**COST BENEFIT ANALYSIS**
**EVALUATION OF NEED FOR PORT CHESTER IDA FINANCIAL ASSISTANCE**


*Rendering of Proposed Development*

**PROJECT NAME AND DEVELOPER**
The Station Lofts at Port Chester
Hines Interests Limited Partnership

**LOCATION**
67 New Broad Street | Port Chester, NY 10573

**PROJECT DESCRIPTION**
New Construction of 180-Unit Market Rate Development

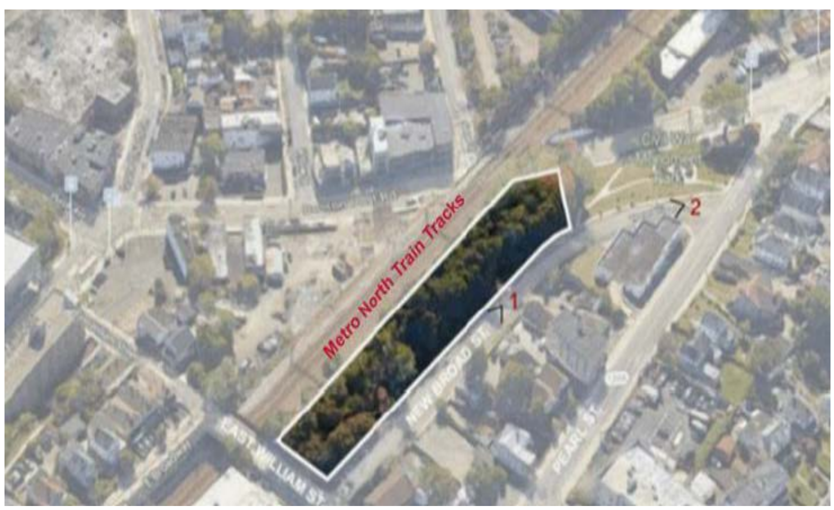
**REQUESTED FINANCIAL ASSISTANCE**
Payment in Lieu of Taxes (15 or 20-Year Schedule)
Exemption on Sales Tax of Building Materials
Exemption on Mortgage Recording Sales Tax

**August 04, 2023**

The National Development Council ("NDC") has a limited engagement with the Village of Port Chester Industrial Development Agency (the "IDA") to review applications for tax assistance. NDC is a national economic development organization that provides development finance advisory services to municipalities and public benefit corporations throughout the country. NDC routinely analyzes financial structures of proposed developments and determines the appropriateness of direct financial assistance or incentives. The purpose of this memo is to describe NDC's project understanding and findings of the above-referenced development.

**A. PROJECT SUMMARY**

Station Lofts Owner, LLC (the "Developer" or "Applicant"), a subsidiary of Hines Interests LP ("Hines"), has applied to the Village of Port Chester Industrial Development Agency ("PCIDA") for financial assistance on a market-rate transit-oriented development ("TOD") at 67 New Broad Street. The Applicant is 100% owned by Station Lofts Venture LLC, which is owned 100% by Hines. While Hines will partner with an outside equity investor, it will remain managing member and at minimum 5.0% owner of Station Lofts Venture LLC. Hines is a highly accomplished global investment manager that currently manages 685 properties totaling 213± million square feet. Its most recent featured development is One Vanderbilt Tower, the 59-story, 1.7 million square foot mixed-use commercial tower immediately adjacent to Grand Central Station. Since 1957, it has developed, redeveloped, or acquired 1,706 properties totaling over 521 million square feet of office, industrial, residential, multifamily, housing, hotel, retail, and mixed-use real estate.




***Aerial Photo of Site***

The subject site encompasses 1.44± acres adjacent to Metro-North Rail Tracks, New Broad Street, and William Street. It is approximately 0.3 miles from the Port Chester Metro-North Station. Currently, the site contains an empty lot. The subject application involves the proposed redevelopment as a market-rate, transit-oriented development containing a five-story apartment building with 180 residential units. The Developer also proposes including 224 parking spaces of which 50 will be public.

