

PREPARED FOR:

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

# Reasonableness Assessment for Financial Assistance

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FERRANDINO AND SON DEVELOPMENT GROUP, LLC

MARCH 2025

PREPARED BY:



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# EXECUTIVE SUMMARY

## Project Description

The Town of Brookhaven Industrial Development Agency (Agency) received an application from Ferrandino and Son Development Group LLC (Applicant) for financial assistance for a 4.08-acre mixed-use project of 320,896 square feet consisting of two 4-story multifamily buildings with 2 parking garages, 262 total residential units, a 301-square-foot "Grab and Go" retail food location, and 540 square feet of ancillary office space. 10% of the units will be affordable (80% of AMI) and 10% of the units will be workforce (120% of AMI) per their application.

The Project represents a \$177.6 million investment and is anticipated by the Applicant to generate 5 full-time equivalent permanent jobs within three years in addition to 310 estimated construction jobs. 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 the vacancy rate. However, certain segments of affordable and workforce housing are outside of 2024 benchmarks and certain market rent units are above that of comparable new construction projects (post 2020) in Suffolk County. Operating expenses/net operating income are more efficient than benchmarks.***
- ***The average equity dividend rate is below the benchmark (4.72%) for both the PILOT (3.58%) and No PILOT (0.90%) scenarios.***
- ***Debt service coverage ratio benchmark is met in year 1 in the PILOT scenario and year 9 in the No PILOT scenario.***

# 1. OPERATING ASSUMPTIONS

The Applicant's operating assumptions are compared to CoStar estimates for rent in 2024 in Suffolk County and key metrics for workforce and 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.

**Affordable/Workforce 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 Limits Workforce (3)	Income Limits Affordable (3)	Benchmarks
Affordable Studio	2	\$1,914	\$22,968	\$76,560	n/a	\$87,500	Meets Benchmark
Affordable Studio	3	\$1,984	\$23,808	\$79,360	n/a	\$87,500	Meets Benchmark
Workforce Studio	5	\$2,298	\$27,576	\$91,920	\$131,200	n/a	Meets Benchmark
Affordable 1BR	15	\$2,210	\$26,520	\$88,400	n/a	\$100,000	Meets Benchmark
Workforce 1BR	14	\$2,903	\$34,836	\$116,120	\$149,950	n/a	Meets Benchmark
Affordable 2BR	2	\$2,534	\$30,408	\$101,360	n/a	\$112,500	Meets Benchmark
Affordable 2BR	5	\$2,585	\$31,020	\$103,400	n/a	\$112,500	Meets Benchmark
Workforce 2BR	7	\$3,990	\$47,880	\$159,600	\$168,700	n/a	Meets Benchmark

(1) Source: Applicant

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

(3) Uncapped FY 2023 Low Income Limit Table By Family Size, Town of Brookhaven

## Reasonableness Assessment for Ferrandino and Son Development Group LLC, Town of Brookhaven Industrial Development Agency

