The McKinstry

DEVELOPMENT OPPORTUNITY
620 Union Street
Hudson, NY

SANDSTONE PARTNERS

Leadership

David Kessler

Founder & CEO, Sandstone Partners

David Kessler, Founder and CEO of Sandstone Partners, served as President of Blesso Properties for four years where he successfully grew the company from doing smaller (<20K SF) residential renovation condo-conversion projects in Manhattan to doing larger (>200K SF) mixed-use rental development projects in Brooklyn. While at Blesso, David managed a team of ten professionals, and oversaw the re-development and operations of two mixed-use hospitality projects in Panama City, Panama.

Prior to Blesso, David served as Director of Acquisitions and Development at Waterbridge Capital where he sourced, underwrote, funded, and closed approximately $1 billion of retail, office, multifamily, and mixed-use projects. While at Waterbridge, David assembled an entire city block in North Williamsburg and oversaw the re-development of the site which is now home to the first Apple store and Pod hotel in Brooklyn.

Prior to Waterbridge Capital, David served as the Assistant Director of Acquisitions at the real estate family office for the Safra family where he sourced and underwrote all new acquisitions while overseeing asset management of the existing portfolio.

Prior to working for the Safra family, David was an Associate in the equity private placement group at Capmark Securities (Formerly GMAC), where he raised third party institutional equity and debt for real estate clients. He also worked as an Analyst in the commercial real estate valuation group at Credit Suisse, and he started his career in the Real Estate Advisory Services practice at Ernst & Young.

David Kessler obtained his Bachelor of Business Administration degree with Distinction in 2001 from University of Wisconsin-Madison double majoring in Real Estate and Marketing with a specialization in International Business.

Prior Experience / Notable Projects

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BEDFORD AVENUE RETAIL REDEVELOPMENT

237-241 Bedford Avenue Williamsburg, Brooklyn

95,000-square-foot Retail Redevelopment

David sourced this transaction on an “off-market” basis, created the business plan and underwriting, and raised the debt and equity for the acquisition. His team purchased this asset in April 2012 for approximately $64 million, and tied up the contiguous development site on Driggs Avenue to control almost the entire city block between Bedford and Driggs Avenues between North 4th and North 3rd Streets.

DRIGGS HOTEL DEVELOPMENT

626 Driggs Avenue Williamsburg, Brooklyn

70,000-square-foot Hotel Development

David sourced this transaction on an “off-market” basis, which is contiguous to the Bedford Retail Redevelopment. His team purchased this asset in April 2013 as part of a larger portfolio of development sites in Brooklyn.

WILLIAMSBURG CONDO DEVELOPMENT SITE

280-290 Metropolitan Avenue Williamsburg, Brooklyn

30,000-square-foot Residential

David sourced this transaction on an “off-market” basis as part of the portfolio, which included the Driggs Hotel Development Site.

MIDTOWN SOUTH OFFICE REDEVELOPMENT

119 West 25th Street

Chelsea Neighborhood, Manhattan 135,000-square-foot Office Redevelopment

Purchased vacant 135,000-square-foot loft office building out of bankruptcy in July 2013 on an “off-market” basis for approximately $56 million.

SOHO RETAIL REDEVELOPMENT

152-154 Spring Street

SoHo Neighborhood, Manhattan

13,000-square-foot Retail Redevelopment

Purchased two adjacent buildings from two different sellers both on an “off-market” basis in December 2012 for approximately $30 million. Developed the business plan to combine the two buildings, add an elevator and renovate the upstairs and create very large full floor loft condominium units, which were projected to sell at $2,000 per square foot.

Sponsorship Profile

Sandstone Partners LLC was founded in 2018 by David Kessler with 20 years of real estate investment & development experience. Sandstone Partners brings design excellence, financial expertise, and creativity to real estate projects in the Mid-Atlantic and New England.

Sandstone Partners targets underperforming mixed-use, hospitality, and multifamily properties executing business plans ranging from value-add to ground-up development.

