

DEVELOPMENT PLAN FOR A 99 UNIT SINGLE-FAMILY RESIDENTIAL  
SUBDIVISION

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PROJECT

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DEVELOPMENT PLAN FOR A 99 UNIT SINGLE-FAMILY RESIDENTIAL  
SUBDIVISION

A Project

by

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College of Business Administration

Abstract  
of  
DEVELOPMENT PLAN FOR A 99 UNIT SINGLE-FAMILY RESIDENTIAL  
SUBDIVISION

by  
Sean George Herra

This report was prepared to present a development plan for a 99 unit single-family residential subdivision located in the unincorporated portion of Sacramento County known as the Vineyard Area. A market study, marketability analysis, and financial feasibility analysis were conducted in this report to verify the viability of the proposed project. The concluding results of this report prove that the proposed project would be legally, physically, and financially feasible if carried out as recommended by this report.

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Dr. Jaime Alvayay  
Committee Chair

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Date

## TABLE OF CONTENTS

	Page
List of Tables .....	vi
List of Figures .....	viii
Project Description.....	1
Target Market.....	2
Site Selection and Description .....	5
Market Study .....	23
Marketability Analysis.....	31
Land Acquisition.....	37
Consultants.....	38
Due Diligence .....	39
Entitlements .....	40
Fees .....	45
Site Development.....	49
Vertical Construction and Architecture .....	53
Marketing.....	56
Sales Price Forecast .....	58
Overall Budget.....	62
Financial Feasibility Analysis.....	69
Conclusion .....	76
Bibliography .....	77

## LIST OF TABLES

	Page
1. Table 1: Proximity to Neighborhood Amenities and Services .....	16
2. Table 2: Population Growth .....	24
3. Table 3: Population by Age .....	24
4. Table 4: Employment by Industry (1-Mile Radius) .....	25
5. Table 5: Employment by Industry (3-Mile Radius) .....	25
6. Table 6: Employment by Industry (5-Mile Radius) .....	26
7. Table 7: Employment by Occupation .....	26
8. Table 8: Occupation Classification .....	27
9. Table 9: Travel Time to Work .....	27
10. Table 10: Household Income Distribution (1-Mile Radius) .....	29
11. Table 11: Household Income Distribution (3-Mile Radius) .....	29
12. Table 12: Household Income Distribution (5-Mile Radius) .....	29
13. Table 13: Tenure of Occupied Housing .....	30
14. Table 14: Owner Occupied Housing Values .....	30
15. Table 15: Vineyard Area New Home Sales .....	32
16. Table 16: Vineyard Area New Home Sales by Project .....	34
17. Table 17: Vineyard Area New Home Inventory .....	35
18. Table 18: Vineyard Are Proposed Subdivisions.....	36
19. Table 19: Fees .....	48
20. Table 20: Estimated Site Development Costs .....	49
21. Table 21: Estimated Vertical Construction Costs .....	55

22.	Table 22: Estimated Marketing Costs .....	56
23.	Table 23: Regression Model Data .....	59
24.	Table 24: Regression Results .....	60
25.	Table 25: Forecasted Sales Prices .....	61
26A.	Table 26A: Overall Budget (2008) .....	63
26B.	Table 26B: Overall Budget (2009) .....	64
26C.	Table 26C: Overall Budget (2010) .....	65
26D.	Table 26D: Overall Budget (2011) .....	66
26E.	Table 26E: Overall Budget (2012) .....	67
27.	Table 27: Cumulative Budget Totals .....	68
28.	Table 28: Historical Prime Interest Rates .....	70
29.	Table 29: Site Development Loan Balance Projection .....	70
30.	Table 30: Release Rate Calculation .....	71
31.	Table 31: Release Prices .....	72
32.	Table 32: Vertical Construction Loan Amortization Table .....	73
33.	Table 33: Equity Required .....	73
34.	Table 34: Discounted Cash Flow Analysis .....	75

## LIST OF FIGURES

	Page
1. Figure 1: Vicinity Map .....	6
2. Figure 2: Neighborhood Map .....	7
3. Figure 3: Neighborhood Aerial Map .....	8
4. Figure 4: Parcel Map .....	9
5. Figure 5: Parcel Aerial Map .....	10
6. Figure 6: South Sacramento Community Area Map .....	12
7. Figure 7: South Sacramento Community Area Land Use Map .....	13
8. Figure 8: Elementary School Boundary Map .....	14
9. Figure 9: Secondary School Boundary Map .....	15
10. Figure 10: Sacramento County Water Purveyors Map .....	18
11. Figure 11: Sacramento County Sanitation Sewer Service Map .....	19
12. Figure 12: Sacramento County Park Districts Map .....	20
13. Figure 13: Sacramento County Fire Districts Map .....	21
14. Figure 14: Sacramento County Flood Area Map .....	22
15. Figure 15: One, Three, and Five Mile Radius Survey Area .....	23
16. Figure 16: Community Planning Advisory Council Boundaries Map .....	41
17. Figure 17: Sacramento County District and Supervisor Map .....	43
18. Figure 18: Plan One Floor Plan and Elevation .....	53
19. Figure 19: Plan Two Floor Plan and Elevation .....	54
20. Figure 20: Plan Three Floor Plan and Elevation .....	54
21. Figure 21: Forecasted Sales Prices Graph .....	61



## PROJECT DESCRIPTION

The proposed project is the subdivision and development of 99 single-family residential housing units on 10 acres of infill land. The project is located in the unincorporated area of South Sacramento County just north of the City of Elk Grove in the Vineyard Community Plan. The project fronts Elk Gove-Florin Road and is approximately 350 yards north of the Elk Grove-Florin Road and Calvine Road intersection.

The goal of this project is to keep sales prices low, at a level that is affordable for first time homebuyers that earn the Sacramento Region's median household income, \$55,114 as of January 2007 (Claritas, 2007). In order to accomplish this goal, the project makes efficient use of the acreage available on site by building homes up, instead of out. This maximizes the number of homes that can be built on the project's site, which lowers the homes' sales prices.

The project is a medium density single-family home subdivision. Zoning for the project will be RD-10 with a density of 9.9 units per acres. The typical lot dimensions will be 40 feet wide by 75 feet deep, for a total lot size of 3,000 square feet. Setbacks from the side property lines and to the homes will be 5 feet, and the distances between neighboring homes will be 10 feet. All homes constructed will be two story homes to maximize the amount of living space in each home.

## TARGET MARKET

The target market for the proposed project is first time homebuyers who work within a one-mile radius of Sacramento's downtown, and earn an income slightly above or below the Sacramento Region's median household income of \$55,114 as of January 2007 (Claritas, 2007).

Prices of single-family homes in the Sacramento Region, which encompasses El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba counties, have increased by approximately 148% since 2000. This is an increase in the median home price by approximately \$226,291, from \$153,082 in January 2000, to \$379,373 in January 2007 (Claritas, 2007). This dramatic price increase can be attributed to many factors such as job growth, an influx of Bay Area residents, and a low supply of buildable land. However, the most dominant factors may be the low mortgage interest rates the market experienced and the increased popularity of sub-prime mortgages.

Interest rates hit a 40-year low during the periods of 2000 through 2005. In addition, people who otherwise could not qualify to purchase a home were able to with sub-prime lending practices that gave these buyers, with less than desirable credit and questionable stated incomes, a mortgage to purchase a home. More and more homebuyers were also relying on adjustable rate mortgages (ARMs) that allowed them to purchase homes that were more expensive, without necessarily increasing their monthly mortgage payments. However, this is no longer the case. With the recent sub-prime mortgage meltdown, lenders have tightened up their lending requirements and in mid 2004, the Federal Reserve began to raise interest rates, which virtually did away with

sub-prime mortgages and creative financing instruments such as ARMs. This has diminished many homebuyers' ability to afford currently inflated home prices with conventional fixed rate mortgages. Although the Federal Reserve has recently enacted a number of rate cuts, it is still very difficult for a household earning the Region's median income to afford a conventional home loan.

A report prepared by the California Association of REALTORS®, also known as CAR, estimated that the overall housing affordability index in California dropped six points to 19% in 2005. The housing affordability index measures the percentage of households that can afford to purchase a median priced home in California. CAR also reports housing affordability indexes for regions and select counties within the state. They estimated that the Sacramento Region's housing affordability index to be 24%, which means that only about a quarter of the region's residents are able to purchase a median priced home. Compared to California's index, the Sacramento Region ranks higher by 5 percentage points, but when compared to the national index of 54%, the region falls far behind by 30 percentage points (Business Wire, 2005).

Most attainable housing in the Sacramento Region is located outside of the urbanized area with exception to parts of North and South Sacramento known as Del Paso Heights, Rio Linda, and Oak Park. These areas are located in close proximity to Downtown Sacramento, but many residents choose not to live in these areas because of the high crime rates, inferior schools, and a lack of desirable neighborhood amenities.

In order to find quality homes they can afford in safe neighborhoods, households are moving further and further away from the urbanized area. They are moving north

towards Yuba City and Marysville, and east towards Auburn and Placerville, but their jobs are not moving with them. Most of these households still work in Downtown Sacramento and this has contributed to an increase in commute times, which results in increased traffic, smog, road maintenance, and time spent away from families and other negative externalities.

Considering these factors, targeting first time homebuyers who earn slightly above or below the Region's median household income, and who work within a one-mile radius of Sacramento's downtown, appears to be an appropriate marketing strategy.

## SITE SELECTION & DESCRIPTION

Selection for the project's site was based on the project's target market as well as current land use policies enacted by the Sacramento County General Plan. According to the current General Plan, Land Use Policy 14 (LU-14) states that new residential developments that are located within a half mile of transportation corridors should be designed to accommodate higher densities (County of Sacramento, 2007). With this stated policy, selecting a site that was not currently zoned for medium density single-family housing, but that could be rezoned to accommodate a higher density, presented itself as a viable option. In addition to zoning compliance, criteria used in the selection of the project's site included access, parcel size and shape, topography, proximity to freeways and public transportation, school district, proximity to neighborhood amenities, and proximity to utility connections.

After investigating a number of potential sites, the site that has been selected to construct the proposed project is a 10-acre infill parcel located in the southern portion of unincorporated Sacramento County, just north of the Elk Grove City limits, as shown in Figures 1, 2, and 3 on the following pages. The parcel's street address is 8330 Elk Grove-Florin Road and its assessor's parcel number (APN) is 115-0120-015-0000 (Figure 4). As depicted in Figures 4 and 5, the parcel is rectangular in shape and has a level topography.







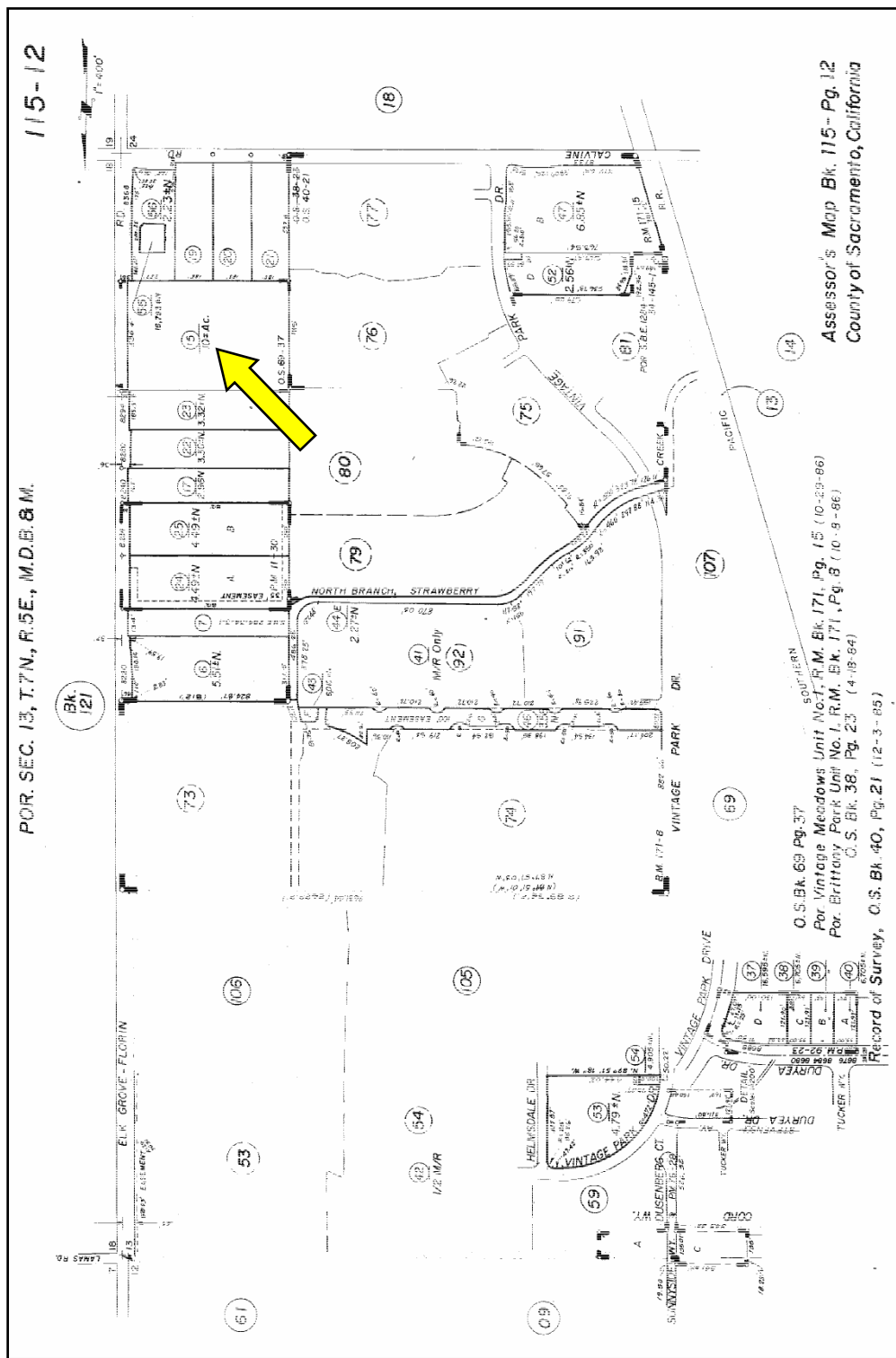
Figure 3: Neighborhood Aerial Map



Source: Microsoft Streets & Trips



Figure 4: Parcel Map



Source: Sacramento County Assessor's Office

Figure 5: Parcel Aerial Map



Source: Microsoft Streets & Trips

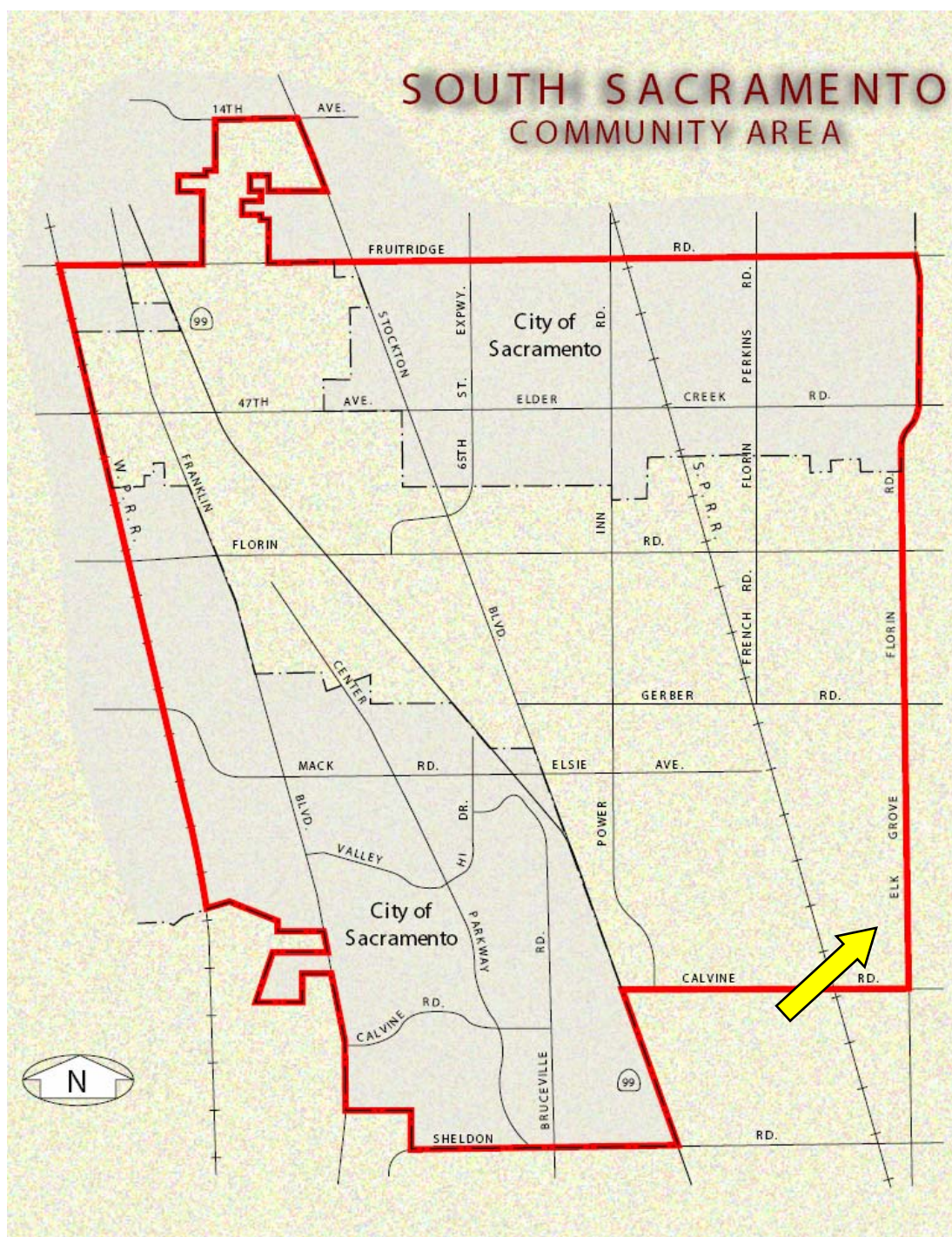
Figures 6 and 7 show the parcel situated in the South Sacramento Community Plan Area and is designated as Agricultural-Residential 5 (AR-5), one residential unit for every five acres, but with the provisions stated in LU-14, we plan to rezone the parcel to Residential-10 (RD-10), ten residential units for every acre.

The site is in relatively close proximity to Highway-99 and Interstate-5 with access to both freeways by west bound Calvine Road. The site is also well served by two public transportation services located at the intersection of Elk Grove-Florin Road and Calvine Road. E-Tran, the City of Elk Grove's public bus service, has stops at this intersection with routes to Downtown Sacramento, light rail stations, and other areas of Elk Grove and South Sacramento. Regional Transit (RT), Sacramento's public transportation service, will soon add bus stops at this intersection with routes and connections to all areas of Sacramento.

The chosen parcel falls within the Elk Grove Unified School District. The Elk Grove Unified School District is the fifth largest school district in California and the largest in Northern California. It is a top performing district recognized throughout California and the nation as a leader in progressive education. It is one of the few districts in California to offer class size reduction for all students in kindergarten through sixth grade and ninth-grade class size reduction in high school for students enrolled in English 9 and Algebra I (Elk Grove Unified School District, 2007). The schools serving the site are Mary Tsukamoto Elementary School, T.R. Smedberg Middle School, and Sheldon High School, shown in Figures 8 and 9.



