



# *One Place at Fonmeadow*, Houston Texas

A Multifamily Development Investment Opportunity  
With the Church at Bethel's Family



# Project Overview

## General Overview:

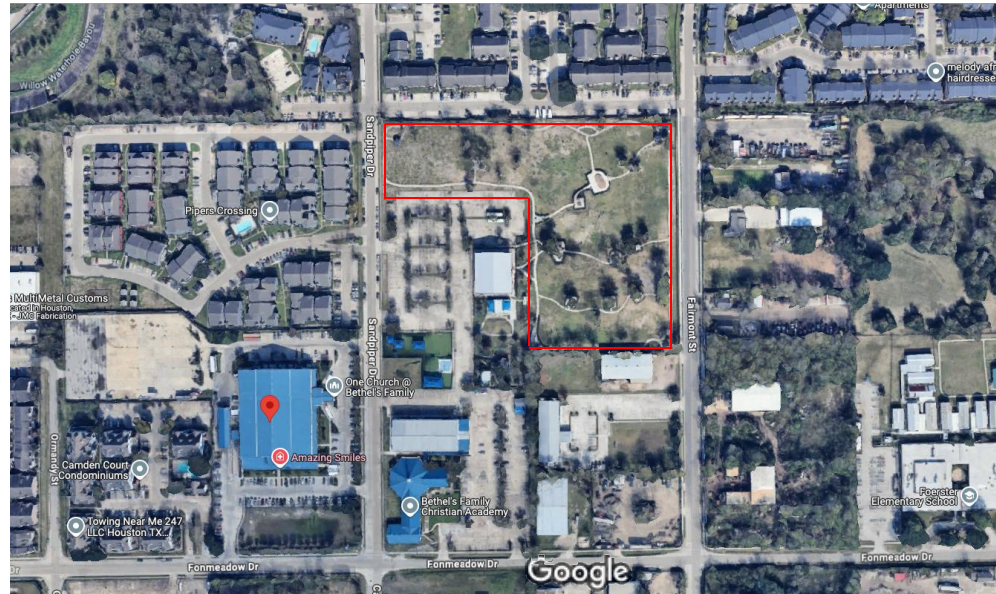
The Church at Bethel's Family (the "Church") is pursuing a multifamily development project on the Church's 6.75-acre property located north of the Bethel's Family Christian Academy on Sandpiper Dr. The Church is proposing to enter into a Development Services Agreement with a local real estate development partnership (the "Developer") to design, capitalize, construct and lease-up the project on behalf of the Church.

## Project Description

The proposed development plan calls for the construction of 250 residential, rental units across two, four-story buildings with approximately 6,000sf of community and amenity space with outdoor walking trails and park space. The property will feature a combination of studio, one, two and three-bedroom units.

The project will be the first, large-scale multifamily property built in the area east of the Tollway, north of Hwy 90, south of Braeswood and west of Chimney Rock in almost 50 years and is intended to provide the community with new, modern housing and access to community and social events. The Church's investment plan involves developing, recapitalizing and operating the property as a long-term community-investment.

Total development costs are estimated to be \$49,250,946 at the time of this memo with a projected, stabilized untrended yield on cost of 6.43%, a leveraged IRR of 19.46% and an equity multiple of 2.02x over the 4-year development plan period.



Site Location between Sandpiper and Fairmont Dr in Southwest Houston

## Proposed Project Summary

**Location:** Northeast corner of Sandpiper Dr and Fonmeadow Dr in Houston TX

**Site Area:** 6.75 acres

**Owner:** an affiliate of the Church at Bethel's Family

**Developer:** an affiliate of Kirk Hutchinson and Ray Gabriele

**Product Type:** 4-story, surface-parked, multifamily

**Buildings:** 2

**Units:** 250

**Total Project Cost (est.):** \$49.2M

**Opening Market Rent:** \$1,671 (\$1.71 PSF in April 2027)

**Opening Effective Rent:** \$1,631 (\$1.67 PSF in April 2027)

**Stabilized Yield on Cost:** 6.43% (Year 4)

**Total Project Investment Period:** 4 years minimum.

**Predevelopment Timeline:** appx. 12 months

**Construction Time:** 24 months

**Lease Up:** appx 14-16 months



Conceptual Site Plan

### NOTES:

- LEVERAGED IRR - MEASURES THE ANNUALIZED RETURN ON EQUITY FOR AN INVESTMENT AFTER CONSIDERING THE IMPACT OF FINANCING (DEBT).
- UNLEVERAGED IRR - ASSUMED NO DEBT
- UNTRENDY YIELD ON COST = STABILIZED NOI/TOTAL DEVELOPMENT COST
- TRENDY YIELD ON COST = PROJECTED STABILIZED NOI/TOTAL DEVELOPMENT COST
- EQUITY MULTIPLE = TOTAL CASH DISTRIBUTION/EQUITY INVESTMENT



