

# Reasonableness Assessment for Financial Assistance

TARRY LIGHTHOUSE PROJECT  
NORTH MAIN STREET, PORT CHESTER

Village of Port Chester  
Industrial Development Agency

JUNE 9, 2021

PREPARED BY:



**Storrs Associates, LLC**

# Purpose of a Reasonableness Assessment

Is there a good balance between benefits to the Village, and benefits to the Project?

- ◆ *Review Operating Assumptions*
- ◆ *Test Need for Assistance*
- ◆ *Benchmark Investment Returns for Reasonableness*

Camoin 310 and Storrs Associates conducted an objective, 3<sup>rd</sup> party review using benchmarks from CoStar and RealtyRates.com

**Conclusion: assistance is necessary and reasonable**

# Tarry Lighthouse Project



**209 apartments,  
10% affordable**



**27,905 square feet  
of retail or dining**



**271 parking spaces**



**Economic Impact**  
**155 jobs (Application)**  
**\$71,453,000 invested**



- ◆ **PILOT reducing taxes by 34% or 42%, full taxes after 20 years**
- ◆ **Mortgage recording tax abatement**
- ◆ **Sales tax abatement on construction materials**

# Questions for Board Members

Should assistance be awarded?

Which PILOT?

Residential

Commercial

## Residential UTEP

	Term = 20 Years	Taxes	Percent of Full Taxes
Full Taxes	\$	43,730,074	100%
Less: PILOT Pmts	\$	(28,888,518)	66%
<b>= Abatement</b>	<b>\$</b>	<b>14,841,557</b>	<b>34%</b>

## Residential UTEP

- ◆ Includes full taxes on Base Value
- ◆ Allows for 2-year construction period
- ◆ Year 3 is 50% of full taxes on Added Value
- ◆ Rises to 95% by year 20
- ◆ Total abatement is 34%

Residential UTEP Comparison to Full Taxes				
PILOT Year	<u>B</u> Estimated PILOT Payment (Base + Added)	<u>C = A - B</u> Abatement / Foregone revenue: Full taxes - PILOT	<u>D = B/A</u> PILOT as a % of Full Taxes	<u>E = C/A</u> Abatement/ Foregone Revenue as a % of Full Taxes
1	\$414,236	\$1,385,550	10%	90%
2	736,579	1,099,203	30%	70%
3	1,071,650	800,848	50%	50%
4	1,093,083	816,865	50%	50%
5	1,114,944	833,202	50%	50%
6	1,137,243	849,866	50%	50%
7	1,159,988	866,864	50%	50%
8	1,183,188	884,201	50%	50%
9	1,206,852	901,885	50%	50%
10	1,230,989	919,923	50%	50%
11	1,255,609	938,321	50%	50%
12	1,376,429	861,379	55%	45%
13	1,501,581	780,983	60%	40%
14	1,631,188	697,028	65%	35%
15	1,765,379	609,401	70%	30%
16	1,904,284	517,991	75%	25%
17	2,048,040	422,681	80%	20%
18	2,196,785	323,351	85%	15%
19	2,350,660	219,879	90%	10%
20	2,509,811	112,138	95%	5%
<b>Totals</b>	<b>\$28,888,518</b>	<b>\$14,841,557</b>	<b>66%</b>	<b>34%</b>

## Commercial UTEP

	Term = 20 Years	Taxes	Percent of Full Taxes
Full Taxes	\$	43,730,074	100%
Less: PILOT Pmts	\$	(25,320,282)	58%
<b>= Abatement</b>	<b>\$</b>	<b>18,409,792</b>	<b>42%</b>

## Commercial UTEP

- ◆ Includes full taxes on Base Value
- ◆ Year 1 is 0% of full taxes on Added Value
- ◆ Rises to 95% by year 20
- ◆ Total abatement is 42%

Commercial UTEP Comparison to Full Taxes				
PILOT Year	<u>B</u> Estimated PILOT Payment (Base + Added)	<u>C = A - B</u> Abatement/ Foregone revenue: Full taxes - PILOT	<u>D = B/A</u> PILOT as a % of Full Taxes	<u>E = C/A</u> Abatement/ Foregone Revenue as a % of Full Taxes
1	\$260,286	\$1,539,500	0%	100%
2	344,007	1,491,776	5%	95%
3	430,971	1,441,526	10%	90%
4	521,277	1,388,670	15%	85%
5	615,023	1,333,123	20%	80%
6	712,310	1,274,799	25%	75%
7	813,243	1,213,609	30%	70%
8	917,928	1,149,461	35%	65%
9	1,026,475	1,082,262	40%	60%
10	1,138,997	1,011,915	45%	55%
11	1,255,609	938,321	50%	50%
12	1,376,429	861,379	55%	45%
13	1,501,581	780,983	60%	40%
14	1,631,188	697,028	65%	35%
15	1,765,379	609,401	70%	30%
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20	2,509,811	112,138	95%	5%
<b>Totals</b>	<b>\$25,320,282</b>	<b>\$18,409,792</b>	<b>58%</b>	<b>42%</b>

# Project Financial Performance

Returns are within Market Benchmarks

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	<u>Residential PILOT</u>	<u>Commercial PILOT</u>	<u>No PILOT</u>	<u>Benchmark</u>
<u>Equity Dividend Rates</u>				
Average, 20 Years	6.55%	7.64%	2.04%	6.17% to 17.82%
<u>Cumulative Cash Flow</u>				
End of Year 20	\$21,555,987	\$25,124,223	\$6,714,431	Positive, growing
<u>Debt Service Coverage</u>				
Average	1.29	1.34	1.09	1.35 to 1.86

