

**BRR Brothers III, LLC
Sullivan County Fabrication, Inc.**

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

Sullivan County Fabrication Project



Benefit/Cost Analysis

Prepared by:

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Sullivan County Fabrication Project Benefit/Cost Analysis

Background:

BRR Brothers III, LLC and Sullivan County Fabrication, Inc. have applied for financial assistance for the redevelopment/renovation of two properties in the Town of Fallsburg (Tax Map Parcels 62-1-20.1 and 63-1-4. The project involves the acquisition of a former egg farm and renovation of the existing facilities to accommodate a metal fabrication factory and storage of manufactured products.



The combined properties are currently assessed at \$610,000 (which represents an estimated market value of \$983,400). It is estimated \$600,000 will be invested in acquiring the property with another \$3,300,000 to be invested in redeveloping, renovating and equipping it, of which an estimated \$2,393,300 will represent sales taxable equipment purchases and materials costs associated with the project and real property improvements will total \$300,000 in assessed value. BRR Brothers III, LLC and Sullivan County Fabrication, Inc. have applied to the County of Sullivan Industrial Development Agency (IDA) for real property, mortgage and sales tax abatements to assist with this project.

Sullivan County Fabrication Project Benefit/Cost Analysis



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.

Sullivan County Fabrication Project Benefit/Cost Analysis

Methods and Assumptions:

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

- 1) The project involves the renovation of the existing property which will require an estimated \$2,393,000 in sales taxable material and equipment purchases (roughly \$485,000 building renovations at an assessed value of \$300,000 with the balance being equipment).
- 2) It is assumed, for purposes of this analysis, that all activities will occur in 2016. It is further assumed the IDA will approve a PILOT Agreement under the IDA's [Uniform Tax Exemption Policy for Manufacturing](#), the PILOT to apply to the estimated costs of proposed improvements times the 62% equalization rate for the Town of Fallsburg. The PILOT schedule is detailed in the table to the right.

Year	% Abated	PILOT %
1	90%	10%
2	90%	10%
3	80%	20%
4	80%	20%
5	70%	30%
6	70%	30%
7	60%	40%
8	60%	40%
9	50%	50%
10	50%	50%
11	50%	50%
12	50%	50%
13	40%	60%
14	40%	60%
15	30%	70%
16	30%	70%
17	20%	80%
18	20%	80%
19	10%	90%
20	10%	90%
21	0%	100%
- 3) It is assumed there will be a \$570,000 mortgage to which mortgage tax abatement will apply.
- 4) It is anticipated the Sullivan County Fabrication project will create 7 full-time jobs with salaries averaging \$40,000 per year.

Sullivan County Fabrication Project

Benefit/Cost Analysis

- 5) The additional annual costs to local government for providing highway maintenance and other non-educational services in the Town of Fallsburg are estimated at \$1,381 for each new resident attracted (\$3,383 per household). This is based on an estimated county and town tax levy of \$7,300,000, divided by a Town of Fallsburg population of roughly 12,870 persons.

It is assumed 25% of employees or up to one person will be new to Sullivan County. Further applying an employment multiplier of 1.29 (the Department of Commerce estimated Sullivan County multiplier for other fabricated metal manufacturing), the project will produce 2+ new households (7 jobs x 25% new households x 1.29), with a cost of approximately \$3,383 annually in non-educational local government services each.

It is assumed, based on the *Sullivan County Cost of Community Services Study*, that 63.3% or \$2,141 per household would be covered from taxes paid by the new residents, leaving \$1,242 per household as the net cost for town and county services. This is the ratio of costs of services to tax revenues for residential development in the Town of Fallsburg.

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.

Sullivan County Fabrication Project

Benefit/Cost Analysis

- 6) School costs are based on the 0.48 children per household average for Sullivan County times a total costs (net of state aid) of \$14,175 per student, which is the average for the Fallsburg Central School District where the project is located.
- 7) Sales taxes attributable to the increased buying power generated by the new payroll the facility will produce are included among benefits the project will create.
- 8) Cash flow streams from benefits and costs are net present valued using a discount rate of 2.34% ([current interest rate on the public debt](#)). Net present value figures include actual costs of abatements and other costs for 2016 plus discounted values for 2017-2037.

Conclusion:

This project will generate costs of \$351,844 in mortgage, real property and sales tax abatements over the period of the standard PILOT agreement or 21 years. Net present valued this equates to a total cost of \$323,059. There are an additional estimated \$101,994 of school costs and \$50,712 of highway and related costs over this same period (net present valued), bringing total costs to \$475,765.

