



ST GEORGE BUSINESS DISTRICT
COMMERCIAL OFFICE COMPLEX
DEVELOPMENT PROJECT

STATEN ISLAND, NY

BAY O.Z. VENTURES II LLC



VERTUS ASSET MANAGEMENT LLC.

BAY O.Z. VENTURES II LLC

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BAY O.Z. VENTURES II LLC

Fund Details

Bay O.Z. Ventures II LLC (the “Fund”) is a qualified opportunity zone fund (a “QOF”) under IRC Section 1400Z-2 (the “Code”) raising funds to acquire commercial buildings and land for development of Class A office and Parking within the St George Business District in the North Shore of Staten Island, NY. Each Property will be acquired by purchase by a subsidiary Joint Venture that is a “qualified opportunity zone business” under the Code (each a “QOZB”) with an experienced local developer (each, a “Manager”).

The sole sponsor of the offering of limited partnership interests in the Fund is the Fund’s general partner, Galaxian Real Estate Holdings, LLC (the “General Partner”), a newly formed New York limited liability company that is controlled and majority owned by Vertus Asset Management LLC and affiliates (collectively, “VAM”) will provide the General Partner with the personnel, facilities and pipeline to enable the General Partner to serve as the Fund’s general partner.

The Fund is a Multi-Asset, diversified, specified, 10-year QOF, with a top management team having over two years of QOF management with one other successful prior project. The General Partner is obligated to cause its Management Team to be exclusive regarding QOZ eligible investments that meet the Fund’s Investment Parameters until the Fund’s investment period has expired.



VERTUS ASSET MANAGEMENT LLC.

VERTUS ASSET MANAGEMENT

Vertus Asset Management (“VAM”) is a Residential and Commercial Real Estate Investment firm that targets and executes on opportunistic and value-add Acquisition and Development strategies.

- Value-Add Acquisition – identify, acquire and renovate under valued residential, commercial and mixed-use assets to exit at appreciated market values.
- Development – acquire and assemble existing land parcels and through their extensive knowledge of zoning restrictions and ordinances, develop highest and best use projects that are in great demand and short supply in the market.



INVESTMENT OVERVIEW

Vertus Asset Management (“VAM”) is seeking \$8.0 M of equity for a ten percent stake in Bay O.Z. Fund II. The money will be used for the acquisition of property and land that will be used for the development of approx. 90K sqft of new commercial office space and parking (the “Project”) in a federally designated opportunity zone within the St George Business District in the North Shore of Staten Island.

The Project will be potentially one of only three sites that VAM is aware of that could be a qualified location that would meet the needs of a recently released RFP requiring 150K sqft of commercial office space to house various New York City agency workers in the North Shore. This mandate, if awarded to VAM, will guarantee a long-term, single tenant, triple net lease for this new commercial office space that will be guaranteed by the City of New York. There is a high probability that this mandate could be awarded to VAM.

In addition to the City of New York, VAM believes there is over 500,000 sqft of demand from other tenants for the Project as there is currently no Class A office space available in the North Shore of Staten Island. All of these potential tenants of the Project have a similar credit profile to the City of New York, as they are large non-profits like AHRC and/or Integration Charter Schools and/or hospital systems like Northwell Health and Mt. Sianai. It is VAM’s objective to pursue and negotiate a lease with one of these tenants that provides the best financial returns for the project.



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ST GEORGE BUSINESS DISTRICT AND THE NORTH SHORE

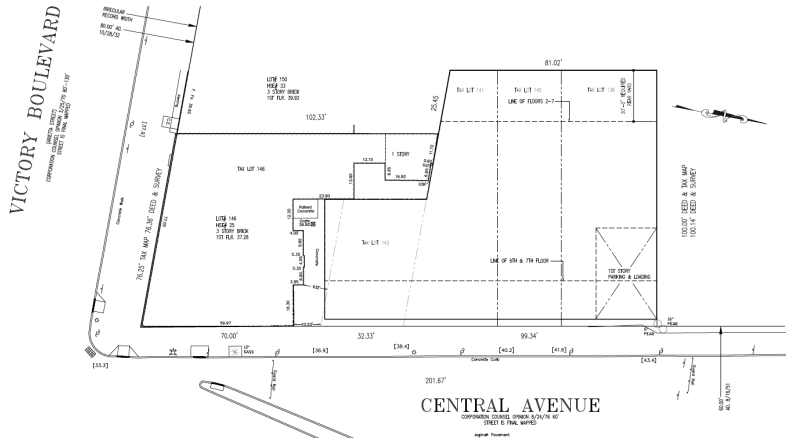


The St. George business district is located on the North Shore of Staten Island and contains the Staten Island Ferry Terminal. The district is the gateway borough for the 21 million commuters and tourists each year.