Market Rate 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)	CoStar Market Rent (3)	Benchmarks (4)
Market Studio	1	\$2,575	\$30,900	\$103,000	\$2,793	Rent is 8% Lower Than Market - Meets Benchmark
Market Studio	6	\$2,681	\$32,172	\$107,240	\$2,793	Rent is 4% Lower Than Market - Meets Benchmark
Market Studio	10	\$2,801	\$33,612	\$112,040	\$2,793	Rent is at Market - Meets Benchmark
Market Studio	4	\$2,704	\$32,448	\$108,160	\$2,793	Rent is 3% Lower Than Market - Meets Benchmark
Market Studio	9	\$2,726	\$32,712	\$109,040	\$2,793	Rent is 2% Lower Than Market - Meets Benchmark
Market Studio	2	\$2,806	\$33,672	\$112,240	\$2,793	Rent is at Market - Meets Benchmark
Market Studio	2	\$2,826	\$33,912	\$113,040	\$2,793	Rent is 1% Higher Than Market - Meets Benchmark
Market Studio	2	\$2,902	\$34,824	\$116,080	\$2,793	Rent is 4% Higher Than Market - Meets Benchmark
Market Studio	3	\$3,104	\$37,248	\$124,160	\$2,793	Rent is 11% Higher Than Market - Meets Benchmark
Market 1BR	4	\$2,787	\$33,444	\$111,480	\$3,130	Rent is 11% Lower Than Market - Meets Benchmark
Market 1BR	40	\$3,182	\$38,184	\$127,280	\$3,130	Rents is 2% Higher Than Market - Meets Benchmark
Market 1BR	13	\$3,305	\$39,660	\$132,200	\$3,130	Rent is 6% Higher Than Market - Meets Benchmark
Market 1BR	4	\$3,464	\$41,568	\$138,560	\$3,130	Rent is 11% Higher Than Market - Meets Benchmark
Market 1BR	3	\$3,360	\$40,320	\$134,400	\$3,130	Rent is 7% Higher Than Market - Meets Benchmark
Market 1BR	3	\$3,485	\$41,820	\$139,400	\$3,130	Rent is 11% Higher Than Market - Meets Benchmark
Market 1BR	3	\$3,550	\$42,600	\$142,000	\$3,130	Rent is 13% Higher Than Market - Meets Benchmark
Market 1BR	2	\$3,657	\$43,884	\$146,280	\$3,130	Rent is 17% Higher Than Market - Meets Benchmark
Market 1BR	4	\$3,674	\$44,088	\$146,960	\$3,130	Rent is 17% Higher Than Market - Meets Benchmark
Market 1BR	4	\$3,702	\$44,424	\$148,080	\$3,130	Rent is 18% Higher Than Market - Meets Benchmark
Market 1BR	4	\$3,878	\$46,536	\$155,120	\$3,130	<b>Rent is 24% Higher Than Market - Exceeds Benchmark</b>
Market 1BR	4	\$4,052	\$48,624	\$162,080	\$3,130	<b>Rent is 29% Higher Than Market - Exceeds Benchmark</b>
Market 1BR	11	\$4,052	\$48,624	\$162,080	\$3,130	<b>Rent is 29% Higher Than Market - Exceeds Benchmark</b>
Market 1BR	4	\$4,069	\$48,828	\$162,760	\$3,130	<b>Rent is 30% Higher Than Market - Exceeds Benchmark</b>
Market 1BR	2	\$4,191	\$50,292	\$167,640	\$3,130	<b>Rent is 34% Higher Than Market - Exceeds Benchmark</b>
Market 1BR	2	\$4,267	\$51,204	\$170,680	\$3,130	<b>Rent is 36% Higher Than Market - Exceeds Benchmark</b>
Market 1BR	4	\$4,323	\$51,876	\$172,920	\$3,130	<b>Rent is 38% Higher Than Market - Exceeds Benchmark</b>
Market 1BR	1	\$4,347	\$52,164	\$173,880	\$3,130	<b>Rent is 39% Higher Than Market - Exceeds Benchmark</b>
Market 2BR	22	\$3,988	\$47,856	\$159,520	\$3,698	Rent is 8% Higher Than Market - Meets Benchmark
Market 2BR	11	\$4,013	\$48,156	\$160,520	\$3,698	Rent is 9% Higher Than Market - Meets Benchmark
Market 2BR	8	\$4,261	\$51,132	\$170,440	\$3,698	Rent is 15% Higher Than Market - Meets Benchmark
Market 2BR	4	\$4,256	\$51,072	\$170,240	\$3,698	Rent is 15% Higher Than Market - Meets Benchmark
Market 2BR	4	\$4,128	\$49,536	\$165,120	\$3,698	Rent is 12% Higher Than Market - Meets Benchmark
Market 2BR	3	\$4,383	\$52,596	\$175,320	\$3,698	Rent is 19% Higher Than Market - Meets Benchmark
Market 2BR	3	\$4,278	\$51,336	\$171,120	\$3,698	Rent is 16% Higher Than Market - Meets Benchmark
Market 2BR	3	\$4,438	\$53,256	\$177,520	\$3,698	<b>Rent is 20% Higher Than Market - Exceeds Benchmark</b>

(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) Benchmark allowance of 20% used to account for new construction & amenities

