

DEB-EL FOOD PRODUCTS EXPANSION BENEFIT / COST ANALYSIS

Prepared for:
Deb-El Food Products, LLC

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Capacity Business Consulting
P.O. Box 194
Rock Hill, NY 12775



In Partnership with Impact DataSource, LLC

DEB-EL FOOD PRODUCTS EXPANSION

BENEFIT / COST ANALYSIS

Introduction

This report presents the results of an economic impact analysis performed by Capacity Business Consulting in partnership with Impact DataSource, LLC and estimates the impact that an expansion of Deb El Food in Thompson, New York will have on the local economy. The report presents an analysis of the costs and benefits of the project as required by New York State's law governing IDA's.

Description of the Project

Deb El Food is planning a \$3 million expansion resulting in 10-15 new jobs earning approximately \$30,000 on average.

The project will include the construction of additions to its existing egg processing facility including one 20,000 sf cooler, one 6,000 sf freezer, an 18,000 sf of storage, warehouse, and loading dock space, and approximately 2,500 sf for a new employee break room and additional office space.

As described below, this study presents an analysis of the costs and benefits generated by the project through both direct and indirect activity.

Summary of Methodology and Critical Assumptions:

- 1) According to information from Deb El Food, \$3.0 million will be invested at the site. Deb El Food's current building is assessed at approximately \$22.50 per square foot and therefore it is assumed that the 46,500 square foot expansion will result in \$1,046,250 assessed value added to the rolls. In addition, the analysis assumes the expansion will result in \$1.0 million in taxable construction materials and equipment purchases.
- 2) For simplicity, it is assumed that all construction activity will occur in 2014 in this analysis and operations will begin in 2016.
- 3) Data are extrapolated over the period from 2016 through 2035. This period coincides with the 20-year tax abatement program under consideration and provides a reasonable period to assess the net present value of long-term benefits (new economic activity and governmental revenues) and costs (new governmental expenses and abatements) produced. The values are presented in net present value to compare benefits and costs occurring over multi-year periods. Sales tax abatements are recorded in 2014 as actual costs.
- 4) Mortgage tax abatement costs are not included in this analysis.
- 5) Property taxes for the County, Town, School District, Library District, and Fire District at the proposed site are modeled in the Real Property Tax Abatement and Collections. The Library and Fire districts are not included in abatement calculations because IDA tax abatement applies only to ad valorem levies.
- 6) Real property abatement may be provided according to the Real Property Tax Abatement Schedule shown below. Real estate taxes on the increased value resulting from improvements are abated at fifty (50%) percent for year one (1) with the abatement decreasing two and one-half (2 ½ %) percent per year for years two (2) through twenty (20). This type of abatement program, commonly called a 485-b stretch, provides benefits similar to benefits that are available under Section 485-b of the New York Real Property Tax Law (RPTL), but over a twenty (20) year period versus the ten (10) year period provided for in the RPTL.

The abatement schedule covers 20 years from 2016 through 2035. During this period, real property taxes are effectively phased in under a Payment In Lieu of Taxes (PILOT) agreement through the IDA while the property remains under its ownership, such that taxing jurisdictions receive the equivalent of real property taxes.

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Real Property Tax General Abatement Schedule

Year	% Abated	PILOT %
1	50.00%	50.00%
2	47.50%	52.50%
3	45.00%	55.00%
4	42.50%	57.50%
5	40.00%	60.00%
6	37.50%	62.50%
7	35.00%	65.00%
8	32.50%	67.50%
9	30.00%	70.00%
10	27.50%	72.50%
11	25.00%	75.00%
12	22.50%	77.50%
13	20.00%	80.00%
14	17.50%	82.50%
15	15.00%	85.00%
16	12.50%	87.50%
17	10.00%	90.00%
18	7.50%	92.50%
19	5.00%	95.00%
20	2.50%	97.50%
21 & Beyond	0.00%	100.00%

- 7) No assumption of appreciation or depreciation is applied to the real property taxable values over time.

