

PREPARED FOR:

Town of Brookhaven Industrial Development Agency
One Independence Hill
Farmingville, NY 11738

Reasonableness Assessment for Financial Assistance

R SQUARED PATCHOGUE LLC

APRIL 2024

PREPARED BY:



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EXECUTIVE SUMMARY

Project Description

The Town of Brookhaven Industrial Development Agency (Agency) received an application from R Squared Patchogue LLC (Applicant) for financial assistance for the construction of a residential development (Project) at N/S/O East Main Street, Brookhaven, NY, featuring 72 market rate apartments, 10 workforce, and 9 affordable apartments.

The Project represents a \$45 million investment and is anticipated by the Applicant to generate 2 full-time permanent job within two years. To support this project, the Applicant requests financial assistance in the form of a Payment In Lieu of Taxes agreement.

Purpose of this Analysis

An objective, third-party review of the assumptions and estimated operating and financial performance of a project helps Industrial Development Agencies perform a complete evaluation of a proposed Project. Camoin Associates was engaged to analyze the Project and deliver an analysis and opinion to answer three questions:

- ◆ Are the operating assumptions such as rent, vacancy, and expenses within norms for the region?
- ◆ Is the assistance necessary for the Project to be financially feasible, and therefore undertaken by the Applicant?
- ◆ If assistance is awarded, will the Applicant's rate of return on investment be similar to market expectations for similar projects in the region, and therefore reasonable?

Findings: This analysis concludes that the answer to each of these questions is as follows:

- ***Certain assumptions are within norms, such as rent and vacancy rate. However, operating expenses are lower than typical benchmarks. If operating expenses were to end up being higher, the assistance would be even more important.***
- ***Assistance in the form of a 13 year PILOT is necessary to Project feasibility.***
- ***The rate of return to the Applicant, with a 13 year PILOT, is similar to market expectations and therefore reasonable.***

1. OPERATING ASSUMPTIONS

The Applicant’s operating assumptions are compared to CoStar estimates for rent in 2022 in Suffolk County. The ability of households in Suffolk County to afford market rate, workforce, and affordable apartments is estimated by calculating the income necessary to pay no more than 30% of income on rent. The affordable apartments must be made available to households earning 80% of Area Median Income (AMI) in the county, and the workforce apartments available to those earning 120% of AMI.

Apartment Unit Type, Rent, and Household Income

Type of Apartment (1)	Number of Units (1)	Rent per Month (1)	Rent per Year	Household Income Required (2)	Income Limit (3)	Max Household Income (4)	Benchmarks
Market Rate 1BR	38	\$3,241	\$38,897	\$129,658	n/a	n/a	Rent is 1.2 times higher than average rent (6); 39% of households earn more than \$125,000 (5)
Market Rate 2BR	34	\$3,712	\$44,548	\$148,494	n/a	n/a	Rent is 1.5 times higher than average rent (6); 30% of households earn more than \$150,000 (5)
Workforce 1BR	5	\$1,905	\$22,860	\$76,200	120%	\$133,992	Rent is 1.2 times higher than average rent (6); 24% of households earn between \$75,000 and \$124,999 (5)
Workforce 2BR	5	\$2,286	\$27,435	\$91,450	120%	\$133,992	Rent is 1.5 times higher than average rent (6); 24% of households earn between \$75,000 and \$124,999
Affordable 1BR	5	\$1,444	\$17,325	\$57,750	80%	\$89,328	34% of households earn less than \$74,999 (5)
Affordable 2BR	4	\$1,733	\$20,790	\$69,300	80%	\$89,328	34% of households earn less than \$74,999 (5)

(1) Source: Applicant

(2) Income needed to pay no more than 30% on rent

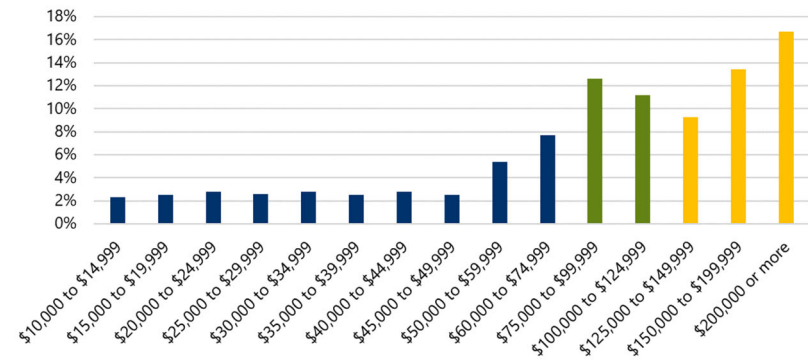
(3) Source: Applicant

(4) Using Suffolk County's Area Median Income (AMI) of \$111,660; Source: US Census Bureau QuickFacts