## 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 economic impact analysis.

<b>PILOT Schedule - 17-Year Schedule</b>					
Year	<u>As-Is Scenario</u>	Proposed Exemption	Total PILOT	Estimated PILOT Savings	Project w/out PILOT
	Existing Town and Village Taxes Without Project (1)				
Construction/ Tax Year 1	\$184,361	-	\$184,361	\$0	\$184,361
Construction/ Tax Year 2	\$184,361	-	\$184,361	\$0	\$184,361
Construction/ Tax Year 3	\$184,361	-	\$184,361	\$0	\$184,361
PILOT/Tax Year 4	\$188,048	100.00%	\$188,048	\$2,025,859	\$ 2,213,907
PILOT/Tax Year 5	\$191,809	100.00%	\$191,809	\$2,066,376	\$ 2,258,185
PILOT/Tax Year 6	\$195,645	98.17%	\$237,799	\$2,065,549	\$ 2,303,348
PILOT/Tax Year 7	\$199,558	96.34%	\$285,553	\$2,063,863	\$ 2,349,416
PILOT/Tax Year 8	\$203,549	94.28%	\$340,603	\$2,055,801	\$ 2,396,404
PILOT/Tax Year 9	\$207,620	88.56%	\$487,209	\$1,957,123	\$ 2,444,332
PILOT/Tax Year 10	\$211,772	82.84%	\$639,544	\$1,853,675	\$ 2,493,219
PILOT/Tax Year 11	\$216,008	77.12%	\$797,777	\$1,745,306	\$ 2,543,083
PILOT/Tax Year 12	\$220,328	71.40%	\$962,084	\$1,631,860	\$ 2,593,944
PILOT/Tax Year 13	\$224,735	65.69%	\$1,132,643	\$1,513,181	\$ 2,645,824
PILOT/Tax Year 14	\$229,229	59.97%	\$1,309,641	\$1,389,100	\$ 2,698,741
PILOT/Tax Year 15	\$233,814	54.25%	\$1,493,265	\$1,259,450	\$ 2,752,715
PILOT/Tax Year 16	\$238,490	48.53%	\$1,683,710	\$1,124,060	\$ 2,807,770
PILOT/Tax Year 17	\$243,260	42.81%	\$1,881,176	\$982,748	\$ 2,863,924
<b>Total</b>	<b>\$3,556,946</b>	<b>66.1%</b>	<b>\$12,183,942</b>	<b>\$23,733,954</b>	<b>\$35,917,897</b>

(1) Source: Calculated Full Land & Improvement Value From Existing Land Parcels, Excludes Village Sewer, BIDS - Statement of Taxes 2024-2025. Assumes 2% annual increase

(2) Source: Town of Brookhaven, Village of Patchogue

The PILOT agreement will abate 66.1% of the Applicant's taxes, resulting in \$23,733,954 in foregone tax revenue (benefit to the Project) to the municipality over the next 17 years. This amount is higher than the \$8,626,997 in estimated new tax revenue (benefit to the municipality) the municipality stands to gain from the Project with the PILOT.

<b>Real Property Tax Comparison</b>	
<b>17 Year PILOT</b>	
<u>Comparison of Taxes on Full Value of Project and with PILOT</u>	
Taxes without PILOT	\$35,917,897
Less: PILOT/Tax Payments	<u>(\$12,183,943)</u>
Foregone Revenue (Benefits to Project)	\$23,733,954
Abatement Percent	66.1%
 <u>Net New Taxes Compared with No Project</u>	
PILOT	\$12,183,943
Less: Estimated Taxes without Project	<u>(\$3,556,946)</u>
Estimated New Tax Revenue (Benefits to Municipalities)	\$8,626,997

## Reasonableness Assessment for Ferrandino and Son Development Group LLC, Town of Brookhaven Industrial Development Agency

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 (17 year PILOT)

<b>Benefits to Municipalities</b>					<b>Benefit to Project</b>				
Year	PILOT Payments	Less:		Net New Tax Revenues	Taxes Owed after Project Completion	Less:		PILOT's Share of Estimated Taxes Owed	
		Current Tax Revenues	(1)			PILOT Payments	Estimated Savings to Project		
1	\$ 184,361	\$ 184,361	\$ -		\$ 184,361	\$ 184,361	\$ -	100.0%	
2	\$ 184,361	\$ 184,361	\$ -		\$ 184,361	\$ 184,361	\$ 0	100.0%	
3	\$ 184,361	\$ 184,361	\$ -		\$ 184,361	\$ 184,361	\$ 0	100.0%	
4	\$ 188,048	\$ 188,048	\$ -		\$ 2,213,907	\$ 188,048	\$ 2,025,859	8.5%	
5	\$ 191,809	\$ 191,809	\$ -		\$ 2,258,185	\$ 191,809	\$ 2,066,376	8.5%	
6	\$ 237,799	\$ 195,645	\$ 42,154		\$ 2,303,348	\$ 237,799	\$ 2,065,549	10.3%	
7	\$ 285,553	\$ 199,558	\$ 85,995		\$ 2,349,416	\$ 285,553	\$ 2,063,863	12.2%	
8	\$ 340,603	\$ 203,549	\$ 137,054		\$ 2,396,404	\$ 340,603	\$ 2,055,801	14.2%	
9	\$ 487,209	\$ 207,620	\$ 279,589		\$ 2,444,332	\$ 487,209	\$ 1,957,123	19.9%	
10	\$ 639,544	\$ 211,772	\$ 427,772		\$ 2,493,219	\$ 639,544	\$ 1,853,675	25.7%	
11	\$ 797,777	\$ 216,008	\$ 581,769		\$ 2,543,083	\$ 797,777	\$ 1,745,306	31.4%	
12	\$ 962,084	\$ 220,328	\$ 741,756		\$ 2,593,944	\$ 962,084	\$ 1,631,860	37.1%	
13	\$ 1,132,643	\$ 224,735	\$ 907,908		\$ 2,645,824	\$ 1,132,643	\$ 1,513,181	42.8%	
14	\$ 1,309,641	\$ 229,229	\$ 1,080,412		\$ 2,698,741	\$ 1,309,641	\$ 1,389,100	48.5%	
15	\$ 1,493,265	\$ 233,814	\$ 1,259,451		\$ 2,752,715	\$ 1,493,265	\$ 1,259,450	54.2%	
16	\$ 1,683,710	\$ 238,490	\$ 1,445,220		\$ 2,807,770	\$ 1,683,710	\$ 1,124,060	60.0%	
17	\$ 1,881,176	\$ 243,260	\$ 1,637,916		\$ 2,863,924	\$ 1,881,176	\$ 982,748	65.7%	
<b>Totals</b>	<b>\$ 12,183,942</b>	<b>\$ 3,556,946</b>	<b>\$ 8,626,997</b>		<b>\$ 35,917,897</b>	<b>\$ 12,183,942</b>	<b>\$ 23,733,955</b>	<b>33.9%</b>	

