COST BENEFIT ANALYSIS
SUBSTANTIATION OF NEED FOR GLEN COVE IDA FINANCIAL ASSISTANCE

GLEN COVE
INDUSTRIAL DEVELOPMENT AGENCY

PROJECT APPLICANT AND NAME
135 GLEN COVE AVE. CORP. – THE VILLAS AT GLEN COVE

LOCATION
1 & 5 Young Ave., 8 Craft Ave., 127, 129, 131, 133, 135 &145 Glen Cove Ave., Glen Cove, NY

PROJECT DESCRIPTION
New Construction of 176 rental units

REQUESTED FINANCIAL ASSISTANCE
Payment in Lieu of Taxes (PILOT)
Exemption on Sales Tax of Building Materials
Exemption on Mortgage Recording Sales Tax

July 8, 2021

I. PROJECT SUMMARY

Livingston Development Corp. and its affiliate 135 Glen Cove Ave. Corp (the "Developer" or "Applicant") submitted an amended Uniform Joint Application for tax assistance in August 2020. The Developer initially filed an application in April 2019 for a project consisting of 216 units. However, based on community feedback and economic factors, the proposal was scaled back to 176 rental units and a new application was submitted in August 2020. This amended application requests a sales tax and a mortgage recording tax exemption in addition to a payment in-lieu of taxes ("PILOT").

The National Development Council ("NDC") has a limited engagement with the Glen Cove Industrial Agency (the "IDA"). The IDA occasionally requests NDC to review applications for tax assistance. The purpose of this report is to describe NDC's project understanding and findings.

The Developer proposes constructing 176 mixed-income residential units consisting of 6 buildings on a 4.89 acre long underdeveloped site on Glen Cove Ave. The Developer assembled the site through multiple purchases in the early 2000s. The proposed $73.9 million 350,000 square foot project will contain several features including on and off-site landscaping improvements, streetscaping improvements, common rooms, a spa, gym, and an indoor pool. The project will be serviced with a 352-space parking garage. The Project Site is consistent with the City's Downtown Gateway Revitalization Plan which seeks to improve the appearance of Glen Cove's gateways and corridors through the redevelopment of abandoned commercial properties.

The rental mix includes 74 market rate one-bedroom units, 78 market rate two-bedroom units, eight (8) market rate three-bedroom units, eight (8) workforce one-bedroom units, and eight (8) workforce two-bedroom units. The workforce units will be affordable to households earning less than 80% of Area Median Income (AMI).

II. SOURCES & USES

The development will be financed with a conventional debt and equity capital stack. The budget is $73,895,934, equivalent to a "per unit" cost of $419,863. The sources and uses are summarized in the following table. The development budget is comparable to similar-sized residential mixed-income buildings being constructed or proposed to be constructed in Long Island.

USES OF FUNDS	$	Per Unit	Per SF	%
Acquisition *	$18,550,000	$105,398	$84	25%
Residential Construction with Contingency	$36,636,325	$208,161	$166	50%
Parking Construction	$10,628,160	$60,387	$48	14%
Soft Costs and Professional Fees	$4,981,449	$28,304	$23	7%
Finance Fees	$3,100,000	$17,614	$14	4%
TOTAL	$73,895,934	$419,863	$335	100%
PERMANENT SOURCES OF FUNDS	$			%
Loan **	$48,032,357			65%
Developer Equity ***	$25,863,577			35%
TOTAL	$73,895,934			100%

** Reflects Fair Market Value (FMV) of land. Does not include an additional +/- $13 million that applicant reports to have been invested in land acquisition and carrying costs.*

*** 65/35 debt-equity split is most typical capital structure for comparable developments. Although the applicant reports a slightly different debt/equity structure, the applicant has not secured debt commitments, as final underwriting is a function of the final PILOT agreement.*

**** Although the project is located in a Qualified Opportunity Zone (QOZ), the developer may have difficulty in attracting an Opportunity Zone (OZ) Fund Investor as the projected returns are marginal. Should the applicant attract a OZ Fund Investor, it would further erode its financial returns as it would have to pass on market returns to OZ Fund Investor.*

The $18,500,000 for land acquisition reflect the current fair market value (FMV) of land established by an AIA appraisal. The developer reports that it has invested over $31 million in land assembly costs and carrying costs since acquisition(s) and these additional costs above FMV are not included.

