

ENGEL BURMAN AT THE BEACH LLC Approving Resolution

A regular meeting of the Nassau County Industrial Development Agency (the “Agency”) was convened in public session, electronically, pursuant to Executive Order No. 202.11, 202.28, 202.48 and 202.55 - Continuing Temporary Suspension And Modification Of Laws Relating To The Disaster Emergency - by Governor Andrew M. Cuomo of the State of New York on August 25, 2020 at 6:45 p.m., local time.

The meeting was called to order by the Chairman, upon roll being called, the following members of the Agency were:

PRESENT:

Richard Kessel	Chairman
Lewis M. Warren	Vice Chairman
Anthony Simon	2nd Vice Chairman
Amy Flores	Treasurer
John Coumatos	Asst. Treasurer
Chris Fusco	Asst. Secretary
Timothy Williams	Secretary

THE FOLLOWING ADDITIONAL PERSONS WERE PRESENT:

Harry Coghlan	Chief Executive Officer / Executive Director
Danielle Oglesby	Chief Operating Officer/ Deputy Executive Director
Anne LaMorte	Chief Financial Officer
Catherine Fee	Director of Business Development/Chief Marketing Officer
Colleen Pereira	Administrative Director
Carlene Wynter	Compliance Assistant
Nicole Gil	Administrative Assistant
Thomas D. Glascock, Esq.	General Counsel
Andrew D. Komaromi, Esq.	Bond/Transactional Counsel

The attached resolution no. 2020-66 was offered by John Coumatos, seconded by Lewis M. Warren.

RESOLUTION TAKING OFFICIAL ACTION TOWARD AND APPROVING
THE ACQUISITION AND STRAIGHT LEASING OF A CERTAIN PROJECT
FOR ENGEL BURMAN AT THE BEACH LLC

WHEREAS, the Nassau County Industrial Development Agency (the “Agency”) is authorized and empowered by the provisions of Chapter 1030 of the 1969 Laws of New York, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the “Enabling Act”), and Chapter 674 of the 1975 Laws of New York, as amended, constituting Section 922 of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the “Act”) to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of manufacturing, industrial and commercial facilities, among others, for the purpose of promoting, attracting and developing economically sound commerce and industry to advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York, to improve their prosperity and standard of living, and to prevent unemployment and economic deterioration; and

WHEREAS, to accomplish its stated purposes, the Agency is authorized and empowered under the Act to acquire, construct, reconstruct and install one or more “projects” (as defined in the Act) or to cause said projects to be acquired, constructed, reconstructed and installed and to convey said projects or to lease said projects with the obligation to purchase; and

WHEREAS, ENGEL BURMAN AT THE BEACH LLC, a limited liability company organized and existing under the laws of the State of Delaware and qualified to do business in the State of New York on behalf of itself and entities formed or to be formed on its behalf (the “Applicant”), has presented an application for financial assistance (the “Application”) to the Agency, which Application requests that the Agency consider undertaking a project (the “Project”) consisting of the following: (A)(1) the acquisition of an interest in an approximately 6.04 acre parcel of land located between Long Beach Boulevard, Shore Road and Riverside Boulevard, City of Long Beach, Town of Hempstead, Nassau County, New York (Section: 59; Block: 116; Lot: 38) (the “Land”), (2) the construction of an approximately 620,000 square foot mixed-use building, transit oriented development (collectively, the “Building”) on the Land, together with related improvements to the Land, including, but not limited to, a parking garage, and (3) the acquisition of certain furniture, fixtures, machinery and equipment (the “Equipment”) necessary for the completion thereof (collectively, the “Project Facility”), all of the foregoing for use by the Applicant as residential facility consisting of approximately two-hundred (200) residential condominium housing units, two-hundred-thirty-eight (238) residential rental housing units (30 of which units shall be affordable/workforce units) (the “Rental Portion”) and approximately 6,500 square feet of retail space, together with two (2) levels of structured parking; (B) the granting of certain “financial assistance” (within the meaning of Section 854(14) of the General Municipal Law) with respect to the foregoing in the form of potential exemptions or partial exemptions from real property taxes (but only with respect to the Rental Portion), mortgage recording taxes and/or sales and use taxes (collectively, the “Financial Assistance”); and (C) the lease (with an obligation to purchase), license or sale of

the Project Facility to the Applicant or such other entity as may be designated by the Applicant and agreed upon by the Agency; and

WHEREAS, any approval of the Project is contingent upon, among other things, a final determination by the members of the Agency to proceed with the Project following determinations by the Agency that: (A) the public hearing and notice requirements and other procedural requirements contained in the Act relating to the Project and the Financial Assistance have been satisfied; and (B) the undertaking of the Project by the Agency and the granting of the Financial Assistance are and will be in compliance with all other applicable requirements of the Act, Article 8 of the Environmental Conservation Law (the “SEQR Act”) and the regulations adopted pursuant thereto (the “Regulations” and together with the SEQR Act, collectively, “SEQRA”), and all other statutes, codes, laws, rules and regulations of any governmental authority having jurisdiction over the Project or the Project Facility (collectively, the “Applicable Laws”); and

WHEREAS, the Executive Director of the Agency (A) caused notice of a public hearing of the Agency pursuant to Section 859-a of the Act (the “Public Hearing”) to hear all persons interested in the Project and the Additional Financial Assistance contemplated by the Agency with respect to the Project, to be mailed on August 7, 2020 to the chief executive officer of Nassau County, New York and of each other affected tax jurisdiction within which the Project Facility is or is to be located; (B) caused notice of the Public Hearings to be published on August 9, 2020 in the Nassau edition of *Newsday*, a newspaper of general circulation available to residents of the County of Nassau, New York; (C) caused the Public Hearings to be conducted on August 19, 2020, at 3:00 p.m. and 6:30 p.m., local time, electronically, in furtherance of the provisions of Section 859-a of the General Municipal Law requiring interested parties be provided a reasonable opportunity, both orally and in writing, to present their views with respect to the Project, and pursuant to Governor Cuomo’s Executive Order 220.15 issued on April 9, 2020, as extended by Executive Order 202.29 issued on May 8, 2020, and Executive Order 202.39, issued on June 7, 2020, Executive Order 202.49 issued on July 6, 2020 and Executive Order 202.55 issued on August 5, 2020, suspending the Open Meetings Law and authorizing the conduct of public hearings through use of telephone conference, video conference and/or other similar service, by broadcasting the Public Hearing live on the Agency’s Youtube channel at <https://www.youtube.com/channel/UCuERg-5BYx9VSdBVHUPTYJw/featured>, as well as by providing public access to provide oral comments via Zoom, said Public Hearings also having been held in-person for those members of the public who wished to attend in person at the Allegria Hotel, 80 W. Broadway, Long Beach, NY 11561; and (D) caused a report of the Public Hearing (the “Report”) to be prepared which fairly summarizes the views presented at the Public Hearing and distributed the Report to the members of the Agency; and

WHEREAS, in accordance with Section 874(4) of the Act, (A) the Executive Director of the Agency caused notice of a meeting of the Agency with respect to the proposed deviation from the Agency’s uniform tax exemption policy to be mailed on August 7, 2020 (the “IDA Meeting”) to the chief executive officer of each affected tax jurisdiction; and (B) the members of the Agency conducted the IDA Meeting on the date hereof and reviewed any written comments or correspondence received with respect to the proposed deviation from the Agency’s uniform tax exemption policy and approved the proposed deviation; and

WHEREAS, pursuant to Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York, as amended (the “SEQR Act”), and the regulations adopted pursuant thereto by the Department of Environmental Conservation of the State of New York (the “Regulations”, and collectively with the SEQR Act, “SEQRA”), the appropriate personnel of the Agency reviewed the environmental assessment form and other materials submitted by the Applicant and made any necessary comments to the members of the Agency, and by resolution of the members of the Agency adopted immediately prior to the adoption hereof, the Agency decided to conduct an uncoordinated review of the Project and determined that the Project will not have a significant adverse environmental impact and that an environmental impact statement will not be prepared; and

WHEREAS, the Agency now desires to make its determination to proceed with the Project and to grant the Additional Financial Assistance, subject to the terms hereof; and

WHEREAS, (A) the Applicant will execute and deliver a certain bargain and sale deed, assignment of lease or company lease to the Agency, pursuant to which the Applicant will convey an interest in all or a portion of the Land and the Building to the Agency (the “Conveyance Instrument”), (B) the Applicant will execute and deliver one or more Bills of Sale (the “Bills of Sale to Agency”) to the Agency, pursuant to which the Applicant will convey to the Agency its interest in the Equipment, (C) the Applicant will execute and deliver one or more Lease Agreement or Sublease Agreement or Equipment Lease Agreement, (the “Lease”) between the Agency and the Applicant, pursuant to which the Agency will grant to the Applicant a leasehold interest in the Project Facility and pursuant to which and one or more Project Agreements by and between the Agency and the Applicant, the Agency will appoint to the Applicant as its agent (“Project Agreement”), (D) the Applicant will cause to be executed and delivered a certain Environmental Compliance and Indemnification Agreement (the “Environmental indemnification”) pursuant to which the Agency will be indemnified from and against certain losses, costs, damages and liabilities, (E) the Applicant will execute and deliver or cause to be executed and delivered a certain Payment in Lieu of Taxes Agreement (the “PILOT Agreement”) to the Agency with respect to the Rental Portion only, and, to secure the obligations thereunder, a certain Mortgage and Assignment of Leases and Rents in favor of the County of Nassau, New York (the “PILOT Mortgage”), and (F) the Applicant will execute and deliver and/or cause to be executed and delivered certain other certificates, documents, instruments and agreements related to the Project (together with the Conveyance Instrument, the Bills of Sale to Agency, the Lease, the Project Agreement, if any, the Environmental Indemnification, the PILOT Agreement and the PILOT Mortgage, collectively, the “Transaction Documents”);

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE NASSAU COUNTY INDUSTRIAL DEVELOPMENT AGENCY AS FOLLOWS:

Section 1. The Agency has reviewed the Application and the Report and, based upon the representations made by the Applicant to the Agency and the facts and information obtained by the Staff of the Agency and reported to and reviewed by the members of the Agency at this meeting (including, without limitation, the facts and information set forth in the Staff Review of the Application), the Agency has reviewed and assessed all material information necessary to afford a reasonable basis for the Agency to make a determination to approve the Financial

Assistance. In addition, the Agency makes the following findings and determinations with respect to the Project:

(a) based on the proposed use of the Project Facility as set forth in the Application, the economic effects of the Project on the area in which it is situated including the prevention of economic deterioration, the job opportunities to be created and/or maintained by the Project and the finding made in subsections (b), (c), (h), (i), (j), (k) and (l) hereof, the Project Facility will constitute a commercial facility and, therefore, the Project constitutes a “project” within the meaning of the Act;

(b) The design construction costs of the Project Facility are substantially higher than similar projects in the region. The high costs, as reported by the Applicant, are attributable to the fact that the Building is designed to meet FEMA standards with “hurricane proof” glass and saltwater protection techniques. The Project necessitates high-end features including complex site work and structured parking and it is located in a flood zone. The Applicant has represented that these extraordinary project costs are affecting the overall Project Facility including the Rental Component. Further, the Applicant has represented that the Rental Component would be unfeasible without the overall Project Facility of which it comprises an integrated component and but for the Financial Assistance neither the Rental Component nor the Project Facility could be completed.

(c) the granting of the Financial Assistance by the Agency to the Applicant is necessary to induce the Applicant to proceed with the Project. This finding of the Agency is further supported by the “Cost Benefit Analysis Substantiation of Need for Nassau County IDA Financial Assistance” prepared by the National Development Counsel dated July 6, 2020 (the “NDC Report” attached hereto as **Exhibit B**); The NDC Report, *inter alia*, focused on establishing the level of partial exemptions from real property taxes under the PILOT Agreement to ensure that the level of Financial Assistance is the lowest necessary to induce the Applicant to proceed with the Project. The NDC Report’s conclusion also takes into account sales and use tax exemption and mortgage tax exemption components of the Financial Assistance herein approved with respect to the overall Project Facility (as set forth in Section 6 hereof) and the real property tax exemption herein approved with respect to the Rental Component only of the Project Facility (as set forth in Section 7 hereof). The NDC Report concluded that: “[b]ut for” the proposed financial incentive package, the development is not considered financially feasible, as the developer would not be able to assemble the capital structure to cover development costs and meet the financial metric requirements”. The NDC Report took into consideration a Real Estate Tax Assessment Projection prepared by Standard Valuation Services (SVS) for the subject property (the “SVS Report” attached hereto as **Exhibit A**). The SVS Report provided the current taxes on the Land and estimated real estate taxes after determining value on the Project Facility based upon the income approach to valuation.

(d) there is a likelihood that the Project would not be undertaken but for the granting of the Financial Assistance by the Agency to the Applicant, which is evidenced by the fact that the Land has remained vacant since 1985, when the prior

multi-family and commercial development thereat was demolished after falling into disrepair;

(e) the completion of the Project Facility by the Applicant as agent of the Agency, the lease thereof by the Agency to the Applicant and the operation thereof by the Applicant will not result in the removal of a facility or plant of the Applicant or any other proposed user, occupant or tenant of the Project Facility from one area of the State of New York (the "State") to another area of the State or in the abandonment of one or more plants or facilities of the Applicant or any other proposed user, occupant or tenant of the Project Facility located within the State (but outside of Nassau County). Therefore, the provisions of subdivision (1) of Section 862 of the Act are not and will not be violated as a result of the granting of the Additional Financial Assistance by the Agency to the Applicant;

(f) the Project will serve the public purposes of the Act by preserving permanent, private sector jobs and increasing the overall number of permanent, private sector jobs in the State;

(g) no funds of the Agency shall be used in connection with the Project for the purpose of preventing the establishment of an industrial or manufacturing plant, nor shall any funds of the Agency be given in connection with the Project to any group or organization which is attempting to prevent the establishment of an industrial or manufacturing plant within the State, nor shall any funds of the Agency be used for advertising or promotional materials which depict elected or appointed government officials in either print or electronic media;

(h) there will be a tiered affordability plan for workforce units at the Rental Portion of the Project Facility. Thirty (30) of the apartments will be designated as "workforce" units affordable to individuals and households earning less than 80% (6 units) , 100% (12 units) , 120% (12 units) of area median income (AMI).

(i) the granting of the Financial Assistance by the Agency with respect to the Project will promote the job opportunities, health, general prosperity and economic welfare of the inhabitants of Nassau County, New York and the State, will improve their standard of living, and will prevent unemployment and economic deterioration, and thereby serves the public purposes of the Act;

(j) the Project is consistent with the City of Long Beach Code. Unlike prior applications submitted to the Agency by other applicants in 2016 and 2017 in connection with the utilization of the Land, this Project does not involve any variances from the City of Long Beach Code;

(k) in 2002, the City adopted an Urban Renewal Plan and related zoning controls governing development of the Land. The objectives of the Urban Renewal Plan were to develop the waterfront area in a comprehensive manner and to eliminate vacant conditions that led to blight. These objectives included creating new jobs; attracting new businesses; generating a positive trend in neighborhood real estate values; creating new housing opportunities; developing vacant and underutilized properties for commercial and residential development along the oceanfront; generating additional local and school

district tax revenues; and enhancing the aesthetics and improving the overall area environment;

(l) taking into account the stated purposes of the Act being the promotion of employment opportunities and the prevention of economic deterioration and the goals and initiatives of the aforementioned City Code and Urban Renewal Plan, and having reviewed the Economic Impact Study prepared by Camoin Associates for the Agency regarding the costs, benefits and other economic impacts of the Project (“Cost Benefit Analysis” attached hereto as **Exhibit C**) as well as the NDC Report, the Agency hereby finds that the undertaking of the Project constitutes a commercial activity as it promotes the creation of employment opportunities, elimination of underutilized property that has remained vacant since 1985 and the prevention of economic deterioration in accordance with the Urban Renewal Plan;

(m) the Project Facility does not and will not constitute a project where facilities or property that are primarily used in making retail sales of goods and/or services to customers who personally visit such facilities constitute more than one-third of the total cost of the Project. For purposes of this finding, retail sales shall mean: (i) sales by a registered vendor under Article 28 of the New York Tax Law primarily engaged in the retail sale of tangible personal property, as defined in subparagraph (i) of paragraph four of subdivision (b) of section 1101 of the New York Tax Law; or (ii) sales of a service to such customers. While a retail use is proposed on the Land, it will be significantly less than one / third of the overall Project; and

(n) the Project will not result in the removal or abandonment of a plant or facility of the Applicant, or of a proposed user, occupant or tenant of the Project Facility, currently located within Nassau County.

Section 2. The Agency hereby ratifies, confirms and approves all actions heretofore taken by the Chief Executive Officer / Executive Director and the staff of the Agency with respect to the Application, the IDA Meeting and the Public Hearing, including, without limitation, (a) those actions required to ensure full compliance with the requirements of the Act, SEQRA and all other Applicable Laws that relate to the Project, and (b) the appointment of the law firm of Harris Beach PLLC, Uniondale, New York, as Special Counsel to the Agency with respect to all matters in connection with the Project.

Section 3. The Agency hereby determines that the Agency has fully complied with the requirements of the Act, SEQRA and all other Applicable Laws that relate to the Project.

Section 4. Having considered fully all comments received at the Public Hearing or otherwise in connection with the Project, the Agency hereby further determines to proceed with the Project and the granting of the Financial Assistance.

Section 5. The Agency hereby approves the Applicant as the lessee/sublessee under the Lease with the Agency and hereby approves the Applicant as the recipient of the Financial Assistance.

Section 6. Based upon the representation and warranties made by the Applicant in its application for financial assistance, subject to the provisions of this resolution, the Agency hereby authorizes and approves the Company, as its agent, to make purchases of goods and services relating to the Project and that would otherwise be subject to New York State and local sales and use tax in an aggregate amount of up to \$159,201,090.00, which result in New York State and local sales and use tax exemption benefits ("sales and use tax exemption benefits") not to exceed \$13,731,094 and maximum mortgage tax exemption in the amount of \$2,214,421.

Section 7. The Agency is hereby authorized to (a) acquire an interest in the Project Facility pursuant to the Conveyance Instrument, the Bills of Sale to Agency and the other Transaction Documents, (b) grant a leasehold interest in the Project Facility pursuant to the Lease and the other Transaction Documents, (c) grant the aforementioned Financial Assistance, (d) execute the PILOT Mortgage for the sole purpose of encumbering its interest in the Project Facility or accept such other collateral as the Chief Executive Officer / Executive Director shall determine to secure the performance by the Applicants of their obligations under the PILOT Agreement, (e) execute and deliver the Project Agreement for the purpose of, inter alia, appointing the Applicants as agents of the Agency, (f) execute one (1) or more fee and leasehold mortgage, assignment of rents and leases, and security agreements in favor of such bank, governmental agency or financial institution as the Applicants may determine (such bank, governmental agency or financial institution, the "Bank"), encumbering the Project Facility, solely to subject to the lien thereof its interest in the Project Facility, all to secure one (1) or more loans made by such Bank to the Applicants with respect to the Project Facility, and (g) do all things necessary, convenient or appropriate for the accomplishment thereof. All acts heretofore taken by the Agency with respect to the foregoing are hereby approved, ratified and confirmed.

Section 8. The form and substance of the Project Agreement, Conveyance Instrument, the Bills of Sale to Agency, the Lease, the Environmental Indemnification, the PILOT Agreement, the PILOT Mortgage and the other Transaction Documents, in the forms used by the Agency with respect to prior projects, together with such changes as the Chairman, the Vice Chairman or the Chief Executive Officer / Executive Director may hereafter deem necessary or appropriate, are hereby approved. The Chairman, the Vice Chairman, the Chief Executive Officer / Executive Director, Chief Operating Officer and the Administrative Director are hereby authorized, on behalf of the Agency, acting together or individually, to execute and deliver the Conveyance Instrument, the Lease, the PILOT Agreement, the PILOT Mortgage, the other Transaction Documents, and any document with or in favor of the Bank to which the Agency is a party, and, where appropriate, the Secretary (or Assistant Secretary) of the Agency is hereby authorized to affix the seal of the Agency thereto and to attest the same. The execution and delivery of each such agreement, approval and consent by such person(s) shall be conclusive evidence of such approval.

Section 9. The Chairman, the Vice Chairman, the Chief Executive Officer/Executive Director, the Chief Operating Officer and the Administrative Director of the Agency are hereby further authorized, on behalf of the Agency, acting together or individually, to designate any additional Authorized Representatives (as defined in the Lease) of the Agency.

Section 10. The officers, employees and agents of the Agency are hereby authorized and directed, acting individually or jointly, for and in the name and on behalf of the Agency to do all acts and things required or provided for by the provisions of the Transaction Documents,

to execute and deliver all such additional certificates, instruments, agreements and documents, to pay all such fees, charges and expenses, and to do all such further acts and things as may be necessary or, in the opinion of the officer, employee or agent acting, convenient or appropriate to effect the purposes of this Resolution and to cause compliance with all of the terms, covenants and provisions of the Transaction Documents to which the Agency is a party or which are binding on the Agency.

Section 11. The Agency recognizes that due to the complexities of the proposed transaction it may become necessary that certain of the terms approved hereby may require modifications from time to time which will not affect the intent and substance of the authorizations and approvals by the Agency herein. The Agency hereby authorizes the Chairman, Vice Chairman and Chief Executive Officer/Executive Director of the Agency, acting individually or jointly, to approve modifications to the terms approved hereby which do not affect the intent and substance of this Resolution. The approval of such modifications shall be evidenced by the certificate of determination of an Agency officer or the execution and delivery by some or all such Agency officers of relevant documents containing such modified terms.

Section 12. The members of the Agency acknowledge the terms and conditions of Section 875(3) of the Act and the duties and obligations of the Agency thereunder with respect to granting of State Sales and Use Taxes (as such term is defined in Section 875 of the Act) with respect to the Project. The members hereby direct the officers of the Agency to comply with such terms and conditions with respect to the Project and hereby direct Special Counsel to the Agency to include such terms and conditions in all relevant Transaction Documents.

Section 13. The Chairman, the Vice Chairman, the Chief Executive Officer/Executive Director, Chief Operating Officer and the Administrative Director of the Agency are hereby authorized and directed to distribute copies of this Resolution to the Applicants and to do such further things or perform such acts as may be necessary or convenient to implement the provisions of this Resolution.

Section 14. This Resolution shall take effect immediately and shall be effective for one hundred eighty (180) days from the date of its adoption.

The question of the adoption of the foregoing Resolution was duly put to a vote on roll call, which resulted as follows:

Richard Kessel	VOTING Aye
Lewis M. Warren	VOTING Aye
Anthony Simon	VOTING Aye
Timothy Williams	VOTING Aye
Chris Fusco	VOTING Aye
Amy Flores	VOTING Aye
John Coumatos	VOTING Aye

The foregoing Resolution was thereupon declared duly adopted.

STATE OF NEW YORK

) SS.:

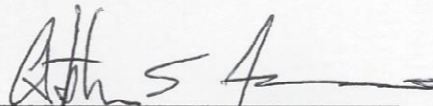
COUNTY OF NASSAU

We, the undersigned [Vice] Chairman and [Assistant] Secretary of the Nassau County Industrial Development Agency (the "Agency"), do hereby certify that we have compared the foregoing extract of the minutes of the meeting of the members of the Agency, including the Resolution contained therein, held on August 25, 2020 with the original thereof on file in our office, and that the same is a true and correct copy of said original and of such Resolution set forth therein and of the whole of said original so far as the same relates to the subject matters therein referred to.

WE FURTHER CERTIFY that (A) all members of the Agency had due notice of said meeting; (B) said meeting was in all respects duly held; (C) pursuant to Article 5 of the Public Officers Law (the "Open Meetings Law") as modified pursuant to Executive Order No. 202.11, 202.28, 202.48 and 202.55 - Continuing Temporary Suspension And Modification Of Laws Relating To The Disaster Emergency - by Governor Andrew M. Cuomo of the State of New York, said meeting was open to the general public, and due notice of the time and place of said meeting was duly given in accordance with such Open Meetings Law; and (D) there was a quorum of the members of the Agency present throughout said meeting.

WE FURTHER CERTIFY that, as of the date hereof, the attached Resolution is in full force and effect and has not been amended, repealed or rescinded.

IN WITNESS WHEREOF, we have hereunto set our respective hands and affixed the seal of the Agency this 25th day of August, 2020.


[Assistant] Secretary

[Vice] Chairman

(SEAL)

STATE OF NEW YORK

) SS.:

COUNTY OF NASSAU

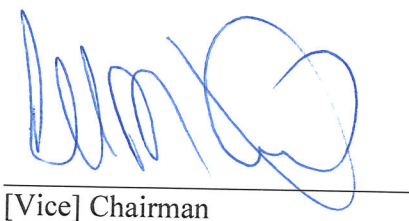
We, the undersigned [Vice] Chairman and [Assistant] Secretary of the Nassau County Industrial Development Agency (the "Agency"), do hereby certify that we have compared the foregoing extract of the minutes of the meeting of the members of the Agency, including the Resolution contained therein, held on August 25, 2020 with the original thereof on file in our office, and that the same is a true and correct copy of said original and of such Resolution set forth therein and of the whole of said original so far as the same relates to the subject matters therein referred to.

WE FURTHER CERTIFY that (A) all members of the Agency had due notice of said meeting; (B) said meeting was in all respects duly held; (C) pursuant to Article 5 of the Public Officers Law (the "Open Meetings Law") as modified pursuant to Executive Order No. 202.11, 202.28, 202.48 and 202.55 - Continuing Temporary Suspension And Modification Of Laws Relating To The Disaster Emergency - by Governor Andrew M. Cuomo of the State of New York, said meeting was open to the general public, and due notice of the time and place of said meeting was duly given in accordance with such Open Meetings Law; and (D) there was a quorum of the members of the Agency present throughout said meeting.

WE FURTHER CERTIFY that, as of the date hereof, the attached Resolution is in full force and effect and has not been amended, repealed or rescinded.

IN WITNESS WHEREOF, we have hereunto set our respective hands and affixed the seal of the Agency this 25th day of August, 2020.

[Assistant] Secretary



[Vice] Chairman

(SEAL)

EXHIBIT A
SVS REPORT

REAL PROPERTY ASSESSMENT ANALYSIS

PROPERTY TYPE

Proposed Luxury Waterfront Rental & Condominium Apartment Buildings

LOCATION

S/S Broadway, Between Riverside Blvd. & Long Beach Blvd.
Long Beach, New York

IDENTIFICATION

Engel Burman at The Beach LLC
Section 59, Block 116, Lot 38

SVS File #955360

DATE OF ANALYSIS

March 31, 2020

PREPARED FOR:

Mr. Harry Coghlan
Executive Director
NASSAU COUNTY INDUSTRIAL DEVELOPMENT AGENCY
1 West Street - Fourth Floor
Mineola, New York 11501

PREPARED BY:



27 EAST JERICHO TURNPIKE
MINEOLA, NEW YORK 11501



Corporate Headquarters

27 East Jericho Tpke

Mineola, NY 11501

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Principals

Matthew L. Smith, MAI, SRA^{†*}

Andrew W. Albro, MAI^{†*}

Joanne E. Smith, MAI[†]

Partners

Albert Babino, SRA[†]

Ronald Camilleri, MAI[†]

Neal D. Peysner, SRA[†]

Robert Reed, SRA[†]

Matthew Holtz, MAI[†]

Senior Associates

David Bahr[†]

Matthew Busch[†]

Kate Chapman[~]

Wayne Covington[†]

Gregory D'Esposito[†]

Timothy Morgenstern[~]

Patrick Smith^{†*}

[†]NYS Certified General RE Appraiser ^{*}CT Certified General Real Estate Appraiser

[~]NYS Certified Residential Appraisal [†]NJ Certified General RE Appraiser

March 31, 2020

Mr. Harry Coghlan

Executive Director

Nassau County Industrial Development Agency

1 West Street - Fourth Floor

Mineola, New York 11501

RE: Real Property Assessment Analysis

Proposed Luxury Waterfront Rental & Condominium Apartment Buildings

Engle Burman at The Beach LLC

S/S Broadway, Between Riverside Blvd. & Long Beach Blvd.

