



## **Development Proposal**

12 Multifamily Units  
885 New York Ave  
Brooklyn, NY 11203

**Prepared For:**  
XYZ Properties

**Prepared By:**  
JET Acquisitions

## Executive Summary

The purpose of this memo is to discuss JET Acquisitions' ("JET") most recent development project, 885 New York Avenue in East Flatbush, Brooklyn, New York (the "Subject" or the "Subject Property" or the "Project"). JET is seeking a Joint Venture ("JV") equity partner to close on a 55% LTC floating-rate construction loan to begin phase two of the construction period - to construct the twelve multifamily units. See the project summary box below for key information about the Project.

Project Summary		
Street Address	885 New York Ave	
City / State / Zip	Brooklyn, NY 11203	
Zoning	R6	
Max. Allowable FAR	2.43	
Tax Abatement	421A	
Lot Size	.06 acres	
Total Buildable SF	9,100	
Net Rentable SF	8,190	
Land Acquisition Price	\$650,000	
Hold Period	6 Years	
# of Units	12	
Target Project-Level IRR	16.91%	
Target Project-Level Equity Multiple	1.99	
Target Investor IRR	16.22%	
Target Investor Equity Multiple	1.93	
Projected Exit Cap Rate	5.25%	
Projected Development Spread	135 bps	

JET is requesting the JV partner fund 80% of the equity (roughly \$1.67MM) required to close on the construction loan. See the Subject's estimated sources and uses table below.

Sources (Construction Financing)			% of Total
Equity	\$2,088,818		45%
Debt	\$2,552,999		55%
<b>Total</b>	<b>\$4,641,817</b>		<b>100%</b>

Uses (Construction Financing)			% of Total
Land Acquisition Costs	\$650,000		14%
Closing Costs	\$19,500		0%
Hard Costs	\$3,440,000		74%
Soft Costs	\$171,837		4%
Contingency	\$180,592		4%
Capitalized Construction Interest	\$141,593		3%
Construction Loan Fees	\$38,295		1%
Operating Expense Shortfalls	\$0		0%
<b>Total</b>	<b>\$4,641,817</b>		<b>100%</b>

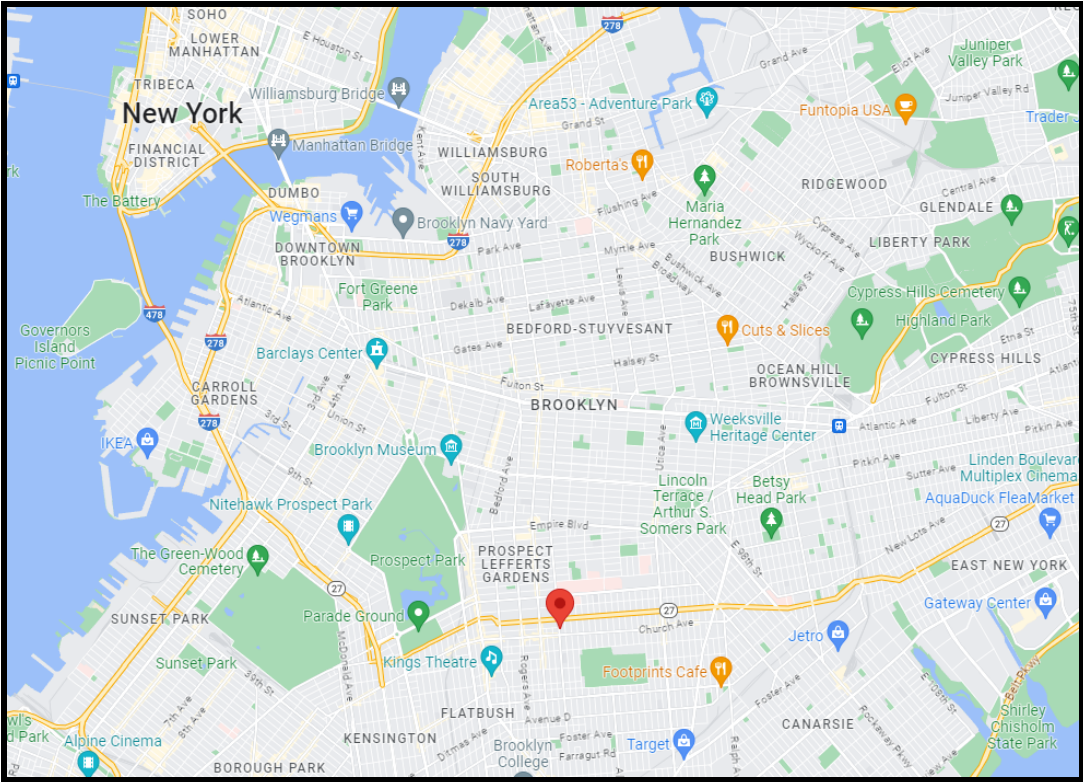
Equity Sources		
LP Equity	80%	\$1,671,054
GP Equity	20%	\$417,764
<b>Total</b>	<b>100%</b>	<b>\$2,088,818</b>

JET would like to note that we will have 20% hard equity in the deal at the time of closing on the construction loan through the means of earnest money deposits and pursuit capital. We estimate the total equity amount required to close on the construction loan will be \$2,088,818, with a total capital stack of \$4,641,817 to fund the allotted uses in the sources and uses table above.

### Development Team

JET Acquisitions is a Manhattan-based real estate private equity firm focused on acquiring and developing multifamily real estate assets in the New York City Metropolitan area. See our executive leadership team below.

