

The Silk City Beacon

PRESENTED BY RHOMBUS
PROPERTIES



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Agenda

- Background
- Executive Summary
- Market & Site Analysis
- Development Plan
- Building Breakdown
- Financials



Background

- Alexander Hamilton founded the city around the Great Falls, which would eventually be named after New Jersey Governor William Paterson. The Great Falls had jolted Governor Patterson's path to developing Paterson to become one of the first industrialized cities in the United States.
- The subject Property had been previously occupied by a clothing and silk manufacturer, in addition to various chemical companies
- The site was occupied and operated until November 2002 when the companies eventually discontinued operations and filed for bankruptcy. Since the Property has been previously occupied by clothing manufactures for a majority of its history, we have decided to honor the history by attracting the art community

Executive Summary



- Our development plan is to implement a live, work, and play concept with a focus on multimedia, arts, film, technology, and innovation.
- The goal of this project is to maximize square footage and profits for the client. We will be offering residential rental units, coworking space, office, and unique experiential and artisanal retail.
- Our vision is to become the most significant, innovative, community-focused, and sustainable mixed-use redevelopment project in the Great Falls Redevelopment Area.

Market Analysis



Site Location and Surrounding Area

Walk Score
97

Walker's Paradise

Daily errands do not require a car.

Transit Score
63

Good Transit

Many nearby public transportation options.

Bike Score

48

Somewhat Bikeable

Minimal bike infrastructure.



Demographics

Population:	<ul style="list-style-type: none">• Total Population: 147,890• 26.3% Rate of Homeownership
Households:	<ul style="list-style-type: none">• Median Home value: \$237,500
Income:	<ul style="list-style-type: none">• Median Household Income: \$39,282• Unemployment Rate: 5.1%
Education:	<ul style="list-style-type: none">• 41.8% Highschool Graduates• 8.4% College Graduates

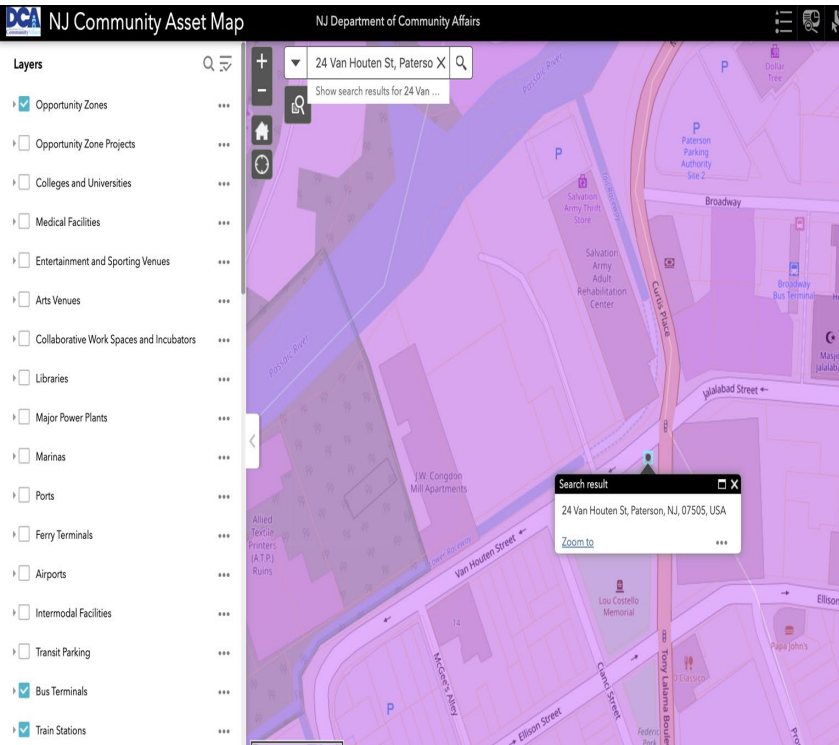
Crime Statistics

Reported Annual Crime In Paterson

Statistic	Reported incidents	Paterson /100k people	New Jersey /100k people	National /100k people
Total crime	4,640	3,159	1,613	2,580

Statistic	Reported incidents	Paterson /100k people	New Jersey /100k people	National /100k people
Murder	13	8.8	3.2	5.0
Rape	49	33.4	16.0	42.6
Robbery	532	362.2	71.4	86.2
Assault	482	328.1	117.4	246.8
Violent crime	1,076	733	208	381
Burglary	797	542.6	215.9	376.0
Theft	2,326	1,583.5	1,065.1	1,594.6
Vehicle theft	441	300.2	123.9	228.9
Property crime	3,564	2,426	1,405	2,200