Long Beach, New York

Section 59, Block 116, Lot 38

SVS File # 955360

Dear Mr. Coghlan:

In accordance with your request, the undersigned have personally analyzed and hereby submit our Real Estate Tax Assessment Projection for the above captioned property. The purpose of the consulting assignment is to develop a real estate tax assessment estimate for a proposed two-hundred thirty-eight (238) unit rental apartment building and a two hundred (200) unit residential condominium complex. The intended use of the report is for establishing a basis for a PILOT agreement with the Nassau County Industrial Development Agency.

At the time of our on-site property inspection, the site was vacant and unimproved. The property consists of an entire blockfront situated between Riverside Boulevard and Long Beach Boulevard, with frontage along the boardwalk in the City of Long Beach, Town of Hempstead, Nassau County, New York. According to the submitted site survey prepared by Sidney Bowne & Son, LLP, the total site area is reported at 6.046± acres or 263,364± square feet. It is identified on the Nassau County Tax Maps as Section 59, Block 116, Lot 38.

The proposed construction consists of one (1), twelve (12) story, luxury waterfront rental apartment building with boardwalk level retail space as well as two (2) eleven (11) story, luxury waterfront residential condominium buildings.

Rental Apartment Tower

Upon completion, the rental apartment tower will contain two-hundred thirty-eight (238) residential apartments and 6,500± square feet of retail space. The proposed gross building area is reported at 287,730± square feet and the net rentable area is calculated at 235,790± square feet (allocated between 6,500± square feet of retail space and 229,290± square feet of residential space). The subject will be configured with twenty (20) studios, ninety (90) one-bedroom apartments and one-hundred twenty-eight (128) two-bedroom apartments. Twenty-four (24) of the apartments will be affordable rentals.

Condominium Apartment Towers

Upon completion, the two (2) residential condominium towers will contain a total of two-hundred (200) residential apartments. The proposed gross building area is reported at 366,940± square feet and the net rentable area is calculated at 261,270± square feet. The subject will be configured with sixty-eight (68) one-bedroom apartments and one-hundred thirty-two (132) two-bedroom apartments.

Total on-site parking will be provided for 1,112 vehicles (approximately 926 of which will be located in the parking structures and 186 will be metered surface parking spaces).

The table below summarizes our conclusions for the Rental Apartment Tower.

Projected Value, Assessed Valuation & Estimated R.E. Taxes		
Rental Apartment Building		
Engel Burman at The Beach LLC		
S/S Broadway, Between Riverside Blvd. & Long Beach Blvd.		
Long Beach, New York 11561		
Section 59, Block 116, Lot 38		
Projected Value Estimate		
Luxury Waterfront Rental Apartment Building		\$54,600,000
Estimated Real Property Value		\$54,600,000
Estimated Ad Valorem Assessed Value		
Nassau County		\$546,000
City of Long Beach		\$1,790,880
Implied Real Estate Tax Burden		
	<u>Tax Rate</u>	<u>Implied R.E. Taxes</u>
2020 Class II General Tax Rate/\$100 A.V.:	\$67.0690	\$366,197
2019/20 Class II School Tax Rate/\$100 A.V.:	\$352.1700	\$1,922,848
2019/20 Non-Homestead City Tax Rate/\$100 A.V.:	\$30.43894	\$545,125
Total:		\$2,834,170

*** Under the hypothetical condition that the improvements are completed, operating at stabilized occupancy, and on the current tax rolls utilizing the current tax rates.*

The table below summarizes our conclusions for the **Residential Condominium Towers.**

<p style="text-align: center;">Engel Burman at The Beach LLC S/S Broadway, Between Riverside Blvd. & Long Beach Blvd. Long Beach, New York 11561 Section 59, Block 116, Lot 38</p>		
Projected Value Estimate - Nassau County - Class II		
Luxury Waterfront Condominium Towers		\$54,910,000
Projected Value Estimate - City of Long Beach - Homestead		
Luxury Waterfront Condominium Towers		\$196,200,000
Estimated Ad Valorem Assessed Value		
Nassau County		\$549,100
City of Long Beach		\$6,435,360
Implied Real Estate Tax Burden		
	<u>Tax Rate</u>	<u>Implied R.E. Taxes</u>
2020 Class II General Tax Rate/\$100 A.V.:	\$67.0690	\$368,276
2019/20 Class II School Tax Rate/\$100 A.V.:	\$352.1700	\$1,933,765
2019/20 Homestead City Tax Rate/\$100 A.V.:	\$19.35178	\$1,245,357
Total:		\$3,547,398

*** Under the hypothetical condition that the improvements are completed, operating at stabilized occupancy, and on the current tax rolls utilizing the current tax rates.*

The estimates contained in this analysis are based on the hypothetical condition that the improvements are completed, operating at stabilized occupancy and on the current tax rolls as of the date of this report. As such, this analysis does not consider potential changes attributable to tax rates, equalization rates or market conditions that may be in place when the improvements are actually constructed.

As of the date of this analysis, the global economy is being disrupted by COVID-19. Locally, the virus is spreading and as testing continues the number of cases continues to climb. The Federal, State and Local Governmental Agencies are instituting unprecedented restrictions on how the American public lives and works. Given the many unknown aspects pertaining to this novel virus, the effects of COVID-19 on the real estate market in the area of the subject property were not yet measurable based upon reliable data. While it is believed there will be both short- and long-term impacts, at this time any assertion would be purely speculative. With these factors in mind, the market value estimate contained herein is necessarily based upon data available to the appraiser at the time of the assignment and applies only as of the effective date indicated. The presented market data may not reflect the impact of COVID-19. Moreover, no analyses or opinions contained in this appraisal should be construed as predictions of future market conditions or value.

Mr. Harry Coghlan
March 31, 2020

Should you have any questions or require any additional information, please do not hesitate to contact either of the undersigned.

Respectfully submitted,
STANDARD VALUATION SERVICES



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IDENTIFICATION OF THE SUBJECT PROPERTY

The subject property is identified on the Nassau County Tax Maps as Section 59, Block 116, Lot 38. The commonly known street address is S/S Broadway, Between Riverside Boulevard & Long Beach Boulevard, Long Beach, New York 11561.

PURPOSE OF THE ANALYSIS

The purpose of the consulting assignment is to develop a market supported estimate of assessed valuation for the proposed improvements.

INTENDED USE OF THE ANALYSIS

The intended use of the report is for establishing a basis for a PILOT agreement with the Nassau County Industrial Development Agency.

INTENDED USER OF THE APPRAISAL

The intended user is restricted to the client, the Nassau County Industrial Development Agency.

No other party, including the applicant or applicant's counsel, has been identified as an intended user of this analysis. Although such parties may receive a copy of this analysis, no other party who is not specifically identified as an intended user in the report should use or rely on this analysis for any purpose. This report and its conclusions should not serve as the basis for any appraisal contingency in a purchase agreement relating to the property.

PROPERTY RIGHTS ANALYZED

The property rights analyzed consist of the fee simple estate.

EFFECTIVE DATE OF ANALYSIS & REPORT

The effective date of this analysis is March 31, 2020, the date of site inspection. The effective date of the writing of this report is March 31, 2020.

ZONING

The current or prospective zoning has not been relied upon in this report since the purpose of the analysis is to derive ad valorem estimates of assessed value for the subject property under the hypothetical condition construction is completed; which requires the analysis to be solely based on the proposed use, not the highest and best use.

HIGHEST & BEST USE

Since the valuation problem at hand is to estimate the value of the subject property based on its proposed use, the highest and best use is not relevant to the assignment and has been omitted.

SUBJECT HISTORY

There have been no arms-length sales involving the subject property within the prior three year period. We have been informed that there is a pending contract of sale for the subject site at a reported consideration of \$30,500,000 or \$69,635 per proposed unit.

RELEVANT DEFINITIONS

"Ad Valorem: According to value."¹

"Ad Valorem Tax: A tax levied in proportion to the value of the thing(s) being taxed. Exclusive of exemptions, use-value assessment provisions, and the like, the property tax is an ad valorem tax. (IAAO)."²

"As Is Market Value: The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date."³

"Assessment Level: The common or overall ratio of assessed values to market values (IAAO)."⁴

"Assessment Ratio: The relationship between assessed value and market value."⁵

"Assessment Roll: The basis on which the property tax levy is allocated among the property owners in a jurisdiction with taxing powers. The assessment roll usually lists an identifier for each taxable parcel in the jurisdiction, the name of the owner of record, the address of the parcel or the owner, the assessed value of the land, the assessed value of the improvements, applicable exemption codes, and the total assessed value (IAAO)."⁶

"Condominium Ownership: A form of fee ownership of separate units or portions of multiunit buildings that provides for formal filing and recording of a divided interest in real estate."⁷

"Equalization: The process by which an appropriate governmental body attempts to ensure that all property under its jurisdiction is assessed at the same assessment ratio or at the ratio or ratios required by law. Equalization may be undertaken at many different levels. Equalization among use classes (such as agricultural and industrial property) may be undertaken at the local level, as may equalization among properties in a school district and a transportation district. Equalization among counties is usually undertaken by the state to ensure that its aid payments are distributed fairly. (IAAO)."⁸

"Equalized Tax Rate: The rate determined by the division of the effective tax rate by the equalization rate."⁹

¹ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

² Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

³ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

⁴ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

⁵ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

⁶ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

⁷ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

⁸ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

⁹ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

"Equalized Values: Assessed values after they have all been multiplied by common factors during equalization."¹⁰

"Exposure Time: 1) The time a property remains on the market. 2) The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.

Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (USPAP, 2016-2017 ed.)¹¹

"Fee Simple Estate: Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat."¹²

"Leased Fee Interest: The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires."¹³

"Leasehold Interest: The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease."¹⁴

"Market Rent: The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs)."¹⁵

¹⁰ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

¹¹ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

¹² Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

¹³ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

¹⁴ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

¹⁵ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

"Market Value: The most probable price which a property should bring in competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- a. Buyer and seller are typically motivated;
- b. Both parties are well informed or well advised, and each acting in what he considers his own best interest;
- c. A reasonable time is allowed for exposure in the open market;
- d. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- e. The price represents a normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."¹⁶

"Marketing Time: An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal."¹⁷

"Prospective Opinion of Value: A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long term occupancy."¹⁸

"Replacement Cost: The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout."¹⁹

"Value in Use: The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually."²⁰

¹⁶ 12 C.F.R. Part 54.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 50 Federal Register 29499, June 7, 1994.

¹⁷ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

¹⁸ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

¹⁹ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

²⁰ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

EXTRAORDINARY ASSUMPTIONS

An extraordinary assumption is defined as *“An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser’s opinions or conclusions.”*²¹

Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2016-2017 ed.)

- We have relied upon representations made by the Applicant with respect to the size, configuration, finish and layout of the proposed improvements. It is assumed that these representations are accurate. In the event these variables change, the analysis presented herein is subject to revision.

HYPOTHETICAL CONDITION

A hypothetical condition is defined as *“1) A condition that is presumed to be true when it is known to be false. 2) A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.”*²²

Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2016-2017 ed.)

- The analysis is predicated under the hypothetical condition that the proposed improvements are built, operating at stabilized occupancy and on the current tax rolls as of the date of this analysis.

MARKET CONDITIONS & COVID-19

As of the date of this analysis, the global economy is being disrupted by COVID-19. Locally, the virus is spreading and as testing continues the number of cases continues to climb. The Federal, State and Local Governmental Agencies are instituting unprecedented restrictions on how the American public lives and works. Given the many unknown aspects pertaining to this novel virus, the effects of COVID-19 on the real estate market in the area of the subject property were not yet measurable based upon reliable data. While it is believed there will be both short- and long-term impacts, at this time any assertion would be purely speculative. With these factors in mind, the market value estimate contained herein is necessarily based upon data available to the appraiser at the time of the assignment and applies only as of the effective date indicated. The presented market data may not reflect the impact of COVID-19. Moreover, no analyses or opinions contained in this appraisal should be construed as predictions of future market conditions or value.

²¹ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

²² Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

SCOPE OF WORK

The scope of work for this assignment included:

- Site inspection.
- Investigated and evaluated the relevant tax classifications and assessment practices for the relevant jurisdictions.
- Reported current real estate tax burden.
- Reviewed construction budget prepared by the applicant.
- Reviewed unit mix prepared by the applicant.
- Reviewed unit mix and site plans prepared by the applicant's consultant.
- Reviewed income and expense forecast prepared by the applicant.
- Researched comparable retail rental rates, occupancy rates and operating expense ratios.
- Researched comparable apartment rental rates, occupancy rates, operating expense ratios and overall capitalization rates.
- Researched comparable residential condominium sales in the competitive market.
- Estimated a gross sellout value for the proposed residential condominium component utilizing the sales comparison methodology.
- Considered available market data in the development and application of an appropriate assessment model for the subject property.
- Derivation of an estimated assessment for the subject's various components utilizing market supported input assumptions.
- Compiled our results and presented them in this narrative report.

ASSESSING JURISDICTION OVERVIEW

The proposed development falls within two separate assessing jurisdictions. Specifically, Nassau County establishes an ad valorem assessed value for the purposes of calculating real estate taxes for the County General and School District taxes and the City of Long Beach establishes an ad valorem assessed value for the purposes of calculating real estate taxes for the City of Long Beach.

NASSAU COUNTY

Nassau County has four (4) property tax classes; specifically, state law requires the Department of Assessment to designate each property as belonging to one of four tax classes. Class I predominantly includes 1, 2 and 3 family homes. Class II predominantly includes residential rental and cooperative apartment properties and residential units in condominiums that are more than three stories in height or that were converted from rental or cooperative use. Class III consists of utility company equipment and special franchises. Class IV contains all other property, including commercial, industrial and institutional buildings and vacant land.

Class II and IV properties are assessed utilizing the Income Capitalization Approach based on their actual use, not their highest and best use.

Apartment buildings, including condominiums and cooperatives containing four stories or more, fall within the Class II designation. Class II properties are similarly assessed utilizing the Income Capitalization Approach and residential condominium buildings containing four stories or more are valued as if they were operated as rental apartment buildings.

Nassau County's level of assessment applicable to Class II and Class IV properties is 1.0%. The tax status date is January 2nd of each year.

CITY OF LONG BEACH

The City of Long Beach adopted the Homestead Tax Option²³, and as a result has two (2) separate property tax rates; a lower tax rate for residential property owners (homestead tax), and a higher rate for all other property owners (non-homestead tax).

All commercial properties fall within the Non-Homestead designation.

One, two and three family residential units; farm homes; mobile homes that are owner occupied and separately assessed, and condominiums that were built as condominiums and not converted from some other form, such as rental apartments, qualify as residential property and fall within the Homestead designation.

Homestead and Non-Homestead properties are assessed utilizing the current equalization rate of 3.28%. The tax status date is January 2nd of each year.

²³ A local option to establish two separate property tax rates: a lower tax rate for residential property owners (homestead tax), and a higher rate for all other property owners (non-homestead tax). Source: New York State Department of Taxation and Finance.

Properties falling within the Non-Homestead classification are valued utilizing the Income Capitalization Approach based on their actual use, not their highest and best use. Properties falling within the Homestead classification are valued utilizing the Market Approach (Sales Comparison) based on their actual use, not their highest and best use.

SUMMARY

Estimating the value of the multi-family rental apartment building planned for the subject site will involve the Income Capitalization Approach for both the County and the City assessing districts.

The proposed residential condominium towers will be classified as Class II properties by the Nassau County Department of Assessment. As such, the proposed residential condominiums will be analyzed as if they were rental apartment buildings and the Income Capitalization Approach will be applied in order to estimate value, from which an estimate of ad valorem assessed value is derived utilizing the County's 1.0% level of assessment.

Since the City of Long Beach adopted the Homestead tax option, the proposed residential condominiums will be classified as Homestead properties by the City of Long Beach Department of Assessment. As such, the proposed residential condominium units will be analyzed individually by the City of Long Beach and the Sales Comparison Approach will be applied in order to estimate value. Long Beach assesses properties at 3.28% of market value.

PROCEDURE TO ESTIMATE AD VALOREM ASSESSMENT & ANNUAL R.E. TAXES

As previously indicated the subject property is located in multiple assessing and taxing jurisdictions.

In order to derive a market supported estimated of ad valorem assessed value, the fee simple Market Value of the proposed improvements is estimated and then multiplied by the applicable level of assessment/equalization rate reported for each assessing jurisdiction, which in this case is Nassau County and the City of Long Beach.

VALUATION PROCESS

In order to estimate the fee simple market value for ad valorem assessment purposes, two valuation approaches have applicability to the analysis.

The rental apartment building is valued utilizing the income capitalization approach by both the Nassau County Assessor and the City of Long Beach Assessor.

The residential condominium buildings are classified as Class II properties in Nassau County and are valued as if they were operated as rental apartment buildings utilizing the income capitalization approach.

In the City of Long Beach, the residential condominiums are classified as homestead properties and as a result, each individual condominium unit must be valued utilizing the sales comparison approach. For the purposes of estimating value and an ad valorem assessment for the residential condominiums in the City of Long Beach, a gross sellout value is derived. The valuation and resulting ad valorem assessed values will vary drastically utilizing these two approaches since the per square foot and/or per unit sales prices of residential condominiums tend to significantly outpace their rental potential.

INCOME CAPITALIZATION APPROACH

The Income Capitalization Approach is based upon the premise that the value of a property is equivalent to the anticipated benefits to be derived from ownership. It involves measuring the extent of future benefits that might reasonably be expected in terms of rental income and translating these benefits into a total value estimate. In employing the Income Approach, careful consideration is given to the earning capacity of the property over an anticipated holding period.

The Income Approach is the primary valuation method applied in establishing equitable real estate tax assessments for commercial (income producing) properties. This method appropriately considers the market rent levels applicable to the subject's various uses and provides reliable estimates of value.

A direct capitalization technique has been used to convert an estimate of net income into an estimate of value. The direct capitalization technique utilizes an overall capitalization rate derived from market data. It is applied to a stabilized net operating income estimate.

The Income Capitalization Approach is based upon market-derived rental income; market derived vacancy and collection allowances; stabilized operating expense ratios; and market-derived capitalization rates which are adjusted for the effective real estate taxes implied by the applicable

tax and levels of assessment.

SALES COMPARISON APPROACH

The Sales Comparison Approach is associated with the principles of substitution and contribution with emphasis placed on the interaction of a willing buyer and a willing seller in the open marketplace.

The Sales Comparison Approach is based upon the proposition that an informed purchaser would pay no more for a property than the cost of acquiring an existing property with the same utility. This approach is most applicable when an active market provides sufficient quantities of reliable data.

This approach is applied to the valuation of the residential condominiums only in the City of Long Beach jurisdiction.

DERIVATION OF FEE SIMPLE MARKET VALUE

The Income Capitalization Approach is the most accepted approach for establishing ad valorem assessments for commercial properties²⁴ in both Nassau County and the City of Long Beach. A direct capitalization technique has been used to convert an estimate of net income into an estimate of market value. In the development of the income capitalization model, all input variables have been extracted from the competitive market.

In estimating the fee simple market value of the proposed residential condominium units for the City of Long Beach's assessing jurisdiction, the Sales Comparison Approach must be applied due to their Homestead classification. In the development of the sales comparison approach a survey of recent waterfront condominium units in Long Beach was conducted.

DERIVATION OF AD VALOREM ASSESSMENT

In order to derive an Ad Valorem assessment applicable to the land and proposed improvements, the Fee Simple Market Value estimate derived utilizing the valuation methodologies described above is multiplied by the level of assessment for the County (1.0%) and City (3.28%).

DERIVATION OF ANNUAL REAL ESTATE TAXES

In order to derive an annual real estate tax burden applicable to the land and proposed improvements, the current tax rate is multiplied by the market derived Ad Valorem assessment. Specifically, the annual real estate tax burden is calculated by multiplying the County, School and City tax rates by the corresponding market derived ad valorem estimates of assessed value.

²⁴ Including multi-family rental apartment buildings.

CURRENT REAL ESTATE TAX BURDEN

At the request of the client, we have reported the current real estate tax burden for the subject property based upon its "as is" status (vacant land). The Nassau County Department of Assessment has classified the subject property as a Class I property for assessment purposes and has ascribed an assessed value estimate of \$22,122. The City of Long Beach has ascribed a non-homestead assessed value of \$1,000,000 to the subject property.

The table below illustrates the calculation of current real estate taxes for the subject property based upon the current Class I (Nassau County) and Non-Homestead (City of Long Beach) tax rates.

<i>Current Real Estate Taxes - As Is</i>		
Nassau County		
Assessed Value		\$22,122
2020 Class I General Tax Rate/\$100 A.V.:	143.1750	
2019/20 Class I School Tax Rate/\$100 A.V.:	<u>795.4630</u>	
Total Tax Rate:	\$938.638	
Annual Town/County Real Estate Taxes		\$207,645
City of Long Beach		
Assessed Value	\$1,000,000	
2019/20 Non-Homestead Tax Rate/\$100 A.V.:	\$30.43894	
Total City of Long Beach Taxes		\$304,389
Total Annual Real Estate Taxes		\$512,035

<i>Allocation of Current Tax Burden*</i>		
Project	%	Allocation of Current Tax Burden
Condo Portion	56.05%	\$286,994
Rental Apartment Portion	43.95%	\$225,041

*Allocation is based upon each project's pro-rata proposed gross building area.

SUBJECT PROPERTY OVERVIEW

The purpose of this analysis is to estimate a market supported ad valorem assessment for the subject property upon completion of construction.

At the time of our on-site property inspection, the site was vacant and unimproved. The property consists of an entire blockfront situated between Riverside Boulevard and Long Beach Boulevard, with frontage along the boardwalk in the City of Long Beach, Town of Hempstead, Nassau County, New York. According to the submitted site survey prepared by Sidney Bowne & Son, LLP, the total site area is reported at 6.046± acres or 263,364± square feet.

The proposed construction consists of one (1), twelve (12) story, luxury waterfront rental apartment building with boardwalk level retail space as well as two (2) eleven (11) story, luxury waterfront residential condominium buildings.

Rental Apartment Tower

Upon completion, the rental apartment tower will contain two-hundred thirty-eight (238) residential apartments and 6,500± square feet of retail space. The proposed gross building area is reported at 287,730± square feet and the net rentable area is calculated at 235,790± square feet (allocated between 6,500± square feet of retail space and 229,290± square feet of residential space). The subject will be configured with twenty (20) studios, ninety (90) one-bedroom apartments and one-hundred twenty-eight (128) two-bedroom apartments. Twenty-four (24) of the apartments will be affordable rentals.

The table on the following page summarizes the subject's rental apartment unit count.

Net Rentable Area (NRA) Calculations - Rental Apartments

Engel Burman at The Beach LLC
S/S Broadway, Between Riverside Blvd. & Long Beach Blvd.
Long Beach, New York 11561
Section 59, Block 116, Lot 38

Retail

	NRA (+/- SF)
Total:	6,500

Residential

Unit Type	No. of Units	Average NRA (Per Unit)		No. of Bedrooms	No. of Bathrooms
		(+/- SF)	NRA (+/- SF)		
Studio	20	585	11,700	0.0	1.0
1 Bedroom	90	760	68,400	1.0	1.5
2 Bedroom	109	1,135	123,700	2.0	2.0
2 Bedroom with Den	19	1,342	25,490	2.0	2.5
Total:	238		229,290		

Allocation of Units by Market & Affordable (Workforce)

Studio - Market	18	585	10,530	0.0	1.0
1 Bedroom - Market	81	760	61,560	1.0	1.5
2 Bedroom - Market	98	1,135	111,217	2.0	2.0
2 Bedroom with Den - Market	17	1,342	22,807	2.0	2.5
Total - Market Units	214		206,113		
Studio - Affordable	2	585	1,170	0.0	1.0
1 Bedroom - Affordable	9	760	6,840	1.0	1.5
2 Bedroom - Affordable	11	1,135	12,483	2.0	2.0
2 Bedroom with Den - Affordable	2	1,342	2,683	2.0	2.5
Total - Affordable Units	24		23,177		

Total NRA: 235,790

Amenities in the rental apartment building will include:

- Natural stone and carpet in lobby and common areas
- Structured parking
- Three (3) passenger elevators
- Doorman
- Concierge in the lobby
- Lifestyle manager
- Large amenity area with heated inground pool
- Gym
- Club room which can be reserved by residents
- Resident beach
- Direct boardwalk access
- Resident storage rooms
- Compactor and refuse chute

Amenities in the apartment units will include:

- Vinyl tile flooring
- Solid wood kitchen cabinets
- Quartz kitchen countertops
- Audio/Video door intercom
- Stainless steel appliances with electric ranges
- Individual HVAC units
- Individual washer/dryer
- Luxury bathrooms with stone counters
- Balcony or terrace
- Walk-in closets
- Individual electric service

The total cost of construction (excluding site acquisition costs and FF&E) of the **rental** building is estimated by the Applicant at \$146,663,700, \$616,234/unit or \$509.73/SF of gross building area.

Condominium Apartment Towers

Upon completion, the two (2) residential condominium towers will contain a total of two-hundred (200) residential apartments. The proposed gross building area is reported at 366,940± square feet and the net rentable area is calculated at 261,270± square feet. The subject will be configured with sixty-eight (68) one-bedroom apartments and one-hundred thirty-two (132) two-bedroom apartments.

The table below summarizes the subject's residential condominium unit count.

