

June 9, 2005

The Honorable Victor Robles
City Clerk and Clerk of the Council
Municipal Building
New York, NY 10007

Dear Mr. Robles:

Pursuant to Section 37 of the New York City Charter, I hereby disapprove Introductory Number 584-A, in relation to the expenditure of payments in lieu of taxes (PILOTs). Intro 584-A requires that no City funds, including but not limited to PILOTs, may be expended without an appropriation by the Council or other specific legal authorization in accordance with the City Charter. It also requires the Mayor to provide to the Council a monthly report relating to PILOTs.

This Administration has made economic development one of its top priorities, and PILOT agreements serve critical economic development purposes. Real property under the control of certain state entities, including industrial development agencies (IDAs), is generally exempt from real property taxation. Instead, property owners wishing to develop such property may be required by the state entities to make PILOTs as part of their agreements with IDAs. In the case of New York City, the New York City Industrial Development Agency (NYCIDA) enters into these important economic development arrangements with developers throughout the five boroughs; these arrangements may provide, among other things, for the developers to pay PILOTs. By exempting property from real property taxation and, when appropriate, substituting the reduced PILOT schedule, IDAs can spur economic development.

Successive Administrations have used payments made pursuant to IDA PILOT agreements to promote economic development in the City. These PILOT agreements have made possible a variety of projects as diverse as the Midtown Community Courthouse, the In-Place Industrial Park Program and the Health Pass Program. Using PILOTs in this manner gives the City the flexibility necessary to achieve its economic goals. This helps bring more developers and more needed development projects to the City. Indeed, the 1992 Memorandum of Understanding that has directed the use of PILOTs in the City under the past three Mayors states:

“[T]his arrangement . . . has operated to the satisfaction of all parties involved, who wish to extend it for an indefinite term”

Intro 584-A contains legislative findings outlining the argument that it is unlawful for the Mayor of New York City to direct the use of PILOT payments in this manner to encourage economic development on the City’s behalf. These findings are incorrect. This bill is inconsistent with State law and the City Charter, both of which empower New York City’s Mayor to act on behalf of the City in directing the use of PILOTs. This bill would impair the ability of the City and state entities to spur vital economic development in the City, and I must therefore disapprove it.

For the foregoing reasons, Introductory Number 584-A is hereby disapproved.

Sincerely,

Michael R. Bloomberg