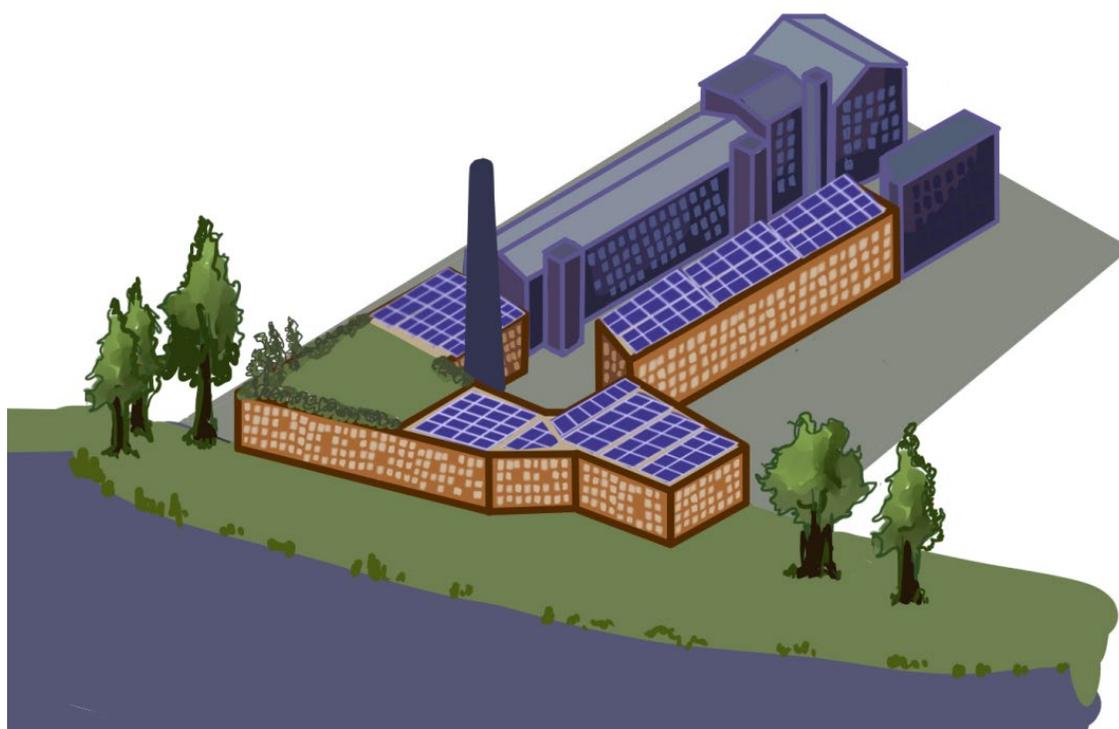


24.5 Van Houten St. Development Proposal

Passaic Commons

Live, Work, Play



Gravity Development Group

David Benmoha, Alvaro Bermejo, Adrian Cheng, Sherrilyn McPherson, and Ryan Stoehrer

Below is an example of how the proposed development may look when walking downhill on the right side of the property going downhill towards the Passaic River. The black building represents the large historic mill, and the brown building is a new multifamily building



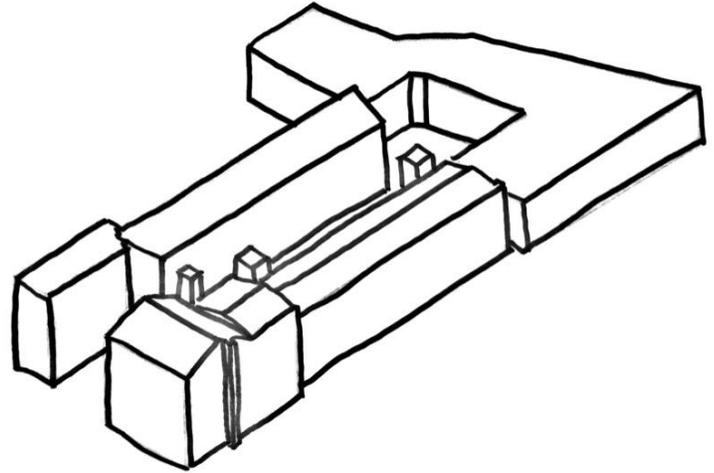
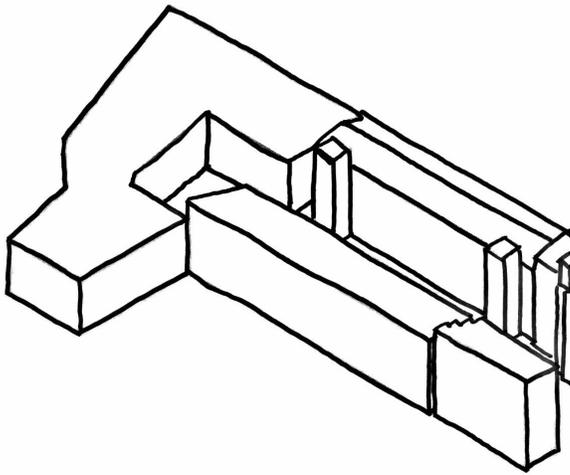


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I. Executive Summary

Gravity Development Group (GDG) is proposing the adaptive reuse development of 24 ½ Van Houten Street, a former industrial site located in Paterson, New Jersey. The 85,605 square foot site is located in the heart of Downtown Paterson, with frontage on Van Houten Street and direct connection to the Passaic River on the opposite end of the property. The project's central location and size poses a unique opportunity for the development to be a catalyst in the transformation of the Downtown Paterson area. The redevelopment of this building from a vacant fabric manufacturing site into a cutting edge commercial and retail destination will help the City of Patterson create a community where its residents can live, work and play. Our proposed plan will bring an abundance of modern housing, flexible office space and workforce development to the downtown area, pioneering what will become a wave of economic development based around the “live, work, play” concept that has transformed communities in the northeast United States into ideal, contemporary downtowns.

