |
| UNIVERSITY PARK                   | 46 01                               | \$186,190               | \$94,280                     | \$52,830                    | \$28,510               | \$874,220              |
| DALEBROOK                         | 48 01                               | \$146,040               | \$42,360                     | \$33,310                    | \$22,200               | \$644,630              |
|                                   | <b>TOTALS</b>                       | <b>\$1,413,830</b>      | <b>\$498,500</b>             | <b>\$350,310</b>            | <b>\$219,000</b>       | <b>\$6,430,970</b>     |

SOURCE: CLARITAS TRENDLINE GIS DATA

# Expenditures for Groceries

## *HH & Income By Census Block Groups*

|        | >\$10K | \$10-20K | \$20-30K | \$30-40K | \$40K + |
|--------|--------|----------|----------|----------|---------|
| 46.01  | 40     | 74       | 131      | 122      | 155     |
| 46.02  | 218    | 240      | 109      | 72       | 48      |
| 48.01  | 210    | 154      | 70       | 12       | 86      |
| 48.02  | 190    | 134      | 119      | 21       | 60      |
| 48.03  | 107    | 157      | 50       | 68       | 79      |
| 48.04  | 9      | 43       | 22       | 9        | 63      |
| Totals | 774    | 802      | 501      | 304      | 491     |

Source: Census & Claritas



# Annual Grocery Expenditures

## *HH Distribution & Annual Grocery Expenditures*

|        | >\$10K  | \$10-20K | \$20-30K | \$30-40K | \$40K+  |
|--------|---------|----------|----------|----------|---------|
| HH     | 774     | 802      | 501      | 304      | 491     |
| Exp/HH | \$1,345 | \$1,882  | \$2,174  | \$2,557  | \$3,009 |
| Totals | \$1.04M | \$1.51M  | \$1.09M  | \$0.77M  | \$1.48M |

Source: BLS Consumer Exp. Survey

# Retail Trade Areas

---

## *Radius of Trade Areas*

- ▶ Bakery - 0.5 mile
- ▶ Drug Store - 1 mile
- ▶ Grocery - 1 mile
- ▶ Apparel Store - 2 miles
- ▶ Book Store - 2 miles
- ▶ Department Store - 3 miles
- ▶ Furniture Store - 1.5 miles
- ▶ Shoe Store - 1.5 miles
- ▶ Laundromat - 0.5 mile
- ▶ Variety Store - 1 mile

# Cursory Profitability Analysis

|                 | Grocery Stores |              |
|-----------------|----------------|--------------|
| <b>Sales</b>    | 100.0%         | \$10,057,840 |
| <b>COS</b>      | 77.6%          | \$7,804,884  |
| <b>Rent</b>     | 1.6%           | \$160,925    |
| <b>Taxes</b>    | 1.6%           | \$160,925    |
| <b>Debt</b>     | 0.4%           | \$40,231     |
| <b>Deprec.</b>  | 0.8%           | \$80,463     |
| <b>Benefits</b> | 0.6%           | \$60,347     |
| <b>Other</b>    | 15.2%          | \$1,528,792  |
| <b>Total</b>    | 97.8%          | \$9,836,568  |
| <b>Profit</b>   | 2.2%           | \$221,272    |

# Cursory Profitability Analysis

|                 | Eating Places |             |
|-----------------|---------------|-------------|
| <b>Sales</b>    | 100.0%        | \$3,668,780 |
| <b>COS</b>      | 32.1%         | \$1,177,678 |
| <b>Rent</b>     | 8.3%          | \$304,509   |
| <b>Taxes</b>    | 7.9%          | \$289,834   |
| <b>Debt</b>     | 0.9%          | \$33,019    |
| <b>Deprec.</b>  | 3.1%          | \$113,732   |
| <b>Benefits</b> | 0.5%          | \$18,344    |
| <b>Other</b>    | 46.1%         | \$1,691,308 |
| <b>Total</b>    | 98.9%         | \$3,628,423 |
| <b>Profit</b>   | 1.1%          | \$40,357    |

