Industrial Development Agency

BRINGING PORT CHESTER'S VISION TO LIFE.

May 2, 2024

Westchester Crossing Hotel Development Boston Post Road Owner, LLC

Financial Assistance Analysis For the
Village of Port Chester Industrial Development Agency

Storrs Associates

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Executive Summary

The Westchester Crossing Project and Hotel Component

Boston Post Road Owner, LLC (Applicant) requests financial assistance from the Village of Port Chester IDA (Agency) for a hotel facility at 406 Boston Post Road (Project). This Project is part of the planned redevelopment of the former United Hospital site, and is referred to herein as the Hotel. Storrs Associates, LLC has been engaged by the Agency to conduct an objective, third-party analysis to assist the Agency with its evaluation of the application. The Project includes:

- 120 rooms
- 120 paid parking spaces
- $47,700,000 total investment

Proposed Financial Assistance

- PILOT schedule: A 15-year Standard CD6 PILOT with an estimated savings of $7,048,768 and a 20-year Enhanced CD6 PILOT with an estimated savings of $9,410,725 are analyzed in this report.
- Mortgage Recording Tax abatement estimated at $314,820
- Construction Materials sales tax abatement estimated at $1,704,843

Conclusions and Recommendation

This analysis concludes that Agency financial assistance is necessary for the Project to operate, with the greatest benefit in the first 5-10 years while it becomes established and room revenue grows relative to the cost of fixed expense such as debt service.

Storrs Associates further finds that completion and operation of the Project is a core component of the Applicant's Westchester Crossing development and successful operation, especially as a visible welcome at a gateway to the Village.

The Hotel will be only the second lodging facility near the Village; visitors must otherwise travel south toward New Rochelle, Northeast into Connecticut, or along the 287 corridor into central Westchester County. A factor in this recommendation is that the Hotel provides services that are not readily available in the Village, and attracts outside spending.

Purpose of this Analysis

As part of its due diligence in evaluating proposed projects, the Agency requests a third-party review of the operating and financial assumptions, and the anticipated rate of return, for a project. This provides the Agency with an objective analysis of likely financial performance with and without the requested financial assistance. Storrs Associates, LLC provides this analysis and a professional opinion about whether the financial assistance is necessary to the project –the "if not for" test –and whether it is reasonable in current market conditions. This analysis explores basic questions for the Agency:

- Are the operating assumptions such as rent, vacancy, and expenses within norms for the region?
- Is the capital structure within norms for the project type and has the applicant demonstrated its own financial commitment?
- Is the assistance necessary for the project to be financially feasible, with the estimated rate of return conforming to market expectations for similar projects in the region?
- If the financial assistance is awarded, is the project likely to be built and to operate?

Adjustments to Applicant's Projections

Storrs Associates reviewed hotel rates within an approximately 20-3 minute drive time of Port Chester, and concludes that the Applicant's average room rate of $225 per night is likely to be overly conservative for this market. This analysis is therefore conducted on a rate of $250 per night, and a sensitivity analysis shows the effects of room rate increases.

Contents of This Report

Proposed Financial Assistance

Two UTEP Section CD6 PILOTs are analyzed here, a Standard and an Enhanced. On a stand-alone basis, the Project would be expected to meet acceptable return benchmarks with a UTEP PILOT.

The Applicant also requests abatement of mortgage recording tax and sales taxes on construction materials, which would be the same with either PILOT.

Table 1 calculates the estimated value of the financial assistance used in this analysis. Actual values will be different.

Sales Tax on Construction Materials will depend on the value of the purchased goods that are subject to sales tax. New York State determines which goods are subject to sales tax.

Mortgage Recording Tax will depend on the final approved and closed value of the mortgage on the Project.

Real Property Tax Abatement will depend on the final assessed value of the completed Project and the tax rates in effect once the Project is operational.

Table 1

Estimated Financial Assistance Requested

	Section 6 Standard PILOT, 15 Yrs	Section 6 Enhanced PILOT, 20 Yrs
Sales Tax Exemption on Construction Materials		
Taxable Construction Materials Costs, Estimated	$20,350,000	$20,350,000
Sales Tax Rate Subject to Exemption	8.375%	8.375%
Estimated Sales Tax Exemption	$1,704,313	$1,704,313
Mortgage Recording Tax Exemption		
Estimated Mortgage Amount	$31,482,000	$31,482,000
Mortgage Recording Tax Benefit, 1.3% Percent of Mortgage	409,266	409,266
Less: 0.3% Not Eligible for Exemption	(94,446)	(94,446)
Estimated Mortgage Recording Tax Exemption, 1.0% of Mortgage	$314,820	$314,820
Real Property Tax Abatement		
Estimated Real Property Taxes if no PILOT	$14,109,611	$19,300,590
Less: Estimated PILOT Tax Payments	(7,060,843)	(9,889,866)
Real Property Tax Abatement	$7,048,768	$9,410,725
Estimated Financial Assistance Requested, Total	$9,067,900	$11,429,857

Taxable construction materials and estimated mortgage amount are increased by a cushion of 10% above the Applicant's budget.
Exemptions shown are aggregated for all affected jurisdictions including State, County, Town, School District, and Village.

