

PREPARED FOR:

Tompkins County Industrial Development Agency
119 East Seneca Street, Suite 200
Ithaca, NY 14850

Reasonableness Assessment for Financial Assistance - DRAFT

SHIFT CHAINWORKS OWNER 1, LLC – SOUTHWORKS PROJECT

AUGUST 2024

PREPARED BY:



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EXECUTIVE SUMMARY

Project Description

The Tompkins County Industrial Development Agency (Agency) received an application from Shift Chainworks Owner 1, LLC (Applicant) for financial assistance to construct a major mixed-use development known as the SouthWorks Project (Project) in the City and Town of Ithaca. The project will feature 915 housing units, 450,000 square feet of commercial use, and 250,000 square feet of industrial and manufacturing use.

The Project represents a nearly \$588 million investment and is anticipated by the Applicant to generate 1,115 full-time permanent jobs upon full build-out. To support this project, the Applicant requests financial assistance through a Payment In Lieu of Taxes (PILOT) agreement. The analysis compares two different PILOT schedules. The Requested PILOT phases the improvement value over the period of 20 years, starting at 90% in year one and going to 20% in year 20. The Standard PILOT phases the improvement value in over a period of 10 years, starting at 100% abatement in year 1 with 0% abatement in years 11-20. The provided PILOT scenarios are estimates to be used for analysis; the actual timing and value of the PILOT will be determined based on the phases of development.

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:

- **Most of the assumptions are in line with local and regional benchmarks; however, for purposes of the analysis, the vacancy rate was adjusted from between 1-5% to 2% for the residential component ~~and residential rent is~~, and residential rent was increased by 4% each year from 2%.**
- **The Project is cash flow positive without a PILOT and when considering the two PILOT scenarios.**
- **The rate of return to the Applicant is enough to meet market expectations under ~~both PILOT scenarios~~ all three scenarios, however it is best under the Requested PILOT.**

1. OPERATING ASSUMPTIONS

The Applicant’s operating assumptions are compared to CoStar estimates for rent in 2023 in Tompkins County. The provided rent per square foot for office and commercial space is very close to the average for the county. The provided rent per square foot for residential and manufacturing uses is slightly higher than the average for the area. However, closer inspection indicates that these rates are reasonable for the following reasons:

- Residential: The average rent for Tompkins County figure is across the entire county and does not account for the much higher rent per square foot generated for residential uses within the downtown area, where the Project will be. Therefore, the higher residential rent asked for in the Project aligns with market expectations.
- Manufacturing: The manufacturing space average rent is looking at more traditional manufacturing space throughout the county. The Project will more closely resemble flex/R&D space with higher office build-outs and smaller unit sizes with higher per square foot costs.

Residential and Commercial Rent Comparison

Type of Use	Square Feet	Rent per Square Foot (1)	Rent per Year	Average for Tompkins County (2)	Benchmarks
Residential	939,590	\$3.53	\$39,757,050	\$2.12	Rent is 1.66 times the average rent
Office	130,528	\$20.00	\$2,610,550	\$23.20	Rent is .86 times the average rent
Commercial	34,765	\$23.00	\$799,595	\$23.87	Rent is .96 times the average rent
Manufacturing	205,530	\$10.00	\$2,055,300	\$6.50	Rent is 1.54 times the average rent

(1) Source: Applicant

(2) Source: CoStar, 2023 data

2. PILOT ANALYSIS

The following table compares the property tax payments made under three scenarios

1. No PILOT: The Project occurs, there is no PILOT, and full taxes are paid.
2. Requested PILOT: The Project occurs and is awarded the requested 20-year PILOT schedule.
3. Standard PILOT: The Project occurs and is awarded the standard 10-year PILOT schedule and pays full taxes starting in year 11.

Property Tax Comparison

Year	No PILOT	Requested PILOT	Standard PILOT
1	\$ 4,520,360	\$ 545,441	\$ 103,783
2	\$ 4,610,767	\$ 556,350	\$ 556,350
3	\$ 4,702,982	\$ 567,477	\$ 1,026,977
4	\$ 4,797,042	\$ 578,826	\$ 1,516,207
5	\$ 4,892,983	\$ 590,403	\$ 2,024,596
6	\$ 4,990,842	\$ 1,089,837	\$ 2,552,714
7	\$ 5,090,659	\$ 1,111,633	\$ 3,101,146
8	\$ 5,192,472	\$ 1,133,866	\$ 3,670,495
9	\$ 5,296,322	\$ 1,674,016	\$ 4,261,377
10	\$ 5,402,248	\$ 1,707,496	\$ 4,874,426
11	\$ 5,510,293	\$ 2,280,024	\$ 5,510,293
12	\$ 5,620,499	\$ 2,325,624	\$ 5,620,499
13	\$ 5,732,909	\$ 2,932,266	\$ 5,732,909
14	\$ 5,847,567	\$ 2,990,911	\$ 5,847,567
15	\$ 5,964,518	\$ 3,633,487	\$ 5,964,518
16	\$ 6,083,809	\$ 3,706,157	\$ 6,083,809
17	\$ 6,205,485	\$ 4,386,581	\$ 6,205,485
18	\$ 6,329,595	\$ 4,474,313	\$ 6,329,595
19	\$ 6,456,187	\$ 5,194,595	\$ 6,456,187
20	\$ 6,585,310	\$ 5,298,487	\$ 6,585,310
Total	\$ 109,832,848	\$ 46,777,788	\$ 84,024,244
Average Annual	\$ 5,491,642	\$ 2,338,889	\$ 4,201,212

Source: IDA, Camoin Associates

The following table calculates two things:

- (1) *How much of the taxes are being abated:* the difference between what the property would generate if the Project occurred and paid full taxes and what will be paid under the PILOT scenario.
- (2) *How much new revenue will the municipalities receive over the current revenue generated:* the difference between what the property would generate if the Project did not occur and what will be paid under the PILOT scenario.

