

PREPARED FOR:

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

Reasonableness Assessment for Financial Assistance

THE PRESERVE AT EAST MORICHES, LLC

AUGUST 2024

PREPARED BY:



CONTENTS

Executive Summary.....	1
1. Operating Assumptions.....	2
2. PILOT Analysis	3
3. Operating Performance	6
4. Financing Plan	7
5. Rate of Return.....	8
Attachment 1: Pro Formas	9
Appendix A: Scope of Services	11
Appendix B: Definitions.....	12

EXECUTIVE SUMMARY

Project Description

The Town of Brookhaven Industrial Development Agency (Agency) received an application from The Preserve at East Moriches, LLC (Applicant) for financial assistance for the construction of a planned senior housing community consisting of 13 buildings (Project). The project will feature 70 units, an improved 1,200 SF community building, and several outdoor recreational areas with horseshoe pits, picnic tables, and a walking path. Seven of the units will be set aside as affordable at 80% of area median income (AMI), and seven units will be set aside as workforce housing at 120% of AMI.

The Project represents a \$24.9 million investment and is anticipated by the Applicant to generate 3 full-time permanent jobs within two years. To support this project, the Applicant requests financial assistance through a Payment In Lieu of Taxes (PILOT) agreement.

Purpose of this Analysis

An objective, third-party review of a project's assumptions and estimated operating and financial performance 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 regional norms?
- ◆ 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. However, operating expenses are lower than market benchmarks, and loan to total project cost is much higher than benchmarks.***
- ***Without a PILOT, the project does not achieve positive cash flow, with a PILOT investment is recouped in year 13.***
- ***The average equity dividend rate requires a PILOT to meet market benchmarks.***

1. OPERATING ASSUMPTIONS

The Applicant’s operating assumptions are compared to CoStar estimates for rent in 2024 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	56	\$3,200	\$38,400	\$128,000	n/a	n/a	Rent is 1.21 times higher than average rent for Suffolk County (5)
Workforce 2BR	7	\$3,200	\$38,400	\$128,000	120%	\$143,806	Household income required is below the max household income limits for 120% of Nassau-Suffolk AMI of \$119,838
Affordable 2BR	7	\$2,165	\$25,980	\$86,600	80%	\$91,800	Household income required is below the max household income limits for low income 3-person households in Nassau-Suffolk, NY HUD Metro (4)

(1) Source: Applicant

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

(3) Source: Applicant - 7 units will be reserved for affordable housing, whose incomes are 80% or less of AMI, 7 units will be reserved for workforce housing, whose incomes are 120% or less of AMI

(4) 2023 Adjusted Home Income Limits, U.S. Department of HUD

(5) Average monthly rent for 2024 in Suffolk County, NY is estimated at \$2,640; 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 Form Application for Financial Assistance:

PILOT Schedule - Provided 13 Year						
Year	Property Without Project (1)	Plus: Improvements		Total PILOT (1)	Estimated PILOT Savings (1)	Project w/out PILOT (1)
		Projected Improvement Tax (1)	Proposed Exemption (1)			
Construction Year 1	\$34,478		100.00%	\$ 34,478	\$0	\$34,478
PILOT/Tax Year 2	\$35,168	\$401,980	93.75%	\$ 60,291	\$341,689	\$437,148
PILOT/Tax Year 3	\$35,871	\$410,020	87.50%	\$ 87,123	\$322,896	\$445,891
PILOT/Tax Year 4	\$36,588	\$418,220	81.25%	\$ 115,005	\$303,215	\$454,808
PILOT/Tax Year 5	\$37,320	\$426,584	75.00%	\$ 143,966	\$282,618	\$463,904
PILOT/Tax Year 6	\$38,066	\$435,116	68.75%	\$ 174,040	\$261,076	\$473,183
PILOT/Tax Year 7	\$38,828	\$443,818	62.50%	\$ 205,260	\$238,559	\$482,646
PILOT/Tax Year 8	\$39,604	\$452,695	56.25%	\$ 237,658	\$215,036	\$492,299
PILOT/Tax Year 9	\$40,396	\$461,749	50.00%	\$ 271,271	\$190,478	\$502,145
PILOT/Tax Year 10	\$41,204	\$470,984	43.75%	\$ 306,133	\$164,851	\$512,188
PILOT/Tax Year 11	\$42,028	\$480,403	37.50%	\$ 342,281	\$138,123	\$522,432
PILOT/Tax Year 12	\$42,869	\$490,011	31.25%	\$ 379,752	\$110,259	\$532,880
PILOT/Tax Year 13	\$43,726	\$499,812	25.00%	\$ 418,585	\$81,226	\$543,538
Total	\$506,148				\$2,650,027	\$5,897,540

