

JEFFERSON DEVELOPMENT PARTNERS, LLC



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

MONTICELLO MOTOR CLUB Benefit/Cost Analysis

Prepared by:

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Jefferson Development - Drive & Race Club Project Benefit/Cost Analysis

Background:

Jefferson Development Partners, LLC, proposes to continue development of the Monticello Motor Club LLC (“MMC”) project located on Cantrell Road, Monticello, Town of Thompson, Sullivan County, New York. The current project involves the construction of a 40 bay, 240’x40’ member garage building (9,600 square feet). The structure is proposed in the general vicinity of the existing hangar building.

There are a total of six parcels of real estate involved including the following (by tax map numbers):

Jefferson Development Partners, LLC	49-1-1.1
Jefferson Pride Development Partners LLC	49-1-1.6
James Madison Development Partners LLC	49-1-23; 49-1-24; 49-1-28 and 60-1-1

All six parcels of land are located in the Town of Thompson, Sullivan County at the site of the former Monticello Airport.

Altogether, approximately \$1,450,000 will be invested. Some \$884,500 of this will be sales taxable equipment and materials. Jefferson Development Partners, LLC has applied to the County of Sullivan Industrial Development Agency (IDA) for sales tax abatements to assist the project.

New York State law governing IDA's requires "an analysis of the costs and benefits of the proposed project." Shepstone Management Company 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

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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 methods and findings from this analysis, including supporting materials forming the basis for the conclusion reached.

Methods and Assumptions:

The following methods and assumptions were employed for this analysis:

- 1) The project involves \$1,450,000 in total investment. Some \$884,500 will be spent on sales taxable material and equipment purchases.
- 2) It is assumed, for purposes of this analysis, that all activity will occur in 2016.
- 3) All figures are extrapolated over the period of 2016-2036, with sales tax abatements being recorded in 2016 as actual costs. This is a reasonable period for assessing the net present value of long-term benefits (additional economic activity and governmental revenues generated) and costs (additional governmental expenses) produced.
- 4) It is assumed sewer and water expenses will be self-financed through fees and assessments and generate no unusual costs above the revenues thereby obtained.

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- 5) The additional annual costs to local government for providing highway maintenance and other non-educational services in the Town of Thompson are estimated at \$1,197 for each new resident attracted. This is based on an estimated Town of Thompson tax levy of \$7,000,000 and a County tax levy of \$11,000,000 (a total of approximately \$18,000,000) divided by a Town of Thompson population of 15,038 persons.

It is assumed 25% of employees over time (an estimated two employees will be added at the outset) 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). Given an average household size of 2.50 persons for all households (individuals as well as families), the project will produce less than one new household with a cost of approximately \$2,992 annually in non-educational local government services.

It is assumed, based on Sullivan County's and other costs-of-services studies, that 90% or \$2,693 per household would be covered from taxes paid by the new residents, leaving \$299 per household as the net cost for Town of Thompson and Sullivan County services.

This is to say every new household, viewed independently of the businesses employing its members, 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.

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- 6) It is estimated 25% of the estimated two new employees will involve new households over time. Moreover, family households represent roughly 31% of all Sullivan County households. This suggests less than one new family household will be generated by the project and less than one new student for the Monticello School District, the school system estimated to be most affected by this project.

The Monticello School District experiences an estimated average cost per pupil of \$20,500 net of New York State School Aid (based upon 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 would, once again, cover a minimum of 90% of the local share (see No. 5 above).

- 7) Sales taxes attributable to the increased buying power generated by the payroll the facility will produce are calculated on the assumptions that 50% of the project payroll will consist of Sullivan County residents, 50% of such payroll will be spent on taxable items in Sullivan County and that total personal income, including indirect or "spin-off" gains in personal income, is 1.58 times direct personal income (incorporating the "multiplier effect"). This economic multiplier is based on U.S. Department of Commerce data regarding the input and output of New York State industries.
- 8) Special district taxes (e.g. fire and library) are not included in the calculations of benefits and costs.

