# Business Plan

# OWNER

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Project Location: 13325 Macadam Road S., Tukwila WA

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### Executive Summary

Cooke Riverside Properties, LLC. is a cottage housing development firm interested in bringing smaller, sustainable houses with a low carbon footprint to Tukwila and King County. Cooke Creek Meadows is our initial project at 13325 Macadam Road S., Tukwila WA. The project has City approval to develop a community of houses. The site plan for these homes will be designed for people enabling them to know and talk to their neighbors, have a scenic environment where wildlife and humans will live in a symbiotic relation, and the automobile will not be seen after being parked in the community.

The project includes two phases. Phase 1 is on 13325 Macadam Rd. We are building 9 houses while under review is a possible 10th home. Eight homes are 1500SF with one to two homes being 1000SF livable space, which includes both porch and decks, using a clustered concept. The auto is a tertiary part of the project set around the perimeter as basements to five of the houses. Free of cars and exhaust, residents will walk through the common area, having a water feature to control the rain water on-site, as it cascades over rockeries and ponds to the enhanced wetland and buffer below. The varied orientation of the homes provides solar exposure, views to the wetland, and dynamic smaller spaces between the homes for gardens and orchard. The primary focus is on the people and their quality of life using clean air, water and a carbon neutral environment. The secondary focus is establishing where people and wildlife can live. By setting aside areas for wildlife and allowing humans to live in close proximity, gives them the responsibility for maintaining the symbiosis.

Phase 2, which is the two adjacent parcels north of Phase 1, will need to be purchased and our cottage housing proposal will be required to participate in the Design Review Process under the Housing Ordinance to be selected. City officials have given me positive indications for Phase 2. This Phase is designed for 20 houses between 1000SF and 1500SF and one common house using the same criteria and objectives of Phase 1. Important aspects of this phase are that it ties up the wetland to be enhanced and continuous for future generations. Lastly this underdeveloped property is improved and completes the development of the area along Macadam Road and also along 133rd.

These houses will bring Tukwila into the new era of housing. Where houses will be built green and sustainable, people will move about freely and live safely, the houses are no longer cookie cutter shaped and look exactly the same, and the trade-off between higher density living and reducing the carbon impact on society is imagined. We are targeting this community to small family households, empty nesters, and 30-60 year old professionals**.** Our analysis indicates this target group benefits the most because these smaller houses are not advantageous to large families; they are valuable to professionals since its proximity to downtown Seattle, other large metropolitan areas and access points; Empty-nesters because the livable space is more utilitarian and close to urban amenities; small families because the clustered concept promotes security, and its proximity to amenities such as large Community Center and major bike trail.

Initial funds needed to launch this project are a minimum of $100,000 for a down payment on the adjacent parcels. To begin construction we will need $2.51 million. This money will provide the necessary capital to pay for development costs ($50,000), install utilities and infrastructure ($100,000), excavate and move soils ($100,000), build foundations and houses (@150SF $2,000,000), management fees ($100,000), landscaping and enhancing the wetland ($40,000) to be a jewel the residences and community can enjoy, and contingency (10% $220,000). As Phase 1 finishes and houses sold with potential gross revenue of 4.7 million dollar less COP ($2,510,000), less real estate selling costs ($230,000), less interest ($200,000) yields net profit of $1,760,000 we turn our attention to building on Phase 2. These gross construction costs may very well be realized to be a reduced amount as houses are completed and sold replenishing the reserves to build new houses.

### General Company Description

The principleactivity of the business will be to develop the Property at 13325 Macadam Road, Tukwila WA 98168 into 9 clustered housing lots. There is a second stage that is to acquire and develop the adjacent two parcels to the North of said property. The property as it exists has one house valued at $150K on .50 acres of land Valued at $200K and another unencumbered lot of .60 acres valued at $200K for a total of 1.1 acres with tremendous potential. Cooke Riverside Properties have been given the opportunity by the City of Tukwila to build a clustered housing development of 8 Compact houses 1500SF and 1 Cottage house at 1000SF. An important character of the project is to enhance the wetland area and its buffer turning it into a jewel attracting people and wildlife to the area. The primary reason the project was selected is we were able to increase density, develop a livable community and maintain a large open space.

**Mission Statement**:

Cooke Creek Meadows is an Urbanesque Cottage Community dedicated to Living Green that will grow and evolve with time to meet the changing needs, opportunities and personalities that contribute to its future.

**Goals and Objectives:**

Project goals: To develop a community having good air and water quality inside the houses and outside in the common areas, and promotes livability and sustainability. To be the most sought after community to live in South King County, and raising the standards for future Clustered Housing developments in Tukwila.

