CITY PARK PLAZA

William (Billy) Sink has been a customer of your bank (Mytown Bank) for 10 years. You have been the account officer handling this relationship for the past 5 years. The bank's relationship with Billy began 10 years ago when he started his own plumbing contractor business. He had previously been working with another plumbing contractor but felt it was time to go out on his own. Your bank provided him with a small line of credit to get started. Over the years the relationship expanded into periodic vehicle loans and a sparsely used line of credit.

As the profitability of the plumbing business improved, Billy began to make a number of real estate investments. From 2018 to 2019, Billy purchased and renovated 3 rental properties. This was right about the time that you took over the relationship. Billy financed his first rental house with your bank, but the next two were financed by Big City Bank.

Just after Billy purchased his last rental home, his mother passed away. His father had previously passed two years earlier. As an only child, Billy inherited the family's estate. The estate was valued at $600,000 including her personal residence and various cash and stock holdings.

In 2019, Billy and Mitchell Davis decided to build the City Park Apartments next to the recently renovated city park in the downtown area. Mitchell has been a friend of Billy's for a long time and is a general contractor focused primarily on residential 1-4 family construction. Because this was their first project of such magnitude, cash equity of 30% of total cost was required. This represented $500,000 total equity ($250,000 for each partner). Big City Bank also provided a similar proposal for financing but Billy chose your deal over theirs, primarily because your interest only period extended through the construction of both buildings. The project included two 12-unit buildings. Building One was completed in early 2020, while Building Two was completed in late 2020. Occupancy has been stable and approximately 90% since completion. The original loan amount was $1,150,000 with an interest rate of 4.95% with payments based on a 20 year am.

Now, Billy and Mitchell have come to you with an opportunity to finance an 11,000 square foot retail strip plaza just down the road from the City Park Apartments. The property was built in 2021. The developer is beginning to divest of properties as part of his estate planning. The purchase price is $2,200,000 and Billy has asked to you to provide 80% financing for a loan amount of $1,760,000. Billy and Mitchell have provided you with current and projected rent rolls for the property, personal financial information and financial information on their business ventures. Billy also indicated that they have provided the same information to Big City Bank.

Your challenge, working with others in your team, is to prepare a global cash flow and use that data to reach a credit decision.

If you choose not to make the loan, you must be prepared to defend your decision in light of the Bank's current focus on loan growth.

City Park Plaza
200 City Park Dr, Mytown, VA 55555
2023 Rent Roll

2023

	Tenant	Sq. Ft.	Lease Type	Original Lease Rate	Year-End Lease Rate	Lease Origination	Lease Expiration	Renewal Options
Unit 1	Hair Cuts & More	2,000	NNN	$16.45	$17.11	06/01/21	06/01/26	Two - 3 year renewal options; 2% annual escalations
Unit 2	Mattress Kings	2,500	NNN	$15.00	$15.00	05/01/21	05/01/25	Two - 5 year renewal options; 5% escalation in year 6
Unit 3	Sub Shop	1,500	NNN	$16.50	$16.50	04/01/23	07/01/28	Three - 3 year renewal options; 3% annual escalations
Unit 4	Japanese Grill	2,000	NNN	$16.71	$17.39	06/01/21	06/01/26	Two - 3 year renewal options; 2% annual escalations
Unit 5	Just Shoes	3,000	NNN	$16.00	$16.00	05/01/21	05/01/25	Two - 5 year renewal options; 5% escalation in year 6
Total		**11,000**						

		January	February	March	April	May	June	July	August	September	October	November	December	Total
Gross Rents														
Unit 1	Hair Cuts & More	2,796.50	2,796.50	2,796.50	2,796.50	2,796.50	2,852.43	2,852.43	2,852.43	2,852.43	2,852.43	2,852.43	2,852.43	33,949.51
Unit 2	Mattress Kings	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	37,500.00
Unit 3	Sub Shop	-	-	-	2,062.50	2,062.50	2,062.50	2,062.50	2,062.50	2,062.50	2,062.50	2,062.50	2,062.50	18,562.50
Unit 4	Japanese Grill	2,840.70	2,840.70	2,840.70	2,840.70	2,840.70	2,897.51	2,897.51	2,897.51	2,897.51	2,897.51	2,897.51	2,897.51	34,486.10
Unit 5	Just Shoes	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	48,000.00
Total		**12,762.20**	**12,762.20**	**12,762.20**	**14,824.70**	**14,824.70**	**14,937.44**	**14,937.44**	**14,937.44**	**14,937.44**	**14,937.44**	**14,937.44**	**14,937.44**	**172,498.11**
Pass-Through Expenses														
Unit 1	Hair Cuts & More	-	836.36	-	-	836.36	-	-	836.36	-	-	836.36	2,909.09	6,254.55
Unit 2	Mattress Kings	-	1,045.45	-	-	1,045.45	-	-	1,045.45	-	-	1,045.45	3,636.36	7,818.18
Unit 3	Sub Shop	-	-	-	-	627.27	-	-	627.27	-	-	627.27	1,636.36	3,518.18
Unit 4	Japanese Grill	-	836.36	-	-	836.36	-	-	836.36	-	-	836.36	2,909.09	6,254.55
Unit 5	Just Shoes	-	1,254.55	-	-	1,254.55	-	-	1,254.55	-	-	1,254.55	4,363.64	9,381.82
Total		**-**	**3,972.73**	**-**	**-**	**4,600.00**	**-**	**-**	**4,600.00**	**-**	**-**	**4,600.00**	**15,454.55**	**33,227.27**
Total Revenues		**12,762.20**	**16,734.93**	**12,762.20**	**14,824.70**	**19,424.70**	**14,937.44**	**14,937.44**	**19,537.44**	**14,937.44**	**14,937.44**	**19,537.44**	**30,391.99**	**205,725.38**
Expenses														
	Real Estate Taxes	-	-	-	-	-	-	-	-	-	-	-	16,000.00	16,000.00
	Insurance	-	-	4,600.00	-	-	4,600.00	-	-	4,600.00	-	-	4,600.00	18,400.00
	Commissions	-	-	-	-	-	-	4,500.00	-	-	-	-	-	4,500.00
	Professional Fees	-	-	-	800.00	-	-	-	-	-	400.00	-	-	1,200.00
	Other	-	-	-	-	-	-	-	-	-	125.00	-	-	125.00
Total		**-**	**-**	**4,600.00**	**800.00**	**-**	**4,600.00**	**4,500.00**	**-**	**4,600.00**	**525.00**	**-**	**20,600.00**	**40,225.00**
Net Operating Income		**12,762.20**	**16,734.93**	**8,162.20**	**14,024.70**	**19,424.70**	**10,337.44**	**10,437.44**	**19,537.44**	**10,337.44**	**14,412.44**	**19,537.44**	**9,791.99**	**165,500.38**