# Cursory Profitability Analysis

|                 | Drug Stores |             |
|-----------------|-------------|-------------|
| <b>Sales</b>    | 100.0%      | \$1,583,630 |
| <b>COS</b>      | 71.7%       | \$1,135,463 |
| <b>Rent</b>     | 2.7%        | \$42,758    |
| <b>Taxes</b>    | 1.5%        | \$23,754    |
| <b>Debt</b>     | 0.8%        | \$12,669    |
| <b>Deprec.</b>  | 1.2%        | \$19,004    |
| <b>Benefits</b> | 1.5%        | \$15,836    |
| <b>Other</b>    | 17.3%       | \$273,968   |
| <b>Total</b>    | 96.2%       | \$1,523,452 |
| <b>Profit</b>   | 3.8%        | \$60,178    |

**CURSORY PROFITABILITY ANALYSIS**

**BASE SOURCE: ALMANAC OF BUSINESS AND INDUSTRIAL FINANCIAL RATIOS**

**(PRENTICE HALL, 1996)**

|                            | <b>GROCERY STORES</b> |              | <b>EATING PLACES</b> |             | <b>DRUG STORES</b> |             |
|----------------------------|-----------------------|--------------|----------------------|-------------|--------------------|-------------|
| <b>NET SALES</b>           | 100.0%                | \$10,057,840 | 100.0%               | \$3,668,780 | 100.0%             | \$1,583,630 |
| <b>COSTS OF OPERATIONS</b> | 77.8%                 | \$7,804,884  | 32.1%                | \$1,177,878 | 71.7%              | \$1,135,483 |
| RENT                       | 1.6%                  | \$160,925    | 8.3%                 | \$304,509   | 2.7%               | \$42,758    |
| TAXES PAID                 | 1.6%                  | \$160,925    | 7.9%                 | \$289,834   | 1.5%               | \$23,754    |
| INTEREST PAID              | 0.4%                  | \$40,231     | 0.9%                 | \$33,019    | 0.8%               | \$12,669    |
| DEPRECIATION, ETC.         | 0.8%                  | \$80,463     | 3.1%                 | \$113,732   | 1.2%               | \$19,004    |
| PENSIONS/BENEFITS          | 0.8%                  | \$60,347     | 0.5%                 | \$18,344    | 1.0%               | \$15,836    |
| OTHER                      | 15.2%                 | \$1,528,792  | 46.1%                | \$1,691,308 | 17.3%              | \$273,968   |
| <b>TOTAL</b>               | 97.8%                 | \$9,836,568  | 98.9%                | \$3,628,423 | 96.2%              | \$1,523,452 |
| <b>GROSS PROFIT</b>        | 2.2%                  | \$221,272    | 1.1%                 | \$40,357    | 3.8%               | \$60,178    |

**OPERATING RESULTS (PER CHART 7-6: "PROFESSIONAL REAL ESTATE DEVELOPMENT")**

|  |                    |
|--|--------------------|
| LAND COSTS   | \$500,000          |
| DEVELOPMENT COSTS  | \$3,500,000        |
| <b>TOTAL PROJECT COSTS</b>   | <b>\$4,000,000</b> |
| GROSS LEASABLE FLOOR AREA  | 55,000             |
| TOTAL OPERATING COSTS@ \$2.86/SF   | \$157,300          |
| ANNUAL DEBT SERVICE ON<br>75% OF TOTAL PROJECT COSTS<br>(9% FOR 10 YRS.) | \$467,460          |
| <b>TOTAL REVENUES REQUIRED</b>   | <b>\$624,760</b>   |

|  |           |                   | GLA    | RENT/GLA |
|--|-----------|-------------------|--------|----------|
| GROCERY STORES @ 25.3% OF TOTAL REVENUES | \$636,069 | @32% OF GLA---->  | 17,600 | \$9.14   |
| DRUG STORES @ 6.7% OF TOTAL REVENUES     | \$538,179 | @8.9% OF GLA----> | 4,895  | \$4.85   |



# USES OF FUNDS

*UNIVERSITY VILLAGE SHOPPING CENTER*

*55,000 SF*

|       | PLAN        | ACTUAL      |
|-------|-------------|-------------|
| LAND  | \$500,000   | \$500,000   |
| BLDGS | \$3,000,000 | \$3,400,000 |
| TOTAL | \$3,500,000 | \$3,900,000 |

# SOURCES OF FUNDS (PLAN)

---

## *UNIVERSITY VILLAGE SHOPPING CENTER*

BANK - \$1,750,000 (8.25%; 20 YRS.)

