

PREPARED FOR:

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

Reasonableness Assessment for Financial Assistance

G4 18197, LLC

JULY 2022

PREPARED BY:



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](#) and [LinkedIn](#).

THE PROJECT TEAM

Rachel Selsky

Vice President, Project Principal

Mara Klaunig

Senior Analyst

CONTENTS

Executive Summary..... 1

1. Operating Assumptions..... 2

2. PILOT Analysis 3

3. Operating Performance 6

4. Financing Plan 7

5. Rate of Return..... 8

Attachment 1: Pro Formas 9

Appendix A: Scope of Services 11

Appendix B: Definitions..... 12

EXECUTIVE SUMMARY

Project Description

The Town of Brookhaven Industrial Development Agency (Agency) received an application from G4 18197 LLC (Applicant) for financial assistance for the construction of a residential development (Project) at 365-369 East Main Street, East Patchogue, NY 11772, featuring 32 market rate apartments and 8 Affordable/Workforce apartments (4 for residents earning not more than 80% AMI and 4 for residents earning not more than 120% AMI). The Project represents a nearly \$8.85 million investment and is anticipated by the Applicant to generate 1 part-time permanent job within two years.

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 these questions:

Q: Are the operating assumptions such as rent, vacancy, and expenses within norms for the region?

A: Yes, the operating assumptions are within market norms.

Q: 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?

A: The assistance is necessary to Project feasibility in years 1-5, after which the PILOT will gradually increase over time to reach towards full taxation, giving the Project time to stabilize.

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 household income required to support the Applicant’s proposed rents falls well below the maximum household income limits for both workforce and affordable apartments.

Findings: The rents for affordable apartments are accessible to households earning 80% of Area Median Income (AMI) in the county, and the workforce apartments are accessible to those earning 120% of AMI.

Apartment Unit Type, Rent, and Household Income

Type of Apartment	Unit Type (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, 80% of Units	2BR	32	\$3,200	\$38,400	\$128,000	n/a	n/a	Rent is 1.3 times higher than the average rent (5); 39% of households earn more than \$125,000 (6)
Affordable, 10% of Units	2BR	4	\$1,624	\$19,485	\$64,950	80%	\$84,290	34% of households earn less than \$74,999 (6)
Workforce, 10% of Units	2BR	4	\$2,111	\$25,331	\$84,435	120%	\$126,434	24% of households earn between \$75,000 and \$124,999 (6)

(1) Source: Applicant

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

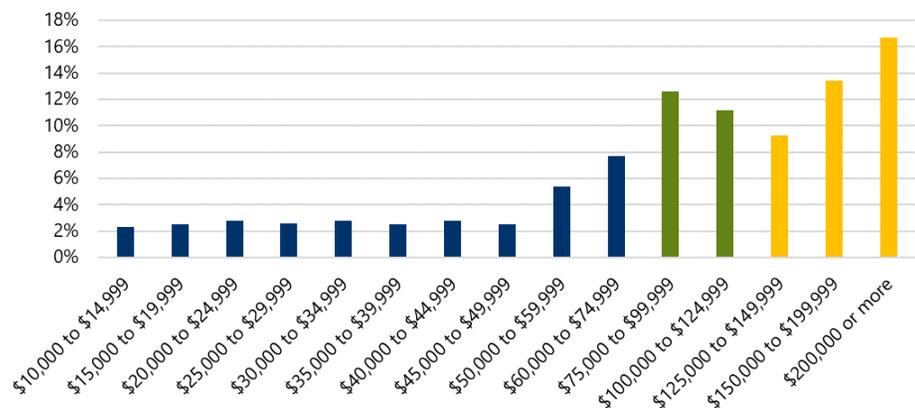
(3) Income limit for affordable housing per the U.S. Department of Housing and Urban Development; income limit for workforce housing per the Applicant

(4) Using Suffolk County's Area Median Income (AMI) of \$105,362; Source: US Census Bureau QuickFacts

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

(6) See Household Income Distribution to the right; Source: U.S. Census Bureau, 2015-2019 American Community Survey