Requested PILOT

- With the requested PILOT, 57% of the Applicant’s taxes will be abated, resulting in over \$63 million in foregone tax revenue to municipalities.
- With the requested PILOT, the municipalities will receive \$44.2 million more in taxes than they currently receive without the Project.

Standard PILOT

- With the standard PILOT, 23% of the Applicant’s taxes will be abated, resulting in over \$25.8 million in foregone tax revenue to municipalities.
- With the standard PILOT, the municipalities will receive \$81.5 million more in taxes than they currently receive without the Project.

Real Property Tax Comparison

	Requested PILOT	Standard PILOT
<u><i>Comparison of Taxes on Full Value of Project and with PILOT</i></u>		
Taxes without PILOT	\$109,832,848	\$ 109,832,848
Less: PILOT/Tax Payments	<u>(\$46,777,788)</u>	<u>(\$84,024,244)</u>
Foregone Revenue (Benefits to Project)	\$63,055,060	\$25,808,604
Abatement Percent	57%	23%
<u><i>Net New Taxes Compared with No Project</i></u>		
PILOT	\$46,777,788	\$84,024,244
Less: Estimated Taxes without Project	<u>(\$2,521,661)</u>	<u>(\$2,521,661)</u>
Estimated New Tax Revenue (Benefits to Municipalities)	\$44,256,127	\$81,502,583

The following tables provide more details regarding the benefits of PILOT to the Applicant and municipalities.

Requested PILOT and Tax Comparison (20 year PILOT)

Year	<i>Benefits to Municipalities</i>			<i>Benefit to Project</i>			
	Total Taxes Paid	Less: Current Tax Revenues	Net New Tax Revenues	Taxes Owed after Project Completion	Less: Total Taxes Paid	Estimated Savings to Project	Share of Estimated Taxes Owed
1	\$545,441	\$103,783	\$441,658	\$4,520,360	\$545,441	\$3,974,919	12%
2	556,350	105,859	450,491	\$4,610,767	556,350	4,054,417	12%
3	567,477	107,976	459,501	\$4,702,982	567,477	4,135,505	12%
4	578,826	110,136	468,691	\$4,797,042	578,826	4,218,215	12%
5	590,403	112,338	478,064	\$4,892,983	590,403	4,302,580	12%
6	1,089,837	114,585	975,251	\$4,990,842	1,089,837	3,901,006	22%
7	1,111,633	116,877	994,756	\$5,090,659	1,111,633	3,979,026	22%
8	1,133,866	119,214	1,014,652	\$5,192,472	1,133,866	4,058,606	22%
9	1,674,016	121,599	1,552,417	\$5,296,322	1,674,016	3,622,306	32%
10	1,707,496	124,031	1,583,465	\$5,402,248	1,707,496	3,694,752	32%
11	2,280,024	126,511	2,153,513	\$5,510,293	2,280,024	3,230,269	41%
12	2,325,624	129,041	2,196,583	\$5,620,499	2,325,624	3,294,874	41%
13	2,932,266	131,622	2,800,643	\$5,732,909	2,932,266	2,800,643	51%
14	2,990,911	134,255	2,856,656	\$5,847,567	2,990,911	2,856,656	51%
15	3,633,487	136,940	3,496,547	\$5,964,518	3,633,487	2,331,031	61%
16	3,706,157	139,679	3,566,478	\$6,083,809	3,706,157	2,377,652	61%
17	4,386,581	142,472	4,244,109	\$6,205,485	4,386,581	1,818,904	71%
18	4,474,313	145,322	4,328,991	\$6,329,595	4,474,313	1,855,282	71%
19	5,194,595	148,228	5,046,367	\$6,456,187	5,194,595	1,261,592	80%
20	5,298,487	151,193	5,147,294	\$6,585,310	5,298,487	1,286,824	80%
Totals	\$46,777,788	\$2,521,661	\$44,256,127	\$109,832,848	\$46,777,788	\$63,055,060	43%

Source: Applicant, Tompkins County IDA, Camoin Associates

Standard PILOT and Tax Comparison (20 year PILOT)

