UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

X **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2023

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to
Commission File Number: 001-38010

CLIPPER REALTY INC.
(Exact name of Registrant as specified in its charter)

Maryland	**47-4579660**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

4611 12th Avenue, Suite 1L
Brooklyn, New York 11219
(Address of principal executive offices) (Zip Code)
(718) 438-2804
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol**	**Name of each exchange on which registered**
Common Stock, par value $0.01 per share	CLPR	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes X No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐
Non-accelerated filer ☐
Accelerated filer X
Smaller reporting company X
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes X No ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No X

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter, based on the June 30, 2023, closing price of our common stock on the New York Stock Exchange – $72,113,912

As of March 14, 2024, there were 16,063,228 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant intends to file a Proxy Statement relating to its 2024 Annual Meeting of Stockholders no later than 120 days after the end of its fiscal year, which will include the information required by Part III of Form 10-K.

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CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

Various statements contained in this Annual Report on Form 10-K, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements. These forward-looking statements may include projections and estimates concerning the timing and success of specific projects and our future production, revenues, income and capital spending. Our forward-looking statements are generally accompanied by words such as "estimate," "project," "predict," "believe," "expect," "intend," "anticipate," "potential," "plan," "goal" or other words that convey the uncertainty of future events or outcomes. The forward-looking statements in this Annual Report on Form 10-K speak only as of the date of this Report; we disclaim any obligation to update these statements unless required by law, . We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory, and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These and other important factors, including those discussed under "Risk Factors," may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, contingencies and uncertainties include, but are not limited to, the following:

- the impact of the recent increase in inflation in the United States which could increase the cost of acquiring, replacing and operating our properties;
- market and economic conditions, including rising interest rates, affecting occupancy, rental rates, the overall market value of our properties, our access to capital and the cost of capital, and our ability to refinance indebtedness;
- economic or regulatory developments in New York City;
- our dependency on certain agencies of the City of New York, as a single government tenant in our office buildings, which could cause an adverse effect on us, including our results of operations and cash flow, if these agencies opt to early terminate or opt not to renew their leases;
- changes in rent stabilization regulations or claims by tenants in rent-stabilized units that their rents exceed specified maximum amounts under current regulations;
- our ability to control operating costs to the degree anticipated;
- the risk of damage to our properties, including from severe weather, natural disasters, climate change, and terrorist attacks;
- risks related to financing, cost overruns, and fluctuations in occupancy rates and rents resulting from development or redevelopment activities and the risk that we may not be able to pursue or complete development or redevelopment activities or that such development or redevelopment activities may not be profitable;
- concessions or significant capital expenditures that may be required to attract and retain tenants;
- the relative illiquidity of real estate investments;
- competition affecting our ability to engage in investment and development opportunities or attract or retain tenants;
- unknown or contingent liabilities in properties acquired in formative and future transactions;
- the possible effects of departure of key personnel in our management team on our investment opportunities and relationships with lenders and prospective business partners;
- conflicts of interest faced by members of management relating to the acquisition of assets and the development of properties, which may not be resolved in our favor;

- a transfer of a controlling interest in any of our properties that may obligate us to pay transfer tax based on the fair market value of the real property transferred;
- our ability to maintain effective internal control over financial reporting;
- the need to establish litigation reserves, costs to defend litigation and unfavorable litigation settlements or judgments; and
- other risks and risk factors or uncertainties identified from time to time in our filings with the SEC.

You should read this Annual Report on Form 10-K and the documents that we reference in this Annual Report on Form 10-K and have filed as exhibits to this Annual Report on Form 10-K, completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of the forward-looking statements in this Annual Report on Form 10-K by these cautionary statements.

SUMMARY OF RISK FACTORS

Our business is subject to a number of risks, including risks that may prevent us from achieving our business objectives or may adversely affect our business, financial condition, liquidity, results of operations and prospects. These risks are discussed more fully in Item 1A. Risk Factors. These risks include, but are not limited to, the following:

- Unfavorable market and economic conditions in the United States and globally and in the specific markets or submarkets where our properties are located could adversely affect occupancy levels, rental rates, rent collections, operating expenses, and the overall market value of our assets, impair our ability to sell, recapitalize or refinance our assets and have an adverse effect on our results of operations, financial condition, cash flow and our ability to make distributions to our stockholders;
- Multifamily residential properties are subject to rent stabilization regulations, which limit our ability to raise rents above specified maximum amounts and could give rise to claims by tenants that their rents exceed such specified maximum amounts;
- All of our properties are located in New York City, and adverse economic or regulatory developments in New York City or parts thereof, including the boroughs of Brooklyn and Manhattan, could negatively affect our results of operations, financial condition, cash flow, and ability to make distributions to our stockholders;
- We depend on the agencies of the City of New York as a single government tenant in our office buildings, which could cause an adverse effect on us, including our results of operations and cash flow, if the City of New York were to suffer financial difficulty or if these agencies opt to early terminate or opt not to renew their leases;
- Our portfolio's revenue is currently generated from eight of our properties;
- We may be unable to renew leases or lease currently vacant space or vacating space on favorable terms or at all as leases expire or terminate, which could adversely affect our financial condition, results of operations and cash flow;
- The actual rents we receive for the properties in our portfolio may be less than market rents, and we may experience a decline in realized rental rates, which could adversely affect our financial condition, results of operations and cash flow. Short-term leases with respect to our residential tenants expose us to the effects of declining market rents;
- We engage in development and redevelopment activities, which could expose us to different risks that could adversely affect us, including our financial condition, cash flow and results of operations;
- We have in the past and we may be required to make rent or other concessions and/or significant capital expenditures to improve our properties in order to retain and attract tenants, generate positive cash flows or to make real estate properties suitable for sale, which could adversely affect us, including our financial condition, results of operations and cash flow;

- Real estate investments are relatively illiquid and may limit our flexibility;
- Competition could limit our ability to acquire attractive investment opportunities and increase the costs of those opportunities, which may adversely affect us, including our profitability, and impede our growth;
- Competition may impede our ability to attract or retain tenants or re-lease space, which could adversely affect our results of operations and cash flow;
- We may acquire properties or portfolios of properties through tax-deferred contribution transactions, which could result in stockholder dilution and limit our ability to sell such assets;
- Capital and credit market conditions, including higher interest rates, may adversely affect our access to various sources of capital or financing and/or the cost of capital, which could affect our business activities, dividends, earnings and common stock price, among other things;
- Increased inflation may have a negative effect on rental rates and our results of operations;
- Our subsidiaries may be prohibited from making distributions and other payments to us;
- **We are considered an accelerated filer and are required to comply with Section 404 of the Sarbanes-Oxley Act of 2002, and our inability to maintain effective internal control over financial reporting in the future could result in investors losing confidence in the accuracy and completeness of our financial reports and negatively affect the market price of our common stock;**
- Our continuing investors hold shares of our special voting stock that entitle them to vote together with holders of our common stock on an as-exchanged basis, based on their ownership of Class B LLC units in our predecessor entities, and are generally able to significantly influence the composition of our board of directors, our management and the conduct of our business;
- Conflicts of interest may exist or could arise in the future between the interests of our stockholders and the interests of holders of OP Units and of LLC units in our predecessor entities, which may impede business decisions that could benefit our stockholders;
- Our charter contains a provision that expressly permits our officers to compete with us;
- We have a substantial amount of indebtedness that may limit our financial and operating activities and may adversely affect our ability to incur additional debt to fund future needs;
- Changing interest rates could increase interest costs and adversely affect our cash flows and the market price of our securities;
- Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt;
- System failures or security incidents through cyberattacks, intrusions, or other methods could disrupt our information technology networks, enterprise applications, and related systems, cause a loss of assets or data, give rise to remediation or other expenses, expose us to liability under federal and state laws, and subject us to litigation and investigations, which could result in substantial reputational damage and adversely affect our business and financial condition.
- Failure to qualify or to maintain our qualification as a REIT would have significant adverse consequences to the value of our common stock; and
- Complying with the REIT requirements may cause us to forego otherwise attractive opportunities or liquidate certain of our investments.

PART I

ITEM 1. BUSINESS

In this Annual Report on Form 10-K, when we use the terms the "Company," "Clipper Realty," "we," "us," or "our," unless the context otherwise requires, we are referring to Clipper Realty Inc. and its consolidated subsidiaries. Certain disclosures included in this Annual Report on Form 10-K constitute forward-looking statements that are subject to risks and uncertainties. See Item 1A, "Risk Factors," and "Cautionary Note Concerning Forward-Looking Statements."

Overview

Clipper Realty Inc. is a self-administered and self-managed real estate company that acquires, owns, manages, operates and repositions multifamily residential and commercial properties in the New York metropolitan area, with a portfolio in Manhattan and Brooklyn. The Company was formed to continue and expand the commercial real estate business of the 50/53 JV LLC (a Delaware limited liability company), Renaissance Equity Holdings LLC (a Delaware limited liability company), Berkshire Equity LLC (a Delaware limited liability company) and Gunki Holdings LLC (a Delaware limited liability company) (collectively, the "Predecessor" or the "predecessor entities"). These predecessor entities were formed by principals of our management team from 2002 to 2014. Our primary focus is to continue to own, manage and operate our portfolio, and to acquire and re-position additional multifamily residential and commercial properties in the New York metropolitan area.

Upon completion of the private offering and the formation transactions, we assumed responsibility for managing the LLC subsidiaries.

We were incorporated in the State of Maryland on July 7, 2015. On August 3, 2015, we closed a private offering of shares of our common stock, in which we raised net proceeds of approximately $130.2 million. In connection with the private offering, we consummated a series of investment and other formation transactions that were designed, among other things, to enable us to qualify as a real estate investment trust (a "REIT") for U.S. federal income tax purposes, and we elected to be treated as a REIT commencing with the taxable year ended December 31, 2015. We contributed the net proceeds of the private offering to Clipper Realty L.P., our operating partnership subsidiary (the "Operating Partnership"), in exchange for units in the Operating Partnership.

On February 9, 2017, the Company priced an initial public offering of 6,390,149 primary shares of its common stock (including the exercise of the over-allotment option, which closed on March 10, 2017) at a price of $13.50 per share (the "IPO"). The net proceeds of the IPO were approximately $78.7 million. We contributed the proceeds of the IPO to the Operating Partnership, in exchange for units in the Operating Partnership.

As of December 31, 2023, the properties owned by the Company consist of the following (collectively, the "Properties"):

- Tribeca House in Manhattan, comprising two buildings, one with 21 stories and one with 12 stories, containing residential and retail space with an aggregate of approximately 483,000 square feet of residential rental Gross Leasable Area ("GLA") and 77,000 square feet of retail rental and parking GLA;
- Flatbush Gardens in Brooklyn, a 59-building residential housing complex with 2,494 rentable units and approximately 1,749,000 square feet of residential rental GLA;
- 141 Livingston Street in Brooklyn, a 15-story office building with approximately 216,000 square feet of GLA;
- 250 Livingston Street in Brooklyn, a 12-story office and residential building with approximately 370,000 square feet of GLA (fully remeasured);
- Aspen in Manhattan, a 7-story building containing residential and retail space with approximately 166,000 square feet of residential rental GLA and approximately 21,000 square feet of retail rental GLA;

- Clover House in Brooklyn, a 11-story residential building with approximately 102,000 square feet of residential rental GLA;
- 10 West 65th Street in Manhattan, a 6-story residential building with approximately 76,000 square feet of residential rental GLA;
- 1010 Pacific Street in Brooklyn, a 9-story residential building with approximately 119,000 square feet of residential rental GLA; and
- The Dean Street property in Brooklyn, which the Company plans to redevelop as a 9-story residential building with approximately 160,000 square feet of residential rental GLA and approximately 9,000 square feet of retail rental GLA.

See "Descriptions of Our Properties" in Item 2 for a detailed discussion of the Company's properties.

These properties are located in the most densely populated major city in the United States, each with immediate access to mass transportation.

The Company's ownership interest in its initial portfolio of properties (Tribeca House, Flatbush Gardens, 141 Livingston Street and 250 Livingston Street) was acquired in the formation transactions in connection with the private offering of shares of our common stock on August 3, 2015. These properties are owned by the predecessor entities, which after the formation transactions are referred to as the "LLC subsidiaries." .The LLC subsidiaries are managed by the Company through the Operating Partnership, which is the managing member of the LLC subsidiaries and owns Class A units in such LLC subsidiaries. The Operating Partnership's interests in the LLC subsidiaries generally entitle the Operating Partnership to all cash distributions from, and the profits and losses of, the LLC subsidiaries, other than the preferred distribution to the continuing investors who hold Class B LLC units in these LLC subsidiaries (described below). In connection with the formation transactions, holders of interests in the predecessor entities received Class B LLC units in the LLC Subsidiaries and an equal number of special, non-economic, voting stock in the Company. The Class B LLC units, together with the special voting shares, are convertible into shares of stock of the Company on a one-for-one basis. At December 31, 2023, the continuing investors owned an aggregate amount of 26,317,396 Class B LLC units, representing 62.1% of the Company's common stock on a fully diluted basis. Accordingly, the Operating Partnership's interests in the LLC subsidiaries entitle it to receive 37.9% of the aggregate distributions from the LLC subsidiaries.

The Company has two reportable operating segments: residential rental properties and commercial rental properties. Our revenue consists primarily of rents received from our residential, commercial and, to a lesser extent, retail tenants. We derive approximately 70% of our revenues from rents received from residents in our apartment rental properties and the remainder from commercial and retail rental customers. As of December 31, 2023, agencies of the City of New York leased approximately 16% of the total rentable square feet in our portfolio, representing approximately 19% of our total portfolio's annualized rent.

Business and Growth Strategies

Our primary business objective is to enhance stockholder value by increasing cash flow from operations and total return to stockholders through the following strategies:

- Increase existing below-market rents – capitalize on the successful repositioning of our portfolio and solid market fundamentals to increase rents at several of our properties.
- Disciplined acquisition strategy – opportunistically acquire additional properties, with a focus on premier submarkets and assets, by utilizing the significant experience of our senior management team.
- Proactive asset and property management – utilize our proactive, service-intensive approach to help increase occupancy and rental rates and manage operating expenses.
- Redevelop assets – execute on our targeted capital program to selectively redevelop properties and achieve rent growth in an expedited fashion.

Competitive Strengths

We believe that the following competitive strengths distinguish us from other owners and operators of multifamily residential and commercial properties:

- Diverse portfolio of properties in the New York metropolitan area, which is characterized by supply constraints, high barriers to entry, near- and long-term prospects for job creation, vacancy absorption and long-term rental rate growth.
- Expertise in redeveloping and managing multifamily residential properties.
- Experienced management team with a proven track record over generations in New York real estate.
- Balance sheet well-positioned for future growth.
- Strong internal rent growth prospects.

Regulation

Environmental and Related Matters

Under various federal, state and local laws, ordinances and regulations, as a current or former owner and operator of real property, we may be liable for costs and damages resulting from the presence or release of hazardous substances (such as lead, asbestos and polychlorinated biphenyls), waste, petroleum products and other miscellaneous products (including but not limited to natural products such as methane and radon gas) at, on, in, under or from such property, including costs for investigation or remediation, natural resource damages or third-party liability for personal injury or property damage.

In addition, our properties are subject to various federal, state and local environmental and health and safety laws and regulations. As the owner or operator of real property, we may also incur liability based on various building conditions. We are not presently aware of any material liabilities related to building conditions, including any instances of material noncompliance with asbestos requirements or any material liabilities related to asbestos.

In addition, our properties may contain or develop harmful mold or suffer from other indoor air quality issues, which could lead to liability for adverse health effects or property damage, or costs for remediation. We are not presently aware of any material adverse indoor air quality issues at our properties.

Americans with Disabilities Act and Similar Laws

Our properties must comply with Title III of Americans with Disabilities Act of 1990 ("ADA") to the extent that such properties are "public accommodations" as defined by the ADA. We have not conducted a recent audit or investigation of all of our properties to determine our compliance with these or other federal, state or local laws. Noncompliance with the ADA could result in imposition of fines or an award of damages to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations as appropriate in this respect.

New York Regulation

The Company and its properties are subject to government regulations including, but not limited to real property, rental and environmental regulations such as the New York State Real Property Law and the New York State Real Property Tax Law. Additionally, numerous municipalities, including New York City where our multi-family residential properties are located, impose rent control or rent stabilization on apartment buildings including, as discussed below, the Housing Stability and Tenant Protection Act of 2019 which affects rent-stabilized apartments in New York City. The Americans With Disabilities Act requires us to meet federal requirements related to access and use by disabled persons and the FHAA (as defined below) requires our buildings to comply with design and construction requirements for disabled access. Our buildings are also subject to certain New York City environmental regulations which require us to meet certain environmental criteria over various periods of time.

Environmental Social and Governance

The Company believes that its success is dependent upon the diverse backgrounds of its employees and strives to build a culture that is collaborative, diverse, supportive and inclusive. In furtherance of that goal, the company provides diversity equity and inclusion training as part of its annual harassment training for both supervisors and non-supervisors.

The Company places a high value on the physical and mental health of its employees. The Company provides employees with competitive compensation and a wide range of benefits including comprehensive medical and dental insurance coverage, short and long-term disability benefits, a 401(K) retirement program with matching, vacation, sick and personal leave, flexible work arrangements, flexible savings accounts, and other benefits.

The Company's properties provide essential services to the communities in which they are located and the Company understands that they play an important role in making these communities better places to live and work. The Company is committed to making a positive impact in its communities and engages in community activities such as hosting and/or sponsoring free or not-for-profit activities at its properties.

The health and safety of the Company's employees and their families remains a top priority, along with the health and safety of the Company's tenants and the communities they serve.

The Company has also been working to identify areas where it can improve the carbon footprint of its properties. This includes complying with NYC Local Law 97 (LL97) that requires most buildings over 25 thousand square feet meet stringent carbon emissions caps starting in 2024. As such, the Company has replaced certain roofs, including the upgrading of the roofing insulation, changed light fixtures to LED lighting and insulated building piping.

On June 29, 2023 the Company's Flatbush Gardens property entered into a 40 year regulatory agreement under Article 11 of the Private Housing Finance Law with the New York City Department of Housing Preservation and Development (the "Article 11 Agreement"). The Company committed to maintain rents with existing area median income groups, to lease 249 units to formerly homeless families and provide certain services as units become vacant, committed to pay prevailing wage rates to employees of the property as defined under New York City regulations and committed to a 3-year capital improvements plan.

Insurance

We carry commercial general liability insurance coverage on our properties, with limits of liability customary within the industry to insure against liability claims and related defense costs. Similarly, we are insured against the risk of direct and indirect physical damage to our properties including coverage for the perils of flood and earthquake shock. Our policies also cover the loss of rental revenue during any reconstruction period. Our policies reflect limits and deductibles customary in the industry and specific to the buildings and portfolio. We also obtain title insurance policies when acquiring new properties, which insure fee title to our real properties. We currently have coverage for losses incurred in connection with both domestic and foreign terrorist-related activities. While we do carry commercial general liability insurance, property insurance and terrorism insurance with respect to our properties, these policies include limits and terms we consider commercially reasonable. In addition, there are certain losses (including, but not limited to, losses arising from known environmental conditions or acts of war) that are not insured, in full or in part, because they are either uninsurable or the cost of insurance makes it, in our belief, economically impractical to maintain such coverage. Should an uninsured loss arise against us, we would be required to use our own funds to resolve the issue, including litigation costs. In addition, for properties we may self-insure certain portions of our insurance program, and therefore, use our own funds to satisfy those limits, when applicable. We believe the policy specifications and insured limits are adequate given the relative risk of loss, the cost of the coverage and industry practice and, in the opinion of our management, the properties in our portfolio are adequately insured.

Competition

The leasing of real estate is highly competitive in Manhattan, Brooklyn and the greater New York metropolitan market in which we operate. We compete with numerous acquirers, developers, owners and operators of commercial and residential real estate, many of which own or may seek to acquire or develop properties similar to ours in the same markets in which our properties are located. The principal means of competition are rents charged, location, services provided and the nature and condition of the facility to be leased.

In addition, we face competition from numerous developers, real estate companies and other owners and operators of real estate for buildings for acquisition and pursuing buyers for dispositions. We expect competition from other real estate investors, including other REITs, private real estate funds, domestic and foreign financial institutions, life insurance companies, pension trusts, partnerships, individual investors and others, that may have greater financial resources or access to capital than we do or that are willing to acquire properties in transactions which are more highly leveraged or are less attractive from a financial viewpoint than we are willing to pursue.

Human Capital Resources

As of December 31, 2023, we had 148 employees who provide property management, maintenance, landscaping, construction management and accounting services. Certain of these employees are covered by union-sponsored, collectively bargained, multiemployer defined benefit pension and profit-sharing plans, and health insurance, legal and training plans. Contributions to the plans are determined in accordance with the provisions of the negotiated labor contracts. The Local 94 International Union of Operating Engineers contract is in effect through December 31, 2026. The Local 32BJ Service Employees International Union apartment building contract is in effect through April 20, 2026. The Local 32BJ Service Employees International Union commercial building contract was in effect through December 31, 2023 and the contract is still under negotiation. The Building Maintenance Employees Union, Local 486 contract is in effect through February 28, 2026.

The Company believes that its success is dependent upon the diverse backgrounds of its employees and strives to build a culture that is collaborative, diverse, supportive and inclusive. In furtherance of that goal, the company provides diversity equity and inclusion training as part of its annual harassment training for both supervisors and non-supervisors.

The Company places a high value on the physical and mental health of its employees. The Company provides employees with competitive compensation and a wide range of benefits including comprehensive medical and dental insurance coverage, short and long-term disability benefits, a 401(K) retirement program with matching, vacation, sick and personal leave, flexible work arrangements, flexible savings accounts, and other benefits.

Company Information

Our principal executive offices are located at 4611 12th Avenue, Brooklyn, New York 11219. Our current facilities are adequate for our present and future operations. Our telephone number is (718) 438-2804. Our website address is *www.clipperrealty.com*. We are not including the information contained on our website as a part of, or incorporating it by reference into, this Annual Report on Form 10-K. Our electronic filings with the SEC (including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to these reports), including the exhibits, are available free of charge through our website as soon as reasonably practicable after we electronically file them with or furnish them to the SEC.

ITEM 1A. RISK FACTORS

Set forth below are certain risk factors that could harm our business, results of operations and financial condition. You should carefully read the following risk factors, together with the financial statements, related notes and other information contained in this Annual Report on Form 10-K. Our business, financial condition and operating results may suffer if any of the following risks are realized. If any of these risks or uncertainties occur, the trading price of our common stock could decline and you might lose all or part of your investment. This Annual Report on Form 10-K contains forward-looking statements that involve risks see "Cautionary Note Concerning Forward-Looking Statements."

Risks Related to Real Estate

Unfavorable market and economic conditions in the United States and globally and in the specific markets or submarkets where our properties are located could adversely affect occupancy levels, rental rates, rent collections, operating expenses, and the overall market value of our assets, impair our ability to sell, recapitalize or refinance our assets and have an adverse effect on our results of operations, financial condition, cash flow and our ability to make distributions to our stockholders.

Unfavorable market conditions in the areas in which we operate and unfavorable economic conditions in the United States and/or globally may significantly affect our occupancy levels, rental rates, rent collections, operating expenses, the market value of our assets and our ability to strategically acquire, dispose, recapitalize or refinance our properties on economically favorable terms or at all. Our ability to lease our properties at favorable rates may be adversely affected by increases in supply of commercial, retail and/or residential space in our markets and is dependent upon overall economic conditions, which are adversely affected by, among other things, job losses and increased unemployment levels, recession, stock market volatility and uncertainty about the future. Some of our major expenses, including mortgage payments and real estate taxes, generally do not decline when related rents decline. We expect that any declines in our occupancy levels, rental revenues and/or the values of our buildings would cause us to have less cash available to pay our indebtedness, fund necessary capital expenditures and to make distributions to our stockholders, which could negatively affect our financial condition and the market value of our common stock. Our business may be affected by volatility and illiquidity in the financial and credit markets, a general global economic recession and other market or economic challenges experienced by the real estate industry or the U.S. economy as a whole. Our business may also be adversely affected by local economic conditions, as all of our revenue is currently derived from properties located in New York City, with our entire portfolio located in Manhattan and Brooklyn.

Factors that may affect our occupancy levels, our rental revenues, our income from operations, our funds from operations ("FFO"), our adjusted funds from operations ("AFFO"), our adjusted earnings before interest, income tax, depreciation and amortization ("Adjusted EBITDA"), our net operating income ("NOI"), our cash flow and/or the value of our properties include the following, among others:

- downturns in global, national, regional and local economic and demographic conditions;
- the Housing Stability and Tenant Protection Act of 2019, which was signed into law in New York in June 2019, as well as other rent control or stabilization laws, or other laws regulating rental housing, which could prevent us from raising rents to offset increases in operating costs;
- declines in the financial condition of our tenants, which may result in tenant defaults under leases due to bankruptcy, lack of liquidity, operational failures or other reasons, and declines in the financial condition of buyers and sellers of properties;
- declines in local, state and/or federal government budgets and/or increases in local, state and/or federal government budget deficits, which among other things could have an adverse effect on the financial condition of our only office tenant, the agencies of the City of New York, and may result in tenant defaults under leases and/or cause such tenant to seek alternative office space arrangements;
- the inability or unwillingness of our tenants to pay rent increases, or our inability to collect rents and other amounts due from our tenants;
- significant job losses in the industries in which our commercial and/or retail tenants operate, and/or from which our residential tenants derive their incomes, which may decrease demand for our commercial, retail and/or residential space, causing market rental rates and property values to be affected negatively;
- an oversupply of, or a reduced demand for, commercial and/or retail space and/or apartment homes;
- declines in household formation;
- unfavorable residential mortgage rates;
- changes in market rental rates in our markets and/or the attractiveness of our properties to tenants, particularly as our buildings continue to age, and our ability to fund repair and maintenance costs;
- competition from other available commercial and/or retail lessors and other available apartments and housing alternatives, and from other real estate investors with significant capital, such as other real estate operating companies, other REITs and institutional investment funds;
- economic conditions that could cause an increase in our operating expenses, such as increases in property taxes (particularly as a result of increased local, state and national government budget deficits and debt and potentially reduced federal aid to state and local governments), utilities, insurance, compensation of on-site personnel and routine maintenance;
- opposition from local community or political groups with respect to the development and/or operations at a property;
- investigation, removal or remediation of hazardous materials or toxic substances at a property;

- changes in, and changes in enforcement of, laws, regulations and governmental policies, including without limitation, health, safety, environmental and zoning laws; and

- changes in rental housing subsidies provided by the government and/or other government programs that favor single-family rental housing or owner-occupied housing over multifamily rental housing.

Multifamily residential properties are subject to rent stabilization regulations, which limit our ability to raise rents above specified maximum amounts and could give rise to claims by tenants that their rents exceed such specified maximum amounts.

Numerous municipalities, including New York City where our multi-family residential properties are located, impose rent control or rent stabilization on apartment buildings. The rent stabilization regulations applicable to our multifamily residential properties set maximum rates for annual rent increases, entitle our tenants to receive required services from us and entitle our tenants to have their leases renewed. On June 14, 2019, the Housing Stability and Tenant Protection Act of 2019 was signed into law in New York State. The legislation affects rent-stabilized apartments in New York City. Provisions of the law make it extremely difficult for apartments to exit rent regulation, repeal vacancy decontrol and high-income deregulation, repeal vacancy and longevity bonuses, establish a preferential rent as the base rent at lease renewal, and reduce / limit rent increases associated with major capital improvements and individual apartment improvements. The new law took effect immediately, is permanent and reduces the Company's ability to raise rents on its rent-stabilized units. The legislation generally limits a landlord's ability to increase rents on rent-regulated apartments and makes it more difficult to convert rent-regulated apartments to market-rate apartments. As a result, the value of our portfolio may be impaired and our stock price may decline.

In addition, we are subject to claims from tenants that the rent charged by us exceeds the amount permitted by rent stabilization. Although we believe that all of our rents are compliant with applicable rent stabilization regulation, tenants have in the past made claims that their rents exceed the maximum rent that could be charged under rent stabilization. These claims include claims that the annual increases in the maximum rent have in the past been inapplicable as a result of a failure to provide essential services by us or the prior owners. The number of these claims may increase as our rents approach the maximum rent that could be charged under rent stabilization. Tenants could also claim that our determination that luxury deregulation was applicable to their apartment was incorrect and seek a reduction in rent and/or return of rents paid in excess of the maximum legal rent. Finally, a tenant in an apartment eligible for tax benefits, such as Section 421-g of the Real Property Tax Law, could claim that rent stabilization applies to the tenant's apartment while those tax benefits are available, even if the apartment is eligible for luxury deregulation. For example, in 2016 and later, certain present and former tenants of apartment units at our Tribeca House properties brought an action against the Company alleging that they were subject to applicable rent stabilization laws. For more information regarding these claims, see "Legal Proceedings."

The application of rent stabilization to apartments in our multifamily residential properties limits the amount of rent we are able to collect, which may have a material adverse effect on our cash flows and our ability to fully take advantage of the investments that we are making in our properties.

All of our properties are located in New York City, and adverse economic or regulatory developments in New York City or parts thereof, including the boroughs of Brooklyn and Manhattan, could negatively affect our results of operations, financial condition, cash flow, and ability to make distributions to our stockholders.

All of our properties are located in New York City, with all of our current portfolio being in the boroughs of Manhattan and Brooklyn. As a result, our business is dependent on the condition of the economy in New York City and the views of potential tenants regarding living and working in New York City, which may expose us to greater economic risks than if we owned a more geographically diverse portfolio. We are susceptible to adverse developments in New York City, such as business layoffs or downsizing, industry slowdowns, relocations of businesses, terror attacks, increases in real estate and other taxes, increases in costs of complying with governmental regulations and/or increased regulation such as the Housing Stability and Tenant Protection Act of 2019, which was signed into law in New York in June 2019. Such adverse developments could materially reduce the value of our real estate portfolio and our rental revenues, and thus adversely affect our ability to meet our debt obligations and to make distributions to our stockholders.

We depend on certain agencies of the City of New York, as a single government tenant in our office buildings, which could cause an adverse effect on us, including our results of operations and cash flow, if the City of New York were to suffer financial difficulty or if these agencies opt to early terminate or opt not to renew their leases.

Our rental revenue depends on entering into leases with and collecting rents from tenants. As of December 31, 2023, Kings County Court, the Human Resources Administration, and the Department of Environmental Protection, all of which are agencies of the City of New York, leased an aggregate of 548,580 rentable square feet of commercial space at our commercial office properties at 141 Livingston Street and 250 Livingston Street, representing approximately 16% of the total rentable square feet in our portfolio and approximately 19% of our total portfolio's annualized rent. General and regional economic conditions may adversely affect the City of New York and potential tenants in our markets. The City of New York may experience a material business downturn or suffer negative effects from declines in local, state and/or federal government budgets and/or increases in local, state and/or federal government budget debt and deficits, which could potentially result in a failure to make timely rental payments and/or a default under its leases. In certain cases, through tenant improvement allowances and other concessions, we have made substantial upfront investments in the applicable leases that we may not be able to recover. In the event of a tenant default, we may experience delays in enforcing our rights and may also incur substantial costs to protect our investments.

As of February 23, 2024, The City of New York, a municipal corporation acting through the Department of Citywide Administrative Services ("NYC"), notified us of its intention to terminate its lease at 250 Livingston Street effective August 23, 2025. The lease generally provides for rent payments in the amount of $15.4 million per annum. The Company may be unable to replace NYC as a tenant or unable to replace them with other commercial tenants at comparable rent rates, may incur substantial costs to improve the vacated space or may have to offer significant inducements to fill the space, all of which may have an adverse effect on our financial condition, results of operations and cash flow. In connection with the termination of the 250 Livingston lease, pursuant to the terms of the loan agreement related to $125 million building mortgage (see Item 2 below), we expect to establish a cash management account for the benefit of the lender, into which we will be obligated to deposit all revenue generated by the building at 250 Livingston Street. All amounts remaining in such cash management account after the lender's allocations set forth in the Loan Agreement will be disbursed to 250 Livingston Owner once the tenant cure conditions are satisfied under the loan agreement. If the Company is unable to replace the NYC at comparable rents it may not be able to cure the conditions listed in the loan agreement. If the excess cash is not released to us, it could impact our available cash to fund corporate operations and pay dividends and distributions to our its stockholders.

Additionally, if NYC were to decide not to renew the 141 Livingston lease, we would be at risk of not being able to replace the NYC as a tenant, leasing the space below the current rates, incurring costs to improve the space or offer other inducements to fill the space, all of which may have an adverse effect on our financial condition, results of operations and cash flow.

The bankruptcy or insolvency of a major tenant may adversely affect the income produced by our properties and may delay our efforts to collect past-due balances under the relevant leases and could ultimately preclude collection of these sums altogether. If a lease is rejected by a tenant in bankruptcy, we would have only a general unsecured claim for damages that is limited in amount and which may only be paid to the extent that funds are available and in the same percentage as is paid to all other holders of unsecured claims. If any of our significant tenants were to become bankrupt or insolvent, suffer a downturn in their business or a reduction in funds available to them, default under their leases, fail to renew their leases or renew on terms less favorable to us than their current terms, our financial condition results of operations and cash flow could be adversely affected.

Our portfolio's revenue is currently generated from eight properties.

As of December 31, 2023, our portfolio consisted of nine properties, eight of which generated revenues in 2023 – the Tribeca House properties, the Flatbush Gardens complex, the 141 Livingston Street property, the 250 Livingston Street property, the Aspen property, the 10 West 65th Street property, the Clover House property and the 1010 Pacific Street property, which accounted for 28.8%, 31.1%, 11.9%, 12.7%, 4.8%, 2.8%, 5.6% and 2.3%, respectively, of our portfolio's total revenue for the year ended December 31, 2023. Our results of operations and cash available for distribution to our stockholders would be adversely affected if any of these properties were materially damaged or destroyed.

We may be unable to renew leases or lease currently vacant space or vacating space on favorable terms or at all as leases expire or terminate, which could adversely affect our financial condition, results of operations and cash flow.

As of December 31, 2023, we had approximately 111,000 rentable square feet of vacant residential space (excluding leases signed but not yet commenced) at our operating properties, and leases representing approximately 74% of the square footage of residential space at the operating properties will expire during the year ending December 31, 2024 (including month-to-month leases). As of December 31, 2023, we had no vacant commercial space, and approximately 14,000 rentable square feet of vacant retail space. We cannot assure you that expiring leases will be renewed or tenants will not exercise any early termination options or that our properties will be re-leased at net effective rental rates equal to or above the current average net effective rental rates

As of February 23, 2024, the NYC has notified the Company of its intention to terminate its lease at 250 Livingston Street effective August 23, 2025. As of that date, 342,496 of rentable square feet of commercial space will be available.

If the rental rates for our commercial and/or residential space decrease, our existing commercial tenants do not renew their leases or exercise early termination options or we do not re-lease a significant portion of our available and soon-to-be-available commercial and/or residential space, our financial condition, results of operations, cash flow, the market value of our common stock and our ability to satisfy our debt obligations and to make distributions to our stockholders would be adversely affected.

The actual rents we receive for the properties in our portfolio may be less than market rents, and we may experience a decline in realized rental rates, which could adversely affect our financial condition, results of operations and cash flow. Short-term leases with respect to our residential tenants expose us to the effects of declining market rents.

As a result of potential factors, including competitive pricing pressure in our markets, a general economic downturn and the desirability of our properties compared to other properties in our markets, we may be unable to realize market rents across the properties in our portfolio. In addition, depending on market rental rates at any given time as compared to expiring or terminating leases in our portfolio, from time-to-time rental rates for expiring or terminating leases may be higher than starting rental rates for new leases. A majority of our apartment leases are for a term of one year. Because these leases generally permit the residents to leave at the end of the lease term without penalty, our rental revenues for residential space in our properties are affected by declines in market rents more quickly than if those leases were for longer terms. If we are unable to obtain sufficient rental rates across our portfolio, then our ability to generate cash flow growth will be negatively affected.

We engage in development and redevelopment activities, which could expose us to different risks that could adversely affect us, including our financial condition, cash flow and results of operations.

We engage in development and redevelopment activities with respect to our properties as we believe market conditions dictate. For example, in 2023 we completed the development of the 1010 Pacific Street property and plan to develop the Dean Street property as fully amenitized residential rental buildings. We are also reviewing the regulatory, architectural and financial considerations regarding a residential square footage expansion at Flatbush Gardens; such further development would require significant capital investment.

If we engage in these activities, we will be subject to certain risks, which could adversely affect us, including our financial condition, cash flow and results of operations. These risks include, without limitation:

- the availability and pricing of financing on favorable terms or at all;
- the availability and timely receipt of zoning and other regulatory approvals;
- the potential for the fluctuation of occupancy rates and rents at development and redeveloped properties, which may result in our investment not being profitable;
- startup, development and redevelopment costs may be higher than anticipated;

- cost overruns and untimely completion of construction (including risks beyond our control, such as weather or labor conditions or material shortages); and

- changes in the pricing and availability of buyers and sellers of such properties.

These risks could result in substantial unanticipated delays or expenses and could prevent the initiation or the completion of development and redevelopment activities, any of which could have an adverse effect on our financial condition, results of operations, cash flow, the market value of our common stock and our ability to satisfy our debt obligations and to make distributions to our stockholders.

We have in the past and we may be required to make rent or other concessions and/or significant capital expenditures to improve our properties to retain and attract tenants, generate positive cash flows or to make real estate properties suitable for sale, which could adversely affect us, including our financial condition, results of operations and cash flow.

In the event that there are adverse economic conditions in the real estate market and demand for commercial, retail and/or residential space decreases with respect to our current vacant space and as leases at our properties expire or terminate, we may be required to increase tenant improvement allowances or concessions to tenants, accommodate increased requests for renovations, build-to-suit remodeling (with respect to our commercial and retail space) and other improvements or provide additional services to our tenants, all of which could negatively affect our cash flow. If the necessary capital is unavailable, we may be unable to make these potentially significant capital expenditures. This could result in non-renewals by tenants upon expiration or early termination of their leases and our vacant space remaining untenanted, which could adversely affect our financial condition, results of operations, cash flow and the market value of our common stock.

Our dependence on rental revenue may adversely affect us, including our profitability, our ability to meet our debt obligations and our ability to make distributions to our stockholders.

Our income is derived from rental revenue from real property. As a result, our performance depends on our ability to collect rent from tenants. Our income and funds for distribution would be adversely affected if a significant number of our tenants, or any of our major tenants:

- delay lease commencements;

- decline to extend or renew leases upon expiration or exercise rights of early termination;

- fail to make rental payments when due; or

- declare bankruptcy.

Any of these actions could result in the termination of such tenants' leases with us and the loss of rental revenue attributable to the terminated leases. In these events, we cannot assure you that such tenants will renew those leases or not exercise early termination options or that we will be able to re-lease spaces on economically advantageous terms or at all. For example, the City of New York has advised us that it will vacate the 250 Livingston Street property in 2025. The loss of rental revenues from our tenants and our inability to replace such tenants may adversely affect us, including our profitability, our ability to meet our debt and other financial obligations and our ability to make distributions to our stockholders.

Reimbursements from government agencies under the Article 11 Agreement might be lower than expected and costs to implement the mandatory capital improvements might be higher than expected.

On June 29, 2023, our Flatbush Gardens property entered into a 40- year regulatory agreement under Article 11 of the Private Housing Finance Law with the New York City Department of Housing Preservation and Development (the "Article 11 Agreement"). The Article 11 Agreement made us eligible for incremental assistance payments under section 610 of the Private Housing Financing Law for tenants receiving governmental rental assistance ("Section 610 Benefits"). Section 610 Benefits are provided under current New York State Law and are subject to change via legislation or regulation. In addition, the number of eligible tenants may be reduced if they no longer receive governmental rental assistance. costs. Under the Article 11 Agreement, we also entered into a Housing Repair and Maintenance Letter Agreement ("HRMLA") in which we agreed to perform certain capital improvements to Flatbush Gardens over the next three years. The current estimate is that the costs of that work will be an amount up to $27 million. Although we expect those costs to be offset by the savings provided under the Article 11 Agreement by property tax exemption and enhanced payments for tenants receiving government assistance, these costs are subject to market costs for construction materials and labor and may increase beyond current expectations.

Real estate investments are relatively illiquid and may limit our flexibility.

Equity real estate investments are relatively illiquid, which may tend to limit our ability to react promptly to changes in economic or other market conditions. Our ability to dispose of assets in the future will depend on prevailing economic and market conditions. Our inability to sell our properties on favorable terms or at all could have an adverse effect on our sources of working capital and our ability to satisfy our debt obligations. In addition, real estate can at times be difficult to sell quickly at prices we find acceptable. The Internal Revenue Code, as amended (the "Code"), also imposes restrictions on REITs, which are not applicable to other types of real estate companies, regarding the disposal of properties. These potential difficulties in selling real estate in our markets may limit our ability to change, or reduce our exposure to, the properties in our portfolio promptly in response to changes in economic or other conditions.

Competition could limit our ability to acquire attractive investment opportunities and increase the costs of those opportunities, which may adversely affect us, including our profitability, and impede our growth.

We compete with numerous commercial developers, real estate companies and other owners and operators of real estate for properties for acquisition and pursuing buyers for dispositions. We expect that other real estate investors, including insurance companies, private equity funds, sovereign wealth funds, pension funds, other REITs and other well-capitalized investors, will compete with us to acquire existing properties and to develop new properties. Our markets are each generally characterized by high barriers-to-entry to construction and limited land on which to build new commercial, retail and residential space, which contribute to the competition we face to acquire existing properties and to develop new properties in these markets. This competition could increase prices for properties of the type we may pursue and adversely affect our profitability and impede our growth.

Competition may impede our ability to attract or retain tenants or re-lease space, which could adversely affect our results of operations and cash flow.

The leasing of real estate in our markets is highly competitive. The principal means of competition are rents charged, location, services provided and the nature and condition of the premises to be leased. The number of competitive properties in our markets, which may be newer or better located than our properties, could have an adverse effect on our ability to lease space at our properties and on the effective rents that we are able to charge. If other lessors and developers of similar spaces in our markets offer leases at prices comparable to or less than the prices we offer, we may be unable to attract or retain tenants or re-lease space in our properties, which could adversely affect our results of operations and cash flow.

We are subject to potential losses that are either uninsurable, not economically insurable or that are in excess of our insurance coverage.

Our properties are located in areas that could be subject to, among other things, flood and windstorm losses. Insurance coverage for flood and windstorms can be costly because of limited industry capacity. As a result, we may experience shortages in desired coverage levels if market conditions are such that insurance is not available or the cost of insurance makes it, in our belief, economically impractical to maintain such coverage. In addition, our properties may be subject to a heightened risk of terrorist attacks. We carry commercial general liability insurance, property insurance and terrorism insurance with respect to our properties with limits and on terms we consider commercially reasonable. We cannot assure you, however, that our insurance coverage will be sufficient or that any uninsured loss or liability will not have an adverse effect on our business and our financial condition and results of operations.

We are subject to risks from natural disasters such as severe weather.

Natural disasters and severe weather such as hurricanes or floods may result in significant damage to our properties. The extent of our casualty losses and loss in operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. With our geographic concentration of exposures, a single catastrophe or destructive weather event (such as a hurricane) affecting New York City may have a significant negative effect on our financial condition, results of operations and cash flows. As a result, our operating and financial results may vary significantly from one period to the next. Our financial results may be adversely affected by our exposure to losses arising from natural disasters or severe weather. We also are exposed to risks associated with inclement winter weather, including increased need for maintenance and repair of our buildings.

Actual or threatened terrorist attacks may adversely affect our ability to generate revenues and the value of our properties.

All of our properties are located in New York City, which has been and may in the future be the target of actual or threatened terrorist attacks. As a result, some tenants in these markets may choose to relocate their businesses or homes to other markets or buildings within New York City that may be perceived to be less likely to be affected by future terrorist activity. This could result in an overall decrease in the demand for commercial, retail and/or residential space in these markets generally or in our properties in particular, which could increase vacancies in our properties or necessitate that we lease our properties on less favorable terms, or both. In addition, future terrorist attacks in these markets could directly or indirectly damage our properties, both physically and financially, or cause losses that materially exceed our insurance coverage. As a result of the foregoing, our ability to generate revenues and the value of our properties could decline materially.

We may become subject to liability relating to environmental and health and safety matters, which could have an adverse effect on us, including our financial condition, cash flows and results of operations.

Under various federal, state and/or local laws, ordinances and regulations, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or release of hazardous substances (such as lead, asbestos and polychlorinated biphenyls), waste, petroleum products and other miscellaneous products (including but not limited to natural products such as methane and radon gas) at, on, in, under or from such property, including costs for investigation or remediation, natural resource damages, or third-party liability for personal injury or property damage. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence or release of such materials, and the liability may be joint and several. Some of our properties may be affected by contamination arising from current or prior uses of the property or from adjacent properties used for commercial, industrial or other purposes. Such contamination may arise from spills of petroleum or hazardous substances or releases from tanks used to store such materials. We also may be liable for the costs of remediating contamination at off-site disposal or treatment facilities when we arrange for disposal or treatment of hazardous substances at such facilities, without regard to whether we comply with environmental laws in doing so. The presence of contamination or the failure to remediate contamination on our properties may adversely affect our ability to attract and/or retain tenants and our ability to develop or sell or borrow against those properties. In addition to potential liability for cleanup costs, private plaintiffs may bring claims for personal injury, property damage or for similar reasons. Environmental laws also may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which that property may be used or how businesses may be operated on that property.

In addition, our properties are subject to various federal, state and local environmental and health and safety laws and regulations. Noncompliance with these environmental and health and safety laws and regulations could subject us or our tenants to liability. These liabilities could affect a tenant's ability to make rental payments to us. Moreover, changes in laws could increase the potential costs of compliance with such laws and regulations or increase liability for noncompliance. This may result in significant unanticipated expenditures or may otherwise adversely affect our operations and/or cash flow, or those of our tenants, which could in turn have an adverse effect on us.

As the owner or operator of real property, we may also incur liability based on various building conditions. For example, buildings and other structures on properties that we currently own or those we acquire or operate in the future contain, may contain, or may have contained, asbestos-containing material ("ACM"). Environmental and health and safety laws require that ACM be properly managed and maintained and may impose fines or penalties on owners, operators or employers for non-compliance with those requirements. These requirements include special precautions, such as removal, abatement or air monitoring, if ACM would be disturbed during maintenance, renovation or demolition of a building, potentially resulting in substantial costs. In addition, we may be subject to liability for personal injury or property damage sustained as a result of exposure to ACM or releases of ACM into the environment.

In addition, our properties may contain or develop harmful mold or suffer from other indoor air quality issues. Indoor air quality issues also can stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants or to increase ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants or others if property damage or personal injury occurs.

We cannot assure you that costs or liabilities incurred as a result of environmental issues will not affect our ability to make distributions to our stockholders or that such costs, liabilities, or other remedial measures will not have an adverse effect on our financial condition, results of operations and cash flows.

We may incur significant costs complying with the ADA and similar laws (including but not limited to the Fair Housing Amendments Act of 1988 ("FHAA") and the Rehabilitation Act of 1973), which could adversely affect us, including our future results of operations and cash flows.

Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. The FHAA requires apartment communities first occupied after March 13, 1991, to comply with design and construction requirements for disabled access. For projects receiving federal funds, the Rehabilitation Act of 1973 also has requirements regarding disabled access. We have not conducted a recent audit or investigation of all of our properties to determine our compliance with these or other federal, state or local laws. If one or more of our properties were not in compliance with such laws, then we could be required to incur additional costs to bring the property into compliance. We cannot predict the ultimate amount of the cost of compliance with such laws. Noncompliance with these laws could also result in the imposition of fines or an award of damages to private litigants. Substantial costs incurred to comply with such laws, as well as fines or damages resulting from actual or alleged noncompliance with such laws, could adversely affect us, including our future results of operations and cash flows.

As we increase rents and improve our properties, we could become the target of public scrutiny and investigations similar to the public scrutiny and investigations that other apartment landlords in Brooklyn and other neighborhoods in the New York metropolitan area have experienced, which could lead to negative publicity and require that we expend significant resources to defend ourselves, all of which could adversely affect our operating results and our ability to pay distributions to our stockholders.

Apartment landlords in gentrifying neighborhoods in Brooklyn and other parts of the New York metropolitan area have come under public scrutiny, and in a few cases have been the subject of civil and criminal investigations, for their alleged treatment of tenants who cannot afford the rent increases that often result from neighborhood gentrification and landlord improvements to properties. As disclosed in Note 8, "Commitments and Contingencies", Clipper Equity was the subject of an investigation by the Office of the Attorney General of the State of New York with respect to its activities, and in April 2022 entered into an Assurance of Discontinuance with the OAG to resolve the investigation on behalf of itself and its affiliates. It is possible that we or members of our management team could come under additional similar public scrutiny or become the target of additional similar investigations, which could lead to negative publicity and require that we expend significant resources to defend ourselves, all of which could adversely affect our operating results and our ability to pay distributions to our stockholders. In addition, if we or our affiliates violate the Assurance of Discontinuance or future regulatory orders or consent decrees, we could be subject to substantial monetary fines and other penalties that could seriously harm our business.

We may acquire properties or portfolios of properties through tax-deferred contribution transactions, which could result in stockholder dilution and limit our ability to sell such assets.

In the future, we may acquire properties or portfolios of properties through tax-deferred contribution transactions in exchange for partnership interests in our operating partnership, which may result in stockholder dilution. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we could deduct over the tax life of the acquired properties, and may require that we agree to protect the contributors' ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties and/or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions could limit our ability to sell an asset at a time, or on terms, that would be favorable absent such restrictions.

From time to time, we may enter into joint venture relationships or other arrangements regarding the joint ownership of property. Our investments in and through such arrangements could be adversely affected by our lack of sole decision-making authority regarding major decisions, our reliance on our joint venture partners' financial condition, any disputes that may arise between us and our joint venture partners and our exposure to potential losses from the actions of our joint venture partners. Risks associated with joint venture arrangements may include but are not limited to the following:

- our joint venture partners might experience financial distress, become bankrupt or fail to fund their share of required capital contributions, which may delay construction or development of a property or increase our financial commitment to the joint venture;
- we may be responsible to our partners for indemnifiable losses;
- our joint venture partners may have business interests or goals with respect to a property that conflict with our business interests and goals (including as relates to compliance with the REIT requirements), which could increase the likelihood of disputes regarding the ownership, management or disposition of the property;
- we may be unable to take actions that are opposed by our joint venture partners under arrangements that require us to share decision-making authority over major decisions affecting the ownership or operation of the joint venture and any property owned by the joint venture, such as the sale or financing of the property or the making of additional capital contributions for the benefit of the property;
- our joint venture partners may take actions that we oppose;
- our ability to sell or transfer our interest in a joint venture to a third party without prior consent of our joint venture partners may be restricted;
- we may disagree with our joint venture partners about decisions affecting a property or a joint venture, which could result in litigation or arbitration that increases our expenses, distracts our officers and directors and disrupts the day-to-day operations of the property, including by delaying important decisions until the dispute is resolved;
- we may suffer losses as a result of actions taken by our joint venture partners with respect to our joint venture investments; and
- in the event that we obtain a minority position in a joint venture, we may not have significant influence or control over such joint venture or the performance of our investment therein.

If there is a transfer of a controlling interest in any of our properties (or in the entities through which we hold our properties), issuances of our common stock in exchange for Class B LLC units pursuant to the exchange right granted to holders of Class B LLC units, sales of Class B LLC units by the holders thereof or the issuance of LLC interests to our Operating Partnership, we may be obligated to pay New York City and New York State transfer tax based on the fair market value of the New York City and/or New York State real property transferred.

Subject to certain exceptions, New York City and New York State impose a tax on the transfer of New York City and/or New York State real property or the transfer of a controlling interest in New York City and/or New York State real property, generally at a current, maximum combined rate of 3.275% of the fair market value of the New York City and/or New York State real property. A direct or indirect transfer of a 50% or greater interest in any of our properties (or in the entities that own our properties) generally would constitute a transfer of a controlling interest in real property. Certain aggregation rules apply in determining whether a transfer of a controlling interest has occurred. For example, transfers made within a three-year period generally are presumed to be aggregated. Therefore, a transfer of a controlling interest could occur as a result of the combination of one or more of the private offering, other offerings of common stock by us resulting of an increase in our investment in the entities that own our properties, issuances of our common stock to our continuing investors in exchange for Class B LLC units pursuant to the exchange right granted to holders of Class B LLC units, sales of Class B LLC units by the holders thereof, the issuance of LLC interests to our Operating Partnership in connection with the private offering or a subsequent offering of our stock, or as a result of any combination of such transfers being aggregated. In addition to any transfer tax that may be imposed upon us, we have agreed with our continuing investors to pay any such transfer taxes imposed upon a continuing investor as a result of the private offering and the related formation transactions (including subsequent issuances of additional LLC units or interests, issuances of units by the Operating Partnership ("OP Units") or issuances of our common stock by the Company), issuances of our common stock in exchange for Class B LLC units, dispositions of property by any LLC subsidiary, the issuance of LLC interests to our Operating Partnership in connection with a subsequent offering of our stock, or as a result of any combination of such transfers being aggregated. If a transfer of a controlling interest in an entity owning our properties occurs, New York City and/or New York State transfer tax could be payable based on the fair market value of the New York City and/or New York State property at the time of each such transfer (including any transfers that are treated as a part of the transfer of the controlling interest that occur prior to the transfer that caused the 50% threshold to be met). For example, if exchanges of Class B LLC units resulted in our ownership of the entities that own our properties increasing to greater than 50%, we could be subject to New York City and New York State transfer tax at a current, maximum combined rate of 3.275% of the fair market value of such New York City and/or New York State properties. In addition, we may or may not be eligible to take advantage of the 50% reduction to the New York City and New York State transfer tax rates that could apply with respect to transfers of real property to certain REITs.

