

Appendix A
MINUTES
PLANNING COMMITTEE & FINANCE COMMITTEE
TUESDAY, FEBRUARY 1, 2022, 7:00 PM
VIRTUAL VIA ZOOM:
<https://us06web.zoom.us/j/89079597597>

Planning Committee Councilmembers: Thomas Lyon, Chair
Nick Cutri
Steve Uebbing
Dan Unrath

Also in attendance: Councilmembers: Dr. Sim Covington, Jr, Erich Dittmar, Karen White, Renee Sutton and Mayor Palumbo.

Guests: Representatives from Savarino Companies: Samuel J. Savarino, President and CEO and Courtney Samuels-Cox, Vice President of Development. Representatives from the MRB Group: R. Michael N'dolo, Director of Economic Development from the MRB Group

Chair Lyon opened the meeting and announced a third item, that City Manager John Goodwin will discuss, will be added that was not on the original agenda. He welcomed guests and moved into the first agenda item.

1. PILOT Request – 10 Chapin Street (Labelon Building).

Mr. Cox, who is the Vice President of Development for Savarino Company, described the request of the PILOT through Section 577 of the New York State Private Housing Finance Law and the scope of the work for the project. Savarino Companies is requesting a 10% shelter in PILOT with a 30-year term to support the proposed 21-million-dollar project at the site. Mr. Samuels-Cox gave further background the Law which provides the ability for the City of Canandaigua provide real estate tax exemptions which includes City, County and School taxes other than assessments for local improvements, to projects that are being sponsored by a Housing Development Fund corporation to Savarino for this project. Mr. Samuels-Cox explained that Shelter Rent PILOT payments are calculated by the gross revenue and subtracting out the utilities and multiplying that number by ten percent. Mr. Samuels-Cox feels that this is public assistance the project needs to move forward. The City of Canandaigua will be getting a certified historic restructure of a year's long vacant property as well as a remediation of a New York State Brownfield site that is a current public health hazard. The proposed redevelopment is mixed-use space designed to have 48 housing units, one-to-two-bedroom apartments with historical features, with 40 of the 48 units being classified as moderately affordable. Meaning potential renters with an annual income between \$43k-\$63K or described as 80% of AMI, the monthly rent of these apartments will be between \$1100 - \$1300 roughly. They will be entering into agreement with the State of New York that these rents cannot change for a period of thirty years. Rents adjusted annually as income may change for the residents. Additionally, they are investing \$300K in site improvements to include a possible public park/pocket park or dog park and \$20K operating expenses to maintain the public park, which will run along South Main Street side of the building. Surface parking for the public as well on the Chapin and West Avenue sides. Mr. Savarino spoke of the long path it has taken to get to this stage as they are the third owner of the building. It is their commitment if they received approval that they would close on the project and proceed

to construction. Thanked the committee for their time and consideration.

