

**The Reserve at Mount Moriah**

**Applicant:** Capstone Moriah LLC  
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**Lender:** **Not Applicable. The initial renovation will be done with equity and the property would be refinanced based on an as-renovated appraisal.**

**PILOT Application Summary:** Mr. Sorotzkin’s entity, Capstone Hillcrest LLC acquired Hillcrest Apartments, which is currently in the PILOT program in November 2022. This application is being submitted as part of the acquisition of a portfolio of 3 properties: The Reserve at Mount Moriah, The Lakes at Ridgeway, and Stonegate. All three properties are included in one purchase agreement, and the ownership entities of each will have similar or identical ownership structures. Each property will operate independently, and the Applicant is requesting PILOT approval on all three. If these applications are approved, Capstone Realty and Management, through affiliated, single purpose entities, will own and be PILOT Lessee on 4 area projects. This property consists of 220 units. The property is in a state of disrepair and is completely vacant. There is damage to all buildings and the entire property needs to be renovated such that it can once again be operating and occupied. The Applicant intends to invest nearly \$5,000,000 in renovations to the units and the common areas of the property. This investment will drastically improve the condition of the property and the surrounding areas will benefit as a result of a derelict property being brought back into operation after a large investment by the Applicant. This project is a prime candidate for the PILOT program as it will bring units that are currently “offline” back into the market for occupancy by tenants in the Target Market.

**At a minimum 40% of the units (88) will be reserved for and rented to individuals or families making 60% or less of the AMI.**

Total Units	BR/BA	Units	SF	Rent: Pre/Post Rehab	Reserved/ PILOT Unit Rent	Rent: Pre/Post/PILOT \$/SF
220	1 BR/1 BA	40	850	\$745/\$933	\$895	\$0.87/\$1.09/\$1.05
	2 BR/1.5 BA	128	950	825/1015	905	0.86/1.07/0.95
	2 BR/1.5 BA	24	1000	850/1045	925	0.85/1.05/0.93
	2 BR/2 BA	12	1100	875/1095	945	0.80/1.00/0.86
	3 BR/2 BA	16	1200	905/1165	995	0.76/0.97/0.83

**Total Development Cost:** \$ 16,371,750  
**Development Cost per Unit:** \$ 74,417.05  
**Location:** 2778 Pickering Drive, 38115  
**Occupancy:** This property is currently vacant and not operating, so no rent roll is available

**Sources and Uses of Funds:**

Sources		Uses	
Bridge Debt	\$0	Purchase Price	\$9,020,000
Equity	16,371,750	Capex Units	3,272,000
		Capex Common Areas	1,375,000
		Interest Reserves	2,500,000
		Closing Costs	204,750
<b>Total Development Costs</b>	<b>\$16,371,750</b>	<b>Total All Costs</b>	<b>\$16,371,750</b>

<b>Tenant Benefit Breakdown</b>	<b>Actual Cost</b>
<b>Gate Upgrade-</b> Applicant will upgrade the residential entrance and exit areas by adding a new, more secure gate on the property to keep residents safe and unwanted visitors off the Property. With advanced technology and stronger security measures, only residents and authorized individuals will be allowed to access the Property.	\$50,000
<b>SafeWays-</b> Applicant plans on participating in SafeWays Program with the intention of gaining SafeWays certification. Applicant will use these funds to adhere to the minimum requirements that are needed to obtain SafeWays certification, including but not limited to, landscaping, background checks, appropriate signage, and installing anti-slide/lift mechanisms on all sliding doors and windows.	100,000
<b>Security Cameras-</b> Applicant will install high-definition security cameras on the Property to deter potential criminal activity, loitering and solicitation from unwanted visitors, and to allow a more stable and safe living environment for residents. With visible cameras located in key areas of the Property, residents will feel more secure knowing that their safety is a top priority.	50,000
<b>Exterior Lighting Upgrades-</b> Applicant will upgrade and expand exterior lighting on the Property by adding LED flood lights around the entrance gates, parking areas, landscaping areas and outside gathering spaces, and entry points for the individual rental units. Well-lit outdoor areas can also make the Property more attractive, which can create a more pleasant environment for residents to live in.	125,000
<b>Swimming Pool Upgrades-</b> Applicant will restore the swimming pool and ensure that it has appropriate signage, lighting and enclosed fencing. Applicant will provide improved equipment and maintenance to insure that the pool is a safe place for residents to enjoy.	75,000
<b>Dog Park, Playground, BBQ area-</b> Applicant will provide and/or outfit a dog park, BBQ area, and children's playground area and ensure that there is continued maintenance, appropriate oversight, and that each area stays safe. This will provide residents with a sense of community and provide them with a space to gather and socialize.	75,000

