

Presentation of Magnolia Ranch

to

The City of McKinney



Sponsor Information



Founded in 1990, Bridge Partners is a real estate investment company that specializes in the acquisition, renovation, and asset management of workforce and affordable multifamily properties. Over the course of its history, Bridge Partners has completed over 200 transactions across 26 states and 50 domestic markets. Its existing portfolio features 51 properties in 15 states containing 7,300 units.

Bridge Partners has been active in Texas for nearly 30 years and has owned properties in Dallas, Houston, Austin, San Antonio, and several secondary Texas markets. Bridge currently owns properties in the Dallas, Houston, and Austin MSAs. Since its founding, Bridge has also owned affordable housing communities across the country. It currently owns multiple properties governed by Section 8 and Low-Income Housing Tax Credit regulations and has worked with federal, state, and local agencies.

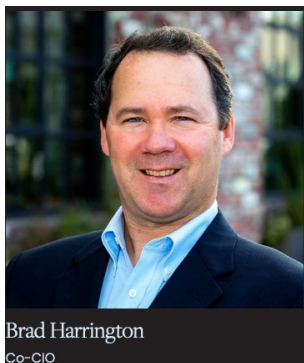
Bridge Partners has extensive expertise with Texas affordable housing transactions and partnering with housing authorities. In Q4 2020, Bridge Partners completed a transaction with the Plano Housing Authority; in Q2 2022, we completed a transaction with the Baytown Housing Authority; and in Q1 2021 and Q3 2022, Bridge Partners completed two transactions with the Houston Housing Authority.



Steven Yu

Title: Vice President, Acquisitions & Asset Management

Mr. Yu will lead the acquisition, closing and asset management of the property. Mr. Yu joined Bridge Partners in 2015. His current responsibilities include investment sourcing, underwriting, due diligence, and asset management. He received a Bachelor of Business Administration from the UC Berkeley, Haas School of Business and is a Chartered Financial Analyst charter holder.



Brad Harrington,

Title: Co-Chief Investment Officer

Mr. Harrington joined Bridge Partners in 2007. His responsibilities include acquisitions, dispositions, and asset management. Mr. Harrington has led Bridge Partners' public/private affordable housing initiatives and has advised on the acquisition, financing, and asset management of all the company's Texas affordable projects to date. Mr. Harrington received a Bachelor of Arts degree from Stanford University and a Masters in Business Administration from the University of California, Berkeley.

Location

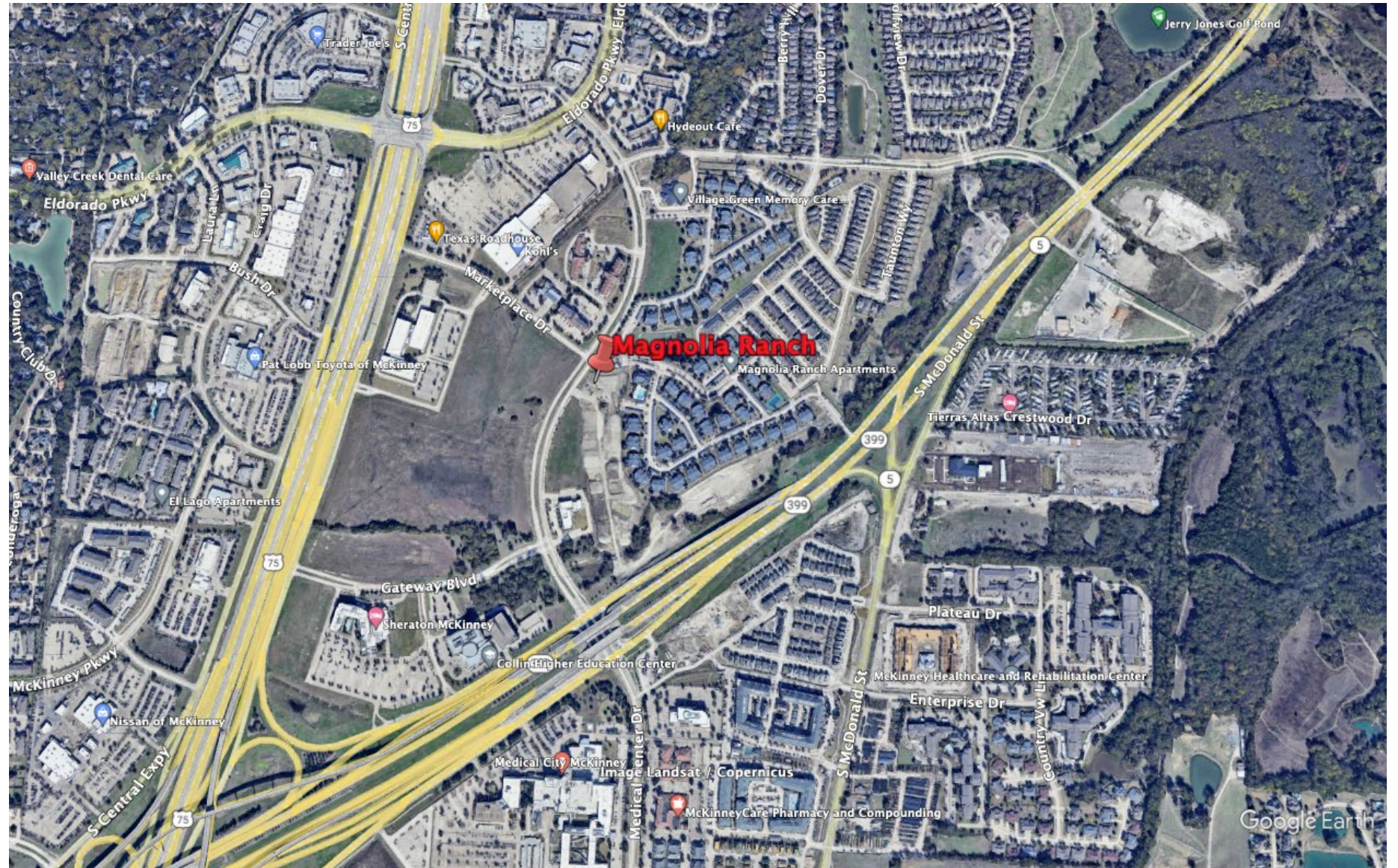
Magnolia Ranch Apartments
3191 Medical Center Dr
McKinney, TX 75069
576 Units, Built 2001
Unit Mix:

