PREPARED FOR:

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

Reasonableness Assessment for Financial Assistance

THE WATCH HILL HOTEL GROUP LLC

NOVEMBER 2026

PREPARED BY:

camoin associates

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EXECUTIVE SUMMARY

Project Description

The Town of Brookhaven Industrial Development Agency (Agency) received an application from The Watch Hill Hotel Group LLC (Applicant) for financial assistance to construct a 136-room Tapestry Collection by Hilton hotel at 138 West Avenue in the Village of Patchogue, New York. The five-story, 124,189-square-foot building will include event and meeting space, a rooftop restaurant and bar, a lobby bar, a café, a fitness room, and two ground-floor retail spaces. GF Hotels & Resorts will manage the hotel.

The Project represents a $57.5 million investment and is anticipated by the Applicant to generate 50 full-time equivalent (FTE) jobs within two years of opening. The Applicant requests a 20-year Payment in Lieu of Taxes (PILOT) agreement, which is a deviation from the Agency's standard policy, as well as sales and use tax and mortgage recording tax exemptions. This analysis compares three scenarios: a 15-year PILOT proposed by the Agency, the 20-year PILOT requested by the Applicant, and No PILOT.

Purpose of this Analysis

An objective, third-party review of a project's assumptions and estimated operating and financial performance 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 room rates, occupancy, and expenses, within regional and industry norms?
- 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:

- **Operating assumptions are generally reasonable, but the room rate is aggressive.** Stabilized occupancy of 69% is slightly above the Town of Brookhaven average of 65.9%, and operating expenses are in line with Long Island hotels. The stabilized average daily rate (ADR) of $291.63 is 73% above the Town's current average of $168.36 and about 50% above that average projected to 2031. This premium reflects the hotel's upper upscale positioning and waterfront location, but it is the largest risk in the projections.
- **Assistance is necessary.** Without a PILOT, the Project has negative cash flow in each of its first nine years. The average equity dividend rate is 1.19% over 20 years and -5.91% over the first 10 years, well below the RealtyRates lodging minimum of 7.16% and average of 12.3%. Cumulative cash flow of $2.6 million does not recoup the $10.75 million equity investment within 20 years.

- **Both PILOT scenarios produce returns at the low end of market expectations.** With the Agency's proposed 15-year PILOT, the average equity dividend rate over 20 years is 8.11%. With the requested 20-year PILOT, it is 8.00%. Both are within the RealtyRates lodging benchmark range of 7.16% to 16.46% but well below the 12.3% average. The Applicant recoups its equity investment in Year 15 with the 15-year PILOT and in Year 17 with the 20-year PILOT. Neither PILOT produces an above-market return.

1. OPERATING ASSUMPTIONS

The Applicant's revenue and expense projections come from a market study prepared for the Applicant by LW Hospitality Advisors (LWHA) in June 2026. LWHA projected a 122-room hotel. The Applicant scaled LWHA's revenue and expenses for Years 1 through 11 by 136/122 to reflect the current 136-room program and grew them 3% per year after Year 11. Camoin Associates compared these projections with CoStar data for the 20 hotels (1,985 rooms) in the Town of Brookhaven.

Hotel Occupancy, Average Daily Rate, and RevPAR

Measure	Project Year 1 (2028/2029) (1)	Project Stabilized Year 3 (2030/2031) (1)	Town of Brookhaven, 12 Months Ending September 2026 (2)	Town of Brookhaven, July to September 2026 (2)	Evaluation
Occupancy	61.0%	69.0%	65.9%	75.2%	Within range
Average Daily Rate (ADR)	$261.15	$291.63	$168.36	$191.23	Above market
Revenue per Available Room (RevPAR)	$159.30	$201.22	$110.93	$143.78	Above market

(1) Source: Applicant, based on LWHA Market Study with Financial Projections, June 18, 2026

(2) Source: CoStar, all hotels in the Town of Brookhaven (20 hotels, 1,985 rooms)

