

Locust Berkeley Developers Urban Renewal LLC
Schedule of Payment in Lieu of Real Estate Taxes ("PILOT")
For the Year Ended December 31, 2023

Locust Berkeley Developers Urban Renewal LLC

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For the Year Ended December 31, 2023

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Independent Auditors' Report

To the Members of

Locust Berkeley Developers Urban Renewal LLC

Opinion

We have audited the accompanying Schedule of Payment in Lieu of Real Estate Taxes ("PILOT") (the "Schedule") of Locust Berkeley Developers Urban Renewal LLC (the "Company") for the year ended December 31, 2023 and the related notes to the Schedule.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the calculation of the payment in lieu of taxes due by the Company for the year ended December 31, 2023 in conformity with the basis of accounting described in Note 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw your attention to Note 2 of the Schedule which describes the basis of accounting. The Schedule was prepared on the basis of the requirements determining payment in lieu of taxes on the basis of the provisions of the Financial Agreement between the Company and Township of Berkeley Heights dated November 27, 2017, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule in accordance provisions of the Financial Agreement between the Township of Berkeley Heights dated November 27, 2017, as described in Note 2; this includes determining that the provision of the Financial Agreement is an acceptable basis for the preparation of the Schedule in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the Schedule is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedule.

In performing an audit in accordance with generally accepted auditing standards, we:

1. Exercise professional judgment and maintain professional skepticism throughout the audit.
2. Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedule.
3. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
4. Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule.
5. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Restriction on Use

This report is intended solely for the information and use of the Company's management and the Township of Berkeley Heights, New Jersey, and is not intended to be and should not be used by anyone other than these specified parties.



East Brunswick, New Jersey

April 19, 2024

Locust Berkeley Developers Urban Renewal LLC
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Calculation of Annual Gross Revenues
(as defined in the financial agreement)

Rental income, net of rent concessions, credits and reductions of \$218,550	\$ 6,349,725
Other revenue	<u>45,577</u>
Total Gross Revenues	6,395,302
Annual Service Charge Rate	<u>13%</u>
Annual Service Charge	831,389
Township administrative fee - 2% of annual service charge	<u>16,628</u>
Total Annual Service Charge	848,017
Annual Service Charge Payable - December 31, 2022	234,980
Less: Payments made in 2023	<u>(601,663)</u>
Annual Service Charge Payable - December 31, 2023	<u><u>\$ 481,334</u></u>

The accompanying notes are an integral part of this Schedule.

Locust Berkeley Developers Urban Renewal LLC
Notes to Schedule of Payment in Lieu of Real Estate Taxes ("PILOT")
For the Year Ended December 31, 2023

Note 1 Nature of Organization

Locust Berkeley Developers Urban Renewal LLC (the "Company") is a limited liability company formed on May 1, 2020, under the laws of the State of New Jersey and the New Jersey Long Term Tax Exemption Law. The Company was formed in order to enter into a Redevelopment Agreement for the 100 Locust Avenue project site (the "Project"), designated as a non-condemnation area in need of redevelopment, in the Township of Berkeley Heights to acquire, demolish, remediate, design, develop, own and maintain three rental mid-rise apartment buildings located therein. The Project consists of 196 residential units, including 29 affordable units, parking spaces and a clubhouse. The Project was completed in phases with the initial rental operations commencing on January 10, 2022. The Project was substantially complete in January 2022 and received two additional certificates of occupancy on August 18, 2022 and August 31, 2022.

Note 2 Summary of Significant Accounting Policies

Basis of Presentation

The Schedule of Payment in Lieu of Real Estate Taxes (the "PILOT") based on annual gross revenues has been prepared in conformity with requirements of the Financial Agreement ("Financial Agreement") entered into with the Township of Berkeley Heights, New Jersey, under provisions of the New Jersey Long Term Tax Exemption Law (see Note 3).

Accounting Method

The Company records transactions in compliance with, and on the basis of, the requirements for determining gross revenues under N.J.S.A. §40A:20-3(a). The presentation is not intended to be in conformity with accounting principles generally accepted in the United States of America.

Estimates

In preparing the Schedule in conformity with the basis of presentation required for project costs under §40A:20-3(a) of the New Jersey Long Term Tax Exemption Law, management is required to make estimates and assumptions that affect the reported amounts at the date of the Schedule. Actual costs could differ from those estimates.

Tenant Accounts Receivable

Tenant receivables are carried at cost. Management periodically performs a detailed review of amounts due from tenants to determine if the accounts receivable balances are impaired based on factors affecting the collectability of those balances. Receivables are charged to bad debt expense when they are determined to be uncollectible during the periodic review by management.

Locust Berkeley Developers Urban Renewal LLC
Notes to Schedule of Payment in Lieu of Real Estate Taxes ("PILOT")
For the Year Ended December 31, 2023

Note 2 Summary of Significant Accounting Policies (Continued)

Residential Rental Income

Rental income is recognized as rents become due, pursuant to the lease agreements. Rental payments received in advance are deferred until earned. All leases between the Company and tenants of the property are operating leases, which generally expire within one to two years.

Included in other income are variable lease payments for fees and tenant chargebacks, which are primarily related to cost recoveries on late fees, lease modifications and pet fees, which are recognized as revenue as per the lease agreements.

Subsequent Events

The members have evaluated subsequent events and transactions for potential recognition or disclosure through the date of the auditors' report, which is the date the schedule was available to be issued.

Note 3 Financial Agreement - Payment In Lieu of Real Estate Taxes ("PILOT")

On November 27, 2017, the Company entered into a long-term tax exemption agreement with the Township of Berkeley Heights (the "Township") for the earlier of 35 years from the date of the Financial Agreement or 30 years from the date of substantial completion of the Project, which was January 10, 2022. The annual service charge will commence on the 1st day of the 1st month after substantial completion, or February 10, 2022. The PILOT based on annual gross revenues is calculated as follows:

Years 1-14	13% of gross revenue
Years 15-21	13% of gross revenue or 20% of the amount of the taxes otherwise due on the land and land improvements, whichever is greater.
Years 22-27	13% of gross revenue or 40% of the amount of the taxes otherwise due on the land and land improvements whichever is greater.
Years 28-29	13% of gross revenue or 60% of the amount of the taxes otherwise due on the land and land improvements whichever is greater.

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Notes to Schedule of Payment in Lieu of Real Estate Taxes ("PILOT")
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Note 3 Financial Agreement - Payment In Lieu of Real Estate Taxes ("PILOT")

Year 30

13% of gross revenue or 80% of the amount of the taxes otherwise due on the land and land improvements whichever is greater.