ANALYSIS OF PROPOSED "KINGSTONIAN"
SUBSTANTIATION OF NEED AND SIZING OF FINANCIAL ASSISTANCE PACKAGE

Rendering of As-Complete Mixed-Use Mixed-Income Development

PROJECT/APPLICANT

Kingstonian Development
Herzog, Building Company and JM Development Group

LOCATION

City of Kington, NY

PROJECT DESCRIPTION

$58.6 million mixed-use, mixed-income development with structured parking

REQUESTED FINANCIAL ASSISTANCE

25-year Payment of Lieu of Taxes
Exemption on Sales Tax of Building Materials
Exemption on Mortgage Recording Sales Tax

October 23, 2020

The National Development Council ("NDC") is a national non-profit economic development and housing advisory company that works on behalf of municipalities and public benefit corporations. It routinely reviews development programs and financial models submitted to its client communities to assist in determining the need for and the appropriate sizing of financial incentives as part of a public-private partnership. NDC has entered into a limited engagement with Ulster County (the "County") to review the subject redevelopment and the proposed financial assistance package for this pioneering project located in the Uptown Stockade District of Kingston and to provide a written report on its understandings and findings.

A. PROJECT SUMMARY AND OVERVIEW

Kingstonian Development LLC, referred to as the "Developer" or "Applicant," responded to a Request for Qualification (RFQ) issued by the City of Kingston. The RFQ was intended to attract a qualified responder to develop a "signature mixed-use project" that will complement and enhance current land use. The City views the development opportunity to invigorate the Uptown Stockade Area with new residents, commercial activity, and civic amenities.

Aerial view of development sites

The Developer consists of a joint venture between two highly accomplished regional companies, The Herzog Building Company and JM Development Group. The Developer is led by principals Brad Jordan and Joseph Bonura Jr.

The Developer has proposed a +/- $58.6 million mixed-use development project on the corner of Fair and North Front Streets. The project , named "The Kingstonian" by the Developer, includes the following;

- A 420-space parking garage, at least 277 (daily parking and monthly parking) dedicated to public parking to support the current and future parking need in the Uptown Stockade area,
- A Public Access Pedestrian Plaza at the Front Street level of the project that will create open space,
- 143 residential units, including 14 that will be affordable to households earning between 60 and 110% of area median income (AMI),
- 8,900 square feet of ground floor commercial space on Front Street, and

- A 32-room boutique hotel.

The project meets the RFQ standards and local officials expect the project to serve both as a cornerstone of the Stockade District and as a catalyst for additional investment in the City. A portion of the redevelopment site was once the home of the Kingstonian Hotel, a building that has recently been used for commercial and industrial storage.

Rendering of The Kingstonian

Rendering of The Kingstonian

The Applicant requests the County's support for its application to the Ulster County Industrial Development Agency ("IDA") for a payment in lieu of taxes (PILOT) schedule as well as exemptions from sales tax and mortgage recording tax. The applicant has previously received a commitment from Empire State Development ("ESD") for a $2.9 million grant.

NDC has conducted a thorough review of the program and financial model. NDC finds that the above-referenced development incentives are necessary. While NDC acknowledges that there is undoubtedly a need for a flexible long-term PILOT schedule that deviates from the IDA's Uniform Tax Exemption Policy (UTEP) in order to establish financial feasibility, NDC also offers the following findings;

- Based on an analysis of the Applicant-supplied budget and operating assumptions, the project could seemingly support more PILOT incremental growth during the 25-year term than what the developer proposes and remain financially feasible,
- Based on the market conditions, cost of the project and the applicant provided public improvements, it is necessary to structure a financial assistance package that addresses the cost of the structured parking garage, the fundamental financial challenge of the project,
- Whatever PILOT schedule is agreed upon by the participating parties, it must meet the financial needs of the project and satisfy the lender underwriting and investor return metrics,
- The PILOT is not the only source for covering the cost of the parking garage, and
- The public incentive package must balance the need for creating financial feasibility for the project and maximize the public benefits realized as a result of the development.

According the analysis conducted for this assignment, NDC finds that the direct public benefits are less than the direct project benefit in the PILOT schedule originally proposed for the development. It should be noted that NDC public benefit analysis does not include the creation of jobs and the ancillary benefits normally produced by a typical input/output econometrics model.

