CITY COUNCIL **The City of Orange Township, New Jersey**

DATE ______________________ **NUMBER** 35-2021(WO)

TITLE:

ORDINANCE OF THE CITY OF ORANGE TOWNSHIP TO APPROVE A TAX EXEMPTION FOR A THIRTY (30) YEAR PERIOD AND TO AUTHORIZE THE THIRTY (30) YEAR EXEMPTION AND AUTHORIZING THE EXECUTION OF A FINANCIAL AGREEMENT BETWEEN THE CITY AND PEEK HIGHLAND I OWNER URBAN RENEWAL, LLC

WHEREAS, the City of Orange Township, in the County of Essex, New Jersey (the "**City**") previously determined that certain properties (collectively, the "**Redevelopment Area**") are an area in need of redevelopment under the Local Redevelopment and Housing Law, *N.J.S.A.* 40A:12A-1 et seq. (the "**Redevelopment Law**"); and

WHEREAS, the City previously adopted one or more redevelopment plans (collectively, the "**Redevelopment Plan**") to govern the redevelopment of the properties located within the Redevelopment Area; and

WHEREAS, PEEK Highland I Owner Urban Renewal, LLC, having its principal place of business at c/o PEEK Properties, 59 Main Street, Suite 203, West Orange, New Jersey 07052 (the "**Entity**"), has proposed to undertake a redevelopment project on that portion of the Redevelopment Area identified on the City's official tax map as Tax Block 5202, Lots 5,6,7,8 & 9, more commonly known by the respective street addresses of 416, 410, 406, 394 & 386 Highland Avenue, Orange, New Jersey (the "**Project Site**"), consisting of the construction of a 5-story, 138-unit multi-family residential rental apartment building with 106 garage parking spots on the ground floor, a 107-spot surface parking lot (the "**Surface Lot**"), and a 0.4-acre green space (the "**Green Space**") as hereinafter described, and other related improvements (collectively, the "**Project**"); and

WHEREAS, the City expects to authorize, by resolution, the execution and delivery of a Redevelopment Agreement with the Entity (the "**Redevelopment Agreement**"), in order to fully set forth the understanding of the City and the Entity with respect to the construction and development of the Project; and

WHEREAS, the Surface Lot will consist of a approximately 107 spaces of which no fewer than 65 spaces shall be leased to the City on a long-term basis of not less than 98 years for minimal cost of not more than One Dollar ($1.00) per year by a written agreement to be negotiated (the "**Highland Lease Agreement**"), for use as employee and/or public parking; and

WHEREAS, the use of the Green Space shall be leased to the City pursuant to the Highland Lease Agreement, for the same term and same minimal cost per year, restricting the use of the Green Space to those uses designated by the City, including as a buffer between the Surface Lot and the residential neighborhood; and

APPROVED AS TO FORM, SUFFICIENCY AND LEGALITY

Gracia Robert Montilus

CITY ATTORNEY

WHEREAS, the Project includes the Surface Lot and Green Space as conditions to the construction of the Project, and the Redeveloper will be required to enter into the aforementioned Highland Lease Agreement, or other such agreement, with the City, providing for the City's use of 65 parking spaces and the Green Space as aforesaid and providing for the City's payment to the Redeveloper of certain lease payments in respect of such leasehold interest of $1.00 for the Surface Lot and $1.00 for the Green Space (the "**City Lease Payments**"), as described generally in the Redevelopment Agreement; and

WHEREAS, the City expects to authorize, by ordinance, the execution and delivery of the Highland Lease Agreement with the Redeveloper in order to fully set forth the understanding of the City and the Redeveloper with respect to the City's use of the Surface Lot and Green Space as aforesaid and the payment of the City Lease Payments;

WHEREAS, the Project also includes the construction of such reasonably necessary infrastructure improvements along the frontage of the Project and Property that are caused or necessitated as a result of the construction of the Project, including but not limited to curb replacements, street resurfacing, sidewalks, street lighting, landscaping, crosswalks and similar improvements consistent with the Redeveloper's approved site plan, as well as offsite improvements that will enhance the area, including acquisition and construction of a park, all to be determined in consultation with the City Planner (collectively, the "**Infrastructure and Offsite Improvements**"); and

WHEREAS, the City expects to issue its general obligation bonds and/or notes in an aggregate principal amount not to exceed $300,000 (collectively, the "**Bonds**") pursuant to the Redevelopment Area Bond Financing Law, *N.J.S.A.* 40A:12A-64 et seq. (the "**RAB Law**"), and/or the Local Bond Law, *N.J.S.A.* 40A:2-1 et seq. (the "**Local Bond Law**"), as applicable, in order to defray certain eligible costs of the Infrastructure and Offsite Improvements; and

WHEREAS, the Entity has obtained preliminary and final site plan approval for the Project from the City Planning Board on November 30, 2020, as memorialized in a resolution of the City Planning Board adopted on December 21, 2020; and

WHEREAS, the Project will conform to the Redevelopment Plan and all applicable municipal zoning ordinances, to the extent it contains provisions that are relevant to the Project, and will be in conformation with the master plan of the City; and

WHEREAS, the City is authorized under the provisions of the Long Term Tax Exemption Law, *N.J.S.A.* 40A:20-1 et seq. (the "**LTTE Law**") and the RAB Law to grant tax exemptions to qualifying entities constructing redevelopment projects within redevelopment areas and to enter into financial agreements with such entities governing payments made to the City in lieu of real estate taxes on the Project; and

WHEREAS, pursuant to *N.J.S.A.* 40A:20-8, the Entity filed an application (the "**Application**") with the City for approval of a long term tax exemption for the Project

and has agreed to enter into a financial agreement with the City (the "**Financial Agreement**"); and

WHEREAS, the Financial Agreement sets forth the terms and conditions under which the Entity and the City shall carry out their respective obligations with respect to the long term tax exemption for the Project; and

WHEREAS, the Mayor, together with counsel for the City, has reviewed the Application and found that it complies with the provisions of the LTTE Law and the RAB Law; and

WHEREAS, the Entity has demonstrated to the satisfaction of the Mayor and City Council that the granting of a long term tax exemption will improve the quality of life for the occupants of the Project and the quality of life for the City of Orange: and

WHEREAS, the Mayor and City Council finds that the relative benefits of the Project to the City outweigh the costs to the City associated with granting the long term tax exemption in that it will provide needed housing, retail and public parking, create both temporary and permanent jobs within the City, enhance the quality of life for residents in and around the Project and that it will be important in influencing the locational decisions of probable occupants of the Project; and

WHEREAS, the City Council has determined that the assistance provided to the Project pursuant to the Financial Agreement is necessary for the creation of the Project and will be a significant inducement for the Entity to proceed with the Project; and

WHEREAS, the Financial Agreement represents an arm's length transaction between the parties and all promises and agreements, express or implied, payment of fees or other benefits, terms or conditions related thereto are incorporated therein as it concerns the Project and the parties hereto as well as their agents and servants; and

WHEREAS, the Entity hereby certifies its compliance with the applicable municipal ordinances as well as the strictures of the LTTE Law and the RAB Law.

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Orange Township as follows:

SECTION 1: PROVISIONS

1. The Entity's Application is hereby approved.

2. The Financial Agreement providing for a long term tax exemption on the Project is hereby approved with the intent that upon execution of the Financial Agreement and upon the terms set forth therein, the Project will exempt from taxation for a period of thirty (30) years.

3. The Mayor of the City is hereby authorized to execute the Financial Agreement substantially in the form as it has been presented to the City Council subject to modification or revision deemed necessary and appropriate in consultation with counsel.

4. The Clerk of the City is hereby authorized and directed, upon the execution of the Financial Agreement in accordance with the terms set forth herein, to attest to the signature of the Mayor upon such document, and is hereby further authorized and directed thereupon affix the corporate seal of the City upon such document.

5. The City Clerk shall file certified copies of this ordinance and the Financial Agreement with the Tax Assessor of the City and the Director of the Division of Local Government Services within the Department of Community Affairs in accordance with Section 12 of the LTTE Law.

SECTION 2: INCONSISTENCIES

All other ordinances and parts of ordinances in conflict or inconsistent with this ordinance are hereby repealed but only to the extent of such conflict or inconsistency.

SECTION 3: HEADINGS

All headings within this ordinance are for convenience only and are not deemed to be part of this ordinance.

SECTION 4: EFFECTIVE DATE

This ordinance shall take effect as required by law.

ADOPTED:

Joyce L. Lanier
City Clerk

Kerry J. Coley
Council President

APPROVED:

Dwayne D. Warren, Esq.
Mayor

NOTICE OF PENDING ORDINANCE

PUBLIC NOTICE IS HEREBY GIVEN that the foregoing ordinance was duly introduced and passed upon first reading at a regular meeting of the City Council of the City of Orange Township, in the County of Essex, New Jersey, held on ________, 2021. The ordinance authorizes the execution and delivery of a Financial Agreement with PEEK Highland I Owner Urban Renewal, LLC in connection with a redevelopment project to be located at 416, 410, 406, 394 & 386 Highland Avenue and consisting of the construction of a multi-family residential apartment project containing approximately 138 market rate rental apartment units, resident amenities including club room, fitness rooms, and related facilities, a ground floor parking garage, approximately 107 surface parking spaces, a green space, and other related improvements, and also including the construction of such reasonably necessary infrastructure improvements along the frontage of the project and project site that are caused and necessitated as a result of the construction of the project, as well as offsite improvements that will enhance the area. Under the Financial Agreement, the project will receive a 30-year tax exemption and the redeveloper will be obligated to pay certain annual service charges to the City in lieu of taxes on the improvements. Further notice is hereby given that said ordinance will be considered for final passage and adoption, after public hearing thereon, at a regular meeting of said City Council to be held at City Hall, 29 North Day Street, Orange, New Jersey 07050 on ________________, 2021 at ____ p.m., and during the week prior to and up to and including the date of such meeting, copies of said ordinance will be made available without cost at the City Clerk's Office to the members of the general public who shall request the same.

____

Joyce L. Lanier, City Clerk

NOTICE OF ADOPTION OF ORDINANCE

PUBLIC NOTICE IS HEREBY GIVEN that the ordinance published herewith has been finally adopted by the City Council of the City of Orange Township, in the County of Essex, New Jersey on ________________, 2021. The ordinance authorizes the execution and delivery of a Financial Agreement with PEEK Highland I Owner Urban Renewal, LLC in connection with a redevelopment project to be located at 416, 410, 406, 394 & 386 Highland Avenue and consisting of the construction of a multi-family residential apartment project containing approximately 138 market rate rental apartment units, resident amenities including club room, fitness rooms, and related facilities, a ground floor parking garage, approximately 107 surface parking spaces, a green space, and other related improvements, and also including the construction of such reasonably necessary infrastructure improvements along the frontage of the project and project site that are caused and necessitated as a result of the construction of the project, as well as offsite improvements that will enhance the area. Under the Financial Agreement, the project will receive a 30-year tax exemption and the redeveloper will be obligated to pay certain annual service charges to the City in lieu of taxes on the improvements. A copy of the ordinance has been filed for public inspection in the City Clerk's Office, located at City Hall, 29 North Day Street, Orange, New Jersey 07050. Further notice is hereby given that any action or proceeding of any kind or nature in any court questioning the validity or proper authorization of ordinance or the actions authorized to be taken as set forth in the ordinance shall be commenced within 20 days after the publication of this notice, as stated below.

Date of publication: ________________, 2021.

____
Joyce L. Lanier, City Clerk

FINANCIAL AGREEMENT
(N.J.S.A. 40A:20-1 et seq. and N.J.S.A. 40A:12A-64 et seq.)

This **FINANCIAL AGREEMENT** (hereinafter, this "**Financial Agreement**") made this ___ day of ____________, 2021 by and between the designee of PEEK Highland I Owner, LLC, a New Jersey limited liability company, which designee shall be known as PEEK Highland I Owner Urban Renewal, LLC, a New Jersey limited liability company qualified to do business under the provisions of the Long Term Tax Exemption Law, N.J.S.A. 40A: 20-1 et seq. (the "**LTTE Law**"), having its principal office at c/o PEEK Properties, 59 Main Street, Suite 203, West Orange, New Jersey 07052 (hereinafter referred to as the "**Entity**"), and the City of Orange Township, a Municipal Corporation in the County of Essex and the State of New Jersey, having offices at City Hall, 29 North Day Street, Orange, New Jersey 07050 (hereinafter referred to as the "**City**").

WITNESSETH:

WHEREAS, the governing body of the City (the "**City Council**") has previously determined that certain properties (collectively, the "**Redevelopment Area**") are an area in need of redevelopment under the Local Redevelopment and Housing Law, N.J.S.A. 40A:12A-1 et seq. (the "**Redevelopment Law**"); and

WHEREAS, the City has previously adopted one or more redevelopment plans (collectively, and as may be further amended from time to time, in accordance with the Redevelopment Law, the "**Redevelopment Plan**") to govern the redevelopment of the properties located within the Redevelopment Area; and

WHEREAS, as described more fully within the application for long term tax exemption submitted by the Entity (a copy of which is attached hereto as Exhibit A) (the "**Application**"), the Entity has proposed to undertake a redevelopment project on those portions of the Redevelopment Area identified on the City's official tax map as

- Tax Block 5202, Lot 9, more commonly known by the street address of 386 Highland Avenue;
- Tax Block 5202, Lot 8, more commonly known by the street address of 394 Highland Avenue;
- Tax Block 5202, Lot 7, more commonly known by the street address of 406 Highland Avenue;
- Tax Block 5202, Lot 6, more commonly known by the street address of 410 Highland Avenue; and
- Tax Block 5202, Lot 5, more commonly known by the street address of 416 Highland Avenue

all situate in Orange, New Jersey (collectively, the "**Land**"), consisting of the construction of a 5-story,138-unit multi-family residential rental apartment building with 106 garage parking spots on the ground floor, a 107-spot surface parking lot (the "**Surface Lot**") as hereinafter described, a 0.4-acre buffer space (the "**Green Space**") as hereinafter described, and other related improvements (collectively, the "**Project**"); and

WHEREAS, the City expects to authorize, by resolution, the execution and delivery of a Redevelopment Agreement with the Entity (the "**Redevelopment Agreement**"), in order to fully set forth the understanding of the City and the Entity with respect to the construction and development of the Project; and

WHEREAS, the Surface Lot will consist of a total of 107 parking spaces, of which 65 parking spaces shall be leased to the City on a long-term basis (not less than 98 years) for a nominal cost (not more than $1.00 per year) in a lease agreement to be negotiated by and between the City and the Entity; and

WHEREAS, the Green Space shall consist of approximately 0.4-acres of vacant land on or near Block 5202, Lot 9, which shall be cultivated and leased to the City on a long-term basis (not less than 98 years) for a nominal cost (not more than $1.00 per year), and which shall act as a buffer between the Surface Lot and the existing residential neighborhood; and

WHEREAS, the Project includes the construction of such reasonably necessary infrastructure improvements along the frontage of the Project and Land that are caused and necessitated as a result of the construction of the Project, including but not limited to curb replacements, street resurfacing, sidewalks, street lighting, landscaping, crosswalks and similar improvements consistent with the Entity's approved site plan, as well as offsite improvements that will enhance the area, all to be determined in consultation with the City Planner (collectively, the "**Infrastructure and Offsite Improvements**"); and

WHEREAS, in order to defray certain eligible costs of the portion of the Project comprising the Infrastructure and Offsite Improvements, the City expects to issue its general obligation bonds and/or notes in one or more series in an aggregate principal amount not to exceed $300,000 (collectively, the "**Bonds**") pursuant to the Redevelopment Area Bond Financing Law, N.J.S.A. 40A:12A-64 et seq. (the "**RAB Law**"), and/or the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as applicable; and

WHEREAS, as a condition to the construction of the Project, the Entity shall be required to memorialize by lease or other agreement the long-term, minimal cost use by the City of the Green Space and 65 Surface Parking spots, which lease payments to the Entity and leasehold interest of the City shall be described generally in the Redevelopment Agreement; and

WHEREAS, the City expects to authorize, by ordinance, the execution and delivery of a Lease Agreement with the Entity (the "**Highland Lease Agreement**") in order to fully set forth the understanding of the City and the Entity with respect to the City's use of the Surface Parking and the Green Space as aforesaid; and

WHEREAS, the Entity has obtained preliminary and final site plan approval for the Project from the City Planning Board on November 30, 2020, as memorialized in a resolution of the City Planning Board adopted on December 21, 2020; and

WHEREAS, the Project will conform to the Redevelopment Plan and all applicable municipal zoning ordinances, to the extent it contains provisions that are relevant to the Project, and will be in conformation with the master plan of the City; and

WHEREAS, the City Council has reviewed the Application and has made the following findings:

A. Relative Benefits of the Project when Compared to Costs:

(i) The granting of the long term tax exemption provided herein will permit the development of market rate residential units and on-site parking on the Property which would not be developed but for the granting of the exemption provided herein and will also create both temporary construction and permanent jobs which will benefit the community. Thus, the City Council finds that this substantial public benefit outweighs

the difference between the unabated tax amount and the amount that the Entity will be required to pay hereunder.

(ii) The availability of the Surface Parking and the adjacent Green Space for the City's use at minimal cost is an additional benefit to the City's employees and/or the public.

B. Assessment of the Importance of the Tax Exemption in Developing the Project and Influencing the Locational Decisions of Potential Occupants:

(i) This long term tax exemption represents a logical and economical method of attracting residents who will utilize retail/commercial operations which are vital to the City and the community because but for the provision of this financial incentive and the subsidy provided thereby, the development of residential rental housing units would not be possible and thus would not occur; and

(ii) The relative stability and predictability of the Annual Service Charges will enhance the Entity's ability and opportunity to successfully construct, operate and maintain this Project, which in turn will ensure the likelihood of success over the life of the Project; and

(iii) The long term tax exemption granted under this Financial Agreement is important to the City because without the incentive of the tax exemption granted under this Financial Agreement, it is unlikely that the Project would be undertaken and as such the goals and objectives of the Redevelopment Plan would go unfulfilled. The tax exemption is also expected to influence the locational decisions of potential occupants of the Project, and will be of benefit to the local businesses in the community and will foster the growth of additional off-site local business opportunities; and

WHEREAS, the parties hereto wish to set forth in detail their mutual rights and obligations with respect to the tax exemption applicable to this Project by entering into this Financial Agreement; and

WHEREAS, the RAB Law (specifically N.J.S.A. 40A:12A-66(a)) authorizes a municipality to dispense with the provisions requiring a minimum or maximum amount of service charge and requiring staged increase in the annual service charges where a redevelopment project (such as the Project) is being financed with bonds under the RAB Law (such as the Bonds); and

WHEREAS, the City does hereby grant its approval for the Project as a redevelopment project to be developed and to be maintained upon the terms and conditions hereinafter set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, it is mutually covenanted and agreed as follows:

Article I - General Provisions

Section 1.1 Governing Law

This Financial Agreement shall be governed by the provisions of the LTTE Law and the RAB Law. It is expressly understood and agreed that the City expressly relies upon the facts, data, and presentations contained in the Application attached hereto in granting this tax exemption.

Section 1.2 General Definitions

Unless specifically provided otherwise or the context otherwise requires, the following terms when used in this Financial Agreement shall mean:

i. Allowable Net Profit – The amount arrived at by applying the allowable profit rate to the total project cost pursuant to the provisions of N.J.S.A. 40A: 20-3(c).

ii. Allowable Profit Rate – The Allowable Profit Rate means the greater of 12% or the percentage per annum arrived at by adding 1 ¼% per annum to the annual interest percentage rate payable on the Entity's initial permanent mortgage financing. The provisions of N.J.S.A. 40A:20-3(b) are incorporated herein by reference.

iii. Annual Service Charge – The amount that the Entity has agreed to pay the City in lieu of full taxation on the Improvements (but not the Land, which will remain subject to taxation) as set forth more fully within Section 4.1 of this Financial Agreement, and which shall be prorated in the year in which the Substantial Completion of the Project occurs and the year in which this Financial Agreement terminates.

iv. Application – The application filed by the Entity pursuant to N.J.S.A. 40A:20-8 for a long term tax exemption for the Project which is attached hereto as Exhibit A.

v. Auditor's Report – A complete financial statement outlining the financial status of the Project (for a period of time as indicated by context) the contents of which shall include a certification of Total Project Cost (in the first Auditor's Report following Substantial Completion only, with any changes to be contained in a subsequent Annual Report) and proper and accurate computations of annual Gross Revenue and Net Profit. The contents of the Auditor's Report shall be prepared in conformity with generally accepted accounting principles and shall contain such information as necessary to compute the foregoing items, and any other items required by Law, Statutes or Ordinance. The Auditor's Report shall be certified as to its conformance with such

principles by a certified public accountant who is licensed to practice that profession in the State of New Jersey.

vi. Certificate of Occupancy – Permanent or temporary certificate of occupancy as such terms are defined in the New Jersey Administrative Code, issued by the City authorizing occupancy of a building, in whole or in part, pursuant to N.J.S.A. 52:27D-133.

vii. City – The City of Orange Township, New Jersey.

viii. Default – Shall be the failure of the Entity to perform any obligation imposed upon the Entity by the terms of this Financial Agreement, beyond the expiration of any notice, grace and cure periods as provided hereunder.

ix. Director – The City's Director of Development, or such other officer of the City as may be appointed by the City's Business Administrator to undertake all or part of the functions of the Director as provided in this Financial Agreement.

x. Entity – Shall mean PEEK Highland I Owner Urban Renewal, LLC, a New Jersey limited liability corporation qualified to do business under the provisions of the Law, and any lawful assignees as authorized under this Financial Agreement.

xi. Green Space – Shall have the meaning ascribed thereto in the Recitals hereto.

xii. Gross Revenue or Annual Gross Revenue – The annual gross revenue of the Project calculated as set forth in N.J.S.A. 40A:20-3(a). The parties acknowledge that Gross Revenue (A) shall include income or fees paid or received from parking (whether paid by tenants or by third parties), without reduction for expenses, (B) shall include insurance, operating and maintenance expenses paid by a tenant which are ordinarily paid

by a landlord, as represented by the Entity in its calculation of Gross Revenue, (C) shall include all other revenue from the Project, including but not limited to revenue from the laundry room, vending machines, and the like, without reduction for expenses, (D) shall exclude extraordinary items, condemnation awards, insurance proceeds (other than business interruption insurance), gains from sales, transfers or assumption of the Project or any part thereof, proceeds of any financing or refinancing, and proceeds from any disposition of a partner or a partner's interest in the Entity or any successor entity, and (E) shall be computed without deduction for operating or maintenance costs, including, but not limited to, gas, electric, water and sewer, other utilities, garbage removal and insurance charges, whether paid for by the Entity, tenant or third party.

xiii. Highland Lease Agreement – Shall have the meaning ascribed thereto in the Recitals hereto.

xiv. Highland Exclusion Event – Any willful action taken by the Entity, in violation of the terms and provisions of the Highland Lease Agreement (beyond the expiration of all notice, grace or cure periods contained therein or available by applicable law), or by any of its lenders or lienholders, having the effect of excluding the City from occupancy and use of 65-spots of the Surface Parking or of the Green Space for a period of sixty (60) consecutive days during the term of the Highland Lease Agreement, unless such exclusion is permitted by the terms of the Highland Lease Agreement, or is the result of a casualty or condemnation event beyond the reasonable control of the Entity, provided that the City is not then in default under the terms of the Highland Lease Agreement beyond any notice, grace or cure periods.

xv. Improvements – Any building, structure or fixture permanently affixed to the Land as part of the Project and incorporated therein, which improvements are recognized as exempted from taxation under this Financial Agreement.

xvi. Infrastructure and Offsite Improvements – Shall have the meaning ascribed thereto in the Recitals hereto and in any Redevelopment Area Bond ordinance pertaining to the Project. The Infrastructure and Offsite Improvements are part of the Project.

xvii. In Rem Tax Foreclosure – A summary proceeding by which the City may enforce the lien for taxes due and owing by a tax sale. Said foreclosure is governed by N.J.S.A. 54: 5 -1 et seq.

xviii. Land – The land, but not the Improvements, located at Block 5202, Lots 5, 6, 7, 8, and 9, as described more particularly by the metes and bounds description set forth within the Application.

xix. Land Taxes – The amount of taxes assessed on the value of the Land upon which the Project is located. Land assessments are not abated and shall remain a lien on the Land.

xx. Land Tax Payments – Payments made on the quarterly due dates for Land Taxes on the Land as determined by the Tax Assessor and the Tax Collector.

xxi. Law – The term Law shall refer, collectively, to the LTTE Law and the RAB Law.

xxii. Minimum Annual Service Charge – The minimum annual service charge shall be [an amount determined by the parties; provided such amount shall not be less than the amount of the total taxes levied against the Property in the last full tax year in

which the area was subject to taxation, and no greater than an amount equal to the Base Annual Service Charge payable in the first year.]

xxiii. Net Profit – The Gross Revenue of the Entity less all operating and non-operating expenses of the Entity, as determined in accordance with generally accepted accounting principles and the provisions of N.J.S.A. 40A:20-3(c).

xxiv. Project – The Land and Improvements thereon which are the subject of this Financial Agreement and as defined in N.J.S.A. 40A:20-3 (e) & (i). The Project entails the construction of a 5-story, 138-unit multi-family residential rental apartment building and other related improvements, including 106 garage parking spots on the ground floor, the Surface Parking and the Green Space, all to be located on the Land, and also including the Infrastructure and Offsite Improvements, as described more fully within the Application and in the Recitals hereto.

xxv. Pronouns – He or it shall mean the masculine, feminine or neuter gender, the singular, as well as, the plural, as proper meaning requires.

xxvi. Property – The Land and the Improvements thereon located at Block 5202, Lots 5, 6, 7, 8, and 9, as described on the Official Tax Map of the City of Orange Township, and more commonly known as 416 Highland Avenue, 410 Highland Avenue, 406 Highland Avenue, 394 Highland Avenue, and 386 Highland Avenue, Orange, New Jersey.

xxvii. Statutes – The term Statutes when used in this Financial Agreement shall refer to all relevant statutes of the State of New Jersey.

xxviii. Substantial Completion – The determination by the City that the Project is ready for the use intended and issuance of Certificates of Occupancy for the Project, as further defined in Section 6.2 of this Financial Agreement.

xxix. Surface Parking – Shall have the meaning ascribed thereto in the Recitals hereto.

xxx. Termination – The expiration of the term of this Financial Agreement in accordance with Section 3.1 hereof or the termination of this Financial Agreement in accordance with Section 14.1 hereof, in either case resulting, by operation of the terms of this Financial Agreement, in the termination of the tax abatement provided hereunder in respect of the Improvements.

Section 1.3 Exhibits Incorporated

All exhibits that are referred to in this Financial Agreement and are attached hereto are incorporated herein and made a part hereof.

Article II - Approval

Section 2.1 Approval of Tax Abatement

The City has granted and does hereby grant its approval for a tax abatement for the Improvements (but not the Land) to be constructed in accordance with this Financial Agreement and the Application, such tax abatement to be effective on the date provided in Section 6.2 hereof and extending throughout the Term described in Section 3.1 hereof, unless this Financial Agreement is sooner terminated pursuant to Section 14.1 hereof.

The City agrees that it shall not impose any added assessment, omitted added assessment or similar assessment on the value of the Improvements prior to the Annual Service Charge Start Date (as defined in Section 6.2 hereof).

The Entity represents and covenants that, effective as of the completion of the Project, it shall use the Project for the purposes set forth in the Application, and the land use applications filed with, and as approved by, the City in connection with this Project.

Section 2.2 Approval of Entity

Approval hereunder is granted to the Entity for the contemplated Project on the Property, which shall in all respects comply and conform to all applicable statutes of the State of New Jersey, and the lawful regulations made pursuant thereto, governing land, building(s) and the use thereof, and which Project is more particularly described in the Application.

Section 2.3 First Source Employment During and After Construction; First Source Pass Through

(a) If the Entity, its successors and/or assigns and/or any subsequent purchasers and/or any third party management companies retained to manage the Property, intend to hire new or replacement employees, for either part time or full time employment, for the construction of the Project or for the operation of the Project once it is constructed, the Entity, its successors and/or assigns and/or subsequent purchasers and/or any third party management companies retained to manage the Property, shall make good faith efforts to hire City residents to fill these jobs as specified below. The City, through the City's Office of Human Resources and/or a non-profit entity to be named by the City as the job referral center (hereinafter, the "Job Referral Center"), shall be available to assist in providing qualified candidates for the above 'first source' interviewing and hiring. The good faith efforts by the Entity, its successors and/or assigns and/or subsequent purchasers and/or any third party management companies retained to manage the Property, shall include, but not be limited to, the following: (1) written notification to the Job Referral Center of any new

full or part-time job opportunities at least five (5) business Days prior to the commencement of the interviewing process. Such notification shall include, but not be limited to, the number of positions available, projected start date, estimated level of compensation, the skills and experience required for successful applicants, and the anticipated term of employment; (2) hold a first source interview window of at least five (5) business Days during which only candidates referred by the Job Referral Center shall be interviewed. These first source interviews shall take place prior to interviewing candidates from the general public; (3) cooperate with efforts to recruit City residents for employment opportunities, including participation in job fairs or similar events held by the City; and (4) meet with appropriate City officials to determine the status of recruitment efforts and to plan future employment recruitment activities. The Entity, its successors and/or assigns and/or subsequent purchasers and/or any third party management companies retained to manage the Property, shall maintain records of this first source notification, interviewing and hiring activity for review by the City upon the City's written request.

(b) Upon completion of the Project, as evidenced by the receipt of a Certificate of Occupancy, Redevelopers, its successors and/or assigns and/or any subsequent purchasers, shall include a provision in all of their non-residential leases for space in a structure constructed as part of the Project providing that:

> "If the lessee (tenant) intends to hire a new or replacement employee for either part time or full time employment, the lessee shall use good faith efforts to hire City residents to fill those jobs as specified below. The City, through the Job Referral Center, shall be available to assist in providing qualified candidates for the above 'first source' interviewing and hiring.

The lessee's good faith effort shall include, but not be limited to: (1) written notification to the Job Referral Center of any new full or part-time job opportunities at least five (5) business Days prior to the commencement of the interviewing process. Such notification shall include, but not be limited to, the number of positions available, projected start date, estimated level of compensation, the skills and experience required for successful applicants, and the anticipated term of employment; (2) hold a first source interview window of at least five (5) business Days during which only candidates referred by the Job Referral Center shall be interviewed. These first source interviews shall take place prior to interviewing candidates from the general public; (3) cooperate with efforts to recruit City residents for employment opportunities, including participation in job fairs or similar events held by the City; and (4) meet with appropriate City officials to determine the status of recruitment efforts and to plan future employment recruitment activities. Lessee will maintain records of this 'first source' notification, interviewing and hiring activity (including but not limited to a written description of the reasons for the decision not to hire any candidate referred by the Job Referral Center for review by the City upon the City's written request. Failure of the lessee to comply with this 'first source' requirement shall be considered by the lessor to be a material breach of the lease and shall entitle the lessor to exercise any and all remedies provided for in the lease for a material breach including eviction."

(c) Upon written notice from the City to the Entity or its successors and/or assigns and/or any subsequent purchasers that the tenant is not using good faith efforts to hire City residents and is not in compliance with the first source provisions of the lease, the Entity and its successors and/or assigns and/or any subsequent purchasers agree to enforce the lease provisions set forth within Section 2.3(b) above to ensure compliance by all lessees. The Entity and its successors and/or assigns and/or any subsequent purchasers also agree to include the terms of this Section 2.3 in any contract for sale or transfer of the Property or any structure constructed as part of the Project to any other person or entity and to explicitly provide within such contract that these terms shall survive the closing and that the City shall be a third party beneficiary as to the enforcement of these terms.