- 67% 2 beds
- 33% 1 beds

Avg Unit Size: 918 Sq. Ft.

<https://www.magnoliaranchmckinney.com/>

Excellent location residents will have quick access to US-75, SH-121, and US 380.

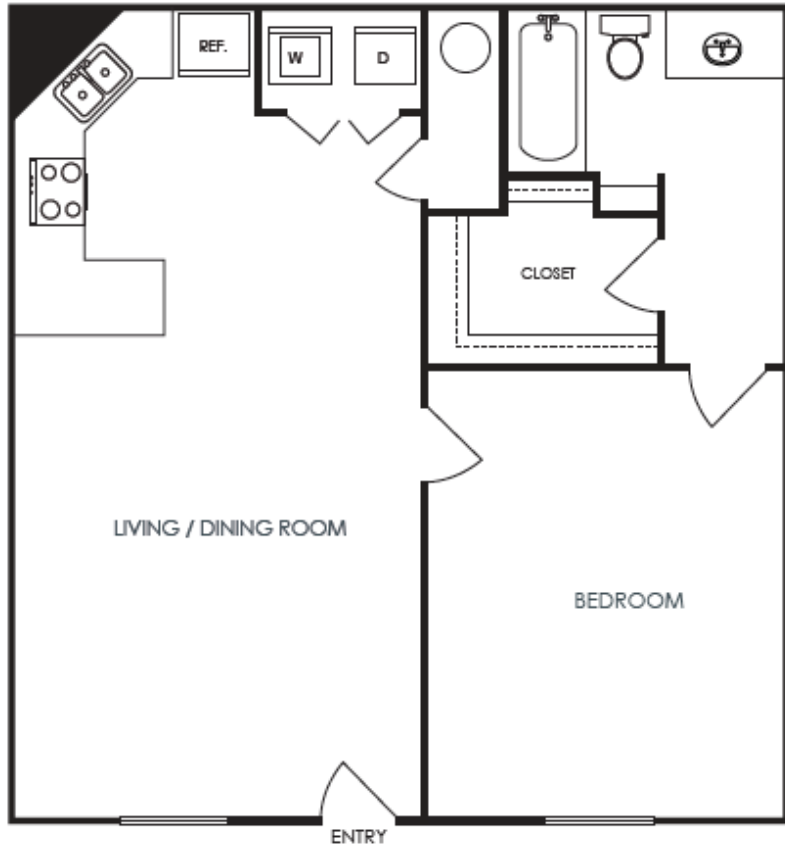


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- Magnolia Ranch
 - Built-in 2001
 - 576 Total Units
 - 192 – One Bedroom Units
 - 384 – Two Bedroom Units
 - 48% of the remaining units will be renovated - \$3MM Budget
 - \$1.551MM in Exterior Renovations
 - The site comprises 38.6 acres

