

**MINUTES OF THE PUBLIC HEARING OF THE
VILLAGE OF PORT CHESTER
INDUSTRIAL DEVELOPMENT AGENCY**

HELD: April 10, 2019

**TIME AND PLACE: 6:30 P.M., Senior Community Center, 220 Grace Church Street,
Port Chester, New York**

A Public Hearing of the Village of Port Chester Industrial Development Agency was convened on Wednesday, April 10, 2019 at 6:30 p.m. at the Port Chester Senior Center, 222 Grace Church Street, Port Chester, New York 10573.

PUBLIC HEARING ON G&S RETAIL D APPLICATION FOR FINANCIAL ASSISTANCE

VILLAGE OF PORT CHESTER INDUSTRIAL DEVELOPMENT AGENCY

(G&S Port Chester Unit 2B, LLC – Retail D Redevelopment Project)

Wednesday April 10, 2019, at 6:30 p.m.

Senior Community Center, 222 Grace Church Street, Port Chester, New York, 10573

ATTENDANCE LIST:

PRESENT: Daniel Brakewood, Michael Brescio, Frank Ferrara, Richard, O’Connell, and James Taylor

ABSENT: Richard Cuddy and John Hiensch

ALSO IN ATTENDANCE: Board Counsel Justin Miller, Planning Director Eric Zamft, Treasurer(s) Leonie Douglas and Anthony Siligato, Acting Board Secretary Constance Phillips.

Three members of the public were also in attendance

CALL TO ORDER: (Time: 6:33 p.m.). Chairman Frank Ferrara opened the hearing.

PURPOSE:

Pursuant to and in accordance with General Municipal Law Section 859-a, the Village of Port Chester Industrial Development Agency (the “Agency”) is conducting this public hearing in connection with a certain proposed project, as more fully described below (the “Project”), to be undertaken by the Agency for the benefit of G&S Port Chester Unit 2B, LLC (the “Company”).

The Agency published a Notice of Public Hearing in *The Journal News and Westmore News* and mailed a copy of the Notice of Public Hearing to each affected tax jurisdiction. An Affidavit of Publication of and Proof of Mailing are attached.

DISCUSSION:

Board Counsel Justin Miller read a description of the Project, as follows:

G&S PORT CHESTER UNIT 2B, LLC (the “Company”) has submitted an application to the Agency requesting the Agency’s assistance with a certain project (the “Project”) consisting of (i) the retention by the Agency of a leasehold interest in certain real property located at the corner of North Main Street and Westchester Avenue, Port Chester, New York (the “Land”, being more particularly described as tax parcel numbers 142.31-1-3, 4, 5, 6, 20, 21, 23, and 24, along with adjacent realty, as may be merged) along with the existing parking, site and underground infrastructure improvements located within and thereon (the “Existing Improvements”); (ii) the rehabilitation and reconstruction of portions of the Existing Improvements and the planning, design, construction, operation and leasing by the Company of a multi-tenanted, mixed use redevelopment project that will include a newly constructed 5-story building containing approximately 72,000 square feet with approximately 12,000 square feet of commercial/retail space located on the first floor and 79 apartment units located on upper floors, along with related utility improvements, signage, curbage, sidewalks, and landscaping improvements (collectively, the “Improvements”); (iii) the acquisition of and installation in and around the Existing Improvements and Improvements by the Company of machinery, equipment, fixtures and other items of tangible personal property (the “Equipment” and, collectively with, the Land, the Existing Improvements and the Improvements, the “Facility”); and (iv) entering into a straight lease transaction (within the meaning of subdivision (15) of Section 854 of the Act), pursuant to which the Agency will retain a leasehold interest in the Facility for a period of time and sublease such interest in the Facility back to the Company (the “Straight Lease Transaction”).

It is contemplated that the Agency will acquire a leasehold interest in the Facility and lease the Facility back to the Company. The Company will operate the Facility during the term of the leases. The Agency contemplates that it will provide financial assistance (the “Financial Assistance”) to the Company in the form of (a) a sales and use tax exemption for purchases and rentals related to the Project; (b) mortgage recording tax exemptions(s) related to financings undertaken by the Company to construct the Facility; and (c) a partial real property tax abatement structured through a PILOT Agreement. The foregoing Financial Assistance and the Authority’s involvement in the Project are being considered to promote the economic welfare and prosperity of residents of the Village of Port Chester.

