

Middle Country Meadows
Economic Impact Analysis

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Prepared for:

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Date:

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Executive Summary

Middle Country Meadows, LLC (the "Developer") is proposing a real estate development project at 1277 Middle Country Road in Selden, NY (the "Site"). The project consists of the construction of 136,400 square feet of residential space, across multiple buildings, comprised of 124 age-restricted residential apartments, together with associated furniture, fixtures, machinery and equipment (the "Project"), of which 36 units will be income-restricted affordable units available to those who make no more than 80% of the area median income. The following analysis included an examination of the local market's ability to support the Project and the extent of economic impacts associated with the Project on the Town of Brookhaven (the "Town").

To do so, MRB Group modeled the economic impacts of the construction of the Project in terms of direct and indirect jobs and earnings in the region. We also modeled the annual economic impacts post-construction, which result from our estimates of "net new" household spending from future occupants of the Site. Below are the results of our analyses.

Market Review Conclusions

From a real estate market point of view, the Project appears to be well positioned in a market characterized by strong fundamentals. Over the last ten years, vacancy rates have typically stayed below 4% in the multi-family rental market, despite a steady stream of deliveries. In the last 12 months, there have been considerably more deliveries than on average over the last 10 years, but even those new projects have shown good absorption characteristics, despite the COVID-19 pandemic.

When looking at the 55+ product in particular, two similar projects in the Town have very recently been delivered and have shown positive leasing trends, again despite the pandemic. The Project has many amenities, including very strong local shopping amenities, and is priced competitively to the comparables. The Project also contains very attractively priced "affordable" units that should immediately be absorbed. We therefore conclude that the market data appear to support the Project's success.

Economic Impacts and Other Benefits

In terms of economic impacts, we estimate that there will be 152 direct, on-site construction jobs, 88 indirect jobs and, therefore, a total of 240 construction-phase jobs, collectively earning \$14.9 million in wages.

Once the Project is complete and occupied, we estimate a total of 50 ongoing (permanent) jobs will be created due to the spending of the new households, with total annual earnings of \$2.1 million.¹

Summary of Economic Impacts

	Direct	Indirect	Total
Construction Jobs	152	88	240
Construction Wages	\$9,665,399	\$5,252,709	\$14,918,108
Ongoing Jobs	40	10	50
Ongoing Wages	\$1,490,791	\$633,877	\$2,124,668

We also note certain other direct benefits of the Project to the Town in the form of contributed improvements of the Developer stipulated in various covenants and noted below:

- New sidewalk connecting to Independence Plaza,
- Trail available for use by local high school cross country team,
- Ball field lighting for Selden Center Little League,
- Memorial monument and bench, and
- Clubhouse, to be available for civic meetings.

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

Contents

Executive Summary	2
Market Review Conclusions	2
Economic Impacts and Other Benefits	3
Introduction	5
Multifamily Real Estate Market Review	6
Demographics	6
Local Real Estate Market	6
Affordability	7
Local Spending	9
Comparable Spaces	10
The Vistas of Port Jefferson Station	10
Sutton Place at Mount Sinai	10
Conclusions On Market Review	11
Determination of Market Support	11
Determination of "Net New"	11
Economic Impact Analysis	12
Methodology	12
Construction Phase	13
Operation Phase	13
Appendix A	16

Introduction

Middle Country Meadows, LLC (the "Developer") is proposing a real estate development project at 1277 Middle Country Road in Selden, NY (the "Site"). The project consists of the construction of 136,400 square feet of residential space, across multiple buildings, comprised of 124 age-restricted residential apartments, together with associated furniture, fixtures, machinery and equipment (the "Project"), of which 36 units will be income-restricted affordable units available to those who make no more than 80% of the area median income. The following analysis included a thorough examination of the local market's ability to support the Project and the extent of economic impacts associated with the Project on the Town of Brookhaven (the "Town").

To do so, MRB Group consulted various data sources, including Co-Star, Emsi and Esri. We modeled the economic impacts of the construction of the Project in terms of direct and indirect jobs and earnings in the region. We also modeled the annual economic impacts post-construction on the Town, which result from our estimates of "net new" household spending from future occupants of the Site.