Figure 6: South Sacramento Community Area Map



Source: Sacramento County Planning & Community Development Department

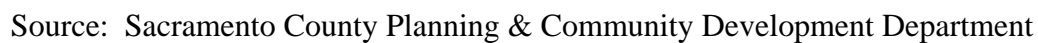
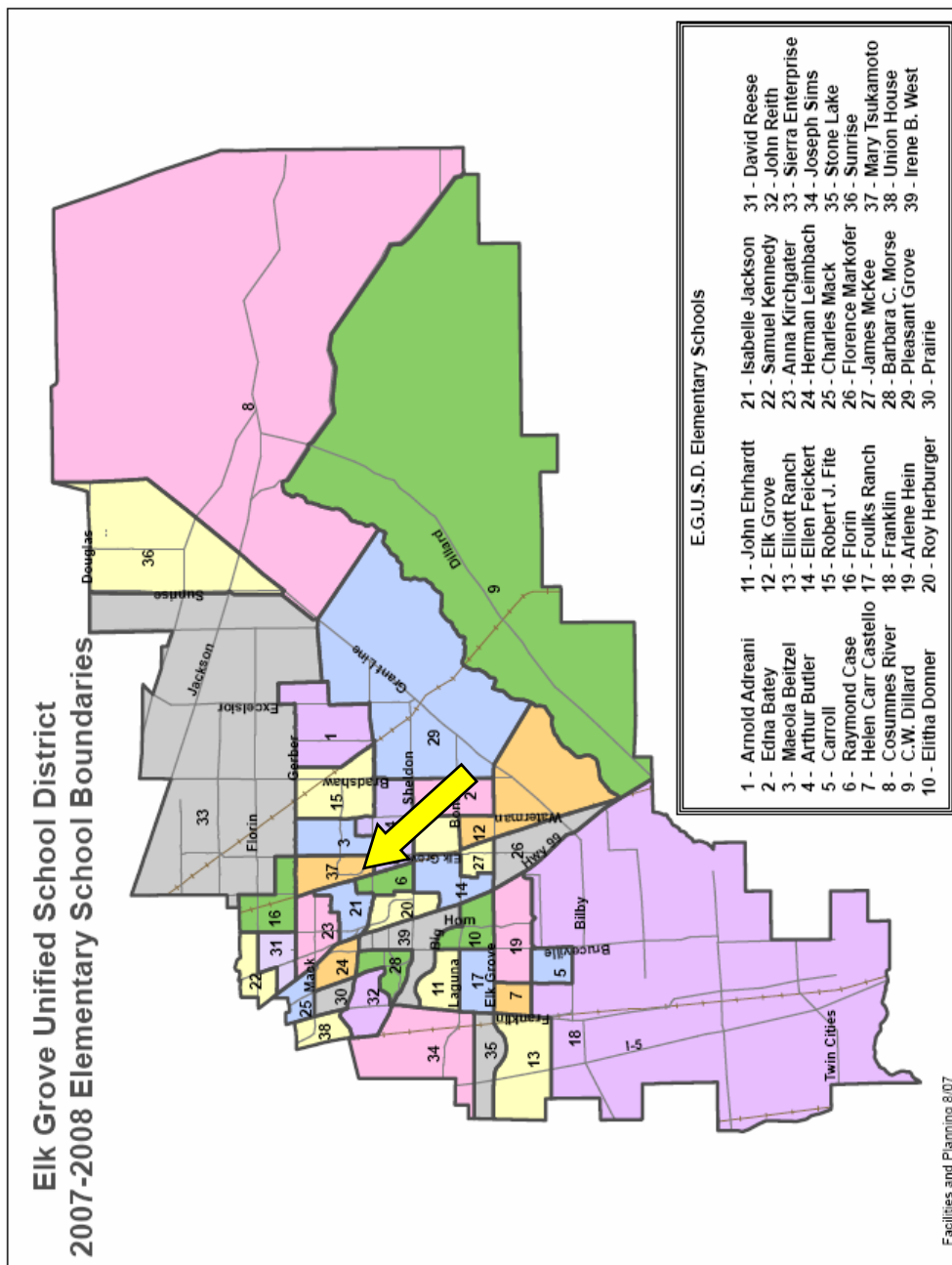


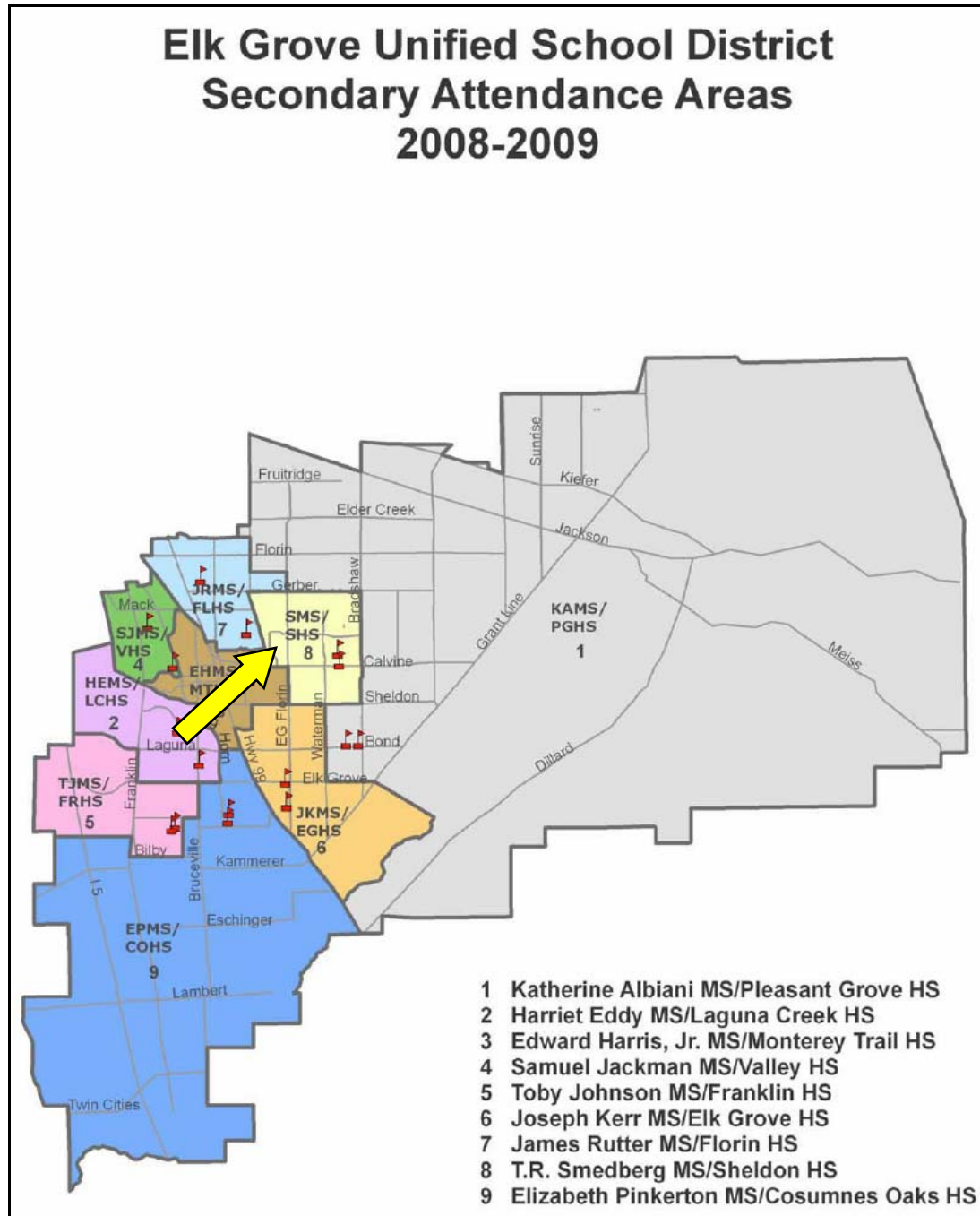


Figure 8: Elementary School Boundary Map



Source: Elk Grove Unified School District

Figure 9: Secondary School Boundary Map



Source: Elk Grove Unified School District

The selected site is located in close proximity to many nearby amenities and services. Table 1 lists the distances of various services and amenities from the proposed project site.

Table 1: Proximity to Neighborhood Amenities and Services

Name	Type/Service	Distance from Subject (miles)
Safeway	Grocery Store	0.09
Bel Air	Grocery Store	0.26
Mary Tsukamoto Elementary School	Education	0.97
Sheldon High School	Education	1.27
T.R. Smedberg Middle School	Education	1.29
Champions Golf Links	Golfing	1.83
Methodist Hospital of Sacramento	Hospital	2.28
Cosumnes River College	Education	2.51
Kaiser Permanente	Hospital	2.80
Holiday Inn	Hotels and Motels	2.81
Laguna Village	Movie Theaters	2.83
Elk Grove Police Department	Police Station	2.88
Bradshaw Ranch Golf Course	Golfing	2.97
Elk Grove Community Library	Library	3.20
Florin Mall	Retail	4.20
Sacramento Public Library	Library	4.28
Art House Galleries	Museum	7.54
Greyhound Bus Station	Transportation	9.92
Amtrak Train Station	Transportation	11.22
Cal Expo	Fairgrounds	12.89
Arco Arena	Sports & Entertainment	15.46

\* Distances obtained from Microsoft Streets & Trips

As shown in the table above, the subject site is located in good proximity to local services, including schools, hospitals, retail, entertainment, and transportation.

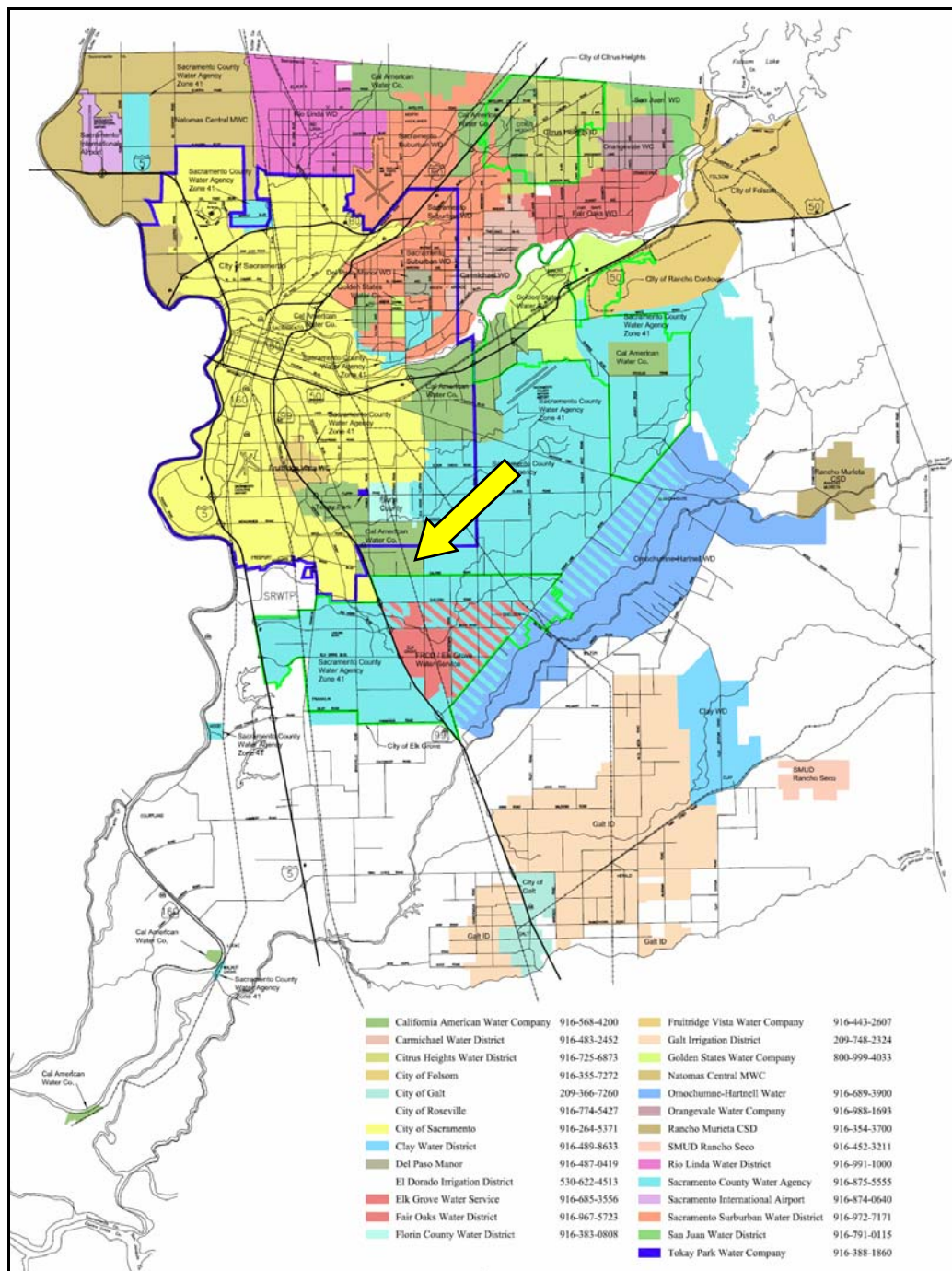
Due to the fact that the selected site is an infill parcel located in a community that is, for the most part, built out, the location of the backbone infrastructure which include sewer, water, storm drain, and electricity, are at the site. With utilities in such close proximity to the site, it avoids the high cost and lengthy time frame of bringing the backbone infrastructure to the site.



Supplying water to the site is California American Water (shown in Figure 10) and sanitation sewer service is provided by the County through the Sacramento Regional County Sanitation District (SRCSD) and the County Sanitation District-1 (CSD-1) as illustrated in Figure 11. Also providing storm drainage service to the site is the County through the Sacramento County Water Agency. Electricity is provided by the Sacramento Municipal Utility District (SMUD), gas is provided by Pacific Gas and Electric (PG&E), cable television service is provided by Comcast, and telephone service is provided by AT&T.

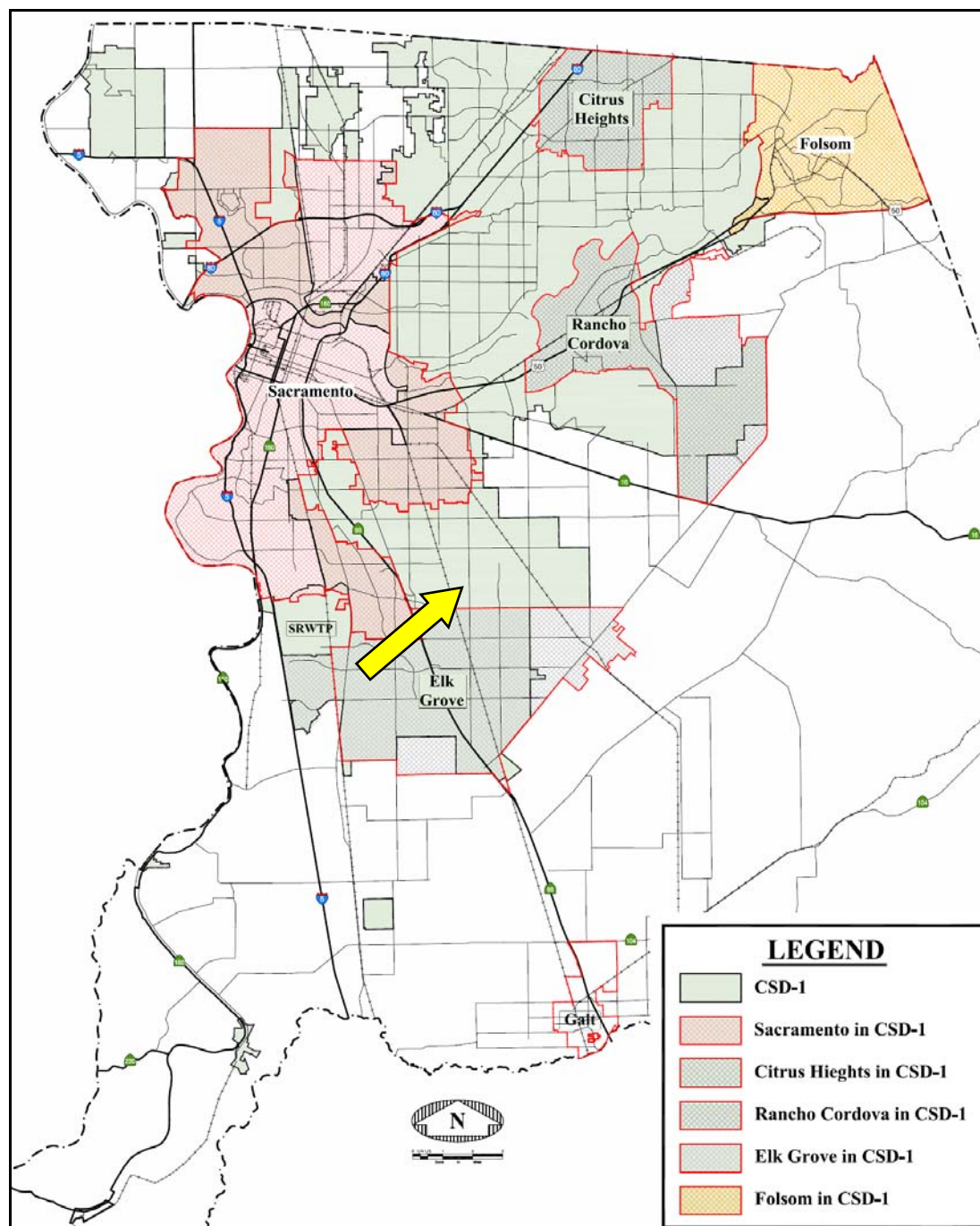
The park district that the selected parcel falls in is the Southgate Park District (shown in Figure 12) and the fire district it falls in is the Sacramento Metropolitan Fire District (shown in Figure 13). And as illustrated in Figure 14, the parcel does not fall within any special flood hazard areas.

