

EST. *the* 2024

# Pacific Park Plaza

BROOKLYN, NEW YORK



Joelle Kahen

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# Executive Summary

Kahen Development is excited to present the opportunity to invest in an ground up development of a mixed-use project to be known as the Pacific Park Plaza at 18 6<sup>th</sup> Avenue, in the heart of Brooklyn, New York. The proposed 32-story development will include 915 residential units and 62,000 square feet of prime flexible retail space to accommodate the strengthening rental market in the greater New York Metro Area and dynamic retail landscape in Brooklyn.

The 32,000 square foot site is perfectly situated to attract residents and commercial tenants, given its desirable location beside the Barclays Center. Pacific Park Plaza will leverage the neighborhood's major transportation hubs and location in the intersection of 5 major Brooklyn neighborhoods and in order to attract a fresh tenant base and considerable foot traffic. A portion of the residential units will be allocated to affordable housing in order to accommodate the underserved affordable crisis and benefit from financial incentives. With strong market fundamentals and public sector support, the project can meet the demands Brooklynites require to fulfill their "live, work, play" lifestyle.

***Kahen Development in seeking an LP equity investment of \$213,314,000.***

# Investment Highlights

## Return Summary

<i>Sale</i>	<u>Unlevered</u>	<u>Levered</u>	<u>LP</u>
Profit	\$103,105,559	\$122,968,082	<b>\$156,270,339</b>
IRR	10%	14%	<b>14%</b>
EM	1.4x	1.8x	<b>1.8x</b>

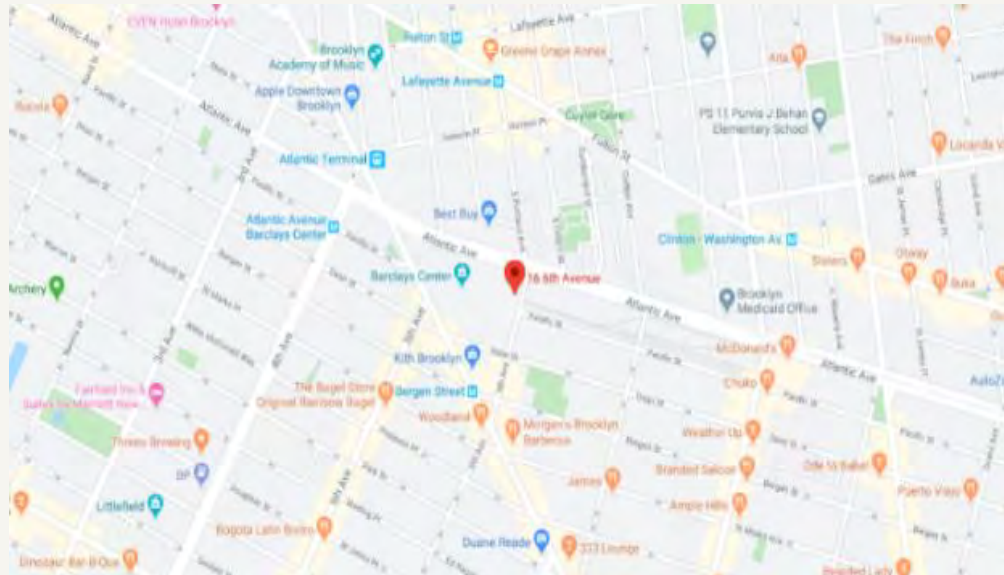


# ZONING + ENTITLEMENTS



# The Site

B4 lies in the eastern portion of the Pacific Park landscape, adjacent to the Barclays Center. The site is located on the corner of Atlantic Avenue and 6<sup>th</sup> Avenue, and is bordered by the Prospect Heights, Park Slope, Gowanus, Boerum Hill, Fort Green, and Clinton Hill neighborhoods in Brooklyn. Lot B4 is located within Brooklyn Community District 2 and Council District 35.

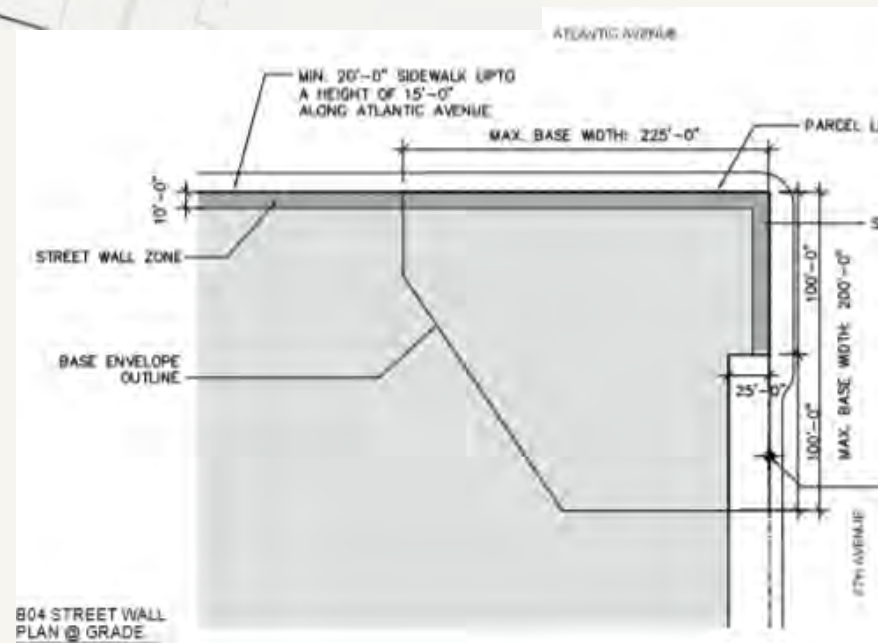


# Zoning Analysis

The Pacific Park Complex has unique zoning legislation in order to promote the development of the mega plan and the neighborhood. The zoning permits a dual use of residential and retail consisting of restaurant, arena support, health clubs, and community facility)

The lot area is 32,000 square feet and is currently vacant. The lot is an irregular shape: 183 feet of frontage on Atlantic Avenue, 200 feet of frontage on 6<sup>th</sup> Avenue, 100 feet of frontage towards the adjacent lot on the South portion, and 230 feet of curved frontage towards the Barclays Center. The required lot coverage is 100%.

The base height requirement is 80-150 ft. The maximum above grade gross floor area is 824,629 square feet. The adjacent arena has a maximum height of 150 feet, a factor taken into consideration when designing the building and floor-to-floor programming.



# Community Benefits Agreement

During the initial planning phase of what was originally known as Atlantic Yards, the development team struck a deal with local community activist groups to gain their support on the project and improve the quality of life for residents. This was a non-governmental pact between the developer and community groups such as ACORN, Brooklyn United for Innovative Local Development, and House of the Lord Church. The initial discussion defining the word “community” led to the contention of some groups claiming that they will not be concluded.

Benefits of the agreement included (1) affordable housing being set aside for varying degrees of affordability, (2) 35% minority and 10% women contractors hired during construction, (3) senior housing (10% of all rental units), (4) a health care center within the project, (5) 6 acres of open space for use by public. Through this development, we hope to continue reaching the goals specified in the CBA and enhance the community at large.



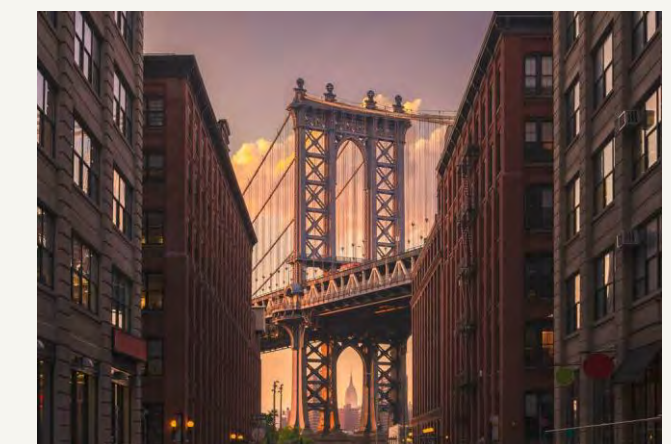
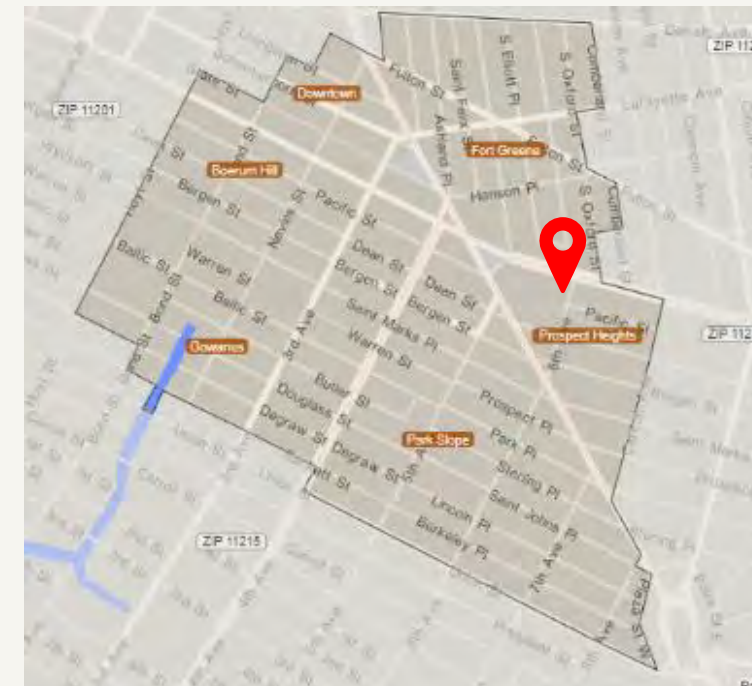
THE NEIGHBORHOOD



