

PREPARED FOR:

Town of Amherst Industrial Development Agency
4287 Main Street
Amherst, New York 14226

Reasonableness Assessment for Financial Assistance

50 DODGE ROAD
SAWYERS LANDING LLC

JUNE 2024

PREPARED BY:



CONTENTS

| | |
|--------------------------------|---|
| Executive Summary..... | 1 |
| 1. Revenue Assumptions..... | 2 |
| 2. Operating Performance..... | 3 |
| 3. Financing Plan..... | 4 |
| 4. Rate of Return..... | 5 |
| Attachment 1: Pro Formas | 6 |
| Appendix B: Definitions..... | 9 |

EXECUTIVE SUMMARY

Project Description

The Town of Amherst Industrial Development Agency (Agency) received an application from Sawyers Landing LLC (Applicant) for financial assistance to construct two mixed-use buildings (Project) in Amherst, NY, featuring 146 apartments and 27,470 square feet of commercial space. The Project represents a \$45.9 million investment. To support this project, the Applicant requests financial assistance in the form of a Payment In Lieu of Taxes (PILOT) agreement, sales tax exemption, and mortgage recording tax exemption.

Purpose of this Analysis

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

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

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

- ***The Applicant's assumptions are generally in line with the regional and industry benchmarks, except the higher than typical annual revenue increase (8% increase per year) and lower than typical operating expenses.***
- ***Over the life of the proposed PILOT, the Project is cash flow positive and meets the industry benchmarks.***
- ***The rate of return to the Applicant over the life of the PILOT is in line with market expectations. A PILOT is required to achieve the necessary equity dividend rate, and without it, the Applicant's expected return is likely not enough to warrant moving forward with the investment.***

1. REVENUE ASSUMPTIONS

The Applicant's operating revenue assumptions are compared to CoStar estimates for rent in 2024 in the Town of Amherst. Overall, the rent assumed for the market rate units is within range of the current median rent in Amherst and the workforce units align with current Amherst IDA requirements (with the exception of the 3-bedroom units). Section 2 of this report, Operating Performance, assesses other assumptions made by the Applicant, including expenses, vacancy rates, and income and expense escalation.

| Apartment Unit Type, Rent, and Household Income | | | | | | | |
|---|-------------------------------|----------------------------|---------------|-------------------------------|-----------------------------|------------|---|
| Type of Apartment (1) | Number of Units in Project(1) | Average Rent per Month (1) | Rent per Year | Household Income Required (2) | Median Rent for Amherst (3) | Benchmarks | |
| Market | Studio | 9 | \$1,500 | \$18,000 | \$60,000 | \$1,973 | Rent is 0.76 times the benchmark for a studio apartment in Amherst. |
| | 1BR | 82 | \$1,900 | \$22,800 | \$76,000 | \$1,602 | Rent is 1.19 times higher than the benchmark for a one bedroom in Amherst. |
| | 2BR | 4 | \$2,200 | \$26,400 | \$88,000 | \$1,914 | Rent is 1.15 times higher than the benchmark for a two bedroom in Amherst. |
| | 3BR | 22 | \$3,100 | \$37,200 | \$124,000 | \$2,403 | Rent is 1.29 times higher than the benchmark for a three bedroom in Amherst. |
| Workforce | Studio | 3 | \$1,300 | \$15,600 | \$52,000 | \$1,973 | Rent will aligns with the requirements of the Amherst Industrial Development Agency and will adjust annually. |
| | 1BR | 21 | \$1,500 | \$18,000 | \$60,000 | \$1,602 | Rent will aligns with the requirements of the Amherst Industrial Development Agency and will adjust annually. |
| | 3BR | 5 | \$1,800 | \$21,600 | \$72,000 | \$2,403 | Rent is \$100 more per month than the Amherst Industrial Development Agency requirements. |

(1) Source: Applicant
 (2) Income needed to pay no more than 30% on rent
 (3) Median monthly rent for properties built in 2000 or later in the Town of Amherst, NY; Source: CoStar

2. OPERATING PERFORMANCE

The operating performance of the Project is measured using Year 5 of the Applicant's Pro Forma (five years of full operation). The Applicant assumes that gross revenue for the residential portion will escalate at 8% per year and expenses will grow by 5% per year. The projected annual income growth factor is higher than typically assumed. Applicant assumes there will be a 5% vacancy for residential once stabilized; this vacancy rate is higher than the market but in range for the industry benchmark¹. Operating expenses are lower than the benchmark. Both scenarios deliver net operating income as a percentage of gross income that is more efficient (higher) than the benchmark range.

