mountvernoncitizen.org
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Comments regarding the "Financial Assistance and Impact Analysis" for the 115 S. Macquesten Parkway PILOT request.

The cost/benefit analysis for the proposed 315 unit affordable/work force/low-income rental apartment building at 115 S. Macquesten Parkway is done, and it is scheduled for review at the MV IDA meeting on 10/31/23. The developer is "115 Macquesten Development LLC", hereafter "115 Macquesten".

The report (by Storrs Associates) can be accessed at the city's website. Go to https://www.cmvny.com/Calendar.aspx?EID=1807, then click on the link for "Industrial Development Agency Meeting Materials- October 2023", then scroll to page 12 of the pdf document that opens.

I've written about the 115 Macquesten project before- go to mountvernoncitizen.org, "Comments re MV IDA considering a PILOT for 115 S Macquesten pkwy mixed use housing development 7.14.23".

115 Macquesten is seeking financial assistance from the city's IDA to build this rental apartment building. They are seeking to enter a "payment in lieu of taxes" agreement (i.e., a "PILOT" agreement) with the IDA. A PILOT agreement allows a developer to make payments to the IDA instead of paying property taxes directly to the city. The IDA makes payments "in lieu of taxes" to the city, school district, and county. The payments made from the developer to the IDA are generally significantly less than the amount the developer would pay in property taxes.

The PILOT agreement sought by 115 Macquesten is for <u>30 years</u>. When considering the economic assumptions made in the Storrs analysis, it's important to keep the <u>30-year</u> time frame in mind. This is because trying to predict the economic conditions in the world, country, state, county, and city, 10 years out, 20 years out, or 30 years out, is very difficult to do with a high degree of confidence. And *the less confidence one has in the economic forecast, the greater the benefit to the city must be to safeguard against uncertainty.*

If the IDA enters into this PILOT agreement with 115 Macquesten, how great would the economic benefit be to the city? Based on the Storrs analysis, the benefit is essentially none.

Table 8 of the Storrs report (attached) shows the "Net Fiscal Benefit" to the city and school district, over the 30 year life of this tax break. For the city, Storrs estimates a net loss of $272k. For the school district, Storrs estimates a net gain of $934k. Combined, that's a net positive of $662k over 30 years. About $22k per year.

Given the length of time, and the number and type of assumptions, an estimated benefit of $22k per year is essentially the same as zero. Or worse*: if the prediction if off by a mere 3% on any number of key assumptions - 3% fewer construction jobs, 3% more children entering the district, renters spending 3% more of their income on rent, and 3% less on taxable purchases in the community- this turns into yet another perpetual economic burden on residential property taxpayers*.

In my estimation, this PILOT makes no sense for the city economically, but what about 115 Macquesten? Table 11b of the Storrs analysis (attached) shows the Developer Fees 115 Macquesten would collect if this project goes through. The developer gets $8.3 million "up front", then another $12.1 million during the first 15 years of the PILOT ("Deferred Developer Fee").

Financial benefit 115 Macquesten:	$20,400,000
Financial benefit City of Mount Vernon (if we are really lucky):	$662,000

Fitting that this is being presented on October 31, because it feels like someone is attempting to play a trick on us. Happy Halloween!

Table 8

Estimated Fiscal Benefits and Costs of Financial Assistance in Mount Vernon

Fiscal Benefits	City of Mount Vernon	Mount Vernon School District	Total Effects in Mount Vernon
One-time Sales Tax Revenue from Construction Labor Per Diem	$14,990	$5,921	$20,911
Sales Tax Revenue from On-Site Employee Per Diem, Present Value	10,005	3,952	13,956
Sales Tax Revenue from Purchases for Operations, Present Value	178,482	70,500	248,982
Sales Tax Revenue from Resident Household Spending, Present Value	151,910	60,004	211,914
Property Tax Revenue from Project if No PILOT is Awarded	9,911,113	18,550,505	28,461,618
Total Fiscal Benefits	$10,266,499	$18,690,883	$28,957,381
Fiscal Costs (New Expense and Foregone Revenue)			
New Incremental Costs to School District, Present Value	$0	($9,129,800)	($9,129,800)
New Incremental Costs to City Budget, Present Value	(5,930,431)	0	(5,930,431)
Foregone Property Tax Revenue, Present Value (Exemption)	(4,608,821)	(8,626,272)	(13,235,092)
Total Costs of Financial Assistance	($10,539,252)	($17,756,072)	($28,295,324)
Benefit to Cost Ratios	0.97	1.05	1.02
Net Fiscal Benefit	($272,753)	$934,810	$662,057

(1) 569 workers on site per day, spending $50 per day, the state's per diem for Westchester County. This accounts for meals, gas, and incidentals, 75% of which is taxable.

(2) 7 workers on site per day, spending $25 per day, 75% of which is taxable, over 30 years and discounted by 3%.

(3) 315 households spending 11% of disposable income after shelter and taxes within the City of Mount Vernon, 45% of which is taxable.

Developer Fee

The financial return on an affordable housing project with HFA participation is a Developer's Fee, calculated and limited by HFA based on the Project costs.

The fee is a gross number and does not specifically include expenses for development costs such as planning, assembling financing, or approvals. The fee is divided into an up-front fee for project construction and startup, and a deferred fee that is received from project net cash flow over no more than 15 years. HFA approves both components. The Applicant assumes the risk of non-completion, and of insufficient cash flow over 15 years to pay the deferred component. The IRS allows only 15 years for payment of the deferred fee, after which the Developer can no longer collect the fee without a significant tax penalty for investors.

The total Developer Fee is expected to be $20,400,000, 9.59% of Project costs, subject to final approval by HFA. This is slightly below a common range of 10% - 12% for HFA-supported projects because applicant is not calculating any fee on the property acquisition component. Developer fee as a percent of development costs is well below the HFA cap of 15% for development costs net of acquisition, plus 10% of acquisition costs.

This analysis estimates the fee that will be earned, but actual results will be different, based on project performance.

Table 11a

Calculation and Confirmation of Developer Fee

	Total	Fee Component, %	Fee Component, $	HFA Fee Cap
Development Costs	$200,623,826	10.17%	$20,400,000	15.00%
Property Acquisition Costs	$12,000,000	0.00%	$0	10.00%
Totals	$212,623,826	9.59%	$20,400,000	See Note

Note: HFA calculates the fee as (1) up to 15% of certain construction costs, plus (2) up to 10% of acquisition costs. The aggregate fee is therefore less than 15% for all projects involving an acquisition and the range from the blended formula commonly yields between 10% and 12% to the developer. The fee for development costs is shown here as a percent of all development costs so that it can be compared to other projects in which HFA participates.

Table 11b

Developer Fee Timing

Developer Fee	Amount	Percent of Total Developer Fee
Up Front Developer Fee	$8,305,518	41%
Deferred Developer Fee	$12,094,482	59%
Total Developer Fee	$20,400,000	100%