PREVAILING WAGE REQUIREMENTS

Projects receiving financial assistance from an Industrial Development Agency are required to comply with New York's prevailing wage requirements, unless an exemption is allowed, for example for certain affordable housing projects. No such exemptions apply to the Project.

Therefore, Storrs Associates compares the dollar benefits to the total project costs and construction costs, and calculates that the value of the financial assistance does not cross the threshold of 30% of the total project cost, which might otherwise bring prevailing wage requirements into effect.

Table 2

Total Public Benefits

	Section 6 Standard PILOT, 15 Yrs	Section 6 Enhanced PILOT, 20 Yrs
Estimated Tax Exemptions		
Construction STE	$1,704,313	$1,704,313
MRTE Savings	$314,820	$314,820
PILOT Savings	$7,048,768	$9,410,725
Total Estimated Tax Exemptions	$9,067,900	$11,429,857
Estimated Tax Credits and Grants		
Brownfield Tax Credit, not factored into a prevailing wage calculation		
Total Estimated Public Benefits	$9,067,900	$11,429,857
Estimated Ratios of Public Benefits to Project Costs		
Total Project Cost	$47,700,000	$47,700,000
% Benefits to Cost	19.01%	23.96%
Construction Cost	$40,000,000	$40,000,000
% Benefits to Construction Cost	22.67%	28.57%

IDA Benefits to the Project

Storrs Associates finds that Agency financial assistance is necessary for the Project to be financially feasible, and without assistance it is unlikely to be built.

Storrs Associates analyzed pro forma cashflows and project financing details submitted by the Applicant, leading to the conclusion that Agency financial assistance is necessary for Project operations to be financially feasible. Without Agency financial assistance, the Project is unlikely to be built and to operate.

This report considers the Project as if it were a standalone investment, and finds it no more than marginally profitable, especially during the first 5-10 years, if no PILOT is awarded. Either PILOT provides meaningful support to cashflow and operational stability throughout the study timeline, particularly during the early years as the facility becomes established.

Storrs Associates therefore recommends that the Agency evaluate the Hotel assistance in light of the new services it proposes to provide in the Village, as well as its role in the full Westchester Crossing project:

1. Table 3 on the next page compares estimated cash on cash returns for the Project with benchmarks for the lodging industry, which carries more risk than the residential projects proposed in Westchester Crossing. Benchmarks indicate that returns for the Hotel must be higher than for the other projects in order for it to attract investors.
2. As only the second hotel to operate in or near the Village, the Hotel will enable visitors, and their lodging and food dollars, to stay in Port Chester itself. The Westchester Crossing site, while possibly more expensive to develop, is highly visible and located at a gateway to the Village. The Project will also capture outside spending by visitors, which will generate applicable taxes.
3. Westchester Crossing is a multi-site plan that is expected to redevelop the former United Hospital campus, returning it to productive use as well as remediating environmental concerns and creating a more appealing entryway to the Village. The costs to prepare the site for redevelopment are estimated to be $124 million, and all future revenue will come from the operation or sale of specific developments such as the Hotel. Storrs Associates finds that the completion and operation of the Hotel Project is necessary for the Applicant's $124 million investment in site readiness for the full development.

Estimating a Rate of Return on a Project

Financial performance with and without each of the two UTEP PILOTs is estimated over the full PILOT period. Three metrics are used to evaluate outcomes:

The Equity Dividend Rate, or Return on Equity, is net cashflow for each year, divided by the initial equity investment. Equity Dividend Rates are benchmarked using current market information. Equity Dividend Rates that are within the benchmarks indicate a Project outcome in line with the current market, with the Applicant earning a reasonable return.

The Hurdle Rate, or Risk-Free Return, is a set of three U.S. Treasury yields at points in time. Rates for 10– and 20-years are collected directly from the Federal Reserve Bank of St. Louis data service, and 15-year rates are interpolated between the 10– and 20– year published rates. All rates used here are collected monthly, and Storrs Associates calculates a 6-month rolling average to reduce the impact of daily or monthly changes, which may or may not represent a general trend in longer-term investment return requirements.

U.S. Treasuries are assumed to have no credit risk but are assumed to incorporate inflation expectations. These are used as an estimated minimum return, or Hurdle Rate, because they show what an investor can earn while taking no risk. A project that delivers lower returns with more risk is unlikely to be undertaken.

