

PREPARED FOR:

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

Commented [RS1]: This is in good shape. When you send to Lisa, indicate that you have used the same exemption schedule as was provided in the previous report and ask her to confirm that there hadn't been any other discussions with the Developer about what that schedule should be.

Reasonableness Assessment for Financial Assistance

RA OAK RUN, LLC

OCTOBER 2024

PREPARED BY:



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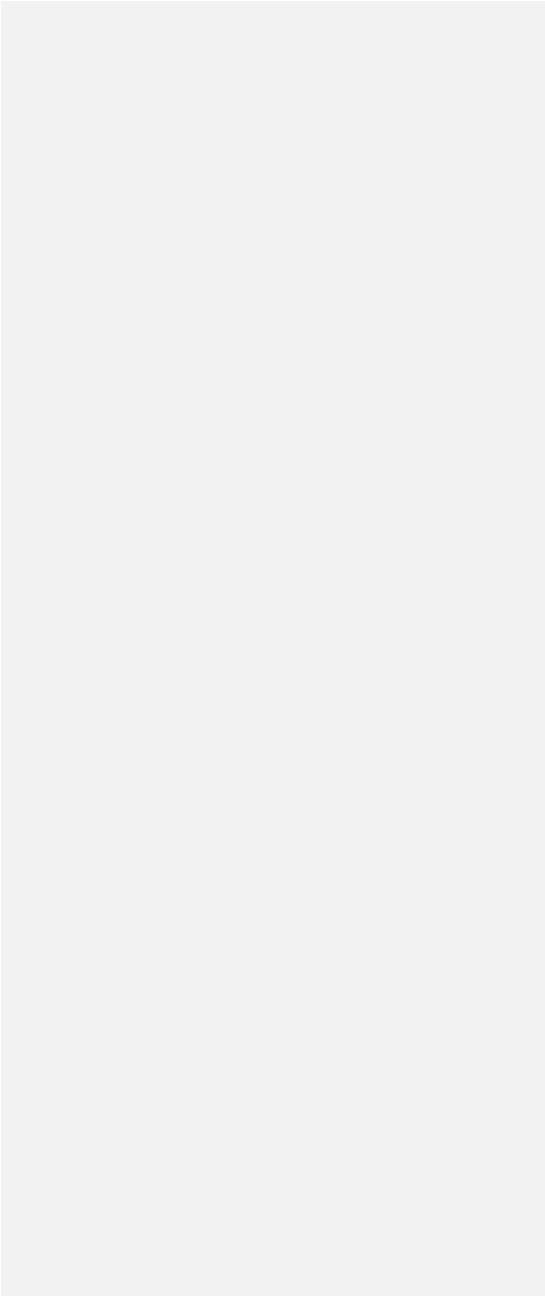
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EXECUTIVE SUMMARY

Project Description

The Town of Brookhaven Industrial Development Agency (Agency) received an application from RA Oak Run LLC (Applicant) for financial assistance for the construction of a planned senior housing community consisting of seventy-four (74) townhomes. Twenty percent of the townhomes will be allocated for affordable and workforce housing. The property will include a leasing office, an outdoor swimming pool, an indoor fitness center, and an outdoor recreational area.

The Project represents a \$35.1 million investment and is anticipated by the Applicant to generate 1.5 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 market rent and vacancy rate. However, operating expenses and net operating income are more efficient than benchmarks.***
- ***Equity dividend rate benchmark is met with the PILOT scenario but is not met with the No PILOT scenario.***
- ***In both situations, cash flow is positive, but cumulative cash flow does not recoup the initial equity investment over the time period studied.***

1. OPERATING ASSUMPTIONS

The Applicant’s operating assumptions are compared to CoStar estimates for rent in 2024 in Suffolk County and key metrics for workforce and affordable housing income limits as provided by the U.S. Department of Housing and Urban Development. 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. Actual rents will need to be adjusted to meet the requirements of HUD and adjusted annually.