Risks Related to Our Business and Operations

Capital and credit market conditions, including higher interest rates, may adversely affect our access to various sources of capital or financing and/or the cost of capital, which could affect our business activities, dividends, earnings and common stock price, among other things.

In periods when the capital and credit markets experience significant volatility, the amounts, sources and cost of capital available to us may be adversely affected. We primarily use third-party financing to fund acquisitions of properties and to refinance indebtedness as it matures. As of December 31, 2023, we had no corporate debt and $1,219.0 million in property-level debt. See Note 6 of the accompanying "Notes to Consolidated Financial Statements" for a discussion of the Company's property-level debt. If sufficient sources of external financing are not available to us on cost effective terms, we could be forced to limit our acquisition, development and redevelopment activities and/or take other actions to fund our business activities and repayment of debt, such as selling assets, reducing our cash dividend or paying out less than 100% of our taxable income. To the extent that we are able and/or choose to access capital at a higher cost than we have experienced in recent years (reflected in higher interest rates for debt financing or a lower stock price for equity financing), our earnings per share and cash flow could be adversely affected. In addition, the price of our common stock may fluctuate significantly and/or decline in a high interest rate or volatile economic environment. If economic conditions deteriorate, the ability of lenders to fulfill their obligations under working capital or other credit facilities that we may have in the future may be adversely affected.

Increased inflation may have a negative effect on rental rates and our results of operations.

Substantial inflationary pressures could have a negative effect on rental rates and property operating expenses. The U.S. economy is currently experiencing high rates of inflation, which has increased our operating expenses due to higher third-party vendor costs and increased our interest expense due to higher interest rates on our variable rate debt. Although the short-term nature of our apartment leases generally enables us to compensate for inflationary effects by increasing rents, inflation could outpace any increases in rent and adversely affect us. We may not be able to mitigate the effects of inflation and related impacts, and the duration and extent of any prolonged periods of inflation, and any related adverse effects on our results of operations and financial condition, are unknown at this time. Additionally, inflation may also increase the costs to complete our development projects, including costs of materials, labor and services from third-party contractors and suppliers. Higher construction costs could adversely impact our investments in real estate assets and our expected returns on development projects.

We may from time to time be subject to litigation or government investigations that could have an adverse effect on our financial condition, results of operations, cash flow and the market value of our common stock.

We are a party to various claims and routine litigation arising in the ordinary course of business and are subject to government oversight and actions. Some of these claims and actions or others to which we may be subject from time to time may result in defense costs, settlements, fines or judgments against us, some of which are not, or cannot be, covered by insurance. Payment of any such costs, settlements, fines or judgments that are not insured could have an adverse effect on our financial position and results of operations. Adverse developments in existing litigation claims legal proceedings or government investigations involving us or new claims or investigations could require us to establish litigation reserves, enter into unfavorable settlements or satisfy judgments for monetary damages for amounts in excess of current reserves, which could adversely affect our financial results. In addition, certain litigation or the resolution of certain litigation or investigations may affect the availability or cost of some of our insurance coverage, which could adversely affect our results of operations and cash flow, expose us to increased risks that would be uninsured, and/or adversely affect our ability to attract officers and directors. See Note 8, "Commitments and Contingencies" of our consolidated financial statements included in Item 15 of this Annual Report on Form 10-K.

Our subsidiaries may be prohibited from making distributions and other payments to us.

All of our properties are owned indirectly by subsidiaries, in particular our LLC subsidiaries, and substantially all of our operations are conducted by our Operating Partnership. As a result, we depend on distributions and other payments from our Operating Partnership and subsidiaries in order to satisfy our financial obligations and make payments to our investors. The ability of our subsidiaries to make such distributions and other payments depends on their earnings and cash flow and may be subject to statutory or contractual limitations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Property-Level Debt." As an equity investor in our subsidiaries, our right to receive assets upon their liquidation or reorganization will be effectively subordinated to the claims of their creditors. To the extent that we are recognized as a creditor of such subsidiaries, our claims may still be subordinate to any security interest in, or other lien on, their assets and to any of such subsidiaries' debt or other obligations that are senior to our claims.

We are considered an accelerated filer and are required to comply with Section 404 of the Sarbanes-Oxley Act of 2002, and our inability to maintain effective internal control over financial reporting in the future could result in investors losing confidence in the accuracy and completeness of our financial reports and negatively affect the market price of our common stock.

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal controls. Because our status as an emerging growth company ended December 31, 2022 and we are an accelerated filer, Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") requires our independent registered public accounting firm to attest to the effectiveness of our internal control over financial reporting for the first time. Our compliance with the additional requirements of Section 404 of the Sarbanes-Oxley Act has been and will continue to be time-consuming. Further, the costs associated with compliance with and implementation of procedures under these and future laws and related rules could have a material impact on our results of operations.

We are a smaller reporting company and, because we have opted to use the reduced reporting requirements available to us, certain investors may find investing in our securities less attractive.

As a smaller reporting company, we are permitted to comply with scaled-back disclosure obligations in our SEC filings compared to other issuers, including with respect to disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We have elected to adopt the accommodations available to smaller reporting companies. Until we cease to be a smaller reporting company or elect not to adopt such accommodations, the scaled-back disclosure in our SEC filings will result in less information about our company being available than for other public companies. If investors consider our common shares less attractive as a result of our election to use the scaled-back disclosure permitted for smaller reporting company, there may be a less active trading market for our common shares and our share price may be more volatile.

If our information technology networks or data, or those of third parties upon which we rely, are or were disrupted or otherwise compromised, we could experience costly remediation or other expenses, liability under federal and state laws, and litigation and investigations, any of which could result in substantial reputational damage and materially and adversely affect our business, financial condition, results of operations, cash flows, and the market price of our common stock.

Information technology, communication networks, enterprise applications, and related systems, including those in our properties, are essential to the operation of our business. In the ordinary course of our business, we use these systems to service our tenants, manage our tenant and vendor relationships, internal communications, accounting, financial reporting, and record-keeping systems, and many other key aspects of our business. These operations rely on the secure collection, storage, transmission, and other processing of confidential and other information in our computer systems and networks and subject us, and the third parties upon which we rely, to a variety of evolving threats, including, but not limited to ransomware attacks, which could cause security incidents.

Cyberattacks, malicious Internet-based activity, online and offline fraud, and other similar activities threaten the confidentiality, integrity, and availability of our confidential, proprietary, and sensitive data and information technology systems, and those of the third parties upon which we rely. Such threats are prevalent and continue to rise, are increasingly difficult to detect, and come from a variety of sources, including traditional computer "hackers," threat actors, "hacktivists," organized criminal threat actors, our personnel (such as through theft or misuse), sophisticated nation states, and nation-state-supported actors.

We rely on certain third-party service providers to operate our business. Our ability to monitor these third parties' information security practices is limited, and these third parties may not have adequate information security measures in place. If our third-party service providers experience a security incident or other interruption, we could experience adverse consequences. While we may be entitled to damages if our third-party service providers fail to satisfy their data privacy or security-related obligations to us, any award may be insufficient to cover our damages, or we may be unable to recover such award. In addition, supply chain attacks have increased in frequency and severity, and we cannot guarantee that third parties' infrastructure in our supply chain or our third-party partners' supply chains have not been compromised.

We take steps to monitor and develop our information technology networks and infrastructure, but we may not be able to detect and remediate all vulnerabilities because the threats and techniques used to exploit the vulnerability change frequently and are often sophisticated in nature. Therefore, such vulnerabilities could be exploited but may not be detected until after a security incident has occurred. Undetected and/or unremediated critical vulnerabilities that are exploited could pose material risks to our business. Further, we may experience delays in developing and deploying remedial measures designed to address any such identified vulnerabilities.

Furthermore, the extent of a particular cyberattack and the steps that we may need to take to investigate the attack may not be immediately clear. Therefore, in the event of an attack, it may take a significant amount of time before such an investigation can be completed. During an investigation, we may not necessarily know the extent of the damage incurred or how best to remediate it, and certain errors or actions could be repeated or compounded before they are discovered and remediated, which could further increase the costs and consequences of a cyberattack. Additionally, applicable data privacy and security obligations may require us to notify relevant stakeholders of security incidents. Such disclosures are costly, and the disclosure or the failure to comply with such disclosure requirements could lead to adverse consequences.

Risks Related to Our Organization and Structure

Our continuing investors hold shares of our special voting stock that entitle them to vote together with holders of our common stock on an as-exchanged basis, based on their ownership of Class B LLC units in our predecessor entities, and are generally able to significantly influence the composition of our board of directors, our management and the conduct of our business.

Our continuing investors hold shares of our special voting stock, which generally allows them to vote together as a single class with holders of our common stock on all matters brought before our common stockholders, including the election of directors, on an as-exchanged basis, as if our continuing investors had exchanged their Class B LLC units in our predecessor entities and shares of our special voting stock for shares of our common stock. As a result, our continuing investors are generally entitled to exercise 69.9% of the voting power in our Company. Even though none of our continuing investors is, by himself or together with his affiliates, entitled to exercise a majority of the total voting power in our Company, for so long as any continuing investor continues to be entitled to exercise a significant percentage of our voting power, our continuing investors are generally able to significantly influence the composition of our board of directors and the approval of actions requiring stockholder approval, and have significant influence with respect to our management, business plans and policies, including appointing and removing our officers, issuing additional shares of our common stock and other equity securities, paying dividends, incurring additional debt, making acquisitions, selling properties or other assets, acquiring or merging with other companies and undertaking other extraordinary transactions. In any of these matters, any of our continuing investors may have interests that differ or conflict with the interests of our other stockholders, and they may exercise their voting power in a manner that is not consistent with the interests of other stockholders. For so long as our continuing investors continue to own shares of our stock entitling them to exercise a significant percentage of our voting power, the concentration of voting power in our continuing investors may discourage unsolicited acquisition proposals and may delay, defer or prevent any change of control of our Company that might involve a premium price for holders of our common stock or otherwise be in their best interest.

The ability of stockholders to control our policies and effect a change of control of our Company is limited by certain provisions of our charter and bylaws and by Maryland law.

Certain provisions in our charter and bylaws may discourage a third party from making a proposal to acquire us, even if some of our stockholders might consider the proposal to be in their best interests. These provisions include the following:

- Our continuing investors hold shares of our special voting stock and shares of our common stock that generally entitle them to exercise 69.9% of the voting power in our Company, including in connection with a merger or other acquisition of our Company or a change in the composition of our board of directors. As a result, our continuing investors as a group or individually could delay, defer or prevent any change of control of our Company and, as a result, adversely affect our stockholders' ability to realize a premium for their shares of common stock.

- Our charter authorizes our board of directors to, without common stockholder approval, amend our charter to increase or decrease the aggregate number of our authorized shares of stock or the authorized number of shares of any class or series of our stock, authorize us to issue additional shares of our common stock or preferred stock and classify or reclassify unissued shares of our common stock or preferred stock and thereafter authorize us to issue such classified or reclassified shares of stock. We believe these charter provisions provide us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs that might arise. The additional classes or series, as well as the additional authorized shares of our common stock, will be available for issuance without further action by our common stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Although our board of directors does not currently intend to do so, it could authorize us to issue a class or series of stock that could, depending upon the terms of the particular class or series, delay, defer or prevent a transaction or a change of control of our Company that might involve a premium price for holders of our common stock or that our common stockholders otherwise believe to be in their best interests.

- In order to qualify as a REIT, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by or for five or fewer individuals (as defined in the Code to include certain entities such as private foundations) at any time during the last half of any taxable year (beginning with our second taxable year as a REIT). In order to help us qualify as a REIT, among other reasons, our charter generally prohibits any person or entity from owning or being deemed to own by virtue of the applicable constructive ownership provisions, more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our common stock or 9.8% of the aggregate value of all our outstanding stock. We refer to these restrictions as the "ownership limit." The ownership limit may prevent or delay a change in control and, as a result, could adversely affect our stockholders' ability to realize a premium for their shares of our common stock.

- The provisions in our charter regarding the removal of directors and the advance notice provisions of our bylaws, among others, could delay, defer or prevent a transaction or a change of control of our Company that might involve a premium price for holders of our common stock or otherwise be in their best interest.

In addition, certain provisions of the Maryland General Corporation Law ("MGCL") may have the effect of deterring a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then-prevailing market price of such shares, including the Maryland business combination and control share provisions. These provisions include the following:

- The "business combination" provisions of the MGCL, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of our then-outstanding voting shares or an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of our then-outstanding voting shares) or an affiliate of an interested stockholder for five years after the most recent date on which the stockholder becomes an interested stockholder and, thereafter, imposes special appraisal rights and supermajority stockholder approval requirements on these combinations. As permitted by the MGCL, our board of directors has adopted a resolution exempting any business combinations between us and any other person or entity from the business combination provisions of the MGCL, if such business combination is approved by our board of directors, including a majority of our directors who are not affiliated or associated with the interested stockholder.

- The "control share" provisions of the MGCL provide that "control shares" of a Maryland corporation (defined as shares which, when aggregated with all other shares controlled by the stockholder (except solely by virtue of a revocable proxy), entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (or the direct or indirect acquisition of ownership or control of control shares) have no voting rights unless approved by a supermajority vote of our stockholders excluding the acquirer of control shares, our officers and our directors who are also our employees. As permitted by the MGCL, our bylaws contain a provision exempting from the control share acquisition provisions of the MGCL any and all acquisitions by any person of shares of our stock.

- Title 3, Subtitle 8 of the MGCL permits our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain takeover defenses, including adopting a classified board.

Each item discussed above may have the effect of deterring a third party from making an acquisition proposal for us or may delay, deter or prevent a change in control of our Company, even if a proposed transaction is at a premium over the then-current market price for our common stock. Further, these provisions may apply in instances where some stockholders consider a transaction beneficial to them. As a result, our stock price may be negatively affected by these provisions.

Our board of directors may change our policies without stockholder approval.

Our policies, including any policies with respect to investments, leverage, financing, growth, debt and capitalization, will be determined by our board of directors or those committees or officers to whom our board of directors may delegate such authority. Our board of directors will also establish the amount of any dividends or other distributions that we may pay to our stockholders. Our board of directors or the committees or officers to which such decisions are delegated have the ability to amend or revise these and our other policies at any time without stockholder approval. For example, we have established a policy for our target leverage ratio in a range of 45% to 55%. Under the policy, our leverage ratio may be greater than or less than the target range from time to time and our board of directors may amend our target leverage ratio range at any time without stockholder approval. Accordingly, while not intending to do so, we may adopt policies that may have an adverse effect on our financial condition, results of operations, ability to pay dividends or make other distributions to our stockholders and the market value of our common stock.

Conflicts of interest may exist or could arise in the future between the interests of our stockholders and the interests of holders of OP Units and of LLC units in our predecessor entities, which may impede business decisions that could benefit our stockholders.

Conflicts of interest may exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our Operating Partnership or any of its partners or our predecessor entities and their members, on the other. Our directors and officers have duties to our Company under Maryland law in connection with their management of our Company. At the same time, we, as the general partner of our Operating Partnership, and our Operating Partnership, as managing member of our predecessor entities, have fiduciary duties and obligations to our Operating Partnership and its limited partners and our predecessor entities and their members under Delaware and New York law, the partnership agreement of our Operating Partnership in connection with the management of our Operating Partnership, and the limited liability company agreements of our predecessor entities in connection with the management of those entities. Our fiduciary duties and obligations as the general partner of our Operating Partnership and managing member of our predecessor entities may come into conflict with the duties of our directors and officers to our Company. We have adopted policies that are designed to eliminate or minimize certain potential conflicts of interest, and the members of our predecessor entities have agreed that, in the event of a conflict in the duties owed by us to our stockholders and the fiduciary duties owed by our Operating Partnership, in its capacity as managing member of our predecessor entities, to such members, we may give priority to the separate interests of our Company or our stockholders, including with respect to tax consequences to limited partners, LLC members, assignees or our stockholders. Nevertheless, the duties and obligations of the general partner of our Operating Partnership and the duties and obligations of the managing member of our predecessor entities may come into conflict with the duties of our directors and officers to our Company and our stockholders.

Our charter contains a provision that expressly permits our officers to compete with us.

Our officers have outside business interests and may compete with us for investments in properties and for tenants. There is no assurance that any conflicts of interest created by such competition will be resolved in our favor. Our charter provides that we renounce any interest or expectancy in, or right to be offered or to participate in, any business opportunity identified in any investment policy or agreement with any of our officers unless the policy or agreement contemplates that the officer must present, communicate or offer such business opportunity to us. We have adopted an Investment Policy that provides that our officers, including David Bistricer, JJ Bistricer and Jacob Schwimmer, are not required to present certain identified investment opportunities to us, including assets located outside the New York metropolitan area, for-sale condominium or cooperative conversions, development projects, projects that would require us to obtain guarantees from third parties or to backstop obligations of other parties, and land acquisitions. As a result, except to the extent that our officers must present certain identified business opportunities to us, our officers have no duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we or our subsidiaries engage or propose to engage or to refrain from otherwise competing with us. These individuals also may pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. These provisions may limit our ability to pursue business or investment opportunities that we might otherwise have had the opportunity to pursue, which could have an adverse effect on our financial condition, our results of operations, our cash flow, the market value of our common stock and our ability to meet our debt obligations and to make distributions to our stockholders.

We may have assumed unknown liabilities in connection with the formation transactions, which, if significant, could adversely affect our business.

As part of the formation transactions, we acquired indirect interests in the properties and assets of our predecessor entities, subject to existing liabilities, some of which may have been unknown at the time the private offering was consummated. As part of the formation transactions, each of the predecessor entities made limited representations, warranties and covenants to us regarding the predecessor entities and their assets. Because many liabilities, including tax liabilities, may not have been identified, we may have no recourse for such liabilities. Any unknown or unquantifiable liabilities to which the properties and assets previously owned by our predecessor entities are subject could adversely affect the value of those properties and as a result adversely affect us. See "Risks Related to Real Estate" for discussion as to the possibility of undisclosed environmental conditions potentially affecting the value of the properties in our portfolio.

We may pursue less vigorous enforcement of terms of employment agreements with certain of our executive officers, which could negatively impact our stockholders.

Certain of our executive officers, including David Bistricer, JJ Bistricer and Jacob Schwimmer, are party to employment agreements with us. We may choose not to enforce, or to enforce less vigorously, our rights under these agreements because of our desire to maintain our ongoing relationships with members of our senior management or our board of directors and their affiliates, with possible negative impact on stockholders. Moreover, these agreements were not negotiated at arm's length and in the course of structuring the formation transactions, certain of our executive officers had the ability to influence the types and level of benefits that they receive from us under these agreements.

David Bistricer, our Co-Chairman of the board of directors and Chief Executive Officer, and Sam Levinson, our Co-Chairman of the board of directors and Head of the Investment Committee, have outside business interests that will take their time and attention away from us, which could materially and adversely affect us. In addition, notwithstanding the Investment Policy, members of our senior management may in certain circumstances engage in activities that compete with our activities or in which their business interests and ours may be in conflict.

David Bistricer, our Co-Chairman of the board of directors and Chief Executive Officer, Sam Levinson our Co-Chairman of the board of directors and Chairman of the Investment Committee, , and other members of our senior management team continue to own interests in properties and businesses that were not contributed to us in the formation transactions. For instance, each of David Bistricer, our Co-Chairman of the board of directors and Chief Executive Officer, and JJ Bistricer, our Chief Operating Officer, is an officer of Clipper Equity and each of Sam Levinson, our Co-Chairman of the board of directors and Chairman of the Investment Committee, and Jacob Schwimmer, our Chief Property Management Officer, has ownership interests in Clipper Equity. Clipper Equity owns interests in, and controls and manages entities that own interests in, multifamily and commercial properties in the New York metropolitan area.

We have adopted an Investment Policy that provides that our officers, including David Bistricer, JJ Bistricer and Jacob Schwimmer, are not required to present certain identified investment opportunities to us, including assets located outside the New York metropolitan area, for-sale condominium or cooperative conversions, development projects, projects that would require us to obtain guarantees from third parties or to backstop obligations of other parties, and land acquisitions. As a result, except to the extent that our officers must present certain identified business opportunities to us, our officers have no duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we or our subsidiaries engage or propose to engage or to refrain from otherwise competing with us, and therefore may compete with us for investments in properties and for tenants. These individuals also may pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us.

We and members of our senior management may also determine to enter into joint ventures or co-investment relationships with respect to one or more properties. As a result of the foregoing, there may at times be a conflict between the interests of members of our senior management and our business interests. Further, although David Bistricer, JJ Bistricer and Jacob Schwimmer will devote such portion of their business time and attention to our business as is appropriate and will be compensated on that basis, under their employment agreements, they will also devote substantial time to other business and investment activities.

We may experience conflicts of interest with certain of our directors and officers and significant stockholders as a result of their tax positions.

David Bistricer, our Co-Chairman of the board of directors and Chief Executive Officer, and Sam Levinson, our Co-Chairman of the board of directors and Chairman of the Investment Committee may be subject to tax on a disproportionately large amount of the built-in gain that would be realized upon the sale or refinancing of certain properties. David Bistricer and Sam Levinson may therefore influence us to not sell or refinance certain properties, even if such sale or refinancing might be financially advantageous to our stockholders, or to enter into tax deferred exchanges with the proceeds of such sales when such a reinvestment might not otherwise be in our best interest, as they may wish to avoid realization of their share of the built-in gains in those properties. Alternatively, to avoid realizing such built-in gains, they may have to agree to additional reimbursements or guarantees involving additional financial risk.

We hold a portion of our cash and cash equivalents in deposit accounts that could be adversely affected if the financial institutions holding such deposits fail.

We maintain our cash and cash equivalents at insured financial institutions. The combined account balances at each institution periodically exceed the FDIC insurance coverage of $250,000, and, as a result, there is a concentration of credit risk related to amounts in excess of FDIC insurance coverage. We do not have any bank accounts, loans to or from, or any other amounts due to or from any recently failed financial institution, nor have we experienced any losses to date on our cash and cash equivalents held in bank accounts. However, there is no assurance that financial institutions in which we hold our cash and cash equivalents will not fail, in which case we may be subject to a risk of loss or delay in accessing all or a portion of our funds exceeding the FDIC insurance coverage, which could adversely impact our short-term liquidity, ability to operate our business, and financial performance.

Risks Related to Our Indebtedness and Financing

We have a substantial amount of indebtedness that may limit our financial and operating activities and may adversely affect our ability to incur additional debt to fund future needs.

As of December 31, 2023, we had $1,219.0 million of total indebtedness, all of which was property-level debt. See Note 6 of the accompanying "Notes to Consolidated Financial Statements" for a discussion of the Company's property-level debt.

Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties, fully implement our capital expenditure, acquisition and redevelopment activities, or meet the REIT distribution requirements imposed by the Code. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

- require us to dedicate a substantial portion of cash flow from operations to the payment of principal, and interest on, indebtedness, thereby reducing the funds available for other purposes;
- make it more difficult for us to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to meet operational needs;
- force us to dispose of one or more of our properties, possibly on unfavorable terms (including the possible application of the 100% tax on income from prohibited transactions) or in violation of certain covenants to which we may be subject;
- subject us to increased sensitivity to interest rate increases;
- make us more vulnerable to economic downturns, adverse industry conditions or catastrophic external events;
- limit our ability to withstand competitive pressures;
- limit our ability to refinance our indebtedness at maturity or result in refinancing terms that are less favorable than the terms of our original indebtedness;
- reduce our flexibility in planning for or responding to changing business, industry and economic conditions; and/or
- place us at a competitive disadvantage to competitors that have relatively less debt than we have.

If any one of these events were to occur, our financial condition, results of operations, cash flow and the market value of our common stock could be adversely affected. Furthermore, foreclosures could create taxable income without accompanying cash proceeds, which could hurt our ability to meet the REIT distribution requirements imposed by the Code.

Changing interest rates could increase interest costs and adversely affect our cash flows and the market price of our securities.

We currently have, and expect to incur in the future, interest-bearing debt at rates that vary with market interest rates. As of December 31, 2023, we had approximately $82.0 million of variable rate indebtedness outstanding, for our Dean Street development property and our 10 West 65th Street property, which constitutes approximately 6.7% of total outstanding indebtedness as of such date, and we have experienced increases in the interest rates on such indebtedness, which has increased our interest expense and adversely impacted our results of operations and cash flows. Continued increases in interest rates would further increase our interest expense and increase the cost of refinancing existing indebtedness and of issuing new debt. The effect of prolonged interest rate increases could negatively impact our ability to service our indebtedness, make distributions and make acquisitions and develop properties.

Our tax protection agreement requires our Operating Partnership to maintain certain debt levels that otherwise would not be required to operate our business.

Under our tax protection agreement, we undertake that our LLC subsidiaries will maintain a certain level of indebtedness and, in the case that level of indebtedness cannot be maintained, we are required to provide our continuing investors the opportunity to guarantee debt. If we fail to maintain such debt levels, or fail to make such opportunities available, we will be required to deliver to each applicable continuing investor a cash payment intended to approximate the continuing investor's tax liability resulting from our failure and the tax liabilities incurred as a result of such tax protection payment. We agreed to these provisions in order to assist our continuing investors in deferring the recognition of taxable gain as a result of and after the formation transactions. These obligations require us to maintain more or different indebtedness than we would otherwise require for our business.

We may not have sufficient cash flow to meet the required payments of principal and interest on our debt or to pay distributions on our common stock at expected levels.

In the future, our cash flow could be insufficient to meet required payments of principal and interest or to pay distributions on our shares at expected levels. In this regard, we note that in order for us to qualify as a REIT, we are required to make annual distributions generally equal to at least 90% of our taxable income, computed without regard to the dividends paid deduction and excluding net capital gain. In addition, as a REIT, we will be subject to U.S. federal income tax to the extent that we distribute less than 100% of our taxable income (including capital gains) and will be subject to a 4% nondeductible excise tax on the amount by which our distributions in any calendar year are less than a minimum amount specified by the Code. These requirements and considerations may limit the amount of our cash flow available to meet required principal and interest payments.

If we are unable to make required payments on indebtedness that is secured by a mortgage on our property, the asset may be transferred to the lender resulting in the loss of income and value to us, including adverse tax consequences related to such a transfer.

Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt.

Incurring mortgage and other secured debt obligations increases our risk of property losses because defaults on indebtedness secured by property may result in foreclosure actions initiated by lenders and ultimately our loss of the property securing any loans for which we are in default. Any foreclosure on a mortgaged property or group of properties could adversely affect the overall value of our portfolio of properties. For tax purposes, a foreclosure of any of our properties that is subject to a nonrecourse mortgage loan would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds, which could hurt our ability to meet the distribution requirements applicable to REITs under the Code.

Hedging activity may expose us to risks, including the risks that a counterparty will not perform and that the hedge will not yield the economic benefits we anticipate, which could adversely affect us.

We may, in a manner consistent with our qualification as a REIT, seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements that involve risk, such as the risk that counterparties may fail to honor their obligations under these arrangements, and that these arrangements may not be effective in reducing our exposure to interest rate changes. Moreover, there can be no assurance that our hedging arrangements will qualify for hedge accounting or that our hedging activities will have the desired beneficial impact on our results of operations. Should we desire to terminate a hedging agreement, there could be significant costs and cash requirements involved to fulfill our obligations under the hedging agreement. Generally, failure to hedge effectively against interest rate changes may adversely affect our results of operations.

When a hedging agreement is required under the terms of a mortgage loan, it is often a condition that the hedge counterparty maintains a specified credit rating. With the current volatility in the financial markets, there is an increased risk that hedge counterparties could have their credit rating downgraded to a level that would not be acceptable under the loan provisions. If we were unable to renegotiate the credit rating condition with the lender or find an alternative counterparty with an acceptable credit rating, we could be in default under the loan and the lender could seize that property through foreclosure, which could adversely affect us.

Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.

The REIT provisions of the Code limit our ability to hedge our liabilities. Generally, income from a hedging transaction we enter into either to manage risk of interest rate changes with respect to borrowings incurred or to be incurred to acquire or carry real estate assets, or to manage the risk of currency fluctuations with respect to any item of income or gain (or any property which generates such income or gain) that constitutes "qualifying income" for purposes of the 75% or 95% gross income tests applicable to REITs, does not constitute "gross income" for purposes of the 75% or 95% gross income tests, provided that we properly identify the hedging transaction pursuant to the applicable sections of the Code and Treasury regulations. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of both gross income tests. As a result of these rules, we may need to limit our use of otherwise advantageous hedging techniques or implement those hedges through a taxable REIT subsidiary (a "TRS"). The use of a TRS could increase the cost of our hedging activities (because our TRS would be subject to tax on income or gain resulting from hedges entered into by it) or expose us to greater risks than we would otherwise want to bear. In addition, net losses in any of our TRSs will generally not provide any tax benefit except for being carried forward for use against future taxable income in the TRSs.

A portion of our distributions may be treated as a return of capital for U.S. federal income tax purposes, which could reduce the basis of a stockholder's investment in shares of our common stock and may trigger taxable gain.

As a general matter, a portion of our distributions will be treated as a return of capital for U.S. federal income tax purposes if the aggregate amount of our distributions for a year exceeds our current and accumulated earnings and profits for that year. To the extent that a distribution is treated as a return of capital for U.S. federal income tax purposes, it will reduce a holder's adjusted tax basis in the holder's shares, and to the extent that it exceeds the holder's adjusted tax basis, will be treated as gain resulting from a sale or exchange of such shares.

Risks Related to Our Status as a REIT

Failure to qualify or to maintain our qualification as a REIT would have significant adverse consequences to the value of our common stock.

We elected to qualify to be treated as a REIT commencing with our first taxable year ended December 31, 2015. The Code generally requires that a REIT distribute at least 90% of its taxable income (without regard to the dividends paid deduction and excluding net capital gains) to stockholders annually, and a REIT must pay tax at regular corporate rates to the extent that the REIT distributes less than 100% of its taxable income (including capital gains) in a given year. In addition, a REIT is required to pay a 4% nondeductible excise tax on the amount, if any, by which the distributions the REIT makes in a calendar year are less than the sum of 85% of the REIT's ordinary income, 95% of the REIT's capital gain net income and 100% of the REIT's undistributed income from prior years. To avoid entity-level U.S. federal income and excise taxes, we anticipate distributing at least 100% of our taxable income. However, our ability to make such distributions may be limited by a requirement to escrow cash flow from our lease at 250 Livingston Street, which may be classified as taxable income.

We believe that we are organized, have operated and will continue to operate in a manner that will allow us to qualify as a REIT commencing with our first taxable year ended December 31, 2015. However, we cannot assure you that we are organized, have operated and will continue to operate as such. This is because qualification as a REIT involves the application of highly technical and complex provisions of the Code as to which there may only be limited judicial and administrative interpretations and involves the determination of facts and circumstances not entirely within our control. We have not requested and do not intend to request a ruling from the Internal Revenue Service ("IRS") that we qualify as a REIT. Moreover, in order to qualify as a REIT, we must meet, on an ongoing basis, various tests regarding the nature and diversification of our assets and our income, the ownership of our outstanding stock and the amount of our distributions. Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT gross income and quarterly asset requirements also depends upon our ability to manage successfully the composition of our gross income and assets on an ongoing basis. Future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a REIT for U.S. federal income tax purposes or the U.S. federal income tax consequences of such qualification. Accordingly, it is possible that we may not meet the requirements for qualification as a REIT.

If, with respect to any taxable year, we fail to maintain our qualification as a REIT, we would not be allowed to deduct distributions to stockholders in computing our taxable income. If we were not entitled to relief under the relevant statutory provisions, we would also be disqualified from treatment as a REIT for the four subsequent taxable years. If we fail to qualify as a REIT, we would no longer be required to make distributions and we would be subject to entity-level income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate tax rates. As a result, the amount available for distribution to holders of our common stock would be reduced for the year or years involved. In addition, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and adversely affect the value of our common stock.

If our special voting stock and the Class B LLC units are treated as a single stock interest in the Company, we could fail to qualify as a REIT.

We believe that the special voting stock and Class B LLC units will be treated as separate interests in the Company and its predecessor entities, respectively. However, no assurance can be given that the IRS will not argue, or that a court would not find or hold, that the special voting stock and the Class B LLC units should be treated as a single stock interest in the Company for U.S. federal income tax purposes. If the special voting stock and Class B LLC units were treated as a single stock interest in the Company, it is possible that more than 50% in value of the outstanding stock of the Company could be treated as held by five or fewer individuals. In such a case, we could be treated as "closely held" and we could therefore fail to qualify as a REIT. Such failure would have significant adverse consequences. See "Risks Related to Our Status as a REIT – Failure to qualify or to maintain our qualification as a REIT would have significant adverse consequences to the value of our common stock."

Complying with the REIT requirements may cause us to forego otherwise attractive opportunities or liquidate certain of our investments.

To qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. We may be required to make distributions to our stockholders at disadvantageous times or when we do not have funds readily available for distribution. Thus, compliance with the REIT requirements may, for instance, hinder our ability to make certain otherwise attractive investments or undertake other activities that might otherwise be beneficial to us and our stockholders, or may require us to borrow or liquidate investments in unfavorable market conditions and, therefore, may hinder our investment performance.

As a REIT, at the end of each calendar quarter, at least 75% of the value of our assets must consist of cash, cash items, government securities and qualified real estate assets. The remainder of our investments in securities (other than cash, cash items, government securities, securities issued by a TRS and securities treated as qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our total assets can consist of the securities (other than cash, cash items, government securities, securities issued by a TRS and qualified real estate assets) of any one issuer, no more than 20% of the value of our total assets can be represented by securities of one or more TRSs (25% for taxable years ending on or before December 31, 2017), and no more than 25% of the value of our total assets may consist of "nonqualified" debt instruments issued by publicly offered REITs. After meeting these requirements at the close of a calendar quarter, if we fail to comply with these requirements at the end of any subsequent calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification. As a result, we may be required to liquidate from our portfolio otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

We may be subject to a 100% penalty tax on any prohibited transactions that we enter into, or may be required to forego certain otherwise beneficial opportunities in order to avoid the penalty tax on prohibited transactions.

If we are found to have held, acquired or developed property primarily for sale to customers in the ordinary course of business, we may be subject to a 100% "prohibited transactions" tax under U.S. federal tax laws on the gain from disposition of the property unless the disposition qualifies for one or more safe harbor exceptions for properties that have been held by us for at least two years and satisfy certain additional requirements (or the disposition is made by a TRS and, therefore, the gain, if any, is subject to corporate U.S. federal income tax).

Under existing law, whether property is held primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstances. We intend to hold, and, to the extent within our control, to have any joint venture to which our Operating Partnership is a partner hold, properties for investment with a view to long-term appreciation, to engage in the business of acquiring, owning, operating and developing the properties, and to make sales of our properties and other properties acquired subsequent to the date hereof as are consistent with our investment objectives. Based upon our investment objectives, we believe that overall, our properties should not be considered property held primarily for sale to customers in the ordinary course of business. However, it may not always be practical for us to comply with one of the safe harbors, and, therefore, we may be subject to the 100% penalty tax on the gain from dispositions of property if we otherwise are deemed to have held the property primarily for sale to customers in the ordinary course of business.

The potential application of the prohibited transactions tax could cause us to forego potential dispositions of other property or to forego other opportunities that might otherwise be attractive to us, or to hold investments or undertake such dispositions or other opportunities through a TRS, which would generally result in corporate income taxes being incurred. For example, we anticipate that we would have to effect any potential condominium or cooperative conversion and sale of our Tribeca House properties or 141 Livingston Street property through a TRS.

REIT distribution requirements could adversely affect our liquidity and adversely affect our ability to execute our business plan.

In order to maintain our qualification as a REIT and to meet the REIT distribution requirements, we may need to modify our business plans. Our cash flow from operations may be insufficient to fund required distributions, for example, as a result of differences in timing between our cash flow, the receipt of income for GAAP purposes and the recognition of income for U.S. federal income tax purposes, the effect of non-deductible capital expenditures, the creation of reserves, payment of required debt service or amortization payments, or the need to make additional investments in qualifying real estate assets. The insufficiency of our cash flow to cover our distribution requirements could require us to (i) sell assets in adverse market conditions, (ii) borrow on unfavorable terms, (iii) distribute amounts that would otherwise be invested in future acquisitions or capital expenditures or used for the repayment of debt, (iv) pay dividends in the form of "taxable stock dividends" or (v) use cash reserves, in order to comply with the REIT distribution requirements. If we choose to make all or part of a distribution in our own stock, stockholders may be required to pay income taxes with respect to such distributions in excess of the cash portion, if any, of the distribution received. Further, taking the actions enumerated above to comply with the REIT distribution requirements could adversely affect the market value of our common stock. The inability of our cash flow to cover our distribution requirements could have an adverse impact on our ability to raise short- and long-term debt or sell equity securities. In addition, if we are compelled to liquidate our assets to repay obligations to our lenders or make distributions to our stockholders, we may be subject to a 100% tax on any resultant gain if we sell assets that are treated as property held primarily for sale to customers in the ordinary course of business.

The ability of our board of directors to revoke our REIT qualification without stockholder approval may cause adverse consequences to our stockholders.

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to be a REIT, we will not be allowed a deduction for dividends paid to stockholders in computing our taxable income and will be subject to U.S. federal income tax at regular corporate rates and state and local taxes, which may have adverse consequences on our total return to our stockholders.

Our ability to provide certain services to our tenants may be limited by the REIT rules, or may have to be provided through a TRS.

As a REIT, we generally cannot provide services to our tenants other than those that are customarily provided by landlords, nor can we derive income from a third party that provides such services. If we forego providing such services to our tenants, we may be at a disadvantage to competitors who are not subject to the same restrictions. However, we can provide such non-customary services to tenants or share in the revenue from such services if we do so through a TRS, though income earned by the TRS will be subject to corporate income taxes.

Although our use of TRSs may partially mitigate the impact of meeting certain requirements necessary to maintain our qualification as a REIT, there are limits on our ability to own TRSs, and a failure to comply with the limits would jeopardize our REIT qualification and may result in the application of a 100% excise tax.

A REIT may own up to 100% of the stock of one or more TRSs. A TRS may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 20% of the value of a REIT's assets may consist of securities of one or more TRSs (25% for taxable years ended on or before December 31, 2017). In addition, rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. Rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are treated as not being conducted on an arm's-length basis.

Any TRSs that we form will pay U.S. federal, state and local income tax on the TRSs' taxable income, and the TRSs' after-tax net income will be available for distribution to us but is not required to be distributed to us unless necessary to maintain our REIT qualification. Although we will monitor the aggregate value of the securities of such TRSs and intend to conduct our affairs so that such securities will represent less than 20% of the value of our total assets, there can be no assurance that we will be able to comply with the TRS limitation in all market conditions.

Our property taxes could increase due to property tax rate changes or reassessment, which could impact our cash flow.

Even if we qualify as a REIT for U.S. federal income tax purposes, we will be required to pay state and local taxes on our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. Therefore, the amount of property taxes we pay in the future may increase substantially from what we have paid in the past and such increases may not be covered by tenants pursuant to our lease agreements. If the property taxes we pay increase, our financial condition, results of operations, cash flow, per share trading price of our common stock and our ability to satisfy our principal and interest obligations and to make distributions to our stockholders could be adversely affected.

Risks Related to Ownership of Our Common Stock

The market price and trading volume of our common stock may be volatile, which could result in rapid and substantial losses for our stockholders.

Our financial performance, government regulatory action, tax laws, interest rates and market conditions in general could have a significant impact on the future market price of our common stock. Some of the factors that could negatively affect or result in fluctuations in the market price of our common stock include:

- actual or anticipated variations in our quarterly or annual operating results;
- increases in market interest rates that lead purchasers of our shares to demand a higher yield;
- changes in market valuations of similar companies;

- adverse market reaction to any increased indebtedness we incur in the future;
- additions or departures of key personnel;
- actions by stockholders;
- speculation in the press or investment community;
- general market, economic and political conditions, including an economic slowdown or dislocation in the global credit markets;
- our operating performance and the performance of other similar companies;
- negative publicity regarding us specifically or our business lines generally;
- changes in accounting principles; and
- passage of legislation or other regulatory developments that adversely affect us or our industry, such as the Housing Stability and Tenant Protection Act of 2019, which was signed into law in New York in June 2019.

Broad market and industry factors may decrease the market price of our common stock, regardless of our actual operating performance. The stock market in general has from time to time experienced extreme price and volume fluctuations. In addition, in the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

There are restrictions on ownership and transfer of our common stock.

To assist us in qualifying as a REIT, among other purposes, our charter generally limits beneficial ownership by any person to no more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our common stock or 9.8% of the aggregate value of all our outstanding stock. In addition, our charter contains various other restrictions on the ownership and transfer of shares of our stock. As a result, an investor that purchases shares of our common stock may not be able to readily resell such common stock.

Future sales of our common stock or other securities convertible into our common stock could cause the market value of our common stock to decline and could result in dilution.

Our board of directors is authorized, without approval of our common stockholders, to cause us to issue additional shares of our stock or to raise capital through the issuance of preferred stock, options, warrants and other rights on terms and for consideration as our board of directors in its sole discretion may determine.

Sales of substantial amounts of our common stock could dilute current ownership and could cause the market price of our common stock to decrease significantly. We cannot predict the effect, if any, of future sales of our common stock, or the availability of our common stock for future sales, on the value of our common stock. Sales of substantial amounts of our common stock, or the perception that such sales could occur, may adversely affect the market price of our common stock.

In addition, our Operating Partnership may issue additional OP Units and our LLC subsidiaries may issue additional LLC units to third parties without the consent of our stockholders, which would reduce our ownership percentage in our Operating Partnership or LLC subsidiaries, as applicable, and would have a dilutive effect on the amount of distributions made to us by our Operating Partnership and, if applicable, to our Operating Partnership by our LLC subsidiaries and, therefore, the amount of distributions we can make to our stockholders. Any such issuances, or the perception of such issuances, could materially and adversely affect the market price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk management and strategy

Our corporate information technology, communication networks, enterprise applications, accounting and financial reporting platforms, and related systems are necessary for the operation of our business. We use these systems, among others, to manage our tenant and vendor relationships, for internal communications, for accounting to operate record-keeping function, and for many other key aspects of our business. Our business operations rely on the secure collection, storage, transmission, and other processing of proprietary, confidential, and sensitive data.

We rely on a third-party service providers, to identify, assess, and manage cybersecurity threats and risks. We identify and assess risks from cybersecurity threats by monitoring and evaluating our threat environment and our risk profile using various methods including, for example, subscribing to reports and services that identify cybersecurity threats and evaluating our industry's risk profile.

To operate our business, we utilize certain third-party service providers to perform a variety of functions. We seek to engage reliable, reputable service providers that maintain cybersecurity programs.

We are not aware of any risks from cybersecurity threats, including as a result of any cybersecurity incidents, which have materially affected or are reasonably likely to materially affect our Company, including our business strategy, results of operations, or financial condition. See "Item 1A. Risk factors" in this Annual Report on Form 10-K, for additional discussion about cybersecurity-related risks.

Governance

Our Board of Directors holds oversight responsibility over the Company's strategy and risk management, including material risks related to cybersecurity threats. This oversight is executed directly by the Board of Directors and through its committees. The Audit Committee of the Board of Directors (the "Audit Committee") oversees process by which senior management of the Company assesses and manages the Company's exposure to risk, including cybersecurity, in accordance with its charter. The Audit Committee engages in discussions with management regarding the Company's significant financial risk exposures and the measures implemented to monitor and control these risks, including those that may result from material cybersecurity threats. These discussions include the Company's risk assessment and risk management policies.

Our management, represented by our IT Director, and our third-party information technology provider lead our cybersecurity risk assessment and management processes and oversee their implementation and maintenance.

Our cybersecurity incident response and vulnerability management processes are designed to escalate certain cybersecurity incidents to members of management depending on the circumstances. In addition, the Company's incident response processes include reporting to the Audit Committee for certain cybersecurity incidents.

ITEM 2. PROPERTIES

Our Portfolio Summary

As of December 31, 2023, our portfolio consisted of nine properties totaling approximately 3.4 million rentable square feet (plus an approximately 154 thousand rentable square feet under development) and was approximately 98% leased (excluding square footage under development). These properties include Tribeca House (two nearly adjacent residential properties with street-level and mezzanine-level retail space and an externally managed parking garage), the Flatbush Gardens complex (a 59-building residential complex), two properties in Downtown Brooklyn (one exclusively commercial, one mixed commercial and residential), the Aspen property (a residential building with street-level retail space and an externally managed parking garage), the 10 West 65th Street residential property, the Clover House residential property, the 1010 Pacific Street residential property and the Dean Street property (currently under development).

The table below presents an overview of the Company's portfolio as of December 31, 2023:

Address	Submarket	Year Built	Leasable Sq. Ft.	# Units	Percent Leased	Annualized December 2023 Base Rental Revenue (millions)(1)	Net Effective Rent Per Occupied Square Foot
Multifamily							
50 Murray Street	Manhattan	1964	396,224	390	95.9%	$ 28.1	$ 76.54
53 Park Place	Manhattan	1921	86,288	116	97.4%	$ 6.8	$ 81.32
Flatbush Gardens complex	Brooklyn	1950	1,748,671	2,494	98.0%	$ 45.0	$ 26.69
250 Livingston Street	Brooklyn	1920	26,819	36	100.0%	$ 1.6	$ 58.93
Aspen	Manhattan	2004	165,542	232	97.4%	$ 6.1	$ 38.65
10 West 65th Street	Manhattan	1939	75,678	82	98.8%	$ 4.0	$ 53.87
Clover House	Brooklyn	1959	102,131	158	95.6%	$ 7.9	$ 80.80
1010 Pacific Street	Brooklyn	2023	115,401	175	100.0%	$ 5.5	$ 50.47
			2,716,754	3,683	97.7%(2)	$ 105.0	$ 40.51(2)
Commercial							
141 Livingston Street	Brooklyn	1959	206,084	1	100.0%	$ 10.3	$ 50.00
250 Livingston Street	Brooklyn	1920	342,496	1	100.0%	$ 15.4	$ 44.93
			548,580	2	100.0(2)	$ 25.7	$ 46.84(2)
Retail							
50 Murray Street (retail)	Manhattan		44,583	8	94.7%	$ 2.2	$ 51.23
50 Murray Street (parking)	Manhattan		24,200	1	100.0%	$ 1.4	$ 59.01
53 Park Place (retail)	Manhattan		8,600	1	—	—	—
141 Livingston Street (parking/other)	Brooklyn		14,853	1	100.0%	$ 0.4	$ 28.18
250 Livingston Street (retail)	Brooklyn		990	1	100.0%	$ 0.1	$ 128.35
250 Livingston Street (parking)	Brooklyn		—	—	—	$ 0.2	—
Aspen (retail)	Manhattan		12,429	5	73.4%	$ 0.4	$ 44.46
Aspen (parking)	Manhattan		—	—	—	—	—
			105,655	17	86.5(2)	$ 4.7	$ 52.44(2)
Total			**3,370,989**	**3,702**	**97.7(2)**	**$ 135.4**	**$ 37.78(2)**
Real Estate Under Development							
Dean Street	Brooklyn		154,468(3)	242(3)			

(1) Represents annualized revenue based on December 2023 data.
(2) Represents weighted average.
(3) Land purchases made on December 22, 2021, February 14, 2022 and April 14, 2022, square footage and number of units based on management's development estimates

The table below presents an overview of commercial and retail lease expirations for the next ten years and thereafter, beginning in 2024. Excludes residential leases which are generally of one year duration.

Year	Number of Tenants	Total Square Feet	Annualized Rental Revenue	% of Annualized Rental Revenue Expiring
2024	1	1,597	$ 78,336	0.3%
2025	3	550,275	25,757,897	85.3%
2026	1	510	18,727	0.1%
2027	3	42,068	1,730,482	5.7%
2028	1	—	55,200	0.2%
2029	—	—	—	0.0%
2030	1	990	94,905	0.3%
2031	1	540	165,500	0.5%
2032	2	4,606	334,632	1.1%
2033	1	24,200	1,428,000	4.7%
Thereafter	3	8,052	541,500	1.8%
Total	17	632,838	$ 30,205,179	100.0%

Descriptions of Our Properties

Tribeca House

The Company purchased the 50 Murray Street and 53 Park Place buildings on December 15, 2014.

These buildings were built in 1964 and 1921, respectively, renovated in 2001, and comprise a total of 506 units which include studio and one- and two-bedroom apartments as well as retail space and parking. The buildings are both full-service luxury rentals which include building finishes such as ceilings as high as 11 feet, stainless steel appliances and granite countertops, and amenities such as a doorman, elevators, landscaped roof deck, rooftop basketball court, tenant lounge, game room, toddlers' playroom, in-house valet service and screening room. 50 Murray Street includes 390 units and 396,528 square feet and 53 Park Place includes 116 units and 86,288 square feet.

The properties also feature approximately 77,400 square feet of retail space, comprising approximately 53,000 square feet of street-level and mezzanine-level retail space, and an externally managed garage. Tenants include Equinox (a premium fitness club), Starbucks and 7 Eleven. The weighted average remaining lease duration of the retail tenants at December 31, 2023, is approximately four years.

Property highlights include:

Location	• 50 Murray Street and 53 Park Place
Building Type	• Residential • Retail
Number of Units	• 506
Amenities	• Doorman • Elevators • Landscaped roof deck • Rooftop basketball court • Tenant lounge • Game room • Toddler's play room • In-house valet service • Screening room
Nearby Rapid Transit Access	• MTA Subway A, C, E, N, R, 1, 2, 3 trains • PATH train

The Tribeca House properties are encumbered by a loan through Deutsche Bank AG with a balance of $360.0 million as of December 31, 2023. The loan matures on March 6, 2028, bears interest at 4.506% and requires interest-only payments for the entire term. We have the option to prepay all (but not less than all) of the unpaid balance of the loan prior to the maturity date, subject to a prepayment premium if it occurs prior to December 6, 2027.

Flatbush Gardens

Flatbush Gardens is a 59-building complex located along Foster Avenue between Nostrand and Brooklyn Avenues in the East Flatbush neighborhood of Brooklyn. The property's buildings are located on seven tax parcels. The complex was constructed around 1950 and contains 2,494 studio, one-bedroom, two-bedroom, and three-bedroom apartments, and four below-grade garages. The aggregate site area is 898,940 square feet, the aggregate gross building area is 1,926,180 square feet and the aggregate gross leasable area is 1,748,671 square feet.

Address	Block	Lot	Site Area (Sq. Ft.)	Net Leasable Area (Sq. Ft.)	No. of Units
3101 Foster Avenue	4964	47	60,000	120,276	168
1405 Brooklyn Avenue	5000	200	47,500	90,762	144
1402 Brooklyn Avenue	4981	50	161,655	293,898	420
1368 New York Avenue	4964	40	195,865	354,835	503
3505 Foster Avenue	4967	40	182,300	355,476	504
3202-24 Foster Avenue	4995	30	112,875	239,316	336
1401 New York Avenue	4981	1	138,745	294,108	419
Total			**898,940**	**1,748,671**	**2,494**

Community District 17 is a mixed-income community. We believe Flatbush Gardens represents an entry-level, low-cost option in the market and that we will increasingly draw tenants who have been priced out of other New York City sub-markets. The neighborhood surrounding the Flatbush Gardens complex is residential on all sides. The Newkirk Avenue subway station, which is serviced by the No. 2 and No. 5 trains, is located on the west side of the complex. Brooklyn College is located 0.6 miles along Nostrand Avenue to the south of Flatbush Gardens. The No. 2 and No. 5 trains, which service both Flatbush Gardens and Brooklyn College, provide direct access to the west side and east side, respectively, of Manhattan, as well as other points in Brooklyn. Two large regional medical centers are located within a mile of the complex.

Property highlights include:

Building Type	• Residential
Number of Units	• 2,494
Amenities	• Park-like space between buildings
	• Parking lots
Nearby Rapid Transit Access	• MTA Subway 2, 5 trains

Flatbush Gardens is encumbered by a mortgage note to New York Community Bank with a balance of $329.0 million as of December 31, 2023. The note matures on June 1, 2032, and bears interest at 3.125% through May 2027 and thereafter at the prime rate plus 2.75%, subject to an option to fix the rate. The note requires interest-only payments through May 2027, and monthly principal and interest payments thereafter based on a 30-year amortization schedule. We have the option to prepay all (but not less than all) of the unpaid balance of the note prior to the maturity date, subject to certain prepayment premiums, as defined.

