

PREPARED FOR:

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

Reasonableness Assessment for Financial Assistance

C AND K DEVELOPMENT, LLC

OCTOBER 2025

PREPARED BY:



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EXECUTIVE SUMMARY

Project Description

The Town of Brookhaven Industrial Development Agency (Agency) received an application from C and K Development, LLC (Applicant) for financial assistance to construct 45 restricted (55+) apartments. This development will include an affordable housing component consisting of 9 units.

The Project represents a \$43.29 million investment and is anticipated by the Applicant to generate 1.5 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 market rent and vacancy rate. However, operating expenses are more efficient than benchmarks.***
- ***The equity dividend rate benchmark is met in year 12 with the 17-year PILOT scenario but not the No PILOT scenario or the 15 year PILOT scenario, indicating that longer period of assistance is necessary for this project to meet industry benchmarks.***
- ***Under all scenarios, cash flow is positive, but cumulative cash flow does not recoup the initial equity investment over the time period studied.***

1. OPERATING ASSUMPTIONS

The Applicant's operating assumptions are compared to CoStar estimates for rent in 2024 in Suffolk County and key metrics for affordable housing income limits as provided by the U.S. Department of Housing and Urban Development. 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 in Project (1)	Average Rent per Month (1)	Rent per Year	Household Income Required (2)	Average Rent for Suffolk County (3)	Affordable Income Limits (4)	Benchmarks
Market	2BR	36	\$3,475	\$41,700	\$139,000	\$3,348	N/A	Meets Benchmark
Affordable	2BR	9	\$2,800	\$33,600	\$112,000	N/A	\$92,350	NA
(1) Source: Applicant								
(2) Income needed to pay no more than 30% on rent								
(3) 2024 Average monthly rent for newly built apartments (Post 2020) for Suffolk County, NY Source: CoStar								
(4) Uncapped FY 2023 Low Income Limit Table By Family Size, Town of Brookhaven								

2. PILOT ANALYSIS

The Applicant requested a 17 year PILOT and Camoin Associates created a 15 year PILOT schedule in alignment with the Agency's Uniform Tax Exemption Policy (UTEP). The following tables show the two PILOT schedules.

PILOT Schedule - 15 Year						
Year	Property Without Project (1)	Plus: Improvements		Total PILOT (1)	Estimated PILOT Savings (2)	Project w/out PILOT (2)
		Projected Improvement Tax (2)	Proposed Exemption (1)			
Construction Year 1	\$32,223	\$0	100%	\$32,223	\$ -	\$32,223
Construction Year 2	\$32,868	\$0	100%	\$32,868	\$ -	\$32,868
PILOT/Tax Year 3	\$33,525	\$300,750	95%	\$48,563	\$285,713	\$334,275
PILOT/Tax Year 4	\$34,196	\$306,765	90%	\$64,872	\$276,089	\$340,961
PILOT/Tax Year 5	\$34,879	\$312,900	85%	\$81,815	\$265,965	\$347,780
PILOT/Tax Year 6	\$35,577	\$319,158	80%	\$99,409	\$255,327	\$354,735
PILOT/Tax Year 7	\$36,289	\$325,542	75%	\$117,674	\$244,156	\$361,830
PILOT/Tax Year 8	\$37,014	\$332,052	70%	\$136,630	\$232,437	\$369,067
PILOT/Tax Year 9	\$37,755	\$338,693	60%	\$173,232	\$203,216	\$376,448
PILOT/Tax Year 10	\$38,510	\$345,467	50%	\$211,243	\$172,734	\$383,977
PILOT/Tax Year 11	\$39,280	\$352,377	40%	\$250,706	\$140,951	\$391,657
PILOT/Tax Year 12	\$40,066	\$359,424	30%	\$291,663	\$107,827	\$399,490
PILOT/Tax Year 13	\$40,867	\$366,613	20%	\$334,157	\$73,323	\$407,480
PILOT/Tax Year 14	\$41,684	\$373,945	10%	\$378,235	\$37,394	\$415,629
PILOT/Tax Year 15	\$42,518	\$381,424	5%	\$404,871	\$19,071	\$423,942
Total	\$557,250			\$2,658,159	\$2,314,202	\$4,972,361

(1) Source: Town of Brookhaven, Assumes tax rate for Fiscal Year 2024/2025 of 429.643 and a current assessed value of \$7,500, increasing at 2% rate.