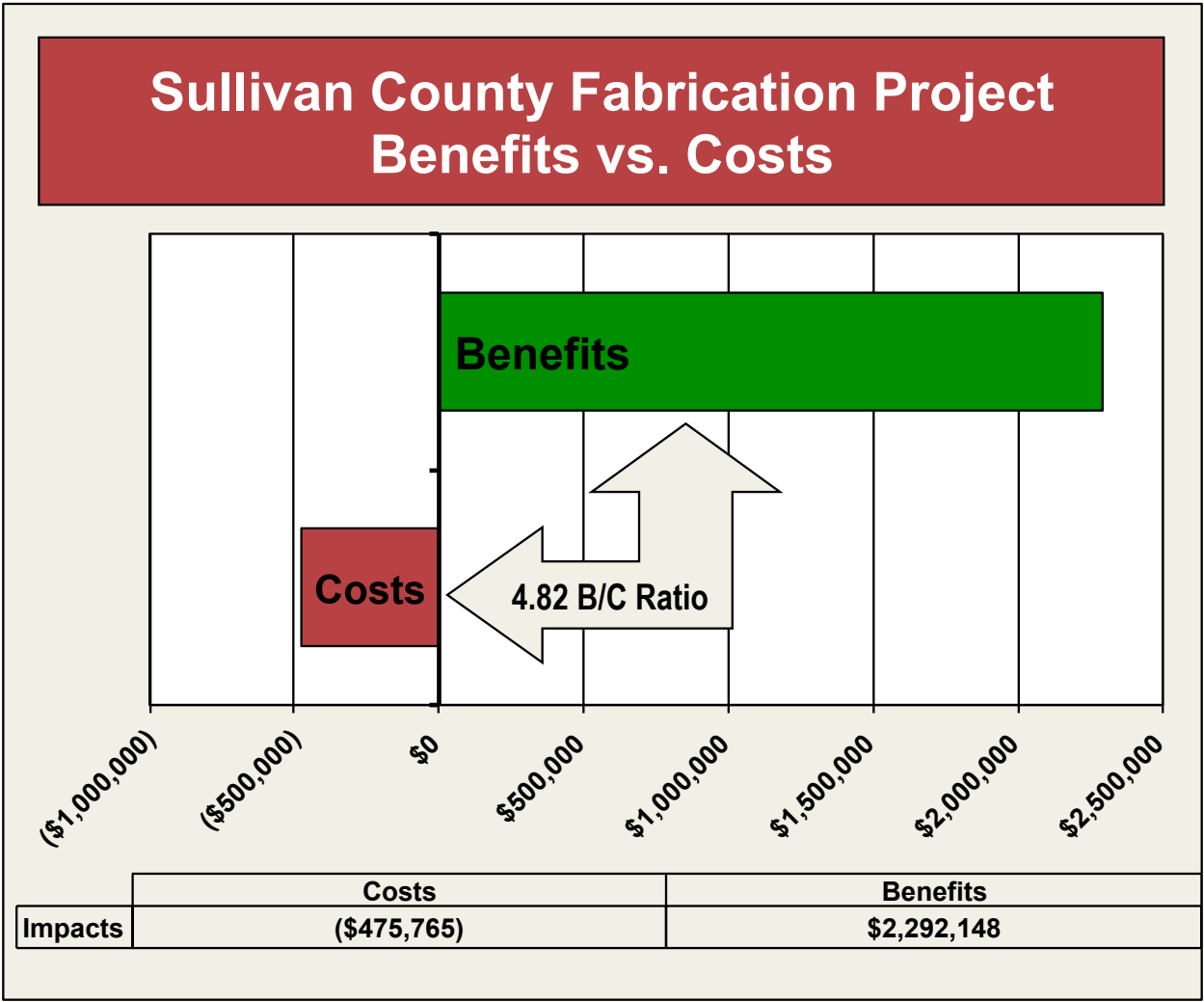
The project benefits consist of the new real property taxes that will be generated (\$208,635), the payroll gains (\$1,929,179) and the sales taxes from those payroll gains (\$154,334), which are estimated to total \$2,292,148 combined over the 21 years at net present value.

This yields a positive benefit/cost ratio of 4.82.

