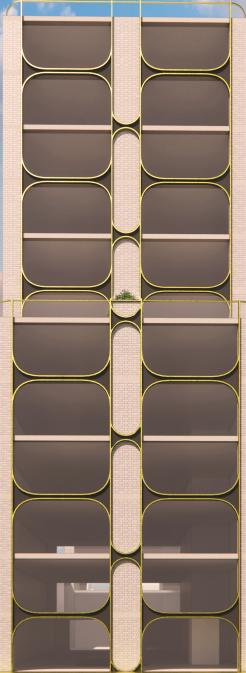
CAREM GARMON 260 west 125th street



FE

260 WEST 125 ST

2025 Capstone Deal Book/ MSRED / Yuqian Wang / yw3967

COLUMBIA



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EXECUTIVE SUMMARY

Harlem Harmony is a transformative mixed-use development at 260 West 125th Street in Central Harlem. This project reclaims and reimagines the legacy of the historic Mart 125, a oncethriving hub for entrepreneurship and culture, as a forward-looking model of inclusive urban revitalization. Situated on one of Harlem's most iconic blocks, across from the Apollo Theater and within walking distance of major cultural institutions, this 13 stories development will integrate affordable and market-rate housing, a community food market, retail spaces, cultural venues, and sustainable public infrastructure.

At its core, Harlem Harmony is a communityanchored project with a mission to address food insecurity, economic disparity, and cultural displacement in Harlem. The development prioritizes access to fresh, locally sourced food through a curated marketplace that provides low-barrier leases to BIPOC-owned small businesses, while offering dignified retail space and professional infrastructure to enable long-term business growth. Designed for both economic and social mobility, the project introduces a vendor-to-owner pipeline that empowers local residents to transition from workers to entrepreneurs within a supported ecosystem.

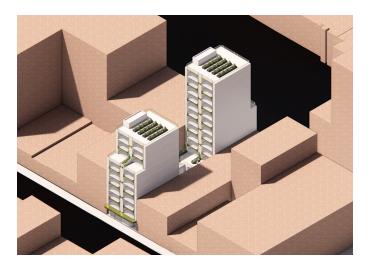
The development also honors Harlem's global cultural significance. Drawing from its proximity to the Apollo Theater and the Victoria Theater redevelopment, Harlem Harmony includes public spaces for rotating exhibitions, musical performances, and artistic expression curated in partnership with cultural institutions like the Schomburg Center and local arts organizations. The public realm will feature a vibrant pedestrian corridor, an activated outdoor plaza, and design elements that reflect the historical depth and expressive energy of Harlem.

From a design and zoning perspective, the site benefits from generous as-of-right

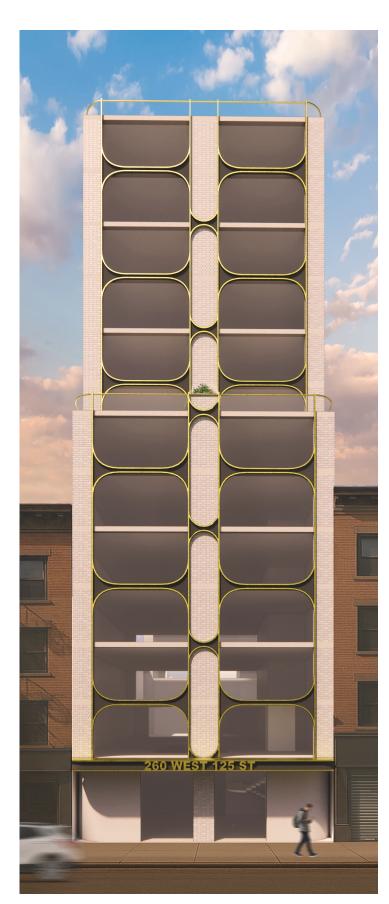
development potential under the C4-4D and C6-3 zoning designations within the 125th Street Special District. The project capitalizes on an Inclusionary Housing (IH) bonus to reach up to 9.02 FAR, enabling a diversified program across approximately 90,000–100,000 buildable square feet. The building's massing strategy respects the urban grain and is sensitively scaled to adjacent structures, while employing green roofs, biophilic courtyards, and passive environmental systems aimed at achieving LEED Gold certification.

Financially, the project targets resilient, multistream income through a blend of long-term residential leases, commercial tenancies, cultural programming, and short-term event activation. The proposed capital structure includes a 70% LTC construction loan, paired with missionaligned equity investments and potential public financing support. The project offers compelling returns while meeting ESG benchmarks and aligning with New York City's goals around affordable housing, cultural preservation, and environmental sustainability.

In summary, Harlem Harmony is not just a real estate development. It is a generational investment in Harlem's people, culture, and future, where commerce, community, and creativity converge in the service of equity and regeneration.



PROJECT LICELICE



13 Stories Mixed-Use Rental

Total RFA: **81,531** ft² Total Units: **78** Residential GFA: **59,876** ft² Commercial GFA: **15,100** ft² Cultural GFA: **10,855** ft²

Project Value: \$72.7 million Equity Multiple: 1.67x IRR Levered: 11.26% IRR Unlevered: 7.61% Yield on Cost: 10.30% DSCR: 1.25







260 west 125 street, New york, NY

Site Info:

Manhattan (Borough 1) Block 1930, Lot 55 Zoning Map: 6a Zoning Districts: C4-4D, C6-3, (special purpose district 125th street) Community District: Manhattan Community District 10 City Council District: Council District 9

Lot Info:

50ft (Front) 201.83 ft (Depth), 10,092 sq ft (Area) Lot Type: Through lot Street Type: Wide (125th st), Narrow (124th st)

C6-3 (R9 Equivalent) 45%

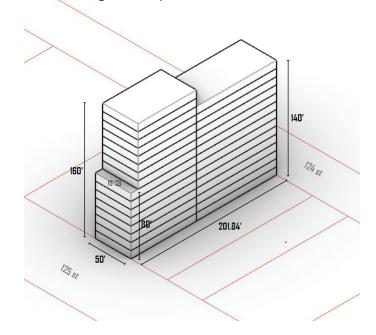
Residential FAR: 5.40 Resi (UAP): 9.02 Commercial FAR: 6.00 Base height: 60'-85' (min-max) Building height: 160' (max) IH base height: 60'-125' (min-max) IH building height: 160' (max)

C4-4D (R8A Equivalent) 55%

Residential FAR : 5.40 Resi (UAP) : 7.2 Commercial FAR : 3.40 Base height : 60'-85' (min-max) Building height : 120' (max) IH base height : 60'-105' (min-max) IH building height : 140' (max) Qualifying Ground Floor + 5' Bonus FAR: Arcade + Plaza