# Brooklyn, New York

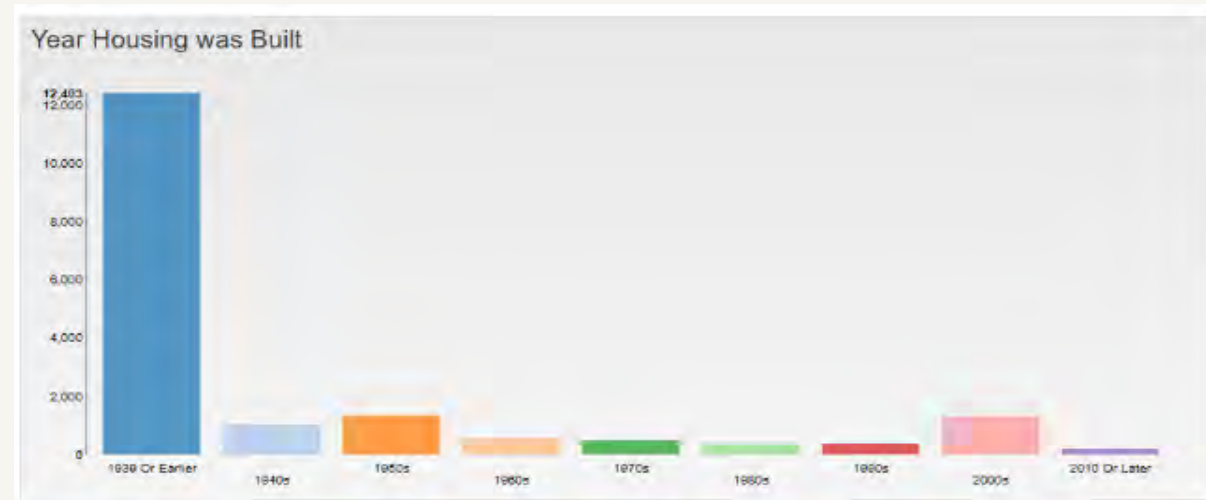
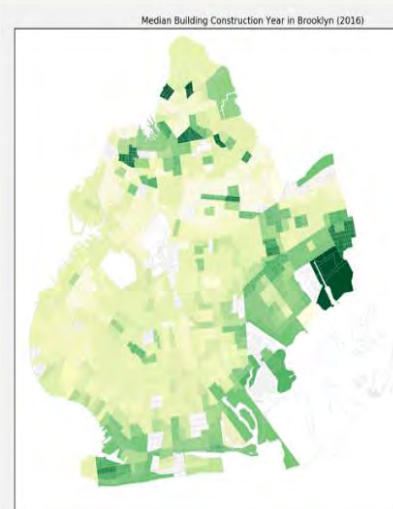
Brooklyn was once the capital of industrial and manufacturing trades in New York, and the East Coast, due to its waterfront accessibility and shipping capabilities. Today Brooklyn is famous for its historic brownstone homes, diverse culture, tech-hub, beautiful greenspace, and relative affordability compared to Manhattan. Notable features in Prospect Heights include Prospect Park, Barclays Center, Brooklyn Botanical Gardens, and the Brooklyn Historic District.

The neighborhood presents an exciting opportunity to introduce additional affordable housing and extend the residential fabric of the neighborhood while adding valuable food and retail amenities for visitors and residents.



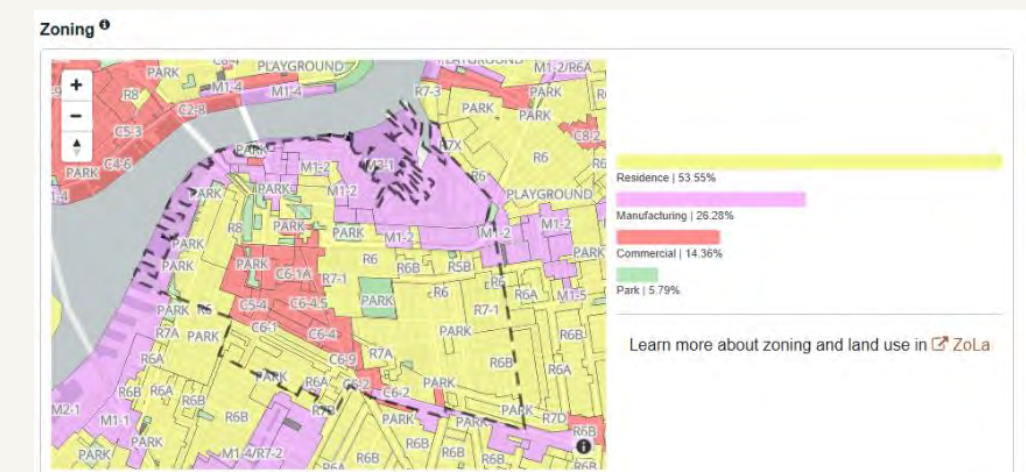
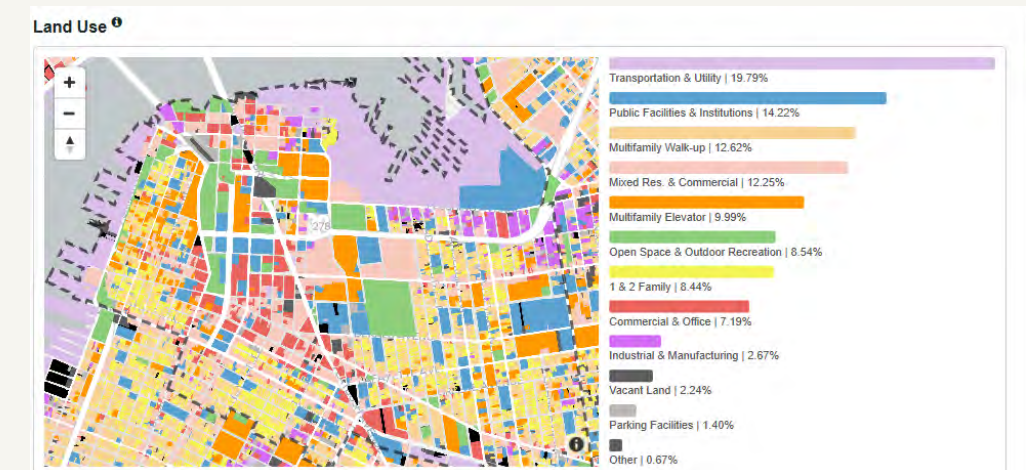
# Built Environment

The vast majority of the buildings in Brooklyn were built during the first half of the 20<sup>th</sup> century. Though there has been significant redevelopment over time, there is still a strong need for improved quality housing and retail. In recent years, the redevelopment projects in Brooklyn has primarily focused on the waterfront areas such as DUMBO and Williamsburg, but has slowly made its way east. The rezoning on Downtown Brooklyn in 2004 has significantly shaped the surrounding neighborhoods, including the Site. It has attracted an estimated 35,000 new residents, causing an outcry of gentrification and a need to provide affordable options.



# Surrounding Use

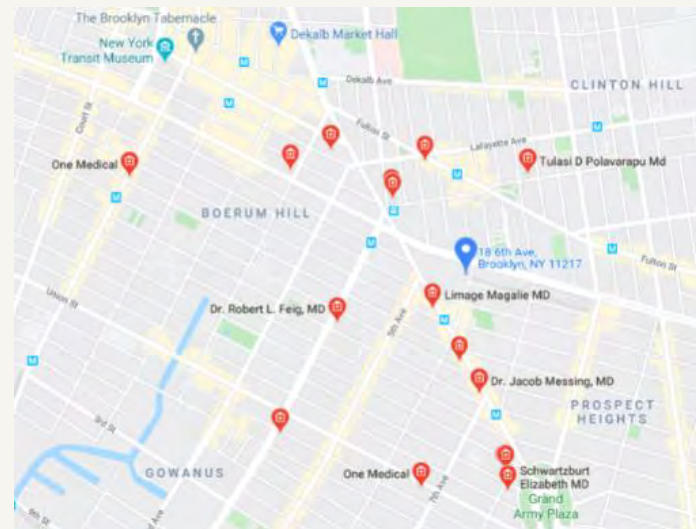
As shown in the map below provided by Brooklyn Community District 2, Brooklyn is an extremely dynamic neighborhood that embraces a healthy assortment of all uses. The in-land uses are mainly mixed-use residential and commercial.



