

December 12, 2025

Ms. Cherisse Vickers, Executive Director
City of Newburgh IDA
City Hall, Third Floor
83 Broadway
Newburgh, NY 12250

Re: Test of Reasonableness Findings – MetalWyze

Dear Cher,

The City of Newburgh Industrial Development Agency (the “IDA”) is considering providing assistance to a real estate development project in the City of Newburgh (the “City”) as proposed by MetalWyze, Inc. and NCBP Newburgh LLC (collectively, the “Developer”). The proposed project is at 106 Pierces Road (the “Site”) and involves rehabilitating a vacant building into a manufacturing space for metal coil and sheet metal processing, as well as OEM fabrication (the “Project”). The IDA engaged MRB Group to provide certain advisement and analysis including the completion of a cost-benefit analysis (CBA) of the Project that conforms to the requirements of Section 859-a(5) of General Municipal Law and the completion of a “reasonableness test” of the assistance being requested by the Developer.

Scope of Analysis

To conduct this test of reasonableness, the IDA required the Developer to submit to MRB Group a pro forma financial analysis of the Project. MRB Group analyzed the Developer’s submitted information and requested level of assistance. MRB Group compared the assumptions used in that pro forma analysis against industry-standard benchmarks from RealtyRates.com.

For such an analysis, MRB Group would normally focus on two key outputs: (1) whether the Project would meet bank financing conditions, such as meeting minimum Debt Service Coverage Ratios (DSCR), and

(2) whether the Project's pre-tax cash flow internal rate of return (IRR) would be in excess of normal returns for the area and project type.

However, we note that the financing for the Project is not an arms-length transaction (i.e. the financing is being provided by entities related to the Developer), so the DSCR test is not meaningful. Secondly, the real estate holding entity, NCBP Newburgh LLC, is undertaking the development Project and is then leasing the Site to the operating entity, MetalWyze, Inc. Since NCBP Newburgh LLC and MetalWyze, Inc. are also related entities, the lease itself is not an arms-length transaction.

Therefore, our analysis is focused on the pro forma financials of NCBP Newburgh LLC, adjusted as necessary to mimic an arms-length transaction. More specifically, we examined whether the rents charged by NCBP Newburgh, LLC to MetalWyze, Inc. (which include the cost of any real estate taxes, charged as a pass-through) matched market-based rents for industrial space in the region. Using market-based rents, we then examined whether NCBP Newburgh, LLC's financial pro forma projections provide a sufficient but not excessive return-on-equity given normal, market-based financing terms. We did so by benchmarking the projected IRR (again, adjusted as necessary to match market conditions) against returns listed in RealtyRates.com's "Investor Survey" to determine reasonableness.

Discussion

MRB Group requested certain pro forma financial projections, which the Developer provided in spreadsheet format and attachments, along with financial information contained within the Developer's IDA application for assistance (collectively, the "Projections"). The Projections included comprehensive details on the Project's:

- Sources of capital, including financing terms and conditions.
- Construction budget.
- Operating revenues and expenses for NCBP Newburgh, LLC.

MRB Group reviewed the above and asked for and received certain clarifications via email consultations with the Developer. MRB Group also held two conference calls with the Developer to discuss the Projections. To preserve confidentiality, we do not disclose the exact figures provided by the Developer and the discussions therein. However, we took the information and assumptions contained within the Projections and benchmarked them against market data. The table below shows some of the benchmark

reference values we used to evaluate the revised Projections, such benchmarks provided by RealtyRates.com.

| Reference Values for Pro Forma Analysis | | | |
|---|-------|--------|---------|
| Metric | Min | Max | Average |
| Interest Rate - Construction | n/a | n/a | n/a |
| Interest Rate - Permanent | 5.59% | 8.99% | 7.29% |
| Debt Service Coverage Ratio* | n/a | n/a | n/a |
| Loan-to-Value Ratio* | n/a | n/a | n/a |
| Amortization* | 15 | 35 | 25 |
| Equity Dividend Rate | 6.80% | 14.54% | 10.28% |
| Capitalization Rate | n/a | n/a | 9.53% |

*Metric with respect to permanent financing.