The district was officially rezoned to create the Special St. George District to promote a pedestrian community, but over the past two decades, New York City has invested million of dollars in this district. This includes the construction of Richmond County Bank Ballpark (2001), renovations of the St. George Ferry Terminal (2005), development of 17k sqft of retail space in the Ferry Terminal (2010) , and development of the 18,500 sqft for the NYC Business Solutions Center and Workforce Career Center (2010).

The City will continue to invest in the district with planned projects underway, such as the Staten Island Supreme Court Complex and Ferry Terminal Bus Ramp Rehab. A continued goal of these investments is to create commercial office space to support sustainable economic development and create parking to accommodate commuters and residents in the district.

PROJECT DETAILS



The property consists of five separate land parcels, that lie on the corner of Victory Blvd and Central Ave over 0.38 acres. A summary of the land parcels and their descriptions are below:

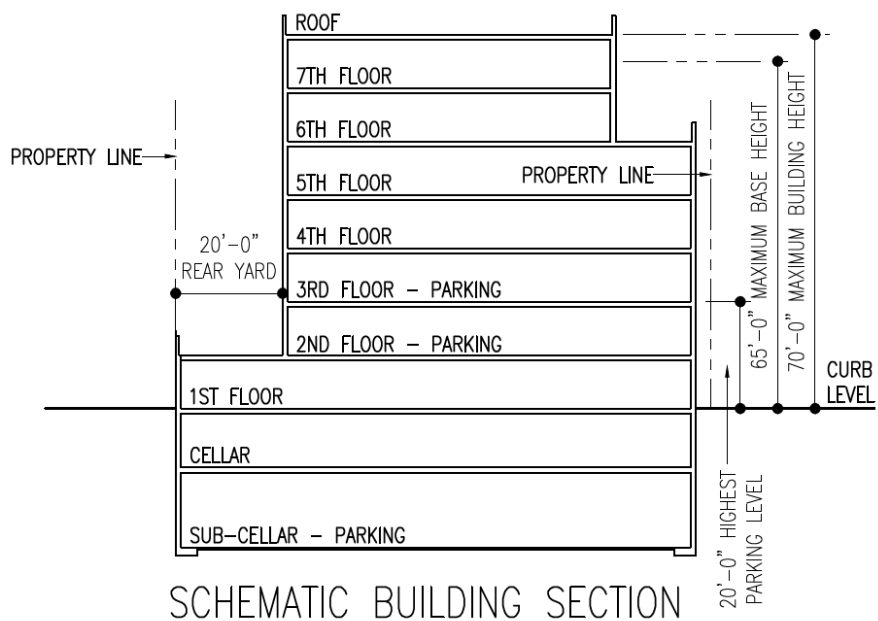
Address	Block	Lot	Lot Area	Land Type
128 Central Ave	6	138	3,757	Non-Residential Vacant Land
132 Central Ave	6	140	2,504	Non-Residential Vacant Land
134 Central Ave	6	141	2,772	Non-Residential Vacant Land
136 Central Ave	6	143	1,605	6 Family - Dwelling
25 Victory Blvd	6	146	6,081	Office Building
			16,719	

The Project is a proposed assemblage of the vacant and occupied land parcels on Central Ave. Existing zoning laws provide a FAR (Floor-to-Area) restriction of 2.2 for properties along Central Ave. The lot areas along Central Ave total 10,638 sqft, so the acceptable Project size, at first glance, is 23,204 sqft.

However, with VAM’s extensive knowledge of zoning, they knew that the FAR for a proposed development assemblage will increase to the max FAR that the assemblage lies against. Therefore, the land parcels adjacency to 25 Victory Blvd, allows for the total development assemblage to include 25 Victory Blvd and adopt its FAR restriction of 3.4. This increases the lot areas total to 16,719 sqft and increases the total acceptable size of the development assemblage to 56,845 sqft – an increase of over 23,000 sqft !



PROJECT DETAILS (CON'T)



SCHEMATIC BUILDING SECTION

Furthermore, VAM also knows the area development plan resolution in the St George Business District allows for 400 sqft of commercial development for every parking spot provided. With a planned parking deck of 169 spaces, the additional commercial development can further increase another 67,600 sqft, allowing for a total of over 124,000 sqft of commercial space – however they are projecting approx. 91,500 sqft to be conservative.