(1) Assumes no development at the project site with taxes based on 2023-2024 State of Property Tax Table - Town of Brookhaven & Village of Patchogue

(2) Assumes a 2% annual increase in tax rate and an assessed value of \$1,809,500 for the Village of Patchogue and an assessed value of \$490,000 for the Town of Brookhaven upon project completion; Source: Village of Patchogue, Town of Brookhaven, Applicant



### 3. OPERATING PERFORMANCE

The project's operating performance is measured using Year 8 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 a 17 year PILOT, real property taxes absorb 3% of project income, while debt service absorbs 58% of income, resulting in a positive cash flow of \$1,787,447. Without a PILOT, cashflow is negative \$268,354.

Operations Snapshot, Year 8								
	17 Year PILOT				17 Year No PILOT			
	Project Performance (1)	Share of Gross Operating Income	Benchmark Performance (2)	Evaluation	Project Performance (1)	Share of Gross Operating Income	Benchmark Performance (2)	Evaluation
<u>Calculation of Net Operating Income Residential</u>								
Gross Operating Income	\$ 13,080,631	100%	n/a	n/a	\$ 13,080,631	100%	n/a	n/a
Vacancy Rate and Concessions (4)	6.0%	n/a	5.8%	Within range	6.0%	n/a	5.8%	Within range
Effective Gross Income (EGI), All Uses (3)	\$ 13,303,434	102%	96%	Within range	\$ 13,303,434	102%	96%	Within range
Less: Operating Expenses and Reserve	(\$3,607,506)	28%	51%	More efficient	(\$3,607,506)	28%	51%	More efficient
<u>Less: Real Property Taxes</u>	<u>\$ (340,603)</u>	<u>3%</u>	<u>n/a</u>	<u>n/a</u>	<u>\$ (2,396,404)</u>	<u>18%</u>	<u>n/a</u>	<u>n/a</u>
Net Operating Income	\$ 9,355,325	72%	48%	More efficient	\$ 7,299,524	56%	48%	More efficient
Less: Debt Service	<u>(\$7,567,878)</u>	58%	n/a	n/a	<u>(\$7,567,878)</u>	58%	n/a	n/a
Cashflow after Operating Costs, Taxes, Debt	\$ 1,787,447	14%	n/a	n/a	\$ (268,354)	-2%	n/a	n/a

(1) Source: Applicant

(2) Source: RealtyRates Q2 2024 for Northeast Region

(3) Net of vacancy and concessions and including parking and other revenue

(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 60%, which meets 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	\$96,317,520	60.0%
Other	\$945,000	0.6%
Equity and Working Capital	<u>\$63,266,680</u>	<u>39.4%</u>
Total Sources	\$160,529,200	100%

  

<u>Uses of Funds</u>		
Acquisition and Transaction Costs	\$28,202,805	18%
Construction Costs	<u>\$132,326,395</u>	<u>82%</u>
Total Uses	\$160,529,200	100%

(1) Source: Applicant

### Terms of the Senior (Long Term) Debt

	<u>Terms (1)</u>	<u>Benchmark (2)</u>	<u>Evaluation</u>
Amount Borrowed	\$96,317,520	n/a	n/a
Loan to Total Project Cost	60.00%	55% to 90%	Within Range
Annual Interest Rate	7.65%	4.39% to 8.69%	Within Range
Maturity in Year	30	15 to 40	Within Range

(1) Source: Applicant

(2) Source: RealtyRates Q4 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 the 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 **The average equity dividend rate does not meet this criterion in either scenario but is much higher in the PILOT Scenario.**

