

PREPARED FOR:

Town of Riverhead Industrial Development Agency
542 East Main Street, Suite 1
Riverhead, New York 11901

Reasonableness Assessment for Financial Assistance

RIVERPOINTE APARTMENTS

NOVEMBER 9, 2023

PREPARED BY:



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EXECUTIVE SUMMARY

Project Description

The Town of Riverhead Industrial Development Agency (Agency) received an application from Riverhead Apartments (Applicant) for financial assistance for the acquisition and renovation of a residential development (Project) at 821 East Main Street, Riverhead, NY, featuring 135 affordable apartments.

The Project represents a \$57.55 million investment and is not expected to add any new jobs or households. To support this project, the Applicant requests financial assistance in the form of a Payment in Lieu of Taxes (PILOT) agreement that follows a 10% Shelter Rent payment schedule (referred to as PILOT scenario). The Applicant is eligible for a 581-A assessment as a right (referred to as No PILOT scenario). In addition, a scenario where there is no project, and therefore no change in assessed value is shown.

Purpose of this Analysis

An objective, third-party review of the assumptions and estimated operating and financial performance of a project helps Industrial Development Agencies perform a complete evaluation of a proposed Project. Camoin Associates was engaged to analyze the Project and deliver an analysis and opinion to answer three questions:

- ◆ Are the operating assumptions such as rent, vacancy, and expenses within norms for the region?
- ◆ Is the assistance necessary for the Project to be financially feasible, and therefore undertaken by the Applicant?
- ◆ If assistance is awarded, will the Applicant's rate of return on investment be similar to market expectations for similar projects in the region, and therefore reasonable?

Findings: This analysis concludes that the answer to each of these questions is as follows:

- ***Assumptions are within norms for the region.***
- ***Assistance in the form of reduced property taxes beyond the as-a-right 581-A necessary for Project to achieve industry benchmarks for Equity Dividend Rate.***
- ***The requested PILOT (10% Shelter Rent) does not offer a return on investment beyond typical industry expectations.***

1. OPERATING ASSUMPTIONS

The Applicant's operating assumptions are compared to CoStar estimates for rent in 2022 in Suffolk County. The ability of households in Suffolk County to afford these income limited apartments is estimated by calculating the income necessary to pay no more than 30% of income on rent. The household income required to support the Applicant's proposed rents falls above the maximum household income limits for all of the units. As an affordable apartment complex project, the units must be made available to households meeting the required Area Median Income limits.

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)	Max Household Income (3)	Benchmarks (4)
Affordable 1BR	33	\$2,280	\$27,360	\$91,200	\$77,050	Monthly rent is lower than Suffolk County average.
Affordable 2BR	92	\$2,680	\$32,160	\$107,200	\$86,700	Monthly rent is 11% higher than Suffolk County average.
Affordable 3BR	10	\$3,300	\$39,600	\$132,000	\$104,050	Monthly rent is 37% higher than Suffolk County average.

(1) Source: Applicant

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

(3) Using HOME Income Limits for Nassau-Suffolk HUD Metro Area, Low Income. Assuming 1.5 people per room, rounded up.

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

2. PILOT ANALYSIS

Camoin Associates compares three payment scenarios, (1) Estimated Future Taxes if the Current Property Is Not Improved, (2) Requested PILOT Schedule (10% Shelter Rent), and (3) As Right/No PILOT 581-A assessed value.

This analysis uses an aggregated tax rate for the jurisdictions to calculate future taxes. Steps in this analysis include projections for each of the three scenarios, including:

- ◆ Estimated Future Taxes if No Project: Estimate future taxes on the property if no project were to occur. This assumes the current taxes owed for all jurisdictions, increased by 2% per year.
- ◆ Requested PILOT: Estimated 10% Shelter Rent payment based on total rent received, including any federal subsidy minus the cost of providing utilities, increased by 2% per year.
- ◆ As Right/No PILOT 581-A Assessment: The Project would not occur without financial assistance, however for purposes of analysis, estimated future taxes on the property with the completed project under the as-a-right 581-A assessed value is included as a hypothetical scenario. Assessed value under 581-A would be determined by the Town of Riverhead assessment office. For this analysis, the property acquisition cost was used as a proxy to estimate the assessed value upon completion (Source: Applicant).

