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

Reasonableness Assessment for Financial Assistance

PORT DEVELOPMENT LLC
NORTH COUNTRY ROAD PROJECT
SEPTEMBER 9, 2021

PREPARED BY:

camoin associates
ECONOMIC DEVELOPMENT

Storrs ASSOCIATES

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** and on **Facebook and LinkedIn**.

ABOUT STORRS ASSOCIATES

Storrs Associates, LLC is a partner and advisor to public and private entities seeking to encourage economic growth and to make direct public and private investments. We deliver client-driven, high quality advice, customized analyses and reports, public speaking and learning sessions, and transaction management. Storrs Associates is a woman-owned firm located in Bethlehem, NY.

Victoria Storrs, the company President, founded the firm in 2021 to provide direct, responsive service to municipal governments and the public and private organizations who work with and for them. She has worked with municipal governments for more than 20 years, beginning as an investment banker at First Albany Corporation and managing debt financings for state public authorities. She taught money and capital markets at the State University of New York at Albany School of Business, and has been a development finance and economic development consultant for more than seven years, including five years at Camoin 310, where she became the firm's first Development Finance Practice Leader. You can learn more at **www.storrsassociates.com**.

THE PROJECT TEAM

Camoin Associates

Rachel Selsky
Vice President, Project Principal

Storrs Associates

Victoria Storrs
President and CEO

EXECUTIVE SUMMARY

Project Description

The Town of Brookhaven Industrial Development Agency (Agency) received an application for financial assistance for the construction of a mixed-use development (Project) at 1 North Country Road, Village of Port Jefferson, and adjacent parcels, featuring:

- 29 market rate apartments
- 7 Affordable/Workforce apartments affordable to households earning approximately $72,000 for a 2-person household
- 1,800 square feet of retail space
- 7 garage parking spaces and 10 storage units for residents

The Project represents a nearly $16.5 million investment and is anticipated by the Applicant to generate 2 full-time and 6 part-time permanent jobs within two years

Request for Financial Assistance, Estimated $1,315,877

Port Development LLC (Applicant) requests:

- 15 years reduced taxes through a PILOT agreement, applicable to residential component only, savings of $959,514
- Mortgage Tax Exemption, estimated $76,913
- Sales and Use Tax Exemption on construction and equipping materials, estimated $279,450

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 review of a proposed Projects. Camoin 310, working with Storrs Associates, was engaged to analyze the Project and deliver an analysis and opinion to answer three important 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?

This analysis concludes that the answer to each of these questions is yes: the assumptions are within norms, the assistance is necessary to Project feasibility, and the rate of return to the Applicant is similar to market expectations and therefore reasonable.

As part of this review, the project team benchmarks operations using regional data from CoStar, and financial assumptions and returns from RealtyRates.com.

Components of this Report

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RATE OF RETURN

An estimated return on investment to the Applicant is calculated using data from the application, plus an operating pro forma and capital structure also submitted by the Applicant. 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. Averages are calculated for 5-year time periods to summarize performance over time. 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, and 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.

Cumulative Cash Flow shows net cashflow to the Project's investor over time. It is useful to note cashflow differences between a PILOT and No PILOT scenario, as this is another indicator of whether the Applicant is earning a return. No benchmarks are published.

Debt Service Coverage estimates how well Project net income, after taxes, supports repayment of debt. Benchmarks are from RealtyRates.com based on current bank practices.

Table 1

Comparison of Return on Investment

	With PILOT	No PILOT
Equity Dividend Rates: Benchmarks 6.17% to 14.69%		
Average Years 1-5	5.39%	4.00%
Average Years 6-10	6.88%	5.95%
Average Years 11 - 15	8.57%	8.21%
Average, 15 Years	6.95%	6.05%
Cumulative Cash Flow		
End of Year 5	$ 1,931,437	$ 1,433,996
End of Year 10	$ 4,398,348	$ 3,566,710
End of Year 15	$ 7,471,308	$ 6,511,794
Debt Service Coverage: Benchmarks 1.35 to 1.86		
Average	1.89	1.78
Minimum	1.62	1.42
Maximum	2.19	2.18