*Current Use of the Project Site*

Upon completion, the establishment will contain a net rentable area of 153,000± square feet. The one-hundred and eighty apartments (180) will be a mix of studio, one-bedroom, and two-bedroom units. The residential unit mix is seen below. All units are market rate.

| RENT ROLL | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***Unit Description*** | ***%*** | ***Units*** | ***NSF**** | ***Total NSF*** | ***Mo Rent*** | ***Rent/SF*** | ***Annual Rent*** |
| Studio + 1 Bathroom | 19% | 34 | 563 | 19,142 | $2,200 | $3.91 | $897,600 |
| 1 Bedroom + 1 Bathroom** | 42% | 76 | 734 | 55,784 | $2,600 | $3.54 | $2,371,200 |
| 1 Bedroom + 2 Bathroom | 5% | 9 | 997 | 8,973 | $2,800 | $2.81 | $302,400 |
| 2 Bedroom + 2 Bathroom | 34% | 61 | 1,133 | 69,113 | $3,700 | $3.27 | $2,708,400 |
| **Total / Average** | **100%** | **180** | **857** | **153,012** | **$2,825** | **$3.38** | **$6,279,600** |

**Averaged NSF for each unit type (sizes vary)*
***Rent adjusted by NDC to consider smaller size & 1 less bathroom than 1 bedroom / 2 bathroom unit*

Building amenities will include an on-site leasing office, mail and package room, club lounge, communal kitchen, coffee bar, coworking space with private offices, fitness center, storage space, covered parking, and secured indoor bicycle storage. There will also be an outdoor deck with lounge seating, fire pits, and a grill area. Each unit will contain stainless steel kitchen appliances, quartz countertops, a dishwasher, garbage disposal, microwave, and full-size washer and dryer.

The parking spaces will be located within the first three levels of the building (grade level, 2nd floor, and 3rd floor). The 50 public parking spaces will be accessible at the ground level on a 24/7 basis and managed and maintained by the owner. At least 10% of the 224 spaces will offer electric charging units.

The following sections summarize relevant information necessary to determine the need for and sizing of the financial package:

| | |
|---|---|
| **Section B** | Review of the Sources and Uses |
| **Section C** | Summary of IDA Incentive Package. |
| **Section D** | Summary of NDC Financial Analysis |
| **Section E** | Summary of Project and Public Benefits (Cost/Benefit Analysis) |

## B. SOURCES & USES

The $98.6 million development will be financed with conventional debt (65% of cost) and equity (35% of cost), which is typical for a market-rate development of this nature. NDC did not factor into this analysis the conversion of the construction loan into permanent financing; however, as discussed later in this report, financial metrics on the development are marginal and a refinance will strengthen the project to be more in-line with market returns.

| USES OF FUNDS | $ | Per Unit | Per GSF | % |
|---|---|---|---|---|
| Acquisition | $11,475,000 | $63,750 | $57 | 12% |
| Site Costs & Utility Work | $8,805,000 | $48,917 | $44 | 9% |
| Parking | $6,449,225 | $35,829 | $32 | 7% |
| Construction Costs (No FF&E or Parking) | $50,714,903 | $281,749 | $251 | 51% |
| FF&E | $3,936,000 | $21,867 | $19 | 4% |
| Soft Costs | $7,652,419 | $42,513 | $38 | 8% |
| Permit Fees & Taxes | $1,125,000 | $6,250 | $6 | 1% |
| Finance Costs & Fees | $5,102,368 | $28,346 | $25 | 5% |
| Developer Fee | $3,351,397 | $18,619 | $17 | 3% |
| Total | $98,611,312 | $547,841 | $488 | 100% |

| SOURCES OF FUNDS | $ | Per Unit | | % |
|---|---|---|---|---|
| Loan | $64,097,353 | $356,096 | | 65% |
| Limited Partner Equity | $32,788,261 | $182,157 | | 33% |
| General Partner Equity | $1,725,698 | $9,587 | | 2% |
| Total | $98,611,312 | $547,841 | | 100% |

The development cost is equivalent to $547,841 per unit and $488 per gross square foot. While on the high side, it is considered reasonable for a market-rate TOD product, especially when considering that the development cost includes $15.3 million in structured parking and site costs, high end building materials and finishes, as well as being subject to very substantial price increases on construction materials industry-wide. The project's parking ratio of 1.2 spaces to 1 apartment unit exceeds the Village's 1:1 requirement, meaning the development incorporates 44 more units than required by the Village (and includes 50 public spaces). The cost of each additional space is $29,791, meaning the cost of the additional 44 units totals approximately $1.3 million.