Cumulative Cash Flow shows net cash flow to the Project's investor(s) over time. It is useful to note cash flow differences between a PILOT and a No PILOT scenario, as this is another indicator of whether the Applicant is earning a return. No benchmarks are published.

Debt Service Coverage estimates how well Project's net income, after taxes, supports repayment of debt. Benchmarks are from RealtyRates.com based on current bank practices.

Discussion of Results

Return on Equity after 15 years is estimated by Storrs Associates to be 8.52% with a Standard PILOT. An Enhanced PILOT of 20 years is estimated to return 9.69% over the first 15 years and 12.10% over the full 20 years. The 15-year Treasury yield of 4.38% hurdle rate is cleared in all of the scenarios. The additional risk of a lodging project is shown in the cash on cash return benchmarks, with a minimum of 7.35% preferred by the market on a one year investment. The Project delivers that level of return over a longer period of time: 15 years with no PILOT or a Standard PILOT, and 10 years with an Enhanced. An average return in the industry is 13.50%, which the Project does not achieve but it comes closer with Agency support.

Return results are calculated over a time horizon of 20 years. This includes 15 years of PILOT payments and 5 years of full tax payments.

Cash Flow Measures include a net loss of $1.5 million in the first year with no PILOT, which is not made back until year 6. Cashflows shown in Table 3 show the significant difference over time. With a Standard PILOT, the first-year loss is $676,349, made back with a small cash gain in year 2; the Enhanced PILOT delivers a lower loss and higher year 2 gain.

Debt Service Coverage is weak in year 1 in all scenarios, but after that the minimum is met.

Table 3

Comparison of Return on Investment

	Section 6 Standard PILOT, 15 Yrs	Section 6 Enhanced PILOT, 20 Yrs	No PILOT, 20 Yrs
Project Cost	$47,700,000	$47,700,000	$47,700,000
Initial Equity	19,080,000	19,080,000	19,080,000
Initial Equity as a % of Project Costs	40.00%	40.00%	40.00%
Cash on Cash Return, Benchmark for 1 Year Out is 7.35% to 18.53%, Average of 13.50%			
10-Year Treasury Yield, 6-month Rolling Average, is 4.30%, 15-year Interpolated is 4.38%, and 20-year is 4.61%			
Year 5	5.70%	6.02%	2.35%
Year 10	6.96%	7.68%	5.03%
Year 15	8.52%	9.69%	8.17%
Year 20	11.84%	12.10%	11.84%
Cash Flow Measures			
Net Cashflow by Year 15	$17,082,696	$18,985,222	$10,033,928
Net Cashflow by End of PILOT	$17,082,696	$29,575,770	$19,882,758
End of PILOT Capital Gain after Debt Payoff	$942,138	$3,226,818	$3,226,818
Internal Rate of Return	<0%	1%	1%
Debt Service Coverage Ratios, Benchmark 1.05 to 2.85, Average 1.52			
Average	1.71	1.88	1.66
Minimum	0.76	0.89	0.37

Benchmarks: RealtyRates

Benefits to Port Chester

Estimated Fiscal Benefits and Costs

Purpose and Use of this Analysis

New York State requires Industrial Development Agencies to conduct a cost/benefit analysis but does not establish a ratio or benchmark. However, a ratio of tax benefits to foregone tax revenue, or savings to the Project, can help evaluate the effects of both the Project and the financial assistance, and is useful for comparing similar projects over time. This is a hypothetical analysis only, as without the requested financial assistance the Project would not be built.

Estimated Economic Benefits

The Agency has commissioned a thorough economic impact report for the Project from Camoin Associates, Inc.

Community Benefit Contributions for the Westchester Crossing Project such as mitigation for traffic and public school enrollment are incorporated into the financial structure for the Residential 1 and Residential 2 projects along with ordinary costs such as permitting and Agency fees. Only ordinary costs such as permitting and Agency fees are expected to be paid by the Hotel project.

Table 4a

Estimated Fiscal Benefits and Costs

	Section 6 Standard PILOT, 15 Yrs	Section 6 Enhanced PILOT, 20 Yrs
Fiscal Benefits		
Sales Tax from Construction Materials Purchase	$1,704,313	$1,704,313
Mortgage Recording Tax	314,820	314,820
Real Property Tax on Completed Project	14,109,611	19,300,590
Less: Property Tax Revenue on Base Value	(573,698)	(792,611)
Net Fiscal Benefits	$15,555,046	$20,527,112
Fiscal Costs (Foregone Revenue)		
Construction Sales Tax	($1,704,313)	($1,704,313)
Mortgage Recording Tax	(314,820)	(314,820)
Property Tax	(7,048,768)	(9,410,725)
Total Costs of Financial Assistance	($9,067,900)	($11,429,857)
Benefit to Cost Ratio	**1.72**	**1.80**
Net Fiscal Benefit	**$6,487,146**	**$9,097,255**

Exemptions shown are aggregated for all affected jurisdictions including State, County, Town, School District, and Village.

