

PREPARED FOR:

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

Reasonableness Assessment for Financial Assistance

3315 – 3333 MILLERSPORT HIGHWAY
GREENS ON FRENCH

JUNE 2024

PREPARED BY:



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EXECUTIVE SUMMARY

Project Description

The Town of Amherst Industrial Development Agency (Agency) received an application from Greens on French (Applicant) for financial assistance to construct five multifamily buildings (Project) in Amherst, NY, featuring 162 residential units. The Project represents a \$35.3 million investment and is anticipated to generate 2 permanent jobs. 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:

- **Assumptions are generally in line with local and regional benchmarks except for stated operating expenses, which are lower than the benchmarks.**
- **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. 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 Rate	1BR	41	\$1,675	\$20,100	\$67,000	\$1,602	Rent is 1.05 times higher than the benchmark for a one bedroom in Amherst.
	2BR	79	\$2,195	\$26,340	\$87,800	\$1,914	Rent is 1.15 times higher than the benchmark for a two bedroom in Amherst.
	3BR	10	\$2,495	\$29,940	\$99,800	\$2,403	Rent is 1.04 times higher than the benchmark for a three bedroom in Amherst.
Workforce	1BR	10	\$1,300	\$15,600	\$52,000	NA	Rent aligns with the requirements of the Amherst Industrial Development Agency and will adjust annually.
	2BR	20	\$1,500	\$18,000	\$60,000	NA	Rent aligns with the requirements of the Amherst Industrial Development Agency and will adjust annually.
	3BR	2	\$1,700	\$20,400	\$68,000	NA	Rent aligns with the requirements of the Amherst Industrial Development Agency and will adjust annually.

(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 will escalate at 1.50% per year and expenses will grow by 1%-5% per year, these assumptions are within range. Applicant assumes there will be a 6% vacancy for residential once stabilized; this vacancy rate is higher than the market¹. Operating expenses are lower than the benchmarks. Both PILOT scenarios deliver net operating income as a percentage of gross income that is higher than the benchmark range.

Operations Snapshot, Year 5 of Full Operation

	10 Year PILOT				10 Year No PILOT			
	Share of Gross				Share of Gross			
	Project Performance (1)	Operating Income	Benchmark Performance (2)	Evaluation	Project Performance (1)	Operating Income	Benchmark Performance (2)	Evaluation
<u>Calculation of Net Operating Income Residential</u>								
Gross Operating Income	\$4,228,600	100%	n/a	n/a	\$4,228,600	100%	n/a	n/a
Vacancy Rate and Concessions	6%	n/a	4%	Within range	6%	n/a	4%	Within range
<u>Calculation of Net Operating Income Non-Residential</u>								
Gross Operating Income	\$15,660	0%	n/a	n/a	\$15,660	0%	n/a	n/a
Vacancy Rate	0%	n/a	10%	More efficient	0%	n/a	10%	More efficient
Effective Gross Income (EGI), All Uses (3)	\$3,948,258	93%	96%	Within range	\$3,948,258	93%	96%	Within range
Less: Operating Expenses and Reserve	(\$669,113)	16%	50%	More efficient	(\$669,113)	16%	50%	More efficient
Less: Real Property Taxes (with PILOT)	(\$230,562)	5%	n/a	n/a	(\$740,372)	17%	n/a	n/a
Net Operating Income	\$3,048,583	72%	48%	More efficient	\$2,538,772	60%	48%	More efficient
Less: Debt Service	<u>(\$2,318,315)</u>	55%	n/a	n/a	<u>(\$2,318,315)</u>	55%	n/a	n/a
Cashflow after Operating Costs, Taxes, Debt	\$730,268	17%	n/a	n/a	\$220,457	5%	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.

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	\$29,505,561	75%
Equity and Working Capital	<u>\$10,000,000</u>	<u>25%</u>
Total Sources	\$39,505,561	100%
<u>Uses of Funds</u>		
Acquisition and Transaction Costs	\$2,775,562	7%
Construction Costs	<u>\$36,729,999</u>	<u>93%</u>
Total Uses	\$39,505,561	100%

(1) Source: Applicant

Terms of the Senior (Long Term) Debt			
	<u>Terms (1)</u>	<u>Benchmark (2)</u>	<u>Evaluation</u>
Amount Borrowed	\$29,505,561	n/a	n/a
Loan to Total Project Cost	75%	55% - 90%	Within Range
Annual Interest Rate	6.75%	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 (year four in the provided pro forma material). 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 \$10,000,000 and are included over the life of the PILOT. **Under the PILOT, the Project achieves the market benchmark, whereas, without the PILOT, the Project does not meet even the low end of the market benchmark.**
- ◆ **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 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 1 under both scenarios.** Debt comprises 75% of the capital structure.

