

City Council
Work Session Agenda
October 12, 2010
7:00 p.m.



Discussion Items:

1. Eminent Domain Findings in Connection with Public Interest Associated With the Taking of Private Sewer Line and Street, Gaffney Drive.
2. Jefferson County Industrial Development Agency Uniform Tax Exemption Policy and Guidelines, October 8, 2010 memorandum from City Manager Mary M. Corriveau; October 5, 2010 letter from Scott N. Burto, Mayor, Village of West Carthage and Terry L Buckley, Supervisor, Town of Champion.
3. City and County Tax Enforcement Procedures, October 7, 2010 memorandum from City Comptroller James E Mills.
4. Health Insurance Plan Changes, October 8, 2010 and September 29, 2010 memorandums from City Manager Mary M. Corriveau.

October 8, 2010

To: The Honorable Mayor and City Council
From: Mary M. Corriveau, City Manager
Subject: Jefferson County Industrial Development Agency
Uniform Tax Exemption Policy and Guidelines

On September 3, 2010, the City of Watertown received a copy of the Jefferson County Industrial Development Agency's proposed Uniform Tax Exemption Policy and Guidelines for review and comment. At the request of the City Council, Staff has reviewed the Uniform Tax Exemption Pilot (UTEP).

As a bit of background on Industrial Development Agencies, they are governed by Article 18-A of NYS General Municipal Law (GML). The State of New York established IDAs to promote, develop, encourage, and assist in the acquiring, constructing, reconstructing, improving and maintaining, equipping and furnishing industrial, manufacturing, warehousing, commercial, research and recreation facilities including industrial pollution control facilities, educational or cultural facilities, railroad facilities, horse racing facilities and continuing care retirement communities. Upon the establishment of IDAs, the State determined that IDAs carry out their corporate purposes for the benefit of the people of NYS and are a public purpose, and regarded as performing a governmental function in the exercise of its powers and shall be required to pay NO taxes (real property, sales tax and/or mortgage recording tax) or assessments upon any of the property acquired by it or under its jurisdiction or control or supervision or upon its activities.

As the JCIDA's cover letter states, pursuant to Section 874 of NYS General Municipal Law, IDAs are required to adopt a UTEP, after receiving input from the affected tax jurisdictions. The Uniform Tax Exemption Pilot is the vehicle for affected taxing jurisdictions to receive tax payments on property acquired by or under the IDA's jurisdiction or control or supervision. This proposed UTEP replaces one that was adopted by the JCIDA, and most recently amended on February 3, 2004, a copy of both UTEPs have been attached for your review and comparison.

The following is a summary Staff comments regarding the IDA's proposed UTEP:

Project Review:

The 2004 UTEP details what factors the Agency will consider in its economic assessment of a project. The proposed UTEP does not address the factors the Agency will look at to determine the economic impact of a project. The only reference to

economic factors is included in the deviations section of the Policy. Based on §874 of GML these factors should be looked at prior to providing any tax exemptions, not only when the Agency deviates from its policy.

Uniformity:

The IDA's existing UTEP has a defined PILOT structure (pages 4 and 5) based on the type of project that is being considered. The new UTEP PILOT structure defines the maximum term of the PILOT, and the maximum relief that will be provided, but leaves the exact terms of the PILOT schedule open for discussion each time a PILOT is granted. This could lead to consternation on the part of affected taxing jurisdictions and potential developers.

Deviations from Policy:

The last sentence of the second paragraph speaks to the Agency's ability to provide enhanced benefits for certain projects on a case-by-case basis as determined by the Agency's members. Language that grants the Agency's members the ability to provide enhanced benefits without notification to the affected taxing jurisdictions, seems to be contrary to §874 4(b), which says that the "agency will set forth in writing the reasons for deviation from such policy, and shall further notify the affected taxing jurisdictions of the proposed deviation..." This language is also contrary to the section of the Policy titled Deviations.

Expansion of Benefits:

I would ask that the City Council carefully review the expansion of benefits to be provided under the Sales and Use Tax Exemptions, as well as the Mortgage Recording Tax Exemptions. As an example, the new language allows the Agency to provide mortgage recording tax exemptions on non-project related financings, such as second-mortgages.

Recapture:

The law provides for the recapture of benefits provided by the IDA. The proposed UTEP details the events that may trigger a recapture of benefits provided, but does not discuss how the recaptured funds will be shared with the affected taxing jurisdictions. I believe there should be language in the UTEP that defines to whom the recaptured funds will go.

Amendments:

This language has been the focus of much discussion and from my perspective is redundant, as that is what the law says IDAs can do. It is the process that is currently underway.

The JCIDA has provided me with the attached listing of the loans, PILOTs and tax exemptions provided within the City of Watertown of the last fifteen (15) years.

Staff is prepared to discuss this matter at the City Council work session, so that we can draft our formal response to the proposed UTEP. The JCIDA is holding a formal Public Hearing on the new UTEP on November 3, 2010 at 7:00 p.m. in the Amphitheater at Jefferson Community College.



Jefferson County Industrial Development Agency

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fx: 315.782.7915

www.jcida.net

September 1, 2010

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

To: The Chief Executive Officer of Each
Affected Tax Jurisdiction Indicated
On the Attached List of Addressees

Re: Jefferson County Industrial Development Agency
Proposed Re-adoption of Uniform Tax Exemption Policy and Guidelines

Ladies and Gentlemen:

Please accept this letter on behalf of the Jefferson County Industrial Development Agency (the "Agency") as a notice of the Agency's proposed adoption of a new "Uniform Tax Exemption Policy" or "UTEP", which is required to be adopted and reviewed from time to time pursuant to Section 874 of the General Municipal Law ("GML"). As you are likely aware, the Agency has been developing proposed revisions to the UTEP for nearly two years through open meetings and the receipt of input from Agency Staff and outside professional support, the Agency's Board, the Agency Wind Committee, Agency Governance Committee, elected officials throughout the County of Jefferson, members of the public, and interested businesses.

In accordance with GML Section 874(4), please accept this letter as a notice of public hearing that the Agency will conduct with respect to the proposed UTEP, the draft of which is enclosed as **Exhibit A** for your review and comment. GML Section 874(4) further requires the Agency to distribute with the proposed UTEP a detailed report on projects sponsored by the Agency within the past 5 years, a copy of such report being attached hereto as **Exhibit B**.

Please be advised that the Agency will conduct a public hearing relating to the review and adoption of the enclosed UTEP on November 3, 2010 at 7 pm in the Amphitheater at Jefferson Community College, Coffeen Street, Watertown, New York 13601. The Agency invites representatives of each Affected Tax Jurisdiction to attend this public hearing to address the Agency with any comments relative to the proposed UTEP.

The Agency further invites any Affected Tax Jurisdiction to provide written comments and/or attend the Agency's next regularly-scheduled board meetings on Thursday October 7, 2010 at 9:00 am or November 4, 2010 at 9:00 am., 800 Starbuck Avenue, Watertown, New York 13601. The Agency welcomes any and all input you may have as it considers adoption of the proposed UTEP following the November 3rd Public Hearing.



Considerable Agency time and resources have been invested in developing the enclosed UTEP, which will guide the Agency's consideration and actions in connection with undertaking any Agency-sponsored projects within the County. In addition to adding a new category of "Renewable Energy Facility Projects", which you have undoubtedly read about in the past two years, the Agency has also both maintained and enhanced strong protections for Affected Tax Jurisdictions (hereinafter, "ATJ's") above and beyond those required and afforded within the General Municipal Law. In furtherance of its mission to foster economic development throughout the County of Jefferson, the Agency considers each and every ATJ within the County a partner in economic development. In this capacity, the proposed UTEP retains existing ATJ approval provisions and includes new provisions granting significant deference to local project review and control.

To assist your review of the UTEP, the following summary encapsulates the major issues and points of interest:

1) **ATJ Review and Consent for Agency Projects.** Generally, the proposed UTEP does not expand existing Agency PILOT abatements nor alter existing administrative practices for "typical" manufacturing, industrial and commercial projects. Rather, the proposed revisions include a new category for Renewable Energy Facility Projects, along with various "housekeeping" revisions to the existing UTEP last adopted by the Agency on February 3, 2004. In addition, as with current policy requirements, the proposed UTEP would require Agency to secure affirmative ATJ consent before undertaking any deviation and before approving any PILOT for Renewable Energy Facility Projects or any commercial, qualified retail, office building, hotel, qualified community or civic facilities. It should be noted that these continuing requirements are self-imposed by Agency and exceed procedural requirements contained within the IDA Act.

2) **Enhanced Disclosure and Collaboration with ATJs.** The proposed UTEP requires Agency staff to work closely with representatives of the ATJs to discuss a proposed project and shall provide each ATJ with the following materials: (i) a copy of the application submitted to the Agency, (ii) a cost-benefit analysis relating to the project, (iii) a summary of the terms and structure of financial assistance to be provided by the Agency (including proposed PILOT abatement or payment schedule(s); and (iv) whether the Agency is considering a deviation from this policy with respect to the proposed project. This language, which again is self-imposed beyond IDA Act requirements, will mandate close collaboration between Agency and all ATJs associated with future Agency projects.

3) **Deference to Local Project Review.** The proposed UTEP requires Agency to consider final approval of any PILOT Agreement after applicable local site plan and other necessary approvals have been secured by applicants to the Agency. This language in the proposed UTEP is included to provide broad deference and discretion to ATJs having jurisdiction or approval control over any Agency project. In essence, an Agency PILOT will not be approved for a project if a local board and/or ATJ does not support or refuses to allow a project to go forward. This language will also allow Agency to assist local boards and/or ATJs



enforce locally-approved project conditions, including site plan restrictions, decommissioning agreements and other local project contingencies that must be met by project owners.

