

Willow Ridge Apartments

Small Business Management plan | 2018 - 2019

College of the Ozarks | Chapter #14566

Point lookout, Missouri

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**Executive Summary**

**Business Mission**

Our mission at Willow Ridge Apartments is we strive to create a comfortable, healthy, and safe living environment for the citizens of Fayetteville, AR, while providing the basic necessities it takes for a person to start living a life on their own in today’s community. We will do this by providing a comfortable and affordable living space both for students and people starting to live out on their own. At Willow Ridge Apartments we want to make the transition from dorm living to off campus living an easy process, while preparing the people for the responsibilities of owning a house in the future. At Willow Ridge Apartments we will strive to have safe facilities and a welcoming environment for individuals and couples to start a life away from the comfort of their parents’ home.

**Target Market**

The target market for Willow Ridge Apartments is going to be a diverse group of tenants. The tenants ages will range from 18 to late 20’s early 30’s in the city of Fayetteville, Arkansas. Our main target market that we are wanting to reach will be the students at the University of Arkansas campus, which is in town. Specifically, the students who are wanting to start living on their own without the comforts of the dorm room and their parents’ house. Then the second target market we want to reach are the ones who just got done with college and are wanting to make that jump of having a big responsibility of a small house but is not ready for the big commitment that comes with completely owning a house.

**Marketing**

At Willow Ridge Apartments we have numerous ways to market out our facilities. They include internet marketing, newspaper, radio, and the University of Campus. Through the internet, we will market Willow Ridge Apartments on social media (i.e., Facebook), a website, and AdWords. With marketing through the newspaper and radio Willow Ridge Apartments will advertise through the *Arkansas Traveler* newspaper and the local radio stations. Then what we consider to be our major form of advertisement that we, at Willow Ridge Apartments, will use is the University of Arkansas. With advertising on campus, we will implement flyers and use word of mouth advertisement. The flyers will be posted in the campus dorm halls, the bookstore, and on any available space on campus where we can put them up. Then the current tenants will go on campus and start talking to their friends, family, and anyone they interact with on campus and tell them about their living space at Willow Ridge Apartments.

**Management Structure**

The management structure at Willow Ridge Apartments will be incorporated as an S corporation. An S corporation gives protected assets to its shareholders, pass-through taxation (meaning we don’t have to pay federal taxes at the corporate level), and a tax-favorable characterization of income (the shareholders in this corporation can be employees of the business and draw in salaries as employees). There will be two managers on property; the marketing manager and the financial manager. The marketing manager position will be filled by Kaitlyn Dewey and the financial managers position will be filled by Evan Schiefer; both have experience in each of these fields, which makes them qualified to fill these positions.

**Financials**

Kaitlyn Dewey and Evan Schiefer will each purchase 100 shares of $250 par common stock for a total of $25,000 each. This capital will be used for the down payment of approximately seven acres of land. The rest of the financing will be through a small business loan of $1,800,000, which will finance buildings, land improvements, appliances and fixtures, and first year operating expenses. Four buildings containing two units will be built, and two buildings containing four units will be built. Construction will cost $1,420,000.

 Monthly rent for a two bed, one bath unit is $800 per month. Monthly rent for a two bed, two bath unit is $850. Revenues and expenses are projected to remain relatively consistent throughout the first three years of operating. Net income for 2020, 2021, and 2022 is (2,132), 23,772, and 23,786 respectively. Net operating margin is 17% for 2021 and 2022, which is above the desired margin of 15%.

 Willow Ridge will have high liquidity; the current ratio for 2022 is 7.11. This will be reduced in the long run to increase debt payments. Willow Ridge has positive cash flows every year. Much of the excess cash will be used to purchase marketable securities. These will be used as leverage and sold after five years to finance debt.

**Business Mission**

Willow Ridge Apartments will provide a comfortable and affordable living space for both students and people starting to live out on their own. This apartment complex will create a healthy living environment for workers, renters, and potential renters as well. Willow Ridge Apartments is designed to help make the transition from dorm living to off campus living an easy process, as well as preparing people for the responsibilities of owning a house in the future. We also want our facilities to be a safe and welcoming environment for individuals and couples to start a life away from the comfort of their parents’ home.

**Our Mission:**

**Willow Ridge Apartments strives to create a comfortable, healthy, and safe living environment for the citizens of Fayetteville, Arkansas while providing the basic necessities it takes for a person to start living a life on their own in today’s community.**

 A majority of the success of Willow Ridge Apartments will be when the apartment has a high rate of return, no vacancy, and full retention of both employees and tenants. Some goals and objectives that we will evaluate our achievement/progress towards this overall success are:

|  |  |
| --- | --- |
| Objectives | Goals |
| We wish to achieve vacancy rate of 30% in the first year of operations, and a vacancy of 12.5% in the subsequent years of operations. This leaves only two units vacant. | To provide the tenants with a safe and comfortable living environment. |
| Low amount of turnover in both employees and tenants by the end of the first year. | Provide a living environment that promotes loyalty, community, respect, and cooperation among anyone and everyone on property. |
| By the end of year two, have little to no vacancy. | Create a comfortable and diverse living environment that provides security and comfort. |
| Little to no turnover by the end of years two and three. | Promote the growth of students and young professionals by offering them safe and affordable housing. |

 When it comes to apartment hunting, tenants have a lot of things they take into consideration. Apartments.com says that there is a checklist that tenants mark off when shopping for apartments. They are safety, amenities and condition, and building amenities. These include things such as internet connection, condition of the plumbing, trash removal, pet policy, secure locks and windows, and so much more.

 Every new tenant will bring more diversity into the apartment complex, which will help with the creation of a diverse culture and living experience for everyone. Creating a diverse living experience is important to help people adapt to new cultures and ways of living; as well as preparing the tenants for the different types of people they will interact with in both work and personal life experiences. This will be done through the application process of tenants as well as creating a communal type of environment for everyone that lives or visits the property. However, the tenants will be chosen through a thorough application process. This is because we want our apartment complexes to be taken care of and not destroyed, and we want the tenants, as well as the employees, to feel safe and secure.

 When it comes to apartments, it is a rigorous task for both the potential tenants and the employees. Because you have a lot to take into consideration from where you want to be located, the type of apartment you are looking for/building, and the amenities that you want to have in an apartment/provide for the potential tenants. However, that is what Willow Ridge Apartments is all about; making the process easy for potential tenants transitioning from their current living situation to a new one where they start living on their own and making potentially difficult life choices. Since Willow Ridge Apartments success depends on its number of tenants, we want to provide the best service and experience we can offer. We also want to establish a living experience that attracts a diverse number of tenants. Even though this type of business is not unique to the Fayetteville area, we want to create one that is.

