

# **BROOKLYN BRIDGE PARK ASSESSMENT ANALYSIS**

**AS OF**

**FEBRUARY 9, 2016**

**FOR**

**MR. MARTIN HALE  
PEOPLE FOR GREEN SPACE FOUNDATION INC.  
271 CADMAN PLAZA EAST STE 1  
PO BOX 22537  
BROOKLYN, NY 11201**

**BY**

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**ROSIN & ASSOCIATES**

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**DATE OF REPORT: FEBRUARY 9, 2016**

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**February 9, 2016**

**Mr. Martin Hale**  
**People For Green Space Foundation Inc.**  
**271 Cadman Plaza East Ste 1**  
**PO Box 22537**  
**Brooklyn, NY 11201**

Re: Brooklyn Bridge Park Assessment Analysis

Dear Mr. Hale,

As requested, we have reviewed the following in order to determine the plausibility of the parameters set forth therein:

1. "Financial Model Update: Public Presentation" presented to the public by Brooklyn Bridge Park Corporation (BBPC) report for Brooklyn Bridge on dated July 9, 2015.
2. Analysis of Brooklyn Bridge Park completed by Barbara Byrne Denham, titled "Report on Brooklyn Bridge Park's Financial Model" dated July 2015.

Rosin & Associates was hired to perform a market analysis of Brooklyn Bridge Park and the surrounding areas in order to determine if the market supports the BBPC model's assessment base, which features in the Denham Analysis as well as Denham's own research set forth in her report.

It has been a pleasure to assist you in the assignment. If you have any questions concerning the analysis, or if Rosin & Associates can be of further service, please contact us at (212) 726-9090.

Respectfully submitted,



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Contents

Executive Summary..... 5

    Conclusions ..... 5

Background ..... 6

    Brooklyn Bridge Park Development Space Analysis ..... 6

    Rosin & Associates Methodology ..... 7

Brooklyn Bridge Park Real Estate Gross Revenues ..... 9

    Residential Real Estate Market Analysis ..... 9

    One Brooklyn Bridge Park ..... 10

    Brooklyn Office Real Estate Market Analysis ..... 13

    Brooklyn Office Rental Rate Comparables..... 15

    Brooklyn Retail Market Analysis ..... 17

    Brooklyn Retail Rental Rate Comparables Analysis ..... 17

    Brooklyn Hotel Market Analysis..... 20

Projected Gross Income ..... 21

    Pier1 (Pierhouse & Hotel) ..... 21

    John Street ..... 21

    Empire Stores..... 22

    One Brooklyn Bridge Park ..... 22

Net Operating Income ..... 23

    Estimated Expenses ..... 23

    Brooklyn Bridge Park Expense Estimate Calculations..... 24

    Final Net Operating Income Calculations ..... 24

Capitalization Rates..... 25

    Assessor Capitalization Rates..... 25

    Tax-Loaded Capitalization Rates..... 26

    Market Value of Brooklyn Bridge Park Corporation’s Income-Generating Sites..... 27

Implemented Assessor Methodology ..... 28

Revenue Comparison ..... 29

Conclusion: Park Real Estate Under-Assessed ..... 31

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Appendix A.....	32
Appendix A (Cont'd).....	33
Appendix A (Cont'd).....	34
Appendix A (Cont'd).....	35
Appendix A (Cont'd).....	36
Appendix A-1.....	37
Appendix A-1 (Cont'd).....	38
Appendix A-2.....	39
Appendix A-2 (Cont'd).....	40
Appendix B.....	41
Appendix C.....	43

### Executive Summary

Rosin & Associates has estimated the unabated PILOT incomes at Brooklyn Bridge Park and compared them with those estimated by Brooklyn Bridge Park Corporation. The comparison shows that it is highly likely that BBPC’s estimates for park revenue are significantly understated. Rosin & Associates has based its estimates on market variables and DOF Assessor methodology, i.e., the methodology that is applied by assessors employed by the New York City Department of Finance (“DOF”) and that DOF uses to determine real estate taxes.

Brooklyn Bridge Park Income Analysis Done By BBPC					Rosin Estimates
Source	Rev. Per year	Ground Rent Amt.	Additional Revenue Post-Expiration	Estimated PILOT Income	Rosin PILOT Income Estimates
One Brooklyn Bridge Park	\$2,300,000	\$1,400,000	\$4,700,000	\$5,600,000	\$6,350,415*
Pier 1	\$3,200,000	\$800,000	\$1,700,000	\$4,100,000	\$7,668,330
John St.	\$1,000,000	\$200,000	\$0	\$800,000	\$1,677,563
Empire Stores	\$2,700,000	\$1,600,000	\$1,900,000	\$3,000,000	\$6,774,687
<b>Existing Development Totals</b>				<b>13,500,000</b>	<b>\$22,470,995</b>
Pier 6	2,500,000	600,000	\$0	1,900,000	
TOTALS (w / Pier 6)	11,700,000	4,600,000		15,400,000	
% Pier 6 Recurring Tax Revenue				12%	

Source: BBPC, NYC DOF

\*PILOT income value based on actual DOF Assessments for FY 2016/17

### Conclusions

As a result of the analysis included in this report, R&A found that unabated gross revenues (based primarily on PILOT income) based on market data, are highly likely to significantly exceed the estimates laid out in both BBPC’s Financial Model Presentation and Barbara Denham’s Analysis of said model.

## Background

Brooklyn Bridge Park is located on the western coast of Brooklyn along the East River. It stretches for 1.3 miles and consists of 85 acres (including 10 acres of water and 8 acres of development) of reclaimed industrial waterfront, readapted into various public green spaces, residential and commercial uses.<sup>1</sup> The park's planning, construction, maintenance and operation is managed by the Brooklyn Bridge Park Corporation (BBPC), a not-for-profit entity set up by the City of New York, controlled by the Mayor of the City of New York. According to the General Project Plan, commercial revenue producing activities would be located within the Project to support its annual maintenance and operations, with the "intention being to build only what is necessary to support annual maintenance and operations."<sup>2</sup> According to an MOU between the City and State of New York regarding Brooklyn Bridge Park, "All revenues, including rent and payments in lieu of taxes (PILOTs) derived from commercial development or existing commercial uses within the Project Area shall be dedicated to the maintenance and on-going operational needs of the Project." PILOTs in the park are based upon NYC Real Estate Tax Assessments done by the Department of Finance.<sup>3</sup>

In July of 2015, Brooklyn Bridge Park Corporation released to the public a "Financial Model Update" that outlines 50-year revenue and cost projections.<sup>4</sup>

In July 2015, just after the BBPC released its report, the BBPC released a report by Barbara Byrne Denham, an economist that it had hired to review its long-term financial model. This report was an analysis of BBPC's model titled "Report on Brooklyn Bridge Park's Financial Model" "to provide an independent third-party objective review of BBP's long term financial model," according to the cover letter for the same report.<sup>5</sup>

As it is impossible to properly assess the BBPC's financial model without access to the financial model and the raw data behind it, Rosin & Associates was hired to analyze some of the key assumptions underlying the park's financial model, namely the tax revenue that will be generated by the development undertaken by Brooklyn Bridge Park Corporation. This tax revenue goes to the park corporation to pay for the park's maintenance, operating and other expenses.

## Brooklyn Bridge Park Development Space Analysis

Brooklyn Bridge Park, as of the date of this report, has (or will have in the near future according to BBPC) 5 primary, income-generating sites under the purview of its management group: Brooklyn Bridge Park Corporation. One of these sites, Pier 6, is currently in the approval process and does not have finalized plans. The only site currently generating revenue is One Brooklyn Bridge Park, the other sites (Pier1, John Street and Empire Stores are undergoing development and are expected to open soon). These sites and their sizes are outlined in the following table.

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1 BBP Financial Model Update, Board of Directors, October 21, 2013, P. 5

2 General Project Plan for Brooklyn Bridge Park, P. 12

3 <http://law.justia.com/codes/new-york/2012/uda>

4 BBPC Financial Model Update: Public Presentation July 9, 2015

5 Denham, Barbara Byrne, July 2015, *Report on Brooklyn Bridge Park's Financial Model* (Cover Letter)

Brooklyn Bridge Park Development Space Analysis Estimate*						
	Residential		Non-Residential		Misc.	Total (- Parking)
		Hotel	Retail	Office	Garage/Parking	
Pier 1 (Pierhouse & Hotel)	348,120 SF	68,000 SF			(25,500 SF)	416,120 SF
John Street	108,000 SF					108,000 SF
Empire Stores			106,261 SF	237,523 SF		343,784 SF
One Brooklyn Bridge Park	628,669 SF*		84,134 SF		(115,684 SF)	712,803 SF
Pier 6**	258,906 SF		5,000 SF		(10,800 SF)	263,906 SF
<b>Total Development Space:</b>						<b>1,844,613 SF</b>

\*Estimate of One Brooklyn Bridge Park based on DOF estimates, \*\*Pier 6 is a proposed development as of the date of this report, NOTE: Only One Brooklyn Bridge Park is currently occupied with tenants and owners

Note that the Assessor’s values and BBPC’s values for size estimates vary; Rosin & Associates has utilized DOF estimates where appropriate.

### Rosin & Associates Methodology

R&A followed standard income approach valuation procedure and DOF Assessor guidelines and methodology in order to obtain estimates for the income generated in Brooklyn Bridge Park.

1. Market Research
  - a. Comparable Analysis to determine appropriate rental rates (income) based on the market
2. Projected Gross Income
  - a. Evaluation of space breakdowns within sites
  - b. Utilization of market data for rental rates
3. Net Operating Income
  - a. Income
  - b. Expenses
4. Market Value
  - a. NOI and Capitalization Rates
5. Assessor Values
  - a. Equalization Rate (45%)
6. Tax Rates
  - a. Standard NYC Tax Rates and DOF Assessor values

Wherever possible and appropriate, R&A applied estimates on the more conservative side. Whether that be higher capitalization rates (due to higher risk factors) or the more conservative size estimates. This was to ensure that fluctuations and unknown circumstances present in any market, especially in future-oriented projections, would be accounted for in some capacity.

The scope of this initial assignment was to consider the long-term earnings power of the BBPC (not the near term that includes tax breaks of up to 15 years + phase-out) by assessing the development in the Brooklyn Bridge Park before tax breaks. The actual PILOT (payment in lieu of taxes) received by the

BBPC will be reduced by certain tax breaks on three properties (One Brooklyn Bridge Park, Empire Stores and the hotel portion of Pier 1) until they fully expire. As the J-51 and ICIP tax breaks on OBBP have already been set, any increase in assessed value will go into effect immediately (subject to caps on the growth rate of assessed value). For the hotel (only) on Pier 1 and Empire Stores, the increase in tax revenue to BBPC from proper assessment will be reduced during the period while the properties receive a tax break (15 years + 10 year phase out). Therefore, any reference to “unabated” PILOT revenue or tax revenue is referring to this fact about Brooklyn Bridge Park. Additional information about the tax breaks can be found on page 20 of the BBPC financial presentation dated 7/9/15.

This is not an appraisal but a consulting engagement performed by appraisers in the context of the Uniform Standards of Professional Appraisal Practice (USPAP) using appraisal techniques. However, our work cannot be considered an appraisal - as we do not have sufficient specific property information, however, given that some of the property involved in this study is on the drawing board and new, Rosin & Associates believes that our analysis is supported by detailed market information. For the specific development locations under the purview of Brooklyn Bridge Park Corporation with their nuanced mix of residential, hotel, retail and office properties, a local, more micro-analysis is likely more representative than using more macro-centered trends as the primary basis for conclusions, as was the case with the Denham Analysis.

Brooklyn Bridge Park consists of numerous income-generating development sites, a number of which include residential condominiums. According to state law, DOF assesses condominium buildings “as if they were rental buildings” by looking at the “income and expense statements of rental buildings that have similar characteristics.”<sup>6</sup> Rosin & Associates has incorporated this state law into the assessment analysis at Brooklyn Bridge Park where appropriate. See Appendix C for full text on condominium assessment law.

Please note, USPAP 2015-16 retired requirements for Appraisal Consulting engagements, however, certain techniques and methodologies still apply.