Net Rentable Area (NRA) Calculations - Residential Condominiums					
Engel Burman at The Beach LLC					
S/S Broadway, Between Riverside Blvd. & Long Beach Blvd.					
Long Beach, New York 11561					
Section 59, Block 116, Lot 38					

Unit Type	No. of Units	Average NRA (Per Unit)		No. of Bedrooms	No. of Bathrooms
		(+/- SF)	NRA (+/- SF)		
1 Bedroom	68	1,010	68,680	1.0	1.5 - 2.0
2 Bedroom (B-1/B-3)	100	1,433	143,250	2.0	2.0
2 Bedroom (B-4/B-6)	32	1,542	49,340	2.0	2.5
Total:	200		261,270		

Condominium Building A

1 Bedroom	34	1,010	34,340	1.0	1.5 - 2.0
2 Bedroom (B-1/B-3)	50	1,432	71,590	2.0	2.0
2 Bedroom (B-4/B-6)	15	1,543	23,150	2.0	2.5
Total - Building A	99		129,080		

Condominium Building B

1 Bedroom	34	1,010	34,340	1.0	1.5 - 2.0
2 Bedroom (B-1/B-3)	50	1,433	71,660	2.0	2.0
2 Bedroom (B-4/B-6)	17	1,541	26,190	2.0	2.5
Total - Building B	101		132,190		

Amenities in the residential condominium towers will include:

- Granite and marble lobby and common areas
- Structured parking
- Two (2) passenger elevators in each tower
- Concierge in the lobby of each building
- Lifestyle manager
- Large amenity terrace with heated inground pool and abundant green space
- Gym and exercise rooms
- Club room which can be reserved by residents
- Children's play room
- Resident beach
- Direct boardwalk access
- Resident storage rooms
- Compactor and refuse chute

Amenities in the residential condominium units will include:

- Hardwood or polished porcelain flooring
- Solid wood kitchen cabinets
- Granite or quartz kitchen countertops
- Audio/Video door intercom
- Stainless steel appliances with gas ranges
- Individual HVAC units
- Individual washer/dryer
- Luxury bathrooms with granite counters
- Balcony or terrace
- Walk-in closets
- Individual electric service

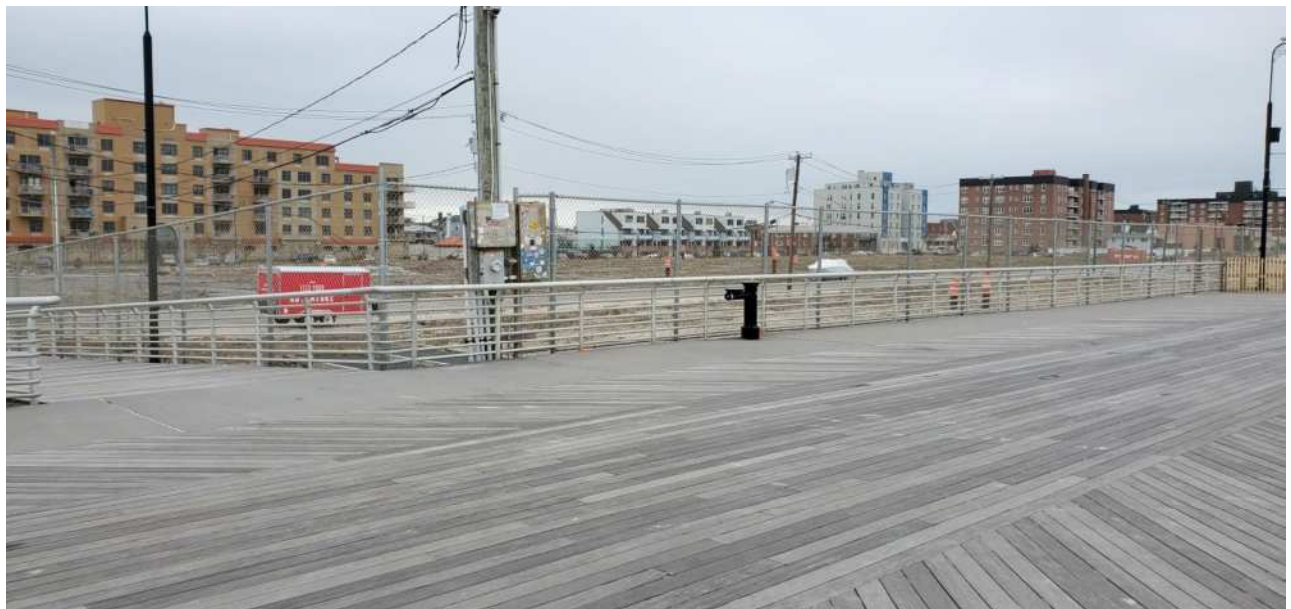
The total cost of construction (excluding site acquisition costs and FF&E) of the **condominium towers** is estimated by the Applicant at \$190,156,250, \$950,781/unit or \$518.22/SF of gross building area.

Total on-site parking (combined between rental and condominium towers) will be provided for 1,112 vehicles (approximately 926 of which will be located in the parking structures and 186 will be metered surface parking spaces).

SUBJECT PROPERTY PHOTOGRAPHS - SITE



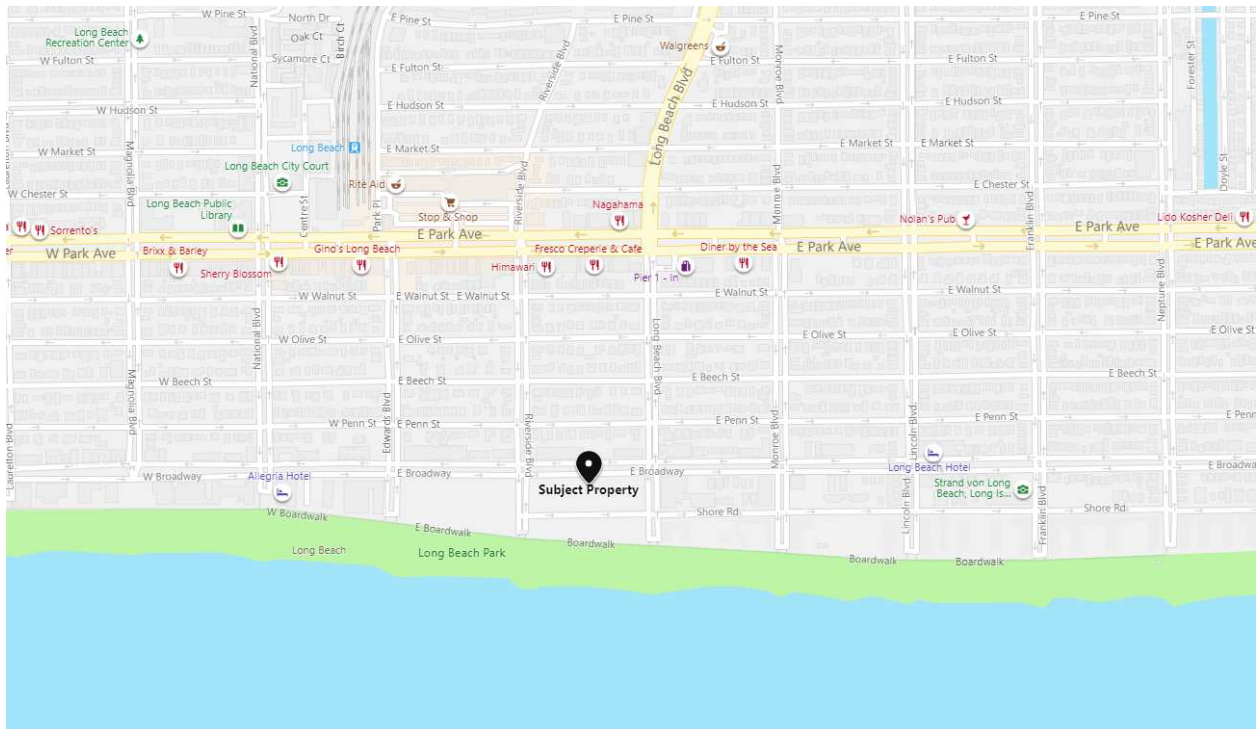
SUBJECT PROPERTY PHOTOGRAPHS – BOARDWALK VIEW



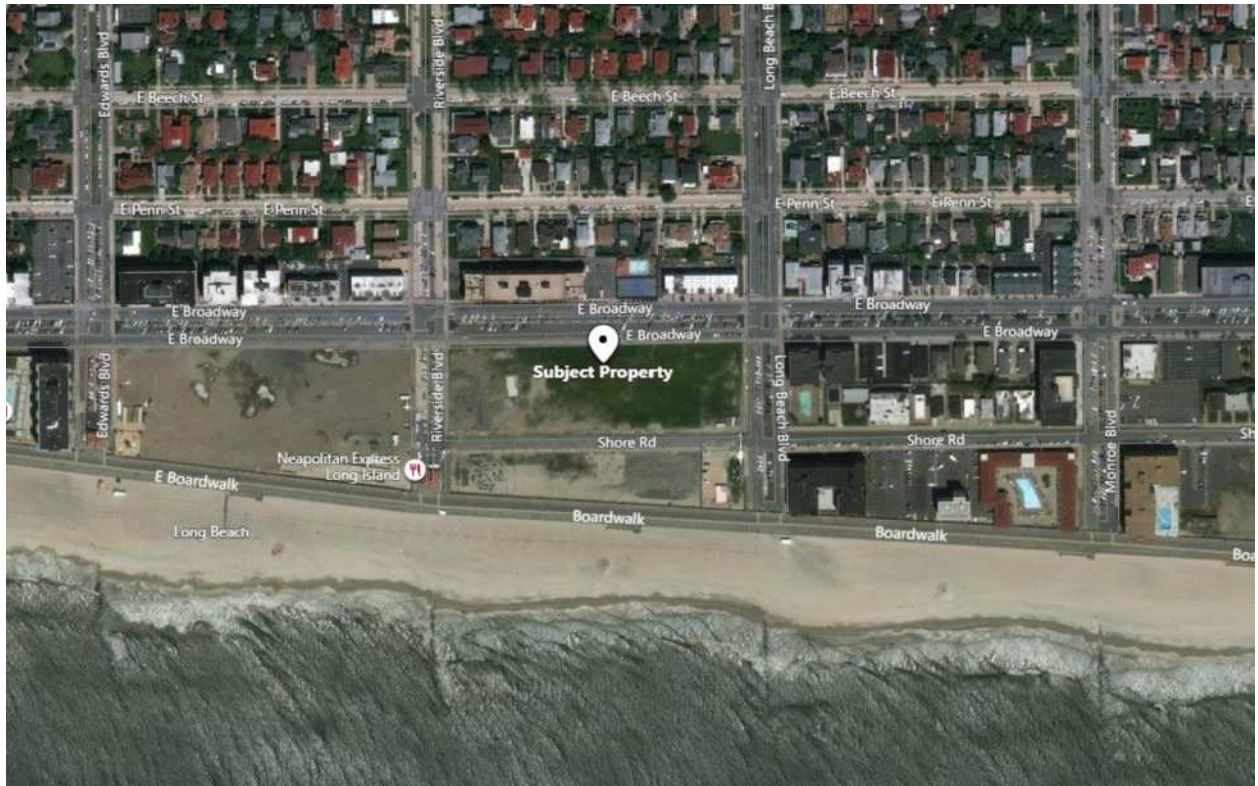
SUBJECT PROPERTY PHOTOGRAPHS – BEACH/WATER VIEW FROM BOARDWALK



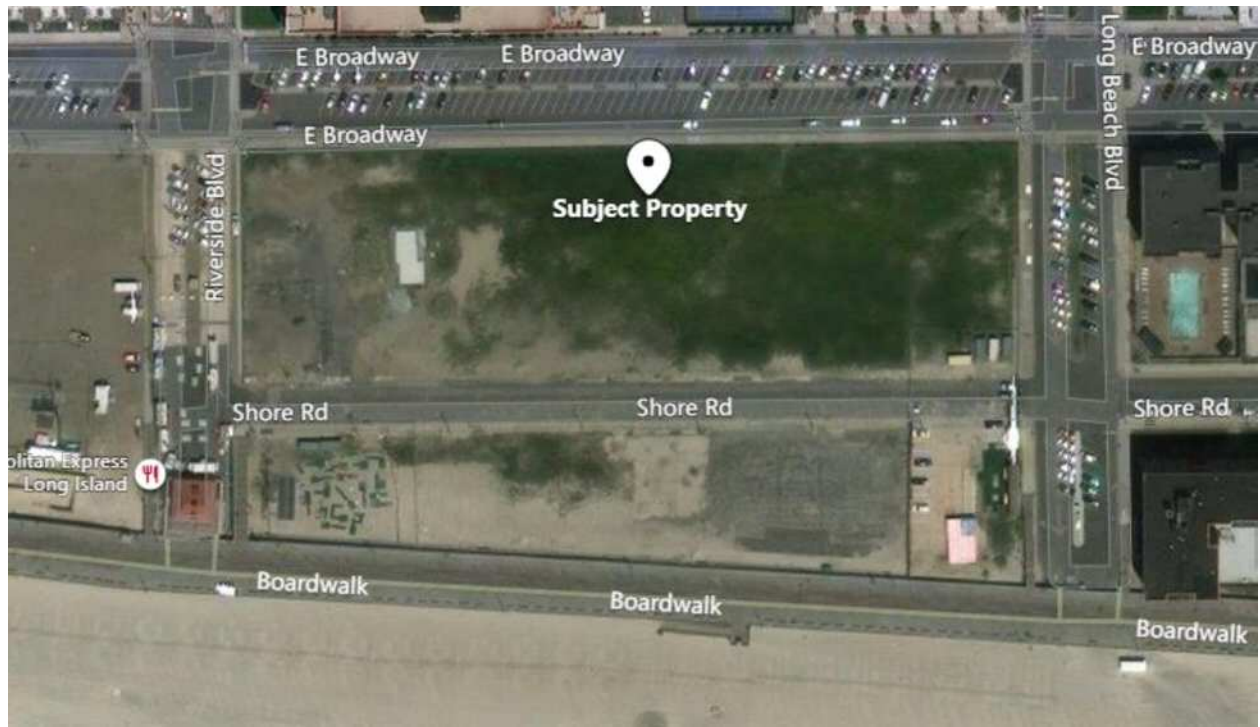
LOCATION MAP



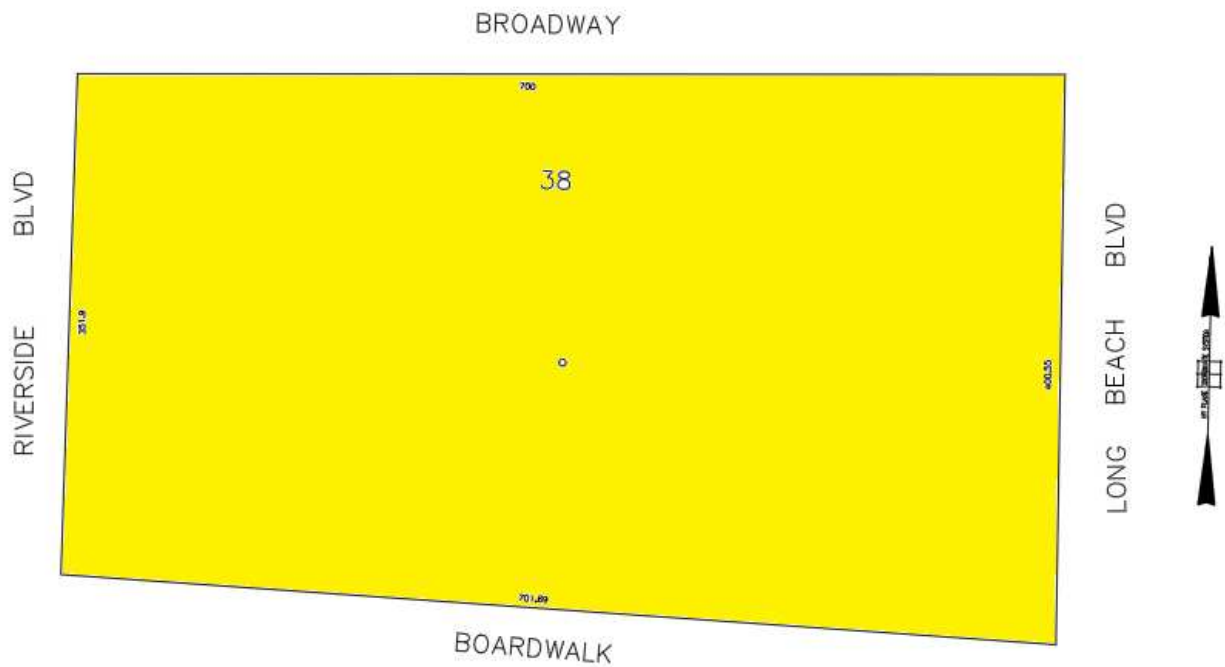
NEIGHBORHOOD AERIAL MAP (AS PRESENTLY IMPROVED)



SUBJECT PROPERTY AERIAL MAP



TAX MAP



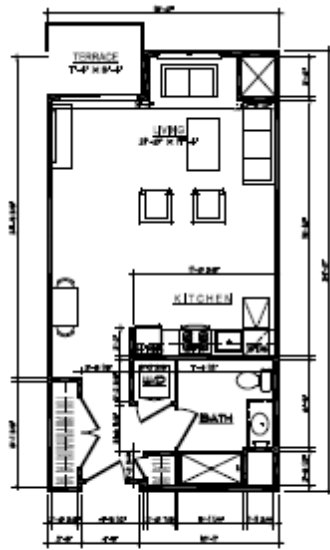
PROPOSED SUBJECT SITE PLAN



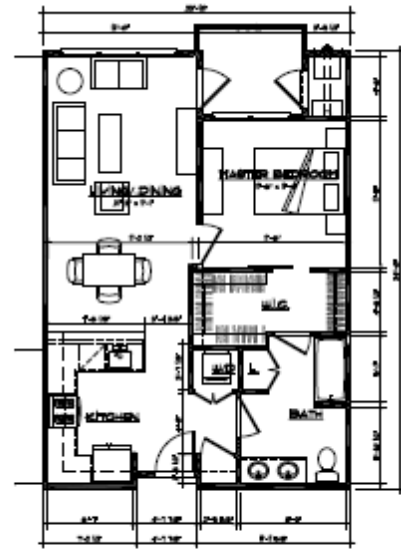
RENDERINGS



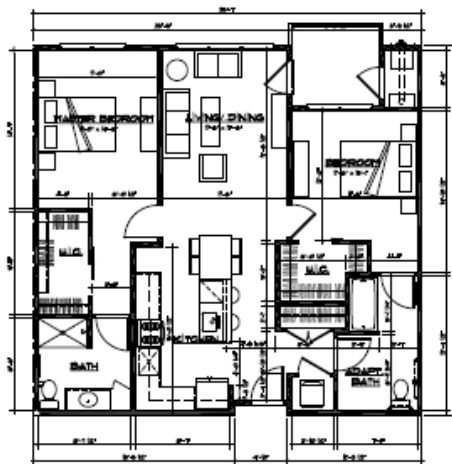
FLOOR PLANS – RENTAL APARTMENT UNITS



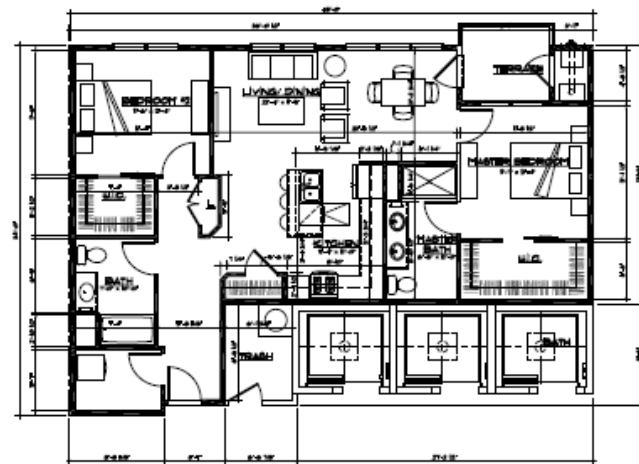
S-1 STUDIO 585 S.F.
SCALE: 1/4" = 1'-0"



A-1 ONE BEDROOM 760 S.F.
SCALE: 1/4" = 1'-0"

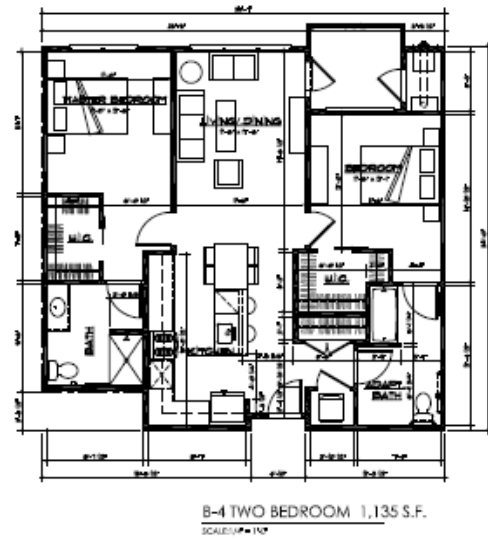
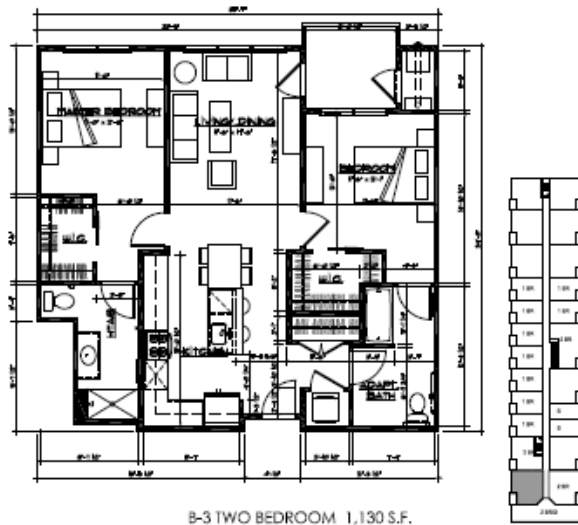


B-5 TWO BEDROOM 1,160 S.F.
SCALE: 1/4" = 1'-0"

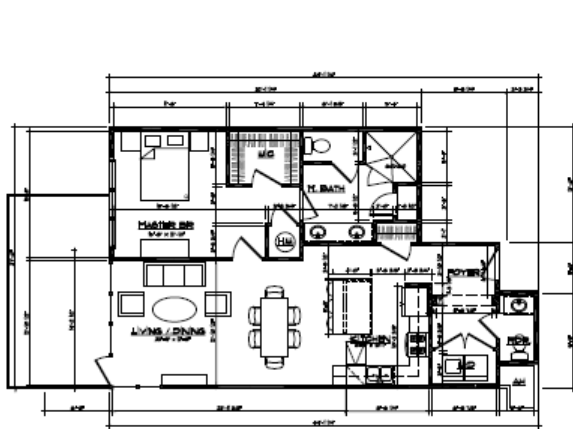


B-6 TWO BEDROOM 1,280 S.F.
SCALE: 1/4" = 1'-0"

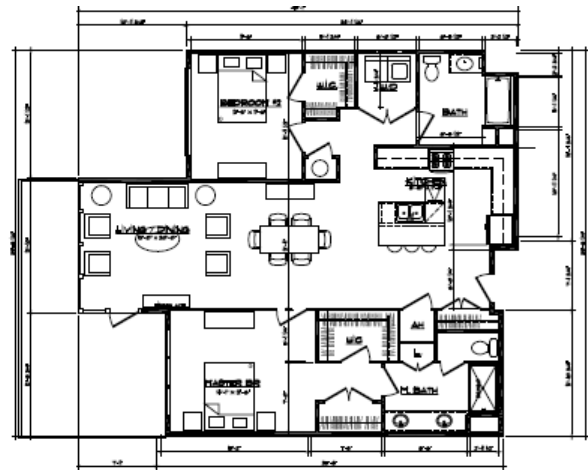
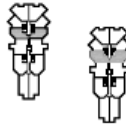
FLOOR PLANS – RENTAL APARTMENT UNITS



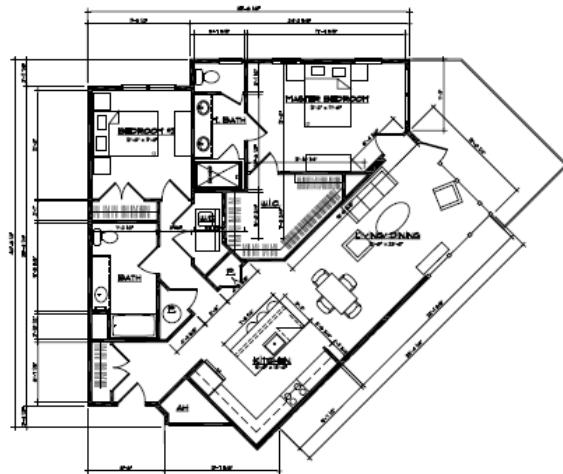
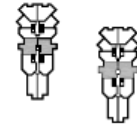
FLOOR PLANS – RESIDENTIAL CONDOMINIUM UNITS



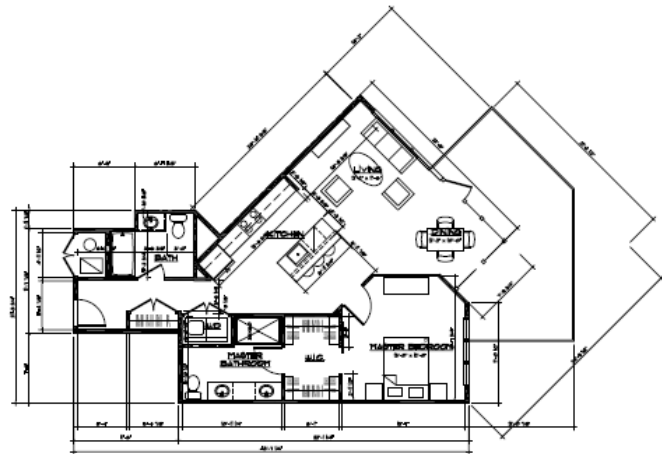
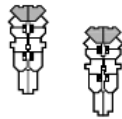
A-2 ONE BEDROOM 1030 S.F.
SCALE: 1/4" = 1'-0"



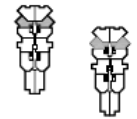
B-3 TWO BEDROOM 1,490 S.F.
SCALE: 1/4" = 1'-0"



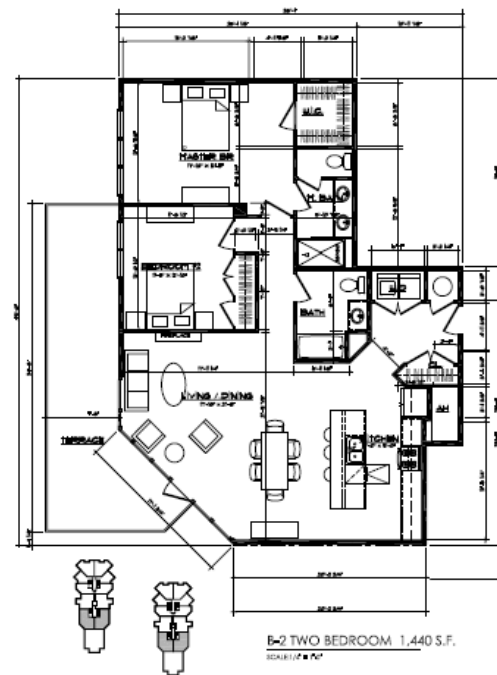
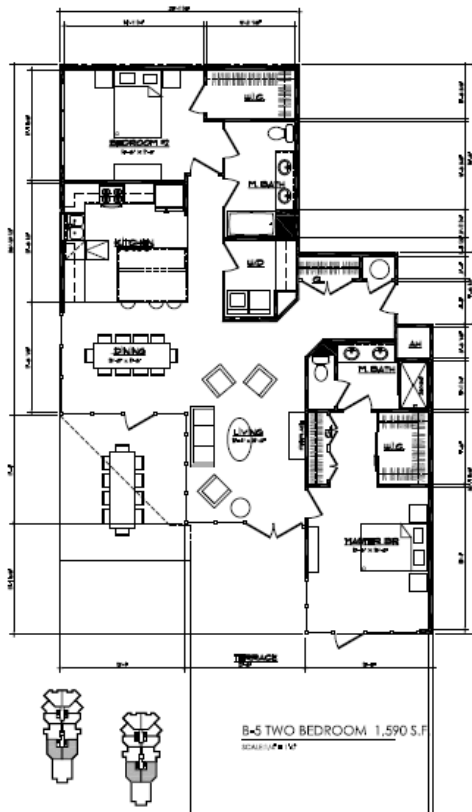
B-1 TWO BEDROOM 1,370 S.F.
SCALE: 1/4" = 1'-0"



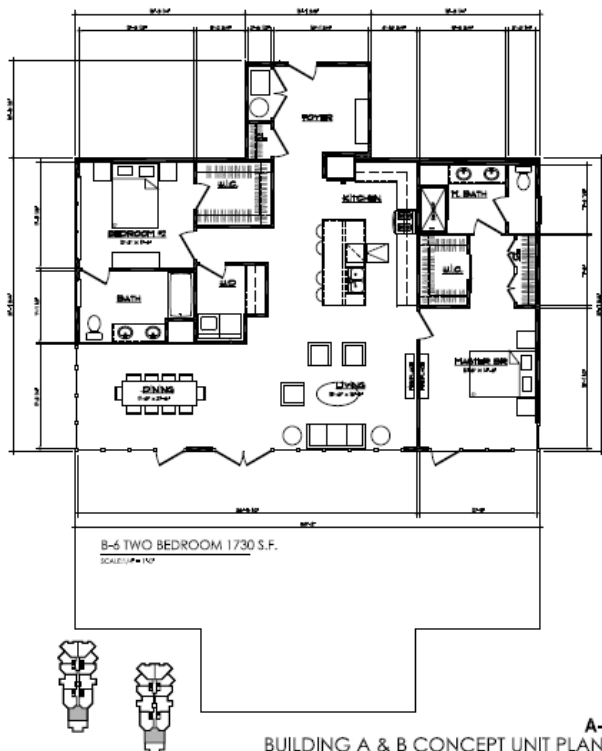
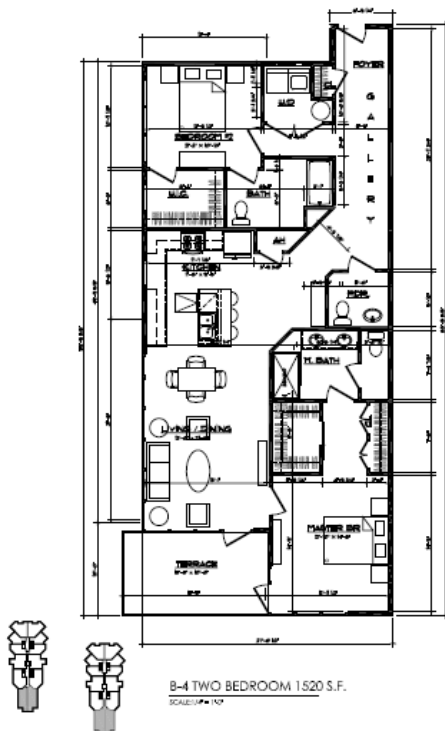
A-1 ONE BEDROOM 990 S.F.
SCALE: 1/4" = 1'-0"



FLOOR PLANS – RESIDENTIAL CONDOMINIUM UNITS



A-10
BUILDING A & B CONCEPT UNIT PLANS
DATE: 2023-1-23



A-7
BUILDING A & B CONCEPT UNIT PLANS
DATE: 2023-1-23

INCOME CAPITALIZATION APPROACH OVERVIEW

The Income Capitalization Approach is based upon the premise that the value of a property is equivalent to the anticipated benefits to be derived from ownership. It involves measuring the extent of future benefits that might reasonably be expected in terms of rental income and translating these benefits into a total value estimate. In employing the Income Approach, careful consideration is given to the earning capacity of the property over an anticipated holding period.

