



*University of Miami Impact Investing Case Competition 2021*

# HAVEN

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*Columbia Business School*

## ABOUT THE TEAM



### June Deng

June has a B.ARCH. and 4 years of experience in architecture design and strategy at Gensler. At CBS, she is specializing in real estate and marketing with a focus on sustainability and social enterprise.



### Christine Yang

Originally from Taiwan, Christine majored in finance at Carnegie Mellon and was a product manager at J.P. Morgan for the last 5 years managing a trading platform. She brings experience in financial analysis and modeling.



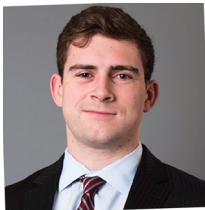
### Niklas Lord

A German native, Niklas is a 2nd year MBA with a focus on real estate and green energy. He has experience in cutting-edge green technology at Good Growth Partners and film production for clients including Mercedes Benz.



### Chenjing Wang

Chenjing has 7 years of experience in project finance, impact investing, and risk management. Originally from China, she has studied and lived on three continents and is currently working for Morgan Stanley in NYC while pursuing an EMBA degree at CBS.



### Jim Rowen

Jim was an Equity Research Associate at BMO Capital Markets for 5 years. At CBS, he is specializing in Real Estate and plans to transition into Real Estate investment management.

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# 1

## PROJECT SUMMARY

***HAVEN** is a place where working class families and survivors of domestic violence can call home. The first floor retail consists of a bank, grocer and flexible storefront, providing the local community with financial and food security. With an urban rooftop garden, solar energy, and green construction, the mixed-use building adopts the latest green building technologies.*



The Bronx, New York is a historically redlined district that despite investment and growth in recent years still has 26.2% of residents living in poverty<sup>1</sup>. With rising prices in New York as a whole and salaries of working class citizens stalling, many families spend more than 50% of their income on housing. In 2018, the Bronx had 1 eviction case per 79 units, more than 4 times higher than that of Manhattan<sup>2</sup>. People living under impoverished conditions are much more likely to be impacted by domestic violence due to lack of financial resources. The pandemic further revealed the vulnerabilities of this neighborhood with alarming virus transmission rates, job losses, eviction rates, domestic violence, and food insecurity.

Our impact investing project is located in Mott Haven, a high-density, low-income neighborhood in the South Bronx<sup>3</sup>. The goal is to alleviate the housing crisis with attainable rental units, provide transient housing for survivors of domestic violence and offer a ground floor retail mix supporting financial and food security. We will transform the existing mixed-use 540 Concord Ave building into 24 market rate one, two and three bedroom units, and 16 micro-apartment for short-term residences in partnership with a local

<sup>1</sup> Exhibit 2a: Bronx 2020 Census Data

<sup>2</sup> Exhibit 2d: Eviction Rates

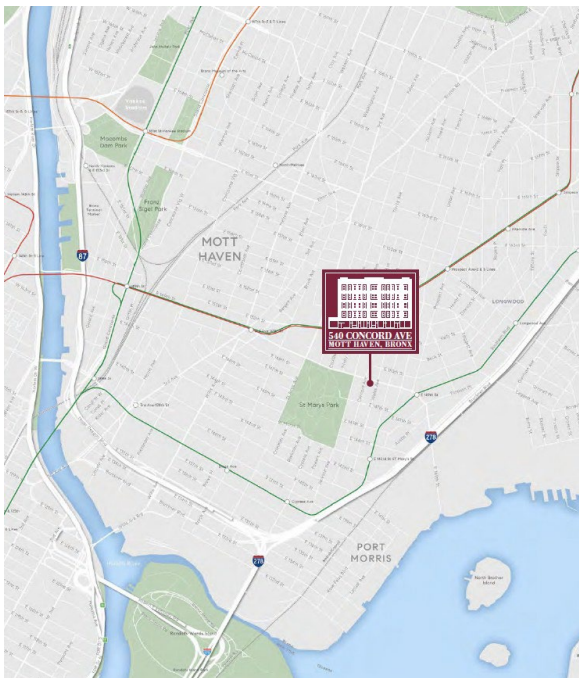
<sup>3</sup> Exhibit 1a: New Construction Map; Exhibit 1b: Site Images

domestic violence non-profit<sup>4</sup>. The ground floor retail will drive food and economic equity by offering a bank with financial and educational services, a fresh produce grocery store, and storefront with a flexible lease plan to encourage local, minority-owned businesses to thrive<sup>5</sup>. The renovation will also adopt green design principles, incorporating an urban rooftop garden, solar panels, and energy efficient measures. We envision our project to have an impact socially and environmentally.

540 Concord Avenue is located at the edge of 149th Street in the Bronx, NY. In its current state, the site boasts 24,790 square feet on a 80' by 100' lot, comprising 32 residential units and 6 commercial units. The average size of each individual unit is 582 SF. Further, the site is in a three block proximity to E 149 St. subway station and multiple bus stops. The site is currently offered at a bankruptcy sale through the Rosewood Realty Group, making this a competitive but prime investment opportunity in one of New York's fastest-growing submarkets. It is appraised at \$6.5M with a suggested starting bid of \$5.25M, which we believe represents the fair market value of the property and provides room for negotiation to yield favorable returns. On this project, we expect aggressive IRR returns of 21.4% and equity multiple of 2.17x to investors over a five year investment horizon.<sup>6</sup>

With investors, such as Brookfield Properties and Goldman Sachs Urban Investment Group, tapping into this submarket with new, high-rise developments set to complete in 2023, we believe that 540 Concord Avenue presents an optimal opportunity to enter the market at this time while having a social and environmental impact on the community.

## 2 SOCIAL IMPACT



### Site Background

Mott Haven in the South Bronx is designated as an opportunity zone for redevelopment. It is a historically redlined district with high poverty rates. Based on the 2020 census, the medium income of the Bronx is \$40,000 per household.<sup>7</sup> In 2019, there were an estimated 146,824 people in Mott Haven, of which 0.5% of the population identified as Asian, 27.7% identified as Black, 68.3% identified as Hispanic, and 2.6% identified as White<sup>8</sup>. The area consists predominantly of renters, which makes it a lucrative investment market with upside financial and social impact potential. Mott Haven's vibrant, up-and-coming neighborhood, surrounded by restaurants, art, music and entertainment, is extremely attractive for renters seeking convenience, ease of transportation and an active lifestyle in the heart of it all.

<sup>4</sup> Exhibit 1d: Existing and Proposed Residential Unit Mix

<sup>5</sup> Exhibit 1c: Existing and Proposed Retail Unit Mix

<sup>6</sup> Exhibit 3h: Projected Returns

<sup>7</sup> Exhibit 2a: Bronx 2020 Census Data

<sup>8</sup> Exhibit 2b: Mott Haven Site Info

### **Housing Crisis**

Before the pandemic in 2019, 33.5% of renter households in Mott Haven were severely rent burdened (spent more than 50% of household income on rent). Real median gross rent in Mott Haven increased from \$780 in 2006 to \$1,000 in 2019.<sup>9</sup> 91.6% of the rental units are affordable at the 80% Area Median Income, which is 1 percentage point lower than the share in 2010. 29.8% of the rental units are public housing rental units in 2020. The ongoing pandemic has exacerbated the housing crisis, especially in low income neighborhoods like Mott Haven. Many residents are threatened with eviction as rent relief programs are disappearing.



Our goal is to diversify the housing market by providing well-designed, attainable one, two and three bedroom units that offer residents comfort but at a fraction of the price. The monthly rental price ranges \$1,500-3,500, slightly below the market rate. We will renovate floors 1, 3, and 4 to refurbish the existing 24 units across the three floors.<sup>10</sup> The new green roof garden gives residents an opportunity to grow their own vegetables and enjoy outdoor space. The solar panel installation helps cut electricity costs. With our plans to partner with local nonprofits like Banana Kelley that helps families find affordable housing, we believe that we can offer transitioning families greater social upward mobility while benefiting the greater New York community.

This location is particularly attractive due to its convenient location and proximity to schools. The enclave is steps from the 4, 5 and 6 New York City subway lines, offering easy accessibility both into Manhattan and other boroughs where working class citizens typically find employment. Since 32% of residents in the Mott Haven neighborhood are under the age of 18, this location is well suited for families with several education institutions within a 5-block radius. They include the American Dream High School, Samuel Gompers Industrial High School, and the Learning through Play Pre-K Center. This proximity will promote education to our residents, typically young or single-parent families, and will drive long-term positive impact.