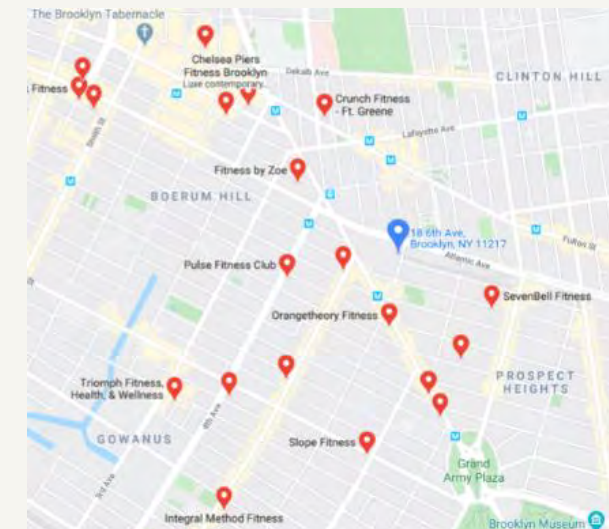
# Retail Landscape

The retail landscape is extremely diverse. The neighborhood offers an assortment of experiential and specialty retail, as well as nationally recognized stores.

Across the street from the site are Atlantic Terminal and Atlantic Center, a 2-mall complex whose most notable tenants include Target, Uniqlo, Starbucks, and Sephora. Stores like Kith and Apple have established a strong presence, however there are still noticeable storefront vacancies.



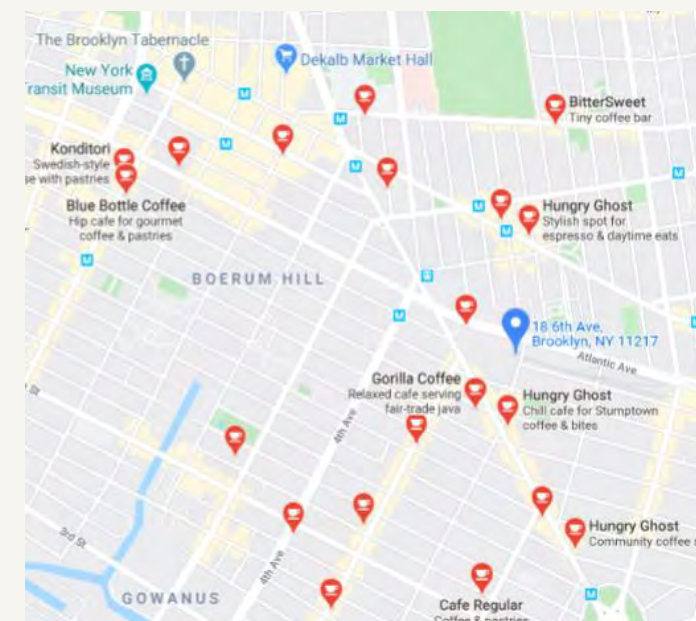
Medical



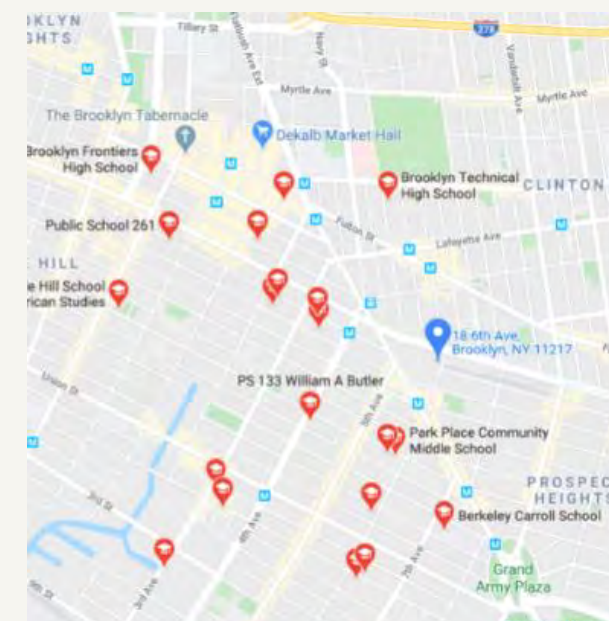
Fitness



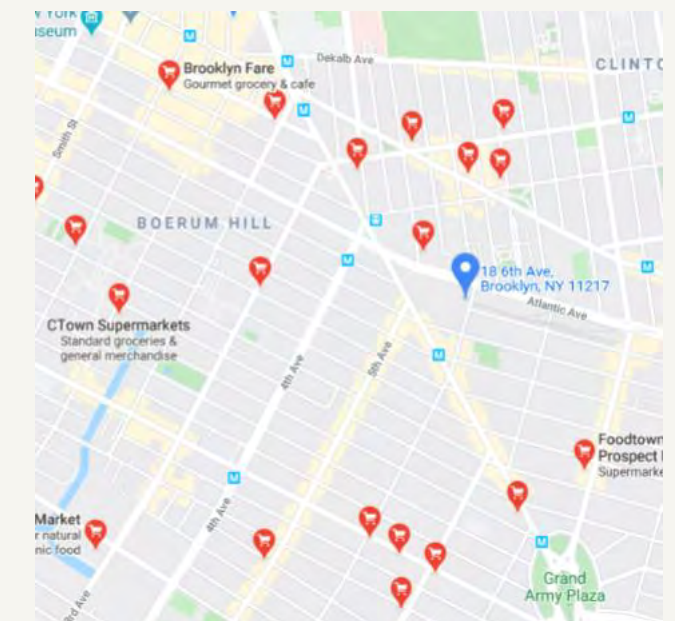
Eateries



Bars



Education



Groceries

# Barclays Center

The Barclays Center is a multi-purpose arena that opened in 2012. It was the first sports arena to achieve a LEED Silver Certification for New Construction. Barclays is home to the Brooklyn Nets and New York Islanders, and holds basketball, hockey, boxing and gymnastic events and concerts. It can seat a maximum of 19,000 people depending on the event, has 101 luxury suites, and offers a selection of bars, lounges, and clubs. As there are over 200 events a year held at the Barclays, we hope to include a retail component in our development that will support the foot traffic generated by the arena and capitalize on the events held.



# Accessibility

The walk score, ride score, and bike score for this area are 99, 100, and 87, respectively, making this one of the most accessible sites in New York.

Average Commute Time  
to Work

**35  
minutes**



*Subway Lines*  
2, 3, 4, 5, B, D, N,  
Q, R, C, + G



*Bus Lines*  
B25, B26, B38, B41,  
B45, B52, B63, B65,  
B67, B69, and B103



*Rail Lines*  
The Atlantic Terminal Long  
Island Rail Road stop makes  
this site accessible from  
Long Island and Penn  
Station.

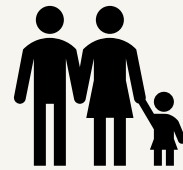
# Demographics

Average Household Income



**\$155,000**

Average Household Size



**2 people**

College Educated



**2 people**

Population Growth



**3.1%\***

Prospect Heights, and the greater Brooklyn neighborhood, have experienced a significant demographic shift in recent years. Today, the neighborhood serves as a major epicenter within Brooklyn, and a transportation connection to the Greater Manhattan and Long Island areas. The area has shown significant demographic trend improvements, especially relative to NYC. According to a 2018 DCP Census, Brooklyn's population size grew 3.1% between 2018 and 2010, while Manhattan's only grew by 2.7%.

The greatest proportion of people are between the ages of 25-35. Brooklyn has become a millennial playground, where residents value their 24/7 “live, work, play” environment.

\*Between 2010-2018.

# MARKET ANALYSIS





# Residential Market

**5.5%\***

median rental price  
increase

**22.9%\***

total inventory decrease

**14 months**

straight of consecutive  
increase in net effective  
rent

**studio +  
1 bed**

most demanded unit type

Brooklyn has traditionally attracted young families and renters as a more affordable alternative to Manhattan. Recently, the changing trends have led to a strong demographic shift within the rental market, and has put increased pressure on demand, resulting in a strong feeling of gentrification amongst long-time Brooklyn residents. The heightened demand has not only raised prices, but has also created a need to expand affordability options. We hope to meet these needs through our unit mix and creation of affordable units.

