



April 10, 2019

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

VILLAGE OF
PORT CHESTER
INDUSTRIAL
DEVELOPMENT
AGENCY

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)





Restaurant Depot

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A look at some of our projects



16-18 North Main Street



The Castle



200 William St

And a look at a few more



The
Lighthouse

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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

LANE APPRAISALS, INC.

Real Estate Valuation Consultants

AN APPRAISAL REPORT

**OF A VACANT, DEVELOPMENT SITE, TO BE DEVELOPED
WITH A 5 STORY, MIXED APARTMENT AND RETAIL BUILDING**

**OWNED BY
"VILLAGE OF PORT CHESTER IDA"**

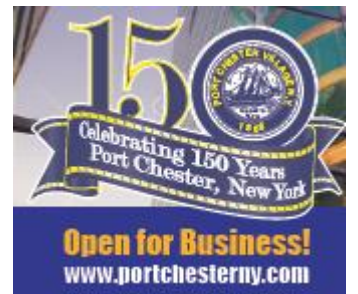
**LOCATED AT
WESTCHESTER AVENUE, NORTH MAIN STREET
AND ABENDROTH AVENUE**

**IN THE
TOWN OF RYE, VILLAGE OF PORT CHESTER
WESTCHESTER COUNTY, NEW YORK, 10573**

**Prepared For
Village of Port Chester IDA
c/o Mr. Christopher D. Steers, Administrative Director
222 Grace Church Street
Port Chester, NY, 10573**

**Date of the Appraisal
November 3, 2017**

**Date of the Report
December 12, 2017**



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	<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 epenses 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



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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



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