Figure 10: Sacramento County Water Purveyors Map



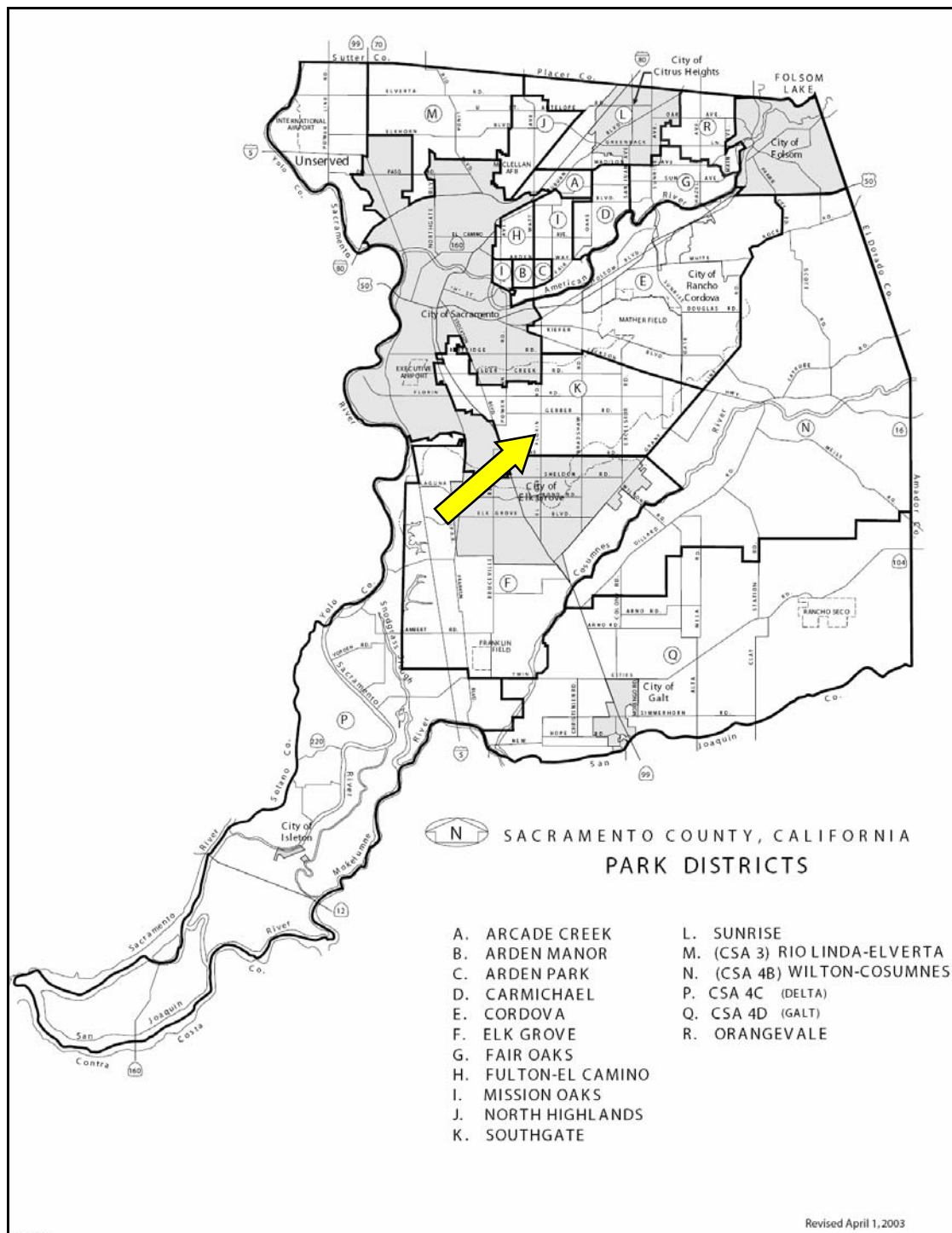
Source: Sacramento County

Figure 11: Sacramento County Sanitation Sewer Service Map



Source: Sacramento County

Figure 12: Sacramento County Park Districts Map

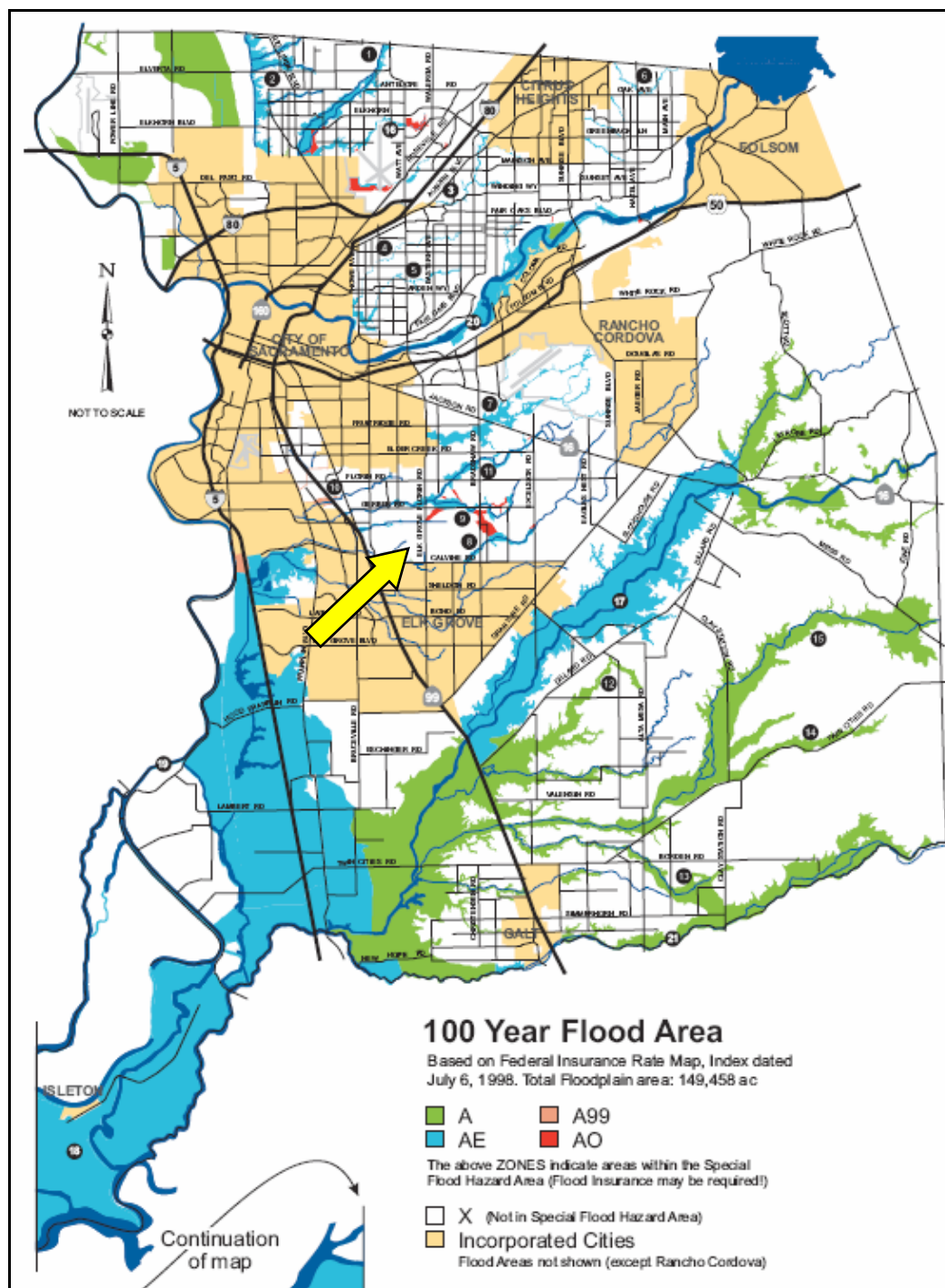


Source: Sacramento County





Figure 14: Sacramento County Flood Area Map



Source: Sacramento County



Table 2 illustrates the population growth in the surveyed area. The population growth from 2000 to 2007 for a one-mile radius was 40.21%, which equates to an average annual compounded growth of 5.74% per year. Looking ahead, population is expected to have a 3.91% annual growth rate from 2007 through 2012. For the same time period, the forecasted annual population growth rate for the three and five-mile radii are 3.30% and 2.66%.

Table 2: Population Growth

Population Growth			
Population	1-Mile Radius	3-Mile Radius	5-Mile Radius
2012 Projection	31,612	117,052	276,445
2007 Estimate	26,447	100,482	243,993
2000 Census	18,862	76,657	198,884
1990 Census	8,389	44,149	125,193
Growth 2007-2012	19.53%	16.49%	13.30%
Growth 2000-2007	40.21%	31.08%	22.68%
Growth 1990-2000	124.84%	73.63%	58.86%

Source: Claritas

For 2007, the largest age cohort for all three radii appears to be 35-44 (Table 3). The second largest cohort is 25-34. These age ranges also tend to capture the highest number of first time homebuyers, which is a demographic of our target market.

Table 3: Population by Age

Population by Age						
Age Cohorts	1-Mile Radius		3-Mile Radius		5-Mile Radius	
	Number	Percentage	Number	Percentage	Number	Percentage
Age 0 - 4	2,310	8.7%	8,376	8.3%	20,795	8.5%
Age 5 - 9	2,233	8.4%	8,112	8.1%	20,085	8.2%
Age 10 - 14	2,515	9.5%	9,139	9.1%	22,219	9.1%
Age 15 - 17	1,502	5.7%	5,825	5.8%	13,909	5.7%
Age 18 - 20	1,039	3.9%	4,378	4.4%	10,998	4.5%
Age 21 - 24	1,315	5.0%	5,389	5.4%	13,370	5.5%
Age 25 - 34	3,370	12.7%	12,979	12.9%	31,973	13.1%
Age 35 - 44	4,566	17.3%	15,545	15.5%	36,589	15.0%
Age 45 - 49	2,183	8.3%	7,934	7.9%	18,207	7.5%
Age 50 - 54	1,702	6.4%	6,483	6.5%	15,363	6.3%
Age 55 - 59	1,273	4.8%	5,080	5.1%	12,205	5.0%
Age 60 - 64	861	3.3%	3,571	3.6%	8,800	3.6%
Age 65 - 74	983	3.7%	4,402	4.4%	11,157	4.6%
Age 75 - 84	453	1.7%	2,400	2.4%	5,999	2.5%
Age 85 and over	143	0.5%	867	0.9%	2,323	1.0%
<b>Total</b>	<b>26,448</b>	<b>100%</b>	<b>100,480</b>	<b>100%</b>	<b>243,992</b>	<b>100%</b>
Median Age	31.85		31.95		31.45	
Average Age	32.20		33.07		32.97	

Source: Claritas



Of the workforce in a one-mile radius of the project, approximately 90% is involved in the retail, service, and construction industries (Table 4). This is due to the concentration of services, retail establishments, and availability of land for construction nearby.

Table 4: Employment by Industry (1-Mile Radius)

2007 Estimate of Employment by Industry (1-Mile Radius)				
Industry	Total Establishments	Total Employees	Employees per Estab.	Percent of Total
Industries (Private Sector)	278	1,474	5	73%
Industries (Public Sector)	40	537	13	27%
<b>Total</b>	<b>318</b>	<b>2,011</b>	<b>6</b>	<b>100%</b>
Agricultural	8	21	3	1.04%
Mining	0	0	0	0.00%
Construction	31	144	5	7.16%
Manufacturing	7	10	1	0.50%
Transportation, Communication	19	54	3	2.69%
Wholesale Trade	9	31	3	1.54%
Retail	73	775	11	38.54%
Finance	22	112	5	5.57%
Service	149	864	6	42.96%
Public Administration	0	0	0	0.00%

Source: Claritas

Table 5 shows that in a three-mile radius, the percentage drops to approximately 73% as employment opportunities in the area become more diverse.

Table 5: Employment by Industry (3-Mile Radius)

2007 Estimate of Employment by Industry (3-Mile Radius)				
Industry	Total Establishments	Total Employees	Employees per Estab.	Percent of Total
Industries (Private Sector)	2,111	18,517	9	81%
Industries (Public Sector)	228	4,441	19	19%
<b>Total</b>	<b>2,339</b>	<b>22,958</b>	<b>10</b>	<b>100%</b>
Agricultural	89	333	4	1.45%
Mining	1	1	1	0.00%
Construction	282	1,411	5	6.15%
Manufacturing	67	1,656	25	7.21%
Transportation, Communication	119	801	7	3.49%
Wholesale Trade	73	760	10	3.31%
Retail	450	5,995	13	26.11%
Finance	246	1,993	8	8.68%
Service	991	9,288	9	40.46%
Public Administration	21	720	34	3.14%

Source: Claritas

Looking at the five miles radius (Table 6), that percentage only slightly drops to approximately 72%, nearing the Sacramento County's percentage of 67%.

Table 6: Employment by Industry (5-Mile Radius)

2007 Estimate of Employment by Industry (5-Mile Radius)				
Industry	Total Establishments	Total Employees	Employees per Estab.	Percent of Total
Industries (Private Sector)	6,358	61,200	10	84%
Industries (Public Sector)	590	11,496	19	16%
<b>Total</b>	<b>6,948</b>	<b>72,696</b>	<b>10</b>	<b>100%</b>
Agricultural	206	1,635	8	2.25%
Mining	4	31	8	0.04%
Construction	765	6,961	9	9.58%
Manufacturing	252	5,566	22	7.66%
Transportation, Communication	312	3,051	10	4.20%
Wholesale Trade	307	3,576	12	4.92%
Retail	1,464	19,853	14	27.31%
Finance	748	5,459	7	7.51%
Service	2,835	25,092	9	34.52%
Public Administration	55	1,472	27	2.02%

Source: Claritas

When looking at the estimated employment by occupation for the one, three, and five-mile radii (Table 7), it is apparent that a majority of the population have sales, office, and professional related occupations for all three radii.

Table 7: Employment by Occupation

2007 Estimated Employment by Occupation						
Occupation Type	1-Mile Radius		3-Mile Radius		5-Mile Radius	
	Number	Percentage	Number	Percentage	Number	Percentage
Management, Business, and Financial Operations	2,255	16.7%	7,553	15.7%	16,514	15.0%
Professional and Related Occupations	2,982	22.1%	9,964	20.7%	22,979	20.9%
Service	1,575	11.7%	6,106	12.7%	15,724	14.3%
Sales and Office	4,327	32.1%	14,730	30.6%	32,611	29.7%
Farming, Fishing, and Forestry	34	0.3%	155	0.3%	325	0.3%
Construction, Extraction and Maintenance	1,034	7.7%	4,028	8.4%	8,950	8.2%
Production, Transportation and Material	1,283	9.5%	5,565	11.6%	12,648	11.5%
<b>Total</b>	<b>13,490</b>	<b>100%</b>	<b>48,101</b>	<b>100%</b>	<b>109,751</b>	<b>100%</b>

Source: Claritas

Associating this information with Table 8, which classifies a majority of occupations as white collar, it would be logical to assume that most of the population in the area works in a commercial office setting.

Table 8: Occupation Classification

2007 Estimated Occupation Classification						
Classification	1-Mile Radius		3-Mile Radius		5-Mile Radius	
	Number	Percentage	Number	Percentage	Number	Percentage
Blue Collar	2,317	17.2%	9,593	19.9%	21,598	19.7%
White Collar	9,553	70.8%	32,202	66.9%	72,013	65.6%
Service and Farm	1,621	12.0%	6,306	13.1%	16,139	14.7%
<b>Total</b>	<b>13,491</b>	<b>100%</b>	<b>48,101</b>	<b>100%</b>	<b>109,750</b>	<b>100%</b>

Source: Claritas

Table 9 shows that the majority of employees spend between 15 to 29 minutes commuting to work. Along with the assumption that most of the workforce in this area works in a commercial office setting, one can conclude that a large portion of the population works in Sacramento's downtown, which is about a 20 minute drive from the project and about 25 minutes in traffic (Google Maps, 2007). This estimate meets another demographics of our target market which seeks buyers that work within a one-mile radius of Downtown Sacramento.

Table 9: Travel Time to Work

2007 Estimated Travel Time to Work						
Time Cohorts	1-Mile Radius		3-Mile Radius		5-Mile Radius	
	Number	Percentage	Number	Percentage	Number	Percentage
Less than 15 Minutes	1,828	14.2%	7,569	16.5%	18,186	17.5%
15 - 29 Minutes	5,287	41.1%	18,692	40.7%	40,044	38.5%
30 - 44 Minutes	3,797	29.5%	13,208	28.8%	30,138	28.9%
45 - 59 Minutes	925	7.2%	3,487	7.6%	8,517	8.2%
60 or more Minutes	1,016	7.9%	2,962	6.5%	7,222	6.9%
<b>Total</b>	<b>12,853</b>	<b>100%</b>	<b>45,918</b>	<b>100%</b>	<b>104,107</b>	<b>100%</b>
Average Travel Time to Work in Minutes	31.16		29.94		30.45	

Source: Claritas

According to the California Department of Finance, as of February 2007, the unemployment rate in the Sacramento Region, which encompasses El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba counties, was 5.3%. This is slightly higher than the

unadjusted unemployment rate of 5.2% for California and 4.9% for the nation during the same period. The total number of jobs in the region increased by 1.4% from December 2005 to December 2006, resulting in a total gain of 13,300 new jobs. Job growth for the region is expected to increase by 21.7%. This is above the state's 17.3% expected job growth and the nation's 13.4% growth.

Within a one-mile radius of the project, the median household income is estimated to be \$78,002 for the current year and is projected to increase 10.6% over the next five years to \$86,273 (Table 10). When expanding to a three and five-mile radius (Table 11 and 12), the average household income decreases to \$68,698 and \$62,397, respectively. It should be noted that the target market for the proposed project are households that earn incomes slightly above or below the Sacramento Region's median household income of \$55,114. This demographics falls in the \$50,000-\$74,999 income cohort, which in all three radii, is the income cohort capturing the largest number of households.

Table 10: Household Income Distribution (1-Mile Radius)

Household Income Distribution within a 1-Mile Radius						
Income Cohort	2000		2007		2012	
	Number	Percentage	Number	Percentage	Number	Percentage
Less than \$25,000	348	6.0%	332	4.1%	341	3.6%
\$25,000 - \$34,999	403	6.9%	364	4.5%	325	3.4%
\$35,000 - \$49,999	1,028	17.7%	911	11.3%	826	8.6%
\$50,000-\$74,999	1,712	29.5%	2,228	27.6%	2,394	25.0%
\$75,000-\$99,999	1,189	20.5%	1,723	21.3%	1,986	20.8%
\$100,000-\$149,999	902	15.5%	1,976	24.4%	2,611	27.3%
\$150,000-\$249,999	207	3.6%	505	6.2%	938	9.8%
\$250,000-\$499,999	13	0.2%	39	0.5%	126	1.3%
\$500,000 or more	1	0.0%	5	0.1%	16	0.2%
<b>Total</b>	<b>5,803</b>	<b>100%</b>	<b>8,083</b>	<b>100%</b>	<b>9,563</b>	<b>100%</b>
Avg. Household Income	\$71,569		\$86,414		\$96,820	
Est. Median Household Income	\$66,389		\$78,002		\$86,273	

Source: Claritas

Table 11: Household Income Distribution (3-Mile Radius)

Household Income Distribution within a 3-Mile Radius						
Income Cohort	2000		2007		2012	
	Number	Percentage	Number	Percentage	Number	Percentage
Less than \$25,000	3,452	14.3%	3,257	10.5%	3,258	9.1%
\$25,000 - \$34,999	2,421	10.0%	2,238	7.2%	2,067	5.8%
\$35,000 - \$49,999	4,272	17.7%	4,270	13.8%	4,229	11.8%
\$50,000-\$74,999	6,373	26.4%	7,667	24.7%	8,175	22.9%
\$75,000-\$99,999	3,909	16.2%	5,622	18.1%	6,466	18.1%
\$100,000-\$149,999	2,866	11.9%	6,034	19.5%	7,936	22.2%
\$150,000-\$249,999	730	3.0%	1,654	5.3%	3,020	8.4%
\$250,000-\$499,999	68	0.3%	217	0.7%	506	1.4%
\$500,000 or more	7	0.0%	40	0.1%	99	0.3%
<b>Total</b>	<b>24,098</b>	<b>100%</b>	<b>30,999</b>	<b>100%</b>	<b>35,756</b>	<b>100%</b>
Avg. Household Income	\$63,642		\$77,998		\$88,010	
Est. Median Household Income	\$57,470		\$68,698		\$75,578	

Source: Claritas

Table 12: Household Income Distribution (5-Mile Radius)

Household Income Distribution within a 5-Mile Radius						
Income Cohort	2000		2007		2012	
	Number	Percentage	Number	Percentage	Number	Percentage
Less than \$25,000	12,243	19.7%	11,678	15.5%	11,452	13.6%
\$25,000 - \$34,999	6,952	11.2%	6,287	8.4%	5,891	7.0%
\$35,000 - \$49,999	10,855	17.4%	11,028	14.7%	10,887	12.9%
\$50,000-\$74,999	15,102	24.3%	17,278	23.0%	18,242	21.6%
\$75,000-\$99,999	8,752	14.1%	12,034	16.0%	13,676	16.2%
\$100,000-\$149,999	6,401	10.3%	12,424	16.5%	16,210	19.2%
\$150,000-\$249,999	1,639	2.6%	3,594	4.8%	6,354	7.5%
\$250,000-\$499,999	247	0.4%	644	0.9%	1,221	1.4%
\$500,000 or more	39	0.1%	155	0.2%	326	0.4%
<b>Total</b>	<b>62,230</b>	<b>100%</b>	<b>75,122</b>	<b>100%</b>	<b>84,259</b>	<b>100%</b>
Avg. Household Income	\$59,323		\$72,720		\$82,364	
Est. Median Household Income	\$51,764		\$62,397		\$69,048	

Source: Claritas

Within a one-mile radius (Table 13), the bulk of housing units, 90.2%, are estimated to be owner-occupied, with only 9.8% renter-occupied. The percentage of owner-occupied units within a three-mile radius of the project decreases to 81.5% and 74.6% for a five-mile radius.

Table 13: Tenure of Occupied Housing

2007 Tenure of Occupied Housing Units						
Tenure	1-Mile Radius	Percent	3-Mile Radius	Percent	5-Mile Radius	Percent
Owner-Occupied	7,287	90.2%	25,268	81.5%	56,050	74.6%
Renter-Occupied	796	9.8%	5,732	18.5%	19,072	25.4%
Total Units	8,083	100.0%	31,000	100.0%	75,122	100.0%

Source: Claritas

Table 14 shows that of the owner-occupied housing units in the market area, approximately 60% of them have values ranging between \$200,000 and \$399,999 within a one-mile radius. Roughly the same percentage holds for the three and five-mile radius. These owner occupied housing values complement our estimated sales prices for the project.

Table 14: Owner Occupied Housing Values

2007 Estimate of Owner-Occupied Housing Values						
Value	1-Mile Radius		3-Mile Radius		5-Mile Radius	
	Number	Percentage	Number	Percentage	Number	Percentage
Value Less than \$100,000	52	0.7%	859	3.4%	2,213	3.9%
Value \$100,000 - \$149,999	12	0.2%	313	1.2%	694	1.2%
Value \$150,000 - \$199,999	29	0.4%	612	2.4%	2,179	3.9%
Value \$200,000 - \$299,999	935	12.8%	5,813	23.0%	15,145	27.0%
Value \$300,000 - \$399,999	3,405	46.7%	8,920	35.3%	18,258	32.6%
Value \$400,000 - \$499,999	2,007	27.5%	5,132	20.3%	9,518	17.0%
Value \$500,000 - \$749,999	712	9.8%	2,882	11.4%	5,568	9.9%
Value \$750,000 & Greater	137	1.9%	736	2.9%	2,476	4.4%
<b>Total</b>	<b>7,289</b>	<b>100%</b>	<b>25,267</b>	<b>100%</b>	<b>56,051</b>	<b>100%</b>

Source: Claritas

## MARKETABILITY ANALYSIS

The proposed project is located in a sub-market of the Sacramento housing market called the Vineyard Area, which is located in the unincorporated portions of Sacramento County south of Downtown Sacramento and just north of the City of Elk Grove. The housing data on this sub-market was collected from The Gregory Group, a real estate information and consulting firm that specializes in providing professional services to the building industry.

Table 15 on the following page details the overall sales trend for new home communities in the Vineyard Area for the four quarters of 2004, 2005, 2006, and the first quarter of 2007. As illustrated, the average price for new homes in the sub-market peaked in the fourth quarter of 2005 at \$461,542. However, immediately after that, the area saw its largest quarter to quarter decrease in the first quarter of 2006 from \$461,542 to \$391,148. The total drop in average price was \$70,394 or 15.25% from the previous quarter. Following the first quarter 2006 drop, the average price increased slightly by 1.31%, but since then, the average base price has been on a downward trend. The first quarter of 2007 reported an average price of \$377,599, an 18.2% decrease from the market area's peak in the fourth quarter of 2005.

