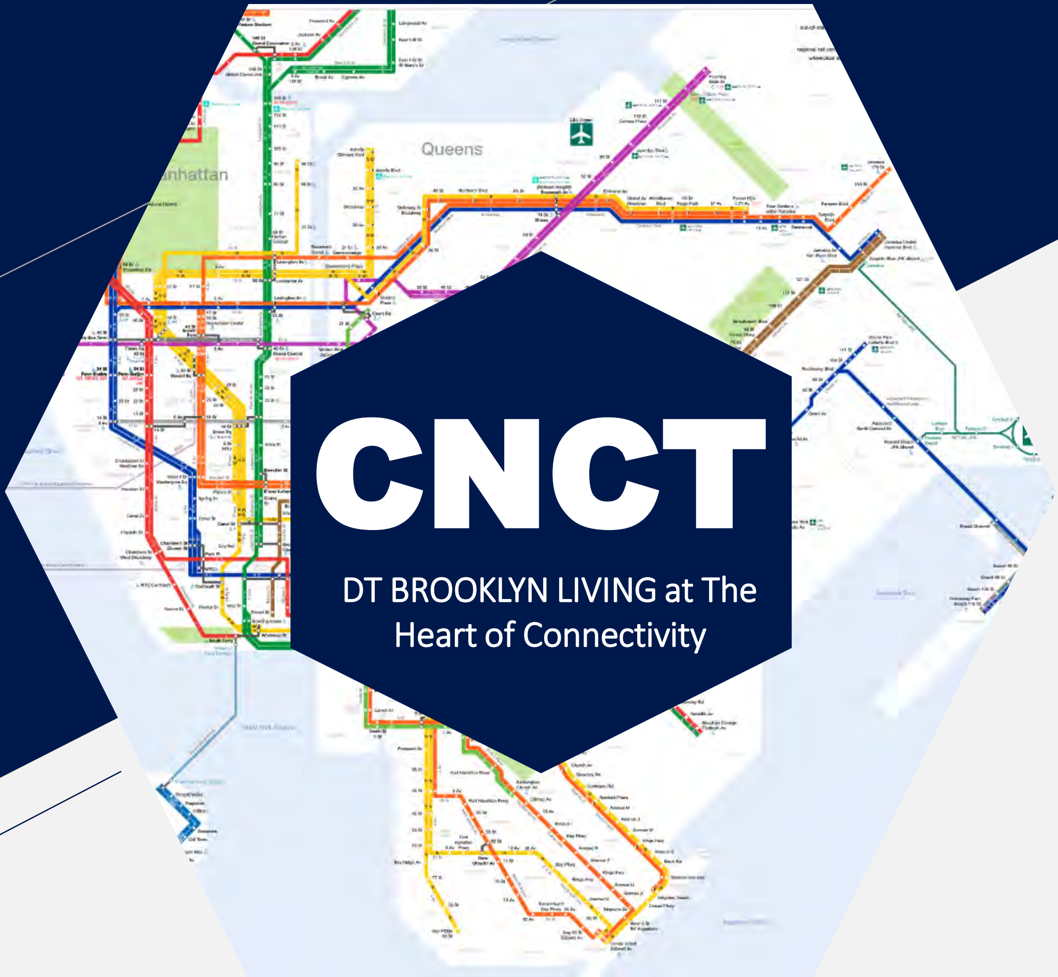

Development Investment Opportunity Brooklyn, NYC

HABER DEVELOPMENT GROUP LLC

April-2020

Jonah Haber (jmh2324)

HABER HOMES

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HABER HOMES

About Haber Development Group

Brooklyn's Premier Multi-Res Developer

- Established in 1945 Haber Dev. Group has built over 20,000 residential units and 1M sq. ft. of commercial space
- Vertically integrated development firm the prioritizes tenant and investor relations
- Emphasis on sustainability and community engagement
- Specifically operates in Brooklyn understanding the nuances of tenant and community needs

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1. Executive Summary

Executive Summary

Haber Development Group, the general partner, is seeking a limited partner equity investment of **$159,683,116 for a 95%** ownership stake in the mixed-use residential development project titled **CNCT in Brooklyn, New York City.** Located adjacent to the Barclay's Center at Atlantic Ave. and Sixth St., the site is **steps from Atlantic Terminal offering connectivity to all of New York City.** The development is **100% entitled** allowing for near-term construction commencement of **800 residential units and 50,000 sq. ft. of retail**. The project will capitalize on the growing demand for newly constructed amenitized residential space and will target both millennials and young families. With a **13% levered IRR,** and **3.4X equity multiple,** the development offers a unique opportunity to invest in an irreplaceable asset. The development includes a 25% affordable component and a **421-A tax abatement for 35-years.**

Haber Development Group is seeking a joint-venture investment partner who shares similar values of community care, sustainability, and long-term value creation. The development is anticipated to take **six-years to stabilization and a sale ten-years later.** Therefore, the LP investor should have a **long-term horizon and prioritize stable cash-flow.** Haber Development Group is tentatively in agreement with the vendor to purchase the land for **$200 psf., or $128M total.** Extensive market research indicates that a entertainment venue restaurant/bar capitalizing on the Barclay's Center foot-traffic will succeed in the space. The residential units will be split into three-tiers: **city-dweller, premium, and prestige** to appeal to different tenants and retain high occupancy in the 600-market rate units.

The site is part of the Pacific Park Plan and went through a 10-year ULURP process resulting in an agreement with ESD to allow for **significant density.** As part of the ULURP process a community benefits agreement was signed and deviating from the entitled plan would upset the local community and take a great deal of time. Therefore, there is little flexibility in the allowable buildable sq. ft. and use. There are few if any remaining transit-oriented development sites allowing this density in Brooklyn and CNCT offers investors a rare opportunity to meet a demand and earn **exceptional risk-adjusted returns with long-term reliable cash-flow.**

Investment Highlights

Long-Term, Stable Cash-Flow, Low Risk, 421-A Tax Abatement

Project Scope

100% Entitled

800 Apartment Units

50,000 Sq. Ft. Retail

Market Rate/Affordable

75% Market Rate

25% Affordable

Development Period

48 Months

Stabilized/Sale Valuation

$540M/$700M

Project Levered IRR/Equity Multiple

13 % / 3.4 X

Development Yield/Cash on Cash

5.4 % / 5.4%

LP Equity Contribution

$159M

Zoned and entitled development opportunity footsteps from Brooklyn's #1 transit hub Atlantic Yards

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2. Project Overview

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Project Description

Property Snapshot

Block/Lots	Block 1118 / Lots 4 & 7
Address	18 Sixth Avenue, Brooklyn
Intersection	Atlantic Avenue & Sixth Avenue
Zoning	Exempt*
Lot Area	32,000 SF
Implied FAR	25.9 FAR
Total ZFA	830,000 SF

Proposed Development

Project Name	CONNECT
Market	Prospect Heights, Brooklyn
Project Type	Residential, Retail
Project Gross SF	635,000 SF
Residential Rental SF	543,000 SF
Retail Rental SF	50,000 SF
Efficiency	93 %

Situated at the cross section of Prospect Heights, Park Slope, and DT Brooklyn the site is positioned to draw upon three groups of tenants: "City Dwellers" (trendy on a budget), "Premium" (young urban professionals), and "Prestige" (families with money but priced out of housing ownership)

CNCT's key success factor is the proximity to mass transit connecting all of Brooklyn + Manhattan
unique zoning requirements as site went through ULURP process

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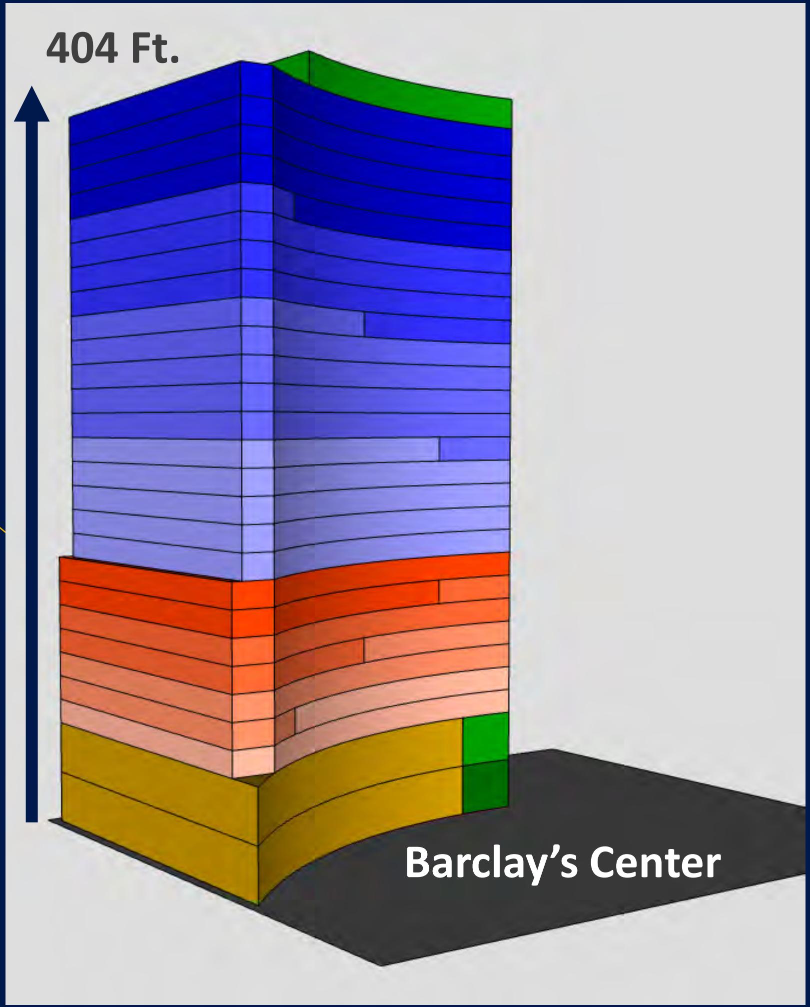
Stacking Plan



	Floors	GSF	NRA
Roof/Amenities	29	21,897	-
Prestige	25-28	87,586	95,029
Premium	20-24	109,483	118,786
City Dweller	13-19	178,285	193,435
Affordable**	8-12	135,750	135,750
Amenities/Mech PH	5-6	42,000	-
Resi. Lobby	1-2	10,000	-
Retail Concept*	1-2	50,000	50,000
Total	**29**	**635,000**	**593,000**

***Double height ceilings for retail space**

****Affordable units spread throughout building, depicted together for visual aid**

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THE CORDISH COMPANIES

Retail Concept

Joint-Venture with The Cordish Companies, industry leaders in designing and operating interactive sport bars

50,000 sq. ft. world class restaurant/bar/entertainment facility leveraging Barclay's Center foot traffic and clientele

Lack of supply in market for high-end sport/entertainment bar

Leverage recency of sport gambling legalization and appeal to younger target residential tenants