The Income Approach is the primary valuation method applied in establishing equitable real estate tax assessments for commercial (income producing) properties. This method appropriately considers the market rent levels applicable to the subject's various uses and provides reliable estimates of value.

A direct capitalization technique has been used to convert an estimate of net income into an estimate of value. The direct capitalization technique utilizes an overall capitalization rate derived from market data. It is applied to a stabilized net operating income estimate.

The Income Capitalization Approach is based upon market-derived estimates of rental income; vacancy and collection allowances; operating expense ratios; and capitalization rates which are adjusted for the effective real estate taxes implied by the applicable tax rate and level of assessment.

ANALYSIS OF RENTAL APARTMENT BUILDING

Upon completion of construction, the rental apartment tower will contain two-hundred thirty-eight (238) residential apartments and 6,500± square feet of retail space. The proposed gross building area is reported at 287,730± square feet and the net rentable area is calculated at 235,790± square feet (allocated between 6,500± square feet of retail space and 229,290± square feet of residential space). The subject will be configured with twenty (20) studios, ninety (90) one-bedroom apartments and one-hundred twenty-eight (128) two-bedroom apartments. Twenty-four (24) of the apartments will be affordable rentals.

STABILIZED INCOME AND OPERATING EXPENSE ANALYSIS

We have analyzed available market data in formulating a stabilized income and expense pro-forma for the subject property.

RETAIL RENTAL RATE/SF OF LEASABLE AREA

The subject will be configured with 6,500 square feet of multi-tenant retail space fronting the Long Beach boardwalk. Given the boardwalk frontage, it is possible the space may attract seasonal tenants. Retail rental rates in the Long Beach submarket generally range from \$24.00 to \$32.00 per square foot on a gross basis. The table below summarizes the findings of this survey.

Location	Tenant	Lease Date	Area	Annual Rent	Rent/SF	Terms
58 West Park Avenue Long Beach	Tony Panebianco	7/1/2019	800	\$19,200	\$24.00	Gross
251 West Park Avenue Long Beach	Anthony Arpino & Pasquale	9/1/2017	1,200	\$30,000	\$25.00	Gross
150 West Park Avenue Long Beach	Susan Rappel	8/1/2017	2,000	\$64,800	\$32.40	Gross
777 West Beech Street Long Beach	Mio Posto	1/1/2017	7,000	\$189,000	\$27.00	Net
457 Long Beach Blvd. Long Beach	Adam Bailey	3/1/2016	4,550	\$39,000	\$30.33	Gross

Since the subject's retail component will have frontage on the Long Beach boardwalk, demand for this space may be seasonal. Based on the subject's total leasable area of 6,500 square feet, which is expected to be subdivided into several smaller units, a rental rate of \$27.00 per square foot is supported. The lease structure would require the tenant to be responsible for monthly rent and utilities.

RETAIL OCCUPANCY

Nassau County's general retail market reflects a 4.6% vacancy rate according to CoStar Analytics and the Long Beach submarket reflects a vacancy rate of 1.6%. Retail vacancy and credit loss has been stabilized at 6.50% of potential retail income. The concluded vacancy and credit loss factor considers the potential seasonality of tenants.

RETAIL OPERATING EXPENSE ANALYSIS

Our experience analyzing retail properties reveals operating expense ratios ranging from 10.0% to 20% of effective gross income. We have stabilized retail operating expenses at 15.00% of effective gross retail income.

This analysis is more fully depicted in the table below.

	<u>Market Rent</u>	<u>NRA</u>	<u>Annual Rent</u>
Retail:	\$27.00	6,500	<u>\$175,500</u>
EGI Per SF/NRA			\$25.25
Operating Expense Ratio			15.00%
Operating Expenses Per SF/NRA			\$3.79

APARTMENT RENTAL RATES

The subject will be configured with twenty (20) studios, ninety (90) one-bedroom apartments and one-hundred twenty-eight (128) two-bedroom apartments. Twenty-four (24) of the apartments will be affordable rentals.

The table below summarizes the subject's **market rate** unit allocations as follows:

Unit Type	No. of Units	Average NRA		No. of Bedrooms	No. of Bathrooms
		(Per Unit) (+/- SF)	NRA (+/- SF)		
Studio - Market	18	585	10,530	0.0	1.0
1 Bedroom - Market	81	760	61,560	1.0	1.5
2 Bedroom - Market	98	1,135	111,217	2.0	2.0
2 Bedroom with Den - Market	17	1,342	22,807	2.0	2.5
Total - Market Units	214		206,113		

Comparable Apartment Rental Data

A survey of recently constructed, highly amenitized, luxury apartment buildings located throughout Long Beach and the surrounding communities depicts apartment rentals ranging from \$30.63 to \$52.98 per square foot.

Apartment Rental Comparables Long Beach & Surrounding - 1Q 2020 Survey Luxury Apartment Market					
Location	Unit Type	Asking Rent/Month	NRA	Rent/SF /Month	Rent/SF/ Annum
Avalon - Long Beach	Studio/1 Bath	\$2,883	653	\$4.42	\$52.98
Executive Towers at Lido	Studio/1 Bath	\$2,050	530	\$3.87	\$46.42
Crystal House - Long Beach	1 Bed/1 Bath	\$2,400	936	\$2.56	\$30.77
Crystal House - Long Beach	1 Bed/1 Bath	\$2,450	960	\$2.55	\$30.63
Executive Towers at Lido	1 Bed/1 Bath	\$2,550	850	\$3.00	\$36.00
Executive Towers at Lido	1 Bed/1 Bath	\$2,700	750	\$3.60	\$43.20
Channel Club - Island Park	1 Bed/1 Bath	\$2,650	821	\$3.23	\$38.73
Channel Club - Island Park	1 Bed/1 Bath	\$3,200	902	\$3.55	\$42.57
Avalon - Long Beach	1 Bed/2 Bath	\$3,628	1,046	\$3.47	\$41.62
Avalon - Long Beach	1 Bed/2 Bath	\$4,228	1,069	\$3.96	\$47.46
Avalon - Long Beach	1 Bed/2 Bath	\$4,348	1,069	\$4.07	\$48.81
Avalon - Long Beach	1 Bed/2 Bath	\$3,728	1,069	\$3.49	\$41.85
Avalon - Long Beach	2 Bed/2 Bath	\$4,900	1,227	\$3.99	\$47.92
Avalon - Long Beach	2 Bed/2 Bath	\$4,450	1,446	\$3.08	\$36.93
Crystal House - Long Beach	2 Bed/2 Bath	\$3,700	1,310	\$2.82	\$33.89
Executive Towers at Lido	2 Bed/2 Bath	\$3,800	1,340	\$2.84	\$34.03
Channel Club - Island Park	2 Bed/2 Bath	\$2,995	1,116	\$2.68	\$32.20
Channel Club - Island Park	2 Bed/2 Bath	\$3,900	1,116	\$3.49	\$41.94
Channel Club - Island Park	2 Bed/2 Bath	\$3,200	1,154	\$2.77	\$33.28
Channel Club - Island Park	2 Bed/2 Bath	\$4,350	1,154	\$3.77	\$45.23
Unit Type	Min	Max	Mean	Median	
Studio	\$46.42	\$52.98	\$49.70	\$49.70	
One-Bedroom	\$30.63	\$48.81	\$40.16	\$41.73	
Two-Bedroom	\$32.20	\$47.92	\$38.18	\$35.48	

Based upon a careful review of the available market data, **market** rent has been concluded as follows for the subject's market rate units:

The concluded market rental rates are well supported by the presented comparable data. The subject's stabilized weighted average market rent equates to \$42.43 per square foot of net rentable area or \$3,405 per unit/month which is consistent with current market activity, and is reflective of the subject's expected finishes and amenities.

Derivation of Maximum Affordable Rental Rates

Twenty-four (24) of the subject's units will be designated as affordable rentals which will be subject to 130% of the Nassau/Suffolk County's median income level as designated by HUD. The table below illustrates the maximum permissible rents for the affordable units (as of the date of this analysis).

Assumptions

AMI %	130%
Affordable Requirement	10%
Monthly Housing Allowance	30%

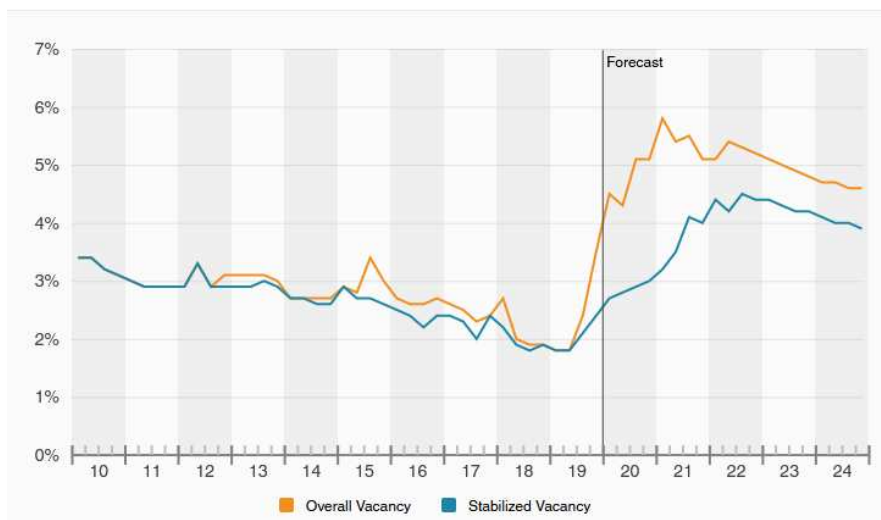
Unit Type	Studio	One Bedroom	Two Bedroom	Two Bedroom w/Den
Affordable Count	2	9	11	2
LIHP Methodology for Unit Type	Family of 1.0	Family of 1.5	Family of 3.0	Family of 3.5
N-S HUD Median Income Limit	\$112,850	\$120,900	\$145,100	\$153,150
Monthly Housing Allowance	30%	30%	30%	30%
Monthly Affordable Rent	\$2,821.25	\$3,022.50	\$3,627.50	\$3,828.75
Average Size	585	760	1,135	1,342
Calculated Affordable Rent/SF	\$57.87	\$47.72	\$38.36	\$34.25
Estimated Market Rent/SF	\$52.00	\$47.00	\$40.00	\$37.50
Concluded Affordable Rent/SF	\$52.00	\$47.00	\$38.36	\$34.25

APARTMENT OCCUPANCY

Apartment occupancy is high throughout Nassau County, with an estimated vacancy rate of 3.2% reported by CoStar.

Nassau County Multifamily Vacancy Rate

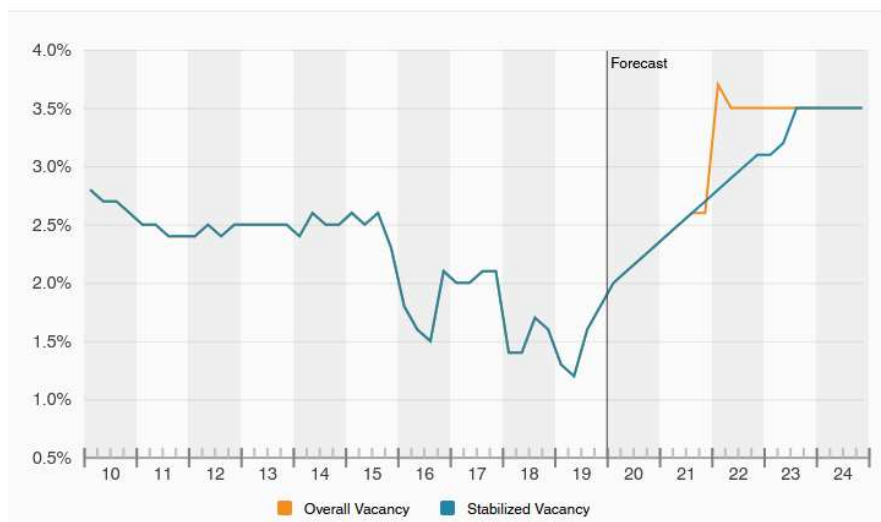
Overall & Stabilized Vacancy



The Long Beach submarket has a lower estimated vacancy rate reported by CoStar of 1.8% as depicted in the chart below.

Long Beach Multifamily Vacancy Rate

Overall & Stabilized Vacancy



A vacancy rate of 3.00% and a credit loss factor of 1.00% have been concluded for a total vacancy and credit loss allocation of 4.00% of potential apartment rental income.

OPERATING EXPENSE ANALYSIS

As depicted in the table below, operating expense ratios for well amenitized multifamily properties typically range from 20.0% to 40.0% of effective gross income (excluding real estate taxes).

Location	Long Island	Long Island	Long Island	
No. of Units	240	169	232	
Expense Year	2017	2016	2017	Average
Expenses	%/EGI	%/EGI	%/EGI	%/EGI
Property Insurance	0.34%	2.62%	0.99%	1.32%
Natural Gas	0.29%	0.18%	2.94%	1.14%
Electricity	1.88%	1.30%	0.67%	1.28%
Water/Sewer	3.19%	1.94%	1.22%	2.12%
Rubbish Removal	0.26%	0.45%	0.04%	0.25%
General & Administrative	2.76%	0.61%	0.55%	1.31%
Repairs & Maintenance	2.58%	4.30%	1.98%	2.95%
Painting/Decorating	0.09%	0.00%	0.68%	0.26%
Landscaping	1.84%	1.84%	1.45%	1.71%
Security	0.00%	0.71%	0.00%	0.24%
Management Fee	3.27%	5.02%	2.47%	3.59%
Payroll & Benefits	16.10%	4.34%	7.74%	9.39%
Advertising	4.22%	0.44%	0.42%	1.69%
Reserves	0.00%	0.00%	0.00%	0.00%
OpExp %	36.8%	23.8%	21.2%	27.2%

Based upon the size of the subject property, its location and anticipated amenities, operating expenses attributable to the residential revenue component have been stabilized at 30.00% of effective gross income.

SUMMARY OF ASSUMPTIONS

The table below summarizes the subject property data and income and operating expense assumptions incorporated into this analysis.

<u>Subject Property Data</u>		<u>Valuation Assumptions</u>	<u>Rent/Month</u>	<u>Rent/SF</u>
Gross Building Area:	287,730	Retail Rent/SF:		\$27.00
Net Rentable Area	235,790	Studio - Market Rent/SF	\$2,535	\$52.00
Retail NRA (+/- SF):	6,500	One-Bedroom - Market Rent/SF	\$2,977	\$47.00
Residential NRA (+/-SF):	229,290	Two-Bedroom - Market Rent/SF	\$3,783	\$40.00
		Two-Bedroom w/Den - Market Rent/SF	\$4,192	\$37.50
No. of Apartments:	238	Studio - Affordable Rent/SF	\$2,535	\$52.00
Avg. NRA all Apartments	963	One Bedroom - Affordable Rent/SF	\$2,977	\$47.00
Avg. NRA (Studio)	585	Two Bedroom - Affordable Rent/SF	\$3,628	\$38.36
Avg. NRA (One Bedroom)	760	Two-Bedroom w/Den - Affordable Rent/SF	\$3,829	\$34.25
Avg. NRA (Two Bedroom)	1,135			
Avg. NRA (Two Bedroom w/Den)	1,342	Retail Vacancy		6.50%
		Apartment Vacancy:		4.00%
		Retail Operating Expense Ratio:		15.00%
		Apartment Operating Expense Ratio:		30.00%
Allocated Site Area:	115,749			
Land to Building Ratio:	0.40	Overall Capitalization Rate:		7.00%

STABILIZED INCOME AND EXPENSE SUMMARY

The following exhibit illustrates the derivation of potential gross income, effective gross income, operating expense analysis and estimation of net operating income.

Tax Year				2019/20
Potential Gross Income (Retail Component)				
Retail:	Market Rent	NRA	Annual Rent	
	\$27.00	6,500	\$175,500	
Potential Gross Income				\$175,500
Vacancy & Collection Loss @	6.50%	of PGI		(\$11,408)
Effective Gross Income				\$164,093
EGI Per SF/NRA				\$25.25
Total Operating Expenses				\$24,614
Operating Expense Ratio				15.00%
Operating Expenses Per SF/NRA				\$3.79
Net Operating Income Attributable to Retail Component				\$139,479

Potential Gross Income (Residential)	Market Rent	No. of Units	Total NRA	Annual Rent
Market Studio Apartments	\$52.00	18	10,530	\$547,560
Market One-Bedroom Apartments	\$47.00	81	61,560	\$2,893,320
Market Two-Bedroom Apartments	\$40.00	98	111,217	\$4,448,661
Market Two-Bedroom w/Den Apartments	\$37.50	17	22,807	\$855,257
Affordable Studio Apartments	\$52.00	2	1,170	\$60,840
Affordable One Bedroom Apartments	\$47.00	9	6,840	\$321,480
Affordable Two Bedroom Apartments	\$38.36	11	12,483	\$478,830
Affordable Two Bedroom w/Den Apartments	\$34.25	2	2,683	\$91,890
		238	229,290	
Potential Gross Income				\$9,697,837
Vacancy & Collection Loss @	4.00%	of PGI		(\$387,913)
Effective Gross Income				\$9,309,924
EGI Per Unit				\$39,117
EGI Per SF/NRA				\$40.60
Total Operating Expenses				\$2,792,977
Operating Expense Ratio				30.00%
Operating Expenses Per SF/NRA				\$12.18
Operating Expenses Per Unit				\$11,735
Net Operating Income Attributable to Residential Component				\$6,516,947
Total Net Operating Income Estimate				\$6,656,425

CAPITALIZATION OF NOI & DETERMINATION OF ASSESSMENT

In order to convert the Net Operating Income estimate into a value that the assessor will utilize for establishing an assessment, a composite capitalization rate must be developed. There are two components to the composite capitalization rate; the first is the base capitalization rate.

BASE CAPITALIZATION RATE

The 4th Quarter 2019 PwC Survey of the National Apartment Market depicts overall capitalization rates ranging from 3.50% to 7.00% with an average of 5.15%. The 4th Quarter 2019 Situs RERC First Tier Investment Property survey for the Eastern United States reports going in cap rates ranging from 4.50% to 8.0% with an average of 5.6%.

PwC Survey

Table 28

NATIONAL APARTMENT MARKET

Fourth Quarter 2019

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a					
Range	5.50% – 10.00%	5.50% – 10.00%	5.25% – 10.00%	5.50% – 10.00%	5.50% – 10.00%
Average	7.10%	7.09%	7.15%	7.30%	7.34%
Change (Basis Points)		+ 1	- 5	- 20	- 24
OVERALL CAP RATE (OAR)^a					
Range	3.50% – 7.00%	3.75% – 7.00%	3.50% – 8.50%	3.50% – 7.50%	3.50% – 8.00%
Average	5.15%	5.10%	5.16%	5.26%	5.36%
Change (Basis Points)		+ 5	- 1	- 11	- 21
RESIDUAL CAP RATE					
Range	4.00% – 7.00%	4.00% – 7.00%	4.00% – 8.50%	4.25% – 7.50%	4.25% – 9.00%
Average	5.49%	5.50%	5.53%	5.71%	6.03%
Change (Basis Points)		- 1	- 4	- 22	- 54
MARKET RENT CHANGE^b					
Range	0.00% – 5.00%	0.00% – 5.00%	(2.00%) – 5.00%	0.00% – 5.00%	0.00% – 8.00%
Average	2.48%	2.49%	2.40%	2.85%	2.83%
Change (Basis Points)		- 1	+ 8	- 37	- 35
EXPENSE CHANGE^b					
Range	0.00% – 3.00%	0.00% – 3.00%	2.00% – 3.00%	2.00% – 4.00%	1.00% – 4.00%
Average	2.60%	2.59%	2.73%	2.78%	2.74%
Change (Basis Points)		+ 1	- 13	- 18	- 14
MARKETING TIME^c					
Range	1 – 9	1 – 9	1 – 9	1 – 9	1 – 9
Average	3.9	3.6	3.7	3.8	4.1
Change (▼, ▲, =)		▲	▲	▲	▼

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Situs RERC Survey

REGIONAL INVESTMENT CRITERIA | FIRST-TIER¹ INVESTMENT PROPERTIES

	Office		Industrial			Retail			Apt	Student Housing	Hotel
	CBD	SUB	WHSE	R&D	FLEX	RCNL MALL	PWR CNTR	NEIGH/ COMM			
WEST INVESTMENT CRITERIA											
Pre-Tax Yield Rate (IRR) (%)											
Range	7.0 - 9.0	6.5 - 10.0	5.5 - 10.0	7.0 - 10.0	7.0 - 10.0	7.0 - 10.5	7.5 - 10.0	6.8 - 10.0	5.5 - 9.0	6.0 - 9.0	8.0 - 11.0
Average	7.9	8.5	7.7	8.3	8.2	8.4	8.4	8.2	7.0	7.6	9.3
Going-In Cap Rate (%)											
Range	5.0 - 9.0	5.0 - 8.5	4.5 - 8.0	5.0 - 8.0	4.8 - 8.0	5.0 - 8.5	5.5 - 8.8	5.0 - 8.3	4.0 - 6.5	4.0 - 7.8	6.0 - 8.0
Average	6.1	6.6	6.0	6.5	6.5	6.6	6.8	6.5	5.0	5.5	7.3
Terminal Cap Rate (%)											
Range	5.5 - 8.0	5.5 - 10.0	5.0 - 7.5	5.3 - 7.5	5.3 - 7.8	5.5 - 10.0	6.5 - 8.2	5.5 - 8.7	4.5 - 8.0	5.0 - 8.0	6.5 - 10.0
Average	6.5	7.3	6.5	6.8	7.0	7.5	7.2	7.1	5.7	6.2	7.9
MIDWEST INVESTMENT CRITERIA											
Pre-Tax Yield Rate (IRR) (%)											
Range	6.0 - 10.5	6.5 - 10.0	5.8 - 10.0	6.0 - 10.0	6.3 - 10.5	7.0 - 12.0	6.0 - 10.5	7.5 - 10.8	6.0 - 8.8	6.0 - 9.0	8.3 - 10.5
Average	8.4	8.5	8.2	8.5	8.5	8.7	8.7	8.8	7.5	7.5	8.9
Going-In Cap Rate (%)											
Range	5.3 - 9.0	6.0 - 9.0	5.5 - 8.5	5.5 - 9.5	6.0 - 9.0	6.0 - 10.5	5.8 - 9.5	6.0 - 9.0	5.0 - 7.0	5.0 - 7.5	6.0 - 9.8
Average	7.2	7.5	7.1	7.5	7.5	7.5	7.5	7.3	5.9	6.2	7.9
Terminal Cap Rate (%)											
Range	5.8 - 9.0	6.5 - 10.0	6.0 - 9.5	7.0 - 10.5	6.5 - 8.8	7.0 - 10.8	6.5 - 10.0	6.8 - 9.5	5.3 - 8.0	5.5 - 8.3	6.0 - 10.3
Average	7.6	7.9	7.6	8.1	7.8	8.0	8.0	7.8	6.4	6.7	8.1
SOUTH INVESTMENT CRITERIA											
Pre-Tax Yield Rate (IRR) (%)											
Range	7.0 - 8.5	7.0 - 9.0	6.5 - 9.5	7.0 - 9.0	7.5 - 10.0	7.0 - 11.0	6.8 - 9.0	7.0 - 11.0	6.0 - 9.0	6.0 - 9.0	7.0 - 12.0
Average	7.8	8.1	7.8	8.5	8.5	8.1	8.1	8.1	6.9	7.6	9.0
Going-In Cap Rate (%)											
Range	5.0 - 7.0	6.0 - 7.5	5.0 - 8.0	6.0 - 8.0	6.0 - 9.0	5.0 - 9.0	5.5 - 8.0	5.8 - 9.0	4.0 - 7.0	5.0 - 7.0	5.0 - 10.5
Average	6.4	6.9	6.6	7.0	7.2	7.1	6.9	6.9	5.4	5.6	7.8
Terminal Cap Rate (%)											
Range	5.8 - 8.5	6.8 - 8.3	5.3 - 8.5	6.8 - 8.5	6.8 - 10.0	6.0 - 10.0	6.0 - 8.5	6.0 - 9.5	4.3 - 7.5	5.8 - 9.0	6.0 - 11.0
Average	7.0	7.4	7.0	7.5	7.8	7.5	7.3	7.4	5.8	6.8	8.5
EAST INVESTMENT CRITERIA											
Pre-Tax Yield Rate (IRR) (%)											
Range	6.5 - 10.0	7.5 - 11.0	5.0 - 10.0	7.0 - 10.0	6.5 - 10.0	7.0 - 11.0	7.5 - 11.3	7.0 - 12.3	6.0 - 9.0	7.5 - 9.0	8.0 - 12.0
Average	8.3	8.8	7.8	8.6	8.4	9.0	8.9	9.1	7.4	7.9	9.3
Going-In Cap Rate (%)											
Range	4.3 - 8.5	5.3 - 9.0	4.0 - 9.0	5.0 - 9.0	5.0 - 9.0	5.0 - 9.0	5.5 - 9.0	5.5 - 9.8	4.5 - 8.0	5.0 - 7.8	6.5 - 9.5
Average	6.4	7.0	6.2	6.8	6.9	7.4	7.1	7.2	5.6	6.2	7.9
Terminal Cap Rate (%)											
Range	5.0 - 9.5	6.0 - 9.6	5.5 - 9.0	5.5 - 9.6	5.5 - 9.5	5.5 - 10.0	6.0 - 10.0	6.0 - 9.8	5.0 - 8.0	6.0 - 8.0	7.0 - 10.0
Average	7.0	7.6	6.9	7.6	7.5	8.0	7.8	7.6	6.2	6.9	8.2

¹ First-tier investment properties are defined as new or newer quality construction in prime to good locations.
A list of RERC defined regions is located in the RERC Scope and Methodology section in the back of this report.
Source: RERC Research, 4Q 2019.

