

# City of Poughkeepsie Tax Exemptions

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**Turning Developer Incentives into Return-On-Investment for Future Prosperity**

## **Common Council Review**

Industrial Development Agency

City of Poughkeepsie, NY

Presented September 21, 2020

Report Posted September 31, 2020

## **Properly Used Tax Exemption Programs Can Accelerate Poughkeepsie Transformation**

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Developers are critical to Poughkeepsie's future and transformation, however balance must be achieved between being developer friendly and maintaining affordability of the City for all, where everyone contributes a fair share to the tax base in a reasonable amount of time.

**When tax exemptions are extended with appropriate terms and duration, they have a positive effect that enables Poughkeepsie to:**

- Grow the **tax base** as a **return-on-investment** through short-term tax exemptions for additional gains within a **short timeframe**
- Build **neighborhoods** and **economic hotspots** to drive and maintain positive change momentum
- Create and retain **jobs** including location-independent virtual work
- Foster **economic activity** and attract local businesses
- Be **developer friendly** while simultaneously building the City's tax base near-term
- Increase **housing availability and affordability** for both tenants and homeowners

**However, when tax exemptions are extreme in amount and duration, they can:**

- Reduce capacity of Poughkeepsie's **scarce resources** to provide basic services
- Unfairly **overburden** other City taxpayers and **decrease affordability** for both residents and businesses
- Require sale of valuable City assets (land/buildings) without regard to long-term **tax revenue loss**
- Cause **deferment of maintenance** and repairs that become more costly over time and require borrowing

# Poughkeepsie Has Tax Exemptions Projects Granted Primarily Under 3 Statutes

IDAs are not the only programs that allow municipalities to grant tax exemptions.

Industrial Development Agency	City Government 485—A*	City Government 581—A “Like”
<ul style="list-style-type: none"> <li>• <b>Sales Tax on Construction Costs</b></li> <li>• <b>Mortgage Tax</b></li> <li>• <b>PILOTs (Payment in Lieu of Taxes)</b> <ul style="list-style-type: none"> <li>○ City Property Tax</li> <li>○ School Tax</li> <li>○ County Tax</li> <li>○ Library Tax</li> </ul> </li> <li>• <b>Payment Structure</b> <ul style="list-style-type: none"> <li>○ Standard pre-defined exemption schedules - % of taxes based on property assessment</li> <li>○ Customized Deviations                             <ul style="list-style-type: none"> <li>- % of revenue or % of income</li> <li>- Fixed dollar amount/year</li> <li>- Change in timing of annual % exemptions</li> <li>- Mix of fixed dollar amount and % of revenue or income</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>PILOTs (Payment in Lieu of Taxes)</b> <ul style="list-style-type: none"> <li>○ City Property Tax</li> <li>○ School Tax</li> <li>○ County Tax</li> <li>○ Library Tax</li> </ul> </li> <li>• <b>Payment Structure</b> <ul style="list-style-type: none"> <li>○ No Taxes paid on incremental new taxes for first 8 years</li> <li>○ Taxes paid on incremental new taxes:                             <ul style="list-style-type: none"> <li>- 20% Year 9</li> <li>- 40% Year 10</li> <li>- 60% Year 11</li> <li>- 80% Year 12</li> </ul> </li> <li>○ Intended for conversion of existing facility to mixed-use (commercial &amp; residential)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Program Enabling Real Property Tax Exemption for Affordable Housing Projects</b> <ul style="list-style-type: none"> <li>○ 20% or more of tenants have housing affordability income limit requirements</li> </ul> </li> <li>• <b>Payment Structure</b> <ul style="list-style-type: none"> <li>○ Allows low-income tax credits based on Area Median Income (AMI)                             <ul style="list-style-type: none"> <li>- City of Poughkeepsie Median Income (Family of Four) = \$42,296</li> <li>- Dutchess County Area Median Income from HUD Effective 04/2020 = \$102,300</li> </ul> </li> </ul> </li> </ul>

**A comprehensive comparative analysis across *all* tax exemption projects gives the City a clear view of how best to use exemptions at an appropriate cost of investment for greatest City benefit moving forward—the goal of the pages that follow is to help provide that clarity**

*Note:* Property value assessments can have a major impact on the amount of taxes paid. Commercial project assessments are often determined based on self-reported income from developers. Going forward the IDA will require submission of bank/lender 3rd party appraisals and actual rent rolls to supplement the information provided to the City for more accurate property value assessments.

\*485—A Tax Exemption program has been rescinded by the Common Council for the City Taxing Jurisdiction Source: New York State Government

# Poughkeepsie Has Entered Stage II Tax Exemption Maturity

In the past and of its own volition, the City provided large developer tax exemption incentives and concessions lasting up to 99 years in exchange for small returns as a way to jumpstart revitalization.

## The Three Stages of Tax Exemption Maturity

Key Characteristics	Stage I – Survival/Revival	Stage II – Momentum	Stage III – Citywide Transformation
Poughkeepsie Timeframe	Past (Year Granted - 1986-2017)	Today (Year Granted - 2018-Present)–Current IDA	Around the Corner
City Identity / Reputation	Struggling City	City On the Mend / On the Move	Turnaround Success Story / The Future
Developer Interest / Activity	Spits & Starts / Comes & Goes	Sustained and Growing	Intense with High Acceleration
City Concessions (\$ & Yrs)	Delayed Revenue for up to 99 Years	Deferred Revenue for 10-12 Years	Large Tax Base Growth
Developer / City Balance	In Developer Favor	Developer / City Balance (Smaller Projects)	Maintain Balance (Big Projects)
Primary Property Use	Unmixed Use / Unmixed Income	Moving toward Mixed Use / Mixed Income	Mixed Use / Mixed Income
Property Desirability	Best Properties	Best High-Potential & Up-Coming Neighborhoods	Large Area Transformation Projects
Scale of Change	Organic / Incremental / Scattered	Planned, Focused Hotspots & Neighborhoods	Citywide Integration / Unification
Jobs and Wages	Large Number of Low-Wage	Local Jobs Flat / Virtual Jobs Growing	Local Jobs Growing / New Industries
Urban Density	Low	Medium	High
City Diversity	High	High (At Risk)	High
FROM NOW ON ...	NO!	YES!!	DEFINITELY!!!

**The City is now in Stage II of Tax Exemption Maturity where it can achieve and should expect a more equitable investment-return balance to fund socio-economic stability and progress on its journey toward Stage III Citywide Transformation**

Source: City of Poughkeepsie, NY IDA

# The City Now Has Growing Interest from New Developers and Residents

Many Stage II small-medium sized projects are already underway and some are not seeking property tax exemptions at all. However, some Stage I “Like” exemptions have recently been granted in Stage II.

## The Three Stages of Tax Exemption Maturity – City of Poughkeepsie Development Projects

Type	Stage I – Survival/Revival	Stage II – Momentum		Stage III – Citywide Transformation
	Past (Exemptions Granted 1986-2017)	Today (Exemptions Granted 2018 To Date)	Today (Potential)	Around the Corner
<b>City IDA</b>	<ul style="list-style-type: none"> <li>Woodside Associates (168 Academy St)</li> <li>Eastman-Bixby (22 Montgomery St)</li> <li>400 Main Street (417-449 Main St)</li> <li>Shadows/Grandview (176 &amp; 200 Rinaldi Blvd)</li> <li>Water Club/Pura 14 (36 Pine &amp; Laurel St)</li> </ul>	<u>Current City IDA</u> <ul style="list-style-type: none"> <li>Maple Street (472 Maple St)</li> <li>CNN Spruce (110-114 Delafield St)</li> <li>Opportunity Poughkeepsie/Hive (33-35 Academy St)</li> <li>387 Main Street (387-397 Main St)</li> <li>School House Apartments (160 Union St)</li> </ul>	<ul style="list-style-type: none"> <li>35 Main St</li> <li>147 &amp; 166 Union</li> <li>Pelton Manor</li> <li>Perlmutter Building</li> <li>The Last Chance</li> <li>Wallace Building</li> <li>Market St Office Bldg</li> <li>MPI</li> </ul>	Examples from Other Cities: <ul style="list-style-type: none"> <li>White Plains, NY – City Center</li> <li>New Rochelle, NY – New Roc City</li> <li>San Antonio, TX – The Pearl</li> <li>Albany, NY – Biotech Industry</li> <li>Stamford, CT – Hedge Fund Industry</li> </ul>
<b>County IDA</b>	<ul style="list-style-type: none"> <li>Grand Hotel (40 Civic Center Plz)</li> <li>Health Quest (21 Reade Pl)</li> </ul>	Not Applicable	Not Applicable	Not Applicable
<b>485-A</b>	<ul style="list-style-type: none"> <li>Cardinal Court Cannon Street (40 Cannon St)</li> <li>Underwear Factory (8 North Cherry St)</li> <li>400 Maple Street</li> <li>337 Main Street</li> <li>12 South Hamilton</li> </ul>	<u>Current City Administration – Stage 1 “Like”</u> <ul style="list-style-type: none"> <li>One Dutchess Ave (Multiple Addresses)*</li> </ul>	Rescinded for City	Rescinded for City
<b>581-A “Like”</b>	<ul style="list-style-type: none"> <li>Highbridge Gardens (140-150 Hudson Ave)</li> <li>Poughkeepsie Commons (130 Hudson Ave)</li> </ul> <u>Current Administration and Common Council</u> <ul style="list-style-type: none"> <li>Queens City Lofts (178 Main St)</li> </ul>	<u>Current Administration / Common Council – Stage 1 “Like”</u> <ul style="list-style-type: none"> <li>Crannell Square (35 Catherine Street)</li> </ul>	<u>Current Administration / Common Council – Stage I “Like”</u> <ul style="list-style-type: none"> <li>78 Taylor Ave</li> </ul>	

