



Building Success. Together.

CRE Construction Lending

Joseph Javitz

Executive VP/Chief Credit Officer, ConnectOne Bank

BLD LLC - PP**Submission Details**

Approval Level		Presentation Date	1/23/2025
Primary Officer		Credit Analyst	
Product Package Contains Loan in Flood Zone		Yes, but it does not require Content Insurance	
Primary Borrower			
Relationship Name	BLD LLC	Relationship Type	Limited Liability Company
Billing Address	123 Main Street, Anywhere , USA		
NAICS Code	531110 - Lessors of Residential Buildings and Dwellings		
Guarantor(s) on Loan(s)			
Relationship Name	JOHN SMITH		

Deposit Totals

Account Types	Current Balance	90 Day Balance	90 Day WAR	12 Month Balance	12 Month WAR
<i>Interest Bearing Non-maturity</i>	\$5,000,000.00	\$3,000,000.00	0.03%	\$2,000,000.00	0.04%
<i>ICS</i>	\$0.00	\$0.00	0.00%	\$0.00	0.00%
<i>Escrow</i>	\$0.00	\$0.00	0.00%	\$0.00	0.00%
Sub Total Interest Bearing Non-maturity	\$5,000,000.00	\$3,000,000.00	0.03%	\$2,000,000.00	0.04%
<i>Certificate of Deposits</i>	\$4,000,000.00	\$4,000,000.00	0.05%	\$4,000,000.00	0.05%
Sub Total Certificate of Deposits	\$4,000,000.00	\$4,000,000.00	0.05%	\$4,000,000.00	0.05%
<i>Non-Interest Bearing</i>	\$0.00	\$0.00	0.00%	\$0.00	0.00%
<i>Escrow</i>	\$0.00	\$0.00	0.00%	\$0.00	0.00%
Sub Total Non-Interest Bearing	\$0.00	\$0.00	0.00%	\$0.00	0.00%
Grand Total	\$9,000,000.00	\$7000,000.00	0.04%	\$6,000,000.00	0.05%

Total Exposure

<i>Total Direct Exposure</i>	\$41,500,000.00	<i>Total Exposure</i>	\$41,500,000.00
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Deposit & Exposure Narrative

John Smith 2020 Trust and John Smith have been clients of The Bank since 01/2000. As of 12/31/24 the depository relationship balance is \$9M with a total weighted average deposit rate of 3.85%.

The Borrower and the Guarantor shall establish at The Bank all operating accounts associated with the subject property and shall maintain an aggregate deposit relationship balance of 10% of the aggregate/global loan relationship (tested annually). Failure to maintain the minimum deposit balance will result in a 2% loan rate increase.

Deal Summary

BLD LLC ("Borrower") and John Smith 2020 Trust ("Co-Borrower") are requesting a \$41,500,000 construction loan to finance the "As of Right" development of a 117-unit luxury residential rental building, which will be known as

XYZ. The address is 123 Main Street, Anywhere USA. The subject property is a 3+ acre, waterfront development site on Happy Island in New Jersey. The total building area will be 136,236 sq ft. The net rentable area will be approximately 101,278 sq ft. All units will be free market rentals, including one-bedroom and two-bedroom layouts. The site will consist of 196 on-site parking spots, a central courtyard (24,719 sq ft), a pool, an outdoor grill, boat/jetski slips, storage, and various other amenities. The property will offer transit-oriented living;

The proposed credit facility encompasses two loans:

- Note A: The \$2,777,400 project loan will be used for the interest reserve.
- Note B: The \$38,722,600 construction loan will cover hard costs and a hard cost contingency (5%).

The LTC is 67%. The loan is supported by an "As Stabilized" Appraisal LTV of 57%, and a projected stabilized DSCR of 1.27x based on a 6.125% interest rate and a 30-year amortization (the rate is within the current range as provided on Fannie Mae MF loans). It is further supported by the sponsorship of John Smith, an experienced real estate development professional who completed a similar neighboring project that is fully leased and cash-flowing. John Smith will personally guarantee the proposed loan.

Note: The property was purchased in 1998 and is currently operated as an event space, known as The View. The property has an existing mortgage of \$1,324M from XX Bank. The Borrower will pay this loan off with Borrower funds prior to closing. Evidence that the subject property is owned free and clear of all liens will be required prior to closing. As part of this transaction, the Borrower is required to purchase two adjoining land parcels that are needed in order to gain access to the proposed property site. These parcels will be purchased from the town of Sugarloaf (as part of Borrower equity). Proof of an executed contract along with a closing settlement statement will be required prior to closing.

At this time the site plan approvals are in place, the change of zoning was completed in May 2022 (the project can be built "as of right"), and building plans for building permits are in town review. Construction is estimated to commence in Q4 2024 with projected development completion in Q4 2026 (22 months), and projected lease-up/stabilization is expected by Q1/Q2 2027 (4-6 months to stabilize). The site will benefit from a 20-year fully approved IDA Pilot Agreement.

BLD LLC. - CML CONSTRUCTION - \$38722600 Loan Details							
Full Product Name	Construction - CML CONSTRUCTION - 01A2 OTHER CONSTRUCTION LOANS - 26 Construction - 100 or more Units						
BLD LLC. - CML CONSTRUCTION - \$38722600 Loan Details							
Loan Amount	\$38,722,600.00	Loan Purpose	Construction of Real Estate		Additional Concentration	Not Applicable	
Request Type	New Money			Loan Term	30	Amortized Term	0
Proposed Risk Rating	Construction - Origination v2 - 4 - Adequate			Current Risk Rating			
Min DSCR	1.25x			Max LTV	70.00		
Prepayment Penalty							
Total Collateral Pledged	\$38,722,600.00	Secured by UCC	Yes	Application Date	2/7/2024		
Term Extension	(1) 6 month extension				Application Number	App-99999	
Referral	None Group				Reg O Loan	<input type="checkbox"/>	
Rate and Payment							
Sequence	Term	Rate Type	Index	Spread (%)	Rate	Rate Floor	Rate Ceiling
1	30	Floating with Index	WSJ Prime	0.5000	8.000	7.0000	
Sequence	Term	Type					
1	30	Interest Only					
Primary Repayment Source	Interest reserve			Secondary Repayment Source	Liquidation of collateral		
Tertiary Repayment Source	Enforcement of Personal Guaranty			Other Repayment Source			
Borrower Structure							
Relationship Name		Borrower Type		Entity Type		Contingent \$ or %	

<u>JOHN SMITH 2020 TRUST</u>	Borrower	Trust	100.00%
<u>JOHN SMITH</u>	Guarantor	Individual	100.00%
<u>BLD LLC</u>	Borrower	Limited Liability Company	100.00%
Conditions			
Type	Condition	Comments	
Pre-Closing	<u>Borrower must maintain all primary operating accounts at the Bank for the life of the loan. (See comments for deposit expectations and penalties).</u>	Sponsorship/Borrowers/Guarantor/ and affiliated entities shall establish at The Bank before closing all operating accounts associated with the subject and shall maintain an aggregate relationship deposit balance of not less than 10% of the global loan relationship of the Borrowers/Guarantor, tested annually. Failure to maintain the minimum deposit balance will result in a 2% loan rate increase.	
Pre-Closing	<u>All loan payments must be made via Auto Debit.</u>		
Pre-Closing	<u>All Zoning, Approvals, and Permits are in place and issued, acceptable to Bank counsel and engineer.</u>		
Pre-Closing	<u>Bank will require certification that the Property is not located in a flood hazard zone, or in the alternative, require flood insurance, in all instances naming the Bank as an additional insured party.</u>		
Pre-Closing	<u>Borrower is responsible for all of the Bank's closing costs for the proposed loan.</u>		
Pre-Closing	<u>Loan advances for site and hard costs shall be made based upon work in place as confirmed by Bank Engineer.</u>	Before any Bank funding, the Borrower shall contribute and evidence \$18,304M of equity funded into the project (excludes interest reserve equity). Loan advances for work in place, as certified by the Bank's inspecting engineer and after a clear title search, invoices with paid receipts, and lien waivers for prior advances, will be deposited in the Borrower's construction checking account.	
Pre-Closing	<u>Borrower and/or Guarantor to provide The Bank with additional "Subject to" financial information prior to loan closing (provide details in comment box).</u>	A minimum of 65% of the subcontracts including concrete, electrical, plumbing, and carpentry must be bought out to the Bank's satisfaction prior to hard cost funding.	
Pre-Closing	<u>Satisfactory review and acceptance of General Contractor (subs/supplier list if not arms-length).</u>	GC or CM executed contract as deemed acceptable by the bank shall be furnished prior to loan closing/ Receipt and satisfactory review of a final AIA Contract between the general contractor and the Borrower.	
Pre-Closing	<u>Borrower and/or Guarantor to provide The Bank with additional "Subject to" financial information prior to loan closing (provide details in comment box).</u>	The Guarantor shall provide evidence of sufficient unrestricted liquidity available to satisfy the project's equity requirement of 33% (including land value). The liquidity shall be tested quarterly after closing.	
Pre-Closing	<u>Interest Reserve, with Auto Debit, to be established prior to closing.</u>	An interest reserve account will be set in the amount of \$2,777,400 for the monthly interest payments of the subject loan. If at any point during the loan term, the interest reserve is depleted to under 6 months of payments, the Borrower will be responsible for ongoing replenishment of the reserve to maintain 6 months of interest-only payments, as calculated by the Bank/ or an amount sufficient to cover the remainder of the loan.	

