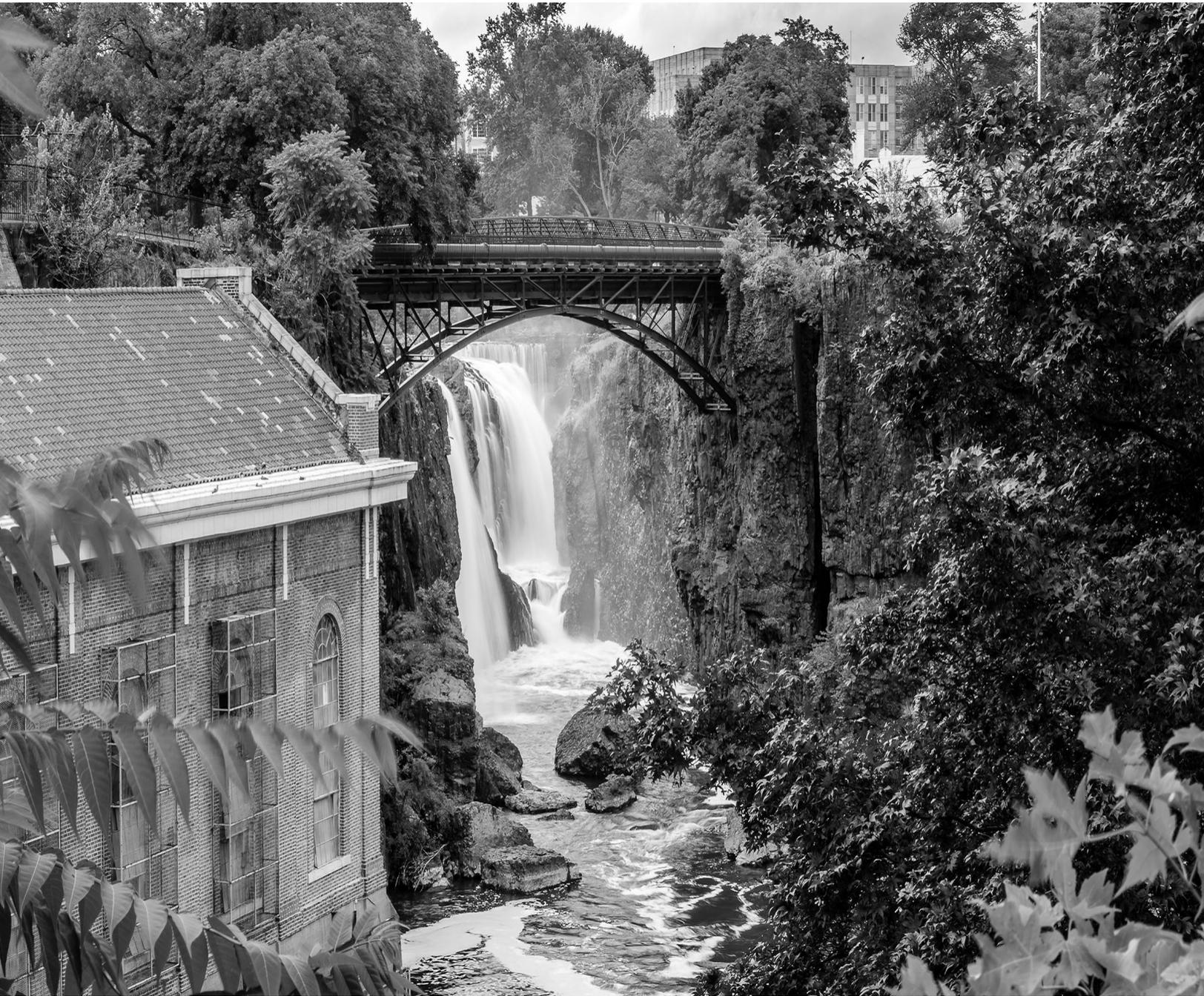


One Van Houten



Paterson, New Jersey Redevelopment Plan

Prepared by: Commercial Equity Consultants

One Van Houten Redevelopment Proposal

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I. Our Vision

When visiting the site our team decided that there is a lot of potential. We wanted to make sure we answered the needs of the community when deciding what to do with the lot. Therefore, we decided to demolish the standing buildings, but also reconstruct them by giving the warehouse feel that is present in the neighborhood.

The building will consist of retail, residential, office, and common areas. We expand on this idea in Highest and Best Use portion of the report and feel the design we have laid out is specific to the needs of the building. The community retail needs and a small parking lot in the back of the building reserved for residential are met, but there is also a large parking garage within a two minute walking distance for the retail goers.

Floor one will consist of retail containing stores that Paterson is financially in need of according to the CCIM's Esri database. The building will provide a two-lane roadway from the street to the back parking lot. This first floor will be split into two 22,500-sq ft buildings with an arch going over the two-way lane. This two-way lane can also be used for events as it is covered by the upper levels and can will be gated with key card access at night for safety purposes. Floors 2 through 4 will consist of shared co-working office space and use the full footprint. Floors 5 and 6 will be strictly residential and only residents will have access to reach these floors through key cards. The residential will also use full square footage footprint and most of these apartments will be studios and 1 bedrooms with a few two bedroom units.

