

# Proposal for Investment

---

**Taylor Trail Apartments**

**92 Taylor Ave, Chatham**



**Colin Smith**

**(416) 995-1948**

[colin.smith@dunmarproperties.com](mailto:colin.smith@dunmarproperties.com)

[www.dunmarproperties.com](http://www.dunmarproperties.com)

# Proposal for Investment

---

## **Table of Contents**

Summary

General Description of Property

Property Management

General State of Repair

Repairs to be Completed after Purchase

Cash Flows, Current and Stabilized

General Description of the Corporation

Shares and Shareholders

Planning and Timelines

Our Team

## **Appendices:**

ICX Listing & Photos

Initial Cash Requirement Details

Refinance after Spring 2012

Cash Flows Current

Cash Flows Stabilized

Performance Analysis

Repair and Renovation Budget

Repair Quotes

# Proposal for Investment

---

**Summary:** This is an opportunity to become part-owner of a 12 unit multi-family property being purchased from CIBC Mortgage Inc. as mortgagee under power of sale. The purchase price is \$525,000 and closing is scheduled for 15 Sept 2011. Current area values show a retail price of \$55,000 per unit, for a total building value of \$660,000.

**General description of property:** Taylor Trail Apartments is a purpose-built multi-family property composed of twelve two-bedroom units. Situated at 92 Taylor Avenue, it is located within the central sector of the City of Chatham, in a quiet neighbourhood close to schools, shopping, parks and transit, and is one of several multi-family complexes located in the immediate area. Taylor Ave, recently widened, curbed and paved with extensive upgrades to water supply, sewer and storm drain systems, is a primary residential roadway. The building, constructed circa 1980, is in solid structural condition, being a 2 storey walk-up concrete structure built on slab. The property is fenced and features a paved driveway and ample paved parking area. The land area is approx. 0.37 acres, having a frontage of 63 feet and a depth of 255 feet.

**Property Management:** The property is currently professionally managed by Gus Morgan, a local Chatham businessman with 20 buildings under his care. Mr. Morgan has indicated that he would like to remain on as property manager after completion of sale.

**General state of repair:** The building is in excellent structural, exterior and common area repair. Recent improvements include a 40 year roof with proper venting (2010), all new thermopane windows (2009) and a new, owned, commercial gas-fired 100 gallon water heater (2011). Fire department inspections and tests, conducted semi-annually, ensure that the building is up to code and safe. There are 2 laundry rooms on-site, both equipped with newer coin laundry machines – 2 washers, 2 dryers. The property has 13 electrical meters, one gas meter and one water meter. All fridges and stoves are new and are Energy Star rated.

**Repairs to be completed after purchase:** The property is currently undergoing extensive cosmetic renovations of the interior spaces. To date, 8 of the 12 units have been completed, with the remaining 4 units scheduled to be finished by end of October 2011. Post-purchase repairs will include the above-mentioned renovations to 4 units, as well as repaving the driveway and parking area. The parking area repairs will also include demolition and reconstruction of a concrete catch basin and parking spot line painting.

**Property statistics and cash flows, current and stabilized:** Included in the Appendices are property statistics, current cash flow and stabilized post-repair cash flow analyses.

# Proposal for Investment

---

**General description of the Corporation and Shareholders:** Taylor Trail Apartments Inc. has been formed for the express purpose of this acquisition, and will be governed by a Co-Owner's Agreement. Day to day management of The Corporation will be performed by Colin Smith, in his capacity as Sole Director and Officer.

**Shares and Shareholders:** The Corporation consists of 500 shares; 100 Class A voting shares and 400 Class B non-voting shares. Investors are invited to purchase Class B shares at \$500 per share, with a minimum investment of \$10,000. Dividends shall be paid out quarterly and reporting shall be on an annual basis, with years ending July 31<sup>st</sup>. Shareholders will be protected and bound by the Co-Owners Agreement and the Laws of Ontario.

