

SAGE HOUSE HOTEL &
OSPREY RESTAURANT

BRICK COVE MARINA

SOUTHOLD, NY

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Executive Summary

Executive Summary

Fee simple interest in Brick Cove Marina site can be acquired for \$9,000,000

Overall development budget is estimated at \$29,000,000

Opportunity to develop a hotel, restaurant and aquaponics facility on existing land parcel.

Unparalleled waterfront access, sweeping views of Peconic Bay

Existing hotel supply exists, however the competitive set does not offer comparable amenities and location purposed for the Brick Cove Marina site.



Sponsor Overview

Riversville Alternative Capital

Sponsor Overview

Riversville Alternative Capital (RAC) is a fully integrated real estate development and investment firm.

RAC has 20 years of experience in developing, and repositioning properties across all major real estate asset classes.

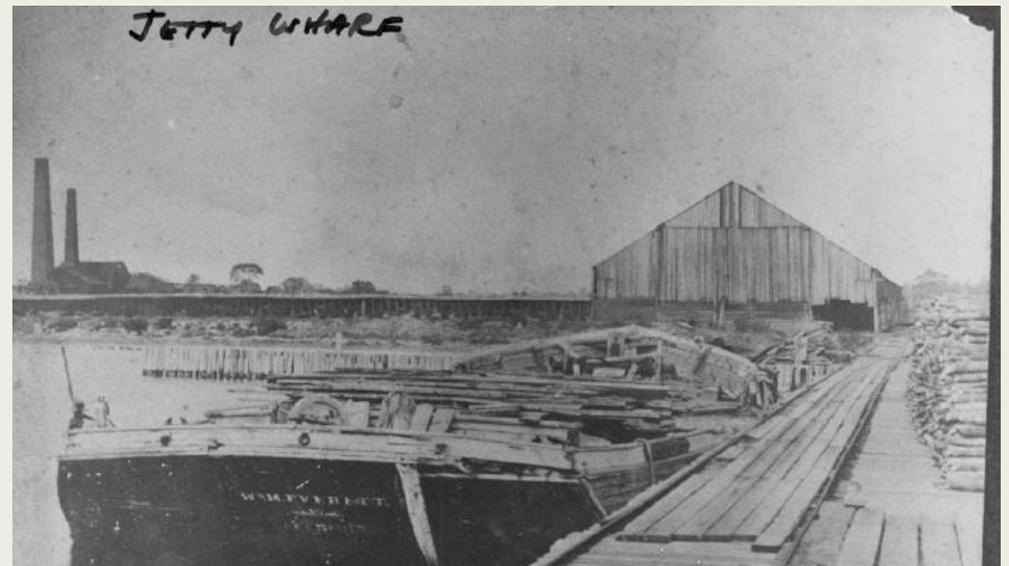
RAC will be acting as the sole General Partner in the proposed joint venture to purchase and develop the site currently known as Brick Cove Marina.

RAC will be investing 10% of the necessary equity to bring the project and vision to completion, while syndicating the balance of the equity raise to a select group of well-capitalized investment vehicles and individuals.

The joint venture will also seek to raise a portion of the capitalized equity from firms or individuals who either live or have roots in the North Fork of Long Island, understanding the importance of engaging local leadership and support for such a project.

History of Brick Cove Marina

- The North Fork of Long Island has a deep history of marine activity; be it whaling, fishing, and ship building.
- Brick Cove Marina was originally a brick manufacturing site
- The property was owned by DeWitt Clinton Sage, who was born in Connecticut in 1837 and went on to find success in munitions trade, machinery, as well as brick production



Purposed Development Concept

The Hotel: Sage House

Comprised of thirty (30) pre-fabricated, freestanding dwellings and cabins.

Cabins will be a mix of one (1) and two (2) bedroom units to accommodate couples and families

Possibility to sell units as condominiums and put back into hotel inventory when not in use by owner

Overall development will be less intrusive to the site line and water front than building a single, larger structure.

Named for Dewitt C. Sage, the founder of Brick Cove Marina during it's life as brick manufacturing facility.