Multifamily Real Estate Market Review

Demographics

The Project involves a 124-unit development to include both market-rate and affordable housing units for the 55+ target market in the Town of Brookhaven. Current trends in demographic data suggest that the demand for senior housing is expected to increase through 2025. Using projections forecasted by Esri, an international leader in GIS software, key aspects of Brookhaven's 50+ age population show notable signs of growth. Each relevant indicator including population, household income, and renter-occupied housing units are uniformly projected to grow, to some degree, through 2025.

Brookhaven 50+ Age Profile

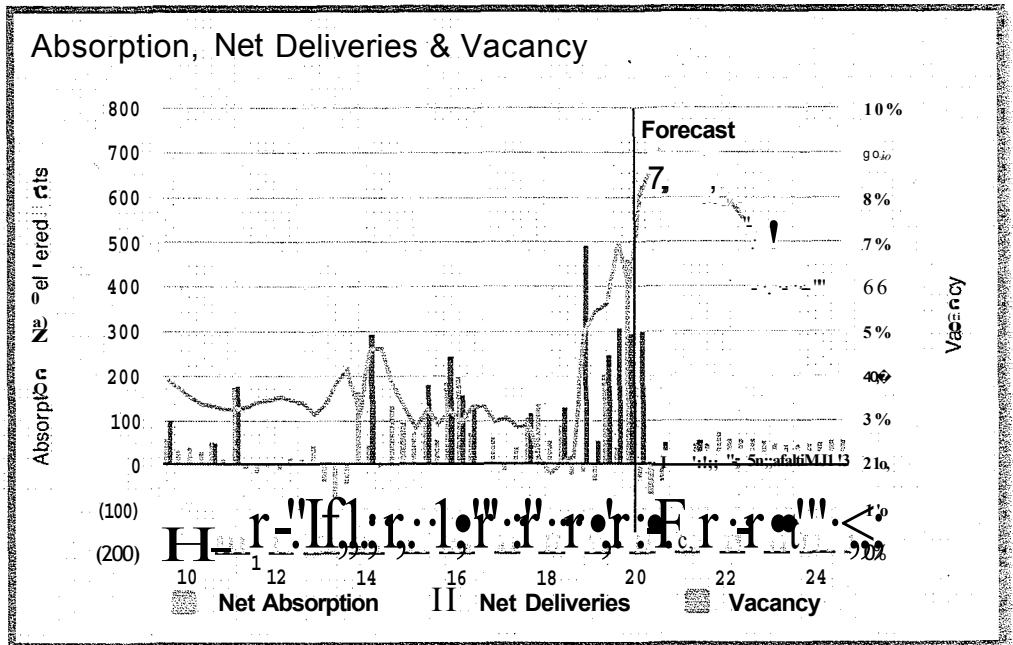
	2020	2025	2020-2025 Growth
Population 50+	182,923	187,783	2.43%
% of Householders 55+	49.60%	51.30%	3.31%
Median Household Income 55+	\$79,140	\$84,854	6.73%
Total Renter-Occupied Housing Units	21.51%	21.93%	1.44%

Source: ESRI

Local Real Estate Market

From 2010–2020, multifamily (for-rent and for-sale) vacancy rates for the Town have been persistently low. Up until 2019, those rates were running mostly below 4% and were closely correlated with vacancy rates from the rest of Long Island. Since Q3 2018, several residential development projects have brought over 1,000 rental units to the market that are currently being absorbed.

According to Co-Star, our real estate data provider, there are another 300 units to be delivered in Q4 2020, adding to the supply. Historical data has shown that newly delivered units are quickly absorbed in the area's otherwise tight housing market. Vacancy rates for the Town's multifamily units are forecasted to reach as high a 9% in early 2021, as a result of the new



deliveries and, presumably, as short-lived demand shocks stem from the COVID-19 pandemic.

As of Q1 2020, there were approximately 176,000 residential units in the Town of Brookhaven. While primarily owner-occupied, approximately 20% of Brookhaven's housing stock is comprised of renter-occupied units. This composition is similar to Suffolk County, and Long Island as a whole.