(d) In addition to any other remedy provided under this Financial Agreement and any other remedy provided by law, the Parties hereby agree that the provisions of this Section 2.3 may be enforced by the City through specific performance.

Section 2.4 Affirmative Action

The Entity, for itself and its successors and assigns, agrees that during the construction of the Project:

(1) It will comply with the provisions of the Affirmative Action Language contained herein.

(2) When hiring workers in each construction trade, or when engaging contractors, the Redeveloper agrees, pursuant to the City's request, to use its best efforts to employ:

a. Minority workers in each construction trade; or

b. Minority contractors consistent with the following goals: (as to workers) - a goal of employing twenty (20%) percent Minority workers out of the total number of workers employed as part of the work force in connection with the Project; or (as to contractors) - a goal of contracting with Qualified Minority Business Enterprises for twenty percent (20%) of the dollar value of the hard costs of total procurements to be awarded in connection with the Project.

c. For purposes of this Section, the term "Minority" shall mean persons who are either one or a combination of: (i) African American (a person having origins in any of the black racial groups of Africa), (ii) Alaskan Native and/or American Indian (a person having origins in any of the original peoples of North America), (iii) Asian American (a person having origins in any of the original peoples of the Far East, Southeast Asia, the Indian subcontinent, Hawaii or the Pacific Islands), (iv) Hispanic (a person of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish culture or origin, regardless of race), or (v) Female (a person of the female gender). The term "Qualified Minority Business Enterprise" shall mean a business which has its principal place of business in New Jersey, is independently owned and operated, is at least 51% owned and controlled by Minority group members and is qualified.

(3) It will undertake a program of local preference to facilitate entering into contracts with and/or purchasing goods and services from local merchants and businesses located within the City.

(4) It will endeavor to comply with the above stated goals by, among other things, considering employment of applicants, contractors and vendors who are from a pool registered by the City or its designee.

(5) Where applicable, it will at all times conform to the laws, regulations, policies of the State, the federal government, and other governmental bodies with respect to affirmative action and equal employment opportunities requirements, and particularly those which are imposed as a condition to receipt of any government-sponsored funding for the Project, notwithstanding any other provision of this Financial Agreement to the contrary.

Section 2.5 Compliance and Reporting

The obligations contained in Sections 2.3 and 2.4 shall be binding on all contractors and subcontractors to the extent that any work is done by any contractor or subcontractor, and any contract entered into by the Entity (or any other person or entity) in respect of the construction of the Improvements shall so provide. The Entity covenants to enforce (and cause any other person or entity to enforce) its contracts with its contractors and subcontractors if such parties are not in compliance with Sections 2.3 and 2.4.

The Entity and its contractors and subcontractors shall submit monthly (or at less frequent intervals, not less than quarterly, if so directed by the Director) reports regarding their compliance with Sections 2.3 and 2.4 as the City may reasonably require. Upon completion of the Improvements, the Entity shall certify that it has complied with the requirements of Sections 2.3 and 2.4. No Certificate of Completion or Certificate of Occupancy shall be issued prior to the Entity filing a report satisfactory to the City

evidencing compliance with the provisions of Sections 2.3 and 2.4.

Following completion of the Improvements, the Entity shall continue to comply with the provisions of Section 2.3 in connection with the ongoing operations of the Project, and shall submit quarterly reports regarding its compliance with Section 2.3 as the City may reasonably require.

Any contract of sale or transfer of the Project to any other person or entity shall include the terms of Sections 2.3, 2.4 and 2.5 and shall explicitly provide within such contract that these terms shall survive the closing of such sale or transfer.

Failure to comply with the requirements of Sections 2.3, 2.4 or 2.5 shall constitute a Default within the meaning of Section 13.1, as to which the provisions of Sections 13.2, 13.3 and 14.1 shall be applicable. In addition to any other remedy provided under this Financial Agreement and any other remedy provided by law, the parties agree that the provisions of Sections 2.3 and 2.4 may be enforced by the City through specific enforcement.

Article III – Duration of Financial Agreement

Section 3.1 Term

So long as there is compliance with the Law and this Financial Agreement, and except as provided in Section 14.1 hereof, it is understood and agreed by the parties hereto that this Financial Agreement shall remain in effect for a term of thirty (30) years from the date of Substantial Completion of the Project (which shall be the start date of the tax abatement and the Annual Service Charge payments under this Financial Agreement) and shall continue in force only while said Project is owned by an urban renewal entity formed pursuant to the Law; provided, however, that in no case shall this Financial

Agreement remain in effect longer than 35 years from the date of execution of this Financial Agreement. Upon expiration of the term of this tax exemption, (i) the tax exemption for the Project shall no longer be in effect and the Land and the Improvements thereon shall thereafter be assessed and taxed according to the general law applicable to other non-exempt property in the City and (ii) all restrictions and limitations upon the Entity outlined in this Financial Agreement shall terminate upon the Entity's rendering and the City's acceptance of the Entity's final accounting.

Section 3.2 Termination by Entity Not Permitted

Pursuant to N.J.S.A. 40A:12A-66, the provisions of N.J.S.A. 40A:20-13 permitting the relinquishment of tax-exemption status under the LTTE Law after the expiration of one (1) year from the project completion date, shall not apply to redevelopment projects (such as the Project) financed with bonds under the RAB Law (such as the Bonds). Accordingly, the Entity shall have no authority to voluntarily terminate this Financial Agreement.

Section 3.3 Certain Termination Events

This Financial Agreement shall be subject to termination, at the direction of the City, upon the occurrence of any Bankruptcy Event or any uncured Highland Exclusion Event.

Article IV - Annual Service Charge

Section 4.1 Annual Service Charge

(a) The Annual Gross Revenue shall be calculated as set forth within N.J.S.A. 40A:20-3(a) and the definition thereof contained in Section 1.2 hereof.

(b) All parking spaces on the Property (other than those Surface Parking spaces which will be made available to the City or its designee pursuant to the Highland Lease Agreement) will be exclusively for the use of the owners, tenants or occupants of the Property. If the Entity charges for the parking spaces on the Property, the Entity must report this as other revenue generated from the Project. All such parking revenues shall be included, without reduction for expenses, in Annual Gross Revenue for purposes of computing the Annual Service Charges under paragraph (c) below. In the event that the Entity seeks to lease the parking spaces on the Property (other than those Surface Parking spaces which will be made available to the City or its designee pursuant to the Highland Lease Agreement) to third parties other than the owners, tenants or occupants of the Property, the Entity must first notify the City in writing and must comply with all City ordinances and State laws regarding parking.

(c) Pursuant to N.J.S.A. 40A:12A-66, the provisions of N.J.S.A. 40A:20-12 establishing a minimum or annual service charge and requiring staged increases in the annual service charge over the term of the exemption period shall not apply to redevelopment projects financed with bonds under the RAB Law (such as the Bonds). The Infrastructure and Offsite Improvements (which constitute a portion of the Project) will be financed by the Bonds.

(d) The Annual Service Charge payable by the Entity to the City for each year shall consist of the sum of the Base Annual Service Charge and the RAB Annual Service Charge.

(e) The Base Annual Service Charge payable by the Entity to the City for each year shall be as follows:

(i) During year one (1) through year fifteen (15) of the Financial Agreement, the Base Annual Service Charge shall be an amount equal to four percent (4%) of the Annual Gross Revenue generated from the Project; provided, however, that if in each of years eight (8), nine (9) and ten (10) the Annual Gross Revenues equaled or exceeded the Projected AGR as set forth in Section 4.2, then the Base Annual Service Charge during year eleven (11) through year fifteen (15) shall be increased to an amount equal to five percent (5%) of the Annual Gross Revenue generated from the Project;

(ii) During year sixteen (16) through year twenty (20) of the Financial Agreement, the Base Annual Service Charge shall be an amount equal to five percent (5%) of the Annual Gross Revenue generated from the Project;

(iii) During year twenty-one (21) through year twenty-five (25) of the Financial Agreement, the Base Annual Service Charge shall be an amount equal to seven percent (7%) of the Annual Gross Revenue generated from the Project; and

(iv) During year twenty-six (26) through year thirty (30) of the Financial Agreement, the Base Annual Service Charge shall be an amount equal to nine percent (9%) of the Annual Gross Revenue generated from the Project.

(v) The Base Annual Service Charge shall be increased on each anniversary of the Annual Service Charge Start Date until this

Agreement is terminated by an amount equal to: a dollar amount equal to the increase in the non-municipal/library portion of the Land Taxes provided that such increase shall not exceed 3% of the Base Annual Service Charge ("Land Tax Adjustment Cap"), and provided further that any unused portion of the Land Tax Adjustment Cap shall be carried over to future years.

(e) The RAB Annual Service Charge payable by the Entity to the City for each year shall be equal to the product of 1.05263 times the amount of debt service scheduled to be paid by the City during such year in respect of the Bonds. The City shall provide a debt service schedule to the Entity promptly following the issuance of the Bonds.

(f) In no event shall the Annual Service Charge, excluding taxes on the Land, in any year after the Annual Service Charge Start Date be less than the Minimum Annual Service Charge. The Minimum Annual Service Charge shall not be reduced through any tax appeal on Land and/or Improvements during the period the Agreement is in force and effect; provided, however, that the foregoing shall not prohibit the Entity from appealing land taxes applicable to the Land as may be then assessed at any time during the term of this Financial Agreement.

Section 4.2 Quarterly Installments

The Entity expressly agrees that the aforesaid Annual Service Charge(s) shall be made in quarterly installments on those dates when real estate tax payments are due; subject, nevertheless, to adjustment for over or underpayment within thirty (30) days after the close of each City fiscal year. In the event that the Entity fails to so pay, the amount

unpaid shall bear the highest rate of interest permitted in the case of unpaid taxes or tax liens on the land until paid.

In the Application, the Entity has projected the following estimated amounts of Annual Gross Revenues for each year of operation (the "**Projected AGR**"):

YEAR	AMOUNT	YEAR	AMOUNT	YEAR	AMOUNT
1	3,280,904	11	3,807,623	21	4,418,902
2	3,330,117	12	3,864,737	22	4,485,185
3	3,380,069	13	3,922,708	23	4,552,463
4	3,430,770	14	3,981,549	24	4,620,750
5	3,482,232	15	4,041,272	25	4,690,061
6	3,534,465	16	4,101,891	26	4,760,412
7	3,587,482	17	4,163,420	27	4,831,818
8	3,641,294	18	4,225,871	28	4,904,296
9	3,695,914	19	4,289,259	29	4,977,860
10	3,751,353	20	4,353,598	30	5,052,528

For each year, the quarterly installments of the Base Annual Service Charge shall be based on the Projected AGR, which amount shall be adjusted when the Auditor's Report is completed for such year. In the event of any such adjustment, (i) any surplus owing to the Entity as a result of an overpayment revealed by such calculation shall be credited against the next quarterly installment of Base Annual Service Charges payable by the Entity after the date such Auditor's Report is filed (provided, that if there are no future quarterly installments then the City shall retain such surplus amount), and (ii) any

deficiency owing to the City as a result of an underpayment revealed by such calculation shall be paid by the Entity to the City within thirty (30) days of the date such Auditor's Report is filed.

In the event the Auditor's Report for any such year is not timely filed by the Entity, the City may make the above-referenced calculations, which calculations shall be binding upon the Entity absent manifest error.

Section 4.3 Land Tax Credit

The Entity is obligated to make Land Tax Payments, notwithstanding any entitlement to a Land Tax Credit against the Annual Service Charge for the subsequent year. The Entity shall be entitled to a credit for the amount, without interest, of the Land Tax Payments paid by it in the last four preceding quarterly installments against the Annual Service Charge. The Entity's failure to make the requisite Annual Service Charge payment in a timely manner shall constitute a violation and breach of the Financial Agreement and the City shall, if such failure shall continue for greater than thirty (30) days following the date such quarterly Annual Service Charge installment is due, (i) render the Entity ineligible for any Land Tax credit in respect of such quarterly Annual Service Charge installment (which shall automatically result in an increase in the amount due on such quarterly Annual Service Charge installment), (ii) enable the City, among its other remedies, to proceed against the Property pursuant to the In Rem Tax Foreclosure Act, N.J.S.A. 54:5-1 et seq., and/or (iii) enable the City to cancel the Financial Agreement in a manner consistent with the provisions of Section 14.1 hereof. Any default arising out of the Entity's failure to pay Land Taxes and/or Annual Service

Charges, shall not be subject to the default procedural remedies as provided in Section 5.1 of this Financial Agreement.

Section 4.4 Material Conditions

It is expressly agreed and understood that all Land Tax Payments, Annual Service Charges, including the methodology of computation, water and sewer charges, and any interest payments due, are material conditions of this Financial Agreement. If any other term, covenant or condition of this Financial Agreement or the Application, to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this agreement or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term, covenant or condition of this Financial Agreement shall be valid and be enforced to the fullest extent permitted by law.

Section 4.5 City Administrative Charge

In addition to the Annual Service Charge, there will be a fee of 2% of the Annual Service Charge added to cover City administration costs.

Article V - Dispute Resolution

Section 5.1 Remedies

In the event of a breach of this Financial Agreement by either of the parties hereto or a dispute arising between the parties in reference to the terms and provisions as set forth herein, other than those items specifically included as material conditions herein, either party may apply to the Superior Court of New Jersey by an appropriate proceeding, to settle and resolve said dispute in such fashion as will tend to accomplish the purposes of the Law. In the event the Superior Court shall not entertain jurisdiction, then the

parties shall submit the dispute to the American Arbitration Association in New Jersey to be determined in accordance with its expedited commercial rules and regulations in such a fashion to accomplish the purpose of said Law. Costs for said arbitration shall be borne equally by the parties. In the event of a default on the part of the Entity, to pay the Annual Service Charge as defined in Article IV, above, the City among its other remedies, reserves the right to proceed against the Entity's land and premises, in the manner provided by N.J.S.A. 54:5-1 to 54:5-129, and any act supplementary or amendatory thereof. Whenever the word "Taxes" appear, or is applied, directly or implied to mean taxes or municipal liens on land, such statutory provisions shall be read, as far as is pertinent to this Financial Agreement, as if the Annual Service Charge were taxes or municipal liens on land. In such event, however, the Entity, whichever the case may be, does not waive any defense it may have to contest the right of the City to proceed in the above mentioned manner by conventional or In Rem Tax foreclosure.

Article VI – Certificate of Occupancy

Section 6.1 Certificate of Occupancy

It is understood and agreed that it shall be the obligation of the Entity to make application for and make all best efforts to obtain all Certificates of Occupancy in a timely manner, as identified in the Application. Failure on the part of the Entity to use all best efforts to secure and submit said Certificates of Occupancy in a timely manner shall constitute a default hereunder, which shall be subject to the provisions of Articles XIII and XIV hereof.

Section 6.2 Substantial Completion

The Annual Service Charge is to commence from the first day of the month following the Substantial Completion, as herein defined, of the Project or any phase(s) thereof if the Project is undertaken in phases (the "Annual Service Charge Start Date").

The phrase "Substantial Completion" denotes the issuance, by the City's Construction Official, of any valid Certificate of Occupancy of all, or a substantial part of, the Project's structure.

Section 6.3 Filing of Certificate of Occupancy

It shall be the primary responsibility of the Entity to forthwith file with the Tax Assessor, the Tax Collector and the Chief Financial Officer of the City a copy of such certificate.

Failure of the Entity to file such issued Certificate of Occupancy as required by the preceding paragraph, shall not militate against any action or non action, taken by the City's Tax Assessor in the absence of such filing by the Entity.

The estimated cost basis disclosed in the Application may at the option of the City's Construction Official be used as the basis for construction cost in the issuance of the building permit(s).

Article VII - Annual Audits

Section 7.1 Accounting System

The Entity agrees to maintain a system of accounting and internal controls established and administered in accordance with generally accepted accounting principles and as otherwise prescribed in the Law during the term of the tax exemption.

Section 7.2 Periodic Reports

Within ninety (90) days after the close of each fiscal or calendar year, depending on the Entity's accounting basis, that this Financial Agreement shall continue in effect, the Entity shall submit its Auditor's Report certified by a certified public accountant for the preceding fiscal or calendar year to the City, to the attention of the City's Chief Financial Officer, and the City Clerk, who shall advise those municipal officials required to be advised, and to the Director of the Division of Local Government Services in the Department of Community Affairs N.J.S.A. 40A:20-9(d). Said Auditor's Report shall include, but not be limited to the following:

Rental schedule of the Project, and the terms and interest rate on any mortgage(s) associated with the Project and such details as may relate to the financial affairs of the Entity and to its operation and performance hereunder, pursuant to the Law and this Financial Agreement.

After full completion of the Project (as opposed to Substantial Completion), the Entity agrees to submit a Total Project Cost audit certified by a Certified Public Accountant within ninety (90) days after full completion of the Project.

Section 7.3 Inspection

The Entity shall, upon request by the City, permit the inspection of property, equipment, buildings and other facilities of the Project. It also shall permit, upon request, examination and audit of its books, contracts, records, documents and papers by representatives duly authorized by the City. Such inspection, examination or audit shall be made during the reasonable hours of the business day, in the presence of any officer or agent of the Entity.

Section 7.4 Limitation of Profits and Reserves

During the period of tax exemption as provided herein, the Entity shall be subject to limitation of its profits payable by it pursuant to the provisions of N.J.S.A. 40A:20-15.

The Entity shall have the right to establish a reserve against unpaid rentals, reasonable contingencies and/or vacancies in an amount not exceeding ten (10%) percent of the Annual Gross Revenue of the Entity for the last full fiscal year preceding the year in which a determination is being made with respect to permitted Net Profits and may retain part of the excess Net Profits as is necessary to eliminate a deficiency in that reserve, as provided in N.J.S.A. 40A:20-15, said reserve to be noncumulative, it being intended that no further credits thereto shall be permitted after the reserve shall have attained the allowable level of ten (10%) percent of the preceding year's Annual Gross Revenue as aforesaid.

Section 7.5 Payment of Dividend and Excess Profit Charge

In the event the Net Profits of the Entity, as provided in N.J.S.A. 40A:20-15, shall exceed the Allowable Net Profits for such period, then the Entity shall, within ninety (90) days after the end of such fiscal year, pay such excess profit to the City as an additional service charge; provided, however, that the Entity may maintain a reserve as determined pursuant to aforementioned Section 7.4.

Article VIII - Assignment and/or Assumption

Section 8.1 Approval

Any change made in the ownership of the Project, or any other change that would materially affect the terms of this Financial Agreement, shall be void unless approved by the City. As permitted by N.J.S.A. 40A:20-10, it is understood and agreed that the City,

on written application by the Entity, will not unreasonably withhold its consent to the sale of the Project (but not a portion thereof) and the transfer of this Financial Agreement to another urban renewal entity, provided that (a) if such sale and transfer is to occur prior to Substantial Completion, the transferee urban renewal entity shall have demonstrated to the reasonable satisfaction of the City that it possesses the experience and capitalization necessary to complete and operate the Project, which determination by the City shall not be unreasonably withheld, conditioned or delayed; (b) the transferee urban renewal entity does not own any other project subject to long term tax exemption at the time of transfer; (c) the transferee urban renewal entity is formed and eligible to operate under the Law; (d) the Entity is not then in Default of this Financial Agreement or in violation of the Law; (e) the Entity's obligations under this Financial Agreement and the Highland Lease Agreement are fully assumed by the transferee urban renewal entity; and (f) the transferee urban renewal entity abides by all terms and conditions of this Financial Agreement and the Highland Lease Agreement. Any such consent shall be conditioned upon payment of an application fee equal to two percent (2%) of the Annual Service Charge.

Section 8.2 Operation of Project

The Project shall be operated in accordance with the provisions of the Law, as currently amended and/or supplemented. Operation of the Project under this Financial Agreement shall not only be terminable as provided by the Law, but also by a material breach of this Financial Agreement.

Section 8.3 Termination

The Entity hereby agrees at all times prior to the expiration or termination of this Financial Agreement to remain bound by the provisions of the Law. It is an express condition of the granting of this tax exemption that during its duration, the Entity shall not, without the prior consent of the Municipal Council, convey, mortgage or transfer, all or part of the Project so as to sever, disconnect, or divide the Improvements from the Land which are basic to, embraced in, or underlying the exempted Improvements.

Article IX – Notice

Section 9.1 Notice

Any notice required hereunder to be sent by either party to the other shall be sent by certified or registered mail, return receipt requested, addressed as follows:

(a) When sent by the City to the Entity it shall be addressed as follows:

PEEK Highland I Owner Urban Renewal, LLC
c/o PEEK Properties
59 Main Street, Suite 203
West Orange, New Jersey 07052

With a copy to:

Reginald Jenkins, Jr., Esq.
Chasan Lamparello Mallon & Cappuzzo, PC
300 Lighting Way, Suite 200
Secaucus, New Jersey 07094

(b) When sent by the Entity to the City, it shall be addressed as follows:

City Hall
29 North Day Street
Orange, New Jersey 07050
Attention: Municipal Clerk

The notice to the City shall identify the subject as "Highland Avenue Redevelopment Project" and shall include any assigned tax account numbers.

Article X – Compliance

Section 10.1 Statutes and Ordinances

The Entity hereby agrees at all times prior to the expiration or termination of this Financial Agreement to remain bound by the provisions of Federal and State Statutes and Municipal Ordinances and Regulations including, but not limited to, the Law. The Entity's failure to comply with such statutes or Ordinances shall constitute a violation and breach of the Financial Agreement and the City shall, among its other remedies, have the right to terminate said tax exemption in accordance with the provisions of Articles XIII and XIV hereof.

Article XI - Construction

Section 11.1 Construction

This Financial Agreement shall be construed and enforced in accordance with the laws of the State of New Jersey, and without regard to or aid of any presumption or other rule requiring construction against the party drawing or causing this Financial Agreement to be drawn since counsel for both the Entity and the City have combined in their review and approval of same.

Article XII – Indemnification

Section 12.1 Defined

It is understood and agreed that in the event the City shall be named as party defendant in any action brought against the Entity by reason of any breach, default or a violation of any of the provisions of this Financial Agreement and/or the provisions of the Law, the Entity shall indemnify and hold the City harmless, and the Entity agrees to defend the suit at its own expense. However, the City maintains the right to intervene as

a party thereto, to which intervention the Entity consents, the expense thereof to be borne by the Entity.

Article XIII - Default

Section 13.1 Default

Default shall be failure of the Entity to comply with the terms of this Financial Agreement and failure of the Entity to perform any obligation imposed upon the Entity by statute, ordinance or lawful regulation, subject to the expiration of any applicable notice, grace and cure periods provided in this Financial Agreement.

Section 13.2 Cure Upon Default

Should the Entity be in default as defined and set forth in this Financial Agreement, the City shall notify the Entity in writing of said default. Said notice shall set forth with particularly the basis of said default. The Entity shall have thirty (30) days from its receipt of such notice to cure any alleged default (other than a default in the payment of any installment of the Annual Service Charge, which shall instead be subject to the provisions of Section 4.3 hereof), provided that if the default cannot reasonably be cured within the applicable cure period using reasonable diligence, then the time to cure shall be extended upon written request for one additional thirty (30) day period of time. The City may not cancel the Financial Agreement unless thirty (30) days' notice to cure has also been given to all lenders of record.

Section 13.3 Remedies Upon Default

Subsequent to the passage of requisite number of days after the Entity's receipt of a default notice (as set forth in Sections 4.3 or 14.2 hereof) without cure, the City shall have the right to proceed against the property pursuant to the In Rem Tax Foreclosure

Act, N.J.S.A. 54: 4-1, et seq., if the default is the failure to pay the Annual Service Charge, and/or may cancel the Financial Agreement. All of the remedies provided in this agreement to the City, and all rights and remedies granted to it by law and equity shall be cumulative and concurrent. No determination of any provision within this Financial Agreement shall deprive the City of any of its remedies or actions against the Entity because of its failure to pay land taxes, the Annual Service Charge, and/or the water and sewer charges and interest payments. This right shall apply to arrearages that are due and owing at the time, and the bringing of any action for land taxes and Annual Service Charges, or other charges, or for breach of covenant or the resort of any other remedy herein provided for the recovery of land taxes, Annual Service Charges, and water and sewer charges, or other charges shall not be construed as a waiver of the right to terminate said tax exemption and/or proceed with In Rem Foreclosure action or any other remedy.

Article XIV - Termination

Section 14.1 Termination Upon Default of the Entity

In the event the Entity fails to cure or remedy such default or material breach within the time period provided in Section 13.2, the City may cancel this Financial Agreement upon thirty (30) days notice to the Entity and all lenders of record, which may be nullified upon a cure of the subject default by or on behalf of the Entity. For purposes of rendering a final financial accounting the termination of the agreement shall be deemed to be the end of the fiscal year for the Entity. The Entity shall within ninety (90) days after the date of such termination pay to the City a sum equal to the amount of the reserves, if any, maintained pursuant to N.J.S.A. 40A:20-13 and 15. Upon such

termination of the Project, all affected parcels and all improvements made thereto shall be assessed and subject to taxation as are all other taxable properties within the City.

Section 14.2 Final Accounting

Upon any termination of such exemption, whether by affirmative action of the Entity or by virtue of the provisions of the Law, or pursuant to the terms of this Financial Agreement, the date of such termination shall be deemed to be the end of the fiscal year of the Entity solely for the purpose of providing a final accounting pursuant to this Financial Agreement.

It is further provided that at the end of the period of tax exemption granted hereunder, the Land and Improvements shall be assessed and taxed according to general law like other property in the City. At the same date, all restrictions and limitations upon the Entity shall terminate upon the Entity rendering its final accounting with the City, and the City's acceptance thereof, pursuant to N.J.S.A. 40A:20-13.

Article XV - Miscellaneous

Section 15.1 Conflict

The parties agree that in the event of a conflict between the Application and the Financial Agreement, the language in this Financial Agreement shall govern and prevail.

Section 15.2 Oral Representations

There have been no oral representations made by either of the parties hereto which are not contained in this Financial Agreement. This Financial Agreement, the Ordinance authorizing the Financial Agreement, and the Application constitute the entire agreement between the parties and there shall be no modifications thereto other than by a written instrument executed by both parties and delivered to each.

Section 15.3 Entire Document

All conditions in the Ordinance of the Municipal Council approving this Financial Agreement, and the Application, with all attachments and exhibits, are incorporated in this Financial Agreement and made a part hereof.

Section 15.4 Good Faith

In their dealings with each other, utmost good faith is required from the Entity and the City.

Section 15.5 Grammatical Agreement

The bracketing of the letter(s) at the end of a word such as unit(s) shall mean the singular or plural as proper meaning requires and all related verbs and pronouns shall be made to correspond.

Section 15.6 Recording

Either this entire Financial Agreement or a memorandum of recording will be filed and recorded with Essex County Register of Deeds by the Entity.

Article XVI – Exhibits

Exhibit A – PEEK Highland I Owner Urban Renewal, LLC Tax Abatement Application

IN WITNESS WHEREOF, the parties have caused these presents to be executed as of the day and year first above written.

ATTEST:

PEEK HIGHLAND I OWNER URBAN RENEWAL, LLC

____
Witness

By:______________________
Phillip Evanski, Manager

ATTEST:

THE CITY OF ORANGE TOWNSHIP

____
Clerk

____
Dwayne D. Warren, Esq., Mayor

APPROVED AS TO FORM

____
City Attorney

EXHIBIT A

CITY OF ORANGE TOWNSHIP

PEEK HIGHLAND I MULTI-FAMILY RESIDENTIAL APARTMENTS
PILOT ANALYSIS

(PILOT Proposal per Redeveloper Initial Proposal)

DATED: June 15, 2021

CITY OF ORANGE TOWNSHIP
PILOT ANALYSIS
PEEK HIGHLAND I MULTI-FAMILY RESIDENTIAL APARTMENTS

Key Assumptions

1. Term of PILOT Agreement	30 years	Per Redeveloper - assumes Year 1 begins 2023

2. Annual Service Charge (aka PILOT) and Administrative Fee

Projected Revenues - Year 1	$ 3,280,904	
PILOT - % of Revenues	4.00%	
Gross PILOT - Year 1 (before land tax credits)	$ 131,236	
Year 1 (Fully Stabilized) Begins	**1/1/2023**	Per Redeveloper Project Schedule
PILOT - % of Revenues	**4% / 5% / 7% / 9%**	Per Redeveloper - 30 yr. Pro-Forma
Annual Administrative Fee % of PILOT	**2%**	City Administrative Fee
Vacancy Factor - Residential	**5%**	Per Redeveloper - 30 yr. Pro-Forma
Vacancy Factor - Parking	**10%**	Per Redeveloper - 30 yr. Pro-Forma
Increase in % of Revenues	**1.5%**	Per Redeveloper - 30 yr. Pro-Forma
Annual Increase Operating Expenses	**1.5%**	Per Redeveloper - 30 yr. Pro-Forma

See Page 5 for Proposed 30-Year PILOT Schedule

3. Project Sources & Uses

Sources		Uses	
		Land Acquisition	$ 7,570,000
		Hard Costs*	26,673,482
Permanent Debt Financing	$ 33,585,512	Soft Costs**	4,438,269
Equity	8,740,890	Interest Reserve	3,644,650
Total	$ 42,326,402		$ 42,326,401

* Includes Residential Floors, Parking Structure & System, General Conditions/Site Work, Demolition, General Contractor Fee and Contingency.
** Includes Site Planning, Legal & Administrative, Architectural, Permits & Connection Fees, Marketing, Insurance, Loan Closing Fees, Financing Costs and Contingency.