As a means of increasing the direct public benefit with additional PILOT payments, NDC offers an alternative PILOT schedule that serves the dual objectives of

- increasing tax revenue during the term, and
- maintaining project feasibility by meeting the required financial metrics of the participants.

The NDC proposed PILOT schedule is summarized in Section C on page 6 and presented in Appendix 1 on page 10. The direct public and project benefits with the NDC proposed PILOT schedule are reviewed in Section E on page 9.

The PILOT schedule originally proposed by the developer and its related project and public benefits are presented to Appendix 2 on page 11.

B. SOURCES & USES

USES OF FUNDS	TOTAL	%	COMMENT
Land Acquisition	$2,500,000	4%	
Site Work	$4,057,100	7%	
Construction	$40,260,630	69%	
General Conditions, Profit & Overhead	$5,508,892	9%	
Soft Costs	$6,229,952	11%	
PROJECT TOTAL	$58,556,574	100%	
Other Site Work, Infrastructure and Utility Relocation	$3,800,000		
TOTAL with Additional Site Work Funded by DRI	$62,356,574		
CONSTRUCTION SOURCES OF FUNDS			
Loan	$43,917,431	75%	75% loan to cost
Empire State Dev. (ESD) Grants, Net	$0	0%	Does not come in during construction. Reimbursable.
City Land Value	$1,639,900 *	3%	$5,616,400 FMV based upon entitlement for development program
Developer Land Equity	$3,976,500	22%	
Developer Cash Equity	$9,022,743		
PROJECT TOTAL	$58,556,574	100%	
NYS Downtown Revitalization Initiative (DRI) to City	$3,800,000		
TOTAL W DRI Grant	$62,356,574		
PERMANENT SOURCES OF FUNDS			
Loan	$43,917,431	75%	75% loan to cost
Empire State Dev. (ESD) Grants, Net	$2,900,000	5%	$3 million less the $100,000 admin fee.
City Land Value	$1,639,900	3%	$5,616,400 FMV based upon entitlement for development program
Developer Land Equity	$3,976,500	17%	
Developer Cash Equity	$6,122,743		Reduced by ESD Grant
PROJECT TOTAL	$58,556,574	100%	
NYS Downtown Revitalization Initiative (DRI) to City	$3,800,000		
TOTAL W DRI Grant	$62,356,574		
** City Land Value is based upon appaised value of its 1.4 acre property contributed ot the development*			

The project development budget is $58.6 million. An additional $3.8 million will come from the Downtown Revitalization Initiative (DRI) grant, a competitive source from the State of New York and received directly by the City of Kingston. The DRI will fund a variety of site work and infrastructure costs, including demolition and utility relocation. This is separate and distinct from the developer's $58.6 million budget.

Uses of Funds

The budget is further broken down by use in the respective mix of uses of the development program as follows.

COST PER USE				
	Cost	%	SF	%
Residential	$33,807,921	58%	174,686	49%
Parking	$17,000,000	29%	147,000	41%
Hotel	$6,037,716	10%	25,000	7%
Commercial	$1,710,938	3%	10,950	3%
TOTAL	$58,556,574	100%	357,636	100%

For the full development program, the budget is considered reasonable and not excessive for the product that will be placed into service. Of note is that $17 million, or 29% of the development budget, is attributed to the parking garage. While the garage is critical for purposes of replacing the public parking that currently exists on the site and for supporting the residential and commercial development, the parking garage generates only marginal net income and creates the financial challenge for the development. A financial package that is structured to address the cost of the parking garage is necessary to create financial feasibility.

Sources of Funds

The development will mostly be funded by the developer through a +/- $43 million construction and permanent commercial loan, sized at 75% of cost. The remaining funds will come from developer equity and a $2.9 million Empire State Development (ESD) subsidy, a competitive grant received based upon the project's distinction as a *Project of Regional Significance*. The ESD grant is reimbursable and will not be available during the construction period and Developer equity will bridge the ESD grant. The $5.6 million appraised value of the land, as "entitled," will be considered as equity. The value attributed to the City portion of the land is $1,639,000. The City will reportedly have a long-term leasehold in its contributed property.

