

PREPARED FOR:

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

Reasonableness Assessment for Financial Assistance

ENGLE BURMAN AT EAST PATCHOGUE, LLC

JUNE 2023

PREPARED BY:



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EXECUTIVE SUMMARY

Project Description

The Town of Brookhaven Industrial Development Agency (Agency) received an application from Engle Burman at East Patchogue, LLC (Applicant) for financial assistance for the construction of a residential development (Project) in East Patchogue, NY featuring 139 units of independent senior living rental housing, including clubhouse. Seven units will be reserved for residents whose incomes are 50% or less of Area Median Income (AMI), 7 units will be reserved for residents with incomes 65% or less of AMI, and 14 units will be reserved for residents with incomes of 120% or less than AMI.

The Project represents a nearly \$54.6 million investment and is anticipated by the Applicant to generate 5 full-time permanent job within two years. To support this project, the Applicant requests financial assistance in the form of a Payment In Lieu of Taxes (PILOT) agreement.

Purpose of this Analysis

An objective, third-party review of the assumptions and estimated operating and financial performance of a project 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 norms for the region?
- ◆ 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 rent and vacancy rate.***
- ***The Project is cash flow positive with the 15 year PILOT provided by the Applicant.***
- ***The average rate of return to the Applicant, with a 15 year PILOT, is below market expectations.***

1. OPERATING ASSUMPTIONS

The Applicant’s operating assumptions are compared to CoStar estimates for rent in 2022 in Suffolk County. The ability of households in Suffolk County to afford market rate, workforce, and affordable apartments is estimated by calculating the income necessary to pay no more than 30% of income on rent.

Apartment Unit Type, Rent, and Household Income

Type of Apartment (1)	Number of Units (1)	Rent per Month (1)	Rent per Year	Household Income Required (2)	Income Limit (3)	Max Household Income (4)	Benchmarks
Market Rate 2BR	111	\$2,750	\$33,000	\$110,000	n/a	n/a	Rent is 1.1 times higher than average rent (6); 50% of households earn more than \$100,000 (5)
Affordable 2BR	6	\$1,862	\$22,344	\$74,480	50%	\$55,830	26% of households earn less than \$59,999 (5)
Affordable 2BR	5	\$2,209	\$26,508	\$88,360	65%	\$72,579	34% of households earn less than \$74,999 (5)
Affordable 2BR	17	\$2,650	\$31,800	\$106,000	120%	\$133,992	58% of households earn less than \$124,999 (5)

(1) Source: Applicant

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

(3) Source: Applicant - 7 units will be reserved for residents whose incomes are 50% or less of AMI, 7 units will be reserved for residents whose incomes are 65% or less of AMI, and 14 units will be reserved for residents whose incomes are 120% or less of AMI. Approximate breakdown used here.

(4) Using Suffolk County’s Area Median Income (AMI) of \$111,660; Source: US Census Bureau QuickFacts

(5) Source: U.S. Census Bureau, 2015-2019 American Community Survey

(6) Average monthly rent for 2022 in Suffolk County, NY is estimated at \$2,416; Source: CoStar

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:

PILOT Schedule - Provided 15 Year						
Year	Current AV (1)	Plus: Improvements			Times: Tax Rate (2)	Estimated PILOT
		Improvement Value (1)	Proposed Exemption	Taxable AV		
1	\$1,760	\$213,240	94%	\$13,328	\$399.48	\$60,272
2	1,760	213,240	88%	26,655	407.47	115,782
3	1,760	213,240	81%	39,983	415.62	173,490
4	1,760	213,240	75%	53,310	423.93	233,459
5	1,760	213,240	69%	66,638	432.41	295,758
6	1,760	213,240	63%	79,965	441.06	360,455
7	1,760	213,240	56%	93,293	449.88	427,622
8	1,760	213,240	50%	106,620	458.88	497,331
9	1,760	213,240	44%	119,948	468.05	569,657
10	1,760	213,240	38%	133,275	477.42	644,678
11	1,760	213,240	31%	146,603	486.96	722,472
12	1,760	213,240	25%	159,930	496.70	803,119
13	1,760	213,240	19%	173,258	506.64	886,704
14	1,760	213,240	13%	186,585	516.77	973,310
15	1,760	213,240	6%	199,913	527.11	1,063,027
					Total	\$7,827,135

(1) Source: Town of Brookhaven (total AV Of \$215,000 upon completion, including current AV \$1,760 plus improvement value of \$213,240)

(2) Assumes tax rate for Fiscal Year 2022/2023 of \$399.48 and 2% annual increases.