4. Property Assessment Values

Projected Redevelopment Assessment	$ 24,548,957	Based on Redeveloper Projected Taxes - Year 1
Existing Property Value - Land Only	$ 438,900	Block 5202, Lots 5, 6, 7, 8 and 9
Proposed - Multi-Family Residential Apartments	138 units	

5. Projected Annual Tax Increases	2.5%

CITY OF ORANGE TOWNSHIP
PILOT ANALYSIS
PEEK HIGHLAND I MULTI-FAMILY RESIDENTIAL APARTMENTS

PROJECTED P&L STATEMENT

	Year 1	# of Units	Notes
Revenues			
Gross Potential Rent - Rentable Space			
Studio Apartments	$ 131,712	7 units	*Avg. $1,568 / Month*
1 Bedroom Apartments	1,776,096	84 units	*Avg. $1,762 / Month*
2 Bedroom Apartments	1,347,396	47 units	*Avg. $2,389 / Month*
Surface Parking	50,400	42 units	*$100 / Month / Space*
Garage Parking	159,000	106 units	*$125 / Month / Space*
Total Potential Gross Revenue	3,464,604		
Vacancy Loss - Rents (5%)	(162,760)	5%	*Per Developer*
Vacancy Loss - Parking (10%)	(20,940)	10%	*Per Developer*
Effective Gross Revenue	$ 3,280,904		
Expenses		Proj. Cost	
Property Insurance	82,800	~2.52% of EGR	*Per Developer*
Gas & Electric	27,600	~0.84% of EGR	*Per Developer*
Water & Sewer	17,250	~0.53% of EGR	*Per Developer*
Management Fee	131,258	~4.00% of EGR	*Per Developer*
Repairs & Maintenance	65,629	~2.00% of EGR	*Per Developer*
Super/Porter	67,949	~2.07% of EGR	*Per Developer*
Contract Services	15,000	~0.46% of EGR	*Per Developer*
Other	15,000	~0.46% of EGR	*Per Developer*
RAB Annual Service Charge	35,156	1.05263 Annual D.S.	*10 Years @ 2% Int. Rate*
Base Annual Service Charge	131,236	4% of Revenues	*See A.V. Worksheet*
PILOT Administrative Fee	2,625	2% of PILOT	
Total Expenses	591,503		
Net Operating Income	$ 2,689,401		
Turnover Reserve	20,700	0.63% of EGR	*Per Developer*
Cash Flow from Operations	$ 2,668,701		
Debt Service on Permanent Financing	2,042,074	@ 4.5% Int. Rate	*Per Developer*
Net Cash Flow After Debt Service	$ 626,627		
Leveraged Return	7.17%		*Net CF / $8,740,890 equity*

CITY OF ORANGE TOWNSHIP
PILOT ANALYSIS
PEEK HIGHLAND I MULTI-FAMILY RESIDENTIAL APARTMENTS

PILOT Proposal - Redeveloper Initial Proposal

Year	Proposed PILOT %	Net PILOT to City	Admin. Fee-2%*	Projected Net City Revenue**	Developer Net Cash Flow	Developer Leveraged Return***
1	4.00% Rev	$ 105,381	$ 2,625	$ 121,970	$ 626,627	7.17%
2	4.00% Rev	106,703	2,664	123,746	667,184	7.63%
3	4.00% Rev	108,038	2,704	125,547	708,350	8.10%
4	4.00% Rev	109,386	2,745	127,374	750,132	8.58%
5	4.00% Rev	110,748	2,786	129,227	792,543	9.07%
6	4.00% Rev	112,124	2,828	131,107	835,587	9.56%
7	4.00% Rev	113,512	2,870	133,011	879,278	10.06%
8	4.00% Rev	114,916	2,913	134,946	923,626	10.57%
9	4.00% Rev	116,331	2,957	136,906	968,640	11.08%
10	4.00% Rev	117,761	3,001	138,895	1,014,329	11.60%
11	4.00% Rev	119,204	3,046	140,912	1,095,859	12.54%
12	4.00% Rev	120,660	3,092	142,957	1,142,931	13.08%
13	4.00% Rev	122,130	3,138	145,030	1,190,704	13.62%
14	4.00% Rev	123,614	3,185	147,134	1,239,196	14.18%
15	4.00% Rev	125,111	3,233	149,267	1,288,415	14.74%
16	5.00% Rev	167,641	4,102	191,219	1,296,533	14.83%
17	5.00% Rev	169,781	4,163	194,009	1,346,612	15.41%
18	5.00% Rev	171,945	4,226	196,842	1,397,445	15.99%
19	5.00% Rev	174,130	4,289	199,712	1,449,038	16.58%
20	5.00% Rev	176,338	4,354	202,625	1,501,405	17.18%
21	7.00% Rev	266,948	6,186	291,306	1,464,414	16.75%
22	7.00% Rev	270,528	6,279	295,588	1,517,008	17.36%
23	7.00% Rev	274,151	6,373	299,931	1,570,393	17.97%
24	7.00% Rev	277,818	6,469	304,339	1,624,580	18.59%
25	7.00% Rev	281,529	6,566	308,811	1,679,582	19.22%
26	9.00% Rev	380,493	8,569	405,699	1,638,293	18.74%
27	9.00% Rev	385,721	8,697	411,686	1,693,500	19.37%
28	9.00% Rev	391,015	8,828	417,760	1,749,533	20.02%
29	9.00% Rev	396,375	8,960	423,921	1,806,408	20.67%
30	9.00% Rev	401,805	9,095	430,175	1,864,135	21.33%
		$ 5,911,837	$ 140,943	$ 6,601,652	$ 37,722,280	
Ref.				*Page 7*		

* City Admin. Fee based on 2% of Projected Gross PILOT.
** Projected Net City Revenue includes Net PILOT, 2% Admin. Fee, Township Share of Land Tax net of 5% Due to County of Essex.
***Based on Developer Equity Contribution of $8,740,890.

CITY OF ORANGE TOWNSHIP
PILOT ANALYSIS
PEEK HIGHLAND I MULTI-FAMILY RESIDENTIAL APARTMENTS

CALCULATION OF REDEVELOPER LEVERAGED RETURN

	a	*b*	*c*	*d*	*e=a-b-c-d*	*f*	*g=e-f*	
Year	Effective Gross Revenues*	Less: Oper. Exp./ Admin. Fee	Less: Annual Service Charges	Less: Turnover Reserves	Operating Cash Flow	Less: Annual Debt Service	Net Cash Flow After Debt Service	Developer Leveraged Return**
1	$ 3,280,904	$ 425,111	$ 166,392	$ 20,700	$ 2,668,701	$ 2,042,074	$ 626,627	7.17%
2	3,330,117	431,487	168,361	21,011	2,709,258	2,042,074	667,184	7.63%
3	3,380,068	437,959	170,359	21,326	2,750,424	2,042,074	708,350	8.10%
4	3,430,769	444,530	172,387	21,646	2,792,206	2,042,074	750,132	8.58%
5	3,482,231	451,198	174,445	21,971	2,834,617	2,042,074	792,543	9.07%
6	3,534,464	457,967	176,535	22,301	2,877,661	2,042,074	835,587	9.56%
7	3,587,479	464,836	178,655	22,636	2,921,352	2,042,074	879,278	10.06%
8	3,641,292	471,808	180,808	22,976	2,965,700	2,042,074	923,626	10.57%
9	3,695,912	478,885	182,992	23,321	3,010,714	2,042,074	968,640	11.08%
10	3,751,351	486,067	185,210	23,671	3,056,403	2,042,074	1,014,329	11.60%
11	3,807,621	493,357	152,305	24,026	3,137,933	2,042,074	1,095,859	12.54%
12	3,864,736	500,756	154,589	24,386	3,185,005	2,042,074	1,142,931	13.08%
13	3,922,706	508,268	156,908	24,752	3,232,778	2,042,074	1,190,704	13.62%
14	3,981,547	515,892	159,262	25,123	3,281,270	2,042,074	1,239,196	14.18%
15	4,041,270	523,630	161,651	25,500	3,330,489	2,042,074	1,288,415	14.74%
16	4,101,890	532,305	205,095	25,883	3,338,607	2,042,074	1,296,533	14.83%
17	4,163,418	540,290	208,171	26,271	3,388,686	2,042,074	1,346,612	15.41%
18	4,225,870	548,392	211,294	26,665	3,439,519	2,042,074	1,397,445	15.99%
19	4,289,258	556,618	214,463	27,065	3,491,112	2,042,074	1,449,038	16.58%
20	4,353,597	564,967	217,680	27,471	3,543,479	2,042,074	1,501,405	17.18%
21	4,418,902	575,208	309,323	27,883	3,506,488	2,042,074	1,464,414	16.75%
22	4,485,184	583,838	313,963	28,301	3,559,082	2,042,074	1,517,008	17.36%
23	4,552,462	592,597	318,672	28,726	3,612,467	2,042,074	1,570,393	17.97%
24	4,620,748	601,485	323,452	29,157	3,666,654	2,042,074	1,624,580	18.59%
25	4,690,060	610,506	328,304	29,594	3,721,656	2,042,074	1,679,582	19.22%
26	4,760,411	621,569	428,437	30,038	3,680,367	2,042,074	1,638,293	18.74%
27	4,831,818	630,891	434,864	30,489	3,735,574	2,042,074	1,693,500	19.37%
28	4,904,295	640,355	441,387	30,946	3,791,607	2,042,074	1,749,533	20.02%
29	4,977,860	649,961	448,007	31,410	3,848,482	2,042,074	1,806,408	20.67%
30	5,052,528	659,710	454,728	31,881	3,906,209	2,042,074	1,864,135	21.33%
	$ 123,160,768	$ 16,000,443	$ 7,398,699	$ 777,126	$ 98,984,500	$ 61,262,220	$ 37,722,280	

*Redeveloper assumes 1.5% increases in rental rates every year.
**Based on Developer Equity Contribution of $8,740,890.

CITY OF ORANGE TOWNSHIP
PILOT ANALYSIS
PEEK HIGHLAND I MULTI-FAMILY RESIDENTIAL APARTMENTS

PROPOSED PILOT SCHEDULE

Proposed Percent of Gross Revenues

Year	Proposed PILOT Revenue %
1	4.00%
2	4.00%
3	4.00%
4	4.00%
5	4.00%
6	4.00%
7	4.00%
8	4.00%
9	4.00%
10	4.00%
11	4.00%
12	4.00%
13	4.00%
14	4.00%
15	4.00%
16	5.00%
17	5.00%
18	5.00%
19	5.00%
20	5.00%
21	7.00%
22	7.00%
23	7.00%
24	7.00%
25	7.00%
26	9.00%
27	9.00%
28	9.00%
29	9.00%
30	9.00%

Note: See key assumptions

CITY OF ORANGE TOWNSHIP
PILOT ANALYSIS
PEEK HIGHLAND I MULTI-FAMILY RESIDENTIAL APARTMENTS

PROPOSED PILOT SCHEDULE

	Calculation as % of Revenues			
Year	Net Potential Rent*	Proposed PILOT %	PILOT as % of Rents	Taxes Otherwise Due*
1	$ 3,280,904	4.00%	$ 131,236	$ 1,482,266
2	3,330,117	4.00%	133,205	1,519,322
3	3,380,068	4.00%	135,203	1,557,305
4	3,430,769	4.00%	137,231	1,596,238
5	3,482,231	4.00%	139,289	1,636,143
6	3,534,464	4.00%	141,379	1,677,046
7	3,587,479	4.00%	143,499	1,718,972
8	3,641,292	4.00%	145,652	1,761,946
9	3,695,912	4.00%	147,836	1,805,995
10	3,751,351	4.00%	150,054	1,851,145
11	3,807,621	4.00%	152,305	1,897,423
12	3,864,736	4.00%	154,589	1,944,858
13	3,922,706	4.00%	156,908	1,993,479
14	3,981,547	4.00%	159,262	2,043,316
15	4,041,270	4.00%	161,651	2,094,399
16	4,101,890	5.00%	205,095	2,146,759
17	4,163,418	5.00%	208,171	2,200,428
18	4,225,870	5.00%	211,294	2,255,439
19	4,289,258	5.00%	214,463	2,311,825
20	4,353,597	5.00%	217,680	2,369,620
21	4,418,902	7.00%	309,323	2,428,861
22	4,485,184	7.00%	313,963	2,489,583
23	4,552,462	7.00%	318,672	2,551,823
24	4,620,748	7.00%	323,452	2,615,618
25	4,690,060	7.00%	328,304	2,681,008
26	4,760,411	9.00%	428,437	2,748,034
27	4,831,818	9.00%	434,864	2,816,735
28	4,904,295	9.00%	441,387	2,887,153
29	4,977,860	9.00%	448,007	2,959,332
30	5,052,528	9.00%	454,728	3,033,315
	$ 123,160,768		$ 7,047,139	$ 65,075,386

*See key assumptions.

CITY OF ORANGE TOWNSHIP
PILOT ANALYSIS
PEEK HIGHLAND I MULTI-FAMILY RESIDENTIAL APARTMENTS

PROJECTED CITY REVENUE GENERATION

	a	*b*	*c=a+b*	*d= 2%(a)*	*e*	*f=c+d+e*	*g=5%(c)*	*h=f+g*
Year	Projected Gross PILOT	Less: Land Tax Credit	Net PILOT to City	Admin. Fee - 2%	City Share of Land Tax	Net City Receipts	Less: 5% Paid to Essex Cty.	Net City Revenue
1	$ 131,236	$ (25,855)	$ 105,381	$ 2,625	$ 19,233	$ 127,239	$ (5,269)	$ 121,970
2	133,205	(26,502)	106,703	2,664	19,714	129,081	(5,335)	123,746
3	135,203	(27,165)	108,038	2,704	20,207	130,949	(5,402)	125,547
4	137,231	(27,845)	109,386	2,745	20,712	132,843	(5,469)	127,374
5	139,289	(28,541)	110,748	2,786	21,230	134,764	(5,537)	129,227
6	141,379	(29,255)	112,124	2,828	21,761	136,713	(5,606)	131,107
7	143,499	(29,987)	113,512	2,870	22,305	138,687	(5,676)	133,011
8	145,652	(30,736)	114,916	2,913	22,863	140,692	(5,746)	134,946
9	147,836	(31,505)	116,331	2,957	23,435	142,723	(5,817)	136,906
10	150,054	(32,293)	117,761	3,001	24,021	144,783	(5,888)	138,895
11	152,305	(33,101)	119,204	3,046	24,622	146,872	(5,960)	140,912
12	154,589	(33,929)	120,660	3,092	25,238	148,990	(6,033)	142,957
13	156,908	(34,778)	122,130	3,138	25,869	151,137	(6,107)	145,030
14	159,262	(35,648)	123,614	3,185	26,516	153,315	(6,181)	147,134
15	161,651	(36,540)	125,111	3,233	27,179	155,523	(6,256)	149,267
16	205,095	(37,454)	167,641	4,102	27,858	199,601	(8,382)	191,219
17	208,171	(38,390)	169,781	4,163	28,554	202,498	(8,489)	194,009
18	211,294	(39,349)	171,945	4,226	29,268	205,439	(8,597)	196,842
19	214,463	(40,333)	174,130	4,289	30,000	208,419	(8,707)	199,712
20	217,680	(41,342)	176,338	4,354	30,750	211,442	(8,817)	202,625
21	309,323	(42,375)	266,948	6,186	31,519	304,653	(13,347)	291,306
22	313,963	(43,435)	270,528	6,279	32,307	309,114	(13,526)	295,588
23	318,672	(44,521)	274,151	6,373	33,115	313,639	(13,708)	299,931
24	323,452	(45,634)	277,818	6,469	33,943	318,230	(13,891)	304,339
25	328,304	(46,775)	281,529	6,566	34,792	322,887	(14,076)	308,811
26	428,437	(47,944)	380,493	8,569	35,662	424,724	(19,025)	405,699
27	434,864	(49,143)	385,721	8,697	36,554	430,972	(19,286)	411,686
28	441,387	(50,372)	391,015	8,828	37,468	437,311	(19,551)	417,760
29	448,007	(51,632)	396,375	8,960	38,405	443,740	(19,819)	423,921
30	454,728	(52,923)	401,805	9,095	39,365	450,265	(20,090)	430,175
	$ 7,047,139	$ (1,135,302)	$ 5,911,837	$ 140,943	$ 844,465	$ 6,897,245	$ (295,593)	$ 6,601,652
Ref.	*Page 6*	*Page 9*			*Page 10*			

Note: See key assumptions

SUPPORTING

SCHEDULES

CITY OF ORANGE TOWNSHIP
PILOT ANALYSIS
PEEK HIGHLAND I MULTI-FAMILY RESIDENTIAL APARTMENTS

Projected PILOT Assessment	$ 24,548,957 -	*See Page 12*
Projected Annual Tax Increases	2.50%	*(2021 Equalization Ratio - 91.49%)*
PILOT Year 1	1/1/2023	

	Projected Taxes Otherwise Due on Redevelopment Parcels			
*Yr. 1 - Tax Rate**	*4.382*	*1.081*	*0.575*	*6.038*
Year	Municipal	School	County	Total
1	$ 1,075,735	$ 265,374	$ 141,157	$ 1,482,266
2	1,102,628	272,008	144,686	1,519,322
3	1,130,194	278,808	148,303	1,557,305
4	1,158,449	285,778	152,011	1,596,238
5	1,187,410	292,922	155,811	1,636,143
6	1,217,095	300,245	159,706	1,677,046
7	1,247,522	307,751	163,699	1,718,972
8	1,278,710	315,445	167,791	1,761,946
9	1,310,678	323,331	171,986	1,805,995
10	1,343,445	331,414	176,286	1,851,145
11	1,377,031	339,699	180,693	1,897,423
12	1,411,457	348,191	185,210	1,944,858
13	1,446,743	356,896	189,840	1,993,479
14	1,482,912	365,818	194,586	2,043,316
15	1,519,985	374,963	199,451	2,094,399
16	1,557,985	384,337	204,437	2,146,759
17	1,596,935	393,945	209,548	2,200,428
18	1,636,858	403,794	214,787	2,255,439
19	1,677,779	413,889	220,157	2,311,825
20	1,719,723	424,236	225,661	2,369,620
21	1,762,716	434,842	231,303	2,428,861
22	1,806,784	445,713	237,086	2,489,583
23	1,851,954	456,856	243,013	2,551,823
24	1,898,253	468,277	249,088	2,615,618
25	1,945,709	479,984	255,315	2,681,008
26	1,994,352	491,984	261,698	2,748,034
27	2,044,211	504,284	268,240	2,816,735
28	2,095,316	516,891	274,946	2,887,153
29	2,147,699	529,813	281,820	2,959,332
30	2,201,391	543,058	288,866	3,033,315
	$ 47,227,659	$ 11,650,546	$ 6,197,181	$ 65,075,386

*Note: Yr. 1 (2023) Tax Rate is utilized to calculate projected taxes otherwise due for Year 1 of PILOT.

CITY OF ORANGE TOWNSHIP
PILOT ANALYSIS
PEEK HIGHLAND I MULTI-FAMILY RESIDENTIAL APARTMENTS

Projected Prior Year Land Taxes Credited to Redeveloper

Existing Land Assessment	$	438,900	*See Page 11*
Projected Annual Tax Increases		2.50%	
PILOT Year 1		1/1/2023	

*Year 0 -Tax Rate**	*4.275*	*1.055*	*0.561*	*5.891*
Year	Municipal	School	County	Total
1	$ 18,763	$ 4,630	$ 2,462	$ 25,855
2	19,233	4,745	2,524	26,502
3	19,714	4,864	2,587	27,165
4	20,207	4,986	2,652	27,845
5	20,712	5,111	2,718	28,541
6	21,230	5,239	2,786	29,255
7	21,761	5,370	2,856	29,987
8	22,305	5,504	2,927	30,736
9	22,863	5,642	3,000	31,505
10	23,435	5,783	3,075	32,293
11	24,021	5,928	3,152	33,101
12	24,622	6,076	3,231	33,929
13	25,238	6,228	3,312	34,778
14	25,869	6,384	3,395	35,648
15	26,516	6,544	3,480	36,540
16	27,179	6,708	3,567	37,454
17	27,858	6,876	3,656	38,390
18	28,554	7,048	3,747	39,349
19	29,268	7,224	3,841	40,333
20	30,000	7,405	3,937	41,342
21	30,750	7,590	4,035	42,375
22	31,519	7,780	4,136	43,435
23	32,307	7,975	4,239	44,521
24	33,115	8,174	4,345	45,634
25	33,943	8,378	4,454	46,775
26	34,792	8,587	4,565	47,944
27	35,662	8,802	4,679	49,143
28	36,554	9,022	4,796	50,372
29	37,468	9,248	4,916	51,632
30	38,405	9,479	5,039	52,923
	$ 823,863	$ 203,330	$ 108,109	$ 1,135,302

*Note: Year 0 (2022) Tax Rate is utilized to calculate prior year land tax credit for Year 1 of PILOT.

CITY OF ORANGE TOWNSHIP
PILOT ANALYSIS
PEEK HIGHLAND I MULTI-FAMILY RESIDENTIAL APARTMENTS

Projected Current Year Land Taxes

Existing Land Assessment	$	438,900	*See Page 11*
Projected Annual Tax Increases		2.50%	
PILOT Year 1		1/1/2023	

*Year 1 -Tax Rate**	*4.382*	*1.081*	*0.575*	*6.038*
Year	Municipal	School	County	Total
1	$ 19,233	$ 4,745	$ 2,524	$ 26,502
2	19,714	4,864	2,587	27,165
3	20,207	4,986	2,652	27,845
4	20,712	5,111	2,718	28,541
5	21,230	5,239	2,786	29,255
6	21,761	5,370	2,856	29,987
7	22,305	5,504	2,927	30,736
8	22,863	5,642	3,000	31,505
9	23,435	5,783	3,075	32,293
10	24,021	5,928	3,152	33,101
11	24,622	6,076	3,231	33,929
12	25,238	6,228	3,312	34,778
13	25,869	6,384	3,395	35,648
14	26,516	6,544	3,480	36,540
15	27,179	6,708	3,567	37,454
16	27,858	6,876	3,656	38,390
17	28,554	7,048	3,747	39,349
18	29,268	7,224	3,841	40,333
19	30,000	7,405	3,937	41,342
20	30,750	7,590	4,035	42,375
21	31,519	7,780	4,136	43,435
22	32,307	7,975	4,239	44,521
23	33,115	8,174	4,345	45,634
24	33,943	8,378	4,454	46,775
25	34,792	8,587	4,565	47,944
26	35,662	8,802	4,679	49,143
27	36,554	9,022	4,796	50,372
28	37,468	9,248	4,916	51,632
29	38,405	9,479	5,039	52,923
30	39,365	9,716	5,165	54,246
	$ 844,465	$ 208,416	$ 110,812	$ 1,163,693

*Note: Year 1 (2023) Tax Rate is utilized to calculate current year land taxes for Year 1 of PILOT.

CITY OF ORANGE TOWNSHIP
PEEK HIGHLAND I MULTI-FAMILY RESIDENTIAL APARTMENTS
PILOT ANALYSIS

EXISTING UNDEVELOPED PROPERTY ANALYSIS

2020 Apportionment of Taxes		Rate	%
Municipal		$ 4.069	72.57%
County		0.534	9.52%
School		1.004	17.91%
Total		$ 5.607	100.00%
2021 Projected	2.5%	5.747	
2022 Projected	2.5%	5.891	
2023 Projected	**2.5%**	**6.038**	

2020 Existing Taxes - Redevelopment Property	
Municipal	$ 17,859
County	2,344
School	4,406
2020 Taxes - Redev. Property	$ 24,609
Breakdown	
Land	$ 24,609
Improvements	-
	$ 24,609

Redevelopment Property - Existing Assessed Valuation			
Block, Lot	Land	Impvt	Total
Block 5202, Lot 5	$ 55,000	$ 218,800	$ 273,800
Block 5202, Lot 6	83,100	193,200	276,300
Block 5202, Lot 7	83,100	181,400	264,500
Block 5202, Lot 8	130,100	-	130,100
Block 5202, Lot 9	87,600	125,300	212,900
Less: Exemptions	-	(718,700)	(718,700)
Assessed Value	$ 438,900	$ -	$ 438,900

CITY OF ORANGE TOWNSHIP
PEEK HIGHLAND I MULTI-FAMILY RESIDENTIAL APARTMENTS

PROJECTED POTENTIAL GROSS INCOME AND ASSESSED VALUE
BASED ON PRO FORMA PROVIDED BY REDEVELOPER

	# of Units		Rent	*Monthly Avg. Rent*	
Residential					
Studio	7 units		$ 131,712	$ 1,568/mo.	Per Developer
1 Bedroom	84 units		$ 1,776,096	$ 1,762/mo.	Per Developer
2 Bedroom	47 units		$ 1,347,396	$ 2,389/mo.	Per Developer
Other Income					
Surface Parking	42 spaces		50,400	$ 100/mo.	Per Developer
Garage Parking	106 spaces		159,000	$ 125/mo.	Per Developer
Potential Gross Income			$ 3,464,604		
Less:					
Vacancy Loss - Residential		5%	(162,760)	Per Developer Pro-Forma	
Vacancy Loss - Parking		10%	(20,940)	Per Developer Pro-Forma	
Effective Gross Income			$ 3,280,904	Per Developer Pro-Forma	
Property Taxes Otherwise Due			1,482,266	Per Developer Pro-Forma	
Expenses (Excluding PILOT & RAB)			443,186	Per Developer Pro-Forma	
Adjusted Net Operating Income			$ 1,355,452		
Cap Rate			5.05%		

* *

2023 Full Taxes	$ 1,482,266	Per Developer Pro-Forma
2023 Projected Tax Rate	6.038	
Projected Assessed Value	$ 24,548,957	

THE CITY OF ORANGE TOWNSHIP

OFFICE *of the* MAYOR

HONORABLE DWAYNE D. WARREN, ESQ.

29 North Day Street • Second Floor • Orange • New Jersey • 07050

Telephone 973.952.6100 • mayor@orangenj.gov

June 15, 2021

Joyce L. Lanier, Municipal Clerk
City of Orange Township
29 North Day Street
Orange, New Jersey 07050

Re: Long Term Tax Exemption Application
PEEK Highland I Owner Urban Renewal, LLC
386-416 Highland Avenue (Block 5202; Lots 5-9), City of Orange Township

Dear Ms. Lanier:

I have reviewed the Application, Financial Agreement and supporting documents submitted by PEEK Highland I Owner Urban Renewal, LLC ("Applicant") for a redevelopment project consisting of the construction of a 5-story, 138-unit multi-family residential rental apartment building, with 106 garage parking spaces on the ground floor, 107 surface parking spaces ("Surface Parking"), a green space buffer adjacent to the Surface Parking ("Green Space"), and other related improvements (collectively, "Project"). A resolution authorizing the execution and delivery of a Redevelopment Agreement with the Applicant ("RDA") will be presented for Municipal Council consideration simultaneously with first reading of an ordinance approving execution and delivery of a Financial Agreement with the Applicant ("FA").

The Applicant is seeking a 30-year tax exemption under the Long Term Tax Exemption Law, *N.J.S.A.* 40A:20-1 *et seq.*, and the Redevelopment Area Bond Financing Law ("RAB Law"), *N.J.S.A.* 40A:12A-64 *et seq.*, with annual service charges (*i.e.*, PILOT obligations) between 4.00% and 9.00% of the Annual Gross Revenue generated from the Project. In no event shall the annual service charge be less than the total taxes levied against all real property comprising by the Project in the last full tax year in which the area was subject to taxation. As permitted by the provisions of the RAB Law, the annual service charge will not be subject to staged minimum payments based on a percentage of the amount of taxes otherwise due on the value of the land and improvements for the Project. In addition, the Applicant will be entitled to a credit for land taxes paid during the last 4 preceding quarters; provided, however, that the annual service charge shall be increased annually by no more than 3.00% ("Land Tax Adjustment Cap") to cover any increases in the non-municipal/library portion of the land taxes, provided that any unused portion of the Land Tax Adjustment Cap may be carried over to future years.

The Project will provide needed housing and parking, as well as create both temporary and permanent jobs within the City, enhance the quality of life for residents in and around the neighborhood, and will be important in influencing the locational decisions of probable new residents.

The Applicant has also committed to certain provisions governing local and minority hiring during Project construction.

The Project also includes the construction of such reasonably necessary infrastructure improvements along the frontage of the Project and Project site that are caused and necessitated as a result of the construction of the Project, including but not limited to curb replacements, street resurfacing, sidewalks, street lighting, landscaping, crosswalks and similar improvements consistent with the Applicant's approved site plan, as well as offsite improvements that will enhance the area, including the acquisition and construction of the Green Space, all to be determined in consultation with the City Planner (collectively, "Infrastructure and Offsite Improvements"). The City expects to issue its general obligation bonds and/or notes in an aggregate principal amount not to exceed $200,000.00 ("City RAB Bonds") pursuant to the Redevelopment Area Bond Financing Law ("RAB Law"), *N.J.S.A.* 40A:12A-64 *et seq.*, and/or the Local Bond Law, *N.J.S.A.* 40A:2-1 *et seq.*, as applicable, in order to defray certain eligible costs of the Infrastructure and Offsite Improvements. A separate bond ordinance authorizing the issuance of the City RAB Bonds will be presented for Municipal Council introduction at a future date.

In terms of specific community benefits, 65 of the Surface Parking's 107 parking spaces will be leased to the City for 98 years at $1.00 per year ("City Parking"). Those spaces may be utilized as employee parking or additional public parking at the City's discretion. The Green Space will also be leased to the City for 98 years at $1.00 per year and will act as a buffer between the Surface Parking and the existing residential neighborhood with landscaping and a walking path. As described generally in the RDA, the Applicant will be required to enter into a formal lease agreement with the City, providing for the City Parking and the Green Space as aforesaid and providing for the City's payment to the Applicant of the aforesaid lease payments. An ordinance authorizing the execution and delivery of a lease agreement with the Applicant will be presented for introduction to the Municipal Council prior to the public hearing for the ordinance approving the FA.

Based on my review, the projected annual service charges to be received by the City under the FA are sufficient to cover projected debt service on the City RAB Bonds and payment of the required 5% share required to the County of Essex. Furthermore, if the City Parking is used as public parking, then the City can also expect income from parking fees. Accordingly, I believe this project is a desirable improvement in our City, and recommend that the FA and associated long term tax exemption be favorably considered by the Municipal Council, subject to satisfaction of all legal prerequisites.

Very truly yours,
CITY OF ORANGE TOWNSHIP

By: Dwayne D. Warren

Dwayne D. Warren, Esq.
Mayor

Integra Realty Resources
Northern New Jersey

Comprehensive PILOT Analysis and Fiscal Impact Study

The Highlands - PEEK Highland I, LLC
Multifamily Property
426 Highland Ave.
Orange, Essex County, New Jersey 07050

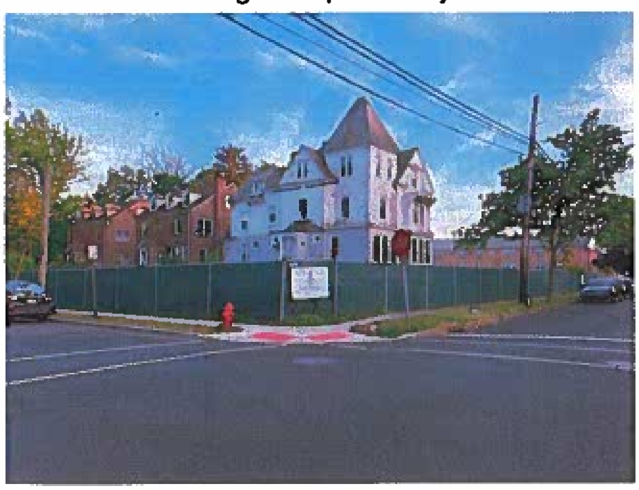
Prepared For:
City of Orange Township

Effective Date of the Analysis:
October 1, 2021

Report Format:
Fiscal Impact Study

IRR - Northern New Jersey
File Number: 2021-0259

Architect's Rendering of Proposed Project



The Highlands - PEEK Highland I, LLC
426 Highland Ave.
Orange, New Jersey

Aerial Photograph

Integra Realty Resources
Northern New Jersey

301 South Livingston Avenue
Suite 104
Livingston, NJ 07039

T 973.422.9800
F 973.422.9797
www.irr.com

June 11, 2021

Chris Mobley
Portfolio Management Administrator
City of Orange Township
29 North Day Street
Orange, NJ 07050

SUBJECT: PILOT Study and Fiscal Analysis Report
The Highlands - PEEK Highland I, LLC
426 Highland Ave.
Orange, Essex County, New Jersey 07050
IRR - Northern New Jersey File No. 2021-0259

Dear Mr. Mobley:

Integra Realty Resources – Northern New Jersey is pleased to submit the accompanying analysis of the referenced property. The purpose of the analysis is to develop an opinion of the appropriate PILOT (Payment in Lieu of Taxes) associated with the project and prepared the attached analysis of its fiscal impact on the City in the property. The client for the assignment is City of Orange Township, and the intended use is for and prepared the attached analysis of its fiscal impact on the City. Our analysis is based on facts and data available as of the report date .

The subject is a proposed multifamily property containing 138 dwelling units. The project is in the planning stage of the development and scheduled to be constructed in 2021 and are assumed 95% leased upon stabilization. The Developer is PEEK Properties and the project has applied for a Payment In Lieu of Taxes (PILOT) agreement with the City of Orange Township. The project, upon completion, is assumed to be of Excellent Quality and to feature an amenity set which will allow it to compete effectively with the surrounding competition. The site area is 2.94 acres or 128,171 square feet. Four existing residential structures on the property are slated for demolition. The property is located approximately 2 city blocks to the east of the Orange commuter rail station on the NJ Transit Morris - Essex Line providing rail service to Newark, Morristown and New York City.

