Town of Brookhaven

Industrial Development Agency

Meeting Agenda

<u>Wednesday, September 18, 2024 at 9:15 AM</u>

1. Roll Call

2. Minutes

    a. August 21, 2024

3. CFO'S Report

    a. Actual vs. Budget Report – August 31, 2024
       Timely Payments
    b. Budget

4. Resolutions

    a. Preserve at East Moriches, LLC
    b. Bactolac Pharmaceutical, Inc.

5. CEO's Report

    Housing
    Job Creation Numbers
    Ronk Hub Grand Opening
    Middle Country Meadows Ribbon Cutting
    R Squared / Greybarn Groundbreaking

6. Executive Session

The next IDA meeting is scheduled for Wednesday, October 16, 2024.

Town of Brookhaven

Industrial Development Agency

Meeting Minutes

August 21, 2024

Members Present: Frederick C. Braun, III
Martin Callahan
Felix J. Grucci, Jr. (via Zoom)
Mitchell H. Pally
John Rose
Ann-Marie Scheidt
Frank C. Trotta

Also Present: Lisa M. G. Mulligan, Chief Executive Officer
Lori LaPonte, Chief Financial Officer
Amy Illardo, Director of Marketing
Jocelyn Linse, Executive Assistant
Micah Avery, Intern
Annette Eaderesto, IDA Counsel
Barry Carrigan, Nixon Peabody, LLP
Howard Gross, Weinberg, Gross & Pergament (via Zoom)
Andrew Komoromi, Harris Beach, LLC

Chairman Braun opened the IDA meeting at 10:03 A.M. on Wednesday, August 21, 2024, in the Agency's Office on the Second Floor of Brookhaven Town Hall, One Independence Hill, Farmingville, New York. A quorum was present.

Meeting Minutes of July 17, 2024

The motion to approve these Minutes as presented was made by Ms. Scheidt and seconded by Mr. Callahan. All voted in favor.

CFO's Report

Ms. LaPonte presented the Operating vs. Budget Report for the period ending July 31, 2024. Revenue included fees for sales tax extensions, change of ownership and application fees. Expenses were under budget and investment earnings are ahead of budget. Hanover Bank will be decreasing interest rates to 4.95% from 5%. Insurance policies are up for renewal with increased costs of approximately 3% except for the cyber policy which has increased to $16,000 and the package policy which increased by 15% due to the purchasing of new equipment.

The 2025 budget process has begun, it will be presented at the September meeting and is due to be filed in PARIS by November 1st.

All payroll taxes and related withholdings have been paid timely in accordance with Federal and State guidelines. All regulatory reports have been filed in a timely fashion.

The motion to accept the CFO's Report was made by Mr. Rose, seconded by Ms. Scheidt and unanimously approved.

Port Jefferson Commons, LLC – Updated Application

This application will be deferred to a future meeting.

Hawkins Ave. Development RHP2 Subtenant – Lucharito's Station Yards, Inc. – Application & Resolution

Lucharito's Station Yards, Inc. has submitted an application to be a subtenant at Phase 2A of the Ronk Hub development. This restaurant will lease approximately 1,500 square feet of space and employ 22 full-time equivalent employees with salaries ranging from $55,000 to $140,000 per year and hourly employees at $20 per hour. This is a 12-year lease, and their other locations will remain open. Thirty full-time equivalent construction jobs are anticipated.

The motion to accept the application and approve the resolution was made by Mr. Pally and seconded by Mr. Trotta. All voted in favor.

Hawkins Ave. Development RHP2 Subtenant – Toast Coffee Seven, LLC – Application & Resolution

Toast Coffee Seven, LLC has submitted an application to be a subtenant at Phase 2A of the Ronk Hub development. This restaurant will lease approximately 5,000 square feet of space and employ 45 full-time equivalent employees with salaries ranging from $45,000 to $100,000 per year. This is a 15-year lease, and their other locations will remain open. Thirty full-time equivalent construction jobs are anticipated.

The motion to accept the application and approve the resolution was made by Ms. Scheidt, seconded by Mr. Callahan and unanimously approved.

Hawkins Ave. Development RHP2 Subtenant – Noble Experiment, LLC DBA Artemis – Application & Resolution

Noble Experiment, LLC DBA Artemis has submitted an application to be a subtenant at Phase 2A of the Ronk Hub development. This bar/speakeasy will lease approximately 2,000 square feet of space and employ 3 full-time equivalent employees with salaries ranging from $40,000 to $70,000 per year as well as 8 hourly employees. This is a 16-year lease. Ten full-time equivalent construction jobs are expected.

The motion to approve the application and resolution was made by Mr. Trotta and seconded by Ms. Scheidt. All voted in favor.

United Meat Products, Inc. – Resolution

This Asian food manufacturer and distributor closed with the Agency in 2019, and their 10-year PILOT began in 2019/2020. Seven full-time equivalent jobs were expected in their first year and sixteen full-time equivalent jobs in year two. There have been significant issues preventing United Meat Products from using the building. They have received 5 years of PILOT benefits without the expected job creation. The proposal is to grant the remaining 5 years of the PILOT in exchange for 5 full-time equivalent jobs this year, 7 full-time equivalent jobs next year and 16 full-time equivalent jobs in 2026 and beyond. The facility will be assessed at full value after the PILOT has ended but agreements will remain in effect. If the job creation expectation is not met, these benefits can be recaptured.

The motion to approve this resolution was made by Ms. Scheidt, seconded by Mr. Callahan and unanimously approved.

CEO's Report

D & F Alegria South

The application for this 100% affordable housing project was accepted last month. The current plan is to have a bank in the facility; they are now hoping to build a supermarket adjacent to the building. The Agency could support this if certain conditions are met. It was the consensus of the Board that this was something they would like to support. The application may be amended to include the construction of a supermarket.

Scalamander Cove

This rental housing project to be constructed in Middle Island has requested a six-month extension of their authorizing resolution.

The motion to approve this extension until February 27, 2025 was made by Mr. Trotta and seconded by Ms. Scheidt. All voted in favor.

Office Artwork/Rebranding

There have been discussions about purchasing some items for the office such as a map of Brookhaven with pins for all IDA projects in the conference room and pictures of projects to be hung around the office. Marketing companies will also be contacted for proposals and quotes for a potential rebranding of the Agency, including a new logo.

Mr. Pally made a motion to approve $30,000 for office artwork excluding anything that would include a new logo. The motion was seconded by Mr. Callahan and unanimously approved.

Breakfast Event

A breakfast event is being planned in partnership with Stony Brook University's Long Island Manufacturing Extension Partnership (LIMEP) to inform businesses of how the LIMEP can assist them with various issues. This event is planned for October 24, 2024, at 8:30 A.M. at the Home 2 Suites Hotel in Yaphank.

<u>Community Development Long Island (CDLI) Luncheon</u>

There is a sponsorship opportunity for the CDLI Annual Luncheon on October 10, 2024, at the Cresthollow Country Club.

Mr. Pally made a motion to sponsor this luncheon at a cost of $3,000. The motion was seconded by Mr. Rose and approved with Ms. Scheidt abstaining.

<u>PKF O'Connor Davies Request</u>

A request to sponsor PKF O'Connor Davies's annual survey in January was received. The Members chose not to sponsor this event.

The motion to close the IDA meeting at 10:54 A.M. was made by Mr. Pally and seconded by Ms. Scheidt. All voted in favor.

The next IDA meeting is scheduled for Wednesday, September 18, 2024.

PREPARED FOR:

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

Reasonableness Assessment for Financial Assistance

THE PRESERVE AT EAST MORICHES, LLC

AUGUST 2024

PREPARED BY:

camoin associates

CONTENTS

EXECUTIVE SUMMARY

Project Description

The Town of Brookhaven Industrial Development Agency (Agency) received an application from The Preserve at East Moriches, LLC (Applicant) for financial assistance for the construction of a planned senior housing community consisting of 13 buildings (Project). The project will feature 70 units, an improved 1,200 SF community building, and several outdoor recreational areas with horseshoe pits, picnic tables, and a walking path. Seven of the units will be set aside as affordable at 80% of area median income (AMI), and seven units will be set aside as workforce housing at 120% of AMI.

The Project represents a $24.9 million investment and is anticipated by the Applicant to generate 3 full-time permanent jobs within two years. To support this project, the Applicant requests financial assistance through a Payment In Lieu of Taxes (PILOT) agreement.

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 rent, vacancy, and expenses, within regional 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:

- ***Certain assumptions are within norms, such as rent and vacancy rate. However, operating expenses are lower than market benchmarks, and loan to total project cost is much higher than benchmarks.***
- ***Without a PILOT, the project does not achieve positive cash flow, with a PILOT investment is recouped in year 13.***
- ***The average equity dividend rate requires a PILOT to meet market benchmarks.***

1. OPERATING ASSUMPTIONS

The Applicant's operating assumptions are compared to CoStar estimates for rent in 2024 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.

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 2BR	56	$3,200	$38,400	$128,000	n/a	n/a	Rent is 1.21 times higher than average rent for Suffolk County (5)
Workforce 2BR	7	$3,200	$38,400	$128,000	120%	$143,806	Household income required is below the max household income limits for 120% of Nassau-Suffolk AMI of $119,838
Affordable 2BR	7	$2,165	$25,980	$86,600	80%	$91,800	Household income required is below the max household income limits for low income 3-person households in Nassau-Suffolk, NY HUD Metro (4)

(1) Source: Applicant

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

(3) Source: Applicant - 7 units will be reserved for affordable housing, whose incomes are 80% or less of AMI, 7 units will be reserved for workforce housing, whose incomes are 120% or less of AMI

(4) 2023 Adjusted Home Income Limits, U.S. Department of HUD

(5) Average monthly rent for 2024 in Suffolk County, NY is estimated at $2,640; Source: CoStar

2. PILOT ANALYSIS

Camoin Associates created a PILOT schedule in alignment with the Agency's Uniform Tax Exemption Policy (UTEP) and detailed in the Applicant's Form Application for Financial Assistance:

PILOT Schedule - Provided 13 Year

		Plus: Improvements				
Year	Property Without Project (1)	Projected Improvement Tax (1)	Proposed Exemption (1)	Total PILOT (1)	Estimated PILOT Savings (1)	Project w/out PILOT (1)
Construction Year 1	$34,478		100.00%	$ 34,478	$0	$34,478
PILOT/Tax Year 2	$35,168	$401,980	93.75%	$ 60,291	$341,689	$437,148
PILOT/Tax Year 3	$35,871	$410,020	87.50%	$ 87,123	$322,896	$445,891
PILOT/Tax Year 4	$36,588	$418,220	81.25%	$ 115,005	$303,215	$454,808
PILOT/Tax Year 5	$37,320	$426,584	75.00%	$ 143,966	$282,618	$463,904
PILOT/Tax Year 6	$38,066	$435,116	68.75%	$ 174,040	$261,076	$473,183
PILOT/Tax Year 7	$38,828	$443,818	62.50%	$ 205,260	$238,559	$482,646
PILOT/Tax Year 8	$39,604	$452,695	56.25%	$ 237,658	$215,036	$492,299
PILOT/Tax Year 9	$40,396	$461,749	50.00%	$ 271,271	$190,478	$502,145
PILOT/Tax Year 10	$41,204	$470,984	43.75%	$ 306,133	$164,851	$512,188
PILOT/Tax Year 11	$42,028	$480,403	37.50%	$ 342,281	$138,123	$522,432
PILOT/Tax Year 12	$42,869	$490,011	31.25%	$ 379,752	$110,259	$532,880
PILOT/Tax Year 13	$43,726	$499,812	25.00%	$ 418,585	$81,226	$543,538
Total	**$506,148**				**$2,650,027**	**$5,897,540**

(1) Source: Town of Brookhaven

The PILOT agreement will abate 55.1% of the Applicant's taxes, resulting in $3,121,697 in foregone tax revenue (benefit to the project) to the municipality over the next 13 years. This amount is higher than the $2,269,694 estimated new tax revenue (benefit to the municipality) the municipality stands to gain from the PILOT project.

