

Impact Investing

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Is there a rental housing affordability crisis in the US?

- ▶ 1/2 of all rental households in the U.S. are rent burdened, spending 30%+ income on rent. (CREFC Housing Affordability Report)
- ▶ More than 10 million renter households are spending more than 50% of their income on rent. (Brookings Institution study)
- ▶ Low rent units are disappearing at an alarming rate in the last decade - in seven states the number of low-rent units fell more than 40%, with 50% declines in Texas, Nevada, and Colorado. (Joint Center for Housing Studies of Harvard University)



What are the solutions?

- ▶ Build New Affordable Units?
 - ▶ No way! Not without BIG subsidies
- ▶ Keep existing affordable housing?
 - ▶ When was the last time you saw a Value-Reduce Apartment deal?
- ▶ Bring back the boarding houses of the early 1900s?
 - ▶ Well maybe.....



What if?



What if we could purchase a property, do a value-add on it, make it nice, include desirable amenities, provide individual private units and keep it truly affordable without government subsidies?

Impossible?

Hotel Conversions!

Hotel Conversion Impact

- Community Wins - Sustainable Useful Asset
- Investors Win - Solid Investment Returns
- Residents Win - Affordable, Desirable Housing

Hotel Conversion to Active Adult Apartments

**Affordable 55+
Luxury Living**

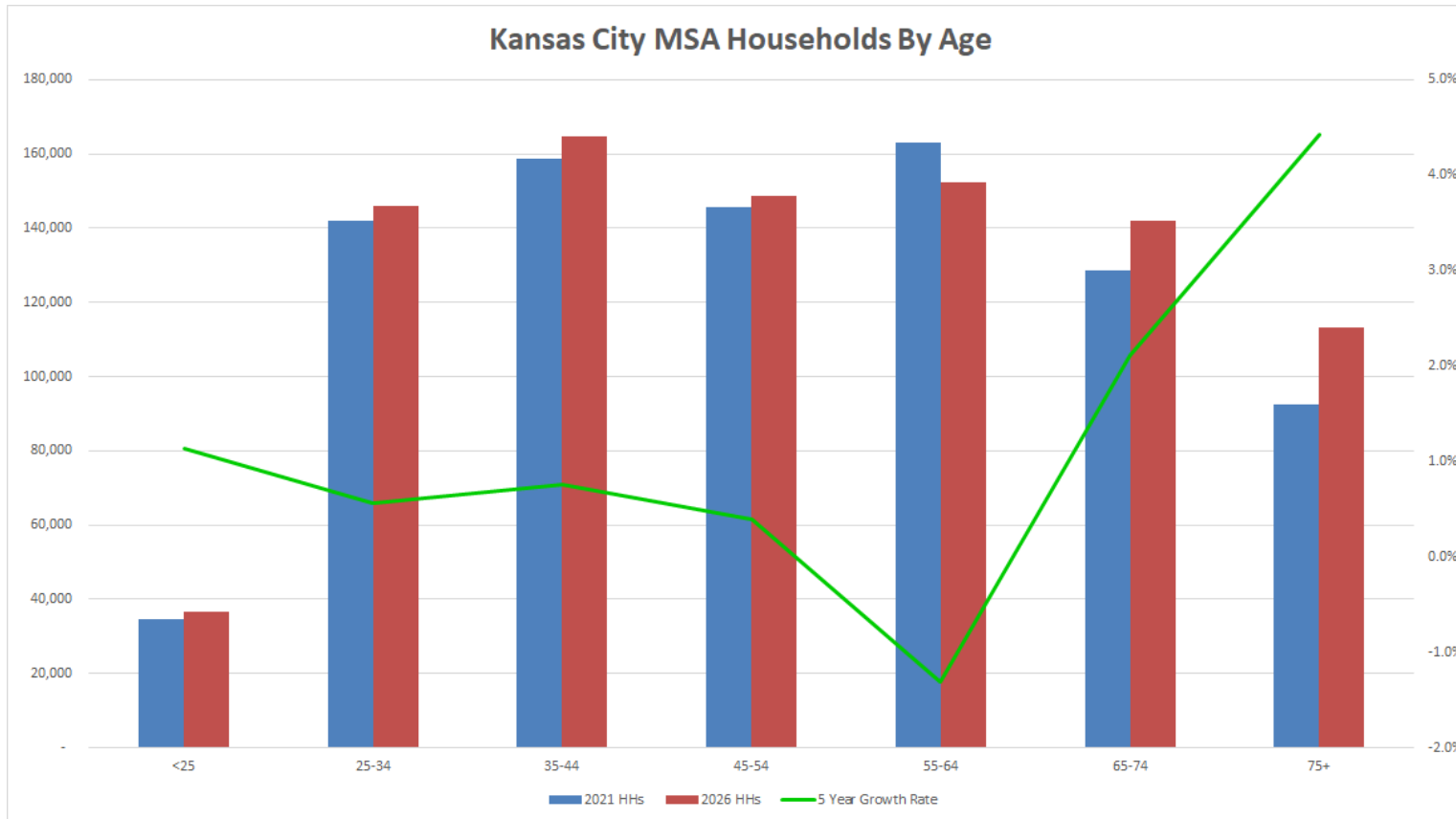
10610 Marty Street
Overland Park, KS



Table of Contents

Why 55+ Housing?	9
Market Overview	11
Property Profile	18
The Numbers	25
Equity Offering Highlights	38
The Team	43
Closing Timeline	47
Additional Plan Details	51

