Emerald Coast Estates

98126 W. Benham Lane Brookings, Oregon



Five-Star, 48 Space, 55 and Older
All Doublewide,
Manufactured Home Community with recreation center and
indoor pool

May 2010

For further information contact:

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Emerald Coast Estates

Brookings, OR

Terms of Sale

Price: \$ 3,500,000

Down Payment: 1,300,000

Balance: \$ 2,200,000

Financing: The financing proposal outlined below reflects a new loan from FANNIE MAE based upon a preliminary "loan estimate" provided by Wells Fargo Bank, a conduit lender with FANNIE MAE. The actual loan amount and terms would be fixed at the time a commitment were issued. Any expenses associated with securing the new loan shall be borne by the Purchaser.

	<u> 10-year</u>				
	FNMA				
	<u>Financing</u>				
Principal	\$	2,200,000			
Amortization Term (mos.)		360			
Interest		5.75%			
Monthly Payments	\$	12,839			
Annual Payments	\$	154,068			

	<u>Current</u>			
Investment Summary	<u> </u>	Income		
Price per Space	\$	72,917		
Capitalization Rate		6.4%		
Net Operating Income	\$	223,136		
Cash Flow	\$	69,068		
Return on Cash Invested		5.3%		

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Pro Forma of Income and Expenses

			(Current
<u>Income</u> (1)		<u>Rent</u>	<u>.</u>	<u>Income</u>
9 Spaces	@	\$379	\$	40,932
3 Spaces	@	\$395		14,220
7 Spaces	@	\$399		33,516
11 Spaces	@	\$415		54,780
5 Spaces	@	\$442		26,520
13 Spaces	@	\$474		73,944
48 Space Rental Income				243,912
Vacancy				(5,688) (2)
Net Space Income			\$	238,224
Other Income				
Homeowner Fees				1,170 (3)
Landscape Recoup per Space		\$ 100.00)	56,400 (4)
Utility Recoup				32,571 (5)
Total				90,141
Gross Effective Income			\$	328,365
Operating Expenses				
2009/2010 Property Taxes		11,252	(6)	
Insurance		2,434	(7)	
Park Utilities		46,284	(8)	
On-Site Management	(9)			
Office Management		6,000)	
Landscape Maintenance		28,800)	
Repair/Maintenance (2.5%)		8,209)	
Office Expenses		1,500)	
Legal and Accounting		750)	
Total Operating Expense	es -	32.0%		105,229
Net Operating Income			¢	223,136
Debt Service			φ	154,068
Before Tax Cash Flow			\$	
before Tax Cash Flow			Ф	69,068

Pro Forma Notes

- 1. All tenants are on multi year lease agreements that contain provisions for the pass thru of utility (water and sewer) expenses as well as annual adjustments on March 1st of each year by an amount equal to the a) Consumer Price Index for all urban consumers, all items, U.S. City Average and b) the resident's proportionate share of property tax increases over the "base year". Rents are subject to adjustment on turnover and upon expiration of their original lease term. The last increase was on March 1, 2009 for 4.9% and ranged from \$19 to \$24. Rents in Emerald Coast Estates are based on Lot size and Location. The highest rents are charged for extra large lots or lots located adjacent to the green belt with water feature that backs up to the spaces between Emerald Way and Diamond Drive (see site plan). These were some of the first spaces leased in the community. Eighteen tenant leases "rolled over" during 2009 and 2010. Each of these residents has been given a \$20 rent increase notice that will take effect througout 2010, most before May 1, 2010.
- 2. There is currently one vacant space—space 54 @ \$474/mo. and one model home on space 15 @ \$379/mo. The seller will pay rent at the rate in effect as of the date of sale on the model home until it is sold. The budget for vacancy loss assumes the continued vacancy of one space (#54).
- 3. Homeowners who purchase a own lot in Phase II are obligated to pay a monthly Homeowner's Association Fee of \$97.52/month to offset the cost of facilities and services available in the community and fund a repair reserve account. Fifty Percent (50%) of the monthly Association Fee is budgeted to apply to offset operating expenses. Two lots have been sold to homeowners who have this obligation. This expense recovery will increase over time as lots are sold.
- 4. Reflects current landscape assessment for 48 filled spaces. Under the terms of the current lease, tenants are responsible to pay a monthly landscape maintenance fee of \$100 to Emerald Coast Estates for landscape services. This charge includes mowing, edging, fertilizing, trimming, etc. The fee can be adjusted over time based on cost. The seller is prepared to enter into a contract with a new purchaser to provide this service for a monthly charge of \$50 per space. The maintenance charge would also include maintenance of the common areas. The term of the maintenance contract shall run concurrently with the term of the management agreement. If the cost to the seller of landscape maintenance increases over time, the seller reserves the right to increase the charge to the purchaser. The purchaser, in turn, reserves the option to pass the cost increase to the residents.
- 5. Each tenant is billed monthly for their actual water usage plus the current fixed monthly rate for sewer (\$45). Pro forma reflects current annual expenses.
- 6. The 2009/2010 tax expense reflects a fully assessed value for Phase I except for the recreation center which is currently assessed at \$354,000. Property taxes will <u>not</u> increase to reflect the sales price but are governed by state law limiting tax increases to 3% per year plus other assessments approved by tax payers. (See details in the tax section of the information package for valuation of the lots in Phase II.)
- 7. Current, actual cost and includes \$2,000,000-\$4,000,000 liability coverage and coverage for the recreation center for a value of \$468,000.
- 8. Current actual expenses as reported by the owner. The owner anticipates an increased cost of approximately \$100 per month for operation and maintenance of the new swimming pool (completed in March, 2010) based on current utility rates and budgeted expenses.
- 9. The owners currently oversee management of the property and would be willing to provide onsite management services to a new purchaser, if desired, for a mutually agreeable period of time on a contract basis for \$500 per month.