4) SEQRA Completion. The proposed UTEP states that Agency's final consideration and approval of a PILOT Agreement shall take place after an applicable lead agency's completed review of the subject project pursuant to and in accordance with the State Environmental Quality Review Act ("SEQRA"). In practice, this requirement already exists, inasmuch as Agency constitutes an "agency" under SEQRA because Agency is a public benefit corporation and must follow the review requirements of SEQRA. However, the proposed language further recognizes and supports the lead role of local boards and/or ATJs that are or will be lead agency under SEQRA for Agency-sponsored projects. This is another self-imposed restriction Agency would be required to adhere to above and beyond requirements contained within the IDA Act.

5) PILOT Distribution Collaboration. Under GML Section 858(15), unless otherwise agreed by the ATJs, all PILOT Agreements shall provide that PILOT Payments received shall be allocated among the ATJs in proportion to the amount of real property tax and other taxes which would have been received by each ATJ had the project not been tax exempt due to the status of the Agency involved in the project. In essence, this language requires PILOT payments to be distributed pro-rata based upon the respective tax rates of the ATJs (unless they otherwise agree).

The proposed UTEP contains enhanced requirements that Agency must follow as a means to foster collaborative agreement among ATJs if a negotiated distribution formula is desired. The proposed UTEP states that prior to the Agency's approval of any PILOT Agreement, Agency staff shall work closely with representatives of the ATJs to determine whether the affected taxing jurisdictions collectively desire to establish an allocation of PILOT Payments other than pro-rata. If desired by the applicable ATJs, a negotiated allocation of PILOT payments for a particular project (other than pro-rata) can be established. In such a case, the Agency shall provide the ATJs with forms of approving resolutions for consideration in connection with the establishment of an agreed distribution formula. Again, this is another extraordinary administrative procedure offered by Agency in the proposed UTEP to maintain open and effective communication and collaboration with and among ATJs in furtherance of Agency's mission to undertake economic development in Jefferson County.

The Agency also welcomes and encourages any representative of an Affected Taxing Jurisdiction to contact Agency Chief Executive Officer Donald C. Alexander with any questions or for additional information regarding the UTEP. In addition, if a short presentation by a member of the Agency staff regarding the proposed UTEP would be helpful during the intervening time, please call my office and we will attempt to schedule.



Jefferson County Industrial Development Agency

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I can be contacted at the address noted above and/or dcalexander@jcida.net and (315) 782-5865.

Very truly yours,

JEFFERSON COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

Donald C. Alexander, Chief Executive officer

cc: Urban Hirschey, Chairman
David Converse, Member of the Board
John Doldo Jr., Member of the Board
Kent Burto, Member of the Board
Michelle Pfaff, Member of the Board
William Fulkerson, Member of the Board
Ed Walldroff, Member of the Board
Attorney Justin Miller, Harris Beach PLLC
Attorney James Heary, The Heary Law Firm



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Affected Tax Jurisdictions

Sent to all taxing jurisdictions in Jefferson County, New York. Complete mailing list available upon request.

UNIFORM TAX EXEMPTION POLICY

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY UNIFORM TAX EXEMPTION POLICY AND GUIDELINES

The Jefferson County Industrial Development Agency (herein, the "Agency") was established as a public benefit corporation of the State of New York (the "State") by Title 1 of Article 18-A of the General Municipal Law ("GML") of the State of New York, as amended, and Chapter 369 of the Laws of 1971 of the State, as amended (hereinafter collectively called the "Act"), with purposes and powers that include, among other things, the undertaking of certain "projects" as defined within the Act, including the construction, operation and maintenance of civic, industrial, manufacturing and commercial facilities. Pursuant to Section 874 of the Act, the Agency is required to adopt and maintain a "Uniform Tax Exemption Policy" wherein the Agency establishes uniform standards by which certain forms of "financial assistance" are provided to applicants and duly appointed agents of the Agency in connection with carrying out projects approved by the Agency from time to time.

In accordance with the Act, the Agency has adopted the policies and standards with respect to the provision of financial assistance to applicants, which shall generally include (i) real property tax abatements relating to otherwise taxable real property acquired by the Agency and memorialized within Payment-in-lieu-of-Tax Agreements ("PILOT Agreements"); (ii) exemptions from sales and use taxes for taxable materials and services acquired by agents of the Agency; and (iii) mortgage recording taxes exemptions in connection with mortgage-secured financings that the Agency may participate. The Agency may grant enhanced benefits on a case by case basis for a project expected to have a significant economic impact within the County of Jefferson (the "County") and/or component municipalities as determined by the Agency's members.

A. Real Property Tax Abatements.

(i) Industrial and Non-Industrial Projects. The Agency maintains a policy for the provision of real property tax abatements for qualified projects undertaken by the Agency where the Agency acquires a fee of leasehold interest in real estate. The abatement provided by the Agency for qualifying industrial and non-industrial projects shall apply to the value added to real property brought about by construction and/or renovation of qualifying projects (the "Added Value"), with existing parcel assessments values (as established prior to Agency involvement) frozen during the term of any PILOT Agreement (the "Base Value"). The Agency will use existing tax data to negotiate the payment in lieu of tax agreement and, therefore, real property appraisals will not normally be required.

The period of the exemption will not exceed the period of the respective financing or lease and will be for a period of up to fifteen (15) years. The Agency's policy with respect to the abatement of real property taxes results in a graduated schedule of abatement applicable to County, Municipal and School real estate taxes. Each schedule will result in increasing percentages of taxes due with a maximum initial abatement of seventy-five (75%) with annual increases over the life of the project averaging no less than a two and one-half percent (2.5%)

increase per annum, where a greater than fifty percent (50%) abatement is granted over the term of the PILOT Agreement. Eligible projects include industrial projects (i.e. manufacturing, remanufacturing, assembly, processing, product research and development, etc.) and non-industrial projects (i.e. warehouse, wholesale/distribution, commercial, qualified retail, office building, hotel, qualified community and civic facilities). The Agency will not provide PILOT abatements to any commercial, qualified retail, office building, hotel, qualified community, civic, or Renewable Energy Facilities (as defined herein) without the affirmative consent of the affected taxing jurisdictions.

In accordance with the Act, the Agency shall notify affected taxing jurisdictions prior to undertaking any proposed deviation from this policy and the reasons therefore. Any deviations from the foregoing standard policy shall require the affirmative consent of affected taxing jurisdictions and will be made only with the specific approval of the Agency's members based on the factors listed in paragraph E and those described in Section 874(4)(a) of the Act.

(ii) Renewable Energy Facility Projects. In addition to Industrial and Non-Industrial Projects, the Agency may also provide real property tax abatements to wind and other renewable energy facilities (collectively, "Renewable Energy Facilities") constructed within the County, including wind, hydro-electric, photo-voltaic and biomass energy production facilities. In recognition of the significant amount of capital investment associated with Renewable Energy Facilities, the Agency has developed a standard formulary to be incorporated into PILOT Agreements for Renewable Energy Facilities, as follows:

1) a PILOT term of up to twenty (20) years with a minimum annual base PILOT Payment reflecting a fixed dollar amount per megawatt (MW) 'face plate' charge (the "Base Payment"), such Base Payment to escalate annually at no less than two and one-half percent (2.5%) per annum, compounded; and

2) an energy price incentive payment to be determined upon the area within which the proposed Renewable Energy Facility project is to be located (the "Incentive Payment"), such Incentive Payment to be negotiated on a project-by-project basis depending upon whether the project operator intends to sell energy to the open market or through one or more power purchase agreements ("PPA").

The Agency shall annually establish a minimum fixed dollar amount to establish the Base Payment, as defined above. Any participation by the Agency in sponsoring a Renewable Energy Facility project shall take into account whether a project sponsor is required to enter into one or more host municipality agreement(s).

B. PILOT Agreement Approval Process.

The Agency shall comply with applicable provisions of the Act in connection with the provision of financial assistance to any applicant, including the scheduling and conduct of a public hearing in accordance with GML Section 859-a. In addition to public hearing notice requirements contained within the Act, the agency has established the following practices and considerations:

- 1) Prior to conducting any required public hearings for any project, Agency staff shall work closely with representatives of the affected taxing jurisdictions to discuss a proposed project and shall provide each affected taxing jurisdiction with the following materials: (i) a copy of the application submitted to the Agency, (ii) a cost-benefit analysis relating to the project, (iii) a summary of the terms and structure of financial assistance to be provided by the Agency (including proposed PILOT abatement or payment schedule(s); and (iv) whether the Agency is considering a deviation from this policy with respect to the proposed project.
- 2) The Agency shall consider final approval of any PILOT Agreement after applicable local site plan and other necessary approvals have been secured by applicants to the Agency.
- 3) The Agency's final consideration and approval of a PILOT Agreement shall take place after an applicable lead agency's completed review of the subject project pursuant to and in accordance with the State Environmental Quality Review Act ("SEQRA").
- 4) Each project receiving any abatement from real property taxes will be subject to a PILOT Agreement in a form acceptable to the Agency and in compliance with the Act. The Agency will consider project factors, similar to those described in paragraph E herein, when determining the amounts to be paid under the PILOT Agreement.
- 5) A copy of the PILOT Agreement will be forwarded to each of the affected taxing jurisdictions within fifteen (15) days of execution. In accordance with Section 858(15) of the Act, unless otherwise agreed by the affected taxing jurisdictions, all PILOT Agreements shall provide that PILOT Payments received shall be allocated among the affected taxing jurisdictions in proportion to the amount of real property tax and other taxes which would have been received by each affected taxing jurisdiction had the project not been tax exempt due to the status of the Agency involved in the project.
- 6) Prior to the Agency's approval of any PILOT Agreement, Agency staff shall work closely with representatives of the affected taxing jurisdictions to determine whether the affected taxing jurisdictions collectively desire to establish an allocation of PILOT Payments other than pro-rata. If it is desired by the affected taxing jurisdictions to establish a negotiated allocation of PILOT payments for a particular project (other than pro-rata), the Agency shall provide the affected taxing jurisdiction with forms of approving resolutions for consideration in connection with the establishment of an agreed distribution formula.
- 7) The Agency shall require all project sponsors to demonstrate commitments with respect to the use of local labor and all such project sponsors shall comply with any and all applicable codes of conduct with respect to ethics and conflicts of interest.