This PILOT analysis uses an aggregated tax rate for the jurisdictions to calculate future taxes. Steps in this analysis for the affected and non-affected jurisdictions:

- ◆ Estimate taxes for the first fiscal year after construction is completed, anticipated to be 2024, using the most recent tax rates and escalating by 2% per year.
- ◆ Estimate future taxes on the parcels with the completed project. Tax rates are estimated to increase 2% annually.
- ◆ Assess a PILOT schedule that reduces taxes to improve Project financial performance and induce construction.

Basic Assumptions for PILOT and Estimated Taxes

Current Assessed Value	\$1,760
Assessed Value of Improvements	\$213,240
Total Assessed Value Upon Completion	\$215,000
Times: Tax Rate (1)	\$399.48
Estimated Taxes on Property Upon Completion	\$858,882

Source: Agency, Applicant

(1) Property is made up of multiple parcels with two different tax rates. This analysis uses the higher of the two.

With the PILOT agreement, 47% of the Applicant’s taxes will be abated, resulting in over \$7 million in foregone tax revenue to municipalities. The table on the following page shows the timeline of PILOT and tax payments generated by the Project and calculates both the benefits to the municipalities and the benefits (or savings) to the Project.

Real Property Tax Comparison

15 Year PILOT

Comparison of Taxes on Full Value of Project and with PILOT

Taxes without PILOT	\$14,853,005
Less: PILOT/Tax Payments	(\$7,827,135)
Foregone Revenue (Benefits to Project)	\$7,025,869
Abatement Percent	47%

Net New Taxes Compared with No Project

PILOT	\$7,827,135
Less: Estimated Taxes without Project	(\$121,587)
Estimated New Tax Revenue (Benefits to Municipalities)	\$7,705,548

Proposed PILOT and Tax Comparison (15 year PILOT)

Year	Benefits to Municipalities			Benefit to Project			
	PILOT Payments	Less: Current Tax Revenues (1)	Net New Tax Revenues	Taxes Owed after Project Completion (2)	Less: PILOT Payments	Estimated Savings to Project	Share of Estimated Taxes Owed
1	\$60,272	\$7,031	\$53,241	\$858,882	\$60,272	\$798,610	7%
2	\$115,782	7,171	108,611	876,060	115,782	760,277	13%
3	\$173,490	7,315	166,175	893,581	173,490	720,091	19%
4	\$233,459	7,461	225,998	911,452	233,459	677,993	26%
5	\$295,758	7,610	288,147	929,681	295,758	633,924	32%
6	\$360,455	7,763	352,692	948,275	360,455	587,820	38%
7	\$427,622	7,918	419,704	967,241	427,622	539,619	44%
8	\$497,331	8,076	489,255	986,585	497,331	489,255	50%
9	\$569,657	8,238	561,420	1,006,317	569,657	436,660	57%
10	\$644,678	8,403	636,276	1,026,443	644,678	381,765	63%
11	\$722,472	8,571	713,901	1,046,972	722,472	324,501	69%
12	\$803,119	8,742	794,377	1,067,912	803,119	264,792	75%
13	\$886,704	8,917	877,787	1,089,270	886,704	202,566	81%
14	\$973,310	9,095	964,215	1,111,055	973,310	137,745	88%
15	\$1,063,027	9,277	1,053,750	1,133,277	1,063,027	70,250	94%
Totals	\$7,827,135	\$121,587	\$7,705,548	\$14,853,005	\$7,827,135	\$7,025,869	53%

(1) Assumes tax rate for Fiscal Year 2022/2023 of \$399.48 and a current assessed value of \$1,760.

(2) Assumes a 2% annual increase in tax rate and a taxable value of \$215,000 upon project completion; Source: Town of Brookhaven, Applicant

3. OPERATING PERFORMANCE

The operating performance of the Project is measured using Year 5 of the Applicant's Pro Forma. The Applicant assumes that gross revenue and expenses will escalate at 5% and 3% per year, respectively. Applicant assumes there will be a 4% vacancy rate once stabilized. Operating expenses are lower than the benchmarks. With the PILOT, real property taxes absorb 6% of project income while debt service absorbs 66% of income, resulting in negative cash flow. The PILOT scenario delivers Net Operating Income as a percent of Gross Income that is still better than the range of benchmarks.