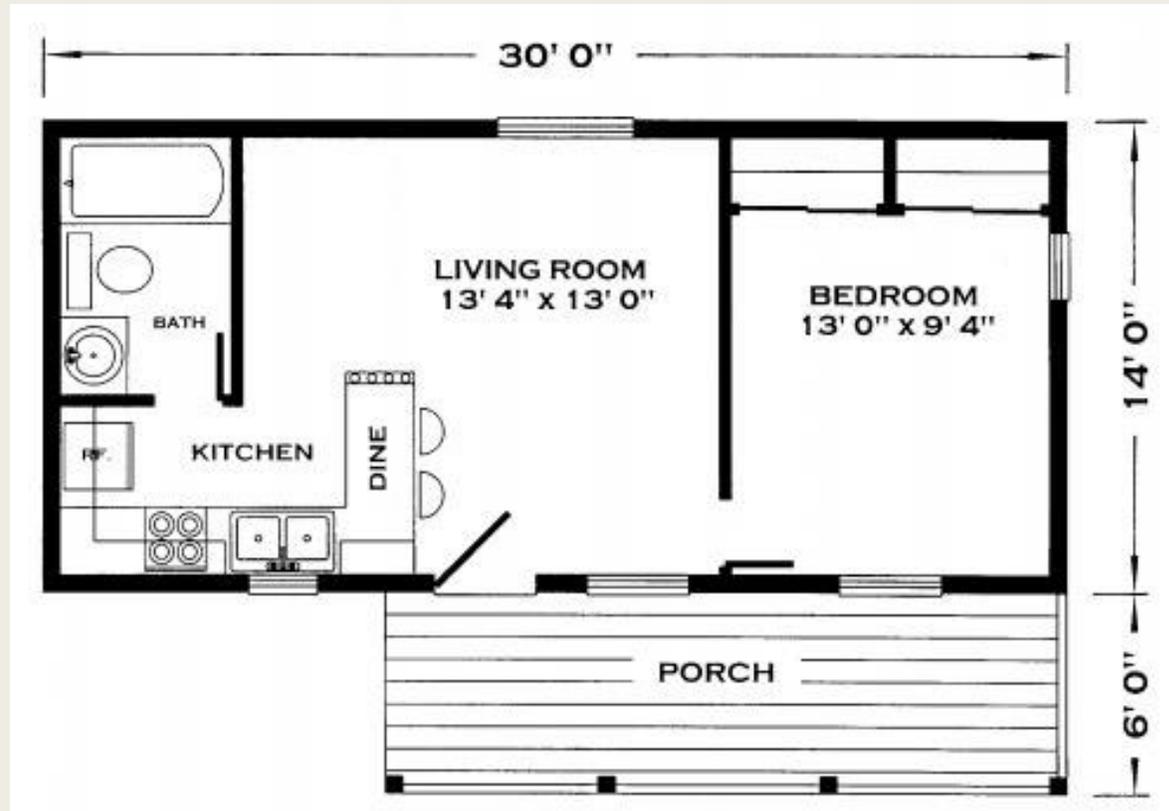
Cabin Concepts: Contemporary



Cabin Concepts: Traditional



Floor Plan: Typical Layout



Floor plan represents a 600sf cabin, which includes outdoor porch space.

Free Standing Cabins

Advantages	Disadvantages
Ability to control cost of construction with units largely being assembled in factory environment	Difficult to service for housekeeping, maintenance, room service
Can take certain cabins off line in off-season to control energy costs	Necessary to walk outside during inclement weather to access amenities, parking, restaurant, etc.
Freestanding units offer more privacy as they do not share common wall with abutting guest rooms	Varying room types make reservations and booking unclear in certain instances.

The Hotel: Proof of Concept



Pridwin | Shelter Island, NY



Seesaw's | Peru, VT



Tree Bones Resort | Big Sur, CA



El Cosmico | Marfa, TX



Caravan Outpost | Ojai, CA

Restaurant: The Osprey

Will be located at foot of Marina overlooking Peconic Bay

Significant outdoor dining

Menu would celebrate the deep agricultural history of the North Fork

Wine List will highlight growing strength of the eastern end of Long Island as a wine region

Marina will hold slips for 'Dock and Dine' guests

Named for the Osprey nest located at the corner of the marina entrance



Aquaponics Facility



Facility will be rented out to a third-party operator who is already an established oyster farmer on Peconic Bay

Aquaponics facility will generate \$390,000 / year in free cash flow.

