



Broad Street Commons: Revitalization of Newark’s Four Corners

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540 Broad Street building is located in Newark, New Jersey, Four Corners District, an area in its Downtown that is undergoing rapid construction and demographic change. The art deco building was built in 1929 as a Bell Telephone Company Headquarters building and was added to the National Register of Historic Places in 2005. Our firm, Red Oak Capital LLP, has determined that there are still many opportunities to find well-priced assets in the Newark up-and-coming market. We are the equity partner working with L+M Development Partners seeking to redevelop this landmark building. Red Oak and the city of Newark are excited to help revitalize this vibrant downtown urban center.

Red Oak has recently secured financing to renovate this historic building into a mixed use, mixed income development. As a 21-story property, it has approximately 443,000 gross square foot (gsf) of total area with 269,000 gsf of office space to be converted into residential, 26,000 gsf of ground floor retail, 45,000 gsf of commercial between floors 2 through 4, and 25,000 gsf of storage on the 5th floor that will continue to be leased long-term to Verizon for a data center. With a total of 340 residential units, the developed 540 Broad Street will provide 68 affordable units to residents earning 60% of Area Median Income (AMI). This will enable the project to realize true impact in the Downtown Newark Community as well as comply with Newark’s affordable housing ordinance passed in October 2017. Furthermore, 540 Broad is set to host a jobs training program office, health service center, and health fitness center to better serve the numerous needs of the local community in multifaceted ways.

This project returns a 20% IRR after a nine year hold (seven years after construction completion), with a total equity investment of \$27 million, all of which will be returned at permanent conversion (Year 2). In order to maximize the impact discussed above, the project will utilize Low Income Housing Tax Credits (LIHTC), Historic Tax Credits (HTC), and EB-5 financing. The total project development cost will be \$146 million, including additional construction funds to achieve LEED and WELL certification. Our analysis has shown that after construction completion there will be ample cash flow to cover debt service and provide a handsome return to the investor.

Impact Highlights:
68 Units of Affordable Housing Affordable primary health care (FQHC) Jobs training center, low-cost gym facilities LEED/WELL certified
Financial Highlights:
20.31% IRR, 9 yr hold Initial equity fully returned in Year 2 Avg Free Cash Flow \$1.5mm, Avg DSCR 1.24x

Overall, the Broad Street Commons development project achieves all our required investment benchmarks for returns. Not only are we incorporating social impact through a jobs training program office, health service center, and health fitness center, but Red Oak has also ensured that the redevelopment incorporates top-notch attention to detail in every single residential unit throughout the building, including all 68 affordable units for low-income families. With great financials and providing amazing social impact with a fantastic location, Broad Street Commons will help revitalize Newark’s Four Corners District Downtown and help Newark become a residential destination for all demographics.

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Broad Street Commons
540 Broad Street
Newark, NJ

Introduction

We are Red Oak Capital LLP and we are excited to introduce our new project located at 540 Broad Street, Newark, New Jersey (Exhibit A). We are partnering with the developer L+M Development Partners to create a transit oriented development to address a wide array of neighborhood needs on the north side of the Four Corners district in the downtown area of Newark. The project has recently secured financing to revitalize the downtown area by promoting a mixed use, mixed income development. The art deco building was built in 1929 as New Jersey Bell Telephone Company Headquarters building and was subsequently sold to Verizon Communications. It was added to the National Register of Historic Places in 2005.

Currently, the development on the project site includes a 21 story, approximately 443,000 gross square foot (gsf) of total area with 26,000 gsf of ground floor retail, 45,000 gsf of commercial on floors 2 through 4, 25,000 gsf of storage on the 5th floor, and 269,000 gsf of office space above (stacking plan in Exhibit C). The 25,000 gsf storage space on 5th floor is currently leased to Verizon as a data center and will remain during renovation. Part of the roof is also leased to Verizon for its cell tower. The rest of the building is currently vacant. The office space will be repurposed to create 340 residential units. Of these units, 68 (20% of total units) will be affordable to people whose income are within 60% of the Area Median Income. The commercial area on the lower floors offers flexibility to partner with regional for-profit and non-profits organizations to create a high impact and high return investment opportunity.

Four Corners District

Located near the intersection of Market and Broad Streets, the Four Corners district (Exhibit B) has been a historic thoroughfare for business and culture. Local amenities including charter schools, universities, library, health care facilities, bank and museum are located within walking distance from the project site. The neighborhood is also well served by transit, as it is near the Washington Park light Rail Station and Newark Penn Station. The location is prime for transit oriented development as it is located near the downtown Newark area, Newark Airport, and within a 25-minute train ride from New York City (Exhibit D). A large open space Washington Park is located across Broad Street to create a vibrant and quiet neighborhood character.

The project site is located within the boundary of the Broad Street Station District Plan. Newark Department of City Planning has identified area around the Four Corners district as a prime area to reuse existing building and infrastructure to promote residential and economic growth in the downtown area. Our project site is located on the north end of the Four Corners neighborhood near entertainment and culture centers and our redevelopment plan aligns perfectly with the city's neighborhood plan.

Impact Consideration

As responsible investors with the intent of helping lift Newark out of poverty, Red Oak has met with community leaders to understand the needs of the local populace. Our goal is to drive positive social and environmental impact for the community, environment, and investors.