(5) Source: U.S. Census Bureau, 2015-2019 American Community Survey

(6) Average monthly rent for 2022 in Suffolk County, NY is estimated at \$2,416; Source: CoStar

Household Income Distribution for Suffolk County, NY



2. PILOT ANALYSIS

Camoin Associates created a PILOT schedule in alignment with the Agency's Uniform Tax Exemption Policy (UTEP):

PILOT Schedule - 13 Year PILOT							
Year	Current AV (1)	Plus: Improvements			Taxable AV	Times: Tax Rate (3)	Estimated PILOT
		Improvement Value (1)	Proposed Exemption (2)				
1	\$15,000	\$ -	100%	\$0	\$446.28	\$66,943	
2	15,000	-	100%	0	455.21	68,282	
3	15,000	150,000	90%	15,000	464.31	139,294	
4	15,000	150,000	90%	15,000	473.60	142,080	
5	15,000	150,000	80%	30,000	483.07	217,383	
6	15,000	150,000	80%	30,000	492.73	221,730	
7	15,000	150,000	70%	45,000	502.59	301,553	
8	15,000	150,000	60%	60,000	512.64	384,481	
9	15,000	150,000	50%	75,000	522.89	470,604	
10	15,000	150,000	40%	90,000	533.35	560,019	
11	15,000	150,000	30%	105,000	544.02	652,822	
12	15,000	150,000	20%	120,000	554.90	749,114	
13	15,000	150,000	10%	135,000	566.00	848,995	
Total						\$4,823,301	

(1) Source: Nelson Pope Voorhis, validated with the Town of Brookhaven (total AV Of \$165,000 upon completion, including current AV \$15,000 plus improvement value of \$150,000)

(2) Per Agency policy total term of 13-15 years. Applicant states construction will be complete in two years.

(3) Assumes \$437.534 tax rate with an 2% annual increase.

Note: Applicant anticipates a lower Improvement Value of \$129,325. This analysis is based on information confirmed by the Town of Brookhaven Assessor.

This PILOT analysis uses an aggregated tax rate for the jurisdictions to calculate future taxes. Steps in this analysis for the affected and non-affected jurisdictions:

- ◆ Estimate taxes for the first fiscal year after construction is completed, anticipated to be 2026, using the most recent tax rates and escalating by 2% per year.
- ◆ Estimate future taxes on the parcels with the completed project. Tax rates are estimated to increase 2% annually.
- ◆ Assess a PILOT schedule that reduces taxes to improve Project financial performance and induce construction.

Basic Assumptions for PILOT and Estimated Taxes

Current Assessed Value (1)	\$15,000
Assessed Value of Improvements (1)	\$150,000
Total Assessed Value	\$165,000
Times: Tax Rate (2)	\$446.28
Estimated Taxes on Assessed Value Upon Completion	\$736,370

(1) Source: Agency.

(2) Assumes tax rate for Fiscal Year 2023/2024, with a 2% annual increase.

With the PILOT agreement, 49% of the Applicant’s taxes will be abated, resulting in \$4.6 million in foregone tax revenue to municipalities. The table on the following page shows the timeline of PILOT and tax payments generated by the Project and calculates both the benefits to the municipalities and the benefits (or savings) to the Project.

Real Property Tax Comparison

13 Year PILOT

Comparison of Taxes on Full Value of Project and with PILOT

Taxes without PILOT	\$9,457,909
Less: PILOT/Tax Payments	(\$4,823,301)
Foregone Revenue (Benefits to Project)	\$4,634,608
Abatement Percent	49%

Net New Taxes Compared with No Project

PILOT	\$4,823,301
Less: Estimated Taxes without Project	(\$982,741)
Estimated New Tax Revenue (Benefits to Municipalities)	\$3,840,560

Proposed PILOT and Tax Comparison (13 Year PILOT)