## C. SUMMARIZED BENEFITS PACKAGE FOR DEVELOPER

The Applicant requests a payment in lieu of taxes (PILOT), an exemption on its mortgage recording tax, and an exemption on its sales tax on building materials. Based upon the 20-year PILOT schedule as outlined in the IDA's Uniform Tax Exemption Policy (UTEP), the total project savings from IDA assistance are $21,646,176, which is 22% of total project costs ($98,611,312). NDC typically sees project savings from IDA assistance in New York fall anywhere between 15-25% of total project costs, meaning the assistance for this development is reasonable and within range of assistance for other projects. The private investment into the project is a 4.55x multiplier of public investment, meaning that every $1 in savings provided by PCIDA leverages approximately $4.55 in private investment.

NDC determined that the project is not financially feasible with taxes at full assessment and that the 20-year PILOT is best suited for achieving financial feasibility. Even with the 20-year PILOT, the financial metrics required by financial stakeholders are quite marginal. This is further supported in the following section.

A 15-year PILOT schedule, presented in **Exhibit 2** on page 11, and its Tax Benefit Summary, presented in **Exhibit 3** on page 12, were also factored into the financial examination. Based upon the 15-year PILOT schedule as outlined the IDA's Uniform Tax Exemption Policy (UTEP), the total project savings from IDA assistance are $17,117,494, which is 17% of total project costs. Since the financial results were even more marginal with the 15-year PILOT, only the 20-year schedule is featured in the body of this report.

**IDA TAX BENEFIT SUMMARY**

| IDA RELATED PROPERTY TAXES | | |
|---|---|---|
| Current Taxes | $32,378 | $180 per unit |
| As Complete Full Taxes | $1,644,871 | $9,138 per unit |
| Multiplier | 50.80 x | |
| PILOT schedule | 20-year phase-in | |
| PILOT over 20 Years | $18,175,982 | |
| Savings over 20 Years | ($18,042,439) | |
| Increment over Savings | $133,542 | |

| SALES TAX EXEMPTION | | |
|---|---|---|
| Construction & Parking Cost | | $57,164,128 |
| Value of Building Materials | 55% | $31,440,270 |
| Sales Tax | | 8.375% |
| Value of Exemption on Construction | | $2,633,123 |
| FF&E Costs | | $3,936,000 |
| Sales Tax | | 8.375% |
| Value of Exemption on FF&E | | $329,640 |
| Total Value of Sales Tax Exemption | | $2,962,763 |

| MORTGAGE RECORDING TAX | |
|---|---|
| Mortgage | $64,097,353 |
| Mortgage Recording Tax | 1.30% |
| Transit District Exclusion | -0.30% |
| Mortgage Recording Tax Savings | 1.00% |
| Value of Exemption | $640,974 |

| FINANCIAL ASSISTANCE SUMMARY | |
|---|---|
| Real Estate Tax Savings Over PILOT Term | $18,042,439 |
| Mortgage Recording Tax Savings | $640,974 |
| Sales Tax Exemption | $2,962,763 |
| IDA Financial Incentive Package | $21,646,176 |
| Total Project Cost | $98,611,312 |
| IDA Financial Package as a % of Cost | 22% |

As noted above, the total IDA financial assistance, inclusive of a 20-year PILOT, is approximately 22% of development costs.

## D. SUMMARY OF NDC ANALYSIS

NDC based its analysis on the revenue, expense and costs assumptions provided by the Developer in the IDA application. For consistency with other IDA reviews, NDC used the following assumptions in its analysis:

- Increasing baseline taxes by a 1.0% annually
- Permanent loan assumptions that are in line with the current market for similar projects
  - 30-year amortization
  - Rate of 6.50%
- Adjusting revenue growth to 2.50% annually for market rate units (from 2.25% in Developer's pro forma)

- Adjusting revenue growth to 2.00% annually for parking and storage income (from 2.25% in Developer's pro forma)
- Adjusting expense growth to 3.00% annually (from approximately 7% in Developer's pro forma)
- Adjusting vacancy rate to 5%, factoring residential, parking, and storage (from 5.5% in Developer's pro forma)
- Projecting terminal value of project using a 5.50% cap rate

The monthly rents range from $2,200 for the smallest studio units to $3,700 for the largest two-bedroom units. These rents are considered high, but consistent with other similar high-end market-rate developments in the Port Chester and Westchester County market. The Town assessor estimated an as-completed value of $44,900,000 and full taxes without a PILOT at $1,644,871, or $9,138 per unit. This is a high real estate tax for a residential rental property, as the annual tax is equivalent to approximately 22% of effective gross income in the stabilized year (Year 2). NDC typically sees development's that require a PILOT have an as-complete tax fall anywhere between 20-30% of effective gross income in the stabilized year.