141 Livingston Street

The 141 Livingston Street property is a 15-story office building with 206,084 commercial square feet, located on a 0.26-acre site in Downtown Brooklyn. The property's main commercial tenant, the City of New York, executed a 10-year lease in December 2015; under the agreement, the annual rent increased by 25%, or $2.1 million, beginning at the end of December 2020. The property is located approximately 500 feet from the Jay Street-Metrotech, Hoyt-Schermerhorn, Hoyt Street, and Borough Hall subway stops, offering direct one-stop access to the east and west sides of Manhattan, as well as access to surrounding regions of Brooklyn and Queens, and connections to every other New York City subway line. The property is located near the Fulton Street Mall, a pedestrian mall that runs along Fulton Street between Boerum Place and Flatbush Avenue, and is within walking distance of Barclays Center and Atlantic Avenue. In addition, the property includes an adjacent lot at 22 Smith Street, currently used as a parking lot measuring approximately 5,000 square feet.

Property highlights include:

Location	•	141 Livingston Street
Building Type	•	Commercial
	•	Retail (parking)
Tenant	•	City of New York
Amenities	•	Elevators
	•	Parking
Nearby Rapid Transit Access	•	MTA Subway A, C, F, G, R, 2, 3, 4, 5 trains

The 141 Livingston Street property is encumbered by a mortgage note to Citi Real Estate Funding Inc. with a balance of $100 million as of December 31, 2023. The note matures on March 6, 2031, bears interest at 3.21% and requires interest-only payments for the entire term. We have the option to prepay all (but not less than all) of the unpaid balance of the loan within three months of maturity, without a prepayment premium.

250 Livingston Street

The 250 Livingston Street property is a 12-story mixed-use building, with office and residential uses on the upper floors and office and retail at grade. The total land area of the site is 29,707 square feet. The building currently contains 342,496 square feet of office space which is 100% leased to the City of New York's Department of Environmental Protection and Human Resources Administration under a ten-year lease that expires in August 2030; however, the City holds one-time termination options at the end of the fifth year and the seventh year. The City of New York has advised us that it will vacate the 250 Livingston Street property in 2025. Additionally, the property includes 36 multifamily residential apartment units (26,819 square feet), which were developed by Clipper Equity from 2003 through 2013.

Property highlights include:

Location	•	250 Livingston Street
Building Type	•	Commercial
	•	Residential
	•	Retail
Commercial Tenant	•	City of New York
Amenities	•	Elevators
Nearby Rapid Transit Access	•	MTA Subway A, B, C, F, G, Q, R, 2, 3, 4, 5 trains

The 250 Livingston Street property is encumbered by a mortgage note to Citi Real Estate Funding Inc. with a balance of $125.0 million as of December 31, 2023. The note matures on June 6, 2029, bears interest at 3.63% and requires interest-only payments for the entire term. We have the option to prepay all (but not less than all) of the unpaid balance of the loan within three months of maturity, without a prepayment premium.

Aspen

In June 2016, the Company purchased the Aspen property located at 1955 1st Avenue in Manhattan for $103 million. The property fronts the west side of First Avenue on the full block between 100th and 101st Streets, and comprises 186,602 square feet, 232 residential rental units, four retail units and a parking garage. The residential units are subject to regulations established by the HDC under which there are no rental restrictions on approximately 55% of the units and low- and middle-income restrictions on approximately 45% of the units. The residential units feature stainless steel appliances including a range, oven, refrigerator, microwave, and dishwasher. Property amenities include a courtyard, game room, fitness center, clubhouse, laundry facilities and onsite below-grade garage parking.

Property highlights include:

Location	•	1955 1st Avenue
Building Type	•	Residential
	•	Retail
Number of Units	•	232
Amenities	•	Courtyard, game room, fitness center
Nearby Rapid Transit Access	•	MTA Subway Q, 4, 5, 6 trains

The Aspen property is encumbered by a mortgage note to Capital One Multifamily Finance LLC with a balance of $61.0 million as of December 31, 2023. The note matures on July 1, 2028, and bears interest at 3.68%. The note required interest-only payments through July 2018, and monthly principal and interest payments of approximately $321,000 thereafter based on a 30-year amortization schedule. We have the option to prepay the loan prior to the maturity date, subject to a prepayment premium.

Clover House

In May 2018, the Company purchased the Clover House property in the historic Brooklyn Heights district in Brooklyn for $87.5 million, in vacant condition. The property is located near the Clark Street subway stop, the Brooklyn-Queens Expressway, the Brooklyn Bridge, the Manhattan Bridge and multiple bus lines. The Company completed renovations in 2019 to create 158 well-appointed studio, one- and two-bedroom units across 102,131 square feet, with amenities and indoor parking for 68 cars. Amenities include various unit terraces, a rooftop terrace, a fitness center and a landscaped courtyard.

Property highlights include:

Location	•	107 Columbia Heights
Building Type	•	Residential
Number of Units	•	158
Amenities	•	Courtyard, rooftop terrace, fitness center
Nearby Rapid Transit Access	•	MTA Subway 2, 3, A, C, F trains

The Clover House property is encumbered by a mortgage note to MetLife Investment Management with a balance of $82.0 million as of December 31, 2023. The note matures on December 1, 2029, bears interest at 3.53% and requires interest-only payments for the entire term. We have the option, commencing on January 1, 2024, to prepay the note prior to the maturity date, subject to a prepayment premium if it occurs prior to September 2, 2029.

10 West 65th Street

In October 2017, the Company purchased the 10 West 65th Street property in the Upper West Side neighborhood of Manhattan for $79 million. The property, located less than a block from Central Park, consists of approximately 76,000 square feet of leasable residential area, with 82 apartment units, plus an additional 53,000 square feet of air rights. The property is located near Lincoln Center and several prominent museums. Touro College, which had leased 40 apartment units in accordance with an agreement entered into when the Company purchased the property, exercised its option to terminate the leases, effective January 31, 2019. The Company subsequently repositioned the apartments and leased them at market rates.

Property highlights include:

Location	•	10 West 65th Street
Building Type	•	Residential
Number of Units	•	82
Amenities	•	Elevator
Nearby Rapid Transit Access	•	MTA Subway A, B, C, D, 1, 2, 3 trains

The 10 West 65th Street property is encumbered by a mortgage note to New York Community Bank, entered into in connection with the acquisition of the property, with a balance of $31.8 million as of December 31, 2023. The note matures on November 1, 2027, and bore an interest rate of 3.375% through October 2022 at which time it was scheduled to reset to the prime rate plus 2.75%, subject to an option to fix the rate. On August 26, 2022 the Company signed an amendment to the note that changed the benchmark and spread used from LIBOR plus 2.75% to 1-Month CME term SOFR plus 2.5%, rounded up to the nearest 1/8th and reset monthly. The benchmark rate at December 31, 2023 was 5.375%. The note required interest-only payments through November 2019, and monthly principal and interest payments thereafter based on a 30-year amortization schedule. We have the option to prepay all (but not less than all) of the unpaid balance of the note prior to the maturity date, subject to certain prepayment premiums, as defined.

1010 Pacific Street

In November 2019, the Company purchased the 1010 Pacific Street property in the Prospect Heights neighborhood of Brooklyn for $31 million. The Company redeveloped the property as a fully amenitized residential building with 115,000 square feet of leasable area. Amenities include on-site parking, media room, fitness center, library bridge, co-working lounge, kids' playroom & gym, outdoor deck bar & lounge and pet spa. The building has 175 total units, 70% of which will be leased at market rates and 30% of which will be designated as affordable housing.

Property highlights include:

Location	• 1010 Pacific Street
Building Type	• Residential
Number of Units	• 175
Amenities	• Elevator, media room, fitness center
Nearby Rapid Transit Access	• MTA Subway A, C, S, 2, 3 trains

There is $80.0 million in mortgage debt secured by 1010 Pacific Street as of December 31, 2023, in the form of a mortgage note to Valley National Bank which provides for maximum borrowings of $80.0 million. The loan provided initial funding of $60.0 million and a further $20.0 million subject to the achievement of certain financial targets. The initial funding of $60.0 million has an annual interest rate of 5.55%. The additional borrowing of $20.0 million has an annual interest rate of 6.37%. The total borrowing of $80.0 million has a term of twenty-four months and matures on September 15, 2025. The Company has the option to prepay in full, or in part, the unpaid balance of the note prior to the maturity date.

953 Dean Street

During the period December 2021 through April 2022, the Company purchased the Dean Street property which consists of multiple parcels of land in the Prospect Heights neighborhood of Brooklyn for approximately $48.5 million. The Company intends to redevelop the property as a fully amenitized residential building with approximately 160,000 square feet of residential leasable area. The building is expected to have 240 residential units, 70% of which will be leased at market rates and 30% of which will be designated as affordable housing. The property will also feature approximately 9,000 square feet of retail space. The construction process is estimated to take approximately two years.

On December 22, 2021, the Company entered into a $30 million mortgage note agreement with Bank Leumi, N.A related to the Dean Street acquisition. The notes original maturity was December 22, 2022, and was subsequently extended to September 22, 2023. The note required interest-only payments and bore interest at the prime rate (with a floor of 3.25%) plus 1.60%. In April 2022, the Company borrowed an additional $7.0 under the mortgage note in connection with the acquisition of additional parcels of land in February and April 2022.

On August 10, 2023, the Company refinanced its $37 million mortgage on its Dean Street development with a senior construction loan with Valley National Bank that permits borrowings up to $115 million and a Mezzanine Loan with BADF 953 Dean Street Lender LLC that permits borrowings up to $8 million.

On August 10, 2023, the Company entered into a $5 million corporate line of credit with Valley National Bank. The line of credit bears interest of Prime + 1.5%. The Company has not drawn on the line of credit as of December 31, 2023.

The Company has provided a limited guaranty for mortgage notes at several of its properties. The Company's loan agreements contain customary representations, covenants, and events of default. Certain loan agreements require the Company to comply with affirmative and negative covenants, including the maintenance of debt service coverage ratios and liquidity balances. If the Company is not compliant, certain lenders may require cash sweeps of rent until the conditions are cured. The Company believes it is not in default on any of its loan agreements.

ITEM 3. LEGAL PROCEEDINGS

See Note 8, "Commitments and Contingencies" of our consolidated financial statements included in Item 15 for a discussion of legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is traded on the NYSE under the ticker symbol "CLPR". The stock began trading on February 10, 2017.

Holders

As of February 16, 2024, there were 4,812 beneficial holders of our common stock.

Dividends

There is no guarantee that we will make quarterly cash distributions to holders of our common stock. We may make distributions only when, as and if authorized by our board of directors from funds legally available for distribution. Our cash distribution policy may be changed at any time and is subject to certain restrictions, including the following:

- we may lack sufficient cash to pay distributions on shares of our common stock for a number of reasons, including as a result of increases in our operating or general and administrative expenses, principal and interest payments on our debt, working capital requirements or cash needs;
- our ability to make cash distributions to holders of our common stock depends on the performance of our subsidiaries and their ability to distribute cash to us, and on the performance of our properties and tenants; and
- the ability of our subsidiaries to make distributions to us may be restricted by, among other things, covenants in the instruments governing current or future debt of these subsidiaries.

U.S. federal income tax law requires that we distribute annually at least 90% of our taxable income (without regard to the dividends paid deduction and excluding net capital gains). As a result, we expect to generally distribute a significant percentage of our available cash to holders of our common stock. Therefore, our growth may not be as fast as businesses that reinvest their available cash to expand ongoing operations. We expect that we will rely primarily upon external financing sources, including commercial bank borrowings and the issuance of debt and equity securities, to fund our acquisitions and capital expenditures. As a result, to the extent we are unable to finance growth externally, our cash distribution policy will significantly impair our ability to grow. To the extent we issue additional shares of common stock, our operating partnership issues OP Units or our existing or new LLC subsidiaries issue LLC units in connection with any acquisitions or other transactions, the payment of distributions on those additional securities may increase the risk that we will be unable to maintain or increase our distributions to stockholders.

Any future distributions we make will be at the discretion of our board of directors and will depend on a number of factors, including prohibitions or restrictions under financing agreements, our charter, applicable law and other factors described below.

We cannot assure you that our board of directors will not change our distribution policy in the future. Any distributions we pay in the future will depend upon our actual results of operations, liquidity, cash flows, financial condition, economic conditions, debt service requirements and other factors that could differ materially from our current expectations. Our actual results of operations, liquidity, cash flows and financial condition will be affected by several factors, including the revenue we receive from our properties, our operating expenses, interest expense, the ability of our tenants to meet their obligations and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our ability to pay dividends and make other distributions to our stockholders, see "Risk Factors."

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

None.

ITEM 6. RESERVED

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section titled "Risk Factors" or in other parts of this Annual Report on Form 10-K. See "Cautionary Note Concerning Forward-Looking Statements." in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of the results that may be expected for any period in the future.

Overview of Our Company

Clipper Realty Inc. (the "Company" or "we") is a self-administered and self-managed real estate company that acquires, owns, manages, operates and repositions multifamily residential and commercial properties in the New York metropolitan area, with a current portfolio in Manhattan and Brooklyn. Our primary focus is to own, manage and operate our portfolio and to acquire and reposition additional multifamily residential and commercial properties in the New York metropolitan area. The Company has been organized and operates in conformity with the requirements for qualification and taxation as a real estate investment trust ("REIT") under the U.S. federal income tax law and elected to be treated as a REIT commencing with the taxable year ended December 31, 2015.

The Company was incorporated on July 7, 2015. On August 3, 2015, we closed a private offering of shares -of our common stock, in which we raised net proceeds of approximately $130.2 million. In connection with the private offering, we consummated a series of investment and other formation transactions that were designed, among other things, to enable us to qualify as a REIT for U.S. federal income tax purposes.

In February 2017, the Company sold 6,390,149 primary shares of common stock (including the exercise of the over-allotment option, which closed on March 10, 2017) to investors in an initial public offering ("IPO") at $13.50 per share. The proceeds, net of offering costs, were approximately $78.7 million. The Company contributed the IPO proceeds to the Operating Partnership in exchange for units in the Operating Partnership.

On May 9, 2017, the Company completed the purchase of 107 Columbia Heights (since rebranded as "Clover House"), a 158-unit apartment community located in Brooklyn Heights, New York, for $87.5 million.

On October 27, 2017, the Company completed the acquisition of an 82-unit residential property at 10 West 65th Street in Manhattan, New York, for $79.0 million.

On November 8, 2019, the Company completed the acquisition of property located at 1010 Pacific Street in Prospect Heights, New York, for $31.0 million.

During the period December 2021 through April 2022, the Company purchased the Dean Street property located in Prospect Heights, New York, for approximately $48.5 million.

As of December 31, 2023, the Company owned:

- two neighboring residential/retail rental properties at 50 Murray Street and 53 Park Place in the Tribeca neighborhood of Manhattan;
- one residential property complex in the East Flatbush neighborhood of Brooklyn consisting of 59 buildings;
- two primarily commercial properties in Downtown Brooklyn (one of which includes 36 residential apartment units);
- one residential/retail rental property at 1955 1st Avenue in Manhattan;
- one residential rental property at 107 Columbia Heights in the Brooklyn Heights neighborhood of Brooklyn;
- one residential rental property at 10 West 65th Street in the Upper West Side neighborhood of Manhattan;
- one residential rental property at 1010 Pacific Street in the Prospect Heights neighborhood of Brooklyn; and
- the Dean Street property, to be redeveloped as a residential/retail rental building.

These properties are located in the most densely populated major city in the United States, each with immediate access to mass transportation.

The Company's ownership interest in its initial portfolio of properties, which includes the Tribeca House, Flatbush Gardens and the two Livingston Street properties, was acquired in the formation transactions in connection with the private offering. These properties are owned by the LLC subsidiaries, which are managed by the Company through the Operating Partnership. The Operating Partnership's interests in the LLC subsidiaries generally entitle the Operating Partnership to all cash distributions from, and the profits and losses of, the LLC subsidiaries other than the preferred distributions to the continuing investors who hold Class B LLC units in these LLC subsidiaries. The continuing investors own an aggregate amount of 26,317,396 Class B LLC units, representing 62.1% of the Company's common stock on a fully diluted basis. Accordingly, the Operating Partnership's interests in the LLC subsidiaries entitle the Operating Partnership to receive 37.9% of the aggregate distributions from the LLC subsidiaries. The Company, through the Operating Partnership, owns all of the ownership interests in the Aspen property, the Clover House property, the 10 West 65th Street property, the 1010 Pacific Street property and the Dean Street property.

How We Derive Our Revenue

Our revenue consists primarily of rents received from our residential, commercial and, to a lesser extent, retail tenants. We have two reportable operating segments, Residential Rental Properties and Commercial Rental Properties. See Note 10. Segment Reporting to our consolidated financial statements included in this Form 10-K.

Trends

During 2023, the Company's residential properties continued to have elevated occupancy levels and experienced growth in rental rates, as a result of a robust rental market in the New York metro area. The average rental rate per square foot at the Tribeca House property at December 31, 2023 was $77.70, up from $73.75 at December 31, 2022. At the Aspen property, average residential rent per square foot increased at December 31, 2023, was $38.65, up from $36.78 at December 31, 2022. At the Clover House property, average residential rent per square foot at December 31, 2023, was $80.93, an increase from $73.71 at December 31, 2022. Urban office markets have also generally been negatively impacted as a result of the increase in remote working that began during the COVID-19 pandemic, leading to less demand for office space. As of December 31, 2023 the Company's office properties had not been adversely affected from a rent perspective as a result of its long-term leases with the City of New York. However, as of February 23, 2024, the City of New York informed the Company of its intention to terminate the lease at 250 Livingston effective August 23, 2025. Additionally, as we move forward with the approaching expiration of the 141 Livingston lease in 2025, the Company will be at risk of not replacing that tenant or not being able to replace it at comparable rents. Separately, certain of our smaller commercial spaces which were vacated because of the COVID-19 pandemic had been released at favorable rental rates.

Throughout 2023 and 2022, we continued to benefit from relatively low interest rates on our debt. Our weighted average interest rate as of December 31, 2023, was approximately 4.2% per annum.

Factors that May Influence Future Results of Operations

We derive approximately 72% of our revenues from rents received from residents in our apartment rental properties and the remainder from commercial and retail rental customers. We believe that we have expertise in operating, renovating and repositioning our properties. As we grow, we will likely add personnel as necessary to provide outstanding customer service to our residents in order to maintain or increase occupancy levels at our apartment communities and to preserve the ability to increase rents. This is likely to result in an increase in our operating and general and administrative expenses over time.

A majority of the leases at our apartment communities are for approximately one-year terms, which, in a rising market, generally enables us to seek increased rents upon renewal of existing leases or commencement of new leases. This may offset the potential adverse effect of inflation or deflation on rental revenue, although residents may leave without penalty at the end of their lease terms for any reason and, in a falling market, may require us to receive decreased rents upon renewal of existing leases or commencement of new leases. Our ability to seek increased rents at our Flatbush Gardens property, our Aspen property and a portion of our 10 West 65th Street property is limited, however, as a result of the rent stabilization laws and regulations of New York City, including the Housing Stability and Tenant Protection Act of 2019 ("HSTP"), which was signed into law in New York in June 2019. These regulations generally limit rental increases that we can charge at our Flatbush Gardens property, our Aspen property and a portion of our Tribeca House and 10 West 65th Street property upon lease renewal; effective October 1, 2023, such increases are 3.0% for a one-year lease and 2.75% in the first year and 3.2% in the second year for a two-year lease. The regulations also limit the maximum rent we can charge at our Flatbush Gardens property, our Aspen property and a portion of our 10 West 65th Street property on new leases. In addition to the HSTP regulation, at Flatbush Gardens the Company entered into a 40 year regulatory agreement under Article 11 of the Private Housing Finance Law with the New York City Department Housing Preservation and Development (the "Article 11 Agreement"). This agreement required us to commit to maintaining rents within existing area medium income groups. In exchange, the Company is eligible to receive incremental rental assistance under section 610 of the Private Housing Financing Law for tenants receiving government rental assistance. The Section 610 rental assistance is paid by the government the City of New York as incremental rent above and beyond the base rent paid by the tenant. At our Aspen property, the residential units are subject to regulations established by the HDC, under which there are no rental restrictions on approximately 55% of the units and low- and middle-income restrictions on approximately 45% of the units. There are no rent stabilization restrictions at our Tribeca House properties, our 250 Livingston Street property, our Clover House property and a portion of our 10 West 65th Street property.

We also incur costs on turnover of residents when one resident moves out and we prepare the apartment for a new resident. The costs include the costs of repainting and repairing apartment units, replacing obsolete or damaged appliances and re-leasing the units. While we budget for turnover and the costs associated therewith, our turnover cost may be affected by certain factors we cannot control. Excessive turnover and failure to properly manage turnover cost may adversely affect our operations and could adversely affect our financial condition, results of operations, cash flows and ability to pay distributions on, and the market price of, our common stock.

We seek earnings growth primarily through increasing rents and occupancy at existing properties and acquiring additional apartment communities in markets complementing our existing portfolio locations. Our apartment and commercial operating properties are concentrated in six neighborhoods within the boroughs of Manhattan and Brooklyn in New York City, which makes us susceptible to adverse developments in these markets. As a result, we are particularly affected by the local economic conditions in these markets, including, but not limited to, changes in supply of or demand for apartment units in our markets, competition for real property investments in our markets, changes in government rules, regulations and fiscal policies, including those governing real estate usage and tax, and any environmental risks related to the presence of hazardous or toxic substances or materials at or in the vicinity of our properties, which could negatively affect our overall performance.

We may be unable to accurately predict future changes in national, regional or local economic, demographic or real estate market conditions. For example, continued volatility and uncertainty in the global, national, regional and local economies could make it more difficult for us to lease apartment, commercial and retail space and may require us to lease our apartment, commercial and retail space at lower rental rates than projected and may lead to an increase in resident defaults. In addition, these conditions may also lead to a decline in the value of our properties and make it more difficult for us to dispose of these properties at competitive prices. These conditions, or others we cannot predict, could adversely affect our financial condition, results of operations, cash flows and ability to pay distributions on, and the market price of, our common stock.

As a public company with shares listed on a U.S. exchange, we incur general and administrative expenses, including legal, accounting, and other expenses, related to corporate governance, public reporting and compliance with various provisions of the Sarbanes-Oxley Act, related regulations of the SEC, including compliance with the reporting requirements of the Exchange Act, and the requirements of the national securities exchange on which our stock is listed.

Significant Accounting Policies

Segments

On December 31, 2023, the Company had two reportable operating segments, Residential Rental Properties and Commercial Rental Properties. The Company's chief operating decision maker may review operational and financial data on a property basis.

Basis of Consolidation

The consolidated financial statements of the Company included elsewhere herein are prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). The effect of all significant intercompany balances and transactions has been eliminated. The consolidated financial statements include the accounts of all entities in which the Company has a controlling interest. All significant intercompany transactions and balances are eliminated in consolidation/combination.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of commitments and contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management adjusts such estimates when facts and circumstances dictate. The most significant estimates made include the recoverability of accounts receivable, allocation of property purchase price to tangible and intangible assets acquired and liabilities assumed, and the useful lives of long-lived assets. Actual results could materially differ from these estimates.

Investment in Real Estate

Real estate assets held for investment are carried at historical cost and consist of land, buildings and improvements, furniture, fixtures and equipment and real estate under development. Expenditures for ordinary repair and maintenance costs are charged to expense as incurred. Expenditures for improvements, renovations, and replacements of real estate assets are capitalized and depreciated over their estimated useful lives if the expenditures qualify as betterment or the life of the related asset will be substantially extended beyond the original life expectancy.

The Company evaluates each acquisition of real estate or in-substance real estate to determine if the integrated set of assets and activities acquired meets the definition of a business and needs to be accounted for as a business combination. If either of the following criteria is met, the integrated set of assets and activities acquired would not qualify as a business:

• Substantially all of the fair value of the gross assets acquired is concentrated in either a single identifiable asset or a group of similar identifiable assets; or

• The integrated set of assets and activities is lacking, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs (i.e., revenue generated before and after the transaction).

An acquired process is considered substantive if:

• The process includes an organized workforce (or includes an acquired contract that provides access to an organized workforce) that is skilled, knowledgeable and experienced in performing the process;

• The process cannot be replaced without significant cost, effort or delay; or

• The process is considered unique or scarce.

Generally, the Company expects that acquisitions of real estate or in-substance real estate will not meet the revised definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets (i.e., land, buildings and related intangible assets) or because the acquisition does not include a substantive process in the form of an acquired workforce or an acquired contract that cannot be replaced without significant cost, effort or delay.

Upon acquisition of real estate, the Company assesses the fair values of acquired tangible and intangible assets including land, buildings, tenant improvements, above and below-market leases, in-place leases and any other identified intangible assets and assumed liabilities. The Company allocates the purchase price to the assets acquired and liabilities assumed based on their fair values. In estimating fair value of tangible and intangible assets acquired, the Company assesses and considers fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates, estimates of replacement costs, net of depreciation, and available market information. The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant.

The Company records acquired above-market and below-market lease values initially based on the present value, using a discount rate which reflects the risks associated with the leases acquired based on the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed renewal options for the below-market leases. Other intangible assets acquired include amounts for in-place lease values and tenant relationship values (if any) that are based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with the respective tenant. Factors to be considered by management in its analysis of in-place lease values include an estimate of carrying costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, management considers leasing commission, legal and other related expenses.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. A property's value is impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, a write-down is recorded and measured by the amount of the difference between the carrying value of the asset and the fair value of the asset. Management of the Company does not believe that any of its properties within the portfolio are impaired as of December 31, 2023.

For long-lived assets to be disposed of, impairment losses are recognized when the fair value of the assets less estimated cost to sell is less than the carrying value of the assets. Properties classified as real estate held for sale generally represent properties that are actively marketed or contracted for sale with closing expected to occur within the next twelve months. Real estate held for sale is carried at the lower of cost, net of accumulated depreciation, or fair value less cost to sell, determined on an asset-by-asset basis. Expenditures for ordinary repair and maintenance costs on held for sale properties are charged to expense as incurred. Expenditures for improvements, renovations, and replacements related to held-for-sale properties are capitalized at cost. Depreciation is not recorded on real estate held for sale.

If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balances of the related intangibles are written off. The tenant improvements and origination costs are amortized to expense over the remaining life of the lease (or charged against earnings if the lease is terminated prior to its contractual expiration date).

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	10 – 44 years
Tenant improvements	Shorter of useful life or lease term
Furniture, fixtures, and equipment	3 – 15 years

Capitalized above-market lease values are amortized as a reduction of base rental revenue over the remaining term of the respective leases, and capitalized below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed rate renewal options of the respective leases. The value of in-place leases is amortized to expense over the remaining initial terms of the respective leases.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand and in banks, plus all short-term investments with a maturity of three months or less when purchased. The Company maintains some of its cash in bank deposit accounts, which, at times, may exceed the federally insured limit. No losses have been experienced related to such accounts.

Restricted Cash

Restricted cash generally consists of escrows for future real estate taxes and insurance expenditures, repairs, capital improvements, loan reserves and security deposits.

Tenant and Other Receivables and Allowance for Doubtful Accounts

Tenant and other receivables are comprised of amounts due for monthly rents and other charges less allowance for doubtful accounts. As described more fully under Revenue Recognition below, in the first quarter of 2022 the Company adopted Accounting Standards Codification ("ASC") 842 "Leases" which replaced guidance under ASC 840 and provided for transition from balances at December 31, 2021. In accordance with ASC 842, the Company performs a detailed review of amounts due from tenants to determine if accounts receivable balances and future lease payments were probable of collection, writes off receivables not probable of collection and records a general reserve against revenues for receivables probable of collection for which a loss can be reasonably estimated. If management determines that the tenant receivable is not probable of collection it is written off against revenues. In addition, the Company records a general reserve under ASC 450. In connection with the adoption of ASC 842, the Company recorded a cumulative effect adjustment in the amount of $6 million as of January 1, 2022, based on the modified retrospective method in accordance with the provisions of ASC 842.

Deferred Costs

Deferred lease costs consist of fees incurred to initiate and renew operating leases. Lease costs are being amortized using the straight-line method over the terms of the respective leases. Deferred financing costs represent commitment fees, legal and other third-party costs associated with obtaining financing. These costs are amortized over the term of the financing and are recorded in interest expense in the combined financial statements. Unamortized deferred financing costs are expensed when the associated debt is refinanced or repaid before maturity. Costs incurred in seeking financing transactions which do not close are expensed in the period the financing transaction is terminated.

Revenue Recognition

As mentioned above under Tenant and Other Receivables and Allowance for Doubtful Accounts, effective the first quarter of 2022, the Company has adopted ASC842, "Leases" which replaces the guidance under ASC840. ASC842 applies to the Company principally as lessor; as a lessee, the Company's leases are immaterial. The Company has determined that all its leases as lessor are operating leases. The Company has elected to not bifurcate lease and non-lease components under a practical expedient provision. With respect to collectability, beginning the first quarter of 2022, the Company has written off all receivables not probable of collection and related deferred rent, and has recorded income for those tenants on a cash basis. When the probability assessment has changed for these receivables, the Company has recognized lease income to the extent of the difference between the lease income that would have been recognized if collectability had always been assessed as probable and the lease income recognized to date. For remaining receivables probable of collection, the Company has recorded a general reserve under ASC450.

In the year ended December 31, 2023, the Company charged revenue in the amount of $4.5 million for residential receivables not deemed probable of collection and recognized revenue of $1.4 million for a reassessment of collectability of residential receivables previously not deemed probable of collection.

In the year ended December 31, 2022, the Company has charged revenue in the amount of $6.2 million for residential receivables not deemed probable of collection and recognized revenue of $3.0 million for a reassessment of collectability of residential receivables previously not deemed probable of collection. Additionally, during the year ended December 31, 2022, the Company recognized a net $1.1 million for a reassessment of collectability of one commercial tenant at Tribeca House that was determined to be probable of collection.

In transitioning to ASC 842 in the first quarter of 2022, the Company elected the modified retrospective approach to existing leases at the beginning of the quarter and has recorded a cumulative-effect adjustment in retained earnings using the above methods applied to balances as of December 31, 2021, of $6.0 million.

In accordance with the provisions of ASC 842, rental revenue for commercial leases is recognized on a straight-line basis over the terms of the respective leases. Deferred rents receivable represents the amount by which straight-line rental revenue exceeds rents currently billed in accordance with lease agreements. Rental income attributable to residential leases and parking is recognized as earned, which is not materially different from the straight-line basis. Leases entered by residents for apartment units are generally for one-year terms, renewable upon consent of both parties on an annual or monthly basis.

Reimbursements for operating expenses due from tenants pursuant to their lease agreements are recognized as revenue in the period the applicable expenses are incurred. These costs generally include real estate taxes, utilities, insurance, common area maintenance costs and other recoverable costs and are recorded as part of commercial rental income in the condensed consolidated statements of operations.

Stock-based Compensation

The Company accounts for stock-based compensation pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, "Compensation — Stock Compensation." As such, all equity-based awards are reflected as compensation expense in the Company's consolidated statements of operations over their vesting period based on the fair value at the date of grant. In the event of a forfeiture, the previously recognized expense would be reversed.

Transaction Pursuit Costs

Transaction pursuit costs primarily reflect costs incurred for abandoned acquisition, disposition or other transaction pursuits.

Income Taxes

The Company elected to be taxed and to operate in a manner that will allow it to qualify as a REIT under the Code. To qualify as a REIT, the Company is required to distribute dividends equal to at least 90% of the REIT taxable income (computed without regard to the dividends paid deduction and net capital gains) to its stockholders, and meet the various other requirements imposed by the Code relating to matters such as operating results, asset holdings, distribution levels and diversity of stock ownership. Provided the Company qualifies for taxation as a REIT, it is generally not subject to U.S. federal corporate-level income tax on the earnings distributed currently to its stockholders. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to U.S. federal and state income tax on its taxable income at regular corporate tax rates and any applicable alternative minimum tax. In addition, the Company may not be able to re-elect as a REIT for the four subsequent taxable years. The entities comprising the Predecessor are limited liability companies and are treated as pass-through entities for income tax purposes. Accordingly, no provision has been made for federal, state or local income or franchise taxes in the accompanying consolidated financial statements.

In accordance with FASB ASC Topic 740, the Company believes that it has appropriate support for the income tax positions taken and, as such, does not have any uncertain tax positions that, if successfully challenged, could result in a material impact on its financial position or results of operations. The prior three years' income tax returns are subject to review by the Internal Revenue Service.

Fair Value Measurements

Refer to Note 9, "Fair Value of Financial Instruments".

Derivative Financial Instruments

FASB derivative and hedging guidance establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As required by FASB guidance, the Company records all derivatives on the consolidated balance sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation.

Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecast transactions, are considered cash flow hedges. For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (loss) (outside of earnings) and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. The Company assesses the effectiveness of each hedging relationship by comparing the changes in the fair value or cash flows of the derivative hedging instrument with the changes in the fair value or cash flows of the designated hedged item or transaction. For derivatives not designated as hedges, changes in fair value would be recognized in earnings. As of December 31, 2023, the Company has no derivatives for which it applies hedge accounting.

Loss Per Share

Basic and diluted net loss per share is computed by dividing net loss attributable to common stockholders by the weighted average common shares outstanding. As of December 31, 2023 and 2022, the Company had unvested LTIP units which provide for non-forfeitable rights to dividend-equivalent payments. Accordingly, these unvested LTIP units are considered participating securities and are included in the computation of basic and diluted net loss per share pursuant to the two-class method. The Company did not have dilutive securities as of December 31, 2023, or 2022.

The effect of the conversion of the 26,317 Class B LLC units outstanding is not reflected in the computation of basic and diluted net loss per share, as the effect would be anti-dilutive. The net loss allocable to such units is reflected as non-controlling interests in the accompanying consolidated financial statements.

Results of Operations

Our focus throughout the years ended December 31, 2023 and 2022, has been to manage our properties to optimize revenues and control costs, while continuing to renovate and reposition certain properties. The discussion below highlights the specific properties contributing to the changes in the results of operations and focuses on the properties that the Company owned and operated for the full period in each comparison.

Income Statement for the Years Ended December 31, 2023 and 2022 (in thousands)

	2023	Less: 1010 Pacific	2023: Excluding 1010 Pacific	2022	Increase (decrease)	%
Revenues						
Residential rental income	$ 99,716	$ 3,114	$ 96,602	$ 90,262	$ 6,340	7.0%
Commercial rental income	38,489	24	38,465	39,484	(1,019)	(2.6)%
Total revenues	138,205	3,138	135,067	129,746	5,321	4.1%
Operating Expenses						
Property operating expenses	30,619	702	29,917	29,306	611	2.1%
Real estate taxes and insurance	31,951	360	31,591	32,561	(970)	(3.0)%
General and administrative	13,169	240	12,929	12,752	177	1.4%
Transaction pursuit costs	357	—	357	506	(149)	(29.4)%
Depreciation and amortization	28,939	1,305	27,634	26,985	649	2.4%
Total operating expenses	105,035	2,607	102,428	102,110	318	0.3%
Income from operations	33,170	531	32,639	27,636	5,003	18.1%
Interest expense, net	(44,867)	(3,013)	(41,854)	(40,207)	(1,647)	(4.1)%
Loss on modification/extinguishment of debt	(3,868)	—	(3,868)	—	(3,868)	(100.0)%
Net loss	$ (15,565)	$ (2,482)	$ (13,083)	$ (12,571)	$ (512)	(4.1)%

The dollar amounts in the narrative disclosure below are in thousands, other than the base rent per square foot figures. The discussion below compares amounts in 2023, excluding 1010 Pacific, to 2022 amounts.

Revenue. Residential rental income increased to $96,602 for the year ended December 31, 2023, from $90,262 for the year ended December 31, 2022, primarily, due to increases in rental rates. For example, base rent per square foot increased at the Tribeca House property to $77.70 at December 31, 2023, from $73.75 at December 31, 2022 and base rent per square foot increased at the Clover House property to $80.93 at December 31, 2023, from $73.31 at December 31, 2022.

Commercial rental income decreased to $38,465 for the year ended December 31, 2023, from $39,484 for the year ended December 31, 2022, primarily due to a net, $1,103 restoration of revenue as per ASC 842 from a tenant at Tribeca House deemed probable of collection during the year ended December 31, 2023, partially offset by the commencement of new leases at the Tribeca House property and increased escalation billings at the 141 Livingston Street property.

Property operating expenses. Property operating expenses include property-level costs such as compensation costs for property-level personnel, repairs and maintenance, supplies, utilities and landscaping. Property operating expenses increased to $29,917 for the year ended December 31, 2023, from $29,306 for the year ended December 31, 2022, primarily due to increased repairs and maintenance, payroll costs, union costs and security costs partially offset by lower utilities costs, commissions, and miscellaneous other costs.

Real estate taxes and insurance. Real estate taxes and insurance expenses decreased to $31,591 for the year ended December 31, 2023, from $32,561 for the year ended December 31, 2022, due to increased property taxes and insurance across the portfolio partially offset by the real estate tax exemption at Flatbush Gardens that began July 1, 2023.

General and administrative. General and administrative expenses increased to $12,929 for the year ended December 31, 2023, from $12,752 for the year ended December 31, 2022, primarily due to higher payroll costs and accounting fees in relation to the separation from our prior auditor.

Transaction pursuit costs. Transaction pursuit costs primarily reflect costs related to the Article 11 Agreement during the year ended December 31, 2023 and costs incurred for an abandoned acquisition during the year ended December 31, 2022.

Depreciation and amortization. Depreciation and amortization expense increased to $27,634 for the year ended December 31, 2023, from $26,985 for the year ended December 31, 2022, due to additions to real estate across the portfolio, primarily at Flatbush Gardens and 141 Livingston.

Interest expense, net. Interest expense, net, increased to $41,854 for the year ended December 31, 2023 from $40,207 for the year ended December 31, 2022, primarily due to increased interest at the 10 West 65th Street as a result of the interest rate changing from fixed to a floating rate in the fourth quarter of 2022 and lower capitalized interest as a result of the completion of the 1010 Pacific development in the second quarter of 2023.

Loss on modification/extinguishment of debt. Loss on the extinguishment of debt consists of costs related to the early termination of our construction loan at 1010 Pacific. Additionally, we accelerated the remaining unamortized loan costs from the prior loan.

Net loss. As a result of the foregoing, net loss increased to $13,083 for the year ended December 31, 2023, from $12,571 for the year ended December 31, 2022.

For comparison of the year ended December 31, 2022 to the year ended December 31, 2021, refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

Liquidity and Capital Resources

As of December 31, 2023, we had $1,205.6 million of indebtedness (net of unamortized issuance costs) secured by our properties, $22.2 million of cash and cash equivalents, and $14.1 million of restricted cash. See Note 6 "Notes Payable" of the accompanying "Notes to Consolidated Financial Statements" for a discussion of the Company's property-level debt.

As a REIT, we are required to distribute at least 90% of our REIT taxable income, computed without regard to the dividends paid deduction and excluding net capital gains, to stockholders on an annual basis. We expect that these needs will be met from cash generated from operations and other sources, including proceeds from secured mortgages and unsecured indebtedness, proceeds from additional equity issuances and cash generated from the sale of property.

Short-Term and Long-Term Liquidity Needs

Our short-term liquidity needs will primarily be to fund operating expenses, recurring capital expenditures, property taxes and insurance, interest and scheduled debt principal payments, general and administrative expenses, and distributions to stockholders and unit holders. We generally expect to meet our short-term liquidity requirements through net cash provided by operations and cash on hand, and we believe we will have sufficient resources to meet our short-term liquidity requirements.

Our principal long-term liquidity needs will primarily be to fund additional property acquisitions, major renovation and upgrading projects, and debt payments and retirements at maturity. We do not expect that net cash provided by operations will be sufficient to meet all of these long-term liquidity needs. We anticipate meeting our long-term liquidity requirements by using cash as an interim measure and funds from public and private equity offerings and long-term secured and unsecured debt offerings.

We believe that as a publicly traded REIT, we will have access to multiple sources of capital to fund our long-term liquidity requirements. These sources include the incurrence of additional debt and the issuance of additional equity. However, we cannot provide assurance that this will be the case. Our ability to secure additional debt will depend on a number of factors, including our cash flow from operations, our degree of leverage, the value of our unencumbered assets and borrowing restrictions that may be imposed. Our ability to access the equity capital markets will depend on a number of factors as well, including general market conditions for REITs and market perceptions about our company.

We believe that our current cash flows from operations and cash on hand, coupled with additional mortgage debt, will be sufficient to allow us to continue operations, satisfy our contractual obligations and make distributions to our stockholders and the members of our LLC subsidiaries for at least the next twelve months. However, no assurance can be given that we will be able to refinance any of our outstanding indebtedness in the future on favorable terms or at all.

Property-Level Debt

The mortgages, loans and mezzanine notes payable collateralized by the properties, or the Company's interest in the entities that own the properties and assignment of leases, are as follows (in thousands):

Property	Maturity	Interest Rate	December 31, 2023
Flatbush Gardens, Brooklyn, NY	6/1/2032	3.125%	$ 329,000
250 Livingston Street, Brooklyn, NY	6/6/2029	3.63%	125,000
141 Livingston Street, Brooklyn, NY	3/6/2031	3.21%	100,000
Tribeca House, Manhattan, NY	3/6/2028	4.506%	360,000
Aspen, Manhattan, NY	7/1/2028	3.68%	61,004
Clover House, Brooklyn, NY	12/1/2029	3.53%	82,000
10 West 65th Street, Manhattan, NY	11/1/2027	SOFR + 2.50%	31,836
1010 Pacific Street, Brooklyn, NY	9/15/2025	5.55%	60,000
1010 Pacific Street, Brooklyn, NY	9/15/2025	6.37%	20,000
953 Dean Street, Brooklyn, NY	8/10/2026	SOFR + 4%	42,909
953 Dean Street, Brooklyn, NY	8/10/2026	SOFR + 10%	7,280
			$ 1,219,029

Flatbush Gardens

There is $329.0 million of mortgage debt secured by Flatbush Gardens, as of December 31, 2023, in the form of a mortgage note to New York Community Bank. The note matures on June 1, 2032, and bears interest at 3.125% through May 2027 and thereafter at the prime rate plus 2.75%, subject to an option to fix the rate. The note requires interest-only payments through May 2027, and monthly principal and interest payments thereafter based on a 30-year amortization schedule. We have the option to prepay all (but not less than all) of the unpaid balance of the note prior to the maturity date, subject to certain prepayment premiums, as defined.

250 Livingston Street

There is $125.0 million in mortgage debt secured by 250 Livingston Street, as of December 31, 2023, in the form of a mortgage note to Citi Real Estate Funding Inc. The note matures on June 6, 2029, bears interest at 3.63% and requires interest-only payments for the entire term. We have the option to prepay all (but not less than all) of the unpaid balance of the note within three months of maturity, without a prepayment premium.

141 Livingston Street

There is $100.0 million in mortgage debt secured by 141 Livingston Street, as of December 31, 2023, in the form of a mortgage note to Citi Real Estate Funding Inc. The note matures on March 6, 2031, bears interest at 3.21% and requires interest-only payments for the entire term. We have the option to prepay all (but not less than all) of the unpaid balance of the loan within three months of maturity, without a prepayment premium.

Tribeca House

There is a $360.0 million loan secured by the Tribeca House properties, as of December 31, 2023, through Deutsche Bank AG. The loan matures on March 6, 2028, bears interest at 4.506% and requires interest-only payments for the entire term. We have the option to prepay all (but not less than all) of the unpaid balance of the note prior to the maturity date, subject to a prepayment premium if it occurs prior to December 6, 2027.

Aspen

There is $61.0 million in mortgage debt secured by Aspen, as of December 31, 2023, in the form of a mortgage note to Capital One Multifamily Finance LLC. The note matures on July 1, 2028, and bears interest at 3.68%. The note required interest-only payments through July 2018, and monthly principal and interest payments of approximately $321,000 thereafter based on a 30-year amortization schedule. We have the option to prepay the note prior to the maturity date, subject to a prepayment premium.

Clover House

There is $82.0 million in mortgage debt secured by Clover House as of December 31, 2023, in the form of a mortgage note to MetLife Investment Management. The note matures on December 1, 2029, bears interest at 3.53% and requires interest-only payments for the entire term. We have the option, commencing on January 1, 2024, to prepay the note prior to the maturity date, subject to a prepayment premium if it occurs prior to September 2, 2029.

10 West 65th Street

There is $31.8 million in mortgage debt secured by 10 West 65th Street as of December 31, 2023, in the form of a mortgage note to New York Community Bank ("NYCB"), entered into in connection with the acquisition of the property. The note matures on November 1, 2027. Through October 2022 the Company paid a fixed interest rate of 3.375% and thereafter was scheduled to pay at the prime rate plus 2.75%, subject to an option to fix the rate. On August 26, 2022 the Company and NYCB amended the note to replace prime plus 2.75% rate with SOFR plus 2.5% (7.875% at December 31, 2023). The note required interest-only payments through November 2019, and monthly principal and interest payments thereafter based on a 30-year amortization schedule. We have the option to prepay all (but not less than all) of the unpaid balance of the note prior to the maturity date, subject to certain prepayment premiums, as defined.

1010 Pacific Street

There is $80.0 million in mortgage debt secured by 1010 Pacific Street as of December 31, 2023, in the form of two mortgage notes to Valley National Bank. There is a $60.0 million note which has an annual interest rate of 5.55% and a second note of $20.0 million with an annual interest rate of 6.37%. The total borrowing of $80.0 million has a term of twenty-four months and matures on September 15, 2025. The Company has the option to prepay in full, or in part, the unpaid balance of the note prior to the maturity date.

Dean Street

On December 22, 2021, the Company entered into a $30,000 mortgage note agreement with Bank Leumi, N.A related to the Dean Street acquisition. The note's original maturity was December 22, 2022 and was subsequently extended to September 22, 2023. The note required interest-only payments and bears interest at the prime rate (with a floor of 3.25%) plus 1.60%. In April 2022, the Company borrowed an additional $6,985 under the mortgage note in connection with the acquisition of additional parcels of land in February and April 2022.

On August 10, 2023, the "Company refinanced its $37 million mortgage on its Dean Street development with a senior construction loan ("Senior Loan") with Valley National Bank that permits borrowings up to $115 million and a mezzanine loan (the "Mezzanine Loan") with BADF 953 Dean Street Lender LLC that permits borrowings up to $8 million

The Senior Loan allows maximum borrowings of $115 million for a 30-month term, has two 6-month extension options, and bear interest at 1-Month Term SOFR plus 4.00%, with an all-in floor of 5.50% (9.35% at December 31, 2023). The Senior Loan consists of a land loan, funded at closing to refinance the existing loan totaling $37million, a construction loan of up to $62.4 million and a project loan of up to $15.6 million. The Company has provided a 30% payment guarantee of outstanding borrowings among other standard indemnities.

The Mezzanine Loan allows maximum borrowings of $8 million for a 30-month term, have two 6-month extension options, and bear interest at 1-Month Term SOFR plus 10%, with an all-in floor of 13% (15.34% at December 31, 2023). Interest shall accrue of the principal, is compounded monthly and is due at the end of the loan. At closing, $4.5 million was funded to cover closing costs incurred on the construction loans.

Corporate

On August 10, 2023, the Company entered into a $5 million corporate line of credit with Valley National Bank. The line of credit bears interest of Prime + 1.5%. The Company has not drawn on the line of credit as of December 31, 2023.

The Company has provided a limited guaranty for mortgage notes at several of its properties which require the Company to maintain certain minimum liquidity and net worth levels. The Company's loan agreements contain customary representations, covenants and events of default. Certain loan agreements require the Company to comply with affirmative and negative covenants, including the maintenance of debt service coverage and debt yield ratios. In the event that the Company is not compliant, certain lenders may require cash sweeps of rent until the conditions are cured. The Company believes it is not in default on any of its loan agreements.

Contractual Obligations and Commitments

The following table summarizes principal and interest payment requirements on our debt under terms as of December 31, 2023:

	(in thousands)		
	Principal	**Interest**	**Total**
2024	$ 1,993	$ 45,678	$ 47,671
2025	82,092	44,791	126,883
2026	45,099	42,029	87,128
2027	40,741	51,570	92,311
2028	416,554	45,712	462,266
Thereafter	632,550	113,654	746,204
Total	$ 1,219,029	$ 343,434	$ 1,562,463

On June 29, 2023 the Company entered into the Article 11 Agreement. Under the Article 11 agreement, the Company has entered into a Housing Repair and Maintenance Letter Agreement ("HRMLA") in which the Company has agreed to perform certain capital improvements to Flatbush Gardens over the next three years. The current estimate is that the costs of that work will be an amount up to $27 million. The Company expects those costs to be offset by the savings provided by property tax exemption and enhanced payments for tenants receiving government assistance (See note 1). Through December 31, 2023 the Company spent approximately $2.1 million on capital improvements required under the HRMLA.

The Company is obligated to provide parking availability through August 2025 under a lease with a tenant at the 250 Livingston Street property; the current cost to the Company is approximately $205,000 per year.

Distributions

In order to qualify as a REIT for Federal income tax purposes, we must currently distribute at least 90% of our taxable income to our stockholders. During the years ended December 31, 2023 and 2022, we paid dividends and distributions on our common shares, Class B LLC units and LTIP units totaling $17.4 million and $17.1 million, respectively.

Cash Flows for the Years ended December 31, 2023 and 2022 (in thousands)

	Year Ended December 31,	
	2023	**2022**
Operating activities	$ 26,185	$ 20,139
Investing activities	(41,357)	(51,476)
Financing activities	20,731	9,779

Cash flows provided by (used in) operating activities, investing activities and financing activities for the years ended December 31, 2023 and 2022, are as follows:

Net cash provided by operating activities was $26,185 for the year ended December 31, 2023, compared to $20,139 for the year ended December 31, 2022. The net increase during the 2023 period primarily reflects improved revenues discussed above, improved collection experience and lower property tax payments due to the entry into the Article 11 Agreement.

Net cash used in investing activities was $41,357 for the year ended December 31, 2023, compared to $51,476 for the year ended December 31, 2022. The decrease was primarily due to $20,372 lower capital spending at all of our operating properties, primarily at 1010 Pacific Street, partially offset by increased capital spending at the Dean Street property. Additionally, the Company purchased parcels of land at Dean Street for $8,041 during the year ended December 31, 2022. These were partially offset by a refund of a potential acquisition deposit of $2,015 during the year ended December 31, 2023.

Net cash provided by financing activities was $20,731 for the year ended December 31, 2023, compared to $9,779 for the year ended December 31, 2022. For the year ended December 31, 2023, $47,701 was provided by refinancing the 1010 Pacific Street and Dean Street property loans, net of scheduled debt amortization payments, partially offset by $9,666 of loan extinguishment and issuance costs, and $17,394 of dividends and distributions. For the year ended December 31, 2022, $27,187 was provided by net borrowings under the 1010 Pacific Street and 953 Dean Street development property loans, net of scheduled debt amortization payments, partially offset by $17,073 of dividends and distributions and $335 of loan issuance and extinguishment costs.

Income Taxes

No provision has been made for income taxes since all of the Company's operations are held in pass-through entities and accordingly the income or loss of the Company is included in the individual income tax returns of the partners or members.

We elected to be treated as a REIT for U.S. federal income tax purposes, beginning with our first taxable three months ended March 31, 2015. As a REIT, we generally will not be subject to federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate tax rates. We believe that we are organized and operate in a manner that will enable us to qualify and be taxed as a REIT and we intend to continue to operate so as to satisfy the requirements for qualification as a REIT for federal income tax purposes.

Inflation

Inflation has recently become a factor in the United States economy and has increased the cost of acquiring, developing, replacing and operating properties. A substantial portion of our interest costs relating to operating properties are fixed through 2027. Leases at our residential rental properties, which comprise approximately 70% of our revenue, are short-term in nature and permit rent increases to recover increased costs, and our longer-term commercial and retail leases generally allow us to recover some increased operating costs.

Non-GAAP Financial Measures

In this Annual Report on Form 10-K, we disclose and discuss funds from operations ("FFO"), adjusted funds from operations ("AFFO"), adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA") and net operating income ("NOI"), all of which meet the definition of "non-GAAP financial measures" set forth in Item 10(e) of Regulation S-K promulgated by the SEC.

While management and the investment community in general believe that presentation of these measures provides useful information to investors, neither FFO, AFFO, Adjusted EBITDA, nor NOI should be considered as an alternative to net income (loss) or income from operations as an indication of our performance. We believe that to understand our performance further, FFO, AFFO, Adjusted EBITDA, and NOI should be compared with our reported net income (loss) or income from operations and considered in addition to cash flows computed in accordance with GAAP, as presented in our consolidated financial statements.

Funds from Operations and Adjusted Funds from Operations

FFO is defined by the National Association of Real Estate Investment Trusts ("NAREIT") as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property and impairment adjustments, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Our calculation of FFO is consistent with FFO as defined by NAREIT.

AFFO is defined by us as FFO excluding amortization of identifiable intangibles incurred in property acquisitions, straight-line rent adjustments to revenue from long-term leases, amortization costs incurred in originating debt, interest rate cap mark-to-market adjustments, amortization of non-cash equity compensation, acquisition and other costs, loss on modification/extinguishment of debt, gain on involuntary conversion, gain on termination of lease and certain litigation-related expenses, less recurring capital spending.

Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. In fact, real estate values have historically risen or fallen with market conditions. FFO is intended to be a standard supplemental measure of operating performance that excludes historical cost depreciation and valuation adjustments from net income. We consider FFO useful in evaluating potential property acquisitions and measuring operating performance. We further consider AFFO useful in determining funds available for payment of distributions. Neither FFO nor AFFO represent net income (loss) or cash flows from operations computed in accordance with GAAP. You should not consider FFO and AFFO to be alternatives to net income (loss) as reliable measures of our operating performance; nor should you consider FFO and AFFO to be alternatives to cash flows from operating, investing or financing activities (computed in accordance with GAAP) as measures of liquidity.

Neither FFO nor AFFO measure whether cash flow is sufficient to fund all of our cash needs, including principal amortization, capital improvements and distributions to stockholders. FFO and AFFO do not represent cash flows from operating, investing or financing activities computed in accordance with GAAP. Further, FFO and AFFO as disclosed by other REITs might not be comparable to our calculations of FFO and AFFO.

The following table sets forth a reconciliation of FFO and AFFO for the periods presented to net loss, computed in accordance with GAAP (amounts in thousands):

	Years ended December 31,	
	2023	**2022**
FFO		
Net loss	$ (15,565)	$ (12,571)
Real estate depreciation and amortization	28,939	26,985
FFO	$ 13,374	$ 14,414
AFFO		
FFO	$ 13,374	$ 14,414
Amortization of real estate tax intangible	481	481
Amortization of above- and below-market leases	(18)	(35)
Straight-line rent adjustments	214	(163)
Amortization of debt origination costs	1,705	1,252
Amortization of LTIP awards	3,015	2,920
Transaction pursuit costs	357	506
Loss on modification/extinguishment of debt	3,868	—
Certain litigation-related expenses	(10)	188
Recurring capital spending	(436)	(326)
AFFO	$ 22,550	$ 19,237

Adjusted Earnings Before Interest, Income Taxes, Depreciation and Amortization

We believe that Adjusted EBITDA is a useful measure of our operating performance. We define Adjusted EBITDA as net income (loss) before allocation to non-controlling interests, plus real estate depreciation and amortization, amortization of identifiable intangibles, straight-line rent adjustments to revenue from long-term leases, amortization of non-cash equity compensation, interest expense (net), acquisition and other costs, loss on modification/extinguishment of debt and certain litigation-related expenses, less gain on involuntary conversion and gain on termination of lease.

We believe that this measure provides an operating perspective not immediately apparent from GAAP income from operations or net income (loss). We consider Adjusted EBITDA to be a meaningful financial measure of our core operating performance.

However, Adjusted EBITDA should only be used as an alternative measure of our financial performance. Further, other REITs may use different methodologies for calculating Adjusted EBITDA, and accordingly, our Adjusted EBITDA may not be comparable to that of other REITs.

The following table sets forth a reconciliation of Adjusted EBITDA for the periods presented to net loss, computed in accordance with GAAP (amounts in thousands):

	Years ended December 31,	
	2023	**2022**
Adjusted EBITDA		
Net loss	$ (15,565)	$ (12,571)
Real estate depreciation and amortization	28,939	26,985
Amortization of real estate tax intangible	481	481
Amortization of above- and below-market leases	(18)	(35)
Straight-line rent adjustments	214	(163)
Amortization of LTIP awards	3,015	2,920
Interest expense, net	44,867	40,207
Transaction pursuit costs	357	506
Loss on modification/extinguishment of debt	3,868	—
Certain litigation-related expenses	(10)	188
Adjusted EBITDA	$ 66,148	$ 58,518

Net Operating Income

We believe that NOI is a useful measure of our operating performance. We define NOI as income from operations plus real estate depreciation and amortization, general and administrative expenses, acquisition and other costs, amortization of identifiable intangibles and straight-line rent adjustments to revenue from long-term leases, less gain on termination of lease. We believe that this measure is widely recognized and provides an operating perspective not immediately apparent from GAAP income from operations or net income (loss). We use NOI to evaluate our performance because NOI allows us to evaluate the operating performance of our company by measuring the core operations of property performance and capturing trends in rental housing and property operating expenses. NOI is also a widely used metric in valuation of properties.

However, NOI should only be used as an alternative measure of our financial performance. Further, other REITs may use different methodologies for calculating NOI, and accordingly, our NOI may not be comparable to that of other REITs.

The following table sets forth a reconciliation of NOI for the periods presented to income from operations, computed in accordance with GAAP (amounts in thousands):

	Years ended December 31,	
	2023	2022
NOI		
Income from operations	$ 33,170	$ 27,636
Real estate depreciation and amortization	28,939	26,985
General and administrative expenses	13,169	12,752
Transaction pursuit costs	357	506
Amortization of real estate tax intangible	481	481
Amortization of above- and below-market leases	(18)	(35)
Straight-line rent adjustments	214	(163)
NOI	$ 76,312	$ 68,162

Recent Accounting Pronouncements

See Note 2, "Significant Accounting Policies" of our consolidated financial statements included in Item 15 for a discussion of recent accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows and fair value relevant to our financial instruments depends upon prevailing market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. Based upon the nature of our operations, the principal market risk to which we are exposed is the risk related to interest rate fluctuations. Many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, and other factors that are beyond our control, contribute to interest rate risk.

A one percent change in interest rates on our $82.0 million of variable rate debt as of December 31, 2023, would impact annual net income by approximately $0.8 million.

At December 31, 2023, there were no interest rate caps for the Company's outstanding debt.

The fair value of the Company's notes payable was approximately $1,160.4 million and $1,092.3 million as of December 31, 2023 and 2022, respectively.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements beginning on Page F-1 of this Annual Report on Form 10-K are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures. As required by Rule 13a-15 under the Securities Exchange Act of 1934, as of the end of the period covered by this report, the Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. We continue to review and document our disclosure controls and procedures, including our internal controls and procedures for financial reporting, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that our systems evolve with our business.

(b) Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2023 based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2023.

The Company's internal control over financial reporting includes policies and procedures that: relate to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the Company; provide reasonable assurance of the recording of all transactions necessary to permit the preparation of the Company's consolidated financial statements in accordance with generally accepted accounting principles and the proper authorization of receipts and expenditures in accordance with authorization of the Company's management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

Our internal control over financial reporting as of December 31, 2023 has been audited by PKF O'Connor Davies, LLP, an independent registered public accounting firm, as stated in their report which is included elsewhere herein.

Changes in Internal Control

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the last quarter covered by this Annual Report on Form 10-K that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our internal control over financial reporting as of December 31, 2023 has been audited by PKF O'Connor Davies, LLP, an independent registered public accounting firm, as stated in their report which is included elsewhere herein.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 will be set forth in the Company's Proxy Statement, to be filed no later than 120 days after the end of our fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 will be set forth in the Company's Proxy Statement, to be filed no later than 120 days after the end of our fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Securities Authorized For Issuance Under Equity Compensation Plans

As of December 31, 2023, we have the following shares of our common stock reserved for future issuance under our 2015 Omnibus Plan, as amended, and 2015 Director Plan, as amended.

Equity Compensation Plan Information

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders			
2015 Omnibus Plan	2,461,567	—	838,433
2015 Director Plan	932,256	—	267,744
Equity compensation plans not approved by security holders	—	—	—
Total	3,393,823	—	1,106,177

The remaining information required by Item 12 will be set forth in the Company's Proxy Statement, to be filed no later than 120 days after the end of our fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 will be set forth in the Company's Proxy Statement, to be filed no later than 120 days after the end of our fiscal year.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 will be set forth in the Company's Proxy Statement, to be filed no later than 120 days after the end of our fiscal year.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1) Consolidated Financial Statements: See Index to Consolidated Financial Statements and Schedule on page F-1 of this Form 10-K

2) Financial Statement Schedule: See Index to Consolidated Financial Statements and Schedule on page F-1 of this Form 10-K

3) Exhibits: See the Exhibit Index

Exhibit Index

Exhibit Number	Description
3.1*	Articles of Amendment and Restatement
3.2*	Bylaws
3.3*	Articles Supplementary
4.1**	Description of Securities
10.1*	Amended and Restated Limited Liability Company Agreement of Berkshire Equity LLC
10.2*	Amended and Restated Limited Liability Company Agreement of 50/53 JV LLC
10.3*	Second Amended and Restated Limited Liability Company Agreement of Renaissance Equity Holdings LLC
10.4*	Amended and Restated Limited Liability Company Agreement of Gunki Holdings LLC
10.5*	Registration Rights Agreement, made and entered into as of August 3, 2015, between Clipper Realty Inc. and FBR Capital Markets & Co.
10.6*	Registration Rights Agreement, made and entered into as of August 3, 2015, by and among Clipper Realty Inc. and each of the Holders from time to time party thereto.
10.7†*	Employment Agreement, made and entered into as of August 3, 2015, by and among Clipper Realty Inc. and David Bistricer
10.8†*	Employment Agreement, made and entered into as of August 3, 2015, by and among Clipper Realty Inc. and Lawrence Kreider
10.9†*	Employment Agreement, made and entered into as of August 3, 2015, by and among Clipper Realty Inc. and Jacob Schwimmer
10.10†*	Employment Agreement, made and entered into as of August 3, 2015, by and among Clipper Realty Inc. and JJ Bistricer
10.11†*	Clipper Realty Inc. 2015 Omnibus Incentive Compensation Plan
10.12†*	Clipper Realty Inc. 2015 Non-Employee Director Plan
10.13†*	Clipper Realty Inc. 2015 Executive Incentive Compensation Plan
10.14†*	Clipper Realty Inc. 2015 Omnibus Incentive Compensation Plan Restricted LTIP Unit Agreement
10.15†*	Clipper Realty Inc. 2015 Non-Employee Director Plan Restricted LTIP Unit Agreement
10.16*	Tax Protection Agreement, made and entered into as of August 3, 2015, by and among Clipper Realty Inc., Clipper Realty L.P., Renaissance Equity Holdings LLC, Berkshire Equity LLC, Gunki Holdings LLC, 50/53 JV LLC, and each of the Continuing Investors listed on Schedules A-D thereto

10.17*	Shared Services Agreement, made and entered into as of August 3, 2015, by and among Clipper Equity LLC and Clipper Realty L.P.
10.18*	Shared Services Agreement, made and entered into as of August 3, 2015, by and among Clipper Realty L.P. and Clipper Equity LLC
10.19*	Loan Indemnification Agreement, made and entered into as of August 3, 2015, by and among Clipper Realty Inc., Clipper Realty L.P. and the Guarantor defined therein
10.20*	Loan Indemnification Agreement, made and entered into as of August 3, 2015, by and among Clipper Realty Inc., Clipper Realty L.P. and the Guarantor defined therein
10.21*	Loan Indemnification Agreement, made and entered into as of August 3, 2015, by and among Clipper Realty Inc., Clipper Realty L.P. and the Guarantor defined therein
10.22*	Loan Indemnification Agreement, made and entered into as of August 3, 2015, by and among Clipper Realty Inc., Clipper Realty L.P. and the Guarantor defined therein
10.23*	Loan Indemnification Agreement, made and entered into as of August 3, 2015, by and among Clipper Realty Inc., Clipper Realty L.P. and the Guarantor defined therein
10.24*	Indemnification Agreement, made and entered into as of August 3, 2015, by and among David Bistricer, Trapeze Inc., Clipper Realty Inc., Clipper Realty L.P., and Berkshire Equity LLC
10.25*	Amended and Restated Loan Agreement, made and entered into as of December 15, 2014, by and among 50 Murray Street Acquisition LLC, German American Capital Corporation, and Deutsche Bank AG, New York Branch
10.26*	Joinder, Reaffirmation and Ratification of Guaranty of Recourse Obligations and Environmental Indemnity Agreement, made and entered into as of August 3, 2015, by and among David Bistricer, Trapeze Inc., Clipper Realty L.P., and Deutsche Bank AG, New York Branch
10.27*	Lease, made and entered into as of December 17, 2015, by and between Berkshire Equity LLC and the City of New York.
10.28*	Lease, made and entered into as of January 1, 1997, by and between NPMM Realty Inc. and the City of New York
10.29*	Letter Regarding Option to Renew Lease, dated as of December 28, 2010, from the City of New York to Berkshire Equity LLC
10.30*	Lease Renewal and Amendment Agreement, made and entered into as of December 15, 2016, by and between 250 Livingston Owner, LLC and the City of New York
10.31*	Limited Partnership Agreement of Clipper Realty L.P., dated as of August 3, 2015
10.32*	Amendment No. 3 to Registration Rights Agreement, made and entered into February 2, 2017, between Clipper Realty Inc. and FBR Capital Markets & Co.
10.33***	Loan Agreement, dated February 21, 2018, between 50 Murray Street Acquisition LLC and Deutsche Bank AG, New York Branch

10.34***	First Mezzanine Loan Agreement, dated February 21, 2018, between 50 Murray Mezz One LLC and Deutsche Bank AG, New York Branch
10.35***	Second Mezzanine Loan Agreement, dated February 21, 2018, between 50 Murray Mezz Two LLC and Deutsche Bank AG, New York Branch
10.36***	Consolidation, Modification and Extension Agreement, Assignment of Leases and Rents and Security Agreement, dated February 21, 2018, between Renaissance Equity Holdings LLC A, Renaissance Equity Holdings LLC B, Renaissance Equity Holdings LLC C, Renaissance Equity Holdings LLC D, Renaissance Equity Holdings LLC E, Renaissance Equity Holdings LLC F, and Renaissance Equity Holdings LLC G and New York Community Bank
10.37****	Loan Agreement, dated May 31, 2019, between 250 Livingston Owner LLC and Citi Real Estate Funding Inc.
10.38*****	Amended and Restated Mortgage Note, dated May 8, 2020, between Renaissance Equity Holdings LLC A, Renaissance Equity Holdings LLC B, Renaissance Equity Holdings LLC C, Renaissance Equity Holdings LLC D, Renaissance Equity Holdings LLC E, Renaissance Equity Holdings LLC F and Renaissance Equity Holdings LLC G, and New York Community Bank
10.39*****	Mortgage, Assignment of Leases and Rents and Security Agreement, dated May 8, 2020, between Renaissance Equity Holdings LLC A, Renaissance Equity Holdings LLC B, Renaissance Equity Holdings LLC C, Renaissance Equity Holdings LLC D, Renaissance Equity Holdings LLC E, Renaissance Equity Holdings LLC F and Renaissance Equity Holdings LLC G, and New York Community Bank
10.40†******	First Amendment to the Clipper Realty Inc. 2015 Omnibus Incentive Compensation Plan
10.41†*******	First Amendment to the Clipper Realty Inc. 2015 Non-Employee Director Plan
10.42†**********	Second Amendment to the Clipper Realty Inc. 2015 Omnibus Incentive Compensation Plan
10.43†**********	Second Amendment to the Clipper Realty Inc. 2015 Non-Employee Director Plan
10.44†**********	Employment Agreement, dated May 11, 2021, between Clipper Realty Inc. and Lawrence Kreider
10.45**********	Affordable Housing Regulatory Agreement, dated June 29, 2023, between Renaissance Equity Holdings LLC A, Renaissance Equity Holdings LLC B, Renaissance Equity Holdings LLC C, Renaissance Equity Holdings LLC D, Renaissance Equity Holdings LLC E, Renaissance Equity Holdings LLC F, Renaissance Equity Holdings LLC G, Flatbush Gardens Housing Development Fund Corporation and The City of New York.
10.46**********	Housing Repair and Maintenance Letter Agreement dated June 29, 2023
10.47**********	Acquisition Loan Note, dated August 10, 2023, by Dean Owner LLC in favor of Valley National Bank
10.48**********	Building Loan Note, dated August 10, 2023, by Dean Owner LLC in favor of Valley National Bank
10.49**********	Project Loan Note, dated August 10, 2023, by Dean Owner LLC in favor of Valley National Bank

10.50**********	Credit Agreement, dated August 10, 2023, by Dean Owner LLC in favor of Valley National Bank
10.51**********	Mezzanine Loan Note, dated August 10, 2023, by Dean Member LLC in favor of BADF 953 Dean Street Lender LLC
10.52**********	Line of Credit Note, dated August 10, 2023, between Clipper Realty Inc. in favor of Valley National Bank
10.53********	Agreement of Lease made May 9, 2019, between 250 Livingston Owner LLC and The City of New York
21.1********	List of subsidiaries
23.1********	Consent of PKF O'Connor Davies, LLP
24.1********	Power of Attorney (included on signature page hereto)
31.1********	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer
31.2********	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer
32.1********	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2********	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97.1********	Policy relating to recovery of erroneously awarded compensation. dated as of October 2, 2023.
101.INS*********	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH*********	Inline XBRL Taxonomy Extension Schema Document
101.CAL*********	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*********	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*********	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*********	Inline XBRL Taxonomy Extension Definition Linkbase Document
104*********	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
*	Incorporated by reference to the Company's registration statement on Form S-11 (No. 333-214021)
†	Indicates management contract or compensation plan
**	Incorporated by reference to the Company's Form 10-K for the year ended December 31, 2019, filed on March 12, 2020
***	Incorporated by reference to the Company's Form 8-K dated February 21, 2018, filed on February 27, 2018
****	Incorporated by reference to the Company's Form 10-Q for the quarterly period ended June 30, 2019, filed on August 1, 2019
*****	Incorporated by reference to the Company's Form 10-Q for the quarterly period ended March 31, 2020, filed on May 11, 2020

******	Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement filed on April 29, 2020
*******	Incorporated by reference to Appendix B to the Company's Definitive Proxy Statement filed on April 29, 2020
********	Filed herewith
*********	Submitted electronically with the report
**********	Incorporated by reference to the Company's Form 10-Q for the quarterly period ended June 30, 2021, filed on August 9, 2021
**********	Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement filed on May 2, 2022
**********	Incorporated by reference to Appendix B to the Company's Definitive Proxy Statement filed on May 2, 2022
**********	Incorporated by reference to the Company's Form 8-K dated June 29, 2023, filed on July 5, 2023
**********	Incorporated by reference to the Company's Form 8-K dated August 10, 2023, filed on August 14, 2023
**********	Incorporated by reference to the Company's Form 10-Q for the quarterly period ended June 30, 2023, filed on August 3, 2023

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CLIPPER REALTY INC.

March 14, 2024

By: /s/ David Bistricer
David Bistricer
Co-Chairman and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints David Bistricer and Sam Levinson his or her true and lawful attorneys-in-fact (with full power to each of them to act alone), with full power of substitution and re-substitution, for him or her and in his or her name, place and stead, in any and all capacities to sign any and all amendments (including post-effective amendments) to this Annual Report on Form 10-K, and to file the same, with the exhibits thereto, and other documents in connection herewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agent, full power and authority to do and perform each and every act and thing required and necessary to be done in and about the foregoing as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agent or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed by the following persons in the capacities and on the dates indicated.

Name	Title	Date
/s/ David Bistricer David Bistricer	Co-Chairman of the Board and Chief Executive Officer *(Principal Executive Officer)*	March 14, 2024
/s/ Lawrence E. Kreider, Jr. Lawrence E. Kreider, Jr.	Chief Financial Officer *(Principal Financial Officer and Principal Accounting Officer)*	March 14, 2024
/s/ Sam Levinson Sam Levinson	Co-Chairman of the Board	March 14, 2024
/s/ Howard M. Lorber Howard M. Lorber	Director	March 14, 2024
/s/ Robert J. Ivanhoe Robert J. Ivanhoe	Director	March 14, 2024
/s/ Roberto A. Verrone Roberto A. Verrone	Director	March 14, 2024
/s/ Richard Burger Richard Burger	Director	March 14, 2024
/s/ Harmon Spolan Harmon Spolan	Director	March 14, 2024

Index to Consolidated Financial Statements and Schedule

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors
Clipper Realty Inc.
Brooklyn, NY

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Clipper Realty Inc. (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of operations, equity and cash flows for each of the two years in the period ended December 31, 2023, and the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 14, 2024, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ PKF O'Connor Davies, LLP

We have served as the Company's auditor since 2022.

New York, New York
March 14, 2024

PCAOB ID No. 127

To the Stockholders and Board of Directors
Clipper Realty Inc.

Opinion on Internal Control over Financial Reporting

We have audited Clipper Realty Inc.'s (the "Company") internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control–Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control–Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, and the related consolidated statements of operations, equity and cash flows for each of the two years in the period ended December 31, 2023, and the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements") and our report dated March 14, 2024, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/PKF O'Connor Davies, LLP

New York, New York
March 14, 2024

Clipper Realty Inc.
Consolidated Balance Sheets
(In thousands, except for share and per share data)

	December 31, 2023	December 31, 2022
ASSETS		
Investment in real estate		
Land and improvements	$ 571,988	$ 540,859
Building and improvements	726,273	656,460
Tenant improvements	3,366	3,406
Furniture, fixtures and equipment	13,278	12,878
Real estate under development	87,285	142,287
Total investment in real estate	1,402,190	1,355,890
Accumulated depreciation	(213,606)	(184,781)
Investment in real estate, net	1,188,584	1,171,109
Cash and cash equivalents	22,163	18,152
Restricted cash	14,062	12,514
Tenant and other receivables, net of allowance for doubtful accounts of $234 and $321, respectively	5,181	5,005
Deferred rent	2,359	2,573
Deferred costs and intangible assets, net	6,127	6,624
Prepaid expenses and other assets	10,854	13,654
TOTAL ASSETS	**$** 1,249,330	**$** 1,229,631
LIABILITIES AND EQUITY		
Liabilities:		
Notes payable, net of unamortized loan costs of $13,405 and $9,650, respectively	$ 1,205,624	$ 1,161,588
Accounts payable and accrued liabilities	20,994	17,094
Security deposits	8,765	7,940
Below-market leases, net	—	18
Other liabilities	6,712	5,812
TOTAL LIABILITIES	1,242,095	1,192,452
Equity:		
Preferred stock, $0.01 par value; 100,000 shares authorized (including 140 shares of 12.5% Series A cumulative non-voting preferred stock), zero shares issued and outstanding	—	—
Common stock, $0.01 par value; 500,000,000 shares authorized, 16,063,228 and 16,063,228 shares issued and outstanding, respectively	160	160
Additional paid-in-capital	89,483	88,829
Accumulated deficit	(86,899)	(74,895)
Total stockholders' equity	2,744	14,094
Non-controlling interests	4,491	23,085
TOTAL EQUITY	7,235	37,179
TOTAL LIABILITIES AND EQUITY	**$** 1,249,330	**$** 1,229,631

See accompanying notes to these consolidated financial statements.

Clipper Realty Inc.
Consolidated Statements of Operations
(In thousands, except per share data)

	Year Ended December 31,	
	2023	**2022**
REVENUES		
Residential rental income	$ 99,716	$ 90,262
Commercial rental income	38,489	39,484
TOTAL REVENUES	138,205	129,746
OPERATING EXPENSES		
Property operating expenses	30,619	29,306
Real estate taxes and insurance	31,951	32,561
General and administrative	13,169	12,752
Transaction pursuit costs	357	506
Depreciation and amortization	28,939	26,985
TOTAL OPERATING EXPENSES	105,035	102,110
INCOME FROM OPERATIONS	33,170	27,636
Interest expense, net	(44,867)	(40,207)
Loss on modification/extinguishment of debt	(3,868)	—
Net loss	(15,565)	(12,571)
Net loss attributable to non-controlling interests	9,665	7,807
Net loss attributable to common stockholders	$ (5,900)	$ (4,764)
Basic and diluted net loss per share	$ (0.45)	$ (0.36)

See accompanying notes to these consolidated financial statements.

Clipper Realty Inc.
Consolidated Statements of Equity
(In thousands, except for share data)

	Number of common shares	Common stock	Additional paid-in-capital	Accumulated deficit	Total stockholders' equity	Non-controlling interests	Total equity
Balance December 31, 2021	16,063,228	$ 160	$ 88,089	$ (61,736)	$ 26,513	$ 43,436	$ 69,949
Cumulative effect adjustment	—	—	—	(2,291)	(2,291)	(3,755)	(6,046)
Amortization of LTIP grants	—	—	—	—	—	2,920	2,920
Dividends and distributions	—	—	—	(6,104)	(6,104)	(10,969)	(17,073)
Net loss	—	—	—	(4,764)	(4,764)	(7,807)	(12,571)
Reallocation of non-controlling interests	—	—	740	—	740	(740)	—
Balance December 31, 2022	16,063,228	160	88,829	$ (74,895)	$ 14,094	$ 23,085	$ 37,179
Amortization of LTIP grants	—	—	—	—	—	3,015	3,015
Dividends and distributions	—	—	—	(6,104)	(6,104)	(11,290)	(17,394)
Net loss	—	—	—	(5,900)	(5,900)	(9,665)	(15,565)
Reallocation of non-controlling interests	—	—	654	—	654	(654)	—
Balance December 31, 2023	16,063,228	$ 160	$ 89,483	$ (86,899)	$ 2,744	$ 4,491	$ 7,235

See accompanying notes to these consolidated financial statements.

Clipper Realty Inc.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (15,565)	$ (12,571)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	28,825	26,779
Amortization of deferred financing costs	1,705	1,252
Amortization of deferred costs and intangible assets	595	687
Amortization of above- and below-market leases	(18)	(35)
Loss on modification/extinguishment of debt	3,868	—
Deferred rent	214	(163)
Stock-based compensation	3,015	2,920
Bad debt expense (recovery)	(87)	(236)
Changes in operating assets and liabilities:		
Tenant and other receivables	(86)	(310)
Prepaid expenses, other assets and deferred costs	2,701	(214)
Accounts payable and accrued liabilities	(707)	1,222
Security deposits	825	830
Other liabilities	900	(22)
Net cash provided by operating activities	26,185	20,139
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to land, buildings and improvements	(41,357)	(45,450)
Acquisition deposit	—	2,015
Cash paid in connection with acquisition of real estate	—	(8,041)
Net cash used in investing activities	(41,357)	(51,476)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of mortgage notes	(84,728)	(2,191)
Proceeds from mortgage notes	132,519	29,378
Dividends and distributions	(17,394)	(17,073)
Loan issuance and extinguishment costs	(9,666)	(335)
Net cash provided by financing activities	20,731	9,779
Net (decrease) increase in cash and cash equivalents and restricted cash	5,559	(21,558)
Cash and cash equivalents and restricted cash – beginning of year	30,666	52,224
Cash and cash equivalents and restricted cash – end of year	36,225	**$** 30,666
Cash and cash equivalents and restricted cash – beginning of year:		
Cash and cash equivalents	$ 18,152	$ 34,524
Restricted cash	12,514	17,700
Total cash and cash equivalents and restricted cash – beginning of year	$ 30,666	$ 52,224
Cash and cash equivalents and restricted cash – end of year:		
Cash and cash equivalents	$ 22,163	$ 18,152
Restricted cash	14,062	12,514
Total cash and cash equivalents and restricted cash – end of year	$ 36,225	$ 30,666
Supplemental cash flow information:		
Cash paid for interest, net of capitalized interest of $5,508 and $2,069 in 2023 and 2022, respectively	$ 45,323	$ 38,989
Non-cash interest capitalized to real estate under development	339	2,331
Additions to investment in real estate included in accounts payable and accrued liabilities	9,484	4,882

See accompanying notes to these consolidated financial statements.

1. Organization

Clipper Realty Inc. (the "Company" or "We") was organized in the state of Maryland on July 7, 2015. On August 3, 2015, we completed certain formation transactions and the sale of shares of common stock in a private offering. We contributed the net proceeds of the private offering to Clipper Realty L.P., our operating partnership subsidiary (the "Operating Partnership"), in exchange for units in the Operating Partnership. The Operating Partnership in turn contributed such net proceeds to the limited liability companies ("LLCs") that comprised the predecessor of the Company in exchange for Class A LLC units in such LLCs and became the managing member of such LLCs. The owners of the LLCs exchanged their interests for Class B LLC units and an equal number of special, non-economic, voting stock in the Company. The Class B LLC units, together with the special voting shares, are convertible into common shares of the Company on a one-for-one basis and are entitled to distributions.

On June 27, 2016, the Operating Partnership acquired the Aspen property located at 1955 First Avenue in Manhattan, New York.

On February 9, 2017, the Company priced an initial public offering of 6,390,149 primary shares of its common stock (including the exercise of the over-allotment option, which closed on March 10, 2017) at a price of $13.50 per share (the "IPO"). The net proceeds of the IPO were approximately $79,000. We contributed the proceeds of the IPO to the Operating Partnership, in exchange for units in the Operating Partnership.

On May 9, 2017, the Company completed the purchase of 107 Columbia Heights (subsequently renovated and rebranded "Clover House"), a 158-unit apartment building located in the Brooklyn Heights neighborhood of Brooklyn, New York.

On October 27, 2017, the Company completed the acquisition of an 82-unit residential property at 10 West 65th Street in the Upper West Side neighborhood of Manhattan, New York.

On November 8, 2019, the Company completed the acquisition of 1010 Pacific Street located in the Prospect Heights neighborhood of Brooklyn, New York; the Company redeveloped the property into a 175-unit residential building.

During the period December 2021 through February 2022, the Company purchased the Dean Street property which consists of multiple parcels of land in the Prospect Heights neighborhood of Brooklyn, New York; the Company plans to redevelop the property as a 240-unit residential building with two ground floor retail units.

As of December 31, 2023, the properties owned by the Company consist of the following (collectively, the "Properties"):

- Tribeca House in Manhattan, comprising two buildings, one with 21 stories and one with 12 stories, containing residential and retail space with an aggregate of approximately 483,000 square feet of residential rental Gross Leasable Area ("GLA") and 77,000 square feet of retail rental and parking GLA;
- Flatbush Gardens in Brooklyn, a 59-building residential housing complex with 2,494 rentable units;
- 141 Livingston Street in Brooklyn, a 15-story office building with approximately 216,000 square feet of GLA;
- 250 Livingston Street in Brooklyn, a 12-story office and residential building with approximately 370,000 square feet of GLA (fully remeasured);

- Aspen in Manhattan, a 7-story building containing residential and retail space with approximately 166,000 square feet of residential rental GLA and approximately 21,000 square feet of retail rental GLA;
- Clover House in Brooklyn, a 11-story residential building with approximately 102,000 square feet of residential rental GLA;
- 10 West 65th Street in Manhattan, a 6-story residential building with approximately 76,000 square feet of residential rental GLA;
- 1010 Pacific Street in Brooklyn, 9-story residential building with approximately 119,000 square feet of residential rental GLA; and
- Dean Street in Brooklyn, which the Company plans to redevelop as a 9-story residential building with approximately 160,000 square feet of residential rental GLA and approximately 9,000 square feet of retail rental GLA. In February and April 2022, the Company purchased additional parcels of land for $3.7 million and $4.3 million, respectively, and, in August 2022, paid $2.5 million to a tenant to vacate a leased parcel.

Square footage, leased occupancy percentage and rentable unit disclosures in the consolidated financial statements are unaudited.

During 2019, we entered into a joint venture in which we own a 50% interest through which we are paying certain legal and advisory expenses in connection with various rent laws and ordinances which govern certain of our properties. During the year ended December 31, 2022, the Company incurred $0.1 million of such expenses, which was recorded as part of general and administrative in the Consolidated Statements of Operations, and the Company has fulfilled its commitment to the joint venture.

On June 29, 2023 the Company's Flatbush Gardens property entered into a 40 year regulatory agreement under Article 11 of the Private Housing Finance Law with the New York City Department of Housing Preservation and Development ("Article 11Agreement"). For the full term of the agreement, Flatbush Gardens received a full exemption from property taxes, committed to maintain rents with existing area median income groups, received eligibility for incremental rental assistance payments under Section 610 of the Private Housing Financing Law for tenants receiving government rental assistance, committed to lease 249 units to formerly homeless families and provide certain services as units become vacant, and committed to pay prevailing wage rates to employees of the property as defined under New York City regulations. The property also committed to a 3-year capital improvements plan. As part of the agreement, a new not-for-profit Corporation, Flatbush Gardens Housing Development Fund Corporation ("HDFC"), became the nominal owner of the Flatbush Gardens properties. This has no effect on the beneficial operations and finances of the properties but provides HDFC with certain consent rights for transfers and financings of the properties. (See Note 8 Commitments and Contingencies).

The operations of Clipper Realty Inc. and its consolidated subsidiaries are carried on primarily through the Operating Partnership. The Company has elected to be taxed as a Real Estate Investment Trust ("REIT") under Sections 856 through 860 of the Internal Revenue Code (the "Code"). The Company is the sole general partner of the Operating Partnership and the Operating Partnership is the sole managing member of the LLCs that comprised the Predecessor.

At December 31, 2023, the Company's interest, through the Operating Partnership, in the LLCs that own the properties generally entitles it to 37.9% of the aggregate cash distributions from, and the profits and losses of, the LLCs.

The Company determined that the Operating Partnership and the LLCs are variable interest entities ("VIEs") and that the Company was the primary beneficiary. The assets and liabilities of these VIEs represented substantially all of the Company's assets and liabilities.

2. Significant Accounting Policies

Segments

At December 31, 2023, the Company had two reportable operating segments, Residential Rental Properties and Commercial Rental Properties. The Company's chief operating decision maker may review operational and financial data on a property basis.

Basis of Consolidation

The accompanying consolidated financial statements of the Company are prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). The effect of all intercompany balances has been eliminated. The consolidated financial statements include the accounts of all entities in which the Company has a controlling interest. The ownership interests of other investors in these entities are recorded as non-controlling interests.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of commitments and contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from these estimates.

Investment in Real Estate

Real estate assets held for investment are carried at historical cost and consist of land, buildings and improvements, furniture, fixtures and equipment. Expenditures for ordinary repair and maintenance costs are charged to expense as incurred. Expenditures for improvements, renovations, and replacements of real estate assets are capitalized and depreciated over their estimated useful lives if the expenditures qualify as betterments or the life of the related asset will be substantially extended beyond the original life expectancy.

In accordance with ASU 2018-01, "Business Combinations – Clarifying the Definition of a Business," the Company evaluates each acquisition of real estate or in-substance real estate to determine if the integrated set of assets and activities acquired meets the definition of a business and needs to be accounted for as a business combination. If either of the following criteria is met, the integrated set of assets and activities acquired would not qualify as a business:

- Substantially all of the fair value of the gross assets acquired is concentrated in either a single identifiable asset or a group of similar identifiable assets; or
- The integrated set of assets and activities is lacking, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs (i.e., revenue generated before and after the transaction).

An acquired process is considered substantive if:

- The process includes an organized workforce (or includes an acquired contract that provides access to an organized workforce) that is skilled, knowledgeable and experienced in performing the process;
- The process cannot be replaced without significant cost, effort or delay; or
- The process is considered unique or scarce.

Generally, the Company expects that acquisitions of real estate or in-substance real estate will not meet the revised definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets (i.e., land, buildings and related intangible assets) or because the acquisition does not include a substantive process in the form of an acquired workforce or an acquired contract that cannot be replaced without significant cost, effort or delay.

Upon acquisition of real estate, the Company assesses the fair values of acquired tangible and intangible assets including land, buildings, tenant improvements, above-market and below-market leases, in-place leases and any other identified intangible assets and assumed liabilities. The Company allocates the purchase price to the assets acquired and liabilities assumed in an asset acquisition based on their relative fair values. In estimating fair value of tangible and intangible assets acquired, the Company assesses and considers fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates, estimates of replacement costs, net of depreciation, and available market information. The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant.

The Company records acquired above-market and below-market lease values initially based on the present value, using a discount rate which reflects the risks associated with the leases acquired based on the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed renewal options for the below-market leases. Other intangible assets acquired include amounts for in-place lease values and tenant relationship values (if any) that are based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with the respective tenant. Factors to be considered by management in its analysis of in-place lease values include an estimate of carrying costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, management considers leasing commissions, legal and other related expenses.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. A property's value is impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, a write-down is recorded and measured by the amount of the difference between the carrying value of the asset and the fair value of the asset. In the event that the Company obtains proceeds through an insurance policy due to impairment, the proceeds are offset against the write-down in calculating gain/loss on disposal of assets. Management of the Company does not believe that any of its properties within the portfolio are impaired as of December 31, 2023.

For long-lived assets to be disposed of, impairment losses are recognized when the fair value of the assets less estimated cost to sell is less than the carrying value of the assets. Properties classified as real estate held-for-sale generally represent properties that are actively marketed or contracted for sale with closing expected to occur within the next twelve months. Real estate held-for-sale is carried at the lower of cost, net of accumulated depreciation, or fair value less cost to sell, determined on an asset-by-asset basis. Expenditures for ordinary repair and maintenance costs on held-for-sale properties are charged to expense as incurred. Expenditures for improvements, renovations and replacements related to held-for-sale properties are capitalized at cost. Depreciation is not recorded on real estate held-for-sale.

If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balances of the related intangibles are written off. The tenant improvements and origination costs are amortized to expense over the remaining life of the lease (or charged against earnings if the lease is terminated prior to its contractual expiration date).

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements (in years)	10 – 44
Tenant improvements	Shorter of useful life or lease term
Furniture, fixtures and equipment (in years)	3 – 15

The capitalized above-market lease values are amortized as a reduction to base rental revenue over the remaining terms of the respective leases, and the capitalized below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed rate renewal options of the respective leases. The value of in-place leases is amortized to expense over the remaining initial terms of the respective leases.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand and in banks, plus all short-term investments with a maturity of three months or less when purchased. The Company maintains some of its cash in bank deposit accounts, which, at times, may exceed the federally insured limit. No losses have been experienced related to such accounts.

Restricted Cash

Restricted cash generally consists of escrows for future real estate taxes and insurance expenditures, repairs, capital improvements, loan reserves and security deposits.

Tenant and Other Receivables and Allowance for Doubtful Accounts

Tenant and other receivables are comprised of amounts due for monthly rents and other charges less allowance for doubtful accounts. As described more fully under *Revenue Recognition* below, in the first quarter of 2022 the Company adopted Accounting Standards Codification ("ASC") 842 "Leases" which replaced guidance under ASC 840 and provided for transition from balances at December 31, 2021. In accordance with ASC 842, the Company performed a detailed review of amounts due from tenants to determine if accounts receivable balances and future lease payments were probable of collection, wrote off receivables not probable of collection and recorded a general reserve against revenues for receivables probable of collection for which a loss can be reasonably estimated. If management determines that the tenant receivable is not probable of collection it is written off against revenues. In addition, the Company records a general reserve under ASC 450. In connection with the adoption of ASC 842, the Company recorded a cumulative effect adjustment in the amount of $6 million as of January 1, 2022 based on the modified retrospective method in accordance with the provisions of ASC 842.

Deferred Costs

Deferred lease costs consist of fees incurred to initiate and renew operating leases. Lease costs are being amortized using the straight-line method over the terms of the respective leases.

Deferred financing costs represent commitment fees, legal and other third-party costs associated with obtaining financing. These costs are amortized over the term of the financing and are recorded in interest expense in the consolidated statements of operations. Unamortized deferred financing costs are expensed when the associated debt is refinanced or repaid before maturity. Costs incurred in seeking financing transactions which do not close are expensed in the period the financing transaction is terminated.

Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income (loss) adjusted for changes in unrealized gains and losses, reported in equity, for financial instruments required to be reported at fair value under GAAP. For the years ended December 31, 2023 and 2022, the Company did not own any financial instruments for which the change in value was not reported in net income (loss); accordingly, its comprehensive income (loss) was its net income (loss) as presented in the consolidated statements of operations.

Revenue Recognition

As mentioned above under Tenant and Other Receivables and Allowance for Doubtful Accounts, effective the first quarter of 2022, the Company has adopted ASC 842, "Leases" which replaces the guidance under ASC840. ASC842 applies to the Company principally as lessor; as a lessee, the Company's leases are immaterial. The Company has determined that all its leases as lessor are operating leases. The Company has elected to not bifurcate lease and non-lease components under a practical expedient provision. With respect to collectability, beginning the first quarter of 2022, the Company has written off all receivables not probable of collection and related deferred rent, and has recorded income for those tenants on a cash basis. When the probability assessment has changed for these receivables, the Company has recognized lease income to the extent of the difference between the lease income that would have been recognized if collectability had always been assessed as probable and the lease income recognized to date. For remaining receivables probable of collection, the Company has recorded a general reserve under ASC450.

In the year ended December 31, 2023 the Company has charged revenue in the amount of $4.5 million, for residential receivables not deemed probable of collection and recognized revenue of $1.4 million, for a reassessment of collectability of residential receivables previously not deemed probable of collection.

In the year ended December 31, 2022, the Company has charged revenue in the amount of $6.2 million, for residential receivables not deemed probable of collection and recognized revenue of $3.0 million for a reassessment of collectability of residential receivables previously not deemed probable of collection. Additionally, during the year ended December 31, 2022 the Company recognized a net $1.1 million for a reassessment of collectability of one commercial tenant at Tribeca House that was determined to be probable of collection.

In transitioning to ASC 842 in the first quarter of 2022, the Company elected the modified retrospective approach to existing leases at the beginning of the quarter and has recorded a cumulative-effect adjustment in retained earnings using the above methods applied to balances as of December 31, 2021, of $6.0 million.

In accordance with the provisions of ASC 842, rental revenue for commercial leases is recognized on a straight-line basis over the terms of the respective leases. Deferred rents receivable represents the amount by which straight-line rental revenue exceeds rents currently billed in accordance with lease agreements. Rental income attributable to residential leases and parking is recognized as earned, which is not materially different from the straight-line basis. Leases entered by residents for apartment units are generally for one-year terms, renewable upon consent of both parties on an annual or monthly basis.

Reimbursements for operating expenses due from tenants pursuant to their lease agreements are recognized as revenue in the period the applicable expenses are incurred. These costs generally include real estate taxes, utilities, insurance, common area maintenance costs and other recoverable costs totaled $7,001 and $6,652 for the years ended December 31, 2023 and December 31, 2022 and are recorded as part of commercial rental income in the consolidated statements of operations.

Stock-based Compensation

The Company accounts for stock-based compensation pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, "Compensation — Stock Compensation." As such, all equity-based awards are reflected as compensation expense in the Company's consolidated statements of operations over their vesting period based on the fair value at the date of grant. In the event of a forfeiture, the previously recognized expense for unvested options would be reversed.

The following is a summary of awards granted to the Company's employees and non-employee directors during the years ended December 31, 2023 and 2022.

Unvested LTIP Units	**LTIP Units**		**Weighted Grant-Date Fair Value**
Unvested at December 31, 2021	811,018	$	7.82
Granted	1,245,731	$	9.21
Vested	(153,476)	$	11.38
Forfeited	—		—
Unvested at December 31, 2022	1,903,273	$	8.44
Granted	444,003	$	5.62
Vested	(574,382)	$	6.63
Forfeited	—		—
Unvested at December 31, 2023	1,772,894	$	8.32

As of December 31, 2023 and 2022, there was $9.7 million and $10.2 million, respectively, of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under share incentive plans. As of December 31, 2023, the weighted-average period over which the unrecognized compensation expense will be recorded is approximately four years. For the years ended December 31, 2023 and 2022 the Company incurred $3,015 and $2,920 in LTIP amortization respectively.

In the year-ended December 31, 2023 the Company granted employees and non-employee directors 286,272 and 157,731 LTIP units, respectively, with a combined weighted-average grant date fair value of $5.62 per unit. In the year ended December 31, 2022 the Company granted employees and non-employee directors 931,847 and 313,884 LTIP units, respectively, with a combined weighted-average grant date fair value of $9.21 per unit.

Transaction Pursuit Costs

Transaction pursuit costs primarily reflect costs incurred for abandoned acquisition, disposition or other transaction pursuits.

Income Taxes

The Company elected to be taxed and to operate in a manner that will allow it to qualify as a REIT under the Code. To qualify as a REIT, the Company is required to distribute dividends equal to at least 90% of the REIT taxable income (computed without regard to the dividends paid deduction and net capital gains) to its stockholders, and meet the various other requirements imposed by the Code relating to matters such as operating results, asset holdings, distribution levels and diversity of stock ownership. Provided the Company qualifies for taxation as a REIT, it is generally not subject to U.S. federal corporate-level income tax on the earnings distributed currently to its stockholders. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to U.S. federal and state income tax on its taxable income at regular corporate tax rates and any applicable alternative minimum tax. In addition, the Company may not be able to re-elect as a REIT for the four subsequent taxable years. The entities comprising the Predecessor are limited liability companies and are treated as pass-through entities for income tax purposes. Accordingly, no provision has been made for federal, state or local income or franchise taxes in the accompanying consolidated financial statements.

In accordance with FASB ASC Topic 740, the Company believes that it has appropriate support for the income tax positions taken and, as such, does not have any uncertain tax positions that, if successfully challenged, could result in a material impact on its financial position or results of operations. The prior three years' income tax returns are subject to review by the Internal Revenue Service.

The Company has determined that the cash distributed to its stockholders is characterized as follows for Federal income tax purposes:

	Year Ended December 31,	
	2023	**2022**
Ordinary income	10%	75%
Capital gain	—	—
Return of capital	90%	25%
Total	100%	100%

Fair Value Measurements

Refer to Note 9, "Fair Value of Financial Instruments".

Derivative Financial Instruments

FASB derivative and hedging guidance establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As required by FASB guidance, the Company records all derivatives on the consolidated balance sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation.

Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecast transactions, are considered cash flow hedges. For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (loss) (outside of earnings) and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. The Company assesses the effectiveness of each hedging relationship by comparing the changes in the fair value or cash flows of the derivative hedging instrument with the changes in the fair value or cash flows of the designated hedged item or transaction. For derivatives not designated as hedges, changes in fair value would be recognized in earnings. As of December 31, 2023, the Company has no derivatives for which it applies hedge accounting.

Loss Per Share

Basic and diluted net loss per share is computed by dividing net loss attributable to common stockholders by the weighted average common shares outstanding. As of December 31, 2023 and 2022, the Company had unvested LTIP units which provide for non-forfeitable rights to dividend-equivalent payments. Accordingly, these unvested LTIP units are considered participating securities and are included in the computation of basic and diluted net loss per share pursuant to the two-class method. The Company did not have dilutive securities as of December 31, 2023, or 2022.

The effect of the conversion of the 26,317 Class B LLC units outstanding is not reflected in the computation of basic and diluted net loss per share, as the effect would be anti-dilutive. The net loss allocable to such units is reflected as non-controlling interests in the accompanying consolidated financial statements.

The following table sets forth the computation of basic and diluted net loss per share for the periods indicated:

	Year Ended December 31,	
	2023	**2022**
(in thousands, except per share amounts)		
Numerator		
Net loss attributable to common stockholders	$ (5,900)	$ (4,764)
Less: income attributable to participating securities	(1,289)	(968)
Subtotal	(7,189)	(5,732)
Denominator		
Weighted-average common shares outstanding	16,063	16,063
Basic and diluted net loss per share attributable to common stockholders	$ (0.45)	$ (0.36)

Recently Issued Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. This ASU requires entities to estimate a lifetime expected credit loss for most financial assets, including trade and other receivables and other long term financings including available for sale and held-to-maturity debt securities, and loans. Subsequently, the FASB issued ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments-Credit Losses, which amends the scope of ASU 2016-13 and clarified that receivables arising from operating leases are not within the scope of the standard and should continue to be accounted for in accordance with the leases standard (Topic 842). As a result, the adoption of the standard as of January 1, 2022 did not have a material impact on the consolidated financial statements.

In March 2020, FASB issued ASU 2020-04, "Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting" (Topic 848). ASU 2020-04 provides temporary optional expedients and exceptions to ease financial reporting burdens related to applying current GAAP to modifications of contracts, hedging relationships and other transactions in connection with the transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. ASU 2020-04 is effective beginning on March 12, 2020, and may be applied prospectively to such transactions through December 31, 2022. We will apply ASU 2020-04 prospectively, as and when we enter transactions to which this guidance applies.

On August 23, 2023, the FASB issued ASU 2023-05 that will require a joint venture, upon formation, to measure its assets and liabilities at fair value in its standalone financial statements. A joint venture will recognize the difference between the fair value of its equity and the fair value of its identifiable assets and liabilities as goodwill (or an equity adjustment, if negative) using the business combination accounting guidance regardless of whether the net assets meet the definition of a business. The new accounting standard is intended to reduce diversity in practice. This ASU will apply to joint ventures that meet the definition of a corporate joint venture under GAAP, thus limiting its scope to joint ventures not controlled and therefore not consolidated by any joint venture investor. We currently have no material joint ventures and as such do not expect it to have a material impact on our consolidated financial statements. This accounting standard will become effective for joint ventures with a formation date on or after January 1, 2025, with early adoption permitted. We expect to adopt this ASU on January 1, 2025.

On November 27, 2023, the FASB issued ASU 2023-07 to require the disclosure of segment expenses if they are (i) significant to the segment, (ii) regularly provided to the chief operating decision maker ("CODM"), and (iii) included in each reported measure of a segment's profit or loss. Public entities will be required to provide this disclosure quarterly. In addition, this ASU requires an annual disclosure of the CODM's title and a description of how the CODM uses the segment's profit/loss measure to assess segment performance and to allocate resources. Compliance with these and certain other disclosure requirements will be required for our annual report on Form 10-K for the year 2024, and for subsequent quarterly and annual reports, with early adoption permitted. The Company is currently evaluating the impact of this standard on our current disclosures.

3. Acquisitions

On February 14, 2022 and April 14, 2022 and the Company acquired additional parcels of land for the Dean Street acquisition, for $8,041, including acquisition costs of $391.

4. Deferred Costs and Intangible Assets

Deferred costs and intangible assets consist of the following:

	December 31, 2023	December 31, 2022
Deferred costs	$ 348	$ 348
Lease origination costs	1,474	1,376
In-place leases	428	428
Real estate tax abatements	9,142	9,142
Total deferred costs and intangible assets	11,392	11,294
Less accumulated amortization	(5,265)	(4,670)
Total deferred costs and intangible assets, net	$ 6,127	$ 6,624

Amortization of deferred costs, lease origination costs and in-place lease intangible assets was $114 and $206 for the years ended December 31, 2023 and 2022, respectively. Amortization of real estate tax abatements of $481 and $481 for the years ended December 31, 2023 and 2022, respectively, is included in real estate taxes and insurance in the consolidated statements of operations.

Deferred costs and intangible assets as of December 31, 2023, amortize in future years as follows:

2024	$ 587
2025	569
2026	546
2027	534
2028	493
Thereafter	3,398
Total	$ 6,127

5. Notes Payable

The mortgages, loans and mezzanine notes payable collateralized by the properties, or the Company's interest in the entities that own the properties and assignment of leases, are as follows:

Property	Maturity	Interest Rate	December 31, 2023	December 31, 2022
Flatbush Gardens, Brooklyn, NY (a)	6/1/2032	3.125%	$ 329,000	$ 329,000
250 Livingston Street, Brooklyn, NY (b)	6/6/2029	3.63%	125,000	125,000
141 Livingston Street, Brooklyn, NY (c)	3/6/2031	3.21%	100,000	100,000
Tribeca House, Manhattan, NY (d)	3/6/2028	4.506%	360,000	360,000
Aspen, Manhattan, NY (e)	7/1/2028	3.68%	61,004	62,554
Clover House, Brooklyn, NY (f)	12/1/2029	3.53%	82,000	82,000
10 West 65th Street, Manhattan, NY (g)	11/1/2027	SOFR + 2.50%	31,836	32,222
1010 Pacific Street, Brooklyn, NY (h)	9/1/2024	LIBOR + 3.60%	—	43,477
1010 Pacific Street, Brooklyn, NY (h)	9/15/2025	5.55%	60,000	—
1010 Pacific Street, Brooklyn, NY (h)	9/15/2025	6.37%	20,000	—
Dean Street, Brooklyn, NY (i)	9/22/2023	Prime + 1.60%	—	36,985
Dean Street, Brooklyn, NY (i)	8/10/2026	SOFR + 4%	42,909	—
Dean Street, Brooklyn, NY (i)	8/10/2026	SOFR + 10%	7,280	—
Total debt			$ 1,219,029	$ 1,171,238
Unamortized debt issuance costs			(13,405)	(9,650)
Total debt, net of unamortized debt issuance costs			$ 1,205,624	$ 1,161,588

(a) The $329,000 mortgage note agreement with New York Community Bank ("NYCB"), entered into on May 8, 2020, matures on June 1, 2032, and bears interest at 3.125% through May 2027 and thereafter at the prime rate plus 2.75%, subject to an option to fix the rate. The note requires interest-only payments through May 2027, and monthly principal and interest payments thereafter based on a 30-year amortization schedule. The Company has the option to prepay all (but not less than all) of the unpaid balance of the note prior to the maturity date, subject to certain prepayment premiums, as defined.

(b) The $125,000 mortgage note agreement with Citi Real Estate Funding Inc., entered into on May 31, 2019, matures on June 6, 2029, bears interest at 3.63% and requires interest-only payments for the entire term. The Company has the option to prepay all (but not less than all) of the unpaid balance of the note within three months of maturity, without a prepayment premium.

(c) The $100,000 mortgage note agreement with Citi Real Estate Funding Inc., entered into on February 18, 2021 matures on March 6, 2031, bears interest at 3.21% and requires interest-only payments for the entire term. The Company has the option to prepay all (but not less than all) of the unpaid balance of the note within three months of maturity, without a prepayment premium.

