

38 CARLTON AVENUE

Kwan Ngai Lam
Capstone Deal Book
April, 2020

TABLE OF CONTENTS

Section	Page	Section	Page
1. Executive summary	3	8. Financial Analysis	46
2. Project Overview	5	9. Project Schedule	54
3. Neighborhood	12	10. Marketing	57
4. Surrounding Area	19	11. Exit Plan	60
5. Zoning & Entitlements	24	12. Risks & Mitigants	62
6. Building	30	13. Appendices	64
7. Market Analysis	40		

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY: 38 CARLTON AVENUE

38 Carlton Avenue

LKN, LLC is to introduce a development investment opportunity of a 40-unit rental apartment with office space and art studios on the ground floor. Rental price ranges from \$2,700 to \$4,600 per month, the stabilized total annual rental income is \$1,418,400.

Project Level Performance

After 12 months pre-construction period and 12 months construction period, the expected stabilized period is 6 months. The property holding period is 10 years after stabilized, our general partner team will manage and operate the property until the property is sold.

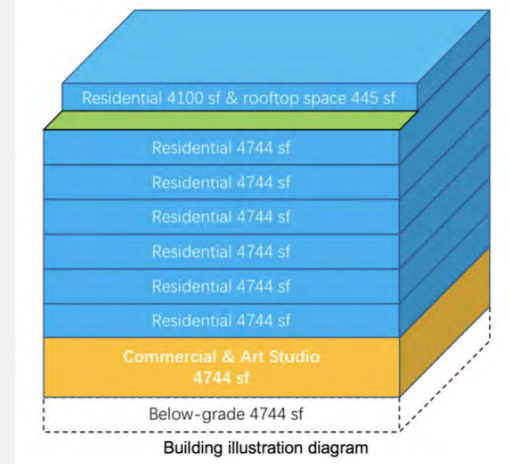
Investment Opportunity

The LKN offers an opportunity to investors to invest in 38 Carlton Avenue as limited partner. LKN are currently seeking \$6,853,979 LP equity to launch the development of 38 Carlton Avenue.

LP Total Equity Contribution
\$6,732,430

Total Investment Period
141 Months

Equity IRR
16.36%



	Unlevered	Levered
Profit	\$25,611,983	\$34,711,823
Equity Multiple	2.76x	5.99x
IRR	11.57%	18.67%

PROJECT OVERVIEW

SITE SUMMARY

Target Site

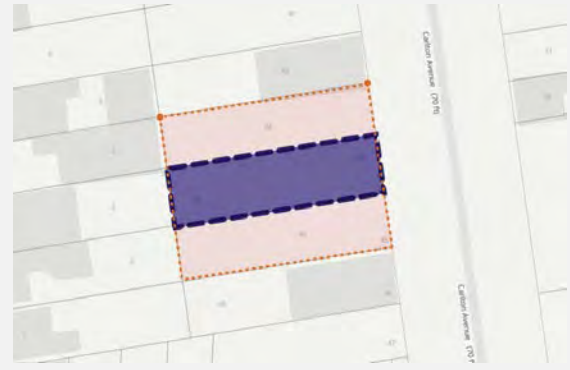
The address of the property is 38 Carlton Avenue in Brooklyn, the lot frontage is 24.33 ft and the depth is 100 ft and the total lot area is 2433 sf. The site is currently a vacant site.

Adjacent Sites

There are two vacant lots adjacent to the property, one is 36 Carlton Avenue, it is located on the northside of our property; the other one is 40 Carlton Avenue, on the south side of our property. The frontage and depth of both vacant lots are the same, which are 24.33 ft and 100 ft, and the total lot area is 2433 sf for each.

Development Opportunity

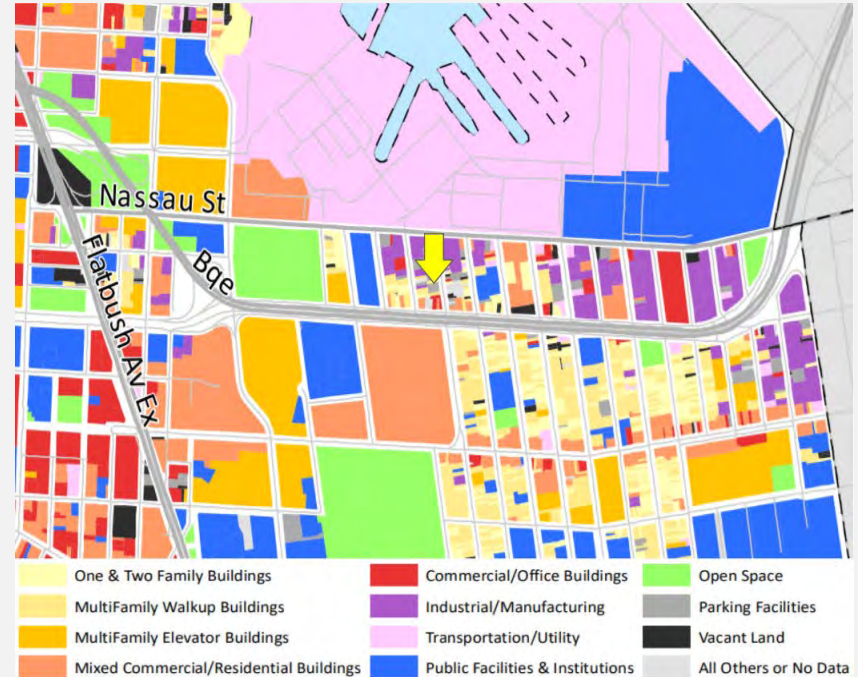
Since all three sites are currently vacant, we see an opportunity to further increase the development scale and create more return from the development. Additionally, our development team notices that there are two properties have air rights that we can purchase if we acquired these two adjacent lots.



SURROUNDING LAND USES

Period of Change

Within the area around the property, most of the land uses are transportation facility, industrial/manufacturing, multifamily walk-up, one & two family, mixed commercial and residential, and multifamily. The Brooklyn Navy Yard used to be a military shipyard back in the 1810s. After the military deactivated the shipyard in 1966, it became private industrial property. Due to the higher population density and urbanization, most parts of the Navy Yard rebuild into mixed manufacturing, commercial and office buildings. According to these changes, it is possible that the current land uses in the entire Navy Yard area and places around it will be changed eventually, so this is another reason that the upzone proposal is a practical plan. By changing the land uses, it will further accelerate the development process within the property area as well as increase the land value to give a higher appreciation return to property owners and investors.



PROJECT DESCRIPTION

Development Plan

Our project is merging three vacant lands into one and buying air rights from adjacent properties in order to maximize potential buildable space to achieve higher return.

Our target property, 38 Carlton Avenue, has lot area of 2433SQF, the other two vacant sites, 36 Carlton Avenue and 40 Carlton Avenue, both have lot area of 2433SQF. After the merging of three vacant sites, the total merged lot area is 7299SQF. Also, the development plans to acquire air rights from 41 Cumberland Street and 45 Cumberland with 3600SQF and 3500SQF respectively.

To achieve higher FAR, we need to go through the upzoning process through ULURP process, and we will reserve enough time to complete the process so that the design and construction phase can start on time.

Target Property Information	
Address	38 Carlton Avenue
Borough	Brooklyn
Zip code	11205
Block	2030
Lot	44
Zoning	M1-2
Owner	THREE AND EIGHT LLC
Lot Area	2,433.00 SQF
Lot Frontage	24.33 SF
Lot Depth	100.00 SF

Adjacent Property #1 Information	
Address	36 Carlton Avenue
Borough	Brooklyn
Zip code	11205
Block	2030
Lot	43
Zoning	M1-2
Owner	MICHAEL GREAVES
Lot Area	2,433.00 SQF
Lot Frontage	24.33 SF
Lot Depth	100.00 SF

Adjacent Property #2 Information	
Address	40 Carlton Avenue
Borough	Brooklyn
Zip code	11205
Block	2030
Lot	43
Zoning	M1-2
Owner	MGP 40 CARLTON AVE LLC
Lot Area	2,433.00 SQF
Lot Frontage	24.33 SF
Lot Depth	100.00 SF

PROJECT DESCRIPTION

41 Cumberland Street

The property is a warehouse built in 1920, it has 3600 sf of air rights available.



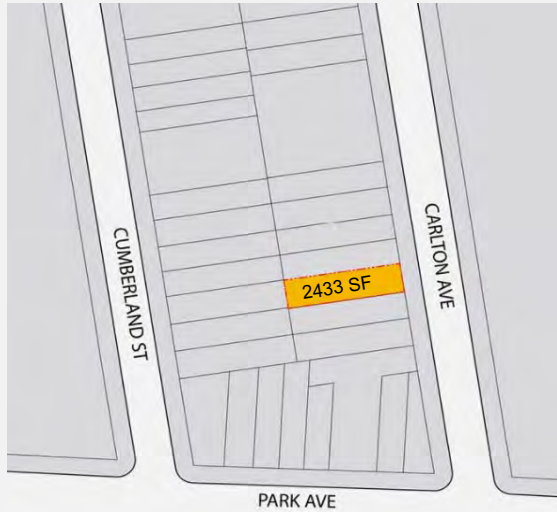
45 Cumberland Street

The property is currently a walk-up residential building and it has three families live in the building. It has 3500 sf air rights available.



PROJECT DESCRIPTION

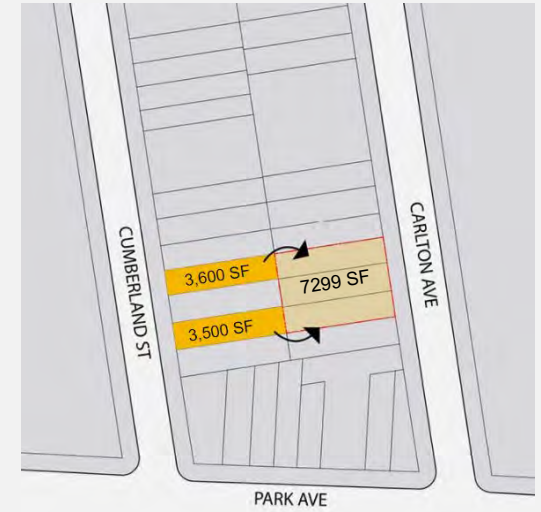
Development Plan Illustration Diagram



(Target Property)
38 Carlton Avenue



(Lots Assemblage)
+36 Carlton Avenue
+40 Carlton Avenue



(Lot Assemblage + Air Rights)
+41 Cumberland Street
+45 Cumberland Street

PROJECT DESCRIPTION

Our Vision

We are promoting to create a work/live space, with the first floor used for art studio space mixed with commercial space, including the owner's private working space. Brooklyn is full of artists, at least until they get priced out by rising rents. By promoting a work / live space, our project is tailoring to young emerging talents. With more and more people seeking for a flexible, work / live lifestyle that incorporates an office close to home, we embrace the diverse and evolving community by designing a property that would be more than just a modern dwelling for artists.



NEIGHBORHOOD

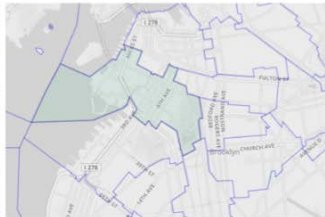
DEMOGRAPHICS

Population

The property is within Brooklyn District 2, the district has stable population growth during the past decades and the growth rate has increased in the past 10 years. In 2000, the total population lived in the district was about 98.6K, then the population had grown to 99.6K in 2010, about 1% growth (source: Zola report of Brooklyn District 2). However, the population grew into 145.8K in 2018, about 46.4% growth in less than 10 years (source: Census Report); it indicates that more and more people move to live in the district area. The migration trend in Brooklyn is due to higher and higher living expenses in the central city area, so people have to move to areas where living costs are less. At the same time, districts adjacent to District 2 also have positive population growth during the past 10 years. The population of Brooklyn District 6 was 104.7K in 2010, this number grew into 116.3K in 2018, about 11.1% increase (source: Census Report); similar situation happens in Brooklyn District 8, the population had increased about 41.6% from 96.3K in 2010 to 136.4K in 2018 (source: Census Report).