**Incorporation and Management**

**Form of Incorporation**

Willow Ridge Apartments will be incorporated as an S corporation. This type of corporation offers many advantages and disadvantages. However, in some situations the advantages can outweigh the disadvantages. Some of the advantages of an S corporation are:

* Protected assets: the personal assets of its shareholders are protecting from the corporations. The shareholder is not personally responsible for the business’ debts and the liabilities of the corporation, and the creditors cannot pursue the personal assets of the shareholders to pay the businesses debts.
* Pass-through taxation: they do not pay federal taxes at the corporate level. Any business income or loss that is “passed through” is reported by the shareholders on their personal income tax returns.
* Tax-favorable characterization of income: the shareholders in this form of corporation can be employees of the business and draw in salaries as employees. They are also able to receive dividends from the corporation, as well as other distributions that are tax-free to the extent of their individual investments in the corporation.
* Each shareholder will make an investment of $25,000 in 100 shares of $250 par value common stock.

Now with advantages there comes some disadvantages. Some of the following disadvantages of an S corporation include the following:

* Taxable fringe benefits: most of the fringe benefits that are provided by this form of corporation are taxable as compensation to the employee-shareholders who own more than 2% of the corporation.
* Stock ownership restrictions: in this form of corporation can only have one class of stock, even though it can have both voting and non-voting shares in the corporation, as well as not being able to have different classes of investors who are entitled to the different dividends and distribution rights.
* Formation and ongoing expenses: it is necessary for the first thing to be done with this form of corporation is to incorporate the business by filing an Articles of Incorporation with the desired state of incorporation, also to obtain a registered agent for the company, and pay the necessary fees (*S Corp (S Corporation) Advantages & Disadvantages,* n.d.).

**Licenses**

Willow Ridge Apartments will need to obtain a business license from the city of Fayetteville, Arkansas. The application for the license can be found and filled out on the City of Fayetteville website.

**Permits**

 Willow Ridge Apartments will need to fill out the following permits and applications: commercial building application, fire code review sheet, electric permit application, mechanical permit application, inside and outside the city permit applications, gas permit application, and applicant/contractor information form. These various permits and applications can be found on the City of Fayetteville website.

Willow Ridge must obtain electrical and plumbing permits, as well as a large-scale development permit to begin construction. The tablebelow lists fees associated with each permit and license:

|  |  |
| --- | --- |
| **Permit** | **Fee** |
| Large scale development | $400 |
| Business license | $52 with a $15 renewal fee each subsequent year |

**Special Stockholders Skills**

Kaitlyn Dewey will be completing a Bachelor of Business Administration with an emphasis in Marketing within the next year. Kaitlyn has also taken a variety of business classes that range from those required for the degree to those that were not required. She has experience working in various money handling jobs; from working in Cash Accounts on the College of the Ozarks campus to a retail position at Vera Bradley for numerous years. As her career progresses, she will work for a company that gives her the experience in various marketing categories, which will help her to handle all the marketing concepts that will be needed for Willow Ridge Apartments.

Evan Schiefer is currently pursuing a degree in Accounting from College of the Ozarks, set to graduate in May 2019. Through his education at College of the Ozarks, he has developed competencies in preparing financial statements, bookkeeping, and taxation. Upon graduation, Evan will work as an auditor, given his experience in how to properly handle a company’s finances. He has also taken over 30 credit hours of business classes, which has provided him with a wide range of knowledge, from human resource management to marketing and advertising. Evan’s career in auditing and background in business will effectively prepare him for managing Willow Ridge Apartments.

**Management**

 At Willow Ridge Apartments there will be two manager positions, marketing and financial managers. These positions will be filled by the two stockholders of the company, Kaitlyn Dewey and Evan Schiefer. If for any reason a manager is not able to fulfill their position the other one will make the decision whether to take over the position or to have that position filled by either 1) another employee of the company or 2) hire a person outside of the company to fulfill that position. However, this type of decision will only be made under special circumstances. Kaitlyn and Evan will not receive salaries. However, they will receive dividends in times of profitability. Dividends will be dependent upon profits, liquidity, and plans for expansion and/or payment of debt.

**Marketing Manager**

 Kaitlyn Dewey will be the marketing manager of Willow Ridge Apartments. This job role can basically define as promoting Willow Ridge Apartments. This job also entails budgeting and doing research in regards of how, when, and where to promote the apartment as well. This manager will also determine the best way to use the budget and research given to make sure that the apartment is getting to the point of having full capacity in tenants. Another task that goes along with this management position is the determination of scheduling the advertisements on the radio, billboards, social media, and on the University of Arkansas campus.

**Financial Manager**

 Evan Schiefer will be the financial manager of Willow Ridge Apartments. This management role includes keeping the financial records, managing the cash flows, filing the taxes, and paying the bills and employees of the apartment complex. This role also includes of informing the tenants of when their rent is due, processing of payments, and notifying them of when their rent payment is late.

**Employees**

At Willow Ridge Apartments there will be a total of three employees at the start of the company (not including the two managers). The different job descriptions and the number of positions available for each job will be listed below. With the employee positions each manager is either somewhat capable or full capable of taking over the position if needed. If the manager is unable to fulfill the position, they will either 1) have an employee who is already with the company to fulfill the vacant position or 2) hire someone from outside the company to fill the vacant position. This decision will be made by the managers when the time comes.

**Maintenance**

This position consists of doing the general carpentry, electrical, and plumbing work throughout the apartment complex. As well as doing monthly check-ups on the heating and air units that are found throughout the apartment complex. This position also entails doing the general lawn maintenance found throughout the complex, window washing, repairing machine repair, mechanical equipment and basic heating and cooling problems. In addition, the maintenance worker may be required to work night shifts.

**Administrative Assistant**

 With this job position each worker will take turns being the weekend and weekday administration assistant. This job entails reading and analyzing potential tenant applications, as well as doing apartment tours for walk-ins and appointments made by potential tenants. They will also assist with renting the apartments. A major duty that this position entails is being the assistants to the two managers. This will be by helping them keep track with their schedules, as well as keeping them informed of the various operations that are taking place in the company while they are gone or doing other company related tasks. Also, for Willow Ridge Apartments specifically the administration assistant will be in charge of coming up with events for tenants and employees to participate in to create a fun and safe community.

**Office Worker**

 This job entails just the basic tasks that an average office worker would do. These being picking up, sort, and distribution of the mail to the right workers in the office. The job also entails opening, sorting, and distributing the incoming faxes, answering calls, greeting visitors and residents and then provide assistance if needed. This position also includes performing general office duties such as ordering and maintain office supplies, maintain records of management systems, and performing some basic bookkeeping work.