Operations Snapshot, Year 5

	15 Year PILOT			
	Project Performance (1)	Share of Gross Operating Income	Benchmark Performance (2)	Evaluation
<u>Calculation of Net Operating Income Residential</u>				
Gross Operating Income	\$4,767,176	99%	n/a	n/a
Vacancy Rate and Concessions	4.0%	n/a	4.3%	Within range
<u>Calculation of Net Operating Income, Non-Residential</u>				
Gross Operating Income	\$46,585	1%	n/a	n/a
Vacancy Rate	0%	n/a	n/a	n/a
Effective Gross Income (EGI), All Uses (3)	\$4,572,012	95%	96%	Within range
Less: Operating Expenses and Reserve	(\$1,387,562)	29%	49%	More efficient
<u>Less: Real Property Taxes (with PILOT)</u>	<u>(\$295,758)</u>	<u>6%</u>	<u>n/a</u>	<u>n/a</u>
Net Operating Income	\$2,888,692	61%	49%	More efficient
Less: Debt Service	<u>(\$3,173,828)</u>	66%	n/a	n/a
Cashflow after Operating Costs, Taxes, Debt	(\$285,136)	-6%	n/a	n/a

(1) Source: Applicant

(2) Source: RealtyRates Q1 2023 for Northeast Region

(3) Net of vacancy and concessions

4. FINANCING PLAN

- ◆ The Sources and Uses of Funds shows the total project costs and capital structure of debt and equity.
- ◆ The Terms of the Senior (Long Term) Debt are within range of benchmarks.

Sources and Uses of Funds

<u>Sources of Funds</u>	<u>Amount (1)</u>	<u>Share</u>
Bank Financing	\$43,687,200	80%
Equity and Working Capital	<u>\$10,921,800</u>	<u>20%</u>
Total Sources	\$54,609,000	100%
<u>Uses of Funds</u>		
Acquisition and Transaction Costs	\$3,050,000	6%
Construction Costs	<u>\$51,559,000</u>	<u>94%</u>
Total Uses	\$54,609,000	100%

(1) Source: Applicant

Terms of the Senior (Long Term) Debt

	<u>Terms (1)</u>	<u>Benchmark (2)</u>	<u>Evaluation</u>
Amount Borrowed	\$43,687,200	n/a	n/a
Loan to Total Project Cost	80%	50% to 90%	Within Range
Annual Interest Rate	6.00%	5.09% to 10.15%	Within Range
Maturity in Years	30	15 to 40	Within Range

(1) Source: Applicant

(2) Source: RealtyRates Q1 2023

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 net cashflow 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 that are close to the benchmarks indicate a Project outcome in line with the current market, which means the Applicant is earning a reasonable return. Very low or negative rates indicate the Project is unlikely to be undertaken if compared to other possible investments. Equity Dividend Rates are based on an initial equity investment of \$10,921,800. Neither scenarios result in average rates that meet the minimum benchmark.
- ◆ **Cash Flow** shows net cashflow to the Applicant over time. There are currently no benchmarks for cash flow available. Cumulative Cash Flow and average cash flow is slightly positive under the 15 year PILOT.
- ◆ **Debt Service Coverage** estimates how well the Project's net income, after taxes, supports repayment of debt. Debt Service Coverage exceeds the benchmark by year 11 with a PILOT and year 13 without. Debt comprises 80% of the capital structure.

Note: Debt service payments were not provided for the full 15 year term, so Camoin Associates used the total loan amount and terms provided (30 year, 6% interest) to calculate annual payments.

Comparison of Return on Investment

	<u>No PILOT</u>	<u>15 Year Provided PILOT</u>	<u>Bench marks (2)</u>
<u>Equity Dividend Rates</u>			
Average	-4.24%	0.29%	7.19% to 16.67%
Minimum	-23.33%	-16.02%	
Maximum	9.08%	10.41%	
Year Benchmarks Met	15	14	
<u>Cash Flow</u>			
Average	(\$462,937)	\$32,007	n/a
Minimum	(\$2,548,550)	(\$1,749,939)	
Maximum	\$992,164	\$1,137,150	
Cumulative	(\$6,944,062)	\$480,111	
Year Investment Recouped	NA	NA	
<u>Debt Service Coverage</u>			
Average	0.85	1.01	1.10 to 2.25
Minimum	0.20	0.45	
Maximum	1.31	1.36	
Years Benchmarks Met	13	11	