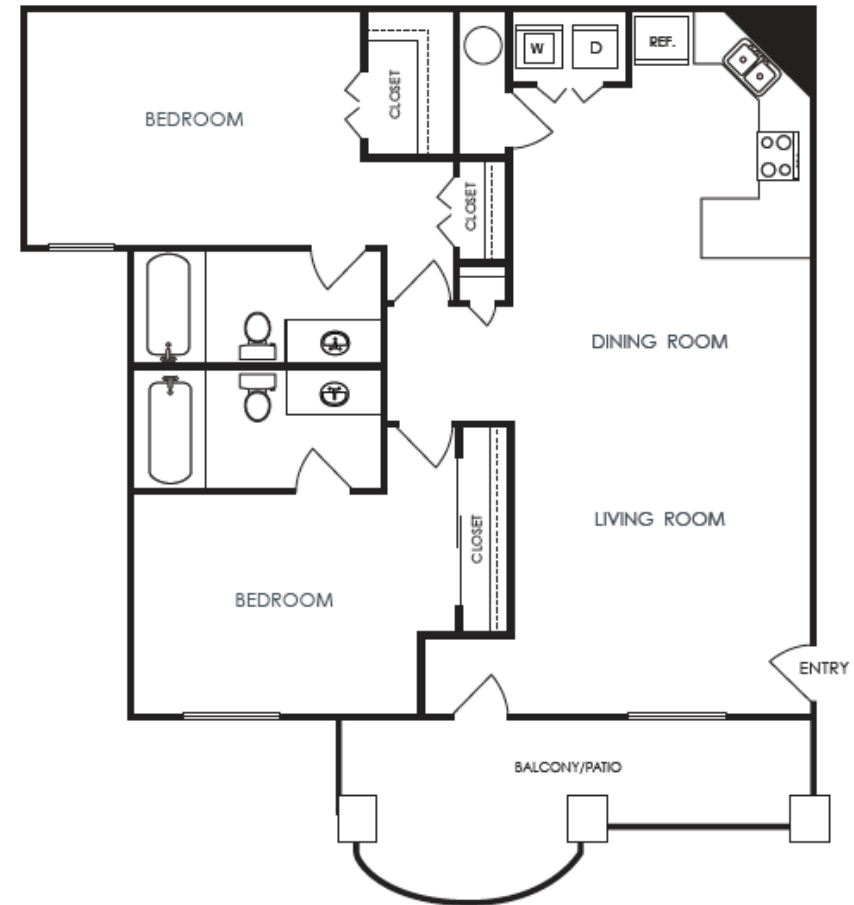


Unit Plans

A1 one bedroom | one bath
667 sq. ft.



B1 two bedroom | two bath
1,043 sq. ft.







Unit Interiors

- The Property is in excellent physical condition; 48% of the units are in classic condition, which features black appliances, formica countertops, and faux wood floors, and 52% of the units are in renovated condition, which features granite or quartz countertops, stainless steel appliances, and faux wood floors. Bridge Partners will invest approximately \$3,000,000 to renovate the remaining 48% of classic units into a renovated condition. Additionally, Magnolia Ranch offers an excellent community amenity package. These amenities include, but are not limited to, a resort-style pool with cabanas, a state-of-the-art fitness center, a resident lounge and business center, a tennis court, a 24-hour package locker room, and two large bark parks.

Property Amenities

- **Community Amenities**

- Full Sized Resort Style Pool w/Poolside Lounge
- Outdoor Kitchen w/Gas Grills
- Full Fitness Center
- Resident Lounge with WiFi
- HDTV's
- Party-Ready Kitchen
- Business Center with WiFi
- Leash-Free Bark (Dog) Park
- Tennis Court

- **Unit Amenities**

- Hard Surfaced Countertops
- Energy-Efficient, Black and Stainless-Steel Appliances
- Modern Cabinetry w/Designer Hardware
- In-Home Washer and Dryer Sets
- Wood-Style Faux Flooring
- Modern Lighting
- Ceiling Fans – Living Room and Bedroom
- 10 Foot Ceilings

Structure

- The McKinney Housing Authority (MHA) will purchase the property and form a 392 public/private partnership with Bridge Partners.
- MHA will be the general partner (entity name TBD).
- Bridge Partners will be the Special Limited Partners.
- Bridge Partners will provide the investor equity.
- Bridge Partners will be the borrower on the Fannie Mae or Freddie Mac loan to finance the transaction.