**Employee Adjustment**

In the long run, depending on the expansion or decrease of the apartment complex, the number of employees might be adjusted. Also, depending on the need of more maintenance or other employee positions we will hire more people to fulfill this need. However, this decision will be made based on the demand of new employees and at the discretion of the management team. This adjustment is not expected to affect the short run.

**Compensation**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Position** | **Pay Rate** | **Hours per Week** | **Weekly Expense** | **Annual Expense** |
| Maintenance | $14.81 per hour | 25 | $370.25 | $19,253 |
| Administrative assistant | $14.44 per hour | 20 | $288.80 | $15,018 |
| Office worker | $14.44 per hour | 20 | $288.80 | $15,018 |
| Total compensation |  |  |  | $49,289 |

Compensation for Willow Ridge’s employees will be as follows:

Staffing needs are not projected to change in the next three years.Therefore, salaries and wages expense are estimated to remain relatively constant in the pro forma financial statements.

**Marketing Plan**

**Demographics and Industry Statistics**

 As of 2017, Fayetteville, Arkansas has a population of 90,525. 41% ranging from the ages of 24 and lower, and 59% ranging from 24 and older. The average time for people traveling to work or school is 19 minutes and the walk score of the city is 32; most of the events that take place in the area require a mode of transportation other than walking. Fayetteville, Arkansas had a high white ethnicity rate of 81%. The rest is comprised of black (6%), Hispanic (8%), Asian (4%), and other (1%)7.

 In Fayetteville, most of the people who live in the city live in housing units as of 2017. This number being 43,579 housing units; 15,688 of these are owner-occupied and 21,223 being rented2. In today’s day and age people are sticking to renting more so than buying because people are still not sure where they want to plant their roots in life. Also, because Fayetteville is a college town not a lot of people who are living in this city are not going to stay there for more than 5 years.

According to Paula Munger in her article, “The Staying Power of Apartments” due to social shifts and economics the driven demand for apartments has increases so much that we have not seen these kinds of number for half a century. It has increased so much that they figured that 4.6 million new apartments will be needed by the year 2030 to keep up with this demand. The main drive for this demand is age, immigrants, and the actions and attitudes of the younger generations. 

In Arkansas alone, there is over 122,000 apartments, that is ranked 36th in the nation with California being ranked #1 with the highest number of complexes (2,875,647). In just the past five years, the Apartment Rental industry has grown by 2.4% and has obtained a revenue of $154 billion in that same time frame. The Apartment Rental industry in the United States consists mainly one-unit structures, two-to-four-unit structures, five-to-nine- unit structures, ten-to-nineteen-unit structures, twenty-to-forty-nine-unit structures, and fifty-or more- unit structures.

 According to the National Multifamily Housing Council (NHMC), 50% of apartment residents nationwide are under 30, and 44% of apartments have household income of 34,999 or less. Also, 48% of apartment residents are single with no children, while only 20% are married couples.

**Competitors and Risk Factors** 

With Fayetteville being a college town there is no surprise that there is a lot of apartment complexes found throughout the city. They all have different traits that make them more superior than the others. These traits can range from price, amenities offered, and the length of distance to where the tenant is wanting to travel. These competitors can range from being high end pricing to low end pricing. Willow Ridge Apartments is going to be towards the lower end pricing, but we will provide high quality appliances and amenities at the lower cost, which will help give us a competitive advantage against our competitors. Some of the competitors include the following:

* The Spectrum which is located at 1741 W. Crowne Drive, Fayetteville, AR 72701 which is located 1.9 miles away from the University of Arkansas campus
* Garden Park Apartments which is located at 1225 W Mt Comfort Rd, Fayetteville, AR 72703 and is located 1.1 miles away from the University of Arkansas campus
* Mountain Ranch Apartments which is located at 549 N Coral Canyon Loop, Fayetteville, AR 72704 which is located 2.6 miles away from the University of Arkansas campus

Now, just like any other type of business or creation of a product there are some risks that come along with it. With the Apartment Rental industry one of the risks is that the vacancy rate can indicate the relationship between the industry supply and demand. High vacancy rates indicate an oversupply of rental properties. They are also a good indicator of trends in industry revenue and profitability.

Another risk that comes with apartment buildings is the protection of the property itself from catastrophic events; such as fires and storms. Some other various risk that comes with apartment buildings are liability for tenant, employee, or visitor injuries, theft/vandalism, discrimination lawsuits filed by upset tenants or employees, and so much more.

 One of the obvious risks that comes with an apartment complex is competition; especially in Fayetteville, Arkansas. With competition you must worry about what amenities will provide and what price they will charge for their apartment complex. This is a risk because you want to be able to charge a price to make a profit for all the expenses you must pay for plus with upkeeping of the appliances. However, we don’t want to it to be too high to where no one will be interested in staying at Willow Ridge Apartments. That is why one of our missions is to provide a fun and safe living environment at a reasonable price.

In addition to losing tenants to competitors Willow Ridge risks turnover due to students and young adults moving away from the area. Some students will move back home or find jobs outside of Fayetteville after graduating from college. However, Willow Ridge is located in an area that is not only close to a large university, but it is also in an area that is surrounded by business. Because tenants will have several job opportunities in or near Fayetteville, they will be able to continue staying at Willow Ridge. This will help to mitigate the risk of high turnover rates.

**Target Market**

Our target market for Willow Ridge Apartments is going to be a diverse group of tenants. The age range will range from ages 18 to late 20’s to early 30’s in the city of Fayetteville, Arkansas. The ones we are going to mostly market to is going to be students at the University of Arkansas campus in town. We are wanting to reach the students who want to start living on their own without the comforts of a dorm room and their parents’ house. Another target audience we want to reach are those who just got done with college and are wanting to make that jump to a responsibility of a small house but is not ready for the big commitment that comes with completely owning a house.

**Promotion Strategy**

 Willow Ridge Apartments has a diverse method of how we are going to promote and advertise our units. They will range from the internet, newspapers, radio, word of mouth, flyers and the University of Arkansas. According to Miki Markovich, “Marketers in the apartment industry must address prospects who seek to be heard and valued while they learn about housing options. Now more than ever, marketing is about engaging and building relationships while informing the masses.” That is what Willow Ridge Apartments wants to do with its tenants, employees, and potential tenants.

**Internet Marketing**

One method that Willow Ridge Apartment will promote themselves is through the internet. The internet has so many different marketing methods that we will use to attract potential tenants.

