

Findings on Retail D: Village of Port Chester IDA

Presented by National Development Council

October 30, 2018

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.



How we work



The National Development Council's (NDC's) mission is to increase the flow of capital to distressed urban and rural communities for investment, jobs and community development.

CAPACITY

Technical Assistance



Technical Assistance – NDC field directors help define, design and execute development and business finance initiatives

Training & Certification



Training — NDC instructors teach skills and knowledge needed to successfully facilitate housing and economic development projects

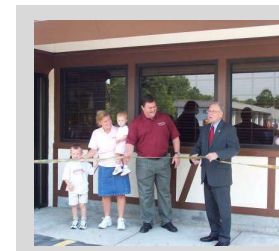
FINANCING & DEVELOPMENT

Corporate Equity Fund



Corporate Equity Fund - NDC serves as a development partner as well as providing syndicated investments in low income and historic tax credits

Grow America Fund



Grow America Fund – NDC creates jobs through SBA lending that focuses on LMI as well as W/MBE businesses

HEDC



Housing & Economic Development Corporation (HEDC) – A 501(c)3 non-profit affiliate of NDC finances and builds community and public facilities on behalf of our client communities through public-private partnerships and new markets tax credits

NDC is America's oldest national non-profit community development organization.



NDC Assignment

- **Review development program, developer financial model, and appraisal for Retail D development**
 - Financial Model submitted by developer
 - Program
 - Development Budget
 - Operating Budget
 - Appraisal
- **Determine the need for partial tax exemption or payment in lieu of taxes (PILOT) consistent with uniform tax exemption policy (UTEP)**
- **Offer comment on the sizing and terms of PILOT**
 - Establish the appropriate sizing of partial exemption to establish financial feasibility without providing “undue enrichment” to developer
 - Substantiate the “but for”

Development Overview

- **MIXED USE**

- 79 Units
- +/- 9,000 square feet of ground floor commercial space
- 79 parking parking spaces
- 5 story building on 0.5 acre on corner of Westchester Ave and Main St
- Small Units
 - Most units are studios and 1 BR so would not yield many new students
 - 7 at most but likely fewer than 7

PROGRAM	Units	Rent	SF	Rent/SF
Studios	7	\$1,583	\$475	\$3.33
1 BR	56	\$2,029	\$641	\$3.17
2 BR	<u>16</u>	\$2,700	\$900	\$3.00
Total	79			
Commercial	9,602	\$25		
Parking	79	250		

- **WALKABLE & TRANSIT ORIENTED**

- Close proximity to train station

- **EXPERIENCED AND ACCOMPLISHED DEVELOPMENT TEAM**

Sources and Uses

USES OF FUNDS	Developer	Adjusted Amount	Per Unit	Per SF	%	Comments	
Acquisition	3,380,139	\$3,380,139	\$42,787	\$44	13%	Appraisal has land at	\$4,630,000
Site Work	3,000,000	\$2,000,000	\$25,316	\$26	8%	Line the existng culvert. Boswell esitmate.	
Residential Construction	13,369,469	\$13,369,469	\$169,234	\$174	53%	Per developer	
Commercial Construction	2,044,538	\$2,044,538	\$25,880	\$27	8%	Per developer. PSF for comm	\$157
Soft Costs	4,603,502	\$4,603,502	\$58,272	\$60	18%	Per developer	
Other Soft Costs Spent to Date	<u>2,400,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0%</u>		
TOTAL	28,797,649	\$25,397,649	\$321,489	\$330	100%		
SOURCES OF FUNDS	Developer	Adjusted Amount	Per Unit	%			
Commercial Loan		\$16,508,472	\$208,968	65%			
Developer Equity		<u>\$8,889,177</u>	<u>\$112,521</u>	<u>35%</u>			
TOTAL		\$25,397,649	\$321,489	100%			

Stabilized Operating Pro Forma

STABILIZED OP PROFORMA	Without PILOT		With PILOT		
Gross Residential Income	\$2,014,650				
Commercial Income	\$240,050				
Other Income	\$19,750				
Tenant Contributions	* \$24,005				
Gross Income	\$2,298,455				
Less Vacancy	(\$114,923)	5.00% vacancy			
Effective Gross Income	\$2,183,532		\$2,183,532		
Operating Expenses	(\$493,750)	\$6,250 per unit	(\$493,750)	\$6,250 per unit	
RE Taxes/PILOT	(\$578,865)	\$7,327 per unit	(\$200,000)	\$2,532 per unit	
Total Operating Expenses	(\$1,072,615)	\$13,577 per unit	(\$693,750)	\$8,782 per unit	
Net Operating Income	\$1,110,917		\$1,489,782		
Debt Service	<u>(\$1,124,799)</u>		(\$1,124,799)		
Cash Flow	(\$13,882)		\$364,983		
					Market Expects
Cash on Cash	Negative		4.11%		8%
Cash on Cost	4.37%		5.87%		7%
Unleveraged Internal Rate of Return (IRR)			8.17%		10%
Leveraged Internal rate of Return (IRR)			10.66%		15 - 20%
* does not include RE taxes passed on to commercial tenants					
** operating expenses lowered to \$6,250 per unit from \$7,500 per unit					