Social Impact

- Affordable housing: 20% of the building's units will serve families whose annual income is at 60% AMI, providing quality living to residents of the Newark community. This area is currently undergoing a revitalization, which is typically accompanied by gentrification, so our project will help stem the displacement of low-income residents from the neighborhood.
- Jobs training program to add skilled labor to the workforce: create flexible leasing option for the City of Newark to use part of our commercial space as classrooms to provide necessary training for youth between the age 14 and 24 to land local internship positions. We are pursuing a partnership with Newark Youth One Stop and Career Center, a non-profit located on the same block as the proposed redevelopment, which is seeking locations for expansion to serve more clients.
- Preservation of Art Deco architecture: As shown in Exhibit A, the detail work of the façade has worn off over the years. Part of the construction budget will be placed to restore the details of the historic landmark to its former glory, including the lobby and exteriors facade.
- Neighborhood Amenities: We also seek to partner with a low-cost gym, such as Planet Fitness to open a public gym in the basement to encourage healthy living for the building's tenants and the general public.
- Public Health: Partner with non-profit, federally qualified health center (FQHC) within our commercial floor area to provide primary care services for in-need residents and locals, regardless of the income, focusing on primary and childhood care.

Environmental Impact

- Clean Energy installation on roof: We are also looking to partner with Rutgers EcoComplex, a local renewable energy innovation center, that is seeking for roof space to test entrepreneurial technologies such as modern wind turbines and/or solar panels. The goal of this installation is to partially offset the carbon footprint generated by the building, especially for the Verizon data center. We can potentially ask Verizon to fund the capital expenditure for the installation if the technology can offset substantial energy costs.
- LEED+WELL certification: Since the building will be converted from office space to residential space, we will take the opportunity to also convert to a more environmentally friendly building with the LEED certifications by installing efficient water faucets to reduce water usage and switches and Nest thermostats to reduce the electricity usage. The WELL building standard will encourage tenant health with easily accessible staircases and healthy sleep patterns.

Market analysis

Newark is the largest city in New Jersey with a population of 281,000 people in 2015 according to the Census Bureau (1.7% growth since 2010). The city is located 25 minutes west of New York City along New Jersey Transit Commuter Rail via Broad Street Station (Exhibit D) or Newark's Pennsylvania Station. Newark has two light rail lines and many buses that connect the downtown to the outer areas of Newark. In addition to the proximity to NYC, Newark is New Jersey's primary commercial hub with many corporate headquarters including Prudential, PSEG, Panasonic Corporation of North America, and more recently, Audible.com. Over 147,000 office workers descend on downtown Newark each day. Six higher education institutions serve over 60,000 students in Newark, including the new Newark campus of Rutgers University (which includes law school, medical school, and Jazz Studies program); the New Jersey Institute of Technology; and Seton Hall University's law

school. In addition, Newark is home to the Newark International Airport which employs over 20,000 people and the Port Newark-Elizabeth Marine Terminal which employs 200,000 people. The port is part of the largest seaport on the East Coast and has increased the number of employees by over 30% in the last five years following an expansion to allow Panamax size ships.

Newark’s attractiveness as a NYC suburb has attracted significant development with over 3,100 rental units under construction. HUD estimates rental demand to increase to over 6,000 units by the end of 2018 with the majority of demand falling in the mid-range pricing which will include the market rate rents at 540 Broad. New developments in downtown Newark range from the luxury apartments at Hahne & Co. which start at \$1,900 for a one-bedroom to the Teacher’s Village which markets to teachers and staff of the three on-site charter schools. 540 Broad will help decrease the gap between demand and current units under construction.

Following months of debate, the Newark City Council passed an affordable housing ordinance in October 2017 requiring new residential developments to provide at least 20% affordable housing for low-income residents. Developers can also pay into the city's affordable housing trust fund in lieu of providing affordable units. The approved ordinance sets aside housing for those earning from 40 percent of the area's median income to 80 percent. The AMI for a four-person family is \$94,200 as calculated from all households within Essex County by HUD, but Newark has a significantly lower AMI as a city. Red Oak will help reduce the impact of the affordable housing shortage often related to development. Newark has also planned expansions for its youth and adult job training and placement services primarily targeting the low-income populace.

Financial Analysis

As summarized in the table to the right, the Broad Street Commons project will return a 20.31% IRR and 1.12 equity multiple after a nine year total hold (seven years after construction completion), with a total equity investment of \$27 million.

The building contains 365,000 square feet of total rentable space, however since Verizon will maintain its 25,000 square foot lease on the fourth floor, our analysis contemplates renovating the remaining 340,000 square feet. We will purchase the building for \$16.5 million, in a sale leaseback agreement with Verizon who currently owns the building. We used a blended hard cost per square foot of \$236, informed by comparable cost estimates from RSMeans, a leading provider of construction cost data in the US.¹ Other significant costs include capitalized interest over the 24 month construction period and 12 month lease up period, totaling \$9.7 million, an additional \$1.5 million of hard costs to achieve LEED/WELL certification, and a 5% developer fee, which will be split between Red Oak and L+M. See Exhibit E for full development budget.

