



## *MEMORANDUM*

To: David Colton, Town Administrator, Town of Easton, Massachusetts

From: George Cole, GLC Development Resources LLC

RE: The Redevelopment of the Ames Shovel Works-Financial Analysis of the Development Proposal by Beacon Communities LLC

Date: December 21, 2009

The objective of this memorandum is to summarize our analysis of and findings about the financial arrangement proposed by Beacon Communities to the Town of Easton relative to the redevelopment of the Ames Shovel Works property.

### **Background**

GLC Development Resources LLC ("GLC") was engaged in the fall of 2009 to assist you and your staff in financial analysis, negotiations, and presentations to various Town of Easton ("Town") committees and Town Meeting relative to the redevelopment of the Ames Shovel Works property. By providing you and the Town with an objective analysis of the proposed financial arrangement with the anticipated developer of the property, Beacon Communities Development LLC ("Beacon"), we assisted you and your staff in understanding and negotiating towards the most favorable transaction structure for the Town.

We determined that the best transaction structure for the Town would be one in which:

- a. Beacon receives sufficient, but not excess, compensation to incentivize them to complete and operate the project in a manner that manages development risk and provides the type of redevelopment of the property that the Town seeks;
- b. the return of invested capital and returns generated by that capital (interest and supplemental distributions) to the Town are maximized; and
- c. the interests of Beacon and the Town are aligned to the greatest extent possible.

### **GLC Development Resources LLC**



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Currently the Ames Shovel Works property is under a Purchase and Sale agreement with Beacon. Beacon has proposed to redevelop the property within historic restoration guidelines developed by the Friends of the Ames Shovel Works. Per plans provided by Beacon as developed by their architect, the property would be developed into 119 units of market rate and affordable rental housing, with attendant parking facilities. Of the 119 units, 95 would be market rate units, and 24 would be affordable rental units. The conversion of the historic buildings would be done consistent with standards of the National Park Service in order to qualify for historic tax credits. Significant portions of the site would be allocated to publically accessible open space and parks.

The market rate units would be rented for a five year period (the minimum holding period for full use of historic tax credits, to be discussed further), after which these units would be renovated and sold as condominiums. The affordable units would continue to be held and managed as rental apartments.

Beacon has requested that the Community Preservation Committee of the Town of Easton allocate \$7.5 million of Community Preservation Act ("CPA") funds to the project. Additionally Beacon has requested that the Town construct and operate a wastewater treatment plant on the site, in support of the development and other users. This analysis focuses on the \$7.5 million requested from CPA funds.

### **Financial Analysis**

Beacon has prepared financial projections of the redevelopment as proposed, dated December 21, 2009, a summary of which is attached. This analysis was the basis of negotiations with the Town, and this review.

#### Program:

Based on the earlier planning studies by the Friends of the Ames Shovel Works performed by Utile Associates, the program proposed by Beacon is reasonable and realistic in light of the constraints of the existing structures. Without significant additional buildings to the site, it would be difficult to accommodate more revenue producing development. The scheme as depicted by Beacon's architect, Prellwitz Chilinski Associates, seems attractive, responsive to market, realistic and sensitive to the historic elements of the site. In other words, the revenue potential of the site seems to have been maximized given the constraints of the existing historic structures, the site configuration, access, and infrastructure.



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Project Costs (Uses):

Uses of funds or project costs are those costs necessary to complete a development project and bring it to an operational status. These costs are typically broken down into site acquisition costs, hard or construction related costs, soft costs, which include architecture and engineering services, legal service, taxes, fees, insurance, marketing and other service necessary to complete the development, financing costs, including fees and interest carry during construction, and developer fees.

As depicted by Beacon in their financial projections dated December 4, 2009, as attached, the development costs are as follows:

Site Acquisition

The purchase price of \$6,050,000 has been fully negotiated by Beacon with the current Owner of the property. The property was purchased by the current Owner in 2007 for about \$2.4 million. Since that time, the Owner has spent significant time and money permitting the site for 182 units of rental housing and 35,000 sf of office space under the State's 40 B statute. These costs have not been documented.

Because of the unique circumstances of the site, it is difficult and of limited utility to determine a fair "market" based price. Based on representations of Beacon, it is believed that the purchased price has been fully negotiated, and this is the most favorable terms for the acquisition that Beacon could achieve. The acquisition value will need to be confirmed by a qualified appraiser, taking into consideration the value of the site fully developed under Chapter 40B as proposed by the current Owner.