Real Property Tax Comparison

13 Year PILOT	
Comparison of Taxes on Full Value of Project and with PILOT	
Taxes without PILOT	$ 5,897,540
Less: PILOT/Tax Payments	$ (2,775,843)
Foregone Revenue (Benefits to Project)	$ 3,121,697
Abatement Percent	52.9%
Net New Taxes Compared with No Project	
PILOT	$ 2,775,843
Less: Estimated Taxes without Project	$ (506,148)
Estimated New Tax Revenue (Benefits to Municipalities)	$ 2,269,694

This table shows the PILOT timeline and the Project's tax payments. It calculates the benefits to the municipalities and the benefits (or savings) to the Project.

Proposed PILOT and Tax Comparison (13 year PILOT)

	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	$ 34,478	$34,478	$0	$ 34,478	$ 34,478	$0	100.00%
2	$ 60,291	$35,168	$25,124	$ 437,148	$ 60,291	$376,856	13.79%
3	$ 87,123	$35,871	$51,252	$ 445,891	$ 87,123	$358,767	19.54%
4	$ 115,005	$36,588	$78,416	$ 454,808	$ 115,005	$339,804	25.29%
5	$ 143,966	$37,320	$106,646	$ 463,904	$ 143,966	$319,938	31.03%
6	$ 174,040	$38,066	$135,974	$ 473,183	$ 174,040	$299,142	36.78%
7	$ 205,260	$38,828	$166,432	$ 482,646	$ 205,260	$277,387	42.53%
8	$ 237,658	$39,604	$198,054	$ 492,299	$ 237,658	$254,641	48.28%
9	$ 271,271	$40,396	$230,874	$ 502,145	$ 271,271	$230,874	54.02%
10	$ 306,133	$41,204	$264,928	$ 512,188	$ 306,133	$206,055	59.77%
11	$ 342,281	$42,028	$300,252	$ 522,432	$ 342,281	$180,151	65.52%
12	$ 379,752	$42,869	$336,883	$ 532,880	$ 379,752	$153,129	71.26%
13	$ 418,585	$43,726	$374,859	$ 543,538	$ 418,585	$124,953	77.01%
Totals	**$ 2,775,843**	**$506,148**	**$2,269,694**	**$5,897,540**	**$ 2,775,843**	**$3,121,697**	**47.1%**

(1) Assumes tax rate for Fiscal Year 2023/2024 of 395.163 and a current assessed value of $8,725.

(2) Assumes a 2% annual increase in tax rate and a taxable value of $115,000 upon project completion; Source: Town of Brookhaven, Applicant

3. OPERATING PERFORMANCE

The project's operating performance is measured using Year 6 of the Applicant's Pro Forma. The Applicant assumes that gross revenue and expenses will escalate at 2% per year and that there will be a 6% vacancy rate once stabilized, within the range for Suffolk County, NY. Operating expenses are lower than the benchmarks. With the PILOT, real property taxes absorb 6% of project income while debt service absorbs 66% of income, resulting in a positive cash flow of $32,500.

Operations Snapshot, Year 6

	13 Year PILOT			
	Project Performance (1)	Share of Gross Operating Income	Benchmark Performance (2)	Evaluation
Calculation of Net Operating Income Residential				
Gross Operating Income	$ 2,927,516	100%	n/a	n/a
Vacancy Rate and Concessions (4)	6.0%	n/a	5.8%	Within range
Effective Gross Income (EGI), All Uses (3)	$ 2,751,865	94%	96%	Within range
Less: Operating Expenses and Reserve	($606,649)	21%	51%	More efficient
Less: Real Property Taxes (with PILOT)	$ (174,040)	6%	n/a	n/a
Net Operating Income	$ 1,971,175	67%	48%	More efficient
Less: Debt Service	($1,938,675)	66%	n/a	n/a
Cashflow after Operating Costs, Taxes, Debt	$ 32,500	1%	n/a	n/a

(1) Source: Applicant

(2) Source: RealtyRates Q2 2024 for Northeast Region

(3) Net of vacancy and concessions

(4) Average vacancy rate for 2024 in Suffolk County, NY is 5.8%; Source: CoStar

4. FINANCING PLAN

- The Sources and Uses of Funds show the total project costs and debt and equity capital structure.
- The Senior (Long Term) Debt Terms are mixed. Loan to Total Project Costs is 96% above industry benchmarks of 70-80%. The annual interest rate for long-term debt is within range, and the maturity term is within acceptable limits.

Sources and Uses of Funds

Sources of Funds	Amount (1)	Share
Bank Financing	$24,000,000	96%
Equity and Working Capital	$1,015,000	4%
Total Sources	$25,015,000	100%
Uses of Funds		
Acquisition and Transaction Costs	$2,600,000	10%
Construction Costs	$22,415,000	90%
Total Uses	$25,015,000	100%

(1) Source: Applicant

Terms of the Senior (Long Term) Debt

	Terms (1)	Benchmark (2)	Evaluation
Amount Borrowed	$24,000,000	n/a	n/a
Loan to Total Project Cost	96%	70% to 80%	Above Range
Annual Interest Rate	6.00%	4.81% to 9.11%	Within Range
Maturity in Years	30	15 to 40	Within Range

(1) Source: Applicant

(2) Source: RealtyRates Q2 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 cash flow 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 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 $1,015,000. **The average equity dividend rate for the 13-year provided PILOT meets this criterion, whereas the No Pilot Scenario does not.**
- **Cash Flow** shows net cash flow to the Applicant over time. There are currently no cash flow benchmarks available. **Cumulative Cash Flow is negative for the no-PILOT scenario but positive for the 13-year PILOT scenario, indicating that a PILOT is necessary for this development to be profitable within a 13-year timeframe.**

  Debt Service Coverage estimates how well the Project's net income, after taxes, supports debt repayment. Debt Service Coverage exceeds the benchmark by year 5 with a PILOT and year 11 without.

  Note: Debt service payments were not provided for the full 15-year term, so Camoin Associates adjusted missing years based on assumptions provided by the applicant.

Comparison of Return on Investment

	No PILOT	13 Year Provided PILOT	Benchmarks (1)
Equity Dividend Rates			
Average	-13.9%	7.82%	7.33% to 16.79%
Minimum	-46.29%	-9.16%	
Maximum	15.38%	31.52%	
Year Benchmarks Met	12	8	
Cash Flow			
Average	($162,437)	$91,611	n/a
Minimum	($469,826)	($92,970)	
Maximum	$156,132	$319,918	
Cumulative	($2,111,683)	$1,190,941	
Year Investment Recouped	n/a	13	
Debt Service Coverage			
Average	0.91	1.05	1.00 to 1.86
Minimum	0.76	0.95	
Maximum	1.08	1.17	
Years Benchmarks Met	11	5	

(1) Source: RealtyRates for Q2 2024

ATTACHMENT 1: PRO FORMAS

Project Name The Preserve at East Moriches **Date** 9/5/2024

Annual Cashflows (Pro Forma) - 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													
Residential Income													
Gross Operating Income	$0	$2,601,060	$2,679,092	$2,759,465	$2,842,248	$2,927,516	$3,015,341	$3,105,802	$3,198,976	$3,294,945	$3,393,793	$3,495,607	$3,600,475
Less: Vacancy Allowance (enter as a negative number)	$0	-$156,064	-$160,746	-$165,568	-$170,535	-$175,651	-$180,920	-$186,348	-$191,939	-$197,697	-$203,628	-$209,736	-$216,029
Net Rental Income, Residential	$0	$2,444,996	$2,518,346	$2,593,897	$2,671,714	$2,751,865	$2,834,421	$2,919,454	$3,007,037	$3,097,248	$3,190,166	$3,285,871	$3,384,447
Commercial/Industrial Income													
Gross Operating Income													
Less: Vacancy Allowance (enter as a negative number)													
Net Rental Income, Commercial/Industrial	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other Income													
Parking Income													
Other Income													
Other Income													
Net Income, Other	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Effective Gross Income (EGI)	**$0**	**$2,444,996**	**$2,518,346**	**$2,593,897**	**$2,671,714**	**$2,751,865**	**$2,834,421**	**$2,919,454**	**$3,007,037**	**$3,097,248**	**$3,190,166**	**$3,285,871**	**$3,384,447**
Operating Expenses (enter positive numbers)													
Salaries and Wages		$ 105,000	$ 108,150	$ 111,395	$ 114,736	$ 118,178	$ 121,724	$ 125,375	$ 129,137	$ 133,011	$ 137,001	$ 141,111	$ 145,345
Maintenance		$ 21,000	$ 21,630	$ 22,279	$ 22,947	$ 23,636	$ 24,345	$ 25,075	$ 25,827	$ 26,602	$ 27,400	$ 28,222	$ 29,069
Deposit to replacement reserve		$ 35,000	$ 36,050	$ 37,132	$ 38,245	$ 39,393	$ 40,575	$ 41,792	$ 43,046	$ 44,337	$ 45,667	$ 47,037	$ 48,448
Insurance		$ 90,000	$ 92,700	$ 95,481	$ 98,345	$ 101,296	$ 104,335	$ 107,465	$ 110,689	$ 114,009	$ 117,430	$ 120,952	$ 124,581
Other		$ 288,000	$ 296,640	$ 305,539	$ 314,705	$ 324,147	$ 333,871	$ 343,887	$ 354,204	$ 364,830	$ 375,775	$ 387,048	$ 398,659
Operating Expenses	**$ -**	**$ 539,000**	**$ 555,170**	**$ 571,825**	**$ 588,980**	**$ 606,649**	**$ 624,849**	**$ 643,594**	**$ 662,902**	**$ 682,789**	**$ 703,273**	**$ 724,371**	**$ 746,102**
Pre-Tax Operating Income (Revenue less Operating Expenses)	**$ -**	**$ 1,905,996**	**$ 1,963,176**	**$ 2,022,072**	**$ 2,082,734**	**$ 2,145,216**	**$ 2,209,572**	**$ 2,275,859**	**$ 2,344,135**	**$ 2,414,459**	**$ 2,486,893**	**$ 2,561,500**	**$ 2,638,345**
Real Property Taxes (assuming no PILOT)	$ 34,478	$ 437,148	$ 445,891	$ 454,808	$ 463,904	$ 473,183	$ 482,646	$ 492,299	$ 502,145	$ 512,188	$ 522,432	$ 532,880	$ 543,538
Net Operating Income (NOI) after Taxes	**$ (34,478)**	**$ 1,468,849**	**$ 1,517,286**	**$ 1,567,263**	**$ 1,618,829**	**$ 1,672,033**	**$ 1,726,926**	**$ 1,783,560**	**$ 1,841,990**	**$ 1,902,271**	**$ 1,964,461**	**$ 2,028,619**	**$ 2,094,807**
Loan or Mortgage (Debt Service)		$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675
Interest Payment													
Principal Payment													
Debt Service		$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675
Cash Flow After Financing and Reserve	**$ (34,478)**	**$ (469,826)**	**$ (421,389)**	**$ (371,412)**	**$ (319,846)**	**$ (266,642)**	**$ (211,749)**	**$ (155,115)**	**$ (96,685)**	**$ (36,404)**	**$ 25,786**	**$ 89,944**	**$ 156,132**
Debt Service Coverage Ratio (DSCR)		0.76	0.78	0.81	0.84	0.86	0.89	0.92	0.95	0.98	1.01	1.05	1.08
Equity Dividend Rate	-3.40%	-46.29%	-41.52%	-36.59%	-31.51%	-26.27%	-20.86%	-15.28%	-9.53%	-3.59%	2.54%	8.86%	15.38%