Financial Summary	
Returns	20.31% IRR, 1.12 Equity Multiple, 1.24x DSCR
Development Budget	\$ 16.5 million - Acquisition (\$49/GSF) \$ 80 million - Total Hard Costs (\$236/GSF) \$ 27 million - Total Soft Costs (\$80/GSF) \$ 15 million - Financing Costs (\$45/GSF) \$ 7 million - Reserves and Fees (\$20/GSF) \$145.5 million
Permanent Sources	\$ 85 million - First Mortgage \$ 39 million - EB-5 Loan \$ 16.5 million - HTC Equity \$ 5 million - LIHTC Equity \$145.5 million
Pro Forma	\$ 27 million - Initial Equity Investment \$ 1.5 million - Average Free Cash Flow \$ 19 million - Net Sales Proceeds

¹ <http://evstudio.com/construction-cost-per-square-foot-for-multifamily-apartments-2012/comment-page-1/#comments>

During construction, the developer will draw on its bond issue to cover 50% of the total development costs (\$73 million). LIHTC regulation stipulate that 10% of the committed equity can be contributed to the project during construction (\$0.5 million), while HTC regulations withhold the entire investment until construction completion. A further \$39 million will be invested in the form of EB-5 debt.² After accounting for a deferment of payment on the developer fee, only \$27 million of the development budget remains unfunded, which is covered by the Red Oak equity investment.

Upon construction completion, the project will be able to draw down on the remaining proceeds from its bond issuance up to an LTV of 75%, for a total outstanding of \$85.0 million. Simultaneously, the remaining LIHTC and HTC equity is contributed to the project (\$21.6 million). This allows both the initial equity investment and the deferred development fee to be paid out. Please see Exhibit F for a full sources and uses breakdown.

Our building will contain a combination of residential units, and commercial and retail space, with the tenant mix described above. The residential component will be on floors 6-20, totaling 340 units, 20% of which will be affordable (68) at 60% AMI. Affordable units will be rented at the appropriate percentage of FMR, using 2017 data from the HUD User Database, while rent per market rate apartment will average \$2,285 per month, in line with rents currently on the market. See Exhibit G for more detail.

For our commercial and retail leases, totaling 96,000 square feet, we have assumed \$25 per square foot per year (NNN), which is in line with market data. According to Loopnet data, commercial leases in the area range between \$21-30/sqft/year, and while our space will have a variety of uses, it will also be newly renovated and fit out to our tenant’s specification. See Exhibit H for market survey data.

The pro forma financials can be found in Exhibit I. Our analysis demonstrates a baseline EGI of \$11.0 million, while holding a 7% residential vacancy and a 12% commercial and retail vacancy (conservative relative to market, see Exhibit J). We have also accounted for standard building operating expenses, including a 3% management fee, wages for a super and doorman, property insurance, and repairs and maintenance allowance of \$0.75/GSF/year. Note that we have assumed no real estate taxes since we anticipate obtaining financing through New Jersey Housing and Mortgage Finance Agency (NJHMFA) which is accompanied by a full tax abatement throughout the duration of the mortgage. This results in baseline NOI of \$7.2 million when we achieve full occupancy in year 4.

Baseline Pro Forma Summary	
EGI	\$11.0 million
Vacancy	\$ (0.8) million
Operating Expenses	\$ 3.0 million
NOI	\$ 7.2 million
Total Debt Service	\$ 6.0 million
Cash Flow	\$ 1.2 million

The pro forma assumes a 3% increase in market rent, but 2% increase in affordable rent since such increases are tightly governed by regulatory contracts and federal and state laws. We have assumed no rental revenue for the residential, commercial, and retail spaces, except for the Verizon space which will be continually occupied during the construction. Accordingly, operating expenses have been scaled down to reflect this lower occupancy, and no debt service (except for the EB-5 debt) will be paid during that time as interest is capitalized during construction. This results in an average cash flow (after construction completion) of \$1.5 million per year, average debt service coverage ratio (DSCR) of 1.24x, and average gross revenue to total expense (OpEx and debt service) of 1.17x.

² This project is anticipated to create 781 construction and permanent jobs, and according to [EB-5 guidelines](#), that entitles the project to a maximum of 78 EB-5 investments, which usually are sized at \$0.5 million, for a total of \$39 million

We anticipate selling the property in year 9, assuming a cap rate of 6.5%, which is above today's market rate in Newark (see Exhibit K). After repaying both the first mortgage and EB-5 loan, gross profit for the project will be \$30.8 million, resulting in a 20.31% IRR and a 1.12x equity multiple. We believe this to be a strong, risk-adjusted return, as the project doesn't hold as much risk as a ground-up development would, and is located in a neighborhood in Newark that is primed for growth. Furthermore, our mix of residential and commercial tenants provides a diversity stream of revenue while also co-locating residents with the services and amenities they will need in their daily lives.

SWOT Analysis

Strengths

- Ease and speed of transit connections within Newark and to NYC/local region
- Guaranteed rent from Verizon for one floor during construction
- Positive publicity for revitalizing a vacant historic landmark from empty office building
- Public park across the street from the site with community activities in the summer
- Provides community services such as job training, healthcare, and fitness center

Weaknesses

- Market rate rents are higher than current average Newark rent of ~\$1000 but in line with new comparables (Exhibit G) in the Four Corners area
- Public concern about gentrification as low-income families struggle to afford rising rent expenses, even at our affordable unit prices
- Crime reputation - Crime rates are down to their lowest levels since before the race riots of 1967 with a 13% drop from 2015 to 2016, but despite significant progress Newark still holds a reputation as a dangerous city

Opportunities

- Complimentary downtown developments such as Hahne's Department Store (now Whole Foods, restaurant, and Rutgers arts studio/gallery) and Teacher's Village (three charter schools)
- Increasing number corporate presence and higher education facilities
- Percentage of affordable units meets the new city ordinance to help reduce the displacement that often comes with gentrification and lessens the potential for community opposition to the development

Threats

- Many residential developments planned in downtown Newark - could be oversupply but we anticipate rising demand
- Extensive gut renovation required leaving many unknowns (asbestos, galvanized steel) until demolition occurs
- Potential unforeseeable shift in financial markets that affects construction financing
- Community activism that causes costly changes in building requirements
- Permitting/zoning costs as we transition this historic landmark from office to primarily residential

Conclusion

Newark, New Jersey and the Four Corners neighborhood is undergoing a significant revitalization after many years of neglect and disinvestment. Now, through vast public and private efforts, developers are beginning to see the immense value that once lied in this city and are investing millions of dollars into realizing that value again. However, an unfortunate side effect of such efforts is the rapid gentrification of Newark that is already underway, and with it the potential displacement of scores of low-income residents that have called Newark home for generations.

