CITY OF POUGHKEEPSIE INDUSTRIAL DEVELOPMENT AGENCY (IDA)

PO Box 4971

Poughkeepsie, NY 12601

UNIFORM TAX EXEMPTION POLICY (UTEP)

Revised: ____________, 2026

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Section 1: Introduction & Mission Statement

The Poughkeepsie Industrial Development Agency ("PIDA" or the "Agency") is a public benefit corporation established under Article 18-A of New York General Municipal Law to promote economic development in the City of Poughkeepsie (the City). The mission of the PIDA is "to build the industrial and economic strength and resilience of the City with the intent of growing employment, jobs and city revenue." In fulfilling this mission, the PIDA provides financial assistance and tax incentives to eligible projects that advance economic vitality, job growth, and the general prosperity of the Poughkeepsie community.

This Uniform Tax Exemption Policy (the "UTEP") sets forth the Agency's policies for granting (i) mortgage recording tax abatements, (ii) sales and compensating use tax exemptions, and (iii) Payments-In-Lieu-of-Taxes (PILOT) programs, all in compliance with Section 874 of the New York State General Municipal Law (the "IDA Act"). Certain projects undertaken by the PIDA may also qualify for assistance in the form of the issuance of tax-exempt industrial revenue bonds.

PIDA's Development Goals

In administering this policy, the Agency seeks to advance the City's overarching development goals. These include:

- Increasing permanent employment opportunities and wage levels
- Attracting and accelerating new investment
- Retaining and growing local businesses
- Preserving and creating affordable housing
- Adaptive reuse of vacant or historic structures to mitigate blight
- Protecting and expanding the City's tax base.

This UTEP is a tool to incentivize projects that contribute to these goals while complementing the City's land use plans and community needs. All assistance is provided with careful consideration of fiscal impacts and the expectation of a meaningful "public benefit" return on investment for the community.

Section 2: Financial Assistance Tools

The PIDA is authorized to offer four primary forms of financial assistance to eligible projects to stimulate capital investment. Please note that, depending on the project, certain of these benefits may be unavailable.

- **Sales and Use Tax Exemption:** Exemption from New York State and local sales tax on materials, equipment, furnishings and fixtures purchased for the approved project (up to the applicable limit and timeframe).

- **Mortgage Recording Tax Exemption:** To the extent permitted by law, exemption from the mortgage recording tax for project-related financing.

- **Real Property Tax Abatement (PILOT):** Abatement of a portion of real property taxes through a Payment-in-Lieu-of Taxes (PILOT) agreement. Note that PILOT benefits may apply only to county, city and school district tax payments and do not apply to user fees, special assessments, or service charges.

    - **Important:** In no event will a PILOT agreement reduce the property's tax payments below the amount of taxes paid prior to the project. The PILOT schedules set forth in this UTEP provide a graduated abatement that phases the project into full taxation over time, ensuring that taxing jurisdictions receive at least the pre-project tax revenue and benefit from increased revenues as the project progresses.

- **Bonds of the PIDA:** In addition to the benefits described above, in accordance with Federal tax regulations and provisions, a project may qualify for financial assistance in the form of tax-exempt or taxable bonds or notes, including refunding bonds or notes, in connection with a project. The financial assistance term for any tax-exempt or taxable bond or note financing must comply with all applicable laws, rules and regulations.

These incentives are offered at the discretion of the Agency, in accordance with this UTEP and New York State and Federal law. In addition, the Agency may consider other forms of assistance or enhanced benefits on a case-by-case basis, consistent with its mission and subject to necessary approvals. Each project receiving assistance will be subject to a project agreement and compliance monitoring to ensure the public benefits (e.g. job creation, investment, affordable housing, etc.) are delivered.

Section 3: Project Eligibility and Alignment with City Plans

To be considered for PIDA assistance, a project must be an eligible project under the IDA Act (e.g. manufacturing, warehousing, distribution, commercial, industrial, research, civic facilities, affordable housing, or other uses permitted by law).