Hard Costs

The hard costs have been estimated and budgeted by Beacon at \$210,000 per living unit. Based on an average gross square footage area of 1000 square feet, the overall budget of \$210/gsf is not unreasonable. During schematic design, and design development, these costs will be assessed. Due to the unique nature of the buildings and the resulting restoration/rehab, it is difficult to more accurately assess building costs at this stage of development.

Soft Costs

Soft costs have been reasonably budgeted by Beacon and appear to be within development standards. Beacon has carried a 5% soft cost contingency of \$457,000, which is reasonable and conventional.



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#### Development Fee and Overhead

The development fee and overhead requested by Beacon is equal to the maximum allowable under DHCD guidelines for low income housing developments (see attachments and Beacon calculation of fee). It is equal to about \$4.2 million, or about 9.5% of the total development cost of \$44 million. Of this fee, \$2 million will be paid incrementally beginning at the closing of the financing for the development and during the development period, and the remainder of \$2.2 million will be paid from proceeds from sales of condominium, anticipated to begin in the sixth year of the project's operation.

#### Financing Costs

The costs associated with the underwriting and administration of the financing of the project appears to be reasonable and customary.

#### Contingency

Contingency funds equal to 5% of hard costs (\$1.2 million) and soft costs (\$457,000) have been carried, which are minimally acceptable at this stage of the project.

Total Project costs are projected to equal about \$46.9 million. Due to the preliminary stage of the planning for the development, it should be understood that the depicted costs are based on the experience of the developer and current market conditions and are subject to change during the predevelopment period.

#### Sources of Funds

Due to the nature of funding for affordable housing and historic development, there are numerous sources for the funds for the development of the Shovel Works property. The sources of development funds are proposed by Beacon, per the attached statement, as follows:

First Mortgage Debt (Affordable units)	\$1 million
First Mortgage Debt (Market Units)	\$15.8 million





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*These are tax credits issued by the state government in support of the production of affordable housing units that enter into a project via a loan from a non-profit entity*

Federal Historic Tax Credit equity                      \$5.4 million

State Historic Tax Credit Equity                      \$5.4 million

*Federal historic tax credits are given to all compliant projects. State historic tax credits are limited and discretionary, and there is a high degree of uncertainty about the amount of State Historic tax credits that will be granted to any project. In similar situations other state agencies committed to affordable housing and community development have been willing to make funds available to fill the gap resulting from a shortfall in the state historic credit for which a development is eligible. Beacon has represented that it will work with the State to apply for any shortfall in funding from state historic tax credits with an allocation of other state resources.*

HOME funds    \$750,000

*HOME funds are Federal funds allocated by HUD, whose distribution is administered by DHCD in support of the production of affordable housing.*

Deferred development fee                              \$2.2 million

*Beacon has proposed that \$2.2 million of their total development fee of \$4.2 million be allocated to the sources of development funding. The payment of the \$2.2 million portion of the fee is deferred until some of the other sources are repaid.*

Total Sources per Developer                      \$46.9 million

The numerous sources of funds for the proposed development, although not atypical for this type of development, present a significant challenge to the developer. Both in the gathering and coordination of the funding, there is risk in Beacon not being able to source all the funds to the levels depicted and necessary to the development. The Town would not be contributing any capital to the transaction until the financing closing, at which time all other financing commitments will have been received.



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It is clear, based on the funding sources identified by Beacon, and the costs as delineated, that the proposed development cannot proceed without the Town providing funding at the requested levels.

#### Operating Finances

The developer plans to lease both market rate units and affordable units for the first five years of operation, during which the tax credits can be fully utilized by the investors. After the five year hold, the market rate units will be converted to condominiums, and sold, depending on market conditions at that time. The affordable units will remain rental apartments.

The operating income for the market rate units is reasonable, both in terms of projected rents, income and operating expenses, which include real estate taxes at the current level. It is unlikely that the development could support the requisite debt service if real estate taxes were fully assessed.

The developer is proposing an annual asset management fee, which is not a typical for the management at the investment level. The asset manager would be responsible for broad strategic decisions (leasing levels, capital expenditures, management) and conversion timing. They would also be responsible for the reporting and tax matters relating to the tax credit investors, and the various lenders on the property, and for compliance with all agreements and covenants relative to the permitting, operation and financing of the property.