The 65/35% debt /equity split is different than what the developer reports as its capital stack. NDC assumes a 65/35% debt equity split as it is the most common construction capital structure for comparable developments and the developer has not secured financing yet, as it is largely a function of a PILOT agreement with the IDA. It is not expected that the project would be able to secure other types of financing (e.g. Opportunity Zone investments).

III. SUMMARIZED BENEFITS PACKAGE

TAX BENEFIT SUMMARY		
IDA RELATED PROPERTY TAXES		
Current Taxes	$161,499	$918 per unit
As Complete Full Taxes	$1,547,218	$8,791 per unit
Multiplier	9.58 x	
PILOT schedule	12-year partial phase in	
PILOT over 20 Years	$18,510,516	12 Year PILOT and 8 Year Full Taxes Assesment
Savings over 20 Years	($13,903,270)	
Increment over Savings	$4,607,246	
MORTGAGE RECORDING TAX		
Mortgage	$48,032,357	
Mortgage Recording Tax	1.05%	
Transit District Exclusion	-0.30%	
Mortgage Recording Tax Savings	0.75%	
Value of Exemption	$360,243	
SALES TAX EXEMPTION		
Construction Cost	$47,264,485	
Value of Building Materials	$23,632,243	50% of construction costs
Sales Tax	8.625%	
Value of Exemption	$2,038,281	

The Applicant initially requested a 20-year PILOT term and submitted its own proposed schedule with the application. The PILOT schedule was deemed not adequate for the taxing jurisdictions as the savings far exceeded the PILOT payments during the term. However, the PILOT schedules such as the 485(b) and the double 485(b) in the IDA’s Uniform tax Exemption Policy of the IDA did not meet the needs of the project, as the 10-year term and the abatement percentages did not work for the project’s needs due to the high as complete taxes of the project, estimated at $1,547,218, equivalent to $8,791 per unit. With taxes at such a level, the proposed project is unfeasible, as the developer would not be able to attract the requisite debt as the financial metrics for both debt and equity would fall far short of what is expected in the marketplace.

NDC suggested schedules with terms of both 20 years and 15 years. After consideration of the schedules presented by NDC, the IDA Board expressed its interest for a shorter PILOT schedule. The Applicant responded with a 12-year schedule that is presented in Appendix 1. This developer-proposed schedule is used in the financial analysis of this report.

While the applicant's final PILOT schedule pays less in PILOT payments during the 12-year PILOT schedule proposed by the developer than schedules originally recommended by NDC, the IDA Board insisted that the PILOT schedule be limited to 12 years post construction.

With the proposed 12-year schedule, presented in detail in Appendix 1 on page 7, full taxes will be in place in year 13. While that adjustment to full taxes will be quite steep, with a PILOT payment of $656K in year 12 going to a full tax payment of $1,609,000 in year 13, there should be sufficient income to support the full taxes in year 13.

All of the various PILOT schedules that were considered are summarized on appendix 2 on page 8.

The PILOT will average $391K during the 12-year PILOT term. The average annual payment of PILOT and after PILOT term taxes in the twenty-year period will be $926K. During the 20-year period, there will be $18.5 million of PILOT and tax payments made by the development as compared to $13.9 million of savings realized by the project, thus achieving one of NDC's suggested metrics – PILOT payments should exceed PILOT savings.

IV. SUMMARY OF NDC ANALYSIS

NDC started its analysis with the revenue 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:

- Permanent loan assumptions that are in line with the current market for similar projects
    - Residential Vacancy Rate at 5.00%
    - Adjusting Interest Rate to 4.50%
    - Adjusting stabilized operating expenses, exclusive of real estate taxes, to $8,000/unit. The Developer reported higher operating expenses.
- Adjusting revenue growth to 2.5% annually
- Adjusting expense growth to 3% annually
- Projecting terminal value of project using a 5.5% cap rate

Rents are consistent with other comparable developments. Market residential rents range from $2.82-$3.13/SF with monthly rents for one, two, and three-bedroom apartments equaling $2,192, $3,147, and $3,547, respectively. Affordable residential rents range from $1.90-$2.58/SF with monthly rents totaling $1,624 for one-bedroom apartments and $1,992 for two-bedroom apartments.