C. Sales and Use Tax Exemptions.

The Agency maintains a policy for the provision of sales and use tax exemptions for qualified projects undertaken by the Agency. Where the Agency authorizes the undertaking of a project in accordance with the Act and has appointed an applicant its agent to undertake same, the Agency may enter into one or more agreements with such applicant evidencing such appointment and allowing the applicant to purchase and/or lease materials, equipment and taxable services as agent of the Agency. The abatement provided by the Agency for qualifying projects shall apply to purchases of construction materials and equipment rentals and purchases of project related equipment, furnishings and services are made as agent for the Agency, and are therefore afforded full exemption from local and New York State Sales and Use Taxes until the project is completed (ie. certificate of occupancy). Operating and maintenance expenses of projects are not incurred as agent of the Agency, and no sales tax exemption shall be provided by the Agency for purchases and rentals after a project is completed.

All project applicants must agree in writing to file with the New York State Department of Taxation Form ST-340, and/or such other forms at times required, an annual statement of the value of all sales and use taxes exemption claimed in connection with the facility in full compliance with Section 874(8) of the General Municipal Law.

D. Mortgage Recording Tax Exemptions.

The Agency maintains a policy for the provision of mortgage recording tax exemptions for qualified projects undertaken by the Agency. Where the Agency authorizes the undertaking of a project in accordance with the Act and the applicant secures one or more loans to pay for project acquisition or improvements that will be secured against the project with one or more mortgages, the Agency may participate as a non-recourse mortgagor with the applicant for purposes of exempting any mortgage recording taxes that would otherwise be due and payable but for the Agency's involvement with the project. The Agency's Policy is to permit mortgage recording tax exemptions on all project related financing to the full extent permitted by New York State Law, whether or not the Agency has issued its bonds to finance the Project.

The Agency may, in its sole discretion, permit mortgage recording tax exemptions on non-project related financings, (eg. second mortgages on the project to secure subordinated indebtedness of the project applicant). In determining whether to permit such exemptions on non-project related financing, the Agency shall consider such factors as it deems appropriate, including but not limited to the use of the property, the degree of investment, the degree and nature of the employment and the economic condition of the areas in which the facility is located.

E. Deviations.

In addition to or in lieu of the foregoing the Agency may determine, on a case by case basis, to deviate from the guidelines described above or provide enhanced benefits for a project expected to have significant impact in the locality where the project will be located. Any deviation from the guidelines set forth above requires the written notification by the Agency to

the chief executive officer of each affected taxing jurisdictions and the affirmative consent to same by the affected taxing jurisdictions. The Agency may consider any or all of the following factors in making such determination, no single one of which is determinative:

- 1) The nature of the proposed project (eg. manufacturing, commercial, civic, etc.).
- 2) The nature of the property before the project begins (eg. vacant land, vacant building, etc.)
- 3) The economic condition of the area at the time of the application and the economic multiplying effect the project will have on the area.
- 4) The extent to which the project will create or retain permanent, private sector jobs, the number of jobs to be created/retained and/or the salary ranges of such jobs.
- 5) The estimated value of tax exemptions to be provided.
- 6) The economic impact of the project and the proposed tax exemptions on affected taxing jurisdictions.
- 7) The impact of the proposed project on existing and proposed businesses and economic development projects in the vicinity.
- 8) The amount of private sector investment generated or likely to be generated by the proposed project.
- 9) The likelihood of accomplishing the proposed project in a timely fashion.
- 10) The effect of the proposed project upon the environment and surrounding property.
- 11) The extent to which the proposed project will require the provision of additional services including, but not limited to, educational, transportation, emergency medical or police and fire services.
- 12) The extent to which the proposed project will provide additional sources of revenue for municipalities and school districts in which the project is located.
- 13) The extent to which the proposed project will provide a benefit (economic or otherwise) not otherwise available within the municipality in which the project is located.

F. Recapture of Benefits.

The agency, at its sole discretion and on a case-by-case basis, may determine, (but shall not be required to do so) with respect to a particular project, that a project has failed to meet its intended goals and to require the project applicant to agree to the recapture by the Agency of the

value of any or all exemptions from taxation granted with respect to the project by virtue of the Agency's involvement. Events that the Agency may determine will trigger recapture may include, but not limited to:

- 1) Sale or closure of facility;
- 2) Significant employment reduction;
- 3) Significant change in use in facility;
- 4) Significant change in business activities or project applicant or operator; or
- 5) Material noncompliance with or breach of terms of Agency transaction documents or of zoning or land use laws or regulations or federal, state or local environmental laws or regulations.

If the Agency determines to provide for the recapture with respect to a particular project, the Agency also shall, in its sole discretion and on a case-by-case basis, determine the timing and percentage of recapture.

G. Effective Date.

This Uniform Tax Exemption Policy shall apply to all projects for which the Agency has adopted or adopts an Inducement Resolution after _____, 2010 **[DATE OF UTEP ADOPTION RESOLUTION]**.

H. Amendments.

The Agency, by resolution of its members, and upon notice to all affected taxing jurisdictions as may be required by law, may amend or modify the foregoing policy as it may, from time to time, in its sole discretion determine.

JCIDA Projects
2005-2010

| | Name of Project | Type of Project | Period of Exemption | Estimated % of Exemption by Year | Estimated Value of any other assistance by Agency | PILOT Commitments Made and Met? | Estimated Value of PILOT by Year, by Amount allocated to ATJ's | Estimated Amt. of Private Sector Investment | Project Job Creation | Project Retained Jobs |
|---|--------------------------------------|-----------------|---------------------|----------------------------------|---------------------------------------------------|---------------------------------|----------------------------------------------------------------|---------------------------------------------|----------------------|-----------------------|
| 1 | Buckley Realty, LLC | PILOT | 2008-2029 | 57% | \$ 41,075.00 | Yes | \$ 7,500.00 | \$ 1,325,000.00 | 5 | 0 |
| 2 | Eagle Ridge Partners, L.P. (Phase I) | PILOT | 2008-2010 | 34% | \$ 1,953,000.00 | Yes | \$ 189,621.00 | \$ 63,000,000.00 | 9 | 0 |
| 3 | Great Lakes Cheese of New York | PILOT | Pending | Pending | \$ 3,247,000.00 | Pending | Pending | \$ 87,000,000.00 | 12 | 78 |
| 4 | Roth Industries | PILOT | 2006-2021 | 25% | \$ 383,000.00 | Yes | \$ 10,634.00 | \$ 6,000,000.00 | 13 | 0 |
| 5 | Scholastic Structures | PILOT | 2006-2020 | 25% | \$ 12,400.00 | Yes | \$ 1,850.00 | \$ 400,000.00 | 0 | 0 |
| 6 | Upstate NY Power Corp. | PILOT | Pending | 9% | \$ 22,701,250.00 | Pending | \$750,000 (increasing) | \$ 703,000,000.00 | 24 | 0 |

**JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
UNIFORM TAX EXEMPTION POLICY**

Amended February 3, 2004

I. Statement of Purpose:

The Jefferson County Industrial Development Agency (JCIDA), in accordance with the New York State General Municipal Law (NYS GML) Section 874 is exempt from real property, sales and mortgage taxes. By obtaining a passive interest in the property title of economic development projects, the JCIDA can confer on those projects the advantages of such tax exemptions, thereby enhancing the projects' success and increasing its ability to provide a positive impact to the economy of the County and the residents thereof. It is the intention of the JCIDA that the operation of this policy will enhance the tax base of the County by facilitating projects that would have otherwise been deferred or located elsewhere. The provision of tax abatements by the JCIDA in this manner shall be governed by the content of this policy statement.

II. Policy and Process

A. The JCIDA shall assess and determine the economic impact of a project by use of market analysis, employment generation, taxation and assessment generation, economic impact, and/or community support, and shall approve projects for Payment in Lieu of Tax (PILOT) based upon this economic assessment. The impact of a proposed project on existing and proposed businesses and economic development projects in the vicinity. The amount of private sector investment generated or likely to be generated by a proposed project. The likelihood of accomplishing a proposed project in a timely fashion. The extent to which a proposed project will require additional services such as education, transportation, police, emergency, medical or fire. The extent to which a project will provide additional sources of revenue for municipalities and school districts.

B. The JCIDA shall notify each affected taxing jurisdiction of a pending project. Said notification shall be in written form and include the economic assessment, in advance of the date of the voting on a resolution of inducement by the JCIDA.

C. The JCIDA will retain the ability to grant an exemption of PILOT greater than the schedules contained herein on projects which have unique significance based upon recommendations or agreement of the affected taxing jurisdictions or findings by JCIDA.

D. The assessed valuation of the facility and any improvement shall be the determination of the taxing and assessing jurisdictions for the applicable year, and shall be based upon the percentage of completion of the facility and improvements as established by the assessing jurisdiction.

E. The PILOT Agreement shall contain:

1. For Payment in lieu of Real Property Taxes, a combined schedule as warranted, consisting of "X" and "Y" payments as follows:

a. The "X" payment shall consist of one hundred (100%) percent of the annual assessment and taxation applicable and due on the existing facility and property as of the date of transfer to the JCIDA.

b. The "Y" payment shall consist of the percentage of applicable project exemption entitlement reflected herein for the applicable year, applied to the additional assessment resulting from new property acquisition, construction and/or facility improvements. The equivalent taxes shall be established by applying the actual annual tax rate for each taxing jurisdiction.

The procedure for governing a PILOT and instances in which real property appraisals are to be performed as part of an application for tax assessment. The procedure will provide for the statutory penalty of 5% of the amount due for delinquent PILOT payments.

2. An exemption for sales tax on taxable items incorporated into a project. No sales tax exemptions shall be given for the operation of a project.