### Area Analysis

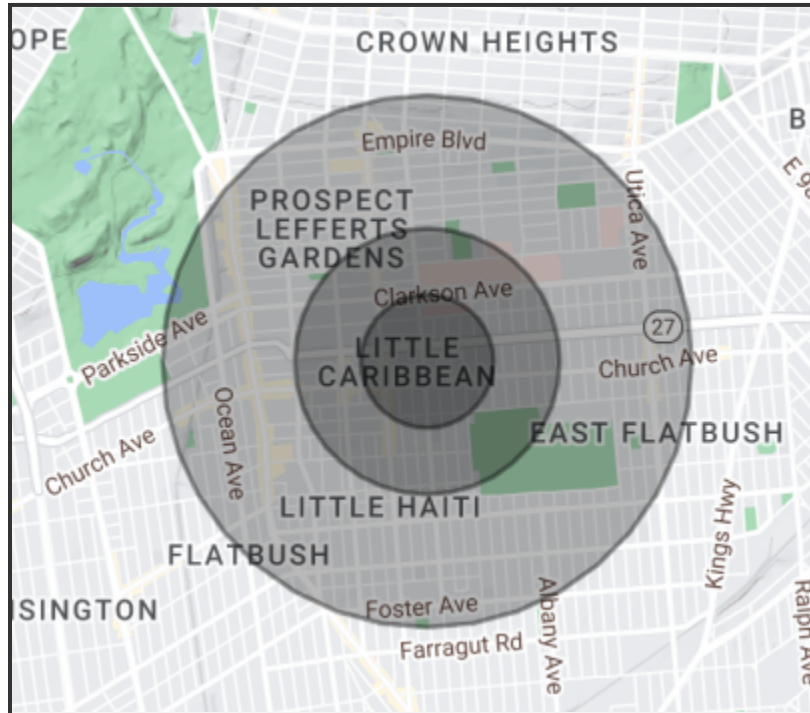


The site is located in Brooklyn’s East Flatbush submarket. Flatbush is a community-centered neighborhood with ample green space, located just south of Prospect Park. In the heart of Brooklyn.

This expansive district is the borough’s most diverse neighborhood, a vital mixing pot of peoples, cultures, and architecture. Offering excellent shopping near the junction of Nostrand and Flatbush Avenues and Brooklyn College which enrolls over 17,000 students.

Flatbush is becoming one of New York's most exciting residential and retail destinations. The Site is conveniently located a block away from the 2 and 5 train Church Ave station.

## Demography



Population	.25 Miles	.5 Miles	1 Mile
Total Population	11,436	38,319	180,333
Average Age	35.5	36.6	36.4
Average Age (Male)	34.1	34.1	34.9
Average Age (Female)	36.7	39.9	39

Households & Income	.25 Miles	.5 Miles	1 Mile
Total Households	5,056	16,928	77,245
# of Persons per HH	2.3	2.3	2.3
Average HH Income	\$69,278	\$66,234	\$72,986
Average House Value	\$312,150	\$379,467	\$445,986

The area reports an average household income below \$75,000 within a one-mile radius of the site. The average age of the population floats around 36 years old. JET believes our target tenant will be someone looking to get rid of their roommates and live on their own, or a couple

looking to settle down and have kids soon. This was reflected in our unit mix which will be discussed later on in the proposal.

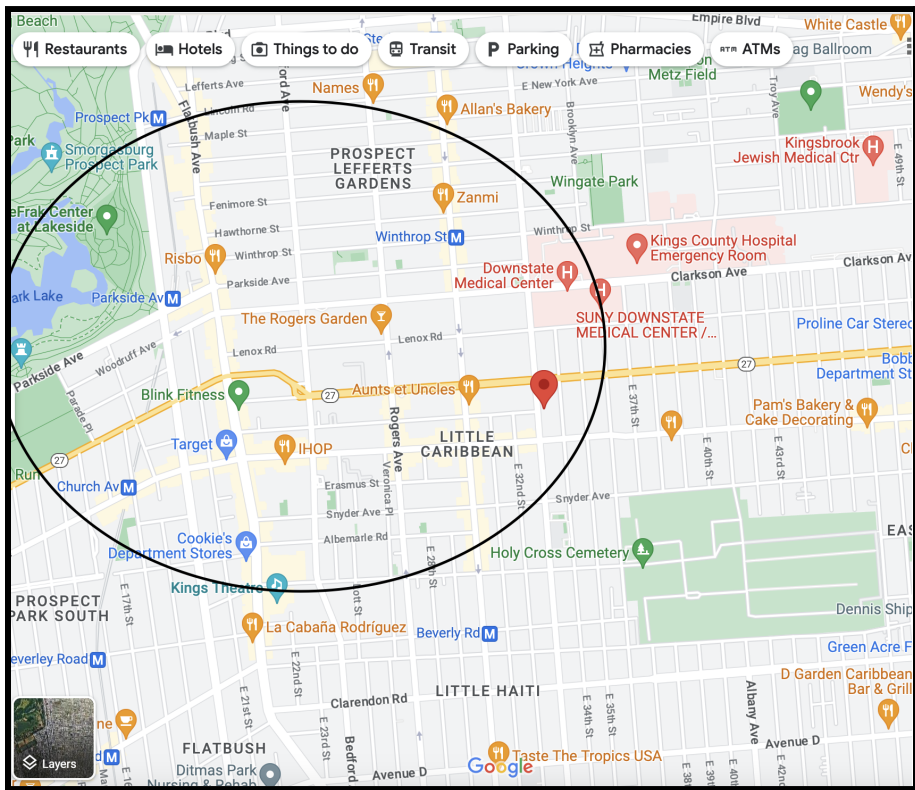
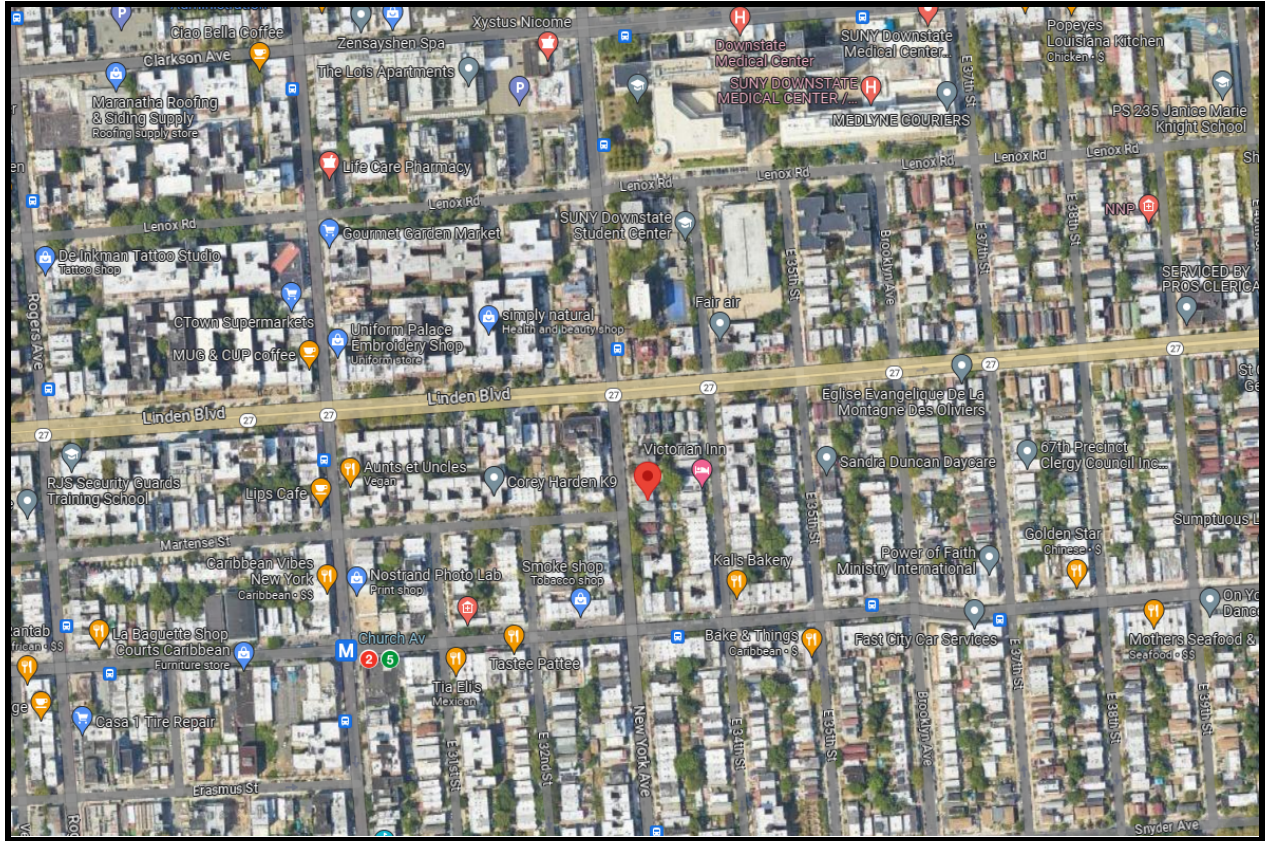
## Site Analysis