*Proforma adjusted to from Year 10 to Year 13 based on assumptions provided by the applicant

Project Name The Preserve at East Moriches **Date** 9/5/2024

Annual Cashflows (Pro Forma) - 15 Year PILOT Provided

	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													
Residential Income													
Gross Operating Income	$0	$2,601,060	$2,679,092	$2,759,465	$2,842,248	$2,927,516	$3,015,341	$3,105,802	$3,198,976	$3,294,945	$3,393,793	$3,495,607	$3,600,475
Less: Vacancy Allowance (enter as a negative number)	$0	-$156,064	-$160,746	-$165,568	-$170,535	-$175,651	-$180,920	-$186,348	-$191,939	-$197,697	-$203,628	-$209,736	-$216,029
Net Rental Income, Residential	$0	$2,444,996	$2,518,346	$2,593,897	$2,671,714	$2,751,865	$2,834,421	$2,919,454	$3,007,037	$3,097,248	$3,190,166	$3,285,871	$3,384,447
Commercial/Industrial Income													
Gross Operating Income													
Less: Vacancy Allowance (enter as a negative number)													
Net Rental Income, Commercial/Industrial	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other Income													
Parking Income													
Other Income													
Other Income													
Net Income, Other	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Effective Gross Income (EGI)	**$0**	**$2,444,996**	**$2,518,346**	**$2,593,897**	**$2,671,714**	**$2,751,865**	**$2,834,421**	**$2,919,454**	**$3,007,037**	**$3,097,248**	**$3,190,166**	**$3,285,871**	**$3,384,447**
Operating Expenses (enter positive numbers)													
Salaries and Wages		$ 105,000	$ 108,150	$ 111,395	$ 114,736	$ 118,178	$ 121,724	$ 125,375	$ 129,137	$ 133,011	$ 137,001	$ 141,111	$ 145,345
Maintenance		$ 21,000	$ 21,630	$ 22,279	$ 22,947	$ 23,636	$ 24,345	$ 25,075	$ 25,827	$ 26,602	$ 27,400	$ 28,222	$ 29,069
Deposit to replacement reserve		$ 35,000	$ 36,050	$ 37,132	$ 38,245	$ 39,393	$ 40,575	$ 41,792	$ 43,046	$ 44,337	$ 45,667	$ 47,037	$ 48,448
Insurance		$ 90,000	$ 92,700	$ 95,481	$ 98,345	$ 101,296	$ 104,335	$ 107,465	$ 110,689	$ 114,009	$ 117,430	$ 120,952	$ 124,581
Other		$ 288,000	$ 296,640	$ 305,539	$ 314,705	$ 324,147	$ 333,871	$ 343,887	$ 354,204	$ 364,830	$ 375,775	$ 387,048	$ 398,659
Operating Expenses	**$ -**	**$ 539,000**	**$ 555,170**	**$ 571,825**	**$ 588,980**	**$ 606,649**	**$ 624,849**	**$ 643,594**	**$ 662,902**	**$ 682,789**	**$ 703,273**	**$ 724,371**	**$ 746,102**
Pre-Tax Operating Income (Revenue less Operating Expenses)	**$ -**	**$1,905,996**	**$1,963,176**	**$ 2,022,072**	**$2,082,734**	**$2,145,216**	**$2,209,572**	**$2,275,859**	**$2,344,135**	**$2,414,459**	**$2,486,893**	**$2,561,500**	**$2,638,345**
Real Property Taxes (assuming PILOT)	$ 34,478	$ 60,291	$ 87,123	$ 115,005	$ 143,966	$ 174,040	$ 205,260	$ 237,658	$ 237,658	$ 271,271	$ 306,133	$ 342,281	$ 379,752
Net Operating Income (NOI) after Taxes	**$ (34,478)**	**$1,845,705**	**$1,876,053**	**$ 1,907,067**	**$1,938,768**	**$1,971,175**	**$2,004,312**	**$2,038,201**	**$2,106,477**	**$2,143,188**	**$2,180,760**	**$2,219,219**	**$2,258,593**
Loan or Mortgage (Debt Service)		$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675
Interest Payment											$ -	$ -	$ -
Principal Payment											$ -	$ -	$ -
Debt Service		$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675	$ 1,938,675
Cash Flow After Financing and Reserve	**$ (34,478)**	**$ (92,970)**	**$ (62,622)**	**$ (31,608)**	**$ 93**	**$ 32,500**	**$ 65,637**	**$ 99,526**	**$ 167,802**	**$ 204,513**	**$ 242,085**	**$ 280,544**	**$ 319,918**
Debt Service Coverage Ratio (DSCR)		0.95	0.97	0.98	1.00	1.02	1.03	1.05	1.09	1.11	1.12	1.14	1.17
Equity Dividend Rate	-3.40%	-9.16%	-6.17%	-3.11%	0.01%	3.20%	6.47%	9.81%	16.53%	20.15%	23.85%	27.64%	31.52%

*Proforma adjusted to from Year 10 to Year 13 based on assumptions provided by the applicant

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 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 December 19, 2023.
- Project financing and annual cashflow workbook submitted by the Applicant in July 2024, with submitted revisions.
- Updated assessed value provided on July 9, 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. 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** and on **Facebook** and **LinkedIn**.

THE PROJECT TEAM

Rachel Selsky
Vice President, Project Principal

Thomas Galvin
Senior Real Estate Specialist, Project Analyst

Town of Brookhaven Industrial Development Agency
MRB Cost Benefit Calculator

Date	9.8.24
Project Title	The Preserve at East Moriches, LLC
Project Location	91 Montauk Highway, East Moriches

MRB group
Cost-Benefit Analysis Tool powered by MRB Group

Economic Impacts

Summary of Economic Impacts over the Life of the PILOT

Project Total Investment
$24,900,000

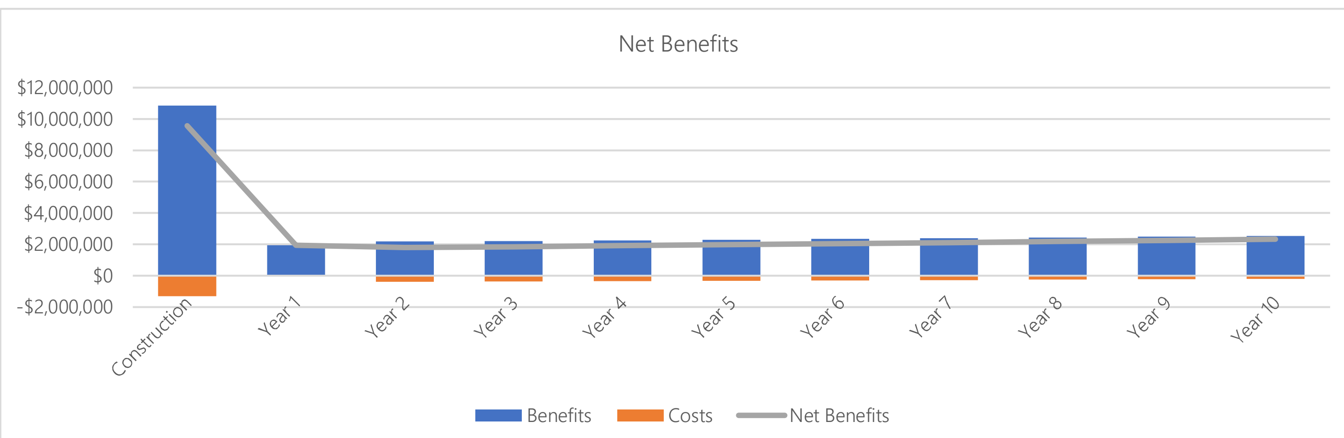
Temporary (Construction)

	Direct	Indirect	Total
Jobs	139	30	169
Earnings	$8,154,911	$2,098,439	$10,253,351
Local Spend	$21,165,000	$7,283,586	$28,448,586

Ongoing (Operations)
Aggregate over life of the PILOT

	Direct	Indirect	Total
Jobs	25	8	34
Earnings	$20,633,393	$8,332,311	$28,965,704

Figure 1



Net Benefits chart will always display construction through year 10, irrespective of the length of the PILOT.

Figure 2

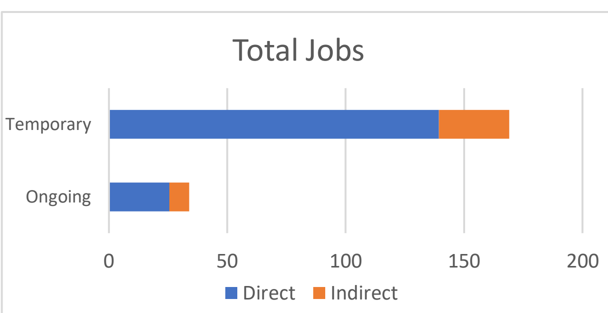
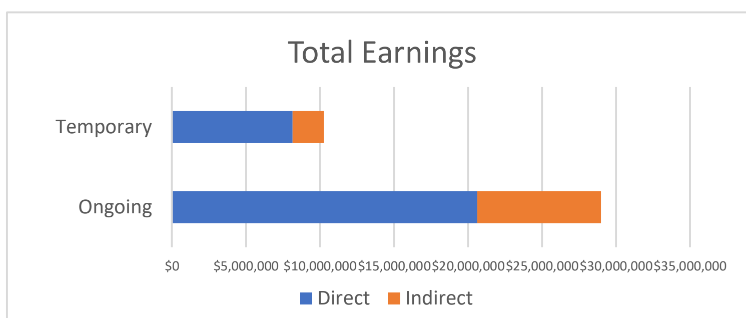


Figure 3



Ongoing earnings are all earnings over the life of the PILOT.