Based upon the subject's location, unit mix and anticipated revenue characteristics, a base capitalization rate above the survey averages would be expected. The base capitalization rate has been reconciled at 7.0%.

EFFECTIVE TAX RATE

The second component of the composite capitalization rate is the effective tax rate. Calculation of the effective tax rate is the multiplication of the tax rate by the appropriate level of assessment (County) or equalization rate (City).

We have relied on figures provided by Nassau County for the 2020 General Roll and 2019/20 School Roll and the City of Long Beach for the 2019/20 City Roll.

The table below illustrates the development of the effective tax rate for the subject.

Effective Tax Rate Analysis		
Engel Burman at The Beach LLC		
S/S Broadway, Between Riverside Blvd. & Long Beach Blvd.		
Long Beach, New York 11561		
Tax Map No.	Section 59, Block 116, Lot 38	
Tax Year:	2019/20	
<u>County Tax Rates</u>		
2020 Class II General Tax Rate/\$100 A.V.:	67.0690	
2019/20 Class II School Tax Rate/\$100 A.V.:	<u>352.1700</u>	
Total Tax Rate	\$419.2390	
Level of Assessment:	1.00%	
Effective County/School Tax Rate:		4.1924%
<u>City Tax Rate</u>		
2019/20 Non-Homestead City Tax Rate/\$100 A.V.:	\$30.43894	
Equalization Rate	3.28%	
Effective Village Tax Rate:		<u>0.9984%</u>
Effective Tax Rate:		5.1908%

COMPOSITE CAPITALIZATION RATE

When the base rate of 7.00% is added to the effective tax rate of 5.1908%, a composite or tax loaded capitalization rate of 12.1908% is revealed.

CAPITALIZATION OF NET OPERATING INCOME & DERIVATION OF ASSESSED VALUE

The table below illustrates capitalization of stabilized net operating income and derivation of assessed value for the rental apartment building component.

<u>Capitalization Rate Summary - Rental Apartment</u>		
Base Capitalization Rate		7.0000%
Effective Tax Rate		<u>5.1908%</u>
Composite Capitalization Rate		12.1908%
<u>Valuation Summary</u>		
Total Net Operating Income	\$6,656,425	
Composite Capitalization Rate	<u>12.1908%</u>	
Indicated Value		\$54,602,095
Rounded to		\$54,600,000
<i>Indicated Value Per SF/GBA</i>		<i>\$189.76</i>
<i>Indicated Value Per Residential Unit</i>		<i>\$229,412</i>
<u>Determination of Assessment</u>		
<u>Nassau County</u>		
Level of Assessment		1.00%
Appraiser's Indicated A.V.		\$546,000
<u>City of Long Beach</u>		
Equalization Rate		3.28%
Appraiser's Indicated A.V.		\$1,790,880

SUMMARY OF CONCLUSIONS – RENTAL APARTMENT COMPONENT

Based on our analysis, the following Real Property Value, Ad Valorem assessment and estimated Real Estate Taxes are derived for the rental apartment component of the subject property.

Projected Value, Assessed Valuation & Estimated R.E. Taxes		
Rental Apartment Building		
Engel Burman at The Beach LLC		
S/S Broadway, Between Riverside Blvd. & Long Beach Blvd.		
Long Beach, New York 11561		
Section 59, Block 116, Lot 38		
Projected Value Estimate		
Luxury Waterfront Rental Apartment Building		\$54,600,000
Estimated Real Property Value		\$54,600,000
Estimated Ad Valorem Assessed Value		
Nassau County		\$546,000
City of Long Beach		\$1,790,880
Implied Real Estate Tax Burden		
	<u>Tax Rate</u>	<u>Implied R.E. Taxes</u>
2020 Class II General Tax Rate/\$100 A.V.:	\$67.0690	\$366,197
2019/20 Class II School Tax Rate/\$100 A.V.:	\$352.1700	\$1,922,848
2019/20 Non-Homestead City Tax Rate/\$100 A.V.:	\$30.43894	\$545,125
Total:		\$2,834,170

*** Under the hypothetical condition that the improvements are completed, operating at stabilized occupancy, and on the current tax rolls utilizing the current tax rates.*

As of the date of this analysis, the global economy is being disrupted by COVID-19. Locally, the virus is spreading and as testing continues the number of cases continues to climb. The Federal, State and Local Governmental Agencies are instituting unprecedented restrictions on how the American public lives and works. Given the many unknown aspects pertaining to this novel virus, the effects of COVID-19 on the real estate market in the area of the subject property were not yet measurable based upon reliable data. While it is believed there will be both short- and long-term impacts, at this time any assertion would be purely speculative. With these factors in mind, the market value estimate contained herein is necessarily based upon data available to the appraiser at the time of the assignment and applies only as of the effective date indicated. The presented market data may not reflect the impact of COVID-19. Moreover, no analyses or opinions contained in this appraisal should be construed as predictions of future market conditions or value.

RESIDENTIAL CONDOMINIUM TOWERS – NASSAU COUNTY CLASS II

Upon completion, the two (2) residential condominium towers will contain a total of two-hundred (200) residential apartments. The proposed gross building area is reported at 366,940± square feet and the net rentable area is calculated at 261,270± square feet. The subject will be configured with sixty-eight (68) one-bedroom apartments and one-hundred thirty-two (132) two-bedroom apartments.

STABILIZED INCOME AND OPERATING EXPENSE ANALYSIS

As previously indicated, for assessment purposes, the Nassau County Assessor will analyze the subject's residential condominium component as a rental apartment building.

We have analyzed available market data in formulating a stabilized income and expense pro-forma for the subject property.

APARTMENT RENTAL RATES

The subject will be configured with sixty-eight (68) one-bedroom condominium apartments and one-hundred thirty-two (132) two-bedroom condominium apartments.

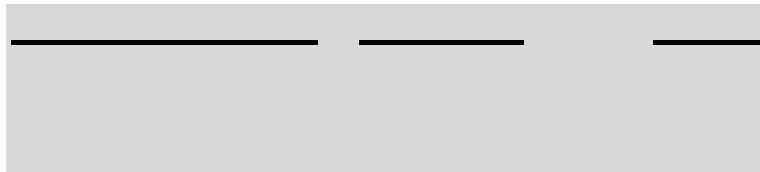
The table below summarizes the subject's unit allocations:

Net Rentable Area (NRA) Calculations - Residential Condominiums					
Engel Burman at The Beach LLC					
S/S Broadway, Between Riverside Blvd. & Long Beach Blvd.					
Long Beach, New York 11561					
Section 59, Block 116, Lot 38					
Unit Type	No. of Units	Average NRA (Per Unit) (+/- SF)	NRA (+/- SF)	No. of Bedrooms	No. of Bathrooms
1 Bedroom	68	1,010	68,680	1.0	1.5 - 2.0
2 Bedroom (B-1/B-3)	100	1,433	143,250	2.0	2.0
2 Bedroom (B-4/B-6)	32	1,542	49,340	2.0	2.5
Total:	200		261,270		
Condominium Building A					
1 Bedroom	34	1,010	34,340	1.0	1.5 - 2.0
2 Bedroom (B-1/B-3)	50	1,432	71,590	2.0	2.0
2 Bedroom (B-4/B-6)	15	1,543	23,150	2.0	2.5
Total - Building A	99		129,080		
Condominium Building B					
1 Bedroom	34	1,010	34,340	1.0	1.5 - 2.0
2 Bedroom (B-1/B-3)	50	1,433	71,660	2.0	2.0
2 Bedroom (B-4/B-6)	17	1,541	26,190	2.0	2.5
Total - Building B	101		132,190		

Comparable Apartment Rental Data

The previously referenced survey of luxury apartment buildings located throughout Long Beach and the surrounding communities depicts apartment rentals ranging from \$30.63 to \$52.98 per square foot.

Based upon a careful review of the available market data, **market** rent has been concluded as follows for the subject's condominium units:



The concluded market rental rates are well supported by the presented comparable data. The subject's stabilized weighted average market rent equates to \$48.33 per square foot of net rentable area or \$4,150 per unit/month which is consistent with current market activity, and is reflective of the subject's expected finishes and amenities.

APARTMENT OCCUPANCY

A vacancy rate of 3.00% and a credit loss factor of 1.00% have been concluded for a total vacancy and credit loss allocation of 4.00% of potential apartment rental income.

OPERATING EXPENSE ANALYSIS

Based upon the size of the subject property, its location and anticipated amenities, operating expenses attributable to the residential revenue component have been stabilized at 30.00% of effective gross income.

SUMMARY OF ASSUMPTIONS

The table below summarizes the subject property data and income and operating expense assumptions incorporated into this analysis.

<u>Subject Property Data</u>		<u>Valuation Assumptions</u>	<u>Rent/Month</u>	<u>Rent/SF</u>
Gross Building Area:	366,940	1 Bedroom	\$3,535	\$42.00
		2 Bedroom (B-1/B-3)	\$4,417	\$37.00
Net Rentable Area	261,270	2 Bedroom (B-4/B-6)	\$4,626	\$36.00
Average NRA - 1 Bedroom	1,010			
Average NRA - 2 Bedroom (B-1/B-3)	1,433			
Average NRA - 2 Bedroom (B-4/B-6)	1,542			
		Apartment Vacancy:		4.00%
No. of Residential Condominium Units	200	Apartment Operating Expense Ratio:		30.00%
Total Site Area:	147,614			
Land to Building Ratio:	0.40	Overall Capitalization Rate:		7.00%

STABILIZED INCOME AND EXPENSE SUMMARY

The following exhibit illustrates the derivation of potential gross income, effective gross income, operating expense analysis and estimation of net operating income.

	<u>Market Rent</u>	<u>No. of Units</u>	<u>Total NRA</u>	<u>Annual Rent</u>
1 Bedroom	\$42.00	68	68,680	\$2,884,560
2 Bedroom (B-1/B-3)	\$37.00	100	143,250	\$5,300,250
2 Bedroom (B-4/B-6)	\$36.00	32	49,340	\$1,776,240

<i>EGI Per Unit</i>	<i>\$47,813</i>
<i>EGI Per SF/NRA</i>	<i>\$36.60</i>

<i>Operating Expense Ratio</i>	<i>30.00%</i>
<i>Operating Expenses Per SF/NRA</i>	<i>\$10.98</i>
<i>Operating Expenses Per Unit</i>	<i>\$14,344</i>

CAPITALIZATION OF NOI & DETERMINATION OF ASSESSMENT - CONDOMINIUM

In order to convert the Net Operating Income estimate into a value that the assessor will utilize for establishing an assessment, a composite capitalization rate must be developed. There are two components to the composite capitalization rate; the first is the base capitalization rate.

COMPOSITE CAPITALIZATION RATE

The previously derived composite or tax loaded capitalization rate of 12.1908% is applied to the concluded estimate of net operating income. The resulting value estimate is applied to Nassau County's 1.0% level of assessment in order to derive an estimate of the subject's Class II assessed value.

CAPITALIZATION OF NOI & DERIVATION OF NASSAU COUNTY ASSESSED VALUE

The table below illustrates capitalization of stabilized net operating income and the calculated estimate of ad valorem assessed value for the subject's classification by Nassau County as a Class II property.

Capitalization Rate Summary - Residential Condominium Component

Base Capitalization Rate	7.0000%	
Effective Tax Rate	<u>5.1908%</u>	
Composite Capitalization Rate		12.1908%

Valuation Summary

Total Net Operating Income	\$6,693,826	
Composite Capitalization Rate	<u>12.1908%</u>	
Indicated Value		\$54,908,887
Rounded to		\$54,910,000
<i>Indicated Value Per SF/GBA</i>		<i>\$149.64</i>
<i>Indicated Value Per Residential Unit</i>		<i>\$274,550</i>

Determination of Assessment

Nassau County

Level of Assessment	1.00%
Appraiser's Indicated A.V.	\$549,100

ANALYSIS OF RESIDENTIAL CONDOMINIUM TOWERS – CITY OF LONG BEACH

HOMESTEAD CLASSIFICATION

SALES COMPARISON APPROACH OVERVIEW

The Sales Comparison Approach is associated with the principles of substitution and contribution with emphasis placed on the interaction of a willing buyer and a willing seller in the open marketplace.

The Sales Comparison Approach is based upon the proposition that an informed purchaser would pay no more for a property than the cost of acquiring an existing property with the same utility. This approach is most applicable when an active market provides sufficient quantities of reliable data.

This approach is applied to the valuation of the residential condominiums only in the City of Long Beach jurisdiction. All of the input parameters were derived from the competitive market.

COMPARABLE RESIDENTIAL CONDOMINIUM SALES

The table below summarizes recent sales of waterfront condominium units in Long Beach.

Residential Condominium Sales Long Beach, New York						
Building Name	Address	Sale Date	Unit No.	Sale Price	NRA	Sale Price/SF

The comparable data depicts sales prices ranging from \$590,000 to \$1,895,000 per unit. When analyzed on a price per square foot of rentable area the sales range from \$445.62 to \$1,024.32 per square foot. The average sale price equates to \$672 per square foot and the median sales price equates to \$604 per square foot.

The subject will be newly constructed and highly amenitized. As such, we would expect sales prices to exceed the central tendencies (on a per square foot basis) depicted by the comparable data. Based upon an analysis of the comparable data, the following sales prices were estimated for the subject's residential condominium units.

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CITY OF LONG BEACH – HOMESTEAD VALUATION

The previously concluded value estimates for the subject's residential condominium units are applied in the sales comparison analysis in order to derive a gross sellout value.

The table below depicts the estimation of the subject's gross sellout value and concluded indication of assessed value for the City of Long Beach under the Homestead classification.

Sales Comparison Analysis Condominium Towers A & B Engel Burman at The Beach LLC S/S Broadway, Between Riverside Blvd. & Long Beach Blvd. Long Beach, New York 11561 Section 59, Block 116, Lot 38					
<u>Subject Property Data</u>		<u>Valuation Assumptions</u>		<u>Sale Price/Unit</u>	<u>Sale Price/SF</u>
Gross Building Area:	366,940	1 Bedroom		\$800,000	\$792.08
		2 Bedroom (B-1/B-3)		\$1,050,000	\$732.98
Net Rentable Area	261,270	2 Bedroom (B-4/B-6)		\$1,150,000	\$745.85
Average NRA - 1 Bedroom	1,010				
Average NRA - 2 Bedroom (B-1/B-3)	1,433				
Average NRA - 2 Bedroom (B-4/B-6)	1,542				
No. of Residential Condominium Units	200				
Total Site Area:	147,614				
Land to Building Ratio:	0.40				
Tax Year					2019/20
<u>Gross Sellout</u>	<u>No. of Units</u>	<u>NRA</u>	<u>Sale Price/SF</u>	<u>Sale Price/Unit</u>	<u>Gross Sellout</u>
1 Bedroom	68	1,010	\$792.08	\$800,000	\$54,400,000
2 Bedroom (B-1/B-3)	100	1,433	\$732.98	\$1,050,000	\$105,000,000
2 Bedroom (B-4/B-6)	32	1,542	\$745.85	\$1,150,000	\$36,800,000
Total Gross Sellout					\$196,200,000
City of Long Beach					
Equalization Rate					3.28%
Appraiser's Indicated A.V.					\$6,435,360

SUMMARY OF CONCLUSIONS – RESIDENTIAL CONDOMINIUM TOWERS

Based on our analysis, the following estimates of Real Property Value, Ad Valorem assessment and estimated Real Estate Taxes are derived for the residential condominium component of the subject property.

The Class II tax rates for Nassau County and the Long Beach school district are applied to the estimated assessed value derived utilizing the income capitalization approach and the Homestead tax rate is be applied to the estimated assessed value derived utilizing the sales comparison approach.

Projected Value, Assessed Valuation & Estimated R.E. Taxes		
Condominium Towers A & B		
Engel Burman at The Beach LLC		
S/S Broadway, Between Riverside Blvd. & Long Beach Blvd.		
Long Beach, New York 11561		
Section 59, Block 116, Lot 38		
Projected Value Estimate - Nassau County - Class II		
Luxury Waterfront Condominium Towers		\$54,910,000
Projected Value Estimate - City of Long Beach - Homestead		
Luxury Waterfront Condominium Towers		\$196,200,000
Estimated Ad Valorem Assessed Value		
Nassau County		\$549,100
City of Long Beach		\$6,435,360
Implied Real Estate Tax Burden		
	<u>Tax Rate</u>	<u>Implied R.E. Taxes</u>
2020 Class II General Tax Rate/\$100 A.V.:	\$67.0690	\$368,276
2019/20 Class II School Tax Rate/\$100 A.V.:	\$352.1700	\$1,933,765
2019/20 Homestead City Tax Rate/\$100 A.V.:	\$19.35178	\$1,245,357
Total:		\$3,547,398

*** Under the hypothetical condition that the improvements are completed, operating at stabilized occupancy, and on the current tax rolls utilizing the current tax rates.*

As of the date of this analysis, the global economy is being disrupted by COVID-19. Locally, the virus is spreading and as testing continues the number of cases continues to climb. The Federal, State and Local Governmental Agencies are instituting unprecedented restrictions on how the American public lives and works. Given the many unknown aspects pertaining to this novel virus, the effects of COVID-19 on the real estate market in the area of the subject property were not yet measurable based upon reliable data. While it is believed there will be both short- and long-term impacts, at this time any assertion would be purely speculative. With these factors in mind, the market value estimate contained herein is necessarily based upon data available to the appraiser at the time of the assignment and applies only as of the effective date indicated. The presented market data may not reflect the impact of COVID-19. Moreover, no analyses or opinions contained in this appraisal should be construed as predictions of future market conditions or value.

LIMITING CONDITIONS AND GENERAL ASSUMPTIONS

1. Building area and site area estimates utilized throughout this report are based upon the descriptive information provided by the client.
2. No responsibility is assumed for matters of a legal nature affecting title to the property nor is an opinion of title rendered. The title is assumed to be insurable.
3. Information furnished by others is assumed to be true, correct and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the appraiser(s).
4. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures that would render it more or less valuable. No responsibility is assumed for such conditions or for the engineering that may be required to discover them.
6. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless non-conformity has been stated, defined and considered in the report.
7. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless non-conformity has been stated, defined and considered in the report.
8. It is assumed that all required licenses, consent or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been, or can be, obtained or renewed for any use on which is contained in this report.
9. It is assumed that the improvements are within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted within the report.
10. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material contained in this report, it is recommended that the reader contact the undersigned.
11. This report represents a summary of the findings of the data gathering process and the appropriate analysis. All input data would have been too voluminous to include in this report. The exclusion of same does not preclude the appraiser(s) from referring to this data at a future date. If the occasion arises, the appraiser(s) reserves the right to refer to any of the source material used in the preparation of this appraisal to further clarify any item contained in this report.
12. The valuation techniques and data apply to this case only. They may or may not apply to other properties or situations. Unless Standard Valuation Services does a complete analysis according to their standards, no such implication can be assumed or inferred.

13. This report is meant to be presented in its entirety. If this report is presented in any form other than its complete form, it becomes invalid.
14. Projections utilized in this report are based upon analysis of past and current trends, business cycles and available market data. Supporting data for the conclusions presented herein is retained in the appraisers' work files. Future valuation estimates may be affected by events that cannot be reasonably foreseen at the time of the writing of this report. These may be local, national or international in scope. It must be understood that actual results achieved during projection periods may vary from those indicated and the variations could be material.
15. The estimates contained in this analysis are based on the assumption that the improvements are fully constructed, operating at stabilized occupancy, and on the current tax rolls as of the date of this report. As such, this analysis does not consider differing tax rates or market conditions that may be in effect when the proposed improvements are completed.
16. While we have taken every step to forecast realistic current assessments for the proposed improvements under the scenario(s) outlined herein, there are many variable factors, including but not limited to, comparable sales values, comparable rental values, vacancy rates, operating expense ratios, tax rates, capitalization rates, interest rates and equalization rates. As such, there is no guarantee that the assessor would adopt these figures and the actual assessment and subsequent real estate tax burden may be higher or lower than those forecasted herein.
17. Maps, plats, and exhibits included herein are for illustration only; as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.
18. This report is made for the client to who it is addressed and is to be used by said client only for the purpose stated in the report. No reliance is to be placed on this report for any other purpose nor shall it be published, distributed or shown to other parties, or disseminated to the public in any part, whether through advertising, public relations, news, or any other means of communication, without prior written consent and approval.

CERTIFICATION

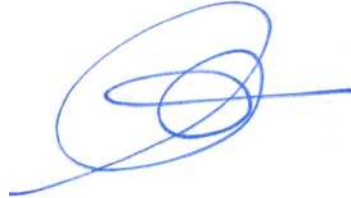
The undersigned certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, conclusions, and recommendations.
3. We have no present or prospective interest in the property that is the subject of this report, and have no personal interest with respect to the parties involved.
4. We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment for any other client.
5. We have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal consulting assignment.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Ronald Camilleri and Andrew W. Albro have made a personal inspection of the property that is the subject of this report.
10. No one provided significant real property appraisal or appraisal consulting assistance to the persons signing this certification.
11. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, Ronald Camilleri and Andrew W. Albro have completed the continuing education program for Designated Members of the Appraisal Institute.



Ronald Camilleri, MAI
March 31, 2020



Andrew W. Albro, MAI
March 31, 2020

ADDENDA

QUALIFICATIONS

RONALD CAMILLERI, MAI
Certified General Real Estate Appraiser
State Of New York - ID # 46000026088



EXPERIENCE:

STANDARD VALUATION SERVICES

Partner
October 1999 to Present

R.D. Geronimo, Ltd.
February 1994 to October 1999

RESPONSIBILITIES:

Conduct narrative appraisals and advise clients for a variety of functions, including:

➤ *Litigation, estate planning, financing, mass appraisal, sale and lease negotiations, tax certiorari, condemnation, investment decisions, asset management, foreclosure and asset recovery, market and feasibility studies.*

My practice is focused on complex and unique appraisal and consulting assignments, large scale projects and matters involving litigation.

➤ *Properties appraised include vacant land, shopping centers (small strip through regional mall), movie theaters, urban and suburban office complexes, assisted living facilities, nursing homes, full and limited service hotels, urban and suburban apartment complexes, mobile home parks, golf courses, industrial properties, religious facilities, educational facilities, telecommunications facilities, marinas, proposed development projects and other special-use properties.*

EDUCATION:

Hofstra University, Hempstead, New York
Master of Business Administration in Finance—June 1997

State University of New York at Binghamton
Bachelor of Arts in Economics – May 1990

ASSOCIATION MEMBERSHIPS & APPOINTMENTS:

MAI Member – Appraisal Institute

Experience Review Screener – Appraisal Institute
2014 - Present

CONTINUED EDUCATION:

Current and in compliance with the continuing education requirements for Designated Members of the Appraisal Institute

EXPERT TESTIMONY:

- Nassau County Supreme Court
- American Arbitration Association
- JAMS
- Settlement Systems, Inc.

RELATED SEMINARS:

- New York City Apartment Building Case Studies
- Appraisal of Nursing Facilities
- The Internet and Appraising
- Understanding and Using DCF Software
- The Valuation of REITS
- Real Estate Market Trends in the Long Island & Metropolitan New York Market
- Dynamics of Office Leasing
- 1998 Seniors Housing World Conference
- Mark to Market: The Next FIRREA
- Analyzing Operating Expenses
- Mass Appraisal Model Seminar
- Nassau County Tax Assessment
- Market Analysis and the Site to Do Business
- Appraising Environmentally Contaminated Properties
- Real Estate Investments and Appraisal Skills
- New Frontiers and Opportunities in Litigation
- Online Valuation Resources Available to the NY Appraiser
- Nassau County Assessment – Challenges, Initiatives and Valuation
- Subdivision Valuation – A Comprehensive Guide to Valuing Improved Subdivisions
- Co-Ops/Condos: Residential Market Forecast for Year 2008
- The Sub-Prime Mortgage Crisis
- Retail Trends of Tomorrow
- Valuation of Green Buildings
- Appraising Distressed Commercial Real Estate
- Hotel Appraising - New Techniques For Today's Uncertain Times
- Fundamentals of Separating Real Property, Personal Property & Intangible Business Assets
- Building Costs and Challenges in the Long Island Real Estate Market
- Appraising Cell Phone Towers
- LI Housing Market: Transitioning from Recovery to Recovered
- Supervisory Appraiser/Trainee Appraiser Course
- 1031/1033 Exchanges: Rules, Solutions and Alternatives
- Liability Issues for Appraisers
- Evaluating Long Island's Market Trends
- Tax Certiorari & Condemnation
- Prudent Appraisal Trial Practices
- Current Real Estate Issues on Long Island
- New Horizons in Long Island Real Estate
- Practical Highest and Best Use
- Uniform Appraisal Standards for Federal Land Acquisitions

ANDREW W. ALBRO, MAI
State Certified General Real Estate Appraiser
State of New York - ID # 46000002861
State of New Jersey – ID # 42RG00265000



➤ ***Experience:***

STANDARD VALUATION SERVICES
Executive Vice President, Principal

Director, Condemnation Valuation and Commercial Certiorari Valuation
January 1996 to July 2005

Senior Commercial Appraiser
January 1992 to December 1995

MacCrate Associates, Inc.
July 1986 to December 1991

Real Estate Appraisal and Consultation -

Dealing with commercial, industrial, residential and special-use properties for a variety of functions, including:

Tax certiorari; condemnation and damage analyses; right-of-way, utility, and conservation easements; urban renewal; financing, sale and lease negotiations; arbitration, investment decisions; asset management; foreclosure and asset recovery; market studies and feasibility analysis.