Comparison of Return on Investment

	<u>10 Year</u> <u>PILOT</u>	<u>10 Year No</u> <u>PILOT</u>	<u>Benchmarks</u> <u>(2)</u>
<u>Equity Dividend Rates</u>			
Average	7.56%	2.46%	4.73% to 13.59%
Minimum	6.41%	0.35%	
Maximum	8.78%	4.64%	
Year Benchmarks Met	1	NA	
<u>Cash Flow</u>			
Average	\$756,280	\$246,471	n/a
Minimum	\$640,719	\$35,428	
Maximum	\$878,419	\$464,103	
Cumulative	\$7,562,799	\$2,464,708	
Year Investment Recouped	NA	NA	
<u>Debt Service Coverage</u>			
Average	1.33	1.11	1.00
Minimum	1.28	1.02	to
Maximum	1.38	1.20	1.86
Years Benchmarks Met	1	1	

(1) See Attachment 1

(2) Source: RealtyRates for Q2 2024 for Northeast Region for Apartments

ATTACHMENT 1: PRO FORMAS

3135-3333 Millersport Highway		Date		5/20/2024												
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	Year 11	Year 12	Year 13		
Operating Cash Flow																
<u>Residential Income</u>																
Gross Operating Income	\$ -	\$ -	\$ -	\$ 1,899,931	\$ 3,984,120	\$ 4,043,882	\$ 4,104,540	\$ 4,166,108	\$ 4,228,600	\$ 4,292,029	\$ 4,356,409	\$ 4,421,755	\$ 4,488,082	\$ 4,555,403		
Less: Vacancy Allowance (enter as a negative number)	\$ -	\$ -	\$ -	\$ -	\$ (239,047)	\$ (242,633)	\$ (246,272)	\$ (249,966)	\$ (253,716)	\$ (257,522)	\$ (261,385)	\$ (265,305)	\$ (269,285)	\$ (273,324)		
Less: Uncollectable Accounts	\$ -	\$ -	\$ -	\$ -	\$ (39,841)	\$ (40,439)	\$ (41,045)	\$ (41,661)	\$ (42,286)	\$ (42,920)	\$ (43,564)	\$ (44,218)	\$ (44,881)	\$ (45,554)		
Less: Concessions/Promotions (enter as a negative number)	\$ -	\$ -	\$ -	\$ -	\$ (313,750)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Net Rental Income, Residential	\$ -	\$ -	\$ -	\$ 1,586,181	\$ 3,705,232	\$ 3,760,810	\$ 3,817,222	\$ 3,874,481	\$ 3,932,598	\$ 3,991,587	\$ 4,051,461	\$ 4,112,232	\$ 4,173,916	\$ 4,236,525		
<u>Commercial/Industrial Income</u>																
Gross Operating Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Less: Vacancy Allowance (enter as a negative number)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Net Rental Income, Commercial/Industrial	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
<u>Other Income</u>																
Late Fees	\$ -	\$ -	\$ -	\$ 2,430	\$ 4,860	\$ 4,860	\$ 4,860	\$ 4,860	\$ 4,860	\$ 4,860	\$ 4,860	\$ 4,860	\$ 4,860	\$ 4,860		
Pet Fees	\$ -	\$ -	\$ -	\$ 8,100	\$ 4,050	\$ 4,050	\$ 4,050	\$ 4,050	\$ 4,050	\$ 4,050	\$ 4,050	\$ 4,050	\$ 4,050	\$ 4,050		
Pet Rent	\$ -	\$ -	\$ -	\$ 4,860	\$ 9,720	\$ 9,720	\$ 9,720	\$ 9,720	\$ 9,720	\$ 9,720	\$ 9,720	\$ 9,720	\$ 9,720	\$ 9,720		
Termination Fees	\$ -	\$ -	\$ -	\$ 5,400	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800		
Move-out Charges	\$ -	\$ -	\$ -	\$ 5,400	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800		
Net Income, Other	\$ -	\$ -	\$ -	\$ 7,830	\$ 15,660	\$ 15,660	\$ 15,660	\$ 15,660	\$ 15,660	\$ 15,660	\$ 15,660	\$ 15,660	\$ 15,660	\$ 15,660		
Effective Gross Income (EGI)	\$ -	\$ -	\$ -	\$ 1,594,011	\$ 3,720,892	\$ 3,776,470	\$ 3,832,882	\$ 3,890,141	\$ 3,948,258	\$ 4,007,247	\$ 4,067,121	\$ 4,127,892	\$ 4,189,576	\$ 4,252,185		
