



INCORPORATED VILLAGE OF
Plandome Heights

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April 10, 2024

RE: Engage and Inform

Dear Residents and Friends –

Several residents have contacted me after my April 2, 2024 Annual Meeting Report. Thank you for that engagement! Their questions surround the financial feasibility page. So let me provide you with some more “color and texture” for your consideration. See enclosed.

Planning Beyond One Year includes financial modeling since we don’t have an actionable transaction. To do that, we examine the “drivers” of the future cost. In this case, debt service and stated rent. Both ownership and rent have other costs. They are harder to model without actual facts so we look to the “drivers” for direction. On to your questions:

- ✓ **Purchase – Question:** What about maintenance costs and property taxes? **Answer:** Rent and Own both have maintenance cost. In rent “common area maintenance (“CAM”)” is added to rent; we pay CAM now and in any new lease. If we own, we would expect to use our existing Village Landscaper and Snow removal contractor at some modest, or perhaps no, increase in cost. And municipalities pay no property tax.
- ✓ **Purchase – Question:** Tell me more about the terms of the debt service. **Answer:** The debt is assumed to be 30 years at 3.75%* with an \$800,000 loan. The loan is down \$200,000 from two/three years ago and will come down with further surplus, which we expect. Cost will also come down if rates drop as is expected over the next 18 months.
- ✓ **Rent – Question:** Why are the rents going up like that, seems high? **Answer:** We are in an inflationary period. Unlike more modest escalations over the past 18 years, landlords are now asking 3%/year, sometimes in addition to the increase in their property tax (yes, we pay their property tax, and profit, when we rent).

Rents for the space we need will guarantee years and years of tax increases. But ownership can freeze our costs. If we generate more surplus before we act and if rates come down, we could lower that cost of debt service even more. So, the “buy” option continues to improve and inflation makes the “rent” option worse and worse. We are working to avoid that.

The Board and I are charged with caring for the “best interests of the Village” and in following the law to do that. We swore an oath to that. Thanks for giving me the opportunity to shed some light on the complex, multifaceted matter. See enclosed, the future is clear.

Sincerely,
INCORPORATED VILLAGE OF PLANDOME HEIGHTS

Kenneth C. Riscica
Mayor@PlandomeHeights-NY.Gov

* Recent municipal bond rate quoted by our capital markets advisors.

Village of Plandome Heights UPDATED

Occupancy Analysis

Lease vs. Buy cost

DRAFT - For analysis purposes only; subject to change

Year	Buy - Debt Service (2)	Lease - Rent (1)	Own - Better or (Worse)
1	45,000	65,000	20,000
2	45,000	67,000	22,000
3	45,000	69,000	24,000
4	45,000	71,100	26,100
5	45,000	73,200	28,200
6	45,000	75,400	30,400
7	45,000	77,700	32,700
8	45,000	80,000	35,000
9	45,000	82,400	37,400
10	45,000	84,900	39,900
subtotal - 10 years	450,000	745,700	295,700
11	45,000	87,400	42,400
12	45,000	90,000	45,000
13	45,000	92,700	47,700
14	45,000	95,500	50,500
15	45,000	98,400	53,400
subtotal - 15 years	675,000	1,209,700	534,700

Implied tax increase		
- Year 1 only (3):	<u>Total</u>	<u>Per Home</u>
Lease	\$35,000	\$107.36
Buy	\$15,000	\$46.01

- Notes:**
1. Based on current lease offers made to the Village, rounded down
 2. Based on current interest rates and down payment and a \$1.5m project cost
 3. Based on 326 homes after deducting \$30,000 of existing rent - year 1 only