The PIDA gives preference to projects that demonstrate a clear public benefit and may align with the City's adopted plans and development policies in effect from time to time. This UTEP generally supports the goals and objectives of key City planning documents, and greater consideration is given to projects that adhere to these policy frameworks:

- **City of Poughkeepsie Comprehensive Plan (2022):** The City's Comprehensive Plan (adopted September 2022) establishes a vision and blueprint for future growth and development. Projects consistent with this plan's land use objectives, economic development strategies, and community priorities will be viewed favorably under this policy.

- **City Zoning Code and High-Priority Districts:** The City's Zoning Code (Chapter 19, effective 2024) implements the Comprehensive Plan through modernized zoning districts and standards. In particular, the City has designated new Mixed-Use and Special Zoning Districts to channel development into strategic areas. The PIDA considers some of these Mixed-Use and Special Zoning Districts as **"High-Priority Zoning Districts."** Projects located in High-Priority Zoning Districts may be eligible for enhanced tax abatements (See Section 5 herein) and are outlined as follows**:**
    - Mixed Use 3 (MU3) District
    - Mixed Use 5 (MU5) District
    - Residential Core 5 (RC5) District
    - Poughkeepsie Innovation Districts A & B (PID-A, PID-B)
    - Waterfront (W)
    - Walkway-Gateway (W-G)
    - Waterfront Transit-Oriented Development (WTOD).
- These zones represent high-priority growth areas for the City's economic and community development initiatives.
- Projects outside of these areas are still eligible for assistance under the standard program (Section 4), especially if they address other community needs (e.g. industrial development or neighborhood revitalization).

Project Evaluation: In addition to location and consistency with City plans, the Agency will evaluate projects on criteria including but not limited to:

1. Economic impact (job creation/retention, wages, private investment leveraged)
2. Fiscal impact (tax revenue generated versus incentives provided)
3. Community and environmental impacts
4. Readiness and feasibility
5. Developer experience
6. Contribution to addressing identified needs (such as affordable housing, remediation of blighted properties, or adaptive reuse of historic buildings).

In Addition to the Evaluation Criteria Above, each Project:

- Must demonstrate that, **"but for"** PIDA assistance, the project would not proceed or would not achieve the same level of public benefit.
- Must demonstrate that the assistance does not constitute **"undue enrichment"**—meaning the Developer is not receiving an unreasonable financial benefit as a result of the incentives. The PIDA will evaluate this through an independent, third-party cost-benefit analysis.
- Must demonstrate that **the local public benefits outweigh the private benefits.** Public benefits may include but are not limited to payments under the PILOT agreement, PIDA fees, municipal fees, and the value of any workforce and/or affordable housing set-asides. Private benefits are the tax savings realized under the PILOT over the designated term, the sales tax exemption, and the mortgage recording tax exemption. The PIDA will evaluate this through an independent, third-party cost-benefit analysis.

The PIDA Board retains discretion in determining project eligibility and the appropriate level of tax exemption, based on the merits of each application and the guidance of this UTEP.

Section 4: Standard Tax Abatement Program (Outside of High-Priority Zoning Districts)

The Standard Tax Abatement Program applies to most eligible projects that are not located within the City's **High-Priority Zoning Districts** (as defined in Section 3). This generally includes residential, commercial, industrial, or mixed-use developments in other areas of the City that still provide economic and community benefits. Key features of the standard program include:

- **PILOT Term:** Up to a 10-year PILOT agreement for commercial, industrial, mixed-use, or market-rate rental residential projects located outside of a **High-Priority Zoning District**. The specific schedule options are set forth in **Appendix A**. The PIDA shall determine the appropriate 10-year PILOT schedule upon consideration of the "but for" test, the "undue enrichment" test, and a comparative analysis of public versus private benefits.

- **Affordable Housing Projects Outside of High-Priority Zoning Districts:** If a residential project is located outside of a **High-Priority Zoning District** and is considered a Qualified Affordable Residential Project as defined in Section 6, the Agency may consider an extended PILOT term (up to 15 years) under the standard program. A 15-year PILOT for an affordable housing project is intended to coincide with typical tax credit compliance periods and enhance project feasibility.

    - Such projects may alternatively be considered under the Affordable Housing PILOT framework (Section 6) if they meet the criteria, which could allow a different payment structure. In general, the PIDA recognizes the public benefit of affordable housing citywide and is willing to tailor assistance accordingly, even for projects located outside of a **High-Priority Zoning District**.

