



2016-2017 Green Acres Mall PILOT Superintendent's Report

BOARD OF EDUCATION MEETING

MONDAY, OCTOBER 24TH, 2016

QUESTIONS AND ANSWERS ON INDUSTRIAL DEVELOPMENT AGENCIES AND PILOTS

What is a PILOT?

A PILOT is a payment-in-lieu-of-taxes. A PILOT is any payment equal to the amount or a portion of real property taxes which would be paid on a property if the property was not given a tax exemption by an Industrial Development Agency.

What is the relationship between an IDA and a PILOT?

IDAs typically enter into agreements with property owners or developers where ownership of a property is transferred to the IDA. The IDA, as a governmental body, is exempt from property taxes. Once the IDA “owns” the property, it is then leased back to the original owner. Part of the agreement to lease the property back to the owner includes a requirement that the owner pay PILOTs. The PILOTs are typically at an amount that is less than what would have otherwise been paid in taxes on the property.

QUESTIONS AND ANSWERS ON INDUSTRIAL DEVELOPMENT AGENCIES AND PILOTS

What is the process for granting a PILOT agreement?

Each IDA has a different process. However, each of the approximately 178 IDAs in New York State is required to establish a policy and procedures for granting tax breaks. The process generally requires interested property owners to submit an application indicating the need for the tax break, a review process by the IDA, a public hearing regarding the proposed tax break from the IDA, and a vote by the board of the IDA on the decision whether to grant the tax break.

Who decides whether to grant a PILOT Agreement?

IDAs decide whether to grant tax breaks in the form of a PILOT Agreement. Affected jurisdictions (school districts, villages, towns, etc.) and residents must be given notice of a proposed PILOT agreement, **but they have no control over whether a tax break will be granted as the IDA is the sole-decision maker.**

QUESTIONS AND ANSWERS ON INDUSTRIAL DEVELOPMENT AGENCIES AND PILOTS

How does a PILOT affect taxpayers?

A PILOT property is owned by the IDA and therefore tax exempt. Although the school district's tax levy goes down to account for the anticipated amount of the PILOT, the remaining taxpayers become responsible for the amount of the reduced tax levy. The end result is that PILOT payments do not increase the amount of funds available to the District, but tax rates go up due to a greater share of the levy being paid by the remaining taxpayers.

- Let us assume a hypothetical school district needs \$100 to meet its budgetary needs. In Year 1, the County Assessor's Office determines the property taxes and levy \$75 from residential taxpayers and \$25 from a large commercial property.
- For Year 2, local IDA grants the large commercial property ("PILOT Property") a tax break whereby the owner will be paying a PILOT to the school district in the amount of \$10 instead of \$25 in taxes.
- In Year 2, the school district still needs \$100 to meet its budgetary needs, but, as a result of the PILOT of \$10, will only need to raise \$90 (\$100- \$10) in taxes. The County Assessor's Office will need to raise the full \$90 in taxes from residential taxpayers because the PILOT property is no longer on the tax rolls, as shown in the chart:

| Year 1 | Year 2 |
|---|---------------------------------------|
| \$ 25 Taxes Paid by PILOT Property | \$10 PILOT |
| \$ 75 Remainder to be paid by other taxpayers | \$90 Tax Levy paid by other taxpayers |
| = \$100 Tax Levy | = \$100 (\$90 Tax Levy + \$10 PILOT) |

QUESTIONS AND ANSWERS ON INDUSTRIAL DEVELOPMENT AGENCIES AND PILOTS

How does a PILOT affect taxpayers?

Under New York State Education Law 1908, Each of the three component districts in Valley Stream (13, 24, and 30) pays a portion of the tax levy necessary to support the Central High School District.

That portion is determined based on the amount of **taxable** property within each of the districts as a percentage of taxable property in all of the districts. A PILOT property is owned by an IDA, and, therefore, is tax-exempt.

As a result, when a PILOT property becomes tax exempt, the allocation to the district in which the property is located for the Central High School District will go down as well.

The IDA's suggestion that the school districts can enter into an agreement to alter this formula established by the State Legislature is legally incorrect.