The objective is to raise the level of housing inventory in the City of Tukwila. Sell the houses within one and a half years after building the first house. To increase awareness of Cooke Creek Meadows we plan to use the media and other interested parties of this unique high density housing development which maintains a large open space and a quality sustainable neighborhood.

**Business Philosophy**:

Cooke Properties philosophy is to make this community a place to seek refuge from the daily stress that life brings. By enhancing the wetland area, building sustainable houses with a low carbon footprint using passive solar heat, passive cooling and ventilation will provide a quality of life that will impact life and personalities into the future. I modeled this clustered housing environment from my experience living on Houseboats.

**To whom will you market your products?**

Cooke Properties envision selling to the upscale housing market for singles, couples, small families, empty nesters, and urban professionals who want to downsize to smaller high end domicile. The houses will be designed using Green construction practices, thus reducing the energy load and utility costs and low carbon footprint. The range of ages of target group is 30 to 60 year old.

**Describe your industry**.

Presently**,** Tukwila does not have any cottage or clustered type housing. This would be the first in Tukwila a city 20 minutes from Seattle, the largest city in Washington State, 5 minutes from the largest Mall, 2 minutes to a large walking/biking path (Interurban Bike Path), 5 minutes to Light Rail station between Seattle and the airport, 2 minutes to the Duwamish River, 10 minutes to the Aviation High School, and 3 minutes to a large Tukwila Community Center. There is a growing need for smaller housing on smaller lots with greater responsibility for landscape care done by contracting agency and close sense of community.

**Describe your most important company strengths and core competencies.**

Thecompany’s core competencies are having sound project management skills developed through the UW PM Certificate program, years of contracting for consumers for painting and general contracting services, inventing, designing, developing and marketing the Pow’r Load’r playground toy for national distribution, and Project Management activities on the largest public works project ever done by the Seattle Parks Department. These skills and proficiencies make this project a match for my strengths. My knowledge base provides me with a good background for negotiating and finding the capable people to bring this project to a successful conclusion. A primary example is the wetland mitigation. I initially didn’t believe the city’s demarcation of a type 2 wetland. I interviewed several consultants negotiating a staged contract with Adolfson and Associates. The finding determined that it is a stage three wetland by enhancing the buffer thus reducing the wetland and buffer allowing the project to proceed as planned. The caveat to my recent activities is negotiating a quiet title with the City to add the never used right-of-way to my property description, adding 9000 SF to the project for the sum of $450.00

**The company** will succeed because of the core group of consultants, the project team, are a strategic factor that aid in the development of the project. The project team consists of:

Todd Smith (project manager),

Chandler Stever (principle architect),

Calvin Smith (business analyst),

Don Nelson (excavation and utilities expert).

I own the property, the existing house will be rented until the building stage commences, limiting my financial exposure. The housing market in the Seattle-Tukwila area is showing signs of growth. Nationally housing prices are down 22% while here they have grown 11%. The baby boom market is nearing the time when a big house is too much to care for, children have moved out, and assisted living is unnecessary or not an option. Finally the light rail between Seattle and SeaTac Airport is nearby allowing homeowners access to downtown and air travel providing convenient living without the use of an auto.

**Competitive strengths:**  I have considerable training in this arena of managing projects. I can negotiate contracts, my considerable knowledge of building practices will provide and advantage when dealing with outside contractors. My background in building trades make this venture ideally suited for a successful outcome.

**Legal form of ownership:** We have selected **Limited liability Corporation** (LLC) as the form of ownership chosen because this allows Cooke Riverside Properties to be separate and distinct from my personal property. Most projects of this sort are LLC. The houses legal description will be based on fee simple lots with large common are owned jointly.

### Products and Services

My product is sub-dividing the property into build-able lots for sale or contracting the building of 9 cottage/clustered houses. I chose this avenue because Tukwila in 2005 passed an ordinance allowing for cottage housing or smaller houses on smaller lots, which expires in October 2008. Presently in Tukwila the minimum size for Single family lots is 6500 square feet. However, the ordinance allows for two 1000 sq. ft. houses on the same lot size. A regular buildable lot sells for $200K whereas, 2 cottage lots sell for $350K.

Subdividing the property for cottages as opposed to regular houses will require more meetings, and bureaucratrequirements to accomplish the development. More importantly the Tukwila ordinance allows us to count the wetland in our calculation to determine the number of housing units we can build. Thus the wetland isn’t a detriment but a significant part of the process.

My advantages are that very few Cottage communities have been built in South King County and none in Tukwila, while two other have been approved. The advantages are the same as the greatest risk, will high end cottage houses sell in this area The demographic analysis supports that homeowners 30-60 YO, given the choice to live in a condominium or cottage housing, choose similar smaller housing with more space than a condominium. Furthermore, like houseboats on Lake Union, a rare commodity, continue to increase in value whereas the King County housing market is cyclical. Like houseboat living Cottages provide low maintenance, high end or distinctive architectural design, and a community where you meet your neighbors on a daily or weekly basis. This is very different than regular housing where you have roads and driveway that put barriers between people.