The number of new homes sold in the market area was at its high point in the third quarter of 2004, at 174 units. The following quarter, absorption of new homes in the area dropped by 32.2% to 118 units sold. The number of units sold continued to drop to a low of 47 units in the third quarter of 2006. Units sold in the fourth quarter of 2006 were about the same as the previous quarter at 48 units, but reports for the first quarter of

Table 15: Vineyard Area New Home Sales

Vineyard Area Overall New Home Sales Trend													
	1Q 2004	2Q 2004	3Q 2004	4Q 2004	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	1Q 2007
Average Home Square Footage	2,122	2,106	1,856	1,784	1,643	1,916	1,813	2,113	1,879	1,899	1,897	1,863	1,892
Average Lot Square Footage	6,000	5,833	5,125	5,125	5,125	5,288	5,008	10,335	4,648	4,654	5,403	4,918	4,648
Average Price	\$343,866	\$375,490	\$351,063	\$366,994	\$343,489	\$398,247	\$400,616	\$461,542	\$391,148	\$396,274	\$390,738	\$380,660	\$377,599
Average Price Per Square Foot	\$166.84	\$183.78	\$193.72	\$211.58	\$212.56	\$217.70	\$229.58	\$223.62	\$215.18	\$216.46	\$212.80	\$210.90	\$203.95
Total Quarterly Sold	170	93	174	118	84	97	91	62	59	56	47	48	60
Unsold Inventory	0	50	58	66	14	18	33	117	66	56	101	79	100

Source: The Gregory Group



2007 show a slight increase in unit absorption with 60 units for the quarter. Forth quarter of 2005 saw the highest unsold inventory numbers at 117 units. It should also be noted that this is the same quarter when average prices peaked at \$461, 542. The very next quarter when the market saw its sharpest decline in prices by nearly \$70,000, unsold inventory dropped by 43.6% to 66 unsold units. Since then, the unsold inventory has fluctuated from quarter to quarter with first quarter 2007 unsold inventory at 100 units.

Twenty new home projects were actively selling in the Vineyard Area in 2006, three of which sold out by the first quarter of 2007, as detailed Table 16. Total absorption for these twenty active projects was at its highest in the second quarter of 2006 with 67 units sold, which contributed to an average absorption of 8 units per builder for the quarter. A decline in absorption followed for the next two quarters by roughly 34%, but by the first quarter of 2007, total absorption was back up to 60 units for the quarter. The total units sold for 2006 was 214 units.

Table 16: Vineyard Area New Home Sales by Project

Vineyard Area New Home Sales Trend by Project									
Project Name	Opened	Average Price	Average Size	Lot Size	Quarterly Sales Rate				
					Q1-2006	Q2-2006	Q3-2006	Q4-2006	Q1-2007
Newhaven	September-02	\$439,990	1,903	5,500	2	3	0	1	n/a
Sun Meadows	June-04	\$318,471	1,308	3,000	3	9	-4	2	9
Legacy	April-05	\$391,233	2,099	5,000	7	6	7	7	8
Aspen Village	May-05	\$436,567	2,537	6,000	4	13	9	4	7
Willow Walk	August-05	\$374,240	1,763	5,750	8	9	0	n/a	n/a
Liberty Lane	November-05	\$330,740	1,692	2,030	16	10	5	8	7
La Mancha	November-05	\$351,000	1,623	4,600	12	11	n/a	n/a	n/a
Glen Elder Estates	May-06	\$406,250	2,005	6,500	n/a	n/a	3	6	1
The Residence at 65th Street	July-06	\$385,323	1,548	5,500	n/a	n/a	3	1	13
Bellevue Estates	July-06	\$462,500	2,426	8,960	n/a	n/a	8	0	-4
71st Street Estates	July-06	\$366,250	1,759	6,500	n/a	n/a	6	2	-1
Reflections at Rush River	September-06	\$436,608	1,958	4,800	n/a	n/a	7	4	-8
Visions	October-06	\$454,400	2,169	5,300	7	6	3	0	0
Villa Terrassa	October-06	\$292,990	1,460	2,000	n/a	n/a	n/a	0	4
Barrington Square	November-06	\$350,637	1,750	3,800	n/a	n/a	n/a	2	3
Cobblestone	December-06	\$367,657	1,739	2,336	n/a	n/a	n/a	4	1
Wickford Square	January-07	\$305,823	1,675	2,449	n/a	n/a	n/a	n/a	9
The Islands at Riverlake	February-07	\$446,990	1,857	4,187	n/a	n/a	n/a	n/a	11
Sienna	March-07	\$444,990	2,279	5,200	n/a	n/a	n/a	n/a	0
Brittany Park	March-07	\$440,490	2,156	5,460	n/a	n/a	n/a	n/a	0
<b>Average</b>		<b>\$390,157</b>	<b>\$1,885</b>	<b>4,744</b>	<b>7</b>	<b>8</b>	<b>4</b>	<b>3</b>	<b>4</b>
<b>Total</b>					<b>59</b>	<b>67</b>	<b>47</b>	<b>41</b>	<b>60</b>

Source: The Gregory Group

It is apparent that absorption has been on the decline for the past two years. However, looking at the sales rate of comparable new home projects in the sub-market with similar home and lot sizes, it would be logical to conclude that the expected absorption rate for the proposed project would be roughly 9 units per quarter. This would budget out 11 quarters of sales, which is a little more than two and a half years to sell all 99 units.

Table 17 shows total inventory for active projects in the first quarter of 2007 at 686 units, with 586 units not offered to date, and 100 units of standing unsold inventory.

Table 17: Vineyard Area New Home Inventory

Vineyard Area Q1-2007 New Home Inventory by Project				
Project Name	Opened	Total Inventory	Inventory	Unsold Inventory
Sun Meadows	June-04	47	42	5
Legacy	April-05	13	3	10
Aspen Village	May-05	1	0	1
Liberty Lane	November-05	19	10	9
Glen Elder Estates	May-06	1	0	1
The Residence at 65th Street	July-06	5	0	5
Bellevue Estates	July-06	10	0	10
71st Street Estates	July-06	8	0	8
Reflections at Rush River	September-06	8	0	8
Villa Terrassa	October-06	96	88	8
Visions	October-06	1	0	1
Barrington Square	November-06	48	45	3
Cobblestone	December-06	95	89	6
Wickford Square	January-07	94	92	2
The Islands at Riverlake	February-07	128	118	10
Sienna	March-07	69	61	8
Brittany Park	March-07	43	38	5
<b>Total</b>		<b>686</b>	<b>586</b>	<b>100</b>

Source: The Gregory Group

There are also 42 proposed projects in the market area that plan for a total of 5,259 units, as illustrated in Table 18. The majority of these proposed projects have approval periods that range between one to three years, consistent with this project's

estimated approval timeline. Thirteen of these projects, a total of 758 units, have final maps approved or submitted.

Table 18: Vineyard Area Proposed Subdivisions

Vineyard Area Proposed Residential Subdivisions			
Project Name	Project Acreage	Typical Lot Size	Units Proposed
Sapphire Estates	41	6,050	204
Vintage Ranch	20	4,725	126
Garcia-Riviera	10	3,200	86
Dos Rios	4	6,724	19
Wildhawk South	21	8,625	78
Stonehedge Subdivision	87	5,250	495
Seale Property	10	5,750	59
Emerald Estates	40	5,500	199
Garfoot Greens	60	6,090	77
Sycamore Grove Estates	11	12,000	25
Willman Property	10	5,775	37
Vintage Creek #2	14	4,950	92
Bradshaw Commons	8	4,416	47
Robbins Grove	15	5,936	83
Enoch	10	7,006	15
Legends Meadows	65	5,200	120
Villages at Elder Creek Estates	136	5,775	592
North Vineyard Greens Unit 3	49	5,775	141
Johnson Property	10	4,725	40
Dakuzaky Property	39	5,500	99
Dunbar's Valley	10	5,200	49
Grammercy Park	9	n/a	85
Lawson	14	5,500	37
Robbins Nest	10	2,160	100
Carmencita Ranch	90	4,725	635
North Vineyard Greens #11	20	5,775	86
Gardner Parke	79	4,500	500
Willowood Cottages	14	2,100	154
Glenwood Unit #5	50	5,995	27
Parkside	7	5,000	30
Dahlia Garden	9	4,400	43
Victoria Station	15	2,310	113
Pheasant Estates	4	n/a	19
Cottonwood	15	6,600	69
Parkside	59	n/a	183
Evan Estates	8	n/a	38
New Sunnywoods	4	4,680	26
Florin Terrace Unit 8	10	5,200	54
Synergy Estates	7	6,048	20
Willowood Subdivision	4	6,448	21
Chohan Woods	7	5,936	36
The Cottages at Florin Creek	7	1,330	129
<b>Total</b>			<b>5,088</b>

Source: The Gregory Group

Sales and absorption for the sub-market have been on a declining trend for the past two years. This trend is expected to continue for the next 18 months, will plateau in two years, and then start a gradual recovery. Considering this project's proposed timeline of 18 to 24 months for acquisition, entitlements, and site development, the beginning of home sales will coincide with the expected recovery for the market area.

## LAND ACQUISITION

The purchase price for the parcel is \$300,000 per acre. With a total of 10 acres verified by the Sacramento County Assessor's Office, the total purchase price is \$3,000,000.

A purchase contract is the primary legal document for purchase of the property. An initial deposit of \$100,000 shall be distributed to the seller when both parties have signed the purchase contract and it has been delivered to the escrow holder. The estimated date of this transaction is in January 2008. This initial deposit is nonrefundable, but is applicable to the purchase price of the property. The final closing date for the parcel is contingent to the approval of a Tentative Subdivision Map by the Sacramento County Board of Supervisors. The typical time frame for such an approval for this size project is approximately 18 months, on which the remaining balance of the purchase price is paid to the seller. This date is estimated to be in June 2009.

## CONSULTANTS

The proposed project will require a myriad of consultants through the completion of the project. Consultants on the project will include the architect who will design the proposed homes to be constructed and generate blueprints for subcontractors. The civil engineer will be responsible for designing the site development plans and generating blueprints for subcontractors. The civil engineer will also work with the land planner to design an efficient site plan and create a working tentative map and eventually a final map.

A landscape architect will also be used to design and create landscape blueprints for the landscape frontage along Elk Grove-Florin Road and front yards of the homes. In addition, a consultant will be required for the design of the Storm Water Pollution Prevention Plan (SWPPP) for the project, which is required by the county.

Legal council for the project will be required to produce the option agreement, purchase and sale agreement for the parcel, and the creation of a limited liability company (LLC) for the project. During the entitlement or approval processes of the project, the services of a political consultant will be required to help get the project through the entitlement process. These consultants are often attorneys themselves, who are highly knowledgeable of the entitlement process and most often than not, have built quality relationships with the decision makers of the city or county in which they operate.

## DUE DILIGENCE

The due diligence performed on the project will require the preparation of a number of technical studies. A title report that conveys any existing easements on the parcel and that insures legal ownership of the parcel will be required. Also part of the due diligence process is the preparation of a biological and wetlands report to investigate whether there are any endangered habitats on the parcel or if there are any wetlands present.

Investigation of the quality of the soils for construction on the parcel will be required. This is done by the preparation of a soils report, also called a “geotechnical soils report” or a “geotech report.” A soils engineer prepares this report.

In addition to the physical durability of the soils on site, an investigation of the soils for contamination or the presence of hazardous materials must be performed. To determine this, a Phase 1 Environmental Site Assessment is prepared. There is also a more costly Phase 2 Environment Site Assessment that is prepared to investigate the subsurface conditions of high-risk areas like gas station sites, old military bases, rail yards, etc. Unless otherwise determined by the Phase 1, the project will only require the Phase 1 report.

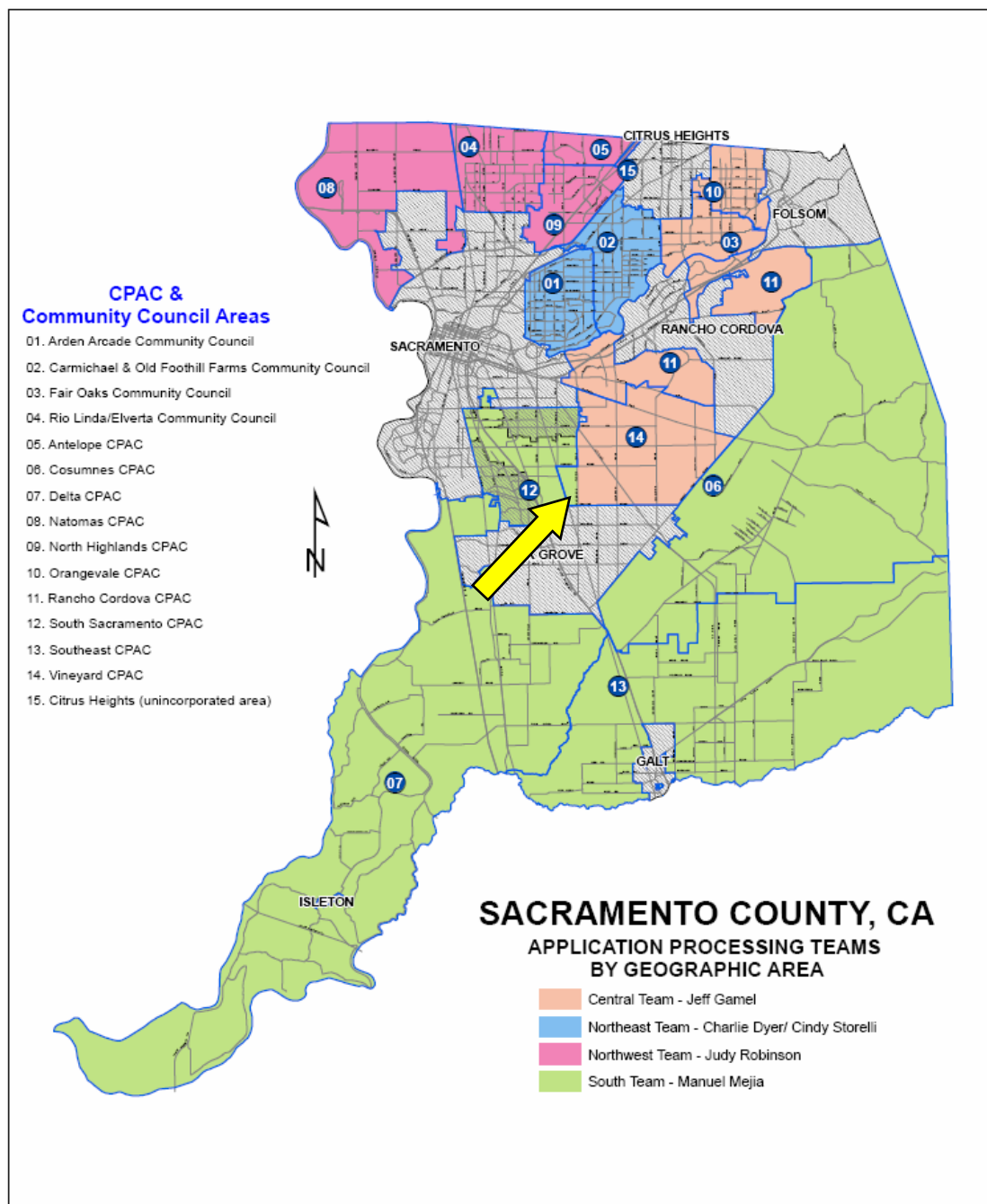
## ENTITLEMENTS

The process of taking a parcel or tract of land and receiving the necessary approvals by the city or county to subdivide it for residential or commercial construction is known as the entitlement process. The various decision makers or hearing bodies in the entitlement process for the County of Sacramento include the Community Planning Advisory Councils (CPAC), the Subdivision Review Committee (SRC), the Project and Policy Planning Commissions, and the Board of Supervisors.

CPACs were created in the unincorporated area of the County to facilitate and invite direct citizen participation in the planning process involving present and future development policies affecting their community. The councils provide a forum for the review of proposed amendments to plans, zoning matters, and use permits, and are advisory only to County agencies (County of Sacramento, 2007). According to Figure 16, the CPAC that has jurisdiction for the project site is the Vineyard Community Planning Advisory Council and the application processing team from the County Planning Department is the South Team, headed by Manuel Mejia.



Figure 16: Community Planning Advisory Council (CPAC) Boundaries Map



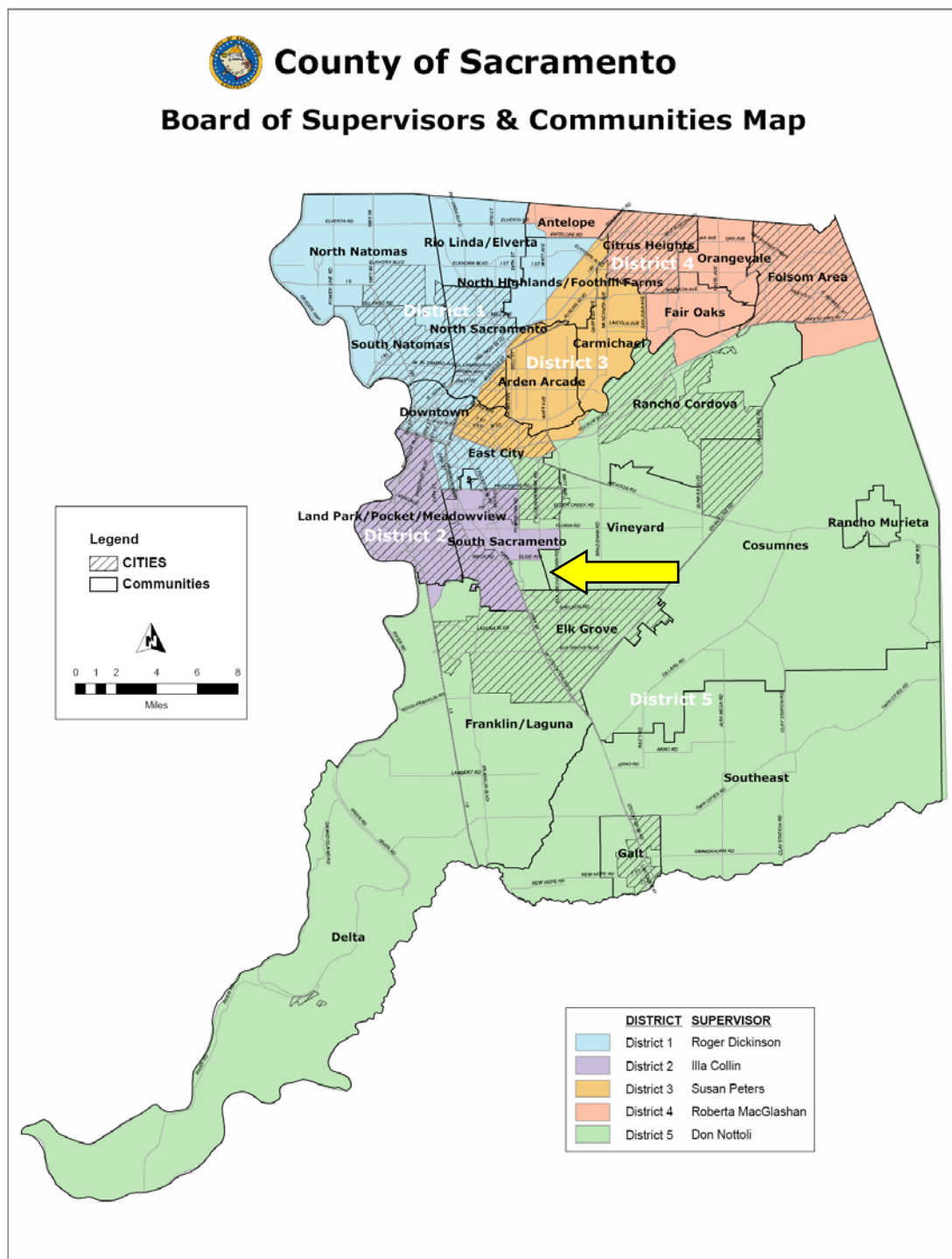
Source: Sacramento County Planning & Community Development Department

The SRC is a committee that is responsible for the review of the project itself, rather than land use issues. The committee is comprised of 17 members representing 13 public entities and review categories. These include land division and site improvement review, environmental management, regional parks-recreation and open space, the Sheriff's Department, the Sacramento Metropolitan Fire District, planning and community development, the Department of Environmental Review and Assessment (DERA), the Department of Water Resources, the Department of Transportation, the Department of Water Quality/CSD-1, the Air Quality Management District (AQMD), the Sacramento City Fire Department, and SMUD (County of Sacramento, 2007).

The Sacramento County Project and Policy Planning Commissions are five member commissions appointed by the Board of Supervisors to hear land use, zoning and related policy issues. Many of the actions taken by the Project Planning Commission are final unless appealed to the Board of Supervisors. This commission typically hears smaller or single-entitlement applications such as rezones, use permits, and variances. The Policy Planning Commission actions are usually sent as recommendations to the Board of Supervisors for final deliberation. This commission hears land use policy issues such as community plan amendments, general plan amendments and multi-entitlement applications (County of Sacramento, 2007).

The Board of Supervisors is the governing body of the County of Sacramento. There are five members of the Board and each represents one of five Districts. Figure 17 shows the proposed project in District 5. The Board member appointed to this district is Supervisor Don Nottoli, who is also currently serving as Chair of the Board.