## Proposed Development Plan

Unit Type	Ratio	Unit Count	Size (sf)	Total sf	Rent (sf)	Rent/Month
Studio	14%	36	576	20,736	1.95	\$1,123
1 BD	49%	122	827	100,894	1.80	\$1,489
2 BD	34%	84	1321	110,925	1.59	\$2,106
3 BD	3%	8	1519	12,152	1.55	\$2,354
4 BD	0%	0	0	-	0.00	\$0
Total/Avg.	100%	250	979	244,707	1.71	\$1,671



# Development Plan – Preliminary Budget and Capitalization

## Sources & Uses:

Sources & Uses				
Sources:	Total	Per Unit	Per SF	% of TDC
Senior Debt	\$27,091,131	\$108,365	\$111.63	55.00%
Total Equity	\$22,165,471	\$88,662	\$91.33	45.00%
<b>Total Sources</b>	<b>\$49,256,602</b>	<b>\$197,026</b>	<b>\$202.96</b>	<b>100.00%</b>
Uses:	Total	Per Unit	Per SF	% of TDC
<u>Land and Closing Costs</u>				
Land Cost	\$775,000	\$3,100	\$3.19	1.57%
Closing Costs	\$23,250	\$93	\$0.10	0.05%
<u>Hard Costs</u>				
Construction GMP (incl. Fee and Contingency)	\$38,830,560	\$155,322	\$160.00	78.83%
<u>Soft Costs</u>				
Design & Engineering	\$942,230	\$3,769	\$3.88	1.91%
FF&E / OS&E	\$580,000	\$2,320	\$2.39	1.18%
Development Fees & Partnership Expenses	\$1,682,698	\$6,731	\$6.93	3.42%
Market Analysis & Forecasting	\$15,000	\$60	\$0.06	0.03%
Legal / Insurance / Title	\$365,000	\$1,460	\$1.50	0.74%
Permits & Fees	\$920,299	\$3,681	\$3.79	1.87%
Operations Start Up	\$500,000	\$2,000	\$2.06	1.02%
Owner's Contingency	\$1,941,528	\$7,766	\$8.00	3.94%
Soft Contingency	\$300,625	\$1,203	\$1.24	0.61%
<u>Financing</u>				
Capitalized Interest	\$1,060,762	\$4,243	\$4.37	2.15%
Operating Loss	\$312,371	\$1,249	\$1.29	0.63%
Loan & Broker Fees	\$757,278	\$3,029	\$3.12	1.54%
<b>Total Uses</b>	<b>\$49,256,602</b>	<b>\$197,026</b>	<b>\$202.96</b>	<b>100.00%</b>

## Project Level Return and Exit Assumptions\*

Project Level Returns Summary	Property
Unlevered IRR	16.22%
Unlevered EM	1.56
Levered IRR	19.46%
Levered EM	2.02
Trended YoC	7.5%
Untrended YoC	6.4%

Exit Assumptions			
Exit Month   Date	Month 48	12/31/29	
Exit Cap Rate   Exit NOI	5.50%	3,851,767	
Total Cost of Sale	1.50%	-1,050,482	
Reversion Metrics	Total	\$/Unit	\$/SF
Gross Sale Proceeds	\$70,032,119	\$280,128	\$289
Closing Costs	(\$1,050,482)	(\$4,202)	(\$4)
Debt Payoff	(\$26,719,084)	(\$106,876)	(\$110)
<b>Net Sale Proceeds</b>	<b>\$42,262,553</b>	<b>\$169,050</b>	<b>\$174</b>

### \*Exit Assumptions

The Project underwriting assumes a 4-year investment period. This means that debt and equity capital invested into the Project will expect or require a return of capital and a profit by the 48<sup>th</sup> month from their funding date.

