

PREPARED FOR:

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

Reasonableness Assessment for Financial Assistance

VINEYARDS AT CORAM

MARCH 2025

PREPARED BY:



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EXECUTIVE SUMMARY

Project Description

The Town of Brookhaven Industrial Development Agency (Agency) received an application from Ornstein Leyton Company (Applicant) for financial assistance to construct 74 garden-style age-restricted (55+) apartments in Coram across 6 buildings. This development will include an affordable housing component consisting of 4 units at 50% of AMI, 4 at 65% of AMI, 2 units at 80% of AMI, 2 units at 100% of AMI, and 3 at 120% of AMI as required by Suffolk County.

The Project represents a \$31.6 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 are more efficient than benchmarks.***
- ***The equity dividend rate benchmark is met with the 15-year PILOT scenario but not the No PILOT scenario, indicating that assistance is necessary for this project to meet industry benchmarks.***
- ***In both the No PILOT and 15-year PILOT scenarios, 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 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.

Apartment Unit Type, Rent, and Household Income

Type of Apartment (1)		Number of Units in Project (1)	Average Rent per Month (1)	Rent per Year	Household Income Required (2)	Average Rent for Suffolk County (3)	Affordable Income Limits (4)	Benchmarks
Market	2BR	60	\$3,000	\$36,000	\$120,000	\$3,348	N/A	Meets Benchmark
Affordable (50% AMI)	2BR	4	\$1,758	\$21,094	\$70,312	N/A	\$70,312	Meets Benchmark
Workforce (65% AMI)	2BR	4	\$2,285	\$27,422	\$91,406	N/A	\$91,406	Meets Benchmark
Workforce (80% AMI)	2BR	2	\$2,812	\$33,744	\$112,480	N/A	\$112,500	Meets Benchmark
Workforce (100% AMI)	2BR	2	\$2,812	\$33,744	\$112,480	N/A	\$140,625	Meets Benchmark
Workforce (120% AMI)	2BR	3	\$2,812	\$33,744	\$112,480	N/A	\$168,750	Meets Benchmark

(1) Source: Applicant

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

(3) 2024 Average monthly rent for newly built apartments (Post 2020) for Suffolk County, NY Source: CoStar

(4) Uncapped FY 2023 Low Income Limit Table By Family Size, Town of Brookhaven

2. PILOT ANALYSIS

Camoin Associates created a 15 year PILOT schedule in alignment with the Agency's Uniform Tax Exemption Policy (UTEP) :

PILOT Schedule - 15 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	\$39,620	\$ -	100%	\$39,620	\$ -	\$39,620
Construction Year 2	\$40,412	\$ -	100%	\$40,412	\$ -	\$40,412
PILOT/Tax Year 3	\$41,221	\$478,407	95%	\$65,141	\$454,486	\$519,627
PILOT/Tax Year 4	\$42,045	\$487,975	90%	\$90,843	\$439,177	\$530,020
PILOT/Tax Year 5	\$42,886	\$497,734	85%	\$117,546	\$423,074	\$540,620
PILOT/Tax Year 6	\$43,744	\$507,689	80%	\$145,281	\$406,151	\$551,433
PILOT/Tax Year 7	\$44,619	\$517,843	75%	\$174,079	\$388,382	\$562,461
PILOT/Tax Year 8	\$45,511	\$528,200	70%	\$203,971	\$369,740	\$573,710
PILOT/Tax Year 9	\$46,421	\$538,764	65%	\$234,988	\$350,196	\$585,185
PILOT/Tax Year 10	\$47,350	\$549,539	60%	\$267,165	\$329,723	\$596,888
PILOT/Tax Year 11	\$48,297	\$560,530	55%	\$300,535	\$308,291	\$608,826
PILOT/Tax Year 12	\$49,262	\$571,740	50%	\$335,133	\$285,870	\$621,003
PILOT/Tax Year 13	\$50,248	\$583,175	45%	\$370,994	\$262,429	\$633,423
PILOT/Tax Year 14	\$51,253	\$594,838	40%	\$408,156	\$237,935	\$646,091
PILOT/Tax Year 15	\$52,278	\$606,735	25%	\$507,329	\$151,684	\$659,013
Total	\$685,165			\$3,301,193	\$4,407,139	\$7,708,333