(Brooklyn District 2)



(Brooklyn District 6)



(Brooklyn District 8)

Population Change					
Year/% change	2000	2010	% change	2018	% change
Brooklyn District 2	98.6	99.6	1.0%	145.8	46.4%
Brooklyn District 6		104.7		116.3	11.1%
Brooklyn District 8		96.3		136.4	41.6%

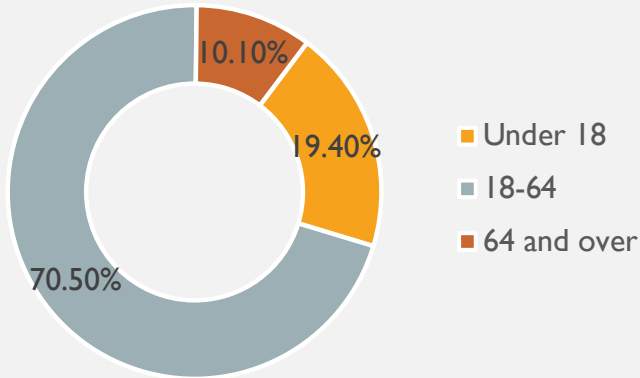
DEMOGRAPHICS

Age

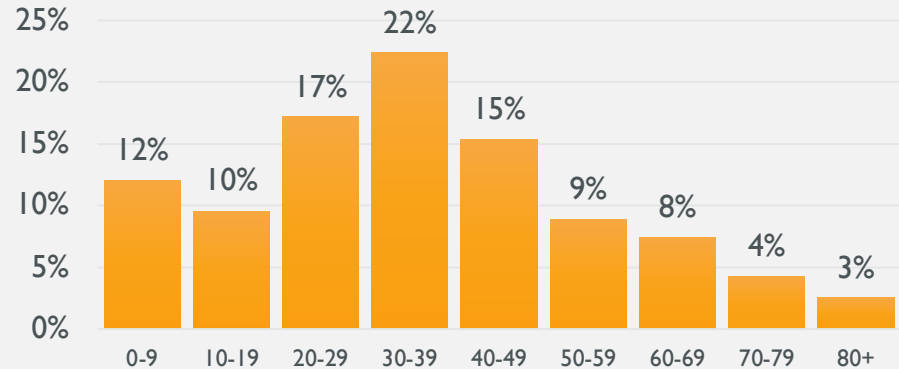
The Brooklyn District is full of vitality because most of the population concentrates between 20 to 39 years old. The population age within Brooklyn District 2 is lower than the New York and the National Median, it indicates that the neighborhood has more students and young adults, 70.5% of the population are capable to work. Since most of people between 20 to 39 are single or couples with kids, these groups of people are our target customers.

Median Age	
Brooklyn District 2	34.7
New York	39
United States	38.2

Population by Age Range



Population by Age



DEMOGRAPHICS

Neighborhood Income Level

From the economic condition aspect, Brooklyn District 2 has a higher per capita income level and median household income than the overall New York region. Meanwhile, the rent burden in the district is 30.7%, significantly less than the entire Brooklyn and New York average, which is 45.8% and 44.5% respectively. Lower living cost in Brooklyn District 2 is another key factor that attracts more people to move and live in this area and contributes to the population growth in the past years. Low property rate in the district implies better living quality and low crime rate in the area, both have positive impacts on the future development in the district. Since people are more willing to live here, this area has robust development potential which will benefit the value of our property.

Income

\$68,974

Per capita income

more than 1.5 times the amount in New York: \$38,884

about double the amount in United States: \$33,831

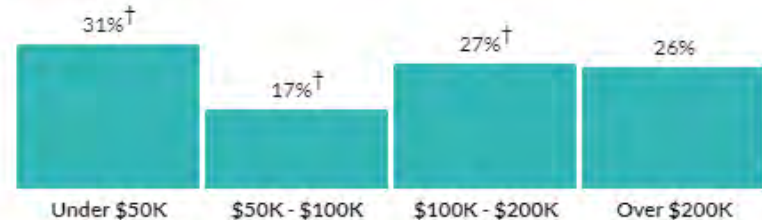
\$108,441

Median household income

about 1.5 times the amount in New York: \$67,844

more than 1.5 times the amount in United States: \$61,937

Household income

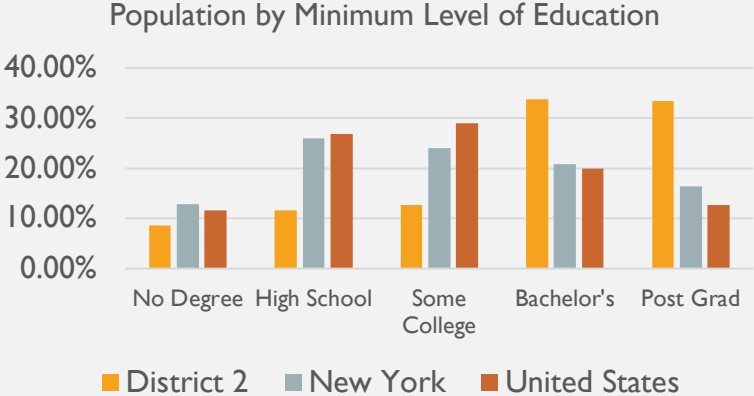
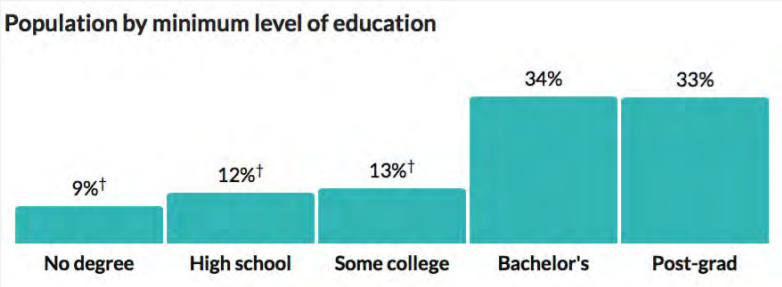


DEMOGRAPHICS

Education Level

The education level of Brooklyn District 2 is much higher than the New York area and the entire country level. The percentage of population that have degree Bachelor's and higher is about 64%, about two times higher than the New York area and the United States (source: Census Report).

Higher education level contributes to higher income level in District 2 of Brooklyn. At the same time, high education level implies low crime rate in the neighborhood which creates a sense of safe. As of the result, a good living environment attracts more people choose to live in the area, which creates higher housing demand that stimulates the housing market in Brooklyn.



DEMOGRAPHICS

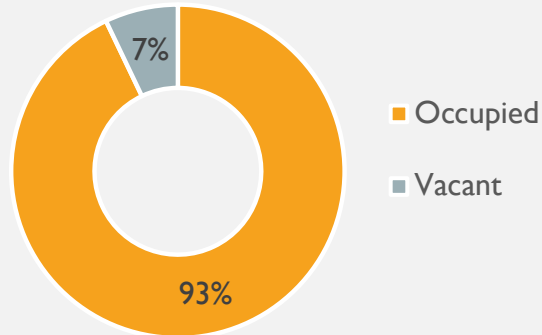
Housing Tenure

The housing market in Brooklyn is very strong, the occupancy rate is 93%, much higher than 88.1% in New York Area. This is due to continuously increasing of population and relatively low housing burden. Moreover, most of the occupied units are occupied by renters, indicates that the rental market in Brooklyn is active. The causes of high rental housing demand is due to the population structure in Brooklyn; people that aging between 20 and 39 years old are mostly students and young adults, these group of people generally do not have strong financial ability to buy a house, so they tend to rent an apartment.

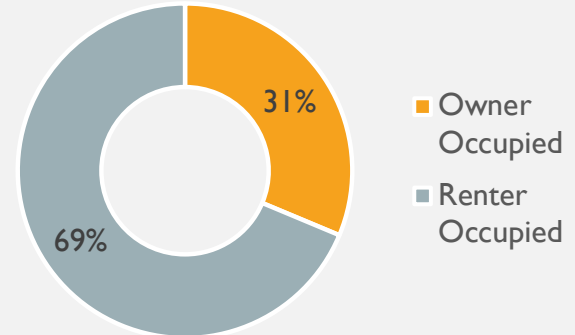
68,858

Total Housing Units
(in 2018)

Occupied vs. Vacant



Ownership of Occupied Units



DEMOGRAPHICS

Highlights from Demographics



Fast growing population trend



Young population structure



High income level



High education level



Strong housing market



High rental housing demand

Conclusion

After reviewing the demographics, our development plan is to conduct a rental apartment for young adults, aging between 20 to 40 years old. Students and young professionals are our target segment. With high occupancy rate and strong rental housing demand in Brooklyn, we expect low vacancy related risks after the construction is finished and high annual rent growth rate, generating stable and satisfactory cash flow for our investors.

SURROUNDING AREA

PROPERTY LOCATION

Easy Public Transportation

The property is located in the Fort Greene District of Brooklyn, between Flushing Avenue and Park Avenue on the west side of Carlton Avenue.

3-minute walking distance to Brooklyn Navy Yard.

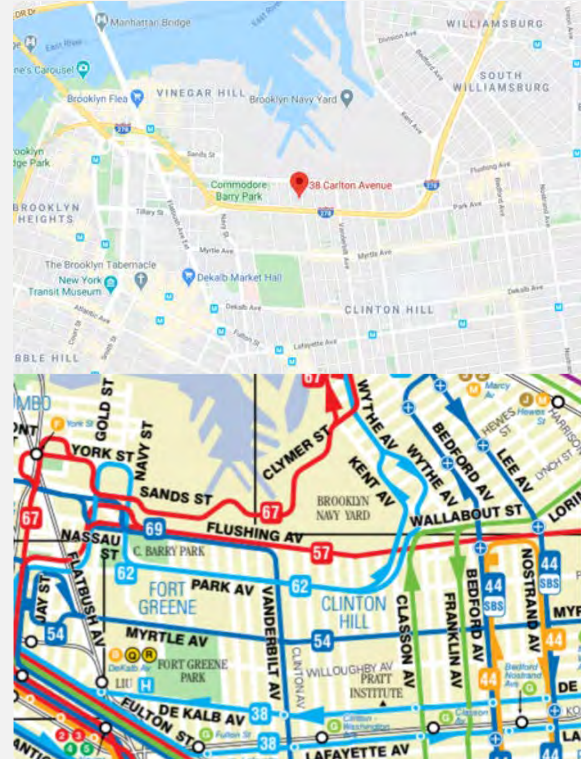
3-minute driving distance to the Brooklyn-Queens Express Highway

10 minutes to downtown Manhattan, 20 minutes to Queens

B57/B69/B62 Bus stations within 1 minute walking distance

15 minutes to subway line A/C/F, 18 minutes to line R at Jay Street Station

Direct Express Bus from Jay Street Station to Navy Yard



THE NAVY YARD MASTER PLAN

The “NEW Mission”

The Navy Yard’s duty is no longer to prepare for war in this peaceful period in human history. The development master plan of Brooklyn Navy Yard is to create three buildings in three different places within the Navy Yard and provide about 5.1M sf space and 9.9k jobs. These spaces consist of traditional manufacturing, renovative manufacturing, creative office, amenities, and services. The plan aims to create a modern manufacturing sector that integrates the yard into the fabric of surrounding communities as well as to increase public space. Many innovative companies have set up their offices in these newly-built buildings. For example, WeWork has its 222,000 sf headquarters in one of the new structures, called Dock 72. This plan has brought new meaning to this old shipyard and the surrounding areas. There is no doubt that the development drives the housing and commercial demands around the Navy Yard, and our development plan dedicates to meet this market trend.



PARKS

Commodore Barry Park

A 10.39 acres park that holds baseball, basketball, football, swimming pool and playground fields/facilities. The park also holds some activities to enrich people's lives.



(Commodore Barry Park)

Fort Greene Park

The largest park within Fort Greene area. The park has many historical features, such as the high ground where the continental army built fortifications before the Battle of Long Island.



(Fort Greene Park)

PRATT INSTITUTE

“Cradle of Artists”

The Pratt Institute is a private, long-history university, it is founded in 1887. The school is famous for its fine art program. Its Architecture, Interior Design, and industrial Design programs are known by the world. The school has both undergraduate and master's degree programs. There are 4875 students in the school, 3483 are undergraduates and 1392 are graduates; among these students, 34% of undergraduates and 52% of graduates are international students. The school is about 15 minutes away from our building by walking and 5 minutes by driving. Only about 30% of students reside on campus, so students from the Pratt Institute are also our potential customers, especially international students who are supported by their families and have strong financial ability.



ZONING & ENTITLEMENTS

ZONING

Current Zoning

The current zoning of the property is M1-2, it allows light industrial uses with FAR 2.0. With this FAR, the total buildable square foot on the site is 4866sf; by assembling the other two adjacent lots, the total merged lot area is 7299sf, it gives us 14598sf of buildable area. Once we merge the two vacant lots, we can have an option to purchase air rights from 41 Cumberland Street and 45 Cumberland Street; the first one is a warehouse and it has 3600 sf of air rights residue and the second one has 3500 sf of air rights residue. It increases our total buildable area to 21698 sf. Upzoning is another option for our development since we have precedent, the L+M Development successfully upzone the entire block from M1-2 to R8 overlap with C2-4 in 2009. Due to the zoning changes of the Navy Yard development and the increasing housing demand in Brooklyn, we believe that we can go through the ULURP process to upzone our property into R7D overlap with C2-4; in addition, the zoning district of a block that is only 2 blocks away on the east side of our property is also an R7D overlap with C2-4, so we have large chance to upzone our property block into a higher FAR zoning district and able to build a residential mix with commercial space building on our site. By upzoning, we can increase our FAR from 2.0 to 4.2 of residential and 1.0 of commercial, the total buildable square foot can increase to 37756 sf.