Sullivan County Fabrication Project Benefit/Cost Analysis

Sullivan County Fabrication Project Cost/Benefit Analysis	
Costs (2016-2036)	
Sales Tax Abatements (County)	\$95,720
Sales Tax Abatements (State)	\$95,720
Mortgage Tax Abatements	\$5,700
Real Property Tax Reductions Net of 485-b Benefits	\$154,704
Sub-Total (Value of All Abatements) =	\$351,844
Net Present Value of Abatements	\$323,059
Additional School Costs	\$101,994
Variable Highway & Other Municipal Costs	\$50,712
Total Costs (Net Present Value)=	\$475,765
Benefits (Net Present Value, 2016-2036)	
Real Property Taxes	\$208,635
Sales Taxes (General - From Gains in Buying Power)	
County	\$77,167
State	\$77,167
Sub-Total (Taxes/Charges) =	\$362,969
Personal Income Gains Related to New/Retained Jobs	\$1,303,499
Personal Income Gains Related to Multiplier Effects	\$625,680
Sub-Total (Income Gains) =	\$1,929,179
Total Benefits =	\$2,292,148
Excess Benefits Over Costs =	\$1,816,382
Benefits to Costs Ratio =	4.82

Sullivan County Fabrication Project Benefit/Cost Analysis



Sullivan County Fabrication Project Benefit/Cost Analysis

Economic Analysis of Sullivan County Fabrication Project and Requested Tax Abatement Program												
FISCAL YEAR	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
DESCRIPTION	C1	1	2	3	4	5	6	7	8	9	10	11
Sales Tax Abatement	\$191,440	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mortgage Tax Abatement	\$5,700	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Tax Abatement	\$0	\$8,652	\$7,684	\$8,913	\$7,916	\$9,183	\$8,155	\$9,460	\$8,402	\$9,746	\$11,129	\$12,551
Highway/Other Costs	\$0	\$2,803	\$2,845	\$2,888	\$2,931	\$2,975	\$3,020	\$3,065	\$3,111	\$3,158	\$3,205	\$3,253
School Costs	\$0	\$5,638	\$5,723	\$5,809	\$5,896	\$5,984	\$6,074	\$6,165	\$6,258	\$6,351	\$6,447	\$6,543
Real Property Taxes	\$0	\$2,163	\$4,391	\$4,457	\$6,785	\$6,887	\$9,320	\$9,460	\$12,003	\$12,183	\$12,365	\$12,551
Personal Income - New/Retained Jobs	\$0	\$71,050	\$73,197	\$74,295	\$75,410	\$76,541	\$77,689	\$78,854	\$80,037	\$81,238	\$82,456	\$83,693
Indirect Income Benefits	\$0	\$34,104	\$35,135	\$35,662	\$36,197	\$36,740	\$37,291	\$37,850	\$38,418	\$38,994	\$39,579	\$40,173
Added Sales Tax (General)	\$0	\$8,412	\$8,667	\$8,797	\$8,929	\$9,062	\$9,198	\$9,336	\$9,476	\$9,619	\$9,763	\$9,909
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 Sullivan County Fabrication Project and Requested Tax Abatement Program												
FISCAL YEAR	2028	2028	2029	2029	2030	2030	2031	2031	2032	2032	2033	2036
DESCRIPTION	12	13	14	14	15	15	16	16	17	17	18	21
Sales Tax Abatement	\$0	\$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	\$10,191	\$10,344	\$7,874	\$7,993	\$5,408	\$5,489	\$3,557	\$3,611	\$2,786	\$2,766	\$3,776	\$0
Highway/Other Costs	\$3,302	\$3,352	\$3,402	\$3,453	\$3,505	\$3,557	\$3,611	\$3,665	\$3,720	\$3,776	\$3,830	\$0
School Costs	\$6,642	\$6,741	\$6,842	\$6,945	\$7,049	\$7,155	\$7,262	\$7,371	\$7,482	\$7,594	\$7,706	\$0
Real Property Taxes	\$15,287	\$15,516	\$18,374	\$18,649	\$21,633	\$21,958	\$25,073	\$25,449	\$28,701	\$29,132	\$29,563	\$0
Personal Income - New/Retained Jobs	\$84,949	\$86,223	\$87,516	\$88,829	\$90,161	\$91,514	\$92,887	\$94,280	\$95,694	\$97,129	\$98,583	\$0
Indirect Income Benefits	\$40,775	\$41,387	\$42,008	\$42,638	\$43,277	\$43,927	\$44,586	\$45,254	\$45,933	\$46,622	\$47,321	\$0
Added Sales Tax (General)	\$10,058	\$10,209	\$10,362	\$10,517	\$10,675	\$10,835	\$10,998	\$11,163	\$11,330	\$11,500	\$11,673	\$0
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
TOTALS												NPV
Actual												\$191,440
												\$191,440
												\$5,700
												\$125,919
												\$50,712
												\$101,994
												\$208,635
												\$1,303,499
												\$625,680
												\$154,334
												\$0
												\$0