

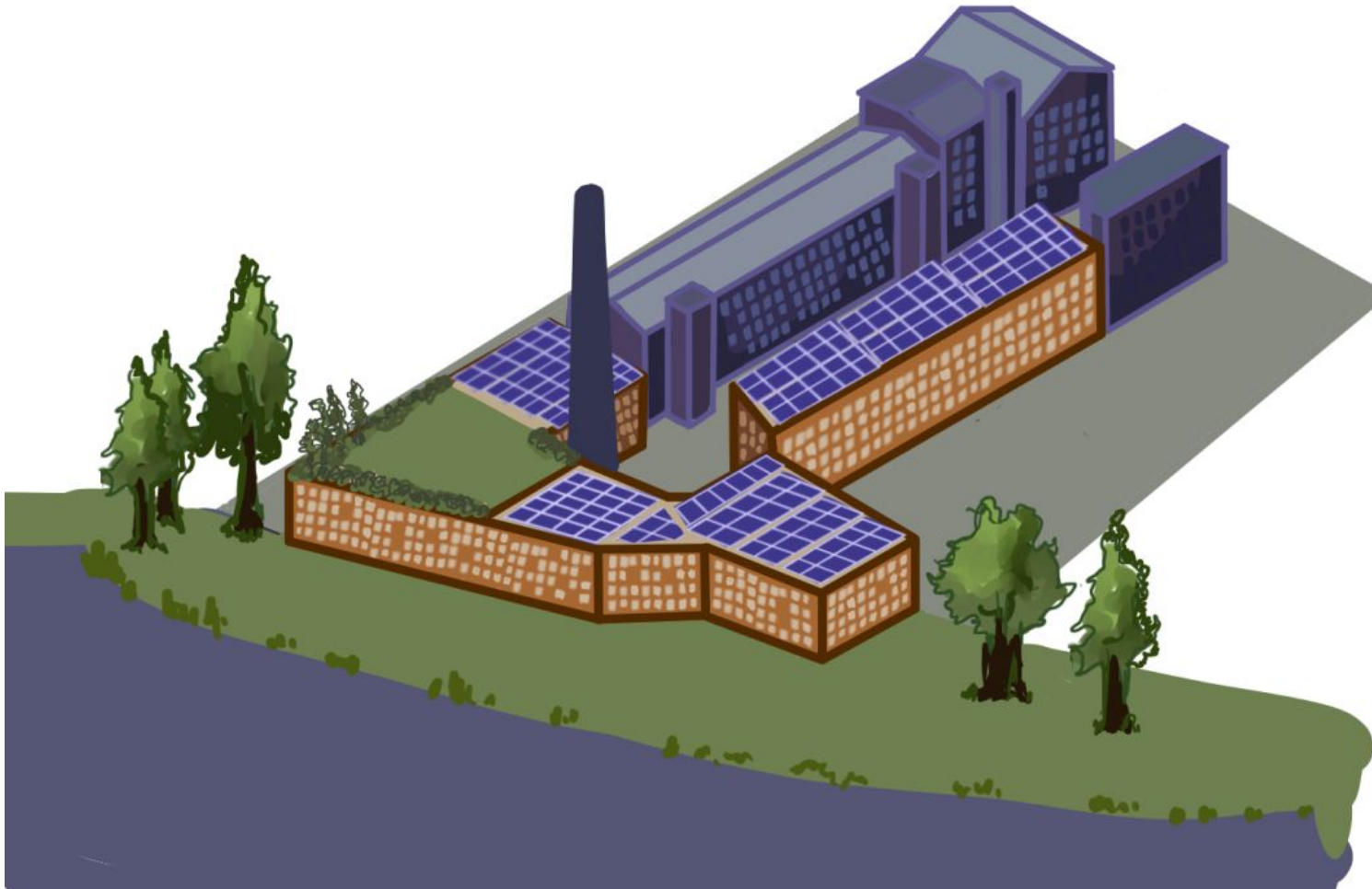
GRAVITY DEVELOPMENT GROUP

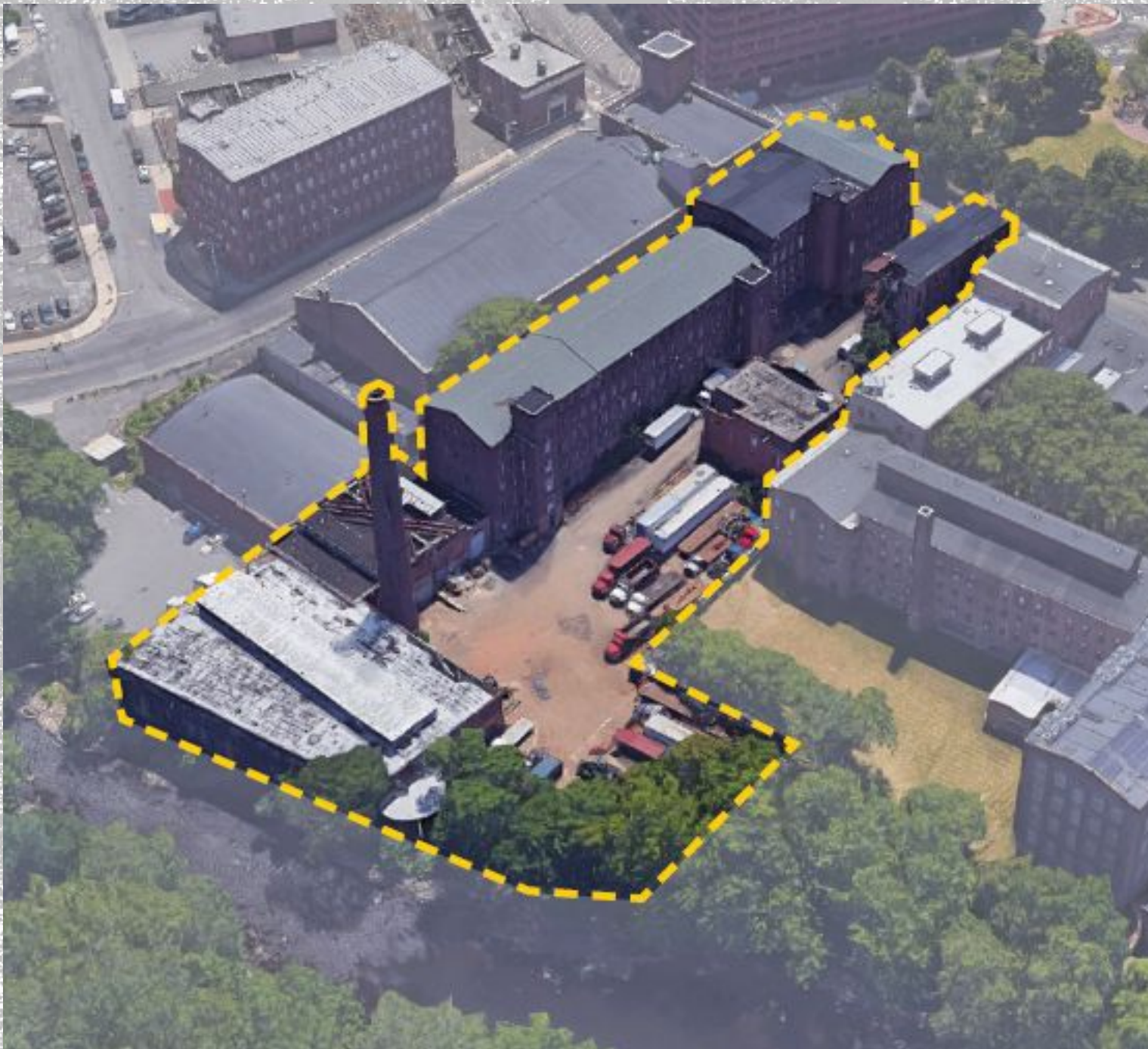
Adrian Cheng ♦ Alvaro Bermejo ♦ David Benmoha
Ryan Stoehrer ♦ Sherrilyn McPherson



Passaic Commons

Live, Work, Play





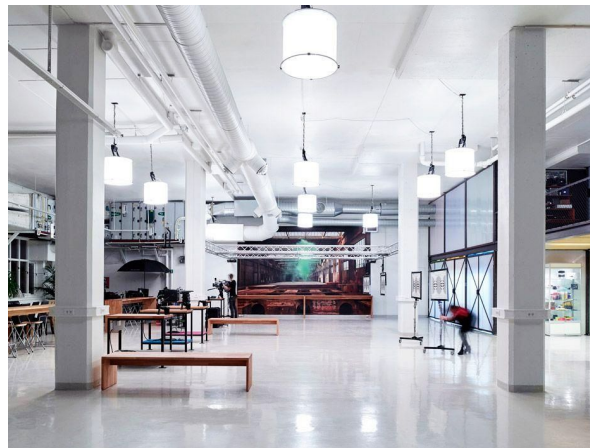