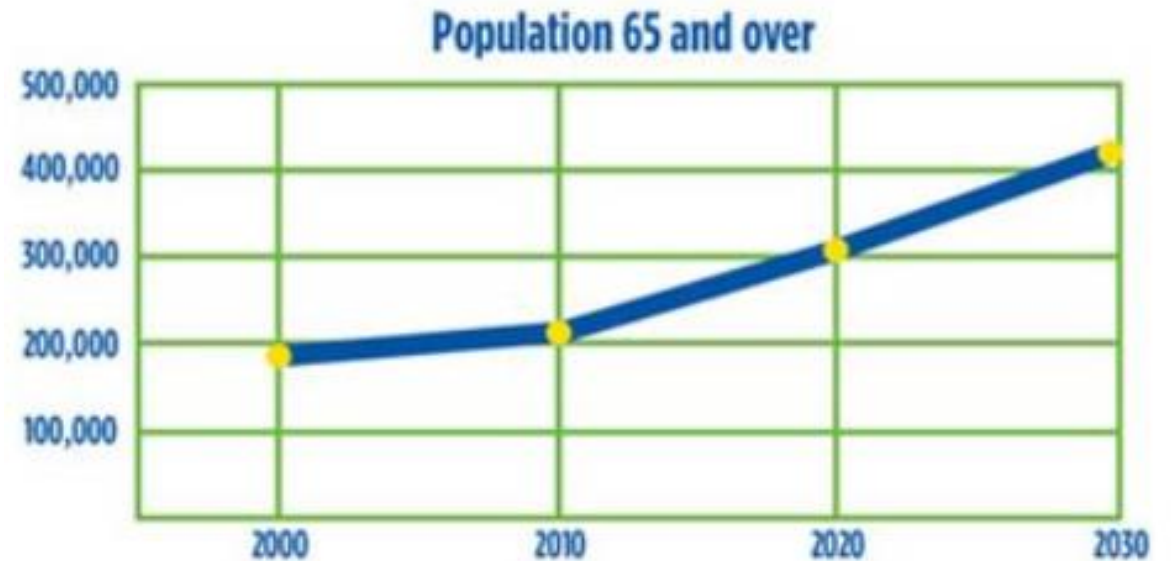
Why Target 55+ Active Adults?



Fastest Growing Population Segment

Why 55+ Housing?

- ❖ Fastest Growing Segment of the Population
- ❖ “Sticky” tenant base (don’t like to move)
- ❖ Large proportion is 1-2 person households
- ❖ Massive growth due to Baby Boomers
- ❖ Are now or will have affordability issues
 - ❖ Fixed/reduced incomes and insufficient retirement saving
 - ❖ Rising costs of property taxes, insurance and maintenance on current home



The Kansas City metropolitan area's older adult population ages 65 and older is expected to nearly double over the next 20 years.

Market Overview



Midwest Stability and Pro-Business

Midwest Region

- ❖ Diverse Economies – Stable Economies
- ❖ Manufacturing – Agriculture - Mining

Kansas

- ❖ Ranked #1 for Pro-Business
- ❖ Over \$6B in new business dollars in the last two years

