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FEASIBILITY STUDY

SUBSTANTIATION OF NEED FOR TOWN OF BROOKHAVEN IDA FINANCIAL ASSISTANCE

INDUSTRIAL DEVELOPMENT AGENCY
Town Of Brookhaven

Rendering of the Proposed Mixed-Use, Mixed-Income, Transit-Oriented Development

PROJECT APPLICANT AND NAME

Ferrandino and Son Development Group LLC
214 West Main Street Project

LOCATION

214, 210, 200, 192-198, 188 West Main Street
14, 21, 25 Hammond Street
26 West Avenue
Patchogue, NY 11772

PROJECT DESCRIPTION

New Construction of a 262-Unit Mixed-Use, Mixed-Income, Transit-Oriented Development

REQUESTED FINANCIAL ASSISTANCE

Payment in Lieu of Taxes (PILOT)
Sales Tax Exemption on Building Materials and Equipment
Mortgage Recording Tax Exemption

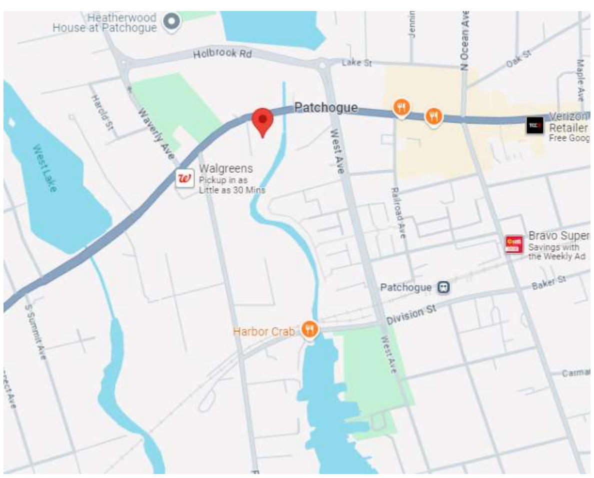
November 15, 2024
[Updated March 11, 2025]

I. ASSIGNMENT

Grow America (formerly National Development Council or NDC) is a national not-for-profit economic development organization that provides development finance advisory services to municipalities and public benefit agencies throughout the country. Grow America is often requested to analyze financial structures of proposed developments and determine the appropriateness of financial assistance or incentives. The Town of Brookhaven IDA (the IDA) requested that Ferrandino and Son Development Group LLC and its counsel arrange for the completion of a feasibility report that demonstrates that the tax assistance package requested of the IDA is necessary for the proposed project to be financially feasible. The purpose of this memo is to describe Grow America's project understandings and findings related to the mixed-use, mixed-income rental housing development at 214 West Main Street.

II. PROJECT SUMMARY

Ferrandino and Son Development Group LLC (the "Applicant" and/or "Developer") has applied for financial assistance for a proposed mixed-use, mixed-income, transit-oriented development on West Main Street in the Village of Patchogue, Town of Brookhaven. The application requests a sales tax exemption on building materials and equipment, mortgage recording tax exemption, and property tax abatement in the form of a payment in-lieu of taxes (PILOT). The Applicant is owned 100% by Peter Ferrandino, an accomplished Long Island -based contractor and developer. Mr. Ferrandino is the founder and CEO of numerous entities including Ferrandino and Son Inc. and Nord Development Group. In over 30 years of work, Mr. Ferrandino has led Ferrandino and Son through exponential growth and directed its evolution from a regional organization to a nationally recognized company managing over 80,000 properties across the United States. The project lead is Joseph Rossi of Nord Development Group, a senior real estate executive who has successfully led many highly complex, award-winning, transformative mixed-use and mixed-income developments.



Project Location

Satellite Image of Site

The subject site, totaling 4.08 acres, is strategically located less than a half mile from the Patchogue Long Island Railroad Station, qualifying it as a transit-oriented development (TOD). The subject development site consists of 9 properties that presently contain a steel manufacturing building, an auto repair shop, a laundromat, and a custom iron works manufacturing facility called "The Carriage House." After acquisition of the properties, the Developer plans to demolish all buildings except for the Carriage House and redevelop the site by constructing two four-story mixed-use buildings totaling 444,000± gross square feet (GSF). The project will include 262 residential units, 300± SF of “grab and go” retail space, 540± SF of office space, a public riverwalk, two parking garages, and additional outdoor parking.

The project construction will feature a one-level Type 1 concrete and steel superstructure with a poured-in-place podium. Building 1 will include a two-level parking deck, with the second level lined with residential units to conceal the parking structure from the property's facade. Above the concrete podium, four levels of Type 5 wood-frame construction will house the residential portions of the buildings. The facade incorporates a tasteful combination of brick and EIFS, enhancing the property's aesthetic appeal from the street and throughout the development.

Approximately 80% of the units will feature large inset balconies. The building offers an extensive array of amenities, including two pools, two gyms, two lobbies, a pet spa, a lounge bar, and a golf simulator, with nearly 18,000 square feet of total amenity space. Building and amenity renderings are shown in **Appendix VI (Page 23).**

The residential units will feature a mix of studio, one-bedroom, and two-bedroom apartments of various sizes. Of the total units, 209 will be market-rate, while 26 workforce units will be reserved for individuals earning less than 120% of the area median income (AMI) and 27 affordable units will be designated for individuals earning less than 80% of AMI in accordance with the IDA’s Uniform Tax Exemption Policy (UTEP).

Building 1 will feature 154 residential units, along with the proposed retail and office space. The ground floor will include a central courtyard and a pool, situated above a two-level parking garage with 282 spaces. The office space, housed within the refurbished Carriage House and incorporated into the first floor, will reportedly be leased to the Patchogue Chamber of Commerce for $1 per year as a community benefit.

Building 2 will include 108 residential units and an outdoor courtyard located on the second floor, above a single-level parking garage with 91 spaces. Additionally, 15 surface parking spaces will be created on the west side of Building 1, along with 32 surface parking spaces on the south side of Hammond Street. Altogether, the development will offer parking for 420 vehicles, with 372 spaces in covered structured garages and 48 spaces at surface level.

In addition to the above, the Developer intends to clean up and restore the Patchogue River to its natural state by removing pollutants, debris, and invasive plant species that currently affect the river. The Developer also plans to redevelop the 7,000 SF (0.16 acre) Suffolk County Parks parcel located at the front of the site along West Main Street. This parcel will be integrated into the project’s riverwalk design, which encompasses approximately 26,000 SF surrounding the river between the two buildings. This area will be landscaped with native plants, enhanced with a six-foot-wide boardwalk extending from West Main to Hammond Street, and will be a community benefit accessible to the public and maintained by the Developer.