Figure 17: Sacramento County District and Supervisor Map



Source: Sacramento County

To complete the proposed project, a number of requests from the County will be necessary. A Community Plan Amendment and Rezone of 10 acres from AR-5 to RD-10 will be required. A Tentative Subdivision Map to create 99 single-family lots will need to be approved. A request for a Special Development Permit to deviate from the County's RD-10 standards of 4,000 square foot minimum lot areas and 20 foot front yard setbacks, and an Exemption to Title 22.110.070(b) requiring the majority of lots to be 95 feet deep will need to be made. In addition, the approval of an Affordable Housing Plan consistent with payments of in-lieu and affordability fees will be required.

A California Environment Quality Act (CEQA) document will also need to be accepted, and for this project, it will most likely be a Mitigated Negative Declaration. The objective of CEQA is to disclose to decision makers and the public the significant environmental effects of proposed activities and to identify ways to avoid or reduce environmental damage. The Mitigated Negative Declaration is the document used to comply with CEQA and is prepared when potentially significant effects from the project have been identified and the project's proponent has agreed to mitigate the effects (Bass, 1999). For the proposed project, a significant environmental effect that most likely will be identified is the creation of dust from construction activity, which temporarily pollutes the air. To mitigate this environmental effect, you periodically water down the jobsite with water trucks equipped to spray a fan of water to keep the dust down.

To be successful, it will be necessary that the project receive positive recommendations and approvals for all requests from all hearing bodies discussed above.

## FEES

Since the passage of Proposition 13, which limits the maximum tax rate of a property in California to approximately 1%, fees have become an integral part of California's fiscal policy. According to the State Controller's Office, fees account for almost 20% of annual local government revenues. Permit fees, development fees, dedications, in-lieu fees, and exactions, are especially important in new suburban municipalities that lack an established tax base and have high infrastructure costs (California Department of Housing and Community Development, 2007).

The types of fees required for the development of the proposed project include planning fees, plan check fees, building permit fees, inspection fees, in-lieu fees, infrastructure fees, impact fees, and district fees. Not all fees are paid at once. They are paid at various intervals of the development process. These intervals include the submission of the development application, the submission of improvement plans (infrastructure construction plans), the approval of the final subdivision map, and the time of pulling building permits.

As described in Table 19, community plan amendment fees and rezone fees are required because we are asking for a change in the land use designation of the property. Tentative map fees, final map fees, and recording fees are collected by the county for processing the request for subdivision. The initial study/negative declaration fee and the mitigation monitoring fee are required for the processing of the project's CEQA compliance.

Plan check, permit, and inspection fees fall primarily with the County's building department and district fire department. The purpose of these fees is primarily for the review of blueprints and the inspection construction to insure compliant with local codes.

Accounting for the largest portion of total development fees are the infrastructure, impact, and district fees. Infrastructure fees required by the county and other providers are collected for the connection to and sometimes construction of basic infrastructure such as sewer, water, storm drain, and roadways. Impact fees on the county roadways, affordable housing, parks district, school district, and fire districts are required.

To achieve a certain level of diverse housing available for households of all income levels, the County of Sacramento requires that 15% of all new residential developments to be affordable to extremely low, very low, and low income households. But, for land zoned RD-1 to RD-10, and for development projects that have more than 20 units and less than 100 units, an option to pay an in-lieu fee and affordability fee is granted to the developer to pay for off-site affordable housing in-lieu of the 15% on-site affordable housing which would be required. This proposed project qualifies for this option with RD-10 zoning and 99 total units. The amount of the in-lieu fee is \$7,000 per market rate unit. The fee is based on the cost of unimproved residentially entitled land, an adjustment factor to account for off-site improvements, and costs associated with assembling the site for development, including security, maintenance, insurance, developer selection and oversight, obtaining development plan review, and transfer to the affordable developer. The amount of the affordability fee is \$3,000 per market rate unit. The fee is based on the local subsidy needed to construct a standard apartment unit

affordable to low, very low, and extremely low income households. The combined total of both the in-lieu fee and affordability fee is \$10,000 per market rate unit (County of Sacramento, 2007).

Much like the affordable housing requirement, Sacramento County requires developers to dedicate land for parks for all projects undergoing land subdivision. To meet this requirement, developers have the choice of either dedicating land to the County, or paying an in-lieu fee, also called a Quimby Fee. The option of paying the in-lieu fee was chosen for this project (County of Sacramento, 2007).

Also required is the Swainson's Hawk Mitigation/Compensation Fee. The Swainson's hawk is a large bird of prey and is listed as a threatened species by the State of California. Under CEQA, the County as a land use authority must evaluate the environmental impacts of development projects on the foraging habitat of the Swainson's hawk. With most of the unincorporated areas of the County falling within the foraging habitat of the Swainson's hawk, the proposed project is subject to mitigation. The mitigation option that has been chosen is to participate in the County's Swainson's Hawk Mitigation Program administered by the Sacramento County Planning and Community Development Department. Under the program, mitigation can be satisfied by providing replacement land or by paying a fee if the impact is less than 40 acres, which the proposed project is. The current fee is \$18,375 per acre of impact with a \$500 administrative fee per payment (County of Sacramento, 2007).

Total fees for the proposed project are \$6,990,782 or \$70,614 per lot.



Table 19: Fees

Description	Paid	Type / Calculation	Total Fee Amount	Per Unit
<b>Planning Fees:</b>				
Community Plan Amendment Fee	Subdivision Application	Flat Rate	11,805	119
Rezoning Fee	Subdivision Application	Flat Rate	13,964	141
Tentative Map Fee	Subdivision Application	Flat Rate	9,807	99
Final Map Fee	Final Map	Estimated Time & Materials (T&M)	1,000	10
County Recording Fee	Final Map	\$8/1st Page + \$2/Add'l Pages	60	0.61
Initial Study / Neg. Dec. Fee (DERA)	Subdivision Application	Estimated T&M	3,200	32
Mitigation Monitoring (DERA)	Improvement Plans	Estimated T&M	2,000	20
<b>Subtotal</b>			<b>\$ 41,836</b>	<b>\$ 423</b>
<b>Plan Check, Permit &amp; Inspection Fees:</b>				
Building Permit Fee	Building Permit	Estimated for Average Building Sq. Ft.	162,426	1,641
Electrical Permit Fee	Building Permit	Included in Building Permit	-	-
Mechanical Permit Fee	Building Permit	Included in Building Permit	-	-
Plumbing Permit Fee	Building Permit	Included in Building Permit	-	-
Plan Review Fee (Models)	Improvement Plans	66.6% of Building Permit (3 x \$932.40)	2,797	28
Plan Review Fee (Production)	Improvement Plans	50% of Plan Review Fee for Models (96 x \$466.20)	44,755	452
Zone Check Fee (Models)	Improvement Plans	5% of Plan Review Fee (Models)	140	1
Zone Check Fee (Production)	Improvement Plans	2.5% of Plan Review Fee (Production)	2,238	23
Grading Permit Fee	Improvement Plans	\$750 deposit + Estimated T&M	20,000	202
Sac Metro Fire District Plan Check Fee	Improvement Plans	\$233.25 + Number of Parcels (99) x \$5	729	7
<b>Subtotal</b>			<b>\$ 233,085</b>	<b>\$ 2,354</b>
<b>Infrastructure, Impact &amp; District Fees</b>				
Elk Grove School District Impact Fee	Building Permit	\$5.05 per Sq. Ft. x Average Building Sq. Ft.	820,251	8,285
County Roadway Fee	Building Permit	Flat Rate pr Unit for District 4	222,453	2,247
County Transit Fee	Building Permit	Flat Rate pr Unit for District 4	30,888	312
Performance Bond Fee	Final Map	1% of Estimated \$1,500,000 Bond	15,000	152
County Sanitation District-1 Fee	Final Map	\$9,600 per net acre (10 Net Acres in Relief Area)	96,000	970
SRCSD Fee	Building Permit	Flat Rate per Unit	693,000	7,000
Drainage Fee	Improvement Plans	\$15,642 x 10 acres	156,420	1,580
Cal-American Water Fee	Building Permit	Estimated \$7,500 per unit	742,500	7,500
Quimby Park Fee	Final Map	99 units x 0.0138 factor x \$500,000 land valuation per acre	683,100	6,900
Swainson's Hawk Fee	Improvement Plans	10 acres x \$18,375 + \$500	184,250	1,861
Affordable Housing Fee	Building Permit	99 units x (\$7,000 + \$3,000)	990,000	10,000
Sac Metro Fire District Fee	Building Permit	\$0.56 per Sq. Ft. x Average Building Sq. Ft.	90,959	919
Vineyard Roadway Fee	Building Permit	Flat Rate per Unit	1,298,781	13,119
Vineyard Transit Fee	Building Permit	Flat Rate per Unit	97,020	980
Southgate Park Improvement Fee	Building Permit	Flat Rate per Unit	425,502	4,298
Vineyard Library Fee	Building Permit	Flat Rate per Unit	93,159	941
Vineyard Administration Fee	Building Permit	4% of Total Vineyard Fees	76,578	774
<b>Subtotal</b>			<b>\$ 6,715,861</b>	<b>\$ 67,837</b>
<b>Grand Total</b>			<b>\$ 6,990,782</b>	<b>70,614</b>

Source: Sacramento County

## SITE DEVELOPMENT

Site development is the process of tacking raw land and transforming it into ready to build lots with utility infrastructure, streets, sidewalks, streetlights, etc. Table 20 summarizes the estimated site development budget for the proposed project.

Table 20: Estimated Site Development Costs

Description	Unit Type	Quantity	Unit Cost	Total Cost	Per Lot Cost
<b>Pre-Construction:</b>					
Demolition	Job	1	\$ 20,000.00	\$ 20,000	\$ 202
Clear and Grub	Acre	10	\$ 5,000.00	\$ 50,000	\$ 505
Surveying and Staking	Job	1	\$ 79,200.00	\$ 79,200	\$ 800
Grading	Cubic Yard	20,000	\$ 6.00	\$ 120,000	\$ 1,212
<b>Subtotal</b>				<b>\$ 269,200</b>	<b>\$ 2,719</b>
<b>Sanitary Sewer System:</b>					
8" Sanitary Sewer	Linear Foot	2,500	\$ 40.00	\$ 100,000	\$ 1,010
48" Manhole	Each	10	\$ 2,500.00	\$ 25,000	\$ 253
4" House Service	Each	99	\$ 600.00	\$ 59,400	\$ 600
<b>Subtotal</b>				<b>\$ 184,400</b>	<b>\$ 1,863</b>
<b>Storm Drain System:</b>					
12" Drain Pipe	Linear Foot	1,000	\$ 35.00	\$ 35,000	\$ 354
15" Drain Pipe	Linear Foot	2,500	\$ 36.00	\$ 90,000	\$ 909
18" Drain Pipe	Linear Foot	500	\$ 50.00	\$ 25,000	\$ 253
Catch Basin	Each	20	\$ 1,500.00	\$ 30,000	\$ 303
48" Manhole	Each	16	\$ 2,500.00	\$ 40,000	\$ 404
<b>Subtotal</b>				<b>\$ 220,000</b>	<b>\$ 2,222</b>
<b>Water System:</b>					
8" PVC Water Main	Linear Foot	3,500	\$ 45.00	\$ 157,500	\$ 1,591
8" Gate Valve	Each	16	\$ 800.00	\$ 12,800	\$ 129
Fire Hydrant	Each	6	\$ 2,500.00	\$ 15,000	\$ 152
House Service	Each	99	\$ 600.00	\$ 59,400	\$ 600
<b>Subtotal</b>				<b>\$ 244,700</b>	<b>\$ 2,472</b>
<b>Dry Utilities:</b>					
Joint Trench	Linear Foot	3,500	\$ 100.00	\$ 350,000	\$ 3,535
<b>Subtotal</b>				<b>\$ 350,000</b>	<b>\$ 3,535</b>
<b>Streets:</b>					
3" AC over 7" AB Roadway	Square Foot	80,000	\$ 1.50	\$ 120,000	\$ 1,212
4' Walk (4" PCC Sidewalk/6" CLII AB)	Square Foot	25,000	\$ 6.50	\$ 162,500	\$ 1,641
Type 2 Curb and Gutter	Linear Foot	6,000	\$ 20.00	\$ 120,000	\$ 1,212
HC Ramps	Each	20	\$ 1,000.00	\$ 20,000	\$ 202
<b>Subtotal</b>				<b>\$ 422,500</b>	<b>\$ 4,268</b>
<b>Erosion Control (SWPPP):</b>					
Fiber Roll	Linear Foot	7,000	\$ 2.25	\$ 15,750	\$ 159
Catch Basin Filter Bag	Each	20	\$ 100.00	\$ 2,000	\$ 20
Hydroseeding	Square Foot	275,000	\$ 0.08	\$ 22,000	\$ 222
<b>Subtotal</b>				<b>\$ 39,750</b>	<b>\$ 402</b>
<b>Other Items:</b>					
Frontage Landscaping (Elk Grove-Florin Rd.)	Square Foot	12,000	\$ 3.00	\$ 36,000	\$ 364
6' Sound Wall	Linear Foot	1,000	\$ 80.00	\$ 80,000	\$ 808
Street Lights	Each	15	\$ 3,500.00	\$ 52,500	\$ 530
Site Supervision	Job	1	\$ 138,600.00	\$ 138,600	\$ 1,400
<b>Subtotal</b>				<b>\$ 307,100</b>	<b>\$ 3,102</b>
<b>Grand Total</b>				<b>\$ 2,037,650</b>	<b>\$ 20,582</b>

Note: Quantities and costs are taken from the author's work experience in the industry

Items that fall under pre-construction for the proposed project include demolition, clear and grub, surveying and stacking, and grading. Because there are existing structures on the site, a demolition contractor will be required to demolish, remove, and dispose of the existing structures. Subsequent to the demolition process, clearing the site of all vegetation and debris is required. Before grading can begin, the site must be surveyed and staked, so that the proper positioning of all streets and lots is determined.

Upon completion of the pre-construction process, the major utility infrastructure can be installed. The sanitary sewer system is the system that collects and disposes of all waste water from the individual homes to the County's sewer system. The construction of this system requires a pipe eight inches in diameter to be trenched through the center of the proposed street locations, with four-inch lines servicing each home. Manholes are also required for maintenance of the system.

The storm drainage system is the system that collects and disposes of runoff water from rain and landscape irrigation to the County's system. Construction of this system requires three sizes of drain pipe to be trenched in. The size of the pipe progressively gets larger as the water flows from the beginning of the system to the end, at the point of connection to the County's system. This is done in order to provide for adequate drainage and flow. Run off water is collected at street level by a number of metal grates located at the edges of sidewalks, also called catch basins.

The water system provides clean water to the individual homes and fire hydrants in the community. The construction of this system is similar to the sanitary sewer system with one eight-inch pipe running under the street and service lines branching off to the

homes. However, unlike the sewer and storm drainage systems that rely on the flow of gravity; the water system is pressurized to pump the water to the homes and fire hydrants.

In addition to the “wet” utilities discussed thus far, “dry” utilities must be installed as well. Dry utilities include phone, cable, electricity, gas, and any other type of high-speed fiber optics provided by local utilities. This is done by the construction of a “joint trench” that runs under the community’s streets and service lines to homes.

When all utilities are installed and their trenches back filled, the construction of the streets and sidewalks can begin. For this project, a four-foot wide sidewalk will be constructed with a Type 2 curb and gutter, which is a vertical curb that prevents motorists from parking their vehicles on the sidewalk. And because the streets being constructed are merely neighborhood streets that don’t experience high rates of speed, a three inch layer of asphalt concrete (AC) over a seven inch layer of aggregate base (AB) will be used for paving.

Upon completion of the streets and sidewalks, erosion control and SWPPP (Storm Water Pollution Prevention Plan) measures will be required. To prevent lot erosion and storm water pollution, a number of actions are taken. Fiber rolls, which are long, fish net like rolls filled with hay, are stretched along the backside of the sidewalk that meets up to the dirt lots. These rolls block and absorb muddy runoff from the vacant lots awaiting home construction. Catch basin filter bags are also used to prevent any runoff that escaped the fiber rolls from draining into the storm drain system. However, because the build out date for this project is expected to be approximately three years after the construction of streets and sidewalks, the lots will be hydroseeded. Hydroseeding is a

grass planting process that uses a slurry like mixture of seed that is shot out of a specially equipped truck. Because grass has a root system that absorbs water and stabilize soils, planting a sparse layer of grass on the project's vacant lots will prevent high levels of erosion and runoff during the rainy seasons.

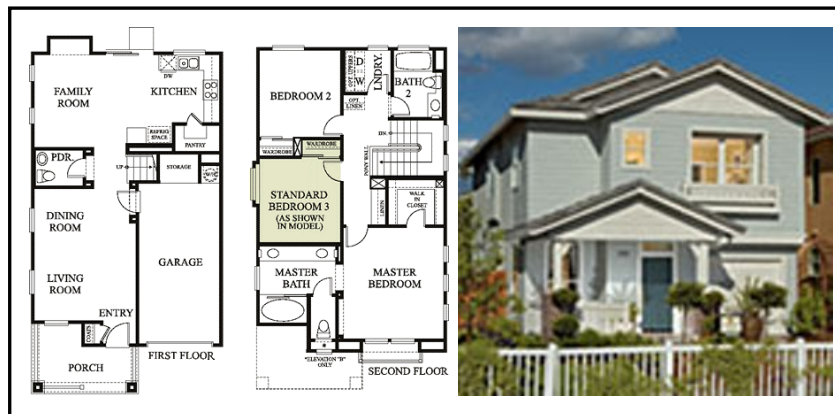
To finalize the site development, other items must be installed which include street lights, a six-foot tall sound wall running along the west side of the project site adjacent to Elk Grove-Florin Road, and frontage landscaping along the sound wall facing Elk Grove-Florin Road. Total site development for the proposed project is \$2,037,650 or \$20,582 per lot.

## VERTICAL CONSTRUCTION & ARCHITECTURE

The proposed project will consist of three unique floor plans that prospective buyers can choose from. Because this project has proposed lot sizes of 3,000 square feet, all three floor plans were selected to be two story homes to maximize the total amount of livable space that can be built. Instead of building horizontally and consuming expensive land, this project is building vertically and utilizing the land, which in turn, provides the target market with the most square footage for the least amount of money.

Plan One is a 1,481 square foot home that includes three bedrooms, two full bathrooms, one half bathroom, a family room, dinning room, living room, laundry room, and a porch. Figure 18 shows the proposed floor plan for this model and a computer generated rendering of the home's elevation.

Figure 18: Plan One Floor Plan and Elevation



Source: Griffin Industries

Plan Two is a 1,618 square foot home that includes three bedrooms, two full bathrooms, one half bathroom, a great room, dinning room, breakfast nook, laundry

room, and a second story balcony. Figure 19 shows the proposed floor plan for this model and a computer generated rendering of the home's elevation.

Figure 19: Plan Two Floor Plan and Elevation



Source: Griffin Industries

Plan Three is a 1,823 square foot home that includes four bedrooms, two full bathrooms, one half bathroom, a great room, dinning room, breakfast nook, laundry room, and a second story balcony. Figure 20 shows the proposed floor plan for this model and a computer generated rendering of the home's elevation.

Figure 20: Plan Three Floor Plan and Elevation



Source: Griffin Industries



Table 21 presents the estimated construction budget for all three floor plans on a per plan bases.

Table 21: Estimated Vertical Construction Costs

Plan	One	Two	Three
Square Footage	1,481	1,618	1,823
	Cost	Cost	Cost
Alarms/ Structured Wiring	1,200.00	1,200.00	1,200.00
Appliances	1,500.00	1,500.00	1,500.00
Cabinets	4,500.00	5,000.00	5,500.00
Concrete- Flatwork	1,500.00	1,500.00	1,500.00
Concrete- Foundations	10,000.00	10,500.00	11,000.00
Cultured Marble	-	-	-
Drywall	6,000.00	6,500.00	7,000.00
Electrical- fixtures	1,000.00	1,000.00	1,000.00
Electrical- Wiring	3,500.00	4,000.00	4,500.00
Fencing	1,500.00	1,500.00	1,500.00
Finish Carpentry	2,500.00	3,000.00	3,500.00
Finish Clean	400.00	450.00	500.00
Finish Grade	500.00	500.00	500.00
Fireplace	-	-	-
Fireplace Mantels	500.00	500.00	500.00
Flooring	1,000.00	1,100.00	1,200.00
Framing- Labor	10,500.00	11,000.00	11,500.00
Framing- Material	10,000.00	12,000.00	14,000.00
Framing- Trusses	4,000.00	4,500.00	5,000.00
Garage Doors	2,000.00	2,000.00	2,000.00
Granite	-	-	-
Gutters/ Downspouts	1,000.00	1,200.00	1,400.00
HVAC	4,500.00	5,000.00	5,500.00
Inspections	1,000.00	1,000.00	1,000.00
Insulation	1,000.00	1,200.00	1,400.00
Landscaping	1,500.00	1,500.00	1,500.00
Masonry	-	-	-
Mirrors/ Shower Doors	500.00	600.00	700.00
Painting	4,000.00	4,500.00	5,000.00
Plumbing	8,000.00	8,500.00	9,000.00
Roofing -- Concrete Tile	5,000.00	5,500.00	6,000.00
Shutters	600.00	650.00	700.00
Stair Railings	600.00	600.00	600.00
Stucco -- 3 Coat	6,500.00	7,000.00	7,500.00
Tile- Ceramic	2,500.00	2,750.00	3,000.00
Utility Hook up	600.00	600.00	600.00
Windows	4,500.00	4,750.00	5,000.00
Wrought Iron	-	-	-
<b>Total</b>	<b>\$ 103,900</b>	<b>\$ 113,100</b>	<b>\$ 122,300</b>
<b>Per Sq. Ft.</b>	<b>\$ 70.16</b>	<b>\$ 69.90</b>	<b>\$ 67.09</b>

Note: Costs are taken from the author's work experience in the industry

It should be noted that total construction costs for each consecutive floor plan increases as square footage increases, but a negative correlation exists when looking at the cost per square foot, which decreases as the home size increase. A total of 99 homes will be constructed for the proposed project. The unit mix will include 33 Plan One homes, 33 Plan Two homes, and 33 Plan Three homes.

