MAXWELL·HENDRY·SIMMONS
real estate appraisers & consultants

Needs Analysis Study

Proposed 18-unit Multi-Family Project

1950 Grace Avenue
Fort Myers, Lee County, Florida 33901

Date of Report: 6 July 2022

File Name: 21126004 – New Hampshire Court, LLC

Prepared For
New Hampshire Court, LLC
2536 Third Street
Fort Myers, Florida 33901

Info@MHSappraisal.com
(239) 337-0555 · MHSappraisal.com
1619 Jackson Street, Fort Myers, FL 33901

MAXWELL·HENDRY·SIMMONS
real estate appraisers & consultants

6 July 2022

New Hampshire Court, LLC
2536 Third Street
Fort Myers, Florida 33901

Attention: Mr. Jerome Miller

Re: Needs Analysis Study of a proposed multi-family project to be located at 1950 Grace Avenue, Fort Myers, Florida 33901

Dear Mr. Miller:

As you requested, attached please find the results of our Needs Analysis Study for the proposed 18-unit, multi-family project to be located at 1950 Grace Avenue, Fort Myers, Florida. The purpose of this analysis is to determine if the project, as proposed, provides a financial return sufficient to entice development of the property. This analysis assumes the property is developed with the proposed apartment/multi-family project with a total of 18 dwelling units. The intended use of the assignment is understood to be to determine if there is a need for additional funding such as Tax Increment Financing (TIF) funding or other subsidies to entice development. The intended users of this report are New Hampshire Court, LLC and the City of Fort Myers CRA.

Based upon our analysis, it is our opinion that the proposed project falls short of meeting investor expectations for a multi-family development in this market area of the City of Fort Myers. The subject is located within the Cleveland Avenue Redevelopment Area. As proposed, based on the proposed budget, a typical developer would not consider the project to be financially feasible. As will be illustrated in the analysis to follow, we have estimated an achievable shortfall or a need of additional funding of $435,000 to produce a more economically feasible project, assuming an 85% rebate paid out up to 15 years. If you have any questions, please feel free to contact our office.

Respectfully submitted,

Gerald A. Hendry, MAI, CCIM
State-Certified General Real Estate Appraiser
RZ 2245

TABLE OF CONTENTS

Overview of Project

Full details on the property and the proposed project can be found in the Property Description section to this report and in the consultant's workfile. The following is a summary of the proposed project:

- Proposed project consists of 20,791 square feet or 0.48 acres of land area.

- The subject of the analysis consists of a proposed 18-unit multifamily project. The project is expected to be completed in 2023.

- The project will consist of a five-story building consisting of 15,244 square feet of building area. The project will offer 18 studio units of approximately 555 square feet each.

- Amenities will be limited to onsite parking and requisite landscaping, utilities, etc.

Process of Needs Analysis

In determining if there is a need for supplemental funding such as Tax Increment Financing rebates, we focused on the cost of the project in comparison to future cash flows of the project over a typical investment holding period. We have considered the internal rate of return (IRR) for the proposed project. In addition, we have also considered the annual return on cost of the annual cash flows. Internal Rate of Return is defined by *The Dictionary of Real Estate Appraisal,* Seventh Edition as:

> *The annualized yield rate or rate of return on capital that is generated within an investment or portfolio over a period of ownership. Alternatively, the indicated return on capital associated with a projected or pro forma income stream.*

Although other metrics can be analyzed, the use of an IRR is a widely recognized and accepted metric for determining feasibility of a project. Moreover, as per the Fort Myers Community Redevelopment Agency (CRA), Tax Increment Financing Guidelines, IRR is a criteria for the CRA to consider:

Criteria for TIF Assistance

All the following financial criteria must be met in order to be considered for TIF assistance.

1) **Equity Requirement**. Projects that exceed 30% equity will be looked upon favorably by the CRA. Equity is defined as cash or un-leveraged value in land or prepaid costs attributable to the project. TIF shall not be used to supplant cash equity.
2) **TIF Cap**. The total amount of TIF assistance should not exceed 10-20% (except for of total project costs. This limitation may be waived upon approval by the BOC.
3) **Self-Supporting Projects**. Each project requesting TIF assistance should generate enough tax increment to cover the requested TIF assistance and a portion of any public infrastructure costs within the district.
   a. No increment from other private development projects within the area may be used to supplement another project's inability to generate enough tax increment to cover project costs.
4) **Internal Rate of Return**. The amount of assistance provided to a developer will be limited to the amount necessary to provide the developer a reasonable rate of return on investment in the project and the subject site. A developer's return on equity, return on cost or internal rate of return will be based on current market conditions as determined by the CRA or CRA's financial advisor.
5) **Commitment from Financial Institution.** Provide proof of a commitment by a financial institution, person or entity to provide lending and/or equity for the project sufficient to for financing constructing, equipping, furnishing, and completing the project and the cost related thereto.

5 | TaxIncrementFinancingGuideline

In the Needs Analysis, we will estimate the IRR of the proposed project based on projected cash flows and projected total project costs. The cash flows will be projected by the analyst based on the developer proforma, as well as market derived rental and expense data. In the cash flow analysis, the total project costs will serve as an initial cash outflow and the net income from the project will serve as cash inflows over the holding period once the project is completed. We have estimated an unlevered IRR (assuming no debt) and a levered IRR (assuming debt on the project). Once the IRR projections were complete, we compared the projected returns to market desired returns to determine if the proposed project will or will not provide a sufficient return to meet the return expectations for this type of project in Fort Myers.

BUDGET – CASH OUTFLOWS

As provided by the developer, the total project cost and construction budget is summarized as follows:

		$ PSF Saleable	Total	Per Unit
Land		$32	$324,000	$18,000
Land		$32	$324,000	$18,000
Hard Costs				
Building Cost		$250	$2,497,500	$138,750
Parking Cost		$9	$88,000	$4,000
Total Cost		$259	$2,585,500	$143,639
Soft Costs		$ PSF Saleable	Total	Per Unit
Architects, Engineers, Consultants		$8	$80,000	$4,444
Legal and Development Costs		$5	$50,000	$2,778
Marketing, Sales & Shortfall		$5	$50,000	$2,778
Financing & Interest Costs		$11	$110,000	$6,111
Permit and Impact Fees		$15	$145,000	$8,000
Real Estate Tax, Insurance, and Misc.		$8	$75,000	$4,167
Misc. and Contingency		$5	$50,000	$2,778
Total Soft Costs		$56	$560,000	$31,111
Total Cost		$347	$3,469,500	$192,750

For purposes of this analysis, we have considered the total project cost based on the developers proposed cost and the developers cost of land. The developer currently owns the land which was acquired on 13 November 2020 for $195,000. The property was assembled and subsequently combined into one parcel currently known as 1950 Grace Avenue. Although the developer has inputted land value at $324,000, for purposes of this analysis, we have lowered the land cost to $250,000 based upon an analysis completed on the property in April 2022.

In analyzing the construction costs, we have considered the actual cost of eight proposed projects located north of the subject. As illustrated below, the subject costs are in line with other projects, albeit at the lower end of the range primarily due to the extensive amenities associated with the other projects.

Cost Comparisons	Total Cost	# Units	Cost per Unit
City Walk	$52,829,652	300	$176,099
SUBJECT - 1950 Grace Avenue	*$3,469,500*	*18*	*$192,750*
Redburn - Hanson Street	$65,660,353	336	$195,418
Seaboard/Billy's Creek	$82,167,139	420	$195,636
Silver Hills Phase I	$75,524,386	327	$230,961
Easton	$62,392,000	270	$231,081
Silver Hills Phase II	$29,610,000	126	$235,000
SOHO Sight	$56,596,101	221	$256,091
Vantage (incl. 4,014 sf retail)	$60,672,878	217	$279,599

The largest component of the total development costs is the building cost which has been estimated by FIRMO Construction which is broken down as follows:

FIRMO CONSTRUCTION ™

Firmo Construction, LLC
205 N. Orange Avenue, Suite 301
Sarasota, FL 34236
LIC #GCC0007249 | LIC # CGC1508283

Prepared Date: 4/27/2022
Prepare By: Ryan Oradat
Lead Estimator

PROJECT DETAILS		
Owner Name	Jerry Miller	
Company Name	SSK Management of Florida	
Owner Email	jerry@firmoconstruction.com	
Project Name	14 Unit Apartment Building	
Project Address	1950 Grace Ave	
Project City & State	Fort Myers	Florida
Projected Project SQFT	15244	
Projected Acres	0.48	
Projected Building Perimeter	7056	
Bedrooms	18	
Bathrooms	18.0	
Garage Bays	0	
Number of Floors	5	
Floor Height	12	
Sitework Complexity	Light	
Estimated Project Duration	10.00	Months

Rough Budget Disclosure

* Based on Schematic Floor Plans
* Metals has been excluded
* Wood, Plastics, and Composites is allocated as an allowance
* Site Construction is allocated as an allowance
* Exterior Improvements are allocated as an allowance
* Communications has beed excluded
* Based on Owner Responsibilty Matrix

CONSTRUCTION COST		
Division 00 - General Requirements	$	44,614.76
Division 00 - General Conditions	$	110,078.37
Division 03 - Concrete	$	221,112.60
Division 04 - Masonry	$	352,054.87
Division 05 - Metals	$	-
Division 06 - Wood, Plastics, and Composites	$	148,500.00
Division 07 - Thermal And Moisture Protection	$	221,808.00
Division 08 - Openings	$	129,500.00
Division 09 - Finishes	$	297,418.70
Division 10 - Specialties	$	18,741.42
Division 11 - Equipment	$	80,460.00
Division 12 - Furnishings	$	19,800.00
Division 14 - Conveying Equipment	$	150,000.00
Division 22 - Plumbing	$	87,920.00
Division 23 - Mechanical (HVAC)	$	144,000.00
Division 26 - Electrical	$	109,900.00
Division 27 - Communications	$	-
Division 28 - Electronic Safety & Security	$	6,630.00
Division 31 - Earthwork & Site Work	$	200,000.00
Division 32 - Exterior Improvements	$	100,394.65
GL & WC Insurance	$	25,780.69
GC Profit	$	119,915.93
Project Total	$	2,588,629.99
Cost Per Square Foot	$	169.81
Cost Per Key	$	143,812.78

As a result of the information provided, as well as our "filtering" of this information we have reconstructed and lowered the estimated development costs as follows:

Project Cost - adjusted	Cost	Per Unit	Per Sq.Ft.
Land	$250,000	$13,889	$16.40
Hard Construction Costs	$2,585,500	$143,639	$169.61
Architectural/Engineering/Geotech	$80,000	$4,444	$5.25
Finance Costs/interest	$110,000	$6,111	$7.22
Impact Fees/Permit fees	$145,000	$8,056	$9.51
Legal/Development Costs	$50,000	$2,778	$3.28
Real Estate tax, insurance, misc.	$75,000	$4,167	$4.92
Marketing	$50,000	$2,778	$3.28
Misc. and Contingency	$50,000	$2,778	$3.28
TOTAL PROJECT COST	$3,395,500	$188,639	$222.74

These reconstructed costs will be utilized in the projected cash flow analysis. We will assume that half of these costs will be paid upfront for deposits and as funds from investors to cover expenses. The second half of these costs are assumed to be paid in Year 1 or the construction period projected to occur in 2023.

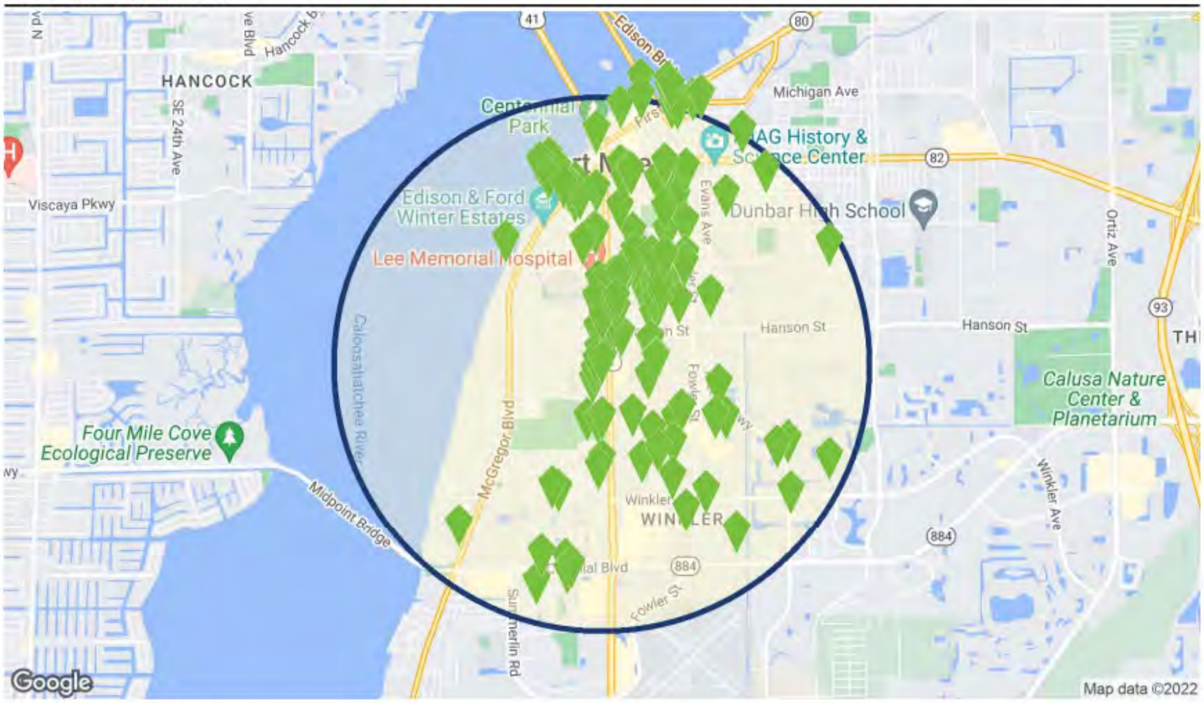
CASH FLOW INPUTS

In estimating the potential cash flow inflows on the proposed project, we have considered rental data on apartments in the Central Fort Myers market area and newly developed projects in the Lee County market to determine the income potential of the project. Furthermore, we have considered the potential expenses of the project based on comparable apartment data and industry publications.