Year	Benefits to Municipalities			Benefit to Project			
	PILOT Payments	Less: Current Tax Revenues (1)	Net New Tax Revenues	Taxes Owed after Project Completion (2)	Less: PILOT Payments	Estimated Savings to Project	Share of Estimated Taxes Owed
1	\$66,943	\$66,943	\$0	\$66,943	\$66,943	\$0	100%
2	68,282	68,282	0	68,282	68,282	0	100%
3	139,294	69,647	69,647	766,119	139,294	626,825	18%
4	142,080	71,040	71,040	781,441	142,080	639,361	18%
5	217,383	72,461	144,922	797,070	217,383	579,687	27%
6	221,730	73,910	147,820	813,012	221,730	591,281	27%
7	301,553	75,388	226,165	829,272	301,553	527,718	36%
8	384,481	76,896	307,584	845,857	384,481	461,377	45%
9	470,604	78,434	392,170	862,774	470,604	392,170	55%
10	560,019	80,003	480,016	880,030	560,019	320,011	64%
11	652,822	81,603	571,219	897,631	652,822	244,808	73%
12	749,114	83,235	665,879	915,583	749,114	166,470	82%
13	848,995	84,900	764,096	933,895	848,995	84,900	91%
Totals	\$4,823,301	\$982,741	\$3,840,560	\$9,457,909	\$4,823,301	\$4,634,608	51%

(1) Assumes tax rate for Fiscal Year 2023/2024, with a 2% annual increase and current assessed value of \$15,000.

(2) Assumes a 2% annual increase in tax rate and a taxable value of \$165,000 upon project completion; Source: Town of Brookhaven

3. OPERATING PERFORMANCE

The operating performance of the Project is measured using Year 5 of the Applicant's Pro Forma. The Applicant assumes that gross revenue and expenses will escalate at 2% per year, and there will be a 3% vacancy rate once stabilized. Operating expenses are lower than the benchmarks. With the PILOT, real property taxes absorb 5% of project income while debt service absorbs 69% of income. Together, operating expenses, tax, and debt service absorb 89% of project income. The PILOT scenario delivers Net Operating Income as a percent of Gross Income that is above the range of benchmarks.

Operations Snapshot, Year 5, 13 Year PILOT				
	Share of Gross			
	Project	Operating	Benchmark	
	Performance (1)	Income	Performance (2)	Evaluation
<u>Calculation of Net Operating Income Residential</u>				
Gross Operating Income	\$3,823,041	99%	n/a	n/a
Vacancy Rate and Concessions	3.0%	n/a	4.3%	Within range
<u>Calculation of Net Operating Income, Non-Residential</u>				
Gross Operating Income	\$177,741	5%	n/a	n/a
Vacancy Rate	0%	n/a	n/a	n/a
Effective Gross Income (EGI), All Uses (3)	\$3,880,759	97%	96%	Within range
Less: Operating Expenses and Reserve	(\$577,548)	14%	4780%	More efficient
<u>Less: Real Property Taxes (with PILOT)</u>	<u>(\$217,383)</u>	<u>5%</u>	<u>n/a</u>	<u>n/a</u>
Net Operating Income	\$3,085,829	81%	50%	More efficient
Less: Debt Service	<u>(\$2,661,214)</u>	69%	n/a	n/a
Cashflow after Operating Costs, Taxes, Debt	\$424,615	11%	n/a	n/a

(1) Source: Applicant

(2) Source: RealtyRates Q1 2024 for Northeast Region

(3) Net of vacancy and concessions

4. FINANCING PLAN

- ◆ The Sources and Uses of Funds shows the total project costs and capital structure of debt and equity.
- ◆ The Terms of the Senior (Long Term) Debt are within range of benchmarks.

Sources and Uses of Funds		
<u>Sources of Funds</u>	<u>Amount (1)</u>	<u>Share</u>
Bank Financing	\$38,321,759	85%
Equity and Working Capital	<u>\$6,895,005</u>	<u>15%</u>
Total Sources	\$45,216,764	100%
<u>Uses of Funds</u>		
Acquisition and Transaction Costs	\$17,337,873	38%
Construction Costs	<u>\$27,878,891</u>	<u>62%</u>
Total Uses	\$45,216,764	100%

(1) Source: Applicant

Terms of the Senior (Long Term) Debt			
	<u>Terms (1)</u>	<u>Benchmark (2)</u>	<u>Evaluation</u>
Amount Borrowed	\$38,321,759	n/a	n/a
Loan to Total Project Cost	85%	55% to 90%	Within Range
Annual Interest Rate	SOFR (3.48%)+	4.98% to 9.28%	Within Range
Maturity in Years	30	15 to 40	Within Range