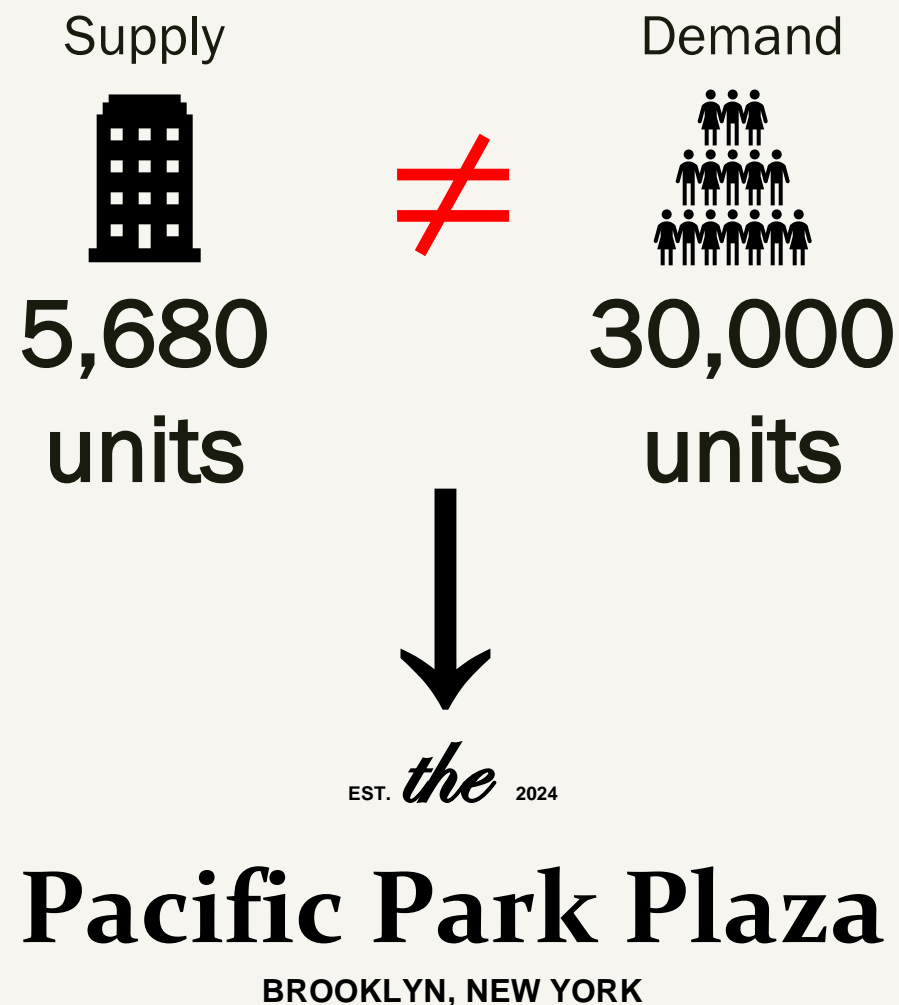
The majority of rental units are 1- and 2-bedrooms. However, given the recent demographic shift and household makeup, the greatest demand lies in studios and 1-bedrooms. The unit allocation in the residential portion of our proposal will reflect this demand as we will dedicate a greater portion of the units to be large studios and 1-bedrooms.

As stated by a January 2020 report published by Douglas Elliman, the median rental price increased 5.5% year over year, total inventory decreased 22.9%, and OP and concessions decreased by 3.8%. This is the 13<sup>th</sup> consecutive month that landlord concessions have fallen year over year. These are all indicators of a strengthening demand for this market despite the additional supply. We hope to capitalize on this market inefficiency.

One consideration to account for is the 7.8% decrease in the number of new leases year over year, as landlords are more successful in retaining tenants during renewals and limiting turnovers. This signals that the initial lease up may be more difficult and may require us to provide additional free rent to attract tenants, however it also indicates that in the long run there will be less costs associated with turnovers. According to the same report down on market has increased, however leasing discount decreased 7%. Net effective median rent rose for the 14<sup>th</sup> straight month and the average size of concessions, which include free rent and broker commission, is 1.6 months. All of these trends point towards a heightened demand in the residential rental market and is outpacing the new supply that has been coming available.

\* year-over-year

# Supply + Demand Reconciliation



The Site is located directly in the intersection of Park Slope, Prospect Heights, and Fort Greene. According to a census published by NYC Planning, there are about 60,000 housing units between these three neighborhoods, a third of which are owner-occupied, leaving about 40,000 rental units in the market. Given the considerable age of the build environment, most of these units are of deteriorating quality and are no longer competitive in the market. Only 14% of units were built after 1980, leaving 5,680 competitive units in the market.

There are about 128,000 residents just in these three neighborhoods alone. The average household size is 2.16 people per household for renter-occupied units, resulting in a market demand for about 60,000 rental units. We are targeting individuals earning \$100k+ annually (50%), resulting in a demand pool of 30,000 units.

Pacific Park Plaza will capitalize on this market inefficiency by bringing 915 units to the market at a competitive price and quality.

# Residential Leasing Comps

The following are rental market comps across various unit types. All of these units are in new developments located within close proximity to the site, and offer similar amenities and quality finishes.

Pacific Park offers a competitive leasing program compared to its market competitors. Though Pacific Park's advantage is its novelty and location, we are priced competitively in order to attract the most tenant base. Most of our units are conservatively priced below the competitive set average.

Address	Unit	Unit Type	SF	Monthly Rent
<i>Studio</i>				
225 Schermerhorn St	#16M	studio/1 bath	408	\$2,830
333 Schermerhorn St	#10S	studio/1 bath		\$2,950
86 Fleet Place	#5F	studio/1 bath	529	\$3,182
	<b>Average</b>		<b>469</b>	<b>\$2,987</b>
<i>1 Bedroom</i>				
461 Dean St	#9J	1 bed/1 bath	578	\$3,365
225 Schermerhorn St	#27A	1 bed/1 bath	730	\$3,985
475 Clermont Ave	#1102	1 bed/1 bath		\$3,333
125 Court St	#5NM	1 bed/1 bath		\$3,995
670 Pacific St	#106	1 bed/1 bath		\$4,034
86 Fleet Place	#17Q	1 bed/1 bath	731	\$4,095
110 Fourth Ave	#5X	1 bed/1 bath		\$2,685
	<b>Average</b>		<b>680</b>	<b>\$3,642</b>
<i>2 Bedroom</i>				
125 Court St	#7SG	2 bed/1 bath		\$5,395
577 Baltic St	#7B	2 bed/1 bath	910	\$5,061
461 Dean St	#B9	2 bed/2 bath		\$5,985
436 Albee Square West	#6F	2 bed/1 bath		\$3,900
	<b>Average</b>		<b>910</b>	<b>\$5,085</b>
<i>3 Bedroom</i>				
207 Dean St	#1	3 bed/2.5 bath		\$8,000
353 Prospect Place	#1R	3 bed/2 bath	1187	\$5,687
99 Rockwell Place	#48	3 bed/2 bath		\$7,430
378 Altantic Avenue	#3	3 bed/2 bath	1000	\$5,000
	<b>Average</b>		<b>1094</b>	<b>\$6,529</b>

	Pacific Park	Competitive Set
<i>Studio</i>		
Monthly Rent	\$2,806	\$2,987
Average Unit Size	460	469
Monthly Rent PSF	\$6.10	\$6.38
<i>1 BR</i>		
Monthly Rent	\$3,935	\$3,642
Average Unit Size	645	680
Monthly Rent PSF	\$6.10	\$5.36
<i>2 BR</i>		
Monthly Rent	\$5,033	\$5,085
Average Unit Size	825	910
Monthly Rent PSF	\$6.10	\$5.59
<i>3 BR</i>		
Monthly Rent	\$6,100	\$6,529
Average Unit Size	1000	1094
Monthly Rent PSF	\$6.10	\$5.97

# Competitive Set

The historical average cap rate for multifamily deals within ½ mile radius of the site is 4.7%\*. Though most of the buildings included in this survey are not of the same scale as Pacific Park Plaza, they are comparable in quality, amenities, and location. We assumed a cap right just below average, as the affordable portion of the development suppressed the risk of this development.