*20-Year PILOT Analysis*

The 20-year PILOT, with schedule reflected in **Exhibit 1** on page 10, is considered necessary to create financial feasibility with reasonable returns for the financial participants. The property will pay current base taxes ($32,378) during the interim year and two years of construction. The property will have a 100% exemption on improvements in the first year and from the second year of operation until the end of the 20-year PILOT term, the abatement will decrease by 5.00% annually. This is consistent with the 20-year PILOT schedule in the Village of Port Chester IDA UTEP.

The worksheet on the following page illustrates the need for the 20-year PILOT. The stabilized pro forma projected through cash flow in the stabilized second year (Year 2 of operations) is presented under three scenarios with respect to the real estate taxes and PILOT:

1) paying full real estate taxes ($9,230 per unit)
2) paying the actual PILOT in the stabilized year ($639 per unit)
3) paying the average PILOT over the terms ($5,049 per unit)

With "as complete" full taxes without the PILOT, the cash flow is negative (-), and all financial metrics fall far short of requirements. When the 20-year PILOT is factored, whether it be under #2 with the second year PILOT being applied or under #3 with the average PILOT paid during the term being applied, the financial metrics are marginal.

The requested IDA assistance with the proposed 20-year PILOT would not constitute providing an undue enrichment to the Applicant. In fact, all developer/investor return metrics (cash-on-cash, yield-to-cost, and internal rate of return) are quite marginal. While the Developer will eventually refinance its construction loan and likely reimburse itself for some equity in the development, this will simply help bring financial returns up to par with what is typically seen from market rate developments. **"But for"** the proposed IDA financial incentive package, the development is not considered financially feasible. Potential financial challenges lie in high site and parking costs and high "as-complete" taxes. While the IDA cannot impact the first, the PILOT partially mitigates the high as-complete taxes by providing an adequate runway to phase into full taxes.

| STABILIZED OPERATING PRO FORMA (Assumed to be 2nd Year of Operations After New Construction) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | (1) WITHOUT PILOT | | (2) WITH 2nd Year 20-YR PILOT | | (3) With PILOT Avg over 20-Yr Term | | |
| | | $ | Per Unit | $ | Per Unit | $ | Per Unit | |
| Market Gross Income | 180 | $7,248,646 | *$3,356 per month* | $7,248,646 | *$3,356 per month* | | | |
| Parking Income | | $394,753 | *$147 per space per month* | $394,753 | *$147 per space per month* | | | |
| Storage Income | | $59,620 | *$22 per SF* | $59,620 | *$22 per SF* | | | |
| Misc. Income | | $367,659 | | $367,659 | | | | |
| Gross Income | | $8,070,678 | | $8,070,678 | | | | |
| Vacancy | | ($564,947) | *7.00% vacancy* | ($564,947) | *7.00% vacancy* | | | |
| Effective Gross Income | | $7,505,731 | | $7,505,731 | | $7,505,731 | | |
| Operating Expenses Excl Taxes | | ($1,499,158) | *$8,329* | ($1,499,158) | *$8,329* | ($1,499,158) | *$8,329* | |
| **RE Taxes / PILOT** | | **($1,661,320)** | ***$9,230 2nd year*** | **($115,074)** | ***$639 2nd year*** | **($908,799)** | ***$5,049 avg. during term*** | |
| Total Expenses | | ($3,160,478) | *$17,558* | ($1,614,232) | *$8,968* | ($2,407,957) | *$13,378* | |
| Net Operating Income | | $4,345,253 | | $5,891,499 | | $5,097,774 | | |
| Debt Service | | ($4,861,666) | | ($4,861,666) | | ($4,861,666) | | |
| Cash Flow | | ($516,414) | | $1,029,832 | | $236,107 | | |
| METRICS | | | | | | | | *Typical in Market* |
| Debt Coverage Ratio | | 0.89 | | 1.21 | | 1.05 | | >1.20 |
| Cash on Cash Return | | -1.50% | | 2.98% | | 0.68% | | >6.5% |
| Yield to Cost Return | | 4.41% | | 5.97% | | 5.17% | | >6.5% |
| Leveraged Pre-Tax IRR Over Term | | 6% | | 8% | | 8% | | >12% |

*15-Year PILOT Analysis*

As stated earlier, a 15-year PILOT, with schedule reflected in **Exhibit 2** on page 11, was also incorporated into this analysis. Under a 15-year schedule, the property would pay current base taxes ($32,378) during the interim year and two years of construction. The property will have a 100% exemption on improvements in the first year and from the second year of operation until the end of the 15-year PILOT term, the abatement will decrease by 6.67% annually.