Existing Site

The site's current use is a two-story single-family home situated on the East side of New York Avenue with available on-street parking. There is a small buffer area between the sidewalk and the building, with a walkway leading to the entrance. Environmental conditions include moderate levels of noise and air pollution due to the high volume of vehicle traffic on New York Avenue.

Surrounding uses include single-family residential, multi-family residential, community recreational facilities, retail, and medical. The impacts of these uses on the site may be both positive and negative, depending on the perspective. Positive impacts may include access to goods and services, while negative impacts may include increased noise and congestion.



Key features within view are Neighboring buildings, sidewalks, and street traffic on the looking west, and another building on the east side of the building. presence of the 2/5 subway line running along Nostrand Avenue to the west of the site. This may provide convenient access to transportation for residents. There is also a significant amount of commercial activity, including shopping centers and stores, to the east of the site along Flatbush Avenue.

Access to major roadways includes proximity to the Brooklyn-Queens Expressway (BQE) to the north of the site, as well as the nearby intersection of Flatbush Avenue and Utica Avenue, which provides access to several other major roadways. The nearest train station is Sterling Street Station, located about 0.7 miles to the west. There are several parks and recreational areas in the surrounding area, including Wingate Park and the Brooklyn Botanic Garden, which are accessible by car or public transportation.

## Property Revenue & Expense Assumptions

### Unit Mix Analysis

Unit Mix Analysis									
<b>Building Information</b>		<b>Unit Mix</b>							
Maximum Building Height	60 Feet	Floor One							
Building Height Variance	10 Feet	# of Units	Unit Type	Stabilized?	SF	Total SF	Rent/Mo	Rent/SF	
<b>Total Building Height</b>	<b>70 Feet</b>	1	SUPER	No	585	585	\$0	\$0.00	Super's Unit
Ceiling Heights	10 Feet	1	1BR - 1BA	Yes	585	585	\$1,751	\$2.99	70% AMI Unit
Number of Floors	7	2			585	1170	\$876	\$0.00	
<b>Buildable SF Information</b>		Floor Two							
Buildable MF SF	9,100	# of Units	Unit Type	Stabilized?	SF	Total SF	Rent/Mo	Rent/SF	
Gross Buildable SF/Floor	1,300	1	1BR - 1BA	Yes	585	585	\$3,253	\$5.56	130% AMI unit
Common Area & Utility Loss - 10%	130	1	1BR - 1BA	Yes	585	585	\$3,253	\$5.56	130% AMI unit
<b>Net Buildable SF/Floor</b>	<b>1,170</b>	2			585	1170	\$3,253	\$5.56	
<b>Total Rentable SF</b>	<b>8,190</b>	Floor Three							
		# of Units	Unit Type	Stabilized?	SF	Total SF	Rent/Mo	Rent/SF	
		2	1BR - 1BA	No	585	1170	\$2,650	\$4.53	
		2			585	1170	\$2,650	\$4.53	
		Floor Four							
		# of Units	Unit Type	Stabilized?	SF	Total SF	Rent/Mo	Rent/SF	
		2	1BR - 1BA	No	585	1170	\$2,750	\$4.70	
		2			585	1170	\$2,750	\$4.70	
		Floor Five							
		# of Units	Unit Type	Stabilized?	SF	Total SF	Rent/Mo	Rent/SF	
		2	1BR - 1BA	No	585	1170	\$2,850	\$4.87	
		2			585	1170	\$2,850	\$4.87	
		Floor Six							
		# of Units	Unit Type	Stabilized?	SF	Total SF	Rent/Mo	Rent/SF	
		1	2BR - 2BA	No	1170	1170	\$3,250	\$2.78	
		1			1170	1170	\$3,250	\$2.78	
		Floor Seven							
		# of Units	Unit Type	Stabilized?	SF	Total SF	Rent/Mo	Rent/SF	
		1	2BR - 2BA	No	1170	1170	\$3,350	\$2.86	
		1			1170	1170	\$3,350	\$2.86	
		12				8190			

JET has received approvals from the city of New York to construct 12 multifamily units across seven stories. The maximum building height for R6 zoning in New York City is usually 60 feet or six stories. JET was able to receive a height variance to include one more story in the building to make the economics work with the 421-A program for the site.