### **Domestic Violence Surge**

On top of the housing crisis, domestic abuse surged as a result of restricted movement during the pandemic. While there are several emergency shelters, short-term housing for less than 6 months are few and far between. Statistics show that the pandemic led to a 33% jump in domestic violence reports compared to the previous year. The Bronx was the most affected borough, taking up 28% of the total domestic violence victims reported, and women are disproportionately affected.<sup>11</sup> Additionally, those living in poverty are disproportionately impacted by domestic violence.

We will renovate the second floor entirely to provide 16 micro apartment units that are 200-300 SF in size<sup>12</sup>. The density factor as prescribed by the zoning requirements of the property limits the number of dwelling units to a maximum of 40 units. Our proposal to add 16 micro apartments increases the

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<sup>9</sup> Exhibit 2b: Mott Haven Site Info

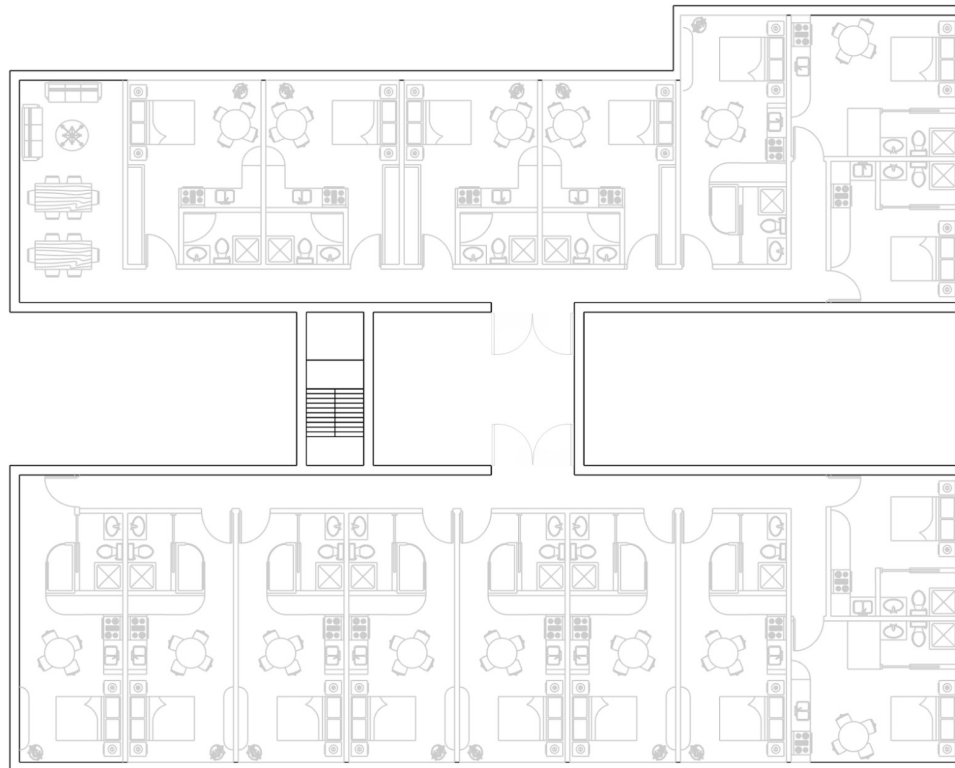
<sup>10</sup> Exhibit 1e: Existing Typical Floor Plan

<sup>11</sup> Exhibit 2e: Domestic Violence Victims Reported in 2020

<sup>12</sup> Exhibit 1f: Proposed 2nd Floor Plan (Transitional Housing)

residential units to exactly 40 to maximize the positive impact of the project. The micro apartment units are designed as highly efficient studios with a private full-sized bathroom and fully equipped kitchen. To provide the residents with a stronger sense of community, there is a shared lounge area as well. The goal is to operate this floor in partnership with a local non-profit like Safe Horizon. We will also introduce camera surveillance in common areas to help residents feel secure and reduce the chances of crime. Through thorough tenant screening, we will carefully control tenancy and ensure a safe space for residents.

#### *Proposed Micro Apartment Units for Survivors of Domestic Violence*



#### **Food and Financial Insecurity**

The ground floor retail space will address food and financial security needs in the community. Only 4% of those living in the Bronx consume more than 5 servings of fruits and vegetables, 7% lower than the New York citywide average<sup>13</sup>. We will work with a grocer to ensure that the demand for healthy produce is met. Currently, there are no full-service banks in a five block radius. We would like to partner with a financial institution that will further improve the financial health and access to credit to our tenants as well as people in the surrounding area. The bank and grocery store are anchor tenants with long-term leases that will provide this project with a steady positive cash flow. We also intend to reserve a small storefront for small local, minority-owned businesses and offer them short term leasing solutions to minimize their operational risks. The retail mix supports financial and nutritional health while also providing employment opportunities for local residents.

<sup>13</sup> Exhibit 2f: Food Insecurity Heatmap

### 3

## ENVIRONMENTAL IMPACT

We would like to incorporate practices through an ESG lens to enhance and maximize the project's sustainability potential. With 540 Concord Ave, we would like to raise environmental consciousness and optimize cost and energy efficiency in the building to promote awareness, reduce cost burdens to our tenants and minimize environmental impact. Green building approaches contribute to healthier living environments, which can reduce health care needs for children and missed work days for parents struggling to make ends meet.

### **Key Considerations**

- **Sustainable Building:** Green Building Materials, techniques, and appliances can reduce energy consumption by an average of 33% and water use by about 30%. These savings are significant, as energy costs can be as much as 22% of household income after taxes for the lowest-income households.
- **Public Transportation:** Through proximity to subway and bus lines, we encourage residents to rely on public transportations, reducing the number of cars and amount of carbon emissions per resident.

### **Sustainability Measures**

- **Solar Panel Installation:** Our building height and rooftop space will allow us to install solar panels on the rooftop, reduce costs through such renewable energy sources and take advantage of New York State tax credits.
- **Green Rooftop:** We will work with a local landscaping company to design a green space that will provide shade, remove heat from the air to reduce overall pollution that is catalyzed by the high-traffic surrounding area and incentivize our residents to spend time outdoors. It provides residents ample private outdoor space as well as gardening opportunities to grow fresh fruits and vegetables.
- **Windows:** We aim to install double-pane glass windows to enhance insulation and increase energy efficiency. These are typically more budget-friendly than triple-pane windows and yield similar environmental benefits.
- **Lighting:** Compact Fluorescent Lamps will allow us to install lasting and energy-efficient lighting in each residential unit and the common area, cutting down utility costs and saving electricity.
- **Flooring and Cabinetry:** We will install sustainably harvested wood from the New York area, reducing carbon emission and supporting the local economy.
- **Water Usage Reduction:** Water savings reduce utility costs for households, but they also reduce demand, vitally important in regions that are growing rapidly yet also suffering from drought. As climate change is projected to increase drought in many areas of the United States, water-efficient development will become even more important.
- **HVAC Systems:** Leveraging top-tier HVAC engineers, we would like to install systems that do not negatively affect the indoor air quality of our buildings.
- **Supply Chain:** We would like to implement a Diversity Supply Chain strategy and work with minority-owned suppliers to source building materials and appliances.



## 4 MARKET ANALYSIS

Like many underserved communities, gentrification and the associated rising cost of living have pressured communities predominantly composed of low income minority groups. According to the MLS, Bronx County single family residential sales increased 42.9% year-over-year to 170 units in 3Q 2021, while the median sales price increased 13.8% to \$597,500 over the same period. More specifically, the Mott Haven-Melrose neighborhood median single family residence is priced at \$430,000 in 2020, nearly 30% below the overall Bronx median.

Mott Haven-Melrose is a renter dominant market with 95% of housing units occupied by renters and an average rental vacancy rate of approximately 2%. The rent vs. own dynamic is a result of the low income of the neighborhood with nearly 40% of the population living in poverty and a median household income for renters of \$40,000 in the Bronx, according to the Furman Center and the 2020 Census. For comparison, New York City's median household income is \$64,000, 60% higher than the Bronx, according to the census. Only 36% of recently available units are affordable at 30% of the Area Median Income (AMI) in Mott Haven, while 92% are affordable at 80% AMI. The median Studio apartment is \$780, while a 2 bedroom has a median rent of \$1,010. These figures do not account for the new luxury buildings being brought to market that price a studio or one bedroom apartment up to \$1,900 and a two bedroom apartment over \$2,400. These new developments and associated retail footprint have increased the cost of living for existing residents. Most recently, the Mott Haven neighborhood is experiencing an influx of new construction with 14 new developments, mostly focused on the waterfront. However, two of these sites are within 4 blocks of our project and will have affordable housing incorporated.