(1) Source: Town of Brookhaven

(2) Source: Applicant

The 15-year PILOT agreement will abate 57.2% of the Applicant's taxes, resulting in \$4,407,193 in foregone tax revenue (benefit to the Project) to the municipality over the next 15 years. The benefit to the municipality is \$2,616,028, which the municipality stands to gain from the project over a no-project scenario.

**Real Property Tax Comparison
15 Year PILOT**

Comparison of Taxes on Full Value of Project and with PILOT

Taxes without PILOT	\$7,708,333
Less: PILOT/Tax Payments	<u>(\$3,301,193)</u>
Foregone Revenue (Benefits to Project)	\$4,407,139
Abatement Percent	57.2%

Net New Taxes Compared with No Project

PILOT/Tax Payments	\$3,301,193
Less: Estimated Taxes without Project	<u>(\$685,165)</u>
Estimated New Tax Revenue (Benefits to Municipalities)	\$2,616,028

3. OPERATING PERFORMANCE

The project's year 7 operating performance is measured, which is the mid-year of the pro forma period studied. 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 for all scenarios. Without a PILOT, real property taxes absorb 20% of project income, while debt service absorbs 51%, resulting in a positive cash flow of \$142,157. With a 15-year PILOT, property taxes absorb 6% of gross operating income and have a positive cash flow of \$530,539.

Operations Snapshot

	15 Year PILOT (Year 7)				15 Year No PILOT (Year 7)			
	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	\$2,803,791	100%	n/a	n/a	\$2,803,791	100%	n/a	n/a
Vacancy Rate and Concessions (3)	5%	n/a	7.5%	More efficient	5%	n/a	7.5%	More efficient
Effective Gross Income (EGI), All Uses (4)	\$2,668,519	95%	96%	Within range	\$2,668,519	95%	96%	Within range
Less: Operating Expenses and Reserve	(\$524,980)	19%	52%	More efficient	(\$524,980)	19%	52%	More efficient
Less: Real Property Taxes	(\$174,079)	6%	n/a	n/a	(\$562,461)	20%	n/a	n/a
Net Operating Income	\$1,969,460	70%	46%	More efficient	\$1,581,078	56%	46%	More efficient
Less: Debt Service	(\$1,438,921)	51%	n/a	n/a	(\$1,438,921)	51%	n/a	n/a
Cashflow after Operating Costs, Taxes, Debt	\$530,539	19%	n/a	n/a	\$142,157	5%	n/a	n/a

(1) Source: Applicant

(2) Source: RealtyRates Q4 2024 for Northeast Region

(3) Average vacancy rate for 2024 Q4 in Suffolk County, NY is 7.5%, Source: CoStar

(4) Net of vacancy and concessions

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 63% of the source of funds, within the industry benchmarks of 55-90%. 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	\$20,000,000	63%
Equity and Working Capital	<u>\$11,640,000</u>	<u>37%</u>
Total Sources	\$31,640,000	100%

<u>Uses of Funds</u>		
Acquisition and Transaction Costs	\$5,140,000	16%
Construction Costs	<u>\$26,500,000</u>	<u>84%</u>
Total Uses	\$31,640,000	100%

(1) Source: Applicant

Terms of the Senior (Long Term) Debt

	<u>Terms (1)</u>	<u>Benchmark (2)</u>	<u>Evaluation</u>
Amount Borrowed	\$20,000,000	n/a	n/a
Loan to Total Project Cost	63%	55% - 90%	Within Range
Annual Interest Rate	6.00%	4.39% - 8.69%	Within Range
Maturity in Years	30	15 - 40	Within Range

(1) Source: Applicant

(2) Source: RealtyRates Q4 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.