Benchmarks from RealtyRates for Q1 2021

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# Project Operating Performance

Assumptions are within Regional Norms

Operations Snapshot, Year 5, Residential PILOT					
	Project Performance	Project Performance as a % of Income	Benchmark Performance	Benchmark Source	Evaluation
<u>Calculation of Net Operating Income, Apartments</u>					
Gross Operating Income	\$6,686,664	n/a	n/a		n/a
Vacancy Rate and Concessions	9%	n/a	7.9% to 10%	CoStar, Camoin 310	Within Range
<u>Calculation of Net Operating Income, Retail and Parking</u>					
Gross Operating Income	\$1,843,276	n/a	n/a	n/a	n/a
Vacancy Rate	5%	n/a	4.80%	CoStar	Within Range
Effective Gross Income (EGI), All Uses (1)	\$ 7,811,904	92%	91%	RealtyRates	Within Range
Operating Expenses and Reserve	\$(2,157,698)	25%	44%	RealtyRates	More Efficient
<u>Real Property Taxes</u>	<u>\$ (1,114,944)</u>	<u>13%</u>	<u>n/a</u>	n/a	n/a
Net Operating Income	\$ 4,539,262	68%	56%	RealtyRates	More Efficient
Less: Debt Service	\$ (3,955,033)	n/a	n/a		
Cashflow after Operating Costs, Taxes, Debt	\$584,230	7%	n/a	n/a	n/a

Source: Applicant. Benchmarks from RealtyRates. Evaluation by Storrs Associates.

(1) Net of vacancy and concessions.



# Project Operating Performance

Assumptions are within Regional Norms

Operations Snapshot, Year 5, Commercial PILOT					
	Project Performance	Project Performance as a % of Income	Benchmark Performance	Benchmark Source	Evaluation
<u>Calculation of Net Operating Income</u>					
Gross Operating Income	\$6,686,664	n/a			n/a
Vacancy Rate	9%	n/a	7.9% to 10%	CoStar, Camoin 310	Within Range
<u>Calculation of Net Operating Income, Retail and Parking</u>					
Gross Operating Income	\$1,751,112	n/a	n/a	n/a	n/a
Vacancy Rate	5%	n/a	4.80%	CoStar	Within Range
Effective Gross Income (EGI), All Uses (1)	\$7,811,904	93%	91%	RealtyRates	Within Range
Operating Expenses and Reserve	\$(2,157,698)	26%	44%	RealtyRates	More Efficient
<u>Real Property Taxes</u>	<u>\$(615,023)</u>	<u>7%</u>	<u>n/a</u>	n/a	n/a
Net Operating Income	\$5,039,184	75%	56%	RealtyRates	More Efficient
Less: Debt Service	\$(3,955,033)	n/a	n/a		
Cashflow after Operating Costs, Taxes, Debt	\$1,084,151	13%	n/a	n/a	n/a

Source: Applicant. Benchmarks from RealtyRates. Evaluation by Storrs Associates.

(1) Net of vacancy and concessions.

# Rent Costs

## Apartment Unit Type, Rent, and Household Income

	<u>Unit Type</u>	<u>Number of Units</u>	<u>Rent/Month</u>	<u>Rent/Year</u>	<u>Estimated Household Income (1)</u>	<u>Evaluation (2)</u>
Market Rate, 90% of Units	Studio	66	\$2,014	\$1,595,088	\$80,560	50% of Households in Westchester County Can Pay These Rents
	1BR	76	\$2,568	\$2,342,016	\$102,720	
	2BR	46	\$3,484	\$1,923,168	\$139,360	
Market Rate Weighted Average Rent per Month			\$2,598			
Westchester County Rent per Month, 2021 est.			\$2,231	(\$2.62/SF)		Affordable at 60% Area Median Income
Affordable, 10% of Units	Studio (1 person)	8	\$1,101	\$105,696	\$44,040	\$52,660
	1BR (2 persons)	9	\$1,259	\$135,972	\$50,360	\$60,420
	2BR (3 persons)	4	\$1,573	\$75,504	\$62,920	\$67,980
<b>Total</b>		<b>209</b>	<b>\$514,787</b>	<b>\$6,177,444</b>		

Source of rent and vacancy: Applicant. Vacancy Rates from CoStar 2021 estimates for Westchester County.

(1) Income needed to pay no more than 30% on rent, calculated by Storrs Associates

(2) Westchester County Median Household Income is \$98,187. 50% of households earn at least this amount and can afford a studio. 32.3% earn at least \$150,000. Source: Esri.

# Rent Costs

## Retail Square Footage and Rent, and Parking Use

Retail	<u>Square Feet (SF)</u>	<u>Rent/SF</u>	<u>Rent/Year</u>	<b>Evaluation Using CoStar</b>
Project Total Retail	27,905	\$ 30	\$837,150	Within Range
Westchester County Rent/SF, 2021 est.		\$ 30		
Vacancy Rate	5%			Within Range
Parking	<u>Spaces</u>	<u>Rent/Month</u>	<u>Rent/Year</u>	
Residential Monthly	271	\$ 150	\$487,800	n/a
Retail Monthly-Daytime	181	\$ 140	\$304,080	n/a
Retail Monthly-Nighttime	114	\$ 54	\$73,872	n/a
Total Parking			\$865,752	
Vacancy Rate	5%			Within Range

Source of rent and vacancy: Applicant. Vacancy Rates from CoStar 2021 estimates for Westchester County.

## THE PROJECT TEAM

Rachel Selsky  
*Vice President, Camoin 310*

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Leading action to  
grow your economy



**Storrs Associates, LLC**