*The Hub*

333 Schermerhorn St  
Sale Date: March 2019  
Sale Price: \$408 M  
Units: 750  
Sale Price/Unit: \$544 K  
Year Built: 2017  
Distance from Site: .4 miles  
Other: 50,000 sf Retail,  
20%  
Affordable



*461 Dean St (Pacific Park 02)*

Sale Date: March 2018  
Sale Price: \$151 M  
Cap Rate: 4.5%  
Units: 438  
Sale Price/Unit: \$438 K  
Year Built: 2015  
Modular Construction  
Forest City REIT  
Disposition



*The Frederick, 570 John Street*

Sale Date: June 2019  
Sale Price: \$117 M  
Cap Rate: 5.8%  
Units: 193  
Sale Price/Unit: \$606 K  
Year Built: 2017  
Distance from Site: 1.2 miles

\*via RCA

# Retail Market

**\$125**

median asking rent per square foot

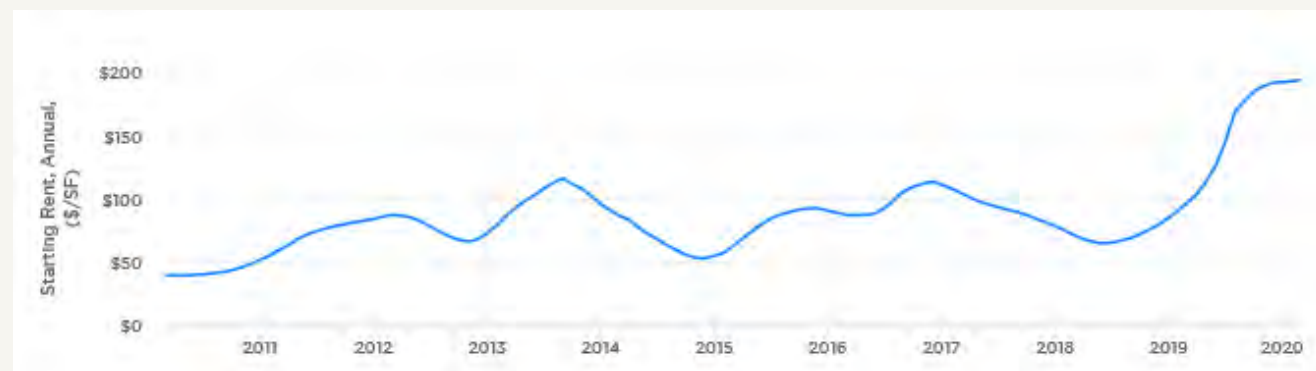
**6%\***

increase in average asking rent

**12%**

storefront vacancy rate

Starting Annual Asking Rent  
(within ½ mile of site)



via Compstak

The current retail landscape in Brooklyn is extremely diverse, reflecting the varying lifestyles and sub-populations within the area. Across the street are Atlantic Terminal Mall and Atlantic Center Mall, which house a wide range of retailers that appeal to different income levels and target market, including Target, DSW, Uniqlo, Old Navy, Marshalls, Verizon Wireless, Office Max, Mattress Firm, Party City, McDonald's, Starbucks, Stop & Shop Supermarket, and Chuck E. Cheese. Additional services provided in the mall include a dental office, eye care center, banks, and the DMV. The two malls were built in 2004 and are connected by a pedestrian bridge.

Higher-end retailers in the area include SoulCycle, Pure Barre, Kith and Apple. Though these do not necessarily reflect *all* of the local residents and their spending habits, they do show a shift in some of the residents and people who visit the neighborhood.

The average asking rents in the trade area are \$50-\$100 per square foot, with 5<sup>th</sup> Avenue and Flatbush Avenue commanding the highest rents. The major factors of rent include building location and age. The following table is retail market comps near the site. However, none of these leases reflect a space as large as ours. If we are unable to find an ideal tenant, we are prepared to break the space up and command a higher rent per square foot from various tenants.

According to a REBNY report published in Q4 2019, the asking average rent for ground floor retail along Flatbush Avenue in Prospect Heights rose 6% year-over-year to \$139 psf. The median asking rent is \$125. Though our site is not on Flatbush Avenue, Atlantic Avenue is right around the corner and proves to be a strong retail and traffic corridor.

\* year-over-year

# Retail Comps

Being directly adjacent to the Barclays Center makes this a highly valuable retail space. We can offer two floors of 58,000 gross square feet of prime retail space with 170 feet of frontage on Atlantic Avenue alone.

Though there are several retail spaces available for lease along Atlantic Avenue and Flatbush Avenue, we believe that we hold a competitive advantage over them due to the wide frontage, spacious floor area, and expansive ceiling height compared to these other spaces.

Address	Tenant	Size	Rent PSF
497 Flatbush Avenue	Kind of Soul	900 sf	\$80.00
166 Flatbush Avenue	Chick-fil-A	2500 sf	\$320.00
487 Flatbush Avenue	Eastville Comedy Club	1750 sf	\$75.00
711 Fulton Avenue	Fulton Classic Cleaner	1100 sf	\$65.45
300 Schermerhorn St	Grand Canyon	4000 sf	\$66.00
41 Flatbush Avenue	Coffee Project	1000 sf	\$81.00
300 Ashland Place	Whole Foods	44000 sf	\$160.00
	<b>Average</b>	<b>7893 sf</b>	<b>\$121.06</b>
<i>Health &amp; Wellnes (within 1 mile of site)</i>			
514 Fulton Street	The Brooklyn Hospital Center	7300 sf	\$82.19
422 Atlantic Avenue	Cintron SkinCare	830 sf	\$57.83
120 Atlantic Avenue	BQE Ophthalmology PC	1100 sf	\$68.18
397 Bridge Street	Alma Health	10000 sf	\$50.00 fl 2
493 Atlantic Avenue	Jeremy Dixon DDS PC	1700 sf	\$50.89
614 Franklin Street	Franklin Ave Animal Hospital	2150 sf	\$42.00
672 Fulton Street	Fort Pilates	1000 sf	\$72.00
38 6th Avenue	New York Presbyterian	26462 sf	\$41.00 fl 2
265 Flatbush Avenue	Northwell Urgent Care	2000 sf	\$100.00
357 Flatbush Avenue	Go Health	2160 sf	\$100.00
	<b>Average</b>	<b>5267 sf</b>	<b>\$64.66</b>

via Compstak

# PROJECT OVERVIEW



# Stacking Diagram + Program Details

Zoning Specs	
Lot Size (SF)	32,000
Lot Coverage	100%
Max Above Ground GFA	824,529
Floor Area	
Floors 1-6	32,000
Floors 6+	24,325
Building Height (ft)	363
Residential Floors	28
Amenity Floors	1
Mechanical Floors	1
Retail	2
Total Floors	32
Base Floors	6
Tower Floors	26

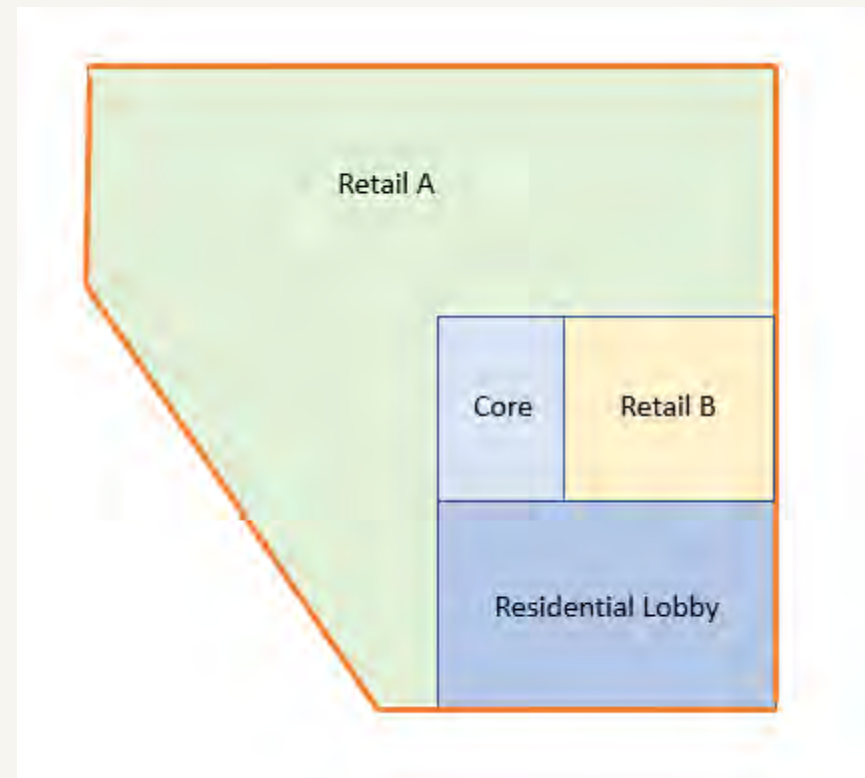
Property Programming Specs	
Residential GSF	762,450
Retail GSF	62,000
Total Above Ground	824,450
Residential Lobby	2,000
Amenity Space	24,325
Mechanical	24,325
Residential RFA	642,014
Residential Efficiency	84%
Retail Net Floor Area	58,280
Retail Efficiency	94%
Below Grade	24,000
Total GSF	848,450
Total Building Efficiency	83%

