



TALARIA

BURBANK



2022 COLVIN CASE STUDY CHALLENGE
TEAM #2

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TALARIA BURBANK



A view of Whole Foods Market on the lower section and Talaria residential above.

EXECUTIVE SUMMARY

Residents aspire to inhabit world-class living spaces that provide luxury amenities while desiring to live closer to their employment location. However, in Los Angeles, California, overcoming hurdles of the scarcity of land, zoning and entitlement challenges, and development cost issues make developing such projects challenging for local developers. Hence, the paradox surrounding the standard of sustainable living in Los Angeles lies within the development process and in acquiring and entitling land in a highly competitive market. Enter the main stage, Talaria Burbank, a luxury icon in the heart of Los Angeles' Media District.

This Class A luxury mixed-use project in Burbank, California, offers prospective residents an urban-suburban mix of living. While Talaria ingratiates itself towards all tenants, the three segments focused on include: (1) The most critical customer group is young professionals between the ages of 20-30. (2) The property location is within walking distance of thousands of healthcare and media employers. (Additionally, many employees work in the general vicinity of the project, from Orange County to Downtown LA). (3) Highlighting Talaria's solution to the housing shortage in the

QUICK FACTS

Project

Talaria Burbank
3401/3425 W. Olive Ave. Burbank, CA 91505

Location

Burbank, California
"Media Capital of the World."

Project Type

Mixed-Use (Retail & Multifamily)

Site Size

3.86 acres

Description

480,000 SF mixed-use project comprised of 241 apartments, 61,354 SF of retail space for Whole Foods Market, and 763 underground parking spaces

LEED Status

Gold

Website

www.talariaburbank.com

Year Started - Completed

February 2007 - March 2019

Total Project Cost

\$162,440,068

Development Value

\$210,000,000*

Awards

- 2019 Gold Nugget "Grand" Award
- LEED Certified Gold
- 2019 San Fernando Valley Business Journal's "Best Mixed-Use Development"

QUICK FACTS

Developer / Owner

Cusumano Real Estate Group

Associate Developer

BMV Investment Co., LLC

Architect

Van Tilburg, Banyard & Soderbergh AIA

Landscape Architect

RELM Studio

General Contractor

McCormick Construction

Property Operator

Greystar / Alliance Residential

Engineer

TTG

LEED Consultants

Homage Design & Sustainable Production

Burbank submarket, providing residences for hundreds of families with children attending the city's highly ranked public school system. In addition, media executives constitute the third market segment of Burbank, which accounts for many media companies throughout the city.

Talaria is a breathtaking, elegant luxury apartment community with inspiring living spaces and buzzing energy. The property is a 480,000-square-foot award-winning development spread across five floors containing 244 diverse apartment floor plans, ranging from 708 to over 3,900 SF. of living space in various floor plans (Appendix Figure #2). It also provides 61,354 square feet of retail space, highlighted by Whole Foods Market, which alongside the 723 parking spaces available (3 grade/subterranean parking levels), provides a time management solution accessible to all Talaria tenants. Additional site amenities include 24-hour access to a state-of-the-art fitness center, spa, business lounge, breakfast/coffee concierge, private pub/lounge, and more. Public transportation options vary from short to far-distance travel, including the Bob Hope Airport, located approximately 10 minutes from the subject property. Talaria's location addresses the need for sustainable living, community-based living on sustainable design, and access to luxurious amenities while providing residents with the solution to maintain the Californian healthy work-life balance effectively.



DEVELOPMENT TEAM

About The Developer: Cusumano Real Estate Group

The Cusumano Real Estate Group is a real estate development and investment vehicle of the Cusumano family. Charles P. ("Chuck") Cusumano is the founder and president of the Cusumano Real Estate Group, which currently owns and manages over 2,000 apartment units and 1.5 million square feet of commercial, industrial, restaurant, and mixed-use

properties. Mr. Cusumano and his family are considered premier real estate owners within the City of Burbank. Not only are they the largest Landlord in Burbank, but the Cusumano family is also one of the biggest apartment owners and operators in Los Angeles County. Since then, every



property they have bought or developed is still owned and managed by the family.

The Cusumano Real Estate Group has been investing in real estate for more than 60 years, with a diverse real estate portfolio totaling over one hundred investment properties, including apartment complexes, office buildings, restaurants, senior housing facilities,

parking structures, retail properties, and industrial properties.

Notable Projects: Cusumano Center, Cusumano Civic Plaza, Burbank Civic Plaza, Canyon Club Senior Apts, Olive Plaza Senior Apts, Olive Court Senior Apts, Cusumano Plaza Office, Park Avenue Senior Apts., Burbank Blvd Office, The Village of Toluca Lake, Rancho Conejo Spectrum

About The Architects: Van Tilburg, Banyard & Soderbergh AIA



Van Tilburg, Banyard & Soderbergh AIA is an architectural firm committed to service, quality, and integrity. Their primary goal is to provide meaningful design solutions that effectively respond to the needs of their clients while respecting the balance of community in the environment. They are widely known to be a creative design firm with substantial technical abilities. Few other firms have

similar experience designing a wide range of low and high-density residential and mixed-use buildings. With its diverse residential portfolio, VTBS is one of the nation's most accomplished and recognized residential architects.

Notable Projects: The Crescent, Latitude 33, Eastown- BLVD6200, Jefferson @ Hollywood, Granite Park, La Brea Gateway

About The Contractor: McCormick Construction

Founded in 1914, McCormick is a full-service contracting firm specializing in general construction and construction management of mid- to high-rise commercial and institutional buildings, industrial projects, retail and medical facilities, multifamily residential, and interiors for both the public and private sectors. The company has been a leader in adopting progressive construction techniques and procedures while maintaining a hands-on management style.