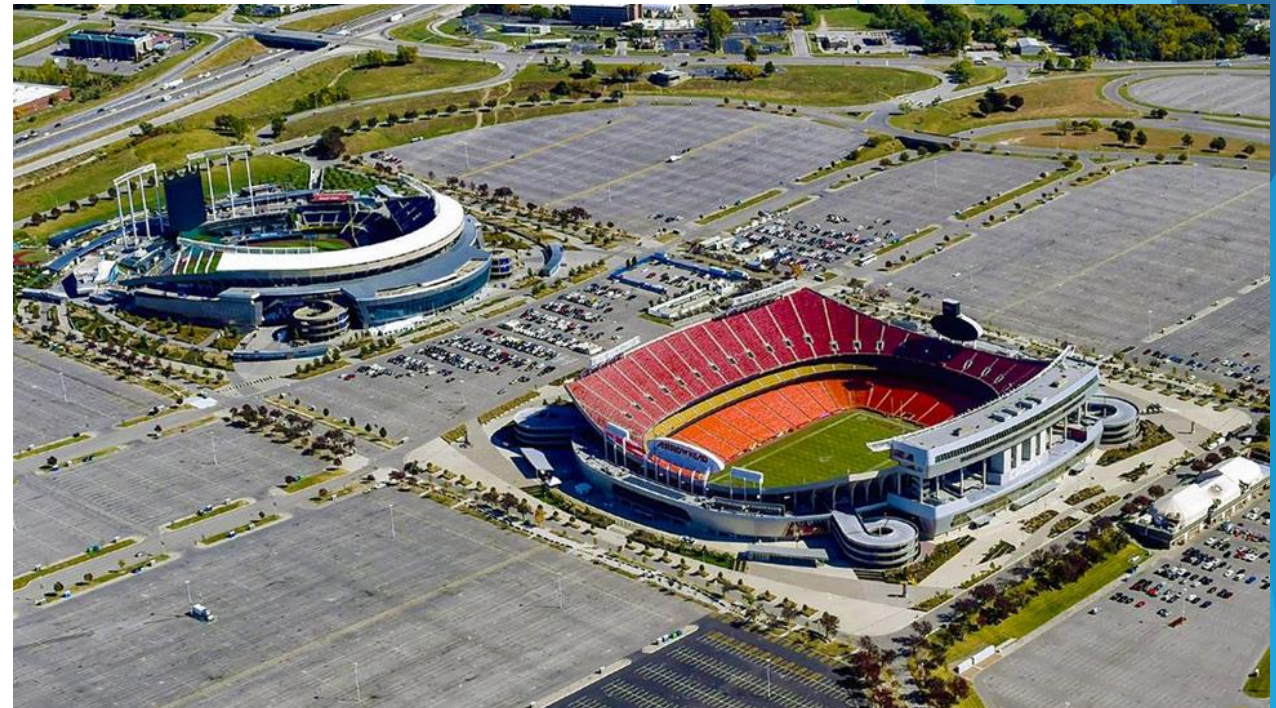
WEST NORTH CENTRAL

2021	2020	
1	4	Kansas
2	3	Nebraska
3	2	Missouri
4	1	Iowa
5	6	South Dakota
6	5	Minnesota
7	7	North Dakota



Kansas City Metro Area

- ▶ Over 2.1M people in MSA
- ▶ 9%+ population growth since 2012
- ▶ 6 Fortune 500 Companies and World-Famous Barbecue, diverse economy
- ▶ Many attractions including museums, pro sports teams, jazz clubs and over 200 fountains across the city
- ▶ **Older adult population expected to grow from 180,000 in 2007 to 372,000 by 2030**



Biggest Kansas City-area Construction Projects Ranked by Construction cost

Locally Researched by: Andrew Vaupel, Kansas City Business
Journal Feb 05, 2021, 5:00am CST

KANSAS CITY BUSINESS JOURNAL

SORT: RANK ↑

Rank	Project Name	Construction Cost	Start Date	End Date	Project Description	Owner(S)/ Developer(S)
1	KCI Terminal Project 533 Mexico City Ave. Kansas City, MO	\$1.50 billion	2019-03-25 00:00:00-06	2023-03-03 00:00:00-07	more than 1 million square feet of new construction, including 39 gates (expandable to 50), 6,150-space parking structure, new central utility plant, landside & airside improvements	KCMO Aviation Department (owner) / Edgemoor Infrastructure & Real Estate (developer)
2	Paragon Star Interstate 470 & View High Drive Lee's Summit, MO	\$400.00 million	2016-05-01 00:00:00-06	2025-05-31 00:00:00-06	190-acre sports & entertainment district	Paragon Star LLC
3	Children's Mercy Research Institute 2401 Gilham Rd. Kansas City, MO	\$350.00 million	2020-03-11 00:00:00-06	2021-01-31 00:00:00-07	nine-story research tower built on existing parking structure; includes wet & dry labs, & administrative & business space	Children's Mercy
4	Tomahawk Creek Wastewater Treatment Facility Expansion 10701 Lee Blvd. Leawood, KS	\$270.00 million	2018-04-12 00:00:00-06	2022-05-01 00:00:00-06	new facility will be able to treat wet & dry weather flows from 19 million to 172 million gallons per day	Johnson County
5	Garmin Headquarters Expansion (Phase 2) 1200 E. 151st St. Olathe, KS	\$200.00 million	2015-07-20 00:00:00-06	2022-03-01 00:00:00-07	renovate existing warehouse & manufacturing space into research-and-development facility with	Garmin International

Kansas City MSA Stats

- ↑ **Job Growth:** 24,000 new jobs (projected – 2022)
- ↓ **Unemployment:** 3.3%
- ↓ **Apartment Vacancy:** 2.8%
- ↓ **New Supply:** 4,300 units (2022)
- ↑ **Rent Growth:** 8.5% (2021);
11.8% (2020)