Cumulative Building Height (ft)	Ceiling Height (ft)	Floor #	Programming	GSF	Resi RSF	Retail RSF	Efficiency
			Rooftop Amenity				
411	12	32	Residential	24,325	22,379	-	92.0%
399	12	31	Residential	24,325	22,379	-	92.0%
387	12	30	Residential	24,325	22,379	-	92.0%
375	12	29	Residential	24,325	22,379	-	92.0%
363	12	28	Residential	24,325	22,379	-	92.0%
351	12	27	Residential	24,325	22,379	-	92.0%
339	12	26	Residential	24,325	22,379	-	92.0%
327	12	25	Residential	24,325	22,379	-	92.0%
315	12	24	Residential	24,325	22,379	-	92.0%
303	12	23	Residential	24,325	22,379	-	92.0%
291	12	22	Residential	24,325	22,379	-	92.0%
279	12	21	Residential	24,325	22,379	-	92.0%
267	12	20	Residential	24,325	22,379	-	92.0%
255	12	19	Residential	24,325	22,379	-	92.0%
243	12	18	Residential	24,325	22,379	-	92.0%
231	12	17	Residential	24,325	22,379	-	92.0%
219	12	16	Residential	24,325	22,379	-	92.0%
207	12	15	Residential	24,325	22,379	-	92.0%
195	12	14	Residential	24,325	22,379	-	92.0%
183	12	13	Residential	24,325	22,379	-	92.0%
171	12	12	Residential	24,325	22,379	-	92.0%
159	12	11	Residential	24,325	22,379	-	92.0%
147	12	10	Residential	24,325	22,379	-	92.0%
135	12	9	Residential	24,325	22,379	-	92.0%
123	12	8	Residential	24,325	22,379	-	92.0%
111	12	7	Residential	24,325	22,379	-	92.0%
99	12	6	Residential	32,000	30,080	-	94.0%
87	12	5	Residential	32,000	30,080	-	94.0%
75	15	4	Amenity	32,000	-	-	0%
60	20	3	Mechanical	32,000	-	-	0%
40	20	2	Retail	32,000	-	30,080	94%
20	20	Ground	Lobby	32,000	-	28,200	94%
		-1	Cellar	24,000	-	-	-
<b>Total GFA:</b>				<b>848,450</b>	<b>642,014</b>	<b>58,280</b>	<b>81.3%</b>
<b>Above Grade GFA</b>				<b>824,450</b>			

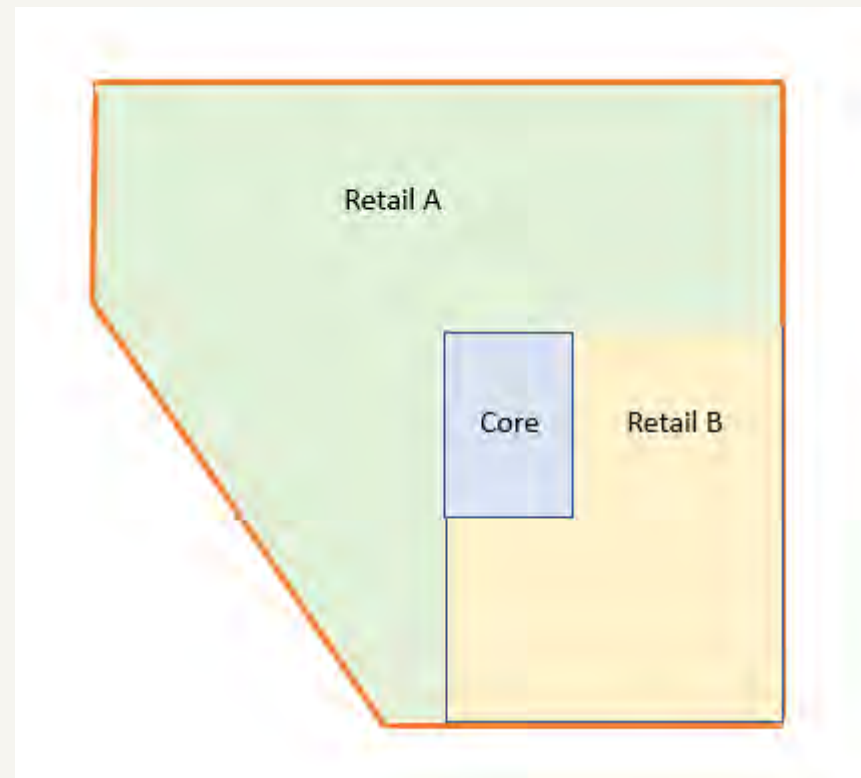


# Site Layout

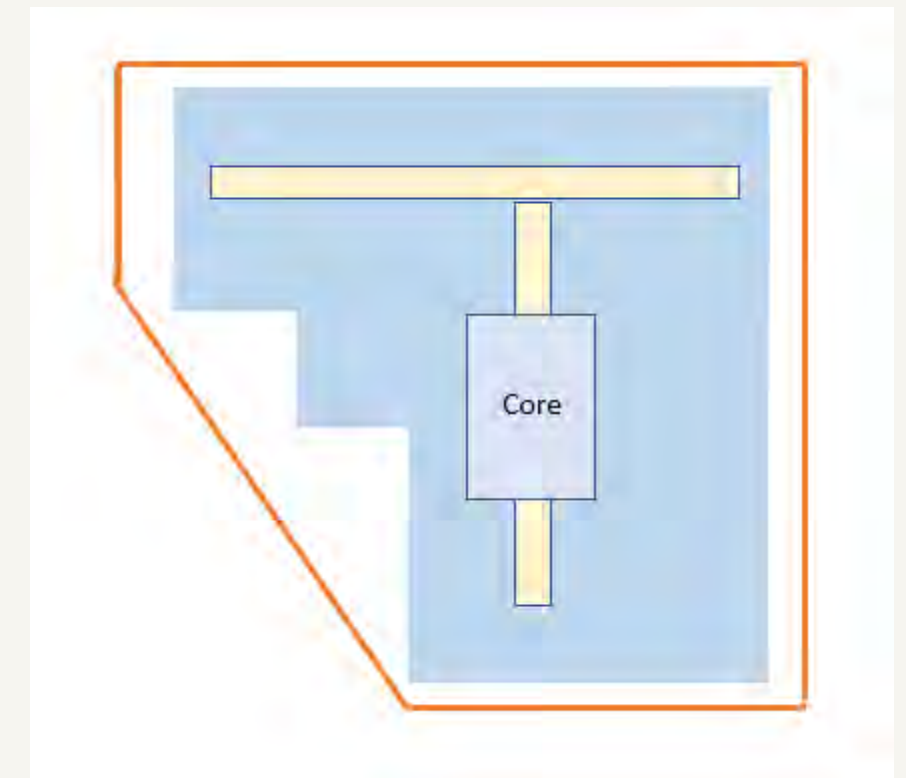
*Ground Floor*



*2nd Floor*

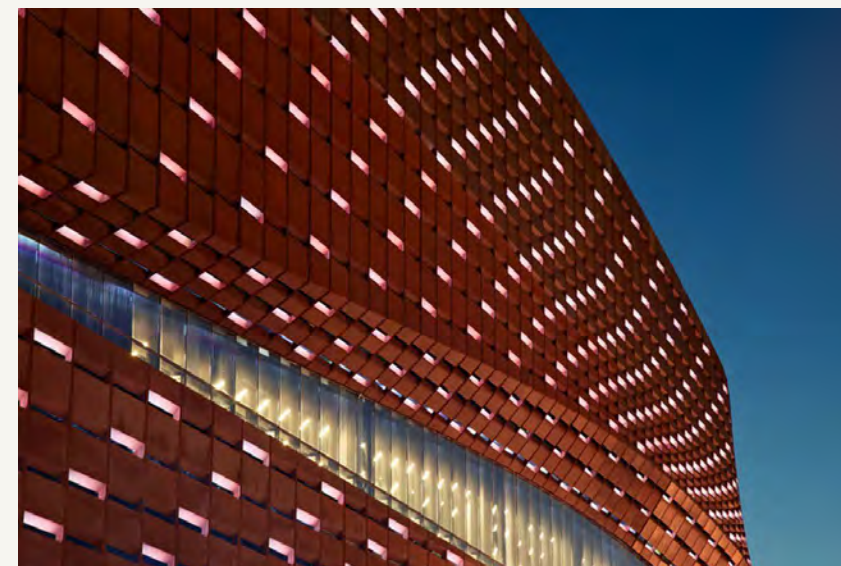


*Typical Upper Floor*



# Façade Design Inspiration

The façade will reflect both the traditional and modern built environment. The surrounding new developments have colorful facades and square windows, while the traditional Brooklyn homes are brick, street-lined brownstones, and are still present. Our façade will be iron clad, which blends seamlessly with the Barclays Center façade directly next to it and the buildings behind it. Furthermore, Atlantic avenue is a very busy street with limited streetscape. We will use landscaping and greenery to soften the facade and create a more appealing environment. Through our design, we hope to make a splash on the Brooklyn landscape without causing a significant disruption.