3. No payment in lieu of mortgage recording tax shall be made.

4. A provision for the recapture of the benefits afforded by the agreement in the event that the economic activity pledged by the project operator does not occur to the satisfaction of the JCIDA. These provisions will be more particularly described elsewhere in this policy.

5. Each PILOT Agreement shall contain language that addresses the ability of the project operator to contest the assessment of the subject property. One of three approaches shall be utilized:

a. A floating assessment as may be determined from time to time by the local assessor. In such cases, the assessor shall maintain the right to establish and adjust the assessment during the term of the PILOT agreement, and the operator shall maintain the right to contest the assessment as provided for in New York State Law.

b. An alternative dispute resolution procedure that allows for a third party appraisal process to establish an assessment level.

c. A fixed payment or fixed assessment approach that establishes the assessment level for the term of the PILOT agreement. In such cases, both the assessor and the operator agree to forfeit any rights to adjust

or contest the assessment level during the term of the PILOT agreement.

F. As a means to establish the PILOT program as a reliable economic development tool, and in accordance with the provisions of Article 18A of the NYS GML, the JCIDA has the authority to implement a PILOT with an eligible project, provided such PILOT and its implementation conforms with the procedures and provisions of this policy. However, staff of the Agency shall take the steps necessary to reasonably acquaint the affected taxing jurisdictions regarding the parameters of the proposed agreement, the project operator, the nature of the project and the extent of economic impact. The staff, in concert with the Agency Board of Directors shall attempt to address any concerns raised by the Affected Taxing Jurisdictions, and to overcome any objections prior to implementing a PILOT agreement. In any case, the JCIDA shall only directly implement PILOT agreements that conform to this uniform policy and, are for projects that benefit a manufacturer, or are projects that are located in the Watertown Empire Zone.

G. Except for Empire Zone Projects, no Commercial/Retail Facilities/Office Buildings/Community Facilities PILOT will be given without the consent of all affected taxing jurisdictions.

H. In instances where successive PILOT's are requested by a developer, company or organization, which has previously received a PILOT, the next lower entitlement from the original PILOT entitlement shall be applicable. When there is sufficient economic impact to warrant additional consideration, a greater exemption may be made available upon recommendation of the JCIDA or request of an affected taxing jurisdiction.

III. Real Property Tax Abatement Schedules

A. Definitions:

1. Industrial/Manufacturing.

Manufacturing or production means one or both of two processes: Transforming or fundamentally changing raw materials or personal property. Combining or assembling items of personal property to create another distinct item.

These terms include construction, reconstruction, or making of property out of scrap, salvage or junk material as well as from new or used raw material or items, whether solid, liquid, or other form by processing, manipulating, refining, mixing or changing the form of an article or by joining, combining or assembling two or more articles to produce tangible personal property.

2. Warehousing/Distribution Facilities.

These facilities constitute manufacturing operations if these facilities are subordinate to, and ancillary to, direct manufacturing operations.

3. Commercial/Retail Facilities/Office Buildings/Community Facilities/Not-for-Profit Facilities.

These facilities shall mean the construction of a new building or structure, or the modernization, rehabilitation, expansion, or improvement of an existing building or structure, or the acquisition of machinery and equipment to be used for the buying, selling or otherwise providing of retail goods or services to the general public, or any facility operated on a not-for-profit basis as defined in NYS GML Section 854 (13).

B. Exemption Schedules:

1. Manufacturing/Industrial Facilities. The Manufacturing/Industrial Facility exemption schedule shall have three alternative levels of abatement applicable, dependent upon the relative economic impact of the proposed project. The greater the economic benefit, the greater the recommended abatement. The recommended entitlement shall be reflected in the economic assessment prepared by the JCIDA (Attachment 1). The JCIDA shall select the appropriate schedule based on the economic impact expected by the project.

a. The levels of abatement, in order of largest to smallest exemption, are as follows:

(1) 15 years, 50%. This PILOT for real property taxes will be for a fifteen (15) year term. The project will be seventy-five (75%) percent exempt for years one through five, fifty (50%) percent for years six through ten, and twenty-five (25%) percent exempt for years eleven through fifteen. After year fifteen, the exemption would terminate. This would result in a fifty (50%) percent total exemption during the fifteen year period. No in lieu of sales tax payments shall be made during the construction and equipping of the project, nor will any in lieu of mortgage recording tax payments be made.

(2) 15 years, 35%. This PILOT will be for a fifteen (15) year term. In year one, the project would be seventy (70%) percent exempt. The exemption would decline five (5%) percent each year for the next fourteen years. At year fifteen, the exemption would be zero (0%) percent. This would result in a thirty-five (35%) percent exemption during the fifteen year period. No in lieu of sales tax payments shall be made during the construction and equipping of the project, nor will any in lieu of mortgage recording tax payments be made.

(3) 10 years, 28%. This PILOT will be for a ten year period. In year one, the project would be fifty (50%) percent exempt. The exemption would decline by (5%) percent each year for the next nine years. After year ten, the exemption would terminate; this would result in a twenty-eight (28%) percent total exemption during the ten year period.

2. Watertown Empire Zone Projects. This PILOT is intended to put into effect the regular EZ 485-e benefit. Where a project is located within the Empire Zone, and the operator is a Zone Certified Business, the business may elect to apply to the City or Town of Watertown to utilize a PILOT that reflects the exemption schedule provided for in Section 485-e of the Real Property Tax Law. There are no fees associated with the 485-e nor does it require the consent of any taxing jurisdictions. The 485-e schedule is as follows:

| | |
|---------|------|
| Year 1 | 100% |
| Year 2 | 100% |
| Year 3 | 100% |
| Year 4 | 100% |
| Year 5 | 100% |
| Year 6 | 100% |
| Year 7 | 100% |
| Year 8 | 75% |
| Year 9 | 50% |
| Year 10 | 25% |
| Year 11 | 0% |

3. Commercial/Retail Facilities/Office Buildings/Community Facilities/Not-for-Profit Facilities.

A. The JCIDA shall only provide such assistance to retail facilities in accordance with the restrictions contained in NYS GML Section 862 (2).

B. Commercial/Retail Facilities/Office Buildings/Community Facilities/Not-for-Profit Facilities shall have the following exemption schedule:

| Year of Exemption | Amount of Exemption |
|-------------------|---------------------|
| 1 | 50% |
| 2 | 45% |
| 3 | 40% |
| 4 | 35% |
| 5 | 30% |
| 6 | 20% |
| 7 | 10% |
| 8 and after | 0% |

IV. Recapture of Benefits

A. The JCIDA shall periodically review the economic impact of each of the projects to which it holds title. This will be done sooner where it is obvious that significant deviation from the original intent of the project is realized.

B. All PILOT agreements will contain provisions that allow for the recapture of past, and cancellation of future tax abatements. In determining the extent of recapture or cancellation, the JCIDA shall consider the extent to which the company has met its proposed economic impacts.

C. The following policy concerning recapture of the abated taxes shall apply.

1. Sale or closure of the facility. The PILOT is terminated immediately, and the property deeded back to the operator.

2. Significant employment reductions. If after careful examination, this is to be a temporary situation, no action will be taken. If the situation is deemed permanent, then the abatement will be reduced by up to 100%, and/or recapture of past tax benefits can be pursued, at the discretion of the JCIDA and in consultation with the affected taxing jurisdictions.

3. Significant change in the use of the facility. If the change still is consistent with acceptable JCIDA policy and there is insignificant job loss, no action will be taken. If this change falls outside acceptable JCIDA policy, then the withdrawal of entire abatement and/or recapture of past tax benefits can be pursued at the discretion of the JCIDA and in consultation with the affected taxing jurisdictions.

V. Deviations from Policy

A. There are several factors that the JCIDA will consider in determining whether to deviate from these policies. The JCIDA will reserve discretion to deviate on a case-to-case considering all factors the JCIDA deems relevant. These deviations from the standard policy will require written notification with reason to the Chief Executive Officer of each affected taxing jurisdiction. These factors include but are not necessarily limited to the following:

B. If the project contains significant economic impact on the area such as major job retention or attraction.

C. Abatements for projects, which are extremely expensive but provide little in the way of new jobs, would be negotiated by the taxing jurisdictions and the developer with the JCIDA in attendance.

D. If the taxing entities in a particular area of the County ask the JCIDA to provide Real Estate Tax Abatements for a proposed project which would fall outside the JCIDA policy, then this request would be considered.

E. Any PILOT that represents a deviation from this policy shall require the consent of all affected taxing jurisdictions.

VII. Sales Tax Exemption

- A. This exemption will apply only to the construction/renovation and equipping period when the original project is completed and will be for the full amount of the sales tax (now 7.25%).
- B. This will be reported to the State Department of Taxation and Finance in its annual report/audit to this Agency.
- C. There will be no recapture of benefits in cases of deviation or closure of the project.
- D. Any deviations from this policy will be made on a case-to-case basis with notification and comments from the Chief Executive Officer of each affected taxing jurisdiction.

VII. Mortgage Recording Tax Exemption

- A. This exemption (currently .0075) will apply only to projects where mortgages are established under the JCIDA title and will be for initial construction, additions, or equipping.
- B. There will be no recapture of benefits in cases of deviation or closure of the project.
- C. Any deviations from this policy will be made on a case-to-case with notification and comments from the Chief Executive Officer of each affected taxing jurisdiction.