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 Limits Workforce (3) (5)	Income Limits Affordable (5)	Benchmarks
Market Rate 2BR	58	\$3,648	\$43,776	\$145,920	n/a	n/a	Projected rent is 1.38 times higher than average current rent for Suffolk County (4)
Affordable 2BR (County)	4	\$2,770	\$33,240	\$110,800	n/a	\$112,500	Meets Benchmarks
Affordable 2BR (Town)	4	\$1,733	\$20,796	\$69,320	n/a	\$112,500	Meets Benchmarks
Workforce 2BR (County)	4	\$3,648	\$43,776	\$145,920	\$168,700	n/a	Meets Benchmarks
Workforce 2BR (Town)	4	\$2,286	\$27,432	\$91,440	\$168,700	n/a	Meets Benchmarks

(1) Source: Applicant
 (2) Income needed to pay no more than 30% on rent
 (3) Town of Brookhaven IDA Workforce housing income limit is 120% of Area Median Income (AMI) for Suffolk County, New York and affordable housing income limit is 80% of AMI for Suffolk County, New York
 (4) Average monthly rent for 2024 in Suffolk County, NY is estimated at \$2,640; Source: CoStar
 (5) Affordable Limit for 3 person family is \$112,500, and workforce is \$168,700. Source: Town of Brookhaven Uncapped FY 2024 Low Income Limits Effective May 1, 2024

2. PILOT ANALYSIS

Camoin Associates created a PILOT schedule in alignment with the Agency’s Uniform Tax Exemption Policy (UTEP):

PILOT Schedule - 14 Year						
Year	Property Without Project (1)	Plus: Improvements			Estimated PILOT Savings (2)	Project w/out PILOT (2)
		Projected Improvement Tax (2)	Proposed Exemption (1)	Total PILOT (1)		
Construction Year 1	\$23,482		100.00%	\$23,482	\$0	\$23,482
Construction Year 2	\$24,070		100.00%	\$24,070	\$0	\$24,070
PILOT/Tax Year 3	\$24,671	\$450,479	93.75%	\$52,826	\$422,324	\$475,150
PILOT/Tax Year 4	\$25,288	\$461,741	87.50%	\$83,006	\$404,023	\$487,029
PILOT/Tax Year 5	\$25,920	\$473,284	81.25%	\$114,661	\$384,543	\$499,204
PILOT/Tax Year 6	\$26,568	\$485,116	75.00%	\$147,847	\$363,837	\$511,684
PILOT/Tax Year 7	\$27,232	\$497,244	68.75%	\$182,621	\$341,855	\$524,476
PILOT/Tax Year 8	\$27,913	\$509,675	62.50%	\$219,041	\$318,547	\$537,588
PILOT/Tax Year 9	\$28,611	\$522,417	56.25%	\$257,169	\$293,860	\$551,028
PILOT/Tax Year 10	\$29,326	\$535,477	50.00%	\$297,065	\$267,739	\$564,804
PILOT/Tax Year 11	\$30,060	\$548,864	43.75%	\$338,796	\$240,128	\$578,924
PILOT/Tax Year 12	\$30,811	\$562,586	37.50%	\$382,427	\$210,970	\$593,397
PILOT/Tax Year 13	\$31,581	\$576,651	31.25%	\$428,029	\$180,203	\$608,232
PILOT/Tax Year 14	\$32,371	\$591,067	25.00%	\$475,671	\$147,767	\$623,438
Total	\$387,905				\$3,575,795	\$6,602,506

(1) Source: Town of Brookhaven

(2) Source: Applicant

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Reasonableness Assessment for RA Oak Run, Town of Brookhaven Industrial Development Agency

The PILOT agreement will abate 52.4% of the Applicant's taxes, resulting in \$3,575,795 in foregone tax revenue (benefit to the Project) to the municipality over the next 14 years. This amount is higher than the \$2,638,805 estimated new tax revenue (benefit to the municipality) the municipality stands to gain from the Project with the PILOT.

