

Pitney Farm Finance Committee Update

September 8, 2014

Discussion Topics

- Progress to Date
- Rental Analysis & Recommendation
- Next Steps

Progress to Date

- Estimates being procured to re-validate the costs of bringing main building into basic compliance
- Tax assessor evaluating property value based on various scenarios for # of potential dwellings
 - Tax base impact to immediately follow
- Cost of demolition of entire site in range of \$100k
 - Excludes any potential remediation issues
- Preliminary rental analysis completed

Rental Analysis Approach

- Basic comparison between rental revenue and cash cost only of maintaining rental properties
 - Excludes cost that would remain regardless of whether properties were rented
 - Excludes interest cost of debt
 - Includes indirect cost of managing properties by Township Administration
- Estimated cost for repairs needed in the next 6 months on rental properties only
 - Amortized costs over 4 years
- Excludes quantification of any risk associated with renting properties
 - Safety, liability, Etc.

PF Detailed Financial

Analysis-Rental

	“ As Is “ <u>4 Rentals</u>	Proforma <u>1 Rental</u>	Proforma <u>0 Rental</u>
Lease Revenue	49,800	30,000	-
<u>Expenses</u>			
Exterminating Service	480	480	480
Electric (Main House, Garage & Barn)	4,776	2,388	2,388
Heating Oil	18,000	2,400	2,400
Steward's Payment	16,500	-	-
Landscaper	-	3,000	3,000
Miscellaneous	2,400	2,000	1,200
Waste Garbage Service	2,020	1,010	-
Propane	600	600	600
Security & Fire Monitoring	4,128	4,128	4,128
Township Indirect Costs	<u>42,000</u>	<u>15,000</u>	<u>6,000</u>
Total Expenses	90,904	31,006	20,196
Cash Income /(Loss)	(\$ 41,104)	(1,006)	(20,196)
Required Repairs Rental Units			
Roofing	15,000	-	-
Enviromental	5,000	3,000	-
Heating/Electrical	10,000	5,000	-
Painting/Misc	<u>10,000</u>	<u>5,000</u>	<u>1,000</u>
	40,000	13,000	1,000
4 Year Repair Amortization	10,000	3,250	250

PF Financial Analysis-Rental

	"As Is" 4 Rentals	Proforma 1 Rental	Proforma 0 Rentals
Lease Revenue	\$ 49,800	\$ 30,000	
Total Expenses	90,904	31,006	20,196
Cash Income/(Loss)	(\$ 41,104)	(\$ 1,006)	(\$ 20,196)
Required Repairs – Rental Units	40,000	13,000	1,000
4 Year Repair Amortization	10,000	3,250	250
Cash Income/(Loss)	(\$ 51,104)	(\$ 4,256)	(\$ 20,446)

Conclusion

- **Committee recommends exiting the rental business entirely giving due consideration to existing tenants**
- Potential for cash loss of \$4k from renting 1 property deemed not worth given non-quantified risks

Next Steps

- Progress options for winterizing main house and facility/site upkeep
- Consolidate estimates on cost of making main house usable on an interim basis
- Finalize estimate on land value & tax implications under various usage scenarios
- Work with tenants on exiting property as appropriate