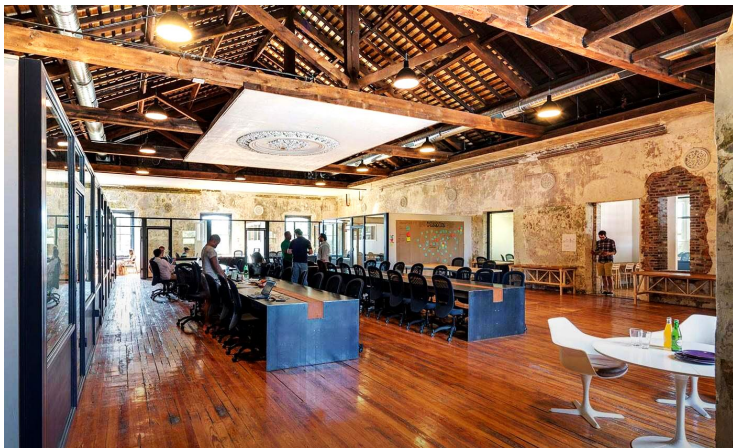
CONTENTS

- Executive Summary
- Project Objectives
- Market Analysis
- Project Overview
- Comparables
- Green Infrastructure, Sustainability, Weather Resilience
- Walkability & Transportation
- Historic Preservation
- Financial Analysis