“Exit” options for the project typically involve a sale to a third-party purchaser, a refinancing and recapitalization of the original debt and equity within the same ownership structure, or a sale to a related party at a market rate price sufficient to satisfy the return and debt obligations of the original investors.

12660 Sandpiper Rd								
ANNUAL ROLL-UP								
11/18/24								
	Date	Nov-25	Nov-26	Nov-27	Nov-28	Nov-29	Nov-30	Nov-31
	Year	0	1	2	3	4	5	6
<b>CAPITALIZATION:</b>								
Costs:								
Cumulative Equity Spent		3,402,720.1	22,213,540.8	22,213,540.8	22,213,540.8	22,213,540.8	22,213,540.8	22,213,540.8
Cumulative Debt Drawn		0.0	(2,903,182.8)	(26,989,115.1)	(27,149,883.2)	(27,149,883.2)	(27,149,883.2)	(27,149,883.2)
<b>OPERATIONS:</b>								
<b>Revenue</b>								
Occupancy %			0.0%	9.0%	76.9%	93.8%	93.8%	93.8%
Units Occupied			0	23	192	235	235	235
Rent Growth			3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Other Income Growth			2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Expense Growth			2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Concessions			0.0%	8.0%	4.0%	1.0%	0.5%	0.5%
Monthly Rental Rate			\$1,711	\$1,762	\$1,815	\$1,870	\$1,926	\$1,983
Monthly Other Income			\$271	\$276	\$282	\$287	\$293	\$299
Rental Income			0.0	475,809.7	4,185,781.3	5,261,309.0	5,419,148.3	5,581,722.8
Parking Income			0.0	3,960.8	34,505.6	42,950.6	43,809.7	44,685.8
Utility Income			0.0	21,068.1	183,540.3	228,460.8	233,030.1	237,690.7
Other Income			0.0	49,557.8	431,735.8	537,400.8	548,148.8	559,111.8
Concessions			0.0	(38,064.8)	(167,431.3)	(52,613.1)	(27,095.7)	(27,908.6)
Total Revenue			\$0	\$512,332	\$4,668,132	\$6,017,508	\$6,217,041	\$6,395,302
<b>Expenses</b>								
Taxes			(\$16,353)	(\$422,017)	(\$717,850)	(\$739,386)	(\$761,567)	(\$792,258)
Insurance			\$0	(\$28,178)	(\$165,814)	(\$270,608)	(\$276,020)	(\$281,541)
General & Admin			\$0	(\$32,513)	(\$79,591)	(\$81,182)	(\$82,806)	(\$84,462)
Marketing			\$0	(\$43,350)	(\$106,121)	(\$108,243)	(\$110,408)	(\$112,616)
Repairs / Maintenance			\$0	(\$542)	(\$11,607)	(\$27,061)	(\$27,602)	(\$28,154)
Turnover / Make Ready			\$0	(\$5,419)	(\$43,223)	(\$54,122)	(\$55,204)	(\$56,308)
Payroll			\$0	(\$125,986)	(\$411,218)	(\$419,442)	(\$427,831)	(\$436,388)
Utilities			\$0	(\$45,864)	(\$239,059)	(\$286,303)	(\$292,029)	(\$297,870)
Contracted Services			\$0	(\$21,675)	(\$112,977)	(\$135,304)	(\$138,010)	(\$140,770)
Management			\$0	(\$60,000)	(\$144,000)	(\$150,438)	(\$155,426)	(\$159,883)
Total Expenses			(\$16,353)	(\$785,543)	(\$2,031,460)	(\$2,272,089)	(\$2,326,904)	(\$2,390,250)
Replacement Reserves			\$0	\$0	(\$15,625)	(\$62,500)	(\$62,500)	(\$62,500)
<b>NOI</b>			<b>(\$16,353)</b>	<b>(\$273,211)</b>	<b>\$2,621,047</b>	<b>\$3,682,919</b>	<b>\$3,827,637</b>	<b>\$3,942,552</b>
Asset Management Fee			\$0	(\$7,685)	(\$70,022)	(\$90,263)	(\$93,256)	(\$95,930)
Unlevered Operating Cash Flow			(\$16,353)	(\$280,896)	\$2,551,025	\$3,592,656	\$3,734,381	\$3,846,623
Debt Service			(\$2,396)	(\$979,781)	(\$1,750,010)	(\$2,124,903)	(\$2,144,380)	(\$2,160,301)
<b>Levered Cash Flow</b>			<b>\$0</b>	<b>\$0</b>	<b>\$961,783</b>	<b>\$1,467,753</b>	<b>\$1,590,001</b>	<b>\$1,686,322</b>
Gross Sales Proceeds			\$0	\$0	\$0	\$0	\$0	\$0
Debt Payoff & Fee			\$0	\$0	\$0	\$0	\$0	\$0
<b>Ratios:</b>								
Expense Ratio				153.3%	43.5%	37.8%	37.4%	37.4%
<b>DSCR</b>				<b>-0.28</b>	<b>1.50</b>	<b>1.73</b>	<b>1.78</b>	<b>1.83</b>
Debt Yield				-1.0%	9.7%	13.6%	14.1%	14.5%
Yield on Total Cost				-0.6%	5.3%	7.5%	7.8%	8.0%
Yield On Equity				0.0%	4.3%	6.6%	7.2%	7.6%

