

Appendix K

**The Economic Impact of the Proposed
Tritec Mixed-Use Development
In Downtown Patchogue**

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Summary of Findings

- **The Construction Phase** - The development phase will generate 264 construction and construction-related jobs annually during the two-year construction period. Estimated expenditures of \$128 million during the construction phase will support an additional 2,023 jobs in a broad array of industries through the multiplier process. These jobs will generate some \$82.6 million in new payrolls during the construction period.
- **Permanent Jobs** - The proposed mixed-use development will generate more than 300 permanent full-time equivalent jobs. These jobs will generate payrolls estimated at more than \$9.1 million annually. Most of these jobs will be generated within the Village of Patchogue and its immediate vicinity. These direct jobs and payrolls will support an additional 164 permanent jobs and an estimated \$7.3 million in additional payrolls through the multiplier process.
- **Affordable Housing** - The proposed mixed-use development will bring 240 new rental units to the community, of which 48 (20%) will be affordable workforce units. These units will be affordable to those earning less than 80% of the area median income (AMI). However, another 24 units (10%) will be affordable to those earning less than 85% of the AMI. Therefore, in effect, the proposed Tritec project will provide 72 units of affordable workforce housing, which is equivalent to 30% of the 240 units proposed. This will help to retain young people, whose skills are needed by the Long Island economy.
- **Discretionary Purchasing Power** - The proposed rental units will accommodate a population of about 473 at full development, of which 200 (42%) will be young people between 25 and 44 years of age. This demographic group forms the heart of the Long Island workforce. The new residents will bring substantial new purchasing power to the Village of Patchogue. They could inject about \$4.2 million in discretionary spending annually into the local economy. This spending would support additional jobs and payrolls through the multiplier process.
- **School District Impact** - Numerous studies have demonstrated that multi-family rental housing generate substantially fewer school-age children than single-family owner occupied housing, much of which has four and five bedrooms. It is estimated that the proposed 240 rental units will generate only 27 school-age children. By comparison, there were 0.52 students per housing unit in Suffolk County as of the 2000 Census.
- **Property Taxes** – The development could generate \$934,356 in annual real property taxes, of which \$629,759 would go to the Patchogue-Medford Union Free School District. This would result in a net surplus of \$265,286 annually to the district. The property is producing only \$229,209 in annual real property taxes today.

- **Sales Taxes** – The development could generate an estimated \$1,123,260 in annual sales taxes, of which \$553,490 would go to Suffolk County.

**An Economic Impact Analysis Of the Proposed
Tritec Mixed-Use Development in Downtown Patchogue**

A mixed-use development is planned for the area bounded by Havens Street, Lake Street, North Ocean Avenue and Main Street. This site is in the heart of Patchogue Village. It once contained a major department store, which has been vacant since 2000. The proposed redevelopment project is considered a key to the revival of Patchogue’s downtown area. As currently proposed, it will include 28,460 square feet of retail space, 240 rental apartments, of which 20% or 48 units will be affordable workforce units, and a 111-room, 85,235 square foot hotel. The additional uses will comprise 363,006 square feet. In addition 29,150 square feet of existing space will be renovated. The development cost for the additional and renovated space is estimated at \$128,000,000.

The 48 housing units designated as “workforce housing”, will be affordable to those earning less than 80% of the area median income (AMI). This is the traditional definition of affordable workforce housing. However, another 24 units (10%) will be affordable to those earning less than 85% of the AMI. These units have been grouped with the “market rate” units shown in the following table since they exceed the traditional definition of workforce housing. Therefore, in effect, the proposed Tritec development will provide 72 units of affordable workforce housing, which is equivalent to 30% of the 240 units proposed.

