PORT CHESTER IDA Industrial Development Agency

BRINGING PORT CHESTER'S VISION TO LIFE.

May 2, 2024

Westchester Crossing
Residential 2 Mixed-Use Development
Boston Post Road Owner, LLC

FINANCIAL ASSISTANCE ANALYSIS FOR THE
VILLAGE OF PORT CHESTER INDUSTRIAL DEVELOPMENT AGENCY

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Executive Summary

The Westchester Crossing Project and Residential 2 Component

Boston Post Road Owner, LLC (Applicant) requests financial assistance from the Village of Port Chester IDA (Agency) for a mixed-use 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 Residential 2. 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:

- 356 apartments, of which 40 are affordable
- 386 parking spaces
- 2,841 square feet of retail space
- $226,961,620 total investment

Proposed Financial Assistance

- PILOT schedule: A 15-year Standard CD6 PILOT with an estimated savings of $26,210,740 and a 20-year Enhanced CD6 PILOT with an estimated savings of $34,993,643, are analyzed in this report.
- Mortgage Recording Tax abatement estimated at $1,497,947
- Construction Materials sales tax abatement estimated at $5,723,450

Conclusions and Recommendation

This analysis concludes that Agency financial assistance is necessary for financial feasibility, and without it, the Project would not be built. Storrs Associates also finds that the assistance and estimated rate of return to the Applicant even with an Enhanced PILOT is at the low end of market expectations.

Storrs Associates further finds that the completion and operation of the Project, as assisted, is necessary for the Applicant to undertake the site preparation and infrastructure investment needed for the entire Westchester Crossing development to be undertaken.

Storrs Associates therefore recommends that assistance to Residential 2 be evaluated in light of the full Westchester Crossing Project.

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?

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 Proposed

	Section 6 Standard PILOT, 15 Yrs	Section 6 Enhanced PILOT, 20 Yrs
Sales Tax Exemption on Construction Materials (1)		
Taxable Construction Materials Costs, Estimated	$68,339,700	$68,339,700
Sales Tax Rate Subject to Exemption	8.375%	8.375%
Estimated Sales Tax Exemption	$5,723,450	$5,723,450
Mortgage Recording Tax Exemption (2)		
Estimated Mortgage Amount	$149,794,669	$149,794,669
Mortgage Recording Tax Benefit, 1.3% Percent of Mortgage	1,947,331	1,947,331
Less: 0.3% Not Eligible for Exemption	(449,384)	(449,384)
Estimated Mortgage Recording Tax Exemption	$1,497,947	$1,497,947
Real Property Tax Abatement (2)		
Estimated Real Property Taxes if no PILOT, Present Value	$52,387,170	$71,660,607
Less: Estimated PILOT Tax Payments, Present Value	(26,176,430)	(36,666,964)
Real Property Tax Abatement, Present Value	$26,210,740	$34,993,643
Estimated Financial Assistance Requested, Total	$33,432,137	$42,215,040

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	$5,723,450	$5,723,450
MRTE Savings	$1,497,947	$1,497,947
PILOT Savings	$26,210,740	$34,993,643
Total Estimated Tax Exemptions	$33,432,137	$42,215,040
Estimated Tax Credits and Grants		
Brownfield Tax Credit, not factored into a prevailing wage calculation		
Total Estimated Public Benefits	$33,432,137	$42,215,040
Estimated Ratios of Public Benefits to Project Costs		
Total Project Cost	$226,961,620	$226,961,620
% Benefits to Cost	14.73%	18.60%

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 to be financially feasible, and that the rates of return to the Applicant are at or below current market expectations. Without Agency financial assistance, the Project is unlikely to be built and to operate. This finding holds for either PILOT.