All projects receiving the standard PILOT are expected to meet their projected job creation, investment, and other public benefit commitments. The 10-year schedule is the maximum typically allowed; the Agency, at its discretion, may offer a shorter term or lesser abatement depending on project specifics. Conversely, if a project which is located outside of a **High-Priority Zoning District** demonstrates extraordinary benefits or need, it could seek consideration under the deviation policy (Section 7) for enhanced terms. However, by default, non-affordable projects outside **High-Priority Zoning Districts** will follow a 10-year graduated abatement outlined in this UTEP.

<u>Section 5: Enhanced Tax Abatement Program (High-Priority Zoning Districts)</u>

The Enhanced Tax Abatement Program is designed to incentivize development in the City's High-Priority Zoning Districts. Projects located within these zones are eligible for more favorable PILOT terms in recognition of their alignment with strategic city-building goals.

The Enhanced Program features the following <u>for residential and mixed-use projects:</u>

- **PILOT Term:** For projects located within **High-Priority Zoning Districts**, the Agency may authorize a PILOT agreement with a term of 15 years, with consideration for an extension of up to 20 years, subject to Board approval. The enhanced 15-year and 20-year abatement schedules are provided in **Appendix A**. Generally, the schedule will be structured with a high initial abatement that gradually tapers off.
- **Scope:** The 15- and 20-year enhanced PILOT can apply to a range of project types in the priority zones – including mixed-use developments and residential projects (market-rate or mixed-income) that contribute to urban density and vitality. All projects must still demonstrate need for the abatement and clear benefits (e.g., job creation, increased foot traffic downtown, removal of blight, etc.). The Agency will particularly look for projects that advance the specific purpose of the district.
- **15- vs. 20-Year PILOT:** For projects located within **High-Priority Zoning Districts**, the Agency shall default to consideration of a 15-year PILOT agreement. An Applicant seeking a 20-year PILOT agreement shall be required to demonstrate the financial necessity of the extended abatement and, if a residential project, shall further be required to reserve no less than ten percent (10%) of the total project units as "workforce units," restricted to occupancy by individuals earning less than eighty percent (80%) of the County Area Median Income (AMI).

The Enhanced Program features the following for <u>commercial (non-housing), office, hospitality/tourism, tech, industrial, and other projects:</u>

- **PILOT Term:** Up to a 15-year PILOT agreement for projects within **High-Priority Zoning Districts**. The 15-year abatement schedule is provided in **Appendix A**. Generally, the schedule will be structured with a high initial abatement that gradually tapers off through year 15.
- **Scope:** The 15-year enhanced PILOT can apply to a range of project types in the priority zones – including commercial and office projects, hospitality/tourism uses, and industrial or tech facilities in the IM zone (as outlined in the City's Zoning Code) that contribute to urban density and vitality. All projects must still demonstrate need for the abatement and clear benefits (e.g., job creation, increased foot traffic downtown, removal of blight, etc.). The Agency will particularly look for projects that advance the specific purpose of the district.

Regardless of the requested term, the PIDA shall determine the appropriate PILOT schedule upon consideration of the "but for" test, the "undue enrichment" test, and a comparative analysis of public versus private benefits.

While the Enhanced PILOTs offer greater benefits, the Agency may attach additional conditions to these projects to ensure public returns. This could include requirements for local hiring, participation in community programs, or additional community improvements. The Agency may also require an analysis of the project's economic/fiscal impact to justify the extended term.

The Enhanced Program reflects PIDA's policy of channeling resources to areas that have been prioritized by City policy. By offering a longer abatement period in these zones, the PIDA helps catalyze projects that might not otherwise occur, such as higher-density infill development downtown or large-scale redevelopment of former industrial waterfront sites.

<u>Section 6: Affordable Housing PILOT Program</u>

In recognition of the critical need for affordable housing, the PIDA provides a special PILOT framework for Qualified Affordable Residential Projects. This program is intended for projects that utilize Low-Income Housing Tax Credits (LIHTC) or similar affordable housing subsidies and are committed to long-term affordability for residents.