Rental Housing Units

	Renter-Occupied Units	% of All Occupied Units	Total Housing Units
Brookhaven	34,128	19.4%	175,772
Suffolk County	97,084	16.9%	575,162
Long Island	183,800	17.6%	7,046,997

Source: US Census Bureau, 2018 ACS; Long Island Counties Nassau and Suffolk Counties

Affordability

Housing affordability in the Town of Brookhaven also indicates demand for both market-rate and affordable rental units. "House and Home Expenditures," shown in the table to the right, encompass annual spending of households on mortgage, insurance, tax, and property maintenance, where appropriate. The Spending Potential Index (SPI) is a composite measure of household expenditures for the specified region as compared to national averages. For the Town, owned dwellings have significantly higher home expenditures and spending potential as compared to national averages. This SPI figures again demonstrate that housing is in short supply/high demand in the Town, indicating that any new market-rate or affordable units would attract net new households to the area. The picture is largely the same with respect to rental properties, with median contract rent in the Town of \$18,888 per year (\$1,574 per month; source: 2014-2018 American Community Survey.) As described below in the "Comparable Spaces" section of this report, we understand that the units in the proposed Project are anticipated to be priced attractively in the market for both market-rate and affordable units.

Brookhaven House, and Home Expenditures

	Average Amount Spent	SPI
Owned Dwelling	\$20,633	151

Source: U.S. Department of Commerce, Bureau of Economic Analysis, 2017 Consumer Expenditure Surveys, Bureau of Labor Statistics.

Housing affordability can also be assessed by calculating the household income threshold for the area. This threshold represents the minimum income required to be considered not "burdened" by housing costs. The general rule of thumb is a household should pay no more than 28% of income on housing costs. Using the 2020 Median Home Value for the Town, we are able to calculate a household income threshold of \$76,886, which is slightly below the actual median household income \$77,899. However, as shown in the table below, approximately 24% of households earn an income that would be considered "burdened" by housing costs (ie. all households earning \$74,999 or less). Therefore, there is a clear and demonstrated need for additional housing units in the Town of Brookhaven that serve this otherwise "burdened" set of residents.

Household Income Threshold

	Brookhaven
Median Home Value, 2020	\$360,192
10% Down Payment	\$36,019
Loan Amount	\$324,173
Avg. Monthly Mortgage Payment; 30 Yrs. @ 4%	\$1548
Estimated Additional Costs	\$246
Avg. Monthly Mortgage + Additional Costs	\$1,794
Household Income Threshold	\$76,886
Median Household Income, 2020	\$77,899

Source: ES&S, Inc. (2020)

