

# Sullivan Property Acquisitions I, LLC

Application to County of Sullivan  
Industrial Development Agency for  
Financial Assistance for

## Apollo Plaza Project



## Benefit/Cost Analysis

*Prepared by:*

**Shepstone Management Company, Inc.**  
**Planning & Research Consultants**  
100 Fourth Street Honesdale, PA 18431  
(570) 251-9550 FAX 251-9551  
[www.shepstone.net](http://www.shepstone.net)  
[smc@shepstone.net](mailto:smc@shepstone.net)

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## Background:

Sullivan Property Acquisitions I, LLC, has applied for financial assistance for the acquisition and complete renovation of the former Apollo Plaza in the Village of Monticello, Town of Thompson (Village of Monticello Tax Map Parcels 130.-1-9.1, 130.-1-9.2, and a portion of 130.-1-14). The finished project will include approximately 188,000 square feet of retail and 12,000 square feet of office space plus attendant parking, drainage and utility services.

It is estimated approximately \$11,100,000 will be invested in acquiring and equipping the reconstructed facilities of which an estimated \$6,000,000 of which will represent sales taxable equipment and materials. Sullivan Property Acquisitions I, LLC has applied to the County of Sullivan Industrial Development Agency (IDA) for real property, mortgage and sales tax abatements to assist with this project. The real property value will be set at \$7,400,000 for purposes of calculating payments in lieu of taxes (PILOT) payments.

New York State law governing IDAs requires "an analysis of the costs and benefits of the proposed project." Shepstone Management Company, Inc. has been requested by the IDA to provide such an analysis on an independent basis. This study is designed to compare the economic benefits of the project, including both direct and indirect revenues generated for local and state government, against the costs to these governments for additional services required. Both direct and indirect costs are considered on this side of the equation as well.

The following is a summary of the findings from this analysis, including supporting materials forming the basis for the conclusion reached.

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## Methods and Assumptions:

The following methods and assumptions were employed for this analysis of this project:

- 1) The project involves the reconstruction of the existing mall, which will require an estimated \$6,000,000 in sales taxable material and equipment purchases.
- 2) It is assumed, for purposes of this analysis, that all activities will occur in 2015. It is further assumed the IDA will approve a PILOT Agreement with the value for PILOT calculation purposes set at \$7,400,000.
- 3) It is assumed mortgage tax abatement will apply to \$8,000,000 of financing.
- 4) Data is extrapolated over the period of 2015 through 2034. Sales tax abatements are recorded in 2015 as actual costs. This is a reasonable period to assess the net present value of long-term benefits (new economic activity and governmental revenues) and costs (new governmental expenses) produced.
- 5) The additional annual costs to local government for providing highway maintenance and other non-educational services in the Village of Monticello are estimated at \$2,301 for each new resident attracted. This is based on an estimated Village/Town tax levy of \$5,250,000 with Monticello's share of an estimated County tax levy at \$10,425,000, divided by a Village population of 6,812 persons.

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It is expected one job per 800 square feet of retail space, or 235 in total, will be created. It is assumed 25% of employees will be new to Sullivan County. The applicant should be able to hire mostly local employees given its convenient location within the County and the type of labor required as compared to the available unemployed workforce. Further applying an employment multiplier of 1.48 (see No. 7 below), the project will produce 87 new households (235 jobs x 25% new households x 1.48), with a cost of approximately \$5,638 annually in non-educational local government services each.

It is assumed, based on the *Sullivan County Cost of Community Services Study*, that 76.9% or \$4,337 per household would be covered from taxes paid by the new residents, leaving \$1,301 per household as the net cost for Village and County services. This is the ratio of costs of services to tax revenues for residential development in the Town of Thompson and Village of Monticello.

This is to say every new household, viewed independently of the businesses employing its members, theoretically generates a net tax loss for the community. This strict interpretation provides for a conservative analysis of benefits versus costs, but it is also important to remember the commercial ratables 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.

