Horizon View Mixed-Use Redevelopment – Acquisition & Repositioning Proposal (Urban Retail + Multifamily)

Document Type: *Full Investment Proposal – Sponsor Submission (condensed for committee)*

Executive Summary:
Horizon View is a proposed acquisition and repositioning of a 6-acre site in downtown Cleveland, currently occupied by a 1980s retail strip and two partially vacant office pads. The sponsor intends to redevelop into a 175-unit apartment complex with 22,000 SF of ground-floor retail. Existing improvements produce $920k NOI, largely from legacy month-to-month tenants. Sponsor proposes acquiring the property, holding during entitlement, and launching construction within 18 months.

Capital Summary:

Use of Funds	Amount (MM)	% of Total
Site Acquisition	14.8	47 %
Pre-Development (Design + Permits)	2.1	7 %
Hard Costs (Phase I)	13.2	42 %
Working Capital & Reserves	0.8	3 %
Closing & Fees	0.4	1 %
Total Project Cost	**31.3**	**100 %**

Proposed Capital Stack:

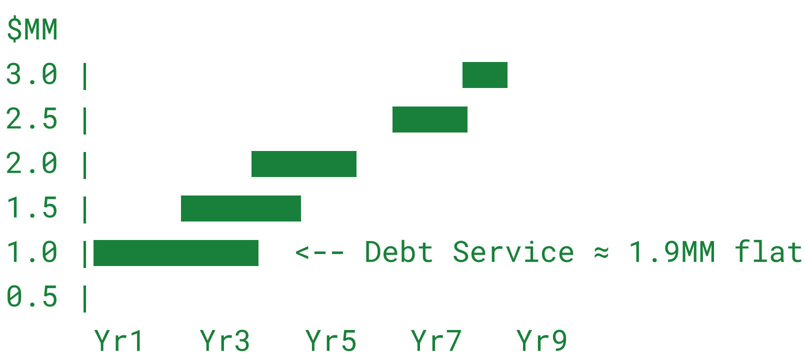
Source	Amount (MM)	Terms
Senior Loan	23.5	7.0 % floating, interest-only 24 mo
Mezzanine Loan	2.5	10.5 % fixed
Sponsor Equity	5.3	17 %
Total	**31.3 MM**	

Underwriting Summary:

- **As-Is NOI:** \$0.92 MM (Cap = 6.2 %).
- **Stabilized NOI:** \$2.75 MM (Cap = 5.8 %).
- **IRR (levered):** 10.5 %.
- **DSCR (stabilized):** 1.08× → 1.22×.
- **Exit Year:** 2030 at 6.0 % cap → sale value \$45.8 MM.
- **LTV / LTC:** 83 % / 86 %.

Market & Risk Discussion:
Downtown Cleveland faces 17 % retail vacancy and new Class A multifamily absorption below projections. Construction costs rose 11 % YoY; proposal assumes only 6 %. The exit valuation assumes cap-rate compression to 6 %, counter to regional trend (expanding toward 6.8–7.0 %). Debt sizing leaves minimal cushion; DSCR < 1.0× during lease-up.

Visual Snapshot (NOI vs Debt Service):



Committee Commentary:
Proposal overstates both achievable rents and residual land value. The retail component has limited demand recovery post-COVID, and the office pads are functionally obsolete. Given leverage above 80 %, this presents asymmetric downside.

Recommendation:
Decline as submitted. Re-engage if sponsor commits ≥ 25 % equity and revises exit cap ≥ 6.75 %.