(1) See Attachment 1

(2) Source: RealtyRates for Q1 2023 for Northeast Region for Senior Housing

ATTACHMENT 1: PRO FORMAS

Project Name	Engel Burman at East Patchogue, LLC														
	Annual Cashflows (Pro Forma) - No PILOT														
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Operating Cash Flow															
<u>Residential Income</u>															
Gross Operating Income	\$ 2,076,926	\$ 4,222,554	\$ 4,407,522	\$ 4,583,823	\$ 4,767,176	\$ 4,957,863	\$ 5,156,177	\$ 5,362,424	\$ 5,576,921	\$ 5,855,767	\$ 6,148,556	\$ 6,455,984	\$ 6,778,783	\$ 7,117,722	\$ 7,473,608
Less: Vacancy Allowance	\$ -	\$ (145,282)	\$ (178,808)	\$ (232,451)	\$ (241,749)	\$ (251,419)	\$ (261,475)	\$ (271,934)	\$ (282,812)	\$ (292,788)	\$ (307,428)	\$ (322,799)	\$ (338,939)	\$ (355,886)	\$ (373,680)
Net Rental Income, Residential	\$ 2,076,926	\$ 4,077,272	\$ 4,228,714	\$ 4,351,372	\$ 4,525,427	\$ 4,706,444	\$ 4,894,702	\$ 5,090,490	\$ 5,294,110	\$ 5,562,979	\$ 5,841,128	\$ 6,133,184	\$ 6,439,844	\$ 6,761,836	\$ 7,099,928
<u>Commercial/Industrial Income</u>															
Gross Operating Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Vacancy Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Rental Income, Commercial/Industrial	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Other Income</u>															
Parking Income	\$ 13,698	\$ 27,850	\$ 29,070	\$ 30,233	\$ 31,442	\$ 32,700	\$ 34,008	\$ 35,368	\$ 36,783	\$ 38,222	\$ 40,553	\$ 42,581	\$ 44,710	\$ 46,945	\$ 49,293
Other Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Income	\$ 6,597	\$ 13,412	\$ 14,000	\$ 14,560	\$ 15,142	\$ 15,748	\$ 16,378	\$ 17,033	\$ 17,714	\$ 18,600	\$ 19,530	\$ 20,507	\$ 21,532	\$ 22,609	\$ 23,739
Net Income, Other	\$ 20,296	\$ 41,263	\$ 43,070	\$ 44,793	\$ 46,585	\$ 48,448	\$ 50,386	\$ 52,401	\$ 54,497	\$ 57,222	\$ 60,083	\$ 63,087	\$ 66,242	\$ 69,554	\$ 73,032
Effective Gross Income (EGI)	\$ 2,097,221	\$ 4,118,535	\$ 4,271,784	\$ 4,396,165	\$ 4,572,012	\$ 4,754,892	\$ 4,945,088	\$ 5,142,891	\$ 5,348,607	\$ 5,620,201	\$ 5,901,211	\$ 6,196,272	\$ 6,506,085	\$ 6,831,390	\$ 7,172,959
<u>Operating Expenses (enter positive numbers)</u>															
Salaries and Wages	\$ 193,479	\$ 393,359	\$ 410,590	\$ 422,908	\$ 435,595	\$ 448,663	\$ 462,123	\$ 475,986	\$ 490,266	\$ 504,974	\$ 520,123	\$ 535,727	\$ 551,799	\$ 568,353	\$ 585,403
Maintenance	\$ 113,780	\$ 245,867	\$ 256,637	\$ 264,336	\$ 272,266	\$ 280,434	\$ 288,847	\$ 297,513	\$ 306,438	\$ 315,631	\$ 325,100	\$ 334,853	\$ 344,899	\$ 355,246	\$ 365,903