CITY OF WATERTOWN PROJECTS

| | |
|--------------------------------|------------------------------------------|
| New York Air Brake | 1995 PILOT |
| Want Center For Bus & Industry | 1995 PILOT |
| Stebbins Engineering | 1996 PILOT |
| Ives Hill Retirement | 1997 Bond Financing |
| Alteri Bakery | 1999 Loan |
| Rent A Zone | 2000 Loan |
| First Columbia Samaritan | 2001 PILOT |
| Stream | 2002 PILOT |
| Current Applications | 2002 Loan |
| Knowlton | 2002 Loan |
| Benchmark Family Services | 2003 Loan |
| Current Applications | 2004 Loan |
| MLR | 2004 Sales Tax/Mortgage Recording Tax |
| Roth Industries | 2005 Bond Financing/ PILOT |
| Dust Busterz | 2005 Loan |
| MLR Realty | 2005 Loan |
| Roth Industries | 2005 Loan |
| N. C. Childrens Clinic | 2006 Loan & Sales Tax Exemption |
| Holiday Inn Express | 2006 Sales Tax/Mortgage Recording Tax |
| MLR Realty | 2006 Loan, Sales Tax, Mortgage Recording |
| Hampton Inn | 2006 Sales Tax/Mortgage Recording Tax |
| Blanding Mechanical | 2006 Loan |
| N. C. Childrens Clinic | 2006 Loan |
| Empire New Plan | 2007 Sales Tax/Mortgage Recording Tax |
| Current Applications | 2007 Loan |
| Franklin Factor Group | 2007 Loan |
| MLR Realty | 2007 Loan |
| Roth Industries | 2007 Loan |
| Knowlton Technologies | 2007 Loan |
| Watertown Family YMCA | 2007 Loan |
| Riverview Plaza | 2008 Loan, Sales Tax, Mortgage Recording |
| YMCA Child Care | 2009 Loan |
| Millennium Dev LLC | 2010 Sales Tax/Mortgage Recording Tax |

Village of West Carthage

61 High Street

Carthage, New York 13619-1326

315-493-2552 * 315-493-2847 (fax)

Scott M. Burto, Mayor

October 5, 2010

Jefferson County Industrial Development Agency
800 Starbuck Ave, Suite 800
Watertown, NY 13601

IDA Board Members;

On behalf of the Village of West Carthage and the Town of Champion, we would like to thank you for the opportunity to comment on much needed changes to the Uniform Tax Exemption Policy and Guidelines. Although it was good to see your board recommend some positive changes to the policy, we feel it fails to even come close to the changes needed. In many cases, you may go above what General Municipal Law requires you to do, but there are many other cases where you should also step up your openness.

The first proposed change, which allows the Affected Tax Jurisdictions (Hereinafter ATJ) to give their consent prior to the JCIDA approving any PILOT for Renewable Energy Facility Projects or any commercial, qualified retail, office building, hotel, qualified community or civil facility projects, is a small step forward in the right direction. We would request that you take this further by requiring ATJ approval for all the IDA's Sale Leaseback Transactions on Sales Tax Abatement and Mortgage Tax Abatement.

New York State GML §874 may allow for the JCIDA to offer these programs without ATJ approval but we feel you need to change your local policy to include the ATJ's approval. As a seven member appointed board, you do not have to answer to taxpayers for your decisions that have a direct impact on the ATJ. The IDA's decisions on local Sales Tax Abatements also allows projects to avoid a negotiated Sales Tax Sharing Agreement between county/city/towns and villages without any approval. In some projects, this could equal thousands of dollars in sales tax revenue that, if received by the ATJ's, could help offset increases in the local tax levy. The economics and development potential in our area attracts developers. Those developers have numbers to support investing funds here; giving them tax breaks just sweetens the deal for them. There may be cases where the abatements are warranted but the ATJ's should be involved in ALL the approval processes. The IDA is just putting more taxpayers money in developers pockets.

The Sale Leaseback Transactions to avoid paying mortgage tax also allows the IDA to affect local and state tax revenue without any ATJ approval. We believe that over the past few years, these transactions cost local ATJ's hundreds of thousands of dollars. We don't feel that either of these programs should exist, which points to the need for reform at the state level with IDAs. At least allowing the ATJ approval would give some authority to the elected officials that control the local tax levy and have to answer to our constituents.

Pilots and Sales Lease-Back Transaction programs both bring in large fees to the IDA while avoiding payment to ATJ and still our county taxpayers contribute about \$260,000 a year through the county budget to help fund the IDA. With the amount of fees collected, we feel you should be self sufficient without additional taxpayers funds.

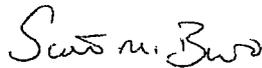
The final sentence in your proposed Uniform Tax Exemption Policy sums up the Jefferson County Industrial Development Agency's regard for local government, school districts and the taxpayers of Jefferson County:

"The Agency, by resolution of it members, and upon notice to all affected taxing jurisdictions as may be required by law, may amend or modify the foregoing policy as it may, from time to time, in its sole discretion determine"

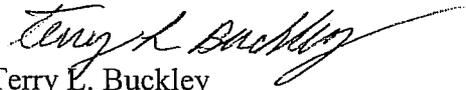
In essence, the ATJ's still would have no control over any of the agreements and if it isn't a case where required by law, the IDA doesn't even have to notify the ATJ. This needs to be removed from the agreement.

Thank you for the opportunity to comment on what we feel is only the beginning of both local and state reform that needs to be made to the IDA agreements and laws.

Sincerely,



Scott M. Burto
Mayor
Village of West Carthage



Terry L. Buckley
Supervisor
Town of Champion

cc. Ken Blankenbush
Senator Darrel Aubertine
Assemblywoman Scozzafava
Assemblywoman Russell

October 7, 2010

To: The Honorable Mayor and City Council
From: James E. Mills, City Comptroller
Subject: City and County Tax Enforcement Procedures

Members of the City Council occasionally question why the City must collect County and State taxes and why the City must then make the County whole for the uncollected County and State taxes. Members of the City Council also question why the City does not opt into Article 11 of the Real Property Tax Law (RPTL) to enforce delinquent taxes rather than follow the tax enforcement provisions contained in the City Charter. The laws governing the tax collection procedures of the City are distinct from the laws governing the tax enforcement procedures of the City.

County Tax Collection

The collection of County taxes by the City is statutory per RPTL Article 9 Section 904 whereby the County Legislature is required to no later than December 31st of each year authorize and direct the collecting officer of the City to collect the amount of tax determined by them. Per City Charter Section 30 the City Comptroller shall be the collector of all taxes. Pursuant to City Charter Section 129 during the month of County tax collections (January 15th – February 15th) the City Comptroller pays to the County Treasurer weekly all base tax collections received. Section 129 of the City Charter also directs the Comptroller make the County whole by paying to the County Treasurer the balance of all outstanding county and state taxes by March 1st unless otherwise directed by City Council. Per RPTL Article 9 Section 942 the full amount of any unpaid tax plus interest and penalties must be paid to the County Treasurer at any time before expiration of the redemption period. After the County is made whole on March 1st the interest and penalties collected from delinquent taxes is kept by the City. Based on the following table, the March 1st date by which the City is to make the County whole has not historically been followed but will be going forward unless City Council formally directs otherwise each year. Unless the City stops being the tax enforcing entity for all property taxes within the City it must continue to make the County whole be it by the current City Charter date of March 1st or another date as directed by City Council or by the end of the redemption period per Article 9 section 942.

| | City Share of County Tax Levy | Balance Outstanding @ March 1st | Amount City Paid in Advance of Collection | Date City Paid County Balance |
|------|-------------------------------|---------------------------------|-------------------------------------------|-------------------------------|
| 2010 | \$ 7,044,659 | \$ 510,249 (6) | \$ 329,903 | 4/28/2010 |
| 2009 | \$ 6,824,152 | \$ 492,588 (5) | \$ 420,045 | 4/3/2009 |
| 2008 | \$ 6,783,895 | \$ 448,519 | \$ 371,437 | 3/31/2008 |
| 2007 | \$ 6,555,804 | \$ 486,362 | \$ 420,956 | 3/15/2007 |
| 2006 | \$ 6,046,161 | \$ 546,714 (4) | \$ 80,723 | 5/25/2006 |
| 2005 | \$ 5,916,140 | \$ 444,360 (3) | \$ 109,716 | 6/8/2005 |
| 2004 | \$ 6,350,527 | \$ 578,288 (2) | \$ 80,017 | 6/17/2004 |
| 2003 | \$ 6,177,359 | \$ 768,766 (1) | \$ 17,268 | 7/3/2003 |
| 2002 | \$ 5,558,482 | \$ 369,648 | \$ 286,233 | 4/12/2002 |
| 2001 | \$ 5,588,209 | \$ 400,597 | \$ 334,051 | 4/5/2001 |

| | |
|-----|----------------------------------------------------------------|
| (1) | Includes MGNH, Inc., 218 Stone St. base tax bill of \$ 267,715 |
| (2) | Includes MGNH, Inc., 218 Stone St. base tax bill of \$ 145,007 |
| (3) | Includes MGNH, Inc., 218 Stone St. base tax bill of \$ 134,457 |
| (4) | Includes MGNH, Inc., 218 Stone St. base tax bill of \$ 133,917 |
| (5) | Includes MGNH, Inc., 218 Stone St. base tax bill of \$ 60,578 |
| (6) | Includes MGNH, Inc., 218 Stone St. base tax bill of \$ 14,271 |

Tax Enforcement Procedures

Prior to 1995 the tax enforcement procedures were governed by RPTL Article 10 and the City Charter. The State then repealed and replaced RPTL Article 10 with RPTL Article 11 through the adoption of Chapter 602 of the Laws of 1993, which became effective on January 1, 1995, and comprehensively reformed the method by which local governments enforced the collection of unpaid real property taxes. Chapter 602 authorized counties, cities and towns with local charters that included tax enforcement provisions to opt out of the new enforcement system by adopting a local law prior to July 1, 1994. The City elected to opt out of RPTL Article 11 with its adoption of Local Law No. 2 on June 30, 1994 which established that the City would continue to enforce delinquent real property taxes pursuant to its City Charter rather than follow the new rules of RPTL Article 11.