Key features of the Affordable Housing PILOT framework:

- **Eligibility:** To qualify, a project must meet the requirements of the federal LIHTC program (Section 42 of the Internal Revenue Code) or Title I of the 1974 Housing and Community Development Act, as amended – typically meaning the project sets aside a significant portion of units for low-income households at restricted rents. The project can be new construction, rehabilitation, or preservation of rental housing. It may also be combined with other uses (such as a mixed-use building), but the housing component must be predominantly affordable. Projects that are also within the City's **High-Priority Zoning Districts** can qualify; affordable housing is encouraged both within the **City's High-Priority Zoning Areas** and citywide where need exists.

- **PILOT Term and Structure:** The PILOT term for a qualified affordable housing project may extend up to the length of the regulatory affordability period for the project or the project's permanent financing. In practice, this often means a term of up to 30 years. The PILOT payment is structured based on the "shelter rent" model commonly used for affordable housing.
- **Initial PILOT Payment:** The annual PILOT payment for the first year shall be established at an amount equal to ten percent (10%) of the Project's gross Shelter Rent. For purposes of this Policy, Shelter Rent shall be defined as the Project's Effective Gross Income (EGI) less utility costs. Effective Gross Income shall be calculated as Year 1 total income, reduced by vacancy, utilizing the stabilized vacancy rate. The formula will also utilize Year 1 utilities costs. By tying the PILOT to a percentage of rental income, the property's tax burden is directly tied to its affordable-rent revenue stream.
- **Annual Escalation:** The PILOT payment will increase annually by 2% over the prior year's payment for the duration of the PILOT term. This escalation accounts for likely modest rent increases (or increased operating costs) over time, while providing predictability.
- **Rationale:** This shelter rent-based PILOT is a well-established approach for affordable housing in New York State. It ensures that the project contributes to local taxes in proportion to its income, but at a substantially reduced level compared to full taxation, which would be unmanageable given restricted rents.

This Affordable Housing PILOT policy acknowledges the unique characteristics, economic challenges, and complex financing of affordable housing projects. By offering custom-tailored tax abatement, the PIDA aims to encourage development of quality affordable homes for City residents, supporting mixed-income community goals and complementing other City housing initiatives.

Any project seeking this treatment will undergo a thorough "but-for" analysis to confirm the need for such relief and will be subject to annual reporting to ensure continued eligibility.

Section 7: Deviations from Standard Policy

The PIDA Board reserves the right, on a case-by-case basis, to deviate from the standard UTEP provisions in circumstances where a project's benefits to the City substantially exceed normal expectations or where special considerations apply. While this UTEP is intended to be applied uniformly, the Agency recognizes that not all projects fit neatly into predefined categories. Unique or catalytic projects may warrant customized incentive structures (e.g. a longer term, a larger abatement than outlined, or an alternative PILOT formula). Any deviations, however, will be made judiciously and in accordance with the procedures and criteria below:

- **Approval and Notification:** No deviation from the UTEP (whether in PILOT term, abatement percentage, or other condition) is granted without explicit approval of the Agency's Members via resolution. If the Board contemplates a deviation for a particular project, it must notify all affected taxing jurisdictions (City, County, and School District) of the proposed deviation and the reasons for it, as required by Gen. Mun. Law §874(4)(b). The reasons will be documented in the resolution approving the assistance. A public hearing, as required by law for all PIDA projects, will also be held, and any deviation will be disclosed at that time.
- **Circumstances for Deviation:** The Agency may consider a deviation when a project is expected to have a significant and unusual positive impact on the City, above and beyond a typical project. Examples could include a project that: creates an exceptionally large number of jobs or high-paying jobs relative to the community, represents an extraordinary capital investment or transformative redevelopment (e.g. a massive vacant property remediation), anchors a new industry sector for the city, provides critical community infrastructure or facilities, or addresses a longstanding community need in a manner not otherwise achievable. A deviation might also be considered to coordinate with other incentive programs or to accommodate special project financing needs.
- **Factors to Be Evaluated:** In determining whether to deviate, the PIDA will evaluate factors such as (but not limited to):
    1. The economic impact of the project (jobs created/retained, payroll, supply chain effects).
    2. The investment size and whether it significantly expands the tax base or stimulates additional development (e.g. a catalytic project that spurs further growth in an area).
    3. The community and social benefits (does the project provide something highly valued, like a community facility, improvement to infrastructure, elimination of

blight, environmental remediation, or substantial affordable housing beyond normal requirements?).