Rent & Income Limits at Magnolia Ranch

Public Benefit:

- Create real affordability at the 60% and 30% AMI Levels
- Much more restrictive than the minimum requirement of 50% units at 80% AMI

Income Restrictions:

- 45% of units (260 units) restricted to 60% AMI
- 5% of units (30 units) restricted to 30% AMI
- 50% will be unrestricted market-rate providing for a mixed income community.

Income Limits for 2024

(Based on 2024 AMI Income Limits)

	60.00%	30.00%
1 Person	46,320	23,160
2 Person	52,920	26,460
3 Person	59,580	29,790
4 Person	66,180	33,090
5 Person	71,460	35,730

Rent Limits for 2024

(Based on 2024 AMI Income Limits)

Bedrooms (People)	60.00%	30.00%
Efficiency (1.0)	1,158	579
1 Bedroom (2.0)	1,323	661
2 Bedrooms (3.0)	1,489	744

Public Benefits Analysis (per MHA Financial Consultant)

Magnolia Ranch - McKinney Housing Authority

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
Tax Savings Calculation										
Project estimated Tax Savings	\$1,502,821	\$1,540,392	\$1,578,902	\$1,618,374	\$1,658,833	\$1,700,304	\$1,742,812	\$1,786,382	\$1,831,042	\$1,876,818
Total project estimated Tax Benefit	\$16,836,679									

McKinney Housing Authority Benefit Calculation										
Market Rate Gross Potential Rent	\$10,944,000	\$11,513,088	\$12,111,769	\$12,741,581	\$13,404,143	\$14,101,158	\$14,834,418	\$15,605,808	\$16,417,310	\$17,271,010
Blended PFC Gross Potential Rent	\$10,165,656	\$10,648,525	\$11,154,330	\$11,684,160	\$12,239,158	\$12,820,518	\$13,429,492	\$14,067,393	\$14,735,595	\$15,435,535
Community Rent Benefit	\$12,563,923	\$778,344	\$864,563	\$957,439	\$1,057,420	\$1,164,985	\$1,280,640	\$1,404,926	\$1,538,415	\$1,681,716
% of Rent Savings		52%								
Capital Improvements	\$2,277,550	\$2,277,550	–	–	–	–	–	–	–	–
	Terms									
MHA Annual Lease	12%	\$175,000	\$180,250	\$185,658	\$191,227	\$196,964	\$202,873	\$208,959	\$215,228	\$221,685
MHA Acquisition Fee	approx 85bps	\$1,000,000	–	–	–	–	–	–	–	–
MHA Compliance Fee		\$72,000	\$74,160	\$76,385	\$78,676	\$81,037	\$83,468	\$85,972	\$88,551	\$91,207
MHA Disposition Fee		–	–	–	–	–	–	–	–	\$1,500,000
Total MHA Benefit		\$4,302,894	\$3,396,523	\$1,219,481	\$1,327,324	\$1,442,986	\$1,566,981	\$1,699,857	\$1,842,194	\$1,994,608

Total MHA Benefit	\$22,450,601
% of Tax Benefit	133%
% of Tax Benefit less disposition	124%
% of Tax Benefit less disposition & CapEx	97%



Building & Public Benefits Data

Magnolia Ranch - Rent Benefit Analysis

Total Units	576
Unit Type	Total
1 Bedroom	192
2 Bedroom	384
	576

	30% AMI Rent Savings					60% AMI Rent Savings					Market Rents		100% Market Rents		
	Avg. Rent	Units	Benefit % Comp to Market	Monthly	Annually	Avg. Rent	Units	Benefit % Comp to Market	Monthly	Annually	Avg. Rent	Units	Units	Monthly	Annually
1 BD	661	10	51%	6,890	82,680	1,323	87	2%	2,349	28,188	1,350	95	192	259,200	3,110,400
2 BD	744	20	56%	19,120	229,440	1,489	173	12%	36,503	438,036	1,700	191	384	652,800	7,833,600
Total/Avg		30	54%	26,010	312,120	Total/Avg	260	7%	38,852	\$466,224	50%	286	576		\$10,944,000
% of Units		5%				% of Units	45%				Rent	\$5,435,400			