Facility will serve as a working facility but also as a cultural amenity and educational facility.

Will help establish the project as not just a leisure destination, but as an overall contributor to the North Fork economy.

Site Analysis:



Site Analysis: Existing Conditions

- 12.49 gross acreage
- 8.29 acres above waterline
- Existing 138 slip marina
- Three (3) tennis courts
- Swimming Pool
- Single family dwelling
- Warehouse for marine maintenance
- Utility Shed



Site Analysis: Zoning

- **M-II Zoning** - “The purpose of the Marine II District is to provide a waterfront location for a wide range of water-dependent and water-related uses” Examples: Marinas, beach clubs, boat yards, R&D aquaculture operations etc.
 - *Exemptions subject to site plan approval:*
 - Hotels
 - Restaurants
 - Fish processing plants
- While the site is in an M-II commercial zone, the existing site has three tennis courts, a swimming pool and a residence, which indicates that residential and some sort of recreational use has been permitted in the past. We would be lobbying for a land-use change to accommodate our master plan
- We anticipate that our land-use will be approved as this would be in-line with the ‘Local Waterfront Revitalization Program’ under the ‘Developed Coast’ section. Our purposed development would be no more than one (1) story in height and would be comprised of smaller freestanding units, rather than a single larger structure.
- No significant site work would need to be undertaken, other than cleaning up and leveling of the ground where dwellings pads would be based. Obligatory remediation would be undertaken as necessary after Phase I and Phase II environmental impact studies were concluded.

Site Analysis: Access

Brick Cove Marina to...

Greenport Train Station

- *2.8 Miles, 7 minute drive*

New York, NY

- *100 Miles, 2-3 hour drive (traffic depending)*

Stamford, CT

- *115 Miles, 2:30-4:00 hour drive (traffic depending)*

Southampton, NY

- *36 Miles, 45 Minutes*

Newport, RI

- *84 Miles, 2:30 hours (including Ferry)*



Greenport Train Station in 1912



Market Analysis



Market Analysis: Overview

Repositioning of the **Soundview Hotel** and the **Harbor Front Hotel** in Greenport point to investor demand to **capitalize on the growing tourism industry in the North Fork.**

40% of homes in the region are considered 'seasonal' according to HUD.

Tourism on Long Island as a whole is a **~\$6 billion industry.** 30% of which was spent on Food & Beverage.

The North Fork is viewed as the 'Un-Hamptons' option for New Yorkers seeking an escape from the city.



Market Analysis: Demand Drivers



Argi-tourism: a growing segment due to increased global interest in organic farming and sustainable production

Wineries: A subcategory of agri-tourism, the North Fork boasts 35+ vineyards and tasting rooms offering wide selection of varietals and blends. *Fun fact- Bedell Cellars wines were served at President Obama's 2009 inaugural dinner*



Peconic Bay & Long Island Sound: While there is no surfing, Peconic Bay and Long Island sound offer easier access to sailing, fishing, paddle boarding, kayaking, windsurfing and swimming

Neighborhood: The towns that dot the North Fork are quaint and unpretentious when compared to the Hamptons.