Surrounding the subject property there has been limited new construction of multifamily projects. Within the Central Fort Myers markets, the average year built for multifamily projects is 1975 and even lower within a two mile radius of the subject property with an average year built of 1970. As a result, average rental rates are typically lower than the surrounding Lee County market given the older product. The following are the metrics within a two-mile radius of the subject property:

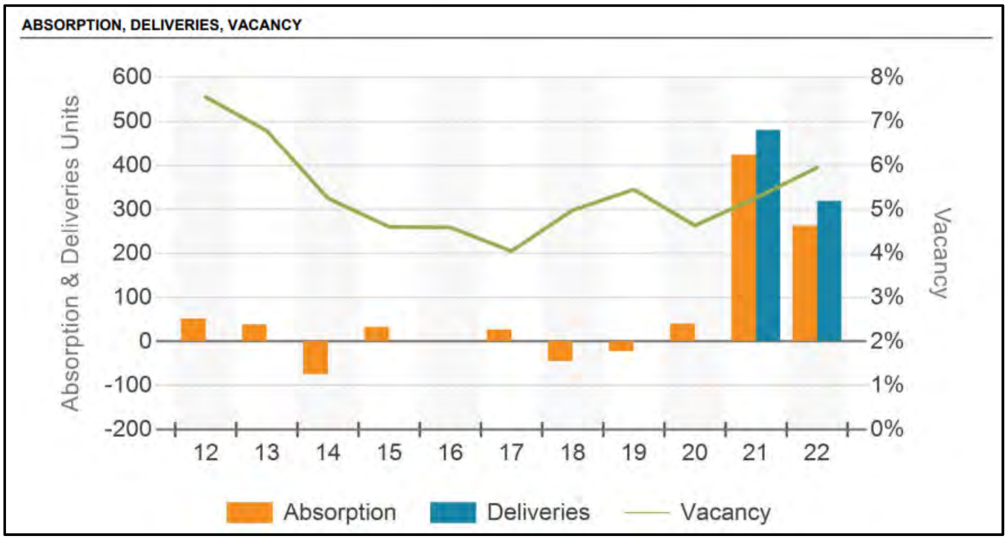
Buildings	Avg. Rent Per Unit	Avg. Rent Per SF	Avg. Vacancy Rate
130	$1,370	$1.58	6.0%

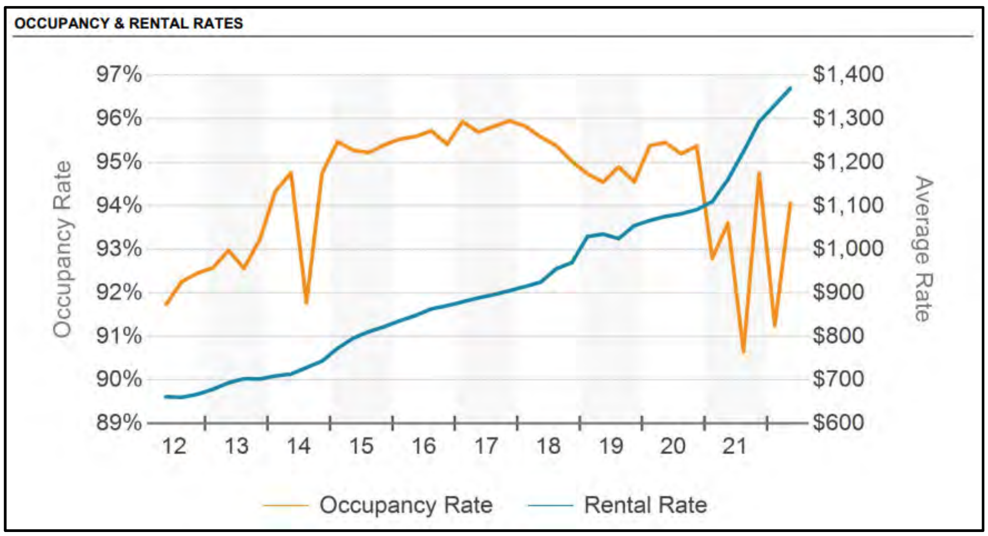
PROPERTIES IN SURVEY

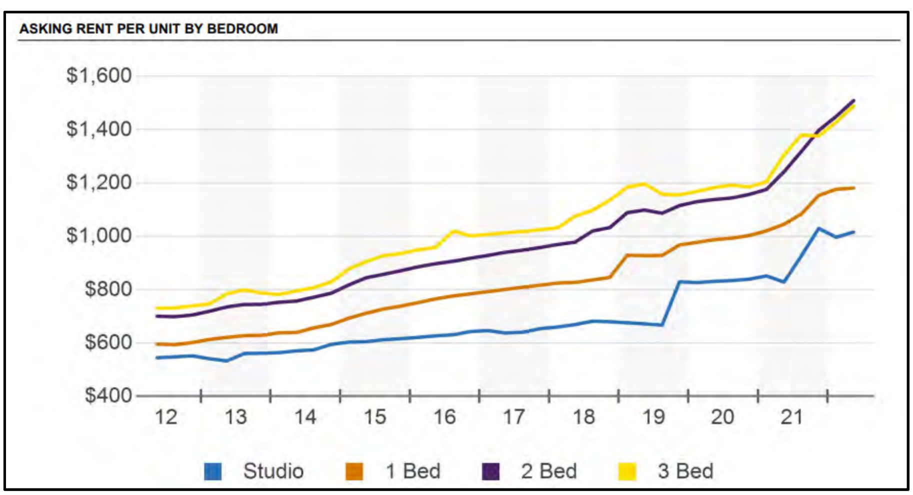


SUMMARY STATISTICS

Unit Breakdown	Low	Average	Median	High
Total Units	1	48	12	352
Studio Units	0	2	0	84
One Bedroom Units	0	17	0	183
Two Bedroom Units	0	23	6	230
Three Bedroom Units	0	4	0	96
Property Attributes	**Low**	**Average**	**Median**	**High**
Year Built	1900	1970	1973	2023
Number of Floors	1	2	2	16
Average Unit Size SF	442	866	834	1,400
Vacancy Rate	0.0%	6.0%	4.9%	96.2%


ABSORPTION, DELIVERIES, VACANCY
Absorption & Deliveries Units
Vacancy
600
500
400
300
200
100
0
-100
-200
8%
7%
6%
5%
4%
3%
2%
1%
0%
12
13
14
15
16
17
18
19
20
21
22
Absorption
Deliveries
Vacancy


OCCUPANCY & RENTAL RATES
Occupancy Rate
Average Rate
97%
96%
95%
94%
93%
92%
91%
90%
89%
$1,400
$1,300
$1,200
$1,100
$1,000
$900
$800
$700
$600
12
13
14
15
16
17
18
19
20
21
Occupancy Rate
Rental Rate


ASKING RENT PER UNIT BY BEDROOM
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
12
13
14
15
16
17
18
19
20
21
Studio
1 Bed
2 Bed
3 Bed

SUMMARY STATISTICS

Leasing Units	Survey	5-Year Avg
Vacant Units	336	262
Vacancy Rate	6.0%	5.3%
12 Mo. Absorption Units	662	105

Inventory in Units	Survey	5-Year Avg
Existing Units	5,749	4,946
12 Mo. Const. Starts	0	213
Under Construction	102	511
12 Mo. Deliveries	637	213

Rents	Survey	5-Year Avg
Studio Asking Rent	$1,015	$791
1 Bed Asking Rent	$1,180	$908
2 Bed Asking Rent	$1,508	$1,091
3+ Bed Asking Rent	$1,488	$1
Concessions	0.5%	0.7%

Sales	Past Year	5-Year Avg
Sale Price Per Unit	$199,519	$150,308
Asking Price Per Unit	$134,230	$86,881
Sales Volume (Mil.)	$346	$102
Cap Rate	5.0%	6.9%

Source: CoStar

As a comparison to Lee County, the following are key metrics for a two mile radius of the subject versus Lee County for the multifamily market:

Two Mile Radius of Subject

INVENTORY UNITS	UNDER CONSTRUCTION UNITS	12 MO ABSORPTION UNITS	VACANCY RATE	MARKET RENT/UNIT	MARKET SALE PRICE/UNIT	MARKET CAP RATE
5,647 +12.7%	102 -86.2%	621 +909.0%	5.9% -0.5%	$1,370 +18.1%	$174K +22.7%	4.7% -0.3%
Prior Period 5,010	Prior Period 739	Prior Period 62	Prior Period 6.4%	Prior Period $1,160	Prior Period $142K	Prior Period 5.0%

Lee County

INVENTORY UNITS	UNDER CONSTRUCTION UNITS	12 MO ABSORPTION UNITS	VACANCY RATE	MARKET RENT/UNIT	MARKET SALE PRICE/UNIT	MARKET CAP RATE
48,543 +4.5%	2,900 -21.3%	3,002 -37.4%	5.2% -2.3%	$1,697 +17.4%	$228K +20.2%	4.5% -0.3%
Prior Period 46,475	Prior Period 3,686	Prior Period 4,794	Prior Period 7.5%	Prior Period $1,446	Prior Period $190K	Prior Period 4.8%

The developer of the subject project is proposing a total 18 studio apartment units to consist of 555 square feet of living area. As per the developer proforma, the rents are projected at $1,293 per month per unit. We have analyzed the multifamily market and have concluded a slightly higher monthly rent of $1,300. This is estimated based on studio rents in newly constructed projects in the City of Fort Myers, and older projects surrounding the subject property. Within a two-mile radius of the subject property, the average year built for apartment complexes is 1970. This area is relatively built-out and has experienced less new development than the City of Fort Myers or Lee County. The expectation for rental rates on the subject property is higher than the surrounding multifamily projects, but lower than the typical new, amenitized projects. The following is a summary of the rental projects considered in estimating the projected rent for the proposed project:

PROJECT	YEAR BUILT	BEDROOM/ BATH	UNIT SIZES (SF)	MONTHLY RENT	MONTHLY RENT PER SF
Newer Projects:					
Edison Grand - 2500 Edwards Dr.	2018	studio	360	$1,325	$3.68
West End at City Walk - 2250 McGregor	2021	studio	630	$1,607	$2.55
Vive - 3200 Champion Ring Rd.	2021	studio	623	$1,300	$2.09
Oasis Grand - 3040 Oasis Grand Blvd.	2008	studio	629	$1,700	$2.70
Decorum - 9851 Decorum Dr.	2019	studio	638	$1,646	$2.58
Average	2017	studio	576	$1,516	$2.72
Low	2008	studio	360	$1,300	$2.09
High	2021	studio	638	$1,700	$3.68
Older Projects:					
Hilton House - 3079 Cleveland Ave.	1972	studio	413	$900	$2.18
Palm Villas - 8372 Beacon Blvd.	1968	studio	575	$850	$1.48
Boardwalk - 4626 Deleon St.	1973	studio	525	$1,273	$2.42
Oxford House - 3580 Central Ave.	1973	studio	450	$819	$1.82
Peppertree - 3027 Broadway	1995	small 1/1	630	$937	$1.49
The Lakeside - 2315 Central Ave.	1978	small 1/1	599	$1,196	$2.00
Residences at Grand - 2810 Grand Ave.	1973	small 1/1	679	$1,054	$1.55
Grand Apartments - 2057 Linhart Ave.	1959	small 1/1	550	$1,054	$1.92
Average	1974	studio	553	$1,010	$1.86
Low	1959	studio	413	$819	$1.48
High	1995	small 1/1	679	$1,273	$2.42

The estimated monthly rent of $1,300 equates to $2.34 per square foot which is lower than the average of the newer projects ($2.72 per square foot) and higher than the average of the older projects ($1.86 per square foot).

Conclusion/Estimate of Potential Rental Income

Based on the estimated pricing, we have considered the following base rental rates for the proposed project and the potential annual rental income as follows:

BEDROOM/ BATH	# OF UNITS	LIVING AREA(sq.ft.)	ESTIMATED BASE MARKET RENT	ESTIMATED MKT RENT/SF	POTENTIAL ANNUAL RENT
Studio	18	555	$1,300	$2.34	$280,800

In addition to the rental income, we have estimated other income, vacancy/collection loss, and operating expenses on the proposed project. The developer has provided the following proforma which was considered but reconstructed based on the expenses on other projects and national apartment data. The developer proforma is as follows:

Allen Park- Stabilized Rental Pro Forma -			
Income	SF	Monthly	Total
Studios	555	$1,293	$279,320
Total Rent	555	$1,293	$279,320
Plus Ancillary Income		$450	$5,400
Less Vacancy & Collection	5.0%		$13,966
Total Income			$270,754
Expenses			
Administration	1.00%	$155	$2,793
Advertising/Promotion	0.75%	$116	$2,095
Utilites	1.25%	$194	$3,492
Building Maintenance	1.50%	$233	$4,190
Ground Maintenance	1.25%	$194	$3,492
Unit Turnover	1.00%	$155	$2,793
Security	0.50%	$78	$1,397
Payroll Burden	4.50%	$698	$12,569
Real Estate Taxes with TIFF Reduction	8.00%	$1,241	$22,346
Insurance	3.00%	$466	$8,380
Misc.	1.00%	$155	$2,793
Management Fee	2.00%	$310	$5,586
Total Expenses	25.75%	$3,996	$71,925
PROJECTED NOI			$198,829

Other Income

We have also considered income related to view/floor premium, and other ancillary income (late fees, pet fees, etc.). This other income was estimated at $7,308. As a comparison, the developer proforma considers $5,400 for other income.