---

CITY - \$900,000 (4%; 15 YRS.)

---

PRIVATE PARTNER - \$450,000 (83% Equity)

---

BANK PARTNER - \$200,000 (10% Equity)

---

SEEDCO/CDC - \$200,000  
(6%;7 YRS.=7% Equity)

---

TOTAL = \$3,500,000

# SOURCES OF FUNDS (ACTUAL)

---

## *UNIVERSITY VILLAGE SHOPPING CENTER*

BANK - \$1,850,000 (8.25%; 20 YRS.)

---

CITY - \$900,000 (4%; 15 YRS.)

---

PRIVATE PARTNER - \$650,000 (78%Equity)

---

BANK PARTNER - \$300,000 (15% Equity)

---

SEEDCO/CDC - \$200,000  
(6%;7 YRS.=7% Equity)

---

TOTAL = \$3,900,000

# CASH FLOW ANALYSIS

---

## *University Village Shopping Center*

|                                   |           |
|-----------------------------------|-----------|
| Gross Rent Receipts               | \$457,063 |
| 25,000 sf @ \$6.35/sf             |           |
| 8,450 sf @ \$7.25/sf              |           |
| 21,550 sf @ \$11/sf               |           |
| Total Operating Costs @ \$2.50/sf | \$137,500 |
| Net Operating Income              | \$319,500 |
| Funds for Debt Svc @ 1.05 DSR     | \$304,345 |

# Debt Service Analysis (Plan)

---

## *University Village Shopping Center*

|                        |                  |
|------------------------|------------------|
| <b>Funds Available</b> | <b>\$304,345</b> |
|------------------------|------------------|

---

|                            |           |
|----------------------------|-----------|
| \$1,750,000 (8.25%;20 yrs) | \$181,570 |
|----------------------------|-----------|

---

|                        |          |
|------------------------|----------|
| \$900,000 (4%;15 yrs.) | \$80,947 |
|------------------------|----------|

---

|                        |          |
|------------------------|----------|
| \$200,000 (6%; 7 yrs.) | \$38,152 |
|------------------------|----------|

---

|                |           |
|----------------|-----------|
| Total Debt Svc | \$300,670 |
|----------------|-----------|

# Debt Service Analysis (Actual)

---

## *University Village Shopping Center*

|                        |                  |
|------------------------|------------------|
| <b>Funds Available</b> | <b>\$304,345</b> |
|------------------------|------------------|

---

|                               |           |
|-------------------------------|-----------|
| \$1,850,000<br>(8.25%;20 yrs) | \$191,946 |
|-------------------------------|-----------|

---

|                        |          |
|------------------------|----------|
| \$900,000 (4%;15 yrs.) | \$80,947 |
|------------------------|----------|

---

|                        |          |
|------------------------|----------|
| \$200,000 (6%; 7 yrs.) | \$38,152 |
|------------------------|----------|

---

|                |           |
|----------------|-----------|
| Total Debt Svc | \$311,045 |
|----------------|-----------|



# SOURCES OF FUNDS (PLAN)

---

## *UNIVERSITY VILLAGE SHOPPING CENTER*

BANK - \$1,750,000 (8.25%; 20 YRS.)

---

CITY - \$900,000 (4%; 15 YRS.)

---

PRIVATE PARTNER - \$450,000 (83% Equity)

---

BANK PARTNER - \$200,000 (10% Equity)

---

SEEDCO/CDC - \$200,000  
(6%;7 YRS.=7% Equity)

---

TOTAL = \$3,500,000

# SOURCES OF FUNDS (ACTUAL)

---

## *UNIVERSITY VILLAGE SHOPPING CENTER*

BANK - \$1,850,000 (8.25%; 20 YRS.)