Our conservative underwriting, strong attention to detail, and user-focused philosophy results in exceptional returns for investors. The firm's innovative design not only allows us to deliver strong profits for investors but also enhances the community in which our projects are located.

We pride ourselves on a culture that values integrity and collaboration in everything we do. Drawing on our deep understanding of real estate, cultural trends, and demographics, we seek unique development opportunities often overlooked by others that truly change a neighborhood.

MISSION STATEMENT

Sandstone Partners seeks to improve the environment in which we live, work, and play, generating exceptional returns for our investors and partners, while creating value for the community at large by executing business plans that neighbors embrace.

Executive Summary

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Opportunity: Invest in an opportunity zone fund that acquired a vacant Federal mansion in Hudson, NY and is redeveloping the property into a luxury boutique hotel.

Business Plan: The Sponsor will gut-renovate the existing building and construct an addition to develop the best-in-class hospitality product in the market.

Capitalization: The total project cost is approx. $32M which includes approx. $27M of permanent non-recourse financing and approx. $5M of equity. Included in the capitalization is $5M in interest reserves, operating reserves, and working capital.

Returns: The projected average cash-on-cash return to our investors is approx. 20%/year throughout the hold period. The pre-tax net IRR to our equity investors is approx. 24%, and the pre-tax net equity multiple to our investors is approx. 5.4X.

Investment Highlights: (1) Premiere location; (2) Significant tax benefits; (3) Permanent long-term non-recourse financing arranged; (4) Fully-entitled project; (4) Experienced sponsor with 20 years and $1B of industry experience.

Offering Summary	
Total Project Cost	$32,145,000
Total Equity Required	$5,245,000
Hold Period	10 Years
Average Cash-On-Cash Return	20%
Internal Rate Of Return	24%
Equity Multiple	5.4

Partnership Structure
8% Preferred Return
70% of Cash Flow Above The Preferred Return
5% Developer Fee
2% Asset Management Fee
1% Fund Management Fee
No Acquisition, Disposition, or Refinance Fees

Projected Returns On $500,000 Investment

	Projected Cash-On-Cash Return (%)	Projected Distributions ($)
Investment		-$500,000
Year 1	0%	$0
Year 2	0%	$0
Year 3	33%	$161,443
Year 4	21%	$103,802
Year 5	23%	$112,416
Year 6	25%	$122,106
Year 7	26%	$131,126
Year 8	28%	$141,232
Year 9	24%	$117,440
Year 10	25%	$252,008
Sale Proceeds		$1,575,376
Average/Total	20%	$2,716,949