Chair Lyon opened questions from Committee members present. Councilmember Unrath inquired how are assessments done on rental property. City Manager Goodwin explained depends on the property – it is the income and expenses of the property along with the CAP rate. Michael N’dolo, from the MRB Group, explained that his presentation will address this. Councilmember Unrath asked about what other projects Saravino has done that are similar. Mr. Samuels-Cox said the company has worked on various similar projects to up ten projects in excess of 300 million in project value. Has worked on projects in the Buffalo area, they redeveloped a 380,00 square foot factory building, much larger than this project using historic and brownfield tax credits, that has 98 apartment units and 180,000 square feet of commercial space. 500 Seneca is the name of the project. Councilmember Uebbing asked if they have a tax abatement on this project and Mr. Samuels-Cox said that they still do. Chair Lyon asked about an “anchor project.” 500 Seneca is on the east side of Buffalo, historically divested upon, and since they developed the property there has been significant growth in the area, including 100 million dollar of additional investments in that one block area within the five years of their completed project and more coming. The City of Buffalo redirected their PILOT payments to help fund the Streetscape, featuring a mile and a half of new sidewalks, benches street lighting and roadways. Michael N’dolo, presented on the cost analysis for the project. Mr. N’dolo reviewed the “test of reasonableness” and the criteria to test, looking at the pre-tax cash flow internal rate of return. MRB Group reviewed the project’s overall budget, the construction budget, operating revenue, project net operating income and free-cash flow. They analyzed the capital structure of the deal. Financing terms and conditions and a profit and loss summary. They found that Savarino Company’s requested PILOT abatement schedule is necessary and does not provide the company an excessive return and the project debt service coverage ratio is adequate for financing purposes. Citing the definition of shelter rate as outline in the Private Housing Finance Law, the total rents received from the occupants less the cost of utilities as Mr. Samuels-Cox said previously and taking 10 % of that number is what they would pay in property tax. This allows for a much wider exemption than the City could offer, they could ask for more, but they are just asking for just the normal shelter rent deal. This is a rate that is already being used in other projects in the City. First, the property is currently generating tax of \$3586.00 and taking the tax rate of 2% increase for the duration of the proposed PILOT (30 years) and by 2032 would garner \$4371 in taxes. By using the 577 rules, 10% shelter rate, that Savarino Companies are requesting by 2025 the taxes received will be \$83K. Mr. N’dolo said their summary is that “No Project Tax” on the Land as \$151, 336 and the public benefit is \$3,056,071 over the thirty years if the project were to move forward. Councilmember Uebbing feels his assessment of these projects are if the City would have a clear benefit, it provides a public purpose and based on his knowledge it meets the test. Chair Lyon asked if the Labelon property in the BID District, Goodwin will check and follow up. Councilmember Sutton, asked on who retained MRB Group for the report? Mr. N’dolo said they are retained consultants by the Canandaigua LDC, hired two years ago to start the organization for the Town and the City. Councilmember Sutton asked if Savarino owned the building currently. Mr. Savarino said they have the building under contract. Councilmember White feels that a 30-year PILOT is too long. She feels that it should be successful within ten years. She is also concerned with the guarantees, as the City is suffering through two unfinished PILOT projects currently and feels the length is excessive. Mr. N’dolo addressed her concern and the two financial mechanisms being used to finance the project require a thirty-year term. Mr. Savarino noted that the company is maintaining all the costs associated with maintenance for the building for the length of the term and will be keeping rents within the terms mentioned as well. Councilmember Sutton expressed concern over how the financials are presented and worried about what these tax breaks mean for the general public. Mr. N’dolo said they reviewed the pre-tax income findings for the company and these rates are in line with what they lenders require for the project. Mr. Savarino said that the losses are

