

# HUDSON HOUSE (CONFIDENTIAL)

620 Union Street  
Hudson, NY

HUDSON HOUSE

**SANDSTONE  
PARTNERS**

Confidential - For Discussion Purposes Only

# Summary (CONFIDENTIAL)

Sandstone Partners LLC (the “Sponsor”) is under contract to purchase an adaptive re-use hospitality site in the Hudson River Valley. The site is in the town of Hudson which is the “Downtown of Upstate” and the cultural center in the region. The Property is located in New York’s Hudson Valley in the historic town of Hudson. **Located just a 3 minute ride (or 15 minute walk) from the Hudson Amtrak station and one block off Warren Street, the Property is situated in one of the best locations in the region.** With local attractions such as New York’s oldest operating theater, Hudson Hall, the Museum of Firefighting, Olde York Farm Distillery, and the Saturday farmers market, there is plenty to do in Hudson, with more demand drivers arriving each year.

The McKinstry Mansion, located at 620 Union Street (the “Property”), is the largest privately-owned residential property in downtown Hudson, New York. The Property is a 15,000 SF vacant building built in 1835 located on a half-acre lot in the heart of rapidly evolving Hudson. The site has over 200 feet of frontage on Union Street, a tree-lined Street one block from Hudson’s main commercial corridor.

The Property is in the Central Commercial (“CC”) zoning district where **hotel use is permitted as-of-right**, not requiring a zoning variance. The Sponsor is currently obtaining the necessary approvals from Hudson’s municipal agencies, site plan approval from City Planning and exterior design approval from Historic Preservation Commission, anticipating a fully-entitled site in the third quarter of 2020.

The Sponsor intends to renovate and expand the historic mansion into a 4-star independent boutique hotel with extensive indoor and outdoor amenities and a restaurant and bar. The project scope contemplates a full-gut renovation of the existing building and expanding the building from approx. 15,000 SF to approx. 31,500 SF.



# Highlights (CONFIDENTIAL)

## Thriving Yet Underserved Market

- The Hudson River Valley **remains underserved by high quality boutique hospitality offerings** yet the region boasts **19% year-over-year traveler spending** in 2018, the highest growth in traveler spending in the state.
- Columbia County is the **fastest growing tourism market** within the Hudson River Valley region averaging 8.9% growth in traveler spending annually since 2015 compared to 3.7% growth for the other counties within the region.
- With approximately **200,000 tourists per year** and **only 204 keys** in Hotels, Motels, Inns, and Bed & Breakfasts and 160 Airbnb units, there is a significant undersupply of hospitality units in Hudson.
- Hudson's Amtrak station is the **4<sup>th</sup> busiest station in New York** state with over 220,000 riders in 2018.

## Premier Location

- Hudson is **2 hours from New York and Hartford and only 40 minutes from Albany** – accessible by rail and/or car.
- Hudson's train station is located less than 1 mile from the Property.
- The Property is in the **heart of downtown Hudson** at the corner of South 7<sup>th</sup> 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 and can enjoy a step-up in basis on prior gains of 10%.
  - Investors can enjoy a permanent exclusion on capital gains if the investment is held for more than 10 years.