Xfinity Live, Philadelphia PA

Texas Live, Arlington Texas

Real Sports Bar, Toronto ON

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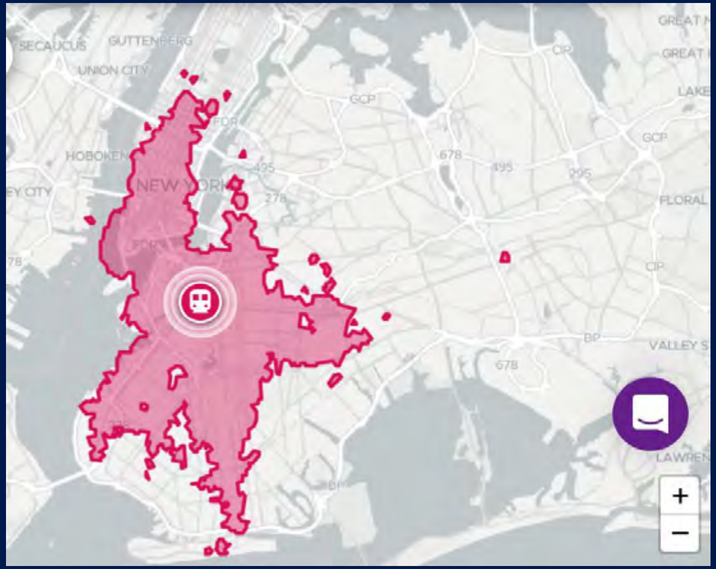
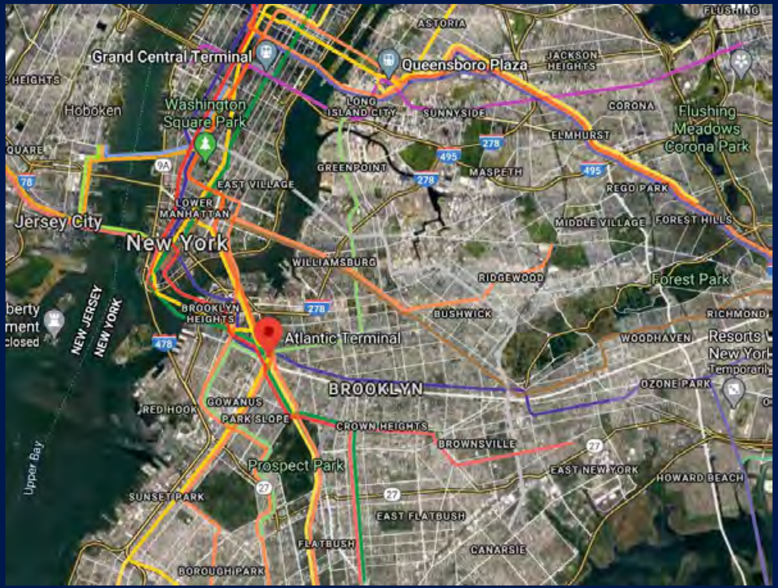
Site Accessibility

The site is located steps from the Atlantic Yards transportation hub with access to 9 subway lines and 8 Long Island Railroad routes
The site is walking/cycling distance to world class amenities and adjacent to the Barclay's Center



30-minute public transit reach



Atlantic Terminal connectivity

15-minute cycling reach

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3. Design Synopsis + Residential Overview

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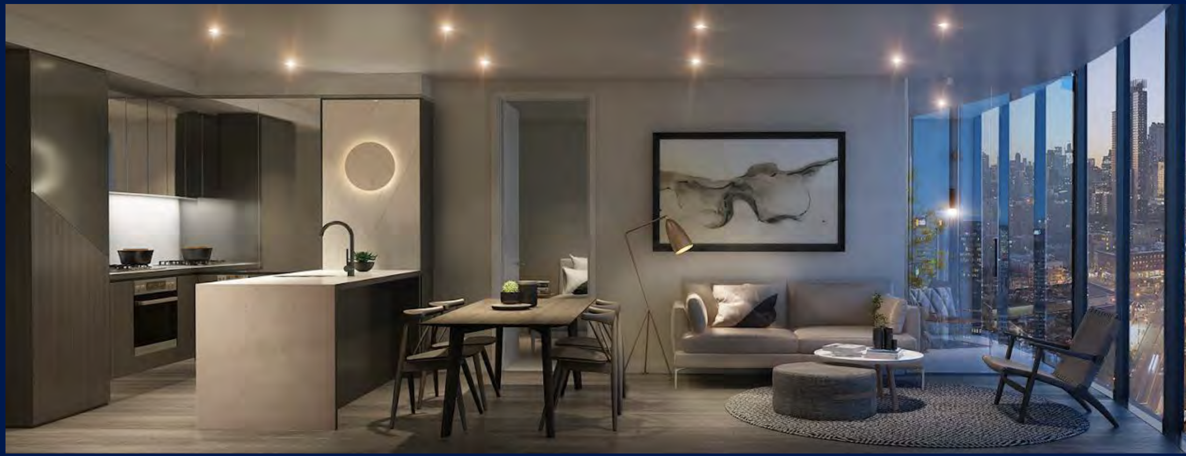
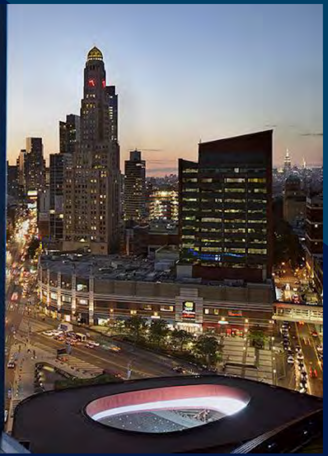
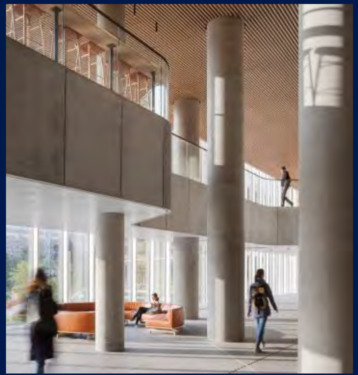
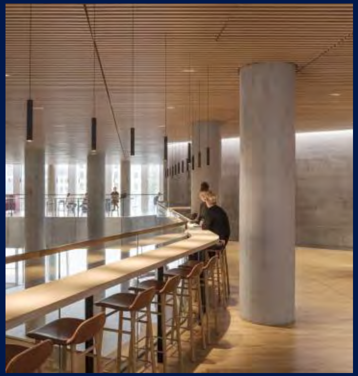
Vision Board









Design of façade contextually complements Barclay's Center, remaining soft while designed to look like railroad tracks in homage to the historical significance of the site

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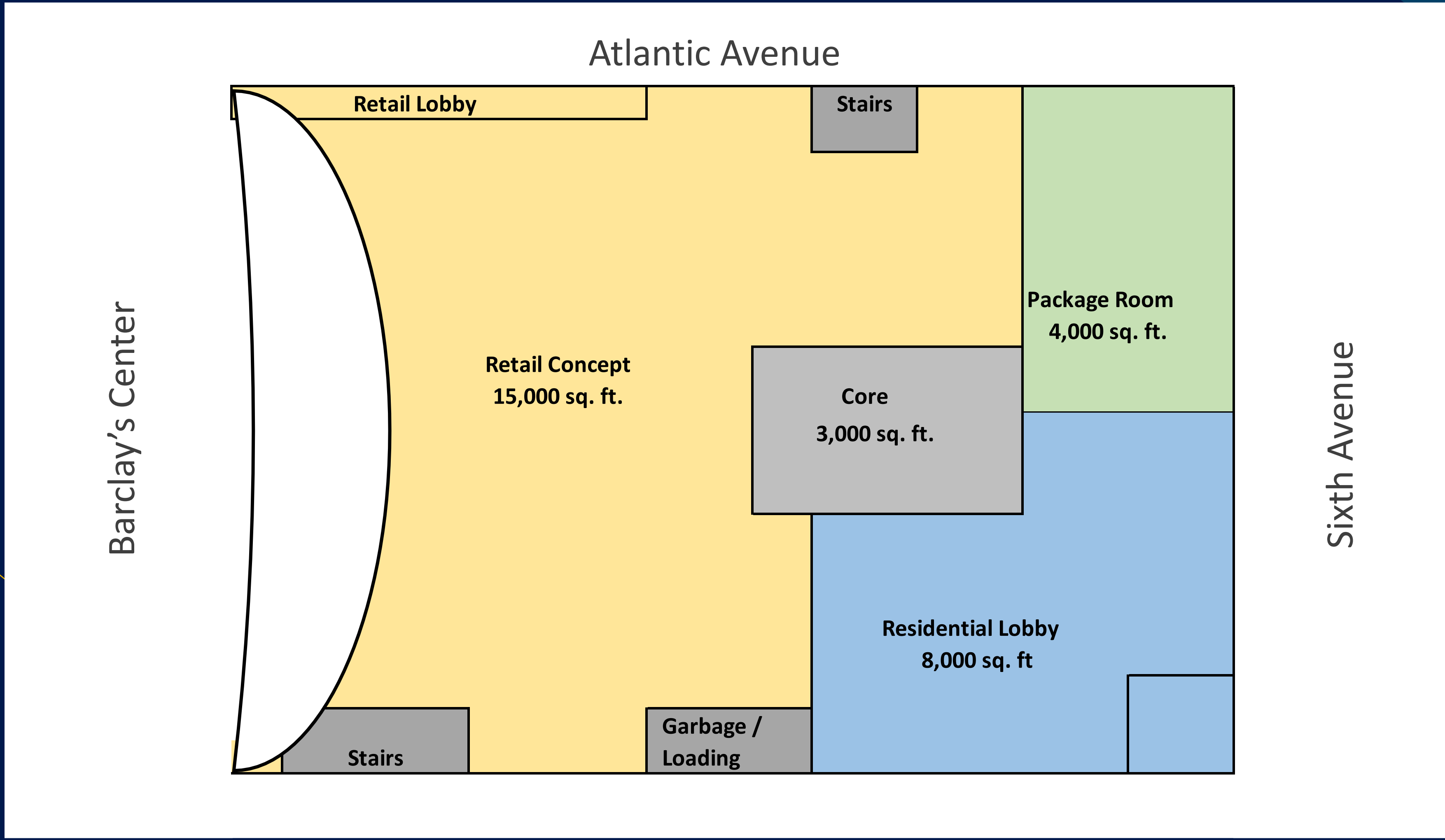
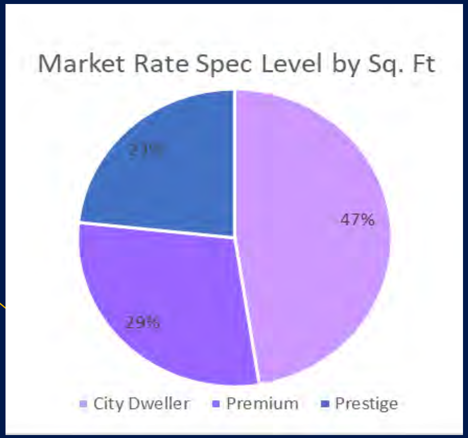
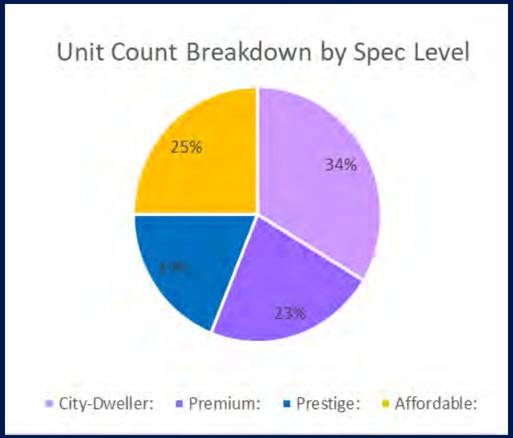
Ground Floor

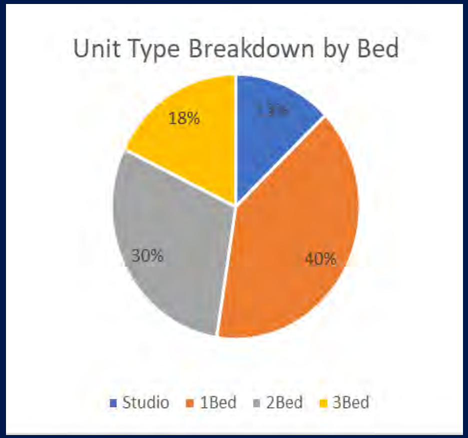


Residential Unit Mix

	Studio	1Bed	2Bed	3Bed	Total	%
City-Dweller	*36*	*114*	*85*	*34*	*269*	*34%*
Premium	*22*	*71*	*52*	*35*	*180*	*23%*
Prestige	*18*	*57*	*43*	*33*	*151*	*19%*
Affordable	*25*	*80*	*60*	*35*	*200*	*25%*
Total # / %	*100 / 13 %*	*320 / 40%*	*240 / 30%*	*140 / 18%*	*800 / 100%*	*100%*