We have arduously maintained a large common area for all the residents to enjoy. This landscaped area will be professionally maintained using funds as part of the development agreement to reduce the maintenance activities of the owners. There will be a walking area in back while the houses will be highly energy efficient providing state of the art design for house of 1000 to 1500 square feet. Important point is the City has determined the criteria for determining the size of the houses. However, we have the latitude to subjectively use these criteria. The base pricing of the houses will start at 467K before amenities are included in the value of the house. This value can range up to 600K depending on the view and amenities that are included in the house.

### Marketing Plan

##### Economics

Facts about your industry:

* The size of the market we are targeting is King County, Washington
* Current demand in target market is high
* What barriers to entry do you face in entering this market with your new company**?**
  + High capital costs: Mitigating with personal loan and construction loan with 1 or 2 limited partners.
  + High production costs: Prep. Work will either be coordinated by me or doing a substantial portion of the work during the utility stage. Other needed services will be contracted out getting 3 contracting estimates to keep the quality up and costs down using my network resources to get quality people to participate.
  + High marketing costs: Marketing costs will be done via the internet and possibly or probably real estate agency. I will try to get the local newspapers to do an article. In fact we have been approach by the Seattle Times to do a 4 article expose on our project.
  + Some technologies that are under used but are a huge asset to our housing are passive solar heating, passive cooling and ventilation, solar assisted tank-less water and zone heating, and under evaluation possibly some houses will have solar Photovoltaic panels for electricity.
  + The ordinance requires that each compact house has parking for at least 2 cars and for each cottage house there must be at least parking for 1.5 cars.
  + The fire code requires a fire access turnaround.
  + **Land or Road mitigation:** Discovering in 2006 that my property has a right of way for a city road 20’x400’ adjoining the property. When the area was first plated in 1903 a road was proposed 134th street. King County did nothing with the property nor has Tukwila. To gain title and have Tukwila vacate the right-of-way or easement. I will need the assistance of a land attorney and file a petition with the city. Thus through a legal process called Quiet Title I gain title to this property. An important feature in the plan is maximizing total square feet. I had 39000+ sq. ft., including the right-of-way increases the total to 47000+. Private driveway and parking is about 6000 sq. ft., leaving 41000 sq. ft. enough for 9-10 cottage houses clustered together leaving the wetland area and large promenade as common property.
  + **Wetland or environmental issues:** Hiring Adolfson & Assoc. to do a biological analysis to determine were the wetland exists and if so what type. Define where it is, draw it on the topological survey, and develop a mitigation plan to reduce exposure of the development, and to include a landscape architectural plan to enhance this area.
* These barriers will be overcome by…
  + The parking situation will be overcome by installing garages that are under the houses which will fit 2 cars and overflow parking will be installed at the south side of the driveway.
  + In accordance to the fire code rather than destroying the project by installing a turnaround a sprinkler system will be installed which will act as a 24/7 fireman which was approved by the fire marshal.
  + The right of way barrier was satisfied by Quiet Title litigation with the city and the city withdrew its claim to the right of way.
  + Through Adolfson & Assoc. we reduce the size of the wetland to a type III wetland. Through a mitigation process we reduced the buffer to 25 feet. **[See Appendices]**
* How could the following affect your company?
  + **Change in government regulations:** We received preliminary approval for our project March 2008. We have oneyear to secure financing and Short Plat Description.The Cottage Housing Ordinance allows one year securing approval to install utilities from preliminary approval date or March 2009. Our wetlands analysis, mitigation plans, survey and application will be filed prior to September 2008. Our goal is to secure Short Plat authorization by November 2008. Also considering that Cooke Creek Meadows will be using alternative energy if the government does decide to use alternative energy it will benefit those that live here.
  + **Change in the economy:** I amsomewhat insulated from the economy at large. There is a promising up side because of the relatively limited supply in King County for small well detailed houses built as a community which causes for high demand for this type of housing. Worst case scenario the local economy goes in the tank, I Short Plat the land sell the property or wait 1 year under the ordinance to allow the economy to improve. The land value would probably hold steady it would unlikely reduce in value. The house would continue to provide income. I would lose opportunity costs but it would not cancel the project. If the local economy goes up which is more likely since Boeing is number 1 in aircraft sales and Microsoft continuing its market dominance is also doing very well. Microsoft is planning to hire more employees and expand their office presence. Boeing stock continues to go up in value while MS remain static while neither has seen pressure to reduce value. The State of Washington has a $1.9 billion surplus and one of the lowest unemployment rates in the country. Most of the local economic barometers are moving in a positive direction.

