

RM44 - Bristol, CT Opportunity

Calamar has a thirty-year history as a vertical company with investment, development, construction, and management operations. In 2007 we started our Active Adult product and now have a portfolio of over 35 properties. Calamar is one of the largest owner and operators of Active Adult Communities in the country, we have created a successful niche disrupting the current models of senior housing with an affordable market rate strategy. Our success is driven by proof of concept, a dedicated fully intergraded platform and our Hub development strategy. We develop and operate in select recession resistant markets placing projects in close proximity to share marketing, maintenance, and management expertise. Our goal is to expand our portfolio to 60+ projects and take the company public.

Our Active Adult assets continue to outperform other property types with regards to income, appreciation and total return, regardless of the economic environment (additionally COVID-19 did not impact occupancy or rents received, it only temporarily restricted residents touring our projects, which decreased our intended leasing velocity). That said, our occupancies have stayed very strong. Our residents choose to live in our communities near their respective families and community network, which are powered by our proprietary Connect55+ programming. This in turn results in a very low turnover rate across the portfolio.

In summary below are a few highlights for Calamar's Active Adult development:

Direct Investment:

- Opportunity to invest directly in properties at cost.

Market Space:

- Market is massive with over 10,000 new potential tenants entering the space every day.
- Sticky residents with a low average annual turnover rate of 14%, as compared to multifamily's 47.5%.
- No regulatory exposure

Significant Experience and Industry Knowledge:

- Calamar has been investing, building, buying and operating senior housing for over 30 years.
- Proprietary programming of CONNECT55+ providing a lifestyle rather than simply a home: Intellectual, spiritual, physical, social, financial



Geographic Diversification:

- Communities are located from North East to the Carolinas on the Atlantic Coast and through the Midwest out to Colorado, providing strong geographic diversity and economic scale.

Significant Tax Benefits:

- Assuming a seven year hold tax benefits should conservatively range between 1-2 times equity invested, resulting in tax advantaged returns.

Offering

We are presenting an opportunity to coinvest with Calamar in one of our newest Active Adult development properties in Bristol, Connecticut; located within our New England Hub and should perform above expectations. There is \$1.2MM needed to complete the equity portion, which would result in a 49% ownership of the asset. The appraised value is \$21MM with an estimated cost of \$16.3MM.

Bristol CT is under its own SPE RM44 Holdings, LLC. RM44 has already acquired the land, approvals, and bank financing for a 128-unit Active Adult. The project “Bristol Commons” is a planned over 55 age restricted apartment project to-be completed in 2022.

The transaction would commence construction in Q1 2021

Land Purchase Price:	\$ 1,300,000
Construction/Site Costs	\$12,471,500
Soft Costs	<u>\$ 2,486,623</u>
Total	\$16,258,123
Debt	\$13,750,000 (1 st mortgage amount)
RM44 Equity Required:	\$ 2,508,123 (15% of total)

The development budget translates to \$127,017 per unit, with a going in cap rate of 8.33%. Note: the project has a stabilized value (per bank ordered MAI appraisal) of \$21.550MM which would provide a 132% value-to-cost ratio (\$5.3MM value over total budget).

The Bristol Commons Senior Apartments would be wholly owned by RM44 Holdings, LLC a single purpose entity. The Franasiak FO owns Calamar and would welcome another FO to side car in this and future transactions. This opportunity became available as the FO that has already participated in several side-cars has to redirect their capital because of shore-up issues in other spaces un-related to Calamar.

Summary of Key Transaction Items

- Sponsorship/Management: Calamar Management Group (see sponsorship addendum). Existing construction loan at favorable LTC
- Property: New construction to-be-completed in 2022
- Rent Roll: 95% stabilized occupancy 1 year after opening

- Debt: \$13,750,000 (75% of cost) with a 6.00% rate (estimated) and 30 year amortization
- Cash-on-Cash Returns: 22.12% (10-year average on 15% equity)
- IRR (10 year hold): 29.08% (7% cap rate at exit)

PROJECT DESCRIPTION

Project: Bristol Commons Senior Apartments

Type: Senior housing project featuring amenities to facilitate an enhanced lifestyle for younger seniors. The project focus is on the under-served mid-market senior population offering an affordable rent structure

Location: Mitchell Street, Bristol, Hartford County, Connecticut

Description: The RM44 development will site on a 6.5acre site and will contain 128 housing units through a 3-story building on Mitchell Street near its intersection with Pine Street. Pine Street is one of the area's primary E/W roads with numerous grocery, health, and restaurant uses very close by. The site is also within a mile of connectors to interstate 84 which puts it 20 minutes to Hartford and 40 minutes to the coast at New Haven. Boston and NYC are both about a 100 miles away respectively traveling north or south.

Although its own city Bristol is considered to be a bedroom community of Hartford (state capital and county seat); the State University of Connecticut is also located about 5 miles east. Bristol is best known as the ESPN sports network campus and broadcasting headquarters. The immediate area around our site is situated in a mixed-use area of residential and retail stores with the ESPN campus being within a mile south.

Construction: The structure will have a colonial appearance and are of wood frame construction with vinyl siding and pitched asphalt roofs. The main living structure would amount to 132,900 square feet.