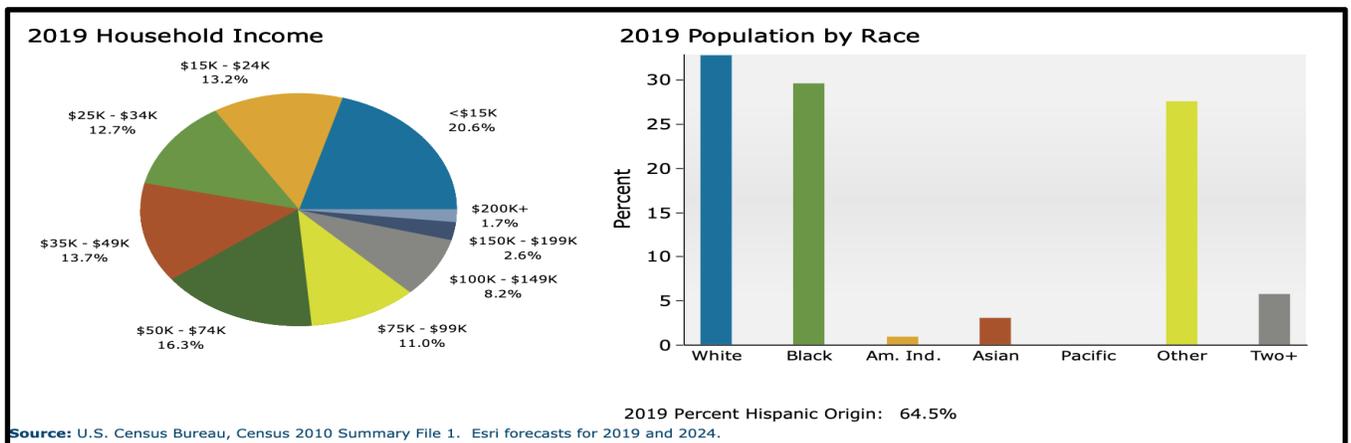
It has come to our attention that the back of the lot is a floodplain; therefore, we decided the best idea would be to construct a park using material to avoid flooding. This is also where we will include our rainwater garden, this will serve as a common area place for residents or retail goers as a place where they may relax, and enjoy the view of the Passaic River. In addition, in

times of flooding, it will serve to absorb water and further protect the structural integrity of the retail spaces on the first floor.

II. Demographics

Before undertaking this project and deciding on the highest and best use, it was critical to get a comprehensive background for the surrounding area. To consider what a city might need, you first have to know the people who would make up the customer base. Business decisions are always based upon who a customer is and the customers' needs. If you cater to the wrong demographic, the development will ultimately fail. Therefore, analyzing and understanding the demographics of the surrounding area is the first step in the process.

With that being said, we had the task of working with Paterson, New Jersey and the citizens of the city. Using data provided by Esri Database, we gathered crucial information that helped us identify who we would be working with. The most important information we needed came from the Esri Demographic and Income Profile. From this data we were able to get an idea for our target demographic via; population, households, families, median age, and median household income.



When looking at the target demographic for One Van Houten you can refer to pages 27 and 28 of the Appendix where it will give information of the citizens of Paterson and their specific needs, hobbies, money situation, etc. According to Esri Demographic and Income Profile these four groups; International Marketplace, Las Casas, Fresh Ambitions and City Strivers make up 82% of the Paterson demographics, which makes them our main focus when determining what the city and the Van Houten Development needs.

Based on the pie chart above, we can take a look at how the 2019 household income was divided up between salary ranges. According to the chart, roughly 12.5% of Paterson's households were making more than \$100,000 annually. The average household income was \$53,452 with 20% of the population making less than \$15,000. The importance of the income for households is to see how they will spend the money that they do have and with lower income they will shop at cheaper, less expensive stores. Based on the data, it would not make any logical sense to bring in a high-end retail store in a low-income area. Therefore, as developers you would have to consider the options of a lower-end to middle-end retail store to attract the consumers in the city. The middle-end retail will bring an upgrade to the neighborhood as there is a great deal of lower-end retail down the street from the development.

The other graph above shows how the population race is broken up in Paterson. Of the population in Paterson, 32.9% is white, 29.6 is black, and the majority with hispanic origin of 64.5%. Keep in mind that many people identify as hispanic and black. It's notable that there is a lack of an Asian presence with only 3.1% of the population. Going forward in development, income and race are a key part of the demographics that must be considered in planning.

III. Highest and Best Uses

The One Van Houten development will have the following percentage square footage breakdown:

Use	SQ FT	Percentage
Retail	45,000	13.64%
Common Area	21,000	6.36%
Office	165,000	50.00%
Multi-Family	99,000	30.00%

As for renovating of the buildings, there are a few options which include either demolishing the building as a whole and starting over or renovate the interior and keep the factory-like exterior. If the building is demolished, it will allow for the building to have the most recent material and better energy efficient standards that aren't common in Paterson. Thus, giving the One Point a unique edge when compared to the surrounding buildings. On the other hand, if it is not demolished it preserves the history of the building and allows us to just renovate whatever is inside. With these options the team decided it is best to demolish it and start afresh. The space will be used more effectively and different parts of the building will be used for many different things that will benefit the community and those in the building. At the same time, the exterior will be reconstructed to resemble the current, historic factory look.

Maintaining the authenticity of the building will preserve history, but it will provide the building with less lifetime and many problems regarding the installations and electricity. By demolishing the building, we will have the opportunity to create a new history in space and create a structure with next-level energy efficient standards that are entirely new to Paterson. The reconstruction of the building is going to be taller and the space will be utilized more effectively

than the previous structure. A few floors at the top would be used for residential space. The apartments would follow the outside of the building and in the center of the space there would be a skylight that spans the length of the building to provide natural light during the day to minimize our use of electricity. The middle floors will be used for office space and the bottom floor will be used for retail space. One Van Houten will have a total of 330,000 Sq Ft of which 78% are the two buildings on the sides, and 16% will be the attachment in the middle.