- **Occupancy:** Stabilized occupancy of 69% is slightly above the Town's 12-month average of 65.9% and below its summer average of 75.2%. Town occupancy has ranged from about 61% to 68% over the past four years. This assumption is reasonable for a new branded hotel.
- **Room rates:** The stabilized ADR of $291.63 is 73% above the Town's 12-month average of $168.36 and 53% above its summer average of $191.23. The Town's average rate grew about 3.2% per year from 2019 to 2026. At that pace, it would reach about $194 by 2031, and the Project's rate would still be about 50% higher. The Project is planned as an upper upscale hotel next to the Fire Island ferry, but this rate premium is untested in the Town. A lower ADR would reduce revenue and widen the funding gap.
- **Revenue per room:** Year 3 total revenue of $92,172 per room is 47% above the 2025 average of $62,567 per room for Long Island hotels reported by CoStar. Food and beverage, spa, other departments, and lease income from the rooftop restaurant and retail spaces make up about 20% of the Project's revenue.

2. PILOT ANALYSIS

Camoin Associates tested two PILOT schedules. Both abate the Village of Patchogue and Town of Brookhaven taxes on the improvements. The Town tax bill includes County, school district, and fire district taxes. Full taxes are based on the Applicant's estimate of $1.27 million at full buildout ($170,000 Village and $1.1 million Town), increasing 2% per year. Both schedules are shown over 20 years for a consistent comparison.

- **15-year PILOT (Agency proposed):** The Applicant pays land-only taxes for the first five years. Taxes on the improvements then phase in by 7.5% per year, reaching 75% of full taxes in Year 15. The Applicant pays full taxes beginning in Year 16.
- **20-year PILOT (requested):** Camoin Associates prepared an illustrative schedule that exempts 100% of taxes on the improvements in Year 1 and reduces the exemption by five percentage points each year, reaching 5% in Year 20.

PILOT Schedule - 15 Year (Agency Proposed)

Year	Tax Year	Property Without Project (1)	Village Tax on Improvements (2)	Town Tax on Improvements (2)	Proposed Exemption (3)	Total PILOT	Estimated PILOT Savings	Taxes without PILOT (2)
Year 1	2028/2029	$45,634	$170,000	$1,054,366	100%	$45,634	$1,224,366	$1,270,000
Year 2	2029/2030	$46,547	$173,400	$1,075,453	100%	$46,547	$1,248,853	$1,295,400
Year 3	2030/2031	$47,478	$176,868	$1,096,962	100%	$47,478	$1,273,830	$1,321,308
Year 4	2031/2032	$48,427	$180,405	$1,118,902	100%	$48,427	$1,299,307	$1,347,734
Year 5	2032/2033	$49,396	$184,013	$1,141,280	100%	$49,396	$1,325,293	$1,374,689
Year 6	2033/2034	$50,384	$187,694	$1,164,105	92.5%	$151,769	$1,250,414	$1,402,183
Year 7	2034/2035	$51,391	$191,448	$1,187,387	85%	$258,217	$1,172,010	$1,430,226
Year 8	2035/2036	$52,419	$195,277	$1,211,135	77.5%	$368,862	$1,089,969	$1,458,831
Year 9	2036/2037	$53,468	$199,182	$1,235,358	70%	$483,830	$1,004,178	$1,488,007
Year 10	2037/2038	$54,537	$203,166	$1,260,065	62.5%	$603,248	$914,519	$1,517,768
Year 11	2038/2039	$55,628	$207,229	$1,285,266	55%	$727,251	$820,872	$1,548,123
Year 12	2039/2040	$56,740	$211,374	$1,310,972	47.5%	$855,971	$723,114	$1,579,085
Year 13	2040/2041	$57,875	$215,601	$1,337,191	40%	$989,550	$621,117	$1,610,667
Year 14	2041/2042	$59,033	$219,913	$1,363,935	32.5%	$1,128,130	$514,751	$1,642,880
Year 15	2042/2043	$60,213	$224,311	$1,391,213	25%	$1,271,857	$403,881	$1,675,738
Year 16	2043/2044	$61,417	$228,798	$1,419,038	0%	$1,709,253	$0	$1,709,253
Year 17	2044/2045	$62,646	$233,374	$1,447,418	0%	$1,743,438	$0	$1,743,438
Year 18	2045/2046	$63,899	$238,041	$1,476,367	0%	$1,778,307	$0	$1,778,307
Year 19	2046/2047	$65,177	$242,802	$1,505,894	0%	$1,813,873	$0	$1,813,873
Year 20	2047/2048	$66,480	$247,658	$1,536,012	0%	$1,850,150	$0	$1,850,150
Total		**$1,108,788**	**$4,130,553**	**$25,618,319**		**$15,971,186**	**$14,886,474**	**$30,857,660**