Deposit to replacement reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance	\$ 81,875	\$ 166,458	\$ 173,750	\$ 178,963	\$ 184,331	\$ 189,861	\$ 195,557	\$ 201,424	\$ 207,467	\$ 213,691	\$ 220,101	\$ 226,704	\$ 233,505	\$ 240,511	\$ 247,726
Other	\$ 223,927	\$ 447,997	\$ 466,264	\$ 479,426	\$ 495,370	\$ 511,880	\$ 528,977	\$ 546,681	\$ 565,016	\$ 581,967	\$ 599,426	\$ 617,409	\$ 635,931	\$ 655,009	\$ 674,659
Operating Expenses	\$ 613,062	\$ 1,253,681	\$ 1,307,241	\$ 1,345,632	\$ 1,387,562	\$ 1,430,838	\$ 1,475,504	\$ 1,521,604	\$ 1,569,187	\$ 1,616,262	\$ 1,664,750	\$ 1,714,693	\$ 1,766,134	\$ 1,819,118	\$ 1,873,691
Pre-Tax Operating Income (Revenue less Operating	\$ 1,484,160	\$ 2,864,853	\$ 2,964,543	\$ 3,050,533	\$ 3,184,449	\$ 3,324,054	\$ 3,469,584	\$ 3,621,287	\$ 3,779,420	\$ 4,003,939	\$ 4,236,461	\$ 4,481,579	\$ 4,739,952	\$ 5,012,272	\$ 5,299,268
Real Property Taxes	\$ 858,882	\$ 876,060	\$ 893,581	\$ 911,452	\$ 929,681	\$ 948,275	\$ 967,241	\$ 986,585	\$ 1,006,317	\$ 1,026,443	\$ 1,046,972	\$ 1,067,912	\$ 1,089,270	\$ 1,111,055	\$ 1,133,277
Net Operating Income (NOI) after Taxes	\$ 625,278	\$ 1,988,794	\$ 2,070,962	\$ 2,139,080	\$ 2,254,768	\$ 2,375,779	\$ 2,502,344	\$ 2,634,702	\$ 2,773,103	\$ 2,977,495	\$ 3,189,489	\$ 3,413,667	\$ 3,650,682	\$ 3,901,217	\$ 4,165,991
<u>Loan or Mortgage (Debt Service)</u>															
Interest Payment	\$ 2,642,892	\$ 2,609,723	\$ 2,574,964	\$ 2,538,566	\$ 2,500,485	\$ 2,460,679	\$ 2,419,109	\$ 2,375,742	\$ 2,330,549	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Principal Payment	\$ 533,475	\$ 559,268	\$ 585,852	\$ 613,191	\$ 641,243	\$ 669,952	\$ 699,254	\$ 729,070	\$ 759,309	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	\$ 3,173,828	\$ 3,173,828	\$ 3,173,828	\$ 3,173,828	\$ 3,173,828	\$ 3,173,828	\$ 3,173,828	\$ 3,173,828	\$ 3,173,828	\$ 3,173,828	\$ 3,173,828	\$ 3,173,828	\$ 3,173,828	\$ 3,173,828	\$ 3,173,828
Cash Flow After Financing and Reserve	\$ (2,548,550)	\$ (1,185,034)	\$ (1,102,865)	\$ (1,034,747)	\$ (919,060)	\$ (798,049)	\$ (671,484)	\$ (539,126)	\$ (400,725)	\$ (196,332)	\$ 15,661	\$ 239,840	\$ 476,854	\$ 727,389	\$ 992,164
Debt Service Coverage Ratio (DSCR)	0.20	0.63	0.65	0.67	0.71	0.75	0.79	0.83	0.87	0.94	1.00	1.08	1.15	1.23	1.31
Equity Dividend Rate	-23.33%	-10.85%	-10.10%	-9.47%	-8.41%	-7.31%	-6.15%	-4.94%	-3.67%	-1.80%	0.14%	2.20%	4.37%	6.66%	9.08%