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 \$11,640,000. **The average equity dividend rate does not meet this benchmark in the No PILOT scenario, but it does meet it in the 15-year PILOT scenario.**
- ◆ **Cash Flow** shows the applicant's net cash flow over time. There are currently no cash flow benchmarks available. **Cumulative Cash Flow is positive for both scenarios but insufficient to recoup the initial investment of \$11,640,000.**
- ◆ Debt Service Coverage estimates how well the Project's net income, after taxes, supports debt repayment. **In year 1, Debt Service Coverage exceeded the benchmark in both scenarios.**

Comparison of Return on Investment

	15 Year PILOT	15 Year No PILOT	Benchmarks (1)
<u>Equity Dividend Rates</u>			
Average	5.10%	2.19%	
Minimum	4.33%	0.69%	4.72%
Maximum	6.74%	3.55%	to 13.59%
Year Benchmarks Met	1	n/a	
<u>Cash Flow</u>			
Average	\$593,465	\$254,455	
Minimum	\$503,836	\$80,762	
Maximum	\$784,049	\$413,564	n/a
Cumulative	\$7,635,018	\$3,227,879	
Year Investment Recouped	n/a	n/a	
<u>Debt Service Coverage</u>			
Average	1.44	1.19	1.00
Minimum	1.35	1.06	to
Maximum	1.68	1.30	1.86
Years Benchmarks Met	1	1	