(1) Source: Agency. 2025/2026 taxes of $43,002 (Town $39,804 and Village $3,198, excluding Business Improvement District and sewer charges), increased 2% per year.

(2) Source: Applicant, based on Village Assessor guidance. The Town tax bill includes County, school district, and fire district taxes. Town tax is shown net of existing taxes so that total taxes equal the Applicant's $1.27 million estimate.

(3) Agency proposed schedule: land-only taxes in Years 1 to 5, then taxes on improvements increase 7.5% per year to 75% in Year 15. Full taxes from Year 16 (Years 16 to 20 shown in italics for comparison).

PILOT Schedule - 20 Year (Requested, Illustrative Schedule)

Year	Tax Year	Property Without Project (1)	Village Tax on Improvements (2)	Town Tax on Improvements (2)	Proposed Exemption (3)	Total PILOT	Estimated PILOT Savings	Taxes without PILOT (2)
Year 1	2028/2029	$45,634	$170,000	$1,054,366	100%	$45,634	$1,224,366	$1,270,000
Year 2	2029/2030	$46,547	$173,400	$1,075,453	95%	$108,989	$1,186,411	$1,295,400
Year 3	2030/2031	$47,478	$176,868	$1,096,962	90%	$174,861	$1,146,447	$1,321,308
Year 4	2031/2032	$48,427	$180,405	$1,118,902	85%	$243,323	$1,104,411	$1,347,734
Year 5	2032/2033	$49,396	$184,013	$1,141,280	80%	$314,454	$1,060,234	$1,374,689
Year 6	2033/2034	$50,384	$187,694	$1,164,105	75%	$388,333	$1,013,849	$1,402,183
Year 7	2034/2035	$51,391	$191,448	$1,187,387	70%	$465,042	$965,184	$1,430,226
Year 8	2035/2036	$52,419	$195,277	$1,211,135	65%	$544,663	$914,168	$1,458,831
Year 9	2036/2037	$53,468	$199,182	$1,235,358	60%	$627,284	$860,724	$1,488,007
Year 10	2037/2038	$54,537	$203,166	$1,260,065	55%	$712,991	$804,777	$1,517,768
Year 11	2038/2039	$55,628	$207,229	$1,285,266	50%	$801,875	$746,248	$1,548,123
Year 12	2039/2040	$56,740	$211,374	$1,310,972	45%	$894,030	$685,055	$1,579,085
Year 13	2040/2041	$57,875	$215,601	$1,337,191	40%	$989,550	$621,117	$1,610,667
Year 14	2041/2042	$59,033	$219,913	$1,363,935	35%	$1,088,534	$554,347	$1,642,880
Year 15	2042/2043	$60,213	$224,311	$1,391,213	30%	$1,191,081	$484,657	$1,675,738
Year 16	2043/2044	$61,417	$228,798	$1,419,038	25%	$1,297,294	$411,959	$1,709,253
Year 17	2044/2045	$62,646	$233,374	$1,447,418	20%	$1,407,279	$336,158	$1,743,438
Year 18	2045/2046	$63,899	$238,041	$1,476,367	15%	$1,521,145	$257,161	$1,778,307
Year 19	2046/2047	$65,177	$242,802	$1,505,894	10%	$1,639,003	$174,870	$1,813,873
Year 20	2047/2048	$66,480	$247,658	$1,536,012	5%	$1,760,967	$89,183	$1,850,150
Total		**$1,108,788**	**$4,130,553**	**$25,618,319**		**$16,216,333**	**$14,641,327**	**$30,857,660**

(1) Source: Agency. 2025/2026 taxes of $43,002 (Town $39,804 and Village $3,198, excluding Business Improvement District and sewer charges), increased 2% per year.