(1) Source: Town of Brookhaven

The PILOT agreement will abate 55.1% of the Applicant's taxes, resulting in \$3,121,697 in foregone tax revenue (benefit to the project) to the municipality over the next 13 years. This amount is higher than the \$2,269,694 estimated new tax revenue (benefit to the municipality) the municipality stands to gain from the PILOT project.

Real Property Tax Comparison

13 Year PILOT

Comparison of Taxes on Full Value of Project and with PILOT

Taxes without PILOT	\$ 5,897,540
Less: PILOT/Tax Payments	<u>\$ (2,775,843)</u>
Foregone Revenue (Benefits to Project)	\$ 3,121,697
Abatement Percent	52.9%

Net New Taxes Compared with No Project

PILOT	\$ 2,775,843
Less: Estimated Taxes without Project	<u>\$ (506,148)</u>
Estimated New Tax Revenue (Benefits to Municipalities)	\$ 2,269,694

This table shows the PILOT timeline and the Project's tax payments. It calculates the benefits to the municipalities and the benefits (or savings) to the Project.

Proposed PILOT and Tax Comparison (13 year PILOT)								
	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	\$ 34,478	\$34,478	\$0	\$ 34,478	\$ 34,478	\$0	100.00%	
2	\$ 60,291	\$35,168	\$25,124	\$ 437,148	\$ 60,291	\$376,856	13.79%	
3	\$ 87,123	\$35,871	\$51,252	\$ 445,891	\$ 87,123	\$358,767	19.54%	
4	\$ 115,005	\$36,588	\$78,416	\$ 454,808	\$ 115,005	\$339,804	25.29%	
5	\$ 143,966	\$37,320	\$106,646	\$ 463,904	\$ 143,966	\$319,938	31.03%	
6	\$ 174,040	\$38,066	\$135,974	\$ 473,183	\$ 174,040	\$299,142	36.78%	
7	\$ 205,260	\$38,828	\$166,432	\$ 482,646	\$ 205,260	\$277,387	42.53%	
8	\$ 237,658	\$39,604	\$198,054	\$ 492,299	\$ 237,658	\$254,641	48.28%	
9	\$ 271,271	\$40,396	\$230,874	\$ 502,145	\$ 271,271	\$230,874	54.02%	
10	\$ 306,133	\$41,204	\$264,928	\$ 512,188	\$ 306,133	\$206,055	59.77%	
11	\$ 342,281	\$42,028	\$300,252	\$ 522,432	\$ 342,281	\$180,151	65.52%	
12	\$ 379,752	\$42,869	\$336,883	\$ 532,880	\$ 379,752	\$153,129	71.26%	
13	\$ 418,585	\$43,726	\$374,859	\$ 543,538	\$ 418,585	\$124,953	77.01%	
Totals	\$ 2,775,843	\$506,148	\$2,269,694	\$5,897,540	\$ 2,775,843	\$3,121,697	47.1%	

(1) Assumes tax rate for Fiscal Year 2023/2024 of 395.163 and a current assessed value of \$8,725.