City Charter Tax Enforcement Procedures

Since the City decided in 1994 to opt out of RPTL Article 11 the City Charter (sections 132 – 144) sets forth the tax enforcement procedures for unpaid taxes within the City. The City Charter tax enforcement process is an administrative process handled by the City Comptroller's office with the exception of the stub searches that are prepared by a local abstract company. Basically the City Charter requires there to be an annual public tax sale certificate auction, allows for a two year redemption period of the tax sale certificates and issues a tax deed to the holder of the tax sale certificate if it has not been redeemed prior to the expiration of two years. The following is a more detailed summary of some of the key steps in the City Charter tax enforcement process:

- Property owners with delinquent City, School and/or County taxes are mailed a notice in May stating that if all taxes, penalties and interest owed on a parcel are not paid

their property will be advertised once a week for three weeks in June in the official newspaper of the City and then sold at a public auction (tax sale certificate auction) typically on or about June 25th.

- The tax sale certificate auction is an open public auction whereby outside parties may bid on tax sale certificates. If no outside party bids on a particular tax sale certificate then the City Comptroller is required to bid on the certificate on the City's behalf.
- The minimum price for the tax sale certificate is the amount owed on the parcel for outstanding taxes, penalties, interest and fees. If more than one outside party is interested in a particular tax sale certificate the bidding will continue until there is only one bidder remaining. The excess amount bid over the base tax sale certificate amount is held in trust by the City and returned to the bidder when the tax sale certificate is either redeemed or the redemption period expires. No interest is earned on the excess bid amount.
- The City Comptroller files the tax sale certificates with the County Clerk's office to record the tax lien of the tax sale certificate holder.
- The tax sale certificate holder is responsible for continuing to pay all City, School and County tax bills as they become due. Failure to pay any one of them will cause the parcel to be included in the next tax sale certificate auction. The holders of the tax sale certificates have no physical rights to the properties during the redemption period.
- Three months prior to the end of the redemption period notices are sent by certified mail to the owners and any other interested party that appears in the stub search prepared by an abstract company.
- The owner or any interested party has two years from the tax sale certificate auction to redeem their parcel from the process. The amount owed is the amount of the tax sale certificate plus one percent per month outstanding together with all subsequent taxes plus one percent per month outstanding. No partial payments are allowed.
- Tax deeds are offered to the holders of the tax sale certificates at the end of the two year redemption period. The holders (including the City) have the right to refuse the tax deed for any reason.
- Every tax deed issued by the City Comptroller shall be presumptive evidence that all of the proceedings required by law were regular and in accordance with all provisions of law. Two years after the recording of the tax deed the presumption shall be conclusive.

Real Property Tax Law Article 11 Tax Enforcement Procedures

In contrast to the City Charter procedures the RPTL Article 11 procedures are judicial in that the Supreme Court is used for the proceedings. Under RPTL Article 11 the City Comptroller continues to be the enforcing officer but would also require the services of the City attorneys to foreclose the tax liens. The following is a general summary of some of the key steps in the RPTL Article 11 foreclosure process:

- Ten months after the lien date the enforcing officer shall file with the County Clerk a list of all parcels of real property affected by delinquent tax liens.
- Tax districts are allowed to adopt an installment payment program either for residential properties, or all properties within the district. The installment payment program shall be made available to each eligible property owner on a uniform basis and last no more than twenty-four months. The tax lien shall not be foreclosed upon during the period of installment payments provided that the installment payments are not in default.
- Twenty-one months after the lien date, the tax enforcing officer executes and files a petition of foreclosure with the County Clerk for those properties with delinquent tax liens.
- Upon the filing of the foreclosure petition the enforcing officer must also publish a notice of foreclosure in each of three non-consecutive weeks in a two month period in the district's official newspaper.
- On or before the first publication date of the foreclosure notice the enforcing officer is to mail by both certified mail and ordinary first class mail a notice to the owner and any other interested party that can be ascertained from public records.
- Two years after the lien date the redemption period expires and a final judgment may be entered. When no answer has been interposed the Court shall make a final judgment that directs the enforcing officer to execute and record a deed conveying to the tax district full and complete title to the parcel. When an answer is interposed the Court will conduct hearings to determine if the answer is meritorious or not and may or may not dismiss the petition of foreclosure.
- Every deed issued pursuant to RPTL Article 11 shall be presumptive evidence that all proceedings were regular and in accordance with all provisions of law. After two years from the date of the recording of the deed the presumption shall be conclusive.

The following chart summarizes some of the major differences between the tax enforcement processes under the current City Charter as compared to under the RPTL Article 11.

| Issue / Procedure | City Charter | Real Property Tax Law Article 11 |
|-----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Length of time for property owner or interested party to redeem | 2 years from tax sale certificate auction date | 2 years after lien date except that a taxing jurisdiction may adopt a local law without referendum increasing the redemption period for residential and/or farm properties to three or four years after lien date |
| Owner of Tax Lien | Tax sale certificate auction is open to the public with the City being the bidder by default only and is then required to pay subsequent property taxes on only the certificates it holds until the parcels are redeemed or deeded to the City | No public auction so City holds all liens and would therefore be required to pay all subsequent property taxes on all delinquent parcels until the parcel are redeemed or deeded to the City |
| Payment requirement at time of redemption | Owner or interested party must pay all outstanding taxes, interest and penalties in <u>one</u> payment | Owner or interested party must pay tax liens in reverse chronological order so that the most recent lien is redeemed first and the lien with the earliest lien date is redeemed last |
| Installment payment plan on delinquent taxes | Not authorized | Taxing jurisdiction may adopt a local law providing for installment payments of eligible delinquent taxes |

Per the New York State Office of Real Property Tax Services' web site the following cities have opted out of RPTL Article 11 as of April 2007:

| | | | |
|-------------|-----------------|--------------|-----------|
| Auburn | Long Beach | Ogdensburg | Salamanca |
| Canandaigua | Middletown | Oneida | Sherrill |
| Cortland | Mount Vernon | Port Jervis | Syracuse |
| Geneva | New York | Poughkeepsie | Watertown |
| Glen Cove | Norwich | Rochester | Yonkers |
| Johnstown | North Tonawanda | Rome | |

The RPTL Article 11 procedures are more cumbersome than those in the City Charter. Article 11 requires multiple lien filings for each tax year with a delinquency as compared to the single tax sale certificate that is filed under the current procedures. Article 11 allows for the City Council to adopt a payment plan which would require additional administrative efforts to monitor and track. The City will incur additional legal expenses as the attorneys become much more involved with the tax enforcement process than currently required with the City's present process. The RPTL Article 11 judicial process creates an environment whereby more lawsuits could occur as individuals make appeals to the courts in an attempt to keep their properties. If in the future the City feels changes are needed to the tax enforcement procedures it will be easier to accomplish if it can be handled through City Charter revisions rather than making requests to the State for changes in their laws.

County Taxes Paid by the City as Part of Enforcement Process

The following chart lists the 139 properties that the City has acquired over the last ten years from the tax sale certificate process and the corresponding amount of County taxes that were paid as part of the initial tax sale certificate through the last County tax bill issued before the parcel was sold or became exempt. The chart does not include the parcels that were ultimately redeemed from the tax sale certificate process. Note that the gain or loss on the sale or retention of the parcel is based on the all outstanding City, School and County taxes and not solely the County tax amount. Some of the larger losses typically result from amounts added to the City tax bill such as relieved water/sewer charges or demolitions that result in less valued vacant lots.

| Property Address | Property Type | Total County Taxes Paid by City from Tax Sale through disposition | Property Disposition | Sale Price | Gain / (Loss) on Sale |
|----------------------|----------------|-------------------------------------------------------------------|---------------------------|------------|-----------------------|
| 670 Rear Grant St. | Residential VL | \$ 5 | Sold | \$ 100 | \$ 36 |
| 165 Rear Union St. | Commercial VL | \$ 28 | Sold | \$ 100 | \$ (45) |
| VL Sewalls Island | Industrial VL | \$ 10 | Retained by City | \$ - | \$ (87) |
| 13 Shepard Purch. | Residential VL | \$ 59 | Retained by City | \$ - | \$ (209) |
| 306 Rear Factory St. | Industrial VL | \$ 39 | Retained by City | \$ - | \$ (158) |
| 312 Waltham St. | Single Family | \$ 693 | Sold | \$ 1,000 | \$ (933) |
| 523 Jefferson St. | Single Family | \$ 634 | Sold | \$ 2,250 | \$ (1,346) |
| 210 Academy St. | Two Family | \$ 2,361 | Sold | \$ 1,000 | \$ (8,574) |
| 100 Alexandria Ave | Residential VL | \$ 29 | Remains unsold | \$ - | \$ (119) |
| 101 Alexandria Ave | Residential VL | \$ 31 | Remains unsold | \$ - | \$ (119) |
| 103 Alexandria Ave | Residential VL | \$ 33 | Remains unsold | \$ - | \$ (119) |
| 218 Meadow St. S | Residential VL | \$ 280 | Sold | \$ 900 | \$ (623) |
| 848 Anne St. | Single Family | \$ 1,145 | Demolished and sold as VL | \$ 200 | \$ (4,163) |
| 469 Meadow St. S | Single Family | \$ 961 | Sold | \$ 3,029 | \$ 624 |