theirs as well as other private financing for the project as well. Mayor Palumbo asked if the terms could be twelve years and Mr. Savarino said they would not be able to change the thirty-year term with the regulatory requirements of the project. Mayor Palumbo asked about their plans for the commercial space. Mr. Samuels-Cox wasn't aware what the current commercial square footage rate is and they used the model of \$10.00 per square foot as a baseline. Chair Lyon said that \$10 per square foot is consistent with what he is aware of. Mayor Palumbo was concerned about the public space that is in the square and that is jointly owned with the County. David Hou said he has had several conversations with the builder cornering the public space and Mr. Samuels – Cox has addressed their research on the Title with their Counsel and Chicago Title. They have built upon research that was done by the previous owner, ultimately Chicago Title issued an insurance owners policy that would proceed with the project. The owner of the building now has enough control of the space for the policy to be listed as a commercial policy for Savarino to take over. Councilmember Uebbing asked, after reviewing all the details of what this project could bring, if Council were to reject this plan, are there other potential customers out there? City Manager Goodwin said that given the state of the building, it has been vacant for decades, public assistance is needed to get a project like this across the finishing line. Mr. N'dolo was asked by the City to review and this property has a lot of issues, brownfield, public square and overall scope of renovation, given all the numbers and challenges. He has seen all the numbers and even with the abatement it isn't attractive numbers. With all of the challenges of the site, he agrees if this array of programs and items with the capital stack cannot get us to completion, he's not sure of what items would. In today's current marketplace this project by no means is a slam dunk. City Manager Goodwin said that the building has been dormant since 2000. Councilmember Uebbing motioned to move the project forward before Council, Councilmember Unrath seconded the motion. Prior to the vote, Councilmember Unrath asked about the next steps. City Manager Goodwin explained that there would be a resolution before the full council for the authorizing the PILOT agreement, our adopting it would send it to the County and the School. Very similar to the Fort Hill Academy and the old Thompson Hospital process. Councilmember Unrath said we should discuss this with our other municipal partners and Goodwin said that we would be alerting them. Councilmember Unrath asked if the engineering drawings have taken place. Mr. Samuels-Cox explained that they have been draw, beyond a schematic design, that has national parks service to review and determine that we have met with standards. Discussion around potential ventilation for the commercial space to include a restaurant will be reviewed, as Councilmember Unrath said the BID Office has a wait list of people looking for restaurant space. Chair Lyon called for the vote, it was unanimously passed and carried to move the project forward. Directly after the vote, Councilmember Sutton voiced concerns that there were no other materials presented for this project other than the details from the MRB Group. City Manager Goodwin said they did not send out the confidential financials of the Savarino Companies. Councilmember Sutton was upset not to see the financials. City Manager Goodwin offered to go into Executive Session to address this concern and Councilmember Sutton wanted the details emailed to her. Goodwin explained that they would need to have the permission of the Savarino Company to be able to do that. Mr. N'dolo explained the financials. Mr. Savarino said, if they are in Executive Session they can be shared and Mr. Samuels-Cox said it would be the pdf version of the work they had put into the details. Chair Lyon said they would do their best to accommodate. Councilmember Sutton feels that the details should be shared openly with the full committee. Councilmember White agrees and feels that the other projects mentioned did not have the same scope or length of terms. She also asked if plans/drawings of the project had been sent around. City Manager Goodwin said that previously those drawings had been sent around and explained that they had the independently MRB Group do all the analysis because they could make an expert opinion of the numbers. Mr. Savarino said that from their perspective that they don't want to be seen as a company that is coming into a situation and forcing a hand or having

the reputation as such. They want to provide a quality project for the community and asked that they deliberate sooner and give an answer. Mayor Palumbo, agrees with Councilmember Sutton, that we need to get into the details a little bit to justify the thirty-year PILOT and he is also wondering if there are other ways to finance this project. Mr. Savarino said that if there more opportunities for funding they would have accessed them. These are the tax credits and compliance period by regulation, they have tried to overcome the challenges of this site, they are taking a site that they cannot get marketable title for too and redeveloping it. Chair Lyon asked Goodwin to get what financials they able too so they can research ahead of the Council meeting. Goodwin had already emailed what he could and advised to go into Executive Session to review MRB Group financials if needed. Council will review and hopefully Savarino will be able to attend the Council meeting. They are ready, willing to do be present. David Hou, added a question for the developer on the timeframe, what is the timeframe on action? Mr. Savarino said they would need to know by the end of the month. Mr. Hou asked on other deadlines and information needed to give to the various stakeholders for the project. Mr. Savarino said they are working with their counsel and would have information available to Council as needed. Chair Lyon thanked them for their time and Mr. Savarino said they understand the questions and the scrutiny and what they are asking for is fair and necessary for the project.

Michael Yarger pointed out that when Fort Hill Apartments got their tax abatement for twenty years they can back and asked for more, what will stop Savarino company from doing the same. He asked what tax credits they would be receiving, other historic grants and brownfield tax credits. Chair Lyon said they would review these details. Goodwin said there are Restore New York grants, tax credits, Brownfield and historic tax credits, and even with all the public investment, the PILOT is still necessary to move the project forward.

Returning to the IDA meeting around Pinnacle North. Goodwin explained that Phase 1 and Phase 1A is Young Lion is located. Phase 1 requested a new PILOT last month, under the same economic conditions and PIF, the IDA schedule a public hearing and in the meantime, Phase 1A, who has a different owner, also requested a new PILOT so the public meeting was cancelled. Last night, at the meeting a new PILOT was discussed for both. It is needed because the current PILOT will be terminated so Phases 2, 3, and 5 can be separated and return to the tax roll. Phase 1 will have all the same terms and conditions, in terms of the economics, so the tax would remain whole and the same for 1A. 1A is owned by LeChase Construction and Phase 1 is owned by Steep Rock Capital. The CADC will own the vacant land deed in lieu of foreclosure and any new plans would need to come before City Council. Chair Lyon said that the public meeting is tentatively schedule for Feb. 15th. Goodwin confirmed that under the terms of the new agreement, City Council would not have any action to take. City Council can attend as public citizens. 1A for Young Lion, has a long-term lease and they have about five more years left in that property and may not renew if the PILOT was not continued. As far as the PILOT, the same details would remain, just so the other parcels can be returned to the tax roll separately.