Investment Highlights

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Thriving Yet Underserved Market	• The Hudson River Valley **remains underserved by high quality boutique hospitality offerings** yet the region boasts **19% year-over-year growth in traveler spending** in 2018, which is the highest growth in the state. Travelers spent $2.6 Billion in traveler spending in the Hudson River Valley in 2020. • Columbia County is the **fastest growing tourism market** in the Hudson River Valley region averaging 8.9% growth in traveler spending annually from 2015 to 2019 compared to 3.7% growth for the other counties within the region. • In 2019 Hudson had over **200,000 tourists per year** and **only 204 keys** in Hotels, Motels, Inns, and Bed & Breakfasts and 160 Airbnb units, therefore there is a significant undersupply of hospitality units in Hudson. • Hudson's Amtrak station is the **3rd busiest station in New York** state with over 237,000 riders in 2019.
Premier Location	• Hudson is **2 hours from New York via car or train, 2 hours from Hartford, 2.5 hours from Boston, and 40 minutes from Albany via car or train.** • Hudson is considered the **Downtown of Upstate**. • The Property is in the **heart of downtown Hudson** at the corner of South 7th Street and Union Street. Only one block from Warren Street, downtown Hudson's commercial corridor, the area boasts over 50 restaurants and bars, 175 shops, art galleries, and antique stores, as well as 10 music and performance venues. • Located in the heart of the Hudson River Valley, the property is surrounded by cultural attractions and natural beauty.
OZ Benefits	• The Property is located within a **Federal Opportunity Zone ("OZ")**, designed to spur economic development by providing **tax benefits to investors** including the following: – Investors can defer tax on any prior gains until 2026. – Investors can enjoy a permanent exclusion on capital gains if the investment is held for more than 10 years.
IDA Benefits	• The project qualifies for the following **three tax benefits offered by the Hudson Industrial Development Agency ("IDA")** in exchange for a commitment to create new jobs and hire locally: – The project will be eligible for a New York sales tax exemption on construction materials. – The project will be eligible for a mortgage recording tax exemption. – The project will be eligible for a PILOT Program, reducing real estate taxes significantly.
Attractive Debt & Strong Risk Adjusted Returns	• We are getting attractive long-term non-recourse debt financing in the form of a USDA B&I loan and a CPACE loan which combined total approx. $27M at a blended interest rate of approx. 8% which has a term length of 27 years, so we have eliminated the refinance risk with this financing. • Assuming stabilizing within 4 years at an average daily rate of $510 and occupancy of 68%, the projected stabilized **net operating income is approx. $3.6M**, equating to an **11.2% Yield-On-Cost**. • With a 10-year hold period and a conservative 8.5% exit cap rate, the investor **IRR is approx. 24%** and the deal-level **Equity Multiple is approx. 5.4X**.
Experienced Team	• Sponsorship **has 20 years and over $1B of experience within all disciplines of the real estate business** including development, hospitality, and asset management. • The Sponsor has engaged **local team of consultants**. The Architects, Engineers, and Construction Manager have **proven track records designing and building adaptive re-use hospitality projects** in this market. • The Sponsor is hiring a qualified 3rd party **hotel management company focused on managing small independent boutique hotels in drive-to leisure destinations in the northeast**. • The Sponsor is engaging an **experienced local food and beverage consultant** to execute a food and beverage program that leverages local producers while introducing a new cuisine to the market which will cater to locals and tourists alike.

In The Press

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Hudson makes top-25 list for small-town millionaires

"The greater Hudson area apparently has one of the nation's highest concentration of millionaire households in small-town America, according to a recent report from Kiplinger, a well-known finance publication that has a website and a newsletter. Hudson is listed in 25th place on their ranking for small towns, putting it in the same league as resort communities like Steamboat Springs CO (22nd), Key West FL (13th), as well as oil shale boomtown of Williston ND (5th)... The influx of wealthy home buyers keeps pushing up housing prices. But it has also fueled what Tucker said is a growing tourism and hospitality industry that creates jobs and new opportunities."

– Times Union, October 23, 2020

A Weekend Guide To Hudson, New York:
The artsy destination provides an easy escape from NYC

"Hudson has long been a favorite among New Yorkers looking for a quick weekend getaway, thanks to easy train connections and a plethora of vintage and antique furniture stores, art galleries, and cocktail bars to dip into once you are there."

– Conde Nast Traveler, September 23, 2020

Why a Visit to Hudson, New York Is Better Than Ever

"As New Yorkers and Bostonians try to remain close to home, New York's Hudson Valley is as popular as ever. Thankfully, the town of Hudson hasn't rested on its laurels one bit. The past few months have brought a gorgeously designed boutique hotel, a stellar bakery that excels in sourdough, and a slew of new shops to browse. Hudson is often referred to as the Brooklyn of the Hudson Valley, but it has so much more to offer."

– Vogue, September 29, 2020

The Perfect Fall Weekend in the Hudson Valley

"An abundance of antique shops, a luxe hotel, and farm-to-table dining are just a few of many reasons to plan a trip to Hudson this season."

