

**Tompkins County Industrial Development Agency
Board of Directors Meeting Final Minutes
June 9, 2021 – 2:00 - 3:30 PM
Via Zoom Conference Call and LiveStream**

Present: Rich John, Martha Robertson, Laura Lewis, Jeff Gorsky, John Guttridge, Mike Sigler, Todd Bruer

Guests: Rick Manzardo (Vencino Group/Asteri Ithaca), Jeff Githens (McKinley Development)

Staff Present: Heather McDaniel, Ina Arthur (IAED), Russ Gaenzle (Harris Beach)

CALL TO ORDER

Rich John called the special meeting of the **Tompkins County Industrial Development Agency** to order at 2:04 pm.

PRIVILEGE OF THE FLOOR (the following statements were read into the record)

Tom Knipe, Deputy Director for Economic Development, City of Ithaca

Thank you for your consideration of Vecino Group's request to reduce the Agency Administrative Fee to ½% of the value of construction of improvements for the Asteri project, which you will consider at your June 9th IDA meeting.

The 50% reduction in the IDA fee will provide much-needed budget relief for this complex public/private partnership project, to the benefit of the City, County, DIA, and industry-supported conference center and City-supported public parking garage, in addition to the affordable housing.

Thank you, and please feel free to reach out to me with any questions.

Theresa Alt, 206 Eddy Street, Ithaca

I want to remind you that all the public comments to the IDA's hearing about BVSHF III Ithaca or McKinley or 401 East State Street were opposed to granting a tax abatement. I note, however, that at about the time when comments and signups to speak were due, the IDA's website went down. We have no idea how many people wanted to comment but were deterred. You should hold a second public hearing to allow more public participation.

My own objection alluded to the inadequacy of the \$5,000 per total unit fee in lieu of providing affordable units. You are due to revisit that fee by July — and I urge you to do so carefully. Take into account the actual profits to be derived from the market-rate housing in the project. Take into account the rising actual costs of building affordable housing, not just the cost for the Community Housing Development Fund to signal approval of a different affordable development. Tax abatements only belong where real public benefits are provided.

Peter Wissoker, Tioga St, Ithaca

I am writing once again to ask you to reject the McKinley Development/Blue Vista request for a tax abatement for the apartment complex they are proposing on E. State/Martin Luther King, Jr. St. To be clear, I don't mind it being built, just not with our subsidizing it. Please bear with me, I recognize this letter is fairly long. I won't reprise my previous comments from last month's meeting about denying the request because it is being made by a \$2 billion private equity fund, (an *Ithaca Times* editorial making the same point is in Appendix One below), other than to say that if you need a sense of scale, \$2 billion is the approximate value of all taxable property in the City of Ithaca. But I would ask that you also consider a number of other factors, including the project's limited local benefit and our ability to replace some of its tax contribution by reassessing the property on which they propose to build, when you decide. Although I would prefer you reject the proposal outright, I would ask that at a minimum you delay the vote until you have a chance to negotiate a better deal for the county, the city, and the school district. Along with my comments last week, my additional concerns are as follows:

1) Not enough of the \$117 million project will be spent locally

Without the cost of land, the local spending on the project will be \$50.5 million, and with the land \$62 million, not \$117 million. That is only somewhere between 48% and 53% of the promised investment. If you include the tax abatement, these figures only get smaller—30% and 37% respectively. (The details of my calculations can be found in Appendix Two, after my letter.) Only 35% of the labor costs will be local and none of the monies for fees or interest nor for services: as the abatement application notes--the attorneys, engineers, architects, accounts, and contractors are all based outside of Tompkins County.

I would argue that less than 50% local spending (let alone 30% or 37%) is not the rate one looks for in this type of project when an abatement is involved.

2) If we can't keep rents in the county, we shouldn't have to pay for the privilege of not doing so

-- Once this 353-apartment building is completed, almost all the rents will leave the community to repay investors and lenders and earn profits for McKinley and Blue Vista's partners. If rents in the building average \$2,000 an apartment (and this figure seems low) than the building would produce a little less than \$8.5 million a year in revenue. Of that, we'd see \$441,000 in salaries for professional workers (plus benefits), plus the cost of contracted labor and, beginning in eleven years, roughly \$2 million in taxes. The remaining \$6.5 million per year we would not see. In the first ten years, we would be talking about \$81 million (including the abatement). I recognize that this is the hazard of any out-of-town project but subsidizing this process does not sit well.