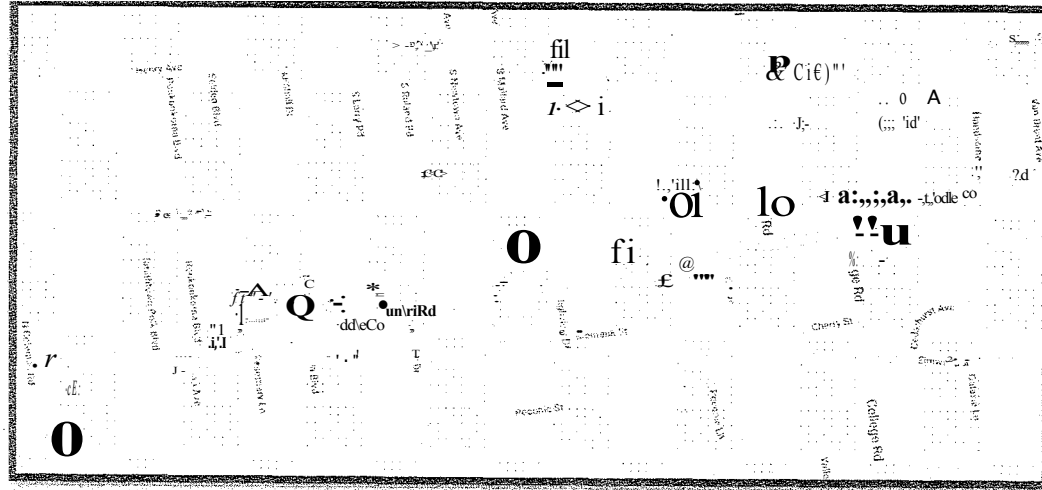
2020 Households by Income

	Brookhaven % of HH
<\$15,000	6.3%
\$15,000 - \$24,999	5.6%
\$25,000 - \$34,999	4.6%
\$35,000 - \$49,999	7.2%
\$50,000 - \$74,999	13.4%
\$75,000 - \$99,000	13.1%
\$100,000 - \$149,000	22.2%
\$150,000 - \$199,000	8.4%
\$200,000+	14.0%

Source: ES&S, Inc. (2020)

Local Spending

The Project includes a sidewalk connecting the Site to the adjacent Independence Plaza shopping center, increasing the connectivity and walkability for prospective tenants. Independence Plaza includes over 20 retail stores and restaurants including Home Depot, Target, and Rite Aid, among other retailers. The Developer has indicated that the project will also include a walking trail to one of the most popular Starbucks on Long Island. The map below shows the Project's location (marked by the star) in relation to several local retailers.



Source: Costar

Due to the high concentration of local retailers coupled with the large physical geography of the Town, we are able to conservatively estimate that at least 80% of new residents' spending on retail goods would be spent within the Town, generating local economic impact covered later in this report.

Comparable Spaces

To further assess the feasibility of the Project, we examined two recent comparable 55+ new-build developments in the Town that offer similar amenities. Both developments have brought 2-bedroom apartments to the Brookhaven market over the last 12 months, with a 55+ target market presumably similar to the Project's. Both comparable developments are still being absorbed in the market, despite the recent negative shock due to the COVID-19 pandemic. It is important to note, however, that the proposed units included in the Project will be more competitively priced at \$2,500 in monthly rent for a two-bedroom, market-rate apartment. Additionally, neither comparable space will offer affordable housing units, which will be priced at \$1,850 in monthly rent.

The Vistas of Port Jefferson Station

The Vistas of Port Jefferson Station is a 224-unit senior housing development offering both 1- and 2-bedrooms apartments, with asking rents of \$2,361 and \$2,996, respectively. Site amenities include a clubhouse, fitness center, lounge, and walking/biking trails.

According to Costar, the 12-month occupancy at delivery was 48.4%, a strong showing. This has increased to the current occupancy of 74.8% (the inverse of the 25.5% vacancy shown in the table to the right).

Sutton Place at Mount Sinai

This development brought 225 market-rate senior housing units to the market on Q1 2020, currently priced at \$3,079 per month. Site amenities include fitness center, heated outdoor pool, Zen garden, and putting green.

According to Costar, the 12-month occupancy at delivery was 20.0%. This has increased to the current occupancy of 51.9% (the inverse of the vacancy shown in the table to the right). We again note that this product was delivered right at the start of the COVID-19 crisis, so the change in occupancy levels despite the pandemic is remarkable.

The Vistas of Port Jefferson

Item	Value
Inventory Units	244
Year Built	Q4 2019
Vacancy Rate	25.2%
12 Month Occupancy(%) at Delivery	48.4%
1 Bedroom Asking Rent	\$2,361
2 Bedroom Asking Rent	\$2,996

Source: Costar

Sutton Landing at Mount Sinai

Item	Value
Inventory Units	225
Year Built	Q1 2020
Vacancy Rate	48.1%
12 Month Occupancy (%) at Delivery	20.9%
2 Bedroom Asking Rent	\$3,079

Source: Costar

Conclusions On Market Review

We used the market statistics to make certain conclusions regarding both (a) the level of support in the market for the Project, and (b) the extent to which any of the units of the Project can be considered "Net New" to the Town of Brookhaven (which will factor into the economic impact analysis that follows).