GDG's goal for this development project is to offer advocacy, education and smart growth for the downtown Paterson Area and the Great Falls National Historic Landmark District. Additionally, we are hoping to restore tax revenue in the area and generate an attractive ROI for investors looking to acquire and redevelop housing and mixed-use properties in the area. This will be accomplished by providing opportunities for small businesses, entrepreneurs, nonprofits, and start-ups to have access to high quality and flexible spaces. Our development, collectively called *Passaic Commons* consists of *The Mills*, which offers a total net **88,854 SF** of commercial office space; *The Residences*, which offers a total net **101,726 SF** of much needed condo like affordable and market rate apartments; and a total net **4,300 SF** of retail space.

The Mills is strategically positioned as a hub for innovation and culture. We have designed it to include educational space offering educational services and workforce training to local students and residents for placement in high paying jobs in the growing technology sector. *The Mills* will also offer studio and production space to incentivize production companies to utilize the New Jersey's Film and Digital Media Tax Credit Programs. *The Residences* will be introducing **a total net 101,726 SF of residential units** to the development which will complement incoming jobs in our innovative commercial space for entrepreneurs, students, and film professionals.

A city's downtown reflects our communities' unique identities: providing a focal point and a convenient local place for commerce; and offering an environment where people can gather and truly be a community. *Passaic Commons* not only promotes economic

development, but will preserve the rich history of Paterson, by complying with the city's landmark and historical development regulations. We plan to incorporate the City's plan for a Riverwalk along the Passaic to increase community interaction with our development, with the inclusion of public space on the property along the Passaic, and retail components which will encourage engagement between our project and non-resident members of the community.

"Our vision for the development of *Passaic Commons*, at 24 ½ Van Houten Street is to capitalize on the themes of diversity, history, sustainability and innovation".

II. Project Objectives

Gravity Development Group shares Blue Onyx's vision of creating a space that will complement the adjacent community by converting an underdeveloped and traditionally industrial site into a more contemporary "live, work, play" space that will transform Paterson's Downtown Area. To achieve this vision, we have adopted the following objectives:

- **Economic Growth:** One of the primary objectives of the project will be to drive economic development to Paterson's underutilized downtown. By introducing a healthy mix of flexible office, educational, and production space, the project will attract young entrepreneurs, tech professionals, and film production to Paterson. We feel that having a tenant like Per Scholas catalyzes opportunities for residents to increase their post income earning about 300%. This creates real opportunities to build better lives for themselves, their families and stimulating the local economy.
- **Employment Increase/Job Introduction:** The proposed plan will attract entrepreneurs and tech professionals as well as workers in the film industry to Patterson. We believe that the introduction of new industry could lower the high area unemployment of 7.7% to the national average of 3.6% will create up to 28,500 jobs.
- **Demand for Quality Housing:** To complement the commercial tenant mix, we will be introducing a total **net 101,726 SF of** residential units to the site to satisfy the housing needs of the proposed influx of workers to the area. Paterson's master plan indicates that "There is a demand for affordably priced housing of 2 bedrooms or more in the City that is not being met." By making 50% of proposed residential units two bedrooms and larger, we will meet the city's need for housing for the average family household size of 3.24.
- **Educational Objectives:** By leasing space to Per Scholas, a nonprofit that provides tuition-free technology training to unemployed or underemployed adults for

careers as IT professionals. These educational programs will not only engage the nearby communities but will also target diverse needs and interests of its residents.

- **Historic Preservation:** It is a priority of Gravity Development Group to preserve the historical integrity of the site by preserving the smokestack, original fire escapes, building architecture, brick facade, and the raceway. We will use similar red brick materials for the facade of the new multifamily buildings. The new feature will match the old in design, color, and texture.

- **Community Integration/Site Accessibility:** Gravity intends to utilize Paterson's plan for the proposed future River Walk along the Passaic River as an invitation to integrate the community into the development. This goal is achieved by creating access to *Passaic Commons* via the *Hamilton's Way* underpass. This underpass will facilitate the introduction of common space and experiential retail to the site that pedestrians enjoying the river walk can utilize.

- **Sustainability:** Blue Onyx has indicated that it is important to build a sustainable project that increases efficiency and reduces negative environmental impact. is focused on providing green spaces and encouraging pedestrian oriented development that promotes smart growth. The installment of bicycle racks for bike share, improved street signs and crosswalks, bike lanes and smart tech transit that improves access to the bus and train will help to revitalize an underutilized pedestrian commute.

- **Natural light:** We understand the value of natural light to the historic buildings and complying with the guidelines we can implement sky lights onto the roof of the historic buildings without damaging the preservation of the historic building roofing.

- **Energy Efficiency:** We will install solar panels on the roof of both the historic silk mills and the new multifamily structures. We will comply with the design guidelines of the Great Falls National Historic Landmark District by making sure that the rooftop solar

- **Increase the site's accessibility and on-site transportation:** 24 ½ Van Houten is conveniently located near several major cities such as NYC, Jersey City and Newark. However, the pedestrian commute is highly underutilized. The main reason for this is that local residents don't feel safe walking the streets or using public transportation. The Downtown Passaic transportation infrastructure needs modernization and expansion, as a part of the development we propose a comprehensive transportation solution that further integrates the project with the community and encourages overall connectivity within the community.

- **Flexible Infrastructure:** GDG proposes a mixed-use development plan with work, live, and play components that seeks to seamlessly match the current plans of Blue Onyx by adding mixed tenants. Our designs can serve a diverse tenant mix, which allows for flexibility. Flexibility of the office spaces will help keep vacancy rates low.

III. Project Overview

According to Data USA, a market and demographic research source, in 2017 Paterson, NJ had a population of approximately 147,8900 with a median age of 33.1 years and is expected to grow by 0.678% each year. The median annual household income is approximately \$36,106, with a growth rate of 6.06%. Paterson, NJ has an unemployment rate of 7.7% (which is significantly higher than the national average), a poverty rate of 29% with 89% of its population from Passaic Community College graduates. The typical household size is 3.24 and the average family size is 3.71. This means that Paterson, NJ has a young, educated workforce that currently needs work.

Our objective is to develop affordable housing and a workforce development program that is diverse and inclusive. The population residing near Paterson, NJ is largely composed of minorities mostly Hispanics and Black Americans. Creating job opportunities and cultural activities for these groups is an integral component of Gravity's proposal. By constructing an innovative, sustainable and pedestrian oriented development, we are not only improving the quality of life for Paterson, NJ, but are also providing opportunities for those who typically do not have access to them.