Benchmarks from RealtyRates for Q2 2021

Results Summary

- **Equity Dividend Rates** are based on an initial equity investment of $7,171,500. For the No PILOT scenario they are below benchmarks until the last five years, indicating that the Project will not produce a return comparable to similar projects in the region. With the PILOT, taxes are reduced sufficiently to improve performance and deliver returns that exceed the benchmarks after the first five years, which includes the startup period. This suggests a PILOT is necessary and is sufficient to improve performance to market expectations.
- **Cumulative Cash Flow** and annual cashflow are positive for all years with or without a PILOT. The initial equity investment is fully recouped by Year 15.
- **Debt Service Coverage** exceeds the benchmarks. Debt comprises only 56% of the capital structure.

This analysis concludes that the assistance is necessary to Project feasibility, and the rate of return to the Applicant is within market expectations.

OPERATING ASSUMPTIONS

Operating assumptions were compared to CoStar estimates for rent and vacancy during 2021 in Suffolk County.

Results Summary

Retail costs match the county average.

The ability of households in Suffolk County to afford either market rate or affordable apartments was estimated by calculating the income necessary to pay no more than 30% of income on rent.

The rents for affordable apartments are accessible to households earning just above 70% of Area Median Income (AMI) the county.

Table 2

Retail Square Footage and Rent, and Parking Use

Retail	Square Feet (SF)	Rent/SF	Rent/Year	Evaluation Using CoStar
Project Total Retail	1,800	$ 35	$ 63,000	Within Range
Suffolk County Rent/SF, 2021 est.		$ 32		
Vacancy Rate	5%			Within Range
Parking and Storage	**Spots**	**Rent/Month**	**Rent/Year**	
Garage Parking	7	$ 75	$ 900	n/a
Storage Unit	10	$ 40	$ 480	n/a

Source of rent and vacancy: Applicant. Vacancy Rates from CoStar 2021 estimates for Suffolk County.

Table 3

Apartment Unit Type, Rent, and Household Income

Residential	Unit Type	Number of Units	Rent/Month	Rent/Year	Estimated Household Income (1)	Evaluation (2)
Market Rate, 79% of Units	Studio	0	$ -	$ -	$ -	50% of Households in
	1BR	22	$ 2,650	$ 31,800	$ 106,000	Suffolk County Can Pay
	2BR	3	$ 3,200	$ 38,400	$ 128,000	These Rents
	3BR	4	$ 3,500	$ 42,000	$ 140,000	
Market Rate Weighted Average Rent per Month			*$ 2,824*			
Suffolk County Rent per Month, 2021 est.			*$ 2,497*	*($2.72/SF)*		<u>Comparison to 70% Area Median Income</u>
Affordable, 19% of Units	Studio (1 person)	0	$ -	$ -	$ -	$ -
	1BR (2 persons)	7	$ 1,800	$ 21,600	$ 72,000	$ 70,910
	2BR (3 persons)	0	$ -	$ -	$ -	$ -
	3BR (5+ persons)	0	$ -	$ -	$ -	$ -
Total		36				

Source of rent and vacancy: Applicant. Vacancy Rates from CoStar 2021 estimates for Suffolk County.

(1) Income needed to pay no more than 30% on rent, calculated by Storrs Associates

(2) Suffolk County Median Household Income is $101,031. 50% of households earn at least this amount and can afford a 1BR. Income limits for 70% AMI are not published and were calculated by averaging 60% and 80% ($60,780 and $81,040)

OPERATING PERFORMANCE

Operating performance of the Project is measured using Year 5 of the Applicant's Pro Forma. Gross revenue and expenses both escalate at 3% per year, while vacancy rates and concessions are specific to the use. One adjustment to the Pro Forma were made for the purposes of this report:

1. Debt service on a long term loan to finance a portion of the construction was calculated by Storrs Associates in order to estimate a future sale value. Applicant's calculation of debt service was confirmed.