GLEN COVE DEVELOPMENT PROGRAM							
RESIDENTIAL INCOME		Units	NSF	Total NSF	Mo Rent	Rent/SF	Annual Rent
Market 1 BR	42%	74	700	51,800	$2,192	$3.13	$1,946,052
Market 2 BR & 2 Bath	44%	78	1,050	81,900	$3,147	$3.00	$2,945,124
Market 3 BR & 2 Bath	5%	8	1,258	10,064	$3,547	$2.82	$340,512
1 BR & 1 Bath Affordable	5%	8	700	5,600	$1,624	$2.58	$155,904
2 BR & 2 Bath Affordable	5%	8	1,050	8,400	$1,992	$1.90	$191,232
	100%	176		157,764			$5,578,824
Market Gross Income						160	$5,231,688
Affordable Gross Income						16	$347,136
Gross Residential Income						176	$5,578,824

Returns from the project, with the proposed projected PILOT schedule are very modest yet likely to establish financial feasibility. The financial metrics of the lenders are met with debt coverage ratio exceeding 1.25:1 in year 3. The financial returns to the developer/investor are less than standard, as the measured leveraged internal rate of return is less than 10% and the market usually expects double digit IRRs usually exceeding 12%. The difference in this particular project is that the equity investment has been raised and already invested. The ability to raise the requisite debt in order to complete the proposed vertical construction will be a function of a PILOT agreement.

NDC believes that there is not undue enrichment to the Developer as a result of this financial incentive package. With taxes at full assessment being equal to $8,791 per residential unit, the rental income stream would not be sufficient to attract the necessary debt. Without the proposed 12-year PILOT schedule, the development would not be financially feasible.

STABILIZED OPERATING PRO FORMA (Assumed to be 3rd year of Operations)									
		WITHOUT PILOT			WITH PILOT IN 3rd YEAR			WITH AVG. PILOT OVER TERM		
		$	PER UNIT		$	PER UNIT		$	PER UNIT	
Market Gross Income	160	$5,496,542	*$2,863 per month*		$5,496,542	*$2,863 per month*		$5,496,542	*$2,863 per month*	
Affordable Gross Income	16	$361,160	*$1,808 per month*		$361,160	*$1,808 per month*		$361,160	*$1,808 per month*	
Parking, Storage, Club Income		$755,694	*$358 per month*		$755,694	*$358 per month*		$755,694	*$358 per month*	
Gross Income		$6,613,396			$6,613,396			$6,613,396		
Vacancy		($256,769)	*5.00% vacancy*		($256,769)	*5.00% vacancy*		($256,769)	*5.00% vacancy*	
Gross Income		$6,356,627			$6,356,627			$6,356,627		
Op Expenses Excluding RE Taxes		($1,450,240)	*$8,240*		($1,450,240)	*$8,240*		($1,450,240)	*$8,240*	
RE Taxes/PILOT		**($1,547,218)**	*$8,791*		**($161,499)**	*$918*		**($925,526)**	*$5,259*	
Reserves		($54,933)	*$312*		($54,933)	*$312*		($54,933)	*$312*	
Total Expenses		($2,997,458)	*$17,031*		($1,611,739)	*$9,470*		($2,375,766)	*$13,811*	
Net Operating Income		$3,359,169			$4,744,888			$3,980,861		
Debt Service		($2,948,781)			($2,948,781)			($2,948,781)		
Cash Flow		$410,388			$1,796,107			$1,032,081		
										Market Expects
Debt Coverage Ratio		1.14	on 65% loan to cost		1.61			1.35		> 1.25
Cash on Cash		1.6%			6.9%			4.0%		> 6.5%
Yield to Cost		4.5%			6.4%			5.4%		> 6.5%
Leveraged Internal Rate of Return		n/a - infeasible			9.1%			9.1%		>12%