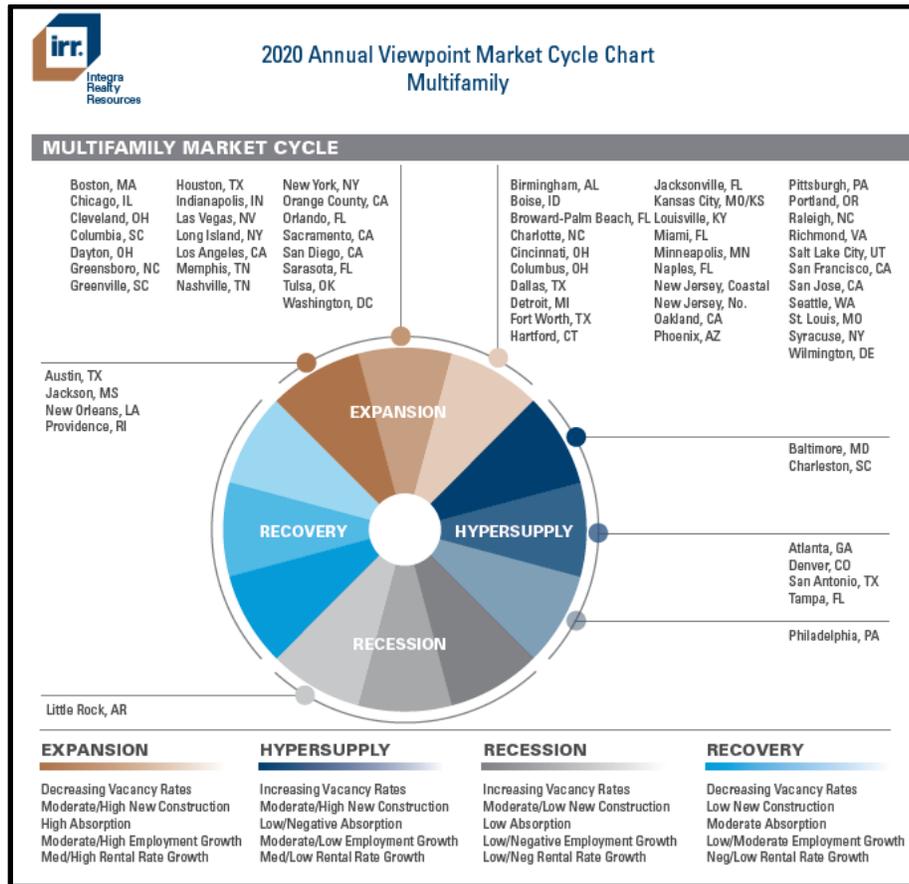
Common area will make up 6.36% of the building's total square footage. There will also be a garden space in the back of the property to promote a healthy environment and reduce the carbon footprint of the building. In Paterson there's only six green/outside recreational areas, having a common area near the great falls can promote the expansion of green areas into Paterson. Starting from scratch will not only give us more profitability due to the novelty of the building, but it will also give the building more efficiency.

III.A Multi-Family

With the residential space there will be apartments on the fifth and sixth floors of the building. The apartments will vary in size ranging from studios to two bedroom units. Approximately 30% of the building will be used for multi-family apartments which will absorb some of the excess demand for these residential unit sizes in Paterson. Even though there's a high percentage of homes and apartments in Paterson, these apartments will be more for the intermediate social class, they would not be as expensive which should make for a much lower vacancy rate than the market average.

With respect to where Northern New Jersey is in the multi-family market cycle, we refer to the Intergra Realty Resources 2020 Viewpoint (see pie chart below). As one can see, the market

is in the third and final phase of Expansion which includes; decreasing vacancy rates, moderate to high new construction, high absorption, moderate to high employment growth and moderate to high rental rate growth. One potential area of concern is when will the market enter the Hypersupply phase. This makes the unique positioning of our development as a less expensive option for the intermediate class imperative for its success.