## MARKETING

Marketing of the proposed project will fall into two stages, construction and preparation of the model homes, and advertising for the project. Table 22 presents a breakdown of the estimated marketing budget for the proposed project.

Table 22: Estimated Marketing Costs

Description	Unit Type	Quantity	Unit Cost	Total Cost	Per Lot Cost
<b>Model Homes:</b>					
Upgrades	Each	3	\$ 30,000.00	\$ 90,000	\$ 909.09
Landscaping	Each	3	\$ 20,000.00	\$ 60,000	\$ 606.06
Interior Designer	Each	3	\$ 15,000.00	\$ 45,000	\$ 454.55
Merchandising	Each	3	\$ 25,000.00	\$ 75,000	\$ 757.58
Maintenance	Months	33	\$ 3,000.00	\$ 99,000	\$ 1,000.00
<b>Subtotal</b>				<b>\$ 369,000</b>	<b>\$ 3,727.27</b>
<b>Advertising:</b>					
Newspaper & Radio	Months	36	\$ 10,000.00	\$ 360,000	\$ 3,636.36
Signage & Brochures	Job	1	\$ 15,000.00	\$ 15,000	\$ 151.52
Sign Leases	Months	36	\$ 2,000.00	\$ 72,000	\$ 727.27
<b>Subtotal</b>				<b>\$ 447,000</b>	<b>\$ 4,515.15</b>
<b>Grand Total</b>				<b>\$ 816,000</b>	<b>\$ 8,242.42</b>

Note: Costs are taken from the author's work experience in the industry

Three model homes will be constructed for the project, one for each floor plan. Each model home will be required to have a substantial amount of upgrades and landscaping constructed to charm and entice perspective buyers. Also required to attract buyers is the merchandising or furnishing of the model homes, which will require consulting from professional interior decorators. With the model homes fully furnished and landscaped, they will need regular house cleaning and landscape maintenance to keep up appearances.

In addition to the model homes, the project will also require advertising. The proposed media for advertising the project will include newspaper ads, radio commercials, large signage, and brochures. The use of large signage will most likely

require the leasing of, or payment to, neighboring properties along busy streets for permission to erect signs on their property.

### SALES PRICE FORECAST

A multivariate regression model analysis was conducted to forecast the sales prices of the three floor plans to be sold in the proposed project. The dependent variable for this regression model is New Home Sales Price, represented by the net selling prices of 72 new home models being sold by homebuilders within a close proximity to the proposed project site. The explanatory, or independent, variables expected to cause or influence the dependent variable are: Home Square Footage, Lot Square Footage, Number of Bedrooms, Number of Bathrooms, Other Rooms, and Number of Garage Spaces. To avoid any correlation between Home Square Footage (HSFT) and Lot Square Footage (LSFT), a new independent variable called HSFT/LSFT was used in the model. This new variable was calculated by dividing HSFT by LSFT and represents a percentage of the home's square footage that occupies the lot it is built on. Data used for the forecast is second quarter data collected by The Gregory Group.

A total of five independent variables were used in this regression model and of these, one variable was represented by a dummy variable (Other Rooms). A dummy variable takes on the value of zero or one, depending on whether or not a specified condition exists. When using dummy variables in regression analysis, one less dummy variable is constructed than conditions. The event not explicitly represented by a dummy variable is called an omitted condition. This omitted condition forms the basis against which the included conditions are compared (Studenmund, 2001). Table 23 provides the data used in the regression model.

Table 23: Regression Model Data

Project	Builder	New Home Sales Price	HSFT/LSFT	No. of Bedrooms	No. of Bathrooms	Other Rooms	No. of Garage Spaces
Sun Meadows	New Faze Development	264,900	0.37	2	2	1	2
Sun Meadows	New Faze Development	268,900	0.38	2	2	0	2
Sun Meadows	New Faze Development	279,900	0.40	2	2	1	2
Sun Meadows	New Faze Development	299,900	0.41	3	2.5	0	2
Sun Meadows	New Faze Development	301,900	0.49	3	2.5	0	2
Sun Meadows	New Faze Development	304,900	0.50	3	2.5	0	2
Sun Meadows	New Faze Development	320,900	0.51	3	2.5	1	2
Visions	Tim Lewis Communities	419,900	0.32	4	2	0	2
Visions	Tim Lewis Communities	452,900	0.41	4	3	0	2
Visions	Tim Lewis Communities	459,900	0.43	4	2.5	0	2
Visions	Tim Lewis Communities	484,900	0.47	4	3	1	2
Liberty Lane	Ryland Homes	274,990	0.74	3	2.5	0	2
Liberty Lane	Ryland Homes	279,990	0.80	3	2.5	0	1
Liberty Lane	Ryland Homes	299,990	0.85	4	2.5	0	1
Liberty Lane	Ryland Homes	309,990	0.93	4	2.5	0	2
Boulder Glen	Morrison Homes	467,990	0.31	3	2	0	3
Boulder Glen	Morrison Homes	501,990	0.36	4	3	0	3
Boulder Glen	Morrison Homes	515,990	0.38	4	3	0	3
Boulder Glen	Morrison Homes	533,990	0.41	4	3	1	3
Boulder Glen	Morrison Homes	598,990	0.49	5	4	1	3
Cottage Gardens	Beazer Homes	239,990	0.64	2	2	1	1
Cottage Gardens	Beazer Homes	257,490	0.78	2	2.5	0	1
Cottage Gardens	Beazer Homes	259,490	0.79	3	2.5	1	1
Cottage Gardens	Beazer Homes	273,490	0.82	3	2.5	0	1
Cottage Gardens	Beazer Homes	283,490	0.97	3	2.5	0	1
Cottage Gardens	Beazer Homes	298,490	1.09	3	2.5	0	1
Cobblestone	Syncon Homes	324,990	0.58	3	2.5	0	2
Cobblestone	Syncon Homes	380,990	0.64	3	2.5	0	2
Cobblestone	Syncon Homes	352,990	0.73	4	2.5	0	2
Cobblestone	Syncon Homes	359,990	0.74	4	2.5	0	2
Cobblestone	Syncon Homes	386,990	0.84	4	2.5	1	2
Cobblestone	Syncon Homes	399,990	0.95	4	2.5	1	2
Villa Terrassa	Regis Homes	248,990	0.52	3	2	0	1
Villa Terrassa	Regis Homes	288,990	0.70	3	2.5	0	2
Villa Terrassa	Regis Homes	308,990	0.80	3	2.5	0	2
Villa Terrassa	Regis Homes	324,990	0.90	4	2.5	0	2
Sienna	Ryland Homes	429,990	0.41	3	3	1	2
Sienna	Ryland Homes	444,990	0.44	4	2.5	0	2
Sienna	Ryland Homes	459,990	0.47	4	2.5	0	2
Wickford Square	Richmond American	255,990	0.49	2	2	0	2
Wickford Square	Richmond American	279,990	0.57	3	2.5	0	1
Wickford Square	Richmond American	296,990	0.63	3	2.5	0	1
Wickford Square	Richmond American	329,990	0.76	4	2.5	0	2
Wickford Square	Richmond American	319,990	0.76	3	2.5	1	2
Wickford Square	Richmond American	351,990	0.90	4	2.5	0	2
Sheldon Farms	D.R. Horton	339,990	0.37	3	2	0	2
Sheldon Farms	D.R. Horton	354,990	0.42	4	2	0	2
Sheldon Farms	D.R. Horton	394,990	0.49	4	3	0	3
Sheldon Farms	D.R. Horton	429,990	0.55	5	3	0	3
Cypress Cove	Dunmore Homes	356,990	0.36	3	2	0	2
Cypress Cove	Dunmore Homes	390,990	0.46	3	2.5	0	2
Cypress Cove	Dunmore Homes	418,990	0.53	4	2.5	0	2
Cypress Cove	Dunmore Homes	431,990	0.60	5	3	0	2
The Villas	Dunmore Homes	265,985	0.41	2	2	0	1
The Villas	Dunmore Homes	276,000	0.50	2	2.5	0	1
The Villas	Dunmore Homes	303,000	0.63	3	2.5	1	2
The Villas	Dunmore Homes	317,000	0.67	3	2.5	0	2
The Villas	Dunmore Homes	325,000	0.70	3	2.5	1	2
The Villas	Dunmore Homes	360,000	0.86	4	3	1	2
Plaza Walk	William Lyon Homes	298,990	0.58	3	2.5	0	2
Plaza Walk	William Lyon Homes	321,990	0.64	3	2.5	0	2
Plaza Walk	William Lyon Homes	359,990	0.83	4	2.5	0	2
Glenbrooke	Del Webb	280,990	0.31	2	2	0	2
Glenbrooke	Del Webb	319,990	0.34	2	2	0	2
Glenbrooke	Del Webb	346,990	0.39	3	2	0	2
Glenbrooke	Del Webb	366,990	0.46	3	2	0	2
Glenbrooke	Del Webb	394,990	0.52	2	2	1	2
Glenbrooke	Del Webb	410,990	0.56	2	2.5	1	2
Brittany Park	Morrison Homes	419,990	0.34	3	2	1	2
Brittany Park	Morrison Homes	431,990	0.38	4	2.5	1	2
Brittany Park	Morrison Homes	449,990	0.41	4	3	1	2
Brittany Park	Morrison Homes	459,990	0.45	4	2.5	1	3
Average		356,012	0.58	3.28	2.47		1.93

Source: The Gregory Group

As shown in Table 24, the results of the regression analysis show that all explanatory variables were found to be statistically significant at a confidence level greater than 90%. The critical t-value for this regression was 1.67 at the 10% level of significance in a two-tailed test with 66 degrees of freedom (Degrees of freedom = 72 observations – 5 coefficients estimated – 1). The confidence intervals for the regression coefficients were calculated by using the critical t-value, multiplied by the standard error for each coefficient, and then adding and subtracting the resulting value from the coefficient itself to determine its 90% confidence interval. The R-Squared for this regression was found to be 0.7767, and the Adjusted-R Squared equals 0.7598. Thus, 75.98% of the variance in the dependent variable (New Home Sales Price) is explained by the independent variables.

Table 24: Regression Results

	Coefficients	Standard Error	t-Statistic	Lower Confidence Interval @ 90.0%	Upper Confidence Interval @ 90.0%
Intercept	93,770	35,424	2.65	34,674	152,867
HSFT/LSFT	(148,542)	28,973	(5.13)	(196,877)	(100,207)
Bedrooms	46,817	8,380	5.59	32,837	60,797
Bathrooms	47,306	17,166	2.76	18,668	75,945
Other Rooms	27,697	10,487	2.64	10,202	45,192
Garage	36,049	11,577	3.11	16,736	55,362

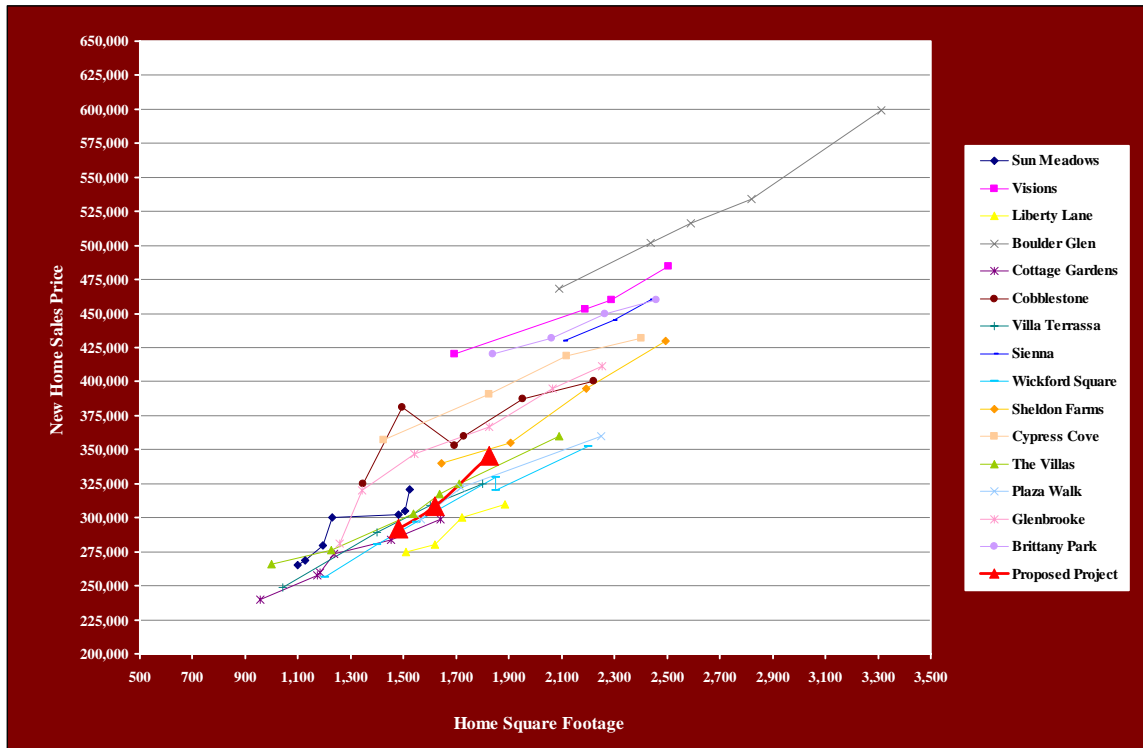
With the resulting coefficients of the regression analysis, Table 25 provides a forecast of the sales prices for the proposed project's three floor plans. By simply multiplying each of the three floor plan's characteristics by the corresponding coefficients, a dollar value is equated for that specific floor plan. Plan One is forecasted to command a price of \$292,042, Plan Two at \$308,423, and Plan Three at \$345,089. The HSFT/LSFT ratio was calculated by dividing the floor plan's square footage (1,481, 1,618, and 1,823) by a lot size of 3,000 square feet.

Table 25: Forecasted Sales Prices

	Sales Price	HSFT/LSFT	No. of Bedrooms	No. of Bathrooms	Other Rooms	No. of Garage Spaces	Intercept
<b>Coefficient:</b>		(\$148,542)	\$46,817	\$47,306	\$27,697	\$36,049	\$93,770
<b>Plan One</b>	\$292,042	0.49	2	3	0	1	\$93,770
<b>Plan Two</b>	\$308,423	0.54	3	2.5	0	1	\$93,770
<b>Plan Three</b>	\$345,089	0.61	4	2.5	0	1	\$93,770

As indicated by Figure 21, the forecasted sales prices, shown in red, represent a realistic expectation of where the proposed project's sales prices should be in relation to comparable subdivisions in the market area. The forecasted sales prices appear to be lower than most competitors in the sub-market, which will stimulate sales and allow the project to serve its target market.

Figure 21: Forecasted Sales Prices Graph



## OVERALL BUDGET

Tables 26A through E on the following pages illustrate the monthly overall budget for the proposed project over the entire five-year project period. The first two years of the project will be devoted to land acquisition, entitlements, and site development. The remaining three years will consist of vertical construction and sales. Table 27 provides cumulative five-year totals for the entire project budget.



Table 26A: Overall Budget (2008)

Time Period Month/Year	Month 1 Jan-08	Month 2 Feb-08	Month 3 Mar-08	Month 4 Apr-08	Month 5 May-08	Month 6 Jun-08	Month 7 Jul-08	Month 8 Aug-08	Month 9 Sep-08	Month 10 Oct-08	Month 11 Nov-08	Month 12 Dec-08	2008 Total
<b>Land Acquisition:</b>													
Land Purchase	(100,000)	0	0	0	0	0	0	0	0	0	0	0	(100,000)
Appraisal	0	0	0	0	0	0	0	0	0	0	0	0	0
Title / Escrow	0	0	0	0	0	0	0	0	0	0	0	0	0
Property Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Consultants:</b>													
Architecture & Structural Engineering	0	0	0	0	(10,000)	(10,000)	(10,000)	(10,000)	0	0	0	0	(40,000)
Land Planner	0	0	0	0	(5,000)	(5,000)	0	0	0	0	0	0	(10,000)
Civil Eng. Tent Map, Impr. Plans, Final Map	0	0	0	0	0	0	0	0	0	(10,000)	(10,000)	0	(30,000)
Soils Engineer - Inspection	0	0	0	0	0	0	0	0	0	0	0	0	0
SWPPP Design	0	0	0	0	0	0	0	0	0	0	0	0	0
SWPPP Design	0	0	0	0	0	0	0	0	0	0	0	0	0
Landscape Architect	0	0	0	0	0	0	0	0	0	0	0	0	0
Legal Council	(10,000)	0	0	0	0	0	0	0	0	0	0	0	(10,000)
Political Consultant	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Due Diligence:</b>													
Acoustical Study	0	(4,000)	0	0	0	0	0	0	0	0	0	0	(4,000)
Traffic Study	0	(25,000)	0	0	0	0	0	0	0	0	0	0	(25,000)
Biological & Wetlands Study	0	(1,500)	0	0	0	0	0	0	0	0	0	0	(1,500)
Phase I	0	(15,000)	0	0	0	0	0	0	0	0	0	0	(15,000)
Soils Report	0	(4,500)	0	0	0	0	0	0	0	0	0	0	(4,500)
<b>Fees:</b>													
Paid At Subdivision Application	(38,776)	0	0	0	0	0	0	0	0	0	0	0	(38,776)
Paid At Improvement Plans Submission	0	0	0	0	0	0	0	0	0	0	0	0	0
Paid At Final Map Approval	0	0	0	0	0	0	0	0	0	0	0	0	0
Paid At Building Permit Application	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Site Development:</b>													
Demolition	0	0	0	0	0	0	0	0	0	0	0	0	0
Clear & Grub	0	0	0	0	0	0	0	0	0	0	0	0	0
Surveying & Staking	0	0	0	0	0	0	0	0	0	0	0	0	0
Grading	0	0	0	0	0	0	0	0	0	0	0	0	0
Sanitary Sewer System	0	0	0	0	0	0	0	0	0	0	0	0	0
Storm Drain System	0	0	0	0	0	0	0	0	0	0	0	0	0
Water System	0	0	0	0	0	0	0	0	0	0	0	0	0
Dry Utilities	0	0	0	0	0	0	0	0	0	0	0	0	0
Streets	0	0	0	0	0	0	0	0	0	0	0	0	0
Erosion Control	0	0	0	0	0	0	0	0	0	0	0	0	0
Street Lights	0	0	0	0	0	0	0	0	0	0	0	0	0
Landscaping (Elk Grove-Florin Rd)	0	0	0	0	0	0	0	0	0	0	0	0	0
Sound Wall	0	0	0	0	0	0	0	0	0	0	0	0	0
Supervision	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingency @ 15%	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Vertical Construction:</b>													
Plan One	0	0	0	0	0	0	0	0	0	0	0	0	0
Plan Two	0	0	0	0	0	0	0	0	0	0	0	0	0
Plan Three	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingency @ 5%	0	0	0	0	0	0	0	0	0	0	0	0	0
Warranty Expenses @ 5%	0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance @ 1%	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Marketing:</b>													
Model Upgrades	0	0	0	0	0	0	0	0	0	0	0	0	0
Model Landscaping	0	0	0	0	0	0	0	0	0	0	0	0	0
Interior Designer	0	0	0	0	0	0	0	0	0	0	0	0	0
Model Merchandizing	0	0	0	0	0	0	0	0	0	0	0	0	0
Model Maintenance	0	0	0	0	0	0	0	0	0	0	0	0	0
Newspaper & Radio Advertising	0	0	0	0	0	0	0	0	0	0	0	0	0
Signage & Brochures	0	0	0	0	0	0	0	0	0	0	0	0	0
Sign Leases	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Sales:</b>													
Plan One	0	0	0	0	0	0	0	0	0	0	0	0	0
Plan Two	0	0	0	0	0	0	0	0	0	0	0	0	0
Plan Three	0	0	0	0	0	0	0	0	0	0	0	0	0
Closing Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
Commission	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Grand Totals</b>	<b>(148,776)</b>	<b>(50,000)</b>	<b>0</b>	<b>0</b>	<b>(15,000)</b>	<b>(15,000)</b>	<b>(10,000)</b>	<b>(10,000)</b>	<b>0</b>	<b>(10,000)</b>	<b>(10,000)</b>	<b>(10,000)</b>	<b>(278,776)</b>