Pre-Closing	<u>Borrower and/or Guarantor to provide The Bank with additional "Subject to" financial information prior to loan closing (provide details in comment box).</u>	Borrower can't incur any additional debt (excluding trade) without prior written consent of the Bank.
Pre-Closing	<u>All facilities of the Borrower with the Bank, shall be cross defaulted and cross collateralized.</u>	
Pre-Closing	<u>Subordination of all Shareholder, related entity and seller notes.</u>	
Pre-Closing	<u>Bank reserves the right to sell a portion of this loan, or any of the Borrower's credit facilities, in the form of Participation, to another lender.</u>	
Pre-Closing	<u>Borrower and/or Guarantor to provide The Bank with additional "Subject to" financial information prior to loan closing (provide details in comment box).</u>	A Guaranteed Maximum Price contract from the General Contractor.
Pre-Closing	<u>Borrower and/or Guarantor to provide The Bank with additional "Subject to" financial information prior to loan closing (provide details in comment box).</u>	Borrower to provide evidence that the existing mortgage on the subject property is fully satisfied. The property must be free and clear of all liens prior to closing.
Pre-Closing	<u>Borrower and/or Guarantor to provide The Bank with additional "Subject to" financial information prior to loan closing (provide details in comment box).</u>	Proof of an executed contract for the acquisition of the two adjoining land parcels along with a closing settlement statement will be required prior to closing.
Post-Closing	<u>Other.</u>	The extension option shall be subject to substantial completion of construction as determined by the Bank, compliance with all covenants/reporting requirements, rebalancing of the budget and interest reserve, and no event of default. Note: TCO is not required to exercise the extension option at the end of the initial 30-month term unless units are occupied by tenants, and rents are being collected.

No policy exceptions applicable.

No participations applicable.

No proposed participations applicable.

Covenants

<i>Relationship</i>	<i>Covenant Type/Description</i>	<i>Frequency</i>	<i>Last Eval Status</i>	<i>Effective Date</i>	<i>Next Eval Date</i>
JOHN SMITH	<u>Personal Financial Statement</u>	Annually			2/15/2025
JOHN SMITH 2020 TRUST	<u>Tax Returns</u>	Annually			10/31/2025
JOHN SMITH 2020 TRUST	<u>Debt Service Coverage of Borrower</u> upon stabilization	Annually			10/31/2025
JOHN SMITH	<u>Tax Returns</u>	Annually			10/31/2025

JOHN SMITH	Minimum Tangible Net Worth	Annually			12/31/2025
JOHN SMITH	Minimum Liquidity Tested Quarterly	Annually			12/31/2024
BLD LLC	Tax Returns	Annually			1/31/2026
BLD LLC	Certified rent roll for all properties (incl tenant's names & lease exp date)	Annually			1/31/2026
BLD LLC	Debt Service Coverage Upon Stabilization	Annually			1/31/2026

Loan Request Narrative

Loan Purpose: Construction

Loan Terms

- **Extension Fee:** 0.25% extension fee.
- **Max LTC 70%:** The actual LTC is 67%
- **Max LTV:** 65% of the appraised "As Stabilized" value. The actual LTV is 60% based on the "As Completed" value and 57% based on the "As Stabilized" value.
- **Recourse:** A full principal, performance, repayment, and completion and carry guarantee for the life of the loan will be provided by John Smith.

Covenants

- **Deposits:** Sponsorship/Borrowers/Guarantor/ and affiliated entities shall establish at The Bank before closing, all operating accounts associated with the subject and shall maintain an aggregate relationship deposit balance of not less than 10% of the global loan relationship of the Borrowers/Guarantor, tested annually. The total expected deposit balance is \$4MM or more. If the deposit balances are not maintained the loan rate may increase by 2%.
- **Guarantor** shall at all times maintain a minimum Net Worth of \$15 million and Liquidity of \$5 million. As per the PFS, Mr. Smith currently reports a net worth in excess of \$24MM and liquidity of \$7.4MM as per the PFS.
- **Minimum DSCR** upon stabilization shall be no less than 1.25x as determined by the Bank. The projected stabilized DSCR is 1.27x.

Permanent Option

- The Bank will consider permanent financing at project completion.

Exit Fees

- 0.50% if The Bank doesn't provide permanent financing
- 0.125% if The Bank provides permanent financing.

Sources & Uses

Sources and Uses

Source of Funds	Total	Use of Funds	Total
Borrower's Land Equity	\$ 13,000,000	Land Value (Including purchase price of the two adjoining land parcels)	\$ 13,000,000
Borrower's Verified Soft Costs Paid to Date	\$ 1,206,567	Hard Costs (Including 5% contingency)	\$ 38,722,600
Borrower's Remaining Equity Contribution	\$ 6,668,792	Soft Costs	\$ 5,304,200
Proposed Project Loan	\$ 2,777,400	Interest Reserve	\$ 5,348,559
Proposed Construction Loan	\$ 38,722,600		
Total	\$ 62,375,359	Total	\$ 62,375,359

Verified Equity To Date

Verified Equity Contribution Paid To Date	
Appraised "As is" Value of the Subject Property	\$ 12,750,000
Purchase Price of two adjoining land parcels	\$ 250,000
Architectural	\$ 390,029
Good Faith Deposit	\$ 150,000
*Other Soft Costs	\$ 666,538
Total	\$ 14,206,567

- *Other Soft Costs comprise Civil, MEP, Precon Services, Change of Zone Professional, Bulkhead Design & Permitting, Legal Fees, IDA, Flood Insurance, Survey Work, Landscape Architect, etc.

Proof of Liquidity

- The Bank has a current deposit balance of \$9,444M, which is sufficient to cover the Borrower's remaining equity contribution of \$6,669M.
- The Borrower will have \$2,775M of post-equity liquidity.

Loan Budget

Project Budget Category	Cost	SF	Cost Per SF	Loan Proceeds	Loan Proceeds / SF	Loan / Cost	Equity	Total Equity
Land*	13,000,000	136,236	\$95	0	\$0	0%	13,000,000	100%
Soft Costs	5,304,200		\$39	0	\$0	0%	5,304,200	100%
Interest Carry**	5,348,559		\$39	2,777,400	\$20	52%	2,571,159	48%
Hard Costs	36,878,700		\$271	36,878,700	\$271	100%	0	0%
HC Contingency (5%)	1,843,900		\$14	1,843,900	\$14	100%	0	0%
Total Development Costs	\$62,375,359		\$458	\$41,500,000	\$305	67%	\$20,875,359	33%

*Land is comprised of the \$12,750M appraised "as is" value and \$250M of equity for the purchase of the two adjoining land parcels.

- Interest carry is based on 8.50% rate, 2.5 years, and 65% outstanding.