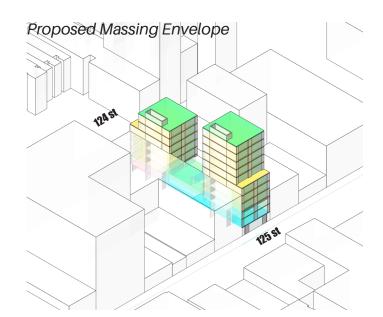
Max Zoning Envelope

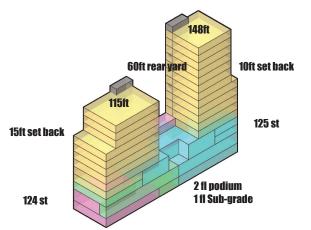


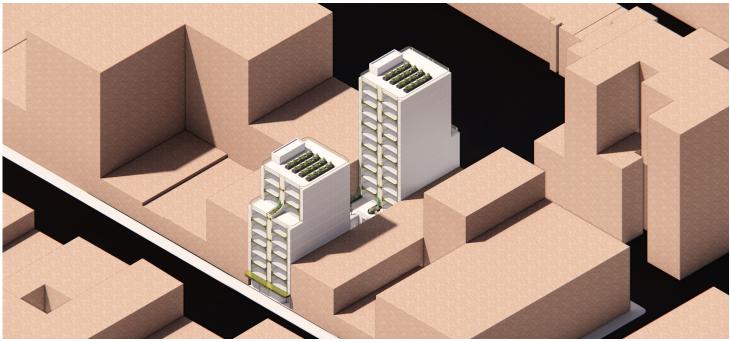
ENVELOPE MASSING

The physical characteristics of the site consist of a through-lot configuration with dual frontages on both 125th and 124th Streets. The total lot area spans approximately 10,092 square feet, with dimensions measuring 50 feet in frontage and a depth of 201.83 feet. The site's zoning falls under the C4-4D and C6-3 districts, part of the Special Purpose District along 125th Street.

The proposed massing features two residential towers atop a two-level podium and one sub-grade level. A 60foot rear-yard setback ensures optimal lighting and privacy, also enabling a central courtyard at the first and second levels that engages both public and residents.







SITE CONTEXT

The project site is located at 260 West 125th Street in the heart of Central Harlem, New York. This prime location benefits significantly from proximity to notable cultural landmarks, including the Apollo Theater, Victoria Theater, and the Studio Museum, enhancing its attractiveness and community significance. Accessibility to the site is exceptional, facilitated by immediate access to major public transportation options, specifically the ABCD subway lines at the nearby 125th Street Station.

Connectivity is a significant asset for the project. The site enjoys direct access to major arterial roads, including Adam Clayton Powell Jr. Boulevard and Frederick Douglass Boulevard. It experiences high levels of both pedestrian and vehicular traffic, enhancing its commercial viability. The robust public transportation infrastructure supports pedestrian-friendly development and integrates seamlessly with the broader community infrastructure.

Central Harlem is characterized by its vibrant and diverse community, historically rooted in African-American culture, with increasing populations of Hispanic/Latinx and White residents contributing to its dynamic demographic landscape. Recent developments in luxury residential and commercial spaces indicate ongoing revitalization and economic growth, further enhancing the site's value. The presence



of historic buildings adds depth and cultural resonance to the neighborhood, offering unique opportunities for contextually responsive design.

Key strengths of the site include its central and highly visible location, significant cultural attractions, and superior transit connectivity. However, the site faces challenges such as traffic congestion during peak hours and broader community concerns regarding housing affordability.

The development also honors Harlem's global cultural significance. Drawing from its proximity to the Apollo Theater and the Victoria Theater redevelopment, The Mart 125th includes public spaces for rotating exhibitions, musical performances, and artistic expression—curated in partnership with cultural institutions like the Schomburg Center and local arts organizations. The public realm will feature a vibrant pedestrian corridor, an activated outdoor plaza, and design elements that reflect the historical depth and expressive energy of Harlem.



URBAN ANAYSIS



Neighborhood Map and Transit

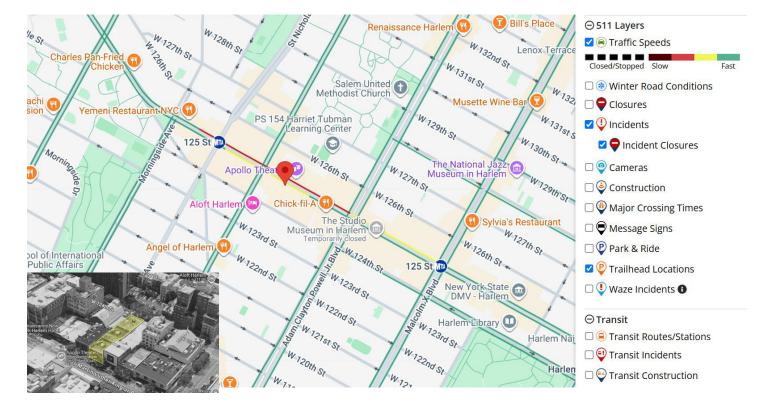
Manhattan + 10027 + Harlem + 260 W 125th St





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MARKET ANALYSIS

Central Harlem is experiencing ongoing demographic and economic transformation. While still rooted in its historic Black cultural identity, the neighborhood is growing more diverse. As of the most recent ACS estimates, Black residents make up approximately 49.9% of Central Harlem's population, with 25.1% Hispanic/Latinx and an increasing proportion of foreign-born residents (approximately 27%, up from 21.6% in 2000).

Educational attainment is improving: the percentage of adults (25+) without a high school diploma has declined from 26.3% in 2000 to 18.5% in 2023, according to estimates. Simultaneously, median household income for renters remains low at \$41,890, compared to \$129,260 for homeowners—a gap that reinforces the neighborhood's deepening housing inequality. The overall poverty rate has declined from 36.4% in 2000 to 28.2% in 2023, but the elderly poverty rate (65+) has increased slightly to 36.8%, indicating persistent vulnerabilities among seniors.

Rental affordability is a major pressure point. The median gross rent in Central Harlem has increased from \$860 in 2000 to around \$1,300 in 2023, peaking near \$1,400 in 2019. Rental vacancy rates remain low (between 4.6% and 5.1%), while the share of severely rent-burdened households rose from 24.1% in 2000 to 26.4% in 2023. Among low-income renters, 37.7% are severely rent-burdened, underscoring the need for more affordable housing options.

Investment performance remains stable. According to Avison Young and industry comparables:

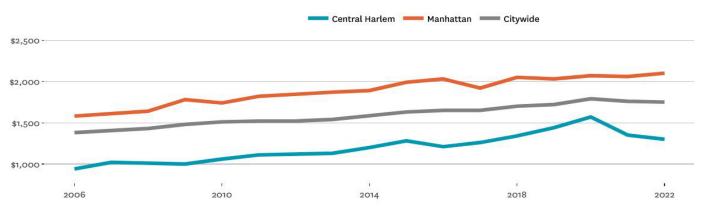
Multifamily cap rates in Central Harlem average
5.48%

• Retail assets trade at cap rates between 6.0% and 6.5%

• A projected stabilized cap rate of 5.5–6.5% for Harlem Harmony aligns with these market benchmarks

Further upside potential exists through zoning incentives. Central Harlem benefits from the Special 125th Street District and Inclusionary Housing (IH) bonuses, which can increase residential FAR from 5.4 to as high as 9.0+ when affordability requirements are met. These mechanisms support the project's financing strategy and public impact goals.

