

PREPARED FOR:

Village of Port Chester Industrial Development Agency  
222 Grace Church St  
Port Chester, NY 10573

# Reasonableness Assessment for Financial Assistance – 15 or 20 YEAR PILOT

2SM DEVELOPMENT, LLC

NOVEMBER 2022

PREPARED BY:



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# 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](http://www.camoinassociates.com). You can also find us on Twitter [@camoinassociate](https://twitter.com/camoinassociate) and on [Facebook](#) and [LinkedIn](#).

## THE PROJECT TEAM

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# CONTENTS

|   |           |
|---|-----------|
| <b>Executive Summary</b> .....                | <b>1</b>  |
| <b>1. Operating Assumptions</b> .....         | <b>2</b>  |
| <b>2. PILOT Analysis</b> .....                | <b>3</b>  |
| <b>3. Operating Performance</b> .....         | <b>7</b>  |
| <b>4. Financing Plan</b> .....                | <b>9</b>  |
| <b>5. Rate of Return</b> .....                | <b>10</b> |
| <b>Attachment 1: 15 Year Pro Formas</b> ..... | <b>12</b> |
| <b>Attachment 2: 20 Year Pro Formas</b> ..... | <b>14</b> |
| <b>Appendix A: Scope of Services</b> .....    | <b>16</b> |
| <b>Appendix B: Definitions</b> .....          | <b>17</b> |

## EXECUTIVE SUMMARY

### Project Description

The Village of Port Chester Industrial Development Agency (Agency) received an application from 2SM Development, LLC (Applicant) for financial assistance for the construction of a residential development (Project) at 2-8, 10, 14 & 16 South Main Street, 15 & 7 East Broadway, and 106 Westchester Avenue, Village of Port Chester, NY, featuring 293 market rate apartments and 32 affordable apartments for residents earning not more than 60% AMI. The Project represents a nearly \$147.5 million investment and is anticipated by the Applicant to generate 9 permanent jobs within two years.

### 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 with a 15-year PILOT and a 20-year PILOT and deliver an analysis and opinion to answer these questions:

**Q:** Are the operating assumptions such as rent, vacancy, and expenses within norms for the region?

**A:** Yes, the majority of operating assumptions are within market norms. Of note is the Operating Expenses is quite a bit lower than benchmarks.

**Q:** 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?

**A:** Without any assistance, the Project does not meet any of the standard market benchmarks. The 20 year PILOT provides the Applicant with the ability to achieve benchmarks towards the end of the 20 year PILOT.

# 1. OPERATING ASSUMPTIONS

The Applicant’s operating assumptions are compared to CoStar estimates for rent in 2022 in Westchester County (County). The ability of households in Westchester County to afford market rate and affordable 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 well below the maximum household income limits for both workforce and affordable apartments. The rents for affordable apartments are accessible to households earning 60% of Area Median Income (AMI) in the County. In addition, all of the affordable apartments and the studio market rate apartments fall below the average monthly rent in 2022 for Westchester County, which is estimated at \$2,364 per Costar.

**Apartment Unit Type, Rent, and Household Income**

| Type of Apartment | Unit Type (1)     | Number of Units (1) | Rent per Month (1) | Rent per Year | Household Income Required (2) | Income Limit (3) | Max Household Income (4) | Benchmarks (5)                             |
|-------------------|-------------------|---------------------|--------------------|---------------|-------------------------------|------------------|--------------------------|--|
| Market Rate       | Studio            | 54                  | \$2,233            | \$26,801      | \$89,338                      | n/a              | n/a                      | 50% of households earn more than \$100,000 |
|                   | 1BR               | 183                 | \$2,893            | \$34,722      | \$115,738                     | n/a              | n/a                      | 41% of households earn more than \$125,000 |
|                   | 2BR               | 56                  | \$3,869            | \$46,424      | \$154,745                     | n/a              | n/a                      | 33% of households earn more than \$150,000 |
| Affordable        | Studio (1 person) | 6                   | \$1,174            | \$14,088      | \$46,958                      | 60%              | \$58,250                 | 28% of households earn less than \$59,999  |
|                   | 1BR (2 persons)   | 20                  | \$1,262            | \$15,149      | \$50,498                      | 60%              | \$66,600                 | 35% of households earn less than \$74,999  |
|                   | 2BR (3 persons)   | 6                   | \$1,734            | \$20,809      | \$69,363                      | 60%              | \$74,900                 | 35% of households earn less than \$74,999  |

(1) Source: Applicant

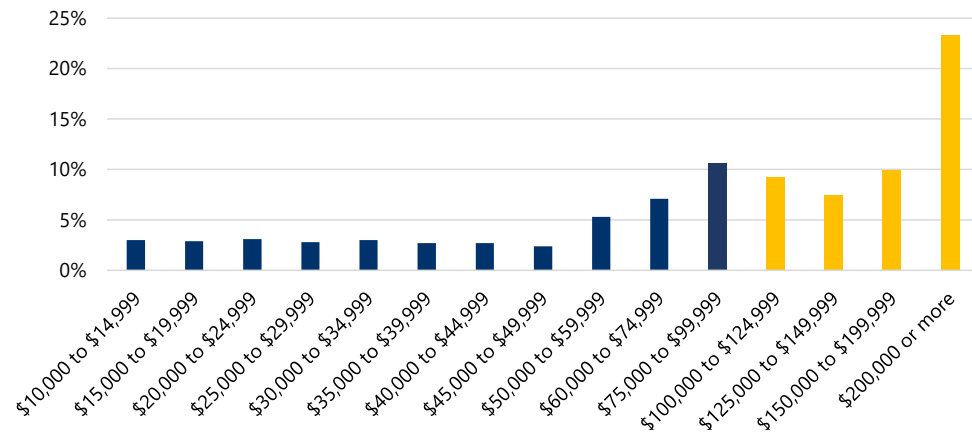
(2) Income needed to pay no more than 30% on rent

(3) Source: Agency

(4) Using Westchester County's Area Median Income (AMI) of \$110,900 for a two person household; Source: U.S. Department of Housing and Urban Development; <https://homes.westchestergov.com/images/stories/pdfs/22inclimguide72022.pdf>

(5) See Household Income Distribution to the right; Source: U.S. Census Bureau, 2016-2020 American Community Survey

**Household Income Distribution for Westchester County, NY**



## 2. PILOT ANALYSIS

Camoin Associates created a PILOT schedule in alignment with the Agency’s Uniform Tax Exemption Policy (UTEP) for a 15- and 20-year PILOT:

| PILOT Schedule (15 Year) |                |                       |                        |                |                     |                           | PILOT Schedule (20 Year) |                |                       |                        |                |                     |                           |
|--------------------------|----------------|-----------------------|------------------------|----------------|---------------------|---------------------------|--------------------------|----------------|-----------------------|------------------------|----------------|---------------------|---------------------------|
| Plus: Improvements       |                |                       |                        |                |                     |                           | Plus: Improvements       |                |                       |                        |                |                     |                           |
| Year                     | Current AV (1) | Improvement Value (1) | Proposed Exemption (2) | New Taxable AV | Times: Tax Rate (3) | Estimated PILOT (4)       | Year                     | Current AV (1) | Improvement Value (1) | Proposed Exemption (2) | New Taxable AV | Times: Tax Rate (3) | Estimated PILOT (4)       |
| 1                        | \$5,744,500    | \$70,255,500          | 100%                   | \$0            | \$35.87             | \$206,069                 | 1                        | \$5,744,500    | \$70,255,500          | 100%                   | \$0            | \$35.87             | \$206,069                 |
| 2                        | 5,744,500      | 70,255,500            | 93%                    | 4,917,885      | 36.59               | 390,135                   | 2                        | 5,744,500      | 70,255,500            | 95%                    | 3,512,775      | 36.59               | 338,722                   |
| 3                        | 5,744,500      | 70,255,500            | 87%                    | 9,133,215      | 37.32               | 555,261                   | 3                        | 5,744,500      | 70,255,500            | 90%                    | 7,025,550      | 37.32               | 476,599                   |
| 4                        | 5,744,500      | 70,255,500            | 80%                    | 14,051,100     | 38.07               | 753,580                   | 4                        | 5,744,500      | 70,255,500            | 85%                    | 10,538,325     | 38.07               | 619,856                   |
| 5                        | 5,744,500      | 70,255,500            | 73%                    | 18,968,985     | 38.83               | 959,610                   | 5                        | 5,744,500      | 70,255,500            | 80%                    | 14,051,100     | 38.83               | 768,652                   |
| 6                        | 5,744,500      | 70,255,500            | 67%                    | 23,184,315     | 39.61               | 1,145,755                 | 6                        | 5,744,500      | 70,255,500            | 75%                    | 17,563,875     | 39.61               | 923,152                   |
| 7                        | 5,744,500      | 70,255,500            | 60%                    | 28,102,200     | 40.40               | 1,367,343                 | 7                        | 5,744,500      | 70,255,500            | 70%                    | 21,076,650     | 40.40               | 1,083,524                 |
| 8                        | 5,744,500      | 70,255,500            | 53%                    | 33,020,085     | 41.21               | 1,597,337                 | 8                        | 5,744,500      | 70,255,500            | 65%                    | 24,589,425     | 41.21               | 1,249,943                 |
| 9                        | 5,744,500      | 70,255,500            | 47%                    | 37,235,415     | 42.03               | 1,806,455                 | 9                        | 5,744,500      | 70,255,500            | 60%                    | 28,102,200     | 42.03               | 1,422,584                 |
| 10                       | 5,744,500      | 70,255,500            | 40%                    | 42,153,300     | 42.87               | 2,053,418                 | 10                       | 5,744,500      | 70,255,500            | 55%                    | 31,614,975     | 42.87               | 1,601,631                 |
| 11                       | 5,744,500      | 70,255,500            | 33%                    | 47,071,185     | 43.73               | 2,309,537                 | 11                       | 5,744,500      | 70,255,500            | 50%                    | 35,127,750     | 43.73               | 1,787,271                 |
| 12                       | 5,744,500      | 70,255,500            | 27%                    | 51,286,515     | 44.60               | 2,543,743                 | 12                       | 5,744,500      | 70,255,500            | 45%                    | 38,640,525     | 44.60               | 1,979,696                 |
| 13                       | 5,744,500      | 70,255,500            | 20%                    | 56,204,400     | 45.49               | 2,818,356                 | 13                       | 5,744,500      | 70,255,500            | 40%                    | 42,153,300     | 45.49               | 2,179,104                 |
| 14                       | 5,744,500      | 70,255,500            | 13%                    | 61,122,285     | 46.40               | 3,102,937                 | 14                       | 5,744,500      | 70,255,500            | 35%                    | 45,666,075     | 46.40               | 2,385,695                 |
| 15                       | 5,744,500      | 70,255,500            | 7%                     | 65,337,615     | 47.33               | 3,364,519                 | 15                       | 5,744,500      | 70,255,500            | 30%                    | 49,178,850     | 47.33               | 2,599,679                 |
|                          |                |                       |                        |                |                     | <b>Total \$24,974,055</b> | 16                       | 5,744,500      | 70,255,500            | 25%                    | 52,691,625     | 48.28               | 2,821,267                 |
|                          |                |                       |                        |                |                     |                           | 17                       | 5,744,500      | 70,255,500            | 20%                    | 56,204,400     | 49.25               | 3,050,680                 |
|                          |                |                       |                        |                |                     |                           | 18                       | 5,744,500      | 70,255,500            | 15%                    | 59,717,175     | 50.23               | 3,288,140                 |
|                          |                |                       |                        |                |                     |                           | 19                       | 5,744,500      | 70,255,500            | 10%                    | 63,229,950     | 51.23               | 3,533,878                 |
|                          |                |                       |                        |                |                     |                           | 20                       | 5,744,500      | 70,255,500            | 5%                     | 66,742,725     | 52.26               | 3,788,131                 |
|                          |                |                       |                        |                |                     |                           |                          |                |                       |                        |                |                     | <b>Total \$36,104,272</b> |