**The Proposed Mixed-Use Development
In Downtown Patchogue Village**

Type of Activity	Workforce Units (20%)	Market Rate Units (80%)	Total Units	Square Feet
<u>New Development</u>				
Residential	48	192	240	249,856
Studio	35	0	35	25,184
One-Bedroom/One Bath	13	72	85	81,220
Two Bedroom/Two Bath	0	115	115	135,959
Three Bedroom/Three Bath	0	5	5	7,493
Retail				28,460
Hotel (111 Rooms)				85,235
Total Square Feet				363,551
<u>Renovated Existing Uses</u>				29,150
<u>Grand Total</u>				392,701

Source: Downtown Patchogue Redevelopers, LLC

The development will be completed in two phases. Phase I, scheduled to begin in January 2009, will last 24 months. Phase II, scheduled to begin in January 2010, will last twelve months. Phase I will include construction of 154 residential dwelling units

comprising 167,990 square feet, 16,415 square feet of retail space and the 85,235 square foot hotel. Development during Phase II will include 86 residential dwelling units comprising 81,321 square feet and 12,045 square feet of retail space.

Additional Construction, Phase I

Type of Activity	Total Units	Square Feet
Residential	154	167,990
Studio	15	10,860
One-Bedroom/One Bath	49	47,825
Two Bedroom/Two Bath	86	103,500
Three Bedroom/Two Bath	4	5,805
Retail		16,415
Hotel		85,235

Source: Downtown Patchogue Redevelopers, LLC

Additional Construction, Phase II

Type of Activity	Total Units	Square Feet
Residential	86	81,321
Studio	20	14,355
One-Bedroom/One Bath	36	32,820
Two Bedroom/Two Bath	29	32,459
Three Bedroom/Two Bath	1	1,687
Retail		12,045

Source: Downtown Patchogue Redevelopers, LLC

Job Creation During the Development Phase. The proposed mixed-use project will create jobs during the construction phase and at full occupancy. The number of jobs projected for the development phase was based on estimated development costs of \$128,000,000. This figure includes land acquisition, hard and soft costs for the new construction as well as renovation of the existing Wedgewood facility. Most of the jobs created will be construction jobs or jobs related to the construction industry.

Some 60% of total development costs, \$76,800,000, were estimated to be labor costs. Based on these figures, the number of jobs created annually during the development phase was estimated as follows:

Step 1

Average hourly compensation per construction worker, including wages, fringes, profit and overhead is estimated at \$80. To derive the number of construction hours needed to complete development, estimated labor costs, \$76,800,000 were divided by \$80. The results show that 960,000 hours will be needed to complete development

Step 2

Industry sources suggest that the average construction worker works 1,820 hours per year. Over the two-year construction period, the average construction worker would work approximately 3,640 hours. 960,000 construction hours divided by 3,640 working hours per construction worker indicates that approximately 264 workers will be needed to complete the development phase of the project.

Secondary Economic Impact of the Development Phase. The injection of \$128,000,000 into the Village of Patchogue’s economy during the two-year development phase would have a significant positive impact upon the Village economy through the multiplier process. Much of this spending would remain within the Village and would undergo several rounds of “responding” so that the final economic impact will be a multiple of the original expenditure. For example, construction workers spend their wages in local restaurants, which in turn buy supplies and equipment from other local vendors so that the responding process continues. This is the so-called multiplier or ripple effect.

Multipliers from the Regional Input-Output Model for Long Island (RIMS II), prepared by the Bureau of Economic Analysis of the U.S. Commerce Department, were applied to the projected \$128,000,000 in development spending to estimate this secondary multiplier effect. The RIMS II model contains multipliers for output, earnings and employment. The output multipliers indicate how much the local output of goods and services increases for each dollar of development spending. The earnings multipliers show how much local earnings increase for each dollar of development spending. The employment multipliers show how many jobs are created throughout the local economy as a result of each million dollars of development spending.

The following construction industry multipliers from the RIMS II input-output model were applied to projected development spending of \$128,000,000.

Construction Multipliers from the RIMS II Input-Output Model

Type of Multiplier	RIMS II Multiplier
Output	2.0674
Earnings	0.6451
Employment	15.8055

Source: RIMS II input-output model

The findings show that the expenditure of \$128,000,000 over two years could generate an estimated 2,023 secondary support jobs, principally in or near the Village of Patchogue. Local earnings could increase by almost \$83 million and the gross output of goods and services could increase by almost \$265 million, including the original development expenditure. This is equivalent to a net output increase of almost \$137 million.

