



Goodman-Marks Associates, Inc.
REAL ESTATE APPRAISERS AND CONSULTANTS

CORPORATE HEADQUARTERS / ACCOUNTING DEPARTMENT
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VIA EMAIL : RSpolzino@Abramslaw.com

August 12, 2020

Robert Spolzino, Esq.
Abrams, Fensterman, Fensterman, Eisman, Formato
Ferraro, Wolf & Carone, LLP
81 Main Street, Suite 306
White Plains, NY 10601

Re: Haberman v. City of Long Beach
Proposed Development Site
340 Shore Road
Long Beach, NY 11561

Dear Mr. Spolzino:

The following is our understanding of the scope of the appraisal assignment, as well as our fee requirements for the services to be performed. We have been asked to provide an opinion of the diminution in market value of the above-mentioned development site, if any, between the "as of right" and with "variance" land values, as described below.

The proposed development site, located at 340 Shore Road in Long Beach, NY, will consist of a 147,060± sq. ft. residential condominium building with 145 total apartment units "as of right" and a 298,800± sq. ft. condominium building with 270 units with the "variance" in place.

Our analysis will consider all aspects of the subject property that are apparent during an inspection. As discussed, the subject property shall be appraised "as of right" and with the "variance" property values. We will employ those traditional valuation techniques considered appropriate to this assignment, namely the land residual technique. The valuation dates will be 2003, 2010 and 2018.

This assignment will be conducted in conformity with the requirements of the Code of Ethics and Standards of Professional Practice of the Appraisal Institute, the Uniform Standards of Professional Appraisal Practice (USPAP), as promulgated by the Appraisal Standards Board of the Appraisal Foundation.

Scope of Work

There are three generally accepted methodologies in the valuation of real estate: the cost, income and sales comparison approaches. In all valuation methods, local market data is sought, when appropriate, for sales, rentals and offerings of comparable properties and current rates of return on investments. From this data, market rental estimates may be developed for the land and proposed improvements constructed thereon, which forms the basis for our market value estimates for the subject property. The scope of this assignment includes researching recent land sales, comparable market residential condominium sales prices, comparable market expense data in the local market to project market based operating expenses anticipated to be incurred by property owner under a typical condominium sell-out position as well as surveying brokers, appraisers, lenders and other market participants.

The appraisal report will fully describe the physical characteristics of the site and the methods of appraisal and contain all pertinent information considered in reaching our conclusions of value. The report will include a description of the subject neighborhood and demographics. The appraisal will include the study and analysis of all relevant sales, and of any trends, influences, or other economic factors that may affect real property values throughout the subject area. In addition, an explanation of the extent of these trends and their relationship to the land sales shall be provided, with an analysis of how these trends reflect changes in value throughout the subject area, to assist in determining the valuations under the "as of right" and with the "variance" in place. We will perform a residential condominium market demand study¹ to determine the market condominium sales prices of the proposed newly constructed apartment units.

Cost Approach

This approach assumes that an informed purchaser would pay no more for a property than the cost of producing a similar investment. The approach entails estimating the value of the land as currently zoned, which is then added to the depreciated value of the improvements. Because the subject property is proposed for redevelopment (i.e. vacant land), the cost approach is not applicable to this assignment. We shall, however, consult with local developers and contractors and refer to published cost manuals for the purpose of estimating the construction costs or for a comparative cost analysis of the construction cost provided. These cost estimates will be used in the analysis under the Land Residual Technique to develop an opinion of the land value, based upon the proposed development models "as of right" and with the "variance". The Land Residual Technique will be employed in the Income Capitalization approach.

¹ With the utilization of the KPMG market studies

Sales Comparison Approach

The major premise of the sales comparison approach is the principle of substitution, which states that an informed and knowledgeable purchaser would pay no more for a property than the cost of acquiring an existing property with similar investment features. We will employ the sales comparison approach in the valuation of the subject property as vacant land. We will identify a number of meaningful transfers of similar zoned land sales as compared to the subject. The process will require us to individually analyze and compare each land sale to the subject and make adjustments to the per-square-foot of land, or price per developable unit, values for market-sensitive differences between each comparable land sale and the subject property. The appropriately adjusted sales will provide an indication of market value of the subject property as a development site "as of right" and, under the assumption that the subject property has received the "variance" to allow for the permitted uses, per the request of our client. We will also provide an analysis of comparable new construction residential condominium sales to support the results of the unit sell-out values and absorption time in the land residual model of the income approach.

Income Approach (Land Residual Methodology)

An income approach model is appropriate for the subject property under the land residual technique. This will be accomplished using a development model. We shall review and analyze the subject's proposed residential condominium development and historical and ongoing developments throughout the subject's sub-market. Based on this analysis, we will project reasonable expectations for the development model that will approximate the proceeds and the costs to be realized through the construction of the subject property in accordance to the proposed plans "as of right" and with the "variance" in place. Inherent to this model is the time needed for the development approval process from appropriate agencies and municipal departments, and the holding costs to the developer for the entire site until it is fully developed and stabilized. Deductions are made for development hard and soft costs, fixed and variable operating expenses. The result is a series of annual cash flows for the property over a projected holding period. Using a market-derived rate, the cash flows are discounted to a net present value (land residual valuation) based on the subject's proposed development "as of right" and with the "variance".

The difference between the "as of right" and with "variance" land residual valuation, if any, is the diminution in value as a result of the loss of the "variance".