The project aims to create a high-quality multi-family residential development to meet the growing housing demand in the Village of Patchogue. This design will attract residents seeking alternatives to single-family homes, offering a broader range of housing options. The project aligns with the established land use and development patterns in Patchogue Village, being situated near other multi-family residential developments. It will revitalize a highly underutilized property at a prime location within walking distance of several key destinations, including retail shops and restaurants in downtown Patchogue Village, Great Patchogue Lake, Blue Point Brewing Company, the YMCA, and the Carnegie Library.

The project will be constructed in two phases. Phase 1, which involves the construction of the western side of the river, is expected to take twenty-four (24) months to complete. Phase 2, focusing on the construction of the eastern side, will begin twelve (12) months after the start of Phase 1 and is also anticipated to take twenty-four (24) months to finish. Altogether, the construction is expected to span three (3) years across both phases.

The IDA is considering a 17-year property tax abatement through a PILOT agreement. After reviewing the application, Grow America has determined that the proposed 17-year PILOT, including three years of construction, is necessary for financial viability. The "as-complete" taxes, estimated at $2,213,907 annually ($8,4350 per unit annually), are very high. With full taxes the project is not feasible. The 17-year schedule is a deviation to the IDA's Uniform Tax Exemption Policy (UTEP). The longer and steeper abatement schedule is justified by the significant development costs. There are numerous extraordinary costs beyond those typical of standard developments, as covered more thoroughly in **Section II and outlined in Appendix III (Pages 18-20)**.

The proposed schedule offers a 100% abatement during the three construction years. The first two years of operations have abatement percentages of 98% and 96%. In operating years 3-14, the abatement percentage will be reduced by 6.25% annually, ending with a 25% abatement in operating year 14.

A detailed breakdown of the proposed PILOT schedule can be found in **Appendix I (Page 16)**.

III. SOURCES & USES

The sources and uses are outlined on the following page. The development budget is $160.5 million, equal to $362 per gross square foot and $613K per unit, both of which are high. The Applicant attributes these high costs to several factors, including steep acquisition costs ($66K per unit) for land assemblage, elevated interest rates that have doubled the capitalized interest carry during construction, and the significant rise in building material and labor costs. The project parking needs cannot be accommodated with surface lots; the structured parking garages add approximately $15 million to the budget. The Applicant highlights substantial extraordinary expenses, including $4.8 million for sewer infrastructure, $7.0 million for the rehabilitation of the surrounding river area and the construction of a public riverwalk, and $4.0 million for the preservation of the historic Carriage House. The latter will be donated to the Patchogue Village Chamber of Commerce to support local economic development and benefit the community. These costs are outlined in more detail by the Applicant in **Appendix III (Pages 18 – 20).**

The Applicant intends to finance the project primarily through a fairly traditional capital structure of debt (60% of cost) and equity (40% of cost) for a complex mixed-use mixed-income development. The Applicant also has applied for approximately $1 million from the Suffolk County Workforce Housing Fund to subsidize the residential units priced at less than 80% of area median income.

To address the difference between the construction and permanent financing, the $7 million gap between the construction and permanent loan is not profit for the developer. Most refinance proceeds are retained in the project as lender-required reserves, with any excess converting equity to debt. This is a common industry practice since debt is cheaper than equity, limiting the need for additional investor contributions. The final permanent loan amount is subject to market conditions at the time of conversion, and construction loans typically have terms of around 36 months. The developer would like to convert to construction loan ($96.3 million) to a higher permanent loan ($103.4 million) after it reaches stabilization, however; the permanent loan amount will be subject to market conditions at the time of conversion and all metrics must be achieved for converting to a larger amount.

SOURCES & USES				
USES OF FUNDS	**$**	**Per Unit**	**Per GSF**	**%**
Property Acquisition Cost	$17,350,000	$66,221	$39	11%
Closing and bank fees	$233,240	$890	$1	0%
Insurance	$3,438,500	$13,124	$8	2%
Legal fees	$841,500	$3,212	$2	1%
Required interest reserves or escrows	$5,851,287	$22,333	$13	4%
Other (excess parcel tax; transfer tax; RE Tax)	$488,278	$1,864	$1	0%
Total Acquisition & Transaction Costs	**$28,202,805**	**$107,644**	**$64**	**18%**
Hard Costs				
Building demolition and construction	$75,004,331	$286,276	$169	47%
Site work (paving, etc.)	$22,095,000	$84,332	$50	14%
Infrastructure (sewer, e.g.)	$6,691,573	$25,540	$15	4%
Amenities/FF&E	$1,327,000	$5,065	$3	1%
Soft Costs				
Architecture and engineering fees	$3,752,821	$14,324	$8	2%
Marketing & Dev Fee (3%)	$5,622,462	$21,460	$13	4%
Permits, inspections	$5,216,212	$19,909	$12	3%
Other (Financing Fees; Operating Deficit; Contingency)	$12,616,996	$48,156	$28	8%
Total Construction Costs	**$132,326,395**	**$505,063**	**$298**	**82%**
Total Project Costs	**$160,529,200**	**$612,707**	**$362**	**100%**
SOURCES OF FUNDS *	**Construction $**	**%**	**Perm $**	**%**
Private Mortgage	**$96,317,520**	**60%**	$103,434,000	64%
Suffolk County Workforce Fund	**$945,000**	**1%**	$945,000	1%
Equity	**$63,266,680**	**39%**	$56,150,200	35%
Total	**$160,529,200**	**100%**	$160,529,200	100%

**** GA assumes the permanent loan sized at same amount as construction loan as metrics do not support the larger amount.***

Grow America's analysis does not assume the $7 million gap. Instead, GA assumes conversion to permanent debt as the same amount as the construction loan, as the lender ratios are still tight assuming the lower construction loan amount. This further supports the need for a 17-year PILOT, as the project would not be sustainable when factoring in the conversion to the higher permanent loan amount. This means the project would not be hitting the required debt coverage ratios (DCR) when calculating debt service on the $103.4 million loan. From a lending standpoint, the permanent lender would not convert to the higher dollar amount, as the required DCR metrics would not be met.

IV. SUMMARIZED BENEFITS PACKAGE

The Applicant obtained estimated "as complete" tax assessments from the respective assessor offices of the Village of Patchogue and the Town of Brookhaven. The estimated as complete tax for the proposed development is $2,213,907 annually, equivalent to over $8,450 per unit. Grow America used these assessments and resulting taxes in its analysis. The Tax Benefit Summary below includes the PILOT as proposed as part of this analysis, the estimated sales tax exemption on building materials and equipment, and mortgage recording tax exemption.