Executive Summary

- Adaptive reuse of 24½ Van Houten St (85,605 SF lot)
- Frontage on Van Houten St and the Passaic River
- Former industrial property (mill factory)
- Conversion of mill buildings fronting Van Houten St to commercial office spaces including co-working space, education space (Per Scholas), film/production space, and conventional office space (totaling 88,854 Net SF)
- 3 additional structures will be built comprising of multifamily apartments
 - Mix of affordable and market rate units (136 units, 101,726 Net SF)
- Providing 4,300 SF of retail space
 - 2,500 SF - full service restaurant, 800 SF - cafe, 1000 SF - TBD
- 30 foot setback on Passaic River for city's riverwalk

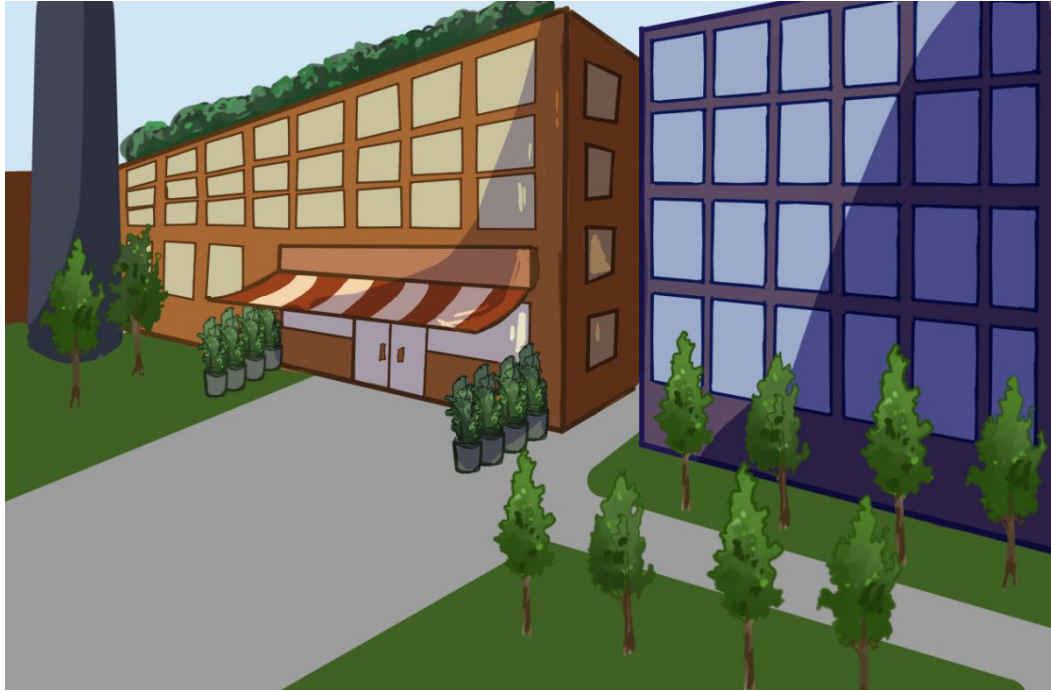




PROJECT OBJECTIVES

- Economic Growth
- Employment Increase/Job Introduction
- Demand for Quality Housing
- Educational Objectives
- Historic Preservation
- Community Integration/Site Accessibility





Project Objectives (Continued)

- Sustainability
- Natural Light
- Energy Efficiency (Solar Panels)
- Increase the site's accessibility and on-site transportation