- The Bank utilized a land value of \$13MM including the \$12,750M appraised "as is" value and the \$250,000 purchase price of the two adjoining land parcels that are reportedly in contract. The indicated "as is" value of the adjoining land parcels is \$295M as per an appraisal, dated 07/23/24. Note: As part of this transaction, the Borrower is required to purchase two adjoining land parcels that are needed in order to gain access to the proposed property site. These parcels will be purchased from the town of XXXX (as part of Borrower equity). Proof of an executed contract along with a closing settlement statement will be required prior to closing.
- As indicated above, the total development budget of \$62,375M yields a 67% loan to cost based on the proposed \$41,500M loan.
- Direct construction (hard costs) and soft costs of \$42,183M is based on the Borrower's budget.
- The Bank underwriting will provide loan proceeds to cover 52% of the initial interest carry. If at any point during the loan term, the interest reserve is depleted to under 6 months of payments, the Borrower will be responsible for ongoing replenishment of the reserve to maintain 6 months of interest-only payments, as calculated by the Bank/ or an amount sufficient to cover the remainder of the loan.
- To date, the Borrower has injected \$14,207M of equity into the project, including land equity, and soft costs. (22.7% of total project costs).

Plan and Cost Review Report

- The Bank received a Plan and Cost Review report from Architects/Engineers, dated 06/28/24. As per the
- report, the total project cost is \$38,510M including the following:

Description	Cost
Direct Building Cost (Materials, Labor Wages, and Subcontracts Associated with the structure)	\$ 28,605,800
General Conditions (Project and Site Management Fee, Safety Compliance, Jobsite Trailers, Bonding, Inspections etc)	\$ 2,610,880
Site Costs (Site Work (\$800M), Asphalt Paving (\$375M), Landscaping Allowance (\$275M), Site Concrete (\$160M), etc.	\$ 2,450,000
Bulkhead Construction	\$ 1,000,000
Other (Construction Contingency, Demolition, Insurance, Temporary Fencing, Final Cleaning, Fees, Etc.)	\$ 3,843,800
Total	\$ 38,510,480

- The GC, XYZ Development, estimated a total project cost of \$38,723M (less than a 1% subtotal difference).
- The engineer estimated a direct building cost of \$28,605,800 or \$209.97/PSF or \$244,494 per unit. As indicated above, this represents materials, labor wages, and subcontracts associated with the structure.
- Based on the review, M&P has established a building cost average of \$207.60/PSF which is approximately 1% less than the Borrower's estimation. The Borrower's projection is well within the acceptable range of estimated tolerances. Overall, the
- report states the project budget is adequate for both the construction of the building and site work.
- The drawings and the structural design are in general adequate for the construction of the project.

High Volatility Commercial Real Estate

The property has an appraised "as complete" value of \$69.3MM. The Borrower currently has approximately \$14,207M of equity in the project, representing 20.5% of the completed value. As such, the proposed credit facility is not classified as HVCRE. Below is the verified equity paid to date.

HVCRE				
"As Complete" Value	15% Required Equity at Closing	Actual Equity at Closing	Over / (Under)	HVCRE?
\$69,300,000.00	\$10,395,000.00	\$14,206,567.00	\$3,811,567.00	No
"As Is" Appraised Land Value	Loan Proceeds for Land	Actual Equity at Closing Breakdown		
\$13,000,000.00	\$0.00	\$13,000,000.00	Land Equity*	
*Land Equity = "As is" appraised value of land being used as equity, less senior liens		\$0.00	Hard Cost Equity As of Closing	
		\$1,206,567.00	Soft Cost Equity As of Closing	
		\$	Other	

BLD LLC. - CML CONSTRUCTION - \$2777400 Loan Details

Full Product Name	Construction - CML CONSTRUCTION - 01A2 OTHER CONSTRUCTION LOANS - 26 Construction - 100 or more Units				
BLD LLC. - CML CONSTRUCTION - \$2777400 Loan Details					
Loan Amount	\$2,777,400.00	Loan Purpose	Construction of Real Estate	Additional Concentration	Not Applicable
Request Type	New Money		Loan Term	30	Amortized Term 0
Proposed Risk Rating	Construction - Origination v2 - 4 - Adequate		Current Risk Rating		

Min DSCR		1.25x		Max LTV		70.00									
Prepayment Penalty															
Total Collateral Pledged		\$2,777,400.00		Secured by UCC		Yes		Application Date		6/14/2024					
Term Extension		(1) 6 month extension						Application Number		App-					
Referral		Group						Reg O Loan		<input type="checkbox"/>					
Rate and Payment															
Sequence		Term		Rate Type		Index		Spread (%)		Rate		Rate Floor		Rate Ceiling	
1		30		Floating with Index		WSJ Prime		0.5000		8.000		7.0000			
Sequence		Term		Type											
1		30		Interest Only											
Primary Repayment Source				Interest reserve				Secondary Repayment Source				Liquidation of collateral			
Tertiary Repayment Source				Enforcement of Personal Guaranty				Other Repayment Source							
Borrower Structure															
Relationship Name				Borrower Type				Entity Type				Contingent \$ or %			
JOHN SMITH 2020 TRUST				Borrower				Trust				100.00%			
JOHN SMITH				Guarantor				Individual				100.00%			
BLD LLC				Borrower				Limited Liability Company				100.00%			
No conditions applicable.															
No policy exceptions applicable.															
No participations applicable.															
No proposed participations applicable.															
Covenants															
Relationship			Covenant Type/Description				Frequency		Last Eval Status		Effective Date		Next Eval Date		
BLD LLC			Tax Returns				Annually						1/31/2026		
BLD LLC			Certified rent roll for all properties (incl tenant's names & lease exp date)				Annually						1/31/2026		
BLD LLC			Debt Service Coverage Upon Stabilization				Annually						1/31/2026		
JOHN SMITH 2020 TRUST			Tax Returns				Annually						10/31/2025		
JOHN SMITH 2020 TRUST			Debt Service Coverage of Borrower upon stabilization				Annually						10/31/2025		
JOHN SMITH			Personal Financial Statement				Annually						2/15/2025		

JOHN SMITH	Tax Returns	Annually			10/31/2025
JOHN SMITH	Minimum Tangible Net Worth	Annually			12/31/2025
JOHN SMITH	Minimum Liquidity Tested Quarterly	Annually			12/31/2024

Loan Request Narrative

Sources & Uses

HVCRE

<i>"As Complete" Value</i>	<i>15% Required Equity at Closing</i>	<i>Actual Equity at Closing</i>	<i>Over / (Under)</i>	<i>HVCRE?</i>
\$69,300,000.00	\$10,395,000.00	\$14,206,567.00	\$3,811,567.00	No

<i>"As Is" Appraised Land Value</i>	<i>Loan Proceeds for Land</i>	<i>Actual Equity at Closing Breakdown</i>		
\$13,000,000.00	\$0.00	\$13,000,000.00	<i>Land Equity*</i>	
*Land Equity = "As is" appraised value of land being used as equity, less senior liens		\$0.00	<i>Hard Cost Equity As of Closing</i>	
		\$1,206,567.00	<i>Soft Cost Equity As of Closing</i>	
		\$0.00	<i>Other</i>	

Borrower Background

Borrower

BLD LLC, the Borrower, was formed in the state of New York on 01/01/2010, for the purpose of acquiring, improving, and maintaining the subject property. A chart of ownership is presented below.

John Smith 2020 Trust is the Co-Borrower on the loan. The trust was formed on 01/01/2010 to hold the assets of John Smith, the Grantor. The Trustee is Al Gore.

Management

John Smith is the President and Manager of BLD LLC (the Borrower). He has owned the subject site since 1988 and operated it as an event space known as the Loft. He also owns the adjacent restaurant and is an investor in numerous real estate holdings along the East Coast.

Mr. Smith is a local resident and real estate builder/investor who has been instrumental in the revitalization of the Flower Island section of Anywhere. His ground-up development experience includes the following:

1. The neighboring 86-unit Chichi Club luxury waterfront rental facility (a similar project to the subject). Construction was completed in 2020. The property is 100% occupied based on the rent roll, dated 06/30/24. (Flower Island)
2. The adjacent Supermarket / ABC anchored shopping center Flower Island)
3. A near-by Watson's Restaurant (Flower Island)
4. Gut Renovation of one of the first mixed-use properties on Main Street In Anywhere (125 Main St Anywhere). Note: The sponsor does not have any other ongoing construction projects.