<u>Operating Expenses (enter positive numbers)</u>																
Salaries and Wages	\$ -	\$ -	\$ -	\$ 130,000	\$ 131,300	\$ 132,613	\$ 133,939	\$ 135,279	\$ 136,631	\$ 137,998	\$ 139,378	\$ 140,771	\$ 142,179	\$ 143,601		
Marketing and Advertising	\$ -	\$ -	\$ -	\$ 24,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000		
3rd Party Contracts	\$ -	\$ -	\$ -	\$ 48,600	\$ 49,086	\$ 49,577	\$ 50,073	\$ 50,573	\$ 51,079	\$ 51,590	\$ 52,106	\$ 52,627	\$ 53,153	\$ 53,685		
Utilities	\$ -	\$ -	\$ -	\$ 64,800	\$ 65,448	\$ 66,102	\$ 66,764	\$ 67,431	\$ 68,105	\$ 68,787	\$ 69,474	\$ 70,169	\$ 70,871	\$ 71,580		
Maintenance & Repairs	\$ -	\$ -	\$ -	\$ 32,400	\$ 32,724	\$ 33,051	\$ 33,382	\$ 33,716	\$ 34,053	\$ 34,393	\$ 34,737	\$ 35,085	\$ 35,435	\$ 35,790		
Deposit to replacement reserve	\$ -	\$ -	\$ -	\$ -	\$ 32,400	\$ 32,400	\$ 32,400	\$ 32,400	\$ 32,400	\$ 32,400	\$ 32,400	\$ 32,400	\$ 32,400	\$ 32,400		
Insurance	\$ -	\$ -	\$ -	\$ 81,000	\$ 85,050	\$ 89,303	\$ 93,768	\$ 98,456	\$ 103,379	\$ 108,548	\$ 113,975	\$ 119,674	\$ 125,658	\$ 131,940		
Management Fee	\$ -	\$ -	\$ -	\$ 79,701	\$ 186,045	\$ 188,824	\$ 191,644	\$ 194,507	\$ 197,413	\$ 200,362	\$ 203,356	\$ 206,395	\$ 209,479	\$ 212,609		
Trash Removal	\$ -	\$ -	\$ -	\$ 32,400	\$ 32,724	\$ 33,051	\$ 33,382	\$ 33,716	\$ 34,053	\$ 34,393	\$ 34,737	\$ 35,085	\$ 35,435	\$ 35,790		
Operating Expenses	\$ -	\$ -	\$ -	\$ 492,901	\$ 626,777	\$ 636,921	\$ 647,351	\$ 658,077	\$ 669,113	\$ 680,471	\$ 692,163	\$ 704,205	\$ 716,610	\$ 729,394		
Pre-Tax Operating Income (Revenue less Operating Expenses)	\$ -	\$ -	\$ -	\$ 1,101,110	\$ 3,094,115	\$ 3,139,549	\$ 3,185,532	\$ 3,232,063	\$ 3,279,145	\$ 3,326,776	\$ 3,374,957	\$ 3,423,687	\$ 3,472,966	\$ 3,522,790		
Real Property Taxes (assuming no PILOT)*	\$ -	\$ 15,938	\$ 16,416	\$ 16,908	\$ 740,372	\$ 740,372	\$ 740,372	\$ 740,372	\$ 740,372	\$ 740,372	\$ 740,372	\$ 740,372	\$ 740,372	\$ 740,372		
Net Operating Income (NOI) after Taxes	\$ -	\$ (15,938)	\$ (16,416)	\$ 1,084,202	\$ 2,353,743	\$ 2,399,177	\$ 2,445,159	\$ 2,491,691	\$ 2,538,772	\$ 2,586,404	\$ 2,634,585	\$ 2,683,315	\$ 2,732,593	\$ 2,782,418		
<u>Loan or Mortgage (Debt Service)</u>																
Interest Payment	\$ -	\$ -	\$ -	\$ -	\$ 1,991,625	\$ 1,991,625	\$ 1,991,625	\$ 1,991,625	\$ 1,991,625	\$ 1,991,625	\$ 1,991,625	\$ 1,991,625	\$ 1,991,625	\$ 1,991,625		
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ 326,690	\$ 326,690	\$ 326,690	\$ 326,690	\$ 326,690	\$ 326,690	\$ 326,690	\$ 326,690	\$ 326,690	\$ 326,690		
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 2,318,315	\$ 2,318,315	\$ 2,318,315	\$ 2,318,315	\$ 2,318,315	\$ 2,318,315	\$ 2,318,315	\$ 2,318,315	\$ 2,318,315	\$ 2,318,315		
Cash Flow After Financing and Reserve	\$ -	\$ (15,938)	\$ (16,416)	\$ 1,084,202	\$ 35,428	\$ 80,862	\$ 126,844	\$ 173,376	\$ 220,457	\$ 268,089	\$ 316,270	\$ 365,000	\$ 414,278	\$ 464,103		
Debt Service Coverage Ratio (DSCR)					1.02	1.03	1.05	1.07	1.10	1.12	1.14	1.16	1.18	1.20		
Equity Dividend Rate					0.35%	0.81%	1.27%	1.73%	2.20%	2.68%	3.16%	3.65%	4.14%	4.64%		