Our project at 540 Broad in downtown Newark takes advantage of this tidal wave of investment, while still providing for its current residents. The development will add 68 units of affordable housing to residents earning 60% of Area Median Income (AMI), out of the 340 units slated for construction. Co-located at the site will be a Federally Qualified Healthcare Facility (FQHC), specializing in primary and childhood care, as well as an expansion of the Newark Youth One Stop and Career Center for local youth to start meaningful careers or vocations.

Once renovation is completed, the building will also provide environmental benefits to the community, as we will seek LEED/WELL certification for energy and water usage. Furthermore, collaborating with the nearby Rutgers Eco Complex, we will install renewable energy infrastructure on the roof to reduce the building's reliance on grid power. This also speaks to the financial considerations of the project, as we project a 20% IRR over the 9-year hold period with an equity multiple of 1.2x.

Overall, the Broad Street Commons project will bring much needed housing, services, and amenities to a neighborhood that could see significant socioeconomic changes over the next decade, while providing risk adjusted returns to the firm. We will ensure that while Newark leverages a fortuitous influx of investment capital, the city's low-income neighborhoods are also able to take advantage of this revitalization.

Appendices: Location Map, Photographs and Other Supporting documentation

Exhibit A: 540 Broad Street (from Washington Park) and partial detail view of facade



Exhibit B: Newark City Planning's vision near the Four Corners District

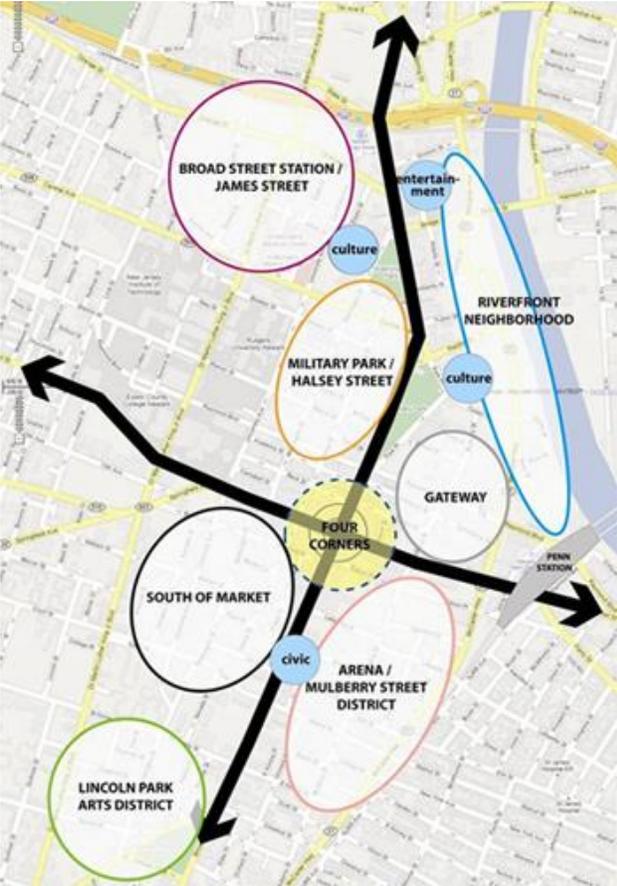


Exhibit C: Stacking Plan

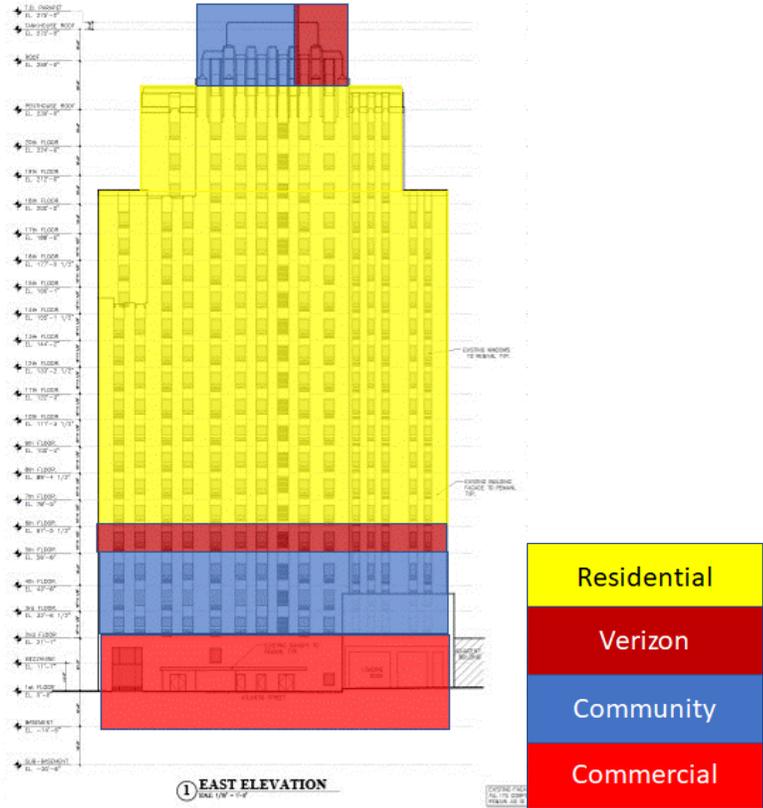


Exhibit D: Public Transportation (NJ Transit) commute to NY Pennsylvania Station is 25 minutes

