



## The Magellan – New Construction: Port Chester IDA

Presented by the National Development Council

*May 11, 2022*



# Who we are



***The National Development Council's (NDC's), a national 501 (c)(3) non-profit, mission is to increase the flow of capital to distressed urban and rural communities for investment, jobs and community development.***

*For over 50 years this has meant working towards a more equitable form of development by supporting communities with their efforts to provide quality housing, jobs, and infrastructure.*

## **Homes**

We assist in the development of housing by leveraging scarce public resources to ensure that access to housing will also mean access to transportation, jobs, and amenities.

## **Jobs**

We use our knowledge of the private sector's strength and limitations to structure and employ programs that provide capital to small businesses.

## **Community**

We provide access to tools for the financing and development of infrastructure that can facilitate economic development and improve quality of life.



# NDC Assignment

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- **Review development application, program and developer financial model**
  - Financial Model submitted by developer
- **Determine the need for Payment In Lieu of Taxes (PILOT)**
  - Industrial Development Agencies (“IDAs”) are formed under and governed by Article 18-A of the NYS General Municipal Law (the “IDA Act”) as public benefit corporations.
  - IDAs provide four basic forms of financial assistance including PILOT
- **Offer comment and perspective on the sizing and terms of PILOT to IDA Staff and Board**
  - Establish the appropriate sizing of PILOT to establish financial feasibility without providing “undue enrichment” to applicant/developer
  - Substantiate the “but for” test

# Development Overview

- **95 Unit Mixed-Use Market Rate Development**
  - 40 Market Rate Studios (varying sizes)
  - 35 Market Rate 1-BRs
  - 20 Market Rate 2-BRs (varying sizes)
  - 3,126 SF of Commercial/Retail Space, 2,600 SF of Office Space

- **\$38.8 Million Development**

USES OF FUNDS	\$	Per Unit	%
Acquisition	\$3,089,250	\$32,518	8%
Construction Hard Costs	\$27,477,654	\$289,238	71%
Hard Cost Contingency	\$1,331,926	\$14,020	3%
Soft Costs and Professional Fees	\$5,116,973	\$53,863	13%
Developer Fee	\$1,819,921	\$19,157	5%
<b>TOTAL</b>	<b>\$38,835,724</b>	<b>\$408,797</b>	<b>100%</b>
SOURCES OF FUNDS	\$	Per Unit	%
Loan *	\$26,670,000	\$280,737	69%
Equity	\$12,165,724	\$128,060	31%
<b>TOTAL</b>	<b>\$38,835,724</b>	<b>\$408,797</b>	<b>100%</b>

- **5-minute walk from Port Chester Metro-North Station**
- **Experienced/Local Development Team**

# Operating Proforma

- Current taxes on parcel(s) of subject development is \$40,242
- Taxes at full assessment estimated to be \$736,158, or > \$7,749/unit
- With taxes at full assessment, development is not financially feasible
- Lender and investor thresholds are not met without PILOT

STABILIZED OPERATING PRO FORMA (Assumed to be 2nd year of operations after new construction)							
		(1) WITHOUT PILOT		(2) WITH 2nd Year 20-YR PILOT		(3) With PILOT Avg over 20-Yr Term	
		\$	Per Unit	\$	Per Unit	\$	Per Unit
Market Gross Income	95	\$2,721,498	\$2,387 per month	\$2,721,498	\$2,387 per month		
Commercial Income		\$83,794	\$26 per SF	\$83,794	\$26 per SF		
Office Income		\$58,874	\$22 per SF	\$58,874	\$22 per SF		
Misc. Income		\$129,187		\$129,187			
Gross Income		\$2,993,354		\$2,993,354			
Vacancy		(\$149,668)	5.00% vacancy	(\$149,668)	5.00% vacancy		
Effective Gross Income		\$2,843,686		\$2,843,686		\$2,843,686	
Operating Expenses Excl Taxes		(\$403,750)	\$4,250	(\$403,750)	\$4,250	(\$403,750)	\$4,250
<b>RE Taxes / PILOT</b>		<b>(\$766,049)</b>	<b>\$8,064 2nd year</b>	<b>(\$78,085)</b>	<b>\$822 2nd year</b>	<b>(\$433,654)</b>	<b>\$4,565 avg. during term</b>
Total Expenses		(\$1,169,799)	\$12,314	(\$481,835)	\$5,072	(\$837,404)	\$8,815
Net Operating Income		\$1,673,887		\$2,361,851		\$2,006,282	
Debt Service		(\$1,718,044)		(\$1,718,044)		(\$1,718,044)	
Cash Flow		(\$44,157)		\$643,808		\$288,238	
<b>METRICS</b>							<i>Typical in Market</i>
Debt Coverage Ratio		0.97		1.37		1.17	>1.20
Cash on Cash Return		-0.36%		5.29%		2.37%	>6.5%
Yield to Cost Return		4.31%		6.08%		5.17%	>6.5%
Leveraged Pre-Tax IRR Over Term		6.33%		9.26%		9.26%	>12%