All buildings on the site will be proposed environmentally sustainable infrastructure and all structures will maintain an industrial architectural design. The *Passaic Commons* development site is in an opportunity zone which benefits the developer if he were to invest capital gain income. Federal taxes can be fully deferred on capital gains invested in qualified opportunity zone funds if investments are held for at least a 10-year hold period. The adaptive reuse of buildings at *The Mills* also qualify for the historic preservation tax credit which may award Gravity Development up to 20% of the total project cost of *The Mills*.

Our plan is to utilize tax credit programs in order to provide affordable housing, workforce development, flexible workspace and film production space. We feel that it is advantageous to utilize the following tax credit programs:

- We will propose a PILOT (payment in lieu of taxes) program to the city for a 30-year tax abatement in order to benefit from low property taxes. We will propose property taxes to be 10% of effective gross income for the first 30 years.

- Low Income Housing Tax Credit will allow GDG to provide 20% of its units as affordable. 14 two-bedrooms and 14 three-bedrooms will be set aside for 50% AMI tenants.

Below is an example of what we expect Passaic Commons to receive in tax credits for LIHTC

| | TSF | PSF | Total Cost |
|---------------------------------|------------|------------|---------------------|
| Residential Hard & Soft | 119,678 | \$123 | \$14,722,594 |
| Residential Land & Remediation | | | \$2,707,181 |
| Total Residential Cost | | | \$17,429,775 |
| Tax Credit - 70% of Resi | | | \$12,200,842 |

- Historical Preservation Tax Credit which will partially reimburse developers who revitalize income-producing historic buildings.

PILOT programs have proven to spur development in other major New Jersey towns like Hackensack which since having introduced a PILOT in their redevelopment plan has caused a spur of real estate development. Currently there are over 2,000 new apartment units coming to market in Hackensack. The LIHTC awards developers a 9% tax credit which is equivalent to about 70% of the total project cost for multifamily structures. By using the LIHTC Gravity Development Group expects *Passaic Commons* to be able to sell the

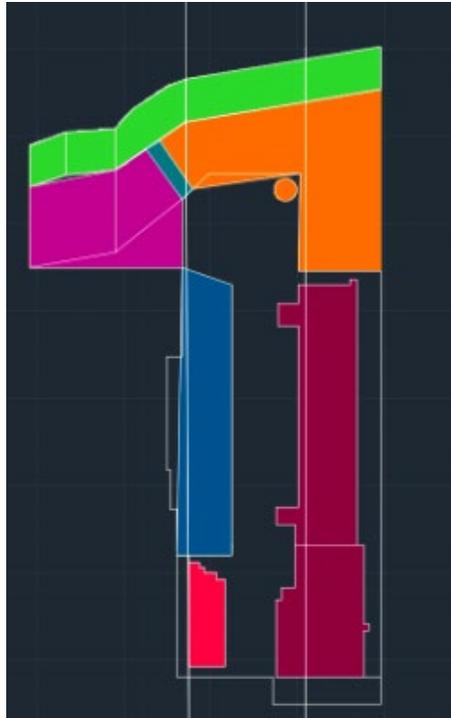
The HPTC program awards would be capped at \$4 million a project and developers would not see any of the tax breaks until they actually complete the project. In addition, credits will be given up to 16 percent of the project expenses, or up to 20 percent for projects involving affordable housing or collaborative or incubator workspaces.

- ***Passaic Commons*** should expect a \$2.3 million tax break for the repositioning of the historic mill structures. The mills will cost a project total of about \$11.8 million to repurpose for office and film use.

Additionally, we propose giving a 30-foot easement to the city from the end of Building-A and Building-B for the proposed River Walk. The river walk's connection to the development will create a community centric development rather than solely for our tenants. We will provide a public passageway between Residences-A and Residences-B called *Hamilton's Way* in order to connect the Riverwalk to *Passaic Commons*.

Building Stack: *Passaic Commons*

Aerial View

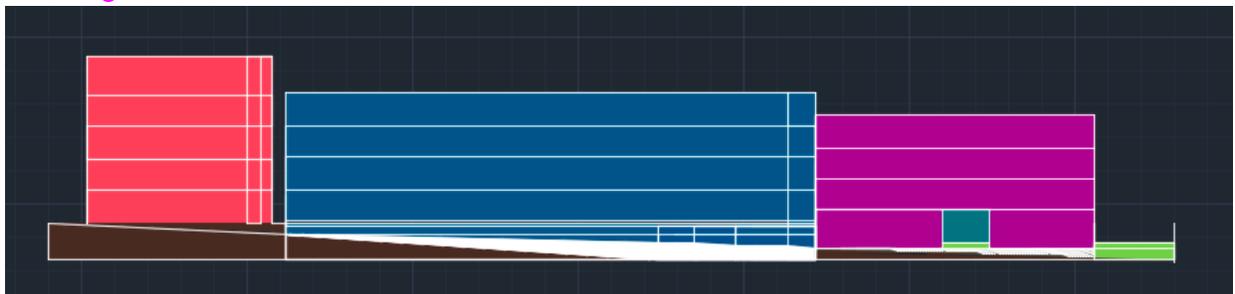


Left Side View:

Building B - 35,640 SF Residential

Building C - 36,162 SF Residential

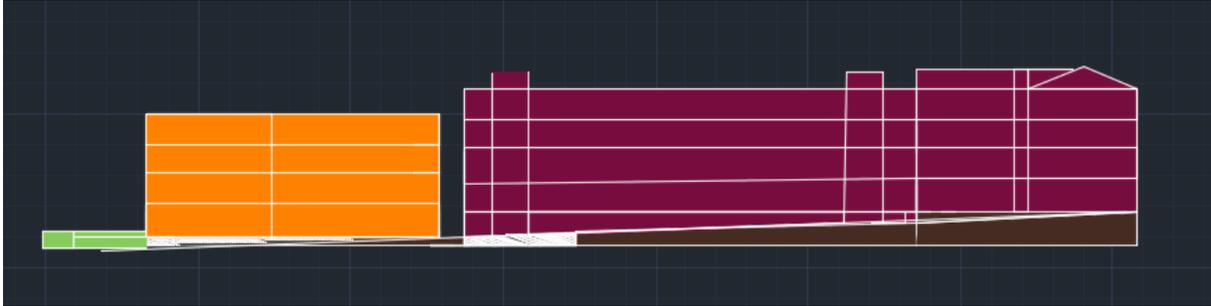
Building E - 10,871 SF Office



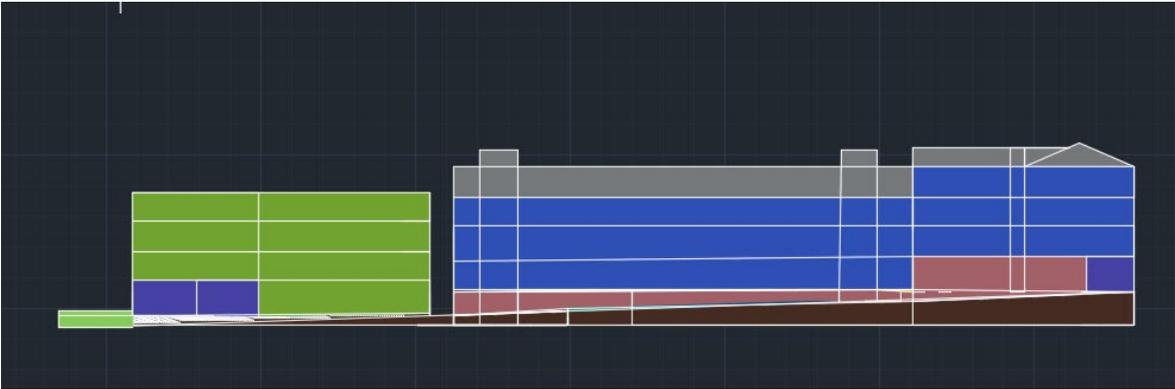
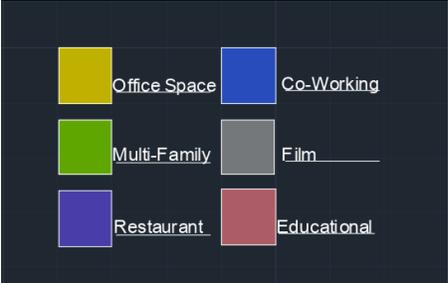
Right Side View:

Building A - 47,876 SF Residential

Building D - 83,133 SF Office



Buildings A & D Stacking Plan:



Building A -

Restaurant: Building A offers 2,500 SF on the ground level for a full-service lunch and dinner restaurant. This space has frontage directly on the river walk facing the Passaic River which will make this space one of the most coveted dine in restaurant spaces in the Paterson/Great Falls area and furthermore in the greater Passaic County. The inspiration for this restaurant space is from “Haven” located on the banks of the Hudson River in Edgewater, New Jersey.



Haven Restaurant

Multi-family: Building A offers 47,876 SF of multifamily space as a part of *Passaic Commons'* cutting-edge apartment component, *The Residences at Passaic Commons*. This portion of the project brings all other components together to create the “Live, Work, Play” concept that was the inspiration behind Gravity Development Group and Blue Onyx’s vision for the project.

Building D -

Educational Space: Building D offers 15,827 SF of educational space, which is set aside for tenants looking to bring technology educational services to Paterson. An ideal tenant for this space is Per Scholas, a company focused on bringing technological education to students in overlooked communities to encourage social mobility. This tenant will be able to successfully transform the lives of students in Paterson looking for work.



Retail Space: Building D offers 800 SF of retail space on the ground floor that is ideal for a small cafe or eatery. The tenant will benefit from foot traffic created because of the space’s proximity to the educational, office, and film production space in the rest of the building, creating a complementary equilibrium among the building’s tenants.

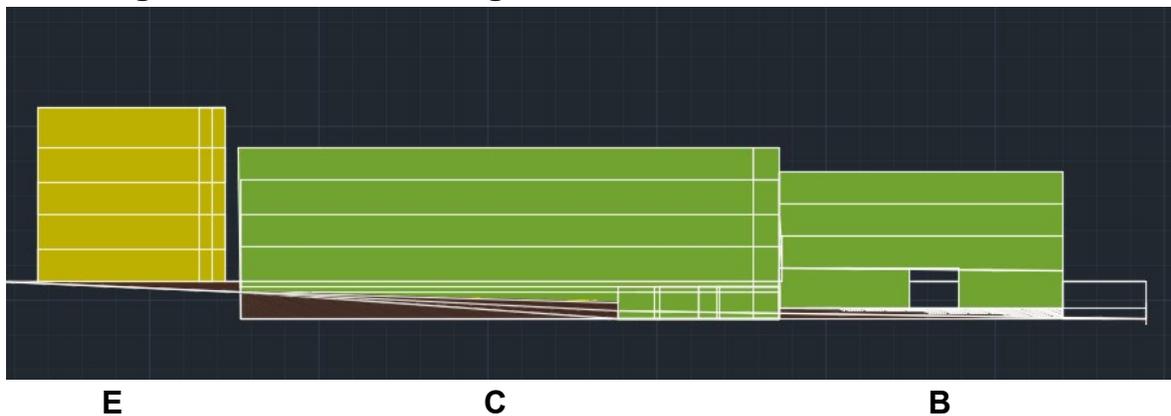
Coworking Space: GDG has also set aside 49,879 SF for co - working space in building D above the ground floor and below the top floor. We encourage the arrival of entrepreneurs and small businesses into *Passaic Commons*. Therefore, we are proposing to rent our coworking space fully to professionals like Regus, Knotel, or Industrious. Coworking companies have the experience and understanding of how to most flexibly and efficiently run their facilities.



Film Production Space: Building D offers 16,627 SF of production space on its top floors. Because of the building's higher ceilings, it is the ideal use for the space. This space can be utilized by film and production companies looking to relocate to Paterson and take advantage of New Jersey's Film and Digital Media Tax Credit Program.