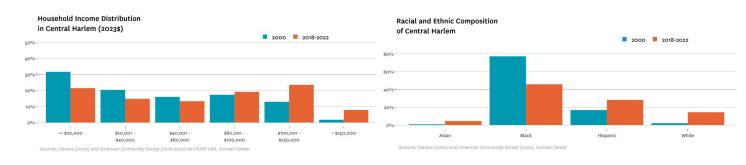
In summary, Harlem Harmony enters a market marked by demographic diversification, economic uplift, and constrained housing supply. Its emphasis on affordability, cultural programming, and mixed-use density positions it to meet both community needs and investor expectations in a maturing Harlem market.



Real Median Gross Rent 2006 - 2022 (2023\$)

Sources: American Community Survey, NYU Furman Center

DEMOGRAPHICS



Indicator	2000	2006	2010	2019	2021	2022	2023
Population							
Born in New York State		57.6%	57.5%	58.5%	52.4%	54.1%	
Disabled population			11.8%	10.6%	11.8%	10.8%	
Foreign-born population	17.8%	20.8%	19.7%	20.5%	23.4%	26.5%	
Population	109,091	118,143	126,558	136,351	128,792	138,953	
Population aged 65+	11.3%	10.3%	10.5%	11.9%	13.6%	12.2%	
Households							
Households with children under 18 years old	34.0%	32.5%	27.8%	22.8%	23.4%	21.9%	
Single-person households		46.9%	41.5%	42.7%	45.7%	45.3%	
Race and Ethnicity		_			-	_	
Percent Asian	0.8%	2.3%	3.5%	3.6%	3.9%	4.5%	
Percent Black	77.3%	69.5%	58.6%	54.3%	44.2%	45.8%	
Percent Hispanic	16.8%	18.4%	23.6%	23.6%	27.0%	28.2%	
Percent White	2.1%	6.8%	11.8%	15.5%	17.5%	14.4%	
Racial diversity index	0.37	0.48	0.59	0.62	0.70	0.69	
Income, Poverty and Ownership							
Income diversity ratio		7.5	7.5	8.9	8.3	9.2	
Homeownership rate	6.6%	12.2%	13.4%	14.0%	15.5%	13.4%	
Median household income (2023\$)	\$38,930	\$39,400	\$47,240	\$63,590	\$49,820	\$51,990	
Median household income, homeowners (2023\$)		\$131,470	\$148,520	\$151,190	\$140,870	\$129,260	
Median household income, renters (2023\$)		\$35,170	\$42,020	\$58,130	\$41,030	\$41,890	
Poverty rate	36.4%	28.7%	28.1%	20.1%	28.4%	28.2%	
Poverty rate, population aged 65+		34.0%	27.5%	25.2%	36.8%	28.8%	
Poverty rate, population under 18 years old		33.7%	35.8%	26.4%	35.5%	26.8%	
Labor Market		_	_		_	_	
Labor force participation rate		60.7%	56.8%	69.0%	64.5%	60.3%	
Population aged 25+ without a high school diploma		26.3%	21.1%	13.9%	16.0%	18.5%	
Unemployment rate	18.6%	13.4%	15.9%	8.7%	15.9%	10.5%	

1.Majority Black population (50%) with rising diversity 2.Median renter income: \$41,890 vs. homeowner: \$129,260

3.Poverty rate: Down to 28.2% (2023); higher among seniors

4.Unemployment: Dropped to 10.5%

5.Improved education: 18.5% without high school diploma (down from 26.3%)



DEVELOPMENT GOMPARABLES

1. Victoria Theater Redevelopment

Location: 233 West 125th Street Developers: Lam Group & Exact Capital Program: 27-story tower with 191 rental units (103 affordable), a 210-room Renaissance hotel, retail, and two black-box theaters operated by the Apollo Theater Key Features: Restoration of historic theater façade and lobby; tallest building in Harlem at 300 feet Status: Completed in 2023

2. 300 West (300 W 122nd Street)

Location: 300 West 122nd Street Developer: Happy Living Development Architect: Isaac & Stern Architects Program: 13-story condominium with 170 units; ground-floor retail Key Features: Blend of traditional and modern design elements; amenities include rooftop terrace and fitness center Status: Completed in 2020

3. 54-62 West 125th Street

Location: 54–62 West 125th Street Developer: Jay Group Architect: JFA

Program: 17-story mixed-use building with 141 residential units (30% affordable) and ground-floor retail

Key Features: Inclusionary Housing zoning; amenities include gym, lounge, and rooftop terraces

Status: Under construction

4. The Smile

Location: 158 East 126th Street Developer: Blumenfeld Development Group Architect: Bjarke Ingels Group (BIG) Program: 11-story rental building with 233 units (approximately 30% affordable) Key Features: Distinctive curved façade; amenities include rooftop pool, fitness center, and lounge Status: Completed in 2020









IIGHEST AND BEST USE

The redevelopment of 260 West 125th Street, formerly the site of Mart 125, has been evaluated across the four criteria of highest and best use: legal permissibility, physical possibility, financial feasibility, and maximum productivity. The proposed Harlem Harmony development emerges as the most effective and contextually appropriate use of the site, balancing cultural legacy, community benefit, and economic return.

Zoned C4-4D and C6-3 within the 125th Street Special Purpose District, the site supports mixed-use development including residential, commercial, and cultural uses. Through the Inclusionary Housing (IH) program, the project can access an increased FAR by including affordable housing, making the proposed scale legally and strategically aligned. The site is a 10,092 sq ft through-lot spanning 125th and 124th Streets, with dual street frontage and a depth of over 200 feet. With zoning allowing a building height of up to 160 feet, and adjacency to major cultural landmarks and public transit (ABCD subway lines), the site physically supports a vertically integrated development of the proposed scale and programmatic diversity.

The Harlem Harmony program is structured to deliver multiple income-generating uses within a dense, mid-rise footprint. The residential component benefits from increased unit count through affordable housing bonuses, improving the financial viability of the project. Retail frontage along 125th Street enhances the potential for strong lease-up by missionaligned tenants (e.g., local food vendors, social enterprises), while cultural components—such as the jazz club and performance center—are expected to be supported through public-private partnerships and philanthropic programming models.

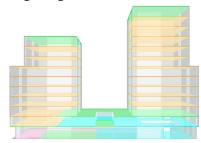
The capital structure anticipates a total development cost of approximately \$58.6 million,

supported by a 70% LTC construction loan and 70% LTV refinancing. The financial model projects a levered IRR of ~17% and an unlevered IRR of ~9.5%, with a target stabilized cap rate of 5.5–6.5%. These figures are competitive within the Central Harlem market, which continues to attract investment due to transit accessibility, cultural identity, and unmet demand for mixedincome housing.