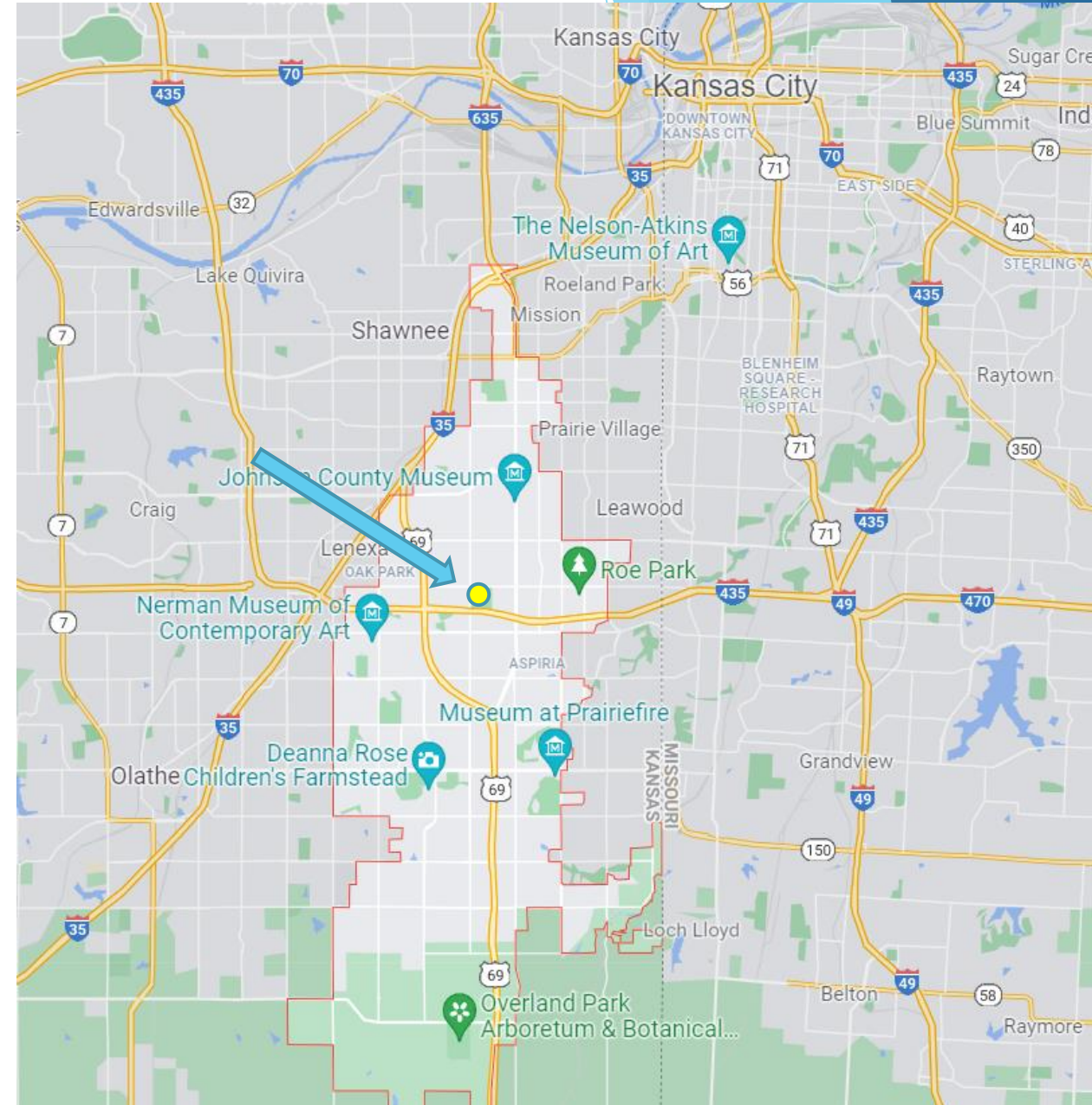
Strong Economy
Very Tight Apartment Market



The La Quinta Inn & Suites, Overland Park is centrally located just off Interstate 435 in Overland Park, Kansas.

Overland Park is an upscale suburb of Kansas City, KS and a great place to live, work, and play. In 2021 it was named 15th best city in the country for finding a job by WalletHub and recognized as one of the cleanest cities in America by LawnStarter.

Kansas City has a strong and growing economy. With a large number of major companies having their corporate headquarters in Overland Park – Yellow Corporation, Black & Veatch, Waddell & Reed, Ferrellgas, Ash Grove Cement Company, Compass Minerals, and Netsmart Technologies to name a few.



Overland Park, Kansas

NEWHomeSource's #1 pick for best suburb in Kansas City:

- **Population:** 192,536
- **Median Home Value:** \$361,200
- **Median Household Income (2019):** **\$91,518**
- **Travel Time to Downtown Kansas City:** 20 minutes
- **School Ranking:** **A+**
- **CitiData Crime Index:** 179, **35% below US Average** (270.6)
- **Class A-/B+ Neighborhood**

**Highly Desirable, Safe
Suburban Location**



Property Profile

Zoned for Multifamily



The Hotel has 143 rooms:

74 Standard King Rooms – 360 sq. ft.

47 Double Queen Rooms – 489 sq. ft.

11 Executive King Suites – 716 sq. ft.

6 Large King Suites – 706 Sq. Ft.

5 King Suites – 536 Sq. Ft.

Large Room Sizes vs. Standard 300 sq ft hotel rooms

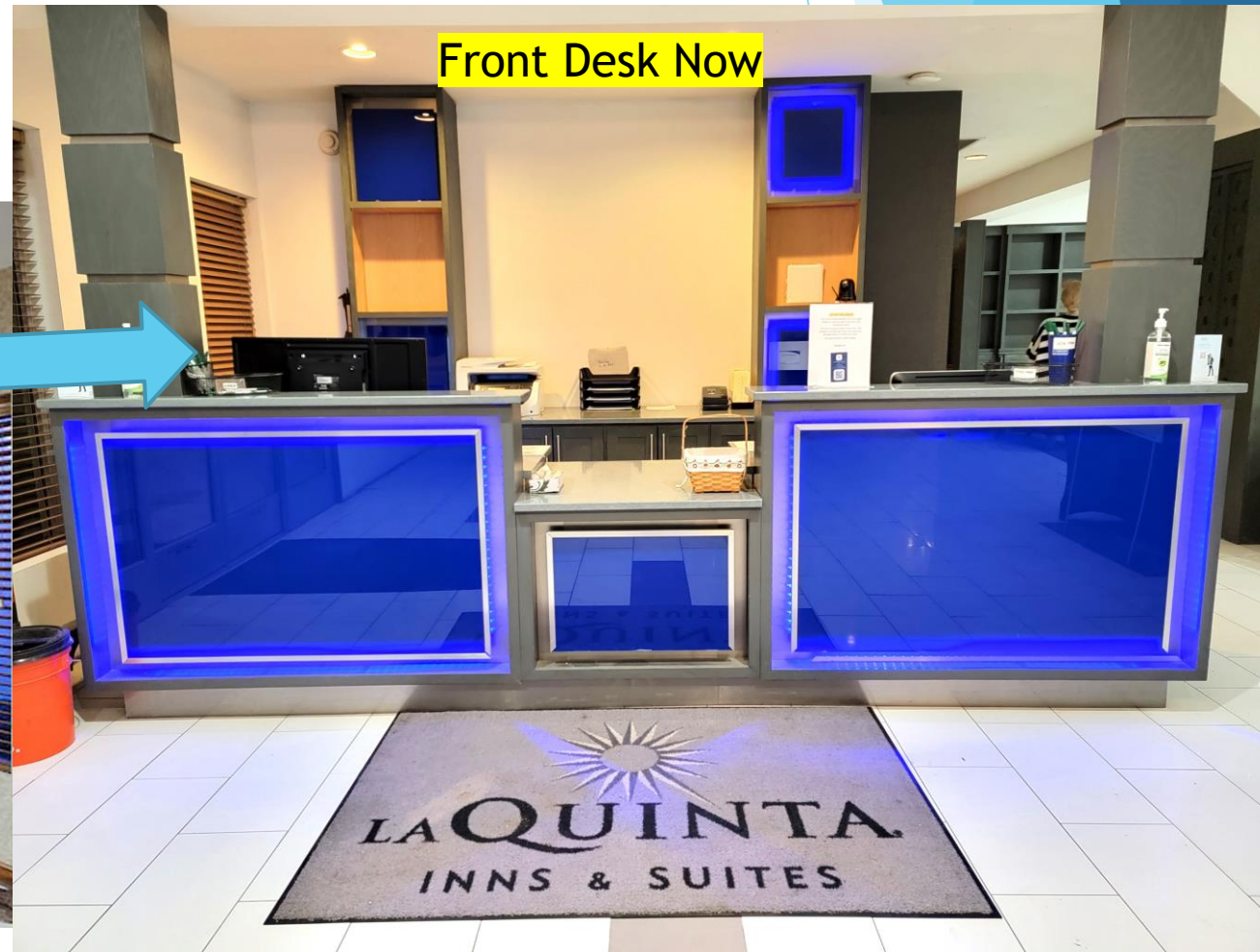
\$2M in Recent Renovations (2019)

Most of the common spaces and 102 of the guest rooms are completely renovated. Materials for the other 41 are on-site.

Old Front Desk



Front Desk Now



Old Lobby



Lobby Now



Lobby Now



Lobby Now





Typical Original



Updated Room Now



Typical Old Bathroom

Bathroom Now





Old Kitchenette

Mini Kitchenette Now



Micro Unit - 350 Square Feet
(Development Flexibility Required)

We will convert the **guest rooms to micro-apartments** by completing the ongoing renovations and upgrading Kitchenettes with full size fridges, induction cooktops and wall-mounted microwaves.

The common areas will be reconfigured to provide activities and multiple gathering areas.

All the units will be offered for yearly lease as unfurnished units with the option of leasing furniture at an additional cost.