PROPERTY DESCRIPTION

GENERAL DESCRIPTION:

Emerald Coast Estates is a senior manufactured home rental community unsurpassed in quality located in the southern Oregon communities of Brookings-Harbor. Brookings and Harbor are two adjacent communities divided by the Chetco River (*see attached vicinity map*). Unlike conventional high quality manufactured home communities, Emerald Coast Estates provides its' home owner residents with a secure, gated entry, a beautifully decorated and furnished recreation center with indoor, heated swimming pool and several spaces situated adjacent to artfully created streams and water features.

COMMUNITY:

The Brookings-Harbor communities are adjacent southern Oregon coastal communities that have acquired a reputation as a highly desirable retirement area with excellent, mild weather. The Brookings-Harbor area boasts a combined population of approximately 13,000 residents and has become a Mecca for residents and retirees seeking the serenity of quiet, coastal living along with the attraction of a broad range of recreational opportunities.

DEVELOPMENT HISTORY:

Emerald Coast Estates was originally permitted as an 80 space community to be developed in three phases on a 19 acre parcel. The original permit, along with conditions of approval, was granted in 2003. The first phase of Emerald Coast Estates, consisting of 25 lots was developed in 2003; the second and third phases, consisting of the remaining 55 lots were developed in 2005.

The owner's marketing program centered around the placement of high quality Fuqua and Karsten model homes with modern, residential design/styling. See attached photos. These homes are set on large lots and feature attached two car garages and professionally installed landscaping.

When market conditions in the housing sector deteriorated, the owners elected to partition the

development into two legally separate parcels. Emerald Coast Estates, consisting of 42 lots was formally separated from the originally approved 80 lot development in 2009. The remaining 38 lots were approved as a planned unit development (PUD) where lots could be either rented or sold in December of 2009. Eight of these 38 lots are occupied by homes, six of which are occupied by rent paying tenants. Two lots on which homes are located have been sold with a third lot sale pending. Lot homeowners are obligated to join the Homeowner's Association and pay Association Fees to offset their proportionate share of the costs for maintaining the common areas and amenities. See additional details below.

SPECIAL AGREEMENTS:

The legal segregation of Emerald Coast Estates from the originally approved 80 lot development has resulted in the creation of utility and access easements that burden Emerald Coast Estates, A newly formed homeowner's association provides that future owners/residents of the unsold lots on what is now known as Emerald Coast Estates II will participate in reimbursing the owner of Emerald Coast Estates for maintenance of improvements that are owned by Emerald Coast Estates but used by the "private" lot owners of Emerald Coast Estates II. These agreements also provide for reimbursement to Emerald Coast Estates of costs associated with operation and maintenance of the recreation center and swimming pool and other shared amenities and Copies of these documents, all common areas. prepared by the Seller's attorney, are available upon request.