Cash Flow shows net cash flow to the Applicant 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.**

Debt Service Coverage estimates how well the Project's net income, after taxes, supports debt repayment. **Debt Service Coverage does not meet this benchmark in the No PILOT scenario but meets this criteria in the PILOT Scenario.**

### Comparison of Return on Investment

	No PILOT	17 Year Provided PILOT	Benchmarks (1)
<u>Equity Dividend Rates</u>			
Average	0.90%	3.58%	4.72% to 13.59%
Minimum	-1.15%	2.11%	
Maximum	3.50%	5.05%	
Year Benchmarks Met	n/a	16	
<u>Cash Flow</u>			
Average	\$570,312	\$2,265,594	n/a
Minimum	(\$729,841)	\$1,335,708	
Maximum	\$2,212,426	\$3,195,174	
Cumulative	\$7,984,364	\$31,718,318	
Year Investment Recouped	n/a	n/a	
<u>Debt Service Coverage</u>			
Average	1.08	1.31	1.00 to 1.86
Minimum	0.90	1.18	
Maximum	1.29	1.42	
Years Benchmarks Met	9	1	

(1) Source: RealtyRates for Q4 2024

## ATTACHMENT 1: PRO FORMAS

Ferrandino and Sons Development Group LLC		Date	3/18/2025							
Annual Cashflows (Pro Forma) - 17 Year PILOT										
	Construction	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10		
	Year 1-3	(Stabilized)								
Operating Cash Flow										
<u>Residential Income</u>										
Gross Operating Income	\$ -	\$ 11,693,461	\$ 12,025,586	\$ 12,367,301	\$ 12,718,886	\$ 13,080,631	\$ 13,452,831	\$ 13,835,793		
Less: Vacancy Allowance (enter as a negative number)	\$ -	\$ (701,608)	\$ (721,535)	\$ (742,038)	\$ (763,133)	\$ (784,838)	\$ (807,170)	\$ (830,148)		
Net Rental Income, Residential	\$ -	\$ 10,991,853	\$ 11,304,051	\$ 11,625,263	\$ 11,955,753	\$ 12,295,793	\$ 12,645,661	\$ 13,005,645		
<u>Commercial/Industrial Income</u>										
Gross Operating Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Less: Vacancy Allowance (enter as a negative number)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Net Rental Income, Commercial/Industrial	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
<u>Other Income</u>										
Parking Income	\$ -	\$ 388,963	\$ 400,632	\$ 412,651	\$ 425,030	\$ 437,781	\$ 450,915	\$ 464,442		
Other Income	\$ -	\$ 506,313	\$ 521,502	\$ 537,147	\$ 553,262	\$ 569,860	\$ 586,955	\$ 604,564		
Other Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Net Income, Other	\$ -	\$ 895,276	\$ 922,134	\$ 949,798	\$ 978,292	\$ 1,007,641	\$ 1,037,870	\$ 1,069,006		
Effective Gross Income (EGI)	\$ -	\$ 11,887,129	\$ 12,226,185	\$ 12,575,061	\$ 12,934,045	\$ 13,303,434	\$ 13,683,531	\$ 14,074,651		
<u>Operating Expenses (enter positive numbers)</u>										
General	\$ -	\$ 3,196,960	\$ 3,276,884	\$ 3,358,806	\$ 3,442,776	\$ 3,528,846	\$ 3,617,067	\$ 3,707,493		
Reserves	\$ -	\$ 71,262	\$ 73,044	\$ 74,870	\$ 76,741	\$ 78,660	\$ 80,626	\$ 82,642		
Operating Expenses	\$ -	\$ 3,268,222	\$ 3,349,928	\$ 3,433,676	\$ 3,519,517	\$ 3,607,506	\$ 3,697,693	\$ 3,790,135		
Pre-Tax Operating Income (Revenue less Operating Expenses)	\$ -	\$ 8,618,907	\$ 8,876,257	\$ 9,141,385	\$ 9,414,528	\$ 9,695,928	\$ 9,985,838	\$ 10,284,516		
Real Property Taxes (assuming 17 Year PILOT)	\$ -	\$ 188,048	\$ 191,809	\$ 237,799	\$ 285,553	\$ 340,603	\$ 487,209	\$ 639,544		
Net Operating Income (NOI) after Taxes	\$ -	\$ 8,430,859	\$ 8,684,448	\$ 8,903,586	\$ 9,128,975	\$ 9,355,325	\$ 9,498,629	\$ 9,644,972		
<u>Loan or Mortgage (Debt Service)</u>										
I.O. Period	\$ -	\$ 6,501,433	\$ 6,501,433	\$ -	\$ -	\$ -	\$ -	\$ -		
Mortgage Payment	\$ -	\$ -	\$ -	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878		
Debt Service	\$ -	\$ 6,501,433	\$ 6,501,433	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878		
Cash Flow After Financing and Reserve	\$ -	\$ 1,929,426	\$ 2,183,015	\$ 1,335,708	\$ 1,561,097	\$ 1,787,447	\$ 1,930,751	\$ 2,077,094		
Debt Service Coverage Ratio (DSCR)		1.30	1.34	1.18	1.21	1.24	1.26	1.27		
Equity Dividend Rate		3.05%	3.45%	2.11%	2.47%	2.83%	3.05%	3.28%		