Operations Snapshot, Year 5 of Full Operation

| | 10 Year PILOT | | | | 10 Year No PILOT | | | |
|---|----------------------------|---------------------------------------|------------------------------|----------------|----------------------------|---------------------------------------|------------------------------|----------------|
| | Project Performance (1) | Share of Gross Operating Income | Benchmark Performance (2) | Evaluation | Project Performance (1) | Share of Gross Operating Income | Benchmark Performance (2) | Evaluation |
| <u>Calculation of Net Operating Income Residential</u> | | | | | | | | |
| Gross Operating Income | \$4,745,930 | 85% | n/a | n/a | \$4,745,930 | 85% | n/a | n/a |
| Vacancy Rate and Concessions | 5% | n/a | 4% | Within range | 5% | n/a | 4% | Within range |
| <u>Calculation of Net Operating Income, Non-Residential</u> | | | | | | | | |
| Gross Operating Income | \$857,850 | 15% | n/a | n/a | \$857,850 | 15% | n/a | n/a |
| Vacancy Rate | 10% | n/a | 8% | Within range | 10% | n/a | 8% | Within range |
| Effective Gross Income (EGI), All Uses (3) | \$5,305,986 | 95% | 96% | Within range | \$5,305,986 | 95% | 96% | Within range |
| Less: Operating Expenses and Reserve | (\$1,293,692) | 23% | 50% | More efficient | (\$1,293,692) | 23% | 50% | More efficient |
| Less: Real Property Taxes | <u>(\$239,370)</u> | <u>4%</u> | <u>n/a</u> | <u>n/a</u> | <u>(\$737,840)</u> | <u>13%</u> | <u>n/a</u> | <u>n/a</u> |
| Net Operating Income | \$3,772,924 | 67% | 48% | More efficient | \$3,274,454 | 58% | 48% | More efficient |
| Less: Debt Service | <u>(\$2,842,262)</u> | 51% | n/a | n/a | <u>(\$2,842,262)</u> | 51% | n/a | n/a |
| Cashflow after Operating Costs, Taxes, Debt | \$930,661 | 17% | n/a | n/a | \$432,191 | 8% | n/a | n/a |

(1) Source: Applicant

(2) Source: RealtyRates Q2 2024 for Northeast Region

(3) Net of vacancy and concessions

Note: National Apartment Association 2020 Survey of Operating Income and Expenses in Rental Apartment Communities was also reviewed and similar results were observed.

Note: Real property taxes adjusted for No PILOT from Applicant's pro forma based on information from the Agency.

¹ Note: Current vacancy rates in Amherst for properties built since 2000 are 2.4% for multifamily. Source: CoStar.

3. FINANCING PLAN

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

Sources and Uses of Funds

| <u>Sources of Funds</u> | <u>Amount (1)</u> | <u>Share</u> |
|-----------------------------------|-------------------|--------------|
| Bank Financing | \$40,791,270 | 75% |
| Equity and Working Capital | \$13,597,090 | 25% |
| Total Sources | \$54,388,360 | 100% |
| <u>Uses of Funds</u> | | |
| Acquisition and Transaction Costs | \$6,549,498 | 12% |
| Construction Costs | \$47,838,862 | 88% |
| Total Uses | \$54,388,360 | 100% |

(1) Source: Applicant

Terms of the Senior (Long Term) Debt

| | <u>Terms (1)</u> | <u>Benchmark (2)</u> | <u>Evaluation</u> |
|----------------------------|------------------|----------------------|-------------------|
| Amount Borrowed | \$40,791,270 | n/a | n/a |
| Loan to Total Project Cost | 75% | 55% - 90% | Within Range |
| Annual Interest Rate | 7.00% | 4.81% - 9.11% | Within Range |
| Maturity in Years | 30 | 15 - 40 | Within Range |