(1) Source: Agency

(2) Per UTEP Policy, Amended November 10, 2021; <https://www.portchesternyida.org/policies>

(3) Assumes tax rate for Fiscal Year 2021/2022, Non-Homestead - County, Town, Village, School, with a 2% annual increase.

(4) (Current assessed value plus new taxable value)/ 1,000 \* tax rate

This PILOT analysis uses an aggregated tax rate for the jurisdictions to calculate future taxes. Steps in this analysis:

- ◆ Estimate taxes for the first fiscal year after construction is completed, anticipated to be 2025/2026, using the most recent tax rates.
- ◆ Estimate future taxes on the parcels with and without the completed project. Tax rates are estimated to increase 2% annually.
- ◆ Assess a PILOT schedule that reduces taxes to improve Project financial performance and induce construction.

**Basic Assumptions for PILOT and Estimated Taxes**

|   |                     |
|---|---------------------|
| Current Assessed Value (1)                                  | \$5,744,500         |
| Assessed Value of Improvements (1)                          | \$70,255,500        |
| <b>Total Assessed Value</b>                                 | <b>\$76,000,000</b> |
| Times: Tax Rate (2)   | \$35.87             |
| <b>Estimated Taxes on Current Assessed Value, 2025/2026</b> | <b>\$2,726,301</b>  |

(1) Source: Agency

(2) Assumes tax rate for Fiscal Year 2021/2022, Non-Homestead - County, Town, Village, School; Source: Agency

With the 15 year PILOT agreement, 47% of the Applicant’s taxes will be abated, resulting in over \$22 million in foregone tax revenue to municipalities. Under the 20 year PILOT agreement, 45% of the Applicant’s taxes will be abated, resulting in over \$30 million in foregone tax revenue. The tables on the following pages show the timeline of PILOT and tax payments generated by the Project and calculates both the benefits to the municipalities and the benefits (or savings) to the Project.

**Real Property Tax Comparison**

| <b>15 Year PILOT</b>   |                       | <b>20 Year PILOT</b>   |                       |
|--|-----------------------|--|-----------------------|
| <u>Comparison of Taxes on Full Value of Project and with PILOT</u> |                       | <u>Comparison of Taxes on Full Value of Project and with PILOT</u> |                       |
| Taxes without PILOT  | \$47,147,063          | Taxes without PILOT  | \$66,241,948          |
| Less: PILOT/Tax Payments   | <u>(\$24,974,055)</u> | Less: PILOT/Tax Payments   | <u>(\$36,104,272)</u> |
| Foregone Revenue (Benefits to Project)                             | \$22,173,008          | Foregone Revenue (Benefits to Project)                             | \$30,137,676          |
| Abatement Percent  | 47%                   | Abatement Percent  | 45%                   |
| <u>Net New Taxes Compared with No Project</u>                      |                       | <u>Net New Taxes Compared with No Project</u>                      |                       |
| PILOT  | \$28,537,691          | PILOT  | \$36,104,272          |
| Less: Estimated Taxes without Project                              | <u>(\$3,563,636)</u>  | Less: Estimated Taxes without Project                              | <u>\$ (5,006,933)</u> |
| Estimated New Tax Revenue (Benefits to Municipalities)             | \$24,974,055          | Estimated New Tax Revenue (Benefits to Municipalities)             | \$31,097,340          |

**Proposed PILOT and Tax Comparison (15 year PILOT)**

| Year          | <b>Benefits to Municipalities</b> |                                |                      | <b>Benefit to Project</b>               |                      |                              |                                       |
|---------------|-----------------------------------|--------------------------------|----------------------|---|----------------------|------------------------------|---------------------------------------|
|               | PILOT Payments                    | Less: Current Tax Revenues (1) | Net New Tax Revenues | Taxes Owed after Project Completion (2) | Less: PILOT Payments | Estimated Savings to Project | PILOT's Share of Estimated Taxes Owed |
| 1             | \$206,069                         | \$206,069                      | \$0                  | \$2,726,301                             | \$206,069            | \$2,520,232                  | 8%                                    |
| 2             | 390,135                           | 210,190                        | 179,945              | 2,780,827                               | 390,135              | 2,390,692                    | 14%                                   |
| 3             | 555,261                           | 214,394                        | 340,866              | 2,836,444                               | 555,261              | 2,281,183                    | 20%                                   |
| 4             | 753,580                           | 218,682                        | 534,898              | 2,893,173                               | 753,580              | 2,139,593                    | 26%                                   |
| 5             | 959,610                           | 223,056                        | 736,555              | 2,951,036                               | 959,610              | 1,991,426                    | 33%                                   |
| 6             | 1,145,755                         | 227,517                        | 918,238              | 3,010,057                               | 1,145,755            | 1,864,302                    | 38%                                   |
| 7             | 1,367,343                         | 232,067                        | 1,135,276            | 3,070,258                               | 1,367,343            | 1,702,915                    | 45%                                   |
| 8             | 1,597,337                         | 236,708                        | 1,360,629            | 3,131,663                               | 1,597,337            | 1,534,326                    | 51%                                   |
| 9             | 1,806,455                         | 241,443                        | 1,565,013            | 3,194,296                               | 1,806,455            | 1,387,841                    | 57%                                   |
| 10            | 2,053,418                         | 246,271                        | 1,807,147            | 3,258,182                               | 2,053,418            | 1,204,764                    | 63%                                   |
| 11            | 2,309,537                         | 251,197                        | 2,058,340            | 3,323,346                               | 2,309,537            | 1,013,809                    | 69%                                   |
| 12            | 2,543,743                         | 256,221                        | 2,287,522            | 3,389,813                               | 2,543,743            | 846,070                      | 75%                                   |
| 13            | 2,818,356                         | 261,345                        | 2,557,011            | 3,457,609                               | 2,818,356            | 639,253                      | 82%                                   |
| 14            | 3,102,937                         | 266,572                        | 2,836,365            | 3,526,761                               | 3,102,937            | 423,825                      | 88%                                   |
| 15            | <u>3,364,519</u>                  | <u>271,904</u>                 | <u>3,092,615</u>     | <u>3,597,297</u>                        | <u>3,364,519</u>     | <u>232,778</u>               | <u>94%</u>                            |
| <b>Totals</b> | <b>\$24,974,055</b>               | <b>\$3,563,636</b>             | <b>\$21,410,419</b>  | <b>\$47,147,063</b>                     | <b>\$24,974,055</b>  | <b>\$22,173,008</b>          | <b>53%</b>                            |

(1) The Property has a current assessed value of \$5,744,500; assumes the tax rate for Fiscal Year 2021/2022, Non-Homestead (County, Town, Village, + School) with a 2% annual increase. Source: Agency.

(2) Assumes a taxable value of \$76,000,000 upon project completion; assumes the tax rate for Fiscal Year 2021/2022, Non-Homestead (County, Town, Village, + School) with a 2% annual increase. Source: Agency.