Properties appraised include vacant land, urban and suburban apartment complexes, restaurants, gas stations, large manufacturing plants, industrial lofts, subsidized housing projects, regional shopping malls, shopping centers, urban and suburban office buildings, leaseholds, partial interests, hotels, parking garages, daycare centers, assisted living facilities, marinas, theaters, recreational facilities, schools and campuses, communication tower sites, outdoor signage, streets and corridors, and other special-use properties.

Perform eminent domain appraisals for condemnees and condemnors, including New York State Department of Transportation, City of New York Law Department, City of Long Beach, Village of Westbury, Federal Aviation Administration, and Town of Hempstead Planning Department.

Perform tax certiorari appraisals for petitioners and municipalities, including Villages of Mineola, East Williston, Williston Park, Lynbrook, Massapequa Park, Roslyn; Nassau County; City of New York and City of Long Beach.

➤ ***Expert Testimony:***

- New York State Court of Claims
- New York State Surrogate's Court, New York County
- New York County (Manhattan) Supreme Court
- Nassau County Supreme Court
- Suffolk County Supreme Court
- Kings County Supreme Court
- Queens County Supreme Court
- Nassau County Legislature
- Town of North Hempstead Zoning Board of Appeals
- Village of Mineola Zoning Board of Appeals
- Village of Lawrence Zoning Board of Appeals
- American Arbitration Association

- **Education:** St. John's University, Jamaica, New York
Bachelor of Science in Quantitative Analysis, 1986
- **Association Membership:** MAI (#11882) Member, Appraisal Institute, Long Island Chapter
CSA-G Designation, Columbia Society of Real Estate Appraisers
Member of International Right of Way Association
Member, Community Bankers Mortgage Forum
- **Professional Affiliations:** Long Island Chapter, Appraisal Institute
 - 2008: Chapter President, Regional Representative
 - 2007: Chapter Senior Vice President, Regional Representative
 - 2006: Chapter Vice President
 - 2005: Chapter Secretary
 - 2003–04: Chair, General Seminars Committee
 - 2001–2002: Chair, Chapter By-laws Committee
 - 1998–2000: Chair, Associate Member/General Liaison Committee
 - 1995–1999: Vice Chair, Course Coordinator, Education, General
- **Instructor:** Seminar, Nassau County Attorney's Office, June 2009
Capitalization Rates – Facts and Fiction

Seminar, Suffolk County Bar Association and Suffolk County Academy of Law
October 2017 – *Tax Certiorari Mock Trial*

September 2019 – *Condemnation & Tax Certiorari – Avoiding Potential Pitfalls in the Litigation Process*
- **Seminar Developer:** Seminar, New York State Bar Association, April – May 2010
Real Property Valuation in Changing Times
- **Speaker:** Metropolitan Mortgage Officers Society, October 2013
- **Continued Education:** Attend frequent seminars and continued education courses sponsored by various organizations, including the following Appraisal Institute seminars:
 - “Appraisal of Nonconforming Uses”
 - “Leasehold Valuation and its Impact on Value”
 - “Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets”
 - “Appraising Environmentally Contaminated Properties: Understanding and Evaluating Stigma”
 - “Rates and Ratios: Making Sense of GIMs, OARs and DCF”
 - “Evaluating Commercial Construction”
 - “Subdivision Analysis”
 - “The Road Less Traveled: Special Purpose Properties”
 - “Small Hotel/Motel Valuation”
 - “Real Estate Value, Finance and Investment Performance”
 - "Eminent Domain and Condemnation"
 - “Easement Valuation”
 - “The Law and Value: Communication Corridors, Tower Sites, and Property Rights”
 - “Appraisal of Nursing Facilities”
 - "Appraising Troubled Properties"
 - “The Valuation of Real Estate Businesses”
 - "Attacking and Defending an Appraisal in Litigation"
 - “Valuation and Evaluation of Proposed Projects”

EXHIBIT B
NDC REPORT

**COST BENEFIT ANALYSIS
SUBSTANTIATION OF NEED FOR NASSAU COUNTY IDA FINANCIAL ASSISTANCE**



Rendering of As-Complete Residential Development

PROJECT NAME AND DEVELOPER

Engel Burman at the Beach LLC

LOCATION

Broadway between Riverside Boulevard and Long Beach Boulevard
Long Beach, NY

PROJECT DESCRIPTION

New Construction of Mixed Income Residential Rental and Condominium Units and 6,500 Retail SF

REQUESTED FINANCIAL ASSISTANCE

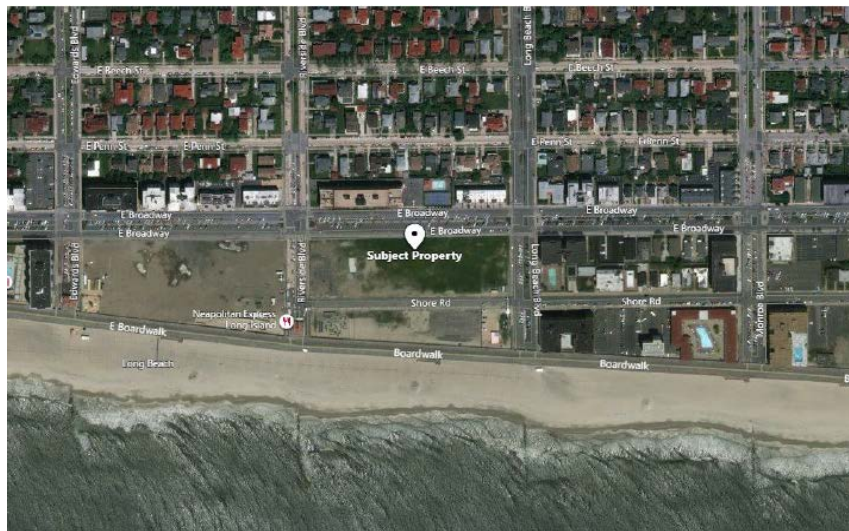
25-Year Payment of Lieu of Taxes
Exemption on Sales Tax of Building Materials
Exemption on Mortgage Recording Sales Tax

July 6, 2020

The National Development Council (“NDC”) has a limited engagement with the Nassau County Industrial Development Agency (the “IDA”) to review applications for tax assistance. NDC is a national economic development organization that provides development finance advisory services to municipalities throughout the country. NDC is commonly requested to analyze financial structures of proposed developments and determine the appropriateness of direct financial assistance or incentives. The purpose of this memo is to describe NDC’s project understanding and findings of the above-referenced development.

A. PROJECT SUMMARY

Engel Burman at the Beach, LLC (the “developer” or “applicant”) has submitted a Uniform Joint Application for tax assistance to the IDA. The applicant is an affiliate of Engel Burman, a highly accomplished vertically integrated development, construction, and management company that has developed dozens of residential, commercial, assisted living and healthcare properties throughout the tri-state areas. The applicant has developed its own residential brands including “The Bristol” senior living facilities.



Aerial photo

The applicant proposes to build a transit-oriented development (TOD) at a 6.04-acre block situated on Broadway between Riverside Boulevard and Long Beach Boulevard, adjacent to the boardwalk in the City of Long Beach. The oceanfront site has reportedly been vacant since 1984 and multiple redevelopment efforts have been mired by litigation and other challenges. The applicant has a purchase option with an affiliate of iStar Financial, a development company that was unsuccessful in its effort to build a 655,000 square foot mixed-use building with 522 units in two 15-story towers several years ago.

The proposed development by the applicant will consist of a newly constructed twelve (12) story luxury waterfront rental apartment building with boardwalk level retail space as well and two (2) newly constructed eleven (11) story luxury waterfront residential condominium buildings. There will also be 6,500 square feet of ground floor retail and 1,112 supportive parking spaces, 926 of which will be in structured parking garages.

DEVELOPMENT PROGRAM				
	Rental	Condominium		TOTAL
Total Residential Units	238	200		438
Market rate Units	208	200		408
Workforce Units	30			30
Gross Square Feet	281,230	366,940		648,170
Net Square Feet	235,790	235,790		471,580
Retail SF	6,500			6,500
Parking Spaces	500	426	186	1,112



View of Site

Rental Apartment Tower

The mixed-use and mixed-income apartment tower will contain 238 residential apartments and +/- 6,500 square feet of retail space. The proposed gross building area is reported at 287,730 square feet. The subject will be configured with 20 studios, 90 one-bedrooms apartments and 128 two-bedroom apartments. There will be a tiered affordability plan for workforce units. Thirty (30) of the apartments will be designated as “workforce” units affordable to individuals and households earning less than 80% (6 units) , 100% (12 units) , 120% (12 units) of area median income (AMI).



Rendering of one building



Rendering of one building

The applicant had originally proposed to place into service 24 rental units priced affordably to households earning 130% of AMI.

Condominium Apartment Towers

The two residential condominium towers will contain a total of two hundred (200) residential apartments. The proposed gross building area is reported at 366,940 square feet and the net rentable area is 261,270 square feet. The building will be configured with 68 one-bedroom for-sale apartments and 132 for-sale two-bedroom apartments.

The buildings will feature top of the line finishes and appliances and many common care amenities including in-ground heated pool, fitness center, club room, direct waterfront access, professional landscaping, concierge and doormen.



Site Plan

The condominium units will pay the fully assessed real estate taxes. For the rental building, the applicant seeks a partial tax exemption in the form of a twenty-five (25) year payment in lieu of taxes (PILOT) agreement. Other financial benefits, including a sales tax exemption and mortgage recording tax exemption, are requested for the rental and condominium community.

B. SOURCES & USES

The \$369 million, 438-unit mixed-use and mixed-income transit-oriented development will be financed with conventional debt and equity. Large residential and/or mixed-use buildings are typically financed during the construction phase at 65% debt and 35% equity. The developer has not yet secured financing as it is highly dependent on the tax benefit package available from the IDA.

The \$157.9 million development budget for the rental community, a 10-story non-combustible concrete building is high, equivalent to \$664K per unit.

RENTAL COMMUNITY SOURCES AND USES				
USES OF FUNDS	\$	Per Unit	Per SF	%
Land Acquisition	\$10,500,000	\$44,118	\$37	7%
Site Work	\$12,000,000	\$50,420	\$43	8%
Hard Costs--Construction	\$86,072,250	\$361,648	\$306	55%
Structured Parking	\$17,000,000	\$71,429	\$60	11%
Finance Fees	\$11,000,000	\$46,218	\$39	7%
Soft Costs and Professional Fees	\$21,341,450	\$89,670	\$76	14%
Total	\$157,913,700	\$663,503	\$562	100%
SOURCES OF FUNDS	\$	Per Unit		%
Loan	\$102,643,905	\$431,277		65%
Equity	\$55,269,795	\$232,226		35%
TOTAL	\$157,913,700	\$663,503		100%

This cost is substantially higher than most other rental buildings that have gone into service or have been proposed in the region. The high costs are attributable to the following extraordinary costs, as reported by the applicant;

- The building is designed to meet FEMA standards with “hurricane proof” glass, saltwater protection techniques, and other high-end features typically not seen in other Long Island multi-family rental projects. These design and material requirements add a premium (likely 10 – 15% or more) to traditional costs for multi-family housing development.
- \$17 million for structured parking, equivalent to approximately \$35,000 per parking space.
- \$12 - \$14 million in site work costs, including
 - \$7 - \$8 million for pilings for the foundation necessary to support the building
 - \$3 – 4 million for sewer and water infrastructure
 - \$2 million for electric infrastructure.

The applicant acknowledges that this proposed building has considerably higher costs than its other multi-family properties in its portfolio. Its other properties are wood-frame buildings typically not exceeding four stories, have on grade parking, and are not located in a flood zone.

The building type, site work and structured parking needs result in the higher costs (\$40 million or more) that challenges financial feasibility of the proposed development.

The cost for the condominium community is considerably higher, equivalent to over \$1 million per unit in costs. It has similar design, site work and structured parking issues that elevate costs. However, the unit sizes are greater, and it features enhanced design standards as well as superior finishes and amenities.

CONDO COMMUNITY SOURCES AND USES				
CONDO USES of FUNDS	\$	Per Unit	Per SF	%
Land Acquisition	\$20,000,000	\$100,000	\$55	9%
Site Work	\$14,560,000	\$72,800	\$40	7%
Construction	\$115,786,520	\$578,933	\$316	55%
Infrastructure	\$17,000,000	\$85,000	\$46	8%
Finance Fees	\$14,000,000	\$70,000	\$38	7%
Soft Costs and Professional Fees	\$29,809,730	\$149,049	\$81	14%
TOTAL	\$211,156,250	\$1,055,781	\$575	100%
CONDO SOURCES OF FUND	\$	Per Unit	Per SF	%
Loan	\$137,251,562.50			65%
Equity	\$73,904,687.50			35%
TOTAL	\$211,156,250.00			100%

Assembling a capital structure to cover the costs for the proposed development is extremely challenging. Multi-family rental communities are more common than multi-family condominium communities simply because financing for residential condominiums is typically not as readily available. Most lenders have resisted financing a for-sale residential product since the last real estate recession in 2008 as condominiums represent a higher risk profile.

TOTAL SOURCES AND USES OF FUNDS	
TOTAL USES	\$
Land Acquisition	\$30,500,000
Site Work	\$26,560,000
Construction	\$201,858,770
Infrastructure	\$34,000,000
Finance Fees	\$25,000,000
Soft Costs and Professional Fees	\$51,151,180
TOTAL	\$369,069,950
TOTAL SOURCES OF FUNDS	\$
Loan	\$239,895,468
Equity	\$129,174,483
TOTAL	\$369,069,950

C. SUMMARIZED BENEFITS PACKAGE FOR DEVELOPER

The summary of the package is represented in the following table;

PILOT AND TAX SUMMARY			
IDA RELATED PROPERTY TAXES			
	<i>Rental</i>	<i>Condo</i>	<i>Total</i>
Current Taxes	\$225,041	\$286,994	\$512,035
As Complete Full Taxes	\$2,834,170	\$3,547,398	\$6,381,568
Per Unit As Complete Taxes	\$11,908	\$17,737	\$14,570
Multiplier	12.59 x : 1	12.36 x : 1	12.46 x : 1
PILOT schedule for Rental	25-year	None	
Savings over 25 Years	\$49,337,048	\$ does not apply	\$49,337,048
PILOT Over 25 years	\$23,004,934	\$ does not apply	\$23,004,934
Real Estate Taxes Paid over 25 years		\$107,225,525	\$107,225,525
Total PILOT and Real Estate Taxes Over Term			\$130,230,459
MORTGAGE RECORDING TAX EXEMPTION			
	<i>Rental</i>	<i>Condo</i>	<i>Total</i>
Mortgage (65% of cost)	\$102,643,905	\$137,251,563	\$239,895,468
Mortgage Recording Tax	1.05%	1.05%	1.05%
Transit District Exclusion	-0.30%	-0.30%	-0.30%
Mortgage Recording Tax Exemption %	0.75%	0.75%	0.75%
Value of Exemption	\$769,829	\$1,029,387	\$1,799,216
SALES TAX EXEMPTION			
	<i>Rental</i>	<i>Condo</i>	<i>Total</i>
Construction Cost	\$115,822,250	\$148,346,250	\$205,230,000
Value of Building Materials	\$69,793,250	\$89,407,750	\$159,201,000
Sales Tax	8.625%	8.625%	8.625%
Value of Exemption	\$6,019,668	\$7,711,418	\$13,731,086

SVS Standard Valuation Services (SVS) completed a Real Estate Tax Assessment Projection for the subject property. It reported the current taxes on the current property and estimated real estate taxes after determining value based upon the income approach to valuation.

TAX DETERMINATIONS FROM SVS REPORT				
		<i>Rental</i>	<i>Condo</i>	<i>Total</i>
# Units		238	200	438
Total Current Tax		\$225,041	\$286,994	\$512,035
Total Estimated As Complete Taxes		\$2,834,170	\$3,547,398	\$6,381,568
Per Unit		\$11,908	\$17,737	\$14,570

The estimated tax after completion for the rental community is \$2,834,170, equivalent to \$11,908 per unit. This is considered extremely high for a rental development.

The estimated tax after completion for the condominium community is \$3,547,398, equivalent to \$17,737. This is high for for-sale units of one- and two-bedroom condominium units.

The high development costs combined with the high real estate taxes renders the project financially infeasible. Since a condominium community is not eligible for the PILOT, only the rental community will have a PILOT.

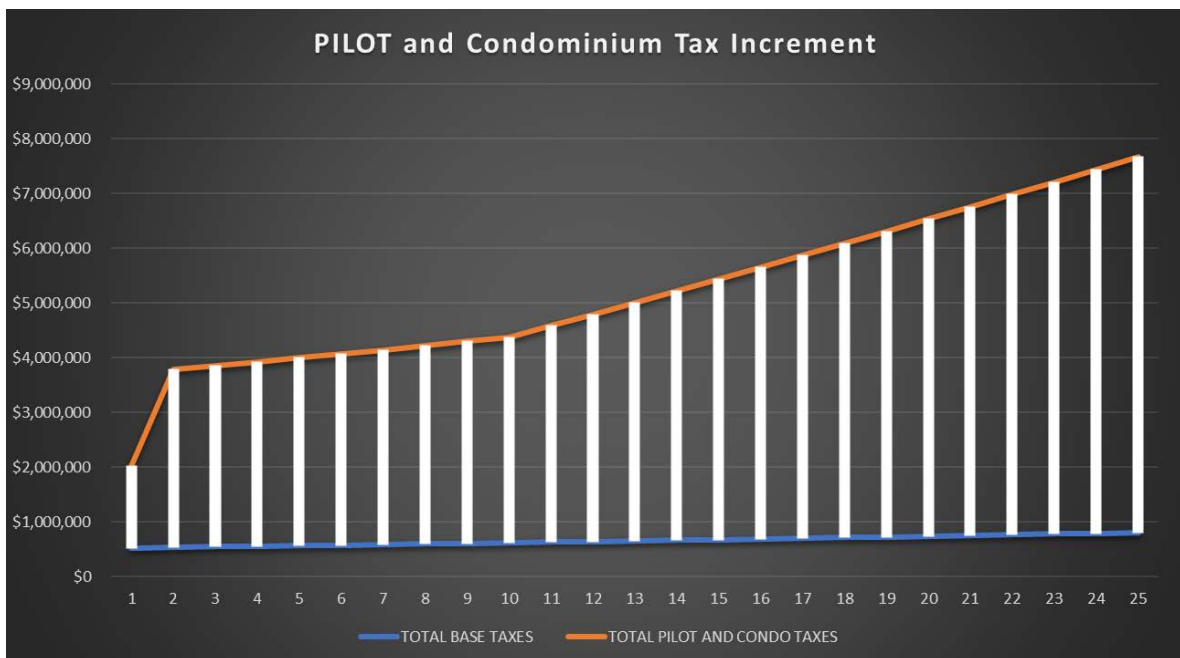
The applicant requested a thirty-year PILOT schedule, including a ten-year 100% exemption on the improvements.

The proposed PILOT schedule found in **Exhibit 1 on page 13** locks in a 100% abatement for ten years and includes a 25-year schedule. Following a ten-year 100% lock-in period, the abatement will be reduced by 5% annually in years 11 – 25. While the length (10 years) of the lock-in period and the abatement percentage (100%) during the lock-in period are longer and higher than what would normally be considered, the PILOT is necessary to create financial feasibility and offset the extraordinary design, site costs, and structured parking costs associated with the development and detailed earlier.

The savings realized by the rental community through the proposed PILOT total \$49.4 million during the 25-year term.

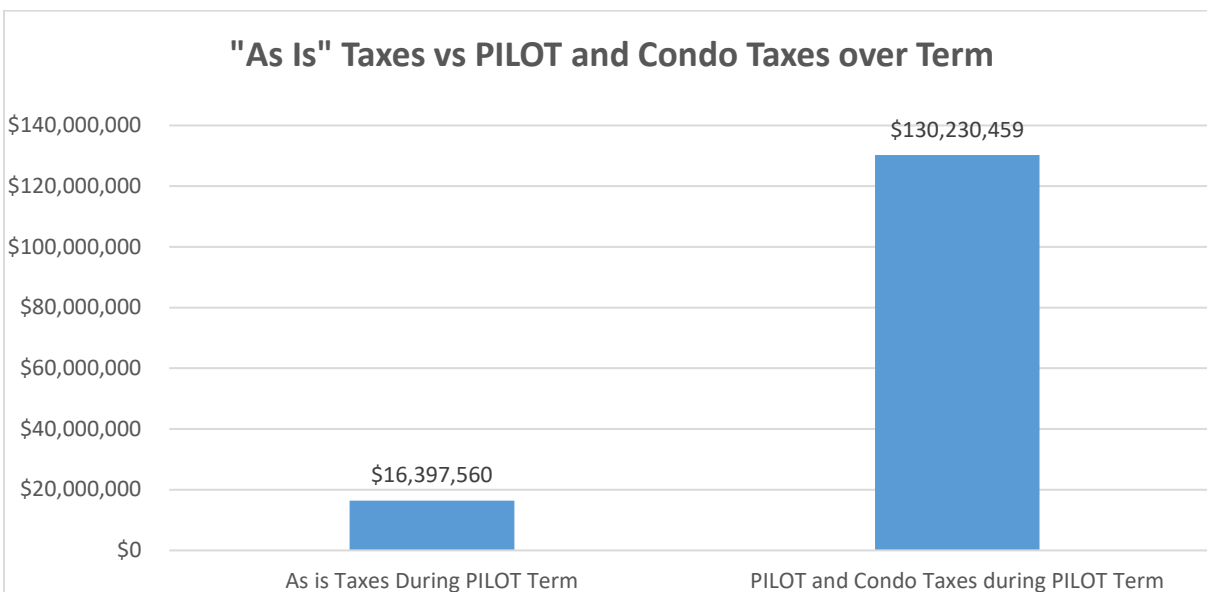
The unique aspect of this development is that there are substantial supplemental real estate taxes paid by the condominium community. As previously mentioned, the estimated annual condominium taxes are approximately \$3.5 million. The condominiums will be constructed in two 100 unit phases.

The below chart demonstrates the real estate increment (rental community PILOT and condominium community real estate taxes) during the 25-year PILOT period.



Over the course of the twenty-five-year PILOT period, it is estimated that there will be over \$130.2 million paid by the development. The PILOT payments (\$23 million) from the rental community will account for 18% of the total and real estate taxes (\$107 million) from the condominium community will account for or 82% of the total. The annual average in rental PILOT payments and condominium real estate taxes is approximately \$5.2 million.

The base taxes and the projected PILOT payments on the rental community and the real estate taxes for the condominium units are presented in **Exhibit 2 on page 14**.



D. SUMMARY OF NDC ANALYSIS

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

- Increasing assessor provided baseline taxes by a 1.81% annual increase and improvements by 0.0%.
- Permanent loan assumptions that are in line with the current market for similar projects
 - 30-year amortization
 - Rate of 5.00%
- Adjusting revenue growth to 3% annually for market rate units
- Adjusting revenue growth to 2% annually for workforce units
- Adjusting expense growth to 3% annually
- Projecting terminal value of project using a 5.0% cap rate

The market rents for the new units, ranging from \$3.17 to \$5.13/SF monthly, or an average monthly rent of \$3,670 per unit, are on the higher side to other comparable residential rental buildings in the market.

The updated rental program includes 30 workforce units are priced to be affordable to households earning less than 120% area median income (AMI), 100% AMI, and 80% AMI. The average workforce rent spread among the 30 units is \$2,502.

Workforce Unit Split								
120% AMI	12 units							
100% AMI	12 units							
80% AMI	6 units							
TOTAL	30 units							
UNIT MIX AND RENT ROLL								
		Units	NSF		Total NSF	Mo Rent	Rent/SF	Annual Rent
Market Studio		15	585	6%	8,775	\$3,000	\$5.13	\$540,000
Market 1BR 1.5 BA		80	760	34%	60,800	\$3,400	\$4.47	\$3,264,000
Market 2BR 2BA		97	1,135	41%	110,095	\$3,900	\$3.44	\$4,539,600
Market 2BR 2.5BA		16	1,342	7%	21,472	\$4,250	\$3.17	\$816,000
Total Market		208		87%	201,142	\$14,550		\$9,159,600
Workforce Studio	120% AMI	3	585	1%	1,755	\$2,400	\$4.10	\$86,400
Workforce Studio	100% AMI	2	585	1%	1,170	\$2,120	\$3.62	\$50,880
Workforce 1BR 1.5 BA	120% AMI	4	760	2%	3,040	\$2,700	\$3.55	\$129,600
Workforce 1BR 1.5 BA	100% AMI	4	760	2%	3,040	\$2,250	\$2.96	\$108,000
Workforce 1BR 1.5 BA	80% AMI	2	760	1%	1,520	\$1,785	\$2.35	\$42,840
Workforce 2BR 2BA	120% AMI	5	1,135	2%	5,675	\$3,200	\$2.82	\$192,000
Workforce 2BR 2BA	100% AMI	6	1,135	3%	6,810	\$2,690	\$2.37	\$193,680
Workforce 2BR 2BA	80% AMI	4	1,135	2%	4,540	\$2,133	\$1.88	\$102,384
Total Workforce		30		13%	27,550	\$19,278		\$905,784
Total		238		100%	228,692	\$33,828		\$10,065,384

As can be seen below, the development does not work financially if it were to pay full taxes. By the fourth operating year, what the applicant considers to be its “stabilized” year, the cash flow is barely positive if it paid full taxes. None of the financial metrics required are met with the project paying full taxes.

NDC factored the actual fourth year PILOT as well as the average PILOT paid over the term of the PILOT in the stabilized pro forma. Even with the proposed PILOTs factored, the returns to the applicant/investors are just meeting the financial metrics required of lenders and investors. There is no undue enrichment to the applicant as a result the financial package.