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<sup>6</sup> <http://www1.nyc.gov/site/finance/taxes/property-cooperative-and-condominium-comparables.page>



## Brooklyn Bridge Park Real Estate Gross Revenues

Through a thorough investigation of the real estate market in Brooklyn, and more specifically the DUMBO, Downtown Brooklyn, Brooklyn Heights neighborhoods and other comparable neighborhoods based on location and market trends, Rosin & Associates has determined market-level income levels for the various income-generating sites under the purview of Brooklyn Bridge Park Corporation. This analysis will focus on the 4 sites currently generating income or already under development: Pier1, John Street, Empire Stores and One Brooklyn Bridge Park. For each site, R&A found comparable rental rates and income levels for each site’s various commercial and residential types (outlined in the above table).

### Residential Real Estate Market Analysis

Brooklyn has a very strong residential real estate market, even throughout the economic downturn in 2008/09, Brooklyn remained a desirable place for developers and tenants. Below is a survey of rental apartment units in close proximity to Brooklyn Bridge Park. The survey includes a wide range of apartment types as the sites in Brooklyn Bridge Park will have a wide range of apartment types. R&A made sure that apartments and buildings were of a similar quality as those that are currently in/will be developed in Brooklyn Bridge Park. However, given the extremely high quality of the units in Brooklyn Bridge Park, based on One Brooklyn Bridge Park and asking prices/marketing content for Pier1 and John Street, this survey of the surrounding market is likely to find lower rental rates than those that can be expected at Brooklyn Bridge Park. Therefore, our concluded rates will reflect this as will be shown.

Residential Comparable Lease Rates						
Address	Unit	Size	Unit Type	Date Signed	Monthly Rent	\$/SF/Yr.
99 Gold Street	#1P	618 SF	STUDIO	1/11/2016	\$2,650	51 /SF/Yr.
220 Water Street	#318	790 SF		11/22/2015	\$3,990	61 /SF/Yr.
9 College Place	#2H	1,905 SF	3BR	11/2/2015	\$10,950	69 /SF/Yr.
9 College Place	#3A	1,433 SF	2BR	11/4/2015	\$7,000	59 /SF/Yr.
72 Poplar Street	#4B	2,455 SF	4BR	8/28/2015	\$15,000	73 /SF/Yr.
60 Water Street	#1712	848 SF	2BR	10/14/2015	\$5,958	84 /SF/Yr.

Source: StreetEasy.com, January 12, 2016

This R&A survey shows rental rates (from closed deals) ranging from \$51/SF/Yr. to \$84/SF/Yr. The average rate is \$66/SF/Yr with the median coming in at \$65/SF/Yr. Rosin & Associates, based on the strength of the market in Brooklyn, and the quality expected in Brooklyn Bridge Park (including amenities and location within a cultural anchor space) believes rates within \$55-\$75 /SF/Yr. to be appropriate for the development sites under the purview of Brooklyn Bridge Park Corporation.

### **One Brooklyn Bridge Park**

One Brooklyn Bridge Park, AKA 360 Furman Street, is currently occupied and generating both rental and sales income. Therefore, R&A has also included a survey of rental rates in One Brooklyn Bridge Park to supplement the more general rental survey of the surrounding neighborhoods to give a better idea of what is actually happening within the park. Typically rental income is less than sales income and both exist at One Brooklyn Bridge Park. The DOF determines assessments for condominium buildings as rental buildings (as described in the section titled Rosin and Associates' Methodology). Further assessments are based on analyzing the property as a rental.

<b>One Brooklyn Bridge Park (360 Furman St) Rental Rates - StreetEasy</b>					
Date	Unit	Rent (\$/Mo.)	Beds	Unit Area	Rent (\$/SF)
12/11/2015	#1041	\$4,200	1 bed	920 SF	\$54.78
12/3/2015	#731	\$4,975	2 beds	1,020 SF	\$58.53
11/16/2015	#7FL	\$3,500	studio	842 SF	\$49.88
11/13/2015	#406	\$2,999	studio	742 SF	\$48.50
11/7/2015	#2FL	\$10,500	3 beds	1,798 SF	\$70.08
10/29/2015	#422	\$7,500	2 beds	1,466 SF	\$61.39
10/27/2015	#3FL	\$9,500	2 beds	1,470 SF	\$77.55
10/23/2015	#501	\$3,990	1 bed	1,085 SF	\$44.13
10/21/2015	#719	\$14,000	4 beds	2,295 SF	\$73.20
10/9/2015	#641	\$7,500	2 beds	1,536 SF	\$58.59
9/22/2015	#438	\$5,250	2 beds	1,020 SF	\$61.76
9/21/2015	#920	\$2,750	studio	588 SF	\$56.12
9/4/2015	#212	\$10,500	2 beds	1,916 SF	\$65.76
8/19/2015	#1116	\$2,750	studio	588 SF	\$56.12
7/29/2015	#903	\$3,700	1 bed	828 SF	\$53.62
7/23/2015	#522	\$7,000	2 beds	1,466 SF	\$57.30
7/20/2015	#841	\$7,000	2 beds	1,536 SF	\$54.69
7/16/2015	#514	\$3,700	studio	899 SF	\$49.39
7/11/2015	#443	\$6,600	2 beds	1,394 SF	\$56.81
6/27/2015	#1120	\$5,500	1 bed	1,285 SF	\$51.36
6/22/2015	#823	\$3,400	studio	815 SF	\$50.06
6/20/2015	#907	\$3,700	studio	842 SF	\$52.73
6/8/2015	#926	\$2,725	studio	589 SF	\$55.52
6/3/2015	#534	\$4,700	1 bed	1,080 SF	\$52.22
5/31/2015	#1210	\$5,300	1 bed	1,201 SF	\$52.96
5/30/2015	#432	\$3,900	1 bed	901 SF	\$51.94
5/29/2015	#406	\$2,950	studio	742 SF	\$47.71
5/26/2015	#714	\$4,000	studio	899 SF	\$53.39
5/21/2015	#312	\$3,750	studio	1,100 SF	\$40.91
5/13/2015	#503	\$3,700	1 bed	830 SF	\$53.49
5/5/2015	#911	\$4,500	1 bed	1,080 SF	\$50.00
4/28/2015	#435	\$4,350	1 bed	1,082 SF	\$48.24
4/20/2015	#1021	\$5,500	2 beds	1,205 SF	\$54.77
4/9/2015	#517	\$3,999	1 bed	862 SF	\$55.67
3/25/2015	#435	\$4,350	1 bed	1,082 SF	\$48.24
3/10/2015	#337	\$8,900	3 beds	1,709 SF	\$62.49
3/8/2015	#312	\$4,000	studio	1,100 SF	\$43.64

Source: StreetEasy

The rental rates for the One Brooklyn Bridge Park development ranged from \$40.91/SF/Yr. to \$77.55/SF/Yr. The average was approximately \$55/SF/Yr while the median was approximately \$54. These rental rates will be used to inform other residential rental rate data for the other residential sites under Brooklyn Bridge Park Corporation's purview (John St. and Pier1).

### Brooklyn Office Real Estate Market Analysis

Brooklyn’s office market is getting stronger every day. “About 60 million square feet of new office space will be needed throughout the city by 2025, mostly in outer-borough commercial hubs such as downtown Brooklyn, according to a New York City Economic Development Corp. estimate.”<sup>7</sup>

According to the Brooklyn Q42015 MarketView Office Report done by CBRE, one of the largest and most-trusted real estate companies in the world, DUMBO had average asking rents of \$65.68 /SF/Yr.

5 KEY SUBMARKETS					
	Brooklyn Navy Yard	Downtown Brooklyn	DUMBO	South Brooklyn	Williamsburg Greenpoint
Average Asking Rent	\$35.95	\$45.53	\$65.68	\$22.91	\$37.12
Quarter-over-quarter Change	▲	▲	▲	▲	▲
Availability Rate	15.7%	2.5%	19.7%	21.5%	17.6%
Quarter-over-quarter Change	▶	▼	▼	▲	▼
<b>BROOKLYN OVERALL</b>	Average Asking Rent <b>\$32.26</b>		Availability Rate <b>13.8%</b>		

As this table clearly shows, office space is clearly in demand, and is in the highest demand closest to Brooklyn Bridge Park based on the level of asking rents in DUMBO and Downtown Brooklyn (the highest in Brooklyn). Even though DUMBO is one of the smallest markets in Brooklyn, it is growing at an incredible rate. Coupled with Downtown Brooklyn, DUMBO is set to attract a lot of office attention in the coming years. Brooklyn Bridge Park’s proximity to these neighborhoods will also play a big role in the development and growth of this market.

Asking rates are one thing, actual leasing activity is another. In the same report, a table showing leasing transactions in 4Q15 shows that 6 out of the 7 larger transactions to happen in this quarter happened in either DUMBO or Downtown Brooklyn.

BROOKLYN Q4 2015 LEASING TRANSACTIONS			
Tenant	Address	Submarket	RSF
WeWork	195 Montague Street	DT Brooklyn	76,580
The Vault	1000 Dean Street	DT Brooklyn	20,000
Prolific Interactive	77 Sands Street	DUMBO	18,807
Graham-Wintham Services for Families & Children	1 Pierrepont Plaza	DT Brooklyn	14,396
New York City Health & Hospitals Corporation	16 Court Street	DT Brooklyn	13,681
CartoDB	215 Moore Street	W/G	7,500
Behavioral Medical Research	16 Court Street	DT Brooklyn	2,000

A new report by the Downtown Brooklyn Partnership puts office-sector vacancy in that neighborhood at about 3.4%, much lower than Manhattan’s major submarkets.<sup>8</sup> Deputy Mayor Alicia Glen supports this with her claim that “Office vacancy rates are now around 3%, which is functionally zero” (Alicia’s

<sup>7</sup> <http://www.bloomberg.com/news/articles/2015-11-09/brooklyn-s-tallest-building-planned-as-office-space-demand-rises>

<sup>8</sup> <http://downtownbrooklyn.com/posts/learn/downtown-brooklyn-real-estate-report-goes-online>

statement is a rounded value, and is assumed to be based on this report).<sup>9</sup> A vacancy rate this low indicates that there is, and will continue to be, a high demand, a demand that will drive prices up. Indeed, there have already been numerous retail and office development/projects that show how this demand is playing out and how it will play out in the months and years to come.

These office trends have early roots in Brooklyn, though the bulk of the activity has happened in the last few years and will continue happening well into the future. In 2012, Kickstarter purchased their 29,000 square foot Greenpoint office located @ 58 Kent Street for \$3.6M.<sup>10</sup>

In August of 2014, WeWork (an office-space provider) signed a lease for 90,000 square feet at 81 Prospect Street (DUMBO, a few blocks from Brooklyn Bridge Park) for more than \$50 /SF, according to numerous sources.<sup>11, 12</sup> According to a CBRE Marketview Report reported on by many news outlets, DUMBO had the highest average asking rent in Brooklyn at \$64.47 / SF during the third quarter of 2015. The rising rents in the area caused the developer of 10 Jay Street in DUMBO to reconsider their 46 condo residential development. They are now in favor of keeping the warehouse a commercial property.<sup>13</sup> Just east of DUMBO, at the Brooklyn Navy Yard, WeWork will be the anchor tenant of a new development, reportedly asking \$60 /SF.<sup>14</sup>

Etsy, an e-commerce home goods site, in 2014 signed a 200,000 square foot, 10-year lease to anchor the DUMBO Heights development @ 117 Adams Street and 55 Prospect Street. Etsy has also been offered up to \$5M in performance-based excelsior tax credits by Empire State Development Corporation (the parent organization to the Brooklyn Bridge Park Development Corporation).<sup>15</sup>

VICE Media, as Denham has also pointed out in her analysis of Brooklyn Bridge Park finances, signed a lease in 2014 for 60,000 square feet of space at South 2<sup>nd</sup> Street @ Kent Avenue. On top of some of these corporate and cultural behemoths, Hillary Clinton in April of 2015, signed a lease for 2 floors totaling 80,000 square feet of space at 1 Pierrepont Plaza on the border between Brooklyn Heights and Downtown Brooklyn.<sup>16</sup>

Brooklyn is growing at an unprecedented rate. It has been doing so for years and shows no sign of letting up. The New York Times' May article "Priced Out of Brooklyn? Try Manhattan" reports on the fact that not only is Brooklyn no longer seen as just an alternative for Manhattan, often times, Manhattan is the alternative for Brooklyn.<sup>17</sup> Morris Bailey, Chairman of JEMB Realty, the developer for the new 600 foot office tower to be erected at 420 Albee Square in Brooklyn, estimates space in this