Golf Course: growing number of public golf course available to enthusiasts within 30 minutes

The area lends itself both to groups of couples and friends, as well as being very family friendly

Market Analysis: Comparable Properties

Soundview Hotel; Greenport NY

- \$475-\$500+ ADR in peak season; \$200 ADR in off season
- Located on Long Island Sound with fantastic views, Halyards restaurant



Harborfront Inn; Greenport NY

- \$475-\$500+ ADR in peak season: \$200 ADR in off season
- No restaurant but located in downtown Greenport with numerous restaurants nearby



Menhaden: Greenport, NY

- Ground up development
- \$500+ ADR in peak season; \$300 ADR in off season
- Restaurant: The Merchants Wife



Market Analysis: Comparable Properties

Barons Cove, Sag Harbor NY

- *\$475-\$900+ ADR in peak season; \$200 ADR in off season*
- *Waterfront hotel with Restaurant, Pool, and banquet space for large gatherings*



Sunset Beach, Shelter Island NY

- *\$500-\$1000+ ADR in peak season; \$200 ADR in off season*
- *Popular hotel & restaurant located on Peconic Bay*



Pridwin Hotel, Shelter Island NY

- *Historic hotel with restaurant, bar, banquet space and guest cottages. Closed for renovation until 2021.*
- *Anticipated ADR of \$750 in peak season; \$350 ADR in off season*



Market Performance: HOST Report & Underwriting Assumptions

2019 Custom HOST Report Summary	2018				2017			
		Props:	5			Props:	5	
		Rooms:	881			Rooms:	868	
	Occupancy:	75.2%			Occupancy:	75.5%		
	ADR:	\$175.26			ADR:	\$167.45		
	RevPAR:	\$131.79			RevPAR:	\$126.42		
	TrevPAR:	\$184.59			TrevPAR:	\$181.78		
	GOPPAR:	\$56.36			GOPPAR:	\$57.58		

Currency: USD	2018			2017			Variance %	
	Ratio to Sales ¹	Amount Per Available Room	Amount Per Occupied Room Night	Ratio to Sales ¹	Amount Per Available Room	Amount Per Occupied Room Night	Amount Per Available Room	Amount Per Occupied Room Night
	%	\$	\$	%	\$	\$	%	%
REVENUE								
Rooms	71.4 %	\$ 47,485	\$ 175.26	69.5 %	\$ 46,142	\$ 167.45	2.9 %	4.7 %
Food	16.0	10,640	39.27	17.3	11,453	41.56	(7.1)	(5.5)
Beverage	6.0	3,970	14.65	6.5	4,288	15.56	(7.4)	(5.8)
Other Food & Beverage	4.3	2,867	10.58	4.6	3,069	11.14	(6.6)	(5.0)
Other Operated Departments	1.3	860	3.17	1.5	1,018	3.69	(15.5)	(14.1)
Miscellaneous Income	1.0	689	2.50	0.6	379	1.40	81.9	78.6
TOTAL REVENUE	100.0 %	\$ 66,511	\$ 245.48	100.0 %	\$ 66,350	\$ 240.78	0.2 %	2.0 %
DEPARTMENTAL EXPENSES								
Rooms	22.7 %	\$ 10,781	\$ 39.79	22.2 %	\$ 10,262	\$ 37.24	5.1 %	6.8 %
Food & Beverage	87.0	15,206	56.12	80.8	15,207	55.19	(0.0)	1.7
Other Operated Departments	63.7	547	2.02	65.3	665	2.41	(17.7)	(16.2)
TOTAL DEPARTMENTAL EXPENSES	39.9 %	\$ 26,535	\$ 97.93	39.4 %	\$ 26,134	\$ 94.84	1.5 %	3.3 %
DEPARTMENTAL PROFITS								
Rooms	77.3 %	\$ 36,704	\$ 135.47	77.8 %	\$ 35,881	\$ 130.21	2.3 %	4.0 %
Food & Beverage	13.0	2,271	8.38	19.2	3,604	13.08	(37.0)	(35.9)
Other Operated Departments	36.3	312	1.15	34.7	353	1.28	(11.6)	(10.2)
TOTAL DEPARTMENTAL PROFITS	60.1 %	\$ 39,976	\$ 147.54	60.6 %	\$ 40,216	\$ 145.94	(0.6) %	1.1 %
UNDISTRIBUTED OPERATING EXPENSES								
Administrative & General	9.2 %	6,130	22.63	9.2 %	6,121	22.21	0.2 %	1.9 %
Information & Telecommunications Systems	0.6	384	1.42	0.5	335	1.22	14.6	16.4
Marketing (<i>excluding Franchise Fees</i>)	7.4	4,933	18.21	5.5	3,656	13.27	34.9	37.2
Franchise Fees (<i>royalty and marketing</i>)	3.3	2,179	8.04	5.1	3,364	12.21	(35.2)	(34.2)
Utility Costs	4.4	2,895	10.68	4.3	2,861	10.38	1.2	2.9
Property Operation & Maintenance	4.7	3,147	11.61	4.3	2,864	10.39	9.9	11.7
TOTAL UNDISTRIBUTED OPERATING EXPENSES	29.6 %	\$ 19,668	\$ 72.59	28.9 %	\$ 19,201	\$ 69.68	2.4 %	4.2 %
GROSS OPERATING PROFIT	30.5 %	\$ 20,308	\$ 74.95	31.7 %	\$ 21,015	\$ 76.26	(3.4) %	(1.7) %
Base Management Fees	3.1	2,042	7.54	3.1	2,035	7.39	0.3	2.0
Incentive Management Fees	-	14	0.05	-	-	-	-	-
INCOME BEFORE FIXED CHARGES	27.4 %	\$ 18,251	\$ 67.36	28.6 %	\$ 18,980	\$ 68.88	(3.8) %	(2.2) %
SELECTED FIXED CHARGES								
Non-Operating Income	- %	\$ -	\$ -	0.0 %	\$ (0)	\$ -		- %
Rent	0.3	208	0.77	9.3	6,141	22.29	(96.6)	(96.5)
Property Taxes	3.1	2,091	7.72	3.0	1,980	7.19	5.6	7.4
Insurance	0.9	601	2.22	0.8	531	1.93	13.2	15.0
EBITDA	23.1 %	\$ 15,351	\$ 56.66	15.6 %	\$ 10,328	\$ 37.48	48.6 %	51.2 %