The way we calculated our Net Buildable SF was by taking our approved buildable SF of 9,100 SF, then dividing that number by the number of floors (seven) to receive our gross buildable SF per floor. Once we figured out our Gross Buildable SF / Floor was 1,300 SF, we applied a 10% loss factor to common areas such as utility areas and hallways, to get a net buildable SF/ Floor to 1,170 SF, bringing our Total Rentable SF to 8,190 SF.

Since the site is 421-A, we chose option 421-A (16) B. Meaning there was to be 1 unit priced at 70% AMI, and two units priced at 130% AMI for a total of 30% of the units needing to be rent-stabilized at the Subject. We chose the rent-stabilized units to be situated on floors one and two, as these units have limited upside in rental growth, therefore incentivizing the developer to place the free-market units higher up in the building for free-market tenants to hear less street traffic. 421-A assumptions will be discussed in the expense assumptions section.

### Revenue & Lease-Up Assumptions

Stabilized Free-Market Rents											
# of Units	Unit Type	SF	Rent/Month	Rent/SF		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
6	1BR - 1BA	585	\$2,750	\$4.70	Physical Vacancy	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
2	2BR - 2BA	1170	\$3,300	\$2.82	Bad Debt	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
1	1BR - 1BA	585	SUPER	\$0.00	Concessions	0.00%	0.00%	2.00%	1.50%	1.00%	0.50%
9		715	\$2,567	\$3.59	Other Loss	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Rent-Stabilized Unit Rents											
# of Units	Unit Type	SF	Rent/Month	Rent/SF		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
3	1BR - 1BA	585	\$2,752	\$4.70	Market Rent Growth	5.00%	5.00%	4.00%	3.50%	3.50%	3.50%
3		585	\$2,752	\$4.70	Other Income Growth	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Stabilized Other Income											
Item	\$/Unit/Month	\$/Month	\$/Year		Lease-Up Information						
Pet Rent	\$10	\$90	\$1,080		Lease-Up Period Begins	Month 18					
Late Fees	\$1	\$9	\$108		Property Stabilization	Month 22					
Total	\$11	\$99	\$1,188		Lease-Up Period	4 Months					

If a building has ten or more units in New York City, a building superintendent is required to live on-site or within 200 feet of the site. We assumed the Super will live on-site and will not pay rent for their ground-floor 1-bedroom 1-bathroom unit.

We assumed twenty percent of the units will pay pet rent at \$50 / month and late fees will be incurred at \$50/unit/month based on the annual 2% bad debt projection.

To be conservative in our analysis, we projected 0% rent growth for the three rent-stabilized unit rents for the duration of the hold period, and five percent rent growth for years one and two, four percent for years three, and three and a half percent growth for the remaining duration of the analysis on free market units. We also assumed other income was to grow at three percent annually for the duration of the hold period.


Market rent growth rates and vacancy rates were collected from REIS and CoStar on Flatbush and Brooklyn market data. REIS and CoStar data are widely used by credible financial institutions to project growth rates on exit analyses.



We estimated that we can fully lease up the building within four months of completion of construction, at a conservative estimate of three units per month.


## Rent Comparables

# Rent Comparables




**335 Linden Blvd, Brooklyn**  
2 min. Walk North of Subject

1BR - 1BA: \$2,550  
2BR - 2BA: \$3,125



**319 Lenox Rd, Brooklyn**  
6 min. Walk North of Subject

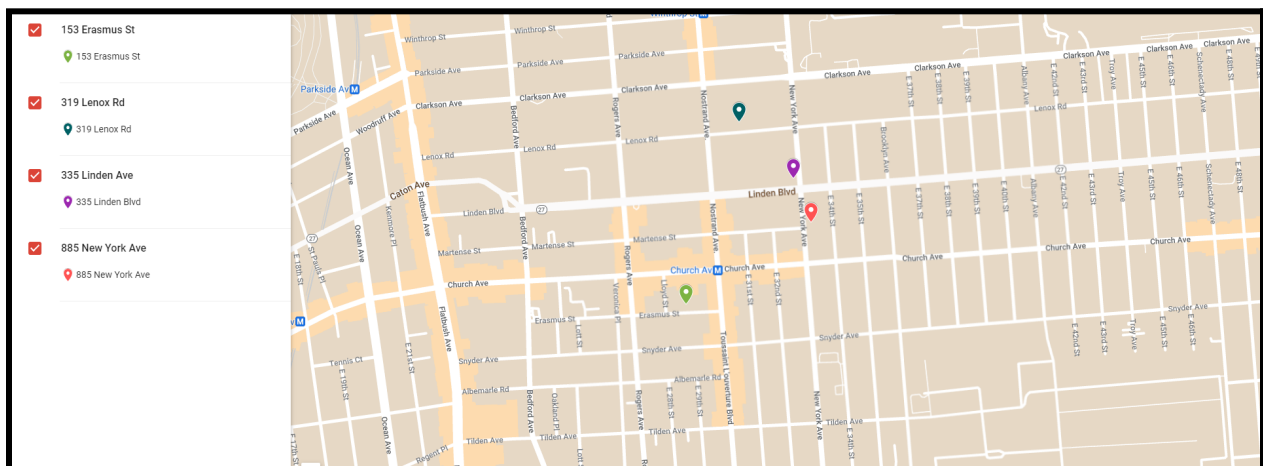
1BR - 1BA: \$2,750  
2BR - 1BA: \$3,300  
2BR - 2BA: \$3,500



**153 Erasmus St, Brooklyn**  
7 min. Walk Southwest of Subject

1BR - 1BA: \$2,903  
2BR - 1.5BA: 2,850 (Ground Floor Unit)

JET conducted market research on rent comparables near the subject. JET would like to note that the Subject property **does not** have any common area amenities due to the small building size. Discussions have been started with our architectural team if it is possible to add a roof deck to our building to compete with nearby buildings. However, due to the Subject's close proximity to public transportation and Linden Blvd, we believe the Subject is in a very walkable area of East Flatbush with plenty of options to retail and outdoor space. See a map below of the Subject's proximity to the rent comps above. The Subject is marked in red.