Year	<i>Benefits to Municipalities</i>			<i>Benefit to Project</i>			
	Total Taxes Paid	Less: Current Tax Revenues	Net New Tax Revenues	Taxes Owed after Project Completion	Less: PILOT Payments	Estimated Savings to Project	Share of Estimated Taxes Owed
1	\$103,783	\$103,783	\$0	\$4,520,360	\$103,783	\$4,416,576	2%
2	556,350	105,859	450,491	\$4,610,767	556,350	4,054,417	12%
3	1,026,977	107,976	919,001	\$4,702,982	1,026,977	3,676,005	22%
4	1,516,207	110,136	1,406,072	\$4,797,042	1,516,207	3,280,834	32%
5	2,024,596	112,338	1,912,258	\$4,892,983	2,024,596	2,868,387	41%
6	2,552,714	114,585	2,438,129	\$4,990,842	2,552,714	2,438,129	51%
7	3,101,146	116,877	2,984,269	\$5,090,659	3,101,146	1,989,513	61%
8	3,670,495	119,214	3,551,281	\$5,192,472	3,670,495	1,521,977	71%
9	4,261,377	121,599	4,139,778	\$5,296,322	4,261,377	1,034,945	80%
10	4,874,426	124,031	4,750,396	\$5,402,248	4,874,426	527,822	90%
11	5,510,293	126,511	5,383,782	\$5,510,293	5,510,293	0	100%
12	5,620,499	129,041	5,491,457	\$5,620,499	5,620,499	0	100%
13	5,732,909	131,622	5,601,287	\$5,732,909	5,732,909	0	100%
14	5,847,567	134,255	5,713,312	\$5,847,567	5,847,567	0	100%
15	5,964,518	136,940	5,827,579	\$5,964,518	5,964,518	0	100%
16	6,083,809	139,679	5,944,130	\$6,083,809	6,083,809	0	100%
17	6,205,485	142,472	6,063,013	\$6,205,485	6,205,485	0	100%
18	6,329,595	145,322	6,184,273	\$6,329,595	6,329,595	0	100%
19	6,456,187	148,228	6,307,958	\$6,456,187	6,456,187	0	100%
20	6,585,310	151,193	6,434,118	\$6,585,310	6,585,310	0	100%
Totals	\$84,024,244	\$2,521,661	\$81,502,583	\$ 109,832,848	\$84,024,244	\$25,808,604	77%

Source: Applicant, Tompkins County IDA, Camoin Associates

3. OPERATING PERFORMANCE

The operating performance of the Project is measured using Year 7 of the Applicant's Pro Forma under both PILOT scenarios (five years after the start of normal debt service payments in Year 3). The Applicant assumes that gross revenue and expenses will escalate at 2% per year, respectively. However, for the analysis, a 4% annual increase in residential rent and a 2% increase in non-residential rent were used to mirror current conditions.

Applicant assumes there will be between a 1% and 5% vacancy for the residential space is stabilized and approximately 8% vacancy for non-residential space. For purposes of the analysis, a 2% vacancy rate was used for the residential uses. Actual vacancy rates in downtown Ithaca are less than 3.7%, but even with the lower vacancy rate (and higher EGI), a PILOT is still required to achieve industry expectations around The applicant assumes there will be between a 1% and 5% vacancy for the stabilized residential space and approximately 8% vacancy for non-residential space. For purposes of the analysis, a 2% vacancy rate was used for residential uses. Actual vacancy rates in downtown Ithaca are less than 3.7%, but even with the lower vacancy rate (and higher EGI), a PILOT is still required to achieve industry expectations around the rate of return.

Operating expenses are slightly lower than the benchmarks, but within range. Debt service absorbs 47.47% of income. Real property taxes absorb 2% of project income with the requested PILOT. Real property taxes absorb 65% of project income with the standard PILOT. Both PILOTs deliver net operating income as a percentage of gross income that is within range of the industry benchmarks.

Operations Snapshot, Year 7

	Requested PILOT				Standard PILOT			
	Project Performance (1)	Share of Gross Operating Income	Benchmark Performance (2)	Evaluation	Project Performance (1)	Share of Gross Operating Income	Benchmark Performance (2)	Evaluation
<u>Calculation of Net Operating Income Residential</u>								
Gross Operating Income	\$50,305,351	89%	n/a	n/a	\$50,305,351	89%	n/a	n/a
Vacancy Rate and Concessions	2.0%	n/a	3.7%	Within range	2.0%	n/a	3.7%	Within range
<u>Calculation of Net Operating Income, Non-Residential</u>								
Gross Operating Income	\$6,154,979	11%	n/a	n/a	\$6,154,979	11%	n/a	n/a
Vacancy Rate	8%	n/a	9.30%	Within range	8%	n/a	9.30%	Within range
Effective Gross Income (EGI), All Uses (3)	\$54,954,455	97%	96%	Within range	\$54,954,455	97%	96%	Within range
Less: Operating Expenses and Reserve	(\$20,282,557)	36%	50%	Within range	(\$20,282,557)	36%	50%	Within range
<u>Less: Real Property Taxes (with PILOT)</u>	<u>(\$1,111,633)</u>	<u>2%</u>	<u>n/a</u>	<u>n/a</u>	<u>(\$3,101,146)</u>	<u>5%</u>	<u>n/a</u>	<u>n/a</u>
Net Operating Income	\$33,560,265	67%	48%	Within range	\$31,570,752	63%	48%	Within range
Less: Debt Service	<u>(\$26,756,316)</u>	47%	n/a	n/a	<u>(\$26,756,316)</u>	47%	n/a	n/a
Cashflow after Operating Costs, Taxes, Debt	\$6,803,950	12%	n/a	n/a	\$4,814,437	9%	n/a	n/a