(1) Source: Applicant

(2) Source: RealtyRates Q1 2024

5. RATE OF RETURN

An estimated return on investment is calculated using the Applicant's operating pro forma and capital structure. This analysis measures whether the financial assistance is necessary and reasonable. Financial performance with and without a PILOT is estimated over the full PILOT period. Three metrics are used to evaluate outcomes:

- ◆ **The Equity Dividend Rate** is net cashflow for each year, divided by the initial equity investment. Equity Dividend Rates are benchmarked using current market information from RealtyRates.com for similar projects in the region. Equity Dividend Rates that are close to the benchmarks indicate a Project outcome in line with the current market, which means the Applicant is earning a reasonable return. Very low or negative rates indicate the Project is unlikely to be undertaken if compared to other possible investments. Equity Dividend Rates are based on an initial equity investment of \$6,895,005. For the No PILOT scenario the Project is below the benchmarks in years 1-13 except for year 2 when only paying on value of the land. With the PILOT, taxes are reduced sufficiently to improve performance and deliver returns that meet the benchmarks by year 2.
- ◆ **Cash Flow** shows net cashflow to the Applicant over time. Cashflow differences between a PILOT and No PILOT scenario indicate whether the Applicant is earning a return. There are currently no benchmarks for cash flow available. Cumulative Cash Flow and average cash flow is positive under the 13 year PILOT but the initial equity investment will not be fully recouped by year 13.
- ◆ **Debt Service Coverage** estimates how well the Project's net income, after taxes, supports repayment of debt. Debt Service Coverage exceeds the benchmark by year 2 with a PILOT and year 8 without. Debt comprises 85% of the capital structure.

Comparison of Return on Investment			
	13 Year (1)		Bench- marks (2)
	<u>PILOT</u>	<u>No PILOT</u>	
<u>Equity Dividend Rates</u>			
Average	4.78%	-0.39%	4.63% to 12.37%
Minimum	-9.72%	-9.72%	
Maximum	7.01%	5.69%	
Year Benchmarks Met	2	NA	
<u>Cash Flow</u>			
Average	\$329,480	(\$27,029)	n/a
Minimum	(\$670,039)	(\$670,039)	
Maximum	\$483,090	\$392,542	
Cumulative	\$4,283,236	(\$351,372)	
Year Investment Recouped	NA	NA	
<u>Debt Service Coverage</u>			
Average	1.12	0.99	1.00 to 1.86
Minimum	0.75	0.75	
Maximum	1.18	1.15	
Years Benchmarks Met	2	8	