10% Shelter Rent and As Right/No PILOT columns include only those taxes subject to PILOT agreement, including Riverhead CSD, Riverhead Free Library, Baiting Hollow Free Library, County General Fund, Suffolk County Community College Tax, Riverhead Town Tax, Highway, NYS Real Property Tax Law, NY State MTA Tax, Out of County Tuition, Riverhead Fire Zone 1. Other districts and sewer rent are included in the next column.

Property Tax Payment Schedule

Year	Estimated Future Taxes if No Project (1)	Requested PILOT (10% Shelter Rent) (2)		As Right/No PILOT (581-A) (3)	
		10% Shelter Rent	All Other Taxes and Fees (5)	As Right/No PILOT	All Other Taxes and Fees (5)
1	\$ 331,283	\$ 271,312	\$ 118,885	\$ 635,611	\$ 118,885
2	337,908	276,738	121,262	648,323	121,262
3	344,666	282,273	123,688	661,289	123,688
4	351,560	287,918	126,162	674,515	126,162
5	358,591	293,677	128,685	688,005	128,685
6	365,763	299,550	131,258	701,766	131,258
7	373,078	305,541	133,884	715,801	133,884
8	380,540	311,652	136,561	730,117	136,561
9	388,150	317,885	139,292	744,719	139,292
10	395,913	324,243	142,078	759,614	142,078
11	403,832	330,728	144,920	774,806	144,920
12	411,908	337,342	147,818	790,302	147,818
13	420,146	344,089	150,775	806,108	150,775
14	428,549	350,971	153,790	822,230	153,790
15	437,120	357,990	156,866	838,675	156,866
16	445,863	365,150	160,003	855,448	160,003
17	454,780	372,453	163,203	872,557	163,203
18	463,876	379,902	166,467	890,008	166,467
19	473,153	387,500	169,797	907,809	169,797
20	482,616	395,250	173,193	925,965	173,193
21	492,269	403,155	176,657	944,484	176,657
22	502,114	411,218	180,190	963,374	180,190
23	512,156	419,443	183,793	982,641	183,793
24	522,399	427,832	187,469	1,002,294	187,469
25	532,847	436,388	191,219	1,022,340	191,219
26	543,504	445,116	195,043	1,042,787	195,043
27	554,374	454,018	198,944	1,063,642	198,944
28	565,462	463,099	202,923	1,084,915	202,923
29	576,771	472,361	206,981	1,106,614	206,981
30	588,306	481,808	211,121	1,128,746	211,121
Subtotal (4)	\$ 13,439,499	\$11,006,607	\$ 4,822,928	\$25,785,505	\$ 4,822,928
Total	\$ 13,439,499		\$15,829,535		\$30,608,433

(1) Assumes current property tax payment of \$324,787, 2% annual increase. Source:

(2) 10% Shelter Rent increased by 2% per year. Assumes assessed value upon completion of \$3,346,200 to calculate other applicable taxes and fees. Source: Applicant

(3) Assumes 581-A assessed value of \$3,346,200, 2% annual increase. Source: Applicant,

(4) Excluding construction year.

(5) Includes all special districts not subject to PILOT and sewer rent, 2% annual increase.

Note: All figures estimated based on available information and subject to change.

Proposed PILOT and Tax Comparison (30 year PILOT), 10% Shelter Rent

Year	<i>Benefits to Municipalities</i>		
	PILOT Payment Plus Other Taxes and Fees	Less: Current Tax Revenues (1)	Net New Tax Revenues
1	\$ 390,197	\$ 331,283	\$ 58,914
2	\$ 398,001	337,908	60,092
3	\$ 405,961	344,666	61,294
4	\$ 414,080	351,560	62,520
5	\$ 422,362	358,591	63,771
6	\$ 430,809	365,763	65,046
25	\$ 627,607	532,847	94,760
26	\$ 640,159	543,504	96,655
27	\$ 652,962	554,374	98,588
28	\$ 666,022	565,462	100,560
29	\$ 679,342	576,771	102,571
30	\$ 692,929	588,306	104,622
Totals	\$ 15,829,535	\$ 13,439,499	\$ 2,390,035

The table to the right shows the timeline of the 10% Shelter Rent PILOT scenario and tax payments generated if the Project did not occur and calculates the benefits to the municipalities.

(1) Source: Applicant.