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						
Year	Plus: Improvements			Taxable AV	Times: Tax Rate (3)	Estimated PILOT
	Current AV (1)	Improvement Value (1)	Proposed Exemption (2)			
1	\$3,155	\$54,845	100%	\$0	\$412.07	\$13,001
2	3,155	54,845	100%	0	420.31	13,261
3	3,155	54,845	100%	0	428.72	13,526
4	3,155	54,845	100%	0	437.29	13,797
5	3,155	54,845	90%	5,485	446.04	38,535
6	3,155	54,845	80%	10,969	454.96	64,258
7	3,155	54,845	70%	16,454	464.06	90,995
8	3,155	54,845	60%	21,938	473.34	118,775
9	3,155	54,845	50%	27,423	482.81	147,630
10	3,155	54,845	40%	32,907	492.46	177,592
11	3,155	54,845	30%	38,392	502.31	208,693
12	3,155	54,845	20%	43,876	512.36	240,967
13	3,155	54,845	10%	49,361	522.60	274,448
Total						\$1,415,477

(1) Source: MRB Group, validated with the Town of Brookhaven (total AV Of \$58,000)

(2) Per Agency policy, land-only taxes for 3-5 years for a total term of 13-15 years

(3) Assumes tax rate for Fiscal Year 2021/2022, with an 2% annual increase.

This PILOT analysis uses an aggregated tax rate for the jurisdictions to calculate future taxes on the residential portion. 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 2023/2024, using the most recent tax rates.
- ◆ Estimate future taxes on the parcels with and without 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)	\$3,155
Assessed Value of Improvements (1)	\$54,845
Total Assessed Value (2)	\$58,000
Times: Tax Rate (3)	\$412.07
Estimated Taxes on Current Assessed Value, 2023/2024	\$239,001

(1) Source: MRB Group's Plaza Square Apartments at Patchogue Economic Impact Analysis dated December 2021

(2) Source: Town of Brookhaven based on proposed improvements

(3) Tax rate for fiscal year 2021/2022 per \$100 of assessed value

With the PILOT agreement, 60% of the Applicant's taxes will be abated, resulting in \$2.1 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

Comparison of Taxes on Full Value of Project and with PILOT

Taxes without PILOT	\$3,508,608
Less: PILOT/Tax Payments	(\$1,415,477)
Foregone Revenue (Benefits to Project)	\$2,093,131
Abatement Percent	60%

Benefits to Project and to Municipalities

Estimated New Tax Revenue (Benefits to Municipalities)  \$1,415,477

Net New Taxes Compared with No Project

PILOT and Estimated Tax Payments	\$1,415,477
Less: Estimated Taxes without Project	\$0
Estimated New Tax Revenue (Benefits to Municipalities)	\$1,415,477

Foregone Revenue (Benefits to Project)  \$2,093,131

PILOT and Tax Comparison

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	PILOT's Share of Estimated Taxes Owed
1	\$13,001	\$0	\$13,001	\$239,001	\$13,001	\$226,000	5%
2	13,261	0	13,261	243,781	13,261	230,520	5%
3	13,526	0	13,526	248,656	13,526	235,130	5%
4	13,797	0	13,797	253,629	13,797	239,833	5%
5	38,535	0	38,535	258,702	38,535	220,166	15%
6	64,258	0	64,258	263,876	64,258	199,618	24%
7	90,995	0	90,995	269,153	90,995	178,159	34%
8	118,775	0	118,775	274,537	118,775	155,762	43%
9	147,630	0	147,630	280,027	147,630	132,397	53%
10	177,592	0	177,592	285,628	177,592	108,036	62%
11	208,693	0	208,693	291,340	208,693	82,648	72%
12	240,967	0	240,967	297,167	240,967	56,200	81%
13	<u>274,448</u>	<u>0</u>	<u>274,448</u>	<u>303,111</u>	<u>274,448</u>	<u>28,662</u>	<u>91%</u>
Totals	\$1,415,477	\$0	\$1,415,477	\$3,508,608	\$1,415,477	\$2,093,131	40%

(1) The Property is currently owned by the Town and therefore does not generate tax revenue. The unimproved land would have generated \$12,692 in tax revenue in 2021-2022 had it not been owned by the Town, per the Agency.

(2) Assumes a 2% annual increase in the tax rate and a taxable value of \$58,000 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 5% vacancy rate once stabilized. Operating performance and assumptions about vacancy and concessions are within range of benchmarks. With the PILOT, real property taxes absorb 3% of project income while debt service absorbs 33% of income. Together, operating expenses, tax, and debt service absorb 71% of project income. The PILOT scenario delivers Net Operating Income as a percent of Gross Income that is within the range of benchmarks.