Buildings B, C, & E Stacking Plan:



Building B & C -

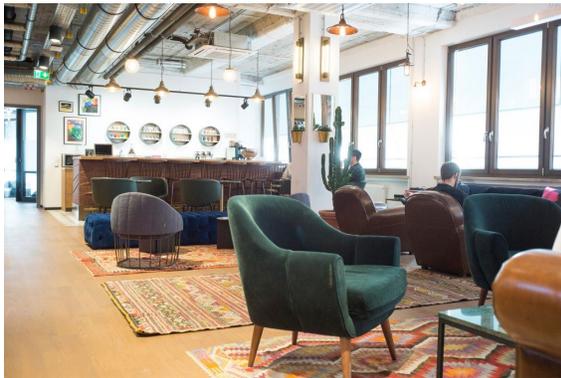
Multi-family: Building B offers 35,640 SF and building C offers 36,162 SF of multifamily space as a part of *Passaic Commons'* cutting-edge apartment component, *The Residences at Passaic Commons*.

Building E -

Office: Building E will comprise of 10,871 SF of office space for tenants across all types of industries and businesses. Law firms seem like a prime tenant for this space because of the site's proximity to the Passaic county superior court and the Paterson municipal courthouse.

Building Amenities: These below will be present on proposed structures

| | |
|---|---|
| Open Layout | Fitness center |
| Loft open area desk & semi-private booth options | Flexible lease options: daily to yearly |
| Shared conference rooms | Tenant lounge areas |
| On-site manager & maintenance staff | High speed & secure connectivity |
| Smart Spaces (versatile space catered towards a diverse tenant mix) | Large glass windows mixed with industrial design for maximum sunlight |
| Access to outdoor roof deck & river walk | Tech-training |
| Service Oriented Retail | Condo Quality Finishes |
| Free Off-site Parking & Bike Share | Security (Keypad Access) |



IV. Comparables

| Multifamily Comps | | | | | | | |
|-------------------------------------|-------|-------------|------------|------------|------------|---------|----------------|
| Address | Units | Studio PPSF | 1 Bed PPSF | 2 Bed PPSF | 3 Bed PPSF | Vacancy | Market Vacancy |
| Old - 55 Church St. Paterson, NJ | 104 | N/A | \$16.92 | \$17.16 | N/A | N/A | 2.50% |
| Old - 44 Beech Street. Paterson, NJ | 240 | N/A | \$18.12 | \$17.26 | 16.68 | N/A | |
| New - 79 Park Ave. Paterson, NJ | 48 | N/A | \$30.12 | \$21.14 | N/A | 2.10% | |
| New - 50 Halsey St. Newark, NJ | 160 | \$38.47 | \$34.80 | \$29.76 | 27.24 | N/A | |
| Average | | \$38.47 | \$24.99 | \$21.33 | 21.96 | | |

| Office Comps | | | | | |
|--|---------|-----------|---------|----------------|----------------|
| Address | SF | PPSF | Vacancy | Notes | Market Vacancy |
| New - 110 Edison Pl. Newark, NJ | 402,532 | 26\$-32\$ | 35% | Not Stabalized | 13.20% |
| New - 78 John Miller Way Kearny, NJ | 160,000 | 24\$-29\$ | 4% | Coworking | |
| Renovated - 89 Market St. Newark, NJ | 68,000 | 19\$-23\$ | 0% | | |
| Renovated - 335 21st Ave. Paterson, NJ | 19,166 | 22\$-27\$ | N/A | | |
| Average | | \$25.25 | | | |

| Retail Comps | | | | | |
|-------------------------------|--------|-----------|---------|-------|----------------|
| Address | SF | PPSF | Vacancy | Notes | Market Vacancy |
| 18 Smith St. Paterson, NJ | 56,000 | 20\$-25\$ | 4% | | 3.20% |
| 39-51 Church St. Paterson, NJ | 11,616 | 22.00\$ | N/A | | |
| 5 Colt St. Paterson, NJ | 52,500 | 22\$-27\$ | N/A | NNN | |
| Average | | 22.83\$ | | | |

| Film/Production Comps | | | | | |
|-------------------------------|--------|-----------|---------|----------------------|----------------|
| Address | SF | PPSF | Vacancy | Notes | Market Vacancy |
| 164 Delancey St. Newark, NJ | 37000 | \$28.00 | 0.00% | Ironbound Studios | N/A |
| 78 John Miller Way Kearny, NJ | 160000 | \$24-\$29 | 4.00% | Lapinsky Stuios | |
| 1750 E Gun Hill Rd. Bronx, NY | 8521 | \$33.00 | N/A | Adjusted NNN of 44\$ | |
| Average | | \$29.17 | | | |

The data above for our comparables was obtained from CoStar, this includes the vacancy percentages and the square footage. GDG predicts lower vacancy because of the live, work, play culture today, and because we feel *Passaic Commons* is a place where people will gravitate to.

V. Green Infrastructure, Sustainability, Weather Resilience

Gravity Development Group shares Blue Onyx's goal of building a development that has a positive impact on the environment. We understand the need to ensure that our project is developed mindfully around the concept of sustainability. To achieve this goal, we are taking several steps to develop green infrastructure that encourages sustainability and increases the overall efficiency on *Passaic Commons*.

Components of our plan include:

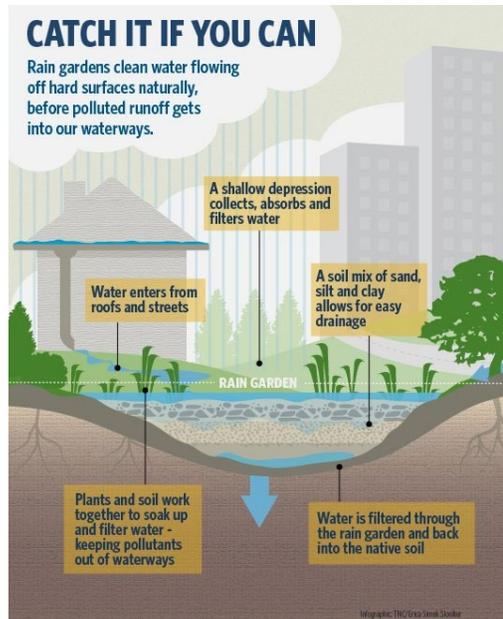
- **Solar Panels:** We propose to install solar power systems on top of newly constructed buildings to derive clean, pure energy from the sun. Installing solar panels on our new buildings will help combat greenhouse gas emissions, reduce our collective dependence on fossil fuels, and reduce *Passaic Commons'* carbon

footprint overall. As of December 2015, the renewable energy tax credit law was enacted by the US Federal Government. This program allows a taxpayer to claim a credit of 30 percent of qualified expenditures for a solar system that serves a dwelling unit located in the United States. The average cost of solar panels per watt in New Jersey is \$3.81/watt. Below is an example breakdown of the tax law savings in New Jersey. Experts in the solar panel industry informed Gravity Development that the federal government reimburses 42% of solar panel costs at installation and eventually the full 100% of the cost overtime.