IDA TAX BENEFITS

IDA RELATED PROPERTY TAXES	
Current Taxes	$184,361
Starting PILOT	$184,361
Tax Savings Over Term	$23,733,953
PILOT Payments Over Term	$11,630,860
Average PILOT Payments Over Term	**$830,776**
Multiplier Over Current Taxes	**4.5 X**

SALES TAX EXEMPTION		
Construction Hard Cost		$103,790,904
Value of Building Materials*	50%	$51,895,452
Sales Tax		8.630%
Value of Exemption		$4,478,578
FF&E		$1,327,000
Sales Tax		8.630%
Value of Exemption		$114,520
Total Sales Tax Exemption		$4,593,098

MORTGAGE RECORDING TAX	
Mortgage	$103,434,000
Mortgage Recording Tax	1.05%
Transit District Exclusion	-0.30%
Mortgage Recording Tax Savings	0.75%
Value of Exemption	$775,755

FINANCIAL ASSISTANCE SUMMARY	
Real Estate Tax Savings Over PILOT Term	$23,733,953
Mortgage Recording Tax Savings	$775,755
Sales Tax Exemption	$4,593,098
IDA Financial incentive Package	$29,102,806
Total Project Cost	$160,529,200
Benefits as a % of Total Project Cost	18%

The analysis reflects the 17-year proposed PILOT schedule. Grow America has reviewed the development program, as detailed in **Section V,** and concludes that the 17-year PILOT (inclusive of three construction years) is suitable to help meet lender and investor metrics. The PILOT schedule is detailed in **Appendix I (Page 16).**

Based upon the proposed PILOT schedule, the total project savings from the three level of IDA tax assistance are $29,102,806, which is approximately 18% of total project costs ($160,529,200). Grow America typically sees project savings from IDA assistance in New York fall anywhere between 15-25% of total project costs, meaning the assistance for this development is reasonable and within range of assistance for other projects.

V. SUMMARY OF GROW AMERICA ANALYSIS

Grow America based its analysis on the revenue, expense, and costs assumptions provided by the Developer in its IDA application. For consistency with other IDA reviews, Grow America created its pro forma with the following assumptions:

- Projecting market rent growth at 3.0% annually.

- Projecting workforce rent growth at 2.0% annually.
- Projecting expense growth at 2.50% annually
- Projecting the terminal value of the project using a 5.50% capitalization (cap) rate

Rent Roll

The unit mix and proposed rents are shown on the table below. The market rate rents range from $4.07 per square foot for studio units to $3.14 per square foot for two-bedroom units and are consistent with the market. The affordable and workforce units are priced for households earning less than 80% and 120% AMI. Of note, the 120% AMI studio and one-bedroom units are priced closer to 100% AMI rent limits.

RENT ROLL							
Unit Description	*%*	*Units*	*Avg NSF*	*Total NSF*	*Mo Rent*	*Rent/SF*	*Annual Rent*
Market							
Studio	15%	39	682	26,598	$2,773	$4.07	$1,297,764
One Bedroom	43%	112	990	110,880	$3,498	$3.53	$4,701,312
Two Bedroom / Two Bathroom	22%	58	1,326	76,908	$4,167	$3.14	$2,900,232
Workforce (120% AMI)							
Studio	2%	5	628	3,140	$2,298	$3.66	$137,880
One Bedroom	5%	14	816	11,424	$2,903	$3.56	$487,704
Two Bedroom / Two Bathroom	3%	7	1,254	8,778	$3,990	$3.18	$335,160
Affordable (80% AMI)							
Studio	2%	5	606	3,030	$1,956	$3.23	$117,360
One Bedroom	6%	15	776	11,640	$2,210	$2.85	$397,800
Two Bedroom / One Bathroom	1%	2	1,036	2,072	$2,534	$2.45	$60,816
Two Bedroom / Two Bathroom	2%	5	1,254	6,270	$2,585	$2.06	$155,100
Super's Unit							
Two Bedroom	0%	0	0	0	$0		$0
Total / Average	**100%**	**262**	**995**	**260,740**	**$3,369**	**$3.38**	**$10,591,128**

INCOME SUMMARY			
Market Income	$8,899,308	*$3,548 avg. rent*	*209 units*
Workforce Income (120% AMI)	$960,744	*$3,079 avg. rent*	*26 units*
Workforce Income (80% AMI)	$731,076	*$1,965 avg. rent*	*27 units*
Other Income	$809,140		
Total	**$11,400,268**		

UNIT BREAKDOWN		
Studio	49	19%
One Bedroom	141	54%
Two Bedroom / One Bath	2	1%
Two Bedroom / Two Bath	70	27%
Total	**262**	**100%**

Stabilized Operating Pro Forma

The table on the following page illustrates financial performance with the PILOT in the first stabilized year of operations (Year 3). In addition to high development and operating costs, the development would not be financially feasible without the assistance of the IDA as the estimated full taxes are very high at $8,791 per unit in the stabilized year. When full taxes are plugged into the operating pro forma in the stabilized year, projected cash flow is negative.

Even with the proposed PILOT schedule, the project is challenged to meet lender and investor thresholds. Returns from the project, even with the proposed PILOT schedule, are quite marginal, with stabilized Yield to Cost (YTC) at 5.5%. Pre-tax Internal Rates of Return (IRR) is projected to be 8%. In Year 3, the development achieves a debt coverage ratio (DCR) of 1.18, meaning there is only a 18% cushion of net operating income over project debt service. This is a low cushion, as most lenders require at least a 1.20 DCR. Financial challenges lie in high development costs caused by today's economic environment, high operating costs associated with the management of the properties and public spaces maintained by the Developer, and high as-complete taxes between the Village, Town, and County.

STABILIZED OPERATING PRO FORMA (YEAR 3)						
		(1) WITHOUT PILOT		(2) WITH 3RD YEAR PILOT		
	262 units	$	Per Unit	$	Per Unit	
Market Income	209 units	$10,423,931	*$4,156 per month*			
Workforce Income (120% AMI)	26 units	$1,103,593	*$3,537 per month*			
Workforce Income (80% AMI)	27 units	$839,777	*$2,592 per month*			
Other Income		$949,798				
Gross Income		$13,317,099				
Residential Vacancy		($742,038)	*6.50% vacancy*			
Effective Gross Income		**$12,575,061**		**$12,575,061**		
General Expenses		($3,358,806)	*$12,820*	($3,358,806)	*$12,820*	
Reserves		($74,870)	*$286*	($74,870)	*$286*	
RE Taxes/PILOT		($2,303,349)	*$8,791*	($237,799)	*$908*	
Total Expenses		($5,737,025)	*$21,897*	($3,671,475)	*$14,013*	
Net Operating Income		$6,838,036		$8,903,586		
Debt Service (First Mortgage)		($7,567,875)		($7,567,875)		
Cash Flow		($729,839)		$1,335,711		
METRICS						**Market**
Debt Coverage Ratio (DCR)		-0.90		1.18		>1.20
Cash on Cash		-1.2%		2.1%		>4.7%
Yield to Cost		4.3%		5.5%		>6.5%
Internal Rate of Return (IRR)		4%		8%		>10%

Without the proposed financial incentive package and PILOT schedule, the project would not be financially viable, as the Developer would be unable to generate sufficient returns to attract the necessary construction and permanent financing. The proposed PILOT schedule is essential for the project's financial feasibility.