FAR by Zoning Type

M1-2 FAR	2.0
R7D/C2-4 FAR	4.2

Max. Buildable SF by Zoning Type

M1-2 FAR	21698 sf
R7D/C2-4 FAR	37756 sf

ZONING

R7D/C2-4

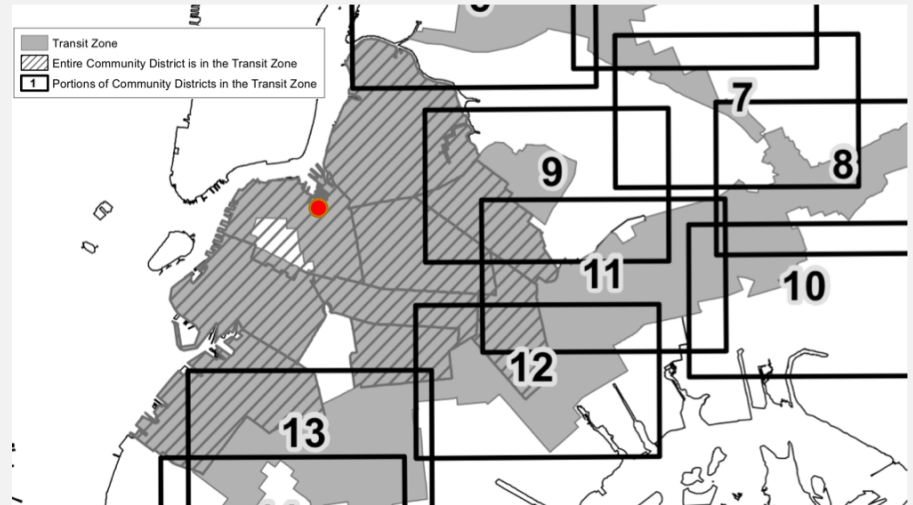
The R7D/C2-4 zoning allows higher residential density. It has minimum building height of 60 to 80 feet before setback, the total building height cannot exceed 100 feet. New building has the option no to line up with adjacent buildings' street wall, but should not farther than 10 feet.

The ground floor space must use as commercial space.

There is also parking requirement for R7D/C2-4 zoning. 50% dwelling units need to have parking space, but if required parking space is less than or equal to 15, the requirement can be waived; also, the requirement can be lower if property located within Transit Zone or lot size is lower than 10,000 square feet.

In our case, our property located within Transit Zone and has lot

size lower than 10,000 square feet. Thus, we can have lower parking requirement or parking waive for residential purpose and lowering our construction cost. For car owners, there are public parking space that near our property.



ZONING

R7D/C2-4

The maximum FAR for commercial zoning that overlaps with R6 through R10 is 2.0. The zoning requires that the commercial space must be located on the ground floor, and it also requires parking space, 1 per 1000 square feet.

For commercial space, the zoning regulation requires all commercial space must be located below residential floor and no more than two floors.

In our case, our building has commercial space of 4310 square feet which leads to 5 parking spaces, and we have reserved parking space area behind our building that is capable to park 10 cars at minimum. Our building only has one floor, the ground floor, is used as commercial space.

According to zoning, the commercial space are mainly retail and services, such as deli grocery store, book store, cloth shop or mobile phone provider.



REZONING PROCESS

Changing the Current Zoning Type

Our development plan requires to change the current MI-2 zoning into R7D/C2-4. To achieve our goal, we reserve 12 months pre-construction period for us to go through the ULURP process. The usual process takes 12 months to complete, and developer needs to communicate with local community groups, neighborhood and community board in order to receive approvals of development.

The process is complicated and time consuming, but LKN, LLC is capable to complete the process and has past experience to help us to manage any unexpected issues and to resolve issues related to local residents. Local groups and residents are difficult to engage because it is no easy to fulfill different groups' requirements. Sometimes, a bad relationship with local groups and community group can lead to the failure of project. As an

experienced developer, LKN, LLC starts building relationship with local groups and residents before launching the project, and we currently have promising progress. By having a strong local relationship, we can limit issues that occur during the ULURP process and accelerate the entire process.

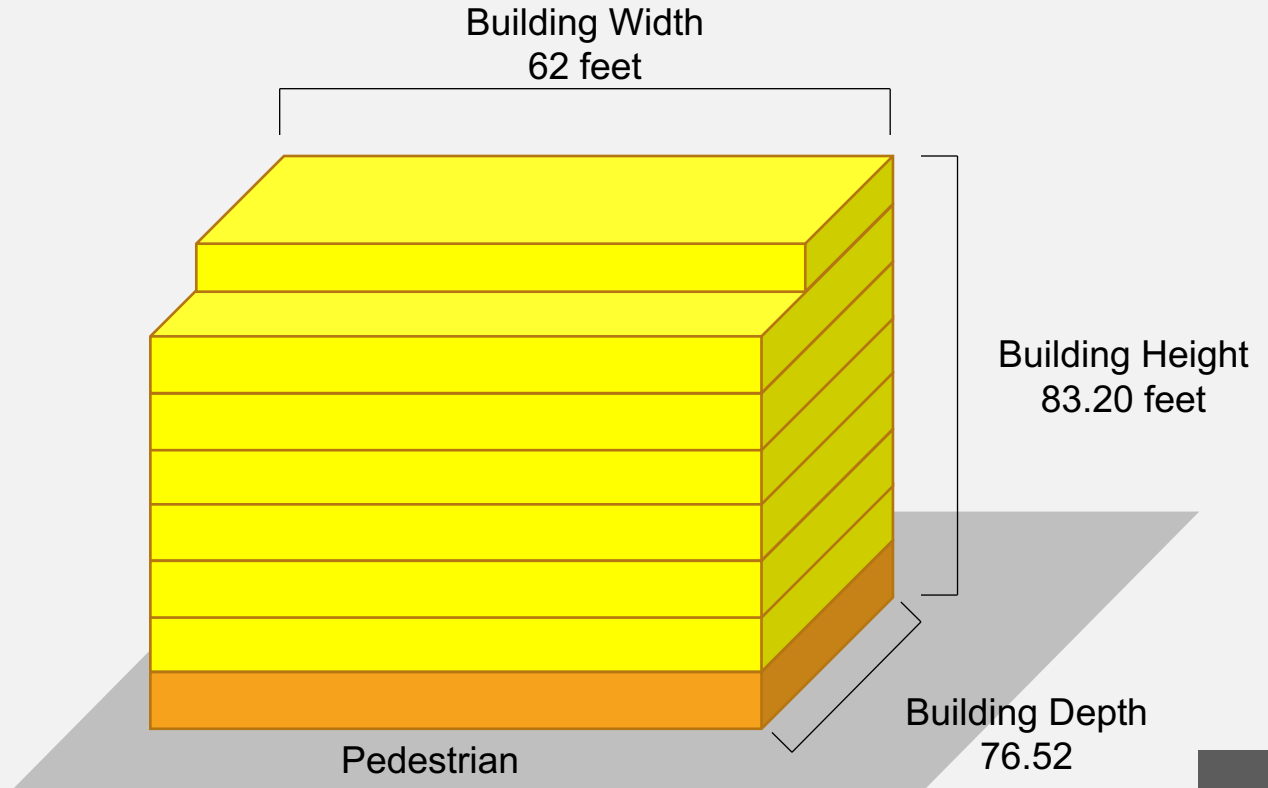
We are going to start our parking waive application at the same since our project meet the requirement to waive residential parking space.



BUILDING MASSING DIAGRAM

Proposed Massing Diagram
38 Carlton Avenue

- Commercial Space
- Residential Space
- Ground



BUILDING

BUILDING DESIGN

Building

Based on our development plan after upzone the zoning district of the property, the building is an eight-story mixed uses building with a below-grade floor.

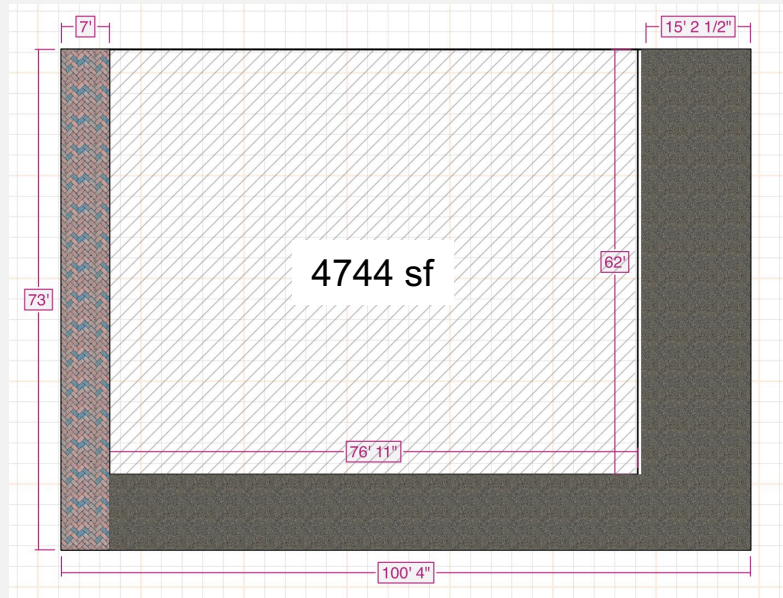
The building is mainly a concrete/brick structure, and its facade should integrate the building into the pattern of the surrounding environment. The zoning regulations state that the lot coverage ratio for R7D is 65%, so the maximum building foot size is 4744.35 sf. The floor area of each floor from the below-grade floor to the seventh floor is 4744.35 sf, and the eighth floor will have a setback to create a 4100 sf; by having a setback on the eighth floor, there is a 445 sf rooftop outdoor space.

The ground floor will have commercial, and art studios spaces; the art studio space can be converted into an art gallery that exhibits artists' works. Floors above the first floor are planned to be used as residential space consisting of studio, 1 bedroom, and 2 bedroom unit types. The below-grade floor will be designed for mechanical space. Our development theme is to create a live/work space which is a trophy living style and design theme in New York.

Building Information	
Lot Coverage Ratio	65%
Building Size	4,744 SQF
Building Floors	8
Commerical Floor-to-Ceiling Height	13.20 ft
Residential Floor-to-Ceiling Height	9.50 ft
# of Commercial Floor	1
# of Residential Floors	7
Building Height	79.70 ft
Setback(Yes/No)	Yes
Setback	10.39 ft
Building Width	62.00 ft
Building Depth	76.52 ft
Floor Sizr	
Floor 1	4,744 SQF
Floor 2	4,744 SQF
Floor 3	4,744 SQF
Floor 4	4,744 SQF
Floor 5	4,744 SQF
Floor 6	4,744 SQF
Floor 7	4,744 SQF
Floor 8	4,100 SQF
Rooftop Space	445 SQF

BUILDING DESIGN

BUILDING TOP VIEW



STACKING DIAGRAM SECTION VIEW

445 sf	4100 sf Floor 8
	4744 sf Floor 7
	4744 sf Floor 6
	4744 sf Floor 5
	4744 sf Floor 4
	4744 sf Floor 3
	4744 sf Floor 2
	4744 sf Floor 1
	4744 sf Basement

BUILDING DESIGN

Stacking Plan

The first floor of the building is designed as commercial and art studio space. The floor to ceiling height for commercial space is 13.20 ft.

Floor 2 to Floor 8 are residential space that consists of 40 rental units. The rooftop outdoor space creates a public zoom for our residents. The floor to ceiling height for our residential space is 9.5 ft.

The total above grade building height is 79.7 ft.

The basement floor will have a mechanic room, and amenities for our residents.

Stacking Diagram Section View

445 sf	4100 sf Floor 8
	4744 sf Floor 7
	4744 sf Floor 6
	4744 sf Floor 5
	4744 sf Floor 4
	4744 sf Floor 3
	4744 sf Floor 2
	4744 sf Floor 1
	4744 sf Basement

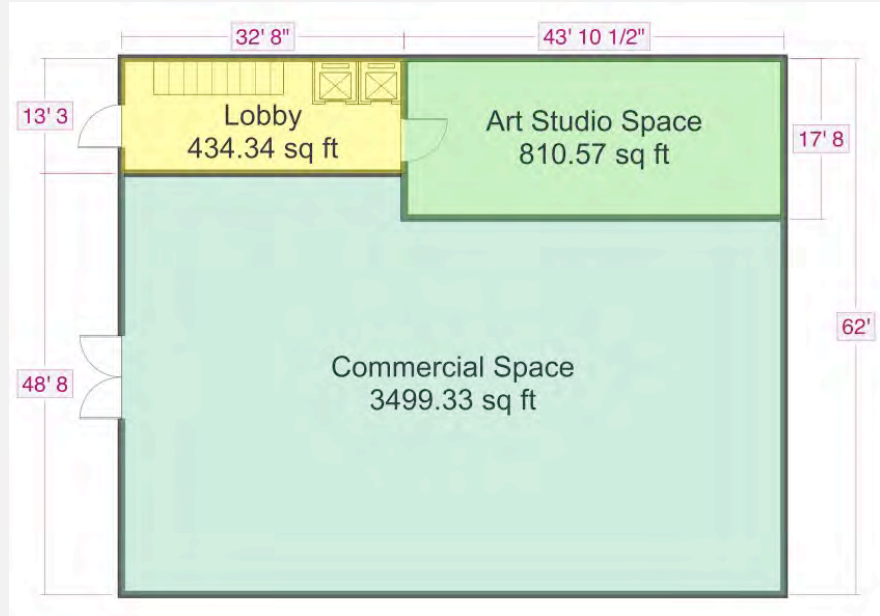
FIRST FLOOR

Commercial Space

On the first floor, the commercial space is used as retail or service space for local business. The entrance of the space is facing the street, it separates from residential and art studio space which can create a quite and private space for residents and artists, and it also allows customers of our tenant can have easy access to the space.

Art Studio

Residential and art studio share the lobby area. Artist who lives in our apartment can easily walk into his art space without leaving the building. Placing the art studio at the back of the building, reducing the noise on the street to create a private space for artists so that they can focus on their works without disruptions.