(1) Source: RealtyRates for Q4 2024

ATTACHMENT 1: PRO FORMAS

Vineyards at Coram	Date	3/11/2025													
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	Year 15
Operating Cash Flow															
<u>Residential Income</u>															
Gross Operating Income	\$	-	\$ 2,590,270	\$ 2,642,075	\$ 2,694,916	\$ 2,748,815	\$ 2,803,791	\$ 2,859,867	\$ 2,917,064	\$ 2,975,406	\$ 3,034,914	\$ 3,095,612	\$ 3,157,524	\$ 3,220,675	\$ 3,285,088
Less: Vacancy Allowance (enter as a negative number)	\$	-	\$ (129,513)	\$ (132,104)	\$ (134,746)	\$ (137,441)	\$ (140,190)	\$ (142,993)	\$ (145,853)	\$ (148,770)	\$ (151,746)	\$ (154,781)	\$ (157,876)	\$ (161,034)	\$ (164,254)
Net Rental Income, Residential	\$	-	\$ 2,460,756	\$ 2,509,971	\$ 2,560,171	\$ 2,611,374	\$ 2,663,602	\$ 2,716,874	\$ 2,771,211	\$ 2,826,635	\$ 2,883,168	\$ 2,940,831	\$ 2,999,648	\$ 3,059,641	\$ 3,120,834
<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 / Late Fees / Pet Rent	\$	-	\$ 4,543	\$ 4,634	\$ 4,727	\$ 4,821	\$ 4,917	\$ 5,016	\$ 5,116	\$ 5,218	\$ 5,323	\$ 5,429	\$ 5,538	\$ 5,649	\$ 5,762
Other Income	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income, Other	\$	-	\$ 4,543	\$ 4,634	\$ 4,727	\$ 4,821	\$ 4,917	\$ 5,016	\$ 5,116	\$ 5,218	\$ 5,323	\$ 5,429	\$ 5,538	\$ 5,649	\$ 5,762
Effective Gross Income (EGI)	\$	-	\$ 2,465,299	\$ 2,514,605	\$ 2,564,897	\$ 2,616,195	\$ 2,668,519	\$ 2,721,889	\$ 2,776,327	\$ 2,831,854	\$ 2,888,491	\$ 2,946,261	\$ 3,005,186	\$ 3,065,290	\$ 3,126,595
<u>Operating Expenses (enter positive numbers)</u>															
Salaries and Wages	\$	-	\$ 120,000	\$ 122,400	\$ 124,848	\$ 127,345	\$ 129,892	\$ 132,490	\$ 135,139	\$ 137,842	\$ 140,599	\$ 143,411	\$ 146,279	\$ 149,205	\$ 152,189
Maintenance / Contracts / Asset Fee	\$	-	\$ 260,000	\$ 265,200	\$ 270,504	\$ 275,914	\$ 281,432	\$ 287,061	\$ 292,802	\$ 298,658	\$ 304,631	\$ 310,724	\$ 316,939	\$ 323,277	\$ 329,743
Deposit to replacement reserve	\$	-	\$ 20,000	\$ 20,400	\$ 20,808	\$ 21,224	\$ 21,649	\$ 22,082	\$ 22,523	\$ 22,974	\$ 23,433	\$ 23,902	\$ 24,380	\$ 24,867	\$ 25,365
Insurance	\$	-	\$ 55,000	\$ 56,100	\$ 57,222	\$ 58,366	\$ 59,534	\$ 60,724	\$ 61,939	\$ 63,178	\$ 64,441	\$ 65,730	\$ 67,045	\$ 68,386	\$ 69,753
Other / Marketing / Utilities	\$	-	\$ 30,000	\$ 30,600	\$ 31,212	\$ 31,836	\$ 32,473	\$ 33,122	\$ 33,785	\$ 34,461	\$ 35,150	\$ 35,853	\$ 36,570	\$ 37,301	\$ 38,047
Operating Expenses	\$	-	\$ 485,000	\$ 494,700	\$ 504,594	\$ 514,686	\$ 524,980	\$ 535,479	\$ 546,189	\$ 557,113	\$ 568,255	\$ 579,620	\$ 591,212	\$ 603,037	\$ 615,097
Pre-Tax Operating Income (Revenue less Operating Expenses)	\$	-	\$ 1,980,299	\$ 2,019,905	\$ 2,060,303	\$ 2,101,509	\$ 2,143,539	\$ 2,186,410	\$ 2,230,138	\$ 2,274,741	\$ 2,320,236	\$ 2,366,641	\$ 2,413,974	\$ 2,462,253	\$ 2,511,498
Real Property Taxes (assuming no PILOT)	\$	80,032	\$ 519,627	\$ 530,020	\$ 540,620	\$ 551,433	\$ 562,461	\$ 573,710	\$ 585,185	\$ 596,888	\$ 608,826	\$ 621,003	\$ 633,423	\$ 646,091	\$ 659,013
Net Operating Income (NOI) after Taxes	\$	(80,032)	\$ 1,460,672	\$ 1,489,885	\$ 1,519,683	\$ 1,550,077	\$ 1,581,078	\$ 1,612,700	\$ 1,644,954	\$ 1,677,853	\$ 1,711,410	\$ 1,745,638	\$ 1,780,551	\$ 1,816,162	\$ 1,852,485
<u>Loan or Mortgage (Debt Service)</u>															
Interest Payment			\$ 1,162,088	\$ 1,145,014	\$ 1,126,886	\$ 1,107,641	\$ 1,087,208	\$ 1,065,515	\$ 1,042,484	\$ 1,018,033	\$ 992,073	\$ 964,513	\$ 935,252	\$ 904,187	\$ 871,206
Principal Payment	\$	-			\$ 312,035	\$ 331,281	\$ 351,713	\$ 373,406	\$ 396,437	\$ 420,889	\$ 446,848	\$ 474,409	\$ 503,669	\$ 534,734	\$ 567,716
Refinance - Continue mortgage															
Debt Service	\$	-	\$ 1,162,088	\$ 1,145,014	\$ 1,438,921	\$ 1,438,921	\$ 1,438,921	\$ 1,438,921	\$ 1,438,921	\$ 1,438,921	\$ 1,438,921	\$ 1,438,921	\$ 1,438,921	\$ 1,438,921	\$ 1,438,921
Cash Flow After Financing and Reserve	\$	(80,032)	\$ 298,584	\$ 344,872	\$ 80,762	\$ 111,155	\$ 142,157	\$ 173,779	\$ 206,032	\$ 238,932	\$ 272,489	\$ 306,717	\$ 341,630	\$ 377,241	\$ 413,564
Debt Service Coverage Ratio (DSCR)			1.26	1.30	1.06	1.08	1.10	1.12	1.14	1.17	1.19	1.21	1.24	1.26	1.29
Equity Dividend Rate			2.57%	2.96%	0.69%	0.95%	1.22%	1.49%	1.77%	2.05%	2.34%	2.64%	2.93%	3.24%	3.55%