Real Property Tax Comparison

14 Year PILOT

Comparison of Taxes on Full Value of Project and with PILOT

Taxes without PILOT	\$6,602,506
Less: PILOT/Tax Payments	<u>(\$3,026,711)</u>
Foregone Revenue (Benefits to Project)	\$3,575,795
Abatement Percent	54.2%

Net New Taxes Compared with No Project

PILOT	\$3,026,711
Less: Estimated Taxes without Project	<u>(\$387,905)</u>
Estimated New Tax Revenue (Benefits to Municipalities)	\$2,638,805

Reasonableness Assessment for RA Oak Run, Town of Brookhaven Industrial Development Agency

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 (14 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	\$ 23,482	\$23,482	\$0	\$ 23,482	\$ 23,482	\$0	100.00%
2	\$ 24,070	\$24,070	\$0	\$ 24,070	\$ 24,070	\$0	100.00%
3	\$ 52,826	\$24,671	\$28,155	\$ 475,150	\$ 52,826	\$422,324	11.12%
4	\$ 83,006	\$25,288	\$57,718	\$ 487,029	\$ 83,006	\$404,023	17.04%
5	\$ 114,661	\$25,920	\$88,741	\$ 499,204	\$ 114,661	\$384,543	22.97%
6	\$ 147,847	\$26,568	\$121,279	\$ 511,684	\$ 147,847	\$363,837	28.89%
7	\$ 182,621	\$27,232	\$155,389	\$ 524,476	\$ 182,621	\$341,855	34.82%
8	\$ 219,041	\$27,913	\$191,128	\$ 537,588	\$ 219,041	\$318,547	40.75%
9	\$ 257,169	\$28,611	\$228,557	\$ 551,028	\$ 257,169	\$293,860	46.67%
10	\$ 297,065	\$29,326	\$267,739	\$ 564,804	\$ 297,065	\$267,739	52.60%
11	\$ 338,796	\$30,060	\$308,736	\$ 578,924	\$ 338,796	\$240,128	58.52%
12	\$ 382,427	\$30,811	\$351,616	\$ 593,397	\$ 382,427	\$210,970	64.45%
13	\$ 428,029	\$31,581	\$396,447	\$ 608,232	\$ 428,029	\$180,203	70.37%
14	\$ 475,671	\$32,371	\$443,300	\$ 623,438	\$ 475,671	\$147,767	76.30%
Totals	\$ 3,026,711	\$387,905	\$2,638,805	\$ 6,602,506	\$ 3,026,711	\$3,575,795	45.8%

(1) Assumes tax rate for Fiscal Year 2023/2024 of 434.86 and a current assessed value of \$5,400.

(2) Assumes a 2% annual increase in tax rate and a taxable value of \$104,000 upon project completion; Source: Town of Brookhaven, Applicant

3. OPERATING PERFORMANCE

The project's operating performance is measured using Year 5 of operations (Year 7 of the total PILOT period) from 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 5% 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 8% of project income, while debt service absorbs 50% of income, resulting in a positive cash flow of \$894,208. Without a PILOT, real property taxes absorb 17% of gross operating income, resulting in a positive cash flow of \$552,353.

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	Operations Snapshot, Year 7							
	14 Year PILOT				14 Year No-PILOT			
	Project Performance (1)	Share of Gross Operating Income	Benchmark Performance (2)	Evaluation	Project Performance (1)	Share of Gross Operating Income	Benchmark Performance (2)	Evaluation
<u>Calculation of Net Operating Income Residential</u>								
Gross Operating Income	\$ 3,290,576	100%	n/a	n/a	\$ 3,290,576	100%	n/a	n/a
Vacancy Rate and Concessions (4)	5.0%	n/a	5.8%	Within range	5.0%	n/a	5.8%	Within range
Effective Gross Income (EGI), All Uses (3)	\$ 3,174,108	96%	96%	Within range	\$ 3,174,108	96%	96%	Within range
Less: Operating Expenses and Reserve	(\$455,829)	14%	51%	More efficient	(\$455,829)	14%	51%	More efficient
<u>Less: Real Property Taxes</u>	<u>\$ (182,621)</u>	<u>6%</u>	<u>n/a</u>	<u>n/a</u>	<u>\$ (524,476)</u>	<u>16%</u>	<u>n/a</u>	<u>n/a</u>
Net Operating Income	\$ 2,535,657	77%	48%	More efficient	\$ 2,193,802	67%	48%	More efficient
Less: Debt Service	<u>(\$1,641,449)</u>	50%	n/a	n/a	<u>(\$1,641,449)</u>	50%	n/a	n/a
Cashflow after Operating Costs, Taxes, Debt	\$ 894,208	27%	n/a	n/a	\$ 552,353	17%	n/a	n/a