As of 06/15/24, Mr. Smith reported a personal net worth of \$24,290M and liquidity of \$7,429M.

General Contractor

The general contractor will be an EBC C0mpany, XYZ Development, a fully integrated real estate development firm. This company specializes in every stage of the process, from concept to completion and beyond. The team is comprised of highly skilled development, construction, and management professionals with over 100 collective years of experience across all facets. XYZ Development has built over 10MM sq ft of diversified properties such as residential, commercial, senior living, and healthcare. The portfolio includes over 5,000 multi-family condos and apartments. Below are some images of the contractor's portfolio. More can be found on the website:

Financial Analysis

As the proposed loan is a construction loan to convert the subject into a 117-unit luxury residential rental building, the historical performance of the Borrowers will not determine the recommendation for the proposed loan. See the cash flow section for further details.

BLD LLC

BLD LLC is a newly formed entity, therefore, there are no historical financials.

The 2020 Trust

As per the statement of financial condition, dated 06/15/24, The 2020 Trust reported a net worth of \$8,302M. Assets of \$9,355M were comprised of \$3,380M of liquid assets and 11 investments in Limited Liability Companies. Assets were offset by \$1,053M of liabilities representing the estimated tax cost of the liquidation of assets.

At 12/31/2022 The 2020 Trust reported income of \$617M comprised of taxable interest (\$26M), ordinary dividends (\$6M), a capital gain (\$130M), and partnership income (\$467M). Income was partially offset by deductions of \$12M (accountant fees). For cash flow purposes the capital gain was deducted as this was considered non-recurring income. The adjusted cash flow reported for 2022 was \$487M.

Spreads Data

N/A

Collateral Narrative

The loan shall be secured by a First mortgage on the subject property and improvements located at 123Main Street, Anywhere USA. The property tax map identification is Section 1 Block 1, Lots 3-4 Section 100, Block 1, Lots 1, & 4-5. The loan shall also be secured by an assignment of all plans, permits, development contracts, leases, rents, and profits.

Location Map**Site Map****Current Improvements**

Project Rendering

Property Description

The property address is 123 Main street Anywhere USA . The site is a 155,263.80 sq ft (3.583 acre) parcel located on the south side of XXX, in the Incorporated Village of XXX, Town of Anywhere . It is identified on the County Tax Map as Section XX, Block XXX, Lots XX, and Section XX, Block XXX, Lots XXX. Note: As part of this transaction, the Borrower is required to purchase two adjoining land parcels that are needed in order to gain access to the proposed property site. These parcels will be purchased from the town (as part of Borrower equity). Proof of an executed contract along with a closing settlement statement will be required prior to closing. This area is included in the 3+ acres that the subject will contain. The site is zoned CA-S Residence.

The subject is within an established residential area all amenities.

Property Improvements / Project

The current improvement consists of a catering and event facility that contains a total building area of 18,693 sq ft. It was built in 1966 and expanded in 1974. The existing structure will be completely demolished.

The subject, once completed, will consist of a new four-story apartment building containing 117 rental apartment units. The total building area will be 136,236 sq ft. The net rentable area will be 101,278 sq ft. Improvements will include 69 one-bedroom units (averaging 743 sq ft) and 48 two-bedroom units (averaging 1,019 sq ft). The units will be of luxury standard and will each have a washer/dryer. There will be a 24,719 sq ft central courtyard on the second floor. Amenities will include a pool, an outdoor grill, 16 rentable boat/jet ski slips, storage, and various other amenities.

A total of one hundred and ninety-six (196) on-site parking spaces are provided at grade level, of which six (6) parking spaces are designated as handicap accessible and one hundred forty (140) will be garage covered.

Projected Rent Roll

Unit	Number of Units	Monthly Rent/Unit	Total Annual Rent
1 Bedroom	69	\$ 3,675	\$ 3,042,900
2 Bedrooms	48	\$ 4,375	\$ 2,520,000
Total	117	\$ 8,050	\$ 5,562,900

- The one-bedroom units are projected to rent for an average of \$3,675/month.
- The two-bedroom units are projected to rent for an average of \$4,375/month.
- The average rent at the subject will be \$3,962/month.
- Upon stabilization of the subject, the total projected annual base rent is \$5,563M.

Appraisal

Appraiser	
Appraisal Date	8/30/2024
Appraisal Reviewer	
Review Date	8/30/2024
	"As Is" Value
	\$12,750,000
	"As Complete" Value
	\$69,300,000
LTV	60%
	"As Stabilized" Value
	\$73,000,000
LTV	57%
Cap Rate	5.5% plus the value of the Pilot Program (\$6,238M)

The appraiser, Inc, concluded an "as is" value of \$12,750M, an "as complete" value of \$69,300M, and a "stabilized" value of \$73MM. The Bank's internal appraiser, XXX, reviewed the report and concluded the appraisal report appears to be adequate for its intended use and can be relied upon.

Environmental Report

A Phase I Environmental Site Assessment was prepared for the Borrower by Environmental Company. The report, dated 05/08/24, revealed no recognized environmental conditions were noted. The Bank is in receipt of a reliance letter, dated 05/29/24, prepared by ECC which states that The Bank can fully rely on the Phase I report.

It should be noted the Phase I Report indicated during the future redevelopment of the site that is planned, soil management and disposal procedures may need to be implemented. Further, historical spills were reported at the site but have all been closed

Site Inspection

The subject property was inspected by Loan Officer, SVP Commercial Loan Officer, on 03/12/2024. Prior to this date, the property was also inspected by AVP Senior Credit Analyst, , EVP CCO, and EVP NY Market President. The site was found to be in good condition.

Permits and Approvals

- At this time the site plan approvals are in place, the change of zoning was completed in May 2022 (the project can be built "as of right"), and building plans for building permits are in town review. Receipt and satisfactory review of permits and approvals will be required before hard-cost funding.

Construction Contract and Budget

- The general contractor will be an XXX Company,XXX Development, a fully integrated real estate development firm. Work will proceed under an arm's length contract with the general contractor.
- Receipt and satisfactory review of an executed AIA contract between the Borrower and the contractor will be required as a condition of closing. Note: A maximum guaranteed price contract is expected.

Construction Schedule

- Construction is projected to commence in Q4 2024. A 22-month construction period is projected. Project completion is expected in Q4 2026 and projected lease-up/stabilization is expected by Q1/Q2 2027 (4-6 Months to stabilize).

Real Estate Taxes/Pilot Program

- The subject property will be re-assessed and taxed upon completion of the proposed construction. The Town of XXXXX has estimated full taxes upon completion to be \$908,971 annually or \$7,769/unit.
- The subject has been approved for a 20-year PILOT Program (Payment in Lieu of Taxes) from the IDA. The annual tax savings have been discounted at 6.0%. The present value of the tax savings for the PILOT program is estimated at \$6,238M. The agreement will reduce the actual real estate taxes paid to \$57,424 for years 1 through 3 (subject loan term).

<u>Year</u>	<u>Full Taxes</u>	<u>Actual Taxes Paid</u>	<u>Tax Savings</u>
1	\$116,619	\$57,424	\$59,195
2	\$116,619	\$57,424	\$59,195
3	\$908,971	\$57,424	\$851,547
4	\$936,240	\$125,000	\$811,240
5	\$964,327	\$175,000	\$789,327
6	\$993,257	\$240,000	\$753,257
7	\$1,023,055	\$300,000	\$723,055
8	\$1,053,747	\$350,000	\$703,747
9	\$1,085,359	\$400,000	\$685,359
10	\$1,117,920	\$460,000	\$657,920
11	\$1,151,457	\$520,000	\$631,457
12	\$1,186,011	\$580,000	\$606,011
13	\$1,221,581	\$650,000	\$571,581
14	\$1,258,228	\$760,000	\$498,228
15	\$1,295,975	\$830,000	\$465,975
16	\$1,334,855	\$900,000	\$434,855
17	\$1,374,900	\$965,000	\$409,900
18	\$1,416,147	\$1,050,000	\$366,147
19	\$1,458,632	\$1,130,000	\$328,632
20	\$1,502,391	\$1,250,000	\$252,391

Collateral Summary

BLD LLC. - CML CONSTRUCTION - \$38722600 Collateral Details

Address	123 Main Street Anywhere USA				
Collateral Type	Commercial Real Estate-5+ Family Res-CE			Value	
Amount Pledged	38,722,600.00	Advance Rate	75.00	Advance Rate Details	

<i>Assessment Date</i>	NA	<i>Assessment Method</i>	NA	<i>Flood Zone</i>	Yes, but it does not require Content Insurance
<i>Previous Site Visit</i>	10/18/2023	<i>Next Site Visit</i>	10/18/2025	<i>Primary</i>	<input type="checkbox"/>
<i>Relationship</i>	<i>Relationship Type</i>		<i>Primary Owner</i>		
BLD LLC	Limited Liability Company		<input type="checkbox"/>		
No liens applicable.					