**The City should not grant anymore Stage I “Like” tax exemptions, many of which have been excessive tax reductions that last more than 20 years**

Source: City of Poughkeepsie, NY IDA

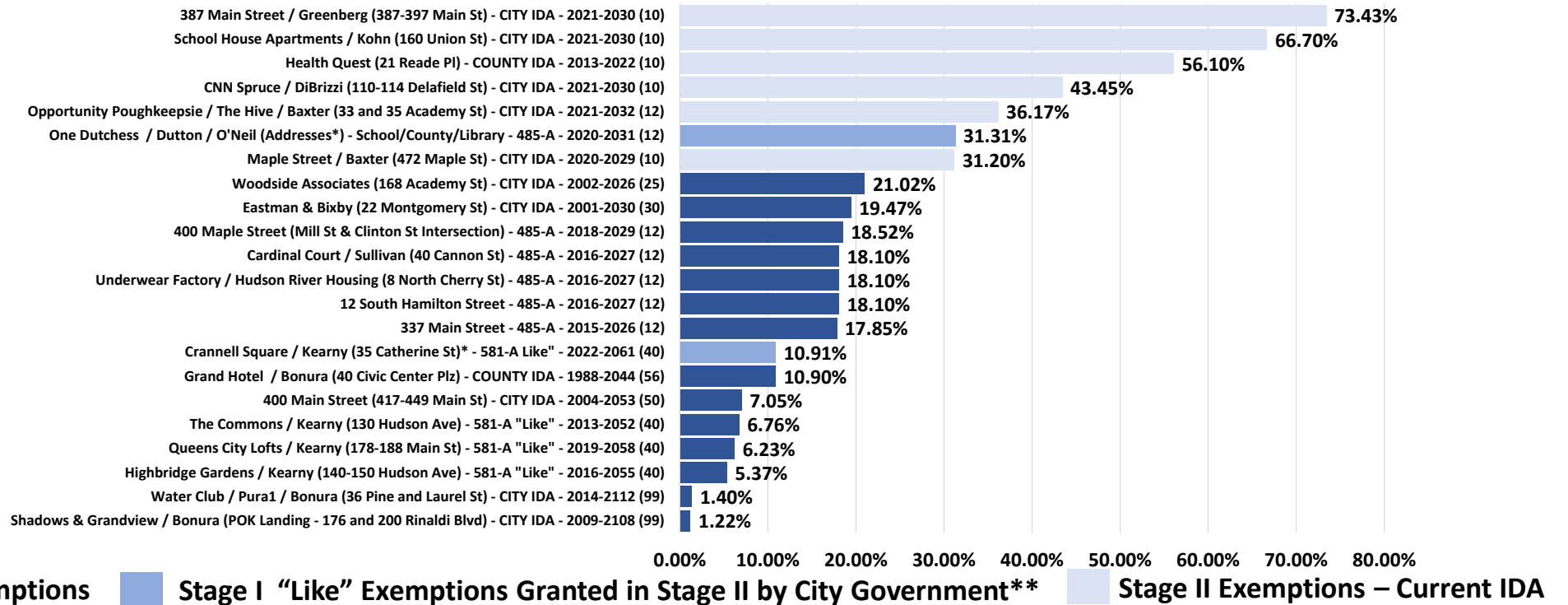
\* One Dutchess Addresses = 10 Dutton Lane, 20-50 Dutchess Landing, 25 Shipyard Landing, 5 Longreach Road, 15 Fins Lane  
 Note: Three projects not included due to lack of records – Admiral Halsey, Children’s Museum, Poughkeepsie Housing Authority

# **Tax Exemption Investments**

# Total Percent Taxes Paid During Exemption Periods Has Increased Dramatically

Under contractual terms given by the City and prior IDAs, some early tax exempt projects will pay only a small fraction of full taxes based on assessed value. In Stage II, the City’s recent projects now pay a far greater share of full taxes than in the past, with only one notable exception—Crannell Square.

Cumulative Percent Taxes Paid Based On Assessed Value Over the Full Tax Exemption Duration



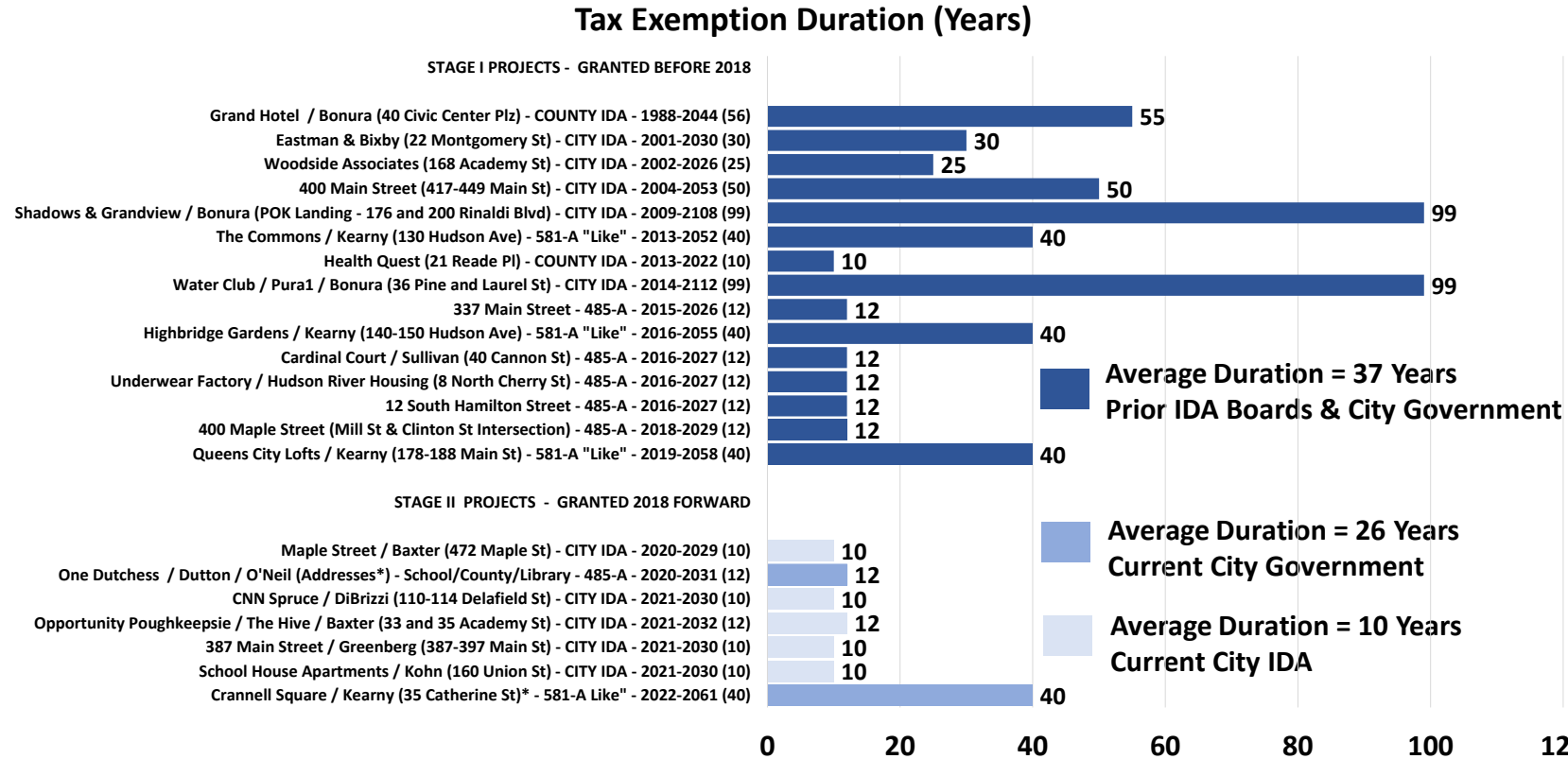
**The City should receive a fair percentage of total taxes paid over the tax exemption duration for any future tax exempt projects**

\* One Dutchess was granted School, County, and Library tax exemption only under 485-A – City Portion was rescinded. \*\* City Government = Administration and Common Council *Note: The Water Club is not included*

Source: City of Poughkeepsie, NY IDA

# The Duration of Tax Exemptions is the Primary Driver of the Size of City Investment

Until recently, tax exemptions were extended well beyond the generally acceptable and reasonable strategic time horizon—many from 20 years to almost a century.