Determination of Market Support

As noted above in the various data points, the Project appears to be well positioned in a strong market. Despite the COVID-19 pandemic, two similar 55+ projects in the Town that have very recently been delivered have shown positive leasing trends. The Project has many amenities, including very strong local shopping amenities, and is priced competitively to the comparables. The Project also contains very attractively priced "affordable" units that should immediately be absorbed. We therefore conclude that the market data appear to support the Project's success.

Determination of "Net New"

Prior to calculating the economic impacts of the Project, we must determine how many of the future households of the Project can be considered "net new" to the Town. There are several circumstances for which households would be considered net new:

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

As per our review of the market, we consider all units of the Project as "net-new" households for the Town.

Economic Impact Analysis

The Project would have economic impacts on the County and Town in a number of ways. This includes one-time impacts to jobs, earnings and sales during the construction phase of the Project, which we estimate for the entire County. It also includes ongoing impacts related to household spending and the operations of the Project, which we estimate for the Town².

Methodology

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

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

For the operation phase:

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

To estimate the Direct and Indirect impacts, MRB Group employs the Emsi3 economic modeling system. We used data from the Developer and from publicly-available and proprietary data sources as inputs to the Emsi modeling system. Where needed, we adjusted the Emsi model to best match the Project specifics. We then reported the results of the modeling.

² By their nature, construction-related impacts tend to be somewhat more diffuse, which is why we report them as county-level impacts. Town level impacts are measured based on the 36 ZIP codes, which closely approximates the Town.

³ Emsi, formerly "Economic Modeling Systems, Intl." uses data from the US Bureau of Labor Statistics, the US Bureau of Economic Analysis, the US Census, and other public data sources to model out economic impacts.

Construction Phase

The Developer has provided estimates of the total cost of construction of the Project and the percentage of labor and materials to be sourced within the County. As shown in the table to the right, the Developer estimates that 85% of its \$28 million of materials and labor costs would be spent locally, for a total of \$23.8 million of in-region construction spending.

Construction Spending In Region

	\$ Total	% County	\$ County
Materials & Labm	\$27,965,000	85%	\$23,770,250

Source: Developer. MRB

We used this \$23.8 million spending figure (direct "Sales" in the table) as the input into the Emsi economic modeling system, assigning the County as the geography of study. This spending creates 152 direct jobs and direct earnings of \$9.7 million. The model estimates that this will cause Indirect impacts of 88 jobs, \$5,252,709 in earnings and \$152 million in sales. Therefore, the total, one-time, construction-phase impacts would be 240 jobs, \$149 million in wages and \$39 million in sales.

Economic Impact of Construction Phase, One-Time

	Direct	Indirect	Total
Jobs	152	88	240
Earnings	\$9,665,399	\$5,252,709	\$14,918,108
Sales	\$23,770,250	\$15,232,308	\$39,002,558

Source: Emsi, FAR3

Operation Phase

Unlike the construction phase impacts that were measured at the County level, to account for their dispersed nature, we estimated operation phase impacts at the Town level. To do so, we have used 36 ZIP Codes to best approximate the Town of Brookhaven in order to model operational impacts⁴.

Operation phase impacts come from two sources. By far the largest source is the effect of net-new household spending from the new units being brought onto the market by the Project. The second source of operation phase impacts is the employment on Site that result from the operations of the Project, including maintenance and management personnel. The Project will bring to market 88 units of market-rate, and 36 units of affordable senior housing (aged 55+), all of which, as noted above, we consider "net new." We used data from the Consumer Expenditure Survey (CEX) of the Bureau of Labor Statistics as of July 2020, specific to both the Northeast and the respective income-level.

⁴ A full list of ZIP Codes included in the economic impact analysis are listed in Appendix A, and are compared to the Town's boundaries.

The affordable units will be reserved to households earning no more than 80% of the area's median income of \$77,899, which equates to approximately \$63,312. Households with differing incomes will likely have different spending habits. As such, we have utilized different average annual household expenditures based upon relevant income brackets. As shown, households earning an income reflective of the area's median income spend an estimated \$36,001 per year in the categories of good shown. Comparatively, prospective tenants of the affordable units would likely spend \$33,878 of the same categories of goods.