Secondary Economic Impact of \$128,000,000 in Development Costs

Impact on	Projected Increase
Employment	2,023
Earnings	\$82,572,800
Gross Output of Goods & Services	\$264,627,200
Net Output of Goods & Services	\$136,627,200

Source: Consultant’s estimates based on RIMS II input-output coefficients

Projected Permanent Jobs. In estimating full-time equivalent employment (FTE) at full occupancy for the proposed redevelopment project, the following commonly used ratios were applied to the proposed square footage. It is estimated that:

- The proposed retail space would employ one person for every 350 square feet.
- The proposed residential units will employ one person for every 5,000 square feet.
- The proposed hotel will employ one person for every 500 square feet.

These assumptions indicate that more than 300 full-time equivalent jobs could be created by the proposed development at full occupancy.

Projected Full-Time Equivalent Jobs

Type of Use	Sq. Ft.	Divisor	FTE Jobs
Residential	249,856	5,000	50
Retail	28,460	350	81
Hotel	85,235	500	170
Total			302

Source: Consultant's estimates

New York State Labor Department wage data were used to estimate the payrolls likely to be generated by these jobs. In 2007, the average annual wage for those employed in retail trade was \$29,388; average annual wages in the hotel industry were \$25,148; and, average annual wages for those employed in building repair and maintenance services, a typical occupation associated with residential housing, were \$33,712. These wages were inflated by 3% annually through 2010 to account for inflation. Projected wages were then multiplied by projected employment to derive estimated 2010 payrolls. *The results, shown below, indicate that total payrolls at the proposed mixed-use community could exceed \$9 million in 2010 dollars when development is completed.*

Projected Payrolls Associated with FTE Jobs, 2010

Industry	2007 Average Wage	Projected 2010 Average Wage	Number of Workers	Estimated Payrolls
Retail Trade	\$29,388	\$32,113	81	\$2,601,158
Hotels	25,148	27,480	170	4,671,583
Building Services	33,712	36,838	<u>50</u>	<u>1,841,901</u>
Total			301	9,114,641

Source: Consultant's estimates

Secondary Economic Impact of Jobs and Payrolls. Direct jobs and payrolls support additional jobs and payrolls in a broad cross-section of local industries through the multiplier process. Multipliers from the RIMS II input-output model, shown below, were used to estimate this secondary economic impact. The results show that direct payrolls of \$9,114,641 could support another \$7,273,264 in secondary payrolls. The 301 direct jobs could support an additional 164 indirect jobs.

Direct Effect Multipliers for Jobs and Payrolls

Industry	Earnings Multiplier	Employment Multiplier
Retail Trade	1.8937	1.5652
Hotels	1.7272	1.5479
Building Services	1.8423	1.4917

Source: RIMS II input-output model

Secondary Earnings Impact

Occupation	Direct Payrolls	Earnings Multiplier	Direct & Indirect Payrolls
Retail Trade	\$2,601,158	1.8937	\$4,925,813
Hotels	4,671,583	1.7272	8,068,758
Building Services	1,841,901	1.8423	3,393,334
Total	9,114,641		16,387,905

Source: RIMS II input-output model

Secondary Employment Impact

Occupation	Direct Jobs	Employment Multiplier	Direct & Indirect Jobs
Retail Trade	81	1.5652	127
Hotels	170	1.5479	263
Building Services	50	1.4917	75
Total	301		465

Source: RIMS II input-output model

Projected School-Age Children. Whenever multifamily rental housing is proposed, there is concern about how many school age children will be generated. This is because of the myth that multifamily rental housing generates significantly more public school students than traditional single-family, owner-occupied housing. In reality, many credible research studies have shown that multi-family rental housing actually generates fewer school-age children than traditional single-family homes. For example, the Avalon Bay Corporation has several rental communities on Long Island. An analysis of the age distribution of those living in these communities showed that the ratio of persons under age 18 per rental unit was only 0.12 as shown below.

Number of Pre-School & School-Age Children in Avalon Bay Communities on Long Island, March 2006

Community	No. of Units	Persons 0 to 6	Persons 7 to 17	Persons 0 to 17	Persons 0 to 17/Total Units
Avalon Towers, Long Beach	109	2	1	3	.028
Avalon at Glen Cove	256	6	9	15	.059
Avalon Court & Avalon Court North, Melville	494	19	65	84	.170
Avalon Commons, Smithtown	312	14	24	38	.122
Total	1,171	41	99	140	.120

Source: AvalonBay Communities, Inc.

