

## Sinatra & Company owes more than \$800k in property taxes, has received nearly \$1.5 million in public subsidies

Nick Sinatra has quickly become one of the highest-profile real estate developers in Buffalo and Western New York, amassing a portfolio of dozens of buildings in the region with the financial backing of millionaire Congressman Chris Collins, billionaire Trump advisor Tom Barrack, and billionaire hotel heir Karen Pritzker.<sup>1</sup> Also aiding Sinatra in building his empire has been the nearly \$1.5 million in incentives awarded to his projects through the Erie County Industrial Development Agency and through statewide programs like the 485-a “adaptive reuse” tax break. Indeed, availing himself of whatever public monies he can has been a key part of Sinatra’s business model.

However, despite his host of wealthy investors and ample public subsidies, Sinatra has failed to keep up to date on his property taxes. In our investigation into county and city records, we found that various LLCs registered at Sinatra & Company’s addresses owe more than \$827,000 in taxes.

PAI reviewed records for 79 properties owned by 20 LLCs controlled by Sinatra & Company and found that, as of April 5, 2018, Sinatra owes taxes on at least 42 properties totaling at least \$827,382.80. This figure is not comprehensive of all of Sinatra’s holdings in Western New York, nor does it include Sinatra’s properties in the Chicago and San Diego areas, but it does include some of his signature properties, including the historic Market Arcade building where his businesses are headquartered and which is currently in foreclosure.

Though Sinatra is often credited with leading a renaissance in Buffalo, the developer’s mode of operation – driving up rents while securing public subsidies and withholding hundreds of thousands of dollars in taxes – has the effect of extracting wealth and resources from residents and taxpayers to enrich Sinatra and his financiers.

Sinatra & Company will soon be seeking approvals and more public subsidies for one of his highest-profile projects yet: the redevelopment of the eight-acre Women and Children’s site in the Elmwood Village. City and county officials must decide whether they will continue to award Sinatra’s tax delinquency with more incentives and variances or hold the powerful developer to the same rules that apply to people who do not have Sinatra’s influence or access to capital.

### **Key findings:**

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<sup>1</sup> For more on Sinatra’s financiers, see our article “Who are Nick Sinatra’s investors?” available at: <https://news.littlesis.org/2018/01/31/who-are-nick-sinatras-investors/>

- **Sinatra & Company owes at least \$827,382.80 in taxes to the City of Buffalo and Erie County.** Sinatra owes taxes and sewer rents on 42 properties owned by 11 different corporate entities. The developer owes at least \$382,200.60 to Erie County and \$445,182.20 to the City of Buffalo.
- **At least 14 Sinatra properties are in foreclosure for back taxes owed to the City of Buffalo.** The properties are spread around the City and include some of Sinatra's most iconic holdings, including his headquarters in the Market Arcade building. An additional property that was in foreclosure was sold at the City foreclosure auction in October 2017.
- **Sinatra owes more than \$150,000 in unpaid taxes on the Market Arcade building, where his businesses are headquartered and which is in foreclosure.** Sinatra bought the Market Arcade from the City of Buffalo in 2014 and moved the headquarters of Sinatra & Company and his west coast business American Coastal Properties into its second floor. The city decided to sell the building in 2013 in order to put it back on tax rolls. However, Sinatra currently owes \$154,430.47 to the City of Buffalo and Erie County on the building and it is in foreclosure.
- **Sinatra has received at least \$1.47 million in mortgage and sales tax breaks for five projects through the ECIDA.** Sinatra's mixed use project at Main and Ferry, luxury apartments in the former Phoenix Brewery, apartments and offices in a former school on West Delavan, senior housing at 240 Kensington, and apartments on Great Arrow have all received tax breaks through the Erie County Industrial Development Agency.
- **Sinatra owns four properties assessed at a total of \$5.8 million that are exempt from property taxes through the 485-a adaptive reuse tax break.** The tax break exempts a large portion of property taxes for mixed use developments at formerly non-residential properties for 12 years.