Notable Projects: Armand Hammer Museum, Sheraton-Fairplex All-Suite Hotel, Warner Corporate Center, CBS News Station, Hughes Aircraft Company, Marriott Hotels, Kaiser Hospital, Deluxe Film Processions, 2300 Empire Building, the Guggenheim Aeronautical Laboratory at Cal Tech, the Clarion Commons Assisted Living.

2 DEVELOPER'S VISION FOR THE PROJECT

Talaria Burbank started in 2007 as a dream to build a community in the Burbank Media District that was unlike any previous community. The Cusumano Development Team worked hard for 12 years to create Burbank's only Green-Certified residential community. The team was dedicated to building and maintaining a healthy, environmentally mindful living environment for their residents. The mixed-use complex took nearly 20 years to

develop despite its prime location in the heart of the Media District. The developers had to adjust their plans to mitigate better traffic and address density and environmental concerns, with the city adding its infrastructure projects to ease traffic. When the Burbank City Council finally approved the project in 2014, Cusumano's 'no need to leave' concept eventually won over the city.

Burbank/Burbank Media District

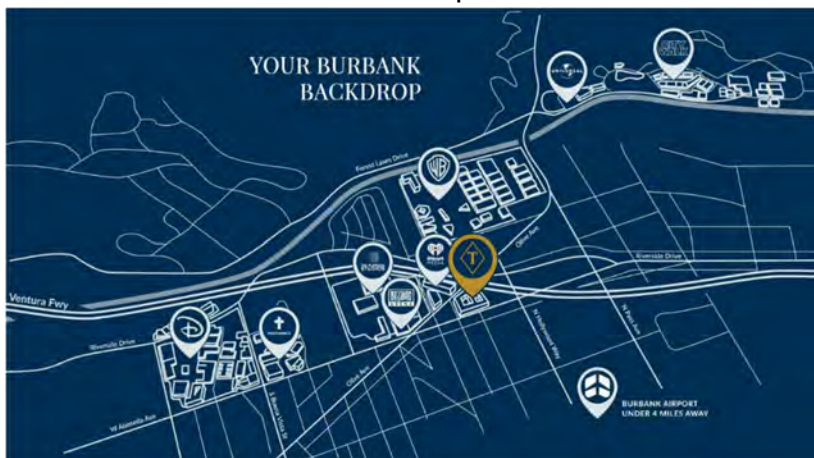
Burbank, California, is known as the world's media capital, with the headquarters of media and entertainment companies throughout the city. These include Walt Disney Company, Viacom, Warner Brothers, ABC, MSG, iHeart Radio, Nickelodeon, Cartoon Network, and over 700 other ancillary entertainment industry businesses. These businesses attract a substantial daytime population of more than 250,000 people per day.



Site Background

The site is located directly across the street from The Burbank Studios, iHeart Media (formerly Clear Channel), and the Warner Bros. Studios, and a short distance from the world headquarters of

The Walt Disney Company. Talaria is a location where people can walk or bike to work. Downtown Burbank is located 2 miles east, which has been noted by



Sunset Magazine as one of "Southern California's most appealing urban centers." The area features more than 200 shops, 30 movie screens, two hotels, and more than 80 popular restaurants, cafes, and coffee shops, in addition to all of Burbank City Hall's functions. Providence St. Joseph Medical Center is 0.9 miles away, and Bob, Hope Burbank Airport is 4.3 miles away.

The site on which Talaria was built was originally 24 different parcels of land on two city blocks. From the start, it wasn't clear if the developer would ever be able to acquire all the necessary parcels to consolidate the site.

The parcels included the infamous "Dimple's" karaoke bar, the first karaoke bar in the United States frequented by notable celebrities, 40 households, several other commercial tenants, and a church. The church-owned parcels ended up being the most challenging to acquire. The church had been in operation for over 50 years and had no desire to move its place of worship.



3 DETAILED PROJECT DESCRIPTION & SITE PLAN

Talaria Burbank is a 480,000-square-foot mixed-use project comprised of 244 apartments, 61,354 square feet retail space for Whole Foods Market, and 763 parking spaces. The project contains five residential levels on top of the ground floor of Whole Foods and three at grade/underground levels of parking. Increasing demand for housing in Burbank further elevated Talaria as the premier housing option, attracting a substantial number of housing units to the city.

Amenities – Residential Community

Talaria features a top-of-the-line amenity package, including a private screening room, a state-of-the-art gym with spa amenities (locker room, sauna), a dry bar and salon, a business center, beautiful community gardens and courtyards, a recreational/lap pool, creative co-working spaces, arcade, pet-friendly amenities (grooming facility, pet park), and a direct line to the Whole Foods Market downstairs. And that's only the beginning; A swanky rooftop lounge – created especially for Talaria residents and their guests – is the crowning community jewel,

offering unparalleled views and seclusion alongside the culture and energy that define the Burbank Media District lifestyle. The amenity set was designed to provide the residents with access to many of the resources that people use every day, and by being able to access them without a car, which reduces traffic and traffic-related greenhouse gas emissions.



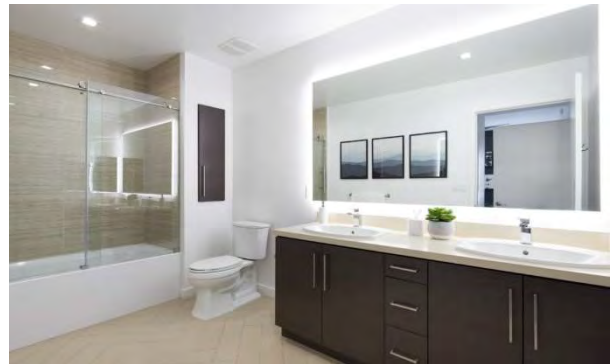
Amenities – Residential Units

Residential units include in-unit energy-efficient appliances, soaring ceilings (9 – 11 Feet), USB outlets, large private balconies, fireplaces, ceiling fans, oversized walk-in closets with custom shelving, and built-ins, glass-enclosed showers, dual-sink vanities, high-end kitchen countertops, cabinets, and finishes.