15-Year vs. 17-Year PILOT Comparison

The financial analysis demonstrates that a 17-year PILOT is essential for ensuring the long-term feasibility of the proposed development while maintaining reasonable returns that do not constitute undue enrichment for the applicant.

Under the 15-year PILOT scenario analyzed by Camoin Associates, the projected financial performance falls significantly below *the Camoin-reported industry benchmarks*. The average cash-on-cash return is

2.72%, with a high of 3.68% and a low of 1.70%, compared to industry benchmarks ranging from 4.72% to 9.60%. Additionally, the debt coverage ratio (DCR) under this scenario averages 1.25, with a minimum of 1.15 and a maximum of 1.39—figures that, while above the 1.00 threshold, leave little margin for financial stability, particularly during economic downturns or periods of operational challenges. While the Camoin report presents these financial metrics, it does not provide a specific recommendation regarding the appropriate PILOT term. Additionally, Grow America considers a 1.00 DCR unrealistic, as most lenders require a minimum DCR of 1.20.

15-Year vs 17-Year PILOT Comparison			
	15-Year PILOT (Camoin Study)	17-Year PILOT (Grow America Study)	Camoin Study Benchmarks
Cash-on-Cash (Equity Dividend Rates)			
Average	2.72%	3.58%	-
Minmum	1.70%	2.11%	4.72%
Maximum	3.68%	5.05%	9.60%
Debt Service Coverage			
Average	1.25	1.31	-
Minmum	1.15	1.18	1.00
Maximum	1.39	1.42	1.86

Extending the PILOT term to 17 years improves these financial metrics, bringing them closer to sustainable levels. Under this 17-year structure, the projected average cash-on-cash return increases to 3.58%, with a high of 5.05% and a minimum of 2.11%. While this remains on the lower end of the industry benchmark range, it provides a more viable return for investors, making the project financially feasible. Similarly, the DCR improves to an average of 1.31, with a minimum of 1.18 and a maximum of 1.42—enhancing financial strength while remaining within industry standards.

Even with the 17-year PILOT, the project's returns are not excessive. The adjusted financials allow the project to meet debt obligations and maintain reasonable investor returns, but they do not yield excess profits. Instead, the 17-year PILOT ensures that the project can secure necessary financing, sustain operations, and deliver the intended public benefits, including job creation, increased tax revenue, and economic development.

Without the 17-year PILOT, the financial viability of the project remains uncertain, as the 15-year scenario does not provide a sufficient return to attract and retain investment. Given these considerations, approving the extended PILOT is a necessary step to ensure the project moves forward.

VI. STUDENT IMPACT

The Real Estate Institute (REI) at Stony Brook University conducted a study in 2019 that evaluated the impact of residential development on local school districts. REI evaluated fourteen (14) residential developments and surveyed the residents and local school districts to determine new net students to the school districts. On average, one (1) student per eleven (11) units, or 9.09%, was identified as the impact on public school enrollment from the multi-family projects surveyed.

As it relates to the subject 262-unit development, the 9.09% multiplier against the 262 units results in an estimated nineteen (19) new students being added to the Patchogue school district from the development, as follows.

SCHOOL IMPACT	
Units	262
Less Studios	(49)
Less Senior Units	0
Adjusted Unit Count	213
Multiplier (1 student for every 11 units)	9.09%
Estimated Number of Net New Students	19
Impact of Market Rate Apartments on School District Enrollment, per Real Estate Institute Study at Stony Brook University	

VII. PILOT CRITERIA REVIEW

As outlined in Section 7(D)(1)(k) of the IDA's Uniform Tax Exemption Policy (UTEP), applicants for Market Rate Housing Projects must demonstrate "the need for the project, other existing or planned housing projects, the impact on the local taxing jurisdictions, the impact on the local school district and the expected number of children, if any, who are likely to attend the local school district, and demonstrate that the housing project complies with the Act." Grow America has determined the following:

Need for the Project

- The project will eliminate nine (9) blighted parcels and replace them with much-needed market-rate and workforce and affordable rental units.
    - 26 workforce housing units will be reserved for individuals earning less than 120% of AMI and 27 affordable housing units will be designated for individuals earning less than 80% of AMI.
- The project will revitalize a highly underutilized property at a prime location within walking distance of downtown Patchogue Village and Long Island Railroad station.
- The project aligns with the established land use and development patterns in Patchogue Village, being situated near other multi-family residential developments.
- The Applicant has engaged in discussions with several major regional employers, including NYU Langone, Stony Brook University, and Brookhaven National Laboratory. These employers have expressed an urgent need for more housing in the area to help address workforce retention challenges.
- The project provides numerous public benefits, including a public riverwalk, community park, and donated office space.
- According to the *Village of Patchogue Economic and Fiscal Impact Analysis* Study (prepared for Long Island Regional Planning Council in 2018), between 2000 and 2017 large residential developments like Copper Beech, Artspace Lofts, and New Village attracted 211 new non-local households, which generated $10.2 million in economic output.
    - Future projects are expected to continue this trend, with new non-local households further contributing to local spending and job creation.

Existing Housing Projects

- **New Village**
  - Type: Multifamily Rental Building
  - Address: 1 Village Green, Patchogue, NY 11772
  - Developer: Tritec
  - Units: 291 units + 62,000 sq. ft. retail & office
  - Built: 2014
  - Stories: 5
- **River Walk**
  - Type: For Sale Condominiums/Townhouses
  - Address: 72 West Ave, Patchogue, NY 11772
  - Developer: Michael Kelly
  - Units: 163 units
  - Built: Dec 2011
  - Stories: 2.5
- **Heatherwood House at Patchogue**
  - Type: Garden Style Rental Apartments
  - Address: 99 Waverly Ave, Patchogue, NY 11772
  - Developer: Heatherwood
  - Units: 272 units
  - Built: 1965
  - Stories: 2
- **Tiffany Apartments**
  - Type: Multifamily Rental Building
  - Address: 1 Maple Ave, Patchogue, NY 11772
  - Units: 102 units
  - Stories: 5
- **Terry Apartments**
  - Type: Multifamily Rental Building
  - Address: 38 Rider Ave, Patchogue, NY 11772
  - Units: 65 units
  - Built: 1970
  - Stories: 5