HOMEOWNER ASSN.:

Lots not acquired at the time of the sale/purchase of Emerald Coast Estates that are located in Phase II will be separately charged a Homeowner Association assessment—Currently calculated at \$97.52 per lot per month—to offset the cost of maintaining and administrating per lot allocated costs of community

amenities available to the owners of lots in Phase II and the common areas in Phase II. For those lots currently occupied by homes in Phase II that are included in the sale/purchase, the assessment is waived and the costs will be absorbed by the Purchaser and is included in the base lot rent. As unoccupied lots (over and above the forty eight lots included in the sale) are sold, the lot owner will be charged the monthly assessment. The calculation of the Homeowner Association assessment and the administration of the Homeowner Association is outlined in the Homeowner Association Agreement that will be signed by the Community owner and all future lot owners.

MULTI-YEAR LEASES:

All existing tenants have executed five (5) year lease agreements which provide for six additional five year extensions. During the term of the lease the rental rate can be adjusted annually, in March, by the percentage change in the CPI for all urban consumers, all items, US City Average plus, the tenant's proportionate share of property tax increases over the base tax year. Rents can adjusted to market rates at the expiration of each lease term. Eighteen (18) tenants who signed five year leases in 2004 and 2005 will "roll over" to new leases in 2010. Lease rates for these 18 tenants will increase by \$20 from their prior or current levels.

AGE: Phase I-25 lots in 2005; Phase II and III consisting of

55 lots in 2005.

PROPERTY SIZE: 9.51 Acres

ZONING: R-2: A residential zone which allows a manufactured

home community under a special use permit which

has been issued by Curry County.

FAIR HOUSING STATUS: Emerald Coast Estates is designated as a 55 and older

manufactured home community.

SW/DW RATIO: All homes in Emerald Coast Estates are "pit set",

double wide homes with attached two car garages.

The homes are set well off the street and are all professionally landscaped and maintained.

FLOOD PLAIN STATUS:

Emerald Coast Estates is located outside of the 100 year flood plain in Flood Zone "X" which refers to "areas determined to be outside the .2% annual chance floodplain". Reference Flood Insurance Rate Map 41015C1242E dated September 25, 2009.

WETLANDS:

At the time the development permit for Emerald Coast was issued areas of the property located adjacent to the proposed lots were identified as designated wetlands by the Division of State Lands (DSL). The original development permit required that various wetland enhancement plantings be installed and that all required permits to develop the property be obtained prior to construction. All conditions of these permits have been met. The owner's are involved in the final year of monitoring the condition/survival of wetland enhancement landscaping and will assume responsibility for this task thru the term of this requirement.

ENVIRONMENTAL HAZARDS: There are no known environmental risks or hazards

affecting the property.

SPACE SIZES:

Lot sizes vary throughout the community and range from 4,903 square feet for one smaller space to the largest space containing 7,963 square feet. typical space ranges from 5,500 to 6,500 square feet. Construction plans are available upon request.

COMMUNITY OWNED HOMES/RENTALS:

There are no manufactured homes included with the sale, nor are there any owner occupied homes in the The Seller owns one model home community. located on space 69. If this homes is not sold as of the date of the sale, the Seller will pay all costs associated with the home including lot rent plus, utility charges, homeowner association dues and lot landscaping charges.

RECREATION CENTER:

A fully furnished 3,500 square foot recreation center is located near the center of the community. The building contains the community office, exercise room, library and lounge, "great room", kitchen, storage room, men's and women's restrooms and an adjacent indoor, heated swimming pool. The pool is a salt water pool with a heat pump heating system. This "configuration" significantly reduces operating costs for both chemicals and heating.

IMPROVEMENTS:

Interior Streets: The entry drive extending approximately 100 feet into

the community is 36 feet wide; all other interior streets are 28 feet wide measured from back of curb to back of curb. All streets are bordered by a concrete, mountable curb/gutter. One side of all streets is bordered by a four foot wide concrete

sidewalk.

Storm Sewer System: A storm water system with catch basins located

adjacent to the curbs is integrated into the street

system and diverts storm water off the site.

Interior Lighting: Subdivision style street lighting is located throughout

the community.

Perimeter Fencing: A six foot high brick wall extends across the front of

the community fronting Benham Lane. An attractive landscaped terrace and planting island are located at the side of the main entry and between the entry and exit lanes that access the community. A key card activated gate provides security at both entrances to the community. The remainder of the community perimeter, other than those lots that abut Emerald Coast II are enclosed with a six foot high chain link

fence with vinyl slats.

Off-Street Parking: Three separate guest parking areas are located in the

community in addition to ample guest parking areas located adjacent to the recreation center (see site

plan).

Driveways/Garages: Each lot is improved with a full size 18' to 20+' wide

concrete driveway. There are no carports in the community; all homes have attached two car garages.