9 <http://www.bloomberg.com/news/articles/2015-11-09/brooklyn-s-tallest-building-planned-as-office-space-demand-rises>

10 <http://therealdeal.com/blog/2012/08/09/start-up-uses-financing-to-purchase-greenpoint-office/>, [http://therealdeal.com/issues\\_articles/hillarys-not-alone-more-office-tenants-seek-to-locate-in-brooklyn/](http://therealdeal.com/issues_articles/hillarys-not-alone-more-office-tenants-seek-to-locate-in-brooklyn/)

11 "WeWork inks lease at Kushner's Dumbo Heights" The Real Deal 8/5/2014, <<http://therealdeal.com/blog/2014/08/05/wework-inks-lease-at-kushners-dumbo-heights>>

12 NY Daily News, 8/5/2014, <http://www.nydailynews.com/life-style/real-estate/wework-inks-deal-jared-kushner-dumbo-heights-article-1.1892760>

13 <http://therealdeal.com/blog/2015/10/15/developer-drops-plans-for-condo-conversion-at-10-jay-street/>

14 <http://newyorkyimby.com/2015/07/revealed-weworks-16-story-office-building-in-the-brooklyn-navy-yard.html>

15 <https://commercialobserver.com/2014/05/etsy-dumbo-lease/>, <https://commercialobserver.com/2014/06/etsy-takes-brooklyn-2/>

16 <http://therealdeal.com/blog/2015/04/03/hillary-is-officially-coming-to-brooklyn-heights/>

17 [http://www.nytimes.com/2015/05/10/realestate/priced-out-of-brooklyn-try-manhattan.html?\\_r=0](http://www.nytimes.com/2015/05/10/realestate/priced-out-of-brooklyn-try-manhattan.html?_r=0)

new building would command about \$55 /SF at ground level and upwards of \$75 /SF above grade.<sup>18</sup> These estimates are of course subject to review closer to completion date, however, just the fact that estimates are this high and new towers are being built for office instead of residential (as per the requirement of the city<sup>19</sup>) shows just how strong demand is for office space.

### Brooklyn Office Rental Rate Comparables

Rosin & Associates, in order to more clearly show how strong the Brooklyn office market is in the vicinity of Brooklyn Bridge Park (DUMBO, Downtown Brooklyn, Brooklyn Heights), conducted its own survey of office rental rates. R&A found comparables within these markets and also in similar markets (Williamsburg/Greenpoint) that have seen similar development processes of converting industrial space into office close to the waterfront. The below table outlines R&A's findings.

The office rental rates based on recently signed leases range from \$41 /SF/Yr to \$55/SF/Yr. in the appropriate markets. The average was approximately \$49.31/SF/Yr and the median was slightly higher at \$51 /SF/Yr.

Empire Stores in Brooklyn Bridge Park is set to have approximately 237,523 SF of office space according to BBPC and Barbara Denham. These comparables will serve as a basis for income estimates at Empire Stores for its office space.

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<sup>18</sup> <http://www.bloomberg.com/news/articles/2015-11-09/brooklyn-s-tallest-building-planned-as-office-space-demand-rises>

<sup>19</sup> <http://www.capitalnewyork.com/article/city-hall/2015/11/8582297/brooklyn-getting-new-office-building-long-last>

OFFICE LEASE COMPARABLES									
Tenant	Neighborhood	Address	Space Leased	Building Size	New or Renewal	Lease Start	Lease End	\$/SF/Yr (Starting Rent)	Notes
Genius	Williamsburg	184 Kent Avenue	40,135 SF	347,255 SF	N/A	July-15	July-25	\$41.50 / SF / Yr.	6 Months free rent; Renovate 2007
Frog Design	DUMBO	55 Prospect Street	27,000 SF	206,000 SF	New	June-15	June-22	\$55.00 / SF / Yr.	Industrial property converted to office; 1 Year free rent
Eriksen Translations	Brooklyn Heights	50 Court Street	3,253 SF		N/A	December-14	April-22	\$43.00 / SF / Yr.	
Etsy	DUMBO	55 Prospect Street	26,500 SF	206,000 SF	New	October-14	July-25	\$54.00 / SF / Yr.	Industrial property converted to office; 9 Months Free Rent
Etsy	DUMBO	117 Adams Street	168,545 SF		New	October-14	July-25	\$54.00 / SF / Yr.	Industrial property converted to office; Modified Gross Lease; 9 Months free rent
Vice Media	Williamsburg	285 Kent Avenue	65,000 SF		New	October-14	June-23	\$55.00 / SF / Yr.	
WeWork	DUMBO	81 Prospect Street	92,000 SF		New	August-14	December-24	\$44.00 / SF / Yr.	
Genius Media Group	Williamsburg	285 Kent Avenue	15,000 SF		New	September-13	May-20	\$48.00 / SF / Yr.	

Source: CBRE, Compstak.com



### Brooklyn Retail Market Analysis

According to CPEX’s 2015 Brooklyn Retail Report that shows significant retail “corridors” throughout the borough, there are many prominent corridors in close proximity to Brooklyn Bridge Park. The closest (#72: Front/Water/Plymouth/Jay St.) had a \$/SF/Yr range of \$80 - \$99 /SF/Yr. Corridor #82: Henry St between Middagh St and Clark St had a range of \$65 - &79 /SF/Yr. Corridor #90: Montague St between Hicks St and Court St, close to the southern region of Brooklyn Bridge Park had a range of \$100 - \$149 /SF/Yr. No matter how one slices it, Brooklyn Bridge Park is in an area with significant retail demand. With more office space coming in and the ever-growing Brooklyn residential market, retail in Brooklyn Bridge Park and the surrounding area will likely see even higher rates in the coming years. According to the same report, Brooklyn has had almost double the number of new residential development permits than Manhattan. Brooklyn is home to the Brooklyn Nets, the Barclays Center, Brooklyn Arts and Music (BAM) and many more. Barclays center alone hosts 220+ events per year. The same report also includes Brooklyn Bridge Park as one of the main attractions of Brooklyn, stating that more than 10 million people per year visit which is second only to Central Park.<sup>20</sup>

Brooklyn Bridge Park is already a cultural anchor for Brooklyn and the rest of New York City. It only gets stronger the more time it is given. Retail in Brooklyn Bridge Park will benefit from an incredible amount of foot traffic due to peoples’ perception of it as a Cultural Anchor, a place where people want to be, where people want to live and where people want to work.

### Brooklyn Retail Rental Rate Comparables Analysis

Rosin & Associates has conducted a survey of comparable retail leases signed in areas within close proximity of Brooklyn Bridge Park to show more concretely just how strong this area’s retail real estate market is.

There is also a small section of retail leases in One Brooklyn Bridge Park at 360 Furman Street. As one can see, these retail rents are already quite high, even considering the distance of One Brooklyn Bridge Park from the main area (below Brooklyn Bridge) of Brooklyn Bridge Park. Only one of the spaces reviewed in One Brooklyn Bridge Park is below \$44/SF/Yr, and that space is not a true retail space, it is more of a creative/community/office space meant for yoga practice and instruction.

Retail Rental Rates w/o One Brooklyn Bridge Park	
Max.	\$190.00 /SF /Yr.
Min.	\$52.00 /SF /Yr.
Median	\$106.00 /SF /Yr.
Average	\$117.52 /SF /Yr.

Rosin & Associates notes that the retail rents presented in the following table represent “at-grade” retail rents, “Below Grade” space was not incorporated into our analysis, however, for the sake of completeness, R&A has included “Below Grade” space in the comparable table. Overall, R&A is looking

<sup>20</sup> CPEX Real Estate: 2015 Brooklyn Retail Report

at an entire space at Empire Stores, and the aggregate rate for this space will naturally blend because of the different spaces within, and therefore the blended retail rental rate will be lower.

Even though retail rental rates are slightly lower in One Brooklyn Bridge Park, one must consider the location of One Brooklyn Bridge Park compared to Empire Stores, the other primary retail locations for Brooklyn Bridge Park Corporation. Rosin & Associates believes, based on experience and the market, that rental rates will more closely reflect the DUMBO/Downtown Brooklyn/Brooklyn Heights submarket than those found at One Brooklyn Bridge Park due to location, the increasing strength of the office market and Brooklyn Bridge Park's status as a Cultural Anchor and tourist destination. Therefore, retail rental rates in Brooklyn Bridge Park will likely be between \$100/SF/Yr. and \$125/SF/Yr. Indeed, David Breare, an executive at Midtown Equities, the real estate investment firm that is developing Empire Stores, stated ""We started with asking rents of \$150 per square foot but have since bumped that to \$200 per square foot because of the activity and interest." "The rates we're getting are much higher than we expected."<sup>21</sup>

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<sup>21</sup> [http://www.crainsnewyork.com/article/20150326/REAL\\_ESTATE/150329889/watchmaker-shinola-to-open-first-brooklyn-store-in-old-coffee-warehouse](http://www.crainsnewyork.com/article/20150326/REAL_ESTATE/150329889/watchmaker-shinola-to-open-first-brooklyn-store-in-old-coffee-warehouse)

RETAIL LEASE COMPARABLES									
Tenant	Neighborhood	Address	Space Leased	Space Info	Lease Start	Lease End	Lease Term	\$/SF/Yr (Starting Rent)	Notes
Sugar Cane	DUMBO	55 Water St, Empire Stores	10,000 SF		December-15			\$150.00 /SF /Yr.	Taxes over Base Year
Feed	DUMBO	55 Water St, Empire Stores	971 SF		December-15			\$150.00 /SF /Yr.	Taxes over Base Year
UMD Urgent Care	Brooklyn Heights	109 Montague Street	1,350 SF		September-15			\$106.00 /SF /Yr.	NNN Lease
TD Bank	Downtown Brooklyn	252 Atlantic Ave	4,054 SF	At Grade	December-15		20 Years	\$99.71 /SF /Yr.	Net of Taxes
It'Sugar	Brooklyn Heights/Downtown Brooklyn	210 Joralemon St	1,200 SF	At Grade	November-15		10 Years	\$136.46 /SF /Yr.	NNN Lease
Sephora	Brooklyn Heights/Downtown Brooklyn	210 Joralemon St	7,057 SF	At Grade	August-13		10 Years	\$99.50 /SF /Yr.	NNN Lease
J. Crew	Downtown Brooklyn	151 Court Street	3,188 SF	At Grade	2Q2013		10 Years	(\$190.00 /SF /Yr.)	
			(3,188 SF)	(Below Grade)				(\$65.00 /SF /Yr.)	
							Blended Rate:	\$74.00 /SF /Yr.	NNN Lease
Restaurant	Brooklyn Heights	144 Atlantic Avenue	1,500 SF	At Grade	July-15		N/A	\$52.00 /SF /Yr.	Mod. Gross
<b>Retail Rents @ One Brooklyn Bridge Park (360 Furman St)</b>									
Bakery/Café	Brooklyn Bridge Park	360 Furman St. (Unit A 1)	950 SF		October-14			\$45.00 /SF /Yr.	Net Lease
Yoga Studio	Brooklyn Bridge Park	360 Furman St. (Unit A 2)	4,637 SF		May-15			\$30.00 /SF /Yr.	
Pet Boutique	Brooklyn Bridge Park	360 Furman St. (Unit G)	1,760 SF		April-11			\$45.00 /SF /Yr.	Net Lease
Wine & Spirits	Brooklyn Bridge Park	360 Furman St. (Unit I)	1,170 SF		April-11			\$44.03 /SF /Yr.	Net Lease

Source: CBRE, CompStak, CoStar

## Brooklyn Hotel Market Analysis

The Brooklyn hotel market is gaining in strength. According to Massey Knakal (now part of Cushman Wakefield) in 2014, "As prices in Manhattan and other gateway cities climb to new record highs, alternative markets offering slightly better yield with strong underlying fundamentals, specifically Brooklyn, provide yield oriented investors with a desirable alternative without straying too far from the security of New York's core hospitality market."<sup>22</sup> This trend has continued throughout 2015 and is a big factor that will drive hotel commercial space at Pier1, part of Brooklyn Bridge Park Corporation. According to the same report, the Brooklyn submarket consisting of Downtown Brooklyn, Brooklyn Heights, DUMBO, Boerum Hill, Clinton Hill and Fort Greene had the largest number of hotels at 12, 5 more than the 2<sup>nd</sup> biggest submarket of hotels in southeast Brooklyn (this report included only hotels of 10,000 SF or more). RevPAR (Revenue Per Available Room) for Brooklyn hotels in 2014 was \$143.61 with an occupancy rate of 80% and an ADR (Average Daily Rate) of \$179.52.