This report considers the Project as if it were a standalone investment, and notes that even with Agency assistance, estimated returns are far enough below market expectations that as the sole investment, the Project would be unlikely to be built, but there are benefits from the entire Westchester Crossing project. The following are important considerations:

1. 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. No direct revenue, that might pay for the work, is generated by the site preparation itself, as all future revenue will come from the specific developments such as Residential 2.
2. Residential 2 has a larger budget, and therefore more debt, than a true standalone project because the purchase price of the parcel is increased in order to help pay a portion of the costs for necessary site preparation and infrastructure for all of the Westchester Crossing plan. The higher debt costs depress the annual earnings and the estimated returns to levels below what would otherwise be generated by Project operations.
3. Storrs Associates finds that the completion and operation of the Residential 2 Project is necessary for the Applicant's $124 million investment in site readiness for the full Westchester Crossing development. Residential 2 is an integral component of the development plan.

Storrs Associates therefore recommends that the Agency evaluate the Residential 2 assistance in light of the full Westchester Crossing project.

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 3.52% with a Standard PILOT. An Enhanced PILOT of 20 years is estimated to return 4.43% over the first 15 years and 5.73% over the full 20 years. Using a 15-year Treasury yield of 4.38% as a hurdle rate shows the Enhanced PILOT clears the hurdle but neither meets the lowest Equity Dividend Rate of 4.63%* in that time period. As noted above, the Project's critical role in paying for the site work increases its debt and depresses performance.

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 show a net loss of more than $7 million after 15 years with no PILOT. The larger abatement from an Enhanced PILOT improves cash flow at Year 15 when compared with the Standard PILOT. No capital gain is expected because the estimated sale price at the end of 15 or 20 years is estimated to be insufficient to repay the outstanding debt, which is interest-only and therefore principal does not decline over time.

Debt Service Coverage is weak in the early years both scenarios, but with the Enhanced PILOT the Project meets the minimum benchmark.

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	$226,961,620	$226,961,620	$226,961,620
Initial Equity	90,784,648	90,784,648	90,784,648
Initial Equity as a % of Project Costs	40.00%	40.00%	40.00%
Cash on Cash Return, Equity Dividend Benchmark for 1 Year Out is 4.64% to 13.59%, Average of 8.67%			
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	2.25%	2.51%	-0.36%
Year 10	2.81%	3.37%	1.30%
Year 15	3.52%	4.43%	3.25%
Year 20	5.52%	5.73%	5.52%
Summary Return Measures			
Net Cashflow by Year 15	$19,104,680	$25,129,517	-$7,106,061
Net Cashflow by End of PILOT	$19,104,680	$48,691,068	$13,697,424
End of PILOT Capital Gain after Debt Payoff	-$25,318,956	-$16,751,405	-$16,751,405
Internal Rate of Return	<0%	<0%	<0%
Debt Service Coverage Ratios, Benchmark 1.25 to 1.86, Average 1.56			
Average	1.20	1.36	1.13
Minimum	-0.45	-0.45	-0.96

Benchmarks: RealtyRates, Federal Reserve Bank of St. Louis

* The Equity Dividend Rate is a weighted average of market benchmarks for the housing and commercial components of the Project.

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.

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	$5,723,450	$5,723,450
Mortgage Recording Tax	1,497,947	1,497,947
Real Property Tax on Completed Project	52,387,170	71,660,607
Less: Property Tax Revenue on Base Value	(2,075,405)	(2,838,954)
Net Fiscal Benefits	$57,533,162	$76,043,049
Fiscal Costs (Foregone Revenue)		
Construction Sales Tax	($5,723,450)	($5,723,450)
Mortgage Recording Tax	(1,497,947)	(1,497,947)
Property Tax	(26,210,740)	(34,993,643)
Total Costs of Financial Assistance	($33,432,137)	($42,215,040)
Benefit to Cost Ratio	**1.72**	**1.80**
Net Fiscal Benefit	**$24,101,025**	**$33,828,009**

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

Table 4b

Estimated Community Benefit Contributions	
Density Bonus	$1,500,000
Public School Aged Children Fee	830,000
Parkland Fee	775,000
City of Rye Traffic Mitigation	187,000
Total	**$3,292,000**

Table 4c

Rent Savings for Households in Affordable Units

	Households	Per Household Annual Savings	Gross Annual Savings to Households
Studio	6	$7,176	$43,056
1BR	22	$12,252	$269,544
2BR	12	$27,924	$335,088
	40		$647,688