Vacancy and Collection Loss/Effective Gross Income

As the subject property is proposed, it is projected that upon completion there will be a lease up period to reach stabilization. We considered a lease up for the subject as follows:

	YEAR (2024)	YEAR (2025)	YEAR (2026)	YEAR (2027)	YEAR (2028)	YEAR (2029)	YEAR (2030)
Vacancy Estimate	25.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Operating Expenses

In this scenario, the subject property is proposed and no historic operating expenses are obviously available. We have considered operating expenses on other comparable projects in Florida as well as operating expenses from the 2021 National Apartment Association Survey of Operating Income and Expenses in Rental Apartment Communities. Moreover, consideration was given to projections provided by the subject developer. The following is a summary of the National Apartment Operating Income and Expense data:

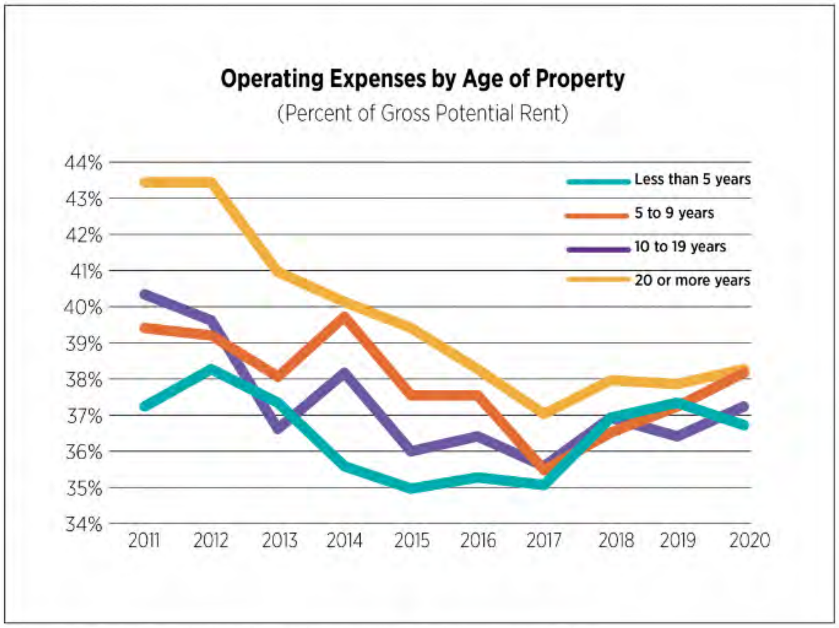
ALL MARKET RENT PROPERTIES OPERATING INCOME & EXPENSE DATA

INDIVIDUAL METERED AND RECOVERY SYSTEM PROPERTIES*

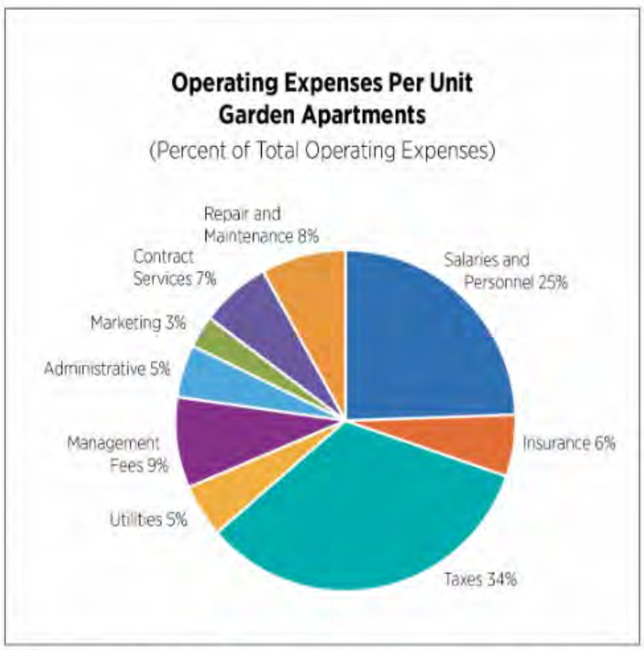
	TOTAL			GARDEN			MID- & HIGH-RISE		
Number of Properties		2,709			2,177			532	
Number of Units		745,109			601,632			143,477	
Avg. No. of Units/Property		275			276			270	
Avg. No. of Square Feet/Unit		942			954			894	
Turnover rate in %		47%			46%			33%	
Revenues	**$ Per Unit**	**$ Per Sq. Ft.**	**% of GPR**	**$ Per Unit**	**$ Per Sq. Ft.**	**% of GPR**	**$ Per Unit**	**$ Per Sq. Ft.**	**% of GPR**
Gross Potential Rent	16,658	17.68	100.0%	15,242	15.98	100.0%	22,593	25.27	100.0%
Rent Revenue Collected	15,209	16.14	91.3%	14,081	14.76	92.4%	19,939	22.30	88.3%
Losses to Vacancy	1,061	1.13	6.4%	864	0.91	5.7%	1,890	2.11	8.4%
Collection Losses	156	0.17	0.9%	143	0.15	0.9%	210	0.24	0.9%
Losses to Concessions	231	0.25	1.4%	154	0.16	1.0%	554	0.62	2.5%
Other Revenue	991	1.05	5.9%	917	0.96	6.0%	1,301	1.45	5.8%
Total Revenue	**16,199**	**17.19**	**97.2%**	**14,997**	**15.73**	**98.4%**	**21,239**	**23.76**	**94.0%**
Operating Expenses									
Salaries and Personnel	1,511	1.60	9.1%	1,416	1.48	9.3%	1,909	2.13	8.4%
Insurance	339	0.36	2.0%	327	0.34	2.1%	390	0.44	1.7%
Taxes	2,259	2.40	13.6%	1,934	2.03	12.7%	3,623	4.05	16.0%
Utilities	302	0.32	1.8%	278	0.29	1.8%	406	0.45	1.8%
Management Fees	528	0.56	3.2%	495	0.52	3.2%	665	0.74	2.9%
Administrative	290	0.31	1.7%	267	0.28	1.8%	384	0.43	1.7%
Marketing	225	0.24	1.4%	185	0.19	1.2%	394	0.44	1.7%
Contract Services	422	0.45	2.5%	382	0.40	2.5%	587	0.66	2.6%
Repair and Maintenance	528	0.56	3.2%	487	0.51	3.2%	699	0.78	3.1%
Total Operating Expenses	**6,403**	**6.80**	**38.4%**	**5,771**	**6.05**	**37.9%**	**9,057**	**10.13**	**40.1%**
Net Operating Income	**9,796**	**10.40**	**58.8%**	**9,227**	**9.67**	**60.5%**	**12,182**	**13.63**	**53.9%**
Capital Expenditures	**1,753**	**1.86**	**10.5%**	**1,726**	**1.81**	**11.3%**	**1,871**	**2.09**	**8.3%**

* Individual Meter and Recovery System (submeter, RUBS, flat fee) for primary utility.

Source: National Apartment Association 2021 Survey of Operating Income & Expenses in Rental Apartment Communities



Source: NAA 2021 Survey of Operating Income & Expenses; market rate, individually metered & recovery system properties



Source: NAA 2021 Survey of Operating Income & Expenses; market rate, individually metered & recovery system properties

Fixed Expenses

Fixed expenses are those expenses that do not normally vary with occupancy.

- Real Estate Taxes: In order to estimate the potential real estate obligation upon completion of the project, we have considered the tax burden for other multifamily projects in the area. The following is a summary of the preliminary 2022 Assessed Values for comparable projects in Southwest Florida:

Projects		2022 Preliminary Market Assessed Value	Market Assessed Value Per Unit
The Reef at Winkler	160	$35,021,113	$218,882
Vista at Eastwood	360	$73,746,893	$204,852
Mosaic at the Forum	252	$50,719,464	$201,268
The Edison	327	$65,021,188	$198,842
Cypress Legends	332	$53,059,850	$159,819
Oasis at Cypress Woods	298	$58,415,722	$196,026
Grand Central	280	$55,527,193	$198,311
Park at Veneto (built 1987)	282	$35,584,688	$126,187
Edison Estates (built 1967)	12	$1,105,580	$92,132
Brechin Apartments (built 1979)	36	$3,134,790	$87,078
Park Place (built 1973)	174	$22,440,183	$128,967
Average	**228**	**$41,252,424**	**$164,760**

As shown above, the assessed values on a per unit basis range from a low of $87,078 per unit in a 1979-built project known as Brechin Apartments to a high of $218,882 per unit in a 2020-built project known as The Reef at Winkler. We have analyzed a mix of older projects in the subject market area and newer projects in the City of Fort Myers. Based on the average year built of 1970 for multifamily projects within a two-mile radius of the subject property, there have been very few new, multifamily projects to compare to the proposed subject development. The older projects considered had a range of market assessed value per unit of $87,078/unit to $128,967/unit. The newer projects considered had a range of market assessed value per unit of $159,819/unit to $218,882/unit.

The developer has projected ad valorem taxes at $44,130 per year. In this analysis, we have estimated the subject assessed value at $140,000 per unit and corresponding projected taxes as follows:

Estimated Assessed Value per unit	$140,000
x # units	18
Projected Market Assessed Value	$2,520,000
x Millage Rate	0.0183762
Projected Ad Valorem Taxes	$46,308
Rounded	$46,000

- Insurance: This item represents the fire and extended coverage, liability coverage, and any flood coverage needed to utilize a property for rental income. We have considered a total of 12 comparable apartment projects in the Lee County market to determine the potential expense for the subject property. The 12 comparable properties have insurance expenses ranging from a low of $366 per unit to a high of $757 per unit. We have also considered expense surveys for multifamily projects which indicated national insurance rates from $327/unit/year to $390/unit/year. The subject developer has estimated this expense at $440/unit/year or $7,912. Considering the overall quality of construction, smaller project size, and recognizing the rising insurance environment in Florida, we estimate an insurance expense for the subject property to be $450 per unit or $8,100 per year.

Variable Expenses

Variable expenses are those expenses that do normally vary with occupancy.

- Management: This item represents a typical management fee for overseeing the operations of a project similar to the subject property. Based on comparable projects as well as the National Apartment Association Survey, we estimate this expense at 4.00% of effective gross income given the smaller size of the project which is slightly higher than the survey averages..

- Salaries/Personnel: This item represents onsite leasing and management as well as onsite maintenance personnel. Based on operating expense surveys and other comparable expenses, we estimate this expense at $1,000 per unit or $18,000 per year.

- Maintenance/Repairs/Contract Services: Maintenance cost represents any necessary non-capital maintenance expenses as well as contract services such as lawn service, pool service, etc. Based on comparable expenses as well as the apartment surveys, we estimate this expense at $800 per unit per year or $14,400 per year.

- Utilities: This reflects the charges for any common utilities, such as exterior lighting, trash pickup and any water/sewer costs not covered in the annual lease amount, etc. This expense is based on comparable apartment expenses as well as the apartment survey, and developer projections. We have estimated the utilities expense to be $200 per unit or $3,600 per year.

- Administrative/Marketing: This would include any licensing fees as well as marketing expenses and other general administrative expenses associated with the property. We have estimated this expense based on surveys at $200 per unit or $3,600 per year.

- Miscellaneous: Miscellaneous expenses include accounting fees, legal fees, and other fees. We estimate this expense at $3,000.

Allowance For Replacement

Historically, allowance for this type of property have ranged from approximately $150 per unit per year to $400 per unit per year. Based on other comparable projects, we have estimated this expense at $200 per unit per year or $3,600 per year.

TOTAL OPERATING EXPENSES

Utilizing the above information, we have estimated total operating expenses for the subject property at 39.65% of effective gross income as stabilized. This expense ratio falls in line with apartment projects in the market and similar to the 2021 National Apartment Association Survey of Operating Income & Expenses.

CONCLUSION OF CASH FLOWS

		1	2	3	4	5	6	7
		YEAR (2024)	YEAR (2025)	YEAR (2026)	YEAR (2027)	YEAR (2028)	YEAR (2029)	YEAR (2030)
INCOME								
Rental Income		$ 280,800	$ 290,628	$ 300,800	$ 311,328	$ 322,224	$ 333,502	$ 345,175
View Premiums		$ 4,500	$ 4,658	$ 4,821	$ 4,989	$ 5,164	$ 5,345	$ 5,532
Garage income		-	$ -	$ -	$ -	$ -	$ -	$ -
Other Income		2,808	$ 2,906	$ 3,008	$ 3,113	$ 3,222	$ 3,335	$ 3,452
Total PGI		$ 288,108	$ 298,192	$ 308,628	$ 319,430	$ 330,611	$ 342,182	$ 354,158
VACANCY	YR 1=25%,YR 2-7=5%	72,027	14,910	15,431	15,972	16,531	17,109	17,708
EFFECTIVE INCOME		$ 216,081	$ 283,282	$ 293,197	$ 303,459	$ 314,080	$ 325,073	$ 336,450
LESS EXPENSES								
Fixed:								
	Real Estate Taxes	$ 46,000	$ 47,610	$ 49,276	$ 51,001	$ 52,786	$ 54,634	$ 56,546
	Insurance	8,100	$ 8,384	$ 8,677	$ 8,981	$ 9,295	$ 9,620	$ 9,957
	Total	$ 54,100	$ 55,994	$ 57,953	$ 59,982	$ 62,081	$ 64,254	$ 66,503
Variable:								
	Management Fees	$ 8,643	$ 11,331	$ 11,728	$ 12,138	$ 12,563	$ 13,003	$ 13,458
	Salaries and Personnel	18,000	$ 18,630	$ 19,282	$ 19,957	$ 20,655	$ 21,378	$ 22,127
	Maintenance/Repairs/Contract Svcs	14,400	$ 14,904	$ 15,426	$ 15,966	$ 16,524	$ 17,103	$ 17,701
	Utilities	3,600	$ 3,726	$ 3,856	$ 3,991	$ 4,131	$ 4,276	$ 4,425
	Administrative/Marketing	3,600	$ 3,726	$ 3,856	$ 3,991	$ 4,131	$ 4,276	$ 4,425
	Miscellaneous expenses	3,000	$ 3,105	$ 3,214	$ 3,326	$ 3,443	$ 3,563	$ 3,688
	Total	$ 51,243	$ 55,422	$ 57,362	$ 59,370	$ 61,448	$ 63,598	$ 65,824
Reserves:		$ 3,600	$ 3,726	$ 3,856	$ 3,991	$ 4,131	$ 4,276	$ 4,425
Total Expenses:		$ 108,943	$ 115,142	$ 119,172	$ 123,343	$ 127,660	$ 132,128	$ 136,752
	Expense Ratio(%)	50.42%	40.65%	40.65%	40.65%	40.65%	40.65%	40.65%
NOI		$ 107,138	$ 168,140	$ 174,025	$ 180,116	$ 186,420	$ 192,945	$ 199,698

UNLEVERED IRR (NO DEBT)

In our analysis, we will consider an unlevered IRR considering the project cost (adjusted) estimate of \$3,395,500 less financing cost which equates to \$3,285,500. These cost outflows are estimated to occur over time and, as such, we considered one half (\$1,642,750) of the outflow to occur upfront or in Year 0 and one half (\$1,642,750) of the outflow to occur in Year 1 or during construction in 2023. These outflows will be considered along with the previously estimated cash flows over an eight-year period with the first year representing the construction period in which no rental income is received. We will also recognize the future sale of the property at the end of the period. This hypothetical sale at the end of the holding period or reversionary value has been estimated based on a projected Year 9 net operating income capitalized at a terminal capitalization rate of 4.75% (greater than current going in capitalization rates to reflect uncertainty in future dates). In addition, we have deducted a 5% cost of sale to derive the net sales proceed of the reversionary value at the end of Year 8. The following is a summary of the projected unlevered IRR for the proposed project:

	Year 0	Year 1 - 2023	Year 2 -2024	Year 3 - 2025	Year 4 -2026	Year 5 - 2027	Year 6 - 2028	Year 7 -2029	Year 8 - 2030
Total Project Cost	($1,642,750)	($1,642,750)							
Projected Net Operating Income (NOI)		$ -	$ 107,138	$ 168,140	$ 174,025	$ 180,116	$ 186,420	$ 192,945	$ 199,698
Reversionary Value:									
Year 8 NOI									$ 206,687
Terminal Capitalization Rate									4.75%
Gross Sales Proceeds (end of Year 8)									$ 4,351,316
Less: Cost of Sale (5%)									$ 217,566
Net Sale Proceeds									$ 4,133,750
NET CASH FLOWS	**$ (1,642,750)**	**$ (1,642,750)**	**$ 107,138**	**$ 168,140**	**$ 174,025**	**$ 180,116**	**$ 186,420**	**$ 192,945**	**$ 4,333,448**
Yield on Cost		**0.00%**	**3.26%**	**5.12%**	**5.30%**	**5.48%**	**5.67%**	**5.87%**	**6.08%**
Unlevered IRR	**7.40%**								

As illustrated above, based on the project cost and the projected cash flows, we have estimated an unlevered IRR of 7.40%. Further, as stabilized, the return or yield on cost ranges from 3.26% to 6.00%.