Maps



Positive Attributes

- Historic cultural aspect of the property as an artistic background
- Within a walking distance to the iconic tourist attraction, The Great Falls
- Opportunity to be an “early mover” in Paterson’s redevelopment.
- Stately, historic structures with “good bones,” built of brick and oversized wood joists and beams.
- Film tax credits in New Jersey make this project a golden opportunity.
- Paterson is in the Urban Enterprise Zone, which provides tax advantages both to the developer and prospective commercial tenants and consumers.
- Success of Art Factory Studio for filming, weddings & events, artisanal retail and cafe
- Property is a transit-oriented site. 24 ½ Van Houten street is only 45 minutes away from New York City by car and 50 minutes by train.
- The Property is 0.6 miles from the Paterson Train Station, with service to New York, Newark and other populated cities.

Risks and Mitigants

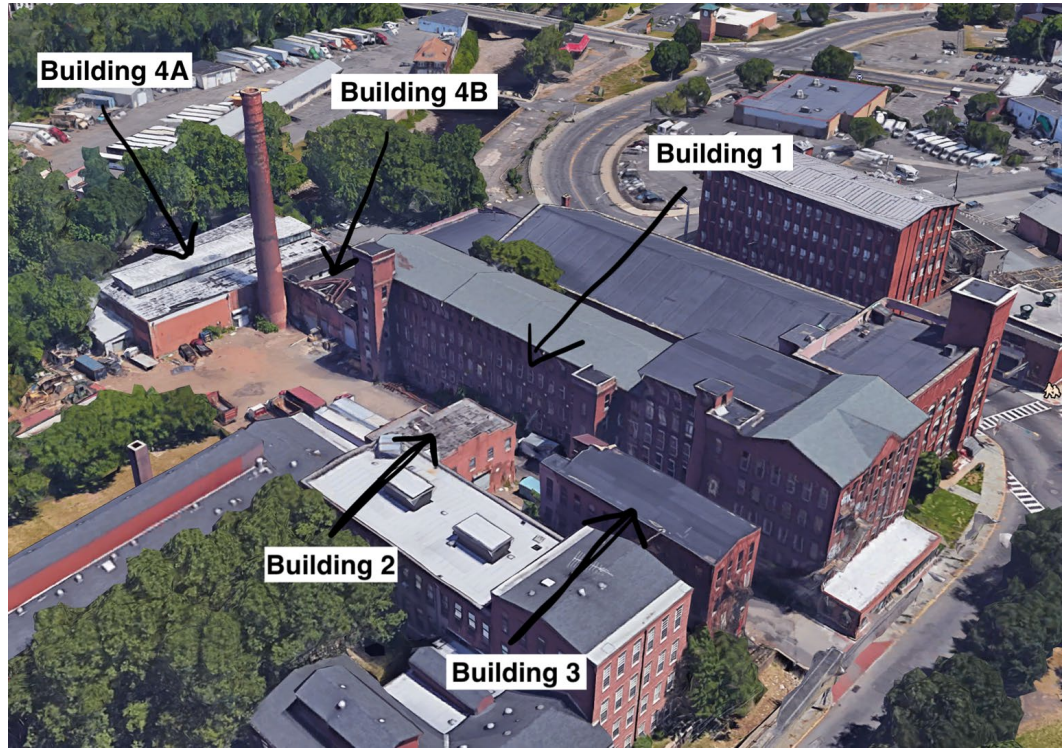
Risks	Mitigants
Parking constrained for redevelopment	Availability of Street parking, Parking garage nearby, and Property has a very high walk score of 96.
Buildings on property are historical and dilapidated. Require a lot of work prior to utilization of space.	Revitalization of exterior structure in accordance with the historical nature of the building. Utilization of all sound structures and close attention to cost-efficient renovations, using as much as possible of what is existing.
Property is in the flood zone.	The first floor will have retail space along with parking, which is permitted in the zone. The mechanicals will be installed in accordance with flood zone requirements.
Questionable demand for this type of project in Paterson.	Proven demand for artistic, and creative mixed use sites within Paterson and other urban areas, such as the Art Factory.
Safety for residents and customers	Installation of security cameras, security guards, fences, and gates to improve safety for residents and customers.
Environmental remediation	Asbestos roof and lead paint in multiple buildings. Reasonable quotes obtained for removal of lead paint and asbestos.
Timing of approvals and construction can impact cost, and financial returns	Pro forma assumes a conservative 2 years to obtain approval and commence construction.