Planned Housing Projects

- **238 W Main**
  - Type: Multifamily Rentals
  - Address: 238-254 W Main St, Patchogue, NY 11772
  - Developer: Michael Kelly
  - Units: 26 units
  - Stories: 3
- **Greybarn**
  - Type: Multifamily Rentals
  - Address: 304 E Main St, Patchogue, NY 11772
  - Developer: Rechler Equities
  - Units: 91 units

- Stories: 3
- **80 Division St (In Construction)**
  - Type: Multifamily Rentals
  - Address: 80 Division St, Patchogue, NY 11772
  - Developer: RAIA 80 LLC
  - Units: 16 units
  - Stories: 3.5

Impact on Local Taxing Jurisdictions (Quantified in Grow America's Economic Analysis Report)

- The development of a new multifamily housing project will generate significant annual property tax revenue for local jurisdictions, delivering tangible benefits to the community. The project will enrich the tax base by repositioning currently underutilized properties into higher-value residential buildings, providing a greater stream of recurring revenue. The project's contribution to property tax rolls represents meaningful growth to the jurisdiction's revenue base, while not overburdening municipal services. The added value to the tax base will help distribute the cost of government services across a broader population, easing the burden on existing taxpayers.

Impact on Local School District and Expected Number of Children

- The impact on the local school district and expected number of children is calculated on **Page 9** of this report.
- An estimated nineteen (19) new students will be added to the Patchogue school district from the development.
- According to the *Village of Patchogue Economic and Fiscal Impact Analysis* Study, an analysis of seven (7) multi-family residential projects in Patchogue—Copper Beech, Condos on Waverly, Riverview Condos, Bay Village Condos, Artspace Lofts, New Village Apartments, and Riverwalk Condos—revealed a positive fiscal impact on the Patchogue-Medford School District.
  - These projects, which collectively housed 40 public school-age children, generated approximately $6.6 million in school property tax revenue over a ten-year period, while the estimated educational costs associated with these students totaled just $1.18 million. This resulted in a net fiscal surplus of $5.4 million for the school district, demonstrating that the revenue from these developments far exceeded the costs of accommodating the additional students.

General Compliance with Article 18-A of the New York State General Municipal Law (the "Act")

The 214 West Main Street project complies with Article 18-A of the New York State General Municipal Law, which governs the actions of IDAs, by fulfilling key public policy goals, as outlined below:

- **Public Purpose**
  - The project serves a clear public purpose by addressing housing needs and revitalizing an underutilized property in Patchogue. It provides much-needed mixed-income housing, including 53 units designated for affordable and workforce housing, meeting the community's demand for affordable living options. Additionally, the project will clean and restore the Patchogue River, contributing to environmental sustainability.
- **Job Creation and Economic Development**

  - The project will create 310 temporary construction jobs and five permanent jobs, contributing to local employment opportunities.
  - The development is expected to generate significant local spending. The inclusion of affordable housing units will also support workforce retention for major regional employers such as NYU Langone, Stony Brook University, and Brookhaven National Laboratory, which have identified the need for housing to support their employees.
- **Environmental Impact**
  - The development includes several environmentally beneficial components, including restoring the Patchogue River, removing pollutants, and creating a public riverwalk. This commitment to improving the local environment aligns with the goals of sustainable development.
- **Financial Suitability**
  - The project has demonstrated through its financial analysis that it would not proceed except for with the financial assistance provided by the IDA.
  - High development costs, including extraordinary expenses such as river restoration and public improvements, make the project financially unfeasible without a PILOT agreement, sales tax exemption, and mortgage recording tax relief.
- **Alignment with Enhanced PILOT Criteria**
  - As outlined in Section 7(D)(1)(i) of the IDA's Uniform Tax Exemption Policy (UTEP), in order to be eligible for an enhanced PILOT agreement, market rate housing projects must be located in one of the following areas: a Community Development Block Grant area, an Opportunity Zone, a revitalization area, a Transit Oriented Development, a Highly Distressed Area (as defined in the Act), an established downtown, a blighted area or parcel of land as per the Town's Code, or if such Market Rate Housing Project is part of a Town or Village planned development zone or an incentive zoning program. The proposed project fits all the following:
    - *Community Development Block Grant Area:* Patchogue qualifies as it has received Community Development Block Grant funds and aligns with the Town of Brookhaven's 2023-2027 consolidated plan. The Patchogue Community Development Agency anticipates receiving a total of $750,000 over the five-year period.
    - *Transit-Oriented Development:* The subject site is strategically located less than a half mile (approximately 0.25 miles) from the Patchogue Long Island Railroad Station (LIRR), qualifying it as a transit-oriented development (TOD).
    - *Established Downtown:* The subject site is located at a prime location within walking distance of several key destinations, including retail shops and restaurants in downtown Patchogue Village, Great Patchogue Lake, Blue Point Brewing Company, the YMCA, and the Carnegie Library. It is accessible via the Patchogue Long Island Railroad Station (approximately 0.25 miles), numerous buses stops within a half-mile radius, and a 6-mile drive from MacArthur Airport. It is also located near with several major regional employers, including NYU Langone, Stony Brook University, and Brookhaven National Laboratory.
    - *Blighted Area per Town Code:* The project will aid in cleaning up and redeveloping over 4 acres along West Main Street, addressing the currently

poor condition per Town Code. The property exceeds the necessary point value of 100 for blight designation, totaling 190 points, which is quantified in **Appendix IV (Page 21).**

- *Town or Village Planned Development Zone or an Incentive Zoning Program:* The Long Island Regional Planning Council has recognized Downtown Patchogue as a region of significance for redevelopment efforts. The Village has engaged in New York State's Downtown Revitalization Initiative process since February 2017, applying for the West Main Street area. The criteria for DRI funding were fulfilled, but the Village opted to withdraw from the process to retain oversight of their planning.