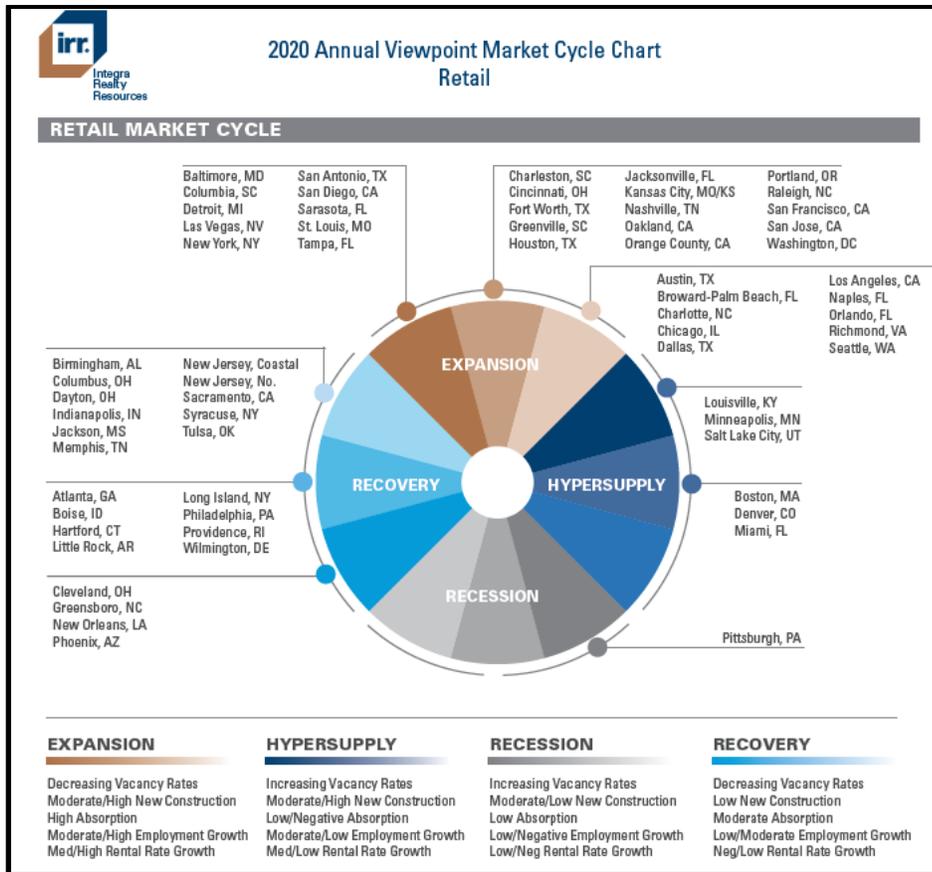


Below are the closest comparable multi-family properties in the Paterson area. Using the sales comparable approach, we come up with a monthly Sq. Ft. rental price of \$1.56 per Sq. Ft. Again, this is the market rate which is a conservative number for a new, intermediate class development such One Van Houten.

Address	Distance from	SQ FT	SQ FT	Value	Value	Rate	Percentage	
	Subject		Difference	Rank	Percentage		Weight	
	(Miles)					(SF/MO)		
24 Mill St	0.1	25,491	(34,509)	3,451	0.50%	\$ 1.46	58.85%	\$ 0.86
19 Market St	0.3	35,500	(24,500)	7,350	1.06%	\$ 1.75	3.61%	\$ 0.06
152 Market St	0.3	24,000	(36,000)	10,800	1.56%	\$ 2.25	12.12%	\$ 0.27
41 Clark St	0.5	15,000	(45,000)	22,500	3.25%	\$ 1.25	16.05%	\$ 0.20
221 Slater St	1.1	41,000	(19,000)	20,900	3.01%	\$ 1.88	3.01%	\$ 0.06
175 Broadway	0.5	282,524	222,524	111,262	16.05%	\$ 1.47	3.25%	\$ 0.05
400 Broadway	1.4	120,000	60,000	84,000	12.12%	\$ 1.54	1.56%	\$ 0.02
125 Presidential Ave	0.5	9,963	(50,037)	25,019	3.61%	\$ 2.50	1.06%	\$ 0.03
280 12th Ave	1.7	300,000	240,000	408,000	58.85%	\$ 1.50	0.50%	\$ 0.01
		853,478		693,281			100%	\$ 1.56
<i>Subject Property:</i>								
24 Van Houten St	0	60,000	\$ 1.56					

III.B Retail

The Retail space would only be on the first floor and will include an auto parts store, sporting goods and a place for kids to go to afterschool. For retail space, the building is going to use 13.64% to promote sales. Due to the high population of schools around the area, a sporting goods retail store will be profitable for the building. It will attract students, teachers, and parents due to the high demand of schools that are located not only near the area but also in town.



With respect to where Northern New Jersey is in the retail market cycle, we refer to the Intergra Realty Resources 2020 Viewpoint (see pie chart above). As one can see, the market is in the third and final phase of Recovery which includes; decreasing vacancy rates, low new construction, moderate absorption, low to moderate employment growth and negative to low rental rate growth. This is very promising as the retail market is on the cusp of entering the Expansion phase.

Below are the closest comparable retail properties in the Paterson area. Using the sales comparable approach, we come up with a monthly Sq. Ft. rental price of \$1.77 per Sq. Ft. Again, this is the market rate which is a conservative number for a new, intermediate class development such One Van Houten.

Address	Distance from	SQ FT	SQ FT Difference	Value Rank	Value Percentage	Rate (\$/SF/MO)	Percentage Weight	
	Subject (Miles)							
301 Main St	0.4	52,000	(8,000)	3,200	0.63%	\$ 1.50	34.34%	\$ 0.52
111 Washington St	0.3	21,422	(38,578)	11,573	2.29%	\$ 2.00	28.60%	\$ 0.57
68 Broadway	0.3	2,500	(57,500)	17,250	3.42%	\$ 2.00	12.61%	\$ 0.25
351 Grand St	0.5	2,700	(57,300)	28,650	5.68%	\$ 1.37	6.70%	\$ 0.09
125 Broadway	0.5	2,200	(57,800)	28,900	5.73%	\$ 1.75	5.73%	\$ 0.10
60 Spruce St	0.6	3,700	(56,300)	33,780	6.70%	\$ 1.66	5.68%	\$ 0.09
490 Chamberlin Ave	1.5	17,600	(42,400)	63,600	12.61%	\$ 1.91	3.42%	\$ 0.07
991 Main St	2.6	4,499	(55,501)	144,303	28.60%	\$ 2.66	2.29%	\$ 0.06
<u>177 3rd Ave</u>	<u>3</u>	<u>2,250</u>	<u>(57,750)</u>	<u>173,250</u>	<u>34.34%</u>	<u>\$ 2.08</u>	<u>0.63%</u>	<u>\$ 0.01</u>
		27,999		504,506			17%	\$ 1.77
<i>Subject Property:</i>								
24 Van Houten St	0	60,000	\$ 1.77					

Looking at the Esri database we can see that there are only 19 sporting goods, hobby, book & music stores businesses and 113 educational services, meaning there are not enough educational retail stores near the area for students. Paterson residents spent \$1,040,373,355 on retail expenditures including basic necessities such as food, clothing and transportation in 2019. More than 33% of these sales are being lost to surrounding areas. Below are local retail amenities that the surrounding community needs but are lacking enough supply within Paterson. Adding these types of retail to One Van Houten would increase its probability for success via consistent 100% retail space occupancy. These categories make up nearly 13% of all retail purchase by Paterson residents including though conducted on the internet.