– Departures, October 27, 2020

Is the Hudson Valley Turning Into the Hamptons:

"For generations, New Yorkers have flocked to the Hudson Valley to escape the pace of the city life, often choosing it over the Hamptons for its affordability, as well as its relative lack of traffic, pretense, and SoulCycle studios. But as more city residents buy homes upstate, that distinction is becoming less obvious… It feels like the amount of people from Brooklyn who are buying second homes here is growing exponentially by the day."

– The New York Times, April 12, 2019

Where to eat, sleep, and play in Hudson, NY

"Hudson, NY is the closest to what you could call Brooklyn north. It has an edge and a proud, queer sensibility that a lot of upstate towns lack, and more design-forward bars, restaurants, and shops than you could possibly hit in one weekend. It is also gentrifying and upscale in ways that you might not expect. Perhaps you walk into a store and discover that it has a sister shop in the West Village and another in LA on the way."

– Brooklyn Based, 2018

The future of the Hamptons is uncertain as prices plummet and luxury buyers head north

"New York-Based travelers between 20 and 24 increased their trips to the Hudson Valley and Catskills by nearly 55% in the summer of 2016 compared to the same time in 2012. During that same period, this same group decreased excursions to the Hamptons by nearly 46%...The closeness of the Culinary Institute of America means there are plenty of excellent restaurants – many of which emphasize farm-to-table ingredients – for both visitors and new second-home owners to enjoy. The towns of Hudson and Rhinebeck are especially popular destinations with the foodie crowd."

– Business Insider, February 12, 2017

Location Overview

Hudson is easily accessible from major cities including New York City, Albany, Hartford, and Boston.

New York City (150 miles from Hudson):

- By Car: Hudson is only a 2 hour drive from NYC via the Taconic State Parkway or Palisades Parkway N and I-87.
- By Rail: Hudson is only a 2 hour Amtrak train ride from NY Penn Station with up to 19 departures daily.

Boston (163 miles from Hudson):

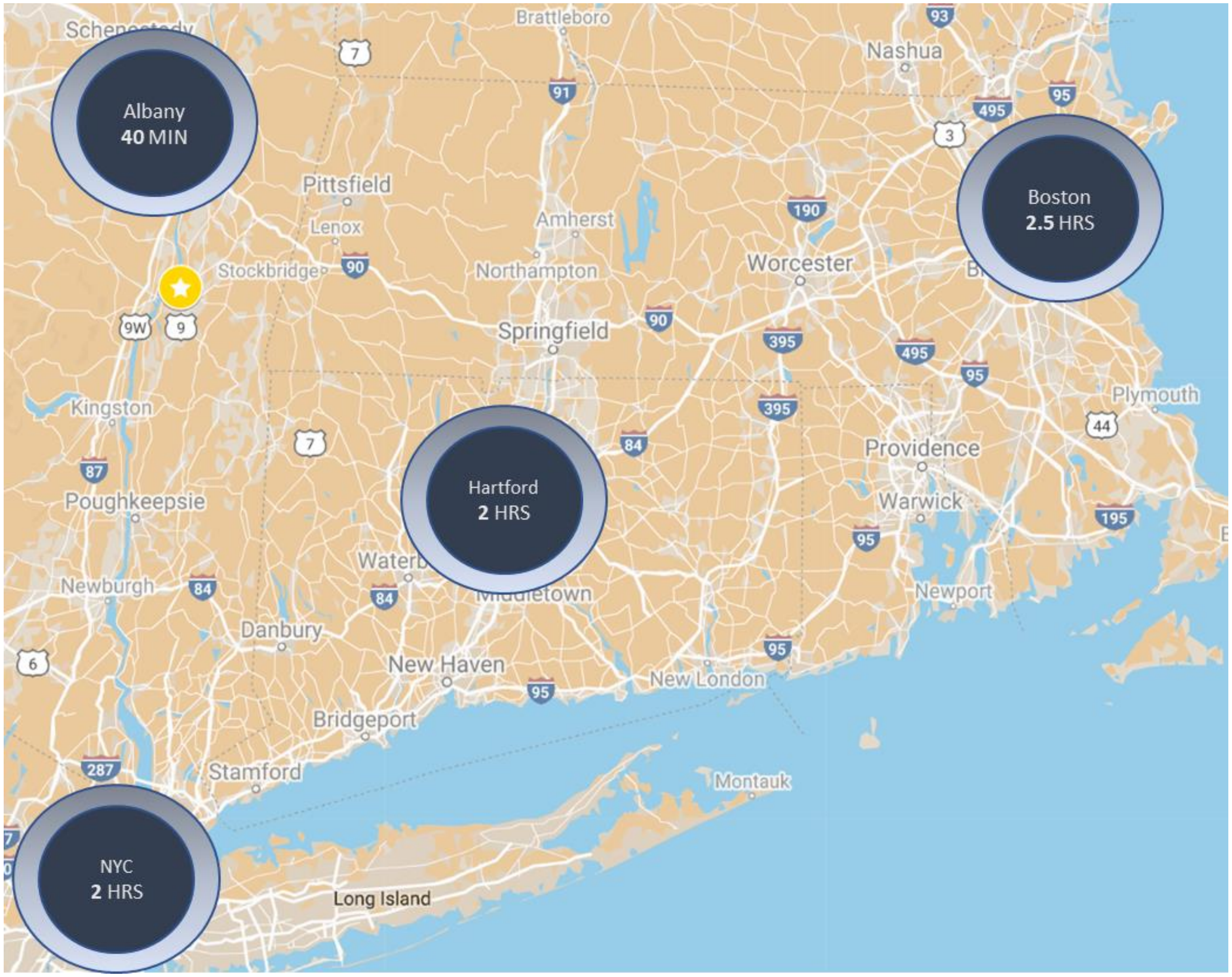
- By Car: Hudson is only a 2.5 hour drive from Boston via I-90 W.