## Planning and Timelines

**Purchase Sept 2011:** Raising funds through shareholder loans and a first mortgage, the Corporation will close on the property 15 Sept 2011. A private, interest-only first mortgage of \$393,750 is offered, being 75% of the purchase price of \$525,000, with a term of one year, open for prepayment after six months. Each shareholder's investment will be registered against the property as an assembled second mortgage, which will subsequently be discharged upon refinancing spring of 2012. This strategy allows us to maximize our loan-to-value ratio while keeping in line with CMHC mortgage insurance refinance rules and requirements. Repairs to interior spaces will commence immediately upon possession with an expected completion date in fall 2011.

**Refinance Spring 2012:** Upon full occupancy, and after the first mortgage becomes open, the Corporation will endeavour to refinance the property through traditional commercial lenders. CMHC mortgage insurance will be purchased allowing both an 85% loan-to-value ratio and a favourable interest rate. The cash return yielded will be used to finance further major repairs as well as provide a substantial cash return to the shareholders.

## Our Team

Colin Smith, President

Brenda Russelo, Sales Representative

Keith Watters, Mortgage Broker

Robb Nelson, Mortgage Broker

Gus Morgan, Property Manager

Jeffrey Schwartz, Lawyer

Greg Sanders, Lawyer

George Dube, Accountant

Kathy Symons, Bookkeeper



THIS SITE IS PROVIDED AS A SERVICE BY REALTORS ACROSS CANADA.

Home Legal Privacy Policy Residential About Us Francais

Canada's Gateway to Commercial Real Estate

Listing#  Advanced Search REALTOR® Search News Help

Listing ID: X2131767

For Sale: \$525,000



Community : Chatham  
Address : 92 TAYLOR AVE  
Chatham-Kent, Ontario N7L 2T8  
Price : \$525,000

**NICOLAS PANTIERAS**

Broker of record  
Telephone: 416-599-3737  
[Email REALTOR@](mailto:REALTOR@)

**PRIMECORP COMMERCIAL REALTY INC., BROKERAGE**

36 BLUE JAYS WAY SUITE 718  
TORONTO, Ontario M5V 3T3  
Telephone: 416-599-3737  
Fax: 866-279-9898  
[Email Office](mailto:)  
[Office Website](http://)



**General Description**

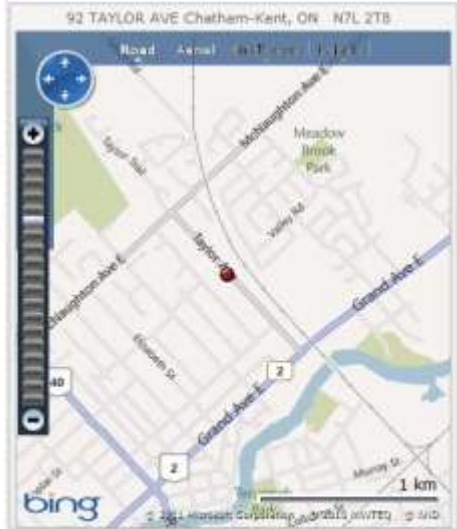
Multi-Fam Complex Containing 12 Two Bedrm Apt Units, Angle Parking Spots, Roof & Windows Redone, Clean Up, Paint & Repairs As Required Has Commenced For Units 1, 3, 10 & 12. Baseboard Electric Heat, Individual Wind Air Conditioning Units, 13 Elect. Meters, 1 Gas Meter, 1 Water Meter. Laundry Rm On-Site Contains 1 Washer & 1 Dryer. Property Is Fenced, Close To Many Amenities, Legal Des. Lot 48 Block A Plan 46, Chatham-Kent. \*\*\*\*\* EXTRAS \*\*\*\*\* Several Units Will Require Upgrading & Refinishing. The Property Is Being Sold On 'As Is' And 'Where Is' Basis Without Any Representations, Warranties Or Covenants By The Vendor, Either Expressed Or Implied.