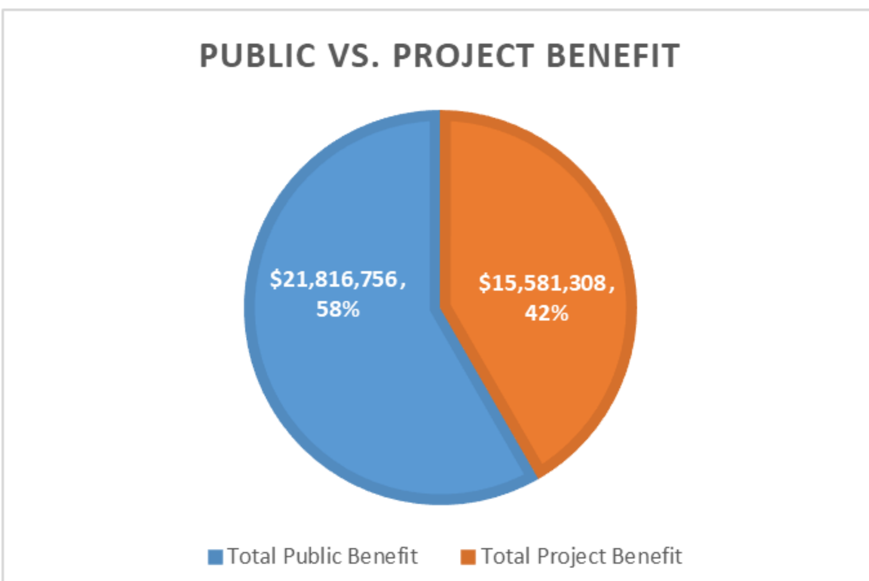
V. COST / BENEFIT ANALYSIS

The public financial benefits are considerable with respect to the real estate tax increment. While the project will realize $16.3 million in savings during a 20-year time horizon, including the 12-year PILOT term, the total public benefit exceeds $21.8 million, including the aggregate PILOT payments over such period estimated at $18.5 million, plus a $3.3 million valuation of the affordable units. The average annual PILOT paid during the 12-year PILOT term is $391,191 or $2,223/unit, which increases to $925,526 or $5,259 per unit annually as full taxes are implemented in years 13-20.

Per the schedule reflected in Appendix 1, the total projected increment over the current taxes paid during the 20-year term is more than $15 million.

In addition to the benefits described below, the project will create more than 150 temporary construction jobs, replace vacant land with an amenity-filled building that is expected to improve the neighborhood, and add considerable disposable income to the area. NDC understands that the IDA has commissioned a separate economic impact regarding the same.

BENEFITS SUMMARY	
Full IDA Taxes (PILOT) over Term	$18,510,516
Value of 16 Affordable Units @ 5% Cap Rate	$3,005,673
Impact Fee on the City of Glen Cove*	$0
TOTAL Public Benefit	$21,516,188
Real Estate Tax Savings Over Term	($13,903,270)
Mortgage Recording Tax Exemption	($360,243)
Sales Tax Exemption	($2,038,281)
TOTAL Developer Benefit	($16,301,793)
NET PUBLIC BENEFIT	$5,214,395
**Excludes building permit fees, etc.*	



APPENDIX 1: PROPOSED PILOT SCHEDULE

PILOT SCHEDULE The Villas at Glen Cove		
	Amount	**Comment**
Current Taxes	$161,499	*Per the 2020 IDA Application*
Proposed Units	176	*Total Market Rate and Affordable*
Estimated Taxes	$1,547,218	*Estimate for first full year of occupancy, per SVS Report (August 2020)*
Taxes at Full Assessment per Unit	$8,791	
Annual Escalator of Base	0.00%	