OTHER IMPROVEMENTS:

RV/Boat Storage: A large, fenced RV storage compound is located

outside of the community within the boundaries of Emerald Coast Estates II. Use of the RV parking area is available to the residents of Emerald Coast Estates for a fee of \$50.00 per month payable to the owner of Emerald Coast Estates II. The RV compound is officially an approved lot in Emerald Coast Estates II and, most likely will be converted to a home site at

some time in the future.

UTILITIES:

Electricity: 200 amp underground electrical service is provided to

each home and is billed to each resident directly by

The Coos-Curry Electric PUD.

Water System: The water system is owned and maintained by the

community and is constructed of PVC plastic. Each space is individually metered; residents are billed monthly by the community for water and sewer use.

The service provider is the Harbor Water District.

Fire Protection: Fire hydrants are located throughout the community

in conformance with fire code requirements.

Sewer System: The sewer system is owned and maintained by the

community and is constructed of PVC plastic. Residents are billed monthly by the community for sewer use. The service provider is the Harbor

Sanitary District.

Garbage: Individual can garbage service is provided to each

resident by Curry Transfer and is billed directly to the

resident by the service provider.

Cable TV/Telephone: These services are provided by and various vendors

and billed directly to the residents by the service

provider.

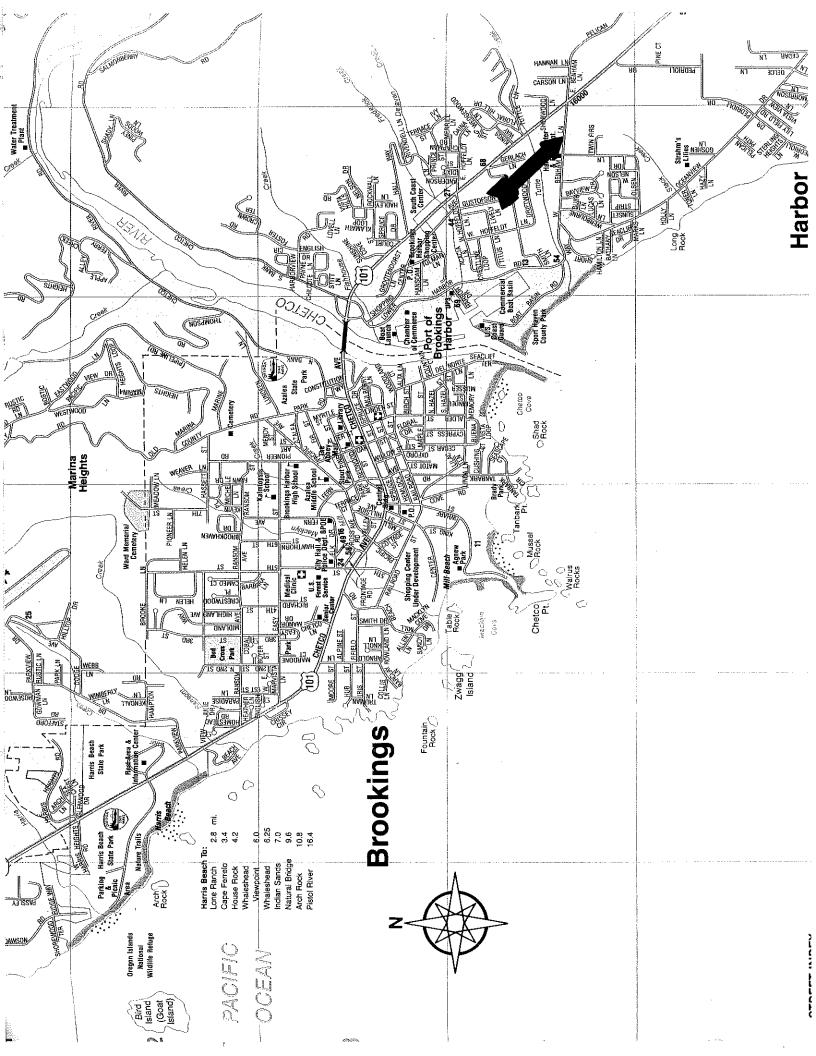
2009/2010 TAX INFORMATION:

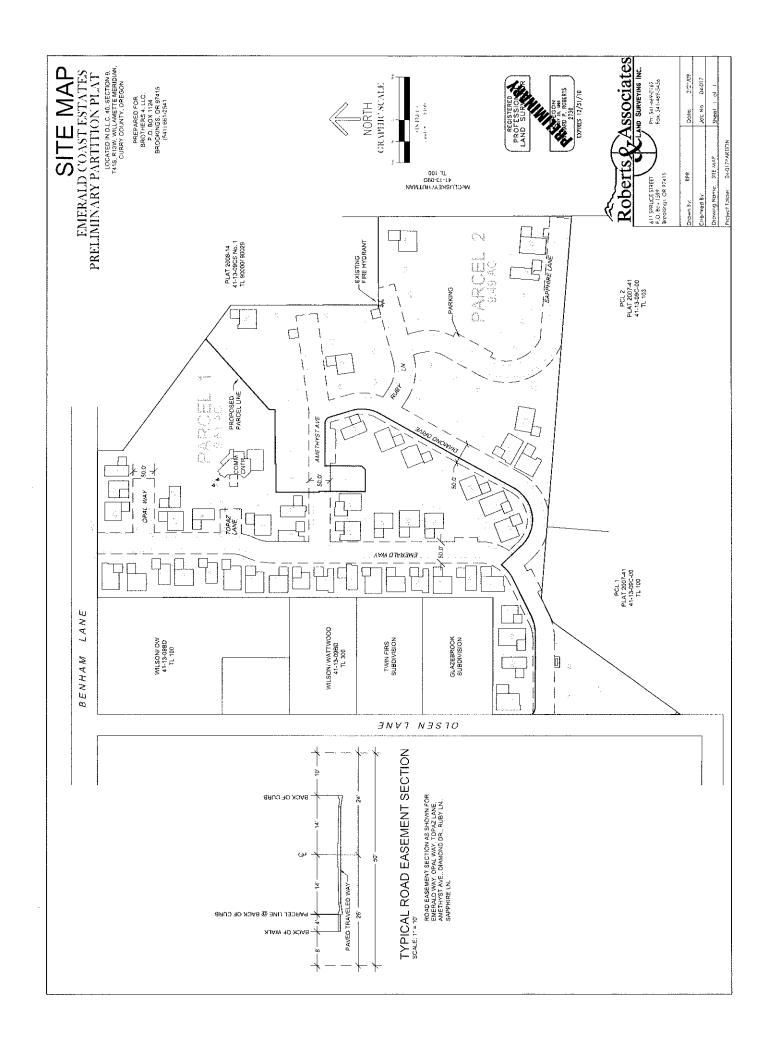
TAX LOT	ACCOUNT		LAND	IMP.	TOTAL	
NUMBER	NUMBER	ACREAGE	VALUE	VALUE	VALUE	TAXES
102	R-35053	9.51	\$940,590	\$980,890	\$1,921,480	\$8,768.09

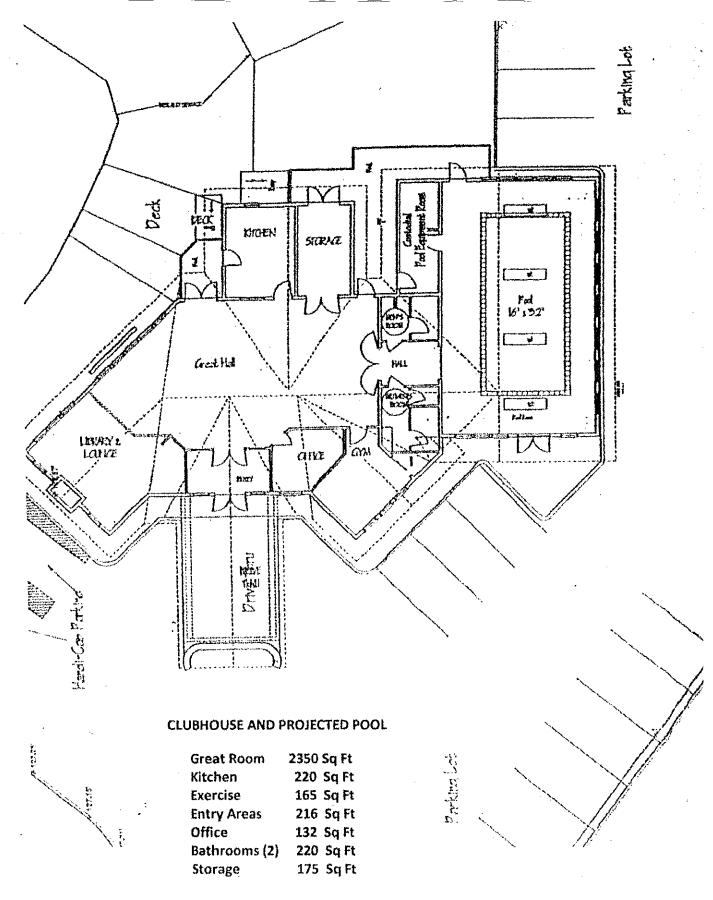
Tax Note: The 38 lots designated as Emerald Coast Estates Phase II were reconfigured as a 38 lot manufactured home subdivision after 2009/2010 taxes were calculated. These lots will be re-appraised/valued for tax year 2010/2011 during 2010. The final plat will be recorded prior to January 1, 2010. The estimated tax assessed value of each lot is projected to be \$75,000. The 2010 ratio of market to assessed value is 54% resulting in a projected tax assessed value of \$283,500 for all seven lots and a total estimated tax of \$2,258 based upon the 2009/2010 tax rate of \$7.97/\$1,000 of assessed value. The projected tax increase associated with the completion of the swimming pool is \$226.