#### Conversion Finances

It is currently planned to convert the 95 market rate rental units to condominiums after five years of operation. The developer is carrying \$30,000 per unit to renovate units after rental use, which would be used to refresh bathrooms and kitchens, re-carpet and paint the units. Common areas would be redecorated and refurnished. A 5% brokerage commission is carried, which is customary and reasonable to cover internal and third-party broker costs, and marketing costs. The costs associated with conversion to condominiums seem to be reasonable and customary.

#### Transaction Structure

The structure of the transaction and the position of the Town relative to its investment in the redevelopment of the Shovel Works has been the subject of significant negotiations between Beacon



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and the Town. The following deal structure has been proposed by the negotiating parties, and it has been agreed that this is the structure and specific terms of the transaction that should be presented for approval by the Town.

The Town would contribute approximately \$9 million dollars towards the redevelopment of the site. Of this total, \$1.5 million would fund a wastewater treatment facility which would service this development and an area, to be determined, of the business district of the Town. The \$1.5 million cost for the plant and infrastructure improvements associated with the plant would be funded through the issuance of bonds supported by user fees. The underwriting of this component of the financing by the Town is beyond the scope of this analysis.

Of the remaining \$7.5 million requested, the Town would purchase historic preservation easements on the property for approximately \$3.0 million. The previous scheme proposed 182 units, and 35,000 sf of commercial space, or the equivalent of 35 units, for a total of 217 units or equivalent. The current scheme proposes 119 units. The land basis for 98 forgone units is essentially what the the \$3 million is purchasing. This equals about \$31,000 unit, which has been in the range of land basis for comparable 40 B developments, but this component will require additional underwriting by a qualified appraiser.

The remaining \$4.5 million would be funded through a loan to the development secured by a second mortgage on the property. This loan would be repaid from the proceeds of the sale of the condominium units.

During the five year hold period, during which the market rate and affordable units would be rented, Beacon and the Town would split any cash flows from the property, after all operating expenses and fees were paid. The Town's share of the cash flows would offset the interest costs accruing during the hold period.

Once the sale of the condominium units is in process, the distribution of sale proceeds is proposed as follows:

First:

All costs of sales, including renovations and brokerage are deducted from sale proceeds;

Second:

The first mortgage is repaid in full;

Third:



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The developer is paid the balance of the development fee due. This development fee is about \$4.2 million, and calculated in accordance with DHCD guidelines for development fees for affordable housing (see attachments). It is proposed that Beacon be paid \$2 million at the closing of the development loans, to reimburse them their direct and indirect costs through the predevelopment period. The balance of the fee would be paid from sales proceeds, with 3% accrued interest.

Fourth:

The CPA loan would be repaid, with 3% interest as accrued, offset by any share of cash flows from the property prior to the sales period.

Fifth:

All proceeds in excess of the repayment of the CPA loan would be split 75% to the Developer and 25% to the Town. Once the developer received total fees and distributions equal to the maximum allowed under the 40B regulations (about \$10.1 million) the Town would receive 100% of the excess proceeds.

The structure of the deal supports the alignment of interests between the Town and the Developer, motivating the developer to maximize sales proceeds as quickly as possible. It also gives the Town significant share of upside if the condominium market is strong during the sale period.

Attached are three spreadsheets depicting the financial performance of the development relative to the CPA Loan. These spreadsheets are based on rental income and operating expenses provided by Beacon. The three models depict three different levels of average sale prices for the condominiums at the time of conversion in 2017.

The base model indicates an average sale price for the condominiums in 2017 of about \$285,000 (equal to an average sales price of about \$232,000 today). In this model, the Town is fully repaid, but there are very little excess distributions beyond repayment of the CPA loan and interest.

Total Beacon fees and distribution: \$6.2 million  
Total Town repayment and interest: \$6.0 million

The second model indicates an average sale price in 2017 of about \$350,000 (equal to about \$285,000 today). In this model, the Town is fully repaid, but there are significant excess distributions beyond repayment of the CPA loan and interest, and Beacon achieves the maximum allowable under 40 B regulations. This model suggests that if the project were to achieve an average sale price higher than \$350,000, the Town would receive all of the excess proceeds of sale.



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Total Beacon fees and distribution: \$10.1 million (40B maximum)  
Total Town repayment and interest: \$7.9 million

The third model indicates an average sale price in 2017 of about \$375,000 (equal to about \$310,000 in today's dollars). In this model, the Town is fully repaid, and there are significant distributions beyond repayment of the CPA loan and interest.