| System size* | Average cost per watt | Roof space required | Average cost (before tax credit) | Average cost (after tax credit) |
|--------------|-----------------------|---------------------|----------------------------------|---------------------------------|
| 4 kW | \$4.07 | 267 sq/ft | \$16,273 | \$11,391 |
| 5 kW | \$3.60 | 333 sq/ft | \$18,018 | \$12,613 |
| 6 kW | \$3.81 | 400 sq/ft | \$22,852 | \$15,996 |
| 8 kW | \$3.42 | 533 sq/ft | \$27,364 | \$19,155 |
| 10 kW | \$3.65 | 667 sq/ft | \$36,450 | \$25,515 |
| 12 kW | \$3.29 | 800 sq/ft | \$39,447 | \$27,613 |
| 20 kW | \$2.95 | 1,333 sq/ft | \$59,052 | \$41,336 |

- **Flood Resiliency:** According to Christian Maier, Project Manager at Blue Onyx, the site slopes down about 20 feet from Van Houten street level through to the back by the Passaic River.

Building A is positioned directly on the property’s designated flood plain. In order to make the building flood resistant, Building A will be elevated by 3 feet on average to reduce stormwater overflow by leveling the building from the front. This will require the installation of an adequate draining system running underneath the building that includes retention tanks to hold additional levels of water from reservoirs. By incorporating rain gardens, we can prevent excess rainwater from running off site or into city sewers. These rain gardens capture rainwater and allow it to percolate gradually into the ground. Pervious pavement systems allow water to infiltrate into the soil rather than run off and enter the storm sewer system



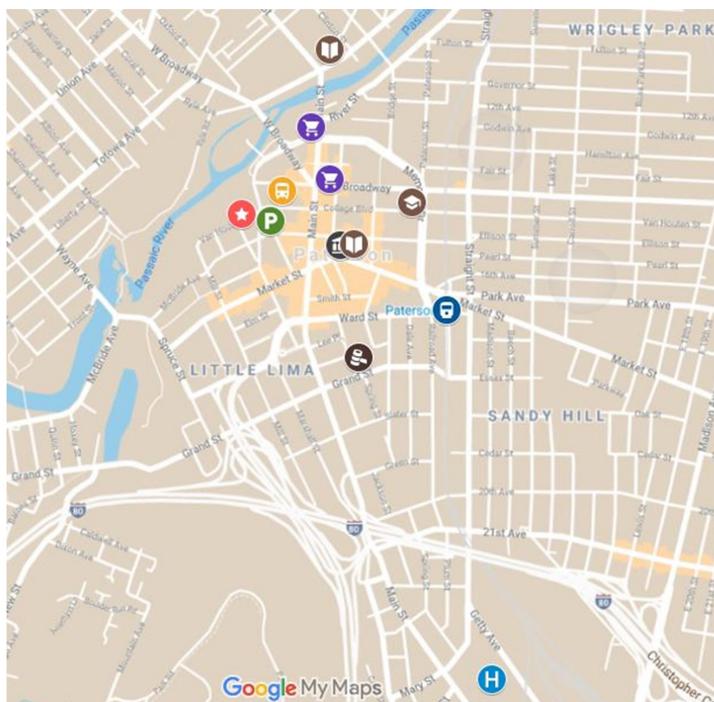
- **Encouraging Walkability:** A primary goal of *Passaic Commons* was to develop a walkable community that encourages walking, biking, and public transit over driving personal vehicles. The layout of the project, as well as amenities and public transit changes detailed in Section V make it more reducing fossil fuel emissions resulting from automobile travel more convenient.

VI. Walkability & Transportation

Downtown Paterson has a walkability score of 85, a transit score of 58 and a bike score of 48. Comparatively, Old Great Falls Historic District Paterson has a walkability score of 57, transit score of 41, and a bike score of 46. This indicates a need for connectivity between these two areas. The Downtown Passaic transportation infrastructure needs modernization and expansion. For this reason, we propose a comprehensive



- 24.5 Van Houten St
- Paterson Station
- Paterson Parking Garage
- Broadway Bus Terminal
- Passaic County Superior Court
- Passaic Community College
- Paterson City Hall
- St. Joseph's Regional Medical Center
- Super Supermarket
- Bravo Supermarkets
- HARP Academy - High School
- Number 28 Elementary School

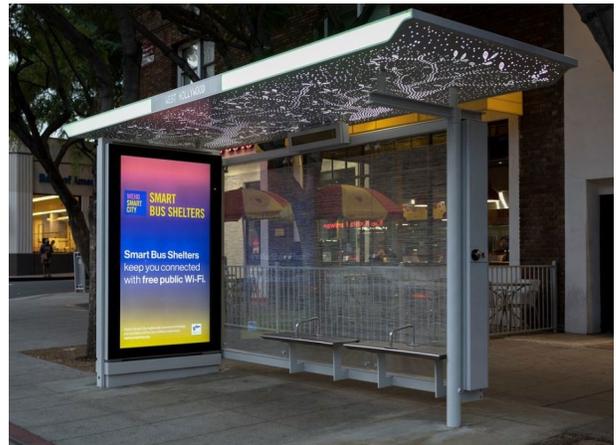


transportation solution linking our site, St. Joseph Regional Medical Center (1.2 miles, 5 min drive), nearby downtown area, Center City Mall (0.4 miles, 8 min walk) and nearby train station (0.6 miles, 12min walk) to promote smart growth and prevent urban sprawl.

Our site is within walking distance to Paterson’s central downtown, and within walking distance to the city’s best schools, public transportation options, and shopping areas. Harp Academy High School and Number 28 Elementary school are the highest ranked high-school and elementary-school in the city. Proximity to Passaic Community College will also help bring those underprivileged and underserved students to work with Per Scholas on how to apply their skills from the classroom setting to real life situations.