LEVERED IRR (WITH DEBT)

In our analysis, we also considered a levered IRR considering the projected equity and debt components of the subject property. For purposes of this analysis, we have surveyed banks and reviewed other debt terms for small projects such as the subject. These projects typically fall below the threshold of institutional investors and would most likely be financed using traditional sources such as a federally related financial institution. The consensus from debt sources would be an interest only construction loan for approximately 12 to 18 months. After construction, the loan would convert to a permanent loan with rates currently ranging from 5.50% to 6.00% for this size loan and property type. For this analysis, we considered the following terms for the levered IRR:

Estimated Financing Terms:	
LTV	70.00%
Debt	$2,376,850
Equity	$1,018,650
Proposed Loan Interest Rate	5.50%
Proposed Amortization Term	30
Estimated Loan Payment (monthly)	($13,495.49)
Estimated Annual Payment	($161,945.91)

Similar to our estimated financing terms, the developers proforma considers a loan-to-value (LTV) of 70%, a 30-year amortization, and a 5.50% interest rate. The following is a summary of the estimated levered IRR for the proposed project:

	Year 0	Year 1 - 2023	Year 2 -2024	Year 3 - 2025	Year 4 -2026	Year 5 - 2027	Year 6 - 2028	Year 7 -2029	Year 8 - 2030
Equity Investment	($509,325.00)	($509,325.00)							
Projected Net Operating Income (NOI)		$ -	$ 107,138	$ 168,140	$ 174,025	$ 180,116	$ 186,420	$ 192,945	$ 199,698
Annual Debt Service		$ -	$ (161,946)	$ (161,946)	$ (161,946)	$ (161,946)	$ (161,946)	$ (161,946)	$ (161,946)
Net Income After Debt Service		$ (509,325)	$ (54,808)	$ 6,194	$ 12,079	$ 18,170	$ 24,474	$ 30,999	$ 37,752
Reversionary Value:									
Year 6 NOI									$ 206,687
Terminal Capitalization Rate									4.75%
Gross Sales Proceeds (end of Year 8)									$ 4,351,316
Less: Cost of Sale (5%)									$ (217,566)
Less: Remaining Loan Balance									$ (2,111,020)
Net Sale Proceeds									$ 2,022,729
NET CASH FLOWS	**$ (509,325)**	**($509,325)**	**($54,808)**	**$6,194**	**$12,079**	**$ 18,170**	**$ 24,474**	**$30,999**	**$2,060,481**
Yield on Cost		**0.00%**	**-5.38%**	**0.61%**	**1.19%**	**1.78%**	**2.40%**	**3.04%**	**3.71%**
Levered IRR Return on Equity	**9.96%**								

As illustrated above, based on the project cost and the projected cash flows, we have estimated a levered IRR of 9.96%. Further, as stabilized, the return or yield on cost ranges from 0.61% to 3.71%.

Market Desired IRR and Return on Cost

In order to determine if the subject IRR and return on cost estimations are sufficient to meet market demands, we have considered several resources. It should be noted the majority of these resources include returns for similar multi-family projects. However, these represent *stabilized* projects as opposed to the subject which will be newly constructed and *unstabilized*. For the subject property, we are considering a project which is land only to be developed into a multi-family project which would typically be a greater risk to an investor than a stabilized project in the market.

The following is a sampling of the resources considered in determining market acceptable returns:

According to the PwC Real Estate Investor Survey, Second Quarter 2022, expected discount rates or internal rates of return (unlevered) for stabilized multifamily properties is shown below:

NATIONAL APARTMENT MARKET
Second Quarter 2022

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	4.75% – 10.00%	5.00% – 10.00%	5.00% – 10.00%	5.25% – 10.00%	5.50% – 10.00%
Average	6.72%	6.62%	6.69%	7.11%	7.28%
Change (Basis Points)		+ 10	+ 3	– 39	– 56
OVERALL CAP RATE (OAR)[a]					
Range	3.00% – 7.00%	3.00% – 7.00%	3.50% – 7.00%	3.50% – 7.00%	3.50% – 8.00%
Average	4.45%	4.40%	4.96%	5.14%	5.40%
Change (Basis Points)		+ 5	– 51	– 69	– 95
RESIDUAL CAP RATE					
Range	3.50% – 7.00%	3.50% – 7.00%	4.00% – 7.00%	4.00% – 7.00%	4.50% – 8.00%
Average	4.76%	4.81%	5.31%	5.47%	5.82%
Change (Basis Points)		– 5	– 55	– 71	– 106
MARKET RENT CHANGE[b]					
Range	0.00% – 15.00%	0.00% – 15.00%	(5.00%) – 5.00%	0.00% – 5.00%	(1.00%) – 5.00%
Average	4.10%	3.84%	1.28%	2.48%	2.64%
Change (Basis Points)		+ 26	+ 282	+ 162	+ 146
EXPENSE CHANGE[b]					
Range	0.00% – 8.00%	0.00% – 6.00%	0.00% – 8.00%	0.00% – 3.00%	2.00% – 3.00%
Average	3.20%	3.00%	3.03%	2.59%	2.69%
Change (Basis Points)		+ 20	+ 17	+ 61	+ 51
MARKETING TIME[c]					
Range	1 – 12	1 – 12	1 – 12	1 – 9	1 – 9
Average	4.3	4.3	4.4	3.6	3.8
Change (▼, ▲, =)		=	▼	▲	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

REGIONAL APARTMENT MARKETS
Second Quarter 2022

	PACIFIC REGION					SOUTHEAST REGION				
	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)[a]										
Range	5.50% – 9.00%	5.00% – 7.00%	5.00% – 9.75%	5.00% – 10.00%	5.25% – 10.00%	5.00% – 7.00%	5.25% – 7.00%	6.00% – 8.00%	5.25% – 9.50%	5.75% – 10.00%
Average	6.67%	6.00%	6.85%	6.60%	6.75%	5.78%	6.10%	6.53%	6.93%	7.50%
Change (Basis Points)		+ 67	– 18	+ 7	– 8		– 32	– 75	– 115	– 172
OVERALL CAP RATE (OAR)[a]										
Range	3.25% – 5.00%	3.00% – 4.50%	3.25% – 5.50%	3.65% – 6.00%	3.50% – 6.00%	2.50% – 4.50%	3.25% – 5.00%	4.00% – 5.00%	3.75% – 6.50%	3.50% – 6.50%
Average	4.06%	3.85%	4.28%	4.54%	4.49%	3.85%	4.25%	4.58%	4.98%	5.10%
Change (Basis Points)		+ 21	– 22	– 48	– 43		– 40	– 73	– 113	– 125
RESIDUAL CAP RATE										
Range	4.00% – 5.50%	4.00% – 5.00%	4.00% – 6.00%	4.00% – 6.00%	4.25% – 6.00%	3.50% – 5.00%	4.00% – 6.00%	4.25% – 6.00%	4.25% – 7.00%	4.50% – 7.00%
Average	4.65%	4.50%	4.80%	5.00%	5.00%	4.53%	4.73%	5.03%	5.50%	5.75%
Change (Basis Points)		+ 15	– 15	– 35	– 35		– 20	– 50	– 97	– 122
MARKET RENT CHANGE[b]										
Range	2.00% – 5.00%	1.00% – 5.00%	(2.50%) – 5.00%	0.00% – 5.00%	0.00% – 5.00%	0.00% – 5.00%	0.00% – 5.00%	0.00% – 3.00%	0.00% – 4.00%	1.00% – 4.00%
Average	3.92%	3.50%	1.75%	2.35%	2.85%	3.10%	2.20%	1.60%	2.50%	3.05%
Change (Basis Points)		+ 42	+ 217	+ 157	+ 107		+ 90	+ 150	+ 60	+ 5
EXPENSE CHANGE[b]										
Range	2.00% – 4.00%	2.00% – 3.00%	2.00% – 3.50%	0.00% – 3.00%	0.00% – 3.00%	2.00% – 4.00%	2.00% – 4.00%	2.00% – 4.00%	2.00% – 4.00%	2.00% – 3.00%
Average	2.83%	2.70%	2.90%	2.23%	2.23%	3.00%	3.00%	3.00%	2.90%	2.80%
Change (Basis Points)		+ 13	– 7	+ 60	+ 60		0	0	+ 10	+ 20
MARKETING TIME[c]										
Range	1 – 9	1 – 9	1 – 9	1 – 9	1 – 9	1 – 6	1 – 6	1 – 6	1 – 6	1 – 6
Average	4.2	4.5	3.9	3.6	4.1	3.4	4.2	4.2	3.8	3.3
Change (▼, ▲, =)		▼	▲	▲	▲		▼	▼	▼	▲

a. Rate on unleveraged, all-cash transactions
b. Initial rate of change
c. In months

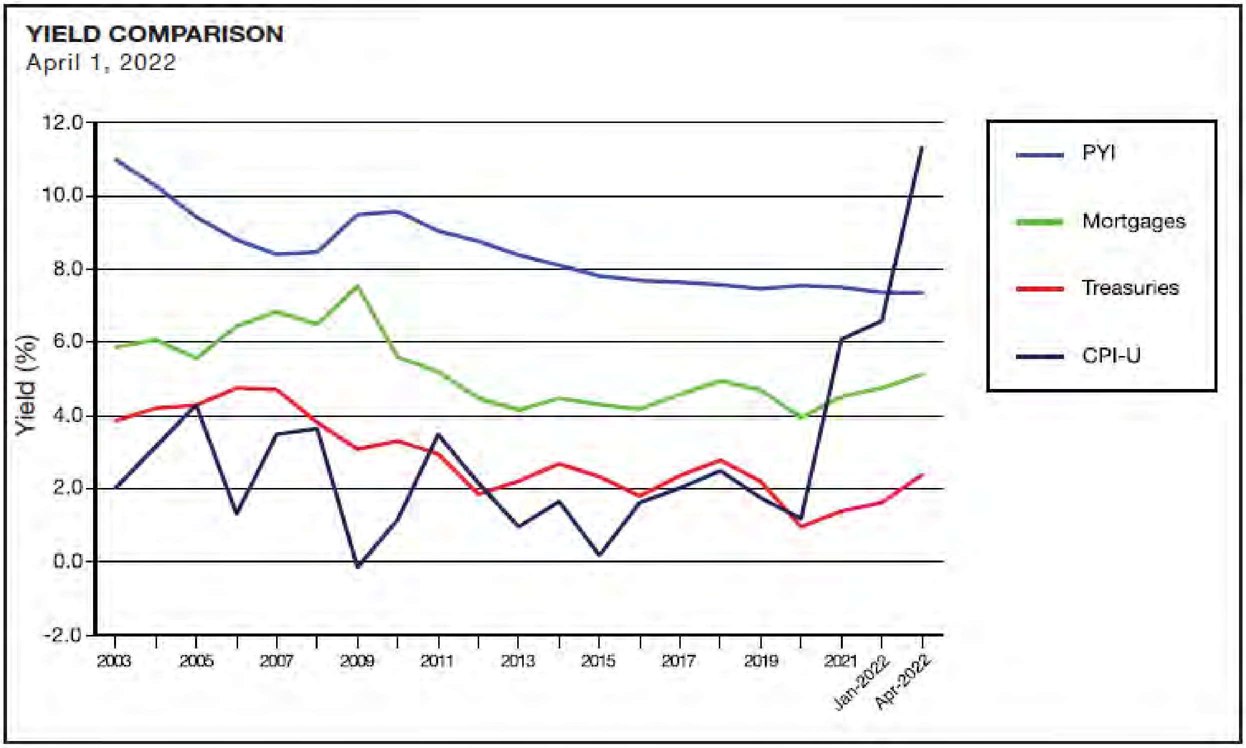
RERC Regional Investment Criteria – 1Q 2022 | South Investment Criteria