The stabilized pro forma seen in **Exhibit 4** on page 13 illustrates projected cash flow in the stabilized second year (Year 2 of operations) and is presented under three scenarios with respect to the real estate taxes and PILOT:

1) paying full real estate taxes ($9,230 per unit)
2) paying the actual PILOT in the stabilized year ($790 per unit)

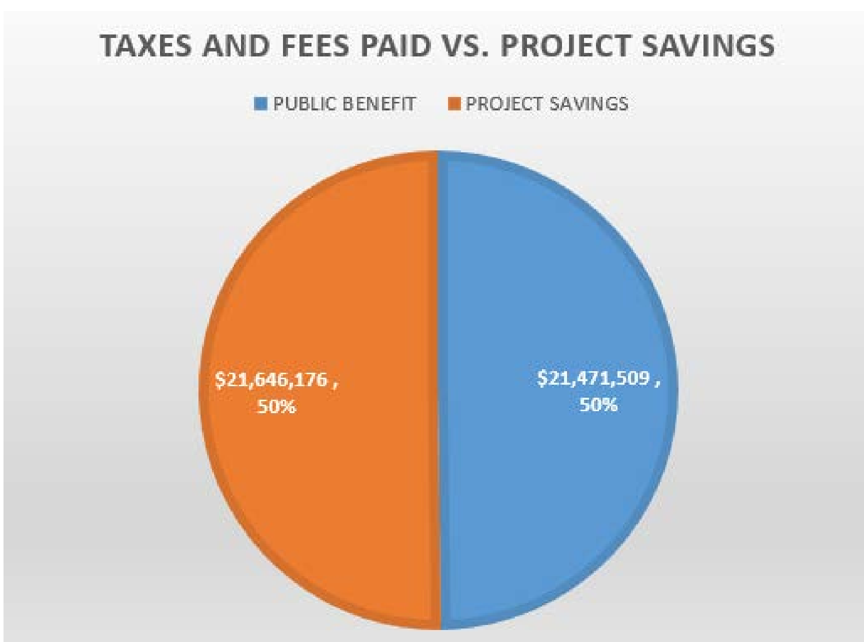
3) paying the average PILOT/taxes over the first 20 years of operations ($6,285 per unit). This average includes the PILOT in Years 1-15 and estimated full taxes Years 16-20 to provide a better comparison to the average 20-year PILOT.

As is seen in **Exhibit 5,** the higher average PILOT and tax payments over Years 1-20 results in worse returns for the development, leading to greater financial difficulties.

## E. COST / BENEFIT ANALYSIS

The public financial benefits are considerable with respect to the real estate tax increment. While the developer will realize $21.65 million in savings from the IDA agreement, the aggregate public benefits in the form of PILOT payments, 50 public parking spaces, and Village and IDA fees are estimated at $21.47 million. The average annual PILOT paid during the 20-year term is $908,799, or $5,049 per unit annually. **The $908,799 average PILOT over the term is a 28x multiplier of current taxes ($32,378).**

| PUBLIC BENEFIT VS PROJECT SAVINGS | |
|---|---|
| Full IDA Taxes (PILOT) over 20 Years | $18,175,982 |
| Public Parking (50 Spaces) | $1,727,471 |
| IDA Fees | $543,057 |
| Village Fees | $1,025,000 |
| **PUBLIC BENEFIT** | **$21,471,509** |
| | |
| Real Estate Tax Savings Over Term | $18,042,439 |
| Mortgage Recording Tax Savings | $640,974 |
| Sales Tax Exemption | $2,962,763 |
| **TOTAL PROJECT TAX SAVINGS** | **$21,646,176** |



In addition to the above benefits, the applicant expects 350-400 temporary construction jobs and four (4) full-time equivalent permanent jobs for the development. This TOD project eliminates a blighted underutilized property and replaces it with needed market rate rental units and public parking in a well-designed transit-oriented development building. There will be considerable disposable income added to the downtown marketplace from the residents of the one-hundred and eighty units. NDC estimates approximately $6 million in disposable purchasing power to strengthen retail trade in downtown Port Chester.