## Methodology

To estimate the amount of taxes owed by Sinatra & Company, PAI reviewed records for 79 properties in Buffalo, Tonawanda, Amherst, Lancaster, and Elma owned by Sinatra & Company or one of its many LLC subsidiaries. We identified properties where taxes were owed by searching for the addresses of properties known to be owned by Sinatra – such as the Market Arcade building where the developer has his headquarters – and by searching for the names of LLCs known to be Sinatra shell companies.<sup>2</sup>

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<sup>2</sup> Companies whose properties were included in our analysis are: 129 Norwood LLC, 157 Great Arrow LLC, 471 Elmwood Group LLC, 618 Elmwood Avenue LLC, 933 Michigan Group LLC, 945 Kenmore Group LLC, 945 West Ferry LLC, Better Buffalo Properties LLC, Better Buffalo Properties II LLC, BN Medical Campus Rental Group LLC, EV Rental Group LLC, Franklin North Group LLC, Market Arcade Group LLC, Phoenix Brewery Apartments LLC, Sinatra & Company Real Estate Inc, Sinatra and

A data set of all of the properties included in our analysis is included at the end of this report.

### **Sinatra delinquent on at least \$827,382.80 in taxes**

This method yielded an estimate of \$827,382.80 owed by Sinatra companies in City of Buffalo property taxes, City of Buffalo sewer rents, Erie County property taxes, and Buffalo Place mall taxes.

Of Sinatra's tax-delinquent properties, 14 were in foreclosure, including Sinatra's headquarters in the historic Market Arcade building. A 15th property that was owned by Sinatra, 230 Masten Ave, was sold in the October 2017 city tax foreclosure auction.

It is important to note that this estimate is not comprehensive and is based on properties in Erie County that PAI was able to identify as being owned by Sinatra & Company or its subsidiaries. This estimate does not include taxes that may be owed by Sinatra & Company on properties in Niagara County or out of state in the Chicago or San Diego metro areas. Without a complete list of all of Sinatra & Company's properties, it is not possible to do a comprehensive accounting of the developer's tax delinquency. This analysis also does not include totals for how much Sinatra may owe in City of Buffalo user fees.

#### *Market Arcade*

Sinatra owes more than \$150,000 in back taxes on what may be the most iconic property in his portfolio: the Market Arcade building in downtown Buffalo, which houses Sinatra & Company's headquarters and several offices and commercial businesses. One tenant at the Market Arcade is the Buffalo Fiscal Stability Authority, the state-imposed control board (which has since been downgraded to an advisory body) overseeing the City of Buffalo's financial operations.

Sinatra owes \$22,131.96 in Erie County property taxes on the Market Arcade building, \$30,762.57 in special assessments for the Buffalo Place special business district, and \$101,535.94 in City of Buffalo property taxes, sewer rents, and liens.

Sinatra owes a further \$71,156.20 on 625 Main Street, the property adjoining the Market Arcade, which is home to Sinatra's Expo food court and is also in foreclosure.

The failure to pay taxes on the Market Arcade is particularly egregious, as the property previously belonged to the City of Buffalo, and the city's rationale for selling the property was to begin collecting taxes from it again. When the city listed the Market Arcade for sale in 2013, City Office of Strategic Planning director Brendan Mehaffy told *Buffalo Business First* that "We're at

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Company Redevelopment LLC, Sinatra Apartment Group LLC, Sunrise Estates of WNY LLC, WNY Retail Group LLC, and WNY Sheridan Property Group LLC.

the point where the ‘public’ doesn’t have to own the Market Arcade. Maybe we can find a buyer and put this building back on the tax rolls.”

Currently, not only is the city not receiving tax revenue from the building, the public body overseeing the city’s finances is paying rent to occupy the property. According to the City Department of Assessment and Taxation, that property along with 13 others owned by Sinatra & Company are in foreclosure.

### *Tonawanda apartment complexes*

Also notable is a trio of apartment complexes on or near Englewood Avenue in the Town of Tonawanda. Sinatra owes \$75,279.86, \$68,475.03, and \$68,464.82 in Erie County property taxes on the properties at 724 Englewood, 270 Highland Parkway, and 300 Highland Parkway respectively. Together the \$212,219.71 owed on these three properties accounts for 55% of the total property taxes owed to Erie County found in our analysis.