Total Beacon fees and distribution: \$10.1 million (40B maximum)  
Total Town repayment and interest: \$10.1 million

#### Summary and Conclusions

Based on the information available at this stage of development, and on projections of costs and revenues provided by Beacon, the redevelopment of the Ames Shovel Works appears to be feasible if Beacon is able to assemble the funding from the sources as depicted by them. It also is clear that the funding requested by Beacon from the Town is necessary for the development to proceed.

Based on the information provided and reviewed, it appears that the funding provided by the Town in the form of a loan, would have a reasonable likelihood of being repaid, with interest. Additionally, without unduly optimistic projections relative to the residential market in Easton, the Town may receive significant additional funds from the sales revenues from the condominiums. The full underwriting of the CPA loan is dependent on further due diligence, structuring of loan agreements, and the monitoring of the development and its operation by Beacon.

#### **Preliminary Recommendations**

1. Retain legal counsel experienced in complex affordable housing financings and deal structures, including the use of both historic and low income tax credits, and multi-party inter-creditor agreements, to represent the Town in the drafting and negotiation of all funding and loan agreements with Beacon.
2. Fully negotiate and understand the funding and loan agreements with Beacon, and other sources funding and loan agreements for the development, as they will determine the Town's interest in the project and its ability to recover invested funds.
3. Fully monitor all project costs in predevelopment and during development activities, and retain the right to review and approve the final development budget. Incorporate the disposition of all unspent contingency funds in funding and loan agreements.



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4. Monitor construction costs through estimates developed at conceptual stage, schematic stage, design development stage, and at 50% and 80% construction documentation stages.
5. Monitor buyout of construction, and understand the overall construction budget. Require a full monthly accounting of construction expenditures and funding, and of changes orders. Require a full accounting of any expenditure from the hard and soft cost contingency accounts.
6. Fully monitor all development operating budgets, operating expenses including management fees, distributions and any additional fees to Beacon and third party vendors.
7. Have right to review and approve condominium sales plan, including pricing and brokerage costs. Monitor sales and disposition of sale proceeds. Retain right to prevent sale of condominiums below an agreed upon minimum sales price.

As negotiations with Beacon proceed, and the transaction is reviewed by the Town and its constituents, other issues that will shape the Town's position will emerge. In closing, we believe that the request of Beacon for Town funding is necessary for the proposed historic renovation of the Ames Shovel Works to proceed, that the proposed transaction is fair to both parties, and with the transaction, if properly structured, documented and administered, the Town could recoup a its investment of CPA funds loaned to the project, and possibly realize a return on that investment.

**Attachments:**

- *DHCD Guideline for developer's Fee (excerpt)*
- *Beacon Development Pro forma dated December 4, 2009*
- *8 Year Pro forma-Proposed Distributions to Beacon and the Town CPA-Version 1- condominium sale price average at \$286,000*
- *8 Year Pro forma-Proposed Distributions to Beacon and the Town CPA-Version 1- condominium sale price average at \$350,000*
- *8 Year Pro forma-Proposed Distributions to Beacon and the Town CPA-Version 1- condominium sale price average at \$375,000*





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8 Year Pro Forma-Proposed Distributions to Beacon and Town CPA