## IDA Benefits

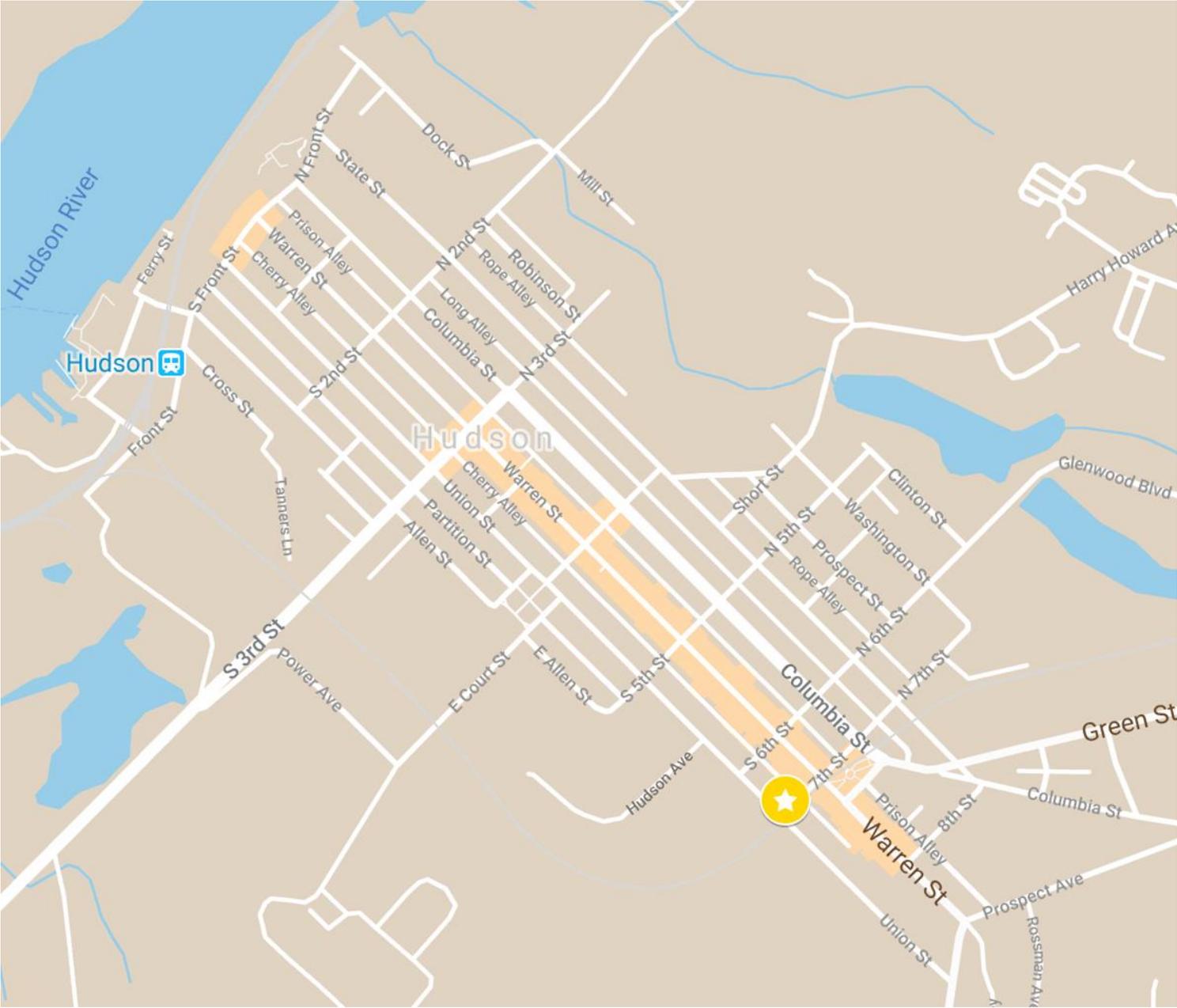
- The project qualifies for the following **three tax benefits offered by the Hudson Industrial Development Agency ("IDA")** in exchange for a commitment to create new jobs and hire locally:
  - The project will be eligible for a New York sales tax exemption on construction materials.
  - The project will be eligible for a mortgage recording tax exemption.
  - The project will be eligible for a PILOT Program, reducing real estate taxes significantly.

## Experienced Team

- Sponsorship **has over 19 years of industry 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 intends to engage a qualified 3<sup>rd</sup> party hotel management company focused on independent boutique leisure properties with fewer than 60 rooms.
- The Sponsor is speaking to **experienced local food and beverage consultants** to execute a food and beverage program that leverages local producers while introducing a new cuisine to the market.