Industry Group	NAICS Industry Code	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Lawn & Garden Equip & Supply Stores	4442	\$3,730,737	\$1,025,608	\$2,705,129	56.9	3
Clothing & Clothing Accessories Stores	448	\$72,632,954	\$65,904,784	\$6,728,170	4.9	118
Sporting Goods/Hobby/Musical Instr Stores	4511	\$25,495,548	\$20,086,246	\$5,409,302	11.9	18
Book, Periodical & Music Stores	4512	\$4,403,869	\$612,840	\$3,791,029	75.6	3
Department Stores Excluding Leased Depts.	4521	\$86,642,286	\$19,220,606	\$67,421,680	63.7	24
Other General Merchandise Stores	4529	\$57,386,763	\$36,466,405	\$20,920,358	22.3	32
Miscellaneous Store Retailers	453	\$33,246,430	\$22,775,978	\$10,470,452	18.7	59
Office Supplies, Stationery & Gift Stores	4532	\$9,777,758	\$3,078,119	\$6,699,639	52.1	17
Other Miscellaneous Store Retailers	4539	\$19,637,265	\$9,172,289	\$10,464,976	36.3	26
		\$312,953,610	\$178,342,875	\$134,610,735		
				Annual Area Retail Sales	\$ 1,040,373,355	
				Annual Lost Revenue (%)	12.94%	

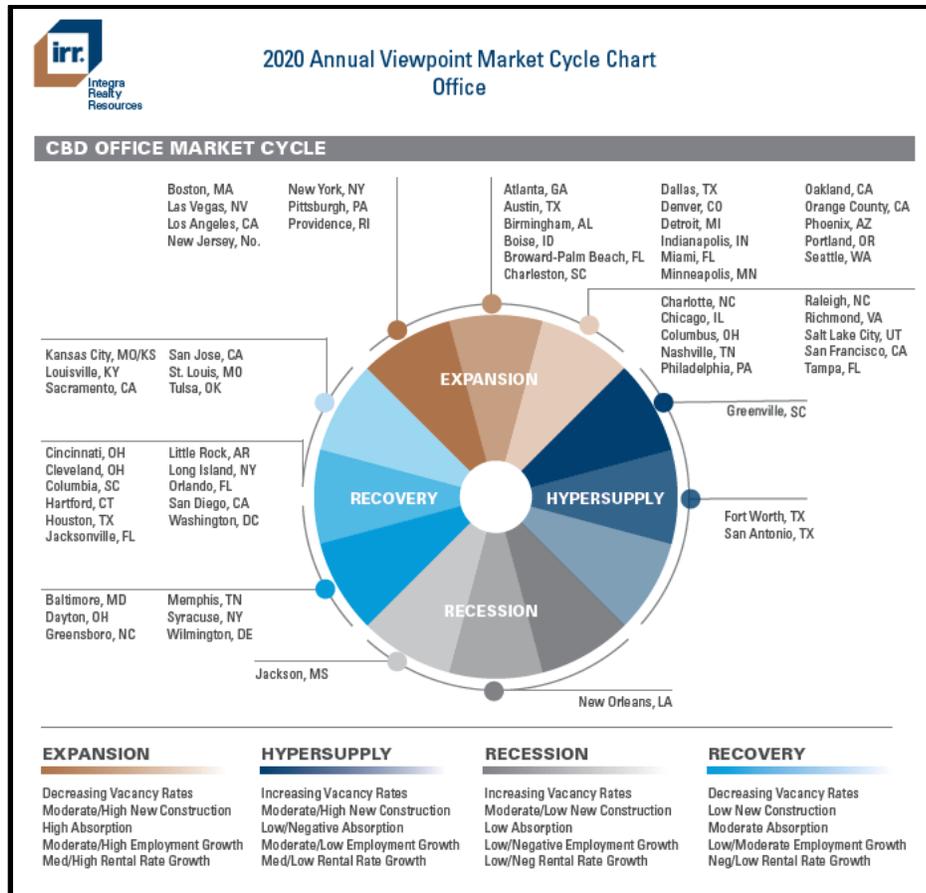
The retail and office space provided will be the main source of attraction to the local public. With heavy research involved, we were able to forecast what the target demographic around the city was missing and could benefit the most. With the first floor being filled with retail stores, 13.64% will be used to promote sales within the city. It will attract students, teachers, and parents, not only because of the schools in the city, but also because of the diverse retail options we have provided. As seen from the charts below, the most potential for retail demand and supply is in the Clothing & Clothing Accessories Stores, as well as a very high demand in the Book, Periodical & Music industry. Based on our discovery, there are only 3 businesses within the Book, Periodical & Music stores around the area which means adding one in this new building will generate more demand and potentially increase the sales even higher.