(1) Source: Applicant
 (2) Source: RealtyRates Q3 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 positive, with bank financing making up 65% of the source of funds, below the 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	\$22,815,000	65%
Equity and Working Capital	<u>\$12,285,000</u>	<u>35%</u>
Total Sources	\$35,100,000	100%
<u>Uses of Funds</u>		
Acquisition and Transaction Costs	\$6,070,000	17%
Construction Costs	<u>\$29,030,000</u>	<u>83%</u>
Total Uses	\$35,100,000	100%

(1) Source: Applicant

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Terms of the Senior (Long Term) Debt			
	<u>Terms (1)</u>	<u>Benchmark (2)</u>	<u>Evaluation</u>
Amount Borrowed	\$22,815,000	n/a	n/a
Loan to Total Project Cost	65%	70% to 80%	Below 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 Q3 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 \$12,285,000. **The average equity dividend rate meets this criterion in year 7 for the Pilot Scenario and does not meet this benchmark in the No PILOT Scenario, indicating a PILOT is necessary for this project to meet this feasibility benchmark.**
- ◆ **Cash Flow** shows net cash flow to the Applicant over time. There are currently no cash flow benchmarks available. **Cumulative Cash Flow is positive for both scenarios but not sufficient to recoup the initial investment of \$12,285,000 in the period studied.**
- ◆ Debt Service Coverage estimates how well the Project’s net income, after taxes, supports debt repayment. **Debt Service Coverage exceeds the benchmark in both scenarios in year 1.**

Comparison of Return on Investment			
	No PILOT	14 Year PILOT	Benchmarks (1)
<u>Equity Dividend Rates</u>			
Average	5.0%	6.65%	7.33% to 16.79%
Minimum	3.21%	6.65%	
Maximum	6.98%	8.18%	
Year Benchmarks Met	n/a	7	
<u>Cash Flow</u>			
Average	\$619,085	\$917,068	n/a
Minimum	\$394,670	\$816,994	
Maximum	\$857,560	\$1,005,327	
Cumulative	\$7,381,469	\$10,957,264	
Year Investment Recouped	n/a	n/a	
<u>Debt Service Coverage</u>			
Average	1.38	1.56	1.00
Minimum	1.24	1.50	to
Maximum	1.52	1.61	1.86
Years Benchmarks Met	1	1	