Rental Component	3% Rent and Op Ex Growth	Year 1					Year 2				Year 3				Year 4				Year 5				Totals	
		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4		
Market Rental Income		\$1,942,980	\$2,001,269	\$2,061,307	\$2,123,147	\$2,186,841	\$494,917	\$443,123	\$391,329	\$339,536	\$287,742	\$235,949	\$184,155	\$132,361	\$80,568	\$28,774	\$0	\$0	\$0					
Market Vacancy @ 5 %		(\$97,149)	(\$100,063)	(\$103,065)	(\$106,157)	(\$109,342)	(\$24,746)	(\$22,156)	(\$19,566)	(\$16,977)	(\$14,387)	(\$11,797)	(\$9,208)	(\$6,618)	(\$4,028)	(\$1,439)	\$0	\$0	\$0					
Affordable Rental Income		\$269,328	\$277,408	\$285,730	\$294,302	\$303,131	\$78,056	\$78,056	\$78,056	\$78,056	\$80,398	\$80,398	\$80,398	\$80,398	\$82,810	\$82,810	\$82,810	\$82,810	\$85,294					
Affordable Vacancy @ 3%		(\$11,343)	(\$11,683)	(\$12,034)	(\$12,395)	(\$12,767)	(\$3,287)	(\$3,287)	(\$3,287)	(\$3,287)	(\$3,386)	(\$3,386)	(\$3,386)	(\$3,386)	(\$3,488)	(\$3,488)	(\$3,488)	(\$3,488)	(\$3,592)					
Total rental Income		\$2,103,816	\$2,166,931	\$2,231,939	\$2,298,897	\$2,367,864	\$544,940	\$495,736	\$446,532	\$397,328	\$350,367	\$301,163	\$251,959	\$202,755	\$155,862	\$106,658	\$79,322	\$79,322	\$81,702					
Operating Expenses		(\$745,297)	(\$767,656)	(\$790,686)	(\$814,406)	(\$838,838)	(\$242,822)	(\$222,954)	(\$203,087)	(\$183,220)	(\$163,353)	(\$143,486)	(\$123,618)	(\$103,751)	(\$83,884)	(\$64,017)	(\$52,979)	(\$52,979)	(\$52,979)					
Net Operating Income		\$1,358,519	\$1,399,275	\$1,441,253	\$1,484,491	\$1,529,025	\$302,118	\$272,781	\$243,445	\$214,108	\$187,014	\$157,678	\$128,341	\$99,004	\$71,978	\$42,641	\$26,343	\$26,343	\$28,723					
Debt Service		(\$1,161,127)	(\$1,161,127)	(\$1,161,127)	(\$1,161,127)	(\$1,161,127)	(\$180,927)	(\$144,718)	(\$108,509)	(\$72,300)	(\$36,090)	(\$23,007)	(\$23,007)	(\$23,007)	(\$23,007)	(\$23,007)	(\$23,007)	(\$23,007)	(\$23,007)					
Cash Flow after Debt Service (NCF)		\$197,392	\$238,147	\$280,125	\$323,363	\$367,898	\$121,191	\$128,063	\$134,936	\$141,808	\$150,924	\$134,671	\$105,334	\$75,997	\$48,971	\$19,634	\$3,336	\$3,336	\$5,716					\$2,480,842
Priority Cash Flow to Investor	25% of NCF	\$49,348	\$59,537	\$70,031	\$80,841	\$91,974	\$30,298	\$32,016	\$33,734	\$35,452	\$37,731	\$33,668	\$26,333	\$18,999	\$12,243	\$4,909	\$834	\$834	\$1,429					\$620,210
Beacon Asset Management Fee	\$75,000/year-3 % annual increase	\$75,000	\$77,250	\$79,568	\$81,955	\$84,413	\$17,332	\$15,914	\$14,496	\$13,078	\$11,660	\$10,242	\$8,824	\$7,405	\$5,987	\$4,569	\$3,782	\$3,782	\$515,255					\$515,255
Available for Distribution		\$73,044	\$101,360	\$130,527	\$160,568	\$191,510	\$73,561	\$80,134	\$86,706	\$93,279	\$101,533	\$90,761	\$70,177	\$49,592	\$30,741	\$10,156	(\$1,280)	(\$1,280)	\$4,287					\$1,345,377
50% Distribution to Beacon-offset to deferred Development Fee		\$36,522	\$50,680	\$65,263	\$80,284	\$95,755	\$36,781	\$40,067	\$43,353	\$46,639	\$50,767	\$45,381	\$35,088	\$24,796	\$15,370	\$5,078	(\$640)	(\$640)	\$2,143					\$672,688
50% Distribution to Town-offset to accruing CPA loan		\$36,522	\$50,680	\$65,263	\$80,284	\$95,755	\$36,781	\$40,067	\$43,353	\$46,639	\$50,767	\$45,381	\$35,088	\$24,796	\$15,370	\$5,078	(\$640)	(\$640)	\$2,143					\$672,688