The Numbers

- ✓ Acquisition/Renovation Project Costs
- ✓ Rental Income & Financials
- ✓ Investment Highlights



Acquisition

Appraised value (after 2019 \$2M reno)

\$12M

Purchase Price

\$7.66M



Project Summary

Hotel Conversion – Overland Park, KS

❖ Number of Rooms:	143
❖ Purchase Price:	\$ 7,660,000
❖ Capital Improvements:	\$ 4,587,095
❖ Total Acquisition/Renovation Cost:	\$ 12,247,095
❖ Closing Costs	\$ 200,000
❖ Fees and Operating Reserves	\$ 800,000
❖ Working Capital Reserves of \$550K	
❖ Total Project Costs	\$ 13,247,095
❖ Mortgage Debt (75% LTC)	\$ 9,185,321
Total Member Capital Needed:	\$ 4,061,774



Capital Improvements - \$4.6M

Goal

- ▶ Virtually Brand-New A- Class Complex
- ▶ Has an “Apartment Feel”
 - ▶ Exterior & Parking Lot Improvements
- ▶ Top Notch Amenity Package
 - ▶ Community room, fitness center, outdoor patio w/BBQ Grill, Dog Park, Sport Court w/Pickle Ball
- ▶ Efficient Building
 - ▶ Water usage, electricity usage, lighting, HVAC
- ▶ Modern High-Tech Features (door locks, security system)
- ▶ Upgraded Kitchenettes



Capital Improvements - \$4.6M

❖ Window replacement	\$125,000
❖ Kitchenette plumbing	\$268,125
❖ Electrical upgrades	\$275,000
❖ Kitchenette cabinetry and appliances	\$541,970
❖ Door Lock Upgrades	\$30,000
❖ Common space upgrades	\$450,000
❖ PTAC Replacements	\$32,000
❖ HVAC repairs	\$55,000
❖ Ventilation Improvements	\$130,000
❖ Interior labor	\$1,152,000
❖ Exterior Painting and Stucco Repair	\$210,000



Capital Improvements (Cont.)

❖ Roof replacement	\$275,000
❖ Gutters and downspouts	\$38,000
❖ Parking lot grading and upgrade	\$445,000
❖ Covered parking and exterior upgrades	\$100,000
❖ Construction Waste	\$50,000
❖ Security upgrades	\$60,000
❖ TV upgrades	\$15,000
❖ Signage	\$15,000
❖ Fire system repair	\$70,000
❖ Contingency	\$250,000

Total Capital Improvements **\$4,587,095**



The Numbers: Rental Comp

Market: Class B Small 1BR - \$1274/mo.

Senior Studio Apartments – start at \$2204/mo.

Our Rent Scale:

# units	Sq. Ft.	Rate
74	360	\$1,095
47	489	\$1,195
17	716	\$1,350
5	706	\$1,250



The Numbers: Rental Comp

Side-by-Side Comparison with Market

	Us	Competition
Electric	Included	Extra
Heat	Included	Extra
Water/Sewer	Included	RUBS
Garbage	Included	Included
1GB Fiber Internet	Included	Extra
Dish Network w/Premium & Sports	Included	Extra
BBQ Patio	Included	Maybe
Fitness Center	Included	Rarely
Community Room	Included	Rarely
Dog Park	Included	Maybe
Sport Court w/Pickle Ball	Included	No



The Numbers - Rental Comp

What is the value of these included items:

- ▶ Electricity \$60/mo.
- ▶ Water/Sewer \$30/mo.
- ▶ 1 GB Fiber Internet \$60/mo.
- ▶ Dish Network w/Prem. & Sports \$60/mo.
- ▶ Fitness Center \$20/mo.
- ▶ Other amenities \$???

Our feasibility study concurs that our rental rates match the market NOT INCLUDING the above items. With them, we are \$200/mo. (15%+) below market.

HUGE COMPETITIVE ADVANTAGE!!!!



The Numbers: Lease-up

12/12/12 + 4 Plan

Month	Start	Complete	Leased
1	12		
2	12	12	
3	12	12	12
4	12	12	12
5	12	12	12
6	12	12	12
7	12	12	12
8	12	12	12
9	12	12	12
10	12	12	12
11	12	12	12
12	11	12	12
13		11	12
14			11
15			
16			
	143	143	143



Projected Stabilized Financials

Assuming a 90% occupancy post lease-up (Year 2)

Total Annual Revenue: **\$1,882,303**

Expenses:

- ❖ Cost of Goods Sold: \$ 31,500
- ❖ Taxes, Insurance, and Utilities: \$ 368,620
- ❖ Payroll: \$ 236,250
- ❖ 3rd Party Expenses: \$ 92,408

Total Expenses: **\$ 798,778**

NOI: **\$1,083,525**

- ❖ Debt Service (Interest Only): \$ 459,266
- ❖ Cash on Cash Return: **14.48%**
- ❖ DSCR: **2.28**



Projected Stabilized Financials

Assuming a 90% occupancy pre-sale (Year 5)

Total Annual Revenue: **\$2,209,922**

Expenses:

- ❖ Cost of Goods Sold: \$ 36,465
- ❖ Taxes, Insurance, and Utilities: \$ 426,724
- ❖ Payroll: \$ 273,489
- ❖ 3rd Party Expenses: \$ 106,974

Total Expenses: \$ 843,652

NOI: **\$1,366,270**

- ❖ Debt Service (Fully Amortized): \$ 644,358
- ❖ Cash on Cash Return: **16.89%**
- ❖ DSCR: **2.06**