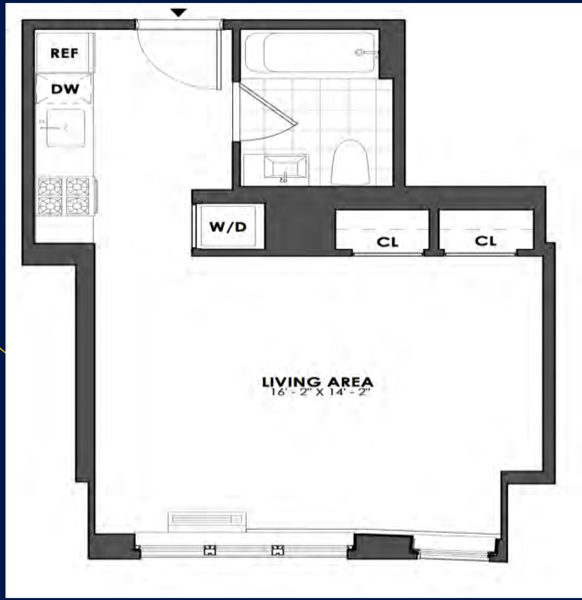


The building is designed with three end-users in mind and the units are designed with appropriate view corridors and floors for each spec level

Residential Units

Three distinct unit types for different target end-users

City Dweller (47%)



Smallest units, most affordable/month
End-users are "trendy on a budget" who care about location, amenities, and price

Premium (29%)

Larger units with higher finish levels and better view corridors
End-users are "young urban professionals" who care about location, functionality, and quality

Prestige (23%)

Highest quality units 2B+ and larger
End-users are "young families" or "couples with disposable income" who care about space, family amenities, and service

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Residential Unit Mix

	Avg Size Sq. Ft.	Market Rent PSF.	Affordable Rent PSF.	Blended Rate PSF
Studio	460	$6.00	$1.86	$2.90
1Bed	575	$6.00	$1.88	$2.91
2Bed	700	$6.00	$1.87	$2.90
3Bed	1036	$5.00	$1.45	$2.34
Total / Avg.	679	$5.73	$1.76	$2.75

	Blended Rate PSF	Market Rent/Month	Affordable Rent/Month	Blended Rent/Month
Studio	$2.90	$2,760	$856	$1,332
1Bed	$2.91	$3,450	$1,081	$1,673
2Bed	$2.90	$4,200	$1,309	$2,032
3Bed	$2.34	$5,179	$1,504	$2,423
Total / Avg.	$2.75	$3,891	$1,195	$1,869

The market rents are modelled at **60% AMI** as per NYC regulations and allow a 35-year tax abatement

Market rents are based on comps and market research and average **$5.73 psf., or $3,891 per month**, a conservative rental rate as **Brooklyn's average rent is $3,600 across all rental product**

Premier and Prestige unit holders pay an additional monthly service fee of **$150 per month**

Sustainable Features

Biophilic Design
Natural materials and a rooftop garden are used to connect tenants with nature improving physiological and phycological health

Building Envelope
Exterior envelope is insulated with glazing that provides sufficient sunlight while maintaining energy efficiency, a construction premium with significant OpEx savings

LED Lighting
All common areas and units will be fitted with LED lighting, immediate energy savings can be expected

High performance **sustainable** features that tenants and investors can feel good about

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Sustainable Features

Low Emitting Paints and Finishes
VOC paints, sealants, and finishes will be used to improve air quality

On Site Cistern
An onsite cistern will be installed to collect run-off rain-water and will be used for landscaping,

Bike Storage and Repair Room
In addition to substantial bicycle storage room a bike repair room will be provided to further encourage green commuting

High performance **sustainable** features that tenants and investors can feel good about

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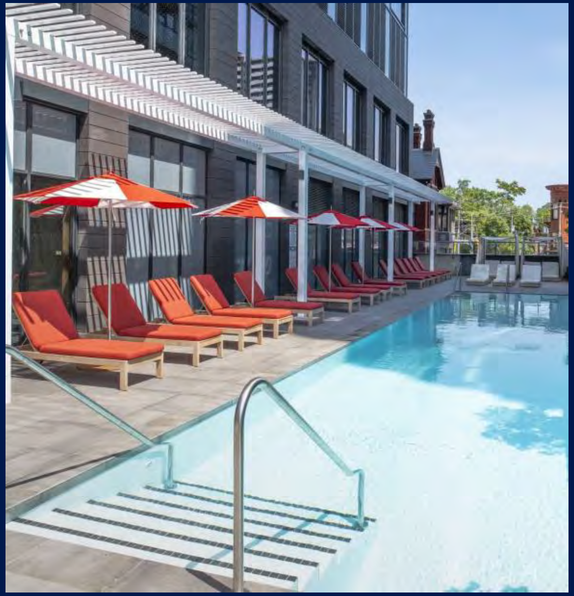
Amenities

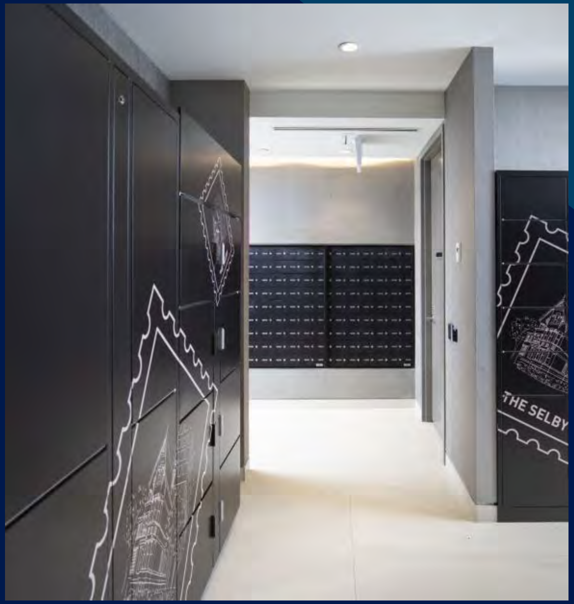
42,000 Sq. Ft. of Amenities Accessible to Entire Building

State of the Art Gym
Yoga Studio
Spin Studio
Wet/Dry Sauna

Games Room
Movie Theatre
Event Space



Roof Terrace Pool
Outdoor Terrace
Seasonal Grill Deck



Parcel Locker Room
Pet Spa
Bicycle Storage + Repair Room

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Enhanced Amenities (Prestige/Premium Access Only)

28,000 Sq. Ft. of amenities accessible to premium/prestige unit renters only

Arcade Room
Play-Room
Homework Room

Stroller Storage/Valet

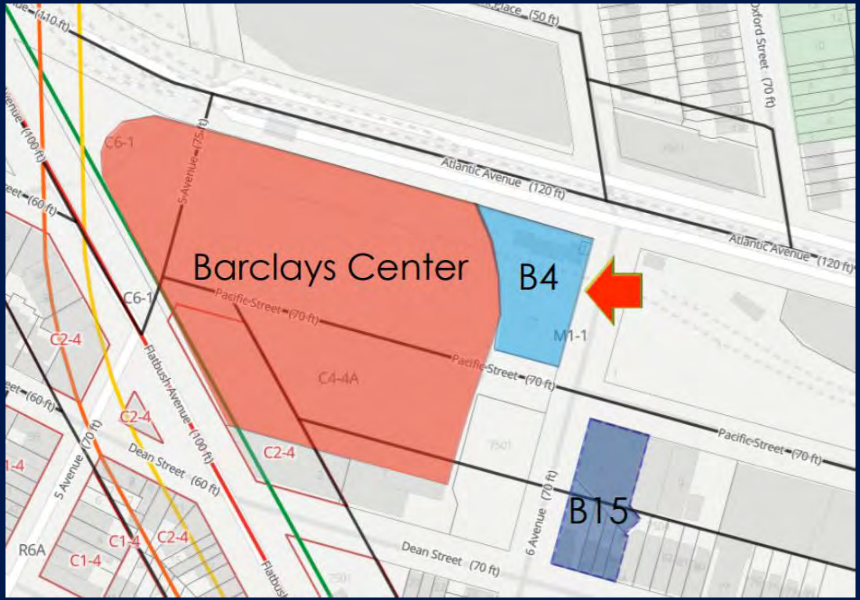
Squash Court
Golf Simulator

Working From Home Space

Prestige/premium tenants pay a $150/month fee in addition to monthly rent

4. Zoning Analysis

Zoning Analysis



Approved Density	
Retail	50,000 GSF
Residential	780,000 GSF
Residential	585,000 NRA
Amenity Space	18,000 GSF
Affordable	25%
Tax Abatement	35-years

The approved zoning is part of a larger approval negotiated between the municipality, Forest City Ratner, and the ESD via the ULURP process

The site is approved for 50,000 sq. ft. of retail and 780,000 sq. ft. of residential. If we deviate from the approved entitlements the site must go through the entitlement process again taking 1-3 years

The site must include 25% affordable housing component and is eligible for a 35-Yr. 421-A tax abatement

5. Neighborhood Analysis

Neighborhood Analysis

The site is uniquely situated at the cross-section of **Prospect Heights, Downtown Brooklyn,** and **Clinton Hill**

The connectivity of the location is **remarkable** drawing on several large tenant groups with unparalleled **public transportation** and **connectivity** to New York City

Neighborhood Analysis

Prospect Heights

Prospect Heights has a population of 16,000 and is a relatively diverse with 52% white, 21% black, 11% Hispanic, and 16% other. The population skews towards a younger age at an average of 36.

The median household income in Prospect Heights is ~$120,000 and exceeds that of New York City.

As of 2016, the median rent in Prospect Heights was $1,690 per month, however this is dated and includes all product types. Much of the housing stock in Prospect Heights consists of historical brownstones and low-rise residential apartment buildings with few new developments.

Neighborhood Analysis

Downtown Brooklyn

Downtown Brooklyn consists of much larger residential buildings than Prospect Heights and has recently seen an increase in residential housing supply.

Downtown Brooklyn has a population of approximately 11,500. At an average median income of $110,000 Downtown Brooklyn is less wealthy than Prospect Heights but has a higher median rent at $1,900 per month.

The median age is also lower at 32-years old and 36% of married-couples have children. Downtown Brooklyn only has 0.2 cars per apartment unit and 77% of people take the subway to work.

The average housing unit costs over $900,000 in Downtown Brooklyn, exceeding the New York City average by nearly 60%, increasing the popularity of renting.

Neighborhood Analysis

Clinton Hill

Clinton Hill is located directly to the north-east of the development site and has a population of approximately 8,000 people.

Clinton Hill is home to a higher percentage of families than other nearby areas in Brooklyn with 45% of households being families.

The average rental rate is $2,100 per month and the average age is 36-years old.

Clinton Hill has many attractive amenities that appeal to families such as highly-regarded schools, libraries, and parks.

6. Market Analysis

Residential Supply Analysis

Within a one-mile radius of the site several new residential buildings have recently come online.

Analysis indicates that nearly **3,000 new apartment units** have entered the market that would appeal to our target audience.

The chart below details these offerings, the average units are renting for **$3,622/month**.

New Development Residential Comparables

Address	Proximity to Site (miles)	Year Built	Units	Storeys	Average Rent	Developer	Source
475 Clermont St	0.4	2019	363	12	$4,100	RXR	475clermont.com
555 Waverly	0.5	2018	190	9	$3,172	Madison Realty	Streeteasy
86 Fleet Place	0.8	2018	440	32	$3,614	Red Apple Group	Streeteasy
333 Schermerhorn St	0.4	2017	750	55	$3,500	Steiner NYC	hubbk.com
463 Albee Sq. West	0.7	2016	150	28	$3,892	Albee Square	Streeteasy
461 Dean St	0.1	2015	363	32	$3,870	Forest City	461dean.com
225 Schermerhorn	0.6	2011	271	21	$3,255	Bozzuto	Streeteasy
110 Fourth Ave	0.4	2007	49	10	$3,240	Tona	Streeteasy
125 Court St	1.0	2005	325	11	$3,609	Two Trees	Streeteasy
Total/Avg.	0.5	2014	2901	23	$3,622		

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Residential Supply Analysis
The HUB

The Hub, a 55-story/750-unit building 0.4 miles from the site is the most relevant comparable.