There were similar findings for the Hamlet at Olde Oyster Bay, a high-density condominium development in Plainview that was strongly opposed at the outset because of the fear that it would generate large numbers of school-age children for the Plainview-Old Bethpage School District. Actual data from the Plainview-Old Bethpage School

District showed that the 370 units at Olde Oyster Bay generated a total of 78 students. This is equivalent to a ratio of 0.21 students per residential unit.

Enrollments by Grade Level, The Hamlet at Olde Oyster Bay, 2004-05 School Year

Type of Housing Unit	Number	Current Enrollment	Number
Villas (Apartments)	160	Kindergarten	7
Townhouses	72	Grades 1-4	20
Single Houses	138	Grades 5-8	32
Total	370	High School	19
		Total	78
Enrollment Per Housing Unit	0.21		

Source: Research performed by Plainview-Old Bethpage School District

In the following analysis, coefficients developed by the Rutgers University Center for Urban Policy Research were used to estimate the number of public school children in the 240 apartment units proposed for downtown Patchogue. This research was published in June 2006. Although the Rutgers data did not contain estimates for studio apartments, because of their size, it was assumed that the 35 proposed studio apartments would not contain any school-age children.

- For the one-bedroom apartments, the coefficients pertain to units renting for more than \$1,000 monthly in structures containing five or more rental units.
- For the two-bedroom apartments, the coefficients pertain to units renting for more than \$1,100 monthly in structures containing five or more rental units.
- For the three-bedroom apartments, the coefficients pertain to units renting for more than \$1,250 monthly in structures containing five or more rental units.

These coefficients are summarized below. When applied to the proposed 85 one-bedroom units, 115 two-bedroom units and 5 three-bedroom units, the results show that an estimated 27 additional public school enrollments could be generated by the planned residential development. Of these, 8 would be in grades K-2, 8 in grades 3-6, 7 in grades 7-9 and 4 in grades 10-12.

**Coefficients For Estimating
Number of K-12 Public School Enrollments in Rental Apartments
As per Rutgers Study**

Children by Grade	One-Bedroom Units	Two-Bedroom Units	Three-Bedroom Units	Estimated Enrollments
Total	0.07	0.16	0.63	27
Grade K-2	0.02	0.05	0.14	8
Grade 3-6	0.02	0.05	0.20	8
Grade 7-9	0.02	0.04	0.12	7
Grade 10-12	0.01	0.02	0.17	4

Source: Rutgers University Center for Urban Policy Research

Cost to the Patchogue-Medford Union Free School District. According to the New York State Education Department (NYSED), total instructional expenditures per student for the Patchogue-Medford UFSD in the 2005-06 academic year, including fringe

benefits, were \$13,499. The manner in which these instructional expenditures were computed is shown below. At this cost per student, the additional 27 students would cost the district \$364,473 annually.

Instructional Expenditures Per Pupil, Patchogue-Medford UFSD, 2005-06

Type of Instructional Expenditure	Dollar Amount Per Pupil
Teacher Salaries	\$5,685
PPS Instructional Salaries	293
Curriculum Development	304
BOCES Instructional Expense	1,106
Tuition 1	29
Tuition 2	133
Other Instructional Salaries	840
Other Instructional Expenses	432
Total Instructional Expenses Excluding Fringe Benefits	\$8,822
Total instructional Expenses Including Fringe Benefits	\$13,499

Source: New York State Education Department

Cost to the Patchogue-Medford UFSD to Educate 27 Additional Students

Definition of Instructional Costs	Total Costs
Costs Including Fringe Benefits, Excluding Transportation, Debt Service	\$13,499
Projected Additional Students	27
Projected Additional Annual Cost	\$364,473

Source: Consultants Estimates

Projected Population by Age at Full Occupancy. The Rutgers coefficients were also used to estimate the total population of the proposed rental apartments by age at full occupancy. The relevant population coefficients are shown in the table below. They were selected as follows:

- For the one-bedroom apartments, the population coefficients pertain to units renting for more than \$1,000 monthly in structures containing five or more rental units.
- For the two-bedroom apartments, the population coefficients pertain to units renting for more than \$1,100 monthly in structures containing five or more rental units.
- For the three-bedroom apartments, the population coefficients pertain to units renting for more than \$1,250 monthly in structures containing five or more rental units.
- The Rutgers study did not contain population coefficients for studio apartments. Therefore, for the proposed studios, the lowest population coefficient for one-bedroom units was used.