With nearly two-thirds of the population ranging between 18 and 65, transportation is a major concern for the working population. Of this population, 86% of commuters are car-free, making access to public transportation essential to support adult productivity. Our site is within walking distance of the 4 and 6 subway lines offering access to Grand Central in 25 minutes. Additionally, local bus routes (Bx1, Bx2, Bx15, Bx17, Bx19, Bx21, Bx32, Bx33) offer solutions for local transportation within the Bronx. For the 32% of families with children under the age of 18%, there are 10 schools in a six block radius of 540 Concord Avenue, across primary and secondary institutions, including the recently constructed Dream Charter School. Retail offerings in the neighborhood are limited, primarily consisting of bodegas and dollar stores. However, the restaurant offerings leverage Mott Haven's diverse population with a variety of cultural cuisine. Additionally, our site is steps away from St. Mary's Park, the largest park in the South Bronx.

## 5 PROJECT PARTNERSHIP

We recognize the importance of supporting the community with the help of local partnerships. Honoring this commitment, we have strategically sought out a diverse network of partners to help with operating, development and investment.

### ***Investment Fund***

We understand the importance of generating strong returns, but plan to partner with investors whose objectives account for the value of social impact. Partnerships with Women Business Enterprises (WBE) and Minority Business Enterprises (MBE) represent our greatest opportunity to align financial success



with social impact. Our top prospect is MSquared, a women-owned real estate investment firm aimed to deploy capital in mixed-income projects with typical investments ranging from \$2 to \$20 million. Given the firm's objective, investment size and WBE profile, we believe a partnership would demonstrate the greatest impact. However, we have researched alternative firms we feel would serve as strong partners.

Partner	Description
MSquared	MSquared is a women-owned real estate development and impact investing platform. The firm partners with the public sector, developers and investors to build mixed-use projects that include housing affordable to a wide range of households.
Jonathan Rose Companies	Jonathan Rose Companies cultivate a model for environmental, social and economic responsibility, by creating plans, buildings, communities and investments that generate positive solutions to the challenges of 21st century cities.
Bridge Investment Group	Bridge Investment Group is an industry leader in ESG integration that puts the firm at the forefront of innovation and opportunity, and strives to pursue profits alongside sustainability and social responsibility.

### **Developer**

We aim to leverage the expertise of local Bronx-based developers in order to help implement our plans for redevelopment and implementation of mixed-income housing. Our plan at its core is community focused and we believe local expertise is essential to successfully reinforcing the social fabric of Mott Haven. We feel our targeted partnership with Neighborhood Initiatives Development Corp. (NIDC), a Bronx-based non-profit that has focused on revitalization of the community for over 40 years, will help us achieve our goal. The NIDC's mandate is to "increase access to safe, decent, and affordable housing, a platform on which a successful life can be established", which aligns with our goal to create stability for victims of domestic violence. Given this is a core tenet of our redevelopment project, we have considered alternatives for development partnerships.

Partner	Description
Neighborhood Initiatives Development Corp. (NIDC)	Bronx-based non-profit focused on revitalization of the community by increasing access to safe, decent, and affordable housing, a platform on which a successful life can be established
Women's Housing and Economic Development Corporation (WHEDCO)	South Bronx-Based community developer that aims to revitalize the community by redeveloping aging assets, retrofitting buildings with "green" enhancements and partnering with small businesses to help fill vacancies.

In order to complement our local partners, we believe New York-based institutional developers, including Omni New York LLC and Gotham, could aid in our project. Omni New York conducts development projects to provide "green" attainable housing and partners with local non-profit organizations for the benefit of disenfranchised communities. We believe that forming a syndicate of local developers and well established New York-based developers will improve the viability of our project and help local developers create relationships that will pay dividends over the long term.

**Construction Partner**

Selection of the construction partners is paramount to the project's success and ultimately our ability to enact long term benefits to the Mott Haven community. In our commitment to assembling a team that understands our goal of building a stronger community, we aim to employ Minority Business Enterprises (MBE). The Apex Building Group is a NYC-based contractor with expertise in constructing affordable housing and retail projects in NYC. Given the Apex Building Group's local expertise and status as an MBE, the firm represents an ideal candidate for our project. By targeting diverse partnerships, we will ensure that social impact is core to our projects' success.

Partner	Description
The Apex Building Group	This construction firm is an MBE with expertise constructing affordable residential projects and retail projects in NYC.
Ellana Inc	This Disadvantaged Business Enterprise construction consulting firm provides cost management and project control services specializing in commercial, mixed use, and residential development.

**Architecture Partner**

We will partner with nArchitects for the development of this project. Their team has built a great track record in New York for the micro-apartment and attainable housing market. Their recent Carmel Place project was designed as a part of the City's New Housing Marketplace Plan<sup>14</sup>. It consists of prefabricated units ranging from 400-300 SF with net sizes ranging 260-360 SF.

**Non-Profit Partners**

To ensure long-term project success and impact, we will partner with several local non-profit organizations.

Partner	Description
Banana Kelley	Banana Kelley is a historic community support group that serves the South Bronx. The organization works with local residents and places those in need into attainable housing programs. They offer services including rental assistance programs and champion affordable housing developments.
Safe Horizon	Safe Horizon is a leading non-profit nationally serving survivors of domestic violence. In New York, they have 8 domestic violence shelters that are fully furnished to support short-term residency. By forging a partnership, we can ensure that survivors are able to gain full independence while fully supported by these non-profit organizations.
NYC Grows	NYC Grows supports a network of community gardens throughout the New York metro area. We can partner with them as advisors.

<sup>14</sup> Exhibit 1g: Example Micro Apartments

### **Retail Partners**

We view our 3 retail units as an opportunity to support local businesses that underpin the fabric of the community. With the proliferation of eCommerce, crippling impact of coronavirus and rising labor costs, we recognize the immense headwinds undermining the financial viability of local businesses. Our approach of providing reasonable rates on shorter term leases will cultivate a stronger community from the ground up.

One retail partner we aim to work with is Green Organic Ivy, a small grocer focused on bringing a wide variety of fresh produce, flowers, and grocery items. Recently, the emergence of rush-delivery and ecommerce services like Gorilla has pressured the retailer. Additionally, the Bronx has been named a food desert as a result of the dearth of affordable nutritious food, an issue that has accelerated in the wake of small business closures. The USDA deems an urban area a food desert when a significant share of the population is greater than a 0.5 mile or 1 mile away from the nearest supermarket, supercenter or large grocery store. According to the NYC Department of Environment and Health, the Mott Haven neighborhood has a Bodega:Supermarket ratio of 25:1, well behind the overall Bronx and New York City averages of 15:1 and 13:1, respectively. Using this as a proxy for access to healthy food, it is clear that a Green Organic Ivy partnership would meet a need in the market.

Another need for the community is access to banking services, our site does not have a bank within a half mile radius. Access to banks has historically been a major issue in the South Bronx with resident to bank ratios in excess of 20,000 to 1, for comparison this ratio is in the low single-digit thousands to one in Manhattan. As a result, the percentage of households that are unbanked is the highest in the Bronx among all NYC boroughs with 17.7% or over 91,000 households, compared to 9.4% in NYC overall, according to the NYC Department of Consumer and Worker Protection. We aim to bring in a bank branch from Popular Bank, TD Bank or Chase to our site's retail units and extend credit to historically disadvantaged residents.

Community Boards offer avenues for partnership enabling local experts to help us match community needs with retail space. In particular, South Bronx Overall Economic Development Corporation (SBOED) and Women's Housing and Economic Development Corporation (WHEDCO) provide access to local experts, market research and a network of small businesses from which to choose. Additionally, these organizations have amounts in excess of \$100,000 annually to help support the launch of these businesses.

## **6 RISKS AND MITIGANTS**

**Acquisition Risk:** The property is in a foreclosure process. To win the bid, a premium acquisition price may be needed, which can negatively impact IRR.

- Mitigants: conservative assumptions have been incorporated in our financial model (see below).

**Construction Timeline & Cost Risk:** Project rehabilitation is subject to construction delays and cost overruns. Due to the COVID-19 impact on the global supply chain, commodity costs may continue to increase. There is also a labor shortage in construction in recent years.

- Mitigants: The project will be completed by a strong local developer and an experienced general contractor with 100% P&P bond. 10% hard cost and soft cost contingencies have been budgeted in the S&U table. There will be a completion guarantee. The construction loan will have a longer term and interest reserves are calculated with a cushion.

**Environmental Risk:** The project is subject to flooding risk given its proximity to water and exposure to flooding, especially with the increasing impact of climate change. Other environmental issues in the existing building could also increase the expenses and delay the rehab and stabilization.