(1) Source: Applicant

(2) Source: RealtyRates Q1 2024 for Northeast Region

(3) Net of vacancy and concessions

Operations Snapshot, Year 7								
	Requested PILOT				Standard PILOT			
	Project Performance (1)	Share of Gross Operating Income	Benchmark Performance (2)	Evaluation	Project Performance (1)	Share of Gross Operating Income	Benchmark Performance (2)	Evaluation
<u>Calculation of Net Operating Income Residential</u>								
Gross Operating Income	\$44,772,896	88%	n/a	n/a	\$44,772,896	88%	n/a	n/a
Vacancy Rate and Concessions	1.0%	n/a	3.7%	Within range	1.0%	n/a	3.7%	Within range
<u>Calculation of Net Operating Income, Non-Residential</u>								
Gross Operating Income	\$6,154,979	12%	n/a	n/a	\$6,154,979	12%	n/a	n/a
Vacancy Rate	8%	n/a	9.30%	Within range	8%	n/a	9.30%	Within range
Effective Gross Income (EGI), All Uses (3)	\$48,189,462	95%	96%	Within range	\$48,189,462	95%	96%	Within range
Less: Operating Expenses and Reserve	(\$20,282,557)	40%	50%	Within range	(\$20,282,557)	40%	50%	Within range
<u>Less: Real Property Taxes (with PILOT)</u>	<u>(\$1,111,633)</u>	<u>2%</u>	<u>n/a</u>	<u>n/a</u>	<u>(\$3,101,146)</u>	<u>6%</u>	<u>n/a</u>	<u>n/a</u>
Net Operating Income	\$26,795,272	60%	48%	Within range	\$24,805,759	55%	48%	Within range
Less: Debt Service	<u>(\$26,756,316)</u>	53%	n/a	n/a	<u>(\$26,756,316)</u>	53%	n/a	n/a
Cashflow after Operating Costs, Taxes, Debt	\$38,956	0%	n/a	n/a	(\$1,950,557)	-4%	n/a	n/a

(1) Source: Applicant

(2) Source: RealtyRates Q1 2024 for Northeast Region

(3) Net of vacancy and concessions

4. 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 range of benchmarks.

Sources and Uses of Funds		
<u>Sources of Funds</u>	<u>Amount (1)</u>	<u>Share</u>
Bank Financing	\$352,761,553	60%
Low-Income Housing Tax Credits (LIHTC)	\$10,000,000	2%
Other	\$43,200,000	7%
<u>Equity and Working Capital</u>	<u>\$181,974,368</u>	<u>31%</u>
Total Sources	\$587,935,921	100%
<u>Uses of Funds</u>		
Total Acquisition and Transaction Costs	\$46,431,575	8%
Total Construction Costs	\$499,172,960	85%
<u>Financing Costs</u>	<u>\$42,331,386</u>	<u>7%</u>
Total Uses	\$587,935,921	100%

Source: Applicant

Terms of the Senior (Long Term) Debt			
	<u>Terms (1)</u>	<u>Benchmark (2)</u>	<u>Evaluation</u>
Amount Borrowed	\$352,761,553	n/a	n/a
Loan to Total Project Cost	60%	55% to 90%	Within Range
Annual Interest Rate	6.50%	4.81% to 9.11%	Within Range
Maturity in Years	30	15 to 40	Within Range

(1) Source: Applicant

(2) Source: RealtyRates Q1 2024

5. 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 without a PILOT, with the requested PILOT, and with the standard PILOT is estimated over 20 years. Three metrics are used to evaluate outcomes:

- ◆ **The Equity Dividend Rate** is net cash flow 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 close to the benchmarks indicate a Project outcome in line with the current market, which means the Applicant is earning a reasonable return. Equity Dividend Rates are based on an initial equity investment of \$181,974,368. The Project achieves the industry benchmarks under each of the scenarios and achieves the best results under the Requested Scenario.
- ◆ **Cash Flow** shows net cash flow to the Applicant over time. There are currently no benchmarks for cash flow available. Cumulative Cash Flow and average cash flow are positive under each of the scenarios.
- ◆ **Debt Service Coverage** estimates how well the Project’s net income, after taxes, supports debt repayment. The Project’s Debt Service Coverage exceeds the benchmark by year 3 under the Requested PILOT.

Since the actual PILOT phasing will be based on the development phases, it is especially important to provide stability early and for an extended period of time through a PILOT. This will ensure that the development remains feasible and can be fully completed as proposed.

Comparison of Return on Investment

	No PILOT	20 Year Requested PILOT	20 Year Standard PILOT	Bench marks (2)
Equity Dividend Rates				
Average	5.68%	7.29%	6.14%	4.73% to 15.09%
Minimum	-2.15%	0.07%	-0.18%	
Maximum	15.57%	16.19%	15.49%	
Year Benchmarks Met	11	9	11	
Cash Flow				
Average	\$10,342,707	\$13,271,246	\$11,177,462	n/a
Minimum	(\$3,903,504)	\$124,025	(\$335,476)	
Maximum	\$28,331,682	\$29,467,312	\$28,180,489	
Cumulative	\$186,168,724	\$238,882,430	\$201,194,316	
Year Investment Recouped	20	18	20	
Debt Service Coverage				
Average	1.44	1.55	1.47	1.00 to 1.86
Minimum	0.90	1.05	1.03	
Maximum	2.12	2.16	2.11	
Years Benchmarks Met	5	3	3	

(1) See Attachment 1

(2) Source: RealtyRates for Q1 2024 for Northeast Region for Housing and Flex Industrial

(3) Assessment starts in Year 3 of pro forma completed by the Applicant.