Units: Each unit includes a full-size kitchen with name brand appliances (stove, refrigerator, and dishwasher), a full bath with tub/shower enclosure, and either a private patio or balcony. 49 units will also have an additional ½ bath. Each unit also has its own laundry room/area equipped with a washer/dryer package. Individual central heat and air conditioning units are situated off of the patio/balcony to minimize interior noise.

Unit Mix / Rent Structure:

Based on some of the most similar competitors, and product concepts offering similar strategies, the following unit mix and rent structure is based on current economics:

RENT: includes heat, hot/cold water	Unit Count	Per Month	Per SF
One-bedroom Standard	43	\$1,300	\$2.08
Two-bedroom 1 Bath	36	\$1,450	\$1.81
Two-bedroom 1.5 Bath	49	\$1,600	\$1.83

INVESTMENT RATIONALE

Bristol Commons Senior Apartments are to be located within Hartford County, CT. This region has a population of just over 1.5 million residents with Bristol (2-miles by 2-miles) itself having about 60,000 residents. The desirability of Bristol relates to its rural/suburban feel while being only twenty miles away from downtown Hartford. Further Bristol has commercial and retail conveniences, with quick proximity to highway linkages.

The project is situated off of Pine Street with very close proximity to grocery, drug, and restaurants/coffee shops. The primary N/S Interstate is also within a mile of the subject allowing quick access to the surrounding area.

The desirability of these apartments relates to Bristol’s small-town flavor, plentiful green spaces, rolling topography, proximity to a large metro area, its services, and availability of commercial conveniences.

The project is situated on a parcel accessed by Pine Street close to its connection with interstate 84. Pine Street is one of the area’s primary E/W thoroughfares. Within the immediate vicinity of the site are many various retail uses including grocery, restaurant, and services.

Overall, the subject project has a well-located parcel in a suburban setting, with close proximity to the following:

- Commercial conveniences.
- Community services.
- Highway accessibility.
- Well-supported residential neighborhoods including older typical suburban communities and a few new development sub-divisions.

The location is located near to many commercial uses in a commercial use part of the region that is just in between several heavy residential uses as well as abutting the Town of Windsor Locks on the Connecticut river. This provides our residents with easy access to all neighborhoods and commercial/retail uses.

The general review of pricing for residential property in the area indicates an average range of \$230,000 to \$400,000.

It is felt that the location will attract market interest based on the product concept. Local apartments and senior specific housing have been well supported in this region.

Our primary market area is considered to be about a six-mile radius from the project site. Within this area there is a population of almost 178,000. Almost 20% or 34,000 are over the age of 65 and have a median income of \$49,000. Based on the evidence reviewed, and the demographic characteristics of the area, it is felt that our proposed prototype will be supported in this location. Using demographic information (age 62-84), rent structure and income qualification thresholds (\$40k to \$125K) we have narrowed our target audience 10,200 people. Assuming only 20-30% would consider a move and only using a 50% willingness factor reduces the target group to 1,435 people against our total 128 units; this correlates to a capture rate for the project at 8.96%. In our experience any capture rates less than 20% are indicative of strong project support. Also, it is important to recognize that we have utilized some fairly conservative assumptions pertaining to mobility patterns and the likelihood for tenant support in this area, meaning that even though we narrowed the target population from 10,200 to 1,435 the balance of the senior population are still prospects.

Bristol Commons are to be completed in 2022 and we expect 95% occupancy within one year of opening. Further this occupancy should be maintained given the expectation that once settled in seniors will have a much lower turnover than standard apartments.

The facility will have professional management with support provided by Calamar Management. Calamar management also provides all maintenance services.

PROJECT FINANCING

The project has a construction loan of +/- \$13,750,000; the loan is to RM44 Holdings, LLC (a single asset entity) secured by the property and a personal guaranty of Kenneth Fransiak (no other guarantors are required).

PROFORMA OPERATIONS

Development Cost	\$16,258,123
Closing/Capital Budget	\$ 2,508,123
First Mortgage Financing	\$13,750,000
Stabilized 2022 NOI (after RR)	\$ 1,355,784
Going in Cap Rate	8.33%
Current Market Cap Rate	6.0% (per MAI appraisal)
Year 5 (2025) NOI	\$1,501,614 (applying 6% cap value increases to \$25MM)
Unlevered Budget/ Development Cost	9.2% (Year 5 ROI)
Reversionary Value	\$21,550,000 (Conservative MAI value)
Sale to Development Cost Diff.	\$5,292,000 (32% appreciation)

LEGAL/ENVIRONMENTAL/REGULATORY ISSUES

None known, environmental reports all completed and satisfactory.

INVESTMENT BENEFITS/RISKS

Strengths/Benefits

- The project is located in a strong market area with exceptional demographic support
- The subject will be new construction in a growth area with strong market growth potential.
- The facility will be overseen with experienced management.

- The property's location within an existing neighborhood on a large site provides strong aesthetics that will allow the project to both attract and retain tenants.
- Limited competition should provide fast leasing with positive cash on cash returns.

Risks

- Poor management could affect tenant retention – Mitigant – Retain Calamar Management
- Over building in sub-market – Mitigant – strong market study and strong occupancy in multifamily and senior care properties – no similar facilities and escalating costs present a barrier to new entrants.

Also, please find attached a brief overview describing our operations and our Connect55+ communities that we use to introduce ourselves in new market areas.

If you would like more information regarding the project, please let me know when you have some time to connect and review.

Regards,

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