

Babylon IDA Board Meeting – 15 July 2020

Meeting Attendants and List of Acronyms:

WC = William Celona
WB = William Bogardt
MD = Marcus Duffin
TD = Tom Dolan
RD = Rosemarie Dearing
TG = Thomas Gulrapp
PM = Paulette Moses
JB = Justin Belkin
KG= Kevin Gremse

Transcription:

TG: Good morning everybody.

RD: Good morning.

WC: Good morning.

JB: Good morning.

MD: Good morning.

PM: Good morning.

TD: Good morning.

WB: Good morning.

TG: I'd like to welcome everybody to the July 13th, I'm sorry the July 15th 2020 IDA meeting. I'd like to call the meeting to order. First up on the agenda is to accept the minutes to the IDA/IDC board meeting from June 17th 2020. Everybody has received these minutes. Can I get a motion to accept them?

RD: Motion to accept the minutes.

TG: Motion made by Rosemarie.

JB: And Second.

TG: Second by Justin. All in favor?

RD: Aye.

WC: Aye.

JB: Aye.

PM: Aye.

MD: Aye.

WB: Aye.

TG: Opposed? The ayes have it, so ordered.

TG: Next up on the agenda is number three to accept the minutes to the public hearing held on June 24th 2020 for the AvalonBay Communities Inc. and BH Realty Group, LLC. Can I get a motion to accept the minutes?

TD: Uhh.

TG: (Unintelligible)

WC: I'll make a motion.

PM: I'll second the motion.

TG: Ok. Um a question, Tom?

TD: No I was just going to say, again, this was held virtually. We did have one speaker. Ahh we left it open for a week because that it was done virtually and all questions have been answered, ah that we had received.

TG: Ok. All in favor?

PM: Aye.

RD: Aye.

WC: Aye.

JB: Aye.

WB: Aye.

MD: Aye.

TG: Opposed? The ayes have it, so ordered. Next up on the agenda is number four, which is a preliminary inducement resolution of the Town of Babylon IDA related to the granting of preliminary approval for Babylon Bus Lot Properties, LLC in connection with the potential grant of certain financial assistance agency with respect to the project consistent of to be located at an address merge existing lots and one new for the use as. Can I get a motion from the uh, can I get a motion on this?

WB: I'll make the motion.

TG: Second?

PM: I'll second it, Paulette.

TG: All in favor?

All: [Simultaneous] Aye.

TG: Opposed? The ayes have it, so ordered. Next up is number five, a resolution granting approval and authorizing of a grant for certain financial assistance in the Town of Babylon Industrial Development Agency to AvalonBay in connection with.

TD: We have Kevin Gremse here today who had done an independent study from uh, he is from the National Development Council. And uh I'm going to turn it over to Kevin just to give you a quick outline of the project.

KG: Ok. Um good morning everyone.

All: [Simultaneous] Good morning.

KG: Brendan you can go to the next slide, If If it is Brendan advancing it. Um, So I am here to speak with you about this AvalonBay Communities proposed 338 unit residential development at the site of the former Brunswick Hospital in the Village of Amityville. Just for background purposes, I have met many of you. NDC is a national non-profit that works on behalf of municipalities and public benefit corporations to increase the flow of capital and then also be an economic development advisor and uh you know, one of the more common roles that we play is to look at these transactions and determine the appropriate need for financial assistance and to right size incentive packages to establish financial feasibility without providing undue enrichment. So, what our assignment was for this particular project is look at the applicant's application from AvalonBay, Um you can advance it to the next slide. Review their application, review their separate financial model and understand the program, determine the need for

payment in lieu of taxes through the IDA and then offer comment and perspective on the sizing and the terms of the PILOT to IDA staff and board. Ok, you can go to the next one. Um, so this is a proposed 338 unit mixed, uhh actually it's not mixed income, there is not a workforce component. But it is a transit oriented development given its location less than one mile from the train station and it's on a 7, almost 8 acre site at the former Brunswick Hospital site. The unit mix is for the 338, 49 studios, 184 one bedrooms, 79 two bedrooms, and 26 three bedroom units. Um the, for this particular development there is no workforce housing set aside. The development budget as reported from the applicant is a little bit less than a hundred twenty million dollar investment, very significant investment for the Village of Amityville. That is equivalent to about three hundred fifty three thousand a unit. What is a little bit unique about this, given the fact that Avalon is a publicly traded real estate investment trust, unlike most developers who normally finance these developments with 65% debt and 35% equity, this is funded through 100% equity. Coming uh given the fact that it is funded through a real estate investment trust. This is in the transit oriented development zone of the Village and the Village has received a lot of recognition for its work towards establishing this TOD zone and Vision Long Island recently gave it the strengthening communities' award last year based upon the work that they have done to encourage this type of development near their train station. Ok, next slide. Um ok, so this is the site as it exists now and you'll see a rendering of the proposed as complete product. Ok, next slide. Um, so the IDA assistance in summary. The current taxed right now are about \$110,000. On an as complete basis based upon the 338 units those taxes would be a little bit less than two million dollars. And if in the future projected over the fifteen year term of the proposed PILOT that would be 30 uh almost 36 million dollars. However, based upon that as complete taxes the development would not be financially feasible so we have proposed the fifteen year schedule that results in a PILOT payments over fifteen years of roughly 18.7 million dollars. There is of the 119 million dollar budget 73 is attributable to construction costs. We assume that 50% of those construction costs are attributable to building materials, so there's roughly a 3.2 million dollar exempt or benefit through the exemption of the sales tax. There is no mortgage recording tax unlike most IDA deals that you see due to the fact that this is going to be funded with 100% equity and there is no mortgage. Ok, next slide. Um, and first thing I want to point out is I apologize. The current taxes on all parcels on the subject to development right now is 109 thousand. The 115 thousand that you see is the baseline taxes after the two year construction period. So current taxes is 109 thousand. The 115 would be baseline taxes after the building is placed into production. The other error I am acknowledging is that the as complete taxes is that number that I just reviewed, One million nine hundred and ninety seven. But that is still equivalent to 1,500 per unit. Taxes starting at 5,900 per unit renders the project financially infeasible. Simply put, the developer, the investment doesn't yield the necessary returns to attract that investment and the project would not proceed if taxes were at full assessment. Um, so the pre-tax internal rate of return based upon full taxes starting in year one would be 5%. AvalonBay would not do this if their internal rate of return was 5%. What they're really interested in is their yield to cost, their net income in the third year divided by their project costs. They're looking for at least a 7% and for a leveraged internal rate of return they are looking for at least 10%. So, based upon the proposed PILOT schedule that allows them to meet those financial thresholds. Ok, next slide. So the PILOT summary is a 15 year tax schedule. It's 100% abatement on the