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. Per-unit rents are shown on the next page. The following factors were reviewed and found to be reasonable:

- The Applicant expects a two year ramp-up period to full operation and occupancy.
- After stabilization, the Applicant expects income to increase at an average rate of 3.0% per year, below the 3.7% effective rent growth reported by CoStar for Northern Westchester County. Operating expenses are expected to increase at the same rate, and debt service is a fixed interest-only payment. These projections indicate steady operations and increased profitability as fixed expense (debt service) declines as a percentage of income, improving annual cash flow even as the PILOT payments increase each year.
- Net Operating Income (NOI) after Debt Service is negative in years 1 and 2 with and without a PILOT, because the Applicant does not expect the building to be fully occupied. Without any PILOT, cash losses in years 1 and 2 are estimated to total $19.1 million, and extend through year 6, making the Project financially unfeasible.

  With either PILOT a smaller loss of just over $13 million is made up no later than year 9; the Standard PILOT shows a cumulative gain of $2 million by that point, and the Enhanced a cumulative gain of $1 million by year 8.
- Expenses are below the benchmark in both PILOT scenarios, indicating that the cost of operations is not excessive when real property taxes are abated. This also demonstrates that the PILOT meaningfully reduces annual costs and improves financial performance.
- Vacancy for housing is estimated by the Applicant to be 5% after stabilization, consistent with CoStar's estimate.
- Commercial vacancy is also expected to be 5%, higher than the 2.5% rate reported by CoStar for the East I-287 Corridor market.

Table 5

Comparison of Operating Results, Year 5

	Section 6 Standard PILOT, 15 Yrs	Section 6 Enhanced PILOT, 20 Yrs	No PILOT, 20 Yrs
Net Operating Income			
EGI: Operating Income after Vacancy	$13,695,037	$13,695,037	$13,695,037
Less: Operating Expenses	(4,158,358)	(3,930,686)	(6,532,659)
Non-Tax Operating Expenses and Reserve	*(3,146,025)*	*(3,146,025)*	*(3,146,025)*
Real Property Tax Expense	*(1,012,333)*	*(784,661)*	*(3,386,634)*
Net Operating Income (NOI)	$9,536,678	$9,764,351	$7,162,377
Net Income after Debt Service			
Debt Service	($7,489,733)	($7,489,733)	($7,489,733)
Net Operating Income after Debt Service	$2,046,945	$2,274,618	($327,356)
NOI after Debt Service as a % of EGI	15%	17%	-2%
Non-Tax Operating Expenses as a % of EGI	23%	23%	23%
Real Property Tax Expense as a % of EGI	7%	6%	25%
Debt Service as a % of EGI	55%	55%	55%
Expense Ratio, Should be below Benchmark of 47.23%	30%	29%	48%

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. No such concerns have been identified.

PROJECT RENT SUBMITTED BY APPLICANT

Table 6a

Residential Unit Rent and Household Income, First Year

Unit Type	# of Units	Square Feet per Unit	Per Unit Monthly Rent	Total Monthly Rent	Per Unit Annual Rent	Annual Rent per SF	Estimated Household Income (1)	Gross Rental Income
Market Rate Units								
Studio	52	510	$2,020	$105,040	$24,240	$47.53	$80,800	$1,260,480
1BR	173	778	$2,535	$438,555	$30,420	$39.10	$101,400	$5,262,660
2BR	91	1,275	$3,920	$356,720	$47,040	$36.89	$156,800	$4,280,640
Subtotals	316							$10,803,780
Income-Restricted to No More Than 60% of Area Median Income (2)								
Studio	6	500	$1,422	$8,532	$17,064	$34.13	$56,880	$102,384
1BR	22	727	$1,514	$33,308	$18,168	$24.99	$60,560	$399,696
2BR	12	1,225	$1,593	$19,116	$19,116	$15.60	$63,720	$229,392
Subtotals	40							$731,472
Totals	356							$11,535,252

(1) Income needed to pay no more than 30% on rent, calculated by Storrs Associates. Income for restricted units per note 2.