Real Property Tax Comparison

30 Year PILOT

<i>Comparison of Taxes on Full Value of Project and with PILOT</i>	<i>PILOT</i>
Taxes without PILOT	\$ 30,608,433
Less: PILOT/Tax Payments	<u>\$(15,829,535)</u>
Foregone Revenue (Benefits to Project)	\$14,778,898
Abatement Percent	48%

Net New Taxes Compared with No Project

PILOT	\$ 15,829,535
Less: Estimated Taxes without Project	<u>\$(13,439,499)</u>
Estimated New Tax Revenue (Benefits to Municipalities)	\$2,390,035

Under the 10% Shelter Rent scenario, 48% of the Applicant's taxes will be abated compared to if the Project occurred without financial assistance. Compared to the Project not occurring, the municipalities will receive \$2.4 million in new tax revenue over the life of the PILOT.

3. OPERATING PERFORMANCE

The operating performance of the Project is measured using Year 5 of the Applicant's Pro Forma. The Applicant assumes that gross revenue and expenses will escalate at 3% per year, and there will be a 5% vacancy rate once stabilized. Operating expenses are lower than the benchmarks.

	Operations Snapshot, Year 5, 30 Year PILOT, 10% Shelter Rent				Operations Snapshot, Year 5, No PILOT, 581-A			
	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	\$4,665,227	99.64%	n/a	n/a	\$4,665,227	99.64%	n/a	n/a
Vacancy Rate and Concessions	5.0%	n/a	3.9%	Within range	5.0%	n/a	3.9%	Within range
<u>Calculation of Net Operating Income, Non-Residential</u>								
Gross Operating Income	\$16,782	0.36%	n/a	n/a	\$16,782	0.36%	n/a	n/a
Vacancy Rate	0%	n/a	n/a	n/a	0%	n/a	n/a	n/a
Effective Gross Income (EGI), All Uses (3)	\$4,448,748	95%	96%	Within range	\$4,448,748	95%	96%	Within range
Less: Operating Expenses and Reserve	(\$1,546,464)	33%	47%	More efficient	(\$1,546,464)	33%	47%	More efficient
Less: Real Property Taxes (with PILOT)	<u>(\$422,362)</u>	<u>9%</u>	<u>n/a</u>	<u>n/a</u>	<u>(\$816,690)</u>	<u>17%</u>	<u>n/a</u>	<u>n/a</u>
Net Operating Income	\$2,479,923	53%	51%	Within Range	\$2,085,594	45%	51%	Less Efficient
Less: Debt Service	<u>(\$2,005,887)</u>	45%	n/a	n/a	<u>(\$2,005,887)</u>	45%	n/a	n/a
Cashflow after Operating Costs, Taxes, Debt	\$474,036	10%	n/a	n/a	\$53,533	1%	n/a	n/a

(1) Source: Applicant

(2) Source: RealtyRates Q1 2023 for Northeast Region

(3) Net of vacancy and concessions

4. FINANCING PLAN

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

Sources and Uses of Funds			
<u>Sources of Funds</u>		<u>Amount</u>	<u>Percent</u>
Bank Financing		\$ 30,200,000	52%
Tax Credit Equity		\$ 20,395,316	35%
Income from Operations		\$ 2,238,697	4%
<u>Deferred Developer Fee</u>		<u>\$ 4,964,679</u>	<u>9%</u>
Total Sources		\$ 57,798,692	100%
<u>Uses of Funds</u>		<u>Amount</u>	<u>Percent</u>
Total Acquisition and Transaction Costs		\$ 35,633,187	62%
<u>Total Construction Costs</u>		<u>\$ 21,915,505</u>	<u>38%</u>
Total Uses		\$ 57,548,692	100%

(1) Source: Applicant

Terms of the Senior (Long Term) Debt			
	<u>Terms (1)</u>	<u>Benchmark (2)</u>	<u>Evaluation</u>
Amount Borrowed	\$30,200,000	n/a	n/a
Loan to Total Project Cost	52%	65% to 90%	More Efficient
Annual Interest Rate	5.75%	4.32% to 7.22%	Within Range
Maturity in Years	35	15 to 40	Within Range

(1) Source: Applicant

(2) Source: RealtyRates Q3 2023, Investor Survey

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 the 10% Shelter Rent PILOT and within at PILOT are analyzed over the full PILOT period (starting after construction). Three metrics are used to evaluate outcomes:

- ◆ **The Equity Dividend Rate** is net cashflow for each year, divided by the initial equity investment. Equity Dividend Rates are benchmarked using current market information from RealtyRates.com for similar projects in the region. Equity Dividend Rates that are close to the benchmarks indicate a Project outcome in line with the current market, which means the Applicant is earning a reasonable return. Very low or negative rates indicate the Project is unlikely to be undertaken if compared to other possible investments. Equity Dividend Rates are based on an initial equity investment of \$20,395,316 listed in the Application.
- ◆ **Cash Flow** shows net cashflow to the Applicant over time. Cashflow differences between No PILOT Shelter Rent scenarios indicate whether the Applicant is earning a return. There are currently no benchmarks for cash flow available. Cumulative Cash Flow and average cash flow are positive under both scenarios, but the initial investment is not recouped under either scenario. Note that this does not include the initial year of construction.
- ◆ **Debt Service Coverage** estimates how well the Project's net income, after taxes, supports the repayment of debt.

Comparison of Return on Investment			
	30 Year (1)		Bench- marks (2)
	PILOT	No PILOT	
<u>Equity Dividend Rates</u>			
Average	4.14%	1.73%	4.70% to 12.54%
Minimum	1.67%	-0.12%	
Maximum	6.68%	3.51%	
Year Benchmarks Met	19	NA	
<u>Cash Flow</u>			
Average	\$845,254	\$ 352,624	n/a
Minimum	\$339,859	\$ (24,440)	
Maximum	\$1,361,876	\$ 714,938	
Cumulative	\$25,357,631	\$10,578,732	
Year Investment Recouped	27	NA	
<u>Debt Service Coverage</u>			
Average	1.42	1.18	1.00 to 1.61
Minimum	1.17	0.99	
Maximum	1.68	1.36	
Years Benchmarks Met	1	3	

