



## Project Proposal

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# ALC Project # 71 – TownePlace Suites by Marriott, Boone, NC

## SBA 504 Project Proposal

2240 Blowing Rock Road  
Boone, NC 28607



Prepared by:

American Lending Center  
A USCIS-Designated EB-5 Regional Center

This project proposal is drafted based on the project appraisal report and other related loan underwriting documents. It is designed to provide project information for EB-5 investors. EB-5 investments involved in the contents of this plan have certain risks. Investors should consult a professional before making a decision.

## About American Lending Center

*Sustainable success through integrity, transparency, and accountability.*

American Lending Center (ALC) is a U.S. Citizenship & Immigration Service designated regional center held by Regional Centers Holding Group in Long Beach, California. ALC offers investment opportunities to immigrant investors who are interested in obtaining permanent resident status in the United States through the employment-based fifth preference (EB-5) visa program. ALC has completed funding 60+ projects in 16 states, and is committed to investment in deserving businesses anywhere, including those in rural and other underserved areas.

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## Project Advantages

- **Senior Loan Structure.** With ALC, EB-5 capital is always within the first lien position for loan projects with fixed, tangible assets as collateral. This structure helps secure and recover the EB-5 funds in case of default or if the business files bankruptcy.
- **Small Percentage.** The total construction cost is \$13 million. The EB-5 funds needed is \$1.5 million, which is only 12% of the total project cost. The project's stabilized value will be at least \$12.8 million, which is several times that of the EB-5 funds.
- **Perfect Location.** The project is located in the town of Boone, North Carolina. The town of Boone sits in Watauga County atop the beautiful Appalachian Mountains of North Carolina. Serving as the county seat and market town, Boone is also home to Appalachian State University. Boone was listed among the 10 best places to retire in the U.S. by U.S. News. After the completion of the project, the operation will be worry-free and sufficient cash flow will be guaranteed. The advantage of location has provided foreseeable solid ground for the project's success after completion.
- **Alternative Exit Option.** ALC's unique commercial loan vehicle offers a key alternative exit option for investors on top of refinancing and liquidation of the properties. This is achieved through selling the loans to other banks and financial institutions.
- **Construction Jobs Only.** Total jobs created by this project will be 62.59, which is more than enough for the 3 EB-5 investors. Further, all of the 30 jobs required for EB-5 are from construction, no need of direct jobs from operation. Therefore, when the construction is completed, jobs are deemed created. Investors have no worry at I-829 stage.
- **Third Party Funds Control and Site Inspection.** American Lending Center has a professional construction company as the third party to provide the Funds Control and Inspection Services for all our EB-5 projects, ensures the completion of projects.

## Project Summary

The proposed TownePlace Suites hotel will be located on a 5.29 acre site, features 92 rooms, a breakfast dining area, 2,000 square feet of meeting space, an indoor pool, a fitness room, a lobby work station, a market pantry, guest laundry, and an outdoor sundeck. The hotel will also contain an appropriate parking capacity with 97 surface spaces and all necessary back-of-the house space. This hotel is expected to open in 2019.



Lobby



Guestroom

The proposed hotel will be located in the town of Boone, North Carolina. The town of Boone sits in Watauga County atop the beautiful Appalachian Mountains of North Carolina. Boone was listed among the 10 best places to retire in the U.S. by U.S. News.



The town of Boone



Beautiful Appalachian Mountains

The Town of Boone was incorporated in 1872 and now has reached a population of 18,280 people. At 3,333 feet above sea level, Boone sits at the highest elevation of any town its size east of the Mississippi! Serving as the county seat and market town, Boone is also home to Appalachian State University.



Appalachian State University

Just miles away from Grandfather Mountain, Boone is known as one of the best outdoor adventure destinations in the Southeast. Boone boasts charming local businesses as well as a progressive school system that has been consistently rated for its excellence. The strong sense of community and natural beauty makes Boone stand out as one of the best places to visit and live.



Grandfather Mountain

The specific address for TownePlace Suites by Marriott project is 2240 Blowing Rock Road, Boone, NC 28607. The project is very close to freeway 321, only 5 minutes away from Appalachian State University.