C. IDA BENEFITS PACKAGE

The Developer applied to the IDA for a financial incentive package that includes a payment in lieu of taxes (PILOT) as well and exemptions on sales and mortgage recording tax. The Developer seeks the support of the County for a 25-year PILOT, one that represents a deviation from the IDA's Uniform Tax Exemption Policy (UTEP). The proposed IDA package is summarized as follows;

TAX BENEFIT SUMMARY		
IDA RELATED PROPERTY TAXES		
Current Taxes		$29,568
As Complete Full Taxes		$932,710
Muliplier		$32 :1 x muliplier
PILOT schedule		25-year
PILOT over Term		TBD per below
MORTGAGE RECORDING TAX		
Construction Loan		$43,917,431
Mortgage Recording Tax Exemption %		0.750%
Value of Exemption		$329,381
SALES TAX EXEMPTION		
Construction Cost		$44,317,730
Value of Building Materials	60%	$26,590,638
Sales Tax		8.000%
Value of Exemption		$2,127,251

While the exemptions for the mortgage recording tax and sales tax on building materials are generally standard as part of the IDA package, the PILOT determination is not. The developer's request for a 25-year PILOT schedule and its proposed phase-in schedule are a deviation to the UTEP.

To the developer's credit, it has creatively proposed to cover the parking garage cost within its own financial structure and seeks annual savings PILOT to partially offset its annual net financial carry (approximately $1 million in debt service less parking net income) of the garage.

NDC offers an alternative PILOT option for consideration. The PILOT schedules were tested against the project's financial model that was shared with NDC and were determined to meet the required financial metrics of the project.

PILOT OPTION		
Term	25	
Statrting PILOT	$40,000	
Adjusted PILOT Year 3	$144,000	$1,000 per residential unit
Annual Escalato3	4.00%	
PILOT Payments over Term	$5,056,572	
NPV of Payments *	$2,180,591	
Average Payment over Term	$202,263	
PILOT Savings over Term	$24,818,409	
NPV of Savings over Term *	$12,223,740	
As Seen In	Appendix 1	
** 6.0% discount rate, equivalent to capitalization rate*		

The 25-year PILOT, as proposed above, will provide meaningful and necessary savings to the developer. The steepest abatement percentages are proposed for the early stabilization period (3 years) during which the project is placed in service until it reaches stabilized occupancy rates.

The NDC PILOT option meets the developer's request for starting PILOT ($40,000) and escalator (4%). It suggests a adjuster to $144,000 in the third year, equivalent to $1,000 per residential unit.

The NDC PILOT option results in a $12.2 million Net Present Value (NPV) of aggregate savings and a $2.2 million NPV of PILOT Payments over the 25-year term. A discount rate of 6.0% is used for the NPV calculation as it reflects the assumed capitalization rate, equivalent to the cost of all invested capital.

While the NPV of the PILOT savings is very similar in both options, it is important to note that PILOT savings are not the sole public incentive source that is used for offsetting the parking garage cost. The PILOT savings are combined with other benefits to address the project's financial challenges. The full direct financial benefits are summarized in the Benefits Analysis in Section E on Page 9.

D. **SUMMARY OF NDC ANALYSIS TO SUBSTANTIATE NEED FOR FINANCIAL INCENTIVE PACKAGE**

NDC based its analysis on the revenue, expense and costs assumptions presented in the Developer's financial model.

NDC used the following assumptions;

- Permanent loan assumptions that are in line with the current market for similar projects
    - 25-year amortization
    - Rate of 4.00%
- Developer baseline income assumptions for residential, retail, hotel, and parking.
- Adjusting revenue growth to 2.5% annually (market residential) and 2% (affordable housing, hotel and commercial), and 1% (parking).
- Adjusting expense growth to 3% annually
- Projecting terminal value of project using a 6.5% cap rate

The starting rents for the market units, ranging from $1.70 - $2.15/SF monthly, or an average rent of approximately $2,000 per unit monthly, are reportedly priced relatively in range with the limited number of new residential developments that have gone into service in the region and affirmed in a project market study. The affordable rents will average approximately $800, with the unit count including nine (9) studio and (5) five one-bedroom units. The +/- 9,000 square feet of commercial space will lease at approximately $20/SF. The stabilized operating proforma is represented on the next page, based upon the projected third full year of operations.