(2) Maximum Income based on Westchester County 2023 Income & Rent Program Guidelines Area Median Income (AMI) Sales & Rent Limits

Table 6b

Commercial Rent, First Year Revenue

Retail/Restaurant, SF	2,841	$35.00 per SF	$99,435
Parking, Spaces	386	$175 per Month	$754,500
Total			$853,935

Financing Plan

Capital Structure

The capital structure is 40% equity and 60% debt. As shown in Table 7a, 57% 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 Residential 2 and other "built" projects are begun, an individual project will acquire a parcel of property. This will pay back funding for the site work. Residential 2's acquisition price of $62.9 million (Table 7a) will pay approximately 50% of the $124 million of costs for site work. As noted above, the Residential 2 Project therefore pays a higher property acquisition price: $62.9 million represents 28% of the total project costs. This cost increases the size of the mortgage, which increases debt service, and makes a hypothetical sale in 15 or 20 years unfeasible, as proceeds are not estimated to be sufficient to repay the mortgage.

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.

At Project completion, loan-to-value 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 not be sufficient pay off the principal on the mortgage or generate a capital gain.

Table 7a

Sources and Uses of Funds	Amount	Percent
Debt		
Mortgage	$136,176,972	60%
Equity		
Developer equity	9,078,465	4%
LP Equity	81,706,183	36%
Total Sources	**$226,961,620**	**100%**
Uses of Funds		
Total Construction Costs	$128,380,000	57%
Total Soft Costs	17,896,000	8%
Total Property Acquisition	62,857,620	28%
Total Financing Costs	17,828,000	8%
Total Uses	**$226,961,620**	**100%**

Source: Applicant

Table 7b

Financing Terms, Long Term Debt		
Principal after Construction Loan Payoff	$136,176,972	
Interest Rate	5.50%	
Term in Years	30	
Interest Only Period	Life of Loan	
Loan to Value at Completion	151%	
Market Value, Appreciation of 1.5% per Year	15 Years	20 Years
Anticipated Market Value after 15 Years	$110,858,016	$119,425,567
Less: Principal Outstanding	(136,176,972)	(136,176,972)
Estimated Sale Proceeds	-$25,318,956	-$16,751,405
Loan to Value	123%	114%

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

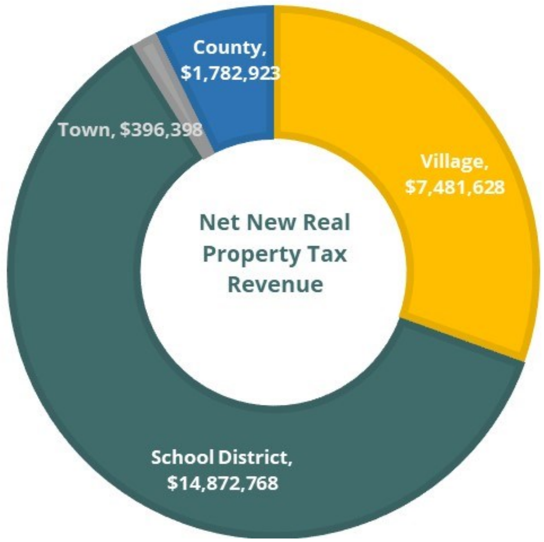

Table 8a

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

	Village	School District	Town	County	All Jurisdictions
Taxes without PILOT	$15,975,619	$31,758,017	$846,435	$3,807,100	$52,387,170
Less: PILOT Payments	(7,982,578)	(15,868,608)	(422,940)	(1,902,303)	(26,176,430)
Foregone Revenue	$7,993,041	$15,889,408	$423,495	$1,904,797	$26,210,740
Abatement Percent	50%	50%	50%	50%	50%
Net New Taxes Compared with No Project					
PILOT Payments	$7,982,578	$15,868,608	$422,940	$1,902,303	$26,176,430
Less: Taxes without Project	(500,950)	(995,840)	(26,542)	(119,380)	(1,642,711)
Net New Tax Revenue	$7,481,628	$14,872,768	$396,398	$1,782,923	$24,533,719