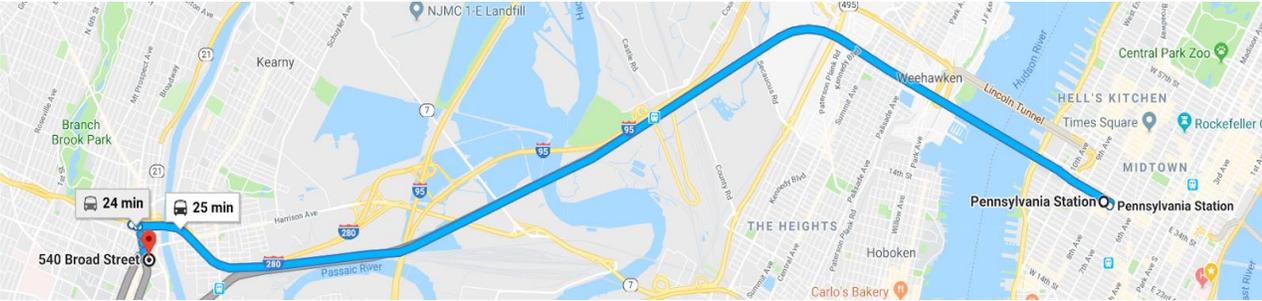


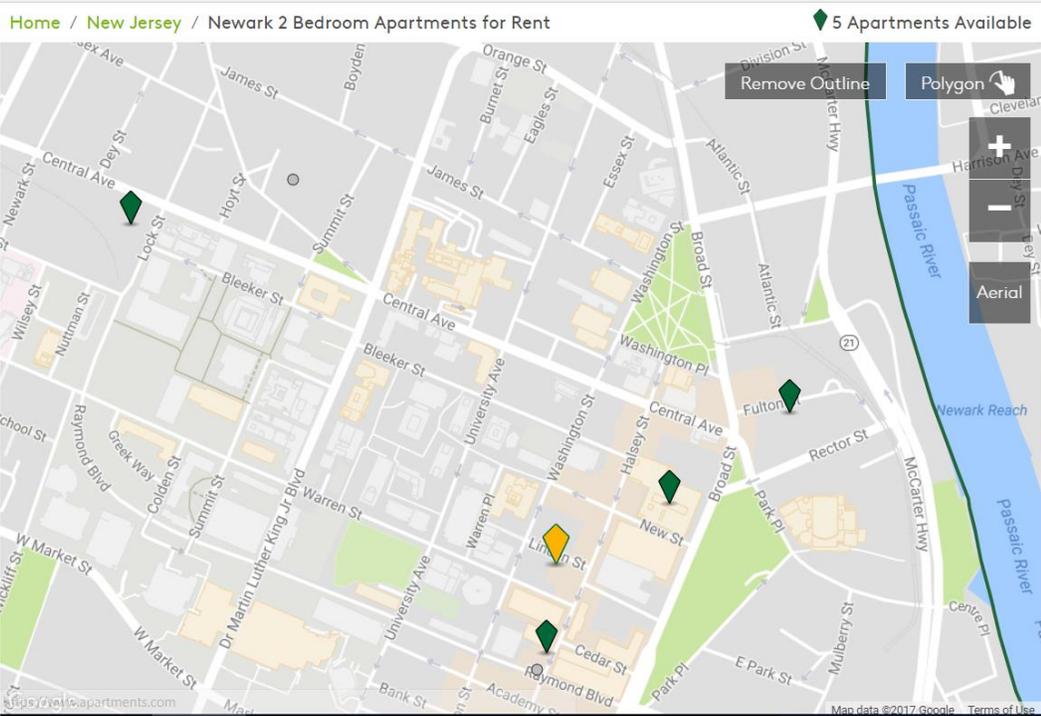
Exhibit E: Development Budget

Acquisition	Assumptions	Total	Total Per GSF
Acquisition Costs - Land Basis		\$ 16,500,000	\$ 49
SUM OF ACQUISITION		\$ 16,500,000	\$ 49
Hard Costs			
Construction Hard Costs - Residential	225.00 psf	\$ 60,525,000	\$ 178
Construction Hard Costs - Commercial	195.00 psf	\$ 8,775,000	\$ 26
Construction Hard Costs - Tenant Improvements	30.00 psf	\$ 1,350,000	\$ 4
Construction Hard Costs - Retail	225.00 psf	\$ 5,850,000	\$ 17
SUBTOTAL HARD COSTS		\$ 76,500,000	\$ 225
Hard Cost Contingency	5.0% of HC	\$ 3,825,000	\$ 11
SUM OF HARD COSTS		\$ 80,325,000	\$ 236
Soft Costs			
			\$ -
ACCOUNTING AND LEGAL		\$ 1,208,391	\$ 4
THIRD PARTY REPORTS		\$ 1,246,753	\$ 4
ARCHITECTURE AND ENGINEERING		\$ 10,962,219	\$ 32
INSURANCE		\$ 6,469,689	\$ 19
PERMITS AND FEES		\$ 479,904	\$ 1
TAXES AND RELATED		\$ 104,191	\$ 0
SITE COSTS		\$ 690,509	\$ 2
MARKETING		\$ 1,884,911	\$ 6
UTILITIES		\$ 575,424	\$ 2
TITLE		\$ 3,224,391	\$ 9
LEED Certification Costs	1.5% of Resi HC	\$ 907,875	\$ 3
WELL BUILDING IMPROVEMENTS	1.0% of Resi HC	\$ 605,250	\$ 2
OTHER SOFT COSTS		\$ 191,808	\$ 1
Soft Cost Contingency	5.0% of SC	\$ 1,427,566	\$ 4
SUM OF SOFT COSTS		\$ 27,038,191	\$ 80
Financing and Related Costs			
			Total
Loan Interest		\$ 9,666,077	\$ 28
Tax Credit Fees	6.00% of ann credit	\$ 29,693	\$ 0
Lender Fees - Constr. Commitment	1.00% of LC	\$ 856,209	\$ 3
Lender Fees - L/C Fee (Term: 36 months)	1.15% of LC	\$ 2,953,921	\$ 9
Bond Issuer, Commitment Fee	0.75% of 1st Constr	\$ 548,025	\$ 2
Bond Issuer, Cost of Issuance - NJHMFA	0.672% of 1st Constr	\$ 491,030	\$ 1
EB-5 Closing Fee	2.00% of EB-5 Loans	\$ 780,000	\$ 2
SUM OF FINANCING COSTS		\$ 15,324,955	\$ 45
Reserves and Developer Fee			
			Total
Operating Reserve	\$2.25 psf	\$ 821,250	\$ 2
Developer Fee	5.0%	\$ 6,134,000	\$ 18
SUBTOTAL RESERVES AND FEE		\$ 6,955,250	\$ 20
TOTAL DEVELOPMENT COSTS		\$ 146,143,396	\$ 430

Exhibit F – Sources and Uses

Sources of Funds - Construction		Total	% Total	Per GSF
1st Mortgage - Constr Loan	50.0%	73,070,000	50.0%	200.19
2nd Mortgage - HDC Subsidy	100.0%	-	0.0%	-
3rd Mortgage - HPD Subsidy	100.0%	-	0.0%	-
EB-5 Investment	100.0%	39,000,000	26.7%	106.85
Historic Tax Credit Equity		-	0.0%	-
Low Income Tax Credit Equity	10.0%	519,573	0.4%	1.42
Deferred Dev Fee		6,134,000	4.2%	16.81
Funding Gap - Developer Equity		27,419,823	18.8%	75.12
TOTAL SOURCES		146,143,396	100.0%	400.39
Sources of Funds - Permanent				
1st Mortgage - Perm Loan		84,976,498	58.1%	232.81
2nd Mortgage - HDC Subsidy		-	0.0%	-
3rd Mortgage - HPD Subsidy		-	0.0%	-
EB-5 Investment		39,000,000	26.7%	106.85
Historic Tax Credit Equity		16,971,170	11.6%	46.50
Low Income Tax Credit Equity		5,195,728	3.6%	14.23
Deferred Dev Fee	0.0%	-	0.0%	-
Funding Gap - Developer Equity		-	0.0%	-
TOTAL SOURCES		146,143,396	100.0%	400.39
Uses of Funds				
Acquisition Costs		16,500,000	11.3%	45.21
Hard Costs		80,325,000	55.0%	220.07
Soft Costs		27,038,191	18.5%	74.08
Financing		15,324,955	10.5%	41.99
Reserves		821,250	0.6%	2.25
Developer Fee		6,134,000	4.2%	16.81
TOTAL USES		146,143,396	100.0%	400.39

Exhibit G – Residential Lease Comps





\$2,330 - 2,800

2 Bed
Not Available

📞 862-267-0679

[Email Property](#)