**Proposed PILOT and Tax Comparison (20 year PILOT)**

|               | <b>Benefits to Municipalities</b> |                                |                      | <b>Benefit to Project</b>               |                      |                              |                                       |
|---------------|-----------------------------------|--------------------------------|----------------------|---|----------------------|------------------------------|---------------------------------------|
|               | PILOT Payments                    | Less: Current Tax Revenues (1) | Net New Tax Revenues | Taxes Owed after Project Completion (2) | Less: PILOT Payments | Estimated Savings to Project | PILOT's Share of Estimated Taxes Owed |
| 1             | \$206,069                         | \$206,069                      | \$0                  | \$2,726,301                             | \$206,069            | \$2,520,232                  | 8%                                    |
| 2             | 338,722                           | 210,190                        | 128,532              | 2,780,827                               | 338,722              | 2,442,105                    | 12%                                   |
| 3             | 476,599                           | 214,394                        | 262,205              | 2,836,444                               | 476,599              | 2,359,845                    | 17%                                   |
| 4             | 619,856                           | 218,682                        | 401,174              | 2,893,173                               | 619,856              | 2,273,317                    | 21%                                   |
| 5             | 768,652                           | 223,056                        | 545,596              | 2,951,036                               | 768,652              | 2,182,384                    | 26%                                   |
| 6             | 923,152                           | 227,517                        | 695,635              | 3,010,057                               | 923,152              | 2,086,905                    | 31%                                   |
| 7             | 1,083,524                         | 232,067                        | 851,457              | 3,070,258                               | 1,083,524            | 1,986,734                    | 35%                                   |
| 8             | 1,249,943                         | 236,708                        | 1,013,234            | 3,131,663                               | 1,249,943            | 1,881,721                    | 40%                                   |
| 9             | 1,422,584                         | 241,443                        | 1,181,142            | 3,194,296                               | 1,422,584            | 1,771,712                    | 45%                                   |
| 10            | 1,601,631                         | 246,271                        | 1,355,360            | 3,258,182                               | 1,601,631            | 1,656,551                    | 49%                                   |
| 11            | 1,787,271                         | 251,197                        | 1,536,075            | 3,323,346                               | 1,787,271            | 1,536,075                    | 54%                                   |
| 12            | 1,979,696                         | 256,221                        | 1,723,476            | 3,389,813                               | 1,979,696            | 1,410,116                    | 58%                                   |
| 13            | 2,179,104                         | 261,345                        | 1,917,758            | 3,457,609                               | 2,179,104            | 1,278,506                    | 63%                                   |
| 14            | 2,385,695                         | 266,572                        | 2,119,123            | 3,526,761                               | 2,385,695            | 1,141,066                    | 68%                                   |
| 15            | 2,599,679                         | 271,904                        | 2,327,775            | 3,597,297                               | 2,599,679            | 997,618                      | 72%                                   |
| 16            | 2,821,267                         | 277,342                        | 2,543,926            | 3,669,242                               | 2,821,267            | 847,975                      | 77%                                   |
| 17            | 3,050,680                         | 282,888                        | 2,767,791            | 3,742,627                               | 3,050,680            | 691,948                      | 82%                                   |
| 18            | 3,288,140                         | 288,546                        | 2,999,594            | 3,817,480                               | 3,288,140            | 529,340                      | 86%                                   |
| 19            | 3,533,878                         | 294,317                        | 3,239,561            | 3,893,829                               | 3,533,878            | 359,951                      | 91%                                   |
| 20            | <u>3,788,131</u>                  | <u>300,203</u>                 | <u>3,487,927</u>     | <u>3,971,706</u>                        | <u>3,788,131</u>     | <u>183,575</u>               | <u>95%</u>                            |
| <b>Totals</b> | <b>\$36,104,272</b>               | <b>\$ 5,006,933</b>            | <b>\$31,097,340</b>  | <b>\$66,241,948</b>                     | <b>\$36,104,272</b>  | <b>\$30,137,676</b>          | <b>55%</b>                            |

(1) The Property has a current assessed value of \$5,744,500; assumes the tax rate for Fiscal Year 2021/2022, Non-Homestead (County, Town, Village, + School) with a 2% annual increase. Source: Agency.

(2) Assumes a taxable value of \$76,000,000 upon project completion; assumes the tax rate for Fiscal Year 2021/2022, Non-Homestead (County, Town, Village, + School) with a 2% annual increase. Source: Agency.

### 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 will increase by between 1.5% and 2% per year and expenses will escalate at 2% per year, and there will be a 6% vacancy rate once stabilized for the market rate units and 2% for the affordable units. With the 15 year PILOT, real property taxes absorb 7% of project income while debt service absorbs 51% of income. Together, operating expenses, tax, and debt service absorb 76% of project income. The PILOT scenario delivers Net Operating Income as a percent of Gross Income that is quite a bit higher than the benchmark. Operating performance and assumptions about vacancy and concessions are within range of benchmarks, however operating expenses (18%) are lower than the benchmark (45%).

#### Operations Snapshot, Year 5, 15 Year PILOT

|   | Project<br>Performance<br>(1) | Share of Gross<br>Operating<br>Income | Benchmark<br>Performance<br>(2) | Evaluation     |
|---|-------------------------------|---------------------------------------|---------------------------------|----------------|
| Gross Operating Income, Total                               | \$13,748,731                  | 100%                                  | n/a                             | n/a            |
| <u>Calculation of Net Operating Income Residential</u>      |                               |                                       |                                 |                |
| Gross Operating Income                                      | \$12,032,255                  | 88%                                   | n/a                             | n/a            |
| Vacancy Rate and Concessions                                | 5.4%                          | n/a                                   | 4.8%                            | Within Range   |
| <u>Calculation of Net Operating Income, Non-Residential</u> |                               |                                       |                                 |                |
| Gross Operating Income                                      | \$1,716,476                   | 12%                                   | n/a                             | n/a            |
| Vacancy Rate  | 10%                           | n/a                                   | n/a                             | n/a            |
| Effective Gross Income (EGI), All Uses (3)                  | \$12,952,538                  | 94%                                   | 94%                             | Within Range   |
| Less: Operating Expenses and Reserve                        | (\$2,485,586)                 | 18%                                   | 45%                             | More Efficient |
| <u>Less: Real Property Taxes (with PILOT)</u>               | <u>(\$959,610)</u>            | <u>7%</u>                             | <u>n/a</u>                      | <u>n/a</u>     |
| Net Operating Income  | \$9,507,341                   | 79%                                   | 52%                             | More Efficient |
| Less: Debt Service  | <u>(\$6,615,509)</u>          | 51%                                   | n/a                             | n/a            |
| Cashflow after Operating Costs, Taxes, Debt                 | \$2,891,832                   | 21%                                   | n/a                             | n/a            |

(1) Source: Applicant

(2) Source: RealtyRates, 2nd Quarter 2022 Data for New York

(3) Net of vacancy and concessions

With the 20 year PILOT, real property taxes absorb 6% of project income while debt service absorbs 51% of income. Together, operating expenses, tax, and debt service absorb 76% of project income (off due to rounding). The 20 year PILOT scenario delivers Net Operating Income as a percent of Gross Income that is quite a bit higher than the benchmark. Operating performance and assumptions about vacancy and concessions are within range of benchmarks, however operating expenses (18%) are lower than the benchmark (45%).

**Operations Snapshot, Year 5, 20 Year PILOT**

|   | Project<br>Performance<br>(1) | Share of Gross<br>Operating<br>Income | Benchmark<br>Performance<br>(2) | Evaluation     |
|---|-------------------------------|---------------------------------------|---------------------------------|----------------|
| Gross Operating Income, Total                               | \$13,748,731                  | 100%                                  | n/a                             | n/a            |
| <u>Calculation of Net Operating Income Residential</u>      |                               |                                       |                                 |                |
| Gross Operating Income                                      | \$12,032,255                  | 88%                                   | n/a                             | n/a            |
| Vacancy Rate and Concessions                                | 5.4%                          | n/a                                   | 4.8%                            | Within Range   |
| <u>Calculation of Net Operating Income, Non-Residential</u> |                               |                                       |                                 |                |
| Gross Operating Income                                      | \$1,716,476                   | 12%                                   | n/a                             | n/a            |
| Vacancy Rate  | 10%                           | n/a                                   | n/a                             | n/a            |
| Effective Gross Income (EGI), All Uses (3)                  | \$12,952,538                  | 94%                                   | 94%                             | Within Range   |
| Less: Operating Expenses and Reserve                        | (\$2,485,586)                 | 18%                                   | 45%                             | More Efficient |
| <u>Less: Real Property Taxes (with PILOT)</u>               | <u>(\$768,652)</u>            | <u>6%</u>                             | <u>n/a</u>                      | <u>n/a</u>     |
| Net Operating Income  | \$9,698,300                   | 81%                                   | 52%                             | More Efficient |
| Less: Debt Service  | <u>(\$6,615,509)</u>          | 51%                                   | n/a                             | n/a            |
| Cashflow after Operating Costs, Taxes, Debt                 | \$3,082,790                   | 22%                                   | n/a                             | n/a            |

(1) Source: Applicant

(2) Source: RealtyRates, 2nd Quarter 2022 Data for New York

(3) Net of vacancy and concessions

## 4. FINANCING PLAN

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

### Sources and Uses of Funds

| <u>Sources of Funds</u>           | <u>Amount (1)</u>    | <u>Share</u> |
|-----------------------------------|----------------------|--------------|
| Bank Financing                    | \$92,099,318         | 60%          |
| Equity and Working Capital        | <u>\$61,399,545</u>  | <u>40%</u>   |
| Total Sources                     | \$153,498,863        | 100%         |
| <br>                              |                      |              |
| <u>Uses of Funds</u>              |                      |              |
| Acquisition and Transaction Costs | \$25,576,279         | 17%          |
| Construction Costs                | <u>\$127,922,584</u> | <u>83%</u>   |
| Total Uses                        | \$153,498,863        | 100%         |

(1) Source: Applicant

### Terms of the Senior (Long Term) Debt

|                            | <u>Terms (1)</u> | <u>Benchmark (2)</u> | <u>Evaluation</u> |
|----------------------------|------------------|----------------------|-------------------|
| Amount Borrowed            | \$92,099,318     | n/a                  | n/a               |
| Loan to Total Project Cost | 60%              | 55% to 90%           | Within Range      |
| Annual Interest Rate       | 3.75%            | 3.47% to 7.76%       | Within Range      |
| Maturity in Years          | 30               | 15 to 40             | Within Range      |

(1) Source: Applicant

(2) Source: RealtyRates Q2 2022

## 5. RATE OF RETURN

An estimated return on investment is calculated using the Applicant's operating pro forma and capital structure.<sup>1</sup> 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, for both 15 and 20 years.