Projected Outcome

Total Project Cost: \$13.2M

Stabilized Value (30 months):

\$20.6M

(At a 6% cap rate)



Equity Offering Highlights

7%
Preferred
Return

70/30
Split
*to 28%

20-28%
IRR

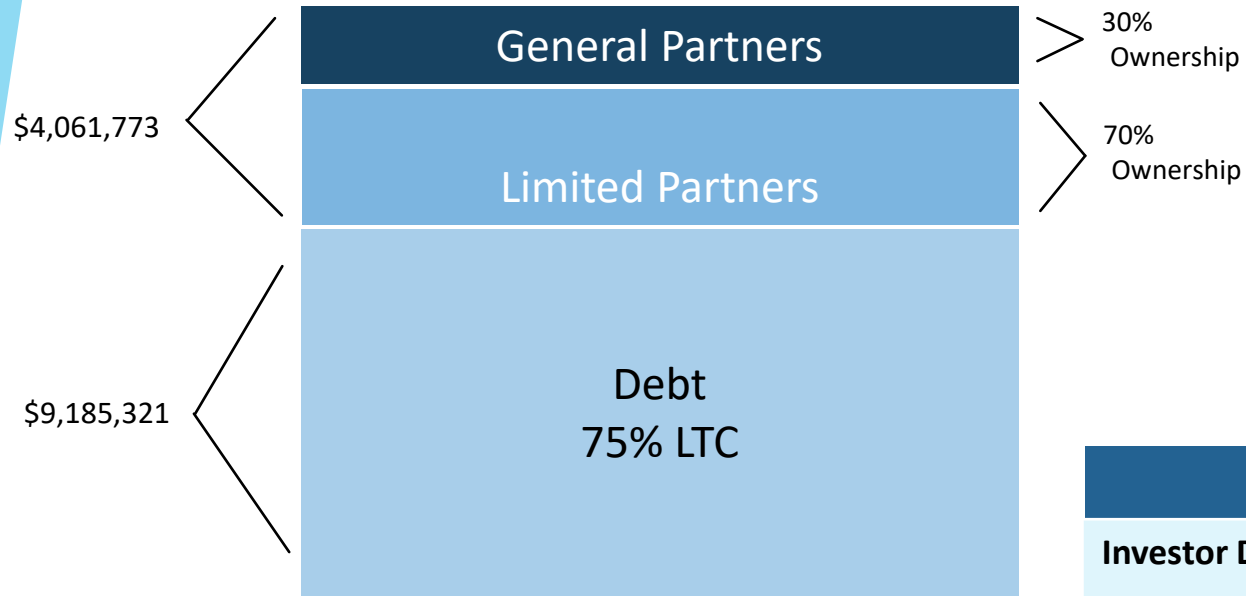
2.2-3.0X
Equity
Multiple

5-year
Hold Term

\$50K
Minimum



Capital Stack Structure and Equity Returns



Limited Partnership Structure	
Investor Distribution of Cash Flow	7% Preferred to Investor; 70/30 Profit split until 28% return, then 50/50
Membership Ownership – Equity	70% total ownership

Debt Structure

- ❖ Source: Local Bank
- ❖ Rate: 5%
- ❖ Rate Type: Fixed
- ❖ Leverage (LTC): 75%
- ❖ Term: 5 year + option
- ❖ Interest Only: 2 years
- ❖ Amortization (year 3-5): 25 year



Fee Structure

- ❖ Acquisition Fee: 2%
- ❖ Asset Management Fee: 1.5%
- ❖ Construction Management Fee: 5%
- ❖ Refinance/Disposition Fee: 1%



The Team



THE TEAM

- ❖ 4th Hotel Conversion Project
- ❖ Specialized in this space since 2019 (Pre-Covid)
- ❖ 15+ years – Real Estate Investment experience
- ❖ 6+ years – Multifamily Syndications
- ❖ Licensed General Contractor/Degreed EE
- ❖ Mentor to other sponsors
- ❖ Expert Due Diligence & Project Management
 - ❖ 20 yr. Licensed Six Sigma process improvement expert
- ❖ In-House Traveling Construction Team
- ❖ In-House Dedicated Transition/Operations Team
 - ❖ Jake McGlade/Steffen Schwartz

DAVID PETERS



RON HALLIDAY



Recent Results

- ❖ Normally takes 12-18 months to get to peak stabilization
- ❖ TownSquare Place Chaska, MN - 82 rooms
 - ❖ Acquired 3/13/2020
 - ❖ 25% occupancy
 - ❖ Cash flow negative (before Covid-19)
 - ❖ \$4.3M total investment
- ❖ Today
 - ❖ 93% occupancy
 - ❖ \$500K annual NOI - 20%+ cash-on-cash
 - ❖ \$7.12M refinance appraisal
 - ❖ 66% valuation increase (26 months)



Acquisition Day - March 13, 2020

Today

Featured on CNBC national news:
**“Want to own an apartment building?
Buy a distressed hotel for pennies on
the dollar”**

<https://www.cnbc.com/2021/02/04/want-to-own-an-apartment-building-buy-a-distressed-hotel-cheap.html>



Timeline to Closing

**May
5th**

Offering
Announcement

**May
26th**

Documents
Available

**June
24th**

Funding
Received

**June
28th**

Tentative
Closing Date

* Timeline Subject to Extend due to Memorial Day Holiday

Why Invest in this opportunity?