POPULATION

147,890

0.678% GROWTH

MEDIAN AGE

33.1

MEDIAN HOUSEHOLD INCOME

\$36,106

6.06% GROWTH

POVERTY RATE

29%

NUMBER OF EMPLOYEES

60,972

3.91% GROWTH

MEDIAN PROPERTY VALUE

\$235,500

0.212% DECLINE

COMMUNITY COLLEGE GRADS

89%

TRADE SCHOOL GRADS

9%

HISPANIC

64%

BLACK AMERICAN

27%

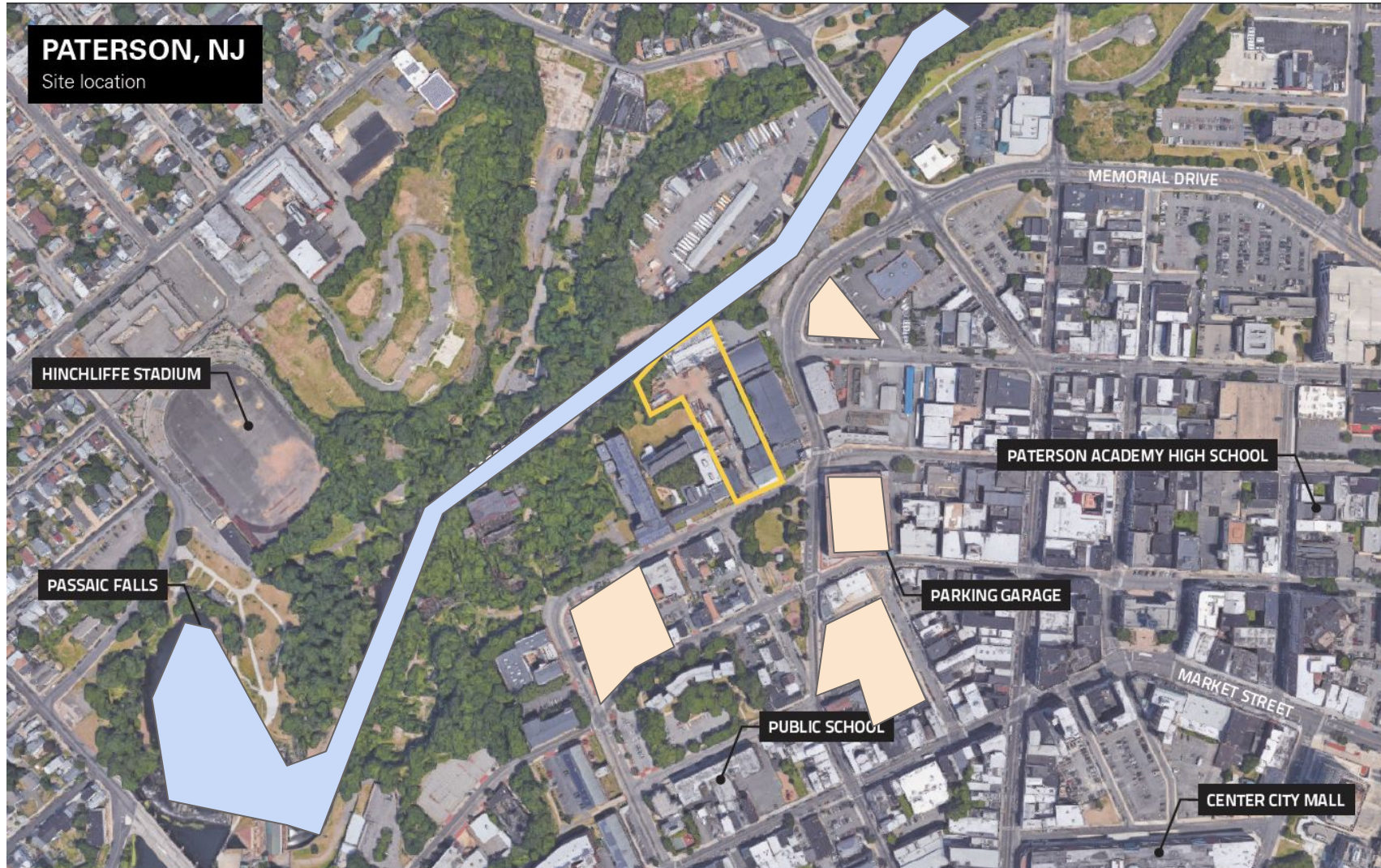
WHITE

9%

MARKET ANALYSIS PATERSON, NJ (2017)



SITE ANALYSIS

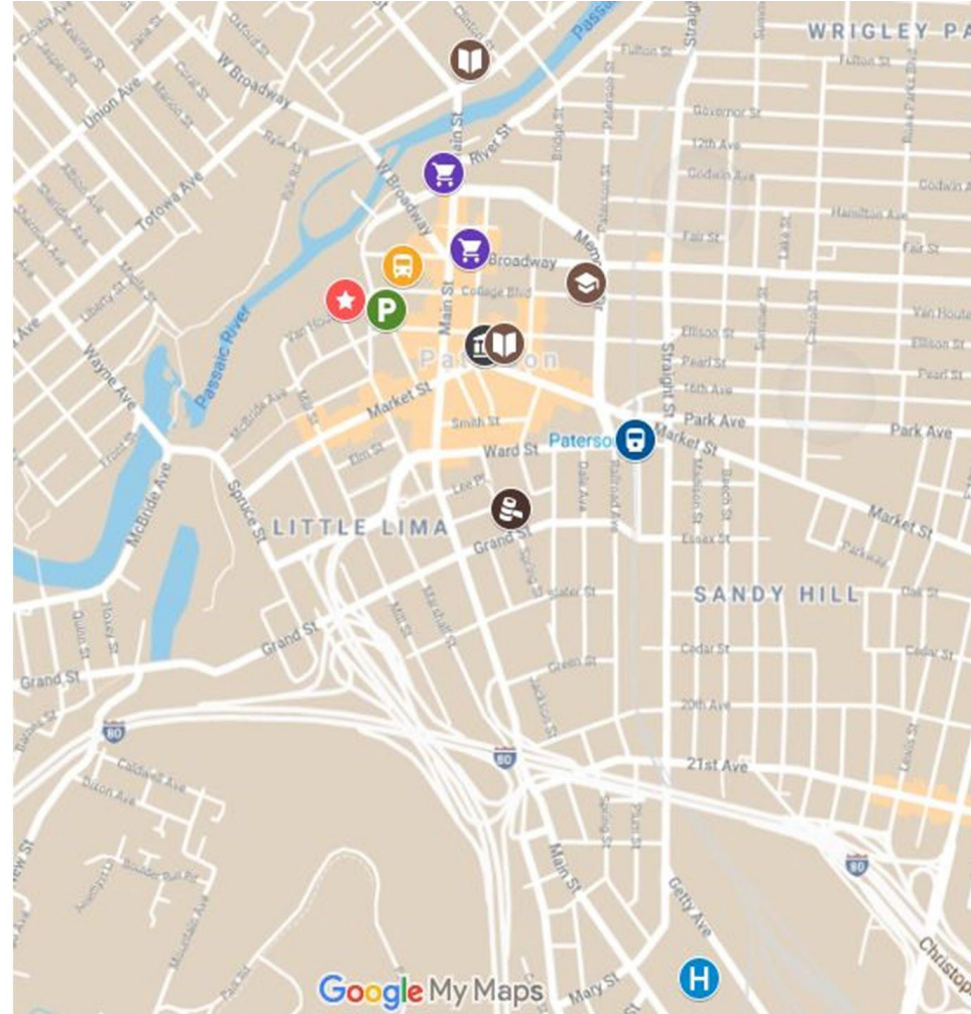


- Along the Passaic River
- Low density mixed use area with downtown area further down
- Close to garage and multiple parking spaces