Results Summary

Operating performance and assumptions about vacancy and concessions, are within range of benchmarks. With the PILOT, real property taxes absorb 6% of project income. Debt service absorbs 42% of income. Together, operating expenses, tax, and debt service absorb 66% of project income, above the benchmark.

The PILOT scenario delivers NOI as a percent of Gross Income that exceeds the benchmark.

Table 4

Operations Snapshot, Year 5

	Project Performance	Project Performance as a % of Income	Benchmark Performance	Benchmark Source	Evaluation
Gross Operating Income, Total	$ 1,367,034	100%			
Calculation of Net Operating Income, Apartments					
Gross Operating Income	$ 1,276,327	93%	n/a		n/a
Vacancy Rate and Concessions	3%	n/a	5.00%	CoStar	Within Range
Calculation of Net Operating Income, Retail/Office and Parking					
Gross Operating Income	$ 90,707	7%	n/a	n/a	n/a
Vacancy Rate (Retail/Office only)	7%	n/a	5.00%	CoStar	Within Range
Effective Gross Income (EGI), All Uses (1)	$ 1,319,458	97%	91%	RealtyRates	Within Range
Operating Expenses and Reserve	$ (249,517)	18%	44%	RealtyRates	More Efficient
Real Property Taxes	$ (83,931)	6%	n/a	n/a	n/a
Net Operating Income	$ 986,009	77%	56%	RealtyRates	More Efficient
Less: Debt Service	$ (558,696)	42%	n/a	See Comparison of Returns for Coverage	
Cashflow after Operating Costs, Taxes, Debt	$ 427,314	31%	n/a	n/a	n/a

Source: Applicant. Benchmarks from RealtyRates. Evaluation by Storrs Associates.

(1) Net of vacancy and concessions.

PILOT ANALYSIS

A PILOT is proposed for the residential component of the Project. Retail/commercial will use 1,800 square feet and the value associated with this portion is not exempted from real property taxes and not included in the PILOT. The retail portion of the Project will be subject to full real property taxes.

The PILOT analysis uses an aggregated tax rate for the jurisdictions to calculate future taxes on the residential portion. Taxes for the retail/commercial portion are also calculated this way. Taxes billed by the Village of Port Jefferson, including for business improvement and sewer, are not subject to the PILOT and will also be paid in full.

Steps in this analysis for the affected and non-affected jurisdictions:

1. Using the estimated completed Assessed Value from the Assessor for the Village of Port Jefferson, apply values for the residential and retail/commercial components and then estimate taxes for the first year, anticipated to be 2023/2024 (See Table 5, which also shows tax estimates with no Project).
2. Estimate future taxes on the parcels with and without the completed project. Tax rates are estimated to increase 2% annually.
3. Propose a PILOT schedule that reduces taxes on the residential component to improve Project financial performance and induce construction.

Table 6 summarizes the PILOT and estimated benefits. Table 7 shows the timeline of current, PILOT, and tax payments generated by the Project, and calculates both the benefits to the municipalities and the benefits, or savings, to the Project. The table shows that only the residential component is subject to the PILOT; the commercial component will pay full taxes.

Table 5

Basic Assumptions for PILOT and Estimated Taxes		
Anticipated Full Market Value	$	7,735,000.00
Assessed Value	$	57,240.00
Assessed Value Eligible for PILOT	$	53,725.00
Assessed Value Not Eligible for PILOT	$	3,515.00
Estimated Taxes on Current Assessed Value, 2020/2021	$	30,599.13
Estimated Taxes on Current Assessed Value, 2023/2024	$	31,835.33

Table 6

Real Property Tax Comparison		
Comparison of Taxes on Full Value of Project and with PILOT		
Taxes without PILOT	$	2,746,357
Less: PILOT/Tax Payments	$	(1,497,553)
Less: Estimated Taxes Not Included in PILOT	$	(289,290)
Foregone Revenue (Benefits to Project)	$	959,514
Abatement Percent		36%
Net New Taxes Compared with No Project		
PILOT and Estimated Tax Payments	$	1,786,842
Less: Estimated Taxes without Project	$	(550,542)
Estimated New Tax Revenue (Benefits to Municipalities)	$	1,236,301