BLD LLC. - CML CONSTRUCTION - \$38722600 Collateral Details					
<i>Address</i>	123 Main Street, Anywhere USA				
<i>Collateral Type</i>	Assignment-5+ Family Res-AS			<i>Value</i>	
<i>Amount Pledged</i>	0.00	<i>Advance Rate</i>	0.00	<i>Advance Rate Details</i>	
<i>Assessment Date</i>	NA	<i>Assessment Method</i>	NA	<i>Flood Zone</i>	
<i>Previous Site Visit</i>	NA	<i>Next Site Visit</i>		<i>Primary</i>	<input type="checkbox"/>
<i>Relationship</i>	<i>Relationship Type</i>		<i>Primary Owner</i>		
BLD LLC	Limited Liability Company		<input type="checkbox"/>		
No liens applicable.					

BLD LLC. - CML CONSTRUCTION - \$38722600 Collateral Details					
<i>Address</i>	123 Main Street Anywhere USA				
<i>Collateral Type</i>	Assignment-Other-AS			<i>Value</i>	
<i>Amount Pledged</i>	0.00	<i>Advance Rate</i>	0.00	<i>Advance Rate Details</i>	
<i>Assessment Date</i>	NA	<i>Assessment Method</i>	NA	<i>Flood Zone</i>	
<i>Previous Site Visit</i>	NA	<i>Next Site Visit</i>		<i>Primary</i>	<input type="checkbox"/>
<i>Relationship</i>	<i>Relationship Type</i>		<i>Primary Owner</i>		
BLD LLC	Limited Liability Company		<input type="checkbox"/>		
No liens applicable.					

BLD LLC. - CML CONSTRUCTION - \$38722600 Collateral Details					
<i>Address</i>	123 Main Street Anywhere USA				
<i>Collateral Type</i>	UCC-All Business Assets (Blanket Lien)-UC			<i>Value</i>	
<i>Amount Pledged</i>	0.00	<i>Advance Rate</i>	75.00	<i>Advance Rate Details</i>	
<i>Assessment Date</i>	NA	<i>Assessment Method</i>	NA	<i>Flood Zone</i>	
<i>Previous Site Visit</i>	NA	<i>Next Site Visit</i>		<i>Primary</i>	<input type="checkbox"/>
<i>Relationship</i>	<i>Relationship Type</i>		<i>Primary Owner</i>		
BLD LLC	Limited Liability Company		<input type="checkbox"/>		
JOHN SMITH TRUST	Trust		<input type="checkbox"/>		
No liens applicable.					

BLD LLC. - CML CONSTRUCTION - \$ 2777400 Collateral Details					
<i>Address</i>	123 Main Street Anywhere USA				
<i>Collateral Type</i>	Commercial Real Estate-5+ Family Res-			<i>Value</i>	
<i>Amount Pledged</i>	CE 2,777,400.00	<i>Advance Rate</i>	75.00	<i>Advance Rate Details</i>	

<i>Assessment Date</i>	NA	<i>Assessment Method</i>	NA	<i>Flood Zone</i>	Yes, but it does not require Content Insurance
<i>Previous Site Visit</i>	10/18/2023	<i>Next Site Visit</i>	10/18/2025	<i>Primary</i>	<input type="checkbox"/>
<i>Relationship</i>	<i>Relationship Type</i>		<i>Primary Owner</i>		
BLD LLC	Limited Liability Company		<input type="checkbox"/>		
No liens applicable.					

BLD LLC. - CML CONSTRUCTION - \$2777400 Collateral Details

<i>Address</i>	123 Main Street Anywhere USA				
<i>Collateral Type</i>	Assignment-5+ Family Res-AS			<i>Value</i>	
<i>Amount Pledged</i>	0.00	<i>Advance Rate</i>	0.00	<i>Advance Rate Details</i>	
<i>Assessment Date</i>	NA	<i>Assessment Method</i>	NA	<i>Flood Zone</i>	
<i>Previous Site Visit</i>	NA	<i>Next Site Visit</i>		<i>Primary</i>	<input type="checkbox"/>
<i>Relationship</i>	<i>Relationship Type</i>		<i>Primary Owner</i>		
BLD LLC	Limited Liability Company		<input type="checkbox"/>		
No liens applicable.					

BLD LLC. - CML CONSTRUCTION - \$2777400 Collateral Details

<i>Address</i>	123 Main Street Anywhere USA				
<i>Collateral Type</i>	Assignment-Other-AS			<i>Value</i>	
<i>Amount Pledged</i>	0.00	<i>Advance Rate</i>	0.00	<i>Advance Rate Details</i>	
<i>Assessment Date</i>	NA	<i>Assessment Method</i>	NA	<i>Flood Zone</i>	
<i>Previous Site Visit</i>	NA	<i>Next Site Visit</i>		<i>Primary</i>	<input type="checkbox"/>
<i>Relationship</i>	<i>Relationship Type</i>		<i>Primary Owner</i>		
BLD LLC	Limited Liability Company		<input type="checkbox"/>		
No liens applicable.					

BLD LLC. - CML CONSTRUCTION - \$2777400 Collateral Details

<i>Address</i>	123 Main Street Anywhere USA				
<i>Collateral Type</i>	UCC-All Business Assets (Blanket Lien)-UC			<i>Value</i>	
<i>Amount Pledged</i>	0.00	<i>Advance Rate</i>	75.00	<i>Advance Rate Details</i>	
<i>Assessment Date</i>	NA	<i>Assessment Method</i>	NA	<i>Flood Zone</i>	
<i>Previous Site Visit</i>	NA	<i>Next Site Visit</i>		<i>Primary</i>	<input type="checkbox"/>
<i>Relationship</i>	<i>Relationship Type</i>		<i>Primary Owner</i>		
BLD LLC	Limited Liability Company		<input type="checkbox"/>		
JOHN SMITH 2020 TRUST	Trust		<input type="checkbox"/>		
No liens applicable.					

BLD LLC. - CML CONSTRUCTION - \$38722600**Fees**

<i>Fee Type</i>	<i>Amount</i>	<i>Amount Collected</i>	<i>Date Collected</i>	<i>Amount Remaining</i>
Application Fee	\$2,500.00	\$2,500.00	5/24/2024	\$0.00

Commitment Fee	\$387,226.00	\$		\$387,226.00
Appraisal	\$6,500.00	\$6,500.00	5/24/2024	\$0.00
Appraisal Review Fee	\$1,300.00	\$1,300.00		\$0.00
Plan & Cost Review	\$8,900.00	\$8,900.00	5/24/2024	\$0.00
Extension Fee	\$96,806.50	\$		\$96,806.50
Construction Administration Fee	\$5,000.00	\$		\$5,000.00
Flood Search Fee	\$112.50	\$		\$112.50
Credit Report Fee	\$55.40	\$		\$55.40

Third Party Reports

Report Number	Report Type	Property Address	Due Date	Received
05-24-4779	Environmental		5/29/2024	
06-24-4800	Flood	123 Main Street Anywhere USA	6/5/2024	
06-24-4825	Engineering		7/3/2024	
06-24-4824	Appraisal		8/19/2024	
06-24-4823	Appraisal		7/3/2024	

BLD LLC. - CML CONSTRUCTION - \$2777400

Fees

Fee Type	Amount	Amount Collected	Date Collected	Amount Remaining
Commitment Fee	\$27,774.00	\$		\$27,774.00
Extension Fee	\$6,943.50	\$		\$6,943.50

No third party reports applicable.