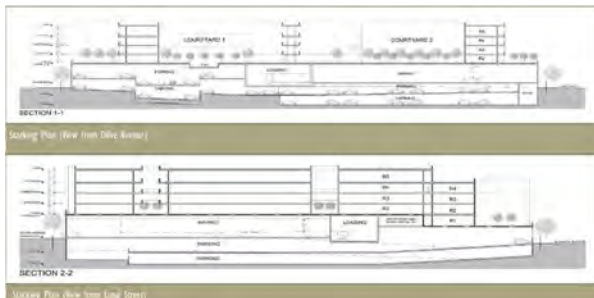
Construction/ Energy Efficiency

At the time, Talaria was the first and only community to achieve LEED Gold Certification status for a mixed-use or residential project in the City of Burbank. The developers were dedicated to building and maintaining a healthy, environmentally mindful living environment. To support that, they implemented various green initiatives and design measures within their walls to decrease utility costs and keep their footprint small. From solar-powered electricity and water heating systems to EV charging stations and the use of sustainable materials throughout, their eco-friendly community is naturally a one-of-a-kind project. Other green features include Energy Star appliances, programmable nest thermostats, light filtering solar shades, energy efficient dual glazed windows, high-efficiency washers and dryers, low VOC carpets, paints, and finishes, high-quality allergen-reducing air filters, reclaimed water landscape and drip irrigation.



Parking

The site features three levels of on-grade subterranean structured parking, providing 760 parking spaces, comprised of 461 resident stalls, 37 residential guest stalls, and 262 commercial retail spaces. The residential and retail parking areas are separated and accessed via separate entry points. The parking areas are equipped with elevators, escalators, stairwells, and "moving walkways" for the transportation of food carts to all levels of parking. Additionally, the parking lot has multiple parking spots dedicated to charging electric vehicles. Furthermore, the loading for Whole Foods is accessed



through an enclosed truck tunnel and docking area, which accommodates the refuse area. The retail parking area benefits through extensive lighting, security cameras, and a structural design that reduces secluded corners.

Retail

Securing Whole Foods (now owned by Amazon.com Inc.) as an anchor tenant was a monumental success for Talaria. Whole Foods Market, Inc is an American foods supermarket chain specializing in organic food. The retailer only sells products that meet its self-created quality standards for being "natural," which the store defines as minimally processed foods free of hydrogenated fats and artificial flavors, colors, sweeteners, preservatives, and many others.



Whole Foods had been circling the Burbank area for a while and were very easy to work with once the city approved this new location. Also, Talaria's Whole Foods location has received critical acclaim for its overall ambiance and profitability amongst all Whole Foods stores across America.

This state-of-the-art Whole Food attracts residents and employees of nearby studios. This Whole Food features a

unique Shopping Experience featuring a full-service restaurant with indoor and outdoor patio dining, a full-service bar, a "Hot Bar" and prepared foods section, a juice bar, and a coffee bar.



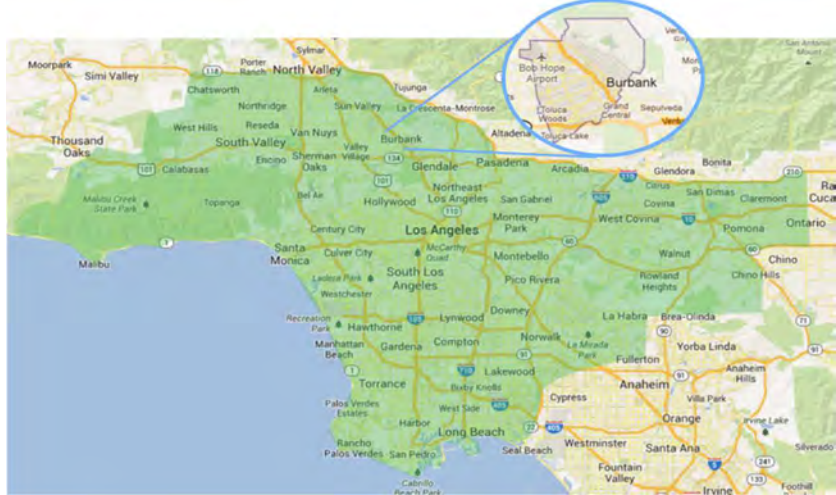
4 MARKET ANALYSIS

Tri-Cities (Glendale, Burbank & Pasadena)

Glendale, Burbank & Pasadena, or the "In-Cities" as it is generally known, is also home to a booming itinerary of attractions, eateries, and nightlife. The region is known for being one of Los Angeles' best-performing submarkets, offering world-renowned entertainment destinations and live/work accommodations. Many local firms, particularly those in the technology and entertainment industries, are characterized by high-wage jobs well-structured for Gen Y/Millennials. In addition, the region's excellent access to regional transportation allows residents to commute to downtown LA, West LA, and other employment centers in the San Fernando Valley. As a result, the Tri-Cities ranked among LA Metro's rent growth leaders in 2013 based on data from MPF Research, recent rent growth of 5.0% in the Glendale/Burbank/Pasadena market has dramatically outperformed the historical submarket average of 3.5%.

The City of Burbank Economy

Located 12 miles northwest of Downtown Los Angeles, Burbank's proximity and accessibility to both Los Angeles and the entire San Fernando Valley is an increasingly valuable asset to the city. One of the 88 incorporated cities within Los Angeles County, Burbank is a full-service, charter city with its police force and fire department.



Unlike the City of Los Angeles, Burbank is also one of the most active pro-business government bodies in the Los Angeles region, including the entire San Fernando Valley. Burbank has no "gross sales receipts tax," translating into tremendous savings for large companies residing in the city. While Hollywood may be the entertainment industry's icon, most studio production occurs in Burbank, creating a strong demand amongst tenants affiliated with the industry.