Fiscal Impacts

MRB group

Cost-Benefit Analysis Tool powered by MRB Group

Estimated Costs of Exemptions

	Nominal Value	Discounted Value*
Property Tax Exemption	$3,121,697	$2,752,891
Sales Tax Exemption	$1,138,500	$1,138,500
Local Sales Tax Exemption	*$610,500*	*$610,500*
State Sales Tax Exemption	*$528,000*	*$528,000*
Mortgage Recording Tax Exemption	$168,075	$168,075
Local Mortgage Recording Tax Exemption	*$56,025*	*$56,025*
State Mortgage Recording Tax Exemption	*$112,050*	*$112,050*
Total Costs	**$4,428,272**	**$4,059,466**

State and Local Benefits

	Nominal Value	Discounted Value*
Local Benefits	$41,957,046	$37,681,782
To Private Individuals	$39,219,054	$35,380,882
Temporary Payroll	*$10,253,351*	*$10,253,351*
Ongoing Payroll	*$28,965,704*	*$25,127,532*
Other Payments to Private Individuals	*$0*	*$0*
To the Public	$2,737,992	$2,300,900
Increase in Property Tax Revenue	*$2,269,695*	*$1,883,557*
Temporary Jobs - Sales Tax Revenue	*$82,988*	*$82,988*
Ongoing Jobs - Sales Tax Revenue	*$385,310*	*$334,355*
Other Local Municipal Revenue	*$0*	*$0*
State Benefits	$2,169,872	$1,953,085
To the Public	$2,169,872	$1,953,085
Temporary Income Tax Revenue	*$461,401*	*$461,401*
Ongoing Income Tax Revenue	*$1,303,457*	*$1,130,739*
Temporary Jobs - Sales Tax Revenue	*$71,773*	*$71,773*
Ongoing Jobs - Sales Tax Revenue	*$333,241*	*$289,172*
Total Benefits to State & Region	$44,126,918	$39,634,867

Benefit to Cost Ratio

	Benefit*	Cost*	Ratio
Local	$37,681,782	$3,419,416	11:1
State	$1,953,085	$640,050	3:1
Grand Total	$39,634,867	$4,059,466	10:1

*Discounted at 2%

Additional Comments from IDA

The applicant's proposed project includes 70 two-bedroom, senior, residential apartments with 10% at the affordable rate and 10% at the workforce rate. The facility will include a 1,200 sf community building, horseshoe pits, picnic tables and a walking path. As per the Brookhaven IDA Uniform Project Evalution Criteria Policy, the criteria met for this project include, but are not limited to, capital investment by the applicant and an increase in the number of affordable, senior housing units. PLEASE NOTE: The project applicant will create 3 full time exquivalent (FTE) positions. The additional 34 jobs created are the result of household spending.

Does the IDA believe that the project can be accomplished in a timely fashion? Yes

Preserve at East Moriches, LLC DRAFT PILOT

Year	PILOT
1	$34,478
2	$60,291
3	$87,123
4	$115,005
5	$143,966
6	$174,040
7	$205,260
8	$237,658
9	$271,271
10	$306,133
11	$342,281
12	$379,752
13	$418,585

PROPOSED PILOT BENEFITS ARE FOR DISCUSSION PURPOSES ONLY AND HAVE NOT BEEN APPROVED BY THE AGENCY.

The Preserve at East Moriches, LLC

Economic and Fiscal Impact Analysis

Prepared by:

MRB group

Prepared for:
Town of Brookhaven IDA
The Preserve at East Moriches, LLC

Date:
January 24th, 2024

Executive Summary

The Preserve at East Moriches, LLC (the "Developer") is proposing a real estate development project consisting of a 70-unit independent senior living rental apartment complex (the "Project") in the Town of Brookhaven (the "Town") on approximately 22 acres of land at 91 Montauk Highway, East Moriches, NY (the "Site"). The Project includes a total of 70 units, with 7 units reserved for households earning up to 120% of the area median income (AMI), 7 units reserved for households earning up to 80% of AMI, and 56 market-rate units. The Project will also include the construction of an on-site community building, several outdoor recreation areas, and a walking path.

The following analysis included an examination of the local market's ability to support the Project and the expected economic and fiscal impacts associated with the Project on Suffolk County (the "County") and the Town. MRB Group modeled the economic impacts of the construction of the Project in terms of direct and indirect jobs and earnings in the region. We also modeled the annual economic impacts post-construction based on our estimates of "net new" household spending from future occupants of the Site. In terms of fiscal impacts, we modeled the fiscal benefit of the increase in tax revenue generated by the Project and the fiscal costs associated with the Developer's requested tax abatement.

Market Review Conclusions

Demographic trends in the Town of Brookhaven suggest a growing need for independent senior housing options that will allow residents to downsize and age in place. From a real estate market point of view, the Project appears to be well-positioned in a market characterized by strong demand fundamentals. Over the last ten years, vacancy rates have remained below 5% in the multifamily rental market, despite several new deliveries.

Impact on School Enrollment

The Project is an age-restricted 55+ apartment community targeted at seniors wanting to age in place. Therefore, we assume the project will have no impact on school enrollment for the local school district.

Economic Impacts

During the Project's construction phase, we estimate 106 direct jobs earning $6.7 million in wages. When coupled with the indirect impacts, we estimate the total impact of the Project will be 158 jobs earning $10.5 million in wages over the construction period.

Upon completion of the Project, we estimate a total of 28 ongoing (permanent) jobs will be created in the Town due to the spending of the new households and the operations of the Project, with total annual earnings of $1.5 million (figures may not sum due to rounding).[1]

Summary of Economic Impacts

	Direct	Indirect	Total
Construction Jobs	106	52	158
Construction Wages	$6,713,883	$3,801,379	$10,515,262
Ongoing Jobs	20	8	28
Ongoing Wages	$1,086,926	$423,270	$1,510,196

Fiscal Impacts

In terms of fiscal benefits, the Project will increase tax revenues for the County, Town, and School District. We estimate that the County will earn sales tax revenue of approximately $85,108 during the construction period, resulting from a portion of the construction phase earnings being spent locally. The Developer has proposed a PILOT abatement schedule for the Agency's consideration with a 15-year term. Over the life of the PILOT, we estimate the County will receive $30,545 in sales tax from the operation phase earnings being spent locally and $517,174 in sales tax from new household spending. Over that same time, the Project will generate $3.6 million more revenue than property taxes without the Project. This additional revenue will be allocated proportionally to the applicable taxing jurisdictions. Therefore, we estimate that the fiscal benefits of the Project over the 15-year PILOT, including construction and operation phases, would be approximately $4.2 million.

Summary of Fiscal Benefits, Local Government

Source	Total
Sales Tax, Construction, One-time	$85,108
Sales Tax, Operations, 15 Years	$30,545
Sales Tax, Households, 15 Years	$517,174
Increase in Property Tax Revenue, 15 Years	$3,575,556
Total Fiscal Benefits Over 15 Years	**$4,208,383**

[1] Note that the direct and indirect "Construction Jobs" and "Construction Wages" shown are with respect to the County, as such jobs tend to be pulled from a larger labor shed. The direct and indirect "Ongoing Jobs" and "Ongoing Wages" shown are with respect to the Town of Brookhaven.

Regarding the fiscal costs, the Developer has requested a sales tax exemption and a mortgage recording tax exemption of $561,000 and $112,050, respectively (County portion only). We estimate the cost of the PILOT exemption to be $3.3 million over 15 years. The "cost" of the PILOT exemption is the difference between the anticipated PILOT payments and the estimated taxes on the full assessment. This cost is necessarily theoretical, as the Developer has stated that the Project cannot move forward without a PILOT inducement.

Summary of Exemptions

	Total
Cost of Sales Tax Exemption, One-Time, Local	$561,000
Mortgage Recording Tax Exemption, Local	$112,050
PILOT Exemption, 15 Years	($3,260,169)

Contents

Introduction

The Preserve at East Moriches, LLC is proposing a real estate development project consisting of a 70-unit independent senior living rental apartment complex in the Town of Brookhaven on approximately 22 acres of land at 91 Montauk Highway, East Moriches, NY. The Project includes a total of 70 units, with 7 units reserved for households earning up to 120% of the area median income (AMI), 7 units reserved for households earning up to 80% of AMI, and 56 market-rate units. The Project will also include the construction of an on-site community building, several outdoor recreation areas, and a walking path.

The following analysis included an examination of the local market's ability to support the Project and the expected economic and fiscal impacts associated with the Project on Suffolk County (the "County") and the Town. MRB Group modeled the economic impacts of the construction of the Project in terms of direct and indirect jobs and earnings in the region. We also modeled the annual economic impacts post-construction based on our estimates of "net new" household spending from future occupants of the Site. In terms of fiscal impacts, we modeled the fiscal benefit of the increase in tax revenue generated by the Project and the fiscal costs associated with the Developer's requested tax abatement.

Multifamily Real Estate Market Review

Demographics

There are nearly half a million residents in the Town of Brookhaven. More than one in every three residents in the Town of Brookhaven (38%) is over the age of 50. In terms of householders, over half of the householders (51%) in the Town are over the age of 55.

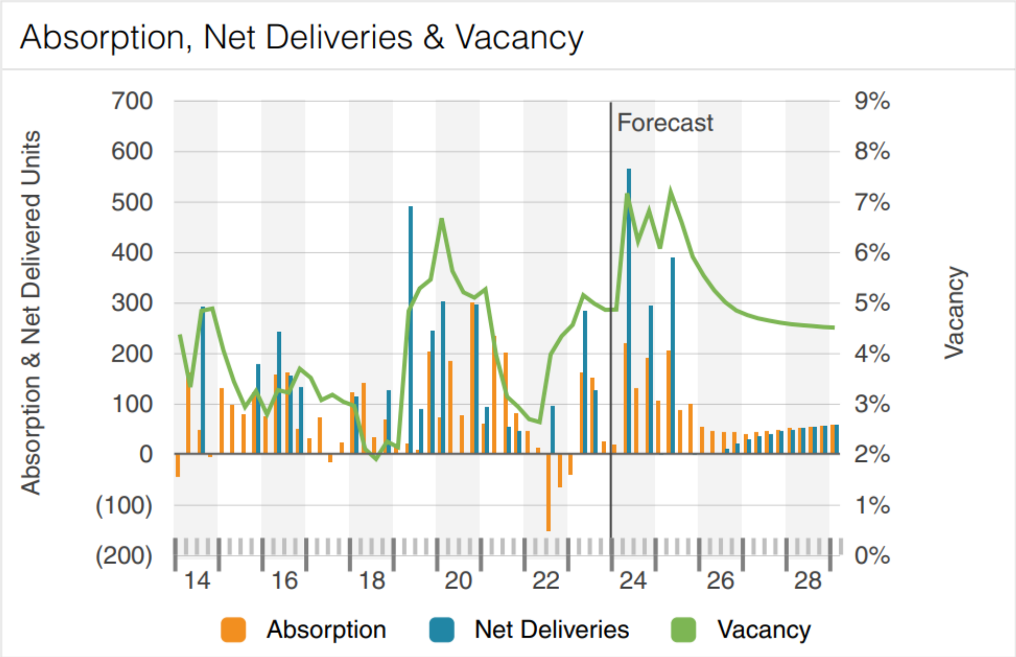
Brookhaven Profile

	2023
Total Population	485,642
Population 50+	185,024
% of Householders 55+	51%

Source: ESRI

Local Real Estate Market

The Town of Brookhaven's multifamily real estate market is characterized by strong fundamentals of high demand and low vacancy. In general, over the last ten years, multifamily (for-rent and for-sale) vacancy rates have largely remained below 5%. (An unusually high number of new deliveries contributed to a notable but temporary spike in the vacancy rate beginning in 2018.) Historical data from 2014 shows that newly delivered units are quickly absorbed in the area's tight housing market.



Source: CoStar

As of Q1 2024, an estimated 168,990 housing units were occupied in the Town of Brookhaven. These housing units are primarily owner-occupied, with only 19%, or 32,108, of Brookhaven's housing units estimated to be renter-occupied. In both the Town and County, there is a heavy reliance on owner-occupied housing, with limited renter options.