According to STR Inc., an authoritative hotel industry research group, through a survey of comparable hotel properties (upscale+) in Western Brooklyn and Long Island City, the average RevPAR was \$169.94 in 2015. The average RevPAR from 2011 to 2015 was \$174.35. The ADR in 2015 was \$205.34 with supply coming in at 804,525 rooms. Given its unique location in Brooklyn Bridge Park and proximity to public transport, R&A anticipates that the hotel at Pier1 will achieve higher revenues, however, for the sake of this report, the RevPar values determined by STR Inc. will be the values utilized in R&A's assessment analysis. See Appendix A-1 for full list of surveyed hotels.

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<sup>22</sup> Massey Knakal Brooklyn Hotel Market: 2014 Outlook

### Projected Gross Income

Based on market analysis and appropriate market rate comparables, Rosin & Associates has determined the Projected Gross Incomes for each income-generating site discussed above.

#### Pier1 (Pierhouse & Hotel)

Pier1 will be a residential condo/hotel building when development is complete, with other smaller commercial entities within. Pier1 Hotel will contain 68,000 SF, which translates into 200 rooms, according to p. 8 of *Institutional Investor’s Real Estate Finance Intelligence Vol. XVII, No. 47 / November 26, 2012*. The hotel is anticipated to be a full-service operation which will include banquet space, bar space and other amenities standard for a hotel of the quality expected at Pier1.

Pier 1 (Pierhouse & Hotel) PGI			
Residential Area	Residential Market Rate	Revenue	
348,120 SF	\$54.96	\$19,132,863	
# Hotel Rooms	RevPar	Revenue (Annualized)	
200 Rooms	\$169.94	\$12,405,620	
Total Revenue			\$31,538,483
Revenue /SF			\$75.79

Source: BBPC<sup>23</sup>

#### John Street

John Street is being developed into residential condominiums.

John Street PGI			
Residential Area	Residential Market Rate	Revenue	
108,000 SF	\$54.96	\$5,935,738	
Total Revenue			\$5,935,738
Total Revenue / SF			\$54.96

<sup>23</sup> Number of hotel rooms based on Brooklyn Bridge Park Board Presentation Notes:  
<http://brooklynbridgepark.s3.amazonaws.com/s/498/Pier%201%20Board%20Presentation.pdf>

**Empire Stores**

Empire Stores will be a mix of Retail and Office Space and various public spaces as per the development plans.

Empire Stores PGI			
Retail Area	Retail Market Rate (\$/SF/Yr.)	Revenue	
106,261 SF	\$120	\$12,751,320	
Office Area	Office Market Rate (\$/SF/Yr.)	Revenue	
237,523 SF	\$49	\$11,712,853	
Total Revenue		\$24,464,173	
Revenue /SF		\$71.16	

**One Brooklyn Bridge Park**

One Brooklyn Bridge Park is a residential condominium building with a small amount of retail. Since DOF has issued its actual assessments for One Brooklyn Bridge Park for the 2016/17 fiscal year, R&A has applied the tax rates to DOF’s actual assessments to determine the updated PILOT income that BBPC will receive for One Brooklyn Bridge Park. As a result, this report need not estimate revenues, NOI or an assessment for this property.

One Brooklyn Bridge Park PGI			
Residential Area	Residential Market Rate	Revenue	
628,669 SF	\$55	\$34,551,988	
Retail Area	Retail Market Rate	Revenue	
84,134 SF	\$45	\$3,745,225	
Total Revenue		\$38,297,213	
Revenue /SF		\$53.73	

### Net Operating Income

Value is derived from the Net Operating Income (NOI) through the equation  $NOI/ \text{Capitalization Rate} = \text{Market Value}$  where the capitalization rate represents the strength of a market through evaluating the risk. Based on a simplified capitalization rate analysis, Rosin & Associates has determined market values for each of the income-generating sites for Brooklyn Bridge Park Corporation being analyzed in this report so as to be able to determine the assessment levels and thus the tax levels/PILOT values. The NOI for each of the sites was calculated using the average revenue /SF as calculated in the previous section and the estimated expenses.

(Net Operating Income (NOI) = Revenue – Expenses)

Rosin & Associates has not included a detailed NOI analysis of One Brooklyn Bridge Park due to the fact that actual DOF Assessments from FY 2016/17 were utilized.

### Estimated Expenses

In order to estimate expenses, Rosin & Associates has utilized expense ratio information found in the FY 2015 Tax Assessors Guidelines. Even though assessor capitalization rates and other values fall on the more conservative side when compared to market levels, utilizing the ratio helps to circumvent this problem as the ratios are based on a set methodology and can therefore be applied to market levels, as in this report. This expense ratio coupled with R&A’s years of experience valuing real estate throughout Brooklyn and New York City produces a fair market estimate of expenses of the income-generating sites under the purview of Brooklyn Bridge Park Corporation.

*Assessor Ratios are based on pre-tax estimates. Dept. of Finance expense ratios are based on gross square feet estimates whereas BBPC figures are based on net square feet estimates. This will result in slightly different expense estimates.*

Assessor Expense Ratios (2015)			
Class	Expense Ratio		
	Low	Median	High
"Downtown Brooklyn Class 'A' Offices"	22%	27%	42%
One-Story and Multi-Story Retail in Manhattan N. of 125th St and Boroughs Outside Manhattan	16%	18%	23%
Post-1973 Elevator Condo-Coops/Condo-Rental Buildings in Outer Boroughs	35%	38%	43%
Luxury & Super Luxury Hotels w /Rooms Less Than 109	52%	-	61%
Luxury & Super Luxury Hotels w /Rooms between 109 and 409	56%	-	65%

Source: NYC Department of Finance, 2015; Note: Assessor expense ratios are ordered based on income levels in Assessor Guidebook

### Brooklyn Bridge Park Expense Estimate Calculations

Utilizing the expense ratio data found in the assessor’s guidelines handbook for NYC, R&A has evaluated the appropriate range of expense ratio values to determine fair estimates for the expenses at each of the income-generating sites in Brooklyn Bridge Park. See the following table. Chosen expense ratios featured are based not only on assessor ratios but also on years of experience valuing real estate in Brooklyn and New York City.

Expense Estimate Calculations			
Name	Expense Ratio	Expenses	
Pier 1 (PierHouse)	40%	\$30	/SF
John Street	35%	\$19	/SF
Empire Stores	23%	\$16	/SF

Source: NYC DOF: FY 2015 Assessor’s Guidelines

### Final Net Operating Income Calculations

Net Operating Incomes for Revenue-Generating Buildings in Brooklyn Bridge Park						
Name	Size	Income \$/SF	Gross Rent (Revenue)	Expenses \$/SF	Total Expenses	NOI
Pier 1	416,120 SF	\$76 /SF	\$31,538,483	\$30	\$12,615,393	\$18,923,090
John Street	108,000 SF	\$55 /SF	\$5,935,738	\$19	\$2,077,508	\$3,858,230
Empire Stores	343,784 SF	\$71 /SF	\$24,464,173	\$16	\$5,626,760	\$18,837,413



### Capitalization Rates

According to Korpacz/PwC’s 4Q2015 analysis of overall capitalization rates (PwC Real Estate Investor Survey™), the National Apartment market had an average of 5.35%, the same as the Mid-Atlantic Region during the same period. This was a 4bps decrease from the previous quarter for the National Apartment market. The Central Business District (CBD) Office market was at 5.68 % nationally, a 2 bps increase from the previous quarter. Manhattan’s office market, the closest market to Brooklyn, had an office market capitalization rate of 5.15%.

### Assessor Capitalization Rates

DOF Assessor capitalization rates are typically more conservative than market level capitalization rates, i.e., DOF Assessor rates are typically higher which produces a lower valuation given the same NOI. They are tax-loaded capitalization rates, meaning that they are applied to pre-tax NOI estimates. R&A have also analyzed assessor capitalization rates in preparation for using assessor methodology to determine assessment and tax levels.

Assessor Capitalization Rates (2015)			
Class	Capitalization Rate		
	Low	Median	High
"Downtown Brooklyn Class 'A' Offices"	10.07%	10.07%	10.07%
One-Story and Multi-Story Retail in Manhattan N. of 125th St and Boroughs Outside Manhattan	11.79%	11.79%	11.95%
Post-1973 Elevator Condo-Coops/Condo-Rental Buildings in Outer Boroughs	7.20%	8.16%	9.41%
Luxury & Super Luxury Hotels w /Rooms Less Than 109	<b>Base Cap Rate:</b>		<b>8.55%</b>
Luxury & Super Luxury Hotels w /Rooms between 109 and 409	<b>Base Cap Rate:</b>		<b>8.80%</b>

Source: NYC Department of Finance, 2015; Note: Assessor capitalization rates are ordered based on income levels in Assessor Guidebook, in this table, R&A has ordered them based on their standalone value

The DOF Assessors put “Downtown Brooklyn Class ‘A’ Offices” capitalization rates at 10.07% (p.15).

“Manhattan North of 125<sup>th</sup> Street and Boroughs Outside of Manhattan” retail capitalization rates “high” average is 11.79%.

“Post-1973 Elevator Condo-Coops/Condo-Rental Buildings” (what the majority of sites at Brooklyn Bridge Park will be, post-development) have capitalization rates of 7.20% - 9.41% in boroughs outside of Manhattan. As shown in Appendix A, DOF has recently applied capitalization rates of about 12.5% in assessing condominium properties within the vicinity of Brooklyn Bridge Park.

Luxury & Super Luxury hotels w/ rooms fewer than 109 have base capitalization rates of 8.55% while those w/ between 109 and 409 rooms have a capitalization rate of 8.80%. See appendix for full Assessor Capitalization Rate tables.

As explained in the following section, this report’s estimates of PILOTs uses a capitalization rate of 13.33% for each building type.

## Tax-Loaded Capitalization Rates

There are two methods of calculating the market value and hence the assessed value of any property in New York City. One can 1) calculate the market value by estimating the PGI and subtracting all the expenses including estimated real estate taxes in order to get the NOI and then applying a standard market level capitalization rate to get the market value, then apply the equalization ratio (45%) to this value to get the assessed value, the resulting real estate taxes are calculated by applying the tax rate for the relevant property class to the assessed value. Another method is 2) calculate the pre-tax NOI by subtracting the operating expenses excluding real estate taxes from the PGI and then finding the market value by applying a tax-loaded capitalization rate. These methods should be equivalent, since it can be shown algebraically that applying the tax-loaded capitalization rate to pre-tax NOI is the same as applying the market capitalization rate to a post-tax NOI. By definition, the tax loaded capitalization rate is calculated as follows: The tax-loaded capitalization rate = the market capitalization rate + (the equalization ratio X the tax rate).

One should note that the “real world” market value estimates significantly exceed those that are presented by the DOF Assessor market values. Based on the review of DOF condominium assessments in the area (Appendix A), this would be due to the fact that the assessors’ estimate of potential gross income (effective gross income) is significantly below what is indicated by rent and lease data for comparable property in the local market. In our experience, there can be a time-lag in raising the assessment of existing property to the current market, especially in a rising rental and commercial property market. That said, existing property assessments should ultimately converge with market rates from comparable rental and lease data over time. Our review of DOF condo assessment in the area indicated that the median percent increase in DOF assessment per square foot is approximately 26.2%<sup>24</sup> over the last three years (FY 2013/14 to FY 2016/17), driven by an increase in net operating incomes. The market data in this report indicates that this trend of rising DOF assessment is likely to continue.

As new construction comes on the market, DOF Assessors are likely to incorporate current market data into their assessments. This is especially true in markets with rapidly rising residential and commercial lease rental rates.

Accordingly, while R&A has relied on the assessor’s capitalization rates and expense ratios to ultimately develop PILOT revenues, the sites under BBPC’s purview are significantly more valuable than R&A’s assessment herein shows and the tax-payers have exposure to taxation levels that are in excess of R&A estimates presented in this report.

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<sup>24</sup> The median DOF market value per square foot is calculated based on the 21 buildings found in the DOF data for both FY 2013/14 and FY 2016/17. This sample excludes 384 Bridge Street, 75 Clinton Street, 150 Clermont Avenue and 291 Union as DOF data was not available for these properties in FY 2013/14.