Year	Base Taxes	Improvement Full Taxes	"As Complete" Full Taxes	Abatement %, Improvements	Savings	PILOT	PILOT Per Unit	Increment over Base Taxes
Construction	$161,499	$0		0	$0	$161,499	$918	$0
Construction	$161,499	$0		0	$0	$161,499	$918	$0
1	$161,499	$1,385,719	$1,547,218	100%	($1,385,719)	$161,499	$918	$0
2	$161,499	$1,385,719	$1,547,218	100%	($1,385,719)	$161,499	$918	$0
3	$161,499	$1,385,719	$1,547,218	100%	($1,385,719)	$161,499	$918	$0
4	$161,499	$1,385,719	$1,547,218	88%	($1,224,220)	$322,998	$1,835	$161,499
5	$161,499	$1,385,719	$1,547,218	88%	($1,224,220)	$322,998	$1,835	$161,499
6	$161,499	$1,385,719	$1,547,218	88%	($1,224,220)	$322,998	$1,835	$161,499
7	$161,499	$1,385,719	$1,547,218	77%	($1,062,721)	$484,497	$2,753	$322,998
8	$161,499	$1,385,719	$1,547,218	77%	($1,062,721)	$484,497	$2,753	$322,998
9	$161,499	$1,385,719	$1,547,218	77%	($1,062,721)	$484,497	$2,753	$322,998
10	$161,499	$1,385,719	$1,547,218	77%	($1,062,721)	$484,497	$2,753	$322,998
11	$161,499	$1,385,719	$1,547,218	65%	($901,222)	$645,996	$3,670	$484,497
12	$161,499	$1,416,663	$1,578,162	65%	($921,347)	$656,815	$3,732	$495,316
13	$161,499	$1,448,226	$1,609,726	0%	$0	$1,609,726	$9,146	$1,448,226
14	$161,499	$1,480,421	$1,641,920	0%	$0	$1,641,920	$9,329	$1,480,421
15	$161,499	$1,513,259	$1,674,759	0%	$0	$1,674,759	$9,516	$1,513,259
16	$161,499	$1,546,755	$1,708,254	0%	$0	$1,708,254	$9,706	$1,546,755
17	$161,499	$1,580,920	$1,742,419	0%	$0	$1,742,419	$9,900	$1,580,920
18	$161,499	$1,615,768	$1,777,267	0%	$0	$1,777,267	$10,098	$1,615,768
19	$161,499	$1,651,313	$1,812,812	0%	$0	$1,812,812	$10,300	$1,651,313
20	$161,499	$1,687,570	$1,849,069	0%	$0	$1,849,069	$10,506	$1,687,570
TOTAL	$3,552,981	$29,183,803	$32,413,785		($13,903,270)	$18,510,516	$5,259	$15,280,533
					43% of full taxes	57% of full taxes		
			Avg. Annual PILOT During 12 Year PILOT Term			$391,191		
			Avg. Annual PILOT During 20 Years			$925,526		
			Avg. PILOT Per Unit during 12 year term:			$2,223		
			Avg. PILOT Per Unit Taxes over 20 Years:			$5,259		

** "As Complete" Full Taxes are trended 2%/year in years 12-20 (Post-abatement Period)*

PILOT payment is then computed by adding that amount to the "As Complete" full taxes for the corresponding year.

APPENDIX 2: PILOT SCHEDULE ITERATIONS

Year	No Dev.	With IDA UTEP, 485(b)		UTEP, Double 485(b)		With Developer Proposal		NDC Proposal #1		NDC Proposal #2		Final Developer Proposal	
	PILOT	Abatement %	PILOT	Abatement %	PILOT	Abatement %	PILOT	Abatement %	PILOT	Abatement %	PILOT	Abatement %	PILOT
Constr. #1	$161,499		$161,499		$161,499		$161,499		$161,499		$161,499		$161,499