(2) Source: Town of Brookhaven, Assumes a 2% annual increase in the tax rate and a taxable value of \$70,000 upon completion.

PILOT Schedule - 17 Year

Year	Property Without Project (1)	Plus: Improvements			Estimated PILOT Savings (2)	Project w/out PILOT (2)
		Projected Improvement Tax (2)	Proposed Exemption (1)	Total PILOT (1)		
Construction Year 1	\$32,223	\$0	100%	\$32,223	\$ -	\$32,223
Construction Year 2	\$32,868	\$0	100%	\$32,868	\$ -	\$32,868
PILOT/Tax Year 3	\$33,525	\$300,750	95%	\$48,563	\$285,713	\$334,275
PILOT/Tax Year 4	\$34,196	\$306,765	90%	\$64,872	\$276,089	\$340,961
PILOT/Tax Year 5	\$34,879	\$312,900	85%	\$81,815	\$265,965	\$347,780
PILOT/Tax Year 6	\$35,577	\$319,158	80%	\$99,409	\$255,327	\$354,735
PILOT/Tax Year 7	\$36,289	\$325,542	75%	\$117,674	\$244,156	\$361,830
PILOT/Tax Year 8	\$37,014	\$332,052	70%	\$136,630	\$232,437	\$369,067
PILOT/Tax Year 9	\$37,755	\$338,693	65%	\$156,297	\$220,151	\$376,448
PILOT/Tax Year 10	\$38,510	\$345,467	60%	\$176,697	\$207,280	\$383,977
PILOT/Tax Year 11	\$39,280	\$352,377	55%	\$197,849	\$193,807	\$391,657
PILOT/Tax Year 12	\$40,066	\$359,424	50%	\$219,778	\$179,712	\$399,490
PILOT/Tax Year 13	\$40,867	\$366,613	45%	\$242,504	\$164,976	\$407,480
PILOT/Tax Year 14	\$41,684	\$373,945	40%	\$266,051	\$149,578	\$415,629
PILOT/Tax Year 15	\$42,518	\$381,424	25%	\$328,586	\$95,356	\$423,942
PILOT/Tax Year 16	\$43,368	\$389,052	20%	\$354,610	\$77,810	\$432,421
PILOT/Tax Year 17	\$44,236	\$396,833	15%	\$381,544	\$59,525	\$441,069
Total	\$644,854			\$2,937,969	\$2,907,882	\$5,845,851

(1) Source: Town of Brookhaven, Assumes tax rate for Fiscal Year 2024/2025 of 429.643 and a current assessed value of \$7,500, increasing at 2% rate.

(2) Source: Town of Brookhaven, Assumes a 2% annual increase in the tax rate and a taxable value of \$70,000 upon completion.

15 Year PILOT: The 15-year PILOT agreement will abate 46.5% of the Applicant's taxes, resulting in \$2.3 million in foregone tax revenue (benefit to the Project) to the municipality over the next 15 years. The benefit to the municipality is \$2.1 million, which the municipality stands to gain from the project over a no-project scenario.

17 Year PILOT: The 17-year PILOT agreement will abate 49.7% of the Applicant's taxes, resulting in \$2.9 million in foregone tax revenue (benefit to the Project) to the municipality over the next 17 years. The benefit to the municipality is \$2.3 million, which the municipality stands to gain from the project over a no-project scenario.