(1) Source: RealtyRates for Q3 2024

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ATTACHMENT 1: PRO FORMAS

Oak Run (Middle Island, NY)		Date		10/31/2024										
Annual Cashflows (Pro Forma) - No PILOT														
	Construction	Year 1-2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14
Operating Cash Flow														
Residential Income														
Gross Operating Income	\$	-	\$ 3,039,984	\$ 3,100,784	\$ 3,162,799	\$ 3,226,055	\$ 3,290,576	\$ 3,356,388	\$ 3,423,516	\$ 3,491,986	\$ 3,561,826	\$ 3,633,062	\$ 3,705,724	\$ 3,779,838
Less: Vacancy Allowance (enter as a negative number)	\$	-	\$ (151,999)	\$ (155,039)	\$ (158,140)	\$ (161,303)	\$ (164,529)	\$ (167,819)	\$ (171,176)	\$ (174,599)	\$ (178,091)	\$ (181,653)	\$ (185,286)	\$ (188,992)
Net Rental Income, Residential	\$	-	\$ 2,887,985	\$ 2,945,744	\$ 3,004,659	\$ 3,064,753	\$ 3,126,048	\$ 3,188,569	\$ 3,252,340	\$ 3,317,387	\$ 3,383,734	\$ 3,451,409	\$ 3,520,437	\$ 3,590,846
Commercial/Industrial Income														
Gross Operating Income	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Vacancy Allowance (enter as a negative number)	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Rental Income, Commercial/Industrial	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Income														
Parking Income	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Income	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Income	\$	-	\$ 44,400	\$ 45,288	\$ 46,194	\$ 47,118	\$ 48,060	\$ 49,021	\$ 50,002	\$ 51,002	\$ 52,022	\$ 53,062	\$ 54,123	\$ 55,206
Net Income, Other	\$	-	\$ 44,400	\$ 45,288	\$ 46,194	\$ 47,118	\$ 48,060	\$ 49,021	\$ 50,002	\$ 51,002	\$ 52,022	\$ 53,062	\$ 54,123	\$ 55,206
Effective Gross Income (EGI)	\$	-	\$ 2,932,385	\$ 2,991,032	\$ 3,050,853	\$ 3,111,870	\$ 3,174,108	\$ 3,237,590	\$ 3,302,342	\$ 3,368,388	\$ 3,435,756	\$ 3,504,471	\$ 3,574,561	\$ 3,646,052
Operating Expenses (enter positive numbers)														
Salaries and Wages	\$	-	\$ 90,000	\$ 91,800	\$ 93,636	\$ 95,509	\$ 97,419	\$ 99,367	\$ 101,355	\$ 103,382	\$ 105,449	\$ 107,558	\$ 109,709	\$ 111,904
Management Fee	\$	-	\$ 86,640	\$ 88,372	\$ 90,140	\$ 91,943	\$ 93,781	\$ 95,657	\$ 97,570	\$ 99,522	\$ 101,512	\$ 103,542	\$ 105,613	\$ 107,725
Maintenance	\$	-	\$ 23,815	\$ 24,291	\$ 24,777	\$ 25,273	\$ 25,778	\$ 26,294	\$ 26,820	\$ 27,356	\$ 27,903	\$ 28,461	\$ 29,030	\$ 29,611
Advertising	\$	-	\$ 11,184	\$ 11,408	\$ 11,636	\$ 11,869	\$ 12,106	\$ 12,348	\$ 12,595	\$ 12,847	\$ 13,104	\$ 13,366	\$ 13,634	\$ 13,906
Utilities	\$	-	\$ 55,888	\$ 57,006	\$ 58,146	\$ 59,309	\$ 60,495	\$ 61,705	\$ 62,939	\$ 64,198	\$ 65,482	\$ 66,792	\$ 68,128	\$ 69,490