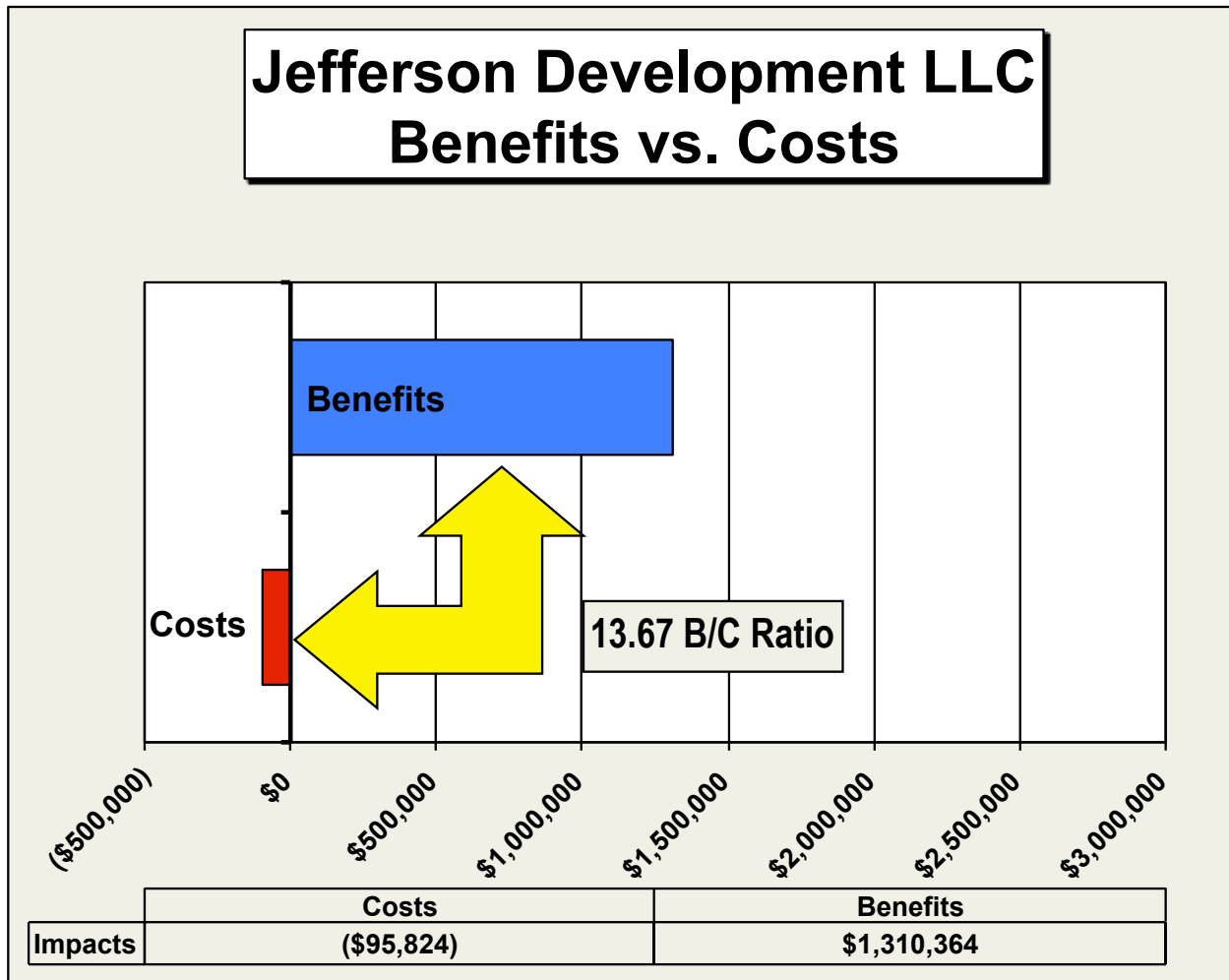
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- 9) Cash flow streams from benefits and costs are net present valued using a discount rate of 2.5%, the typical current cost of U.S. public debt. Net present value figures include actual costs of abatements and other costs for 2016 plus discounted values for 2017-2036.

Conclusion:

This project will generate a positive benefit/cost ratio of 13.67 on a net present value basis. The chart and table following provide a summary of the benefit/cost analysis and illustrate the results.

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Jefferson Development, LLC Benefit/Cost Analysis	
Costs (2016-2036)	
Sales Tax Abatements (County)	\$35,380
Sales Tax Abatements (State)	\$35,380
Mortgage Tax Abatements	\$0
Real Property Tax Reductions Net of 485-b Benefits	\$0
Sub-Total (Value of All Abatements) =	\$70,760
Net Present Value of Abatements	\$70,760
Additional School Costs	\$23,004
Variable Highway & Other Municipal Costs	\$2,060
Total Costs (Net Present Value)=	\$95,824
Benefits (Net Present Value, 2016-2036)	
Property Taxes	\$685,075
Sales Taxes (From Gains in Buying Power)	
County	\$10,547
State	\$12,054
Sub-Total =	\$707,675
Sales Tax (From Sales at Project Site)	
County	\$0
State	\$0
Sub-Total =	\$0
Personal Income Gains Related to New Permanent Jobs	\$381,449
Personal Income Gains Related to Multiplier Effects	\$221,240
Sub-Total (Income Gains) =	\$602,689
Total Benefits =	\$1,310,364
Gross Excess Benefits Over Costs =	\$1,214,541
Net of Abatements "Costs" and Income Gains=	\$682,612
Benefits to Costs Ratio =	13.67

APPENDIX