(1) Source: Applicant

(2) Source: RealtyRates Q2 2024

4. RATE OF RETURN

An estimated return on investment is calculated using the Applicant's operating pro forma and capital structure. This analysis measures whether the financial assistance is necessary and reasonable. Financial performance is estimated over the full PILOT period (10 years) and compared to no PILOT and starts in the first year of full operation. Three metrics are used to evaluate outcomes:

- ◆ **The Equity Dividend Rate** is net cashflow for each year, divided by the initial equity investment. Equity Dividend Rates are benchmarked using current market information from RealtyRates.com for similar projects in the region. Equity Dividend Rates that are close to the benchmarks indicate a Project outcome in line with the current market, which means the Applicant is earning a reasonable return. Very low or negative rates indicate the Project is unlikely to be undertaken if compared to other possible investments. Equity Dividend Rates are based on an initial equity investment of \$13,597,090 and are included over the life of the PILOT. **Under the PILOT, the Project's average equity dividend rate meets the industry benchmark.**
 - Note that with the Applicant's 8% increased revenue assumption the benchmark for equity dividend rate is eventually met under both scenarios. However, without a PILOT it does not occur within the first five years.
- ◆ **Cash Flow** shows net cashflow to the Applicant over time. There are currently no benchmarks for cash flow available. **Cumulative Cash Flow and average cash flow are positive under both scenarios** with equity investment not being recouped within the 10 year schedule.
- ◆ **Debt Service Coverage** estimates how well the Project's net income, after taxes, supports the repayment of debt. **Debt Service Coverage exceeds the benchmark starting in year 2 with the PILOT assistance.** Debt comprises 75% of the capital structure.

Comparison of Return on Investment

| | <u>10 Year PILOT</u> | <u>10 Year No PILOT</u> | <u>Benchmarks (2)</u> |
|------------------------------|--------------------------|-----------------------------|---------------------------|
| <u>Equity Dividend Rates</u> | | | |
| Average | 7.57% | 3.90% | 4.73% to 13.59% |
| Minimum | -1.26% | -5.61% | |
| Maximum | 19.10% | 16.12% | |
| Year Benchmarks Met | | | |
| <u>Cash Flow</u> | | | |
| Average | \$1,028,699 | \$530,230 | n/a |
| Minimum | (\$171,149) | (\$762,955) | |
| Maximum | \$2,596,715 | \$2,191,582 | |
| Cumulative | \$10,286,993 | \$5,302,296 | |
| Year Investment Recouped | NA | NA | |
| <u>Debt Service Coverage</u> | | | |
| Average | 1.32 | 1.16 | 1.00 to 1.86 |
| Minimum | 0.94 | 0.73 | |
| Maximum | 1.80 | 1.67 | |
| Years Benchmarks Met | 2 | 4 | |