Below are the different stores that will occupy the first floor of the building. It is based on the current demographic retail selection on trendy and classic all American fashion not accessible within the community. The middle column indicates the amount of square ft. the store will occupy and the right column is the tenant improvement allowance. (Yellow highlight= Sum)

Zummies	2,000	50,000
Trader Joes	5,500	137,500
Aldo	2,000	50,000
Bath and BodyWorks	2,000	50,000
Hollister	3,000	75,000
Ambecombie & Fitch	3,000	75,000
Old Navy	3,000	75,000
Pandora	1,500	37,500
Applebees	5,000	125,000
Dunkin Donuts	1,500	37,500
Loft	2,000	50,000
Walgreen	6,000	150,000
Sprint	2,000	50,000
Ulta	3,000	75,000
Petsmart	3,500	87,500
	45,000	1,125,000

III. Office

The office space would have shared spaces that would be available to rent on the second and third floor of the building. The office space is going to have 50% of the building, and it would be available for rent and would take up the second and third floors of the building. Some ideas of the offices that can intake this space will be a counseling center that will work with the surrounding schools. This counseling center would be the main attraction to this demographic as a whole. Once the schools learn and get referred to this counseling center it will open many doors for other businesses to occupy the office space.



With respect to where Northern New Jersey is in the office market cycle, we refer to the Intergra Realty Resources 2020 Viewpoint (see pie chart above). As one can see, the market is in the first phase of Expansion which includes; decreasing vacancy rates, moderate to high new construction, high absorption, moderate to high employment growth and moderate to high rental rate growth. Just like the retail market, this is very promising as the office market is just entering the Expansion phase which provides for an optimal time to invest.

Below are the closest comparable office properties in the Paterson area. Using the sales comparable approach, we come up with a monthly Sq. Ft. rental price of \$1.81 per Sq. Ft. Again, this is the market rate which is a conservative number for a new, intermediate class development such One Van Houten.

<u>Address</u>	<u>Distance from Subject (Miles)</u>	<u>SQ FT</u>	<u>SQ FT Difference</u>	<u>Value Rank</u>	<u>Value Percentage</u>	<u>Rate (SF/MO)</u>	<u>Percentage Weight</u>	
22 Mill St	0.1	25,491	(34,509)	3,451	0.41%	\$ 1.75	54.27%	\$ 0.95
666 Hamilton St	0.4	35,500	(24,500)	9,800	1.17%	\$ 1.46	15.48%	\$ 0.23
111 Washington St	0.3	24,000	(36,000)	10,800	1.29%	\$ 2.25	11.42%	\$ 0.26
50 Hamilton St	0.4	15,000	(45,000)	18,000	2.14%	\$ 2.04	7.94%	\$ 0.16
1010 Main St	2.6	41,000	(19,000)	49,400	5.88%	\$ 1.88	5.88%	\$ 0.11
137 Ellison St	0.3	282,524	222,524	66,757	7.94%	\$ 1.87	2.14%	\$ 0.04
185 6th Ave	1.6	120,000	60,000	96,000	11.42%	\$ 2.00	1.29%	\$ 0.03
991 Main St	2.6	9,963	(50,037)	130,096	15.48%	\$ 2.50	1.17%	\$ 0.03
680 Broadway	1.9	300,000	240,000	456,000	54.27%	\$ 1.50	0.41%	\$ 0.01
		853,478		840,304			100%	\$ 1.81
<i>Subject Property:</i>								
24 Van Houten St	0	60,000	\$ 1.81					

It is important to keep in mind that most of the comparable properties are traditional office space while One Van Houten will have mostly shared co-working space which rents at a higher per Sq. Ft. rate. Therefore, we are again using conservative estimates in our pro-forma in Section VI.

IV. Construction Costs

Since we do plan on demolishing the buildings and reconstructing them we have decided to add in the costs that will be applied when redeveloping. These are estimates, but will give a general idea of what it will cost with our given building plans. Below are the lot sizes which come to just over 2 acres.

<u>Block/Lot</u>	<u>Address</u>	<u>Lot Size</u>	<u>SQ FT</u>
Block 4601			
Lot 13	33-35 Van Houten St	0.8425	36,699.30
Lot 14	36-37 Van Houten St	1.26	54,885.60
Total		2.1025	91,584.90

The new development will have the following pad and Sq Ft dimensions:

<u>Building</u>	<u>Length</u>	<u>Width</u>	<u>Pad SQ FT</u>	<u>Stories</u>	<u>Total SQ FT</u>
Building 1	300	75	22,500	6	135,000
Building 2	300	75	22,500	6	135,000
<u>Attachment</u>	<u>300</u>	<u>50</u>	<u>15,000</u>	<u>4</u>	<u>60,000</u>
			60,000		330,000

The costs of acquiring and reconstruct the building will be as follows: \$4,500,000 acquisition cost to obtain the building, \$240,000 total demolition cost that will be a total of 60,000 square foot (\$4.00/sq ft), and \$74,250,000 for LEED certified construction costs. Overall all the acquisition, demolition and construction costs will add up to \$78,990,000 as can be seen below.

<u>Site Acquisition Costs</u>			<u>Total Cost</u>
			\$4,500,000

<u>Total Demolition Costs</u>	<u>SQ FT</u>	<u>Cost per SQ FT</u>	<u>Total Cost</u>
	60,000	\$4.00	\$240,000

<u>Total Constuction Costs</u>	<u>SQ FT</u>	<u>Cost per SQ FT</u>	<u>Total Cost</u>
Retail	45,000	\$125	\$5,625,000
Multi-Family	99,000	\$250	\$24,750,000
Common Area	21,000	\$125	\$2,625,000
<u>Office</u>	165,000	<u>\$250</u>	\$41,250,000
Total Constuction	330,000		\$74,250,000

Combined Demo and Construction Cost			\$78,990,000
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The process of designing and reconstructing the outside and interior core of the building will cost \$125 per square foot. The retail store can make up to 30%-40% of profit, considering that it will be a brand new building with new installations that will attract more demand. The demand

for office space is going to be high due to the number of schools surrounding the area. Below is a more in-depth breakdown:

Building Demolition:

- a. Warehouse Demolition (60,000 sq. ft.) - \$3.25 to \$3.50 sq. ft.
- b. Complete demolition including all sit utility disconnects and building removal (keep in mind we will use as much material from the demolished building for the new building) - \$3.75 - \$4.00 sq. ft.