**Expense Assumptions**

<b>Stabilized Operating Expenses</b>			
<b>Expenses</b>	<b>Per Unit/Year</b>	<b>Total</b>	<b>% Fixed</b>
Payroll	\$250	\$3,000	100%
General & Administrative	\$225	\$2,700	0%
Marketing Expenses	\$175	\$2,100	100%
Repairs & Maintenance	\$750	\$9,000	0%
Turnover Costs	\$150	\$1,800	0%
Contract Services	\$125	\$1,500	0%
Utilities	\$900	\$10,800	30%
Property Taxes	\$0	\$0	0%
Insurance	\$800	\$9,600	100%
<b>Total</b>	<b>\$3,375</b>	<b>\$40,500</b>	<b>44%</b>

<b>Property Tax Information</b>	
Current Assessed Value	\$31,351
Tax Class	2b
Millage Rate	12.27%
Reassessed Upon Construction Completion	No
Percentage of Value Assessed	45%

<b>Tax Exemption (421-A) Information</b>	
Program	421-A (16)
Program Option	B
70% AMI	10%
130% AMI	20%
Total AMI Requirements	30%
Construction Period Exemption	3 Years
<b>Hold Period Exemptions - 35 Year Exemption</b>	
25 Years	100%
10 Years	30%

Annual Expense Growth Rate	2.00%
Capital Expense Reserve/Unit	\$200
Property Management Fee	7.00%

Stabilized operating expense assumptions were collected through other comparable recently stabilized properties in the market, as well as through conversations with real estate broker Remi Norris, with Terra CRG, a multifamily real estate broker focused on the Brooklyn multifamily real estate market.

JET Acquisitions chose program 421-A (16) option B for this development due to its 35-year exemption period. 100% of property taxes levied against the subject are exempt from being paid for the first 25 years of the hold period post the property is constructed, then the Subject receives a 30% exemption for the last 10 years of the analysis.

JET used an industry-standard 2% annual expense growth rate with an estimated \$200/unit/year cap ex reserve amount and a 7% of EGR property management fee that will be paid to JET Acquisitions for self-managing the property for the hold period.

JET would also like to note that we budgeted for the building superintendent to receive a \$3,000 annual stipend.

## Construction Information

### Construction Budget

Hard Costs			
Item	Total	Per Unit	Per Buildable SF
Demolition	\$15,000	\$1,250	\$2
Site Preparation	\$75,000	\$6,250	\$8
Materials	\$910,000	\$75,833	\$100
Labor	\$910,000	\$75,833	\$100
MEP Systems	\$200,000	\$16,667	\$22
Interior Finishes	\$455,000	\$37,917	\$50
Exterior Finishes	\$455,000	\$37,917	\$50
Equipment & Appliances	\$420,000	\$35,000	\$46
<b>Subtotal</b>	<b>\$3,440,000</b>	<b>\$286,667</b>	<b>\$378</b>
Soft Costs			
Item	Total	Per Unit	Per Buildable SF
Capitalized Real Estate Taxes	\$0	\$0	\$0
Capitalized Insurance	\$18,738	\$1,562	\$2
Capitalized Marketing	\$4,099	\$342	\$0
Design & Engineering Fees	\$91,000	\$7,583	\$10
Permits & Fees	\$45,500	\$3,792	\$5
Geotechnical Reports	\$7,500	\$625	\$1
Soil Borings	\$5,000	\$417	\$1
<b>Subtotal</b>	<b>\$171,837</b>	<b>\$14,320</b>	<b>\$19</b>
Overall Construction Budget			
Item	Total	Per Unit	Per Buildable SF
Contingency - 5%	\$180,592	\$15,049	\$20
<b>Total Construction Budget</b>	<b>\$3,792,429</b>	<b>\$316,036</b>	<b>\$417</b>

JET will be self-managing the construction of the Subject. The above construction budget was put together by our Chief Operating Officer, Tom Weber. Tom developed an initial estimate based on RSMeans data and has since confirmed these costs with our 3rd party vendors and subcontractors. We have budgeted a 5% contingency of hard costs and soft costs to bring out construction cost per buildable SF to \$417/SF. JET would like to note that this number **does not** include land acquisition price, closing costs, or financing costs. This number is based purely on the construction of the building. Construction of the building is estimated to take 18 months - starting 8/31/2023 and ending 1/31/2025. See the construction schedule below.

CONSTRUCTION SCHEDULE						2023			2024				2025						
TASK DESCRIPTION	PLAN START	PLAN END	MONTHS	TYPE															
					J	A	S	O	N	D	J	F	M	A	M	J	J	A	S
<i>*Phase 1 - Design Phase has already been complete</i>																			
<b>Phase 2 - Construction</b>	8/31/2023	1/31/2025	18																
Foundation & Framing	8/31/2023	3/31/2024	8	P															
MEP System Installation	3/31/2024	6/30/2024	3	P															
Interior Finish Work	6/30/2024	9/30/2024	4	P															
Exterior Finish Work	9/30/2024	11/30/2024	3	P															
Finish Remaining Construction Tasks, Obtain CO, Final Inspection	11/30/2024	1/31/2025	3	P															

Since Phase One has already been completed, JET believes we will be able to construct the Subject within 18 months due to our COO, Tom', exceptional ability to systematize and manage construction projects effectively, and our hard-earned trusting relationships with our third-party vendors and subcontractors. Below is a chart summarizing all of our construction-related expenses and timeline for the Project. Total Construction Costs are expected to total roughly \$3.8MM, or \$417/ buildable SF.