■ Stage I Exemptions  
 ■ Stage I "Like" Exemptions Granted in Stage II by City Government\*\*  
 ■ Stage II Exemptions – Current IDA

**The City should maintain exemption durations in the sweet spot of 10-12 years and only entertain longer terms for large transformational opportunities such as City Center in White Plains, NY**

Source: City of Poughkeepsie, NY IDA

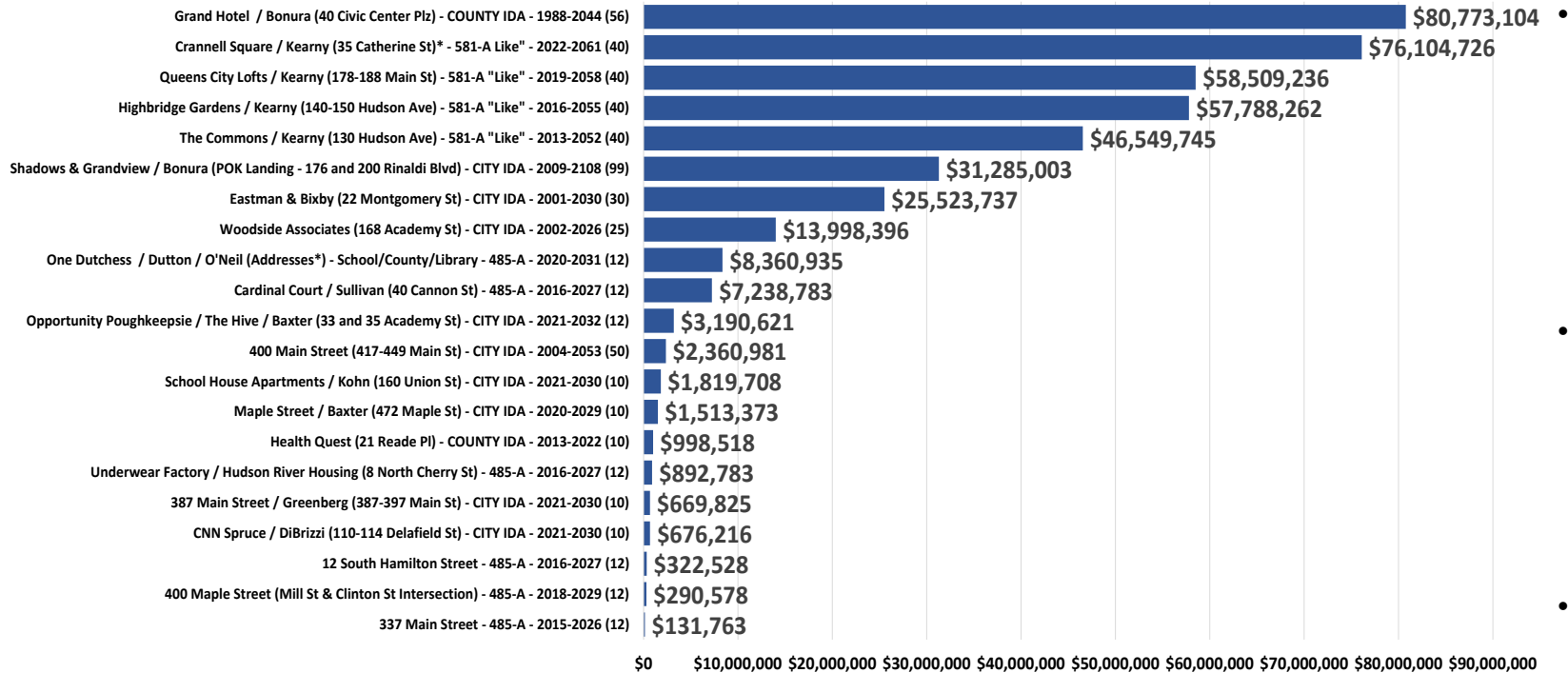
\*\*City Government = City Administration and Common Council



# The City Has Made Substantial Investment in 21 Active Projects Totaling \$419M

Extraordinarily lengthy generous tax exemption arrangements, terms and agreements made in the past have resulted in extremely large costly City investments compared to today’s City IDA tax exemptions.

## Present Value of Tax Exemption Investments by Project (In Today’s Dollars)



- This data represents the difference (delta) between what tax exempt projects have agreed to pay cumulatively in total versus what the project would have paid at full market rate assessed value—defined as the Assessed Value multiplied by the Non-Homestead Tax rate (in today’s dollars)\*\*
- The duration together with the percent of taxes paid are the main drivers of the total size of the City’s investment. The majority of this investment, \$351M (84%), has been invested with 2 developers for 6 projects, excluding the Water Club.
- The remainder, \$68M (16%) was invested with 17 developers for 15 projects

## The City must exercise stricter financial discipline over its investments with its own independent transparent rigorous analysis of the costs versus benefits and financial returns to the City

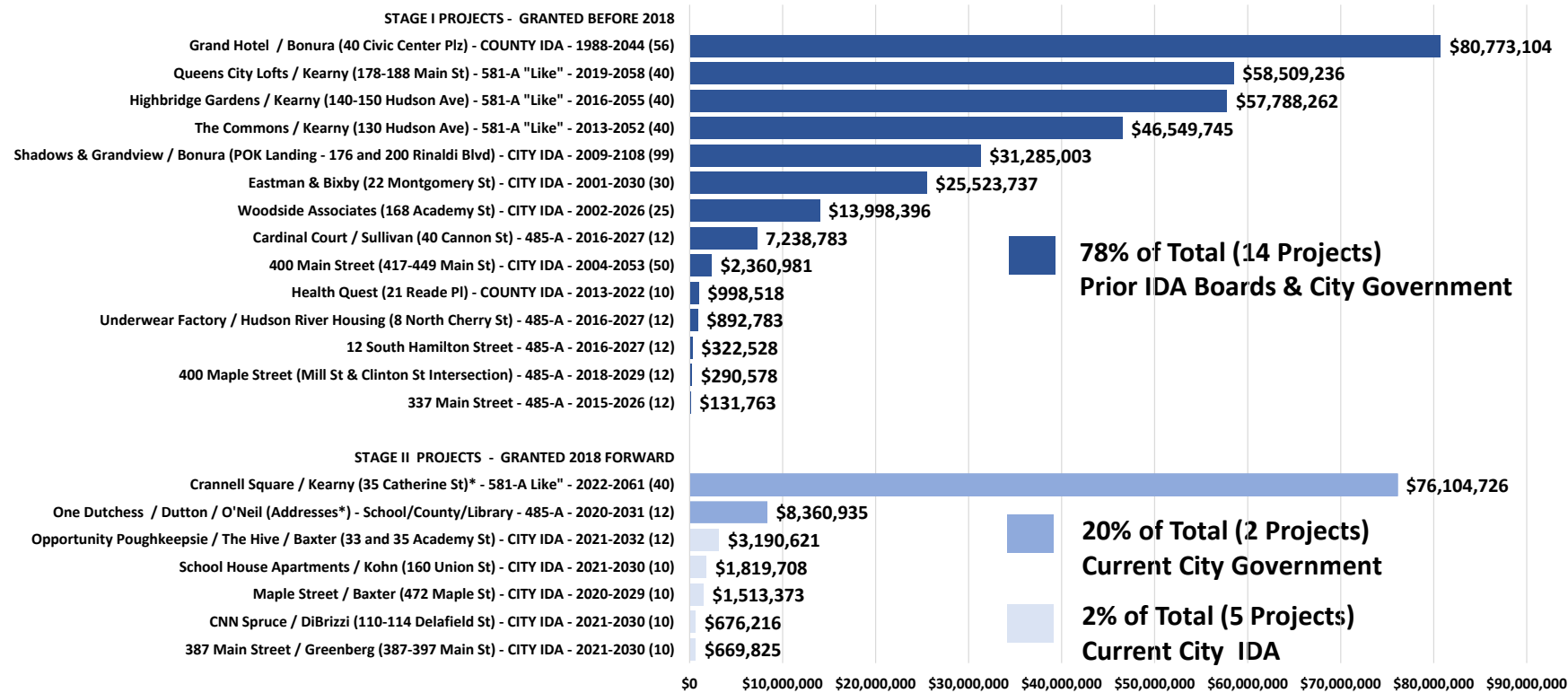
\*\* Based on Assumptions reviewed with City Administrator and Annual Inflation Percentages from Federal Government (See APPENDIX E – Page 35 for detail)

Source: City of Poughkeepsie, NY IDA Note: The Water Club is not included

# Projects Granted Exemptions Before 2018 Account for 78% of Total Investment

In Stage II, the current IDA tax exemption for 5 projects accounted for only 2% of the City’s total investment in tax exemptions.

Present Value of City Development Projects - Phase I (Before 2018) Vs Phase II (After 2018)



■ Stage I Exemptions    
 ■ Stage I "Like" Exemptions Granted in Stage II by City Government    
 ■ Stage II Exemptions – Current IDA

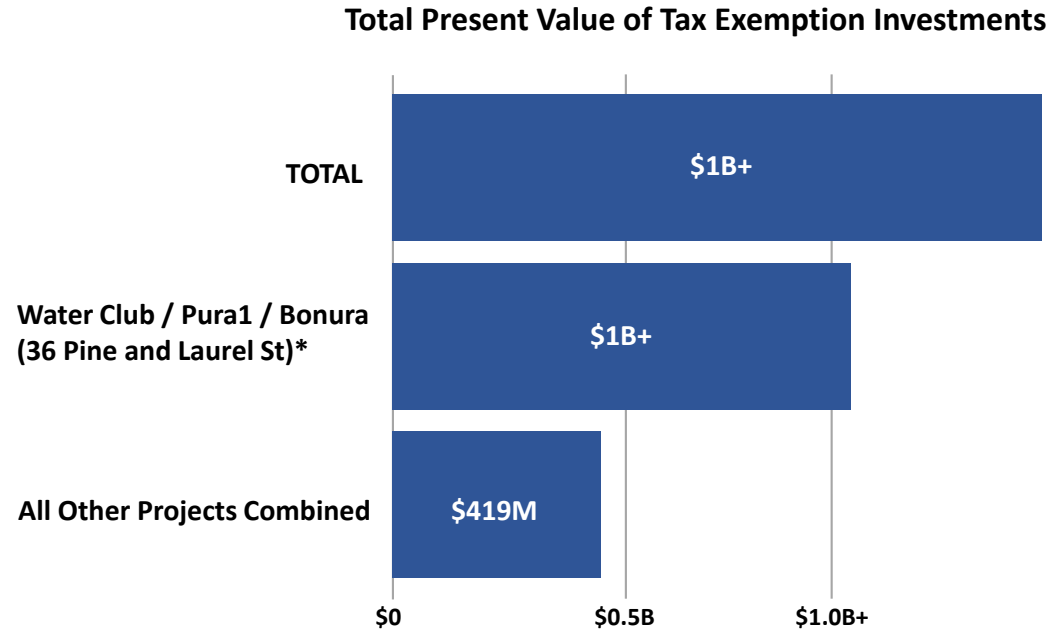
**With the exception of Crannell Square, the City is on the right track heading in the right direction with tax exemptions appropriate for Stage II and should stay the course**