Submarket Analysis

The subject property is located along the south shore of XXX County in the Village of XXX. It is bordered byXXX Channel and , XXX to the north, and various small islands to the east and west. This section of Island Park is known as Barnum Island. This is a waterfront area, which consists of restaurants, bars, and large townhouse developments.

According to the Costar Multi-Family Submarket Report, as of August 2024 the subject's area has an average vacancy rate of 4.6%. This represents a 1.5% increase over the last year. Average asking rents have increased by 2.7% over that period. Costar projects the vacancy rates to be under 4% by 2026/2027. Due to increased interest rates the demand for rental apartments has remained adequate.

Market Rent Comparables

One Bedroom Rent Comparables				
Report Type	Low Rent		Average Rent	High Rent
Appraisal	\$	3,529	\$	3,944 \$ 4,350
Trulia / Zillow	\$	2,866	\$	3,232 \$ 4,019
RentOMeter	\$	3,281	\$	3,407 \$ 3,544
Subject [REDACTED] UW	\$	3,675	\$	3,675 \$ 3,675

Two Bedroom Rent Comparables				
Report Type	Low Rent		Average Rent	High Rent
Appraisal	\$	4,200	\$	4,601 \$ 5,400
Trulia / Zillow	\$	3,569	\$	3,975 \$ 4,797
RentOMeter	\$	4,895	\$	5,209 \$ 5,571
Subject [REDACTED] UW	\$	4,375	\$	4,375 \$ 4,375

- Based on the appraisal, the comparable 3 room/1-bedroom units range from \$3,529 to \$4,350 and up per month.
- The comparable 4 room/2-bedroom units range from \$4,200 to \$5,400 and up per month.
- Given all aspects of the subject property as completed, the appraisal projected rent of \$3,700 per month for a one-bedroom and \$4,400 per month for a two-bedroom at the subject, which is in the low to average range.

Property	Location	Units	Style	Built	Segement	1 BRs Rent	2 BRs Rent
		172	Midrise	2022	Market	\$ 4,019	\$ 4,797
		86	Midrise	2019	Market	\$ 3,285	\$ 3,839
		230	Midrise	2022	Market	\$ 3,092	\$ 3,612
		80	Midrise	2022	Market	\$ 2,928	\$ 3,964
		154	Midrise	2016	Market	\$ 3,368	\$ 4,129
		60	Midrise	2017	Market	\$ 2,966	\$ 3,569
		260	Midrise	2021	Market	\$ 2,866	\$ 3,616
		192	Midrise	2019	Market	\$ 3,330	\$ 4,273
Average						\$ 3,232	\$ 3,975
Median						\$ 3,189	\$ 3,902

- The above comparables are based on websites such as Trulia and Zillow.
- One-bedroom rents range from \$2,866 to \$4,019 with an average rent of \$3,232 per month.
- Two-bedroom rents range from \$3,569 to \$4,797 with an average rent of \$3,975 per month.
- The Bank underwriting also analyzed Rent O Meter for one and two-bedroom comparables in XXXXXXXX. One-bedrooms in the 90th percentile ranged up to \$3,281, \$3,544, and \$3,397, respectively. Two-bedrooms in the 90th percentile ranged up to \$5,571, \$5,217, and \$4,895, respectively.

Based on the above comparables, the subject's rent of \$3,675 for one-bedroom units and \$4,375 for two-bedroom units is within an acceptable range of the market, based on the subject's new condition, the location on the water, the proximity to the LIRR, the lack of new supply, and the amenities at the subject property.

Sales Comparables

The appraiser analyzed 4 comparable sales. Adjustments were made for location, market conditions, condition/quality, building size, and amenities. The overall adjusted range of the sales indicates a price of \$463,833 to \$655,417/unit. The average adjusted price of \$574,930/unit. The appraiser selected an average price per unit of \$575,000 for the subject property.

Cash Flow Analysis

The proposed loan's interest only-debt service will be covered by an interest reserve account. Repayment of the principal balance is expected from permanent financing. A projection of the permanent financing cash flow is presented below.

Note: The Bank underwriting calculated the below permanent mortgage debt service based on a 6.125% interest rate amortized over 30 years. This is indicative of the current market rate. The current market rate is 5.59% (218 bps over 5 Yr UST), as confirmed by Greystone. The rate is also within the current range as provided on Fannie Mae MF loans.

	Appraisal UW Year 1 Stabilized Use (4% Vacancy) Full Taxes	UW Year 1 Stabilized Use (5% Vacancy) Year 4 Abated Taxes	UW Takeout Financing by Third Party Lender (5% Vacancy) Year 13 Abated Taxes	Column 3 Expense Margin
69 One-Bedroom Units	\$ 3,063,600	\$ 3,042,900	\$ 3,042,900	
48 Two-Bedroom Units	\$ 2,534,400	\$ 2,520,000	\$ 2,520,000	
Parking Income	\$ 100,000	\$ 100,000	\$ 100,000	
Boat/Jet Ski Slips	\$ 25,000	\$ 25,000	\$ 25,000	
Amenity Fees	\$ 70,200	\$ 70,200	\$ 70,200	
Storage Fees	\$ 15,000	\$ 15,000	\$ 15,000	
Vacancy	\$ (238,634)	\$ (288,655)	\$ (288,655)	
Total Income	\$ 5,569,566	\$ 5,484,445	\$ 5,484,445	
Variable Expenses				
Water & Sewer	\$ 35,100	\$ 35,100	\$ 35,100	0.64%
Utilities	\$ 60,000	\$ 60,000	\$ 60,000	1.09%
Legal & Professional	\$ 23,400	\$ 23,400	\$ 23,400	0.43%
Interest	\$ -	\$ -	\$ -	0.00%
Management Fee	\$ 280,000	\$ 274,222	\$ 274,222	5.00%
Depreciation	\$ -	\$ -	\$ -	0.00%
Repairs / Maintenance	\$ 251,500	\$ 251,500	\$ 251,500	4.59%
Taxes	\$ 908,971	\$ 125,000	\$ 650,000	11.85%
*Insurance	\$ 200,000	\$ 200,000	\$ 200,000	3.65%
Wages	\$ 120,000	\$ 120,000	\$ 120,000	2.19%
Reserves	\$ 23,400	\$ 23,400	\$ 23,400	0.43%
Other Expenses	\$ -	\$ 5,000	\$ 5,000	0.09%
Total Expenses	\$ 1,902,371	\$ 1,117,622	\$ 1,642,622	29.95%
NOI	\$ 3,667,195	\$ 4,366,823	\$ 3,841,823	
Loan Amount	\$ 41,500,000	\$ 41,500,000	\$ 41,500,000	
Rate	6.125%	6.125%	6.125%	
Term	360	360	360	
Monthly Payment	\$ 252,158.37	\$ 252,158.37	\$ 252,158.37	
Annual Debt Service	\$ 3,025,900	\$ 3,025,900	\$ 3,025,900	
Cash Flow/EBITDA	\$ 3,667,195	\$ 4,366,823	\$ 3,841,823	
Debt Service	\$ 3,025,900	\$ 3,025,900	\$ 3,025,900	
Overage (Shortfall)	\$ 641,295	\$ 1,340,922	\$ 815,922	
DSCR	1.21	1.44	1.27	
Cap Rate	5.50%			
Estimated Value	\$ 66,676,273			
Plus PILOT Program	\$ 6,237,964			
**Estimated Value	\$ 72,914,237			
LTV on Estimated Value	56.92%			

*Per the appraisal, insurance costs of \$200M equates to \$1,709 per unit. It includes flood insurance. This is above the range of comparable expenses as insurance costs have been rising over the last few years.

