Exhibit 7.4 City Plaza Development Budget

Budget Item	*Amount*
Property Acquisition	$1,000,000
Property Improvements	$330,000
Legal Expenses	$50,000
Development Consultant	$25,000
Financing Fees	$25,000
Appraisal	$10,000
Environmental Assessment	$10,000
Architectural	$30,000
Soft Costs Contingency	$10,000
Total	$1,490,000

and tax assessments on other shopping centers in the city, NHDC estimates a $1 million acquisition price.

Working with a local contractor and a development consultant, the costs to renovate the health club for a grocery store, make needed repairs, and cover other development expenses were estimated. Total development costs are projected at $1,490,000.

NHDC's development consultant prepared an operating pro forma for the property based on a careful review of City Plaza's existing leases and negotiations with the grocery wholesaler that plans to open a retail store at the center. Income from current leases and rent from the new grocery store at $8 per square foot will total $337,000 in the first year (see Table 7.3). As leases expire, rents are assumed to increase by 4% per year for lease renewals (or new tenants). Additional income will be received from common area maintenance charges, additional rent from tenant sales on two leases, and a lease for a portion of the site's parking lot. After deducting operating expenses, City Plaza's cash flow is projected at $156,585 in the first year, but declines to $144,550 in year four because expenses grow faster than income. Lease renewals in year five and six reverse this trend with net cash flow increasing slightly in year five before reaching $167,000 in year six.

Financing Plan

Based on the development budget and operating pro forma, NHDC needs to establish a financing plan for the project. Through initial discussions with lenders, foundations, and other sources, NHDC identified the following funding availability and terms:

- $150,00 in city and foundation grants
- Two local banks interested in providing a senior mortgage loan—based on an 80% loan-to-value ratio and 1.25 debt service coverage—at 8% with a 20-year term and amortization