(d) The $360,000 loan with Deutsche Bank, entered into on February 21, 2018, matures on March 6, 2028, bears interest at 4.506% and requires interest-only payments for the entire term. The Company has the option to prepay all (but not less than all) of the unpaid balance of the loan prior to the maturity date, subject to a prepayment premium if it occurs prior to December 6, 2027.

(e) The $61,000 mortgage note agreement with Capital One Multifamily Finance LLC matures on July 1, 2028, and bears interest at 3.68%. The note required interest-only payments through July 2017, and monthly principal and interest payments of $321 thereafter based on a 30-year amortization schedule. The Company has the option to prepay the note prior to the maturity date, subject to a prepayment premium.

(f) The $82,000 mortgage note agreement with MetLife Investment Management, entered into on November 8, 2019, matures on December 1, 2029, bears interest at 3.53% and requires interest-only payments for the entire term. The Company has the option, commencing on January 1, 2024, to prepay the note prior to the maturity date, subject to a prepayment premium if it occurs prior to September 2, 2029.

(g) The $31,800 mortgage note agreement with NYCB entered into in connection with the acquisition of the property matures on November 1, 2027. Through October 2022 the Company paid a fixed interest rate of 3.375% and thereafter was scheduled to pay interest at the prime rate plus 2.75%, subject to an option to fix the rate. On August 26, 2022, the Company and NYCB amended the note to replace prime plus 2.75% rate with SOFR plus 2.5% (7.875% at December 31, 2023). The note required interest-only payments through November 2019, and monthly principal and interest payments thereafter based on a 30-year amortization schedule. The Company has the option to prepay all (but not less than all) of the unpaid balance of the note prior to the maturity date, subject to certain prepayment premiums, as defined.

(h) On December 24, 2019, the Company entered into a $18,600 mortgage note agreement with CIT Bank, N.A., related to the 1010 Pacific Street acquisition. The Company also entered into a pre-development bridge loan secured by the property with the same lender to provide up to $2,987 for eligible pre-development and carrying costs. The notes were scheduled to mature on June 24, 2021, required interest-only payments and bore interest at one-month LIBOR (with a floor of 1.25%) plus 3.60%. The notes were extended in June 2021 with a new maturity date of August 30, 2021. The Company guaranteed this mortgage note and complied with the financial covenants therein.

On August 10, 2021, the Company refinanced the above 1010 Pacific Street loan with a group of loans with AIG Asset Management (U.S.), LLC providing for maximum borrowings of $52,500 to develop the property. The notes have a 36 month term, bear interest at 30 day LIBOR plus 3.60% (with a floor of 4.1%). The notes were scheduled to mature on September 1, 2024 and could have been extended until September 1, 2026. The Company could have prepaid the unpaid balance of the note within five months of maturity without penalty.

On February 9, 2023 the Company refinanced this construction loan with a mortgage loan with Valley National Bank which provided for maximum borrowings of $80,000. The loan provided initial funding of $60,000 and a further $20,000 subject to achievement of certain financial targets. The loan has a term of five years and an initial annual interest rate of 5.7% subject to reduction by up to 25 basis points upon achievement of certain financial targets. The interest rate on subsequent fundings will be fixed at the time of any funding. The loan requires interest-only payments for the first two years and principal and interest thereafter based on a 30-year amortization schedule. The Company has the option to prepay in full, or in part, the unpaid balance of the note prior to the maturity date. Prior to the second anniversary of the date of the note prepayment is subject to certain prepayment premiums, as defined. After the second anniversary of the date of the note the prepayment is not subject to a prepayment premium. During the quarter ended June 30, 2023 the company achieved a financial target and the interest rate was reduced by 15 basis points to 5.55%.

On September 15, 2023 the Company borrowed an additional $20,000 from Valley National Bank. The additional borrowing has a term of twenty-four months and an annual interest rate of 6.37%. The loan is interest only subject to the maintenance of certain financial targets after the first 16 months of the term. In conjunction with the additional borrowing, the Company and the bank agreed to amend the expiration date of the initial $60,000 to expire at the same time as the additional borrowing. No change was made to the interest rate on the initial borrowing.

In conjunction with the refinancing the Company incurred $3,868 of loan extinguishment costs related to prepayment penalties, writing off of unamortized deferred financed costs of previous loan and other fees. These costs are included in the consolidated statement of operations for the twelve-month period ended December 31, 2023.

(i) On December 22, 2021, the Company entered into a $30,000 mortgage note agreement with Bank Leumi, N.A related to the Dean Street acquisition. The notes original maturity was December 22, 2022 and was subsequently extended to September 22, 2023. The note required interest-only payments and bears interest at the prime rate (with a floor of 3.25%) plus 1.60%. In April 2022, the Company borrowed an additional $6,985 under the mortgage note in connection with the acquisition of additional parcels of land in February and April 2022.

On August 10, 2023, the Company refinanced its $37 million mortgage on its Dean Street development with a senior construction loan ("Senior Loan") with Valley National Bank that permits borrowings up to $115 million and a mezzanine loan (the "Mezzanine Loan") with BADF 953 Dean Street Lender LLC that permits borrowings up to $8 million.

The Senior Loan will allow maximum borrowings of $115 million for a 30-month term, has two 6-month extension options, and bear interest at 1-Month Term SOFR plus 4.00%, with an all-in floor of 5.50% (9.35% at December 31, 2023). The Senior Loan consists of a land loan, funded at closing to refinance the existing loan totaling $37 million, a construction loan of up to $62.4 million and a project loan of up to $15.6 million. The Company has provided a 30% payment guarantee of outstanding borrowings among other standard indemnities. Subsequent to closing the Company drew a further $2.6 million from the construction loan and $3.3 million from the project loan.

The Mezzanine Loan will allow maximum borrowings of $8 million for a 30-month term, have two 6-month extension options, and bear interest at 1-Month Term SOFR plus 10%, with an all-in floor of 13% (15.34% at December 31, 2023). Interest shall accrue of the principal, is compounded monthly and is due at the end of the loan. At closing, $4.5 million was funded to cover closing costs incurred on the construction loans. Subsequent to closing a further $2.6 million was drawn for ongoing construction costs. During the year ended December 31, 2023 the Company incurred $161 thousand in interest and is included in the balance of the Notes Payable in the Consolidated Balance Sheet.

On August 10, 2023 the Company entered into a $5 million corporate line of credit with Valley National Bank. The line of credit bears interest of Prime + 1.5%. The Company has not drawn on the line of credit as of December 31, 2023.

The Company has provided a limited guaranty for the mortgage notes at several of its properties. The Company's loan agreements contain customary representations, covenants and events of default. Certain loan agreements require the Company to comply with affirmative and negative covenants, including the maintenance of debt service coverage and debt yield ratios. In the event that the Company is not compliant, certain lenders may require cash sweeps of rent until the conditions are cured. The Company is not in default on any of its loan agreements.

The following table summarizes principal payment requirements under the terms of the mortgage notes as of December 31, 2023:

2024	$	1,993
2025		82,092
2026		45,099
2027		40,741
2028		416,554
Thereafter		632,550
Total	$	1,219,029

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6. Rental Income under Operating Leases

The Company's commercial properties are leased to commercial tenants under operating leases with fixed terms of varying lengths. As of December 31, 2023, the minimum future cash rents receivable (excluding tenant reimbursements for operating expenses) under non-cancelable operating leases for the commercial tenants in each of the next five years and thereafter are as follows:

2024	$	30,457
2025		24,822
2026		4,548
2027		3,915
2028		2,819
Thereafter		16,496
Total	$	83,057

The Company has commercial leases with the City of New York that comprised approximately 23% and 24% of total revenues for the years ended December 31, 2023 and 2022, respectively.

7. Fair Value of Financial Instruments

GAAP requires the measurement of certain financial instruments at fair value on a recurring basis. In addition, GAAP requires the measure of other financial instruments and balances at fair value on a non-recurring basis (e.g., carrying value of impaired real estate and long-lived assets). Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The GAAP fair value framework uses a three-tiered approach. Fair value measurements are classified and disclosed in one of the following three categories:

- Level 1: unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2: quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- Level 3: prices or valuation techniques where little or no market data is available that require inputs that are both significant to the fair value measurement and unobservable.

When available, the Company utilizes quoted market prices from an independent third-party source to determine fair value and classifies such items in Level 1 or Level 2. In instances where the market for a financial instrument is not active, regardless of the availability of a nonbinding quoted market price, observable inputs might not be relevant and could require the Company to make a significant adjustment to derive a fair value measurement. Additionally, in an inactive market, a market price quoted from an independent third party may rely more on models with inputs based on information available only to that independent third party. When the Company determines the market for a financial instrument owned by the Company to be illiquid or when market transactions for similar instruments do not appear orderly, the Company uses several valuation sources (including internal valuations, discounted cash flow analysis and quoted market prices) and establishes a fair value by assigning weights to the various valuation sources.

Changes in assumptions or estimation methodologies can have a material effect on these estimated fair values. In this regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, may not be realized in an immediate settlement of the instrument.

The financial assets and liabilities in the consolidated balance sheets include cash and cash equivalents, restricted cash, receivables, accounts payable and accrued liabilities, security deposits and notes payable. The carrying amount of cash and cash equivalents, restricted cash, receivables, accounts payable and accrued liabilities, and security deposits reported in the consolidated balance sheets approximates fair value due to the short-term nature of these instruments. The fair value of notes payable, which are classified as Level 2, is estimated by discounting the contractual cash flows of each debt instrument to their present value using adjusted market interest rates.

The carrying amount and estimated fair value of the notes payable are as follows:

		December 31, 2023		December 31, 2022
Carrying amount (excluding unamortized debt issuance costs)	$	1,219,029	$	1,171,238
Estimated fair value	$	1,160,393	$	1,092,345

The above disclosures regarding fair value of financial instruments are based on pertinent information available as of December 31, 2023 and 2022, respectively. Although the Company is not aware of any factors that would significantly affect the reasonableness of the estimated fair value amounts, such -amounts have not been comprehensively revalued for purposes of these financial statements since those dates, and current estimates of fair value may differ significantly from the amounts presented herein.

8. Commitments and Contingencies

Legal

On July 3, 2017, the Supreme Court of the State of New York (the "Court") ruled in favor of 41 present or former tenants of apartment units at the Company's buildings located at 50 Murray Street and 53 Park Place in Manhattan, New York (the Tribeca House property), who brought an action (the "Kuzmich" case) against the Company alleging that they were subject to applicable rent stabilization laws with the result that rental payments charged by the Company exceeded amounts permitted under these laws because the buildings were receiving certain tax abatements under Real Property Tax Law ("RPTL") 421-g. The Court also awarded the plaintiffs- tenants their attorney's fees and costs. After various court proceedings and discussions from 2018-2022, on March 4, 2022 the court issued a ruling, finalized on May 9, 2022, on the rent overcharges to which the plaintiffs are entitled. While the court ruled that the overcharges to which the plaintiffs are entitled total $1.2 million, the court agreed with the Company's legal arguments that rendered the overcharge liability lower than it could have been, and therefore the Company did not appeal the ruling. On June 23, 2022, the court ruled that the plaintiffs are entitled to attorneys' fees incurred through February 28, 2022, in the amount of $0.4 million. The only remaining outstanding issues of which the Company is aware relate to the proper form of rent-stabilized renewal leases for the six plaintiffs who remain as tenants in the building. The parties are seeking judicial intervention to resolve this remaining issue. On July 17, 2023, a hearing was held at which the Judicial Hearing Officer ("JHO") determined five (5) of the tenant's lease renewal amounts, term and form. The amount of the lease renewal concerning the sixth plaintiff was made on August 28, 2023. At this time the Company is awaiting the execution and return of all the lease renewals.

On November 18, 2019, the same law firm which filed the Kuzmich case filed a second action involving a separate group of 26 tenants (captioned Crowe et al v 50 Murray Street Acquisition LLC, Supreme Court, New York County, Index No. 161227/19), which action advances essentially the same claims as in Kuzmich. The Company's deadline to answer or otherwise respond to the complaint in Crowe had been extended to June 30, 2020; on such date, the Company filed its answer to the complaint. Pursuant to the court's rules, on July 16, 2020, the plaintiffs filed an amended complaint; the sole difference as compared to the initial complaint is that seven new plaintiffs-tenants were added to the caption; there were no substantive changes to the complaint's allegations. On August 5, 2020, the Company filed its answer to the amended complaint. The case was placed on the court's calendar and was next scheduled for a discovery conference on November 16, 2022. Counsel for the parties have been engaged in and are continuing settlement discussions. On November 16, 2022, the court held a compliance conference and ordered the plaintiffs to provide rent overcharge calculations in response to proposed calculations previously provided by the Company. On July 12, 2023, the court referred this matter to a JHO to determine the outstanding issues. A hearing before the JHO was held in September 2023 and at this time all parties are engaged in settlement discussions.

On March 9, 2021, the same law firm which filed the Kuzmich and Crowe cases filed a third action involving another tenant (captioned Horn v 50Murray Street Acquisition LLC, Supreme Court, New York County, Index No. 152415/21), which action advances the same claims as in Kuzmich and Crowe. The Company filed its answer to the complaint on May 21, 2021. The parties are currently attempting to settle this matter before the same JHO as in the hearings for the Kuzmich and Crowe matters.

As a result of the March 4 and May 9, 2022 decisions which established the probability and ability to reasonably compute amounts owed to tenants for all the cases, the Company recorded a charge for litigation settlement and other of $2.7million in the consolidated statements of operations during the year ended December 31, 2021 comprising rent overcharges, interest and legal costs of plaintiff's counsel. The Company paid $2.3million to the plaintiffs related to the Kuzmich case during the year ended December 31, 2022 and $0.4 million related to the Crowe case during the nine month period ended September 30, 2023.

In addition to the above, the Company is subject to certain legal proceedings and claims arising in connection with its business. Management believes, based in part upon consultation with legal counsel, that the ultimate resolution of all such claims will not have a material adverse effect on the Company's consolidated results of operations, financial position or cash flows..

The Office of the Attorney General of the State of New York ("OAG")commenced an investigation concerning the conduct of screening of tenant applicants in the building portfolio in which Clipper Equity and its principals have a management and/or ownership interest. Clipper Equity cooperated with the investigation and, in April 2022,entered into an Assurance of Discontinuance with the OAG to resolve the investigation on behalf of itself and its affiliates, the terms of which have no impact to the Company's financial position or results of operations.

The New York City Department of Citywide Administrative Services is currently engaged in an audit of the Company's operating expense escalation charges for the period of June 2014 to December 2018. Based on the preliminary results of the audit the Company believes it has adequate reserves to cover any adverse conclusions.

Commitments

On June 29, 2023 the Company entered into the Article 11 Agreement. Under the Article 11 agreement, the Company has entered into a Housing Repair and Maintenance Letter Agreement ("HRMLA") in which the Company has agreed to perform certain capital improvements to Flatbush Gardens over the next three years. The current estimate is that the costs of that work will be an amount up to $27 million. The Company expects those costs to be offset by the savings provided by property tax exemption and enhanced payments for tenants receiving government assistance (See note 1). Through December 31, 2023 the Company spent approximately $2.1 million on capital improvements required under the HRMLA.

The Company is obligated to provide parking availability through August 2025 under a lease with a tenant at the 250 Livingston Street property; the current cost to the Company is approximately $205 per year.

Concentrations

The Company's properties are located in the Boroughs of Manhattan and Brooklyn in New York City, which exposes the Company to greater economic risks than if it owned a more geographically dispersed portfolio.

The breakdown between commercial and residential revenue is as follows:

	Commercial	Residential	Total
Year ended December 31, 2023	28%	72%	100%
Year ended December 31, 2022	30%	70%	100%

9. Related-Party Transactions

The Company recorded office and overhead expenses pertaining to a related company in general and administrative expense of $264 and $256 for the years ended December 31, 2023 and 2022, respectively. The Company recognized reimbursable payroll expense pertaining to a related company in general and administrative expense of $97 and $8 for the years ended December 31, 2023 and 2022, respectively.

10. Segment Reporting

The Company has classified its reporting segments into commercial and residential rental properties. The commercial reporting segment includes the 141 Livingston Street property and portions of the 250 Livingston Street, Tribeca House, Dean Street and Aspen properties. The residential reporting segment includes the Flatbush Gardens property, the Clover House property, the 10 West 65th Street property, the 1010 Pacific Street property and portions of the 250 Livingston Street, Tribeca House, Dean Street and Aspen properties.

The Company's income from operations by segment for the years ended December 31, 2023 and 2022, is as follows:

Year ended December 31, 2023	**Commercial**	**Residential**	**Total**
Rental income	$ 38,489	$ 99,716	$ 138,205
Total revenues	38,489	99,716	138,205
Property operating expenses	4,432	26,187	30,619
Real estate taxes and insurance	9,605	22,346	31,951
General and administrative	2,364	10,805	13,169
Transaction pursuit costs	—	357	357
Depreciation and amortization	5,824	23,115	28,939
Total operating expenses	22,225	82,810	105,035
Income from operations	$ 16,264	$ 16,906	$ 33,170

Year ended December 31, 2022	**Commercial**	**Residential**	**Total**
Rental income	$ 39,484	$ 90,262	$ 129,746
Total revenues	39,484	90,262	129,746
Property operating expenses	4,566	24,740	29,306
Real estate taxes and insurance	8,514	24,047	32,561
General and administrative	2,371	10,381	12,752
Transaction pursuit costs	81	425	506
Depreciation and amortization	5,501	21,484	26,985
Total operating expenses	21,033	81,077	102,110
Income from operations	$ 18,451	$ 9,185	$ 27,636

The Company's total assets by segment are as follows, as of:

	Commercial	Residential	Total
December 31, 2023	$ 313,666	$ 935,664	$ 1,249,330
December 31, 2022	312,404	$ 917,227	$ 1,229,631

The Company's interest expense by segment for the years ended December 31, 2023 and 2022, is as follows:

	Commercial	Residential	Total
Year ended December 31, 2023	$ 10,135	$ 34,732	$ 44,867
Year ended December 31, 2022	10,043	$ 30,164	$ 40,207

The Company's capital expenditures by segment for the years ended December 31, 2023 and 2022, are as follows:

	Commercial	Residential	Total
Year ended December 31, 2023	$ 3,980	$ 42,318	$ 46,298
Year ended December 31, 2022	3,979	$ 48,158	$ 52,137

11. Multiemployer Union Agreement and Pension Plan

Certain of the Company's employees are covered by union-sponsored, collectively bargained, multiemployer defined benefit pension and profit-sharing plans, and health insurance, legal and training plans. Contributions to the plans are determined in accordance with the provisions of the negotiated labor contract. The Local 94 International Union of Operating Engineers ("Local 94") contract is in effect through December 31, 2026. The Local 32BJ Service Employees International Union ("Local 32BJ") apartment building contract is in effect through April 20, 2026. The Local 32BJ Service Employees International Union commercial building contract was in effect through December 31, 2023 and this contract is still under negotiation.

Contributions to the unions are not segregated or otherwise restricted to provide benefits only to the Company's employees. The risks of participating in a multiemployer pension plan differ from those of a single-employer pension plan in the following aspects: (a) assets contributed to a multiemployer pension plan by one employer may be used to provide benefits to employees of other participating employers; (b) if a participating employer stops contributing to the plan, the unfunded obligation of the plan may be borne by the remaining participating employers; and (c) if the Company chooses to stop participating in the multiemployer plan, it may be required to pay the plan an amount based on the unfunded status of the plan, which is referred to as the withdrawal liability. The Company has no intention of withdrawing from the plans.

The information for the union's multiemployer pension plans are as follows:

Legal name	Building Service 32BJ Pension Fund
Employer identification number	13-1879376
Plan number	001
Type of plan	Defined benefit pension plan
Plan year-end date	June 30
Certified Zone Status for 2023 and 2022*	Yellow
Funding improvement plan/rehabilitation plan*	Implemented
Surcharges paid to plan	None
Pension contribution made for 2023 and 2022, respectively	$432 and $383
Minimum weekly required pension contribution per employee for 2023 and 2022, respectively (in dollars)	$126.91 and $120.95

Legal name	Central Pension Fund of the International Union of Operating Engineers and Participating Employers
Employer identification number	36-6052390
Plan number	001
Type of plan	Defined benefit pension plan
Plan year-end date	January 31
Certified Zone Status for 2023 and 2022*	Green
Funding improvement plan/rehabilitation plan*	N/A
Surcharges paid to plan	N/A
Pension contribution made for 2023 and 2022, respectively	$43 and $40
Minimum weekly required pension contribution per employee for 2023 and 2022, respectively (in dollars)	$204.85 and $186.81

* *Certified pension zone status (as defined by the Pension Protection Act) represents the level at which the pension plan is funded. Plans in the red zone are less than 65% funded; plans in the yellow zone are less than 80% funded; and plans in the green zone are at least 80% funded. The rehabilitation plan may involve a surcharge on employers or a reduction or elimination of certain employee adjustable benefits.*

The information provided above is from the respective pension plan's most current annual report, which for Local 32BJ is for the year ended June 30, 2023 and for Local 94 is for the year ended January 31, 2023. The Pension Protection Act Zone Status, the most recent zone status available, was provided to the Company by the respective plans and the Local 32BJ status is certified by the plan's actuary. The Company's contributions to the pension plans are less than 5% of all the employers' contributions to the plans.

12. Subsequent Events

Subsequent to December 31, 2023 The City of New York, a municipal corporation acting through the Department of Citywide Administrative Services ("NYC"), notified the Company of its intention to terminate its lease for 342,496 square feet of office space at 250 Livingston effective August 23, 2025. Pursuant to the terms of the 250 Livingston loan agreement, the Company expects to establish a cash management account for the benefit of its lender, into which the Company will be obligated to deposit all revenue generated by 250 Livingston.

Subsequent to December 31, 2023 the Board of Directors declared a fourth quarter dividend of $0.095 per share, to stockholders of record on March 27, 2024, payable April 4, 2024

Clipper Realty Inc. and Predecessor
Schedule III – Real Estate and Accumulated Depreciation
(In thousands)

Property	Location	Description	Encumbrances at December 31, 2023	Initial Costs: Land	Initial Costs: Building and Improvements	Initial Costs: Real Estate Under Develop.	Initial Costs: Cost Capitalized Subsequent to Acquisition	Gross Amounts at Which Carried at December 31, 2023: Land	Gross Amounts at Which Carried at December 31, 2023: Building and Improvements	Gross Amounts at Which Carried at December 31, 2023: Real Estate Under Develop.	Gross Amounts at Which Carried at December 31, 2023: Total	Accumulated Depreciation	Date Acquired
Tribeca House	Manhattan, NY	Residential	$ 360,000	$ 273,103	$ 283,137	$ —	$ 31,625	$ 273,103	$ 314,762	—	$ 587,865	$ 81,819	Dec-14
Aspen	Manhattan, NY	Residential	61,004	49,230	43,080	—	2,895	49,230	45,976	—	95,206	9,060	June-16
Flatbush Gardens	Brooklyn, NY	Residential	329,000	89,965	49,607	—	75,255	90,051	124,776	—	214,827	70,279	Oct-05
Clover House	Brooklyn, NY	Residential	82,000	43,516	44,100	—	58,552	43,516	102,653	—	146,169	10,100	May-17
10 West 65th St.	Manhattan, NY	Residential	31,836	63,677	15,337	—	6,493	63,677	21,830	—	85,507	6,182	Oct-17
1010 Pacific St.	Brooklyn, NY	Residential	80,000	31,129	658	—	61,158	31,129	61,816	—	92,945	1,304	Nov-19
Dean Street	Brooklyn, NY	Residential	50,189	—	—	40,548	46,143	—	—	86,691	86,691	—	Dec-21
250 Livingston St.	Brooklyn, NY	Commercial	125,000	10,452	20,204	—	24,193	10,452	44,397	—	54,849	21,906	May-02
141 Livingston St.	Brooklyn, NY	Commercial	100,000	10,830	12,079	—	15,222	10,830	27,301	—	38,131	12,956	May-02
			$ 1,219,029	$ 571,902	$ 468,202	$ 40,548	$ 321,536	$ 571,988	$ 743,511	$ 86,691	$ 1,402,190	$ 213,606	

(1) At December 31, 2023, the aggregate cost for Federal tax purposes of our real estate assets was $942,135.

(2) The following summarizes activity for real estate and accumulated depreciation, for the years ended December 31, 2023 and 2022:

	2023	2022
Investment in real estate:		
Balance at beginning of period	$ 1,355,890	$ 1,303,752
Acquisition of real estate	—	8,041
Additions during period	46,300	44,097
Write-off of assets	—	—
Balance at end of period	$ 1,402,190	$ 1,355,890
Accumulated depreciation:		
Balance at beginning of period	$ 184,781	$ 158,002
Depreciation expense	28,825	26,779
Write-off of assets	—	—
Balance at end of period	$ 213,606	$ 184,781

NYC DCAS
Citywide Administrative Services

Lisette Camilo
Commissioner

Suzanne M. Lynn
Deputy Commissioner
General Counsel

VIA EXPRESS MAIL

May 8, 2019

David Bistricer
Clipper Equity
4611 12th Avenue, Suite 1L
Brooklyn, New York 11219

Re: 240-250 Livingston Street
Block 165, Lot 22
Borough of Brooklyn
Human Resources Administration and Department for Environmental Protection

Dear David:

Enclosed please find one (1) fu[ly executed copy of the Lease ("Lease") between 250 Livingston Owner LLC, Landlord, and the City of New York, Tenant, covering space at the captioned premises.

This Lease was entered into pursuant to an authorization by the Mayor of the City of New York, a copy of which has been attached herein.

Respectfully,

Mona DAttilio
Associate General Counsel
(212) 386- 6231

Enclosures
c: Todd Hamilton, Director/Leasing Lease File
Correspondence File
Central File -Brooklyn- HRA & DEP- Block 165, Lot 22, IPIS: 4498

| LEASE NO. —

LEASE BETWEEN

THE CITY OF NEW YORK
DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES
1 CENTRE STREET, 20TH FLOOR NORTH
NEW YORK, NEW YORK 10007

&

250 LIVINGSTON OWNER LLC
4611 12th AVENUE, SUITE IL
BROOKLYN, NEW YORK 11219

Premises: 240-250 Livingston Street (Block 165, Lot 22)
Borough of Brooklyn
Approximately 342,496 rentable square feet of interior space
to be used by the Human Resources Administration and the
Department for Enviromnental Protection

*****

FINAL

Reviewed by:

Attorney' Date 3/26/19
Negotiator Date 3/27/19
Exec. Dir., Leasing, R & Date 3.27.19
Dir/Asst. Dir, D&PM, RES Date 4/1/19
Exec. Dir., D&PM, RES, _-'1 \n-------- Date 4/1/19

INDEX

EXHIBITS:

EXHIBIT A- Floor Plans

EXHIBIT B- Operating Expense Schednle EXHIBIT C- Scope of Work
EXHIBIT D- Preventive Maintenance Requirements
EXHIBIT E- Form of Subordination, Non- Disturbance and Attornment Agreement

THE CITY OF NEW YORK
DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES
DIVISION OF REAL ESTATE SERVICES
1 CENTRE STREET, 20TH FLOOR NORTH
NEW YORK, NEW YORK 10007

AGREEMENT OF LEASE (the **"Lease")** made the day of , 2019 **("Execution Date"),** between **250 LIVINGSTON OWNER LLC,** whose address is 4611 12'11 Avenue, Suite lL, Brooklyn, New York 11219, hereinafter designated as **"Landlord",** and **THE CITY OF NEW YORK,** a municipal corporation, acting through the Department of Citywide Administrative Services, with an address at 1 Centre Street, 20th Floor North, New York, New York 10007, hereinafter designated as **"Tenant".**

WITNESS ETH:

WHEREAS, by Lease dated January 1, 1997 by and between Landlord's predecessor in interest (NPMN Realty Inc.), as renewed by that certain letter dated December 28, 2010 from Tenant to Landlord, and as further amended by that certain Lease Renewal and Amendment Agreement dated as of December 15, 2016 by and between Landlord and Tenant (the Lease, as amended , is hereafter referred to as **"Prior Lease 1**") Landlord leased to Tenant approximately I 06,999 rentable square feet of space comprising a portion of the 1st, 2nd and 3rd floors (the **"Existing Pl-emises 1")** of the building located at 240-250 Livingston Street (Block 165, Lot 22) , Borough of Brooklyn (the **"Building");** and

WHEREAS, by Lease dated July 30, 1999, as amended by that certain Lease Amendment dated as of September 15, 2005 by and between Landlord's predecessor in interest (Livingston Acquisition, LLC), (the Lease, as amended, is hereafter referred to as **"Prior Lease** 2"), Landlord leased to Tenant approximately 187,145 rentable square feet of space comprising the entire 41\ 51\ 61\ 7h and 8th floors, lobby space, and basement and subbasement space in the Building, together with parking facilities consisting of fifty (50) designated self-service parking spaces in the parking garage known as "Livingston- Bond Street Garage" located at 39-41 Bond Street, Brooklyn, New York (collectively **"Existing Premises 2");** and

WHEREAS, both Prior Lease I and Prior Lease 2 shall expire on August 22, 2020;

and

WHEREAS, Landlord and Tenant desire to enter into a new lease to replace the Prior Lease I and the Prior Lease 2, upon the temls and conditions set forth herein; and

WHEREAS, this Lease is subject to public hearing and Mayoral approval pursuant to §824(a) of the New York City Chatter, said hearing to be scheduled subsequent to the execution by the Landlord of this Lease; and

WHEREAS, this Lease may be executed by the Deputy Commissioner of the Depaitment of Citywide Administrative Services **("DCAS")** after public hearing and Mayoral approval pursuant to §824(a) of the New York City Charter and subject to approval as to form by the Corporation Counsel of the City of New York; ai1d

WHEREAS, Landlord represents that it has authorized the execution of this Lease by the undersigned member of Landlord.

NOW, THEREFORE, Landiord hereby leases to Tenant and Tenant hereby leases from Landlord subject to public hearing and Mayoral approval and subject to approval as to form by Corporation Counsel, the following described premises (hereinafter referred to as the **"Demised Premises"):** Entire floors one (I) through eight(8), the entire lobby and a portion of the basement and the entire sub- basement consisting in total of approximately 342, 496 rentable square feet of interior space in the building (hereinafter referred to as the **"Building")** located at 240- 250 Livingston Street (Block 165, Lot 22) in the Borough of Brooklyn. Appurtenant to the Demised Premises, Tenant has the exclusive right to fifty (50) secure parking spaces (twenty- five (25) parking spaces located at 210 Livingston Street, Brooklyn, New York and twenty- five (25) parking spaces located at 2 MetroTech Center, Brooklyn, New York as more particularly set fo1th in A1ticle 38 (Parking) of the Lease.

The Demised Premises shall be used by the Human Resources Administration **("HRA")** and the Department for Environmental Protection **("DEP")** for office use and storage space, as the case may be, mid for uses ancillary thereto and for such other similar uses as the Commissioner of DCAS may determine, upon the terms and conditions hereinafter set forth consistent with the Certificate of Occupmlcy and for no other purpose. The floor plans of the Demised Premises shall be made a pml of the Lease as **Exhibit A** and the square footage of smne has been verified by the Design & Project Management Unit of DCAS.

ARTICLE I

TERM

The initial term of this Lease (the **"Term")** is ten (10) years, commencing upon the later to occur of (1) August 23, 2020, or (2) Substantial Completion of the Work, as certified by D&PM and hereinafter defined in Article 6 of this Lease (the **"Commencement Date")** and expiring at 11:59 p.m. of the day before the tenth (10) year anniversary of such Commencement Date (the **"Expiration Date"),** unless sooner terminated, as provided herein. In the event the Commencement Date does not occur by August 23, 2020, Lilldlord agrees that Tenant shall be permitted to continue to occupy the Existing Premises 1 and the Existing Premises 2 pursuant to Article 20 (Tenant Not a Holdover Tenant) of Prior Lease 1 illld Prior Lease 2. Notwithstanding the above, if this Lease shall not have been executed by Tenant on or prior to August 23, 2019 (provided that Landlord has executed and delivered the Lease to Tenant by such date) then, in such event, the Commencement Date shall be deemed to be August 23, 2020.

The term **"Lease Year"** as used in this Lease shall mean the period of twelve (12) full calendar months commencing on the Commencement Date and each twelve (12) month period thereafter; provided, however, that if the Commencement Date occurs on a day other than the first day of a calendar month, then the first Lease Year shall include the period from the Commencement Date until the last day of the twelfth (12'h) full calendar month tl$_1$ereafter.

ARTICLE2

RENT

A. Base rent **("Base Rent")** shall commence on the Commencement Date and shall be at the annual rate of **(i)** Fourteen Million Nine Hundred Forty Thousand Eight Hundred and Ninety 14/100 Dollars ($14,940,890.14) (HRA- $13,220,540.14, DEP - $1,720,350.00) for the period beginning on the Commencement Date and ending on the day immediately preceding the second (2nd) anniversary of the Commencement Date, both dates inclusive; (ii) Fifteen Million Three Hundred Eighty- Nine Thousand One Hundred and Sixteen 84/100 Dollars ($15,389,116.84) (HRA- $13, 617,116.84, DEP- $1,772,000.00) for the period beginning on the second (2nd) anniversary of the Commencement Date and ending on the day immediately preceding the fifth (5th) anniversary of the Commencement Date, both dates inclusive; (iii) Sixteen Million Four Hundred Thirty- Four Thousand Nine Hundred and Seventy- Nine 15/100 Dollars ($16,434, 979.15) ($14,542,709.15, DEP-$1,892,270.00) for the period beginning on the fifth (5th) anniversary of the Commencement Date and ending on the date immediately preceding the seventh (7'h) anniversary of the Commencement Date, both dates inclusive; and (iv) Sixteen Million Nine Hundred Twenty- Nine Thousand Six Hundred and Eighty- Eight 62/100 Dollars ($16,929,688.62) (HRA- $14, 980,294.62,DEP- $1,949,394.00) for the period begimling on the seventh (7'h) anniversary of the Commencement Date and ending on the Expiration Date. All other payments due to Landlord from Tenant under this Lease shall be considered **"Additional Rent."** Base Rent and Additional Rent shall be referred to sometimes as **"Rent or "rent"** in this Lease. Rent shall be payable in equal monthly installments at the end of each calendar month, provided that for the months in which the Commencement Date and Expiration Date of this Lease occur, Tenant shall pay only a pro-rata share of the monthly installment for the applicable period of the Term. All Rent (Base Rent and Additional Rent) shall be payable at Landlord's address hereinbefore set forth or at such other address as may be designated by Landlord from time to time, by notice in the manner provided in Article 21 hereof.

B. All bills sent by Landlord to Tenant shall have clearly reflected thereon the Building address, block and lot, and Demised Premises for which the bill is being sent. All bills must be legible, must contain the address to which the payment should be sent, and must include the name, address, and telephone number of the Landlord's contact person for billing inquiries. Further, all bills must be provided to Tenant at the address of the occupying agency in the manner designated in Article 21 hereof and/or any other address provided by the occupying agency to Landlord from time to time.

ARTICLE3

OPTION TO TERMINATE

Tenant shall have the right to terminate this Lease in its entirety effective as of the fifth (5th) anniversary of the Commencement Date or effective as of the seventh (7th) anniversary of the Commencement Date (such date, as the case may be, which shall be so specified by Tenant in its election notice, the **"Early Termination Date"),** in either case, by giving Landlord at least eighteen (18) months' prior written notice of such election. For purposes hereof, Tenant's written notice described in this A1ticle shall be deemed to be the **"Tenant's Termination Notice."**

If Tenant delivers a Tenant's Termination Notice to terminate this Lease effective as of fifth (5th) anniversary of the Commencement Date, then Tenant shall pay to Landlord all rent payable through the Early Te1mination Date on the later of (i) thirty (30) days after Tenant's receipt from Landlord of an invoice; or (ii) the Early Termination Date.

If Tenant delivers a Tenant's Termination Notice to terminate this Lease effective as of seventh (7th) anniversary of the Commencement Date, then:

Tenant shall pay to Landlord (i) all rent payable through the Early Te1mination Date and (ii) as Additional Rent, Sixteen Million Four Hundred Thi1ty-Four Thousand Nine Hundred Seventy- Nine and 15/100 Dollars ($16,434,979.15) (the **"Termination Fee");** and

Tenant shall pay Landlord the Termination Fee on the later of (i) thirty (30) days after Tenant's receipt from Landlord of an invoice; or (ii) the Early Termination Date.

If Tenant properly exercises such right of termination, this Lease shall terminate on the date specified in the Tenant's Termination Notice as the Early Te1mination Date, but such termination shall, at Landlord's option, be effective only if on or before the Early Termination Date, Tenant vacates and delivers possession of the Demised Premises in the condition required by this Lease and Tenant shall have made payment of the Termination Fee, if applicable, and all rent and Additional Rent payable under this Lease through the Early Termination Date.

For the avoidance of doubt, no termination fee shall be payable in connection with the Tenant's right to terminate effective as of the fifth (5th) anniversary of the Commencement Date, as described above.

ARTICLE4

TAX AND OPERATING EXPENSE ESCALATIONS

The Landlord and the Tenant agree that in addition to the annual Base Rent provided for in the preceding paragraphs of this Lease, Additional Rent shall be payable, consisting of Real Estate Tax escalations and direct Operating Expense esq1lations as those terms are hereinafter defined. Tenant shall pay (i) its pro-rata share, ninety- five and four tenths percent (95.4 %), of Operating Expense escalations **("Tenant's Expense Share")** and (ii) its pro-rata share, ninety- five and four tenths percent (95.4 %) of Real Estate Tax escalation **("Tenant's Tax Share").** Landlord and Tenant accept such pro- rate share calculations as final and binding upon the parties throughout the te1m of this Lease.

A. OPERATING EXPENSE ESCALATIONS

With respect to each twelve month period beginning on each August 1 and ending on each July 31 during the term hereof (each, a **"Fiscal Year")** subsequent to the period beginning on August 1, 2020 and ending on July 31, 2021 (hereinafter referred to as the **"Operating Expense Base Year")** including the Fiscal Year in which this Lease terminates, Landlord shall deliver to Tenant, no later than thirty (30) days prior to the commencement of each such Fiscal Year, a written estimate (hereinafter referred to as the **"Estimate")** signed by an officer or agent of the Landlord, wherein is set forth Landlord's good faith estimate of the extent by which Operating Expenses for the particular Fiscal Yem· will exceed Operating Expenses for the Operating Expense Base Year and an amount (hereinafter referred to as the **"Amount")** equal to Tenant's Expense Share of such excess. The Estimate for the first Fiscal Year subsequent to the Operating Expense Base Year and for each succeeding Fiscal Year shall not exceed One Hundred Five Percent (105%) of the amount by which the Operating Expenses for such Fiscal Year exceeded the Operating Expenses for the immediately preceding Fiscal Year; it being understood that the Estimate, and the annual limitation thereon, shall not in any way limit the amount of the actual share of Operating Expense for which Tenant shall be obligated to pay to Landlord under the terms of this Lease.

Operating Expenses shall be defined as all reasonable costs and expenses, without duplication, paid or incurred by Landlord, in the reasonable exercise of Landlord's business judgment with respect to the following:

I. Items included in Operating Expenses

(I) Actual labor costs and expenses (including fringe benefits, provided that such fringe benefits are no greater than those paid wider comparable union contracts, and workers compensation insurance covering Building employees), for the services of the following classes of employees performing services required in connection with the operation, repair and maintenance of the Building:

(i) the Building manager who works full time on the Building; and

(ii) engineers, mechanics, electricians, plumbers, porters, janitors and security personnel engaged on a full or part-time basis in the actual operation, repair and maintenance of any pmi of the Building, and the heating, air conditioning, ventilating, plumbing, electrical and elevator systems of the Building, but excluding cleaning of offices; provided that in the case of such part-time employees only the costs attributable to the Building shall be included.

(2) (i) The commercially reasonable cost of materials and supplies used in the operation, repair and maintenance of the Building, including, but not limited to, snow removal, painting and decorating, lighting, rubbish removal, removal of graffiti , excluding cleaning of offices.

(ii) The competitive cost of independent contractors performing services required for the operation and maintenance of the Building, including extermination services, but excluding cleaning services for offices.

(iii) The costs of electricity and all other utilities for the common areas of the Building.

(iv) Uniform and cleaning of uniform for Building employees;

(v) Accounting fees directly related to the maintenance and operation of the Building (including, without limitation, preparation of statements and bills for escalations), which are "out- of - pocket" expenses actually incurred by Landlord and which shall not be excess of fees for such items incuned by landlords of comparable office building in Brooklyn.

(3) Management fees paid to Landlord or an affiliated manager or third parties equal to two and a half percent (2.5%) of the Building's rent roll. The Building is currently self managed by Landlord through an affiliated manager.

(4) The cost of fire and casualty insurance (all risk or extended coverage) and commercial general liability insurance that a pmdent owner of a building comparable to the Building would maintain.

(5) Energy Efficient Capital Improvement(s) defined in subsection III below to the extent and in the manner specified therein but not if said Energy Efficient Capital Improvement(s) are pmt of the Work performed under A1ticle 6 as stated in subsection **III {iii)** below.

(6) Capital equipment or improvements as may be necessary to maintain and operate the Building and/or to comply with applicable laws or codes first becoming effective after the date of this Lease.

II. Items Excluded from Operating Expenses

(1) The cost of conecting defects in the construction of the Building or in the Building equipment, except that conditions (not occasioned by construction defects) resulting from ordinary wear and tear shall not be deemed defects for the purpose of this category;

(2) Cost of any repair made by Landlord to remedy damage caused by or resulting from the negligence of Landlord, its agents, servants or employees;

(3) Labor costs in respect to executives of Landlord not assigned to the Building as pmt of the normal Building operation staff;

(4) Taxes and Real Estate Taxes as defined below;

(5) Legal, accounting or other professional fees (including without limitation, brokerage, and finder's and advertising fees incuned to attract, lease to, or procure new tenants), other than auditing fees incmTed for the preparation of ammal audited operating expense statements;

(6) Any insurmlce premium, other than as set fo1th .in subsection **Lill** above;

(7) Interest for late payments of water and.sewer rents;

(8) The cost of any items for which Landlord is reimbursed by insurance or which are reimbursable by insurance;

(9) The cost of extraordinary services provided for other tenants within the premises respectively demised to such tenants;

(I0) The costs attributable to the correction or remedying of any act or omission of any tenant in the Building where such tenant is liable for the c01Tection or remedying of any such act or omission under its lease with Landlord; .

(11) Any cost (of electricity or any other item) for which Landlord is reimbursed by any tenant of the Building;

(12) The cost of repair or rebuilding caused by fire or other casualty or condemnation;

(13) The cost of any alterations, additions, changes, replacements and other items which under generally accepted accounting principles consistently applied ("GAAP") are properly classified as capital expenditures, excepting only (A) Energy Efficient Capital Improvements(s) as defined and permitted in subsection III below and (B) as provided for in paragraph I(6) above and such other capital expenditures which shall be made for replacements of Building equipment and prope1iy, the repair cost of which would exceed fifty percent (50%) of the cost ofreplacement and, accordingly, the Landlord reasonably dete1mined the cost of repair warrants replacement thereof in lieu of repair, and such allowable expenditures shall be included on a straight line basis to the extent such items are amortized over their useful life in accordance with GAAP. Landlord shall furnish Tenant with reasonable evidence confirming both the repairs and the replacement cost referred to herein;

(14) The cost of any alterations to prepare space for occupancy of any tenant in the Building;

(15) Expenses resulting from any violations by Landlord of the terms of this Lease or any other lease in the Building;

(16) Refinancing costs and mortgage interest and amortization payments;

(17) Cost of paintings and sculptures considered to be of the quality and nature of fine art as opposed to merely decorative art;

(18) Cost of maintenance, repafr and alteration to, and costs of operation of, the Building's parking garage, if any, and of any other retail space;

(19) Any item otherwise indicated in this Lease to be performed at Landlord's sole cost and expense; and

(20) Any item otherwise indicated in this Lease to be perfonned by Landlord but paid for by Tenant as additional rent or otherwise.

III. Capital Improvement(s) Intended to Improve Energy Efficiency, as defined in **ffiW** of this subsection **III** and to the extent pennitted in ***(ill*** of this subsection III, shall also be included in Operating Expenses, as follows:

(i) For the purposes of this subsection **III** only, the following definitions shall apply:

(a) "Energy Efficient Capital Improvement(s)" or "EECI" shall mean any alteration, addition, change, repair or replacement (whether structural or nonstructural) made by Landlord, in Landlord's discretion, in or to the Building or the common areas or equipment or systems thereof which, under generally accepted accounting principles consistently applied, is properly classified as a capital expenditure; and which capital expenditure, as certified in writing by the Independent Engineers defined in paragraph (d) below, will reduce the Building's consumption of electricity, oil, natural gas, steam, water or other utilities. The aggregate costs of any Energy Efficient Capital Improvement shall be deemed to include, without limitation, architectural, engineering and expediting fees, le al, consulting, inspection and commissioning fees actually incmTed in connection therewith, but shall be deemed to exclude actual or imputed financing costs in connection therewith; provided, however, the costs of such Energy Efficient Capital Improvement shall be deemed reduced by the amount of any NYSERDA or similar government incentives for energy efficiency improvements actually received by Landlord to defray the costs of such Energy Efficient Capital Improvement, and shall further be reduced by any energy efficiency tax credits or similar energy efficiency-based tax incentives actually accruing to Landlord as a result of such Energy Efficient Capital Improvement.

(b) "EECI Base Year" means each calendar year in which the EECI is completed and placed in service by Landlord.

(c) "Comparison Year" means the calendar year subsequent to the EECI Base Year.

(d) "Independent Engineers" means two (2) engineers selected by Landlord and reasonably approved by Tenant. From time to time, but not more than once during any period of twelve (12) consecutive months, Landlord and Tenant may each recommend two or more independent professional engineers, licensed by the State of New York, for inclusion on the list. Any such recommendations by Landlord or Tenant shall be subject to the written approval of the other party, which approval shall not be umeasonably withheld.

(e) "Simple Payback Period" shall mean the length of time (expressed in months) obtained by dividing (x) the aggregate costs of any such Energy Efficient Capital Improvement by (y) the anticipated annual savings in utility costs (which shall be the average of the determinations by the two Independent Engineers of such annual savings) includable in Operating Expenses (the "Projected Annual Savings"). By way of example, if the aggregate costs of such Energy Efficient Capital Improvement is $2,000,000 and the Projected Annual Savings are $500,000 per annum, then the Simple Payback Period for such Energy Efficient Capital Improvement is foliy-eight (48) months. The Projected Annual Savings and the Simple Payback Period shall be ce1iified in writing by the Independent Engineers.

(ii) Commencing with the first Comparison Year following the EECI Base Year and for each Comparison Year thereafter for the duration of the Simple Payback Period, Landlord may include in Operating Expenses a portion of the aggregate costs of such Energy Efficient Capital Improvement equivalent to eighty percent (80%) of the Projected Annual Savings, so that the aggregate costs of such Energy Efficient Capital Improvement will be fully am01iized over one hundred twenty-five percent (125%) of the Simple Payback Period. By way of example, if the aggregate costs of such Energy Efficient Capital Improvement is $2,000,000, the Projected Annual Savings are $500,000 and the Simple Payback Period for such Energy Efficient Capital Improvement is fo1iy eight (48) months, then Landlord may include $400,000 of the aggregate costs of such Energy Efficient Capital Improvement (i.e., an amount equivalent to 80% of the Projected Annual Savings) in Operating Expenses for five consecutive Comparison Years (i.e., sixty (60) months or I 25% of the Simple Payback Period).

(iii) Notwithstanding anything to the contrary contained herein or elsewhere in this Article 4 or the Lease, in no event shall any of Work performed under A1iicle 6 , even if otherwise deemed to be an Energy Efficient Capital Improvement(s), be included. in Operating Expenses.

Notwithstanding anything contained hereinabove to the contrary, the cost of any repair required to be performed by Landlord pursuant to Articles 9 and/or 13 of the Lease shall only be included as Operating Expenses in the applicable calendar year in which Tenant shall have given notice to Landlord (or Landlord shall have otherwise received actual notice) of the need for such repair. The cost of any repair not performed in such calendar year shall not be carried forward to the next or any subsequent calendar year; provided, however, if Tenant shall have given notice to Landlord of a repair during the last month of the applicable calendar year and such repair is not capable of being performed by the end of such month, provided that Landlord shall have commenced to perform such repair during such final month and thereafter diligently prosecute such repair to completion, the costs of san1e shall be included as an Operating Expense for the calendar year in which the repair is completed.

Tenant's Expense Share of such estimated increase in Operating Expenses shall be paid in twelve (12) equal monthly installments on the same dates as the annual base rental is payable. The first installment shall be due on the rent payment date coinciding with or following the rendering of the escalation statement, provided, however, that if this Lease terminates for any reason before the entire amount of estimated additional rent has been paid for the previous or current year, the balance shall become due and payable to the date of termination and may be based upon a reasonable estimate for the current year.

If the Estimate is delivered to Tenant prior to the commencement of the pmiicular Fiscal Year, then Tenant agrees to pay to Landlord on the last day of each month occurring during such Fiscal Year, as Additional Rent, one-twelfth (1/12'11) of the Amount stated in the Estimate. If such Estimate is delivered to Tenant subsequent to the commencement of the particular year, then (i) Tenant shall pay to Landlord on the last day of each month of such Fiscal Year one-twelfth (1112'11) of the amount stated in the immediately preceding Fiscal Year Estimate, (ii) Tenant shall pay to Landlord on the last day of each month during such Fiscal Year) following the forty-fifth (45°1 day after the delivery of such Estimate to Tenant, one-twelfth (1/12'h) of the Amount stated in such Estimate, and (iii) promptly following the delivery of such Estimate to Tenant, Landlord shall refund to Tenant, or Tenant shall pay to Landlord, as appropriate, the difference between (x) the amounts actually paid to Landlord by Tenant for the months prior to the delivery of the Estimate and (y) the amounts that Tenant would have paid to Landlord during such months if Landlord had delivered the Estimate prior to the commencement of the particular Fiscal Year. However, actual payment of any increase shall not stmi until after the first day of the first year following the Commencement Date.

The intent of the pmiies is that Tenant shall pay its proportionate share of increases in Operating Expenses based on the Building being fully occupied. Accordingly, in determining the amount of Operating Expenses for the Operating Expense Base Year or of any succeeding Fiscal Year subsequent thereto, if less than one hundred percent (] 00%) of the Building rentable area shall have been occupied by tenm1t(s) at any time during any such Operating Expenses Base Year, or any succeeding Fiscal Year subsequent thereto, Operating Expenses shall be determined for such Operating Expense Base Year or any succeeding Fiscal Year subsequent thereto, to be an amount equal to expenses which would be incurred in the Building under an operating clause such as this one had such occupancy been one hundred percent (] 00%) throughout such Operating Expense Base Year or any succeeding Fiscal Year subsequent thereto.

Notwithstanding anything to the contrary, if any new expense, not listed as an expense in the Operating Expense Base Year (the **"Additional Operating Expense")** and which Operating Expense may be listed as an Operating Expense under this Article, is included in the Tenant's calculation of the Operating Expense escalation in a calendar year subsequent to the Base Year, such Additional Operating Expense must also be included in the Operating Expense Base Year and all subsequent years based on the following fo1mula. The Base Year Operating Expenses will be revised to include the Additional Operating Expense which is calculated by dividing the current year's cost by the fraction, the denominator of which shall be the Consumer Price Index **("CPI")** for the Base Year and the numerator of which shall be the CPI for the current year. As used herein, the term **"Consumer Price Index"** shall mean the United States Department of Labor's Bureau of Labor Statistics, Consumer Price Index, All Urban Consumers, All Items, New York/Northeastern, NJ (1982 - 84 equals 100), or the successor of that index.

Landlord shall be required to disclose and notify Tenant of any "Significant Related Party Transactions", as set forth in A1ticle 25 hereof, the cost of which are passed on, in whole or in part, as rent. When such transactions occur prices of same must be in line with normal industry practice in New York City. Failure to notify Tenant of such Significant Related Party transactions shall result in a disallowance of such costs that would othe1wise be passed along as an Operating Expense. If such Significant Related Party Transactions occurred and were disclosed but it is found by the Tenant that the cost thereof was excessive, then such charges shall be disallowed to the extent they exceed n01mal industry prices in New York City.

Within ninety (90) days after the expiration of the Operating Expense Base Year, Landlord shall furnish to Tenant a schedule of Operating Expenses for said Operating Expense Base Year. Within ninety (90) days after the expiration of each Fiscal Year subsequent to the Operating Expense Base Year (inclnding the Fiscal Year in which this Lease terminates), Landlord shall furnish to Tenant a schedule of Operating Expenses for said Fiscal Year and a schedule of additional rent resulting from escalations in Operating Expenses. Such schedules of Operating Expenses must be prepared in a format no less detailed than that shown in **Exhibit B** hereto.