Social Media: According to Miki Markovich, social media is a viable marketing venue. Social media sites allow you to reach people directly and engage in conversation (*Marketing Strategies for the Apartment Industry,* 2018*)*. With using social media such as Facebook and Twitter Willow Ridge Apartments will create a page that list the basic general information potential tenants will want to see. We will also include pictures of the different units that we have to offer. By creating a “Wow Factor” with our social media pages we hope to spark an interest in these potential tenants, which in then will lead to them either making an appointment to view the apartment units or just walk-in to view them too. Then after this hopefully that spark of interest will get bigger to the point, they will sign a contract and become tenants of Willow Ridge Apartments.

Website: After the first year, depending on how well Willow Ridge Apartments is doing, we might decide to invest in creating a Willow Ridge Apartment website. This website would just be a bigger expansion of what our social media pages would look like. To the point where those viewing our website will be able to do a 3D, 360-degree tour of the different apartment units. A website is a good choice for online promotion and distribution of information. We would be able to do this at a low cost because Kaitlyn has experience and knowledge of creating a website.

**Newspaper and Radio**

Two other forms of advertisement that Willow Ridge Apartments are going to be newspaper and a radio ad. According to Forbes the newspaper industry has increased because nearly 70% of the population still reads newspaper daily. Then when it comes to the radio it is said that 93% percent of people listen to the radio each week; whether this is through Pandora, Spotify, or even the local radio stations (*Is Newspaper Advertising Worth The ROI?,* 2017). So, when it comes to these forms of advertisement, Willow Ridge Apartments will have an advertisement in the newspaper each day of the week, as well as playing on the popular radio stations in the local area. After we get a profit going and have a constant number of tenants Willow Ridge Apartments will potentially start advertising on the more popular forms of radio, such as Pandora and Spotify soon.

 Willow Ridge will advertise through the *Arkansas Traveler* newspaper. We will purchase a ¼ page for $180. We will advertise in the first two weeks of May and the first two weeks of July. Locally, we will advertise on KKIX 103.9, a country station that reaches Fayetteville. Advertisements on the radio will launch during the same time as newspaper ads.

**University of Arkansas Campus**

One of the major forms of advertisement that Willow Ridge Apartments will use is advertisement on the University of Arkansas campus in town. With this form of advertisement, we will implement flyers and word of mouth form of advertisement. With advertising on campus, we will have flyers posted in the campus dorm halls, the bookstore, and on any available space on campus to where we can put them up. The reason behind advertising here is because these students are the ones who we at Willow Ridge Apartments want to attract. Also, word of mouth is a great form of advertisement. However, it can also be a negative form of advertisement. But for Willow Ridge Apartments, the tenants will go around talking to their friends and family telling them about their living space. About how it is in a nice location and is an affordable price for such high-quality items. And with this type of promotion by current tenants it will and can potentially lead to more people looking into and or moving into Willow Ridge Apartments.

**Apartment Plan and Location**

Willow Ridge Apartments will be located at 5191 East Huntsville Road, Fayetteville, AR 72701. The apartment complex is located 5.5 miles away from the University of Arkansas campus. Willow Ridge Apartments will be in a nice small suburban area which is found outside the city. However, even though it is located somewhat away from the campus the area is nice and quit, which is far away from the commotion of the town and events that are taking place on campus too. The apartment complex floor plan of Willow Ridge Apartments is a simple design. The complex floor plan will consist of three different buildings that consist of two different apartment styles. The first apartment building consisting of four different units that are a 2 Bedroom and 2 Bath. Then the second and third apartment buildings will consist of 2 units each, that are 2 Bedroom and 1 Bath. Then there will be a building that consists of two offices and another building that will be the maintenance building on the property. These buildings will have the same layout as the apartment buildings that are 2 Bedroom and 1 Bath.

At Willow Ridge Apartments we want to make sure that we provide an experience that tenants cannot get anywhere else. One way we are going to do so is to provide some utilities and amenities that will be found in each of the apartment units. Some of the amenities and utilities that Willow Ridge Apartments will be offering to the tenants include the following:

* High speed internet access
* Garbage Pick-Up
* In-unit washer and dryer
* Dishwasher
* Microwave
* Refrigerator
* Oven
* Pets allowed

**Rental Pricing**

At Willow Ridge Apartments there will be a $250 security deposit fee. This security deposit is just paid in advanced for when the tenants decide to move out. The reason behind this security deposit fee is so that when the tenant moves out it will help Willow Ridge Apartments pay for the cleaning and restoration of each unit on the property. It also will help to cover the cost of any paying for any damages that might come to the apartment unit. As well as, the cost of the parking lot up-keep and trash service that Willow Ridge Apartments will be providing for the tenants. Also, if the tenant decides to get a pet that would be an additional $50 a month. Rent for a one-bedroom apartment will be $800 per month and rent for a two-bedroom apartment will be $850 per month. We priced our apartments based on competitors’ rates and our target market. Because we are appealing to young adults, pricing will be affordable.

**Financials**

**Rent Revenue**

Rent revenue was calculated by multiplying the number of occupied units by monthly rent revenue by twelve months. We based our vacancy rates from the average vacancy rate of apartments in Arkansas in the fourth quarter of 2015. The average vacancy rate for an apartment complex in Arkansas was 9.1%. Ours was raised of approximately 30% in our first year of operations (2020) because all renters will be new. A 30% vacancy rate translated into having five one-bedroom units occupied and six two-bedroom units occupied. Our desired vacancy rate in the following years is 12.5%, which means that seven one-bedroom units and seven two-bedroom units will be occupied.

2020

[(5 occupied units x $800 + (6 occupied units x $850)] x 12 months = $109,200

2021 and 2022

[(7 occupied units x $800) + (7 occupied units x $850)] x 12 months = $138,600

**Pet Fee Revenue**

Pet fee revenue was based off information from an Apartments.com survey. In 2014, 72% of renters that were surveyed owned pets. Willow Ridge estimates to have only 50% of its residents’ own pets because they will be primarily students.

2020

11 occupied units x $50 per month x 12 months x 50% = $3,300

2021 and 2022

14 occupied units x $50 per month x 12 months x 50% = $4,200

**Total Revenue**

2020

$109,200 + $3,300 = $112,250

2021 and 2022

$138,600 + $4,200 = $142,800

**Expenses**

Depreciation expense will remain constant because there is no anticipated sale or purchase of assets in the next three years. A schedule of depreciation can be found in Appendix S.

Wages expense will remain constant because number of employees and hourly wage is not expected to change.