Source: RealtyRates.com's "Investor Survey" 3rd Quarter 2025 for "Industrial - Climate Controlled / Manufacturing"

As noted above, certain information we typically would benchmark is not applicable in this case due to the related-party transactions: DSCR, Loan-to-Value and Construction period interest rate (no construction period loan is involved in the Project's Projections, just a single, related-party permanent loan.) The definitions of the terms used in the table can be found below.

- Amortization: Years required at the specified interest rate to pay off the entire mortgage, including principal and interest, with a level payment.
- Capitalization Rate: The rate of return on a real estate investment property based on the net income that the property is expected to generate.
- Debt Service Coverage Ratio (DSCR): Ratio of annual mortgage payment, including interest and principal, to total net operating income (NOI, defined below).
- Equity Dividend: The dollar return to the equity component: $\text{Net Operating income} - \text{Debt Service} = \text{Equity Dividend}$.
- Equity Dividend Rate: Rate of return to the equity component: $\text{NOI} - \text{Debt Service} = \text{Equity Dividend} / \text{Equity Investment} = \text{Equity Dividend Rate}$.
- Loan-to-Value Ratio: The amount borrowed divided by the appraised value of the property, expressed as a percentage.
- Net Operating Income (NOI): Income net of all operating costs including vacancy and collection loss but not including debt service.

As noted in the “Scope of Analysis” section above, MRB Group needed to modify the Projections to model the Project as if it were an arm-length transaction between non-related parties, so as to accurately model out the return-on-equity to the Developer. Those modifications included:

- We adjusted the lending terms to be a market-based interest rate for the permanent loan.
- We extended the Projections from 5-years to 10-years.
- To calculate cash flows, we started with the Developer’s assumed operating income and then:
 - Added back in to operating income non-cash expense items (e.g. depreciation charges),
 - Subtracted out non-expense cash items (e.g. principal payments),
 - Assumed a cash outlay in “Year 0” equal to the equity investment listed in the sources-of-capital table in the IDA application.
 - Assumed a hypothetical sale in Year 10 using terminal-year net operating income, the current capitalization rate for industrial properties, and subtracted out the costs of the transaction and remaining debt to arrive at net proceeds. We added this to cash inflows in Year 10.
- With those adjusted figures, we calculated the internal-rate-of-return and compared it to market-based benchmarks.

Note that we also examined a number of other factors used in the Projections including the assumed rental prices and operating expenses. We found them to be consistent with market data. We also factored in the Developer’s presumed receipt of Excelsior Job Tax Credits by Empire State Development.

The table below shows the comparison of the Developer’s Projections, adjusted as explained above, to the benchmark reference values from above:

| Comparison of Developer Assumptions to Reference Values | |
|---|--------------------------|
| Metric | Developer Assumption is: |
| Interest Rate - Construction | n/a |
| Interest Rate - Permanent | Market Average |
| Debt Service Coverage Ratio | n/a |
| Loan-to-Value Ratio | n/a |
| Amortization* | Within Range |
| Equity Dividend Rate | Within Range |
| Capitalization Rate | ** |

*Metric with respect to permanent financing.

**MRB used the appropriate Cap Rate indicated by RealtyRates. See notes in text.

Source: RealtyRates.com's "Investor Survey" 3rd Quarter 2025 for "Industrial - Climate Controlled / Manufacturing"

We found that the implied Equity Dividend Rate is within the normal range based on RealtyRates.com's market data.

Summary of Findings

We find that the Applicant's requested assistance, namely the proposed PILOT abatement schedule, provides the Developer a reasonable, risk-adjusted return.

Thank you for this opportunity to assist the Newburgh IDA.

Sincerely,



R. Michael N'dolo
 Director of Economic Development