Construction Information		
Total Construction Length	18 Months	
Construction Start Date	8/31/2023	
Construction End Date	1/31/2025	/ SF
Total Hard Costs	\$3,440,000	\$378
Total Soft Costs	\$171,837	\$19
Contingency	\$180,592	\$20
Total Construction Costs	\$3,792,429	
<b>Construction Cost/SF</b>	<b>\$416.75</b>	

**Construction Loan Information**

Construction Financing Information	
Loan Type	Floating-Rate Construction Loan
Construction Loan Amount	\$2,552,999
Loan To Cost (LTC)	55%
Interest Rate Index	1 Month Term SOFR
Interest Rate Spread	7.00%
Loan Constant	9.67%
Loan Fee (as Percentage of Proceeds)	1.50%
Term	24 Months

JET has been working with a local community bank to finance the development of this Project. Above are the community bank's final loan terms sent to us in the mortgage application. Total capitalization came in at 55% LTC, or roughly \$2.55MM, based on a loan constant of 9.67%. JET would like to note that **this is a floating-rate loan**. The estimated loan term is 24 months and we are expected to refinance into fixed-rate agency debt when the property is stabilized to achieve maximum proceeds.

## Financial Analysis

### Sources & Uses

Sources (Construction Financing)		% of Total
Equity	\$2,088,818	45%
Debt	\$2,552,999	55%
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Uses (Construction Financing)		% of Total
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<b>Total</b>	<b>\$4,641,817</b>	<b>100%</b>
Equity Sources		
LP Equity	80%	\$1,671,054
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<b>Total</b>	<b>100%</b>	<b>\$2,088,818</b>

JET is seeking roughly \$1.7MM in LP equity or 80% of the equity position to close on our construction loan to begin developing the site. Equity Waterfall and return expectations for the JV partner will be defined in the “Returns Summary” section below.

## Pro Forma

Year Year Ending	0 7/31/2023	1 7/31/2024	2 7/31/2025	3 7/31/2026	4 7/31/2027	5 7/31/2028	6 7/31/2029
<b>Revenue</b>							
Gross Potential Rental Revenue		\$0	\$233,203	\$410,260	\$421,988	\$433,290	\$444,987
Physical Vacancy		\$0	(\$71,250)	(\$20,513)	(\$21,099)	(\$21,665)	(\$22,249)
Bad Debt		\$0	(\$3,239)	(\$7,795)	(\$8,018)	(\$8,233)	(\$8,455)
Concessions		\$0	\$0	(\$7,795)	(\$6,013)	(\$4,116)	(\$2,114)
Other Loss		\$0	\$0	\$0	\$0	\$0	\$0
<b>Net Rental Income</b>		<b>\$0</b>	<b>\$158,714</b>	<b>\$374,157</b>	<b>\$386,858</b>	<b>\$399,277</b>	<b>\$412,170</b>
<b>Other Income</b>							
Pet Rent		\$0	\$474	\$1,161	\$1,196	\$1,232	\$1,269
Late Fees		\$0	\$47	\$116	\$120	\$123	\$127
<b>Total Other Income</b>		<b>\$0</b>	<b>\$521</b>	<b>\$1,278</b>	<b>\$1,316</b>	<b>\$1,355</b>	<b>\$1,396</b>
<b>Effective Gross Revenue</b>		<b>\$0</b>	<b>\$159,235</b>	<b>\$375,435</b>	<b>\$388,174</b>	<b>\$400,632</b>	<b>\$413,566</b>
<b>Expenses</b>							
Payroll		\$0	(\$1,809)	(\$3,150)	(\$3,213)	(\$3,277)	(\$3,342)
General & Administrative		\$0	(\$1,164)	(\$2,835)	(\$2,891)	(\$2,949)	(\$3,008)
Marketing Expenses		\$0	(\$1,266)	(\$2,205)	(\$2,249)	(\$2,294)	(\$2,340)
Repairs & Maintenance		\$0	(\$3,881)	(\$9,449)	(\$9,638)	(\$9,831)	(\$10,027)
Turnover Costs		\$0	(\$776)	(\$1,890)	(\$1,928)	(\$1,966)	(\$2,005)
Contract Services		\$0	(\$647)	(\$1,575)	(\$1,606)	(\$1,638)	(\$1,671)
Utilities		\$0	(\$5,213)	(\$11,339)	(\$11,566)	(\$11,797)	(\$12,033)
Insurance		\$0	(\$5,788)	(\$10,079)	(\$10,281)	(\$10,486)	(\$10,696)
Property Taxes		\$0	\$0	\$0	\$0	\$0	\$0
Management Fee		\$0	(\$11,146)	(\$26,280)	(\$27,172)	(\$28,044)	(\$28,950)
<b>Total Expenses</b>		<b>\$0</b>	<b>(\$31,691)</b>	<b>(\$68,802)</b>	<b>(\$70,544)</b>	<b>(\$72,283)</b>	<b>(\$74,073)</b>
<b>Net Operating Income</b>		<b>\$0</b>	<b>\$127,544</b>	<b>\$306,633</b>	<b>\$317,630</b>	<b>\$328,349</b>	<b>\$339,492</b>
Capital Expense Reserves		\$0	(\$1,428)	(\$2,497)	(\$2,547)	(\$2,598)	(\$2,650)
Construction Expenses		(\$2,528,286)	(\$1,264,143)	\$0	\$0	\$0	\$0
<b>Total Capital Expense</b>		<b>(\$2,528,286)</b>	<b>(\$1,265,571)</b>	<b>(\$2,497)</b>	<b>(\$2,547)</b>	<b>(\$2,598)</b>	<b>(\$2,650)</b>
<b>Cash Flow Before Debt Service</b>		<b>(\$2,528,286)</b>	<b>(\$1,138,027)</b>	<b>\$304,136</b>	<b>\$315,083</b>	<b>\$325,751</b>	<b>\$336,843</b>
Interest Payment		\$0	(\$111,163)	(\$199,100)	(\$199,100)	(\$199,100)	(\$197,901)
Principal Payment		\$0	\$0	\$0	\$0	\$0	(\$47,364)
<b>Total Loan Payment</b>		<b>\$0</b>	<b>(\$111,163)</b>	<b>(\$199,100)</b>	<b>(\$199,100)</b>	<b>(\$199,100)</b>	<b>(\$245,265)</b>
<b>Cash Flow After Debt Service</b>		<b>(\$2,528,286)</b>	<b>(\$1,249,190)</b>	<b>\$105,037</b>	<b>\$115,983</b>	<b>\$126,651</b>	<b>\$91,578</b>
DSCR		0.00x	1.15x	1.54x	1.60x	1.65x	1.38x
<b>Acquisition &amp; Sale Information</b>							
Land Acquisition Price	(\$650,000)	\$0	\$0	\$0	\$0	\$0	\$0
Closing Costs	(\$19,500)	\$0	\$0	\$0	\$0	\$0	\$0
Sale Price	\$0	\$0	\$0	\$0	\$0	\$0	\$6,448,554
Costs of Sale	\$0	\$0	\$0	\$0	\$0	\$0	(\$193,457)
<b>Unlevered Net Cash Flow</b>	<b>(\$669,500)</b>	<b>(\$2,528,286)</b>	<b>(\$1,138,027)</b>	<b>\$304,136</b>	<b>\$315,083</b>	<b>\$325,751</b>	<b>\$6,591,940</b>
<b>Loan Information</b>							
Construction Loan Draws	\$0	\$1,147,263	\$1,264,143	\$0	\$0	\$0	\$0
Permanent Loan Funding	\$0	\$0	\$3,568,098	\$0	\$0	\$0	\$0
Loan Payoff	\$0	\$0	(\$2,552,999)	\$0	\$0	\$0	(\$3,520,734)
Loan Fees	(\$38,295)	\$0	(\$53,521)	\$0	\$0	\$0	\$0
<b>Levered Net Cash Flow</b>	<b>(\$707,795)</b>	<b>(\$1,381,023)</b>	<b>\$976,530</b>	<b>\$105,037</b>	<b>\$115,983</b>	<b>\$126,651</b>	<b>\$2,825,941</b>
Cash-on-Cash Return		0.0%	0.0%	5.0%	5.6%	6.1%	4.4%