(1) See Attachment 1

(2) Source: RealtyRates for Q1 2024 for Northeast Region

ATTACHMENT 1: PRO FORMAS

Annual Cashflows (Pro Forma) With 13 Year PILOT

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13
Operating Cash Flow													
<u>Residential Income</u>													
Gross Operating Income	\$ 2,454,145	\$ 3,602,537	\$ 3,674,588	\$ 3,748,080	\$ 3,823,041	\$ 3,899,502	\$ 3,977,492	\$ 4,057,042	\$ 4,138,183	\$ 4,220,947	\$ 4,305,366	\$ 4,391,473	\$ 4,479,302
Less: Vacancy Allowance (enter as a negative)	\$ (78,194)	\$ (113,408)	\$ (115,570)	\$ (117,775)	\$ (120,023)	\$ (122,317)	\$ (124,657)	\$ (127,044)	\$ (129,478)	\$ (131,961)	\$ (134,493)	\$ (137,076)	\$ (139,711)
Net Rental Income, Residential	\$ 2,375,951	\$ 3,489,129	\$ 3,559,018	\$ 3,630,305	\$ 3,703,018	\$ 3,777,185	\$ 3,852,835	\$ 3,929,999	\$ 4,008,705	\$ 4,088,986	\$ 4,170,872	\$ 4,254,396	\$ 4,339,591
<u>Other Income</u>													
Parking Income	\$ 19,950	\$ 22,200	\$ 22,200	\$ 22,200	\$ 22,200	\$ 22,200	\$ 22,200	\$ 22,200	\$ 22,200	\$ 22,200	\$ 22,200	\$ 22,200	\$ 22,200
Storage	\$ 11,850	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200
Garbage	\$ 19,100	\$ 27,300	\$ 27,300	\$ 27,300	\$ 27,300	\$ 27,300	\$ 27,300	\$ 27,300	\$ 27,300	\$ 27,300	\$ 27,300	\$ 27,300	\$ 27,300
Amenity Fee	\$ 68,250	\$ 68,250	\$ 68,250	\$ 68,250	\$ 68,250	\$ 68,250	\$ 68,250	\$ 68,250	\$ 68,250	\$ 68,250	\$ 68,250	\$ 68,250	\$ 68,250
Pet Fees	\$ 13,300	\$ 15,400	\$ 15,400	\$ 15,400	\$ 15,400	\$ 15,400	\$ 15,400	\$ 15,400	\$ 15,400	\$ 15,400	\$ 15,400	\$ 15,400	\$ 15,400
Water/Sewer/Fireline	\$ 19,864	\$ 28,391	\$ 28,391	\$ 28,391	\$ 28,391	\$ 28,391	\$ 28,391	\$ 28,391	\$ 28,391	\$ 28,391	\$ 28,391	\$ 28,391	\$ 28,391
Net Income, Other	\$ 152,314	\$ 177,741	\$ 177,741	\$ 177,741	\$ 177,741	\$ 177,741	\$ 177,741	\$ 177,741	\$ 177,741	\$ 177,741	\$ 177,741	\$ 177,741	\$ 177,741
Effective Gross Income (EGI)	\$ 2,528,264	\$ 3,666,870	\$ 3,736,760	\$ 3,808,047	\$ 3,880,759	\$ 3,954,926	\$ 4,030,577	\$ 4,107,740	\$ 4,186,447	\$ 4,266,727	\$ 4,348,614	\$ 4,432,138	\$ 4,517,332
<u>Operating Expenses (enter positive numbers)</u>													
Utilities	\$ 50,027	\$ 51,027	\$ 52,048	\$ 53,089	\$ 54,150	\$ 55,233	\$ 56,338	\$ 57,465	\$ 58,614	\$ 59,786	\$ 60,982	\$ 62,202	\$ 63,446