UNDERLYING FINANCING:

Emerald Coast Estates is encumbered by two construction loans with Chetco Federal Savings and Loan. The loans are not assumable and will be paid off by the Seller at closing.







TOTAL SQ FT APPROX 3500

All measurements are approximate

Emerald Coast Estates Rent Survey

Emerald Coast Estates is a unique property relative to its design, home standards and "small town" location. The manufactured home communities listed in the survey that is presented below reflect good to high quality communities, none of which are directly comparable to Emerald Coast Estates, that demonstrate the demand and rent levels currently charged by other communities outside of major metropolitan markets.

<u>Park Name</u> Greenbriar Terrace	<u>City</u> Central Point	Spaces 104	<u>Year</u> <u>Built</u> 1973	<u>Amenities</u> S,SP,R,RV,L	Base Rent \$451 - \$465	Rent Includes WSG	<u>Last</u> <u>Increase</u> \$10	Amount Jan-10	Vacant Spaces	Survey Date Oct-09	<u>Notes</u>
Shore Pines	Coos Bay	135	1978	S,lakes	\$375 - \$395		\$32	Dec-08	1	Aug-09	
Rogue Lea Estates	Grants Pass	215	1970	S,R, lake, L	\$450 - \$500	WSG	\$45 - \$60	Jan-09	-	Sep-09	
Country Estates	Grants Pass	105	1968	S,SP,L,R	\$455	WSG	\$30	Nov-09	1	Nov-09	
West Lake Village	Grants Pass	75	1990	S,R,L	\$425 - \$465	WSG		Jun-08	3	Oct-09	
Country Estates	Grants Pass	63	1980's	F	\$425	G	\$15	Jan-10	-	Oct-09	
Medford Mobile Estates	Medford	244	1978	F,R,RV,SP	\$460			Feb-09	6	Oct-09	
Myra Lynne MHP	Medford	206	1984	F,R,RV,SP,T	\$374 - \$414		\$12	Jan-10	1	Oct-09	
San George Estates	Medford	175	1998	F,R,SP	\$420		\$20	Jul-09	22	Oct-09	
Meadow View	Medford	108	1998	F,RV	\$490		\$25-\$30	Nov-09	-	Oct-09	
Pacific Village	Medford	82	1979	S,R,SP	\$400 - \$410	WSG	\$10	Jan-10	-	Oct-09	
Longview Hills	Newport	180	1990	S,SP,R,RV	\$450 - \$530		\$18-\$23	Jan-09	-	Dec-09	Long-Term Lease
Bear Lake MHP	Phoenix	210	1973	S,SP,L,R,RV, Sauna, therapy pool	\$455	WSG	\$15	Aug-09	-	Nov-09	
Rogue Valley South	Phoenix	63	1968	S,RV	\$430	SG	\$10	Aug-09	-	Oct-09	
Parkview Mobile Estates	Rogue River	80	1976	S	\$475	WS	\$20	Jan-09	-	Oct-09	
Shadow Ranch	Roseburg	200	1976	S, RV	\$396	WSG	\$30	Nov-09	1	Nov-09	
Littlebrook	Roseburg	140	1999	S,R	\$385 - \$420				-	Dec-09	Long-Term Lease
Mountain View	Talent	164	1981	S,R,RV,SP	\$374 - \$430	WSG	\$4	Jan-09	-	Oct-09	Leases w/CPI

Amenities: S=Senior, F=Family, SP=Swimming Pool, L=Laundry, R=Rec. Center, RV=RV Storage/Parking, T=Tennis Court















