Additionally the developer will be making a contribution to the construction of a public parking lot on land adjoining the project. This payment will be made via a Redevelopment Area Bond (RAB) payment. We have included the projected bond payments as an expense in the valuation analysis so that the analysis includes this contribution to the project and the municipal benefits paid for by the developer.

The Fiscal Impact Study is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, applicable state appraisal regulations.

To report the assignment results, we use the Consulting Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in a consulting Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Fiscal Impact Study. This format contains the greatest depth and detail of IRR's available report types.

Based on the analysis presented in this report, it is our opinion that proposed project is deserving of a PILOT program. However, we believe the PILOT payment can be high while still presenting a commensurate return to the developer. Overall, the project will benefit the Township of Orange and promote the goals and objectives of the redevelopment plan. A summary of our analysis is as follows:

PILOT Analysis and Feasibility GAP	
GAP Analysis	
Construction Cost	$41,990,546
Property Value	$23,700,000
Cost/Value Gap	($18,290,546)
PILOT Analysis	
Required Value to establish feasibility	$41,990,546
Times: Base Capitalization Rate/ROI	6.00%
Equals: Required NOI	$2,519,433
Effective Gross Income	$3,244,782
Required Operating Expenses including RETX	$725,349
Operating Expenses w/o RETX	$606,054
Required PILOT Amount	**$119,295**
PILOT % of Effective Gross Rental Revenue	**3.68%**

Existing Land Tax Allocation			
		Percentage	**Amount**
Total Tax Rate	**$5.607**	**100%**	$24,609
County Rate	$0.534	9.52%	$2,344
School Portion	$1.004	17.91%	$4,407
Municipal Rate	$4.069	72.57%	$17,859

PILOT Payment Allocation		
	Percentage	Amount
PILOT Payment Allocation		$119,295
Land Tax Credit		$24,609
PILOT Allociation		
County - Land Tax	1.96%	$2,344
County - PILOT	5.00%	$5,965
County Sub Total		$8,308
School - Land Tax	3.69%	$4,407
Municpal	89.34%	$106,580

While the study does not specifically address an immediate financial impact on the police and fire departments, we do recognize that as neighborhoods transform additional safety measures will have to be initiated to promote the goals and objectives of the municipality. Given the scope and location of the proposed project, we do not anticipate a measurable impact on the Police and Fire Department.

The study also does not recognize an immediate financial impact of the transformation of the area as a whole. On a larger scale, as additional projects come to fruition, the hope is that Main Street business will thrive, and utilization of the train station will increase. Main Street will benefit as new and more diverse tenants will emerge and values in the area, both residential and commercial, will likely rise. Furthermore, this is one of the early market rate residential project that will have an6 impact on the area. If successful, the project will likely incentivize the development of similar projects. These positive social and financial effects cannot be overlooked.

Based on the analysis presented in this report, it is our opinion that proposed project will likely benefit the City of Orange Township overall. In the near term, we anticipate the financial impact to be as follows:

Fiscal Impact Analysis	
Anticipated Gross Revenues (yr. 1)	$119,295
Less: County Share:	-$8,308
Less: School Share:	-$4,407
Net Revenues to City	$106,580
Less: Cost of Increase In Municipal Services	
Fire Department	$0
Police Department	$0
Water/Sewer	$0
Sanitation	$20,286
School Budget Impact	$11,540
Capital Expenditure Savings (Cost)	
Total Increase - Service Costs	$31,826
Revenue Analysis Summary	
Net Revenues to City	$106,580
Total Increase - Service Costs	$31,826
Revenue Gain (Loss)	**$74,754**

As mentioned, the developer will be making a contribution to the construction of a public parking lot on land adjoining the project which will be in addition to the above calculated benefits. This payment will be made via a Redevelopment Area Bond (RAB) payment. We have included the projected bond payments as an expense in the above analysis so that the analysis includes this contribution to the project and the municipal benefits by the developer.

Summary of Resident and Public School Age Children Generation

The following chart details the number of residents and public school children generation from the proposed project.

Project Type **Use**	**Market Rate** **Multifamily (5 Units +)**			**Total**
Size (BRs)	Studio & 1 BR	2 BR		
Tenure	Rental	Rental		
Price	Market Rate	Market Rate		
Estimated:			Sub-Totals	
Units	91 Units	47 Units	138 Units	138 Units
Est. Residents	150 Residents	99 Residents	249 Residents	249 Residents
Est. School Age Children	5 Students	8 Students	13 Students	13 Students
Est. Public School Children	**5 Students**	**5 Students**	**10 Students**	10 Students

Source: Who Lives in New Jersey Housing? A Quick Guide to NJ Residential Demographic Multipliers
Rutgers, Center for Urban Policy Research, November 2006

Summary of Resident and Public School Age Children Generation			
	Rutgers Study	Rutgers Center for Real Estate	City of Orange Study
Resident Generation	249	N/A	N/A
Public School Children Generation	10	17	7

We assume that the project will generate 249 residents and 10 public school children.

The opinions of value expressed in this report are based on estimates and forecasts that are prospective in nature and subject to considerable risk and uncertainty. Events may occur that could cause the performance of the property to differ materially from our estimates, such as changes in the economy, interest rates, capitalization rates, financial strength of tenants, and behavior of investors, lenders, and consumers. Additionally, our opinions and forecasts are based partly on data obtained from interviews and third party sources, which are not always completely reliable. Although we are of the opinion that our findings are reasonable based on available evidence, we are not responsible for the effects of future occurrences that cannot reasonably be foreseen at this time.

IMPORTANT MARKET CONDITIONS WARNING: Market Uncertainty from Novel Coronavirus (COVID-19)

The outbreak of the Novel Coronavirus (COVID-19), declared an outbreak by the World Health Organization (WHO) on January 30, 2020 and subsequently reclassified as a worldwide pandemic on March 11, 2020, has created substantial uncertainty in the worldwide financial markets. Concerns about the ongoing spread of the COVID-19 (Corona) Virus have resulted in cancellations of a substantial number of business meetings, conferences, and sporting and entertainment events in the coming 3-6 months; the implementation of personal quarantine procedures; a 30-day lock-out for travel from most of Europe to the U.S.; and substantial reductions (and restrictions) in other travel by air, rail, bus, and ship.

As of the effective date of this report, tourism, lodging, and tourist-related food and beverage and retail sectors are likely to feel the first negative effects due to the substantial decline in social movement and activity. A prolonged outbreak could have a significant (and yet unquantifiable) impact on other real estate sectors. Our valuation is based upon the best information as of the effective date.

Given the degree of overall uncertainty present in the economy, forecasts and projections contained herein may change dramatically, or differently than projected under stable market conditions. Therefore, we recommend a more frequent review of this valuation, and advise the intended user to consider the current lack of overall economic stability in evaluating the use and reliability of the opinions expressed herein.

We have also prepared a schedule as to the cash flow of the PILOT and net parking revenues over a 30 year period which is included in this report.

The report is intended for use by the City of Orange Township. The research methods employed are the most widely recognized and are of primary relevance. Supporting documentation is retained in our work file. The report is not intended for any other use or any other users. The report will include all required elements as prescribed by Uniform Standards of Professional Appraisal Practice (USPAP) and comply with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute. The report is be subject to all assumptions and limiting conditions stated therein. Acceptance and/or use of the report will constitute acceptance of all assumptions and limiting conditions.

We appreciate the opportunity to provide this service to the City of Orange Township. Should you have any questions please contact me at your earliest convenience.

Respectfully submitted,

Integra Realty Resources - Northern New Jersey

John Gillooly, MRICS, SGREA, CTA
Certified General Real Estate Appraiser
New Jersey Certificate # RG000140700
Telephone: 973-422-9800, ext. 16
Email: john.gillooly@irr.com

Arthur Linfante, III, MAI, CRE
State Certified General Real Estate Appraiser
New Jersey Certificate # 42RG00096500
Telephone: 973-422-9800, ext. 17
Email: alinfante@irr.com

Table of Contents

Summary of Salient Facts and Conclusions

Property Name	The Highlands - PEEK Highland I, LLC
Address	426 Highland Ave.
	Orange, Essex County, New Jersey 07050
Property Type	Multifamily - Conventional
Owner of Record	PEEK Highland, LLC
Tax ID	Block: 5202 - Lot: 5, Block: 5202 - Lot: 6, Block: 5202 - Lot: 7, Block: 5202 - Lot: 8 and Block: 5202 - Lot: 9
Land Area	2.94 acres; 128,171 SF
Number of Units	138
Gross Building Area	185,870 SF
Rentable Floor Area	113,289 SF
Percent Leased	95%
Year Built; Year Renovated	2021; N/A
Zoning Designation	Lincoln - Highland Ave. Redevelopment Plan
Highest and Best Use - As if Vacant	Multifamily use
Highest and Best Use - As Improved	Continued multifamily use
Exposure Time; Marketing Period	6 months; 6 months
Date of the Report	June 11, 2021

The values reported herein are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than City of Orange Township may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

Taxes and Assessments - 2021

	Assessed Value			Taxes and Assessments			
					Ad Valorem		
Tax ID	Land	Improvements	Total	Tax Rate	Taxes	Direct Assessments	Total
Block: 5202 - Lot: 5	$55,000	$218,800	$273,800	5.607000%	$15,352	$0	$15,352
Block: 5202 - Lot: 6	$83,100	$193,200	$276,300	5.607000%	$15,492	$0	$15,492
Block: 5202 - Lot: 7	$83,100	$181,400	$264,500	5.607000%	$14,831	$0	$14,831
Block: 5202 - Lot: 8	$130,100	$0	$130,100	5.607000%	$7,295	$0	$7,295
Block: 5202 - Lot: 9	$87,600	$125,300	$212,900	5.607000%	$11,937	$0	$11,937
	$438,900	$718,700	$1,157,600		$64,907	$0	$64,907

The assessed values are based upon the current average ratio of assessed value to market value of 91.49% of Assessor's market value (2021). This figure was revised per tax board judgement. The tax rate for the subject is $5.607 per $100 of assessed valuation (this is the 2020 tax year rate which is the most recent available).

Existing Land Tax Allocation

		Percentage	Amount
Total Tax Rate	**$5.607**	**100%**	$24,609
County Rate	$0.534	9.52%	$2,344
School Portion	$1.004	17.91%	$4,407
Municipal Rate	$4.069	72.57%	$17,859

PILOT Analysis and Feasibility GAP	
GAP Analysis	
Construction Cost	$41,990,546
Property Value	$23,700,000
Cost/Value Gap	($18,290,546)
PILOT Analysis	
Required Value to establish feasibility	$41,990,546
Times: Base Capitalization Rate/ROI	6.00%
Equals: Required NOI	$2,519,433
Effective Gross Income	$3,244,782
Required Operating Expenses including RETX	$725,349
Operating Expenses w/o RETX	$606,054
Required PILOT Amount	**$119,295**
PILOT % of Effective Gross Rental Revenue	**3.68%**

Project Type	**Market Rate**			**Total**
Use	**Multifamily (5 Units +)**			
Size (BRs)	Studio & 1 BR	2 BR		
Tenure	Rental	Rental		
Price	Market Rate	Market Rate		
Estimated:			Sub-Totals	
Units	91 Units	47 Units	138 Units	138 Units
Est. Residents	150 Residents	99 Residents	249 Residents	249 Residents
Est. School Age Children	5 Students	8 Students	13 Students	13 Students
Est. Public School Children	**5 Students**	**5 Students**	**10 Students**	10 Students

Source: Who Lives in New Jersey Housing? A Quick Guide to NJ Residential Demographic Multipliers
Rutgers, Center for Urban Policy Research, November 2006

Summary of Resident and Public School Age Children Generation	Rutgers Study	Rutgers Center for Real Estate	City of Orange Study
Resident Generation	249	N/A	N/A
Public School Children Generation	10	17	7

PILOT Payment Allocation	Percentage	Amount
PILOT Payment Allocation		$119,295
Land Tax Credit		$24,609
PILOT Alllociation		
County - Land Tax	1.96%	$2,344
County - PILOT	5.00%	$5,965
County Sub Total		$8,308
School - Land Tax	3.69%	$4,407
Municpal	89.34%	$106,580

Fiscal Impact Analysis	
Anticipated Gross Revenues (yr. 1)	$119,295
Less: County Share:	-$8,308
Less: School Share:	-$4,407
Net Revenues to City	$106,580
Less: Cost of Increase In Municipal Services	
Fire Department	$0
Police Department	$0
Water/Sewer	$0
Sanitation	$20,286
School Budget Impact	$11,540
Capital Expenditure Savings (Cost)	
Total Increase - Service Costs	$31,826
Revenue Analysis Summary	
Net Revenues to City	$106,580
Total Increase - Service Costs	$31,826
Revenue Gain (Loss)	**$74,754**

Additionally the developer will be making a contribution to the construction of a public parking lot on land adjoining the project which will be in addition to the above calculated benefits. This payment will be made via a Redevelopment Area Bond (RAB) payment. We have included the projected bond payments as an expense in the above analysis so that the analysis includes this contribution to the project and the municipal benefits by the developer.

Quality Assurance

Delivering superior value is a top priority at IRR and we place a premium on feedback from our valued clients. By learning more about your experience with IRR, we will be better able to serve your needs – to enhance our products, service offerings, and client communications.

Attached is a short survey applicable to this Consulting Report and the service that you received. Please take a few minutes to share your experience of IRR with us. Your feedback will be reviewed by our Quality Control team. If you desire a follow-up telephone call, please provide your contact information and a member of our Quality Control team will contact you.

Access the online survey here: quality.irr.com.

Thank you in advance for assisting us with this important endeavor. Please feel free to contact your Local Office using the contact information provided within the letter of transmittal or our Quality Control team at quality@irr.com, with any questions or suggestions you may have.

General Information

Identification of Subject

The subject is a proposed multifamily property containing 138 dwelling units. The project is in the planning stage of the development and scheduled to be constructed in 2021 and are assumed 95% leased upon stabilization. The Developer is PEEK Properties and the project has applied for a Payment In Lieu of Taxes (PILOT) agreement with the City of Orange Township. The project, upon completion, is assumed to be of Excellent Quality and to feature an amenity set which will allow it to compete effectively with the surrounding competition. The site area is 2.94 acres or 128,171 square feet. Four existing residential structures on the property are slated for demolition. The property is located approximately 2 city blocks to the east of the Orange commuter rail station on the NJ Transit Morris - Essex Line providing rail service to Newark, Morristown and New York City.

Property Identification	
Property Name	The Highlands - PEEK Highland I, LLC
Address	426 Highland Ave. Orange, New Jersey 07050
Tax ID	Block: 5202 - Lot: 5, Block: 5202 - Lot: 6, Block: 5202 - Lot: 7, Block: 5202 - Lot: 8 and Block: 5202 - Lot: 9
Owner of Record	PEEK Highland, LLC

Sale History

There have been one sale of the subject in the past three years; a summary of transaction information follows.

	Lot 5 Sale	Lot 6 Sale	Lot 8 Sale	Total
Sale Date	August 1, 2019	August 1, 2019	August 1, 2019	August 1, 2019
Seller	Love of Jesus Ministries, Inc.	Love of Jesus Ministries, Inc.	Love of Jesus Ministries, Inc.	Love of Jesus Ministries, Inc.
Buyer	PEEK Highland, LLC	PEEK Highland, LLC	PEEK Highland, LLC	PEEK Highland, LLC
Sale Price	$300,000	$150,000	$900,000	$1,350,000
Recording Instrument Number	Book: 20191 - Page: 38	Book: 20191 - Page: 39	Book: 20191 - Page: 36	Various

No other known sales or transfers of ownership have taken place within a three-year period prior to the effective appraisal date. These sales are part of an assemblage of the site and involve residential houses slated for demolition as the existing residential improvements are not consistent with the highest and best use of the property and will not therefore be analyzed in our valuation herein.

The developer's reported Site Acquisition Cost of $7.57 million, was reported by the developer as the amount allocated by the them as the contribution to the joint venture that is to be the ultimate development entity. That transaction is not arms-length as PEEK development is a member of both the grantor and grantee of that transaction. Our estimate of land value is supported by the comparables selected in the Cost Approach section of this report

Pending Transactions

To the best of our knowledge, the property is not subject to an agreement of sale or an option to buy, nor is it listed for sale, as of the effective Fiscal Impact Analysis date.

History, Use and Occupancy

The subject property consists of several parcels which Four existing residential structures on the property are slated for demolition.

Purpose of the Fiscal Impact Study

The purpose of the following analysis is to analyze the impact of the proposed development in the City of Orange Township. The effective date of the analysis is October 1, 2021.

- Fiscal impact analysis is utilized to evaluate the potential impacts of a proposed development project in comparison to the existing, or alternative, uses. This form of analysis:
- Measures major financial benefits and burdens of the subject project
- Estimates the feasibility of the project and the amount of the feasibility GAP analysis and projects the PILOT revenues to be generated by the project.
- Uses recognized methodologies
- Estimates revenue benefits
- Allocates income/costs to the municipality and other parties
- Draws a conclusion about the positives and negatives of the proposed project

Definition of Property Rights Appraised

Fee simple estate is defined as, "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."

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

Intended Use and User

The intended use of the Fiscal Impact Analysis is for PILOT Payment analysis purposes. The client and intended user is City of Orange Township. The Fiscal Impact Analysis is not intended for any other use or user. No party or parties other than City of Orange Township and PEEK Highland, LLC and related entities may use or rely on the information, opinions, and conclusions contained in this report.

Definition of Market Value

Market value is defined as:

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

- Buyer and seller are typically motivated.
- Both parties are well informed or well advised and acting in what they consider their own best interests.
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Applicable Requirements

This Fiscal Impact Analysis is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;

Report Format

This report is prepared under the Consulting Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in a Consulting Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Fiscal Impact Study. This format contains the greatest depth and detail of IRR's available report types.

Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have previously appraised the property that is the subject of this report for another client. We have provided no other 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 the agreement to perform this assignment.

Scope of Work

The purpose of the analysis is to develop an opinion of the market value as if stabilized of the fee simple interest in the property as of the effective date of the appraisal, October 1, 2021 in order to analyze the projected PILOT (Payment in Lieu of Taxes) revenue potentially generated by the subject project. The date of the report is June 11, 2021. The analysis is valid only as of the stated effective date or dates.

Additionally we conduct a fiscal impact study which considers the impact of this project. A project of this magnitude typically does not generate a significant impact on the municipal budget.

The client requested that only the most applicable approach to value be utilized, and that other appropriate valuation methods for the subject be excluded. To determine the appropriate scope of work, the client's request in relation to the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors were considered. The concluded scope of work is described below.

The scope of work will include:

- A complete description of the subject property and a history of its use;
- An analysis of existing conditions and complete description of the development project;
- An analysis of the real estate tax liability, and revenue generation, as they exist today, as compared to the project is built and stabilized;
- An analysis of the proposed PILOT revenue and projection of the feasibility GAP and the PILOT payments necessary to allow feasibility.
- An analysis of what impact, if any, the proposed project will have on the municipal school system;
- An analysis of the impacts to municipal services. We will focus on what impact, if any, the development will have on the police and fire department;
- An analysis of what impact, if any, the proposed development may have on the water and sewer system and determine what impact the proposed development may have with regard to the statewide water management program;
- An analysis of what jobs may be created as a result of the project. The focus will be on temporary, typically construction workers, and permanent jobs;
- An analysis of the community benefits of the project;
- Market research will include an investigation of the relevant market, and conduct inquiries with the relevant government authorities, municipal authorities, real estate agents/brokers, and other market participants as necessary.

The report will include all required elements as prescribed by Uniform Standards of Professional Appraisal Practice (USPAP) and comply with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute. The report will be subject to all assumptions and limiting conditions stated therein. Acceptance and/or use of the report will constitute acceptance of all assumptions and limiting conditions.

Valuation Methodology

Appraisers usually consider the use of three approaches to value when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. Use of the approaches in this assignment is summarized as follows:

Approaches to Value

Approach	Applicability to Subject	Use in Assignment
Cost Approach	Applicable	Not Utilized
Sales Comparison Approach	Applicable	Not Utilized
Income Capitalization Approach	Applicable	Utilized

Research and Analysis

The type and extent of our research and analysis is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

Inspection

John Gillooly, MRICS, SGREA, CTA, conducted an on-site inspection of the property on May 20, 2021. Arthur Linfante, III, MAI, CRE, conducted an on-site inspection on May 20, 2021

Important Market Conditions Warning

Market Uncertainty from Novel Coronavirus (COVID-19)

The outbreak of the Novel Coronavirus (COVID-19), declared an outbreak by the World Health Organization (WHO) on January 30, 2020 and subsequently reclassified as a worldwide pandemic on March 11, 2020, has created substantial uncertainty in the worldwide financial markets. Concerns about the ongoing spread of the COVID-19 (Corona) Virus have resulted in cancellations of a substantial number of business meetings, conferences, and sporting and entertainment events in the coming 3-6 months; the implementation of personal quarantine procedures; a 30-day lock-out for travel from most of Europe to the U.S.; and substantial reductions (and restrictions) in other travel by air, rail, bus, and ship.

As of the effective date of this report, tourism, lodging, and tourist-related food and beverage and retail sectors are likely to feel the first negative effects due to the substantial decline in social movement and activity. A prolonged outbreak could have a significant (and yet unquantifiable) impact on other real estate sectors. Our valuation is based upon the best information as of the effective date.

Given the degree of overall uncertainty present in the economy, forecasts and projections contained herein may change dramatically, or differently than projected under stable market conditions. Therefore, we recommend a more frequent review of this valuation, and advise the intended user to consider the current lack of overall economic stability in evaluating the use and reliability of the opinions expressed herein.

Economic Analysis

The reader is reminded that the demographics presented on this and the following pages were gathered during the period that preceded the COVID-19 pandemic and imminent recession. The data provides useful information for purposes of considering the population and economy of the local area under stabilized market conditions. However, job losses, unemployment (overall and in different sectors), impaired commerce, and reduced income levels will result in demographic statistics after February 2020 that do not follow the stabilized trend that would have been expected based only on a review of data through 2019 and the first few weeks of 2020.

Essex County Area Analysis

Essex County is located in northern New Jersey approximately 10 miles west of New York City. It is 126 square miles in size and has a population density of 6,348 persons per square mile.

Population

Essex County has an estimated 2021 population of 801,147, which represents an average annual 0.2% increase over the 2010 census of 783,969. Essex County added an average of 1,562 residents per year over the 2010-2021 period, and its annual growth rate exceeded the State of New Jersey rate of 0.1%.

Looking forward, Essex County's population is projected to increase at a 0.2% annual rate from 2021-2026, equivalent to the addition of an average of 1,317 residents per year. Essex County's growth rate is expected to exceed that of New Jersey, which is projected to be 0.1%.

Population Trends

	Population			Compound Ann. % Chng	
	2010 Census	2021 Estimate	2026 Projection	2010 - 2021	2021 - 2026
New Jersey	8,791,894	8,883,587	8,910,855	0.1%	0.1%
Essex County	783,969	801,147	807,730	0.2%	0.2%
Zip 07050	31,010	30,942	30,982	0.0%	0.0%

Source: Environics Analytics

Employment

Total employment in Essex County was estimated at 345,921 jobs as of September 2019. Between year-end 2009 and 2019, employment declined by 1,887 jobs, equivalent to a 0.5% loss over the entire period. There were declines in employment in four out of the past ten years, influenced in part by the national economic downturn of 2007-2009 and the slow recovery. Although many areas suffered declines in employment over the last decade, Essex County underperformed New Jersey, which experienced an increase in employment of 8.0% or 304,158 jobs over this period.

A comparison of unemployment rates is another way of gauging an area's economic health. Over the past decade, the Essex County unemployment rate has been consistently higher than that of New

Jersey, with an average unemployment rate of 8.1% in comparison to a 6.8% rate for New Jersey. A higher unemployment rate is a negative indicator.

Recent data shows that the Essex County unemployment rate is 5.0% in comparison to a 4.2% rate for New Jersey, a negative sign that is consistent with the fact that Essex County has underperformed New Jersey in the rate of job growth over the past two years.

Employment Trends

	Total Employment (Year End)				Unemployment Rate (Ann. Avg.)	
Year	Essex County	% Change	New Jersey	% Change	Essex County	New Jersey
2009	347,808		3,799,840		10.3%	9.1%
2010	342,329	-1.6%	3,788,169	-0.3%	10.9%	9.5%
2011	343,843	0.4%	3,805,246	0.5%	10.8%	9.4%
2012	343,195	-0.2%	3,840,054	0.9%	10.7%	9.3%
2013	337,890	-1.5%	3,881,678	1.1%	9.7%	8.2%
2014	339,370	0.4%	3,921,961	1.0%	8.0%	6.8%
2015	343,527	1.2%	3,987,588	1.7%	6.9%	5.8%
2016	344,115	0.2%	4,042,779	1.4%	6.0%	5.0%
2017	348,140	1.2%	4,093,102	1.2%	5.7%	4.6%
2018	349,245	0.3%	4,124,488	0.8%	5.2%	4.1%
2019*	345,921	-1.0%	4,103,998	-0.5%	4.4%	3.6%
Overall Change 2009-2019	-1,887	-0.5%	304,158	8.0%		
Avg Unemp. Rate 2009-2019					8.1%	6.8%
Unemployment Rate - February 2020					5.0%	4.2%

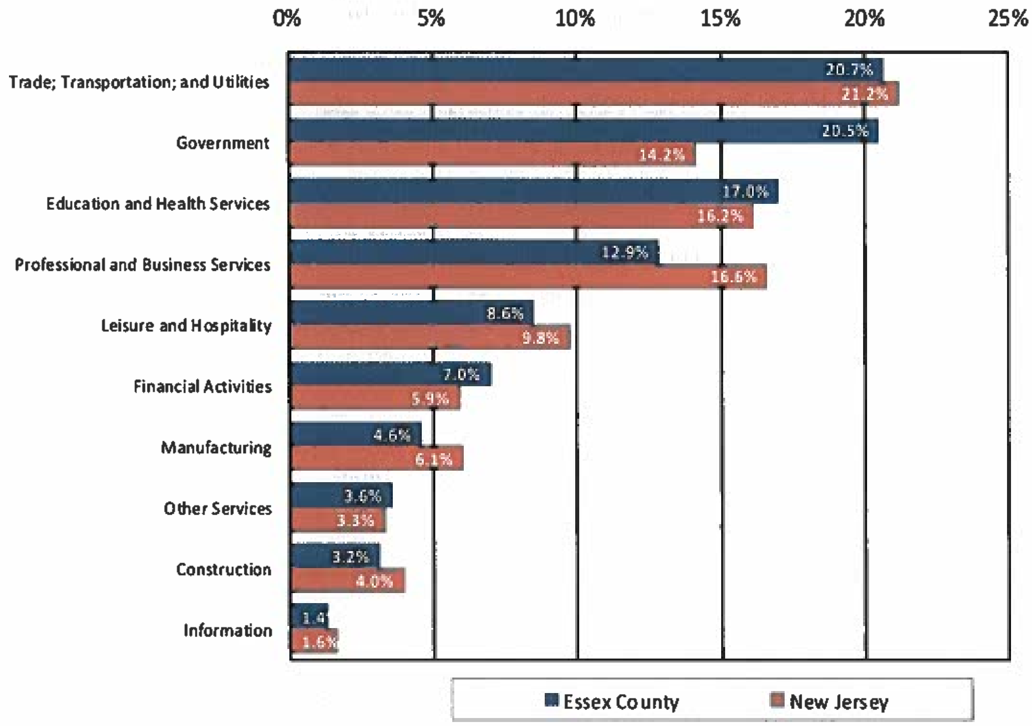
*Total employment data is as of September 2019; unemployment rate data reflects the average of 12 months of 2019.

Source: U.S. Bureau of Labor Statistics and Moody's Analytics. Employment figures are from the Quarterly Census of Employment and Wages (QCEW). Unemployment rates are from the Current Population Survey (CPS). The figures are not seasonally adjusted.

Employment Sectors

The composition of the Essex County job market is depicted in the following chart, along with that of New Jersey. Total employment for both areas is broken down by major employment sector, and the sectors are ranked from largest to smallest based on the percentage of Essex County jobs in each category.

Employment Sectors - 2019



Source: U.S. Bureau of Labor Statistics and Moody's Analytics

Essex County has greater concentrations than New Jersey in the following employment sectors:

1. Government, representing 20.5% of Essex County payroll employment compared to 14.2% for New Jersey as a whole. This sector includes employment in local, state, and federal government agencies.
2. Education and Health Services, representing 17.0% of Essex County payroll employment compared to 16.2% for New Jersey as a whole. This sector includes employment in public and private schools, colleges, hospitals, and social service agencies.
3. Financial Activities, representing 7.0% of Essex County payroll employment compared to 5.9% for New Jersey as a whole. Banking, insurance, and investment firms are included in this sector, as are real estate owners, managers, and brokers.
4. Other Services, representing 3.6% of Essex County payroll employment compared to 3.3% for New Jersey as a whole. This sector includes establishments that do not fall within other defined categories, such as private households, churches, and laundry and dry cleaning establishments.

Essex County is underrepresented in the following sectors:

1. Trade; Transportation; and Utilities, representing 20.7% of Essex County payroll employment compared to 21.2% for New Jersey as a whole. This sector includes jobs in retail trade, wholesale trade, trucking, warehousing, and electric, gas, and water utilities.
2. Professional and Business Services, representing 12.9% of Essex County payroll employment compared to 16.6% for New Jersey as a whole. This sector includes legal, accounting, and engineering firms, as well as management of holding companies.
3. Leisure and Hospitality, representing 8.6% of Essex County payroll employment compared to 9.8% for New Jersey as a whole. This sector includes employment in hotels, restaurants, recreation facilities, and arts and cultural institutions.
4. Manufacturing, representing 4.6% of Essex County payroll employment compared to 6.1% for New Jersey as a whole. This sector includes all establishments engaged in the manufacturing of durable and nondurable goods.

Major Employers

Major employers in Essex County are shown in the following table.

Major Employers - Essex County

	Name	Number of Employees
1	Pudential Financial	Financial Services
2	United Airlines	Transportation
3	Rutgers University - Newark	Education & Healthcare
4	Horizon Blue Cross Blue Shield	Healthcare/Insurance
5	Public Service Enterprise Group	Utility
6	St. Barnabas Medical Center	Healthcare
7	ADP	Payroll/Business Services
8	American Huts, Inc.	Hospitality
9	Barnabas Health	Healthcare
10	Dunn & Bradstreet Corporation	Information Technology

Source: ChooseNJ.com

Gross Domestic Product

Gross Domestic Product (GDP) is a measure of economic activity based on the total value of goods and services produced in a defined geographic area, and annual changes in Gross Domestic Product (GDP) are a gauge of economic growth.

Economic growth, as measured by annual changes in GDP, has been considerably lower in Essex County than New Jersey overall during the past eight years. Essex County has grown at a 0.4% average annual rate while New Jersey has grown at a 1.2% rate.

Essex County has a per capita GDP of $65,408, which is 5% greater than New Jersey's GDP of $62,385. This means that Essex County industries and employers are adding relatively more value to the economy than their counterparts in New Jersey.

Gross Domestic Product				
Year	($,000s) Essex County	% Change	($,000s) New Jersey	% Change
2011	50,931,114		510,928,500	
2012	50,609,681	-0.6%	519,745,800	1.7%
2013	50,328,425	-0.6%	523,334,200	0.7%
2014	49,671,461	-1.3%	525,728,500	0.5%
2015	50,829,629	2.3%	535,299,200	1.8%
2016	51,344,851	1.0%	539,942,800	0.9%
2017	51,601,199	0.5%	543,530,100	0.7%
2018	52,311,173	1.4%	555,755,100	2.2%
Compound % Chg (2011-2018)		0.4%		1.2%
GDP Per Capita 2018	$65,408		$62,385	

Source: U.S. Bureau of Economic Analysis and Moody's Analytics; data released December 2019. The release of state and local GDP data has a longer lag time than national data. The data represents inflation-adjusted ""real"" GDP stated in 2012 dollars.