Table 26B: Overall Budget (2009)

Time Period Month/Year	Month 13 Jan-09	Month 14 Feb-09	Month 15 Mar-09	Month 16 Apr-09	Month 17 May-09	Month 18 Jun-09	Month 19 Jul-09	Month 20 Aug-09	Month 21 Sep-09	Month 22 Oct-09	Month 23 Nov-09	Month 24 Dec-09	2009 Total
<b>Land Acquisition:</b>													
Land Purchase	0	0	0	0	0	(2,900,000)	0	0	0	0	0	0	(2,900,000)
Appraisal	0	0	0	0	0	(3,500)	0	0	0	0	0	0	(3,500)
Title / Escrow	0	0	0	0	0	(2,000)	0	0	0	0	0	0	(2,000)
Property Taxes	0	0	0	0	0	0	0	0	0	0	0	(16,335)	(16,335)
<b>Consultants:</b>													
Architecture & Structural Engineering	0	0	0	0	0	0	0	0	0	0	0	0	0
Land Planner	0	0	0	0	0	0	0	0	0	0	0	0	0
Civil Eng. Tent Map, Impr. Plans, Final Map	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(120,000)
Soils Engineer - Inspection	0	0	0	0	0	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(35,000)
SWPPP Design	0	0	0	0	0	(2,500)	(2,500)	0	0	0	0	0	(5,000)
Landscape Architect	0	(4,000)	(2,500)	(1,500)	0	0	0	0	0	0	0	0	(8,000)
Legal Council	0	0	0	0	0	0	0	0	0	0	0	0	0
Political Consultant	0	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	0	0	0	0	0	0	(15,000)
<b>Due Diligence:</b>													
Acoustical Study	0	0	0	0	0	0	0	0	0	0	0	0	0
Traffic Study	0	0	0	0	0	0	0	0	0	0	0	0	0
Biological & Wetlands Study	0	0	0	0	0	0	0	0	0	0	0	0	0
Phase I	0	0	0	0	0	0	0	0	0	0	0	0	0
Soils Report	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Fees:</b>													
Paid At Subdivision Application	0	0	0	0	0	0	0	0	0	0	0	0	0
Paid At Improvement Plans Submission	0	0	0	0	0	(413,329)	0	0	0	0	0	0	(413,329)
Paid At Final Map Approval	0	0	0	0	0	0	0	0	(795,160)	0	0	0	(795,160)
Paid At Building Permit Application	0	0	0	0	0	0	0	0	(174,046)	(174,046)	0	0	(348,092)
<b>Site Development:</b>													
Demolition	0	0	0	0	0	(20,000)	0	0	0	0	0	0	(20,000)
Clear & Grub	0	0	0	0	0	(50,000)	0	0	0	0	0	0	(50,000)
Surveying & Staking	0	0	0	0	0	0	(79,200)	0	0	0	0	0	(79,200)
Grading	0	0	0	0	0	0	0	(120,000)	0	0	0	0	(120,000)
Sanitary Sewer System	0	0	0	0	0	0	0	0	(184,400)	0	0	0	(184,400)
Storm Drain System	0	0	0	0	0	0	0	0	(220,000)	0	0	0	(220,000)
Water System	0	0	0	0	0	0	0	0	0	(244,700)	0	0	(244,700)
Dry Utilities	0	0	0	0	0	0	0	0	0	(350,000)	0	0	(350,000)
Streets	0	0	0	0	0	0	0	0	0	0	(422,500)	0	(422,500)
Erosion Control	0	0	0	0	0	0	0	0	0	0	0	(39,750)	(39,750)
Street Lights	0	0	0	0	0	0	0	0	0	0	0	(52,500)	(52,500)
Landscaping (Elk Grove-Florin Rd)	0	0	0	0	0	0	0	0	0	0	0	(36,000)	(36,000)
Sound Wall	0	0	0	0	0	0	0	0	0	0	0	(80,000)	(80,000)
Supervision	0	0	0	0	0	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(18,600)	(18,600)	(138,600)
Contingency @ 15%	0	0	0	0	0	(13,500)	(14,880)	(21,000)	(63,660)	(92,205)	(66,375)	(34,028)	(305,648)
<b>Vertical Construction:</b>													
Plan One	0	0	0	0	0	0	0	0	0	0	0	0	0
Plan Two	0	0	0	0	0	0	0	0	0	0	0	0	0
Plan Three	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingency @ 5%	0	0	0	0	0	0	0	0	0	0	0	0	0
Warranty Expenses @ 5%	0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance @ 1%	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Marketing:</b>													
Model Upgrades	0	0	0	0	0	0	0	0	0	0	0	0	0
Model Landscaping	0	0	0	0	0	0	0	0	0	0	0	0	0
Interior Designer	0	0	0	0	0	0	0	0	0	0	0	0	0
Model Merchandizing	0	0	0	0	0	0	0	0	0	0	0	0	0
Model Maintenance	0	0	0	0	0	0	0	0	0	0	0	0	0
Newspaper & Radio Advertising	0	0	0	0	0	0	0	0	0	0	0	0	0
Signage & Brochures	0	0	0	0	0	0	0	0	0	0	0	0	0
Sign Leases	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Sales:</b>													
Plan One	0	0	0	0	0	0	0	0	0	0	0	0	0
Plan Two	0	0	0	0	0	0	0	0	0	0	0	0	0
Plan Three	0	0	0	0	0	0	0	0	0	0	0	0	0
Closing Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
Commission	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Grand Totals</b>	(10,000)	(17,000)	(15,500)	(14,500)	(13,000)	(3,442,829)	(131,580)	(173,000)	(1,298,220)	(895,951)	(657,821)	(466,258)	(7,178,759)

Table 26C: Overall Budget (2010)

Time Period Month/Year	Month 25 Jan-10	Month 26 Feb-10	Month 27 Mar-10	Month 28 Apr-10	Month 29 May-10	Month 30 Jun-10	Month 31 Jul-10	Month 32 Aug-10	Month 33 Sep-10	Month 34 Oct-10	Month 35 Nov-10	Month 36 Dec-10	2010 Total
<b>Land Acquisition:</b>													
Land Purchase	0	0	0	0	0	0	0	0	0	0	0	0	0
Appraisal	0	0	0	0	0	0	0	0	0	0	0	0	0
Title / Escrow	0	0	0	0	0	0	0	0	0	0	0	0	0
Property Taxes	0	0	0	(10,808)	0	0	0	0	0	0	0	(18,150)	(28,958)
<b>Consultants:</b>													
Architecture & Structural Engineering	0	0	0	0	0	0	0	0	0	0	0	0	0
Land Planner	0	0	0	0	0	0	0	0	0	0	0	0	0
Civil Eng. Tent Map, Impr. Plans, Final Map	0	0	0	0	0	0	0	0	0	0	0	0	0
Soils Engineer - Inspection	0	0	0	0	0	0	0	0	0	0	0	0	0
SWPPP Design	0	0	0	0	0	0	0	0	0	0	0	0	0
Landscape Architect	0	0	0	0	0	0	0	0	0	0	0	0	0
Legal Council	0	0	0	0	0	0	0	0	0	0	0	0	0
Political Consultant	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Due Diligence:</b>													
Acoustical Study	0	0	0	0	0	0	0	0	0	0	0	0	0
Traffic Study	0	0	0	0	0	0	0	0	0	0	0	0	0
Biological & Wetlands Study	0	0	0	0	0	0	0	0	0	0	0	0	0
Phase I	0	0	0	0	0	0	0	0	0	0	0	0	0
Soils Report	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Fees:</b>													
Paid At Subdivision Application	0	0	0	0	0	0	0	0	0	0	0	0	0
Paid At Improvement Plans Submission	0	0	0	0	0	0	0	0	0	0	0	0	0
Paid At Final Map Approval	0	0	0	0	0	0	0	0	0	0	0	0	0
Paid At Building Permit Application	(174,046)	(174,046)	(174,046)	(174,046)	(174,046)	(174,046)	(174,046)	(174,046)	(174,046)	(174,046)	(174,046)	(174,046)	(2,068,552)
<b>Site Development:</b>													
Demolition	0	0	0	0	0	0	0	0	0	0	0	0	0
Clear & Grub	0	0	0	0	0	0	0	0	0	0	0	0	0
Surveying & Staking	0	0	0	0	0	0	0	0	0	0	0	0	0
Grading	0	0	0	0	0	0	0	0	0	0	0	0	0
Sanitary Sewer System	0	0	0	0	0	0	0	0	0	0	0	0	0
Storm Drain System	0	0	0	0	0	0	0	0	0	0	0	0	0
Water System	0	0	0	0	0	0	0	0	0	0	0	0	0
Dry Utilities	0	0	0	0	0	0	0	0	0	0	0	0	0
Streets	0	0	0	0	0	0	0	0	0	0	0	0	0
Erosion Control	0	0	0	0	0	0	0	0	0	0	0	0	0
Street Lights	0	0	0	0	0	0	0	0	0	0	0	0	0
Landscaping (Elk Grove-Florin Rd)	0	0	0	0	0	0	0	0	0	0	0	0	0
Sound Wall	0	0	0	0	0	0	0	0	0	0	0	0	0
Supervision	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingency @ 15%	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Vertical Construction:</b>													
Plan One	(103,900)	(103,900)	(103,900)	(103,900)	(103,900)	(103,900)	(103,900)	(103,900)	(103,900)	(103,900)	(103,900)	(103,900)	(1,246,800)
Plan Two	(113,100)	(113,100)	(113,100)	(113,100)	(113,100)	(113,100)	(113,100)	(113,100)	(113,100)	(113,100)	(113,100)	(113,100)	(1,357,200)
Plan Three	(122,300)	(122,300)	(122,300)	(122,300)	(122,300)	(122,300)	(122,300)	(122,300)	(122,300)	(122,300)	(122,300)	(122,300)	(1,467,600)
Contingency @ 5%	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(203,580)
Warranty Expenses @ 5%	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(203,580)
Insurance @ 1%	(3,393)	(3,393)	(3,393)	(3,393)	(3,393)	(3,393)	(3,393)	(3,393)	(3,393)	(3,393)	(3,393)	(3,393)	(40,716)
<b>Marketing:</b>													
Model Upgrades	0	0	(90,000)	0	0	0	0	0	0	0	0	0	(90,000)
Model Landscaping	0	0	(60,000)	0	0	0	0	0	0	0	0	0	(60,000)
Interior Designer	0	0	(45,000)	0	0	0	0	0	0	0	0	0	(45,000)
Model Merchandizing	0	0	(75,000)	0	0	0	0	0	0	0	0	0	(75,000)
Model Maintenance	0	0	0	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(27,000)
Newspaper & Radio Advertising	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(120,000)
Signage & Brochures	0	(15,000)	0	0	0	0	0	0	0	0	0	0	(15,000)
Sign Leases	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(24,000)
<b>Sales:</b>													
Plan One	0	0	0	292,042	292,042	292,042	292,042	292,042	292,042	292,042	292,042	292,042	2,628,382
Plan Two	0	0	0	308,423	308,423	308,423	308,423	308,423	308,423	308,423	308,423	308,423	2,775,804
Plan Three	0	0	0	345,089	345,089	345,089	345,089	345,089	345,089	345,089	345,089	345,089	3,105,802
Closing Costs	0	0	0	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(40,500)
Commission	0	0	0	(22,693)	(22,693)	(22,693)	(22,693)	(22,693)	(22,693)	(22,693)	(22,693)	(22,693)	(204,240)
<b>Grand Totals</b>	<b>(562,669)</b>	<b>(577,669)</b>	<b>(832,669)</b>	<b>341,884</b>	<b>352,692</b>	<b>352,692</b>	<b>352,692</b>	<b>352,692</b>	<b>352,692</b>	<b>352,692</b>	<b>352,692</b>	<b>334,542</b>	<b>1,172,263</b>

Table 26D: Overall Budget (2011)

Time Period Month/Year	Month 37 Jan-11	Month 38 Feb-11	Month 39 Mar-11	Month 40 Apr-11	Month 41 May-11	Month 42 Jun-11	Month 43 Jul-11	Month 44 Aug-11	Month 45 Sep-11	Month 46 Oct-11	Month 47 Nov-11	Month 48 Dec-11	2011 Total
<b>Land Acquisition:</b>													
Land Purchase	0	0	0	0	0	0	0	0	0	0	0	0	0
Appraisal	0	0	0	0	0	0	0	0	0	0	0	0	0
Title / Escrow	0	0	0	0	0	0	0	0	0	0	0	0	0
Property Taxes	0	0	0	(7,095)	0	0	0	0	0	0	0	(10,230)	(17,325)
<b>Consultants:</b>													
Architecture & Structural Engineering	0	0	0	0	0	0	0	0	0	0	0	0	0
Land Planner	0	0	0	0	0	0	0	0	0	0	0	0	0
Civil Eng. Tent Map, Impr. Plans, Final Map	0	0	0	0	0	0	0	0	0	0	0	0	0
Soils Engineer - Inspection	0	0	0	0	0	0	0	0	0	0	0	0	0
SWPPP Design	0	0	0	0	0	0	0	0	0	0	0	0	0
Landscape Architect	0	0	0	0	0	0	0	0	0	0	0	0	0
Legal Council	0	0	0	0	0	0	0	0	0	0	0	0	0
Political Consultant	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Due Diligence:</b>													
Acoustical Study	0	0	0	0	0	0	0	0	0	0	0	0	0
Traffic Study	0	0	0	0	0	0	0	0	0	0	0	0	0
Biological & Wetlands Study	0	0	0	0	0	0	0	0	0	0	0	0	0
Phase I	0	0	0	0	0	0	0	0	0	0	0	0	0
Soils Report	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Fees:</b>													
Paid At Subdivision Application	0	0	0	0	0	0	0	0	0	0	0	0	0
Paid At Improvement Plans Submission	0	0	0	0	0	0	0	0	0	0	0	0	0
Paid At Final Map Approval	0	0	0	0	0	0	0	0	0	0	0	0	0
Paid At Building Permit Application	(174,046)	(174,046)	(174,046)	(174,046)	(174,046)	(174,046)	(174,046)	(174,046)	(174,046)	(174,046)	(174,046)	(174,046)	(2,068,552)
<b>Site Development:</b>													
Demolition	0	0	0	0	0	0	0	0	0	0	0	0	0
Clear & Grub	0	0	0	0	0	0	0	0	0	0	0	0	0
Surveying & Staking	0	0	0	0	0	0	0	0	0	0	0	0	0
Grading	0	0	0	0	0	0	0	0	0	0	0	0	0
Sanitary Sewer System	0	0	0	0	0	0	0	0	0	0	0	0	0
Storm Drain System	0	0	0	0	0	0	0	0	0	0	0	0	0
Water System	0	0	0	0	0	0	0	0	0	0	0	0	0
Dry Utilities	0	0	0	0	0	0	0	0	0	0	0	0	0
Streets	0	0	0	0	0	0	0	0	0	0	0	0	0
Erosion Control	0	0	0	0	0	0	0	0	0	0	0	0	0
Street Lights	0	0	0	0	0	0	0	0	0	0	0	0	0
Landscaping (Elk Grove-Florin Rd)	0	0	0	0	0	0	0	0	0	0	0	0	0
Sound Wall	0	0	0	0	0	0	0	0	0	0	0	0	0
Supervision	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingency @ 15%	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Vertical Construction:</b>													
Plan One	(103,900)	(103,900)	(103,900)	(103,900)	(103,900)	(103,900)	(103,900)	(103,900)	(103,900)	(103,900)	(103,900)	(103,900)	(1,246,800)
Plan Two	(113,100)	(113,100)	(113,100)	(113,100)	(113,100)	(113,100)	(113,100)	(113,100)	(113,100)	(113,100)	(113,100)	(113,100)	(1,357,200)
Plan Three	(122,300)	(122,300)	(122,300)	(122,300)	(122,300)	(122,300)	(122,300)	(122,300)	(122,300)	(122,300)	(122,300)	(122,300)	(1,467,600)
Contingency @ 5%	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(203,580)
Warranty Expenses @ 5%	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(203,580)
Insurance @ 1%	(3,393)	(3,393)	(3,393)	(3,393)	(3,393)	(3,393)	(3,393)	(3,393)	(3,393)	(3,393)	(3,393)	(3,393)	(40,716)
<b>Marketing:</b>													
Model Upgrades	0	0	0	0	0	0	0	0	0	0	0	0	0
Model Landscaping	0	0	0	0	0	0	0	0	0	0	0	0	0
Interior Designer	0	0	0	0	0	0	0	0	0	0	0	0	0
Model Merchandizing	0	0	0	0	0	0	0	0	0	0	0	0	0
Model Maintenance	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(36,000)
Newspaper & Radio Advertising	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(120,000)
Signage & Brochures	0	0	0	0	0	0	0	0	0	0	0	0	0
Sign Leases	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(24,000)
<b>Sales:</b>													
Plan One	292,042	292,042	292,042	292,042	292,042	292,042	292,042	292,042	292,042	292,042	292,042	292,042	3,504,509
Plan Two	308,423	308,423	308,423	308,423	308,423	308,423	308,423	308,423	308,423	308,423	308,423	308,423	3,701,072
Plan Three	345,089	345,089	345,089	345,089	345,089	345,089	345,089	345,089	345,089	345,089	345,089	345,089	4,141,070
Closing Costs	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(54,000)
Commission	(22,693)	(22,693)	(22,693)	(22,693)	(22,693)	(22,693)	(22,693)	(22,693)	(22,693)	(22,693)	(22,693)	(22,693)	(272,320)
<b>Grand Totals</b>	<b>352,692</b>	<b>352,692</b>	<b>352,692</b>	<b>345,537</b>	<b>352,692</b>	<b>352,692</b>	<b>352,692</b>	<b>352,692</b>	<b>352,692</b>	<b>352,692</b>	<b>352,692</b>	<b>342,462</b>	<b>4,214,978</b>

Table 26E: Overall Budget (2012)