Real Property Tax Comparison

<u>Comparison of Taxes on Full Value of Project and with PILOT</u>	15 Year PILOT	17 Year PILOT
Taxes without PILOT	\$4,972,361	\$5,845,851
Less: PILOT/Tax Payments	<u>(\$2,658,159)</u>	<u>(\$2,937,969)</u>
Foregone Revenue (Benefits to Project)	\$2,314,202	\$2,907,882
Abatement Percent	46.5%	49.7%
 <u>Net New Taxes Compared with No Project</u>		
PILOT/Tax Payments	\$2,658,159	\$2,937,969
Less: Estimated Taxes without Project	<u>(\$557,250)</u>	<u>(\$644,854)</u>
Estimated New Tax Revenue (Benefits to Municipalities)	\$2,100,909	\$2,293,115

3. OPERATING PERFORMANCE

The project's seventh year of operation (not including two years of construction) is measured, which is the mid-year of the pro forma period studied. 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 for all scenarios. Without a PILOT, real property taxes absorb 18% of project income, while debt service absorbs 50%, resulting in a positive cash flow of \$259,688. With a 15-year PILOT, property taxes absorb 8% of gross operating income and have a positive cash flow of \$462,904. With a 17-year PILOT, property taxes absorb 7% of gross operating income and have a positive cash flow of \$479,839.

Operations Snapshot

	15 Year PILOT (Year 7)		17 Year PILOT (Year 7)		17 Year No PILOT (Year 7)		Benchmark	
	Project Performance (1)	Share of Gross Operating Income	Project Performance (1)	Share of Gross Operating Income	Project Performance (1)	Share of Gross Operating Income	Performance (2)	Evaluation
<u>Calculation of Net Operating Income Residential</u>								
Gross Operating Income	\$2,144,664	100%	\$2,144,664	100%	\$2,144,664	100%	n/a	n/a
Vacancy Rate and Concessions (3)	6%	n/a	6%	n/a	6%	n/a	7.5%	More efficient
Effective Gross Income (EGI), All Uses (4)	\$2,037,431	95%	\$2,037,431	95%	\$2,037,431	95%	95%	Within range
Less: Operating Expenses and Reserve	(\$321,294)	15%	(\$321,294)	15%	(\$321,294)	15%	54%	More efficient
Less: Real Property Taxes	(\$173,232)	8%	(\$156,297)	7%	(\$376,448)	18%	n/a	n/a
Net Operating Income	\$1,542,904	72%	\$1,559,839	73%	\$1,339,688	62%	44%	More efficient
Less: Debt Service	(\$1,080,000)	50%	(\$1,080,000)	50%	(\$1,080,000)	50%	n/a	n/a
Cashflow after Operating Costs, Taxes, Debt	\$462,904	22%	\$479,839	22%	\$259,688	12%	n/a	n/a

(1) Source: Applicant

(2) Source: RealtyRates Q2 2025 for Northeast Region

(3) Average vacancy rate for 2024 Q4 in Suffolk County, NY is 7.5%, Source: CoStar

(4) Net of vacancy and concessions

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 positive, with bank financing making up 75% of the source of funds, within the industry benchmarks of 55-90%. The annual interest rate for long-term debt is within range, and the maturity term is within acceptable limits.

Sources and Uses of Funds

<u>Sources of Funds</u>	<u>Amount (1)</u>	<u>Share</u>
Bank Financing	\$32,468,650	75%
Equity and Working Capital	<u>\$10,821,550</u>	<u>25%</u>
Total Sources	\$43,290,200	100%

<u>Uses of Funds</u>		
Acquisition and Transaction Costs	\$10,776,000	25%
Construction Costs	<u>\$32,514,200</u>	<u>75%</u>
Total Uses	\$43,290,200	100%

(1) Source: Applicant

Terms of the Senior (Long Term) Debt

	<u>Terms (1)</u>	<u>Benchmark (2)</u>	<u>Evaluation</u>
Amount Borrowed	\$32,468,650	n/a	n/a
Loan to Total Project Cost	75%	55% - 90%	Within Range
Annual Interest Rate	6.00%	4.94% - 9.22%	Within Range
Maturity in Years	30	15-40	Within Range

(1) Source: Applicant

(2) Source: RealtyRates Q3 2025

5. RATE OF RETURN

An estimated return on investment is calculated using the Applicant's operating pro forma and capital structure. This analysis measures whether the financial assistance is necessary and reasonable.