PROJECT OPERATIONS

Operating Snapshot at PILOT Year 5

The fifth year of operations is used to create a snapshot of Project performance. The Applicant provided clear, detailed operating information, but Storrs Associates finds the $225 average room rate overly conservative and conducted this analysis using a $250 rate. A room rate sensitivity analysis is shown on the next page. The following factors were reviewed and found to be reasonable:

- Occupancy is estimated at 62%, in line with a 2023 US national average of 62.9% calculated for the American Hotel & Lodging Association (AHLA) by Oxford Economics[1]. The same study notes that occupancy has been recovering and is within 4.4% of pre-pandemic levels.
- After stabilization, the Applicant expects income to increase at an average rate of 3.0% per year. Most operating costs depend on the number of rooms occupied, including wages, cleaning, and sales, while management, utilities, and insurance increase at the same 3.0% as revenue.
- Debt service is interest-only, and as noted in the Financing Plan, below, is expected to pay a 7.50% interest rate, higher than for the residential components.
- The benefits of a PILOT, discussed above as particularly important in the early years, are seen in the NOI after debt service, which improves from $448,239 with no PILOT to $1 million or more with either Standard or Enhanced PILOTs. Real property tax expense is 10% of EGI with no PILOT, but 2-3% with Agency assistance.
- An Expense Ratio is calculated, but Storrs Associates has not found a reliable benchmark for comparison. The AHLA report warns of sensitivity to inflation for both service salaries and purchased inputs; a continued post-pandemic focus on cleanliness underscores the need for direct staff.

Benchmarks from RealtyRates.com, CoStar.[1] "Beyond Recovery, American Hotel & Lodging Association 2024 State of the Industry Report", www.ahla.com, downloaded 4/25/24

Table 5

Comparison of Operating Results, Year 5 — Base Case Scenario, $250 Average Room Rate

	Section 6 Standard PILOT, 15 Yrs	Section 6 Enhanced PILOT, 20 Yrs	No PILOT, 20 Yrs
Net Operating Income			
EGI: Operating Income after Vacancy	$8,922,407	$8,922,407	$8,922,407
Less: Operating Expenses	(5,689,154)	(5,627,927)	(6,327,667)
Non-Tax Operating Expenses and Reserve	*(5,415,534)*	*(5,415,534)*	*(5,415,534)*
Real Property Tax Expense	*(273,621)*	*(212,393)*	*(912,134)*
Net Operating Income (NOI)	$3,233,252	$3,294,480	$2,594,739
Net Income after Debt Service			
Debt Service	($2,146,500)	($2,146,500)	($2,146,500)
Net Operating Income after Debt Service	$1,086,752	$1,147,980	$448,239
NOI after Debt Service as a % of EGI	12%	13%	5%
Non-Tax Operating Expenses as a % of EGI	61%	61%	61%
Real Property Tax Expense as a % of EGI	3%	2%	10%
Debt Service as a % of EGI	24%	24%	24%
Expense Ratio	64%	63%	71%

Benchmark from RealtyRates.com

Storrs Associates flags projects where expenses increase faster than income as potentially non-feasible over the long term and notifies the Agency of concerns. Aside from the room rate adjustment, no such concerns have been identified.

Average Room Rate and Rate Sensitivity

Table 6

The Applicant projects an initial average room rate of $225 per night. Storrs Associates sampled rates at business-oriented and limited service hotels in southern/southeastern Westchester County and southwestern Connecticut, and finds that rate to be overly conservative.

This analysis therefore adjusts the rate to $250 for the basic analysis. The $10 parking fee is not adjusted. The Applicant’s proposed rate and two additional rate increases are also modeled.

Both fixed and variable costs are unchanged despite nightly rate increases, as it is common for hotels to alter their room rates based on non-cost factors such as seasonal demand or local special events.