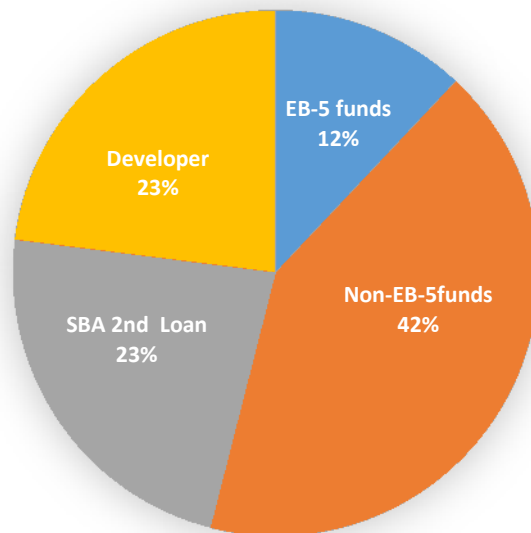
Address: 2240 Blowing Rock Road, Boone, NC 28607

## Capital Structure and Source of Funds

Total capital needed is \$13 million. American Lending Center will provide \$1.5 million EB-5 funds from 3 investors, wherein each investor invests \$500,000.

**Project Funds Use**

Funds Source	Amount(10K)	Proportion
EB-5 funds	\$150	12%
Non-EB-5funds	\$550	42%
SBA 2 <sup>nd</sup> Loan	\$300	23%
Developer	\$300	23%
<b>Total Cost</b>	<b>\$1,300</b>	<b>100%</b>



**Use of Fund:**

<b>Funds Use</b>	<b>Amount (10K)</b>	<b>Job Creation</b>
<b>Land Purchase</b>	\$56	Based on <b>\$11.41million</b> construction cost (FF&E + Construction), total jobs created from the construction and development of the project is 43.63, which exceeds the job requirements for the 3 EB-5 investors' immigration applications.
<b>FF&amp;E</b>	\$116	
<b>Construction</b>	\$1,025	
<b>Soft Cost and other cost</b>	\$103	
<b>Total cost</b>	<b>\$1,300</b>	

**Job Creation**

TownePlace Suites by Marriott in Boone, North Carolina has applied RIMS II methodology for its job creation analysis.

Job creation consists of two parts:

- A. Total of \$11.41 construction cost will create 43.63 jobs.
- B. Upon completion of construction, the project will need at least 14 direct employees for its operation. To include the indirect and induced jobs, total job creation at operation stage will be 18.96.

Therefore, total jobs created by this job will be 62.59, which could be used for up to 6 EB-5 investors. Currently American Lending Center is only recruiting 3 investors for this project. The required 30 jobs will be purely from construction, which does not rely on any direct jobs in operation. As long as construction is finished, jobs are created. Investors have no worry about job creation issue at I-829 stage.

\* For more information of job creation, please see Appendix-1.

The job creation memo of this project is written by Scott Wagner, the Senior Economist from ALC, specializes in the EB-5 program. From 2011 to 2013, Scott worked on-site with the USCIS Investor Program division, where he was a team leader for a group of economic and business consultants that modernized and facilitated USCIS's adjudication of EB-5 investment projects. In 2014, Scott founded Wagner Consulting Group ([www.wcgeb5.com](http://www.wcgeb5.com)), an EB-5 economic advisory firm. Also in 2014, Scott joined Regional Centers Holding Group as its lead economist. His expertise and

insider perspective have contributed significantly the exponential success of Regional Centers Holding Group. From 2014 to present, Scott has completed business plans and economic analysis job reports for more than 50 ALC projects without any challenges or issues from USCIS.

## Management Team

The project development work will be done by Milan Real Estate, LLC. The company has very high reputation in the industry. The CEO of this company, Mr. Raken Shah started his career as a Civil Chief Engineer for Pioneer Aluminum Induction in Bangalore, India. In 1991, Mr. Shah organized his own paving company. Throughout its 15-year existence, the company grew to 100 permanent employees and performed construction road work for Indian Division of Transportation. In 2006, Mr. Shah and his family relocated to the United States. He developed and obtained few subway, gas stations and retails. He has also owned and operated numerous business. He brings wealth of knowledge in construction, retail and customer service areas of the business.

## Value of the Property

The project's superior geographical location, accurate market positioning, supporting facilities, high-end design, and comprehensive services will attract a large number of people to stay at this hotel for either business or leisure purposes. The business outlook is optimistic. The project construction period is 12 months and the opening time is expected to be in 2019. According to the appraisal report provided by HVS Consulting & Valuation., the world's leading real estate valuation and consulting company (please refer to Appendix-2), the valuation after completion of the project will reach US\$11.9 million. After stable operation, the valuation will reach \$12.8 million, which is several times of the amount of EB-5 loans.