The Hub is marketed to millennials, young professionals, and students offering 40,000 sq. ft. of amenities including a 75-foot pool.

The Hub only has two units available and is asking for **$3,000 for a studio and $6,600 for a 2B.**

The Hub sold in Q1-2019 for **$408M, or $544K/unit.** The building has a 20% affordable component representing a transaction value at **$680K/unit** a **4.3% cap rate**.

A building leasing agent revealed that nearly **100% occupancy was achieved in under six-months** with concessions representing an absorption of **125 units/month.**

Residential Supply Analysis
461 Dean St

461 Dean St, a 33-story/363-unit building 0.1-miles from the site is directly across the street from the site.

Built in 2015 by Forest City Ratner, 461 Dean St. was the first development completed in Pacific Park Place and is 50% affordable at 160% AMI

461 Dean St. currently has 5-units available and asking ~$3000 for a studio, $3500-$4100 for a 1B, ~$6000 for a 2B

Principal Global Investors bought 461 Dean St. in 2018 for **$152M, or $418K/unit at a 4.5% cap rate.** The per unit sale price is skewed by the affordable units

In Jan-2020 the building was **refinanced for $87M**

Residential Supply Analysis
475 Claremont

475 Clermont, a 12-story/375-unit building 0.4 miles from the site is a high-end apartment building developed by RXR and completed in 2019

475 Clermont leased the units at **~$4100/unit,** marketing the building to tenants with higher disposable income and is asking **$5,000-$7,000 for the remaining 11 units**

A standard amenity package is offered with the inclusion of a children's playroom indicating the building is targeting families

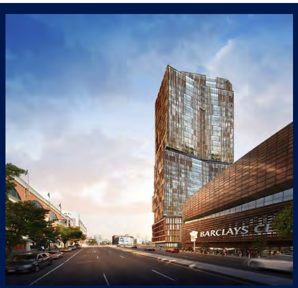
Fitness Factory, a high-end gym, announced they signed a 10-year lease for their first Brooklyn location in the building's retail space

RXR is asking $80-$90 psf. for the remaining 18,000 sq. ft.

Residential Analysis
Comparative Comp Set

	The HUB	461 Dean St.	475 Clermont	CNCT (Development)
Amenity Package	A++ ☑	C	A	A++ ☑
Rental Prices	$$$	$$$	$$$$	$$ ☑
Proximity to Transit	A+	A++ ☑	B	A++ ☑
Tenant Age Group	22-35 yrs.	27-45 yrs.	35+ yrs.	22-45 yrs.
Cap Rate/ per Unit $	4.3% / $544K	4.5% / $418K	N/A	4.4% / $687K



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Residential Supply Analysis-Pipeline

Supply pipeline is difficult to predict as development timelines and final approvals change. The Pacific Park development parcels adjacent to the site are approved for 4,500 rental units + 1,930 condos, of which only a small percentage is currently constructed.

Our project will have a competitive advantage as it will come online before the other apartments and has a slight location advantage as it is closest to the subway.

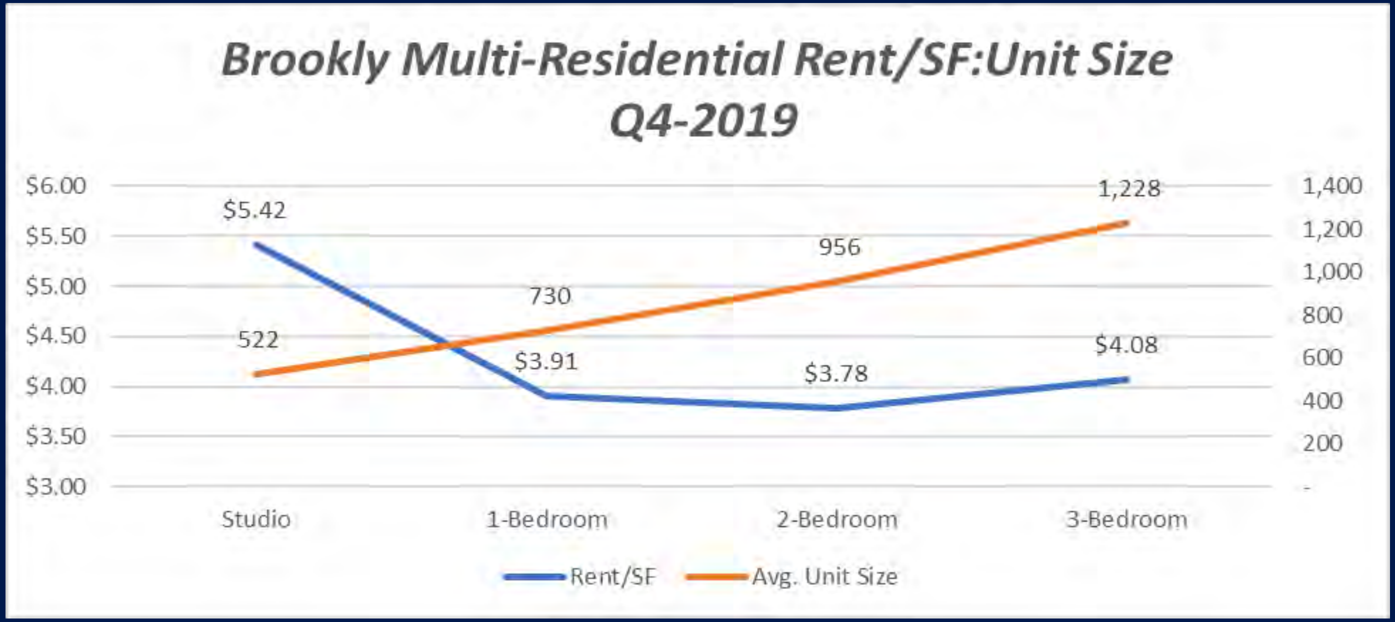
Underwriting should assume relatively high concessions in order to mitigate the risk of staggeringly increased supply. As jobs continue to move to Brooklyn and there are fewer marquee development sites the demand should be able to keep up with supply.

Residential Demand and Rents

Brooklyn's overall residential rental market remains tight with median rents seeing a **YoY increase of 9.2%**, with the average rental rate at **$3,410**. The average price psf. is $47.99/year, or $4.00/month.

Smaller units are yielding substantially greater rents psf. at $65.05 (avg 522 sq. ft.), than larger units such as 2B at $45.35 (avg. 956 sq. ft.).

The highest psf. is the smallest and largest units, while the lowest is those in between. The smaller units are expected to rent at a premium, and the larger units that are better suited for families are far less common.



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Residential Demand and Rents

Listing inventory in 2019 was down by 26.2%, indicating that tenants are opting to renew leases rather than move, reflecting the tightening Brooklyn's residential market and tenants either seeing a lack of high-quality alternatives.

Avg. market rents for new development in Brooklyn sits at $3,400/month, which is the same as Brooklyn's overall average rental price. While alarming this is because developers are rushing to stabilize new apartment buildings and the unit sizes in new developments are significantly smaller than older units and therefore the rent psf.

With Manhattan vacancy rates below 2% and avg. rental rates 18% higher than the Brooklyn market young professionals are continuing to flock to Brooklyn. The cost of living is quickly outpacing wage increases and the appeal of a more affordable Brooklyn continues to increase further driving demand.

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Residential Demand and Supply Reconciliation

The greatest demand and highest rents skew towards **smaller units with an over-weight in studio units that are approximately 500 sq. ft**. Studios can rent for a conservative **$2,800, this still represents $67.20 psf**. Furthermore, there should be **an overweight in larger 2B/3B units that can support younger families**.

The avg 2B+/3B units should be > 900 sq. ft. and can rent for a conservative **$5,500 per month, or $73.33 psf**.

The amenity package must reflect the needs of children such as an arcade, play-room, babysitting, a stroller valet, ect.

Due to a serious lack of new supply in the market and a high level of demand absorption and lease-up **should be underwritten at 45 units/month (33 units excluding affordable)**.

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Retail Analysis, Restaurant Bar

Directly across the street from the site is the Atlantic Terminal Mall, a five-storey retail mall including restaurants, department stores, and a Whole Foods grocery store.

Retail rents in the market vary substantially from $50-$100 psf., and in some cases, as in the Chick-Fil-A, at the corner of Flatbush and Atlantic, rents can reach as high as $320 psf.

The key takeaway from recent market activity is that $60-$70 rents can be achieved for the retail space.

Recent lease transactions

Address	Tenant	Rent	Date	Size
497 Atlantic Ave	Kind of Soul	$85 PSF	Jan 2019	900 SF
166 Flatbush Avenue	Chick-fil-A	$320 PSF	2019 - Q1	2500 SF
487 Atlantic Avenue	Eastville Comedy Club	$75 PSF	2019 - Q3	1750 SF
711 Fulton Street	Fulton Classic Cleaner	$65.45 PSF	2018 - Q1	1100 SF
300 Schermerhorn St	Grand Canyon	$66 PSF	2018 - Q1	4000 SF
493 Atlantic Avenue	Jeremy Dixon D.D.S. P.C.	$49.41	2019 - Q3	1700 SF

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Retail Analysis

After conducting market analysis, attending events at the Barclay's Center, and surveying others, it is apparent that there is a void of desirable food and beverage options prior and following events. The inspiration for the vision of the retail is derived from the success of The Cordish Companies who have partnered with professional sport teams through the USA to create adjacent retail and entertainment spaces.

With the Barclay's Center steps from the site and the political environment embracing the legalization of sport gambling there is a massive opportunity to leverage the foot-traffic and the growing popularity of entertaining arenas in which to view sports.

7. Financial Analysis & Capital Structure

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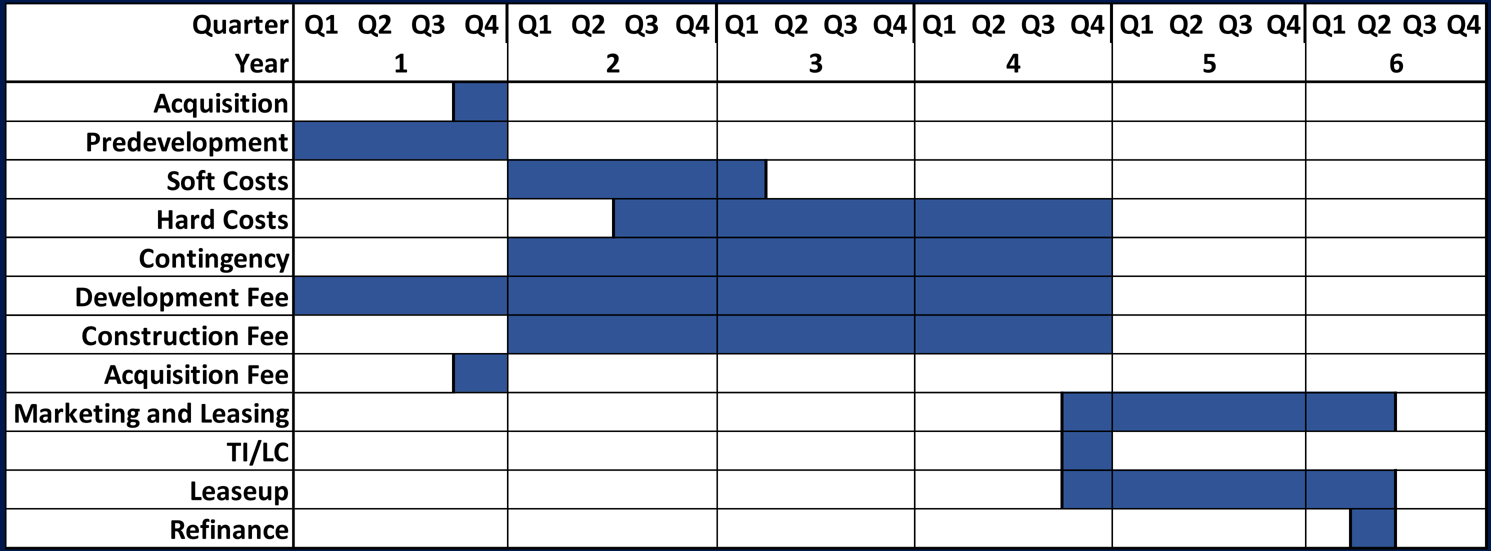
Acquisition and Development

Strategy
Haber Dev Group has been in negotiations with Greenland USA for months and has reached a tentative agreement to purchase the **entitled 32,000 sq. ft. block 1118, lots 4 & 7.** Critical to the project's returns, the vendor has permitted a delayed closing 12-months from the PSA execution allowing the group to conserve cash.