(2) Assumes a 2% annual increase in tax rate and a taxable value of \$115,000 upon project completion; Source: Town of Brookhaven, Applicant

3. OPERATING PERFORMANCE

The project's operating performance is measured using Year 6 of the Applicant's Pro Forma. The Applicant assumes that gross revenue and expenses will escalate at 2% per year and that there will be a 6% vacancy rate once stabilized, within the range for Suffolk County, NY. 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 a positive cash flow of \$32,500.

Operations Snapshot, Year 6

	13 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	\$ 2,927,516	100%	n/a	n/a
Vacancy Rate and Concessions (4)	6.0%	n/a	5.8%	Within range
Effective Gross Income (EGI), All Uses (3)	\$ 2,751,865	94%	96%	Within range
Less: Operating Expenses and Reserve	(\$606,649)	21%	51%	More efficient
<u>Less: Real Property Taxes (with PILOT)</u>	<u>\$ (174,040)</u>	<u>6%</u>	<u>n/a</u>	<u>n/a</u>
Net Operating Income	\$ 1,971,175	67%	48%	More efficient
Less: Debt Service	<u>(\$1,938,675)</u>	66%	n/a	n/a
Cashflow after Operating Costs, Taxes, Debt	\$ 32,500	1%	n/a	n/a

(1) Source: Applicant

(2) Source: RealtyRates Q2 2024 for Northeast Region

(3) Net of vacancy and concessions

(4) Average vacancy rate for 2024 in Suffolk County, NY is 5.8%; Source: CoStar

4. FINANCING PLAN

- ◆ The Sources and Uses of Funds show the total project costs and debt and equity capital structure.
- ◆ The Senior (Long Term) Debt Terms are mixed. Loan to Total Project Costs is 96% above industry benchmarks of 70-80%. The annual interest rate for long-term debt is within range, and the maturity term is within acceptable limits.

Sources and Uses of Funds		
<u>Sources of Funds</u>	<u>Amount (1)</u>	<u>Share</u>
Bank Financing	\$24,000,000	96%
Equity and Working Capital	<u>\$1,015,000</u>	<u>4%</u>
Total Sources	\$25,015,000	100%
<u>Uses of Funds</u>		
Acquisition and Transaction Costs	\$2,600,000	10%
Construction Costs	<u>\$22,415,000</u>	<u>90%</u>
Total Uses	\$25,015,000	100%

(1) Source: Applicant

Terms of the Senior (Long Term) Debt			
	<u>Terms (1)</u>	<u>Benchmark (2)</u>	<u>Evaluation</u>
Amount Borrowed	\$24,000,000	n/a	n/a
Loan to Total Project Cost	96%	70% to 80%	Above Range
Annual Interest Rate	6.00%	4.81% to 9.11%	Within Range
Maturity in Years	30	15 to 40	Within Range

(1) Source: Applicant

(2) Source: RealtyRates Q2 2024

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 cash flow 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 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 \$1,015,000. **The average equity dividend rate for the 13-year provided PILOT meets this criterion, whereas the No Pilot Scenario does not.**
- ◆ **Cash Flow** shows net cash flow to the Applicant over time. There are currently no cash flow benchmarks available. **Cumulative Cash Flow is negative for the no-PILOT scenario but positive for the 13-year PILOT scenario, indicating that a PILOT is necessary for this development to be profitable within a 13-year timeframe.**

Debt Service Coverage estimates how well the Project's net income, after taxes, supports debt repayment. Debt Service Coverage exceeds the benchmark by year 5 with a PILOT and year 11 without.

Note: Debt service payments were not provided for the full 15-year term, so Camoin Associates adjusted missing years based on assumptions provided by the applicant.