Household Income

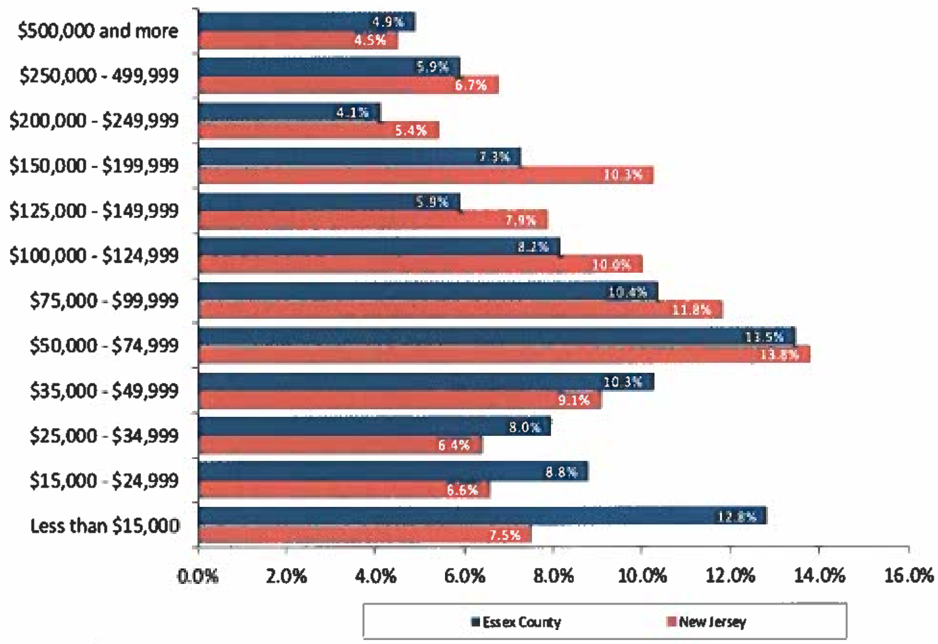
Essex County has a considerably lower level of household income than New Jersey. Median household income for Essex County is $68,122, which is 23.1% less than the corresponding figure for New Jersey.

Median Household Income - 2021	
	Median
Essex County	$68,122
New Jersey	$88,586
Comparison of Essex County to New Jersey	- 23.1%

Source: Environics Analytics

The following chart shows the distribution of households across twelve income levels. Essex County has a greater concentration of households in the lower income levels than New Jersey. Specifically, 30% of Essex County households are below the $35,000 level in household income as compared to 20% of New Jersey households. A lesser concentration of households is apparent in the higher income levels, as 47% of Essex County households are at the $75,000 or greater levels in household income versus 57% of New Jersey households.

Household Income Distribution - 2021

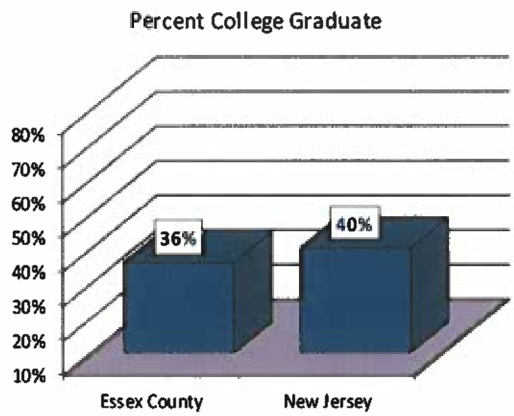


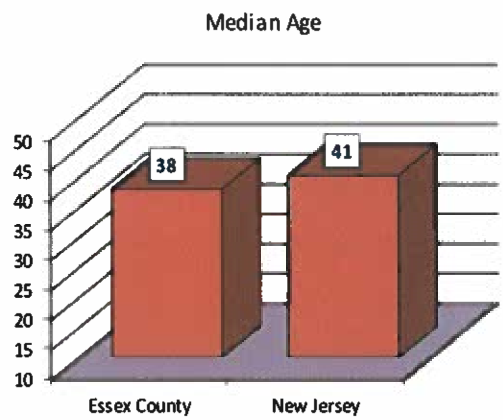
Source: Environics Analytics

Education and Age

Residents of Essex County have a lower level of educational attainment than those of New Jersey. An estimated 36% of Essex County residents are college graduates with four-year degrees, versus 40% of New Jersey residents. People in Essex County are younger than their New Jersey counterparts. The median age for Essex County is 38 years, while the median age for New Jersey is 41 years.

Education & Age - 2021





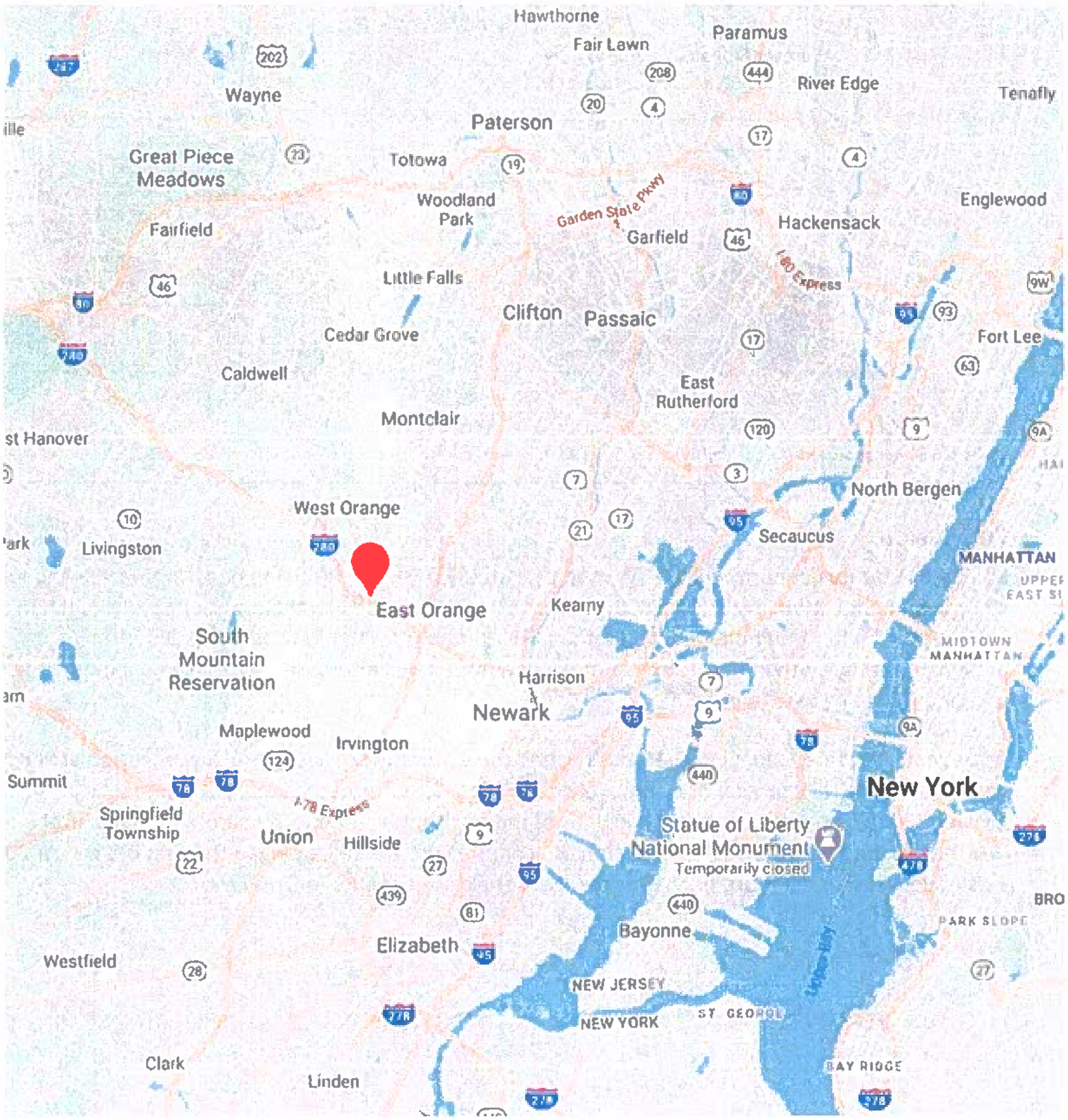
Source: Environics Analytics

Conclusion

The Essex County economy will be affected by a stable to slightly growing population base and lower income and education levels. Essex County experienced a decline in the number of jobs and had a consistently higher unemployment rate than New Jersey over the past decade. On balance, we anticipate that growth in the Essex County economy will be limited, resulting in only a modest level of demand for real estate in general.

As previously referenced, COVID-19 has pushed the economy at all levels into a recession which has yet to be statistically proven or definitively quantified. Therefore, the statistical summary of the region provided above must be considered in light of the fact that economic indicators available in the near future will show a substantial contraction of economic activity beginning in the first quarter of 2020. This issue is discussed more fully after the Market Analysis section of this report.

Area Map


Hawthorne
Fair Lawn
Paramus
River Edge
Tenafly
Wayne
Paterson
Great Piece Meadows
Totowa
Woodland Park
Garden State Pkwy
Garfield
Hackensack
Englewood
Fairfield
Little Falls
Clifton
Passaic
Fort Lee
Cedar Grove
Caldwell
East Rutherford
Montclair
North Bergen
West Orange
Secaucus
Livingston
MANHATTAN
East Orange
Kearny
South Mountain Reservation
Harrison
MIDTOWN MANHATTAN
Newark
Maplewood
Irvington
Summit
New York
Springfield Township
Union
Hillside
Statue of Liberty National Monument
Temporarily closed
Bayonne
Elizabeth
Westfield
NEW JERSEY
NEW YORK
Clark
Linden
PARK SLOPE
BAY RIDGE

Property Analysis

Land Area

The following table summarizes the subject's land area.

Land Area Summary			
Tax ID	Address	SF	Acres
Block: 5202 - Lot: 5	416 Highland Ave.	24,476	0.56
Block: 5202 - Lot: 6	410 Highland Ave.	13,051	0.30
Block: 5202 - Lot: 7	406 Highland Ave.	13,051	0.30
Block: 5202 - Lot: 8	394 Highland Ave.	60,026	1.38
Block: 5202 - Lot: 9	386 Highland Ave.	17,568	0.40
Total		128,171	2.94

Source: Other

Flood Hazard Status

The following table provides flood hazard information.

Flood Hazard Status	
Community Panel Number	34013C0113
Date	June 4, 2007
Zone	X
Description	Outside of 500-year floodplain
Insurance Required?	No

Environmental Hazards

An environmental assessment report was not provided for review, and during our inspection, we did not observe any obvious signs of contamination on or near the subject. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards.

Utilities

The availability of utilities to the subject is summarized in the following table.

Utilities		
Service	Provider	Adequacy
Water	City of Orange Township	Adequate
Sewer	City of Orange Township	Adequate
Electricity	PSE&G	Adequate
Natural Gas	PSE&G	Adequate
Local Phone	Local Provider	Adequate

Zoning

The subject is zoned Lincoln - Highland Ave. Redevelopment Plan, by City of Orange Township. The following table summarizes our understanding and interpretation of the zoning requirements that affect the subject.

Zoning Summary	
Zoning Jurisdiction	City of Orange Township
Zoning Designation	Lincoln - Highland Ave. Redevelopment Plan
Description	Redevelopment
Zoning Change Likely?	No
Permitted Uses	Midrise Multifamily Apartment, Garden Apartment, Park and Recreational Uses, Parking
Category	Zoning Requirement
Minimum Lot Area	14,000 SF
Minimum Street Frontage (Feet)	Not Specified
Minimum Lot Width (Feet)	Not Specified
Minimum Lot Depth (Feet)	Not Specified
Minimum Setbacks (Feet)	Front: 15 feet; Side: 5 feet (one), 15 feet (both); Rear: 5 feet
Maximum Building Height	6 Stories or 65 feet
Maximum Site Coverage	75%
Maximum Density	65 / Acre
Maximum Floor Area Ratio	2.5
Parking Requirement	Studio or 1 BR: 0.5/Unit; 2 BR: 1 / Unit

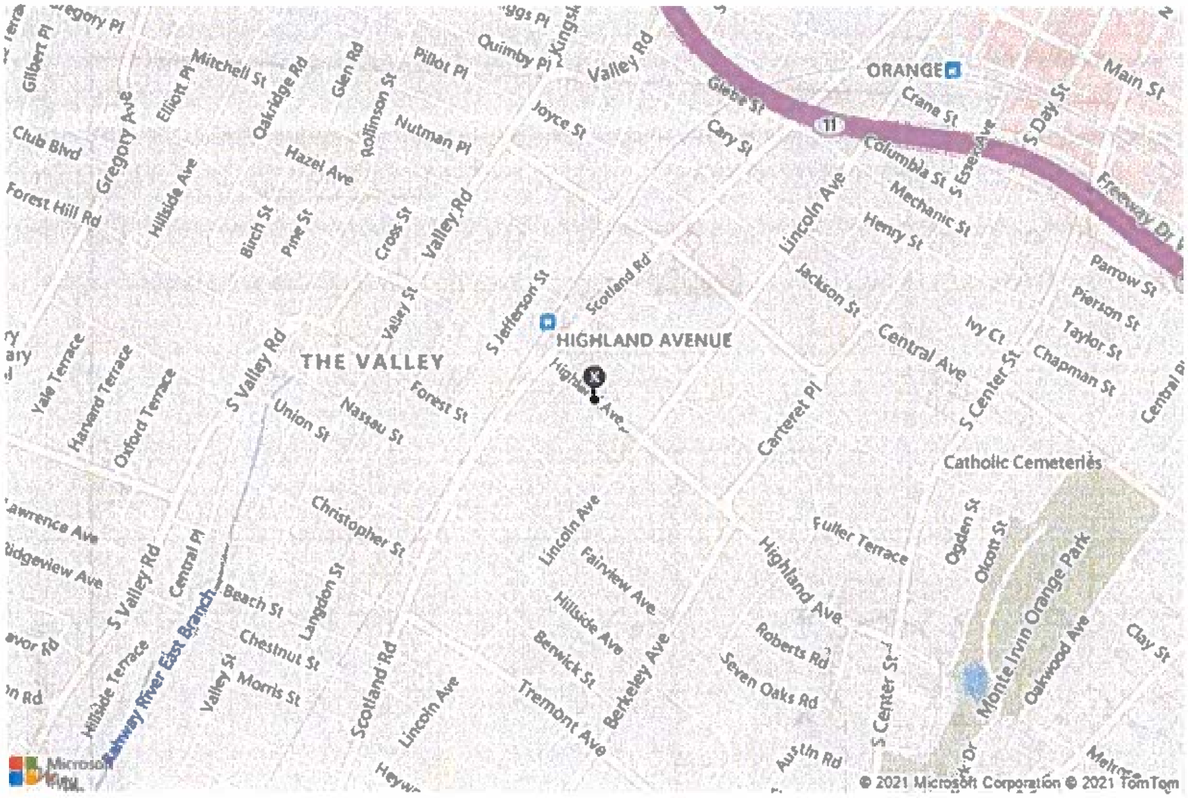
Source: City of Orange Township Redevelopment Plan

We are not experts in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance is required.

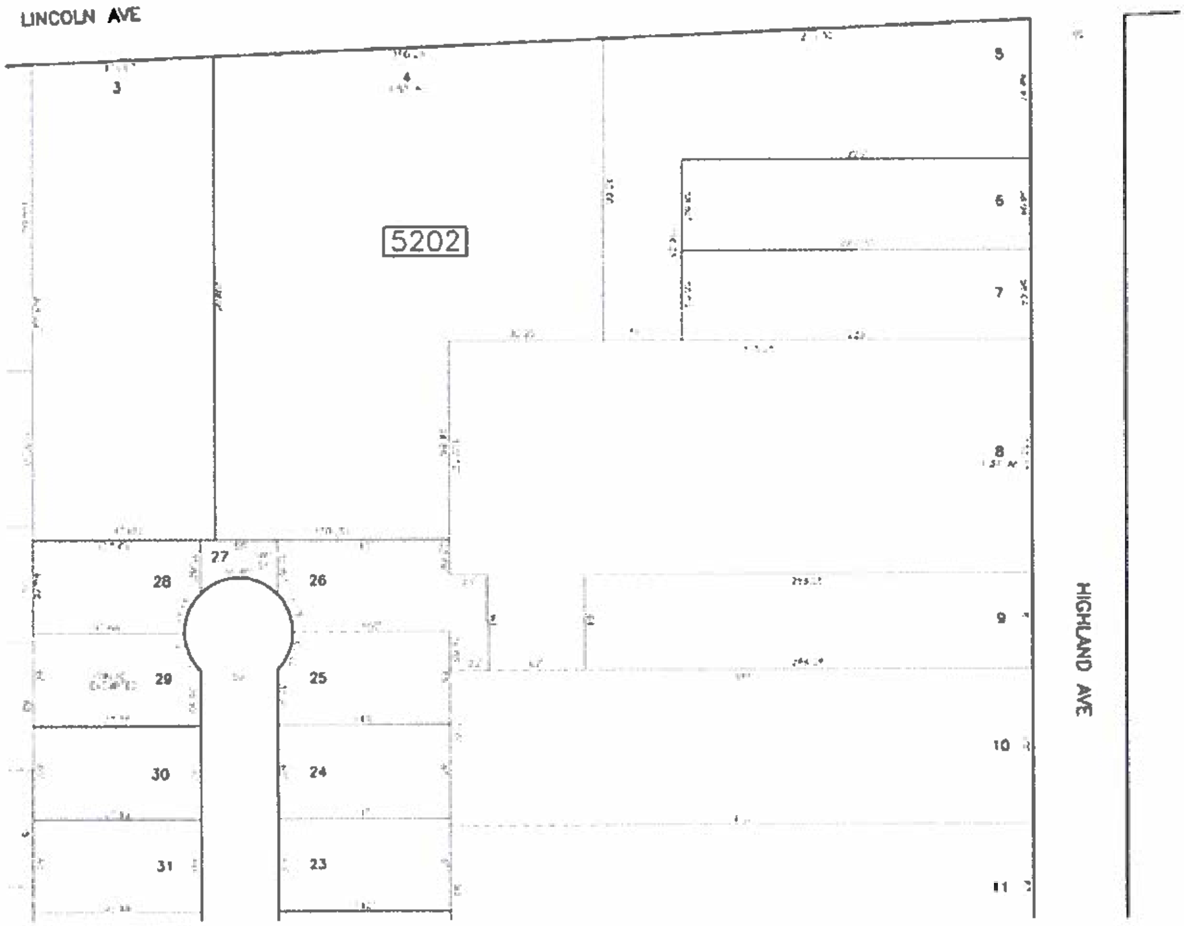
Other Land Use Regulations

We are not aware of any other land use regulations that would affect the property.

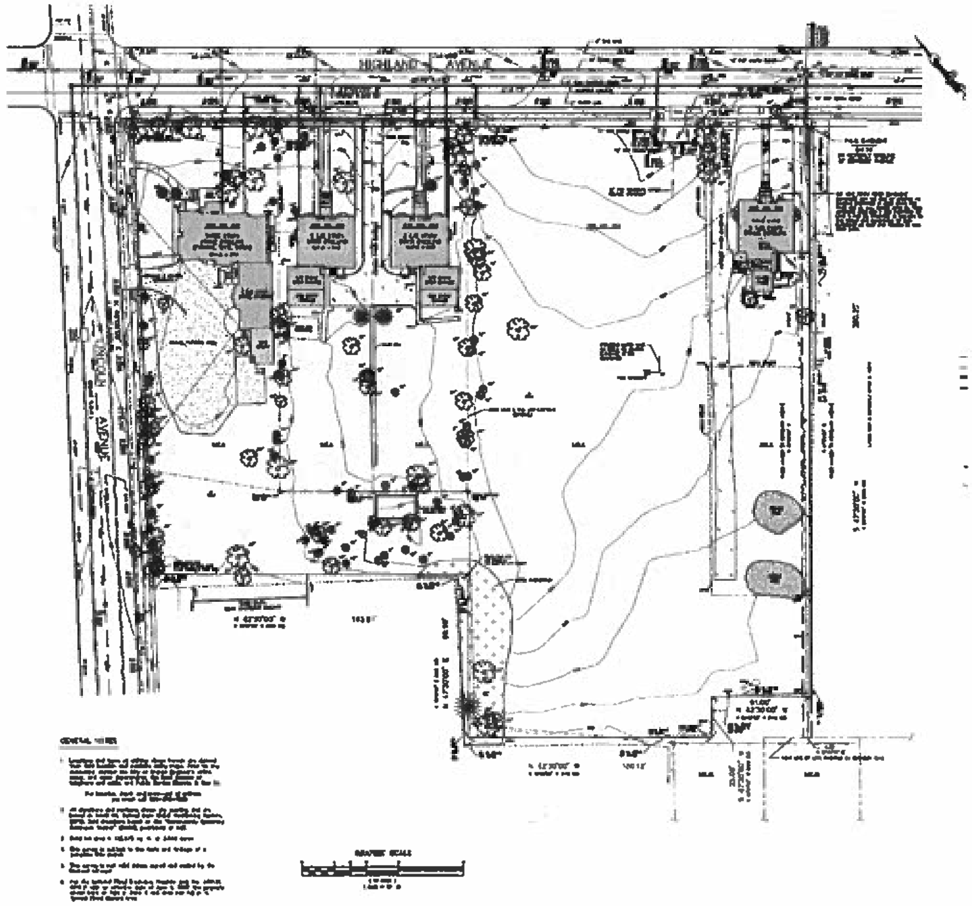
Surrounding Area Map



Tax Map

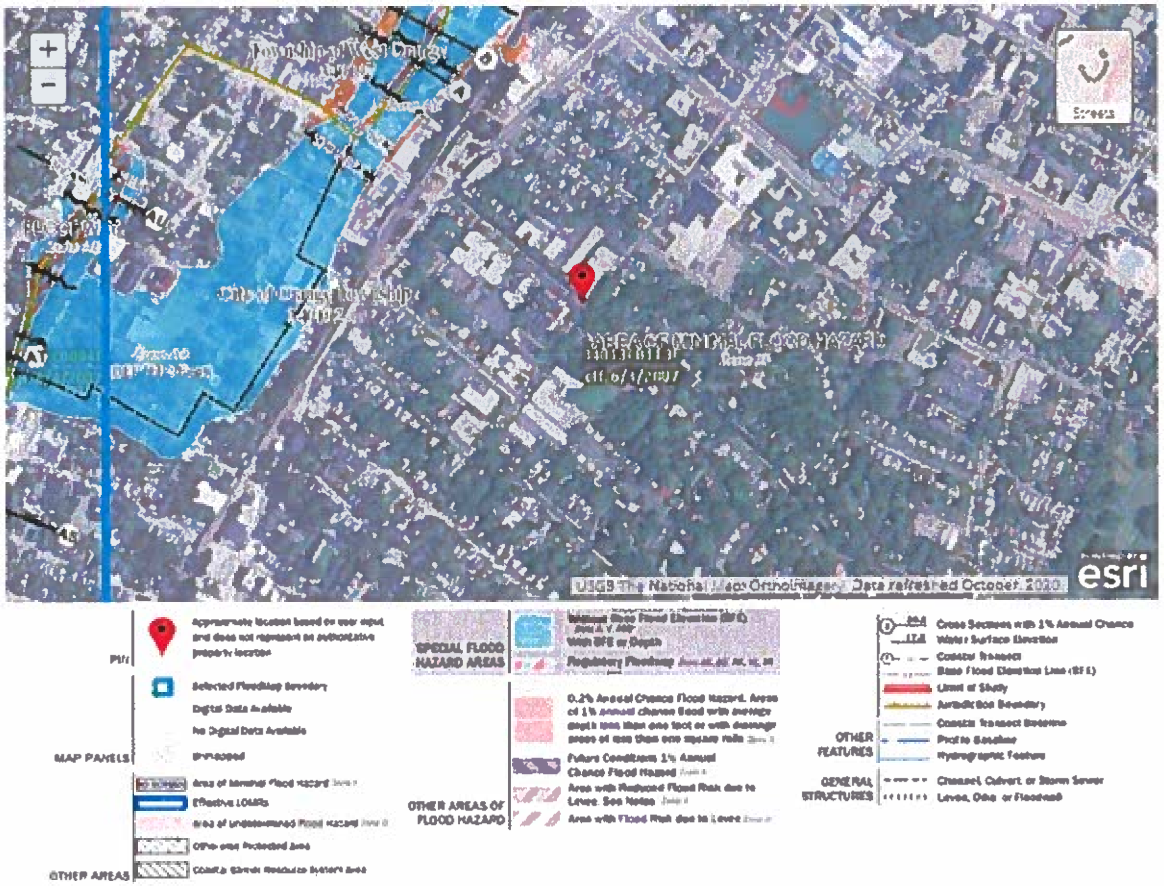

LINCOLN AVE
3
4
5
5202
6
7
8
9
10
11
27
28
26
29
25
30
24
31
23
HIGHLAND AVE

Survey



The four residential structures currently standing on the site are slated for demolition.

Flood Hazard Map



Improvements Description and Analysis

Overview

The subject is a proposed multifamily property containing 138 dwelling units. The project is in the planning stage of the development and scheduled to be constructed in 2021 and are assumed 95% leased upon stabilization. The Developer is PEEK Properties and the project has applied for a Payment In Lieu of Taxes (PILOT) agreement with the City of Orange Township. The project, upon completion, is assumed to be of Excellent Quality and to feature an amenity set which will allow it to compete effectively with the surrounding competition. The site area is 2.94 acres or 128,171 square feet. Four existing residential structures on the property are slated for demolition. The property is located approximately 2 city blocks to the east of the Orange commuter rail station on the NJ Transit Morris - Essex Line providing rail service to Newark, Morristown and New York City.

Additionally the developer will be making a contribution to the construction of a public parking lot on land adjoining the project. This payment will be made via a Redevelopment Area Bond (RAB) payment. We have included the projected bond payments as an expense in the valuation analysis so that the analysis includes this contribution to the project and the municipal benefits paid for by the developer.

Improvements Description	
Name of Property	The Highlands
General Property Type	Multifamily
Property Sub Type	Conventional
Competitive Property Class	A
Occupancy Type	Multi-Tenant
Percent Leased	0%
Number of Buildings	1
Stories	5
Construction Class	A
Construction Type	Steel frame
Construction Quality	Excellent
Condition	Excellent
Number of Units	138
Units per Acre (Density)	46.9
Gross Building Area (SF)	185,870
Rentable Floor Area (SF)	113,289
Land Area (SF)	128,171
Floor Area Ratio (RFA/Land SF)	0.88
Floor Area Ratio (GBA/Land SF)	1.45
Building Area Source	Other
Year Built	2021
Year Renovated	N/A
Actual Age (Yrs.)	0
Estimated Effective Age (Yrs.)	0
Estimated Economic Life (Yrs.)	55
Remaining Economic Life (Yrs.)	55
Number of Parking Spaces	213
Source of Parking Count	Developer / Owner
Parking Type	Structured
Parking Spaces/Unit	1.5

Unit Mix

The subject's unit mix, building areas, and occupancy rate are detailed in the following table.

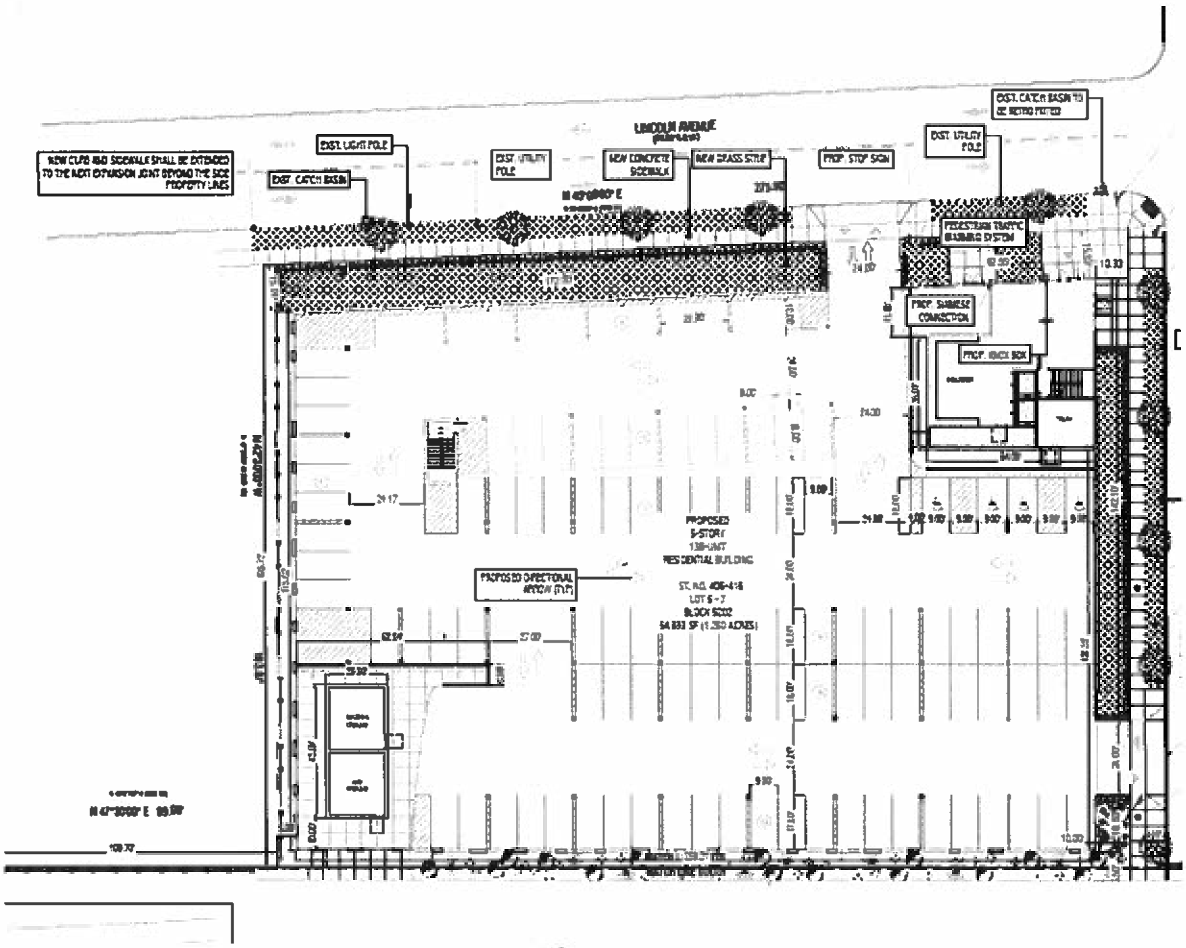
Unit Mix and Occupancy

Floor Plan	Units	% of Total	Avg. Unit Size	Total SF	Occupied Units	Vacant Units	% Occupied
Studio - 1 Bedroom Units							
Studio - 1 Bath	7	5.1%	571	3,997	6	1	86%
Total/Average	7	5.1%	571	3,997	6	1	86%
1 Bedroom - 1 Bath Units							
1 Bedroom - 1 Bath	84	60.9%	708	59,472	81	3	96%
Total/Average	84	60.9%	708	59,472	81	3	96%
2 Bedroom - 2 Bath Units							
2 Bedroom - 2 Bath	47	34.1%	1,060	49,820	44	3	94%
Total/Average	47	34.1%	1,060	49,820	44	3	94%
Total Units	138	100.0%	821	113,289	131	7	95%

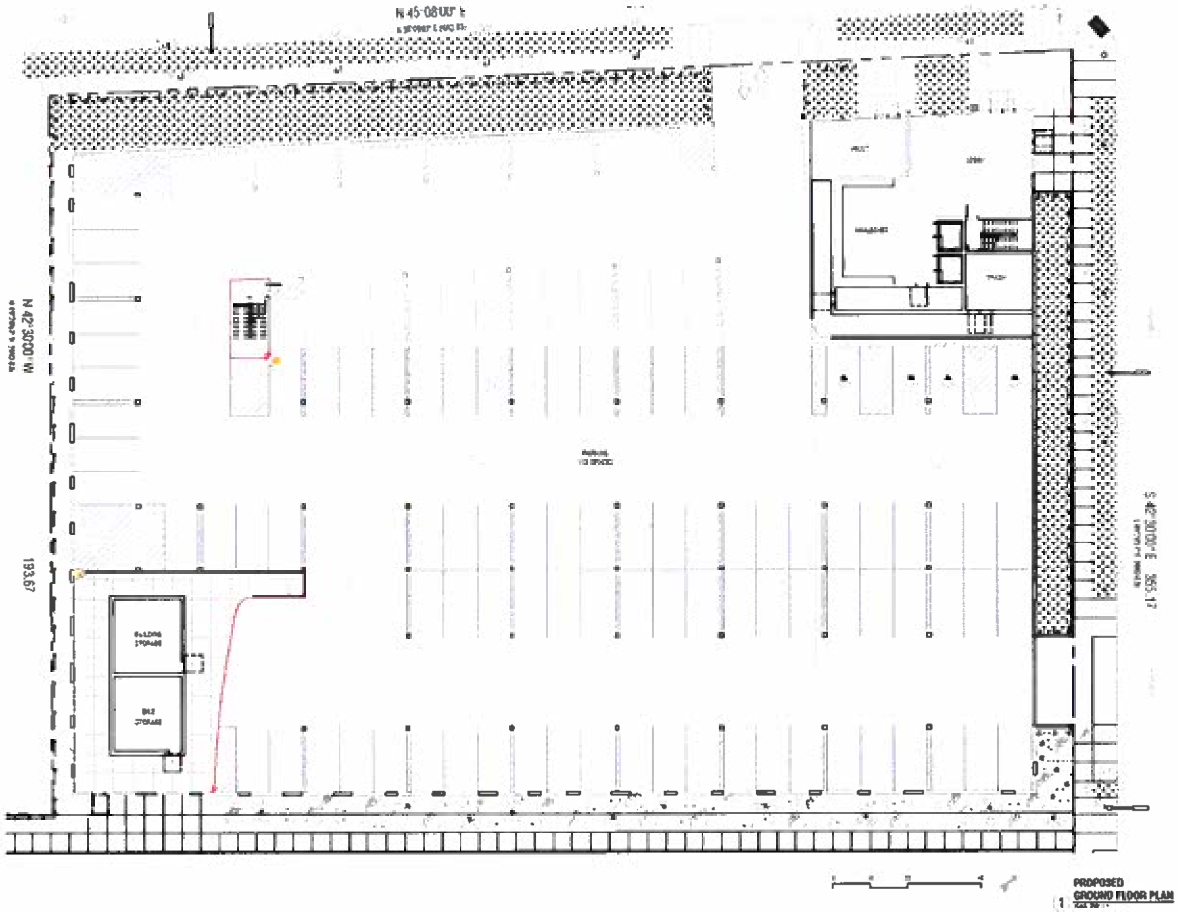
*Includes employee and model units, as applicable.