---

CITY - \$900,000 (4%; 15 YRS.)

---

PRIVATE PARTNER - \$650,000 (78% Equity)

---

BANK PARTNER - \$300,000 (15% Equity)

---

SEEDCO/CDC - \$200,000  
(6%; 7 YRS.=7% Equity)

---

TOTAL = \$3,900,000

# University Village Shopping Center

- **To earn a 7% share in this 55,000 SF center, the CDC**
  - **undertook a detailed (segmented) market analysis**
  - **recruited NationsBank CDC as an equity partner (15% for \$292,000)**
  - **sponsored an application to the City for a 15 year, 4%, \$900,000 loan**
  - **arranged for NationsBank construction financing and Wachovia Bank permanent financing**
  - **secured a 7 year, 6%, \$200,000 PRI from Seedco**

# Impacts of the Project

- **Eliminated an existing 25,000 SF blighted structure**
- **Introduced 140 new jobs into the area**
- **Generated \$30,000/year in property tax revenues (was \$10,000/year)**
- **Served as a catalyst for other private development & redevelopment**
- **Worked in conjunction with City-funded street, sidewalk, storm sewer, and service center projects in the area**

# Cost of Construction (Plan)

## University Village Shopping Center

|                             |  |                                      |                          | <b>GFA</b>           | <b>\$/SF</b> |
|-----------------------------|--|--------------------------------------|--------------------------|----------------------|--------------|
| <b>Buildings</b>            |  | <b>Food Lion</b>                     | <b>\$ 750,000</b>        | <b>25,000</b>        | <b>\$30</b>  |
|                             |  | <b>Eckerds</b>                       | <b>\$ 253,500</b>        | <b>8,450</b>         | <b>\$30</b>  |
|                             |  | <b>Shops</b>                         | <b><u>\$ 689,600</u></b> | <b><u>21,550</u></b> | <b>\$32</b>  |
|                             |  |                                      |                          |                      |              |
| <b>Total Building Costs</b> |  |                                      | <b>\$ 1,693,100</b>      | <b>55,000</b>        |              |
|                             |  |                                      |                          |                      |              |
|                             |  |                                      |                          |                      |              |
|                             |  | <b>Demolition of Existing Bldgs.</b> | <b>\$ 200,000</b>        |                      |              |
|                             |  | <b>Paving Parking Lots</b>           | <b>\$ 250,000</b>        |                      |              |
|                             |  | <b>Landscaping/Sidewalks/Lights</b>  | <b>\$ 142,000</b>        |                      |              |
|                             |  | <b>Legal/Title/Consulting</b>        | <b>\$ 50,000</b>         |                      |              |
|                             |  | <b>Engineering/Architecture</b>      | <b>\$ 35,000</b>         |                      |              |
|                             |  | <b>Acquisition of Land</b>           | <b>\$ 750,000</b>        |                      |              |
|                             |  | <b>Contingency</b>                   | <b>\$ 200,000</b>        |                      |              |
|                             |  | <b>Construction Interest</b>         | <b><u>\$ 180,000</u></b> |                      |              |
|                             |  |                                      |                          |                      |              |
|                             |  | <b>Soft and Other Costs</b>          | <b>\$ 1,807,000</b>      |                      |              |
|                             |  |                                      |                          |                      |              |
|                             |  | <b>Total Project Costs</b>           | <b>\$ 3,500,100</b>      |                      |              |
|                             |  |                                      |                          |                      |              |