**The appraisal reconciliation rounds the appraised "As Stabilized" value off to \$73MM.

- The above three cash flow scenarios represent the stabilization of the subject property and permanent financing.
- The subject is approved for a 20-year PILOT program (Payment in Lieu of Taxes) from the IDA.
- Column 1 represents the appraiser's projection based on year 1 stabilization with market average rents. Total income including amenities fees and a 4% vacancy is \$5,570M. Note: Additional income excludes pet rental fees which are speculative and therefore not included. Expenses of \$1,902M were derived from evaluating the Borrower's projections and similar projects in the area. Upon completion, the abated real estate taxes will be \$125M, however, the appraiser elected to utilize unabated taxes of \$909M with an added tax savings value of \$6,238M to determine the appraised "as stabilized" value. The projected NOI of \$3,667M yields a DSCR of 1.21x on the permanent loan. The DSCR is considered acceptable to receive take-out financing from a third-party lender.
- Column 2 represents underwriting of year 1 stabilization. The scenario utilized low to average market rents. Total income including amenities fees and a 5% vacancy is \$5,484M. Expenses of \$1,118M are based on the appraiser's

expenses, plus a \$5M miscellaneous expense, and include year 4 of the approved abated taxes (\$125M). The projected NOI of \$4,367M yields a DSCR of 1.44x on the permanent loan.

- Column 3 represents [REDACTED] underwriting of takeout financing by a third-party lender. To remain conservative, in column 3 The Bank underwriting utilized taxes of \$650M representing year 13 of the tax abatement. NOI is projected of \$3,842M yielding a 1.27x DSCR on the permanent loan.
- As previously mentioned, the appraiser projected a stabilized NOI of \$3,667,195 (column 1). A cap rate of 5.50% was utilized with an added tax savings of \$6,237,964 to arrive at an "as stabilized" value of \$72,300M (rounded). LTV 57%. The aforementioned will provide a breakeven cap rate of 8.84%.

Stress Testing

	Stressed by 2% rate	Stressed by added 5% vacancy	Stressed by both	Rate Stressed to 8.52%	Vacancy Stressed to 22.9%	Year 9 of the Tax Abatement Full Taxes (2% Annual Rent Increase/3% Annual	Year 14 of the Tax Abatement Full Taxes (2% Annual Rent Increase/3% Annual
69 One-Bedroom Units	\$ 3,042,900	\$ 3,042,900	\$ 3,042,900	\$ 3,042,900	\$ 3,042,900	\$ 3,359,607	\$ 3,709,278
48 Two-Bedroom Units	\$ 2,520,000	\$ 2,520,000	\$ 2,520,000	\$ 2,520,000	\$ 2,520,000	\$ 2,782,284	\$ 3,071,866
Parking Income	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Boat/Jet Ski Slips	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Amenity Fees	\$ 70,200	\$ 70,200	\$ 70,200	\$ 70,200	\$ 70,200	\$ 70,200	\$ 70,200
Storage Fees	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Vacancy	\$ (288,655)	\$ (577,310)	\$ (577,310)	\$ (288,655)	\$ (1,322,040)	\$ (317,605)	\$ (349,567)
Total Income	\$ 5,484,445	\$ 5,195,790	\$ 5,195,790	\$ 5,484,445	\$ 4,451,060	\$ 6,034,486	\$ 6,641,777
Variable Expenses							
Water & Sewer	\$ 35,100	\$ 35,100	\$ 35,100	\$ 35,100	\$ 35,100	\$ 40,691	\$ 48,587
Utilities	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 69,556	\$ 83,054
Legal & Professional	\$ 23,400	\$ 23,400	\$ 23,400	\$ 23,400	\$ 23,400	\$ 27,127	\$ 32,391
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management Fee	\$ 274,222	\$ 259,790	\$ 259,790	\$ 274,222	\$ 222,553	\$ 301,724	\$ 332,089
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Repairs / Maintenance	\$ 251,500	\$ 233,811	\$ 233,811	\$ 251,500	\$ 200,298	\$ 271,552	\$ 348,135
Taxes	\$ 650,000	\$ 650,000	\$ 650,000	\$ 650,000	\$ 650,000	\$ 1,085,359	\$ 1,258,228
*Insurance	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 231,855	\$ 276,847
Wages	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 139,113	\$ 166,108
Reserves	\$ 23,400	\$ 23,400	\$ 23,400	\$ 23,400	\$ 23,400	\$ 27,127	\$ 32,391
Other Expenses	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,796	\$ 6,921
Total Expenses	\$ 1,642,622	\$ 1,610,500	\$ 1,610,500	\$ 1,642,622	\$ 1,539,751	\$ 2,199,900	\$ 2,584,751
NOI	\$ 3,841,823	\$ 3,585,290	\$ 3,585,290	\$ 3,841,823	\$ 2,911,309	\$ 3,834,586	\$ 4,057,026
Loan Amount	\$ 41,500,000	\$ 41,500,000	\$ 41,500,000	\$ 41,500,000	\$ 41,500,000	\$ 38,583,627	\$ 34,941,887
Rate	8.125%	6.125%	8.125%	8.524%	5.750%	6.250%	6.500%
Term	360	360	360	360	360	300	240
Monthly Payment	\$ 308,136.33	\$ 252,158.37	\$ 308,136.33	\$ 319,814.59	\$ 242,182.74	\$ 254,524.37	\$ 260,517.32
Annual Debt Service	\$ 3,697,636	\$ 3,025,900	\$ 3,697,636	\$ 3,837,775	\$ 2,906,193	\$ 3,054,292	\$ 3,126,208
Cash Flow/EBITDA	\$ 3,841,823	\$ 3,585,290	\$ 3,585,290	\$ 3,841,823	\$ 2,911,309	\$ 3,834,586	\$ 4,057,026
Debt Service	\$ 3,697,636	\$ 3,025,900	\$ 3,697,636	\$ 3,837,775	\$ 2,906,193	\$ 3,054,292	\$ 3,126,208
Overage (Shortfall)	\$ 144,187	\$ 559,389	\$ (112,346)	\$ 4,048	\$ 5,117	\$ 780,294	\$ 930,818
DSCR	1.04	1.18	0.97	1.00	1.00	1.26	1.30

- Columns 1 through 5 as presented above represent stress testing of [REDACTED] underwriting including year 13 of the approved abated taxes (\$650M).
- Stress testing indicates the loan can handle a rate increase of up to 8.52%, and the property can handle a vacancy increase of up to 22.9%.
- The subject property's breakeven monthly rent/unit is \$3,175. The average projected monthly rent/unit is \$3,962.
- Columns 6 and 7 represent rate resets in year 6 and year 11 of a permanent mortgage. Note: This represents year 9 and year 14 of the approved abated taxes, respectively. The columns include annual rent increases of 2% and expense escalations of 3%.
- Column 6 presented above represents year 6 of the permanent mortgage projection. Total income of \$6,034M is projected. Expenses of \$2,200M include year 9 of the tax abatement at full taxes. The projected NOI of \$3,835M yields a 1.26x DSCR based on an amortized loan balance of \$38,584M, a 6.25% interest rate amortized over the remaining term of 25 years. Utilizing actual year 9 abated taxes of \$400M the projected DSCR is 1.48x.

- Column 7 presented above represents year 11 of the permanent mortgage projection. Total income of \$6,642M is projected. Expenses of \$2,585M include year 14 of the tax abatement at full taxes. The projected NOI of \$4,057M yields a 1.30x DSCR based on an amortized loan balance of \$34,942M, a 6.50% interest rate amortized over the remaining term of 20 years. Utilizing actual year 14 abated taxes of \$760M the projected DSCR is 1.46x.