Time Period Month/Year	Month 49 Jan-12	Month 50 Feb-12	Month 51 Mar-12	Month 52 Apr-12	Month 53 May-12	Month 54 Jun-12	Month 55 Jul-12	Month 56 Aug-12	Month 57 Sep-12	Month 58 Oct-12	Month 59 Nov-12	Month 60 Dec-12	2012 Total
<b>Land Acquisition:</b>													
Land Purchase	0	0	0	0	0	0	0	0	0	0	0	0	0
Appraisal	0	0	0	0	0	0	0	0	0	0	0	0	0
Title / Escrow	0	0	0	0	0	0	0	0	0	0	0	0	0
Property Taxes	0	0	0	(3,135)	0	0	0	0	0	0	0	(2,310)	(5,445)
<b>Consultants:</b>													
Architecture & Structural Engineering	0	0	0	0	0	0	0	0	0	0	0	0	0
Land Planner	0	0	0	0	0	0	0	0	0	0	0	0	0
Civil Eng. Tent Map, Impr. Plans, Final Map	0	0	0	0	0	0	0	0	0	0	0	0	0
Soils Engineer - Inspection	0	0	0	0	0	0	0	0	0	0	0	0	0
SWPPP Design	0	0	0	0	0	0	0	0	0	0	0	0	0
Landscape Architect	0	0	0	0	0	0	0	0	0	0	0	0	0
Legal Council	0	0	0	0	0	0	0	0	0	0	0	0	0
Political Consultant	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Due Diligence:</b>													
Acoustical Study	0	0	0	0	0	0	0	0	0	0	0	0	0
Traffic Study	0	0	0	0	0	0	0	0	0	0	0	0	0
Biological & Wetlands Study	0	0	0	0	0	0	0	0	0	0	0	0	0
Phase I	0	0	0	0	0	0	0	0	0	0	0	0	0
Soils Report	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Fees:</b>													
Paid At Subdivision Application	0	0	0	0	0	0	0	0	0	0	0	0	0
Paid At Improvement Plans Submission	0	0	0	0	0	0	0	0	0	0	0	0	0
Paid At Final Map Approval	0	0	0	0	0	0	0	0	0	0	0	0	0
Paid At Building Permit Application	(174,046)	(174,046)	(174,046)	(174,046)	(174,046)	(174,046)	0	0	0	0	0	0	(1,044,276)
<b>Site Development:</b>													
Demolition	0	0	0	0	0	0	0	0	0	0	0	0	0
Clear & Grub	0	0	0	0	0	0	0	0	0	0	0	0	0
Surveying & Staking	0	0	0	0	0	0	0	0	0	0	0	0	0
Grading	0	0	0	0	0	0	0	0	0	0	0	0	0
Sanitary Sewer System	0	0	0	0	0	0	0	0	0	0	0	0	0
Storm Drain System	0	0	0	0	0	0	0	0	0	0	0	0	0
Water System	0	0	0	0	0	0	0	0	0	0	0	0	0
Dry Utilities	0	0	0	0	0	0	0	0	0	0	0	0	0
Streets	0	0	0	0	0	0	0	0	0	0	0	0	0
Erosion Control	0	0	0	0	0	0	0	0	0	0	0	0	0
Street Lights	0	0	0	0	0	0	0	0	0	0	0	0	0
Landscaping (Elk Grove-Florin Rd)	0	0	0	0	0	0	0	0	0	0	0	0	0
Sound Wall	0	0	0	0	0	0	0	0	0	0	0	0	0
Supervision	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingency @ 15%	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Vertical Construction:</b>													
Plan One	(103,900)	(103,900)	(103,900)	(103,900)	(103,900)	(103,900)	(103,900)	(103,900)	(103,900)	0	0	0	(935,100)
Plan Two	(113,100)	(113,100)	(113,100)	(113,100)	(113,100)	(113,100)	(113,100)	(113,100)	(113,100)	0	0	0	(1,017,900)
Plan Three	(122,300)	(122,300)	(122,300)	(122,300)	(122,300)	(122,300)	(122,300)	(122,300)	(122,300)	0	0	0	(1,100,700)
Contingency @ 5%	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	0	0	0	(152,685)
Warranty Expenses @ 5%	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	(16,965)	0	0	0	(152,685)
Insurance @ 1%	(3,393)	(3,393)	(3,393)	(3,393)	(3,393)	(3,393)	(3,393)	(3,393)	(3,393)	0	0	0	(30,537)
<b>Marketing:</b>													
Model Upgrades	0	0	0	0	0	0	0	0	0	0	0	0	0
Model Landscaping	0	0	0	0	0	0	0	0	0	0	0	0	0
Interior Designer	0	0	0	0	0	0	0	0	0	0	0	0	0
Model Merchandizing	0	0	0	0	0	0	0	0	0	0	0	0	0
Model Maintenance	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(6,000)	0	(36,000)
Newspaper & Radio Advertising	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(20,000)	0	0	(120,000)
Signage & Brochures	0	0	0	0	0	0	0	0	0	0	0	0	0
Sign Leases	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(4,000)	0	0	(24,000)
<b>Sales:</b>													
Plan One	292,042	292,042	292,042	292,042	292,042	292,042	292,042	292,042	292,042	292,042	292,042	382,042	3,594,509
Plan Two	308,423	308,423	308,423	308,423	308,423	308,423	308,423	308,423	308,423	308,423	308,423	398,423	3,791,072
Plan Three	345,089	345,089	345,089	345,089	345,089	345,089	345,089	345,089	345,089	345,089	345,089	435,089	4,231,070
Closing Costs	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(54,000)
Commission	(22,693)	(22,693)	(22,693)	(22,693)	(22,693)	(22,693)	(22,693)	(22,693)	(22,693)	(22,693)	(22,693)	(29,173)	(278,800)
<b>Grand Totals</b>	<b>352,692</b>	<b>352,692</b>	<b>352,692</b>	<b>349,557</b>	<b>352,692</b>	<b>352,692</b>	<b>526,738</b>	<b>526,738</b>	<b>526,738</b>	<b>903,361</b>	<b>898,361</b>	<b>1,175,571</b>	<b>6,564,523</b>

Table 27: Cumulative Budget Totals

	Five-Year Totals	Per Lot
<b>Land Acquisition:</b>		
Land Purchase	(3,000,000)	(30,303)
Appraisal	(3,500)	(35)
Title / Escrow	(2,000)	(20)
Property Taxes	(68,063)	(688)
<b>Sub-Total</b>	<b>(3,073,563)</b>	<b>(31,046)</b>
<b>Consultants:</b>		
Architecture & Structural Engineering	(40,000)	(404)
Land Planner	(10,000)	(101)
Civil Eng- Tent Map, Impr. Plans, Final Map	(150,000)	(1,515)
Soils Engineer - Inspection	(35,000)	(354)
SWPPP Design	(5,000)	(51)
Landscape Architect	(8,000)	(81)
Legal Council	(10,000)	(101)
Political Consultant	(15,000)	(152)
<b>Sub-Total</b>	<b>(273,000)</b>	<b>(2,758)</b>
<b>Due Diligence:</b>		0
Acoustical Study	(4,000)	(40)
Traffic Study	(25,000)	(253)
Biological & Wetlands Study	(1,500)	(15)
Phase I	(15,000)	(152)
Soils Report	(4,500)	(45)
<b>Sub-Total</b>	<b>(50,000)</b>	<b>(505)</b>
<b>Fees:</b>		
Paid At Subdivision Application	(38,776)	(392)
Paid At Improvement Plans Submission	(413,329)	(4,175)
Paid At Final Map Approval	(795,160)	(8,032)
Paid At Building Permit Application	(5,743,517)	(58,015)
<b>Sub-Total</b>	<b>(6,990,782)</b>	<b>(70,614)</b>
<b>Site Development:</b>		
Demolition	(20,000)	(202)
Clear & Grub	(50,000)	(505)
Surveying & Staking	(79,200)	(800)
Grading	(120,000)	(1,212)
Sanitary Sewer System	(184,400)	(1,863)
Storm Drain System	(220,000)	(2,222)
Water System	(244,700)	(2,472)
Dry Utilities	(350,000)	(3,535)
Streets	(422,500)	(4,268)
Erosion Control	(39,750)	(402)
Street Lights	(52,500)	(530)
Landscaping (Elk Grove-Florin Rd)	(36,000)	(364)
Sound Wall	(80,000)	(808)
Supervision	(138,600)	(1,400)
Contingency @ 15%	(305,648)	(3,087)
<b>Sub-Total</b>	<b>(2,343,298)</b>	<b>(23,670)</b>
<b>Vertical Construction:</b>		
Plan One	(3,428,700)	(34,633)
Plan Two	(3,732,300)	(37,700)
Plan Three	(4,035,900)	(40,767)
Contingency @ 5%	(559,845)	(5,655)
Warranty Expenses @ 5%	(559,845)	(5,655)
Insurance @ 1%	(111,969)	(1,131)
<b>Sub-Total</b>	<b>(12,428,559)</b>	<b>(125,541)</b>
<b>Marketing:</b>		
Model Upgrades	(90,000)	(909)
Model Landscaping	(60,000)	(606)
Interior Designer	(45,000)	(455)
Model Merchandizing	(75,000)	(758)
Model Maintenance	(99,000)	(1,000)
Newspaper & Radio Advertising	(360,000)	(3,636)
Signage & Broachers	(15,000)	(152)
Sign Leases	(72,000)	(727)
<b>Sub-Total</b>	<b>(816,000)</b>	<b>(8,242)</b>
<b>Sales:</b>		
Plan One	9,727,400	98,257
Plan Two	10,267,947	103,717
Plan Three	11,477,942	115,939
Closing Costs	(148,500)	(1,500)
Commission	(755,359)	(7,630)
<b>Sub-Total</b>	<b>30,569,430</b>	<b>308,782</b>
<b>Grand Totals</b>	<b>4,594,229</b>	<b>46,406</b>

Note: Sub-totals for Site Development and Vertical Construction differ from totals stated in earlier sections of this report due to the addition of Contingency, Warranty, and Insurance Expenses that are added in the Overall Budget as monthly expenses.

## FINANCIAL FEASIBILITY ANALYSIS

The proposed project will require two separate loans. A lender located in the City of Elk Grove will provide the funding for these loans. The first loan will cover the land acquisition costs, site development costs to get the project to buildable pads, and the developers out of pocket expenses for the entitlement costs. This loan will only fund 60% of estimated costs at 100 basis points above the prime interest rate with a fee of 1.5% of the loan amount. Because no revenue will be generated during this time period, no payments will be made to pay down the loan. The loan balance at the end of this loan will be rolled over to the second loan required to complete this project.

The second loan, which comes into effect after the completion of the site development, will pay off the balance of the site development loan and cover the vertical construction of the actual homes and all other expenses accrued at this point forward. Unlike the site development loan, this loan will fund 90% of the estimated costs at 50 basis points below the prime interest rate with a fee of 1.5% of the loan amount that is due at closing. This loan will be paid current, which means that there is no acceleration factor applied to the release prices of the homes and the bank will get its last payment when the last home is sold.

Table 28 shows historical prime rates by month from 1997 through 2007. Most often, prime rates are forecasted through time series regression analysis, but for purposes of this project, the assumption was adopted that the prime rates for the time periods of these loans will simply follow historical values.

Table 28: Historical Prime Interest Rates

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1-Jan	8.25%	8.50%	7.75%	8.50%	9.50%	4.75%	4.25%	4.00%	5.25%	7.25%	8.25%
1-Feb	8.25%	8.50%	7.75%	8.50%	8.50%	4.75%	4.25%	4.00%	5.25%	7.50%	8.25%
1-Mar	8.25%	8.50%	7.75%	8.75%	8.50%	4.75%	4.25%	4.00%	5.50%	7.50%	8.25%
1-Apr	8.50%	8.50%	7.75%	9.00%	8.00%	4.75%	4.25%	4.00%	5.75%	7.75%	8.25%
1-May	8.50%	8.50%	7.75%	9.00%	7.50%	4.75%	4.25%	4.00%	5.75%	7.75%	8.25%
1-Jun	8.50%	8.50%	7.75%	9.50%	7.00%	4.75%	4.25%	4.00%	6.00%	8.00%	8.25%
1-Jul	8.50%	8.50%	8.00%	9.50%	6.75%	4.75%	4.00%	4.25%	6.25%	8.25%	8.25%
1-Aug	8.50%	8.50%	8.00%	9.50%	6.75%	4.75%	4.00%	4.25%	6.25%	8.25%	8.25%
1-Sep	8.50%	8.50%	8.25%	9.50%	6.50%	4.75%	4.00%	4.50%	6.50%	8.25%	8.25%
1-Oct	8.50%	8.25%	8.25%	9.50%	6.00%	4.75%	4.00%	4.75%	6.75%	8.25%	7.75%
1-Nov	8.50%	8.00%	8.25%	9.50%	5.50%	4.75%	4.00%	4.75%	7.00%	8.25%	7.50%
1-Dec	8.50%	7.75%	8.50%	9.50%	5.00%	4.25%	4.00%	5.00%	7.00%	8.25%	

Source: MoneyCafe.com

Table 29 is a loan balance projection table for the site development loan that shows the net cash disbursements to the developer, the interest accrued on those disbursements, and the balance of the loan. Initial funding for this loan will occur in June 2009 and the ending loan balance of \$4,891,876 will be paid off in December 2009. The assumption was made that prime interest rates for this time period will follow those between July 1997 though December 1997.

Table 29: Site Development Loan Balance Projection

Month	Interest Rate	Net Cash to Developer	Finance Charges & Interest	Total Draw	Loan Balance
0		\$2,456,432	\$76,118	\$2,532,549	\$2,532,549
1	9.50%	\$78,948	\$20,049	\$98,997	\$2,631,547
2	9.50%	\$105,600	\$20,833	\$126,433	\$2,757,980
3	9.50%	\$778,932	\$21,834	\$800,766	\$3,558,746
4	9.50%	\$537,571	\$28,173	\$565,744	\$4,124,490
5	9.50%	\$418,753	\$32,652	\$451,405	\$4,575,895
6	9.50%	\$279,755	\$36,226	\$315,981	<b>\$4,891,876</b>

To calculate the amortization table for the vertical construction loan, we must first calculate the release price for the three individual floor plans. Table 30 illustrates the calculations necessary to derive the release rate that will be used to calculate the release prices. By taking the total of the present values of the draws and dividing it by the total of the present value of the monthly sales, it will equal the release rate for the loan. According to Table 30, the release rate is 72.96%.



Table 30: Release Rate Calculation

Month	Net Cash to Developer (NCD)	Plan One	Plan Two	Plan Three	Cumulative Units	Monthly Sales	Cumulative Sales	Interest Rate	PV of NCD	PV of Monthly Sales
0	4,253,370	0	0	0	0	0	0		4,253,370	0
1	506,402	0	0	0	0	0	0	8.00%	503,048	0
2	519,902	0	0	0	0	0	0	8.00%	513,039	0
3	749,402	0	0	0	0	0	0	8.00%	734,612	0
4	543,303	1	1	1	3	945,554	945,554	8.00%	529,053	920,754
5	533,576	1	1	1	6	945,554	1,891,108	8.00%	516,140	914,656
6	533,576	1	1	1	9	945,554	2,836,663	8.00%	512,722	908,599
7	533,576	1	1	1	12	945,554	3,782,217	8.00%	509,327	902,582
8	533,576	1	1	1	15	945,554	4,727,771	8.00%	505,954	896,605
9	533,576	1	1	1	18	945,554	5,673,325	8.00%	502,603	890,667
10	533,576	1	1	1	21	945,554	6,618,879	7.75%	500,309	886,601
11	533,576	1	1	1	24	945,554	7,564,434	7.50%	498,232	882,921
12	533,576	1	1	1	27	945,554	8,509,988	7.25%	511,565	879,619
13	533,576	1	1	1	30	945,554	9,455,542	7.25%	493,388	874,337
14	533,576	1	1	1	33	945,554	10,401,096	7.25%	490,425	869,086
15	533,576	1	1	1	36	945,554	11,346,651	7.25%	487,480	863,867
16	539,962	1	1	1	39	945,554	12,292,205	7.25%	490,351	858,679
17	533,576	1	1	1	42	945,554	13,237,759	7.25%	481,643	853,523
18	533,576	1	1	1	45	945,554	14,183,313	7.25%	478,750	848,397
19	533,576	1	1	1	48	945,554	15,128,867	7.50%	474,007	839,991
20	533,576	1	1	1	51	945,554	16,074,422	7.50%	471,062	834,773
21	533,576	1	1	1	54	945,554	17,019,976	7.50%	466,106	825,990
22	533,576	1	1	1	57	945,554	17,965,530	7.75%	463,115	820,689
23	533,576	1	1	1	60	945,554	18,911,084	7.75%	460,143	815,423
24	542,783	1	1	1	63	945,554	19,856,638	8.00%	462,775	806,176
25	533,576	1	1	1	66	945,554	20,802,193	8.00%	451,912	800,837
26	533,576	1	1	1	69	945,554	21,747,747	8.00%	448,919	795,534
27	533,576	1	1	1	72	945,554	22,693,301	8.25%	443,462	785,862
28	536,398	1	1	1	75	945,554	23,638,855	8.50%	440,205	775,988
29	533,576	1	1	1	78	945,554	24,584,410	8.50%	434,810	770,530
30	533,576	1	1	1	81	945,554	25,529,964	9.00%	426,427	755,675
31	376,935	1	1	1	84	945,554	26,475,518	9.00%	298,999	750,049
32	376,935	1	1	1	87	945,554	27,421,072	9.00%	296,773	744,466
33	376,935	1	1	1	90	945,554	28,366,626	9.00%	294,564	738,924
34	37,974	1	1	1	93	945,554	29,312,181	9.00%	29,455	733,423
35	51,474	1	1	1	96	945,554	30,257,735	9.00%	39,629	727,963
36	0	1	1	1	99	945,554	31,203,289	9.00%	0	722,544
Total	21,700,357	33	33	33	99	31,203,289			19,914,374	27,295,730
Release Rate (Total PV of Draws / Total PV of Monthly Sales) =										72.96%

To calculate the release price, the release rate is simply multiplied by the forecasted sales prices for each floor plan. Table 31 gives the release prices of the three floor plans proposed for this project.

Table 31: Release Prices

	Sales Price	Release Rate	Release Price
<b>Plan One</b>	\$292,042	72.96%	\$213,068
<b>Plan Two</b>	\$308,423	72.96%	\$225,018
<b>Plan Three</b>	\$345,089	72.96%	\$251,770

With the release prices known, the amortization table for the vertical construction loan can be generated (Table 32). Initial funding for this loan will occur in December 2009 and the last payment will be made in December 2012. The assumption was made that prime interest rates for this time period will follow those between January 1998 though December 2000. Interest rates are shown as yearly rates in the table, but calculations are based on monthly rates.

Table 32: Vertical Construction Loan Amortization Table

Month	Net Cash to Developer	Interest Rate	Interest	Total Draw	Payment	Loan Balance
0	4,253,370		0	4,253,370	0	4,253,370
1	506,402	8.00%	28,356	534,758	28,356	4,788,127
2	519,902	8.00%	31,921	551,823	31,921	5,339,950
3	749,402	8.00%	35,600	785,002	35,600	6,124,952
4	543,303	8.00%	40,833	584,136	730,689	6,019,232
5	533,576	8.00%	40,128	573,704	729,984	5,903,080
6	533,576	8.00%	39,354	572,930	729,210	5,786,154
7	533,576	8.00%	38,574	572,150	728,430	5,668,449
8	533,576	8.00%	37,790	571,366	727,646	5,549,959
9	533,576	8.00%	37,000	570,576	726,856	5,430,679
10	533,576	7.75%	35,073	568,649	724,929	5,309,472
11	533,576	7.50%	33,184	566,760	723,040	5,186,376
12	549,911	7.25%	31,334	581,245	721,190	5,077,766
13	533,576	7.25%	30,678	564,254	720,534	4,952,164
14	533,576	7.25%	29,919	563,495	719,775	4,825,804
15	533,576	7.25%	29,156	562,732	719,012	4,698,680
16	539,962	7.25%	28,388	568,349	718,244	4,577,173
17	533,576	7.25%	27,654	561,230	717,510	4,448,547
18	533,576	7.25%	26,877	560,453	716,733	4,319,144
19	533,576	7.50%	26,995	560,571	716,851	4,189,859
20	533,576	7.50%	26,187	559,763	716,042	4,059,766
21	533,576	7.75%	26,219	559,795	716,075	3,929,705
22	533,576	7.75%	25,379	558,955	715,235	3,798,805
23	533,576	7.75%	24,534	558,110	714,390	3,667,059
24	542,783	8.00%	24,447	567,230	714,303	3,544,433
25	533,576	8.00%	23,630	557,206	713,485	3,411,783
26	533,576	8.00%	22,745	556,321	712,601	3,278,248
27	533,576	8.25%	22,538	556,114	712,394	3,144,506
28	536,398	8.50%	22,274	558,671	712,129	3,013,322
29	533,576	8.50%	21,344	554,920	711,200	2,878,386
30	533,576	9.00%	21,588	555,164	711,444	2,743,694
31	376,935	9.00%	20,578	397,512	710,434	2,451,351
32	376,935	9.00%	18,385	395,320	708,241	2,156,815
33	376,935	9.00%	16,176	393,111	706,032	1,860,070
34	37,974	9.00%	13,951	51,924	703,806	1,222,138
35	51,474	9.00%	9,166	60,640	699,022	592,922
36	0	9.00%	4,447	4,447	601,816	0

Table 33 provides the total project cost, both loan amounts, and the estimated equity requirement for the proposed project.

Table 33: Equity Required

	Dollar Amount
Total Project Cost	27,204,565
Less: Site Development Loan Amount	4,055,990
Less: Vertical Loan Amount	17,446,987
<b>Equity Required</b>	<b>\$5,701,588</b>

Table 34 on the following page provides a quarterly cash flow summary for the entire five-year project. Also provided is the project's net present value (NPV) and its internal rate of return (IRR). The discount rate for this project is 25%. Discount rates for development projects such as these are usually on the high side because of the elevated risk associated with taking a project from raw unentitled land to marketable homes. Table 34 was split then stacked onto itself in order to show all project cash flows on a single page.



## CONCLUSION

The proposed project is the subdivision and development of 99 single-family residential housing units on 10 acres of infill land located in the unincorporated area of South Sacramento County just north of the City of Elk Grove in the Vineyard Community Plan. The target market for the proposed project is first time homebuyers who work within a one-mile radius of Sacramento's downtown, and earn an income slightly above or below the Sacramento Region's median household income. Zoning for the project will be RD-10 with a density of 9.9 units per acres. The typical lot dimensions will be 40 feet wide by 75 feet deep, for a total lot size of 3,000 square feet. Three floor plans will be sold in this development, all as two story homes

The total cost of the project is estimated to be \$27,204,565. Equity required will be \$5,701,588 with the remaining balance of \$21,502,977 as debt. Total revenue for the project is estimated at \$31,473,289 with a net profit of \$4,268,724. According to the financial feasibility analysis, the project appears to have a positive net present value at a required rate return of 25%. This indicates that the project will be profitable if undertaken. In addition to the net present value, the internal rate of return of the project was found to be 31.89%. This rate exceeds the 25% required rate of return and also indicates that if undertaken, the project will be profitable.

In light of the potential profitability of this project, the market study and marketability analysis conducted, it is recommended to develop this proposed project.

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<sup>1</sup> Access to this website requires a paid subscription.