Source: City of Poughkeepsie, NY IDA

Note: The Water Club is not included

# The Water Club is a Huge PILOT Outlier Paying Only 2% of Revenue for 99 Years

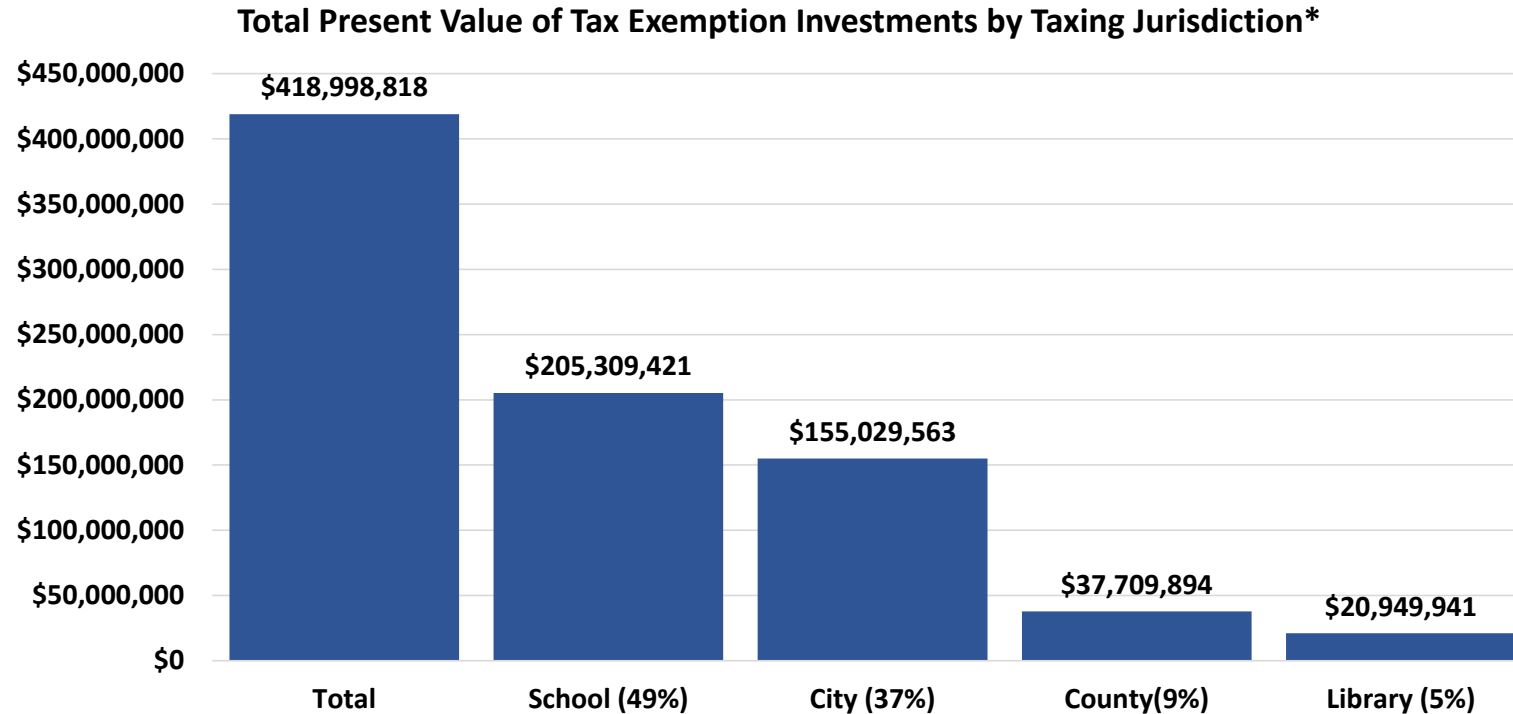
The excessive duration and low PILOT revenue percentage paid for the Water Club tax exemption drives the cost of this investment to an astronomical amount well over a billion dollars, when compounded for almost a century.



**The type of tax arrangement based on project revenue that the City, of its own volition, granted to the Water Club project for almost a century is unfair to City taxpayers who must subsidize this level of developer assistance—it should never be repeated—going forward, tax exemptions should be based on accurate, fair property assessed value**

# City School District Contributes the Majority of the \$419M Tax Exemption Investment

The School District contributes the majority of total investment in tax exemptions granted by IDA Boards and City Government.



- Tax exemption investments include contributions from all taxing jurisdictions
- The School District contributes the most—over \$200M total
- This level of investment in tax exemptions adds additional strain to an already distressed school system struggling to provide quality education for the City’s children

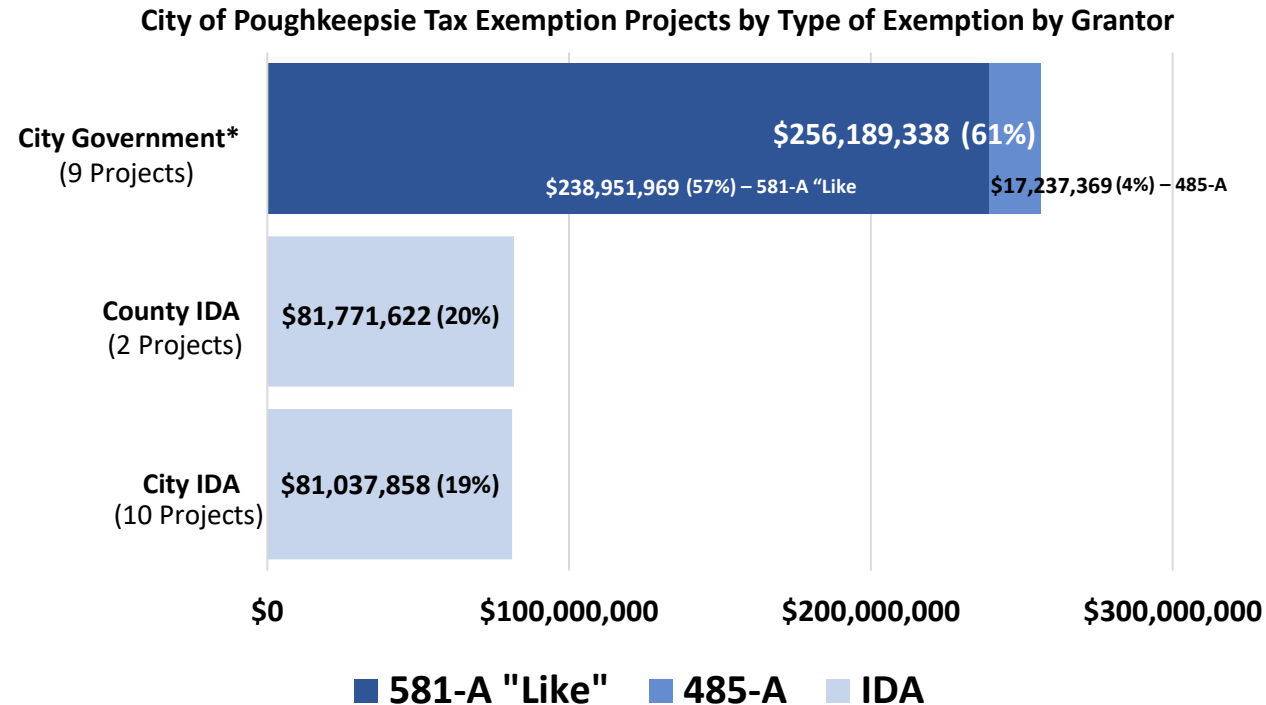
**Given the School District’s level of resource sacrifice, its investment in any exemption projects (e.g., One Dutchess) should be given thorough examination through the lens of return-on-investment and cost-benefit analysis, since these exemptions take away precious resources from educating the City’s children**

Source: City of Poughkeepsie, NY IDA

\* Totals shown represents average of all tax exemption projects except The Water Club (not included in total shown)

# IDs and City Government Both Grant Tax Exemptions

Excluding the Water Club, 61% of total tax exemption dollars have been granted by City Government\*, 20% by the County IDA and 19% by the City IDA.



**Historically, City Government has granted the bulk of tax exemptions and should begin treating them, including affordable housing, as justifiable investments of taxpayer funds with clear quantifiable returns and commensurate benefits for City and taxpayers—even decisions made to address worthy social issues must also be paid for and justified**