(1) See Attachment 1

(2) Source: RealtyRates for Q3 2023 Inventory Survey

ATTACHMENT 1: PRO FORMAS

Riverpointe Apartments - PILOT												
Annual Cashflows (Pro Forma)												
	Construction	Year 1	Year 2	Year 3	Year 4	Year 5	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Operating Cash Flow												
<u>Residential Income</u>												
Gross Operating Income	\$ 4,225,440	\$ 4,309,949	\$ 4,396,148	\$ 4,484,071	\$ 4,573,752	\$ 4,665,227	\$ 6,932,282	\$ 7,070,928	\$ 7,212,346	\$ 7,356,593	\$ 7,503,725	\$ 7,653,800
Less: Vacancy Allowance (enter as a negative number)	\$ (211,272)	\$ (215,497)	\$ (219,807)	\$ (224,204)	\$ (228,688)	\$ (233,261)	\$ (346,614)	\$ (353,546)	\$ (360,617)	\$ (367,830)	\$ (375,186)	\$ (382,690)
Net Rental Income, Residential	\$ 4,014,168	\$ 4,094,451	\$ 4,176,340	\$ 4,259,867	\$ 4,345,065	\$ 4,431,966	\$ 6,585,668	\$ 6,717,381	\$ 6,851,729	\$ 6,988,764	\$ 7,128,539	\$ 7,271,110
<u>Other Income</u>												
Parking Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -						
Laundry Income	\$ 1,200	\$ 1,224	\$ 1,248	\$ 1,273	\$ 1,299	\$ 1,325	\$ 1,969	\$ 2,008	\$ 2,048	\$ 2,089	\$ 2,131	\$ 2,174
Other Income	\$ 14,000	\$ 14,280	\$ 14,566	\$ 14,857	\$ 15,154	\$ 15,457	\$ 22,968	\$ 23,428	\$ 23,896	\$ 24,374	\$ 24,862	\$ 25,359
Net Income, Other	\$ 15,200	\$ 15,504	\$ 15,814	\$ 16,130	\$ 16,453	\$ 16,782	\$ 24,937	\$ 25,436	\$ 25,945	\$ 26,464	\$ 26,993	\$ 27,533
Effective Gross Income (EGI)	\$ 4,029,368	\$ 4,109,955	\$ 4,192,154	\$ 4,275,998	\$ 4,361,518	\$ 4,448,748	\$ 6,610,605	\$ 6,742,817	\$ 6,877,674	\$ 7,015,227	\$ 7,155,532	\$ 7,298,642
<u>Operating Expenses (enter positive numbers)</u>												
Salaries and Wages + Security	\$ 636,963	\$ 656,072	\$ 675,754	\$ 696,027	\$ 716,907	\$ 738,415	\$ 1,333,659	\$ 1,373,669	\$ 1,414,879	\$ 1,457,325	\$ 1,501,045	\$ 1,546,076
Maintenance	\$ 139,650	\$ 143,840	\$ 148,155	\$ 152,599	\$ 157,177	\$ 161,893	\$ 292,396	\$ 301,168	\$ 310,203	\$ 319,509	\$ 329,094	\$ 338,967
Deposit to replacement reserve	\$ 40,500	\$ 41,715	\$ 42,966	\$ 44,255	\$ 45,583	\$ 46,951	\$ 84,798	\$ 87,342	\$ 89,962	\$ 92,661	\$ 95,441	\$ 98,304
Insurance	\$ 112,000	\$ 115,360	\$ 118,821	\$ 122,385	\$ 126,057	\$ 129,839	\$ 234,503	\$ 241,538	\$ 248,784	\$ 256,248	\$ 263,935	\$ 271,853
Utilities / Management Fee / Admin	\$ 404,880	\$ 417,026	\$ 429,537	\$ 442,423	\$ 455,696	\$ 469,367	\$ 847,729	\$ 873,161	\$ 899,355	\$ 926,336	\$ 954,126	\$ 982,750
Operating Expenses	\$ 1,333,993	\$ 1,374,013	\$ 1,415,233	\$ 1,457,690	\$ 1,501,421	\$ 1,546,464	\$ 2,793,085	\$ 2,876,878	\$ 2,963,184	\$ 3,052,080	\$ 3,143,642	\$ 3,237,951
Pre-Tax Operating Income (Revenue less Operating Expenses)	\$ 2,695,375	\$ 2,735,943	\$ 2,776,921	\$ 2,818,307	\$ 2,860,097	\$ 2,902,284	\$ 3,817,520	\$ 3,865,940	\$ 3,914,490	\$ 3,963,148	\$ 4,011,890	\$ 4,060,691
Real Property Taxes (assuming 10% Shelter)	\$ 324,787	\$ 390,197	\$ 398,001	\$ 405,961	\$ 414,080	\$ 422,362	\$ 627,607	\$ 640,159	\$ 652,962	\$ 666,022	\$ 679,342	\$ 692,929
Net Operating Income (NOI) after Taxes	\$ 2,370,588	\$ 2,345,746	\$ 2,378,921	\$ 2,412,347	\$ 2,446,017	\$ 2,479,923	\$ 3,189,913	\$ 3,225,781	\$ 3,261,527	\$ 3,297,126	\$ 3,332,548	\$ 3,367,762
Debt Service	\$ 2,005,887	\$ 2,005,887	\$ 2,005,887	\$ 2,005,887	\$ 2,005,887	\$ 2,005,887	\$ 2,005,887	\$ 2,005,887	\$ 2,005,887	\$ 2,005,887	\$ 2,005,887	\$ 2,005,887
Cash Flow After Financing and Reserve	\$ 364,701	\$ 339,859	\$ 373,034	\$ 406,460	\$ 440,130	\$ 474,036	\$ 1,184,026	\$ 1,219,894	\$ 1,255,641	\$ 1,291,239	\$ 1,326,661	\$ 1,361,876
Debt Service Coverage Ratio (DSCR)	\$ 1.18	1.17	1.19	1.20	1.22	1.24	1.59	1.61	1.63	1.64	1.66	1.68
Equity Dividend Rate	1.79%	1.67%	1.83%	1.99%	2.16%	2.32%	5.81%	5.98%	6.16%	6.33%	6.50%	6.68%

Reasonableness Assessment for Riverpointe Apartments, Town of Riverhead Industrial Development Agency