Albany (40 miles from Hudson):

- By Car: Hudson is only a 40 minute drive from Albany via the I-90 E and NY-9H S.
- By Rail: Hudson is only a 25 minute Amtrak train ride from Albany.

Hartford (100 miles from Hudson) :

- By Car: Hudson is only a 2 hour drive from Hartford via I-91 N and I-90 W.



Customer Segmentation

As part of the business plan, the Sponsor plans to attract three primary customer segments:

Leisure

- With Hudson less than 2.5 hours away from four major metropolitan cities and accessible via car or Amtrak, the Sponsor will attract customers looking for an easy escape from the hustle and bustle of city life.

Wedding

- The submarket hosts over 200 weddings each year with over 35,000 wedding guests coming to the area per annum to attend destination weddings. The Sponsor will market the hotel as the premier venue to host and entertain wedding guests. Upon obtaining a special-use permit for a tent, the hotel will be able to host tented 100-person weddings in the front lawn.

Corporate Off-Site Retreats & Partner Meetings

- We see a unique opportunity to host corporate retreats, offsite meetings, and sales incentive trips that are authentic, local, and experiential. With endless opportunities nearby for team building, the Hotel can serve as a luxurious space for employees to sleep, meet, and bond.
  - Scribner's Catskill Lodge, located in Hunter, hosted over 35 corporate retreats and offsite meetings last year. Unlike Hunter, Hudson is easily accessible from Manhattan via Amtrak and has a downtown that has much more to offer, positioning the Property to capture this market segment.
  - Five years ago, Spotify hosted an offsite retreat at the Rivertown Lodge, a hotel in downtown Hudson with only 27-keys and a small restaurant and lobby. Despite the lack the meeting rooms, event space, and other amenities, the company "made it work" because they wanted to host the retreat in downtown Hudson.
  - Barnfox, a co-working startup, opened its first location on Warren Street in downtown Hudson in February 2020 to cater to NYC firms that allow employees to telecommute and provide meeting and space for offsite retreats.