Stabilized occupancy is assumed at 95%, and a vacancy allowance is applied, which is generally consistent with the market. There is no retail or commercial space in the project as proposed.

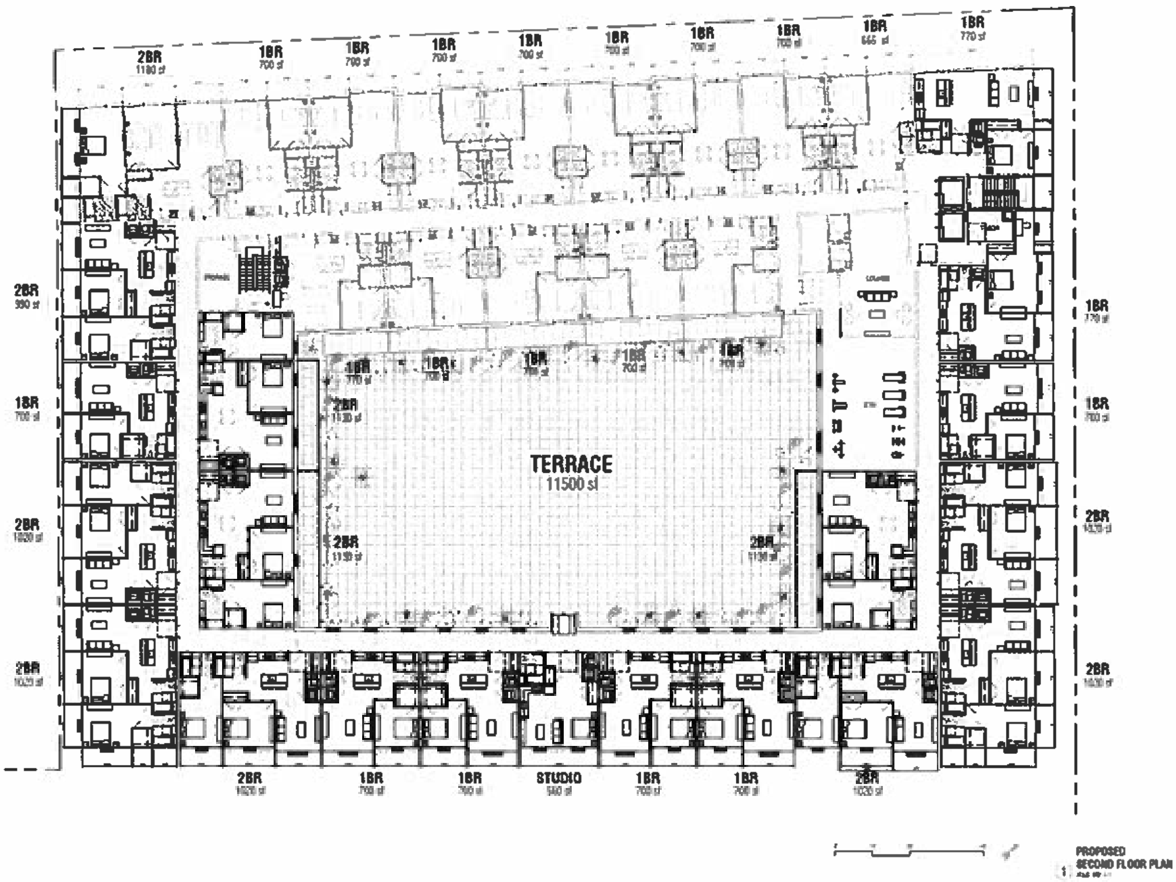
Site Plan


LINCOLN AVENUE
EXST. LIGHT POLE
EXST. CATCH BASIN
EXST. UTILITY POLE
NEW CONCRETE SIDEWALK
NEW GRASS STRIP
PROP. STOP SIGN
PROP. SIAMESE CONNECTION
PROP. KNOX BOX
PROPOSED 5-STORY
RESIDENTIAL BUILDING
LOT 6 - 7
PROPOSED DIRECTIONAL ARROW (TYP)

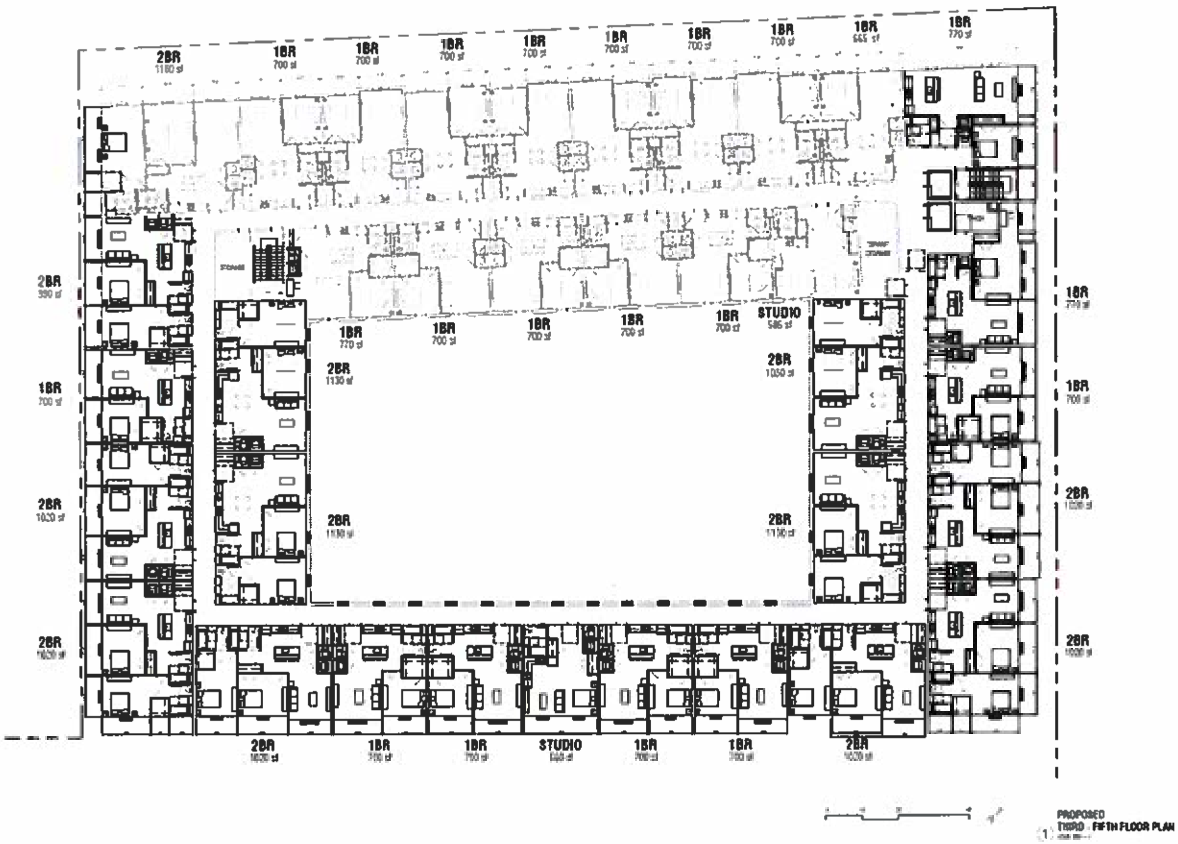
Floor Plan


N 45°08'00" E
N 42°30'00" W
193.67
S 42°30'00" E 365.17
PROPOSED
GROUND FLOOR PLAN

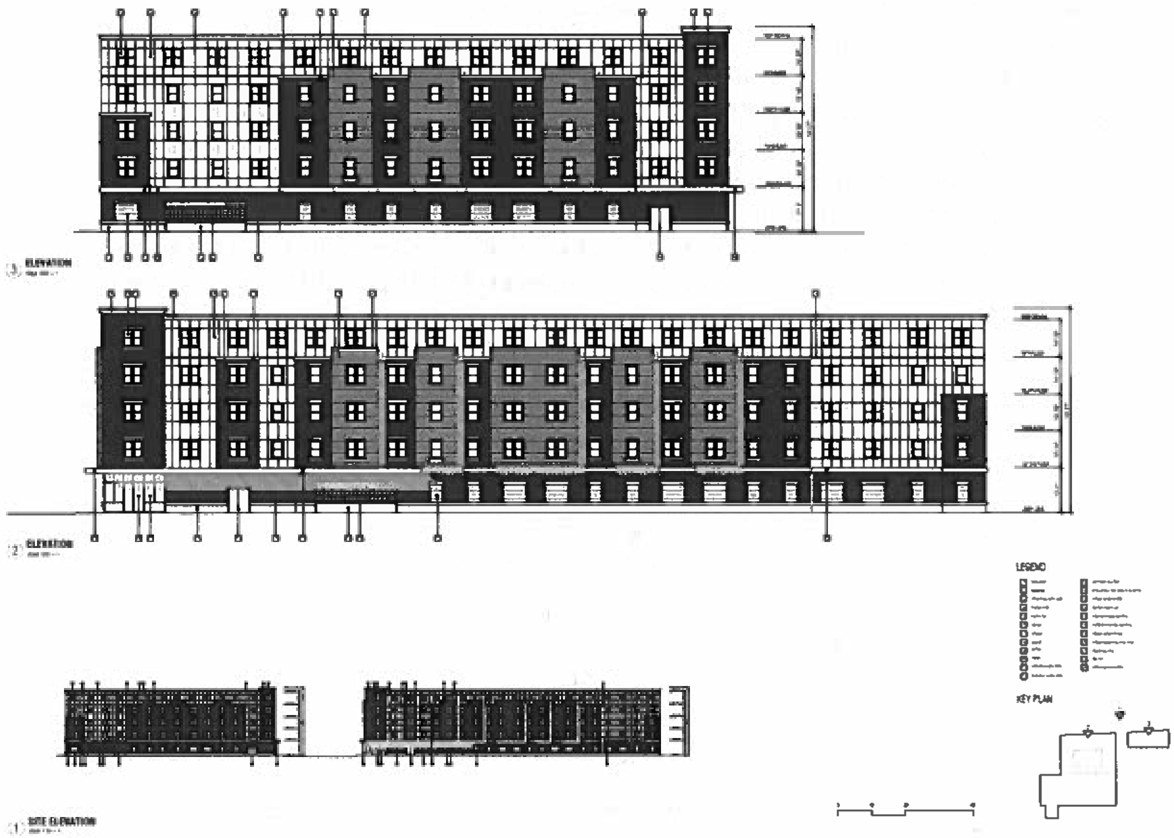
Floor Plan



Floor Plan



Building Elevations



Real Estate Taxes

Real estate tax assessments are administered by the City of Orange Township and are assessed by the municipality for the subject. The property is located in Union County. Real estate taxes in this state and this jurisdiction represent ad valorem taxes, meaning a tax applied in proportion to value. The real estate taxes for an individual property may be determined by dividing the assessed value for a property by 100, then multiplying the estimate by the composite rate. The composite rate is based on a consistent county tax rate, a municipal rate in addition to one or more local taxing district rates, including school, and special districts. The assessed values are based upon the current average ratio of assessed value to market value of 91.49% of Assessor's market value (2021). This figure was revised per tax board judgement. The tax rate for the subject is $5.607 per $100 of assessed valuation (this is the 2020 tax year rate which is the most recent available). Current Real estate taxes and assessments for the current tax year are shown in the following table.

Taxes and Assessments - 2021

	Assessed Value			Taxes and Assessments			
					Ad Valorem		
Tax ID	Land	Improvements	Total	Tax Rate	Taxes	Direct Assessments	Total
Block: 5202 - Lot: 5	$55,000	$218,800	$273,800	5.607000%	$15,352	$0	$15,352
Block: 5202 - Lot: 6	$83,100	$193,200	$276,300	5.607000%	$15,492	$0	$15,492
Block: 5202 - Lot: 7	$83,100	$181,400	$264,500	5.607000%	$14,831	$0	$14,831
Block: 5202 - Lot: 8	$130,100	$0	$130,100	5.607000%	$7,295	$0	$7,295
Block: 5202 - Lot: 9	$87,600	$125,300	$212,900	5.607000%	$11,937	$0	$11,937
	$438,900	$718,700	$1,157,600		$64,907	$0	$64,907

The following is the implied market value (also called equalized value) of the above assessments.

Assessor's Market Value

Tax ID	Land	Improvements	Total
Block: 5202 - Lot: 5	$60,116	$239,152	$299,268
Block: 5202 - Lot: 6	$90,830	$211,171	$302,000
Block: 5202 - Lot: 7	$90,830	$198,273	$289,103
Block: 5202 - Lot: 8	$142,201	$0	$142,201
Block: 5202 - Lot: 9	$95,748	$136,955	$232,703
	$479,725	$785,550	$1,265,275

The history of the City of Orange Township's tax rates is shown below:

Tax Rate History

Tax Year	Tax Rate	Average Ratio	Effective Tax Rate	Change
2015	$4.653	101.72%	$4.733	N/A
2016	$4.778	100.07%	$4.781	1.02%
2017	$4.870	99.50%	$4.846	1.34%
2018	$5.230	96.19%	$5.031	3.82%
2019	$5.315	93.97%	$4.995	-0.72%
2020	$5.607	91.49%	$5.130	2.71%
Average:				**1.63%**

Source: NJ Division of Taxation

The City of Orange Township's tax rates are allocated as follows:

Tax Rate Allocation	Rate	Percentage	Total Tax Amount
Total Tax Rate	**$5.607 /$100**	**100%**	**$64,907**
County Portion			
County Tax	$0.517 /$100	9.22%	
Library Tax	$0.000 /$100	0.00%	
County Farmland and OS	$0.017 /$100	0.30%	
County Portion Sub. Total	$0.534 /$100	9.52%	**$6,182**
School Portion			
District School Tax	$1.004 /$100	17.91%	
School Portion Sub. Total	$1.004 /$100	17.91%	**$11,622**
Municipal Portion			
Municipal Purpose	$4.002 /$100	71.38%	
Municipal OS	$0.030 /$100	0.54%	
Municipal Library	$0.037 /$100	0.66%	
Municipal Portion Sub. Total	$4.069 /$100	72.57%	**$47,103**

The existing land tax (the parcel was previously several residential houses) is shown in the chart below:

Existing Land Tax Allocation		Percentage	Amount
Total Tax Rate	**$5.607**	**100%**	$24,609
County Rate	$0.534	9.52%	$2,344
School Portion	$1.004	17.91%	$4,407
Municipal Rate	$4.069	72.57%	$17,859

The assessed values are based upon the current average ratio of assessed value to market value of 91.49% of Assessor's market value (2021). This figure was revised per tax board judgement. The tax rate for the subject is $5.607 per $100 of assessed valuation (this is the 2020 tax year rate which is the most recent available).

PILOT Revenues & Disbursement

Project Description

The subject is a proposed multifamily property containing 138 dwelling units. The project is in the planning stage of the development and scheduled to be constructed in 2021 and are assumed 95% leased upon stabilization. The Developer is PEEK Properties and the project has applied for a Payment In Lieu of Taxes (PILOT) agreement with the City of Orange Township. The project, upon completion, is assumed to be of Excellent Quality and to feature an amenity set which will allow it to compete effectively with the surrounding competition. The site area is 2.94 acres or 128,171 square feet. Four existing residential structures on the property are slated for demolition. The property is located approximately 2 city blocks to the east of the Orange commuter rail station on the NJ Transit Morris - Essex Line providing rail service to Newark, Morristown and New York City.

Additionally the developer will be making a contribution to the construction of a public parking lot on land adjoining the project. This payment will be made via a Redevelopment Area Bond (RAB) payment. We have included the projected bond payments as an expense in the valuation analysis so that the analysis includes this contribution to the project and the municipal benefits paid for by the developer.

The unit mix and projected rents are as follows:

Projected Rents						
Unit Type	**# Units**	**Avg SF/Unit**	**$/SF/Mo**	**$/Mo**	**$/Unit/Yr**	**Annual Rent**
Studio	7 Units	571 SF	$2.75 /SF	$1,570 /Mo	$18,840 /Unit/Year	$131,880
1 bedroom	84 Units	708 SF	$2.49 /SF	$1,765 /Mo	$21,180 /Unit/Year	$1,779,120
2 bedroom	47 Units	1,060 SF	$2.25 /SF	$2,390 /Mo	$28,680 /Unit/Year	$1,347,960
Total Apartment Revenue					**$68,700 /Unit/Year**	**$3,258,960**
Other Revenue						
Unit Type	**# Units**	**$/Mo**			**$/Unit/Yr**	**Annual Rent**
Garage Parking	102	$125			$1,500	$153,000
Total Other Revenue						**$153,000**

The developer projected similar rental rates for the subject apartment units and a review of comparable projects we have analyzed indicates that the above rental rates are supportable.

Total Project Cost

Total development costs for the project, as projected by the developer are anticipated to be $22.8 million.

Estimated Developer's Cost				
Item	Total Cost	$/SF	$/Unit	% of Total
Site Acquisition	$7,570,000	$40.73	$54,855	18.0%
Hard Costs				
Building Costs				
Residential Floors	$16,317,800	$87.79	$118,245	38.9%
Parking Structure & Concrete	$4,139,940	$22.27	$30,000	9.9%
Total Building Costs	$20,457,740	$110.06	$148,244	48.7%
Site Improvement Costs				
Site Work	$2,112,653	$11.37	$15,309	5.0%
Demolition	$220,000	$1.18	$1,594	0.5%
Total Site Improvement Costs	$2,332,653	$12.55	$16,903	5.6%
Total Hard Costs	$22,790,393	$122.61	$165,148	54.3%
Soft Costs				
Soft Costs and Carry	$2,768,740	$14.90	$20,063	6.6%
Services & General Condition	$961,500	$5.17	$6,967	2.3%
General Contractor Fee	$1,176,595	$6.33	$8,526	2.8%
Contingency	$1,744,994	$9.39	$12,645	4.2%
Interest Reserve	$3,644,650	$19.61	$26,411	8.7%
Financing Costs/Fees	$1,333,674	$7.18	$9,664	3.2%
Total Soft Costs	$11,630,153	$62.57	$84,276	27.7%
Furniture, Fixtures & Equipment				
Total FF&E Costs	$0	$0.00	$0	0.0%
Total Costs	$41,990,546	$225.91	$304,279	100.0%
Total Costs Without Land	$34,420,546	$185.19	$249,424	82.0%

Additionally the developer will be making a contribution to the construction of a public parking lot on land adjoining the project which will be in addition to the above calculated benefits. This payment will be made via a Redevelopment Area Bond (RAB) payment. We have included the projected bond payments as an expense in the above analysis so that the analysis includes this contribution to the project and the municipal benefits by the developer.

The project costs submitted by the developer, summarized above are assumed to include a fee to the construction manager, developers fee or developers profit to arrive at a total development cost of $41.99 million.

Project Valuation

Based on the revenue projection for residential rent and market expenses the project would yield a value of approximately $14.3 million under normal taxation assessing practice.

Summary Direct Capitalization						
Stabilized Valuation						
Unit Type	**# Units**	**Avg SF/Unit**	**$/SF/Mo**	**$/Mo**	**$/Unit/Yr**	**Annual Rent**
Studio	7 Units	571 SF	$2.75 /SF	$1,570 /Mo	$18,840 /Unit/Year	$131,880
1 bedroom	84 Units	708 SF	$2.49 /SF	$1,765 /Mo	$21,180 /Unit/Year	$1,779,120
2 bedroom	47 Units	1,060 SF	$2.25 /SF	$2,390 /Mo	$28,680 /Unit/Year	$1,347,960
Total Apartment Revenue					**$68,700 /Unit/Year**	**$3,258,960**
Other Revenue						
Unit Type	**# Units**	**$/Mo**			**$/Unit/Yr**	**Annual Rent**
Garage Parking	102	$125			$1,500	$153,000
Total Other Revenue						**$156,600**
Stabilized Value						
Total Potential Revenue						$3,415,560
Vacancy/Collection Loss 5%						-$170,778
Effective Gross Income						$3,244,782
Operating Expense Ratio 19%						-$606,054
Net Operating Income						$2,638,728
Capitalization Rate 6.00%						
Effective Tax Rate 5.13%						
Capitalization Rate 11.13%						
Indicated Value						**$23,708,249**
Rounded						**$23,700,000**
Times: Average Ratio						**91.49%**
Equals: Projected Assessment						**$21,683,130**
Times: Tax Rate						**$5.607 /$100**
Anticipated Property Taxes						**$1,215,773**

As mentioned, the developer will be making a contribution to the construction of a public parking lot on land adjoining the project. This payment will be made via a Redevelopment Area Bond (RAB) payment. We have included the projected bond payments as an expense in the above analysis so that the analysis includes this contribution to the project and the municipal benefits by the developer.

Project Feasibility Gap and PILOT Calculation

Based on our analysis of the value of the project, when compared to the total net project costs results in a difference, or gap, of approximately $8.5 million. Therefore, there is a substantial gap between the value when stabilized and total development costs. Therefore, the project would need to be subsidized to achieve feasibility. This can be calculated as follows:

PILOT Analysis and Feasibility GAP	
GAP Analysis	
Construction Cost	$41,990,546
Property Value	$23,700,000
Cost/Value Gap	($18,290,546)
PILOT Analysis	
Required Value to establish feasibility	$41,990,546
Times: Base Capitalization Rate/ROI	6.00%
Equals: Required NOI	$2,519,433
Effective Gross Income	$3,244,782
Required Operating Expenses including RETX	$725,349
Operating Expenses w/o RETX	$606,054
Required PILOT Amount	**$119,295**
PILOT % of Effective Gross Rental Revenue	**3.68%**

Revenue Disbursement

Payment in lieu of tax (PILOT) revenues provide greater financial benefit to the municipality as compared to a traditional tax structure.

- City of Orange Township receives 92.63% of the PILOT payments
- The PILOT revenues are based on the improvements only. Land taxes are allocated between the school, county, and municipality under the normal calculation.
- In the case of conventional Real Estate Taxes, the City of Orange Township receives 68% of the payments

The proposed project is projected to generate a minimum of $119,295 for the first year of the 30 year program. However, land taxes are credited to the overall PILOT amount and are allocated in the typical manner. While the PILOT payment will be no more than ultimately negotiated, the allocation of the land tax is considered when analyzing revenues to the municipality. The 2020 land taxes are projected to be allocated as follows:

Existing Land Tax Allocation			
		Percentage	Amount
Total Tax Rate	**$5.607**	**100%**	$24,609
County Rate	$0.534	9.52%	$2,344
School Portion	$1.004	17.91%	$4,407
Municipal Rate	$4.069	72.57%	$17,859

The proposed project is projected to generate $119,295 from PILOT revenues. As the Land Tax Credit applies only to the portion of the property, which is under the PILOT agreement, the residential component, the total credit equals that component's land tax as shown above.

The disbursement of the revenues will flow to the Township as follows:

PILOT Payment Allocation		
	Percentage	**Amount**
PILOT Payment Allocation		$119,295
Land Tax Credit		$24,609
PILOT Allociation		
County - Land Tax	1.96%	$2,344
County - PILOT	5.00%	$5,965
County Sub Total		$8,308
School - Land Tax	3.69%	$4,407
Municpal	89.34%	$106,580

Therefore the Fiscal Impact on the Township is as follows (see school discussion following for a summary of the school student generation calculation).

Fiscal Impact Analysis	
Anticipated Gross Revenues (yr. 1)	$119,295
Less: County Share:	-$8,308
Less: School Share:	-$4,407
Net Revenues to City	$106,580
Less: Cost of Increase In Municipal Services	
Fire Department	$0
Police Department	$0
Water/Sewer	$0
Sanitation	$20,286
School Budget Impact	$11,540
Capital Expenditure Savings (Cost)	
Total Increase - Service Costs	$31,826
Revenue Analysis Summary	
Net Revenues to City	$106,580
Total Increase - Service Costs	$31,826
Revenue Gain (Loss)	**$74,754**

Additionally the developer will be making a contribution to the construction of a public parking lot on land adjoining the project which will be in addition to the above calculated benefits. This amount was not specified at the time of this analysis.

Projected 30 Year Revenue Schedule

Year 1-10

PILOT Projection Years 1-10											
PILOT Year		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Estimated Property Taxes-Normal											
2020 Effective Tax Rate	5.130%										
2021 Assessed Value		$21,683,130	$21,683,130	$21,683,130	$21,683,130	$21,683,130	$21,683,130	$21,683,130	$21,683,130	$21,683,130	$21,683,130
Tax Growth Rate (Per Annum)	3.000%	5.607%	5.775%	5.948%	6.127%	6.311%	6.500%	6.695%	6.896%	7.103%	7.316%
Full Tax Load		$1,215,773	$1,252,246	$1,289,814	$1,328,508	$1,368,363	$1,409,414	$1,451,697	$1,495,248	$1,540,105	$1,586,308
County Portion	9.52%	$115,788	$119,262	$122,839	$126,525	$130,320	$134,230	$138,257	$142,405	$146,677	$151,077
School Portion	17.91%	$217,699	$224,230	$230,956	$237,885	$245,022	$252,372	$259,944	$267,742	$275,774	$284,047
Municpal Portion	72.57%	$882,287	$908,755	$936,018	$964,098	$993,021	$1,022,812	$1,053,496	$1,085,101	$1,117,654	$1,151,184
PILOT Payment Analysis											
Gross Revenue	3.00%	$3,244,782	$3,244,782	$3,342,125	$3,442,389	$3,545,661	$3,652,031	$3,761,592	$3,874,439	$3,990,673	$4,110,393
% of Gross Revenue		3.68%	3.68%	3.68%	3.68%	3.68%	3.68%	3.68%	3.68%	3.68%	3.68%
Annual Service Charge		$119,295	$119,295	$122,874	$126,560	$130,357	$134,268	$138,296	$142,445	$146,718	$151,120
Phase-In %		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Phase-In Minimum Payment		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Scheduled PILOT Payment		$119,295	$ 119,295	$ 122,874	$ 126,560	$ 130,357	$ 134,268	$ 138,296	$ 142,445	$ 146,718	$ 151,120
County Land Portion	1.96%	$1,569	$2,344	$2,414	$2,486	$2,561	$2,638	$2,717	$2,799	$2,882	$2,969
County PILOT	5.00%	$5,965	$5,965	$6,144	$6,328	$6,518	$6,713	$6,915	$7,122	$7,336	$7,556
School Portion	3.69%	$4,407	$4,407	$4,539	$4,675	$4,815	$4,960	$5,108	$5,262	$5,420	$5,582
Municpal Portion	89.34%	$106,580	$106,580	$109,778	$113,071	$116,463	$119,957	$123,556	$127,262	$131,080	$135,013

Year 11-20

PILOT Projection Years 11-20		Initial Phase of PILOT payments					Phase In Period				
PILOT Year		Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Estimated Property Taxes-Normal											
2020 Effective Tax Rate	2.76%										
Assessed Value		$21,683,130	$21,683,130	$21,683,130	$21,683,130	$21,683,130	$21,683,130	$21,683,130	$21,683,130	$21,683,130	$21,683,130
Tax Growth Rate (Per Annum)	3%	7.54%	7.76%	7.99%	8.23%	8.48%	8.74%	9.00%	9.27%	9.55%	9.83%
Full Tax Load		$1,633,897	$1,682,914	$1,733,402	$1,785,404	$1,838,966	$1,894,135	$1,950,959	$2,009,488	$2,069,772	$2,131,865
County Portion	9.52%	$155,609	$160,278	$165,086	$170,038	$175,140	$180,394	$185,806	$191,380	$197,121	$203,035
School Portion	17.91%	$292,569	$301,346	$310,386	$319,698	$329,289	$339,167	$349,342	$359,823	$370,617	$381,736
Municpal Portion	72.57%	$1,185,719	$1,221,291	$1,257,930	$1,295,668	$1,334,538	$1,374,574	$1,415,811	$1,458,285	$1,502,034	$1,547,095
PILOT Payment Analysis											
Gross Revenue	*Grown at 3% after Yr. 2	$4,110,393	$4,233,705	$4,360,716	$4,491,537	$4,626,283	$4,765,072	$4,908,024	$5,055,265	$5,206,923	$5,363,130
% of Gross Revenue		3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Annual Service Charge		$151,120	$155,653	$160,323	$165,133	$170,087	$175,189	$180,445	$185,858	$191,434	$197,177
Phase-In %		0%	0%	0%	0%	0%	20%	20%	20%	20%	20%
Phase-In Minimum Payment		$0	$0	$0	$0	$0	$378,827	$390,192	$401,898	$413,954	$426,373
Scheduled PILOT Payment		$151,120	$155,653	$160,323	$165,133	$170,087	$378,827	$390,192	$401,898	$413,954	$426,373
County Portion	1.96%	$2,969	$3,058	$3,150	$3,244	$3,342	$7,443	$7,666	$7,896	$8,133	$8,377
County PILOT	5.00%	$7,556	$7,783	$8,016	$8,257	$8,504	$18,941	$19,510	$20,095	$20,698	$21,319
School Portion	3.69%	$5,582	$5,750	$5,922	$6,100	$6,283	$13,993	$14,413	$14,845	$15,291	$15,749
Municpal Portion	89.34%	$135,013	$139,063	$143,235	$147,532	$151,958	$338,450	$348,603	$359,061	$369,833	$380,928

Year 21-30

PILOT Projection Years 21-30

		Phase In Period									
PILOT Year		Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Estimated Property Taxes-Normal Taxation											
2020 Effective Tax Rate	2.76%										
Assessed Value		$21,683,130	$21,683,130	$21,683,130	$21,683,130	$21,683,130	$21,683,130	$21,683,130	$21,683,130	$21,683,130	$21,683,130
Tax Growth Rate (Per Annum)	3%	10.13%	10.43%	10.74%	11.07%	11.40%	11.74%	12.09%	12.45%	12.83%	13.21%
Full Tax Load		$2,195,821	$2,261,696	$2,329,547	$2,399,433	$2,471,416	$2,545,559	$2,621,926	$2,700,583	$2,781,601	$2,865,049
County Portion	9.52%	$209,126	$215,400	$221,862	$228,517	$235,373	$242,434	$249,707	$257,198	$264,914	$272,862
School Portion	17.91%	$393,188	$404,984	$417,133	$429,647	$442,536	$455,813	$469,487	$483,572	$498,079	$513,021
Municpal Portion	72.57%	$1,593,508	$1,641,313	$1,690,552	$1,741,269	$1,793,507	$1,847,312	$1,902,731	$1,959,813	$2,018,608	$2,079,166
PILOT Payment Analysis											
Gross Revenue	*Grown at 3% after Yr.	$5,524,024	$5,689,745	$5,860,437	$6,036,250	$6,217,338	$6,403,858	$6,595,974	$6,793,853	$6,997,669	$7,207,599
% of Gross Revenue		3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Annual Service Charge		$203,092	$209,185	$215,461	$221,924	$228,582	$235,440	$242,503	$249,778	$257,271	$264,989
Phase-In %		40%	40%	40%	60%	60%	60%	60%	80%	80%	80%
Phase-In Minimum Payment		$878,329	$904,678	$931,819	$1,439,660	$1,482,850	$1,527,335	$1,573,155	$2,160,467	$2,225,281	$2,292,039
Scheduled PILOT Payment		$878,329	$904,678	$931,819	$1,439,660	$1,482,850	$1,527,335	$1,573,155	$2,160,467	$2,225,281	$2,292,039
County Portion	1.96%	$17,256	$17,774	$18,307	$28,284	$29,133	$30,007	$30,907	$42,445	$43,719	$45,030
County PILOT	5.00%	$43,916	$45,234	$46,591	$71,983	$74,142	$76,367	$78,658	$108,023	$111,264	$114,602
School Portion	3.69%	$32,444	$33,417	$34,420	$53,178	$54,774	$56,417	$58,110	$79,804	$82,198	$84,664
Municpal Portion	89.34%	$784,712	$808,254	$832,501	$1,286,214	$1,324,801	$1,364,545	$1,405,481	$1,930,194	$1,988,100	$2,047,743

Public Schools Impact

Introduction

Resident Generation and Public School Children Impact

Introduction

The public schools impacted by the project are Rosa Parks Elementary, Orange Middle School, and Orange High School.