3) The promise of an increase in affordable units in the county is an empty one

--In the abatement application it says that the abatement is necessary if the company is to "provide competitive rents to a wide range of residents" at rents "below the current high end of the market." But at your last meeting McKinley's representative said that rents would be approximately \$50 a month below other downtown buildings of a similar type, which I took to mean Harold's Square and City Center, neither of which is affordable to "a wide range of residents." In other words, the abatement will not result in greater access to housing for a wide range of residents. Indeed, in the determination of financial need, Heather McDaniel writes that "rental rates on average are consistent with downtown market rents." That doesn't sound like they are offering greater access. Instead, it will only increase the supply at the top end of the market. It is true that McKinley and Blue Vista promised to contribute \$1,765,000 to the Tompkins County Community Housing Development Fund, but realistically, how

many affordable units would that create? It would be much more efficient to create affordable units in this building instead.

Along with these points I would suggest that *if the building does not get built, we should reassess the property at market value*

--According to the Cost/Benefit Analysis at the end of the abatement application, the current assessment of the portion of the property on which the building will be sited is \$1,595,463 or approximately 13.2% of the \$12.1 million price that will be paid for the land. As Teresa Halpert Deschanes pointed out in the public hearing, the assessment of the property's value should match its sale price. Over the next ten years, that would contribute an additional \$4,444,458 in taxes, on top of the \$605,393 the project was expected to contribute. With the total in taxes generated being \$5,049,851, it would only be \$3.4 million less than the proposed project with the abatement, but much more than the \$605,393 projected without. This would be a difference that matters.

Finally, in my earlier testimony, I urged you to consider a number of alterations to the agreement to better protect labor, offer the community some return on the sale of the building, and keep more of the project funds local (these are summarized in my editorial below). If you decide that rejecting the abatement request is not the best course of action, I hope you will at least delay final approval until you negotiate an agreement that better protects our community including its workers and its financial health.

In sum, please deny the abatement request for the following reasons: a \$2 billion company has no need for an abatement; the project will at most produce about half the local spending it implies in its proposal; a key promised public good—producing affordable housing for a wide range of residents—will not be delivered; once built it will lead to a draining of monies from the county in the form of rents that will dwarf the tax dollars by comparison; and, finally, by simply assessing the property at its apparent true value we will already make up more than half of the promised tax revenue from the project in its first decade (by which time if this developer backs out another will likely come along).

Thank you and thanks for your patience.

ADDITIONS TO THE AGENDA

Heather McDaniel requested that the NSF Enfield 1, 2, and 3 Solar discussion be removed from the agenda.

BUSINESS

Asteri Ithaca – Administrative Fee Reduction Request

A letter from the Asteri Ithaca project was presented requesting the TCIDA Administrative fee be reduced to ½% from 1% of project costs. This was originally requested in their application but was not specifically approved by the Board at that time.

The IDA has allowed ½% for not-for-profit projects. The Asteri Ithaca project is made up of three entities, two of which are not-for-profit and one that is managed by a for profit entity.

Rick Manzardo of the Vencino Group addressed the Board explaining that the residential portion of the project is receiving State HFA funding and had only built-in payment of ½%. If the Board would grant

this reduction request, they would not need to go back to the State to ask for more money to cover the full 1% fee. This reduction would not benefit the developer.

The requested reduction in fee would be applied for all three parts of the project.

Todd Bruer felt that the reduction in fee should apply only to the housing portion of the project.

Martha Robertson pointed out the new fee policy that will be considered later in this meeting would reduce NFP projects to ½%. However, the housing portion of this project is for profit.

John Guttridge commented that this project is special and that he could support the reduction in fee but does not want to set a precedent.

Rich John stated that the City of Ithaca would support this fee reduction he is also inclined to support the request.

Martha Robertson stated that she also supports the request and feels that the fee for affordable housing projects should be revisited.

Todd Bruer stated that he feels that the fee should remain at 1%.

Martha Robertson made a motion to approve the Asteri Ithaca TCIDA Administrative fee request of ½% of project costs for all three parts of the project. Mike Sigler seconded the motion. The motion was approved 6-1 (Bruer voting no).

BVSHF III Ithaca LLC (401 E. State Street Street) – Final Approval

Heather McDaniel reported that the public hearing for this project was held on June 3, 2021; that the SEQR determination from the City of Ithaca has been received; and that the determination of financial need has been done.

Martha Robertson made a motion to approve the authorizing resolution for the BVSHR III Ithaca LLC project. Laura Lewis seconded the motion.