The large expanse of the Town's geographical boundaries and the high concentration of retailers suggest that most of the households' needs will be served by local businesses. For the purposes of being conservative, we have estimated that 80% of this spending would occur in the Town of Brookhaven. Therefore, given 124 total units and the spending profile and percentages shown, we estimate a total of \$3.5 million of new household spending would occur annually in the Town.

Total New Household Spending				
	Annual per HH Spend	% Spent in Town	Units	Total New Spending
Market-Rate Units				
Food	\$9,000	80%	88	\$633,670
Household Furnishings and Equipment	\$1,971	80%	88	\$138,758
Apparel and Services	\$2,011	80%	88	\$145,798
Transportation	\$9,390	80%	88	\$661,056
Healthcare	\$5,714	80%	88	\$360,026
Entertainment	\$3,146	80%	88	\$221,478
Education	\$1,396	80%	88	\$98,278
Personal Care Products and Services	\$785	80%	88	\$55,264
Miscellaneous	\$885	80%	88	\$62,304
Other	\$2,242	80%	88	\$157,837
Total, Market Rate Units	\$36,001	80%	88	\$2,534,470
Affordable Units				
Food	\$8,174	80%	36	\$235,411
Household Furnishings and Equipment	\$2,704	80%	36	\$77,875
Apparel and Services	\$1,762	80%	36	\$50,746
Transportation	\$9,481	80%	36	\$273,053
Healthcare	\$4,717	80%	36	\$135,850
Entertainment	\$2,449	80%	36	\$70,531
Education	\$857	80%	36	\$24,682
Personal Care Products and Services	\$639	80%	36	\$18,403
Miscellaneous	\$985	80%	36	\$28,368
Other	\$2,110	80%	36	\$60,768
Total, Affordable Units	\$33,878	80%	36	\$975,686
Grand Total			124	\$3,510,157

Source: Consumer Expenditure Survey, U.S. Bureau of Economic Analysis, 2017-2018, Table 3104. Note: Excludes household spending on...
 The above table shows average annual expenditures and characteristics...

MRB Group then took each of the above line items and applied that new household spending to one or more industry codes in Emsi5. This resulted in an estimate of 35 direct jobs and \$1.3 million in direct earnings. Taken together with an estimate of indirect impacts, total household spending impacts include 43 jobs, \$1.8 million in earnings and \$4.8 million in sales.

The Developer also stated in its application that it would employ five full-time employees at the Site for operations and maintenance. The average wage for these positions is \$40,000, summed together for a total of \$200,000 paid annually in wages. According to Emsi, this corresponds to sales of \$891,881. Together with assessed indirect impacts, the total impacts of operations and maintenance would be 7 jobs, \$350,267 in earnings and \$1.3 million in sales.

The combined impacts of household spending along with impacts from operations and maintenance is displayed in the table to the right. As shown, we anticipate that the Town will benefit from 50 jobs, \$2.1 million in earnings and \$6.1 million in sales on an annual basis.

Economic Impact, New Household Spending

	Direct	Indirect	Total
Jobs	35	8	43
Earnings	\$1,290,791	\$483,609	\$1,774,400
Sales	\$3,510,160	\$1,324,876	\$4,835,036

Source: Emsi, MRB

Economic Impact, Operations and Maintenance of Project

	Direct	Indirect	Total
Jobs	5	2	7
Earnings	\$200,000	\$150,267	\$350,267
Sales	\$891,881	\$414,940	\$1,306,821

