



Voyager Pacific High Yield Fund III, LLC

APPROVALS AND ENTITLEMENTS

Calculated Risks and Higher Returns



As a Fund, Voyager has embraced the notion that real estate is evolving, so the future will be different than the past. On one hand, dynamic markets, new technologies, and consumer preferences are evolving faster than ever. On the other hand, what is old is new. Tenants and purchasers do not tire of value, quality and respect. Harnessing the old and the new create exceptional opportunities to which we gravitate. As developers, we need to deliver a comprehensive solution for investing, financing, developing, and operating real estate assets. We have done this in part by a focus on creating long term partnerships based on transparency, integrity, and alignment with our municipal partners, consultants, contractors and customers.

Collectively and individually the principals have implemented an entrepreneurial and relationship-based approach towards identifying commercial real estate investment opportunities for more than thirty years. Every transaction is structured towards creating value by acquiring, managing, redeveloping and repositioning under-managed commercial real estate assets in the local market. Most communities, large and small, are not re-invented by large transformative property redevelopments. Often, depressed and downtrodden areas view revitalization through a "blockbuster" project as a quick way to improve the value of their communities. However, the path towards revitalization often takes longer, and is executed on a **block-by-block, building-by-building, door-by-door basis**, by small to medium-sized commercial real estate firms accomplishing significant infill developments. Importantly, it is not the size of the firm that matters, but the unique skill set required to identify and successfully complete these types of projects. The principal's of Voyager Pacific High Yield Fund III have developed the skills and expertise to obtain approvals over a +30-year career where many other firms and individuals have failed.

Underutilized properties in established or transitioning neighborhoods present a significant investment opportunity. The Voyager team is experienced and well-positioned to understand the macro and micro market dynamics. The Fund is willing to accept the (perceived) greater risks of this development type, given its years of effectively managing its challenges and opportunities. Although each community contends that its problems and concerns are unique, our infill redevelopment plan is similar to its other commercial developments in other neighboring areas. Critical elements needed for these projects to be successful include:

- ✓ A clear vision for the inherent possibilities of the site, but remaining cognizant of what is realistically achievable;
- ✓ An understanding of the goals and objectives of key community stakeholders;
- ✓ Developer reputation and experience, supported by high quality resources such as professional contractors; and,
- ✓ Financial staying power.

Staying power is critical for these types of projects, as it often involves the coordination of many municipal agencies to obtain approvals. Developing these properties is extremely challenging, but high barriers to entry, limited competition, and strong demand make them financially rewarding. Even during times of economic difficulty, these developments can make a significant difference in their communities socially and environmentally, as they become catalysts for continued revitalization and overall improvements.

Land Use, Approvals & Entitlements

Pre-Closing Land Use Due Diligence: Today, local government land use controls govern every aspect of the use and operation of real estate. They may regulate uses, hours of operation, signage, appearance, renovations, expansions, landscaping, tree pruning, parking, treatment of stormwater runoff, and a myriad of other issues. But the most overwhelming aspect is not the scope of land use regulations, but their variety. Unlike financial or environmental regulations, which are often standardized on a national or state level, as a general rule, land use regulations are adopted and enforced locally. They vary wildly from one local jurisdiction to another. They are subject to change at a moment's notice, often by volunteer boards and local officials.

In a commercial real estate transaction, it often is surprising to see how little attention is focused on a property's land use entitlement status. Often, in complex commercial real estate transactions, sophisticated buyers will retain experienced, expensive consultants to oversee the transaction, analyze property specific issues and the closing. Often, too many investors rely on simple zoning verification letters obtained from local governments or cursory zoning reports provided by title insurance companies that do not fully appreciate how a property is impacted by land use controls. Primarily, the land use due diligence analysis focuses on: "...is the current use of the property legal?" This level of analysis provides very little insight regarding a property's land use entitlements and may provide an inaccurate picture of the property's value.