Reasonableness Assessment for Vineyards at Coram, Town of Brookhaven Industrial Development Agency

Vineyards at Coram		Date 3/11/2025													
Annual Cashflows (Pro Forma) - 15 Year 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	Year 15
Operating Cash Flow															
Residential Income															
Gross Operating Income	\$	-	\$ 2,590,270	\$ 2,642,075	\$ 2,694,916	\$ 2,748,815	\$ 2,803,791	\$ 2,859,867	\$ 2,917,064	\$ 2,975,406	\$ 3,034,914	\$ 3,095,612	\$ 3,157,524	\$ 3,220,675	\$ 3,285,088
Less: Vacancy Allowance (enter as a negative number)	\$	-	\$ (129,513)	\$ (132,104)	\$ (134,746)	\$ (137,441)	\$ (140,190)	\$ (142,993)	\$ (145,853)	\$ (148,770)	\$ (151,746)	\$ (154,781)	\$ (157,876)	\$ (161,034)	\$ (164,254)
Net Rental Income, Residential	\$	-	\$ 2,460,756	\$ 2,509,971	\$ 2,560,171	\$ 2,611,374	\$ 2,663,602	\$ 2,716,874	\$ 2,771,211	\$ 2,826,635	\$ 2,883,168	\$ 2,940,831	\$ 2,999,648	\$ 3,059,641	\$ 3,120,834
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 / Late Fees / Pet Rent	\$	-	\$ 4,543	\$ 4,634	\$ 4,727	\$ 4,821	\$ 4,917	\$ 5,016	\$ 5,116	\$ 5,218	\$ 5,323	\$ 5,429	\$ 5,538	\$ 5,649	\$ 5,762
Other Income	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income, Other	\$	-	\$ 4,543	\$ 4,634	\$ 4,727	\$ 4,821	\$ 4,917	\$ 5,016	\$ 5,116	\$ 5,218	\$ 5,323	\$ 5,429	\$ 5,538	\$ 5,649	\$ 5,762
Effective Gross Income (EGI)	\$	-	\$ 2,465,299	\$ 2,514,605	\$ 2,564,897	\$ 2,616,195	\$ 2,668,519	\$ 2,721,889	\$ 2,776,327	\$ 2,831,854	\$ 2,888,491	\$ 2,946,261	\$ 3,005,186	\$ 3,065,290	\$ 3,126,595
Operating Expenses (enter positive numbers)															
Salaries and Wages	\$	-	\$ 120,000	\$ 122,400	\$ 124,848	\$ 127,345	\$ 129,892	\$ 132,490	\$ 135,139	\$ 137,842	\$ 140,599	\$ 143,411	\$ 146,279	\$ 149,205	\$ 152,189
Maintenance / Contracts / Asset Fee	\$	-	\$ 260,000	\$ 265,200	\$ 270,504	\$ 275,914	\$ 281,432	\$ 287,061	\$ 292,802	\$ 298,658	\$ 304,631	\$ 310,724	\$ 316,939	\$ 323,277	\$ 329,743
Deposit to replacement reserve	\$	-	\$ 20,000	\$ 20,400	\$ 20,808	\$ 21,224	\$ 21,649	\$ 22,082	\$ 22,523	\$ 22,974	\$ 23,433	\$ 23,902	\$ 24,380	\$ 24,867	\$ 25,365
Insurance	\$	-	\$ 55,000	\$ 56,100	\$ 57,222	\$ 58,366	\$ 59,534	\$ 60,724	\$ 61,939	\$ 63,178	\$ 64,441	\$ 65,730	\$ 67,045	\$ 68,386	\$ 69,753
Other / Marketing / Utilities	\$	-	\$ 30,000	\$ 30,600	\$ 31,212	\$ 31,836	\$ 32,473	\$ 33,122	\$ 33,785	\$ 34,461	\$ 35,150	\$ 35,853	\$ 36,570	\$ 37,301	\$ 38,047