## INVESTMENT PROJECTIONS (ESTIMATE BASED ON CURRENT MARKET CONDITIONS)

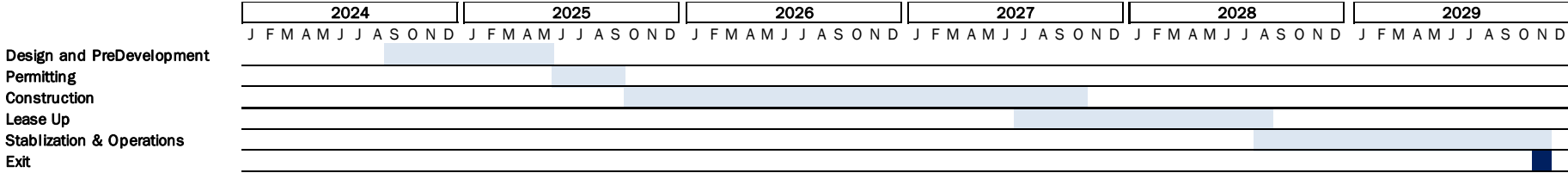
INVESTMENT AMOUNT	PRINCIPAL + RETURN ON EQUITY (4 YEARS EXIT) - 1.83X	STABILIZED YoC (7.46%/Year)
\$50,000.00	\$91,500.00	\$3,730.00
\$250,000.00	\$457,500.00	\$18,650.00
\$50,000.00	\$91,500.00	\$3,730.00
\$20,000.00	\$36,600.00	\$1,492.00
\$10,000.00	\$18,300.00	\$746.00
\$10,000.00	\$18,300.00	\$746.00
\$20,000.00	\$36,600.00	\$1,492.00
\$25,000.00	\$45,750.00	\$1,865.00
\$30,000.00	\$54,900.00	\$2,238.00
\$100,000.00	\$183,000.00	\$7,460.00

### TERMS:

- NOI - NET OPERATING INCOME = TOTAL REVENUE - OPERATING EXPENSES
- IRR (NET) - ACCOUNTS FOR THE DEDUCTION OF FEES (EX. DEVELOPER, ASSEST MANAGEMNET FEES, ETC. )
- IRR (GROSS) - REFLECTS THE PROJECT'S RETURN BEFORE FEES OR EXPENSES
- DSCR - DEBT SERVICE COVERAGE RATIO = NOI/TOTAL LOAN PAYMENTS (PRINCIPAL + INTEREST)
- EXPENSE RATIO = OPERATING EXPENSES/EFFECTIVE GROSS INCOME
- EGI - EFFECTIVE GROSS INCOME = POTENTIAL GROSS INCOME - NET VACANCY + OTHER INCOME

# Development Plan and Estimated Timeline

Project Timeline	
Diligence Period	August – September 2024
Estimated Pre-Development Budget	\$663,010 (dollars needed to prepare building permit package and receive construction loan commitment).
Design	September 2024 – May 2025
Permitting	May 2025 – September 2025
Loan Closing	October 2025
Groundbreaking	October/November 2025
Construction Duration	24 months
Lease up beginning	July 2027
Lease up ending	August 2028
Exit (i.e. sale or recap/refi)	November 2029





# Rent & Market Comp Analysis: Southwest Houston

## Submarket Demand

- 5,384 new households forming in next 5 years.
- 3,769 of the new households will be renters.
- 52% of the new households will be income qualified for the proposed product type.
- 1,922 total unit demand over the next 5 years, or approximately 391 units per year.