125 Halsey St
Newark, NJ 07102

\$2,199 | 2 Bed Available Now

[Email Property](#) | 📞 844-767-1156



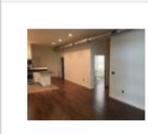


19 Fulton St Unit 2
Newark, NJ 07102

\$2,000 | 2 Bed Available Now

🕒 11 HRS





91 Halsey St
Newark, NJ 07102

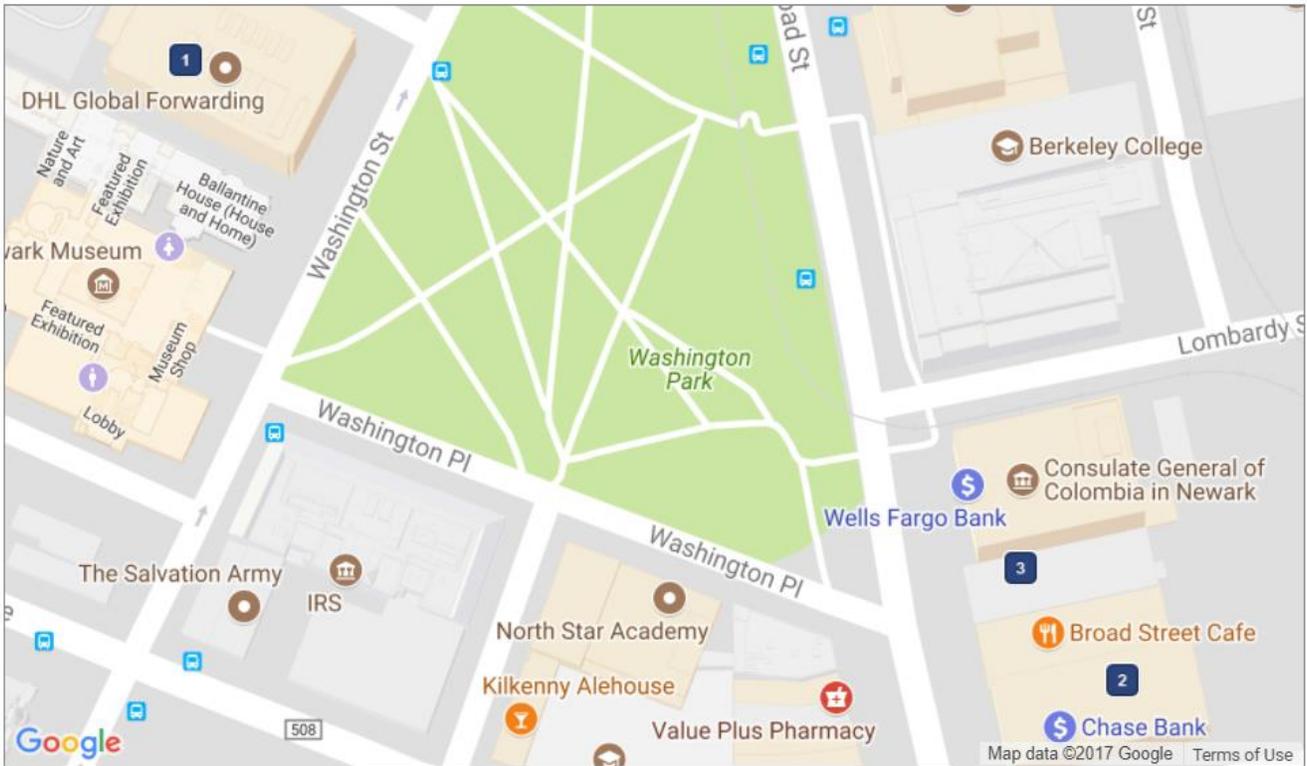
\$2,150 | 2 Bed Available Now

🕒 11 HRS



Exhibit H – Retail/Commercial Lease Comps

Properties for Lease



Property Address	Property Type	Property Sub-type	Total Space	Rental Rate	Space Count
1 33 Washington St	Office			\$21.00 - \$30.00 /SF/Yr	12
2 570 Broad St	Office			\$23.00 - \$25.00 /SF/Yr	7
3 560 Broad St	Office			\$25.00 /SF/Yr	4

Exhibit I – Pro Forma Financials

Actual Year Model Year	2018 1	2019 2	2020 3	2021 4	2022 5	2023 6	2024 7	2025 8	2026 9	
REVENUE										
	Escalations									
Luxury Residential - WELL Building	3.0%	-	-	1,065,267	1,482,737	1,527,219	1,573,035	1,620,226	1,668,833	1,718,898
Residential - Market	3.0%	-	-	4,679,304	6,513,086	6,708,478	6,909,733	7,117,024	7,330,535	7,550,451
Residential - Affordable	2.0%	-	-	776,140	791,662	807,496	823,646	840,118	856,921	874,059
Laundry Income	2.0%	-	-	40,740	41,555	42,386	43,234	44,099	44,981	45,880
Commercial	3.0%	-	-	481,000	669,500	689,585	710,273	731,581	753,528	776,134
Verizon	2.0%	625,000	637,500	650,250	663,255	676,520	690,051	703,852	717,929	732,287
Retail	3.0%	-	-	832,500	1,158,750	1,193,513	1,229,318	1,266,197	1,304,183	1,343,309
Cell Tower Lease	1.0%	-	-	19,200	19,392	19,586	19,782	19,980	20,179	20,381
POTENTIAL GROSS REVENUE		625,000	637,500	8,544,401	11,339,937	11,664,782	11,999,070	12,343,077	12,697,089	13,061,400
VACANCY										
	Percentage									
Residential Vacancy	7.0%	-	-	-	(618,033)	(635,991)	(654,475)	(673,503)	(693,089)	(713,250)
Commercial Vacancy	12.0%	-	-	-	(80,340)	(82,750)	(85,233)	(87,790)	(90,423)	(93,136)
Retail Vacancy	12.0%	-	-	-	(139,050)	(143,222)	(147,518)	(151,944)	(156,502)	(161,197)
TOTAL VACANCY		-	-	-	(837,423)	(861,962)	(887,226)	(913,236)	(940,014)	(967,583)
EFFECTIVE GROSS INCOME		625,000	637,500	8,544,401	10,502,514	10,802,820	11,111,844	11,429,841	11,757,075	12,093,817
EXPENSES										
	Escalations									
General Administration	3.0%	(38,863)	(40,029)	(396,630)	(552,066)	(568,628)	(585,687)	(603,258)	(621,355)	(639,996)
Legal and Other Fees	3.0%	(4,986)	(5,135)	(50,883)	(70,823)	(72,948)	(75,136)	(77,390)	(79,712)	(82,103)