|                              | <b>Comparison of Return on Investment</b> |                 |                    |                 | <b>Benchmarks (3)</b> |
|------------------------------|---|-----------------|--------------------|-----------------|-----------------------|
|                              | <b>15 Year (1)</b>                        |                 | <b>20 Year (2)</b> |                 |                       |
|                              | <u>PILOT</u>                              | <u>No PILOT</u> | <u>PILOT</u>       | <u>No PILOT</u> |                       |
| <u>Equity Dividend Rates</u> |   |                 |                    |                 |                       |
| Average                      | 4.72%                                     | 2.32%           | 5.52%              | 3.06%           |                       |
| Minimum                      | 4.58%                                     | 0.47%           | 4.58%              | 0.47%           | 6.03%                 |
| Maximum                      | 4.80%                                     | 4.32%           | 6.28%              | 5.98%           | to<br>13.11%          |
| Year Benchmarks Met          | none                                      | none            | 17                 | none            |                       |
| <u>Cash Flow</u>             |   |                 |                    |                 |                       |
| Average                      | \$2,900,250                               | \$1,422,050     | \$3,387,409        | \$1,880,525     |                       |
| Minimum                      | \$2,809,343                               | \$289,111       | \$2,809,343        | \$289,111       |                       |
| Maximum                      | \$2,949,249                               | \$2,655,069     | \$3,853,341        | \$3,669,766     | n/a                   |
| Cumulative                   | \$43,503,756                              | \$21,330,748    | \$67,748,174       | \$37,610,498    |                       |
| Year Investment Recouped     | none                                      | none            | 19                 | none            |                       |
| <u>Debt Service Coverage</u> |   |                 |                    |                 |                       |
| Average                      | 1.44                                      | 1.21            | 1.51               | 1.28            | 1.10                  |
| Minimum                      | 1.42                                      | 1.04            | 1.42               | 1.04            | to                    |
| Maximum                      | 1.45                                      | 1.40            | 1.58               | 1.55            | 1.85                  |
| Years Benchmarks Met         | 1 - 15                                    | 4 - 15          | 1 - 20             | 4 - 20          |                       |

(1) See Attachment 1

(2) See Attachment 2

(3) Source: RealtyRates for Q2 2022 for New York

<sup>1</sup> Note: The Property Tax upon completion amount provided by the Applicant in their pro forma was adjusted by Camoin Associates based on the final assessed value provided by the Agency and current property tax rates.

Three metrics are used to evaluate outcomes:

### **15 Year PILOT**

- ◆ **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 \$61,399,545 per the Applicant. For both the No PILOT scenario and 15 year PILOT scenario, the Project is below the benchmarks for the entirety of the 15 years. With the PILOT, taxes are reduced sufficiently to improve performance, but not great enough to achieve a standard expectation at least 6.03%.
- ◆ **Cash Flow** shows net cashflow to the Applicant over time. Cashflow differences between a PILOT and No PILOT scenario indicate whether the Applicant is earning a return. There are currently no benchmarks for cash flow available. Cumulative Cash Flow and annual cashflow are positive for all years with or without a PILOT. The initial equity investment of nearly \$61.4 million will not be recouped within the 15-year PILOT schedule with or without a PILOT.
- ◆ **Debt Service Coverage** estimates how well the Project's net income, after taxes, supports repayment of debt. With the PILOT, the Project achieves the benchmark for Debt Service Coverage throughout the 15 years, whereas it isn't until year 4 without the PILOT. Debt comprises 60% of the capital structure.

### **20 Year PILOT**

- ◆ **The Equity Dividend Rate:** For the No PILOT scenario the Project is below the benchmarks for the entirety of the 20 years. With the PILOT, taxes are reduced sufficiently to improve performance and deliver returns that meet the benchmarks by year 17.
- ◆ **Cash Flow:** Cumulative Cash Flow and annual cashflow are positive for all years with or without a PILOT. The initial equity investment of nearly \$61.4 million will be fully recouped by year 19 with a PILOT and would not be recouped without a PILOT
- ◆ **Debt Service Coverage:** With the PILOT, the Project achieves the benchmark for Debt Service Coverage throughout all 20 years, whereas it does not until year 4 without the PILOT. Debt comprises 60% of the capital structure.

# ATTACHMENT 1: 15 YEAR PRO FORMAS <sup>2</sup>

## 15 Year Annual Cashflows (Pro Forma) with a 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             | Year 14             | Year 15             |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Operating Cash Flow</b>                    |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <u>Residential Income</u>                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Gross Operating Income (Market Rate)          | \$10,596,936        | \$10,808,875        | \$11,025,052        | \$11,245,553        | \$11,470,464        | \$11,699,874        | \$11,933,871        | \$12,172,548        | \$12,415,999        | \$12,664,319        | \$12,917,606        | \$13,175,958        | \$13,439,477        | \$13,708,267        | \$13,982,432        |
| Gross Operating Income (Affordable)           | \$529,311           | \$537,250           | \$545,309           | \$553,489           | \$561,791           | \$570,218           | \$578,771           | \$587,453           | \$596,264           | \$605,208           | \$614,287           | \$623,501           | \$632,853           | \$642,346           | \$651,981           |
| Less: Vacancy Allowance                       | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         |
| Net Rental Income, Residential                | \$10,479,844        | \$10,699,722        | \$10,923,959        | \$11,152,639        | \$11,385,853        | \$11,623,689        | \$11,866,240        | \$12,113,599        | \$12,365,861        | \$12,623,125        | \$12,885,490        | \$13,153,056        | \$13,425,928        | \$13,704,210        | \$13,988,011        |
| <u>Commercial/Industrial Income</u>           |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Gross Operating Income                        | \$369,806           | \$377,202           | \$384,746           | \$392,441           | \$400,290           | \$408,296           | \$416,462           | \$424,791           | \$433,287           | \$441,953           | \$450,792           | \$459,807           | \$469,004           | \$478,384           | \$487,951           |
| Less: Vacancy Allowance                       | (\$36,981)          | (\$37,720)          | (\$38,475)          | (\$39,244)          | (\$40,029)          | (\$40,830)          | (\$41,646)          | (\$42,479)          | (\$43,329)          | (\$44,195)          | (\$45,079)          | (\$45,981)          | (\$46,900)          | (\$47,838)          | (\$48,795)          |