(2) Source: Applicant, based on Village Assessor guidance. The Town tax bill includes County, school district, and fire district taxes. Town tax is shown net of existing taxes so that total taxes equal the Applicant's $1.27 million estimate.

(3) Camoin Associates illustrative schedule

- The 15-year PILOT abates 48.2% of the Applicant's taxes over 20 years, resulting in $14.9 million in foregone tax revenue (benefit to the Project). The municipalities gain $14.9 million in new tax revenue over a no-project scenario.
- The 20-year PILOT abates 47.4% of the Applicant's taxes over 20 years, resulting in $14.6 million in foregone tax revenue (benefit to the Project). The municipalities gain $15.1 million in new tax revenue over a no-project scenario.

Real Property Tax Comparison, 20 Years

	15-Year PILOT	20-Year PILOT	No PILOT
Comparison of Taxes on Full Value of Project and with PILOT			
Taxes without PILOT	$30,857,660	$30,857,660	$30,857,660
Less: PILOT/Tax Payments	($15,971,186)	($16,216,333)	($30,857,660)
Foregone Revenue (Benefit to Project)	**$14,886,474**	**$14,641,327**	**$0**
Abatement Percent	48.2%	47.4%	0.0%
Net New Taxes Compared with No Project			
PILOT/Tax Payments	$15,971,186	$16,216,333	$30,857,660
Less: Estimated Taxes without Project	($1,108,788)	($1,108,788)	($1,108,788)
Estimated New Tax Revenue (Benefit to Municipalities)	**$14,862,398**	**$15,107,545**	**$29,748,872**

Source: Camoin Associates, based on Applicant and Village Assessor estimates

3. OPERATING PERFORMANCE

The Project's Year 5 operating performance (tax year 2032/2033) is measured two years after the hotel stabilizes. Operating expenses, including management and franchise fees and replacement reserves, absorb 62% of revenue, in line with the 2025 average of 63.3% for Long Island hotels.

Without a PILOT, real property taxes absorb 10% of revenue, more than twice the Long Island average of 4.3%, and debt service absorbs 32%. The result is a negative cash flow of ($647,053). With the 15-year PILOT, the Applicant pays land-only taxes in Year 5 (less than 1% of revenue), producing a positive cash flow of $678,240. With the 20-year PILOT, PILOT payments absorb 2% of revenue, producing a positive cash flow of $413,181.

Operations Snapshot, Year 5 (2032/2033)

	15-Year PILOT (1)	Share	20-Year PILOT (1)	Share	No PILOT (1)	Share	Long Island Hotels, 2025 (2)	Evaluation
Total Revenue	$13,304,590	100%	$13,304,590	100%	$13,304,590	100%	100%	n/a
Less: Operating Expenses and Reserve (3)	($8,265,902)	62%	($8,265,902)	62%	($8,265,902)	62%	63.3%	In line
Less: Real Property Taxes or PILOT	($49,396)	0.4%	($314,454)	2%	($1,374,689)	10%	4.3%	Lower with PILOT; higher without
Net Operating Income (4)	**$4,989,293**	**38%**	**$4,724,234**	**36%**	**$3,664,000**	**28%**	**32.5%**	**Above with PILOT; below without**
Less: Debt Service	($4,311,053)	32%	($4,311,053)	32%	($4,311,053)	32%	n/a	n/a
Cash Flow after Operating Costs, Taxes, and Debt	**$678,240**	**5%**	**$413,181**	**3%**	**($647,053)**	**5%**	**n/a**	**n/a**

(1) Source: Applicant
(2) Source: CoStar market financials for Long Island hotels, calendar year 2025, based on reported loan data
(3) Benchmark includes capital expenditures in place of a replacement reserve.
(4) Benchmark is net operating income after taxes and capital expenditures.