Admin / Office	\$	-	\$ 46,308	\$ 47,235	\$ 48,179	\$ 49,143	\$ 50,126	\$ 51,128	\$ 52,151	\$ 53,194	\$ 54,258	\$ 55,343	\$ 56,450	\$ 57,579
Bank Charges	\$	-	\$ 1,230	\$ 1,254	\$ 1,279	\$ 1,305	\$ 1,331	\$ 1,358	\$ 1,385	\$ 1,413	\$ 1,441	\$ 1,470	\$ 1,499	\$ 1,529
Telephone	\$	-	\$ 739	\$ 754	\$ 769	\$ 785	\$ 800	\$ 816	\$ 833	\$ 849	\$ 866	\$ 884	\$ 901	\$ 919
Prof. Fees	\$	-	\$ 5,721	\$ 5,836	\$ 5,953	\$ 6,072	\$ 6,193	\$ 6,317	\$ 6,443	\$ 6,572	\$ 6,704	\$ 6,838	\$ 6,974	\$ 7,114
Deposit to replacement reserve	\$	-	\$ 14,637	\$ 14,930	\$ 15,228	\$ 15,533	\$ 15,844	\$ 16,161	\$ 16,484	\$ 16,813	\$ 17,150	\$ 17,493	\$ 17,843	\$ 18,199
Insurance	\$	-	\$ 84,952	\$ 86,651	\$ 88,384	\$ 90,152	\$ 91,955	\$ 93,794	\$ 95,670	\$ 97,583	\$ 99,535	\$ 101,526	\$ 103,556	\$ 105,627
Other	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses	\$	-	\$ 421,116	\$ 429,538	\$ 438,129	\$ 446,891	\$ 455,829	\$ 464,946	\$ 474,245	\$ 483,729	\$ 493,404	\$ 503,272	\$ 513,338	\$ 523,604
Pre-Tax Operating Income (Revenue less Operating Expenses)	\$	-	\$ 2,511,269	\$ 2,561,495	\$ 2,612,724	\$ 2,664,979	\$ 2,718,279	\$ 2,772,644	\$ 2,828,097	\$ 2,884,659	\$ 2,942,352	\$ 3,001,199	\$ 3,061,223	\$ 3,122,448
Real Property Taxes (assuming no PILOT)	\$	47,552	\$ 475,150	\$ 487,029	\$ 499,204	\$ 511,684	\$ 524,476	\$ 537,588	\$ 551,028	\$ 564,804	\$ 578,924	\$ 593,397	\$ 608,232	\$ 623,438
Net Operating Income (NOI) after Taxes	\$	(47,552)	\$ 2,036,119	\$ 2,074,466	\$ 2,113,520	\$ 2,153,295	\$ 2,193,802	\$ 2,235,056	\$ 2,277,069	\$ 2,319,855	\$ 2,363,428	\$ 2,407,802	\$ 2,452,991	\$ 2,499,010
Loan or Mortgage (Debt Service)	\$	-	\$ 1,361,279	\$ 1,343,998	\$ 1,325,652	\$ 1,306,174	\$ 1,285,495	\$ 1,263,541	\$ 1,240,232	\$ 1,215,486	\$ 1,189,214	\$ 1,161,321	\$ 1,131,707	\$ 1,100,268
Interest Payment	\$	-	\$ 280,171	\$ 297,451	\$ 315,797	\$ 335,275	\$ 355,954	\$ 377,909	\$ 401,217	\$ 425,963	\$ 452,236	\$ 480,129	\$ 509,742	\$ 541,182
Principal Payment	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	\$	-	\$ 1,641,449	\$ 1,641,449	\$ 1,641,449	\$ 1,641,449	\$ 1,641,449	\$ 1,641,449	\$ 1,641,449	\$ 1,641,449	\$ 1,641,449	\$ 1,641,449	\$ 1,641,449	\$ 1,641,449
Cash Flow After Financing and Reserve	\$	(47,552)	\$ 394,670	\$ 433,017	\$ 472,071	\$ 511,845	\$ 552,353	\$ 593,606	\$ 635,619	\$ 678,406	\$ 721,979	\$ 766,353	\$ 811,542	\$ 857,560
Debt Service Coverage Ratio (DSCR)			1.24	1.26	1.29	1.31	1.34	1.36	1.39	1.41	1.44	1.47	1.49	1.52
Equity Dividend Rate			3.21%	3.52%	3.84%	4.17%	4.50%	4.83%	5.17%	5.52%	5.88%	6.24%	6.61%	6.98%