FIRST FLOOR

First Floor commercial Space
Reference



First Floor Art Studio Reference



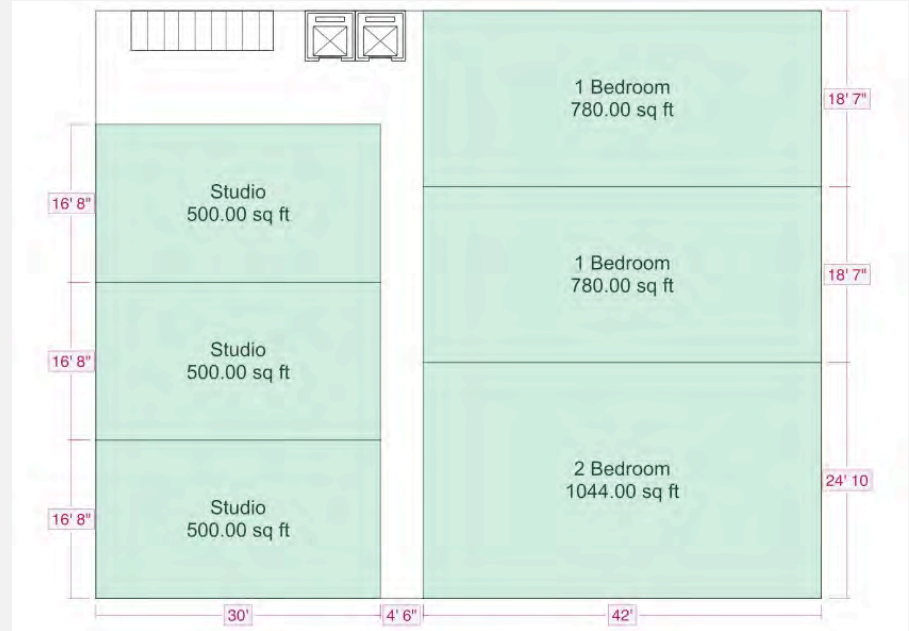
RESIDENTIAL

All floors above first floor are residential space, consists of studio, one-bedroom, and two-bedroom. Two elevators access to all floors.

For floors from second floor to seventh floor, each floor has 6 units, consists of three studio units, two one-bedroom units, and one two-bedroom unit.

On the eighth floor, the highest floor, there are 4 units, three one-bedroom units and one two-bedroom unit. The rooftop outdoor space located on this floor, residents can have private rooftop space to enjoy the sunlight and fresh air, also having a good rooftop view without blocking by buildings.

Each unit has multiple closets, private bathroom, living room space, and a kitchen. Each kitchen contains a refrigerator, a microwave, an oven, etc., to provide high-quality living experience for our residents.



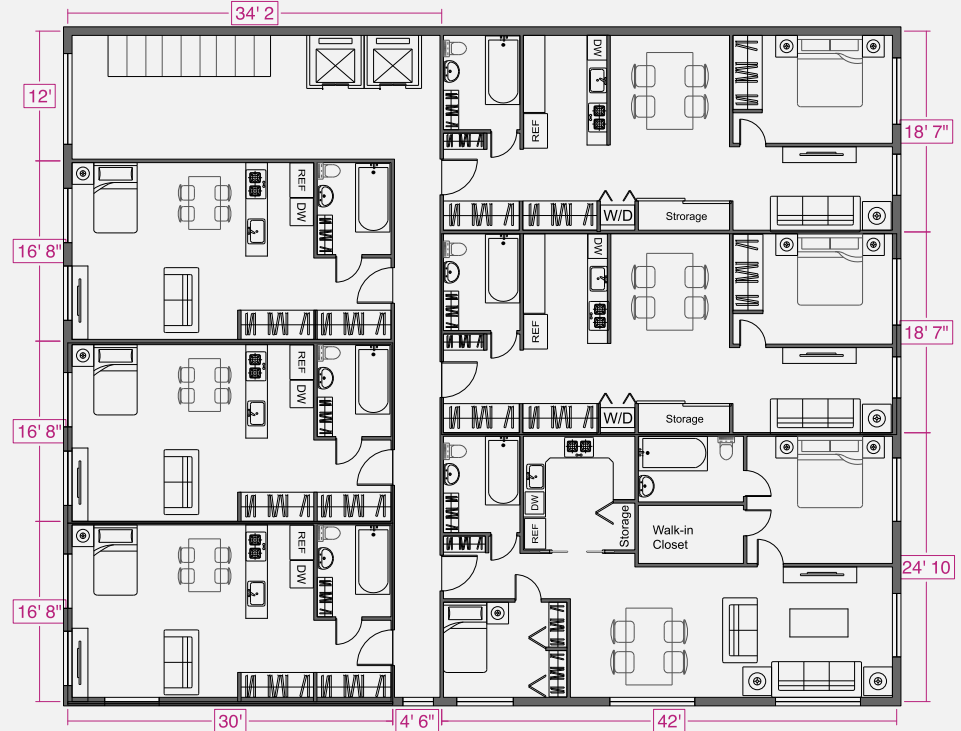
RESIDENTIAL

- Floor plan for residential space (2nd floor to 8th floor)
- Unit Layout
- Proposed interior design for each unit

All walls that are not adjacent to building have windows to increase the sunlight to create a bright, relaxing environment. It can also reduce operating expense, such as saving lighting expenses in daytime.

Rectangular unit shape utilizes our space and it is a preferable unit shape according to market preference.

With the same floor layout, it can save our construction cost in order to generate higher profit for investors.



RESIDENTIAL UNIT MIX

Unit Mix

Based on our marketing research and demographics analysis, most of our target customers are single or unmarried young adults, studio and one-bedroom are more favorite unit types in Brooklyn.

Moreover, two-bedroom has lower rent per square feet and it requires larger floor space, so our unit mix has higher percentage of unit that are studio units and one-bedroom units, less two-bedroom units.

Although our efficiency ratio for residential space seems relatively low, it is due to our development scale is relatively small. However, our apartment generates satisfactory income cash flow and low occupancy rate both contribute to make our property outstands from others.

Residential Unit mix

Total Units: 40

Unit Type	# of Units	% of Mix	Unit Size (SQF)
Studio	18	45%	500
One Bedroom	15	37.5%	780
Two Bedroom	7	17.5%	1044

Average Unit Size (SQF): 700.2

Residential Space Efficiency: 73.6%

RESIDENTIAL

Interior Design

As a mid-block location property, how to utilize daylight and allows more natural light into the building is important when designing the building. The interior design mainly uses light color that creates a bright, clean, and relaxing feeling for residents.

Large window allows more daylight into the room and light color walls can reflect daylight that goes through windows. Applying light color on walls and have large windows also make the room seems larger.

From the cost aspect, the design saves some hard and soft costs.

Interior Design Reference



MARKET ANALYSIS

MARKET ANALYSIS

Rental Market

Brooklyn has become one of the most trophy markets in New York a few years ago. More and more people move and live in Brooklyn, including new immigrants, and continuously positive population growth drives higher demand for housing in the Brooklyn area which generates rent growth.

According to the M.N.S. report, the monthly rent based on unit type in the entire Brooklyn area has increased consecutively since 2017. One remarkable thing that can easily see from the report is that the Year-over-Year percentage change has increased faster; it illustrates that the rental market growing path in Brooklyn is faster and the rental market becomes stronger. Eight districts in Brooklyn have more than 5% year-over-year growth,

Brooklyn Rents (Year-over-Year)					
Unit Type	2017	2018	% change	2019	% change
Studio	\$2,208	\$2,231	1.0%	\$2,323	4.1%
1 Bedroom	\$2,647	\$2,689	1.6%	\$2,841	5.7%
2 Bedroom	\$3,429	\$3,495	1.9%	\$3,712	6.2%

(Source: M.N.S. Report)

all these districts concentrate in the northwest and north side of Brooklyn where our property is located.

In the Fort Greene area, the average rent price has had positive growth since 2017. Despite the growth rate of studio and 1-bedroom declined from 3.4% to 0.4% and 4.2% to 2.6%, it is not considered the sign of the beginning of the downward trend because the 2-bedroom has a tremendous growth in 2019 from 3.3% to 10.8%. The rapid rent growth of 2-bedroom indicates the future rent growth potential for our property. The declining growth of studio and 1-bedroom can be caused by many factors, such as new market supply and changes in households' family structure. The current cap rate of residential property in Brooklyn is about 4.5% to 5%. One recent remarkable trend in Brooklyn is that consumers are willing to lease a relatively small space while paying relatively higher rent per sf.

Rents in Fort Greene (Year-over-Year)					
Unit Type	2017	2018	% change	2019	% change
Studio	\$2,424	\$2,506	3.4%	\$2,517	0.4%
1 Bedroom	\$2,968	\$3,094	4.2%	\$3,175	2.6%
2 Bedroom	\$3,821	\$3,947	3.3%	\$4,372	10.8%

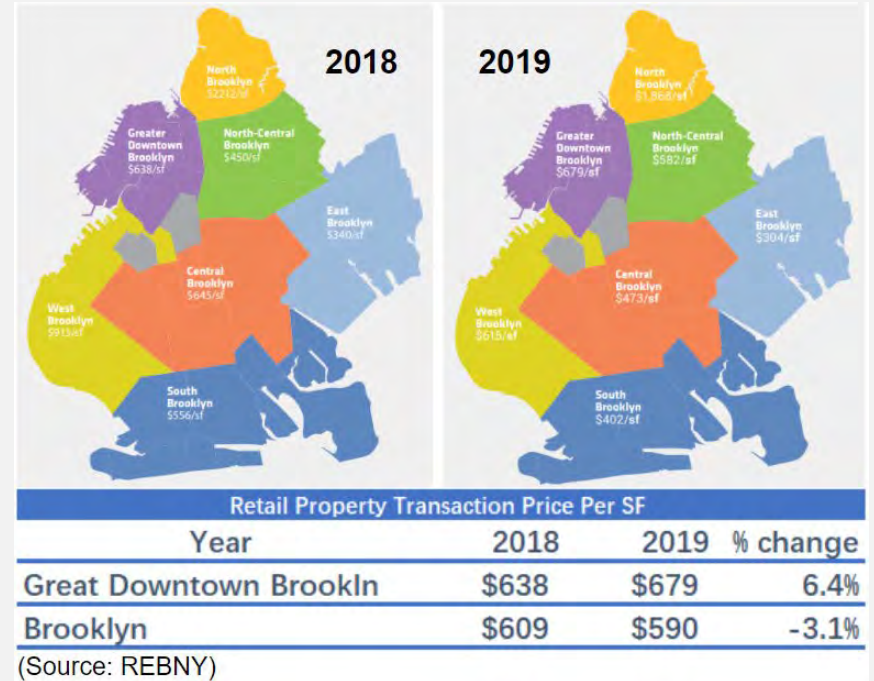
(Source: M.N.S. Report)

MARKET ANALYSIS

Retail Market

Although the average transaction price per sf in Brooklyn dropped from \$609/sf in 2018 to \$590/sf in 2019, about -3.1% change, the price in the Great Downtown Brooklyn area (indicates as purple color in the diagram) increases by 6.4% from \$638/sf in 2018 to \$679/sf in 2019. One of the reasons that cause this situation is the new development in Navy Yard, it creates a lot of new spaces and jobs that dramatically raise the property value and retail market demand in areas that are around.

Population growth also contributes to the escalation of retail property rent in the Great Downtown Brooklyn area. Increasing of the size of customer base creates larger demand, it helps to stimulate the local business activities.



MARKET ANALYSIS

Art Studio

New York is an attractive city to live, especially for artists; the city can inspire people's minds and the culture mixed in New York also contributes to create a diversified international city. But rising prices have left many artists unable to afford expensive rents in Manhattan, forcing them to leave their space and find a new one to live or work. To fulfill the demand for this special customer group, many art studio spaces were created in the past few years, including Navy Yard. By creating some art studio spaces in our building, it is an opportunity for us to further enhance the attractiveness of our property.

There are several private art studios around the site, such as Eric Forman Studio and Shared Studio, and they are all located in the Navy Yard. Therefore, creating a rental art studio space on our property can perfectly fulfill this absent market. The art studio tenants can also be our potential residential tenants because they can start their creation without leaving where they live. The art studio space can be converted into an art show gallery, so that artists can exhibit their works, our tenants could be their guests at the same time.



By Shared Studio



By Eric Forman Studio

MARKET ANALYSIS

Market Comparison

475 Clermont

The 475 Clermont is a 12-stories luxury apartment building located at 475 Clermont Street, the developer is RXR Realty and the building starts leasing in March 2019. The building has 363 units in total and it consists of studio, 1 bedroom, and 2 bedroom unit types for rent. The building is almost lease-up all its units at this point with few units still available currently.

Avalon Fort Greene

The developer of this building is Avalon Bay Communities, Inc., and the building was built in 2009. It is a 42-stories building, containing 631 rental units. The Avalon Fort Greene is located at 343 Gold Street. The building consists of studio, 1 bedroom, 2 bedroom, and 3 bedroom unit types. Despite the building is built in 2009, it is still one of the popular apartment choices for students who live in the area, including Pratt Institute and New York University-Tandon School. Its rental price is higher than the overall rental market price in the Fort Greene area.