Source: City of Poughkeepsie, NY IDA

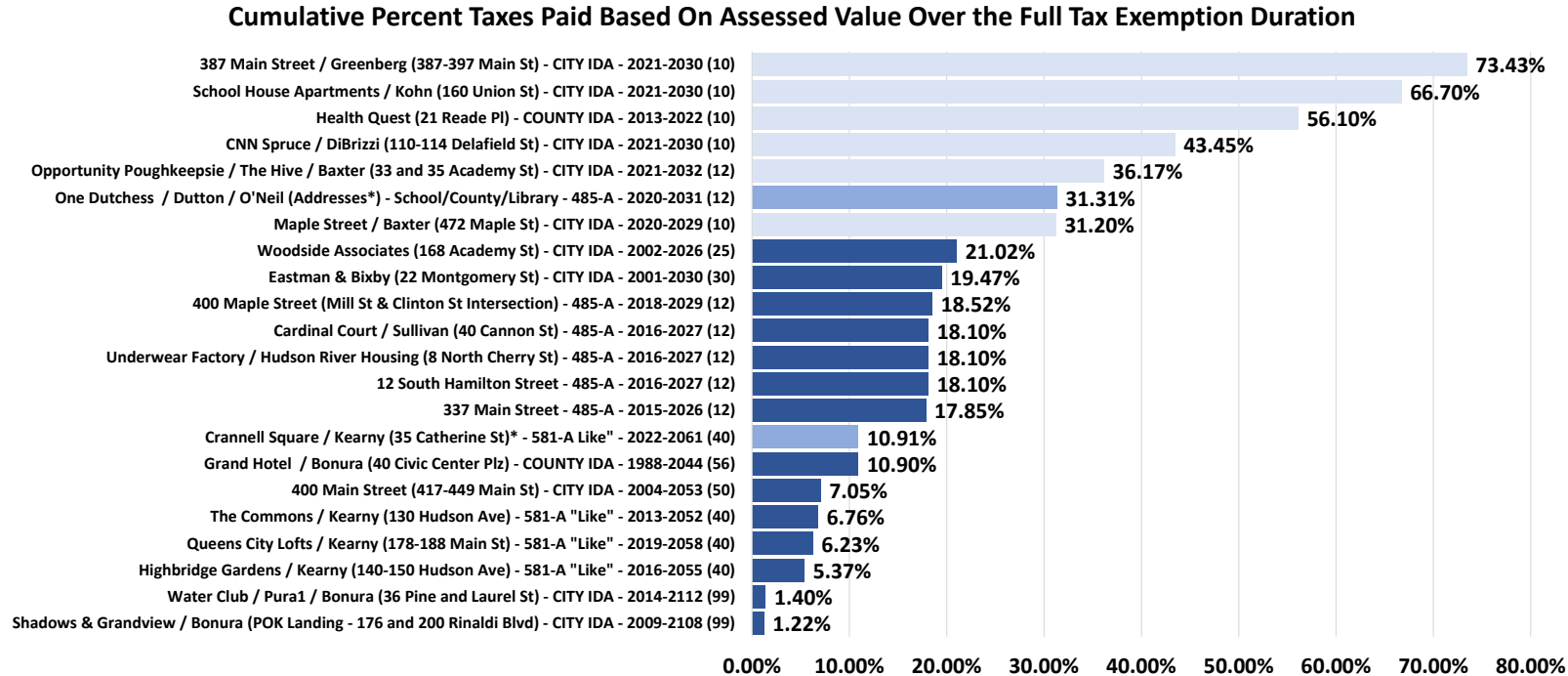
\* City Government = Administration and Common Council

Note: Water Club not included in City IDA Totals

# Investment Returns

# The Portion of Full Taxes Collected on Each Project Has Added to the Tax Base

Tax exempt projects have indeed added to the tax base over the duration of tax exemptions, however, the City has foregone a greatly disproportionate percentage of tax revenue that otherwise could have been collected



■ Stage I Exemptions   
 ■ Stage I "Like" Exemptions Granted in Stage II by City Government\*\*   
 ■ Stage II Exemptions – Current IDA

**Given the City's level of financial stress and vulnerability, it cannot afford to forfeit large portions of tax revenue such as those granted in Stage I "Like" tax exemption projects—the City should ensure that tax exemptions it grants still allow it to sufficiently fund its budgets for proper operation of the City**

Source: City of Poughkeepsie, NY IDA

Note: Water Club not included in City IDA Totals

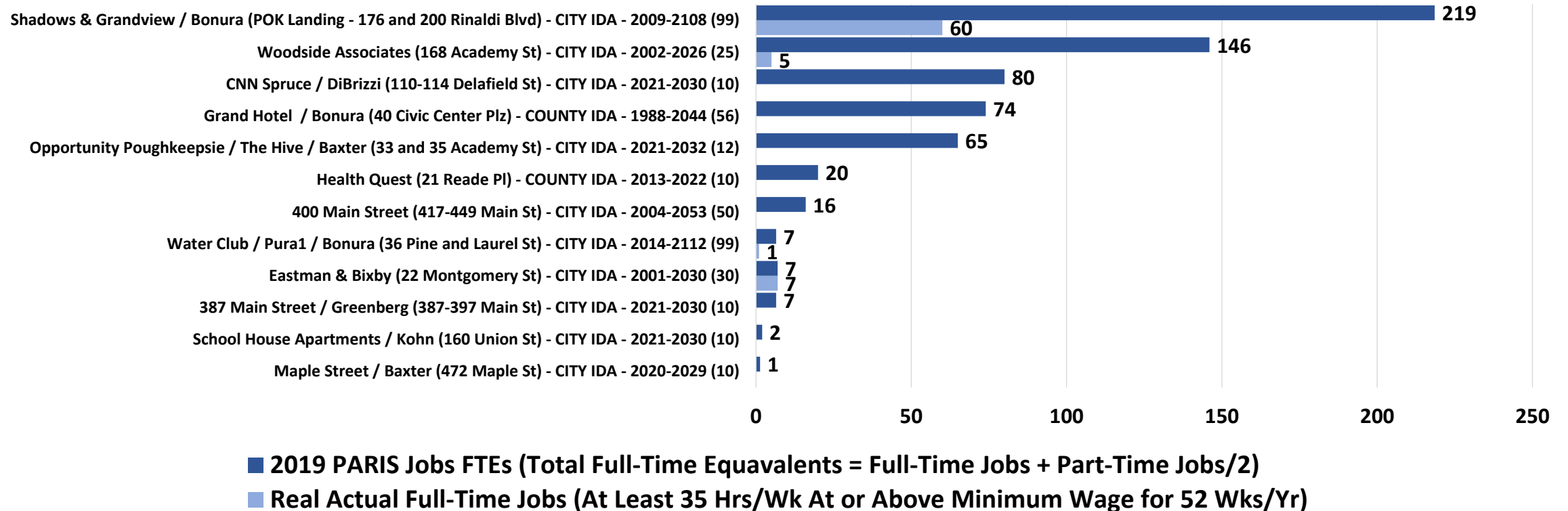
\* One Dutchess was granted School, County, and Library tax exemption only under 485-A – City Portion was rescinded.

\*\* City Government = Administration and Common Council

# IDA PILOTS Have Added or Retained Over 640 Jobs to the City

IDA projects are intended to create/retain jobs and most projects have done so—however, 485-A and 581-A “Like” projects are not required to produce or report jobs and therefore comparable numbers are unavailable for them.

## Jobs Created or Retained - PARIS Report and Real Actual Full-Time\*



**In addition to monitoring local job creation, the growing number of location-independent virtual jobs that currently go unaccounted for must also be factored into the job totals going forward**

Source: City of Poughkeepsie, NY IDA

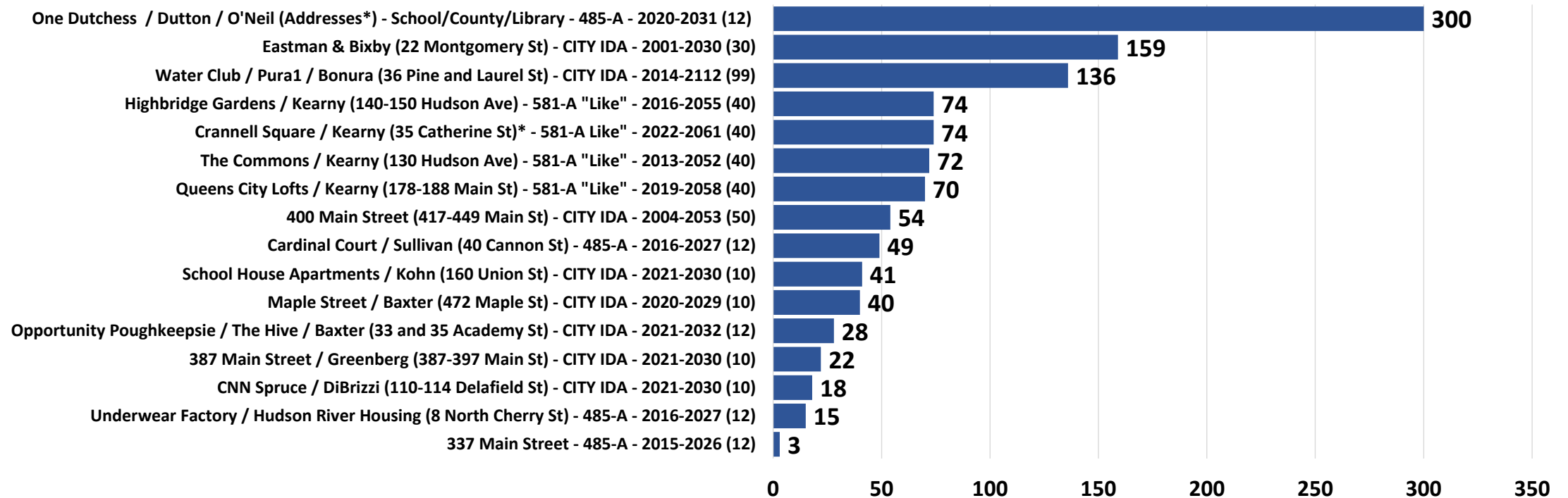
\* Based on data available for each project. All number rounded to nearest single digit.



# Tax Exempt Projects Have Added Over 1,150 Apartments to the City

City of Poughkeepsie housing stock has increased as a result of these projects.