Operating Expenses	20%		\$ 485,000	\$ 494,700	\$ 504,594	\$ 514,686	\$ 524,980	\$ 535,479	\$ 546,189	\$ 557,113	\$ 568,255	\$ 579,620	\$ 591,212	\$ 603,037	\$ 615,097
Pre-Tax Operating Income (Revenue less Operating Expenses)	\$	-	\$ 1,980,299	\$ 2,019,905	\$ 2,060,303	\$ 2,101,509	\$ 2,143,539	\$ 2,186,410	\$ 2,230,138	\$ 2,274,741	\$ 2,320,236	\$ 2,366,641	\$ 2,413,974	\$ 2,462,253	\$ 2,511,498
Real Property Taxes (assuming 15 Year PILOT)	\$	80,032	\$ 65,141	\$ 90,843	\$ 117,546	\$ 145,281	\$ 174,079	\$ 203,971	\$ 234,988	\$ 267,165	\$ 300,535	\$ 335,133	\$ 370,994	\$ 408,156	\$ 507,329
Net Operating Income (NOI) after Taxes	\$	(80,032)	\$ 1,915,158	\$ 1,929,063	\$ 1,942,757	\$ 1,956,228	\$ 1,969,460	\$ 1,982,439	\$ 1,995,150	\$ 2,007,576	\$ 2,019,701	\$ 2,031,508	\$ 2,042,980	\$ 2,054,097	\$ 2,004,169
Loan or Mortgage (Debt Service)															
Interest Payment			\$ 1,162,088	\$ 1,145,014	\$ 1,126,886	\$ 1,107,641	\$ 1,087,208	\$ 1,065,515	\$ 1,042,484	\$ 1,018,033	\$ 992,073	\$ 964,513	\$ 935,252	\$ 904,187	\$ 871,206
Principal Payment	\$	-	\$ -	\$ -	\$ 312,035	\$ 331,281	\$ 351,713	\$ 373,406	\$ 396,437	\$ 420,889	\$ 446,848	\$ 474,409	\$ 503,669	\$ 534,734	\$ 567,716
Debt Service	\$	-	\$ 1,162,088	\$ 1,145,014	\$ 1,438,921	\$ 1,438,921	\$ 1,438,921	\$ 1,438,921	\$ 1,438,921	\$ 1,438,921	\$ 1,438,921	\$ 1,438,921	\$ 1,438,921	\$ 1,438,921	\$ 1,438,921
Cash Flow After Financing and Reserve	\$	(80,032)	\$ 753,070	\$ 784,049	\$ 503,836	\$ 517,307	\$ 530,539	\$ 543,518	\$ 556,229	\$ 568,655	\$ 580,780	\$ 592,587	\$ 604,058	\$ 615,176	\$ 565,248
Debt Service Coverage Ratio (DSCR)			1.65	1.68	1.35	1.36	1.37	1.38	1.39	1.40	1.40	1.41	1.42	1.43	1.39
Equity Dividend Rate			6.47%	6.74%	4.33%	4.44%	4.56%	4.67%	4.78%	4.89%	4.99%	5.09%	5.19%	5.29%	4.86%

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 10/31/2024.
- ◆ Project financing and annual cashflow workbook submitted by the Applicant on 1/27/2025, revised 3/11/2025.
- ◆ 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.

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)

$\text{Equity Dividend} / \text{Equity Investment} = \text{Equity Dividend Rate}$, where $\text{Equity Dividend} = \text{Net Operating Income} - \text{Debt Service}$.

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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