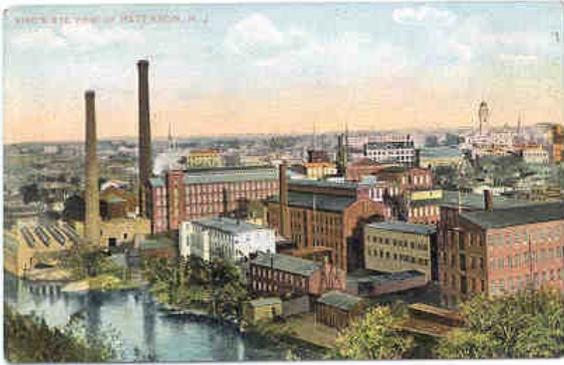
Our Proposal includes the following components:

- Introducing bike share & lanes
- Pedestrian walking roads with improved street signs clearly showing crossroads
- Shared parking at the mixed-use parking structure at Broadway and Memorial Drive.
- Decorative streetlights with energy efficient fixtures
- Near site smart tech bus stops with time arrivals and advertising at the Broadway bus station, which is within 2 minutes walking from the site. From there commuters can ride the NJ Transit 161 Bus for an easy 1-hour commute to 42nd St. Port Authority Bus Terminal during the morning rush hour.



VII. Historic Preservation

Paterson is a unique city with tremendous historical significance. Founded in the 1700s by Alexander Hamilton, Paterson was the first planned industrial city in the country. At Gravity Development Group we share the same fondness for the rich history that Paterson has to offer that Blue Onyx does. We strive to preserve Paterson’s history by complying with design guidelines dictated for the Great Falls National Historic Landmark District and maintaining that same appearance throughout *Passaic Commons*.



We will use similar red brick materials for the facade of the new multifamily buildings. The new feature will complement the old in design, color, and texture.

To preserve and comply with the historic design guidelines, rooftop common space will be primarily for new construction not to existing structures to preserve the historic value of the existing structures.

Building A will be constructed where the old large 35,000 square feet flood-damaged warehouse currently sits. GDG will work with the city to preserve the trusses of the structure which, according to Chris Maier, construction manager at Blue Onyx Companies, may be salvageable. If it is not salvageable we will demolish the entire structure and build from scratch.

VIII. Financials

Construction Schedule

| | | | |
|---|----------------|--------------|---------------------|
| Acquisition Cost | | | \$4,200,000 |
| Remediation Cost | | | \$300,000 |
| Demolition Cost | | | \$412,780 |
| Total Acquisition, Demolition, & Remediation | | | \$4,912,780 |
| | | | |
| | | | |
| Hard Costs Assumptions | | | |
| | TSF | PSF | Total Cost |
| New Construction - Residential | 119,678 | \$110 | \$13,164,580 |
| Adaptive Reuse - Office | 76,577 | \$90 | \$6,891,953 |
| Adaptive Reuse/New - Retail | 4,300 | \$115 | \$494,500 |
| Adaptive Reuse - Film Production | 16,627 | \$75 | \$1,247,025 |
| Total Hard Costs | 217,182 | \$100 | \$21,798,058 |
| | | | |
| Hard Cost Contingency - 5% | | \$5 | \$1,089,903 |

| | | | |
|------------------------------------|---------|-----|-----------------------|
| | | | |
| Soft Cost Assumptions | | | |
| Developer Fee | 217,182 | \$3 | \$651,547 |
| Other (Architect, Engineer, etc.) | 217,182 | \$5 | \$1,085,911 |
| Total Soft Cost Before Loan | | | \$1,737,458.00 |
| | | | |
| Construction Loan Expense - .5% | | | \$110,768 |
| Construction Loan Interest | | | \$1,439,987 |
| Total Soft Cost | | | \$3,288,213 |
| | | | |
| Soft Cost Contingency - 5% | | | \$164,411 |
| | | | |
| Total Project Cost | | | \$31,253,364 |

| | | | |
|------------------------|--|--|--------------|
| Construction Loan LTC | | | 75% |
| Total Cost Before Loan | | | \$29,538,19 |
| | | | |
| Loan Amount | | | \$22,153,649 |
| Equity Required | | | \$7,384,550 |
| | | | |
| Bank Rate | | | 5.50% |
| Average Rate | | | 6.50% |

Revenue Schedule

| <i>The Residences</i> | | | | | | | |
|--------------------------------|----------------|-------------|----------------|------|---------------------|--------------|-------------------------|
| | TSF | Loss Factor | Net SF | RPSF | Gross Rental Income | Vacancy Rate | Effective Rental Income |
| Building A | 47,876 | 15% | 40,695 | \$26 | \$1,058,060 | 2% | \$1,036,898 |
| Building B | 35,640 | 15% | 30,294 | \$26 | \$787,644 | 2% | \$771,891 |
| Building C | 36,162 | 15% | 30,738 | \$26 | \$799,180 | 2% | \$783,197 |
| Total at The Residences | 119,678 | | 101,726 | | \$2,644,884 | | \$2,591,986 |

| The Mills | | | | | | | |
|----------------------------------|---------------|--------------------|----------------|-------------|----------------------|---------------------|--------------------------------|
| | TSF | Loss Factor | Net SF | RPSF | Rental Income | Vacancy Rate | Effective Rental Income |
| Co-Working - D | 49,879 | 5% | 47,385 | \$25 | \$1,246,975 | 0% | \$1,246,975 |
| Per Scholas - D | 15,827 | 5% | 15,036 | \$25 | \$395,675 | 0% | \$395,675 |
| Film - D | 16,627 | 3% | 16,128 | \$26 | \$432,302 | 4% | \$415,010 |
| Small Mill - E | 2,150 | 5% | 2,043 | \$25 | \$53,750 | 8% | \$49,450 |
| Office - E | 8,697 | 5% | 8,262 | \$25 | \$217,425 | 8% | \$200,031 |
| Total Office at The Mills | 93,180 | | 88,854 | | \$2,346,127 | | \$2,307,141 |
| Retail | | | | | | | |
| | TSF | Loss Factor | Net SF | RPSF | Rental Income | Vacancy Rate | Effective Rental Income |
| Cafe - D | 800 | 0% | 800 | \$27 | \$21,600 | 5% | \$20,520 |
| Full-Service Restaurant - A | 2,500 | 0% | 2,500 | \$23 | \$57,500 | 5% | \$54,625 |
| Retail Space - A | 1,000 | 0% | 1,000 | \$23 | \$23,000 | 5% | \$21,850 |
| Total Retail | 4,300 | | 4,300 | | \$102,100 | | \$96,995 |
| Building Breakdown | | | | | | | |
| | | | Net SF | | | | Effective Rental Income |
| Building A | | | 44,195 | | | | \$1,113,373 |
| Building B | | | 30,294 | | | | \$771,891 |
| Building C | | | 30,738 | | | | \$783,197 |
| Building D | | | 79,349 | | | | \$2,078,180 |
| Building E | | | 10,305 | | | | \$249,481 |
| Total Building Breakdown | | | 194,880 | | | | \$4,996,122 |