475 Clermont



Avalon Fort Greene

Rent Price by Unit Type

	Studio(\$/ SQF)	1B1B(\$/ SQF)	2B2B(\$/ SQF)	3B2B(\$/ SQF)
475 Clermont	\$3,185- \$3,498	\$3,895- \$4,177	\$5,395- \$6,455	N/A
Avalon Fort Greene	\$2,700- \$2,870 (\$5.70/sf)	\$3,234- \$4,324 (\$4.58/sf)	\$4,330- \$5,295 (\$4.42/sf)	\$5,822- \$6,315 (\$4.67/sf)

MARKET ANALYSIS

Development Pipeline

130 Saint Felix

The 130 Saint Felix is going to be a 24-stories mixed-used building that has residential and music school developed by Gotham Organization. The project will create 167,000 sf space, including 20,000 sf for music school. The building will have 120 new residential units and 30% of the residential units are for 70% to 100% of AMI. According to the development timeline, the expected groundbreaking time of the project is in 2021 and the building will finish in 2023.



130 Saint Felix



625 Fulton Street

625 Fulton Street

The 625 Fulton Street is developed by Rabsky Group and the developer wants to upzone the lot to create a 942-sf high-rise tower in Fort Greene Brooklyn. After the upzoning, the building will be a mixed-use building consists of 843,346 sf of residential (about 902 units), 739,000 sf of office, 50,547 sf of retail, 640-seat public elementary school, 2,410sf of indoor public space, and 10,913 sf of outdoor public space. The expected groundbreaking time is in 2020, and the estimated finished time is in 2023.

FINANCIAL ANALYSIS

FINANCIAL ANALYSIS

Acquisition Plan

Based on our development plan, our project needs to purchase two vacant lots and air rights from adjacent properties.

Acquisition Price

The current acquisition price for vacant lot around our property is about \$350 per buildable square feet based on our market research. After the upzoning, the average acquisition cost per square feet is about \$118.

Air Rights Acquisition

The current air rights acquisition price is about \$150/SQF.

Acquisition		
Target Property		\$1,703,100
<i>Land Price</i>	350 PSF	\$1,703,100
<i>Building Purchase Price</i>		\$0
Adjacent Property #1		\$1,703,100
<i>Land Price</i>	350 PSF	\$1,703,100
<i>Building Purchase Price</i>		\$0
Adjacent Property #2		\$1,703,100
<i>Land Price</i>	350 PSF	\$1,703,100
<i>Building Purchase Price</i>		\$0
Total Building Purchase Cost		\$3,406,200
<i>Total Building Purchase Cost (BFA;PSF)</i>		\$90
Air Rights Cost		\$1,065,000
<i>Air Rights Cost (PSF)</i>		\$150
Total Acquisition Cost		\$4,471,200
<i>Total Acquisition Cost (PSF)</i>		\$118

FINANCIAL ANALYSIS

Financing Strategy

Instead of applying for an acquisition loan, we are going to apply for a construction-permanent loan, the acquisition cost is included in the construction-permanent loan. So the construction cost includes lots acquisition and air rights acquisition. Once the property is stabilized, the borrower can convert the construction loan into permanent loan.

Sources & Uses

The total cost of our development is \$23,437,546. The largest portion of the cost is on the hard cost, totaling \$12,211,775, about 52.10% of the total uses. (See detail of construction cost in appendix)

After acquiring the construction-permanent loan, we need to finance \$11,006,081 of equity.

Sources & Uses			
Uses	Amount	\$/ZFA	\$/BFA
Acquisition Costs	\$4,471,200	\$118	\$118
Construction Costs	\$14,654,130	\$388	\$388
Acq. Loan Points	\$0	\$0	\$0
Construction Loan Pay	\$3,547,202		
Constr. Loan Costs	\$765,013	\$20	\$20
Total Uses	\$23,437,546	\$621	\$621
Sources	Amount	\$/ZFA	\$/BFA
Acquisition Loan	\$0	\$0	\$0
Acquisition Equity	\$0	\$0	\$0
Construction Loan	\$12,431,465	\$329	\$329
Construction Equity	\$11,006,081	\$292	\$292
Total Sources	\$23,437,546	\$621	\$621

Total Cost	% of Total	Cost
Financing Cost	3.26%	\$765,013
Soft Cost	10.42%	\$2,442,355
Hard Cost	52.10%	\$12,211,775
Acquisition Cost	19.08%	\$4,471,200
Construction Loan Payback	15.13%	\$3,547,202

FINANCIAL ANALYSIS

Construction & Operation Assumptions

Rental Construction Summary		
Total Construction Cost		392 PSF
Hard Cost		326 PSF
Soft Cost (% of Hard Cost)	20%	65 PSF
Operating Expense		40.00%
Revenue Annual Growth		5.00%

Art Studio	
Art Studio Space	808 SQF
Efficiency	5.00%
Rentable Art Studio Space	768 SQF
Annual Rent (PSF)	26 PSF
Total Construction Cost	312 PSF
Hard Cost	260 PSF
Soft Cost (% of Hard Cost)	52 PSF
Exit Cap Rate	8.00%
Stablized Occupancy	95%
Operating Expense	40.00%
Revenue Annual Growth	3.00%

Commercial	
Gross Commercial Space	3,500 SQF
Efficiency	5.00%
Net Commercial Space	3,325 SQF
Annual Rent (PSF)	45 PSF
Total Construction Cost	372 PSF
Hard Cost	310 PSF
Soft Cost (% of Hard Cost)	62 PSF
Exit Cap Rate	10.00%
Stablized Occupancy	95%
Operating Expense	40.00%

FINANCIAL ANALYSIS

Equity Structure

The total equity required for the project is \$11,006,081. GP contributes 20% of the total equity and LP will contribute 80% of the equity required.

Distributions

GP can receive promote if return is between 8% to 13%, the promote is 18%. If the property is able to generate return above 13%, GP can receive 25% promote.

(See Waterfall Table in Appendix)

Total Equity Required
\$11,06,081

Waterfall Assumptions	
GP	20%
GP Contribution	\$2,201,216
LP	80%
LP Contribution	\$8,804,865
1st Hurdle	8%
1st Hurdle Pmote	0%
2nd Hurdle	13%
2nd Hurdle Pmote	18%
3rd Hurdle	Above 2nd Hurdle
3rd Hurdle Pmote	25%

FINANCIAL ANALYSIS

The financial model and proposed waterfall structure will result in the following investment returns:

Project Level Return

Unlevered Profit	\$26,719,432
Unlevered Equity Multiple	2.43x
Unlevered IRR	9.83%
Levered Profit	\$24,171,611
Levered Equity Multiple	3.88x
Levered IRR	13.53%

LP Investment Opportunity

Total LP Contributions	\$9,555,334
Investment Horizon	141 Months
LP Projected Returns	
Total Distribution	\$29,522,263
Equity Multiple	3.35x
IRR	13.63%

SENSITIVITY ANALYSIS

Project Level Sensitivity Tables

Unlevered IRR		Rental Construction Hard Cost (PSF)						
		\$266	\$286	\$306	\$326	\$346	\$366	\$386
Annual Rental Revenue Growth	9.80%							
	3.50%	9.84%	9.30%	8.78%	8.28%	7.81%	7.35%	6.92%
	4.00%	10.35%	9.80%	9.28%	8.79%	8.31%	7.86%	7.42%
	4.50%	10.86%	10.31%	9.79%	9.29%	8.82%	8.36%	7.92%
	5.00%	11.37%	10.82%	10.30%	9.80%	9.33%	8.87%	8.43%
	5.50%	11.88%	11.34%	10.81%	10.31%	9.84%	9.38%	8.94%
	6.00%	12.40%	11.85%	11.33%	10.83%	10.35%	9.89%	9.45%
	6.50%	12.92%	12.37%	11.84%	11.34%	10.86%	10.40%	9.96%

Levered IRR		Land Acquisition Price Per Buildable SQF						
		320	330	340	350	360	370	380
Rental Exit Cap Rate	13.53%							
	5.50%	16.31%	16.26%	16.21%	16.16%	16.10%	16.05%	16.00%
	6.00%	15.37%	15.32%	15.26%	15.21%	15.16%	15.10%	15.05%
	6.50%	14.50%	14.44%	14.39%	14.34%	14.28%	14.23%	14.18%
	7.00%	13.69%	13.64%	13.58%	13.53%	13.47%	13.42%	13.37%
	7.50%	12.93%	12.88%	12.83%	12.77%	12.72%	12.67%	12.61%
	8.00%	12.23%	12.17%	12.12%	12.06%	12.01%	11.96%	11.90%
	8.50%	11.56%	11.50%	11.45%	11.40%	11.34%	11.29%	11.23%

Levered IRR		Construction Loan LTC						
		57.50%	60.00%	62.50%	65%	67.50%	70.00%	72.50%
Rental Exit Cap Rate	13.59%							
	5.50%	14.71%	15.19%	15.70%	16.23%	16.78%	17.37%	17.99%
	6.00%	13.76%	14.24%	14.74%	15.28%	15.83%	16.42%	17.08%
	6.50%	12.88%	13.36%	13.87%	14.40%	14.96%	15.55%	16.18%
	7.00%	12.06%	12.55%	13.05%	13.59%	14.15%	14.74%	15.37%
	7.50%	11.30%	11.78%	12.29%	12.83%	13.39%	13.99%	14.62%
	8.00%	10.58%	11.07%	11.58%	12.12%	12.68%	13.28%	13.91%
	8.50%	9.91%	10.40%	10.91%	11.45%	12.01%	12.61%	13.25%

Levered IRR		Acquisition Loan Annual Interest Rate						
		5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	8.50%
Rental Exit Cap Rate	13.59%							
	5.50%	16.73%	16.56%	16.40%	16.23%	16.05%	15.88%	15.70%
	6.00%	15.80%	15.63%	15.45%	15.28%	15.09%	14.91%	14.73%
	6.50%	14.95%	14.77%	14.59%	14.40%	14.21%	14.02%	13.83%
	7.00%	14.16%	13.97%	13.78%	13.59%	13.39%	13.19%	12.99%
	7.50%	13.43%	13.23%	13.03%	12.83%	12.62%	12.42%	12.21%
	8.00%	12.74%	12.54%	12.33%	12.12%	11.90%	11.69%	11.47%
	8.50%	12.09%	11.88%	11.67%	11.45%	11.23%	11.00%	10.78%

Levered EM		Land Acquisition Price Per Buildable SQF						
		320	330	340	350	360	370	380
Rental Exit Cap Rate	5.50%	5.12x	5.09x	5.06x	5.03x	5.00x	4.97x	4.94x
	6.00%	4.66x	4.64x	4.61x	4.58x	4.56x	4.53x	4.50x
	6.50%	4.28x	4.25x	4.23x	4.20x	4.18x	4.16x	4.13x
	7.00%	3.95x	3.92x	3.90x	3.88x	3.86x	3.83x	3.81x
	7.50%	3.66x	3.64x	3.62x	3.60x	3.58x	3.56x	3.54x
	8.00%	3.41x	3.39x	3.37x	3.35x	3.33x	3.31x	3.29x
	8.50%	3.19x	3.17x	3.15x	3.13x	3.12x	3.10x	3.08x

Unlevered IRR		Rental Operating Expenses						
		25.00%	30.00%	35.00%	40.00%	45.00%	50.00%	55.00%
Annual Rental Revenue Growth	9.80%							
	3.50%	9.38%	9.01%	8.65%	8.28%	7.91%	7.55%	7.18%
	4.00%	9.88%	9.52%	9.15%	8.79%	8.42%	8.05%	7.68%
	4.50%	10.39%	10.02%	9.66%	9.29%	8.93%	8.56%	8.19%
	5.00%	10.90%	10.53%	10.17%	9.80%	9.44%	9.07%	8.70%
	5.50%	11.41%	11.04%	10.68%	10.31%	9.95%	9.58%	9.22%
	6.00%	11.92%	11.55%	11.19%	10.83%	10.46%	10.10%	9.73%
	6.50%	12.43%	12.07%	11.71%	11.34%	10.98%	10.61%	10.25%

SENSITIVITY ANALYSIS

LP Equity Multiple & IRR

LP EM	Rental Operating Expense							
	3.35x	25.00%	30.00%	35.00%	40.00%	45.00%	50.00%	55.00%
Annual Rental Revenue Growth	3.50x	3.55x	3.32x	3.11x	2.93x	2.75x	2.59x	2.44x
	4.00%	3.73x	3.48x	3.26x	3.07x	2.88x	2.71x	2.56x
	4.50%	3.91x	3.64x	3.41x	3.21x	3.03x	2.85x	2.68x
	5.00%	4.10x	3.82x	3.57x	3.35x	3.16x	2.99x	2.81x
	5.50%	4.30x	4.00x	3.74x	3.51x	3.30x	3.12x	2.95x
	6.00%	4.52x	4.20x	3.91x	3.67x	3.45x	3.26x	3.09x
	6.50%	4.75x	4.40x	4.10x	3.84x	3.61x	3.41x	3.23x

LP IRR	Rental Operating Expense							
	13.63%	25.00%	30.00%	35.00%	40.00%	45.00%	50.00%	55.00%
Annual Rental Revenue Growth	3.50%	14.74%	13.73%	12.81%	11.95%	11.09%	10.30%	9.57%
	4.00%	15.36%	14.32%	13.38%	12.52%	11.67%	10.87%	10.11%
	4.50%	16.00%	14.92%	13.95%	13.07%	12.26%	11.43%	10.66%
	5.00%	16.64%	15.53%	14.54%	13.63%	12.80%	12.01%	11.22%
	5.50%	17.29%	16.15%	15.12%	14.19%	13.34%	12.56%	11.78%
	6.00%	17.95%	16.78%	15.72%	14.76%	13.89%	13.08%	12.34%
	6.50%	18.61%	17.41%	16.33%	15.34%	14.44%	13.62%	12.85%