**Multi-Family**

**Building Type** : Multi-Family **Land Size** : 63.00x255.00 FT

**Site Influences**

**Amenities Nearby** : Public Transit



[Driving Directions](#)

Photo Gallery



## Initial Cash Requirement Details

Purchase Price		\$525,000.00
First Mortgage	75%	\$393,750.00
Down Payment		\$131,250.00
Purchase Costs:		
Professional Inspection		\$1,017.00
Value Appraisal		\$1,695.00
Environmental Assessment		\$1,695.00
Mortgage Broker Fees	1%	\$3,937.50
Legal and Accounting Costs Reserve		\$7,000.00
Repair Fund		\$26,985.00
Reserve Fund		\$12,496.00
Ontario Land Transfer Tax		\$6,975.00
Title Insurance		\$1,017.00
Assignment Fee (Partially Deferred)	1%	\$5,932.50
<b>Total Shareholder Investment</b>		<b>\$200,000.00</b>
<b>Number of Shares/Price Per Share</b>	<b>400</b>	<b>\$500.00</b>

## Refinance Spring 2012

Property Value		\$650,000.00
Mortgage Details		
First Mortgage	85%	\$552,500.00
CMHC Mortgage Insurance	5.25%	\$29,006.25
CMHC Application Fee		\$1,800.00
<b>Total Mortgage</b>		<b>\$583,306.25</b>
Refinance Costs:		
Value Appraisal (Incl. CMHC Fees)		\$0.00
Mortgage Broker Fees	1%	\$5,525.00
Legal and Accounting Costs Reserve		\$3,000.00
Property Reserve Fund		\$5,000.00
Deferred Repairs		\$23,170.00
Assignment Fee (Remainder)	1%	\$6,500.00
<b>Total Refinance Costs</b>		<b>\$43,195.00</b>
Cash Surplus from Refinance		\$158,750.00
Less Refinance Expenses		\$43,195.00
<b>Net Cash Surplus</b>		<b>\$115,555.00</b>
Initial Price per Share		\$500.00
Shareholder Loan Repayment per Share		\$231.11
<b>Effective Share Cost after Refinance</b>		<b>\$268.89</b>
Rental Income Annual Dividend per Share		\$52.56
<b>Effective Return on Investment</b>		<b>19.55%</b>

## Cash Flow, Current (monthly)

### 5 Units Occupied

#### REVENUE

(1)Rental Income	\$3475
(2)Laundry Income	\$100
Sub-Total Income	\$3575
(3)Less: Vacancy/Bad Debt	\$(105)
<b>TOTAL REVENUE</b>	<b>\$3,470</b>

#### EXPENSES

(4)Property Taxes	\$1,215
(5)Utilities	\$675
(6)Insurance	\$226
(7)Repairs & Maintenance	\$250
(8)Property Management	\$417
<b>TOTAL EXPENSES</b>	<b>\$2,783</b>

**NET OPERATING INCOME** **\$687**

#### NOTES:

- (1) Rental income - 5 Units Occupied @ \$695 per unit.
- (2) Laundry Income – Budgeted by Purchaser at \$20 per occupied unit per month.
- (3) Vacancy/Bad Debt – Bad debt @ 3% of Rental Income – vacancy not applicable for this calculation.
- (4) Property Taxes – Based on 2010 tax information provided by the City of Chatham + 2%.
- (5) Utilities – Budgeted by Purchaser as \$100 per occupied unit and \$25 per unoccupied.
- (6) Insurance – based on information as provided.
- (7) Repairs & Maintenance – Budgeted by Purchaser at \$50 per occupied unit monthly (\$600 annually).
- (8) Property Management – Actual per existing management

## Cash Flow, Stabilized (annual)

### 12 Units Occupied

#### REVENUE

(1)Rental Income	\$104,400
(2)Laundry Income	\$2,880
Sub-Total Income	\$107,280
(3)Less: Vacancy/Bad Debt	\$(10,440)
<b>TOTAL REVENUE</b>	<b>\$96,840</b>

#### EXPENSES


(4)Property Taxes	\$14,574
(5)Utilities	\$14,400
(6)Insurance	\$2,723
(7)Repairs & Maintenance	\$7,200
(8)Property Management	\$5,220
<b>TOTAL EXPENSES</b>	<b>\$44,117</b>