**Market Value of Brooklyn Bridge Park Corporation’s Income-Generating Sites**

Rosin & Associates has implemented the appropriate market capitalization rates, as featured in the following table, to calculate the appropriate market values for those sites. These capitalization rates and the market values they elicit are used here to show hypothetical values reflective of market conditions. There are nuances between types of buildings and location; however, for the purposes of this report, a flat market-level capitalization rate of 6.00% is appropriate as these market values are not utilized to determine assessment levels. Instead, DOF Assessor capitalization rates are utilized for this purpose, as will be shown.

<b>Market Values for Brooklyn Bridge Park Corporation Development Sites</b>						
<b>Name</b>	<b>Size</b>	<b>NOI</b>	<b>Capitalization Rate</b>	<b>Market Value</b>	<b>Market Value Estimate \$/SF</b>	
Pier 1	416,120 SF	\$18,923,090	6.00%	<b>\$315,384,834</b>	\$758 /SF	
John Street	108,000 SF	\$3,858,230	6.00%	<b>\$64,303,832</b>	\$595 /SF	
Empire Stores	343,784 SF	\$18,837,413	6.00%	<b>\$313,956,886</b>	\$913 /SF	

### Implemented Assessor Methodology

This was done to come up with an assessed value against R&A market estimates. Assessments are what taxes are based on and therefore the basis for PILOT revenue estimates. DOF Assessors use an equalization rate of 45% to determine assessed values based on market values. R&A utilized this equalization rate to arrive at “market-level assessment values.”

Equalization rates are implemented to bring assessed value to market values. However, oftentimes one will find that assessor derived market - values are lower than actual market values. Notwithstanding this fact, a tax-payer still has potential exposure to higher rates utilizing this methodology. Assessors can use higher rates if they so choose.

R&A applied this rate to market value to arrive at assessed value (as per DOF Assessor methodology).

Assessor Values & Capitalization Rates						
Name	Size	NOI	Market Value	Assessor Value (w/ 45% Equalization Rate)	Assessor Value (w/45% Equalization Rate) \$/SF	Implied Assessor Capitalization Rates
Pier 1	416,120 SF	\$18,923,090	\$315,384,834	\$141,923,175	\$341 /SF	13.33%
John Street	108,000 SF	\$3,858,230	\$64,303,832	\$28,936,725	\$268 /SF	13.33%
Empire Stores	343,784 SF	\$18,837,413	\$313,956,886	\$141,280,599	\$411 /SF	13.33%

R&A then calculated the “Projected Assessor Market Value” based on the Implied Assessor’s ~13% tax-loaded capitalization rates, which were measured against DOF Condo Assessments in the area, located in Appendix A. R&A notes that local DOF Condo Assessments from 2016 elicit a capitalization rate slightly below the implied capitalization rates calculated above, ~12.50% versus ~13.33%. Note: R&A utilized the higher capitalization rate (~13.33%) which decreases the projected DOF market value and is therefore, conservative.

Projected Assessor Market Values Utilizing Implied Assessor Capitalization Rates						
Name	Size	NOI	Implied Assessor Capitalization Rates	Projected Assessor Market Value (w/ implied 13% Cap rate)	Resulting projected assessed value (Using 45% Equalization Rate)	Resulting projected assessed value (Using 45% Equalization Rate) \$/SF
Pier 1	416,120 SF	\$18,923,090	13.33%	\$141,923,175.18	\$63,865,429	\$153 /SF
John Street	108,000 SF	\$3,858,230	13.33%	\$28,936,724.59	\$13,021,526	\$121 /SF
Empire Stores	343,784 SF	\$18,837,413	13.33%	\$141,280,598.71	\$63,576,269	\$185 /SF

R&A then applied the 45% equalization ratio to the “Projected Assessor Market Value” to get to the projected assessed value. This resulting value is what taxes are based on and therefore what PILOT revenues are based on.

### Revenue Comparison

The following table outlines the potential PILOT income for each of the income-generating sites in Brooklyn Bridge Park, unabated. Rosin & Associates’ analysis is based on recurring tax revenue and not one-time revenues.

Estimated PILOT Incomes					
Name	Size	Assessor Value (w/45% Equalization Rate) based on market value	Resulting projected assessed value (Using 45% Equalization Rate)	Tax Rate (Class II & IV)	Total Taxes (PILOT Income)
Pier 1	416,120 SF	\$141,923,175	\$63,865,429	12.007% ****	\$7,668,330
John Street	108,000 SF	\$28,936,725	\$13,021,526	12.883%	\$1,677,563
Empire Stores	343,784 SF	\$141,280,599	\$63,576,269	10.656%	\$6,774,687
1 Brooklyn Bridge Park*	712,803 SF	\$113,582,234**	\$51,112,005***	12.425% ****	\$6,350,415
<b>TOTAL TAX INCOME</b>					<b>\$22,470,995</b>

Source: NYC Dept of Finance; \*V alues in this table based on DOF Assessments FY 2016/17; \*\*Combined tax values from commercial and residential units; \*\*\*45% Equalization rate applied; \*\*\*\*Blended tax rate derived from commercial and residential unit taxes

Because R&A utilized DOF Assessment values, below is a table outlining how blended tax rate conclusions were reached for One Brooklyn Bridge Park.

Additional One Brooklyn Bridge Park Assessment Analysis				
	DOF Value	Equalization Rate	Tax Rate	Unabated Taxes
OBBP Residential	\$90,198,029	45%	12.883%	\$5,229,095
OBBP Commercial	\$23,384,205	45%	10.656%	\$1,121,319
<b>TOTAL</b>	<b>\$113,582,234</b>	<b>45%</b>	<b>12.425%*</b>	<b>\$6,350,415</b>

\* Blended Tax Rate

Sources:

[http://www1.nyc.gov/assets/finance/downloads/excel/condo\\_coop\\_comps/b3\\_condo\\_comp012816.xlsx](http://www1.nyc.gov/assets/finance/downloads/excel/condo_coop_comps/b3_condo_comp012816.xlsx); DOF (January 2016 Notice of Property Value)

R&A has also incorporated an analysis of Pier1 to determine the blended tax rate given the expected residential/hotel split upon completion of development.

Additional Pierhouse Assessment Analysis						
	Revenue	% of Total Revenue	Portion of Assessment	Equalization Rate	Tax Rate	Unabated Taxes
Pier1 Residential	19,132,863 SF	61%	\$38,744,048	45%	12.883%	\$2,246,128
Pier1 Hotel	12,405,620 SF	39%	\$25,121,381	45%	10.656%	\$1,204,620
<b>TOTAL</b>	<b>31,538,483 SF</b>		<b>\$63,865,429</b>	<b>45%</b>	<b>12.007%*</b>	<b>\$3,450,749</b>

\*Blended Tax Rate for Pier1

The following table shows BBPC’s July 2015 Financial model public presentation revenue estimates. These are key components of the financial model and there is little evidence backing up the assessments made by the Brooklyn Bridge Park Corporation underlying their projections. Rosin & Associates does not intend to argue with the robustness or validity of the BBPC financial model set forth in these reports, as there is not enough data with which to do so. The only analysis R&A has performed is that of the revenue base. Unlike the BBPC’s projections, R&A’s analysis herein is based on market comparables and DOF Assessor methodology.

Brooklyn Bridge Park Income Analysis Done By BBPC					Rosin Estimates
Source	Rev. Per year	Ground Rent Amt.	Additional Revenue Post-Expiration	Estimated PILOT Income	Rosin PILOT Income Estimates
One Brooklyn Bridge Park	\$2,300,000	\$1,400,000	\$4,700,000	\$5,600,000	\$6,350,415*
Pier 1	\$3,200,000	\$800,000	\$1,700,000	\$4,100,000	\$7,668,330
John St.	\$1,000,000	\$200,000	\$0	\$800,000	\$1,677,563
Empire Stores	\$2,700,000	\$1,600,000	\$1,900,000	\$3,000,000	\$6,774,687
<b>Existing Development Totals</b>				<b>13,500,000</b>	<b>\$22,470,995</b>
Pier 6	2,500,000	600,000	\$0	1,900,000	
TOTALS (w / Pier 6)	11,700,000	4,600,000		15,400,000	
<i>% Pier 6 Recurring Tax Revenue</i>				<i>12%</i>	

Source: BBPC, NYC DOF

\*PILOT income value based on actual DOF Assessments for FY 2016/17

(See Appendix B for full data tables presented by BBPC)

**Conclusion: Park Real Estate Under-Assessed**

Brooklyn Bridge Park's income-generating capabilities have been under-assessed by both BBPC and Barbara Denham. Based on market levels and unabated PILOT incomes, Brooklyn Bridge Park income will be much higher than projected by BBPC.

**Appendix A**

DOF Assessment of Condominiums within the vicinity of Brooklyn Bridge Park for FY 2016/17 as of 1/28/2016.

Condominium Properties in the Area (FY 2016/17 as of 1/28/16)								
Address	Total Units	Year Built	Gross SF	Gross Income / SF	Pre-Tax Expense / SF	Net Operating Income / SF	Implied Cap Rate (Tax-Loaded) - Calculated by R&A	Market Value per SqFt
<b>360 FURMAN STREET</b>	<b>432</b>	<b>2008</b>	<b>628,669</b>	<b>\$29.61</b>	<b>\$11.68</b>	<b>\$17.93</b>	<b>12.50%</b>	<b>\$143.47</b>
70 WASHINGTON STREET	259	1916	378,050	\$26.40	\$13.73	\$12.67	12.50%	\$101.39
306 GOLD STREET	302	2005	342,807	\$36.58	\$16.46	\$20.12	12.50%	\$161.00
101 WILLOUGHBY STREET	251	1918	332,324	\$28.38	\$9.93	\$18.45	12.50%	\$147.61
110 LIVINGSTON STREET	299	1926	324,465	\$21.67	\$7.20	\$14.47	12.80%	\$113.01
700 PACIFIC STREET	168	2002	230,680	\$17.66	\$7.72	\$9.94	13.41%	\$74.11
1 HANSON PLACE	190	1927	206,022	\$25.30	\$10.59	\$14.71	12.51%	\$117.56
150 MYRTLE AVENUE	240	2007	202,727	\$29.67	\$9.50	\$20.17	12.50%	\$161.40
384 BRIDGE STREET	234	2012	170,809	\$43.93	\$13.18	\$30.75	12.50%	\$246.06
53 PIERREPOINT STREET	189	1920	138,587	\$17.94	\$6.30	\$11.64	13.33%	\$87.32
505 COURT STREET	124	2006	133,465	\$24.12	\$8.68	\$15.44	12.58%	\$122.71
130 FLUSHING AVENUE	112	2012	126,942	\$25.35	\$9.37	\$15.98	12.51%	\$127.76
230 ASHLAND PLACE	108	2006	118,153	\$23.94	\$7.18	\$16.76	12.60%	\$133.06
343 4 AVENUE	113	2006	115,310	\$27.73	\$10.65	\$17.08	12.50%	\$136.68
205 WATER STREET	65	2010	111,522	\$34.96	\$12.71	\$22.25	12.50%	\$178.05
212 SOUTH OXFORD STREET	80	2009	110,828	\$21.26	\$8.04	\$13.22	12.85%	\$102.89
85 ADAMS STREET	79	2006	87,554	\$29.01	\$9.69	\$19.32	12.50%	\$154.60
75 CLINTON STREET	74	1910	78,023	\$28.85	\$8.99	\$19.86	12.50%	\$158.91
150 CLERMONT AVENUE	52	2010	77,467	\$41.99	\$10.65	\$31.34	12.50%	\$250.78
291 UNION STREET	32	2013	74,575	\$35.85	\$14.10	\$21.75	12.50%	\$174.04
37 BRIDGE STREET	45	1916	74,189	\$15.54	\$5.21	\$10.33	13.86%	\$74.53
75 POPLAR STREET	56	1910	74,131	\$28.19	\$12.69	\$15.50	12.50%	\$124.02
53 BOERUM PLACE	99	2003	73,232	\$32.05	\$7.99	\$24.06	12.50%	\$192.53
35 UNDERHILL AVENUE	39	2005	72,356	\$19.85	\$5.22	\$14.63	13.03%	\$112.26
9 COLLEGE PLACE	37	1923	68,573	\$34.46	\$4.63	\$29.83	12.50%	\$238.69

Source: NYC Department of Finance 2016

<http://www1.nyc.gov/site/finance/taxes/property-cooperative-and-condominium-comparables.page>

Comparable Condominium Properties Statistics (FY 2016/17)					
	Gross Income / SF	Pre-Tax Expense / SF	Net Operating Income / SF	Implied Cap Rate (Tax-Loaded) - Calculated by R&A	Market Value per SqFt
Minimum	\$15.54	\$4.63	\$9.94	12.50%	\$74.11
Maximum	\$43.93	\$16.46	\$31.34	13.86%	\$250.78
Average	\$28.01	\$9.68	\$18.33	12.68%	\$145.38
Median	\$28.19	\$9.50	\$17.08	12.50%	\$136.68



**Appendix A (Cont'd)**

DOF Assessment of Condominiums within the vicinity of Brooklyn Bridge Park for FY 2015/16 as of 2/3/2015.