**Ferrandino and Sons Development Group LLC****Annual Cashflows (Pro Forma) - 17 Year PILOT**

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17
<b>Operating Cash Flow</b>							
<u>Residential Income</u>							
Gross Operating Income	\$ 14,229,830	\$ 14,635,269	\$ 15,052,441	\$ 15,481,691	\$ 15,923,373	\$ 16,377,848	\$ 16,845,496
Less: Vacancy Allowance (enter as a negative number)	\$ (853,790)	\$ (878,116)	\$ (903,146)	\$ (928,901)	\$ (955,402)	\$ (982,671)	\$ (1,010,731)
Net Rental Income, Residential	\$ 13,376,040	\$ 13,757,153	\$ 14,149,295	\$ 14,552,790	\$ 14,967,971	\$ 15,395,177	\$ 15,834,765
<u>Commercial/Industrial Income</u>							
Gross Operating Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Vacancy Allowance (enter as a negative number)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Rental Income, Commercial/Industrial	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Other Income</u>							
Parking Income	\$ 478,375	\$ 492,727	\$ 507,508	\$ 522,734	\$ 538,416	\$ 554,568	\$ 571,205
Other Income	\$ 622,702	\$ 641,382	\$ 660,624	\$ 680,442	\$ 700,855	\$ 721,882	\$ 743,538
Other Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income, Other	\$ 1,101,077	\$ 1,134,109	\$ 1,168,132	\$ 1,203,176	\$ 1,239,271	\$ 1,276,450	\$ 1,314,743
<b>Effective Gross Income (EGI)</b>	<b>\$ 14,477,117</b>	<b>\$ 14,891,262</b>	<b>\$ 15,317,427</b>	<b>\$ 15,755,966</b>	<b>\$ 16,207,242</b>	<b>\$ 16,671,627</b>	<b>\$ 17,149,508</b>
<u>Operating Expenses (enter positive numbers)</u>							
General	\$ 3,800,181	\$ 3,895,185	\$ 3,992,565	\$ 4,092,379	\$ 4,194,689	\$ 4,299,556	\$ 4,407,045
Reserves	\$ 84,708	\$ 86,826	\$ 88,996	\$ 91,221	\$ 93,502	\$ 95,839	\$ 98,235
<b>Operating Expenses</b>	<b>\$ 3,884,889</b>	<b>\$ 3,982,011</b>	<b>\$ 4,081,561</b>	<b>\$ 4,183,600</b>	<b>\$ 4,288,191</b>	<b>\$ 4,395,395</b>	<b>\$ 4,505,280</b>
<b>Pre-Tax Operating Income (Revenue less Operating Expenses)</b>	<b>\$ 10,592,228</b>	<b>\$ 10,909,251</b>	<b>\$ 11,235,866</b>	<b>\$ 11,572,366</b>	<b>\$ 11,919,051</b>	<b>\$ 12,276,232</b>	<b>\$ 12,644,228</b>
<b>Real Property Taxes (assuming 17 Year PILOT)</b>	<b>\$ 797,777</b>	<b>\$ 962,084</b>	<b>\$ 1,132,643</b>	<b>\$ 1,309,641</b>	<b>\$ 1,493,265</b>	<b>\$ 1,683,710</b>	<b>\$ 1,881,176</b>
<b>Net Operating Income (NOI) after Taxes</b>	<b>\$ 9,794,451</b>	<b>\$ 9,947,167</b>	<b>\$ 10,103,223</b>	<b>\$ 10,262,725</b>	<b>\$ 10,425,786</b>	<b>\$ 10,592,522</b>	<b>\$ 10,763,052</b>
Loan or Mortgage (Debt Service)							
I.O. Period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mortgage Payment	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878
Debt Service	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878
<b>Cash Flow After Financing and Reserve</b>	<b>\$ 2,226,573</b>	<b>\$ 2,379,289</b>	<b>\$ 2,535,345</b>	<b>\$ 2,694,847</b>	<b>\$ 2,857,908</b>	<b>\$ 3,024,644</b>	<b>\$ 3,195,174</b>
Debt Service Coverage Ratio (DSCR)	1.29	1.31	1.34	1.36	1.38	1.40	1.42
Equity Dividend Rate	3.52%	3.76%	4.01%	4.26%	4.52%	4.78%	5.05%