Rental Units

	Total Occupied Housing Units	% of all Occupied Units	Renter-Occupied Units
Brookhaven	168,990	19.0%	32,108
Suffolk County	523,154	17.0%	88,936

Source: ESRI

Affordability

Housing affordability in the Town of Brookhaven also indicates demand for additional multi-family residential units. "Brookhaven House and Home Expenditures," shown in the table, encompasses the average annual spending of households on mortgage payments (or rent), insurance, tax, and property maintenance for owned dwellings. The Spending Potential Index (SPI) is a composite measure of household expenditures for the specified region compared to national averages. A high SPI means expenditures are relatively high compared to national averages, and an SPI of 100 means expenditures are the same as the national average. With a median home value of $371,600, Owned Dwellings in the Town have significantly higher home expenditures than the national average. The Town's SPI of 149 indicates owner-occupied housing may be in short supply/high demand. In this case, the tight housing market drives up the price of owner-occupied housing, indicating that new market-rate rental units would attract "net new" households to the area that would otherwise be priced out of the market. Median housing costs of $1,775 per month for Rented Dwelling properties are also higher than the national average, with an SPI of 108.

Brookhaven House and Home Expenditures

	Median Home Value / Contract Rent	SPI
Owned Dwelling	$371,600	149
Rented Dwelling	$1,775	108

Source: Consumer Spending data are derived from the 2021 and 2022 Consumer Expenditure Surveys, Bureau of Labor Statistics.

Determination of Market Support

We used market statistics to make conclusions regarding a.) the level of support in the market for the Project and b.) the extent to which any of the units of the Project can be considered "net new" to the Town of Brookhaven. The consideration of "net new" units is a factor in the following economic impact analysis.

The Town's shifting demographics suggest an aging population, with over half of householders over 55. The Town's real estate market is characterized by strong fundamentals, as discussed previously. These trends and factors support the conclusion that the Project is well-positioned to be supported by the market.

Determination of "Net New"

Before calculating the Project's economic impacts, we must determine how many of the future households of the Project can be considered "net new" to the Town. There are several circumstances under which households would be regarded as "net new":

- Out-of-area residents choosing to relocate to the Town because of the Project
- Current Town residents that would otherwise relocate outside of the Town if the option to live in the Project were unavailable
- Current Town residents that will move into the Project, freeing up their current Brookhaven residential space that will then be occupied by households relocating to the Town

Based on the project characteristics and market analysis, we consider all units of the Project as "net new" households for the Town.

Economic Impact Analysis

The Project would have several economic impacts on the County and Town. These impacts include one-time impacts on jobs, earnings, and sales during the construction phase of the Project, which we estimate for the entire County. It also includes ongoing impacts related to household spending and the operations of the Project, which we estimate for the Town.[2]

Methodology

Both one-time, construction-phase impacts and ongoing, operation-phase impacts have "Direct" and "Indirect" components. For the construction phase:

- Direct jobs, wages, and sales are those that occur on-site related to labor and materials used in the construction of the Project.
- Indirect jobs, wages, and sales are those caused by the Direct impacts and result from business-to-business purchases (e.g., a contractor buying a piece of equipment from a dealer) and from employees spending a portion of their wages locally.

For the operations phase:

- Direct jobs, wages, and sales are those jobs created from the operations of the Project (e.g., onsite employment of a maintenance person) and from new household spending occurring as a result of the Project.
- Indirect jobs, wages, and sales are those caused by the Direct impact, such as business-to-business purchases (e.g., a grocery store serving the new households will purchase goods from a distributor) and from employees of such businesses spending a portion of their wages locally.

To estimate the Direct and Indirect impacts, MRB Group employed the Lightcast[3] economic modeling system. We used data from the Developer and publicly available and proprietary data sources as inputs to the Lightcast modeling system. We adjusted the Lightcast model where needed to match the Project specifics.

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[2] By their nature, construction-related impacts tend to be somewhat more diffuse, which is why we report them as County-level impacts. Town-level impacts are measured based on the 37 ZIP codes that closely approximate the Town. See appendix.

[3] Lightcast, formerly "Emsi.," uses data from the U.S. Bureau of Labor Statistics, the U.S. Bureau of Economic Analysis, the U.S. Census, and other public data sources to model economic impacts.

Construction Phase

The Developer has provided estimates of the total cost of construction of the Project and the percentage of labor and materials to be sourced from within the County. As shown in the table to the right, the Developer estimates that 85% of its $20.5 million of materials and labor costs[4] would be spent locally, for a total of $17.4 million of in-region construction spending.

Construction Spending In Region

	$ Total	% County	$ County
Materials & Labor	$20,500,000	85%	$17,425,000

Source: Developer, MRB

In-region construction spending of $17.4 million (direct "Sales" in the table) was then used as an input in the Lightcast economic modeling system, assigning the County as the geography of study. This spending results in 106 direct jobs and direct earnings of $6.7 million. The model estimates that this will cause indirect impacts of 52 new jobs, $3.8 million in new earnings, and $11.2 million in new sales. Therefore, the total, one-time, construction-phase impacts would be 158 jobs, $10.5 million in wages, and $28.7 million in sales.

Economic Impact of Construction Phase, One-Time

	Direct	Indirect	Total
Jobs	106	52	158
Earnings	$6,713,883	$3,801,379	$10,515,262
Sales	$17,425,000	$11,239,750	$28,664,750

Source: Lightcast, MRB

Operation Phase

Construction phase impacts were measured at the County level to account for their dispersed nature. Conversely, the impacts of the operation phase are estimated at the Town level. We have used 37 ZIP Codes that approximate the Town of Brookhaven to model operational impacts.[5]

Operation phase impacts come from two sources. The largest source is the effect of "net new" household spending from the new units brought onto the market by the Project. The second source of operation phase impacts is the employment on Site that results from the operations of the Project, including maintenance and management personnel.

[4] Project budget from the Agency application, minus land, legal, and financing costs.

[5] A complete list of ZIP Codes included in the economic impact analysis is listed in Appendix A, where they are compared to the Town's boundaries.

Households with differing incomes have different spending habits. As such, we have utilized different average annual household expenditures based on two relevant income brackets.[6] The first income bracket reflects the spending habits of households earning over $100,000 - $149,999 annually. We assume that the 63 households in this bracket will occupy all of the Project's market-rate units and those workforce units reserved for households earning up to 120% of the area median income. The second income bracket displays the spending habits of households earning between $70,000-$99,999 annually, which we apply to the 7 units reserved for households earning no more than 80% of the area median income.

The large expanse of the Town's geographical boundaries and the high concentration of retailers suggests that most of the households' needs will be served by local businesses. To be conservative, we have estimated that 80% of this spending would occur in the Town of Brookhaven. Therefore, given 70 total units and the spending profiles and percentages shown, we estimate a total of $2.6 million of new household spending would occur annually in the Town.

Total New Household Spending

	Annual per HH Spend	% Spent in Town	Units	Total New Spending
Units with Household Incomes of $100,000 - $149,999				
Food	$12,381	80%	63	$624,002
Household Furnishings and Equipment	$3,006	80%	63	$151,502
Apparel and Services	$2,423	80%	63	$122,119
Transportation	$13,860	80%	63	$698,544
Healthcare	$7,029	80%	63	$354,262
Entertainment	$3,781	80%	63	$190,562
Education	$1,974	80%	63	$99,490
Personal Care Products and Services	$1,002	80%	63	$50,501
Miscellaneous	$1,324	80%	63	$66,730
Other	$459	80%	63	$23,134
Total, Market Rate Units	$47,239	80%	63	$2,380,846
Units with Household Incomes of $70,000 - $99,999				
Food	$9,214	80%	7	$51,598
Household Furnishings and Equipment	$2,744	80%	7	$15,366
Apparel and Services	$2,332	80%	7	$13,059
Transportation	$10,244	80%	7	$57,366
Healthcare	$5,451	80%	7	$30,526
Entertainment	$3,171	80%	7	$17,758
Education	$1,139	80%	7	$6,378
Personal Care Products and Services	$798	80%	7	$4,469
Miscellaneous	$1,056	80%	7	$5,914
Other	$566	80%	7	$3,170
Total, Affordable Units	$43,049	80%	7	$205,604
Grand Total			70	$2,586,450

Source: Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, 2020 - 2021 "Table 3104. Northeastern region by income before taxes: Average annual expenditures and characteristics"

[6] We used data from the Consumer Expenditure Survey (CEX) of the Bureau of Labor Statistics as of December 2022, specific to the Northeast and the respective income levels.

MRB Group then took each of the above line items and applied that new household spending to one or more industry codes in Lightcast.[7] This resulted in an estimate of 17 direct jobs and $906,926 in direct earnings that the spending of the new households will generate. Taken together with an estimate of indirect impacts, total household spending impacts include 23 jobs, $1.3 million in earnings, and $3.6 million in sales.

The Developer stated that it would hire 3 on-site employees for operations and maintenance with an average salary of $60,000, totaling $180,000 in annual earnings for the three positions. After combining the 3 direct jobs with the associated indirect impact of 2 jobs, the total impacts from operations and maintenance would be 5 jobs, $218,231 in earnings, and $911,828 in sales.

The combined impacts of household spending and impacts from operations and maintenance are displayed in the table to the right. As summarized in the last column, we anticipate that the Town will benefit from 28 jobs, $1.5 million in earnings, and $4.5 million in sales annually.

Economic Impact, New Household Spending

	Direct	Indirect	Total
Jobs	17	6	23
Earnings	$906,926	$385,039	$1,291,966
Sales	$2,586,450	$1,041,603	$3,628,053

Source: Lightcast, MRB

Economic Impact, Operations of Project

	Direct	Indirect	Total
Jobs	3	2	5
Earnings	$180,000	$38,231	$218,231
Sales	$598,042	$313,786	$911,828

Source: Lightcast, MRB

Economic Impact, Combined Annual Impact

	Direct	Indirect	Total
Jobs	20	8	28
Earnings	$1,086,926	$423,270	$1,510,196
Sales	$3,184,492	$1,355,390	$4,539,881

Source: Lightcast, MRB

[7] For example, for the "Food" line item, we applied one-half of the spending to the "supermarkets and other grocery stores" NAICS code (North American Industrial Classification System) and one-half to the "full service restaurants" NAICS code.

Fiscal Impact Analysis

The Project would also have fiscal impacts in terms of new tax revenues.

PILOT Schedule

The table to the right displays the Developer's proposed PILOT schedule. The Developer has requested a 15-year PILOT term that would abate a portion of the improvement value associated with the Project. In Year 1, PILOT payments would include the Base Land Tax and 6.25% of the improvement value. Each year the percentage of the improvement value included in the PILOT payment will increase by 6.25% until the Project is fully taxable in Year 16.

PILOT Schedule

Tax Year	Base Land Tax	Projected Improvement Tax	Improvement Phase-In	Total Improvement PILOT	Total PILOT
Year 1	$9,259	$395,279	6.25%	$24,705	$33,964
Year 2	$9,444	$403,185	12.50%	$50,398	$59,842
Year 3	$9,633	$411,248	18.75%	$77,109	$86,742
Year 4	$9,826	$419,473	25.00%	$104,868	$114,694
Year 5	$10,022	$427,863	31.25%	$133,707	$143,729
Year 6	$10,223	$436,420	37.50%	$163,657	$173,880
Year 7	$10,427	$445,148	43.75%	$194,752	$205,180
Year 8	$10,636	$454,051	50.00%	$227,026	$237,661
Year 9	$10,848	$463,132	56.25%	$260,512	$271,360
Year 10	$11,065	$472,395	62.50%	$295,247	$306,312
Year 11	$11,287	$481,843	68.75%	$331,267	$342,554
Year 12	$11,512	$491,480	75.00%	$368,610	$380,122
Year 13	$11,743	$501,309	81.25%	$407,314	$419,057
Year 14	$11,978	$511,336	87.50%	$447,419	$459,396
Year 15	$12,217	$521,562	93.75%	$488,965	$501,182
Year 16*	$12,461	$531,993	100.00%	$531,993	$544,455

*First Year of Full Taxes

Source: Applicant; MRB Group

PILOT Revenue

Absent the Project moving forward, the site will generate an estimated $160,120 over 15 years. Under the proposed PILOT schedule, the Project will generate roughly $3.7 million over 15 years. As shown in the table to the right, the proposed PILOT payments would generate $3.6 million more in revenue for the local taxing jurisdictions than the Site without the Project. (Figures may not sum due to rounding.)

