

Tompkins County Industrial Development Agency

Administration provided by Ithaca Area Economic Development

Minutes of Public Hearing

Arnot Ithaca 2, LLC

December 8, 2020 @ 1:00pm

Via Zoom live streamed to YouTube

Present: Heather McDaniel (for Tompkins County IDA), Rich John, Martha Robertson, Laura Lewis, Anne Koreman (TCIDA Board), Ian Hunter, Peter Dugo, Marissa Reilly (Arnot Realty), Ina Arthur (IAED), Theresa Alt, Stephanie Heslop

1. Heather McDaniel called the public hearing to order at 1:00pm.
2. Heather McDaniel gave an overview of the project and the proposed incentive.
3. Ian Hunter of Arnot Realty gave a brief overview of the project.
4. Public comment was heard from the following:

Theresa Alt - 206 Eddy Street, Ithaca

Arnot Ithaca 2 LLC a.k.a. 430-444 West State Street a.k.a Ironworks is a great place to build, but it is not worthy of the tax abatement it requests. It is inserting so-called market-rate apartments into what had been an affordable neighborhood. Thus it is driving up the cost of land in a recently affordable neighborhood. And the application doesn't even indicate the planned rents. A company that asks for public money should make public its plans, not just the building layout diagrams but also the financial plans.

There is apparently no plan to incorporate workforce or affordable units, only to pay the pitifully low in-lieu fee per unit. Yes, such money in the hands of INHS has often been leveraged to create more units, but builders and the IDA are positing unlimited availability of Low Income Housing Tax Credits. In fact, there are limits on the Low Income Housing Tax Credit financing available now, and this too could dry up through Federal or State action.

Green building practices are good, but they are not just a public benefit. They make buildings cheaper to maintain and thus enhance profitability. They pay for themselves.

The community needs development like the Asteri project that ensures more workforce and affordable housing, not just any-old building with vague promises of affordable units to come at some unspecified place at some unspecified future time.

Stephanie Heslop

My name is Stephanie and I live on South Albany Street.

I'm here to say that the residents of Tompkins County should not be forced to subsidize this project.

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I've been to a number of IDA meetings and sometimes responses from IDA members to public comment seem a bit clueless or less than honest. For example, when an IDA member questioned whether gentrification was even happening in the city, or when the mayor said that building luxury housing prevents gentrification. Gentrification is clearly happening in Ithaca and building luxury housing in poor and working-class neighborhoods doesn't prevent it—that's the literal definition of gentrification.

So I found it refreshing that Heather McDaniel, president of the organization that administers the IDA, not only admitted that gentrification is happening and that the IDA is contributing to it, but that she thinks that's a positive thing. She said it's great that "druggies and prostitutes" have been replaced by high rises downtown. This is a horrible sentiment, but it's nice to hear someone associated with the IDA be honest and admit that you don't like poor people. There aren't fewer poor people on the so-called Commons because they've been helped by the IDA's work and aren't poor anymore; it's because they've been pushed out of the city to Groton, Enfield, or out of the county entirely. Or they're dead. But who cares about them or their kids, as long as rich people feel comfortable? And if anybody poor, and especially poor and black, has the audacity to be in rich white people's space, well, IPD will take care of that!

5. Eight (8) comments were received prior to the meeting and read into the record.

George Millette - I believe that it is absurd to provide nearly \$5mn in tax breaks to a project which gives back a mere fraction of that amount in terms of local labor and affordable housing. The Arnot Ithaca 2 project focuses on constructing high cost luxury housing, something that hardly benefits any residents of Ithaca. The \$645k affordable housing fund donation and the 25-30% local labor commitment are both far too small. The project caters to the rich rather than the common Ithacans you are supposed to serve. In order to justify such a large tax abatement, the project should have to raise its local labor commitment to an outright majority or an amount higher than the commitments of other projects in this hearing. The Arnot Ithaca 2 project should also consider increasing its affordable housing commitments. Ithacans want to hear of a \$1m affordable housing contribution, some truly affordable housing in the unit, and plenty of local jobs as a result of the action of this unelected board. I pray you make the moral decision.

Thanks, community member George M.

Nathan Scinto-Madonich - To the Tompkins County Industrial Development Agency,

I would like to submit a comment regarding the proposed tax abatements for the 430-444 W State St property. The Arnot Realty Corporation will deprive the people of ~\$5,000,000 tax dollars, by submitting a small donation to an affordable housing fund. Arnot will immediately save \$5,000,000, while their small donation won't immediately create affordable housing, with no concrete future plans for actual affordable housing in Ithaca for working and poor people. The cost/benefit analysis done for this proposed abatement is weak at best and makes no honest attempt to assess how this building will harm poor black folks via continued gentrification of the West End of Ithaca.

I find this proposed abatement particularly alarming since Ithaca City, and many Tompkins County municipalities, have lost tax revenue this year due to COVID-19, meaning further budget cuts for important community programs and resources. This is not the time to give developers our tax dollars. Arnot Realty needs to pay into the community that it will profit from!