## Number of Apartment Units\*\*



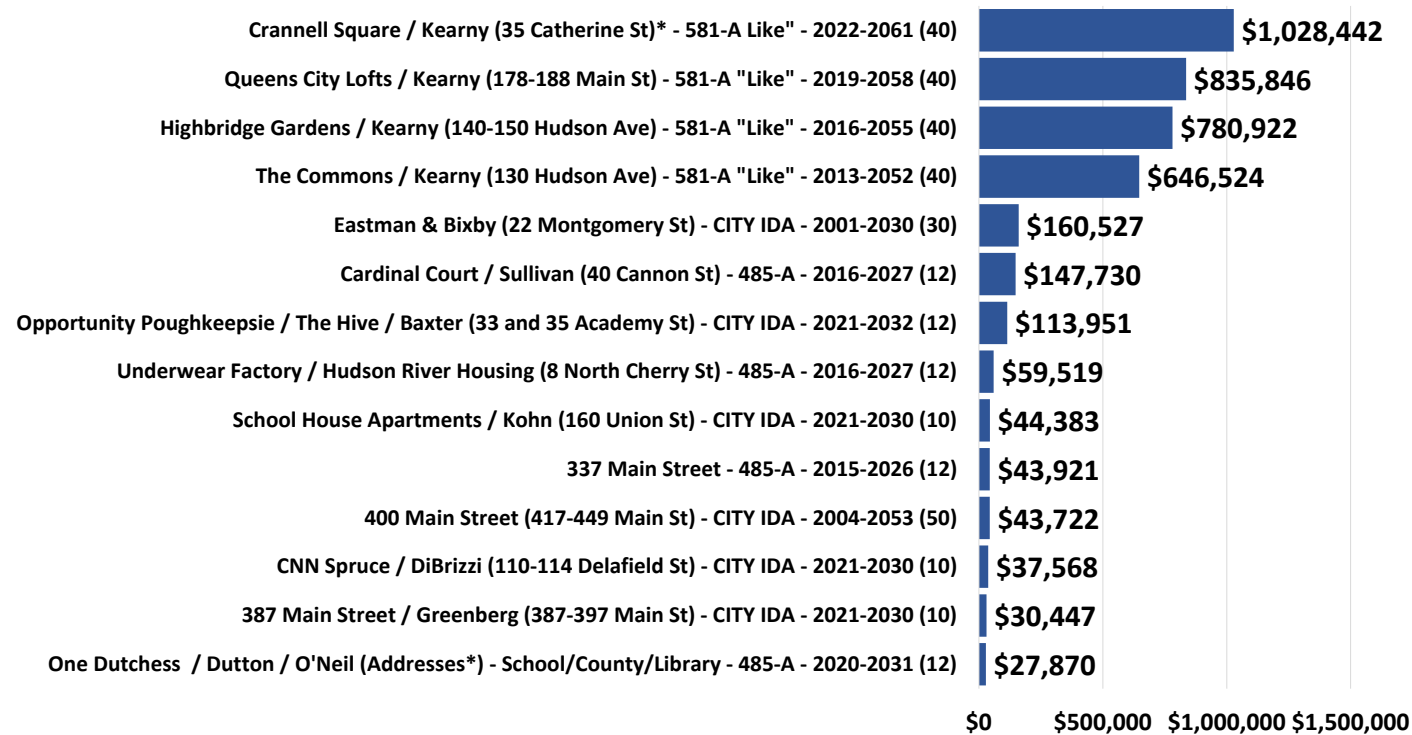
**Going forward, the City should now actively seek and encourage much larger mixed use/mixed income projects to increase businesses activity, accelerate population growth, increase City density and improve the tax base productivity that comes with it**

\*\* Based on data available for each project – Number of Units Unknown: 400 Maple, 12 South Hamilton, and HealthQuest; Not Applicable/Non Residential: Shadows/Grandview, Grand Hotel, and Woodside Manor.  
 Source: City of Poughkeepsie, NY IDA

# Adding New Apartment Units Comes at a Cost That Must Be Taken Into Account

The amount of tax exemption dollars invested per apartment has decreased significantly, however, investment per apartment for 581-A “Like” affordable housing units is exorbitant compared to other types of development.

**Present Value of Tax Exemption Investment Per Apartment Unit**



- Affordable housing is very important to the City’s economic development and future, but 581-A “Like” exemptions are too expensive and unaffordable for the City—290 apartments for \$239M (57% of the Total \$419M Investment)\*\*
- The City must find less expensive alternatives, given its large budget gaps and enormous financial burden these exemptions place on the schools
- Excessive developer tax concessions force tax increases on other residents, landlords and property owners, which result in higher taxes, higher rents, and lower affordability for all other 31K residents who do not live in these 290 apartments

## The City should discontinue its customized application of 581-A “like” tax breaks based on Dutchess County AMI—the costs to the City are unreasonable and unfair to City taxpayers

Note: Water Club not included in City IDA Totals  
Source: City of Poughkeepsie, NY IDA

\*\* Analysis based on a comparison to project paying full taxes on based on full assessed value. Graph includes only projects for which data is known/available/applicable – Number of Units are unknown for: 400 Maple, 12 South Hamilton, and HealthQuest; Metric is Not Applicable to non-residential development projects: Shadows/Grandview, Grand Hotel, and Woodside Manor.

# The Current 581-A “Like” Approach to Affordable Housing is Unaffordable for the City

581-A “Like” projects require costly tax exemptions funded by City taxpayers to produce affordable housing for Dutchess County and the surrounding area (median income of \$102,300/Yr) in return for housing that is not affordable for City residents (median income of \$42,296/Yr).

Crannell Square 581-A “Like” Illustration (Family of 4)				
Percent Median Income		100%	60%	50%
Affordable Units	County	22	44	8
	City	0	0	0
Median Income Limits (Annual)*	County	\$102,300	\$61,380	\$51,100
	City	\$42,296	\$25,378	\$21,148
Affordable Rent (Per Year)	County	\$30,690	\$18,414	\$15,345
	City	\$12,689	\$7,613	\$6,344
Affordable Rent (Per Month)	County	\$2,558	\$1,535	\$1,279
	City	\$1,057	\$634	\$529

- 581-A tax exemptions were established to provide affordable housing through a percentage reduction in housing costs for residents at or below median income
- Current 581-A “Like” developments in the City do the exact opposite by providing affordable housing for people making \$102,300/yr well above the City’s median income of \$42,296/yr (41% of County AMI)
- As Crannell Square shows, the City will essentially invest \$76M to help build a privately owned apartment building that creates subsidized housing for tenants earning above City median income
- This investment ultimately is funded through increases on existing taxpayers, while simultaneously decreasing affordability for themselves to build affordable housing for people above the median income, not the people who really need help below the median
- Unless Crannell Square will rent units to City residents for \$1,500/month less than allowable rent, the project will be unaffordable housing for current City residents even at or slightly above City median income

**New affordable housing is critical to the City’s future, but not at the expense of making other residents’ housing and businesses unaffordable—the City should use other proven less expensive ways, such as mixed income/mixed use, to build affordable housing that also preserves affordability for its current residents and businesses**

\* Source: HUD 2020 data and US Census QuickFacts data from Hudson River Housing

Note: Affordable = 30% of Area Median Income (AMI) per Federal Government HUD Guidelines. Median Income = Half of people make more income and half make less. See APPENDIX F: Crannell Square Affordable Housing Agreement – In Progress (Page 36) for details.

**Moving Forward**

## Moving Forward

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- Continue being **developer friendly** because it is crucial to Poughkeepsie’s progress and future success; however, in its decision making, the City must view tax exemption programs as **investments with balanced returns**, not only as developer incentives without consideration of cost and quantifiable, tangible benefits to the City near-term.
- Always **run the numbers** to gain a firm understanding of the costs, benefits, and returns to both taxpayers and the City, even for social programs—there is no magic money and no free lunch— the money has to come from somewhere.
- Anchor tax exemptions to the Stage II **sweet spot of 10-12 years**—anything longer needs to produce a large catalytic or transformational change in the City—a single small-medium sized building will not achieve this outcome.
- **Think big and strategic**, not small and tactical—not just a dirt lot on the Hudson river, but grand gateway to the City; not arterials with traffic, but untapped rivers of money flowing past daily; not problems but transformation opportunities.
- Change how we look at our city—Poughkeepsie should become *the* shining **Urban Center of the Mid-Hudson Valley**.
- **Value every piece of empty land** as the City’s future gold.
- Do not fall prey to “**building anything** is better than building nothing” because the City can miss big opportunities by moving forward with less than desirable projects—the true value of anything is not always only what someone will pay you today.
- Focus on creating **mixed-use/mixed-income** buildings, including affordable housing for the City of Poughkeepsie, which is critical to the City’s future, while forging an integrated, inclusive, diverse city.

**Developers and affordable housing are both critical to the City’s progress and future success, however, development project tax exemptions must be viewed as investments with expected returns and balanced with building our struggling City’s tax base near-term**

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# APPENDIX A: Mission Statement and Overarching Goals–City of Poughkeepsie, NY IDA

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## MISSION

The mission of the City of Poughkeepsie, NY Industrial Development Agency (IDA) is to build the industrial and economic strength and resilience of the City with the intent of growing employment, jobs and city revenue. The IDA will fulfill its mission by:

- Actively promoting and encouraging the attraction, cultivation, growth and retention of city industry and business
- Awarding financial incentives to projects, including exemptions from property, sales, use and mortgage recording taxes, grants, and bond financing for projects aligned with city success

The IDA provides the following types of tax exemptions as incentives for companies to invest capital in projects in the City:

- Sales and use tax exemption
- Mortgage recording tax exemption
- Real property tax abatement
- Additional tax relief for approved voluntary public improvements

## OVERARCHING GOALS

- Improve Employment
  - Increase number of new permanent jobs
  - Increase income and wage levels
  - Retain jobs
- Attract, Grow and Accelerate Investment
  - Reward large investments
  - Provide incentives for smaller projects
  - Preserve affordable housing
  - Mitigate blight and abandoned existing structures
- Protect and Build Tax Base
  - Maximize long-term tax revenue from new development
  - Optimize near term tax revenue while minimizing developer front end cashflow risk
  - Encourage development in distressed areas of the City
  - Build density in the City core
  - Preserve historic assets

Source: City of Poughkeepsie, NY IDA

# APPENDIX B: 2019-2020 IDA Performance Goals and Review (1 of 2)

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- The Agency approved PILOTS for 4 projects in 2019-Q1/2020:

**CNN Spruce** – Mixed use project to include office space, housing and a bakery - **10 Year Pilot**

**Opportunity Poughkeepsie /The Hive** – Mixed-use adaptive reuse project to include a market, housing, brewery, and co-workspace - **12 Year PILOT**

**387-397 Main Street** – Mixed use project to include housing and retail - **10 Year PILOT**

**160 Union Street** – Market rate housing - **10 Year PILOT**

- Resolutions were passed to provide CNN Spruce, The Hive, 387-397 Main Street and 160 Union, 141 North Water Street with **sales and mortgage tax exemptions**

- These 4 projects contribute to the City of Poughkeepsie:

- **\$33 million dollars of investment**

- CNN Spruce \$8.2M
- The Hive \$12.5M
- 387-397 Main Street \$4.8M
- 160 Union Street - \$7.4M

- **50,000 square feet of new commercial space**

- CNN Spruce 16,000 square feet
- The Hive 27,000 square feet
- 387-397 Main Street 6,500 square feet

- **164,000 total square feet**

- CNN Spruce 38,000 square feet
- The Hive 58,000 square feet
- 387-397 Main Street 27,500 square feet
- 160 Union Street – 40,000 square feet

- **109 new apartments**

- CNN Spruce 18
- The Hive 28
- 387-397 Main Street 22
- 160 Union Street - 41

- **59 retained jobs**

- All CNN Spruce

- **88 new full-time jobs**

- CNN Spruce - 21
- The Hive - 60
- 387-397 Main Street – 5
- Union Street - 2

- **7 new part-time jobs**

- The Hive - 5
- 387-397 Main Street - 2

- **Average salaries above current city median income**

- CNN Spruce average \$40k/year
- The Hive average \$48k/year
- 387-397 Main Street \$58/year



## APPENDIX B: 2019-2020 IDA Performance Goals and Review (2 of 2)

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- **2 of the 4 projects located in IDA high-priority target areas** – The Hive and 387-397 Main Street
- Restructured PILOT agreement for **Eastman Bixby** project to prevent cashflow insolvency for housing of 250 low income families while reducing PILOT term 10 years, saving the City of Poughkeepsie nearly \$6 million
- **Reduced Agency debt 58%** from \$445K to \$182k
  - Negotiated a \$100k loan forgiveness
  - Paid \$158K and created a future repayment plan
- **Tightened Recapture of benefits:**
  - PILOT projects **cannot be transferred to new ownership**
  - Project construction must **commence within 18 months** of PILOT approval
  - Project must **be completed within 4 years of PILOT** approval
- **Clarified Disqualifiers:**
  - Have any outstanding **unmet obligations (financial or otherwise) to the City of Poughkeepsie**
  - Previously been **convicted of financial criminal offense**
  - Any project whose construction, reconstruction, renovation, erection, equipping or installation was **undertaken prior** to the provision of financial assistance
- **UTEP** was changed to a points-based project evaluation system with 9 categories - Term of standard PILOT schedules shortened to **10 and 15 years one 5, two 10, one 15**
- **New Application**

Source: City of Poughkeepsie, NY IDA

# APPENDIX C: Tax Exemption Project Analysis Assumptions

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## Global Assumptions

- Assessments go up 2.4%/year starting in 2020-2021 and going forward. Source: NY State Office of Tax and Finance an average of 2014-2020 data. Confirmed with The City Administrator.
- The City Administrator set the Non-homestead rate increase at 4%/year starting in 2020 or 2021 and going forward.
- To account for inflation, we assumed a rate of 2.56 pre 2020 (Source: US Federal government actuals 2000-2019, we took an average of those years. Post 2020 we assumed a rate of 1.77 (based on US Federal government actuals 2010- 2019, we took an average). Other consideration the Fed declaration that interest rates will be at 0 for the foreseeable future. In addition, economists are concerned about deflation. The City Administrator inflation recommendation number going forward was 4%.
- To put a number to the cost of capital we used two numbers. Our analysis uses as an input of 20% of all tax exemption dollars is calculated at 6% to accommodate for both borrowing costs and increase in maintenance project cost due deferred repairs at 3% plus an additional 3% not earned on investing the money. The remaining 80% of all tax exemption dollars are at 3% for the money that would have been otherwise invested at 3%. The City Administrator agrees with this number.
- Average annual rent change we used for market rate apartments pre 2020 5%/year and post 2020 we used 4% These numbers are based Dutchess County Rental Annual Survey 2019.
- Affordable housing and low income used was 1.5% pre and post 2020, that number is New York State cap.
- Actual taxes paid 2009-2019 provided by City of Poughkeepsie Finance Department.
- Project contracts were the source of project terms.
- Tax assessment rates and property value assessments provided by City Tax Assessor.

Source: City of Poughkeepsie, NY IDA

# APPENDIX D: Tax Exemption Project Summaries & Assumptions (Page 1 of 5)

## City of Poughkeepsie IDA PILOTS - 10 Projects (1-5)

1. **Woodside Manor** - 168 Academy Street - Senior Health Facility
  - Projections for 6 years
  - PILOT duration 25 years
  - PILOT payment based on predetermined tax schedule: year 1-10 specific tax \$amounts, increase up to 5% for years 11-20 (year 12 is flat rate of \$100,000) and up to 7% for the last 5 years. Analysis includes growth in revenue for years 19-20 at 4% and Years 21-25 an increase of 6%
  - Assessed value is \$12.6 million matches Dutchess County Parcel Mapping
2. **Eastman Bixby** -22 Montgomery Street - Low Income Housing
  - Projections for 10 years
  - The current IDA reduced this PILOT from 40 years to 30 years in exchange for a constant payment amount through the end of the PILOT
  - This PILOT has a flat rate for taxes to be paid of \$140,978/year for its remaining 10 years
  - Starting assessment value was triangulated using square footage of 400 Main and Assessment/ apartment for Crannell Square. We assumed a point between the two of \$18 million
3. **400 Main Street -417-449 Main Street** - Mixed use – Commercial first floor and Housing
  - Projections for 36 years
  - PILOT duration 50 years
  - PILOT payment based on 6.4% of gross revenue
  - Rent increased by 3.3% on average (2009-2019 actual data) and projected from 2020 forward (unlike the global assumption of 1.5%/Yr)
  - Assessed value is \$7.2 million matches Dutchess County Parcel Mapping
4. **Grandview/Shadows** - 176 Rinaldi Boulevard / 200 Rinaldi Boulevard - Restaurant and Catering Business
  - Projections for 87 years
  - PILOT duration 99 years
  - PILOT payment is based on 2% of gross revenue
  - Gross revenue increase from 2020-2024 2%, 2025-2108 .2% Based on history and a capacity limit
  - For this exercise, the assessed value used was \$12.164 million matches Dutchess County Parcel Mapping pre-2018. Note In 2018, assessed value was reduced to \$7.321 million
5. **Water Club** - 36 Pine Street / Laurel Street - Market Rate Housing
  - Projections for 92 years
  - PILOT duration 99 years
  - PILOT payment is based on 2% of gross revenue
  - Gross revenue increase from 2020 to end of PILOT is 4%/year
  - Assessed value is \$21 million matches Dutchess County Parcel Mapping

Source: City of Poughkeepsie, NY IDA

# APPENDIX D: Tax Exemption Project Summaries & Assumptions (Page 2 of 5)

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## City of Poughkeepsie IDA PILOTS - 10 Projects (5-10)

- 6. Maple Street** - 472 Maple Street - Market Rate Housing with 8 Affordable units for the time of PILOT
  - Projections for 9 years
  - PILOT duration 10 years
  - PILOT payment is based on a fixed schedule based on tax assessment
  - Assessed value is \$3.5 million matches Dutchess County Parcel Mapping
- 7. CNN Spruce** - 110-114 Delafield Street - Mixed Use – Office Space, Bakery and Market Rate Housing (Townhouses)
  - Projections for 10 years
  - PILOT duration 10 years
  - PILOT payment is based tax assessment
  - Assessed value is \$ 1.976 million the number from Tax Assessor in IDA PILOT Worksheet
- 8. 387 Main Street** - 387-397 Main Street - Mixed Use – Commercial on the First Floor and Market Rate Housing
  - Projections for 10 years
  - PILOT duration 10 years
  - PILOT payment is based tax assessment
  - Assessed value is \$2.003 million the number from Tax Assessor in IDA PILOT Worksheet
  - Exemption based on incremental new taxes only
- 9. Opportunity Poughkeepsie / The Hive** – 33-35 Academy Street - Mixed Use – Market Rate Housing, Brewery, Work Space, Entertainment Space
  - Projections for 12 years
  - PILOT duration 12 years
  - PILOT payment is based tax assessment
  - Assessed value is \$5.8 million the number from Tax Assessor in IDA PILOT Worksheet
- 10. 160 Union Street** - 160 Union Street - Market Rate Housing
  - Projections for 10 years
  - PILOT duration 10 years
  - PILOT payment is based tax assessment
  - Assessed value is \$4.38 million the number from Tax Assessor in IDA PILOT Worksheet
  - Exemption based on incremental new taxes only

Source: City of Poughkeepsie, NY IDA

# APPENDIX D: Tax Exemption Project Summaries & Assumptions (Page 3 of 5)

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## Dutchess County IDA City of Poughkeepsie PILOTS - 2 Projects

### 1. **The Grand Hotel** - 40 Civic Center Plaza - Restaurant, Catering Facility, Hotel, Garage

- Projections for 24 years
- PILOT duration 56 years
- PILOT payment going forward is based on \$110,000/year plus 2% of net income
- Net income increases of 2%/year to the end of the PILOT
- Assessed value is \$18.6 million per Tax Assessor