LP EM	Construction Loan LTC							
	3.35x	50.0%	55.0%	60.0%	65%	70.0%	75.0%	80.0%
Construction Loan Interest Rate	4.50%	3.46x	3.44x	3.42x	3.39x	3.37x	3.34x	3.32x
	5.00%	3.45x	3.43x	3.40x	3.38x	3.35x	3.30x	3.30x
	5.50%	3.45x	3.42x	3.39x	3.37x	3.34x	3.31x	3.28x
	6.00%	3.44x	3.41x	3.38x	3.35x	3.32x	3.29x	3.26x
	6.50%	3.43x	3.40x	3.37x	3.34x	3.31x	3.28x	3.25x
	7.00%	3.42x	3.39x	3.36x	3.33x	3.30x	3.26x	3.23x
	7.50%	3.41x	3.38x	3.35x	3.31x	3.28x	3.25x	3.21x

LP IRR	Construction Loan LTC							
	13.63%	50.0%	55.0%	60.0%	65%	70.0%	75.0%	80.0%
Construction Loan Interest Rate	4.50%	14.03%	13.95%	13.86%	13.77%	13.68%	13.59%	13.49%
	5.00%	14.00%	13.91%	13.82%	13.72%	13.63%	13.53%	13.43%
	5.50%	13.97%	13.87%	13.78%	13.68%	13.57%	13.47%	13.36%
	6.00%	13.94%	13.84%	13.73%	13.63%	13.52%	13.41%	13.30%
	6.50%	13.91%	13.80%	13.69%	13.58%	13.47%	13.35%	13.23%
	7.00%	13.87%	13.76%	13.65%	13.53%	13.41%	13.29%	13.16%
	7.50%	13.84%	13.73%	13.61%	13.48%	13.36%	13.23%	13.10%

LP EM	Rental Construction Hard Cost (PSF)							
	3.35x	\$266	\$286	\$306	\$326	\$346	\$366	\$386
Rental Exit Cap Rate	5.50%	5.08x	4.66x	4.31x	4.01x	3.76x	3.55x	3.36x
	6.00%	4.74x	4.35x	4.03x	3.76x	3.52x	3.33x	3.15x
	6.50%	4.46x	4.09x	3.79x	3.54x	3.34x	3.14x	2.97x
	7.00%	4.21x	3.87x	3.59x	3.35x	3.15x	2.97x	2.80x
	7.50%	4.00x	3.68x	3.41x	3.19x	3.00x	2.82x	2.66x
	8.00%	3.81x	3.51x	3.26x	3.05x	2.86x	2.68x	2.53x
	8.50%	3.65x	3.36x	3.13x	2.92x	2.73x	2.56x	2.42x

LP IRR	Rental Construction Hard Cost (PSF)							
	13.63%	\$266	\$286	\$306	\$326	\$346	\$366	\$386
Rental Exit Cap Rate	5.50%	18.72%	17.59%	16.59%	15.70%	14.89%	14.16%	13.49%
	6.00%	17.91%	16.80%	15.81%	14.93%	14.14%	13.42%	12.77%
	6.50%	17.19%	16.08%	15.11%	14.25%	13.47%	12.76%	12.10%
	7.00%	16.53%	15.44%	14.48%	13.63%	12.86%	12.15%	11.45%
	7.50%	15.93%	14.85%	13.91%	13.07%	12.31%	11.55%	10.85%
	8.00%	15.37%	14.31%	13.38%	12.55%	11.75%	10.99%	10.30%
	8.50%	14.87%	13.82%	12.90%	12.05%	11.23%	10.48%	9.80%

PROJECT SCHEDULE

PROJECT SCHEDULE

Project Schedule Before Stabilized

Our project is going to launch on May 31, 2020, and we will start the construction-permanent loan application on the same date.

After the loan closing and purchased the lots, we will start the ULURP process immediately, the whole process is expected to complete in 12 months.

Once we received the approvals, we will start the construction, and the construction period is about 12 months since our project scale is relatively small.

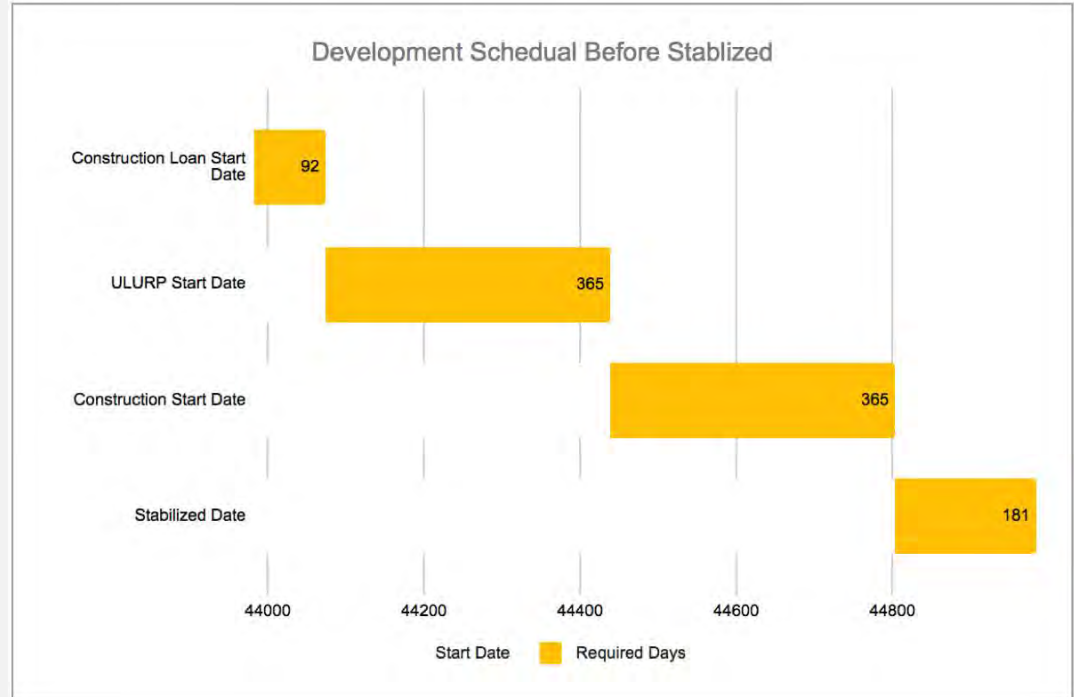
We are expecting 6 months stabilized period after the construction. The expected time required until property is stabilized is 27 months.

Project Timing Outline	
Analysis Start Date	2020/5/31
Acquisition Loan Closing (months)	0
Construction Loan Start Date	2020/5/31
Construction Loan Closing (months)	3
Construction Loan End Date	2020/8/31
ULURP Start Date	2020/8/31
ULURP End Date	2021/8/31
ULURP Period (months)	12
Construction Start Date	2021/8/31
Construction Period (months)	12
Construction Ending Date	2022/8/31
Stabilizing Period (months)	6
Stabilized Date	2023/2/28
Construction Ending Month Count	27

PROJECT SCHEDULE

Gantt Chart Illustration

Project Timing Outline	
Analysis Start Date	2020/5/31
Acquisition Loan Closing (months)	0
Construction Loan Start Date	2020/5/31
Construction Loan Closing (months)	3
Construction Loan End Date	2020/8/31
ULURP Start Date	2020/8/31
ULURP End Date	2021/8/31
ULURP Period (months)	12
Construction Start Date	2021/8/31
Construction Period (months)	12
Construction Ending Date	2022/8/31
Stabilizing Period (months)	6
Stabilized Date	2023/2/28
Construction Ending Month Count	27



MARKETING

MARKETING

Potential Customer Profile & Monthly Rent – Residential

Studios

Students attending a school nearby, young professionals or couples who work in the area, mainly Navy Yard

One Bedrooms

Students attending a school nearby, professionals or couples, married couples without children

Two Bedrooms

Mid-career couple who work in the area with kids

Marketing Plan

We will start pre-leasing and marketing 3 months before the construction completed date. Sending information to agents and posting advertisements on social media.

Rental Price of Residential Units

Unit Type	Monthly Rent/Unit	Unit Size (SQF)
Studio	\$2,700	500
1B1B	\$3,500	780
2B2B	\$4,600	1044

MARKETING

Potential Customer Profile & Monthly Rent – Commercial & Art Studio

Commercial Space

Retail stores, grocery stores, telecommunication provider. Mainly retail and service business that satisfy people's daily needs since our property located within residential and commercial area.

Art studio Space

Artists or small art studio companies, mainly for fine art or digital design. The art studio space can be used as art show gallery or private art show space.

Rental Price for Commercial & Art Studio

	Annual Rent/SQF	Space Size (SQF)	Total Annual Rent
Commercial	\$45	3500	\$157,500
Art Studio	\$26	810	\$21,060

EXIT PLAN

EXIT PLAN

Exit Assumptions

We are using a relatively conservative exit assumption since the horizon of investment is 141 months and the market condition is hard to predict. By our property management team is capable to manage and operate the property to ensure investors' benefits.

The potential buyer of the property is institutional buyer or private real estate developer. Many investors and companies are looking for investment opportunity in Brooklyn, especially the Great Downtown Brooklyn area. By having wonderful location and attractive property-type mix, we are able to sale the property at our projected price or higher.

Exit Assumptions	
Holding Period After Stabilized (year)	10
Exit Month	141
Exit Month (Date)	2032/2/29
Exit Cap Rate	
<i>Rental</i>	7.00%
<i>Art Studio</i>	8.00%
<i>Commercial</i>	10.00%
Sales Cost	6.00%

Projected Sale Price by Property Type

Property Type	Sale Price
Residential	\$37,718,733
Commercial	\$354,785
Art Studio	\$283,828
Sales Cost	\$2,301,441
Net Sale Proceeds	\$36,055,905

RISKS & MITIGANTS

RISKS & MITIGANTS

As all development projects have various potential risks, and there are many factors in the current debt market that have led to the tightening of banks' lending policies, these risks may affect the final benefits of the project:

- **Zoning Approvals:** one of the critical process in our project is the ULURP upzoning process. Our development plan needs to change the current zoning of the merged lot, this process is time-consuming and has a lot of unforeseen risks. To limit potential risks from happening and mitigate the impacts on our project, our development team will start the ULURP process in advance to ensure the process can be completed on-time. In addition, our company starts to engage and build relationship with local groups and community board, so we can come up with plans to fulfill all parties' requirements.
- **Budget Control:** the current construction cost in the entire New York area is increasing which can lead to higher construction cost and delay the entire construction schedule. As a professional developer, LKN, LLC has very strong relationship with construction companies and materials suppliers, and we have long-term cooperation strategic contract to help us limit the construction cost inflation.
- **Lack of Debt Capital:** the current credit markets is tightening and it is possible to receive LTC that lower than our assumption, so the required amount of equity will increase. With good credit record and reputation, our company is able to receive a good financing plan, but we will still have alternate debt source in advance.

APPENDICES

38 CARLTON AVENUE ASSUMPTIONS & SUMMARY

Target Property Information	
Address	38 Carlton Avenue
Borough	Brooklyn
Zip code	11205
Block	2030
Lot	44
Zoning	M1-2
FAR Requirements	
Manufacturing FAR	2.00
Required Accessory Parking	1 300.00 Per SF
Permitted Sign Regulations	6.00X Street Frontage
Owner	THREE AND EIGHT LLC
Lot Area	2,433.00 SQF
Lot Frontage	24.33 SF
Lot Depth	100.00 SF

Adjacent Property #1 Information	
Address	36 Carlton Avenue
Borough	Brooklyn
Zip code	11205
Block	2030
Lot	43
Zoning	M1-2
FAR Requirements	
Manufacturing FAR	2.00
Required Accessory Parking	1 300.00 Per SF
Permitted Sign Regulations	6.00X Street Frontage
Owner	MICHAEL GREAVES
Lot Area	2,433.00 SQF
Lot Frontage	24.33 SF
Lot Depth	100.00 SF

Adjacent Property #2 Information	
Address	40 Carlton Avenue
Borough	Brooklyn
Zip code	11205
Block	2030
Lot	43
Zoning	M1-2
FAR Requirements	
Manufacturing FAR	2.00
Required Accessory Parking	1 300.00 Per SF
Permitted Sign Regulations	6.00X Street Frontage
Owner	MGP 40 CARLTON AVE LLC
Lot Area	2,433.00 SQF
Lot Frontage	24.33 SF
Lot Depth	100.00 SF

Merged Property Information	
Merged Lot Area	7,289 SQF
Merged Lot Frontage	72.99 SF
Merged Lot Depth	100.00 SF
FAR After Upcoding	4.20
Existing FAR	30.666 SQF
Bonus FAR	0.00
Lot Coverage Ratio	50%
Air Rights	7,100 SQF
Total Zoning Floor Area (ZFA)	37,796 SQF
Mechanical Gross Up (1% of ZFA)	
Building Foot Size	4,744 SQF
Total Above Grade Floor Area	37,796 SQF
Below Grade Floor Area	4,744 SQF
Total Buildable Floor Area (BFA)	37,796 SQF
Total BFA	100.00%
Rental	88.59%
Art Studio	2.14%
Commercial	9.27%
Net SQF	100%
Rental	87.25%
Art Studio	2.39%
Commercial	10.36%