To determine the impact to the school system and municipal budget we first need to estimate the number of public school children (PSC) the project may generate.

We estimated the potential public school children generated by the proposed project by:

- Utilizing a well-known and widely referenced study, published by Rutgers, Edward J. Bloustein School of Planning and Public Policy, Center for Urban Policy Research (Nov 2006), titled:

  Who Lives in New Jersey Housing?
  A Quick Guide to NJ Residential Demographic Multipliers

- An additional widely references study, published by Rutgers Center for Real Estate (July 2018)

  School-Age Children in Rental Units in New Jersey:
  Results from a Survey of Developers and Property Managers

Herein, this study and its data will be referred to as the "Rutgers Study" and "Center For Real Estate Study."

Public School Children Generation

Rutgers Study

The **Rutgers Study** provides factors for affordable rental housing, market rate rental housing as well as single family attached (townhouse) projects for sale. The Rutgers study applies factors to each component and then aggregated to estimate the number of PSC generated overall. In this case, the proposed development includes both affordable and market-rate rental types.

Project Type Use	Market Rate Multifamily (5 Units +)			Total
Size (BRs)	Studio & 1 BR	2 BR		
Tenure	Rental	Rental		
Price	Market Rate	Market Rate		
Estimated:			Sub-Totals	
Units	91 Units	47 Units	138 Units	138 Units
Est. Residents	150 Residents	99 Residents	249 Residents	249 Residents
Est. School Age Children	5 Students	8 Students	13 Students	13 Students
Est. Public School Children	**5 Students**	**5 Students**	**10 Students**	10 Students

Source: Who Lives in New Jersey Housing? A Quick Guide to NJ Residential Demographic Multipliers
Rutgers, Center for Urban Policy Research, November 2006

The data above exhibits that a fully dedicated rental project would produce 10 estimated public school children. The Rutgers Study also provides an estimate of resident generation. Based on the analysis from the study we estimate 249 residents to be generated from the project when fully developed.

Transit Oriented Projects

The Rutgers Study also provides data for market rate projects located in Transit oriented developments (TOD). Projects located near train stations typically generate significantly fewer children than non-TOD projects. There is no data that allows us to determine the number of Public School Children generated in this type of location for affordable housing projects.

According to the study, TOD projects generate approximately 0.02 student per units. Since the subject is 138 units, the resulting student generation from the study would be 3.

Center of Real Estate Study

The Center of Real Estate set out to provide new estimates of the number of school –age children associated with new developments of market-rate and affordable units in New Jersey. The Center of Real Estate conducted a large-scale survey, utilizing several consistent variables such as distribution of number of bedrooms and expected household income of market-rate residents. Ultimately, we felt it was important to supplement the Rutgers Study and illustrate how the numbers correlate.

Market Rate Development

Unit Type	# of Units	Average Rent	Affordability %	Household Income	Factor	School-Aged Children	Public School Children
Studio/One Bedroom	7	$ 1,570	30%	$ 62,800	1.60	0	0
One Bedroom	84	$ 1,765	30%	$ 70,600	8.90	7	6
Two Bedroom	47	$ 2,390	30%	$ 95,600	28.20	13	11
Totals	**138**					**20**	**17**

The Center for Real Estate Study indicates that 17 public school children will be generated by the proposed project.

Public School Children Market Study – City of Orange Township

The Rutgers Study recommends obtaining data from the relevant market to determine what is actually happening in the market area. The study recognized that what occurs in a specific location may not be the same as the results of a statewide study.

In cooperation with the Board of Education we conducted a study of new affordable and market rate rental units within the City. Afterwards, we compared the results to the Rutgers Study to see how the municipality performs versus how the study may indicate.

The following data was collected in 2018 and is used to give the Statewide studies local market context. The results of our study is as follows:

Project	Project Type	Address	Units	1 BR	2 BR	3 BR	PSC
L&M	AH/Mkt	50&55 S. Essex Street	63	13	31	19	12
Walter G. Alexander I	AH	Parrow/Central PL	66	12	34	20	86
Walter G. Alexander III	AH	97 Wilson Place	43	20	10	13	5
Former Peppermint Lounge	Market	169-177 Central Ave	40	20	20	0	4
Tri Corner	AH	307 Washington Street	51	6	28	17	34
South Essex Court	AH	325 Mechanic Street	75	0	51	24	1
Grand Central	AH	219 South Center St	69	59	10	0	12
Millennium Homes	AH	284/312 North Day St	39	3	24	12	42
		Unit Mix (#)	**446**	**133**	**208**	**105**	**196**
		Unit Mix (%)		**30%**	**47%**	**24%**	

Comparison to Rutgers Study

Rutgers Study - Affordable Housing	PSC Factor	Units	Unit (%)	PSC
Affordable Units - 1 BR	0.140	133	30%	**19**
Affordable Units - 2 BR	0.620	208	47%	**129**
Affordable Units - 3 BR	1.270	105	24%	**133**
Potential Generation as Per Study	0.63	446	100%	**281**

Rutgers Study - Market Rate	PSC Factor	Units	Unit (%)	PSC
Market Rate Units - 1 BR	0.060	20	4%	**1**
Market Rate Units - 2 BR	0.275	20	4%	**6**
Market Rate Units - 3 BR	0.832	0	0%	**0**
Potential Generation as Per Study	0.168	40	9%	**7**

Total Realization - Orange School System	**196**
Total Project - Rutgers Study	**288**

As the study indicates, the City of Orange is generating approximately 68% of the Public School Children that the Rutgers Study would indicate. This demonstrates that the previously indicated 10 students expected from the subject project may be high and only 7 students may come from the subject project (10 students x 68% = 6.8 Rounded to 7 public school students).

The subject does not contain any 3 bedroom units and on a percentage basis has significantly more 1 bedroom units than the study sample. This would indicate that the subject would potentially generate less Public School Children than comparable projects in Orange.

Therefore, the overall factor from the City of Orange survey would be high relative to the unit mix at the subject. However, if we were to use the factor derived from the survey, the subject would only generate 68% of the Public School Children indicated by the results of the Rutgers Study. Therefore, the subject may only generate 5-7 children into the public school system.

Summary of Resident and Public School Age Children Generation

The following chart details the number of residents and public school children generation from the proposed project.

Summary of Resident and Public School Age Children Generation			
	Rutgers Study	Rutgers Center for Real Estate	City of Orange Study
Resident Generation	249	N/A	N/A
Public School Children Generation	10	17	7

The studies indicate that approximately 249 Residents will occupy the project and that between 7 and 17 public school students will be generated by the project. We will assume that 10 public school students will be generated by the project.

Impact on the School Portion of Municipal Budget

Introduction

We focused on the impact on the City of Orange Township school budget based on Total Cost per Pupil and Classroom Instruction Cost per Pupil. Emphasis was given to the Classroom Instruction Cost per Pupil. As previously discussed, we focused on a mixed-income profile that includes:

- Affordable housing developments
- Market-rate transit oriented developments

Costs of Education

We analyzed the municipal budget and projected public school children generation to determine the potential impact the subject property may have on the school portion of the municipal budget.

Scenario #1: Overall Impact Based on Total Cost Per Pupil	
2020 - 2021 Anticipated Budget	
Total Revenues Net of Transfers	$118,879,726
Total Municipal Tax Levy Revenue Source	$12,768,626
% Municipal Tax Levy Funds of Total Revenue Sources	10.7%
Total Cost Per Pupil (Net of Debt Service)	$17,609
Anticipated Number of PSC	10 Students
Gross Budget Impact Before Adjustments	$176,090
% Municipal Tax Levy Funds of Total Revenue Sources	10.74%
Gross Municipal Budget Impact Before Adjustments	**$18,913**

Scenario #2: Overall Impact Based on Classroom Instruction Cost Per Pupil	
2020 - 2021 Anticipated Budget	
Total Revenues Net of Transfers	$118,879,726
Total Municipal Tax Levy Revenue Source	$12,768,626
% Municipal Tax Levy Funds of Total Revenue Sources	10.7%
Total Classroom Instruction Cost Per Pupil	$10,748
Anticipated Number of PSC	10 Students
Gross Budget Impact Before Adjustments	$107,480
% Municipal Tax Levy Funds of Total Revenue Sources	10.74%
Gross Municipal Budget Impact Before Adjustments	**$11,544**

Given that transportation costs would not be incurred for students at this site we did not consider transportation costs in the analysis. We determined that classroom Instruction Cost per pupil is $10,748. However, the City of Orange Township's share is 10.74% of this cost, or $1,154 per pupil. Therefore the total cost for 10 pupils to Orange is approximately $11,540.

Impact on Municipal Services

Introduction

Real estate developments require a number of municipal services. In many instances, a project will affect traffic and street circulation which may cause the need for the construction of offsite improvements to mitigate any issues that may cause inefficiency in the road systems.

Therefore, in this analysis, we considered the proposed project's impact on the following municipal services:

- Police Department
- Fire Department
- Water/Sewer
- Trash Removal
- Road Maintenance
- Other Services

The following conclusions are based on our conversations with the engineering department, tax department, fire department, housing department, planning department and from various other projects in which we have had experience.

Police Department

Discussions with representatives from the Orange PD indicate that the current police force is understaffed. This condition existed prior to the addition of the Tony Galento Plaza and South Essex Street projects (prior development projects). Our discussions with OPD focused on the impact of the anticipated future development modeled in our analysis. Any preexisting condition is not considered in this report.

Design features at the property will include access controlled parking lots and security cameras that will participate in the new municipal wide surveillance program. These features will minimize the impact on police services.

Given the anticipated development over the next 10 years, the population of the City will grow by approximately 1,600 residents. However, population estimates reflect a decline in the population by 444 residents by 2019. Therefore, if population growth remains flat from 2019 to 2027 the net gain in population over that time frame will be 1,166. Consideration is given to the time at which the bulk of the growth will take place. While the projections from new project reflects a growth in population of approximately 1,600 residents, 51% of that realization (70% of the net growth) is anticipated from the Hospital project which is not expected for 7 +/- years.

According to the OPD they will need and additional 10 to 20 officers to accommodate the growth associated with new development. It is estimated that the additional cost in salaries will be $900,000 (15 officers) along with $217,000 in capital costs for additional equipment and police training.

However, these costs will be realized over a 10 year period with most of the anticipated growth taking place at the completion of the Orange Memorial Hospital redevelopment in 2027. At this point in time, there is no measurable impact on the OPD budget.

While the study does not specifically address the impact on the police department, we do recognize that, over time, as the City begins to transform this area, and others, into a more residential character, additional safety measures will be necessary to promote the goals and objectives of the municipality. Negotiations with future developers may bring other solutions. However, the real impact of the OPD will not be felt for a number of years.

Fire Department

Discussions with representatives from the Orange FD indicate that they are currently understaffed prior to the addition of the Tony Galento Plaza and South Essex Street projects (previous developments). Our discussions with OFD focused on the impact of the anticipated future development modeled in our analysis. Any preexisting condition is not considered in this report.

With the additional development of projects and an increase in the City population, if the fire department were to be fully staffed at the levels required today, there would be a minimal need for additional personnel.

Provided the City of Orange Fire Department attains the staffing necessary to safely operate, the project should not have a measurable impact on their budget at this time. Even if additional fire fighters are necessary, additional expenditures will be realized over a 10 year period with most of the anticipated growth taking place at the completion of the Orange Memorial Hospital redevelopment in 2027. At that point, growth in revenue at the project as well as projects should offset any increases.

At this point in time, there is no measurable impact on the OFD budget. Again we want to reinforce that while the study does not specifically address an immediate impact on the fire department, we do recognize that, over time, as the neighborhoods begin to transform into a more residential character, additional safety measures will be necessary to promote the goals and objectives of the municipality. Negotiations with future developers may bring other solutions. However, the real impact of the OFD will not be felt for a number of years.

Water/Sewer Services

The existing water capacity is inadequate. However, this is a pre-existing condition that is not attributable to the development of new projects. As the water capacity issue is resolved both in the short term and long term, there will be sufficient capacity to accommodate all of the development projected in our model. Therefore, the development of new projects will not exacerbate any pre-existing condition or result in any additional costs to the municipality.

All infrastructure improvements and connections associated with the project will be paid by the developer.

Trash Removal

Trash removal will be the obligation of the developer. However, the municipality will reimburse the developer for the cost of the service. The current sanitation contract is $12.25 per unit per month. Therefore, the impact to the municipality will be a revenue of $20,286 per year.

Road Maintenance

The project will be located on existing city and county roads. Maintenance of the road systems will not be measurably impacted by the new project. Since the cost for road maintenance and repair are already addressed in the municipal budget, we do not anticipate a further impact.

Other Services

Considering the size, type, and quality of the proposed project, and demographic trends, we do not anticipate an increase in municipal budget for any other services provided by the City of Orange.

Employment Impact and Job Creation

The project will create jobs within the City. The majority of the jobs will be created during the construction. However, there will be permanent jobs associated with operating the facility.

Permanent Jobs	Estimate
Residential - Management/Oversight	1-2
Temporary Construction Jobs	50-75

Capital Improvements and Other Financial Benefits

Based on our discussions with the developer and from our conclusions drawn in this analysis, the proposed project will be beneficial to the City of Orange Township for the following reasons:

- As part of the construction budget, the developer will invest an unreported amount in public improvements to Highland and Lincoln Avenues, such as curb replacements, some resurfacing, sidewalks, and additional streetscape elements such as landscaping. These are just along the frontage of the subject parcel so that minimal community benefit will be generated. Additionally the project is making a contribution to a public parking lot to be constructed on adjoining land along Lincoln Avenue which will enhance the neighborhood.

- This will be one of the first major market rate housing project in Highlands Station area. The developer has demonstrated the ability to deliver a quality project with a high degree of success.

- The building will be built with modern design standards and architectural features.

- The new residential inventory in the area will lead to an increase in retail sales and may help stabilize the commercial base. Per capita retail spending is approximately $15,852 within the subject zip code. Additional residents would add to retail spending in the area.

- Higher retail sales typically leads to better quality tenants, higher rents, and real estate values. Over time, the municipality will benefit from higher property tax revenues as a result of better performing business. This project promotes a mixed-income community as a result of better performing business.

- The project proposes a greater number of market rate units in the area. As development continues, the City should see a greater investment in market rate projects. This transition is already taking place.

- The project will create approximately 1 permanent job and 50-75 temporary jobs.

Fiscal Impact Study Conclusions

Based on the analysis presented in this report, it is our opinion that proposed project will likely benefit the City of Orange Township overall. We estimate that the near term net revenue to the City of Orange Township will be positive after considering all factors discussed in this report.

Fiscal Impact Analysis	
Anticipated Gross Revenues (yr. 1)	$119,295
Less: County Share:	-$8,308
Less: School Share:	-$4,407
Net Revenues to City	$106,580
Less: Cost of Increase In Municipal Services	
Fire Department	$0
Police Department	$0
Water/Sewer	$0
Sanitation	$20,286
School Budget Impact	$11,540
Capital Expenditure Savings (Cost)	
Total Increase - Service Costs	$31,826
Revenue Analysis Summary	
Net Revenues to City	$106,580
Total Increase - Service Costs	$31,826
Revenue Gain (Loss)	**$74,754**

Additionally the developer will be making a contribution to the construction of a public parking lot on land adjoining the project. This payment will be made via a Redevelopment Area Bond (RAB) payment. We have included the projected bond payments as an expense in the above analysis so that the analysis includes this contribution to the project and the municipal benefits paid for by the developer.

Upon completion of the proposed project, the subject is projected to generate net revenue of approximately $232,572 inclusive of PILOT payments, administrative, etc. While the project may generate school age children, we conclude that the project will have a positive fiscal impact in the short term. While the study does not specifically address an immediate the financial impact on the police and fire departments, we do recognize that as neighborhoods transform additional safety measures will have to be initiated to promote the goals and objectives of the municipality.

The study does not also recognize an immediate financial impact of the transformation of the area as a whole. The immediate area is significantly impacted as street scape improvements are upgraded and the area is prepared for future development. On a larger scale, as additional projects come to fruition, the expectation is that nearby Main Street business will thrive, new and more diverse tenants will emerge and values in the area, both residential and commercial, will rise. These positive social and financial effects cannot be overlooked.

The opinions of value expressed in this report are based on estimates and forecasts that are prospective in nature and subject to considerable risk and uncertainty. Events may occur that could cause the performance of the property to differ materially from our estimates, such as changes in the economy, interest rates, capitalization rates, financial strength of tenants, and behavior of investors, lenders, and consumers. Additionally, our opinions and forecasts are based partly on data obtained from interviews and third party sources, which are not always completely reliable. Although we are of the opinion that our findings are reasonable based on available evidence, we are not responsible for the effects of future occurrences that cannot be reasonably foreseen at this time.

Certification

We 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, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have previously appraised the property that is the subject of this report for another client. We have provided no other 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 the agreement to perform this assignment.
5. We have no bias with respect to the 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.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Arthur Linfante, III, MAI, CRE, and John Gillooly, MRICS, SGREA, CTA, made a personal inspection of the property that is the subject of this report.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Arthur Linfante, III, MAI, CRE, has completed the continuing education program for Designated Members of the Appraisal Institute.

15. As of the date of this report, John Gillooly, MRICS, SGREA, CTA, has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.

John Gillooly

John Gillooly, MRICS, SGREA, CTA
Certified General Real Estate Appraiser
New Jersey Certificate # RG000140700

Arthur Linfante, III, MAI, CRE
State Certified General Real Estate Appraiser
New Jersey Certificate # 42RG00096500

Assumptions and Limiting Conditions

This Fiscal Impact Analysis and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements, and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state, and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This Fiscal Impact Analysis and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. A Fiscal Impact Analysis is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our Fiscal Impact Analysis apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the Fiscal Impact Analysis assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The Fiscal Impact

Analysis covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other Fiscal Impact Analysis and are invalid if so used. The Consulting Report shall be considered only in its entirety. No part of the Consulting Report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the Consulting Report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the property is subject to one or more leases, any estimate of residual value contained in the Fiscal Impact Analysis may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report, but which may have been omitted from this list of Assumptions and Limiting Conditions.
17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

19. The Consulting Report is prepared for the exclusive benefit of you, your subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.

20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. IRR - Northern New Jersey , Integra Realty Resources, Inc., and their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the Consulting Report cannot be considered as an environmental assessment of the subject property.

21. The persons signing the report may have reviewed available flood maps and may have noted in the Consulting Report whether the subject property is located in an identified Special Flood Hazard Area. However, we are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.

22. We are not a building or environmental inspector. The Integra Parties do not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.

23. The Consulting Report and value conclusions for a Fiscal Impact Analysis assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.

24. **IRR - Northern New Jersey is an independently owned and operated company. The parties hereto agree that Integra shall not be liable for any claim arising out of or relating to any Consulting Report or any information or opinions contained therein as such Consulting Report is the sole and exclusive responsibility of IRR - Northern New Jersey . In addition, it**

is expressly agreed that in any action which may be brought against the Integra Parties arising out of, relating to, or in any way pertaining to the engagement letter, the Consulting Reports or any related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the Fiscal Impact Analysis was fraudulent or prepared with intentional misconduct. It is further expressly agreed that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the assignment (unless the Fiscal Impact Analysis was fraudulent or prepared with intentional misconduct). It is expressly agreed that the fees charged herein are in reliance upon the foregoing limitations of liability.

25. IRR - Northern New Jersey is an independently owned and operated company, which has prepared the Fiscal Impact Analysis for the specific intended use stated elsewhere in the report. The use of the Consulting Report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the Consulting Report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the Consulting Report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the Consulting Report (even if their reliance was foreseeable).

26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.

27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

28. This appraisal is narrowed in scope because an applicable approach to value is not used. Therefore, the credibility of the value conclusion must be considered within the context of the intended use.

Addendum A

Appraiser Qualifications

About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

Local Expertise...Nationally!

irr.com

Arthur Linfante, III, MAI, CRE

Integra Realty Resources
Northern New Jersey

301 South Livingston Avenue
Suite 104
Livingston, NJ 07039

T 973-422-9800
F 973-422-9797

irr.com

Experience

Art Linfante has actively been engaged in real estate valuation and consulting since 1986. He is currently the Managing Director and partner at Integra Realty Resources – Northern New Jersey. He is a State Certified General Real Estate Appraiser in New Jersey, New York and Pennsylvania and holds the MAI designation from the Appraisal Institute and the CRE designation from Counselors of Real Estate.

Mr. Linfante has extensive experience in asset valuation and advisory functions on a broad array of properties. Along with typical office, industrial, retail and apartment properties, he has been involved in evaluating complex properties such as site development and redevelopment, institutional/corporate grade facilities, special purpose property, full service hotels and casinos, marine terminals, nursing homes and schools, laboratory and research facilities, and petroleum and chemical storage facilities.

Recognized for his knowledge in litigation, municipal and corporate issues, Mr. Linfante is an experienced consultant to corporate clients as well as to several major municipalities in New Jersey. He has consulted on a variety of issues relating to real estate taxes, lease negotiations, fiscal impacts and redevelopment. As a trial consultant, Mr. Linfante has assisted many of the state's largest law firms with matters relating to partnership disputes, real estate taxes, equitable distribution and eminent domain issues. He is qualified as an expert witness before the Superior Court of New Jersey - Law Division; the Tax Court of the State of New Jersey; and various County Boards of Taxation. Mr. Linfante was appointed by the Supreme Court of New Jersey as a member of the Supreme Court Committee on the Tax Court and has served from 2000 to 2006.

More recently, Mr. Linfante's advisory services have focused on the expanding market of urban revitalization and redevelopment and he is presently involved in several redevelopment efforts. Current assignments include market studies, as well as marketability and feasibility studies on a broad range of property types. He has served on the Urban Revitalization Committee and the Public Policy Task Force of the National Association of Industrial and Office Properties (NAIOP).

Mr. Linfante holds the MAI designation from the Appraisal Institute and a CRE designation from the Counselors of Real Estate. He is a State Certified General Real Estate Appraiser (SCGREA) in the states of New York, New Jersey and Pennsylvania and is licensed by New Jersey as a Real Estate Salesperson. He is an active instructor for the Appraisal Institute and has developed seminars on property tax analysis and valuation issues for Lorman Educational Services, International Association of Assessing Officers, New Jersey Redevelopment Authority and has been a guest speaker for the Business MBA program at Rutgers University and the Wharton School of Business.

Licenses

New Jersey, SCGREA, 42RG00096500
New York, SCGREA, 46000039337
Pennsylvania, SCGREA, GA003491

alinfante@irr.com - 973-422-9800 x17

Arthur Linfante, III, MAI, CRE

Education

Undergraduate: Thomas Edison College, Trenton, NJ

Professional Education

Attended Various Real Estate Investment and Professional Education Courses:

Rutgers University
Massachusetts Institute of Technology
The Appraisal Institute
International Association of Assessing Officers

Course Titles

Real Estate Appraisal Principles
Advanced Applications
Basic Valuation Procedures
Valuation Analysis and Report Writing
Capitalization Theory, Part A
Advanced Income Capitalization
Capitalization Theory, Part B
Environmental Cost Avoidance & Recovery
Standards of Professional Practice
Highest & Best Use/Market Analysis
Understanding Real Estate Markets
Fundamentals of Real Estate Finance
Brownfield Redevelopment
Fundamentals of Real Estate Development
Separating Real and Personal Property from Intangible Business Assets
MIT – Real Estate Development Seminars

Qualified Before Courts & Administrative Bodies

Condemnation Commissioners Hearings
Tax Court of the State of New Jersey
Superior Court of New Jersey – Morris, Essex and Hunterdon Counties
Superior Court of New Jersey – Hunterdon County
Superior Court of Florida – Palm Beach County
County Boards of Taxation in Bergen, Morris, Passaic, Sussex, Essex, Warren, Union and Middlesex

Miscellaneous

Seminars and Lectures
New Jersey Property Taxation – Lorman Seminars
Rutgers University – Adjunct Professor-Rutgers Business School
Guest Lecturer – Wharton School of Business
Appraisal Instructor – Appraisal Institute

Course 110 – Appraisal Principals
Course 120 – Appraisal Procedures
General Appraiser Income – Part I
General Appraiser Income – Part II
Advanced Income Capitalization

alinfante@irr.com - 973-422-9800 x17

Integra Realty Resources
Northern New Jersey

301 South Livingston Avenue
Suite 104
Livingston, NJ 07039

T 973-422-9800
F 973-422-9797

irr.com

John Gillooly, MRICS, SCGREA, CTA

Integra Realty Resources
Northern New Jersey

301 South Livingston Avenue
Suite 104
Livingston, NJ 07039

T 973-422-9800
F 973-422-9797

irr.com

Experience

John Gillooly, MRICS, SCGREA, CTA is a State-Certified General Real Estate Appraiser and a Director of Integra Realty Resources-Northern New Jersey. John has been involved in real estate since 1990. Appraisals include transportation, telecommunications, utility right of way corridors, full and limited service hotels and motels, office and industrial buildings, estate property appraisals, subdivision and land development analysis, retail, land conservation, acquisition and preservation.

Assignments include litigation consultation and expert witness testimony in condemnation, property tax assessment, commercial contract disputes, divorce and partitionment litigation, as well as commercial mortgage financing and estate tax valuation, acquisition/disposition analysis.

Professional Activities & Affiliations

Appraisal Institute, Associate Member
Affiliate: Association of Municipal Assessors of NJ
Affiliate: International Association of Assessing Officers
Director: International Right of Way Association (IRWA) Chapter 15 (NJ Chapter)
Member: Royal Institute of Chartered Surveyors

Licenses

New Jersey, SCGREA, 42RG00140700
New York, SCGREA, 46000050380
Pennsylvania, SCGREA, GA004082
New Jersey, Tax Assessor (CTA),
New Jersey, Real Estate Salesperson,

Education

B.A.; Rutgers University, New Brunswick, New Jersey

Professional Education:
- Market Studies and H&B Use Analysis
- Principles of Real Estate Appraisal
- Report Writing & Valuation Analysis
- Uniform Standards of Professional Appraisal Practice
- Advanced Applications
- Real Estate Law, Monmouth University R.E. Institute
- Advanced Income Capitalization
- Property Tax Administration, Rutgers Ctr. Govt. Services
- Capitalization Theory & Techniques
- Real Property Appraisal I & II, Rutgers Ctr. Govt. Services
- Basic Valuation Procedures

Qualified Before Courts & Administrative Bodies

U.S. Federal District Court
New Jersey Superior Court
Tax Court of the State of New Jersey

john.gillooly@irr.com - 973-422-9800 x16

John Gillooly, MRICS, SCGREA, CTA

Qualified Before Courts & Administrative Bodies (Cont'd)

Various NJ County Tax Boards
Various NJ Zoning and Planning Boards

Miscellaneous

Lecturer:
- Valuation of Lodging Property & Segregation of the Value of Real Property from non-Realty Tangible and Intangible Personal Property.
- Impact Analysis of Telecommunications Towers on Valuation of Surrounding Residential Property

Integra Realty Resources
Northern New Jersey

301 South Livingston Avenue
Suite 104
Livingston, NJ 07039

T 973-422-9800
F 973-422-9797

irr.com

john.gillooly@irr.com · 973-422-9800 x16

Addendum B

Definitions

Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), unless otherwise noted.

Amenity
A tangible or intangible benefit of real estate that enhances its attractiveness or increases the satisfaction of the user. Natural amenities may include a pleasant location near water or a scenic view of the surrounding area; man-made amenities include swimming pools, tennis courts, community buildings, and other recreational facilities.

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.

Class of Apartment Property
For the purposes of comparison, apartment properties are grouped into three classes: Class A, B and C. These classes represent a subjective quality rating of buildings, which indicates the competitive ability of each building to attract similar types of tenants. Combinations of factors such as rent, building finishes, system standards and efficiency, building amenities, location/accessibility, and market perception are used as relative measures.

Class A apartment properties are the most prestigious properties competing for the premier apartment tenants, with rents above average for the area. Buildings have high-quality standard finishes, architectural appeal, state-of-the-art systems, exceptional accessibility, and a definite market presence.

