Minutes of Public Hearing
132 Cherry Clinton, LLC (The Hive)
December 6, 2022 @ 2:00pm
Ithaca Area Economic Development Offices
119 E Seneca Street, Suite 200, Ithaca NY
and
Via Zoom live streamed to YouTube

Present: Heather McDaniel (for Tompkins County IDA), Rich John (TCIDA Board), Laura Mattos – remote (132 Cherry Clinton, LLC), Ina Arthur (IAED), Theresa Alt (Speaker)

1. Heather McDaniel called the public hearing to order at 2:00pm.

2. Heather McDaniel gave an overview of the project and the proposed incentive.

3. Public comment was heard from the following:

Theresa Alt – 206 Eddy Street

Here I am at another of your stealth public hearings. The application for The Hive on Cherry Street comes with very sketchy documentation, much of it in the form of hard-to-interpret graphs. So, I will stick to two broad comments.

This project is admittedly not in the CIITAP area, and therefore the IDA legally should not be considering it.

The city decided not to include it. There clearly is NOT city support for subsidizing this project. I can imagine why. I have walked to a Cherry Arts performance there. Along Taber Street, narrow, unlighted, without sidewalks. For this to be a walkable place, the City will have to spend money to construct sidewalks and light it. The city would have to do this while its taxes are abated for ten years. No wonder they don't want to do that. Moreover, this is the area where small businesses report finding the body of a deceased inhabitant of the Jungle. Not exactly an environment for nice housing.

The 143 apartments are to be "Market-Rate". This means that most people who work in the city will not be able to afford them. So, morally, the IDA should not consider this project.

I believe that Visum will be able to find the capital to build on its own, without subsidy from the IDA. Nothing stops Visum from building.

Peter Wissoker – 705 N. Tioga St. (statement read by Rich John)

Re: 132 Cherry Clinton LLC Project – The Hive

Thank you for the opportunity to comment on the prospect of giving tax breaks to support Visum's proposed apartment building at 132 Cherry St. It is nice to have a local developer come before the agency and to see a new building being proposed for that area. That said, I am writing to ask you to either reject the tax breaks requested by Visum Development Group for “The Hive” or at least significantly modify them. Here are the reasons to reject it:

1. TCIDA should not be providing monies that serve as Visum’s leverage to enable the firm and its investors to profit from the project.

   As I’m sure you know, with most real estate projects developers look to build using a model based on leverage rather than the total cost of the building. This is where profit comes from. They put in the smallest amount of money possible and use loans or other sources of funds to produce a building from which they will garner a healthy share of the profits. For The Hive, the$12.4 million of equity noted in Item IV will make up 23.88% of the building’s funding, with bank financing making up the rest. We don’t know who will provide that equity, but typically it is the developer and his or her investors. (We know Visium has investors because on their website it says: “STAY INFORMED ABOUT FUTURE INVESTMENT OPPORTUNITIES; Subscribe to our investors’ database to receive information about investment opportunities and updates about our projects.” (capitalization is in the original))

   Visum is requesting $8,563,785 in incentives from TCIDA, or 68.8% of the equity, meaning that Visum would put up just 31.2% of the equity (less than $4 million of a $52 million project) or 7.4% of the cost. Why should the taxpayers be providing so much of the leverage for Visum and its investors? In a capitalist society, if the banks and investors won’t support market-rate projects, it shouldn’t be up to the taxpayers to do so. Indeed, if all the positive things the developer says about the site can’t convince its investors and lenders, then perhaps this isn’t the next building Mr. Fox should take on.

   2. The TCIDA doesn’t owe Mr. Fox anything just because he gambled on information he’d received from both this agency and from city officials

   Both in the proposal and during the November TCIDA meeting we were told that the developer purchased the site based on information that proved unreliable. This may well be the case. But it doesn’t make it any less true that the site is outside the zone and therefore in a location that does not qualify for the tax breaks. He took a chance and did so of his own volition. The taxpayers shouldn’t have to pay for this error in judgement or for assumptions made by local officials and conveyed to him.