Supplies expenseis calculated based on the number of employees. Therefore, it will also remain constant on pro forma statements.

Maintenance expense is estimated as 9% of sales. This will change on pro forma statements because revenue is expected to increase after 2020.

Utilities expense is estimated to be 7% of sales. This will change on pro forma statements as well.

Advertising expense includes $720 for newspaper advertisement, $40 for flyers, and $50 for radio. Advertising expense is currently projected to remain the same, but it will be adjusted accordingly after the first year of operations.

Interest expense will slowly decline as principle for loans are paid. Interest expense is approximately 7% of revenue. After long-term debt is paid, we will use the resources that would normally go towards interest expense to renovate and/or expand and pay shareholders.

There will be no income tax expense because Willow Ridge is an S-Corp, and taxes will flow through to the shareholders. This will eliminate double taxation.

**Liabilities**

**Small Business Loan**

Willow Ridge Apartments will need to take out a small business loan. The loan application can be found in Appendix R.

The construction of buildings will cost $1,420,000. This consists of two $400,000 buildings and four $155,000 buildings.

The parking lot will cost $99,308.

Appliances and fixtures will cost $155,983.

 The total capital needed for construction is $1,675,291.

A 25-year small business loan of $1,800,000 with an interest rate of 5.10% will be taken out to fund construction and operations.

The monthly payment will be $10,628.

**Amortization Schedule**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Period** | **Beginning Balance** | **Payment** | **Interest Expense** | **Reduction of Principle** | **Ending Balance** |
| 0 | 1,800,000 |  |  |  |  |
| 1 | 1,800,000 | 10,628 | 7,650 | 2,978 | 1,797,022 |
| 2 | 1,797,022 | 10,628 | 7,637 | 2,991 | 1,794,031 |
| 3 | 1,794,031 | 10,628 | 7,625 | 3,003 | 1,791,028 |

**Mortgage for Land**

7.27 acres located on 5191 E Huntsville Road will be purchased for $229,000. Details concerning the mortgage are listed below. The monthly will be $1,593. $1,392 will go towards principle and interest; $67 will go towards insurance; $134 will be for taxes.



**Specifications**

|  |  |  |
| --- | --- | --- |
| Price | $229,000 |  |
| Down payment | $45,800 | 20% |
| Loan program | 15 year fixed |  |
| Interest rate | 4.398% |  |
| Property tax | $1,603 per year | 0.7% |
| Home insurance | 800 |  |

**Amortization Schedule**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Period** | **Beginning Balance** | **Payment** | **Interest Expense** | **Reduction of Principle** | **Ending Balance** |
| 0 | 299,000 |  |  |  |  |
| 1 | 299,000 | 1,593 | 1,096 | 497 | 298,503 |
| 2 | 298,503 | 1,593 | 1,094 | 499 | 298,004 |
| 3 |  | 1,593 | 1,092 | 501 | 297,503 |

**Security Deposits Payable**

A $250 security deposit is collected from each renter and paid when the renter leaves. Security deposits payable are calculated as:

2020

11 occupied units x $250 = $2,750

2021 and 2022

(3 additional occupied units + 11 previously occupied units x 47% turnover rate) x $250 = $2,000

**Assets**

Rent receivable is based on the statistic the 0.5% of rent is not collected on time. Rent receivable represents 0.5% of revenue.

Property, plant, and equipment will not be purchased or sold in the first three years of operations. Book values will only change due to depreciation.

Cash will have an ending balance of at least $60,000 during the first four years of operations. This will allow Willow Ridge to easily pay salaries, debts, and any unexpected expenses. Excess cash will be used to pay dividends of $10,000 to each shareholder in 2021 and 2022. Then, cash will be used to purchase marketable securities (common stock and bonds). Marketable securities will be held for at least five years and then used to finance long-term debt. This is done to achieve leverage and efficiently finance debt.

**Pro Forma Financial Statements**

Pro forma financial statements are forecasted for the first three years of operations (2020-2022).

|  |
| --- |
| Willow Ridge Apartments |
| Pro Forma Income Statement  |
|  | 2020 | 2021 | 2022 |
| Revenues: |  |  |  |  |  |  |
| Rent revenue |  109,200  | 97% |  138,600  | 97% |  138,600  | 97% |
| Pet fee revenue |  3,300  | 3% |  4,200  | 3% |  4,200  | 3% |
| Total revenue |  112,500  | 100% |  142,800  | 100% |  142,800  | 100% |
|  |  |  |  |  |  |  |
| Expenses: |  |  |  |  |  |  |
| Operating expenses |  |  |  |  |  |  |
| Supplies expense37 |  1,844  | 2% |  1,844  | 1% |  1,844  | 1% |
| Permits and licenses expense |  452  | 0% |  15  | 0% |  15  | 0% |
| Advertising expense |  810  | 1% |  810  | 1% |  810  | 1% |
| Utilities expense |  7,875  | 7% |  9,996  | 7% |  9,996  | 7% |
| Wages expense  |  49,289  | 44% |  49,289  | 35% |  49,289  | 35% |
| Maintenance expense |  10,125  | 9% |  12,852  | 9% |  12,852  | 9% |
| Depreciation expense |  35,491  | 32% |  35,491  | 25% |  35,491  | 25% |
| Total operating expenses |  105,886  | 94% |  110,297  | 77% |  110,297  | 77% |
| Operating income (EBIT) |  6,614  | 6% |  32,503  | 23% |  32,503  | 23% |
|  |  |  |  |  |  |  |
| Interest expense-mortgage |  1,096  | 1% |  1,094  | 1% |  1,092  | 1% |
| Interest expense- small business loan |  7,650  | 7% |  7,637  | 5% |  7,625  | 5% |
| Total Expenses |  114,632  | 102% |  119,028  | 83% |  119,014  | 83% |
|  |  |  |  |  |  |  |
| Net income |  (2,132) | -2% |  23,772  | 17% |  23,786  | 17% |



|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|

|  |
| --- |
| Willow Ridge Apartments |
| Statement of Retained Earnings |
|  | 2020 | 2021 | 2022 |
| Beginning RE |  -  |  (2,132) |  1,640  |
| Net income |  (2,132) |  23,772  |  23,786  |
| Dividends |  -  |  (20,000) |  (20,000) |
| Ending RE |  (2,132) |  1,640  |  5,426  |