(1) See Attachment 1

ATTACHMENT 1: PRO FORMAS

| Sawyer's Landing / Mixed Use & Townhomes | | Date | 6/6/2024 | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|
| Annual Cashflows (Pro Forma) - No PILOT | | | | | | | | | | | | |
| | Construction | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | |
| Operating Cash Flow | | | | | | | | | | | | |
| Residential Income | | | | | | | | | | | | |
| Gross Operating Income | \$ - | \$ 3,488,400 | \$ 3,767,472 | \$ 4,068,870 | \$ 4,394,379 | \$ 4,745,930 | \$ 5,125,604 | \$ 5,535,652 | \$ 5,978,505 | \$ 6,456,785 | \$ 6,973,328 | |
| Less: Vacancy Allowance (enter as a negative number) | \$ - | \$ (174,420) | \$ (183,141) | \$ (192,298) | \$ (201,913) | \$ (212,009) | \$ (222,609) | \$ (233,739) | \$ (245,426) | \$ (257,698) | \$ (270,583) | |
| Net Rental Income, Residential | \$ - | \$ 3,313,980 | \$ 3,584,331 | \$ 3,876,572 | \$ 4,192,466 | \$ 4,533,921 | \$ 4,902,995 | \$ 5,301,913 | \$ 5,733,078 | \$ 6,199,087 | \$ 6,702,745 | |
| Commercial/Industrial Income | | | | | | | | | | | | |
| Gross Operating Income | \$ - | \$ 630,545 | \$ 680,989 | \$ 735,468 | \$ 794,305 | \$ 857,850 | \$ 926,477 | \$ 1,000,596 | \$ 1,080,643 | \$ 1,167,095 | \$ 1,260,462 | |
| Less: Vacancy Allowance (enter as a negative number) | \$ - | \$ (63,055) | \$ (68,099) | \$ (73,547) | \$ (79,431) | \$ (85,785) | \$ (92,648) | \$ (100,060) | \$ (108,064) | \$ (116,709) | \$ (126,046) | |
| Net Rental Income, Commercial/Industrial | \$ - | \$ 567,491 | \$ 612,890 | \$ 661,921 | \$ 714,875 | \$ 772,065 | \$ 833,830 | \$ 900,536 | \$ 972,579 | \$ 1,050,385 | \$ 1,134,416 | |
| Other Income | | | | | | | | | | | | |
| Parking Income | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Other Income / Late Fees / Pet Rent | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Other Income | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Net Income, Other | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Effective Gross Income (EGI) | \$ - | \$ 3,881,471 | \$ 4,197,221 | \$ 4,538,493 | \$ 4,907,341 | \$ 5,305,986 | \$ 5,736,825 | \$ 6,202,449 | \$ 6,705,657 | \$ 7,249,472 | \$ 7,837,161 | |
| Operating Expenses (enter positive numbers) | | | | | | | | | | | | |
| Salaries and Wages | \$ - | \$ 285,000 | \$ 299,250 | \$ 314,213 | \$ 329,923 | \$ 346,419 | \$ 363,740 | \$ 381,927 | \$ 401,024 | \$ 421,075 | \$ 442,129 | |
| Maintenance / Contracts / Asset Fee | \$ - | \$ 176,000 | \$ 184,800 | \$ 194,040 | \$ 203,742 | \$ 213,929 | \$ 224,626 | \$ 235,857 | \$ 247,650 | \$ 260,032 | \$ 273,034 | |
| Deposit to replacement reserve | \$ - | \$ 194,074 | \$ 203,777 | \$ 213,966 | \$ 224,664 | \$ 235,898 | \$ 247,692 | \$ 260,077 | \$ 273,081 | \$ 286,735 | \$ 301,072 | |
| Insurance | \$ - | \$ 215,000 | \$ 225,750 | \$ 237,038 | \$ 248,889 | \$ 261,334 | \$ 274,401 | \$ 288,121 | \$ 302,527 | \$ 317,653 | \$ 333,536 | |
| Other / Marketing / Utilities | \$ - | \$ 194,250 | \$ 203,963 | \$ 214,161 | \$ 224,869 | \$ 236,112 | \$ 247,918 | \$ 260,314 | \$ 273,329 | \$ 286,996 | \$ 301,346 | |
| Operating Expenses | 27% | \$ 1,064,324 | \$ 1,117,540 | \$ 1,173,417 | \$ 1,232,088 | \$ 1,293,692 | \$ 1,358,376 | \$ 1,426,295 | \$ 1,497,610 | \$ 1,572,491 | \$ 1,651,115 | |
| Pre-Tax Operating Income (Revenue less Operating Expenses) | \$ - | \$ 2,817,147 | \$ 3,079,681 | \$ 3,365,076 | \$ 3,675,253 | \$ 4,012,294 | \$ 4,378,448 | \$ 4,776,154 | \$ 5,208,047 | \$ 5,676,982 | \$ 6,186,046 | |
| Real Property Taxes (assuming no PILOT)* | \$ - | \$ 737,840 | \$ 737,840 | \$ 737,840 | \$ 737,840 | \$ 737,840 | \$ 737,840 | \$ 737,840 | \$ 737,840 | \$ 737,840 | \$ 737,840 | |
| Net Operating Income (NOI) after Taxes | \$ - | \$ 2,079,307 | \$ 2,341,841 | \$ 2,627,236 | \$ 2,937,413 | \$ 3,274,454 | \$ 3,640,608 | \$ 4,038,314 | \$ 4,470,207 | \$ 4,939,142 | \$ 5,448,206 | |
| Loan or Mortgage (Debt Service) | | | | | | | | | | | | |
| Interest Payment | \$ - | \$ 2,842,262 | \$ 2,842,262 | \$ 2,842,262 | \$ 2,842,262 | \$ 2,842,262 | \$ 2,842,262 | \$ 2,842,262 | \$ 2,842,262 | \$ 2,842,262 | \$ 2,842,262 | |
| Principal Payment | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 414,362 | \$ 414,362 | \$ 414,362 | \$ 414,362 | \$ 414,362 | |
| Refinance - Continue mortgage | | | | | | | | | | | | |
| Debt Service | \$ - | \$ 2,842,262 | \$ 2,842,262 | \$ 2,842,262 | \$ 2,842,262 | \$ 2,842,262 | \$ 3,256,624 | \$ 3,256,624 | \$ 3,256,624 | \$ 3,256,624 | \$ 3,256,624 | |
| Cash Flow After Financing and Reserve | \$ - | \$ (762,955) | \$ (500,421) | \$ (215,026) | \$ 95,151 | \$ 432,191 | \$ 383,984 | \$ 781,690 | \$ 1,213,583 | \$ 1,682,518 | \$ 2,191,582 | |
| Cash on Cash / Average | 25% | | -3.68% | -1.58% | 0.70% | 3.18% | 2.82% | 5.75% | 8.93% | 12.37% | 16.12% | |
| Debt Service Coverage Ratio (DSCR) | | 0.73 | 0.82 | 0.92 | 1.03 | 1.15 | 1.12 | 1.24 | 1.37 | 1.52 | 1.67 | |
| Equity Dividend Rate | | -5.61% | -3.68% | -1.58% | 0.70% | 3.18% | 2.82% | 5.75% | 8.93% | 12.37% | 16.12% | |
| * Assumes property taxes on current plus improvement and no percent annual increase. Source: Camoin Associates, Agency, Applicant | | | | | | | | | | | | |