Comparison of Return on Investment

	No PILOT	13 Year Provided PILOT	Benchmarks (1)
<u>Equity Dividend Rates</u>			
Average	-13.9%	7.82%	
Minimum	-46.29%	-9.16%	7.33%
Maximum	15.38%	31.52%	to 16.79%
Year Benchmarks Met	12	8	
<u>Cash Flow</u>			
Average	(\$162,437)	\$91,611	
Minimum	(\$469,826)	(\$92,970)	
Maximum	\$156,132	\$319,918	n/a
Cumulative	(\$2,111,683)	\$1,190,941	
Year Investment Recouped	n/a	13	
<u>Debt Service Coverage</u>			
Average	0.91	1.05	1.00
Minimum	0.76	0.95	to
Maximum	1.08	1.17	1.86
Years Benchmarks Met	11	5	

(1) Source: RealtyRates for Q2 2024

ATTACHMENT 1: PRO FORMAS

Project Name	The Preserve at East Moriches		Date		9/5/2024									
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*	
Operating Cash Flow														
<u>Residential Income</u>														
Gross Operating Income	\$0	\$2,601,060	\$2,679,092	\$2,759,465	\$2,842,248	\$2,927,516	\$3,015,341	\$3,105,802	\$3,198,976	\$3,294,945	\$3,393,793	\$3,495,607	\$3,600,475	
Less: Vacancy Allowance (enter as a negative number)	\$0	-\$156,064	-\$160,746	-\$165,568	-\$170,535	-\$175,651	-\$180,920	-\$186,348	-\$191,939	-\$197,697	-\$203,628	-\$209,736	-\$216,029	
Net Rental Income, Residential	\$0	\$2,444,996	\$2,518,346	\$2,593,897	\$2,671,714	\$2,751,865	\$2,834,421	\$2,919,454	\$3,007,037	\$3,097,248	\$3,190,166	\$3,285,871	\$3,384,447	
<u>Commercial/Industrial Income</u>														
Gross Operating Income														
Less: Vacancy Allowance (enter as a negative number)														
Net Rental Income, Commercial/Industrial	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<u>Other Income</u>														
Parking Income														
Other Income														
Other Income														
Net Income, Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Effective Gross Income (EGI)	\$0	\$2,444,996	\$2,518,346	\$2,593,897	\$2,671,714	\$2,751,865	\$2,834,421	\$2,919,454	\$3,007,037	\$3,097,248	\$3,190,166	\$3,285,871	\$3,384,447	
<u>Operating Expenses (enter positive numbers)</u>														
