



RAIL REALTY LLC

414 Main Street – Suite 202, Port Jefferson, NY 11777

August 3, 2026

Board of Directors
Town of Brookhaven Industrial Development Agency
One Independence Hill
Farmingville, New York 11738

Re: Rail Realty LLC – Request for Extension and Restructuring of PILOT Benefits

Dear Members of the Board:

On behalf of Rail Realty LLC (“Rail Realty”), we write at the request of the Town of Brookhaven Industrial Development Agency following our meeting and presentation on July 15, 2026. This letter sets forth the revised payment-in-lieu-of-taxes structure proposed by Rail Realty in connection with its application for an extension and restructuring of the real property tax benefits currently provided to its residential project in the Village of Port Jefferson (the “Project”).

Rail Realty recognizes that the existing PILOT—under which the improvements are fully exempt and real property taxes are paid on the land only—was particularly favorable and cannot reasonably be continued on the same terms. Rail Realty is not seeking to replicate that arrangement.

Instead, Rail Realty respectfully requests approval of a ten-year PILOT providing a fixed 70% abatement of the Project’s otherwise applicable real property taxes. Under the proposed structure, Rail Realty would pay 30% of the otherwise applicable real property taxes during each year of the ten-year PILOT term, after which the Project would return to full taxation.

This proposal represents a substantial reduction from the Project’s existing benefits. Using the first-year projections contained in the April 2026 Reasonableness Assessment prepared by Camoin Associates, the existing land-only PILOT produces an estimated payment of approximately \$19,760. Based upon Camoin’s projected full real property taxes of \$445,796, the proposed structure would result in an estimated first-year payment of approximately \$133,739.

Accordingly, based upon the Camoin projections, the proposed PILOT would increase the Project’s first-year tax payment by approximately \$113,979. Rail Realty’s estimated payment would therefore be approximately 6.8 times the amount payable under the existing land-only PILOT.

The requested PILOT does not represent a continuation of the status quo. It immediately generates a substantial increase in revenue for the affected taxing jurisdictions while providing



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the Project with the stability necessary to address increased operating and financing costs, undertake substantial additional improvements, preserve attainable rental levels and comply with the Agency's affordability requirements.

Proposed Property and Community Investment

In connection with the requested PILOT, Rail Realty proposes to undertake approximately \$620,000 in additional property and community improvements.

Approximately \$450,000 would be invested directly in the Project, including:

- \$75,000 to upgrade tenant fitness equipment and implement a wellness center for residents;
- \$150,000 to replace common-area carpet squares in the residential hallways and fitness center;
- \$50,000 for new outdoor lounge furniture;
- \$50,000 to install additional electric-vehicle charging stations;
- \$95,000 to upgrade wall coverings in the lobby and corridors; and
- \$30,000 to install new common-area sconces.

These improvements will enhance the condition, functionality and long-term competitiveness of the property, improve the residential experience for tenants and support the continued viability of an important housing project within uptown Port Jefferson.

In addition, subject to further discussion and coordination with the Mayor and Village of Port Jefferson, Rail Realty proposes to contribute approximately \$170,000 toward improvements benefiting the surrounding uptown community, including:

- \$25,000 toward the replacement of damaged decorative lanterns surrounding the property;
- \$60,000 toward a new pedestrian walkway connecting the property with Main Street in uptown Port Jefferson;
- \$35,000 toward improvements to the playground at the Village's public Texaco Park; and
- \$50,000 as a contribution to the dedicated uptown Port Jefferson improvement fund.

The precise scope, timing and implementation of these community improvements would be determined in cooperation with the Village. Collectively, the proposed expenditures demonstrate that the requested PILOT would support not only continued investment in the Project, but also tangible improvements to the surrounding public realm and the broader uptown district.



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Current Operating and Financing Conditions

The Project operates in an economic environment materially different from the one that existed when the original PILOT was approved. Insurance premiums, maintenance expenses, labor costs, utilities and other operating expenses have increased substantially. These increases directly reduce the funds available for property maintenance, capital improvements and the preservation of attainable housing.