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, Estimated by Assessor	$90,000,000	Full Taxes without PILOT	$52,387,170	100%
Less: Current Value	-$3,565,500	Less: PILOT Payments	-$26,176,430	50%
Calculated Added Value	$86,434,500	Foregone Revenue/Abatement	$26,210,740	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	$123,901	$0	$123,901	$123,901	$0	n/a	n/a
5/1/2025	Interim	125,140	0	125,140	125,140	0	n/a	n/a
5/1/2026	Interim	126,392	0	126,392	126,392	0	n/a	n/a
5/1/2027	Interim	127,655	0	127,655	127,655	0	n/a	n/a
5/1/2028	1	128,932	3,125,557	3,254,489	128,932	3,125,557	0%	100%
5/1/2029	2	130,221	3,156,813	3,287,034	351,198	2,935,836	7%	93%
5/1/2030	3	131,524	3,188,381	3,319,904	546,013	2,773,891	13%	87%
5/1/2031	4	132,839	3,220,265	3,353,103	776,892	2,576,212	20%	80%
5/1/2032	5	134,167	3,252,467	3,386,634	1,012,333	2,374,301	27%	73%
5/1/2033	6	135,509	3,284,992	3,420,501	1,219,556	2,200,945	33%	67%
5/1/2034	7	136,864	3,317,842	3,454,706	1,464,001	1,990,705	40%	60%
5/1/2035	8	138,233	3,351,020	3,489,253	1,713,212	1,776,041	47%	53%
5/1/2036	9	139,615	3,384,530	3,524,145	1,933,416	1,590,729	53%	47%
5/1/2037	10	141,011	3,418,376	3,559,387	2,192,036	1,367,350	60%	40%
5/1/2038	11	142,421	3,452,559	3,594,981	2,455,636	1,139,345	67%	33%
5/1/2039	12	143,845	3,487,085	3,630,930	2,689,417	941,513	73%	27%
5/1/2040	13	145,284	3,521,956	3,667,240	2,962,849	704,391	80%	20%
5/1/2041	14	146,737	3,557,175	3,703,912	3,241,479	462,433	87%	13%
5/1/2042	15	148,204	3,592,747	3,740,951	3,489,459	251,492	93%	7%
Total, Interim + PILOT Period		$2,578,493	$50,311,765	$52,890,258	$26,679,518	$26,210,740		
Total, PILOT Period Only		$2,075,405	$50,311,765	$52,387,170	$26,176,430	$26,210,740		
NPV, 3.0%		$1,642,711	$39,822,442	$41,465,153	$19,257,047	$22,208,106		

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

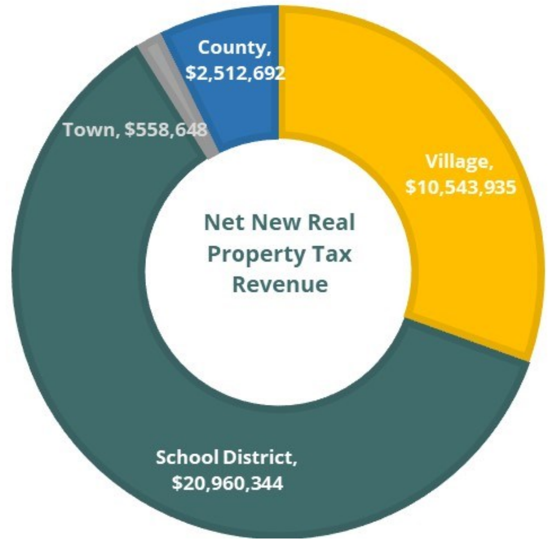

Table 9a

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

	Village	School District	Town	County	All Jurisdictions
Taxes without PILOT	$21,853,109	$43,441,910	$1,157,841	$5,207,746	$71,660,607
Less: PILOT Payments	(11,181,697)	(22,228,153)	(592,439)	(2,664,675)	(36,666,964)
Foregone Revenue	$10,671,413	$21,213,757	$565,402	$2,543,071	$34,993,643
Abatement Percent	49%	49%	49%	49%	49%