AGENCY COST-BENEFIT ANALYSIS:

Based upon information provided by the Company in its Application, the Project will involve an approximately \$28M capital investment by the Company and tenants, with significant full-time job creation and the creation of construction jobs. The Agency estimates the following amounts of financial assistance to be provided to the Company:

Sales and Use Tax Exemptions (Est. \$10,000,000.00 in exempt purchases)	=	\$ 737,500.00
Mortgage Recording Tax Exemptions (\$20,000,000.00 Mortgage)	=	\$ 200,000.00
PILOT Savings (Estimated)	=	\$ 5,408,329.00
Total estimated Financial Assistance	=	\$ 6,345,829.00

SEQRA:

The Village of Port Chester served as Lead Agency for purposes of SEQRA review for the Project.

PRESENTATIONS

Mr. Steven Klaiman of G&S Investors presented on the project, per attachment in Appendix A.

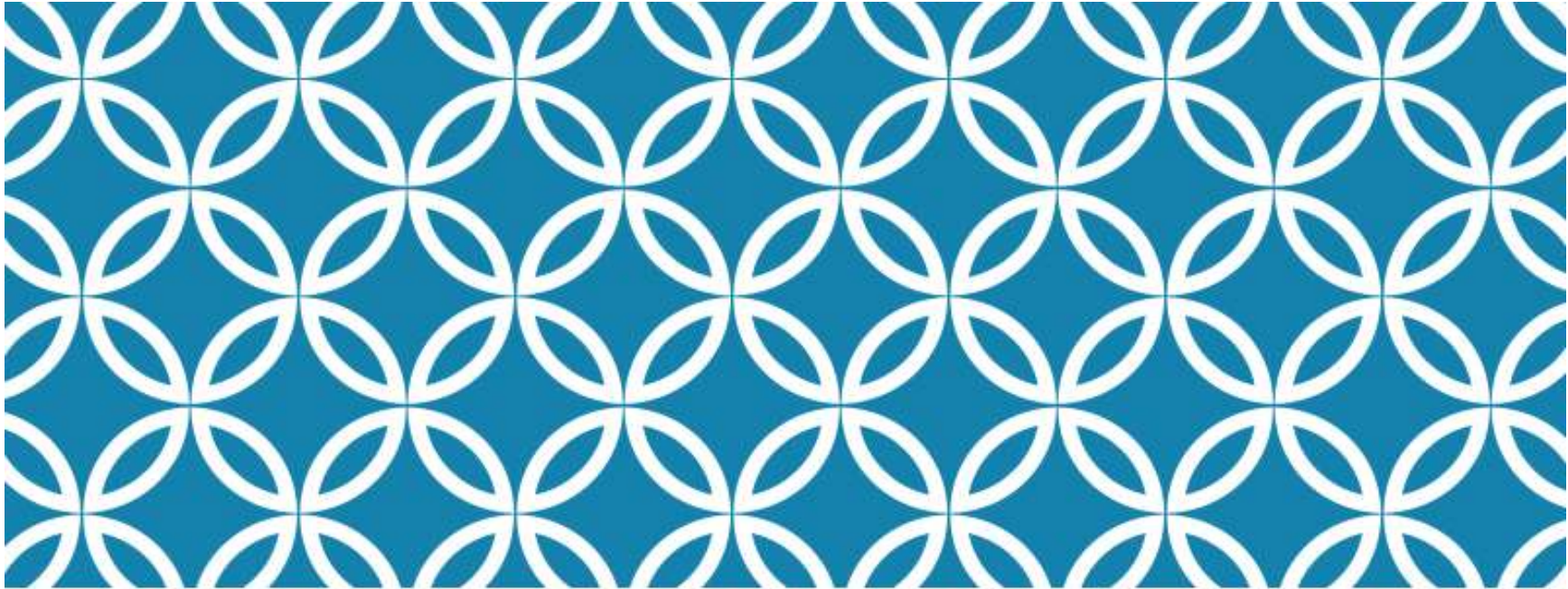
Chairman Ferrara presented on the process followed and findings of the Agency Board's due diligence, per attachment in Appendix B.