<b>Condo Component</b>																								
Quarterly Sales	3 units per month sold	0	0	0	0	0	9	9	9	9	9	9	9	9	9	5	0	0						
Cumulative Sales		0	0	0	0	0	9	18	27	36	45	54	63	72	81	90	95	95					95	
Quarterly Sales Revenue	\$350,000 net sales proceeds	\$0	\$0	\$0	\$0	\$0	\$3,150,000	\$3,150,000	\$3,150,000	\$3,150,000	\$3,150,000	\$3,150,000	\$3,150,000	\$3,150,000	\$3,150,000	\$3,150,000	\$1,750,000	\$0	\$0				\$33,250,000	
Less Brokerage	5% of sales						(\$157,500)	(\$157,500)	(\$157,500)	(\$157,500)	(\$157,500)	(\$157,500)	(\$157,500)	(\$157,500)	(\$157,500)	(\$157,500)	(\$87,500)	\$0						(\$1,662,500)
Less conversion costs	\$30,000 per unit						(\$270,000)	(\$270,000)	(\$270,000)	(\$270,000)	(\$270,000)	(\$270,000)	(\$270,000)	(\$270,000)	(\$270,000)	(\$270,000)	(\$150,000)							(\$2,850,000)
Net Quarterly Sales Revenue							\$2,722,500	\$2,722,500	\$2,722,500	\$2,722,500	\$2,722,500	\$2,722,500	\$2,722,500	\$2,722,500	\$2,722,500	\$2,722,500	\$1,512,500							\$28,737,500
<b>Distributions from Sales Proceeds</b>																								
Payoff of First Mortgage	\$15,851,795 outstanding mortgage																							
Outstanding Balance		\$15,626,012	\$15,388,216	\$15,137,770	\$14,874,000	\$14,596,198	\$14,596,198	\$11,873,698	\$9,151,198	\$6,428,698	\$3,706,198	\$983,698	\$0	\$0	\$0	\$0	\$0	\$0	\$0					
Payoff of First Mortgage		\$0	\$0	\$0	\$0	\$0	\$2,722,500	\$2,722,500	\$2,722,500	\$2,722,500	\$2,722,500	\$983,698	\$0	\$0	\$0	\$0	\$0	\$0	\$0					
Excess Proceeds after Loan Paydown		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,738,802	\$2,722,500	\$2,722,500	\$2,722,500	\$2,722,500	\$2,722,500	\$1,512,500	\$0	\$0					\$14,141,302
Payment of Deferred Development Fee	\$2,364,858 outstanding dev. fee																							
Outstanding Fee Balance	3% accruing interest	\$2,364,858	\$2,435,804	\$2,508,878	\$2,584,145	\$2,661,669	\$2,681,631	\$2,701,744	\$2,722,007	\$2,742,422	\$2,762,990	\$2,783,712	\$1,044,910	\$0	\$0	\$0	\$0	\$0	\$0					
Payoff of Deferred Dev. Fee												\$1,738,802	\$1,044,910	\$0	\$0	\$0	\$0	\$0	\$0					\$2,783,712
Excess Proceeds after Fee Paydown												\$0	\$1,677,590	\$2,722,500	\$2,722,500	\$2,722,500	\$1,512,500	\$0	\$0					
Payoff of 2nd Mortgage (CPA funds)	\$4,774,050 outstanding to town																							
Outstanding CPA Loan Balance	3% accruing interest less cash flow	\$4,880,750	\$4,976,492	\$5,060,523	\$5,132,055	\$5,190,262	\$5,192,408	\$5,191,284	\$5,186,866	\$5,179,128	\$5,167,205	\$5,160,578	\$5,164,194	\$3,500,540	\$788,924	\$0	\$0	\$0	\$0					
Payoff of CPA Loan		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,677,590	\$2,722,500	\$788,924	\$0	\$0	\$0	\$0					\$5,189,013
Excess Proceeds after CPA Loan Paydown		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,933,576	\$2,722,500	\$1,512,500	\$0	\$0					
<b>Distribution of Net Sales Proceeds</b>																								
Condo Sales: Priority Distribution to Beacon															\$1,933,576	\$2,722,500	\$1,512,500	\$0						\$6,168,576
Remainder split to Beacon	75%														\$1,450,182	\$2,041,875	\$1,134,375	\$0						\$4,626,432
Remainder split to Town	25%														\$483,394	\$680,625	\$378,125	\$0						\$1,542,144