- 6) It is estimated 25% of the estimated new employees will involve new households. Moreover, family households represented some 65% of all Sullivan County households in 2010. This suggests 87 new family households will be generated by the project after accounting for the multiplier effect. There were 14,957

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children aged 5-19 years for an average of 0.78 school-age children for each family household according to the Census Bureau. This yields a maximum potential of 42 new students for the local school district. This analysis is based on the Monticello Central School District, which is the school system within which the project is located.

The Monticello Central School District, given recent reductions in State Aid, can be expected to incur an estimated average cost per pupil of roughly \$20,000 net of New York State School Aid (based upon School District and New York State Department of Education statistics). This includes special education costs.

A 1.5% per year escalation in these and other costs (as well as benefits) is assumed. It is further assumed property taxes paid by new residents will, once again, cover a minimum of 76.9% of the local share (see No. 6 above).

- 7) Sales taxes attributable to the increased buying power generated by the payroll the facility will produce (at assumed \$32,500 per job average) are calculated on the assumptions 50% of the project payroll will consist of Sullivan County residents, and 25% of such payroll will be spent on taxable items in Sullivan County.

It is further assumed total personal income, including indirect or "spin-off" gains in personal income, will be 1.48 times direct personal income (incorporating the "multiplier effect"). While this is a relatively low economic multiplier for a rural area where single projects can have great impacts, it is based on Cornell Cooperative Extension and U.S. Department of Commerce data regarding the

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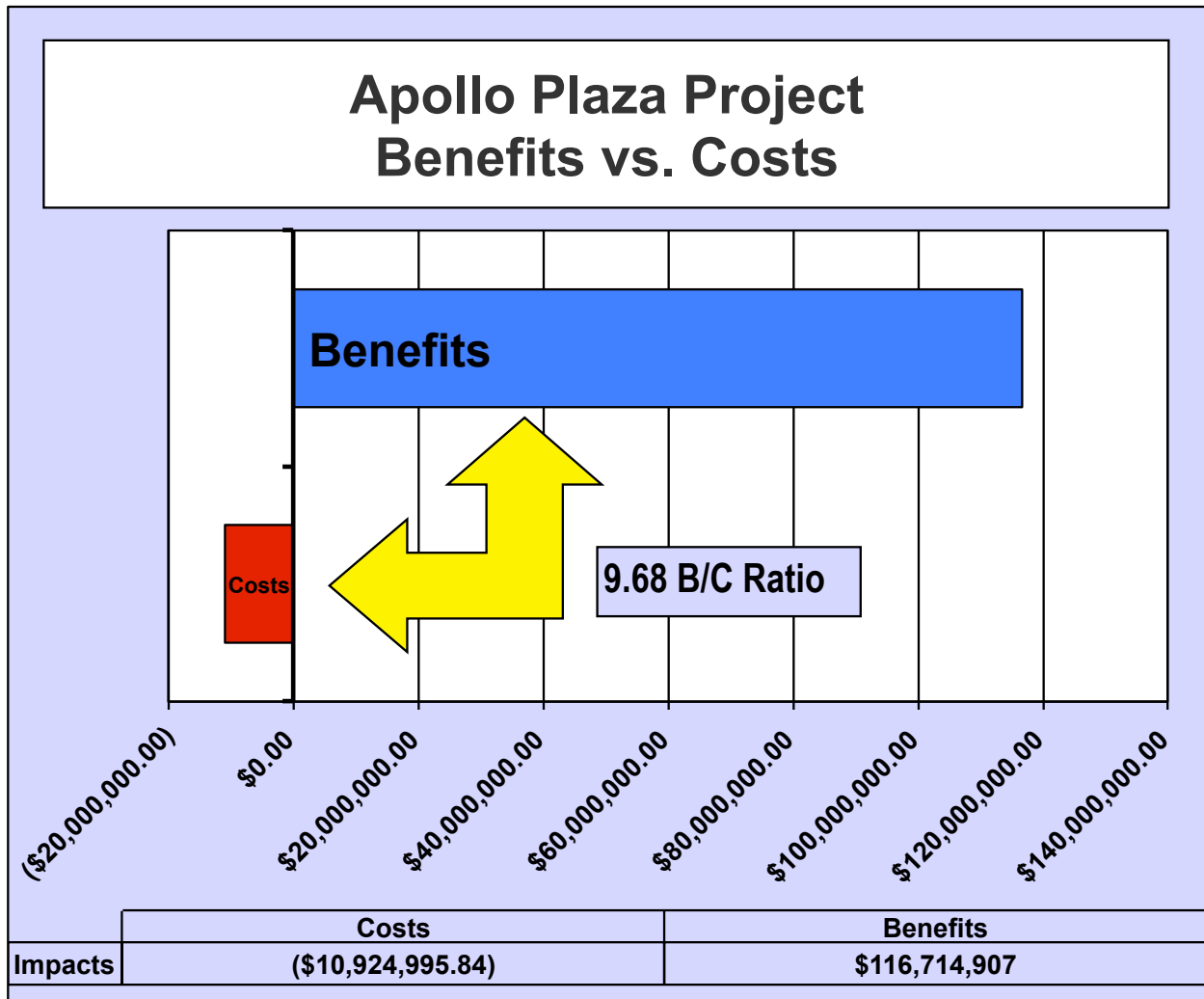
input and output of New York State service industries. It was determined to use this conservative approach, rather than speculate as to higher multipliers.