##### Product

Features and Benefits: See Table 1 work sheet

##### Customers

Identify your targeted customers, their characteristics, and their geographic locations, otherwise known as their demographics.

* Age: **30-60 YO**
* Children: **0-1**
* Married status: **Married or Single**
* Gender: **Male and Female**
* Location: **Tukwila/King County**
* Income level: $**60000 + annual**
* Social class and occupation: **Middle and upper middle class, occupations range from retired to skilled trades and profession.**
* Education: **K-12 and College**

For business customers, the demographic factors might be:

* Industry (or portion of an industry): **Large firm like Boeing, Paccar, Microsoft with transient high level employees.**
* Location: **King County** 20 minutes to employer site
* Size of firm: **Large corporation** possibly Fortune 500
* Quality, technology, and price preferences: **The residence makes a statement** to the employee concerning the firm.
* Other (specific to your industry): The Corp. purchase residence for staff on short term assignment, 1 to 3 years. When they leave another staff member takes their place. Similar to a residence hotel.

##### Competition

My competition is land & housing developers who are competing for similar customers in King County or Tukwila. The competition for customers is based on price, quality, and needs of the customer. Cooke Properties is small operating on very little overhead. This increases our competitive advantage and ability to change quickly to market demands. Cottage housing is a niche market similar to condominiums. The idea is relatively new in South King County. The number of new sites is growing. Oddly a well designed Cottage neighborhood commands a higher value because the demands seem to be greater than for single family homes. Interviewing residents in other cottage communities I discovered their willingness to pay more for an architectural distinctive home where a community of neighbors provides safety and communal benefits.

**List your major competitors:**

Sundial Properties, 11544 Riviera Place NE, Seattle WA 98125, Ph425-251-6222

Rehabitat Northwest, 3601 W. Marginal Way SW, Seattle, WA 98106, Ph206.932.7355

Will they compete with you across the board, or just for certain products, certain customers, or in certain locations? I don’t believe we represent the same markets. Our Architectural style, innovative concepts, and energy awareness to solar as well as passive design places us in a group that others will hopefully need to play catch-up.

Will you have important indirect competitors? Yes, many because there are other builders and housing developers that play a role in the local market. Our approach is that they will set the basis price and standards while we will exceed those standards with style and community design attracting people who want the creature comforts of living among neighbors with similar values.

Table 2: Competitive Analysis

| Factor | Cooke Riverside Prop. | Strength | Weakness | Rehabitat Group | Sundial Properties | Importance to Customer |
| --- | --- | --- | --- | --- | --- | --- |
| House Designs | Not cookie cutter style housing but original designs | X |  | unknown | Lack of originality in the design | 1 |
| Price | Above Average |  | X | Average | Above Average | 2 |
| Quality | Green and High quality material | X |  | Green | Green | 1 |
| Open Space Design Community | 60% open space | X |  | 40% | 30% limited | 2 |
| Community Features | Water feature, enhanced wetlands and paths to the creek | X |  | unknown | Community trail to the Duwamish river | 2 |
| Company Reputation | Relatively unknown and newly formed |  | X | Well Known and considerable experience | Architect has won awards | 2.5 |
| Location | Proximity to work and play and freeways | X |  | Good location but slightly farther than the other two projects | Same as Cooke | 1 |
| Appearance | Distinctive and above average | X |  | Mediocre houses | Above average houses | 3 |
| Sales Method | Use green built Realty | X |  | Unknown realtor | Unknown realtor | 4 |
| Advertising | Magazine, newspaper, online and word of mouth |  | X | Strong representation due to higher budget | Same as Rehabitat | 4 |
| Image | Local company with public interest | X |  | 20 year old company | Find out | 3 |
| Energy Efficiency | MBA, 5 Star | X |  | MBA 3-4 star | MBA 3-4 star | 1 |

Cooke Riverside Properties LLC., is a small company when compared to the other groups is a disadvantage however, because it is a small company it has a strategic advantage over its competitors in that the core group is highly competent and capable allowing the group to be more nimble and dynamic. We use this to be the first group to begin the process applying for short plat acceptance. The other groups had a head start and more experience however we are the first to start the process. Cooke Creek Meadows site plan is innovative and imaginative by taking advantage of the natural beauty and contours of the land by giving every home a view private space and a feeling of community. Our primary weakness is that we have little recognition in the field of building clustered homes. However, we have the capability of hiring a builder with the necessary experience and name recognition to complete the project.