Development Plan



Demolition & Renovation

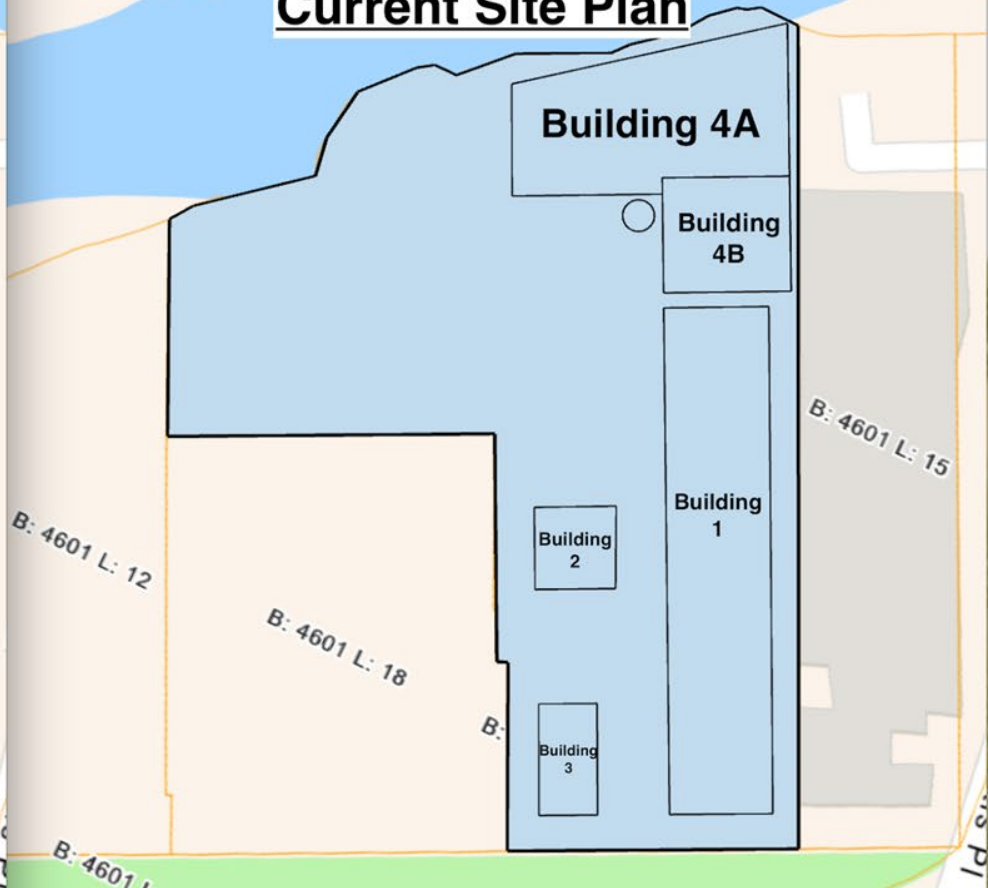
- Buildings 1, 3, and 4B to be renovated and revamped for new uses
- Buildings 2 and 4A are to be demolished to clear space for new uses