Operations Snapshot, Year 5

	Share of Gross			Evaluation
	Project Performance (1)	Operating Income	Benchmark Performance (2)	
Gross Operating Income, Total	\$1,536,132	100%	n/a	n/a
<u>Calculation of Net Operating Income</u>				
Gross Operating Income	\$1,536,132	100%	n/a	n/a
Vacancy Rate and Concessions	5.0%	n/a	4.8%	Within Range
Effective Gross Income (EGI), All Uses (3)	\$1,459,925	95%	95%	Within Range
Operating Expenses and Reserve	(\$518,205)	34%	49%	More Efficient
<u>Real Property Taxes (with PILOT)</u>	<u>(\$38,535)</u>	<u>3%</u>	<u>n/a</u>	<u>n/a</u>
Net Operating Income	\$903,185	59%	48%	More Efficient
Less: Debt Service	(\$482,180)	33%	n/a	
Cashflow after Operating Costs, Taxes, Debt	\$421,005	27%	n/a	n/a

(1) Source: Applicant

(2) Source: RealtyRates

(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.
- ◆ An estimated Market Value of the Project at the end of the PILOT was calculated for the purposes of this analysis only, as the Applicant has not indicated a sale. A sale value of \$10.9 million is calculated with a Net Operating Income method using current capitalization and tax rates. Because the long-term debt amortizes over 25 years, the outstanding principal is calculated and assumed to be repaid with sale proceeds, resulting in net sale proceeds of \$5.6 million.

Terms of the Senior (Long Term) Debt

	Terms (1)	Benchmark (2)	Evaluation
Amount Borrowed	\$7,930,300	n/a	
Loan to Total Project Cost	70%	55% to 90%	Within Range
Annual Interest Rate	4.50%	2.64% to 6.92%	Within Range
Maturity in Years	30	15 to 40	Within Range
Annual Principal and Interest	\$482,180	n/a	

(1) Source: Applicant

(2) Source: RealtyRates

Sources and Uses of Funds

<u>Sources of Funds</u>	<u>Amount (1)</u>	<u>Share</u>
Bank Financing	\$7,930,300	70%
Equity and Working Capital	<u>\$3,398,700</u>	<u>30%</u>
Total Sources	\$11,329,000	100%
<u>Uses of Funds</u>		
Acquisition and Transaction Costs	\$1,749,000	15%
Construction Costs	<u>\$9,580,000</u>	<u>85%</u>
Total Uses	\$11,329,000	100%

(1) Source: Applicant

Market Value of the Project at 15 Years (1)

Net Operating Income after full tax (2)	\$829,968
Divided by: Reversion Capitalization Rate (3)	<u>7.63%</u>
Reversion (Sale) Value	\$10,877,691
Less: Loan Payoff (2)	<u>(\$5,252,551)</u>
Net Sale Proceeds	\$5,625,139

(1) Assumes sale price based on projected project income

(2) Source: Applicant

(3) Source: RealtyRates

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 \$3,398,700. For the No PILOT scenario the Project is below the benchmarks in years 1-5, but beginning in year 6 (and on average) the Project will produce a return comparable to similar projects in the region without assistance. With the PILOT, taxes are reduced sufficiently to improve performance in years 1-5 and deliver returns that meet the benchmarks. After year 5, the PILOT will gradually increase to reach towards full taxation, giving the Project time to stabilize.
- ◆ **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 annual cashflow are positive for all years with or without a PILOT. The initial equity investment of nearly \$3.4 million will be fully recouped by year 9 with a PILOT, while it would take 15 years to recoup without a PILOT.
- ◆ **Debt Service Coverage** estimates how well the Project's net income, after taxes, supports repayment of debt. At its maximum, Debt Service Coverage slightly exceeds the benchmarks with a PILOT. Debt comprises 70% of the capital structure.

Comparison of Return on Investment

	PILOT (1)	No PILOT (2)	Benchmarks (3)
<u>Equity Dividend Rates</u>			
Average	11.50%	6.76%	
Minimum	10.14%	4.41%	6.03%
Maximum	12.58%	9.30%	to 13.11%
Years Benchmarks Met	1 - 13	6 - 13	
<u>Cash Flow</u>			
Average	\$390,876	\$229,866	
Minimum	\$344,687	\$149,737	
Maximum	\$427,514	\$316,025	n/a
Cumulative	\$5,081,384	\$2,988,253	
Year Investment Recouped	9	15	
<u>Debt Service Coverage</u>			
Average	1.80	1.51	1.10
Minimum	1.69	1.31	to
Maximum	1.89	1.72	1.85
Years Benchmarks Met	1 - 13	1 - 13	