4. The alignment with City policies (is the project a linchpin of a City-adopted plan or priority initiative?).
5. Extraordinary costs (e.g. high remediation costs, extensive site work, sewer infrastructure, and structured parking).
6. The need for deviation (has the applicant convincingly demonstrated that the standard UTEP benefits are insufficient for the project to proceed, and that a deviation is necessary for project viability?).
7. The financial feasibility and return on investment for the City (even with a greater abatement, is the cost-benefit favorable over the long term, and does the project eventually generate significant revenues or savings for the community?).

- **Process:** Developers seeking a deviation should indicate this in their application and provide a rationale. The PIDA Board will review the request after the full application is submitted and vetted. The decision to entertain a deviation is entirely at the Board's discretion. If the Board preliminarily agrees the project merits consideration of a deviation, that intention will be signaled prior to the public hearing (since it must be disclosed), and the final approval with specifics will occur via resolution after the hearing. All deviations are extraordinary measures; the default expectation is that projects will adhere to the standard or enhanced programs outlined in this UTEP.

In summary, deviations from this UTEP must be justified by substantial public benefit. Even when deviating, the Agency will seek to uphold the principles of this policy – for example, maintaining at least the pre-project tax payments and ensuring the community's interests are protected.

<u>Section 8: Recapture Policy</u>

All recipients of PIDA financial assistance are expected to deliver on their commitments for public benefit – such as job creation, investment level, completion of construction, and operating in a manner consistent with their application. The Agency includes provisions in project agreements to protect the public's interest if a project fails to meet its obligations. These provisions, commonly known as recapture clauses, allow the Agency to reduce, suspend, or reclaim previously granted tax incentives under certain conditions. The goal of the recapture policy is to ensure accountability and that taxpayers' support is returned if the intended economic or community benefits do not materialize.

Recapture Events: The PILOT agreement and associated project documents will specify events that can give rise to a recapture of benefits and such agreement and project documents will control. Generally however, the Agency reserves the right to recapture (require repayment of) all or a portion of the forgiven taxes (and/or terminate future benefits) if any of the following occur:

- **Project Abandonment or Closure:** If the project ceases operations, closes its facility, or is sold/transferred in a way not permitted (e.g., without PIDA consent) before the end of the PILOT term, the tax abatements may be terminated and back taxes reclaimed.
- **Relocation Out of the City:** If the beneficiary moves its business or significant operations out of the City during the PILOT term, leaving the project site underutilized, this will give rise to a recapture event. The intent is to discourage companies from taking the tax benefits and then leaving the community.
- **Sale of the Project or Facility:** The sale of the project or closure of the project and/or departure of the company from the City.
- **Deviation from Information in Application:** Any significant deviations from the Project Application Information.
- **Excess Sales Tax Received:** The company receives Sales Tax Savings in connection with the project work in excess of amount allowed for by the PIDA.
- **Criminal Conviction:** The company or any owner thereof, or any operator of the project is convicted pursuant to a final non-appealable decision of a court of competent jurisdiction or pleads guilty to any financial crime or financial criminal offense.
- **Additional Public Financial Assistance Received:** The company receives additional financial assistance with respect to the project from a public entity after the date of inception or PIDA benefits, or the public entity granting such financial assistance was not aware of the benefits provided hereunder by the Agency.
- **Failure to Provide Information as Requested:** The company fails to provide any data, information and/or any reporting forms required to be delivered annually hereunder to the PIDA and the Assessor of the City as requested.
- **Change in Ownership:** The ownership of the company changes without first obtaining the consent of the Agency.
- **Failure to Meet Employment Goals:** Material shortfall in achieving the job creation or retention numbers pledged. The Agency will typically set a threshold (for instance, if actual jobs created/retained falls below a certain percentage of the promised amount). A

"material" failure – e.g., creating only 50% of projected jobs – could lead to partial or full recapture of benefits. This condition ties the tax incentives to actual performance in providing employment opportunities.