The Housing Market

Burbank has one of the tightest residential markets in Southern California. As of 2015, Burbank's businesses supported 202,170 jobs, but only 44,309 housing units were in the city. Historically, this community has had a significant housing shortage. Every seven years, The Southern California Association of Governments issues a regional housing needs assessment (RHNA) that allocates

City of Burbank
New Housing Units vs New Jobs
Years: 2011 - 2016
Source: City of Burbank



the number of housing units that must be built. Burbank has never met their RHNA requirements.

JOBS / HOUSING IMBALANCE
Number of Jobs per Housing Unit
2015 US Census data



Concerning Burbank, no Class A apartments developed in the city in the past 15 years, and Talaria was the only project "on the board" for the foreseeable future. The Burbank market has tremendous barriers to entry, including no available land and a firm "no multifamily

development" mentality amongst its residents.

According to Integra Realty Resources, "Los Angeles is one of the strongest multifamily markets in the country." This source reports Urban Multifamily Class A vacancies at 4.3%, Class B vacancies at 4.5%, and Suburban Multifamily Class A and B vacancies at 4.8%. Population growth and household formation in Los Angeles County continue to outpace new ownership and rental housing construction.



5 PLANNING & ENTITLEMENT ISSUES

Site Acquisition & Consolidation



Talaria's various site acquisitions were nearly improbable. The site on which the subject property was originally 24 different parcels, owned mainly by other entities on separate city blocks.

The original site-development plans were under the stewardship of a prior real estate developer, who saw the enormous potential if they could successfully acquire all these parcels and consolidate the site. Accordingly, they began acquiring individual parcels and approached the city of Burbank to purchase one of the parcels, which was city-owned. The city agreed to sell the lot with the covenant that if the developer couldn't acquire all 24 lots needed for the project, then Burbank had the Right of First Offer (ROFO) to repurchase the parcel.

Eventually, the developer successfully acquired all necessary parcels, except the last parcels owned by the church on which they operated their place of worship. The developer agreed to build a brand-new church within the development to address the Church relocation. However, they needed to find the church an interim site during construction. Finding a temporary location for the church ended up being next to impossible.

Amidst the relocation process, the developer's predevelopment loan had matured, and the lender filed a Notice of Default in February 2007 to begin foreclosure on the property. They filed for bankruptcy, and a legal battle ensued. The lender sold the loan at a discount to a vulture buyer out of New York City named Fortress Investments.



After Fortress bought the debt and acquired the site, they hired the Cusumano Group to complete the acquisition process and finish entitlements with the city. Upon taking the assignment, Cusumano prioritized relocating the church.



The church's relocation process and demand for expanded parking spaces (400)

exceeded economic feasibility. Anticipated building costs for parking spaces were estimated to be more than \$50,000 per space. The original developer had planned for underground, which meant they had to excavate below the ground to create six levels of underground parking. Cusumano and Fortress ran the proformas of the church being on and offsite, and it was immediately a game changer having them offsite. Cusumano and Fortress began searching for a permanent offsite location for the church, which they knew wouldn't be easy.

As Cusumano spent months looking for a church in 2007, the economy showed signs of going into recession, and Fortress wanted out of the project. In early 2008, Fortress and Cusumano agreed that Cusumano would acquire the Fortress interests in the site.

In effort to sell to Cusumano, Fortress had to overcome a lis pendens that was filed on the property during the initial bankruptcy auction when they bought the debt from the prior lender. One of the junior lenders filed a lis pendens on the property because the developer claimed the appraisal was worth more than the site was listed for. At the time, this junior lender had the option to come in and overbid for the property. Still, instead, they decided to file a lien on the property, blocking Fortress from selling the site to Cusumano. Instead of completing an appeal, Fortress went to the junior lender and negotiated a deal to lift the lien.

After the lien was lifted, Cusumano agreed to buy the project from Fortress, but what they didn't know was that there was a ROFO on the city parcel, meaning that Fortress couldn't convert their full ownership to Cusumano, or the city would have the right to buy back the lot and control the development. Fortress went to the City of Burbank and asked them to waive their ROFO rights, but of course, the city refused with hopes of controlling the development.



Fortress and Cusumano realized they had to get creative and agreed to keep the city ROFO parcel in Fortress's name until Cusumano acquired the church parcel.

Finally, in December 2008, Cusumano relocated the church and acquired their property.

Now that Cusumano had acquired all the parcels, they completed their agreement with Fortress to buy the city ROFO parcel and closed the deal. By February 2009, Cusumano owned all the lots required for development and was ready to focus on the entitlements with the city.

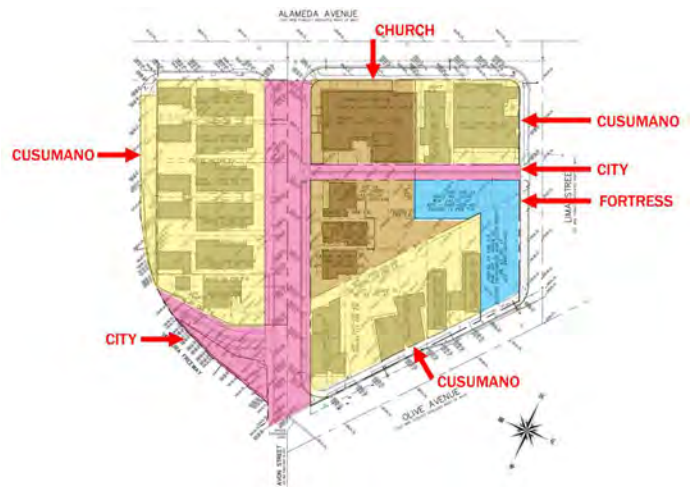
Zoning Issues

At acquisition, the individual parcels were a mix of residential, commercial, and city streets. They had to undergo an entirely new entitlement process to get approval for the site to be developed. There were a few options to entitle the site, one being a zone change. If they decided to do a zone change in Burbank, they would be constrained by the zoning they selected, either residential or commercial.