City Park Plaza
200 City Park Dr, Mytown, VA 55555
2024 Projected Rent Roll

Projected 2024

	Tenant	Sq. Ft.	Lease Type	Original Lease Rate	Year-End Lease Rate	Lease Origination	Lease Expiration	Renewal Options
Unit 1	Hair Cuts & More	2,000	NNN	$16.45	$17.46	06/01/21	06/01/26	Two - 3 year renewal options; 2% annual escalations
Unit 2	Mattress Kings	2,500	NNN	$15.00	$15.00	05/01/21	05/01/25	Two - 5 year renewal options; 5% escalation in year 6
Unit 3	Sub Shop	1,500	NNN	$16.50	$17.00	04/01/23	07/01/28	Three - 3 year renewal options; 3% annual escalations
Unit 4	Japanese Grill	2,000	NNN	$16.71	$17.73	06/01/21	06/01/26	Two - 3 year renewal options; 2% annual escalations
Unit 5	Just Shoes	3,000	NNN	$16.00	$16.00	05/01/21	05/01/25	Two - 5 year renewal options; 5% escalation in year 6
Total		**11,000**						

		January	February	March	April	May	June	July	August	September	October	November	December	Total
Gross Rents														
Unit 1	Hair Cuts & More	2,852.43	2,852.43	2,852.43	2,852.43	2,852.43	2,909.48	2,909.48	2,909.48	2,909.48	2,909.48	2,909.48	2,909.48	34,628.50
Unit 2	Mattress Kings	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	37,500.00
Unit 3	Sub Shop	2,062.50	2,062.50	2,062.50	2,062.50	2,062.50	2,124.38	2,124.38	2,124.38	2,124.38	2,124.38	2,124.38	2,124.38	25,183.13
Unit 4	Japanese Grill	2,897.51	2,897.51	2,897.51	2,955.46	2,955.46	2,955.46	2,955.46	2,955.46	2,955.46	2,955.46	2,955.46	2,955.46	35,291.72
Unit 5	Just Shoes	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	48,000.00
Total		**14,937.44**	**14,937.44**	**14,937.44**	**14,995.39**	**14,995.39**	**15,114.32**	**15,114.32**	**15,114.32**	**15,114.32**	**15,114.32**	**15,114.32**	**15,114.32**	**180,603.35**
Pass-Through Expenses														
Unit 1	Hair Cuts & More	-	872.73	-	-	872.73	-	-	872.73	-	-	872.73	3,072.73	6,563.64
Unit 2	Mattress Kings	-	1,090.91	-	-	1,090.91	-	-	1,090.91	-	-	1,090.91	3,840.91	8,204.55
Unit 3	Sub Shop	-	654.55	-	-	654.55	-	-	654.55	-	-	654.55	2,304.55	4,922.73
Unit 4	Japanese Grill	-	872.73	-	-	872.73	-	-	872.73	-	-	872.73	3,072.73	6,563.64
Unit 5	Just Shoes	-	1,309.09	-	-	1,309.09	-	-	1,309.09	-	-	1,309.09	4,609.09	9,845.45
Total		**-**	**4,800.00**	**-**	**-**	**4,800.00**	**-**	**-**	**4,800.00**	**-**	**-**	**4,800.00**	**16,900.00**	**36,100.00**
Total Revenues		**14,937.44**	**19,737.44**	**14,937.44**	**14,995.39**	**19,795.39**	**15,114.32**	**15,114.32**	**19,914.32**	**15,114.32**	**15,114.32**	**19,914.32**	**32,014.32**	**216,703.35**
Expenses														
	Real Estate Taxes	-	-	-	-	-	-	-	-	-	-	-	16,900.00	16,900.00
	Insurance	-	-	4,800.00	-	-	4,800.00	-	-	4,800.00	-	-	4,800.00	19,200.00
	Commissions	-	-	-	-	-	-	4,500.00	-	-	-	-	-	4,500.00
	Professional Fees	-	-	-	800.00	-	-	-	-	-	400.00	-	-	1,200.00
	Other	-	-	-	-	-	-	-	-	-	125.00	-	-	125.00
Total		**-**	**-**	**4,800.00**	**800.00**	**-**	**4,800.00**	**4,500.00**	**-**	**4,800.00**	**525.00**	**-**	**21,700.00**	**41,925.00**
Net Operating Income		**14,937.44**	**19,737.44**	**10,137.44**	**14,195.39**	**19,795.39**	**10,314.32**	**10,614.32**	**19,914.32**	**10,314.32**	**14,589.32**	**19,914.32**	**10,314.32**	**174,778.35**