## Cash Flow Projection

In order to predict the cash flow and financial status that will be put into use after the project is completed, the project developer has comprehensively considered the factors such as project site location, competition status, market analysis, financial forecast, and tourist flow, which are briefly listed below:

- The location of the project is excellent, with convenient transportation.
- Large demand for hotel rooms in the area.
- Optimistic economic growth in the future and strong market demand.
- The beautiful environment of Boone attracts a large amount of people to visit. It was listed among the 10 best places to retire in the U.S. by U.S. News.
- Based on the analysis, they concluded highest and best use of this site is the proposed hotel use.

On the basis of the aforementioned macro-market analysis, the project developers will make conservative forecasts on the financial operations in the next five years after the completion of the construction, as detailed in the following table:

**5-Year Cash Flow Projection**  
(In Inflated Dollars for the Fiscal Year)

Year	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
<b>Total Income</b>	<b>\$ 2,143,000</b>	<b>\$ 2,542,000</b>	<b>\$ 2,774,000</b>	<b>\$ 2,857,000</b>	<b>\$ 2,944,000</b>
<b>Operating Expense</b>	<b>\$ 1,131,000</b>	<b>\$ 1,257,000</b>	<b>\$ 1,356,000</b>	<b>\$ 1,396,000</b>	<b>\$ 1,439,000</b>
<b>Net Income</b>	<b>\$ 1,012,000</b>	<b>\$ 1,285,000</b>	<b>\$ 1,418,000</b>	<b>\$ 1,461,000</b>	<b>\$ 1,505,000</b>

In summary, the SBA 504 project of the TownePlace Suites by Marriott is a high-quality EB-5 investment immigration project. The EB-5 funds are invested in SBA 504 projects on a government platform, promote economic development, and actively create jobs. The investment required for investment immigration applications all come from employment generated by construction, and there is absolutely no direct employment generated by any operation, eliminating the uncertainty of the approval of permanent green cards for investors.

This project is a perfect combination of SBA 504 loan and EB-5 funds and truly provides double protection of green cards and fund security.

## Appendix – 1: Job Creation Memo

### Memorandum

To: American Lending Center  
 From: Scott Wagner, Principal and Chief Economist  
 Date: June 22, 2018  
 Re: Preliminary Job Creation Estimate – TownePlace Suites, Boone, NC



This memorandum calculates the indirect job creation resulting from the construction and development of a 92-room TownePlace Suites by Marriott hotel project that will be located at 2240 Blowing Rock Road, Boone, Watauga County, North Carolina 28607.

**Model and Data.** The economic model is the 2016 Regional Input-Output Modeling System (RIMS II) from the US Bureau of Economic Analysis calibrated to a six-county region in northwestern North Carolina.<sup>1</sup> We calculate the project's job creation using the estimated construction costs, the estimated FF&E costs, and the RIMS II final demand employment multipliers for the corresponding industries. The input data are expressed in 2016 dollar terms to adjust for inflation and correspond to the vintage of the RIMS II multipliers.

**Results.** The results of the analysis indicate that the construction and development of the project will create 43.63 indirect/induced jobs. The details of the calculation are provided in the table below.

Job Creation - Construction and Development

Project Phase	NAICS Code	RIMS II Sector	Cost Estimate 2018 USD	Input Value 2016 USD	RIMS II Multiplier	Direct Jobs	Indirect Jobs	Total Jobs
Construction	236200	230000	\$10,254,000	\$9,743,003	4.11	-	40.09	40.09
FF&E	423200 423400	420000	\$1,160,700	\$1,093,484	3.24	-	3.54	3.54
Total - Construction and Development						-	43.63	43.63

Source: Project construction and FF&E cost estimates, 2016 RIMS II employment multipliers.

Note: RIMS II employment multipliers for construction and FF&E categories are Type II final demand (Indirect/Induced impacts only). Indirect jobs includes indirect and induced jobs.

American Lending Center commissioned Wagner Consulting Group to estimate the indirect job creation resulting from the construction and development of the project, which we estimate will create 43.63 jobs. However, if the hotel operations-related jobs are considered, the total job creation will be much higher. The hotel will likely employ a minimum of 14.00 direct employees, which will create an additional 4.96 indirect jobs. Therefore, the total job creation of construction, development, and ongoing operations is 62.59 jobs.<sup>2</sup>

<sup>1</sup> The study area includes Ashe, Avery, Caldwell, Watauga, and Wilkes counties. This region supplies approximately 95.7% of the workforce of Watauga County, where the project is located.

<sup>2</sup> The RIMS II direct effect multiplier for the operations phase is 1.3544. So, 14.00 direct jobs will create 18.96 total operations-related jobs. All data and estimates in the analysis are based on current project information and are subject to modification during the normal course of the construction process and business operations.