	Office		Industrial			Retail			Apt	Student Housing	Hotel
	CBD	SUB	WHSE	R&D	FLEX	RGNL MALL	POWER CENTER	NEIGH/ COMM			
FIRST-TIER INVESTMENT PROPERTIES[1] Pre-Tax Yield Rate (IRR) (%)											
Range	7.0 - 10.0	7.0 - 10.3	6.0 - 10.0	7.8 - 9.0	6.0 - 10.5	7.0 - 10.5	7.8 - 10.5	7.0 - 10.0	5.0 - 8.5	5.8 - 8.0	9.0 - 10.5
Average	8.7	8.8	7.8	8.4	8.4	9.4	8.7	8.4	6.7	6.9	9.7
Going-In Cap Rate (%)											
Range	5.5 - 8.0	6.0 - 8.0	4.0 - 7.5	6.0 - 8.0	5.0 - 9.0	5.5 - 9.5	6.0 - 8.0	5.5 - 8.0	3.8 - 6.5	4.3 - 6.5	7.0 - 9.0
Average	7.1	7.2	6.0	7.0	6.8	8.1	7.4	7.1	5.1	5.4	8.1
Terminal Cap Rate (%)											
Range	6.0 - 9.5	6.3 - 10.0	4.5 - 9.0	6.7 - 8.8	5.2 - 10.0	5.8 - 10.0	6.5 - 8.5	6.0 - 9.0	4.2 - 7.0	4.8 - 7.5	7.5 - 9.5
Average	7.6	7.9	6.6	7.5	7.5	8.5	7.8	7.6	5.5	6.3	8.7
SECOND-TIER INVESTMENT PROPERTIES[2] Pre-Tax Yield Rate (IRR) (%)											
Range	8.0 - 12.5	8.5 - 12.5	7.0 - 12.5	8.4 - 12.0	8.0 - 13.0	9.0 - 13.0	8.5 - 15.8	8.0 - 12.8	6.3 - 12.8	6.8 - 8.5	10.0 - 13.0
Average	9.7	9.7	8.8	9.5	9.4	10.8	10.0	9.6	8.0	7.9	10.8
Going-In Cap Rate (%)											
Range	6.5 - 10.0	7.0 - 10.0	5.0 - 10.0	7.0 - 10.5	5.2 - 10.5	7.0 - 10.8	6.9 - 10.0	6.5 - 10.0	4.2 - 8.5	5.3 - 7.0	8.0 - 10.0
Average	8.0	8.2	7.0	8.2	7.9	9.3	8.3	8.1	6.2	6.3	9.0
Terminal Cap Rate (%)											
Range	7.0 - 10.8	7.3 - 10.8	5.4 - 10.8	7.4 - 11.5	5.4 - 11.5	7.5 - 12.8	7.2 - 11.8	7.0 - 11.3	4.3 - 9.8	5.8 - 8.3	8.5 - 10.5
Average	8.6	8.7	7.6	8.8	8.5	10.0	8.9	8.7	6.7	7.3	9.6
THIRD-TIER INVESTMENT PROPERTIES[3] Pre-Tax Yield Rate (IRR) (%)											
Range	8.8 - 12.5	9.0 - 12.8	7.5 - 11.5	8.8 - 16.5	8.5 - 15.5	10.3 - 15.5	8.8 - 16.5	9.0 - 15.0	6.8 - 13.0	7.3 - 10.0	10.3 - 14.0
Average	10.4	10.5	9.3	10.7	10.3	11.8	11.0	10.5	8.6	8.8	11.9
Going-In Cap Rate (%)											
Range	7.3 - 11.0	7.3 - 11.0	5.5 - 10.5	7.5 - 13.0	5.5 - 13.0	8.5 - 13.0	7.3 - 12.5	7.3 - 12.5	4.5 - 9.0	7.0 - 8.5	8.8 - 11.0
Average	8.7	8.9	7.7	9.2	8.8	10.3	9.2	8.9	6.8	7.7	10.0
Terminal Cap Rate (%)											
Range	7.5 - 12.0	7.6 - 12.0	5.7 - 11.0	7.8 - 13.8	5.7 - 13.8	9.0 - 13.8	7.5 - 13.3	7.5 - 13.3	4.7 - 10.5	6.3 - 9.0	9.3 - 11.5
Average	9.4	9.4	8.2	9.8	9.4	11.0	9.9	9.6	7.3	8.1	10.6

[1] First-tier investment properties are defined as new or newer quality construction in prime to good locations.
[2] Second-tier investment properties are defined as aging, former first-tier properties, in good to average locations.
[3] Third-tier investment properties are defined as older properties with functional inadequacies and/or in marginal locations.
A list of Situs RERC-defined regions is available upon request.
Source RERC, 1Q 2022.

As illustrated, discount rates (IRR) for stabilized apartment projects range from 5.00% to 10.00%. However, it should be noted this range represents stabilized projects that have been developed and units have been absorbed/leased up. The subject of this analysis is a land development project which is not developed and has the risk of entitlements, construction and lease up of units. It is expected a project predevelopment would have a range of discount rates (IRR) greater than these stabilized projects.

In addition, the PWC Real Estate Investor Survey illustrates various yields for mortgages, treasuries, and a composite (PYI) of all of the stabilized IRR properties. Once again, we recognize that these represent properties which have been constructed and are stabilized as opposed to the subject property which is being developed and inherently will have more risk from development to stabilization.



PYI = PwC Yield Indicator which is a composite of IRR average of the surveyed markets excluding lodging and development land.

INSTITUTIONAL-GRADE vs NONINSTITUTIONAL-GRADE RATES

Individual Market Responses - Second Quarter 2022 (1)

	INSTITUTIONAL-GRADE RATES OVERALL CAP RATES		DISCOUNT RATES		NONINSTITUTIONAL-GRADE RATES OVERALL CAP RATES		DISCOUNT RATES		DIFFERENCE IN BASIS POINTS OVERALL CAP RATES	DISCOUNT RATES
NATIONAL	Range	Average	Range	Average	Range	Average	Range	Average	Average	Average
Strip Shopping Center Investor	5.00% – 7.50%	6.25%	8.00% – 11.00%	9.50%	7.00% – 9.50%	8.25%	8.00% – 12.00%	10.00%	200	50
Secondary Office Investor	6.00% – 8.50%	7.25%	6.75% – 8.50%	7.63%	7.00% – 9.00%	8.00%	8.00% – 10.00%	9.00%	75	138
Secondary Office Investor	6.50% – 8.00%	7.25%	8.00% – 10.50%	9.25%	7.25% – 8.25%	7.75%	9.00% – 10.00%	9.50%	50	25
Secondary Office Investor	6.00% – 7.50%	6.75%			7.00% – 8.00%	7.50%			75	
Secondary Office Investor	6.00% – 7.00%	6.50%			7.00% – 11.00%	9.00%			250	
Warehouse Investor (Southwest)	4.50% – 6.50%	5.50%	6.00% – 7.00%	6.50%	6.00% – 7.50%	6.75%	7.00% – 8.50%	7.75%	125	125
Warehouse Investor (National)	3.75% – 5.25%	4.50%	5.00% – 7.00%	6.00%	5.25% – 9.00%	7.13%	7.00% – 10.00%	8.50%	263	250
Warehouse Investor (National)	4.75% – 5.75%	5.25%			6.00% – 7.00%	6.50%			125	
Warehouse Investor (East Coast)	3.35% – 5.25%	4.30%	5.00% – 7.00%	6.00%	4.75% – 6.00%	5.38%	6.00% – 7.00%	6.50%	108	50
Apartment Investor (National)	5.00% – 7.00%	6.00%	7.00% – 9.00%	8.00%	6.00% – 8.00%	7.00%	9.00% – 11.00%	10.00%	100	200
Apartment Investor (Southwest)	4.00% – 5.00%	4.50%			4.50% – 5.50%	5.00%			50	
Medical Office Buildings Investor	4.00% – 6.75%	5.38%	5.50% – 8.50%	7.00%	6.00% – 7.50%	6.75%	6.00% – 8.50%	7.25%	138	25
Medical Office Buildings Investor	4.75% – 6.00%	5.38%			6.00% – 8.00%	7.00%			163	
INDIVIDUAL OFFICE MARKETS										
Atlanta Office Investor	4.50% – 7.50%	6.00%			7.00% – 10.00%	8.50%			250	
Austin Office Investor	5.00% – 6.50%	5.75%	6.00% – 8.50%	7.25%	6.25% – 8.00%	7.13%	7.00% – 9.00%	8.00%	138	75
Charlotte Office Investor	5.25% – 7.50%	6.38%	7.50% – 10.00%	8.75%	7.50% – 10.50%	9.00%	10.00% – 20.00%	15.00%	263	625
Chicago Office Investor	5.00% – 10.00%	7.50%	7.00% – 11.00%	9.00%	9.00% – 11.00%	10.00%	10.50% – 13.00%	11.75%	250	275
Dallas Office Investor	7.00% – 8.00%	7.50%	8.00% – 9.50%	8.75%	8.50% – 9.00%	8.75%	10.00% – 11.00%	10.50%	125	175
Los Angeles Office Investor	5.75% – 9.00%	7.38%			5.75% – 9.50%	7.63%			25	
Northern Virginia Office Investor	6.50% – 7.50%	7.00%			7.50% – 8.50%	8.00%			100	
Phoenix Office Investor	6.00% – 8.50%	7.25%			7.00% – 9.00%	8.00%			75	
Portland Office Investor	6.00% – 7.75%	6.88%			6.00% – 8.00%	7.00%			13	
San Francisco Office Investor	4.00% – 9.00%	6.50%	5.00% – 10.50%	7.75%	6.00% – 10.50%	8.25%	6.00% – 12.00%	9.00%	175	125
Seattle Office Investor	4.00% – 6.50%	5.25%			6.00% – 7.50%	6.75%			150	
Overall Data Average	**5.11% – 7.24%**	**6.17%**	**6.52% – 9.08%**	**7.80%**	**6.51% – 8.67%**	**7.64%**	**7.96% – 10.92%**	**9.44%**	**147**	**164**

(1) Each line represents one investor's responses relating to institutional-grade vs noninstitutional-grade properties in the specified market.
Source: Survey conducted by PwC during April 2022.

We have also considered the PwC Real Estate Investor Survey, Second Quarter 2022, National Development Market. This recognizes internal rates of returns (unlevered) for projects from land development through stabilization. These would include subdivision projects as well as other development projects such as retail, industrial, and apartment projects. The following is a summary of the discount rates or internal rates of return for the National Land Development markets:

DISCOUNT RATES (IRRS)[a]

Second Quarter 2022

	CURRENT QUARTER	FOURTH QUARTER 2021
FREE & CLEAR		
Range	10.00% – 30.00%	10.00% – 30.00%
Average	17.20%	16.80%
Change		+ 40

a. Rate on unleveraged, all-cash transactions; including developer's profit

NATIONAL DEVELOPMENT LAND MARKET – SELECT SURVEY RESPONSES

Second Quarter 2022

	PROPERTY TYPES	PREFERRED ABSORPTION	CHANGE RATES		MARKET CONDITIONS	DISCOUNT RATE (IRR)		FORECAST VALUE CHANGE NEXT 12 MONTHS	MARKETING PERIOD
		YEARS	LOT PRICES	DEVELOPMENT COSTS (1)	FAVOR	FREE & CLEAR	DEVELOPER PROFIT	RANGE	MONTHS
DEVELOPER Primary method of pricing is comparable sales; analysis is prepared subject to financing; project size ranges from 300 to 2000 acres; value of land currently under development ranges from $400.0 million to $2.0 billion; development is concentrated in Hawaii, California, Mexico, Montana, New York, Nevada, Texas, and Tennessee.	Single family luxury	11 to 20	3.0% to 5.0%	3.0% to 5.0%	Sellers	18.00% to 20.00%	Included in the discount rate	10.0% to 25.0%	1 to 6
PRIVATE INVESTMENT COMPANY Primary method of pricing is DCF; analysis is prepared free and clear of financing; project size ranges from one to 15 acres; value of land currently under development ranges from $5.0 to $10.0 million; prefers Texas markets.	Retail	1 to 5	0.0%	% of specific revenue	Sellers	17.00%	Included in the discount rate	(5.0%) to 5.0%	3 to 12
DEVELOPER Primary method of pricing is comparable sales; analysis is prepared free and clear of financing; project size ranges from 5 to 250 acres; value of land currently under development totals between $15.0 and $20.0 million; development is concentrated in the Midwest.	Industrial and commercial	Over 20	5.5%	% of specific revenue	Sellers	10.00% to 20.00%	Included in the discount rate	Did not disclose	7 to 12
DEVELOPER Primary method of pricing is DCF; analysis is prepared free and clear of financing; project size ranges from 1 to 400 acres; development is concentrated in Arizona, California, and Washington; value of land currently under development ranges from $25.0 to $30.0 million.	Office, industrial; R & D; housing	1 to 5	8.0% to 10.0%	5.0% to 10.0%	Sellers	12.00% to 16.00%	Included in the discount rate	6.0% to 10.0%	6 to 12
DEVELOPER Primary method of pricing is comparable sales; analysis is prepared free and clear of financing; value of land currently under development is between $1.0 and $200.0 million; development is concentrated in Texas.	Industrial	1 to 5	2.0% to 4.0%	0.0% to 3.0%	Sellers	12.00% to 30.00%	Included in the discount rate	0.0% to 5.0%	3 to 12

Source: Survey conducted by PwC during April 2022; (1) If a % is given it reflects the compound annual rate of growth applied to a specific dollar amount.

Furthermore, we have considered targeted returns for multi-family projects being offered in the multifamily market.

Based on this information as well as expectations from previous development clients, we have estimated a desired unlevered IRR to range from 10% to 15% for a land development multi-family project. As a comparison, we have estimated the unlevered IRR on the subject property at 7.40% which falls well below industry standards for desired returns based on the risk associated with development of a multi-family project. Moreover, there is considerable risk in the market given rising construction costs, an increase in multi-family supply in Southwest Florida, and relatively strict lending standards which are currently in effect. In addition, consideration was given to levered IRR expectations which would typically be greater than unlevered returns. Given the size of the project, an IRR of 12% up to 18% would be a level of return which would possibly entice development of the proposed project.

Considering an expected market IRR range, the projected IRRs for the subject would fall below expected levels and additional incentive would be needed to typically bring a project such as the subject to the market.

Conclusion of Project without TIF Assistance

Based upon our analysis, it is our opinion the proposed project falls short of meeting investor expectations for a multi-family project in this market. As proposed, based on the proposed budget, a typical developer would not consider the project to be financially feasible with unlevered returns projected at 7.40% and levered returns projected at 9.96%. Although this asset class is highly desirable in the market, given the uncertain in the global and domestic markets, this level of return would be less than acceptable.

Estimation of Projected Returns with TIF Rebate

In analyzing the proposed project with a potential TIF rebate, we have first considered the source of the rebate which is the ad valorem taxes from the City of Fort Myers and Lee County. A project such as the subject property is considered to provide a return which is less than acceptable and additional assistance will be necessary. Although the TIF rebate is a tool to assist, the source (ad valorem taxes) may improve the feasibility but may not ultimately be enough to incentivize a developer/investor to develop. Given these parameters, we will start with an estimation of the potential ad valorem taxes that may be produced and available for rebate by the CRA. Once the potential ad valorem taxes are estimated, we will then illustrate potential options for a TIF rebate to the developer. The potential TIF rebate will then be included in the IRR model to illustrate the estimated returns with a TIF rebate.

On Page 12 of this report, we have estimated total ad valorem taxes based on an estimated assessed value of $140,000 per unit:

ESTIMATED AD VALOREM TAXES

Estimated Assessed Value per unit	$140,000
x # units	18
Projected Market Assessed Value	$2,520,000
x Millage Rate	0.0183762
Projected Ad Valorem Taxes	$46,308
Rounded	$46,000

The total ad valorem taxes, as estimated upon development, are broken down as follows. In addition, the funds available to the CRA are derived from the Lee County General Revenue and City of Fort Myers as highlighted in red.