The analysis substantiates a previously stated observation that the development is not financially feasible without the PILOT. Full "as complete" taxes are estimated to be $932,000 by the City Tax Assessor. With full taxes, the project falls far short of debt coverage ratio (DCR) requirements of lenders and the financial returns required of investors, namely stabilized cash on cash rate of return, stabilized yield to cost (YTC) and internal rate of return (IRR).

With the assumptions above, NDC applied its proposed PILOT schedule into its financial analysis over the 25 years PILOT term. It solved for the metrics mentioned above and they are summarized in the following table.

FINANCIAL METRICS SUMMARY		
	Project	**Market Normally Requires**
Debt Coverage Ratio	1.27	> 1.25
Cash on Cash Rate of Return	12%	> 8%
Yield to Cost	6.4%	> 6..5%
Pre-Tax Internal Rate of Return (IRR) over PILOT Term *	13%	> 12%

With the proposed financial package, one that includes the NDC proposed PILOT, the development meets or exceed the financial requirements for both lenders and investors. The financial package does not provide undue enrichment to the Developer. As is the case whenever providing public subsidies, the financial assistance package is necessary to establish financial feasibility and provide adequate public returns in the future.

E. PROJECT AND PUBLIC BENEFIT ANALYSIS

Like with all economic development financing packages, this financial package has been assembled to meet the needs of the project. It is important to appropriately balance the benefit to the community with the specific incentive needs of the project. To achieve this balance, we seek to demonstrate that direct public benefit exceeds the direct financial benefit to the project. While there are second and tertiary financial impacts and positive qualitative impacts of this development, the below identifies the the direct benefits provided to both the project and the public.

With the proposed PILOT, the direct public benefits exceed project benefits. The summarized project and public benefits are summarized below.

BENEFIT SUMMARY WITH NDC PILOT OPTION		
PROJECT BENEFIT	$	COMMENT
Net Present Value (NPV) of PILOT Savings over Term *	$12,223,740	25 year savings discounted w 6% cap rate
Contributed City Land Value	$1,639,900	Appraised value of City property
Empirse State Development (ESD) Grant	$2,900,000	
Sales Tax Exemption on Building Materials	$1,772,709	8% of building materials, 50% of construction
Mortgage Recording Tax Exemption	$329,381	1% of construction loan
TOTAL	$18,865,730	
PUBLIC BENEFIT *	$	COMMENT
Net Present Value (NPV) of PILOT over Term *	$2,180,591	25 year payments discounted at 6%
Public Portion of Parking Garage	$10,464,444	62% of total
Public Bathroom	$25,000	
Affordable Housing (14 units)	$1,800,000	$128,571 per unit
Maintenance of Public Bathroom and Civic Space	$1,083,333	$65,000 annually /6% cap rate
Scholarship and Internship	$250,000	$5,000 annually / 6% cap rate
Net Present Value of Occupancy and Sales Tax	$2,733,373	4% of sales tax and 2% occupancy tax
IDA Fee	$585,566	1% of project costs
TOTAL	$19,122,308	
** does not quantify value of construction and permanent jobs*		
Net Public Project Benefit	$256,578	

Other non-IDA benefits include the contribution of the City land value of the development and the ESD grant.

While the project benefits from the variety of public financial incentives, there is at least comparable and greater public benefit in the form of the PILOT increment, the public portion of the garage (62% of parking garage costs), the value of the affordable housing ($128,571 per unit), and the net present value of the sales tax (4%) and occupancy tax (2%) that are projected to be received by local taxing jurisdictions. The value of the affordable housing was quantified by dividing the reduction in income ($108,000 annually) due to the restrictions by the 6% capitalization rate.

In addition to the above public financial benefits, the Developer estimates 150 temporary construction jobs and 40 jobs, the latter to be realized mostly from the commercial, hotel, and parking elements of the development. The mixed-income development maximizes the land use for what has been an underperforming site. The development will also deliver acutely needed 143 rental residential units, 14 of which are affordable, to a region that has a unhealthy low percentage of rental housing stock. The new residents and guests will add considerable disposable income (approximately $7 million annually) that will help to strengthen and expand the local retail base. Like what has been evidenced in other municipalities that have encouraged mixed-use and mixed-income developments in their downtowns through similar public-private partnerships, the Kingstonian is expected to catalyze substantial new development and private investment in the City.