PILOT Revenue

Tax Year	Base Land Tax	Total PILOT	Increase in Revenue
Year 1	$9,259	$33,964	$24,705
Year 2	$9,444	$59,842	$50,398
Year 3	$9,633	$86,742	$77,109
Year 4	$9,826	$114,694	$104,868
Year 5	$10,022	$143,729	$133,707
Year 6	$10,223	$173,880	$163,657
Year 7	$10,427	$205,180	$194,752
Year 8	$10,636	$237,661	$227,026
Year 9	$10,848	$271,360	$260,512
Year 10	$11,065	$306,312	$295,247
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Year 13	$11,743	$419,057	$407,314
Year 14	$11,978	$459,396	$447,419
Year 15	$12,217	$501,182	$488,965
	$160,120	$3,735,676	$3,575,556

Source: Applicant; MRB Group

Sales Tax Revenue, Construction Phase

As stated in the economic impact analysis on page 11, we anticipate approximately $10.5 million in direct and indirect earnings in the County will be generated during the Project's construction phase. We assume 70% of the newly generated earnings will be spent in Suffolk County. We estimate that 25% of that spending amount will be subject to the sales tax. Applying the County's sales tax rate of 4.625%, we conclude that the construction phase earnings will lead to approximately $85,108 in County sales tax revenue throughout construction.

Sales Tax Revenue, Operation Phase

We estimate $218,231 in total new earnings occurring annually within the County during the operation phase associated with new direct and indirect job creation (p. 13). Using the same methodology for estimating sales tax revenue for the construction phase, we estimate the Project will result in $1,766 in annual sales tax revenue to the County. Escalated at 2% per year for 15 years, this totals $30,545.

Sales Tax Revenue - Construction Phase

Line	Value
Total New Earnings	$10,515,262
% Spent in County	70%
$ Spent in County	$7,360,683
% Taxable	25%
$ Taxable	$1,840,171
County Sales Tax Rate	4.625%
$ County Sales Tax Revenue	$85,108
Revenue, one-time	$85,108

Source: MRB

Sales Tax Revenue - Operation Phase

Line	Annual Value
Total New Earnings	$218,231
% Spent in County	70%
$ Spent in County	$152,762
% Taxable	25%
$ Taxable	$38,190
County Sales Tax Rate	4.625%
$ County Sales Tax Revenue	$1,766
Revenue Over 15 Years	$30,545

Source: MRB

Sales Tax Revenue, Household Spending

As identified on page 12, we estimate approximately $2.6 million of annual direct and indirect sales in the Town associated with the new household spending by residents of the Project. Assuming 25% of those sales are subject to sales tax, we estimate the Project will result in $29,906 in annual sales tax revenue. Over a 15-Year PILOT term, escalated at 2%, we estimate a total impact of $517,174.

Sales Tax Revenue - Household Spending

Line	Annual Value
New Household Spending	$2,586,450
% Taxable	25%
$ Taxable	$646,612
County Sales Tax Rate	4.625%
$ County Sales Tax Revenue	$29,906
Revenue Over 15 Years	$517,174

Source: MRB

Fiscal Cost

Shown to the right is the difference in PILOT payments under the proposed terms and the estimated full property taxes of the project post-construction. Over 15 years, the project will have a fiscal "cost" of $3.3 million. However, the Developer has indicated that the Project cannot move forward without an inducement, so this "cost" is theoretical.

Cost of Abatement

Tax Year	Base Land Tax	Projected Improvement Tax	Full Taxes	Total PILOT	Cost of Abatement
Year 1	$9,259	$395,279	$404,538	$33,964	($370,574)
Year 2	$9,444	$403,185	$412,629	$59,842	($352,787)
Year 3	$9,633	$411,248	$420,881	$86,742	($334,139)
Year 4	$9,826	$419,473	$429,299	$114,694	($314,605)
Year 5	$10,022	$427,863	$437,885	$143,729	($294,156)
Year 6	$10,223	$436,420	$446,643	$173,880	($272,762)
Year 7	$10,427	$445,148	$455,576	$205,180	($250,396)
Year 8	$10,636	$454,051	$464,687	$237,661	($227,026)
Year 9	$10,848	$463,132	$473,981	$271,360	($202,620)
Year 10	$11,065	$472,395	$483,460	$306,312	($177,148)
Year 11	$11,287	$481,843	$493,130	$342,554	($150,576)
Year 12	$11,512	$491,480	$502,992	$380,122	($122,870)
Year 13	$11,743	$501,309	$513,052	$419,057	($93,996)
Year 14	$11,978	$511,336	$523,313	$459,396	($63,917)
Year 15	$12,217	$521,562	$533,779	$501,182	($32,598)
			$6,995,845	$3,735,676	($3,260,169)

Source: Applicant; MRB Group

Other Fiscal Costs

Per the Agency application, the Developer is seeking a sales tax exemption of $1.1 million, the local portion of which is $561,000. The Developer is also requesting a mortgage recording tax exemption (MRTE) of $168,075, the local portion of which is $112,050. The tables below show the local share of these costs.

Cost of Sales Tax Exemption, County

Type	Value
Sales Tax Exemption	$1,138,500
Local	4.250%
State	4.000%
MCTD	0.375%
Local Exemption	$561,000

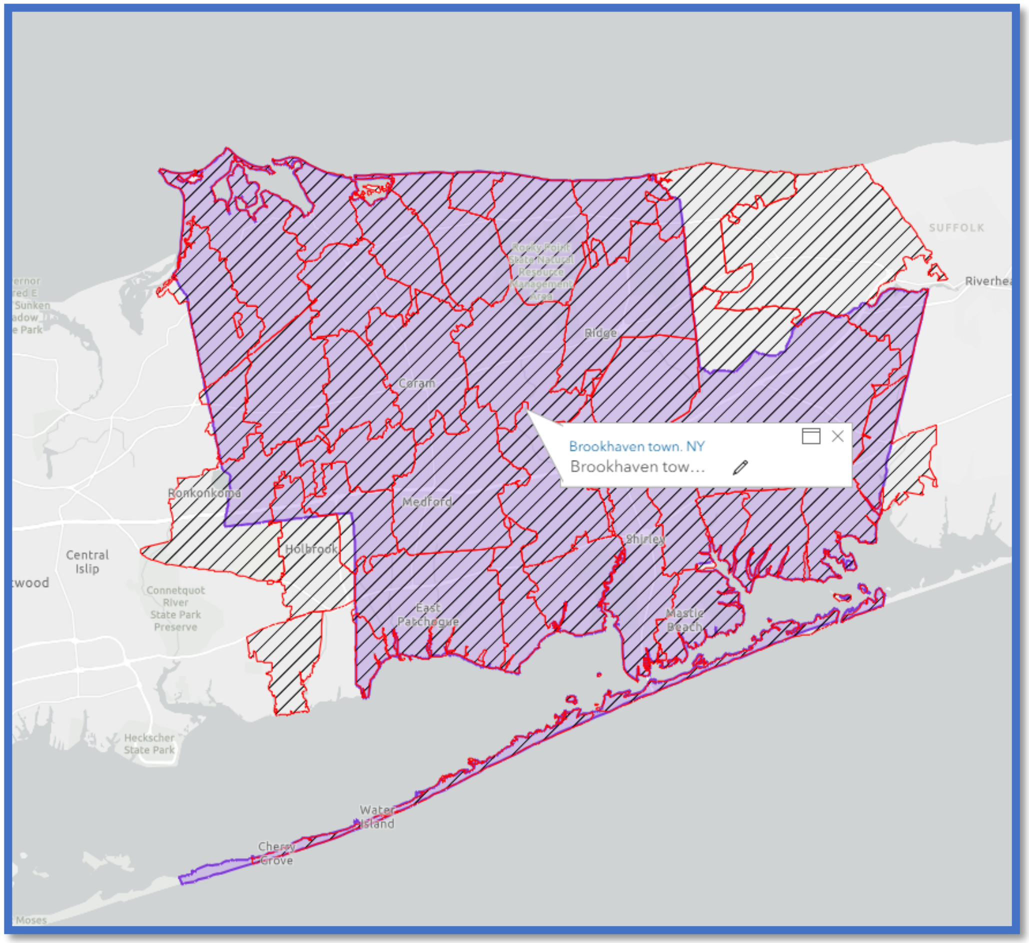
Source: Applicant

Cost of MRTE Exemption, County

Type	Value
MRTE	$168,075
Local	0.50%
State	0.25%
Local Exemption	$112,050

Source: Applicant

Appendix A: Zip Codes Used



ZIP Code	Description
11713	Bellport
11715	Blue Point
11719	Brookhaven
11720	Centereach
11727	Coram
11733	East Setauket
11738	Farmington
11741	Holbrook
11742	Holtsville
11755	Lake Grove
11763	Medford
11764	Miller Place
11766	Mount Sinai
11772	Patchogue
11776	Port Jeff. Station
11777	Port Jefferson
11778	Rocky Point
11779	Ronkonkoma
11780	Saint James

ZIP Code	Description
11784	Seldan
11786	Shoreham
11789	Sound Beach
11790	Stony Brook
11792	Wading River
11933	Calverton
11934	Center Moriches
11940	East Moriches
11941	Eastport
11949	Manorville
11950	Mastic
11951	Mastic Beach
11953	Middle Island
11955	Moriches
11961	Ridge
11967	Shirley
11973	Upton
11980	Yapnik

BACTOLAC
PHARMACEUTICAL, INC.

Joseph Romano
Chief Financial Officer
Bactolac Pharmaceutical Inc.
7 Oser Ave
Hauppauge, NY, 17788

August 12, 2024
Brookhaven Industrial Development Agency
Attn: Lisa Mulligan, CEO
One Independence Hill
Farmingville, NY 11738

RE: Request for Additional Time to Complete Project and Approval for Mezzanine Fit-Out for Production Capacity and Warehouse Racking.

Dear Lisa,

I am writing to formally request an extension for the completion of our project at 50 Ramsey Rd, Shirley, NY, 11967, as well as approval to fit out the mezzanine level for production capacity and to install racking in our warehouse space. Initially, our plans were to utilize the mezzanine primarily for warehousing. However, upon further analysis of our operational needs and future growth plans, it has become evident that fitting out the mezzanine for manufacturing capabilities and enhancing our warehouse with additional racking will significantly improve our production efficiency and overall project viability.