##### Niche-

A green built community where people can live in a safe and enjoyable environment while still being ecologically friendly. By continually being on top of the competition we can stay ahead with a new age approach to an industry that is reticent to innovate. Using this approach, building a communal space so that people interact rather than living in their separate space, we feature a lower carbon footprint benefiting to society, and a sense of community which benefits the individual. We will have a strategic advantage in this market.

##### Strategy Promotion

In order to get the word out on Cooke Riverside the company will use newspaper publications, real estate agents, magazines, internet website we will accomplish this task.

**Advertising:**

Magazines will be used because we will tailor it to our niche market. It will be advertised monthly. Use magazines because they specifically get at our specified target market.

Newspaper ads, will be used because it reaches a vast market. It will be advertised bi-weekly. The use of a newspaper is useful because it advertises to wide variety of people including our target market.

Our low-cost methods to get coverage of the property include:

The Seattle Times has shown interest in doing a four part expose on our project.

Our website [www.cottagesnw.com](http://www.cottagesnw.com) will inform and present our project in a favorable position at a low cost.

Other low cost methods will be word of mouth, our network of friends and professionals will create interest.

The image we are presenting is a new age eco-friendly company. This says we build with style, build with economy, and ecology which will transcend into a livable and sustainable community.

##### Promotional Budget

Our promotional plan we budgeted spending a total of $30K Before we get the project built we plan on spending $5K. Much if not all the advertising will come from the realty group hired to sell the houses.

While the project is going we expect promotional expenses to increase to $20K.

##### Pricing

Our pricing will be determined based on certain variables/amenities that are deemed relevant to the base pricing of the house. The variables that are relevant are determined by a multiple regression analysis that comes up with a price taking into consideration these variables. Furthermore, to determine a relevant Basis Price we collected data from 400 houses in the King county area. The variables used were acres, crime rate, 2 car attached garage, square feet, 2 miles within a freeway, 5 miles within a mall, 2 miles within a school, if it is near a school in the top 25% of the state, year of the house was post 1960, waterfront, view of the city, view of the water, territorial view, mountain view, and view of the golf course. In the end the base price of a 1500 square foot house would be $476K.The amenities of each house and the community will add value and increase the Basis Price between $75K-135K.

The amenities include recycled glass or granite counter tops, above average cabinetry, inside/outside relations, 10ft double hung French doors, large porch and decks, bay windows, passive solar heat, passive ventilation and cooling, many high-end windows, energy star lighting and appliances, solar assisted tank-less water heater, homeowner association to care for large common area, theatre room and very possibly 3 Kilowatts of Photovoltaic roof panels.

**[See** **Appendices]** Market Analysis, Lot Pricing Summary, Profit and Loss Projection 3 Year, Cash Flow Statement 3 year, Startup Expenses, Breakeven Point Analysis

**The pricing strategy follows the competitive analysis.**

Compared to other houses in the area **we** are higher than standard single family homes, but we plan to be lower than other clustered community development because our production and management costs are lower. The two other cottage housing projects in Tukwila are not part of our analysis because they have not been built and pricing has not been revealed.

Price is less an important element because there are other factors and benefits involved attracting customers. A few items are layout of the community, large open space, views, quality built houses with attention to detail, and the advantage of symbiosis nature and responsibility of the residents.

##### Distribution Channels

Our plan will be a multi-prong approach using our own people for sales and using the internet to drive interest and inform customers, real estate listing, magazines and newspapers.

Agents: The Built Green Realty Group has shown interest.

Bid on contracts: This would be done through pre-sales using our sales force or an agent. One buyer has shown a great deal of interest in House #2 and willing to purchase when subdivision and permitting is complete.

##### Sales Forecast:

**Best case scenario** based on local real estate information gleaned by agents and newspapers is that the houses would sell 1.2 per month after the first house is completed August 2009. The last one would sell 15 months later.

**Worst case scenario** was recommended by Built Green Realtor would be 1/2 unit per month. The first house is completed in August 2009 and the last sells December 2010. All indication and analysis point to the fact that the need is greater than supply which indicates all the houses will sell prior to this time frame.

### Operational Plan

##### Location:

The Site is at 13325 Macadam Road S., Tukwila WA.

Short Plat will be completed and approved by February 2009. Excavation utilities and foundations will start spring/summer of 2009. The site completion date for the nine houses is estimated to be summer 2010. Power and utilities are at the site. All permits utilities, grading and excavation, and building will be secured prior to February 2009.

Our location is a feature that will increase accessibility to potential customers in our target market. The site is near 3 freeways and two main surface arterial that will makes finding this oasis much easier and strategic in this gas conscience environment. Our location is a strategic feature to customers wanting access to metropolitan areas, as well as social and recreational amenities.

