

Woodhaven

Asset Strategy

Sell vs Hold

Prepared by:

Revenue Development Committee

Current

- 2012 Revenue: \$226,000
- 2012 Operating Expenses: \$157,000
- Annual Cost of Bond: \$72,000
- Break-Even = \$0 revenue to Town

Hold Strategy

- Stabilized Rent on 2 Bedroom Unit(6 units): \$1,200
- Stabilized Rent on 1 Bedroom Unit (18 units): \$1,100
- Stabilized Rental Revenue: \$324,000 Gross
- Net Rental Revenue after 5% vacancy: \$307,800
- Operating Expenses: \$158,400 or \$6,600 per unit
- Replacement Reserves Account: \$500/ unit per year (\$12,000)
- Annual Net Cash Flow Before Debt Service: \$137,400
- Annual Cost of Bond: \$72,000
- Net Annual Cash Flow to Town after stabilization: \$65,400

Sell Strategy

- Cap Rate: Rate of Return the Buyer can expect from the asset
- Calculation: $\text{Net Operating Income} / \text{Cap Rate} = \text{Asset Value}$
- Stabilized NOI: \$137,400
- Cap Rate: 7% - 10%
- Market rate stabilized apartments currently trading at 5% cap rates
- Increase by at least 1% for age restriction and affordable components
- 7% Cap Rate results in value of \$1,962,857
- 10% Cap Rate results in value of \$1,374,000
- Value of \$1,374,000 up to \$2,000,000
- Annual Tax Revenue to town after sale based on FY2013 \$19.72 tax rate: \$27,095 up to \$39,440

Recommendation

- Pursue a sale of Woodhaven
- Town is currently receiving \$0 revenue from asset
- Annual tax revenue of up to \$40,000
- Asset will be properly managed by Real Estate professionals rather than Government
- Sale price of up to \$2 million could be used to fund development of water & sewer in Downtown leading to further Revenue Development Opportunities