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Reasonableness Assessment for RA Oak Run, Town of Brookhaven Industrial Development Agency

Oak Run (Middle Island, NY)	Date	Annual Cashflows (Pro Forma) - PILOT												
	Construction	Year 1-2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14
Operating Cash Flow														
Residential Income														
Gross Operating Income	\$	-	\$ 3,039,984	\$ 3,100,784	\$ 3,162,799	\$ 3,226,055	\$ 3,290,576	\$ 3,356,388	\$ 3,423,516	\$ 3,491,986	\$ 3,561,826	\$ 3,633,062	\$ 3,705,724	\$ 3,779,838
Less: Vacancy Allowance (enter as a negative number)	\$	-	\$ (151,999)	\$ (155,039)	\$ (158,140)	\$ (161,303)	\$ (164,529)	\$ (167,819)	\$ (171,176)	\$ (174,599)	\$ (178,091)	\$ (181,653)	\$ (185,286)	\$ (188,992)
Net Rental Income, Residential	\$	-	\$ 2,887,985	\$ 2,945,744	\$ 3,004,659	\$ 3,064,753	\$ 3,126,048	\$ 3,188,569	\$ 3,252,340	\$ 3,317,387	\$ 3,383,734	\$ 3,451,409	\$ 3,520,437	\$ 3,590,846
Commercial/Industrial Income														
Gross Operating Income	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Vacancy Allowance (enter as a negative number)	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Rental Income, Commercial/Industrial	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Income														
Parking Income	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Income	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Income	\$	-	\$ 44,400	\$ 45,288	\$ 46,194	\$ 47,118	\$ 48,060	\$ 49,021	\$ 50,002	\$ 51,002	\$ 52,022	\$ 53,062	\$ 54,123	\$ 55,206
Net Income, Other	\$	-	\$ 44,400	\$ 45,288	\$ 46,194	\$ 47,118	\$ 48,060	\$ 49,021	\$ 50,002	\$ 51,002	\$ 52,022	\$ 53,062	\$ 54,123	\$ 55,206
Effective Gross Income (EGI)	\$	-	\$ 2,932,385	\$ 2,991,032	\$ 3,050,853	\$ 3,111,870	\$ 3,174,108	\$ 3,237,590	\$ 3,302,342	\$ 3,368,388	\$ 3,435,756	\$ 3,504,471	\$ 3,574,561	\$ 3,646,052
Operating Expenses (enter positive numbers)														
Salaries and Wages	\$	-	\$ 90,000	\$ 91,800	\$ 93,636	\$ 95,509	\$ 97,419	\$ 99,367	\$ 101,355	\$ 103,382	\$ 105,449	\$ 107,558	\$ 109,709	\$ 111,904
Management Fee	\$	-	\$ 86,640	\$ 88,372	\$ 90,140	\$ 91,943	\$ 93,781	\$ 95,657	\$ 97,570	\$ 99,522	\$ 101,512	\$ 103,542	\$ 105,613	\$ 107,725
Maintenance	\$	-	\$ 23,815	\$ 24,291	\$ 24,777	\$ 25,273	\$ 25,778	\$ 26,294	\$ 26,820	\$ 27,356	\$ 27,903	\$ 28,461	\$ 29,030	\$ 29,611
Advertising	\$	-	\$ 11,184	\$ 11,408	\$ 11,636	\$ 11,869	\$ 12,106	\$ 12,348	\$ 12,595	\$ 12,847	\$ 13,104	\$ 13,366	\$ 13,634	\$ 13,906
Utilities	\$	-	\$ 55,888	\$ 57,006	\$ 58,146	\$ 59,309	\$ 60,495	\$ 61,705	\$ 62,939	\$ 64,198	\$ 65,482	\$ 66,792	\$ 68,128	\$ 69,490
Admin / Office	\$	-	\$ 46,308	\$ 47,235	\$ 48,179	\$ 49,143	\$ 50,126	\$ 51,128	\$ 52,151	\$ 53,194	\$ 54,258	\$ 55,343	\$ 56,450	\$ 57,579
Bank Charges	\$	-	\$ 1,230	\$ 1,254	\$ 1,279	\$ 1,305	\$ 1,331	\$ 1,358	\$ 1,385	\$ 1,413	\$ 1,441	\$ 1,470	\$ 1,499	\$ 1,529