- 8) A 1.5% per year escalation in costs and other benefits is applied in the absence of other changes over the 20-year period.

- 9) Sewage treatment and water supply will be subject to separate agreements and not be abated or represent any uncompensated added cost.

- 10) The additional annual costs to local government for providing highway maintenance and other non-education services in the Town of Thompson are estimated at \$1,812 for each new resident attracted. This is based on an estimated Town of Thompson tax levy of \$5.45 million within the Town and an estimated County tax levy of \$10.1 million (a total of \$15.55 million) divided by a Town population outside of the Village of Monticello of 8,582. Assuming an average household size of 2.45 persons for all households, the additional highway maintenance and other non-educational cost per household is \$4,439.

It is assumed, based on the *Sullivan County Cost of Community Services Study*, that 76.9% of the per household cost will be covered from taxes paid by the new residents, leaving \$1,025 per household as the net cost for Town of Thompson and Sullivan County services. This is the ratio of costs of services to tax revenues for residential development in the Town of Thompson.

It is assumed one-third of the company's employees and one-sixth of the new indirect workers will be new to Sullivan County. Therefore, the project will produce 3 new households from direct activity and 1 new households from indirect activity.

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This is to say every new household, viewed independently of the businesses employing its members, theoretically generates a net tax loss of the community. This strict interpretation provides for a conservative analysis of benefits versus costs. It is also important to remember the commercial activity would not exist without the employees required to run the business or residential customers for its products. The value of costs of services data is limited to analyzing the likely tax impacts of projects, as it is being used in this instance.

- 11) It is assumed that the new households resulting in the County from the direct and indirect employment will include new school students. On average, each household in Sullivan County includes 0.42 school children. Accordingly, it is estimated that there will be 2 new school students attending local schools as a result of this project. Sullivan County school districts, given recent reductions in State Aid, can be expected to incur an estimated average cost per pupil of roughly \$15,000 net of New York State School Aid (based upon School District and New York State Department of Education Statistics). This includes special education costs.

It is assumed, as with highway and non-education costs, that property taxes paid by new residents will cover 76.9% of the additional education costs.

- 12) The facility's payroll and the earnings by indirect workers in the area will generate additional sales tax revenue. The company's employees are estimated to receive compensation of \$30,160 per year on average. It is assumed that 50% of the project's payroll will consist of Sullivan County residents and 50% of such the payroll less payroll taxes will be spent on taxable items in Sullivan County. The Type II indirect earnings multiplier used in this analysis is 1.6826. This multiplier reflects the total change in total workers' earnings for each dollar paid to a direct worker. The multiplier was obtained from the Bureau of Economic Analysis' RIMS II model for Sullivan County's food manufacturers industry (311990 All other food manufacturing).
- 13) The streams of costs and benefits are compared in this analysis using their net present value. The calculation utilizes a discount rate of 2.54% equal to the 10-year US Treasury Yield as of July 14, 2014, representative of the cost of public debt. The net present value figures represent discounted values from 2014 through 2035.