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8 Year Pro Forma-Proposed Distributions to Beacon and Town CPA



	Year					6				7				8				9	Totals
	1	2	3	4	5	1	2	3	4	1	2	3	4	1	2	3	4	1	
<b>Fees and Distributions to Beacon (without property management fees)</b>																			
<b>Fees</b>																			
Development fee	\$2,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,738,802	\$1,044,910	\$0	\$0	\$0	\$0	\$0	\$0	\$4,783,712
Asset Management fee	\$75,000	\$77,250	\$79,568	\$81,955	\$84,413	\$17,332	\$15,914	\$14,496	\$13,078	\$11,660	\$10,242	\$8,824	\$7,405	\$5,987	\$4,569	\$3,782	\$3,782	\$0	\$515,255
<b>Total Beacon Fees</b>	<b>\$2,075,000</b>	<b>\$77,250</b>	<b>\$79,568</b>	<b>\$81,955</b>	<b>\$84,413</b>	<b>\$17,332</b>	<b>\$15,914</b>	<b>\$14,496</b>	<b>\$13,078</b>	<b>\$11,660</b>	<b>\$1,749,043</b>	<b>\$1,053,734</b>	<b>\$7,405</b>	<b>\$5,987</b>	<b>\$4,569</b>	<b>\$3,782</b>	<b>\$3,782</b>	<b>\$0</b>	<b>\$5,298,967</b>
<b>Distributions</b>																			
Rental Cash flow distribution	\$36,522	\$50,680	\$65,263	\$80,284	\$95,755	\$36,781	\$40,067	\$43,353	\$46,639	\$50,767	\$45,381	\$35,088	\$24,796	\$15,370	\$5,078	(\$640)	(\$640)	\$2,143	\$672,688
Condominium Sales Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,450,182	\$ 2,041,875	\$ 1,134,375	\$ -	\$ -	\$4,626,432
<b>Total Fees and Distributions</b>	<b>\$2,111,522</b>	<b>\$127,930</b>	<b>\$144,831</b>	<b>\$162,238</b>	<b>\$180,168</b>	<b>\$54,113</b>	<b>\$55,981</b>	<b>\$57,849</b>	<b>\$59,717</b>	<b>\$62,426</b>	<b>\$1,794,424</b>	<b>\$1,088,822</b>	<b>\$32,202</b>	<b>\$1,471,540</b>	<b>\$2,051,522</b>	<b>\$1,137,517</b>	<b>\$3,142</b>	<b>\$2,143</b>	<b>\$10,598,088</b>
	\$2,111,522	\$127,930	\$144,831	\$162,238	\$180,168		\$227,659				\$2,977,875				\$4,663,721			\$2,143	\$10,598,088
<b>Distributions to Town</b>																			
Rental Cash flow distribution	\$ 36,522	\$ 50,680	\$ 65,263	\$ 80,284	\$ 95,755	\$ 36,781	\$ 40,067	\$ 43,353	\$ 46,639	\$ 50,767	\$ 45,381	\$ 35,088	\$ 24,796	\$ 15,370	\$ 5,078	(\$ 640)	(\$ 640)	\$ 2,143	\$672,688
CPA Loan Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,677,590	\$2,722,500	\$788,924	\$0	\$0	\$0	\$0	\$5,189,013
Additional Condominium Sales Proceeds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$483,394	\$680,625	\$378,125	\$0	\$0	\$1,542,144
<b>Total Distributions to Town</b>	<b>\$ 36,522</b>	<b>\$ 50,680</b>	<b>\$ 65,263</b>	<b>\$ 80,284</b>	<b>\$ 95,755</b>	<b>\$ 36,781</b>	<b>\$ 40,067</b>	<b>\$ 43,353</b>	<b>\$ 46,639</b>	<b>\$ 50,767</b>	<b>\$ 45,381</b>	<b>\$ 1,712,678</b>	<b>\$ 2,747,296</b>	<b>\$ 1,287,688</b>	<b>\$ 685,703</b>	<b>\$ 377,485</b>	<b>(\$ 640)</b>	<b>\$ 2,143</b>	<b>\$7,403,846</b>
<b>Total Distributions Annually</b>	<b>\$36,522</b>	<b>\$50,680</b>	<b>\$65,263</b>	<b>\$80,284</b>	<b>\$95,755</b>		<b>\$166,840</b>				<b>\$4,556,122</b>				<b>\$2,350,237</b>			<b>\$2,143</b>	<b>\$7,403,846</b>

\*Developer fees + sales proceeds will not exceed Beacon's allowable fee under Chapter 40B estimated as \$10,130,000