Cusumano had plans to build a grocery store and apartments on top of it, which meant they needed proper mixed-use zoning. The only way to effectuate mixed-used zoning for the site was to do a Planned Development (PD), which meant they had to negotiate with the city. They entered into a Development Agreement that gave them bespoke zoning unique to this site and was governed by the terms of the development agreement. The PD meant that the old zoning codes regarding parking, density, setbacks, heights, lot coverage, and all things part of a traditional zoning code were disregarded, and the PD zoning dictated all aspects of land use going forward.

Entitlements

Development of the two-block, multi-zoned site required rezoning, and an entitlement process, taking more than five years to complete. Entitlement for two



separate legal parcels of land use was crucial for Talaria's success because each would allow each lot to be financed, taxed, and sold independently, thus restructuring the property's financial flexibility upon exit. The city would also be required to issue excavation permits to relocate the sewers, fiber optics, and other infrastructure in the right of way, allowing Talaria-specific improvements to occur. Before occupancy, the developer had to complete 271 conditions of approval, while the Burbank City Council had to approve ten different resolutions to effectuate the project's entitlement. After that, 47 residential and ten commercial tenants required relocation. The scope of the legislative action that was needed from the Burbank City Council to entitle Talaria included the following:

Certification of an Environmental Impact Report: To ensure that all possible impacts from the project were adequately addressed and mitigated, the city required an Environmental Impact Report (EIR) by the California Environmental Quality Act (CEQA). The EIR is a statewide-devised report that informs the public and public agency decision-makers of proposed projects and their significant environmental effects and provides

reasonable alternatives. The report provides a detailed analysis and information on the following topics: aesthetics, air quality, greenhouse gases, hazards, hazardous materials, noise, and transportation and traffic. One of the conditions of approval was that the development had to be LEED-certified (Leadership in Energy and Environmental Design).

Essential Approvals for Development: Approving a Planned Development (PD) and Development Agreement (DA) was imperative for conforming to existing zoning. More specifically, the city approved these agreement applications to provide the unique development standards required due to the project's size, scope, and complexity. Other approvals needed in the project were Approval for Development Review and Approval for Vesting Tentative Parcel Map. The development review approval was required for the project's construction (as is the case for any project in Burbank), and the tentative parcel map was critical to merge the existing 24 into two separate parcels.

Vacation of a Street and Alleys: The project also required the evacuation of North Avon Street between Alameda Avenue (north) and Olive Avenue (south), alleys, and a public service easement. All appropriate City Departments and outside utility companies and agencies reviewed the proposed vacation, including AT&T California, Charter Communications, The Gas Company, the Los Angeles County Department of Public Works, and the Metropolitan Water District. The developer is required to relocate all utilities from the vacated areas, pay for the cost of relocation, and to establish new easements for the relocated facilities.

Approval of a Purchase and Sale Agreement for Public Property: Burbank owned a portion of the vacated streets and alleys, and the City Council agreed to sell this publicly owned land. Per the Burbank Municipal Code (BMC), for the applicant to acquire the city-owned Parcels, they must purchase them from the city at fair market value. The City Council agreed to sell the fee interests to these parcels for \$1.2 million.

Completing all of the entitlements necessary for Talaria's development proved to be a commercial success. Following the public announcement of Cusumano RE Group and the City of Burbank's agreement, many of the elite commercial real estate developers across the United States inquired about buying the site. The absence of entitlement risks eliminated any provisions for developers to consider, which appreciated the property's market value twice over; however, Cusumano refused to engage in any offer to sell. The asset's long-term potential proved invaluable, and the subject's final public entitlement meeting would commence for 18 hours straight until resolution. Entitlements were finalized in October 2014, including meeting 300 conditions of approval, leading to the developers breaking ground approximately a year later.

**6 BUILDING & LANDSCAPE
DESIGNS & SUSTAINABLE /
GREEN FEATURES**



LEED Certification is the most prestigious green building rating system worldwide. It provides a framework for healthy, highly efficient, and cost-saving green buildings. Talaria at Burbank achieved environmentally

sustainable operations, LEED Gold certification, and CAL-Green compliance.

Specific systems include:

Achieving LEED Gold certification meant that Talaria had met the following requirements:

- Use of onsite solar power, solar water heating, and solar water storage.
- Use of reclaimed water for all irrigation and cooling system water towers.
- Use of more energy-efficient HVAC systems, lighting systems, and appliances.
- Use of natural light and ventilation.
- Use of higher levels of insulation and higher performance doors and windows systems to reduce the need for heating and cooling demand.
- Field testing of HVAC systems to confirm optimal operations.

Onsite Electricity Production (solar PV)

The use of onsite electricity production (solar PV) comes from over 300 solar panels, which provide approximately 40% of the project's common area electricity and reduces the need for a portion of the project energy demand from offsite sources and is one of the primary means of reducing overall energy consumption and greenhouse gas emissions. Maximum achieved DC power: 102.73 kW / Inverter active power: 99.90 kW / Maximum apparent power: 99.90 kVA / Estimated

yearly onsite energy production: 163.451 MWh

Onsite Water Heating (solar) The onsite hot water production reduces the need for a portion of the project energy demand from offsite sources (natural gas). It is a primary means of reducing overall energy consumption and greenhouse gas emissions. This onsite solar hot water production system can heat the hot water produced to a temperature of 170°F. The hot water is stored in insulated storage tanks for use later in the day.

Window & Door Systems The window and door systems are double-paned metal window frame systems designed to provide improved thermal performance and to achieve a U-Factor of 0.48 NRFC and an SHGC rating of 0.40 NRFC. These systems also provide for STC ratings of up to 44. These big window and door systems also provide more natural light in each living unit to further reduce the need for lighting systems demand.