Such schedules of Operating Expenses must include a statement signed by the chief executive; chief operating, or chief financial officer of Landlord that:

(a) discloses fully any significant changes in the calculation of Operating Expenses from the Operating Expense Base Year to said Fiscal Year and/or from the previous Fiscal Year to said Fiscal Year, or, in the absence of significant changes, states that there have been no significant changes in the calculation of Operating Expenses with respect to the aforementioned periods; and

(b) avers that there is complete and accurate documentation in Landlord's files to support each and every charge included in Operating Expenses.

Landlord must have supporting documents for each and every Operating Expense or it will be disallowed.

Such schedules of Operating Expenses and of additional rent resulting from escalations in Operating Expenses must be accompanied by a report of Landlord's Ce1iified Public Accountant, which report must be based upon an audit conducted in accordance with generally accepted auditing standards and state whether the schedules of Operating Expenses and additional rent resulting from escalations in Operating Expenses present fairly the Operating Expenses of Landlord for the applicable year and the additional rent resulting from escalations in Operating Expenses, as defined in the Lease.

At the time each such schedule of Operating Expenses is furnished to Tenant, appropriate adjustment shall then be made between the parties, i.e., if Tenant has paid on account of such Fiscal Year more than Tenant's Expense Share of the actual amount by which Operating Expenses for such Fiscal Year exceeded Operating Expenses for the Operating Expense Base Year, Landlord shall refund such overpayment to Tenant at the time of giving such notice; if Tenant has paid on account of such Fiscal Year less than Tenant's Expense Share of the amount by which Operating Expenses for such Fiscal Year exceeded Operating Expenses for the Operating Expense Base Year, then Tenant shall pay the difference to Landlord within sixty (60) days after receiving the ce1iified Operating Expenses statement, provided, however, that Tenant shall be required to pay to Landlord only the difference between (a) Tenant's Expense Share of the excess of the undisputed actual Operating Expenses for the Fiscal Year over actual Operating Expenses for the Operating Expense Base Year and (b) the Estimate; payment of any amounts on account of Operating Expenses other than the aforementioned undisputed amount shall be withheld by Tenant until Tenant is satisfied that the change in question is valid or until any dispute is otherwise resolved. Appropriate pro rata adjustment shall be made for the last Fiscal Year in which this Lease terminates.

If Landlord fails to furnish any of the foregoing statements, Tenant may, upon thirty (30) days' written notice, withhold all additional rent due and owing to Landlord, including but not limited to Real Estate Tax escalations and Operating Expense escalations, until Landlord furnishes the foregoing statements. Tenant's liability for additional rent due pursuant to this Article and/or Landlord's liability for refunding any overpayment shall survive the expiration of the Term hereof.

Pending any audit by the Tenant or Comptroller of direct operating expenses for any calendar and/or fiscal year, including the Operating Expense Base Year, Tenant shall pay Additional Rent pursuant to the foregoing provisions hereof for such year as billed by Landlord; and upon completion of such audit and resolution by Landlord and Tenant of any matters in contention, appropriate refund or credit shall be allowed Tenant against the next installments of rent and Additional Rent becoming due hereunder ifrequired thereby.

With respect to any patiial Fiscal Year occurring at the begi1J1Jing or the expiration of the te1m hereof or termination of this Lease, additional rent payable by Tenant for such partial Fiscal Year on account of Operating Expenses shall be equitably adjusted.

Tenant shall have the right to copy, exatnine and audit any of Landlord's statements including the Base Year operating statement.

B. REAL ESTATE TAX ESCALATIONS

The term **"Taxes"** and **"Real Estate Taxes"** as used herein, shall mean the real estate taxes and assessments including special assessments on or with respect to the Building and the land upon which it is located (the **"Land"),** assessed, levied, or imposed by any governmental authority having jurisdiction including Business Improvement District taxes and assessments and including, without limitation (i) assessments made upon or with respect to any "air" or "development" rights now or hereinafter appmienant to or affecting the Land: (ii) and fee, tax or charge imposed by any governmental authority for any vaults, vault space or other space within or outside the boundaries of the Land: and (iii) any taxes or assessments levied after the date of this Lease in whole or in pati for the public benefits to the Land or the Building; in each such instance, without taking into account any discount that Landlord may receive by virtue of payment of Taxes. Excluded from the foregoing enumerations of Taxes and Real Estate Taxes will be (i) any income, franchise, inheritance, capital stock, excise, excess profits, occupancy or rent, gift, estate, payroll or stamp taxes or foreign ownership or control taxes or any capital gains tax, deed tax or transfer tax, and mortgage recording tax imposed on Landlord by municipal, state or federal law (however, if and to the extent that, due to a change in the method of assessment or taxation, any of the taxes refen-ed to in this sentence or other tax or charge shall be substituted for the Taxes now or hereafter imposed upon the Building, such tax referred to in this sentence or other tax or charge, computed as if Landlord owned or operated no property other than the Building, shall be deemed included in the teml s "Taxes" or Real Estate Taxes" for the purposes hereof), (ii) any Taxes resulting from an increase of the assessed value of the Building attributable to additions or capital improvements (other than replacements) to the Building attributable to additions to the Building which increase the rentable area of the Building. As of the date hereof, to the best of Landlord's knowledge, the only Taxes affecting the Building and/or the Land are the real estate taxes payable to The City of New York.

Tenant covenants and agrees that for each lease year of the initial lease term commencing with July I, 2021, where the total annual Real Estate Taxes imposed or assessed upon the Land and Building for such lease year is greater thml or less than the Real Estate Tax finally imposed or assessed upon the Land and Building for the New York City tax fiscal year 2020/2021 (hereinafter referred to as the **"Real Estate Tax Base Year",** and such amount being hereinafter refe1Ted to as the **"Tax Base"),** Tenant shall (i) reimburse Landlord for Tenant's Tax Share of increases in Real Estate Taxes paid by Landlord, as Additional Rent, within fmiy-five (45) days after Tenant's receipt of Landlord invoice accompanied by satisfactory evidence of Landlord's payment of the Real Estate Taxes, or (ii) shall receive from Landlord as a credit against rent (Additional Rent and/or Base Rent, at Tenant's option), a sum equal to Tenant's Tax Share of such decrease in Real Estate Taxes. The amount of such Additional Rent payable or rent credit receivable for any lease year having a duration of less than twelve (12) months shall be prorated.

Appropriate credit shall be given for any net refund, after deduction certiorari attorneys' actual and reasonable fees and expenses obtained by reason of a reduction in the assessed valuation made by the assessors or the courts at any time during this Lease or at any time thereafter. The original computations, as well as payments of Additional Rent, if any, under the provisions of this A1ticle, shall be based on the original assessed valuation with adjustments to be made if and when the Tax refund, if any, has been paid to Landlord.

If the assessment of the Land and Building shall be reduced for the Real Estate Tax Base Year as a result of protests of proceedings filed therefor, then the Tax Base shall be amended to the amount actually collectible by The City of New York for the base fiscal tax year on the conected assessment.

C. RIGHT TO AUDIT

Tenant and its authorized representative shall have the right to examine, copy and audit any and all books and records of Landlord, including but not limited to original invoices, originals of executed contracts, original cancelled checks, general ledgers and books of original entry, for the purpose of verifying the accuracy of any statement furnished by Landlord to Tenant. All statements are subject to audit by the occupying agency or its representative and post-audit by the Office of the Comptroller. Landlord shall be required to retain the books and records required herein, at its main office or such other location within New York City as it may designate, for six (6) years after the period to which they relate. However, ifat the expiration of such six (6) year period, Tenant or the Comptroller of The City ofNew York is contesting any matter to which such books and records may be relevant, Landlord shall preserve such books and records until one (1) year after the final adjudication, settlement or other disposition of any such contest.

ARTICLE5

LANDLORD'S INTEREST IN DEMISED PREMISES

Landlord warrants and represents that it is the owner in fee of the Building, the Demised Premises and the Land and is empowered and authorized to lease said Demised Premises as provided herein.

ARTICLE6

ALTERATIONS AND IMPROVEMENTS

(A) Landlord agrees, at Landlord's sole cost and expense, prior to the Substantial Completion Date (as defined below) , to make alterations and improvements (the **"Work")** based on the scopes of work (i.e., a scope of work with respect to the HRA portion of the Demised Premises and a scope of work with respect to the DEP p01iion of the Demised Premises) said scope of work is hereinafter refe1Ted to as the **"Scope of Work"** prepared by the Design and Project Management Unit ofDCAS **("D&PM")** and approved by the occupying agencies and attached hereto as **Exhibit C** and made a pmi hereof.

(B) Within forty- five (45) business days from the Execution Date, Landlord shall cause its architect and/ or engineer (which shall be subject to Tenant's approval, such approval not to be umeasonably withheld, conditioned or delayed) (the **"Architect")** to prepare and deliver to Tenant the architectural and engineering plans and specifications for the Work (the **"Initial Work Plans").** Tenant hereby approves Grasso Menziuso Architects, TWIG Engineers & Sustainability Consultants and/or Jack Green Associates as the Architect to the extent that Landlord elects to use any such company. The Initial Work Plans must be (i) engineering and architecturally complete; (ii) coordinated with existing Building conditions and facilities; (iii) conform to all New York City codes and all other applicable federal, state and local laws, regulations, codes and requirements (including, but not limited to, the terms and conditions set forth in the DCAS Guide for Design Consultant, April 2016 rev. September 26, 2016) **("Guide for Design Services"),** a copy of which Landlord aclmowledges having received, and (iv) be based upon the Scope of Work in order to create a complete set of construction documents. In addition, Landlord's Architect shall prepare a phasing plan for the Work which schedules the Work in phases to suit both Landlord and Tenant **("Phasing Plan").** (It being understood that the Landlord, at its sole cost and expense, shall disconnect and remove all workstation as required in order to perform the Work. It is further understood and agreed that all other obstructions shall be reviewed by HRA & DEP within a pre- arranged walk- through with Landlord prior to the stmt of any painting work and either HRA & DEP shall relocate any affected item or request a work around. Tenant shall cooperate with Landlord and its contractors in removing the furniture in order for Landlord to perform the Work, and Tenant shall remove other obstructions as set forth in the previous sentence). The Phasing Plan must (i} allow for existing personnel in the Demised Premises to experience no interference that is not otherwise commercially reasonable under the circumstances while Landlord's contractor commences and completes construction of the Work; (ii) provide a legal means of egress for all building occupants during the construction of the Work; and (iii) maintain all Building services to the po1tions of the Demised Premises that m·e being occupied by Tenant during the construction of the Work; in each instance, provided that and on the condition that Tenant shall be in strict compliance with the Phasing Plan. Notwithstanding the foregoing, Tenant shall fully cooperate with Landlord and Landlord's contractors such that Landlord is able to timely obtain all required DOB and other sign offs to the sprinkler fire protection system (the **"Life Safety System")** to be installed in tl1e Building as a pmi of the Work.

(C) Within ten (] 0) business days after receipt by Tenant of the complete set of Initial Work Plans, D&PM will review and either approve or disapprove the Initial Work Plans, such approval not to be umeasonably withheld; it being understood that the sole basis for D&PM's right to disapprove the Initial Work PlaJ1s shall be that such plans are not consistent wiili the Scope of Work with respect to the relevant item of Work shown on the Initial Work PlaJ1s. In the event Tenant shall not approve such Initial Work PlaJ1s, as required hereunder, it shall, within such five (5) business day period, indicate to Landlord in writing the corrections to the Initial Work Plans required before such approval can be furnished. Thereafter, Landlord shall resubmit revised Initial Work Plans within five (5) business days aJ1d D&PM shall approve or disapprove such revised Initial Work Plans, such approval not to be unreasonably withheld; it being understood that the sole basis for D&PM's right to disapprove the Initial Work Plans shall be that such plans are not consistent with the Scop·e of Work with respect to relevmlt item of Work shown on the Initial Work Plans. In the event Tenmlt shall not approve such revised Initial Work Plans, it shall within five (5) business days, indicate to Lmldlord hall indicate in writing, the conections to the revised Initial Work PlaJ1s required before such approval CaJl be furnished, following which Landlord shall, within five (5) business days of its receipt of such corrections, fully complete the revision of the Initial Work Plans based on the requested corrections and furnish Tenant with a complete set thereof for its approval. If such subsequent revision of the Initial Work Plans does not meet Tenant's approval (such approval not to be unreasonably withheld), then the process set forth in the preceding sentence shall repeat until all required revisions have been fully incorporated.

(D) Within five (5) business days following D&PM's approval the Initial Work Plans (the **"Final Plans"),** Landlol'd shall file the Final Plans as necessary with the New York City Department of Buildings (the **"Buildings Department"),** the New York City Fire Depaiiment (the **"Fire Department")** and all other governmental authorities having jurisdiction (collectively, the **"Governmental Authorities").** Within ten (10) business days after Landlord's receipt of all the building permit(s) required for the Work, Landlord shall submit a copy of the building pennit(s) for the Work to Tenant and shall commence construction of the Work **("Work Commencement Date").** Landlord shall perform the Work in accordance with the Final Plans.

(E) Landlord hereby wanants and represents that it has the financial capability and/or adequate financing to complete the Work in the time frames set forth herein. Landlord's misrepresentation with regard to such capability shall constitute a basis for rescission of this Lease.

(F) Landlord shall have a continuing obligation to make regular periodic payments to its contractors as provided for by the terms of the respective construction contracts, to ensure diligent and timely completion of the Work.

(G) (1)The Demised Premises shall be deemed **"Substantially Complete"** and **"Substantial Completion"** shall be deemed to have occurred (the **"Substantial Completion Date")** upon (1) ce1iification by D&PM of Landlord's completion of the Work excepting minor details of construction or decoration which do not adversely affect Tenant's use of the Demised Premises; and (2) receipt by Landlord and the delivery to D&PM of (i) all applicable Buildings Department and Fire Department inspection sign-offs (including but not limited to Buildings Department Post Permit TR-I, Equipment Use Permits, a Certificate of Occupancy (permanent or temporary), electrical and plumbing sign-offs, Fire Department and elevator inspections and sign-offs) and compliance with the terms and provisions of A1iicle 26 of the Lease - Asbestos) and (ii) certified air balancing report approved by Landlord's engineer as being in conformance with the Final Plans. D&PM shall use reasonable efforts to certify or deny certification of Substantial Completion pursuant to (I) above within seven (7) business days after D&PM receives written notice from Landlord of Landlord's determination that the Work is Substantially Complete; such notice from Landlord must include all items under (2) (i) and (ii) above. In the event the Ce1iificate of Occupancy and/ or sign-offs are temporary, Landlord will keep them all in full force and effect and will be solely liable for all costs in connection therewith. Landlord, prior to the commencement of the Term, shall remove all violations, including but not limited to Building Code and Fire Code violations, now pending or which may be placed against the Demised Premises or the real prope1iy of which they fonn a part, except those violations caused by Tenant's breach of the terms of this Lease or the Prior Leases.

(2) Notwithstanding anything to the contrary set forth above, if Landlord has provided the Buildings Department and the Fire Depmiment with fully completed requests and applications for the above required Sign-Offs and has timely responded to any objections raised, and if the Buildings Department and/or the Fire Depmiment have not provided Landlord with inspection dates or Required Sign-Offs after a period ofthi1iy (30) days of such complete filings and applications, then Landlord may have the Architect and/or engineer and/or licensed fire alann contractor approved by the FDNY certify that the applicable Work is complete and is in compliance with the Final Plans and is in compliance with code **("Self-Certifications");** provided, however, Landlord shall first provide Tenant reasonably detailed supporting documentation of the dates of such requests, applications and responses before any such Self Ce1iifications are permitted. Provided such ce1iification(s) are given to Tenant, then for purposes of the Fire Department, the issuance of a Letter of Recommendation from the FDNY, shall be adequate and sufficient for Substantial Completion purposes with respect to establishing the Commencement Date of the Lease as set fmih in A1iicle 1; however, Landlord shall remain responsible for, and shall diligently pursue obtaining, all Required Sign-Offs and inspections and achieving Substantial Completion as herein required. Landlord shall be responsible for all costs that may be associated with the Architect's Self-Ce1iifications.

(H) In the event Landlord fails to commence construction of the Work by the Work Commencement Date and/or fails to meet any applicable time frames required prior to Substantial Completion of the Work under this Article 6, subject to Tenant Delay(s) and Unavoidable Delays, then Tenant shall give Landlord written notice (hereinafter refened to as **"Delay Notice")** advising Landlord of its failure to so commence and/or perform. If Landlord fails to commence the work or perform its obligations under this Article 6 within ten (10) business days from the date of the Delay Notice, Tenant, in addition to any other remedy it may have, at its option may as agent of Landlord commence performance of the Work and deduct the cost thereof from the Base Rent to become due and payable pursuant to Article 2 hereof to the extent that such cost does not exceed Landlord's anticipated cost therefor. Tenant, however, shall not be required to exercise the foregoing rights. Regardless of whether or not Tenant provides written Delay Notice to Landlord or elects to perform the Work as Landlord's agent, it shall receive a rent credit subsequent to Substantial Completion equivalent to one (1) day of free Base Rent for each day Landlord has delayed Substantial Completion of the Work.

(I) If Landlord shall fail to Substantially Complete the Work after commencement of same within twelve (12) months from the Work Commencement Date, time being of the essence, (subject to Tenant Delays and Unavoidable Delays), then Tenant shall give Landlord written notice (hereinafter referred to as the **"Completion Delay Notice")** advising the Landlord of its failure to achieve timely Substantial Completion within such twelve (12) month period. If Landlord fails to achieve Substantial Completion within fifteen (15) business days from the date that Landlord receives such Completion Delay Notice, or if such Work cannot be completed within said fifteen (15) business days day and Landlord fails to act diligently, and continuously without interruption to Substantially Complete the Work within a reasonable time, Tenant, in addition to any other remedy it may have, may: (i) as agent of Landlord, perform said Work and deduct the cost thereof from the Base Rent to become due and payable pursuant to Article 2 hereof or (ii) if Landlord shall not have substantially completed the Life Safety System, then Tenant may terminate this Lease on ten (10) business days written notice to Landlord; provided, however, that if Landlord delivers written notice to Tenant prior to the expiration of such ten (10) business day period that Landlord has Substantially Completed the Life Safety System, Tenant's termination notice shall be deemed null and void and of no fmiher force and effect and the terms and conditions of this Lease shall remain in full force and effect. Tenant, however, shall not be required to exercise either of the foregoing rights. If Tenant elects not to te1minate the Lease, and regardless of whether or not Tenant provides written Completion Delay Notice or elects to perform the work as Landlord's agent, it shall receive a rent credit subsequent to Substantial Completion equivalent to one (1) day of free Base Rent for each day Landlord has delayed Substantial Completion of the Work beyond such fifteen (15) business day period.

(J) For the purposes of this Article 6, **"Tenant Delay"** shall mean the occunence of any actual delay of one or more days (not due to an Unavoidable Delay as hereinafter defined or delays caused by Landlord or its contractors) that continues after written notice from Landlord and Tenant's failure to cure within a five (5) day business period, which results in Landlord's inability to (x) timely commence the performance of the Work, or (y) timely Substantially Complete the Work (including obtaining any required Sign Offs) due to any of the following: (i) any request by Tenant that Landlord delay in proceeding with any segment or part of the Work; (ii) any failure by Tenant to timely respond to submissions and timely complete its review and reasonably approve Plans pursuant to the time frames and other provisions set f01ih herein; (iii) any failure of Tenant to comply with the Phasing Plan; or (iv) any failure by Tenant to respond reasonably, in good faith or within the time frames set forth herein or to respond with reasonable specificity where required herein. Landlord shall notify Tenant in writing of such Tenant Delay(s) and in the event Tenant does not cure said delay within five (5) business day, said Tenant Delay (s) shall extend the time for Landlord's performance of said obligations by the amount of time equal to said Tenant Delays on a day for day basis. Further, in the event of any delay in the completion of Landlord's performance of the Work due to one or more Tenant Delays, the Lease Commencement Date shall be accelerated, on a day-for-day basis, by the number of days of such Tenant Delay(s), provided however, that Landlord has notified Tenant in writing of such Tenant Delay and Tenant had not cured said delay within such five (5) business day period, or, if such circumstances are incapable of being remedied within such five (5) business day period, fails to commence to cure with such five (5) business days period and/or to complete such cure within ten(]0) business days after receipt of the Tenant delay notice.

(K) Any disputes between Tenant and Landlord as to any Unavoidable Delay or Tenant Delay shall be decided by arbitration in accordance with the procedures set fo1lh in this Section K. In the event of any dispute under this Article or any other Article of this Lease with respect to the determination of the issue of Substantial Completion, or under any other Section of this Lease that provides for resolution of a dispute in accordance with this Section X, if any, either party may submit the dispute for resolution in the City of New York in accordance with the Expedited Arbitration Rules of the American Arbitration Association, its successor or, if it shall cease to exist, an entity perfonning similar functions the "AAA"\ provided, however, that (1) the list of arbitrators referred to in Rule 54 shall be returned within five (5) business days from the date of mailing, (2) the parties shall notify the AAA, by telephone, within three (3) business days, of any objections to the arbitrator appointed and will have no right to object thereto if the arbitrator so appointed was on the list submitted by the AAA and was not objected to in accordance with Rule 54, (3) the Notice of Hearing referred to in Rule 55 shall be four business days in advance of the hearing, (4) the hearing shall be held within seven (7) business days after the appointment of the arbitrator and (5) the decision and award of the arbitrator shall be final and conclusive on Landlord and Tenant. Judgment shall be entered on the decision and award of the arbitrator so rendered in any comi of competent jurisdiction. The fees and disbursement of respective counsel engaged by the parties shall be paid by the respective pailies aild the fees of the arbitrators and the expenses incident to the proceedings (except the fees of expert witness and other witnesses called or engaged by the parties, which shall be borne by the party calling such witnesses) shall be paid fifty percent (50%) by Landlord and fifty percent (50%) by Tenant.

(L) Promptly after Substantial Completion of the Work, Tenant shall submit to Landlord a written list of all Punch-List Items with respect thereto (each a **"Punch List").** Landlord shall within forty- five (45) business days of receipt of a Punch List, c01mnence performance and diligently proceed with continuity to complete the Punch-List Items identified therein. or if such Work cannot be completed within said fo1ty- five (45) business days and Landlord fails to act diligently, and continuously without inte1Tuption to Substantially Complete the Work within a reasonable time. In the event Landlord fails to timely commence and is not diligently pursuing completion of said Punch List work, Tenant, in addition to any other remedy it may have, may following an additional five (5) business day notice to Landlord, (i) as agent for the Landlord, perform said Punch List work and deduct the cost thereof from the Rent due or that may become due and owing under this Lease; or (ii) withhold the reasonably estimated value of completing such Punch List work from the Rent due and owing to Landlord until Landlord performs such work to the reasonable satisfaction of Tenant.

(M) Notwithstanding anything to the contrary in Article 13 hereof, Landlord shall be solely responsible for the perf01mance and cost of all repairs resulting from defects of materials and worlananship in connection with the Work.

(N) Landlord acknowledges that the Demised Premises will be occupied and used by Tenant, its employees and invitees during the performance of the Work, subject to and in accordance with the Phasing Plan. Accordingly, Landlord shall comply, and shall cause it contractors to comply, with Buildings Department related site safety regulations and, provided that Tenant is complying with the Phasing Plan, to use commercially reasonable efforts to minimize noise, dust and other conditions which may adversely affect Tenant, its invitees, employees, and workers, to take every reasonable precaution against injuries to persons or damage to property, and to provide for the safety of persons at the Building. Any painting work or sprinkler work which interferes with the Tenant's operation, including disruption due to noise, dust and foul odor, shall be done after hours (i.e. after 6 PM or on weekends) and otherwise in accordance with the Phasing Plan. Landlord shall be responsible for the initiation, maintenance and supervision of reasonable safety precautions and programs in connection with the performance of the Work to the extent required by applicable codes and standard industry practice. Prior to the commencement of the Work, Landlord shall designate a qualified person, if required by code, to carry out such programs and notify Tenant of the person so designated..

(0) As used in this Lease, the tenn **"business days"** shall mean all days other than Saturdays, Sundays and all days observed by the New York State or federal government as legal holidays.

(P) The time periods and the obligations of the pmiies hereunder shall be subject to "unavoidable delay" as defined in Article 22 of this Lease (collectively, **Unavoidable Delays").**

(Q) Landlord agrees to cause its contractors perfmming the Work to maintain commercial general liability insurance covering the City ofNewYork, including its officials and employees, as an additional insured with coverage at least as broad as the most recent ISO Forms CG 20 26 and CG 20 37 and with per occurrence and aggregate limits in the amounts required by the Landlord. Landlord shall furnish Tenant with a certificate of insurance and the required additional insured endorsements. Lm1dlord's agreements with contractors performing the Work shall include the following provision: "The contractor waives all rights against the City, including its officials and employees, for any damages or losses that are covered by the commercial general liability insurance."

(R) Landlord and Tenant shall each designate a person (each, a **"Construction Rep")** who shall serve as its representative during the design and construction of the Work. Lm1dlord's Construction Rep shail be Jacob Schwimmer and Tenant's Construction Rep shall be Ms. Awyrnarie Riollano in each case until further notice. All written consents and approvals given by Tenant's Construction Rep, on behalf of Tenant, or by Landlord's Construction Rep, on behalf of Landlord, concerning the design and construction of the Work shall be valid and binding on Landlord or Tenant, as applicable.

Notices to Tenant during the design and construction of the Work, and correspondence to Tenant's Construction Rep, shall be sent to:

Ms. Awymarie Riollano
Executive Director, Design & Project Management
Real Estate Services
Depatiment of Citywide Administrative Services
1 Centre Street, 20th Floor I New York, NY 10007
Tel: (212) 386-0638

with a copy to:

Mr. Todd Hamilton
Executive Director of Leasing
Real Estate Services
Depaiiment of Citywide Administrative Services
1 Centre Street, 20th Floor
New York, New York 10007
Tel. No. (212) 386- 6350

Notices to Landlord during the design and construction phases, and correspondence to Landlord's Construction Rep, shall be sent to:

Mr. Jacob Schwimmer
*c/*o Clipper Equity
4611 12th Avenue, Suite 11
Brooklyn, New York 11219
Jschwimmer@clippereguity.com

and to:

Mr. David Bistricer
*c/*o Clipper Equity
4611 12'h Avenue, Suite 11
Brooklyn, New York 11219
David@clippereguity.com.

ARTICLE7

CERTIFICATE OF OCCUPANCY; COMPLIANCE WITH LAWS

Landlord agrees to maintain any necessary use and occupancy pennits including a Ce1tificate of Occupancy or a Temporary Certificate of Occupancy, or other sufficient indicia of legality for use of the Demised Premises for the purposes set fmth in this Lease.

At its own expense, Landlord agrees to obtain all permits necessary to legalize the Demised Premises, the alterations and improvements specified herein and to comply with all requirements, rules, laws, regulations and orders of Federal, State and local authorities **("Legal Requirements")** and of any board of fire underwriters having jurisdiction over the Demised Premises or the real property of which they form a part, including, without limitation, the Americans with Disabilities Act of 1990, 42 U.S.C. §12101 et seq. **("ADA")** during the Te1m (unless the need for such compliance with Legal Requirement arises out of Tenant's particular manner of use in contravention of the permitted use under this Lease). With respect to the ADA and regulations promulgated pursuant thereto, Landlord shall comply with and perform both the Landlord's obligations, if any, as a public accommodation pursuant to Title III of the ADA and the Tenant's obligation as a public entity pursuant to Title II of the ADA for the Demised Premises and all common areas that service the Demised Premises in and around the Building. Landlord shall remove all violations which may be placed against the Demised Premises or the Land, including but not limited to Building Code and Fire Code violations, except those violations caused by Tenant's breach of the terms of this Lease. In the event Landlord fails to comply with any of the provisions of this Article, and Landlord fails to commence to cure such default, within five (5) days after written notice from Tenant specifying such default, and thereafter diligently with continuity complete curing said default, then Tenant, in addition to any other remedy it may have, may (i) as agent of Landlord, cure such default and deduct the cost thereof from any rent due or that may become due and payable under this Lease, or (ii) may withhold an amount ofrent equal to one hundred fifty percent (150%) of the reasonable cost of performance of such obligations as reasonably determined by Tenant until Landlord perfonns such repairs to the reasonable satisfaction of Tenant.

Anything to the contrary notwithstanding, in the event that the obligations to be performed by Landlord under this Article (x) are required to correct a hazardous condition or to end an emergency or (y) the failure of Landlord to provide the aforesaid services create an emergency or hazardous condition, which renders the Demised Premises unsuitable for the uses set forth herein, Tenant shall give Landlord, its agent, superintendent or the person designated to receive such notice, prompt notice in writing, personally or by nationally recognized overnight mail service **("Overnight Mail"),** and Landlord, within tluee (3) business days ofreceipt of said notice, shall commence effmis to furnish such service or collll11ence performing the repairs necessary to restore/provide such service and diligently proceed with continuity to complete said work. In the event Landlord fails to commence and/or diligently proceed with continuity to complete said work after said notice as aforesaid, Tenant, (i) as agent for the Landlord, perform same and deduct the cost thereof from any rent due or that-may become due and payable under this Lease, or (ii) may withhold all rent due and owing to Landlord until Landlord perfo1ms such repairs to the reasonable satisfaction of Tenant, or (iii) give Landlord and its managing agent a second notice (the "Second Notice") of said default in the manner above provided. Furthermore, if Tenant provides a Second Notice to Landlord of such default and Landlord thereafter fails to commence to cure such default within five (5) days following receipt of the Second Notice, or fails thereafter diligently to proceed with continuity to cure said default and, as a result of Landlord's failure, (a) at least 25,000 rentable square feet of the Demised Premises is rendered unusable for Tenant's business purposes and (b) Tenant removes its personnel from suchpmiion of the Demised Premises, then Tenant may terminate this Lease on five (5) days written notice to Landlord.

Anything herein to the contrary notwithstanding, (i) Tenant's rights under the forgoing provisions are conditioned upon it having sent a copy of all of the above notices in accordance with the provisions of any Subordination, Nondisturbance and Attornment Agreement as provided for A liicle 21 hereof, and (ii) all of the above time periods and Tenant's rights for Landlord's failure to perform its obligations are subject to extension by reason of Unavoidable Delay(s).

ARTICLES

REAL ESTATE TAXES, ASSESSMENTS,
WATER RATES, SEWER RENTS, ARREARS

(A) Landlord shall pay all real estate taxes, assessments, water rates and sewer rents levied agair\st said Building and Land for the tax lot where the Demised Premises is located or that may be liens thereon. Landlord shall provide Tenant with receipted bills, payment receipts or other back-up infomlation reasonably satisfactory to Tenant evidencing Landlord's payment thereof within fifteen (15) business days after Tenant shall give notice to Landlord requesting such evidence of payment. Should Landlord fail to pay said taxes, assessments, water rates and sewer rents, then Tenant, in addition to any and all other remedies it may have, may, after not less than thirty (30) days' notice to Landlord, apply any Rent due or that may become due and payable under this Lease to the payment of said taxes, assessments, water rates and sewer rents, and so long as any of such items are unpaid, no action or proceeding may be maintained by Landlord against Tenant for nonpayment of Rent.

(B) Additionally, if Landlord is in any other arrears on the Land, Building and/or Demised Premises, including but not limited to rents, mortgage payments and other payments or obligations payable to The City of New York, then, after thirty (30) days' notice from Tenant to Landlord and Landlord's failure to make such payment within said thirty (30) day period, then Tenant may apply any Rent due or that may become due and payable under this Lease to the payment of such aJTears and as long as such arrears are unpaid, no action or proceeding may be maintained by Landlord against Tenant for Tenant's nonpayment of Rent.

ARTICLE9

LANDLORD'S SERVICES

Landlord shall provide fuel, hot and cold water, adequate elevator service, maintain the public entrances, passageways, doors, doorways, corridors, elevators, stairs, toilets (including supply and cleaning thereof) and other public parts of the building (collectively **"common areas"),** perform regular monthly extermination services to the Demised Premises aiId the common areas, provide and maintain the heating, ventilation and air conditioning equipment **("HVAC")** in good working order so as: (i) to provide air conditioning during the summer months at aiI average inside design temperature of seventy-five (75) degrees Fahrenheit dry bulb and a room relative humidity of fifty percent (50%) when the outside temperature is ninety-five (95) degrees Fahrenheit dry bulb coincident with a wet bulb temperature of seventy-five (75) degrees Fahrenheit; and (ii) to provide heating during the winter months at an average inside design temperature of seventy-two (72) degrees Fahrenheit dry bulb when the outside temperature is twelve (12) degrees Fahrenheit dry bulb with a wind velocity of twenty-seven (27) miles per hour.

Prior to the Commencement Date, Landlord, at its sole cost and expense, shall perform all of the preventative maintenance measures set for in **Exhibit D,** attached hereto and made a part hereof.. Landlord, at its sole cost and expense, may, at its option, enter into a separate agreement for the maintenance of the roof and each of the building systems of the Demised Premises. For so long as any such agreement shall remain in effect during the term of the Lease such agreement shall pl'ovide that the contractor perform all of the preventive maintenance measures set forth in **Exhibit D,** as applicable. The contractor shall adhere to industry wide standards in performing its obligations under the maintenance agreement. The maintenance agreement shall further provide that within ten (] 0) business days after inspecting the roof or building systems, the contractor shall prepare a written rep01i. Such report shall (a) summarize contractor's findings and recommendations for maintenance service and (b) state whether maintenance service has been rendered. Contractor shall submit a copy of the report to Tenant within fifteen (15) days after it is coi:npleted.

The foregoing Landlord's services shall be provided during the hours ofS:00 a.m. to 6:00 p.m. Monday through Friday inclusive and 8:00 a.m. to 1:00 p.m. on Saturdays, New York City holidays excluded, except that elevator service and access to the Demised Premises shall be provided twenty-four (24) hours per day, seven (7) days per week.

Notwithstanding the foregoing, necessary repairs and maintenance to the Demised Premises due to negligence or improper conduct of Tenant, its employees, agents, contractors or invitees, shall be performed by Landlord, at Tenant's request and at Tenant's reasonable expense, which shall be paid by Tenant to Landlord within forty-five (45) days after Landlord bills Tenant (with reasonable supporting documentation).

In the event Landlord is in default of its obligations under this Article 9, and Landlord fails to commence to cure such default, within five (5) days after written notice from Tenant specifying such default, and thereafter diligently with continuity complete curing said default, then Tenant, in addition to any other remedy it may have, may (i) as agent of Landlord, cure such default and deduct the cost thereof from any rent due or that may become due and payable under this lease or (ii) withhold an amount ofrent equal to one hundred fifty percent (150%) of the reasonable cost of perfonnance of such obligations as reasonably determined by Tenant until Landlord performs such repairs to the reasonable satisfaction of Tenant.

Anything to the contrary notwithstanding, in the event (x) the repairs to be performed by the Landlord are required to correct a hazardous condition or to end an emergency or (y) the failure of Landlord to provide the aforesaid services create an emergency or hazardous condition, which renders the Demised Premises unsuitable for the uses set forth herein, Tenant shall give Landlord, its agent, superintendent or the person designated to receive such notice, prompt notice in writing, personally or by nationally recognized ovemight mail service **("Overnight Mail"),** and Landlord, within twenty-four (24) hours of receipt of said notice, shall furnish such service or commence performing the repairs necessary to restore/provide such service and diligently proceed with continuity to complete said work. In the event Landlord fails to commence and/or diligently proceed with continuity to complete said work after said notice as aforesaid, Tenant, may (i) as agent for the Landlord, perform same and deduct the cost thereof from any rent due or that may become due and payable under this Lease, or (ii) may withhold all rent due and owing to Landlord until Landlord performs such repairs to the reasonable satisfaction of Tenant, or (iii)

(iii) give Landlord and its managing agent a second notice (the "Second Notice") of said default in the manner above provided.

FmiheJmore, if Tenant provides a Second Notice to Landlord of such default and Landlord thereafter fails to commence to cure such Default within five (5) days following receipt of the Second Notice, or fails thereafter diligently to proceed with continuity to cure said default and, as a result of Landlord's failure, (a) at least 25,000 rentable square feet of the Demised Premises is rendered unusable for Tenant's business purposes and (b) Tenant removes its personnel from such p01iion of the Demised Premises, then Tenant may terminate this Lease on five (5) days written notice to Landlord.

Anything herein to the contrary notwithstanding, (i) Tenant's rights under the forgoing provisions are conditioned upon it having sent a copy of all of the above notices in accordance with the provisions of any Subordination, Nondisturbance and Attornment Agreement as provided for Article 21 hereof, and (ii) all of the above time periods and Tenant's rights for Landlord's failure to perform its obligations are subject to extension by reason of Unavoidable Delay(s).

ARTICLE10

TENANT SERVICES AND ELECTRICITY

Landlord shall maintain present electrical system. Landlord, at its own expense, shall cause the Demised Premises to be separately metered for electricity. Tenant shall pay the public utility corporation directly for the furnishing of electric cunent.

Tenant shall provide its own cleaning and rubbish removal.

ARTICLE 11

ALTERATIONS BY TENANT

Except for (i) carpeting, painting and cosmetic alterations, and (ii) non-structural alterations which do not impact or affect any Building systems and do 1iot require plans and/or a building permit, neither of which shall require Landlord's prior consent, Tenant, upon written notice to Landlord and with Landlord's prior written consent, which consent shall not be umeasonably withheld or delayed, may make alterations, installations, additions and improvements in and to the Demised Premises at Tenant's sole expense. All such work performed by Tenant shall be performed in compliance with all applicable Requirements. Tenant may make decorations and erect signs within the Demised Premises not visible from outside the Demised Premises without Landlord's prior written consent, and Landlord agrees not unreasonably to withhold its consent to any such decorations and signs that are visible from outside the Demised Premises.

All property of whatever kind or nature in or on the Demised Premises owned, installed or paid for by Tenant shall be and remain the property of Tenant and upon the termination of this Lease Tenant shall have the option of removing such property or of sunendering such property to Landlord, in either event without any liability to Landlord. Tenant shall exercise its option by giving written notice to Landlord within thirty (30) days prior to the termination of this Lease, as expressly limited herein renewal or extension period. If Tenant shall fail to give such notice or shall fail to remove such property upon termination of this Lease, renewal or extension period, the prope1iy shall be deemed to be surrendered. Tenant shall repair any damage to the Demised Premises caused by Tenant's removal of its property.

All prope1iy and improvement affixed in the Demised Premises, which have been paid for by Landlord shall remain Landlord's property throughout the Term and Tenant shall not encumber or allow any lien to be placed thereon provided, however, if any moveable personal property, refuse or rubbish is surrendered, it may be removed by Landlord at Tenant's expense.

ARTICLE 12

END OF TERM

Upon the expiration or other tennination of the Tenn of this Lease, Tenant shall quit and surrender the Demised Premises in good order and condition with ordinary wear and tear, and damage by the elements, including fire or other casualty, excepted.

ARTICLE13

REPAIRS

Landlord shall make all interior, exterior and structural repairs, excluding such repairs necessitated by the negligence or intentional misconduct of Tenant or Tenant's employees, agents or invitees, but including maintenance, repair or replacement of the roof, windows and window glass, replacement of light bulbs and fluorescent lamps, plumbing, and elech·ical, HVAC systems, common areas, removal of graffiti from the exterior and interior of the Building and/or the Demised Premises, and all repairs needed because of Landlord's or Landlord's employees or agents negligence, or because of defective materials or workmanship in the construction and/or improvement of the Demised Premises or of the Building of which they are a paii. Landlord shall repair and maintain any sidewalks, curbs and passageways adjoining and/or appmienant to the Demised Premises in good, clean and orderly condition, free of dili, rubbish, snow, ice and unlawful obstruction.

In the event Landlord fails to fulfill its obligations, Tenant may, in addition to its other remedies, give written notice to Landlord specifying the repairs required by Tenant and Landlord shall commence performance of such work within five (5) days after the giving of such notice and diligently proceed to complete said work. In the event Landlord fails to commence and/or diligently proceed to complete said work after said written notice, Tenant, in addition to any other remedy it may have, may (i) as agent of Landlord, perform the same and deduct the cost thereof from any rent due or that may become due and payable under this Lease or (ii) withhold an amount ofrent equal to one hundred fifty percent (150%) of the reasonable cost of perfo1mance of such obligations as reasonably detennined by Tenant until Landlord performs such repairs to the reasonable satisfaction of Tenant.

Anything to the contrary notwithstanding, in the event the repairs to be performed by the Landlord are required to conect a hazardous condition or to end an emergency which renders tl1e premises unsuitable for the use set forth herein, Tenant shall give Landlord, its agent, superintendent or the person designated to receive such notice, immediate notice in writing, personally or by Overnight Mail, and Landlord, within twenty-four (24) hours ofreceipt of said notice, shall commence the repairs and diligently proceed with continuity to complete said work. In the event Landlord fails to commence and/or diligently proceed with continuity to complete said work after said notice as aforesaid, Tenant may, as agent for the Landlord, perform same and deduct the cost thereof from any rent due or that may become due and payable under this Lease, or (ii) give Landlord and its managing agent a second notice (the "Second Notice") of said default in the manner above provided.

Furthermore, if Tenant provides a Second Notice to Landlord of a such default and Landlord thereafter fails to commence to cure such default within five (5) days following receipt of the Second Notice, or fails thereafter diligently to proceed with continuity to cure said default and, as a result of Landlord's failure, (a) at least 25,000 rentable square feet of the Demised Premises is rendered unusable for Tenant's business purposes and (b) Tenant removes its personnel from such portion of the Demised Premises, then Tenant may terminate this Lease on five (5) days' written notice to Landlord.

In the event Tenant is unable to reasonably use and in fact discontinues using and vacates such portion of the Demised Premises because of Landlord's failure to perform such work as set forth in the two preceding paragraphs hereof, the rent shall be reduced during such period proportionately to the diminution in space resulting from such failure. In the event Tenant may still be able to reasonably use the Demised Premises for the purposes set forth in the Lease but Landlord's failure to make repairs or provide services adversely affects Tenant's operations within the Demised Premises, Tenant shall be entitled during such period to a bona fide equitable reduction in rent.

Anything herein to the contrary notwithstanding, (i) Tenant's rights under the foregoing provisions are conditioned upon it having sent a copy of all of the above notices to the first mortgagee of the Building as provided in Article 21 hereof at the same time as it sends any such notice to Landlord; and (ii) all of the above time periods and Tenant's rights for Landlord's failure to perform its obligations are subject to extension by reason of Unavoidable Delay(s).

Tenant shall make ordinary and non -structural interior repairs, excluding any such repairs the necessity for which is caused by Landlord or Landlord's employees, agents or invitees, for which Landlord shall be responsible.

ARTICLE 14

CONDEMNATION

If the whole of the Demised Premises shall be taken in condemnation, this Lease shall terminate upon the vesting of title in the condemnor and all Rent and other charges paid or payable by Tenant shall be apportioned as of the date of vesting of title in such condemnation proceeding.

If only pati of the Demised Premises shall be so taken in condemnation, then Tenant may either terminate this Lease as to the remainder of the Demised Premises on ten (10) days written notice to Landlord or remain in possession of the remaining portion of the Demised Premises under all of the terms, conditions and covenants of this Lease, except that the Rent thereafter shall be appmiioned and reduced from the date of each such partial taking to the ainount equal to the product of the dollar amount of Rent payable on.such date and the number of square feet in the part remaining. The proceeds of ai1y award for partial taking shall be applied by Landlord to the repair, restoration or replacement of the remaining Demised Premises, and if fuere be at1y deficiency, it shall be made up by Landlord, but ifthere be any surplus, it shall belong to the Landlord. Said repairs, restoration or replacement of the remaining Demised Premises shall be completed within six (6) months of the aforesaid taking in condemnation, pursuant to plat1s at1d specifications approved by the Tenant. In the event said repairs, restoration or replacement are not completed within said six (6) month period, Tenant, in addition to any other remedy it may have, may terminate this Lease or perform said repairs, restoration and replacement and deduct the cost thereof from any Rent which may be due and payable under this Lease.

Tenant shall be entitled to an award for the value of the improvements and fixtures made or paid for by Tenant upon that part of the Demised Premises taken in condemnation. Tenant shall also be entitled to an award for the unexpired Term of this Lease for the Demised Premises taken.

ARTICLE 15

DESTRUCTION BY FIRE OR OTHER CASUALTY

If the whole of the Demised Premises is totally destroyed or damaged by fire or other casualty, or destroyed or damaged to such an extent that they are unsuitable or untenantable for use for the purpose for which they are leased, then from the date of such damage or destmction the Rent shall cease until such time as Landlord fully repairs and restores the same to suitable and tenantable condition and D&PM certifies in writing that the entire Demised Premises have been re-occupied by Tenant.

Either party may terminate this Lease by notice to the other within thilty (30) days from the date of such fire or other casualty. If no such notice is given, Landlord shall, within sixty (60) days after such fire or other casualty and the receipt of insurance proceeds, commence and diligently proceed with continuity to complete the repairs and restoration of the Demised Premises to their condition, prior to said fire or casualty, suitable for use for the purpose for which the Demised Premises were leased, provided, however, that Landlord shall have no obligation to restore any of Tenant's furniture or other personal property or any alterations made to the Demised Premises by or on behalf of Tenant. If Landlord fails to commence said repairs and restoration as above provided, or complete the same within tln-ee hundred sixty five (365) days after such commencement, subject to Unavoidable Delays, Tenant may terminate this Lease on thirty (30) days' written notice or, in addition to any other remedy it may have, may perform such repairs and restoration and reimburse itself for the cost thereof from any Rent due or that may become due and payable under this Lease.

If the Demised Premises are pmiially damaged by fire or other casualty, Landlord shall, within forty-five (45) days after such fire or other casualty and the receipt of insurance proceeds, commence and diligently proceed to complete the repairs and restoration of the Demised Premises to their condition prior to said fire or casualty. If Landlord fails to commence, as aforesaid, or to complete the same within one hundred eighty (180) days after such commencement, subject to Unavoidable Delays, Tenant, in addition to any other remedy it may have, may terminate this Lease by giving Landlord ten (10) days' written notice or may perform such repairs and restoration and reimburse itself for the cost thereof from any Rent due or which may become due under this Lease.

From the date of such damage to the date ce1iified by D&PM in writing that the entire Demised Premises have been re-occupied by Tenant, Tenant shall pay Rent for that part of the Demised Premises it is using during the alterations and repairs on a squm·e foot basis in an amount equal to the product of the dollar amount of Rent per square foot payable on such date and the number of square feet being occupied by Tenant.

ARTICLE 16

NO EMPLOYEE OF CITY HAS ANY INTEREST IN LEASE

Landlord warrants and represents that no officer, agent, employee or representative of The City of New York has received any payment or other consideration for the making of this Lease and that no officer, agent, employee or representative of The City of New York has any interest, directly or indirectly, in this Lease or the proceeds thereof.

ARTICLE 17

QUIET ENJOYMENT

Landlord covenants that Tenant, paying the Rent reserved herein and performing all of the other terms, covenants and conditions on its part to be performed, shall and may peaceably and quietly have, hold and enjoy the Demised Premises for the use and purpose stated in this Lease or for such other similm purposes as the Commissioner of Citywide Administrative Services may determine.

ARTICLE 18

ACCESS BY DISABLED PERSONS

Landlord represents that the access to the Demised Premises are, or following the completion of the Work shall be, suitable for access by disabled persons.

ARTICLE 19

SUBORDINATION AND NON-DISTURBANCE

(A) This Lease shall be subject and subordinate to all existing mortgages of record or future mortgages from a lender or lending institution which may affect the real property of which the Building, including the Demised Premises, form a part, provided, and as a condition precedent to the subordination of this Lease to any of said mmtgages, the mortgagee shall execute and deliver to Tenant, an agreement, in substantially the form attached hereto and made a part hereof as **Exhibit E** or such other recordable form reasonably acceptable to Tenant and such lender, whereby said mortgagee agrees that should it become necessary to foreclose such mmtgage or should the mortgagee otherwise come into possession of the Building, including the Demised Premises, such mortgagee will not join Tenant under this Lease in foreclosure or summary proceedings and will not disturb the use and occupancy of Tenmlt under this Lease so long as Tenant is not in default, beyond all applicable notice and cure periods, of under any of the tenns, covenants and conditions of this Lease.

(B) Notwithstanding anything to the contrary in the foregoing Paragraph A, Landlord agrees, at its sole cost and expense, to deliver to Tenant, within ninety (90) days of Landlord's execution of this Lease, a fully negotiated and executed Subordination, Nondisturbance and Attomment Agreement **("SNDA")** substantially in the form of **Exhibit E,** or such other form as is reasonably satisfactory to Tenant, signed by Landlord's current mortgagee, ground lessor, and/or over landlord, as the case may be. In the event that Landlord fails to submit to Tenmlt such SNDA within said ninety (90) day period, Tenant shall have the right to terminate this Lease on thiiiy (30) days' notice to Landlord, unless Landlord shall have provided Tenmlt with the SNDA within said thirty (30) day period, in which case Tenant's termination notice shall be void, ab initio.

ARTICLE 20

TENANT NOT A HOLDOVER TENANT

Landlord agrees not to hold Tenant liable as holdover tenant should Tenmlt continue to occupy the Demised Premises or any pmiion thereof after the expiration of the Term of this Lease or renewal term, but, in any such event, Tenant shall be deemed to be a tenant from month to month at an annual rental equal to Sixteen Million Nine Hundred Twenty- Nine Thousand Six Hundred and Eighty- Eight 62/100 Dollars ($16,929,688.62) and the liability of Tenant shall in no event be greater than that of a Tenant from month to month, any Jaw to the contrary notwithstanding.

ARTICLE21

NOTICES

A. Any notice required to be given shall be in writing and shall be sent by certified mail, return receipt requested, or by Overnight Mail and addressed to Landlord at the address hereinbefore set fo1ih or to Tenant addressed to:

EXECUTIVE DIRECTOR/LEASING
New York City Department of Citywide Administrative Services
Real Estate Services
I Centre Street, 20th Floor
New York, N.Y. 10007

and

DIRECTOR OF LEASE ENFORCEMENT AND PAYMENT

Human Resources Administration of the City of New York
250 Church Street, 14th Floor
New York New York 10013, with a copy to

DEPUTY COMMISSIONER, FACILITIES OPERATIONS
Human Resources Administration of the City of New York 250 Church Street, I 5th Floor
New York, New York 10013

and

DIRECTOR OF FACILITES MANAGEMENT & CONSTRUCTION
New York City Department of Environmental Protection
59-17 Junction Boulevard, 11th Floor
Flushing, New York 11373

Either pmiy may change its address as set forth herein by notice to the other in the manner provided for herein, provided that no notice of change of address shall be effective until the thirty first (31st) day of the month following the month in which notice is given. Notice shall be deemed given as of the date of mailing.

B. Special Notices: In addition to any other notices expressly required under this Lease to be given by Landlord to Tenant, Landlord shall immediately give written notice to Tenant of: (i) the giving of any notice or the taking of any action by the holder of any mmigage of the Building, inclusive of the Demised Premises, the result of which may be the foreclosure of, or the sale or taking of possession of, all or any part of the Building, inclusive of the Demised Premises; (ii) the commencement of a case in bankruptcy under the laws of any State naming Landlord as the debtor; or (iii) the making by Landlord of an assignment or any other anangement for the benefit of creditors under any state statute.

C. Requests For an Estoppel or SNDA: In addition to the notice required by Section A of this A1iicle, Landlord shall also provide a copy of said request addressed to:

Office of the General Counsel
Department of Citywide Administrative Services
1 Centre Street, 19th Floor No1ih
New York, N.Y. 10007

D. Notwithstanding the foregoing, service of process to commence a summary proceeding pursuant to A1iicle 7 of the Real Property Actions and Proceeding Law ("RPAPL") relating to any occupancy by the City ofNew York or its agencies or officers of the Demised Premises which at its conmlencement was authorized under this Lease shall be served in the maooer required by CPLR Section 311.

ARTICLE22

FORCE MAJEURE

Landlord and Tenant shall not be deemed in default if it is delayed in the performance of any act, matter or thing which it is obligated to perform hereunder, if such delay is an "unavoidable delay". An **"unavoidable delay"** means a delay, beyond the reasonable control of the paiiy, caused by (i) strikes, lockouts, or labor disputes; (ii) unavailability of materials or supplies or reasonable substitutes therefor (unless due to Landlord's negligent or willful acts or omissions), (iii) acts of God, governmental restrictions, regulations or controls, enemy or hostile governmental actions, civil commotion, insmTection, revolution, sabotage, war, terrorism, riot, fire, other casualty, or (iv) other conditions similar to those enumerated in this Article 22 beyond Landlord's or Tenant's reasonable control, as applicable.. In the event of any unavoidable delay, all dates for perfo1mance shall automatically be extended by a period equal to the aggregate period of all such delays caused by such unavoidable delay.

ARTICLE 23

SAVE HARMLESS

To the fullest extent permitted by law, Landlord and Tenant shall each indemnify and defend (in the event Tenant is providing a defense to Landlord, such defense shall be provided by the New York City Law Department) and hold harmless the other party from and against any and all liability, fines, suits, claims, demands, expenses and actions of any kind or nature to the extent arising by reason of injury to person (including death) or property occurring on or about the Demised Premises, the Building, or the Land, occasioned in whole or in part by its, or its agents, employees or invitees, negligent acts or omissions, willful misconduct or breach of its obligations under this Lease. The indemnified party shall not settle a claim, liability or action foi· which the indemnifying party has an obligation to defend or indemnify without the indemnifying party's consent which consent shall not be umeasonably withheld or delayed. The foregoing indemnifications shall survive any expiration or termination of this Lease.