VIII. COST BENEFIT ANALYSIS

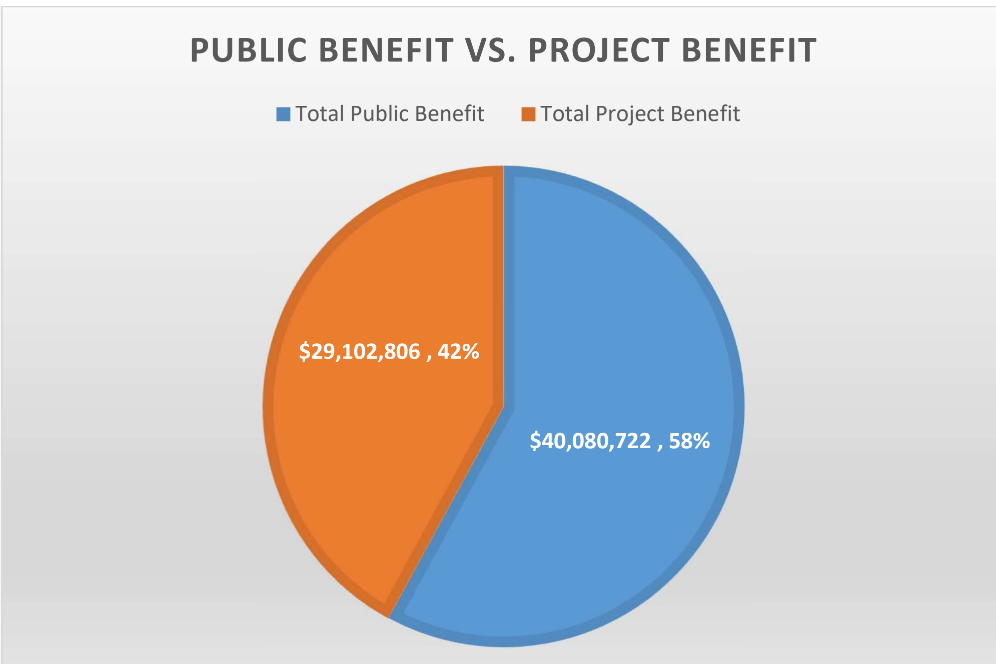
The analysis on the following page shows a net positive public value. The public benefit factors the PILOT increment, Town fees, and IDA fees, as well as the values of the fifty-three (53) workforce and affordable housing units, riverwalk improvements, and carriage house preservation and donation. The project benefit factors savings realized from the PILOT, exemption on the mortgage recording tax, and exemption on the sales tax on building materials. In addition to the analysis below, Grow America included a municipal tax collection comparison in **Appendix V (Page 22)**, illustrating projected tax revenue over a 20-year period with and without the proposed development. The analysis estimates an increase of approximately $16.6 million in new municipal taxes over two decades if the project proceeds, alongside approximately $28.5 million in public benefits, resulting in a total of approximately $40 million in public benefits. These benefits are detailed individually **on the following page (Page 15).**

The Developer will realize $23,733,953 in savings during the 20-year PILOT term, $4,593,098 in savings through the sales tax exemption, and $775,755,381 in savings through the mortgage recording tax exemption. The aggregate PILOT payment is $11,630,860, an average of $830,776 annually, a 4.5X multiple over the current taxes. The development will pay approximately $4,124,995 in reported one-time fees in addition to IDA fees. The additional public benefit is the value attributed to the workforce housing units ($11.9 million) and the civic improvements ($11 million) that the developer will undertake at its own cost.

Not captured in the graph are the new jobs to be created and intangible benefits of the proposed project. The Applicant expects 310 temporary construction jobs and five (5) full-time equivalent permanent jobs for the development. The project will maximize land use with an improved mixed-income, mixed-use, and transit-oriented community within walking distance of key destinations, such as downtown Patchogue Village's retail shops and restaurants, Great Patchogue Lake, Blue Point Brewing Company, the YMCA, and the Carnegie Library. Additionally, the aggregate disposable income from the residential base of 262 households, estimated at over $10 million, will further strengthen the retail base in the continuing evolving market in the Village of Patchogue.

PUBLIC AND PROJECT BENEFIT SUMMARY	
Full IDA Taxes Over PILOT Term	$11,630,860
Estimated Value of Affordable Housing*	$11,986,813
Riverwalk Improvements	$7,011,960
Carriage House Preservation	$3,993,271
Carriage House Office Donation	$806,500
Town Building Fees	$4,124,995
IDA Fees	$526,323
Total Public Benefit	**$40,080,722**
Tax Savings Over Term	$23,733,953
Mortgage Recording Tax Exemption	$775,755
Sales Tax Exemption	$4,593,098
Total Project Benefit	**$29,102,806**
Net Public Benefit	**$10,977,917**

ESTIMATED VALUE OF AFFORDABLE HOUSING*	
Average Market Rate Rents	$3,548
Average 120% Workforce Rents	$3,079
Delta	$469
# of Units	26
Loss of Annual Income	$146,347
Cap Rate	5.50%
Value of 120% AMI Workforce Units	$2,660,854
Average Market Rate Rents	$3,548
Average 80% Affordable Rents	$1,965
Delta	$1,583
# of Units	27
Loss of Annual Income	$512,928
Cap Rate	5.50%
Value of 80% AMI Affordable Units	$9,325,959
Total Value of Affordable / Workforce Units	**$11,986,813**



APPENDIX I: PILOT SCHEDULE

PILOT SCHEDULE								
214 W Main Street								
Current Taxes	$184,361							
Improvement Taxes	$2,029,546							
"As Improved" (Full) Taxes	$2,213,907							
Units	262							
Estimated Taxes/Unit	**$8,450**							
Annual Escalator	2.00%							
PILOT Year	**Operating Year**	**Base Taxes**	**Improvement Taxes**	**"As Improved" Full Taxes**	**Abatement**	**Savings**	**PILOT**	**Increment Over Base Taxes**
1	Construction	$184,361	N/A	$184,361	100.00%	$0	$184,361	$0
2	Construction	$184,361	N/A	$184,361	100.00%	$0	$184,361	$0
3	Construction	$184,361	N/A	$184,361	100.00%	$0	$184,361	$0
4	1	$188,048	$2,025,859	$2,213,907	98.00%	($2,025,859)	$188,048	$0
5	2	$191,809	$2,066,376	$2,258,185	96.00%	($2,066,376)	$191,809	$0
6	3	$195,645	$2,107,703	$2,303,349	93.75%	($2,065,549)	$237,799	$42,154
7	4	$199,558	$2,149,858	$2,349,416	87.50%	($2,063,863)	$285,553	$85,994
8	5	$203,549	$2,192,855	$2,396,404	81.25%	($2,055,801)	$340,603	$137,053
9	6	$207,620	$2,236,712	$2,444,332	75.00%	($1,957,123)	$487,209	$279,589
10	7	$211,773	$2,281,446	$2,493,219	68.75%	($1,853,675)	$639,544	$427,771
11	8	$216,008	$2,327,075	$2,543,083	62.50%	($1,745,306)	$797,777	$581,769
12	9	$220,328	$2,373,616	$2,593,945	56.25%	($1,631,861)	$962,084	$741,755
13	10	$224,735	$2,421,089	$2,645,824	50.00%	($1,513,180)	$1,132,643	$907,908
14	11	$229,230	$2,469,511	$2,698,740	43.75%	($1,389,100)	$1,309,641	$1,080,411
15	12	$233,814	$2,518,901	$2,752,715	37.50%	($1,259,450)	$1,493,265	$1,259,450
16	13	$238,491	$2,569,279	$2,807,769	31.25%	($1,124,059)	$1,683,710	$1,445,219
17	14	$243,260	$2,620,664	$2,863,925	25.00%	($982,749)	$1,881,176	$1,637,915
Total		**$3,003,871**	**$32,360,943**	**$35,364,813**		**($23,733,953)**	**$11,630,860**	**$8,626,990**
						67% of full taxes	33% of full taxes	
							$830,776 avg. annually	
							$3,171 per unit annually	
							4.5 multiplier	