Mike Yarger asked about the tax abatement for all five parcels and Chair Lyon explained that the tax abatements are around improvements and since there will not be any improvements, the need for a PILOT on the other phases aren't necessary. Mr. N'dolo, who is doing the analysis as the consultant to the IDA (as well as the City of Canandaigua) explained that they are currently in default of the terms of the PILOT and this is a master pilot that covers all of the phases, so they are moving towards foreclosure and Steep Rock Capital was brought in before the foreclose and is now essentially the debtor in possession. If a new PILOT is not granted, the foreclosure would begin again and the accrued unpaid amounts on the pilot would not be recovered. MRB Group is producing a report before the public hearing that lays out all these financial considerations and the take away is that if the new pilot

does not move forward, there are immediate consequences to tax revenues in the short term and an overhang on Phase 1 and Phase 1A, as well as realistic reuse of Phases 2 – 5 as they are all cross-collateralized and will be tied up in the courts for some time. Councilmember Sutton said she is hearing that if they do not get a tax break than we cannot collect tax monies owed. Mr. N’dolo explained that no, there are arrears owed from the pilot in amount of about \$300K and there will be additional arrears another \$300- 400 – that might may not be recovered. Discussion around the possibility of letting the current PILOT run out and what the foreclosure process ramifications and what tax monies could possibly be recovered with that stage should the bank become the owner. The Bank would then sell the property and the City would be in line with other creditors based on our rights in the bankruptcy process. We do have a very small mortgage lien on the property for the PILOT but only a tiny amount would be recovered. Chair Lyon summarized that if we continue to follow the PILOT out, as agreed too several years ago. This is just separating the PILOT out to each Phase. Then we wouldn’t have to deal with the foreclosure process. After discussion, Chair Lyon moved to end the meeting and start the finance meeting. Discussion on the community survey was tabled to the next meeting.

Finance Committee: Steve Uebbing, Chair
Nick Cutri
Thomas Lyon
Dan Unrath

Also in attendance: Councilmembers: Dr. Sim Covington, Jr, Erich Dittmar, Karen White, Renee Sutton and Mayor Palumbo.

Representatives from the MRB Group: Michael N’dolo, Director of Economic Development from the MRB Group

Chair Uebbing opened the meeting to discuss the Public Works Mutual Aid Agreement. Chair Uebbing explained the County and its municipalities entered into a mutual aid agreement to formally acknowledge the long-standing practice of shared resources in terms of both labor and equipment. The initial agreement has expired, but an option to renew for a successor five (5) year term. The Director of Public Works and City Manager recommend authorizing the execution of the extension agreement. Chair Uebbing said he supports this agreement. City Manager said that this agreement is in use everyday with shared services among the area. Councilmember Unrath motioned to approve the agreement seconded by Councilmember Cutri, unanimously passed and carried.

Before the close of the Finance meeting, City Manager Goodwin circled back to a question of Councilmember White’s on the IDA meeting, who was experiencing computer issues. Councilmember White wanted to know what would happen to the taxes on Phases 2, 3, 4, and 5. City Manager Goodwin explained they would not have a PILOT agreement and would go back to the tax roll and be assessed as vacant land on the lakefront, adding value.

Chair Uebbing motioned to move the meeting to Executive Session to review the financials as previously noted, Councilmember Cutri seconded. They adjourned into Executive Session.

Councilmember Lyons motioned to adjourn out of Executive Session and enter back into the regular meeting, Councilmember Cutri seconded; unanimously passed and carried.

Councilmember Lyon motioned to adjourn the regular session, seconded Councilmember Cutri, unanimously passed and carried. Session adjourned at 8:54 pm.

Next Meeting: March 1, 2022