The Project's existing financing, which bears interest at approximately 3.40%, matures on August 31, 2027 and will need to be refinanced in a materially higher interest-rate environment. Although the Camoin report assumed a refinancing rate of 5.50% and an associated annual debt-service increase of approximately \$33,400, current refinancing indications are approximately 6.20%. A refinancing at approximately 6.20% would represent an increase of approximately 280 basis points over the Project's existing interest rate. The resulting debt-service obligations would be materially greater than those reflected in the Camoin analysis.

Similarly, the operating-expense assumptions contained in the Camoin report do not fully reflect the Project's actual and anticipated insurance costs. The financial projections contained in the report should therefore be considered in light of the higher insurance and refinancing expenses that Rail Realty will actually be required to absorb.

These are not discretionary expenditures. Adequate insurance coverage, responsible property maintenance, necessary capital investment and refinancing of the existing indebtedness are essential to the continued operation and preservation of the Project.

The requested PILOT would allow Rail Realty to address these increased expenses and direct meaningful capital toward the proposed property and community improvements. Without continued assistance, a significantly greater portion of available Project cash flow would be devoted to real property taxes and increased debt service, reducing the funds available for the proposed work and placing additional pressure on the Project's long-term operating performance.

Housing Affordability and Existing Rental Levels

Rail Realty recognizes that a meaningful affordable or workforce housing component must accompany any extension of benefits and will comply with the affordability requirements established by the Agency in connection with the requested PILOT.

The Project's contribution to housing affordability, however, is not limited to the units that may be formally designated under an affordability program. Many of the Project's current in-place rents are below the prevailing rents for comparable residential units in the surrounding market. Rail Realty has not sought to maximize rents throughout the property, instead maintaining rental levels that allow the Project to serve a broad range of residents.



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If the existing PILOT were permitted to expire without a replacement benefit, the resulting increase in real property taxes, when combined with increased insurance costs, higher operating expenses, anticipated refinancing costs and the proposed \$620,000 improvement program, would create significant economic pressure to increase rents to prevailing market levels as leases expire or are renewed. The result would be inconsistent with the recognized need to preserve attainable housing opportunities on Long Island and with the affordability objectives underlying the Agency's housing policy.

The requested benefit would allow Rail Realty to continue maintaining reasonable rental levels while complying with the Agency's affordability requirements, making the proposed property and community improvements and substantially increasing its payments to the affected taxing jurisdictions.

A Balanced Ten-Year Structure

Rail Realty believes the proposed PILOT presents a fair and reasonable balance between the needs of the Project and the interests of the affected taxing jurisdictions. The proposed structure would:

- replace the existing land-only PILOT with a substantially reduced benefit;
- immediately increase the Project's estimated annual tax payment from approximately \$19,760 to approximately \$133,739, based upon the first-year Camoin projections;
- require Rail Realty to pay 30% of the Project's otherwise applicable real property taxes throughout the ten-year term;
- provide a fixed and predictable structure during the Project's refinancing and improvement period;
- support approximately \$450,000 in direct investment in the property;
- facilitate approximately \$170,000 in community improvements, subject to coordination with the Village;
- comply with the affordability requirements established by the Agency;
- reduce the economic pressure to increase existing rents to prevailing market levels, thereby supporting the preservation of attainable housing within the Village and on Long Island; and
- provide a fixed ten-year term, after which the Project would return to full taxation.

Rail Realty and its principals have a longstanding connection to Port Jefferson and have invested substantial time, capital and effort in the Village. The Project was an important part of the early redevelopment of the uptown area, and Rail Realty remains committed to the continued success of both the property and the surrounding community.

For the foregoing reasons, Rail Realty respectfully requests that the Agency approve a ten-year PILOT providing a fixed 70% abatement of the Project's otherwise applicable real property taxes, with Rail Realty paying 30% of those taxes during each year of the PILOT term.



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We appreciate the time and consideration given to the application, as well as the opportunity to meet with and present the Project to the Agency. Rail Realty is prepared to work cooperatively with the Agency, its staff and the Village of Port Jefferson to finalize an appropriate PILOT agreement, affordability requirements and community improvement program.

Respectfully submitted,

RAIL REALTY LLC

By: 

Name: Anthony J. Gitto

Title: Authorized Member