Reasonableness Assessment for Engel Burman at East Patchogue LLC, Town of Brookhaven Industrial Development Agency

Project Name	Engel Burman at East Patchogue, LLC														
Annual Cashflows (Pro Forma) - 15 Year PILOT Provided															
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Operating Cash Flow															
<u>Residential Income</u>															
Gross Operating Income	\$ 2,076,926	\$ 4,222,554	\$ 4,407,522	\$ 4,583,823	\$ 4,767,176	\$ 4,957,863	\$ 5,156,177	\$ 5,362,424	\$ 5,576,921	\$ 5,855,767	\$ 6,148,556	\$ 6,455,984	\$ 6,778,783	\$ 7,117,722	\$ 7,473,608
Less: Vacancy Allowance	\$ -	\$ (145,282)	\$ (178,808)	\$ (232,451)	\$ (241,749)	\$ (251,419)	\$ (261,475)	\$ (271,934)	\$ (282,812)	\$ (234,231)	\$ (245,942)	\$ (258,239)	\$ (271,151)	\$ (284,709)	\$ (298,944)
Net Rental Income, Residential	\$ 2,076,926	\$ 4,077,272	\$ 4,228,714	\$ 4,351,372	\$ 4,525,427	\$ 4,706,444	\$ 4,894,702	\$ 5,090,490	\$ 5,294,110	\$ 5,621,537	\$ 5,902,614	\$ 6,197,744	\$ 6,507,632	\$ 6,833,013	\$ 7,174,664
<u>Commercial/Industrial Income</u>															
Gross Operating Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Vacancy Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Rental Income, Commercial/Industrial	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Other Income</u>															
Parking Income	\$ 13,698	\$ 27,850	\$ 29,070	\$ 30,233	\$ 31,442	\$ 32,700	\$ 34,008	\$ 35,368	\$ 36,783	\$ 38,622	\$ 40,553	\$ 42,581	\$ 44,710	\$ 46,945	\$ 49,293
Other Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Income	\$ 6,597	\$ 13,412	\$ 14,000	\$ 14,560	\$ 15,142	\$ 15,748	\$ 16,378	\$ 17,033	\$ 17,714	\$ 18,600	\$ 19,530	\$ 20,507	\$ 21,532	\$ 22,609	\$ 23,739
Net Income, Other	\$ 20,296	\$ 41,263	\$ 43,070	\$ 44,793	\$ 46,585	\$ 48,448	\$ 50,386	\$ 52,401	\$ 54,497	\$ 57,222	\$ 60,083	\$ 63,087	\$ 66,242	\$ 69,554	\$ 73,032
Effective Gross Income (EGI)	\$2,097,221	\$4,118,535	\$4,271,784	\$4,396,165	\$4,572,012	\$4,754,892	\$4,945,088	\$5,142,891	\$5,348,607	\$5,678,759	\$5,962,697	\$6,260,832	\$6,573,873	\$6,902,567	\$7,247,695
<u>Operating Expenses (enter positive numbers)</u>															
Salaries and Wages	\$ 193,479	\$ 393,359	\$ 410,590	\$ 422,908	\$ 435,595	\$ 448,663	\$ 462,123	\$ 475,986	\$ 490,266	\$ 504,974	\$ 520,123	\$ 535,727	\$ 551,799	\$ 568,353	\$ 585,403
Maintenance	\$ 113,780	\$ 245,867	\$ 256,637	\$ 264,336	\$ 272,266	\$ 280,434	\$ 288,847	\$ 297,513	\$ 306,438	\$ 315,631	\$ 325,100	\$ 334,853	\$ 344,899	\$ 355,246	\$ 365,903
Deposit to replacement reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance	\$ 81,875	\$ 166,458	\$ 173,750	\$ 178,963	\$ 184,331	\$ 189,861	\$ 195,557	\$ 201,424	\$ 207,467	\$ 213,691	\$ 220,101	\$ 226,704	\$ 233,505	\$ 240,511	\$ 247,726
Other	\$ 223,927	\$ 447,997	\$ 466,264	\$ 479,426	\$ 495,370	\$ 511,880	\$ 528,977	\$ 546,681	\$ 565,016	\$ 581,967	\$ 599,426	\$ 617,409	\$ 635,931	\$ 655,009	\$ 674,659
Operating Expenses	\$ 613,062	\$1,253,681	\$1,307,241	\$1,345,632	\$1,387,562	\$1,430,838	\$1,475,504	\$1,521,604	\$1,569,187	\$1,616,262	\$1,664,750	\$1,714,693	\$1,766,134	\$1,819,118	\$1,873,691
Pre-Tax Operating Income (Revenue less Operating	\$1,484,160	\$2,864,853	\$2,964,543	\$3,050,533	\$3,184,449	\$3,324,054	\$3,469,584	\$3,621,287	\$3,779,420	\$4,062,496	\$4,297,947	\$4,546,139	\$4,807,740	\$5,083,449	\$5,374,004
Real Property Taxes	\$ 60,272	\$ 115,782	\$ 173,490	\$ 233,459	\$ 295,758	\$ 360,455	\$ 427,622	\$ 497,331	\$ 569,657	\$ 644,678	\$ 722,472	\$ 803,119	\$ 886,704	\$ 973,310	\$ 1,063,027
Net Operating Income (NOI) after Taxes	\$1,423,888	\$2,749,071	\$2,791,054	\$2,817,074	\$2,888,692	\$2,963,599	\$3,041,963	\$3,123,956	\$3,209,763	\$3,417,818	\$3,575,475	\$3,743,020	\$3,921,036	\$4,110,139	\$4,310,978
<u>Loan or Mortgage (Debt Service)</u>															
Interest Payment	\$ 2,642,892	\$ 2,609,723	\$ 2,574,964	\$ 2,538,566	\$ 2,500,485	\$ 2,460,679	\$ 2,419,109	\$ 2,375,742	\$ 2,330,549	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Principal Payment	\$ 533,475	\$ 559,268	\$ 585,852	\$ 613,191	\$ 641,243	\$ 669,952	\$ 699,254	\$ 729,070	\$ 759,309	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	\$ 3,176,367	\$ 3,168,991	\$ 3,160,816	\$ 3,151,757	\$ 3,141,728	\$ 3,130,631	\$ 3,118,783	\$ 3,106,112	\$ 3,092,858	\$ 3,078,858	\$ 3,064,111	\$ 3,048,711	\$ 3,032,622	\$ 3,015,849	\$ 2,998,478
Cash Flow After Financing and Reserve	#####	\$ (424,757)	\$ (382,774)	\$ (356,754)	\$ (285,136)	\$ (210,228)	\$ (131,865)	\$ (49,871)	\$ 35,935	\$ 243,991	\$ 401,647	\$ 569,192	\$ 747,208	\$ 936,311	\$ 1,137,150
Debt Service Coverage Ratio (DSCR)	0.45	0.87	0.88	0.89	0.91	0.93	0.96	0.98	1.01	1.08	1.13	1.18	1.24	1.30	1.36
Equity Dividend Rate	-16.02%	-3.89%	-3.50%	-3.27%	-2.61%	-1.92%	-1.21%	-0.46%	0.33%	2.23%	3.68%	5.21%	6.84%	8.57%	10.41%