JET has forecasted a six-year hold period for the Subject asset. The property is expected to be stabilized in Month 22 of the analysis and will be refinanced into permanent debt in Month 24. JET would like to note the reason for the decrease in cash-on-cash return in year six is that the property begins to amortize in year six. Permanent Financing assumptions will be shown below.

**Permanent Financing**

<b>Permanent Financing Information</b>	
Loan Type	Fixed-Rate Agency Loan
Refinance Month	Month 24
Loan Amount	\$3,568,098
Cap Rate Used For Valuation	5.50%
LTV	64%
Going-In DSCR	1.25x
Going-In Debt Yield	8.59%
Interest Rate Index	3.48%
Interest Rate Spread	2.10%
Interest-Only Period	36 Months
Loan Fee (as Percentage of Proceeds)	1.50%
Amortization	360 Months

Upon lease-up and stabilization of the property, JET is planning to refinance our construction loan into a 5-year term Fixed-rate agency loan. For our analysis, the refinance loan was sized at a maximum LTV of 65% and a minimum DSCR of 1.25x. The total Interest Rate was budgeted to be 5.58%, based on a 210 basis point interest rate spread and a 348 basis point US 5 Year treasury index rate as of 4/24/23. For refinance valuation purposes, JET utilized a 5.50% cap rate for an estimated value derived by the agency’s selected Appraiser. JET would like to note that this is an estimated cap rate. Sale comps will be provided in the “Sale Comparables” section below to support our budgeted cap rate.

**Total Cost and Sale Information**

<b>Total Cost Details</b>	
Total Project Cost	\$4,641,817
Total Project Cost/Unit	\$386,818
Stabilized Return on Cost	6.60%
Cost/SF	\$566.77
Land Cost % of Sale Price	10%
Development Spread	1.35%
<b>Sale Details</b>	
Sale Price	\$6,448,554
Sale Price/Unit	\$537,380
Sale Price/SF	\$709
Cost of Sale	\$193,457
Net Sale Proceeds	\$2,734,364
Closing Costs (as % of Sale Price)	3.00%
Exit Cap Rate	5.25%
Hold Period	72 Months

As mentioned above, JET is budgeting a 72-month, or 6-year hold period for the Subject. We're estimating to achieve a stabilized return on cost of 6.60%, which brings our development spread (Stabilized Return on Cost minus Exit Cap Rate) to 135 basis points. Based on the sale comps below, we believe we are making a fair assumption for an exit cap rate of 5.25%.

JET would also like to point out our Total Project Cost. This cost **includes** land costs, financing costs, and closing costs, which brings our total project cost to roughly \$4.6MM, or \$567 / buildable SF. The sale price / buildable SF is \$709. JET was able to add a lot of value to the entitlement process, therefore, enabling the land cost to equal 10% of the final sale price.

### Sale Comparables

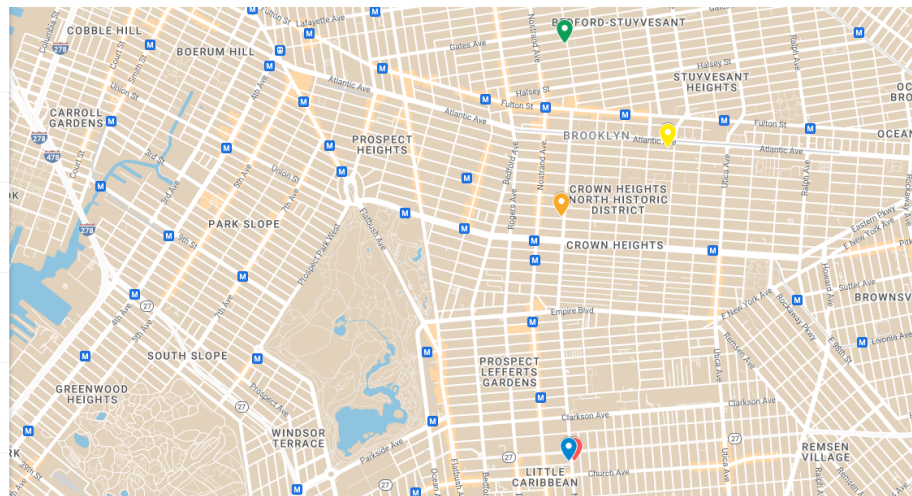
Sale Comparable Summary								
Property	Sale Date	Price	Units	Cap Rate	SF	PPSF	PPU	Distance to Subject
<b>882 New York Avenue, Brooklyn, NY</b>	<b>12/13/2022</b>	<b>\$4,376,846</b>	<b>8</b>	<b>5.00%</b>	<b>5,316</b>	<b>\$823</b>	<b>\$547,106</b>	<b>0.02 miles</b>
256 New York Avenue, Brooklyn, NY	10/11/2022	\$6,512,500	8	4.33%	7,892	\$825	\$814,063	1.60 miles
820 Marcy Avenue, Brooklyn, NY	10/11/2022	\$5,325,000	6	3.40%	5,841	\$912	\$887,500	2.60 miles
1627-1631 Pacific Street, Brooklyn, NY	11/3/2022	\$9,600,000	22	5.50%	4,637	\$2,070	\$436,364	2.20 miles
<b>Totals / Wtd. Averages</b>	<b>11/1/2022</b>	<b>\$25,814,346</b>	<b>44</b>	<b>4.91%</b>	<b>23,686</b>	<b>\$1,459</b>	<b>\$586,690</b>	<b>1.75 miles</b>
Subject		\$6,448,554	12	5.25%	9,100	\$709	\$537,380	