# PROGRAM OVERVIEW



# Residential

The residential component of the property is 762,450 net rentable square feet and will comprise of 915 units. These units will be allocated to studio, 1 bed, 2 bed, and 3 bedrooms. Given local conditions and our market study, we plan to allocate a majority of these units to studio and 1 bedroom. This building will attract mostly locals but still absorb some of the Manhattan market that is moving to Brooklyn.

The building will also have an affordable housing component in order to take advantage of different financing options and contribute to the affordable housing crisis. We are utilizing the Affordable New York Option A program, which requires 25% of units to be affordable for varying income levels between 40-130% AMI.

Residential Unit Mix

Residential Unit Mix			
<i>Total</i>			
Unit	SF	# of Units	% of Total
Studio	460	250	27%
1 Bed	645	280	31%
2 Bed	825	221	24%
3 Bed	1000	164	18%
<b>Average/Total</b>	<b>702</b>	<b>915</b>	<b>100%</b>

Affordable Unit Mix

Affordable Unit Mix			
Unit	SF	# of Units	% of Total
Studio	460	63.00	6.9%
1 Bed	645	70.00	7.7%
2 Bed	825	55.00	6.0%
3 Bed	1000	41.00	4.5%
<b>Average/Total</b>	<b>700.90</b>	<b>229</b>	<b>25.03%</b>

# Interior Design Inspiration

Residents will feel like they are in a home away from home, indulging in high quality amenities and finishes. Clean lines and light color scheme will help open the space up, and remove people from the hustle and bustle of NYC.



# Retail: Bar + Restaurant

## Flexible Retail

that may be subdivided  
among multiple tenants

## 2 stories

of retail space available

## Corner Frontage

along Atlantic Ave +  
6<sup>th</sup> Ave

## Bar + Restaurant & Health + Wellness

target retailers

We hope to occupy the retail space with a large bar and restaurant facility on the ground floor and a portion of the second floor, and a fitness-focused retailer on the remainder of the second floor.

The restaurant retailer will benefit from the constant foot traffic, especially when there is an event being held at the arena. Arena-goers will not even have to cross the street when they are looking to grab a bite to eat or enjoy a drink before an event. The ambiance will reflect the excitement of the Barclay's center while also creating an inviting atmosphere for residents looking to enjoy an outing.

While we will include screens around the bar for people to enjoy sports broadcasts, we do not want to brand the retail exclusively as a sports bar, as this may deter potential visitors. We want the space to respond to the busy streetscape and be active throughout the day. Our design concept of the bar will reflect both Brooklyn as a neighborhood and the arena. This includes iron and brick finishes, while incorporating modern amenities such as television screens and billiards tables.

# Retail: Health + Wellness

## **Flexible Retail**

that may be subdivided among multiple tenants

## **2 stories**

of retail space available

## **Corner Frontage**

along Atlantic Ave + 6<sup>th</sup> Ave

## **Bar + Restaurant & Health + Wellness**

target retailers

The health focused retailer will contribute to the goals of the Community Benefits Agreement and support the increasingly health-conscience lifestyle of renters. This space may be used as a fitness or yoga studio, physical therapy center, or a clinic dedicated to health-related services.

New York Presbyterian recently signed a lease for the partial ground floor and floors 2, 3, and 5 of the adjacent lot . This indicates a strong demand for health related services, and may attract additional medical uses to the site. We are potentially looking to sign a lease either directly through New York Presbyterian or with one of their affiliates.

# Retail Design Inspiration



Bar + Restaurant

Health + Wellness



# Programming Concept: Amenities

## *Building Amenities:*

- Rooftop terrace
- 7<sup>th</sup> floor terrace
- Gym
- Resident lounge
- 24 hour concierge
- Bike storage

## *Unit Amenities:*

- Washer/dryer
- High end finishes
- Stone countertop



# FINANCIAL ANALYSIS



Kahen Development invites you to invest  
approximately

**\$213,314,000**

for a

**90% Limited Partnership**

equity position in the development of

EST. *the* 2024

**Pacific Park Plaza**

BROOKLYN, NEW YORK

# Key Assumptions

Acquisition Price: \$145,000,000

The total acquisition and development budget has been conservatively projected to be \$529,708,441<sup>1</sup> (\$624.32 psf). A large portion of our hard costs will be allocated to pre-fabricated construction materials in order to limit time and money on construction.

Debt Strategy: 60%<sup>3</sup> of this cost will likely be financed by a large institutional bank given the sizable nature of the loan, and will have an estimated interest rate of XX%.

Equity Strategy: Total equity capitalization of \$122,968,082 (\$145 psf). Kahen Development to contribute \$23,701,560 (10%). LP equity partner to contribute \$213,313,940 (90%).

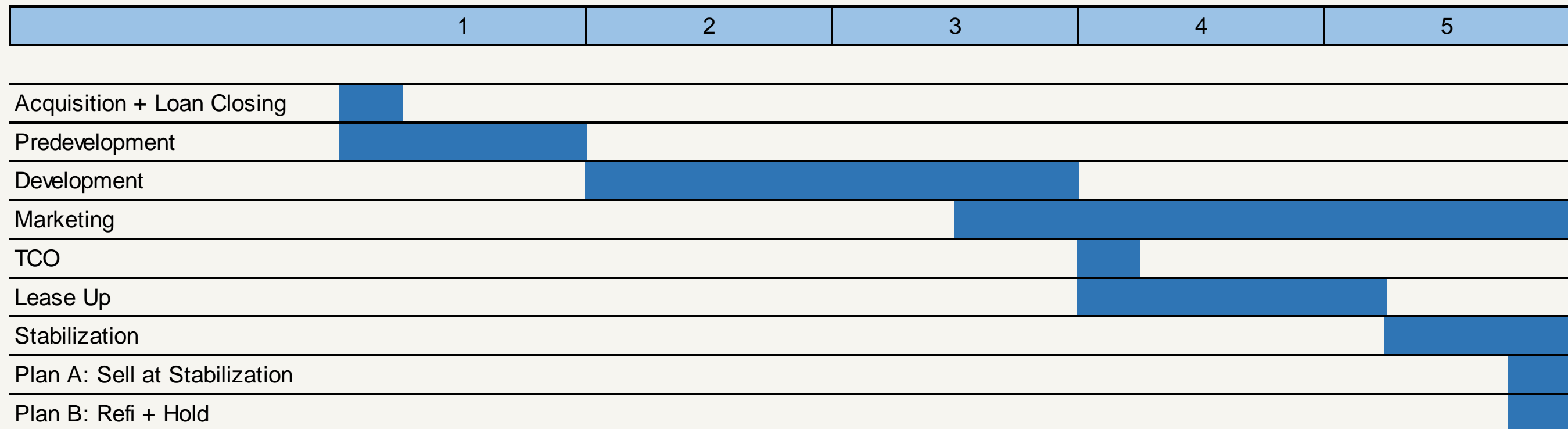
Waterfall Distribution: Initial operating cashflow will be used to pay down the interest of the loan. Thereafter, all parties to receive distributions pari-passu up to a preferred return of 12%. Kahen Development receives 20% promote over the preferred return.

Valuation: Analysis assumes a sale of \$668,540,227 at stabilized valuation based on a capitalization analysis using a 4.25% exit cap rate.

Sources & Uses					
<i>Sources</i>			<i>Uses</i>		
Equity	\$237,015,485	42%	Acquisition	\$145,000,000	26%
Debt	<u>\$328,419,234</u>	<u>58%</u>	Development	\$375,354,280	67%
			<u>Reserves</u>	<u>\$35,726,277</u>	<u>6%</u>
Total	\$565,434,719	100%	Total	\$556,080,557	100%

# Construction Schedule

The project timeline has conservatively been estimated for 5 years. One year will be dedicated to pre-development and planning. 24 months are estimated for construction, and 24 months for lease-up, resulting in a year 5 stabilization. Experienced project managers and consultants will be highly involved in all stages of the project in order to ensure an on time and on budget delivery.