4. FINANCING PLAN

- The Sources and Uses of Funds show the total project costs and debt and equity capital structure.
- Bank financing makes up 81% of the sources of funds, slightly above the RealtyRates lodging maximum loan-to-value ratio of 80% (average 66.8%). The 8.5% interest rate is within the benchmark range of 5.86% to 14.30%, and the 30-year amortization is within the range of 15 to 40 years. Together they result in annual debt service of $4.3 million.
- The Project costs $422,591 per room, more than twice the $193,088 average sale price per room for hotels in the Town of Brookhaven reported by CoStar. This gap between development cost and market value helps explain why the Project does not produce a market return without assistance.

Sources and Uses of Funds

Sources of Funds	Amount (1)	Share
Bank Financing	$46,722,345	81%
Equity and Working Capital	$10,750,000	19%
Total Sources	**$57,472,345**	**100%**
Uses of Funds		
Acquisition and Transaction Costs	$5,077,658	9%
Construction Costs (including $3.0 million interest reserve)	$52,394,687	91%
Total Uses	**$57,472,345**	**100%**

(1) Source: Applicant

Terms of the Senior (Long-Term) Debt

	Terms (1)	Benchmark (2)	Evaluation
Amount Borrowed	$46,722,345	n/a	n/a
Loan to Total Project Cost	81%	50% - 80%	Slightly above range
Annual Interest Rate	8.50%	5.86% - 14.30%	Within range
Amortization in Years	30	15 - 40	Within range
Annual Debt Service	$4,311,053	n/a	n/a

(1) Source: Applicant
(2) Source: RealtyRates.com Investor Survey, 3rd Quarter 2026 (2nd Quarter 2026 data), Lodging Facilities - All Types

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. Three metrics are used to evaluate outcomes over a 20-year period for all three scenarios:

- **Equity Dividend Rate:** Net cash flow for each year divided by the initial equity investment of $10,750,000. Equity dividend rates are benchmarked using RealtyRates.com data for lodging properties. Rates close to the benchmark indicate the Applicant is earning a reasonable return. Without a PILOT, the average rate is 1.19%, below the benchmark minimum of 7.16%. With the 15-year PILOT, the average rate is 8.11%, and with the 20-year PILOT it is 8.00%. Both are within the benchmark range of 7.16% to 16.46% but below the 12.3% average. The 15-year PILOT produces a higher return in the first 10 years (5.07% vs. 3.65%) because of the five years of land-only taxes.
- **Cash Flow:** The Applicant's net cash flow over time. There are no cash flow benchmarks. Without a PILOT, cash flow is negative until Year 10 and cumulative cash flow of $2.6 million does not recoup the equity investment. With either PILOT, cash flow is positive from Year 2. The Applicant recoups its equity in Year 15 with the 15-year PILOT and in Year 17 with the 20-year PILOT.
- **Debt Service Coverage:** How well the Project's net income, after taxes, supports debt repayment. The benchmark range is 1.05 to 2.75, with an average of 1.52. Without a PILOT, coverage stays below the 1.05 minimum until Year 12. With either PILOT, coverage meets the minimum in 18 of 20 years, with an average of 1.20 under both.

Comparison of Return on Investment, 20 Years

	15-Year PILOT	20-Year PILOT	No PILOT	Benchmarks (1)
Equity Dividend Rates				
Average	8.11%	8.00%	1.19%	12.30%
Minimum	-8.12%	-8.12%	-19.51%	7.16%
Maximum	15.71%	16.54%	15.71%	16.46%
Average, Years 1 to 10	5.07%	3.65%	-5.91%	
Years at or above 7.16% Minimum	14	11	6	
Cash Flow				
Average	$872,134	$859,876	$127,810	n/a
Minimum	($873,080)	($873,080)	($2,097,446)	
Maximum	$1,688,740	$1,777,924	$1,688,740	
Cumulative	$17,442,672	$17,197,524	$2,556,197	
First Year of Positive Cash Flow	2	2	10	
Year Equity Recouped	15	17	Not recouped	
Debt Service Coverage				
Average	1.20	1.20	1.03	1.52
Minimum	0.80	0.80	0.51	1.05
Maximum	1.39	1.41	1.39	2.75
Years at or above 1.05 Minimum	18	18	9	