STABILIZED OPERATING PRO FORMA (Assumed to be 4th year of operations after new construction)							
	WITHOUT PILOT		WITH PILOT (Actual 4th year PILOT)		WITH PILOT (average over term)		
	\$	PER UNIT	\$	PER UNIT			
Market Gross Income	\$10,509,389						
Workforce Gross Income	\$1,009,286						
Vacancy	(\$460,747)	4.00%					
Garage Income	\$411,835	\$69 per month					
Retail Space Income	\$177,568	\$27 per annum					
Other Income	\$597,942	\$209 per month					
Reimbursements	\$57,067						
Effective Gross Income	\$12,302,341		\$12,302,341		\$12,302,341		
Operating Expenses Excl Taxes	(\$2,524,942)	\$10,609 per unit 4th year	(\$2,524,942)	\$10,609 per unit 4th year	(\$2,524,942)	\$10,609 per unit 4th year	
RE Taxes	(\$2,920,048)	\$12,269 per unit 4th year	(\$250,613)	\$1,053 per unit 4th year	(\$950,664)	\$3,994 avg. over term	
Total Expenses	(\$5,444,990)	\$22,878 per unit 4th year	(\$2,775,555)	\$11,662 per unit 4th year	(\$3,475,606)	\$14,603 per unit 4th year	
Net Operating Income	\$6,857,351		\$9,526,786		\$8,826,735		
Debt Service	(\$6,612,176)		(\$6,612,176)		(\$6,612,176)		
Cash Flow	\$245,175		\$2,914,610		\$2,214,559		
							Market Expects
Debt Coverage Ratio	1.04		1.44		1.33		> 1.25
Yield to Cost Return (NOI/Cost)	4%		6%		6%		> 6%
Leveraged Internal Rate of Return *	5%		12%		12%		>12%

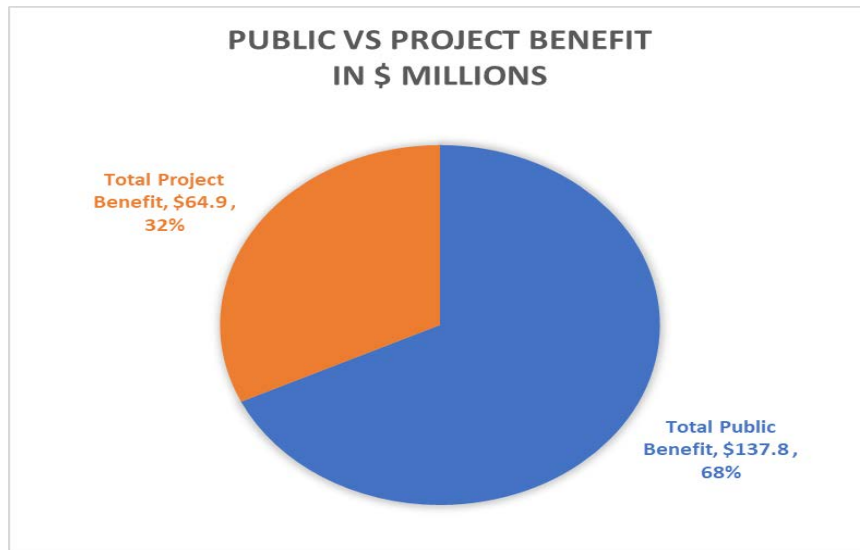
“But for” the proposed financial incentive package, the development is not considered financially feasible, as the developer would not be able to assemble the capital structure to cover development costs and meet the financial metric requirements.

E. COST / BENEFIT ANALYSIS

The public financial benefits are substantial at \$137.8 million, inclusive of rental community PILOT payments(\$23 million), condominium real estate taxes (\$107.2 million), and the value of the 30 workforce units. NDC established a valuation for the thirty workforce units at approximately \$7.5 million, equivalent to \$250K per unit. NDC valued the workforce units by identifying the delta between market and workforce rental units and dividing it by an assumed capitalization rate, as seen in **Exhibit 3 on page 15**.

The total project benefits of \$64.9 million consists of the PILOT savings during the term as well as the exemptions on the mortgage recording tax and sales tax. The net public benefit is \$72.9 million.

BENEFIT SUMMARY	
PILOT Over 25 Year Term	\$23,004,934
Condominium Real Estate Taxes over 25 Year Term	\$107,225,525
Value of 30 Units of Workforce Housing	\$7,551,130
Total Public Benefit	\$137,781,589
Rental Real Estate Tax Savings During 25 Year Term	\$49,337,048
Sales Tax Exemption	\$13,731,086
Mortgage Recording Tax	\$1,799,216
Total Project Benefit	\$64,867,351
Net Public Benefit	\$72,914,238



In addition to the above benefits, the applicant expects to create up to 300 construction jobs. It estimates up to twenty (20) full-time equivalent permanent jobs at the rental and condominium community and up to 20 jobs for the retail part of the for the development.

This project replaces a long vacant and blighted waterfront land parcel with much needed market rate and workforce rental units and for-sale condominium units. As a transit-oriented development (TOD) within a ½ mile of the Long Island Railroad station, it maximizes the site's land use. It supports the City's Urban Renewal Plan completed in 2004 by adding considerable disposable income from the 238 units to patronize the retail base and it catalyze future development and investment.

Kevin F. Gremse

Kevin F. Gremse
Senior Director

EXHIBIT 1: PILOT SCHEDULE

TAX DETERMINATIONS FROM SVS REPORT									
			Rental	Condo	Total				
# Units			238	200	438				
Total Current Tax			\$225,041	\$286,994	\$512,035				
Total Estimated As Complete Taxes			\$2,834,170	\$3,547,398	\$6,381,568				
Per Unit			\$11,908	\$17,737	\$14,570				
PILOT AND TAX SUMMARY									
	1.81% escalator	0.00% escalator						1.81% escalator	
Year	Base Taxes	Improvement Taxes	Full Taxes	Abatement %	Savings	RENTAL PILOT	Increment Over Base on Rental	CONDO TAXES	PILOT AND Condo Taxes
construction	\$225,041					\$225,041	\$0	\$286,994	\$512,035
construction	\$229,114					\$229,114	\$0	\$292,189	\$521,303
construction	\$233,261					\$233,261	\$0	\$297,477	\$530,738
1	\$237,483	\$2,596,687	\$2,834,170	100.00%	\$2,596,687	\$237,483	\$0	\$1,773,699	\$2,011,182
2	\$241,782	\$2,596,687	\$2,838,468	100.00%	\$2,596,687	\$241,782	\$0	\$3,547,398	\$3,789,180
3	\$246,158	\$2,596,687	\$2,842,845	100.00%	\$2,596,687	\$246,158	\$0	\$3,611,606	\$3,857,764
4	\$250,613	\$2,596,687	\$2,847,300	100.00%	\$2,596,687	\$250,613	\$0	\$3,676,976	\$3,927,589
5	\$255,149	\$2,596,687	\$2,851,836	100.00%	\$2,596,687	\$255,149	\$0	\$3,743,529	\$3,998,679
6	\$259,768	\$2,596,687	\$2,856,454	100.00%	\$2,596,687	\$259,768	\$0	\$3,811,287	\$4,071,055
7	\$264,469	\$2,596,687	\$2,861,156	100.00%	\$2,596,687	\$264,469	\$0	\$3,880,271	\$4,144,741
8	\$269,256	\$2,596,687	\$2,865,943	100.00%	\$2,596,687	\$269,256	\$0	\$3,950,504	\$4,219,761
9	\$274,130	\$2,596,687	\$2,870,817	100.00%	\$2,596,687	\$274,130	\$0	\$4,022,008	\$4,296,138
10	\$279,092	\$2,596,687	\$2,875,778	100.00%	\$2,596,687	\$279,092	\$0	\$4,094,807	\$4,373,898
11	\$284,143	\$2,596,687	\$2,880,830	95.00%	\$2,466,852	\$413,978	\$129,834	\$4,168,923	\$4,582,900
12	\$289,286	\$2,596,687	\$2,885,973	90.00%	\$2,337,018	\$548,955	\$259,669	\$4,244,380	\$4,793,335
13	\$294,522	\$2,596,687	\$2,891,209	85.00%	\$2,207,184	\$684,025	\$389,503	\$4,321,204	\$5,005,229
14	\$299,853	\$2,596,687	\$2,896,540	80.00%	\$2,077,349	\$819,191	\$519,337	\$4,399,417	\$5,218,608
15	\$305,281	\$2,596,687	\$2,901,967	75.00%	\$1,947,515	\$954,452	\$649,172	\$4,479,047	\$5,433,499
16	\$310,806	\$2,596,687	\$2,907,493	70.00%	\$1,817,681	\$1,089,812	\$779,006	\$4,560,118	\$5,649,930
17	\$316,432	\$2,596,687	\$2,913,118	65.00%	\$1,687,846	\$1,225,272	\$908,840	\$4,642,656	\$5,867,928
18	\$322,159	\$2,596,687	\$2,918,846	60.00%	\$1,558,012	\$1,360,834	\$1,038,675	\$4,726,688	\$6,087,522
19	\$327,990	\$2,596,687	\$2,924,677	55.00%	\$1,428,178	\$1,496,499	\$1,168,509	\$4,812,241	\$6,308,740
20	\$333,927	\$2,596,687	\$2,930,614	50.00%	\$1,298,343	\$1,632,270	\$1,298,343	\$4,899,342	\$6,531,613
21	\$339,971	\$2,596,687	\$2,936,658	45.00%	\$1,168,509	\$1,768,149	\$1,428,178	\$4,988,020	\$6,756,169
22	\$346,124	\$2,596,687	\$2,942,811	40.00%	\$1,038,675	\$1,904,136	\$1,558,012	\$5,078,304	\$6,982,440
23	\$352,389	\$2,596,687	\$2,949,076	35.00%	\$908,840	\$2,040,236	\$1,687,846	\$5,170,221	\$7,210,457
24	\$358,767	\$2,596,687	\$2,955,454	30.00%	\$779,006	\$2,176,448	\$1,817,681	\$5,263,802	\$7,440,250
25	\$365,261	\$2,596,687	\$2,961,948	25.00%	\$649,172	\$2,312,776	\$1,947,515	\$5,359,077	\$7,671,853
TOTAL DURING TERM	\$7,424,813	\$64,917,169	\$72,341,982		\$49,337,048	\$23,004,934	\$15,580,121	\$107,225,525	\$130,230,459

Exhibit 2: BASELINE TAXES VS. RENTAL COMMUNITY PILOT AND CONDO COMMUNITY REAL ESTATE TAXES

BASELINE VS. PROJECTED PILOT AND CONDO TAXES							
	1.81% escalator	1.81% escalator					
YEAR	BASES RENTAL TAXES	BASE CONDO TAXES	TOTAL BASE TAXES		RENTAL PILOT	CONDO TAXES	TOTAL PILOT AND CONDO TAXES
construiction	\$225,041	\$286,994	\$512,035		\$225,041	\$286,994	\$512,035
construction	\$229,114	\$292,189	\$521,303		\$229,114	\$292,189	\$521,303
construiction	\$233,261	\$297,477	\$530,738		\$233,261	\$297,477	\$530,738
1	\$237,483	\$286,994	\$524,477		\$237,483	\$1,773,699	\$2,011,182
2	\$241,782	\$292,189	\$533,970		\$241,782	\$3,547,398	\$3,789,180
3	\$246,158	\$297,477	\$543,635		\$246,158	\$3,611,606	\$3,857,764
4	\$250,613	\$302,862	\$553,475		\$250,613	\$3,676,976	\$3,927,589
5	\$255,149	\$308,343	\$563,493		\$255,149	\$3,743,529	\$3,998,679
6	\$259,768	\$313,924	\$573,692		\$259,768	\$3,811,287	\$4,071,055
7	\$264,469	\$319,606	\$584,076		\$264,469	\$3,880,271	\$4,144,741
8	\$269,256	\$325,391	\$594,648		\$269,256	\$3,950,504	\$4,219,761
9	\$274,130	\$331,281	\$605,411		\$274,130	\$4,022,008	\$4,296,138
10	\$279,092	\$337,277	\$616,369		\$279,092	\$4,094,807	\$4,373,898
11	\$284,143	\$343,382	\$627,525		\$413,978	\$4,168,923	\$4,582,900
12	\$289,286	\$349,597	\$638,883		\$548,955	\$4,244,380	\$4,793,335
13	\$294,522	\$355,925	\$650,447		\$684,025	\$4,321,204	\$5,005,229
14	\$299,853	\$362,367	\$662,220		\$819,191	\$4,399,417	\$5,218,608
15	\$305,281	\$368,926	\$674,206		\$954,452	\$4,479,047	\$5,433,499
16	\$310,806	\$375,603	\$686,409		\$1,089,812	\$4,560,118	\$5,649,930
17	\$316,432	\$382,402	\$698,833		\$1,225,272	\$4,642,656	\$5,867,928
18	\$322,159	\$389,323	\$711,482		\$1,360,834	\$4,726,688	\$6,087,522
19	\$327,990	\$396,370	\$724,360		\$1,496,499	\$4,812,241	\$6,308,740
20	\$333,927	\$403,544	\$737,471		\$1,632,270	\$4,899,342	\$6,531,613
21	\$339,971	\$410,848	\$750,819		\$1,768,149	\$4,988,020	\$6,756,169
22	\$346,124	\$418,285	\$764,409		\$1,904,136	\$5,078,304	\$6,982,440
23	\$352,389	\$425,856	\$778,245		\$2,040,236	\$5,170,221	\$7,210,457
24	\$358,767	\$433,564	\$792,331		\$2,176,448	\$5,263,802	\$7,440,250
25	\$365,261	\$441,411	\$806,672		\$2,312,776	\$5,359,077	\$7,671,853
TOTAL	\$7,424,813	\$8,972,746	\$16,397,560		\$23,004,934	\$107,225,525	\$130,230,459

EXHIBIT 3: VALUATION OF WORKFORCE HOUSING

VALUATION OF WORKFORCE HOUSING	
< 130% AMI	
<120% AMI	12
<100% AMI	12
< 80% AMI	6
AVERAGE RENT	\$2,516
Valuation of Affordable Housing	\$7,551,130
Avg Market Rate Rent	\$3,670
Avg Workforce Rent	\$2,516
Differential	\$1,154
# Units	30
Annual Income Lost	\$415,312
	5.50%
Loss of Value/Benefit of Housing	\$7,551,130
	30
Per unit	\$251,704

STANDARD DISCLOSURE

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

The National Development Council is not a Registered Municipal Advisor as defined in Dodd-Frank and the Exchange Act and therefore cannot provide advice to a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including structure, timing, terms or other similar matters concerning such financial products or issues.

The general information contained in this document is factual in nature and consistent with current market conditions and does not contain or express subjective assumptions, opinions, or views, or constitute a recommendation, either express or implied, upon which a municipal entity or obligated person may rely with respect to municipal products or the issuance of municipal securities.

EXHIBIT C
COST BENEFIT ANALYSIS

PREPARED FOR:

Nassau County Industrial Development Agency
1 West St., 4th Floor
Mineola, NY 11501

Economic and Fiscal Impact

ENGEL BURMAN AT THE BEACH

Nassau County
Industrial Development Agency

JULY 2020

PREPARED BY:



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Saratoga Springs, NY 12866
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CAMOIN 310

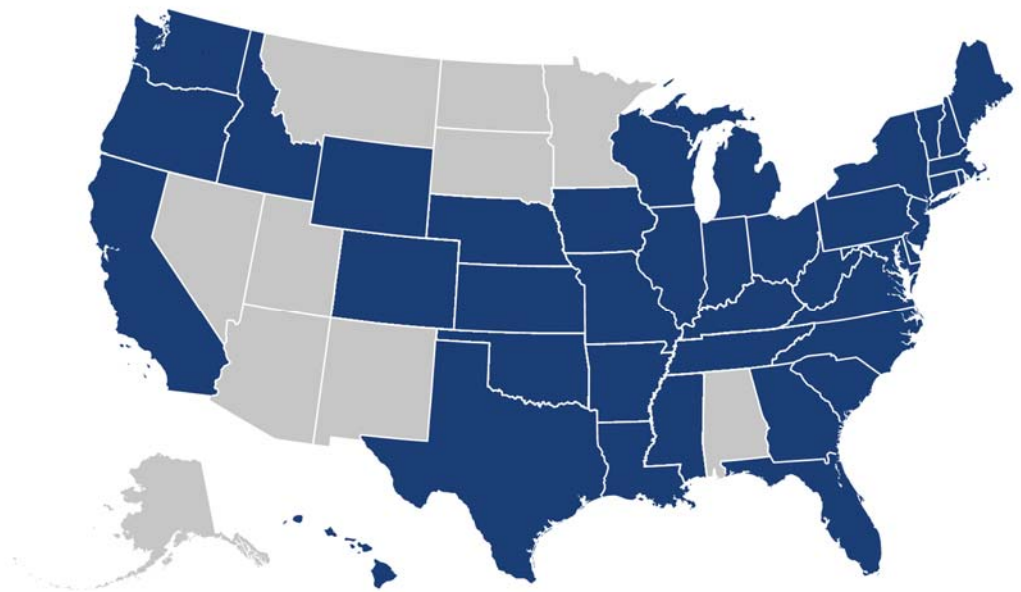
ABOUT CAMOIN 310

Camoin 310 has provided economic development consulting services to municipalities, economic development agencies, and private enterprises since 1999. Through the services offered, Camoin 310 has had the opportunity to serve EDOs and local and state governments from Maine to California; corporations and organizations that include Lowes Home Improvement, FedEx, Amazon, Volvo (Nova Bus) and the New York Islanders; as well as private developers proposing projects in excess of \$6 billion. Our reputation for detailed, place-specific, and accurate analysis has led to projects in 32 states and garnered attention from national media outlets including Marketplace (NPR), Crain's New York Business, Forbes magazine, The New York Times, and The Wall Street Journal. Additionally, our marketing strategies have helped our clients gain both national and local media coverage for their projects in order to build public support and leverage additional funding. We are based in Saratoga Springs, NY, with regional offices in Portland, ME; Boston, MA; Richmond, VA and Brattleboro, VT. To learn more about our experience and projects in all of our service lines, please visit our website at www.camoinassociates.com. You can also find us on Twitter [@camoinassociate](https://twitter.com/camoinassociate) and on **Facebook**.

THE PROJECT TEAM

Rachel Selsky
Vice President, Project Principal

Jessica Ulbricht
Analyst, Project Manager & Staff



ABOUT THE STUDY

Camoin 310 was retained by the Nassau County Industrial Development Agency to measure the potential economic and fiscal impacts of a project proposed by Engel Burman at the Beach, LLC. The proposed project involves the construction of 238 residential apartments and 200 condominium units on a 6.04 acre site located between Long Beach Boulevard, Shore Road, and Riverside Boulevard, in the City of Long Beach, Nassau County, New York. The goal of this analysis is to provide a complete assessment of the total economic, employment and tax impact of the project on Nassau County that result from the construction phase, new household spending, and on-site operations.

The primary tool used in this analysis is the input-output model developed by Economic Modeling Specialists Intl. (EMSI). Primary data used in this study was obtained from the developer's application for financial assistance to the Nassau County Industrial Development Agency and included the following data points: construction spending, estimated payroll, exemptions, and PILOT schedule. Secondary data was collected by Camoin 310 and used to estimate spending by new households.

The economic impacts are presented in four categories: direct impact, indirect impact, induced impact, and total impact. The indirect and induced impacts are commonly referred to as the "multiplier effect." Note that previous impact reports commissioned by the Nassau County Industrial Development Agency were presented in only three categories: direct impact, indirect impact, and total impact. Prior to 2020, Camoin 310 included both the indirect and induced impacts in the "indirect impact" category. Beginning in 2020, the indirect and induced impacts will be reported separately to allow for more accurate interpretation of results.

STUDY INFORMATION

Data Source:
Engel Burman at the Beach, LLC
Application for Assistance and the
Nassau County Industrial
Development Agency

Geography:
Nassau County

Study Period:
2020

Modeling Tool:
EMSI

DIRECT IMPACTS

This initial round of impacts is generated as a result of spending on operations and new household spending at county businesses.

INDIRECT IMPACTS

The direct impacts have ripple effects through business to business spending. This spending results from the increase in demand for goods and services in industry sectors that supply both the facility and the businesses receiving the new household spending.

INDUCED IMPACTS

Impacts that result from spending by facility employees, employees of county businesses, and employees of suppliers. Earnings of these employees enter the economy as employees spend their paychecks in the County on food, clothing, and other goods and services.

ECONOMIC & FISCAL IMPACT

NASSAU COUNTY INDUSTRIAL DEVELOPMENT AGENCY: **ENGEL BURMAN AT THE BEACH LLC**



TOTAL NUMBER OF
JOBS CREATED:

882 JOBS

10

Permanent
Applicant Jobs

91

Permanent
Household
Spending Jobs

46

Permanent
Indirect/
Induced Jobs

468

Direct
Construction
Jobs

267

Indirect /
Induced
Construction
Jobs



Assistance

PILOT

25-year

SALES TAX
EXEMPTION

\$13,731,094

MORTGAGE
TAX
EXEMPTION

\$2,214,421

Annual Earnings:
\$7.2 MN

NET NEW
RESIDENTIAL UNITS:

107 market-rate

18 affordable

+ 100 condos

225 TOTAL UNITS



**\$156.9
MILLION**

construction
spending



**\$60.9
MILLION**

construction
earnings

Increase in Government
Revenues:

\$14.7MILLION

Total PILOT
Payments:

\$22.3 MN

Total Otherwise
Applicable
Property Taxes:

\$7.6 MN



Average Annual
Sales Tax Revenue:

\$230,838



NASSAU COUNTY INDUSTRIAL
DEVELOPMENT AGENCY



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EXECUTIVE SUMMARY

The Nassau County Industrial Development Agency (the "Agency") received an application for financial assistance from Engel Burman at the Beach, LLC (the "Applicant") for a proposed residential development (the "Project") on a 6.04 acre site located between Long Beach Boulevard, Shore Road, and Riverside Boulevard in the City of Long Beach, Nassau County, New York (the "Site"). The Project being proposed by the Applicant entails the construction of 238 residential apartments, 10% of which will be offered as affordable workforce housing, 200 condominium units, and 6,500 square feet of retail space. The Agency commissioned Camoin 310 to conduct an economic and limited fiscal impact of the Project on Nassau County (the "County").

Camoin 310 conducted a market demand analysis of housing in Nassau County to determine the extent to which any of the housing units would create "new" households and, therefore, new household spending in the county. According to the application, 238 new rental apartment units will be built. Of these 238 units, 24 will be workforce housing units and 214 will be market-rate units. Additionally, 200 condominium units will be constructed. We determined that 50% of the market rate rental units and condominiums, or 107 rental units and 100 condominiums, could be considered as providing "net new" households to the county and 75% of the workforce housing units, or 18 units, will be net new (i.e. allowing households to exist in the county that would otherwise locate elsewhere). We then computed the total amount of net new spending by these new households to derive job creation resulting from the Project.

The following is a summary of our findings from this study, with details in the following sections.

Table 1

Summary of Benefits to County

Construction Phase	
Total Jobs	735
On-Site Jobs	468
Total Earnings	\$ 60,896,256
On-Site Earnings	\$ 43,450,990
One-Time Sales Tax Revenue to County	\$ 452,916
Annual Impacts	
Total Jobs	147
Direct Jobs	101
Indirect and Induced Jobs	46
Total Earnings	\$ 7,228,088
Direct Earnings	\$ 4,024,765
Indirect and Induced Earnings	\$ 3,203,323
Average Annual Sales Tax Revenue to County	\$ 230,838
Average Annual PILOT Payment	\$ 893,111

CAMOIN 310

Construction Impact

- ◆ The construction of the Project would result in approximately 468 new direct construction jobs generating nearly \$43.5 million in direct new earnings on-site and approximately \$17.4 million in indirect and induced earnings. Figure 1 to the right displays more detail on the economic impact of construction.
- ◆ Sales associated with the construction phase would be taxed, and therefore generate sales tax revenue for the County. Sales tax associated with the construction phase of the Project are estimated to contribute approximately \$452,916 to the County.

Annual Impact

- ◆ The Project would support 147 net new jobs in the county, with over \$7.2 million in associated earnings. Those figures are composed of net new jobs resulting from maintenance and operation of the facility and new economic activity from household spending. Figure 2 summarizes the annual economic impact of the Project.
- ◆ Sales associated with the on-site operations and new household spending are estimated to generate \$230,838 sales tax revenue to the County annually.
- ◆ The Applicant has negotiated terms of a proposed PILOT agreement for the rental portion of the Project with the Agency, which includes a 25-year PILOT agreement. Under this proposed PILOT agreement, the Applicant would pay approximately \$893,111 per year.
- ◆ Through negotiations with the Agency, the Applicant could have access to a sales tax exemption valued at up to \$13.7 million and a mortgage tax exemption valued at up to \$2.2 million. However, if we assume that the Project would not occur absent IDA benefits, this is not actually a "cost" to the County since no future revenue stream would exist without the exemptions.
- ◆ The schedule of payments to be made by the Applicant under the draft PILOT agreement would be approximately \$14.7 million more than the property tax payments generated by the Site if the Project were not to occur. In other words, the PILOT represents a benefit to the affected taxing jurisdictions averaging \$588,845 per year.

Figure 1

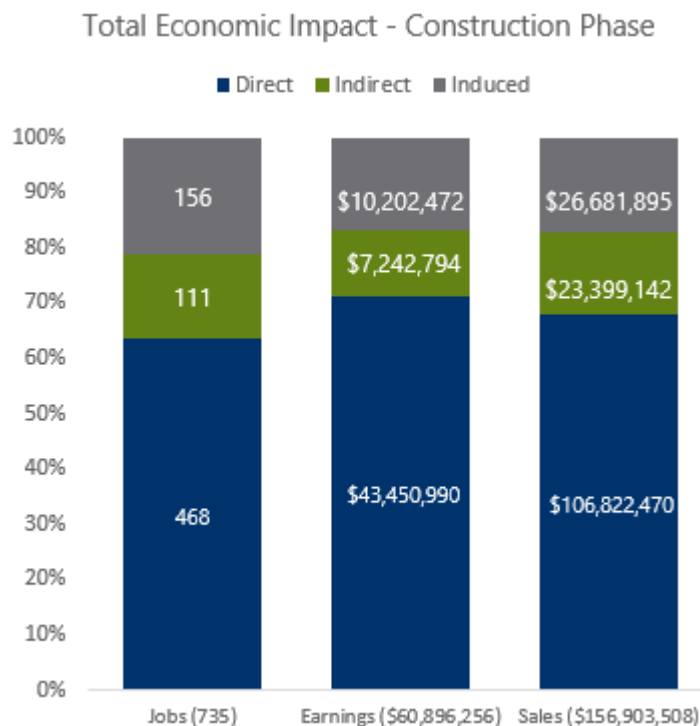
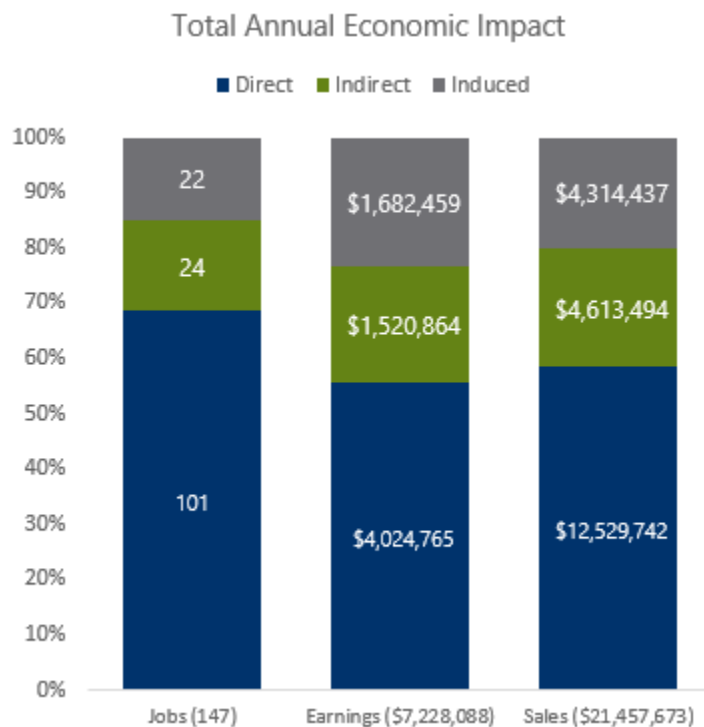


Figure 2



ECONOMIC IMPACT ANALYSIS

The estimates of direct economic activity generated during the construction phase, facility operation, and new resident spending as provided by the Applicant were used as the direct inputs for the economic impact model. Camoin 310 uses the input-output model designed by Economic Modeling Specialists, International (Emsi) to calculate total economic impacts. Emsi allows the analyst to input the amount of new direct economic activity (spending or jobs) occurring within the county and uses the direct inputs to estimate the spillover effects that the net new spending or jobs have as these new dollars circulate through the Nassau County economy. This is captured in the indirect and induced impacts and is commonly referred to as the “multiplier effect.” See Attachment A for more information on economic impact analysis.