| Property Address | Property Type | Total County Taxes Paid by City from Tax Sale through disposition | Property Disposition | Sale Price | Gain / (Loss) on Sale |
|---------------------|----------------|-------------------------------------------------------------------|-----------------------------------------------------|------------|-----------------------|
| 126 Lynde St. W | Single Family | \$ 225 | Demolished and VL sold to Habitat for Humanity | \$ - | \$ (1,224) |
| 609 Bronson St. | Single Family | \$ 656 | Sold | \$ 15,169 | \$ 11,623 |
| 610 Bronson St. | Residential VL | \$ 39 | Sold to Neighbors of Watertown (NDC Program) | \$ 197 | \$ - |
| 612 Bronson St. | Two Family | \$ 1,632 | Sold to Neighbors of Watertown (NDC Program) | \$ 5,149 | \$ - |
| 611 Bradley St. | Residential VL | \$ 227 | Sold to Habitat for Humanity | \$ - | \$ (1,457) |
| 244 High St. | Industrial VL | \$ 100 | Sold | \$ 2,000 | \$ 1,591 |
| 77 North St. | Industrial VL | \$ 49 | Retained by City | \$ - | \$ (202) |
| R-733 Superior St. | Residential VL | \$ 15 | Sold | \$ 100 | \$ (15) |
| 117 Exchange St. | Residential VL | \$ 144 | Sold | \$ 2,000 | \$ 1,392 |
| 571 Arsenal St. | Residential VL | \$ 304 | Sold | \$ 18,000 | \$ 16,768 |
| 814 Pearl St. | Single Family | \$ 1,249 | Sold | \$ 4,300 | \$ (81) |
| 7 Pearl St. | Industrial VL | \$ 144 | Sold | \$ 450 | \$ (381) |
| 8 Pearl St. | Industrial VL | \$ 136 | Sold | \$ 250 | \$ (327) |
| 207 Meadow St. S | Two Family | \$ 1,427 | Demolished and VL remains unsold | \$ - | \$ (5,891) |
| 129 Sherman St. | Apartment | \$ 854 | To be demolished and sold to Neighbors of Watertown | \$ - | \$ (3,861) |
| 323 Rutland St. N | Single Family | \$ 1,278 | Sold to Neighbors of Watertown (NDC Program) | \$ 7,501 | \$ - |
| VL Massey St. S | VL | \$ 4 | Retained by City | \$ - | \$ (65) |
| 409 Broadway Ave. E | Single Family | \$ 3,138 | Sold to Neighbors of Watertown (NDC Program) | \$ 11,557 | \$ - |
| 514 Clay St. | Two Family | \$ 1,103 | Sold | \$ 13,000 | \$ 8,255 |
| 164 Main Ave. | Two Family | \$ 815 | Demolished and sold as VL | \$ 1,000 | \$ (2,443) |
| 318 Academy St. | Single Family | \$ 1,324 | Sold | \$ 10,000 | \$ 4,834 |
| 676 LeRay St. | Single Family | \$ 925 | Sold | \$ 11,000 | \$ 6,021 |
| 320 Meadow St. S | Residential VL | \$ 1,023 | Demolished and sold as VL | \$ 1,000 | \$ (2,709) |
| 828 Superior St. | Single Family | \$ 949 | Sold | \$ 15,000 | \$ 7,976 |
| VL Marra Dr. | Residential VL | \$ 8 | Sold | \$ 100 | \$ 19 |
| 329 Gotham St. | Two Family | \$ 611 | Sold | \$ 250 | \$ (1,973) |
| 453 Massey St. S | Residential VL | \$ 1,012 | Demolished and sold as VL | \$ 600 | \$ (6,271) |
| 131 Park Ave. | Residential VL | \$ 1,525 | Sold | \$ 7,000 | \$ 674 |
| 27 Shepard Purch. | Residential VL | \$ 46 | Sold | \$ 100 | \$ (128) |

| Property Address | Property Type | Total County Taxes Paid by City from Tax Sale through disposition | Property Disposition | Sale Price | Gain / (Loss) on Sale |
|--------------------|----------------|-------------------------------------------------------------------|----------------------------------------------|------------|-----------------------|
| 420 Holcomb St. | Two Family | \$ 1,904 | Sold | \$ 12,000 | \$ 2,980 |
| 636 Grant St. | Single Family | \$ 952 | Sold | \$ 12,000 | \$ 7,832 |
| 213 Hamilton St. S | Three Family | \$ 1,889 | Sold | \$ 14,000 | \$ 4,362 |
| 621 Bradley St. | Residential VL | \$ 1,152 | Sold | \$ 6,750 | \$ 2,405 |
| 629 Bradley St. | Single Family | \$ 739 | Sold | \$ 10,000 | \$ 5,784 |
| 721 Main St. W | Single Family | \$ 1,030 | Demolished and sold as VL | \$ 2,420 | \$ (3,623) |
| 326 Moulton St. | Residential VL | \$ 730 | Demolished and retained by City | \$ - | \$ (3,102) |
| 202 Factory St. | Commercial | \$ 2,402 | Sold | \$ - | \$ (9,826) |
| 210 Factory St. | Commercial | \$ 3,859 | Sold | \$ 40,000 | \$ 24,079 |
| R212 Factory St. | Commercial | \$ 81 | Sold | \$ - | \$ (345) |
| 248 Coffeen St. | Two Family | \$ 525 | Sold | \$ 16,000 | \$ 13,456 |
| 335 Clover St. | Residential VL | \$ 45 | Remains unsold | \$ - | \$ (204) |
| 334 Kendall Ave. N | Residential VL | \$ 45 | Remains unsold | \$ - | \$ (204) |
| 333 Kendall Ave. N | Residential VL | \$ 36 | Remains unsold | \$ - | \$ (219) |
| 649 Factory St. | Industrial VL | \$ 823 | Sold | \$ 2,000 | \$ (71,497) |
| 116 St. Mary St. | Single Family | \$ 1,183 | Sold | \$ 22,000 | \$ 13,607 |
| 144 Meadow St. N | Residential VL | \$ 1,039 | Demolished and sold as VL | \$ 1,400 | \$ (4,319) |
| 471 Portage St. | Single Family | \$ 1,012 | Sold | \$ 6,500 | \$ (1,791) |
| 122 Ten Eyck St. | Two Family | \$ 8,370 | Demolished and sold to DANC | \$ - | \$ (34,133) |
| 525 Main St. E | Residential VL | \$ 171 | Sold | \$ 1,050 | \$ 126 |
| 531 Main St. E | Residential VL | \$ 40 | Sold | \$ 600 | \$ 405 |
| 706 Mill St. | Single Family | \$ 1,016 | Sold | \$ 10,000 | \$ (430) |
| 313 Moulton St. | Residential VL | \$ 166 | Sold | \$ 100 | \$ (755) |
| 1162 Boyd St. | Single Family | \$ 1,504 | Sold to Neighbors of Watertown (NDC Program) | \$ 6,363 | \$ - |
| 346 Winslow St. | Two Family | \$ 1,863 | Demolished and sold as VL | \$ 1,600 | \$ (9,362) |
| 1023 Ferguson Ave. | Single Family | \$ 304 | Demolished and sold as VL | \$ 260 | \$ (705) |
| 136 Pleasant St N | Two Family | \$ 1,559 | Retained by City | \$ - | \$ (4,936) |
| 825 Boyd St. | Residential VL | \$ 147 | Sold | \$ 500 | \$ (1,640) |
| 338 Moulton St. | Residential VL | \$ 49 | Demolished and retained by City | \$ - | \$ (215) |
| 334 Moulton St. | Residential VL | \$ 24 | Retained by City | \$ - | \$ (123) |
| 332 Moulton St. | Single Family | \$ 931 | Retained by City | \$ - | \$ (3,759) |
| 620 Mohawk St. | Single Family | \$ 1,519 | Sold | \$ 8,000 | \$ (1,098) |
| 672 LeRay St. | Two Family | \$ 1,014 | Sold | \$ 9,000 | \$ 4,458 |

| Property Address | Property Type | Total County Taxes Paid by City from Tax Sale through disposition | Property Disposition | Sale Price | Gain / (Loss) on Sale |
|---------------------|-------------------|-------------------------------------------------------------------|------------------------------------------------|------------|-----------------------|
| M-204 Amherst St. | Residential VL | \$ 49 | Sold | \$ 700 | \$ 502 |
| 614 Burlington St. | Single Family | \$ 931 | Demolished and sold as VL | \$ 100 | \$ (6,477) |
| 155 St. Mary St. | Single Family | \$ 1,620 | Sold | \$ 9,250 | \$ 2,725 |
| 814 Rutland Place | Single Family | \$ 669 | Sold | \$ 3,128 | \$ - |
| VL Wealtha Ave. | Single Family | \$ 324 | Sold | \$ 2,900 | |
| 142 Arcade St. | Commercial | \$ 7,897 | Sold | \$ 25,000 | \$ (2,719) |
| 220 St. Mary St. | Single Family | \$ 1,165 | Sold | \$ 5,100 | \$ (1,272) |
| 135 State Place | Single Family | \$ 1,076 | Sold to Emerson Place LP | \$ 4,714 | \$ - |
| 316 High St. | Two Family | \$ 1,238 | Demolished and sold as VL | \$ 1,109 | \$ (18,664) |
| 181 Bellew Ave. | Commercial | \$ 1,351 | Demolished and sold as VL | \$ 11,700 | \$ 204 |
| 1102 Academy St. | Two Family | \$ 5,493 | Sold | \$ 14,500 | \$ (4,921) |
| 114 Pleasant St. N | Three Family | \$ 5,800 | Sold | \$ 22,600 | \$ (16) |
| 540 Jefferson St. | Single Family | \$ 575 | Demolished and retained by City for playground | \$ - | \$ (2,927) |
| VL Washington St. | Commercial VL | \$ 1,608 | Sold | \$ 5,100 | \$ (3,829) |
| 317 Hamilton St. S | Two Family | \$ 2,188 | Demolished and sold as VL | \$ 1,025 | \$ (12,048) |
| 532 Stone St. | Two Family | \$ 2,215 | Sold | \$ 6,600 | \$ (3,788) |
| 223 Hunt St. | Commercial | \$ 4,240 | Sold | \$ 2,000 | \$ (23,598) |
| 216 Academy St. | Two Family | \$ 1,729 | Demolished and sold as VL | \$ 500 | \$ (7,800) |
| 348 Arlington St. | Single Family | \$ 784 | Sold | \$ 12,700 | \$ 8,498 |
| 675 Bronson St. | Apartment | \$ 1,219 | Sold | \$ 4,700 | \$ 1,991 |
| 911 Bronson St. | Single Family | \$ 841 | Sold | \$ 500 | \$ (3,626) |
| 323 Clay St. | Three Family | \$ 982 | Demolished and sold as VL | \$ 500 | \$ (6,845) |
| 518 Cooper St. | Residential VL | \$ 27 | Sold | \$ 100 | \$ (64) |
| 717 Davidson St. | Single Family | \$ 1,572 | Sold to Neighbors of Watertown (NDC Program) | \$ 7,108 | \$ - |
| 730 Davidson St. | Two Family | \$ 1,572 | Demolished and sold as VL | \$ 600 | \$ (4,973) |
| 636 Emerson St. | Two Family | \$ 763 | Demolished and retained by City | \$ - | \$ (4,518) |
| 683 Flower St. | Single Family | \$ 522 | Sold | \$ 727 | \$ (5,076) |
| 526 Franklin St. | (2) Single Family | \$ 2,263 | Sold | \$ 15,900 | \$ 4,247 |
| 325 Gotham St. | Two Family | \$ 1,306 | Sold | \$ 6,500 | \$ (3,672) |
| VL Holcomb St. | Residential VL | \$ 268 | Sold | \$ 8,500 | \$ 7,452 |
| 1017 Huntington St. | Single Family | \$ 1,521 | Demolished and retained by City | \$ - | \$ (7,503) |