The project will also include existing commercial space in 25 Victory Blvd, which will include long-term tenants such as AHRC NYC, a non-profit dedicated to the advance of under-developed children in New York City, Taco Bell and H&R Block.

The parking deck will consist of an automated rack & rail system that will automate the parking and retrieval of cars and eliminate the need for excessive staff lowering operating expenses for the stabilized project.

NYC RFP – VAM HAS ONE OF THE FEW QUALIFIED PROJECTS THAT COMPLIES WITH THE NYCEDC RFP REQUIREMENTS

In October 2022, the New York Economic Development Corp (“NYCEDC”) issued an RFP for developers to provide proposals that would provide 150K sqft of office space for city and private workers on the North Shore.

Per the RFP, “the objective is to catalyze commercial development by leveraging the City as an anchor tenant”. NYCEDC will select the developer based on factors which includes the quality of the proposal, experience of developers, ownership status of the proposed land and size of project. And proposals must be submitted by January 12, 2023.

There are very few available sites in the North Shore sub-market that fit NYCEDC’s RFP requirements where the land is already under contract and far enough along in the planning process to meet the timing needs of NYCEDC.



<https://edc.nyc/city-agencies-revitalizing-economy-office-anchor-strategy-staten-island>

<https://www.silive.com/news/2022/10/nyc-is-seeking-developers-to-build-150k-square-feet-of-space-on-staten-island-to-house-city-offices-and-more.html>



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INTEGRATION CHARTER SCHOOLS – HAS SHOWN GREAT INTEREST IN CONSOLIDATING THEIR STATEN ISLAND OFFICE NEEDS TO THE BAY STREET ADDRESS

In December 2022, Integration Charter Schools (“ICS”) commenced discussions with VAM to occupy all of the office space being developed on Bay Street by VAM. ICS operates four Charter Schools on Staten Island. They currently occupy over 250,000 sqft of office and school space on Staten Island.

ICS is well managed capitalized and is funded by the City of New York via public funding. They receive per-pupil funding of \$17,000 per student. They also have the ability to issue revenue bonds to generate cash.

The one additional benefit leasing the space to ICS is because they are designated as a community service organization, the FAR allowed for the site would increase from 3.4 FAR to 5.0 FAR. This increase in FAR has not been incorporated into the financial model but will substantially increase the returns that have been projected if a lease with ICS is executed.



<https://integrationcharterschools.org/>

MODEL RETURNS AND ASSUMPTIONS

VAM is offering a 10% ownership interest in the overall project for a \$8.0M investment in the deal. Returns will be pari-passu with all partners and distributed accordingly. Returns are projected to generate a profit multiple of 3.1x, yielding a +18% IRR yield over a 10-year period, not accounting for tax benefits associated with capital gain exclusions from Opportunity Zone investments. Model assumptions are below:

Limited Partner	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030	12/31/2031	12/31/2032
Invested Capital	(\$5,631,395)	(\$2,142,606)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)
Less: Mgmt Fee	0	0	0	0	0	0	0	0	0	0	0
0% Pref	0	0	0	0	0	0	0	0	0	0	0
0% Pref	0	0	0	0	0	0	0	0	0	0	0
Accumulated Pref	0	0	0	0	0	0	0	0	0	0	0
Return of Capital	0	0	0	0	0	0	0	0	0	0	7,774,001
Net Return	0	0	211	231,965	8,296,522	117,221	147,319	178,033	209,458	241,826	6,707,760
Total Cashflow	(\$5,631,395)	(\$2,142,606)	\$211	\$231,965	\$8,296,522	\$117,221	\$147,319	\$178,033	\$209,458	\$241,826	\$14,481,760

IRR	18.02%
Equity Multiple	3.1x
Total Profit	\$16,130,315

CAPITAL SOURCES	
Debt	
Acquisition Financing	\$27,441,342
Total Debt	\$27,441,342
Common Equity	8,000,000
Total Common Equity	\$8,000,000
Total	\$35,441,342

CAPITAL USES		
	\$	PSE
25 Victory Remaining	\$5,250,000	\$366.19
Hard Costs	24,642,519	\$200.97
Soft Costs	4,399,086	\$35.88
Interest & Operating Shortfall	1,149,737	\$9.38
	\$35,441,342	\$258.78