(1) Source: RealtyRates.com Investor Survey, 3rd Quarter 2026 (2nd Quarter 2026 data), Lodging Facilities - All Types

ATTACHMENT 1: PRO FORMAS

Annual Cash Flows - 15-Year PILOT, Years 1 to 10

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total Revenue	$9,813,180	$11,503,148	$12,535,410	$12,946,754	$13,304,590	$13,704,787	$14,117,246	$14,575,410	$14,975,607	$15,423,738
Less: Operating Expenses and Reserve	($6,329,574)	($6,995,082)	($7,588,131)	($7,834,492)	($8,265,902)	($8,515,607)	($8,770,885)	($9,051,803)	($9,302,623)	($9,581,311)
Pre-Tax Operating Income	**$3,483,607**	**$4,508,066**	**$4,947,279**	**$5,112,262**	**$5,038,689**	**$5,189,180**	**$5,346,361**	**$5,523,607**	**$5,672,984**	**$5,842,426**
Less: PILOT Payments	($45,634)	($46,547)	($47,478)	($48,427)	($49,396)	($151,769)	($258,217)	($368,862)	($483,830)	($603,248)
Net Operating Income after Taxes	**$3,437,972**	**$4,461,519**	**$4,899,801**	**$5,063,835**	**$4,989,293**	**$5,037,412**	**$5,088,144**	**$5,154,745**	**$5,189,154**	**$5,239,178**
Less: Debt Service	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)
Cash Flow after Financing and Reserve	**($873,080)**	**$150,466**	**$588,748**	**$752,782**	**$678,240**	**$726,359**	**$777,091**	**$843,692**	**$878,101**	**$928,125**
Debt Service Coverage Ratio	0.80	1.03	1.14	1.17	1.16	1.17	1.18	1.20	1.20	1.22
Equity Dividend Rate	-8.12%	1.40%	5.48%	7.00%	6.31%	6.76%	7.23%	7.85%	8.17%	8.63%

Annual Cash Flows - 15-Year PILOT, Years 11 to 20

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Total Revenue	$15,884,131	$16,360,655	$16,851,475	$17,357,019	$17,877,730	$18,414,061	$18,966,483	$19,535,478	$20,121,542	$20,725,188
Less: Operating Expenses and Reserve	($9,867,803)	($10,163,837)	($10,468,752)	($10,782,815)	($11,106,300)	($11,439,489)	($11,782,673)	($12,136,153)	($12,500,238)	($12,875,245)
Pre-Tax Operating Income	**$6,016,328**	**$6,196,818**	**$6,382,722**	**$6,574,204**	**$6,771,430**	**$6,974,573**	**$7,183,810**	**$7,399,324**	**$7,621,304**	**$7,849,943**
Less: PILOT Payments	($727,251)	($855,971)	($989,550)	($1,128,130)	($1,271,857)	($1,709,253)	($1,743,438)	($1,778,307)	($1,813,873)	($1,850,150)
Net Operating Income after Taxes	**$5,289,077**	**$5,340,846**	**$5,393,172**	**$5,446,074**	**$5,499,573**	**$5,265,320**	**$5,440,372**	**$5,621,018**	**$5,807,431**	**$5,999,793**
Less: Debt Service	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)
Cash Flow after Financing and Reserve	**$978,024**	**$1,029,793**	**$1,082,119**	**$1,135,021**	**$1,188,520**	**$954,267**	**$1,129,319**	**$1,309,965**	**$1,496,378**	**$1,688,740**
Debt Service Coverage Ratio	1.23	1.24	1.25	1.26	1.28	1.22	1.26	1.30	1.35	1.39
Equity Dividend Rate	9.10%	9.58%	10.07%	10.56%	11.06%	8.88%	10.51%	12.19%	13.92%	15.71%

Source: Applicant pro forma with the Agency proposed 15-year PILOT schedule (Village and Town taxes abated)