- **Significant Change in Use or Mission Drift:** If the project substantially changes its use or operations in a way that is inconsistent with what was presented (and which was the basis for approval), it may lose benefits. For example, if a building approved as a mixed-income housing project shifts to luxury condos or a commercial project converts to a use that was not authorized, the PIDA can act. Similarly, if a not-for-profit facility built with PIDA support changes its program away from the public purpose intended, it could become a recapture event.
- **Reduction in Local Activity:** A significant downsizing or reduction of operations at the project site (short of full closure) that undermines the economic benefits (e.g., drastic reduction in workforce or production). The Agency will consider the context (economic conditions, industry changes) but maintains the right to adjust benefits if the public benefit is greatly diminished.
- **Loss of Eligibility or Violation of Law:** If it is determined that the project is no longer an eligible "IDA project" under the law (for instance, changes ownership to a type of entity not permitted, etc.), or if the company/occupant is found to be in violation of any material federal, state, or local laws, environmental regulations, or zoning requirements, the PIDA may revoke benefits. Compliance with all applicable laws and project conditions is required throughout the PILOT term.
- **Breach of Agreement:** Any material breach of the terms and conditions of the PIDA transaction documents (Project Agreement, PILOT Agreement, lease, etc.) by the company. This could include failure to submit required annual reports, failure to make PILOT payments on time, or misuse of sales tax exemption (e.g., using it for unauthorized purchases). Persistent non-compliance can lead to suspension or termination of the benefits.

In the event of a recapture event, the PIDA has flexibility in determining the extent of recapture. Depending on the severity of the shortfall or breach, the Agency may require repayment of a prorated portion of the benefits received or the entire amount of taxes abated to date. The timing can also vary – immediate termination or a warning with time to cure issues, at the Agency's discretion. For example, if a project met its goals for 5 years but then closed in year 6 of a 10-year PILOT, the Agency might recapture a portion of the abatements from those first 5 years and cancel the remaining term. These details are negotiated in the agreements.

PILOT Mortgage: The Agency may require the project to execute a PILOT Mortgage in favor of the PIDA as security for the PILOT payments. This means any unpaid PILOT amounts or potential recapture amounts become a lien on the property, ensuring the PIDA (and taxing jurisdictions) can enforce payment if needed. Alternative collateral or guarantees may be required in some cases to secure the obligations. In the alternative, and at the Agency's option, the company may be required to provide security for payment of PILOT payments by delivering to the taxing entities an irrevocable evergreen standby letter of credit from a commercial bank in an amount sufficient to guarantee annual PILOT payments.

Ongoing Monitoring: The PIDA will monitor project performance through annual certifications and reports submitted by project owners (as required by law and PIDA policy). Projects must annually report their employment numbers, project status, and usage of tax exemptions. The PIDA staff will compare actual results to the projections. The Agency may also periodically audit projects for compliance. If a project is falling short, the Agency can open a dialogue to understand why. The recapture provisions are intended as a last resort if the project cannot justify the discrepancy or remedy it.

In summary, the Recapture Policy protects the community's investment. Companies receiving incentives are put on notice that their benefits are contingent on delivering promised benefits to the City. Should they fail to do so, the PIDA will exercise its rights to suspend or revoke the tax exemptions and recapture savings, as appropriate. This ensures that the UTEP remains fair and effective – rewarding true contributors to Poughkeepsie's prosperity and safeguarding public funds from misuse. The Agency strives to be reasonable and will consider external economic factors, but maintaining accountability is paramount.

Appendix A: PIDA PILOT Schedules

POUGHKEEPSIE IDA PILOT SCHEDULES							
	RESIDENTIAL & MIXED-USE				COMMERCIAL & INDUSTRIAL		
PILOT Year	20 Year	15 Years	10 Years	485(b)	15 Years	10 Years	485(b)
1	90.0%	90.0%	100.0%	50.0%	75.0%	75.0%	50.0%
2	85.5%	84.0%	90.0%	45.0%	70.0%	67.5%	45.0%
3	81.0%	78.0%	80.0%	40.0%	65.0%	60.0%	40.0%
4	76.5%	72.0%	70.0%	35.0%	60.0%	52.5%	35.0%
5	72.0%	66.0%	60.0%	30.0%	55.0%	45.0%	30.0%
6	67.5%	60.0%	50.0%	25.0%	50.0%	37.5%	25.0%
7	63.0%	54.0%	40.0%	20.0%	45.0%	30.0%	20.0%
8	58.5%	48.0%	30.0%	15.0%	40.0%	22.5%	15.0%
9	54.0%	42.0%	20.0%	10.0%	35.0%	15.0%	10.0%
10	49.5%	36.0%	10.0%	5.0%	30.0%	7.5%	5.0%
11	45.0%	30.0%			25.0%		
12	40.5%	24.0%			20.0%		
13	36.0%	18.0%			15.0%		
14	31.5%	12.0%			10.0%		
15	27.0%	6.0%			5.0%		
16	22.5%						
17	18.0%						
18	13.5%						
19	9.0%						
20	4.5%						