Price
The vendor has tentatively agreed to sell the land at **$200 per buildable sq. ft., totalling $127M** before closing costs. Greenland USA is at risk of breaking the original timing contract with the Empire State Development Group and is therefore willing to sell the site slightly below market value.

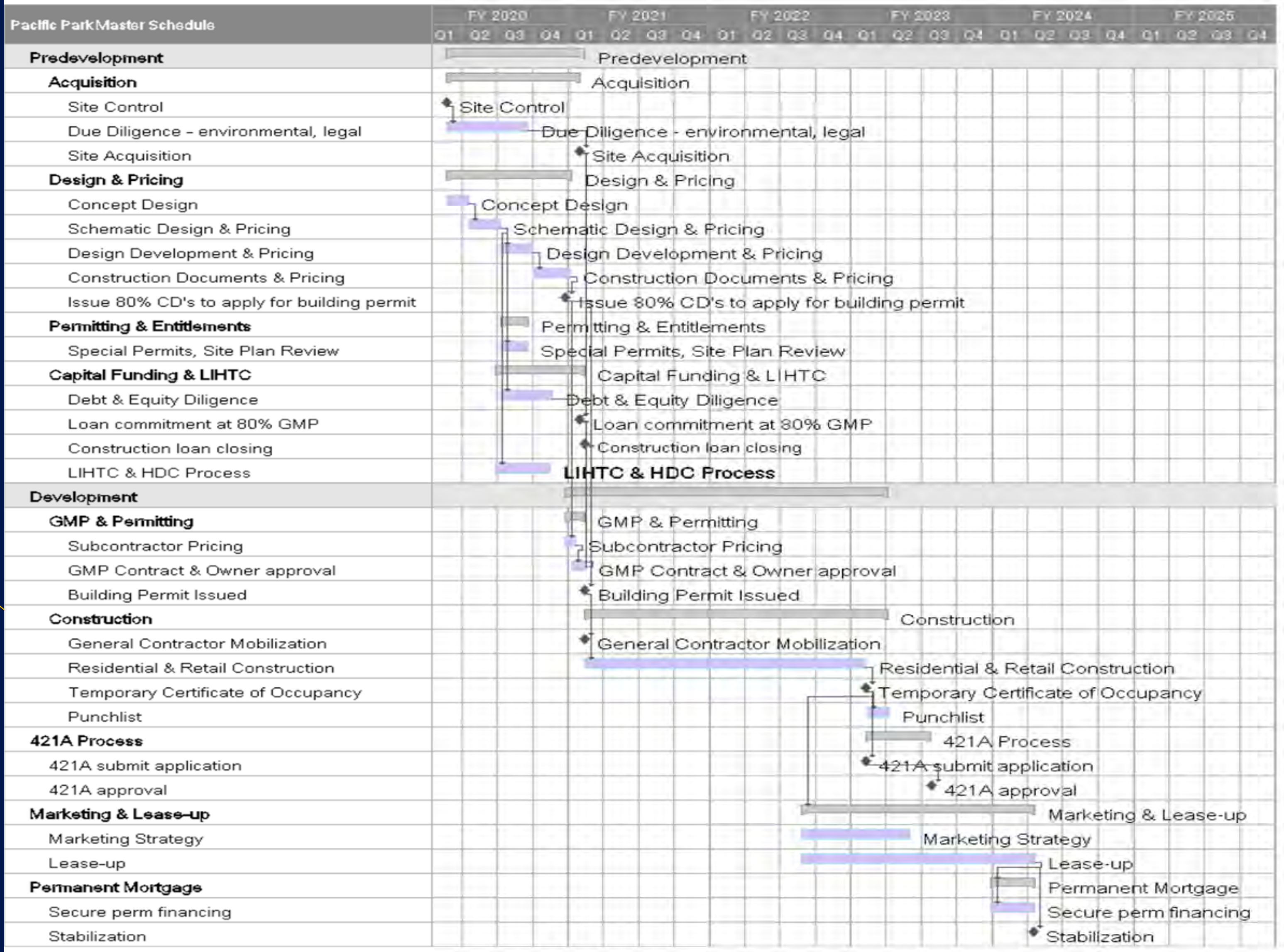
Funding
The acquisition will be funded with cash equity and will contribute to the required equity spend initiated by the lender

Development Schedule Overview



	Start Month	End Month	Start Date	End Date	Month #
Acquisition	11	12	2021-02-28	2021-03-31	2
Predevelopment	1	12	2020-04-30	2021-03-31	12
Soft Costs	12	26	2021-03-31	2022-05-31	15
Hard Costs	18	48	2021-09-30	2024-03-31	31
Contingency	12	48	2021-03-31	2024-03-31	37
Development Fee	1	48	2020-04-30	2024-03-31	48
Construction Fee	12	48	2021-03-31	2024-03-31	37
Acquisition Fee	11	12	2021-02-28	2021-03-31	2
Marketing and Leasing	48	66	2024-03-31	2025-09-30	19
TI/LC	48	48	2024-03-31	2024-03-31	1
Leaseup	45	66	2023-12-31	2025-09-30	22
Refinance	66	66	2025-09-30	2025-09-30	1
Sale	186	186	2035-09-30	2035-09-30	1

Detailed Development Schedule



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Development Overview

Residential				Retail			
GFA	585,000 sf.	Market Rate Avg. Rent	$3,891	GFA	50,000 sf.	Efficiency	100%
Net Rentable Area	543,000 sf.	Affordable Avg. Rent	$1,195	GLA	50,000 sf.	Average Rent	$120
Efficiency	93%	Blended Avg. Month	$1,869				
Avg. Unit Size (sf)	679 sf.	Ancilllary Rev. Per Unit	$84	Stabilized NOI	$6,412,501	Parking Stalls	0
Unit Count	800	Stabilized NOI	$18,142,173	Exit Cap Rate	5.00%	Parking Ratio	0.0 / 1,000 GLA
Market Rate Units	600	Exit Cap Rate	4.48%	Gross Proceeds From	$128,250,026		
Affordable Units	200	Gross Proceeds From Sale	$404,705,696				
Parking Stalls	0						
Lockers	264						

Development Costs	Cost	Cost PSF.	Cost Per Unit	Cost Per Retail SF.	Allocation
Land	128,295,400	202.0	147,742	202.0	SF.
Predevelopment	2,500,000	3.9	2,879	3.9	SF.
Soft Costs	38,100,000	60.0	43,875	60.0	SF.
Hard Costs	203,200,000	320.0	234,000	320.0	SF.
Contingency	24,380,000	38.4	28,075	38.4	SF.
Development Fee	6,095,000	9.6	7,019	9.6	SF.
Construction Fee	6,032,500	9.5	6,947	9.5	SF.
Acquisition Fee	-	-	-	-	SF.
Marketing and Leasing	1,986,500	3.1	2,483	-	Residential
TI/LC	4,600,000	7.2	-	92.0	Retail
Construction Loan Interest	35,582,118	56.0	40,975	56.0	SF.
Total Gross Project Costs	**$ 450,771,518**	**$ 709.9**	**$ 513,995**	**$ 791.5**	

Development Budget Detailed

		% of Budget	Cost per GSF	Cost per GLA	Total Cost	Cost per Unit
Land Acquisition						
Acquisition		*28%*	$200.00	$214.17	$127,000,000	$158,750
Closing Costs		*0%*	$2.00	$2.14	$1,270,000	$1,588
Title Insurance		*0%*	$0.04	$0.04	$25,400	$32
Total Acquisition		***28%***	**$202.04**	**$216.35**	**$128,295,400**	**$160,369**
Predevelopment						
Consultants		*0%*	$1.31	$1.41	$833,333	$1,042
Community Engagement		*0%*	$1.31	$1.41	$833,333	$1,042
Testing		*0%*	$1.31	$1.41	$833,333	$1,042
Total Predevelopment		***1%***	**$3.94**	**$4.22**	**$2,500,000**	**$3,125**
Construction Hard Costs						
Direct Hard Costs						
General Requirement		*0%*	$2.75	$2.95	$1,747,957	$2,185
Environmental		*1%*	$4.82	$5.16	$3,058,925	$3,824
Site Improvemnts		*0%*	$2.75	$2.95	$1,747,957	$2,185
Exterior Improvements		*0%*	$3.20	$3.43	$2,032,000	$2,540
Structure: Core + Shell		*13%*	$90.22	$96.61	$57,288,340	$71,610
Curtain Wall		*2%*	$14.45	$15.48	$9,176,774	$11,471
Enclosures		*2%*	$14.45	$15.48	$9,176,774	$11,471
Roof		*2%*	$14.45	$15.48	$9,176,774	$11,471
Thermal and Moisture Protection		*1%*	$6.88	$7.37	$4,369,892	$5,462
Finishes		*8%*	$55.05	$58.95	$34,959,140	$43,699
Furnishing and Equipment		*1%*	$9.63	$10.32	$6,117,849	$7,647
HVAC		*4%*	$28.90	$30.95	$18,353,548	$22,942
Plumbing		*2%*	$12.80	$13.71	$8,128,000	$10,160
Electrical		*3%*	$17.89	$19.16	$11,361,720	$14,202
Total Direct Costs		***39%***	**$278.26**	**$297.97**	**$176,695,652**	**$220,870**
Indirect Hard Costs						
General Conditions		*4%*	$32.00	$29.80	$17,669,565	$22,087
Insurance		*2%*	$16.00	$14.90	$8,834,783	$11,043
Total Indirect Costs		***6%***	**$48.00**	**$44.70**	**$26,504,348**	**$33,130**
Total Hard Costs		***45%***	**$320.00**	**$342.66**	**$203,200,000**	**$254,000**
Construction Soft Costs						
Professional Fees	7.50%	*3%*	$24.00	$25.70	$15,240,000	$19,050
Permits	5%	*2%*	$15.37	$16.46	$9,760,000	$12,200
POPS Contribution		*0%*	$0.63	$0.67	$400,000	$500
Testing		*2%*	$16.00	$17.13	$10,160,000.00	$12,700
Legal		*1%*	$4.00	$4.28	$2,540,000.00	$3,175
Total Soft Costs		***8%***	**$60.00**	**$64.25**	**$38,100,000.00**	**$47,625.00**
Contingency						
Contingency		*5%*	$38.39	$41.11	$24,380,000.00	$30,475
Total Contingency		*5%*	$38.39	$41.11	$24,380,000.00	$30,475.00
Fees						
Acquisition Fee		*0%*	$0.00	$0.00	$0.00	$0
Development Fee		*1%*	$9.60	$10.28	$6,095,000.00	$7,619
Construction Fee		*1%*	$9.50	$10.17	$6,032,500.00	$7,541
Total Fees		***3%***	**$19.10**	**$20.45**	**$12,127,500.00**	**$15,159.38**
Other						
Marketing & Leasing		*0%*	$3.13	$3.35	$1,986,500.00	$2,483
TI/LC		*1%*	$7.24	$7.76	$4,600,000.00	-
Total Other		***1%***	**$10.37**	**$11.11**	**$6,586,500.00**	**$2,483.13**
Financing						
Interest Reserve		*8%*	$56.03	$60.00	$35,582,117.99	$44,478
Total Financing		***8%***	**$56.03**	**$60.00**	**$35,582,117.99**	**$44,477.65**
Total Development Budget		***100%***	**$709.88**	**$760.15**	**$450,771,518**	**$557,714**