Population Coefficients For Proposed Rental Apartments as per Rutgers Study

Population/Unit by Age	Studios	One-Bedroom Units	Two-Bedroom Units	Three-Bedroom Units
0-4	0.03	0.08	0.19	0.39
5-13	0.07	0.06	0.18	0.67
14-17	0.02	0.02	0.06	0.33
18-24	0.05	0.14	0.23	0.63
25-44	0.15	0.88	0.99	1.20
45-64	0.21	0.25	0.40	0.51
65-74	0.37	0.07	0.10	0.05
75 & Older	0.42	0.17	0.16	0.03

Total	1.32	1.67	2.31	3.81
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Source: Rutgers University Center for Urban Policy Research

The findings indicate that the proposed rental apartments could accommodate as many as 473 persons at full occupancy: 46 in the studios, 142 in the one-bedroom apartments, 266 in the two-bedroom apartments and 19 in the three-bedroom apartments. ***The largest number, about 200, would be young people between ages 25 and 44. Young people in this age cohort have been leaving Long Island in record numbers, thereby causing significant workforce shortages and limiting employment growth. The proposed rental apartments, by retaining young people on Long Island, will help ameliorate the situation.***

Projected Population by Age in Proposed Rental Apartments (Per Rutgers Study)

	Studios	One-Bedrooms	Two-Bedrooms	Three-Bedrooms	All Units
Apartments	35	85	115	5	240
Age					
0-4	1	7	22	2	32
5-13	2	5	21	3	32
14-17	1	2	7	2	11
18-24	2	12	26	3	43
25-44	5	75	114	6	200
45-64	7	21	46	3	77
65-74	13	6	12	0	31
75 & Older	15	14	18	0	48
Total	46	142	266	19	473

Source: Consultant’s estimates based on Rutgers University coefficients

New Purchasing Power for Patchogue Village

The 240 new households brought to the Village of Patchogue as a result of the proposed mixed-use community will bring substantial new purchasing power to the Village, enough to jumpstart local economic activity. In the following analysis, the purchasing power of potential residents was estimated based on proposed rentals for the market rate and the affordable workforce units. There will be two rent levels for the workforce units. Some will be priced for tenants with incomes that are 80% of the area median income. Others will be priced for tenants with incomes that are 120% of the area median income. The projected income ranges for tenants of the workforce and market rate units are shown below. The high and low range was averaged and multiplied by the number of proposed units. The results show that potential residents could have aggregate gross incomes in excess of \$18,096,290 annually.

Projected Income Range for Workforce and Market Rate Rental Apartments

Unit Type	Low Income	High Income	Average Income	No. of Units	Aggregate Income
Workforce Units at 80% of AMI					

Studio	\$40,750	\$54,400	\$47,575	35	\$1,665,125
One Bedroom/One Bath	46,600	62,150	\$54,375	13	\$706,875
Two Bedroom/Two Bath	52,450	69,900	\$61,175	0	\$0
Three Bedroom/Two Bath	58,250	77,700	\$67,975	0	\$0
Market Rate Units					
Studio	50,938	81,550	\$66,244	0	\$0
One Bedroom/One Bath	58,250	93,200	\$75,725	72	\$5,452,200
Two Bedroom/Two Bath	65,563	104,850	\$85,207	115	\$9,798,805
Three Bedroom/Two Bath	72,813	116,500	\$94,657	5	\$473,285
Aggregate Income					18,096,290

Source: Downtown Patchogue Redevelopers LLC

The following assumptions were made in estimating the discretionary purchasing power of potential residents:

- 10% of the incomes of those in the workforce units was assumed to be discretionary.
- 25% of the incomes of those in the market rate units was assumed to be discretionary.