SITE ANALYSIS

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



- Public Transportation
- Multiple Schools with a community college near by



Project Overview: *Passaic Commons*

- Construct a site focused on Affordable Housing and Workforce Development.
- Meet the needs of Paterson's educated workforce and need for quality housing detailed in the city's master plan.
- Gravity Development plans to deliver 88,854 SF of commercial office space at *The Mills*, 101,726 SF of residential space at *The Residences*, and 4,300 SF of retail space across five buildings collectively known as Passaic Commons



Project Layout



- (Orange and pink) Replace buildings near the waterfront with multifamily apartments with ground floor retail
- (Blue) multifamily apartments
- (Burgundy/light pink) Replace old warehouse with commercial spaces
- (Green) 30 foot setback for riverwalk



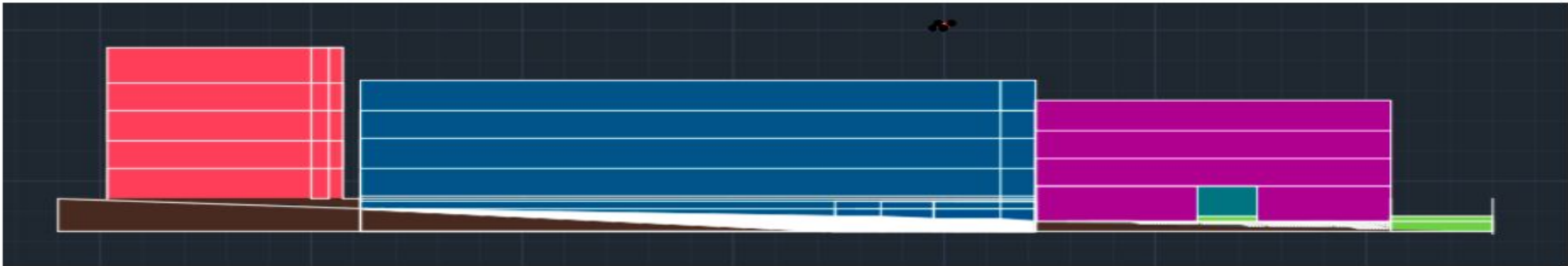
Building Stack

Left Side View:

Building B - 35,640 SF Residential

Building C - 36,162 SF Residential

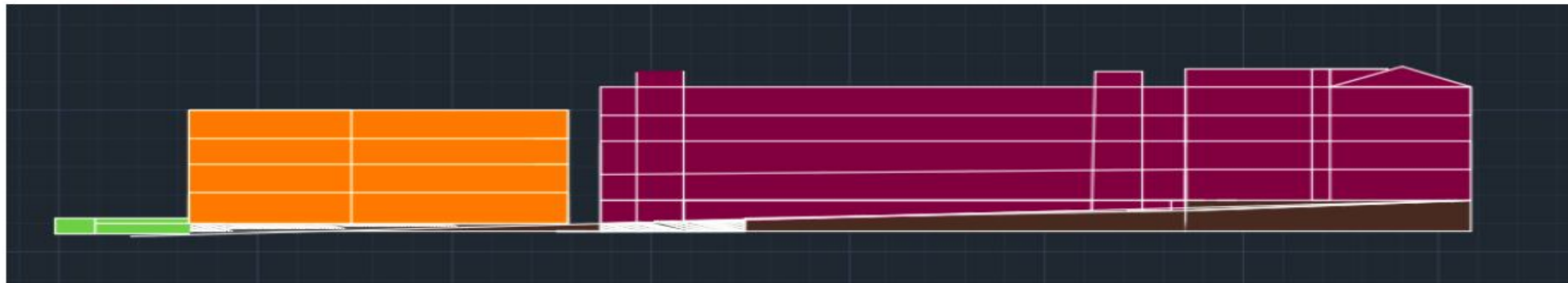
Building E - 10,871 SF Office



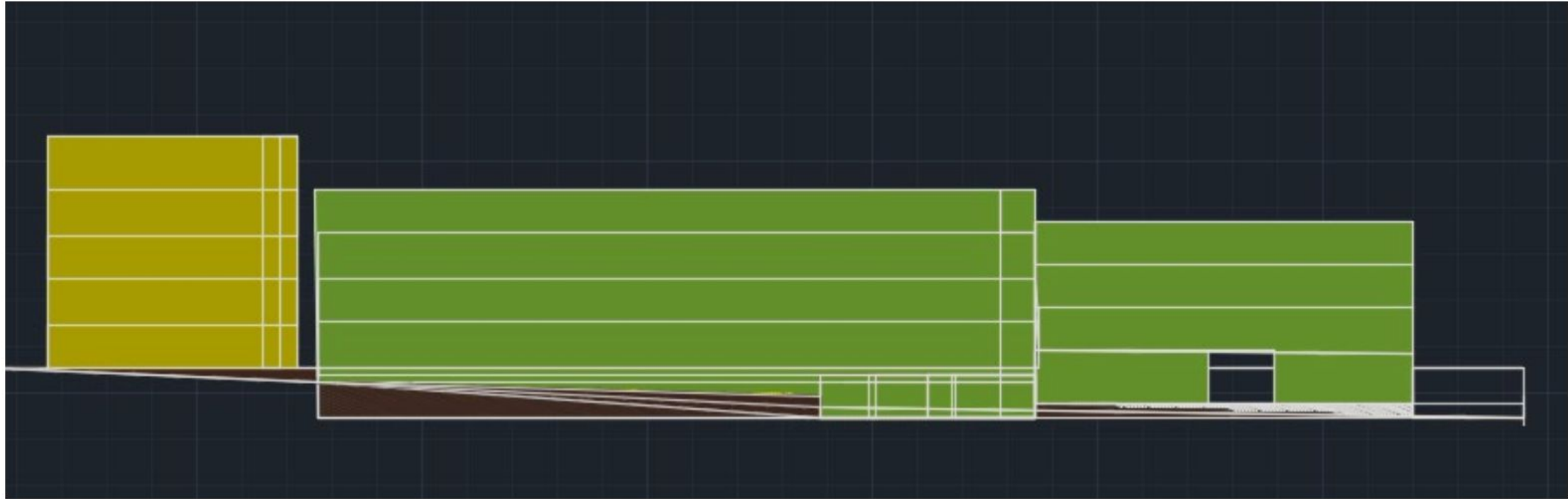
Right Side View:

Building A - 47,876 SF Residential

Building D - 83,133 SF Office



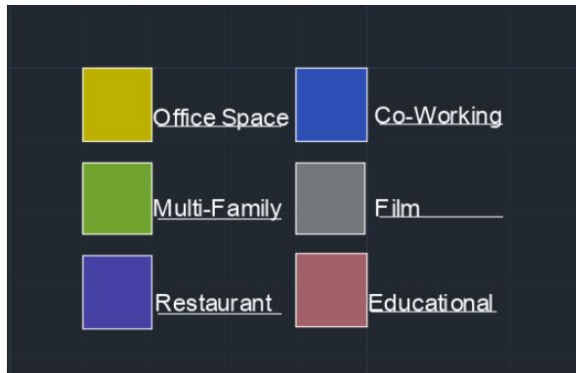
Building Stack - Left Side



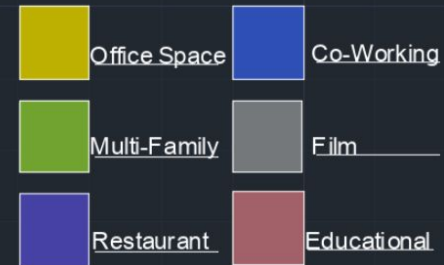
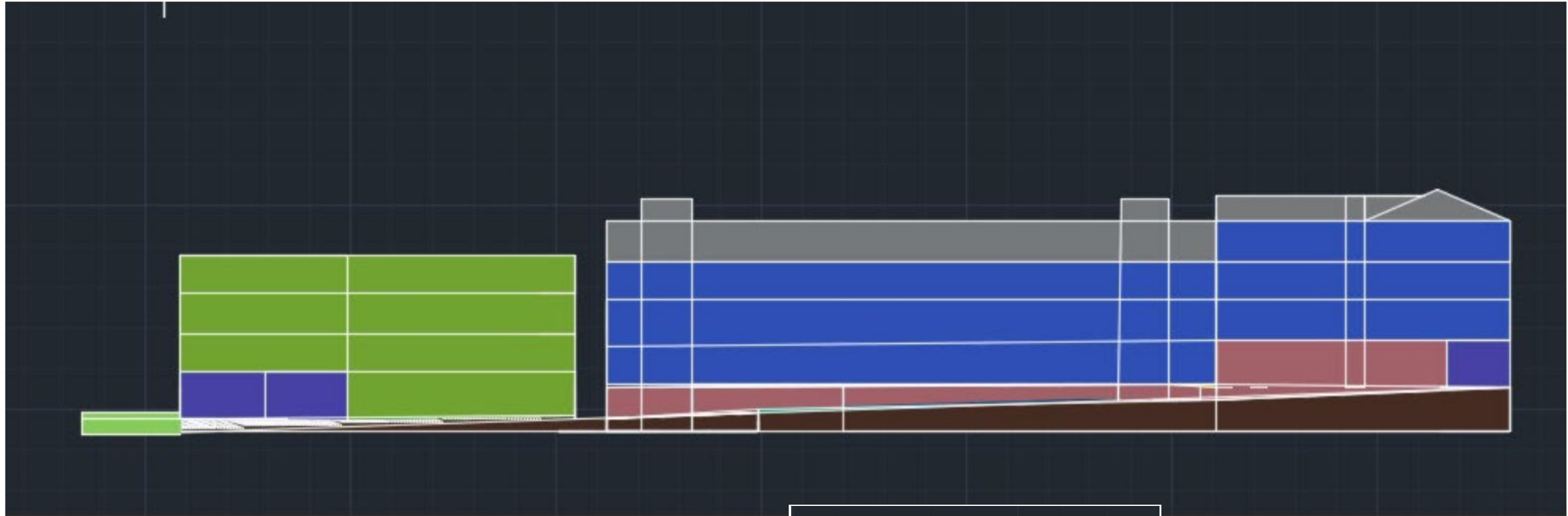
E

C

B



Building Stack - Right Side



The Mills - Commercial and Office Space

■ Layout:



- **Educational Space:** 15,827 SF leased to Per Scholas, an educational company focused on bringing technological education to students in overlooked communities to encourage social mobility.