Problems & PILOT Options with Retail D

- Problem
 - Taxes at Full Assessment is extremely high
 - Estimated at \$578,000
 - Equivalent to > \$7,300 unit
- PILOT Options

Phase in Approach	Fixed Payment w Escalator
Provide Initial abatement on Full Taxes	Start w reasonable PILOT \$200,000 annually in example Equivalent to \$2,500 per unit
Phase in over 20 year	Use 2 – 3% escalator
Need Steep abatement in early years, .i.e. 75% for first 5 years, 66% in year 6 and phase in to year 20 Taxes lower in early years Taxes higher in later years of PILOT	Advantage to developer is predictability Advantage to Village is higher taxes in early years

Phase-in PILOT Approach

PILOT Schedule w Phase-in Over 20 Years											
Current Assessed Value			\$1,453,100	per appraisal			Unlevered IRR	7.72%			
Mill Rate			36.73	per Assessor			Levered IRR	9.99%			
Current Taxes			\$53,372	per Assessor			Note: HB has slightly different phase-in schedule				
New Valuation			\$15,760,000	Income Approach, per appraisal							
Mill Rate			36.73								
Taxes at Full Assessment			\$578,865								
Taxes at Full Assessment Per Unit			\$7,327								
Year	Calendar Year	Current Taxes	Assessment w Improvements	Tax Rate	Taxes at Full Assessment	Abatement	Estimated Annual PILOT Payment *	Per Unit	Per SF	Estimated PILOT Benefit	Increment
				1% escalator			5.75% discount rate				
Interim	2018	\$53,372		36.7300							
Interim	2019	\$53,906		37.0973							
Interim	2020	\$54,445		37.4683							
1	2021	\$54,990	\$15,760,000	37.8430	\$596,405	75%	\$149,101	\$1,887	\$1.94	(\$447,304)	\$94,112
2	2022	\$55,539	\$15,760,000	38.2214	\$602,369	75%	\$150,592	\$1,906	\$1.96	(\$451,777)	\$95,053
3	2023	\$56,095	\$15,760,000	38.6036	\$608,393	75%	\$152,098	\$1,925	\$1.98	(\$456,295)	\$96,003
4	2024	\$56,656	\$15,760,000	38.9896	\$614,477	75%	\$153,619	\$1,945	\$2.00	(\$460,857)	\$96,963
5	2025	\$57,222	\$15,760,000	39.3795	\$620,621	75%	\$155,155	\$1,964	\$2.02	(\$465,466)	\$97,933
6	2026	\$57,795	\$15,760,000	39.7733	\$626,828	66%	\$213,121	\$2,698	\$2.77	(\$413,706)	\$155,327
7	2027	\$58,373	\$15,760,000	40.1711	\$633,096	66%	\$215,253	\$2,725	\$2.80	(\$417,843)	\$156,880
8	2028	\$58,956	\$15,760,000	40.5728	\$639,427	66%	\$217,405	\$2,752	\$2.83	(\$422,022)	\$158,449
9	2029	\$59,546	\$15,760,000	40.9785	\$645,821	66%	\$219,579	\$2,779	\$2.86	(\$426,242)	\$160,033
10	2030	\$60,141	\$15,760,000	41.3883	\$652,279	66%	\$221,775	\$2,807	\$2.88	(\$430,504)	\$161,634
11	2031	\$60,743	\$15,760,000	41.8022	\$658,802	60%	\$263,521	\$3,336	\$3.43	(\$395,281)	\$202,778
12	2032	\$61,350	\$15,760,000	42.2202	\$665,390	54%	\$306,079	\$3,874	\$3.98	(\$359,311)	\$244,729
13	2033	\$61,964	\$15,760,000	42.6424	\$672,044	48%	\$349,463	\$4,424	\$4.54	(\$322,581)	\$287,499
14	2034	\$62,583	\$15,760,000	43.0688	\$678,765	42%	\$393,683	\$4,983	\$5.12	(\$285,081)	\$331,100
15	2035	\$63,209	\$15,760,000	43.4995	\$685,552	36%	\$438,753	\$5,554	\$5.71	(\$246,799)	\$375,544
16	2036	\$63,841	\$15,760,000	43.9345	\$692,408	30%	\$484,685	\$6,135	\$6.30	(\$207,722)	\$420,844
17	2037	\$64,480	\$15,760,000	44.3738	\$699,332	24%	\$531,492	\$6,728	\$6.91	(\$167,840)	\$467,012
18	2038	\$65,124	\$15,760,000	44.8176	\$706,325	18%	\$579,187	\$7,331	\$7.53	(\$127,139)	\$514,062
19	2039	\$65,776	\$15,760,000	45.2658	\$713,388	12%	\$627,782	\$7,947	\$8.16	(\$85,607)	\$562,006
20	2040	\$66,433	\$15,760,000	45.7184	<u>\$720,522</u>	6%	<u>\$677,291</u>	\$8,573	\$8.81	<u>(\$43,231)</u>	<u>\$610,857</u>
		\$1,210,816			\$13,132,244		\$6,499,636			(\$6,632,608)	\$5,288,820
							\$324,982 average	\$4,114 average			
*Abatement cannot result in IDA related taxes less than current payment											