FIRST 3 YEARS OF FULL TAXES								
PILOT Year	**Operating Year**	**Base Taxes**	**Improvement Taxes**	**"As Improved" Full Taxes**	**Abatement**	**Savings**	**Taxes Paid**	**Increment Over Base Taxes**
N/A	15	$248,126	$2,673,078	$2,921,203	0.00%	$0	$2,921,203	$2,673,078
N/A	16	$253,088	$2,726,539	$2,979,627	0.00%	$0	$2,979,627	$2,726,539
N/A	17	$258,150	$2,781,070	$3,039,220	0.00%	$0	$3,039,220	$2,781,070
Total Operating Years 15-17		**$759,364**	**$8,180,687**	**$8,940,050**		**$0**	**$8,940,050**	**$8,180,687**

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APPENDIX II: Pro Forma

214 W Main Project															
14-YEAR PRO FORMA (PILOT TERM DURING OPERATING YEARS)															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
Vacancy		*6.0%*	*6.0%*	*6.0%*	*6.0%*	*6.0%*	*6.0%*	*6.0%*	*6.0%*	*6.0%*	*6.0%*	*6.0%*	*6.0%*	*6.0%*	*6.0%*
Revenue															
Market Income	3.00%	9,825,555	10,120,322	10,423,931	10,736,649	11,058,749	11,390,511	11,732,227	12,084,193	12,446,719	12,820,121	13,204,724	13,600,866	14,008,892	14,429,159
Workforce Income (120% AMI)	2.00%	1,060,739	1,081,954	1,103,593	1,125,665	1,148,178	1,171,142	1,194,564	1,218,456	1,242,825	1,267,681	1,293,035	1,318,896	1,345,274	1,372,179
Workforce Income (80% AMI)	2.00%	807,167	823,310	839,777	856,572	873,703	891,178	909,001	927,181	945,725	964,639	983,932	1,003,611	1,023,683	1,044,157
Other Income	3.00%	895,276	922,134	949,798	978,292	1,007,641	1,037,870	1,069,006	1,101,077	1,134,109	1,168,132	1,203,176	1,239,271	1,276,450	1,314,743
Gross Income		12,588,737	12,947,720	13,317,099	13,697,178	14,088,271	14,490,701	14,904,799	15,330,907	15,769,378	16,220,574	16,684,868	17,162,644	17,654,298	18,160,238
Vacancy		(701,608)	(721,535)	(742,038)	(763,133)	(784,838)	(807,170)	(830,148)	(853,790)	(878,116)	(903,146)	(928,901)	(955,402)	(982,671)	(1,010,730)
Effective Gross Income		11,887,129	12,226,185	12,575,061	12,934,045	13,303,434	13,683,531	14,074,651	14,477,117	14,891,262	15,317,427	15,755,966	16,207,242	16,671,627	17,149,508
Operating Expenses															
General	2.50%	(3,196,960)	(3,276,884)	(3,358,806)	(3,442,776)	(3,528,846)	(3,617,067)	(3,707,493)	(3,800,181)	(3,895,185)	(3,992,565)	(4,092,379)	(4,194,689)	(4,299,556)	(4,407,045)
Reserves	2.50%	(71,262)	(73,044)	(74,870)	(76,741)	(78,660)	(80,626)	(82,642)	(84,708)	(86,826)	(88,996)	(91,221)	(93,502)	(95,839)	(98,235)
PILOT		(188,048)	(191,809)	(237,799)	(285,553)	(340,603)	(487,209)	(639,544)	(797,777)	(962,084)	(1,132,643)	(1,309,641)	(1,493,265)	(1,683,710)	(1,881,176)
Total Expenses		(3,456,270)	(3,541,737)	(3,671,475)	(3,805,070)	(3,948,108)	(4,184,903)	(4,429,680)	(4,682,666)	(4,944,095)	(5,214,205)	(5,493,241)	(5,781,455)	(6,079,105)	(6,386,456)
Net Operating Income		**8,430,859**	**8,684,448**	**8,903,586**	**9,128,975**	**9,355,325**	**9,498,628**	**9,644,972**	**9,794,451**	**9,947,167**	**10,103,222**	**10,262,725**	**10,425,786**	**10,592,522**	**10,763,052**
Debt Service (First Mortgage)		(6,501,433)	(6,501,433)	(7,567,875)	(7,567,875)	(7,567,875)	(7,567,875)	(7,567,875)	(7,567,875)	(7,567,875)	(7,567,875)	(7,567,875)	(7,567,875)	(7,567,875)	(7,567,875)
Cash Flow		**1,929,427**	**2,183,016**	**1,335,711**	**1,561,100**	**1,787,450**	**1,930,753**	**2,077,096**	**2,226,576**	**2,379,292**	**2,535,347**	**2,694,850**	**2,857,911**	**3,024,647**	**3,195,177**
Metrics															
DCR (First Mortgage)		1.30	1.34	1.18	1.21	1.24	1.26	1.27	1.29	1.31	1.34	1.36	1.38	1.40	1.42
Cash on Cash		3.05%	3.45%	2.11%	2.47%	2.83%	3.05%	3.28%	3.52%	3.76%	4.01%	4.26%	4.52%	4.78%	5.05%
Yield to Cost		5.25%	5.41%	5.55%	5.69%	5.83%	5.92%	6.01%	6.10%	6.20%	6.29%	6.39%	6.49%	6.60%	6.70%
Valuation Cap Rate	5.50% cap rate														195,691,856
Outstanding Loan Balance															(70,355,197)
Net Sale Proceeds															125,336,658
	Equity														
Benefit Stream	(63,266,680)	1,929,427	2,183,016	1,335,711	1,561,100	1,787,450	1,930,753	2,077,096	2,226,576	2,379,292	2,535,347	2,694,850	2,857,911	3,024,647	128,361,305
IRR	8%														

APPENDIX III: Applicant-Submitted Itemized Civic Improvements & Extraordinary Costs

Riverwalk Costs

Construction Bridge	848,000
Erosion Control	177,020
Clearing, Excavation, Backfill, Base Course	1,391,250
Shoring & Dewatering Elevator Pit	275,600
Water, Sewer, Drainage	798,575
Bulkhead New & Repairs	333,900
Retaining Wall	401,635
Steps, Curbs, Sidewalk	456,885
Asphalt	241,600
Decking	1,170,185
Water Feature	79,500
Landscaping & Irrigation	837,810
Total Calculated Cost	**7,011,960**