Telephone	\$	-	\$ 739	\$ 754	\$ 769	\$ 785	\$ 800	\$ 816	\$ 833	\$ 849	\$ 866	\$ 884	\$ 901	\$ 919
Prof. Fees	\$	-	\$ 5,721	\$ 5,836	\$ 5,953	\$ 6,072	\$ 6,193	\$ 6,317	\$ 6,443	\$ 6,572	\$ 6,704	\$ 6,838	\$ 6,974	\$ 7,114
Deposit to replacement reserve	\$	-	\$ 14,637	\$ 14,930	\$ 15,228	\$ 15,533	\$ 15,844	\$ 16,161	\$ 16,484	\$ 16,813	\$ 17,150	\$ 17,493	\$ 17,843	\$ 18,199
Insurance	\$	-	\$ 84,952	\$ 86,651	\$ 88,384	\$ 90,152	\$ 91,955	\$ 93,794	\$ 95,670	\$ 97,583	\$ 99,535	\$ 101,526	\$ 103,556	\$ 105,627
Other	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses	\$	-	\$ 421,116	\$ 429,538	\$ 438,129	\$ 446,891	\$ 455,829	\$ 464,946	\$ 474,245	\$ 483,729	\$ 493,404	\$ 503,272	\$ 513,338	\$ 523,604
Pre-Tax Operating Income (Revenue less Operating Expenses)	\$	-	\$ 2,511,269	\$ 2,561,495	\$ 2,612,724	\$ 2,664,979	\$ 2,718,279	\$ 2,772,644	\$ 2,828,097	\$ 2,884,659	\$ 2,942,352	\$ 3,001,199	\$ 3,061,223	\$ 3,122,448
Real Property Taxes (assuming PILOT)	\$	47,552	\$ 52,826	\$ 58,006	\$ 63,194	\$ 68,391	\$ 73,598	\$ 78,815	\$ 84,042	\$ 89,279	\$ 94,526	\$ 99,783	\$ 105,050	\$ 110,327
Net Operating Income (NOI) after Taxes	\$	(47,552)	\$ 2,458,443	\$ 2,478,489	\$ 2,498,063	\$ 2,517,132	\$ 2,535,657	\$ 2,553,603	\$ 2,570,928	\$ 2,587,594	\$ 2,603,556	\$ 2,618,772	\$ 2,633,195	\$ 2,646,777
Loan or Mortgage (Debt Service)														
Interest Payment	\$	-	\$ 1,361,279	\$ 1,343,998	\$ 1,325,652	\$ 1,306,174	\$ 1,285,495	\$ 1,263,541	\$ 1,240,232	\$ 1,215,486	\$ 1,189,214	\$ 1,161,321	\$ 1,131,707	\$ 1,100,268
Principal Payment	\$	-	\$ 280,171	\$ 297,451	\$ 315,797	\$ 335,275	\$ 355,954	\$ 377,909	\$ 401,217	\$ 425,963	\$ 452,236	\$ 480,129	\$ 509,742	\$ 541,182
Debt Service	\$	-	\$ 1,641,449	\$ 1,641,449	\$ 1,641,449	\$ 1,641,449	\$ 1,641,449	\$ 1,641,449	\$ 1,641,449	\$ 1,641,449	\$ 1,641,449	\$ 1,641,449	\$ 1,641,449	\$ 1,641,449
Cash Flow After Financing and Reserve	\$	(47,552)	\$ 816,994	\$ 837,040	\$ 856,614	\$ 875,682	\$ 894,208	\$ 912,153	\$ 929,479	\$ 946,144	\$ 962,107	\$ 977,322	\$ 991,745	\$ 1,005,327
Debt Service Coverage Ratio (DSCR)			1.50	1.51	1.52	1.53	1.54	1.56	1.57	1.58	1.59	1.60	1.60	1.61
Equity Dividend Rate			6.65%	6.81%	6.97%	7.13%	7.28%	7.42%	7.57%	7.70%	7.83%	7.96%	8.07%	8.18%

Commented [TG12R11]: I will schedule a call with Lisa to discuss the new template and get feedback. There may be other issues that we are unaware of that need addressing.

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 May 29th, 2024.
- ◆ Project financing and annual cashflow workbook submitted by the Applicant in June 2024, with submitted revisions.
- ◆ Assessed value estimates provided by the applicant in the cashflow workbook.
- ◆ 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.

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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](#).

THE PROJECT TEAM

Rachel Selsky
Vice President, Project Principal

Thomas Galvin
Senior Real Estate Specialist, Project Analyst