Maintenance	\$ 180,954	\$ 184,573	\$ 188,264	\$ 192,029	\$ 195,870	\$ 199,787	\$ 203,783	\$ 207,859	\$ 212,016	\$ 216,256	\$ 220,581	\$ 224,993	\$ 229,493
Management Fee	\$ 151,696	\$ 220,012	\$ 224,206	\$ 228,483	\$ 232,846	\$ 237,296	\$ 241,835	\$ 246,464	\$ 251,187	\$ 256,004	\$ 260,917	\$ 265,928	\$ 271,040
Insurance	\$ 87,471	\$ 89,221	\$ 91,005	\$ 92,825	\$ 94,682	\$ 96,576	\$ 98,507	\$ 100,477	\$ 102,487	\$ 104,537	\$ 106,627	\$ 108,760	\$ 110,935
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses	\$ 470,148	\$ 544,833	\$ 555,523	\$ 566,426	\$ 577,548	\$ 588,892	\$ 600,463	\$ 612,265	\$ 624,304	\$ 636,583	\$ 649,108	\$ 661,883	\$ 674,914
Pre-Tax Operating Income (Revenue less Opera	\$ 2,058,117	\$ 3,122,037	\$ 3,181,237	\$ 3,241,620	\$ 3,303,211	\$ 3,366,034	\$ 3,430,114	\$ 3,495,475	\$ 3,562,143	\$ 3,630,144	\$ 3,699,506	\$ 3,770,255	\$ 3,842,419
Real Property Taxes	\$ 66,943	\$ 68,282	\$ 139,294	\$ 142,080	\$ 217,383	\$ 221,730	\$ 301,553	\$ 384,481	\$ 470,604	\$ 560,019	\$ 652,822	\$ 749,114	\$ 848,995
Net Operating Income (NOI) after Taxes	\$ 1,991,174	\$ 3,053,756	\$ 3,041,942	\$ 3,099,540	\$ 3,085,829	\$ 3,144,304	\$ 3,128,560	\$ 3,110,994	\$ 3,091,539	\$ 3,070,125	\$ 3,046,684	\$ 3,021,141	\$ 2,993,423
<u>Loan or Mortgage (Debt Service)</u>													
Interest Payment	\$ 2,161,178	\$ 2,132,061	\$ 2,101,248	\$ 2,068,642	\$ 2,034,136	\$ 1,997,621	\$ 1,958,980	\$ 1,918,089	\$ 1,874,817	\$ 1,829,025	\$ 1,780,567	\$ 1,729,287	\$ 1,675,021
Principal Payment	\$ 500,036	\$ 529,153	\$ 559,965	\$ 592,572	\$ 627,077	\$ 663,592	\$ 702,233	\$ 743,124	\$ 786,396	\$ 832,188	\$ 880,646	\$ 931,927	\$ 986,193
Debt Service	\$ 2,661,214	\$ 2,661,214	\$ 2,661,214	\$ 2,661,214	\$ 2,661,214	\$ 2,661,214	\$ 2,661,214	\$ 2,661,214	\$ 2,661,214	\$ 2,661,214	\$ 2,661,214	\$ 2,661,214	\$ 2,661,214
Cash Flow After Financing and Reserve	\$ (670,039)	\$ 392,542	\$ 380,729	\$ 438,326	\$ 424,615	\$ 483,090	\$ 467,347	\$ 449,781	\$ 430,325	\$ 408,912	\$ 385,470	\$ 359,928	\$ 332,210
Debt Service Coverage Ratio (DSCR)	0.75	1.15	1.14	1.16	1.16	1.18	1.18	1.17	1.16	1.15	1.14	1.14	1.12
Equity Dividend Rate	-9.72%	5.69%	5.52%	6.36%	6.16%	7.01%	6.78%	6.52%	6.24%	5.93%	5.59%	5.22%	4.82%