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Capital Structure

Construction Financing		
LTC	60%	$249,113,640
Permanent Loan	$377,764,216	
Min	$249,113,640	
Interest Rate	5%	0.41%
Interest Reserve	$35,600,000.00	$35,582,117.99
Permanent Financing		
LTV	70.0%	$383,426,595
DCR	1.2	$379,736,303
Debt Yield	6.5%	$377,764,216
Min		$377,764,216
Stabilized NOI	$24,554,674	
Interest Rate	3.5%	
Period	360	
PMT	-$1,101,812	
Debt Constant	5.4%	
Interest Only	1	
Loan Repayment	$377,764,216	
Financing Costs	1%	
Mortgage Recording Tax	2.80%	

$249M **55% Debt**	**$202M** **45% Equity**
Total Project Cost: $451M	

Underwritten with conservative debt assumptions with **60% construction loan and 70% permanent loan**

Permanent based on market comps priced **at 3.5% interest rate, interest only**

Permanent loan sized based on **6.5% debt yield**, the minimum of DCR, LTV and Debt Yield

The construction loan **priced at 5% interest rate,** a **4.3% spread to the 10-yr treasury bond**

First construction draw in **month-19, a $35.6M interest reserve is required to fund construction draws**

Refinance upon lease-up stabilization in **month-66, equity recapture of $82M**

Sources and Uses

Sources and Uses								
Sources of Funds		**$**		Per GFA		Per GLA		**%**
Construction Loan	$	249,113,640	$	392	$	420		*55%*
Equity	$	166,075,760	$	262	$	280		*37%*
Int. Reserve (Equity)	$	35,582,118	$	56	$	60		*8%*
Total Sources	**$**	**450,771,518**	**$**	**710**	**$**	**760**		***100%***
Uses of Funds								
Land Acquisition	$	128,295,400	$	202	$	216		*28%*
Development Costs	$	286,894,000	$	452	$	484		*64%*
Financing Costs	$	35,582,118	$	56	$	60		*8%*
Total Uses	**$**	**450,771,518**	**$**	**710**	**$**	**760**		***100%***

Exit Strategy

Retail Cap Rate: 5.0%, Residential Cap Rate: 4.1% (affordable) and 4.5% (market), blended 4.3% Cap Rate
Overall Blended Cap Rate of 4.5% for project

Cap Rate based on recent refinancing and transactions of similar assets such as 333 Schermerhorn and 461 Dean St.

Target buyers include REIT’s, pension funds, family offices, and asset managers

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Rent and Operation Assumptions

Unit Mix	%	#	SF/Unit	Total SF	Market Rate Rent/Month	Market Rate Unit Count	Affordable Unit Count	Affordable Unit Rents	Blended Rents
St	13%	100	460	46,000	$2,760.00	75	25	$856.00	$1,332.00
1B	40%	320	575	184,000	$3,450.00	240	80	$1,081.00	$1,673.25
2B	30%	240	700	168,000	$4,200.00	180	60	$1,309.00	$2,031.75
3B	18%	140	1036	145,000	$5,178.57	105	35	$1,504.00	$2,422.64
Total/Weighted Avg	100%	800	679	543,000	$3,891.25	600	200	$1,195.30	$1,869.29

Revenue Assumptions	
Market Rate Rent/Month/SF	
St	$6.00
1B	$6.00
2B	$6.00
3B	$5.00
Affordable Component	25%
Ancillary Revenue/Unit/Month	$84
Leaseup Velocity/Units/Month	45.00
Preleasing Months	3.00
Rental Rate Growth/Yr. Renewal	2.5%
Rental Rate Growth/Yr. Turnover	4%
Unit Turnover/Yr.	35%
Average Annual Rental Growth	3.0%
Downtime at Turnover	1 months
Vacancy	3%
Credit Loss	1%
Leasing Costs/Unit	$2,483
Leasing Costs/Concessions	
Broker	$350
Leasing Office	$188
Free Rent	$1,946
Retail Rent/Yr	$120
Retail Rent Steps/Yr	2.0%
Retail Lease Type	NNN

Capital Expenditures	
CapEx Reserve/Month/Unit	$10
TI	$20
LC	5%
Residential Leasing	$2,483
Investment	
Retail Cap Rate	5.00%
Residential Cap Rate	4.30%
Blended Cap Rate	4.48%
Hurdle Rate	7%
Sale Costs	2%
Stabilized Month	66.00
Exit Month	186.00
Equity	
GP	5%
LP	95%
Pref	8%
Promote	20%
Retail NOI	$6,412,501
Residential NOI	$18,142,173
Sale Yr Retail NOI	$7,816,803.31
Sale Yr Residential NOI	$24,069,240

Operating Assumptions	
Residential	
Doorman, Tenant Staff	30,000 per month
RE Tax	44,979 per month
Insurance	10,000 per month
Repairs and Maintenance	35 per unit per month
Management	3% PGR
Retail	0% (NNN)
Retail Management	3% PGR
Expense Growth Rate/Yr	3%

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Development Pro Forma

Date	-	2021-03-31	2022-03-31	2023-03-31	2024-03-31	2025-03-31	2026-03-31
Year	-	1	2	3	4	5	6
Total Development Costs		**-$134,028,900**	**-$87,818,452**	**-$96,298,774**	**-$95,161,327**	**-$1,254,632**	**-$627,316**
Operating Model							
Potential Gross Revenue							
Retail		$0	$0	$0	$530,604	$6,494,593	$6,624,485
Retail Recoveries		$0	$0	$0	$15,918	$194,838	$198,735
Residential		$0	$0	$0	$919,849	$11,940,696	$20,752,680
Ancillary Revenue		$0	$0	$0	$41,366	$536,977	$933,255
Total Potential Gross Revenue		$0	$0	$0	$1,507,737	$19,167,104	$28,509,155
Total Vacancy and Credit Loss		$0	$0	$0	$58,018	$737,412	$1,095,087
Residential Turonver Loss		$0	$0	$0	$0	$0	$0
Effective Gross Income		$0	$0	$0	$1,449,719	$18,429,693	$27,414,068
Total Operating Expenses		$539,746	$539,746	$539,746	$876,174	$1,993,516	$2,284,290
Net Operating Income		-$539,746	-$539,746	-$539,746	$532,179	$15,899,199	$24,196,523
Total Capital and Leasing Costs		$0	$0	$0	$0	$0	$99,564
Total Proceeds From Sale		$0	$0	$0	$0	$0	$0
Cash Flow Before Debt		-$134,568,646	-$88,358,198	-$96,838,520	-$94,629,148	$14,644,568	$23,469,643
Construction Loan							
Beginning Balance		$0	$45,625,890	$149,545,348	$249,534,097	$275,987,185	$0
Interest Accrued		$0	$185,886	$609,266	$1,016,633	$1,124,406	$0
Draw		$0	$55,771,592	$96,298,774	$95,161,327	$1,254,632	$627,316
Paydown		$0	$0	$0	$0	$0	-$284,695,758
Ending Balance		$0	$56,270,840	$157,692,679	$262,793,346	$277,216,144	$0
Total Permanent Financing		$0	$0	$0	$0	$0	$357,638,198
Cash Flow After Debt Financing		-$134,568,646	-$32,586,606	-$539,746	$532,179	$15,899,199	$97,039,399

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Stabilized Pro Forma

Date	-	2026-03-31	2027-03-31	2028-03-31	2029-03-31	2030-03-31	2031-03-31	2032-03-31	2033-03-31	2034-03-31	2035-03-31	2036-03-31
Year	-	6	7	8	9	10	11	12	13	14	15	16
Total Development Costs		**-$627,316**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Operating Model												
Potential Gross Revenue												
Retail		$6,624,485	$6,756,975	$6,892,114	$7,029,956	$7,170,555	$7,313,967	$7,460,246	$7,609,451	$7,761,640	$7,916,873	$8,075,210
Retail Recoveries		$198,735	$202,709	$206,763	$210,899	$215,117	$219,419	$223,807	$228,284	$232,849	$237,506	$242,256
Residential		$20,752,680	$21,458,683	$22,107,809	$22,776,570	$23,465,561	$24,175,394	$24,906,700	$25,660,128	$26,436,347	$27,236,046	$28,059,936
Ancillary Revenue		$933,255	$965,004	$994,196	$1,024,270	$1,055,254	$1,087,176	$1,120,063	$1,153,945	$1,188,852	$1,224,814	$1,261,865
Total Potential Gross Revenue		$28,509,155	$29,383,372	$30,200,882	$31,041,695	$31,906,488	$32,795,956	$33,710,816	$34,651,807	$35,619,687	$36,615,239	$37,639,268
Total Vacancy and Credit Loss		$1,095,087	$1,128,626	$1,159,997	$1,192,261	$1,225,445	$1,259,574	$1,294,678	$1,330,783	$1,367,919	$1,406,117	$1,445,406
Residential Turonver Loss		$0	$234,704	$483,608	$498,237	$513,309	$528,837	$544,834	$561,315	$578,295	$595,789	$613,811
Effective Gross Income		$27,414,068	$28,020,041	$28,557,277	$29,351,196	$30,167,734	$31,007,544	$31,871,304	$32,759,708	$33,673,473	$34,613,334	$35,580,051
Total Operating Expenses		$2,284,290	$2,332,526	$2,379,711	$2,428,159	$2,477,902	$2,528,976	$2,581,417	$2,635,263	$2,690,551	$2,747,320	$2,805,612
Net Operating Income		$24,196,523	$24,722,511	$25,183,369	$25,898,768	$26,634,577	$27,391,393	$28,169,824	$28,970,501	$29,794,070	$30,641,199	$31,512,574
Total Capital and Leasing Costs		$99,564	$423,107	$756,530	$778,816	$801,761	$825,385	$849,707	$874,750	$900,533	$927,079	$954,411
Total Proceeds From Sale		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$702,268,262
Cash Flow Before Debt		$23,469,643	$24,299,404	$24,426,840	$25,119,952	$25,832,817	$26,566,008	$27,320,117	$28,095,751	$28,893,537	$29,714,120	$717,547,343
Construction Loan												
Beginning Balance		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Interest Accrued		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Draw		$627,316	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Paydown		-$284,695,758	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Ending Balance		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Permanent Financing		$357,638,198	-$13,221,748	-$13,221,748	-$13,221,748	-$13,221,748	-$13,221,748	-$13,221,748	-$13,221,748	-$13,221,748	-$13,221,748	-$384,375,090
Cash Flow After Debt Financing		$97,039,399	$11,077,656	$11,205,092	$11,898,204	$12,611,069	$13,344,261	$14,098,369	$14,874,004	$15,671,790	$16,492,372	$333,172,253

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Develop and Sell Scenario Pro Forma

Date	-	2021-03-31	2022-03-31	2023-03-31	2024-03-31	2025-03-31	2026-03-31	2027-03-31
Year	-	1	2	3	4	5	6	7
Development Costs		-$134,028,900	-$87,818,452	-$96,298,774	-$95,161,327	-$1,254,632	-$627,316	
Net Operating Income		-$539,746	-$539,746	-$539,746	$532,179	$15,899,199	$24,196,523	$24,722,511
Capital and Leasing Costs								
Residential Capital Reserves		$0	$0	$0	$0	$0	$45,256	$0
Residential Leasing and Concessions		$0	$0	$0	$0	$0	$0	$0
Total Capital and Leasing Costs		$0	$0	$0	$0	$0	$45,256	$0
Terminal Value								
Proceeds From Sale		$0	$0	$0	$0	$0	$549,035,088	$0
Sale Costs		$0	$0	$0	$0	$0	$8,235,526	$0
Total Proceeds From Sale		$0	$0	$0	$0	$0	$540,799,562	$0
Cash Flow Before Debt		-$134,568,646	-$88,358,198	-$96,838,520	-$94,629,148	$14,644,568	$552,189,940	$0
Financing								
Construction Loan								
Beginning Balance		$0	$45,625,890	$149,545,348	$249,534,097	$275,987,185	$0	$0
Interest Accrued		$0	$185,886	$609,266	$1,016,633	$1,124,406	$0	$0
Draw		$0	$55,771,592	$96,298,774	$95,161,327	$1,254,632	$627,316	$0
Paydown		$0	$0	$0	$0	$0	-$284,695,758	$0
Ending Balance		$0	$56,270,840	$157,692,679	$262,793,346	$277,216,144	$0	$0
Cash Flow After Debt Financing		-$134,568,646	-$32,586,606	-$539,746	$532,179	$15,899,199	$268,121,498	$0