ATTACHMENT 1: PRO FORMAS

SouthWorks											
Annual Cashflows (Pro Forma) - NO PILOT											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 17	Year 18	Year 19	Year 20
Operating Cash Flow											
<u>Residential Income</u>											
Gross Operating Income	\$ 39,757,050	\$ 41,347,332	\$ 43,001,225	\$ 44,721,274	\$ 46,510,125	\$ 48,370,530	\$ 50,305,351	\$ 74,464,209	\$ 77,442,777	\$ 80,540,488	\$ 83,762,108
Less: Vacancy Allowance (enter as a negative)	\$ (795,141)	\$ (826,947)	\$ (860,025)	\$ (894,425)	\$ (930,203)	\$ (967,411)	\$ (1,006,107)	\$ (1,489,284)	\$ (1,548,856)	\$ (1,610,810)	\$ (1,675,242)
Net Rental Income, Residential	\$ 38,961,909	\$ 40,520,385	\$ 42,141,201	\$ 43,826,849	\$ 45,579,923	\$ 47,403,120	\$ 49,299,244	\$ 72,974,925	\$ 75,893,922	\$ 78,929,679	\$ 82,086,866
<u>Commercial/Industrial Income</u>											
Gross Operating Income	\$ 5,465,445	\$ 5,574,754	\$ 5,686,249	\$ 5,799,974	\$ 5,915,973	\$ 6,034,293	\$ 6,154,979	\$ 7,502,885	\$ 7,652,942	\$ 7,806,001	\$ 7,962,121
Less: Vacancy Allowance (enter as a negative)	\$ (990,324)	\$ (1,010,130)	\$ (461,708)	\$ (470,942)	\$ (480,361)	\$ (489,968)	\$ (499,768)	\$ (600,231)	\$ (612,235)	\$ (624,480)	\$ (636,970)
Net Rental Income, Commercial/Industrial	\$ 4,475,121	\$ 4,564,623	\$ 5,224,541	\$ 5,329,032	\$ 5,435,612	\$ 5,544,324	\$ 5,655,211	\$ 6,902,654	\$ 7,040,707	\$ 7,181,521	\$ 7,325,152
Effective Gross Income (EGI)	\$ 43,437,030	\$ 45,085,009	\$ 47,365,742	\$ 49,155,880	\$ 51,015,535	\$ 52,947,444	\$ 54,954,455	\$ 79,877,579	\$ 82,934,629	\$ 86,111,200	\$ 89,412,018
<u>Operating Expenses (enter positive numbers)</u>											
OpEx - Office	\$ 931,161	\$ 949,784	\$ 968,780	\$ 988,156	\$ 1,007,919	\$ 1,028,077	\$ 1,048,639	\$ 1,278,285	\$ 1,303,850	\$ 1,329,927	\$ 1,356,526
OpEx - Commercial	\$ 61,841	\$ 63,078	\$ 64,339	\$ 65,626	\$ 66,939	\$ 68,277	\$ 69,643	\$ 84,894	\$ 86,592	\$ 88,324	\$ 90,091
OpEx - Manufacturing	\$ 795,522	\$ 811,432	\$ 827,661	\$ 844,214	\$ 861,099	\$ 878,321	\$ 895,887	\$ 1,092,081	\$ 1,113,923	\$ 1,136,201	\$ 1,158,925
OpEx - Residential	\$ 12,037,076	\$ 12,277,818	\$ 12,523,374	\$ 12,773,841	\$ 13,029,318	\$ 13,289,905	\$ 13,555,703	\$ 16,524,326	\$ 16,854,812	\$ 17,191,909	\$ 17,535,747
OpEx - Townhomes	\$ 4,184,730	\$ 4,268,425	\$ 4,353,793	\$ 4,440,869	\$ 4,529,686	\$ 4,620,280	\$ 4,712,686	\$ 5,744,738	\$ 5,859,632	\$ 5,976,825	\$ 6,096,361
OpEx - Parking	\$ 258,375	\$ 263,543	\$ 268,813	\$ 274,190	\$ 279,673	\$ 285,267	\$ 290,972	\$ 354,694	\$ 361,787	\$ 369,023	\$ 376,404
Operating Expenses	\$ 18,268,705	\$ 18,370,537	\$ 18,737,947	\$ 19,112,706	\$ 19,494,960	\$ 19,884,860	\$ 20,282,557	\$ 24,724,324	\$ 25,218,810	\$ 25,723,186	\$ 26,237,650
Pre-Tax Operating Income (Revenue less Operat	\$ 25,168,325	\$ 26,714,472	\$ 28,627,794	\$ 30,043,174	\$ 31,520,575	\$ 33,062,585	\$ 34,671,899	\$ 55,153,255	\$ 57,715,819	\$ 60,388,014	\$ 63,174,368
Real Property Taxes (assuming no PILOT)	\$ 4,416,576	\$ 4,504,908	\$ 4,595,006	\$ 4,686,906	\$ 4,780,644	\$ 4,876,257	\$ 4,973,782	\$ 6,063,013	\$ 6,184,273	\$ 6,307,958	\$ 6,434,118
Net Operating Income (NOI) after Taxes	\$ 20,751,749	\$ 22,209,564	\$ 24,032,788	\$ 25,356,268	\$ 26,739,930	\$ 28,186,327	\$ 29,698,116	\$ 49,090,242	\$ 51,531,546	\$ 54,080,055	\$ 56,740,250
<u>Loan or Mortgage (Debt Service)</u>											
Permanent Loan Amortization	\$ -	\$ -	\$ 3,942,906	\$ 4,206,969	\$ 4,488,718	\$ 4,789,336	\$ 5,110,086				\$ -
Permanent Loan Interest Payment	\$ -	\$ -	\$ 22,813,410	\$ 22,549,346	\$ 22,267,598	\$ 21,966,980	\$ 21,646,229				\$ -
Debt Service	\$ -	\$ -	\$ 26,756,316	\$ 26,756,316	\$ 26,756,316	\$ 26,756,316	\$ 26,756,316	\$ 26,756,316	\$ 26,756,316	\$ 26,756,316	\$ 26,756,316
<u>Replacement Reserve</u>											
Replacement Reserve	\$ 1,134,157	\$ 1,156,840	\$ 1,179,977	\$ 1,203,576	\$ 1,227,648	\$ 1,252,201	\$ 1,277,245	\$ 1,556,955	\$ 1,588,094	\$ 1,619,855	\$ 1,652,253
Cash Flow After Financing and Reserve	\$ 19,617,592	\$ 21,052,724	\$ (3,903,504)	\$ (2,603,624)	\$ (1,244,033)	\$ 177,811	\$ 1,664,556	\$ 20,776,972	\$ 23,187,137	\$ 25,703,884	\$ 28,331,682
<u>Debt Service Coverage Ratio (DSCR)</u>											
Debt Service Coverage Ratio (DSCR)	10.78%	11.57%	0.90	0.95	1.00	1.05	1.11	1.83	1.93	2.02	2.12
<u>Equity Dividend Ratio</u>											
Equity Dividend Ratio	10.78%	11.57%	-2.15%	-1.43%	-0.68%	0.10%	0.91%	11.42%	12.74%	14.13%	15.57%