Constr. #2	$161,499		$161,499		$161,499		$161,499		$161,499		$161,499		$161,499
1	$161,499 *	50.00%	$854,359	100.00%	$161,499	100.00%	$161,499	100.00%	$161,499	100.00%	$161,499	**100.00%**	**$161,499**
2	$161,499	45.00%	$923,645	90.00%	$300,071	100.00%	$161,499	100.00%	$161,499	100.00%	$161,499	**100.00%**	**$161,499**
3	$161,499	40.00%	$992,930	80.00%	$438,643	95.00%	$239,714	90.00%	$300,071	75.00%	$300,071	**100.00%**	**$161,499**
4	$161,499	35.00%	$1,062,216	70.00%	$577,215	95.00%	$242,799	85.00%	$369,357	75.00%	$507,929	**88.35%**	**$322,998**
5	$161,499	30.00%	$1,131,502	60.00%	$715,787	95.00%	$245,939	80.00%	$438,643	75.00%	$507,929	**88.35%**	**$322,998**
6	$161,499	25.00%	$1,200,788	50.00%	$854,359	95.00%	$249,137	75.00%	$507,929	50.00%	$854,359	**88.35%**	**$322,998**
7	$161,499	20.00%	$1,270,074	40.00%	$992,930	90.00%	$321,678	70.00%	$577,215	50.00%	$854,359	**76.69%**	**$484,497**
8	$161,499	15.00%	$1,339,360	30.00%	$1,131,502	90.00%	$324,992	65.00%	$646,501	50.00%	$854,359	**76.69%**	**$484,497**
9	$161,499	10.00%	$1,408,646	20.00%	$1,270,074	80.00%	$466,938	60.00%	$715,787	50.00%	$854,359	**76.69%**	**$484,497**
10	$161,499	5.00%	$1,477,932	10.00%	$1,408,646	80.00%	$470,374	55.00%	$785,073	50.00%	$854,359	**76.69%**	**$484,497**
11	$161,499		$1,547,218		$1,547,218	70.00%	$612,443	50.00%	$854,359	25.00%	$1,200,788	**65.04%**	**$645,996**
12	$161,499		$1,578,162		$1,578,162	65.00%	$685,290	45.00%	$923,645	25.00%	$1,200,788	**65.04%**	**$656,815**
13	$161,499		$1,609,726		$1,609,726	60.00%	$758,201	40.00%	$992,930	25.00%	$1,200,788		$1,609,726
14	$161,499		$1,641,920		$1,641,920	50.00%	$900,464	35.00%	$1,062,216	25.00%	$1,200,788		$1,641,920
15	$161,499		$1,674,759		$1,674,759	45.00%	$973,507	30.00%	$1,131,502	25.00%	$1,200,788		$1,674,759
16	$161,499		$1,708,254		$1,708,254	40.00%	$1,046,619	25.00%	$1,200,788		$1,708,254		$1,708,254
17	$161,499		$1,742,419		$1,742,419	35.00%	$1,119,800	20.00%	$1,270,074		$1,742,419		$1,742,419
18	$161,499		$1,777,267		$1,777,267	20.00%	$1,331,623	15.00%	$1,339,360		$1,777,267		$1,777,267
19	$161,499		$1,812,812		$1,812,812	20.00%	$1,335,660	10.00%	$1,408,646		$1,812,812		$1,812,812
20	$161,499		$1,849,069		$1,849,069	15.00%	$1,409,056	5.00%	$1,477,932		$1,849,069		$1,849,069
	$3,229,980		**$28,603,059**		**$24,792,332**		**$13,057,231**		**$16,325,026**		**$20,804,482**		**$18,510,516**
		$25,373,079 above base taxes		$21,562,352 above base taxes		$9,827,251 above base taxes		$13,095,046 above base taxes		$17,574,502 above base taxes		$15,280,536 above base taxes	
	** no annual escalator*	*not financially feasible*		*not financially feasible*									