Hotel Room Cost and Income, First Year, with Analysis of Sensitivity to Nightly Average Room Rate

	Applicant's Initial Estimate	Base Case for Report: $25 Higher Room Cost	$50 Higher Room Cost	$75 Higher Room Cost
Average Rate for One Night	$225	$250	$275	$300
Hotel Capacity				
Rooms	120	120	120	120
x Number of Nights Hotel is Open	365	365	365	365
= Room Nights (max capacity)	43,800	43,800	43,800	43,800
Occupancy Expectations				
Anticipated Annual Occupancy	62%	62%	62%	62%
x Room Nights	43,800	43,800	43,800	43,800
= Rooms Occupied Each Year	27,156	27,156	27,156	27,156
Revenue Estimates				
Average Nightly Rate for Room	$225	$250	$275	$300
x Anticipated Annual Occupancy	62%	62%	62%	62%
Revenue per Available Room (RevPAR)	$140	$155	$171	$186
x Room Nights	43,800	43,800	43,800	43,800
= Annual Room Revenue	$6,110,100	$6,789,000	$7,467,900	$8,146,800
Revenue per Room (Revenue/Rooms)	$50,918	$56,575	$62,233	$67,890
Revenue Increase Compared to Applicant Estimate, $		$678,900	$1,357,800	$2,036,700
Revenue Increase Compared to Applicant Estimate, %		11%	22%	33%
Cash on Cash Return, Year 15				
No PILOT	3.16%	8.17%	13.18%	18.18%
Standard PILOT	3.52%	8.52%	13.53%	18.54%
Enhanced PILOT	4.68%	9.69%	14.69%	19.70%

Financing Plan

Capital Structure

The capital structure is 40% equity and 60% debt. As shown in Table 7a, 84% of Project costs are for construction. The financial plan for the full Westchester Crossing project anticipates a combination of debt and equity to pay for the site work needed for any development to be done. As “built” projects are begun, an individual project will acquire a parcel of property. Storrs Associates’ analyses of the financial structure for Residential 1 and Residential 2 calculate that those projects would pay purchase prices sufficient to repay the $124 million initial investment; both of those projects demonstrate relatively weak financial performance because of the debt needed to fund that repayment, as discussed in the reports.

The Hotel Project also purchases a parcel in the Westchester Crossing site, but the price of $4.2 million is a more modest 9% of costs. This allows the Project to borrow less, making debt service a significant but more manageable cost.

The Applicant expects to obtain debt financing with a structure that allows interest-only payments for a full 30 years, with no principal amortization. Storrs Associates finds this reasonable for a developer with the Applicant’s experience, but did conduct a test to confirm that the Project would support a standard amortization if needed, although with substantially lower returns. The interest-only structure reduces debt service costs.

As with the residential projects, the capital structure results in a completion loan-to-value that exceeds 100%, suggesting that immediate sale would not repay the loan. Storrs Associates estimates that, assuming a 1.5% increase in market value each year, sale of the Project would be sufficient pay off the principal on the mortgage and generate a small capital gain at the end of 15 years.

Table 7a

Sources and Uses of Funds	Amount	Percent
Debt		
Mortgage	$28,620,000	60%
Equity		
Developer equity	$19,080,000	40%
Total Sources	**$47,700,000**	**100%**
Uses of Funds		
Total Construction Costs	$40,000,000	84%
Total Soft Costs	1,500,000	3%
Total Property Acquisition	4,200,000	9%
Total Financing Costs	2,000,000	4%
Total Uses	**$47,700,000**	**100%**

Source: Applicant

Table 7b

Financing Terms, Long Term Debt		
Principal after Construction Loan Payoff	$28,620,000	
Interest Rate	7.50%	
Term in Years	30	
Interest Only Period	Life of Loan	
Loan to Value at Completion	119%	
Market Value, Appreciation of 1.5% per Year	15 Years	20 Years
Anticipated Market Value after 15 Years	$29,562,138	$31,846,818
Less: Principal Outstanding	(28,620,000)	(28,620,000)
Estimated Sale Proceeds	$942,138	$3,226,818

Source: Applicant. Market Value from Storrs Associates.

PILOT ANALYSIS—STANDARD

Notes and Disclaimers

This PILOT analysis is an estimate based on currently available information, including operating information from the Applicant, and the actual Project revenue, assessed value, tax rates, and tax obligations may be different.

Methodology

The Village of Port Chester Industrial Development Agency's Uniform Tax Exemption Policy (UTEP) provides for PILOTs that are comprised of the future taxes on a Base Value reflecting current parcel status, and an Added Value reflecting the new investment in the Project. The Project is evaluated here using a 15-year CD6 Standard PILOT.

- Calculate the taxes on the Base Value and escalate by 1% annually.
- Calculate future taxes using the Added Value of improvements from an estimated as-built value from the Town of Rye Assessor, and an aggregated tax rate provided by the Agency for the current year. The as-built value is provided for the Agency's financial assistance evaluation purposes only.

Methodology Cont'd

- Escalate taxes on the Added Value by 1% annually.
- Add taxes on the Base Value and Added Value to calculate taxes estimated to be paid by the Project if no PILOT is awarded.
- The PILOT % Abatement from the UTEP is applied to the full taxes to calculate the PILOT payments and annual tax savings.