# Operating Results (Plan)

## University Village Shopping Center

|  |    |                     | \$/SF             | GLA          | Lease Terms       |
|--|----|---------------------|-------------------|--------------|-------------------|
| Food Lion  | \$ | 158,750             | \$6.35            | 25,000       | 10 yr./flat       |
| Eckerds  | \$ | 61,263              | \$7.25            | 8,450        | 10 yr./flat       |
| Type "A" Shops   | \$ | 120,000             | \$12.00           | 10,000       | 3 yr.+ CPI        |
| Type "B" Shops   | \$ | 72,050              | \$11.00           | 6,550        | 3 yr.+ CPI        |
| Type "C" Shops   | \$ | <u>45,000</u>       | <u>\$9.00</u>     | <u>5,000</u> | 3 yr.+ CPI        |
|  | \$ | 457,063             |                   | 55,000       |                   |
| Less 10% Vacancy   | \$ | <u>(45,706)</u>     |                   | (5,500)      |                   |
| Net Rent   | \$ | 411,356             |                   |              |                   |
| Operating Expense<br>@ \$2.50/SF   | \$ | <u>(137,500)</u>    |                   |              | 3 yr. + CPI       |
| Net Operating Income   | \$ | 273,856             |                   |              |                   |
| Available for Debt Svc<br>@ 1.05 DSR   | \$ | 260,815             |                   |              |                   |
|  |    | <b>Debt Svc/Yr.</b> | <b>Principle</b>  | <b>Rate</b>  | <b>Term (yrs)</b> |
|  |    | \$181,570           | \$1,750,000       | 8.25%        | 20                |
|  |    | \$36,000            | \$ 900,000        | 4.00%        | 15                |
|  |    | <u>\$35,827</u>     | <u>\$ 200,000</u> | 6.00%        | 7                 |
|  |    | \$253,397           | \$2,850,000       |              |                   |
| <b>Note: \$900,000 City loan is interest only for 5 years, then 15 year amortization</b> |    |                     |                   |              |                   |

# Cash Flow (Plan)

## University Village Shopping Center

|                               | Year 1              | Year 2             | Year 3             | Year 4             | Year 5             | Year 6             | Year 7             | Year 8             | Year 9             | Year 10            |
|-------------------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Gross Rental Income           |                     |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Anchor Tenants                | \$ 220,013          | \$ 220,013         | \$ 220,013         | \$ 220,013         | \$ 220,013         | \$ 220,013         | \$ 220,013         | \$ 220,013         | \$ 220,013         | \$ 220,013         |
| Non-anchor Retail Space       | \$ 237,050          | \$ 248,903         | \$ 261,348         | \$ 274,415         | \$ 288,136         | \$ 302,543         | \$ 317,670         | \$ 333,553         | \$ 350,231         | \$ 367,742         |
| Less 10% Vacancy              | <u>\$ (45,706)</u>  | <u>\$ (46,892)</u> | <u>\$ (48,136)</u> | <u>\$ (49,443)</u> | <u>\$ (50,815)</u> | <u>\$ (52,256)</u> | <u>\$ (53,768)</u> | <u>\$ (55,357)</u> | <u>\$ (57,024)</u> | <u>\$ (58,776)</u> |
| Net Rental Income             | \$ 411,357          | \$ 422,024         | \$ 433,225         | \$ 444,985         | \$ 457,334         | \$ 470,300         | \$ 483,914         | \$ 498,210         | \$ 513,219         | \$ 528,980         |
| Operating Expense             | <u>\$ (137,500)</u> | <u>(143,000)</u>   | <u>(148,720)</u>   | <u>(154,669)</u>   | <u>(160,856)</u>   | <u>(167,290)</u>   | <u>(173,981)</u>   | <u>(180,941)</u>   | <u>(188,178)</u>   | <u>(195,705)</u>   |
| Net Operating Income          | \$ 273,857          | \$ 279,024         | \$ 284,505         | \$ 290,316         | \$ 296,478         | \$ 303,010         | \$ 309,933         | \$ 317,269         | \$ 325,041         | \$ 333,274         |
| Available for Debt Svc @ 1.05 | \$ 260,816          | \$ 265,737         | \$ 270,957         | \$ 276,492         | \$ 282,360         | \$ 288,581         | \$ 295,174         | \$ 302,161         | \$ 309,563         | \$ 317,404         |
| Bank loan                     | \$ (181,570)        | \$(181,570)        | \$(181,570)        | \$(181,570)        | \$(181,570)        | \$(181,570)        | \$(181,570)        | \$(181,570)        | \$(181,569)        | \$(181,568)        |
| City loan                     | \$ (36,000)         | \$ (36,000)        | \$ (36,000)        | \$ (36,000)        | \$ (36,000)        | (\$80,947)         | (\$80,947)         | (\$80,947)         | (\$80,947)         | (\$80,947)         |
| Foundation PRI                | <u>\$ (35,827)</u>  | <u>\$ (35,827)</u> | <u>\$ (35,827)</u> | <u>\$ (35,827)</u> | <u>\$ (35,827)</u> | <u>\$ (35,827)</u> | <u>\$ (35,827)</u> | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| Total Debt Service Payments   | \$ (253,397)        | \$(253,397)        | \$(253,397)        | \$(253,397)        | \$(253,397)        | \$(298,344)        | \$(298,344)        | \$(262,517)        | \$(262,516)        | \$(262,515)        |
| Residual Owner Cash           | \$ 7,419            | \$ 12,340          | \$ 17,560          | \$ 23,095          | \$ 28,963          | \$ (9,763)         | \$ (3,170)         | \$ 39,644          | \$ 47,047          | \$ 54,889          |