APPENDIX A: SCOPE OF SERVICES

To assist with its evaluation 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:

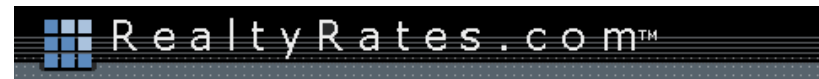
- ◆ *Test Assumptions* by comparing rents, operating costs, and vacancy rates to real estate benchmarks for similar projects and noting any significant differences. Operating performance and net income are also evaluated.
- ◆ *Review the Financing Plan* and perform an objective third-party evaluation 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 December 28, 2022.
- ◆ Project financing and annual cashflow workbook submitted by the Applicant in May 2023, with submitted revisions.
- ◆ Updated assessed value provided on June 26, 2023.
- ◆ Real estate tax information and estimates received from the Agency, including anticipated future assessed value of the Project.
- ◆ CoStar
- ◆ RealtyRates.com



CoStar is the leading source of commercial real estate intelligence in the U.S. It provides a full market inventory of properties and spaces—available as well as fully leased—by market and submarket. Details on vacancy, absorption, lease rates, inventory, and other real estate market data are provided, as well as property-specific information including photos and floor plans. More at www.costar.com.



RealtyRates.com™ is a comprehensive resource of real estate investment and development news, trends, analytics, and market research that support real estate professionals involved with more than 50 income producing and sell-out property types throughout the U.S. RealtyRates.com™ is the publisher of the award-winning Investor, Developer and Market Surveys, providing data essential to the appraisal, evaluation, disposition and marketing of investment and development real estate nationwide.

APPENDIX B: DEFINITIONS

Equity Dividend Rate: This is calculated as the rate of return on the equity component of a project. It is calculated as follows: (Source: RealtyRates.com)

Equity Dividend / Equity Investment = Equity Dividend Rate, where Equity Dividend = Net Operating Income – 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. We are based in Saratoga Springs, NY, with regional offices in Portland, ME; Boston, MA; Richmond, VA and Brattleboro, VT. To learn more about our experience and projects in all of our service lines, please visit our website at www.camoinassociates.com. You can also find us on Twitter [@camoinassociate](https://twitter.com/camoinassociate) and on [Facebook](#) and [LinkedIn](#).

THE PROJECT TEAM

Rachel Selsky

Vice President, Project Principal