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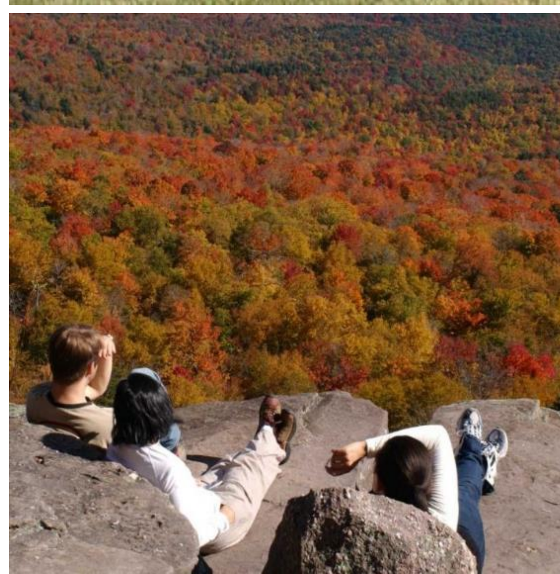

Property History

The Property was originally developed in 1835 as the private home and boarding house for Robert and Sally McKinstry. Robert McKinstry died in 1870 and the building sat vacant until 1895 when The Home For The Aged purchased the building. The Home For The Aged added a wing to the building in 1906 and the Property was operated as an old age home for nearly a century.

Upon closure of The Home For the Aged in 2014, the Property was purchased by a couple with the plan of re-developing the property into a vacation home. The interior of the building has been demolished to the studs so much of the unknowns with a historic redevelopment project go away since we know what is behind the walls.

Since acquisition, in addition to securing entitlement and IDA benefits, the Sponsor also completed 50% construction documents, has a cost estimate from a construction management firm based on those plans, a boutique hotel operator on-board, and long-term permanent financing arranged.

Historic Photos

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Existing Conditions - Exterior

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Existing Conditions - Exterior

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Hotel Branding

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The Sponsor will execute a locally-rooted concept that is contextual to the building's history and market without being contrived. Thoughtful nuances will lean into the thriving Hudson art scene and proximity to locally-grown foods and New York State wineries and breweries. The Sponsor will deliver a boutique hotel that is unique from existing comps in the market and will cater to the discerning traveler.

By catering to customers that desire more human connection and experience rather than just a hotel room, the Project will embrace the thriving art community and culinary scene to deliver a boutique hotel that will stand-out from its competitors. When brought to life, this asset will fully align with consumer’s wants and needs while complementing the charm that makes Hudson so sought-after.

The Sponsor intends to engage a qualified 3rd party hotel management company focused on independent boutique leisure properties. Through local community engagement, including hiring a local food and beverage consultant, we will deliver a unique hospitality and culinary experience not currently available in Hudson.

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Food & Beverage

The Sponsor conservatively underwrote that only approx. 20% of departmental profit is generated from food and beverage profit which equates to $111 per occupied room night in food and beverage profit per year.

The restaurant will have a 48-seat main dining room, a 12-seat private dining room, and a 40-seat outdoor dining terrace which will be open during warmer months. The 32-seat bar will have a speakeasy entrance.

Restaurant

- The Property will feature a main dining room with 19-foot ceilings and a capacity of 48 people that opens onto an outdoor dining terrace with a capacity of 40 people which will be open during warmer months.

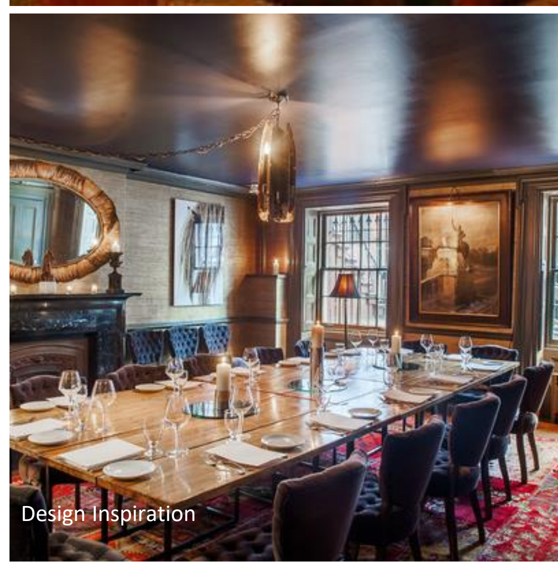
Private Dining Room

- Customers can enjoy a private dining room that can host small parties of up to 12 people in a cozy setting with a fireplace.