- 8) It is assumed 35% of the sales connected with the grocery element of the project will be sales taxable (the grocery represents 40,000 square feet within the project) and generate new sales tax revenue, with 95% of other sales being taxable, for a net sales taxable rate of 82%, and further assuming a conservative average of \$350 per square foot in sales annually.
- 9) Cash flow streams from benefits and costs are net present valued using a discount rate of 3.75% (current bond rate). Net present value figures include actual costs of abatements and other costs for 2015 plus discounted values for 2016-2034.

## Conclusion:

This project will generate a positive benefit/cost ratio of 9.68 on a net present value basis. The chart and table following provide a summary of the benefit/cost analysis and illustrate the results.

# Apollo Plaza Project Benefit/Cost Analysis



# Apollo Plaza Project Benefit/Cost Analysis

<b>Apollo Plaza Project Cost/Benefit Analysis</b>	
<b>Costs (2015-2034)</b>	
Sales Tax Abatements (County)	\$240,000
Sales Tax Abatements (State)	\$240,000
Mortgage Tax Abatements	\$80,000
Real Property Tax Reductions Net of 485-b Benefits	\$1,583,042
<b>Sub-Total (Value of All Abatements) =</b>	<b>\$2,143,042</b>
Net Present Value of Abatements*	\$1,166,893
Additional School Costs	\$2,690,813
Variable Highway & Other Municipal Costs	\$7,067,289
<b>Total Costs (Net Present Value)=</b>	<b>\$10,924,996</b>
<b>Benefits (Net Present Value, 2015-2034)</b>	
Real Property Taxes	\$4,128,761
Sales Taxes (General - From Gains in Buying Power)	
County	\$549,024
State	\$549,024
Personal Income Gains Related to New/Retained Jobs	\$27,451,187
Personal Income Gains Related to Multiplier Effects	\$13,176,570
Sales Taxes (From Retail Sales)	
County	\$35,430,170
State	\$35,430,170
<b>Total Benefits =</b>	<b>\$116,714,907</b>
<b>Net Excess Benefits Over Costs =</b>	<b>\$105,789,911</b>
<b>Benefits to Costs Ratio =</b>	<b>9.68</b>