JET received the following sale comparables from Marcus and Millichap's Q4 2022 Multifamily Market report. As shown in the chart above, we're being conservative on our exit cap rate assumption of 5.25% based on the weighted average of 4.91% and we're also being conservative on our exit sale price/unit. We're budgeting \$537K / unit while the comps are around \$580K.

JET would like to mention 882 New York Avenue, which is highlighted in **bold** in the chart above. This property is direct across the street from our Subject property and has just sold for a 5% cap rate at \$547,106/unit. This is a direct comp with fewer units than our building.

See the sales comparable map below. The Subject is the **red** dot, and 882 New York Ave is the **blue** dot.

- 885 New York Ave
- 885 New York Ave
- 882 New York Ave
- 882 New York Ave
- 256 New York Ave
- 256 New York Ave
- 820 Marcy Ave
- 820 Marcy Ave
- 1627-1631 Pacific Street
- 1627 Pacific St





## Returns Summary

GP Equity	20%	Project-Level IRR	16.91%	GP IRR	19.46%
LP Equity	80%	Project-Level EM	1.99x	GP EM	2.22x
				GP Promote	\$123,871

Waterfall Structure	Return	GP Promote	GP Cash Flow	LP Cash Flow	LP IRR	16.22%
Preferred Return	14.00%		0.00%	100.00%	LP EM	1.93x
Hurdle #2		25.00%	25.00%	75.00%	LP Net Profit	\$1,549,963

The returns shown above are based upon levered cash flows. The JV partner will receive a 14% preferred return based on an IRR-based waterfall and cash flows/profits will be split 75/25 when there has been

1. a full return of capital, then;
2. When the 14% LP IRR has been exceeded.

The expected returns for the JV partner are as follows.

- IRR: 16.22%
- Equity Multiple: 1.93x
- Net Profit: \$1,549,963.

JET would like to reiterate that the sponsorship team has 20% of **aligned capital** in this deal. Meaning, we are investing alongside our JV partner in this deal with our own equity.

See the below sensitivity analyses measuring the effect of hold period and exit cap rates on the JV partner's IRR and equity multiple, as well as the effect of construction costs and exit cap rates on the JV partner's IRR and equity multiple.

Effect of Hold Period and Exit Cap Rates on LP Levered IRR & Equity Multiple						
Exit Cap Rate	Hold Period					
	16.22% / 1.93x	48 Months	60 Months	72 Months	84 Months	96 Months
	4.75%	21.39% / 1.84x	19.89% / 2.00x	18.84% / 2.16x	18.05% / 2.34x	17.33% / 2.51x
	5.00%	19.12% / 1.73x	18.19% / 1.88x	17.51% / 2.04x	16.97% / 2.21x	16.44% / 2.38x
	5.25%	16.95% / 1.62x	16.54% / 1.77x	16.22% / 1.93x	15.94% / 2.10x	15.59% / 2.26x
	5.50%	14.85% / 1.53x	14.96% / 1.67x	14.98% / 1.83x	14.94% / 1.99x	14.77% / 2.15x
	5.75%	12.41% / 1.42x	13.22% / 1.57x	13.69% / 1.73x	13.96% / 1.89x	13.98% / 2.05x

Effect of Construction Costs and Exit Cap Rates on LP Levered IRR & Equity Multiple						
*assumes 72 month hold period						
Exit Cap Rate	Construction Costs/SF					
	16.22% / 1.93x	\$386.75	\$401.75	\$416.75	\$431.75	\$446.75
	4.75%	21.46% / 2.25x	20.12% / 2.21x	18.84% / 2.16x	17.64% / 2.12x	16.49% / 2.07x
	5.00%	20.14% / 2.13x	18.79% / 2.08x	17.51% / 2.04x	16.30% / 2.00x	15.15% / 1.95x
	5.25%	18.86% / 2.02x	17.50% / 1.97x	16.22% / 1.93x	15.01% / 1.88x	13.82% / 1.84x
	5.50%	17.63% / 1.91x	16.26% / 1.87x	14.98% / 1.83x	13.68% / 1.78x	12.14% / 1.70x
5.75%	16.43% / 1.82x	15.06% / 1.78x	13.69% / 1.73x	12.05% / 1.65x	10.47% / 1.58x	

As demonstrated above, the Project is protected from longer hold periods and higher exit cap rates than anticipated, as well as higher cap rates and higher construction costs/SF. Meaning that even if these events were to occur, the Project would still perform financially and **not lose investor capital**.

# Conclusion

Project Summary	
Street Address	885 New York Ave
City / State / Zip	Brooklyn, NY 11203
Zoning	R6
Max. Allowable FAR	2.43
Tax Abatement	421A
Lot Size	.06 acres
Total Buildable SF	9,100
Net Rentable SF	8,190
Land Acquisition Price	\$650,000
Hold Period	6 Years
# of Units	12
Target Project-Level IRR	16.91%
Target Project-Level Equity Multiple	1.99
Target Investor IRR	16.22%
Target Investor Equity Multiple	1.93
Projected Exit Cap Rate	5.25%
Projected Development Spread	135 bps

Due to the Development occurring in the area, as well as the continued struggle to make development projects pencil in the NYC MSA, we believe the project will benefit from Cap Rate compression and rental growth.

As demonstrated in our sensitivity analyses, we are protected from downside risk in cap rates and construction costs, therefore, on a risk-adjusted basis, we believe this project provides an exciting JV development opportunity for our strategic partners.