Condominium Properties in the Area (FY 2015/16 as of 2/3/15)								
Address	Total Units	Year Built	Gross SF	Gross Income / SF	Pre-Tax Expense / SF	Net Operating Income / SF	Implied Cap Rate (Tax-Loaded) - Calculated by R&A	Market Value per SqFt
<b>360 FURMAN STREET</b>	<b>438</b>	<b>2008</b>	<b>628,669</b>	<b>\$25.71</b>	<b>\$8.35</b>	<b>\$17.36</b>	<b>12.91%</b>	<b>\$134.42</b>
70 WASHINGTON STREET*								
306 GOLD STREET	302	2005	342,807	\$27.23	\$8.17	\$19.06	12.84%	\$148.45
101 WILLOUGHBY STREET	251	1918	332,324	\$26.17	\$9.11	\$17.06	12.89%	\$132.31
110 LIVINGSTON STREET*								
700 PACIFIC STREET	168	2002	230,680	\$17.91	\$9.21	\$8.70	13.72%	\$63.42
1 HANSON PLACE	190	1927	206,022	\$20.84	\$6.40	\$14.44	13.31%	\$108.49
150 MYRTLE AVENUE	240	2007	202,727	\$25.15	\$6.53	\$18.62	12.95%	\$143.75
384 BRIDGE STREET								
53 PIERREPONT STREET	189	1920	138,587	\$15.73	\$5.84	\$9.89	14.13%	\$69.99
505 COURT STREET*								
130 FLUSHING AVENUE	112	2012	223,184	\$19.14	\$7.66	\$11.48	13.52%	\$84.93
230 ASHLAND PLACE	108	2006	118,153	\$30.41	\$13.58	\$16.83	12.71%	\$132.38
343 4 AVENUE	113	2006	115,310	\$22.70	\$6.41	\$16.29	13.13%	\$124.05
205 WATER STREET	65	2010	111,522	\$32.52	\$12.92	\$19.60	12.65%	\$154.98
212 SOUTH OXFORD STREET	80	2009	110,828	\$22.17	\$8.56	\$13.61	13.18%	\$103.30
85 ADAMS STREET*								
75 CLINTON STREET*								
150 CLERMONT AVENUE	52	2010	77,467	\$36.40	\$6.46	\$29.94	12.57%	\$238.15
291 UNION STREET*								
37 BRIDGE STREET	45	1916	74,189	\$15.45	\$6.16	\$9.29	14.19%	\$65.47
75 POPLAR STREET*								
53 BOERUM PLACE	99	2003	73,232	\$31.19	\$9.89	\$21.30	12.68%	\$167.92
35 UNDERHILL AVENUE	39	2005	72,356	\$17.66	\$4.41	\$13.25	13.74%	\$96.43
9 COLLEGE PLACE	37	1923	68,573	\$30.34	\$6.70	\$23.64	12.71%	\$185.96

Source: NYC Department of Finance 2016

<http://www1.nyc.gov/site/finance/taxes/property-cooperative-and-condominium-comparables-archives.page>

\*Data Not Available

Comparable Condominium Properties Statistics (FY 2015/16)					
	Gross Income / SF	Pre-Tax Expense / SF	Net Operating Income / SF	Implied Cap Rate (Tax-Loaded) - Calculated by R&A	Market Value per SqFt
Minimum	\$15.45	\$4.41	\$8.70	12.57%	\$63.42
Maximum	\$36.40	\$13.58	\$29.94	14.19%	\$238.15
Average	\$24.51	\$8.02	\$16.49	13.17%	\$126.73
Median	\$25.15	\$7.66	\$16.83	12.95%	\$132.31

**Appendix A (Cont'd)**

DOF Assessment of Condominiums within the vicinity of Brooklyn Bridge Park for FY 2014/15 as of 1/21/2014.

Condominium Properties in the Area (FY 2014/15 as of 1/21/14)								
Address	Total Units	Year Built	Gross SF	Gross Income / SF	Pre-Tax Expense / SF	Net Operating Income / SF	Implied Cap Rate (Tax-Loaded) - Calculated by R&A	Market Value per SqFt
<b>360 FURMAN STREET*</b>								
70 WASHINGTON STREET*								
306 GOLD STREET*								
101 WILLOUGHBY STREET*								
110 LIVINGSTON STREET	299	1926	324,465	\$18.86	\$5.69	\$13.17	13.89%	\$94.81
700 PACIFIC STREET*								
1 HANSON PLACE	190	1927	206,022	\$20.46	\$6.65	\$13.81	13.65%	\$101.16
150 MYRTLE AVENUE	240	2007	202,727	\$24.05	\$7.49	\$16.56	13.25%	\$125.00
384 BRIDGE STREET*								
53 PIERREPONT STREET*								
505 COURT STREET*								
130 FLUSHING AVENUE	112	2012	254,869	\$19.55	\$9.39	\$10.16	13.78%	\$73.71
230 ASHLAND PLACE*								
343 4 AVENUE	113	2006	115,310	\$20.56	\$5.66	\$14.91	13.63%	\$109.32
205 WATER STREET*								
212 SOUTH OXFORD STREET	80	2009	110,828	\$21.06	\$8.95	\$12.11	13.57%	\$89.26
85 ADAMS STREET								
75 CLINTON STREET*	79	2006	87,554	\$22.46	\$7.26	\$15.20	13.41%	\$113.36
150 CLERMONT AVENUE								
291 UNION STREET*	52	2010	77,467	\$37.23	\$10.41	\$26.82	13.11%	\$204.50
37 BRIDGE STREET								
75 POPLAR STREET	45	1916	74,189	\$14.29	\$5.56	\$8.73	15.01%	\$58.19
53 BOERUM PLACE	56	1910	74,131	\$25.18	\$9.92	\$15.26	13.16%	\$115.94
35 UNDERHILL AVENUE	99	2003	73,232	\$29.16	\$9.44	\$19.71	13.12%	\$150.32
9 COLLEGE PLACE*	39	2005	72,356	\$16.51	\$4.81	\$11.70	14.37%	\$81.38

Source: NYC Department of Finance 2016

<http://www1.nyc.gov/site/finance/taxes/property-cooperative-and-condominium-comparables-archives.page>

\*Data Not Available

Comparable Condominium Properties Statistics (FY 2014/15)					
	Gross Income / SF	Pre-Tax Expense / SF	Net Operating Income / SF	Implied Cap Rate (Tax-Loaded) - Calculated by R&A	Market Value per SqFt
Minimum	\$14.29	\$4.81	\$8.73	13.11%	\$58.19
Maximum	\$37.23	\$10.41	\$26.82	15.01%	\$204.50
Average	\$22.45	\$7.60	\$14.85	13.66%	\$109.75
Median	\$20.81	\$7.38	\$14.36	13.60%	\$105.24

**Appendix A (Cont'd)**

DOF Assessment of Condominiums within the vicinity of Brooklyn Bridge Park for FY 2013/14 as of 1/23/2013.

Condominium Properties in the Area (FY 2013/14 as of 1/23/13)								
Address	Total Units	Year Built	Gross SF	Gross Income / SF	Pre-Tax Expense / SF	Net Operating Income / SF	Implied Cap Rate (Tax-Loaded) - Calculated by R&A	Market Value per SqFt
<b>360 FURMAN STREET</b>	<b>438</b>	<b>2008</b>	<b>628,669</b>	<b>\$24.41</b>	<b>\$8.07</b>	<b>\$16.34</b>	<b>13.24%</b>	<b>\$123.41</b>
70 WASHINGTON STREET	259	1916	375,000	\$20.42	\$8.53	\$11.89	13.68%	\$86.94
306 GOLD STREET	306	2005	271,963	\$25.53	\$7.72	\$17.81	13.15%	\$135.39
101 WILLOUGHBY STREET	251	1918	332,324	\$24.47	\$8.56	\$15.91	13.24%	\$120.21
110 LIVINGSTON STREET	299	1926	324,465	\$21.43	\$7.25	\$14.18	13.55%	\$104.68
700 PACIFIC STREET	168	2002	230,680	\$15.23	\$7.64	\$7.59	14.73%	\$51.53
1 HANSON PLACE	190	1927	206,022	\$20.55	\$6.40	\$14.15	13.66%	\$103.59
150 MYRTLE AVENUE	240	2007	202,727	\$23.41	\$7.45	\$15.96	13.34%	\$119.65
384 BRIDGE STREET*								
53 PIERREPONT STREET	189	1920	138,587	\$14.68	\$6.36	\$8.32	14.89%	\$55.86
505 COURT STREET	124	2006	133,465	\$19.31	\$6.06	\$13.25	13.83%	\$95.79
130 FLUSHING AVENUE	112	2012	254,869	\$18.57	\$8.69	\$9.88	13.96%	\$70.76
230 ASHLAND PLACE	108	2006	118,153	\$23.09	\$8.03	\$15.06	13.36%	\$112.71
343 4 AVENUE	113	2006	115,310	\$22.10	\$5.56	\$16.54	13.47%	\$122.83
205 WATER STREET	65	2010	111,522	\$22.46	\$11.02	\$11.44	13.42%	\$85.23
212 SOUTH OXFORD STREET	80	2009	110,828	\$21.34	\$8.89	\$12.45	13.55%	\$91.90
85 ADAMS STREET	79	2006	87,554	\$23.69	\$7.40	\$16.29	13.30%	\$122.47
75 CLINTON STREET*								
150 CLERMONT AVENUE*								
291 UNION STREET*								
37 BRIDGE STREET	45	1916	74,189	\$13.78	\$5.62	\$8.16	15.20%	\$53.67
75 POPLAR STREET	56	1910	74,131	\$26.52	\$10.51	\$16.01	13.13%	\$121.92
53 BOERUM PLACE	99	2003	73,232	\$26.94	\$8.48	\$18.46	13.13%	\$140.57
35 UNDERHILL AVENUE	39	2005	72,356	\$16.52	\$3.96	\$12.56	14.39%	\$87.30
9 COLLEGE PLACE	38	1923	57,303	\$18.84	\$6.62	\$12.22	13.92%	\$87.81

Source: NYC Department of Finance 2014

<http://www1.nyc.gov/site/finance/taxes/property-cooperative-and-condominium-comparables-archives.page>

\*Data Not Available

Comparable Condominium Properties Statistics (FY 2013/14)					
	Gross Income / SF	Pre-Tax Expense / SF	Net Operating Income / SF	Implied Cap Rate (Tax-Loaded) - Calculated by R&A	Market Value per SqFt
Minimum	\$13.78	\$3.96	\$7.59	13.13%	\$51.53
Maximum	\$26.94	\$11.02	\$18.46	15.20%	\$140.57
Average	\$21.11	\$7.56	\$13.55	13.72%	\$99.72
Median	\$21.43	\$7.64	\$14.15	13.55%	\$103.59

**Appendix A (Cont'd)**

Rosin & Associates has calculated the percentage change from FY 2013/14 to 2016/17 in the following table. A table of statistics follows outlining the minimum, maximum, average and median percentage changes for this data set.