APPENDIX 1: PILOT SCHEDULE

NDC PILOT SCHEDULE OPTION							
						4.00% escalator	year3 1 - 25
	2.00% escalator		2.00% escalator				years 1 - 25
Year	Base Taxes	Improvement Taxes	Full Taxes	Abatement	Savings	PILOT	Increment
construction							
construction							
1	$29,568	$903,142	$932,710	95.57%	$892,710	$40,000	$10,432
2	$30,159	$921,205	$951,364	95.48%	$909,764	$41,600	$11,441
3	$30,763	$939,629	$970,391	95.40%	$927,127	$43,264	$12,501
4	$31,378	$958,422	$989,799	84.98%	$845,799	$144,000	$112,622
5	$32,005	$977,590	$1,009,595	84.68%	$859,835	$149,760	$117,755
6	$32,645	$997,142	$1,029,787	84.38%	$874,037	$155,750	$123,105
7	$33,298	$1,017,085	$1,050,383	84.07%	$888,403	$161,980	$128,682
8	$33,964	$1,037,426	$1,071,391	83.76%	$902,931	$168,460	$134,495
9	$34,644	$1,058,175	$1,092,818	83.44%	$917,620	$175,198	$140,554
10	$35,336	$1,079,338	$1,114,675	83.12%	$932,469	$182,206	$146,869
11	$36,043	$1,100,925	$1,136,968	82.79%	$947,474	$189,494	$153,451
12	$36,764	$1,122,944	$1,159,708	82.45%	$962,634	$197,074	$160,310
13	$37,499	$1,145,402	$1,182,902	82.11%	$977,945	$204,957	$167,458
14	$38,249	$1,168,310	$1,206,560	81.76%	$993,405	$213,155	$174,906
15	$39,014	$1,191,677	$1,230,691	81.40%	$1,009,010	$221,681	$182,667
16	$39,795	$1,215,510	$1,255,305	81.03%	$1,024,756	$230,549	$190,754
17	$40,591	$1,239,820	$1,280,411	80.66%	$1,040,640	$239,771	$199,180
18	$41,402	$1,264,617	$1,306,019	80.28%	$1,056,658	$249,361	$207,959
19	$42,230	$1,289,909	$1,332,140	79.90%	$1,072,804	$259,336	$217,105
20	$43,075	$1,315,707	$1,358,782	79.50%	$1,089,073	$269,709	$226,634
21	$43,936	$1,342,022	$1,385,958	79.10%	$1,105,460	$280,498	$236,561
22	$44,815	$1,368,862	$1,413,677	78.69%	$1,121,960	$291,718	$246,902
23	$45,712	$1,396,239	$1,441,951	78.27%	$1,138,564	$303,386	$257,675
24	$46,626	$1,424,164	$1,470,790	77.85%	$1,155,268	$315,522	$268,896
25	$47,558	$1,452,647	$1,500,206	77.41%	$1,172,063	$328,143	$280,584
TOTAL	$947,072	$28,927,909	$29,874,981		$24,818,409	$5,056,572	$4,109,500
					83% of full taxes	17% of full taxes	
					$12,223,740 NPV	$2,180,591 NPV	
					6.00% discount rate	6.00% discount rate	