ARTICLE 24

INVESTIGATIONS

1.1 The parties to this agreement agree to cooperate fully and faithfully with any investigation, audit or inquiry conducted by a State of New York (State) or City of New York (City) goverrunental agency or authority that is empowered directly or by designation to compel the attendance of witnesses and to examine witnesses under oath, or conducted by the Inspector General of a governmental agency that is a party in interest to the transaction, submitted bid, submitted proposal, contract, lease, permit, or license that is the subject of the investigation, audit or mqmry.

l.2(a) If any person who has been advised that his or her statement, and any information from such statement, will not be used against him or her in any subsequent criminal proceeding refuses to testify before a grand jury or other governmental agency or autl1ority empowered directly or by designation to compel the attendance of witnesses and to examine witnesses under oath concerning the award of or performance under any transaction, agreement, lease, permit, contract, or license entered into with the City, the State, or any political subdivision or public authority thereof, or the Pmi Anthority of New York and New Jersey, or any local development corporation within the City, or any public benefit corporation organized under the laws of the State of New York, or;

1.2(b) If any person refuses to testify for a reason other than the asse1iion of his or her privilege against self-incrimination in an investigation, audit or inquiry conducted by a City or State goverrunental agency or authority empowered directly or by designation to compel the attendance of witnesses and to take testimony under oath, or by the Inspector General of the governmental agency that is a paiiy in interest in, and is seeking testimony concerning the award of, or perfonnance under, any transaction, agreement, lease, permit contract, or license entered into with the City, the State, or any political subdivision thereof or any local development corporation within the City, then;

1.3(a) The commissioner or agency head whose agency is a party in interest to the transaction, submitted bid, submitted proposal, contract, lease, permit, or license shall convene a hearing, upon not less than five (5) days written notice to the parties involved to determine if any penalties should attach for the failure of a person to testify.

1.3(b) If any non-governmental party to the hearing requests an adjournment, the commissioner or agency head who convened may, upon granting the adjour11111ent, suspend any contract, lease, permit, or license pending the final determination pursuant to Paragraph 1.5 below without the City incurring any penalty or damages for delay or otherwise.

1.4 The penalties which may attach after a final determination by the commissioner or agency head may include but shall not exceed:

(a) The disqualification for a period not to exceed five (5) years from the date of an adverse determination for any person, or any entity of which such person was a member at the time the testimony was sought, from submitting bids for, or transacting business with, or entering into or obtaining any contract, lease, permit or license with or from the City; and/or

(b) The cancellation or termination of any and all such existing City contracts, leases, permits or licenses that the refusal to testify concerns and that have not been assigned as permitted under this agreement, nor the proceeds of which pledged, to an unaffiliated and umelated institutional lender for fair value prior to the issuance of the notice scheduling the hearing, without the City incurring any penalty or damages on account of such cancellation or termination; monies lawfully due for goods delivered, work done, rentals, or fees accrued prior to the cancellation or termination shall be paid by the City.

1.5 The commissioner or agency head shall consider and address in reaching his or her determination and in assessing an appropriate penalty the factors in paragraphs (a) and (b) below. He or she may also consider, ifrelevant and appropriate, the criteria established in paragraphs (c) and (d) below in addition to any other information which may be relevant and appropriate:

(a) The party's good faith endeavors or lack thereof to cooperate fully and faithfully with any governmental investigation or audit, including but not limited to the discipline, discharge, or disassociation of any person failing to testify, the production of accurate and complete books and records, and the fmihcoming testimony of all other members, agents, assignees or fiduciaries whose testimony is sought.

(b) The relationship of the person who refused to testify to any entity that is a party to the hearing, including, but not limited to, whether the person whose testimony is sought has an ownership interest in the entity and/or the degree of authority and responsibility the person has within the entity.

(c) The nexus of the testimony sought to the subject entity and its contracts, leases, permits or licenses with the City.

(d) The effect a penalty may have on an unaffiliated and um-elated paiiy or entity that has a significant interest in an entity subject to penalties under I .4 above, provided that the paiiy or entity has given actual notice to the commissioner or agency head upon the acquisition of the interest, or at the hearing called for in I.3(a) above gives notice and proves that such interest was previously acquired. Under either circumstance the party or entity must present evidence at the hearing demonstrating the potential adverse impact a penalty will have on such person or entity.

1.6(a) The term "license" or "pe1mit" as used herein shall be defined as a license, permit, franchise or concession not granted as a matter of right.

I.6(b) The term "person" as used herein shall be defined as any natural person doing business alone or associated with another person or entity as a partner, director, officer, principal or employee.

1.6(c) The te1111 "entity" as used herein shall be defined as any firm, partnership, corporation, association, or person that receives monies, benefits, licenses, leases, or pe111its from or through the City or otherwise transacts business with the City.

1.6(d) The term "member" as used herein shall be defined as any person associated with another person or entity as a partner, director, officer, principal or employee.

I.7 In addition to and notwithstanding any other provision of this Agreement, the Co111111issioner or agency head may in his or her sole discretion tenninate this Agreement npon not less than three (3) days written notice in the event contractor fails to promptly report in writing_to the Connnissioner ofinvestigation of the City ofNew York any solicitation of money, goods, requests for future employment of other benefit or thing of value, by or on behalf of any employee of the City or other person, firm, corporation or entity for any purpose which may be related to the procurement or obtaining of this Lease by the Landlord, or affecting the perfonnance of this Lease.

ARTICLE25

SIGNIFICANT RELATED PARTY TRANSACTIONS

Landlord shall be required to disclose and notify Tenant of any transactions with significant related parties, including subsidiaries and affiliates of Landlord, the costs of which are charged to Tenant as Rent. Landlord shall provide Tenant with written notice of such transactions upon submission of invoices for Rent or at the end of the calendar year in which the transactions to be billed as Rent were performed by significant relateq pmiies. When such transactions occur, prices of smne must be in line with normal industry practice in New York City. Landlord's failure to notify Tenant of such related party transactions shall result in a disallowance of such costs that would otherwise be billed as Rent. If such related pmiy transactions occmred and were disclosed, but it is found by Tenant that the costs thereof exceed normal industry costs in an arm's length third pmiy transaction in New York City, then such excessive charges shall be disallowed. Tenant hereby acknowledges that Landlord intends to use Berkshire Equity LLC, a significant related party, as its property manager.

ARTICLE26

ASBESTOS

Landlord and Tenant agree that during the Term, Landlord shall abate (i.e. remove, enclose, encapsulate and/or replace) and/or monitor and manage any asbestos-containing materials (including, but not limited to, any such materials on boilers, pipes, ducts, breechings, plenum, tanks, spray on or other insulation, and any affected floor tiles, plaster, and ceiling tiles) (collectively **"ACM")** in the Demised Premises and pmiions of the Building through which Tenant has access to the Demised Premises or which may affect the Demised Premises, upon and subject to the following tenns and conditions:

(1) A.Tenant has provided Landlord with Joint Asbestos Survey Report dated February 12, 2019 (the **"Report")** of the Building and/or Demised Premises prepared by the Citywide Office of Safety and Health which Report states there was ACM found on the Demised Premises. Fmiher, the Report provides that Landlord must implement an Operating and Maintenance **("O&M Program")** as more particularly set fmih in the Report. (However, Tenant makes no representation with respect to the accuracy or completeness of the Repmi other than to state that it has no actual knowledge of any inaccuracy of the Report.) Landlord's reliance on the Report and on its conclusions or recommendations shall impose no liability whatsoever on Tenant. Landlord shall make no claim against the City of New York based on its reliance on, compliance with, or use of the Repo1i or related in any manner to ACM in the Demised Premises or Building, whether or not disclosed in the Repo1i.

(2) In the event that a snbsequent inspection **("Inspection")** of the Demised Premises and/or portions of the Building through which Tenant has access to the Demised Premises or which may affect the Demised Premises, finds ACM, Landlord shall, at its sole cost and expense, promptly commence or cause an abatement of any deteriorated ACM, subject to concurrence by the DCAS and perfoml any work incidental thereto (the **"ACM Work"),** by a contractor approved by DCAS, which approval shall not be umeasonably withheld or delayed. Landlord agrees that the O&PM Program shall be part of the necessary ACM Work. Landlord agrees to cause its ACM abatement contractors to maintain appropriate environmental insurance covering the City of New York, including its officials and employees, as an additional insured and with per occurrence and aggregate limits in the amounts required by the Landlord. Landlord shall furnish Tenant with a certificate of insurance and the required additional insured endorsements. Landlord's agreements with its ACM abatement contractors shall include the following provision: 'The contractor waives all rights against the City of New York, including its officials and employees, for any damages or losses that are covered by environmental insurance."

Landlord shall, within a time frame to be mutually agreed to between Landlord and. Tenant, diligently and in good faith complete the ACM Work. Landlord shall give Tenant at least ten (10) days advance written notice of commencement and phasing of any ACM Work. Performance of the ACM Work shall be in accordance with and shall comply with all applicable Federal, State, County mld Municipal laws, rnles, standards, regulations, requirements and ordinances (collectively **"Laws and Procedures")** governing ACM Work. The contractor performing the ACM Work shall file (and pay all fees associated with) all notices or documents, certifications or other communications required by the City, State and Federal govermnents as signed by the Landlord as the "Owner". The contractor shall simultmleously forward to Tenant copies of all notices, certifications or other communications given to Landlord or filed with the proper agencies or authorities relating to ACM. In addition, Landlord shall contract for on-site air testing which, in accordance with the rules and regulations of the New York City Asbestos Control Program, must be conducted by a party prescribed by applicable law. The party performing the on-site air testing is subject to prior written approval by DCAS, which approval shall not be withheld or delayed so long as the contractor selected by Landlord is properly licensed.

B. As set forth above, Landlord shall be required to give Tenant not less than ten (I 0) days advance written notice of the scheduling of each phase of the ACM Work so that Tenant may relocate its operations and personnel, if necessary, prior to the commencement thereof. Landlord shall consider Tenant's use and occupancy of the Demised Premises so as to minimize the negative impact of the ACM Work on Tenant's operations in and use of the Building and the Demised Premises. In the event Tenant must vacate the Demised Premises or any po1iion thereof because the ACM Work, in the sole but reasonable determination of Tenant, renders the Demised Premises unusable by Tenant, annual rent shall abate in the propmiion that the portion of the Demised Premises which is vacated and rendered unusable bears to the entire Demised Premises for the period of time involved, provided it exceeds five full business days. Such abatement of rent shall continue until the Demised Premises or any portion thereof may be used for the purposes set fmih in the Lease, as reasonably detennined solely by Tenant, and Tenant certifies same in writing.

C. If Landlord fails to comply with the requirements of Subparagraph (A) and (B) above, Tenant shall, in addition to any other remedy it may have, have the option to effect the ACM Work on its own, as agent for Landlord by hiring any consultants, contractors or experts Tenant deems necessary to plan, effect and supervise the ACM Work and Tenant shall be entitled to offset all costs and expenses associated with the ACM Work against any amounts otherwise due or becoming due to Landlord as rent and additional rent under the te1ms of this Lease, which offset shall be in addition to any applicable abatement or reduction in rent under Subparagraph (B) above. Tenant shall not proceed with the ACM Work unless (a) written notice shall first be given to Landlord specifying the manner in which Tenant claims such ACM Work has not been properly completed and (b) Landlord shall have had thiliy (30) days following receipt of such notice within which to complete said work.

D. Following performance and completion of the ACM Work, Landlord shall, at its sole cost and expense, restore the Demised Premises to the condition that, in Tenant's sole but reasonable opinion, pe1mits Tenant to use the Demised Premises for the purposes set fo1ih in the Lease. Landlord shall be solely responsible for all repairs arising out of the performance of the ACM work. Notwithstanding any other provision in this Lease, Landlord hereby agrees to save, hold hmmless and indemnify Teriant, its employees, guests and invitees against any and all claims for bodily injury or prope1iy daniage in connection with the ACM Work and work incidental thereto. The foregoing indemnifications shall survive any expiration or termination of this Lease.

E. During the Term, Landlord shall, at its sole cost and expense, have mly non-deteriorated ACM disclosed by an Inspection under Subparagraph (A) above of the Demised Premises and pmiions of the Building through which Tenant has access to the Demised Premises or which may affect the Demised Premises, monitored pursuant to a plan approved by Tenant (the **"Monitor Survey")** by a New York City Depmiment ofEnviromnental Protection certified asbestos investigator at least once every one hundred eighty (180) days from the Inspection and Landlord shall immediately provide Tenant with a copy of the results, upon Tenant's request, of each such Monitor Survey. The Monitor Survey shall be in accordance with the principles set forth in the EPA Document "Managing Asbestos In Place" (the **"Green Book"),** as it may be subsequently revised or replaced by a similar text. If any such Monitor Survey should reveal that ACM has deteriorated, Landlord shall so notify Tenant in writing within five (5) days of the completion of such survey which notice shall be accompanied by a copy of such survey. Landlord shall within five (5) days from the completion of such Monitor Survey commence and diligently proceed to comply with continuity with the provisions of this Article with respect to abatement of any deteriorated ACM described in any such Monitor Survey.

F. The ACM Work must be perfo1med by Landlord in accordance with Laws and Procedures (including OSHA requirements) and shall be done to the reasonably satisfaction of Tenant. Upon completion of the ACM Work, Landlord shall provide Tenant with a ce1iification of completion of same prepared by a certified asbestos investigator. At such time, Tenant may reinspect the premises to verify the accuracy of Landlord's certification and advise Landlord if any finiher work needs to be done.

G. Notwithstanding anything to the contrary set forth in this Lease or this Article, Landlord shall be required at all times during the Term to comply with Laws and Procedures governing ACM and the ACM Work in the Demised Premises and/or Building (except that Tenant (and not Landlord) shall be responsible at its sole cost and expense, to remove and comply with all applicable laws with respect to all ACM caused by Alterations perfonned by Tenant or if Tenant otherwise disturbs the Demised Premises to cause same to be removed).

ARTICLE27

LANDLORD'S REPRESENTATIONS

Landlord hereby wan-ants that it is not in default of any obligation to The City of New York, nor is Landlord, its officers, principals or stockholders a defendant in any action instituted by the City.

The partners, members or, if a corporate entity, the officers and shareholders of the corporation, who own the Building, inclusive ofthe Demised Premises, are as set for in Landlord's Disclosure Statement dated August 23, 2018.

Any misrepresentation by Landlord with regard to this warranty shall constitute a basis for rescission of this Lease.

ARTICLE28

NO WAIVER

The failure by either Landlord or Tenant. to insist, in one or more instances, upon the full performance of any of the other party's covenants, conditions or obligations hereunder shall not be construed as a waiver of a subsequent breach of the same or any other covenant or condition, and the consent or approval by Landlord or Tenant to or of any act by the other party requiring the consent or approval of the first party shall not be construed to waive or render unnecessary the other's consent or approval to or of any subsequent similar act by Landlord or Tenant. No provision of this Lease shall be deemed to have been waived by Landlord or Tenant unless such waiver be in writing signed by such party.

ARTICLE29

BROKERAGE

Landlord and Tenant represent to the other that neither has dealt with any broker in connection with this Lease. Tenant and Landlord hereby defend, indemnify and hold each other harmless against all loss, damage liability, cost and expense of any nature (including reasonable attorney's fees and disbursements) based on any claim by any party with whom such indemnifying pmty has dealt for a commission or other compensation in connection with this Lease which is based on the actions of such party or its agents or representatives. The indemnified pmty shall cooperate with the indemnifying pmty in any defense; the indemnified party shall not settle a claim, liability or action for which the indemnifying party has the obligation to defend or indemnify without the indemnifying party's consent. The foregoing indemnifications shall survive any expiration or te1mination of this Lease.

ARTICLE30

LANDLORD'S EXCULPATION

A. Limitation of Landlord's Personal Liability. Tenant shall look solely to Landlord's interest in the Building and Land (including without limitation, insurance proceeds, rent proceeds mld/or the proceeds of any sale or refinancing thereof) for the recovery of any monetary judgment against Landlord, and no other property or assets of Landlord or Landlord's partners, officers, directors, shareholders or principals, disclosed or undisclosed, shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to this Lease.

B. Definition of "Landlord". "Landlord" means only the owner, at the time in question, of the Building or that portion of the Building of which the Demised Premises m·e a pmi, or of a lease of the Building or that portion of the Building of which the Demised Premises are a pmi, so that in the event of any transfer or transfers of title to the Building or of Landlord's interest in a lease of the Building or such portion of the Building, the transferor shall be and hereby is relieved and freed of all obligations of Landlord under this Lease accruing after such transfer, and it shall be deemed, without further agreement, that such transferee has assumed all obligations ofLandlord during the period it is the holder of Landlord's interest under this Lease.

ARTICLE31

USE

The Demised Premises shall be used by the New York City Human Resources Administration **("HRA")** and the New York City Depmiment of Environmental Protection **("DEP")** for office use and for storage space, as the case may be, or for such ancillary uses as the Commissioner of the Department of Citywide Administrative Services may determine, upon the terms and conditions hereinafter set fo1ih, and for no other purpose.

Tenant shall use the Demised Premises subject to and in compliance with all Legal Requirements. Tenant shall obtain all licenses and permits (other than the Certificate of Occupancy for the Demised Premises). Tenant shall not at any time use or occupy the Demised Premises or the Building, or suffer or permit anyone to use or occupy the Demised Premises or do anything in the Demised Premises, or suffer or permit anything to be done in, brought into or kept on the premises, which (a) violates or conflicts with the ce1iificate of occupancy for the Building or the te1ms of any superior lease or mortgage of which Tenant has knowledge; (b) causes or is liable to cause injury to the Demised Premises or the Building or any equipment, facilities or systems therein; (c) impairs the proper and economic maintenance, operation and repair of the Building and/or its equipment,facilities or systems; (d) constitutes a nuisance, public or private; (e) makes unobtainable from reputable insurance companies authorized to do business in New York State all risk property insurance, liability, elevator, boiler or other insurance at standard rates; or (f) discharges objectionable fumes, vapors or odors into the Building flues or vents or otherwise.

ARTICLE32

DEFAULT AND REMEDIES

A. This Lease and the Te1m and estate hereby granted are subject to the further limitations that:

(i) if Tenant shall default in the payment of any Base Rent or Additional Rent under this Lease and such default shall continue for twenty (20) business days in the case of Base Rent or thirty (30) business days in the case of Additional Rent after Landlord shall have given Tenant written notice specifying such default, which notice must state at the top in bold capital letters **"MONETARY DEFAULT NOTICE";** or

(ii) if Tenant shall, whether by action or inaction, be in default of any of its obligations under this Lease (other than a default in the payment of Base Rent or Additional Rent) and such default shall continue and not be remedied within thiliy (30) days after Landlord shall have given to Tenant a notice specifying the same, which notice must state at the top in bold capital letters **"NON-MONETARY DEFAULT NOTICE",** or, in the case ofa default which cannot with due diligence be cured within a period of thiliy (30) days, Tenant fails to commence such cure within said thiliy (30) day period and thereafter diligently prosecute such cure to completion:

then in any of said cases, Landlord may give to Tenant a notice of intention to end the Term at the expiration often (10) days from the date of the service of such notice of intention to terminate this Lease **("Notice of Intention")** at the expiration often (10) days from Tenant's receipt of such Notice ofintention and upon the expiration of said ten (10) days, provided Tenant has not cured such default, this Lease and the te1m and estate hereby granted shall terminate with the same effect as if that day were the date set fmih herein for the expiration of the term hereof, but Tenant shall remain liable as hereinafter provided.

B. If Tenant fails to vacate the Demised Premises upon the termination of this Lease, Landlord and/cir its agents may commence summary proceedings, or any other applicable action or judicial proceeding, to regain possession of the Demised Premises, and remove Tenant's effects and hold the Demised Premises as if this Lease had not been made.

C. In case of any such termination, re-entry or dispossess by summary proceedings or other legal proceeding, the rents and all other charges required to be paid up to the time of such termination, re-entry or dispossess, shall be paid by Tenant.

D. Nothing herein contained shall be construed to limit or preclude recovery by Landlord against Tenant of any sums or damages to which Landlord may lawfully be entitled by reason of any default hereunder on the part of Tenant. The failure of Landlord to relet the Demised Premises of any part or parts thereof shall not release or affect Tenant's liability for damages, provided, however, that Landlord shall use reasonable efforts to mitigate damages.

E. Mention in this Lease of any particular remedy shall not preclude Landlord from any other remedy under this Lease or applicable laws.

F. Tenant hereby waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any cause.

G. Without limiting any other rights or remedies of Landlord under this Lease, if Tenant shall fail to pay any installment of Base Rent, Additional Rent or any other item ofrent within twenty (20) business days after any of the same shall be due in the case of Base Rent or thirty (30) business days after any of the same shall be due in the case of Base Rent or thirty (30) days each year for delays in payment due to the ammal reregistration of this Lease by the Comptroller, Tenant shall pay to Landlord, as the case may be, as a late charge and as Additional Rent, a sum equal to interest at the Default Rate on the amount unpaid, computed from the date such payment was due to and including the date of payment. For purposes of this Lease, the term "Default Rate" shall mean the lesser of (a) the statutory rate for judgments which, as of the date hereof, is currently nine percent (9%) and (b) the annual interest rate publicly announced by Citibank, N.A. (or any successor thereto) at its principal place of business in New York City as its locally applicable so-called "base rate" (the "Prime Rate").

ARTICLE33

INSURANCE

A. Coverage. It is the City of New York's policy not to majntain insurance on private property ("Policy"). The City of New York is a municipal corporation authorized to expend funds for any loss, claim, action or judgment. Tenant certifies that the City of New York will defend, settle and without limitation satisfy any judgment against it in connection with any claims and/or litigation filed against it by all entities and individuals for injuries and/or property damage arising from the City's tenancy under this Lease. If Tenant shall elect to change its Policy or if this Lease shall be assigned to any other pmiy or if the Demised Premises shall be sublet to any other pmiy, other than an agency or department of the City of New York, the Tenant, assignee or subtenant, as the case may be, shall provide and keep in force commercial general liability insurance and commercial property insurance with respect to the Demised Premises as shall be satisfactory to Landlord in its commercially reasonable discretion .

B. No Vlolations.Tenant shall not do, pennit anything to be done, or keep or permit anything to be kept in the Demised Premises which would increase the fire or other casualty insurance rate on the Building over the rate which will be in effect on the Base Rent Commencement Date or that would otherwise be then in effect or which would result in an insurance company of good standing refusing to insure the Building at standard rates. IfTenmlt receives notice of a violation of any Legal Requirements or any rule, order or regulation or condition of insurmlce bom·ds or policies applicable to the Demised Premises ("Insurance · Requirement"), it shall promptly cure such violation.

C. Waiver and Limitation on Claims.

(i) Notwithstanding anything to the contrary in A1iicle 23, to the extent permitted by law, the Landlord and the Tenant waive all rights against each other for any losses or damages that are covered under any insurance required under this Lease or any other insurance applicable to the operations of Landlord or Tenant in connection with this Lease or to the Land, Building, or Demised Premises or any combination thereof.

(ii) To the extent permitted by law, the Tenant waives its right to make a claim against the Landlord for any direct physical loss or damage to property that would be covered by commercial property insurance written on the most recent editions oflnsurance Services Office (ISO) Form CP 00 10 and CP 10 30 if the Tenant had maintained such insurance.

(iii) To the extent permitted by law, the Landlord waives its right to make a claim against the Tenant for any direct physical loss of or damage to property that is covered by an "all risk" or "special causes ofloss" commercial property insurance policy (whether or not such insurance is actually maintained or claims are paid thereunder).

(iv) To the extent permitted by law, both the Landlord and Tenant waive their rights to make claims against the other for "business income" including "rental value" as such terms are defined in the most recent version ofISO Form CP 00 30 arising out of property damage or loss to the Land, Building, or Demised Premises or any combination thereof.

ARTICLE34

ASSIGNMENT AND SUBLETTING

Tenant shall have the right to assign the Lease or sublet the Demised Premises or any portion thereof provided it obtains prior written consent from Landlord in each instance. However, Landlord's approval of such requests to assign or sublet shall not be umeasonably withheld, delayed or conditioned. Any assignment or transfer, whether made with or without Landlord's consent, shall be made only if, and shall not be effective until, the assignee shall execute, admowledge and deliver to Landlord an agreement in form and substance reasonably satisfactory to Landlord whereby the assignee shall assume the obligations of this lease on the part of Tenant to be performed or observed and whereby the assignee shall agree that the provisions in this A1iicle shall, notwithstanding such assignment or transfer, continue to be binding upon it in respect of all future assignments and transfers. The original named Tenant covenants that, notwithstanding any assignment or transfer, whether or not in violation of the provisions of this lease, and notwithstanding the acceptance of Base Rent and/or Additional Rent by Landlord from an assignee, transferee, or any other party, the original nan1ed Tenant shall remain fully liable fo1, the payment of the Base Rent and Additional Rent and for the performance and observance of other obligations of this lease on the part of Tenant to be perfo1med or observed.

Notwithstanding anything to the contrary contained in this' Article, Tenant shall have the right to permit any agency, office, board or depmiment of The City of New York, to use and occupy all or a portion of the Demised Premises, subject to the terms and conditions of this Lease, provided that such use is consistent with the provisions of this lease and Certificate of Occupancy. Such use and occupancy shall not be deemed an assignment or sublet, nor shall it require Landlord's consent.

ARTICLE35

ESTOPPEL CERTIFICATE

Each party shall, at any time and from time to time, upon not less than thirty (30) days' prior notice to the other pmiy, execute and deliver to the requesting party (or to such person or entity as the requesting pmiy may designate) a statement ce1iifying that this Lease is umnodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and-stating the modifications), ce1iifying the Connnencement Date, Expiration Date m1d the dates to which the Base Rent and Additional Rent have been paid and stating whether or not, to the best lmowledge of such party, the other pmty is in default in performa11ce of any of its obligations under this Lease, and, if so, specifying each such default of which such pmiy has knowledge, it being intended that any such statement shall be deemed a representation a11d wananty to be relied upon by the party to whom such statement is addressed and containing such additional statements regm·ding this Lease as such party may reasonably request

ARTICLE36

BUILDING RULES

A. Landlord reserves the right to promulgate reasonable rules and regulations **("Building Rules")** for the Building. Tenant shall observe and comply with the Building Rules and such reasonable amendments thereto as do not unreasonably impair Tenant's use of the Demised Premises as permitted under this Lease or increase Tenant's obligations hereunder or reduce Tenant's rights hereunder (except to a de minimis extent); provided, however, that in case of any conflict or inconsistency between the provisions of this Lease and any of the Building Rules, the provisions of this Lease shall control, The Building Rules shall be enforced against all tenants in the Building in a nondiscriminatory mam1er,

B. No Building Rules or modification of any then existing Building Rules shall be binding on Tenant unless Landlord gives Tenant at least thi1ty (30)-days' notice thereof,

ARTICLE37

ACCESS AND BUILDING ALTERATIONS

A. Landlord or Landlord's agents shall have the right (but shall not be obligated) to enter the Demised Premises in an emergency at any time, and, at other reasonable times, npon reasonable advance notice and with Tenant's representative(s) present (if Tenant makes such representative available), to examine the same and to make such repairs and replacements as Landlord may deem necessary to the Demised Premises or the Building. In such event, Landlord or its agents shall exercise all due care in making such entry to protect Tenant's property and shall repair any damage made upon making such entiy and shall secure the Demised Premises in the event that Tenant is not present at the time of such emergency entry. Tenant shall permit Landlord to use and maintain and replace pipes and conduits in and tln·ough the Demised Premises and, subject to all of the terms and provisions of this Lease, to erect new pipes and conduits therein, provided they are concealed within the walls, floor or ceiling; provided, however, that such pipes and conduits do not in any way result in a diminishing of Tenant's usable space in the Demised Premises other than to a de minimis extent and in any event do not adversely affect Tenant's operations in the Demised Premises. Landlord may, during the progress of any work in the Demised Premises, take all necessary materials and equipment into said premises (provided, however, that Landlord's storage of materials and equipment in the Demised Premises for and during the period of such repair, restoration or other work shall occupy a de minimis portion of the Demised Premises for as short a period of time as is reasonably practicable under the circumstances and, provided further, that Landlord shall use all reasonable eff01is to minimize any interference with Tenant's business or the disruption of same in exercising such right of entry or making such repairs, replacements or alterations) without the same constituting an eviction. In any such event, Landlord will indemnify Tenant for any and all liability, fines, suits, claims, demands, expenses and actions of any kind or nature to the extent arising from any negligent act or omission by Landlord, Landlord's contractors, agents, employees or licensees in or about the Demised Premises resulting in damage to Tenant or Tenant's property. The foregoing indemnifications shall survive any expiration or termination of this Lease.

B. Throughout the Te1m, Landlord shall have the right to enter the Demised Premises dming Tenant's nonnal business hours, upon advance notice to Tenant (which may be oral), for the purpose of showing the same to prospective purchasers or m01igagees of the Building, and during the last 24 months of the Term for the purpose of showing the Demised Premises to prospective tenants.

C. Landlord reserves the right, at any time, to make changes in or to the Building as Landlord inay deem necessary or desirable, and Landlord shall have no liability to Tenant therefor; provided, that any such change does not deprive Tenant of reasonable access to the Demised Premises and does not affect the first class nature of the Building; provided further, that Landlord may not change the arrangement or location of any entrance, passageway, stair, bathroom, door or doorway of the Demised Premises without prior notice to and the prior written consent of Tenant, not to be unreasonably withheld, (except as may be necessary in connection with the Work or any restoration of the Building) provided, that Tenant's consent shall not be required for modifications of any of the forgoing that are de minimis in extent or do not directly affect Tenant's use of the Demises Premises or access to the Demised Premises. Landlord may change the name, number or designation by which the Building may be known upon prior notice to but without the consent of Tenant.

ARTICLE 38

PARKING

A. Beginning on the Commencement Date and tln·oughout the term of this Lease, Landlord shall provide Tenant with the use of fifty (50) parking spaces (the **"Parking Spaces")** comprised as follows: (i) twenty -five (25) parking space shall be used by HRA at the 210 Livingston Street ICON garage, valet parking ("Icon Garage") ; and (ii) twenty- five (25) pm·king space to be used by DEP at the parking garage located at 2 MetroTech Center, Brooklyn, New York ("MetroTech Gm·age"). Tenant shall pay Landlord, as Additional Rent, a parking fee of Two Hundred and Fifty Thousand 00/100 Dollm·s ($250,000.00) per annum (the **"Parking Fee"),** payable in equal monthly installments at the end of the month. The annual Parking Fee shall increase by three percent (3%) every two (2) years during the Term.

B. In the event either the Icon Parking Garage or the Metro Tech Parking Garage is no longer is business during the Teml, Landlord shall use commercially reasonable eff01ts to provide Tenant with reasonably comparable substitute parking spaces (the **"Substitute Parking Spaces")** within tlu·ee (3) blocks of the Building for the remaining term of the Lease at the smne annual Parking Fee chargeable to Tenant. The 25 Substitute Parking Spaces for DEP shall not be valet parking.

If Landlord fails to provide Tenant with the Substitute Parking Spaces at any time . during the Tenn (i) Tenant may terminate the Lease on thirty (30) days' written notice to Landlord, and (ii) Tenant may, but shall not be obligated to, immediately procure (upon notice to Landlord by ovemightmail, but without any grace period) other substitute parking spaces, in which event, Tenant shall have the right to deduct from the Parking Fee the difference between the reasonable costs actually incurred by Tenant to replace the Parking Spaces that Landlord failed to provide and the Parking Fee which would have been payable for such spaces (the **"Substitute Parking Spaces Additional Costs").** If the Substitute Parking Spaces Additional Costs exceed the Parking Fee for the Substitute Parking Spaces remaining payable, Landlord shall pay such excess costs to Tenant, immediately upon Tenant's written demand.

C. Landlord shall make a commercially reasonable effort to include in any agreement with the owner of the Icon Garage and the Metro Tech Garage (collectively, the **"Garage Owners",** each a **"Garage Owner"))** provisions for (i) the repair and maintenance of such facility in good order and condition (ii) the repair and maintenance of any sidewalks, curbs, and passageways adjoining or apputienant to the garages in good, clean and orderly condition, free of dirt rubbish, snow, ice and obstructions, and (iii) Tenant's access, including elevator service, to the garages seven (7) days a week, twenty-four (24) hours a day. Landlord shall provide Tenant with a copy of any such agreement with the Garage Owners and any amendments thereto. Landlord shall provide Tenant with twenty- five access cards to the Icon Garage and twenty- five access cards to the Metro Tech Garage at no cost to Tenant. Tenant shall pay for any replacement cards at a cost not to exceed the rate charged by the Garage Owners.

D. If Tenant shall give Landlord a written notice claiming that the Garage Owner is not performing, fulfilling or observing any of the services or repairs set fmih in (C) above, setting forth with reasonable specification and detail the nature of such non-performance, and requesting Landlord to seek performance by the Garage Owner, Landlord shall promptly request Garage Owner to so perform, fulfill or observe, and upon any failure to do so, Tenant may, in the name of Landlord or Tenant or both, seek by appropriate action to cause such performance or observance by the Garage Owner.

ARTICLE39

MISCELLANEOUS

A. Presumptions: This Agreement shall be construed without regard to any presumption or other rule' requiring construction against the party causing this Agreement to be drafted, each party having been represented by competent counsel.

B. Counterparts: This Agreement may be executed in any number of counterparts, each of which shall, when executed, be deemed to be an original and all of which shall be deemed to be one and the same instrument.

C. Captions: The captions contained in this Lease are for convenience of reference only, and in no way define, limit or describe the scope or intent of this Lease nor in any way affect this Lease.

ARTICLE40

APPLICABLE LAW

This Lease shall be governed by and construed in accordance with the internal laws of the State of New York.

ARTICLE41

LEASE ENTIRE AGREEMENT

This Lease sets forth the entire Agreement between the parties, superseding all prior agreements and understandings, written or oral, and may not be altered or modified except by a writing signed by both pmiies. This Lease shall be binding upon the pmiies hereto, their successors, legal representatives and assigns.

[Sign(I/Ure Page Follows}

IN WITNESS WHEREOF, the said parties have caused this Lease to be executed the day and year first above written.

250 LIVINGSTON STREET OWNER LLC,

Landlord

By: _____
Name:
Title:

THE CITY OF NEW YORK, acting through the
Department of Citywide Administrative Services

Tenant

By:
Laura RIngelheim
Acting Deputy Commissioner
Department of Citywide
Administrative Services
Real Estate Services

Approved as to Form:

Actinis/Corporaf - Counsel 'SY-

UNIFORM FORM OF ACKNOWLEDGMENT

STATE OF NEW YORK)
) **ss.:**
COUNTY OF NEW YORK)

On the day of_____ ***J*** ,in the year 20*Ji,*before me, the undersigned, personally appeared LAURAlZ ELHEIM, personally !mown to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and aclmowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

A *f* --

(Notary Pu a14(Connniss¼oBer of Deeds)

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A>ISJ.303V>I 'VA:ru::l::13r

STATE OF NEW YORK)
) **ss.:**
COUNTY OF)

On the J1.„J day of /'r,.n\. , in the year 20i_i_, before me, the undersigned, personally appeared *Oc-.,r:J* *,S't*(:,1.., *r* , personally !mown to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and aclmowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

11n1J. *k*

(Notary P i;*)+S-tke-iout* *(C omm issioner* of Deeds)
MOSHE SCHILIT
NOTARVPUBUC STATEOFNEWYORK
NO. 01SC6125263
QUALIFIED INKINGS COUNTY
COMMISSION EXPIRES 04 *i* 11 *120'2./*

AFFIRMATION

The undersigned Landlord, Lessor, Licensor or Optionor affirms and declares that said Landlord, Lessor, Licensor or Optionor is not in arrears to the City of New York upon debt, contract or taxes and is not a defaulter, as surety or otherwise, upon obligations to the City of New York, and has not been declared not responsible, or disqualified, by any agency of the City of New York, nor is there any proceeding pending relating to the responsibility or qualification of the proposer or bidder to receive public contracts except

Full name of Landlord, Lessor, Licensor or Optionor:
250 LIVINGSTON OWNER LLC

Address: 461112TH AVE SUITE 1L

City BROOKLYN State _N_Y_____Zip Code_1_1_21_9_____

CHECK ON BOX AND INCLUDE APPROPRIATE NUMBER

[] A - Individual or Sole Proprietorship*
SOCIAL SECURITY NUMBER

El B - Partnership, Joint Venture or other unincorporated Organization
EMPLOYER IDENTIFICATION NUMBER

46-1449451

[ ] C - Corporation

EMPLOYER IDENTIFICATION NUMBER

_____

_____
Signature of an Officer or Duly Authorized Representative

_____
Title'and Printed Name of Signatory

3/25/19
DatT *I*

DAVID BISTRICER, CEO

If a corporation place seal here:

Under the Federal Privacy Act the furnishing of Social Security Numbers by Individuals on City contracts is voluntary. Failure to provide a Social Security Number will not result in an individual's disqualification. Social Security Numbers will be used to identify Landlords, Lessors, Licensors or Optionors, to ensure their compliance with laws, to assist the City in enforcement of laws, as well as to provide the City a means of identifying businesses which seek City contracts.

FORDCAS ONLY:

Agency Address IPISNumber

DO NOT SUBMIT TO THE IRS. SUBMIT FORM TO THE NEW YORK CITY AGENCY 10/14 REVISION	THE CITY OF NEW YORK SUBSTITUTE FORM W-9: REQUEST FOR TAXPAYER IDENTIFICATION NUMBER & CERTIFICATION	- .. Fi•S

TYPE OR PRINT INFORMATION NEATLY. PLEASE REFER TO INSTRUCTIONS FOR MORE INFORMATION.

Part I: Vendor Information

1. Legal Business Name: (As it appears on IRS EIN records, IRS Letter CP575, IRS Letter 147C -or- Social Security Administration Records, Social Security Card)	2. If you use OBA, please list below:
25D LIVINGSTON OWNER LLC	

3. Entity Type (Check one only):

☐ Non-Profit Corporation ☐ Corporation/ LLC ☐ Church or Church-Controlled Organization ☐ Government ☐ City of New York Employee ☐ Personal Service Corporation ☐ Individual/ Sole Proprietor ☐ Trust ☐ Joint Venture ☒ Partnership/ LLC ☐ Single Member LLC Information ☐ Resident/Non-Resident Alien ☐ Non-United States Business Entity ☐ Estate

Part II: Taxpayer Identification Number & Taxpayer Identification Type

1. Enter your TIN here: *(DO NOT USE DASHES)* 461144945 1

2. Taxpayer Identification Type (check appropriate box):

☐ Employer ID Number (EIN) ☐ Social Security Number (SSN) ☒ Individual Taxpayer ID Number (ITIN) ☐ N/A (Non-United States Business Entity)

Part III: Vendor Addresses

	Number, Street, and Apartment or Suite Number	City, State and Nine digit Zip Code or Country
1.1099 Address:	461112TH AVENUE STE 1L	BROOKLYN, NY 11219
2. Account Administrator Address:	461112TH AVENUE STE 1L	BROOKLYN, **NY** 11219
3. Billing, Ordering & Payment Address:	461112TH AVENUE STE 1L	BROOKLYN, NY 11219

Part IV: Exemption from Backup Withholding and FATCA Reporting (See Instructions)

Exemption Code for Backup Withholding_____ Exemption Code for FATCA Reporting _____

Part V: Certification

Under penalties of perjury, I certify that:
1. The number shown on this form is my correct Taxpayer Identification Number, and
2. I am not subject to Backup Withholding because: (a) I am exempt from Backup Withholding, or (b) I have not been notified by the IRS that I am subject to Backup Withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to Backup Withholding, and
3. I am a US citizen or other US person, and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

Sign Here: _____ Signature _____ Phone Number 03/25/19 Date

SHOSHANA YAVNEH	7184382804	syavneh@clipperequity.com
Print Preparer's Name	Phone Number	Contact's E-Mail Address:

FOR SUBMITTING AGENCY USE ONLY

Submitting Agency Code: _____ Contact Person: _____

Contact's E-Mail Address: _____ Telephone Number: ( ) _____

PayeeNendor Code: _____ 1- _____

DO NOT FORWARD W-9 TO COMPTROLLER'S OFFICE. AGENCIES MUST ATTACH COMPLETED W-9 FORMS TO THEIR FMS DOCUMENTS.

THE MAYOR
CITY OF NEW YORK
April 24, 2019

CALENDAR NO. 1

WHEREAS, a lease for the City of New York, as tenant, for a portion of the building located at 240-250 Livingston Street (Block 165, Lot 22) in the Borough of Brooklyn for Human Resources Administration (HRA) and the Department of Environmental Protection (DEP) for use as office and storage space, or for such other use as the Commissioner of the Department of Citywide Administrative Services may determine. In addition, the landlord will provide 50 parking spaces;

WHEREAS, the proposed lease shall be for a period of ten (10) years commencing on the later of August 23, 2020 and the date of Substantial Completion of alterations and improvements, at an annual rent of $14,940,890.12 for the first two (2) years, $15,389,116.84 for years 3-5,

$16,434,979.15 for years 6 and 7, and $16,929,688.62 for years 8-10, payable in equal monthly installments at the end of each month. In addition, beginning on the commencement date, Tenant will pay an annual parking fee of $250,000, escalating 3% every two years;

WHEREAS, the lease may be terminated by the Tenant effective as of the fifth (5th) anniversary of the commencement date or effective as of the seventh (7th) anniversary of the commencement date, provided the Tenant gives the Landlord eighteen (18) months prior written notice. In the event that the lease is terminated by the Tenant at the end of the seventh year, the Tenant shall pay to the Landlord a termination fee of $16,434,979.15. No termination fee is due in case the lease is terminated at the end of five (5) years;

WHEREAS, the Landlord shall prepare final architectural plans and engineering plans and make alterations and improvements in accordance with specifications which are attached to the lease. The alterations and improvements consist of HRA Scope of Work and DEP Scope of Work, which the landlord shall provide at its sole cost and expense;

WHEREAS, there is no City-owned property or space under lease or license to the City that can be utilized to provide the space required by this Agency and the acquisition price is fair and reasonable;

WHEREAS, the Office of Management and Budget has notified the Department of Citywide Administrative Services that funds for the rental of these premises will be provided when needed;

WHEREAS, as certified below, a duly noticed Real Property Public Hearing in the matter of a lease pursuant to Section 824 of the City Charter, was held and closed by the Mayor on April 24, 2019 (Cal. No. 1). At such Hearing no testimony was offered;

WHEREAS, the Hearing was closed without amendment;

CERTIFICATION by the Mayor's Office of Contract Services/Public Hearing Unit of the actions at and final dispositi of the Real Property Public Hearing held on April 24, 2019 (Cal. No. 1).

Jacqueline Galvez — Name
Hearing Secretary — Title
April 24 2019 — Date

NO , after due consideration, the Mayor hereby authorizes the Department of Citywide Administrative Services, Real Estate Services, to acquire the property described herein in accordance with the terms of an acquisition described in the Calendar of Public Hearings on Real Property Acquisition and Disposition dated April 24, 2019 (Cal. No. 1). The relevant portions of the Calendar are annexed hereto.

Date: April 24 2019

Daniel Symon, Director
Mayor's Office of Contract Services

PUBLIC HEARING

DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES

BOROUGH OF BROOKLYN

No. 1

R-00498

PUBLIC HEARING, pursuant to the provisions of Section 824 of the New York City Charter, as submitted by the Department of Citywide Administrative Services, Real Estate Services, hereby authorizes a lease for the City of New York, as tenant, for a portion of the building located at
240-250 Livingston Street (Block 165, Lot 22) in the Borough of Brooklyn for Human Resources Administration (HRA) and the Department of Environmental Protection (DEP) for use as office and storage space, or for such other use as the Commissioner of the Department of Citywide Administrative Services may determine. In addition, the landlord will provide 50 parking spaces.

The proposed lease shall be for a period often (10) years commencing on the later of August 23, 2020 and the date of Substantial Completion of alterations and improvements, at an annual rent of$14,940,890.12 for the first two (2) years, $15,389,116.84 for years 3-5, $16,434,979.15 for years 6 and 7, and $16,929,688.62 for years 8-10, payable in equal monthly installments at the end of each month. In addition, beginning on the commencement date, Tenant will pay an annual parking fee of $250,000, escalating 3% every two years.

The lease may be terminated by the Tenant effective as of the fifth (5t11) anniversary of the commencement date or effective as of the seventh (7th) anniversary of the commencement date, provided the Tenant gives the Landlord eighteen (18) months prior written notice. In the event that the lease is terminated by the Tenant at the end of the seventh year, the Tenant shall pay to the Landlord a termination fee of $16,434,979.15. No te1mination fee is due in case the lease is terminated at the end of five (5) years.

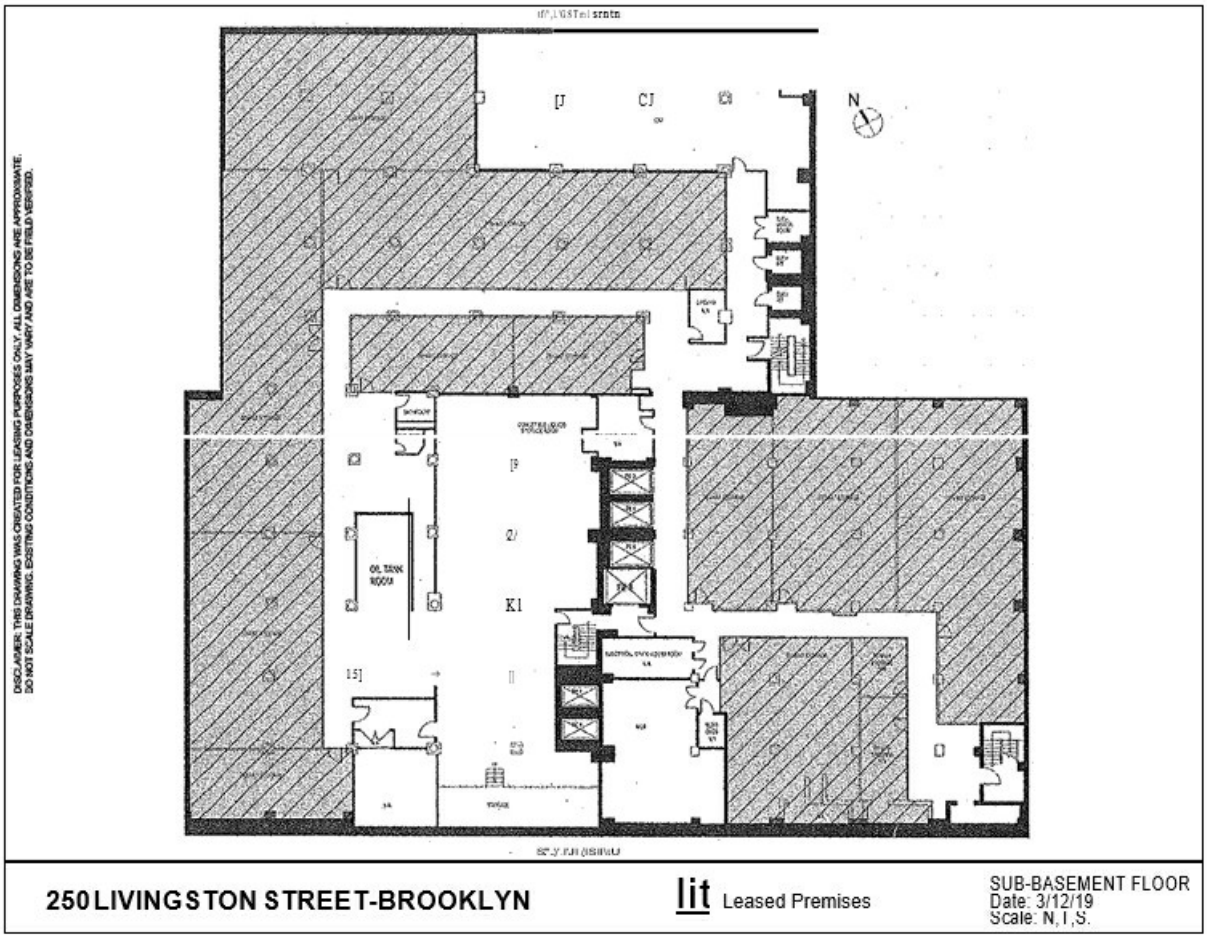
The Landlord shall prepare final architectural plans and engineering plans and make alterations and improvements in accordance with specifications which are attached to the lease. The alterations and improvements consist ofHRA Scope of Work and DEP Scope of Work, which the landlord shall provide at its sole cost and expense.

Close the Hearing.

EXHIBIT A

FLOOR PLANS

(See attached)

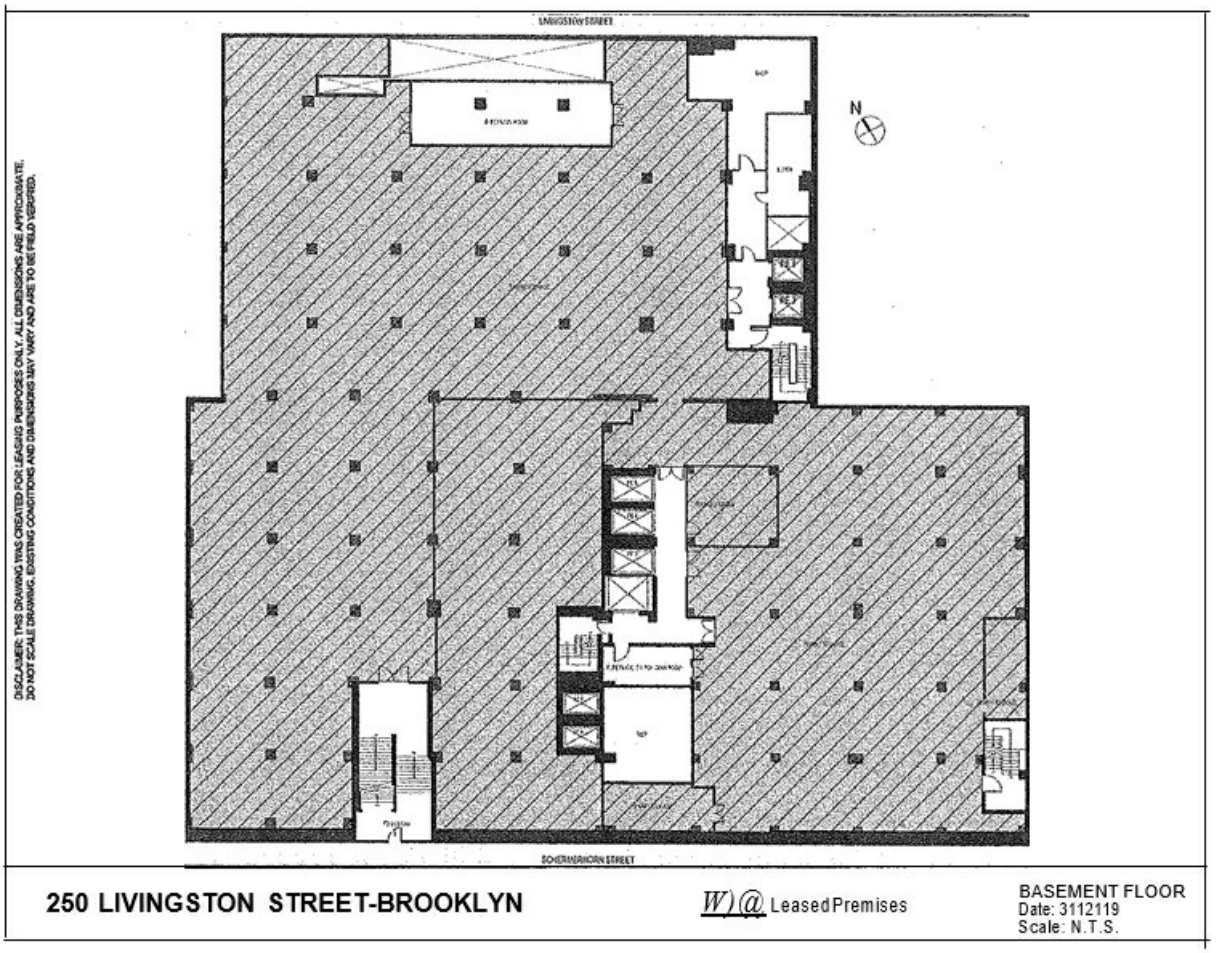


DISCLAIMER: THIS DRAWING WAS CREATED FOR LEASING PURPOSES ONLY. ALL DIMENSIONS ARE APPROXIMATE. DO NOT SCALE DRAWING. EXISTING CONDITIONS AND DIMENSIONS MAY VARY AND ARE TO BE FIELD VERIFIED.