Figure 1

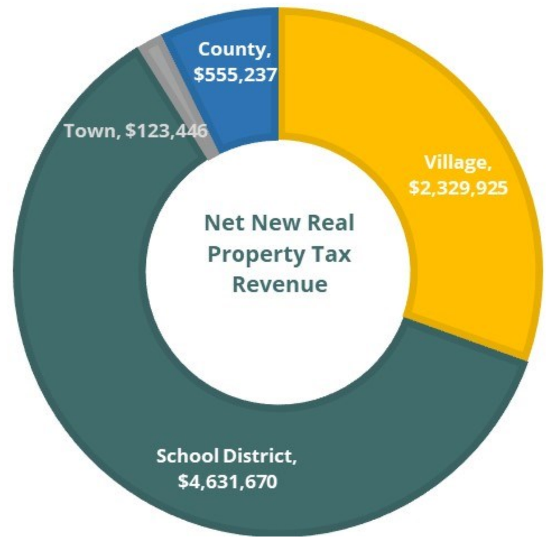

Table 8a

Comparison of Taxes on Full Value of Project, and Project with PILOT

	Village	School District	Town	County	All Jurisdictions
Taxes without PILOT	$4,302,767	$8,553,492	$227,973	$1,025,379	$14,109,611
Less: PILOT Payments	(2,153,225)	(4,280,407)	(114,084)	(513,128)	(7,060,843)
Foregone Revenue	$2,149,542	$4,273,086	$113,889	$512,251	$7,048,768
Abatement Percent	50%	50%	50%	50%	50%
Net New Taxes Compared with No Project					
PILOT Payments	$2,153,225	$4,280,407	$114,084	$513,128	$7,060,843
Less: Taxes without Project	176,700	351,263	9,362	42,109	579,435
Net New Tax Revenue	$2,329,925	$4,631,670	$123,446	$555,237	$7,640,278

Village, School, and County taxes estimated using 2023 Non-Homestead Rates as a pro rata % of Total Taxes

Table 8b

Estimated Tax Comparisons, Standard CD6 15-Year PILOT

Full Market Value Estimate, TOR Assessor	$24,000,000	Full Taxes without PILOT	$14,109,611	100%
Less: Current Value	-$985,600	Less: PILOT Payments	-$7,060,843	50%
Calculated Added Value	$23,014,400	Foregone Revenue/Abatement	$7,048,768	50%

		Hypothetical Taxes if Project Proceeds with No PILOT			Standard Section 6 PILOT, 15 Years, Plus Results with 5 Years Full Taxes			
		A1	A2	A = A1 + A2	B = A1 + (A2 x D)	C = A - B	D	E
Tax Year Ending	Development Year	Estimated Full Taxes on Base Value +1% Escalator	Estimated Full Taxes on Added Value +1% Escalator	Estimated Full Taxes on Base + Added Value	Estimated PILOT Payment (Base + Added)	Abatement/ Foregone Revenue: Full Taxes - PILOT	PILOT as a % of Full Taxes	Abatement/ Foregone Revenue as a % of Full Taxes
5/1/2024	Interim	$34,250	$0	$34,250	$34,250	$0	n/a	n/a
5/1/2025	Interim	34,592	0	34,592	34,592	0	n/a	n/a
5/1/2026	Interim	34,938	0	34,938	34,938	0	n/a	n/a
5/1/2027	Interim	35,287	0	35,287	35,287	0	n/a	n/a
5/1/2028	Interim	35,640	0	35,640	35,640	0	n/a	n/a
5/1/2029	1	35,997	840,546	876,542	35,997	840,546	0%	100%
5/1/2030	2	36,357	848,951	885,308	95,783	789,525	7%	93%
5/1/2031	3	36,720	857,441	894,161	148,187	745,973	13%	87%
5/1/2032	4	37,087	866,015	903,102	210,290	692,812	20%	80%
5/1/2033	5	37,458	874,675	912,134	273,621	638,513	27%	73%
5/1/2034	6	37,833	883,422	921,255	329,362	591,893	33%	67%
5/1/2035	7	38,211	892,256	930,467	395,114	535,354	40%	60%
5/1/2036	8	38,593	901,179	939,772	462,147	477,625	47%	53%
5/1/2037	9	38,979	910,191	949,170	521,380	427,790	53%	47%
5/1/2038	10	39,369	919,292	958,661	590,945	367,717	60%	40%
5/1/2039	11	39,763	928,485	968,248	661,848	306,400	67%	33%
5/1/2040	12	40,160	937,770	977,931	724,733	253,198	73%	27%
5/1/2041	13	40,562	947,148	987,710	798,280	189,430	80%	20%
5/1/2042	14	40,968	956,619	997,587	873,226	124,361	87%	13%
5/1/2043	15	41,377	966,186	1,007,563	939,930	67,633	93%	7%
Total, Interim + PILOT Period		$754,142	$13,530,176	$14,284,319	$7,235,551	$7,048,768		
Total, PILOT Period Only		$579,435	$13,530,176	$14,109,611	$7,060,843	$7,048,768		
NPV, 3.0%		$458,630	$10,709,317	$11,167,948	$5,195,596	$5,972,352		

PILOT ANALYSIS—ENHANCED

Notes and Disclaimers

This PILOT analysis is an estimate based on currently available information, including operating information from the Applicant, and the actual Project revenue, assessed value, tax rates, and tax obligations may be different.