<b>NET OPERATING INCOME</b>	<b>\$52,723</b>
-----------------------------	-----------------

#### NOTES:

- (1) Rental income – 12 Units Occupied @ \$725 per unit.
- (2) Laundry Income – Budgeted by Purchaser at \$20 unit per month.
- (3) Vacancy/Bad Debt – Vacancy rate at 7% of Rental Income (based on CMHC 2010 Rental Market Report for City of Chatham) and Bad Debt @ 3% of Rental Income.
- (4) Property Taxes – Based on 2010 tax information provided by the City of Chatham + 2%.
- (5) Utilities – Budgeted by Purchaser at \$100 per unit/month annualized.
- (6) Insurance – based on information as provided.
- (7) Repairs & Maintenance – Budgeted by Purchaser at \$600 per unit annually.
- (8) Property Management – Actual per existing management

# Performance Analysis

		Real Estate Investment Analysis	Refinance Spring 2012			
Taylor Trail Apartments		%	Monthly Figures	Annualized	Comments	
Reinance Value			\$	650,000.00		
<b>Financing Information</b>						
First Mortgage	85.0%		\$	552,500.00	EIR	
Nominal Interest Rate - Num of Compounding PY	3.50%	1			3.50%	
Amortization In years - Num of Payments - PPY	40	480			12	
CMHC Mortgage Insurance Rate	5.25%		\$	29,006.25		
CMHC Application Fee			\$	1,800.00		
<b>Total Mortgage</b>			\$	<b>583,306.25</b>		
<b>Investment - Cash Outflow</b>						
Down Payment	15.0%		\$	97,500.00		
Purchase costs:						
Mortgage Broker Fees	1.00%		\$	5,525.00		
Legal & Accounting Fund			\$	3,000.00		
Repair Fund			\$	23,170.00		
Reserve Fund			\$	5,000.00		
Assignment Fee (Incl HST)	1.00%		\$	6,500.00		
<b>Total Purchase Costs (Closing Costs)</b>			\$	<b>43,195.00</b>		
<b>Total Purchase Costs as a % of Sell Price</b>				<b>6.65%</b>		
<b>Total Cash Outflow to Buy and Rent</b>			\$	<b>140,695.00</b>		
<b>Gross Income - Cash Inflow</b>						
		Gross ▼	Revised ▼	Tenant Status	Notes	
<b>Gross Rents</b>						
		\$	725.00	\$	8,700.00	
			Revised Rents	\$	8,700.00	
			Laundry	\$	240.00	
			<b>Total Income</b>	\$	<b>8,940.00</b>	
				\$	<b>107,280.00</b>	
<b>Operating Expenses - Cash Outflow</b>						
			Monthly			
Utilities			\$	1,200.00	\$	14,400.00
Property Taxes			\$	1,214.50	\$	14,574.00
Insurance			\$	226.92	\$	2,723.00
Property Management	% of Rent	5.00%	\$	435.00	\$	5,220.00
Repairs and Maintenance	Per Unit		\$	600.00	\$	7,200.00
<b>Total Operating Expenses</b>			\$	<b>3,676.42</b>	\$	<b>44,117.00</b>
<b>Operating Income</b>						
Operating Income			\$	5,263.58	\$	63,163.00
Less: Vacancy and Bad Debt Allowance	10.00%		\$	(870.00)	\$	(10,440.00)
<b>Net Operating Income (NOI)</b>			\$	<b>4,393.58</b>	\$	<b>52,723.00</b>
<b>Financing Costs - Cash Outflow</b>						
First Mortgage Interest			\$	1,692.27	\$	20,307.18
<b>Total Financing Costs</b>			\$	<b>1,692.27</b>	\$	<b>20,307.18</b>
<b>Mortgage Paydown- Retained Earnings</b>						
First Mortgage			\$	558.37	\$	6,700.39
<b>Total Mortgage Paydown</b>			\$	<b>558.37</b>	\$	<b>6,700.39</b>
<b>Cash Flow Before Taxes</b>						
Cash Flow Before Taxes			\$	2,142.95	\$	25,715.43
Profit Before Taxes			\$	3,259.68	\$	39,116.21
CAP Rate	8.00%					8.11%