| Net Rental Income, Commercial/Industrial      | \$332,825           | \$339,482           | \$346,272           | \$353,197           | \$360,261           | \$367,466           | \$374,816           | \$382,312           | \$389,958           | \$397,757           | \$405,712           | \$413,827           | \$422,103           | \$430,545           | \$439,156           |
| <u>Other Income</u>                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Parking Income                                | \$711,144           | \$725,367           | \$739,874           | \$754,672           | \$769,765           | \$785,160           | \$800,864           | \$816,881           | \$833,219           | \$849,883           | \$866,881           | \$884,218           | \$901,903           | \$919,941           | \$938,339           |
| Other Income                                  | \$504,808           | \$514,904           | \$525,202           | \$535,707           | \$546,421           | \$557,349           | \$568,496           | \$579,866           | \$591,463           | \$603,293           | \$615,358           | \$627,666           | \$640,219           | \$653,023           | \$666,084           |
| Less: Vacancy Allowance                       | (\$101,403)         | (\$103,431)         | (\$105,500)         | (\$107,610)         | (\$109,762)         | (\$111,957)         | (\$114,196)         | (\$116,480)         | (\$118,810)         | (\$121,186)         | (\$123,610)         | (\$126,082)         | (\$128,603)         | (\$131,175)         | (\$133,799)         |
| Net Income, Other                             | \$1,114,549         | \$1,136,840         | \$1,159,577         | \$1,182,769         | \$1,206,424         | \$1,230,552         | \$1,255,164         | \$1,280,267         | \$1,305,872         | \$1,331,990         | \$1,358,629         | \$1,385,802         | \$1,413,518         | \$1,441,788         | \$1,470,624         |
| <b>Effective Gross Income (EGI)</b>           | <b>\$11,927,219</b> | <b>\$12,176,045</b> | <b>\$12,429,807</b> | <b>\$12,688,605</b> | <b>\$12,952,538</b> | <b>\$13,221,708</b> | <b>\$13,496,219</b> | <b>\$13,776,177</b> | <b>\$14,061,692</b> | <b>\$14,352,872</b> | <b>\$14,649,832</b> | <b>\$14,952,685</b> | <b>\$15,261,549</b> | <b>\$15,576,544</b> | <b>\$15,897,791</b> |
| <u>Operating Expenses</u>                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Salaries and Wages                            | \$1,201,476         | \$1,225,505         | \$1,250,015         | \$1,275,016         | \$1,300,516         | \$1,326,526         | \$1,353,057         | \$1,380,118         | \$1,407,720         | \$1,435,875         | \$1,464,592         | \$1,493,884         | \$1,523,762         | \$1,554,237         | \$1,585,322         |
| Maintenance                                   | \$98,177            | \$100,141           | \$102,144           | \$104,187           | \$106,270           | \$108,396           | \$110,564           | \$112,775           | \$115,030           | \$117,331           | \$119,678           | \$122,071           | \$124,513           | \$127,003           | \$129,543           |
| Deposit to replacement reserve                | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 |
| Insurance                                     | \$215,990           | \$220,310           | \$224,716           | \$229,210           | \$233,795           | \$238,471           | \$243,240           | \$248,105           | \$253,067           | \$258,128           | \$263,291           | \$268,557           | \$273,928           | \$279,406           | \$284,994           |
| Other   | \$780,654           | \$796,267           | \$812,193           | \$828,437           | \$845,005           | \$861,905           | \$879,144           | \$896,726           | \$914,661           | \$932,954           | \$951,613           | \$970,646           | \$990,058           | \$1,009,860         | \$1,030,057         |
| <b>Operating Expenses</b>                     | <b>\$2,296,298</b>  | <b>\$2,342,224</b>  | <b>\$2,389,068</b>  | <b>\$2,436,849</b>  | <b>\$2,485,586</b>  | <b>\$2,535,298</b>  | <b>\$2,586,004</b>  | <b>\$2,637,724</b>  | <b>\$2,690,479</b>  | <b>\$2,744,288</b>  | <b>\$2,799,174</b>  | <b>\$2,855,157</b>  | <b>\$2,912,261</b>  | <b>\$2,970,506</b>  | <b>\$3,029,916</b>  |
| <b>Pre-Tax Operating Income</b>               | <b>\$9,630,921</b>  | <b>\$9,833,821</b>  | <b>\$10,040,739</b> | <b>\$10,251,756</b> | <b>\$10,466,951</b> | <b>\$10,686,409</b> | <b>\$10,910,215</b> | <b>\$11,138,453</b> | <b>\$11,371,213</b> | <b>\$11,608,584</b> | <b>\$11,850,658</b> | <b>\$12,097,527</b> | <b>\$12,349,288</b> | <b>\$12,606,038</b> | <b>\$12,867,875</b> |
| <b>PILOT (years 1-15)</b>                     | \$206,069           | \$390,135           | \$555,261           | \$753,580           | \$959,610           | \$1,145,755         | \$1,367,343         | \$1,597,337         | \$1,806,455         | \$2,053,418         | \$2,309,537         | \$2,543,743         | \$2,818,356         | \$3,102,937         | \$3,364,519         |
| <b>Net Operating Income (NOI) after Taxes</b> | <b>\$9,424,852</b>  | <b>\$9,443,686</b>  | <b>\$9,485,479</b>  | <b>\$9,498,175</b>  | <b>\$9,507,341</b>  | <b>\$9,540,654</b>  | <b>\$9,542,871</b>  | <b>\$9,541,116</b>  | <b>\$9,564,758</b>  | <b>\$9,555,166</b>  | <b>\$9,541,121</b>  | <b>\$9,553,784</b>  | <b>\$9,530,932</b>  | <b>\$9,503,101</b>  | <b>\$9,503,356</b>  |
| <u>Loan or Mortgage (Debt Service)</u>        |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Interest Payment                              | \$4,499,113         | \$4,412,888         | \$4,323,150         | \$4,229,755         | \$4,132,556         | \$4,031,397         | \$3,926,116         | \$3,816,546         | \$3,702,512         | \$3,583,832         | \$3,460,317         | \$3,331,769         | \$3,197,985         | \$3,058,750         | \$2,913,842         |
| Principal Payment                             | \$2,116,396         | \$2,202,621         | \$2,292,359         | \$2,385,754         | \$2,482,953         | \$2,584,112         | \$2,689,393         | \$2,798,963         | \$2,912,997         | \$3,031,677         | \$3,155,192         | \$3,283,740         | \$3,417,524         | \$3,556,760         | \$3,701,667         |
| Debt Service                                  | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         |
| <b>Cash Flow After Financing and Reserve</b>  | <b>\$2,809,343</b>  | <b>\$2,828,177</b>  | <b>\$2,869,970</b>  | <b>\$2,882,666</b>  | <b>\$2,891,832</b>  | <b>\$2,925,145</b>  | <b>\$2,927,362</b>  | <b>\$2,925,607</b>  | <b>\$2,949,249</b>  | <b>\$2,939,657</b>  | <b>\$2,925,612</b>  | <b>\$2,938,275</b>  | <b>\$2,915,423</b>  | <b>\$2,887,592</b>  | <b>\$2,887,847</b>  |
| Debt Service Coverage Ratio (DSCR)            | 1.42                | 1.43                | 1.43                | 1.44                | 1.44                | 1.44                | 1.44                | 1.44                | 1.45                | 1.44                | 1.44                | 1.44                | 1.44                | 1.44                | 1.44                |
| Equity Dividend Rate                          | 4.58%               | 4.61%               | 4.67%               | 4.69%               | 4.71%               | 4.76%               | 4.77%               | 4.76%               | 4.80%               | 4.79%               | 4.76%               | 4.79%               | 4.75%               | 4.70%               | 4.70%               |