# Cost of Construction (Actual)

## University Village Shopping Center

|                                      |  |                  |                     | GFA           | \$/SF       |
|--------------------------------------|--|------------------|---------------------|---------------|-------------|
| <b>Buildings</b>                     |  | <b>Food Lion</b> | <b>\$ 800,000</b>   | <b>25,000</b> | <b>\$32</b> |
|                                      |  | <b>Eckerds</b>   | <b>\$ 270,400</b>   | <b>8,450</b>  | <b>\$32</b> |
|                                      |  | <b>Shops</b>     | <b>\$ 689,600</b>   | <b>21,550</b> | <b>\$32</b> |
|                                      |  |                  |                     |               |             |
| <b>Total Building Costs</b>          |  |                  | <b>\$ 1,760,000</b> | <b>55,000</b> |             |
|                                      |  |                  |                     |               |             |
|                                      |  |                  |                     |               |             |
| <b>Demolition of Existing Bldgs.</b> |  |                  | <b>\$ 200,000</b>   |               |             |
| <b>Paving Parking Lots</b>           |  |                  | <b>\$ 250,000</b>   |               |             |
| <b>Landscaping/Sidewalks/Lights</b>  |  |                  | <b>\$ 200,000</b>   |               |             |
| <b>Legal/Title/Consulting</b>        |  |                  | <b>\$ 50,000</b>    |               |             |
| <b>Engineering/Architecture</b>      |  |                  | <b>\$ 40,000</b>    |               |             |
| <b>Acquisition of Land</b>           |  |                  | <b>\$ 750,000</b>   |               |             |
| <b>Contingency</b>                   |  |                  | <b>\$ 400,000</b>   |               |             |
| <b>Construction Interest</b>         |  |                  | <b>\$ 250,000</b>   |               |             |
|                                      |  |                  |                     |               |             |
| <b>Soft and Other Costs</b>          |  |                  | <b>\$ 2,140,000</b> |               |             |
|                                      |  |                  |                     |               |             |
| <b>Total Project Costs</b>           |  |                  | <b>\$ 3,900,000</b> |               |             |
|                                      |  |                  |                     |               |             |



# Operating Results (Actual)

## University Village Shopping Center

|  |                 | \$/SF             | GLA    | Lease Terms |
|--|-----------------|-------------------|--------|-------------|
| Food Lion  | \$ 158,750      | \$6.35            | 25,000 | 10 yr./flat |
| Eckerds  | \$ 61,263       | \$7.25            | 8,450  | 10 yr./flat |
| Type "A" Shops   | \$ 150,000      | \$15.00           | 10,000 | 3 yr.+ CPI  |
| Type "B" Shops   | \$ 93,338       | \$14.25           | 6,550  | 3 yr.+ CPI  |
| Type "C" Shops   | \$ 62,500       | \$12.50           | 5,000  | 3 yr.+ CPI  |
|  | \$ 525,850      |                   | 55,000 |             |
| Less 0% Vacancy  | \$ -            |                   | -      |             |
| Net Rent   | \$ 525,850      |                   |        |             |
| Operating Expense<br>@ \$4.29/SF   | \$ (235,950)    |                   |        | 3 yr. + CPI |
| Net Operating Income   | \$ 289,900      |                   |        |             |
| Available for Debt Svc<br>@ 1.05 DSR   | \$ 276,095      |                   |        |             |
|  | Debt Svc/Yr.    | Principle         | Rate   | Term (yrs)  |
|  | \$191,946       | \$1,850,000       | 8.25%  | 20          |
|  | \$36,000        | \$ 900,000        | 4.00%  | 15          |
|  | <u>\$35,827</u> | <u>\$ 200,000</u> | 6.00%  | 7           |
|  | \$263,773       | \$2,950,000       |        |             |
| <b>Note: \$900,000 City loan is interest only for 5 years, then 15 year amortization</b> |                 |                   |        |             |