<b>% Change in Assessment</b>					
<b>Address</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>	<b>FY 2015/16</b>	<b>FY 2016/17</b>	<b>Overall % change (2013/14 - 2016/17)</b>
360 FURMAN STREET	\$123.41		(\$134.42)	\$143.47	<b>16.25%</b>
70 WASHINGTON STREET	\$86.94			\$101.39	<b>16.62%</b>
306 GOLD STREET	\$135.39		(\$148.45)	\$161.00	<b>18.92%</b>
101 WILLOUGHBY STREET	\$120.21		(\$132.31)	\$147.61	<b>22.79%</b>
110 LIVINGSTON STREET	\$104.68	(\$94.81)		\$113.01	<b>7.96%</b>
700 PACIFIC STREET	\$51.53		(\$63.42)	\$74.11	<b>43.82%</b>
1 HANSON PLACE	\$103.59	(\$101.16)	(\$108.49)	\$117.56	<b>13.49%</b>
150 MYRTLE AVENUE	\$119.65	(\$125.00)	(\$143.75)	\$161.40	<b>34.89%</b>
384 BRIDGE STREET				\$246.06	N/A
53 PIERREPONT STREET	\$55.86		(\$69.99)	\$87.32	<b>56.32%</b>
505 COURT STREET	\$95.79			\$122.71	<b>28.10%</b>
130 FLUSHING AVENUE	\$70.76	(\$73.71)	(\$84.93)	\$127.76	<b>80.55%</b>
230 ASHLAND PLACE	\$112.71		(\$132.38)	\$133.06	<b>18.06%</b>
343 4 AVENUE	\$122.83	(\$109.32)	(\$124.05)	\$136.68	<b>11.28%</b>
205 WATER STREET	\$85.23		(\$154.98)	\$178.05	<b>108.91%</b>
212 SOUTH OXFORD STREET	\$91.90	(\$89.26)	(\$103.30)	\$102.89	<b>11.96%</b>
85 ADAMS STREET	\$122.47	(\$113.36)		\$154.60	<b>26.23%</b>
75 CLINTON STREET				\$158.91	N/A
150 CLERMONT AVENUE		(\$204.50)	(\$238.15)	\$250.78	N/A
291 UNION STREET				\$174.04	N/A
37 BRIDGE STREET	\$53.67	(\$58.19)	(\$65.47)	\$74.53	<b>38.87%</b>
75 POPLAR STREET	\$121.92	(\$115.94)		\$124.02	<b>1.72%</b>
53 BOERUM PLACE	\$140.57	(\$150.32)	(\$167.92)	\$192.53	<b>36.96%</b>
35 UNDERHILL AVENUE	\$87.30	(\$81.38)	(\$96.43)	\$112.26	<b>28.59%</b>
9 COLLEGE PLACE	\$87.81		(\$185.96)	\$238.69	<b>171.83%</b>

<b>Statistics</b>	
Min	1.72%
Max	171.83%
Average	37.82%
Median	26.23%

## Appendix A-1

The following hotels were used by R&A in a custom sample for this analysis which is appropriate given the target market for Brooklyn Bridge Park.

STR Travel Hotel Survey			
Hotel Name	Location	Class	# of Rooms
Four Points by Sheraton Long Island City Queensboro Bridge	Long Island City, NY	Upscale Class	88
Courtyard New York Queens Long Island City	Long Island City, NY	Upscale Class	160
Closed - Ascend Collection Verve Hotel	Long Island City, NY	Upscale Class	0
aloft Hotel Long Island City	Long Island City, NY	Upscale Class	176
Hilton Garden Inn New York Long Island City Manhattan View	Long Island City, NY	Upscale Class	183
Marriott New York @ The Brooklyn Bridge	Brooklyn, NY	Upper Upscale Class	666
Hotel Indigo Brooklyn	Brooklyn, NY	Upscale Class	128
aloft Hotel New York Brooklyn	Brooklyn, NY	Upscale Class	176
Sheraton Hotel Brooklyn New York	Brooklyn, NY	Upper Upscale Class	321
Dazzler Brooklyn	Brooklyn, NY	Upscale Class	174
Nu Hotel	Brooklyn, NY	Upscale Class	93
Condor Hotel	Brooklyn, NY	Upper Midscale Class	35
Lexington Inn Brooklyn	Brooklyn, NY	Upper Midscale Class	49
McCarren Hotel	Brooklyn, NY	Upper Upscale Class	64
Hotel Le Bleu	Brooklyn, NY	Upper Midscale Class	48
Holiday Inn Express New York Brooklyn	Brooklyn, NY	Upper Midscale Class	115
EVEN Hotels Nevins Street	Brooklyn, NY	Upscale Class	204
Ascend Collection Union Hotel	Brooklyn, NY	Upscale Class	48
Henry Norman Hotel	Brooklyn, NY	Upscale Class	52
The Box House Hotel	Brooklyn, NY	Upscale Class	55
The William Vale	Brooklyn, NY	Upscale Class	183

Source: STR Inc.

## Appendix A-1 (Cont'd)

The following hotels were used by R&A in a custom sample for this analysis which is appropriate given the target market for Brooklyn Bridge Park.

### Tab 2 - Data by Measure

Brooklyn, NY Area Selected Properties

Job Number: 741365\_SADIM Staff: KD Created: January 21, 2016

ADR (\$)															
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Dec YTD	
2011						186.41	167.18	171.90	203.30	202.18	199.20	189.13			
2012	154.86	153.79	170.24	198.81	205.23	205.54	186.49	183.62	218.98	233.42	254.65	236.14	203.53	203.53	
2013	170.27	171.12	194.79	216.38	223.46	216.45	194.53	202.16	239.41	244.50	221.76	215.79	210.31	210.31	
2014	168.60	167.78	186.66	218.06	229.68	221.22	197.92	204.92	249.02	240.89	212.61	205.79	209.87	209.87	
2015	156.52	162.85	185.52	198.50	224.36	220.65	197.23	199.35	240.33	245.94	200.13	194.46	205.34	205.34	
Avg	163.08	164.24	184.71	208.01	221.20	211.10	189.49	193.04	231.07	234.11	218.71	208.84	207.26	207.26	

RevPAR (\$)															
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Dec YTD	
2011						156.25	143.43	150.29	182.96	182.81	155.04	142.68			
2012	96.01	109.81	138.41	172.17	176.57	179.98	162.16	159.71	191.60	211.42	238.41	210.03	171.63	171.63	
2013	123.13	131.56	168.69	187.23	198.59	191.52	169.52	182.08	212.66	215.87	182.83	171.23	178.12	178.12	
2014	124.44	128.95	155.59	197.22	209.40	198.61	178.94	181.74	219.95	208.84	164.57	166.47	178.11	178.11	
2015	107.65	119.69	149.34	169.44	196.29	194.88	175.69	159.90	212.46	216.64	159.53	155.88	169.94	169.94	
Avg	113.09	122.71	153.25	181.39	195.54	185.11	166.67	166.78	204.67	207.81	179.74	169.17	174.35	174.35	

Supply															
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Dec YTD	
2011						53,430	55,211	55,211	53,430	57,195	55,350	57,195			
2012	57,195	51,660	57,195	55,350	57,195	55,350	57,195	61,163	59,190	61,163	59,190	61,163	693,009	693,009	
2013	61,163	55,244	61,163	59,190	61,163	59,190	61,163	61,163	59,190	61,163	59,190	61,163	720,145	720,145	
2014	61,163	55,244	61,163	59,190	61,163	59,190	61,163	61,163	59,190	61,163	59,190	61,163	720,145	720,145	
2015	61,163	55,244	61,163	64,680	68,448	66,240	68,448	73,842	71,460	73,842	68,850	71,145	804,525	804,525	
Avg	60,171	54,348	60,171	59,603	61,992	58,680	60,636	62,508	60,492	62,905	60,354	62,366	734,456	734,456	

Demand															
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Dec YTD	
2011						44,785	47,370	48,272	48,085	51,715	43,080	43,147			
2012	35,459	36,887	46,502	47,935	49,207	48,468	49,731	53,198	51,788	55,399	55,415	54,400	584,389	584,389	
2013	44,230	42,473	52,968	51,216	54,358	52,373	53,298	55,086	52,576	54,001	48,800	48,535	609,914	609,914	
2014	45,143	42,459	50,983	53,532	55,763	53,139	55,297	54,244	52,279	53,027	45,815	49,477	611,158	611,158	
2015	42,067	40,602	49,237	55,210	59,883	58,506	60,974	59,228	63,173	65,043	54,882	57,029	665,834	665,834	
Avg	41,725	40,605	49,923	51,973	54,803	51,454	53,334	54,006	53,580	55,837	49,598	50,518	617,824	617,824	

Source: STR Inc.

**Appendix A-2**

DOF Assessor's Tables

<b>Offices in Boroughs Outside Manhattan</b>				
<b>Downtown Brooklyn Class "A" Offices</b>				
	Low	Median	High	Effective Tax Rate
Income	\$19.10	\$27.50	\$35.90	
Expense	\$8.04	\$7.31	\$7.81	
<b>Expense Ratio</b>	<b>42%</b>	<b>27%</b>	<b>22%</b>	
Cap Rate	10.07%	10.07%	10.07%	
Approximate Market Value Range	\$75	\$137	\$191	4.645%

<b>Downtown Brooklyn Class "B" Offices</b>				
	Low	Median	High	Effective Tax Rate
Income	\$19.00	\$27.00	\$35.00	
Expense	\$7.79	\$7.72	\$8.51	
<b>Expense Ratio</b>	<b>41%</b>	<b>29%</b>	<b>24%</b>	
Cap Rate	11.32%	11.32%	10.82%	
Approximate Market Value Range	\$70	\$121	\$171	4.645%

Income = Gross Income per sq.ft.

Expense =Total Expense per sq.ft.

<b>Manhattan North of 125th Street and Boroughs Outside Manhattan</b>				
<b>One-Story and Multi-Story Retail</b>				
	Low	Median	High	Effective Tax Rate
Income	\$24.70	\$51.50	\$78.30	
Expense	\$5.64	\$9.46	\$12.90	
<b>Expense Ratio</b>	<b>23%</b>	<b>18%</b>	<b>16%</b>	
Cap Rate	11.95%	11.79%	11.79%	
Approximate Market Value Range	\$115	\$256	\$398	4.645%

<b>Mixed-Use/Miscellaneous Retail</b>				
	Low	Median	High	Effective Tax Rate
Income	\$20.20	\$37.00	\$53.80	
Expense	\$5.35	\$7.94	\$10.17	
<b>Expense Ratio</b>	<b>26%</b>	<b>21%</b>	<b>19%</b>	
Cap Rate	12.20%	12.20%	12.20%	
Approximate Market Value Range	\$88	\$173	\$259	4.645%

Income = Gross Income per sq.ft.

Expense =Total Expense per sq.ft.

Appendix A-2 (Cont'd)

Apartment Buildings with More Than 10 Units Including Rental Buildings, Cooperatives and Condominiums Residential Unregulated				
Post-1973 Elevator Condo-Coops/Condo-Rental Buildings				Manhattan
	Low	Median	High	Effective Tax Rate
Income	\$26.52	\$38.00	\$47.67	
Expense	\$11.51	\$14.44	\$16.65	
<b>Expense Ratio</b>	<b>43%</b>	<b>38%</b>	<b>35%</b>	
Cap Rate	7.20%	7.20%	7.20%	
Approximate Market Value Range	\$114	\$180	\$237	5.915%

Post-1973 Elevator Condo-Coops/Condo-Rental Buildings				Outer-boroughs
	Low	Median	High	Effective Tax Rate
Income	\$13.42	\$17.87	\$26.60	
Expense	\$7.94	\$9.77	\$13.04	
<b>Expense Ratio</b>	<b>59%</b>	<b>55%</b>	<b>49%</b>	
Cap Rate	9.41%	8.16%	7.20%	
Approximate Market Value Range	\$36	\$58	\$103	5.915%

Income = Gross Income per sq.ft.

Expense = Total Expense per sq.ft.

