

Explanation of Income Assumptions for Somerville Towne Center

Annual Gross Revenue or Annual Gross Rent is calculated by deducting the estimated vacancy amount 10% from the potential or maximum rent per year; e.g. \$4,318,100 x 90% = **\$3,886,290**

Annual Service Charge (ASC) is 15% of calculated Annual Gross Rent; e.g. **\$3,886,290** x 15% = **\$582,944**.

Commercial Component

Current Tax Ratio	52%
Capitalization Rate	8%
Tax Rate per \$100	\$4.52
Vacancy Factor	10%
Owner Expenses	10%
PILOT ASC Rate	15%

		Annual Gross Rent	PILOT ASC	Adjusted A G Rent	Calculated Market Value
New Retail	81,556	\$1,835,010	\$275,252	\$1,651,509	\$20,643,863
Existing Retail	57,800	\$728,280	\$109,242	\$655,452	\$8,193,150
Office Space	73,500	\$1,323,000	\$198,450	\$1,190,700	\$14,883,750
Total	212,856	\$3,886,290	\$582,944	\$3,497,661	\$43,720,763

Capitalization Rate (CAP Rate) is an assessment tool used to estimate the value of a property using a ratio applied to Net Operating Income (NOI) produced by an asset, this ratio is determined by that of similar properties in the region or area, e.g. **\$3,497,661** ÷ 8% = **\$43,720,763**

Residential Component

Current Tax Ratio	52%
Capitalization Rate	8%
Tax Rate per \$100	\$4.52
Vacancy Factor	10%
Owner Expenses	40%
PILOT ASC Rate	15%

		Annual Gross Rent	PILOT ASC	Adjusted A G Rent	Calculated Market Value
One-Bedroom	149	\$2,735,640	\$410,346	\$1,641,384	\$20,517,300
Two-Bedroom	166	\$4,123,440	\$618,516	\$2,474,064	\$30,925,800
Two-Bedroom+ Den	17	\$477,360	\$71,604	\$286,416	\$3,580,200
Total	332	\$7,336,440	\$1,100,466	\$4,401,864	\$55,023,300

The rates used in this example are current and have been reviewed by the Boroughs Tax Assessor.

Current taxes from the site are \$583,850; without inflation, over ten years this would generate \$5,838,500 in revenue. The above program over the same time frame will generate up to \$2,914,720 (Commercial) plus \$11,004,660 (Residential) for a total of \$16,843,160. If we anticipate a gradual build to full occupancy, the range of the PILOT over the ten years can be from \$12,821,743 to \$16,843,160.