



INCORPORATED VILLAGE OF
Plandome Heights

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Board, Chair

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Board, Chair

July 5, 2022

Re: Occupancy update

Residents:

Thanks to those of you who have continued to provide input on this topic that affects us all. In the interest of transparency and promoting continued dialog, I write to report progress.

Again, after our current lease and extensions are up, we will no longer enjoy the favorable rent we negotiated over the past 13 years and we need more space. Further, our landlord is asking for a new rent structure that, projected over 15 years, would call for \$1 million in rent; an extraordinary increase. That's why we're working now.

We started by determining the feasibility of a "Lease vs Buy" decision, Trustee Cataldo and several resident advisors have worked with me to perform a preliminary analysis. The resident advisors have experience in real estate, business/finance and/or accounting. For context, our assumptions and findings follow.

Assumptions - We used a 15-year planning horizon and assumed use of a portion of our reserve funds for a down payment. We got recent municipal interest rates from a capital market advisor. We did calculations based on both 15-year and 30-year terms of a bond. As a basis for comparison, we used: (a) our current landlord's recent proposal for rent, extended out for 15-years (\$1 million) and (b) a market rate for the space we need (\$1.1 million). These are nearly triple our current rent.

Findings - We found that if we paid debt service to own, instead of rental payments to lease, we could save significantly by owning; and that means lower taxes. This assumes a purchase of between \$1 – 1.5 million. Further, the significant advantages of owning vs. rental include:

- We pay no property taxes,
- Rent goes up, bond debt stays constant,
- The Village would borrow at municipal rates not residential mortgage rates,
- We would build an asset rather than incur an increasing expense,
- Certainty and permanence are assets to a municipality.

So, a purchase is feasible and will be considered along with all other options. I continue to welcome your input.

Sincerely,
Incorporated Village of Plandome Heights

Kenneth C. Riscica
Mayor
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