Net New Taxes Compared with No Project

	Village	School District	Town	County	All Jurisdictions
PILOT Payments	$11,181,697	$22,228,153	$592,439	$2,664,675	$36,666,964
Less: Taxes without Project	(637,761)	(1,267,809)	(33,790)	(151,983)	(2,091,344)
Net New Tax Revenue	$10,543,935	$20,960,344	$558,648	$2,512,692	$34,575,620

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, Estimated by Assessor	$90,000,000	Full Taxes without PILOT	$71,660,607	100%
Less: Current Value	-$3,565,500	Less: PILOT Payments	-$36,666,964	51%
Calculated Added Value	$86,434,500	Foregone Revenue/Abatement	$34,993,643	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	$0	$0	$0	$123,901	$0	n/a	n/a
5/1/2025	Interim	0	0	0	125,140	0	n/a	n/a
5/1/2026	Interim	0	0	0	126,392	0	n/a	n/a
5/1/2027	Interim	0	0	0	127,655	0	n/a	n/a
5/1/2028	1	128,932	3,125,557	3,254,489	128,932	3,125,557	0%	100%
5/1/2029	2	130,221	3,156,813	3,287,034	288,062	2,998,972	5%	95%
5/1/2030	3	131,524	3,188,381	3,319,904	450,362	2,869,543	10%	90%
5/1/2031	4	132,839	3,220,265	3,353,103	615,878	2,737,225	15%	85%
5/1/2032	5	134,167	3,252,467	3,386,634	784,661	2,601,974	20%	80%
5/1/2033	6	135,509	3,284,992	3,420,501	956,757	2,463,744	25%	75%
5/1/2034	7	136,864	3,317,842	3,454,706	1,132,216	2,322,489	30%	70%
5/1/2035	8	138,233	3,351,020	3,489,253	1,311,090	2,178,163	35%	65%
5/1/2036	9	139,615	3,384,530	3,524,145	1,493,427	2,030,718	40%	60%
5/1/2037	10	141,011	3,418,376	3,559,387	1,679,280	1,880,107	45%	55%
5/1/2038	11	142,421	3,452,559	3,594,981	1,868,701	1,726,280	50%	50%
5/1/2039	12	143,845	3,487,085	3,630,930	2,061,742	1,569,188	55%	45%
5/1/2040	13	145,284	3,521,956	3,667,240	2,258,457	1,408,782	60%	40%
5/1/2041	14	146,737	3,557,175	3,703,912	2,458,901	1,245,011	65%	35%
5/1/2042	15	148,204	3,592,747	3,740,951	2,663,127	1,077,824	70%	30%
5/1/2043	16	149,686	3,628,675	3,778,361	2,871,192	907,169	75%	25%
5/1/2044	17	151,183	3,664,961	3,816,144	3,083,152	732,992	80%	20%
5/1/2045	18	152,695	3,701,611	3,854,306	3,299,064	555,242	85%	15%
5/1/2046	19	154,222	3,738,627	3,892,849	3,518,986	373,863	90%	10%
5/1/2047	20	155,764	3,776,013	3,931,777	3,742,977	188,801	95%	5%
Total, Interim + PILOT Period		$2,838,954	$68,821,653	$71,660,607	$37,170,052	$34,993,643		
Total, PILOT Period Only		$2,838,954	$68,821,653	$71,660,607	$36,666,964	$34,993,643		
NPV, 3.0%		$2,091,344	$50,698,154	$52,789,498	$24,524,485	$28,265,013		

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

CoStar is an industry leader in commercial real estate information, analytics, and news. It provides clients both data and research tools to understand transactions, trends, assets, and market players down to individual community levels. Data ranges from market overviews of rents, Market Capitalization, occupancy, and net income, to fine-grained data on individual buildings, including loan performance and tax assessments.

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 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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ASSOCIATES