

Tompkins County Industrial Development Agency

Administration provided by 

Memorandum

To: Tompkins County IDA
From: Heather McDaniel, TCAD
Date: July 9, 2015
Re: Tompkins Trust Company Headquarters Determination of Financial Need

The City of Ithaca Community Investment Incentive Tax Abatement Program (CIITAP) allows an applicant to “request an enhanced property tax abatement that begins at 100% in year one and decreases in equal increments over ten (10) years if the applicant can demonstrate financial need as determined by a review by IDA administrative staff of the project pro forma and demonstration of an annual return on investment less than 20% in each of the first five years.”

This will not be a development project where there will be a tenant that pays rent that then provides a return on the initial investment to the developer. There is no pro forma and no return on investment. This is an owner-occupied building. As an alternative method to establish financial need, the applicant provided analysis performed by two independent consultants that compared the costs and benefits associated with building downtown and building on a rural site. The analysis specifically considered the following three benchmarks: benefits of consolidating existing operations, overall construction costs, and long term occupancy costs.

Consolidating Existing Operations – In both the rural and downtown scenarios, consolidating existing operations will provide significant operating efficiencies for Tompkins Trust Company. However, the net present value of the benefits of building on a rural site were almost 4 times greater than the downtown site.

Construction Costs – The cost of building on the downtown site was estimated at \$30 per square foot more than building on a rural site and overall, a projected 34.5% increase in construction costs to build downtown. Adding in surface parking on the rural site and garage parking on the downtown site, the costs to build downtown were 57.9% higher on the downtown site than the rural site. This analysis was completed in 2009, so costs will likely be higher today.

Long Term Occupancy Costs – The net present value of occupancy costs per year are nearly \$5 million higher on the downtown site than those anticipated for a generic rural site.

There is a demonstrated financial need as a result of the increase in costs associated with consolidating existing operations, construction, and long term occupancy costs associated with building a new headquarters facility downtown. It is my recommendation that the applicant is eligible for the enhanced abatement.