Figure 1

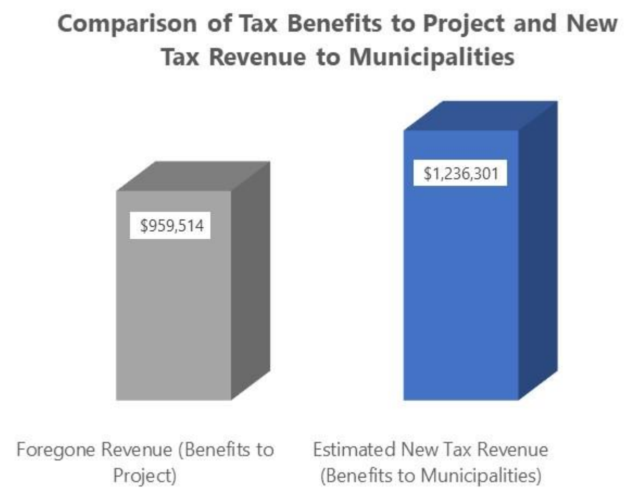

Table 7

Proposed PILOT and Tax Comparison

Current Taxable Value (1) *$10,430*
Taxable Value after Completion *$ 57,240.00*

	A	B	C	D	E=C+D	F=E-A	G=E ÷ B	H=B-E
						Benefit to Municipalities		***Benefit to Project***
Year	**Current Taxes Owed, 2% Annual Increase**	**Taxes Owed after Project Completion, No PILOT**	**Proposed PILOT Payments on Residential Component**	**Estimated Additional Taxes, Not Subject to PILOT**	**Estimated Taxes on All Project Components, All Jurisdictions**	**Estimated Net New Tax Revenues from Project**	**Total Estimated Taxes Paid as a Percent of Estimated Taxes Owed**	**Estimated Annual Savings to Project**
1	$31,835	$158,809	$33,446	$16,728	$50,174	**$18,339**	32%	**$108,635**
2	$32,472	$161,986	$38,767	$17,063	$55,830	**$23,358**	34%	**$106,156**
3	$33,121	$165,225	$47,451	$17,404	$64,855	**$31,734**	39%	**$100,370**
4	$33,784	$168,530	$56,467	$17,752	$74,219	**$40,435**	44%	**$94,311**
5	$34,460	$171,900	$65,824	$18,107	$83,931	**$49,471**	49%	**$87,969**
6	$35,149	$175,338	$75,533	$18,469	$94,002	**$58,853**	54%	**$81,336**
7	$35,852	$178,845	$85,604	$18,839	$104,443	**$68,591**	58%	**$74,402**
8	$36,569	$182,422	$96,048	$19,216	$115,263	**$78,694**	63%	**$67,159**
9	$37,300	$186,070	$106,875	$19,600	$126,475	**$89,174**	68%	**$59,596**
10	$38,046	$189,792	$118,097	$19,992	$138,088	**$100,042**	73%	**$51,703**
11	$38,807	$193,588	$129,725	$20,392	$150,116	**$111,309**	78%	**$43,471**
12	$39,583	$197,459	$141,770	$20,800	$162,570	**$122,987**	82%	**$34,890**
13	$40,375	$201,409	$154,246	$21,216	$175,462	**$135,087**	87%	**$25,947**
14	$41,182	$205,437	$167,164	$21,640	$188,804	**$147,622**	92%	**$16,633**
15	$42,006	$209,546	$180,537	$22,073	$202,610	**$160,604**	97%	**$6,935**
Totals	$550,542	$2,746,357	$1,497,553	$289,290	$1,786,842	**$1,236,301**		**$959,514**
Present Value	$468,167	$2,335,432	$1,232,616	$246,005	$1,478,620	**$1,010,454**		**$856,812**
Abatement %								34.9%

Present Value Discount Rate is 2%.