Project will require:

\$5.25M to close on 25 Victory and 136 Central Ave

\$24.6M in hard costs to build 169 parking spaces at \$44.1K per space (based on actual quote) and 91,508 sqft at \$175psf

\$5.5M in soft costs and interest costs

	SOFT COSTS			
	Total	Per Unit	Per GSF	Per NSF
Legal	\$150,000	NM	\$1.64	NM
Architect	150,000	NM	\$1.64	NM
Engineering	300,000	NM	\$3.28	NM
RE Taxes	83,050	NM	\$0.91	NM
Permits	200,000	NM	\$2.19	NM
Builder's Risk	586,727	NM	\$6.41	NM
MUA Bonding	0	NM	\$0.00	NM
Utility Connection Fees	58,673	NM	\$0.64	NM
General Conditions	469,381	NM	\$5.13	NM
Gym / Common Area	100,000	NM	\$1.09	NM
Technology	91,508	NM	\$1.00	NM
Developer Fee	821,417	NM	\$8.98	NM
GC Fee	821,417	NM	\$8.98	NM
Acquisition Fee	52,500	NM	\$0.57	NM
Equity Placement Fee	225,000	NM	\$2.46	NM
Debt Placement Fee	279,825	NM	\$3.06	NM
Total Soft Costs	\$4,389,498	NM	\$47.97	NM



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MODEL RETURNS AND ASSUMPTIONS (CON'T)

BASE RENT ASSUMPTIONS

<u>Tenant</u>	<u>Space</u>	<u>SqFt</u>	<u>Term</u>	<u>Start Month</u>	<u>End Month</u>	<u>Annual Rent</u>	<u>Annual Escalation</u>	<u>Option Term</u>
AHRC - 2nd Floor	2nd Floor	4,735	5 years	9/1/2022	8/31/2023	\$146,311.50	3.00%	5 years
AHRC - 3rd Floor / Lobby	3rd Floor and Lobby	5,383	5 years	12/31/2022	6/30/2025	\$146,311.00	3.00%	5 years
Taco Bell	Former Domino / End Cap	1,556	20 years	3/31/2023	3/31/2028	\$73,910.00	0.00%	5 years
StatCare	Groud Fl Side Retail	563	MTM	12/31/2022	12/31/2023	\$30,000.00	3.00%	5 years
HR Block	31 Victory Street Address	2,100	6 years	5/1/2022	4/30/2028	\$78,540.00	3.00%	6 years
		14,337						

PARKING REVENUE ASSUMPTIONS

Parking Start Month	27
# of Month to Stabilize	3 months
Parking Stabilized Month	30
Overnight Monthly Parking Rate	\$200
Monthly Parking % of Total at Stabilized	85.00%
Monthly Parking Spaces	144
Office Monthly Parking Rate	\$200
Monthly Parking % of Total at Stabilized	30%
Monthly Parking Spaces	51
Daily Parking Rate	\$90.00
Avg Daily Parking % of Total - Stabilized	100.00%
Daily Parking Spaces Occupied	118

COMMERCIAL REVENUE ASSUMPTIONS

Commercial Start Month	35
# of Months to Stabilize	0 months
Commercial Stabilized Month	35
Commercial Base Rent PSF	\$65.00
Commercial CAM Rent PSF	\$1.53
Stabilized Vacancy Factor	5.00%

25 Victory Blvd

- Based on actual lease and/or LOI terms summarized above

Commercial Office Space

- 91,508 sqft at \$65psf, single-tenant and triple-net long-term lease backed by NYC
- \$1.53 psf CAM; parking opex attributed to office bldg.

Parking

- 85% at \$200 per month for residents
- 30% at \$200 per month for office tenants
- \$10 per hour for 70% at avg 9 hours per day



ADDITIONAL REVENUE OPPORTUNITIES

Per the RFP, New York City will provide an NYC agency to occupy the required commercial space.

NYC agencies are non-profit 501(c)3 organizations that do not have a capital budget as per their charter. As a result, any tenant improvements must be done by the landlord.

In order to payback the capital improvement cost the landlord incurs, the agency will engage in a long-term lease with the landlord and return 2x their investment over the lease period. These returns will further increase the NOI of the property, increasing its value and overall IRR.

These additional returns are not included in the base underwriting financial model and will further enhance investors total returns for the project when lease terms are finalized.