Three metrics are used to evaluate outcomes:

- ◆ **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 \$10,821,550. **The average equity dividend rate does not meet this benchmark under any of the scenarios, but it does reach it under the proposed 17 year PILOT.**
- ◆ **Cash Flow** shows the applicant's net cash flow over time. There are currently no cash flow benchmarks available. **Cumulative Cash Flow is positive for both scenarios but insufficient to recoup the initial investment of \$10,821,550.**
- ◆ **Debt Service Coverage** estimates how well the Project's net income, after taxes, supports debt repayment. **In year 1, Debt Service Coverage exceeded the benchmark in both scenarios.**

Comparison of Return on Investment

	<u>15 Year</u> <u>PILOT</u>	<u>17 Year</u> <u>PILOT</u>	<u>17 Year No</u> <u>PILOT</u>	<u>Benchmarks</u> <u>(1)</u>
<u>Equity Dividend Rates</u>				
Average	4.08%	4.49%	2.69%	4.71% to 13.57%
Minimum	3.65%	3.65%	1.01%	
Maximum	4.30%	5.07%	4.52%	
Year Benchmarks Met	NA	12	NA	
<u>Cash Flow</u>				
Average	\$441,384	\$485,348	\$291,489	n/a
Minimum	\$395,317	\$395,317	\$109,605	
Maximum	\$465,857	\$549,183	\$489,658	
Cumulative	\$5,737,995	\$7,280,214	\$4,372,332	
Year Investment Recouped	NA	NA	NA	
<u>Debt Service Coverage</u>				
Average	1.41	1.45	1.27	1.00
Minimum	1.37	1.37	1.10	to
Maximum	1.43	1.51	1.45	1.86
Years Benchmarks Met	1	1	1	