<sup>2</sup> Note: The Property Tax upon completion amount provided by the Applicant in their pro forma was adjusted by Camoin Associates based on the final assessed value provided by the Agency and current property tax rates.

Reasonableness Assessment for 2SM Development, LLC, Village of Port Chester Industrial Development Agency

15 Year Annual Cashflows (Pro Forma) without a 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             | Year 14             | Year 15             |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Operating Cash Flow</b>                    |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <u>Residential Income</u>                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Gross Operating Income (Market Rate)          | \$10,596,936        | \$10,808,875        | \$11,025,052        | \$11,245,553        | \$11,470,464        | \$11,699,874        | \$11,933,871        | \$12,172,548        | \$12,415,999        | \$12,664,319        | \$12,917,606        | \$13,175,958        | \$13,439,477        | \$13,708,267        | \$13,982,432        |
| Gross Operating Income (Affordable)           | \$529,311           | \$537,250           | \$545,309           | \$553,489           | \$561,791           | \$570,218           | \$578,771           | \$587,453           | \$596,264           | \$605,208           | \$614,287           | \$623,501           | \$632,853           | \$642,346           | \$651,981           |
| Less: Vacancy Allowance                       | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         |
| Net Rental Income, Residential                | \$10,479,844        | \$10,699,722        | \$10,923,959        | \$11,152,639        | \$11,385,853        | \$11,623,689        | \$11,866,240        | \$12,113,599        | \$12,365,861        | \$12,623,125        | \$12,885,490        | \$13,153,056        | \$13,425,928        | \$13,704,210        | \$13,988,011        |
| <u>Commercial/Industrial Income</u>           |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Gross Operating Income                        | \$369,806           | \$377,202           | \$384,746           | \$392,441           | \$400,290           | \$408,296           | \$416,462           | \$424,791           | \$433,287           | \$441,953           | \$450,792           | \$459,807           | \$469,004           | \$478,384           | \$487,951           |
| Less: Vacancy Allowance                       | (\$36,981)          | (\$37,720)          | (\$38,475)          | (\$39,244)          | (\$40,029)          | (\$40,830)          | (\$41,646)          | (\$42,479)          | (\$43,329)          | (\$44,195)          | (\$45,079)          | (\$45,981)          | (\$46,900)          | (\$47,838)          | (\$48,795)          |
| Net Rental Income, Commercial/Industrial      | \$332,825           | \$339,482           | \$346,272           | \$353,197           | \$360,261           | \$367,466           | \$374,816           | \$382,312           | \$389,958           | \$397,757           | \$405,712           | \$413,827           | \$422,103           | \$430,545           | \$439,156           |
| <u>Other Income</u>                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Parking Income                                | \$711,144           | \$725,367           | \$739,874           | \$754,672           | \$769,765           | \$785,160           | \$800,864           | \$816,881           | \$833,219           | \$849,883           | \$866,881           | \$884,218           | \$901,903           | \$919,941           | \$938,339           |
| Other Income                                  | \$504,808           | \$514,904           | \$525,202           | \$535,707           | \$546,421           | \$557,349           | \$568,496           | \$579,866           | \$591,463           | \$603,293           | \$615,358           | \$627,666           | \$640,219           | \$653,023           | \$666,084           |
| Less: Vacancy Allowance                       | (\$101,403)         | (\$103,431)         | (\$105,500)         | (\$107,610)         | (\$109,762)         | (\$111,957)         | (\$114,196)         | (\$116,480)         | (\$118,810)         | (\$121,186)         | (\$123,610)         | (\$126,082)         | (\$128,603)         | (\$131,175)         | (\$133,799)         |
| Net Income, Other                             | \$1,114,549         | \$1,136,840         | \$1,159,577         | \$1,182,769         | \$1,206,424         | \$1,230,552         | \$1,255,164         | \$1,280,267         | \$1,305,872         | \$1,331,990         | \$1,358,629         | \$1,385,802         | \$1,413,518         | \$1,441,788         | \$1,470,624         |
| <b>Effective Gross Income (EGI)</b>           | <b>\$11,927,219</b> | <b>\$12,176,045</b> | <b>\$12,429,807</b> | <b>\$12,688,605</b> | <b>\$12,952,538</b> | <b>\$13,221,708</b> | <b>\$13,496,219</b> | <b>\$13,776,177</b> | <b>\$14,061,692</b> | <b>\$14,352,872</b> | <b>\$14,649,832</b> | <b>\$14,952,685</b> | <b>\$15,261,549</b> | <b>\$15,576,544</b> | <b>\$15,897,791</b> |
| <u>Operating Expenses</u>                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Salaries and Wages                            | \$1,201,476         | \$1,225,505         | \$1,250,015         | \$1,275,016         | \$1,300,516         | \$1,326,526         | \$1,353,057         | \$1,380,118         | \$1,407,720         | \$1,435,875         | \$1,464,592         | \$1,493,884         | \$1,523,762         | \$1,554,237         | \$1,585,322         |
| Maintenance                                   | \$98,177            | \$100,141           | \$102,144           | \$104,187           | \$106,270           | \$108,396           | \$110,564           | \$112,775           | \$115,030           | \$117,331           | \$119,678           | \$122,071           | \$124,513           | \$127,003           | \$129,543           |
| Deposit to replacement reserve                | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 |
| Insurance                                     | \$215,990           | \$220,310           | \$224,716           | \$229,210           | \$233,795           | \$238,471           | \$243,240           | \$248,105           | \$253,067           | \$258,128           | \$263,291           | \$268,557           | \$273,928           | \$279,406           | \$284,994           |
| Other   | \$780,654           | \$796,267           | \$812,193           | \$828,437           | \$845,005           | \$861,905           | \$879,144           | \$896,726           | \$914,661           | \$932,954           | \$951,613           | \$970,646           | \$990,058           | \$1,009,860         | \$1,030,057         |
| <b>Operating Expenses</b>                     | <b>\$2,296,298</b>  | <b>\$2,342,224</b>  | <b>\$2,389,068</b>  | <b>\$2,436,849</b>  | <b>\$2,485,586</b>  | <b>\$2,535,298</b>  | <b>\$2,586,004</b>  | <b>\$2,637,724</b>  | <b>\$2,690,479</b>  | <b>\$2,744,288</b>  | <b>\$2,799,174</b>  | <b>\$2,855,157</b>  | <b>\$2,912,261</b>  | <b>\$2,970,506</b>  | <b>\$3,029,916</b>  |
| <b>Pre-Tax Operating Income</b>               | <b>\$9,630,921</b>  | <b>\$9,833,821</b>  | <b>\$10,040,739</b> | <b>\$10,251,756</b> | <b>\$10,466,951</b> | <b>\$10,686,409</b> | <b>\$10,910,215</b> | <b>\$11,138,453</b> | <b>\$11,371,213</b> | <b>\$11,608,584</b> | <b>\$11,850,658</b> | <b>\$12,097,527</b> | <b>\$12,349,288</b> | <b>\$12,606,038</b> | <b>\$12,867,875</b> |
| <b>Real Property Taxes</b>                    | <b>\$2,726,301</b>  | <b>\$2,780,827</b>  | <b>\$2,836,444</b>  | <b>\$2,893,173</b>  | <b>\$2,951,036</b>  | <b>\$3,010,057</b>  | <b>\$3,070,258</b>  | <b>\$3,131,663</b>  | <b>\$3,194,296</b>  | <b>\$3,258,182</b>  | <b>\$3,323,346</b>  | <b>\$3,389,813</b>  | <b>\$3,457,609</b>  | <b>\$3,526,761</b>  | <b>\$3,597,297</b>  |
| <b>Net Operating Income (NOI) after Taxes</b> | <b>\$6,904,620</b>  | <b>\$7,052,994</b>  | <b>\$7,204,296</b>  | <b>\$7,358,583</b>  | <b>\$7,515,915</b>  | <b>\$7,676,353</b>  | <b>\$7,839,957</b>  | <b>\$8,006,790</b>  | <b>\$8,176,917</b>  | <b>\$8,350,402</b>  | <b>\$8,527,312</b>  | <b>\$8,707,714</b>  | <b>\$8,891,679</b>  | <b>\$9,079,277</b>  | <b>\$9,270,579</b>  |
| <u>Loan or Mortgage (Debt Service)</u>        |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Interest Payment                              | \$4,499,113         | \$4,412,888         | \$4,323,150         | \$4,229,755         | \$4,132,556         | \$4,031,397         | \$3,926,116         | \$3,816,546         | \$3,702,512         | \$3,583,832         | \$3,460,317         | \$3,331,769         | \$3,197,985         | \$3,058,750         | \$2,913,842         |
| Principal Payment                             | \$2,116,396         | \$2,202,621         | \$2,292,359         | \$2,385,754         | \$2,482,953         | \$2,584,112         | \$2,689,393         | \$2,798,963         | \$2,912,997         | \$3,031,677         | \$3,155,192         | \$3,283,740         | \$3,417,524         | \$3,556,760         | \$3,701,667         |
| Debt Service                                  | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         |
| <b>Cash Flow After Financing and Reserve</b>  | <b>\$289,111</b>    | <b>\$437,485</b>    | <b>\$588,786</b>    | <b>\$743,074</b>    | <b>\$900,406</b>    | <b>\$1,060,843</b>  | <b>\$1,224,447</b>  | <b>\$1,391,281</b>  | <b>\$1,561,407</b>  | <b>\$1,734,892</b>  | <b>\$1,911,802</b>  | <b>\$2,092,205</b>  | <b>\$2,276,170</b>  | <b>\$2,463,768</b>  | <b>\$2,655,069</b>  |
| Debt Service Coverage Ratio (DSCR)            | 1.04                | 1.07                | 1.09                | 1.11                | 1.14                | 1.16                | 1.19                | 1.21                | 1.24                | 1.26                | 1.29                | 1.32                | 1.34                | 1.37                | 1.40                |
| Equity Dividend Rate                          | 0.47%               | 0.71%               | 0.96%               | 1.21%               | 1.47%               | 1.73%               | 1.99%               | 2.27%               | 2.54%               | 2.83%               | 3.11%               | 3.41%               | 3.71%               | 4.01%               | 4.32%               |