## EXHIBIT 1: PILOT Schedule (20 Years)

**PILOT SCHEDULE**

**The Station Lofts at Port Chester**

| | | | |
|---|---|---|---|
| Current Taxes | $32,378 | Starting Abatement | 100% |
| Improvement Taxes | $1,612,493 | PILOT Term | 20 |
| "As Improved" (Full) Taxes | $1,644,871 | Decrease | 0.05 |
| Proposed Units | 180 | | |
| Estimated Taxes/Unit | **$9,138** | | |
| Annual Escalator | 1% | | |

| Year | PILOT Year | Base Taxes | Improvement Taxes | "As Improved" Full Taxes | Abatement | Savings | PILOT | Increment |
|---|---|---|---|---|---|---|---|---|
| 2024 | Interim | $32,378 | $0 | $32,378 | 0 | $0 | **$32,378** | $0 |
| 2025 | Construction | $32,702 | $0 | $32,702 | 0 | $0 | **$32,702** | $0 |
| 2026 | Construction | $33,029 | $0 | $33,029 | 0 | $0 | **$33,029** | $0 |
| 2027 | 1 | $33,359 | $1,611,512 | $1,644,871 | 100.00% | ($1,611,512) | **$33,359** | $0 |
| 2028 | 2 | $33,693 | $1,627,627 | $1,661,320 | 95.00% | ($1,546,246) | **$115,074** | $81,381 |
| 2029 | 3 | $34,030 | $1,643,903 | $1,677,933 | 90.00% | ($1,479,513) | **$198,420** | $164,390 |
| 2030 | 4 | $34,370 | $1,660,342 | $1,694,712 | 85.00% | ($1,411,291) | **$283,421** | $249,051 |
| 2031 | 5 | $34,714 | $1,676,946 | $1,711,659 | 80.00% | ($1,341,557) | **$370,103** | $335,389 |
| 2032 | 6 | $35,061 | $1,693,715 | $1,728,776 | 75.00% | ($1,270,286) | **$458,490** | $423,429 |
| 2033 | 7 | $35,411 | $1,710,652 | $1,746,064 | 70.00% | ($1,197,457) | **$548,607** | $513,196 |
| 2034 | 8 | $35,765 | $1,727,759 | $1,763,524 | 65.00% | ($1,123,043) | **$640,481** | $604,716 |
| 2035 | 9 | $36,123 | $1,745,036 | $1,781,160 | 60.00% | ($1,047,022) | **$734,138** | $698,015 |
| 2036 | 10 | $36,484 | $1,762,487 | $1,798,971 | 55.00% | ($969,368) | **$829,603** | $793,119 |
| 2037 | 11 | $36,849 | $1,780,112 | $1,816,961 | 50.00% | ($890,056) | **$926,905** | $890,056 |
| 2038 | 12 | $37,218 | $1,797,913 | $1,835,131 | 45.00% | ($809,061) | **$1,026,070** | $988,852 |
| 2039 | 13 | $37,590 | $1,815,892 | $1,853,482 | 40.00% | ($726,357) | **$1,127,125** | $1,089,535 |
| 2040 | 14 | $37,966 | $1,834,051 | $1,872,017 | 35.00% | ($641,918) | **$1,230,099** | $1,192,133 |
| 2041 | 15 | $38,345 | $1,852,391 | $1,890,737 | 30.00% | ($555,717) | **$1,335,019** | $1,296,674 |
| 2042 | 16 | $38,729 | $1,870,915 | $1,909,644 | 25.00% | ($467,729) | **$1,441,915** | $1,403,186 |
| 2043 | 17 | $39,116 | $1,889,624 | $1,928,741 | 20.00% | ($377,925) | **$1,550,816** | $1,511,700 |
| 2044 | 18 | $39,507 | $1,908,521 | $1,948,028 | 15.00% | ($286,278) | **$1,661,750** | $1,622,243 |
| 2045 | 19 | $39,902 | $1,927,606 | $1,967,508 | 10.00% | ($192,761) | **$1,774,748** | $1,734,845 |
| 2046 | 20 | $40,301 | $1,946,882 | $1,987,183 | 5.00% | ($97,344) | **$1,889,839** | $1,849,538 |
| TOTAL | | $734,534 | $35,483,887 | $36,218,421 | | ($18,042,439) | **$18,175,982** | $17,441,448 |
| | | | | | | 50% of full taxes | 50% of full taxes | |