Annual Cash Flows - 20-Year PILOT, Years 1 to 10

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total Revenue	$9,813,180	$11,503,148	$12,535,410	$12,946,754	$13,304,590	$13,704,787	$14,117,246	$14,575,410	$14,975,607	$15,423,738
Less: Operating Expenses and Reserve	($6,329,574)	($6,995,082)	($7,588,131)	($7,834,492)	($8,265,902)	($8,515,607)	($8,770,885)	($9,051,803)	($9,302,623)	($9,581,311)
Pre-Tax Operating Income	**$3,483,607**	**$4,508,066**	**$4,947,279**	**$5,112,262**	**$5,038,689**	**$5,189,180**	**$5,346,361**	**$5,523,607**	**$5,672,984**	**$5,842,426**
Less: PILOT Payments	($45,634)	($108,989)	($174,861)	($243,323)	($314,454)	($388,333)	($465,042)	($544,663)	($627,284)	($712,991)
Net Operating Income after Taxes	**$3,437,972**	**$4,399,076**	**$4,772,418**	**$4,868,939**	**$4,724,234**	**$4,800,847**	**$4,881,319**	**$4,978,943**	**$5,045,700**	**$5,129,436**
Less: Debt Service	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)
Cash Flow after Financing and Reserve	**($873,080)**	**$88,023**	**$461,365**	**$557,886**	**$413,181**	**$489,794**	**$570,266**	**$667,890**	**$734,647**	**$818,383**
Debt Service Coverage Ratio	0.80	1.02	1.11	1.13	1.10	1.11	1.13	1.15	1.17	1.19
Equity Dividend Rate	-8.12%	0.82%	4.29%	5.19%	3.84%	4.56%	5.30%	6.21%	6.83%	7.61%

Annual Cash Flows - 20-Year PILOT, Years 11 to 20

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Total Revenue	$15,884,131	$16,360,655	$16,851,475	$17,357,019	$17,877,730	$18,414,061	$18,966,483	$19,535,478	$20,121,542	$20,725,188
Less: Operating Expenses and Reserve	($9,867,803)	($10,163,837)	($10,468,752)	($10,782,815)	($11,106,300)	($11,439,489)	($11,782,673)	($12,136,153)	($12,500,238)	($12,875,245)
Pre-Tax Operating Income	**$6,016,328**	**$6,196,818**	**$6,382,722**	**$6,574,204**	**$6,771,430**	**$6,974,573**	**$7,183,810**	**$7,399,324**	**$7,621,304**	**$7,849,943**
Less: PILOT Payments	($801,875)	($894,030)	($989,550)	($1,088,534)	($1,191,081)	($1,297,294)	($1,407,279)	($1,521,145)	($1,639,003)	($1,760,967)
Net Operating Income after Taxes	**$5,214,453**	**$5,302,788**	**$5,393,172**	**$5,485,670**	**$5,580,349**	**$5,677,279**	**$5,776,531**	**$5,878,179**	**$5,982,301**	**$6,088,977**
Less: Debt Service	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)
Cash Flow after Financing and Reserve	**$903,400**	**$991,735**	**$1,082,119**	**$1,174,617**	**$1,269,297**	**$1,366,226**	**$1,465,478**	**$1,567,126**	**$1,671,248**	**$1,777,924**
Debt Service Coverage Ratio	1.21	1.23	1.25	1.27	1.29	1.32	1.34	1.36	1.39	1.41
Equity Dividend Rate	8.40%	9.23%	10.07%	10.93%	11.81%	12.71%	13.63%	14.58%	15.55%	16.54%

Source: Applicant pro forma with Camoin Associates illustrative 20-year PILOT schedule (Village and Town taxes abated)