Proforma

Rent Calculations

| Market Rent Unit Type | # units | RPSF | NSF per Apt | Monthly Rent Per Apt | Total Annual Rent |
|---------------------------|------------|-------|-------------|----------------------|--------------------|
| 0 BR | 56 | \$23 | 550 | \$1,049 | \$704,704 |
| 1 BR | 40 | \$23 | 750 | \$1,430 | \$686,400 |
| 2 BR | 8 | \$23 | 950 | \$1,811 | \$173,888 |
| 3 BR | 4 | \$23 | 1,100 | \$2,097 | \$100,672 |
| Total | 108 | | | | \$1,665,664 |
| | | | | | |
| | | | | | |
| Affordable Rent Unit Type | # units | % AMI | NSF per Apt | Monthly Rent Per Apt | Total Annual Rent |
| Studio | 0 | 50% | 550 | \$933 | \$0 |
| 1 BR | 0 | 50% | 750 | \$1,000 | \$0 |
| 2 BR | 14 | 50% | 950 | \$1,200 | \$201,600 |
| 3 BR | 14 | 50% | 1,100 | \$1,386 | \$232,848 |
| Total | 28 | | | | \$434,448 |
| | | | | | |
| | | | | | |
| | | | | | |

RENTAL INCOME AND EXPENSE

| INCOME | | <u>Income Projections</u> | <u>NSF</u> | <u>Rent PSF</u> | <u>Unit Count</u> | <u>Monthly Rent</u> |
|--------------------------------|-------|-----------------------------------|--------------------|----------------------------|--------------------------|----------------------------|
| Residential Market Income | | \$1,665,664 | 64,064 | \$26 | 108 | \$138,805 |
| Residential Affordable Housing | | \$434,448 | 37,662 | \$12 | 28 | \$36,204 |
| Commercial Income | | \$2,244,134 | 88,877 | \$25 | 4 | \$187,011 |
| Retail Income | | \$104,633 | 4,300 | \$24 | 3 | \$104,633 |
| Gross Potential Income | | \$4,448,879 | 194,903 | \$22.83 | 143 | \$466,654 |
| Less: Vacancy | 2.56% | \$113,965 | | \$2,100,112 | | |
| Effective Gross Income | | \$4,334,914 | | | | |
| | | | | | | |
| EXPENSES | | <u>Expense Projections</u> | <u>PNSF</u> | <u>Exp Per Unit</u> | | |
| Maintenance | | \$12,000 | \$0.06 | \$84 | | |
| Real Estate Taxes - PILOT | | \$499,668 | \$2.56 | \$3,494 | | |
| Electric & Gas | | \$40,150 | \$0.21 | \$281 | | |
| Water & Sewer | | \$21,737 | \$0.11 | \$152 | | |
| Insurance | | \$22,000 | \$0.11 | \$154 | | |
| Security & Monitoring | | \$5,000 | \$0.03 | \$35 | | |
| Repairs | | \$5,500 | \$0.03 | \$38 | | |
| Painting | | \$2,000 | \$0.01 | \$14 | | |
| Staff - Super | | \$68,640 | \$0.35 | \$480 | | |
| Reserves | | \$17,160 | \$0.09 | \$120 | | |

| | | | | | | |
|-----------------------|----|------------------|---------------|----------------|--|--|
| Professional Fees | | \$5,000 | \$0.03 | \$35 | | |
| Supplies | | \$5,000 | \$0.03 | \$35 | | |
| Management | 3% | \$130,047 | \$0.67 | \$909 | | |
| Total Expenses | | \$833,902 | \$4.28 | \$5,831 | | |

Net Operating Income **\$3,501,012**

Debt Service \$2,917,510

Net Cash Flow \$583,502

Target DSCR **1.20**

Cap Rate 5.00%

Value \$70,020,247

LTV **77%**

Loan Scenario

Principal \$54,142,909

Rate 3.50%

Amortization 30

Monthly Payment \$243,126

Annual Payment \$2,917,510

Loan Constant **0.05**

Metrics

| | Year 0 | Year 1 | Year 2 | Year 3 |
|------------|---------------------|--------------|--------------|--------------|
| Investment | -\$13,692,975 | -\$8,780,195 | -\$8,780,195 | \$70,020,247 |
| | IRR | 43% | | |
| | Total Equity | \$7,384,550 | Total Profit | \$38,766,883 |
| | Cash Flow | \$583,502 | Total Equity | \$7,384,550 |
| | Cash on Cash | 7.90% | ROE | 5.25 |

| | | | | |
|--|----------------------|--------------|-------------|--|
| | Historic cost | \$11,784,110 | \$2,356,822 | |
|--|----------------------|--------------|-------------|--|

IX. Conclusion

Gravity Development Group's proposal for *Passaic Commons* will transform this historic site into an innovative, cutting-edge, and commercial hub where people can gather and truly be a community. Our project offers advocacy, education, much needed affordable housing and smart growth for the downtown Paterson Area and the Great Falls National Historic Landmark District. For the investor, not only does investment into *Passaic Commons* provide **7.9% CASH-ON-CASH & 5.25X ROE** but also an opportunity for financiers to invest in an opportunity and new market zone that is historical and has a diverse community on the rise. Welcome to the *Passaic Commons*!