Furthermore, the cultural and community uses are not cost centers—they are economic multipliers. The presence of vibrant ground-floor programming attracts foot traffic, increases the appeal of upper-level housing, and enhances long-term leasing value for both residential and commercial tenants.

The Harlem Harmony program delivers a layered mix of residential, commercial, and civic space designed to serve both economic and social goals. The residential towers include affordable, workforce, and market-rate housing, creating cross-subsidies and maximizing unit count within the allowable FAR. The podium features a market hall for local vendors, a jazz club and performance space, and a community art gallery—programs that align with Harlem's cultural fabric while generating economic activity and public benefit.

Design strategies such as a central courtyard, balcony gardens, and green roofs contribute to environmental resilience and community cohesion. Together, these elements create a development that is not only profitable but also equitable, rooted in place, and responsive to long-standing neighborhood needs.



PROJECT TIMELINE

2026 Q1 - Q2 (Pre-Development)

Secure final site control and complete acquisition agreements Update market feasibility and demand analysis Confirm zoning bonus eligibility through the Inclusionary Housing Program Conduct initial community board presentations and stakeholder meetings Advance schematic design and sustainability goals (e.g., LEED, green roof planning)

2026 Q3 - Q4 (Design & Entitlements)

Complete design development and prepare DOB permit submissions Finalize affordable housing mix and unit breakdown for FAR increase Submit for building permits and environmental review (as required) Close term sheets for equity and construction financing Coordinate with cultural and commercial partners (e.g., jazz venue, gallery)

2027 Q1 - Q2 (Financing & Permitting)

Close on construction loan (~70% LTC) Obtain building permits and contractor mobilization approvals Finalize construction logistics and staging plans Enter into retail and community-space pre-leases

2027 Q3 - 2028 Q4 (Construction)

Q3 2027: Groundbreaking, site preparation, and foundation work Q1 2028: Podium and structural cores begin vertical construction Q2-Q4 2028: Towers rise; install building envelope, windows, and roofing Green roofs, balcony gardens, and courtyard structure completed

2029 Q1 - Q4 (Lease-Up & Stabilization)

Launch residential and commercial leasing campaigns Prioritize Harlem-based vendors for the market hall Achieve 90% occupancy across all uses Refinance into permanent loan (~70% LTV); target DSCR 1.25 Begin activation of jazz club, gallery, and performance programming













Environmental (E)

1. Green Infrastructure: Incorporation of green roofs, balcony gardens, and a landscaped central courtyard to improve urban ecology and manage stormwater.

2. Sustainable Design Practices: Use of environmentally conscious materials and energyefficient systems; project aims to meet LEED standards.

3. Transit-Oriented Development: Located adjacent to the ABCD subway lines, reducing reliance on private vehicles and lowering emissions.

Social (S)

 Affordable & Workforce Housing: Targeting 20% of units as affordable/workforce to support income diversity and prevent displacement.
Community Empowerment: Market Hall leased to local Harlem vendors through partnerships with NGOs like Street Heroes to lower barriers for small business.

3.Cultural Revitalization: Programming includes a jazz club, performance space, and gallery celebrating Black artistry and Harlem's cultural history.

4. Health & Nutrition Access: Emphasis on fresh and locally sourced food vendors as anchor tenants to promote public health in foodinsecure areas.

Governance (G)

 Transparent Financing: Clear GP/LP structure with tiered hurdle rates (7% preferred return), aligning interests across stakeholders.
Public-Private Coordination: Ground lease or subsidy structures coordinated with city agencies to guarantee affordability compliance.
Equitable Development Oversight: Regular community board updates and advisory input to ensure inclusive neighborhood engagement.
Long-Term Stewardship: ESG metrics incorporated into annual project reporting for monitoring of social and environmental impacts.

Target Outcomes:

1. GHG Emissions - 20% below NYC code baseline

2. Affordable Units ~20% of total units (UAP)

3. Local Vendor Participation 60%+ of Market Hall tenants from Harlem Community

4.Jobs 25%+ construction & ops from local labor

5. Cultural Events - 3+ exhibitions/ performances per month



DESIGN MISION





EXTERIOR







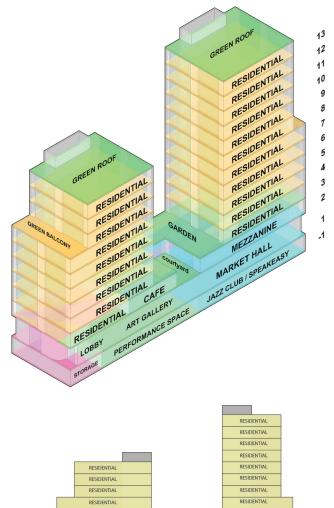


STAGENICE DIAGRAMS

The design of Harlem Harmony is rooted in honoring the cultural legacy of Mart 125 while reimagining it as a vibrant, inclusive destination for community life. At its core, the project channels Harlem's artistic spirit through a subterranean jazz club and performance space, evoking the neighborhood's storied musical past. Above, a dynamic market hall revives the original Mart 125's essence by prioritizing local vendors and fostering economic opportunity from within the community. A multifunctional art gallery and performance center further anchors the development as a cultural hub, offering interactive experiences that celebrate Black creativity and heritage.

Above the podium, two residential towers introduce a mix of affordable, workforce, and market-rate units, expanding access to highquality housing in Central Harlem. These homes are designed around principles of daylight, privacy, and well-being, with many units opening onto courtyard that provides light, air, and social connectivity. Balcony gardens and green roofs extend the landscape vertically, creating microclimates for relaxation, reflection, and sustainable living.

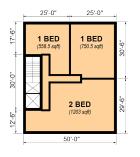
Together, these spaces form a design language that is celebratory, grounded, and resilient paying tribute to Harlem's past while cultivating a sustainable and socially rich future.



	RES	SIDENTIAL						RESIC	ENTIAL			
	RES	SIDENTIAL						RESIC	ENTIAL			
	RES	SIDENTIAL						RESIC	ENTIAL			
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	RES	SIDENTIAL						RESID	ENTIAL			
	RES	SIDENTIAL			AME	NITY		RESID	ENTIAL			
	RES	SIDENTIAL	COMMER	CIAL	сомм	EDCIAL		MMERCIAL	COMMERC	IAL		
125 ST	COMMU	NITY	COMME	ICIAL	COMIN	ERCIAL	0	VIMENCIAL	COMMERC	IAL	124 ST	
	c	OMMUNITY						COMMERCIAL			 -	
												_

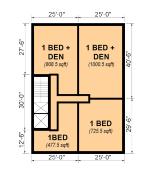
Floor	Resi Lobb	Storage	Studio	1B	1B+Den	2B	Jazz Club	Market	Art gallery	Performance He	ight (ft)
-1		1375					4500			4175	15
1	4020							3850	2180		15
2					2100			6950			11
3			936	1376	3762						11
4			936	1376	3762						11
5			936	1376	3762						11
6			936	1376	3762						11
7			936	1376	3762						11
8			458.5	4365.5							11
9			458.5	4365.5							11
10			458.5	4365.5							11
11			477.5	2034.5							11
12			477.5	2035.5							11
13			477.5	2036.5							11
Total Area (ft2)	4020	1375	7488	26083	20910	0	4500	10800	2180	4175	162