## Repair Budget - Immediate

Apt 4	\$7,200
Apt 5	\$3,630
Apt 6	\$3,030
Apt 11	\$7,200
Painting Common Areas	\$650
<b>Quote Total</b>	<b>\$21,710</b>
Overage (10%)	\$2,171
Subtotal	\$23,881
HST	\$3,104
<b>Total</b>	<b>\$26,985</b>

## Repair Budget - Spring 2012

Parking Area	\$10,646
Driveway	\$7,995
<b>Quote Total</b>	<b>\$18,641</b>
Overage (10%)	\$1,864
Subtotal	\$20,505
HST	\$2,665
<b>Total</b>	<b>\$23,170</b>

## Gus Morgan

50 Michener Rd. #103  
Chatham, ON N7L 4T2  
Home 519-351-9467  
Cell 519-809-9467

Bill To:  
CIBC. Mortgages Inc. C/O Compass Commercial Realty  
120 Traders Blvd.E, Unit 114  
Mississauga, On. L4Z 2H7

For - 92 Taylor Ave  
Apt 4

## Estimate

Date April 6 / 2011

DESCRIPTION	HOURS	RATE	AMOUNT
Materials			3,200.00
Labor			<u>2,800.00</u>
Appliances between \$1000.00 & \$1200.00			1,200.00
Plus HST			
If cupboards & Vanity are decided on price will be as needed			
		TOTAL	\$7,200.00

THANK YOU FOR YOUR BUSINESS!

## Gus Morgan

50 Michener Rd. #103  
Chatham, ON N7L 4T2  
Home 519-351-9467  
Cell 519-800-9467

Bill To:  
CIBC. Mortgages Inc. C/O Compass Commercial Realty  
120 Traders Blvd.E, Unit 114  
Mississauga, On. L4Z 2H7

## Estimate

Date March 28 / 2011

For - 92 Taylor Ave  
Apt 5

DESCRIPTION	HOURS	RATE	AMOUNT
Estimate to Reno Unit # 5			
Materials to Rebuild Closets			485.00
Lights & Miscellaneous supplies			150.00
Materials to reno bathroom			265.00
Paint			330.00
Appliances between \$1000.00 & \$1200.00			1,200.00
Labor			1,200.00
Plus HST			
If this unit in one we decide to replace kitchen cupboards and bathroom Vanity this Estimate would change accordingly			
		<b>TOTAL</b>	<b>\$3,830.00</b>

THANK YOU FOR YOUR BUSINESS!

## Gus Morgan

50 Michener Rd. #103  
Chatham, ON N7L 4T2  
Home 519-351-9467  
Cell 519-809-9467

Bill To:  
CIBC. Mortgages Inc. C/O Compass Commercial Realty  
120 Traders Blvd.E, Unit 114  
Mississauga, On. L4Z 2H7

For - 92 Taylor Ave  
Apt 6

## Estimate

Date March 28 / 2011

DESCRIPTION	HOURS	RATE	AMOUNT
Estimate to Reno Unit # 6			
Materials to Rebuild Closets			485.00
Lights & Miscellaneous supplies			150.00
Materials to reno bathroom			285.00
Paint			330.00
Appliances between \$1000.00 & \$1200.00		Fridge	1,200.00
Labor			1,200.00
Plus HST			
If this unit in one we decide to replace kitchen cupboards and bathroom Vanity this Estimate would change accordingly			
		<b>TOTAL</b>	<b>\$3,030.00</b>

THANK YOU FOR YOUR BUSINESS!

