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# COUNTY OF ERIE

**MARK C. POLONCARZ**  
COUNTY EXECUTIVE

May 1, 2014

Erie County Legislature  
92 Franklin Street, 4<sup>th</sup> Floor  
Buffalo, New York 14202

**Re: Payment in Lieu of Taxes (PILOT) Agreement for Lackawanna Homes –  
Affordable Housing  
IMMEDIATE CONSIDERATION REQUESTED**

Dear Honorable Members:

Enclosed please find a proposed resolution and accompanying memorandum regarding a Payment in Lieu of Taxes (PILOT) agreement for Lackawanna Homes (Project). The resolution is seeking authorization for the County Executive to execute an agreement with the City of Lackawanna, Lackawanna Homes LLC, and Lackawanna Homes Housing Development Fund Corporation.

Immediate consideration is being requested because, if the necessary documents are not in place for the closing of the financing of the project by May 16, the project risks losing federal tax credits. The necessary documents include the PILOT agreement.

Should your Honorable Body require any further information, I encourage you to contact Thomas J. Dearing, Deputy Commissioner of the Department of Environment and Planning. Thank you for your consideration on this matter.

Sincerely yours,



Mark C. Poloncarz  
Erie County Executive

MCP/cw  
Enclosure

cc: Maria R. Whyte, Commissioner  
Thomas J. Dearing, Deputy Commissioner

# MEMORANDUM

**To:** Honorable Members of the Erie County Legislature  
**From:** Department of Environment and Planning  
**Re:** Payment In Lieu of Taxes (PILOT) Agreement for Lackawanna Homes – Affordable Housing  
**Date:** May 1, 2014

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## **SUMMARY**

The Department of Environment and Planning is seeking authorization for the County Executive to enter into a PILOT Agreement with the City of Lackawanna, Lackawanna Homes LLC, and Lackawanna Homes Housing Development Fund Corporation. The PILOT payments are based on the PILOT policy that was adopted by the Erie County Legislature on December 16, 1999.

Lackawanna Homes includes forty-eight (48) new build single family homes. The housing units will be built on scattered sites throughout the First Ward of the City of Lackawanna, New York. The project will serve low and very low income persons.

## **FISCAL IMPLICATIONS**

In accordance with the PILOT policy, the proposed PILOT payments would be based on an annual payment of \$9,425 and would escalate by 3% each year for a fifteen-year term. The County would receive twenty-five percent (25%) of each annual payment, and the City of Lackawanna would receive seventy-five percent (75%) of each annual payment. The attached payment schedule lists the complete payments over the fifteen years of the Agreement.

## **REASON FOR RECOMMENDATION**

The City of Lackawanna supports the Project and the Project conforms to the provisions of Article XI of the New York Private Housing Finance Law.

## **BACKGROUND INFORMATION**

The project will bring to the First Ward of the City of Lackawanna, New York affordable rental housing through the new construction of 48 scattered site affordable rental housing units. All of the units will be for households with income at or below 60% of the area median income.

## **CONSEQUENCES OF NEGATIVE ACTION**

Without the PILOT, it would not be economically feasible for Lackawanna Homes Housing Development Fund Corporation to operate the project.

## **STEPS FOLLOWING APPROVAL**

The County Executive will enter into a PILOT agreement with the City of Lackawanna, Lackawanna Homes LLC, and Lackawanna Homes Housing Development Fund Corporation.

A RESOLUTION BY SUBMITTED BY:  
DEPARTMENT OF ENVIRONMENT AND PLANNING

RE: Payment in Lieu of Taxes (PILOT)  
Agreement for Lackawanna  
Homes – Affordable Housing

WHEREAS, Lackawanna Homes Housing Development Fund Corporation is developing housing for low and very low income households (Project), pursuant to Article XI of the New York Private Housing Finance; and

WHEREAS, the Project is located on scattered sites throughout the First Ward of the City of Lackawanna, New York, will serve low and very low income households and will include 48 new build single family homes; and

WHEREAS, the Erie County Legislature adopted a policy on Payment in Lieu of Taxes (PILOT) on December 16, 1999, and this PILOT is consistent with said policy; and

WHEREAS, in order to make the Project economically feasible for Lackawanna Homes Housing Development Fund Corporation, Inc. to operate the housing complex it is necessary to obtain tax relief from the County of Erie and the City of Lackawanna.

NOW, THEREFORE, BE IT

RESOLVED, that the County Executive is hereby authorized to execute a Payment in Lieu of Taxes (PILOT) Agreement with the City of Lackawanna, Lackawanna Homes LLC, Housing Development Fund Corporation and appropriate other organizations necessary to carry out the Agreement relating to the Lackawanna Homes Project and all other contracts necessary to conclude this Project; and be it further

RESOLVED, that said Agreement shall include an annual PILOT in the amount of taxes due as set forth on Schedule A attached hereto. Payment under the Agreement will be for fifteen (15) years with the County share of each annual payment being twenty-five (25) percent of the total amount; and be it further

RESOLVED, that certified copies of this resolution shall be forwarded to the County Executive; the Director of the Division of Budget and Management; the Director of Real Property Tax Services; the Commissioner of the Department of Environment and Planning; the County Comptroller; and the County Attorney.

**SCHEDULE A**  
**LACKAWANNA HOMES PROJECT**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Allocation to County	\$ 2,356	\$ 2,427	\$2,500	\$ 2,575	\$ 2,652	\$ 2,732	\$ 2,814	\$ 2,898	\$ 2,985	\$ 3,074	\$ 3,167	\$ 3,262	\$ 3,360	\$ 3,460	\$ 3,564
Allocation to City	\$ 7,069	\$ 7,281	\$7,499	\$ 7,724	\$ 7,956	\$ 8,195	\$ 8,441	\$ 8,694	\$ 8,955	\$ 9,223	\$ 9,500	\$ 9,785	\$10,079	\$10,381	\$10,692
Total	\$ 9,425	\$ 9,708	\$9,999	\$10,299	\$10,608	\$10,926	\$11,254	\$11,592	\$11,940	\$12,298	\$12,667	\$13,047	\$13,438	\$13,841	\$14,256

<u>PILOT Calculation Summary</u>	Per Unit	All Units	Comments
Gross Potential Rent	\$ 6,794	\$326,100	
Less: 5% Vacancy	\$ 344	\$ 16,535	
Plus: Ancillary Income	\$ 96	\$ 4,608	
Equals Revenue	\$ 6,545	\$314,173	48 units
<u>County PILOT B ("Very Low Income")</u>			
Payment (Year 1)	\$ 196	\$ 9,425	3% of Revenue
PILOT B Allocation to County	\$ 49	\$ 2,356	25% of Payment
PILOT B Allocation to City	\$ 147	\$ 7,069	75% of Payment