$908,799 annual avg.
$5,049 per unit annually
28.07 multiplier

## Exhibit 2: PILOT Schedule (15 Years)

**PILOT SCHEDULE**

**The Station Lofts at Port Chester**

| | | | |
|---|---|---|---|
| Current Taxes | $32,378 | Starting Abatement | 100% |
| Improvement Taxes | $1,612,493 | PILOT Term | 15 |
| "As Improved" (Full) Taxes | $1,644,871 | Decrease | 0.066666667 |
| Proposed Units | 180 | | |
| Estimated Taxes/Unit | **$9,138** | | |
| Annual Escalator | 1% | | |

| Year | PILOT Year | Base Taxes | Improvement Taxes | "As Improved" Full Taxes | Abatement | Savings | PILOT | Increment |
|---|---|---|---|---|---|---|---|---|
| 2024 | Interim | $32,378 | $0 | $32,378 | 0 | $0 | **$32,378** | $0 |
| 2025 | Construction | $32,702 | $0 | $32,702 | 0 | $0 | **$32,702** | $0 |
| 2026 | Construction | $33,029 | $0 | $33,029 | 0 | $0 | **$33,029** | $0 |
| 2027 | 1 | $33,359 | $1,611,512 | $1,644,871 | 100.00% | ($1,611,512) | **$33,359** | $0 |
| 2028 | 2 | $33,693 | $1,627,627 | $1,661,320 | 93.33% | ($1,519,119) | **$142,201** | $108,508 |
| 2029 | 3 | $34,030 | $1,643,903 | $1,677,933 | 86.67% | ($1,424,716) | **$253,217** | $219,187 |
| 2030 | 4 | $34,370 | $1,660,342 | $1,694,712 | 80.00% | ($1,328,274) | **$366,438** | $332,068 |
| 2031 | 5 | $34,714 | $1,676,946 | $1,711,659 | 73.33% | ($1,229,760) | **$481,899** | $447,186 |
| 2032 | 6 | $35,061 | $1,693,715 | $1,728,776 | 66.67% | ($1,129,143) | **$599,632** | $564,572 |
| 2033 | 7 | $35,411 | $1,710,652 | $1,746,064 | 60.00% | ($1,026,391) | **$719,672** | $684,261 |
| 2034 | 8 | $35,765 | $1,727,759 | $1,763,524 | 53.33% | ($921,471) | **$842,053** | $806,287 |
| 2035 | 9 | $36,123 | $1,745,036 | $1,781,160 | 46.67% | ($814,350) | **$966,809** | $930,686 |
| 2036 | 10 | $36,484 | $1,762,487 | $1,798,971 | 40.00% | ($704,995) | **$1,093,976** | $1,057,492 |
| 2037 | 11 | $36,849 | $1,780,112 | $1,816,961 | 33.33% | ($593,371) | **$1,223,590** | $1,186,741 |
| 2038 | 12 | $37,218 | $1,797,913 | $1,835,131 | 26.67% | ($479,443) | **$1,355,687** | $1,318,469 |
| 2039 | 13 | $37,590 | $1,815,892 | $1,853,482 | 20.00% | ($363,178) | **$1,490,303** | $1,452,714 |
| 2040 | 14 | $37,966 | $1,834,051 | $1,872,017 | 13.33% | ($244,540) | **$1,627,477** | $1,589,511 |
| 2041 | 15 | $38,345 | $1,852,391 | $1,890,737 | 6.67% | ($123,493) | **$1,767,244** | $1,728,899 |
| TOTAL | | $536,978 | $25,940,339 | $26,477,317 | | ($13,513,757) | **$12,963,559** | $12,426,582 |
| | | | | | | 51% of full taxes | 49% of full taxes | |