LED Lighting Systems and Energy Star-Rated Appliances Using only LED lighting systems and Energy Star-rated appliances reduce consumption.

HVAC Systems Using high-performance SEER (Seasonal Energy Efficiency Ratio) 14.0 HVAC systems reduce energy consumption.

Variable Speed Pumps and Motors The use of variable speed pumps and motors allows these systems to operate at lower levels during off-peak demand times, reducing energy consumption.

Commissioning is third-party inspection and testing to ensure optimal systems operation for mechanical and electrical systems, reducing inefficient processes and related energy losses.

Home Energy Rating System (HERS) Testing, including Duct leakage testing. A duct test ensures no air leaks in unconditioned areas from the duct system. Refrigerant charge verification test - This verifies that refrigerant levels meet the manufacturer's design specifications—Airflow verification test. Her testing ensures optimal systems operation and reduced energy losses.

Upon certification, the subject property's development value was bound to receive massive recognition based solely on its sustainability value. It would also help provide Cusumano RE Group with a framework to measure their real estate performance and implement management practices to decrease operational costs and increase asset value.

Amenities and the “No Need to Leave” Concept to Reduce Traffic

Not only was acquiring all the parcels a significant hurdle, but they had to go through a long and rigorous city approval process. Residents' and City-wide concerns from officials included increased traffic congestion, but Cusumano eventually convinced them that Talaria would help reduce traffic with its 'No Need to Leave' concept. To this degree, 150,000+ people commuting into Burbank daily, combined with a deficiency in the housing-employment ratio, had become the main contributors to Burbank's original traffic problem. Talaria was bringing the first significant addition to the housing supply that the city had seen in prior years.

Talaria offers exclusive features and onsite amenities as a mixed-use commercial real estate property, allowing residents to go about daily activities without ever leaving home. According to an article written in the LA Times,

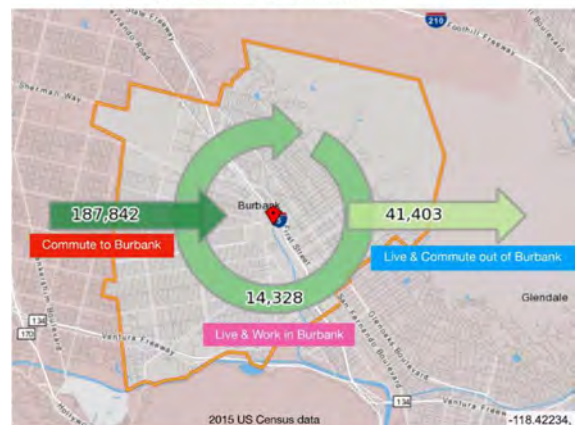
developer Michael Cusumano said, "What we tried to do was create a community that would allow you to address your daily issues without leaving the property," Also, there's that competitive edge. "We wanted to set ourselves apart," Cusumano said, "and there is no other product in this



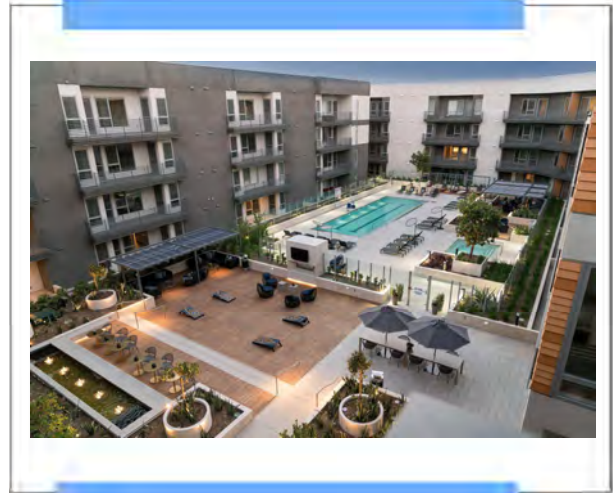
particular market that comes close in project amenities."

Not only was this development going to help reduce traffic due to the ability for tenants to walk or bike to work, but the developer wanted to bring a new meaning to onsite amenities and further prove their no need to leave concept. They were focused on creating all the amenities you would need in a day onsite and reducing the reliance on using a car.

CITY OF BURBANK
JOBS / COMMUTING
INFLOW & OUTFLOW



The foundation of Talaria starts with two levels of underground parking garage supporting Whole Foods and residents' living spaces. Whole Foods Market is the property's crown jewel, providing residents with a unique shopping experience with access to organic produce and food products. Furthermore, the market includes a full restaurant/bar with indoor and outdoor dining, which consists of a diverse beer and wine selection at the acclaimed Stage 71 restaurant and pub made possible by the Liquor License.



Above the main level, five floors tall, the living dwellings are structured to create a parameter around the property. The layout developed acoustically peaceful areas home to the two courtyards, a recreational lap pool, an outdoor kitchen, BBQ areas with fire pits, a koi pond with water features, and dining areas around the garden. Establishing reasons for residents to continue using the provided amenities to remain as onsite as possible. Tranquility is

restored through the natural gardens while maintaining a healthy work-life balance found with the onsite business center, 34-seat private screening room, and fitness center with spin room and saunas, pool, and cabanas. Other community amenities include onsite concierge and maintenance, bike storage, a dry bar salon, massage facilities, a pet spa, a dog park, and a rooftop lounge.

7 PROJECT FINANCING (sources & uses) (performance to proforma)

Construction – Wells Fargo



Wells Fargo provided a construction loan of \$98,584,548 to Cusumano Real Estate Group in October 2015.

Permanent – Prudential



Prudential Life provided a permanent financing loan of \$126,500,00 to Cusumano Real Estate Group in June 2019.