Ad Valorem Tax Breakdown Taxing Authority	Millage Rate	Estimated Taxes at Assessment of $2,520,000
Lee County General Revenue	3.8623	$9,733.00
Public School - By Local Board	2.2480	$5,664.96
Public School - By State Law	3.6430	$9,180.36
City of Fort Myers	7.5875	$19,120.50
Lee County Library Fund	0.4714	$1,187.93
SFL Water Mgmt - District Levy	0.1061	$267.37
SFL Water Mgmt - Everglade Const	0.0365	$91.98
SFL Water Mgmt - Okeechobee Levy	0.1146	$288.79
Lee County Hyacinth Control	0.0235	$59.22
Lee County Mosquito Control	0.2439	$614.63
West Coast Inland Navigation District	0.0394	$99.29
TOTAL AD VALOREM	18.3762	$46,308.02

Upon development and once the project, as proposed and developed, is included on the Lee County Tax Roll, the Cleveland Avenue CRA will receive 95% of the taxes from the Lee County General Review and City of Fort Myers taxes. This tax or increment will be calculated based on the difference between the new assessed value upon development less the 1998 base assessment for the property. The 1998 assessed value was $98,800 and will be utilized in the calculation. The calculation of the amount paid to the Cleveland Avenue CRA and potential rebate options to the developer paid out at 75%, 85%, and 95% are illustrated below:

ESTIMATED TAXES TO CRA AND POTENTIAL REBATE

Projected Assessed Value upon development	$2,520,000
1998 Base Assessed Value	$98,800
Projected Increase in Assessed Value upon development	$2,421,200
x Lee County and City of Fort Myers Millage Rate	11.4498
Amount to CRA less 5% administrative	$26,336
Rebate to Developer assuming 75.0% rebate	$19,752
Rebate to Developer assuming 85.0% rebate	$22,386
Rebate to Developer assuming 95.0% rebate	$25,019

NOTE: A 5% administrative fee is retained by Lee County and City of Fort Myers with 95% going to the Cleveland Avenue CRA.

Historically, the various City of Fort Myers CRA districts have paid TIF rebates ranging from 84% to 95% as follows:

Project	TIF Payout	Project Cost	TIF Approved	Ratio TIF/Cost
Marriott AC	95%	$28,822,671	$5,570,000	19.33%
Vantage	95%	$60,672,878	$11,400,000	18.79%
Silver Hills Phase I	95%	$75,524,000	$12,960,000	17.16%
Soho Sight Fort Myers	95%	$56,346,101	$9,535,000	16.92%
Silver Hills Phase II	95%	$29,610,000	$4,965,000	16.77%
Seaboard/Billys Creek Phase I	85%(developer lowered)	$42,100,000	$7,000,000	16.63%
Montage at Midtown	84% (phased)	$72,044,075	$11,508,000	15.97%
The Irving	85%	$25,232,871	$4,000,000	15.85%
Holiday Inn	95%-5 years/75% after	$22,773,296	$3,300,000	14.49%
Redburn - Hanson Street	85%	$65,660,353	$8,200,000	12.49%
West End/City Walk	95%	$52,829,652	$5,500,000	10.41%
Seaboard/Billys Creek Phase II	85%(developer lowered)	$42,100,000	$4,330,000	10.29%
Framework/Easton (project cancelled)	95%	$62,392,000	$6,000,000	9.62%

For purposes of this analysis, we have utilized a TIF rebate of 85% which would have a project payment of $22,386 to the developer and $3,950 to the Cleveland Avenue CRA for the first year on the Lee County Tax Rolls as developed. The CRA is projected to “sunset” in 2040 and, therefore, assuming the project, as developed is include on the tax roll in 2024, there will potentially 17 tax years to pay out a TIF rebate. In this analysis, we are assuming an 85% TIF rebate which incentivizes the developer and provides for a benefit to the CRA. In considering a rebate payout time frame, we have considered several iterations with the highest rebate being paid over the life of the CRA of 17 years, and a scenario of 15-year payout that allows for greater payment to the CRA and still provides for a minimum level of feasibility. Obviously, the higher the rebate percentage, and the greater the number of years of payout, the higher return to the developer. As will be illustrated, we have estimated a developer need, percentage rebate, and payout period that leads to the minimum level of feasibility for this project. The total rebate assuming a 3.5% increase in assessed value would be estimated as follows:

TIF REBATE AT 85% FOR 15 years		
Payment #	Tax Year	Rebate
1	2024	$22,386
2	2025	$23,201
3	2026	$24,045
4	2027	$24,919
5	2028	$25,823
6	2029	$26,759
7	2030	$27,727
8	2031	$28,730
9	2032	$29,767
10	2033	$30,841
11	2034	$31,952
12	2035	$33,103
13	2036	$34,293
14	2037	$35,525
15	2038	$36,801
16	2039	$0
17	2040	$0
TOTAL ESTIMATED TIF PAYOUT		**$435,872**

The final step of the study is to apply the estimated TIF rebate to the IRR cash flow calculations as follows:

UNLEVERED	Year 0	Year 1 -2023	Year 2 -2024	Year 3 - 2025	Year 4 -2026	Year 5 - 2027	Year 6 - 2028	Year 7 -2029	Year 8 - 2030
Total Project Cost	($1,642,750.00)	($1,642,750)							
Projected Net Operating Income (NOI)		$ -	$ 107,138	$ 168,140	$ 174,025	$ 180,116	$ 186,420	$ 192,945	$ 199,698
TIF Rebate at 85%		***$ -***	***$ 22,386***	***$ 23,201***	***$ 24,045***	***$ 24,919***	***$ 25,823***	***$ 26,759***	***$ 27,727***
Reversionary Value:									
Year 8 NOI									$ 206,687
Terminal Capitalization Rate									4.75%
Gross Sales Proceeds (end of Year 8)									$ 4,351,316
Less: Cost of Sale (5%)									$ 217,566
Net Sale Proceeds									$ 4,133,750
NET CASH FLOWS	**$ (1,642,750)**	**$ (1,642,750)**	**$ 129,523**	**$ 191,342**	**$ 198,071**	**$ 205,035**	**$ 212,243**	**$ 219,704**	**$ 4,361,175**
Yield on Cost		**-48.38%**	**3.81%**	**5.64%**	**5.83%**	**6.04%**	**6.25%**	**6.47%**	**6.70%**
Unlevered IRR	**8.51%**								

UNLEVERED	Year 9 - 2031	Year 10 - 2032	Year 11 - 2033	Year 12 - 2034	Year 13 - 2035	Year 14 - 2036	Year 15 -2037	Year 16 -2038
Total Project Cost								
Projected Net Operating Income (NOI)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TIF Rebate at 85%	***$ 28,730***	***$ 29,767***	***$ 30,841***	***$ 31,952***	***$ 33,103***	***$ 34,293***	***$ 35,525***	***$ 36,801***
Reversionary Value:								
Year 8 NOI								
Terminal Capitalization Rate								
Gross Sales Proceeds (end of Year 8)								
Less: Cost of Sale (5%)								
Net Sale Proceeds								
NET CASH FLOWS	**$ 28,730**	**$ 29,767**	**$ 30,841**	**$ 31,952**	**$ 33,103**	**$ 34,293**	**$ 35,525**	**$ 36,801**
Yield on Cost	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Unlevered IRR								

LEVERED	Year 0	Year 1 -2023	Year 2 -2024	Year 3 - 2025	Year 4 -2026	Year 5 - 2027	Year 6 - 2028	Year 7 -2029	Year 8 - 2030	Year 9 - 2031	Year 10 - 2032	Year 11 - 2033	Year 12 - 2034	Year 13 - 2035	Year 14 - 2036	Year 15 -2037	Year 16 -2038
Equity Investment	($509,325.00)	($509,325.00)															
Projected Net Operating Income (NOI)		$ -	$ 107,138	$ 168,140	$ 174,025	$ 180,116	$ 186,420	$ 192,945	$ 199,698								
Annual Debt Service		$ -	$ (161,946)	$ (161,946)	$ (161,946)	$ (161,946)	$ (161,946)	$ (161,946)	$ (161,946)								
Net Income After Debt Service		$ -	$ (54,808)	$ 6,194	$ 12,079	$ 18,170	$24,474	$30,999	$37,752								
Plus: TIF Rebate at 85%		***$ -***	***$ 22,386***	***$ 23,201***	***$ 24,045***	***$ 24,919***	***$ 25,823***	***$ 26,759***	***$ 27,727***	***$ 28,730***	***$ 29,767***	***$ 30,841***	***$ 31,952***	***$ 33,103***	***$ 34,293***	***$ 35,525***	***$ 36,801***
NET INCOME AFTER TIF REBATE		$ -	$ (32,422)	$ 29,396	$ 36,125	$ 43,089	$ 50,297	$ 57,758	$ 65,479								
Reversionary Value:																	
Year 6 NOI									$ 206,687								
Terminal Capitalization Rate									4.75%								
Gross Sales Proceeds (end of Year 8)									$ 4,351,316								
Less: Cost of Sale (5%)									$ 217,566								
Less: Remaining Loan Balance									($2,111,020.40)								
Net Sale Proceeds									$ 2,022,729								
NET CASH FLOWS	**$ (509,325)**	**($509,325)**	**($32,422)**	**$29,396**	**$36,125**	**$43,089**	**$50,297**	**$57,758**	**$2,088,209**	**$ 28,730**	**$ 29,767**	**$ 30,841**	**$ 31,952**	**$ 33,103**	**$ 34,293**	**$ 35,525**	**$ 36,801**
Yield on Cost		**-100.00%**	**-6.37%**	**5.77%**	**7.09%**	**8.46%**	**9.88%**	**11.34%**	**7.41%**	**5.64%**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Levered IRR Return on Equity	**12.56%**																

As illustrated above, in both the levered and unlevered scenarios, we have assumed a TIF rebate is paid out to the developer over 15 years and the property is sold after seven years from completion. Whether the developer continues to the receive the TIF rebate payment after a sale or the new hypothetical owner assumes these payments, the model assumes the developer would be compensated with continued TIF rebates or would be paid a lump sum or present value of these future cash flows.

The following is a comparison of the projected IRR with and without a TIF rebate:

	IRR w/out TIF Rebate	IRR with TIF Rebate
Unlevered	7.40%	8.51%
Levered	9.96%	12.56%

Conclusion of Project with TIF Assistance

The project with a project TIF rebate paid out at 85% over 15 years would obviously have an improvement in the potential feasibility of the project. The unlevered IRR increases from 7.40% to 8.51% while the levered returns increase from 9.96% to 12.45%. Although this need may not be acceptable to all developers, the TIF rebate would provide incentivize to some investors given the uncertainty associated with the financial markets at the current time and lack of alternative investments. Given the source of funds for a TIF rebate being a portion of the ad valorem taxes, there is a finite amount that will be generated from the project which will be available to be rebated. **Based on these calculations, we have estimated an need of $435,872 which is achievable with a tax rebate, rounded to $435,000 for the proposed project.**

This TIF rebate considered represents a ratio of rebate to total development cost of 12.81% ($435,000/$3,395,500). The Fort Myers Community Redevelopment Agency (CRA), Tax Increment Financing Guidelines, call for a criterion of a TIF ratio not to exceed 10-20%. At 12.81%, the TIF Rebate considered meets this guideline. The CRA guideline is highlighted below:

Criteria for TIF Assistance

All the following financial criteria must be met in order to be considered for TIF assistance.

1) **Equity Requirement**. Projects that exceed 30% equity will be looked upon favorably by the CRA. Equity is defined as cash or un-leveraged value in land or prepaid costs attributable to the project. TIF shall not be used to supplant cash equity.
2) **TIF Cap**. The total amount of TIF assistance should not exceed 10-20% (except for of total project costs. This limitation may be waived upon approval by the BOC.
3) **Self-Supporting Projects**. Each project requesting TIF assistance should generate enough tax increment to cover the requested TIF assistance and a portion of any public infrastructure costs within the district.
    a. No increment from other private development projects within the area may be used to supplement another project's inability to generate enough tax increment to cover project costs.
4) **Internal Rate of Return**. The amount of assistance provided to a developer will be limited to the amount necessary to provide the developer a reasonable rate of return on investment in the project and the subject site. A developer's return on equity, return on cost or internal rate of return will be based on current market conditions as determined by the CRA or CRA's financial advisor.
5) **Commitment from Financial Institution.** Provide proof of a commitment by a financial institution, person or entity to provide lending and/or equity for the project sufficient to for financing constructing, equipping, furnishing, and completing the project and the cost related thereto.

5 | TaxIncrementFinancingGuideline

TAX ANALYSIS WITH TIF INCENTIVE

Based on the shortfall of cash flows it has been estimated the subject does not meet minimum standards for development feasibility. We have estimated a need of $435,000 which is achievable with a tax rebate. As a potential means of fulfilling this need, we have calculated a TIF rebate solution which would compensate the developer in this amount. This $435,000 would be over a 15-year period paid out at 85% of eligible ad valorem taxes.