**01**

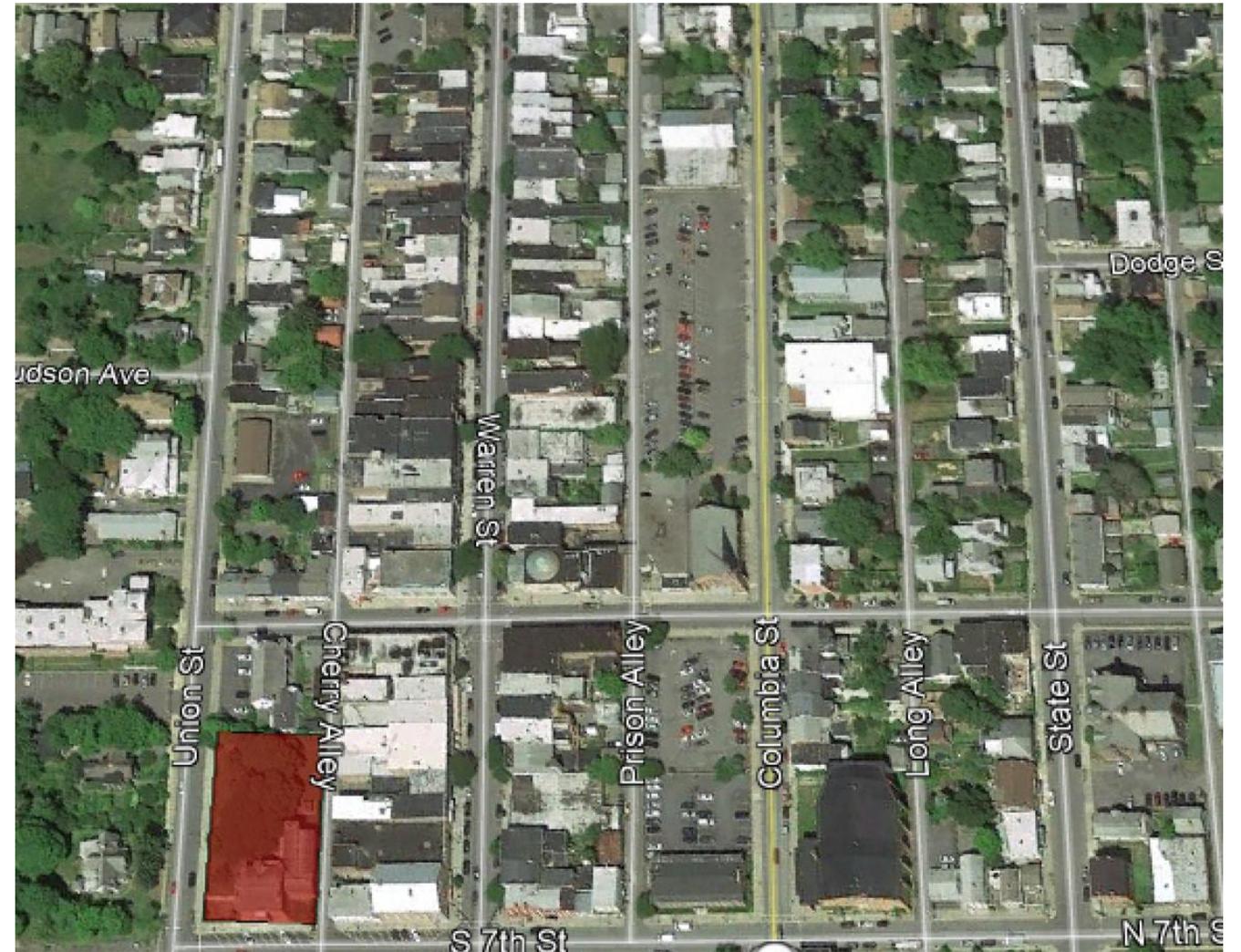
**Property  
Overview  
(CONFIDENTIAL)**