Acquisition	
Target Property	\$1,703,100
Land Price	350 PSF \$1,703,100
Building Purchase Price	\$0
Adjacent Property #1	\$1,703,100
Land Price	350 PSF \$1,703,100
Building Purchase Price	\$0
Adjacent Property #2	\$1,703,100
Land Price	350 PSF \$1,703,100
Building Purchase Price	\$0
Total Building Purchase Cost	\$3,406,200
Total Building Purchase Cost (BFA/PSF)	90
Air Rights Cost	\$1,063,000
Air Rights Cost (PSF)	28.15
Total Acquisition Cost	\$4,471,200
Total Acquisition Cost after Upcoding (PSF)	\$118

Project Timing Outline	
Analysis Start Date	2020/9/31
Acquisition Loan Closing (months)	1
Construction Loan Start Date	2020/9/31
Construction Loan Closing (months)	3
Construction Loan End Date	2020/9/31
ULRRP Start Date	2020/9/31
ULRRP End Date	2021/9/31
ULRRP Period (months)	12
Construction Start Date	2021/9/31
Construction Period (months)	18
Construction Ending Date	2022/8/31
Stabilized Date	6
Stabilized Date	2023/2/28
Construction Ending Month Code	7

CapEx Expenses	
Tenant Improvement (Annual)	7 Per SF
Tenant Improvement (Monthly)	1 Per SF
Leasing Commissions (Stabilizing Period; Per Month)	3 Per SF

Building Information	
Lot Coverage Ratio	65%
Building Size	4,744 SQF
Building Floors	8
Commercial Floor-to-Ceiling Height	13.20 ft
Residential Floor-to-Ceiling Height	10.00 ft
# of Commercial Floor	1
# of Residential Floors	7
Building Height	83.20 ft
Setback(Yes/No)	Yes
Setback	10.39 ft
Building Width	62.00 ft
Building Depth	76.52 ft
Floor Size	
Floor 1	4,744 SQF
Floor 2	4,744 SQF
Floor 3	4,744 SQF
Floor 4	4,744 SQF
Floor 5	4,744 SQF
Floor 6	4,744 SQF
Floor 7	4,744 SQF
Floor 8	4,100 SQF
Roof Top Space	445 SQF

Unit Dimension				
Unit Type	Studio	1 Bedroom	2 Bedroom	
Size	500 SQF	780 SQF	1,044 SQF	
Depth	30.00 ft	40.00 ft	50.00 ft	
Width	16.67 ft	19.50 ft	20.88 ft	

Rental Breakdown				
Unit Count	Unit Type	Room Size	Rent (\$/month)	Rent (\$/SQF)
1	Studio	500 SQF	\$2,700	\$5.40
2	Studio	500 SQF	\$2,700	\$5.40
3	Studio	500 SQF	\$2,700	\$5.40
4	Studio	500 SQF	\$2,700	\$5.40
5	Studio	500 SQF	\$2,700	\$5.40
6	Studio	500 SQF	\$2,700	\$5.40
7	Studio	500 SQF	\$2,700	\$5.40
8	Studio	500 SQF	\$2,700	\$5.40
9	Studio	500 SQF	\$2,700	\$5.40
10	Studio	500 SQF	\$2,700	\$5.40
11	Studio	500 SQF	\$2,700	\$5.40
12	Studio	500 SQF	\$2,700	\$5.40
13	Studio	500 SQF	\$2,700	\$5.40
14	Studio	500 SQF	\$2,700	\$5.40
15	Studio	500 SQF	\$2,700	\$5.40
16	Studio	500 SQF	\$2,700	\$5.40
17	Studio	500 SQF	\$2,700	\$5.40
18	Studio	500 SQF	\$2,700	\$5.40
19	1 Bedroom	780 SQF	\$3,500	\$4.49
20	1 Bedroom	780 SQF	\$3,500	\$4.49
21	1 Bedroom	780 SQF	\$3,500	\$4.49
22	1 Bedroom	780 SQF	\$3,500	\$4.49
23	1 Bedroom	780 SQF	\$3,500	\$4.49
24	1 Bedroom	780 SQF	\$3,500	\$4.49
25	1 Bedroom	780 SQF	\$3,500	\$4.49
26	1 Bedroom	780 SQF	\$3,500	\$4.49
27	1 Bedroom	780 SQF	\$3,500	\$4.49
28	1 Bedroom	780 SQF	\$3,500	\$4.49
29	1 Bedroom	780 SQF	\$3,500	\$4.49
30	1 Bedroom	780 SQF	\$3,500	\$4.49
31	1 Bedroom	780 SQF	\$3,500	\$4.49
32	1 Bedroom	780 SQF	\$3,500	\$4.49
33	1 Bedroom	780 SQF	\$3,500	\$4.49
34	2 Bedroom	1,044 SQF	\$4,600	\$4.41
35	2 Bedroom	1,044 SQF	\$4,600	\$4.41
36	2 Bedroom	1,044 SQF	\$4,600	\$4.41
37	2 Bedroom	1,044 SQF	\$4,600	\$4.41
38	2 Bedroom	1,044 SQF	\$4,600	\$4.41
39	2 Bedroom	1,044 SQF	\$4,600	\$4.41
40	2 Bedroom	1,044 SQF	\$4,600	\$4.41

38 CARLTON AVENUE ASSUMPTIONS & SUMMARY

Rental Construction Summary	
Total Construction Cost	392 PSF
Hard Cost	326 PSF
Soft Cost (% of Hard Cost)	20%
Operating Expense	40.00%
Revenue Annual Growth	5.00%

Art Studio	
Art Studio Space	808 SQF
Efficiency	5.00%
Rentable Art Studio Space	768 SQF
Annual Rent (PSF)	26 PSF
Total Construction Cost	312 PSF
Hard Cost	260 PSF
Soft Cost (% of Hard Cost)	52 PSF
Exit Cap Rate	8.00%
Stabilized Occupancy	95%
Operating Expense	40.00%
Revenue Annual Growth	3.00%

Commercial	
Gross Commercial Space	3,500 SQF
Efficiency	5.00%
Net Commercial Space	3,325 SQF
Annual Rent (PSF)	45 PSF
Total Construction Cost	372 PSF
Hard Cost	310 PSF
Soft Cost (% of Hard Cost)	62 PSF
Exit Cap Rate	10.00%
Stabilized Occupancy	95%
Operating Expense	40.00%

Market Data						
Use	Hard Cost	% of Hard Cost	Soft Cost	Annual Rent	Exit Cap Rate	
Commercial	310 PSF	20%	62 PSF	45 PSF	10.00%	
Office	300 PSF	20%	60 PSF	40 PSF	6.00%	
Art Studio	260 PSF	20%	52 PSF	26 PSF	8.00%	
Gross Commercial Space			3,500 SQF			
Net Commercial Space			3,325 SQF			
Area Usage Check			Okay			
Commercial Use Lease Loss			5.00%			
Revenue Annual Growth			4.00%			

Total Cost	% of Total	Cost
Financing Cost	3.26%	\$765,013
Soft Cost	10.42%	\$2,442,355
Hard Cost	52.10%	\$12,211,775
Acquisition Cost	19.08%	\$4,471,200
Construction Loan Payback	15.13%	\$3,547,202

Sources & Uses			
Uses	Amount	\$/ZFA	\$/BFA
Acquisition Costs	\$4,471,200	\$118	\$118
Construction Costs	\$14,654,130	\$388	\$388
Acq. Loan Points	\$0	\$0	\$0
Construction Loan Payt	\$3,547,202		
Constr. Loan Costs	\$765,013	\$20	\$20
Total Uses	\$23,437,546	\$621	\$621
Sources	Amount	\$/ZFA	\$/BFA
Acquisition Loan	\$0	\$0	\$0
Acquisition Equity	\$0	\$0	\$0
Construction Loan	\$12,431,465	\$329	\$329
Construction Equity	\$11,006,081	\$292	\$292
Total Sources	\$23,437,546	\$621	\$621

Deal Returns	Monthly
Unlevered Profit	\$26,719,432
Unlevered EM	2.40x
Unlevered IRR	9.80%
Levered Profit	\$24,171,611
Levered EM	3.88x
Levered IRR	13.59%

Deal Returns	Annually
Unlevered Profit	\$26,719,432
Unlevered EM	2.43x
Unlevered IRR	9.83%
Levered Profit	\$24,171,611
Levered EM	3.88x
Levered IRR	13.53%

Equity Return	
Equity IRR	14.64%
Total Equity	\$11,006,081
LP EM	3.35x
GP EM	4.90x
LP Return	13.63%
GP Return	18.02%
LP Equity	\$9,555,334
GP Equity	\$2,388,834

38 CARLTON AVENUE ASSUMPTIONS & SUMMARY

Financing Assumptions	
Acquisition Loan Information	
Total Acquisition Cost	\$0
Acquisition LTV	65.00%
Acquisition Loan	\$0
Acquisition Equity	\$0
Interest Rate (Annual)	6.00%
Interest Rate (Monthly)	0.50%
Loan Term (Years)	10
Loan Term (Months)	120
Amortization Term (Years)	30
Amortization Term (Months)	360
Points (%)	2
Points (\$)	\$0
Net Loan Proceeds	\$0
Monthly PMT	\$0
Annual PMT	\$0
Construction Loan Information	
Total Construction Cost	\$19,125,330
Rental	\$13,100,058
Art Studio	\$252,088
Commercial	\$1,301,986
Construction LTC	65.00%
Construction Loan	\$12,431,465
Construction Equity	\$8,396,966
Interest Rate (Annual)	6.00%
Interest Rate (Monthly)	0.50%
Financing Cost (%)	4.00%
Financing Cost (\$)	\$765,013
Permanent Loan	
Loan Amount Required	\$11,841,900
Loan Term (Year)	30
Refinance Date	2023/2/28
Stabilized NOI	\$1,066,461
Refinance Valuation	\$11,849,568
Refinance Cap Rate	9.00%
DSCR	1.20
DSCR Monthly Payment	\$888,718
DSCR Loan AMT	\$133,580,985
Debt Yield	7.0%
Debt Yield Loan AMT	\$15,235,159
LTV	70%
LTV Loan AMT	\$8,294,698
Equity Required	\$3,547,202
Refinance Proceeds	\$8,294,698
Origination Fee	1.00%
Interest Rate (Annual)	7.00%
Interest Rate (Monthly)	0.58%
Monthly Payment	\$55,184.83
Annual Payment	\$662,217.98

Taxes Assumptions	
Income Tax	35%
Capital Gain Tax	15%
Depreciation Period (Year)	39
Depreciation Recapture Rate	25%
Land Value	\$4,471,200
Building Value	\$7,378,368

Waterfall Assumptions	
GP	20%
GP Contribution	\$2,201,216
LP	80%
LP Contribution	\$8,804,865
1st Hurdle	8%
1st Hurdle Prrmote	0%
2nd Hurdle	13%
2nd Hurdle Prrmote	18%
3rd Hurdle	Above 2nd Hurdle
3rd Hurdle Prrmote	25%

Exit Assumptions	
Holding Period After Stabilized (year)	10
Exit Month	141
Exit Month (Date)	2032/2/29
Exit Cap Rate	
Rental	7.00%
Art Studio	8.00%
Commercial	10.00%
Sales Cost	6.00%
Purchaser Required Discount Rate	8.00%