40B Calculation      20% of TDC (excluding fee) inflated at 3%      \$10,130,000

**With excess Beacon fees and returns to Town:      \$7,871,933**



Ames Shovel Shops

8 Year Pro Forma-Proposed Distributions to Beacon and Town CPA



	Year																	Totals
	1	2	3	4	5	6				7				8				
	Quarter					1	2	3	4	1	2	3	4	1	2	3	4	1
<b>Fees and Distributions to Beacon (without property management fees)</b>																		
<b>Fees</b>																		
Development fee	\$2,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$85,052	\$2,760,828	\$0	\$0	\$0	\$0	\$0	\$0	\$4,845,880
Asset Management fee	\$75,000	\$77,250	\$79,568	\$81,955	\$84,413	\$17,332	\$15,914	\$14,496	\$13,078	\$11,660	\$10,242	\$8,824	\$7,405	\$5,987	\$4,569	\$3,782	\$3,782	\$515,255
<b>Total Beacon Fees</b>	<b>\$2,075,000</b>	<b>\$77,250</b>	<b>\$79,568</b>	<b>\$81,955</b>	<b>\$84,413</b>	<b>\$17,332</b>	<b>\$15,914</b>	<b>\$14,496</b>	<b>\$13,078</b>	<b>\$96,712</b>	<b>\$2,771,069</b>	<b>\$8,824</b>	<b>\$7,405</b>	<b>\$5,987</b>	<b>\$4,569</b>	<b>\$3,782</b>	<b>\$3,782</b>	<b>\$5,361,134</b>
<b>Distributions</b>																		
Rental Cash flow distribution	\$36,522	\$50,680	\$65,263	\$80,284	\$95,755	\$36,781	\$40,067	\$43,353	\$46,639	\$50,767	\$45,381	\$35,088	\$24,796	\$15,370	\$5,078	(\$640)	(\$640)	\$672,688
Condominium Sales Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 653,331	\$ 2,202,188	\$ 2,202,188	\$ 1,223,438	\$ -	\$6,281,144
<b>Total Fees and Distributions</b>	<b>\$2,111,522</b>	<b>\$127,930</b>	<b>\$144,831</b>	<b>\$162,238</b>	<b>\$180,168</b>	<b>\$54,113</b>	<b>\$55,981</b>	<b>\$57,849</b>	<b>\$59,717</b>	<b>\$147,478</b>	<b>\$2,816,450</b>	<b>\$43,912</b>	<b>\$685,533</b>	<b>\$2,223,545</b>	<b>\$2,211,835</b>	<b>\$1,226,579</b>	<b>\$3,142</b>	<b>\$12,814,967</b>
	\$2,111,522	\$127,930	\$144,831	\$162,238	\$180,168		\$227,659				\$3,693,373				\$5,665,101		\$2,143	
<b>Distributions to Town</b>																		
Rental Cash flow distribution	\$ 36,522	\$ 50,680	\$ 65,263	\$ 80,284	\$ 95,755	\$ 36,781	\$ 40,067	\$ 43,353	\$ 46,639	\$ 50,767	\$ 45,381	\$ 35,088	\$ 24,796	\$ 15,370	\$ 5,078	(\$ 640)	(\$ 640)	\$ 2,143
CPA Loan Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$175,422	\$2,936,250	\$2,065,141	\$0	\$0	\$0	\$0	\$5,176,814
Additional Condominium Sales Proceeds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$217,777	\$734,063	\$734,063	\$407,813	\$0	\$2,093,715
<b>Total Distributions to Town</b>	<b>\$ 36,522</b>	<b>\$ 50,680</b>	<b>\$ 65,263</b>	<b>\$ 80,284</b>	<b>\$ 95,755</b>	<b>\$ 36,781</b>	<b>\$ 40,067</b>	<b>\$ 43,353</b>	<b>\$ 46,639</b>	<b>\$ 50,767</b>	<b>\$ 220,803</b>	<b>\$ 2,971,338</b>	<b>\$ 2,307,715</b>	<b>\$ 749,433</b>	<b>\$ 739,141</b>	<b>\$ 407,173</b>	<b>(\$ 640)</b>	<b>\$ 2,143</b>
<b>Total Distributions Annually</b>	<b>\$36,522</b>	<b>\$50,680</b>	<b>\$65,263</b>	<b>\$80,284</b>	<b>\$95,755</b>		<b>\$166,840</b>				<b>\$5,550,623</b>				<b>\$1,895,106</b>		<b>\$2,143</b>	<b>\$7,943,217</b>

\*Developer fees + sales proceeds will not exceed Beacon's allowable fee under Chapter 40B estimated as \$10,130,000

40B Calculation      20% of TDC (excluding fee) inflated at 3%      \$10,130,000

**With excess Beacon fees and returns to Town:      \$10,128,183**