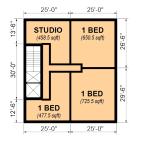






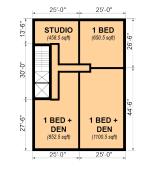




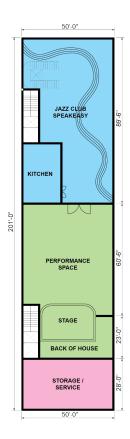


8-10 FL

50'-0"

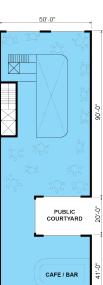


3-7 FL



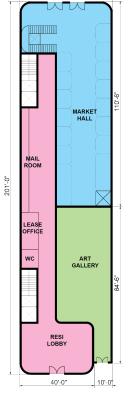
13 FL

Unit mix: Studios (20%) 1Beds (55%) 1Bed with Den (25%)



201'-0"

11-13 FL





1 BED

25'-0

50'-0

1 BED + DEN (1220 sqft)

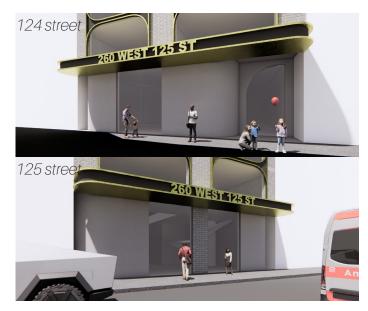
SITE PLAN

Given the site's position on both West 125th Street (a wide, high-traffic commercial corridor) and West 124th Street (a narrower, quieter residential street), the design strategically separates access points for different users:

Commercial & Public Access (125th Street): The building's public-facing amenities market hall, jazz club, gallery, and performance center—are accessed from 125th Street. This frontage aligns with high foot traffic, retail exposure, and transit access, making it ideal for vibrant commercial and cultural activity. It also ensures that public and vendor operations are concentrated on a corridor already primed for street-level activity.

Residential & Gallery Access (124th Street): A dedicated residential entrance is positioned on West 124th Street, away from the heavier pedestrian and commercial traffic. This not only provides a quieter, safer entry point for residents but also enhances privacy, minimizes conflict between uses, and supports a sense of domestic scale and comfort.

This separation mitigates operational conflicts, improves building security, and aligns with best practices for mixed-use urban development.





RENDERS

Resident Courtyard

Roof Garden



FINANGELL SUMMARY

FINANCIAL HIGHLIGHTS

7.61%

1.67x

Harlem Harmony is a mixed-use development designed to deliver strong financial returns while fulfilling community, cultural, and ESG objectives. The project's financial plan is grounded in a balanced capital structure, conservative underwriting assumptions, and sensitivity-tested exit strategies.

The total development cost is projected at \$45.8 million, funded through a 70% loan and 30% sponsor equity. Equity contributions are divided between a General Partner (10%) and Limited Partners (90%). Upon stabilization, the project is expected to refinance with a \$68.8 million permanent loan at a 70% loan-to-value (LTV) and a 1.25 debt service coverage ratio (DSCR).

The project achieves a base case levered internal

10.30%

YIELD ON COST

11.26% LEVERED IRR

rate of return (IRR) of approximately 7.61%, with an levered IRR of 11.26%, and a yield on cost of 10.30%. The projected equity multiple is 1.67x over a 10-year hold period.

Sensitivity testing indicates strong resilience to market fluctuations. A faster leaseup, accelerated construction, or cap rate compression materially improves returns, while downside scenarios—such as delayed absorption or rising cap rates—reduce IRR but remain within feasible risk tolerances.

Overall, Harlem Harmony offers a compelling investment opportunity that balances strong financial performance with lasting neighborhood impact through housing affordability, cultural activation, and sustainable design.

Sources		Uses		Return Metrics	
Equity	\$18,581,283.00	Land Purchase Price	\$4,716,000.00	Unlevered IRR	7.61%
Loan	\$27,258,966.00	Hard Costs	\$32,451,150.00	Yield on Cost	10.30%
	•	Soft Costs	\$6,490,230.00	EM	1.67x
		Development Fees	\$2,182,869.00	Lowest CF at year 2 and 3	\$21,516,821.45
				Levered IRR	11.26%
Total Sources	\$45,840,249.00	Total Uses	\$45,840,249.00	Total Budget required	\$45,925,621.90

GAPITAL STRUGTURE

The Harlem Harmony development is financed through a conventional equity and debt structure designed to balance risk, maintain flexibility, and ensure sufficient capital throughout the project lifecycle.

The total development cost is approximately \$58.6 million. To fund construction, the project will utilize a 70% loan-to-cost (LTC) construction loan, amounting to \$41.0 million, with the remaining 30%, or \$17.6 million, funded through sponsor equity contributions.

Of the equity portion, 90% will be provided by Limited Partners (LPs) and 10% by the General Partner (GP). This structure aligns investor interests while limiting overexposure to leverage.

1/0

70% \$27,258,966.00

70% \$40.494.311.62

\$27,258,966.00

\$1,635,537.96

3.00

6.0%

Construction Loan

Construction Loan

LTC

LTV

Loan Term

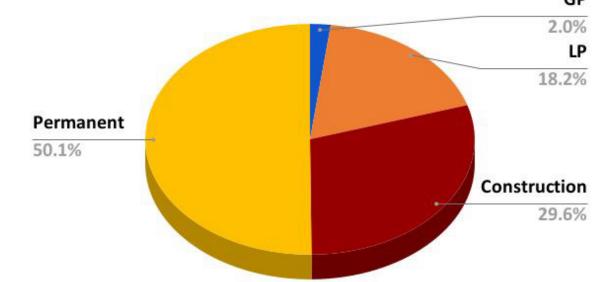
Interest rate

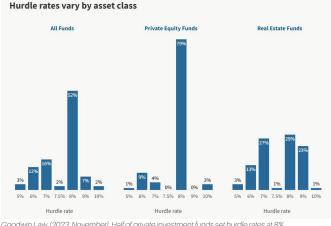
Cons Loan D/S

Upon stabilization, the project is projected to be refinanced with a permanent loan of approximately \$68.8 million, structured at a 70% loan-to-value (LTV) ratio. This refinance assumes a Debt Service Coverage Ratio (DSCR) of 1.25, ensuring sustainable debt servicing based on projected net operating income. Interest rates are modeled at 7.00% for residential and 6.88% for commercial components.

The capital structure provides a balanced approach that supports development through construction while offering flexibility at exit, either via asset sale or refinancing, depending on market conditions.