- ▶ Right Asset Class
- ▶ Right Time
- ▶ Right Location
- ▶ Right Team

**Make an impact - Community, Staff, and Residents
AND Your Financial Future**

BONUS

Commitment by June 5th....

**Gets you on our
Advance Notification List
for our next project**

www.firstfloorequity.com

Current Offerings

David Peters
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The housing market in Overland Park is quite strong and getting tighter by the day.

This is reflected equally in the rental market. Average apartment rent in April 2022 was \$1,274 which was a 8.5% increase year-over-year.

In December 2021, Overland Park home prices were up 4.4% compared to last year, selling for a median price of \$355K. On average, homes in Overland Park sell after 17 days on the market compared to 17 days last year. There were 284 homes sold in December this year, up from 281 last year.

Overland Park Housing Market Trends

Median Sale Price

\$355,000

+4.4% year-over-year

of Homes Sold

284

+1.1% year-over-year

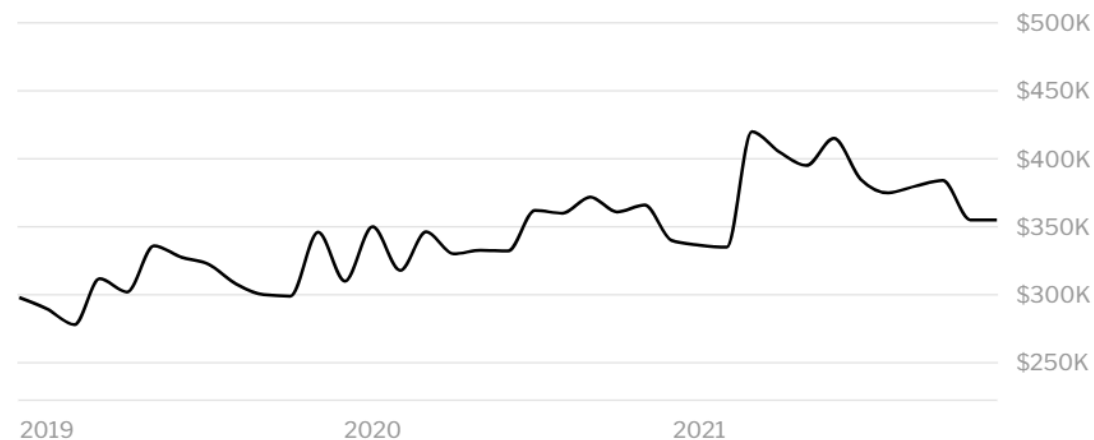
Median Days on Market

17

0 year-over-year

All Home Types

1 year 3 years 5 years



Business Operations

Our company will act as the Asset Manager for the property

Initially our On-site staffing will consist of:

- ❖ One full time General Manager (40-50 hrs. per week)
- ❖ 4.5 full time Front Desk Staff (40-50 hrs. per week)
- ❖ One full time Maintenance Manager (32-40 hrs. per week)
- ❖ Three full time housekeepers (32-40 hrs. per week)
- ❖ Part time help as needed to assist Maintenance and Housekeeping (15-20 hrs. per week)



Business Operations

Once we have about 60% of the rooms converted to annual leases, we will switch to an apartment staffing model with limited front desk hours.

On-site staffing will consist of:

- ❖ One full time General Manager (40-50 hrs. per week)
- ❖ One full time Sales Manager (40-50 hrs. per week)
- ❖ One full time Maintenance Manager (32-40 hrs. per week)
- ❖ One full time housekeeper/cleaner (32-40 hrs. per week)
- ❖ Part time help as needed to assist Maintenance (15-20 hrs. per week)



MARKETING PLAN

We will be implementing a multifaceted digital marketing plan that will include:

- ❖ Dedicated Website with online booking capability
- ❖ Google ad words targeted within a 30-mile radius to drive traffic to our website
- ❖ Social media – ads on Facebook Marketplace and Craigslist to drive people to our website
- ❖ Online booking services - Booking.com, Expedia.com, and Apartments.com
- ❖ New branding and signage



THE TEAM

- ❖ Lifelong entrepreneur and business developer
- ❖ Extensive experience in startup businesses and business turnarounds in multiple industries (IT, manufacturing, hospitality and real estate)
- ❖ Over a decade of experience operating property and tenant/occupant-based businesses
- ❖ Extensive training in business management, financial analysis, accounting, employee management and government compliance
- ❖ Currently operates a licensed general contracting company, a property management company and a residential rental business
- ❖ Holds a degree in Electrical Engineering, as well as a General Contractor's license

DAVID PETERS