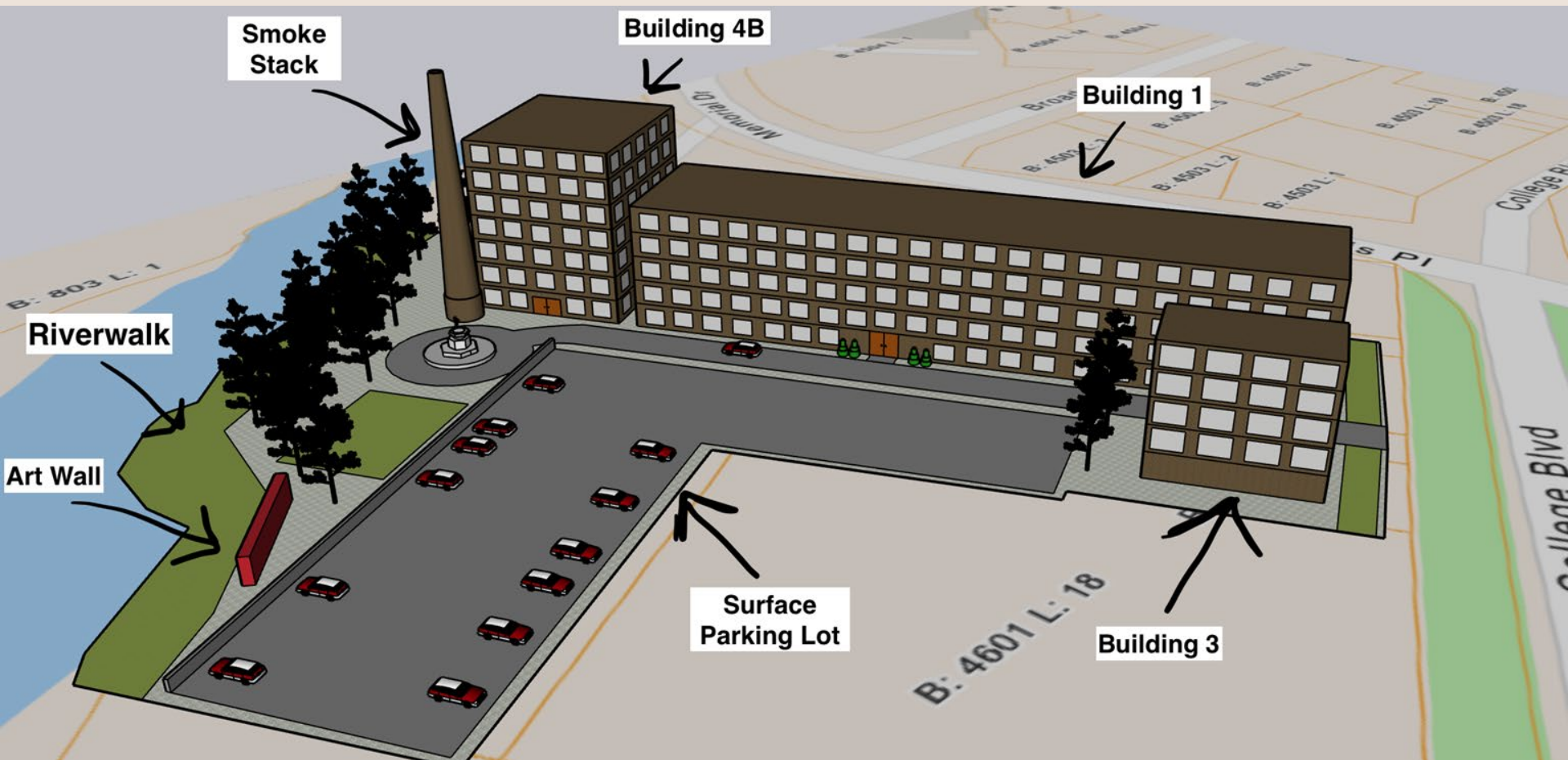


Proposed Site Plan



Current Site Plan





Building Breakdown



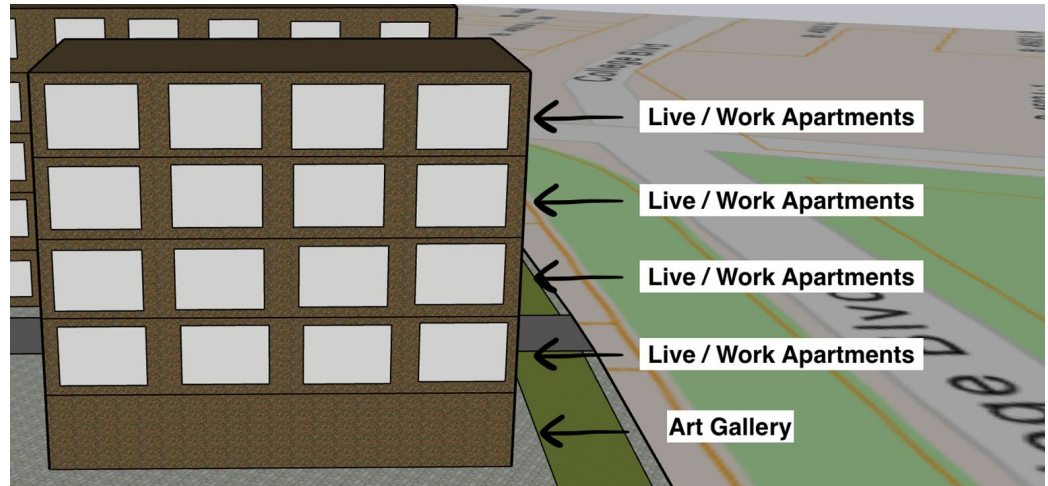
Building 1



- Main building for the property, focus on the arts as well as mix of retail and office
- Gross Square Footage: 88,625 sf
- Five Stories
- 228 Seat Food Hall / Microbrewery
- Dance/Yoga/Fitness Studio
- Ghost Kitchen
- 14,995 sf filming studio
- 1,501 sf movie theatre
- Integrated TV/Recording/Radio Studio
- 2 Floors of Coworking & Private Offices