## Gus Morgan

50 Michener Rd. #103  
Chatham, ON N7L 4T2  
Home 519-351-9467  
Cell 519-809-9467

Bill To:  
CIBC. Mortgages Inc. C/O Compass Commercial Realty  
120 Traders Blvd.E, Unit 114  
Mississauga, On. L4Z 2H7

## Estimate

Date April 6 / 2011

For - 92 Taylor Ave  
Apt 11

DESCRIPTION	HOURS	RATE	AMOUNT
Materials			3,200.00
Labor			2,800.00
Appliances - between \$1000.00 & \$1200.00			1,200.00
		Total	
Plus HST			
If cupboards & Vanity are decided on price will be as needed			
		TOTAL	\$7,200.00

THANK YOU FOR YOUR BUSINESS!

## Gus Morgan

50 Michener Rd. #103  
Chatham, ON N7L 4T2  
Home 519-351-9467  
Cell 519-809-9467

Bill To:  
CIBC. Mortgages Inc. C/O Compass Commercial Realty  
120 Traders Blvd.E, Unit 114  
Mississauga, On. L4Z 2H7

## Estimate

Date / 2011

For - 92 Taylor Ave

DESCRIPTION	HOURS	RATE	AMOUNT
Paint ceilings in the common areas upstairs and down Paint outside of apartment doors as needed Both front and rear entrances  Plus HST		Total	650.00
		TOTAL	

THANK YOU FOR YOUR BUSINESS!

**Robert Ouellette Asphalt Sealing Inc.**



38 Villa Court  
 Chatham, ON. N7L 5P6  
 Phone # 519-354-9157  
 Fax # 519-351-4987

**Estimate**

Date	Estimate #
10/03/2010	1768

Name / Address
C.I.B.C. Mortgage Inc. c/o Compass Commercial Realty 120 Traders Blvd. East Unit 114 MISSISSAUGA, ON. L4Z 2H7 Attention: Bob Heike

Ship To
92 Taylor Avenue Chatham, ON. N7L

P.O. No.	Terms	Phone Contact
	Net 30	905-467-2277

Item	Description	Total
Asphalt paving ...	<p>DIG OUT OLD ASPHALT FROM PART OF DRIVEWAY AND                      PAVE WITH 3 INCHES ASPHALT                      APPROX. 1,560 sq. ft.</p> <p>Dig out and remove old asphalt from part of driveway and haul away the                      debris. Place in gravel as needed then put driveway on proper grade and                      compact. Place in 3 inches of hot mix asphalt to approx. 1,560 sq. ft.</p>	7,995.00

We are pleased to provide the above cost estimate.	<b>Total</b>	\$7,995.00
--	--------------	------------

NOTE: ALL PRICES DO NOT INCLUDE HST.

<b>E-mail</b>	jouellette05@bell.net
---------------	-----------------------

**GST/HST No.** 857008700

**Robert Ouellette Asphalt Sealing Inc.**



38 Villa Court  
 Chatham, ON. N7L 5P6  
 Phone # 519-354-9157  
 Fax # 519-351-4987

**Estimate**

Date	Estimate #
10/03/2010	1766

Name / Address
C.I.B.C. Mortgage Inc. c/o Compass Commercial Realty 120 Traders Blvd. East Unit 114 MISSISSAUGA, ON. L4Z 2H7 Attention: Bob Heike

Ship To
92 Taylor Avenue Chatham, ON. N7L

P.O. No.	Terms	Phone Contact
	Net 30	905-467-2277

Item	Description	Total
	<b>IN THE PARKING AREA</b>	
Sawcut	Saw cut out around areas of asphalt to be repaired. Approx. 347 linear feet	556.00
Hot Asphalt - s...	After saw cutting out around damaged asphalt haul away the debris, add gravel as needed then make repairs with hot mix asphalt. Approx. 2,070 sq. ft. as discussed with Gus Morgan	8,595.00
Catch basin R	Dig out old catch basin from the parking area and haul away the debris. Place in gravel and compact then install new catch basin and new catch basin frame and top.	1,495.00
We are pleased to provide the above cost estimate.		<b>Total</b> \$10,646.00

NOTE: ALL PRICES DO NOT INCLUDE HST.

E-mail	jouellette05@bell.net
--------	-----------------------

GST/HST No. 857008700