First Access Realty

INVESTING WITH THE

CMHC MLI SELECT PROGRAM

FIRST ACCESS REALTY

CMHC Overview:

- CMHC = Canadian Mortgage & Housing Corporation
- Federal program to encourage housing
- Provides financing solutions including mortgage insurance to buyers

CMHC Overview:

- CMHC has two arms:
  - Residential Lending
  - Commercial Lending

- CMHC commercial lending is federally mandated to help build more apartment buildings

MLI Select Overview:

- CMHC provides mortgage loan insurance for multi-unit developments (5+ units) to allow for favourable financing options

- Tiered incentives based on:

    - Affordability
    - Accessibility
    - Energy efficiency

How Does a Project Qualify For the **CMHC MLI Select Program?**

New Construction

Point Distribution

Affordability – Rent Levels (10 year affordability commitment[1])			Energy Efficiency and GHGs Reductions over 2017 NECB / 2015 NBC			Accessibility[2]	
50 points	70 Points	100 Points	20 Points	35 Points	50 Points	20 Points	30 Points
10% of units at 30% of median renter income	15% of units at 30% of median renter income	25% of units at 30% of median renter income	20% above code	25% above code	40% above code	Min. 15% of the units are considered accessible in accordance with the CSA standard B651-18 **OR** Min. 15% of units are universal design. **OR** The building receives Rick Hansen Foundation Accessibility Certification (60%-79% score)	Min. 15% of units are considered accessible in accordance with the CSA standard B651-18 and Min. 85% of units are universal design. **OR** 100% of units are universal design **OR** 100% of units are accessible in accordance with the CSA standard B651-18 **OR** The building receives Rick Hansen Foundation Accessibility Certification "Gold" (score of 80% or better)

New Construction - Insurance Flexibilities

<table>
<tr><th></th><th>Premium</th><th>LTC</th><th>DCR[3]</th><th>Amortization</th><th>Rental Achievement</th><th>Recourse or Limited Recourse</th><th>Replacement Reserve</th></tr>
<tr><td>Min. 50 pts</td><td rowspan="3">Fees and premiums at-a-glance</td><td rowspan="3">Up to 95%</td><td rowspan="3">Min. 1.1</td><td>Up to 40 years</td><td rowspan="3">Waived</td><td rowspan="2">Recourse</td><td rowspan="3">Discretionary</td></tr>
<tr><td>Min. 70 pts</td><td>Up to 45 years</td></tr>
<tr><td>Min. 100 pts</td><td>Up to 50 years</td><td>Limited-Recourse</td></tr>
</table>

MLI Select Affordability Requirements:

- Must include affordable housing units
- Affordability based on local markets
- Lower premiums for higher affordability benchmarks

THIS DOESN’T MEAN BUILDING SLUMS…

THIS MEANS **GETTING CREATIVE.**

Smaller Units | Higher Auxiliary Fees

MLI Select Energy Efficiency Requirements:

- Minimum energy efficiency requirements for all projects
- Incentives for exceeding efficiency targets
- Access to CMHC Green Housing initiatives for further discounts

MLI Select Accessibility Requirements:

- Encourages designs that promote accessibility (e.g. barrier-free units)
- Premium reductions for developments that include accessible units
- Projects must exceed existing accessibility building codes

MLI Select Key Benefits:

- Extended amortization. Up to 50 years!
- Up to 95% loan-to-cost (LTC) financing. Only 5% down!
- Below prime interest rates
- 10 Year terms for cash flow stability

THIS MEANS…

GUARANTEED
HIGH ROI & POSITIVE CASH FLOW

MLI Select Guaranteed Positive Cash flow:

- Third party sanity check

- CMHC conducts its own analysis of costs, rents etc., to determine the project's cash flow

- Projects only qualify for loans when the cashflow is 110% of cost

Leverage government-backed financing
to maximize your investment.

Why swim upstream when you can profit
by working with the current?

MLI Select A Turnkey Investment:

<u>Everything</u> is handled for the buyer:

- Land acquisition
- Entitlements
- Site plan & design
- CMHC application
- Construction management
- Lease up & stabilization
- Ongoing property management

- **Cash Needed:** → 5% Overall Cost
- **Liquidity:** → 5% Overall Project
- ***Net Worth:** → 25% Overall Project

MLI Select Investor Requirements

*personal income not considered

MLI Select Summary:

- Government Loan
- 95% Financing
- 50 Year Amortization
- 10 Year Term
- Below Prime Rates
- Third Party Cash Flow Sanity Check
- Fixed Price Construction

Why 5% down as opposed to putting more?

To optimize your finances, you should leverage properties to grow your cash flow.

- If a **house costs $10** and generates **$2 per year in rent**, paying it off means you have **$10 tied up** in the house and are **making $2 a year**.

- Now, if you only **put down $1** and **leverage the other $9**, you might only **cash flow $0.50** per house annually. At first, that seems worse, but now you can **buy 9 more houses**. Each one **cash flows $0.50**, so you're now making **$5 a year in total**.

- This is **2.5 times** what you'd earn if you paid off just one house. Plus, each house is gradually paying itself off. In 5 years, you'll have built up **$5 in equity** combined in all of the **10 houses**, and you can *buy more houses, increasing your cash flow even further.*

- After 5-6 years, you could end up with 15 houses, cash flowing **$7.50 a year** and holding **$30 in equity**. Compare that to just owning one paid-off house, which gives you $2 a year and $10 in equity.

- At the end of 5 - 6 years, you'd have **$62.50 in cash flow** and equity from leveraging, compared to $20 if you only owned one house. **That's a 420% higher return.**

- **Ontario** → 1.1 - 1.15 (DCR)
- **Calgary** → 1.18 - 1.22 (DCR)
- **Edmonton** → 1.25+ (DCR)

Returns based on region

*Forecasts are based on past and current project estimates.