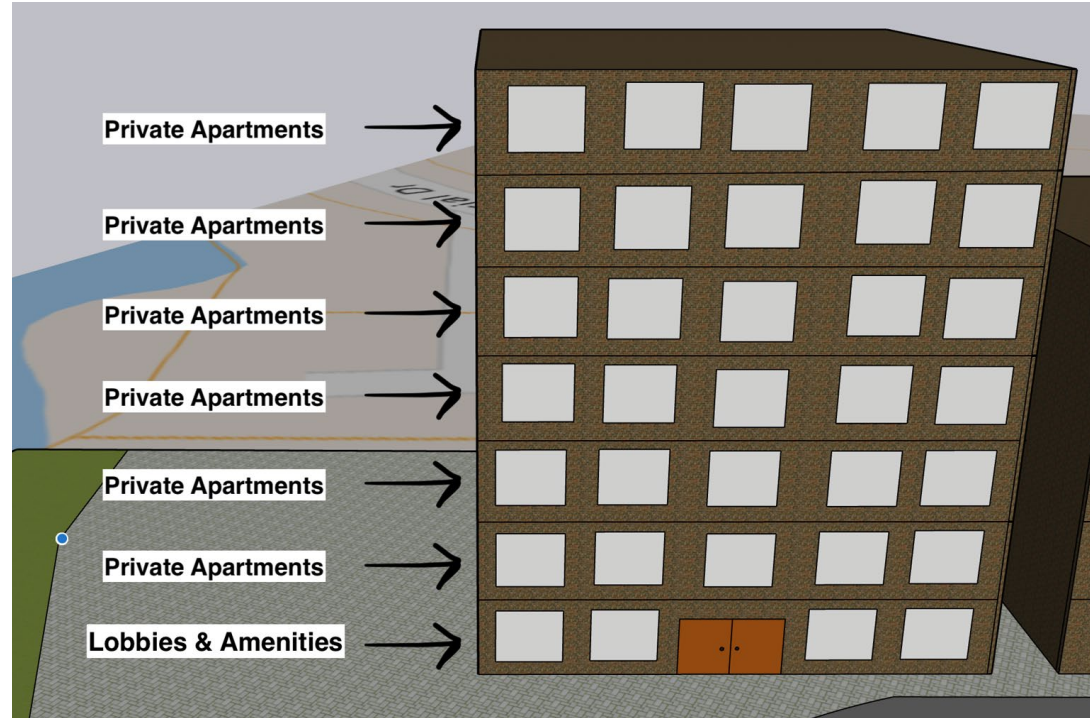
Building 3

- Live / Work Residential building
- Art Gallery for local artists
- Historic Building
- Gross Square Footage: 10,955 sf
- Five Stories



Building 4B

- Residential Building
- Currently 5 Stories, Proposed addition to 7 Stories
- Gross Square Footage: 35,651 sf
- 42 Units Total
- Each Floor comprised of 1 Two Bedroom, 2 One Bedroom and 4 Studio Apartments



Parking

Proposed 121 spot surface level parking lot, this is 70% of our parking requirement based on zoning

Parking Requirements:

- Residential: 1 Space Per Unit
- Offices: 1 Space per 1000 sf
- Eating Establishments: 1 Space per 8 Seats
- Sales and Services: 1 Space per 1000 sf
- Theatres: 1 Space per 100 sf



Outdoor Amenities

- Art wall, and Raceway
- 3,000 square foot parcel dedicated for different outdoor activities for our residents as well as members of the community. These include setting up small soccer nets, a small outdoor movie screening, outdoor seating, food trucks
- Riverwalk and the beautiful Historic Great Falls



Utilization of Retail Space

- 33,090 SF retail
- Various types of experiential retail such as, Foodhall/MicroBrewery, Fitness Center, Movie Theater, Filming Studio/Alternative Uses, Ghost Kitchen, Dry Cleaner, Art Gallery, Storage Spaces.