improvements in the first year and a straight phase in to full taxes from years 2 through 15. Over the 15 year term, the aggregate PILOT is 18.7 million dollars. That is roughly a 1.2 million dollar average payment, or average payment in lieu of taxes which is equivalent to a little bit more than 3,500 per unit. That average annual payment of 1.2 million dollars is over 11 point multiplier of what the taxes are on the as is land right now. It's a very good increment of taxes for the various jurisdictions. There is also 583 thousand dollars annually that are not subject to the PILOT and those are for what I believe are refuse fees that the applicant will also be paying but they're not subject to the PILOT so they have to be paid in full. So the predictability of this schedule is crucial for securing the equity commitment in order for the project to proceed. Ok, so this is the summary of the PILOT. During the 15 years I had mentioned that 18.7 million dollars of what they pay, and that's under that PILOT column, again that's on average over 1.2 million dollars in PILOT payments which is more than 11 time multiplier of what is being paid right now. Um, Ok. So you'll see the nice growth in the increment during the term of the PILOT based upon that graph, next slide. In all of these we are looking to demonstrate that the public benefit exceeds the benefit provided to the project. Over the term of the PILOT, the 15 year term of the PILOT there's that 18.7 million dollars of PILOT payments that are being made and then also the developer is paying those non abated taxes and that's really for refuse. 19.2 over the term of the PILOT which exceeds the benefit provided to the project. The other benefit provided to this, by this development, ok you can proceed, 173 short term construction jobs, 7 full time equivalent jobs and um let's face it we not only have a need for workforce and affordable housing, there's an acute need for rental residential developments and this is, this is a development that achieves density near a transit station and it brings in a very respectable, considerable amount of disposable income based upon 338 residents moving into the Village of Babylon. It's estimated that there will be approximately 13 million in annual disposable income to support the Village retail trade and the regional retail trade. Um, so that's it, I'll be happy to take any questions.

TG: No questions for Kevin everybody?

JB: (Unintelligible) The presentation, it looks like a substantial investment into the community so that's a very positive thing.

TG: Alright, so we'll move on to uh, can we get a motion on resolution number five?

WC: I'll make the motion.

TG: Second?

MD: I'll second it.

TG: All in favor?

All: [Simultaneous] Aye.

TG: Opposed? Ayes have it, so ordered. Thank you Kevin.

KG: Thank you.

TG: Move on to resolution number six. Resolution authorizing the amendment to project documents related to the Posillico Materials LLC to reinstate and extend New York State and local sales and use tax exemption for the project. Can I get a motion on this?

JB: I'll make the motion.

TG: Second?

WC: Second it.

TG: All in favor?

All: [Simultaneous] Aye.

TG: Opposed? The ayes have it, so ordered. Next up is number seven, resolution authorizing the amendment of project documents relating to the Optima Foods Inc. project and reinstate, sorry about that, reinstate and extend New York State sales tax exemption for the project. Can I get a motion on this?

RD: Motion.

TG: Second?

WB: Second.

TG: All.. Second?

WB: I'll second.

TG: All in favor?

All: [Simultaneous] Aye.

TG: Opposed? The ayes have it, so ordered. Next up is number eight, the Chief Executive Officer's report.

TD: Good morning everyone.

All: [Simultaneous] Good morning.

TD: Uh, just very quickly just want to first of all thank you again for your leadership and your support on many of the projects that we're doing and the outreach that we are doing here in the Town; it's very much appreciated so thank you very much. Um, I was also just quickly, I was on a call last week, uh the Town I was on with Deputy Supervisor Martinez and Supervisor Schaffer. Um, and a lot of the elected officials here in the Town and it's a campaign that the Town is doing on the census 2020. Um, and just to let you know to get it on your radar that we will be taking an active role in that project to reach out to the business community and uh doing our part as this is a very important issue for the Town. And lastly, I just want to touch base on the Governor had extended the executive order to be able to hold meetings virtually and that was extended 'til August 6th and just to let you know we will stay in touch with you if we are going to make any changes as far as how we will be conducting our meetings and uh, for now that's basically all I have for today and again, thank you.

TG: Thank you (Unintelligible)

JB: Thanks Tom.

TG: Alright next up is old business, is there any old business? Ok, none. Any new business? New business, I'd like to thank Matt and the team for everything as always, you guys are doing a great job. Um, I'll take a motion to adjourn.

WB: Motion to close.

TG: Second?

MD: Second.

TG: All in favor?

All: [Simultaneous] Aye.

TG: Opposed? Ayes have it, so ordered. Thank you very.