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

Reasonableness Assessment for Greens on French – Town of Amerherst Industrial Development Agency

3135-3333 Millersport Highway	Date	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	Year 11	Year 12	Year 13	
Operating Cash Flow															
<u>Residential Income</u>															
Gross Operating Income	\$ -	\$ -	\$ -	\$ 1,899,931	\$ 3,984,120	\$ 4,043,882	\$ 4,104,540	\$ 4,166,108	\$ 4,228,600	\$ 4,292,029	\$ 4,356,409	\$ 4,421,755	\$ 4,488,082	\$ 4,555,403	
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Net Rental Income, Residential	\$ -	\$ -	\$ -	\$ 1,586,181	\$ 3,705,232	\$ 3,760,810	\$ 3,817,222	\$ 3,874,481	\$ 3,932,598	\$ 3,991,587	\$ 4,051,461	\$ 4,112,232	\$ 4,173,916	\$ 4,236,525	
<u>Commercial/Industrial Income</u>															
Gross Operating Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Less: Vacancy Allowance (enter as a negative number)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Net Rental Income, Commercial/Industrial	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<u>Other Income</u>															
Late Fees	\$ -	\$ -	\$ -	\$ 2,430	\$ 4,860	\$ 4,860	\$ 4,860	\$ 4,860	\$ 4,860	\$ 4,860	\$ 4,860	\$ 4,860	\$ 4,860	\$ 4,860	
Pet Fees	\$ -	\$ -	\$ -	\$ 8,100	\$ 4,050	\$ 4,050	\$ 4,050	\$ 4,050	\$ 4,050	\$ 4,050	\$ 4,050	\$ 4,050	\$ 4,050	\$ 4,050	
Pet Rent	\$ -	\$ -	\$ -	\$ 4,860	\$ 9,720	\$ 9,720	\$ 9,720	\$ 9,720	\$ 9,720	\$ 9,720	\$ 9,720	\$ 9,720	\$ 9,720	\$ 9,720	
Termination Fees	\$ -	\$ -	\$ -	\$ 5,400	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	
Move-out Charges	\$ -	\$ -	\$ -	\$ 5,400	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800	
Net Income, Other	\$ -	\$ -	\$ -	\$ 7,830	\$ 15,660	\$ 15,660	\$ 15,660	\$ 15,660	\$ 15,660	\$ 15,660	\$ 15,660	\$ 15,660	\$ 15,660	\$ 15,660	
Effective Gross Income (EGI)	\$ -	\$ -	\$ -	\$ 1,594,011	\$ 3,720,892	\$ 3,776,470	\$ 3,832,882	\$ 3,890,141	\$ 3,948,258	\$ 4,007,247	\$ 4,067,121	\$ 4,127,892	\$ 4,189,576	\$ 4,252,185	
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Utilities	\$ -	\$ -	\$ -	\$ 64,800	\$ 65,448	\$ 66,102	\$ 66,764	\$ 67,431	\$ 68,105	\$ 68,787	\$ 69,474	\$ 70,169	\$ 70,871	\$ 71,580	
Maintenance & Repairs	\$ -	\$ -	\$ -	\$ 32,400	\$ 32,724	\$ 33,051	\$ 33,382	\$ 33,716	\$ 34,053	\$ 34,393	\$ 34,737	\$ 35,085	\$ 35,435	\$ 35,790	
Deposit to replacement reserve	\$ -	\$ -	\$ -	\$ -	\$ 32,400	\$ 32,400	\$ 32,400	\$ 32,400	\$ 32,400	\$ 32,400	\$ 32,400	\$ 32,400	\$ 32,400	\$ 32,400	