##### Legal Environment

Describe the following:

* Licensing and bonding requirements: Since Cooke Riverside Properties will not be building there are no requirements. Permits: The utilities, excavation/grading, and building will be secured by February 2009
* Zoning or building code requirements: Any conditions set by the City of Tukwila will be resolved during the design review process. The City has shown a great deal of interest in bringing a different type of residence to their housing inventory. Furthermore, the Community Development Dept. has said the permitting process should be less than two months.
* Insurance coverage: Managing the project the only requirement is liability insurance, while it is important that during the contract stage the contractors indicate their insurance capacity.

##### Personnel

* Number of employees: Myself and one other. We will use consultants, professional services, and contractors to perform the work.
  + Todd Smith is CEO and Project Manager
  + Calvin Smith is the Business Analyst and Sales Consultant

##### Inventory

* The houses and lots are the inventory. The first will be ready to occupy summer of 2009 and one per month will be complete until all nine units are finished.

##### Credit Policies

* It is customary in this industry that credit will be provided by bank loans to the customer using the house and property as collateral, or cash.

Managing Your Accounts Payable

There will be contracts let for service and work to be performed on the project. Most if not all invoices will be net 30 days. Exceptions may occur on a case by case basis that may prolong payment.

### Management and Organization

##### Professional and Advisory Support

List the following:

* Board of directors: Todd Smith, CEO; Rieko Ohno-Smith, Vice President, Calvin Smith, Treasurer.
* Principal Project Manager: Todd Smith, BA Howard Univ., Cert. Project Management U of W, Principle Stake Holder
* Business Analyst: Calvin Smith, BS Economics, U of W, Asst, Project Manager
* Attorney: Gerald F. Robinson, PLLC
* Accountant: To be determined
* Insurance agent: Green Built Realty
* Banker: To be determined
* Consultant or consultants:
  + Chandler Stever, Principal Architect: BFA Rhode Island School of Design &B Architecture
  + Don Nelson Construction, excavation and utilities.
* Mentors and key advisors:
  + Pat Dadosio, BS Physics U of W, City of Seattle Project Manager;
  + Luca Marzola, BA U of Bologna, Italy, Comptroller for trading firm in Los Angeles.