Annual Cash Flows - No PILOT, Years 1 to 10

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total Revenue	$9,813,180	$11,503,148	$12,535,410	$12,946,754	$13,304,590	$13,704,787	$14,117,246	$14,575,410	$14,975,607	$15,423,738
Less: Operating Expenses and Reserve	($6,329,574)	($6,995,082)	($7,588,131)	($7,834,492)	($8,265,902)	($8,515,607)	($8,770,885)	($9,051,803)	($9,302,623)	($9,581,311)
Pre-Tax Operating Income	**$3,483,607**	**$4,508,066**	**$4,947,279**	**$5,112,262**	**$5,038,689**	**$5,189,180**	**$5,346,361**	**$5,523,607**	**$5,672,984**	**$5,842,426**
Less: Real Property Taxes	($1,270,000)	($1,295,400)	($1,321,308)	($1,347,734)	($1,374,689)	($1,402,183)	($1,430,226)	($1,458,831)	($1,488,007)	($1,517,768)
Net Operating Income after Taxes	**$2,213,607**	**$3,212,666**	**$3,625,971**	**$3,764,528**	**$3,664,000**	**$3,786,998**	**$3,916,134**	**$4,064,776**	**$4,184,976**	**$4,324,659**
Less: Debt Service	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)
Cash Flow after Financing and Reserve	**($2,097,446)**	**($1,098,387)**	**($685,082)**	**($546,525)**	**($647,053)**	**($524,055)**	**($394,919)**	**($246,277)**	**($126,077)**	**$13,606**
Debt Service Coverage Ratio	0.51	0.75	0.84	0.87	0.85	0.88	0.91	0.94	0.97	1.00
Equity Dividend Rate	-19.51%	-10.22%	-6.37%	-5.08%	-6.02%	-4.87%	-3.67%	-2.29%	-1.17%	0.13%

Annual Cash Flows - No PILOT, Years 11 to 20

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Total Revenue	$15,884,131	$16,360,655	$16,851,475	$17,357,019	$17,877,730	$18,414,061	$18,966,483	$19,535,478	$20,121,542	$20,725,188
Less: Operating Expenses and Reserve	($9,867,803)	($10,163,837)	($10,468,752)	($10,782,815)	($11,106,300)	($11,439,489)	($11,782,673)	($12,136,153)	($12,500,238)	($12,875,245)
Pre-Tax Operating Income	**$6,016,328**	**$6,196,818**	**$6,382,722**	**$6,574,204**	**$6,771,430**	**$6,974,573**	**$7,183,810**	**$7,399,324**	**$7,621,304**	**$7,849,943**
Less: Real Property Taxes	($1,548,123)	($1,579,085)	($1,610,667)	($1,642,880)	($1,675,738)	($1,709,253)	($1,743,438)	($1,778,307)	($1,813,873)	($1,850,150)
Net Operating Income after Taxes	**$4,468,205**	**$4,617,732**	**$4,772,055**	**$4,931,323**	**$5,095,692**	**$5,265,320**	**$5,440,372**	**$5,621,018**	**$5,807,431**	**$5,999,793**
Less: Debt Service	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)	($4,311,053)
Cash Flow after Financing and Reserve	**$157,152**	**$306,679**	**$461,002**	**$620,271**	**$784,639**	**$954,267**	**$1,129,319**	**$1,309,965**	**$1,496,378**	**$1,688,740**
Debt Service Coverage Ratio	1.04	1.07	1.11	1.14	1.18	1.22	1.26	1.30	1.35	1.39
Equity Dividend Rate	1.46%	2.85%	4.29%	5.77%	7.30%	8.88%	10.51%	12.19%	13.92%	15.71%

Source: Applicant pro forma, submitted September 23, 2026. Year 1 is tax year 2028/2029.

APPENDIX A: SCOPE OF SERVICES

To assist with its evaluation of 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 room rates, occupancy, and operating costs to benchmarks for similar hotels 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 July 7, 2026, and revised October 12, 2026.
- Project financing and annual cash flow workbook submitted by the Applicant on September 23, 2026.
- Applicant property tax estimates based on Village Assessor guidance.
- LW Hospitality Advisors (LWHA) hotel market study, June 18, 2026.
- CoStar and RealtyRates.com

CoStar™

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™

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)

Average Daily Rate (ADR): Rooms revenue divided by the number of rooms sold for the period.

Revenue per Available Room (RevPAR): Rooms revenue divided by the number of rooms available for the period. RevPAR combines occupancy and ADR into one measure.

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 46 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. To learn more about our experience and projects in all of our service lines, please visit our website at **www.camoinassociates.com**.