These assumptions suggest that the annual discretionary income of potential residents could be about \$4.2 million.

Projected Discretionary Income of Potential Residents

Income Target	Aggregate Annual Income	Percent Discretionary	Annual Discretionary Income
Tenants of Workforce Units	\$2,372,000	10	\$237,200
Market Rate Tenants	15,724,290	25	\$3,931,073
Total			\$4,168,273

Source: Consultant's estimates

Much of this discretionary spending would remain within the local economy and would undergo the respending process described above. In the following analysis, multipliers for output, earnings and employment were applied to the \$4,168,273 in discretionary spending to estimate the ripple effect of this spending. The multipliers used pertain to household spending on Long Island. They are shown in the following table. The findings indicate that the local output of goods and services could increase by almost \$5.3 million including the original expenditure. This is equivalent to a net output increase of \$1.1 million. Local earnings could increase by more than \$1.4 million and 40 permanent secondary support jobs could be created.

Secondary Economic Impact of \$4,168,273 in Discretionary Household Spending

Impact on	RIMS II Multipliers	Economic Impact
Gross Output	1.2655	\$5,274,949
Net Output	0.2655	\$1,106,676
Earnings	0.3423	\$1,426,800
Employment	9.6	40

Source: Consultant's estimates based on RIMS II input-output multipliers

Projected Sales Tax Revenues

The 28,460 square feet of upscale small shops and restaurants planned for the Tritec development could generate sales averaging \$300 per square foot annually. This figure is typical of sales by upscale restaurants and small boutique shops at regional malls within Suffolk County. This would put annual retail and restaurant sales at the proposed Tritec development at \$8,538,000. At a state, county and MCTD tax rate of 8.625%, total sales tax revenue would be about \$736,403 annually. The state sales tax rate is 4.00%. The state portion of the total sales tax revenue would be \$341,520 annually. The Suffolk County sales tax rate is 4.25%. This would put projected Suffolk County sales tax revenues at \$362,865 annually. The surcharge for the Metropolitan Commuter Transportation District (MCTD) is 0.375%. The MCTD would receive \$32,018 annually from the proposed development as shown in the following table.

Annual Sales Tax Revenue, Proposed Tritec Development, Retail/Restaurant Uses

Total Annual Retail Revenue	\$8,538,000
County, State & MTA Sales Tax Rate	8.625%
Total Annual Sales Tax	\$736,403
State Sales Tax Rate	4.00%
Annual State Sales Tax	\$341,520
County Sales Tax Rate	4.25%
Annual County Sales Tax	\$362,865
MCTD Surcharge	0.375%
MCTD Portion of the Sales Tax	\$32,018

Source: Consultant's Estimates based on average annual sales of \$300/sf

It is anticipated that the site will also contain a 111-room hotel. The average occupancy rate for the proposed hotel was estimated at 74.3% and the nightly room rate its estimated at \$149. This was the average annual occupancy rate for all hotels in western Suffolk County as compiled by Island Publications of Melville. Under these assumptions, the total number of occupied rooms per year would be 30,103. The 111 rooms would generate \$4,485,294 in revenue annually. Applying the 8.625% sales tax rate indicates that the hotel could generate a total of \$386,857 annually in sales tax revenue. Of this amount, about \$179,412 would go to the State of New York, \$190,625 would go to Suffolk County and \$16,820 would go to the Metropolitan Commuter Transportation District (MCTD). These computations are shown in the following table.¹ **The analysis indicates that Suffolk County would receive an additional \$553,490 in annual sales tax revenues from the proposed retail space and hotel.**

Annual Sales Tax Revenue, Proposed Tritec Development, Hotel Component

Total Rooms	111
Nights per Year	365
Maximum Annual Rooms Occupied	40,515
Estimated Average Nightly Occupancy Rate	74.30%

¹ This excludes an additional hotel tax of 0.75%, which goes to the Long Island Convention & Visitors Bureau for tourism promotion.