## Reasonableness Assessment for Ferrandino and Son Development Group LLC, Town of Brookhaven Industrial Development Agency

Ferrandino and Sons Development Group LLC	Date	3/18/2025							
Annual Cashflows (Pro Forma) - 17 Year No PILOT									
	Construction Year 1-3	Year 4 (Stabilized)	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
<b>Operating Cash Flow</b>									
<u>Residential Income</u>									
Gross Operating Income	\$ -	\$ 11,693,461	\$ 12,025,586	\$ 12,367,301	\$ 12,718,886	\$ 13,080,631	\$ 13,452,831	\$ 13,835,793	
Less: Vacancy Allowance (enter as a negative number)	\$ -	\$ (701,608)	\$ (721,535)	\$ (742,038)	\$ (763,133)	\$ (784,838)	\$ (807,170)	\$ (830,148)	
Net Rental Income, Residential	\$ -	\$ 10,991,853	\$ 11,304,051	\$ 11,625,263	\$ 11,955,753	\$ 12,295,793	\$ 12,645,661	\$ 13,005,645	
<u>Commercial/Industrial Income</u>									
Gross Operating Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Less: Vacancy Allowance (enter as a negative number)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Net Rental Income, Commercial/Industrial	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<u>Other Income</u>									
Parking Income	\$ -	\$ 388,963	\$ 400,632	\$ 412,651	\$ 425,030	\$ 437,781	\$ 450,915	\$ 464,442	
Other Income	\$ -	\$ 506,313	\$ 521,502	\$ 537,147	\$ 553,262	\$ 569,860	\$ 586,955	\$ 604,564	
Other Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Net Income, Other	\$ -	\$ 895,276	\$ 922,134	\$ 949,798	\$ 978,292	\$ 1,007,641	\$ 1,037,870	\$ 1,069,006	
<b>Effective Gross Income (EGI)</b>	\$ -	\$ 11,887,129	\$ 12,226,185	\$ 12,575,061	\$ 12,934,045	\$ 13,303,434	\$ 13,683,531	\$ 14,074,651	
<u>Operating Expenses (enter positive numbers)</u>									
General	\$ -	\$ 3,196,960	\$ 3,276,884	\$ 3,358,806	\$ 3,442,776	\$ 3,528,846	\$ 3,617,067	\$ 3,707,493	
Reserves	\$ -	\$ 71,262	\$ 73,044	\$ 74,870	\$ 76,741	\$ 78,660	\$ 80,626	\$ 82,642	
<b>Operating Expenses</b>	\$ -	\$ 3,268,222	\$ 3,349,928	\$ 3,433,676	\$ 3,519,517	\$ 3,607,506	\$ 3,697,693	\$ 3,790,135	
<b>Pre-Tax Operating Income (Revenue less Operating Expenses)</b>	\$ -	\$ 8,618,907	\$ 8,876,257	\$ 9,141,385	\$ 9,414,528	\$ 9,695,928	\$ 9,985,838	\$ 10,284,516	
<b>Real Property Taxes (assuming No PILOT)</b>	\$ -	\$ 2,213,907	\$ 2,258,185	\$ 2,303,348	\$ 2,349,416	\$ 2,396,404	\$ 2,444,332	\$ 2,493,219	
<b>Net Operating Income (NOI) after Taxes</b>	\$ -	\$ 6,405,000	\$ 6,618,072	\$ 6,838,037	\$ 7,065,112	\$ 7,299,524	\$ 7,541,506	\$ 7,791,297	
<u>Loan or Mortgage (Debt Service)</u>									
I.O. Period	\$ -	\$ 6,501,433	\$ 6,501,433	\$ -	\$ -	\$ -	\$ -	\$ -	
Mortgage Payment	\$ -	\$ -	\$ -	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	
Debt Service	\$ -	\$ 6,501,433	\$ 6,501,433	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	
<b>Cash Flow After Financing and Reserve</b>	\$ -	\$ (96,433)	\$ 116,639	\$ (729,841)	\$ (502,766)	\$ (268,354)	\$ (26,372)	\$ 223,419	
Debt Service Coverage Ratio (DSCR)		0.99	1.02	0.90	0.93	0.96	1.00	1.03	
Equity Dividend Rate		-0.15%	0.18%	-1.15%	-0.79%	-0.42%	-0.04%	0.35%	

