

360 HOMES LLC REMARKS BEFORE THE RDA Dec. 13, 2023 MEETING

Thank you for having us here today to discuss the Stoughton Riverfront project. It has come to our attention that the communication lines have not been sufficient, so we would like to bring you up to date on our efforts and on important information which has a direct bearing on the project.

As a sort of quick recap, at the October 11 meeting of the RDA, we proposed starting marketing of the project as early as the beginning of November. This marketing was to include entry into the Multiple Listing Service, opening a storefront marketing center, and direct marketing to key brokerages. At that time, you made it clear that it was very important to the RDA that we obtain some kind of letter from the lender expressing what terms we needed to meet to get a loan commitment. It was our understanding that we would have an initial deadline of June 1, 2024 to get that letter.

With that in mind, we met with the lender to get an update on the current financial market, and to get any guidance they could offer about timing: what we might be able to bring to the table to get a terms sheet; how soon we might be able to get a terms sheet; whether there would be any other requirements; how long to get a loan commitment, etc. The lender started by explaining that liquidity is a big problem right now, not just for our lender, but across the local financial markets. Lenders are holding what cash they have for current clients and there is no money for new projects. Generally speaking, commercial lending is in a difficult place right now and not many projects are getting funded at all. The estimate for that to change is a year and possibly longer. Based upon this lending environment, it was explained that there is no real possibility of getting a loan commitment before that time.

We were able to have them give rough ideas about what terms were conceivable, but again, nothing for sure, just ballpark ideas which we can tentatively look at as guideposts for what we are likely to need to strive for:

- 1) Presale requirement – at least 50%, but possibly as high as 100%
- 2) First 50% of buyers would have to be cash or cash equivalent buyers
- 3) Equity requirement of at least 40%

Knowing that a loan commitment is not possible until a year from now and knowing that the likely requirements will be somewhat onerous, challenges the entire timeline and approach to marketing. This means that even if we start marketing right away, we feel obligated to make you aware of the downside of marketing immediately.

The first downside is that we can't yet put the listing on MLS at this time.

In order to list a property, MLS rules require that we offer a commission to cooperating brokers to bring a buyer who can enter into a contract to purchase property. It is possible to market this project even though it is not yet built, but we would need to have certain key terms under which the property can be acquired, including price, timing, and conditions required by the lender to green light the project in order to be able to enter it into the MLS. When we learned the actual state of lending right now, it became clear that we were nowhere near having sufficiently detailed information to be able to entice a buyer to agree to a contract in the first place, let alone have an enforceable contract. This means that MLS rules would not permit us to enter the project into the MLS.

The second downside is that we can't market properties that aren't on MLS.

MLS rules prohibit us from marketing properties, like with the storefront or directly to other brokerages, without a listing contract and entering them into the MLS. There is a sort of work around. The only possibility of gathering buyer information would be creating a canvassing process which is carefully introduced as more like a survey and specifically not as marketing for sale. I believe the term "feasibility study" may have been thrown around, but lenders have a specific understanding of what that entails, in particular a third-party report. What we intend to do first we would like to refer to as "canvassing". Simply put, we would be checking with brokers and potential buyers to gauge interest in the project.

The third downside is that the lender may not view the data at this early stage as being as persuasive.

This canvassing process we are discussing is something that the lender considers as having some merit, i.e. potential to make progress towards getting financing. It is important to note, however, that the lender would prefer this canvassing effort to be closer in time to the project being approved to have the most persuasive authority.

The fourth downside is the risk of becoming stale and losing buyer confidence.

As a real estate broker selling a listed property, my goal is to get people excited about a property, to get them to sense the urgency, and then to get them to act quickly in purchasing it. By marketing too early we risk getting people interested and then asking them to wait for a year or more. There is no urgency and there is no way to get them to act quickly. There is no way to get them to commit in a meaningful way. Over time, buyers will become disaffected or go in a different direction, and

they will begin to share their negative opinions with their sphere of influence in Stoughton. We want to avoid this outcome.

Our intended approach, as I mentioned, is to begin with canvassing rather than full on marketing. We can avoid some of the risks while at the same time beginning to spread the word about the project and gather information about interest.

We have been made aware that our understanding does not align with the RDA's understanding regarding deadlines. Specifically, the developer's agreement has a December 16, 2023 deadline for the commencement of the three phases of marketing, and there is a March 1, 2024 deadline to obtain a terms sheet from the lender. Given the foregoing description of the financial picture, both of these deadlines are problematic.

We propose that for the canvassing effort, we wait until the first week of January. Starting the canvass right now, in the two weeks before the holidays is perhaps the single worst time of the year to try to get someone's attention. In essence, our effort will be almost a month old before most people pay attention to it

We realize this is going to come as a great disappointment. I can say with all sincerity that we are just as disappointed. Everyone in this room shares a strong desire for this project to be successful and completed in a timely fashion. We recognize that you, the members of the RDA, have a special responsibility of oversight to see to it that the taxpayers' money is not wasted and that the project is done properly. We ourselves don't see dollar one until the project is completed and sales are closed. On the other hand, we have absolutely no desire to delay or push something that isn't viable. Delay is inescapable under the current conditions. But the delay in full-scale marketing is necessary and it will help us avoid negative outcomes like waning interest and the undermining of the credibility of the project.

Here is what we would like to propose:

1. Website: start immediately. Go to stoughtonriverfrontcondos.com
2. Storefront: start Dec. 16 by posting material in the window.
3. Start outreach to other brokers in early January, more directed inquiries about actual buyer interest.
4. No MLS until we have a terms sheet from the lender and can start actual presales.