Auburn Medical Campus, LLC Application Summary

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Note that any page numbers in this summary refer to the APPLICATION page number, which is in the bottom middle of the page.

Applicant

This project is being undertaken by Park Grove in partnership with Auburn Community Hospital, the same setup as for the Cancer Center. The holding company for the land is Auburn Medical Campus, LLC.

Project Location

143 North Street, Auburn, NY 13021

Project Description

This project would demolish 4 existing buildings across 4 parcels - two residential, one industrial, and one medical – and the construction of an approximately 81,000 square foot medical complex. Two of the parcels have been owned by the hospital and were tax exempt for 2026. The new facility will have outpatient services including orthopedics, cardiology, nephrology, laboratory services, imaging services, neurology, endocrinology, nephrology, primary care, and pediatrics. The applicant has stated that this project will help to stabilize the hospital financially and set the stage for growth in other ways moving into the future.

The hospital is working with Park Grove, a private developer, to facilitate project financing. The project will be owned by Park Grove and leased to the hospital for a term of 30 years, with an optional extension. The least terms will be triple net, so all operating costs (e.g. utilities, maintenance, taxes, etc.) will be paid by the hospital. While the hospital is a tax exempt organization, Park Grove's ownership makes the properties subject to property tax. It is important to note that if the hospital were able to do this project on its own, the facility would be tax exempt because the hospital is a nonprofit.

In short, this is essentially a nonprofit project that will expand healthcare to the Auburn and surrounding community. Park Grove's and AIDA's involvement provides the context to generate some revenues for municipalities temporarily – as opposed to none at all - without jeopardizing the project's feasibility and long-term success.

What Makes this Project Different

This project is different from other projects AIDA has done in the following ways:

- At the end of the lease, the intent is to revert ownership to the hospital and the facility will become tax exempt. Normally a project facility would be fully taxable at the end of the PILOT.
- AIDA is typically asking "can this project happen without tax abatements? And if not, how much tax abatement is necessary to make the project viable without creating unreasonably high returns?". In this case:

- We already know that this project cannot happen without a tax abatement because it could not happen with a full tax exemption.
- The calculus on what is "reasonable" is different here. Yes, Park Grove will make a return on their investment, but the larger part of the picture here is the hospital's "return". As a nonprofit, that return is being reinvested into the hospital and its services.

Project Benefits

Employment: at least 15 new jobs in the first 3 years, including 11 positions with average annual earnings in the $46,000 to $48,000 range and 4 positions with average annual earnings over $100,000 (see job table page 8 of application)

- Past performance: Projected employment for the cancer center was 19 jobs by year 3 of operation. As of 12/31/2025 (year 2 of operation) they had created 29 FTEs, plus 4 leased employees.

Payroll: Payroll increases by about $1.5m to over $20m by year 3 of operation (see page 9 of application)

Quality of Life: AIDA lists the hospital as a community asset in our asset inventory because comprehensive healthcare services are hard to come by in rural areas and important to some employers, especially with the addition of the cath lab and cancer center. This project would continue to expand locally available services and support the hospitals future growth.

Project Budget

The applicant has provided a project budget of **$76,947,000**, inclusive of acquisition, demolition, construction, soft costs, and site work. (see budget table page 7 of application)

In addition to this, the hospital will be investing in equipment, furniture and fixtures to outfit the building.

Requested Financial Assistance

The applicant is requesting benefits totaling **$20,894,004 (net present value $14,371,786)** broken down as follows:

- Sales and use tax exemption - $1,136,000
- Mortgage recording tax abatement - $435,000
- 30 year PILOT - $17,323,004 (net present value $10,800,786) (see PILOT schedule directly following application form)

Local Labor

The applicant will return to the board to request any necessary waiver to the local labor policy after the project has been fully bid, but before starting construction.

UTEP Deviation

The proposed PILOT is a deviation from the AIDA's Uniform Tax Exemption Policy. As such, we will be requiring a third-party perspective on the project. In this case, I am recommending an Economic Impact Analysis rather than a test of reasonableness. We already know that the project proformas do not support the development without the

inclusion of a private partner. So instead this assessment will quantify some of the project's economic benefit to the community, helping us understand the extent to which the abatement is offset by other economic activity that results from the project. This will include direct and indirect activity that is generated by the construction and the operations of the facility, such as salaries and spending.

Fee Reduction Request

Park Grove and the hospital are requesting an administrative fee reduction from 1% of the total project cost ($769,470) to $500,000. This is based on the project's community benefit and nonprofit underpinnings. Further, any reduction in upfront costs will help to reduce debt service and improve long term viability/success of the project.

Questions That May Come Up

Why isn't this project tax exempt if the hospital is the sole tenant? Property tax laws allow nonprofit property owners to hold a property tax exempt, but they do need to pay taxes on any portion of the property that is occupied by a for-profit tenant. This pro-rating mechanism does not apply to for-profit property owners. A for-profit property owner must pay taxes on the property regardless of the tax status of the tenants.

Why is a 30-year PILOT necessary? The PILOT term aligns with the term of the lease. If the PILOT were to end before the lease, full taxes would be due on the property from that point until the end of the lease. This could put the viability of the project at risk from a financing perspective, and would divert substantial resources (likely upwards of $530,000 annually) away from the hospital's services to the community.

How do we know that the project wouldn't work without a PILOT? The project was not financeable without a private partner, despite being tax exempt under that scenario. The project still needed more equity to meet financing requirements. Given that, it is highly unlikely that the project would be able to financially support the full property tax liability, especially in the early years.

Why not just use the PILOT to make the project fully exempt as any other hospital property would be? Nonprofits, including the hospital, provide an inherent community benefit that is often difficult to quantify in dollars. For this and other reasons, they are generally tax exempt. However, that doesn't mean there aren't municipal costs associated with them. They still use municipal services (note that they do pay for municipal utilities), they still contribute to traffic on roads, and their employees still have children in schools. This project is a rare situation in which municipalities could offset some of those costs without charging the full amount for a period of time.

Then why not ask for more? The proposed schedule was created to find the balance between a meaningful revenue to the municipalities without thwarting the sustainability and growth of the very services we want to support through generally providing a full tax exemption.

What happens at the end of the PILOT? The revenue to the municipalities will likely go away all together. Municipalities will need to plan carefully for the eventual loss of these revenues. While these aren't monumental amounts in the grand scheme of the total property tax picture, in a tight budget situation the loss could still be problematic.