**Ferrandino and Sons Development Group LLC****Annual Cashflows (Pro Forma) - 17 Year No PILOT**

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17
<b>Operating Cash Flow</b>							
<u>Residential Income</u>							
Gross Operating Income	\$ 14,229,830	\$ 14,635,269	\$ 15,052,441	\$ 15,481,691	\$ 15,923,373	\$ 16,377,848	\$ 16,845,496
Less: Vacancy Allowance (enter as a negative number)	\$ (853,790)	\$ (878,116)	\$ (903,146)	\$ (928,901)	\$ (955,402)	\$ (982,671)	\$ (1,010,731)
Net Rental Income, Residential	\$ 13,376,040	\$ 13,757,153	\$ 14,149,295	\$ 14,552,790	\$ 14,967,971	\$ 15,395,177	\$ 15,834,765
<u>Commercial/Industrial Income</u>							
Gross Operating Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Vacancy Allowance (enter as a negative number)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Rental Income, Commercial/Industrial	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Other Income</u>							
Parking Income	\$ 478,375	\$ 492,727	\$ 507,508	\$ 522,734	\$ 538,416	\$ 554,568	\$ 571,205
Other Income	\$ 622,702	\$ 641,382	\$ 660,624	\$ 680,442	\$ 700,855	\$ 721,882	\$ 743,538
Other Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income, Other	\$ 1,101,077	\$ 1,134,109	\$ 1,168,132	\$ 1,203,176	\$ 1,239,271	\$ 1,276,450	\$ 1,314,743
<b>Effective Gross Income (EGI)</b>	<b>\$ 14,477,117</b>	<b>\$ 14,891,262</b>	<b>\$ 15,317,427</b>	<b>\$ 15,755,966</b>	<b>\$ 16,207,242</b>	<b>\$ 16,671,627</b>	<b>\$ 17,149,508</b>
<u>Operating Expenses (enter positive numbers)</u>							
General	\$ 3,800,181	\$ 3,895,185	\$ 3,992,565	\$ 4,092,379	\$ 4,194,689	\$ 4,299,556	\$ 4,407,045
Reserves	\$ 84,708	\$ 86,826	\$ 88,996	\$ 91,221	\$ 93,502	\$ 95,839	\$ 98,235
<b>Operating Expenses</b>	<b>\$ 3,884,889</b>	<b>\$ 3,982,011</b>	<b>\$ 4,081,561</b>	<b>\$ 4,183,600</b>	<b>\$ 4,288,191</b>	<b>\$ 4,395,395</b>	<b>\$ 4,505,280</b>
<b>Pre-Tax Operating Income (Revenue less Operating Expenses)</b>	<b>\$ 10,592,228</b>	<b>\$ 10,909,251</b>	<b>\$ 11,235,866</b>	<b>\$ 11,572,366</b>	<b>\$ 11,919,051</b>	<b>\$ 12,276,232</b>	<b>\$ 12,644,228</b>
<b>Real Property Taxes (assuming No PILOT)</b>	<b>\$ 2,543,083</b>	<b>\$ 2,593,944</b>	<b>\$ 2,645,824</b>	<b>\$ 2,698,741</b>	<b>\$ 2,752,715</b>	<b>\$ 2,807,770</b>	<b>\$ 2,863,924</b>
<b>Net Operating Income (NOI) after Taxes</b>	<b>\$ 8,049,145</b>	<b>\$ 8,315,307</b>	<b>\$ 8,590,042</b>	<b>\$ 8,873,625</b>	<b>\$ 9,166,336</b>	<b>\$ 9,468,462</b>	<b>\$ 9,780,304</b>
Loan or Mortgage (Debt Service)							
I.O. Period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mortgage Payment	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878
Debt Service	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878	\$ 7,567,878
<b>Cash Flow After Financing and Reserve</b>	<b>\$ 481,267</b>	<b>\$ 747,429</b>	<b>\$ 1,022,164</b>	<b>\$ 1,305,747</b>	<b>\$ 1,598,458</b>	<b>\$ 1,900,584</b>	<b>\$ 2,212,426</b>
Debt Service Coverage Ratio (DSCR)	1.06	1.10	1.14	1.17	1.21	1.25	1.29
Equity Dividend Rate	0.76%	1.18%	1.62%	2.06%	2.53%	3.00%	3.50%

## 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 11/9/2023.
- ◆ Project financing and annual cashflow workbook submitted by the Applicant in August 2024, with submitted revisions.
- ◆ Updated assessed value provided on August 22nd, 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](http://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](http://www.camoinassociates.com). You can also find us on Twitter [@camoinassociate](https://twitter.com/camoinassociate) and on [Facebook](https://www.facebook.com/camoinassociates) and [LinkedIn](https://www.linkedin.com/company/camoinassociates).

### THE PROJECT TEAM

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*Vice President, Project Principal*

Thomas Galvin  
*Senior Real Estate Specialist, Project Analyst*