Risks & Mitigants

Extended construction timeline may cut into the hotels opening by April, potentially interfering with capturing peak high season rate and occupancy:

- *Prefabricated hotel cabins significantly reduce construction timeline risk through controlled factory environment*
- *Only significant ground up construction will be the restaurant, which is only 5,000sf. The aquaponics facility, while large, is essentially a warehouse.*

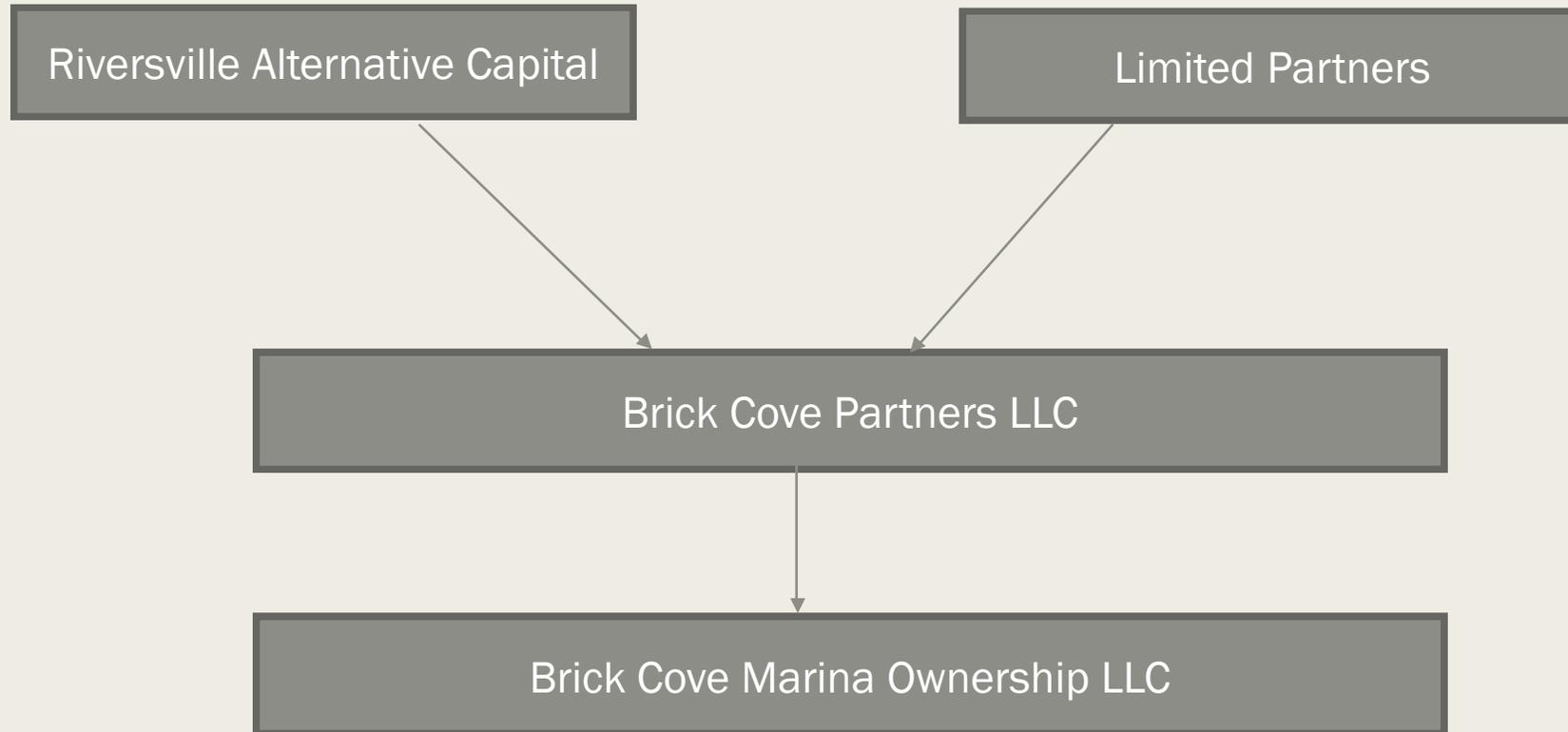
Significant macro-economic event impacts global economy and spending.