# Development Budget

Total Development Budget			
GSF			848,450
		<u>Cost/SF</u>	<u>Total</u>
<b>Land Commitment</b>		\$171	\$145,000,000
Hard Costs			
Construction Hard Costs		<b>\$350</b>	\$296,957,500
Hard Cost Contingency	5%	<u>\$18</u>	<u>\$14,847,875.0</u>
<b>Total Hard Costs</b>		\$368	\$311,805,375
Soft Costs			
Soft Costs	20%	\$70.00	\$59,391,500
Soft Cost Contingency	7%	<u>\$4.90</u>	<u>\$4,157,405</u>
<b>Total Soft Costs</b>		\$74.90	\$63,548,905
<b>Developer Fee</b>	3%	11.025	\$9,354,161
<b>Total Development Budget Before Reserves</b>		<b><u>\$624.32</u></b>	<b><u>\$529,708,441</u></b>
Interest Reserves		\$26.92	\$22,843,834
Operating Reserves		\$15.18	<u>\$12,882,443</u>
<b>Total Development Cost</b>		<b>\$666.43</b>	<b>\$565,434,719</b>

# Capitalization + Returns

Return Summary			
	<u>Profit</u>	<u>IRR</u>	<u>Multiple</u>
<u>Project Level</u>			
Unlevered	\$103,105,559	10%	1.4x
Levered	\$122,968,082	14%	1.8x
<b>LP</b>	<b>\$156,270,339</b>	<b>14%</b>	<b>1.8x</b>

# Annual Pro Forma

	CONSTRUCTION			LEASE UP		STABILIZATION	
Date	May-20	May-21	May-22	May-23	May-24	May-25	
Total Timeline Year	0	1	2	3	4	5	
Post Construction Year				1	2	3	
Stabilized Year						1	
<b>Acquisition &amp; Development</b>							
Land Acquisition	(\$145,000,000)						
Hard Costs	\$0	(\$15,590,269)	(\$176,689,713)	(\$93,541,613)	\$0	\$0	
Soft Costs	(\$36,451,533)	(\$12,150,511)	(\$12,150,511)	(\$9,112,883)	\$0	\$0	
Total	(\$181,451,533)	(\$27,740,780)	(\$188,840,224)	(\$102,654,496)	\$0	\$0	
<b>Revenues</b>							
Potential Gross Income							
Total Resi PGI	\$0	\$0	\$0	\$0	\$13,630,137	\$34,760,883	
Total Commercial PGI	\$0	\$0	\$0	\$0	\$5,682,300	\$5,682,300	
<b>Total Potential Gross Income</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$19,312,437</b>	<b>\$40,443,183</b>	
Less Vacancy							
Less Free Rent							
<b>Effective Gross Income</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$24,903,250</b>	<b>\$44,603,371</b>	
<b>Expenses</b>							
Taxes	\$0	\$0	\$0	\$0	\$6,225,813	\$11,150,843	
Operating Expenses	\$0	\$0	\$0	\$0	\$2,490,325	\$4,460,337	
Management Fees	\$0	\$0	\$0	\$0	\$747,098	\$1,338,101	
Total Expenses	\$0	\$0	\$0	\$0	\$9,463,235	\$16,949,281	
<b>NOI Operating</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$15,440,015</b>	<b>\$27,654,090</b>	
<b>Capital Expenditures</b>							
Tenant Improvements	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Broker Commissions	\$0	0	0	\$0.00	\$193,124	\$404,432	
<b>CapEx Reserve</b>							
Beginning Balance	\$0	\$0	\$0	\$0	\$0	\$424,476	
Contribution	4%	\$0	\$0	\$0	\$617,601	\$1,106,164	
Distribution		\$0	\$0	\$0	(\$193,124)	(\$404,432)	
Ending Balance	\$0	\$0	\$0	\$0	\$424,476	\$1,126,208	
<b>NOI Property</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$14,822,415</b>	<b>\$26,547,926</b>	
<b>Sales Proceeds</b>							
Reversion Cap Rate	4.25%						
Sales Proceeds	\$0	\$0	\$0	\$0	\$0	\$668,540,277	
Less Selling Cost	1%	\$0	\$0	\$0	\$0	(\$6,685,403)	
<b>Net Sales Proceeds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$661,854,874</b>	
<b>Unlevered Net Cash Flow</b>	<b>(\$181,451,533)</b>	<b>(\$27,740,780)</b>	<b>(\$188,840,224)</b>	<b>(\$102,654,496)</b>	<b>\$14,822,415</b>	<b>\$688,402,801</b>	
<b>Unlevered Returns</b>							
IRR	9.8%			Present Value		\$43,004,789	
Equity Multiple	1.40			Net Present Value		457682242.8	
<b>Financing</b>							
Construction Loan Proceeds	\$0	\$0	\$191,546,573	\$136,872,661	\$0	0	
Interest Payment	\$0	\$0	(\$6,121,176)	(\$16,722,657.66)	\$0	\$0	
Construction Loan Payback	\$0	\$0	\$0	\$0	0	(\$328,419,234)	
Permanent Loan Proceeds							
Permanent Loan Costs	1%				\$0		
Permanent Loan Payments							
Permanent Loan Payback							
<b>Levered BT Net Cash Flow</b>	<b>(\$181,451,533)</b>	<b>(\$27,740,780)</b>	<b>(\$3,414,827)</b>	<b>\$17,495,508</b>	<b>\$14,822,415</b>	<b>\$359,983,567</b>	
<b>Levered Returns</b>							
IRR	13.9%			Present Value		\$341,655,999	
Equity Multiple	1.85			Net Present Value		\$94,602,228	



# Sensitivity Analysis (Plan A)

Levered IRR Sensitivity: Exit Cap vs Exit Year (after Stab)

		Exit Year				
		5	6	7	8	9
Exit Cap	13.90%					
	3.75%	18.8%	17.6%	16.8%	16.2%	15.7%
	4.00%	16.3%	15.7%	15.3%	14.9%	14.6%
	4.25%	13.9%	13.9%	13.8%	13.7%	13.6%
	4.50%	11.6%	12.1%	12.4%	12.6%	12.7%
	4.75%	9.3%	10.4%	11.0%	11.4%	11.7%

Levered EM: Exit Cap vs Exit Year

		Exit Year				
		5	6	7	8	9
Exit Cap	184.52%					
	4.00%	2.x	2.3x	2.5x	2.7x	3.x
	4.25%	1.8x	2.1x	2.3x	2.5x	2.7x
	4.50%	1.7x	1.9x	2.1x	2.3x	2.5x
	4.75%	1.5x	1.7x	1.9x	2.1x	2.4x
	5.00%	1.4x	1.6x	1.8x	2.x	2.2x

Levered IRR: Hard Cost vs Exit Cap

		Exit Cap				
		4.00%	4.25%	4.50%	4.75%	5.00%
Hard Cost PSF	13.90%					
	\$200	29.5%	27.3%	25.3%	23.4%	21.5%
	\$275	22.3%	20.1%	17.9%	15.9%	13.9%
	\$350	16.3%	13.9%	11.6%	9.3%	7.1%
	\$425	10.6%	7.9%	5.3%	2.7%	0.2%
	\$500	4.8%	1.9%	-1.0%	-4.0%	-6.9%

Levered IRR: Lease-up vs Development Schedule

		Lease Up Months				
		16	18	20	22	24
Development Months	13.90%					
	18	19%	19%	19%	19%	18%
	21	18%	18%	17%	16%	15%
	24	16%	15%	14%	13%	11%
	27	11%	10%	9%	7%	6%
	30	4%	3%	1%	0%	0%

# Exit Strategies

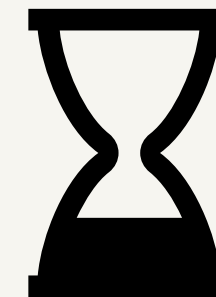
## *Plan A: Sell at Stabilization*

Our primary goal is to sell the asset upon stabilization. Potential buyers include Life Companies hoping to acquire stable assets with steady cashflows and reasonable returns.



## *Plan B: Refinance & Hold*

Plan B includes refinancing the asset upon stabilization and holding for 10 years, or until favorable market conditions occur.



PROJECT DELIVERY



# Marketing Strategy



Though we cater to all ages, our marketing efforts are directed towards the millennial wave that has taken over Brooklyn. Our ideal tenants are young professionals between the ages of 27-35 and has an annual income of \$150,000+ a year. They most likely work in the area, but might also commute to FiDi or Midtown Manhattan for work.

Our tenants ideally enjoys engaging in group activities such as fitness classes and happy hour events, and frequently attends concerts and sports events at the Barclay's Center.

Though we expect a majority of our demand to come from local Brooklynites, we do anticipate about 15% of residents to come from Manhattan and other boroughs.

EST. *the* 2024

## Pacific Park Plaza

BROOKLYN, NEW YORK

RISKS + MITIGANTS



# Risks + Mitigants

## *Decline in Retail Market*

- Retail space is flexible, and can be subdivided to serve multiple tenants. As the total retail space is on the larger side, we assumed 2 tenants at initial lease up. However, the large frontage on 2 sides, as well as 2<sup>nd</sup> floor access, gives the space many opportunities to be used by various and diverse retailers.

## *Construction Delays*

- This project estimates a 12 month predevelopment period and 24 month construction period. These schedules were estimated with cushioned time in order to air on the cautious side. Most of the construction material will be prefabricated as to speed up the construction process. The developer is also working with local community groups and governing boards to ensure that pre-development and development are enacted without any bumps in the road.

## *Poor market conditions at stabilization*

- In the event that there is a market downturn during Year 5 (stabilization), we have set up a backup plan should we need to hold the site until favorable market conditions arise. This includes a capital reserve budget, and proper management of the site and facilities.

EST. *the* 2024

# Pacific Park Plaza

BROOKLYN, NEW YORK

*Joelle Kahen*