Class B apartment properties compete for a wide range of users, with rents in the average range for the area. Class B buildings do not compete with Class A buildings at the same price. Building finishes are fair to good for the area, and systems are adequate.

Class C apartment properties compete for tenants requiring functional space at rents below the average for the area. Class C buildings are generally older, and are lower in quality and condition.

(Source: Integra Realty Resources)

Deferred Maintenance
Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of the property, such as a broken window, a dead tree, a leak in the roof, or a faulty roof that must be completely replaced. These items are almost always curable.

Depreciation
A loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

Discounted Cash Flow (DCF) Analysis
The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate.

Disposition Value
The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

Effective Date
1. The date on which the appraisal or review opinion applies.
2. In a lease document, the date upon which the lease goes into effect.

Entrepreneurial Incentive
The amount an entrepreneur expects to receive for his or her contribution to a project. Entrepreneurial incentive may be distinguished from entrepreneurial profit (often called *developer's profit*) in that it is the expectation of future profit as opposed to the profit actually earned on a development or improvement. The amount of entrepreneurial incentive required for a project represents the economic reward sufficient to motivate an entrepreneur to accept the risk of the project and to invest the time and money necessary in seeing the project through to completion.

Entrepreneurial Profit
1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An

entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.

2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

Excess Land; Surplus Land

Excess Land: Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately.

Surplus Land: Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel.

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; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

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.

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.

Highest and Best Use

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

Investment Value

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

Lease

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

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.

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.

Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

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.

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

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

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Multifamily Property Type
Residential structure containing five or more dwelling units with common areas and facilities. *(Source: Appraisal Institute Commercial Data Standards and Glossary of Terms, Chicago, Illinois, 2004 [Appraisal Institute])*

Multifamily Classifications
Garden/Low Rise Apartments: A multifamily development of two- or three-story, walk-up structures built in a garden-like setting; customarily a suburban or rural-urban fringe development. *(Source: Appraisal Institute)*

Mid/High-Rise Apartment Building: A multifamily building with four or more stories, typically elevator-served. (Source: Appraisal Institute)

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.

Rentable Floor Area (RFA)
Rentable area shall be computed by measuring inside finish of permanent outer building walls or from the glass line where at least 50% of the outer building wall is glass. Rentable area shall also include all area within outside walls less stairs, elevator shafts, flues, pipe shafts, vertical ducts, air conditioning rooms, fan rooms, janitor closets, electrical closets, balconies and such other rooms not actually available to the tenant for his furnishings and personnel and their enclosing walls. No deductions shall be made for columns and projections unnecessary to the building. *(Source: Income/Expense Analysis, 2016 Edition – Conventional Apartments, Institute of Real Estate Management, Chicago, Illinois)*

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.

Reproduction Cost
The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building.

Room Count
A unit of comparison used primarily in residential appraisal. No national standard exists on what constitutes a room. The generally accepted method is to consider as separate rooms only those rooms that are effectively divided and to exclude bathrooms.

Stabilized Income
1. An estimate of income, either current or forecasted, that presumes the property is at stabilized occupancy.
2. The forecast of the subject property's yearly average income (or average-equivalent income) expected for the economic life of the subject property.
3. Projected income that is subject to change but has been adjusted to reflect an equivalent, stable annual income.

Stabilized Occupancy
1. The occupancy of a property that would be expected at a particular point in time, considering its relative competitive strength and supply and demand conditions at the time, and presuming it is priced at market rent and has had reasonable market exposure. A property is at stabilized occupancy when it is capturing its appropriate share of market demand.

2. An expression of the average or typical occupancy that would be expected for a property over a specified projection period or over its economic life.

Addendum C

Financials and Property Information

Inglese Architecture + Engineering

February 2, 2021

PEEK Highland Park, LLC
924 Bergen Avenue, Suite 292
Jersey City, NJ 07306

Re: Construction Cost Estimate
Highland Park Redevelopment
Block 5202, Lots 5,6,7,8,9
Orange, NJ

To Whom it May Concern,

We have reviewed the attached construction cost estimate prepared and, to the best of my knowledge, find the content adequately represents current market values for construction.

Sincerely,

Anthony D'Agosta III, AIA, NCARB
Partner

632 Pompton Ave Cedar Grove NJ | phone 201 438 0081 | www.inglese-ae.com

PEEK Highland Park
Hard Costs

PEEK PROPERTIES

FLOORS	UNITS	GROSS SQ FT
6	0	SF
5	35	34,860 SF
4	36	34,860 SF
3	36	34,860 SF
2	33	34,860 SF
	138	139,440 SF
1		46,430 SF
	Gross Sq Ft:	185,870 SF

BEDROOMS	COUNT	BATHROOMS
Studio	7	7
Studio W/Den	0	0
1 Bed	84	84
1 Bed W/Den	0	0
2 Bed	47	94
3 Bed	0	0
	138	185

0.00% Final
0.00% Quoted
100.00% Estimated

Amount	Description	Per Sq Ft
$18,317,000	Residential Floors	$97.79
$4,139,940	Parking Structure & Concrete	$22.27
$961,500	Services & General Conditions	$5.17
$2,112,063	Site Work & Custom Work	$11.37
$220,000	Demolition	$1.18
$1,175,995	General Contractor Fee	$6.33
$0	Automated Parking System	$0.00
$1,744,994	Contingency	$9.39
$26,673,482		$143.51
	Less Parking System:	$143.51
	Interior:	$66.63
	Exterior:	$13.48
	Apartments:	$16.75
	Common Area:	$1.93
		$97.79

BUILDING TASK	PRICE	DRIVER	ESTIMATE	ACTUAL	PER SF	STATUS	SUPPLIER	VENDOR / REMARKS
Residential Floors			$18,322,300	$18,317,000				
Interior								
Lumber (Bldg & Mech & Chute shafts)	$9.00	139,440 SF	$1,254,960	$1,254,000	$6.75	Estimated	—	
Trusses / TJI	$4.00	139,440 SF	$557,760	$557,000	$3.00	Estimated	—	
Framer/Crane -wood frame	$5.20	139,440 SF	$725,088	$725,000	$3.90	Estimated	—	
Light Gauge Metal Framing	$11.50	5,229 SF	$60,134	$60,000	$0.32	Estimated	—	
Plumbing (Rough and Finals)	$9.50	185,870	$1,765,765	$1,765,000	$9.50	Estimated	—	
HVAC (Rough and Finals) - Apartment	$10,000.00	138	$1,380,000	$1,380,000	$7.42	Estimated	—	
HVAC (Rough and Finals) - Common Area	$2.20	139,440	$306,768	$306,000	$1.65	Estimated	—	
Electric (Rough and Finals)	$9.50	139,440	$1,324,680	$1,324,000	$7.12	Estimated	—	
Surveillance	$0.40	139,440	$55,776	$55,000	$0.30	Estimated	—	
Fire Alarm	—	—	—	—	-	Estimated	—	
Intercom	$350.00	138	$48,300	$44,000	$0.26	Estimated	—	
Area of Refuge Communication	$9,000.00	2	$18,000	$18,000	$0.10	Estimated	—	
Generator	$75,000.00	1	$75,000	$75,000	$0.40	Estimated	—	
Lighting Package	$1,600.00	138	$220,800	$220,000	$1.18	Estimated	—	
Car Charging Station	$8,000.00	6	$48,000	$48,000	$0.26	Estimated	—	
Gypcrete	$1.00	139,440	$139,440	$140,000	$0.75	Estimated	—	
Insulation and Fire Seal	$1.80	139,440	$250,992	$250,000	$1.35	Estimated	—	
Interior Stair Rails & Roof Rails	$8,000.00	2	$16,000	$16,000	-	Estimated	—	
Interior Wooden Stairs	$10,000.00	2	$20,000	$20,000	$0.11	Estimated	—	
Stair Treads	$25.00	228	$5,700	$5,700	$0.03	Estimated	PEEK	
Stair Treads Installation	$25.00	228	$5,700	$5,700	$0.03	Estimated	—	
Steel (Lintels, Relieving Angle, Hoist Beam, Beams, Grils, etc	$1.25	139,440 SF	$174,300	$175,000	$0.94	Estimated	—	
Steel Stairs	$29,250.00	2	$58,500	$58,500	$0.30	Estimated	—	
Sheetrock	$6.00	139,440 SF	$836,640	$834,000	$4.50	Estimated	—	

Confidential 3/2/2021 Page 1

PEEK Highland Park
Hard Costs

PEEK PROPERTIES

Elevator	$150,000.00	3	$450,000	$450,000	$2.42	Estimated	—
Elevator Misc Charges	$15,000.00	3	$45,000	$45,000	$0.24	Estimated	—
Trash Chute/Compactor	$40,000.00	1	$40,000	$40,000	$0.22	Estimated	—
Trash Chute shaft	—	—	—	Included	-	Estimated	—
Fire Sprinkler	$2.50	185,870	$464,675	$465,000	$2.50	Estimated	—
Exterior							
Brick Material	$6.50	18,455 SF	$119,958	$120,000	$0.65	Estimated	—
Brick Labor	$20.00	18,455 SF	$369,100	$370,000	$1.99	Estimated	—
Stucco Material and Labor	$16.00	28,152 SF	$450,425	$450,000	$2.42	Estimated	—
Cement Board Material and Labor	$27.00	6,227 SF	$168,116	$168,000	$0.90	Estimated	—
Windows	$33.00	10,706 SF	$353,291	$353,000	$1.90	Estimated	—
Cast Stone - Base	$20.00	3,323 SF	$66,460	$66,460	$0.36	Estimated	—
Cast Stone - Window	$25.00	1,418 SF	$35,450	$35,000	$0.19	Estimated	—
Cast Stone - Cornice	$75.00	3,105 SF	$232,875	$233,000	$1.25	Estimated	—
Cast Stone - Installation	$15.00	7,846 SF	$117,690	$118,000	$0.63	Estimated	—
Lobby Front / Glass	$44.00	403 SF	$17,732	$18,000	$0.10	Estimated	—
Blueskin/Gold Coat	$0.65	60,678 SF	$39,441	$40,000	$0.22	Estimated	—
Courtyard	$15.00	11,570	$173,550	$174,000	$0.94	Estimated	—
Roofing	$10.32	34,860	$359,755	$360,000	$1.94	Estimated	—
Apartments							
Exterior Doors/ Hollow metal door (Common Area doors)	$3.50	139,440 SF	$488,040	$488,000	$2.63	Estimated	—
Doors Installation - Common area	$230.00	138	$31,740	$31,000	$0.17	Estimated	—
Kitchen Cabinets	$1,950.00	138	$269,100	$270,000	$1.45	Estimated	—
Kitchen Installation	$588.00	138	$81,282	$81,000	$0.44	Estimated	—
Kitchen Countertops	$1,114.00	138	$153,732	$153,000	$0.82	Estimated	—
Sinks	$103.00	138	$14,214	$14,000	$0.08	Estimated	—
Vanities	$272.00	185	$50,320	$50,000	$0.27	Estimated	—
Vanity Installation	$132.00	185	$24,420	$25,000	$0.13	Estimated	—
Vanity Countertops	$355.00	185	$65,675	$66,000	$0.36	Estimated	—
ADA Sleeves	$115.00	185	$21,275	$21,000	$0.11	Estimated	—
Sinks	$130.00	185	$24,050	$24,000	$0.13	Estimated	—
Appliances	$3,000.00	138	$414,000	$414,000	$2.23	Estimated	—
Ceramic Material	$3.23	32,360	$104,450	$105,000	$0.56	Estimated	PEEK
Ceramic Installation	$7.00	32,360	$226,520	$226,000	$1.22	Estimated	—
Trim Supply	$1.00	139,440 SF	$139,440	$140,000	$0.75	Estimated	PEEK
Trim - Moldings & Wood Doors	—	—	—	Included	-	Estimated	—
Trim and units doors Labor	$1.40	139,440 SF	$195,216	$195,000	$1.05	Estimated	PEEK
Window wooden Sill & Header supply & install	—	—	—	included	-	Estimated	—
Mirrors supply	$112.00	185	$20,720	$21,000	$0.11	Estimated	—
Mirror installation	—	—	—	included	-	Estimated	—
Shelving	$10.00	2,555 LF	$25,550	$25,500	$0.14	Estimated	—
Bathroom Accessories - supply	$62.00	185	$11,470	$12,000	$0.06	Estimated	—
Bathroom Accessories - Installation	—	—	—	Included	-	Estimated	—
Blinds	$75.00	541	$40,575	$40,000	$0.22	Estimated	—
Paint	$2.75	139,440	$383,460	$383,000	$2.06	Estimated	—
LVP Floors	$1.65	104,580	$172,557	$173,000	$0.93	Estimated	PEEK
LVP Floor Installation	$1.50	104,580	$156,870	$157,000	$0.84	Estimated	PEEK
Common Area							
Carpet Common Area	$4.00	16,733	$66,931	$67,000	$0.36	Estimated	PEEK

Confidential 2/2/2021 Page 2

PEEK Highland Park
Hard Costs

PEEK PROPERTIES

Carpet Installation	$2.00	16,733	$33,466	$34,000	$0.18	Estimated	PEEK
Lobby Floors	$2.00	500	$1,000	$1,000	$0.01	Estimated	PEEK
Lobby Floor Installation	$1.50	500	$750	$750	$0.00	Estimated	PEEK
Lounge Floors	$2.00	900	$1,800	$1,800	$0.01	Estimated	PEEK
Lounge Floor Installation	$1.50	900	$1,350	$1,350	$0.01	Estimated	PEEK
Fitness Center	$40,000.00	1	$40,000	$40,000	$0.22	Estimated	PEEK
Lounge	$50,000.00	1	$50,000	$50,000	$0.27	Estimated	PEEK
Roof Deck	$75,000.00	1	$75,000	$75,000	$0.40	Estimated	PEEK
Gym Floor	$4.00	750	$3,000	$3,000	$0.02	Estimated	PEEK
Gym Floor Installation	$2.00	750	$1,500	$1,500	$0.01	Estimated	PEEK
Mailbox and Installation	$25,000.00	1	$25,000	$25,000	$0.13	Estimated	PEEK
Package Delivery System	$25,000.00	1	$25,000	$25,000	$0.13	Estimated	PEEK
Interior & Exterior Signs	$30,000.00	1	$30,000	$30,000	$0.16	Estimated	PEEK
Fire Extinguishers	$3,000.00	1	$3,000	$3,000	$0.02	Estimated	PEEK
Parking Structure & Concrete			**$4,141,320**	**$4,108,840**			
Concrete incl Form work, Pump Truck and Sand	$0.00	—	$0	$0		Estimated	—
Preconstruction	$0.00	81,290	$0	$0		Estimated	—
Footings, Elevator Pit, Walls, Columns, Pad	$32.00	46,430	$1,485,760	$1,465,000		Estimated	—
Mechanical Parking Concrete Pit	$0.00	1,192	$0	$0		Estimated	—
Concrete Slab on Grade 5"	$8.00	46,430	$371,440	$371,440		Estimated	—
Concrete Beams and Slab 2nd Floor 9" / 16"	$35.00	46,430	$1,625,050	$1,625,000		Estimated	—
Concrete Beams and Slab 3rd Floor 9" / 16"	$0.00	34,860	$0	$0		Estimated	—
Concrete Fill Metal Stairs	$9,000.00	2	$18,000	$18,000		Estimated	—
CMU Work	$18.00	22,981 SF	$413,658	$413,000		Estimated	—
Engineering Inspections	$25,000.00	1	$25,000	$25,000		Estimated	—
Waterproofing - Foundation & foundation wall	$1.56	81,290	$126,812	$127,000		Estimated	—
Concrete Wash Out	$30,000.00	1	$30,000	$30,000		Estimated	—
Garage Door	$20,000.00	2	$40,000	$40,000		Estimated	—
Wheelstops including Installation	$5,500.00	1	$5,500	$5,500		Estimated	—
Services & General Conditions			**$773,453**	**$861,900**			
Final Clean	$25,000.00	1	$25,000	$103,900		Estimated	—
Job Clean-up/ Labor	$50,000.00	1	$50,000	$75,000		Estimated	—
Propane	$10,000.00	1	$10,000	$10,000		Estimated	—
Utilities During Construction	$20,000.00	1	$20,000	$30,000		Estimated	—
Dumpsters	$50,000.00	1	$50,000	$75,000		Estimated	—
Lift	$50,000.00	1	$50,000	$100,000		Estimated	—
Security Cameras	$300.00	113	$33,900	$34,000		Estimated	—
Required Staffing	$29,698	18	$534,553	$534,000		Estimated	—
Site Work & Custom Work			**$2,112,683**	**$2,112,683**			
Site Work							
Mobilization / Soil Erosion	$0.00	1	$1,822,653	$41,760		Estimated	—
Earth Work	$0.00	46,430	$0	$70,000		Estimated	—
Storm Sewer	$0.00	46,430	$0	$488,614		Estimated	—
Sanitary Sewer	$0.00	46,430	$0	$53,000		Estimated	—
Water Distribution	$0.00	46,430	$0	$80,750		Estimated	—
Pavement	$0.00	46,430	$0	$398,480		Estimated	—

Confidential 2/2/2021 Page 3

PEEK Highland Park
Hard Costs

PEEK PROPERTIES

Concrete Sidewalks	$0.00	1,020 SF	$0	$261,000	Estimated	—
Site Inspections	$25,000.00	1	$25,000	$25,000	Estimated	—
Landscaping - Building	$50,000.00	1	$50,000	$50,000	Estimated	—
Landscaping - Park	$100,000.00	1	$100,000	$100,000	Estimated	—
Fencing - Permanent	$75,000.00	1	$75,000	$75,000	Estimated	—
Awnings	$10,000.00	4	$40,000	$40,000	Estimated	—
Demolition			**$135,000**	**$320,000**		
Demolition Including Tree Removal			$100,000	$175,000	Estimated	—
Asbestos Removal			$25,000	$75,000	Estimated	—
Fence			$10,000	$70,000	Estimated	—
General Contractor Fee	5.00%		$1,187,486	$1,176,596	Estimated	—
Automated Parking System	$15,380.00	0	$0	$0	Estimated	—
Contingency	7.00%		$1,725,865	$1,744,894	Estimated	—
Total Cost to Build			**$26,377,884**	**[illegible]**		

CERAMIC TILE

			Material		Installation	
Description	Sq Ft Per Unit	Square Ft	Price	Total	Price	Total
Backsplash	20	2,760	$5.00	$13,800.00	$7.00	$19,320.00
Bathroom Wall	100	18,500	$2.80	$51,800.00	$7.00	$129,500.00
Bathroom Floor	80	11,100	$3.50	$38,850.00	$7.00	$77,700.00
		32,360	$3.23	$104,450.00	$7.00	$226,520.00

LVP FLOORS

Description	Ratio	Square Ft	Price	Total	Price	Total
Apartment LVP	15.0%	104,530	$1.65	$172,557.00	$1.50	$156,870.00
Lobby LVP		500	$2.00	$1,000.00	$1.50	$750.00
Lounge LVP		900	$2.00	$1,800.00	$1.50	$1,350.00
		105,980	$1.65	$175,357.00	$1.50	$158,970.00

CARPET/GYM

Description	Ratio	Square Ft	Price	Total	Price	Total
Common	12.0%	16,733	$4.00	$66,931.20	$2.00	$33,465.60
Gym		750	$4.00	$3,000.00	$2.00	$1,500.00
						$0.00
		17,483	$4.00	$69,931.20	$2.00	$34,965.60

STAIRS

Description	Square Ft	Price	Total	Price	Total
Treads	225	$25.00	$5,700.00	$75.00	$6,700.00

Confidential 2/2/2021 Page 4

PEEK Highland Park
Hard Costs

PEEK PROPERTIES

228	$25.00	$6,700.00	$28.00	$5,700.00

APPLIANCES

Description	Model	Quantity	Brand	Color	Price	Total
Refrigerator	GTS18GSHSS	99	GE	Stainless	$645	$63,855
Gas Range, 30"	JGB660SEJSS	99	GE	Stainless/Blk	$605	$59,895
Over-the-Range Microwave	JVM3160RFSS	99	GE	Stainless/Blk	$185	$18,305
Dishwasher, 4 Cycles, 24"	GDF530PSMSS	99	GE	Stainless	$395	$39,105
Washer/Gas Dryer Combo	GUD27GSSMWW	99	GE	White	$1,015	$100,485
						$282,645
					Price Per	$2,855

EXTERIOR MATERIAL

			Brick	Fiber Cement	Metal Accent	Stone	Windows	Glass	Trim		Total
Outside Linear Feet	678		17,298	27,356	0	1,744	8,722	1,163	1,363	2,907	60,512
Height	19										0
Inside Linear Feet	808		17,298	27,356	0	1,744	8,722	1,163	1,383		60,512
Height	57										
Total	58,146		863	1,368	0	87	436	58	68		3,026
			18,179	28,724	-	1,832	9,158	1,221	1,431		63,537
Overage	5.00%		48.00%	18.00%	6.00%	3.00%	15.00%	2.00%	5.00%	5.00%	100.00%

EXTRA CONCRETE PARKING SYSTEM PIT

	4 Stalls	5 Stalls	6 Stalls	7 Stalls	8 Stalls	9 Stalls
Depth (inches)	15,840	15,840	15,840	15,840	15,840	15,840
Width (inches)	31,104	38,880	46,656	54,432	62,208	69,984
Total Area (inches)	93,888	109,440	124,992	140,544	156,096	171,648
Total Area (Feet)	652	760	868	976	1,084	1,192

CMU CALCULATION

	First Floor	Stair 1	Stair 2	Elevator 1	Elevator 2	Total
Drive In Linear Feet		540	540	360	360	
Number of Floors		6	6	6	6	
Total Linear Feet	18,000	3,240	3,240	2,160	2,160	28,800

Linear Feet	1,000
Height	18

Confidential 2/2/2021 Page 5

PEEK Highland Park
Hard Costs

PEEK PROPERTIES

General Conditions - Head Count 11.00%

Gross Up % 11%

Title		Payroll	Gross Up	Weekly Hr	Monthly Hr	Monthly Cost	Annual Cost
Project Executive	$	300,000	$ 300,000	2	9	$1,250	$15,000
Senior Project Manager	$	200,000	$ 200,000	6	22	$2,083	$25,000
Super Intendent	$	120,000	$ 120,000	40	173	$10,000	$120,000
Super Intendent - Overtime	$	15,000	$ 15,000	40	173	$1,250	$15,000
Assistant Project Manager	$	80,000	$ 80,000	20	87	$3,333	$40,000
Assistant Super Intendent	$	60,000	$ 60,000	40	173	$5,000	$60,000
Estimator	$	160,000	$ 160,000	8	35	$2,667	$32,000
Project Accountant	$	100,000	$ 100,000	10	43	$2,083	$25,000
Bookkeeper	$	65,000	$ 65,000	15	65	$2,031	$24,375
						$29,698	**$356,375**

Confidential [illegible] Page [illegible]

EXHIBIT 12
Cost Estimate for Each Unit Type

Please see those figures as set forth in the Pro Forma calculations annexed as Exhibit 13.

EXHIBIT 13
Project Pro-Forma

Please see attached.

PEEK Highland, LLC 2/2/21

Confidential Pro Forma (PILOT)

PROPERTY SUMMARY & OPERATING ASSUMPTIONS

	Studio	1 Bed	2 Bed	Total/Avg
Total Rental Units:	7	84	47	138
Avg. Monthly Rent / Unit	$1,568	$1,762	$2,389	$1,968
Target Sq. Ft. / Unit	571	708	1060	821
Average Rent PSF per annun	*$32.95*	*$29.86*	*$27.05*	*$29.06*
Average Rent PSF per month	*$2.75*	*$2.49*	*$2.25*	*$2.42*

	Automated	Garage	Surface	Total
Total Parking Units:	0	106	42	148
Avg. Monthly Charge / Space	$125	$125	$100	$118

	Net	Gross	Efficiency	Loss Factor
Total Sq. Ft.	113,289	185,870	61%	39%

FINANCING SUMMARY

Acquisition / Construction Financing	
Interest Rate	7.00%
% of Total Project Costs Financed	68.44%
Total Construction Loan Amount	$28,737,070
Annual Payment	$2,011,595
Monthly Payment	$167,633
Total Construction Period Interest (Includes Reserv	$3,017,392
Total Months Construction	18
Total Months Construction Period Interest	18
Total Months Soft Costs	16
Total Months Planning	10
Total Months Leaseup	6

Permanent Financing Upon Stabilization	
Interest Rate	4.50%
Stabilized NOI	$2,686,841
Max Loan to Value (not to exceed)	75.0%
Actual LTV	75.0%
Total Perm Loan Amount - Gross Proceeds	$33,585,512
Cap Rate for Valuation	6.00%
Value	$44,780,682
Per unit	$324,498
PSF	$1,289
Commercial Value	-
Profit Assuming a Sale at Stabilization	$2,790,136
Amortization	30 Years
Loan Constant	6.1%
Annual Payment	$2,042,074
Quarterly Payment	$510,519
Annual DSCR at Stabilization	1.32x
Debt Yield at Stabilization	8.00%
Total Construction Financing	$28,737,070
Less: Sale of Commercial	-
Net Construction Financing	$28,737,070
Permanent Financing - Net Loan Proceeds	$33,585,512
Perm Financing Closing Costs	1.00%
Less: Loan Closing Costs	($335,855)
Less: Promote (25% Split Above 7% Return)	$0
Pay down of Construction Loan	$28,737,070
Net Loan Proceeds	$4,512,586
Original Equity Investment	$13,253,476
Cash Investment Remaining Post Perm	$8,740,890
Cash Flow After Debt Service	$644,767
Levered Cash on Cash Return	7.4%

PRO FORMA NOI

Gross Potential Rent	$3,255,204		
Gross Potential Parking	$209,400	*5.0%*	Rents
Less: Vacancy	($183,700)	*10.0%*	Parking
Stabilized Income	$3,280,904		
Annual Service Charge	$131,236	*4.00%*	*% of Stabilized Income*

Operating Expenses		
Property Insurance	$82,800	
Gas &Electric	$27,600	Expense Margin
Water and Sewer	$17,250	including
Management Fee	$131,258	Annual Service Charge
Repairs and Maintenance	$65,629	*18.1%*
Super/Porter	$67,949	
Contract Services	$15,000	
Parking System	$0	
Other	$15,000	
RAB/Service Payment	$19,641	
Turnover Reserve	$20,700	
Stabilized Expenses	$462,827	
Stabilized NOI	$2,686,841	
Total Capitalization	$41,990,546	
Stabilized NOI	$2,686,841	
Yield on Cost	6.40%	

CAPITALIZATION

USES OF FUNDS	Total	Per Unit	% Total	PSF
Total Land Costs	$7,570,000	$54,855	18.0%	$40.73
Hard Costs + Contingency	$26,673,482	$193,286	63.5%	$143.51
Soft Costs & Carry	$2,768,740	$20,063	6.6%	$14.90
Interest Reserve	$3,644,650	$26,411	8.7%	$19.61
Financing Costs/Fees	$1,333,674	$9,664	3.2%	$7.18
TOTAL USES	$41,990,546	$304,279	100.0%	$225.91

SOURCES OF FUNDS	Total	Per Unit	% Total	PSF
Debt	$28,737,070	$208,240	75.0%	$154.61
Equity	$13,253,476	$96,040	25.0%	$71.31
TOTAL SOURCES	$41,990,546	$304,279	100.0%	$225.91

PEEK Highland, LLC 2/2/21

Confidential Pro Forma (Ad Valorem)

PROPERTY SUMMARY & OPERATING ASSUMPTIONS

	Studio	1 Bed	2 Bed	Total/Avg
Total Rental Units:	7	84	47	138
Avg. Monthly Rent / Unit	$1,568	$1,762	$2,389	$1,988
Target Sq. Ft. / Unit	571	708	1060	821
Average Rent PSF per annum	*$32.95*	*$29.86*	*$27.05*	*$29.06*
Average Rent PSF per month	*$2.75*	*$2.49*	*$2.25*	*$2.42*

	Automated	Garage	Surface	Total
Total Parking Units:	0	106	42	148
Avg. Monthly Charge / Space	$125	$125	$100	$118

	Net	Gross	Efficiency	Loss Factor
Total Sq. Ft.	113,289	185,870	61%	39%

PRO FORMA NOI

Gross Potential Rent	$3,255,204		
Gross Potential Parking	$209,400	*5.0%*	Rents
Less: Vacancy	($183,700)	*10.0%*	Parking
Stabilized Income	$3,280,904		
Property Taxes	**$1,482,266**	***3.53%***	***% of Total Cost***
Operating Expenses			
Property Insurance	$82,800		
Gas &Electric	$27,600	Expense Margin	
Water and Sewer	$17,250	Including	
Management Fee	$131,258	Annual Service Charge	
Repairs and Maintenance	$65,629	*59.3%*	
Super/Porter	$67,949		
Contract Services	$15,000		
Parking System	$0		
Other	$15,000		
RAB/Service Payment	$19,641		
Turnover Reserve	$20,700		
Stabilized Expenses	$462,827		
Stabilized NOI	**$1,335,811**		
Total Capitalization	$41,990,546		
Stabilized NOI	$1,335,811		
Yield on Cost	**3.18%**		

CAPITALIZATION

USES OF FUNDS	**Total**	**Per Unit**	**% Total**	**PSF**
Total Land Costs	$7,570,000	$54,855	18.0%	$40.73
Hard Costs + Contingency	$26,673,482	$193,286	63.5%	$143.51
Soft Costs & Carry	$2,768,740	$20,063	6.6%	$14.90
Interest Reserve	$3,644,650	$26,411	8.7%	$19.61
Financing Costs/Fees	$1,333,674	$9,664	3.2%	$7.18
TOTAL USES	**$41,990,546**	**$304,279**	**100.0%**	**$225.91**

SOURCES OF FUNDS	**Total**	**Per Unit**	**% Total**	**PSF**
Debt	$28,737,070	$208,240	75.0%	$154.61
Equity	$13,253,476	$96,040	25.0%	$71.31
TOTAL SOURCES	**$41,990,546**	**$304,279**	**100.0%**	**$225.91**

FINANCING SUMMARY

Acquisition / Construction Financing	
Interest Rate	7.00%
% of Total Project Costs Financed	68.44%
Total Construction Loan Amount	**$28,737,070**
Annual Payment	$2,011,595
Monthly Payment	$167,633
Total Construction Period Interest (Includes Reserv	**$3,017,392**
Total Months Construction	18
Total Months Construction Period Interest	18
Total Months Soft Costs	16
Total Months Planning	10
Total Months Leaseup	6

Permanent Financing Upon Stabilization	
Interest Rate	**4.50%**
Stabilized NOI	$1,335,811
Max Loan to Value (not to exceed)	**75.0%**
Actual LTV	75.0%
Total Perm Loan Amount - Gross Proceeds	$16,697,635
Cap Rate for Valuation	**6.00%**
Value	**$22,263,513**
Per unit	$161,330
PSF	$641
Commercial Value	-
Profit Assuming a Sale at Stabilization	**($19,727,033)**
Amortization	**30 Years**
Loan Constant	6.1%
Annual Payment	$1,015,254
Quarterly Payment	$253,813
Annual DSCR at Stabilization	1.32x
Debt Yield at Stabilization	8.00%
Total Construction Financing	$28,737,070
Less: Sale of Commercial	-
Net Construction Financing	$28,737,070
Permanent Financing - Net Loan Proceeds	$16,697,635
Perm Financing Closing Costs	**1.00%**
Less: Loan Closing Costs	($166,976)
Less: Promote (25% Split Above 7% Return)	$0
Pay down of Construction Loan	$28,737,070
Net Loan Proceeds	($12,206,411)
Original Equity Investment	$13,253,476
Cash Investment Remaining Post Perm	**$25,459,887**
Cash Flow After Debt Service	$320,557
Levered Cash on Cash Return	**1.3%**