Reasonableness Assessment for R Squared Patchogue LLC, Town of Brookhaven Industrial Development Agency

Annual Cashflows (Pro Forma) With No PILOT													
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13
Operating Cash Flow													
<u>Residential Income</u>													
Gross Operating Income	\$ 2,454,145	\$ 3,602,537	\$ 3,674,588	\$ 3,748,080	\$ 3,823,041	\$ 3,899,502	\$ 3,977,492	\$ 4,057,042	\$ 4,138,183	\$ 4,220,947	\$ 4,305,366	\$ 4,391,473	\$ 4,479,302
Less: Vacancy Allowance (enter as a negative)	\$ (78,194)	\$ (113,408)	\$ (115,570)	\$ (117,775)	\$ (120,023)	\$ (122,317)	\$ (124,657)	\$ (127,044)	\$ (129,478)	\$ (131,961)	\$ (134,493)	\$ (137,076)	\$ (139,711)
Net Rental Income, Residential	\$ 2,375,951	\$ 3,489,129	\$ 3,559,018	\$ 3,630,305	\$ 3,703,018	\$ 3,777,185	\$ 3,852,835	\$ 3,929,999	\$ 4,008,705	\$ 4,088,986	\$ 4,170,872	\$ 4,254,396	\$ 4,339,591
<u>Other Income</u>													
Parking Income	\$ 19,950	\$ 22,200	\$ 22,200	\$ 22,200	\$ 22,200	\$ 22,200	\$ 22,200	\$ 22,200	\$ 22,200	\$ 22,200	\$ 22,200	\$ 22,200	\$ 22,200
Storage	\$ 11,850	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200
Garbage	\$ 19,100	\$ 27,300	\$ 27,300	\$ 27,300	\$ 27,300	\$ 27,300	\$ 27,300	\$ 27,300	\$ 27,300	\$ 27,300	\$ 27,300	\$ 27,300	\$ 27,300
Amenity Fee	\$ 68,250	\$ 68,250	\$ 68,250	\$ 68,250	\$ 68,250	\$ 68,250	\$ 68,250	\$ 68,250	\$ 68,250	\$ 68,250	\$ 68,250	\$ 68,250	\$ 68,250
Pet Fees	\$ 13,300	\$ 15,400	\$ 15,400	\$ 15,400	\$ 15,400	\$ 15,400	\$ 15,400	\$ 15,400	\$ 15,400	\$ 15,400	\$ 15,400	\$ 15,400	\$ 15,400
Water/Sewer/Fireline	\$ 19,864	\$ 28,391	\$ 28,391	\$ 28,391	\$ 28,391	\$ 28,391	\$ 28,391	\$ 28,391	\$ 28,391	\$ 28,391	\$ 28,391	\$ 28,391	\$ 28,391
Net Income, Other	\$ 152,314	\$ 177,741	\$ 177,741	\$ 177,741	\$ 177,741	\$ 177,741	\$ 177,741	\$ 177,741	\$ 177,741	\$ 177,741	\$ 177,741	\$ 177,741	\$ 177,741
Effective Gross Income (EGI)	\$ 2,528,264	\$ 3,666,870	\$ 3,736,760	\$ 3,808,047	\$ 3,880,759	\$ 3,954,926	\$ 4,030,577	\$ 4,107,740	\$ 4,186,447	\$ 4,266,727	\$ 4,348,614	\$ 4,432,138	\$ 4,517,332
<u>Operating Expenses (enter positive numbers)</u>													
Utilities	\$ 50,027	\$ 51,027	\$ 52,048	\$ 53,089	\$ 54,150	\$ 55,233	\$ 56,338	\$ 57,465	\$ 58,614	\$ 59,786	\$ 60,982	\$ 62,202	\$ 63,446
Maintenance	\$ 180,954	\$ 184,573	\$ 188,264	\$ 192,029	\$ 195,870	\$ 199,787	\$ 203,783	\$ 207,859	\$ 212,016	\$ 216,256	\$ 220,581	\$ 224,993	\$ 229,493
Management Fee	\$ 151,696	\$ 220,012	\$ 224,206	\$ 228,483	\$ 232,846	\$ 237,296	\$ 241,835	\$ 246,464	\$ 251,187	\$ 256,004	\$ 260,917	\$ 265,928	\$ 271,040
Insurance	\$ 87,471	\$ 89,221	\$ 91,005	\$ 92,825	\$ 94,682	\$ 96,576	\$ 98,507	\$ 100,477	\$ 102,487	\$ 104,537	\$ 106,627	\$ 108,760	\$ 110,935
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses	\$ 470,148	\$ 544,833	\$ 555,523	\$ 566,426	\$ 577,548	\$ 588,892	\$ 600,463	\$ 612,265	\$ 624,304	\$ 636,583	\$ 649,108	\$ 661,883	\$ 674,914
Pre-Tax Operating Income (Revenue less Opera	\$ 2,058,117	\$ 3,122,037	\$ 3,181,237	\$ 3,241,620	\$ 3,303,211	\$ 3,366,034	\$ 3,430,114	\$ 3,495,475	\$ 3,562,143	\$ 3,630,144	\$ 3,699,506	\$ 3,770,255	\$ 3,842,419
Real Property Taxes	\$ 66,943	\$ 68,282	\$ 766,119	\$ 781,441	\$ 797,070	\$ 813,012	\$ 829,272	\$ 845,857	\$ 862,774	\$ 880,030	\$ 897,631	\$ 915,583	\$ 933,895
Net Operating Income (NOI) after Taxes	\$ 1,991,174	\$ 3,053,756	\$ 2,415,118	\$ 2,460,179	\$ 2,506,141	\$ 2,553,023	\$ 2,600,842	\$ 2,649,617	\$ 2,699,368	\$ 2,750,115	\$ 2,801,876	\$ 2,854,672	\$ 2,908,524
<u>Loan or Mortgage (Debt Service)</u>													
Interest Payment	\$ 2,161,178	\$ 2,132,061	\$ 2,101,248	\$ 2,068,642	\$ 2,034,136	\$ 1,997,621	\$ 1,958,980	\$ 1,918,089	\$ 1,874,817	\$ 1,829,025	\$ 1,780,567	\$ 1,729,287	\$ 1,675,021
Principal Payment	\$ 500,036	\$ 529,153	\$ 559,965	\$ 592,572	\$ 627,077	\$ 663,592	\$ 702,233	\$ 743,124	\$ 786,396	\$ 832,188	\$ 880,646	\$ 931,927	\$ 986,193
Debt Service	\$ 2,661,214	\$ 2,661,214	\$ 2,661,214	\$ 2,661,214	\$ 2,661,214	\$ 2,661,214	\$ 2,661,214	\$ 2,661,214	\$ 2,661,214	\$ 2,661,214	\$ 2,661,214	\$ 2,661,214	\$ 2,661,214
Cash Flow After Financing and Reserve	\$ (670,039)	\$ 392,542	\$ (246,096)	\$ (201,035)	\$ (155,072)	\$ (108,191)	\$ (60,372)	\$ (11,596)	\$ 38,155	\$ 88,901	\$ 140,662	\$ 193,458	\$ 247,310
Debt Service Coverage Ratio (DSCR)	0.75	1.15	0.91	0.92	0.94	0.96	0.98	1.00	1.01	1.03	1.05	1.07	1.09
Equity Dividend Rate	-9.72%	5.69%	-3.57%	-2.92%	-2.25%	-1.57%	-0.88%	-0.17%	0.55%	1.29%	2.04%	2.81%	3.59%

