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**NDC's suggested PILOT schedule for the Kingstonian is problematic for Kingston's school district finances now and long into the future**

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National Development Council's ("NDC") October 23, 2020 cost/ benefit analysis for the proposed Kingstonian development is curiously silent about NYS Property Tax Cap law impacts and how PILOTs harm local taxing authorities' ability to fund new services.

Property taxpayers, including those across the Kingston City School District that serves several municipalities, will likely face one of two outcomes if the Kingstonian developers receive the PILOT they asked for or if NDC's proposed PILOT is used. The board of education will have to choose between:

- A. Cutting school district programming (e.g. teacher and staff layoffs, increased class sizes, etc.), or
- B. Increasing property taxes

This is just how NYS law and the Property Tax Cap formula [works](#). It is unreasonable to list "net public benefits" from the Kingstonian without even mentioning let alone considering Tax Levy Limit (TLL) impacts. An alternative third option to these two could only occur if there was a material contraction in the number of students residing in the district.

School districts are primarily funded by property taxes and state aid. Property taxes are levied against the Full Taxable Value of real estate and its calculation is subject to the NYS Property Tax Cap law. Annually, each school district follows an eight-step formula to calculate its TLL. The TLL does not change when there is a change in the taxable value due to assessment increases; in that instance, the tax rate decreases. However, when there is significant new project construction, the NYS Commissioner of Tax and Finance calculates a Tax Base Growth Factor (TBGF) that increases the TLL to pay for services arising from the new construction.

If it's fully taxed, the taxable value of \$19 million for the Kingstonian would result in a TBGF of approximately 1.0042 and an increase in the district's TLL of more than \$440,000. However, when a new project is subject to a PILOT agreement, its taxable value is never included in the TBGF. This significantly limits a school district's ability fund educating new K-12 students created by increases in housing supply.

Using NDC's newly proposed PILOT, the Kingstonian developers would pay approximately \$2.1 million over 25 years in lieu of school taxes. In comparison, if the project was fully taxed with an assessed value of \$19 million at year 1 and the district's '19-'20 TLL of \$105,589,983 escalated 2% annually, the developers would pay \$16.6 million in school taxes.

Moreover, harm is perpetual. During years 26 through 50 the school district could see \$23.8 million less in TLL because of the original PILOT. This would happen because the tax cap formula's Tax Base Growth Factor never adjusts -- even at the end of a PILOT's term when properties become taxable.

Given these scenarios, if the district's board of education opted not to cut programming because of its lowered TLL from the PILOT, the board could try to make up the difference and raise revenue by raising property taxes. This would require asking voters to support a tax cap override. And, a supermajority of 60% or more would be needed to vote in favor of raising taxes to offset the shortfall.

[In 2020](#), only 13 districts across the state chose this option; there was a 69% success rate, compared with a 99% success rate for districts that did not need a supermajority approval of their budget. The Kingston board of education has never attempted a budget override.

We are troubled by this proposal to prop up investors of market rate for-profit housing, lodging, and retail. The Kingstonian could set a dangerous precedent for Ulster County that unfairly harms taxpayers and school districts' ability to serve students. Please take a closer look at what is being considered.

**NDC's October 23, 2020 report:**

[https://ulstercountyny.gov/sites/default/files/NDC\\_Kingstonian%20Report\\_20201023\\_wComments.pdf](https://ulstercountyny.gov/sites/default/files/NDC_Kingstonian%20Report_20201023_wComments.pdf)