Comps



Paterson				Jersey City			
Types of use	Address	R/SF per year	S/F	Type of use	Address	R/SF per year	S/F
Coworking	70 Spruce St	Upon request		Office	2172 John F Kennedy Blvd	\$16.36	200
Retail	111 washington st	1.666666667	1964-2429	office/med	953 Garfield av	\$18	11,000
Office/medical	1010 Main st	\$22.00	2500	office/med	2520 John F Kennedy BLVD	\$24	1500-3061
Retail	1010 Main st	\$1.88	1800 or 2000	office	910 Bergen Av	\$25	8280
Office/medical	185 6th ave	\$12.50/yr	2000-7000	office	910 Bergen Av	\$35	150
office/retail	70 spruce st	\$25.00/yr	2250	retail	541 Newark Av	\$24	1000
office/retail	991 main st	\$28-32/yr	5,891,785,947	retail	2260 John F Kennedy Blvd	\$42.84	700
	\$14 For office	retail \$15	cowork 14 or \$15	retail	155 Newark Ave	\$48	3000
				retail	271 Newark ave	\$40	900

Newark				Bergen/Passaic County extra comps			
Types of use	Address	R/SF per year	S/F	Type of use	Address	R/SF per year	S/F
retail	649-659 clinton ave	\$14.00/yr	900-3000	Coworking	\$18.00 SF/yr	155 rt 46 Wayne	60-12,835 sf
retail	180 Jelliff Av	\$13.56	4000	Coworking	\$36.00 sf/yr	51 James st South Hackensack	1000-9500 sf
retail	451 w 4th ave	\$18.00	1000				
retail	1299 mccarter hwy	25	1000				
cowork	457 Frelinghuysen av	\$11	150-2000				
cowork	32 noble st	\$12	150-2000				
cowork	11-43 Raymond plz w	Upon req	100-12,512				
office/med	393 mulberry st	\$33.60	2500				
office/med	654 mount prospect ave	\$18	1450				
office/med	851 mount prospect ave	\$18.46	1300				
office/med	604-608 Market st	\$28	2200-2500				



Residential Jersey City

2468 John F. Kennedy Blvd.	650 SF	1550 Per Month	1 bed, 1 bath	Location, +
143 Morgan Street	900 SF	3000 Per Month	1 bed, 1 bath	Location, +
Wayne Street	600 SF	2350 Per Month	1 bed, 1 bath	Location, +
Newport Parkway	925 SF	3200 Per Month	1 bed, 1 bath	Location, +
207 Fairview Avenue	1200 SF	1800 Per Month	2 bed, 1 bath	Location +
107 Van Nostrand Avenue	900 SF	1640 Per Month	2 bed, 1 bath	Location +
252 Van Horne Street	750 SF	1565 Per Month	2 bed, 1 bath	Location, +

Residential-Paterson

146 Main Street	875 SF	1400 per month	2 bed, 1 bath	Built in 2016	No Amenities	Location +
41-43 Ryle Avenue	850 SF	1900 Per month	2 bed, 1 bath	old	No amenities	location -
38 Clinton Street	1500 SF	1800 per month	3 bed, 1 bath	Newly built	No amenities	Location -
13 Lee Place	N/A	925 per month	1 bed, 1 bath	Somewhat New		Location +
146 fair st	700 SF	1600 per month	1 bed, 1 bath	newly built	no amenities	location -
47 12th Avenue	650 SF	1550 per month	1 bed, 1 bath	newly built	no amenities	location +
146 Hamilton Ave	800 SF	1500 per month	1 bed, 1 bath	newly built	no amenities	location
33 Ryerson Ave	1,344 SF	1,050 per month	1 bed, 1 bath	older	No amenities	Location -
175 Broadway	831 SF	1600 per month	1 bed, 1 bath	newly built	No amenities	location+
100 Carroll Street	683 SF	1600 per month	1 bed, 1 bath	interior new	No amenities	location -

Rental Rates

<u>Residential Unit Type</u>	<u># Units</u>	<u>%Mix</u>	<u>SF/Unit</u>	<u>Total SF/Unit Type</u>	<u>Rent/Unit</u>	<u>\$/SF</u>	<u>Monthly Gross Rent/Unit Type</u>	<u>Annual Gross Rent/Unit Type</u>
Studios	24	52%	485.10	11642.4	\$ 1,250	\$ 2.58	\$ 30,000	\$ 360,000
1BR Apartments	12	26%	650	7800	\$ 1,600	\$ 2.46	\$ 19,200	\$ 230,400
2BR&1BA Apartments	6	13%	834	5004	\$ 1,900	\$ 2.28	\$ 11,400	\$ 136,800
Live/Work Apartments 2BR&2BA	4	9%	1,971.90	7887.6	\$ 3,000	\$ 1.52	\$ 12,000	\$ 144,000
Total	46	100%		32334			\$ 72,600	\$ 871,200