PUBLIC COMMENT:

Mr. Louis Sanchez of Local Union No. 3 International Brotherhood of Electrical Workers, White Plains, asked if a study had been conducted to ascertain the number of jobs the project was expected to generate. Chairman Ferrara referred him to the application, which was available for review both at the meeting and on the IDA website, which contained the number of promised jobs: 57 short term construction and 24 full time when the retail was fully occupied. Mr. Sanchez also asked if the developer was introduced to union representatives. Chairman Ferrara said they had not been introduced.

ADJOURNMENT (Time: 6:58p.m.)

EXHIBIT A
PUBLIC HEARING MATERIALS



April 10, 2019



**ANALYSIS AND REVIEW OF
G&S INVESTORS' APPLICATION FOR
FINANCIAL ASSISTANCE FOR "RETAIL D"**

including

- overview of the function of IDA's
- select VoPC IDA projects



IDA's were authorized by the State in 1969 to incentivize economic development:

The purpose of an IDA is to promote, develop, encourage and assist in acquiring, constructing, improving, maintaining or equipping certain facilities, thereby advancing the job opportunities, health, general prosperity and the economic welfare of the people of New York.

NYS General Municipal Law, Article 18-A

Today there are 109 IDA's active across the State.

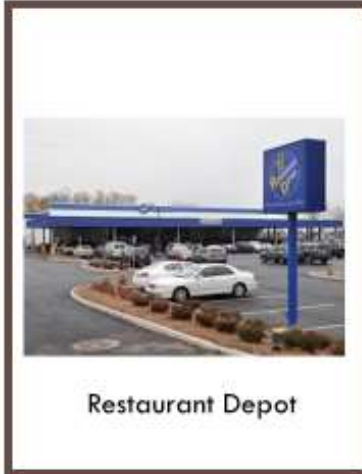




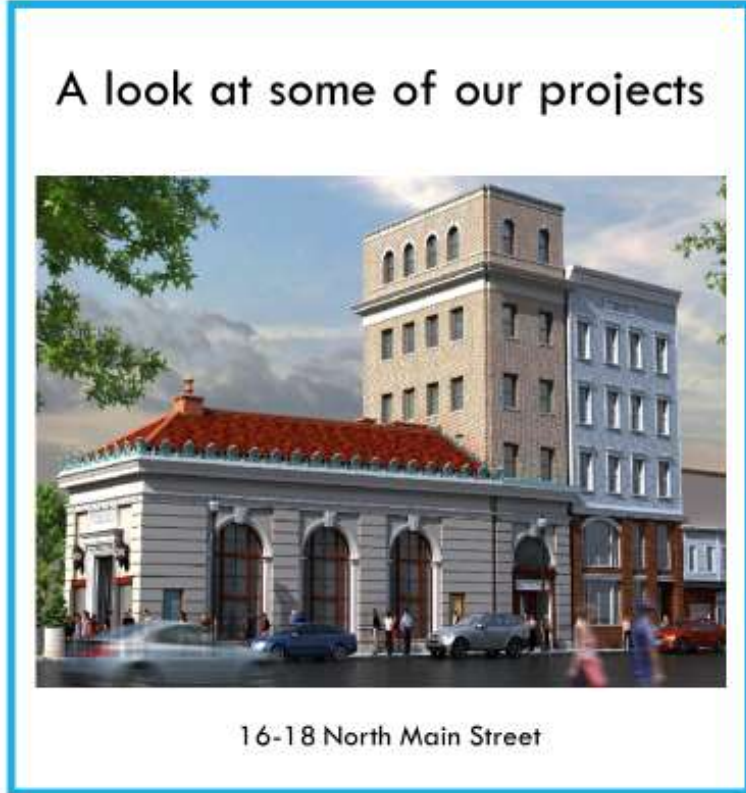
IDA “tools” of economic development

- Sales and Use tax exemption on qualified construction materials (7.375%)
- Mortgage Recording Tax exemption of 1% of the total 1.3% charged
- An abatement of real property taxes through a Payment In Lieu Of Taxes (PILOT)





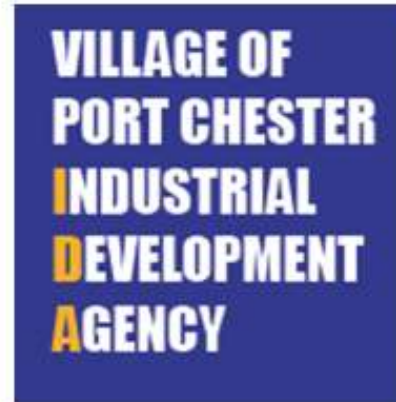
**VILLAGE OF
PORT CHESTER
INDUSTRIAL
DEVELOPMENT
AGENCY**



And a look at a few more



The
Lighthouse



The Capitol Theatre



The Kneaded Bread

Satisfying the “But for...” mandate

IDA’s must establish a project would not get built without its assistance.