8-Plex - Leduc, Edmonton

Purchase Price	$2,515,789.47	**PROJECT NAME**	
Deposit (%)	5.0%	Leduc 8 Plex	
Deposit ($)	$125,789.47		

Unit Type	# of Units		Monthly	Annual
2 BED BASEMENT	2	$1,300.00	$2,600.00	$31,200.00
3+D HOUSE	4	$2,400.00	$9,600.00	$115,200.00
2 BED BASEMENT AFFORD	2	$1,300.00	$2,600.00	$31,200.00
	8		$14,800.00	$177,600.00

Other Income	# of Units	Usage	Avg Rent

Operating Expense	Per Unit	Annual	Operating Expenses	Per Unit	Annual
Property Taxes	$2,400	$9,600	Management & salaries	$600	$11,280.00
Insurance	$960	$3,840	Other Cost	2%	$3,552.00
Utilities	$0	$0	Replacement Reserve	$400	$3,200.00
Repairs and Maintenance	$830	$3,320	Vacancy & Bed Debt	2%	$3,552.00

Total Operating Expense	$38,344
Net Operating Income	$139,256.00

Debt Service Ratio

Loan Amount		Interest	Amortization	Monthly	Annually
Mortgage	$2,390,000.00	3.50%	50	$8,488.21	$101,858.57
				Cash flow after debt	$37,397.43
				Cash on cash	29.7%
				DSCR	136.7%

5 Year Projections

Original Purchase Price	$2,515,789.47
Downpayment	$125,789.47

	Year 1	Year 2	Year 3	Year 4	Year 5
Building Value	$2,767,368.42	$2,905,736.84	$3,051,023.68	$3,203,574.87	$3,363,753.61
Estimated Appreciation (%)	10.0%	5.0%	5.0%	5.0%	5.0%
Estimated Appreciation	$251,578.95	$138,368.42	$145,286.84	$152,551.18	$160,178.74
Growth in YoY Cash Flow (%)		5.0%	5.0%	5.0%	5.0%
Estimated Total Cash Flow	$37,397.43	$39,267.30	$41,230.67	$43,292.20	$45,456.81
Estimated Mortgage Paydown	$17,762.23	$18,399.60	$19,059.83	$19,743.76	$20,452.23
Equity Per Year	$306,738.61	$196,035.32	$205,577.34	$215,587.15	$226,087.79
Return on Downpayment	243.9%	155.8%	163.4%	171.4%	179.7%

TOTAL EQUITY GANED	$1,150,026.21
ANNUALIZED 5 YEAR ROI	182.85%

SENSITIVITY ANALYSIS			Monthly	Yearly	DSCR
Input rate	3.50%	50	$8,488.21	$101,858.57	136.7%
BEST	3.00%	50	$7,728.15	$92,737.77	150.2%
BETTER	3.25%	50	$8,103.84	$97,246.07	143.2%
WORSE	3.75%	50	$8,880.97	$106,571.66	130.7%
WORSTEST	4.00%	50	$9,281.80	$111,381.59	125.0%

102 Units- Beaumont, AB

Le Reve | Townhomes
Beaumont, AB

102 Units

Category	Units	Size (sq ft)	Avg Rent	Annual Revenue	
Market Rent Units					
18 - 3 Bedroom 2.5wash	18	1,500	$2,000	$432,000	Parking 1 -
66 - 3 bedroom + den Single Suite	66	1,400	$2,300	$1,821,600	Parking 2 -3
Affordable Rent Units					
18 -1 Bed	18	Main Level	$1,200	$259,200	
Gross Potential Suite revenue	102			**$2,512,800**	
Less: Vacancy & Bad Debt	1.50%	of Gross Potential revenue		($37,692)	
Less: Rental Incentives	0.00%	of Gross Potential revenue		$0	
Effective Gross Revenue				**$2,475,108**	
Total Units for calculating OpEx	84				
Operating Expenses:					
Property Taxes	$2,400	/Unit		$201,600	
Insurance	$624	/Unit		$52,416	
Utilities	$0	/Unit		$0	
Salaries/Caretaker	$0	/Unit		$0	*included in Condo fees*
Management Fees	4.25%	% EGI		$105,192	
Repairs & Maintenance	$450	/Unit		$45,900	
Miscellaneous (2.00% of EGI)	2.00%	%EGI		$49,502	
Replacement Reserve	$150	/Unit		$15,300	
Condo Fees	$1,080	/Unit		$90,720	
Total Operating Expenses				$560,630	
Net Operating Income (NOI)				$1,914,478	
Debt Service					
Purchase Price				$37,000,000	
Downpayment	5.00%			($1,850,000)	
First Mortgage Debt				$35,150,000	
Interest Rate (annual)				3.25%	
Interest Rate (monthly)				0.27%	
Amortization (years)				50	
Amortization (months)				600	
Annual Debt Service				$1,423,244.78	
Cash Flow Analysis					
Cash Flow after Debt Service				$491,233	
Debt Service Coverage Ratio				1.35	

Can this opportunity get better?

Pari-Passu

/ˌpärē ˈpäa-soo/

adverb

Latin phrase meaning side by side; at the same rate or on an equal footing.

"early opera developed pari passu with solo song"

FAQ:

- When do I start paying for the loan?
- Why do I see so many Alberta packages and very few Ontario?
- When do I take full possession and how do I take possession of an empty building, how am I going to find tenants?
- Am I locked into this property for the duration of 10-year term, exit options?
- Whats the catch?

FIRST
ACCESS REALTY

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THANK YOU