(1) Source: RealtyRates for Q2 2025

ATTACHMENT 1: PRO FORMAS

C and K Development														
Annual Cashflows (Pro Forma) - 15 YEAR PILOT														
	Construction Year 1-2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Operating Cash Flow														
<u>Residential Income</u>														
Gross Operating Income	\$ -	\$ 1,904,400	\$ 1,942,488	\$ 1,981,338	\$ 2,020,965	\$ 2,061,384	\$ 2,102,611	\$ 2,144,664	\$ 2,187,557	\$ 2,231,308	\$ 2,275,934	\$ 2,321,453	\$ 2,367,882	\$ 2,415,240
Less: Vacancy Allowance (enter as a negative number)	\$ -	\$ 95,220	\$ 97,124	\$ 99,067	\$ 101,048	\$ 103,069	\$ 105,131	\$ 107,233	\$ 109,378	\$ 111,565	\$ 113,797	\$ 116,073	\$ 118,394	\$ 120,762
Net Rental Income, Residential	\$ -	\$ 1,809,180	\$ 1,845,364	\$ 1,882,271	\$ 1,919,916	\$ 1,958,315	\$ 1,997,481	\$ 2,037,431	\$ 2,078,179	\$ 2,119,743	\$ 2,162,138	\$ 2,205,380	\$ 2,249,488	\$ 2,294,478
Effective Gross Income (EGI)	\$ -	\$ 1,809,180	\$ 1,845,364	\$ 1,882,271	\$ 1,919,916	\$ 1,958,315	\$ 1,997,481	\$ 2,037,431	\$ 2,078,179	\$ 2,119,743	\$ 2,162,138	\$ 2,205,380	\$ 2,249,488	\$ 2,294,478
<u>Operating Expenses (enter positive numbers)</u>														
Salaries and Wages	\$ -	\$ 85,000	\$ 86,700	\$ 88,434	\$ 90,203	\$ 92,007	\$ 93,847	\$ 95,724	\$ 97,638	\$ 99,591	\$ 101,583	\$ 103,615	\$ 105,687	\$ 107,801
Maintenance	\$ -	\$ 86,300	\$ 88,026	\$ 89,787	\$ 91,582	\$ 93,414	\$ 95,282	\$ 97,188	\$ 99,132	\$ 101,114	\$ 103,136	\$ 105,199	\$ 107,303	\$ 109,449
Deposit to replacement reserve	\$ -	\$ 54,000	\$ 55,080	\$ 56,182	\$ 57,305	\$ 58,451	\$ 59,620	\$ 60,813	\$ 62,029	\$ 63,270	\$ 64,535	\$ 65,826	\$ 67,142	\$ 68,485
Insurance	\$ -	\$ 60,000	\$ 61,200	\$ 62,424	\$ 63,672	\$ 64,946	\$ 66,245	\$ 67,570	\$ 68,921	\$ 70,300	\$ 71,706	\$ 73,140	\$ 74,602	\$ 76,095
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses	\$ -	\$ 285,300	\$ 291,006	\$ 296,826	\$ 302,763	\$ 308,818	\$ 314,994	\$ 321,294	\$ 327,720	\$ 334,274	\$ 340,960	\$ 347,779	\$ 354,735	\$ 361,829
Pre-Tax Operating Income (Revenue less Operating Expenses)	\$ -	\$ 1,523,880	\$ 1,554,358	\$ 1,585,445	\$ 1,617,154	\$ 1,649,497	\$ 1,682,487	\$ 1,716,136	\$ 1,750,459	\$ 1,785,468	\$ 1,821,178	\$ 1,857,601	\$ 1,894,753	\$ 1,932,648
Real Property Taxes (assuming PILOT)	\$ 32,223	\$ 48,563	\$ 64,872	\$ 81,815	\$ 99,409	\$ 117,674	\$ 136,630	\$ 173,232	\$ 211,243	\$ 250,706	\$ 291,663	\$ 334,157	\$ 378,235	\$ 404,871
Net Operating Income (NOI) after Taxes	\$ (32,223)	\$ 1,475,317	\$ 1,489,486	\$ 1,503,630	\$ 1,517,745	\$ 1,531,823	\$ 1,545,857	\$ 1,542,904	\$ 1,539,216	\$ 1,534,762	\$ 1,529,515	\$ 1,523,444	\$ 1,516,519	\$ 1,527,778
<u>Loan or Mortgage (Debt Service)</u>														
Interest Payment	\$ -	\$ 980,000	\$ 980,000	\$ 980,000	\$ 980,000	\$ 980,000	\$ 980,000	\$ 980,000	\$ 980,000	\$ 980,000	\$ 980,000	\$ 980,000	\$ 980,000	\$ 980,000
Principal Payment	\$ -	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Debt Service	\$ -	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000
Cash Flow After Financing and Reserve	\$ (32,223)	\$ 395,317	\$ 409,486	\$ 423,630	\$ 437,745	\$ 451,823	\$ 465,857	\$ 462,904	\$ 459,216	\$ 454,762	\$ 449,515	\$ 443,444	\$ 436,519	\$ 447,778
Debt Service Coverage Ratio (DSCR)		1.37	1.38	1.39	1.41	1.42	1.43	1.43	1.43	1.42	1.42	1.41	1.40	1.41
Equity Dividend Rate		3.65%	3.78%	3.91%	4.05%	4.18%	4.30%	4.28%	4.24%	4.20%	4.15%	4.10%	4.03%	4.14%

Reasonableness Assessment for C and K Development LLC, Town of Brookhaven Industrial Development Agency