## Target Demographic

- Target renter for this product will be singles, couples and families with young children earning between \$65,000 and \$100,000 per year and commuting to employment centers along the Westchase, Hwy 90 and I-69 corridors.
- 64% of residents in the submarket earn between \$35,000 and \$250,000 of which 48% would be income qualified for the proposed product.

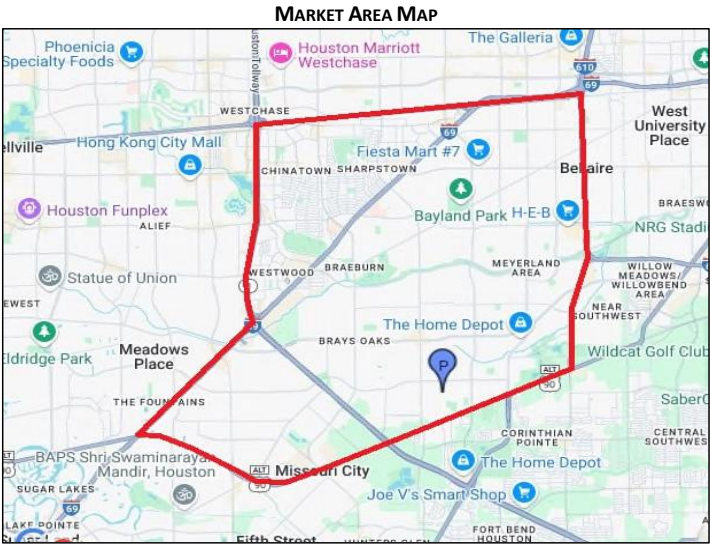
## Rental Comparables Summary

- Average Rents among new multifamily properties within the broader market are \$1.85psf. The proposed product's opening market rents are expected to be \$1.71psf, within the range of the current market.
- The nearest, new comps are over 5-miles west of the proposed project in Stafford.

COMPARABLE RENTAL SURVEY - UNENCUMBERED								
No. Property Name	No. Units	Year Built / Renovated	Avg Unit Size (SF)	Avg Asking Rent (\$/mo.)	Avg Asking Rent (\$/SF)	Avg Effective Rent (\$/mo.)	Avg Effective Rent (\$/SF)	Occup.
1 Filament Apartment (Lease-up)	362	2023	835	\$1,857	\$2.23	\$1,857	\$2.23	70%
2 Arc at the Grid	346	2020	893	\$1,672	\$1.87	\$1,672	\$1.87	92%
3 Aria at Standliff Apartments	282	2020	858	\$1,436	\$1.67	\$1,436	\$1.67	96%
4 1879 At The Grid	385	2019	895	\$1,590	\$1.78	\$1,590	\$1.78	94%
5 Aria at Kirkwood	108	2019	757	\$1,271	\$1.68	\$1,271	\$1.68	96%
Minimum	108	---	757	\$1,271	\$1.67	\$1,271	\$1.67	70%
Maximum	385	---	895	\$1,857	\$2.23	\$1,857	\$2.23	96%
Average	297	---	848	\$1,565	\$1.85	\$1,565	\$1.85	88.2%

## Primary Economic Drivers

- Submarket job growth projected to range from between 22,660 to 30,840 over the next 5. years.
- Expanding beyond primary submarket, the broader Houston market is projected to create over 595,000 new jobs over the next 5 years.
- Each new job generates a population increase of 1.75 people.
- Within the primary submarket, the main commuter shed for residents is Sugar Land, the Texas Medical Center and the Galleria.



The Primary Market Area was previously defined as that area bordered by Westpark Tollway to the north, US Highway 90-A (Main Street) to the south, Loop 610 and S. Post Oak Boulevard to the east, and the US Highway 59 and S Sam Houston Tollway (Beltway 8) to the west and southwest. The subject is located in the southern portion of the PMA.