QUESTIONS AND ANSWERS ON INDUSTRIAL DEVELOPMENT AGENCIES AND PILOTS

What did the Hempstead IDA do to communicate the impact of the Green Acres Mall Tax Break

- Two years ago, when the IDA voted to approved the tax break to the Green Acres Mall, the IDA was or should have been fully aware of the financial impact the tax breaks would have on the taxpayers in Valley Stream.
- Although the effect on taxpayers is only being seen now, the notice given at the time merely advised of an opportunity to present a view of the IDA's proposed action.
- The notice advised the public of a hearing at which no one but the IDA would be aware of the impact of the proposed project and the effect it would have on other taxpayers.

QUESTIONS AND ANSWERS ON INDUSTRIAL DEVELOPMENT AGENCIES AND PILOTS

What did the Hempstead IDA do to communicate the impact of the Green Acres Mall Tax Break

What does “notice” mean for an IDA Hearing?

New York General Municipal Law 859-a requires only ten days published notice of the public hearing at which the IDA will act to approve a tax break. The notice only needs to include:

- The time and place of the hearing,
- A general description of the project
- The prospective location of the project
- The initial owner, operator or and manager, and
- A general description of the financial assistance being provided

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What did the Hempstead IDA do to communicate the impact of the Green Acres Mall Tax Break

The notice does not have to:

- Provide any specifics with regard to the financial impact of a proposed tax break.
- Inform taxpayers of the amount by which their taxes will increase to pay for the tax break.
- Inform the taxpayers of the impact the proposed tax break will have on the apportionment of school tax levies.
- Disclose any of the information, studies, data, or analysis on which the IDA will base its decision to grant a tax break.

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What did the Hempstead IDA do to communicate the impact of the Green Acres Mall Tax Break

- The IDA is free to disclose this additional information and make it available online.
- Unfortunately, the IDA chose not to disclose the information it had to the public.
- The IDA has claimed that it is not responsible for knowing the law, or how a tax break will affect taxpayers under the law
- As part of making an informed decision, the IDA should know the law.

QUESTIONS AND ANSWERS ON INDUSTRIAL DEVELOPMENT AGENCIES AND PILOTS

Who should I contact for additional information on the Green Acres Mall PILOT?

The Green Acres Mall PILOT Agreement was approved by the Town of Hempstead Industrial Development Agency. The decision to approve the PILOT Agreement was solely the decision of Town of Hempstead IDA. You can contact the Town of Hempstead IDA for additional information on its decision to grant tax breaks to the Green Acres Mall.

District 30 Achievements

- Has, for the past five years, complied with the New York State Tax Cap
- Two out of five years included 0% Tax levy increases 2014-2015, 2015-2016
- The 2016/17 tax levy decreased by **13% to account for the Green Acres Mall PILOT.**
- Maximum Veterans Exemption was passed February 2014
- Join Valley Stream 13 and the Central High School District in submitting a resolution to the New York State School Boards Association seeking legislative changes to the law governing IDAs – Tonight

Resolution

WHEREAS, it has come to the attention of the Board, that certain actions taken by local Industrial Development Agencies in granting tax exemptions have a significant and burdensome impact on each of the component school districts within the Valley Stream Central High School District, and

WHEREAS, the Board believes that legislative action is necessary to require Industrial Development Agencies to notify school districts of the impact of proposed tax exemptions prior to voting upon or approving such tax exemptions; it is therefore

RESOLVED, that the Board of Education hereby requests the New York State School Boards Association include as a legislative priority issue, reforms to Article 18-A of the General Municipal Law to obligate Industrial Development Agencies across New York State:

- to provide notice of any proposed tax exemption to each affected taxing jurisdiction, including each affected school district,
- to respond to requests for information from such affected taxing jurisdiction regarding the financial implications of proposed tax exemptions, and
- to provide a meaningful opportunity for school districts to be heard prior to voting upon or approving any such tax exemption, and it is further

RESOLVED, that the Board of Education hereby directs the District Clerk to submit a certified copy of this resolution to the New York State School Boards Association.