Exit Strategy and Returns

Develop and Sell

Sale at Stabilization	Residential	Retail	Total
Exit Yr	6	6	6
Exit Month	66	66	66
Exit Date	2025-10-31	2025-10-31	2025-10-31
Exit Cap Rate	4.3%	5.0%	4.5%
Exit NOI	$18,142,173	$6,412,501	$24,554,674
Exit Value Cap Rate	$421,910,994	$128,250,026	$550,161,020
$/GLA or Unit	$777	$2,565	$928
Sales Costs	2%	2%	2%
Return Metrics		**Unlevered**	**Levered**
Project IRR		9.5%	12.8%
Development Yield		5.4%	5.4%
Cash on Cash Return		-	5.4%
Equity Multiple		1.4 x	1.7 x
NPV		$30,278,395	-

Sale at Stabilization	Total
Retail Sale Proceeds	$140,900,883
Residential Sale Proceeds	$398,635,111
Total Proceeds From Sale	**$539,535,994**
Development Costs	-$450,771,518
Holding Period Net Income	$0
Profit	**$88,764,476**

Refinance + 10 Yr. Hold

Refi + 10 Yr. Hold	Residential	Retail	Total
Exit Yr	16	16	16
Exit Month	186	186	186
Exit Date	2035-10-31	2035-10-31	2035-10-31
Exit Cap Rate	4.3%	5.0%	4.5%
Exit NOI	$24,131,014	$7,829,724	$31,960,737
Exit Value Cap Rate	$561,186,368	$156,594,473	$717,780,841
$/GLA or Unit	$1,033	$3,132	$1,210
Sales Costs	2%	2%	2%
Return Metrics		**Unlevered**	**Levered**
Project IRR		7.9%	12.6%
Development Yield		5.4%	5.4%
Cash on Cash Return		-	5.4%
Equity Multiple		2.4 x	3.4 x
NPV		$35,259,206	-

Refi + 10 Yr. Hold	Total
Retail Sale Proceeds	$171,757,391
Residential Sale Proceeds	$528,869,633
Total Proceeds From Sale	**$700,627,024**
Development Costs	$450,771,518
Holding Period Net Income	$242,359,592
Profit	**$492,215,098**

Sensitivity Analysis

Project Level Levered IRR and EM

LTC	LTV →	80%	75%	70%	65%	60%	55%
	75%	14.0% / 4.6x	14.0% / 4.6x	14.0% / 4.6x	14.4% / 4.9x	15.0% / 5.2x	14.7% / 5.1x
	70%	13.5% / 4.1x	13.4% / 4.1x	13.4% / 4.1x	12.9% / 4.2x	13.2% / 4.4x	13.8% / 4.7x
	65%	13.0% / 3.7x	12.9% / 3.7x	12.9% / 3.7x	12.5% / 3.7x	12.0% / 3.8x	12.2% / 4.0x
LTC	60%	12.6% / 3.4x	12.6% / 3.4x	12.6% / 3.4x	12.2% / 3.4x	11.7% / 3.5x	11.2% / 3.6x
	55%	12.3% / 3.1x	12.3% / 3.1x	12.3% / 3.1x	11.9% / 3.2x	11.4% / 3.2x	11.0% / 3.3x
	50%	12.0% / 2.9x	12.0% / 2.9x	12.0% / 2.9x	11.6% / 3.0x	11.2% / 3.0x	10.8% / 3.1x
	45%	11.7% / 2.8x	11.7% / 2.8x	11.7% / 2.8x	11.4% / 2.8x	11.0% / 2.9x	10.7% / 2.9x

Project Level Levered IRR and EM

Resi Cap Rate	Market Rental Growth Rate →	5.0%	4.0%	3.0%	2.0%	1.0%
	3.5%	14.5% / 4.3x	13.9% / 4.0x	13.2% / 3.8x	12.5% / 3.5x	11.8% / 3.3x
	4.0%	13.7% / 3.8x	13.0% / 3.6x	12.4% / 3.4x	11.7% / 3.2x	11.0% / 3.0x
Resi Cap Rate	4.5%	12.8% / 3.5x	12.1% / 3.3x	11.4% / 3.1x	10.7% / 2.9x	10.0% / 2.7x
	5.0%	11.6% / 3.2x	10.9% / 3.0x	10.2% / 2.8x	9.5% / 2.7x	8.8% / 2.5x
	5.5%	10.5% / 3.0x	9.9% / 2.8x	9.2% / 2.6x	8.5% / 2.5x	7.8% / 2.3x
	6.0%	9.6% / 2.8x	8.9% / 2.6x	8.3% / 2.5x	7.7% / 2.3x	7.2% / 2.2x

Project Level Levered IRR and EM

Resi Cap Rate	Exit Month →	84	96	108	120	132	144
	3.5%	34.2% / 2.3x	31.5% / 2.5x	29.4% / 2.6x	27.7% / 2.8x	26.3% / 3.0x	25.1% / 3.2x
	4.0%	26.6% / 2.0x	25.7% / 2.1x	24.9% / 2.3x	24.1% / 2.5x	23.3% / 2.7x	22.6% / 2.9x
	4.5%	17.6% / 1.7x	19.0% / 1.8x	19.7% / 2.0x	20.0% / 2.2x	20.0% / 2.4x	19.9% / 2.5x
Resi Cap Rate	5.0%	7.4% / 1.5x	9.9% / 1.6x	12.7% / 1.8x	14.4% / 2.0x	15.5% / 2.1x	16.1% / 2.3x
	5.5%	4.6% / 1.3x	6.0% / 1.4x	7.1% / 1.6x	7.9% / 1.8x	10.0% / 1.9x	11.8% / 2.1x
	6.0%	1.9% / 1.1x	3.8% / 1.3x	5.2% / 1.4x	6.2% / 1.6x	7.0% / 1.8x	7.6% / 2.0x

Project Level Levered IRR

Hard Costs PSF	Land Cost PSF →	$125	$150	$200	$250	$300	$350
	$275	15%	15%	15%	15%	15%	15%
	$300	13%	13%	13%	13%	13%	13%
Hard Costs PSF	$325	12%	12%	12%	12%	12%	12%
	$350	11%	11%	11%	11%	11%	11%
	$375	10%	10%	10%	10%	10%	10%

Project Level Levered IRR and EM

Resi Cap Rate	Exit Month →	84	96	108	120	132	144	156	168	180	192
	3.5%	34.2% / 2.3x	31.5% / 2.5x	29.4% / 2.6x	27.7% / 2.8x	26.3% / 3.0x	25.1% / 3.2x	24.0% / 3.4x	23.2% / 3.7x	22.4% / 3.9x	21.7% / 4.1x
	4.0%	26.6% / 2.0x	25.7% / 2.1x	24.9% / 2.3x	24.1% / 2.5x	23.3% / 2.7x	22.6% / 2.9x	22.0% / 3.1x	21.4% / 3.3x	20.9% / 3.5x	20.4% / 3.7x
Resi Cap Rate	4.5%	17.6% / 1.7x	19.0% / 1.8x	19.7% / 2.0x	20.0% / 2.2x	20.0% / 2.4x	19.9% / 2.5x	19.7% / 2.7x	19.5% / 2.9x	19.2% / 3.2x	18.9% / 3.4x
	5.0%	7.4% / 1.5x	9.9% / 1.6x	12.7% / 1.8x	14.4% / 2.0x	15.5% / 2.1x	16.1% / 2.3x	16.5% / 2.5x	16.7% / 2.7x	16.7% / 2.9x	16.7% / 3.1x
	5.5%	4.6% / 1.3x	6.0% / 1.4x	7.1% / 1.6x	7.9% / 1.8x	10.0% / 1.9x	11.7% / 2.1x	12.9% / 2.3x	13.6% / 2.5x	14.1% / 2.7x	14.4% / 2.9x
	6.0%	1.9% / 1.1x	3.8% / 1.3x	5.2% / 1.4x	6.2% / 1.6x	7.0% / 1.8x	7.6% / 2.0x	8.5% / 2.1x	10.1% / 2.3x	11.2% / 2.5x	12.0% / 2.8x

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JV Returns

The GP is contributing 5% of the equity and seeking LP investment of 95%

The first hurdle is 8% and is reflective of the long-term hold of the development. There is a 20% promote to the GP for returns in excess of 8%, that do not crystalize until the

Annual Waterfall Cashflows	yr. 0	yr. 1	yr. 2	yr. 3	yr. 4	yr. 5	yr. 6	yr. 7	yr. 8	yr. 9	yr. 10	yr. 11	yr. 12	yr. 13	yr. 14	yr. 15	yr. 16
LP Total Cashflow	-$265,386	-$130,392,508	-$28,182,326	-$512,759	$1,346,488	$16,160,109	$91,253,615	$10,490,599	$10,699,709	$11,359,729	$12,038,560	$12,736,748	$13,454,855	$14,193,461	$14,953,163	$15,734,574	$268,186,659
GP + Promote Total Cashflow	-$13,968	-$6,862,764	-$1,483,280	-$26,987	$70,868	$850,532	$4,802,822	$552,137	$563,143	$597,880	$633,608	$670,355	$708,150	$747,024	$787,009	$828,135	$63,540,893

LP IRR	11.5%
GP IRR	19.2%

Hurdle	GP	LP	Promote %	Promote
8%	5%	95%	0%	0.00%
	5%	76.00%	20%	19.00%

8. Risks and Mitigants

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Risks and Mitigants

421-Abatement Policy Changes

The project's feasibility relies on the 35-year tax abatement that freezes tax rates at the current valuation. There is talk of ending the policy as some see it as 'developer-centric'. Developers register for 421-A following construction; therefore the entitled site's truncated development timeline is a huge mitigant. Furthermore, the budget assumes funds for political lobbying and policy consultants to ensure that we are proactive and aware of any potential changes as soon as they occur.

Increased Supply Pipeline

While vacancy rates are currently tight in the local residential market there is the risk that an increase in development increases supply and drives down rental rates. This is mitigated as we are underwriting rents substantially less than comparable buildings. Furthermore, with migration trends from Manhattan to Brooklyn among our target tenant there is ample demand. Lastly, there are few if any remaining transit-oriented-development sites available for large scale residential projects.

Construction Costs and Schedule

Like all projects the returns heavily rely on staying on budget and on schedule. Despite bonding contracts the underwriting does assume some cost escalation as well as 10% contingency on hard costs and soft costs. Furthermore, a conservative lease-up period of 18-months was assumed despite having 25% affordable units that will be leased on day-one. This was done to provide cushion if there are construction delays. Sensitivities were conducted on both schedule and budget and a budget over-run of $80 psf. will only lower the IRR by 1.5%.

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Risks and Mitigants

Credit Market Tightening

Although the underwriting currently assumes a conservative 60% construction loan, if this were to become unavailable it would deteriorate returns as more equity would be needed. If this were to occur, we have explored alternative financing options such as mezzanine debt, preferred equity, and EB-5 investors. Furthermore, due to the affordable component government bonds and LIHTC financing options could still be explored.

Inability to Lease Retail Space

It is not uncommon to see retail space sit empty for years following the completion of mixed-use developments. While this is a risk, the necessity for an entertainment space and proximity to the Barclay's Center and transit should drive demand. The model assumes competitive TI's and LC's win a tenant. Lastly, if the space does struggle to lease, the retail space only accounts for a small portion of the development's revenue (<20%).