# ATTACHMENT 2: 20 YEAR PRO FORMAS <sup>3</sup>

## 20 Year Annual Cashflows (Pro Forma) with a 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             | Year 14             | Year 15             | Year 16             | Year 17             | Year 18             | Year 19             | Year 20             |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Operating Cash Flow</b>                    |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <u>Residential Income</u>                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Gross Operating Income (Market Rate)          | \$10,596,936        | \$10,808,875        | \$11,025,052        | \$11,245,553        | \$11,470,464        | \$11,699,874        | \$11,933,871        | \$12,172,548        | \$12,415,999        | \$12,664,319        | \$12,917,606        | \$13,175,958        | \$13,439,477        | \$13,708,267        | \$13,982,432        | \$14,262,081        | \$14,547,322        | \$14,838,269        | \$15,135,034        | \$15,437,735        |
| Gross Operating Income (Affordable)           | \$529,311           | \$537,250           | \$545,309           | \$553,489           | \$561,791           | \$570,218           | \$578,771           | \$587,453           | \$596,264           | \$605,208           | \$614,287           | \$623,501           | \$632,853           | \$642,346           | \$651,981           | \$661,761           | \$671,687           | \$681,763           | \$691,989           | \$702,369           |
| Less: Vacancy Allowance                       | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         |
| Net Rental Income, Residential                | \$10,479,844        | \$10,699,722        | \$10,923,959        | \$11,152,639        | \$11,385,853        | \$11,623,689        | \$11,866,240        | \$12,113,599        | \$12,365,861        | \$12,623,125        | \$12,885,490        | \$13,153,056        | \$13,425,928        | \$13,704,210        | \$13,988,011        | \$14,277,439        | \$14,572,607        | \$14,873,629        | \$15,180,621        | \$15,493,701        |
| <u>Commercial/Industrial Income</u>           |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Gross Operating Income                        | \$369,806           | \$377,202           | \$384,746           | \$392,441           | \$400,290           | \$408,296           | \$416,462           | \$424,791           | \$433,287           | \$441,953           | \$450,792           | \$459,807           | \$469,004           | \$478,384           | \$487,951           | \$497,710           | \$507,665           | \$517,818           | \$528,174           | \$538,738           |
| Less: Vacancy Allowance                       | (\$36,981)          | (\$37,720)          | (\$38,475)          | (\$39,244)          | (\$40,029)          | (\$40,830)          | (\$41,646)          | (\$42,479)          | (\$43,329)          | (\$44,195)          | (\$45,079)          | (\$45,981)          | (\$46,900)          | (\$47,838)          | (\$48,795)          | (\$49,771)          | (\$50,766)          | (\$51,782)          | (\$52,817)          | (\$53,874)          |
| Net Rental Income, Commercial/Industrial      | \$332,825           | \$339,482           | \$346,272           | \$353,197           | \$360,261           | \$367,466           | \$374,816           | \$382,312           | \$389,958           | \$397,757           | \$405,712           | \$413,827           | \$422,103           | \$430,545           | \$439,156           | \$447,939           | \$456,898           | \$466,036           | \$475,357           | \$484,864           |
| <u>Other Income</u>                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Parking Income                                | \$711,144           | \$725,367           | \$739,874           | \$754,672           | \$769,765           | \$785,160           | \$800,864           | \$816,881           | \$833,219           | \$849,883           | \$866,881           | \$884,218           | \$901,903           | \$919,941           | \$938,339           | \$957,106           | \$976,248           | \$995,773           | \$1,015,689         | \$1,036,003         |
| Other Income                                  | \$504,808           | \$514,904           | \$525,202           | \$535,707           | \$546,421           | \$557,349           | \$568,496           | \$579,866           | \$591,463           | \$603,293           | \$615,358           | \$627,666           | \$640,219           | \$653,023           | \$666,084           | \$679,405           | \$692,993           | \$706,853           | \$720,990           | \$735,410           |
| Less: Vacancy Allowance                       | (\$101,403)         | (\$103,431)         | (\$105,500)         | (\$107,610)         | (\$109,762)         | (\$111,957)         | (\$114,196)         | (\$116,480)         | (\$118,810)         | (\$121,186)         | (\$123,610)         | (\$126,082)         | (\$128,603)         | (\$131,175)         | (\$133,799)         | (\$136,475)         | (\$139,204)         | (\$141,989)         | (\$144,828)         | (\$147,725)         |
| Net Income, Other                             | \$1,114,549         | \$1,136,840         | \$1,159,577         | \$1,182,769         | \$1,206,424         | \$1,230,552         | \$1,255,164         | \$1,280,267         | \$1,305,872         | \$1,331,990         | \$1,358,629         | \$1,385,802         | \$1,413,518         | \$1,441,788         | \$1,470,624         | \$1,500,037         | \$1,530,037         | \$1,560,638         | \$1,591,851         | \$1,623,688         |
| <b>Effective Gross Income (EGI)</b>           | <b>\$11,927,219</b> | <b>\$12,176,045</b> | <b>\$12,429,807</b> | <b>\$12,688,605</b> | <b>\$12,952,538</b> | <b>\$13,221,708</b> | <b>\$13,496,219</b> | <b>\$13,776,177</b> | <b>\$14,061,692</b> | <b>\$14,352,872</b> | <b>\$14,649,832</b> | <b>\$14,952,685</b> | <b>\$15,261,549</b> | <b>\$15,576,544</b> | <b>\$15,897,791</b> | <b>\$16,225,415</b> | <b>\$16,559,543</b> | <b>\$16,900,303</b> | <b>\$17,247,828</b> | <b>\$17,602,253</b> |
| <u>Operating Expenses</u>                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Salaries and Wages                            | \$1,201,476         | \$1,225,505         | \$1,250,015         | \$1,275,016         | \$1,300,516         | \$1,326,526         | \$1,353,057         | \$1,380,118         | \$1,407,720         | \$1,435,875         | \$1,464,592         | \$1,493,884         | \$1,523,762         | \$1,554,237         | \$1,585,322         | \$1,617,028         | \$1,649,369         | \$1,682,356         | \$1,716,003         | \$1,750,323         |
| Maintenance                                   | \$98,177            | \$100,141           | \$102,144           | \$104,187           | \$106,270           | \$108,396           | \$110,564           | \$112,775           | \$115,030           | \$117,331           | \$119,678           | \$122,071           | \$124,513           | \$127,003           | \$129,543           | \$132,134           | \$134,776           | \$137,472           | \$140,221           | \$143,026           |
| Deposit to replacement reserve                | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 |
| Insurance                                     | \$215,990           | \$220,310           | \$224,716           | \$229,210           | \$233,795           | \$238,471           | \$243,240           | \$248,105           | \$253,067           | \$258,128           | \$263,291           | \$268,557           | \$273,928           | \$279,406           | \$284,994           | \$290,694           | \$296,508           | \$302,438           | \$308,487           | \$314,657           |
| Other   | \$780,654           | \$796,267           | \$812,193           | \$828,437           | \$845,005           | \$861,905           | \$879,144           | \$896,726           | \$914,661           | \$932,954           | \$951,613           | \$970,646           | \$990,058           | \$1,009,860         | \$1,030,057         | \$1,050,658         | \$1,071,671         | \$1,093,105         | \$1,114,967         | \$1,137,266         |
| <b>Operating Expenses</b>                     | <b>\$2,296,298</b>  | <b>\$2,342,224</b>  | <b>\$2,389,068</b>  | <b>\$2,436,849</b>  | <b>\$2,485,586</b>  | <b>\$2,535,298</b>  | <b>\$2,586,004</b>  | <b>\$2,637,724</b>  | <b>\$2,690,479</b>  | <b>\$2,744,288</b>  | <b>\$2,799,174</b>  | <b>\$2,855,157</b>  | <b>\$2,912,261</b>  | <b>\$2,970,506</b>  | <b>\$3,029,916</b>  | <b>\$3,090,514</b>  | <b>\$3,152,325</b>  | <b>\$3,215,371</b>  | <b>\$3,279,678</b>  | <b>\$3,345,272</b>  |
| <b>Pre-Tax Operating Income</b>               | <b>\$9,630,921</b>  | <b>\$9,833,821</b>  | <b>\$10,040,739</b> | <b>\$10,251,756</b> | <b>\$10,466,951</b> | <b>\$10,686,409</b> | <b>\$10,910,215</b> | <b>\$11,138,453</b> | <b>\$11,371,213</b> | <b>\$11,608,584</b> | <b>\$11,850,658</b> | <b>\$12,097,527</b> | <b>\$12,349,288</b> | <b>\$12,606,038</b> | <b>\$12,867,875</b> | <b>\$13,134,901</b> | <b>\$13,407,218</b> | <b>\$13,684,932</b> | <b>\$13,968,150</b> | <b>\$14,256,981</b> |
| <b>PILOT (years 1-20)</b>                     | \$206,069           | \$338,722           | \$476,599           | \$619,856           | \$768,652           | \$923,152           | \$1,083,524         | \$1,249,943         | \$1,422,584         | \$1,601,631         | \$1,787,271         | \$1,979,696         | \$2,179,104         | \$2,385,695         | \$2,599,679         | \$2,821,267         | \$3,050,680         | \$3,288,140         | \$3,533,878         | \$3,788,131         |
| <b>Net Operating Income (NOI) after Taxes</b> | <b>\$9,424,852</b>  | <b>\$9,495,099</b>  | <b>\$9,564,140</b>  | <b>\$9,631,900</b>  | <b>\$9,698,300</b>  | <b>\$9,763,258</b>  | <b>\$9,826,690</b>  | <b>\$9,888,510</b>  | <b>\$9,948,629</b>  | <b>\$10,006,953</b> | <b>\$10,063,386</b> | <b>\$10,117,831</b> | <b>\$10,170,185</b> | <b>\$10,220,343</b> | <b>\$10,268,196</b> | <b>\$10,313,633</b> | <b>\$10,356,538</b> | <b>\$10,396,792</b> | <b>\$10,434,272</b> | <b>\$10,468,850</b> |
| <u>Loan or Mortgage (Debt Service)</u>        |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Interest Payment                              | \$4,499,113         | \$4,412,888         | \$4,323,150         | \$4,229,755         | \$4,132,556         | \$4,031,397         | \$3,926,116         | \$3,816,546         | \$3,702,512         | \$3,583,832         | \$3,460,317         | \$3,331,769         | \$3,197,985         | \$3,058,750         | \$2,913,842         | \$2,763,030         | \$2,606,074         | \$2,442,724         | \$2,272,718         | \$2,095,786         |
| Principal Payment                             | \$2,116,396         | \$2,202,621         | \$2,292,359         | \$2,385,754         | \$2,482,953         | \$2,584,112         | \$2,689,393         | \$2,798,963         | \$2,912,997         | \$3,031,677         | \$3,155,192         | \$3,283,740         | \$3,417,524         | \$3,556,760         | \$3,701,667         | \$3,852,479         | \$4,009,435         | \$4,172,786         | \$4,342,791         | \$4,519,723         |
| Debt Service                                  | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         |
| <b>Cash Flow After Financing and Reserve</b>  | <b>\$2,809,343</b>  | <b>\$2,879,590</b>  | <b>\$2,948,631</b>  | <b>\$3,016,391</b>  | <b>\$3,082,790</b>  | <b>\$3,147,748</b>  | <b>\$3,211,181</b>  | <b>\$3,273,001</b>  | <b>\$3,333,120</b>  | <b>\$3,391,443</b>  | <b>\$3,447,877</b>  | <b>\$3,502,322</b>  | <b>\$3,554,676</b>  | <b>\$3,604,834</b>  | <b>\$3,652,687</b>  | <b>\$3,698,124</b>  | <b>\$3,741,029</b>  | <b>\$3,781,283</b>  | <b>\$3,818,762</b>  | <b>\$3,853,341</b>  |
| Debt Service Coverage Ratio (DSCR)            | 1.42                | 1.44                | 1.45                | 1.46                | 1.47                | 1.48                | 1.49                | 1.49                | 1.50                | 1.51                | 1.52                | 1.53                | 1.54                | 1.54                | 1.55                | 1.56                | 1.57                | 1.57                | 1.58                | 1.58                |
| Equity Dividend Rate                          | 4.58%               | 4.69%               | 4.80%               | 4.91%               | 5.02%               | 5.13%               | 5.23%               | 5.33%               | 5.43%               | 5.52%               | 5.62%               | 5.70%               | 5.79%               | 5.87%               | 5.95%               | 6.02%               | 6.09%               | 6.16%               | 6.22%               | 6.28%               |