Bar

- Paying homage to the town's history during the Prohibition, the Property will feature a cozy 32-seat bar with two fireplaces, exposed beams and exposed brick, lower ceilings, and a speakeasy entrance under the historic McKinstry Mansion porch.

Design Inspiration



Design Inspiration

Design Inspiration

Event & Meeting Rooms

- The parlor level of the McKinstry Mansion will contain 3 common areas totaling approx. 1,800 SF.
  - Front Parlor – An 1,050 SF parlor on the first floor of the historic mansion featuring a beautifully restored historic ornamental staircase, bay windows, 2 fireplaces, with use of the historic porch overlooking the formal garden. This room can accommodate seated events of up to 70 people and cocktail style events of up to 130 people. This will serve as the "living room" of the property and will feature soft seating when not being used for private events.
  - Library – A 303 SF library with a fireplace. This room will feature built-in bookcases and a large co-working table.
  - Mezzanine – A 415 SF enclosed porch overlooking the restaurant and garden furnished with café tables.
- None of the other hotel properties in Hudson feature an event room other than The Wick.

Design Inspiration

Outdoor Amenities

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- Upon completion, over 35% of the ½ acre lot will be landscaped open space for guests to enjoy.
- The property will feature a hammock circle, a yard with lawn games, formal gardens, a dining terrace, and an outdoor spa area.
- The hotel will feature an outdoor spa area open year-round which will contain a sauna, Jacuzzi, and outdoor shower open year-round.
- On cooler nights, guests can still enjoy the garden, staying warm by the fire pit.
- The zen garden can accommodate a tent, by obtaining a special-use permit, giving us the ability to host a 100-person tented event in the front yard.