Step 1 – An Independent As Built Appraisal

Step 2 – An Independent Financial Analysis





Lane Appraisals
was selected to assess the likely
value of the project

\$15,760,000
Likely appraised value



National Development Council was selected to analyze the project financially 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”



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	(\$1,124,799)		(\$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				

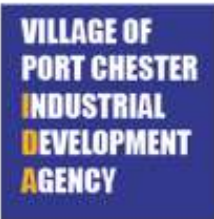


IDA Agency Board deems the “but for” test satisfied

Some of the reasons for assistance:

- ❖ Board of Trustees policy of supporting Transit Oriented Development in prime downtown location
- ❖ Continuing to encourage making downtown a 24/7 self-supporting “place” with particular support for vacant retail
 - ❖ Public Benefit - Bulkley Drain reinforced at an efficient cost
 - ❖ Advanced Fire Suppression system to be installed
- ❖ School district guaranteed to be made whole on school children attending Port Chester schools for 10 years





Proposed Fixed Payment PILOT is a deviation from Agency policy that requires IDA Board approval

Some of the reasons for deviation:

- ❖ Relatively high payments in early years, unusual for a PILOT (~10x's the current payment)
 - ❖ Substantial annual increases to the PILOT payments (5% per year for the first 10 years)
- ❖ PILOT has an "inflation protection" mechanism in that payment will be:
the higher of fixed payment
OR 10% of Gross Income in any given year
- ❖ Agency does not consider this model a precedent but a reworking of the PILOT agreement in place dating from 2003



**VILLAGE OF
PORT CHESTER
INDUSTRIAL
DEVELOPMENT
AGENCY**

PILOT Year	CALENDAR YEAR:	FIXED Total PILOT Payments	FIXED Total PILOT Payments - Town of Rye	FIXED Total PILOT Payments - County	FIXED Total PILOT Payments - Village	FIXED Total PILOT Payments - Schools
Interim	2019	\$ 53,372	0.13%	8.88%	29.95%	61.05%
Interim	2020	\$ 53,906				
Interim	2021	\$ 54,445				
Year 1	2022	\$ 250,000	\$ 320	\$ 22,189	\$ 74,873	\$ 152,633
Year 2	2023	\$ 262,500	\$ 336	\$ 23,298	\$ 78,617	\$ 160,265
Year 3	2024	\$ 275,625	\$ 353	\$ 24,463	\$ 82,548	\$ 168,278
Year 4	2025	\$ 289,406	\$ 371	\$ 25,686	\$ 86,675	\$ 176,602
Year 5	2026	\$ 303,877	\$ 389	\$ 26,971	\$ 91,009	\$ 185,526
Year 6	2027	\$ 319,070	\$ 409	\$ 28,319	\$ 95,559	\$ 194,803
Year 7	2028	\$ 335,024	\$ 429	\$ 29,735	\$ 100,337	\$ 204,543
Year 8	2029	\$ 351,775	\$ 451	\$ 31,222	\$ 105,354	\$ 214,770
Year 9	2030	\$ 369,364	\$ 473	\$ 32,783	\$ 110,622	\$ 225,508
Year 10	2031	\$ 387,832	\$ 497	\$ 34,422	\$ 116,153	\$ 236,784
Year 11	2032	\$ 399,467	\$ 512	\$ 35,455	\$ 119,637	\$ 243,887
Year 12	2033	\$ 411,451	\$ 527	\$ 36,519	\$ 123,226	\$ 251,204
Year 13	2034	\$ 423,795	\$ 543	\$ 37,614	\$ 126,923	\$ 258,740
Year 14	2035	\$ 436,508	\$ 559	\$ 38,743	\$ 130,731	\$ 266,502
Year 15	2036	\$ 449,604	\$ 576	\$ 39,905	\$ 134,653	\$ 274,497
Year 16	2037	\$ 463,092	\$ 593	\$ 41,102	\$ 138,692	\$ 282,732
Year 17	2038	\$ 476,985	\$ 611	\$ 42,335	\$ 142,853	\$ 291,214
Year 18	2039	\$ 491,294	\$ 630	\$ 43,605	\$ 147,139	\$ 299,951
Year 19	2040	\$ 506,033	\$ 648	\$ 44,913	\$ 151,553	\$ 308,949
Year 20	2041	\$ 521,214	\$ 668	\$ 46,261	\$ 156,100	\$ 318,218
		\$ 7,885,638	\$ 9,898	\$ 685,540	\$ 2,313,253	\$ 4,715,698