Sewer Costs

Abandon / Fill of Existing Sewer	47,560
Trenching Associated w/ existing Sewer	87,799
New Sewer Pipe	1,259,035
Trenching Associated with Installation of Pipe	428,287
OSHA Compliant Shoring for Trench	289,710
Well Points	91,833
Riser Pipe	179,075
Header Pipe	
Demolition existing Sidewalk	97,801
New Sidewalk	385,700
Allowance on Pump Station	
Sewer Odor Mitigation	
Allowance on Soft Cost	230,000
Impact Fee	1,369,500
Application & Inspection Fee	1,300
Floor Area	130,148
LF of Sewer Pipe Installed	475
Permanent Sewer Design	205,000

Total Calculated Cost	**4,803,223**

Carriage House Preservation Costs

Site Logistics	35,100
General Requirements	295,300
Existing Conditions	918,300
Excavations & Foundations	901,500
Masonry	24,500
Brick	308,800
Structural Steel	37,800
Carpentry, Drywall & Insulation	63,600
Architectural Woodwork	7,500
Roofing	172,800
Doors & Hardware	1,600
Storefronts	84,000
Windows	29,800
Ceramic/ Stone	3,000
Flooring	4,400
Painting	9,600
Specialties	1,200
Kitchen Cabinets & Vanities	2,500
Plumbing	15,000
Plumbing Fixtures	900
HVAC	61,600
Electric	67,200
Light Fixtures	1,400
Construction Contingency	152,370
General Conditions	454,983
Insurance	146,190
Overhead	76,019
Fee	116,309
Total Calculated Cost	**3,993,271**

Carriage House Office Donation

Turn Key Buildout for Tenant	27,000

Common Area Maintenance - 20 Year Term	54,000
Rent Valuation - 20 Year Term	725,500
Total Calculated Cost	**806,500**

Municipal Permits & Fees

Building Permit	1,836,000
Building Permit Renewal Fee	
Commercial Fire Alarm	357
Building & Housing Fee	40,086
Sewer Fees	172,954
Water and Sewer	1,603,440
Certifcate of Occupancy	408
Fire Alarm Application Fee	714
3rd Party Special Inspector	255,000
Plan Review Fee	10,200
Pool fee	357
Village Board of Trustees (Change of Zone)	1,020
Village Planning Board (Site Plan)	612
Village Planning Board ZBA - Variance Relief	510
Village Sewer District (Map & Plan Study)	15,300
Suffolk Planning Commission	204
Suffolk Water Authority Tap Fees	66,300
SCDH Wastewater Mgmt Application	5,610
SCDH Board of Review	255
PSEG	102,000
ARB for Design	255
Plan Review Fee	1,020
demo permit	7,140
Sidewalk encumbrance	4,080
Generator	510
Natural Gas	357
Gas fireplaces	306
Total Calculated Fees	**4,124,995**

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APPENDIX IV: Blighted Property Designation

Blighted Property Designation		
§ 88-3 Blighted Property Designation	<--- Town Code Link	**Blighted Property** = "An improved or vacant property which meets or exceeds a point value of **100 points** as set forth within this chapter."
Description	Total Eligible Points	Carriage House Project Points
Determination by Town Attorney that condition is a serious threat to health safety	50	0
Owner Violations Issued	50	0
Property attracted illegal, noxious activity	50	50
Determination of fire hazard by Fire Marshal	50	0
Boarded eindows, doors, entry/exits	5	5
Broken or unsecured windows	10	10
Broken or unsecured doors, entry/exits	10	10
Excessive litter / debris	10	10
Overgrown grass 12 inches or higher	10	10
More than 1 unregistered vehicle	5	5
Broken, unsecured Roof	10	0
Broken, unsecured Gutters	5	5
Broken, unsecured Siding shingles	10	0
Broken, unsecured Chimeny	10	0
Broken, unsecured Shutters	5	0
Broken, unsecured accessory structures	15	0
Junk Vehicles (2 pts per vehicle)	2	10
Damaged/unsightly/unsecured signage or awnings	15	0
Presence of graffiti	10	10
Broken outdoor light fixtures	5	5
Broken fencing and gates	10	10
Broken/exposed electrical wires and equipment	15	0
Unfinished construction	20	0
Damaged, dead or fallen trees	10	10
Evidence of unrepaired fire damage	30	0
Peeling paint	5	0
Stagnant water	10	0
Unsecured wells / cesspools	10	0
Presence of Vermin	30	30
Presence of indoor appliances, furniture or equipment in outdoor area	10	10
Lumber/construction materials or debris outdoors	10	0
Totals	497	**190**

APPENDIX V: Municipal Tax Collection Comparison Over 20 Years

Municipal Tax Collection		
Year	**If Project is Built**	**If Current Properties Remain**
1	$184,361	$184,361
2	$184,361	$188,048
3	$184,361	$191,809
4	$188,048	$195,645
5	$191,809	$199,558
6	$237,799	$203,549
7	$285,553	$207,620
8	$340,603	$211,773
9	$487,209	$216,008
10	$639,544	$220,328
11	$797,777	$224,735
12	$962,084	$229,230
13	$1,132,643	$233,814
14	$1,309,641	$238,491
15	$1,493,265	$243,260
16	$1,683,710	$248,126
17	$1,881,176	$253,088
18	$2,921,203	$258,150
19	$2,979,627	$263,313
20	$3,039,220	$268,579
TOTAL	$21,123,994	$4,479,487
Municipal Gain to Tax		**$16,644,507**

APPENDIX VI: Additional Renderings

GROW AMERICA DISCLAIMER

Standard disclaimer regarding Grow America's compliance with Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") and amended Section 15B of the Securities and Exchange Act of 1934 ("Exchange Act"):

Grow America is not a Registered Municipal Advisor as defined in Dodd-Frank and the Exchange Act and therefore cannot provide advice to a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including structure, timing, terms, or other similar matters concerning such financial products or issues.

The general information contained in this document is factual in nature and consistent with current market conditions and does not contain or express subjective assumptions, opinions, or views, or constitute a recommendation, either express or implied, upon which a municipal entity or obligated person may rely with respect to municipal products or the issuance of municipal securities.

In connection with these matters, it is expressly understood by all parties that Grow America is not acting as your agent, advisor, municipal advisor, or fiduciary. Grow America may have financial and other interests that differ from yours. You should discuss the information contained herein with your own municipal, financial, legal, accounting, tax, and/or other advisors, as applicable, to the extent that you deem appropriate.