- *The North Fork is already a relatively low cost option when compared to the Hamptons.*
- *Guests who may otherwise travel via plane for vacation from NYC may decide to stay local and take vacation within a driving or train distance.*

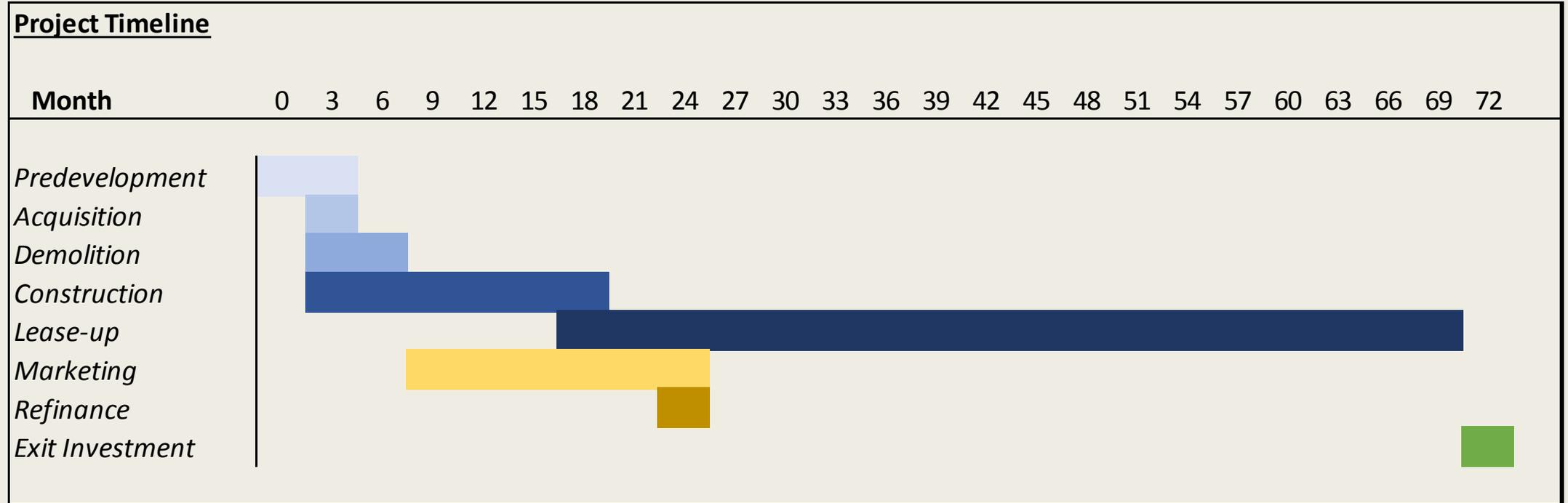
Growing competition from AirBnB

- *Using individual cabins that can be decorated individually make the experience more unique than a typical box hotel, as well as offering the privacy and intimacy of a cabin that may be found in an AirBnB rental*

Organization Chart



Financial Analysis: Project Timeline



Financial Analysis: Development Budget

TOTAL DEVELOPMENT BUDGET					
	Amount	\$/GSF		\$/Key	%/TDC
<u>Land Acquisition Cost</u>					
Acquisition Price	\$ 9,000,000	\$ 170		\$ 300,000	31.45%
Closing Costs	\$ 180,000	\$ 3		\$ 6,000	0.63%
Total Acquisition Cost	\$ 9,180,000	\$ 173		\$ 306,000	32.08%
<u>Hard Construction Cost</u>					
Demolition	\$ 34,250	\$ 1		\$ 1,142	0.12%
Foundation	\$ 2,466,000	\$ 47		\$ 82,200	8.62%
Vertical Construction	\$ 10,275,000	\$ 194		\$ 342,500	35.91%
Contingency	\$ 1,027,500	\$ 19		\$ 34,250	3.59%
Total Hard Construction Cost	\$ 13,802,750	\$ 260		\$ 460,092	48.23%
<u>Soft Cost</u>					
Professional & Consulting Fees	\$ 1,390,800	\$ 26		\$ 46,360	4.86%
FF&E	\$ 366,000	\$ 7		\$ 12,200	1.28%
Insurance	\$ 805,200	\$ 15		\$ 26,840	2.81%
Permits & Municiple Fees	\$ 585,600	\$ 11		\$ 19,520	2.05%
Marketing	\$ 366,000	\$ 7		\$ 12,200	1.28%