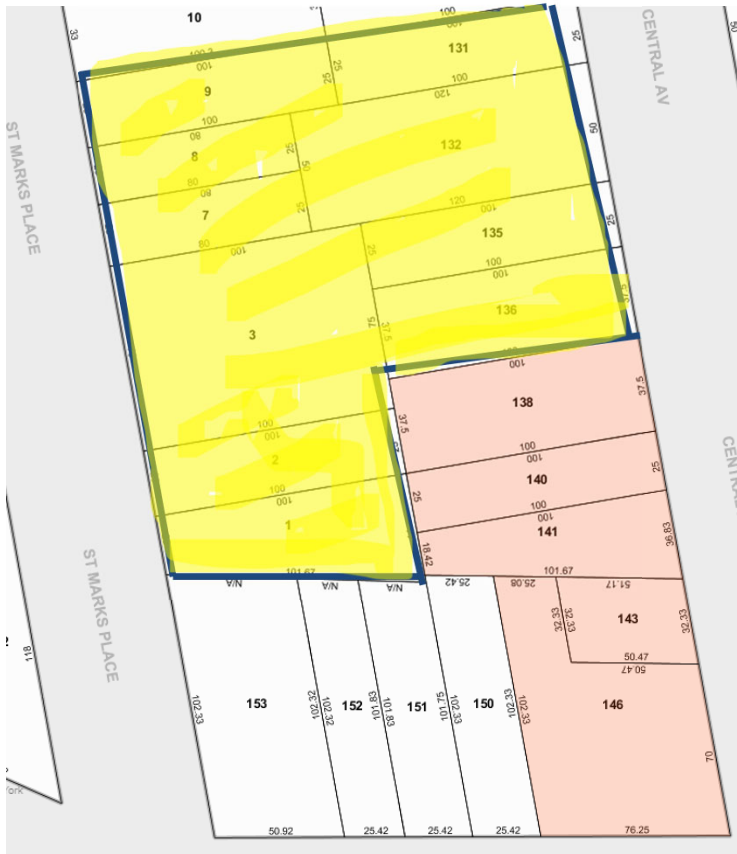
DCAS

NYC / EDC



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ADDITIONAL REVENUE OPPORTUNITIES (CON'T)



There are significant revenue and expansion opportunities in the Bay Street area. Given VAM's knowledge of the zoning ordinances for the North Shore market there will be ample room to continue growing the Fund through acquiring properties with lower FAR and integrating them with properties that have higher FAR. As well as sourcing new tenants like ICS that given their community service classification automatically qualifies any property being developed for them to a 5.0 FAR. ICS has five charters and a waiting list of 500 new students. In addition to taking all of the office space currently being planned, they are seeking an additional 100,000 sqft to grow into over the next five years.

Vertus Asset Management Team

Andy Gonchar – Chief Executive Officer and Managing Partner

After graduating from N.Y.U. Mr. Gonchar spent nearly 25 years in the financial industry. He held key positions in prestigious organizations such as CIBC Oppenheimer, Smith Barney, Shearson, Lehman Brothers and ultimately his own broker dealer MPG. In 2006 Mr. Gonchar left wall street and began building and developing. To date, including projects under development, he has been involved in over 100 hundred real estate development projects with a market value in excess of \$500,000,000 dollars.

Guy R. Pennisi – Chief Financial Officer and Managing Partner

Mr. Pennisi graduated St. John's University with a BA degree in Accounting and Finance. Mr. Pennisi has spent the last twenty years working for Pershing, Solomon Smith Barney and Tigershark Management where he was the trader for a \$250 million-dollar hedge fund. To date, including projects under development, he has been involved in over 100 hundred real estate development projects with a market value in excess of \$500,000,000 dollars.

Edward J. Rice - Chief Operations Officer and Managing Partner

Mr. Rice has over 25 years of experience in the building industry. He is the owner of American Home Building and Masonry. He has owned and operated American Home Building and Masonry for over 20 years. They provide all aspects of construction, either by self-performance or by hiring sub contractors.

He is responsible for managing the day-to-day operations of all VAM development and construction projects and he holds the following licenses and or certifications:

- General Contractor License- GC LIC # 30988
- Superintendent License- Superintendent # 22524
- OSHA certification
- Site Supervisor approved- SST licensed
- Registered with NYC DOB

American Home Building and Masonry holds the following licenses and or certifications:

- Registered with the NYC DOB
- Licensed and insured; as a GC/ SST/ superintendent
- Home improvement licensed
- BBB Licensed



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