* Assumes property taxes on current plus improvement and no percent annual increase. Source: Camoin Associates, Agency, Applicant

Reasonableness Assessment for Sawyers Landing LLC – Town of Amerherst Industrial Development Agency

| Sawyer's Landing / Mixed Use & Townhomes | | Date | 6/6/2024 | | | | | | | | | |
|---|--------------|--------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Annual Cashflows (Pro Forma) - PILOT | | | | | | | | | | | | |
| | Construction | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | |
| Operating Cash Flow | | | | | | | | | | | | |
| Residential Income | | | | | | | | | | | | |
| Gross Operating Income | \$ | - | \$ 3,488,400 | \$ 3,767,472 | \$ 4,068,870 | \$ 4,394,379 | \$ 4,745,930 | \$ 5,125,604 | \$ 5,535,652 | \$ 5,978,505 | \$ 6,456,785 | \$ 6,973,328 |
| Less: Vacancy Allowance (enter as a negative number) | \$ | - | \$ (174,420) | \$ (183,141) | \$ (192,298) | \$ (201,913) | \$ (212,009) | \$ (222,609) | \$ (233,739) | \$ (245,426) | \$ (257,698) | \$ (270,583) |
| Net Rental Income, Residential | \$ | - | \$ 3,313,980 | \$ 3,584,331 | \$ 3,876,572 | \$ 4,192,466 | \$ 4,533,921 | \$ 4,902,995 | \$ 5,301,913 | \$ 5,733,078 | \$ 6,199,087 | \$ 6,702,745 |
| Commercial/Industrial Income | | | | | | | | | | | | |
| Gross Operating Income | \$ | - | \$ 630,545 | \$ 680,989 | \$ 735,468 | \$ 794,305 | \$ 857,850 | \$ 926,477 | \$ 1,000,596 | \$ 1,080,643 | \$ 1,167,095 | \$ 1,260,462 |
| Less: Vacancy Allowance (enter as a negative number) | \$ | - | \$ (63,055) | \$ (68,099) | \$ (73,547) | \$ (79,431) | \$ (85,785) | \$ (92,648) | \$ (100,060) | \$ (108,064) | \$ (116,709) | \$ (126,046) |
| Net Rental Income, Commercial/Industrial | \$ | - | \$ 567,491 | \$ 612,890 | \$ 661,921 | \$ 714,875 | \$ 772,065 | \$ 833,830 | \$ 900,536 | \$ 972,579 | \$ 1,050,385 | \$ 1,134,416 |
| Other Income | | | | | | | | | | | | |
| Parking Income | \$ | - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other Income / Late Fees / Pet Rent | \$ | - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other Income | \$ | - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net Income, Other | \$ | - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Effective Gross Income (EGI) | \$ | - | \$ 3,881,471 | \$ 4,197,221 | \$ 4,538,493 | \$ 4,907,341 | \$ 5,305,986 | \$ 5,736,825 | \$ 6,202,449 | \$ 6,705,657 | \$ 7,249,472 | \$ 7,837,161 |
| Operating Expenses (enter positive numbers) | | | | | | | | | | | | |
| Salaries and Wages | \$ | - | \$ 285,000 | \$ 299,250 | \$ 314,213 | \$ 329,923 | \$ 346,419 | \$ 363,740 | \$ 381,927 | \$ 401,024 | \$ 421,075 | \$ 442,129 |