Jeff Gorsky stated that he will abstain from the discussion and vote due to a conflict of interest.

Jeff Githens gave a brief overview of the project.

Martha Robertson noted the vacancy rate in the financial need memo is 5%, which is far higher than the actual rate here, therefore overestimating the financial need. Heather stated this is based on what the financial institution requests. Even with a lower vacancy rate, the return on investment analysis would change very little.

Laura Lewis asked about the FTE jobs in the application. This would be for property management employees that would be hired in year one. These employees would remain employed beyond year one. It is estimated the project would create 100 construction jobs during construction.

The developer was asked about not committing to paying a prevailing wage and only committing to 35% local labor.

Mr. Githens stated that the general contractor will be Purcell and they are estimating only being able to commit to 35% local labor. Also with construction costs and material costs increasing, they will be unable to commit to paying a prevailing wage.

Todd Bruer stated that the project should support local workers since the abatements are coming from local taxes.

Mike Sigler stated that he will be voting against the project.

Martha Robertson stated that she has mixed feelings. She noted that this project will support the local community housing development fund and asked whether short-term rentals will be allowed. Mr. Githens stated they have no plans to have short-term rentals in the buildings. They'll be looking for 12-month leases and will not allow subletting without management approval.

Rich John encouraged the developer to look to local companies for the "soft costs." He also stated that the City of Ithaca does support this project which will pay a large amount into the housing fund, be energy efficient, increase downtown parking and also increase the tax base.

Heather McDaniel stated that the benefit analysis looks at the impacts over time. The fee paid into the housing fund will be used to build 248 new affordable housing units. This project will bring new property taxes of \$8 million dollars over 10 years. The economic impact is more than just construction jobs or spending.

A vote was called on the motion. The motion was approved 4-2-1 (Sigler and Bruer – No; Gorsky – Abstain).

Cayuga Vista Lansing Housing Project – Discussion

Heather McDaniel presented the Cayuga Vista Lansing Housing Project. This will be the first housing project under the Town of Lansing program. It is a 16-unit moderate income project. Two of the units will only be one floor. She is holding this discussion to see if the IDA would be open to waiving the affordable housing fee for this small project.

The project will need to apply to the TCIDA and have a public hearing.

Martha Robertson commented that it seems as if they project would be built even without the IDA's assistance. She is okay with two units being only 1 floor. However, she is unsure about waiving the housing fee.

John Guttridge commented that small projects have issues with costs. Perhaps the housing fee could be reduced.

Martha Robertson suggested spreading the housing fee over a few years.

The IDA board is amenable to considering the requests when the project application comes to the TCIDA.

Policies – Approval

The following policy updates have been reviewed by the IDA’s Governance Committee.

1. Community Investment Incentive Tax Abatement Program.

The policy was cleaned up and updated as a result of the City of Ithaca no longer requiring their own process prior to the applicant submitting to the TCIDA. The maximum return on investment to qualify for the ten-year, financial need incentive was reduced from 20% in each of first five years to 10% in each of the first five years.

Martha Robertson made a motion to approve the revised Community Investment Incentive Tax Abatement Program. Laura Lewis seconded the motion.

Jeff Gorsky asked that the ROI review be changed from 5 years to 10 years. This was considered a friendly amendment. The motion was approved 7-0.

2. Internal Controls and Financial Accountability Policy.

This policy was developed along with Rick Snyder of Tompkins County Finance and is considered a best practice.

Laura Lewis made a motion to approve the Internal Controls and Financial Accountability Policy. Jeff Gorsky seconded the motion. The motion was approved 7-0.

3. Fee Structure & PILOT Transfer (as part of the Uniform Tax Exemption Policy)

Mike Sigler made a motion to approve the changes for the fee structure and PILOT transfer as part of the Uniform Tax Exemption Policy. Laura Lewis seconded the motion.

Martha Robertson asked that this motion be tabled and considered more fully at the next Board meeting.

The Fee Structure and PILOT Transfer policy; 2020 Project Report and memo; and the Financial Reports will be considered at the July 14, 2021 Board meeting.

MINUTES

Martha Robertson made a motion to approve the Board meeting draft minutes from February 10, 2021, March 18, 2021, April 29, 2021, and May 12, 2021. Laura Lewis seconded the motion. The motion was approved 7-0.

ADJOURNMENT

Laura Lewis made a motion to adjourn the meeting. Martha Robertson seconded the motion. The motion was approved 7-0.

The meeting was adjourned at 3:35 pm.

Minutes were approved at the July 14, 2021 Board meeting.