# **APPENDIX**

### Economic Analysis of Apolla Plaza Project and Requested Tax Abatement Program

FISCAL YEAR	Economic Analysis of Apolla Plaza Project and Requested Tax Abatement Program											
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
DESCRIPTION	1	2	3	4	5	6	7	8	9	10	11	12
Sales Tax Abatement	\$480,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mortgage Tax Abatement	\$80,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Tax Abatement	\$0	\$0	\$113,747	\$112,450	\$115,686	\$117,946	\$119,183	\$119,350	\$118,400	\$116,281	\$112,943	\$103,174
Highway/Other Costs	\$490,195	\$490,195	\$490,195	\$490,195	\$490,195	\$490,195	\$490,195	\$490,195	\$490,195	\$490,195	\$490,195	\$490,195
School Costs	\$0	\$0	\$192,628	\$195,517	\$198,450	\$201,427	\$204,448	\$207,515	\$210,627	\$213,787	\$216,994	\$220,249
Real Property Taxes	\$204,463	\$119,849	\$139,024	\$152,138	\$173,529	\$196,576	\$221,340	\$247,882	\$276,267	\$306,560	\$338,830	\$355,376
Personal Income - New/Retained Jobs	\$0	\$0	\$1,938,016	\$1,996,592	\$2,026,541	\$2,056,939	\$2,087,793	\$2,119,110	\$2,150,897	\$2,183,160	\$2,215,908	\$2,249,146
Indirect Income Benefits	\$0	\$0	\$930,248	\$958,364	\$972,740	\$987,331	\$1,002,141	\$1,017,173	\$1,032,430	\$1,047,917	\$1,063,636	\$1,079,590
Sales Taxes from Income Gains	\$0	\$0	\$38,760	\$39,932	\$40,531	\$41,139	\$42,382	\$43,863	\$45,018	\$46,663	\$48,318	\$49,983
Sales Taxes from Retail Sales	\$4,328,800	\$4,393,732	\$4,459,638	\$4,526,533	\$4,594,431	\$4,663,347	\$4,733,297	\$4,804,297	\$4,876,361	\$4,949,507	\$5,023,749	\$5,099,105

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FISCAL YEAR	Economic Analysis of Apolla Plaza Project and Requested Tax Abatement Program											
	2027	2028	2029	2030	2031	2032	2033	2034	TOTALS		Actual	NPV
DESCRIPTION	13	14	15	16	17	18	19	20				
Sales Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$480,000	\$480,000
Mortgage Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$80,000	\$80,000
Real Property Tax Abatement	\$93,086	\$82,672	\$71,924	\$60,836	\$49,399	\$37,605	\$25,446	\$12,914	\$0	\$0	\$1,583,042	\$1,166,893
Highway/Other Costs	\$490,195	\$490,195	\$490,195	\$490,195	\$490,195	\$490,195	\$490,195	\$490,195	\$490,195	\$490,195	\$9,803,893	\$7,067,289
School Costs	\$223,552	\$226,906	\$230,309	\$233,764	\$237,270	\$240,829	\$244,442	\$248,108	\$248,108	\$248,108	\$3,946,821	\$2,690,813
Real Property Taxes	\$372,342	\$389,737	\$407,571	\$425,852	\$444,589	\$463,793	\$483,473	\$503,639	\$524,297	\$545,166	\$6,222,829	\$4,128,761
Personal Income - New/Retained Jobs	\$2,282,883	\$2,317,127	\$2,351,884	\$2,387,162	\$2,422,969	\$2,459,314	\$2,496,204	\$2,533,647	\$2,571,690	\$2,610,332	\$40,275,291	\$27,451,187
Indirect Income Benefits	\$1,095,784	\$1,112,221	\$1,128,904	\$1,145,838	\$1,163,025	\$1,180,471	\$1,198,178	\$1,216,150	\$1,234,407	\$1,252,834	\$19,332,140	\$13,176,570
Sales Taxes from Income Gains	\$45,658	\$46,343	\$47,038	\$47,743	\$48,459	\$49,186	\$49,924	\$50,673	\$51,436	\$52,214	\$805,506	\$549,024
Sales Taxes from Retail Sales	\$5,175,592	\$5,253,226	\$5,332,024	\$5,412,005	\$5,493,185	\$5,575,582	\$5,659,216	\$5,744,104	\$5,829,247	\$5,914,750	\$100,097,730	\$70,860,341