Methodology

The Village of Port Chester Industrial Development Agency's Uniform Tax Exemption Policy (UTEP) provides for PILOTs that are comprised of the future taxes on a Base Value reflecting current parcel status, and an Added Value reflecting the new investment in the Project. The Project is evaluated here using a 20-year CD6 Enhanced PILOT.

- Calculate the taxes on the Base Value and escalate by 1% annually.
- Calculate future taxes using the Added Value of improvements from an estimated as-built value from the Town of Rye Assessor, and an aggregated tax rate provided by the Agency for the current year. The as-built value is provided for the Agency's financial assistance evaluation purposes only.

Methodology Cont'd

- Escalate taxes on the Added Value by 1% annually.
- Add taxes on the Base Value and Added Value to calculate taxes estimated to be paid by the Project if no PILOT is awarded.
- The PILOT % Abatement from the UTEP is applied to the full taxes to calculate the PILOT payments and annual tax savings.

Figure 2

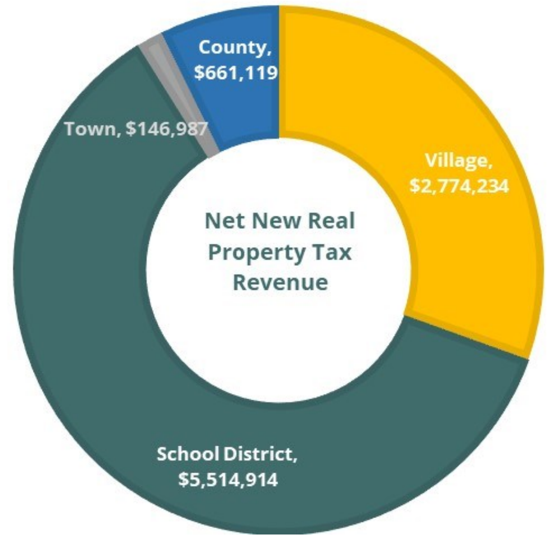

Table 9a

Comparison of Taxes on Full Value of Project, and Project with PILOT

	Village	School District	Town	County	All Jurisdictions
Taxes without PILOT	$5,885,771	$11,700,355	$311,845	$1,402,620	$19,300,590
Less: PILOT Payments	(3,015,943)	(5,995,409)	(159,793)	(718,720)	(9,889,866)
Foregone Revenue	$2,869,828	$5,704,946	$152,052	$683,900	$9,410,725
Abatement Percent	49%	49%	49%	49%	49%

Net New Taxes Compared with No Project

	Village	School District	Town	County	All Jurisdictions
PILOT Payments	$3,015,943	$5,995,409	$159,793	$718,720	$9,889,866
Less: Taxes without Project	(241,709)	(480,495)	(12,806)	(57,601)	(792,611)
Net New Tax Revenue	$2,774,234	$5,514,914	$146,987	$661,119	$9,097,255

Village, School, and County taxes estimated using 2023 Non-Homestead Rates as a pro rata % of Total Taxes

Table 9b

Estimated Tax Comparisons, Enhanced CD6 20-Year PILOT

Full Market Value Estimate, TOR Assessor	$24,000,000	Full Taxes without PILOT	$19,300,590	100%
Less: Current Value	-$985,600	Less: PILOT Payments	-$9,889,866	51%
Calculated Added Value	$23,014,400	Foregone Revenue/Abatement	$9,410,725	49%