### Personal Financial Statement

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| |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | **Personal Financial Statement of:** | | | | |  | |  |  |  | | Todd Smith and Rieko Ohno-Smith | | | | |  | |  |  |  | | **as of:** | |  | | |  | |  |  |  | | 7/1/2008 | |  | | |  | |  |  |  | |  | |  | | |  | |  |  |  | | **Assets** | | **Amount in Dollars** | | | | |  |  |  | | Cash - checking accounts | | 3000 | | |  | |  |  |  | | Cash - Money Market | | 130000 | | |  | |  |  |  | | Cash - savings accounts | | 1000 | | |  | |  |  |  | | Certificates of deposit | | 6500 | | |  | |  |  |  | | Securities - stocks / bonds / mutual funds: MS | | - | | |  | |  |  |  | | Notes & contracts receivable | | 12,000 | | |  | |  |  |  | | Life insurance (cash surrender value) | | - | | |  | |  |  |  | | Personal property (autos, jewelry, etc.) | | 45,000 | | |  | |  |  |  | | Retirement Funds (eg. IRAs, 401k) | | 60,000 | | |  | |  |  |  | | Real estate (market value) | | 850,000 | | |  | |  |  |  | | Other assets (Art) | | 5,000 | | |  | |  |  |  | | Other assets (Tools & Windows) | | 12,000 | | |  | |  |  |  | | **Total Assets** | | **$ 1,124,500** | | |  | |  |  |  | |  | |  | | |  | |  |  |  | | **Liabilities** | | **Amount in Dollars** | | | | |  |  |  | | Current Debt (Credit cards, Accounts) | | $ 1,520 | | |  | |  |  |  | | Notes payable (describe below) | | - | | |  | |  |  |  | | Taxes payable | | - | | |  | |  |  |  | | Real estate mortgages (describe) | | 470,000 | | |  | |  |  |  | | Other liabilities (specify) | | - | | |  | |  |  |  | | Other liabilities (specify) | | - | | |  | |  |  |  | | **Total Liabilities** | | **$ 471,520** | | |  | |  |  |  | |  | |  | | |  | |  |  |  | | **Net Worth** | | **$ 652,980** | | |  | |  |  |  | |  | |  | | |  | |  |  |  | |  | |  | | |  | |  |  |  | | **Signature:** | | **Date:** | | | 7/4/2008 | |  |  |  | |  | |  | | |  | |  |  |  | |  | |  | | |  | |  |  |  | | **Personal Finance Statement of:** | | | | |  | |  |  |  | | Todd Smith and Rieko Ohno-Smith | | | | |  | |  |  |  | |  | |  | | |  | |  |  |  | | **Details** | |  | | |  | |  |  |  | |  | |  | | |  | |  |  |  | | **1. ASSETS - Details** | |  | | |  | |  |  |  | |  | |  | | |  | |  |  |  | | ***Notes and Contracts held*** | |  | | |  | |  |  |  | | From Whom Owing | | Balance Owing | | | Original Amount | | Original Date | Monthly Payment | Maturity Date | | M. A. | | $ 12,000 | | | $ 15,000 | | 9/1/2007 | $ 600 | 4/1/2010 | | CD Washington Mutual | | 6,500 | | | 6000 | | 6/1/2004 | 6/1/2009 |  | |  | |  | | |  | |  |  |  | |  | |  | | |  | |  |  |  | | ***Securities: stocks / bonds / mutual funds*** | | | | |  | |  |  |  | | Name of Security | | Number of Shares | | | Cost | | Market Value | Date of Acquisition |  | | Microsoft | | 400 | | | $ 6,000 | | $ 12,000 | 2/1/1999 |  | |  | |  | | |  | |  |  |  | |  | |  | | |  | |  |  |  | | ***Real Estate*** | |  | | |  | |  |  |  | | Description / Location | | Market Value | | | Amount Owing | | Original Cost | Purchase Date |  | | 8129 Hudson Place | | $ 300,000 | | | $220,000 | | $ 115,000 | 7/1/1991 |  | | 13325A Macadam Rd | | 310,000 | | | 250,000 | | 120,000 | 9/1/1997 | Transfer to LLC | | 13325B Macadam Rd | | 250,000 | | | - | | 20,000 | 9/1/1997 | Transfer to LLC | |  | |  | | |  | |  |  |  | |  | |  | | |  | |  |  |  | | **2. LIABILITIES - Details** | |  | | |  | |  |  |  | |  | |  | | |  | |  |  |  | | ***Credit Card & Charge Card Debt*** | | | | |  | |  |  |  | | Name of Card / Creditor | | Amount Due | | |  | |  |  |  | | American Exp | | $ 1,000 | | |  | |  |  |  | | Capitol one Visa | | $ 20 | | |  | |  |  |  | | Watermark Visa | | 500 | | |  | |  |  |  | |  |  | |  |  | | | ***Mortgage / Real Estate Loans Payable*** | | | | |  | |  |  |  | | Name of Creditor | | Amount Owing | | | Original Amount | | Monthly Payment | Interest Rate | Secured by (Lien) | | Citi Bank Hudson Pl | | $ 220,000 | | | $ 220,000 | | $ 1,118 | 0.06% | yes | | Citi Bank Macadam Rd | | 250,000 | | | 250,000 | | 1,402 | 0.05% | Yes | |

### Refining the Plan

##### For Raising Capital

##### For Bankers

* Bankers want assurance of orderly repayment. If you intend using this plan to present to lenders, include:
  + Amount of loan:
    - Phase1: 2.5 million dollars
    - Phase 2: If it’s accepted the acquisition of 2 parcels to the North $750,000. Associated costs of $80,000 for Biological and Topographical Surveys, Architecture preliminary work to bring it to the community and city for authorization under the ordinance, and demolition of 3 houses on the site. Construction costs will be determined once the project is accepted.
  + How the funds will be used: To develop and build 9 homes. There are costs associated to professional services, municipals to permit the project, excavation and utility contracts, foundations for garages and buildings, building costs, landscaping, wetland enhancement, operational and management costs.
    - **See Appendices: Profit and Loss Projection for additional information.**
  + What this will accomplish—how will it make the business stronger? This activity provides the funds to develop the property and bring the designs and planning of the site to fruition.
    - Requested repayment terms (number of years to repay).
    - An element of this discussion is forming my own bank using investor money. They would receive a minimum amount (Money Market Rate plus .05%) for the balance remaining in the bank depository while draws on the account to pay for land or project expenses would receive 7.5%. As revenue from sale of houses or land is made they would be deposited to reduce the outstanding loan balance. As additional houses are built funds would again be drawn from the account and the process repeated. This process is coupled to a third party that approves the expenses are valid and project related.
    - Phase 1 terms: Payback period is 3 years for the principal and interest. If more time is necessary for either phase .05% point will be charged to extend the terms 6 months.
    - Phase 2 terms: 6 years will be necessary to pay back principal and interest. If more time is necessary for either phase .05% point will be charged to extend the terms 6 months.
  + Collateral offered, and a list of all existing liens against collateral:
    - Phase 1, Front property is .5 acre has a $250,000 loan of the property with 5 lots proposed. The back property to 13325 Macadam is .6 acres and unencumbered with proposed 4 lots associated with the property.
    - Phase 2 if accepted by the City will be backed by the encumbered property of Phase1 and a development loan on the 2 lots north of Phase1 that comprise Phase2 with a proposed additional 20 lots.