Contingency	\$ 146,400	\$ 3		\$ 4,880	0.51%
Total Soft Cost	\$ 3,660,000	\$ 69		\$ 122,000	12.79%
<u>Financing Cost</u>					
Mortgage Recording Tax	\$ 130,815	\$ 2		\$ 4,361	0.46%
Loan Arrangement Fee	\$ 86,116	\$ 2		\$ 2,871	0.30%
Loan Origination Fee	\$ 172,232	\$ 3		\$ 5,741	0.60%
Interest Reserves	\$ 1,583,842	\$ 30		\$ 52,795	5.53%
Total Financing Cost	\$ 1,973,005	\$ 37		\$ 65,767	6.89%
Total Construction Cost (Excluding Acquisition)	\$ 19,435,755	\$ 367		\$ 647,859	67.92%
Total Development Budget	\$ 28,615,755	\$ 540		\$ 953,859	100%

Financial Analysis: Sources & Uses

Sources			
	<u>LTC</u>	<u>Interest Rate</u>	<u>Amount</u>
Acquisition Loan	50%	9.0%	\$4,590,000
Acquisition Equity	50%		\$4,590,000
<i>Total Acquisition Sources</i>	<i>100%</i>		<i>\$9,180,000</i>
Construction Loan	65%	7.0%	\$12,633,241
Construction Equity	35%		\$6,802,514
<i>Total Construction Sources</i>	<i>100%</i>		<i>\$19,435,755</i>
<i>Total Debt</i>			<i>\$17,223,241</i>
<i>Total Equity</i>			<i>\$11,392,514</i>
Total Sources			\$28,615,755
Uses			
	<u>\$/Key</u>	<u>\$/GSF</u>	<u>Total</u>
Acquisition Cost	\$306,000	\$173	\$9,180,000
Hard Cost	\$460,092	\$260	\$13,802,750
Soft Cost	\$122,000	\$69	\$3,660,000
Financing Cost	\$65,767	\$37	\$1,973,005
Total Uses	\$953,859	\$540	\$28,615,755

Financial Analysis: Underwriting

Assuming 65% occupancy and \$200 ADR (annualized) for year 1 with 3% annualized growth thereafter.