| Property Address | Property Type | Total County Taxes Paid by City from Tax Sale through disposition | Property Disposition | Sale Price | Gain / (Loss) on Sale |
|---------------------|----------------|-------------------------------------------------------------------|----------------------------------------------|------------|-----------------------|
| 807 Main St. W | Two Family | \$ 1,562 | Sold | \$ 15,300 | \$ 6,735 |
| 445 Massey St. S | Single Family | \$ 1,690 | Sold | \$ 5,522 | \$ 1,105 |
| 763 Mill St. | Single Family | \$ 1,616 | Sold to Neighbors of Watertown (NDC Program) | \$ 4,162 | \$ - |
| 118 Orchard St. S | Single Family | \$ 1,276 | Sold | \$ 11,500 | \$ 5,741 |
| 246 Pleasant St. N | Two Family | \$ 1,006 | Sold | \$ 22,600 | \$ 17,983 |
| 29 Public Square | Commercial | \$ 2,091 | Retained by City | \$ - | \$ (8,339) |
| 233 Stanton St. | Residential VL | \$ 43 | Sold | \$ 100 | \$ (94) |
| 137 State Place | Residential VL | \$ 20 | Sold to Emerson Place LP | \$ - | \$ (91) |
| 703 State St. | Apartment | \$ 2,834 | Sold to Emerson Place LP | \$ - | \$ (14,247) |
| 312 Stone St. | Apartment | \$ 2,554 | Demolished and sold as VL | \$ 500 | \$ (11,236) |
| 331 Stone St. | Two Family | \$ 1,768 | Demolished and sold as VL | \$ 2,500 | \$ (6,359) |
| 412 Stone St. | Two Family | \$ 1,451 | Sold | \$ 5,121 | \$ - |
| 1112 Water St. | Commercial VL | \$ 1,886 | Sold | \$ 2,130 | \$ (7,302) |
| 532 West St. | Residential VL | \$ 291 | Sold | \$ 500 | \$ (657) |
| 182 Whitford St. | Residential VL | \$ 149 | Retained by City | \$ - | \$ (2,981) |
| 114 William St. | Residential VL | \$ 1,808 | Demolished and sold as VL | \$ 754 | \$ (7,038) |
| 1202 Academy St. | Single Family | \$ 1,900 | Sold | \$ 17,500 | \$ 8,539 |
| 234 Bellew Ave. | Commercial | \$ 1,764 | Demolished and sold as VL | \$ 14,709 | \$ 8,342 |
| 910 Bronson St. | Two Family | \$ 727 | Sold | \$ 612 | \$ (3,737) |
| 715 Franklin St. | Single Family | \$ 1,646 | Demolished and sold as VL | \$ 767 | \$ (5,619) |
| 317 Hamilton St. N | Two Family | \$ 508 | Sold | \$ 4,000 | \$ 773 |
| 208 High St. | Commercial | \$ 3,114 | Sold | \$ 14,500 | \$ 3,083 |
| 265 Hillcrest Ave. | Residential VL | \$ 113 | Sold | \$ 315 | \$ 20 |
| 266 Hillcrest Ave. | Residential VL | \$ 115 | Sold | \$ 315 | \$ 20 |
| 1008 Huntington St. | Single Family | \$ 493 | Sold | \$ 3,000 | \$ (93) |
| 550 Leray St. | Single Family | \$ 952 | Sold | \$ 6,500 | \$ 6,917 |
| 519 Main St. E | Single Family | \$ 1,159 | Sold | \$ 6,500 | \$ 934 |
| 320 Prospect St. | Single Family | \$ 1,011 | Sold | \$ 4,000 | \$ (324) |
| 225 Rexford Place | Apartment | \$ 2,947 | Sold | \$ 756 | \$ (11,831) |
| 317 Rutland St. N | Two Family | \$ 978 | Sold | \$ 578 | \$ (3,706) |
| 26 Shepard Purch. | Residential VL | \$ 93 | Sold | \$ 100 | \$ (150) |
| 412 Tilden St. | Apartment | \$ 1,685 | Sold | \$ 750 | \$ (5,786) |
| Totals | | \$ 160,450 | | \$636,296 | \$(184,617) |

If the City were to remove itself from the tax enforcement process it would give up certain benefits of being the tax enforcing body. The City would no longer be in a position to control which parcels that are lost by the owners for non-payment of taxes are demolished or rehabilitated. In addition to the numerous demolitions listed above more notable examples of demolitions and rehabilitations that the City has been able to direct as a result of becoming the parcel owner include the Sewalls Island rehabilitation, the former Ogilvie site demolition and planned environmental rehabilitation, and the 122 Ten Eyck Street demolition which provided an in-fill housing site. The City would also lose its opportunity to participate in the NDC program (Neighbors of Watertown/Development Authority of the North Country/City of Watertown) whereby the Development Authority of the North Country provides financing for Neighbors of Watertown to rehabilitate certain properties acquired by the City for back taxes. The rehabilitated properties are then sold to first-time homebuyers and the City is typically made whole on the outstanding back taxes from the closing proceeds. The City would still be able to participate in urban planning and economic development regardless of what enforcement rules it follows.

If City Council is desirous of changes to our present tax enforcement process I would request that the changes be made, if possible, to the City Charter rather than opting into Article 11 which will result in the City forever losing its ability to govern its own tax enforcement process. In summary, it is my opinion that the City should continue to be the tax enforcement entity within the City and also continue to use the tax enforcement procedures of the City Charter and not RPTL Article 11.

October 8, 2010

To: The Honorable Mayor and City Council
From: Mary M. Corriveau, City Manager
Subject: Health Insurance Plan Design Changes

The attached report was provided to the City Council as part of the October 4, 2010 agenda. As requested by City Council on September 7, 2010, staff has completed the research on the sunset provision proposed by Council Member Jeffrey M. Smith.

I would ask that City Council set aside some time during this week's Work Session to discuss this matter.

Tabled

September 29, 2010

To: The Honorable Mayor and City Council
From: Mary M. Corriveau, City Manager
Subject: Health Insurance Plan Design Changes

During the August 9, 2010 City Council work session, the City's Health Insurance Advisory Committee presented for City Council consideration, a number of plan design changes to the City's Health Insurance Plan. This issue first came to the City Council on February 2, 2009. At that time, the City Council unanimously concurred to hold off considering these proposals until after reviewing the proposed 2009-10 Budget. Following that discussion with the City Council, the Health Insurance Advisory Committee met again and modified their proposal and in November 2009 it came before the City Council, at which time no action was taken.

As a result of the discussions that occurred on August 9, 2010, staff was asked to prepare a resolution that incorporates the following changes agreed upon by the City Council: add a National Provider Network; add coverage for Cardiac Rehabilitation; revise Multiple Surgery Benefit and add coverage for Air Ambulance (with protocols).

At the September 7, 2010 meeting, Staff presented the attached resolution for Council consideration and approval. At that time, we were asked to research to see if a sunset provision can be added to the language incorporating these proposed plan amendments.

After talking with POMCO regarding the proposed sunset provision, they have indicated that from a claims payment and compliance perspective the City can implement a sunset provision. However, from a health care reform standpoint, the regulations do not specifically address if providers are allowed to increase benefits and then reduce these benefits at a later date (even though we would be offering the same level of benefits in place today, following the sunset).

The clause in the reform act that causes a specific conflict is that a plan cannot implement changes that result in the "Elimination of all or substantially all benefits to diagnose or treat a particular condition." Under this clause, revoking cardiac rehab, once implemented could cause an issue relative to grandfather status; this is the one change that is being proposed which is specifically addressed in the new health care legislation.

Overall, increasing benefits for a period of time, and then reverting back to the benefits in place today does not align completely with the intent of health care reform. Further clarification is needed on this topic from the government to determine if revoking benefits as part of a sunset provision would be acceptable.

It is possible to move forward with the amendment including a sunset provision; one option is to extend the sunset provision to 2014, when losing grandfather status becomes irrelevant. If the Council wants to implement an earlier sunset date, then the safest way to move forward would be to have the sunset provision apply to all of the changes except cardiac rehab. However, there is no guarantee that our grandfathering status would not be in jeopardy. If we lose our grandfathering status, we will be required to:

Add coverage for the following: Routine Colonoscopy, Immunizations for both adults and children, Routine Vision Care

Increase coverage for the following to pay in full at the In-Network Level, all currently take deductible and copayment: Routine Adult Physical, Routine Well-Child, Routine Well-Woman, Routine Labs, Routine Mammography, Routine Prostate, Routine Vision Benefit

Increase Out-of-network Physician ER to the same level as in-network: In-network currently pays in full, Out-of-network pays at 80% subject to deductible

The annual estimated cost associated with providing these increased benefits due to the loss of grandfathered status is approximately \$100,000.

Staff is prepared to move forward with whatever changes the City Council wishes to implement. If the City Council wishes to implement a sunset provision, I would recommend that this modification in the proposal presented be taken back to the Health Insurance Committee to determine if, based on the proposed changes they are still recommending implementation of the proposed plan design changes.