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Signed,
Nathan Scinto-Madonich, Ithaca Chapter of the Democratic Socialists of America

Deirdre Silverman - Danby

Regarding the proposed tax abatement for luxury housing at the 430-444 W. State St. property: It is outrageous that the IDA is again considering a tax abatement for a project that will make only a nominal contribution to affordable housing in the City of Ithaca, while at the same time depriving the City and County of tax dollars that are needed now more than ever. Through this abatement the Arnot Realty Corporation stands to deprive the community of \$5,000,000 in taxes, while donating a fraction of that amount to an affordable housing fund. The proposed abatement is particularly alarming since the City and County are losing significant tax revenue due to COVID-19, leading to budget cuts for important community programs and resources, and tax increases for local residents. This is not the time to give out-of-town developers our tax dollars. Arnot Realty needs to pay its fair share to the community that it will profit from!

Mark Silverman - Danby

Regarding the proposed tax abatement for luxury housing at the 430-444 W. State St. property: The site currently houses two second hand stores (Mimi's Attic and Mama Goose) serving a community in need of basic, affordable goods. Whatever rent might be charged in the new construction by Arnot Realty Corporation, it seems problematic that these and similar businesses would be able to sustain themselves. In addition, this proposed tax abatement makes little sense during a pandemic that has changed all projections for the future. Given this uncertainty, the tax revenue lost at this time makes no sense. I have mentioned two concerns, but in framing a responsible fiduciary commitment to the Ithaca community one must also anticipate the unforeseen consequences of such a generous gift to an out-of-town company. However, if this project does proceed, let Arnot Realty Corporation pay their fair share in taxes, and any agreement should include some explicit rent guarantees to the businesses that currently occupy this location.

Aurora Rojer

This abatement for the Arnot Realty Corporation will deprive the city of \$5,000,000 tax dollars, at a time when our city has already lost so much tax revenue because of the COVID-19 pandemic. Why subsidise luxury real estate when so many are newly unemployed, hungry, and housing-insecure? I recognize that this tax abatement is given because of a small donation to an affordable housing fund. But this donation is tiny compared to the \$5,000,000 we could put directly towards creating affordable housing in Ithaca for working and poor people. This is not the time to give developers our tax dollars. We are seeing this on every level right now -- socialism for the wealthy, austerity for the poor and working class. Enough! Arnot Realty should pay their fair share in taxes.

Signed, Aurora Rojer
Ithaca Democratic Socialists of America

Teresa Halpert Deschanes

I write to object to a tax abatement for 430-444 W State St.

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With this tax abatement, we will be using public monies to directly drive the gentrification of our last relatively affordable downtown neighborhood.

Quoting from the Community Benefits Overview:

“In addition to the high land and construction costs...” (p. 44) The high land cost is a chicken-and-egg situation wherein the City up-zoned the neighborhood and the County dangled the prospect of major abatements to help with the cost of construction; *therefore*--lo and behold--the land can fetch a higher price. In turn the higher price that the developers paid makes them feel they *have* to get the abatement to do their project. Such an abatement for “market-rate” housing cannot be supported *here*, where we emphatically do not need new luxury units.

“(T)his could support 86 units of affordable housing.” (p. 45) I understand the concept of giving money to INHS and others who have experience leveraging tax credits and so forth to stretch our public money as far as possible in the creation of affordable housing. However, this contribution comes out to \$7,500 per unit. A unit anywhere in the city easily costs over \$100,000 to build. Therefore, “supporting 86 units” means contributing a mere 7% to the building of these affordable units (somewhere, at some time), in exchange for millions of dollars of tax relief used to unlock luxury profits. Again, this use of taxpayer money is not to be encouraged *here*, in this previously affordable neighborhood.

“\$253 per square foot...(i)s reasonable given...working with the façade of the existing building.” (p. 46) As a fan of historic preservation and green building practices, I applaud this commitment to reusing the façade of Mama Goose. However, that building is not landmark-protected, so the developers must have their own reasons to save it; it must make financial sense to them to include this in their project. I don’t see this self-created hardship as a strong argument for needing an abatement.

“The rental rates on average are consistent with downtown market rents.” (p. 46) Gee, we aren’t being told what the target rents are. Given the “high construction costs,” I’m going to guess they will be closer to Arnot’s Boathouse Landing (\$1850 to \$3500) than to Arnot’s more affordable development out by Walmart (\$1385). But either one is too pricey for the people who call this neighborhood home. I’m not making a blanket argument against luxury development; I’m simply saying that we should not allow the leveraging of public monies to enable upscale development smack in the middle of a relatively-affordable area, especially since such development is likely to spur other high-end projects in the vicinity.

(When it comes to existing low-income neighborhoods, leveraging of public monies is better aimed at developers who figure out what rents will serve the neighborhood and then make it happen. For instance, my husband and I redeveloped a long-abandoned property on the 300-block of W. State to house 14 people who work in food-service and other modest-paying local jobs and who now pay \$650 a month in rent. That project was specifically undertaken to serve the income-level of people who work in the vicinity, and we gratefully used Restore NY funding to help make it doable.)