| Maintenance / Contracts / Asset Fee | \$ | - | \$ 176,000 | \$ 184,800 | \$ 194,040 | \$ 203,742 | \$ 213,929 | \$ 224,626 | \$ 235,857 | \$ 247,650 | \$ 260,032 | \$ 273,034 |
| Deposit to replacement reserve | \$ | - | \$ 194,074 | \$ 203,777 | \$ 213,966 | \$ 224,664 | \$ 235,898 | \$ 247,692 | \$ 260,077 | \$ 273,081 | \$ 286,735 | \$ 301,072 |
| Insurance | \$ | - | \$ 215,000 | \$ 225,750 | \$ 237,038 | \$ 248,889 | \$ 261,334 | \$ 274,401 | \$ 288,121 | \$ 302,527 | \$ 317,653 | \$ 333,536 |
| Other / Marketing / Utilities | \$ | - | \$ 194,250 | \$ 203,963 | \$ 214,161 | \$ 224,869 | \$ 236,112 | \$ 247,918 | \$ 260,314 | \$ 273,329 | \$ 286,996 | \$ 301,346 |
| Operating Expenses | 27% | | \$ 1,064,324 | \$ 1,117,540 | \$ 1,173,417 | \$ 1,232,088 | \$ 1,293,692 | \$ 1,358,376 | \$ 1,426,295 | \$ 1,497,610 | \$ 1,572,491 | \$ 1,651,115 |
| Pre-Tax Operating Income (Revenue less Operating Expenses) | \$ | - | \$ 2,817,147 | \$ 3,079,681 | \$ 3,365,076 | \$ 3,675,253 | \$ 4,012,294 | \$ 4,378,448 | \$ 4,776,154 | \$ 5,208,047 | \$ 5,676,982 | \$ 6,186,046 |
| Real Property Taxes (assuming PILOT)* | \$ | - | \$ 146,034 | \$ 177,145 | \$ 208,258 | \$ 208,258 | \$ 239,370 | \$ 239,370 | \$ 270,483 | \$ 270,483 | \$ 301,595 | \$ 332,707 |
| Net Operating Income (NOI) after Taxes | \$ | - | \$ 2,671,113 | \$ 2,902,536 | \$ 3,156,818 | \$ 3,466,995 | \$ 3,772,924 | \$ 4,139,078 | \$ 4,505,671 | \$ 4,937,564 | \$ 5,375,387 | \$ 5,853,339 |
| Loan or Mortgage (Debt Service) | | | | | | | | | | | | |
| Interest Payment | \$ | - | \$ 2,842,262 | \$ 2,842,262 | \$ 2,842,262 | \$ 2,842,262 | \$ 2,842,262 | \$ 2,842,262 | \$ 2,842,262 | \$ 2,842,262 | \$ 2,842,262 | \$ 2,842,262 |
| Principal Payment | \$ | - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 414,362 | \$ 414,362 | \$ 414,362 | \$ 414,362 | \$ 414,362 |
| Refinance - Continue mortgage | | | | | | | | | | | | |
| Debt Service | \$ | - | \$ 2,842,262 | \$ 2,842,262 | \$ 2,842,262 | \$ 2,842,262 | \$ 2,842,262 | \$ 3,256,624 | \$ 3,256,624 | \$ 3,256,624 | \$ 3,256,624 | \$ 3,256,624 |
| Cash Flow After Financing and Reserve | \$ | - | \$ (171,149) | \$ 60,274 | \$ 314,556 | \$ 624,733 | \$ 930,661 | \$ 882,454 | \$ 1,249,047 | \$ 1,680,940 | \$ 2,118,763 | \$ 2,596,715 |
| Cash on Cash / Average | 29% | | | 0.44% | 2.31% | 4.59% | 6.84% | 6.49% | 9.19% | 12.36% | 15.58% | 19.10% |
| Debt Service Coverage Ratio (DSCR) | | | 0.94 | 1.02 | 1.11 | 1.22 | 1.33 | 1.27 | 1.38 | 1.52 | 1.65 | 1.80 |
| Equity Dividend Rate | | | -1.26% | 0.44% | 2.31% | 4.59% | 6.84% | 6.49% | 9.19% | 12.36% | 15.58% | 19.10% |
| * Assumes property taxes on current plus PILOT and no percent annual increase. Source: Camoin Associates, Agency, Applicant | | | | | | | | | | | | |