### 2. **Health Quest** - 21 Reade Place - Medical Condominium Building

- Projections for 2 years
- PILOT duration 10 years
- Assessed value is \$4.286 million which is \$24 million times occupancy rate of apartments (17.86%) – (PILOT payment going forward is based on tax assessment provided by Dutchess County IDA)

# APPENDIX D: Tax Exemption Project Summaries & Assumptions (Page 4 of 5)

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## Common Council 581—A “Like” - 4 Projects

- 1. Highbridge Gardens - 140-150 Hudson Avenue – Affordable Housing**
  - Projections for 36 years
  - PILOT duration 40 years
  - PILOT payment is based on fixed number/apartment (\$743/apartment \* 74 apartments = \$54,982/yr)
  - Assessed value is \$8.664 million matches Dutchess County Parcel Mapping/Tax Assessor
  - Rent increases 1.5%/year
- 2. The Commons- 130 Hudson Avenue – Affordable Housing**
  - Projections for 21 years
  - PILOT duration 40 years
  - PILOT payment is based on fixed number/apartment (\$625/apartment \* 72 apartments = \$45,000/yr)
  - Assessed value is \$7.074 million matches Dutchess County Parcel Mapping/Tax Assessor
  - Rent increases 1.5%/year
- 3. Queen City Lofts - 178 Main Street - Mixed Use – Bar, Gym, Affordable Housing**
  - Projections for 39 years
  - PILOT duration 40 years
  - PILOT payment is flat \$80,000/year No rent increases allowed to impact taxes paid
  - Assessed value is \$7.546 million Assessor has \$5million analysis scaled value up based on apartments/other Kearney projects)
  - 70 Apartments
- 4. Crannell Square – 35 Crannell Street (Catherine and Mill Street) – Affordable Housing**
  - Projections for 40 years
  - PILOT duration 40 years
  - PILOT payment is \$100,000 plus 3% increase/year
  - Assessed value is \$ 7.438 million Assessor has \$325,000 analysis scaled value up based on Kearney previous projects.
  - 74 Apartments

Source: City of Poughkeepsie, NY IDA

# APPENDIX D: Tax Exemption Project Summaries & Assumptions (Page 5 of 5)

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## Common Council 485—A - 4 Projects

1. **Cardinal Court** - 40 Cannon Street - Mixed Use – Wine Bar, Brewery, Coffee Shop, Affordable-Low Income Housing 20%
  - **12 Year PILOT** Based on Tax Assessment
  - Granted **Sales Tax Exemption** by the County that expired in 2018
2. **Underwear Factory** - 8 North Cherry Street - Mixed Use – Coffee Shop, Video Center, Affordable Housing
  - 8 North Cherry Street
  - **12 Year PILOT** Based on Tax Assessment
3. **337 Main Street** - 337 Main Street - Mixed Use – Commercial on the First Floor with Market Rate Housing
  - 337 Main Street
  - **12 Year PILOT** Based on Tax Assessment
4. **400 Maple Street** - 400 Maple Street - Commercial on the First Floor, Low Income Housing
  - 400 Maple Street
  - **12 Year PILOT** Based on Tax Assessment
5. **12 South Hamilton Street** - 12 South Hamilton Street – Mixed Used
  - **12 Year PILOT** Based on Tax Assessment
6. **One Dutchess (School and County Only)** - Market Rate Housing - 5 Longreach Road \*, 20 Dutchess Landing\*, 30 Dutchess Landing\*, 10 Dutton Lane, 40 Dutchess Landing, 50 Dutchess Landing, 25 Shipyard Landing, 15 Finn Landing
  - Have School, County, and Library Tax Exemption Only

\*Have Certificate of Occupancy

# APPENDIX E: Tax Exemption Statutes - 581-A Statute (1 of 4)

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## Section 581-A

### Assessment of residential real property

Notwithstanding any other provision of law, the assessed valuation of real property used for residential rental purposes where at least twenty percent of the residential units are subject to an agreement with a municipality, the state, the federal government, or an instrumentality thereof, which agreement restricts occupancy of those units to tenants who qualify in accordance with an income test, shall be determined using the income approach as applied to the actual net operating income, after deducting for reserves required by any federal, state or municipal programs. For the purposes of this section "net operating income" shall mean the actual or anticipated net income that remains after all operating expenses are deducted from effective gross income, but before mortgage debt service and book depreciation are deducted. The assessed valuation of real property used for such residential rental purposes shall be determined using the actual net operating income, and shall not include federal, state or municipal income tax credits, subsidized mortgage financing, or project grants, where such subsidies are used to offset the project development cost in order to provide for lower initial rents as determined by regulations promulgated by the division of housing and community renewal.

*Source: New York State Government*



# APPENDIX E: Tax Exemption Statutes - Tax Exemption Statutes - 485-A Statute (2 of 4)

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## Section 485-A Residential-commercial urban exemption program

### Real Property Tax (RPT)

1. Definitions. As used in this section, the following terms shall have the following meanings:

- (a) "Municipality" means any town, city or village except for a city having more than one million inhabitants.
- (b) "Applicant" means any person obligated to pay real property taxes on the property for which an exemption from real property taxes under this section is sought.
- (c) "Commercial construction work" means the modernization, rehabilitation, expansion or other improvement of the portion of mixed-use property to be used for commercial purposes.
- (d) "Commercial purpose or use" means the buying, selling or otherwise providing of goods or services, including hotel services, or other lawful business or commercial activities permitted in mixed-use property.
- (e) "Mixed-use property" means property on which will exist, after completion of residential construction work or a combination of residential construction work and commercial construction work, a building or structure used for both residential and commercial purposes.
- (f) "Person" means an individual, corporation, limited liability company, partnership, association, agency, trust, estate, foreign or domestic government or subdivision thereof, or other entity.
- (g) "Residential construction work" means the creation, modernization, rehabilitation, expansion or other improvement of dwelling units, other than dwelling units in a hotel, in the portion of mixed-use property to be used for residential purposes.

2. Any municipality may, by local law, provide for the exemption of real property from taxation as provided in this section. Upon the adoption of such a local law, the county in which such municipality is located may, by local law, and any school district, all or part of which is located in such municipality, may, by resolution, exempt such property from its taxation in the same manner and to the same extent as such municipality has done.

*Source: New York State Government*

# APPENDIX E: Tax Exemption Statutes - Tax Exemption Statutes - 485-A Statute (3 of 4)

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## Section 485-A Residential-commercial urban exemption program

### Real Property Tax (RPT)

3. Upon the adoption of such a local law, non-residential real property, upon conversion to mixed-use property, shall be exempt from taxation and special ad valorem levies as provided for in subdivision four of this section.

4. (a) (i) For a period of twelve years from the approval of an application, the increase in assessed value of such property attributable to such conversion shall be exempt as provided in subparagraph (ii) of this paragraph. Such exemption shall be computed with respect to the "exemption base". The exemption base shall be determined for each year in which there is an increase in assessed value so attributable from that of the previous year's assessed value.

(ii) The following table shall illustrate the computation of the tax exemption:

Year of exemption	Percentage of exemption
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1 through 8	100% of exemption base
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9	80% of exemption base
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10	60% of exemption base
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11	40% of exemption base
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12	20% of exemption base
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*Source:* New York State Government

## APPENDIX E: 485-A Statute (4 of 4)

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### Section 485-A Residential-commercial urban exemption program

#### Real Property Tax (RPT)

(b) No such exemption shall be granted unless

(i) such conversion was commenced subsequent to the date on which the municipality's local law took effect; and

(ii) the cost of such conversion exceeds the sum of ten thousand dollars or such greater amount as may be specified by local law.

(c) For purposes of this section the term conversion shall not include ordinary maintenance and repairs.

(d) No such exemption shall be granted concurrent with or subsequent to any other real property tax exemption granted to the same improvements to real property, except, where during the period of such previous exemption, payments in lieu of taxes or other payments were made to the local government in an amount that would have been equal to or greater than the amount of real property taxes that would have been paid on such improvements had such property been granted an exemption pursuant to this section. In such case, an exemption shall be granted for a number of years equal to the twelve year exemption granted pursuant to this section less the number of years the property would have been previously exempt from real property taxes.

5. Such exemption shall be granted only upon application by the owner of such real property on a form prescribed by the commissioner. Such application shall be filed with the assessor of the municipality or county having the power to assess property for taxation on or before the appropriate taxable status date of such municipality or county.

6. If the assessor is satisfied that the applicant is entitled to an exemption pursuant to this section, he or she shall approve the application and such real property shall thereafter be exempt from taxation and special ad valorem levies as in this section provided commencing with the assessment roll prepared after the taxable status date referred to in subdivision five of this section. The assessed value of any exemption granted pursuant to this section shall be entered by the assessor on the assessment roll with the taxable property, with the amount of the exemption shown in a separate column.

*Source: New York State Government*

# APPENDIX F: Crannell Square Affordable Housing Agreement – Final Contract Pending

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## EXHIBIT B

Project Plan: Crannell Square

Property: 35 Catherine Street

8 Units of residential rental low income housing, meeting the income limits in accordance with HCR regulations applicable for low income housing tax credit and housing trust fund projects, not exceeding 50% of applicable median income.

44 Units of residential rental low income housing, meeting the income limits in accordance with HCR regulations applicable for low income housing tax credit and housing trust fund projects, not exceeding 60% of applicable median income.

22 Units of residential rental low income housing, meeting the income limits in accordance with HCR regulations applicable for low income housing tax credit and housing trust fund projects, not exceeding 100% of applicable median income.

1 unit is a superintendent's unit.

Rents will be limited to 30% of the percentage of the applicable median income limit specified by HCR in accordance with federal Low Income Housing Tax Credit ("LIHTC") program requirements. Income and Rent limits will be applicable for the 40-year term of the PILOT Agreement in accordance with the LIHTC regulatory agreement.