- **Coworking Space:** 49,879 SF leased to Regus, Knotel or Industrious to provide space for entrepreneurs and small businesses.



- **Film Production Space:** 16,627 SF leased to a film production company looking to take advantage of New Jersey's Film and Digital Media Tax Credit Program.



The Residences



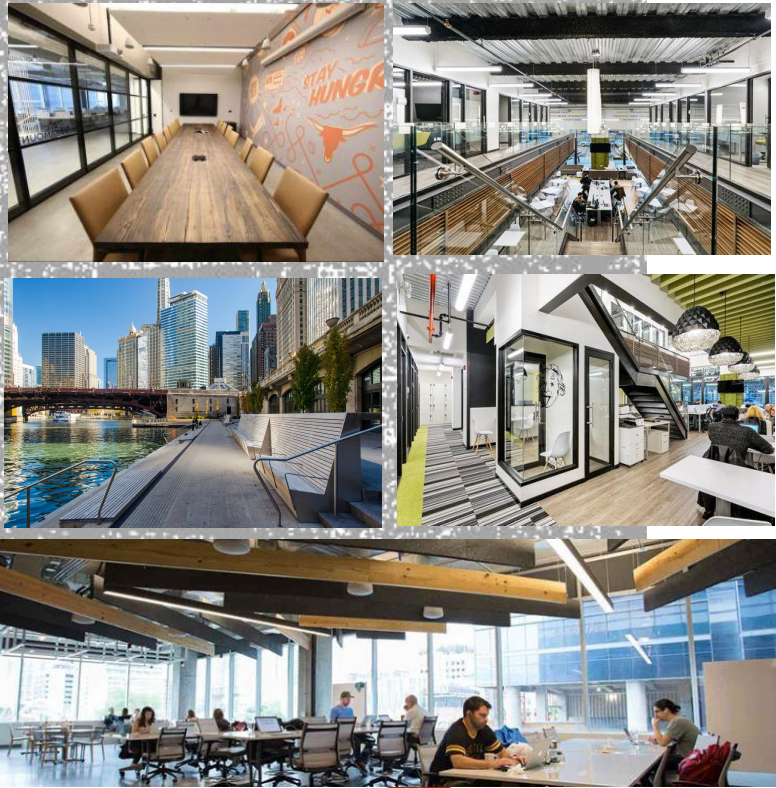
- GDG plans to deliver 136 residential units to help meet the demand for quality housing indicated in the city's master plan.
- 108 market rate units will be delivered to encourage a “live, work, play” environment for the young, educated workforce that will be attracted to the project
- 28 affordable units will be delivered, composed of 14 two bedrooms and 14 three bedrooms to meet the need for affordable housing for families in the Paterson area.
- Units will be state of the art and be a sample of the highest quality of housing in the area





Open Layout	Living Walls
Loft Open Area Desk & Semi-Private Booth Options	Flexible Lease Options from One Day to One Year
Shared Conference Rooms	Tenant Lounge Areas
On-Site Community Manager & Maintenance Staff	High Speed & Secure Connectivity & Collaboration
Smart Spaces (versatile space catered towards a diverse tenant mix)	Large glass façade mixed with industrial design for maximum sunlight
Access to outdoor roof deck & river walk	Tech-training
Service Oriented Retail: Sweet Pea or Panera Bread	Loft Live/Work Residential Units
Shared Parking & Bike Share	Security (Key Car Access)