 |

|  |
| --- |
| **Willow Ridge Apartments** |
| Pro Forma Balance Sheet  |
|  | 2020 | 2021 | 2022 |
| Assets: |  |  |  |
| Current assets  |  |  |  |
| Cash  |  69,433 | 78,807 | 96,801 |
| Rent receivable |  563  |  693  |  693  |
| Supplies- office |  3,688  |  3,688  |  3,688  |
| Total current assets |  73,683 | 83,188 | 101,182 |
|  |  |  |  |
| Property, Plant, and Equipment |  |  |  |
| Land  |  229,000  |  229,000  |  229,000  |
| Land improvements |  99,308  |  99,308  |  99,308  |
| Buildings |  1,420,000  |  1,420,000  |  1,420,000  |
| Appliances and fixtures  |  115,983  |  115,983  |  115,983  |
| Office equipment |  2,200  |  2,200  |  2,200  |
| Investments in marketable securities |  188,494  |  226,494  |  256,494  |
| Accumulated depreciation |  (35,491) |  (70,982) |  (106,473) |
| Total property, plant and equipment |  2,019,494  |  2,022,003  |  2,016,512  |
| Total assets |  2,093,177  | 2,105,191 | 2,117,294 |
|  |  |  |  |
| Liabilities:  |  |  |  |
| Current liabilities |  |  |  |
| Security deposits payable |  2,750  |  2,000  |  2,000  |
| Small business loan |  10,628  |  10,628  |  10,628  |
| Mortgage |  1,593  |  1,593  |  1,593  |
| Total current liabilities |  14,971  |  14,221  |  14,221  |
| Noncurrent liabilities |  |  |  |
| Small business loan |  1,797,022  |  1,794,031  |  1,791,028  |
| Mortgage |  298,503  |  298,004  |  297,503  |
| Total noncurrent liabilities |  2,095,525  |  2,092,035  |  2,088,531  |
| Total liabilities |  2,110,496  |  2,106,256  |  2,102,752  |
|  |  |  |  |
| Shareholders' Equity  |  |  |  |
| Common stock  |  50,000  |  50,000  |  50,000  |
| APIC  |  -  |  -  |  -  |
| RE |  (2,132) |  1,640  |  5,426  |
| Total shareholders' equity  |  47,868  |  51,640  |  55,426  |
|  |  |  |  |
| Total liabilities and shareholders' equity  |  2,158,364  |  2,157,896  |  2,158,178  |
|  |  |  |  |
| Excess funds available | 65,187  | 52,705 | 40,484 |
|  |  |  |  |



|  |
| --- |
| Willow Ridge Apartments |
| Pro Forma Statement of Cash Flows |
|  |
|  | 2020 | 2021 | 2022 |
| Cash flows from operating activities: |  |  |  |
| Net income |  (2,132) |  23,772  |  23,786  |
| Add: depreciation expense |  35,491  |  35,491  |  35,491  |
| Add: cash from security deposits payable |  2,750  |  (750) |  -  |
| Add: small business loan (current) |  10,628  |  10,628  |  10,628  |
| Add: mortgage (current) |  1,593  |  1,593  |  1,593  |
| Less: rent receivable increase  |  563  |  131  |  -  |
| Total cash from operating activities |  48,893  |  70,865  |  71,498  |
|  |  |  |  |
| Cash flows from investing activities: |  |  |  |
| Purchase of marketable securities |  (188,494) |  (38,000) |  (30,000) |
| Purchase of land |  (299,000) |  -  |  -  |
| Purchase of buildings |  (1,420,000) |  -  |  -  |
| Purchase of appliances and fixtures  | (115,983) |  -  |  -  |
| Purchase of land improvements |  (99,308) |  -  |  -  |
| Purchase of office equipment |  (2,200) |  -  |  -  |
| Total cash from investing activities |  (2,124,985) | (38,000) | (30,000) |
|  |  |  |  |
| Cash flows from financing activities: |  |  |  |
| Sale of common stock  |  50,000  |  |  |
| Dividends paid |  -  |  (20,000) |  (20,000) |
| Cash received from small business loan |  1,800,000  |  -  |  -  |
| Payment of small business loan |  (2,978) |  (2,991) |  (3,003) |
| Cash received from mortgage |  299,000  |  |  |
| Payment of mortgage |  (497) |  (499) |  (501) |
| Total cash from financing |  2,145,525  |  (23,490) |  (23,504) |
|  |  |  |  |
| Total cash flows | 69,433  | 78,807 | 96,801 |
|  |  |  |  |
| Ending cash balance |  69,433  |  78,807  |  96,801  |
| Beginning cash balance |  -  |  69,433  |  78,807  |
| Total cash flows |  69,433  | 9,375  | 17,994  |

**Ratio Analysis**

|  |
| --- |
| **Liquidity Ratios** |
|  | **Willow Ridge** |
| **Ratio** | **2020** | **2021** | **2022** |
| Current ratio | 4.92 | 5.85 | 7.11 |
| Working capital | 58,712 | 68,967 | 86,961 |

During the first years of operations, very high liquidity will be maintained as a safety net. There is very little current debt, which makes this feasible for Willow Ridge. After three years of operations, more current assets will be used to finance debt and improve the buildings and/or land improvements.

|  |
| --- |
| **Profitability Ratios** |
|  | **Willow Ridge** |
| **Ratio** | **2020** | **2021** | **2022** |
| Operating profit margin | 6% | 23% | 23% |
| Net profit margin | -2% | 17% | 17% |
| Return on assets | -0.09% | 1.02% | 1.00% |
| Return on equity | -0.10 | 46.03% | 42.91% |

Willow Ridge has a strong operating margin, net profit margin, and return on equity. Operating margin and net profit margin increase significantly after 2020 because revenues are anticipated to increase, but expenses are not expected to rise as much as revenues. Monthly rent may be decreased in the future to obtain a net profit margin closer to 15%. This will support our goal of providing affordable housing and provide shareholders with satisfactory returns. Return on equity is especially high because the shareholders only invested a total of $50,000. Return on equity may also decrease in the future due to a reduction of monthly rent. Return on assets is low due to the large amount of property, plant, and equipment, but not because of low sales. Return on assets is not expected to change significantly in the short run.

|  |
| --- |
| **Debt Ratios** |
|  | **Willow Ridge** |
| **Ratio** | **2020** | **2021** | **2022** |
| Debt to total assets | 108% | 111% | 113% |
| Times interest earned | 0.76 | 3.72 | 3.73 |

Debt to total assets indicates that there is more total debt than total assets in the company. It increases each year because depreciation expense is greater than debt payments. This means that the book value of total assets is decreasing faster than debt is being paid. This ratio will improve after five years of operations when marketable securities are sold to finance debt, and more current assets are being used to pay loans. Times interest earned is desirable in 2021 and 2022. It is lower in 2020 due to less revenues.

|  |
| --- |
| **Asset Activity Ratios** |
|  | **Willow Ridge** |
| **Ratio** | **2020** | **2021** | **2022** |
| Total asset turnover | 5.07% | 6.29% | 6.17% |



Total asset turnover shows that sales were only five to six percent of total assets. This is partially because of the large book value for buildings, which are over half of the total assets. This metric is not likely to vary as much as other ratios because total assets and revenue are expected to remain relatively constant.