However, RAC has kept revenues from F&B, Marina, and Aquaponics flat for the entire hold period to account for fluctuations in market demand.

Note: there appears to be the opportunity to dredge part of the marina to (second most northern finger) that would open up possibly 10 more boat slips.

Hotel Operating Assumptions		
NOI Margins		30%
Occupancy Yr 1		65%
Occupancy Growth		3%
ADR Growth %		3%
F&B Revenue Year 1		\$3,000,000
Marina Rev. Year 1		\$1,500,000
Acquaculture Rev. Year 1		\$390,000
Undistributed Expenses	Growth %	Year 1
Credit Card Fees		
Administrative & General	2%	\$230,000
Property and Maintenance	3%	\$50,000
Energy	1%	\$60,000
Insurance	1%	\$50,000
Property Taxes	1%	\$100,000
Management Fee Hotel	4%	% Hotel Rev
FFE Reserve	4%	% Hotel Rev
Daily Pricing		SF/Room
Hotel Keys	30	600
Average Daily Rate	\$200.00	
Occupancy	65%	
RevPar	\$130.00	

Investment Returns: LP & GP

		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
LP Distributions from Fund	<u>Returns</u>	-\$10,253,262.96	\$6,975,194.80	\$535,068.30	\$555,488.76	\$578,168.62	\$7,598,793.45
IRR (LP)		18%					
Equity Multiple (LP)		2.83					
GP Distributions from Fund		-\$1,139,251.44	\$775,021.64	\$59,452.03	\$61,720.97	\$64,240.96	\$844,310.38
GP Promote		\$0	\$0	\$0	\$0	\$0	\$921,805
GP Total	<u>Returns</u>	-\$1,139,251.44	\$775,021.64	\$59,452.03	\$61,720.97	\$64,240.96	\$1,766,114.95
IRR (GP)		31%					
Equity Multiple (GP)		5.36					

Levered IRR Sensitivity Analysis:

Levered IRR Sensativity | ADR & Occupancy

		ADR						
		\$170.00	\$180.00	\$190.00	\$200.00	\$210.00	\$220.00	\$230.00
Occupancy	50%	15.94%	16.48%	17.02%	17.56%	18.10%	18.63%	19.17%
	55%	16.86%	17.45%	18.04%	18.63%	19.23%	19.82%	20.41%
	60%	17.77%	18.42%	19.06%	19.71%	20.36%	21.00%	21.65%
	65%	18.69%	19.39%	20.09%	20.79%	21.49%	22.19%	22.89%
	70%	19.60%	20.36%	21.11%	21.87%	22.62%	23.38%	24.13%
	75%	20.52%	21.33%	22.13%	22.94%	23.75%	24.56%	25.37%
	80%	21.43%	22.30%	23.16%	24.02%	24.89%	25.75%	26.61%

Levered IRR Sensativity | Exit Cap Rate & Exit Month

		Exit Month						
		36	48	60	72	84	96	108
Exit Cap Rate	7.00%	49.30%	40.87%	35.62%	32.04%	29.43%	27.44%	25.88%
	7.50%	42.23%	35.13%	30.72%	27.72%	25.54%	23.89%	22.59%
	8.00%	35.82%	30.03%	26.44%	24.01%	22.25%	20.93%	19.90%
	8.50%	29.97%	25.46%	22.67%	20.79%	19.44%	18.43%	17.65%
	9.00%	24.62%	21.33%	19.31%	17.96%	17.01%	16.30%	15.75%
	9.50%	19.70%	17.59%	16.31%	15.47%	14.88%	14.45%	14.12%
	10.00%	15.14%	14.18%	13.61%	13.25%	13.00%	12.83%	12.70%