APPENDIX 2: PUBLIC BENEEFIT SUMMARY WITH FIRST DEVELOPER PROPOSED PILOT

KINGSTONIAN PILOT SCHEDULE (AS PROPOSED BY DEVELOPER)							
	2.00% escalator		2.00% escalator			4.00% escalator	
Year	Base Taxes	Imrprovement Taxes	Full Taxes	Abatement	Savings	PILOT	Increment
construction							
construction							
1	$29,568	$903,142	$932,710	92.54%	$892,710	$40,000	$10,432
2	$30,159	$921,205	$951,364	92.46%	$909,764	$41,600	$11,441
3	$30,763	$939,629	$970,391	92.37%	$927,127	$43,264	$12,501
4	$31,378	$958,422	$989,799	92.28%	$944,805	$44,995	$13,617
5	$32,005	$977,590	$1,009,595	92.19%	$962,801	$46,794	$14,789
6	$32,645	$997,142	$1,029,787	92.10%	$981,121	$48,666	$16,021
7	$33,298	$1,017,085	$1,050,383	92.01%	$999,770	$50,613	$17,314
8	$33,964	$1,037,426	$1,071,391	91.92%	$1,018,753	$52,637	$18,673
9	$34,644	$1,058,175	$1,092,818	91.82%	$1,038,076	$54,743	$20,099
10	$35,336	$1,079,338	$1,114,675	91.72%	$1,057,742	$56,932	$21,596
11	$36,043	$1,100,925	$1,136,968	91.62%	$1,077,759	$59,210	$23,167
12	$36,764	$1,122,944	$1,159,708	91.52%	$1,098,129	$61,578	$24,814
13	$37,499	$1,145,402	$1,182,902	91.42%	$1,118,861	$64,041	$26,542
14	$38,249	$1,168,310	$1,206,560	91.31%	$1,139,957	$66,603	$28,354
15	$39,014	$1,191,677	$1,230,691	91.20%	$1,161,424	$69,267	$30,253
16	$39,795	$1,215,510	$1,255,305	91.09%	$1,183,267	$72,038	$32,243
17	$40,591	$1,239,820	$1,280,411	90.98%	$1,205,492	$74,919	$34,329
18	$41,402	$1,264,617	$1,306,019	90.86%	$1,228,103	$77,916	$36,514
19	$42,230	$1,289,909	$1,332,140	90.75%	$1,251,107	$81,033	$38,802
20	$43,075	$1,315,707	$1,358,782	90.63%	$1,274,508	$84,274	$41,199
21	$43,936	$1,342,022	$1,385,958	90.51%	$1,298,313	$87,645	$43,708
22	$44,815	$1,368,862	$1,413,677	90.38%	$1,322,526	$91,151	$46,336
23	$45,712	$1,396,239	$1,441,951	90.26%	$1,347,154	$94,797	$49,085
24	$46,626	$1,424,164	$1,470,790	90.13%	$1,372,201	$98,589	$51,963
25	$47,558	$1,452,647	$1,500,206	90.00%	$1,397,673	$102,532	$54,974
TOTAL	$947,072	$28,927,909	$29,874,981		$28,209,145	$1,665,836	$718,764
					94% of full taxes	6% of full taxes	
					$13,646,604 NPV	$757,728 NPV	
					6.00% discount rate	6.00% discount rate	

BENEFIT SUMMARY WITH EXISTING PILOT SCHEDULE		
PROJECT BENEFIT	$	COMMENT
Net Present Value (NPV) of PILOT Savings over Term *	$13,646,604	25 year savings discounted w 6% cap rate
Contributed City Land Value	$1,639,900	Appraised value of Coity property
Empire State Development (ESD) Grant	$2,900,000	
Sales Tax Exemption on Building Materials	$1,772,709	
Mortgage Recording Tax Exemption	$329,381	
TOTAL	$20,288,594	
PUBLIC BENEFIT	$	COMMENT
Net Present Value (NPV) of PILOT over Term *	$757,728	25 years of PILOT w 6% cap rate
Public Portion of Parking Garage	$10,464,444	66% of total
Public Bathroom	$25,000	
Affordable Housing (14 units)	$1,800,000	$128,571 per unit
Maintenance of Public Bathroom and Civic Space by Develop	$1,083,333	$65,000 annually /6% cap rate
Scholarship	$83,333	$5,000 annually / 6% cap rate
Net Present Value of Occupancy and Sales Tax	$2,733,373	4% of sales tax and 2% occupancy tax
IDA Fee	$585,566	1% of project costs
TOTAL	$17,532,778	
Net Public Benefit	($2,755,816)	

STANDARD DISCLOSURE

Standard disclaimer regarding NDC's compliance with Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") and amended Section 15B of the Securities and Exchange Act of 1934 ("Exchange Act"):

The National Development Council is not a Registered Municipal Advisor as defined in Dodd-Frank and the Exchange Act and therefore cannot provide advice to a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including structure, timing, terms or other similar matters concerning such financial products or issues.