**Breakeven Analysis**

Breakeven Point Formula

$$Q\_{b.c.}=\frac{FC}{p-vc}$$

$$Q\_{b.c. }=quantity unit sales break even level$$

$$FC=total fixed costs$$

* Includes
	+ Supplies expense- This does not vary with the number of occupied units. They may vary in the long-run if more employees are hired, but for the sake of the first three years of operating, they will be classified as a fixed expense.
	+ Permits and licenses expense- This does not vary with occupied units either. It will change after 2020, but not materially.
	+ Advertising expense
	+ Depreciation expense
	+ Interest expense- small business loan
	+ Interest expense- mortgage
* \*The difference in fixed expenses in 2020 represents the change in licenses and permits expense. It does not represent a material difference.

$$p=sales price per unit$$

* An average will be used for sales price per unit.
* Rent revenue [(850+800)/2] x 12 months = $9,900
* Pet revenue $50 per month x 50% x 12 months = $300
* Total average price per unit = $9,900 + $300 = $10,200

$$vc=variable cost per unit$$

* Maintenance expense varies with the number of units occupied.
* Utilities expense is calculated based on revenue; therefore, it will be classified as a variable expense.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Year** | **FC** | **p** | **VC (total)** | **# of Units** | **vc (per unit)** | **Breakeven Units** |
| 2020 | 87,886\* | 10,200 | 18,528 | 11 | 1,684 | 10 units |
| 2021 | 87,449 | 10,200 | 23,520 | 14 | 1,680 | 10 units |
| 2022 | 87,449 | 10,200 | 23,520 | 14 | 1,680 | 10 units |

Willow Ridge must keep at least ten units occupied and 50% of units paying pet fee revenue to break even.



|  |
| --- |
| Appendix AAppliances and Fixtures**Appliances and Fixtures\***  |
| **Kitchen**  |
|  |  | Price per Unit | Number of Units |  Subtotal Before Tax  | Total After Sales Tax\*\* |
| Appliances |  |  |  |  |  |
|  | Microwaves  |  159.00  |  per unit  |  16  |  2,544  |  2,709  |
|  | Refrigerators |  413.00  |  per unit  |  16  |  6,608  |  7,038  |
|  | Ranges |  399.00  |  per unit  |  16  |  6,384  |  6,799  |
|  | Dishwashers |  269.00  |  per unit  |  16  |  4,304  |  4,584  |
| Lighting  |  9.96  |  per unit  |  64  |  637  |  679  |
| Light switches  |  0.68  |  per unit  |  16  |  11  |  12  |
| Light switch covers |  0.57  |  per unit  |  16  |  9  |  10  |
| Countertops  |  102.00  |  per unit  |  16  |  1,632  |  1,738  |
| Sinks |  59.95  |  per unit  |  16  |  959  |  1,022  |
| Faucets  |  34.76  |  per unit  |  16  |  556  |  592  |
| Cabinetry  |  |  |  |  |  -  |
|  | Wall cabinets |  103.50  |  per unit  |  32  |  3,312  |  3,527  |
|  | Sink base cabinet |  172.50  |  per unit  |  16  |  2,760  |  2,939  |
|  | Corner base cabinet |  180.00  |  per unit  |  16  |  2,880  |  3,067  |
|  | Hardware |  0.98  |  per unit  |  128  |  125  |  134  |
|  | Total  |  |  |  |  32,722  |  34,849  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  **Bathroom**  |
|  |  |  Price per Unit  |  Number of Units  | Subtotal Before Tax | Total After Sales Tax |
| Vanities  |  329.00  |  per unit  |  24  |  7,896  |  8,409  |
| Vanity tops |  149.00  |  per unit  |  24  |  3,576  |  3,808 C:\Users\REF.COFO.099\Downloads\20181127_174646.png |
| Mirrors |  59.00  |  per unit  |  24  |  1,416  |  1,508  |
| Toilets |  109.00  |  per unit  |  24  |  2,616  |  2,786  |
| Showers  |  399.00  |  per unit  |  24  |  9,576  |  10,198  |
| Shower heads |  38.48  |  per unit  |  24  |  924  |  984  |
| Lighting  |  9.96  |  per unit  |  48  |  478  |  509  |
| Light switches  |  0.57  |  per unit  |  24  |  14  |  15  |
| Light switch covers |  0.68  |  per unit  |  24  |  16  |  17  |
| Doors |  70.01  |  per unit  |  24  |  1,680  |  1,789  |
| Door knobs |  11.49  |  per unit  |  48  |  552  |  587  |
|  | Total  |  |  |  |  28,743  |  30,612  |
|  |  |  |  |  |  |  |
| **Living Area**  |
|  |  |  Price per Unit  |  Number of Units  | Subtotal Before Tax | Total After Sales Tax |
| Exterior doors |  79.98  | per unit |  16  |  1,280  |  1,363  |
| Interior door knob |  11.49  |  per unit  |  16  |  184  |  196  |
| Exterior door knob  |  18.97  |  per unit  |  16  |  304  |  323  |
| Windows  |  82.00  | per unit |  32  |  2,624  |  2,795  |
| Lighting |  9.96  |  per unit  |  64  |  637  |  679  |
|  | Total  |  |  |  |  5,028  |  5,355  |
|  |  |  |  |  |  |  |
| **Bedroom** |
|  |  |  Price per Unit  |  Number of Units  | Subtotal Before Tax | Total After Sales Tax |
| Door  |  70.01  |  per unit  |  32  |  2,240  |  2,386  |
| Door knobs |  11.49  |  per unit  |  64  |  735  |  783  |
| Windows  |  82.00  | per unit |  32  |  2,624  |  2,795  |
| Closet doors |  70.01  | per unit |  32  |  2,240  |  2,386  |
| Lighting  |  9.96  | per unit |  128  |  1,275  |  1,358 C:\Users\REF.COFO.099\Downloads\20181127_174646.png |
| Closet lighting |  9.96  | per unit |  64  |  637  |  679  |
| Light switch covers |  0.57  | per unit |  32  |  18  |  19  |
| Light switches  |  0.68  | per unit |  32  |  22  |  23  |
|  | Total  |  |  |  |  9,792  |  10,429  |
|  |  |  |  |  |  |  |
| **Miscellaneous** |
|  |  |  Price per Unit  |  Number of Units  | Subtotal Before Tax | Total After Sales Tax |
| Paint |  10.98  | gallon  | 150 |  1,647  |  1,754  |
| Baseboard molding |  7.96  | 8 feet | 95 |  756  |  805  |
| Mail kiosk 33 |  1,059.00  | per unit |  1  |  1,059  |  1,128  |
| Washer  |  429.00  | per unit |  16  |  6,864  |  7,310  |
| Dryer |  399.00  | per unit |  16  |  6,384  |  6,799  |
| Flooring  |  0.98  | ft2 |  16,232  |  15,907.36  |  16,941  |
|  | Total  |  |  |  |  |  34,738  |
|  |  |  |  |  |  |  |
| **Total for all appliances and fixtures** |  |  |  **115,983**  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| \*Willow Ridge consists of two buildings with four two bed, two bath units that are 1,150 square feet each. There will also be four buildings that consist of two two-bed, one bath units that are 879 square feet each. In total, the apartment complex has 32 bedrooms, 24 bathrooms, and is 16,232 square feet. There is a total 16 units.  |
| \*\* The sales tax rate is 6.5%.  |  |  |  |  |