- Mitigants: A Phase I ESA will be obtained before construction starts. Flood insurance will be purchased. The architect also has proposed to raise the ground level floor by 4" to ensure retail clients are provided additional protection.

**Tenancy Risk:** Lack of occupancy of the market rate units would substantially reduce the overall NOI and IRR, making the project less attractive to investors. Retail anchor tenants and transitional housing partners may not be easy to find to secure long-term leases.

- Mitigants: Market demand for housing is high in the area and the proposed rents of the subject project are relatively lower than its comparables. The social impact programs provided in the building may also increase the attractiveness of the project. By working with local partners such as Banana Kelly, suitable tenants will be identified to ensure pre-leasing efforts. Some of the existing tenants could choose to stay, which contributes to a stable project cash flow.

**Safety Risk:** The project is located in this fast-gentrifying neighborhood, high crime rate will continue to be a concern for residents and retailers.

- Mitigants: An experienced property manager will be hired to manage the project in the long term. There will be installation of security cameras, virtual doorman, and other protection facilities. Additionally, the team will work with local law enforcement (NYPD) on safety protocols and with nonprofit organizations to provide relevant education programs for the tenants.

## 7

## CONSTRUCTION AND OPERATING BUDGET

### **Construction Budget**

We anticipate the construction period to last 14 months for all components of the project. The construction budget was compiled using past data from similar residential buildings in the greater New York area, adjusted for site-specific factors including the unit mix and total size. The scope of work includes a complete remodeling of 4,656 SF on the 2nd floor that currently consists of 8 residential units (1 one bedroom, 6 two bedrooms and 1 three bedroom) to 16 micro units and communal space. All units (new and existing) will be equipped or finished with new faucets and fixtures, high efficiency toilets, low or no VOC paints, carpets and flooring. The communal space is to be equipped with conference tables, chairs and communal sofas. Final development costs totals \$3.3M including allowances for consultants, FF&E, and project contingency of 10%. A detailed construction budget is displayed in Exhibit 3a of the Appendix.

### **Operating Budget**

The projected operating expense budget at \$11.00 per SF was developed by assessing the site's current operating expenses (\$10.00 per SF) and adjusted in consultation with professionals in the areas of: architectural design, property management, construction management, and investment sales. The increase accounts for inflationary pressures in the macro environment, the addition of various programming as outlined in this proposal and is offset by operational efficiencies we believe our selected partnerships bring to the table. Operating expenses are approximately \$300K annually. All assumptions are displayed in Exhibit 3d. All retail leases are targeted to be triple-net structures.



## 8

**FINANCIAL ANALYSIS**

Please refer to Exhibit 3a-3i for a full compendium of assumptions as well as associated cash flows and investment returns. The project generates stabilized annual NOI at ~\$600K, a 5-year before-tax levered IRR of 21.4% / 2.17x equity multiple and after-tax levered IRR of 14.3% / 1.70x equity multiple.

In addition to traditional construction loan and mortgage refinancing, we propose to take advantage of the following alternative financing options. Please refer to Exhibit 3e for detailed financing information.

**Commercial Property Assessed Clean Energy (PACE) Financing**

The C-PACE initiative is a financing tool that allows property owners to increase energy efficiency and reduce carbon footprint in commercial and mix-use buildings without the burden of upfront cash expenditures. Through financing firms, such as Counterpointe SRE, property owners can finance 100% of the project cost (hard and soft costs including recurring upgrades) at a fixed rate and pay these off over a long term (15 to 25 years typically) as a part of the annual property tax bill. The PACE program is currently active in New York State and our project in Mott Haven meets loan requirements. \$117,500 in costs to improve the energy efficiency of the building will be financed through the C-PACE initiative.

*Additional Benefits of the Program*

- Retroactively finance up to three years after building improvements are completed
- Transfer financing if the building is sold by keeping the financing on the property tax bill
- Save expenditures on energy costs and increase property value

**Green Roof Tax Abatement**

NYC's Green Roof Tax Abatement offers a one-time incentive of \$15 psf of green roof in Priority Districts (\$5.23 psf in non-priority districts) up to \$200,000. This program is targeted to provide operational, health, and environmental benefits for tenants and the local community. Mott Haven is designated as a "Priority District" due to its level of vulnerability to urban health and environmental issues. The current program runs through June 30, 2024. We intend to complete construction of the green roof within the first year of investment and utilize the tax abatement in the same year.

**ConEdison Affordable Housing<sup>15</sup>**

New York State currently offers incentives for owners of affordable multi family homes to install energy efficient equipment and technology. This helps support New York's climate goals overall. Our project qualifies since at least 25% of the units are expected to be occupied by low income households. We plan to replace the windows, insulate the roof, and replace the boiler, which helps our project achieve 120 points total. This in turns earns the project \$1,500 of reimbursement per unit, which totals to \$60,000 for a total of 40 units.

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<sup>15</sup>

<https://www.coned.com/en/save-money/rebates-incentives-tax-credits/rebates-incentives-for-multifamily-customers/building-owners-managers/affordable-buildings>

### **Exit Strategy**

It is expected that the asset and associated retail will be completely liquidated 60 months after project commencement with net exit sale proceeds of \$10.2M. Please refer to Exhibit 3f-3h for cash flows and investment returns.

## **9 SWOT ANALYSIS**

### **Strengths**

- The building is currently 100% occupied. The community is heavily comprised of renters (~95%) and demographics suggest the young population will continue to lean toward renting, creating sustained demand over the long term.
- Given the location of the site, proximity to mass transit system, local retail, and St. Mary's Park, the site will have strong demand for the foreseeable future.
- Intended tenants in the retail units would provide access to fresh produce and banking services, which the neighborhood is lacking, while enabling local businesses to thrive.

### **Weaknesses**

- The complexity of the bankruptcy auction may slow down the closing of the project and/or substantially increase the project costs.
- Violent crime rate in the Mott Haven Neighborhood is 12.4 per 1,000 people, compared to 5.31 per 1,000 people in New York City overall.

### **Opportunities**

- Partnership with local nonprofit organizations to run the transitional housing program would provide stable rent income to the project.
- The project could potentially secure solar tax credits and equitable housing grants, which help limit equity contribution.
- The site is in a designated Opportunity Zone, which incentivizes private investors to roll their capital gains into the project to offset their tax.

### **Threats**

- Rental Assistance Program and Accompanying Eviction Protections could increase the difficulties of evicting existing short-term tenants.
- Transitional housing may negatively impact the market rate units, making them less desirable among renters.
- Incoming supply in the Mott Haven neighborhoods would increase market competition in the near term.

## **10 CONCLUSION**

With our acquisition and execution strategy, we are confident that we can make a significant social and environmental impact while obtaining a satisfactory final levered return of 21.4% (after-tax 14.3%) over 5 years. As a culturally and ethnic diverse team based in New York City, we strive to provide access to safe and attainable housing, promoting environmental consciousness, the opportunity for social upward mobility, and quality education in an underserved submarket, with a focus on transitional families.