APPENDIX 3: COMMENTS RECEIVED FROM CITY OF KINGSTON

See attachment on following pages.

CITY OF KINGSTON

Office of the Mayor

mayor@kingston-ny.gov

Steven T. Noble
Mayor

Memorandum

To: Ulster County Executive Pat Ryan
From: Steve Noble, City of Kingston Mayor SN
Re: Ulster County Executive's Kingstonian Analysis
Date: October 22, 2020

Thank you for giving us an opportunity to review the draft Cost/Benefit Analysis prepared by NDC. We have identified multiple errors and omissions in the report. We have attempted to do as through a review as possible with the limited time provided.

Pg 2.There will be 143 combined units, not 144 as the report states
Pg.2 There will be 277 dedicated public parking spots not 245 as the report states
Pg.2 The AMI for the affordable housing units will range from 60%-110%, not 50%-110%.
Pg 8 We would like point out an issue with the Parking income Assumption:

There is no market evidence to support NDC's parking revenue estimate. We know from current market parking garage rates, this estimate is unsubstantiated and overblown. We question why NDC deviated from market rates, the developer and City's estimate on parking income.

Current Parking Income on site; the 130 space lot grosses $25,000 - $30,000 annually. That is $17.62 monthly per space.

Developer's Estimate is $317,000 annually. That is $62.90 monthly per space. A 257% increase above current market surface rates.

NDC's Estimate is $464,996 annually. That is $92.00 monthly per space. That is a 422% increase above current market surface rates.

We believe this estimate has no basis in reality. It also forecasts a yearly 3% increase in parking fees. That is also not sustainable and our residents and service workers who already struggle to pay for parking.

Pg. 9 The report attempts to calculate public benefits. We believe multiple omissions and incorrect assumptions are made.

Per the Approved City of Kingston Pilot Agreement:

Items that we identified as missing include:

- Per Approved Pilot Term Sheet: At the request of the business community, the Project will include unisex bathrooms constructed, operated and maintained at the expense of the developer (S125,000 to construct and $20,000/year over the life of the PILOT – 625,000 total- to operate and maintain for 25 years.) (This is not a DRI funded project). This also does not include maintenance costs for years 26-60+ which would be over $500,000)

- Per Approved Pilot Term Sheet: Project will contribute 5,000 annually over a ten-year period, for a total of $50,000, to create a new scholarship fund held The Community Foundation, which will be distributed to a worthy recipient or recipients of the KCSD's choice each year.

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- Per Approved Pilot Term Sheet: Project will create and fund two paid internships at a cost to the developer of $10,000 each per year for the life of the PILOT (a 500,000 value) to help mentor KCSD high school students in both hospitality and real estate careers.

- Per the Approved Pilot Term Sheet, the Project will construct, maintain, and operate a public space known as the Pedestrian Plaza, which will be free and open to the public the same hours as other City parks. This part of the project will be financed by the DRI funds and so I understand why it was not included in the public benefit, however, the ongoing maintenance and operation costs need to be included in the public benefit as they are not being paid by the DRI funds for the life of the project. (This cost would be at least $25,000 per year to maintain and operate. Over 60 years, totaling 1,500,000)

- Per the Approved Pilot Term Sheet Affordable Housing (at the request of the City): NDC omits the value of the subsidized rent ($100,079 annually for the Life of the Project, Public benefit remains after PILOT Term, (Est 60+ Years Life Expectancy X $100,000 = $6,000,000+ in Public Benefit)

- Per the Approved Pilot Term Sheet: Maintenance of the parking Garage during and post PILOT Term: $268,000+ Annual savings to the City (Year 26-60+).

- Per the Approved Pilot Term Sheet Subsidized Parking for affordable units (At the request of the City): $6,270 annually = $156,750 Public benefit (to continue after Pilot at cost of another $156,750 at the developers proposed prices).

Pg 10. The benefits of creating New Jobs are not included as part of the cost/benefit calculation. The Developers have indicated at least 13 full time jobs will be created that will be within the control of the pilot applicant. An estimated 153 FTE jobs are estimated to be created because of this project, which will substantially help the Kingston economy and is a benefit as well that should be calculated as part of the cost/benefit analysis.