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November 6, 2023

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

Attn: Lisa M.G. Mulligan, CEO

**Re: *Revised Application of Scalamander Cove, LLC
96-Unit Rental Community
North Side of Middle Country Road, Middle Island, New York***

Dear Ms. Mulligan:

As you may know, this firm is assisting Scalamander Cove, LLC (“Applicant”) in connection with the above-referenced proposed project (“Project”) with the Town of Brookhaven Industrial Development Agency (“Agency”). An Application for Financial Assistance was submitted to the Agency on June 14, 2019 and subsequently revised on December 6, 2021. Applicant is nearing the end of the site plan approval process with the Town, and we are writing to provide an updated draft Application for Financial Assistance on the Agency’s current form (enclosed).

Due the current state of the interest rate environment and increased construction costs, combined with difficulties unique to this Project as further discussed below, Applicant is requesting a 15-year PILOT schedule for this Project.

Project and Background

The Project will include 96 residential rental housing units, across 8 buildings, totaling approximately 116,000 square feet, with 10% workforce and 10% affordable.

The Project site is a total of 15.5 acres, of which approximately 6.8 acres will be dedicated for wetlands preservation (for the tiger salamander), road expansion and road widening. The Project requires connection to an existing sewer treatment plant, which carries with it an approximately \$2 million payment for construction cost recoupment.

Project Costs, Financing and Financial Assistance

The updated Project costs are estimated to be \$35,570,593. The Project will be financed through a mortgage of \$20,000,000 and an equity contribution for the balance of the project costs. The estimated purchases which qualify for sales tax exemption will be \$1,125,563.

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Updated Job Commitment

The Project is expected to create jobs for 1.5 full-time equivalent employees as follows: a full-time on-site superintendent and a part-time on-site rental agent. There will also be a seasonal pool cleaner. In addition, landscaping, snow removal and other maintenance services will be contracted out to local companies, but will not be reflected in the job reporting.

Request for 15-Year PILOT and Deviation from UTEP

Applicant is seeking a 15-year PILOT schedule, phasing in the new assessment. This Project, especially the affordability component, advances a major goal of the Agency and the overarching goals of the Town, County and State of addressing the shortage of multi-family rental housing on Long Island. The need for diverse housing options on Long Island is well-documented. The Project will give a broader group of Long Islanders a viable alternative to the single-family homes which dominate Long Island and have priced many people out of the area and the state.

Even if this project is not eligible for enhanced benefits under the Agency's most recently adopted Uniform Tax Exemption Policy ("UTEPA"), this Project warrants a deviation from the UTEPA. The Project has been in the planning stages since 2006. The original Application was submitted to the Agency in 2019, prior to adoption of the current UTEPA, when the Agency's UTEPA called for longer PILOTs for housing developments, without requiring the specific "enhanced benefit" factors contained in the current UTEPA, and with less stringent affordability requirements. Although not binding, a longer PILOT was discussed informally with the Agency early on in the application process.

It should be noted that the current UTEPA was adopted in June of 2020, when interest rates and construction costs were much lower. The current interest rate environment makes it extremely difficult to finance new construction projects. Construction costs, although stabilizing recently, are considerably higher than they were in June of 2020.

The high costs of construction, high interest rates, high tax burden for Long Island in comparison to other locations, when taken together with the land dedication, cost of sewer treatment plant and the affordable housing component restricting the income which the Project can produce, make the project economically unfeasible to finance and construct without the requested financial assistance from the Agency and deviation from the UTEPA. We are respectfully requesting that the Agency grant financial assistance for the Project in the form of a 15-year PILOT agreement in line with what was originally discussed.

If you wish to discuss the Project further, please do not hesitate to contact me.

Very truly yours,

By: *Daniel P. Deegan*

DANIEL P. DEEGAN