Appendix B

Target Market Analysis

|  |  |  |
| --- | --- | --- |
| Number of Household Members per Apartment |  |  |
|  | All Apartments | New Apartments (Built 1990-2016) |
| 1 | 49% | 48% |
| 2 | 28% | 29% |
| 3 | 12% | 12% |
| 4+ | 12% | 11% |
| Mean  |                      2  |                                            2  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
| Household Income |  |  |
|  | All Apartments | New Apartments (Built 1990- 2016) |
| <20,000 | 31% | 26% |
| 20,000-34,999 | 20% | 18% |
| 35,000-49,999 | 15% | 15% |
| 50,000-74,999 | 16% | 17% |
| >75,000 | 20% | 24% |
| Mean income |              50,429  |                                    57,967  |
| Median income |              34,661  |                                    40,304  |

Appendix C

|  |
| --- |
| Operating Expenses Per Unit Garden Apartments |
|  |
| Taxes | 31% |
| Salaries and Personnel | 26% |
| Repair and Maintenance | 9% |
| Management Fees | 7% |
| Contract Services | 7% |
| Utilities | 7% |
| Administration | 5% |
| Insurances | 5% |
| Marketing | 3% |

Industry Financials

|  |
| --- |
| Rental and Leasing Industry Growth Rates  |
|   | 2 Q | 1 Q | 4 Q | 3 Q | 2 Q |
|   | 2018 | 2018 | FY 2017 | 2017 | 2017 |
| Quick Ratio (TTM) |  0.45  |  0.51  |  0.48  |  0.46  |  0.47  |
| Working Capital Ratio (TTM) |  1.73  |  1.64  |  3.81  |  1.66  |  1.69  |
| Working Capital Per Revenue (TTM) |  0.22  |  0.19  |  0.99  |  0.19  |  0.21  |
| Leverage Ratio (TTM) |  3.44  |  3.42  |  3.59  |  3.90  |  3.78  |
| Total Debt to Equity (TTM) |  0.04  |  0.05  |  0.05  |  0.07  |  0.09  |
| Interest Coverage (TTM) |  3.29  |  3.91  |  3.84  |  3.18  |  3.21  |
| Debt Coverage (TTM) |  9.48  |  7.65  |  5.05  |  6.15  |  5.01  |

Appendix D

Land Improvements

|  |
| --- |
| **Parking Lot and Sidewalk** |
|  | Price per Unit | Units  | Subtotal Before Tax | Total After Sales Tax |
| Light poles43 | 522 | 50 | 26,100 | 27,797 |
| Light heads 42 | 550 | 50 | 27,500 | 29,288 |
| Pavement44 | 1.25 | 19,658 | 24,573 | 26,170 |
| Striping45 | varies |  | 234 | 249 |
| Sidewalk44 | 5.00 | 2,968 | 14,840 | 15,805 |
| Total  |  |  |  | **99,308** |

The parking lot will be 19,658 square feet. There will be a 22 by 40-foot driveway, two 22-foot aisles, and two rows of 23 parking spaces, two of which will be handicap spaces. Light poles will be spaced 20 feet apart30.

Appendix E

Depreciation Schedule

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| Asset  | Beginning Book Value | Useful Life | Salvage Value\* | Annual Depreciation  |
| Building |  1,420,000  |  50  |  213,000  |  24,140  |
| Office equipment |  2,200  |  10  |  440  |  176  |
| Asphalt pavement |  26,170  |  25  |  -  |  1,047  |
| Parking striping |  249  |  5  |  -  |  50  |
| Sidewalk |  15,805  |  50  |  -  |  316  |
| Outdoor lighting- pole mounted  |  27,797  |  25  |  2,780  |  1,001  |
| Outdoor lighting - building mounted  |  29,288  |  10  |  2,929  |  2,636  |
| Mail kiosk |  1,128  |  10  |  169  |  96  |
| Flooring  |  16,941  |  20  |  -  |  847  |
| Bathroom vanities and mirrors  |  13,725  |  10  |  1,373  |  1,235  |
| Showers  |  10,198  |  20  |  -  |  510  |
| Toilets |  2,786  |  50  |  -  |  56  |
| Interior doors and door knobs |  7,931  |  15  |  793  |  476  |
| Kitchen cabinets and sinks |  11,281  |  20  |  2,256  |  451  |
| Dishwashers |  4,584  |  7  |  458  |  589  |
| Microwaves |  2,709  |  10  |  271  |  244  |
| Ranges |  6,799  |  15  |  680  |  408  |
| Refrigerators |  1,800,000  |  10  |  -  |  180,000  |
| Interior lighting |  4,000  |  15  |  -  |  267  |
| Exterior doors |  1,686  |  25  |  253  |  57  |
| Windows |  5,590  |  30  |  |  186  |
| Total depreciation expense |  |  |  |  214,788  |
|  |  |  |  |  |
| \*Salvage values were reasonably estimated and between 10% and 20% of the assets beginning book value.  |

Appendix H

Office Equipment

Two desks will be purchased from Best Buy for $84.00 each.49

Two chairs will be purchased from Best Buy for $54.00 each.50

Two desktop computers will be purchased from Best Buy for $830.00 each.51

One printer will be purchased from Best Buy for $130.00.52



The subtotal before sales tax for office equipment is $2,066.

Office equipment will cost a total of $2,200 after sales tax of 6.5%.

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