# 11 APPENDIX

## 1 Project Details

Exhibit 1a: New Construction Map

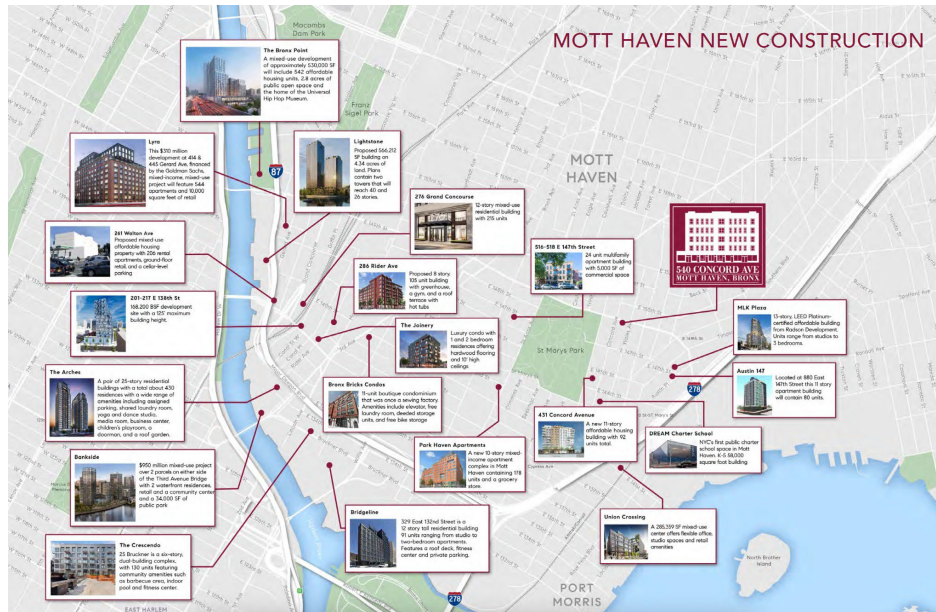


Exhibit 1b: Site Images

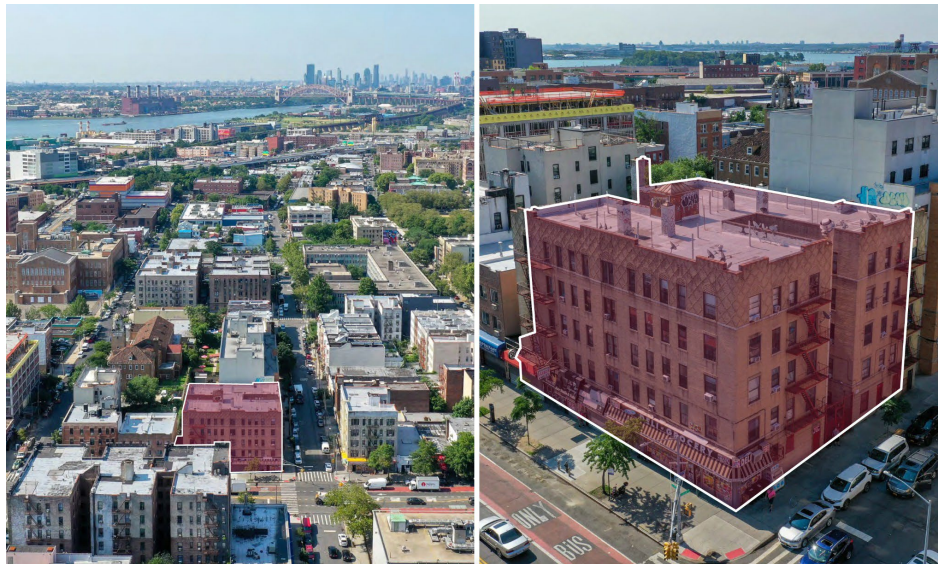


Exhibit 1c: Existing and Proposed Retail Unit Mix

Type	Existing			Proposed		
Ground Floor	Size	Tenant	Count	Size	Tenant	Count
Unit A		661 Hair Studio	1	1500	Bank	1
Unit B		661 Barbershop	1	1500	Grocer	1
Unit C		1070 Grocer	1	553	Flex. Local	1
Unit D		221 Cell Phone	1	0	N/A	0
Unit E		940 Sneaker	1	0	N/A	0
Total		3553	5	3553		3

Exhibit 1d: Existing and Proposed Residential Unit Mix

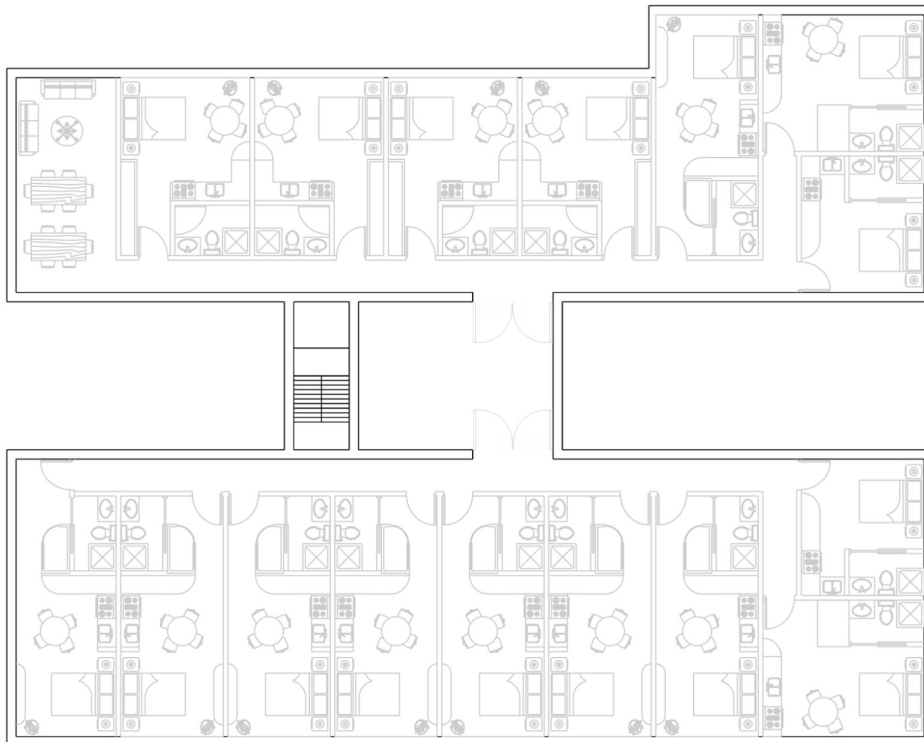
Type	Existing		Proposed	
Floor 1	Size (Average)	Count	Size (Average)	Unit Count
1 BR, 1 BA	430	5	430	5
2 BR, 1 BA	725	2	725	2
3 BA, 2 BA	1056	1	1056	1
Total	4656	8	4656	8
Floor 2	Size (Average)	Count	Size (Average)	Unit Count
1 BR, 1 BA	430	1	0	0
2 BR, 1 BA	528	6	0	0
3 BA, 2 BA	1058	1	0	0
Micro Units	0	0	275	16
Communal Space	0	0	256 N/A	
Total	4656	8	4400	16
Floor 3	Size (Average)	Count	Size (Average)	Unit Count
1 BR, 1 BA	430	5	430	5
2 BR, 1 BA	725	2	725	2
3 BA, 2 BA	1056	1	1056	1
Total	4656	8	4656	8
Floor 4	Size (Average)	Count	Size (Average)	Unit Count
1 BR, 1 BA	430	5	430	5
2 BR, 1 BA	725	2	725	2
3 BA, 2 BA	1056	1	1056	1
Total	4656	8	4656	8
Summary	Size	Count	Size	Count
Grand Total	18624	32	18368	40



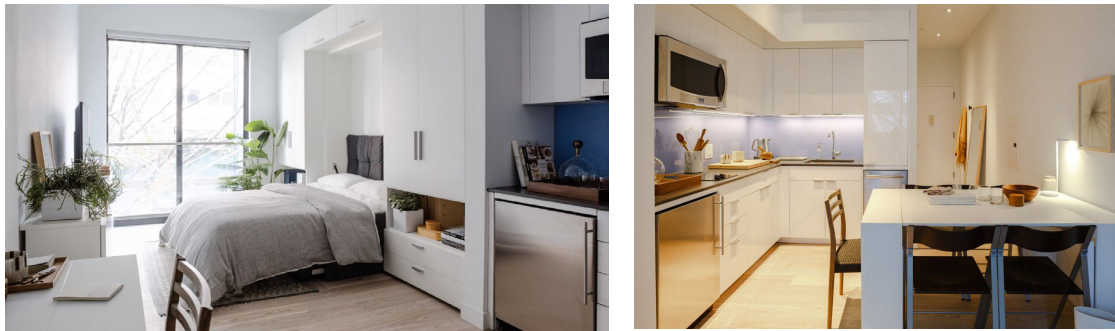
**Exhibit 1e: Existing Typical Floor Plan (Based on Assumptions for Average Unit Sizes)**