Design Inspiration


Design Inspiration

Landscape Plan

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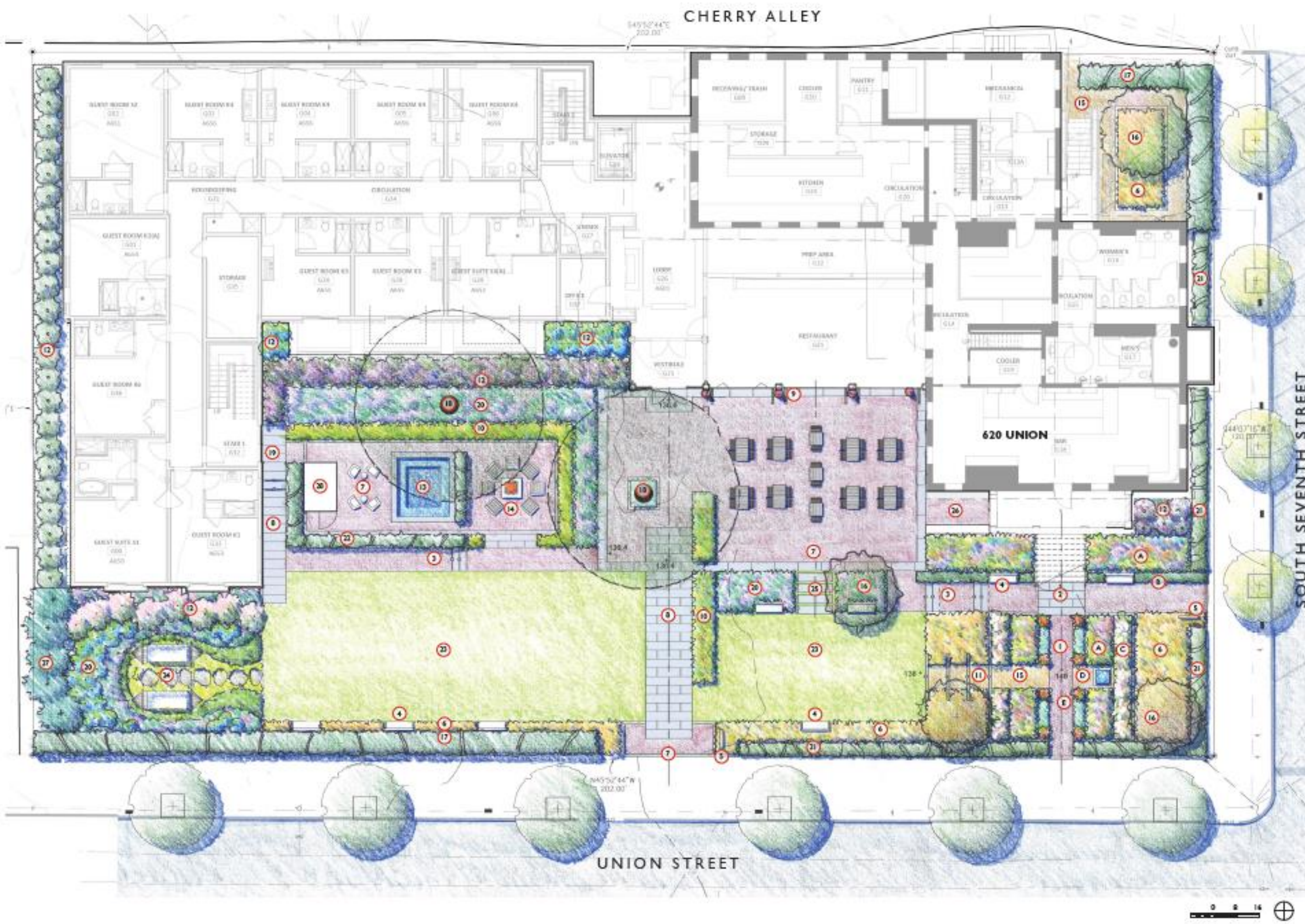

LEGEND:

1. BRICK GARDEN PATH TO HISTORIC ENTRY THROUGH HISTORIC FORMAL GARDEN:
    - A. Perennial Flower Garden
    - B. 24" Boxwood Hedge
    - C. Low Flowering Shrubs
    - D. Small Fountain
    - E. Seasonal Flowers in Pots on Pedestals
2. BLUESTONE LANDING AT BASE OF HOUSE STEPS
3. BRICK PATHWAY WITH BLUESTONE STEPS
4. BENCHES FOR GARDEN SEATING
5. SMALL WAY-FINDING SIGNAGE
6. ORNAMENTAL GRASSES
7. BRICK PAVING WITH BLUESTONE BORDER
8. BLUESTONE PAVING
9. SEASONAL PLANTERS
10. ORNAMENTAL GRASSES WITH PERENNIAL DRIFTS
11. BLUESTONE RISER STEPS IN GRAVEL PATH
12. FLOWERING SHRUB MASSINGS
13. IN-GROUND SPA
14. GAS FIRE PIT SEATING AREA
15. GRAVEL PAVING
16. ORNAMENTAL TREES (I.E., DOGWOOD, JAP. MAPLE)
17. HORNBEAM HEDGE
18. EXISTING TREE
19. STAIRWELL ACCESS
20. FLOWERING GROUND COVER
21. 36" PERIMETER GARDEN HEDGE
22. 6' EVERGREEN HEDGE TO SCREEN SPA
23. ZEN LAWN
24. HAMMOCK GARDEN
25. BLUESTONE PAVERS WITH LAWN JOINTS
26. ACCESS TO GROUND FLOOR BAR
27. EVERGREEN TREES
28. OUTDOOR SAUNA / SHOWER

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Thank You