DRAFT - Reasonableness Assessment for Shift Chainworks Owner 1, LLC – Tompkins County Industrial Development Agency

SouthWorks											
Annual Cashflows (Pro Forma) - REQUESTED PILOT											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 17	Year 18	Year 19	Year 20
Operating Cash Flow											
<u>Residential Income</u>											
Gross Operating Income	\$ 39,757,050	\$ 41,347,332	\$ 43,001,225	\$ 44,721,274	\$ 46,510,125	\$ 48,370,530	\$ 50,305,351	\$ 74,464,209	\$ 77,442,777	\$ 80,540,488	\$ 83,762,108
Less: Vacancy Allowance (enter as a negative)	\$ (795,141)	\$ (826,947)	\$ (860,025)	\$ (894,425)	\$ (930,203)	\$ (967,411)	\$ (1,006,107)	\$ (1,489,284)	\$ (1,548,856)	\$ (1,610,810)	\$ (1,675,242)
Net Rental Income, Residential	\$ 38,961,909	\$ 40,520,385	\$ 42,141,201	\$ 43,826,849	\$ 45,579,923	\$ 47,403,120	\$ 49,299,244	\$ 72,974,925	\$ 75,893,922	\$ 78,929,679	\$ 82,086,866
<u>Commercial/Industrial Income</u>											
Gross Operating Income	\$ 5,465,445	\$ 5,574,754	\$ 5,686,249	\$ 5,799,974	\$ 5,915,973	\$ 6,034,293	\$ 6,154,979	\$ 7,502,885	\$ 7,652,942	\$ 7,806,001	\$ 7,962,121
Less: Vacancy Allowance (enter as a negative)	\$ (990,324)	\$ (1,010,130)	\$ (461,708)	\$ (470,942)	\$ (480,361)	\$ (489,968)	\$ (499,768)	\$ (600,231)	\$ (612,235)	\$ (624,480)	\$ (636,970)
Net Rental Income, Commercial/Industrial	\$ 4,475,121	\$ 4,564,623	\$ 5,224,541	\$ 5,329,032	\$ 5,435,612	\$ 5,544,324	\$ 5,655,211	\$ 6,902,654	\$ 7,040,707	\$ 7,181,521	\$ 7,325,152
Effective Gross Income (EGI)	\$ 43,437,030	\$ 45,085,009	\$ 47,365,742	\$ 49,155,880	\$ 51,015,535	\$ 52,947,444	\$ 54,954,455	\$ 79,877,579	\$ 82,934,629	\$ 86,111,200	\$ 89,412,018
<u>Operating Expenses (enter positive numbers)</u>											
OpEx - Office	\$ 931,161	\$ 949,784	\$ 968,780	\$ 988,156	\$ 1,007,919	\$ 1,028,077	\$ 1,048,639	\$ 1,278,285	\$ 1,303,850	\$ 1,329,927	\$ 1,356,526
OpEx - Commercial	\$ 61,841	\$ 63,078	\$ 64,339	\$ 65,626	\$ 66,939	\$ 68,277	\$ 69,643	\$ 84,894	\$ 86,592	\$ 88,324	\$ 90,091
OpEx - Manufacturing	\$ 795,522	\$ 811,432	\$ 827,661	\$ 844,214	\$ 861,099	\$ 878,321	\$ 895,887	\$ 1,092,081	\$ 1,113,923	\$ 1,136,201	\$ 1,158,925
OpEx - Residential	\$ 12,037,076	\$ 12,277,818	\$ 12,523,374	\$ 12,773,841	\$ 13,029,318	\$ 13,289,905	\$ 13,555,703	\$ 16,524,326	\$ 16,854,812	\$ 17,191,909	\$ 17,535,747
OpEx - Townhomes	\$ 4,184,730	\$ 4,268,425	\$ 4,353,793	\$ 4,440,869	\$ 4,529,686	\$ 4,620,280	\$ 4,712,686	\$ 5,744,738	\$ 5,859,632	\$ 5,976,825	\$ 6,096,361
OpEx - Parking	\$ 258,375	\$ 263,543	\$ 268,813	\$ 274,190	\$ 279,673	\$ 285,267	\$ 290,972	\$ 354,694	\$ 361,787	\$ 369,023	\$ 376,404
Operating Expenses	\$ 18,010,330	\$ 18,370,537	\$ 18,737,947	\$ 19,112,706	\$ 19,494,960	\$ 19,884,860	\$ 20,282,557	\$ 24,724,324	\$ 25,218,810	\$ 25,723,186	\$ 26,237,650
Pre-Tax Operating Income (Revenue less Oper:	\$ 25,426,700	\$ 26,714,472	\$ 28,627,794	\$ 30,043,174	\$ 31,520,575	\$ 33,062,585	\$ 34,671,899	\$ 55,153,255	\$ 57,715,819	\$ 60,388,014	\$ 63,174,368
Real Property Taxes (Requested PILOT)	\$ 545,441	\$ 556,350	\$ 567,477	\$ 578,826	\$ 590,403	\$ 1,089,837	\$ 1,111,633	\$ 4,386,581	\$ 4,474,313	\$ 5,194,595	\$ 5,298,487
Net Operating Income (NOI) after Taxes	\$ 24,881,259	\$ 26,158,122	\$ 28,060,318	\$ 29,464,348	\$ 30,930,172	\$ 31,972,748	\$ 33,560,265	\$ 50,766,674	\$ 53,241,506	\$ 55,193,419	\$ 57,875,881
<u>Loan or Mortgage (Debt Service)</u>											
Permanent Loan Amortization	\$ -	\$ -	\$ 3,942,906	\$ 4,206,969	\$ 4,488,718	\$ 4,789,336	\$ 5,110,086				\$ -
Permanent Loan Interest Payment	\$ -	\$ -	\$ 22,813,410	\$ 22,549,346	\$ 22,267,598	\$ 21,966,980	\$ 21,646,229				\$ -
Debt Service	\$ -	\$ -	\$ 26,756,316	\$ 26,756,316	\$ 26,756,316	\$ 26,756,316	\$ 26,756,316	\$ 26,756,316	\$ 26,756,316	\$ 26,756,316	\$ 26,756,316
Replacement Reserve	\$ 1,134,157	\$ 1,156,840	\$ 1,179,977	\$ 1,203,576	\$ 1,227,648	\$ 1,252,201	\$ 1,277,245	\$ 1,556,955	\$ 1,588,094	\$ 1,619,855	\$ 1,652,253
Cash Flow After Financing and Reserve	\$ 23,747,102	\$ 25,001,282	\$ 124,025	\$ 1,504,456	\$ 2,946,208	\$ 3,964,231	\$ 5,526,705	\$ 22,453,404	\$ 24,897,097	\$ 26,817,248	\$ 29,467,312
Debt Service Coverage Ratio (DSCR)			1.05	1.10	1.16	1.19	1.25	1.90	1.99	2.06	2.16
Equity Dividend Ratio	13.05%	13.74%	0.07%	0.83%	1.62%	2.18%	3.04%	12.34%	13.68%	14.74%	16.19%