250 LIVINGSTON STREET-BROOKLYN

lit Leased Premises

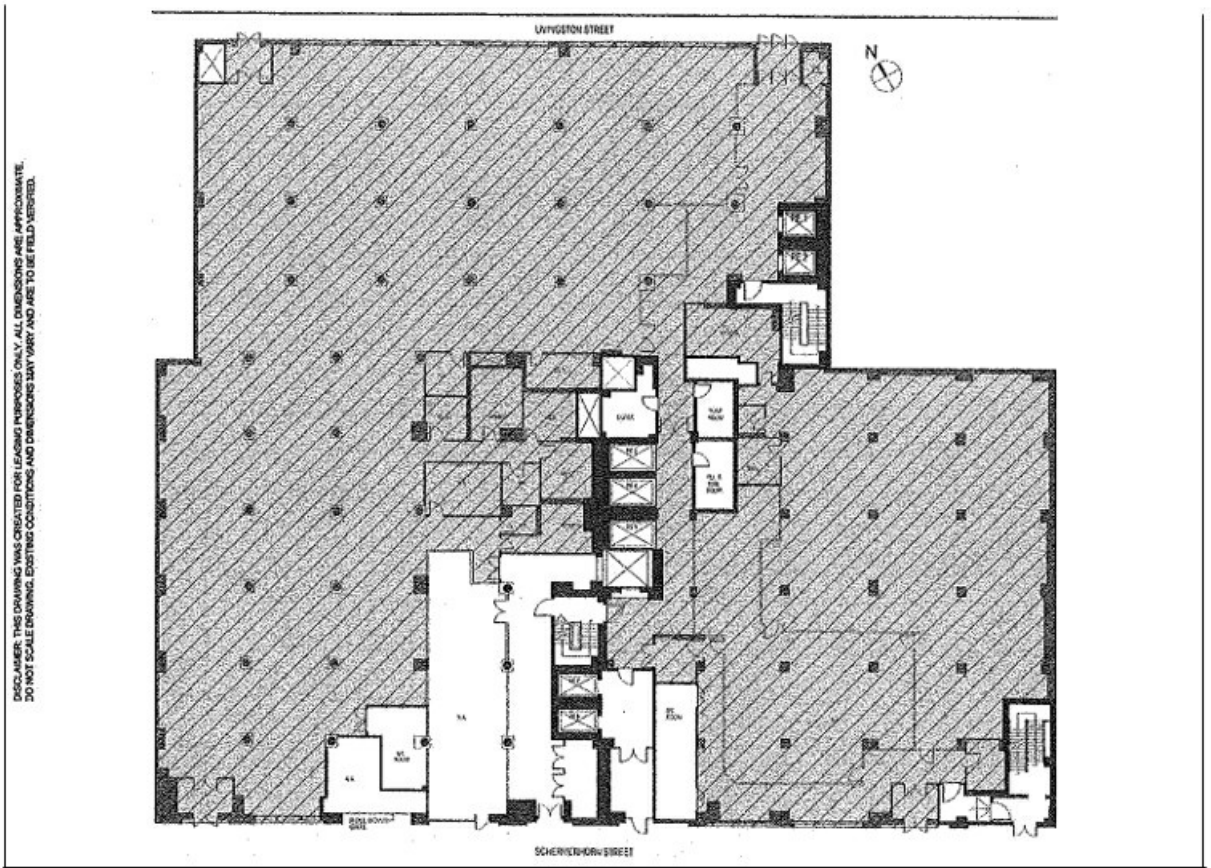
SUB-BASEMENT FLOOR
Date: 3/12/19
Scale: N.T.S.



250 LIVINGSTON STREET-BROOKLYN

W)@ Leased Premises

BASEMENT FLOOR
Date: 3112119
Scale: N.T.S.

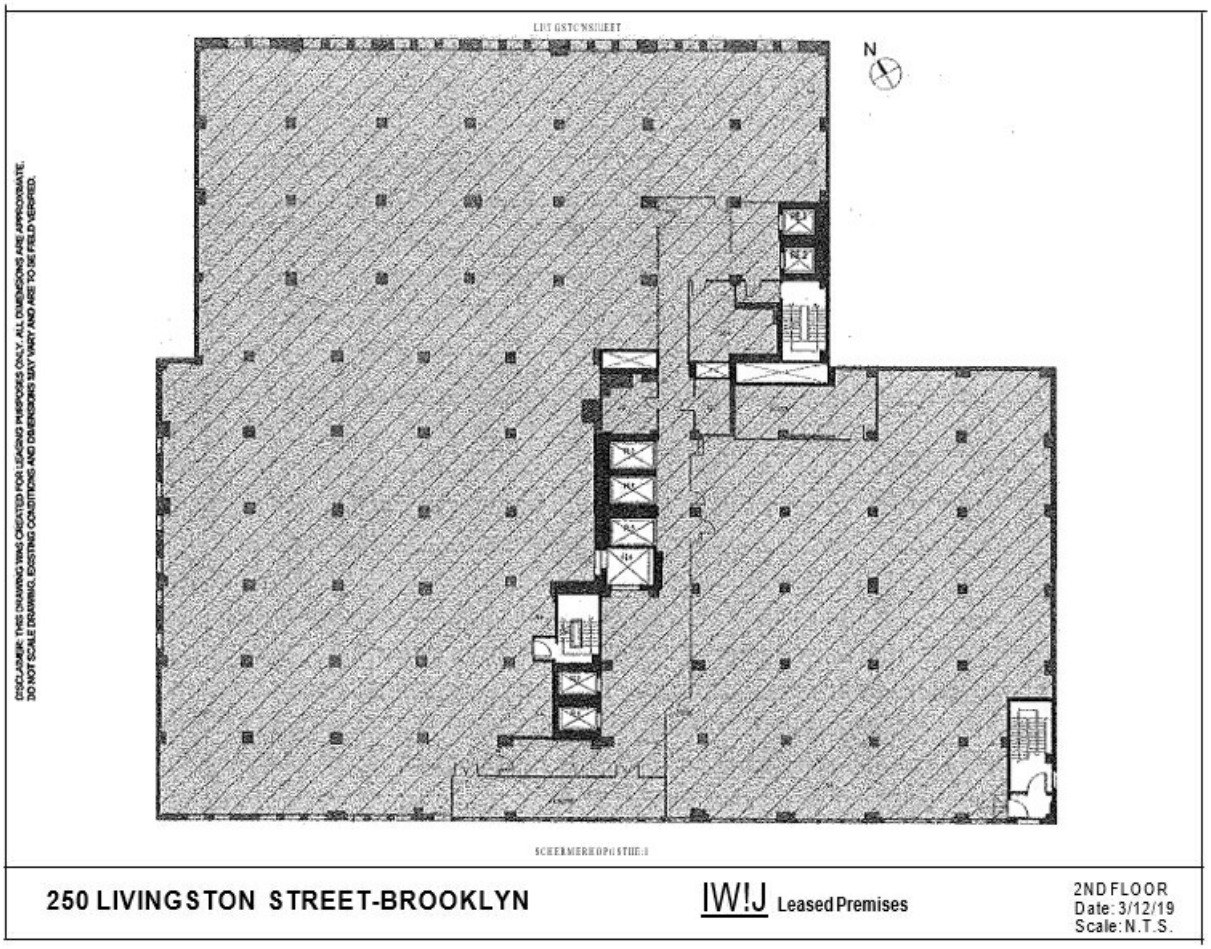


DISCLAIMER: THIS DRAWING WAS CREATED FOR LEASING PURPOSES ONLY. ALL DIMENSIONS ARE APPROXIMATE. DO NOT SCALE DRAWING. EXISTING CONDITIONS AND DIMENSIONS MAY VARY AND ARE TO BE FIELD VERIFIED.

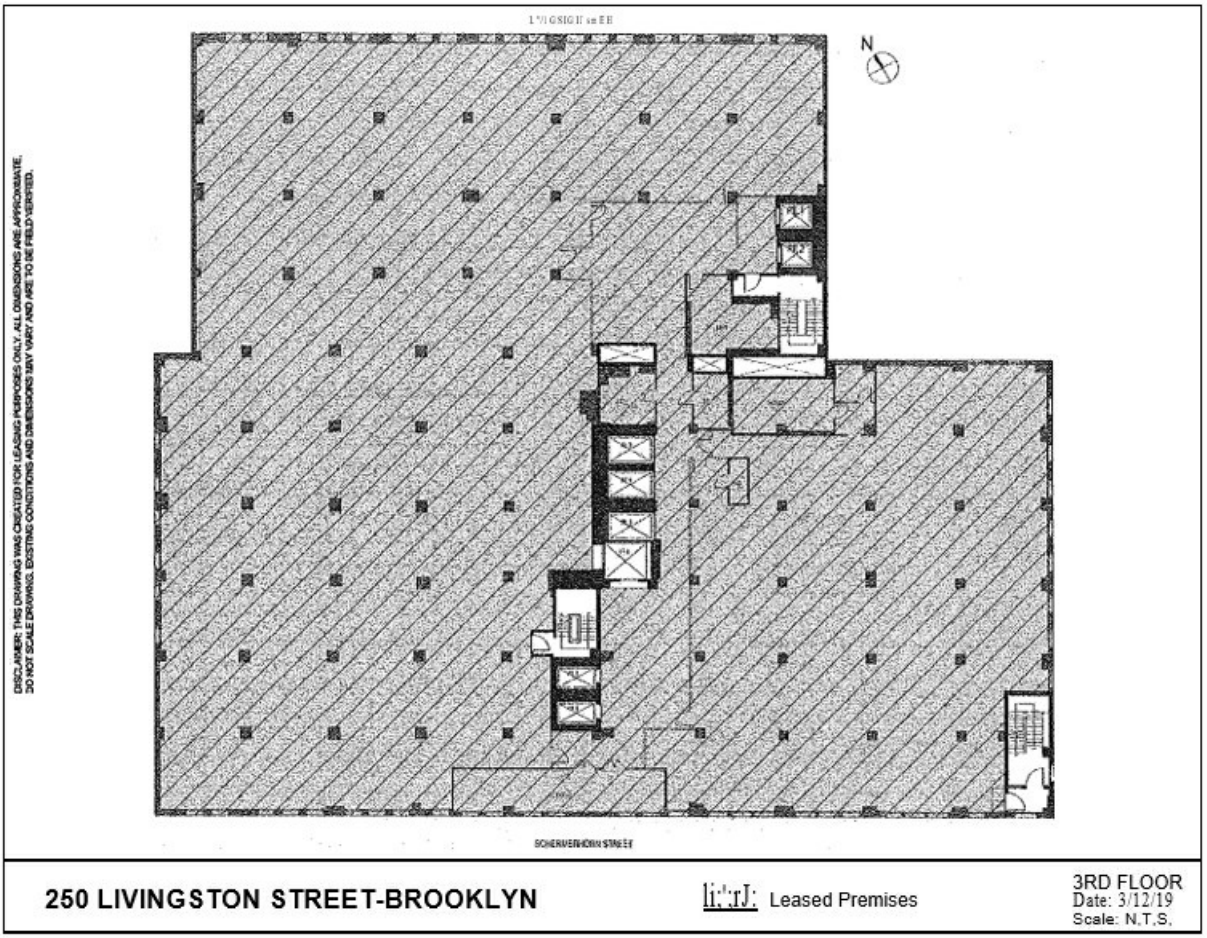
250 LIVINGSTON STREET-BROOKLYN

Leased Premises

1ST FLOOR
Date: 3/12/19
Scale: N.T.S.



250 LIVINGSTON STREET-BROOKLYN IW!J Leased Premises 2ND FLOOR Date: 3/12/19 Scale: N.T.S.



DISCLAIMER: THIS DRAWING WAS CREATED FOR LEASING PURPOSES ONLY. ALL DIMENSIONS ARE APPROXIMATE. DO NOT SCALE DRAWING. EXISTING CONDITIONS AND DIMENSIONS MAY VARY AND ARE TO BE FIELD VERIFIED.

250 LIVINGSTON STREET-BROOKLYN

Leased Premises

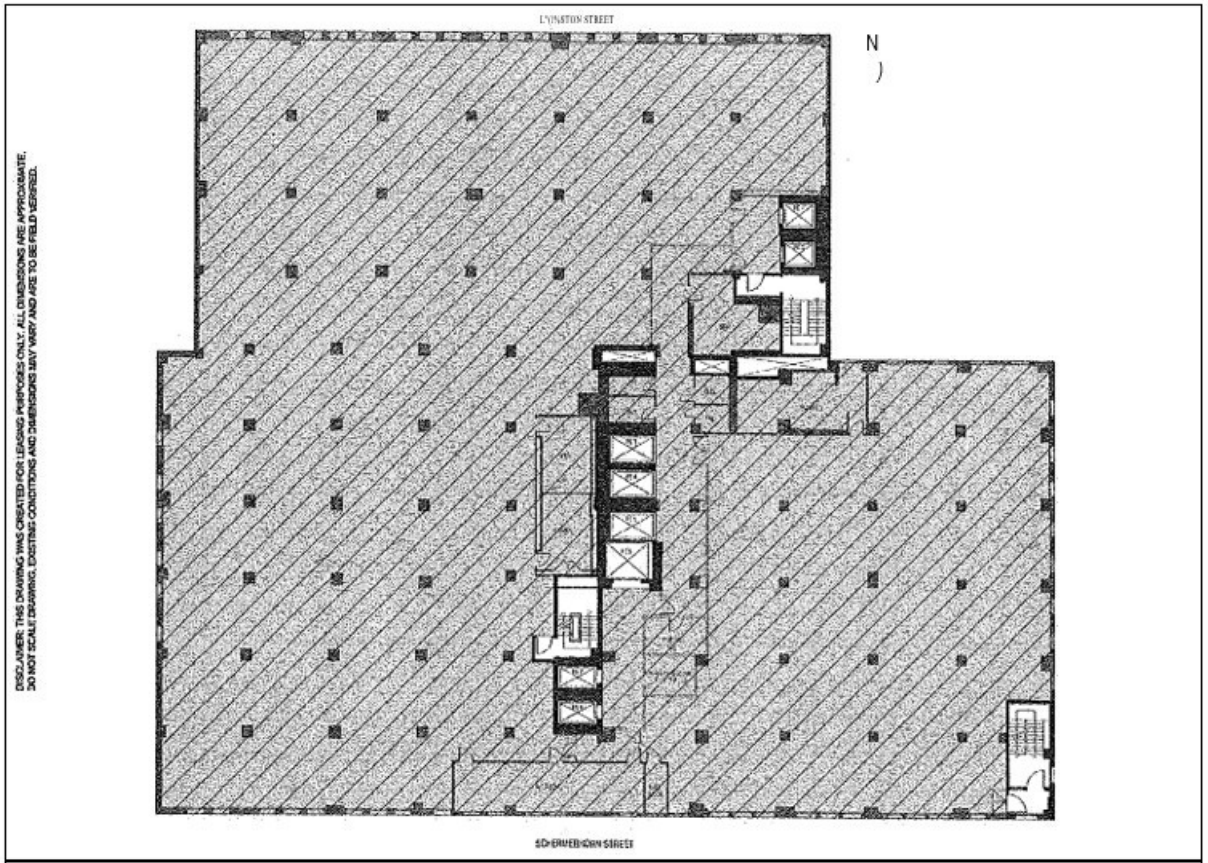
3RD FLOOR
Date: 3/12/19
Scale: N.T.S.

DISCLAIMER: THIS DRAWING WAS CREATED FOR LEASING PURPOSES ONLY. ALL DIMENSIONS ARE APPROXIMATE. DO NOT SCALE DRAWING. EXISTING CONDITIONS AND DIMENSIONS MAY VARY AND ARE TO BE FIELD VERIFIED.

250 LIVINGSTON STREET-BROOKLYN

Leased Premises

4TH FLOOR
Data: 3/12119
Scala: N.T.S.

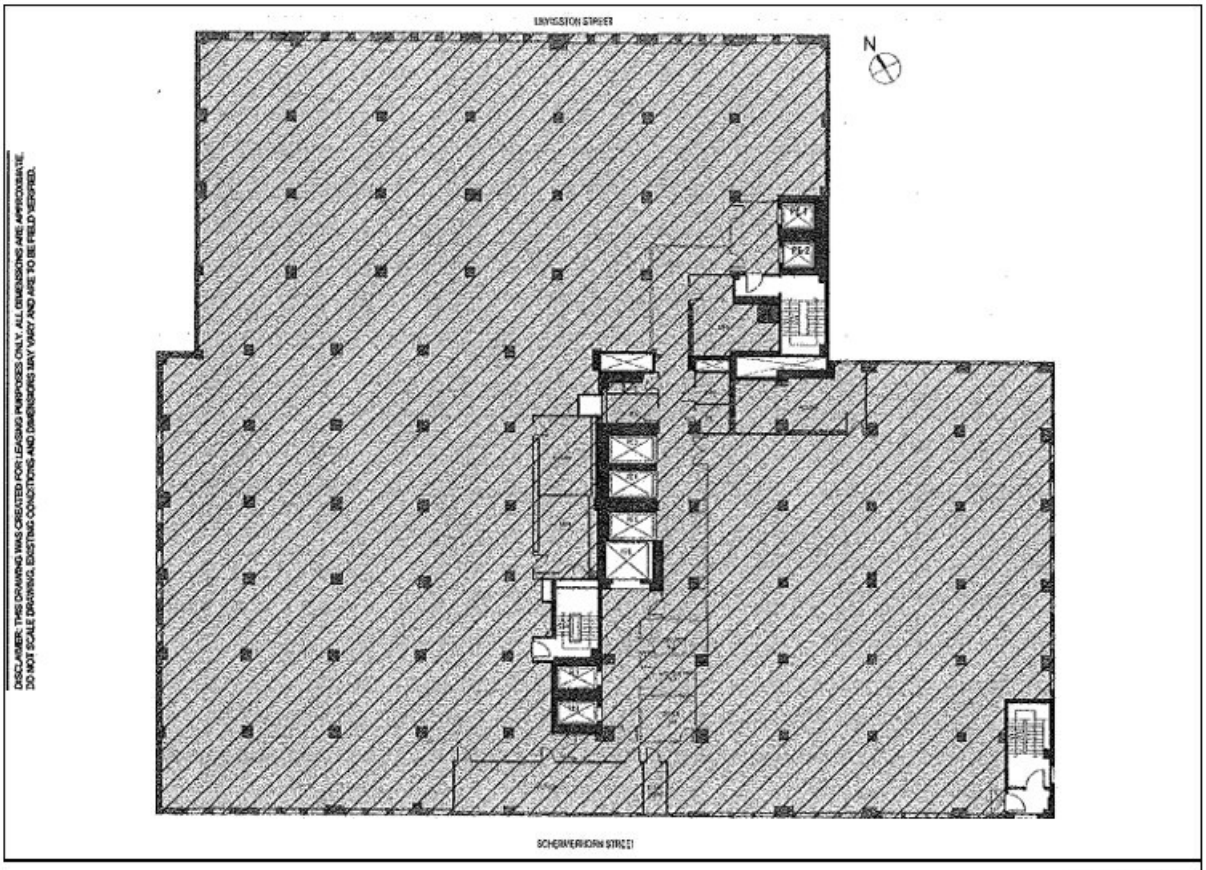


DISCLAIMER: THIS DRAWING WAS CREATED FOR LEASING PURPOSES ONLY. ALL DIMENSIONS ARE APPROXIMATE. DO NOT SCALE DRAWING. EXISTING CONDITIONS AND DIMENSIONS MAY VARY AND ARE TO BE FIELD VERIFIED.

250 LIVINGSTON STREET-BROOKLYN

____ Leased Premises

5TH FLOOR
Date: 3/12/19
Scale: N.T.S.



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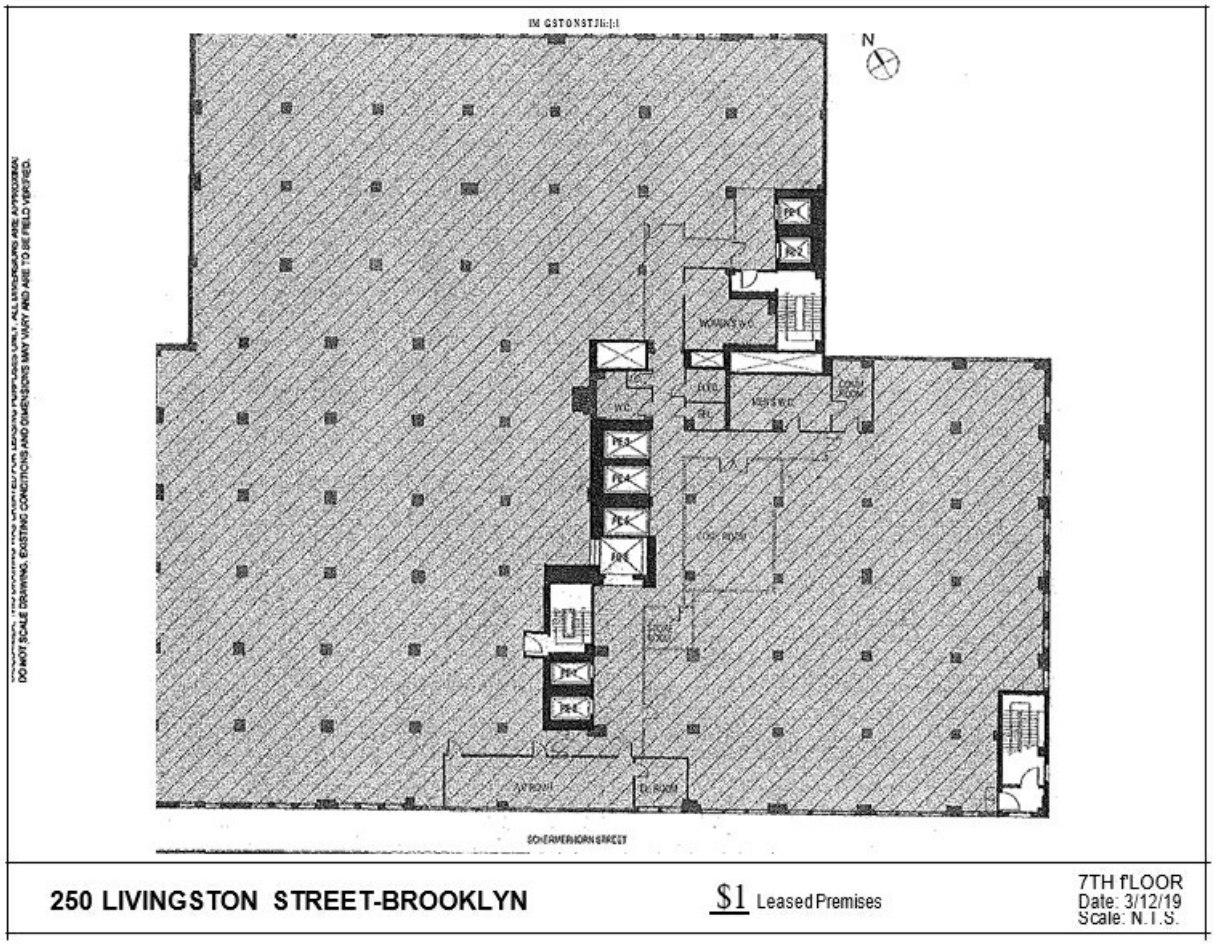
250 LIVINGSTON STREET-BROOKLYN-

____ Leased Premises

6TH FLOOR
Date: 3/12/19
Scale: N.T.S.



250 LIVINGSTON STREET-BROOKLYN

$1 Leased Premises

7TH f'LOOR
Date: 3/12/19
Scale: N.T.S.

250 LIVING.STON STREET-BROOKLYN

____ Leased Premises

8TH FLOOR
Date: 3/12/19
Scale: N.T.S.

EXHIBIT B
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED:_____

	ANNUAL COST	ANNUAL COST/SQ.FT.
PAYROLL & RELATED		
BUILDING OFFICE STAFF		
ENGINEERING STAFF		
SECURITY STAFF		
OVERTIME COSTS		
FRINGES AND BENEFITS .		
SUBTOTAL PAYROLL		
CLEANING SERVICES		
CLEANING STAFF		
WINDOW CLEANING		
EXTERMINATING		
CLEANING SUPPLIES		
TENANT SERVICES		
SUBTOTAL CLEANING		
MAINTENANCE (RECURRING		
HVAC		
ELECTRICAL		
LANDSCAPING		
GENERAL		
SUBTOTAL MAINTENANCE		
REPAIRS (NON-RECURRING)		
HVAC		
ELECTRICAL		
LANDSCAPING		
GENERAL		
SUBTOTAL REPAIRS		
RUBBISH REMOVAL		
UTILITIES		
STEAM/GAS		
ELECTRIC-PL & P ONLY		
WATER		
SUBTOTAL UTILITIES		
MISCELLANEOUS		
TOTAL DIRECT OPERATING EXPENSES		

EXHIBITC

SCOPE OF WORK

(See attached)

NYC DCAS
Citywide Administrative Services

Lisette Camilo
Commissioner

Laura B. Rlngelhelm
Deputy Commissioner
Real Estate Services

Date: 7/20/18, Revised: 8/14/18, B/23/18, 9/12/18
Agency: Human Resources Administration (HRA)
Project II: 5420
Location: 250 Livingston St., Brooklyn N.Y., 11201, Sub-Basement, Basement, 1"- 7th Floors

Scope of Work

Architectural/Engineering

1. Replace or all non-conforming or non-working exit signs and supplement with additional signage as required by NYC code. Code conformance to be determined by a NYS Architect or Engineer.
2. Replace all non• conforming or non-working emergency lighting and supplement with additional signage as required by NYC Code. Code conformance to be determined by a NYS Architect or Engineer.
3. · Provide photo-Ju'minesi;ent marking on all fire stairs in compliance with NYC Code.
4, ·<" -Replace.all emergency hardware O!texit doors.
5. ' 'Rep!!tlfighting and ceili !!;P e.!4\\ 11elevators,
6, Install fire stopping where mfssing around all ductwork and piping penetrations at all mechanical, electrical and utility rooms, and at floor slab penetrations.
7. Replace all doors at all mechanical rooms and stairwells with fire rated UL doors as required by NYC Building Code.
8. Replace broken or·damaged restroom fixtures, mirrors and floor tiles.
9. Refinish (paint) all toilet partitions at both public and staff restrooms throughout.
10. Replace all broken window panes.
11. Replace all broken electrical outlets.
12. Replace all water stained or cracked acoustical ceiling tiles with new.
13. Fix all perimeter water Infiltration and replace all damaged interior surfaces associated with exterior wall leaks.
14. Replace door hardware throughout which is not ADA compliant.
15. All exit passageway to be cleaned and free of any obstructions with-in,
16. Flrst floor Janitors closet to be remodeled to include new tile walls and floor, plumbing fixtures, and ceiling and lighting.
17. All water leaks from existing plumbing fixtures to be repaired and all areas effected by water damage to be replaced.

18. Paln,t all wall surfaces within building. Painting to be done off hours and weekends when HRA spaces are unoccupied.
19. All light fixtures to be fully functioning and in working order. Remediate or replace any non working light fixtures.
20. All toilet rooms to have NYC Code compliant exhaust systems. Engineer to assess existing system and provide solution for compliance. Final solution to be implemented as required.
21. Install drinking fountains In compliance with NYC Plumbing code. Any existing (non conforming) fountains to be replaced.
22. Replace all damaged VCT tiles, clean VCT tiles through-out the HRA space.
23. Provide Code Compliant Fire Alarm Oevices]i n the basement boiler room.

REVIEWED BY:

Person	Signature:	Date:
Project Architect, D&PM, Real Estate Services		9/13/18
Director, D&PM, Real Estate Services		9/13/18
Project Engineer, D&PM, Real Estate Services	(SAMAY, JC)	9/13/18

APPROVED BY:

Agency: HRA Title: Executive Director Signature: Date: 9/12/18

David Bistricer

From: Cynthia Poulton (DCAS) <CPoulton@dcas.nyc.gov>
Sent: Friday, September 14, 2018 2:57 PM
To: David Bistricer
Subject: Follow up for 250 Livingston

David,

Here's my synopsis from last night's call. Upon approval, I will forward this to Nina and the team.

Regards, Cynthia

Item #6: The request for "fire-stopping at slab penetrations" pertains to new penetrations related to the installation of the rooftop cooling towers,
Item #14: ADA compliant door hardware upgrade - pertains to hardware replacements with levers, pulls, push bars and overhead closers as required - It is assumed that electronic push buttons are not required unless otherwise specified by LL's architect.
Item #18: Painting - LL agrees to do work off hours and will disconnect and move workstations as required, It is understood that all other obstructions will be reviewed by HRA within a pre-arranged walk-thru prior to start of painting and either HRA will relocate Item or request a work-around,
Item #23: Fire alarms in basement boiler room was re-inserted from a previous draft and was not listed on 9.11.18 draft previously submitted to LL

Sent from my iPad

NYC DCAS
Citywide Administrative Services

Lisette Camilo
Commissioner

Laura B. Rlngelhelm
Deputy Commissioner
Real Estate Services

Date: 7/20/18, Revised: 8/14/18, 8/23/18
Agency: Department of Environmental Protection
Project ti: 5532
Location: 2.50 Livingston St., Brooklyn N.Y., 11201, Basement, 8th Floor

Scope of Work

Architectural

1. Repair water damaged sheetrock in the hallway, at radiators and windows.
2. Once water damaged walls are repaired, paint DEP space throughout.
3. Replace water damaged ceiling tiles throughout the DEP demised space.
4. landlord to ensure that the corridor door next to elevator number 8, and the fire stair leading into the Brooklyn Permits office are connected to the fire alarm system with a fail-safe lock, as per all applicable codes.
5. At bathrooms, install new partitions, toilet paper dispensers, paper towel dispensers, and toilet seat covers. Provide better air-circulation.
6. Repair the damaged wall in the women's room by the light switch.
7. The exterior of the freight elevator door to be painted.
s;, . andlora to make necessary repafr to the passenger elevator to ensure that is in proper working condition.
9. Both existing pantries on the floor have rusting cabinets and missing doors. Install new ADA compliant pantries.
10. Replace damaged VCT floor tile at miscellaneous locations. Clean floor throughout, as requested by DEP.
11. A light switch guard to be installed at the corridor light switch taped in the on position, as requested by DEP..
12. Replace non-working fluorescent fixture throughout the DEP space and at the eighth-floor landing on exit stair B.
13. Once water damaged walls are repaired, paint DEP space throughout.
14. Install window guards in the BCS customer waiting area.

Engineering IMEPl

1. Overhaul existing water-cooled HVAC units to work at their optimum capacity. Heating is insufficient in the space, Landlord to hire a consulting engineer to evaluate existing perimeter radiation, capacity of existing steam coils in AC units and see if these coils/controls/traps are functional and heatfng loads for the space and provide written report and recommendations. Provide supplemental heating as needed. Based on our discussion with the building staff, existing steam coils in the HVAC units are not functional.
2. Air distribution system to be balanced by a licensed air balanctng company and provide a balancing report certified by a P.E. or a R.A. Vacuum clean all existing ductwork, diffusers and return grilles.
3. Replace existing supplemental AC unit serving BCS data closet and provide thermostatically controlled exhaust fan as a backup with appropriate considerations for transfer air.
4. Sec.ire two stair doors with new mag locks and connect to building fire alarm system.
5. Ensure that retrofitted LED emergency lighting meets code.
6. Provide sprinkler fire protection as required by Local Law 26 of 2004 with July 2019 dead line.

REVIEWED BY:

Person	Signature:	Date:
Project Architect, D & PM, Asset Management		8/28/18
Director/ Asst. Director, D&PM, Asset Management		9/6/18
Project Engineer, D&PM, Asset Management		8/22/18

APPROVED BY:

Agency:})£?	Title:	Silmature:	Date:
Fill in agency name	Director of Real Estate	Patricia Turner	8/27/18

EXHIBITD

PREVENTIVE MAINTENANCE REQUIREMENTS

1. Replacement of air filters at *NC* units at least every three months;

2. Seasonal inspection of water heater nnits for good working condition;

3. Seasonal inspections of the following heating/mechanical system and sub-systems for good working conditions:

    a) Boiler, Burner and Safety Control;

    b) Compressors including unloaders;

    c) Electric Baseboard Heaters including thermostats, elements, enclosures and fastening to wall;

    d) Electric Duct Heaters including elements, safety controls and air flow switches;

    e) Fan Belts and *NC* units and exhaust fans;

    f) Heating coils including, control valves and fins;

    g) Hot Water Baseboard Heaters;

    h) Outside Air Intakes and Dampers including damper motors linkage;

    i) Temperature Controls including room, return air, discharge thermostats and covers;

    j) Toilet and Kitchen Exhaust Fans; and

    k) Result of asbestos air sampling, if O&M in effect.

The Landlord's service contractor shall prepare a log indicating his findings and a report indicating that a repair has been performed. He shall submit a copy of his log to the occupying agencies.

. **EXHIBITE**

Subordination, Non- Disturbance and Atton1ment Form

---

and

THE CITY OF NEW YORK,
acting through the
DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

Dated: 20

Location:

SUBORDINATION, NON-DISTURBANCE
AND ATTORNMENT AGREEMENT
(LEASE)

THIS AGREEMENT made as of the ____ day of ____,200_between_____ _____a corporation, having an office at_____N.ew York, New York----- (the **"Mortgagee"),** and **THE CITY OF NEW YORK** acting through the **DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES,** a municipal corporation, having an office at 1 Centre Str·eet, 20th Floor No1th, New York, New York 10007 (the **"Tenant");**

W I TN ES S ETH:

WHEREAS the Mortgagee is or is about to become the owner and holder of a certain mortgage or mortgages (the **"Mortgage")** encumbering the premises located in the Borough and County of___City and State of _____ known as_____(the **"Premises");** and

WHEREAS the Tenant is be the holder of a leasehold estate in a p01tion of the Premises under and pursuant to the provisions of a certain lease dated._____ with ____c_____, as landlord. (the **"Lease");** and

WHEREAS the.Tenant has agreed to subordinate the Lease to the lien created under the Mortgage and the Mortgagee has agreed to grant non-disturbance to the Tenant under the Lease on the tenns and conditions hereinafter set forth.

NOW THEREFORE, in consideration of Ten ($1O.OQ) Dollars and other good and valuable consideration, the receipt of which is hereby acknowledged, the Mortgagee and the Tenant hereby covenant and agree as follows:

1. The Tenant agrees that the Lease and all of the terms, covenants and provisions thereof and all rights, remedies and options of the Tenant thereunder are and shall at all times continue to be subject and subordinate in all respects to the lien created under the M01tgage and to any and all increases, renewals, modifications, spreaders, consolidations, replacements and extensions thereof, and to any and all sums secured thereby, with the same force and effect as if the Mortgage had been executed, delivered and recorded prior to the execution and delivery of the Lease.

2. The Mortgagee agrees that if any action or proceeding is commenced by the Mottgagee to foreclose the Mortgage or to sell the Premises, the Tenant shall not be named as a party in any such action, nor shall the Tenant be named a party in comlection with any sale of the Premises, provided that at the time of the conmlencement of any such action or proceeding or at the time of any such sale (i) the tenn of the Lease shall have commenced pursuant to the provisions thereof, (ii) the Tenant shall be in possession or have the right to possession of the premises demised under the Lease, (iii) the Lease shall be in full force and effect, and (iv) the Tenant shall not be in default under any of the material monetary obligations or other material tenns, covenants or conditions of the Lease or of this Agreement on the part of the Tenant to be observed or performed thereunder or hereunder, unless applicable law requires the Tenant to be made a party thereto as a condition to proceeding against the Landlord or protecting such rights and remedies. In the latter case, the Mortgagee may join the Tenant as a defendant in such action only for such purposes and not to tenninate the Lease.

3. The Tenant and Mortgagee agree that if the Mortgagee or any successors in interest to the Mortgagee shall become the owner of the Premises by reason of the foreclosure of the Mortgage or the acceptance of a deed or assigmnent in lieu of foreclosure or otherwise, the Lease shall not be terminated or affected thereby but shall continue in full force and effect as a direct lease between the Mortgagee and the Tenant upon all of the tetms, covenants and conditions set forth in the Lease and in that event the Tenant agrees to attom to the Mortgagee and the Mortgagee agrees to accept such attonrment, provided, however, that the provisions of the Mortgage shall govern with respect to the disposition of any casualty insurance proceeds or condemnation awards and the Mmigagee shall not be (i) obligated to complete any construction work required to be done by the Landlord (as hereinafter defined) pursuant to the provisions of the Lease or to reimburse the Tenant for any constrnction work done by the Tenant, but in no event shall the foregoing affect any of the Tenant's rights and remedies under Article 6 (Alterations and Improvements) of the Lease, (ii) liable for any accrued obligation of the Landlord, or for any act or omission of the Landlord, whether prior to or after such foreclosure or sale, except for the repair, maintenance and service obligations of the Landlord under the Lease, (iii) required to make any repairs to the Premises and/or to the premises demised under the Lease as a result of fire or other casualty or by reason of condemnation, but in no event shall the foregoing affect any of the Tenant's rights and remedies under Article 14 (Condemnation) and Article 15 (Destruction By Fire or Other Casualty) of the Lease, (iv) required to make any capital improvements to the Premises and/or to the premises demised under the Lease which the Landlord may have agreed to make, but had not completed, but in no event shall the foregoing affect any of the Tenant's rights and remedies under Article 6 (Alterations and Improvements) of the Lease, (v) subject to any offsets, claims or counterclaims which shall have accrued to the Tenant against the Landlord prior to the date on which the Mmtgagee or its successor in interest shall become the owner of the Premises, unless such offset shall have been expressly provided for in the Lease, (vi) liable for any security deposit or other monies not actually received by the Mortgagee.

4. The Tenant shall not, without the prior written consent of the Mortgagee, such consent not to be unreasonable withheld or delayed (i) enter into any agreement amending, modifying or tenninating the Lease, (ii) prepay any of the rents, additional rents or other sums due under the Lease for more than one (1) month in advance of the due date thereof, (iii) voluntatily sutTender the premises demised under the Lease or tenninate the Lease without cause (except as provided under Article 3 of the Lease) or shorten the term thereof, or (iv) assign the Lease or sublet the premises demised under the Lease or any part thereof; and any such amendment, modification, tennination, prepayment, voluntary surrender, assignment or subletting, without the prior written consent of the Mortgagee shall not be binding on the Mortgagee, provided, however, in no event shall the foregoing affect any of the Tenant's rights to terminate the Lease pursuant to Article 3 (Option to Teml inate), Atticle 14 (Condemnation) and Article!5 (Destruction by Fire or Other Casualty) of the Lease.

5. The Tenant hereby represents and warrants to the Mortgagee that as of the date hereof(i) the Tenant is the owner and holder of the tenant's interest under the Lease, (ii) the Lease has not been modified or amended, (iii) the Lease is in full force and effect pursuant to the provisions thereof, (iv) [the premises demised under the Lease have been substantially completed] [and] [the Tenant has taken possession of the same on a rent paying basis,] *(Note to drafter: strike the bracketed language which is inapplicable)* (v) neither the Tenant nor the Landlord is in default under any of the te1T11S, covenants or provisions of the Lease and the Tenant, to the best of its knowledge, knows ofno event which but for the passage of time or the giving of notice or both would constitute an event of default by the Landlord under the Lease, (vi) neither the Tenant nor the Landlord has commenced any action or given or received any notice for the purpose of terminating the Lease, (vii) all rents, additional rents and other sums due and payable under the Lease have been paid in full and no rents, additional rents or other sums payable under the Lease have been paid for more than one (I) month in advance of the due dates thereof, and (viii) there are no offsets or defenses to the payment of the rents, additional rents, or other sums payable under the Lease [except

6. The Tenant shall notify the Mortgagee of any default bythe Landlord under the Lease or any other circumstance which would entitle the Tenant to cancel or tenninate the Lease or abate the rents, additional rents or other sums payable thereunder, and agrees that, notwithstanding any provisions of the Lease to the contrary, no notice of cancellation, ten1lination or abatement thereof shall be effective unless the Mortgagee shall have received notice of the default or other circumstance giving rise to such cancellation, tennination or abatement and shall have failed within thirty (30) days after receipt of such notice to cure such default or remedy such circumstance, or if such default cannot be cured within thirty (30) days, shall have failed within thirty (30) days after receipt of such notice to commence to cure such default or remedy such circumstance and to thereafter diligently pursue any action necessary to cure such default or remedy such circumstance, as the case may be, provided, however, in no event shall the foregoing affect (a) any of the Tenant's rights to tenninate the Lease pursuant to Article 3 (Option to Tenninate) of the Lease, or (b) Tenant's right to a bona fide equitable reduction of rent if any act or 01nission by the Landlord causes any part of the Pre1nises to be untenantable.

7. Anything herein or in the Lease to the contrary notwithstanding, in the event that the Mortgagee shall acquire title to the Premises, or shall otherwise become liable for any obligations of the Landlord under the Lease, the Mortgagee shall have no obligation, nor incur any liability, beyond the Mortgagee's then interest, if any, in the Premises and the Tenant shall look exclusively to such interest of the Mortgagee, if any, in the Pre1nises for the payment and discharge of any obligations imposed upon the Mortgagee hereunder or under the Lease and the Mortgagee is hereby released or relieved of any other liability hereunder and under the Lease. The Tenant agrees that with respect to any money judgment which may be obtained or secured by the Tenanfagainst the Mortgagee, the Tenant shall look solely to the estate or interest owned by the Mortgagee in the Pre1nises and the Tenant will not collect or attempt to collect any such judgment out of any other assets of the Mortgagee.

8. Any notice, request, demand, statement, authorization, approval or consent made hereunder shall be in writing and shall be sent by Federal Express, or other reputable courier service, or by postage pre-paid registered or certified mail, return receipt requested, and shall be deemed given when received or refused (as indicated on the receipt) and addressed as follows:

Ifto the Mortgagee:

Attention: _____

With a copy to:

Attention: _____

Ifto the Tenant:

Director

Agency Headquarters Program Unit

Agency Name

Agency Headquarters Address
and

Agency Program Unit

Agency Name

Address of the Premises

With a copy to:

Executive Director of Leasing
Department of Citywide Administrative Services
Real Estate Services
1 Centre Street
20th Floor North, Room 2000
New York, New York 10007

it being understood and agreed that each party will use reasonable efforts to send copies of any notices to the addresses marked "With a copy to" hereinabove set forth; provided, however, that failure to deliver such copy or copies shall have no consequence whatsoever to the effectiveness of any notice made to the Tenant or the Mortgagee. Each paiiy may designate a change of address by notice given, as hereinabove provided, to the other paiiy, at least fifteen (15) days prior to the date such change of address is to become effective.

9. This Agreement shall be binding upon and inure to the benefit of the Mortgagee and the Tenant an.d their respective successors and assigns.

10. The tenn **"Mortgagee"** as used herein shall include the successors and assigns of the Mortgagee and any person, party or entity which shall become the owner of the Premises by reason of a foreclosure of the Mortgage or the acceptance of a deed or assigmnent in lieu of foreclosure or otherwise. The term **"Landlord"** as used herein shall mean and include the present landlord under the Lease and such landlord's predecessors and successors in interest under the Lease. The tenn **"Premises"** as used herein shall mean the Premises, the improvements now or hereafter located thereon and the. estates therein encumbered by the Mortgage.

11. This Agreement may not be modified in any manner or terminated except by an instrnment in writing executed by the parties hereto.

12. This Agreement shall be governed by and constrned under the laws of the State of New York.

IN WITNESS WHEREOF, the Mortgagee and the Tenant have duly executed this Agreement as of the date first above written.

[NAME OF MORTGAGEE]

By: _____

_____

THE CITY OF NEW YORK, acting through The Department -of Citywide Administrative Services

By: _____

Laura Ringelheim
Deputy Commissioner
Real Estate Services

UNIFORM FORM OF ACKNo,vLEDGMENT

STATE OF NEW YORK)
) **ss.:**
COUNTY OF NEW YORK)

On the_·_.. _ day of ____,, in the year 2 _ before me, the undersigned, personally appeared , personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrnment.

(Notary Public) s1rike-aul (C01mnissionerof Deeds)

UNIFORM FORM OF ACKNOWLEDGMENT

STATE OF NEW YORK)
) **ss.:**
COUNTY OF)

On the ____ day of ____,in the year 20_ , before me, the undersigned, personally appeared , personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

(Notary *Publi c)* *Strike-out*(Commissioner of Deeds)

Exhibit 21.1

Subsidiaries of Clipper Realty Inc.

Name of Subsidiary	Jurisdiction of Incorporation/Formation
10 West 65 Owner LLC	New York
50 Murray Mezz LLC	Delaware
50 Murray Mezz One LLC	Delaware
50 Murray Mezz Two LLC	Delaware
50 Murray Street Acquisition LLC	Delaware
50/53 JV LLC	Delaware
141 Livingston Owner LLC	Delaware
250 Livingston Owner LLC	Delaware
1010 Pacific Owner LLC	Delaware
Dean Owner LLC	Delaware
Aspen 2016 LLC	Delaware
Berkshire Equity LLC	Delaware
Clipper 107 CH LLC	Delaware
Clipper 107 CH Member LLC	Delaware
Clipper 107 CH MT, L.P.	Delaware
Clipper Realty Construction LLC	Delaware
Clipper Realty L.P.	Delaware
Clipper TRS LLC	Delaware
Gunki Holdings LLC	Delaware
Kent Realty, LLC	New York
Renaissance Equity Holdings LLC	New York
Renaissance Equity Holdings LLC A	New York
Renaissance Equity Holdings LLC B	New York
Renaissance Equity Holdings LLC C	New York
Renaissance Equity Holdings LLC D	New York
Renaissance Equity Holdings LLC E	New York
Renaissance Equity Holdings LLC F	New York
Renaissance Equity Holdings LLC G	New York

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

Clipper Realty Inc.
New York, New York

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-217191, 333-239536 and 333-265818) of Clipper Realty Inc. of our reports dated March 14, 2024, relating to the consolidated financial statements and financial statement schedule, and the effectiveness of internal control over financial reporting as of December 31, 2023, which appear in this Form 10-K.

/s/ PKF O'Connor Davies, LLP

New York, New York
March 14, 2024

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, David Bistricer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Clipper Realty Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 14, 2024

By: /s/ David Bistricer
David Bistricer
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Lawrence E. Kreider, certify that:

1. I have reviewed this Annual Report on Form 10-K of Clipper Realty Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 14, 2024

By: /s/ Lawrence E. Kreider
Lawrence E. Kreider
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report on Form 10-K of Clipper Realty Inc. (the "Company") for the period ended December 31, 2023, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, as the Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 14, 2024

Signed: /s/ David Bistricer
David Bistricer
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report on Form 10-K of Clipper Realty Inc. (the "Company") for the period ended December 31, 2023, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, as the Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 14, 2024

Signed: /s/ Lawrence E. Kreider
Lawrence E. Kreider
Chief Financial Officer

CLIPPER REALTY INC.

POLICY FOR THE
RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

A. OVERVIEW

In accordance with Rule 303A.14 of The New York Stock Exchange Listed Company Manual (the "***NYSE Rule***"), Section 10D ("***Section 10D***") of the Securities Exchange Act of 1934, as amended (the "***Exchange Act***"), and Rule 10D-1 promulgated under the Exchange Act ("***Rule 10D-1***"), the Board of Directors (the "***Board***") of Clipper Realty Inc. (the "***Company***") has adopted this Policy (the "***Policy***") to provide for the recovery of Erroneously Awarded Compensation from Executive Officers. All capitalized terms used and not otherwise defined herein shall have the meanings set forth in Section H below.

B. RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

(1) In accordance with the NYSE Rule, in the event that the Company is required to prepare an Accounting Restatement, the Company will reasonably promptly recover the Erroneously Awarded Compensation Received by an Executive Officer as follows:

(i) The Compensation Committee of the Board (the "***Committee***") shall determine the amount of any Erroneously Awarded Compensation Received by each Executive Officer and shall promptly notify each Executive Officer with a written notice containing the amount of any Erroneously Awarded Compensation and a demand for repayment or return of such compensation, as applicable. The Company's obligation to recover Erroneously Awarded Compensation is not dependent on if or when the restated financial statements are filed.

(a) The Policy applies to all Incentive-based Compensation Received by a person:

- on or after October 2, 2023;
- after beginning service as an Executive Officer;
- who served as an Executive Officer at any time during the applicable performance period for any Incentive-based Compensation;
- while the Company has a class of securities listed on a national securities exchange or a national securities association, as applicable; and
- during the applicable Clawback Period.

(b) For Incentive-based Compensation based on (or derived from) the Company's stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement:

i. The amount of Erroneously Awarded Compensation shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the Company's stock price or total shareholder return upon which the Incentive-based Compensation was Received; and

ii. The Company shall maintain documentation of the determination of such reasonable estimate and provide the relevant documentation as required to the NYSE.

(ii) The Committee shall have discretion to determine the appropriate means of recovering Erroneously Awarded Compensation based on the particular facts and circumstances. Notwithstanding the foregoing, except as set forth in Section B(2) below, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Executive Officer's obligations hereunder.

(iii) To the extent that the Executive Officer has already reimbursed the Company for any Erroneously Awarded Compensation Received under any duplicative recovery obligations established by the Company or applicable law, it shall be appropriate for any such reimbursed amount to be credited to the amount of Erroneously Awarded Compensation that is subject to recovery under this Policy.

(iv) To the extent that an Executive Officer fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Executive Officer. The applicable Executive Officer shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

(2) Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Section B(1) above if the Committee determines that recovery would be impracticable *and* any of the following two conditions are met:

(i) The Committee has determined that the direct expenses paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before making this determination, the Company must make a reasonable attempt to recover the Erroneously Awarded Compensation, document such attempt(s) and provide such documentation to the NYSE;

or

(ii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.

C. DISCLOSURE REQUIREMENTS

The Company shall file all disclosures with respect to this Policy required by applicable U.S. Securities and Exchange Commission ("***SEC***") filings and rules.

D. PROHIBITION OF INDEMNIFICATION

The Company shall not be permitted to insure or indemnify any Executive Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company's enforcement of its rights under this Policy. Further, the Company shall not enter into any agreement that exempts any Incentive-based Compensation that is granted, paid or awarded to an Executive Officer from the application of this Policy or that waives the Company's right to recovery of any Erroneously Awarded Compensation, and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date of this Policy).

E. ADMINISTRATION AND INTERPRETATION

This Policy shall be administered by the Committee, and any determinations made by the Committee shall be final and binding on all affected individuals.

The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy and for the Company's compliance with the NYSE Rule, Section 10D, Rule 10D-1 and any other applicable law, regulation, rule or interpretation of the SEC or NYSE promulgated or issued in connection therewith.

F. AMENDMENT; TERMINATION

The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary. Notwithstanding anything in this Section F to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule or NYSE rule.

G. OTHER RECOVERY RIGHTS

This Policy shall be binding and enforceable against all Executive Officers and, to the extent required by applicable law or guidance from the SEC or NYSE, their beneficiaries, heirs, executors, administrators or other legal representatives. The Committee intends that this Policy will be applied to the fullest extent required by applicable law. Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with an Executive Officer shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Executive Officer to abide by the terms of this Policy. 12 Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law, regulation or rule or pursuant to the terms of any policy of the Company or any provision in any employment agreement, equity award agreement, compensatory plan, agreement or other arrangement.

H. DEFINITIONS

For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(1) "***Accounting Restatement***" means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

(2) "***Clawback Period***" means, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date and if the Company changes its fiscal year, any transition period of less than nine months (between the last day of the Company's previous fiscal year end and the first day of its new fiscal year) within or immediately following those three completed fiscal years.

(3) "***Erroneously Awarded Compensation***" means the amount of Incentive-based Compensation Received by an Executive Officer that exceeds the amount of Incentive-based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid.

(4) "***Executive Officer***" means each individual who is currently or was previously designated as the Company's president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policymaking functions for the Company. Executive officers of the Company's parent or subsidiaries, as applicable, are deemed executive officers of the Company if they perform such policy making functions for the Company. Policy-making function is not intended to include policymaking functions that are not significant. For the avoidance of doubt, the identification of an executive officer for purposes of this Policy shall include each executive officer who is or was identified pursuant to Item 401(b) of Regulation S-K.

(5) "***Financial Reporting Measures***" means measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and all other measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall, for purposes of this Policy, be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company's financial statements or included in a filing with the SEC.

(6) "***Incentive-based Compensation***" means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(7) "***NYSE***" means the New York Stock Exchange.

(8) "***Received***" means, with respect to any Incentive-based Compensation, actual or deemed receipt, and Incentive-based Compensation shall be deemed received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if the payment or grant of the Incentive-based Compensation to the Executive Officer occurs after the end of that period.

(9) "***Restatement Date***" means date that the Company is required to prepare an Accounting Restatement, which is the earlier to occur of (i) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

Effective as of November 30, 2023.

Exhibit A

ATTESTATION AND ACKNOWLEDGEMENT OF POLICY FOR THE RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

By my signature below, I acknowledge and agree that:

- I have received and read the attached Policy for the Recovery of Erroneously Awarded Compensation (this "***Policy***").
- I hereby agree to abide by all of the terms of this Policy both during and after my employment with the Company, including, without limitation, by promptly repaying or returning any Erroneously Awarded Compensation to the Company as determined in accordance with this Policy.

Signature: _____

Printed Name: _____

Date: _____