

TREANORHL

August 31, 2018

Jeff Burnside

Re: Sigma Chi Fraternity – Beta Upsilon Chapter – Washington State University
Pullman, WA 99164

Dear Jeff and Members of Sigma Chi at Washington State University,

The attached Proforma based on a 20-year fixed rate mortgage is a preliminary project model that reflects the development and operation of a new fraternity building for the Sigma Chi Fraternity at Washington State University. The model seeks to fulfill the goals and program of the organization, to align the project with market context and to preliminarily balance estimated factors with appropriate contingencies.

The Proforma 20-Year illustrates a balanced project suitable for further investment. The proposed costs and associated program (features and area allocated) are well within the range of other facilities of this type. The finance strategy appears to be both viable in that the cash required is substantially on hand and the funds proposed to be borrowed (construction and mortgage loans) appear to be achievable based on the modeled terms, interest rate, loan duration and proposed equity investment (cash and land). The annual operations Proforma appear to be aligned with the local market. The room and board charges modeled are higher than the charges of other fraternities at Washington State University. The proposed room and board charges are discounted when compared to university and market rate student housing in the area. It is anticipated that this difference will be offset by the draw of a new facility and that other fraternity improvement projects will likely elevate competing room and board charges.

The primary goal of this Proforma exercise is to quickly, realistically and economically illustrate the Comprehensive Costs, Finance Strategy and Proposed Operations of a proposed project such that a determination can be made as to whether the proposed project concept and program is viable and appropriate for further investment. In the development of this model we have considered the comprehensive costs of completing the project, the sources available to finance the project and an annual operational proforma to illustrate building operation and debt service.

The costs considered include both construction costs and development costs. The construction costs reflect both a budget for preliminary building and site programs. The development costs reflect the furnishings, services and fees necessary to complete the fully operational facility.

The sources available to finance the project reflect: Funds on hand, funds from fundraising and funds secured via a mortgage from a lending partner. This tabulation also illustrates the equity ratio of the funds invested plus the appraised site value versus the projected finished project value, (based on construction cost and equity total).

The Proforma illustrates the anticipated annual revenue sources including but not limited to: Room, board, fees and other miscellaneous projected incomes, less the anticipated annual expenses including but not limited to: Debt service, building maintenance and capital improvement, building and professional services, dining expenses and some limited contingency reserves, resulting in an end-of-year projected operating balance.

Next steps for the development of the project would be:



- A) The development of a conceptual design that schematically illustrates the proposed building so that the program can be confirmed and the estimates for the building and the site construction cost can be confirmed.
- B) The completion of fundraising and collections to the amount required on hand to initiate the project.
- C) The confirmation in the form of a Letter of Intent of the project scope, quality and cost as well as the finance terms and amounts with the designated lender.

This Proforma was developed with the assistance and information provided by Sigma Chi – Washington State University (aka “Centennial Chapter House Campaign”). This tabulation represents a good faith attempt to interpret the information provided and to provide calculations free of mathematical, logical or associative errors. Please review all of the numbers, estimates, mathematics and associations illustrated in these reports. The information included in this report is of a time-sensitive nature. If the proposed project has a multiple year development process, all of the data and computations should be reconfirmed on a periodic basis. The form and the content of this analysis is for the use of Sigma Chi – Washington State University only. Please do not share this information with outside parties. This analysis is not meant to replace an independent, complete and thorough review of the project by a qualified financial professional.

Sincerely



Steve Malin AIA, LEED
PRINCIPAL

1040 Vermont
Lawrence, KS 66044

smalin@treanorhl.com

o 785.842.4858

d 785.371.0773

c 785.766.5200

Enclosures