C and K Development											
Annual Cashflows (Pro Forma) - 17 YEAR PILOT											
	Construction										
	Year 1-2	Year 3	Year 4	Year 5	Year 6	Year 14	Year 15	Year 16	Year 17		
Operating Cash Flow											
Residential Income											
Gross Operating Income	\$ -	\$ 1,904,400	\$ 1,942,488	\$ 1,981,338	\$ 2,020,965	\$ 2,367,882	\$ 2,415,240	\$ 2,463,544	\$ 2,512,815		
Less: Vacancy Allowance (enter as a negative number)	\$ -	\$ 95,220	\$ 97,124	\$ 99,067	\$ 101,048	\$ 118,394	\$ 120,762	\$ 123,177	\$ 125,641		
Net Rental Income, Residential	\$ -	\$ 1,809,180	\$ 1,845,364	\$ 1,882,271	\$ 1,919,916	\$ 2,249,488	\$ 2,294,478	\$ 2,340,367	\$ 2,387,175		
Effective Gross Income (EGI)	\$ -	\$ 1,809,180	\$ 1,845,364	\$ 1,882,271	\$ 1,919,916	\$ 2,249,488	\$ 2,294,478	\$ 2,340,367	\$ 2,387,175		
Operating Expenses (enter positive numbers)											
Salaries and Wages	\$ -	\$ 85,000	\$ 86,700	\$ 88,434	\$ 90,203	\$ 105,687	\$ 107,801	\$ 109,957	\$ 112,156		
Maintenance	\$ -	\$ 86,300	\$ 88,026	\$ 89,787	\$ 91,582	\$ 107,303	\$ 109,449	\$ 111,638	\$ 113,871		
Deposit to replacement reserve	\$ -	\$ 54,000	\$ 55,080	\$ 56,182	\$ 57,305	\$ 67,142	\$ 68,485	\$ 69,855	\$ 71,252		
Insurance	\$ -	\$ 60,000	\$ 61,200	\$ 62,424	\$ 63,672	\$ 74,602	\$ 76,095	\$ 77,616	\$ 79,169		
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Operating Expenses	\$ -	\$ 285,300	\$ 291,006	\$ 296,826	\$ 302,763	\$ 354,735	\$ 361,829	\$ 369,066	\$ 376,447		
Pre-Tax Operating Income (Revenue less Operating Expenses)	\$ -	\$ 1,523,880	\$ 1,554,358	\$ 1,585,445	\$ 1,617,154	\$ 1,894,753	\$ 1,932,648	\$ 1,971,301	\$ 2,010,727		
Real Property Taxes (assuming PILOT)	\$ 32,223	\$ 48,563	\$ 64,872	\$ 81,815	\$ 99,409	\$ 266,051	\$ 328,586	\$ 354,610	\$ 381,544		
Net Operating Income (NOI) after Taxes	\$ (32,223)	\$ 1,475,317	\$ 1,489,486	\$ 1,503,630	\$ 1,517,745	\$ 1,628,702	\$ 1,604,063	\$ 1,616,691	\$ 1,629,183		
Loan or Mortgage (Debt Service)											
Interest Payment	\$ -	\$ 980,000	\$ 980,000	\$ 980,000	\$ 980,000	\$ 980,000	\$ 980,000	\$ 980,000	\$ 980,000		
Principal Payment	\$ -	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000		
Debt Service	\$ -	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000		
Cash Flow After Financing and Reserve	\$ (32,223)	\$ 395,317	\$ 409,486	\$ 423,630	\$ 437,745	\$ 548,702	\$ 524,063	\$ 536,691	\$ 549,183		
Debt Service Coverage Ratio (DSCR)		1.37	1.38	1.39	1.41	1.51	1.49	1.50	1.51		
Equity Dividend Rate		3.65%	3.78%	3.91%	4.05%	5.07%	4.84%	4.96%	5.07%		

Reasonableness Assessment for C and K Development LLC, Town of Brookhaven Industrial Development Agency