Fitness Center- Applicant will provide updated equipment, TVs, and will work to provide personal trainers and/or group fitness classes.	25,000
Business Center- Applicant will provide computers and internet in the business center to provide residents a place to work and conduct meetings, which is useful for residents who work from home. This will also allow residents who may be searching for a job, a place to go to apply for jobs online and print resumes.	5,000
BBQs every 6 months- Applicant will host free BBQs and other gatherings for residents every six months to help create a sense of community. By hosting outdoor events, residents will be able to enjoy time outside.	1,000
Financial Education Classes- Applicant will seek to establish a partnership(s) with nonprofit agencies to provide education and training for financial literacy with budgeting and investing, credit repair, tax counseling and preparation for homeownership for tenants. These classes will help residents make informed financial decisions and allow them to work towards their financial goals.	500
High Efficiency Appliances- Applicant will install new energy-star washer and dryer units in the Laundry Facility. These units often use less water and are gentler on clothes, which can help extend the life of garments and save residents money.	TBD
<b>Subtotal</b>	<b>\$506,500+TBD</b>

The Reserve At Mount Moriah

PP	\$9,020,000
Units	220

Total Capex	\$4,647,000.00
Percentage of PP	52%

**Capex Common Areas**

Pavement	\$100,000.00
Concrete	\$25,000.00
Landscaping	\$100,000.00
Gating	\$50,000.00
Roofing	\$350,000.00
Siding	\$100,000.00
Facade, Repainting	\$175,000.00
Clubhouse	\$100,000.00
Outside Lighting	\$125,000.00
Dog Park, Play-Park, Barbecue Area	\$75,000.00
Pool	\$75,000.00
Security	\$50,000.00
Signage	\$50,000.00
<b>Total</b>	<b>\$1,375,000.00</b>

**Development Plan: (\$900,000 Total)**

1. Applicant will repair the pavement on the Property (\$100,000.00).
2. Applicant will repair the concrete on the Property (\$25,000.00).
3. Applicant will repair and replace the roofing on the buildings on the Property (\$350,000.00).
4. Applicant will repair and replace the siding on the buildings on the Property (\$100,000.00).
5. Applicant will repaint the façade on all buildings on the Property (\$175,000.00).
6. Applicant will renovate the clubhouse located on the Property (\$100,000.00).

7. Applicant will replace existing signage throughout the Property (\$50,000.00). Because of the condition of this property, Applicant is undertaking this renovation without financing. Upon completion of all or a part of the improvements, Applicant intends to have the Property re-appraised for purposes of putting permanent financing on the project.

**Proposed timing/anticipated dates for the following:**

- a. **Closing of the loan, bond, or related supplemental financing:** End of February or early March 2023 (closing of purchase of the property)
- b. **First expenditure of funds related to the project:** ASAP after acquisition of the property and approval of the PILOT
- c. **Anticipated date of demolition and/or commencement of construction:** ASAP after approval of the PILOT
- d. **Anticipated completion date of the project:** 3 years from commencement
- e. **When the project will be placed into service:** ASAP
- f. **Anticipated closing date for the PILOT:** ASAP after approval- March or April 2023

**Additional Statements:**

- 1. Although there are not individual washing and drying machines in each residential unit, there will be a laundry facility on the Property for residents to use. High-efficiency washers and dryers will be provided in the Laundry Facility.

Please note that Applicant has talked with Shelby County Code Enforcement, as well as the City of Memphis Lead Public Records Coordinator, and has filed a Public Records request to determine whether the Property has any pending or open code citations. Once applicant receives the information back from the City of Memphis, it will provide the Board with that information. Applicant has also reviewed the online records for Shelby County Environmental Court, and it appears that there are no open proceedings related to this Property. Applicant will provide the information regarding pending or open code citations as soon as possible and will provide any other supplemental information the Board requests.

