
MEMORANDUM

TO: Kent S. Anderson
FROM:
SUBJECT: Bluffs Apartment Community Investment Proposal
DATE: December 7th, 2017
CC:

EXECUTIVE SUMMARY

Upon review of the Bluffs Market Study, the financial model, and other pertinent information relating to the investment in the proposed Bluffs Apartment Community, my opinion is that the defined product in this specific market area has potential to be a good investment. In addition, I believe the best financial option for the developer and investor to pursue is Option B of the Discounted Cash Flow model. Below are the arguments as to why the project should be conducted with the selected Option.

SUPPORTING ARGUMENTS

- ! **Option A:**
 - ! **0% Sponsor Equity Investment, 100% Investor Equity Investment**
 - ! **0% Financial Risk for Sponsor, 100% Financial Risk for Investor**
 - ! **6% Financial Reward for Sponsor, 94% Financial Reward for Investor**
 - ! **0% IRR for Sponsor, 16.67% IRR for Investor**
 - ! **This option offers low risk to Sponsor, essential no investment for Sponsor, but also smaller returns to Sponsor and Investor.**
- ! **Option B:**
 - ! **5% Sponsor Equity Investment, 95% Investor Equity Investment**
 - ! **5% Financial Risk for Sponsor, 95% Financial Risk for Investor**
 - ! **11% Financial Reward for Sponsor, 89% Financial Reward for Investor**
 - ! **This option offers medium risk to Sponsor, medium investment from Sponsor, but larger returns to Sponsor and Investor.**
- ! **Option C:**

- **10% Sponsor Equity Investment, 90% Investor Equity Investment**
- **10% Financial Risk for Sponsor, 90% Financial Risk for Investor**
- **9% Financial Reward for Sponsor, 91% Financial Reward for Investor**
- **This option offers higher risk to Sponsor, higher investment from Sponsor, but smaller returns to Sponsor and Investor.**

CONCLUSION

As a Sponsor attempting to attract investors to partner with on the proposed project, I would suggest selecting Option B. Compared to the other two options, this selection offers the most amount of return for the Sponsor while also a balanced return between the Sponsor and Investor. Option A, while there is no financial risk to the Sponsor, the returns are minimal compared to the other two options. Option C, in the same vein, has more of an equity requirement for the Sponsor, however does not offer the most amount of financial reward for the Sponsor. Option B is a nice balance between risk and reward for both parties, and takes a portion of the risk away from the Investor, establishing some credibility for the Sponsor in the eyes of the Investor. I believe this option would establish the best relationship between the parties and offer a good investment strategy for all involved.