Number of Workforce Units 290
 Reduced Rent \$778,344



Magnolia Ranch - 10 Year Proforma

	At Acquisition	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Current Gross Potential Market Rent	\$10,944,000	\$11,513,088	\$12,111,769	\$12,741,581	\$13,404,143	\$14,101,158	\$14,834,418	\$15,605,808	\$16,417,310	\$17,271,010	\$18,169,103
Rent trending percentage	5%										
	Initial Conversion	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Gross Potential Rent - Program Rent	\$10,165,656	\$10,648,525	\$11,154,330	\$11,684,160	\$12,239,158	\$12,820,518	\$13,429,492	\$14,067,393	\$14,735,595	\$15,435,535	\$16,168,723
Vacancy	(\$508,283)	(\$532,426)	(\$557,716)	(\$584,208)	(\$611,958)	(\$641,026)	(\$671,475)	(\$703,370)	(\$736,780)	(\$771,777)	(\$808,436)
Non-Revenue	(\$50,000)	(\$52,600)	(\$55,335)	(\$58,213)	(\$61,240)	(\$64,424)	(\$67,774)	(\$71,298)	(\$75,006)	(\$78,906)	(\$83,009)
Bad Debt	(\$96,074)	(\$100,635)	(\$105,413)	(\$110,417)	(\$115,660)	(\$121,151)	(\$126,902)	(\$132,927)	(\$139,238)	(\$145,849)	(\$152,773)
Other Income	\$360,000	\$378,720	\$398,413	\$419,131	\$440,926	\$463,854	\$487,974	\$513,349	\$540,043	\$568,125	\$597,668
Utility Reimbursements	\$440,000	\$453,200	\$466,796	\$480,800	\$495,224	\$510,081	\$525,383	\$541,145	\$557,379	\$574,100	\$591,323
EGI	\$10,311,299	\$10,794,783	\$11,301,075	\$11,831,253	\$12,386,450	\$12,967,852	\$13,576,698	\$14,214,291	\$14,881,993	\$15,581,229	\$16,313,496
Controllable Expenses	\$1,406,929	\$1,449,137	\$1,492,611	\$1,537,389	\$1,583,511	\$1,631,016	\$1,679,947	\$1,730,345	\$1,782,256	\$1,835,723	\$1,890,795
Franchise & Excise Taxes	\$34,130	\$35,731	\$37,407	\$39,161	\$40,999	\$42,924	\$44,939	\$47,049	\$49,259	\$51,574	\$53,998
MAHDC Lease Fees	\$175,000	\$175,000	\$180,250	\$185,658	\$191,227	\$196,964	\$202,873	\$208,959	\$215,228	\$221,685	\$228,335
MAHDC Acq & Disp Fee	\$1,000,000	\$1,000,000	-	-	-	-	-	-	-	-	-
MAHDC Compliance Fee	\$72,000	\$72,000	\$74,160	\$76,385	\$78,676	\$81,037	\$83,468	\$85,972	\$88,551	\$91,207	\$93,944
Insurance	\$277,000	\$285,310	\$293,869	\$302,685	\$311,766	\$321,119	\$330,752	\$340,675	\$350,895	\$361,422	\$372,265
Management Fee	\$309,339	\$323,844	\$339,032	\$354,938	\$371,594	\$389,036	\$407,301	\$426,429	\$446,460	\$467,437	\$489,405
Total Operating Expenses	\$3,274,398	\$3,341,021	\$2,417,329	\$2,496,216	\$2,577,773	\$2,662,095	\$2,749,280	\$2,839,429	\$2,932,649	\$3,029,048	\$3,128,741
Capital Reserves	\$288,000	\$302,976	\$318,731	\$335,305	\$352,741	\$371,083	\$390,379	\$410,679	\$432,034	\$454,500	\$478,134
NOI	\$6,748,901	\$7,150,786	\$8,565,015	\$8,999,732	\$9,455,937	\$9,934,673	\$10,437,039	\$10,964,183	\$11,517,309	\$12,097,681	\$12,706,620
Less: Debt	(\$5,540,000)	(\$5,540,000)	(\$5,540,000)	(\$5,540,000)	(\$5,540,000)	(\$5,540,000)	(\$5,540,000)	(\$5,540,000)	(\$5,540,000)	(\$5,540,000)	(\$5,540,000)
Less: Investor Return	(\$3,120,000)	(\$3,120,000)	(\$3,120,000)	(\$3,120,000)	(\$3,120,000)	(\$3,120,000)	(\$3,120,000)	(\$3,120,000)	(\$3,120,000)	(\$3,120,000)	(\$3,120,000)
Income	(\$1,911,099)	(\$1,509,214)	(\$94,985)	\$339,732	\$795,937	\$1,274,673	\$1,777,039	\$2,304,183	\$2,857,309	\$3,437,681	\$4,046,620

NOTE:

Use same trending method for both Market Rents and Program Rents and state your trending percentage

Please provide RR supporting Acquisition Market Rents

Assume a vacancy factor 5%

\$77MM Senior Note at 6% Amortizing

\$41.5MM in Equity at 7.5%

Thank You