FINANCING PLAN

The Sources and Uses of Funds, Table 8, shows the total project costs and capital structure of debt and equity.

An estimated market value of the Project at the end of the PILOT was calculated for the purposes of this analysis only, as the Applicant has not indicated a sale. As shown in Table 10, a sale value is calculated using the Net Operating Income (NOI) method using current capitalization and tax rates[1]. Because the long term debt amortizes over 25 years, the outstanding principal is calculated and assumed to be repaid with sale proceeds.

Table 8

Sources and Uses of Funds

Sources of Funds			
Bank Financing	$	9,300,000	56%
Equity and Working Capital	$	7,171,500	44%
Total Sources	$	16,471,500	100%
Uses of Funds			
Total Acquisition and Transaction Costs	$	2,527,500	15%
Total Construction Costs	$	13,944,000	85%
Total Uses of Funds	$	16,471,500	100%

Source: Applicant

Table 9

Terms of the Senior (Long Term) Debt

		Terms	Benchmark	Evaluation
Amount Borrowed	$	9,300,000	n/a	
Loan to Total Project Cost		56%	80% to 40%	Within Range
Annual Interest Rate		3.50%	2.27% to 7.32%	Within Range
Maturity in Years		25	15 to 40	Within Range
Annual Principal and Interest	$	558,696	n/a	

Source: Applicant. Benchmarks: RealtyRates.

Table 10

Calculation of Market Value at 15 Years

Assumes Sale Price Based on Projected Project Income

Net Operating Income (NOI) after full tax	$1,018,134
Reversion Capitalization Rate (Cap Rate)	7.57%
Reversion (Sale) Value (NOI/Cap Rate)	$13,449,586
Loan Payoff	($4,708,256)
Net Sale Proceeds	$8,741,330

Source: Applicant. Calculations: Storrs Associates. Cap Rate: RealtyRates

[1] NOI ÷ Capitalization Rate = Sale Value. The Capitalization Rate used is a weighted-average of RealtyRates.com's benchmarks for apartments and retail.