<sup>3</sup> Note: The Property Tax upon completion amount provided by the Applicant in their pro forma was adjusted by Camoin Associates based on the final assessed value provided by the Agency and current property tax rates.

Reasonableness Assessment for 2SM Development, LLC, Village of Port Chester Industrial Development Agency

20 Year Annual Cashflows (Pro Forma) without a 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             | Year 14             | Year 15             | Year 16             | Year 17             | Year 18             | Year 19             | Year 20             |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Operating Cash Flow</b>                    |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>Residential Income</b>                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Gross Operating Income (Market Rate)          | \$10,596,936        | \$10,808,875        | \$11,025,052        | \$11,245,553        | \$11,470,464        | \$11,699,874        | \$11,933,871        | \$12,172,548        | \$12,415,999        | \$12,664,319        | \$12,917,606        | \$13,175,958        | \$13,439,477        | \$13,708,267        | \$13,982,432        | \$14,262,081        | \$14,547,322        | \$14,838,269        | \$15,135,034        | \$15,437,735        |
| Gross Operating Income (Affordable)           | \$529,311           | \$537,250           | \$545,309           | \$553,489           | \$561,791           | \$570,218           | \$578,771           | \$587,453           | \$596,264           | \$605,208           | \$614,287           | \$623,501           | \$632,853           | \$642,346           | \$651,981           | \$661,761           | \$671,687           | \$681,763           | \$691,989           | \$702,369           |
| Less: Vacancy Allowance                       | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         | (\$646,403)         |
| Net Rental Income, Residential                | \$10,479,844        | \$10,699,722        | \$10,923,959        | \$11,152,639        | \$11,385,853        | \$11,623,689        | \$11,866,240        | \$12,113,599        | \$12,365,861        | \$12,623,125        | \$12,885,490        | \$13,153,056        | \$13,425,928        | \$13,704,210        | \$13,988,011        | \$14,277,439        | \$14,572,607        | \$14,873,629        | \$15,180,621        | \$15,493,701        |
| <b>Commercial/Industrial Income</b>           |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Gross Operating Income                        | \$369,806           | \$377,202           | \$384,746           | \$392,441           | \$400,290           | \$408,296           | \$416,462           | \$424,791           | \$433,287           | \$441,953           | \$450,792           | \$459,807           | \$469,004           | \$478,384           | \$487,951           | \$497,710           | \$507,665           | \$517,818           | \$528,174           | \$538,738           |
| Less: Vacancy Allowance                       | (\$36,981)          | (\$37,720)          | (\$38,475)          | (\$39,244)          | (\$40,029)          | (\$40,830)          | (\$41,646)          | (\$42,479)          | (\$43,329)          | (\$44,195)          | (\$45,079)          | (\$45,981)          | (\$46,900)          | (\$47,838)          | (\$48,795)          | (\$49,771)          | (\$50,766)          | (\$51,782)          | (\$52,817)          | (\$53,874)          |
| Net Rental Income, Commercial/Industrial      | \$332,825           | \$339,482           | \$346,272           | \$353,197           | \$360,261           | \$367,466           | \$374,816           | \$382,312           | \$389,958           | \$397,757           | \$405,712           | \$413,827           | \$422,103           | \$430,545           | \$439,156           | \$447,939           | \$456,898           | \$466,036           | \$475,357           | \$484,864           |
| <b>Other Income</b>                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Parking Income                                | \$711,144           | \$725,367           | \$739,874           | \$754,672           | \$769,765           | \$785,160           | \$800,864           | \$816,881           | \$833,219           | \$849,883           | \$866,881           | \$884,218           | \$901,903           | \$919,941           | \$938,339           | \$957,106           | \$976,248           | \$995,773           | \$1,015,689         | \$1,036,003         |
| Other Income                                  | \$504,808           | \$514,904           | \$525,202           | \$535,707           | \$546,421           | \$557,349           | \$568,496           | \$579,866           | \$591,463           | \$603,293           | \$615,358           | \$627,666           | \$640,219           | \$653,023           | \$666,084           | \$679,405           | \$692,993           | \$706,853           | \$720,990           | \$735,410           |
| Less: Vacancy Allowance                       | (\$101,403)         | (\$103,431)         | (\$105,500)         | (\$107,610)         | (\$109,762)         | (\$111,957)         | (\$114,196)         | (\$116,480)         | (\$118,810)         | (\$121,186)         | (\$123,610)         | (\$126,082)         | (\$128,603)         | (\$131,175)         | (\$133,799)         | (\$136,475)         | (\$139,204)         | (\$141,989)         | (\$144,828)         | (\$147,725)         |
| Net Income, Other                             | \$1,114,549         | \$1,136,840         | \$1,159,577         | \$1,182,769         | \$1,206,424         | \$1,230,552         | \$1,255,164         | \$1,280,267         | \$1,305,872         | \$1,331,990         | \$1,358,629         | \$1,385,802         | \$1,413,518         | \$1,441,788         | \$1,470,624         | \$1,500,037         | \$1,530,037         | \$1,560,638         | \$1,591,851         | \$1,623,688         |
| <b>Active Gross Income (EGI)</b>              | <b>\$11,927,219</b> | <b>\$12,176,045</b> | <b>\$12,429,807</b> | <b>\$12,688,605</b> | <b>\$12,952,538</b> | <b>\$13,221,708</b> | <b>\$13,496,219</b> | <b>\$13,776,177</b> | <b>\$14,061,692</b> | <b>\$14,352,872</b> | <b>\$14,649,832</b> | <b>\$14,952,685</b> | <b>\$15,261,549</b> | <b>\$15,576,544</b> | <b>\$15,897,791</b> | <b>\$16,225,415</b> | <b>\$16,559,543</b> | <b>\$16,900,303</b> | <b>\$17,247,828</b> | <b>\$17,602,253</b> |
| <b>Operating Expenses</b>                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Salaries and Wages                            | \$1,201,476         | \$1,225,505         | \$1,250,015         | \$1,275,016         | \$1,300,516         | \$1,326,526         | \$1,353,057         | \$1,380,118         | \$1,407,720         | \$1,435,875         | \$1,464,592         | \$1,493,884         | \$1,523,762         | \$1,554,237         | \$1,585,322         | \$1,617,028         | \$1,649,369         | \$1,682,356         | \$1,716,003         | \$1,750,323         |
| Maintenance                                   | \$98,177            | \$100,141           | \$102,144           | \$104,187           | \$106,270           | \$108,396           | \$110,564           | \$112,775           | \$115,030           | \$117,331           | \$119,678           | \$122,071           | \$124,513           | \$127,003           | \$129,543           | \$132,134           | \$134,776           | \$137,472           | \$140,221           | \$143,026           |
| Deposit to replacement reserve                | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 |
| Insurance                                     | \$215,990           | \$220,310           | \$224,716           | \$229,210           | \$233,795           | \$238,471           | \$243,240           | \$248,105           | \$253,067           | \$258,128           | \$263,291           | \$268,557           | \$273,928           | \$279,406           | \$284,994           | \$290,694           | \$296,508           | \$302,438           | \$308,487           | \$314,657           |
| Other   | \$780,654           | \$796,267           | \$812,193           | \$828,437           | \$845,005           | \$861,905           | \$879,144           | \$896,726           | \$914,661           | \$932,954           | \$951,613           | \$970,646           | \$990,058           | \$1,009,860         | \$1,030,057         | \$1,050,658         | \$1,071,671         | \$1,093,105         | \$1,114,967         | \$1,137,266         |
| <b>Operating Expenses</b>                     | <b>\$2,296,298</b>  | <b>\$2,342,224</b>  | <b>\$2,389,068</b>  | <b>\$2,436,849</b>  | <b>\$2,485,586</b>  | <b>\$2,535,298</b>  | <b>\$2,586,004</b>  | <b>\$2,637,724</b>  | <b>\$2,690,479</b>  | <b>\$2,744,288</b>  | <b>\$2,799,174</b>  | <b>\$2,855,157</b>  | <b>\$2,912,261</b>  | <b>\$2,970,506</b>  | <b>\$3,029,916</b>  | <b>\$3,090,514</b>  | <b>\$3,152,325</b>  | <b>\$3,215,371</b>  | <b>\$3,279,678</b>  | <b>\$3,345,272</b>  |
| <b>Pre-Tax Operating Income</b>               | <b>\$9,630,921</b>  | <b>\$9,833,821</b>  | <b>\$10,040,739</b> | <b>\$10,251,756</b> | <b>\$10,466,951</b> | <b>\$10,686,409</b> | <b>\$10,910,215</b> | <b>\$11,138,453</b> | <b>\$11,371,213</b> | <b>\$11,608,584</b> | <b>\$11,850,658</b> | <b>\$12,097,527</b> | <b>\$12,349,288</b> | <b>\$12,606,038</b> | <b>\$12,867,875</b> | <b>\$13,134,901</b> | <b>\$13,407,218</b> | <b>\$13,684,932</b> | <b>\$13,968,150</b> | <b>\$14,256,981</b> |
| <b>Real Property Taxes</b>                    |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Real Property Taxes                           | \$2,726,301         | \$2,780,827         | \$2,836,444         | \$2,893,173         | \$2,951,036         | \$3,010,057         | \$3,070,258         | \$3,131,663         | \$3,194,296         | \$3,258,182         | \$3,323,346         | \$3,389,813         | \$3,457,609         | \$3,526,761         | \$3,597,297         | \$3,669,242         | \$3,742,627         | \$3,817,480         | \$3,893,829         | \$3,971,706         |
| <b>Net Operating Income (NOI) after Taxes</b> | <b>\$6,904,620</b>  | <b>\$7,052,994</b>  | <b>\$7,204,296</b>  | <b>\$7,358,583</b>  | <b>\$7,515,915</b>  | <b>\$7,676,353</b>  | <b>\$7,839,957</b>  | <b>\$8,006,790</b>  | <b>\$8,176,917</b>  | <b>\$8,350,402</b>  | <b>\$8,527,312</b>  | <b>\$8,707,714</b>  | <b>\$8,891,679</b>  | <b>\$9,079,277</b>  | <b>\$9,270,579</b>  | <b>\$9,465,658</b>  | <b>\$9,664,591</b>  | <b>\$9,867,452</b>  | <b>\$10,074,320</b> | <b>\$10,285,275</b> |
| <b>Debt Service</b>                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Loan or Mortgage (Debt Service)               |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Interest Payment                              | \$4,499,113         | \$4,412,888         | \$4,323,150         | \$4,229,755         | \$4,132,556         | \$4,031,397         | \$3,926,116         | \$3,816,546         | \$3,702,512         | \$3,583,832         | \$3,460,317         | \$3,331,769         | \$3,197,985         | \$3,058,750         | \$2,913,842         | \$2,763,030         | \$2,606,074         | \$2,442,724         | \$2,272,718         | \$2,095,786         |
| Principal Payment                             | \$2,116,396         | \$2,202,621         | \$2,292,359         | \$2,385,754         | \$2,482,953         | \$2,584,112         | \$2,689,393         | \$2,798,963         | \$2,912,997         | \$3,031,677         | \$3,155,192         | \$3,283,740         | \$3,417,524         | \$3,556,760         | \$3,701,667         | \$3,852,479         | \$4,009,435         | \$4,172,786         | \$4,342,791         | \$4,519,723         |
| Debt Service                                  | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         | \$6,615,509         |
| <b>Cash Flow After Financing and Reserve</b>  | <b>\$289,111</b>    | <b>\$437,485</b>    | <b>\$588,786</b>    | <b>\$743,074</b>    | <b>\$900,406</b>    | <b>\$1,060,843</b>  | <b>\$1,224,447</b>  | <b>\$1,391,281</b>  | <b>\$1,561,407</b>  | <b>\$1,734,892</b>  | <b>\$1,911,802</b>  | <b>\$2,092,205</b>  | <b>\$2,276,170</b>  | <b>\$2,463,768</b>  | <b>\$2,655,069</b>  | <b>\$2,850,149</b>  | <b>\$3,049,081</b>  | <b>\$3,251,943</b>  | <b>\$3,458,811</b>  | <b>\$3,669,766</b>  |
| Debt Service Coverage Ratio (DSCR)            | 1.04                | 1.07                | 1.09                | 1.11                | 1.14                | 1.16                | 1.19                | 1.21                | 1.24                | 1.26                | 1.29                | 1.32                | 1.34                | 1.37                | 1.40                | 1.43                | 1.46                | 1.49                | 1.52                | 1.55                |
| Equity Dividend Rate                          | 0.47%               | 0.71%               | 0.96%               | 1.21%               | 1.47%               | 1.73%               | 1.99%               | 2.27%               | 2.54%               | 2.83%               | 3.11%               | 3.41%               | 3.71%               | 4.01%               | 4.32%               | 4.64%               | 4.97%               | 5.30%               | 5.63%               | 5.98%               |

## APPENDIX A: SCOPE OF SERVICES

To assist with its evaluation of 2SM Development, LLC request for financial assistance, Camoin was commissioned by the Village of Port Chester Industrial Development Agency to conduct the above analyses. The analysis is comprised of four tasks:

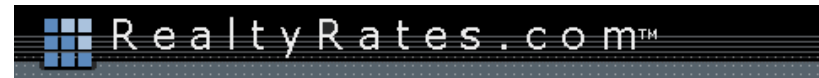
- ◆ *Test Assumptions* by comparing rents, operating costs, and vacancy rates to real estate benchmarks for similar projects and noting any significant differences. Operating performance and net income are also evaluated.
- ◆ *Review the Financing Plan* and perform an objective third-party evaluation 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 October 3, 2022.
- ◆ Project financing and annual cashflow workbook submitted by the Applicant in October 2022.
- ◆ 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](http://www.costar.com).



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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)