Salaries and Wages	\$ 105,000	\$ 108,150	\$ 111,395	\$ 114,736	\$ 118,178	\$ 121,724	\$ 125,375	\$ 129,137	\$ 133,011	\$ 137,001	\$ 141,111	\$ 145,345		
Maintenance	\$ 21,000	\$ 21,630	\$ 22,279	\$ 22,947	\$ 23,636	\$ 24,345	\$ 25,075	\$ 25,827	\$ 26,602	\$ 27,400	\$ 28,222	\$ 29,069		
Deposit to replacement reserve	\$ 35,000	\$ 36,050	\$ 37,132	\$ 38,245	\$ 39,393	\$ 40,575	\$ 41,792	\$ 43,046	\$ 44,337	\$ 45,667	\$ 47,037	\$ 48,448		
Insurance	\$ 90,000	\$ 92,700	\$ 95,481	\$ 98,345	\$ 101,296	\$ 104,335	\$ 107,465	\$ 110,689	\$ 114,009	\$ 117,430	\$ 120,952	\$ 124,581		
Other	\$ 288,000	\$ 296,640	\$ 305,539	\$ 314,705	\$ 324,147	\$ 333,871	\$ 343,887	\$ 354,204	\$ 364,830	\$ 375,775	\$ 387,048	\$ 398,659		
Operating Expenses	\$ -	\$ 539,000	\$ 555,170	\$ 571,825	\$ 588,980	\$ 606,649	\$ 624,849	\$ 643,594	\$ 662,902	\$ 682,789	\$ 703,273	\$ 724,371	\$ 746,102	
Pre-Tax Operating Income (Revenue less Operating Expenses)	\$ -	\$ 1,905,996	\$ 1,963,176	\$ 2,022,072	\$ 2,082,734	\$ 2,145,216	\$ 2,209,572	\$ 2,275,859	\$ 2,344,135	\$ 2,414,459	\$ 2,486,893	\$ 2,561,500	\$ 2,638,345	
Real Property Taxes (assuming no PILOT)	\$ 34,478	\$ 437,148	\$ 445,891	\$ 454,808	\$ 463,904	\$ 473,183	\$ 482,646	\$ 492,299	\$ 502,145	\$ 512,188	\$ 522,432	\$ 532,880	\$ 543,538	
Net Operating Income (NOI) after Taxes	\$ (34,478)	\$ 1,468,849	\$ 1,517,286	\$ 1,567,263	\$ 1,618,829	\$ 1,672,033	\$ 1,726,926	\$ 1,783,560	\$ 1,841,990	\$ 1,902,271	\$ 1,964,461	\$ 2,028,619	\$ 2,094,807	
<u>Loan or Mortgage (Debt Service)</u>														
Interest Payment	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	
Principal Payment														
Debt Service	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	
Cash Flow After Financing and Reserve	\$ (34,478)	\$ (469,826)	\$ (421,389)	\$ (371,412)	\$ (319,846)	\$ (266,642)	\$ (211,749)	\$ (155,115)	\$ (96,685)	\$ (36,404)	\$ 25,786	\$ 89,944	\$ 156,132	
Debt Service Coverage Ratio (DSCR)		0.76	0.78	0.81	0.84	0.86	0.89	0.92	0.95	0.98	1.01	1.05	1.08	
Equity Dividend Rate	-3.40%	-46.29%	-41.52%	-36.59%	-31.51%	-26.27%	-20.86%	-15.28%	-9.53%	-3.59%	2.54%	8.86%	15.38%	