In conclusion, I do understand the argument that City and County are not giving up property-tax money in the sense that we will keep collecting what we are getting now, and later, after the abatement runs, we will get a windfall of new taxes, based on the enhanced value of the new development. But we *are* giving up something equally valuable—namely our ability to shape neighborhoods—when we grant abatements without strong public benefits. In this case, all the public benefits the developers can show are outweighed by the intrusion of high-end housing into a working-class neighborhood. Even a mixed-income development

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would be a welcome way forward, increasing tax revenue and allowing a limited amount of gentrification while preserving places for modest-income people. Maybe we can't stop a developer from using their land for a luxury development, but we can stop ourselves from facilitating ill-placed developments.

Sincerely,
Teresa Halpert Deschanes
209 S. Geneva St., Ithaca NY
(owner of Rosetree Properties)

Kerry Demarest

To the IDA,

I know the new affordable housing projects are the result of a lot of hard work from public officials like yourselves and I thank you all. My concern regards the lack of mixed-income housing, and the future of the West End. The CIITAP requires that affordable units within a project be like the market-rate units in appearance and location. However, when a buyout of the affordable units is allowed, this results in affordable housing projects that are completely separated from market-rate buildings, that are substantially different in quality. Mitch Glass of Ithaca's Planning Board commented when Ironworks was introduced, "I wish we didn't live in that kind of world, where you can clearly see which one is the market-rate building and you can clearly see which one is the affordable building." Ironic, as the CIITAP rules regarding appearance seek to prevent this very thing.

If the City wants developers to actually include affordable housing in their projects, the math must be different for the calculation of the Community Housing Development Fund donation. The required donation is so low in comparison to the costs a developer would incur in keeping 20% of their units affordable, that it's not hard to see why developers prefer to pay into the fund. Despite regular affordability questions from the Planning Board, Arnot Realty never even discussed with them a possibility of including affordable units, and why would they? They don't answer to our community; they answer to their investors, and their path to maximize profits is clear.

Ithaca Planning Board Chair Rob Lewis said last month (after the approval of Ironworks) that he considered the IDA's incentives to be "not entirely coherent yet," and that "the exchange rate of 20 some odd units to 650 grand, no sane person is going to build the units ever with that math." Yet, it's projects like Ironworks that are exactly why the City should maintain the best leverage it has to get affordable housing included. The 400 block of W State/MLK Street is an ideal location for affordable housing, given the proximity to all of Ithaca's social services, as well being in the racially diverse West End (the last affordable section of the flats). Arnot Realty frequently explains how the project intends to catalyze development and bring a transformational change to the West End. If a project expects to be that transformative, shouldn't the City do its best to maintain the best recourse it has to try to keep affordable housing there non-segregated? Developers have been buying up properties all along that corridor for years, and a decision to allow zero affordable units in this market-rate development (while still granting a tax abatement), would send a clear message to everyone looking to do similar West End in-fill projects. As someone who has either lived, worked, or volunteered in the West End for 20 years, it keeps me up at night to think about what could become of this neighborhood, should the City signal that segregated housing here is not only acceptable, but is encouraged by the economics that push developers towards paying in to a fund, rather than providing non-segregated, affordable housing.

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I know the proposed building is handsome, that the existing site is terribly underutilized, and that the CHDF donation could enable more than 80 affordable units someday, somewhere. Does this justify promoting segregated housing in the West End, when all we had to do was stick to our own policy that 20% of the units be affordable?

Thank you for your consideration, Kerry Demarest

Stephen B. Flash

I am writing in support of the development proposed by Arnot located at 430-444 W State Street.

I strongly urge the TCIDA members to vote in support of the 430-444 West State Street project. This project represents a critical piece in connecting the Commons to the West End and waterfront as was envisioned when the City invested in the brick pavers on this section of State Street several years ago. The project is an investment in the City that needs both housing and retail and at the same time allows the area to maintain its unique and vibrant character. It incorporates Green Building standards that exceed the IDA's requirements.

Perhaps as important for your consideration is the character of the Arnot Development team. I enjoyed and am very proud to have partnered with them on the Boathouse Landing development located on Inlet Island. Because of the team's ability to work openly and responsively with the City's building department, and with the various other agencies and contractors, they delivered a timely, green, handsome and successful project. They have been around for over on hundred years and throughout the lifespan of the company they have invested in communities in the Southern Tier. Based out of Horseheads, Arnot Realty Development has, among other projects, successfully built over 250 units in Chemung County. This company's longevity is a result of capable, principles that ensure the projects they deliver respond to market need and result in quality homes and retail space that fit with the character of the community.

Once again, I urge you to support this project. The development at 430-444 W State Street will be a welcome addition to Ithaca's Downtown and offer quality homes and retail space built by a local company invested in this community.

Very truly yours, Stephen B. Flash

6. The hearing was adjourned at 1:35pm.