$864,237 annual avg.
$4,801 per unit annually
26.69 multiplier

**Exhibit 3: Tax Benefit Summary (15 Years)**

## IDA TAX BENEFIT SUMMARY

| IDA RELATED PROPERTY TAXES | | |
|---|---|---|
| Current Taxes | $32,378 | $180 per unit |
| As Complete Full Taxes | $1,644,871 | $9,138 per unit |
| Multiplier | 50.80 x | |
| PILOT schedule | 15-year phase-in | |
| PILOT over 15 Years | $12,963,559 | |
| Savings over 15 Years | ($13,513,757) | |
| Increment over Savings | ($550,198) | |

| SALES TAX EXEMPTION | | |
|---|---|---|
| Construction Cost | | $57,164,128 |
| Value of Building Materials | 55% | $31,440,270 |
| Sales Tax | | 8.375% |
| Value of Exemption on Construction | | $2,633,123 |
| FF&E Costs | | $3,936,000 |
| Sales Tax | | 8.375% |
| Value of Exemption on FF&E | | $329,640 |
| Total Value of Sales Tax Exemption | | $2,962,763 |

| MORTGAGE RECORDING TAX | |
|---|---|
| Mortgage* | $64,097,353 |
| Mortgage Recording Tax | 1.30% |
| Transit District Exclusion | -0.30% |
| Mortgage Recording Tax Savings | 1.00% |
| Value of Exemption | $640,974 |

| FINANCIAL ASSISTANCE SUMMARY | |
|---|---|
| Real Estate Tax Savings Over PILOT Term | $13,513,757 |
| Mortgage Recording Tax Savings | $640,974 |
| Sales Tax Exemption | $2,962,763 |
| IDA Financial incentive Package | $17,117,494 |
| Total Project Cost | $98,611,312 |
| IDA Financial Package as a % of Cost | 17% |

**Exhibit 4: Stabilized Operating Pro Forma (15 Year PILOT)**

| STABILIZED OPERATING PRO FORMA (Assumed to be 2nd Year of Operations After New Construction) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | (1) WITHOUT PILOT | | (2) WITH 2nd Year 15-YR PILOT | | (3) With PILOT/Taxes Avg over Years 1-20* | |
| | | $ | Per Unit | $ | Per Unit | $ | Per Unit |
| Market Gross Income | 180 | $7,248,646 | *$3,356 per month* | $7,248,646 | *$3,356 per month* | | |
| Parking Income | | $394,753 | *$147 per space per month* | $394,753 | *$147 per space per month* | | |
| Storage Income | | $59,620 | *$22 per SF* | $59,620 | *$22 per SF* | | |
| Misc. Income | | $367,659 | | $367,659 | | | |
| Gross Income | | $8,070,678 | | $8,070,678 | | | |
| Vacancy | | ($564,947) | *7.00% vacancy* | ($564,947) | *7.00% vacancy* | | |
| Effective Gross Income | | $7,505,731 | | $7,505,731 | | $7,505,731 | |
| Operating Expenses Excl Taxes | | ($1,499,158) | *$8,329* | ($1,499,158) | *$8,329* | ($1,499,158) | *$8,329* |
| **RE Taxes / PILOT** | | **($1,661,320)** | ***$9,230 2nd year*** | **($142,201)** | ***$790 2nd year*** | **($1,131,379)** | ***$6,285 avg. during term*** |
| Total Expenses | | ($3,160,478) | *$17,558* | ($1,641,359) | *$9,119* | ($2,630,537) | *$14,614* |
| Net Operating Income | | $4,345,253 | | $5,864,371 | | $4,875,194 | |
| | | | | | | | |
| Debt Service | | ($4,861,666) | | ($4,861,666) | | ($4,861,666) | |
| Cash Flow | | ($516,414) | | $1,002,705 | | $13,527 | |

| METRICS | (1) WITHOUT PILOT | (2) WITH 2nd Year 15-YR PILOT | (3) With PILOT/Taxes Avg over Years 1-20* | *Typical in Market* |
|---|---|---|---|---|
| Debt Coverage Ratio | 0.89 | 1.21 | 1.00 | >1.20 |
| Cash on Cash Return | -1.50% | 2.91% | 0.04% | >6.5% |
| Yield to Cost Return | 4.41% | 5.95% | 4.94% | >6.5% |
| Leveraged Pre-Tax IRR Over Term | 6% | 7% | 7% | >12% |

**Includes estimated taxes paid Years 16-20 for purposes of comparing to average 20-year PILOT*

STANDARD DISCLOSURE

Standard disclaimer regarding NDC's compliance with Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") and amended Section 15B of the Securities and Exchange Act of 1934 ("Exchange Act"):

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