BUILDING AMENITIES



TRANSPORTATION ORIENTED DEVELOPMENT – SMART GROWTH



PEDESTRIAN
WALKING ROADS &
GREEN SPACES



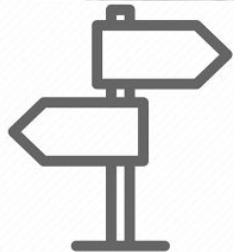
BIKE SHARE &
LANES



SHARED PARKING



DECORATIVE
STREET LIGHTS
WITH ENERGY
EFFICIENT FIXTURES



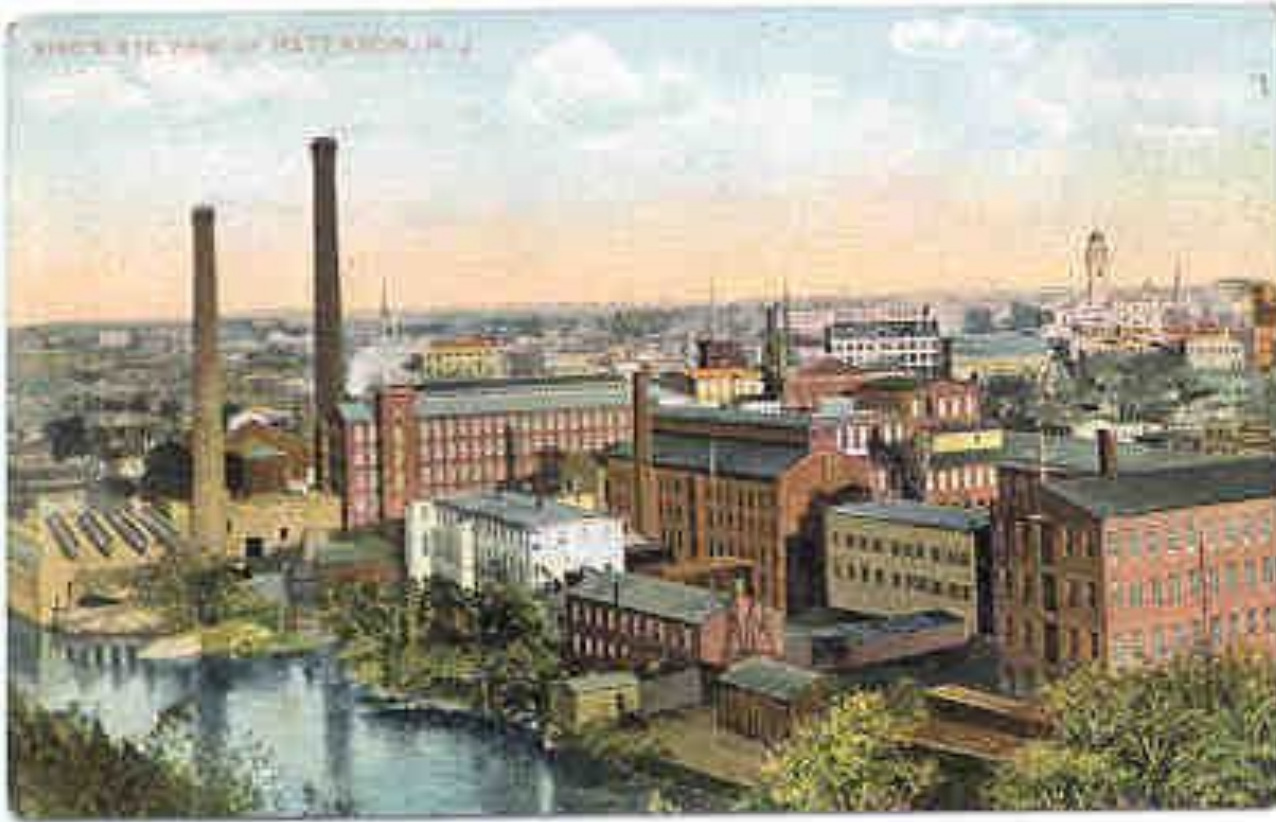
IMPROVED STREET
SIGNS &
CROSSWALKS



EASIER ACCESS TO
PASSAIC TRAIN
STATION



HISTORIC PRESERVATION



- Founded 1700 by Alexander Hamilton
- First Industrial City in US
- Complying with Historic Design Guidelines.



FINANCIAL ANALYSIS – TAX INCENTIVES & CREDITS PROGRAMS

- **Opportunity Zone:** Federal taxes can be fully deferred on capital gains invested in qualified opportunity zone funds if investments are held for at least 10-years
- **Historic Preservation Tax Credit:** adaptive reuse of buildings at *The Mills* may qualify, award up to 20% of the total project cost
- **Proposed PILOT Program** 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:** 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.



Multi-Family Comparable Analysis

Multifamily Comps							
		Studio	1 Bed	2 Bed	3 Bed		
Address	Units	PPSF	PPSF	PPSF	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 Comparable Analysis

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 Comparable Analysis

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 Comparable Analysis

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			



Rent Per SF By Use

Co-Working/Office	\$25
Retail/Restaurant	\$23
Education (Per Scholas)	\$25
Residential	\$22.88
Retail Cafe	\$27
Film/Production	\$26

FINANCIAL ANALYSIS – REVENUE ASSUMPTION SCHEDULE



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	\$22.88	\$931,092	3%	\$903,160
Building B	35,640	15%	30,294	\$22.88	\$693,127	3%	\$672,333
Building C	36,162	15%	30,738	\$22.88	\$703,279	3%	\$682,180
Total at The Residences	119,678		101,726		\$2,327,498		\$2,257,673
<i>The Mills</i>							
	TSF	Loss Factor	Net SF	RPSF	Gross 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
Office - E	10,871	5%	10,328	\$25	\$271,781	8%	\$250,039
Total Office at The Mills	93,204		88,877		\$2,346,733		\$2,307,699
<i>Retail</i>							
	TSF	Loss Factor	Net SF	RPSF	Gross 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
<i>Passaic Commons Total</i>							
					\$4,776,331		\$4,587,221



Cost Schedule

Construction Loan LTC	75%
Total Cost Before Loan	\$29,538,198.38
Loan Amount	\$22,153,648.78
Equity Required	\$7,384,549.59
Bank Rate	5.50%
Average Rate	6.50%

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



FINANCIAL ANALYSIS – SUMMARY

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
Stabilized Rate	3.50%
Amortization	30
Monthly Payment	\$243,126
Annual Payment	\$2,917,510
Loan Constant	0.05

	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	5.25x