Permanent Loan		
Stabilized NOI		\$4,338,676.25
Amort		30
Interest rate		7.00%
Cap rate		7.50%
Capitalized Value		\$57,849,016.60
DSCR	1.25	\$43,475,724.97
Permanent Loan		\$43,475,724.97
Perm Loan D/S		\$3,470,941.00
LTC		95%
LTV		75%





Goodwin Law (2023, November). Half of private investment funds set hurdle rates at 8%. https://www.goodwinlaw.com/en/insightspublications/2023/11/ insights-otherindustries-pif-half-of-private-investment-funds-set-hurdle-rates

The waterfall structure for Harlem Harmony is a tiered distribution model that effectively aligns investor protections with sponsor incentives. Limited Partners (LPs) are prioritized through an 8% preferred return hurdle in Tier I, ensuring early cash flows go toward capital recovery and risk mitigation. This structure enhances fundraising appeal by offering LPs downside protection. Once this hurdle is met, Tier II introduces a 12% IRR benchmark, beyond which the General Partner (GP) begins to participate in promote distributions.

In Tier III, excess profits are split 54% to LPs, 10% to the GP's equity, and 36% to the GP as promote. This arrangement encourages strong project execution by rewarding the sponsor only after key investor thresholds are achieved. The structure balances disciplined risk management with meaningful upside, resulting in a 25.5% IRR for the GP in the base case scenario. It is well-calibrated for institutional capital, emphasizing performance accountability while maintaining flexibility for market fluctuations.



	Hurdle	GP	LP	GP Promote	Promote %
Tier I (up to Hurdle I)	8.00%	10.00%	90.00%	0.00%	0.00%
Tier II (from Hurdle I up to Hurdle 2)	12.00%	10.00%	72.00%	18.00%	20.00%
Tier III (Above Hurdle 2)		10.00%	54.00%	36.00%	40.00%

	IRR
Cashflow	9.10%
Capital Contributions	%
LP	90.00%
GP	10.00%
Tier I	
LD.	
<u>LP</u>	
Beginning Balance	<u>Hurdle</u>
Preferred Return Due	8.00%
Capital Contribution	
Tier I Distributions	
Ending Balance	
Ending Balance	
	<u>Check</u>
LP Cashflow	7.70%
GP	
Capital Contributions	
Tier I Distributions	
	<u>Check</u>
GP Cashflow	7.70%
Total	
Total Tier I Distribution	
Total Tier I Distribution	S
Cashflow After Tier I Di	stributions
Tier II	
LP	
Beginning Balance	Hurdle
Preferred Return Due	12.00%
Capital Contributions	
Tier I Distributions	
Tier II Distributions	
Ending Balance	
	<u>Check</u>
LP Cashflow	-13.40%
GP	
Tier II Distributions	
Tier II Promote	
	IRR
GP Cashflow	-22.70%
	2217070
Tatal	
<u>Total</u>	
Total Tier II Distribution	ns + Promote
Cashflow After Tier II D	listributions
Tier III	
	<u>0</u> /
	<u>%</u>
LP Distributions	54.00%
GP Distributions	10.00%
GP Promote Distributio	ns 36.00%
Total Tier III Distributio	nc
	IRR
LP Cashflow	6.10%
GP Cashflow	25.50%
Total Cashflow	9.10%
Total Cashillow	9.10%

RISK METERSON

1. Absorption Rate Sensitivity

A faster lease-up (20% improvement) increases IRR from 12.00% to 12.67%, while a slower leaseup (20% delay) reduces it to 11.22%. The effect is moderate but significant, especially early in the hold period.

Interpretation: Velocity of absorption influences how quickly the project generates stabilized income, which affects cash flow timing and reinvestment potential.

Investor Risk: Extended lease-up increases holding costs and delays cash returns, particularly impacting short-term IRR targets.

2. Development Timeline Sensitivity

A 20% construction delay (e.g., from 24 to ~29 months) drops IRR to 10.95%, while a 20% acceleration lifts IRR to 13.42%. Interpretation: IRR is very time-sensitive. Delays mean higher financing costs, extended exposure to construction risk, and deferred revenue. Investor Risk: Extended timeline increases capital at risk and erodes returns, especially for limited partners expecting cash flow by a target year.

3. Exit Cap Rate Sensitivity

IRR increases to 14.35% with a 20% cap rate compression (e.g., 5.0% to 4.0%), and drops to 10.37% with a 20% cap rate expansion (5.0% to 6.0%).

Interpretation: This is the most sensitive variable in the model. Since the majority of value is realized at exit, changes in investor sentiment or interest rates significantly affect equity returns. Investor Risk: A macro-driven rise in cap rates due to inflation, interest rate hikes, or recession can substantially reduce terminal value. Change (%) Absorption Rate Development Exit Cap Rate IRR

3- (,	IRR	Timeline IRR	
-20%	11.22%	13.42%	14.35%
-10%	11.63%	12.65%	13.06%
0%	12.00%	12.00%	12.00%
10%	12.35%	11.44%	11.12%
20%	12.67%	10.95%	10.37%

Primary Exit Strategy: Stabilized Asset Sale (Year 10)

Sell the fully leased, stabilized mixed-use asset at market cap rate

Target stabilized cap rate of 5.5%–6.0%, yielding strong returns on equity

Utilize cultural programming and ESG credentials to command premium pricing

Time disposition to align with favorable market cycles (e.g., low interest rate environments)

Alternate Exit Options to Mitigate Risk 1. Refinance & Hold

If cap rates rise or market conditions weaken at Year 10:

Refinance into permanent debt at 70% LTV Return capital to LPs via cash-out refinancing Hold long-term with stabilized cash flow and rent escalations

Benefit: De-risk exit timing, continue income generation, and preserve upside

2. Partial Condo Conversion

Consider stratifying ownership: Sell residential or commercial condo components separately Retain long-term ownership of cultural or income-generating ground-floor uses Benefit: Unlock value in tranches while keeping long-term stake in high-performing assets

3. REIT or Institutional Takeout

Position the stabilized project as a prime candidate for acquisition by: Affordable housing-focused REITs ESG-aligned institutional investors Benefit: Broader buyer pool with appetite for long-term, stabilized community assets

Key Risk Mitigation Measures

GMP Contracting: Lock in construction cost via Guaranteed Maximum Price agreements Pre-Leasing Strategy: Begin leasing 6–9 months prior to completion; incentivize anchor tenants early

Reserves & Contingencies: Maintain capital reserves for delays, lease-up incentives, and interest rate volatility

Phased Exit Flexibility: Consider exiting in phases or holding strategic components (e.g., retail/cultural space)