## Appendix – 2: HVS Appraisal Report

**Project:** Proposed TownePlace Suites Boone NC  
**Location:** 2240 Blowing Rock Road  
 Boone, North Carolina 28607  
**Interest Appraised:** Fee Simple  
**Highest and Best Use (as if vacant):** Develop an extended-stay lodging facility

➔ Hotel Address

### LAND DESCRIPTION

**Area:** 5.29 acres, or 230,432 square feet  
**Zoning:** B3 - General Business  
**Assessor's Parcel Number(s):** 2819-79-0873-000  
**FEMA Flood Zone:** Zone X

### PROPOSED IMPROVEMENTS DESCRIPTION

**Expected Opening Date:** April 1, 2018  
**Property Type:** Extended-Stay lodging facility  
**Building Area:** 53,159 square feet  
**Guestrooms:** 92  
**Number of Stories:** Four  
**Food and Beverage Facilities:** A breakfast dining area  
**Meeting Space:** 2,000 square feet  
**Additional Facilities:** An indoor pool, a fitness room, a lobby workstation, a market pantry, a guest laundry room, and an outdoor sundeck  
**Parking Spaces:** 97 Surface

**FIGURE 1-3 SUMMARY OF INVESTMENT PARAMETERS AND MARKET VALUE OPINIONS**

	As Is	When Complete	When Stabilized
Date of Value	February 1, 2017	April 1, 2018	April 1, 2020
Number of Rooms		92	92
Interest Appraised	fee simple	fee simple	fee simple
Exposure Time (Months)	five to seven	five to seven	five to seven
<b><u>Approaches to Value</u></b>			
<b>INCOME CAPITALIZATION APPROACH</b>			
Discount Rate		10.81 %	11.00 %
Applied Terminal Cap Rate		9.50	9.50
Transaction Costs		3.0	3.0
<b>Income Approach Value Conclusion</b>		<b>\$11,900,000</b>	<b>\$12,800,000</b>
<b>Per Room</b>		<b>129,000</b>	<b>139,000</b>
Cap Rate - Year One NOI		6.8 %	8.9 %
<b>SALES COMPARISON APPROACH</b>			
		\$11,270,087	N/A
		\$12,500,000	
<b>COST APPROACH</b>			
Land Value	\$580,000	N/A	N/A
<b>REPLACEMENT COST FOR INSURANCE PURPOSES</b>			
		\$8,100,000	N/A
<b><u>Reconciled Value Opinion</u></b>			
Real Property Value	\$580,000	\$10,430,000	\$12,330,000
Personal Property Value	0	1,470,000	470,000
Intangible Property Value	0	0	0
<b>Reconciled Value</b>	<b>\$580,000</b>	<b>\$11,900,000</b>	<b>\$12,800,000</b>
<b>Per Room</b>		<b>129,300</b>	<b>139,100</b>

➔ Hotel Value when complete

➔ Hotel Value when stabilized

## Appendix – 3: SBA 504 Loan Program Requirements

The small business must meet the eligibility requirements at the time of application and, with the exception of the size standard, must continue to meet these requirements through the closing and disbursement of the loan to get the loan approval from SBA. Also, individuals who own 20% or more of a Small Business Applicant must provide an unlimited full personal guaranty. Each 504 loan must be guaranteed by at least one individual or entity. SBA/CDC may require other individuals to guarantee the loan as well. For each project, EB-5 Funds has a 1<sup>st</sup> lien and SBA takes a 2<sup>nd</sup> lien. This project meet all the requirements of the SBA 504 Loan program.

