

Example of PILOT Inequity

1. On September 13, 2017, the MVIDA entered into an agreement with 525 MAC Realty, LLC and 645 Mac Realty, LLC in connection with a Project known as the Enclave at Fleetwood.
2. Under the Agreement, the MVIDA would acquire title to the properties, then improved with old warehouses, demolish the warehouses, and construct a cluster of five 5-story apartment buildings, with 179 market rate housing units.
3. The Project was not low income housing or affordable housing for seniors.
4. Since the MVIDA is governmental agency, when the IDA takes title to the properties, the properties will be exempt from real property taxation. As a result, the Agreement requires the Developers to make Payments In Lieu Of Taxes ("PILOT payments") to the affected taxing jurisdictions (District, City, and Westchester County) to account for the fact that the property has become exempt from taxation.

The PILOT agreement allows the developers to pay less in taxes on the \$47,900,000, 179 unit, market-rate apartment buildings than the prior owner was paying on the old warehouses situated on the property, which are valued at approximately \$10,000,000.

5. According to the 2016 Assessment Roll, the properties were assessed at a combined value of \$330,000, which, based upon the equalization rate of 3.32%, indicates a fair market value of approximately \$10,000,000.

6. According to the 2016 Assessment Roll, Parcel 165.37-1051-14, assessed at \$60,000 in land and \$210,000 with improvements, equates to a market value of \$1,807,228 for the land and \$6,325,301 for the entire parcel.
7. Parcel 165.29-1026-37, assessed at \$20,000 in land and \$105,000 with improvements, equates to a market value of \$602,410 for the land and \$3,162,651 for the entire parcel.
8. Parcel 165.29-1026-337, assessed at \$15,000 in vacant land, equates to a market value of \$451,507 for the entire parcel.
9. The tax bills for 2016 indicate the taxes were levied on the properties, and the prior owner was paying taxes as follows:

Parcel 165.37-1051-14	\$302,395.17
Parcel 165.29-1026-37	\$151,079.39
Parcel 165.29-1026-337	\$ 21,582.79
Total Taxes	\$475,057.35

10. The application for financial assistance, attached as **Exhibit E**, estimates the costs of the Project as follows:

Land Costs	\$ 9,100,000
Pre-Developments Costs	\$ 1,000,000
Construction Costs	\$37,800,000
Total Cost	\$47,900,000

11. According to the terms of the PILOT agreement, the Developer will be required to pay \$184,260 in PILOT payments to the taxing authorities calculated as follows:

79 one bedroom apartments at \$940 (79 x 940)	\$74,260
100 two bedroom apartments at \$1100 (100 x 1100)	\$110,000
Total PILOT Payment	\$184,260

12. As a result of the foregoing, the Agreement permits the Developer to add \$37,800,000 in improvements to the property while reducing his tax liability by \$290,797.35. The proposed agreement is unconscionable. Even if the proposed agreement were legal, which the Petitioners contend it is not, the negotiation of such terms by the MVIDA is an abuse of discretion, is not supported by substantial evidence and constitutes an illegal gift of public funds.
13. The Developer's projections included with the applications for financial assistance estimate that upon completion, based upon the reduced tax payments provided by the PILOT agreement, the Project will produce a net operating income for the Developer of \$2,666,648 in the first year and it will increase each year thereafter such that by year 9, the Project will have an annual net operating income of \$3,378,030. (See Exhibit E, page 12.)
14. The fair market value of the completed development is estimated at approximately, \$25,000,000. Based upon the 2016 equalization rates and tax rates, upon completion of the Project, the properties should be paying over \$1,146,205 in taxes. The calculations supporting the estimated tax payment are below.
15. The application for financial assistance indicates that the application fee for such a project is \$243,800, which is paid to the Mayor.
16. The Application fee for this Project is significantly larger than the application fees charged by the Mayor for other MVIDA projects of similar size.

**Estimated Tax Payments for a Building with a Fair Market Value
of \$25,000,000 using 2016 Tax and Equalization Rates**

2016 Tax Rates per Thousand Dollars of Assessed Value

School:	879.850	(63.71%)
City:	391.760	(28.37%)
County:	109.360	(7.92%)
Total	1,380.970	

2016 Equalization Rate

City of Mount Vernon: 3.32%

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A property with a Fair Market Value of \$25,000,000 will have an assessed value of \$830,000.

$$25,000,000 \times .0332 = \$830,000$$

A property with an assessed Value of \$830,000 would be required to pay \$1,146,205 in real property taxes to the School, City and County.

School:	.879850	x 830,000	=	730,275.50
City:	.391760	x 830,000	=	325,160.80
County:	.109360	x 830,000	=	90,768.80
Total	1.380970	x 830,000	=	1,146,205.10

The proposed 179 unit market rate apartment building should be paying \$1,146,205.10 in real property taxes.

As a result of the PILOT exemption, the Owner is paying **\$184,260**.