The Project would have economic impacts upon the County as a result of Project construction, new permanent jobs, and spending by new tenant households.

CONSTRUCTION PHASE IMPACTS

The Applicant anticipates that private sector investment in the construction of the Project (excluding land acquisition, legal and financial fees) would cost approximately \$333.8 million¹. If we assume that 32%² of the construction spending would be sourced from within the county, we can project that there will be over \$106.8 million in net new spending in the county associated with the construction phase.

Table 2
Construction Phase Spending

Total Construction Cost	\$ 333,820,220
Percent Sourced from County	32%
Net New Constnction Spending	\$ 106,822,470

Source: Applicant, Camoin 310

Based on \$106,822,470 worth of net new direct spending associated with the construction phase of the Project, we determined that there would be over \$156.9 million in total one-time construction related spending supporting 735 jobs³ in the county over the four-year construction period⁴ and nearly \$60.9 million in earnings. Table 3 outlines the economic impacts of construction.

¹ Includes project costs as provided by the Applicant in Part III of the application for both the rental and condominium communities, except for land acquisition, legal fees, and financial fees.

² The Applicant specified that 30% of material costs, being \$200.3 million, and 35% of labor and other costs being \$133.5 million, would be sourced from within Nassau County.

³ The Applicant estimates that there will be anywhere between 30 and 300 jobs on-site in any given month of the construction period, however we estimate 468 direct construction jobs based on the net new spending amount.

⁴ As estimated by the Applicant.

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Table 3

Economic Impact - Construction Phase

	<u>Jobs</u>	<u>Earnings</u>	<u>Sales</u>
Direct	468	\$ 43,450,990	\$ 106,822,470
Indirect	111	\$ 7,242,794	\$ 23,399,142
Induced	156	\$ 10,202,472	\$ 26,681,895
Total	735	\$ 60,896,256	\$ 156,903,508

Source: EMSI, Camoin 310

Based solely on information in the application, the project timeline should allow the Agency to reach the conclusion that there is a likelihood of accomplishing the Project in a timely manner. Although we are not construction experts, nothing has come to our attention that would cause us to reach a contrary conclusion.

IMPACTS OF NEW HOUSEHOLD SPENDING

In order to determine the annual economic impact of the Project on the county, the first step is to calculate the number of households that can be considered "net new" to the county's economy. In other words, the number of households that, but for the Project, would not exist in Nassau County. With respect to this Project, net new households consist of those currently residing outside of Nassau County who will choose to move to the county because of the Project, and who would otherwise continue to live elsewhere. For this study, we analyzed the demand of housing in the county and surrounding region. For more information on this methodology, see Attachment B.

NET NEW HOUSEHOLDS

Based on Camoin 310's rental market demand analysis, this analysis assumes that 50% of households occupying market-rate rental units and condos, and 75% of those occupying workforce units will be net new to the county. This is based on a review of the data and an understanding of the proposed Project as detailed above.

Since 10% of rental units are to be designated as workforce units, this means that there will be 24 total workforce apartment units and 214 total market rate units. Of these units, 107 of the market-rate units and 18 of the workforce units will be considered to be net new. 100 of the 200 condo are considered to be net new.

Table 4

Net New Households

	<u>Total Households</u>	<u>Percent Net New</u>	<u>Net New Households</u>
Market-Rate Apartments	214	50%	107
Workforce Apartments	24	75%	18
Condos	200	50%	100
Total	438	51%	225

Source: Esri, Camoin 310

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SPENDING BY NEW TENANTS

New residents would make purchases in the county, thereby adding new dollars to the Nassau County economy. For this analysis, we researched spending patterns by household income to differentiate the spending by workforce housing rental tenants versus market rate rental tenants and condo residents.

Nassau County median family income in 2018 was \$111,240⁵. The Applicant proposed to offer 10% of rental units as workforce housing. According to the application, this housing will be reserved for households making 130% AMI,⁶ which can be estimated as between \$126,625 and \$138,781.⁷ Therefore, we will consider spending for the workforce housing eligible group to be in the \$100,000 to \$149,999 spending basket, per the Bureau of Labor Statistics' 2018 Consumer Expenditure Survey. Using a spending basket for the region which details household spending in individual consumer categories by income level, we analyzed likely tenant spending. According to the 2018 Consumer Expenditure Survey, households with an income in this range have annual expenditures (excluding housing and utility costs) of \$46,348.

For market-rate rental units, qualifying tenants will need a household income of at least \$160,000 given market rents in the range of \$4,000 for comparable units in the vicinity of the project. Therefore, market-rate households are assumed to fall in the same \$150,000 to \$199,999 income bracket and are assumed to have annual expenditures of \$57,520.

Given the high-end nature of the development and the desirable beach location, residents of condo units are expected to have annual household incomes of \$200,000+. These households will have annual expenditures of \$77,327.

The second column in the Table 5 shows the total spending for all three household types by category. It is assumed that 70% of total expenditures would occur within Nassau County and, therefore, have an impact on the Nassau County economy. The fourth column shows the total amount spent in the county.

⁵ Source: U.S. Census Bureau, 2014-2018 American Community Survey 5-Year Estimates

⁶ According to the applicant, workforce housing units will be designated for households earning 130% AMI in accordance with Long Island Housing partnership standards and New York General Municipal Law Article 16-A.

⁷ According to HUD's 2019-2020 income limits for the Nassau-Suffolk region

Table 5

Tenant Spending Basket			
Market-Rate Rental Units (\$150,000 to \$199,999 Annual Household Income)			
Category	Annual per Unit Spending Basket	Amount Spent in County (70%)	County Spending (107 net new units)
Food	\$ 13,195	\$ 9,237	\$ 988,306
Household furnishings and equipment	\$ 4,120	\$ 2,884	\$ 308,588
Apparel and services	\$ 3,570	\$ 2,499	\$ 267,393
Transportation	\$ 16,523	\$ 11,566	\$ 1,237,573
Health care	\$ 7,664	\$ 5,365	\$ 574,034
Entertainment	\$ 5,913	\$ 4,139	\$ 442,884
Personal care products and services	\$ 1,353	\$ 947	\$ 101,340
Education	\$ 3,315	\$ 2,321	\$ 248,294
Miscellaneous	\$ 1,867	\$ 1,307	\$ 139,838
Annual Discretionary Spending	\$ 57,520	\$ 40,264	\$ 4,308,248
Workforce Units for Tenants Earnings 130% AMI (\$100,000 to \$149,999 Annual Household Income)			
Category	Annual per Unit Spending Basket	Amount Spent in County (70%)	Total Net New County Spending (18 net new units)
Food	\$ 10,854	\$ 7,598	\$ 136,760
Household furnishings and equipment	\$ 2,883	\$ 2,018	\$ 36,326
Apparel and services	\$ 2,579	\$ 1,805	\$ 32,495
Transportation	\$ 14,167	\$ 9,917	\$ 178,504
Health care	\$ 6,836	\$ 4,785	\$ 86,134
Entertainment	\$ 4,677	\$ 3,274	\$ 58,930
Personal care products and services	\$ 1,077	\$ 754	\$ 13,570
Education	\$ 2,087	\$ 1,461	\$ 26,296
Miscellaneous	\$ 1,188	\$ 832	\$ 14,969
Annual Discretionary Spending	\$ 46,348	\$ 32,444	\$ 583,985
Condo Units (\$200,000+ Annual Household Income)			
Category	Annual per Unit Spending Basket	Amount Spent in County (70%)	County Spending (100 net new units)
Food	\$ 16,392	\$ 11,474	\$ 1,147,440
Household furnishings and equipment	\$ 5,172	\$ 3,620	\$ 362,040
Apparel and services	\$ 5,169	\$ 3,618	\$ 361,830
Transportation	\$ 22,698	\$ 15,889	\$ 1,588,860
Health care	\$ 9,031	\$ 6,322	\$ 632,170
Entertainment	\$ 8,409	\$ 5,886	\$ 588,630
Personal care products and services	\$ 1,867	\$ 1,307	\$ 130,690
Education	\$ 6,251	\$ 4,376	\$ 437,570
Miscellaneous	\$ 2,338	\$ 1,637	\$ 163,660
Annual Discretionary Spending	\$ 77,327	\$ 54,129	\$ 5,412,890
Total Net New County Spending			\$ 10,305,123

Source: 2018 Consumer Expenditure Survey, Bureau of Labor Statistics

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The total net new spending in the county was calculated by multiplying the amount spent in the county by the number of net new units. As shown in the table above, spending in the county by all new households would total \$10,305,123 per year. We used the above spending basket amounts to calculate the direct, indirect, and total impact of the Project on the county. To do this, we attributed the various spending categories to the NAICS codes found in Table 6.

*Table 6***Spending Basket Breakdown by NAICS Code**

NAICS Code	Industry	Spending Basket Category
445110	Supermarkets and Other Grocery (except Convenience) Stores	Food
722511	Full-Service Restaurants	Food
442299	All Other Home Furnishings Stores	Household furnishings and equipment
448140	Family Clothing Stores	Apparel and services
441110	New Car Dealers	Transportation
447110	Gasoline Stations with Convenience Stores	Transportation
811111	General Automotive Repair	Transportation
524114	Direct Health and Medical Insurance Carriers	Health Care
622110	General Medical and Surgical Hospitals (Private)	Health Care
512131	Motion Picture Theaters	Entertainment
452319	All Other General Merchandise Stores	Entertainment
452319	All Other General Merchandise Stores	Personal care products and services
452319	All Other General Merchandise Stores	Miscellaneous
611310	Colleges, Universities, and Professional Schools	Education

Source: Camoin 310

Using \$10,305,123 as the new sales input, Camoin 310 employed EMSI to determine the indirect, induced, and total impact of the project. Table 7 outlines the findings of this analysis.

*Table 7***Economic Impact - Household Spending**

	<u>Jobs</u>	<u>Earnings</u>	<u>Sales</u>
Direct	91	\$ 3,525,495	\$ 10,305,123
Indirect	19	\$ 1,123,701	\$ 3,454,057
Induced	19	\$ 1,438,368	\$ 3,680,476
Total	129	\$ 6,087,564	\$ 17,439,656

Source: EMSI, Camoin 310

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IMPACTS OF ON-SITE EMPLOYMENT

The Applicant anticipates that 20 people will be employed on-site with an associated on-site payroll of \$978,960 upon Project completion.⁸ 225 of the 438 new housing units, or 51%, are considered net new to the county; therefore, 51% of the on-site activity would be net new. In this case, 10 jobs and \$499,270 in earnings are considered to be net new to the county.⁹

Table 8

Net New Jobs

Total Jobs	20
Total Payroll	\$978,960
% Net New	51%
Net New Jobs	10
Net New Payroll	\$499,270

Source: Applicant, Camoin 210

Using these new jobs and wages as the direct earnings input, Emsi was used to calculate the indirect and induced economic impact of the on-site activity. Table 9 details the impact that the on-site activity will have on Nassau County in terms of employment, earnings, and sales.

Table 9

Economic Impact - On-Site Operations

	<u>Jobs</u>	<u>Earnings</u>	<u>Sales</u>
Direct	10	\$ 499,270	\$ 2,224,619
Indirect	5	\$ 397,163	\$ 1,159,437
Induced	3	\$ 244,091	\$ 633,961
Total	18	\$ 1,140,524	\$ 4,018,017

Source: EMSI, Camoin 310

TOTAL ANNUAL ECONOMIC IMPACT

The complete economic impact of both new household spending as well as on-site operation and maintenance of the Project is displayed in Table 10.

Table 10

Total Annual Economic Impact

	<u>Jobs</u>	<u>Earnings</u>	<u>Sales</u>
Direct	101	\$ 4,024,765	\$ 12,529,742
Indirect	24	\$ 1,520,864	\$ 4,613,494
Induced	22	\$ 1,682,459	\$ 4,314,437
Total	147	\$ 7,228,088	\$ 21,457,673

Source: EMSI, Camoin 310

⁸ Represents the operations of both the rental and condominium communities.

⁹ The Project includes the construction of 6,500 square feet of retail space. Based on standard industry assumptions of square feet per employee, 11 jobs are estimated to be attributed to this retail space. These jobs were used as a direct input in Emsi to calculate the direct sales associated with this space. Direct sales for the retail space equal approximately \$766,133. These impacts are captured in the economic impacts of new household spending and are not listed separately in order to avoid double counting.

FISCAL IMPACT ANALYSIS

In addition to the economic impact of the Project on the local economy (outlined above), there would also be a fiscal impact in terms of annual property tax and sales tax generation. The following section of the analysis outlines the impact of the completion of the Project on the local taxing jurisdictions in terms of the cost and/or benefit to municipal budgets.

PAYMENT IN LIEU OF TAXES (PILOT)

The Applicant has applied to the Agency for a Payment In Lieu of Taxes (PILOT) agreement on the rental portion of the development. The condo portion will pay full taxes. The Applicant has proposed a 25-year payment schedule for the rental development based on the current tax rate, taxable value, and assessed value of the Project, as shown in Table 11.

Table 11

Tax Payments with PILOT (Rental Community)		
<u>Year</u>		<u>PILOT Payments</u>
1	\$	237,483
2	\$	241,781
3	\$	246,158
4	\$	250,613
5	\$	255,149
6	\$	259,767
7	\$	264,469
8	\$	269,256
9	\$	274,130
10	\$	279,091
11	\$	408,334
12	\$	537,669
13	\$	667,096
14	\$	796,618
15	\$	926,237
16	\$	1,055,954
17	\$	1,185,771
18	\$	1,315,690
19	\$	1,445,712
20	\$	1,575,840
21	\$	1,706,076
22	\$	1,836,421
23	\$	1,966,877
24	\$	2,097,447
25	\$	2,228,132
Total	\$	22,327,771
Average	\$	893,111

Source: Nassau County IDA, Camoin 310

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TAX POLICY COMPARISON

Without financial assistance from the Agency, Camoin 310 assumes the Applicant would not undertake the Project. Based on the current taxes applicable on the Site and an assumed annual increase to the tax rate of 2.00%¹⁰ (holding taxable value constant), the following table outlines the estimated tax payments made by the building owner without the Project.

Table 12

Tax Payments without Project (Rental Community)

<u>Year</u>	<u>Property Tax Payment</u> <u>Without Project*</u>
1	\$ 237,483
2	\$ 242,233
3	\$ 247,077
4	\$ 252,019
5	\$ 257,059
6	\$ 262,200
7	\$ 267,444
8	\$ 272,793
9	\$ 278,249
10	\$ 283,814
11	\$ 289,490
12	\$ 295,280
13	\$ 301,186
14	\$ 307,210
15	\$ 313,354
16	\$ 319,621
17	\$ 326,013
18	\$ 332,534
19	\$ 339,184
20	\$ 345,968
21	\$ 352,887
22	\$ 359,945
23	\$ 367,144
24	\$ 374,487
25	\$ 381,977
Total	\$ 7,606,651
Average	\$ 304,266

Source: Nassau County IDA, Camoin 310

*Assumes an average annual increase of 2.00%

¹⁰ The tax rate is increased by 2.00% annually, the maximum inflation factor that can be reasonably anticipated into the future. New York State property tax cap legislation limits tax levy growth to an inflation factor set by the State or 2.00%, whichever is less, the amount by which a government entity may increase its annual tax levy (certain exceptions apply). Although in recent years the inflation has been less than 2.00%, using 2.00% for the purposes of comparing future otherwise applicable property tax payments without the Project to the proposed PILOT schedule provides a conservative estimate of the Project's benefit/cost to the County.

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Table 13 calculates the benefit (or cost) to the affected taxing jurisdictions as the difference between the PILOT payments associated with the Project and the property tax payments without the Project. In the first year of comparison, the property taxes without the Project are equal to the PILOT payments with the Project. Over the course of the proposed PILOT term, the average annual collection by local jurisdictions would be approximately \$588,845 more in PILOT revenue than property taxes without the Project. The total benefit to the affected taxing jurisdictions of the PILOT agreement over 25 years would be over \$14.7 million.

Table 13

Tax Policy Comparison (Rental Community)				
Year	Property Tax Payment Without Project	PILOT Payment	Benefit (Cost) To County of Project	
1	\$ 237,483	\$ 237,483	\$ -	
2	\$ 242,233	\$ 241,781	\$ (452)	
3	\$ 247,077	\$ 246,158	\$ (919)	
4	\$ 252,019	\$ 250,613	\$ (1,406)	
5	\$ 257,059	\$ 255,149	\$ (1,910)	
6	\$ 262,200	\$ 259,767	\$ (2,433)	
7	\$ 267,444	\$ 264,469	\$ (2,975)	
8	\$ 272,793	\$ 269,256	\$ (3,537)	
9	\$ 278,249	\$ 274,130	\$ (4,119)	
10	\$ 283,814	\$ 279,091	\$ (4,723)	
11	\$ 289,490	\$ 408,334	\$ 118,844	
12	\$ 295,280	\$ 537,669	\$ 242,389	
13	\$ 301,186	\$ 667,096	\$ 365,910	
14	\$ 307,210	\$ 796,618	\$ 489,408	
15	\$ 313,354	\$ 926,237	\$ 612,883	
16	\$ 319,621	\$ 1,055,954	\$ 736,333	
17	\$ 326,013	\$ 1,185,771	\$ 859,758	
18	\$ 332,534	\$ 1,315,690	\$ 983,156	
19	\$ 339,184	\$ 1,445,712	\$ 1,106,528	
20	\$ 345,968	\$ 1,575,840	\$ 1,229,872	
21	\$ 352,887	\$ 1,706,076	\$ 1,353,189	
22	\$ 359,945	\$ 1,836,421	\$ 1,476,476	
23	\$ 367,144	\$ 1,966,877	\$ 1,599,733	
24	\$ 374,487	\$ 2,097,447	\$ 1,722,960	
25	\$ 381,977	\$ 2,228,132	\$ 1,846,155	
Total	\$ 7,606,651	\$ 22,327,771	\$ 14,721,120	
Average	\$ 304,266	\$ 893,111	\$ 588,845	

Source: Nassau County IDA, Camoin 310

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OTHER EXEMPTIONS

The PILOT program would offer the Applicant savings in terms of property tax benefits, but there are other benefits to working with the Agency including a sales tax exemption on construction materials and furniture, fixtures, and equipment and a mortgage recording tax exemption.

Table 14

Summary of Costs to County			
	<u>Rental</u>	<u>Condo</u>	<u>Total</u>
Sales Tax Exemption	\$ 6,019,676	\$7,711,418	\$ 13,731,094
Mortgage Tax Exemption	\$ 947,483	\$1,266,938	\$ 2,214,421

Source: Applicant, Camoin 310

The additional incentives offered by the County will benefit the Applicant but will not negatively affect the County because, without the Project, the County by definition would not be receiving any associated sales tax or mortgage tax revenue.

SALES TAX REVENUE

SALES TAX REVENUE – CONSTRUCTION PHASE

The one-time construction phase earnings described by the total economic impact of the construction work (described in above section) would lead to additional sales tax revenue for the County. It is assumed that 70%¹¹ of the construction phase earnings would be spent within Nassau County and that 25% of those purchases would be taxable.

Table 15

One-Time Sales Tax Revenue Construction Phase	
Total New Earnings	\$ 60,896,256
Amount Spent in County (70%)	\$ 42,627,379
Amount Taxable (25%)	\$ 10,656,845
County Sales Tax Rate	4.25%
New County Tax Revenue	\$ 452,916

Source: Nassau County, Camoin 310

As a result of the construction phase employment, the County would receive approximately \$452,916 in new sales tax revenue from the economic impacts of renovation.

¹¹ A retail leakage analysis of Nassau County suggests that a vast majority of the goods and services that employees will be purchasing are available within the county (food, clothing, vehicles, computers, etc.), but there still will be some outside spending on travel and through purchases made online and in neighboring counties. Based on third party proprietary retail spending data, 70% is a reasonable assumption for the amount of in-county spending. (Source: Esri Business Analyst Online Retail Market Profile)

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SALES TAX REVENUE – NEW HOUSEHOLD SPENDING

In addition to sales tax generated by the construction phase, the County would also receive sales tax revenue from the purchases made by the new households. Table 16 displays the new sales tax revenue that Nassau County would receive annually based on in-county spending by new households.

Table 16

Annual Sales Tax Revenue Household Spending	
Total New Spending	\$ 17,439,656
Amount Taxable (30%)	\$ 5,231,897
County Sales Tax Rate	4.25%
New County Tax Revenue	\$ 222,356

Source: Nassau County, Camoin 310

Note that the household spending figure has already been adjusted to account for 70% of total spending occurring within the county (see table entitled "Tenant Spending Baskets"). Also note that we have used a higher value for "Amount Taxable" as compared to the previous tables (30% rather than 25%) since certain non-taxable items (related to housing expenses) have been removed from the total spending line, this increasing the remaining portion taxable.

SALES TAX REVENUE – EMPLOYEE EARNINGS

The new earnings generated by on-site jobs that will occur as a result of building occupation at the Project (described under Impacts of On-Site Employment) would lead to additional annual sales tax revenue for the county. It is assumed that 70% of the earnings would be spent within Nassau County and that 25% of those purchases will be taxable. Table 17 displays the annual tax revenue that the County will receive.

Table 17

Annual Sales Tax Revenue On-Site Operations	
Total New Earnings	\$ 1,140,524
Amount Spent in County (70%)	\$ 798,367
Amount Taxable (25%)	\$ 199,592
County Sales Tax Rate	4.25%
New County Tax Revenue	\$ 8,483

Source: Nassau County, Camoin 310

TOTAL ANNUAL SALES TAX REVENUE

The total annual sales tax revenue that the County will receive is summarized in Table 18.

Table 18

Total Annual Sales Tax Revenue	
Household Spending	\$ 222,356
On-Site Operations	\$ 8,483
New County Tax Revenue	\$ 230,838

Source: Nassau County, Camoin 310

ATTACHMENT A: WHAT IS ECONOMIC IMPACT ANALYSIS?

The purpose of conducting an economic impact study is to ascertain the total cumulative changes in employment, earnings and output in a given economy due to some initial “change in final demand”. To understand the meaning of “change in final demand”, consider the installation of a new widget manufacturer in Anytown, USA. The widget manufacturer sells \$1 million worth of its widgets per year exclusively to consumers in Canada. Therefore, the annual change in final demand in the United States is \$1 million because dollars are flowing in from outside the United States and are therefore “new” dollars in the economy.

This change in final demand translates into the first round of buying and selling that occurs in an economy. For example, the widget manufacturer must buy its inputs of production (electricity, steel, etc.), must lease or purchase property and pay its workers. This first round is commonly referred to as the “Direct Effects” of the change in final demand and is the basis of additional rounds of buying and selling described below.

To continue this example, the widget manufacturer’s vendors (the supplier of electricity and the supplier of steel) will enjoy additional output (i.e. sales) that will sustain their businesses and cause them to make additional purchases in the economy. The steel producer will need more pig iron and the electric company will purchase additional power from generation entities. In this second round, some of those additional purchases will be made in the US economy and some will “leak out”. What remains will cause a third round (with leakage) and a fourth (and so on) in ever-diminishing rounds of industry-to-industry purchases. Finally, the widget manufacturer has employees who will naturally spend their wages. Again, those wages spent will either be for local goods and services or will “leak” out of the economy. The purchases of local goods and services will then stimulate other local economic activity. Together, these effects are referred to as the “Indirect Effects” of the change in final demand.

Therefore, the total economic impact resulting from the new widget manufacturer is the initial \$1 million of new money (i.e. Direct Effects) flowing in the US economy, plus the Indirect Effects. The ratio of Total Effects to Direct Effects is called the “multiplier effect” and is often reported as a dollar-of-impact per dollar-of-change. Therefore, a multiplier of 2.4 means that for every dollar (\$1) of change in final demand, an additional \$1.40 of indirect economic activity occurs for a total of \$2.40.

Key information for the reader to retain is that this type of analysis requires rigorous and careful consideration of the geography selected (i.e. how the “local economy” is defined) and the implications of the geography on the computation of the change in final demand. If this analysis wanted to consider the impact of the widget manufacturer on the entire North American continent, it would have to conclude that the change in final demand is zero and therefore the economic impact is zero. This is because the \$1 million of widgets being purchased by Canadians is not causing total North American demand to increase by \$1 million. Presumably, those Canadian purchasers will have \$1 million less to spend on other items and the effects of additional widget production will be cancelled out by a commensurate reduction in the purchases of other goods and services.

Changes in final demand, and therefore Direct Effects, can occur in a number of circumstances. The above example is easiest to understand: the effect of a manufacturer producing locally but selling globally. If, however, 100% of domestic demand for a good is being met by foreign suppliers (say, DVD players being imported into the US from Korea and Japan), locating a manufacturer of DVD players in the US will cause a change in final demand because all of those dollars currently leaving the US economy will instead remain. A situation can be envisioned whereby a producer is serving both local and foreign demand, and an impact analysis would have to be careful in calculating how many “new” dollars the producer would be causing to occur domestically.

ATTACHMENT B: CALCULATING NET NEW HOUSEHOLDS

"Net new" households that move into a geography because of the availability of desired housing contribute to that geography's economy in measurable ways. Estimating the number of net new households, the households that would not otherwise live in the geography, is therefore a critical task for an economic and fiscal impact analysis for a project that includes housing.

Our housing market research indicates that housing is heavily affected by demand, with households in different demographic groups seeking diverse housing price points and amenities. Our estimates of net new households take into consideration demographic and economic differences among renters, and price points among units offered, identifying the existence and size of a housing gap (where more units are demanded than are available) or surplus (where there is oversupply) in the market segment to be served by the proposed project. Generally, where there is a significant housing gap outside the geography but within a reasonable distance for relocation, a project will draw a larger proportion of net new households into that geography. Each project may therefore have a different expectation for net new households, depending on price point, age restriction if any, and location.

The following steps outline our process for calculating net new households. All data is drawn from Esri Business Analyst.

1. Identify *where* households are likely to come from. We expect that renters for a new project would consider housing within a reasonable driving time from their current location, creating a "renter-shed" for a new project. Households that are within the drive time but outside of the study area are net new.
2. Identify the existing rental housing supply at different price points. Using data from Esri, we identify rental housing units in the study area by price point and calculate the minimum household income expected to be necessary to afford rent by price range.
3. Identify the number of households at different income levels. We analyze households by income group and rental behavior to estimate an "implied number renting" for different income groups.
4. Calculate net housing surplus or gap by price point. Rental housing supply and rental housing demand is compared to calculate a "net gap," indicating excess demand for the project, or a "net surplus." To estimate net new households for a project, the net gap in the study area is compared to the net gap in the drive time.



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