DRAFT - Reasonableness Assessment for Shift Chainworks Owner 1, LLC – Tompkins County Industrial Development Agency

SouthWorks											
Annual Cashflows (Pro Forma) - STANDARD PILOT											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 17	Year 18	Year 19	Year 20
Operating Cash Flow											
<u>Residential Income</u>											
Gross Operating Income	\$ 39,757,050	\$ 41,347,332	\$ 43,001,225	\$ 44,721,274	\$ 46,510,125	\$ 48,370,530	\$ 50,305,351	\$ 74,464,209	\$ 77,442,777	\$ 80,540,488	\$ 83,762,108
Less: Vacancy Allowance (enter as a net)	\$ (795,141)	\$ (826,947)	\$ (860,025)	\$ (894,425)	\$ (930,203)	\$ (967,411)	\$ (1,006,107)	\$ (1,489,284)	\$ (1,548,856)	\$ (1,610,810)	\$ (1,675,242)
Net Rental Income, Residential	\$ 38,961,909	\$ 40,520,385	\$ 42,141,201	\$ 43,826,849	\$ 45,579,923	\$ 47,403,120	\$ 49,299,244	\$ 72,974,925	\$ 75,893,922	\$ 78,929,679	\$ 82,086,866
<u>Commercial/Industrial Income</u>											
Gross Operating Income	\$ 5,465,445	\$ 5,574,754	\$ 5,686,249	\$ 5,799,974	\$ 5,915,973	\$ 6,034,293	\$ 6,154,979	\$ 7,502,885	\$ 7,652,942	\$ 7,806,001	\$ 7,962,121
Less: Vacancy Allowance (enter as a net)	\$ (990,324)	\$ (1,010,130)	\$ (461,708)	\$ (470,942)	\$ (480,361)	\$ (489,968)	\$ (499,768)	\$ (600,231)	\$ (612,235)	\$ (624,480)	\$ (636,970)
Net Rental Income, Commercial/Industr	\$ 4,475,121	\$ 4,564,623	\$ 5,224,541	\$ 5,329,032	\$ 5,435,612	\$ 5,544,324	\$ 5,655,211	\$ 6,902,654	\$ 7,040,707	\$ 7,181,521	\$ 7,325,152
Effective Gross Income (EGI)	\$ 43,437,030	\$ 45,085,009	\$ 47,365,742	\$ 49,155,880	\$ 51,015,535	\$ 52,947,444	\$ 54,954,455	\$ 79,877,579	\$ 82,934,629	\$ 86,111,200	\$ 89,412,018
<u>Operating Expenses (enter positive numbers)</u>											
OpEx - Office	\$ 931,161	\$ 949,784	\$ 968,780	\$ 988,156	\$ 1,007,919	\$ 1,028,077	\$ 1,048,639	\$ 1,278,285	\$ 1,303,850	\$ 1,329,927	\$ 1,356,526
OpEx - Commercial	\$ 61,841	\$ 63,078	\$ 64,339	\$ 65,626	\$ 66,939	\$ 68,277	\$ 69,643	\$ 84,894	\$ 86,592	\$ 88,324	\$ 90,091
OpEx - Manufacturing	\$ 795,522	\$ 811,432	\$ 827,661	\$ 844,214	\$ 861,099	\$ 878,321	\$ 895,887	\$ 1,092,081	\$ 1,113,923	\$ 1,136,201	\$ 1,158,925
OpEx - Residential	\$ 12,037,076	\$ 12,277,818	\$ 12,523,374	\$ 12,773,841	\$ 13,029,318	\$ 13,289,905	\$ 13,555,703	\$ 16,524,326	\$ 16,854,812	\$ 17,191,909	\$ 17,535,747
OpEx - Townhomes	\$ 4,184,730	\$ 4,268,425	\$ 4,353,793	\$ 4,440,869	\$ 4,529,686	\$ 4,620,280	\$ 4,712,686	\$ 5,744,738	\$ 5,859,632	\$ 5,976,825	\$ 6,096,361
OpEx - Parking	\$ 258,375	\$ 263,543	\$ 268,813	\$ 274,190	\$ 279,673	\$ 285,267	\$ 290,972	\$ 354,694	\$ 361,787	\$ 369,023	\$ 376,404
Operating Expenses	\$ 18,010,330	\$ 18,370,537	\$ 18,737,947	\$ 19,112,706	\$ 19,494,960	\$ 19,884,860	\$ 20,282,557	\$ 24,724,324	\$ 25,218,810	\$ 25,723,186	\$ 26,237,650
Pre-Tax Operating Income (Revenue less	\$ 25,426,700	\$ 26,714,472	\$ 28,627,794	\$ 30,043,174	\$ 31,520,575	\$ 33,062,585	\$ 34,671,899	\$ 55,153,255	\$ 57,715,819	\$ 60,388,014	\$ 63,174,368
