BANK OF AMERICA

**November 14, 2019**

**Tony Del Pozzo**
**Vice President of Finance**
**The Related Group**
**444 Brickell Avenue, Suite 301**
**Miami, FL 33131**

**via email to: tony@RELATEDGROUP.COM**

Re: Ground Lease Structures for Bank Financing

Dear **Tony:**

With regard to how we typically evaluate ground lease structures based on conversations with our internal appraisal group and credit risk policy, most new ground leases are 75 years or more. Because the improvements revert to the land owner at the end of a ground lease, the term of a ground lease should be longer than the economic life of the improvements. When improvements are initially built, an economic life of 50 years is common, however, with above average maintenance and / or renovation the economic life of the improvements can be extended. In terms of valuation, for existing improvements, depending on their remaining economic lives, remaining ground lease terms of less than 30 years can begin to have a negative impact on a leasehold (tenant's) position becoming more impactful the shorter the remaining term.

Ground lease terms should be long periods of time; the longer the term, the greater the value of the leasehold estate and the greater the potential market for refinancing the leasehold estate. Many institutional lenders are subject to laws and regulations which require that the remaining term of a ground lease be a required period of time. So a shorter ground lease would potentially limit the take-out options of our construction financing and increase our risk going in.

Sincerely,
BANK OF AMERICA, N.A.

By: Jason Kaye
Jason Kaye
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