Right Sizing Analysis

Right Sizing Analysis							
Loan Amount	\$41,500,000	\$41,500,000	\$41,080,000	\$40,050,000	\$39,065,000	\$38,113,000	\$37,209,000
Rate	6.25%	6.50%	6.75%	7.00%	7.25%	7.50%	7.750%
Term	360	360	360	360	360	360	360
Monthly Payment	\$255,523	\$262,308	\$266,444	\$266,454	\$266,492	\$266,492	\$266,570
Annual Debt Service	\$3,066,272	\$3,147,699	\$3,197,329	\$3,197,444	\$3,197,906	\$3,197,900	\$3,198,838
Cash Flow / EBITDA	\$3,841,823	\$3,841,823	\$3,841,823	\$3,841,823	\$3,841,823	\$3,841,823	\$3,841,823
Debt Service	\$3,066,272	\$3,147,699	\$3,197,329	\$3,197,444	\$3,197,906	\$3,197,900	\$3,198,838
DSCR	1.25x	1.22x	1.20x	1.20x	1.20x	1.20x	1.20x
Required Payoff	\$0	\$0	\$420,000	\$1,450,000	\$2,435,000	\$3,387,000	\$4,291,000

- The above chart reflects the maximum loan amount at various interest rate levels that yield a DSCR of 1.20x. Note: This is a typical market DSCR for other lenders.
- The required rightsizing up to a 7.75% interest rate increase is covered by the sponsor's minimum liquidity covenant of \$5MM.

Guarantor Background & Financial Analysis Narrative

A full principal, performance, repayment, and completion and carry guarantee for the life of the loan will be provided by John Smith.

The Bank is in receipt of 2021 and 2022 federal tax returns for John Smith. The accountant isXXXXXXX, XXX & XXXX LLP. The 2023 federal tax return extension is on file. Note: John Smith files as a single individual. The bank is also in receipt of a personal financial statement, dated 06/15/24.

Personal Financial Statement

JOHN Smith - Individual

Dollars displayed are actual

12/31/2024
12 months
PFS

Cash - checking accounts 555,000
Securities - publicly traded 6,874,000

Liquid Assets \$7,429,000

Notes & Contracts receivable 1,100,000
Retirement Funds (eg. IRAs, 401k) 1,101,000
* Real Estate 2,200,000
Investments in Non-Real Estate Entities 155,000
Investment Real Estate 22,541,000
Value Closely Held Business Entity 1,500,000
Other Assets 335,000

Total Other Assets \$28,932,000

Total Assets \$36,361,000

Notes Payable 540,000
Line of Credit Payable 950,000
Estimated Income Taxes Payable 10,181,000

Total Liabilities \$11,671,000

Total Stated Net Worth (subT) \$24,690,000

12/31/2024
12 Months
PFS

Other Adjustment (+/-)	(399,158)
Total Adjustments to Net Worth	(\$399,158)
Total Adjusted Net Worth	\$24,290,842

- At 12/31/2024 John Smith reported a personal adjusted net worth of \$24,290M. The adjustment reflects a deduction of additional debt reported on the credit report.
- Assets at 06/15/24 were reported at \$36,361M and were primarily centered in liquidity of \$7,429M and investment real estate (\$22,541M), which is comprised of 4 direct investments in real estate (all owned 100% by John Smith), and 28 investments in real estate entities (ownership ranges from 4% to 100%).
- The remaining assets consist of Notes Receivables (\$1.1MM), Retirement Funds (\$1,101M), a personal residence (\$2.2MM), three investments in non-real estate entities (\$155M), a closely held corporation, XXXXXX Inc (\$1.5MM), and personal property (\$335M).

Personal Cash Flow

JOHN Smith - Individual

Dollars displayed are actual

	12/31/24 12 Months Tax Return	12/31/24 12 Months Tax Return
Wages, Salaries, Tips, etc	125,400	171,600
Tax Exempt Interest	46,747	36,319
Taxable Interest	42,165	73,697
Ordinary Dividends	30,031	43,928
Social Security Income	22,692	42,122
Capital Gain/(Loss)	211,070	69,967
* Non-Recurring Capital Gain	(71,552)	
Adjustment (Average for two years)		
Other Income	(26,634)	41,289
Personal Income	\$379,919	\$478,922
Net Income	188,726	812,524
Depreciation	167,451	94,471
Amortization	986	985
Total Schedule E Cash Flow	\$357,163	\$907,980
Income Tax Expense	146,218	397,711
Total Deductions	\$146,218	\$397,711
A: 20% of Gross Income	147,416	277,380
Living Expense Options	\$147,416	\$277,380
Living Expenses (Chose Lessor of 20% or \$1M)	147,416	277,380
Total Adjustments to CF	\$147,416	\$277,380
Personal Income	379,919	478,922
Schedule C Income	0	0
Schedule E Income	357,163	907,980
Schedule F Income	0	0
Schedule K-1 Income	0	0
(Total Deductions)	(146,218)	(397,711)
(Total Adjustments)	(147,416)	(277,380)
Gross Cash Flow (subT)	\$443,448	\$711,811
Credit Report Debt	119,220	119,220
Total Debt Service	\$119,220	\$119,220
Total Net Cash Flow	\$324,228	\$592,591

According to the 2022 federal tax return, John Smith reported an AGI of \$1,249M. Income was primarily generated from wages of \$172M paid from XXXXXXXX Corp, an entity owned 90% by The Guarantor, and schedule-e income of \$813M, generated from ownership in over 30 entities and 3 trusts. A capital gain was reported of \$70M from the sale of a long-term asset. Note: We did not deduct the capital gain as it is considered typical activity for the Guarantor.

- Mr. Smith is an investor in numerous businesses. Schedule-E income is derived from partnership income and 4 investment properties, of which 3 are unencumbered. One of the properties has a \$549M mortgage. The debt is reported on Mr. Smith's credit report and is therefore included in the above credit report debt of \$119M.
- Schedule-E income indicated a year-over-year improvement of \$624M to \$813M at FYE 2022. The increase is primarily related to partnership income that is derived from XXXXXX Inc. (a restaurant), and XXXXXX (the subject property/ catering hall). During 2021, the operations of both businesses were adversely affected by Covid-19 restrictions. The majority of the 2021 events at the subject property were postponed until 2022.
- The subject property's existing structure will be demolished, so during the construction period, income will not be generated from the subject property. However, upon completion of the subject property, Mr. Smith's cash flow is projected to show an improvement compared to FYE 2022.

For cash flow purposes, The Bank added back schedule-e depreciation of \$94M and non-taxable income. After taxes, deductions, and a 20% living expense, The Guarantor reported total available cash for debt of \$712M. Excess cash flow was reported of \$593M for FYE 2022, after covering personal obligations reported on the credit report.

Note:

- The subject loan's interest payments will be funded by an interest reserve. The reserve will be partially funded by the Borrower/sponsor. The Guarantors equity contribution toward interest carry is projected at \$2,571M. The sponsor has provided proof of liquidity of \$8,621M which is sufficient to support the Borrower interest carry equity.
- In the event The Bank provides permanent financing, the annual debt service is projected to be \$3,026M based on the proposed \$41,500M loan, at a market rate of 6.125%, amortized over 30 years. The sponsor's minimum liquidity covenant of \$5MM is sufficient to support annual debt service on permanent financing.

	Experian	Equifax	TransUnion	Average
	798	786	781	788

The credit report for John Smith indicated no late, litigations, judgments, or liens. Lexis Nexis was satisfactory. A Google search indicated no derogatory findings.

Summary & Recommendation

Risk Rating Rationale & Support

- The Bank underwriting recommends approval of the proposed loan with a Risk Rating of 4 based on the 57% LTV, and the projected stabilized DSCR of 1.27x.

Risks

- Completion Risk
- Repayment Risk

Strengths / Mitigants

1. The sponsor is an experienced developer who completed a similar neighboring project in 2020. The property is fully occupied and cash-flowing.
2. The subject property will be a quality new construction real estate asset in a favorable location within a strong market.
3. The subject will be advertised at market average rents. However, new construction with amenities is typically priced at a premium, therefore, the subject is considered appropriately priced.
4. LTV of 57% based on appraised "as stabilized" value with projected DSCR of 1.44x (year 1 stabilization/year 4 of approved abated taxes) / projected DSCR of 1.27x (year 13 of approved abated taxes).
5. An interest reserve account will be set as a note line item of \$2,777M to be used for the monthly payments of the construction loan. The Borrower shall replenish the account as needed and at the Bank's sole discretion.
6. Completion of construction and payment of the loan shall be personally guaranteed by John Smith, an experienced developer and a current The Bank customer with a deposit relationship balance of \$9,444M.
7. In the event of an interest rate increase up to 7.75%, the sponsor's \$5MM minimum liquidity covenant will be sufficient to right-size the loan.