2. TCIDA should not be subsidizing market-rate housing

   Although market-rate housing projects subsidized by the TCIDA do contribute some monies to the affordable-housing fund—and I grant that said fund is always running short—it would be even better if the developer started paying their full tax burden immediately, as that might help the city and county find more funds to leverage for housing (not to mention providing schools with the money it will need to educate the children who will live here). If the goal is to support the construction of market-rate housing to fill a gap in that market, then more convincing data should be produced that such a gap exists (and will continue to exist given all the new construction in the city) rather than basing this claim on a study that was completed in 2016 (meaning the data were likely older than that). If the goal of building additional housing is based on the idea that more stock will lead to more middle-class or affordable housing, that belief has been shown repeatedly to be wrong. Adding to the stock of market-rate housing does not lead to additional units becoming available to those who can’t afford them; there is no “trickle down” of apartments to those on limited budgets when you build more “market rate” units.

Please also note:
1: The MRB Cost-Benefit Analysis should be revised: Before the board makes a decision, you should ask MRB for a revised cost-benefit analysis, one based on the actual anticipated number of workers—it says 100 in the application and Mr. Fox said this as well—rather than the 331 they assume in the analysis that is in the package.

If you decide to use tax monies to support to support the project, please insist on the following:

1. Once it is completed, all jobs associated with the project should pay a living wage: The agency should require that all workers who are attached to the project through Visum, the LLC, or the services either hires to do work such as janitorial services, security, etc., should be guaranteed a living wage.
2. Prevailing wage/apprenticeship should be attended to: The agency should require that the developer use a contractor who pays the prevailing wage as well as contractors who have an apprenticeship program. It appears the contractor has already been selected, so the developer should work with the contractor to meet these conditions.
3. Sale Contingency, Pt. 1—Terminate the tax breaks if "The Hive" is sold: In the November meeting, Mr. Fox said he wants to keep this project. But sometimes it is hard to say "no."2 (Despite his statement, it is worth noting that the firm's website states that the company has had "12 successful exits." This, no doubt, is there for the sake of potential investors (see note 1, above).) Please write the agreement with the applicant in a way that ensures that the tax breaks are not conveyed with the sale of the project.
4. Sale Contingency, Pt. 2—TCIDA/taxing entities should profit from the project's sale: Given that the TCIDA/taxpayers are being asked to provide 68% of the equity in the project, it seems only fair that if the applicant resells "The Hive" TCIDA should be paid 68% of the profit from the sale, with those monies then distributed to the state, city, county, and schools in a manner proportionate to their investment. The 68% figure should be scaled to how much of the tax break the company has received from each at the time of the sale.
5. Ensure that the contractor purchases supplies locally: The contractor for this project is based in Victor. Please build in language that forces the contractor to attempt to secure materials for the project using suppliers within the county first. It is likely necessary to see what kind of price-matching scheme would make this possible without making the cost of the building prohibitively high, but the effort should be made.
6. Reduce the length of the tax break schedule to 7 years: Because the applicant requests an exception from the rules and for the reasons for rejection cited above, it would seem to be a reasonable compromise to shorten the tax break schedule to 7 years (using the agency's 7-year schedule) rather than the current 10 proposed. This would also have the benefit of saving the county, city, and school district some money and reducing their equity in the project.

In closing, both Mr. Fox and Ms. McDaniel mentioned how difficult it will be to build on Cherry Street. It is neither the TCIDA's job, nor the taxpayers, to help Mr. Fox overcome those difficulties. As someone who grew up here, he would likely have known the stories about building Wegman's and Tops and the issues regarding flooding, etc., there. Will all due respect, as an experienced developer, he should have done his due diligence before purchasing the property.

I would be happy to see this building completed; the area could certainly use it. However, the applicant should either use its own equity to build the project or gather enough investors to push it over the finish line rather than asking the taxpayers to bear that burden. If this project is such a risk, and Visum owns other acreage in the area, then why not start by building one of the other projects instead? I urge you to reject Visum's request for tax relief.

Please let me know if you have any questions.

4. The hearing was adjourned at 2:20 pm.