* Assumes property taxes on current plus PILOT and no percent annual increase. Source: Camoin Associates, Agency, Applicant

Appendix A: Scope of Services

To assist with its evaluation of the Applicant's request for financial assistance, Camoin was commissioned by the Town of Amherst Industrial Development Agency to conduct the above analyses. The analyses are comprised of four tasks:

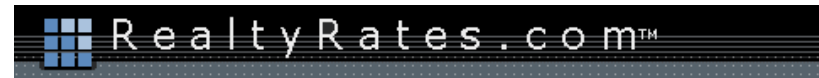
- ◆ *Test Assumptions* by comparing rents, operating costs, and vacancy rates to real estate benchmarks for similar projects and noting any significant differences. Operating performance and net income are also evaluated.
- ◆ *Review the Financing Plan* and perform an objective third-party evaluation 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

- ◆ Project financing and annual cashflow workbook submitted by the Applicant in May 2024.
- ◆ Real estate tax information and estimates received from the Agency, including anticipated future assessed value of the Project.
- ◆ CoStar
- ◆ RealtyRates.com
- ◆ National Apartment Association 2020 Survey of Operating Income and Expenses in Rental Apartment Communities



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



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

APPENDIX B: DEFINITIONS

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

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

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

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

ABOUT CAMOIN ASSOCIATES

Camoin Associates has provided economic development consulting services to municipalities, economic development agencies, and private enterprises since 1999. Through the services offered, Camoin Associates has had the opportunity to serve EDOs and local and state governments from Maine to California; corporations and organizations that include Lowes Home Improvement, FedEx, Amazon, Volvo (Nova Bus) and the New York Islanders; as well as private developers proposing projects over \$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 to build public support and leverage additional funding. We are based in Saratoga Springs, NY, with regional offices in Portland, ME; Boston, MA; Richmond, VA and Brattleboro, VT. To learn more about our experience and projects in all of our service lines, please visit our website at www.camoinassociates.com. You can also find us on Twitter [@camoinassoc](https://twitter.com/camoinassoc) and [Facebook](#) and [LinkedIn](#).

THE PROJECT TEAM

Rachel Selsky
Vice President, Project Principal