**Exhibit 1f: Proposed 2nd Floor Plan (Transitional Housing)**



**Exhibit 1g: Example Micro Apartments**



Carmel Place in New York City Designed by NArchitects

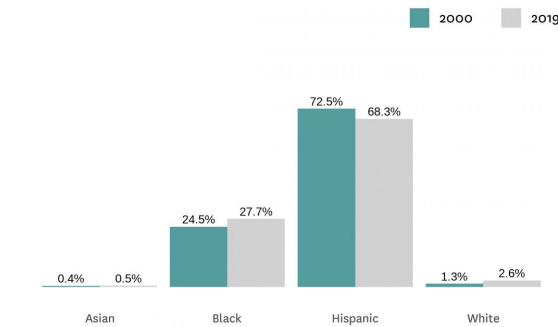
## 2 Site Data

Exhibit 2a: Bronx 2020 Census Data

PEOPLE	
<b>Population</b>	
Population estimates, July 1, 2019, (V2019)	1,418,207
Population estimates base, April 1, 2010, (V2019)	1,384,580
Population, percent change - April 1, 2010 (estimates base) to July 1, 2019, (V2019)	2.4%
Population, Census, April 1, 2020	1,472,654
Population, Census, April 1, 2010	1,385,108
<b>Age and Sex</b>	
Persons under 5 years, percent	7.1%
Persons under 18 years, percent	24.6%
Persons 65 years and over, percent	13.3%
Female persons, percent	52.8%
<b>Race and Hispanic Origin</b>	
White alone, percent	44.7%
Black or African American alone, percent (a)	43.6%
American Indian and Alaska Native alone, percent (a)	2.9%
Asian alone, percent (a)	4.6%
Native Hawaiian and Other Pacific Islander alone, percent (a)	0.4%
Two or More Races, percent	3.8%
Hispanic or Latino, percent (b)	56.4%
White alone, not Hispanic or Latino, percent	9.0%
<b>Housing</b>	
Housing units, July 1, 2019, (V2019)	537,232
Owner-occupied housing unit rate, 2015-2019	19.7%
Median value of owner-occupied housing units, 2015-2019	\$404,700
Median selected monthly owner costs -with a mortgage, 2015-2019	\$2,467
Median selected monthly owner costs -without a mortgage, 2015-2019	\$795
Median gross rent, 2015-2019	\$1,212
Building permits, 2020	4,461
<b>Families &amp; Living Arrangements</b>	
Households, 2015-2019	503,829
Persons per household, 2015-2019	2.76
Living in same house 1 year ago, percent of persons age 1 year+, 2015-2019	91.3%
Language other than English spoken at home, percent of persons age 5 years+, 2015-2019	59.3%
<b>Income &amp; Poverty</b>	
Median household income (in 2019 dollars), 2015-2019	\$40,088
Per capita income in past 12 months (in 2019 dollars), 2015-2019	\$21,778
Persons in poverty, percent	26.2%

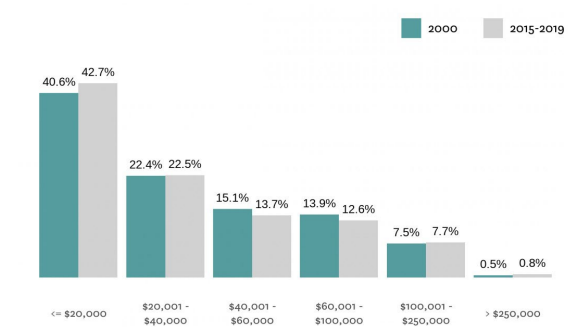
Exhibit 2b: Mott Haven Site Info

Racial and Ethnic Composition of Mott Haven/Melrose



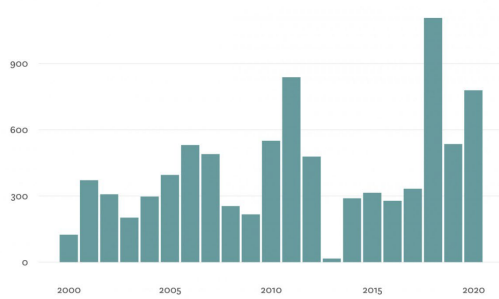
Sources: Census (2000) and American Community Survey (2019), Furman Center

Household Income Distribution in Mott Haven/Melrose (2020\$)



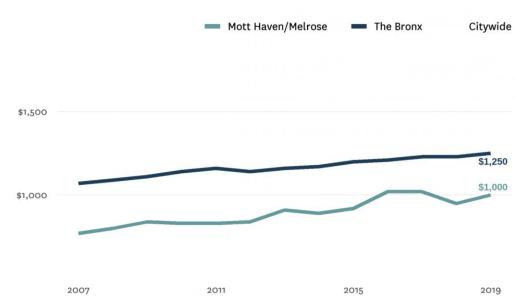
Sources: Census (2000) and American Community Survey (2015-2019) via IPUMS USA, Furman Center

Units Issued New Certificates of Occupancy, 2000-2020



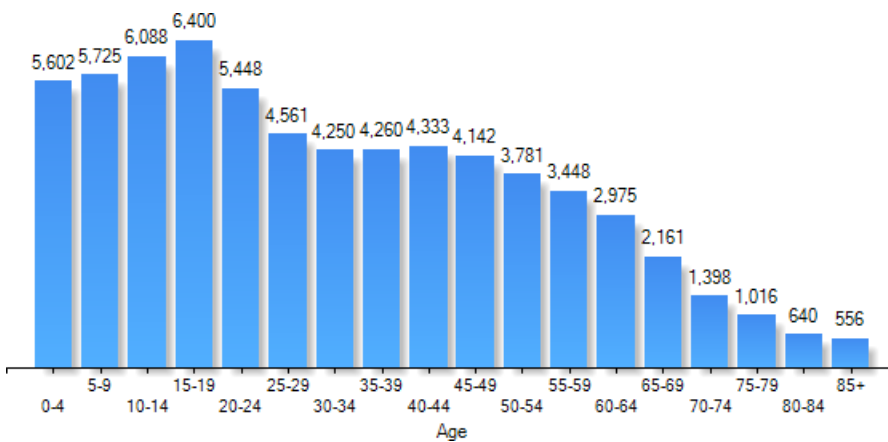
Sources: Department of Buildings, Department of City Planning, NYU Furman Center

Real Median Gross Rent 2007 - 2019 (2020\$)



Sources: American Community Survey, NYU Furman Center

Exhibit 2c: Age Demographic Breakdown



Source: Weichert, Realtors



Exhibit 2d: Eviction Rates (<https://council.nyc.gov/data/evictions/>)

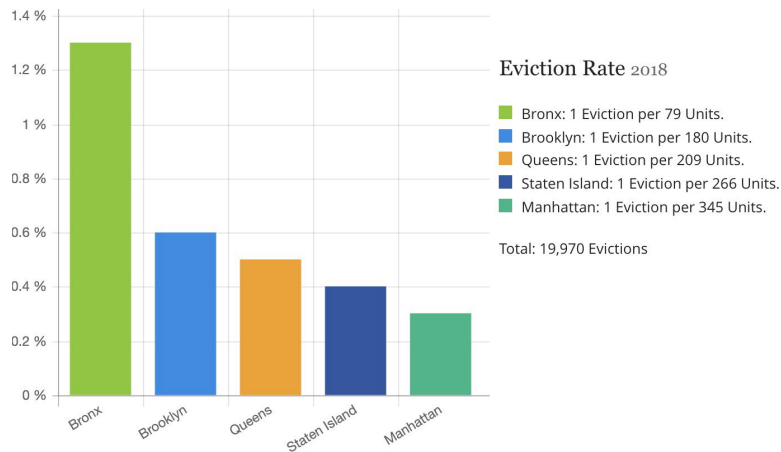
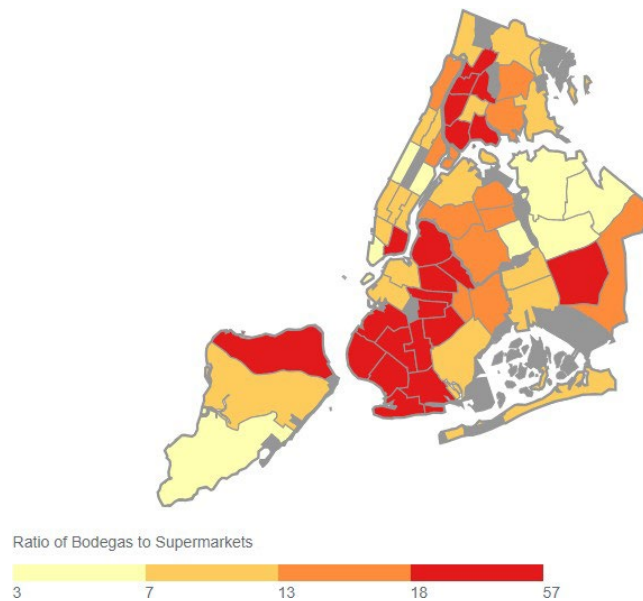


Exhibit 2e: Domestic Violence Victims Reported in 2020 (New York Counties)

		Intimate Partner				
		FEMALE VICTIM	MALE VICTIM	TOTAL	OTHER FAMILY VICTIM	TOTAL
Bronx	Felony Assault	1,260	389	1,649	686	2,335
	Assault 3 & Related Offenses	2,403	547	2,950	1,101	4,051
	Sex Offenses	153	6	159	248	407
	Violation of Protective Order	1,497	186	1,683	384	2,067
	<b>TOTAL</b>	<b>5,313</b>	<b>1,128</b>	<b>6,441</b>	<b>2,419</b>	<b>8,860</b>
Citywide	Felony Assault	3,965	1,162	5,127	2,330	7,457
	Assault 3 & Related Offenses	7,493	1,662	9,155	3,636	12,791
	Sex Offenses	629	24	653	879	1,532
	Violation of Protective Order	6,627	879	7,506	2,194	9,700
	<b>TOTAL</b>	<b>18,714</b>	<b>3,727</b>	<b>22,441</b>	<b>9,039</b>	<b>31,480</b>