Annual Number of Occupied Rooms	30,103
Estimated Average Nightly Room Rate	\$149.00
Total Hotel Revenue Per Year	\$4,485,294
County, State & MTA Sales Tax Rate	8.625%
Annual Sales Tax	\$386,857
State Sales Tax Rate	4.00%
Annual State Sales Tax	\$179,412
County Sales Tax Rate	4.25%
Annual County Sales Tax	\$190,625
MCTD Surcharge	0.375%
MCTD Portion of the Sales Tax	\$16,820

Estimated Property Tax Revenues

This section estimates the property tax revenues likely to be generated by the proposed Tritec development at full occupancy. The income approach was used to estimate annual property taxes for the proposed 240 rental units. Based on data submitted by Downtown Patchogue Redevelopers LLS, the workforce rental units would generate annual rents of approximately \$768,720 and the market rate rental units would generate annual rents of approximately \$4,568,292, for a total annual rent of about \$5,337,012 from the residential component of the proposed development.

Estimated Annual Rents From the 48 Workforce Rental Apartments

Size of Unit	Number	Estimated Monthly Rent	Estimated Annual Rent Per Unit	Total Annual Rent
Studio	35	\$1,275	\$15,300	\$535,500
One-Bedroom/One Bath	13	1,495	\$17,940	\$233,220
Two-Bedroom/Two Bath	0	0	0	0
Three-Bedroom/Three Bath	0	0	0	0
Total	48			768,720

Source: Consultant's estimates based on data from Downtown Patchogue Redevelopers LLC

Estimated Annual Rents From the 192 Market Rate Rental Apartments

Size of Unit	Number	Estimated Monthly Rent	Estimated Annual Rent Per Unit	Total Annual Rent
Studio	0	\$1,345	0	0
One-Bedroom/One Bath	72	1,623	\$19,476	\$1,402,272
Two-Bedroom/Two Bath	115	2,173	\$26,076	\$2,998,740
Three-Bedroom/Three Bath	5	2,788	\$33,456	\$167,280
Total	192			\$4,568,292

Source: Consultant's estimates based on data from Downtown Patchogue Redevelopers LLC

Assuming a loss from vacancies of 7% and an expense ratio of 30%, net income from these apartments would be about \$3,362,318. Assuming a 0.14 capitalization rate, the estimated market value of the rental units would be about \$24,016,554. Applying the current equalization rate of .70%, the assessed value of the rental apartments would be

about \$168,116. Applying the 2007-08 tax rate of \$262.739 per \$100 of assessed value results in annual tax revenues of \$441,706 from the rental apartments.

Estimated Annual Property Tax Revenues From Rental Apartments

Gross Annual Rents	\$5,337,012
Estimated Loss From Vacancies	7%
Expense Ratio	30%
Net Income	\$3,362,318
Capitalization Rate	0.14
Estimated Market Value	\$24,016,554
2007-08 Equalization Rate	0.007
Assessed Value	\$168,116
2007-08 Tax Rate	\$262.739 Per \$100 of Assessed Value
Taxes for 240 Rental Apartments	\$441,706

Source: Consultant’s estimates based on 2007-08 equalization & tax rates

The Commercial Space. There will also be 28,460 square feet of retail space. Assuming an average gross rent of \$26 per square foot, gross income for the commercial space would be about \$738,400. Assuming an expense ratio of 25%, net income would be about \$553,800. With a capitalization rate of 0.14, the market value of the retail space would be about \$3,955,714. Applying the current equalization rate results in an assessed value of about \$27,690. Applying the current tax rate results in estimated annual taxes of \$72,752.

Estimated Annual Property Tax Revenues From Retail/Commercial Uses

Average Gross Annual Rent Per Square Foot	\$26
Estimated Square Feet	28,400
Estimated Gross Income	\$738,400
Expense Ratio	25%
Net Income	\$553,800
Capitalization Rate	0.14
Estimated Market Value	\$3,955,714
2007-08 Equalization Rate	0.007
Assessed Value	\$27,690
2007-08 Tax Rate	\$262.739 Per \$100 of Assessed Value
Total Taxes	\$72,752

Source: Consultant’s estimates based on 2007-08 equalization & tax rates

The Hotel. A 111-room hotel occupying 85,235 square feet is planned. Assuming an annual gross income of \$75 per square foot, the gross income of the proposed hotel would be about \$6,392,625. The hotel would be a limited service hotel. Nevertheless, the expense ratio for hotels is relatively high. Assuming an expense ratio of 50%, net income would be about \$3,196,313. With a capitalization rate of 0.14, the estimated market value would be about \$22,830,805. Applying the current equalization rate results in an assessed value of about \$159,816. Applying the current tax rate results in estimated annual taxes of about \$419,898.