# Cash Flow (Actual)

## University Village Shopping Center

|                               | Year 1       | Year 2      | Year 3      | Year 4      | Year 5      | Year 6       | Year 7      | Year 8      | Year 9      | Year 10     |
|-------------------------------|--------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|
| Gross Rental Income           |              |             |             |             |             |              |             |             |             |             |
| Anchor Tenants                | \$ 220,013   | \$ 220,013  | \$ 220,013  | \$ 220,013  | \$ 220,013  | \$ 220,013   | \$ 220,013  | \$ 220,013  | \$ 220,014  | \$ 220,015  |
| Non-anchor Retail Space       | \$ 305,838   | \$ 321,130  | \$ 337,186  | \$ 354,046  | \$ 371,748  | \$ 390,335   | \$ 409,852  | \$ 430,345  | \$ 451,862  | \$ 474,455  |
| Less 0% Vacancy               | \$ -         | \$ -        | \$ -        | \$ -        | \$ -        | \$ -         | \$ -        | \$ -        | \$ -        | \$ -        |
| Net Rental Income             | \$ 525,851   | \$ 541,143  | \$ 557,199  | \$ 574,059  | \$ 591,761  | \$ 610,348   | \$ 629,865  | \$ 650,358  | \$ 671,876  | \$ 694,470  |
| Operating Expense             | \$ (235,950) | (245,388)   | (255,204)   | (265,412)   | (276,028)   | (287,069)    | (298,552)   | (310,494)   | (322,914)   | (335,830)   |
| Net Operating Income          | \$ 289,901   | \$ 295,755  | \$ 301,996  | \$ 308,647  | \$ 315,733  | \$ 323,279   | \$ 331,313  | \$ 339,864  | \$ 348,962  | \$ 358,640  |
| Available for Debt Svc @ 1.05 | \$ 276,096   | \$ 281,671  | \$ 287,615  | \$ 293,950  | \$ 300,698  | \$ 307,885   | \$ 315,536  | \$ 323,680  | \$ 332,345  | \$ 341,562  |
| Bank loan                     | \$ (191,946) | \$(191,946) | \$(191,946) | \$(191,946) | \$(191,946) | \$(191,946)  | \$(191,946) | \$(191,946) | \$(191,946) | \$(191,946) |
| City loan                     | \$ (36,000)  | \$ (36,000) | \$ (36,000) | \$ (36,000) | \$ (36,000) | (\$80,947)   | (\$80,947)  | (\$80,947)  | (\$80,947)  | (\$80,947)  |
| Foundation PRI                | \$ (35,827)  | \$ (35,827) | \$ (35,827) | \$ (35,827) | \$ (35,827) | \$ (35,827)  | \$ (35,827) | \$ -        | \$ -        | \$ -        |
| Total Debt Service Payments   | \$ (263,773) | \$(263,773) | \$(263,773) | \$(263,773) | \$(263,773) | \$ (308,720) | \$(308,720) | \$(272,893) | \$(272,893) | \$(272,893) |
| Residual Owner Cash           | \$ 12,324    | \$ 17,899   | \$ 23,843   | \$ 30,177   | \$ 36,925   | \$ (835)     | \$ 6,817    | \$ 50,787   | \$ 59,452   | \$ 68,669   |