# Map (CONFIDENTIAL)

# Property Information (CONFIDENTIAL)

Location	620 Union Street
Intersection	Northwest corner of Union and South Seventh Street
City, County, State, Zip	Hudson, Columbia, NY, 12534
Year Built	1835 with extension in 1906
Tax Map Number	110.53-3-51
Lot Size	0.556 acres
Lot Frontage	200 Ft
Lot Depth	120 Ft
Property Class	418-Inn/Lodge
Zoning Code	CC
2019 Assessment	\$1,700,000
Type of Ownership	Fee Simple



**02**

**Business Plan  
(CONFIDENTIAL)**

# Hotel Concept (CONFIDENTIAL)

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.



# Hotel Programming (CONFIDENTIAL)

The hotel will cater to guests seeking a local experience and will offer a variety of programming to highlight all that the Hudson River Valley has to offer by partnering with local business to provide:

- Yoga and meditation
- Massage and spa treatments
- Architecture and history walking tours
- Farm visits
- Cooking classes
- Museum and gallery tours
- Apple picking and hayrides
- Skiing, fly fishing, and golf packages

**The hotel will also create a hassle-free experience for discerning city dwellers with the following potential services:**

- Shuttle service to/from the Hudson Amtrak Station
- Free bike rentals
- Free continental breakfast
- Pet friendly

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**05**

**Sponsorship  
(CONFIDENTIAL)**

# Sponsor Leadership (CONFIDENTIAL)



## David Kessler

### Founder & CEO

David Kessler, Founder and CEO of Sandstone Partners, served as President of Blesso Properties for over three 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 (CONFIDENTIAL)



01

## **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.



02

## **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.



03

## **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.



04

## **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.



05

## **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.

# Prior Experience (CONFIDENTIAL)



06

## ATLANTIC AVENUE RETAIL REDEVELOPMENT

700 Atlantic Avenue Atlantic Yards, Brooklyn

40,000-square-foot Retail Redevelopment

This property is located adjacent to The Barclay's Center within the footprint of Forest City Ratner's Atlantic Yards Development. David's team purchased this industrial building totaling 40,000 square feet above grade in December 2011.



07

## FLATIRON MIXED-USE LOFT BUILDING

37 West 19th Street, Flatiron District, Manhattan

16,000-square-foot Multifamily and Retail Project

David's team purchased this 7-story loft building in September 2012 for approximately \$10.2 million. David sourced this acquisition, created the business plan and underwriting, and raised the debt for the transaction.



08

## CITICORP BUILDING

One Court Square

1,401,000-square-foot Office Tower

Purchased this Class A office tower in Long Island City for approximately \$315 per square foot, which equated to a 6.9% yield-on-cost in June 2012. The asset is 100% net leased to Citibank until May 2020.



09

## ELIZABETH STREET MULTIFAMILY

113-117 Elizabeth Street

Little Italy Neighborhood, Manhattan

28,000-square-foot Residential Rental

David sourced this transaction on an "off-market" basis, created the business plan and underwriting, and raised the equity and debt for the transaction. This portfolio consisted of three adjacent buildings totaling 30 units. His team closed on this acquisition in November 2011 for approximately \$12.6 million.



10

## SETAI COMMERCIAL CONDOMINIUM

40 Broad Street

Financial District, Manhattan

46,000-square-foot Office and Retail Condominium

David's team purchased the 4 commercial condominium units, which included the basement, retail, 2nd and 3rd-floor restaurant and gym/spa, and 4 floors of office on floors 4-7 in October 2012.

**07**

**Current**

**Photos**

**(CONFIDENTIAL)**

# Current Photos (CONFIDENTIAL)



Existing Conditions - Exterior

# Current Photos (CONFIDENTIAL)



Existing Conditions - Interior

**08**

**Renderings  
(CONFIDENTIAL)**

# Renderings (CONFIDENTIAL)



# Renderings (CONFIDENTIAL)



# Renderings (CONFIDENTIAL)



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**Thank  
You**

**(CONFIDENTIAL)**