# PILOT Summary

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- 20-year tax schedule
- 100% abatement on improvements in first year of operation
  - Straight phase-in schedule years 2 - 20
- Over 20-year term, aggregate taxes are \$8,673,085
  - @ \$433,654 annual average or \$4,565/unit annually
  - **Average annual tax payment over term is @ 10.78x current taxes**
- Predictability of schedule crucial for securing debt and equity commitments

# PILOT Schedule

PILOT SCHEDULE								
108 South Main Street								
	Current Taxes	\$40,242					Starting Abatement	100%
	Improvement Taxes	\$695,916					PILOT Term	20
	"As Improved" (Full) Taxes	\$736,158					Decrease	0.05
	Proposed Units	95						
	Estimated Taxes/Unit	\$7,749						
	Annual Escalator	1.00%						
PILOT Year	Operation Year	Base Taxes	Improvement Taxes	"As Improved" Full Taxes	Abatement	Savings	PILOT	Increment
1	Construction	\$40,644	\$0	\$40,644	0	\$0	\$40,644	
2	Construction	\$41,051	\$0	\$41,051	0	\$0	\$41,051	
3	1	\$41,461	\$717,003	\$758,464	100.00%	(\$717,003)	\$41,461	(\$0)
4	2	\$41,876	\$724,173	\$766,049	95.00%	(\$687,964)	\$78,085	\$36,209
5	3	\$42,295	\$731,415	\$773,709	90.00%	(\$658,273)	\$115,436	\$73,141
6	4	\$42,718	\$738,729	\$781,447	85.00%	(\$627,920)	\$153,527	\$110,809
7	5	\$43,145	\$746,116	\$789,261	80.00%	(\$596,893)	\$192,368	\$149,223
8	6	\$43,576	\$753,577	\$797,154	75.00%	(\$565,183)	\$231,971	\$188,394
9	7	\$44,012	\$761,113	\$805,125	70.00%	(\$532,779)	\$272,346	\$228,334
10	8	\$44,452	\$768,724	\$813,176	65.00%	(\$499,671)	\$313,506	\$269,053
11	9	\$44,897	\$776,411	\$821,308	60.00%	(\$465,847)	\$355,461	\$310,565
12	10	\$45,346	\$784,176	\$829,521	55.00%	(\$431,297)	\$398,225	\$352,879
13	11	\$45,799	\$792,017	\$837,816	50.00%	(\$396,009)	\$441,808	\$396,009
14	12	\$46,257	\$799,937	\$846,195	45.00%	(\$359,972)	\$486,223	\$439,966
15	13	\$46,720	\$807,937	\$854,657	40.00%	(\$323,175)	\$531,482	\$484,762
16	14	\$47,187	\$816,016	\$863,203	35.00%	(\$285,606)	\$577,597	\$530,411
17	15	\$47,659	\$824,176	\$871,835	30.00%	(\$247,253)	\$624,582	\$576,923
18	16	\$48,135	\$832,418	\$880,554	25.00%	(\$208,105)	\$672,449	\$624,314
19	17	\$48,617	\$840,742	\$889,359	20.00%	(\$168,148)	\$721,211	\$672,594
20	18	\$49,103	\$849,150	\$898,253	15.00%	(\$127,372)	\$770,880	\$721,777
21	19	\$49,594	\$857,641	\$907,235	10.00%	(\$85,764)	\$821,471	\$771,877
22	20	\$50,090	\$866,218	\$916,308	5.00%	(\$43,311)	\$872,997	\$822,907
TOTAL (Operating Years)		\$912,938	\$15,787,691	\$16,700,629		(\$8,027,544)	\$8,673,085	\$7,760,147
						48% of full taxes	52% of full taxes	
							\$433,654 annual avg.	
							\$4,565 per unit annually	
							10.78 multiplier	



# Public vs Private Benefit

- Proposed PILOT will generate significantly more real estate taxes than abatement
- 53%/ 47% split between Public/Private Real Estate Tax Benefits

PILOT VS SAVINGS	
Full IDA Taxes (PILOT) over 20 Years	\$8,673,085
School Mitigation Fee	\$192,064
Parkland Mitigation Fee (\$2,000 per unit)	\$190,000
<b>TOTAL TAXES + FEES PAID</b>	<b>\$9,055,149</b>
Real Estate Tax Savings Over Term	\$8,027,544
<b>TOTAL PROJECT TAX SAVINGS</b>	<b>\$8,027,544</b>



## Other Benefit Analysis

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- **Redevelopment of property that has been vacant for @ 50 years**
- **Transit oriented development consistent w Village development plan**
- **Jobs**
  - 130 short-term construction jobs (Developer Estimate)
  - 9 FTE jobs
- **Additional disposable income (estimated \$3 - \$4 million annually) to support local retail trade in downtown Port Chester**