Source: NYPD Cognos datawarehouse (as of 6/2021)

Exhibit 2f: Food Insecurity Heatmap



### 3 Financial Analysis

#### Exhibit 3a: Construction Budget Analysis

Gross Area	24,790 SF
Condo Area	18,368 SF
Retail Area	3,553 SF
Year Built	1931

Remodeling Plans	
Number of Regular Units	24
Number of Micro Units	16
Number of Retail Spaces	6
Total Units	46
Average SF per Residential Unit	459 SF

Schedule	14 months
Number of Units (Residential)	40
Foundation Type	Brick
Structure Type	Multifamily
Elevator Openings	N/A
Mechanical System	
Loss Factor (Common & Core)	20%

	<u>Cost Per Unit / SF</u>	<u>Total</u>
Demolition Disconnects		220,000
Plumbing Costs		180,000
<b>Total Construction Costs</b>		<b>\$400,000</b>
Flooring	1.40 / SF	25,715
Cabinetry	1,650.00 / Unit	66,000
Kitchen Counters	650.00 / Unit	26,000
Appliances	2,000.00 / Unit	80,000
Appliance Installation	1,500.00 / Unit	60,000
Painting	1,800.00 / Unit	72,000
Shower glass	500.00 / Unit	20,000
HVAC installation and Metal ducting	5,000.00 / Unit	200,000
Double-pan windows	1,500.00 / Unit	60,000
Mirrors	200.00 / Unit	8,000
Toilet bowls	220.00 / Unit	8,800
Sink	200.00 / Unit	8,000
Tile	8.00 / SF	18,400
Additional bathroom fixtures	220.00 / Unit	8,800
Doors	300.00 / Unit	12,000
Drywall	0.65 / SF	2,990
Common area carpets	2.00 / SF	9,000
Blinds	80.00 / Unit	3,200
Communal Washer/Dryer		3,000
Common area furniture		2,000
Gluing Flooring		80,000
<b>Total Materials Fees</b>		<b>\$773,905</b>
Survey Costs		1,000
Architecture & Permits		190,000
Civil Engineering		110,000
HVAC Engineer		180,000
Real Estate Attorney		75,000
Contractor Fee		75,000
Market Study		7,500
Environmental		50,000
Cost Certificate		12,500
Misc.		30,000
Permitting Fees		30,000
Electric Cost		230,000
<b>Total Professional Fees</b>		<b>\$991,000</b>

Hard Costs		1,478,905
Soft Costs		686,000
Relocation Costs		60,000
Development Fee		500,000
Fee Contingency	10%	272,491
<b>Total Unlevered Costs</b>		<b>\$2,997,396</b>
Financing Fee		\$56,000
Interest Reserve		\$279,835
Operating Reserve		\$0
<b>Total Development Costs</b>		<b>\$8,635,731</b>
Debt		\$5,600,000
Equity		\$3,035,731

### Exhibit 3b: Comparables (Residential)

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Street Address	534 Jackson Ave	531 Tinton Ave	496 Concord Ave	480 Concord Ave
City	Bronx	Bronx	Bronx	Bronx
State	NY	NY	NY	NY
Distance and direction from target	1 block east	1 block west	Same block	1 block south
Year built	1920	2021	1910	1928
Building class	C	A	C	D
Number of floors	5	4	3	6
Residential units	16	34	3	65

#### Recent Rental Listings

Unit	#2C	#8AA	#6A	#4K
Apt type	2 BR / 1 BA	2 BR / 1 BA	2 BR / 1 BA	2 BR / 1 BA
Listing date	3/20/2022	2/15/2022	10/6/2021	3/25/2022
Monthly rent	\$2,150	\$2,200	\$1,950	\$2,000
Square feet	610	650	678	650
Unit	#4B	#2C		#2A
Apt type	2 BR / 1 BA	1 BR / 1 BA		2 BR / 1 BA
Listing date	12/16/2021	2/7/2022		7/7/2021
Monthly rent	\$2,300	\$1,950		\$1,950
Square feet	600	450		600

Source: StreetEasy

### Exhibit 3c: Comparables (Retail)

	Comparable 1	Comparable 2	Comparable 3
Street Address	532 Tinton Ave	824 E 149th Street	776 E 149th Street
City	Bronx	Bronx	Bronx
State	New York	New York	New York
Distance and direction from target	2 blocks east	3 blocks east	1 block east
Year built	1925	1925	1931
Building class	C	C	B
<b>Recent Leases</b>			
Space type	Retail	Retail	Retail
Lease commencement	5/1/2017	1/1/2016	9/1/2017
Lease type	Net	Modified Gross	Net
Lease term	5 years	5 years	5 years
Square feet	320	300	840
Base rent	\$50.36	\$80.00	\$29.58
Current rent	\$50.36	\$80.00	\$31.36
Rent bump	N/A	N/A	3% per year
Tenant industry	Utilities	Apparel	Non-profit

Source: CompStak

### Exhibit 3d: Financial Analysis Inputs & Drivers

Property Characteristics:		Leasing Terms:				
Square feet:	24,790	Residential				
Purchase price:	\$5,250,000	Lease term	1			
Land value:	\$90,000	Months free rent	0			
Closing costs	1.0%	Retail				
Year built	1931	Lease term	5			
Residential NRA	18,368	Months free rent	3			
Retail NRA	3,553					
Tax Information:		Leasing Costs:				
Depreciable lifetime:	39	Leasing comissions	4.0%			
Depreciation (straight line)	SL					
Use loss-offsets?	No	Growth Projections:				
Marginal income tax rate:	25.7%	Rent growth	3.0%			
Capital gains tax rate:		Operating expenses growth	4.0%			
Appreciation:	20.0%	Property taxes growth	3.0%			
Depreciation:	25.0%					
NYC Green Roof Tax Abatement						
Tax abatement / SF	\$15.00					
Maximum tax abatement	\$200,000					
Roof size (square feet)	2,000					
Sale Information:						
Going-out cap rate:	6.5%					
Sales expenses:	2.0%					
Unit Mix:						
Type	Average Size	Count	% of Total			
Micro Units	275	16	40.0%			
1 BR, 1 BA	430	15	37.5%			
2 BR, 1 BA	725	6	15.0%			
3 BR, 2 BA	1,056	3	7.5%			
Avg Size / Total Count	459	40	100%			
Renovation Information:						
Renovation timeline	14 months					
Residential						
Avg units renovated / month	3.33	<u>Start</u>	<u>End</u> <u>Duration</u>			
Micro Units		Month 1	Month 5 5 months			
1 BR, 1 BA		Month 6	Month 11 6 months			
2 BR, 1 BA		Month 7	Month 12 6 months			
3 BR, 2 BA		Month 12	Month 13 2 months			
Avg relocation cost / unit / month	\$1,500					
Months free rent	3					
Retail						
Units renovated / month	2.5	<u>Start</u> Month 13	<u>End</u> Month 14 <u>Duration</u> 2 months			
Income/Expense Information:						
Period:	1	2	3	4	5	6
Residential						
In-place Gross rent (psf)	\$30.00					
Gross rent (psf)	\$43.20	\$44.50	\$45.83	\$47.21	\$48.62	\$50.08
Vacancy rate:	10.0%	9.0%	8.0%	7.0%	7.0%	7.0%
Lease-up effective rent:	\$43.20	\$44.50	\$45.83	\$47.21	\$48.62	\$50.08
Retail						
In-place Gross rent (psf)	\$57.75					
Gross rent (psf)	\$53.00	\$54.59	\$56.23	\$57.91	\$59.65	\$61.44
Vacancy rate:	10.0%	9.0%	8.0%	7.0%	7.0%	7.0%
Lease-up effective rent:	\$50.35	\$51.86	\$53.42	\$55.02	\$56.67	\$58.37
Collection loss:	0%	0%	0%	0%	0%	0%
Concessions:	\$0	\$0	\$0	\$0	\$0	\$0
Leasing commissions	\$715	\$736	\$758	\$0	\$0	\$0
Expense recovery:	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Operating expenses (psf)	\$11.00	\$11.44	\$11.90	\$12.37	\$12.87	\$13.38
Property taxes	\$73,981	\$76,200	\$78,486	\$80,841	\$83,266	\$85,764
Replacement reserve	1.0% of gross revenues					