- Micro units (size and price)
- Shared amenities → Small Units

Financials



Capital Structure:

<u>CAPITAL STRUCTURE</u>	
Development Budget	\$ 24,739,800
LTV	70.0%
Debt	\$ 17,317,860
Equity	\$ 7,421,940
Interest Rate	4.25%

- Total development budget of \$24,739,800
- Loan to Value ratio of 70%
- \$17,317,860 debt within the project with an interest rate of 4.25%
- \$7,421,940 equity within the project

Budget

Development Budget				
			Budget	% of Total
Land Acquisition				
Purchase Price			\$ 4,000,000	16%
Predevelopment Costs to Date			\$ 500,000	2%
Total Land Acquisition Costs			\$ 4,500,000	18%
	Cost/sf	Gross sf	Budget	% of Total
Buildings				
Building 1		88,625		
Hard&Soft Costs	\$ 110		\$ 9,748,750	39.41%
Asbestos Roof Removal	\$ 5	17,725	\$ 88,625	0.36%
Lead Paint Removal	\$ 10	7,810	\$ 78,100	0.32%
Building 2				
Brick Building Demolition	\$ 7	11,385	\$ 79,695	0.32%
Building 3		10,955		
Hard&Soft Costs	\$ 100		\$ 1,095,500	4.43%
Lead Paint Removal	\$ -		\$ -	
Asbestos Roof Removal	\$ 7	2,191	\$ 15,337	0.06%
Building 4a				
Brick Building Demolition	\$ 7	25,788	\$ 180,516	0.73%
Building 4b		35,651		
Hard&Soft Costs	\$ 175		\$ 6,238,925	25.22%
Asbestos Roof Removal	\$ -		\$ -	
Lead Paint Removal	\$ -		\$ -	
Building Cost			\$ 17,525,448	70.84%
	cost/acre/linear foot	Gross sf/linear ft	Budget	% of Total
Other:				
Art Wall	10	324	\$ 3,240	0.01%
Landscaping/Green Space	\$ 150,000.00	21,000	72,314	0.29%
Other Costs			\$ 75,554	0.31%
	Cost/Space	Spaces	Budget	% of Total
Parking		121		
Structure Parking	\$ 25,000	0	\$ -	0.00%
Iron Railing - Rear Parking	100	244	\$ 24,400	0.10%
Surface Parking	\$ 4,000	121	\$ 484,000	1.96%
Parking Cost			\$ 508,400	2.05%
	Cost/sf	Gross sf	Budget	% of Total
Allowance				
Retail TI Allowance	\$ 25	32,041	\$ 801,023	3.24%
Office TI Allowance	\$ 25	53,175	\$ 1,329,375	5.37%
Allowance Cost			\$ 2,130,398	8.61%
Total Budget			\$ 24,739,799.55	

Financial Assumptions

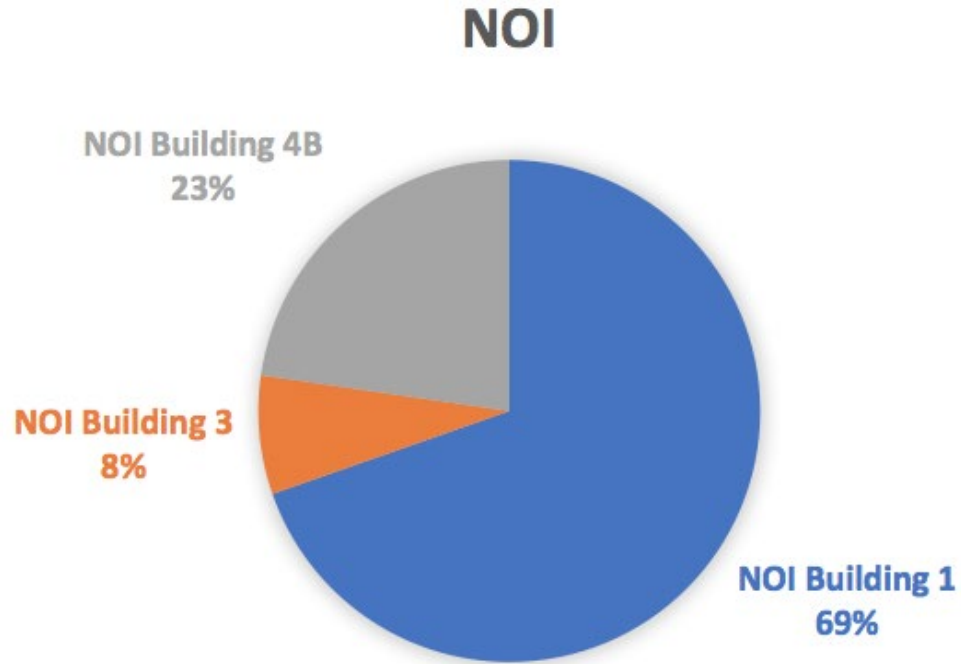
Proforma Assumptions:

- 10 year hold
- Property Management Fee: 3%
- Vacancy and Credit Loss: 5%
- Operating Expenses: 30% for Residential and 25% for Office and Retail
- CAPEX Reserve: \$250 for Residential units and \$.20 per Office square footage

Cash Flows Assumptions:

- Stabilized Net Cash Flow for All Buildings (Year 3): \$2,108,526
- 15 year Pilot Annual Benefit: \$456,276
- Total Net Cash Flow For All Building Including Pilot: \$2,564,802
- Debt Service: \$1,125,809
- Reversion Value of \$44,315,826. At 6.5% Cap Rate:

Stabilized NOI per Building



Financial Return Metrics

Unlevered	
Stabilized Cash Flow Before Debt Service (3rd Year)	\$2,564,802
Unlevered IRR	13.5%
Levered	
Stabilized Cash Flow After Debt Service (3rd Year)	\$1,438,992
Levered IRR	20.3%
Equity Multiple	6.4

PILOT

- 15 Year Pilot with 55% of annual reduction
- Annual Pilot Benefits: \$456,276
- Total Pilot Benefit: \$6,844,134
- Present Value of Savings at 20% Discount Rate: \$2,133,304

Financial Metrics without PILOT:

Levered IRR: 6.4%

Levered Equity Multiple: 2.81

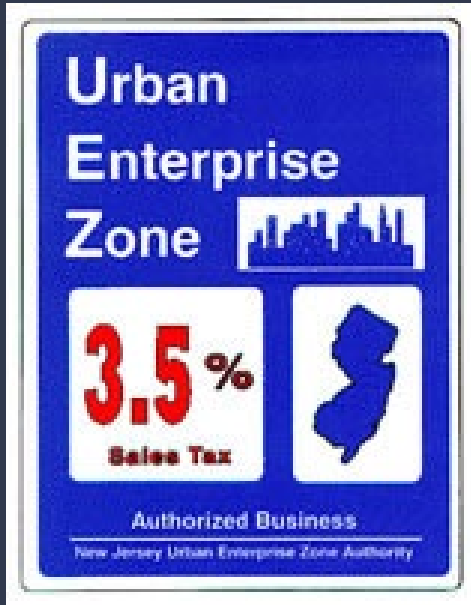
Parking

	<i>Cost/Space</i>	<i>Spaces</i>	<i>Budget</i>	<i>% of Total</i>
Parking		121		
Structure Parking	\$ 25,000	0	\$ -	0.00%
Iron Railing - Rear Parking	100	244	\$ 24,400	0.10%
Surface Parking	\$ 4,000	121	\$ <u>484,000</u>	1.96%
Parking Cost			\$ 508,400	2.05%

VS

	<i>Cost/Space</i>	<i>Spaces</i>	<i>Budget</i>	<i>% of Total</i>
Parking		172		
Structure Parking	\$ 25,000	172	\$ 4,300,000	15.07%
Iron Railing - Rear Parking	100	0	\$ -	0.00%
Surface Parking	\$ 4,000	0	\$ <u>-</u>	0.00%
Parking Cost			\$ 4,300,000	15.07%

Urban Enterprise Zone Benefit



- The total cost to build this project is \$24,739,800
- Our hard costs for this project are exempt from taxes because it is in an urban enterprise zone. The elimination of taxes from our hard costs decreased our hard cost budget by 6.625%.
- Our Retailers will benefit from 3.3125% sales tax reduction due to the urban enterprise zone.

Closing

- By implementing our cultural and unique development proposal we aim to be the catalyst for Paterson's redevelopment and achieve the goals of the developer and the city.
- Our development plan incorporates the site's rich history while also implementing new ideas to bring artists and entrepreneurs to Paterson through a live/work/play project.
- We would like to conclude and open the forum for questions and answers