Building Construction (LEED Certified)

- a. Core and Shell Construction- \$125 sq. ft.
 - i. Office Interior Fit Out- \$125 sq. ft.
 - ii. Residential Interior Fitout- \$125 sq. ft.
 - iii. Retail- varies as it usually the responsibility of the tenants

V. Sustainability

Our goal for sustainability is for the reconstruction to be environmentally conscious, and for the building to be a LEED Platinum or Gold Certified Building.

Building Breakdown:

- a. Our designs are set with the intention to preserve as much of the brick and resources from the existing building, this will help reduce construction waste as well as reuse the materials in the new space to avoid leakage into landfills.
- b. Our team has found that using mixed materials such as; rammed earth materials and bamboo are environmentally friendly and cost efficient when structuring a new building.
- c. For the roofs we have come up with the idea to use solar panels to be more environmentally friendly and create a more aesthetically pleasing structure.

- d. Another energy efficient source that can be built into our building is solar energy producing windows, which may be costly to purchase but will help; reduce heat coming through windows ultimately reducing cooling bill, the solar screens reduce the ultraviolet radiation that often speed up the deterioration of building materials, and also reduce electricity bills.
- e. A rainwater collection system would also be beneficial in North Jersey, 100% of the water used on the property will be collected by precipitation as well as recycled through a closed loop water system. Rainwater will be filtered and r to maintain the plants within the building.
- f. When rebuilding we plan to only use reclaimed wood from local areas in New Jersey as well as what we are able to use from the previous building.
- g. Also, only using tile made from recycled glass from the previous building, in office spaces and kitchens.
- h. We plan to rely heavily on natural lighting for retail and office space during the day time, and to use LED lighting when necessary.
- i. All landscape on the property will contain plants that are native to the area, and with the park in the back of the lot we plan to have a rain garden to collect and deflect the rainwater that accumulates in the space. We will achieve this by observing where the water pools naturally on the property and building the space there using rocks and oter collecting/deflecting plants.

VI. Pro-Forma

While all the highest and best use both meets the needs of the surrounding community and at the same time upgrades it, we must make sure it is profitable using the most conservative numbers which includes current market vacancy and rental rates as opposed to what should be lower vacancy and higher rental rates given the structure of the development. These conservative estimates are used in the following Pro Forma.

The PGI (Potential Gross Income) for the property, breaking it up between the Common Area, Retail, Multi-Family, and the Office spaces. With 309,000 total rentable square feet and using current market rents, year one PGI came to \$6,380,907. Again, we used a current, weighted market vacancy rate of 9.10% and a conservative 3% rental growth rate to adjust for inflation in the future markets.

Leasable Space	330,000	330,000	330,000	330,000	330,000	330,000
Potential Gross Income	\$6,380,907	\$6,572,334	\$6,769,504	\$6,972,589	\$7,181,767	\$7,397,220
Vacancy and Collection Losses	\$580,813	\$598,238	\$616,185	\$634,670	\$653,711	\$673,322
Misc. Income	\$660,000	\$679,800	\$700,194	\$721,200	\$742,836	\$765,121
Effective Gross Income	\$6,460,093	\$6,653,896	\$6,853,513	\$7,059,118	\$7,270,892	\$7,489,019
Operating Expenses	\$1,938,028	\$1,996,169	\$2,056,054	\$2,117,736	\$2,181,268	\$2,246,706
Net Operating Income	\$4,522,065	\$4,657,727	\$4,797,459	\$4,941,383	\$5,089,624	\$5,242,313
Capital Expenditures	\$0	\$0	\$0	\$0	\$0	
Property-Level Cash Flow	\$4,522,065	\$4,657,727	\$4,797,459	\$4,941,383	\$5,089,624	
Annual Debt Service	\$3,160,196	\$3,160,196	\$3,160,196	\$3,160,196	\$3,160,196	
Before-Tax Cash Flow	\$1,361,869	\$1,497,531	\$1,637,263	\$1,781,187	\$1,929,428	
Taxes	\$237,160	\$289,414	\$343,421	\$399,240	\$456,935	
After-Tax Cash Flow	\$1,124,709	\$1,208,117	\$1,293,842	\$1,381,947	\$1,472,493	

With the purchase price being \$74,250,000 we had an LTV of 70%, which left us with a loan amount of \$51,975,000. At a mortgage interest rate of 4.5% and amortizing monthly for 30 years, the total monthly payment on this loan will be \$263,349.69.

Below are the annual taxable income calculations are interest and depreciation write offs.

	1	2	3	4	5
Net Operating Income	\$4,522,065	\$4,657,727	\$4,797,459	\$4,941,383	\$5,089,624
Interest	\$2,321,722	\$2,283,202	\$2,242,913	\$2,200,774	\$2,156,698
Depreciation	\$1,409,810	\$1,409,810	\$1,409,810	\$1,409,810	\$1,409,810
Taxable Income	\$790,534	\$964,715	\$1,144,736	\$1,330,799	\$1,523,116

The Property Cap rate is 6.09%, the Equity Dividend rate was 6.11%, and the Debt Coverage ratio was 1.43.