ATTACHMENT 1: PRO FORMA

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Operating Cash Flow								
Residential Income								
22 One Bedroom Apts starting @ $2,650	$ 699,600	$ 720,588	$ 742,206	$ 764,472	$ 787,406	$ 811,028	$ 835,359	$ 860,420
3 One Bedroom Apts starting @ $3,200	$ 115,200	$ 118,656	$ 122,216	$ 125,882	$ 129,659	$ 133,548	$ 137,555	$ 141,681
4 Two Bedroom Apts starting @ $3,500	$ 168,000	$ 173,040	$ 178,231	$ 183,578	$ 189,085	$ 194,758	$ 200,601	$ 206,619
7 One Bedroom Affordable Apts @ $1,800	$ 151,200	$ 155,736	$ 160,408	$ 165,220	$ 170,177	$ 175,282	$ 180,541	$ 185,957
Less: Vacancy Allowance	$ (36,162)	$ (37,247)	$ (38,364)	$ (39,515)	$ (40,701)	$ (41,922)	$ (43,179)	$ (44,475)
Net Rental Income, Residential	$ 1,097,838	$ 1,130,773	$ 1,164,696	$ 1,199,637	$ 1,235,626	$ 1,272,695	$ 1,310,876	$ 1,350,202
Commercial/Industrial Income								
1,800 sqft space starting @ $35 Gross	$ 63,000	$ 64,890	$ 66,837	$ 68,842	$ 70,907	$ 73,034	$ 75,225	$ 77,482
Less: Vacancy Allowance	$ (4,410)	$ (4,719)	$ (5,049)	$ (5,402)	$ (5,781)	$ (6,185)	$ (6,618)	$ (7,081)
Net Rental Income, Commercial/Industrial	$ 58,590	$ 60,171	$ 61,788	$ 63,439	$ 65,126	$ 66,849	$ 68,607	$ 70,401
Other Income								
7 Garage Spaces starting @ $75	$ 6,300	$ 6,300	$ 6,300	$ 6,300	$ 6,300	$ 6,300	$ 6,300	$ 6,300
10 Storage Units starting @ $40	$ 4,800	$ 4,800	$ 4,800	$ 4,800	$ 4,800	$ 4,800	$ 4,800	$ 4,800
29 Amenity Fee starting @ $300	$ 8,700	$ 8,700	$ 8,700	$ 8,700	$ 8,700	$ 8,700	$ 8,700	$ 8,700
Less: Vacancy Allowance & Credit Allowance	$ (1,095)	$ (1,095)	$ (1,095)	$ (1,095)	$ (1,095)	$ (1,095)	$ (1,095)	$ (1,095)
Net Income, Other	$ 18,705	$ 18,705	$ 18,705	$ 18,705	$ 18,705	$ 18,705	$ 18,705	$ 18,705
Effective Gross Income (EGI)	**$ 1,175,133**	**$ 1,209,649**	**$ 1,245,189**	**$ 1,281,782**	**$ 1,319,458**	**$ 1,358,249**	**$ 1,398,188**	**$ 1,439,308**
Operating Expenses	**$ 221,805**	**$ 228,430**	**$ 235,253**	**$ 242,280**	**$ 249,517**	**$ 256,971**	**$ 264,648**	**$ 272,554**
Pre-Tax Operating Income (Revenue less Operating Expenses)	**$ 953,328**	**$ 981,219**	**$ 1,009,936**	**$ 1,039,502**	**$ 1,069,941**	**$ 1,101,278**	**$ 1,133,540**	**$ 1,166,754**
Real Property Taxes	$ 50,174	$ 55,830	$ 64,855	$ 74,219	$ 83,931	$ 94,002	$ 104,443	$ 115,263
Net Operating Income (NOI) after Taxes	**$ 903,153**	**$ 925,390**	**$ 945,081**	**$ 965,283**	**$ 986,009**	**$ 1,007,276**	**$ 1,029,098**	**$ 1,051,490**
Debt Service	$ 558,696	$ 558,696	$ 558,696	$ 558,696	$ 558,696	$ 558,696	$ 558,696	$ 558,696
Cash Flow After Financing and Reserve	**$ 344,457**	**$ 366,694**	**$ 386,385**	**$ 406,587**	**$ 427,314**	**$ 448,580**	**$ 470,402**	**$ 492,795**
Debt Service Coverage Ratio (DSCR)	1.62	1.66	1.69	1.73	1.76	1.80	1.84	1.88
Equity Dividend Rates	4.80%	5.11%	5.39%	5.67%	5.96%	6.26%	6.56%	6.87%