ANNUAL CASH FLOW - UNLEVERED

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	
Month #	0	1	12	25	37	49	61	73	85	97	109	121	133	
Date Ending	2020/5/31	2021/5/31	2022/5/31	2023/5/31	2024/5/31	2025/5/31	2026/5/31	2027/5/31	2028/5/31	2029/5/31	2030/5/31	2031/5/31	2032/5/31	
Occupancy	0.00%	0.00%	0.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	
Rental	0.00%	0.00%	0.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	
Art Studio	0.00%	0.00%	0.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	
Commercial	0.00%	0.00%	0.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	
Revenue Growth	0.00%	0.00%	0.00%	2.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	
Rental	0.00%	0.00%	0.00%	2.50%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	
Art Studio	0.00%	0.00%	0.00%	1.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	
Commercial	0.00%	0.00%	0.00%	2.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	
Revenue														
Rental	\$17,586,133	\$0	\$0	\$1,224,973	\$1,706,263	\$1,793,559	\$1,885,321	\$1,991,777	\$2,093,169	\$2,199,749	\$2,301,779	\$2,419,543	\$2,543,331	
Art Studio	\$210,423	\$0	\$0	\$15,954	\$21,837	\$22,501	\$23,186	\$23,891	\$24,618	\$25,366	\$26,138	\$26,933	\$27,752	
Commercial	\$1,652,299	\$0	\$0	\$120,110	\$165,846	\$172,603	\$179,635	\$186,954	\$194,571	\$202,498	\$210,748	\$219,334	\$228,270	
Potential Gross Income	\$19,448,855	\$0	\$0	\$1,361,037	\$1,893,947	\$1,988,663	\$2,086,142	\$2,192,622	\$2,302,357	\$2,417,612	\$2,538,665	\$2,665,810	\$2,799,353	
Vacancy & Lease Loss	\$1,327,718	\$0	\$0	\$423,327	\$94,697	\$99,433	\$104,407	\$109,631	\$115,118	\$120,881	\$126,933	\$133,290	\$139,968	
Rental	\$1,198,985	\$0	\$0	\$380,927	\$85,313	\$89,678	\$94,266	\$99,089	\$104,158	\$109,487	\$115,089	\$120,977	\$127,167	
Art Studio	\$14,703	\$0	\$0	\$4,980	\$1,052	\$1,125	\$1,159	\$1,195	\$1,231	\$1,268	\$1,307	\$1,347	\$1,388	
Commercial	\$114,030	\$0	\$0	\$37,420	\$8,292	\$8,630	\$8,962	\$9,348	\$9,729	\$10,125	\$10,537	\$10,967	\$11,414	
Effective Gross Income	\$18,121,138	\$0	\$0	\$937,710	\$1,799,249	\$1,889,230	\$1,983,735	\$2,082,991	\$2,187,239	\$2,296,731	\$2,411,732	\$2,532,519	\$2,659,386	
Operating Expenses	\$7,248,455	\$0	\$0	\$375,084	\$719,700	\$755,692	\$793,494	\$833,196	\$874,896	\$918,693	\$964,693	\$1,013,008	\$1,063,754	
Net Operating Income (NOI)	\$10,872,683	\$0	\$0	\$562,626	\$1,079,550	\$1,133,538	\$1,190,241	\$1,249,795	\$1,312,344	\$1,378,039	\$1,447,039	\$1,519,512	\$1,595,631	
Trailing 12-Month NOI		\$0	\$562,626	\$1,079,550	\$1,133,538	\$1,190,241	\$1,249,795	\$1,312,344	\$1,378,039	\$1,447,039	\$1,519,512	\$0	\$0	
Tenant Improvement	\$2,071,378	\$0	\$0	\$62,769	\$251,076	\$251,076	\$251,076	\$251,076	\$251,076	\$251,076	\$251,076	\$251,076	\$251,076	
Leasing Commissions	\$13,521	\$0	\$0	\$13,521	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total CapEx	\$2,084,899	\$0	\$0	\$76,290	\$251,076	\$251,076	\$251,076	\$251,076	\$251,076	\$251,076	\$251,076	\$251,076	\$251,076	
Property Net Cash Flow	\$8,787,784	\$0	\$0	\$486,336	\$828,474	\$882,462	\$939,165	\$998,719	\$1,061,268	\$1,126,963	\$1,195,963	\$1,268,436	\$1,344,555	
Rental Sale	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$37,718,733	
Art Studio Sale	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$354,785	
Commercial Sale	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$283,828	
Total Sale Price	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$38,357,346	
Sales Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,301,441	
Net Sale Proceeds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$36,055,905	
% of Hard Cost	100.00%	0.00%	0.00%	75.00%	25.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
% of Soft Cost	100.00%	0.00%	44.44%	44.44%	11.11%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Acquisition Cost	\$4,471,200	\$4,471,200	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Hard Cost	\$12,211,775	\$0	\$0	\$9,158,831	\$3,052,844	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Soft Cost	\$2,442,355	\$0	\$1,085,491	\$1,085,491	\$271,373	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Cost	\$19,125,330	\$4,471,200	\$1,085,491	\$10,244,323	\$3,324,317	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Unlevered CF	\$26,715,433	\$-4,471,200	\$-1,085,491	\$-10,244,323	\$-2,837,981	\$828,474	\$882,462	\$939,165	\$998,719	\$1,061,268	\$1,126,963	\$1,195,963	\$1,268,436	\$37,056,979
Unlevered Multiple	2.43x													
Unlevered IRR	9.83%													

ANNUAL CASH FLOW - LEVERED

Year		0	1	2	3	4	5	6	7	8	9	10	11	12	
Month #		0	1	13	25	37	49	61	73	85	97	109	121	133	
Date Ending		2020/5/31	2021/5/31	2022/5/31	2023/5/31	2024/5/31	2025/5/31	2026/5/31	2027/5/31	2028/5/31	2029/5/31	2030/5/31	2031/5/31	2032/5/31	
Acquisition Loan															
Beginning Balance		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Payment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Principal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Loan Draw	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Ending Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Loan Payback	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Financing Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Acquisition Loan Net	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash Flow After Acquisition Loan	-\$10,337,547	-\$4,471,200	-\$1,085,491	-\$10,244,323	-\$2,837,981	\$828,474	\$882,462	\$939,165	\$998,719	\$1,061,268	\$1,126,963	\$1,195,963	\$1,268,436	\$37,056,979	
Construction Equity															
Beginning Balance		\$8,396,966	\$3,925,766	\$2,840,274	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Equity Drawn	\$4,471,200	\$1,085,491	\$2,840,274	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Equity Remaining	\$3,925,766	\$2,840,274	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Remaining Cash Flow Required	\$0	\$0	-\$7,404,048	-\$2,837,981	\$828,474	\$882,462	\$939,165	\$998,719	\$1,061,268	\$1,126,963	\$1,195,963	\$1,268,436	\$37,056,979		
Construction Loan															
Beginning Balance	\$0	\$0	\$0	\$8,030,748	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Origination Fee	\$487,258	\$0	\$497,259	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Loan Draws	\$10,728,365	\$0	\$7,404,048	\$3,324,317	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Interest	\$616,277	\$0	\$129,441	\$486,636	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Principal Repayment	\$11,841,900	\$0	\$0	\$11,841,900	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Ending Balance	\$0	\$0	\$8,030,748	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash Flow After Construction Loan	-\$3,054,117	\$0	\$0	-\$11,355,564	\$828,474	\$882,462	\$939,165	\$998,719	\$1,061,268	\$1,126,963	\$1,195,963	\$1,268,436	\$37,056,979		
Permanent Loan															
Beginning Balance	\$0	\$0	\$0	\$0	\$8,274,181	\$8,188,440	\$8,096,500	\$7,997,914	\$7,892,201	\$7,778,846	\$7,657,297	\$7,526,961	\$7,387,203		
Origination Fee	\$82,947	\$0	\$0	\$82,947	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Loan Draws	\$8,294,698	\$0	\$0	\$8,294,698	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Payment	\$0	\$0	\$0	\$165,554	\$662,218	\$662,218	\$662,218	\$662,218	\$662,218	\$662,218	\$662,218	\$662,218	\$496,663		
Interest	\$4,555,803	\$0	\$0	\$145,038	\$576,476	\$570,278	\$563,632	\$556,505	\$548,863	\$540,669	\$531,882	\$522,460	\$385,254		
Principal Repayment	\$907,495	\$0	\$0	\$20,516	\$85,741	\$91,940	\$98,586	\$105,713	\$113,355	\$121,549	\$130,336	\$138,758	\$7,387,203		
Ending Balance	\$0	\$0	\$0	\$8,274,181	\$8,188,440	\$8,096,500	\$7,997,914	\$7,892,201	\$7,778,846	\$7,657,297	\$7,526,961	\$7,387,203	\$0		
Equity to Payback Construction	\$0	\$0	\$0	\$3,547,202	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Levered CF	\$24,171,611	-\$4,471,200	-\$1,085,491	-\$2,840,274	\$237,834	\$166,256	\$220,244	\$276,947	\$336,501	\$389,050	\$464,745	\$533,745	\$606,218	\$29,327,038	
Levered CF Equity Multiple	3.88x														
Levered CF IRR	13.53%														

EQUITY CONTRIBUTION & WATERFALL

Year Month #	0	1	2	3	4	5	6	7	8	9	10
	0	1	13	25	37	49	61	73	85	97	108
Property Net Cash Flow		\$829,727	\$864,171	\$919,954	\$978,542	\$1,040,076	\$1,104,705	\$1,172,586	\$1,243,682	\$1,318,766	\$1,397,419
Payment		\$662,218	\$662,218	\$662,218	\$662,218	\$662,218	\$662,218	\$662,218	\$662,218	\$662,218	\$662,218
Net Sale Proceed		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
BTCF to Equity		\$167,509	\$201,953	\$257,736	\$316,324	\$377,858	\$442,487	\$510,368	\$581,664	\$656,548	\$736,196
Equity Drawn		-\$11,006,081									
Equity Cash Flow		-\$11,006,081	\$167,509	\$201,953	\$257,736	\$316,324	\$377,858	\$442,487	\$510,368	\$581,664	\$656,548

	Hurdle	GP	LP	GP Promote	Promote %
Tier I		8%	20%	80%	0%
Tier II		13%	20%	66%	14%
Tier III	Above 2nd Hurdle		20%	60%	25%

Year		0	1	2	3	4	5	6	7	8	9	10
Equity Cash Flow			-\$11,006,081	\$167,509	\$201,953	\$257,736	\$316,324	\$377,858	\$442,487	\$510,368	\$581,664	\$656,548
Equity IRR	14.64%											
Capital Contribution												
GP	20%		\$2,388,834									
LP	80%		\$9,555,334									
Total Equity	100.00%		\$11,944,168									

Tier I

	Hurdle		0	1	2	3	4	5	6	7	8	9	10
LP													
Beginning Balance	8.00%	\$0	\$8,804,865	\$9,375,247	\$9,963,704	\$10,554,612	\$11,145,922	\$11,735,309	\$12,320,144	\$12,897,461	\$13,463,927	\$14,015,804	
Prefer Equity Return		\$0	\$704,389	\$750,020	\$797,096	\$844,369	\$891,674	\$938,825	\$985,612	\$1,031,797	\$1,077,114	\$1,121,264	
Capital Contribution		\$8,804,865	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Tier I Distribution		\$0	-\$134,007	-\$161,562	-\$206,189	-\$253,059	-\$302,286	-\$353,990	-\$408,294	-\$465,331	-\$525,238	-\$581,068	
Ending Balance		\$8,804,865	\$9,375,247	\$9,963,704	\$10,554,612	\$11,145,922	\$11,735,309	\$12,320,144	\$12,897,461	\$13,463,927	\$14,015,804	\$14,567,736	
	Check											\$0	
LP Cash Flow	8.00%	-\$8,804,865	\$134,007	\$161,562	\$206,189	\$253,059	\$302,286	\$353,990	\$408,294	\$465,331	\$525,238	\$581,068	
GP													
Capital Contribution		-\$2,201,216	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Tier I Distribution		\$0	\$33,502	\$40,391	\$51,547	\$63,265	\$75,572	\$88,497	\$102,074	\$116,333	\$131,310	\$147,267	
GP Cash Flow	8.00%	-\$2,201,216	\$33,502	\$40,391	\$51,547	\$63,265	\$75,572	\$88,497	\$102,074	\$116,333	\$131,310	\$147,267	
Total													
Total Tier I Distribution		\$0	\$167,509	\$201,953	\$257,736	\$316,324	\$377,858	\$442,487	\$510,368	\$581,664	\$656,548	\$736,196	
Cash Flow After Tier I Distribution		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,869,771	

EQUITY CONTRIBUTION & WATERFALL

Tier II													
LP	Hurdle												
Beginning Balance	13%	\$0	\$8,804,865	\$9,815,490	\$10,929,941	\$12,144,645	\$13,470,390	\$14,919,254	\$16,504,767	\$18,242,093	\$20,148,234	\$22,242,267	
Prefer Equity Return		\$0	\$1,144,632	\$1,276,014	\$1,420,892	\$1,578,804	\$1,751,151	\$1,939,503	\$2,145,620	\$2,371,472	\$2,619,270	\$2,891,495	
Capital Contribution		\$8,804,865	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Tier I Distribution		\$0	-\$134,007	-\$161,562	-\$206,189	-\$253,059	-\$302,286	-\$353,990	-\$408,294	-\$465,331	-\$525,238	-\$589,996,694	
Tier II Distribution		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Ending Balance		\$8,804,865	\$9,815,490	\$10,929,941	\$12,144,645	\$13,470,390	\$14,919,254	\$16,504,767	\$18,242,093	\$20,148,234	\$22,242,267	\$0	
LP Cash Flow	Check	13.00%	-\$8,804,865	\$134,007	\$161,562	\$206,189	\$253,059	\$302,286	\$353,990	\$408,294	\$465,331	\$525,238	\$25,133,761
GP													
Tier II Distribution		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,047,772	
Tier II Promote		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,194,396	
GP Cash Flow	IRR	16.82%	-\$2,201,216	\$33,502	\$40,391	\$51,547	\$63,265	\$75,572	\$88,497	\$102,074	\$116,333	\$131,310	\$9,026,436
Total													
Total Tier Distribution + Promote		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$15,238,862	
Cash Flow After Tier II Distribution		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,630,909	
Tier III													
LP Distribution	60%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,578,545	
GP Distribution	20%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$526,182	
GP Promote	20%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$526,182	
Total Tier III Distribution		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,630,909	
LP Cash Flow	IRR	13.63%	-\$8,804,865	\$134,007	\$161,562	\$206,189	\$253,059	\$302,286	\$353,990	\$408,294	\$465,331	\$525,238	\$26,712,307
GP Cash Flow		18.02%	-\$2,201,216	\$33,502	\$40,391	\$51,547	\$63,265	\$75,572	\$88,497	\$102,074	\$116,333	\$131,310	\$10,078,799
Total Cash Flow		14.64%	-\$11,006,081	\$167,509	\$201,953	\$257,736	\$316,324	\$377,858	\$442,487	\$510,368	\$581,664	\$656,548	\$36,791,106
	Check	Correct	Correct	Correct	Correct	Correct	Correct	Correct	Correct	Correct	Correct	Correct	
Returns													
LP Distributions		\$29,522,263											
LP EM		3.35x											
GP Distribution		\$10,781,288											
GP EM		4.90x											