APPENDIX A: SCOPE OF SERVICES

To assist with its evaluation the Applicant's request for financial assistance, Camoin was commissioned by the Town of Brookhaven Industrial Development Agency to conduct the above analyses. The analysis is comprised of four tasks:

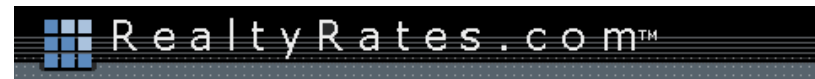
- ◆ *Test Assumptions* by comparing rents, operating costs, and vacancy rates to real estate benchmarks for similar projects and noting any significant differences. Operating performance and net income are also evaluated.
- ◆ *Review the Financing Plan* and perform an objective third-party evaluation of the estimated return on investment (ROI) to the Applicant with and without a PILOT agreement. We also analyze whether the capital structure and terms of the long-term debt are within market benchmarks for obtaining bank financing.
- ◆ *Evaluate the effects of one or more PILOTs* recommended by the Agency and determine whether the PILOT would result in a return that is within what would normally be anticipated in the current market for a similar project.
- ◆ *Provide an objective, third-party opinion* about the need for and reasonableness of the financial assistance.

Sources Consulted

- ◆ Application for Financial Assistance dated January 25, 2022.
- ◆ Project financing and annual cashflow workbook submitted by the Applicant in April 2024.
- ◆ Real estate tax information and estimates received from the Agency, including anticipated future assessed value of the Project.
- ◆ CoStar
- ◆ RealtyRates.com



CoStar is the leading source of commercial real estate intelligence in the U.S. It provides a full market inventory of properties and spaces—available as well as fully leased—by market and submarket. Details on vacancy, absorption, lease rates, inventory, and other real estate market data are provided, as well as property-specific information including photos and floor plans. More at www.costar.com.



RealtyRates.com™ is a comprehensive resource of real estate investment and development news, trends, analytics, and market research that support real estate professionals involved with more than 50 income producing and sell-out property types throughout the U.S. RealtyRates.com™ is the publisher of the award-winning Investor, Developer and Market Surveys, providing data essential to the appraisal, evaluation, disposition and marketing of investment and development real estate nationwide.

APPENDIX B: DEFINITIONS

Equity Dividend Rate: This is calculated as the rate of return on the equity component of a project. It is calculated as follows: (Source: RealtyRates.com)

Equity Dividend / Equity Investment = Equity Dividend Rate, where Equity Dividend = Net Operating Income – Debt Service.

Debt Service Coverage Ratio (DSCR): The ratio of annual debt repayment, including principal and interest, to total Net Operating Income (NOI). (Source: RealtyRates.com)

Net Operating Income (NOI): Income net of all operating costs including vacancy and collection loss but not including debt service. Appraisers also typically expense reserves for repairs and replacements. However, because reserves are not usually reported along with other transaction data, RealtyRates.com tracks lender requirements but does not include them in calculations. (Source: RealtyRates.com)

ABOUT CAMOIN ASSOCIATES

Camoin Associates has provided economic development consulting services to municipalities, economic development agencies, and private enterprises since 1999. Through the services offered, Camoin Associates has had the opportunity to serve EDOs and local and state governments from Maine to California; corporations and organizations that include Lowes Home Improvement, FedEx, Amazon, Volvo (Nova Bus) and the New York Islanders; as well as private developers proposing projects in excess of \$6 billion. Our reputation for detailed, place-specific, and accurate analysis has led to projects in 32 states and garnered attention from national media outlets including Marketplace (NPR), Crain's New York Business, Forbes magazine, The New York Times, and The Wall Street Journal. Additionally, our marketing strategies have helped our clients gain both national and local media coverage for their projects in order to build public support and leverage additional funding. We are based in Saratoga Springs, NY, with regional offices in Portland, ME; Boston, MA; Richmond, VA and Brattleboro, VT. To learn more about our experience and projects in all of our service lines, please visit our website at www.camoinassociates.com. You can also find us on Twitter [@camoinassociate](https://twitter.com/camoinassociate) and on [Facebook](https://www.facebook.com/camoinassociates) and [LinkedIn](https://www.linkedin.com/company/camoin-associates).

THE PROJECT TEAM

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