### Exhibit 3e: Financial Analysis Financing Assumptions

#### Traditional Financing:

Construction Loan						
Amount:	\$5,600,000	Loan-to-Cost		65%		
Interest rate:	6.50%					
Term:	36 months					
Amortization period:	30 years					
Interest only period:	36 months					
Origination fee:	1.00%					
Equity required	\$3,035,731					
Refinancing						
LTV	70%					
Cap Rate	7.00%					
Amount:	\$5,936,058					
Interest rate:	5.00%					
Term:	10 years					
Amortization period:	30 years					
Points:	0.0%					
Period:	1	2	3	4	5	6
Payment:	\$386,149	\$386,149	\$386,149	\$386,149	\$386,149	\$386,149
Interest:	\$296,803	\$292,336	\$287,645	\$282,720	\$277,548	\$272,118
Principal:	\$89,346	\$93,814	\$98,504	\$103,429	\$108,601	\$114,031
Loan Balance (end of year):	\$5,846,712	\$5,752,899	\$5,654,394	\$5,550,965	\$5,442,364	\$5,328,333
Points:	\$0					

#### C-PACE Financing:

Green roof	\$30,000					
Solar panel	\$80,000					
Paint	\$7,500					
Total Amount	\$117,500					
Interest rate:	6.00%					
Term:	10 years					
Amortization period:	25 years					
<b>Period:</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
Payment:	\$9,192	\$9,192	\$9,192	\$9,192	\$9,192	\$9,192
Interest:	\$7,050	\$6,922	\$6,785	\$6,641	\$6,488	\$6,326
Principal:	\$2,142	\$2,270	\$2,406	\$2,551	\$2,704	\$2,866
Loan Balance (end of year):	\$115,358	\$113,088	\$110,682	\$108,131	\$105,427	\$102,561

#### ConEd Subsidy:

Energy audit cost	\$10,000					
Cost share	75%	50% when audit is complete and another 25% when retrofits begin				
Subsidy per unit	\$1,500					

### Exhibit 3f: Projected Cash Flow from Operations

Period:	0	1	2	3	4	5
Residential Potential Gross Rent		\$647,121	\$654,151	\$640,166	\$659,371	\$679,152
Micro Unit Partnership Gross Rent		\$110,880	\$190,080	\$190,080	\$190,080	\$190,080
Retail Potential Gross Rent		\$188,309	\$156,924	\$188,309	\$188,309	\$188,309
+ Expense reimbursement		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
= Potential Gross Revenue		\$946,310	\$1,001,155	\$1,018,555	\$1,037,760	\$1,057,541
- Vacancy		(\$83,543)	(\$72,997)	(\$66,278)	(\$59,338)	(\$60,722)
- Collection loss		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
= Effective Gross Revenue		\$862,767	\$928,158	\$952,277	\$978,422	\$996,819
- Operating expenses		(\$241,131)	(\$250,776)	(\$260,807)	(\$271,240)	(\$282,089)
- Real estate (property) taxes		(\$73,981)	(\$76,200)	(\$78,486)	(\$80,841)	(\$83,266)
- PACE repayment		(\$9,192)	(\$9,192)	(\$9,192)	(\$9,192)	(\$9,192)
- Replacement reserve		(\$9,463)	(\$10,012)	(\$10,186)	(\$10,378)	(\$10,575)
= Net Operating Income (NOI):		\$529,000	\$581,978	\$593,606	\$606,772	\$611,696
- Acquisition cost	(\$5,302,500)					
- Hard costs		(\$1,626,796)				
- Soft costs		(\$754,600)				
- Development fee		(\$550,000)				
- Relocation costs		(\$62,700)	(\$3,300)			
- Concessions		(\$77,669)	\$0	\$0	\$0	\$0
- Leasing costs		(\$715)	(\$736)	(\$758)	\$0	\$0
- Energy audit costs		(\$7,500)				
+ ConEd subsidy			\$60,000			
- CapX, Tis		(\$8,500)	\$0	\$0	\$0	\$0
=Unlevered Before-tax cash flow	(\$5,302,500)	(\$2,559,479)	\$637,942	\$592,847	\$606,772	\$611,696
+ Loan funding	\$2,322,769	\$3,273,931	\$5,939,358	\$0	\$0	\$0
- Interest expense	\$0	(\$279,835)	(\$165)	(\$296,803)	(\$292,336)	(\$287,645)
- Loan payoff	\$0	\$0	(\$5,600,000)	(\$89,346)	(\$93,814)	(\$98,504)
=Levered Before-tax cash flow	(\$2,979,731)	\$434,616	\$977,135	\$206,698	\$220,623	\$225,547
+ Principal repayment		\$0	\$0	(\$89,346)	(\$93,814)	(\$98,504)
- Depreciation (structure)		(\$132,308)	(\$132,308)	(\$132,308)	(\$132,308)	(\$132,308)
- Depreciation (TI, CapX,...)		(\$8,500)	\$0	\$0	\$0	\$0
- Amortization (leasing costs, points, ..)		\$0	(\$9,215)	(\$736)	(\$758)	\$0
+ Replacement reserve		\$9,463	\$10,012	\$10,186	\$10,378	\$10,575
+ CapX, TIs, Leasing costs		(\$9,215)	(\$736)	(\$758)	\$0	\$0
= Taxable income		\$294,057	\$844,888	(\$6,265)	\$4,121	\$5,311
loss carryforward from previous year		\$0	\$0	\$0	(\$6,265)	(\$2,143)
= Taxable income (after carryforward)		\$294,057	\$844,888	\$0	\$0	\$3,167
* Tax rate		25.7%	25.7%	25.7%	25.7%	25.7%
= Tax bill before tax abatement		\$75,573	\$217,136	\$0	\$0	\$814
- Tax abatement		(\$30,000)	\$0	\$0	\$0	\$0
= Tax bill after tax abatement		\$45,573	\$217,136	\$0	\$0	\$814
Before-tax cash flow		\$434,616	\$977,135	\$206,698	\$220,623	\$225,547
- Tax bill after tax abatement		(\$45,573)	(\$217,136)	\$0	\$0	(\$814)
= After-tax cash flow		\$389,044	\$759,999	\$206,698	\$220,623	\$224,733

### Exhibit 3g: Projected Cash Flow from Sales

Gross sale price (Forward NOI: \$674,225, Exit Cap: 6.5%)	\$10,372,685
- Deductible sales expenses	(\$207,454)
= Net sale price	\$10,165,231
+ Unused Replacement Reserve	\$0
- Mortgage balance	(\$5,654,394)
= BTCF at sale	\$4,510,837
- Tax bill at sale	(\$1,142,592)
= ATCF at sale	\$3,368,245
= Tax Basis	\$4,617,656
Unused carryforwards	\$0
(Capital Gain=Net sale price-Tax Basis-Unused carryforwards)	
Capital Gain	\$5,547,575
= Depreciation component	\$661,538
= Appreciation component	\$4,886,037
Depreciation tax	25% \$165,385
Appreciation tax	20% \$977,207
Tax bill at sale	\$1,142,592

### Exhibit 3h: Projected Returns

#### After-tax:

Period:	0	1	2	3	4	5
Equity investment	(\$3,035,731)					
ATCF from operations		\$389,044	\$759,999	\$206,698	\$220,623	\$224,733
ATCF from sale						\$3,368,245
Cash flow (AT)	(\$3,035,731)	\$389,044	\$759,999	\$206,698	\$220,623	\$3,592,978
AT IRR	14.3%					
Profit	\$2,133,611					
Multiple	1.7x					

#### Before-tax:

Period:	0	1	2	3	4	5
Equity investment	(\$3,035,731)					
BTCF from operations		\$434,616	\$977,135	\$206,698	\$220,623	\$225,547
BTCF from sale						\$4,510,837
Cash flow (BT)	(\$3,035,731)	\$434,616	\$977,135	\$206,698	\$220,623	\$4,736,384
BT IRR	21.4%					
Profit	\$3,539,726					
Multiple	2.17x					

### Exhibit 3i: Sources & Uses

Uses		Sources	
Purchase Price	\$5,250,000	Equity	\$3,035,731
Closing Costs	\$52,500	Debt	\$5,600,000
Hard Costs	\$1,626,796	C-PACE	\$117,500
Soft Costs	\$754,600	Operating Cash Flows	\$0
Development Fee	\$550,000		
Relocation Costs	\$66,000		
Financing Costs	\$335,835		
Clean Energy Renovations	\$117,500		
<b>Total Uses</b>	<b>\$8,753,231</b>	<b>Total Sources</b>	<b>\$8,753,231</b>