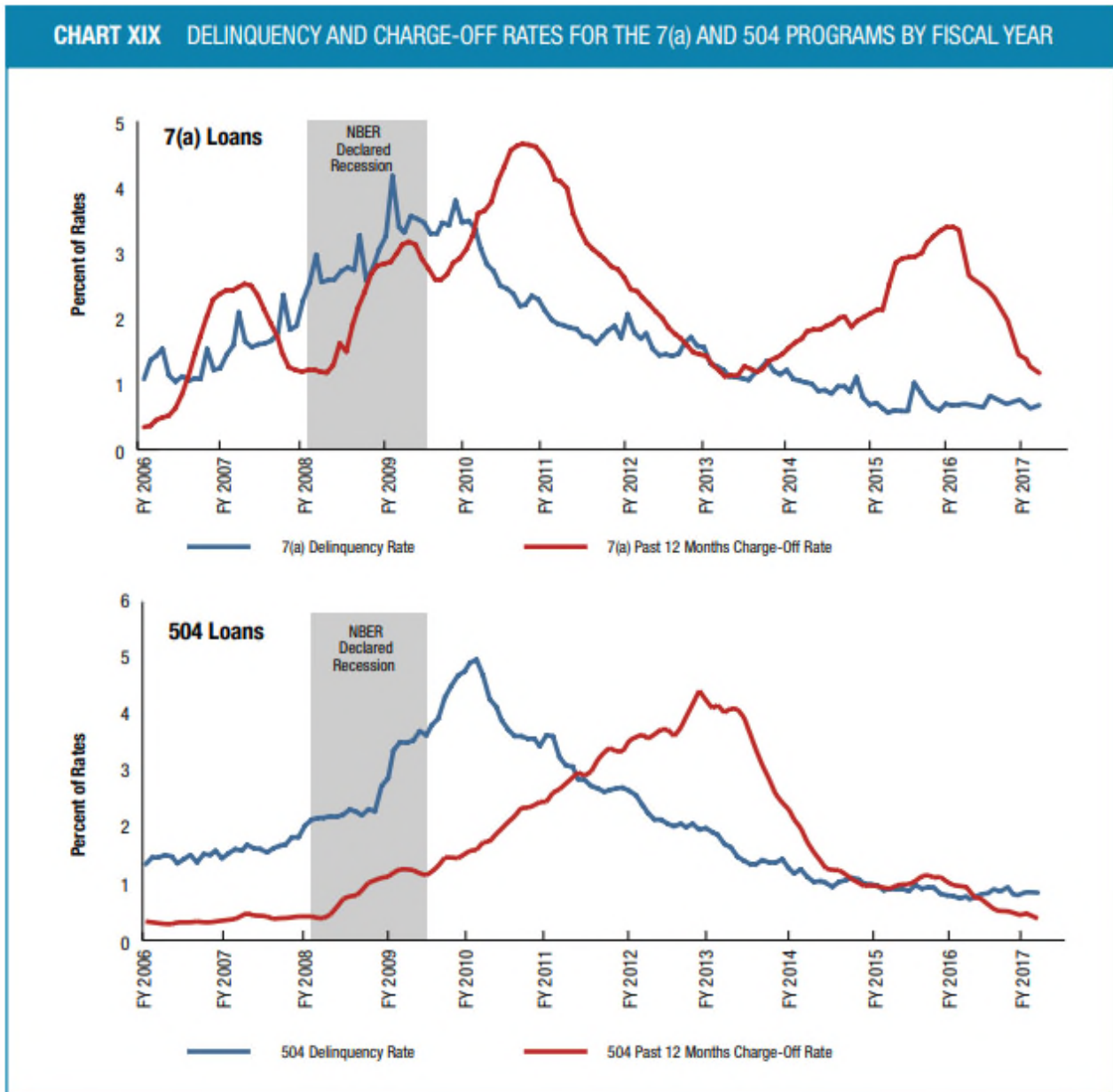
<b>SBA 504 Loan Program Requirements</b>	<b>Borrower's qualification</b>
<b>Industry</b>	Industry code 721110 is qualified for SBA 504 Loan application
<b>Company Name</b>	Milan Real Estate, LLC
<b>Net Income</b>	Under \$ 1.5 Million
<b>Average Net Income</b>	Under \$ 5 Million
<b>Business Tax Return</b>	Last 3 years' tax returns
<b>Borrower Citizenship</b>	American Citizen
<b>Borrower's current loan</b>	Under \$ 5 Million

This project has to go through the analysis of three institutions: American Lending Center, CDC (Certified Development Company) and SBA.

Loan Program Requirements are imposed upon CDCs by statute, SBA regulations, any agreement the CDC has executed with SBA, SBA SOPs, official SBA notices and forms applicable to the 504 loan program, debentures, and loan authorizations, as such requirements are issued and revised by SBA from time to time.

SBA 5010 5(B) SOP [version 10/1/2009, page 240]: "On 504 loans, the cash flow of the Small Business Applicant is the primary source of repayment, not the liquidation of collateral. Thus, if the lender's financial analysis demonstrates that the Small Business Applicant lacks reasonable assurance of repayment in a timely manner from the cash flow of the business, the loan request must be declined, regardless of the collateral available."

## Appendix – 4: Small Business Delinquency and Charge-off Index



Description : The figure 1 represents the SBA 7(a) Loan delinquency and charge-off rate

The figure 2 represents the SBA 504 Loan delinquency and charge-off rate

According to the chart, the charge-off rate of small business in the past 10 years ranges from 0.3% to 4.3%.