	1	Residential	100%	100%	100%	50%	5%	5%	5%	5%	5%	5%	5%	5%
	Vacancy	Commercial	100%	100%	100%	50%	0%	0%	0%	0%	0%	0%	0%	09
		Cultural/Community	100%	100%	100%	50%	50%	50%	50%	50%	50%	50%	50%	50%
	Total Amount	Loan Applicable		Construction Loan Predevelopment					ŀ	Permanent Loan Stabilization				
	Total Amount	Phases %/Amount/Duration	Now	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Residential		- MAINOUNT DURATION	Now	TCUT 1	TCur 2	Tear 5	rear 4	Tears	rear o	Tour 7	Tear o	Tears	100110	i i cui 11
Revenue		3%	\$3,071,184.00	\$3,163,319.52	\$3,258,219.11	\$3,355,965.68	\$3,456,644.65	\$3,560,343.99	\$3,667,154.31	\$3,777,168.94	\$3,890,484.01	\$4,007,198.53	\$4,127,414.48	\$4,251,236.92
Vacancy			(\$3,071,184.00)	(\$3,163,319.52)	(\$3,258,219.11)	(\$1,677,982.84)	(\$172,832.23)	(\$178,017.20)	(\$183,357.72)	(\$188,858.45)	(\$194,524.20)	(\$200,359.93)	(\$206,370.72)	(\$212,561.85
EGI			\$0.00	\$0.00	\$0.00	\$1,677,982.84	\$3,283,812.42	\$3,382,326.79	\$3,483,796.59	\$3,588,310.49	\$3,695,959.81	\$3,806,838.60		\$4,038,675.07
OpEx		20%	\$0.00		\$0.00					(\$717,662.10)			(\$784,208.75)	
NOI residential			\$0.00	\$0.00	\$0.00	\$1,342,386.27	\$2,627,049.93	\$2,705,861.43	\$2,787,037.27	\$2,870,648.39	\$2,956,767.84	\$3,045,470.88	\$3,136,835.01	\$3,230,940.06
Commercial						*-,,		*-,	*-,	*-//-	*-,,	*-,,		
Revenue		2.5%	\$1,515,850.00	\$1,553,746.25	\$1,553,746.25	\$1,553,746.25	\$1,553,746.25	\$1,553,746.25	\$1,553,746.25	\$1,553,746.25	\$1,553,746.25	\$1,553,746.25	\$1,553,746.25	\$1,553,746.25
Vacancy			(\$1,515,850.00)	(\$1,553,746.25)	(\$1,553,746.25)	(\$776,873.13)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
EGI			\$0.00	\$0.00	\$0.00	\$776,873.13	\$1,553,746.25	\$1,553,746.25	\$1.553.746.25	\$1,553,746.25	\$1,553,746.25	\$1,553,746.25	\$1,553,746.25	\$1,553,746.25
OpEx		0%	\$0.00 SO.00			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
NOI commercial			\$0.00	\$0.00	\$0.00	\$776,873.13	\$1,553,746.25	\$1,553,746.25	\$1,553,746.25	\$1,553,746.25	\$1,553,746.25	\$1,553,746.25	\$1,553,746.25	\$1,553,746.25
Cultural														
Revenue		1%	\$868,400.00	\$877,084.00	\$885,854.84	\$894,713.39	\$903,660.52	\$912,697.13	\$921,824.10	\$931,042.34	\$940,352.76	\$949,756.29	\$959,253.85	\$968,846.39
Vacancy			(\$868,400.00)	(\$877,084.00)	(\$885,854.84)	(\$447,356.69)	(\$451,830.26)	(\$456,348.56)	(\$460,912.05)	(\$465,521.17)	(\$470,176.38)	(\$474,878.15)	(\$479,626.93)	(\$484,423.20)
EGI			\$0.00	\$0.00	\$0.00	\$447,356.69	\$451,830.26	\$456,348.56	\$460,912.05	\$465,521.17	\$470,176.38	\$474,878.15	\$479,626.93	\$484,423.20
OpEx		0%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
NOI Cultural			\$0.00	\$0.00	\$0.00	\$447,356.69	\$451,830.26	\$456,348.56	\$460,912.05	\$465,521.17	\$470,176.38	\$474,878.15	\$479,626.93	\$484,423.20
NOI			\$0.00	\$0.00	\$0.00	\$2,566,616.09	\$4,632,626.44	\$4,715,956.25	\$4,801,695.57	\$4,889,915.81	\$4,980,690.48	\$5,074,095.28	\$5,170,208.18	\$5,269,109.50
Ground Lease			(\$377,280.00)	(\$377,280.00)	(\$377,280.00)	(\$377,280.00)	(\$377,280.00)	(\$377,280.00)	(\$377,280.00)	(\$377,280.00)	(\$377,280.00)	(\$377,280.00)	(\$377,280.00)	(\$377,280.00
Commercial Hard Costs	\$4,530,000.00)		(\$2,265,000.00)	(\$2,265,000.00)									
Commercial Soft Costs	\$906,000.00		(\$226,500.00)	(\$226,500.00)	(\$226,500.00)									
Residential Hard Costs	\$26,944,200.00)		(\$13,472,100.00)	(\$13,472,100.00)									
Residential Soft Costs	\$5,388,840.00)	(\$1,796,280.00)	(\$1,796,280.00)	(\$1,796,280.00)									
Cultural Hard Cost	\$976,950.00)	(\$325,650.00)	(\$325,650.00)	(\$325,650.00)									
Cultural Soft Cost	\$195,390.00)	(\$65,130.00)	(\$65,130.00)	(\$65,130.00)									
Development Fees		5%	(\$101,139.00)	(\$887,994.00)	(\$887,994.00)									
Finishing Costs	\$4,201,774.9	0		(\$2,100,887.45)	(\$2,100,887.45)									
Total Project Costs	\$38,941,380.00		(\$2,891,979.00)	(\$21,516,821.45)	(\$21,516,821.45)	(\$377,280.00)	(\$377,280.00)	(\$377,280.00)	(\$377,280.00)	(\$377,280.00)	(\$377,280.00)	(\$377,280.00)	(\$377,280.00)	(\$377,280.00)
Property Cashflow			(\$2,891,979.00)	(\$21,516,821.45)	(\$21,516,821.45)	\$2,189,336.09	\$4,255,346.44	\$4,338,676.25	\$4,424,415.57	\$4,512,635.81	\$4,603,410.48	\$4,696,815.28	\$4,792,928.18	\$4,891,829.50
Exit Value		7.50%											\$43,079,200.75	
Unlevered Cashflow			(\$2,891,979.00)	(\$21,516,821.45)	(\$21,516,821.45)	\$2,189,336.09	\$4,255,346.44	\$4,338,676.25	\$4,424,415.57	\$4,512,635.81	\$4,603,410.48	\$4,696,815.28	\$47,872,128.93	
			Now	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Financing														