		Hypothetical Taxes if Project Proceeds with No PILOT			Enhanced Section 6 PILOT, 20 Year Abatement Schedule			
		A1	A2	A = A1 + A2	B = A1 + (A2 x D)	C = A - B	D	E
Tax Year Ending	Development Year	Estimated Full Taxes on Base Value +1% Escalator	Estimated Full Taxes on Added Value +1% Escalator	Estimated Full Taxes on Base + Added Value	Estimated PILOT Payment (Base + Added)	Abatement/ Foregone Revenue: Full Taxes - PILOT	PILOT as a % of Full Taxes	Abatement/ Foregone Revenue as a % of Full Taxes
5/1/2024	Interim	$34,250	$0	$34,250	$34,250	$0	n/a	n/a
5/1/2025	Interim	34,592	0	34,592	34,592	0	n/a	n/a
5/1/2026	Interim	34,938	0	34,938	34,938	0	n/a	n/a
5/1/2027	Interim	35,287	0	35,287	35,287	0	n/a	n/a
5/1/2028	Interim	35,640	0	35,640	35,640	0	n/a	n/a
5/1/2029	1	35,997	840,546	876,542	35,997	840,546	0%	100%
5/1/2030	2	36,357	848,951	885,308	78,804	806,504	5%	95%
5/1/2031	3	36,720	857,441	894,161	122,464	771,697	10%	90%
5/1/2032	4	37,087	866,015	903,102	166,990	736,113	15%	85%
5/1/2033	5	37,458	874,675	912,134	212,393	699,740	20%	80%
5/1/2034	6	37,833	883,422	921,255	258,688	662,566	25%	75%
5/1/2035	7	38,211	892,256	930,467	305,888	624,579	30%	70%
5/1/2036	8	38,593	901,179	939,772	354,006	585,766	35%	65%
5/1/2037	9	38,979	910,191	949,170	403,055	546,114	40%	60%
5/1/2038	10	39,369	919,292	958,661	453,051	505,611	45%	55%
5/1/2039	11	39,763	928,485	968,248	504,005	464,243	50%	50%
5/1/2040	12	40,160	937,770	977,931	555,934	421,997	55%	45%
5/1/2041	13	40,562	947,148	987,710	608,851	378,859	60%	40%
5/1/2042	14	40,968	956,619	997,587	662,770	334,817	65%	35%
5/1/2043	15	41,377	966,186	1,007,563	717,707	289,856	70%	30%
5/1/2044	16	41,791	975,847	1,017,638	773,677	243,962	75%	25%
5/1/2045	17	42,209	985,606	1,027,815	830,694	197,121	80%	20%
5/1/2046	18	42,631	995,462	1,038,093	888,774	149,319	85%	15%
5/1/2047	19	43,057	1,005,417	1,048,474	947,932	100,542	95%	5%
5/1/2048	20	43,488	1,015,471	1,058,959	1,008,185	50,774	100%	0%
Total, Interim + PILOT Period		$967,318	$18,507,979	$19,475,298	$10,064,573	$9,410,725		
Total, PILOT Period Only		$792,611	$18,507,979	$19,300,590	$9,889,866	$9,410,725		
NPV, 3.0%		$583,885	$13,634,087	$14,217,971	$6,616,755	$7,601,216		

About this Report

Scope of Services - Financial Assistance Analysis

The purpose of the report is to provide a consistent, accurate, and reliable analysis of a proposed project that has asked the Agency for financial assistance. The basic components are:

1. Evaluate the capital structure, operating assumptions, and financial performance of the Project, calculate return on investment, and provide an opinion on whether the requested financial assistance is necessary and reasonable. This includes applying an appropriate PILOT schedule from the Agency's Uniform Tax Exemption Policy for the Agency's approval.
2. Create a short benefit/cost analysis that compares new tax revenue resulting from the Project with the costs of the financial assistance.

Westchester Crossing Analyses

The Agency has engaged Storrs Associates to conduct financial assistance analyses and provide advice for each the five components of the project, including:

Site preparation, remediation, and infrastructure, or "Master Project"

Residential 1 Project

Residential 2 Project

Senior Living Project

Hotel Project

Data Sources

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

RSMeans data from GORDIAN® RSMeans provides construction estimating data including up-to-date building and construction costs by region, type of project, and materials such as steel vs. concrete or roofing selections, and also collects and provides data about soft costs such as engineering, architecture, and design.

Storrs Associates

Storrs Associates, LLC is a partner and advisor to public and private entities seeking to encourage economic growth and to make direct public and private investments. We deliver client-driven, high quality advice, customized analyses and reports, public speaking and learning sessions, and transaction management. Victoria Storrs, the company President, founded the firm in 2021 to provide direct, responsive service to municipal governments and the public and private organizations who work with and for them.

She has worked with municipal governments for more than 20 years, beginning as an investment banker at First Albany Corporation and managing debt financings for state public authorities. She taught money and capital markets at the State University of New York at Albany School of Business, and has been a development finance and economic development consultant for more than seven years, including five years at Camoin Associates of Saratoga Springs, NY, where she became the firm's first Development Finance Practice Leader.

Storrs Associates, LLC is located in Albany County, NY, and serves clients throughout New York and the Northeast. Learn more at www.storrsassociates.com and on LinkedIn.

This report was prepared by Victoria Storrs, President and Founder.

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PORT CHESTER, NY

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