*Proforma adjusted to from Year 10 to Year 13 based on assumptions provided by the applicant

Reasonableness Assessment for The Preserve at East Moriches, Town of Brookhaven Industrial Development Agency

Project Name	The Preserve at East Moriches		Date	9/5/2024									
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*
Operating Cash Flow													
<u>Residential Income</u>													
Gross Operating Income	\$0	\$2,601,060	\$2,679,092	\$2,759,465	\$2,842,248	\$2,927,516	\$3,015,341	\$3,105,802	\$3,198,976	\$3,294,945	\$3,393,793	\$3,495,607	\$3,600,475
Less: Vacancy Allowance (enter as a negative number)	\$0	-\$156,064	-\$160,746	-\$165,568	-\$170,535	-\$175,651	-\$180,920	-\$186,348	-\$191,939	-\$197,697	-\$203,628	-\$209,736	-\$216,029
Net Rental Income, Residential	\$0	\$2,444,996	\$2,518,346	\$2,593,897	\$2,671,714	\$2,751,865	\$2,834,421	\$2,919,454	\$3,007,037	\$3,097,248	\$3,190,166	\$3,285,871	\$3,384,447
<u>Commercial/Industrial Income</u>													
Gross Operating Income													
Less: Vacancy Allowance (enter as a negative number)													
Net Rental Income, Commercial/Industrial	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Other Income</u>													
Parking Income													
Other Income													
Other Income													
Net Income, Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Effective Gross Income (EGI)	\$0	\$2,444,996	\$2,518,346	\$2,593,897	\$2,671,714	\$2,751,865	\$2,834,421	\$2,919,454	\$3,007,037	\$3,097,248	\$3,190,166	\$3,285,871	\$3,384,447
<u>Operating Expenses (enter positive numbers)</u>													
Salaries and Wages	\$ 105,000	\$ 108,150	\$ 111,395	\$ 114,736	\$ 118,178	\$ 121,724	\$ 125,375	\$ 129,137	\$ 133,011	\$ 137,001	\$ 141,111	\$ 145,345	
Maintenance	\$ 21,000	\$ 21,630	\$ 22,279	\$ 22,947	\$ 23,636	\$ 24,345	\$ 25,075	\$ 25,827	\$ 26,602	\$ 27,400	\$ 28,222	\$ 29,069	
Deposit to replacement reserve	\$ 35,000	\$ 36,050	\$ 37,132	\$ 38,245	\$ 39,393	\$ 40,575	\$ 41,792	\$ 43,046	\$ 44,337	\$ 45,667	\$ 47,037	\$ 48,448	
Insurance	\$ 90,000	\$ 92,700	\$ 95,481	\$ 98,345	\$ 101,296	\$ 104,335	\$ 107,465	\$ 110,689	\$ 114,009	\$ 117,430	\$ 120,952	\$ 124,581	
Other	\$ 288,000	\$ 296,640	\$ 305,539	\$ 314,705	\$ 324,147	\$ 333,871	\$ 343,887	\$ 354,204	\$ 364,830	\$ 375,775	\$ 387,048	\$ 398,659	
Operating Expenses	\$ -	\$ 539,000	\$ 555,170	\$ 571,825	\$ 588,980	\$ 606,649	\$ 624,849	\$ 643,594	\$ 662,902	\$ 682,789	\$ 703,273	\$ 724,371	\$ 746,102
Pre-Tax Operating Income (Revenue less Operating Expenses)	\$ -	\$ 1,905,996	\$ 1,963,176	\$ 2,022,072	\$ 2,082,734	\$ 2,145,216	\$ 2,209,572	\$ 2,275,859	\$ 2,344,135	\$ 2,414,459	\$ 2,486,893	\$ 2,561,500	\$ 2,638,345
Real Property Taxes (assuming PILOT)	\$ 34,478	\$ 60,291	\$ 87,123	\$ 115,005	\$ 143,966	\$ 174,040	\$ 205,260	\$ 237,658	\$ 237,658	\$ 271,271	\$ 306,133	\$ 342,281	\$ 379,752
Net Operating Income (NOI) after Taxes	\$ (34,478)	\$ 1,845,705	\$ 1,876,053	\$ 1,907,067	\$ 1,938,768	\$ 1,971,175	\$ 2,004,312	\$ 2,038,201	\$ 2,106,477	\$ 2,143,188	\$ 2,180,760	\$ 2,219,219	\$ 2,258,593
Loan or Mortgage (Debt Service)		\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675
Interest Payment										\$ -	\$ -	\$ -	\$ -
Principal Payment										\$ -	\$ -	\$ -	\$ -
Debt Service		\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675	\$ 1,938,675
Cash Flow After Financing and Reserve	\$ (34,478)	\$ (92,970)	\$ (62,622)	\$ (31,608)	\$ 93	\$ 32,500	\$ 65,637	\$ 99,526	\$ 167,802	\$ 204,513	\$ 242,085	\$ 280,544	\$ 319,918
Debt Service Coverage Ratio (DSCR)		0.95	0.97	0.98	1.00	1.02	1.03	1.05	1.09	1.11	1.12	1.14	1.17
Equity Dividend Rate	-3.40%	-9.16%	-6.17%	-3.11%	0.01%	3.20%	6.47%	9.81%	16.53%	20.15%	23.85%	27.64%	31.52%

*Proforma adjusted to from Year 10 to Year 13 based on assumptions provided by the applicant

APPENDIX A: SCOPE OF SERVICES

To assist with its evaluation of 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 19, 2023.
- ◆ Project financing and annual cashflow workbook submitted by the Applicant in July 2024, with submitted revisions.
- ◆ Updated assessed value provided on July 9, 2024.
- ◆ 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. 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](#).

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