##### For Investors

* Investors have a different perspective. They are looking for dramatic growth, and they expect to share in the rewards:
  + Funds needed short-term: Phase 2; $120,000 for a down payment on the 2 parcels to the North. These funds would be secured by 2nd mortgage on the lots described in the short plat approval process for Phase 1. Each lot would have a market value of $150,000 with 1-2 lots having a market value of $120,000.
  + Funds needed in two to five years: $250,000 discretionary income to pay for professional services and interest payments on loans, and exaction and utility expense for Phase 1. These funds could be secured in the same manner or as part of the Bank with a separate account.
  + The main purpose of these funds would be to prove to a bank that the LLC has reserves to pay back the loan and interest until houses were built and sold creating a revenue source. Additionally these funds would jump start the acquisition of the 2 parcels and Phase 2. There are professional expenses, municipal expenses to permit the project, excavation and utility costs, and management costs.

Estimated return on investment: There are several strategies that determine the return on investment.

* **Option 1:** A minimum interest rate of 3% on the amount guaranteed while if the investor chooses to exit prior to the 3rd year or the lot sold. After 3 years or when the lot sold the investor would receive **20%** plus their investment. If the investor or the owner chose to continue, the funds would receive an additional 7% per year based on the principle investment plus the interest earned with the same liquidity backed by a Phase 2 lot. To ensure the security of the funds, the investment is backed by second mortgage on lot #9 or #10, last house to be built. In the event of legal action the investor would be entitled to principle + interest + legal fees if any. The process would only be allowed adjudication using a Court Administrator.
* **Option 2:** By secure a lot that is valued between 120K to 150K and investing 25% more than the value of the property. When the house is sold the investor would receive 35% interest plus their investment. Their investment would be secured with a second mortgage on a lot. Similar terms as option 1 but the risk and reward being higher.
* **Option 3:** The investor can invest the value of a property (120k-150K) which is secured by a second mortgage on a lot. In return they would receive their payment once Phase 1 is complete and also receive zero liquidity. The second mortgage would be transferred to another lot. The return on their investment would be 10% per annum or 25% whichever is higher.
* **Option 4**: An element of this discussion is forming my own bank using investor money. They would receive a minimum amount (Money Market Rate plus .05% for the balance remaining in the bank depository while draws on the account to pay for land or project expenses would receive 7.5%. As revenue from sale of houses or land is made they would be deposited to reduce the outstanding loan balance. As additional houses are built funds would again be drawn from the account and the process repeated. The terms are for Phase One 1.25 years to pay back the principal and interest while if Phase Two is accepted an addition 3.5 years is expected to pay back the funds. If more time is necessary .05% point will be charged to extend the terms 6 months.
* **Option 5:** A few investors may invest between $50-100K as a promissory note. The investment is unsecured except by the name of the company. The company uses the investment as discretionary funds or to help purchase the property for Phase 2. The investor will be paid at the end of the Phase 2. The terms are the investor receives double their investment after Phase 2 houses are 75% sold or the property is sold to a builder. Your security would be a lien against the property or the LLC which owns the property.  No back out clause (I will probably give you one but it will be three year minimum at .025%).  It is like a discount airfare.  If you want a back out clause with a fixed rate of return your risk/reward is reduced.
  + Exit strategy for investors: Their money would be tied up for 3 years, until Phase 1 is complete or the house sold. Percent of ownership that you will give up to investors. None, it would be offered much like preferred stock, which would be paid prior to equity distribution.
  + Financial reporting to be provided by third party.
  + Involvement of investors on the board or in management would be voluntary similar to a non-paid consultant.

### Appendices

1. Tukwila Demographics
2. Lot Pricing Analysis
3. Market Analysis House Pricing
4. Profit and Loss Projection 3 Year
5. Cash Flow Statement 3 year
6. Start Up Expenses
7. Breakeven Point Analysis
8. Articles
   1. The Newest Cottage Industry
   2. Building the Green Way
   3. Green Homes Sell Faster and Sell for more than Comparables
   4. America’s Increasingly Unaffordable Cities
9. Plans:
   1. Biological Mitigation Plan, ESA Adolfson and Assoc
   2. Geo Tech. Plan (Summary), GEO Group NW
10. Vicinity Maps
11. Bicycle Routes
12. Concept Designs
    1. Concept Site Plan, Chandler Stever Architect
       1. Color rendering, Outline, and Color Site Plan for Phase1 and 2
    2. Concept House Design, Chandler Stever Architect