APPENDIX 3: 20 YEAR OPERATING PROFORMA

OPERATING PRO FORMA

			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Vacancy			50%	25%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Market Gross Income	2.50%	2,349 per unit	5,231,688	5,362,480	5,496,542	5,633,956	5,774,805	5,919,175	6,067,154	6,218,833	6,374,304	6,533,661	6,697,003	6,864,428	7,036,039	7,211,940	7,392,238	7,577,044	7,766,470	7,960,632	8,159,648	8,363,639
Affordable Gross Income	2.00%	1,433 per unit	347,136	354,079	361,160	368,384	375,751	383,266	390,932	398,750	406,725	414,860	423,157	431,620	440,252	449,057	458,039	467,199	476,543	486,074	495,796	505,712
Parking, Storage, Club Income	2.50%	285 per unit	719,280	737,262	755,694	774,586	793,951	813,799	834,144	854,998	876,373	898,282	920,739	943,758	967,352	991,535	1,016,324	1,041,732	1,067,775	1,094,470	1,121,831	1,149,877
Gross Income			6,298,104	6,453,821	6,613,396	6,776,925	6,944,506	7,116,240	7,292,230	7,472,581	7,657,402	7,846,803	8,040,899	8,239,806	8,443,643	8,652,533	8,866,601	9,085,975	9,310,789	9,541,176	9,777,275	10,019,228
Vacancy			(3,149,052)	(1,613,455)	(256,769)	(338,846)	(347,225)	(355,812)	(364,611)	(373,629)	(382,870)	(392,340)	(402,045)	(411,990)	(422,182)	(432,627)	(443,330)	(454,299)	(465,539)	(477,059)	(488,864)	(500,961)
Gross Income			3,149,052	4,840,366	6,356,627	6,438,079	6,597,281	6,760,428	6,927,618	7,098,952	7,274,532	7,454,463	7,638,854	7,827,815	8,021,461	8,219,906	8,423,271	8,631,677	8,845,249	9,064,117	9,288,411	9,518,266
Operating Expenses Excl Taxes	3.00%	8,000 per unit	(1,194,374)	(1,408,000)	(1,450,240)	(1,493,747)	(1,538,560)	(1,584,716)	(1,632,258)	(1,681,226)	(1,731,662)	(1,783,612)	(1,837,121)	(1,892,234)	(1,949,001)	(2,007,471)	(2,067,695)	(2,129,726)	(2,193,618)	(2,259,427)	(2,327,209)	(2,397,026)
RE Taxes/PILOT			**(161,499)**	**(161,499)**	**(161,499)**	**(322,998)**	**(322,998)**	**(322,998)**	**(484,497)**	**(484,497)**	**(484,497)**	**(484,497)**	**(645,996)**	**(656,815)**	**(1,609,726)**	**(1,641,920)**	**(1,674,759)**	**(1,708,254)**	**(1,742,419)**	**(1,777,267)**	**(1,812,812)**	**(1,849,069)**
Reserves	2.00%	300 per unit	(52,800)	(53,856)	(54,933)	(56,032)	(57,152)	(58,295)	(59,461)	(60,651)	(61,864)	(63,101)	(64,363)	(65,650)	(66,963)	(68,302)	(69,668)	(71,062)	(72,483)	(73,933)	(75,411)	(76,920)
Total Expenses			**(1,355,873)**	**(1,569,499)**	**(1,611,739)**	**(1,816,745)**	**(1,861,558)**	**(1,907,714)**	**(2,116,755)**	**(2,165,723)**	**(2,216,159)**	**(2,268,109)**	**(2,483,117)**	**(2,549,050)**	**(3,558,727)**	**(3,649,391)**	**(3,742,454)**	**(3,837,980)**	**(3,936,037)**	**(4,036,694)**	**(4,140,022)**	**(4,246,094)**
Net Operating Income			1,793,179	3,270,867	4,744,888	4,621,334	4,735,723	4,852,714	4,810,864	4,933,229	5,058,372	5,186,354	5,155,737	5,278,766	4,462,734	4,570,514	4,680,817	4,793,697	4,909,212	5,027,423	5,148,389	5,272,172
Debt Service			(2,401,618)	(2,401,618)	(2,948,781)	(2,948,781)	(2,948,781)	(2,948,781)	(2,948,781)	(2,948,781)	(2,948,781)	(2,948,781)	(2,948,781)	(2,948,781)	(2,948,781)	(2,948,781)	(2,948,781)	(2,948,781)	(2,948,781)	(2,948,781)	(2,948,781)	(2,948,781)
Cash Flow			**(608,439)**	**869,249**	**1,796,107**	**1,672,553**	**1,786,943**	**1,903,933**	**1,862,083**	**1,984,449**	**2,109,592**	**2,237,573**	**2,206,957**	**2,329,985**	**1,513,953**	**1,621,734**	**1,732,036**	1,844,916	1,960,432	2,078,643	2,199,609	2,323,391
Debt Coverage Ratio			0.75	1.36	1.61	1.57	1.61	1.65	1.63	1.67	1.72	1.76	1.75	1.79	1.51	1.55	1.59	1.63	1.66	1.70	1.75	1.79
Cash on Cash Rate of Return			0.75	2.42%	5.00%	4.66%	4.98%	5.30%	5.19%	5.53%	5.87%	6.23%	6.15%	6.49%	4.22%	4.52%	4.82%	5.14%	5.46%	5.79%	6.13%	6.47%
Yield to Cost			-1.69%	2.42%	5.00%	4.66%	4.98%	5.30%	5.19%	5.53%	5.87%	6.23%	6.15%	6.49%	4.22%	4.52%	4.82%	5.14%	5.46%	5.79%	6.13%	6.47%
Cash Flow			(608,439)	869,249	1,796,107	1,672,553	1,786,943	1,903,933	1,862,083	1,984,449	2,109,592	2,237,573	2,206,957	2,329,985	1,513,953	1,621,734	1,732,036	1,844,916	1,960,432	2,078,643	2,199,609	2,323,391
Net Sale Proceeds																						66,093,246
Benefit Stream		(25,863,577)	(608,439)	869,249	1,796,107	1,672,553	1,786,943	1,903,933	1,862,083	1,984,449	2,109,592	2,237,573	2,206,957	2,329,985	1,513,953	1,621,734	1,732,036	1,844,916	1,960,432	2,078,643	2,199,609	68,416,638
Fair Market Value		5.50% cap rate	32,603,252	59,470,301	86,270,688	84,024,249	86,104,062	88,231,161	87,470,246	89,695,079	91,970,406	94,297,342	93,740,680	95,977,562	81,140,613	83,100,263	85,105,756	87,158,120	89,258,408	91,407,694	93,607,075	95,857,670
Pre-Tax IRR		9.1%																				

APPENDIX 3
NDC DISCLAIMER

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”):

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