To provide some context, Bactolac Pharmaceutical Inc. has been making substantial progress in developing the project at 50 Ramsey Rd. We have adhered to the original timeline and scope as closely as possible. We applied for our Certificate of Completion in 2023 and we received town approval in March 2024. However, our recent evaluations indicate that converting the mezzanine into a production area and adding racking to our warehouse will not only better serve our operational requirements but also contribute to the economic growth through construction jobs and full-time job creation goals of the Brookhaven Industrial Development Agency. We anticipate that this project will still create 10 new jobs by the end of 2024 and an additional 20 new jobs by the end of 2025, further supporting the local economy.

The transition from a warehousing-only space to a manufacturing facility involves additional planning, design modifications, and procurement of specialized equipment. Similarly, the installation of warehouse racking requires careful planning and installation to ensure efficiency and safety. These adjustments are necessary to ensure that both spaces meet regulatory standards and operational efficiency benchmarks. Consequently, we anticipate that this revised scope will necessitate additional time beyond the originally agreed-upon project completion date. Additionally, please note that all required permits and permissions were obtained prior to the beginning of construction.

We kindly request an extension of one year to complete the project with the enhanced scope. This extension will allow us to:

1. Finalize the interior fit-out plans for manufacturing capabilities.
2. Procure and install the necessary production equipment.
3. Design and install racking systems in our warehouse space.
4. Conduct thorough testing and quality assurance to ensure compliance with all relevant standards and regulations.
5. Hire the committed employee headcount at this location.

We believe that this modification aligns with the long-term strategic goals of both Bactolac Pharmaceutical Inc. and the Brookhaven Industrial Development Agency. The enhanced production capacity and improved warehouse efficiency will enable us to increase our output, create more job opportunities, and contribute more significantly to the local economy.

We are committed to maintaining open and transparent communication with the Brookhaven Industrial Development Agency throughout this process. Should you require any additional information or wish to discuss this request further, please do not hesitate to contact me at 631-951-4908, ext. 117 or at jromano@bactolac.com.

Thank you for your consideration of our request. We look forward to continuing our collaborative efforts to bring this project to successful completion.

Sincerely,

Joseph Romano
Chief Financial Officer
Bactolac Pharmaceutical Inc.

Preliminary rendering of Pickleball Heaven in Medford. / Courtesy of Pickleball Heaven

Pickleball Heaven to open its first complex at new Medford building

David Winzelberg //September 3, 2024//

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A newly minted recreation business is the first tenant at a recently developed warehouse and distribution building in Medford.


645 National Blvd. Medford / Courtesy of Wildflower Ltd.

Pickleball Heaven leased 55,709 square feet at Wildflower Ltd.'s 129,242-square-foot building on 10 acres at 645 National Blvd., where it will soon open a unique complex catering to players of the fast-growing sport.

The brainchild of Long Island entrepreneurs Don Rickey and Anthony Adler, Pickleball Heaven is not your run-of-the-mill sporting facility. The Medford complex will feature 18 pickleball courts, with each court having its own private lounge and dedicated 90-foot video monitor, on which the players can watch the action and even see instant replay of their drop shots and volleys.

The new Medford pickleball venue will also include a 2,500-square-foot pro shop and player lockers. In addition, Pickleball Heaven will sport a 60-foot bar with a full kitchen, as well as an 18-foot food truck onsite. The food-and-beverage concessions will be run by Long Island-based hospitality firm Never 86, led by Chris Quirke, who also owns and operates the Wok N' Roll and New York Panini eateries in Huntington.


Preliminary rendering of some of the courts at Pickleball Heaven. / Courtesy of Pickleball Heaven

“We’re trying to have it be one of the first pickleball venues that is less intimidating and more of a social environment,” said Rickey, who also owns a smart-home integration company that provides audio and video, lighting and security systems for residential and commercial properties.

Pickleball Heaven will also offer an academy run by accomplished player and coach Ricky Mango, which Rickey describes as a “training and certification program.”

While Manhattan-based Wildflower designed its $34 million Medford project as a warehouse and distribution facility, complete with 36-foot-clear ceilings, 50-foot column spacing, 24 loading docks and four drive-in bays, the developer is pleased to welcome a recreational tenant to the property.

“We love fitness and sports at Wildflower, so we are thrilled that Pickleball Heaven is opening at Medford,” Adam Gordon, Wildflower’s managing partner, told LIBN. “We hope that other athletic oriented facilities will choose to collocate at the project.”

Meanwhile, Rickey has ambitious plans to expand the Pickleball Heaven concept well beyond the initial Medford location.

“We’re looking in Nassau County, Williamsburg, Brooklyn, and in other states, including Connecticut and New Jersey and possibly in Chicago,” he said.

The Pickleball Heaven in Medford is expected to open this fall. More information can be found on the company’s website at thepickleballheaven.com.

Mark Pawlitschek of Compass Commercial represented Pickleball Heaven, while Frank Frizalone and John Giannuzzi of Cushman & Wakefield represented the landlord, Wildflower Ltd., in the Medford lease transaction.

Station Yards development in Ronkonkoma injects cash, spurring wave of suburban renewal, officials say

Kelley Heck and Jim Coughlan, both executive vice presidents at Tritec, at the new Station Yards in Ronkonkoma. Credit: Elizabeth Sagarin

By Carl MacGowancarl.macgowan@newsday.comCarlMacGowanAugust 23, 2024 5:00 am

Share

The neighborhood around the Ronkonkoma train station had seen better days.

Small stores in the aging hamlet closed or stagnated for decades, affecting even longtime shops like Pete D'Onofrio's pizzeria a few blocks down Union Avenue in Holbrook.

All that changed four years ago, when the first residents started moving into the Alston, a 489-unit apartment complex that had just opened in the megadevelopment now known as Station Yards.

Sales picked up immediately, said D'Onofrio, owner of Joe's Pizza and Pasta, as Alston residents came in for lunch and dinner, placed orders for delivery and picked up pies and salads. Business at his 46-year-old eatery is "without a doubt" the best it's ever been, he said.

WHAT TO KNOW

- **Only partly complete,** the $1.2 billion Station Yards housing and shopping project in Ronkonkoma is transforming the community, officials and business leaders say.
- **Hundreds of residents** who have moved into the development in recent years are patronizing local stores that had struggled previously, shop owners say.

- **The project has "brought** a lot of pride to the community," a chamber of commerce president said.

"More people, more customers. It's good for the community," D'Onofrio said. "When you got people around, if you do the right thing, you're going to be better."

Station Yards is years from completion, but the $1.2 billion housing and shopping hub is already transforming the formerly rundown area around Ronkonkoma's Long Island Rail Road station, as older shopping plazas undergo makeovers to attract new customers and hundreds of Station Yards residents pump fresh cash into the neighborhood's economy, officials and local business leaders say.

A rendering of the new apartment and retail complex to be built as part of Station Yards in Ronkonkoma in fall/winter 2024-2025. Credit: Tritec Real Estate

A community's rebirth

A Flourish chart

Brookhaven Town officials liken Station Yards' impact to Patchogue's downtown revitalization, which added more than 600 apartments and more than a dozen restaurants and pubs to a business district previously known for boarded-up storefronts.

Station Yards' second phase, currently under construction around the intersection of Hawkins and Railroad avenues, has seen the completion of more than 200 additional apartments, plus the openings of new banks, bars, stores, restaurants and health care clinics, according to developer Tritec Real Estate.

When this part is finished in 2026 , Tritec will have built a total of 1,052 apartments, 68,419 square feet of retail and 16,500 square feet of offices since construction started in November 2017.

Tritec is among Station Yards' new tenants, having relocated its headquarters from East Setauket.

The Station Yards housing-retail-office project is aimed at connecting homes with shopping and 21st-century workplaces. Credit: Elizabeth Sagarin

Where once was a slapdash collection of small businesses like barbershops and liquor stores, crumbling parking lots and a private bus depot now stand modern apartment buildings with public courtyards hosting outdoor concerts and community barbecues.

While some area shops were razed to make way for Station Yards, those that remain are experiencing a rebirth — some adding new facades and many benefiting from new customers provided by the new apartments, business owners say.

More than a half-dozen businesses have opened or are under construction, including Bethpage Federal Credit Union, Great South Bay Brewery, Catholic Health, the Tap Room bar, and Toast coffee shop, with additional stores expected to open by the end of the year, Tritec marketing director Christoper Kelly said.

Tritec officials said they worked closely with community leaders to pick the types of stores that would be offered leases in the complex. Following surveys and market studies, Tritec settled on locally owned stores that were "true to Long Island," executive vice president Jim Coughlan said.

Tritec is set to start construction within weeks to finish the second of what company officials have said will be five phases on 53 acres stretching from Ronkonkoma Avenue east to Mill Road along the north side of the Long Island Rail Road tracks.

Brookhaven Town's 2012 agreement naming Tritec to redevelop the community allows the company to build up to 1,450 apartments, 195,000 square feet of retail and 360,000 square feet of office space. Tritec officials say they don't know when the entire project will be completed.

Estimated economic impact: $330M

Gauging Stations Yards' economic impact so far is difficult because local economic development agencies typically don't assess major projects until they are completed.

The Brookhaven Town Industrial Development Agency in 2014 estimated Station Yards would generate more than $330 million in economic benefits when it is completed, including state and local property and sales tax revenue. That estimate has not been updated, IDA chief executive officer Lisa Mulligan said.

Martin Cantor, director of the Long Island Center for Socio-Economic Policy, an independent Melville think tank, said Station Yards is a "great project," but its overall benefits will be limited if residents are simply moving to Ronkonkoma from other parts of Suffolk County.

About half the residents who have moved into Station Yards since 2020 previously lived elsewhere in Suffolk, Kelly said.

“The economic impact to Suffolk County will only be the new people” from outside the county, said Cantor, a former Suffolk economic development director. “If the people there are not new to the area, then we’re just reshuffling the deck chairs.”

But Brookhaven Councilman Neil Foley, who represents Ronkonkoma on the town board, said Station Yards has "definitely lived up to expectations," adding, "You’ve seen a lot of businesses come in to be part of the Stations Yards community.

“The best is yet to come, and I think we still have about three or four years [of construction] to go, but the number of people coming to these beautiful apartments will change the area for the better," he said.

Boosting LI's housing stock

Station Yards long has had the support of housing advocates and public officials who have said that, despite relatively high rents, the project would address Long Island's chronic need to replenish its aging housing stock.

A Flourish table

Monthly rents for 563 apartments built recently or under construction range from $2,000 to $2,450 for studios; $2,600 to $3,450 for one-bedroom units; $3,500 to $4,095 for two-bedroom units; and $4,300 to $4,725 for three-bedroom apartments, Kelly said.

John Cameron, a Woodbury-based engineer, said those prices put Station Yards on the "higher end" of rental housing costs on Long Island. But the addition of hundreds of new residential units in the geographical center of Long Island should bring down housing prices over time by offering a wider range of options for seniors, young individuals and couples, he said.

“The key is we need to increase the [housing] supply, and being near a train station is a major advantage because the cars are off the road,” said Cameron, chairman of the Long Island Regional Planning Council, which helps to guide development in Nassau and Suffolk counties.

The council in 2014 named Station Yards a project of regional significance, making it eligible for millions of dollars worth of government and private grants to fund new parking and infrastructure improvements.

Station Yards has received a $26.4 million Suffolk County grant for sewer hookups and a separate $2.3 million county grant for infrastructure upgrades.

"We need more projects" like Station Yards, Cameron said. “With more volume and more units, the developers can reduce the prices of the individual units.”

Tritec officials said in addition to attracting new businesses, they encourage Station Yards' new residents to check out older stores in the neighborhood, including florists, gyms and delicatessens.