(Performance to Proforma)

Financing for a mixed-use project of this scale isn't easy. However, Cusumano secured a \$98,584,548 construction loan from Wells Fargo in October 2015. The project was sourced with 61% debt and 39% equity. The estimated project cost for the 2015 pro forma was \$152,497,047 compared to the actual total cost of \$162,440,068. Thus, the total actual project cost was only 11% higher than the proforma amount.

Project Costs - Residential & Retail							% Variance
	Pro Forma - 2015			Actual - Overall			
	RESIDENTIAL	RETAIL (WHOLE FOODS)	TOTAL	DEVELOPER	CONSTRUCTION LOAN	TOTAL	
Total Land	\$ 41,100,000	\$ 6,600,000	\$ 47,700,000	\$ 47,700,000		\$ 47,700,000	
Total Site Work	\$ 800,000	\$ 325,000	\$ 1,125,000		\$ 1,141,993	\$ 1,141,993	
Total Building Costs	\$ 61,292,335	\$ 12,434,335	\$ 73,726,670		\$ 86,389,512	\$ 86,389,512	
Total Soft Costs	\$ 7,096,328	\$ 1,827,067	\$ 8,923,395	\$ 3,070,955	\$ 5,503,798	\$ 8,574,753	
Sub Total	\$ 110,288,663	\$ 21,186,402	\$ 131,475,065	\$ 50,770,955	\$ 93,035,303	\$ 143,806,258	+9%
Total Finance + Interest & Fees	\$ 5,200,000	\$ 1,600,000	\$ 6,800,000	\$ 6,400,000	\$ -	\$ 6,400,000	
Total Other Costs, Ins, Legal, DF, Etc.	\$ 10,888,264	\$ 3,333,718	\$ 14,221,982	\$ 6,684,565	\$ 5,549,245	\$ 12,233,810	
TOTAL COST	\$ 126,376,928	\$ 26,120,120	\$ 152,497,047	\$ 63,855,520	\$ 98,584,548	\$ 162,440,068	+7%
% of Total	83%	17%		39%	61%		
Cost Excluding Land & Dev Fees:	\$ 82,127,495	\$ 19,280,800	\$ 100,208,294	\$ 12,395,520	\$ 98,584,548	\$ 110,980,068	+11%
Rental Income			\$ 10,518,256			\$ 12,623,800	
Expenses			\$ (3,268,804)			\$ (4,087,335)	
NOI Apartments			\$ 7,249,452			\$ 8,536,465	+18%

After construction was complete, Cusumano was able to secure a permanent financing loan of \$126,500,000 provided by Prudential Life in June 2019. Talaria hit well above their projected NOI used in their pro forma. The projected rental income NOI from the apartments was \$7,249,452, and their actual NOI was \$8,536,465, that's 18% higher than their proforma.

8 CURRENT OPERATIONAL ISSUES

Talaria officially opened for business in February 2019, unknowingly bringing more than just everyday operational issues as the world began suffering from the devastation of COVID-19. Even today, the world and Talaria continue to overcome the operational problems created by typical everyday hurdles and the epidemic that plagued the world.

Among everyday operation issues a luxury development could face, they continuously strive to overcome daily operational needs created by operating a retail market, property management, and tenant requests. Overcoming these challenges

became possible through implementing lessons learned from prior developments.

Covid impacts to "lease up"

Before COVID-19, Talaria Burbank unknowingly trekked towards issues that began and continued past lease-up, having to overcome the immediate impacts that affected the local economy, supporting the world and the potential stabilization. Though the CDC recommended that everyone wear masks indoors to prevent the further spread of COVID-19, Cusumano's project continued toward stabilization at 95%, achieved in Q3 of 2021.

Surmounting impacts from the world sickness showed distress when rent collections flat-lined throughout 2020 and 2021. Rent increases from the original lease renewals coming to terms, prevailing tough times into the beginning of 2022. Minimal relief from covid programs supported the 2022 Q3 and Q4 income reports. Soaring well above pro forma projections and 2022 budgeted income statements, the T12 for Q3 2021 statements reflect 18% higher than projected.

9 EXIT STRATEGY

Outfitted with the strategy that surpassed COVID, Cusumano intends to utilize this property as a revenue source past the projected ten-year proforma.

Long-Term Hold

Most developments intend on the return through selling after the holding period. However, this flagship property operates above the original proforma expectations creating a reason to hold. Overcoming the problematic economic effects of a world pandemic proved that Talaria shows promise to achieve above expectations.

Multiple offers to Purchase

Many of the profitable opportunities around properties of this scale rely on selling the project for a profit. However, the actual income from this development offers the rare chance to keep this property as a cash-flowing property. After completion, Cusumano received multiple offers to purchase from companies ready to pay top dollar for this project, even hearing offers above the projected \$210,000,000, reflecting 72% appreciation.

10

INNOVATION & IMPACT OF THE DEVELOPMENT

The efforts of Cusumano Real Estate Group have amassed tremendous prestige from its proprietorship of Talaria Burbank. Listed below are the results to date:

Success in Economic Performance

The most significant factor to Talaria Burbank's multifamily success was its ability to exceed the budgeted pro forma. Upon conceptualization, Cusumano RE Group projected the total cost for residential land and construction to be \$126,376,928 (\$110.63 per square foot), net operating income as \$7,249,452, and a 5.74% return on cost. The potential cash flow of the subject property was invaluable, as the debt service would be satisfied by the property's yearly cash flow. While construction and developments cost exceeded pro forma by about \$10M, the property's actual stabilized net operating income of \$8,538,465 outperformed the project pro forma by a wide margin.