(1) See page 9

(2) See page 10

(3) Source: RealtyRates for Q2 2022

ATTACHMENT 1: PRO FORMAS

Annual Cashflows (Pro Forma) With a 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													
<i>Rental Income</i>													
Gross Operating Income	\$1,408,062	\$1,436,223	\$1,464,948	\$1,494,247	\$1,524,132	\$1,554,614	\$1,585,707	\$1,617,421	\$1,649,769	\$1,682,765	\$1,716,420	\$1,750,748	\$1,785,763
Less: Vacancy Allowance	(\$70,403)	(\$71,811)	(\$73,247)	(\$74,712)	(\$76,207)	(\$77,731)	(\$79,285)	(\$80,871)	(\$82,488)	(\$84,138)	(\$85,821)	(\$87,537)	(\$89,288)
Net Rental Income	\$1,337,659	\$1,364,412	\$1,391,701	\$1,419,535	\$1,447,925	\$1,476,884	\$1,506,421	\$1,536,550	\$1,567,281	\$1,598,626	\$1,630,599	\$1,663,211	\$1,696,475
<i>Other Income</i>													
Other Income (Pets)	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
Net Other Income	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
Effective Gross Income (EGI)	\$1,349,659	\$1,376,412	\$1,403,701	\$1,431,535	\$1,459,925	\$1,488,884	\$1,518,421	\$1,548,550	\$1,579,281	\$1,610,626	\$1,642,599	\$1,675,211	\$1,708,475
<i>Operating Expenses</i>													
Salaries and Wages	\$140,806	\$143,622	\$146,495	\$149,425	\$152,413	\$155,461	\$158,571	\$161,742	\$164,977	\$168,276	\$171,642	\$175,075	\$178,576
Maintenance	\$176,008	\$179,528	\$183,118	\$186,781	\$190,516	\$194,327	\$198,213	\$202,178	\$206,221	\$210,346	\$214,553	\$218,844	\$223,220
Deposit to replacement reserve	\$70,403	\$71,811	\$73,247	\$74,712	\$76,207	\$77,731	\$79,285	\$80,871	\$82,488	\$84,138	\$85,821	\$87,537	\$89,288
Insurance	\$56,322	\$57,449	\$58,598	\$59,770	\$60,965	\$62,185	\$63,428	\$64,697	\$65,991	\$67,311	\$68,657	\$70,030	\$71,431
Common Area Utilities	\$35,202	\$35,906	\$36,624	\$37,356	\$38,103	\$38,865	\$39,643	\$40,436	\$41,244	\$42,069	\$42,911	\$43,769	\$44,644
Operating Expenses	\$478,741	\$488,316	\$498,082	\$508,044	\$518,205	\$528,569	\$539,140	\$549,923	\$560,922	\$572,140	\$583,583	\$595,254	\$607,160
Pre-Tax Operating Income (EGI less Operating Expenses)	\$870,918	\$888,096	\$905,618	\$923,491	\$941,720	\$960,315	\$979,281	\$998,627	\$1,018,359	\$1,038,486	\$1,059,016	\$1,079,957	\$1,101,316
PILOT (Years 1 - 13) / Real Property Taxes (Years 14 - 15)	\$13,001	\$13,261	\$13,526	\$13,797	\$38,535	\$64,258	\$90,995	\$118,775	\$147,630	\$177,592	\$208,693	\$240,967	\$274,448
Net Operating Income (NOI) after Taxes	\$857,917	\$874,836	\$892,092	\$909,694	\$903,185	\$896,056	\$888,286	\$879,852	\$870,729	\$860,895	\$850,324	\$838,990	\$826,867
<i>Debt Service</i>													
Loan or Mortgage (Debt Service)													
Interest Payment	\$354,246	\$348,369	\$342,222	\$335,792	\$329,067	\$322,033	\$314,676	\$306,981	\$298,932	\$290,514	\$281,709	\$272,499	\$262,866
Principal Payment	\$127,934	\$133,811	\$139,958	\$146,388	\$153,113	\$160,147	\$167,504	\$175,199	\$183,248	\$191,666	\$200,471	\$209,681	\$219,314
Debt Service	\$482,180												
Cash Flow After Financing and Reserve	\$375,737	\$392,656	\$409,912	\$427,514	\$421,005	\$413,877	\$406,106	\$397,672	\$388,549	\$378,715	\$368,144	\$356,810	\$344,687
Debt Service Coverage Ratio (DSCR)	1.78	1.81	1.85	1.89	1.87	1.86	1.84	1.82	1.81	1.79	1.76	1.74	1.71
Equity Dividend Rates	11.06%	11.55%	12.06%	12.58%	12.39%	12.18%	11.95%	11.70%	11.43%	11.14%	10.83%	10.50%	10.14%