Estimated Annual Property Tax Revenues From the Hotel

Square Feet of Hotel	85,235
Gross Income Per Square Foot	\$75
Estimated Annual Gross Income	\$6,392,625

Expense Ratio	50%
Net Income	\$3,196,313
Capitalization Rate	0.14
Estimated Market Value	\$22,830,805
2007-08 Equalization Rate	0.007
Assessed Value	\$159,816
2007-08 Tax Rate	\$262.739 Per \$100 of Assessed Value
Total Taxes	\$419,898

Source: Consultant's estimates based on 2007-08 equalization & tax rates

Total Estimated Annual Property Taxes. Aggregating taxes for the residential, retail and hotel components of the proposed Tritec development indicates that the development could generate \$934,356 in annual property tax revenues. This compares with current property taxes from the subject property of only \$229,209. Thus, the proposed Tritec development would result in a net annual gain of \$705,147 in annual property tax revenues.

Total Estimated Annual Property Taxes, Proposed Tritec Development

Component	Amount of Taxes
Residential Component	\$441,706
Retail Component	72,752
Hotel	419,898
Total	934,356
Current Property Tax Revenues	229,209
Net Property Tax Gain from Tritec Development	705,147

Allocation of Real Property Taxes to Individual Taxing Districts. Projected taxes were allocated to all affected taxing districts as follows:

Rate Per \$100 of Assessed Value for Affected Tax Districts

Tax District	Rate per \$100 of Assessed Value
Patchogue-Medford UFSD	177.087
Library District	15.756
County of Suffolk	2.862
County of Suffolk – Police	31.685
Town General – Town Wide Fund	4.471
Highway – Town Wide Fund	2.846
\$100M Bond Act of 2004	1.456
Fire District – Patchogue Fire District	11.581
Real Property Tax Law – Article 7	1.011
Real Property Tax Law	4.854
Patchogue Village	9.13
Total	262.739

Source: Latest tax bill from the Town of Brookhaven and the Village of Patchogue

These rates were converted to a percent distribution to determine the allocation of projected tax revenues to each district. As the following table shows, the Patchogue-Medford Union Free School District would receive more than 67% of total tax revenues or about \$629,759 annually. The Village of Patchogue would receive an estimated \$32,468 annually.

Allocation of \$934,356 in Annual Property Tax Revenues

Taxing District	Percent of Total Taxes	Amount
Patchogue-Medford UFSD	67.40	\$629,759
Library District	6.00	\$56,032
County of Suffolk	1.09	\$10,178
County of Suffolk – Police	12.06	\$112,679
Town General – Town Wide Fund	1.70	\$15,900
Highway – Town Wide Fund	1.08	\$10,121
\$100M Bond Act of 2004	0.55	\$5,178
Fire District – Patchogue Fire District	4.41	\$41,185
Real Property Tax Law – Article 7	0.38	\$3,595
Real Property Tax Law	1.85	\$17,262
Patchogue Village	3.48	\$32,468
Total	100.00	\$934,356

Source: Consultant’s computations based on latest tax bill for subject property

Costs and Benefits to the Patchogue-Medford UFSD

As shown above, the Patchogue-Medford UFSD would receive an estimated \$629,759 in annual property tax revenue from the proposed Tritec project. The additional instructional costs to the school district, calculated above, would be about \$364,473. This would result in an annual tax benefit to the school district of about \$265,286.

Annual Costs vs. Benefits to Patchogue-Medford UFSD

Annual Property Tax Revenues From Tritec Development	\$629,759
Additional Cost to School District to Educate 27 Students	364,473
Net Benefit to School District	265,286

Source: Consultants Estimates