(2019) San Fernando Business Journal Mixed Use Property of the Year

Upon the project's completion, Talaria's commercial appeal became even stronger after receiving top recognition from the real estate media, namely the San Fernando Valley Business Journal. The SFV Business Journal is the premier source for real estate deals, breaking news, lead-generating lists, and entrepreneurial inspiration in the San Fernando, Conejo, Simi, Santa Clarita, and Antelope valleys. In 2019, the journal acknowledged the exceptional RE performers of the area via the annual Commercial Real Estate Awards Thursday night during a dinner event held at the Hilton Woodlands Hills hotel. By doing so, the journal pays tribute to the market's top brokers and broker teams and recognizes the most notable projects throughout the region that were completed last year. The Gold Award for Best Mixed-Use Project went to Talaria Burbank for its commercial and retail success, leasing 42,000 square feet to Whole Foods Market and achieving 2.6% vacancy in only its first year of operation.

(2019) Gold Nugget Grand Award - Best Mixed-Use Project



Talaria had successfully improved the Burbank community by providing time-efficient options for everyday necessities (food, shelter, health), all of which was complimented through its exceptional design, planning, and development as recognized by the Pacific Coast Builder's Conference (PCBC). More precisely, PCBC is the nation's largest regional conference and trade show for the real estate development field, which also hosts the organization-

patented Gold Nugget Awards to recognize the top performers in architectural design and planning excellence. Winners, selected by a panel of leading industry experts who reviewed nearly 600 entries, showcase the most exciting design, planning, and building trends (drawing entries from throughout the United States and internationally). In 2019, the panel of judges named Cusumano Real Estate Group and the Talaria Burbank Design Team of Nadia Geller Designs and VTBS Architects as merit winners for Best Mixed-Use Project.



(LEED Gold) - The Benchmark for Local RE Developers

One of the most significant changes to Burbank's community that Talaria brought was its conservation efforts toward global climate efficiency. Cusumano RE Group dedicated their efforts to building and maintaining a healthy, environmentally mindful living environment for their residents and the planet. To this extent, the subject implemented various green initiatives and design measures within their walls to decrease utility costs and keep their footprint small. On November 07, 2018, the Talaria Burbank received LEED-HOMES MR v2010 on Gold Level, accumulating 80.5 Points total. Talaria remains the first and only LEED-Certified residential or mixed-use property in Burbank, effectually setting the standard for green living in Burbank for local developers in the industry.



11 CONCLUSION

The challenges in building a world-class apartment community for Burbank residents seemed insurmountable. From the failed attempts of land acquisitions to entitlements required by the city, Cusumano RE Group's persistence in developing a world-class mixed-use property had accomplished its goal with cost-effective yet luxurious accommodations of 244 apartments, 61,354 square feet of retail space (Whole Foods Market) and 763 parking spaces. The 24 separate parcels obtained had created one location within walking distance of various transportation routes and the world's flagship media and healthcare corporations, thus increasing travel efficiencies and effectively reducing traffic congestion throughout Burbank and Los Angeles counties. From the multiple unit designs and property amenities, Talaria's features a host of amenities the developers made attractive to tenants unmatched by any other residential community previously built in Burbank, amassing prestigious acclaim, and drawing millions in operating income yearly. Henceforth, Talaria accomplishes its purpose of uplifting the Burbank community by bringing all commuters and residents into one living place while providing an example of sustainability in practice



APPENDIX

Development Timeline		Developer
Site identified / planning began	Summer, 2007	Cusumano Real Estate Group
First parcels of the site purchased	September, 2008	
Entitlement package submitted to City	December 2012	Architect
Project approved by City	October 2014	Van Tilburg, Banyard & Soderbergh AIA
Demolition started	October 2015	
Grading started	November 2015	General Contractor
Construction started	January 2016	McCormick Construction
Whole Foods Market shell completed	April 2016	
Whole Foods interior construction started	October 2017	Structural Engineer
Residential construction started	October 2017	TTG Structural Engineer
Whole Foods Market completed	May 2018	
Whole Foods Market grand opening	June 2018	Landscape Architect
Residential Construction completed	April 2019	RELM Studio
Grand opening ceremony	February 2019	
Certificate of Occupancy issued	June 2019	Interior Designer
Permanent financing closes	June 2019	Nadia Geller Designs
Stabilized occupancy achieved	January 2021	
Gross Building Area		Plumbing Engineer
Use	Building area (sq. ft.)	Davidovich & Associates
Residential (type IIIA)	177,756	Electrical Engineer
Residential (type VA)	234,785	AMP Electrical
Retail (type I)	58,446	Silver, Roth & Associates
Total GBA	470,987	
Parking (spaces / area)		HVAC Engineer
Residential	464 / 186,976	American Comfort Systems
Retail	262 / 124,197	TAD Engineering
Total	726 / 311,173	LEED Consultant
Site Area		Homage Design
Original	24 Parcels	
Project	3.85 acres	

APPENDIX

Residential Information

Unit Type	Units	Typical size sq ft	Proforma rents	Actual monthly rent	Price/sq ft
Studio	3	708	\$1,900	\$2,700	\$ 3.81
One Bedroom	85	1,025	\$ 2,700	\$4,300	\$ 4.20
Two Bedroom	123	1,452	\$ 4,200	\$4,800	\$ 3.31
Three Bedroom	31	1,790	\$ 4,500	\$6,300	\$ 3.52
Penthouse A	1	3,979	\$ 8,500	\$15,000	\$ 3.77
Penthouse B	1	2,987	\$ 6,000	\$10,500	\$ 3.52

Development Cost Information

Site acquisition cost	Amount
Original site value:	\$47,700,000

Proforma development costs

Hard Costs	\$104,797,047
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Final development costs

Hard Costs	\$110,980,068
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All-In development costs

\$162,440,068

Financing Information

Debt capital sources

Construction – Wells Fargo Bank

Debt capital sources

Permanent – Prudential Life

Mortgage banker

Bellwether Enterprises

Development Insurance Information

Subguard

Builder's Risk

Owner Controlled Insurance Program (OCIP)