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													
<i>Rental Income</i>													
Gross Operating Income	\$1,408,062	\$1,436,223	\$1,464,948	\$1,494,247	\$1,524,132	\$1,554,614	\$1,585,707	\$1,617,421	\$1,649,769	\$1,682,765	\$1,716,420	\$1,750,748	\$1,785,763
Less: Vacancy Allowance	(\$70,403)	(\$71,811)	(\$73,247)	(\$74,712)	(\$76,207)	(\$77,731)	(\$79,285)	(\$80,871)	(\$82,488)	(\$84,138)	(\$85,821)	(\$87,537)	(\$89,288)
Net Rental Income	\$1,337,659	\$1,364,412	\$1,391,701	\$1,419,535	\$1,447,925	\$1,476,884	\$1,506,421	\$1,536,550	\$1,567,281	\$1,598,626	\$1,630,599	\$1,663,211	\$1,696,475
<i>Other Income</i>													
Other Income (Pets)	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
Net Other Income	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
Effective Gross Income (EGI)	\$1,349,659	\$1,376,412	\$1,403,701	\$1,431,535	\$1,459,925	\$1,488,884	\$1,518,421	\$1,548,550	\$1,579,281	\$1,610,626	\$1,642,599	\$1,675,211	\$1,708,475
<i>Operating Expenses</i>													
Salaries and Wages	\$140,806	\$143,622	\$146,495	\$149,425	\$152,413	\$155,461	\$158,571	\$161,742	\$164,977	\$168,276	\$171,642	\$175,075	\$178,576
Maintenance	\$176,008	\$179,528	\$183,118	\$186,781	\$190,516	\$194,327	\$198,213	\$202,178	\$206,221	\$210,346	\$214,553	\$218,844	\$223,220
Deposit to replacement reserve	\$70,403	\$71,811	\$73,247	\$74,712	\$76,207	\$77,731	\$79,285	\$80,871	\$82,488	\$84,138	\$85,821	\$87,537	\$89,288
Insurance	\$56,322	\$57,449	\$58,598	\$59,770	\$60,965	\$62,185	\$63,428	\$64,697	\$65,991	\$67,311	\$68,657	\$70,030	\$71,431
Common Area Utilities	\$35,202	\$35,906	\$36,624	\$37,356	\$38,103	\$38,865	\$39,643	\$40,436	\$41,244	\$42,069	\$42,911	\$43,769	\$44,644
Operating Expenses	\$478,741	\$488,316	\$498,082	\$508,044	\$518,205	\$528,569	\$539,140	\$549,923	\$560,922	\$572,140	\$583,583	\$595,254	\$607,160
Pre-Tax Operating Income (EGI less Operating Expenses)	\$870,918	\$888,096	\$905,618	\$923,491	\$941,720	\$960,315	\$979,281	\$998,627	\$1,018,359	\$1,038,486	\$1,059,016	\$1,079,957	\$1,101,316
Real Property Taxes	\$239,001	\$243,781	\$248,656	\$253,629	\$258,702	\$263,876	\$269,153	\$274,537	\$280,027	\$285,628	\$291,340	\$297,167	\$303,111
Net Operating Income (NOI) after Taxes	\$631,917	\$644,316	\$656,962	\$669,861	\$683,018	\$696,439	\$710,128	\$724,090	\$738,332	\$752,859	\$767,676	\$782,789	\$798,205
<i>Debt Service</i>													
Loan or Mortgage (Debt Service)													
Interest Payment	\$354,246	\$348,369	\$342,222	\$335,792	\$329,067	\$322,033	\$314,676	\$306,981	\$298,932	\$290,514	\$281,709	\$272,499	\$262,866
Principal Payment	\$127,934	\$133,811	\$139,958	\$146,388	\$153,113	\$160,147	\$167,504	\$175,199	\$183,248	\$191,666	\$200,471	\$209,681	\$219,314
Debt Service	\$482,180												
Cash Flow After Financing and Reserve	\$149,737	\$162,136	\$174,782	\$187,681	\$200,839	\$214,259	\$227,948	\$241,910	\$256,152	\$270,679	\$285,496	\$300,609	\$316,025
Debt Service Coverage Ratio (DSCR)	1.31	1.34	1.36	1.39	1.42	1.44	1.47	1.50	1.53	1.56	1.59	1.62	1.66
Equity Dividend Rates	4.41%	4.77%	5.14%	5.52%	5.91%	6.30%	6.71%	7.12%	7.54%	7.96%	8.40%	8.84%	9.30%

APPENDIX A: SCOPE OF SERVICES

To assist with its evaluation of G4 18197 LLC'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 May 2022, with submitted revisions.
- ◆ 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)