Source: Emsi, MRB

Economic Impact, Combined Annual Impact

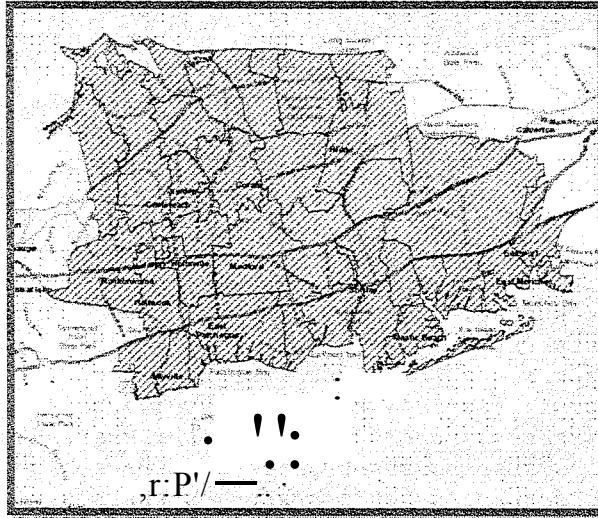
	Direct	Indirect	Total
Jobs	40	10	50
Earnings	\$1,490,791	\$633,877	\$2,124,668
Sales	\$4,402,041	\$1,739,816	\$6,141,857

Source: Emsi, MRB

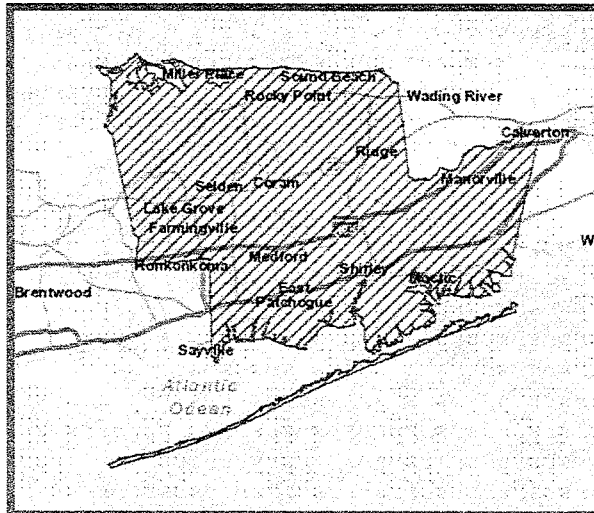
For example, for the "Food" line item, we applied half of the spending to the "Supermarkets and other grocery" store (NAICS code (North American Industrial Classification System) and half to the "Full service restaurants" NAICS code.

Appendix A

36 ZIP Codes of the Town of Brookhaven



Town of Brookhaven



ZIP	Description
11705	Bayport, NY (in Suffolk county)
11713	Bellport, NY (in Suffolk county)
11715	Blue Point, NY (in Suffolk county)
11719	Brookhaven, NY (in Suffolk county)
11727	Coram, NY (in Suffolk county)
11733	East Setauket, NY (in Suffolk county)
11738	Farmingville, NY (in Suffolk county)
11741	Holbrook, NY (in Suffolk county)
11742	Holtsville, NY (in Suffolk county)
11755	Lake Grove, NY (in Suffolk county)
11763	Medford, NY (in Suffolk county)
11764	Miller Place, NY (in Suffolk county)
11766	Mount Sinai, NY (in Suffolk county)
11772	Patchogue, NY (in Suffolk county)
11776	Port Jefferson Station, NY (in Suffolk county)
11777	Port Jefferson, NY (in Suffolk county)
11778	Rocky Point, NY (in Suffolk county)
11779	Ronkonkoma, NY (in Suffolk county)
11782	Sayville, NY (in Suffolk county)
11784	Selden, NY (in Suffolk county)
11786	Shoreham, NY (in Suffolk county)
11789	Sound Beach, NY (in Suffolk county)
11790	Stony Brook, NY (in Suffolk county)
11934	Center Moriches, NY (in Suffolk county)
11940	East Moriches, NY (in Suffolk county)
11941	Eastport, NY (in Suffolk county)
11949	Manorville, NY (in Suffolk county)
11950	Mastic, NY (in Suffolk county)
11951	Mastic Beach, NY (in Suffolk county)
11953	Middle Island, NY (in Suffolk county)
11955	Moriches, NY (in Suffolk county)
11960	Remsenburg, NY (in Suffolk county)
11961	Ridge, NY (in Suffolk county)
11967	Shirley, NY (in Suffolk county)
11973	Upton, NY (in Suffolk county)
11980	Yaphank, NY (in Suffolk county)