Fixed Payment PILOT

Fixed PILOT Schedule w 3% Annual Escalators								
Current Assessed Value	\$1,453,100	per appraisal				Unlevered IRR	8.17%	
Mill Rate	36.73	per appraisal				Levered IRR	10.66%	
Current Taxes	53372.363	per appraisal						
New Valuation	\$15,760,000							
Mill Rate	36.73							
Taxes at Full Assessment	\$578,865							
Year	Current Taxes	Assessment	Tax Rate	Full Taxes	Abatement	Estimated Annual PILOT Payment *	Per Unit	Estimated PILOT Benefit
						3.00% escalator		
						5.75% discount rate		
1	\$54,990	\$15,760,000	36.7300	\$578,865	65%	\$200,000	\$2,532	(\$378,865)
2	\$54,990	\$15,760,000	36.7300	\$578,865	64%	\$206,000	\$2,608	(\$372,865)
3	\$54,990	\$15,760,000	36.7300	\$578,865	63%	\$212,180	\$2,686	(\$366,685)
4	\$54,990	\$15,760,000	36.7300	\$578,865	62%	\$218,545	\$2,766	(\$360,319)
5	\$54,990	\$15,760,000	36.7300	\$578,865	61%	\$225,102	\$2,849	(\$353,763)
6	\$54,990	\$15,760,000	36.7300	\$578,865	60%	\$231,855	\$2,935	(\$347,010)
7	\$54,990	\$15,760,000	36.7300	\$578,865	59%	\$238,810	\$3,023	(\$340,054)
8	\$54,990	\$15,760,000	36.7300	\$578,865	58%	\$245,975	\$3,114	(\$332,890)
9	\$54,990	\$15,760,000	36.7300	\$578,865	56%	\$253,354	\$3,207	(\$325,511)
10	\$54,990	\$15,760,000	36.7300	\$578,865	55%	\$260,955	\$3,303	(\$317,910)
11	\$54,990	\$15,760,000	36.7300	\$578,865	54%	\$268,783	\$3,402	(\$310,082)
12	\$54,990	\$15,760,000	36.7300	\$578,865	52%	\$276,847	\$3,504	(\$302,018)
13	\$54,990	\$15,760,000	36.7300	\$578,865	51%	\$285,152	\$3,610	(\$293,713)
14	\$54,990	\$15,760,000	36.7300	\$578,865	49%	\$293,707	\$3,718	(\$285,158)
15	\$54,990	\$15,760,000	36.7300	\$578,865	48%	\$302,518	\$3,829	(\$276,347)
16	\$54,990	\$15,760,000	36.7300	\$578,865	46%	\$311,593	\$3,944	(\$267,271)
17	\$54,990	\$15,760,000	36.7300	\$578,865	45%	\$320,941	\$4,063	(\$257,924)
18	\$54,990	\$15,760,000	36.7300	\$578,865	43%	\$330,570	\$4,184	(\$248,295)
19	\$54,990	\$15,760,000	36.7300	\$578,865	41%	\$340,487	\$4,310	(\$238,378)
20	\$54,990	\$15,760,000	36.7300	<u>\$578,865</u>	36%	<u>\$350,701</u>	\$4,439	<u>(\$228,164)</u>
				\$11,577,296		\$5,374,075		(\$6,203,221)
						\$268,704 annual average	\$3,401 annual average	



Financial Metrics

METRICS	Project w PILOT		Market usually expects
Debt Coverage Ratio	1.32		> 1.2
Cash on Cost	5.87%		7.00%
Cash on Cash	4.11%		> 7%
Unlevered IRR	8.17%		> 10%
Levered IRR	10.66%		15 - 20%
Valuation w PILOT	\$25,909,257	5.75% Cap rate	
Cost	\$25,397,649		

Tax Summary

TAX ESTIMATE SUMMARY				
IDA RELATED PROPERTY TAXES		SALES TAX EXEMPTION		
Current Taxes	\$53,372	Construction Cost		\$15,414,008
As Complete Full Taxes	\$578,865	Value of Building Materials	50%	\$7,707,004
		Sales Tax		8.375%
		Value of Exemption		\$645,462
MORTGAGE RECORDING TAX				
Mortgage	\$16,508,472			
Mortgage Recording Tax	1.30%			
Transit District Exclusion	-0.30%			
Mortgage Recording Tax Savings	1.00%			
Value of Exemption	\$165,085			