In order to correlate the need with an achievable rebate, we have developed the following chart which estimates the projected taxes and incentives divided between the CRA (15%) and the developer (85%) of the subject property. Further, the increment projections follow F.S. 163 Part III and deduct 5% from City/County figures. The tax analysis is illustrated through 2040 which is the deadline for CRA incentives. As illustrated below, an incentive of $435,000 is possible within an estimated 15-year period assuming an 85% rebate which would enhance the feasibility potential of the proposed project. These tax increment benefits to the City/County, CRA, and to the developer are summarized in the following chart and fully detailed on the following page:

Ad Valorem taxes projected through 2040 w/development	$1,058,531
Ad Valorem taxes projected through 2040 w/out development	$90,606
Potential Loss in Ad Valorem taxes w/out development	-$967,925
Projected Net Increment to CRA w/development	$170,279
Projected CRA increment through 2040 w/out development	$23,106
Potential Loss in CRA increment w/out development	-$147,173

On the following page is a breakdown of the developer's request of an 85% rebate for 15 years with cash flows illustrated until 2040 at which time the Cleveland Avenue CRA will sunset:

YEAR	Estimated Assessed Value	Assessed Value TIF Basis	Assessed Value adj. for TIF Basis	Current Millage Rate(total)	Total Ad Valorem Tax Est.(adj for TIF)	City of Fort Myers Millage Rate	City of Fort Myers Ad Valorem Tax	Lee County Millage Rate	Lee County Ad Valorem Taxes	Total City/County Ad Valorem Taxes	TIF Increment to CRA (95%)	Rebate @ 85.00%	Net Increment to CRA
2022	$193,359	$98,800	$94,559	0.0183762	$1,738	0.0075875	$717	0.0038623	$365	$1,083	$1,029	$0	$1,029
2023	$193,359	$98,800	$94,559	0.0183762	$1,738	0.0075875	$717	0.0038623	$365	$1,083	$1,029	$0	$1,029
2024*	$2,520,000	$98,800	$2,421,200	0.0183762	$44,492	0.0075875	$18,371	0.0038623	$9,351	$27,722	$26,336	$22,386	$3,950
2025	$2,608,200	$98,800	$2,509,400	0.0183762	$46,113	0.0075875	$19,040	0.0038623	$9,692	$28,732	$27,296	$23,201	$4,094
2026	$2,699,487	$98,800	$2,600,687	0.0183762	$47,791	0.0075875	$19,733	0.0038623	$10,045	$29,777	$28,288	$24,045	$4,243
2027	$2,793,969	$98,800	$2,695,169	0.0183762	$49,527	0.0075875	$20,450	0.0038623	$10,410	$30,859	$29,316	$24,919	$4,397
2028	$2,891,758	$98,800	$2,792,958	0.0183762	$51,324	0.0075875	$21,192	0.0038623	$10,787	$31,979	$30,380	$25,823	$4,557
2029	$2,992,969	$98,800	$2,894,169	0.0183762	$53,184	0.0075875	$21,960	0.0038623	$11,178	$33,138	$31,481	$26,759	$4,722
2030	$3,097,723	$98,800	$2,998,923	0.0183762	$55,109	0.0075875	$22,754	0.0038623	$11,583	$34,337	$32,620	$27,727	$4,893
2031	$3,206,144	$98,800	$3,107,344	0.0183762	$57,101	0.0075875	$23,577	0.0038623	$12,001	$35,578	$33,800	$28,730	$5,070
2032	$3,318,359	$98,800	$3,219,559	0.0183762	$59,163	0.0075875	$24,428	0.0038623	$12,435	$36,863	$35,020	$29,767	$5,253
2033	$3,434,501	$98,800	$3,335,701	0.0183762	$61,298	0.0075875	$25,310	0.0038623	$12,883	$38,193	$36,283	$30,841	$5,443
2034	$3,554,709	$98,800	$3,455,909	0.0183762	$63,506	0.0075875	$26,222	0.0038623	$13,348	$39,569	$37,591	$31,952	$5,639
2035	$3,679,124	$98,800	$3,580,324	0.0183762	$65,793	0.0075875	$27,166	0.0038623	$13,828	$40,994	$38,944	$33,103	$5,842
2036	$3,807,893	$98,800	$3,709,093	0.0183762	$68,159	0.0075875	$28,143	0.0038623	$14,326	$42,468	$40,345	$34,293	$6,052
2037	$3,941,169	$98,800	$3,842,369	0.0183762	$70,608	0.0075875	$29,154	0.0038623	$14,840	$43,994	$41,795	$35,525	$6,269
2038	$4,079,110	$98,800	$3,980,310	0.0183762	$73,143	0.0075875	$30,201	0.0038623	$15,373	$45,574	$43,295	$36,801	$6,494
2039	$4,221,879	$98,800	$4,123,079	0.0183762	$75,767	0.0075875	$31,284	0.0038623	$15,925	$47,208	$44,848	$0	$44,848
2040	$4,369,645	$98,800	$4,270,845	0.0183762	$78,482	0.0075875	$32,405	0.0038623	$16,495	$48,900	$46,455	$0	$46,455
				TOTALS	$1,024,035		$422,822		$215,231	$638,053	$606,151	$435,872	$170,279

*Assessed Value starting in Year 2024 assuming project complete and on the Lee County tax roll. Completion will be 2023 with tax on project starting in 2024.

ADDITIONAL BENEFITS ASSOCIATED WITH THE PROJECT:

- Ad Valorem taxes not included in the CRA estimated $17,455/year paid to public schools, library, SFL Water Management, hyacinth control, mosquito control, West Coast Inland Navigation District:

Ad Valorem Tax Breakdown Taxing Authority	Millage Rate	Estimated Taxes at Assessment of $2,520,000
Lee County General Revenue	3.8623	$9,733.00
Public School - By Local Board	2.2480	$5,664.96
Public School - By State Law	3.6430	$9,180.36
City of Fort Myers	7.5875	$19,120.50
Lee County Library Fund	0.4714	$1,187.93
SFL Water Mgmt - District Levy	0.1061	$267.37
SFL Water Mgmt - Everglade Const	0.0365	$91.98
SFL Water Mgmt - Okeechobee Levy	0.1146	$288.79
Lee County Hyacinth Control	0.0235	$59.22
Lee County Mosquito Control	0.2439	$614.63
West Coast Inland Navigation District	0.0394	$99.29
TOTAL AD VALOREM	18.3762	$46,308.02
Ad Valorem Taxes Excluding Lee/City of FM	6.9264	$17,454.53

- Impact Fees to School District estimated by the developer at $20,062 ($1,114.58 per unit x 18 units).

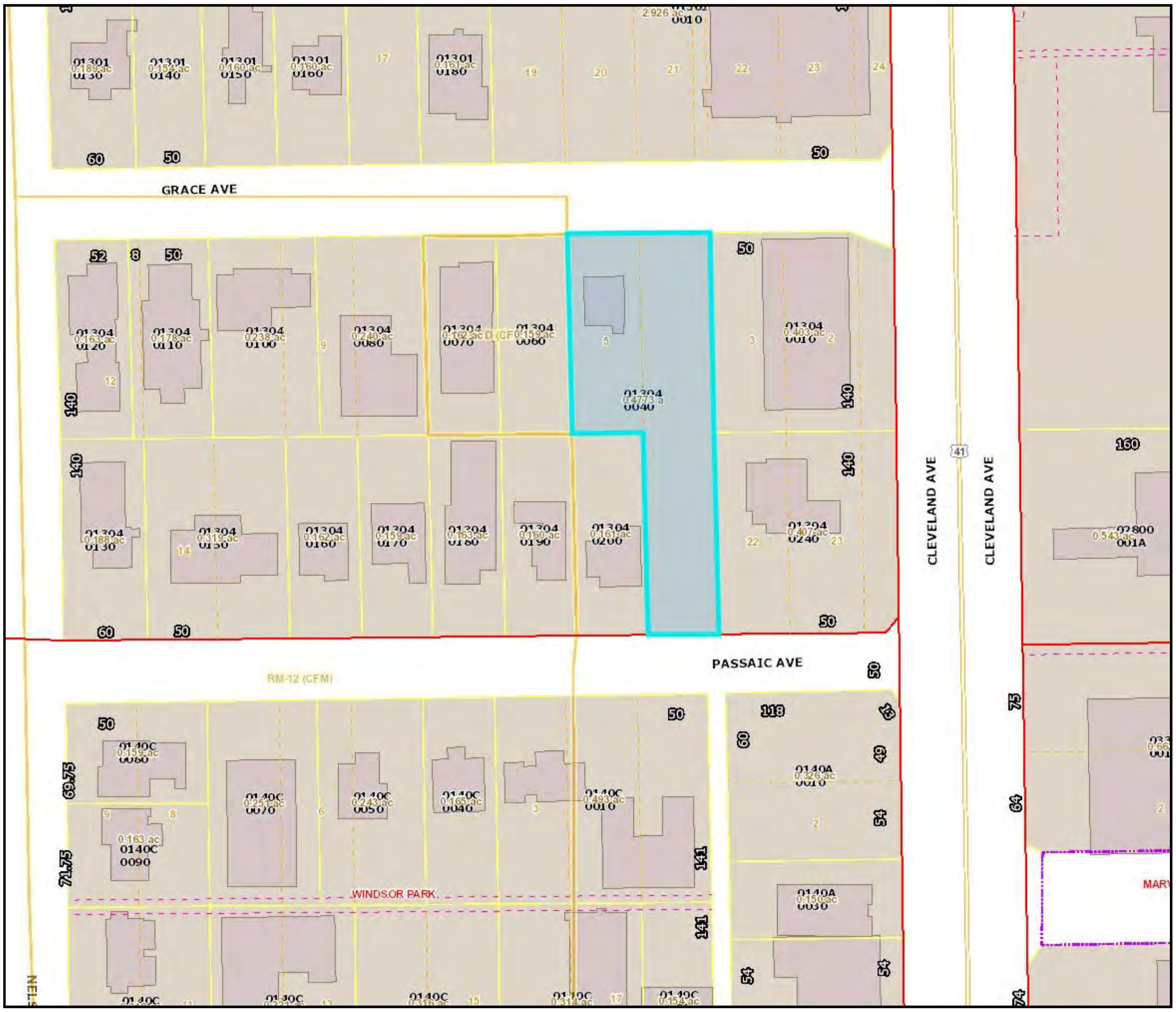
- Monthly water and sewer fees (i.e. est. at $60/month x 18 units =$1,080/month or $12,960/year)

- Providing new housing options in the Cleveland Avenue CRA

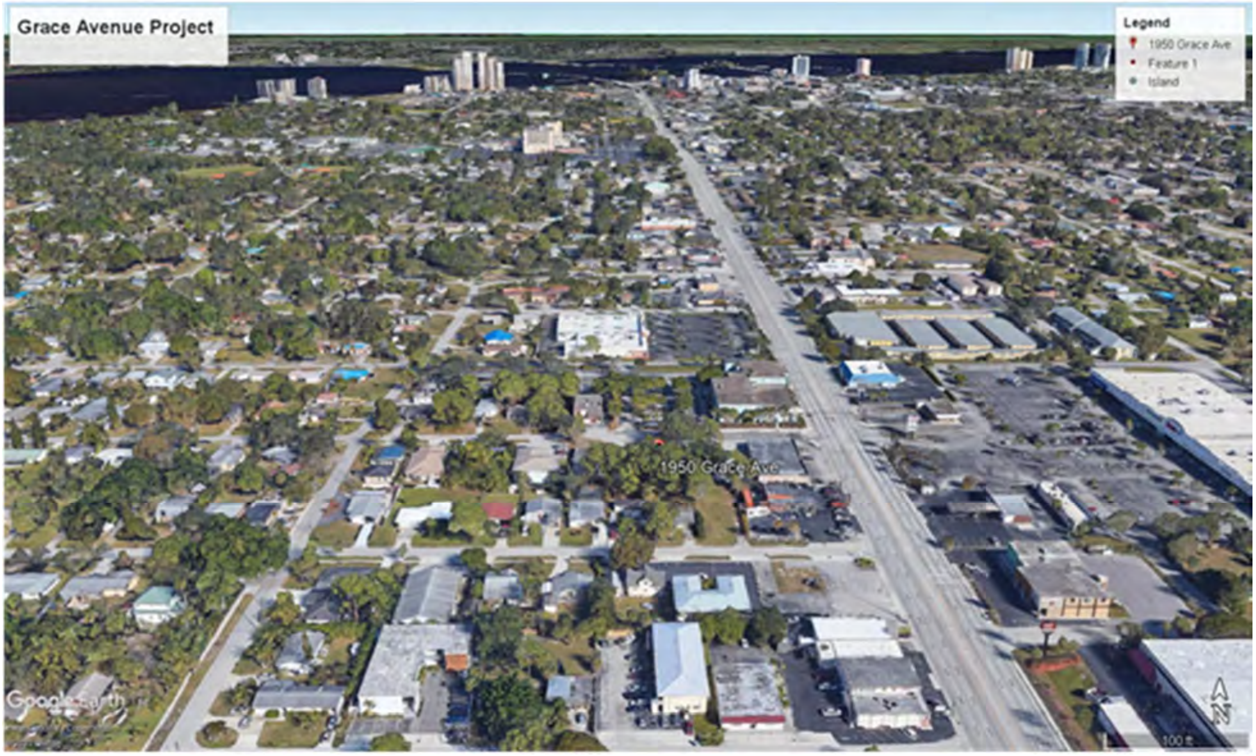
- Economic impact with direct, indirect, and induced jobs. In addition, there will be a significant economic impact during construction and upon completion with the operations of the project.