++ Payment breakdowns are based on FY 2019 Mil Rates and are subject to change.
 ++ Per SEQRA mitigation applicant agrees to indemnify schools for 10 years outside of the PILOT structure



EXHIBIT B
AGENCY COST BENEFIT ANALYSIS

PILOT payment distribution by Taxing Jurisdiction						
PILOT Year	CALENDAR YEAR:	FIXED Total PILOT Payments	FIXED Total PILOT Payments - Town of Rye	FIXED Total PILOT Payments - County	FIXED Total PILOT Payments - Village	FIXED Total PILOT Payments - Schools
Interim	2019	\$ 53,372	0.13%	8.88%	29.95%	61.05%
Interim	2020	\$ 53,906				
Interim	2021	\$ 54,445				
Year 1	2022	\$ 250,000	\$ 320	\$ 22,189	\$ 74,873	\$ 152,633
Year 2	2023	\$ 262,500	\$ 336	\$ 23,298	\$ 78,617	\$ 160,265
Year 3	2024	\$ 275,625	\$ 353	\$ 24,463	\$ 82,548	\$ 168,278
Year 4	2025	\$ 289,406	\$ 371	\$ 25,686	\$ 86,675	\$ 176,692
Year 5	2026	\$ 303,877	\$ 389	\$ 26,971	\$ 91,009	\$ 185,526
Year 6	2027	\$ 319,070	\$ 409	\$ 28,319	\$ 95,559	\$ 194,803
Year 7	2028	\$ 335,024	\$ 429	\$ 29,735	\$ 100,337	\$ 204,543
Year 8	2029	\$ 351,775	\$ 451	\$ 31,222	\$ 105,354	\$ 214,770
Year 9	2030	\$ 369,364	\$ 473	\$ 32,783	\$ 110,622	\$ 225,508
Year 10	2031	\$ 387,832	\$ 497	\$ 34,422	\$ 116,153	\$ 236,784
Year 11	2032	\$ 399,467	\$ 512	\$ 35,455	\$ 119,637	\$ 243,887
Year 12	2033	\$ 411,451	\$ 527	\$ 36,519	\$ 123,226	\$ 251,204
Year 13	2034	\$ 423,795	\$ 543	\$ 37,614	\$ 126,923	\$ 258,740
Year 14	2035	\$ 436,508	\$ 559	\$ 38,743	\$ 130,731	\$ 266,502
Year 15	2036	\$ 449,604	\$ 576	\$ 39,905	\$ 134,653	\$ 274,497
Year 16	2037	\$ 463,092	\$ 593	\$ 41,102	\$ 138,692	\$ 282,732
Year 17	2038	\$ 476,985	\$ 611	\$ 42,335	\$ 142,853	\$ 291,214
Year 18	2039	\$ 491,294	\$ 630	\$ 43,605	\$ 147,139	\$ 299,951
Year 19	2040	\$ 506,033	\$ 648	\$ 44,913	\$ 151,553	\$ 308,949
Year 20	2041	\$ 521,214	\$ 668	\$ 46,261	\$ 156,100	\$ 318,218
		\$ 7,885,638	\$ 9,898	\$ 685,540	\$ 2,313,253	\$ 4,715,698

++ Payment breakdowns are based on FY 2019 Mil Rates and are subject to change.
++ Per SEQRA mitigation applicant agrees to indemnify schools for 10 years outside of the PILOT structure