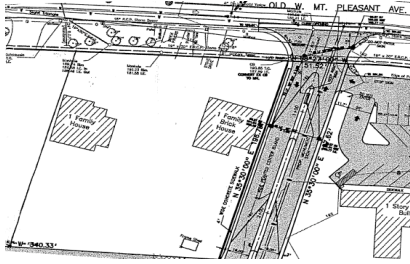


## I. CASE STUDY: CAPITAL ONE BANK



### THE PROPERTY: Located at the Western edge of town on Route 10

- Livingston is a diverse, affluent municipality with approximately 27,000 residents
- The site consists of 2 1940's era houses on approximately 1.5 acres between a boulevard entrance to a new townhome complex and similar circa houses that were converted to commercial offices in the last 10-20 years
- The property had been zoned residential with an overlay to B-1 business in the recent master plan updates., but prohibited drive through restaurants

### VISION

- To capitalize on the strong highway commercial retail market, several development scenarios were studied with ground floor retail and second floor office or residential.

### ACQUISITION

- The first house was purchased from an individual dweller at the height of the residential and commercial market in 2002. The second house was purchased from an investor a year later. The properties were rented to residential tenants up until the re-development. The rental income carried the property at break even.

### CHALLENGES: to be Solved by Developer

- Sensing that the long robust run in the commercial & residential markets would eventually soften and the fact that the site could not get a critical mass of second floor apartments, we looked at creative alternatives.
- The property was set back approximately 200 feet on Route 10, actually on a feeder or service road to Rt. 10.
- Neighboring townhome owners, while they welcomed our improving the rundown structures adjacent to their community were afraid of excessive noise and traffic and effecting their quiet entrance

### SOLUTION: Eastman redirects its plan to meet the market

- The banking industry was still on fire (pre-sub-prime bust). Retail banks were still lining up to enter affluent markets
- With our strong relationships with the commercial & construction lending side of many area banks, we approached several who were not yet properly serving the market
- After careful consideration, we chose North Fork Bank and structured a long-term ground lease for a 4,000sf bank branch. North Fork subsequently merged with Capital One Bank
- We were responsible to obtain all non-appealable development approvals, at which time we then delivered the site to the Bank
- As part of the approvals we met with the neighbors, who hired legal council to object to the project, and were satisfied with our contributions to additional buffering, and commitment to turn off signage after hours and shield other lighting

### THE BENEFITS:

- A project that will generate more than 2.5 times the tax ratable with minimal impact on municipal systems.
- Eliminate an eyesore at the western entrance of the town
- The developer was able to execute a plan with minimal out of pocket costs consisting of the acquisition (which was covered by the rentals) and the entitlement costs after which there would be no construction or leasing risk.
- The tenant begins paying rent a certain number of days after the developer delivers the site, at which time a permanent loan will be secured with a take-out all of developers costs while maintaining healthy cash flows.