Ratios	
Property Cap Rate	6.09%
Equity Dividend Rate	6.11%
Debt Coverage Ratio	1.43

The projected disposition of the property using a 6.00% cap rate can be viewed below:

Year 6 NOI	\$5,242,313
Going-Out Cap Rate	6.00%
Future Selling Price	\$87,371,885.56
Selling Expenses	\$8,737,188.56
Net Sale Proceeds	\$78,634,697.00
Amount Outstanding	\$47,379,327.45
Before-Tax Equity Reversion	\$31,255,369.56
Taxes Due on Sale	\$2,419,967.21
After-Tax Equity Reversion	\$28,835,402.35

Overall, the pre-tax internal rate of return (IRR) is 13.38% (below) using the conservative, current market rental and vacancy rates which One Van Houten should outperform.

Before-Tax Levered Cash Flows	0	1	2	3	4	5
Initial Equity Investment	(\$22,275,000)					
BTCF		\$1,361,869	\$1,497,531	\$1,637,263	\$1,781,187	\$1,929,428
BTER						\$31,255,369.56
Net Cash Flows	(\$22,275,000)	\$1,361,869	\$1,497,531	\$1,637,263	\$1,781,187	\$33,184,798
IRR	13.38%					
NPV @ 10%	\$3,252,514.50					

Finally, we concluded the proforma with solving for the After-Tax Levered Cash Flows. We began with the Initial Equity Investment of \$22,275,000 and using our previously solved cash flows. The result is an IRR of 10.52%.

After-Tax Levered Cash Flows	0	1	2	3	4	5
Initial Equity Investment	(\$22,275,000)					
ATCF		\$1,124,709	\$1,208,117	\$1,293,842	\$1,381,947	\$1,472,493
ATER						\$28,835,402.35
Net Cash Flows	(\$22,275,000)	\$1,124,709	\$1,208,117	\$1,293,842	\$1,381,947	\$30,307,896
IRR	10.52%					
NPV @ 7%	\$3,550,897.66					

VII. Conclusion

The reconstruction of One Van Houten will be an outstanding opportunity for Paterson’s community to revitalize via upgrades in retail, residential, and office space. This project will create both a great demand along with value to the town, thus bringing in new customers for retail and new businesses that are needed in the area. This proposal provides the highest and best use via; meeting community needs, estimates of the LEED certified construction costs, and conservative rental and vacancy rates while still providing a pre-tax return of 13.38%. We hope that this information shows you the maximum potential for this lot. We sincerely thank you for the opportunity to prove you with an in-depth analysis for your future development. We look forward to working with you and finalizing the last phase of One Van Houten. Please feel free to contact us to further discuss this matter.

Appendix



Front View – 1st Floor Retail Space



Rear View – 1st Floor Retail Space



Front View – Entire Building



Back View – Entire Building



Creative/Shared Workspace – Retail/Office Flex



1 Bedroom Apartment – Multi-Family



Studio Apartment – Multi-Family

Target Demographics

City Strivers

Age – 35.3 versus the US average 38.2

Who are we? This demographic makes up 15% of the overall population, foreign born population, mainly Hispanic and black - blend of married couples and single families with unemployment rate above average.

Where you Live: City/suburbs, primarily renters, multi-unit buildings as well as smaller buildings, Average rents \$1,122

What you Do: Attend sports games, gamble, visit theme parks, play tennis/basketball

Where you Shop/What you buy: Spends Style and image are important to them with current trends are a strong influence on their shopping habits. White Castle, Dunkin' Donuts, Popeyes, wholesale clubs, Pathmark, Stop N Shop are the food shopping choices.

What You Watch/Listen To: Court TV, sports, Sci-fi, sit-coms, BET, Showtime, Cinemax, news radio, jazz

What you Read: Bridal magazines, music magazines

The Money Situation – Median Income \$44.7K

International Marketplace

Age – 32.8 versus the US average 38.2

Who are we? Making up 24% of the population this demographic is foreign born and non-English speaking therefore isolated. Young, diverse families married and single families living in multi-generational households.

Where we Live: Large metropolitan area generally multi-unit apartments.

What you Do: Attend sports games, gamble, visit theme parks, play tennis/basketball, beach. Visit Spanish language websites and listen to Spanish music.

Where you Shop/What you buy: Warehouses/club stores as well as specialty markets

What You Watch/Listen To: Visit Spanish language websites and listen to Spanish music.

What you Read: Baby magazines

The Money Situation – Median Income \$46.5K

La Casas

Age – 28.3 versus the US average 38.2

Who are we? 20% of the population is **family oriented** young immigrants, married couples with children

Where we Live: Primarily renter large metropolitan area generally multi-unit apartments.

What you Do: Attend sports games, gamble, visit theme parks, play tennis/basketball, beach. Visit Spanish language websites and listen to Spanish music.

Where you Shop/What you buy: Brand loyalty – Recent purchases reflect their style, apparel, personal care products, baby products, children’s apparel.

What You Watch/Listen To: Visit Spanish language websites and listen to Spanish music. – Soccer fans

The Money Situation – Median Income \$38.3K

Fresh Ambition

Age – 28.3 versus the US average 38.2

Who are we? 19.1% of the population comprise of young families, recent immigrants, supplement their income on public assistance. Almost all households have children and single families. High unemployment living on the edge of poverty but are ambitious and maintains close ties to their culture.

Where we Live: Primarily renter large urban areas, mainly row houses and 2-4 unit buildings

What you Do: Attend sports games, gamble, visit theme parks, play tennis/basketball, beach. Visit Spanish language websites and listen to Spanish music.

Where you Shop/What you buy: Baby supplies, price conscious consumers, they budget for fashion. These young residents own cell phones versus home phones.

What You Watch/Listen To: Visit Spanish language websites and listen to Spanish music. – Soccer fans

The Money Situation – Median Income \$26.7K