Proposed Fee

Our fee for this appraisal assignment will be in the total amount of \$16,500.00 payable to the arrears (see below). The report will be delivered to you in approximately two and one half (2.5) weeks after our receipt of the signed retainer along with the retainer fee and all pertinent subject property data.

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Payments shall be made to the arrears and shall be expressly contingent upon (i) the submission of a claim form (the "Claim Form") in a form satisfactory to the City, that (a) states with reasonable specificity the services provided and the payment requested as consideration for such services, (b) certifies that the services rendered and the payment requested are in accordance with the terms of this Agreement, and (c) is accompanied by documentation satisfactory to the City supporting the amount claimed, and (ii) review, approval and audit of the Claim Form by the City and/or the Comptroller. Draw downs for the payment of eligible expenses shall be made against the activities specified herein and in accordance with applicable performance requirements. Claims shall be made no more frequently than once a week and no later than three (3) months following the City's receipt of the services that are the subject of the claim. Any claims submitted in violation of this paragraph shall be re-submitted by Goodman-Marks Associates, Inc. and payable by the City only after Goodman-Marks Associates, Inc. submits claims on compliance with and satisfactory to the City.

Termination

The City retains the absolute right to terminate this Agreement at any time by service of a written notice sent by certified mail to the address set forth above. The City will be responsible for payment of any portion of the Services completed prior to termination and satisfactory to the City's Comptroller.

Insurance

Goodman-Marks Associates, Inc. agrees to procure and maintain, with a carrier holding an "A" rating from AM Best Company or its equivalent, the following insurance policies during the term of this Agreement and furnish proof of its procuring of the following insurance policies, or such other documents as are set forth hereunder:

- a. commercial general liability insurance covering the liability of the Goodman-Marks Associates, Inc., with a combined single limit (bodily injury/property damage) of Two Million Dollars (\$2,000,000). The City shall be named as additional insured on said policy.
- b. professional errors and omissions insurance in the minimum amount of One Million Dollars (\$1,000,000); and
- c. workers' compensation insurance or proof of its not being required to secure same, as evidenced by certificates or affidavits approved by the State Workers' Compensation Board pursuant to State Workers' Compensation Law § 57(2); and
- d. disability benefits insurance or proof of its not being required to secure same, as evidenced by certificates or affidavits approved by the State Workers' Compensation Board pursuant to State Workers' Compensation Law § 220(8).

The City shall be entitled to thirty (30) days advance written notice of the cancellation or termination of any and all policies listed above at (a) through (d).

Records

Goodman-Marks Associates, Inc. shall maintain full and complete books and records of accounts in accordance with accepted accounting practices and such other records as may be prescribed by the City Comptroller, including a contemporaneous record of work indicating in brief summary, a description of the work performed. Such books and records shall be retained for a period of five (5) years after conclusion of the assignment and/or any at trial decision and shall at all times be available for audit and inspection by the City Comptroller, the City's auditor or a duly designated City representative.

Indemnification

1. To the fullest extent permitted by law, Goodman-Marks, shall be solely responsible for and shall indemnify and hold harmless the City, and its officers, employees, agents, and servants (collectively, the "Indemnitees"), from and against any and all liabilities, losses, costs, expenses (including, without limitation, reasonable attorneys' fees and litigation expenses), and damages (collectively, "Losses"), arising from the willful misconduct of Goodman-Marks or any employee, servant, agent, or independent contractor of Goodman-Marks (Goodman-Marks' Agents"). Goodman-Marks shall, upon the City's demand and at the City's direction, promptly and diligently defend, at Goodman-Marks' sole risk and expense, any and all suits, actions, or proceedings against one or more Indemnitees arising from any claim for which Goodman-Marks is required to indemnify and which arise out of or in connection with this Agreement, and Goodman-Marks shall pay and satisfy any judgment, decree, loss, or settlement in connection therewith; and
2. Goodman-Marks shall, and shall cause the Goodman-Marks' Agents to, cooperate with the City in connection with the investigation, defense or prosecution of any action, suit or proceeding arising out of or in connection with the services Nassau County Advisors provides under this Agreement.
3. The obligations of Goodman-Marks under this provision shall not be limited by reason of enumeration of any insurance coverage provided under this agreement.
4. Nothing in this section or elsewhere in this agreement shall create or give to third parties any claim or right of action against the City beyond that which legally exist regardless of the provisions of this agreement.

In addition to said professional fee for this assignment, you agree to compensate us for any time expended by us should we be required (by subpoena or otherwise) or requested by you or your representatives to become involved in any litigation, arbitration, legal proceeding or negotiation in any way involving this engagement. Should such litigation or arbitration become necessary, we will bill at our prevailing hourly rates. As of the date of this retainer agreement, they are:

Senior Designated Appraisers	\$450.00/hour
Senior Staff Appraisers	\$350.00/hour
Staff Appraisers	\$250.00/hour
Research Time	\$100.00/hour

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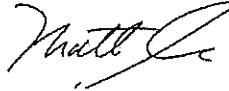
If the above is agreeable to you, I ask that you sign and return a copy of this letter along with the payment to our Corporate Headquarters:

Goodman-Marks Associates, Inc.
170 Old Country Road, Suite 501
Mineola, NY 11501

We look forward to being of service to you in this matter.

Very truly yours,

GOODMAN-MARKS ASSOCIATES, INC.



Matthew J. Guzowski, MAI, MRICS
President

Certified General Real Estate Appraiser
State of New York Certificate #468986
State of New Jersey Certificate #RG01461
State of Connecticut Certificate #RCG.0001210

Agreed and Accepted:

By:  _____

Date: 8/14/2020