Political Uncertainty Surrounding Rent Control

Except for the studio units, all of the building's units are projected to rent at a rate above the $2,775 threshold subject to current regulation. Moderate rental growth is currently underwritten at 2%/year which is more or less in line with the CPI increases permitted by rent regulation. Lastly, the widespread condemnation of New York's previous rent regulation changes indicate that Cuomo/De Blasio will wait prior to any additional sweeping reform.

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9. Appendix

Annual Cash Flow

Date	-	2021-03-31	2022-03-31	2023-03-31	2024-03-31	2025-03-31	2026-03-31	2027-03-31	2028-03-31	2029-03-31	2030-03-31	2031-03-31	2032-03-31	2033-03-31	2034-03-31	2035-03-31	2036-03-31
Year	-	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Total Development Costs		**-$134,028,900**	**-$87,818,452**	**-$96,298,774**	**-$95,161,327**	**-$1,254,632**	**-$627,316**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Operating Model																	
Potential Gross Revenue																	
Retail		$0	$0	$0	$530,604	$6,494,593	$6,624,485	$6,756,975	$6,892,114	$7,029,956	$7,170,555	$7,313,967	$7,460,246	$7,609,451	$7,761,640	$7,916,873	$8,075,210
Retail Recoveries		$0	$0	$0	$15,918	$194,838	$198,735	$202,709	$206,763	$210,899	$215,117	$219,419	$223,807	$228,284	$232,849	$237,506	$242,256
Residential		$0	$0	$0	$919,849	$11,940,696	$20,752,680	$21,458,683	$22,107,809	$22,776,570	$23,465,561	$24,175,394	$24,906,700	$25,660,128	$26,436,347	$27,236,046	$28,059,936
Ancillary Revenue		$0	$0	$0	$41,366	$536,977	$933,255	$965,004	$994,196	$1,024,270	$1,055,254	$1,087,176	$1,120,063	$1,153,945	$1,188,852	$1,224,814	$1,261,865
Total Potential Gross Revenue		$0	$0	$0	$1,507,737	$19,167,104	$28,509,155	$29,383,372	$30,200,882	$31,041,695	$31,906,488	$32,795,956	$33,710,816	$34,651,807	$35,619,687	$36,615,239	$37,639,268
Total Vacancy and Credit Loss		$0	$0	$0	$58,018	$737,412	$1,095,087	$1,128,626	$1,159,997	$1,192,261	$1,225,445	$1,259,574	$1,294,678	$1,330,783	$1,367,919	$1,406,117	$1,445,406
Residential Turonver Loss		$0	$0	$0	$0	$0	$0	$234,704	$483,608	$498,237	$513,309	$528,837	$544,834	$561,315	$578,295	$595,789	$613,811
Effective Gross Income		$0	$0	$0	$1,449,719	$18,429,693	$27,414,068	$28,020,041	$28,557,277	$29,351,196	$30,167,734	$31,007,544	$31,871,304	$32,759,708	$33,673,473	$34,613,334	$35,580,051
Operating Expenses																	
Retail																	
Retail Management		$0	$0	$0	$15,918	$194,838	$198,735	$202,709	$206,763	$210,899	$215,117	$219,419	$223,807	$228,284	$232,849	$237,506	$242,256
Total Retail Operating Expenses		$0	$0	$0	$15,918	$194,838	$198,735	$202,709	$206,763	$210,899	$215,117	$219,419	$223,807	$228,284	$232,849	$237,506	$242,256
Residential																	
Doorman, Tenant Staff		$0	$0	$0	$129,227	$397,373	$407,307	$417,490	$427,927	$438,625	$449,591	$460,830	$472,351	$484,160	$496,264	$508,671	$521,387
RE Tax		$539,746	$539,746	$539,746	$539,746	$539,746	$539,746	$539,746	$539,746	$539,746	$539,746	$539,746	$539,746	$539,746	$539,746	$539,746	$539,746
Insurance		$0	$0	$0	$43,076	$132,458	$135,769	$139,163	$142,642	$146,208	$149,864	$153,610	$157,450	$161,387	$165,421	$169,557	$173,796
Repairs and Maintenance		$0	$0	$0	$120,612	$370,881	$380,153	$389,657	$399,398	$409,383	$419,618	$430,108	$440,861	$451,883	$463,180	$474,759	$486,628
Management		$0	$0	$0	$27,595	$358,221	$622,580	$643,761	$663,234	$683,297	$703,967	$725,262	$747,201	$769,804	$793,090	$817,081	$841,798
Total Residential Operating Expenses		$539,746	$539,746	$539,746	$860,256	$1,798,678	$2,085,556	$2,129,817	$2,172,948	$2,217,260	$2,262,785	$2,309,557	$2,357,610	$2,406,979	$2,457,702	$2,509,814	$2,563,356
Total Operating Expenses		$539,746	$539,746	$539,746	$876,174	$1,993,516	$2,284,290	$2,332,526	$2,379,711	$2,428,159	$2,477,902	$2,528,976	$2,581,417	$2,635,263	$2,690,551	$2,747,320	$2,805,612
Retail Net Operating Income		$0	$0	$0	$509,380	$6,234,809	$6,359,505	$6,486,696	$6,616,429	$6,748,758	$6,883,733	$7,021,408	$7,161,836	$7,305,073	$7,451,174	$7,600,198	$7,752,202
Residential Net Operating Income		-$539,746	-$539,746	-$539,746	$22,799	$9,664,390	$17,837,017	$18,235,815	$18,566,940	$19,150,010	$19,750,844	$20,369,985	$21,007,988	$21,665,428	$22,342,896	$23,041,001	$23,760,372
Net Operating Income		-$539,746	-$539,746	-$539,746	$532,179	$15,899,199	$24,196,523	$24,722,511	$25,183,369	$25,898,768	$26,634,577	$27,391,393	$28,169,824	$28,970,501	$29,794,070	$30,641,199	$31,512,574
Capital and Leasing Costs																	
Residential Capital Reserves		$0	$0	$0	$0	$0	$99,564	$111,331	$114,114	$116,967	$119,891	$122,888	$125,960	$129,109	$132,337	$135,645	$139,037
Residential Leasing and Concessions		$0	$0	$0	$0	$0	$0	$311,777	$642,416	$661,849	$681,870	$702,496	$723,747	$745,640	$768,196	$791,434	$815,375
Total Capital and Leasing Costs		$0	$0	$0	$0	$0	$99,564	$423,107	$756,530	$778,816	$801,761	$825,385	$849,707	$874,750	$900,533	$927,079	$954,411
Total Proceeds From Sale		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$702,268,262
Cash Flow Before Debt		-$134,568,646	-$88,358,198	-$96,838,520	-$94,629,148	$14,644,568	$23,469,643	$24,299,404	$24,426,840	$25,119,952	$25,832,817	$26,566,008	$27,320,117	$28,095,751	$28,893,537	$29,714,120	$717,547,343
Financing																	
Construction Loan																	
Beginning Balance		$0	$45,625,890	$149,545,348	$249,534,097	$275,987,185	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Interest Accrued		$0	$185,886	$609,266	$1,016,633	$1,124,406	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Draw		$0	$55,771,592	$96,298,774	$95,161,327	$1,254,632	$627,316	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Paydown		$0	$0	$0	$0	$0	-$284,695,758	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Ending Balance		$0	$56,270,840	$157,692,679	$262,793,346	$277,216,144	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Permanent Financing																	
Loan Proceeds		$0	$0	$0	$0	$0	$365,350,884	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Loan Payments		$0	$0	$0	$0	$0	$7,712,686	$13,221,748	$13,221,748	$13,221,748	$13,221,748	$13,221,748	$13,221,748	$13,221,748	$13,221,748	$13,221,748	$6,610,874
Loan Repayment		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$377,764,216
Total Permanent Financing		$0	$0	$0	$0	$0	$357,638,198	-$13,221,748	-$13,221,748	-$13,221,748	-$13,221,748	-$13,221,748	-$13,221,748	-$13,221,748	-$13,221,748	-$13,221,748	-$384,375,090
Cash Flow After Debt Financing		-$134,568,646	-$32,586,606	-$539,746	$532,179	$15,899,199	$97,039,399	$11,077,656	$11,205,092	$11,898,204	$12,611,069	$13,344,261	$14,098,369	$14,874,004	$15,671,790	$16,492,372	$333,172,253

Return Metrics and Affordable Rent

Return Metrics

	Develop and Hold	Develop and Sell
Unlevered IRR	8%	9%
Levered IRR	13%	13%
GP Levered IRR	20%	-
LP Levered IRR	12%	-
Cash on Cash	5.41%	5.41%
Unlevered EM	2.40 x	1.37 x
Levered EM	3.38 x	1.70 x
Development Yield	5.45%	5.4%
Unlevered NPV	$35,259,206	$30,278,395

Affordable Rent Table

	30%	40%	50%	60%	80%	100%	120%	130%
Studio	375	535	696	856	1225	1545	1866	2026
One Bed	481	681	881	1081	1542	1942	2342	2542
Two Bed	588	828	1069	1309	1862	2342	2823	3063
Three Bed	672	949	1227	1504	2143	2698	3253	3530

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Annual Cash Flow- Develop and Sell

Date	-	2021-03-31	2022-03-31	2023-03-31	2024-03-31	2025-03-31	2026-03-31
Year	-	1	2	3	4	5	6
Develop and Sell @ Stabilization							
Net Operating Income		-$539,746	-$539,746	-$539,746	$532,179	$15,899,199	$24,196,523
Capital and Leasing Costs							
Residential Capital Reserves		$0	$0	$0	$0	$0	$45,256
Residential Leasing and Concessions		$0	$0	$0	$0	$0	$0
Total Capital and Leasing Costs		$0	$0	$0	$0	$0	$45,256
Terminal Value							
Proceeds From Sale		$0	$0	$0	$0	$0	$549,035,088
Sale Costs		$0	$0	$0	$0	$0	$8,235,526
Total Proceeds From Sale		$0	$0	$0	$0	$0	$540,799,562
Cash Flow Before Debt		-$134,568,646	-$88,358,198	-$96,838,520	-$94,629,148	$14,644,568	$552,189,940
Financing							
Construction Loan							
Beginning Balance		$0	$45,625,890	$149,545,348	$249,534,097	$275,987,185	$0
Interest Accrued		$0	$185,886	$609,266	$1,016,633	$1,124,406	$0
Draw		$0	$55,771,592	$96,298,774	$95,161,327	$1,254,632	$627,316
Paydown		$0	$0	$0	$0	$0	-$284,695,758
Ending Balance		$0	$56,270,840	$157,692,679	$262,793,346	$277,216,144	$0
Cash Flow After Debt Financing		-$134,568,646	-$32,586,606	-$539,746	$532,179	$15,899,199	$268,121,498

Absorption and Lease-up

Project Start Date	1.00
Completion Date	48.00
Leaseup Start Date	45.00
Units Leased/Month	45.00
Turnover/Month	3%
Prelease Months	3.00
Total Units	800
Leaseup Time	18.00
Leaseup Month	66.00

Underwriting Notes

Notes
421-A tax abatement in place, tax rates held steady for 35-years
Leaseup of 45-units per month includes the affordable units which are expected to be leased prior to construction completion date
Retail tenant expected to be a single tenant with a long term lease (20+ years)
Acquisition cost of $150 per sq. ft. is less than Brodsky's purchase price but necessary to hit target returns
Negative NOI during construction period from property taxes to be accounted for via an operating line of credit, not shown in model
Residential leasing costs assumed for market units only- assume two-weeks free rent, agent fee of $500, and leasing office operating costs
Financing assumptions are in line with market norms, comps from RCA were sourced
Assuming that the GP will take 5% of equity given the size of the project
Targeted LP investor will prioritize long term asset hold (15+ yrs.) seeking sustainable cashflow over IRR
Targeted LP will be a pension fund, sovereign wealth, or family office
Construction escaltion only on non-bonded contracts such as TI's, LC's, Marketing, and Residential Leasing
Additional ancillary revenue for prestige/premier suite amenity and service fees

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