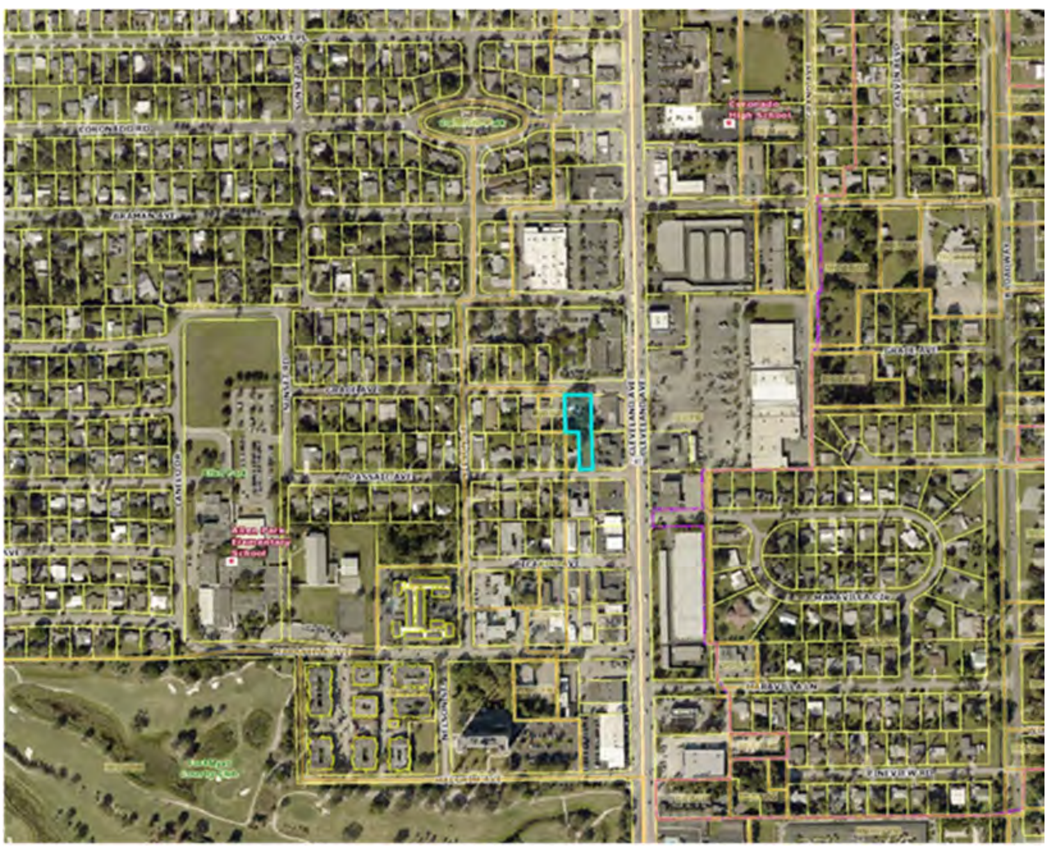
PROPERTY DESCRIPTION

GIS MAP

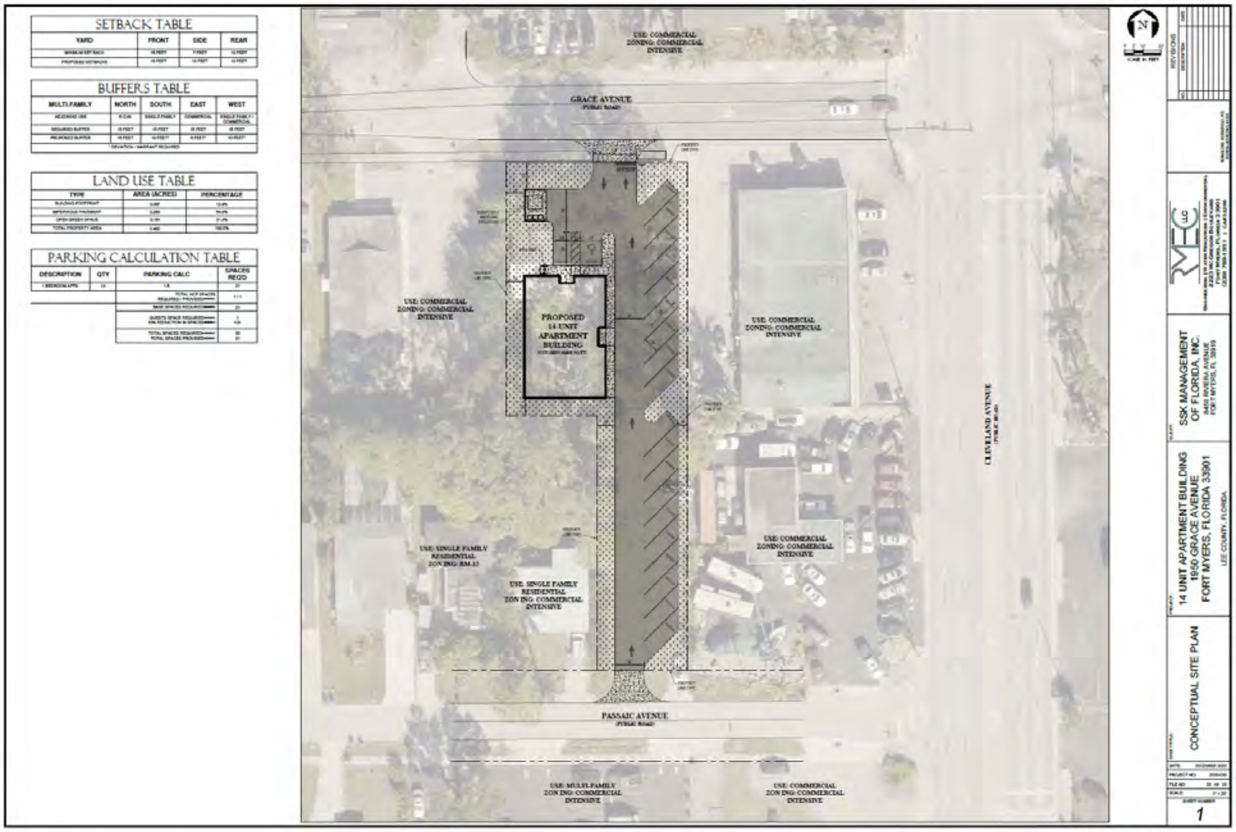


Aerial Map


Grace Avenue Project
Legend
1950 Grace Ave
Feature 1
Island
1950 Grace Ave
Google Earth
100 ft



SITE PLAN


SETBACK TABLE
BUFFERS TABLE
LAND USE TABLE
PARKING CALCULATION TABLE
GRACE AVENUE
PASSAIC AVENUE
CLEVELAND AVENUE
PROPOSED
14-UNIT
APARTMENT
BUILDING
SSK MANAGEMENT
OF FLORIDA, INC.
14 UNIT APARTMENT BUILDING
1950 GRACE AVENUE
FORT MYERS, FLORIDA 33901
CONCEPTUAL SITE PLAN
1

<u>Elevations</u>

SITE CHARACTERISTICS

ADDRESS:	1950 Grace Avenue, Fort Myers, Florida 33901
TAX ID:	26-44-24-P3-01304.0040
LOCATION/ACCESS/ EXPOSURE:	The subject property is located along the south side of Grace Avenue (two lane, local roadway), and the north side of Passaic Avenue (two lane, local roadway) just west of Cleveland Avenue (U.S. 41) within the incorporated limits of the City of Fort Myers. Although the property does not have frontage along Cleveland Avenue, the property is just west of this primary north/south commercial arterial roadway. Cleveland Avenue is a six lane roadway with a continuous center turn lane. There is a lighted intersection at Cleveland Avenue and Grace Avenue providing access to Grace Avenue and to the subject property. The subject property can be accessed via Grace Avenue or Passaic Avenue. The subject property is also located within the Cleveland Avenue Redevelopment Area.
SIZE (SITE AREA)/SHAPE:	The subject property is "flag" in shape containing 20,791 square feet / 0.48 acres as per Lee County public records.
PHYSICAL FEATURES (TOPOGRAPHY, ELEVATION, ETC.):	The subject property is partially cleared with some wooded area and appears to be at or near the crown of surrounding roadways. Drainage on the subject property, as well as in other areas, appears to be adequate and is primarily serviced by underground storm sewer. It should be noted that the City of Fort Myers implemented a Stormwater Management Program which potentially allows property owners to move portions or all stormwater retention off site. The property owner could acquire stormwater credits, the cost of which will vary from property to property. This could be a potential benefit to the subject site upon redevelopment. There are no known detrimental environmental conditions associated with the subject property.

UTILITIES:	The subject property is served by the following utilities: Telephone: CenturyLink and Comcast Electricity: Florida Power & Light Water: City of Fort Myers Utilities Sewer: City of Fort Myers Utilities Multimedia: CenturyLink and Comcast
FLOOD ZONE:	The subject property is located within Flood Zone X as found on Flood Map Panel ID #12071C0426G, dated 7 December 2018. Properties located within this area are typically not required to have flood insurance under most financing situations. This property is not located within a FEMA FIRM Floodway.
EASEMENTS, ENCROACHMENTS, ETC.:	There are no known adverse easements, encroachments, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations, special assessments, ordinances or other items of a similar nature. No survey was provided.

ASSESSED VALUE, TAXES, AND ASSESSMENTS:

Tax Year	Market Assessed Value	Taxable Value	Taxes & Assess.
2021	$148,543	$148,543	$3,182.52
2022 (preliminary)	$197,519	$197,519	n/a

Taxing Authority	Millage Rate
Lee County General Revenue	3.8623
Public School - By Local Board	2.2480
Public School - By State Law	3.6430
City of Fort Myers	7.5875
Lee County Library Fund	0.4714
SFL Water Mgmt - District Levy	0.1061
SFL Water Mgmt - Everglade Const	0.0365
SFL Water Mgmt - Okeechobee Levy	0.1146
Lee County Hyacinth Control	0.0235
Lee County Mosquito Control	0.2439
West Coast Inland Navigation District	0.0394
TOTAL AD VALOREM	18.3762

ZONING:

The subject property is zoned CI (Commercial Intensive) under the zoning ordinances of the City of Fort Myers. Per the Land Development Code:

Governing Body	City of Fort Myers
Zoning Code	CI
Minimum Lot Size (sq. ft.)	10,000
Minimum Front Feet	100
Setback from arterial road (feet)	25
Maximum Building Height (feet)	70
Maximum Lot Coverage Ratio	45%

> *Commercial Intensive (CI). By virtue of its location as designated in the comprehensive plan, it is the express intent of CI District to be as generous as possible in permitted uses while at the same time maintaining a clean and attractive community; therefore, with the exception of the display for rent or sale of new or used automobiles, trucks, tractors, mobile homes, boats and other similar and large products or merchandise, all products, merchandise, equipment or any other material stored outside of buildings, whether new or used, shall be hidden from view on all sides, except for necessary openings and gates, by a fence, wall or vegetative hedge, not less than six feet high, as approved by the development services manager.*

Further specific allowable uses, minimum lot sizes, etc. for the aforementioned zoning classification, are set forth in the Land Development Code and the reader is encouraged to review these if further detail is required. The following is a link to the full zoning:
https://library.municode.com/fl/fort_myers/codes/code_of_ordinances?nodeId=SPBLADECO_CH118LAUSRE_ART2BADI_118.2.2CODI

FUTURE LAND USE:

The subject property is designated CC (Corridor Commercial) under the City of Fort Myers Comprehensive Land Use Plan. Per the Comprehensive Plan:

> *Policy 1.6) Corridor Commercial (C/C) contains areas located along, or in close proximity, to existing commercial centers and corridors. Many of these areas are included in redevelopment districts, as described in Action 3.2.3, and may have additional requirements. This district is intended to accommodate more intensive development; therefore, mixed use development incorporating neo-traditional and transit oriented development principles is encouraged. A maximum standard density established in the Land Development Regulations, not to exceed twenty-five dwelling units per acre (25 du/acre), with a maximum bonus density of up to sixty dwelling units per acre (60 du/acre) may be permitted through a process outlined in the City's Land Development Regulations. Criteria for bonus densities include, but are not limited to, incorporating Leadership in Energy Efficient Design (LEED) standards, neo-traditional and transit oriented design principles, pedestrian connectivity, exceptional architectural design, and other considerations. No new single-family development shall be permitted. A Floor Area Ratio no higher than three (3 FAR) shall be used as an index of intensity for non-residential development in this land use category.*
>
> > *Action 1.6.1) The Land Development Regulations shall provide design standards to facilitate Transit Oriented Development (TOD) designs. Once incorporated into the Land Development Regulations, this shall be a requirement for future developments located within TOD areas, to achieve bonus densities.*
> >
> > > *Standard 1.6.1.1) Single-family residential uses or platted lots existing or permitted as of October 26, 2010, shall be grandfathered and considered legal non-conforming uses. New single-family residential lots, other than bona fide caretaker residences, may be permitted through the Planned Unit Development process as detailed in Policy 1.14.*
> >
> > *Action 1.6.2) All new developments in this category must connect to a potable water and sanitary sewer system.*

Further details for the aforementioned future land use classifications are set forth in the Comprehensive Plan and the reader is encouraged to review these if further detail is required.

Qualifications Of Gerald A. Hendry, MAI, CCIM

EDUCATIONAL BACKGROUND AND TRAINING:

Master of Arts in Business Administration, with a major in Real Estate and Urban Analysis, University of Florida, 1995, Gainesville, Florida.

Bachelor of Science in Business Administration, with a major in Finance, 1991, University of Florida, Gainesville, Florida.

Principles and Practices of Real Estate, Brokers Course, Florida Real Estate Academy, 1995, Fort Myers, Florida.

Case Studies in Valuation and Report Writing, University of Florida, 1994.

Real Estate Market Analysis, University of Florida, 1993.

Preview of Urban Planning and Regional Planning, University of Florida, 1993.

Seminar in Real Estate Valuation, University of Florida, 1994.

Seminar in Real Estate Financial Analysis, University of Florida, 1995.

Land Use Economics, University of Florida, 1995.

Principles and Practices of Real Estate, Salesman Course, Florida Real Estate Academy, 1990, Fort Myers, Florida.

Demonstration Report Writing, seminar sponsored by the Appraisal Institute, Dallas, Texas, May 1999.

Comprehensive Appraisal Workshop, Dallas, Texas, August 2000.

"Appraising and Analysis of Proposed Subdivisions and Condominiums", seminar sponsored by The Appraisal Institute, Boca Raton, Florida, August 2002.

CCIM CI 101 - Financial Analysis for Commercial Investment Real Estate, CCIM Institute, Naples, Florida, October 2002.

The Valuation of Wetlands, seminar sponsored by The Appraisal Institute, Fort Myers, Florida, September 2004.

Case Studies in Commercial Highest and Best Use, Appraisal Institute, September 2005.

CCIM CI 102 - Market Analysis for Commercial Investment Real Estate, May 2006.

CCIM CI 103 - User Decision Analysis for Commercial Real Estate, September 2006.

CCIM CI 104 - Investment Analysis for Commercial Real Estate, August 2006.

Appraisal of Local Retail Properties, Appraisal Institute, May 2009.

Subdivision Valuation, Appraisal Institute, September 2009.

Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets, Appraisal Institute, Bradenton, Florida March 2012

EXPERIENCE:

Currently an owner/partner with Maxwell, Hendry & Simmons, LLC, Fort Myers, Florida.

Owner/partner with Maxwell & Hendry Valuation Services, Inc., Fort Myers, Florida, 2004-2013.

Associate Appraiser with W. Michael Maxwell & Associates, Inc., Fort Myers, Florida, 1995-2003.

Commercial Credit Analyst with Barnett Bank of Lee County/First Florida Bank, Fort Myers, Florida, 1991-1993.

PROFESSIONAL AFFILIATIONS:

Appraisal Institute - MAI

CCIM Institute - CCIM

State-Certified General Real Estate Appraiser, RZ 2245

State-Licensed Real Estate Broker, BK #0567939

Southwest Florida CCIM District – Board of Directors 2014 – 2019, 2017 President

Real Estate Investment Society - Board of Governors 2002 - 2008, President 2007

Appraisal Institute - West Coast Florida Chapter Board of Directors 2003 - 2008

Appraisal Institute - West Coast Florida Chapter President 2008

Commercial Investment Professionals (CIP) Member

OTHER:

Qualified as an expert witness in the 20th Judicial Circuit Court of Florida and United States Bankruptcy Court Middle District of Florida.

Special Magistrate - Lee County Value Adjustment Board 2012-2014

Guest Lecturer at Florida Gulf Coast University, College of Business Administration 2007-2016