Station Yards is one of two major developments expected to transform Ronkonkoma.

The other, the $2.8 billion Midway Crossing, in Islip Town south of the LIRR tracks, would include a convention center, 300-room hotel, health sciences facilities and a new north air terminal for Long Island MacArthur Airport.

The project has not been submitted for formal review by town, county and state officials and is more than a decade from completion.

'Pride' of the community

For a recent outdoor concert in one of Station Yards' public courtyards, Tritec brought in food trucks from local stores such as Boxcar Burgers.

"You're being sensitive to the needs of the community," said Tritec executive vice president and partner Kevin Law, whose career in government and the private sector includes stints as president of the Long Island Power Authority and deputy Suffolk County executive. He serves as chairman of Empire State Development, which provides loans, grants and tax credits for major development projects.

The agency provided $50 million for Station Yards parking garages in 2017, before Law joined Tritec about two years ago.

Station Yards has been notable for the relative absence of community opposition it has drawn since it was proposed nearly two decades ago.

Community leaders have said Tritec, dating back to early drafts of the project, earned residents' trust by seeking their suggestions and incorporating them into final plans.

No one spoke in opposition to permits for the current phase during a May public hearing before the Brookhaven Town Board. Instead, union members who said the project would create construction jobs, Ronkonkoma Chamber of Commerce president Ed McNamara and Holbrook Chamber of Commerce president Rick Ammirati told the town board they supported the project.

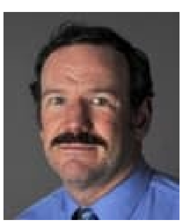
“They are the most transparent developers I’ve ever met in my 25 years of working,” Ammirati said, referring to Tritec. “When they came with this plan, we knew it was smart.”

McNamara told the board Tritec "has been a terrific partner," adding, "They do it the right way."

Leith Foster and Denise Runz, of Ronkonkoma, enjoy music in the courtyard of Station Yards. Credit: Elizabeth Sagarin

McNamara stood in Station Yards' village green-style public courtyard last month while a band played classic rock music for an audience of several dozen people. Smiling broadly, the 66-year Ronkonkoma resident said the development has spurred a wave of suburban renewal in the community as older stores such as grocery stores and pharmacies spruce up their facades to attract new customers.

"It's brought a lot of pride to the community," McNamara said. "The other businesses, they're raising their game."



By Carl MacGowan

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Carl MacGowan is a Long Island native who covers Brookhaven Town after having previously covered Smithtown, Suffolk County courts and numerous spot news and feature stories over his 20-plus year career at Newsday.

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NEWSDAY'S NEWS AND OPINION DEPARTMENTS OPERATE INDEPENDENTLY

EDITORIAL

Need tough IDA stand on Canon

■ **MEMBERS OF THE EDITORIAL BOARD** are experienced journalists who offer reasoned opinions, based on facts, to encourage informed debate about the issues facing our community.

For weeks, Canon U.S.A., Inc. has played games with the taxpayers of Suffolk County, refusing to answer two simple questions:

How many employees did the company cut?

How many is it hiring?

Instead, Canon officials have been evasive, providing Newsday with a lengthy statement that didn't answer either question and telling the Suffolk County Industrial Development Agency that they're not in default of a tax-break deal without providing specifics. How can the IDA allow the Melville-based company to refuse to answer basic, yet critical, questions just months after the agency promised the company $7 million in additional breaks?

Canon's unacceptable behavior — and the IDA's insufficient response — are an affront to taxpayers who foot the bill for the breaks companies like Canon demand, under the guise that the firms would leave the area without them.

It must be restated that the IDA never should have given Canon the latest tax incentive package in the first place. When the agency learned about Canon's layoffs from a Newsday report, Suffolk IDA officials wrote to the company demanding answers. They held a meeting with Canon, demanding more answers. They sent another letter. Then Canon officials came before the IDA at the agency's public meeting last month — and still didn't provide answers.

NEWSDAY / ALEJANDRA VILLA LOARCA

Canon has shown it doesn't care about its employees, Suffolk County taxpayers, or the IDA.

"We have a legal commitment to the IDA that we are in compliance with now," Canon attorney Daniel P. Deegan said. "We'll continue to keep you guys appraised."

That's not good enough.

Suffolk IDA officials told the editorial board they're seeking additional details from Canon, including employment information covering the third quarter. IDA officials said they hope to release that information to the public by the agency's November meeting and use it to determine next steps. "They won't be getting any of the benefits if they don't live up to the responsibilities," IDA executive director Kelly Murphy said.

But the damage has been done. Canon has shown it doesn't care about its employees, Suffolk taxpayers, or the IDA. And the IDA has shown it can be pushed around — that after two letters and two meetings, it's still willing to give Canon the benefit of the doubt, wait for it to finally do the right thing, and assume it still deserves millions of taxpayer dollars.

That sends an unfortunate message to other companies seeking tax breaks — that the agency is soft and willing to give away millions when threatened by companies, even if those companies don't deserve or need the funds at all. The Canon debacle again illustrates the need for tougher standards in IDA decision-making, for provisions that require detailed layoff notifications, and for far stricter stances with companies that aren't open and honest.

The Suffolk IDA has one more chance to hold Canon accountable, to claw back funds and require greater openness as this process goes forward. Then, it must handle future deals with the scrutiny and strength Suffolk taxpayers deserve.

MATT DAVIES

NEWSDAY / MATT DAVIES

■ **EDITORIAL CARTOONIST MATT DAVIES'** opinions are his own. You can see more of his work at: **newsday.com/matt**

LETTERS

Let's be smart about our drinking water

Water providers across Long Island have long suspected the danger that saltwater intruding into our fresh water poses to our drinking water supply ["Conserve our precious water," Editorial, Sept. 6]. The long-awaited study completed by the state Department of Environmental Conservation and the U.S. Geological Survey brings much-needed attention to this critical issue.

While our region's withdrawal rate does increase substantially during the summer months, we must take into account how we are hindering our aquifer's ability to replenish itself with an overabundance of impervious surfaces and expansions of sewer systems. These two areas of expansion have a significant impact on our aquifer's ability to recharge and also have adverse effects on streams, wetlands and saltwater intrusion.

Water suppliers do not control development plans or the installation of sewers, but maybe our regulators should have a larger role in the State Environmental Quality Review Act process to identify and communicate potential issues when projects are brought to the planning board. We must be smarter about how we approach the needs of both our economy and environment as they are directly linked.

This complex and integrated issue needs to be further studied. Though Long Island's pumping ability remains adequate for now, this study brings to light that a more integrated evaluation of our sole source aquifer is needed. Pumpage is only one part of the equation.

— JASON BELLE, DIX HILLS

The writer is chairman of Long Island Water Conference.

I am amazed at the lack of common sense from some of our elected officials ["Study: LI drinking water source is 'under stress,' " News, Sept. 2]. Our water source is "under stress" — what did they think would happen?

The article says we must stop overpumping and start managing our aquifer. Of course. I know there's a need for housing, but we shouldn't want to turn much of our suburban housing into mini-apartments without any apparent regard for infrastructure such as water, garbage or sewage. And never mind the traffic. You can hardly go anywhere on the Island without driving into it.

Then they temporarily

ATTORNEY: CANON MEETING STAFF PLEDGE

Says company is in compliance despite layoffs

BY JAMES T. MADORE
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NEWSDAY / ALEJANDRA VILLA LOARCA

Canon recently cut between 100 and 150 jobs from its Melville headquarters, but says it maintains required minimum of 1,081 employees.

Canon U.S.A. Inc. is now and will be at the end of this year in compliance with the job commitment it made in return for 12 years of tax breaks, despite recently cutting between 100 and 150 employees at the Melville headquarters, the company's real estate attorney said.

"There has been no default here," Daniel P. Deegan told a meeting of the Suffolk County Industrial Development Agency last week, referring to a January tax break deal that stipulates Canon always have a minimum of 1,081 employees.

"We have a legal commitment to the IDA that we are in compliance with now. . . . We'll continue to keep you guys appraised," he said, referring to the IDA board.

Canon's Melville workforce was reduced between 9% and 14% six months after it won $7 million in additional tax breaks from the IDA, Newsday reported in July. Last year, the Japanese company had threatened to jettison its Americas headquarters on Walt Whitman Road and have its employees work from home permanently.

Tax break incentive

Canon requested extra IDA assistance because a 10-year incentive package initially approved in 2007 for $35 million was set to expire. The latter tax breaks played a significant role in the company's decision to move from Lake Success to a former pumpkin farm south of the Long Island Expressway instead of out of state.

IDAs award tax incentives to encourage businesses to expand on Long Island or to stay here. Spending by the businesses and their employees in the local economy far exceeds the value of the tax savings, according to economic impact reports.

Still, Canon's recent job cuts led IDA attorney William D. Wexler to send a letter to the company stating that if its job commitment wasn't met, that "will be considered a recapture event" where the IDA could claw back some of the tax savings received this year. He also requested a meeting of company executives and IDA officials.

If the IDA was to claw back benefits, it would only involve a sales tax exemption of up to $568,388 that was granted on the purchase of materials and equipment for $8.4 million in upgrades to the Canon office. The second round of property tax savings doesn't start until next year, according to IDA officials.

JOHN ROCA

Attorney Daniel P. Deegan said Canon has "a legal commitment to the IDA that we are in compliance with now." They are also hiring.

Deegan last week confirmed that Canon had used some of the sales tax exemption for a new product showroom. But he said, "Recapture and claw back, those are legal terms that get triggered by default. There has been no default and there's nothing legally that [Canon] was supposed to report" to the IDA.

Canon is hiring, Deegan said, for its medical scanning, semiconductor manufacturing equipment and health care units, where strong sales and profits are forecast, citing July comments to Newsday from the company's CEO.

WHAT TO KNOW

- **Canon U.S.A. Inc.** must have at least 1,081 employees at its Melville headquarters at all times or risk losing some of the tax breaks awarded by the Suffolk Industrial Development Agency in January.
- **A company attorney** said it was in full compliance with its job commitment to the IDA despite laying off between 100 and 150 employees this summer.
- **Canon expects to hire** for its medical scanning, semiconductor manufacturing equipment and health care units — all areas of future growth.

Job openings

"The reason they've made the moves that they did [in laying off employees] is so they can grow their sales and grow their workforce going forward," Deegan said.

The careers section of Canon's website last week showed one opening in Melville for a mailroom clerk with an hourly salary of between $17.20 and $25.49.

Asked for the number and types of openings for Melville-based jobs, Seymour Liebman, the company's executive vice president, chief administrative officer and general counsel, told Newsday: "The human resources and recruitment teams are working with the leadership of Canon's business units to identify tangible needs and opportunities as we aggressively recruit high-caliber talent in a wide range of growth areas. Canon U.S.A. uses several platforms to publish job listings and, as always, will post job descriptions as they become available. Canon U.S.A. is also partnering with executive recruiters specializing in our target industries to identify qualified candidates for open positions."

Employees earn, on average, $112,230 per year, according to an application for IDA help.

At the IDA meeting on Thursday, Kelly Murphy, the agency's CEO and executive director, said she had met with Canon executives to discuss the job cuts.

"They did apologize for the amount of light that had been shed and felt badly," she said, referring to criticism of the IDA after the Canon layoffs. "They assured us that they had no intention of being out of compliance and that they would meet all of their obligations to the agency. . . . So, we will continue to closely monitor their business and their obligations."