Financing											
Construction											
D/S	(\$1,635,537.96)	(\$1,635,537.96)	(\$1,635,537.96)								
Loan Amount/Payoff	\$27,258,966.00		(\$27,258,966.00)								
Perm Loan											
D/S				(\$3,470,941.00)	(\$3,470,941.00)	(\$3,470,941.00)	(\$3,470,941.00)	(\$3,470,941.00)	(\$3,470,941.00)	(\$3,470,941.00)	(\$3,470,941.00)
Loan Amount/Payoff			\$43,475,724.97								(\$39,626,999.06)
Total Financing	\$25,623,428.04	(\$1,635,537.96)	\$14,581,221.01	(\$3,470,941.00)	(\$3,470,941.00)	(\$3,470,941.00)	(\$3,470,941.00)	(\$3,470,941.00)	(\$3,470,941.00)	(\$3,470,941.00)	(\$43,097,940.05)
Levered Cashflow	\$22,731,449.04	(\$23,152,359.41)	(\$6,935,600.44)	(\$1,281,604.91)	\$784,405.45	\$867,735.25	\$953,474.58	\$1,041,694.82	\$1,132,469.48	\$1,225,874.28	\$4,774,188.88

	IRR	Year O	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
ashflow	9.10%	\$22,731,449,04	-\$21.051.471.96	-\$2,203.001.25	-\$1,544,036,05	\$471,899,27	\$552.157.07	\$634,732,24	\$719,693,39	6907 111 10	\$897.058.43	\$363,885,89
ashtiow	9.10%	\$22,/31,449.04	-\$21,051,471.96	-\$2,203,001.25	-\$1,544,036.05	\$4/1,899.27	\$552,157.07	\$034,/32.24	\$119,693.39	\$807,111.19	Ş897,058.43	\$303,885.89
Capital Contributions	<u>%</u>											
P	90.00%	\$20,458,304										
5P	10.00%	\$2,273,145										
ïer I												
P												
Beginning Balance	Hurdle	\$0	-\$20,458,304	\$0	\$1,982,701	\$3,530,950	\$3,388,716	\$3,162,872	\$2,844,643	\$2,424,490	\$1,892,050	\$1,236,061
referred Return Due	8.00%	\$0	-\$1,636,664	\$0	\$158,616	\$282,476	\$271,097	\$253,030	\$227,571	\$193,959	\$151,364	\$98,885
apital Contribution		-\$20,458,304	\$0	\$D	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ier I Distributions		\$0	\$22,094,968	\$1,982,701	\$1,389,632	-\$424,709	-\$496,941	-\$571,259	-\$647,724	-\$726,400	-\$807,353	-\$327,497
nding Balance		-\$20,458,304	\$0	\$1,982,701	\$3,530,950	\$3,388,716	\$3,162,872	\$2,844,643	\$2,424,490	\$1,892,050	\$1,236,061	\$1,007,448
	Check											
P Cashflow	7.70%	\$20,458,304	-\$22,094,968	-\$1,982,701	-\$1,389,632	\$424,709	\$496,941	\$571,259	\$647,724	\$726,400	\$807,353	\$327,497
2												
apital Contributions		\$2,273,145	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
er I Distributions		\$0	-\$2,454,996	-\$220,300	-\$154,404	\$47,190	\$55,216	\$63,473	\$71,969	\$80,711	\$89,706	\$36,389
	Check											
P Cashflow	7.70%	\$2,273,145	-\$2,454,996	-\$220,300	-\$154,404	\$47,190	\$55,216	\$63,473	\$71,969	\$80,711	\$89,706	\$36,389
otal												
otal Tier I Distributions			-\$24,549,965	-\$2,203,001	-\$1,544,036	\$471,899	\$552,157	\$634,732	\$719,693	\$807,111	\$897,058	\$363,886
			42,040,000	,100,001	22,511,000	÷., 1,000	<i><i><i>q</i>232,237</i></i>	+ 334,732	2.15,055	,,	2257,050	+100,000
ashflow After Tier I Distributions			\$3,498,493	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
			ورجاورجاورة	ŞU	ŶŬ	ψų	ψŪ	لې	لېږ	لېږ	υç	
ïer II												
P												
eginning Balance	Hurdle	\$D	\$0	\$19,576,054	\$23,907,881	\$28,166,459	\$31,121,725	\$34,359,391	\$37,911,258	\$41,812,885	\$46,104,032	\$50,829,163
	12.00%	\$0 \$0	\$0 \$0									
referred Return Due	12.00%			\$2,349,126	\$2,868,946	\$3,379,975	\$3,734,607	\$4,123,127	\$4,549,351	\$5,017,546	\$5,532,484	\$6,099,500
apital Contributions		-\$20,458,304	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ier I Distributions		\$0	\$22,094,968	\$1,982,701	\$1,389,632	-\$424,709	-\$496,941	-\$571,259	-\$647,724	-\$726,400	-\$807,353	-\$327,497
ier II Distributions		\$20,458,304	-\$2,518,915	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
nding Balance		\$0	\$19,576,054	\$23,907,881	\$28,166,459	\$31,121,725	\$34,359,391	\$37,911,258	\$41,812,885	\$46,104,032	\$50,829,163	\$56,601,165
	Check											
P Cashflow	-13.40%	\$0	-\$19,576,054	-\$1,982,701	-\$1,389,632	\$424,709	\$496,941	\$571,259	\$647,724	\$726,400	\$807,353	\$327,497
<u>P</u>												
ier II Distributions		-\$2,841,431	\$349,849	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
er II Promote		-\$5,114,576	\$629,729	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	IRR											
P Cashflow	-22.70%	-\$5,682,862	-\$1,475,418	-\$220,300	-\$154,404	\$47,190	\$55,216	\$63,473	\$71,969	\$80,711	\$89,706	\$36,389
otal												
otal Tier II Distributions + Promote		-\$28,414,311	\$3,498,493	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
		\$20,-24,J22	00,100,100	ŶŬ	40	40	40	<i>40</i>	<i></i>	40	40	40
ashflow After Tier II Distributions		\$28,414,311	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
		<i>v</i> 20,414,311	ŶŬ	20	-0	÷0	÷0	ψŪ	<i></i>	ψŪ	<i>40</i>	<i>~~</i>
er III												
	%											
Distributions	54.00%	\$15,343,728	\$0	\$0	\$0	co	\$0	\$0	\$0	\$0	\$0	\$0
P Distributions	10.00%	\$15,343,728 \$2,841,431	\$0	\$0	\$0	\$0 \$0	\$0	\$0	\$0	\$0	\$0	\$0
				\$0	\$0	\$0	\$0		\$0	\$0	\$0	\$0
P Promote Distributions	36.00%	\$10,229,152	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	20
								4.0				
otal Tier III Distributions		\$28,414,311	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	IRR											
P Cashflow	6.10%	\$15,343,728	-\$19,576,054	-\$1,982,701	-\$1,389,632	\$424,709	\$496,941	\$571,259	\$647,724	\$726,400	\$807,353	\$327,497
P Cashflow	25.50%	\$7,387,721	-\$1,475,418	-\$220,300	-\$154,404	\$47,190	\$55,216	\$63,473	\$71,969	\$80,711	\$89,706	\$36,389
otal Cashflow	9.10%	\$22,731,449	-\$21,051,472	-\$2,203,001	-\$1,544,036	\$471,899	\$552,157	\$634,732	\$719,693	\$807,111	\$897,058	\$363,886
	Check	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0



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