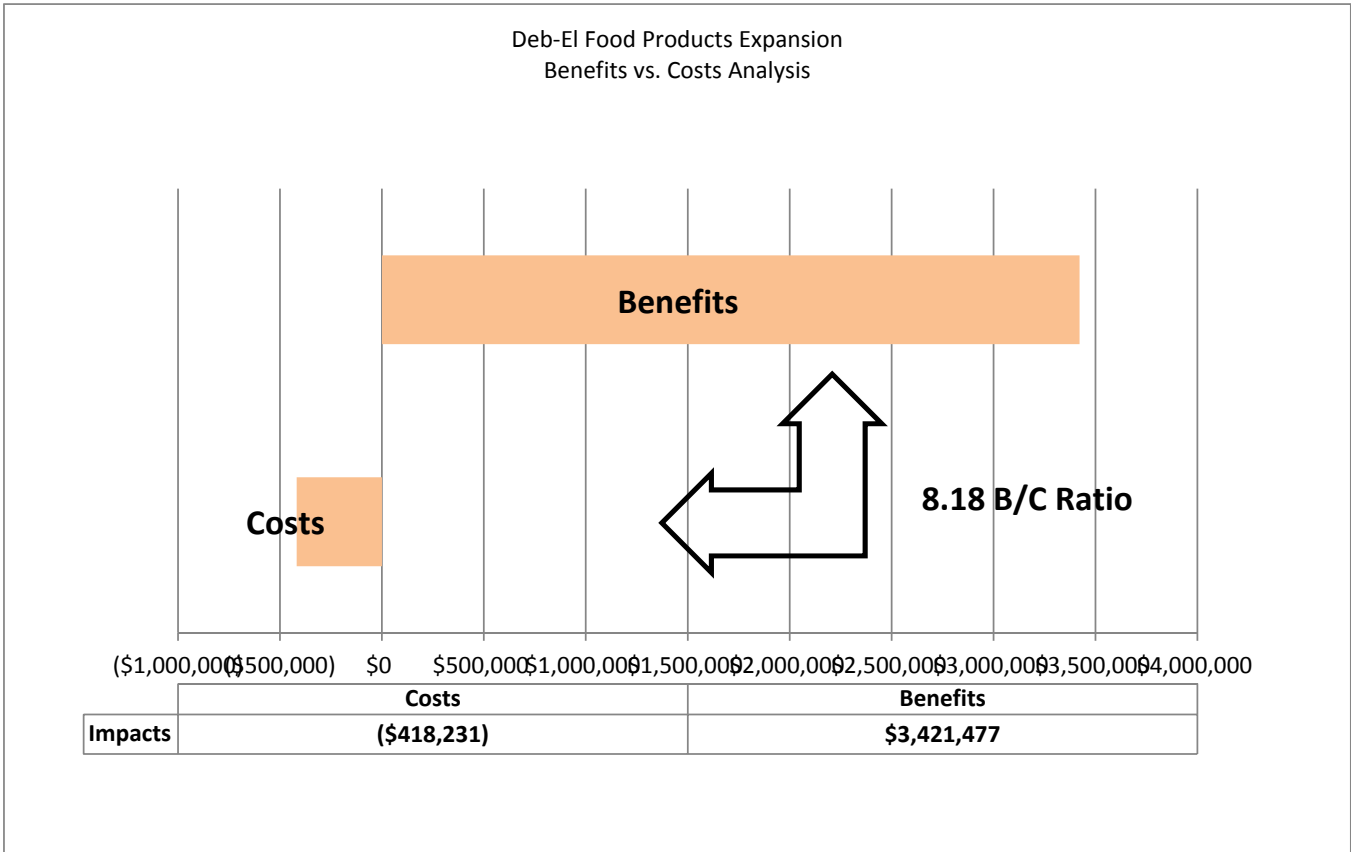
Conclusion

The project will generate a positive benefit/cost ratio of 8.18 for the County on a net present value basis. The following chart and table present a summary of the results.

**DEB-EL FOOD PRODUCTS EXPANSION
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Deb-El Food Products Expansion Benefits vs. Costs Analysis	
Costs 2014-2035	
Sales Tax Abatements (County)	\$40,000
Sales Tax Abatements (State)	\$40,000
Mortgage Tax Abatements	\$0
Real Prop. Tax Reductions Net of 485-b Benefits	\$193,450
Sub Total (Value of All Abatements) =	\$273,450
Net Present Value of Abatements	\$232,187
Additional School Costs	\$116,889
Variable Highway & Other Municipal Costs	\$69,155
Total Costs (Net Present Value) =	\$418,231
Benefits (Net Present Value, 2014-2035)	
Property Taxes	\$423,736
Sales Taxes (General - From Gains in Buying Power)	
County	\$57,649
State	\$57,649
Sales Taxes (From Operations)	
County	\$0
State	\$0
Room Taxes	\$0
Sub Total (Taxes/Charges) =	\$539,033
Personal Income Gains: New/Retained Jobs	\$1,713,089
Personal Income Gains: Multiplier Effects	\$1,169,355
Sub Total (Income Gains) =	\$2,882,444
Total Benefits (Net Present Value) =	\$3,421,477
Gross Excess Benefits Over Costs =	\$3,003,246
Benefits to Costs Ratio =	8.18