Riverpointe Apartments - No PILOT													
	Annual Cashflows (Pro Forma)							Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
	Construction	Year 1	Year 2	Year 3	Year 4	Year 5							
Operating Cash Flow													
<u>Residential Income</u>													
Gross Operating Income	\$ 4,225,440	\$ 4,309,949	\$ 4,396,148	\$ 4,484,071	\$ 4,573,752	\$ 4,665,227	\$ 6,932,282	\$ 7,070,928	\$ 7,212,346	\$ 7,356,593	\$ 7,503,725	\$ 7,653,800	
Less: Vacancy Allowance (enter as a negative number)	\$ (211,272)	\$ (215,497)	\$ (219,807)	\$ (224,204)	\$ (228,688)	\$ (233,261)	\$ (346,614)	\$ (353,546)	\$ (360,617)	\$ (367,830)	\$ (375,186)	\$ (382,690)	
Net Rental Income, Residential	\$ 4,014,168	\$ 4,094,451	\$ 4,176,340	\$ 4,259,867	\$ 4,345,065	\$ 4,431,966	\$ 6,585,668	\$ 6,717,381	\$ 6,851,729	\$ 6,988,764	\$ 7,128,539	\$ 7,271,110	
<u>Other Income</u>													
Parking Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -							
Laundry Income	\$ 1,200	\$ 1,224	\$ 1,248	\$ 1,273	\$ 1,299	\$ 1,325	\$ 1,969	\$ 2,008	\$ 2,048	\$ 2,089	\$ 2,131	\$ 2,174	
Other Income	\$ 14,000	\$ 14,280	\$ 14,566	\$ 14,857	\$ 15,154	\$ 15,457	\$ 22,968	\$ 23,428	\$ 23,896	\$ 24,374	\$ 24,862	\$ 25,359	
Net Income, Other	\$ 15,200	\$ 15,504	\$ 15,814	\$ 16,130	\$ 16,453	\$ 16,782	\$ 24,937	\$ 25,436	\$ 25,945	\$ 26,464	\$ 26,993	\$ 27,533	
Effective Gross Income (EGI)	\$ 4,029,368	\$ 4,109,955	\$ 4,192,154	\$ 4,275,998	\$ 4,361,518	\$ 4,448,748	\$ 6,610,605	\$ 6,742,817	\$ 6,877,674	\$ 7,015,227	\$ 7,155,532	\$ 7,298,642	
<u>Operating Expenses (enter positive numbers)</u>													
Salaries and Wages + Security	\$ 636,963	\$ 656,072	\$ 675,754	\$ 696,027	\$ 716,907	\$ 738,415	\$ 1,333,659	\$ 1,373,669	\$ 1,414,879	\$ 1,457,325	\$ 1,501,045	\$ 1,546,076	
Maintenance	\$ 139,650	\$ 143,840	\$ 148,155	\$ 152,599	\$ 157,177	\$ 161,893	\$ 292,396	\$ 301,168	\$ 310,203	\$ 319,509	\$ 329,094	\$ 338,967	
Deposit to replacement reserve	\$ 40,500	\$ 41,715	\$ 42,966	\$ 44,255	\$ 45,583	\$ 46,951	\$ 84,798	\$ 87,342	\$ 89,962	\$ 92,661	\$ 95,441	\$ 98,304	
Insurance	\$ 112,000	\$ 115,360	\$ 118,821	\$ 122,385	\$ 126,057	\$ 129,839	\$ 234,503	\$ 241,538	\$ 248,784	\$ 256,248	\$ 263,935	\$ 271,853	
Utilities / Management Fee / Admin	\$ 404,880	\$ 417,026	\$ 429,537	\$ 442,423	\$ 455,696	\$ 469,367	\$ 847,729	\$ 873,161	\$ 899,355	\$ 926,336	\$ 954,126	\$ 982,750	
Operating Expenses	\$ 1,333,993	\$ 1,374,013	\$ 1,415,233	\$ 1,457,690	\$ 1,501,421	\$ 1,546,464	\$ 2,793,085	\$ 2,876,878	\$ 2,963,184	\$ 3,052,080	\$ 3,143,642	\$ 3,237,951	
Pre-Tax Operating Income (Revenue less Operating Expenses)	\$ 2,695,375	\$ 2,735,943	\$ 2,776,921	\$ 2,818,307	\$ 2,860,097	\$ 2,902,284	\$ 3,817,520	\$ 3,865,940	\$ 3,914,490	\$ 3,963,148	\$ 4,011,890	\$ 4,060,691	
Real Property Taxes (As a Right 581-A)	\$ 324,787	\$ 754,495	\$ 769,585	\$ 784,977	\$ 800,677	\$ 816,690	\$ 1,213,559	\$ 1,237,830	\$ 1,262,586	\$ 1,287,838	\$ 1,313,595	\$ 1,339,867	
Net Operating Income (NOI) after Taxes	\$ 2,370,588	\$ 1,981,447	\$ 2,007,336	\$ 2,033,330	\$ 2,059,420	\$ 2,085,594	\$ 2,603,962	\$ 2,628,110	\$ 2,651,903	\$ 2,675,310	\$ 2,698,295	\$ 2,720,824	
Debt Service	\$ 2,005,887	\$ 2,005,887	\$ 2,005,887	\$ 2,005,887	\$ 2,005,887	\$ 2,005,887	\$ 2,005,887	\$ 2,005,887	\$ 2,005,887	\$ 2,005,887	\$ 2,005,887	\$ 2,005,887	
Cash Flow After Financing and Reserve	\$ 364,701	\$ (24,440)	\$ 1,449	\$ 27,444	\$ 53,533	\$ 79,708	\$ 598,075	\$ 622,223	\$ 646,017	\$ 669,423	\$ 692,408	\$ 714,938	
Debt Service Coverage Ratio (DSCR)	1.18	0.99	1.00	1.01	1.03	1.04	1.30	1.31	1.32	1.33	1.35	1.36	
Equity Dividend Rate	1.79%	-0.12%	0.01%	0.13%	0.26%	0.39%	2.93%	3.05%	3.17%	3.28%	3.39%	3.51%	