Payroll and Benefits	3.0%	(26,899)	(27,706)	(274,531)	(382,118)	(393,581)	(405,389)	(417,550)	(430,077)	(442,979)
Property Insurance	3.0%	(24,209)	(24,935)	(247,075)	(343,902)	(354,219)	(364,845)	(375,791)	(387,064)	(398,676)
Repairs and Maintenance	3.0%	(49,764)	(51,257)	(507,886)	(706,922)	(728,129)	(749,973)	(772,472)	(795,647)	(819,516)
Utilities	3.0%	(73,235)	(75,432)	(747,426)	(1,040,336)	(1,071,547)	(1,103,693)	(1,136,804)	(1,170,908)	(1,206,035)
TOTAL M&O EXPENSES		(217,956)	(224,495)	(2,224,431)	(3,096,167)	(3,189,052)	(3,284,723)	(3,383,265)	(3,484,763)	(3,589,306)
Real Estate Taxes	0.0%	-	-	-	-	-	-	-	-	-
Replacement Reserves	3.0%	(19,587)	(20,175)	(205,903)	(212,080)	(218,442)	(224,996)	(231,746)	(238,698)	(245,859)
TOTAL RESERVES & TAXES		(19,587)	(20,175)	(205,903)	(212,080)	(218,442)	(224,996)	(231,746)	(238,698)	(245,859)
TOTAL EXPENSES		(237,544)	(244,670)	(2,430,333)	(3,308,247)	(3,407,494)	(3,509,719)	(3,615,011)	(3,723,461)	(3,835,165)
NET OPERATING INCOME		387,456	392,830	6,114,068	7,194,267	7,395,326	7,602,125	7,814,830	8,033,614	8,258,652
<i>NOI Margin</i>		62%	62%	72%	63%	63%	63%	63%	63%	63%
DEBT SERVICE										
1st Mortgage		-	-	(5,630,920)	(5,630,920)	(5,630,920)	(5,630,920)	(5,630,920)	(5,630,920)	(5,630,920)
EB-5 Investment		(390,000)	(390,000)	(390,000)	(390,000)	(390,000)	(390,000)	(390,000)	(390,000)	(390,000)
TOTAL DEBT SERVICE		(390,000)	(390,000)	(6,020,920)						
DSCR		--	--	1.02	1.19	1.23	1.26	1.30	1.33	1.37
I/E		1.00	1.00	1.01	1.22	1.24	1.26	1.28	1.30	1.33
NET CASH FLOW		(2,544)	2,830	93,147	1,173,347	1,374,405	1,581,204	1,793,910	2,012,693	2,237,731
Return Analysis - Levered Cash Flow										
Initial Contribution		(27,419,823)								
NOI		(2,544)	2,830	93,147	1,173,347	1,374,405	1,581,204	1,793,910	2,012,693	2,237,731
Return of Equity at Conversion		-	27,419,823	-	-	-	-	-	-	-
Gross Sale Proceeds		-	-	-	-	-	-	-	-	130,617,312
Permanent Debt Repayment		-	-	-	-	-	-	-	-	(71,556,732)
EB-5 Debt Repayment		-	-	-	-	-	-	-	-	(39,000,000)
Sales Costs		-	-	-	-	-	-	-	-	(2,612,346)
Payment of Deferred Developer Fee		-	6,134,000	-	-	-	-	-	-	-
Developer Fee to L+M		-	(3,067,000)	-	-	-	-	-	-	-
Total Cash Flow		(27,419,823)	(2,544)	30,489,653	93,147	1,173,347	1,374,405	1,581,204	1,793,910	19,685,965
IRR										
20.31%										