DEB-EL FOOD PRODUCTS EXPANSION BENEFIT / COST ANALYSIS



Appendix

Economic Analysis of Deb-El Food Products and Requested Tax Abatement Program												
FISCAL YEAR	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
DESCRIPTION	1	2	3	4	5	6	7	8	9	10	11	12
Sales Tax Abatement	\$80,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mortgage Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Tax Abatement	\$0	\$0	\$18,424	\$17,503	\$16,581	\$15,660	\$14,739	\$13,818	\$12,897	\$11,975	\$11,054	\$10,133
Highway/Other Costs	\$0	\$0	\$4,100	\$4,162	\$4,224	\$4,287	\$4,352	\$4,417	\$4,483	\$4,550	\$4,619	\$4,688
School Costs	\$0	\$0	\$6,930	\$7,034	\$7,139	\$7,247	\$7,355	\$7,466	\$7,578	\$7,691	\$7,807	\$7,924
Real Property Taxes	\$0	\$0	\$20,702	\$21,623	\$22,544	\$23,465	\$24,386	\$25,308	\$26,229	\$27,150	\$28,071	\$28,992
Personal Income - New/Retained Jobs	\$0	\$0	\$101,564	\$103,087	\$104,634	\$106,203	\$107,796	\$109,413	\$111,054	\$112,720	\$114,411	\$116,127
Indirect Income Benefits	\$0	\$0	\$69,327	\$70,367	\$71,423	\$72,494	\$73,582	\$74,685	\$75,806	\$76,943	\$78,097	\$79,268
Added Sales Tax (General)	\$0	\$0	\$6,836	\$6,938	\$7,042	\$7,148	\$7,255	\$7,364	\$7,474	\$7,587	\$7,700	\$7,816
Added Sales Tax (Operations)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Room Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Economic Analysis of Deb-El Food Products and Requested Tax Abatement Program												
FISCAL YEAR	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Totals	
DESCRIPTION	13	14	15	16	17	18	19	20	21	22	Actual	NPV
Sales Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$80,000	\$78,018
Mortgage Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Tax Abatement	\$9,212	\$8,291	\$7,370	\$6,448	\$5,527	\$4,606	\$3,685	\$2,764	\$1,842	\$921	\$193,450	\$154,168
Highway/Other Costs	\$4,758	\$4,830	\$4,902	\$4,976	\$5,050	\$5,126	\$5,203	\$5,281	\$5,360	\$5,440	\$94,807	\$69,155
School Costs	\$8,043	\$8,163	\$8,286	\$8,410	\$8,536	\$8,664	\$8,794	\$8,926	\$9,060	\$9,196	\$160,247	\$116,889
Real Property Taxes	\$29,914	\$30,835	\$31,756	\$32,677	\$33,598	\$34,519	\$35,441	\$36,362	\$37,283	\$38,204	\$589,059	\$423,736
Personal Income - New/Retained Jobs	\$117,869	\$119,637	\$121,432	\$123,253	\$125,102	\$126,978	\$128,883	\$130,816	\$132,778	\$134,770	\$2,348,528	\$1,713,089
Indirect Income Benefits	\$80,457	\$81,664	\$82,889	\$84,132	\$85,394	\$86,675	\$87,976	\$89,295	\$90,635	\$91,994	\$1,603,105	\$1,169,355
Added Sales Tax (General)	\$7,933	\$8,052	\$8,173	\$8,295	\$8,420	\$8,546	\$8,674	\$8,804	\$8,937	\$9,071	\$158,065	\$115,298
Added Sales Tax (Operations)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Room Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0