Note: the Project does not achieve market benchmark for the levels of return on their investment under this scenario.

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 Riverhead Industrial Development Agency to conduct the above analyses. The analysis is comprised of four tasks:

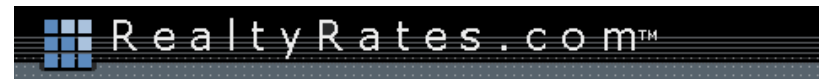
- ◆ *Test Assumptions* by comparing rents, operating costs, and vacancy rates to real estate benchmarks for similar projects and noting any significant differences. Operating performance and net income are also evaluated.
- ◆ *Review the Financing Plan* and perform an objective third-party evaluation 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 March 24, 2023.
- ◆ Project financing and annual cashflow workbook submitted by the Applicant in September 2023.
- ◆ Real estate tax information and estimates received from the Agency, including anticipated future assessed value of the Project.
- ◆ CoStar
- ◆ RealtyRates.com



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



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

APPENDIX B: DEFINITIONS

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

Equity Dividend / Equity Investment = Equity Dividend Rate, where Equity Dividend = Net Operating Income – Debt Service.

Debt Service Coverage Ratio (DSCR): The ratio of annual debt repayment, including principal and interest, to total Net Operating Income (NOI). (Source: RealtyRates.com)

Net Operating Income (NOI): Income net of all operating costs including vacancy and collection loss but not including debt service. Appraisers also typically expense reserves for repairs and replacements. However, because reserves are not usually reported along with other transaction data, RealtyRates.com tracks lender requirements but does not include them in calculations. (Source: RealtyRates.com)

ABOUT CAMOIN ASSOCIATES

Camoin Associates has provided economic development consulting services to municipalities, economic development agencies, and private enterprises since 1999. Through the services offered, Camoin Associates has had the opportunity to serve EDOs and local and state governments from Maine to California; corporations and organizations that include Lowes Home Improvement, FedEx, Amazon, Volvo (Nova Bus) and the New York Islanders; as well as private developers proposing projects in excess of \$6 billion. Our reputation for detailed, place-specific, and accurate analysis has led to projects in 32 states and garnered attention from national media outlets including Marketplace (NPR), Crain's New York Business, Forbes magazine, The New York Times, and The Wall Street Journal. Additionally, our marketing strategies have helped our clients gain both national and local media coverage for their projects in order to build public support and leverage additional funding. We are based in Saratoga Springs, NY, with regional offices in Portland, ME; Boston, MA; Richmond, VA and Brattleboro, VT. To learn more about our experience and projects in all of our service lines, please visit our website at www.camoinassociates.com. You can also find us on Twitter [@camoinassociate](https://twitter.com/camoinassociate) and on [Facebook](https://www.facebook.com/camoinassociates) and [LinkedIn](https://www.linkedin.com/company/camoinassociates).

THE PROJECT TEAM

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