Exhibit J: Northern Jersey CBD Class B Multifamily Asking rent: IRR Viewpoint June 2017

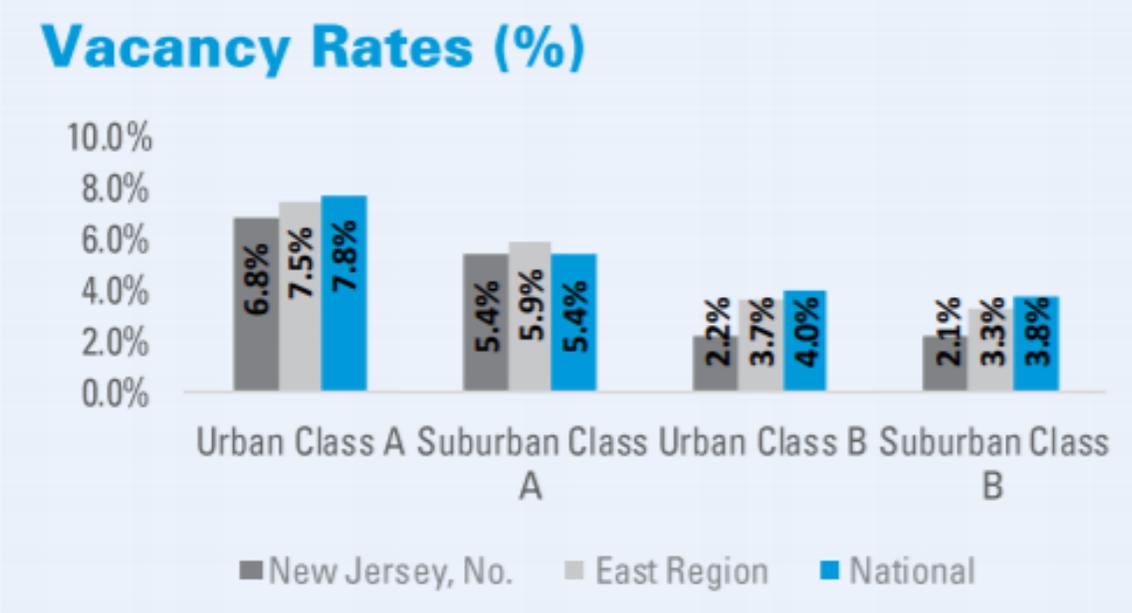


Exhibit K: Urban Class B Multifamily Going in Cap Rate for Northern Jersey Source: IRR Viewpoint June 2017