### **Millions in incentives and subsidies**

Sinatra’s failure to pay his taxes may be more understandable if the developer had not been so lavishly showered with public incentives.

Since 2014, five Sinatra & Company projects have received more than \$1.47 million in sales and mortgage tax savings from the Erie County Industrial Development Agency.<sup>3</sup> On top of this, Sinatra has also availed himself of the 485-a program, which grants major property tax breaks to developers who convert non-residential properties into mixed use developments. Four properties owned by Sinatra & Company assessed at \$5.8 million in value currently have the 485-a exemption, and according to applications for the ECIDA, Sinatra will seek the exemption for at least two other projects.<sup>4</sup> Sinatra has also obtained at least one 485-b exemption, which exempts property taxes for senior housing projects for his project at 240 Kensington Ave.

Some of Sinatra’s publicly subsidized projects are detailed below.

### *Phoenix Brewery Apartments*

Sinatra received \$316,000 in sales tax and mortgage tax exemptions for his conversion of the former Phoenix Brewery into luxury apartments on the Buffalo Niagara Medical Campus. The property, which has an assessed value of \$4.4 million, was also awarded a 485-a tax exemption

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<sup>3</sup> Sinatra & Company projects receiving subsidies through the ECIDA include 1526 Main St, which received \$64,500, the Phoenix Brewery Apartments, which received \$316,000, 722 West Delavan Ave, which received \$216,500, 240 Kensington Ave, which received \$258,750, and 157 Great Arrow Ave, which received \$615,000.

<sup>4</sup> Sinatra’s properties with the 485-a exemption include 1524 Main St, 1526 Main St, 835 Washington St, and 204 Highland Ave.

in 2017, meaning that Sinatra will only have to pay taxes on \$180,000 of the property's value for eight years, and will not have to pay taxes on the full value of the building until 2028.

#### *1524 and 1526 Main Street*

The two adjoining buildings on Main Street around the corner from Sinatra's luxury Fenton Village apartments on West Ferry each have a 485-a tax exemption. 1524 Main Street is assessed at \$250,000 and 1526 Main Street is assessed at \$800,000, but Sinatra will not have to pay taxes on the buildings' full values until 2027. Further, 1526 Main Street was also awarded \$12,000 in sales tax breaks and \$64,500 in mortgage tax breaks from the ECIDA.

#### *157 Great Arrow*

Sinatra bought a 100,000 square foot portion of the former Pierce Arrow plant at the corner of Elmwood and Great Arrow in late 2016 and obtained \$525,000 in sales tax breaks and \$90,000 in mortgage tax breaks from the ECIDA in October 2017. Sinatra's ECIDA application indicated that he will also seek a 485-a exemption for the project. Erie County Legislator Peter J Savage III was the attorney who represented Sinatra to the ECIDA for the project.

#### *722 West Delavan*

The redevelopment of the former Frederick Law Olmsted School #56 building by Sinatra & Company and Carl Paladino's Ellicott Development was awarded \$171,500 in sales tax savings and \$45,000 in mortgage tax savings. Sinatra and Paladino told ECIDA they will seek a 485-a exemption as well.

#### *240 Kensington*

Sinatra & Company purchased a brownfield on the East Side in May 2015 to develop senior housing with David Pawlik's Creative Structures Services. The project received a \$1.25 million loan from the Buffalo Urban Renewal Agency and \$218,750 in sales tax breaks and \$40,000 in mortgage tax breaks from ECIDA. The developers are also seeking a 485-b exemption, which they estimate will save them \$220,000 in property taxes.

#### *204 Highland*

Sinatra has obtained a 485-a exemption for this property in North Buffalo near the Town of Tonawanda and down the street from the three apartment complexes on which he owes more than \$115,000 in taxes. The exemption excuses Sinatra from paying full taxes on the property's \$350,000 in assessed value until 2028. Even with this break, Sinatra is still \$4,462.83 in arrears to Erie County and owes \$7,668.68 to the City of Buffalo for this property.