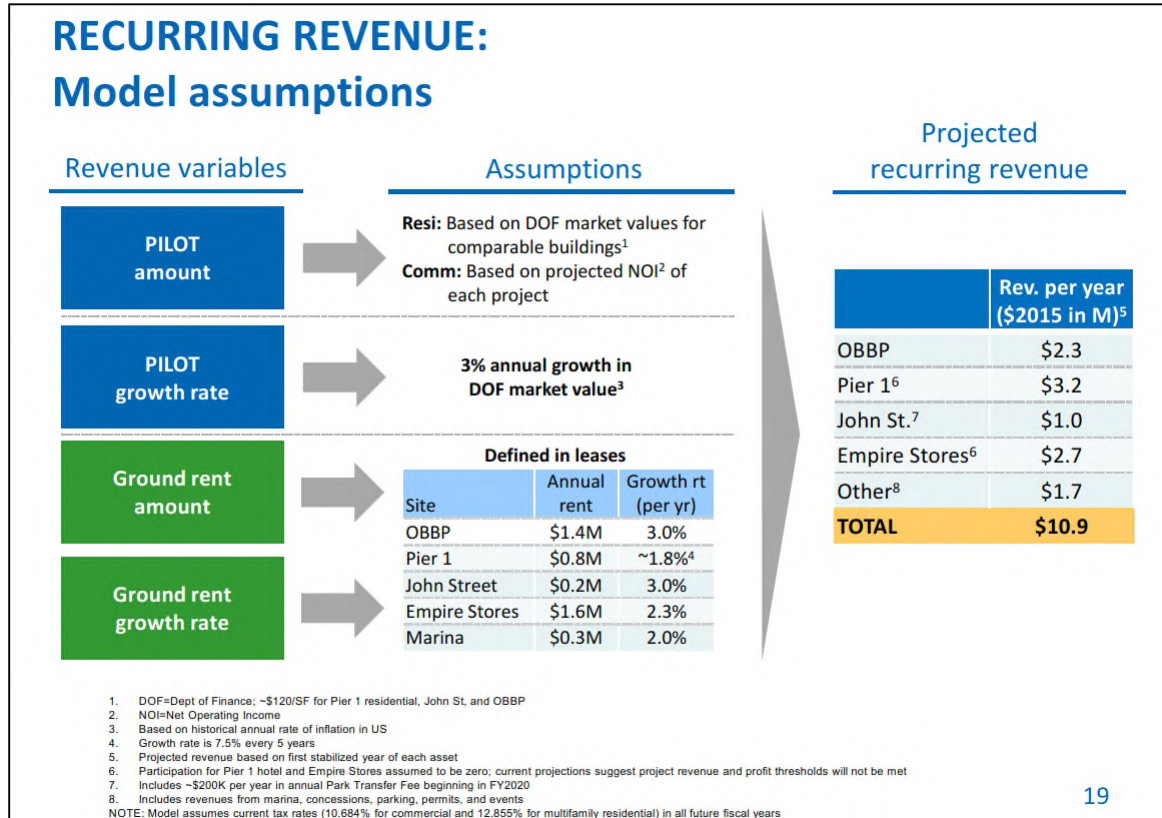
HOTELS					
Luxury & Super Luxury					
Rooms Less Than	109	Rooms Between	109 - 409	Rooms More Than	409
Typical Total Income per Room Range	\$108,104 - \$153,968	Typical Total Income per Room Range	\$90,214 - \$140,665	Typical Total Income per Room Range	\$94,250 - \$111,778
Expense Ratio	52% - 61%	Expense Ratio	56% - 65%	Expense Ratio	63% - 73%
Minimum Occupancy Rate	70%	Minimum Occupancy Rate	79%	Minimum Occupancy Rate	84%
Base Cap Rate	8.55%	Base Cap Rate	8.80%	Base Cap Rate	8.70%

Class 1					
Rooms Less Than	92	Rooms Between	92 - 295	Rooms More Than	295
Typical Total Income per Room Range	\$80,586 - \$221,139	Typical Total Income per Room Range	\$66,278 - \$117,961	Typical Total Income per Room Range	\$60,685 - \$96,657
Expense Ratio	54% - 59%	Expense Ratio	55% - 65%	Expense Ratio	61% - 70%
Minimum Occupancy Rate	73%	Minimum Occupancy Rate	79%	Minimum Occupancy Rate	83%
Base Cap Rate	9.60%	Base Cap Rate	9.50%	Base Cap Rate	9.30%

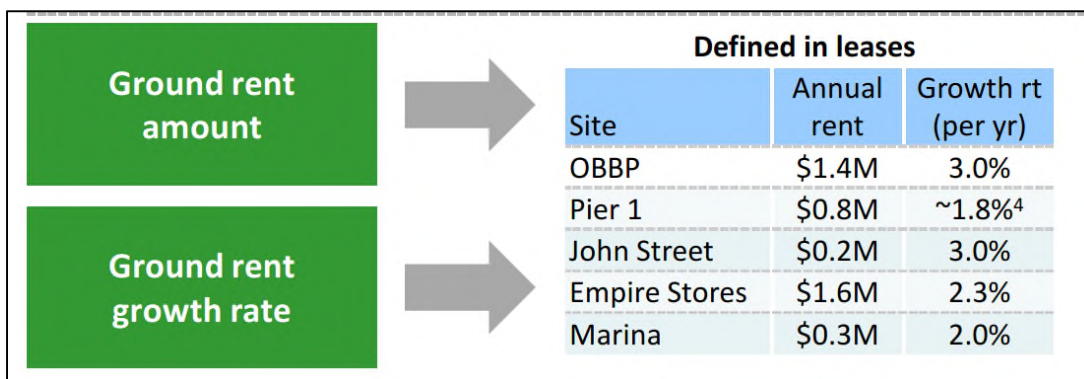


## Appendix B

Brooklyn Bridge Park Corporation: Financial Model Update, Public Presentation, July 9, 2015.



Page 19



Page 19 Inset #2

### Projected recurring revenue

	Rev. per year (\$2015 in M) <sup>5</sup>
OBBP	\$2.3
Pier 1 <sup>6</sup>	\$3.2
John St. <sup>7</sup>	\$1.0
Empire Stores <sup>6</sup>	\$2.7
Other <sup>8</sup>	\$1.7
<b>TOTAL</b>	<b>\$10.9</b>

Page 19 Inset #3

### RECURRING REVENUE: Expiration of tax abatements

	Type	Length of full abatement	Length of phase out	Abatement expires	Additional rev. to BBP at expiration (\$2015 in M) <sup>2</sup>
OBBP (residential)	J-51	10 yrs	5 yrs	2024	\$4.0
OBBP (commercial)	ICIP	15 yrs	10 yrs	2034	\$0.7
Empire Stores	ICAP	15 yrs <sup>1</sup>	10 yrs <sup>1</sup>	2042	\$1.9
Pier 1 hotel	ICAP	15 yrs	10 yrs	2042	\$1.7

NOTE: Years are fiscal years; Empire Stores and Pier 1 hotel abatements have not yet been granted, therefore abatement expirations are projections  
 1. Only applies to office space and first 10% of building's retail; all retail over 10% of total building size has a 10 year full abatement and 5 year partial abatement  
 2. All values are projections based on projected future DOF valuations; Source: BBP

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20

Page 20

## Appendix C

### *Special Considerations, Qualifications and Disclaimers*

#### *Special Considerations*

Residential condominium properties are subject to both sections 339y of the New York Real Property Tax Law Act (RPTL) and refers to Section 581: of the RPTL § 581 (2003). The appraisers will apply the appropriate market analysis so as to provide the proper assessment analysis of Brooklyn Bridge Park in accordance with this law.

#### Section 339y. Separate taxation

Basis: Real Property Tax Law (RPTL)

RPTL § 339-y.

(b) In no event shall the aggregate of the assessment of the units plus their common interests exceed the total valuation of the property were the property assessed as a parcel.

#### Section 581. Assessment of residential cooperative, condominium and rental property

Basis: Real Property Tax Law (RPTL)

RPTL § 581 (2003)

§581. Assessment of residential cooperative, condominium and rental property

1. (a) Notwithstanding any other provision of law, real property owned or leased by a cooperative corporation or on a condominium basis shall be assessed for purposes of this chapter at a sum not exceeding the assessment which would be placed upon such parcel were the parcel not owned or leased by a cooperative.

*Qualifications*

Max Rosin has extensive experience testifying in New York City on real estate assessments and tax certiorari matters. He was appointed by New York City's Law Department to assist them on more than 10 certiorari tax assessment cases and trials including Trump Tower among others.

*Professional Experience*

Since 1991, Mr. Rosin has been principal of the New York full service appraisal firm of Max Rosin and Associates, Inc. (aka Rosin & Associates). Mr. Rosin has been involved in all phases of real estate and financial appraisals in the greater New York area and across the country. His engagements have included valuations of multifamily, commercial, retail, industrial, undeveloped land and lodging facilities. Mr. Rosin's appraisal experience runs through a wide spectrum of properties, from trophy office buildings such as the Empire State Building to some single family units and vacant land. Mr. Rosin has successfully served as an expert witness on real estate valuation issues on many occasions and brings a strong track record to his client's service.

He has assisted in several due diligence projects and real estate consulting assignments. During the past year Mr. Rosin through this firm has appraised or been critically involved in the appraisal of more than sixty commercial properties in the New York and New Jersey area. In the past, he has supervised several multi-site appraisals, both for the Resolution Trust Corporation (RTC) and private clients.

Prior to establishing Rosin and Associates, Mr. Rosin was a senior appraiser in the Appraisal and Valuations Department of the Tax Division at Arthur Andersen & Co. There he was involved in the Valuation of Businesses, Real Estate, Machinery and Equipment. Rosin & Associates Valuation clients include Rialto Mortgage Capital, Ladder Finance, Investors Bank, Northfield Bank, Bank of America, Lehman Brothers, Credit Suisse First Boston, Aries Capital, Summit Bank, Fleet, HSBC, Hudson United Bank, CreditVest, Brown Harris Stevens, FDIC/Resolution Trust Corporation, Estate of Sol Goldman, ZAR Realty, Bank of America, and GRP Financial Services.

*Disclaimers*

We have conducted all services and prepared all opinions and reports with respect to the Property, in accordance with Uniform Standards of Professional Appraisal Practice (“USPAP”) adopted by the Appraisal Standards Board of the Appraisal Foundation and Title XI of the Federal Financial Institutions Reform, Recovery, and Enforcement Act (“FIRREA”). We make no other warranties, either expressed or implied, as to the character and nature of such services and product.

This assessment analysis report has been made with the following general assumptions:

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The sites are considered to be free and clear of any or all liens or encumbrances except those specifically set forth in the report.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable and has been verified to the extent feasible. However, no warranty is given for its accuracy.
5. All engineering is assumed to be correct except as otherwise noted. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
6. It is assumed that there are no hidden or unapparent conditions of the property subsoil or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
7. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the assessment analysis report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity or noncompliance has been stated, defined, and considered in the assessment analysis report.
9. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
10. It is assumed that the utilization of the land and improvements is within the boundaries of the property lines of the property described and that there is no encroachment or trespass unless noted in the report.
11. An investigation makes it reasonable to assume, for assessment analysis purposes that no insulation or other product banned by the Consumer Product Safety Commission has been introduced into the premises. The heating, electrical, plumbing and other mechanical systems have not been tested specifically, but are assumed to be in good working order unless otherwise specified.
12. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made specific compliance surveys and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the subject, together with a detailed analysis of the requirements of the ADA, could reveal that the subject is not in compliance with one or more of the requirements of the Act.

This assessment analysis is made subject to the following general limiting conditions:

1. Any estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the estimate, unless such proration or division of interests has been set forth in the report. Similarly, any estimate provided for a fractional interest shall not be construed as applying to the property in its entirety, unless such application is set forth in the report.
2. Possession of this report, or a copy thereof, does not carry with it the right of publication.
3. The consultant, by reason of this assessment analysis, is not required to give further consultation, testimony, or attend court with reference to the property in question unless arrangements have been previously made thereof.
4. It is agreed that the liability of the consultant to the client is limited to the amount of the fee paid as liquidated damages. The consultants' responsibility is limited to the client, and use of this assessment analysis by third parties shall be solely at the risk of the client and/or third parties.
5. This assessment analysis is to be used in whole and not in part. No part of it shall be used in conjunction with any other assessment analysis.
6. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media without the written consent and approval of the consultants, particularly as to estimate conclusions, the identity of the consultants or the firm with which the consultants are connected.

This assessment analysis is made subject to the following specific limiting conditions:

1. Any descriptions of building components are solely for descriptive purposes. An engineer's or architect's report is necessary if a rigorous analysis of building systems is required.
  2. Building areas were calculated on the basis of public records or available site and floor plans for the building, and measurements estimated during our site inspection. While we believe our estimates to be reasonable, we take no responsibility for their accuracy.
  3. We did not receive a Phase I environmental study on the subject property. Although the consultants noticed no evidence of environmental problems on the subject site, we take no responsibility for environmental concerns which were not evident to us at the time of this report.
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