Insurance	\$ -	\$ -	\$ -	\$ 81,000	\$ 85,050	\$ 89,303	\$ 93,768	\$ 98,456	\$ 103,379	\$ 108,548	\$ 113,975	\$ 119,674	\$ 125,658	\$ 131,940	
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Trash Removal	\$ -	\$ -	\$ -	\$ 32,400	\$ 32,724	\$ 33,051	\$ 33,382	\$ 33,716	\$ 34,053	\$ 34,393	\$ 34,737	\$ 35,085	\$ 35,435	\$ 35,790	
Operating Expenses	\$ -	\$ -	\$ -	\$ 492,901	\$ 626,777	\$ 636,921	\$ 647,351	\$ 658,077	\$ 669,113	\$ 680,471	\$ 692,163	\$ 704,205	\$ 716,610	\$ 729,394	
Pre-Tax Operating Income (Revenue less Operating Expenses)	\$ -	\$ -	\$ -	\$ 1,101,110	\$ 3,094,115	\$ 3,139,549	\$ 3,185,532	\$ 3,232,063	\$ 3,279,145	\$ 3,326,776	\$ 3,374,957	\$ 3,423,687	\$ 3,472,966	\$ 3,522,790	
Real Property Taxes (assuming PILOT)	\$ -	\$ 15,938	\$ 16,416	\$ 16,908	\$ 135,081	\$ 166,908	\$ 198,735	\$ 198,735	\$ 230,562	\$ 230,562	\$ 262,389	\$ 262,389	\$ 294,216	\$ 326,056	
Net Operating Income (NOI) after Taxes	\$ -	\$ (15,938)	\$ (16,416)	\$ 1,084,202	\$ 2,959,034	\$ 2,972,641	\$ 2,986,796	\$ 3,033,328	\$ 3,048,583	\$ 3,096,215	\$ 3,112,569	\$ 3,161,299	\$ 3,178,750	\$ 3,196,734	
<u>Loan or Mortgage (Debt Service)</u>															
Interest Payment	\$ -	\$ -	\$ -	\$ -	\$ 1,991,625	\$ 1,991,625	\$ 1,991,625	\$ 1,991,625	\$ 1,991,625	\$ 1,991,625	\$ 1,991,625	\$ 1,991,625	\$ 1,991,625	\$ 1,991,625	
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ 326,690	\$ 326,690	\$ 326,690	\$ 326,690	\$ 326,690	\$ 326,690	\$ 326,690	\$ 326,690	\$ 326,690	\$ 326,690	
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 2,318,315	\$ 2,318,315	\$ 2,318,315	\$ 2,318,315	\$ 2,318,315	\$ 2,318,315	\$ 2,318,315	\$ 2,318,315	\$ 2,318,315	\$ 2,318,315	
Cash Flow After Financing and Reserve	\$ -	\$ (15,938)	\$ (16,416)	\$ 1,084,202	\$ 640,719	\$ 654,326	\$ 668,481	\$ 715,013	\$ 730,268	\$ 777,900	\$ 794,254	\$ 842,984	\$ 860,435	\$ 878,419	
Debt Service Coverage Ratio (DSCR)					1.28	1.28	1.29	1.31	1.31	1.34	1.34	1.36	1.37	1.38	
Equity Dividend Rate					6.41%	6.54%	6.68%	7.15%	7.30%	7.78%	7.94%	8.43%	8.60%	8.78%	

* Assumes property taxes on current plus abatement on improvement. No annual percent increase assumed. 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:

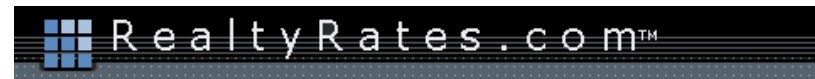
- ◆ *Test Assumptions* by comparing rents, operating costs, and vacancy rates to real estate benchmarks for similar projects and noting any significant differences. Operating performance and net income are also evaluated.
- ◆ *Review the Financing Plan* and perform an objective third-party evaluation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

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