C and K Development											
Annual Cashflows (Pro Forma) - NO PILOT											
	Construction Year 1-2	Year 3	Year 4	Year 5	Year 6	Year 14	Year 15	Year 16	Year 17		
Operating Cash Flow											
Residential Income											
Gross Operating Income	\$ -	\$ 1,904,400	\$ 1,942,488	\$ 1,981,338	\$ 2,020,965	\$ 2,367,882	\$ 2,415,240	\$ 2,463,544	\$ 2,512,815		
Less: Vacancy Allowance (enter as a negative number)	\$ -	\$ 95,220	\$ 97,124	\$ 99,067	\$ 101,048	\$ 118,394	\$ 120,762	\$ 123,177	\$ 125,641		
Net Rental Income, Residential	\$ -	\$ 1,809,180	\$ 1,845,364	\$ 1,882,271	\$ 1,919,916	\$ 2,249,488	\$ 2,294,478	\$ 2,340,367	\$ 2,387,175		
Effective Gross Income (EGI)	\$ -	\$ 1,809,180	\$ 1,845,364	\$ 1,882,271	\$ 1,919,916	\$ 2,249,488	\$ 2,294,478	\$ 2,340,367	\$ 2,387,175		
Operating Expenses (enter positive numbers)											
Salaries and Wages	\$ -	\$ 85,000	\$ 86,700	\$ 88,434	\$ 90,203	\$ 105,687	\$ 107,801	\$ 109,957	\$ 112,156		
Maintenance	\$ -	\$ 86,300	\$ 88,026	\$ 89,787	\$ 91,582	\$ 107,303	\$ 109,449	\$ 111,638	\$ 113,871		
Deposit to replacement reserve	\$ -	\$ 54,000	\$ 55,080	\$ 56,182	\$ 57,305	\$ 67,142	\$ 68,485	\$ 69,855	\$ 71,252		
Insurance	\$ -	\$ 60,000	\$ 61,200	\$ 62,424	\$ 63,672	\$ 74,602	\$ 76,095	\$ 77,616	\$ 79,169		
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Operating Expenses	\$ -	\$ 285,300	\$ 291,006	\$ 296,826	\$ 302,763	\$ 354,735	\$ 361,829	\$ 369,066	\$ 376,447		
Pre-Tax Operating Income (Revenue less Operating Expenses)	\$ -	\$ 1,523,880	\$ 1,554,358	\$ 1,585,445	\$ 1,617,154	\$ 1,894,753	\$ 1,932,648	\$ 1,971,301	\$ 2,010,727		
Real Property Taxes (assuming no PILOT)	\$ 32,223	\$ 334,275	\$ 340,961	\$ 347,780	\$ 354,735	\$ 415,629	\$ 423,942	\$ 432,421	\$ 441,069		
Net Operating Income (NOI) after Taxes	\$ (32,223)	\$ 1,189,605	\$ 1,213,397	\$ 1,237,665	\$ 1,262,418	\$ 1,479,124	\$ 1,508,707	\$ 1,538,881	\$ 1,569,658		
Loan or Mortgage (Debt Service)											
Interest Payment	\$ -	\$ 980,000	\$ 980,000	\$ 980,000	\$ 980,000	\$ 980,000	\$ 980,000	\$ 980,000	\$ 980,000		
Principal Payment	\$ -	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000		
Debt Service	\$ -	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000		
Cash Flow After Financing and Reserve	\$ (32,223)	\$ 109,605	\$ 133,397	\$ 157,665	\$ 182,418	\$ 399,124	\$ 428,707	\$ 458,881	\$ 489,658		
Debt Service Coverage Ratio (DSCR)		1.10	1.12	1.15	1.17	1.37	1.40	1.42	1.45		
Equity Dividend Rate		1.01%	1.23%	1.46%	1.69%	3.69%	3.96%	4.24%	4.52%		

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 7/7/2025.
- ◆ Project financing and annual cashflow workbook submitted by the Applicant on 9/4/2025 and 9/12/2025.
- ◆ Assessed value estimates provided by the applicant in the cashflow workbook.
- ◆ 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)

$\text{Equity Dividend} / \text{Equity Investment} = \text{Equity Dividend Rate}$, where $\text{Equity Dividend} = \text{Net Operating Income} - \text{Debt Service}$.

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.

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