	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Operating Cash Flow							
Residential Income							
22 One Bedroom Apts starting @ $2,650	$ 886,232	$ 912,819	$ 940,204	$ 968,410	$ 997,462	$ 1,027,386	$ 1,058,208
3 One Bedroom Apts starting @ $3,200	$ 145,932	$ 150,310	$ 154,819	$ 159,464	$ 164,248	$ 169,175	$ 174,250
4 Two Bedroom Apts starting @ $3,500	$ 212,817	$ 219,202	$ 225,778	$ 232,551	$ 239,528	$ 246,714	$ 254,115
7 One Bedroom Affordable Apts @ $1,800	$ 191,536	$ 197,282	$ 203,200	$ 209,296	$ 215,575	$ 222,042	$ 228,704
Less: Vacancy Allowance	$ (45,809)	$ (47,183)	$ (48,599)	$ (50,057)	$ (51,558)	$ (53,105)	$ (54,698)
Net Rental Income, Residential	$ 1,390,708	$ 1,432,430	$ 1,475,402	$ 1,519,665	$ 1,565,254	$ 1,612,212	$ 1,660,578
Commercial/Industrial Income							
1,800 sqft space starting @ $35 Gross	$ 79,807	$ 82,201	$ 84,667	$ 87,207	$ 89,823	$ 92,518	$ 95,293
Less: Vacancy Allowance	$ (7,577)	$ (8,108)	$ (8,675)	$ (9,282)	$ (9,932)	$ (10,627)	$ (11,371)
Net Rental Income, Commercial/Industrial	$ 72,229	$ 74,093	$ 75,992	$ 77,924	$ 79,891	$ 81,890	$ 83,922
Other Income							
7 Garage Spaces starting @ $75	$ 6,300	$ 6,300	$ 6,300	$ 6,300	$ 6,300	$ 6,300	$ 6,300
10 Storage Units starting @ $40	$ 4,800	$ 4,800	$ 4,800	$ 4,800	$ 4,800	$ 4,800	$ 4,800
29 Amenity Fee starting @ $300	$ 8,700	$ 8,700	$ 8,700	$ 8,700	$ 8,700	$ 8,700	$ 8,700
Less: Vacancy Allowance & Credit Allowance	$ (1,095)	$ (1,095)	$ (1,095)	$ (1,095)	$ (1,095)	$ (1,095)	$ (1,095)
Net Income, Other	$ 18,705	$ 18,705	$ 18,705	$ 18,705	$ 18,705	$ 18,705	$ 18,705
Effective Gross Income (EGI)	**$ 1,481,643**	**$ 1,525,228**	**$ 1,570,099**	**$ 1,616,294**	**$ 1,663,850**	**$ 1,712,807**	**$ 1,763,205**
Operating Expenses	**$ 280,697**	**$ 289,083**	**$ 297,721**	**$ 306,616**	**$ 315,777**	**$ 325,212**	**$ 334,929**
Pre-Tax Operating Income (Revenue less Operating Expenses)	**$ 1,200,946**	**$ 1,236,144**	**$ 1,272,379**	**$ 1,309,678**	**$ 1,348,073**	**$ 1,387,595**	**$ 1,428,276**
Real Property Taxes	$ 126,475	$ 138,088	$ 150,116	$ 162,570	$ 175,462	$ 188,804	$ 202,610
Net Operating Income (NOI) after Taxes	**$ 1,074,471**	**$ 1,098,056**	**$ 1,122,262**	**$ 1,147,108**	**$ 1,172,612**	**$ 1,198,791**	**$ 1,225,666**
Debt Service	$ 558,696	$ 558,696	$ 558,696	$ 558,696	$ 558,696	$ 558,696	$ 558,696
Cash Flow After Financing and Reserve	**$ 515,775**	**$ 539,360**	**$ 563,566**	**$ 588,412**	**$ 613,916**	**$ 640,095**	**$ 666,970**
Debt Service Coverage Ratio (DSCR)	1.92	1.97	2.01	2.05	2.10	2.15	2.19
Equity Dividend Rates	7.19%	7.52%	7.86%	8.20%	8.56%	8.93%	9.30%

APPENDIX A: SCOPE OF SERVICES

To assist with its evaluation of Port Development LLC's request for financial assistance, Camoin 310 was commissioned by the Town of Brookhaven Industrial Development Agency to conduct the above analyses. Camoin 310 engaged Storrs Associates, LLC, as a subcontractor. 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(s) 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.

Camoin 310 prepares an XL workbook designed to collect key information about pro forma project cashflows, sources and uses of funds, and financing terms as a supplement to the original application. This is sent to the developer or project owner by the IDA and the completed workbook is forwarded for use in the analysis.

Sources Consulted

- Application dated May 24, 2021.
- Project financing and annual cashflow workbook submitted by the Applicant in August, 2021, with submitted revisions.
- Real estate tax information and estimates received from the Agency, including anticipated future assessed value of the Project.
- CoStar data for multifamily projects in Suffolk County from 2018 through the second quarter of 2021.
- CoStar data for retail projects in Suffolk County from 2018 through the second quarter of 2021.
- RealtyRates.com's "Investor Survey" and "Market Survey," 2nd Quarter 2021.

RealtyRates.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.

CoStar™

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**.

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)

THE PROJECT TEAM

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Leading action to
grow your economy