# Evaluation of Alternative Financial Scenarios (Net Rents)

| Year | Plan           |                  | Year | Actual         |                  |
|------|----------------|------------------|------|----------------|------------------|
| 0    | \$ (3,458,100) | Equity           | 0    | \$ (3,900,000) | Equity           |
| 1    | \$ 411,357     | Net Rents        | 1    | \$ 525,851     | Net Rents        |
| 2    | \$ 422,024     |                  | 2    | \$ 541,143     |                  |
| 3    | \$ 433,225     |                  | 3    | \$ 557,199     |                  |
| 4    | \$ 444,985     |                  | 4    | \$ 574,059     |                  |
| 5    | \$ 457,334     |                  | 5    | \$ 591,761     |                  |
| 6    | \$ 470,300     |                  | 6    | \$ 610,348     |                  |
| 7    | \$ 483,914     |                  | 7    | \$ 629,865     |                  |
| 8    | \$ 498,210     |                  | 8    | \$ 650,358     |                  |
| 9    | \$ 513,220     |                  | 9    | \$ 671,876     |                  |
| 10   | \$ 528,982     |                  | 10   | \$ 694,470     |                  |
| 10   | \$ 5,233,095   | Resale           | 10   | \$ 5,233,095   | Resale           |
|      |                |                  |      |                |                  |
|      |                |                  |      |                |                  |
|      | 14.7%          | = IRR            |      | 15.7%          | = IRR            |
|      | \$5,039,777    | = PV             |      | \$5,908,374    | = PV             |
|      | \$1,581,677    | = PV less Equity |      | \$2,008,374    | = PV less Equity |
|      | 9.5%           | = discount rate  |      | 9.5%           | = discount rate  |
|      |                |                  |      |                |                  |

# Evaluation of Alternative Financial Scenarios (Residual Cash Flow)

| Year | Plan                                  |                    |
|------|---------------------------------------|--------------------|
| 0    | \$ (3,458,100)                        | Equity             |
| 1    | \$ 7,419                              | Residual Cash Flow |
| 2    | \$ 12,340                             |                    |
| 3    | \$ 17,560                             |                    |
| 4    | \$ 23,095                             |                    |
| 5    | \$ 28,963                             |                    |
| 6    | \$ (9,763)                            |                    |
| 7    | \$ (3,170)                            |                    |
| 8    | \$ 39,644                             |                    |
| 9    | \$ 47,048                             |                    |
| 10   | \$ 54,891                             |                    |
| 10   | \$ 5,233,095                          | Resale             |
|      |                                       |                    |
|      |                                       |                    |
|      | 4.3% = IRR                            |                    |
|      | \$2,248,522 = PV                      |                    |
|      | <b>(\$1,209,578)</b> = PV less Equity |                    |
|      | 9.5% = discount rate                  |                    |

| Year | Actual                                |                    |
|------|---------------------------------------|--------------------|
| 0    | \$ (3,900,000)                        | Equity             |
| 1    | \$ 12,324                             | Residual Cash Flow |
| 2    | \$ 17,899                             |                    |
| 3    | \$ 23,843                             |                    |
| 4    | \$ 30,177                             |                    |
| 5    | \$ 36,925                             |                    |
| 6    | \$ (835)                              |                    |
| 7    | \$ 6,817                              |                    |
| 8    | \$ 50,787                             |                    |
| 9    | \$ 59,452                             |                    |
| 10   | \$ 68,669                             |                    |
| 10   | \$ 5,233,095                          | Resale             |
|      |                                       |                    |
|      |                                       |                    |
|      | 3.3% = IRR                            |                    |
|      | \$2,303,796 = PV                      |                    |
|      | <b>(\$1,596,204)</b> = PV less Equity |                    |
|      | 9.5% = discount rate                  |                    |

# Managing Partner Relations

- **Beggars can't be choosers, but in choosing partners (or in being chosen by partners) there are things you need to know**
  - **do they bring skills or resources that you don't have ?**
  - **check out their expectations (do they expect a “riskless” deal ?)**
  - **check out their psychological and financial patience (how soon “must they get paid” ?)**
  - **check out their ability and willingness to negotiate changes (when conditions or assumptions change, will they ?)**

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