Note: As outlined in **Section 2 on Page 4**, "In no event will a PILOT agreement reduce the property's tax payments below the amount of taxes paid prior to the project."

The abatement percentages referenced above apply solely to the "improvement taxes," which represent the difference between the estimated full tax liability upon project completion, as determined by the City Assessor or a third-party appraiser, and the current and/or base taxes reflected on the current year's tax bill.

The PILOT schedules outlined provide a graduated abatement that phases the project into full taxation over time, ensuring that taxing jurisdictions receive no less than the pre-project tax revenue while benefiting from increased revenues as the project progresses. Please see **Appendix B** for an example of the standard 485(b) schedule.

Appendix B: 485(b) PILOT Example

PILOT SCHEDULE

485(b) Example

Current Taxes[1]	$10,000	Starting Abatement	50%
Improvement Taxes	$100,000	Phase-In Period	10
"As Improved" (Full) Taxes[2]	$110,000	Annual % Decrease	5.0%
Proposed Units / GSF	20		
Estimated Full Taxes Per Unit / GSF	$5,500		
Annual Escalator	0.00%		

PILOT Year	Base Taxes (A)	Full Taxes (B)	Improvement Taxes (C) = (B) - (A)	Abatement (D)	Project Savings (E) = (C) x (D)	PILOT Payment (F) = (B) - (E)	Increment (G) = (F) - (A)
Construction	$10,000	$10,000	$0	0%	$0	$10,000	$0
Construction	$10,000	$10,000	$0	0%	$0	$10,000	$0
1	$10,000	$110,000	$100,000	50.0%	$50,000	$60,000	$50,000
2	$10,000	$110,000	$100,000	45.0%	$45,000	$65,000	$55,000
3	$10,000	$110,000	$100,000	40.0%	$40,000	$70,000	$60,000
4	$10,000	$110,000	$100,000	35.0%	$35,000	$75,000	$65,000
5	$10,000	$110,000	$100,000	30.0%	$30,000	$80,000	$70,000
6	$10,000	$110,000	$100,000	25.0%	$25,000	$85,000	$75,000
7	$10,000	$110,000	$100,000	20.0%	$20,000	$90,000	$80,000
8	$10,000	$110,000	$100,000	15.0%	$15,000	$95,000	$85,000
9	$10,000	$110,000	$100,000	10.0%	$10,000	$100,000	$90,000
10	$10,000	$110,000	$100,000	5.0%	$5,000	$105,000	$95,000
Totals	$100,000	$1,100,000	$1,000,000		$275,000	$825,000	$725,000
					25% of full taxes	75% of full taxes	
						$82,500 annual avg.	
						$4,125 per unit annually	
						8.3 multiplier over current taxes	

[1] *To be substantiated by the current year tax bill*

[2] *To be provided by City Assessor or third-party*

Note: The schedule above is intended for illustrative purposes only and does not represent an actual project. The proposed PILOT agreement spans 10 years, beginning with a 50% abatement of “improvement taxes” in Operating Year 1. “Improvement taxes” are defined as the difference between the estimated as-complete tax liability of $110,000 and the current tax obligation of $10,000. In Year 1, the Project would pay the base tax of $10,000 plus 50% of the "improvement tax" of $100,000, which equals $50,000, resulting in a total PILOT payment of $60,000. Beginning in Operating Year 2 and continuing through Operating Year 10, the abatement percentage decreases by 5.0% annually.

It should be noted that while the abatement percentage is fixed, the corresponding PILOT payments and projected developer savings are illustrative. Actual figures will vary year by year based on changes in assessed value and applicable tax rates. The abatement percentage is the only predetermined variable; total tax liability will fluctuate annually.