It is in the best interest of prudent investors and lenders to pursue these lines of inquiry and understanding during the land use evaluation that accompanies the due diligence period during an acquisition.

Post-Closing Land Use Approvals & Entitlements:

The approval and entitlement process are complex. Approvals and entitlements involve far more than an understanding of the law and the ability to advocate on behalf of the project. It requires an integrated approach that is premised on project-specific attention to detail, the ability to manage the process, "quarterback" the professional team and the exercise of sound professional judgment to formulate effective development strategies. It also requires identifying the person or persons in the municipality, and community, that are the real decision makers.

Mr. Adler has personally managed several projects through the State Environmental Quality Review Act ("SEQRA") process, which contains some of the most onerous hurdles for development in the Country. This includes everything for analyzing the initial acquisition, developing the site plan, selecting the professionals, attending public meetings, work sessions with municipal consultants, and tackling any topic needing addressing with the public, governmental authorities and affected private parties. With the land use and entitlement process, we began with the end goal in mind.

The political/government angle: Mr. Adler has appeared hundreds of times before legislative and administrative boards and councils in dozens of villages, towns and cities throughout the New York metropolitan area. He has regularly worked with the host of public officials who govern and implement the land use process at the state and municipal levels, handling an array of projects ranging from significant developments to single-family home subdivisions. The projects have involved legislative actions, Draft Environmental Impact Statements, Environmental Impact Statements, Final Environmental Impact Statements, Supplemental Environmental Impact Statements, Environmental Assessment Forms (Long and Short), site plan approvals, special permits, subdivision approvals, variances and other zoning

approvals and environmental permits, in what is often a convoluted process that requires compliance with SEQRA.

In addition to managing the big picture, he has been effective at working with governmental agencies to generate project support and, frequently, this translates into grants and or subsidies, or expedited approvals for the benefit of the project.

A couple examples follow:

Putnam Golf Club a.k.a The Country Club at Lake MacGregor

Redevelopment of Putnam Golf Club, Mahopac, NY: Obtained special permits, site plan, subdivision, variances and all necessary approvals for the development of 212 townhouses adjacent to an 18-hole private, pay for play golf course, on the 375-acre parcel.

- ✓ Operated and grew all business units on the property while pursuing approvals and entitlements. Business units included:
 - 30,000-40,000 rounds of pay-for play golf annually;
 - Food & beverage business +\$1,500,000 annually; and,
 - Residential rental units, airport landing and hanger fees.
- ✓ Developed and maintained a "new" water district which provided water for the proposed development and +400 surrounding homes.
- ✓ Secured approvals for a 90,000/gpd State Pollutant Discharge Elimination System (SPDES) program from NYC Department of Environmental Protection (DEP).
- ✓ Successfully defended legal changes to the approvals.

This property was purchased for \$5.3MM and operated on a net profitable basis during the entire ownership period. Proceeds from the operations substantially funded all necessary capital improvements at the Club and the course, acquisition of all equipment and the approval process. The property and all development rights were sold to Putnam County. The property now operates as a public course for the benefit of Putnam County residents. The property was purchased for \$13.5MM.



Goshen Plaza, Orange County, NY

Redevelopment of a 105,000sf shopping center, Orange County, NY: this project was purchased from bankruptcy. On behalf of the contract vendee, Mr. Adler worked with Town officials and their planning professionals to obtain their agreement allowing us to move our site plan approvals forward utilizing a 5-year old EIS. Based on the EIS and existing traffic studies, he was able to obtain support to increase the center's developable density by 10%. Further, after meeting with the County Executive and his team several times, the County agreed to approve the project for IDA benefits based on short-term (construction) and long-term job creation (as many as fifty permanent new jobs). The Orange County Industrial Development Agency provides financial incentives in connection with the acquisition, construction and equipping of qualified projects. The incentive package includes:

- ✓ *Sales & Use Tax Exemptions - the developer will pay no sales tax on materials used in construction);*
- ✓ *Mortgage Recording Tax Exemption – the developer will pay no mortgage recording tax on the construction loan and permanent financing;*
- ✓ *Real Estate Tax Abatement – the developer will have the current real estate tax amount locked in for 10-years; and,*
- ✓ *The County government was willing to assist us in the acquisition of a County owned parcel at the exit off Route 17 for signage to the property.*

Affordable Housing, Westchester County, NY

Development of affordable housing, Dobbs Ferry, NY: The principal's of Voyager developed a townhouse community with selection preferences for municipal employees, fire and ambulance volunteers. In addition to securing a grant from the NYS Affordable Housing Corporation for each purchaser, we were also able to obtain from Westchester County an infrastructure grant to make the project more affordable. The Village also agreed to rely on a Long Form EAF rather than require an Environmental Impact Statement, saving both time and money. This is significant as the project required SHPO approval and was the subject of an archeological dig wherein artifacts from indigenous Indian population were discovered. The entire project, from developer designation to unit closings, was completed in 18 months.



Pleasantville Golf Club, Pleasantville, NY

Obtained special permits, site plan, subdivision, variances and all necessary approvals for the development of 72 townhouses on a 9-hole golf course in Pleasantville, NY. The golf course remained in place with the development. One of the final sign offs needed to obtain site plan approval of this project was from the local volunteer fire department. After several meetings with the Fire Commissioners', Mr. Adler suggested the firm donate a fire truck with a short wheelbase, so the fire department could navigate the narrow streets proposed in the project. This offer secured their approval. The fire department never took us up on the offer!

The property was purchased for \$1.875MM. We invested approximately \$2.0MM in carry and approval costs. The approved development package was sold for \$8,050,000, without building a thing!



The aforementioned projects exemplify our thesis of managing risk and sharing success in the approval and entitlement process is a win for us and the communities in which we work. As developers, we prefer to compete on value and vision, not on price. A developer that engages the community in creating a high-quality vision creates an opportunity by setting its development standards high and, thus, making the community a more valuable location to live and work. Our experience confirms this belief works in all communities and for projects at all price levels. The shared community vision also streamlines the entitlement process for projects that meet the local standard and engage in active, meaningful dialog with our municipal "partners", thereby lowering the approval risk. The Greenbelt Alliance in the San Francisco Bay area in its publication entitled Smart Infill says: "Simplify the process for developers. By streamlining permitting and construction processes, getting departments to work together to promote infill, and ensuring requirements are consistent, cities can smooth the way for good development." Although we may not find the Greenbelt Alliance credo etched on the walls of local planning offices in our target markets, by following the same high standards and principles, we have often found the consistent, articulated standards may appear to cost more, but they make the development more valuable and approvals and entitlements more streamlined and predictable.

The Attorney General's Office

An often overlooked item in the development process is the preparation, submission to the respective state's Attorney General's office and approval of condominium offering plans and HOA documents in coordination with the intended phasing plan of a particular development. Frequently, developers undertake this process after obtaining all approvals and it becomes the critical path item for sales. Taking the overall picture into account, it is important to consider the proper phasing of the project with the necessary offering documents to begin selling units, buildings, land parcel(s) or any other piece of real property. Further, what we, the Sponsor, is selling needs to be considered and provided for in an offering plan. Items such as parking spaces, detached garages, storage bins or rooms, commercial or retail units, ground and or roof leases can all be sold if properly provided for in the Sponsor's offering plan. Typically, we begin the preparation of the necessary plans prior to obtaining final approvals. Additionally, we have often prepared simple offering plans for commercial buildings, providing the developer with the maximum long-term flexibility and or exit options to finance or sell all or part of a building or project.

Overall, Mr. Adler has managed the submission and approval of more than nineteen Offering Plans and countless amendments.

***We are a hands-on asset manager.
We live, breathe and understand
our investments. We know the
communities in which we work.
That is how we find value where
others do not.***



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