Real Property Taxes (Standard PILOT)	\$ 103,783	\$ 556,350	\$ 1,026,977	\$ 1,516,207	\$ 2,024,596	\$ 2,552,714	\$ 3,101,146	\$ 6,205,485	\$ 6,329,595	\$ 6,456,187	\$ 6,585,310
Net Operating Income (NOI) after Taxes	\$ 25,322,917	\$ 26,158,122	\$ 27,600,817	\$ 28,526,967	\$ 29,495,979	\$ 30,509,871	\$ 31,570,752	\$ 48,947,770	\$ 51,386,224	\$ 53,931,827	\$ 56,589,057
<u>Loan or Mortgage (Debt Service)</u>											
Permanent Loan Amortization	\$ -	\$ -	\$ 3,942,906	\$ 4,206,969	\$ 4,488,718	\$ 4,789,336	\$ 5,110,086				\$ -
Permanent Loan Interest Payment	\$ -	\$ -	\$ 22,813,410	\$ 22,549,346	\$ 22,267,598	\$ 21,966,980	\$ 21,646,229				\$ -
Debt Service	\$ -	\$ -	\$ 26,756,316	\$ 26,756,316	\$ 26,756,316	\$ 26,756,316	\$ 26,756,316	\$ 26,756,316	\$ 26,756,316	\$ 26,756,316	\$ 26,756,316
Replacement Reserve	\$ 1,134,157	\$ 1,156,840	\$ 1,179,977	\$ 1,203,576	\$ 1,227,648	\$ 1,252,201	\$ 1,277,245	\$ 1,556,955	\$ 1,588,094	\$ 1,619,855	\$ 1,652,253
Cash Flow After Financing and Reserve	\$ 24,188,760	\$ 25,001,282	\$ (335,476)	\$ 567,075	\$ 1,512,015	\$ 2,501,354	\$ 3,537,192	\$ 20,634,500	\$ 23,041,815	\$ 25,555,656	\$ 28,180,489
Debt Service Coverage Ratio (DSCR)			1.03	1.07	1.10	1.14	1.18	1.83	1.92	2.02	2.11
Equity Dividend Ratio	13.29%	13.74%	-0.18%	0.31%	0.83%	1.37%	1.94%	11.34%	12.66%	14.04%	15.49%

APPENDIX A: SCOPE OF SERVICES

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

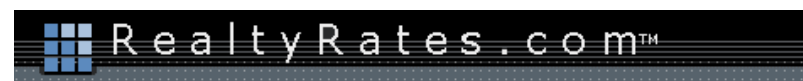
- ◆ *Test Assumptions* by comparing rents, operating costs, and vacancy rates to real estate benchmarks for similar projects and noting any significant differences. Operating performance and net income are also evaluated.
- ◆ *Review the Financing Plan* and perform an objective third-party evaluation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

- ◆ Application for Financial Assistance dated May 3, 2024.
- ◆ Project financing and annual cashflow workbook submitted by the Applicant in June 2024, with submitted revisions in July 2024.
- ◆ Updated assessed value provided in June 2024.
- ◆ [Tompkins County 2022 Housing Snapshot](#)
- ◆ Real estate tax information and estimates received from the Agency, including anticipated future assessed value of the Project.
- ◆ CoStar
- ◆ RealtyRates.com



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 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.

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)

Equity Dividend / Equity Investment = Equity Dividend Rate, where Equity Dividend = Net Operating Income – 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 in excess of \$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 in order to build public support and leverage additional funding. 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 [@camoinassociate](https://twitter.com/camoinassociate) and on [Facebook](#) and [LinkedIn](#).

THE PROJECT TEAM

Rachel Selsky

Vice President, Project Principal