

Metabolized Carbon Corporation, Inc.

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

Glen Wild Industrial Project



Benefit/Cost Analysis

Prepared by:

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Background:

[Metabolized Carbon Corporation, Inc.](#), an established metal fabricator from Ossining, New York, has applied for financial assistance for the development of an industrial lot in the Town of Fallsburg (Tax Map Parcel 65-1-9). The project involves the acquisition of some 61 acres of unimproved land in the Glen Wild Industrial Park and improvements to accommodate a metal fabrication business and storage of manufactured products.



The property is currently assessed at \$53,700 (which represents an estimated market value of \$86,600). It is estimated \$212,500 will be invested in acquiring the property with another \$3,940,212 to be invested in redeveloping, renovating and equipping it, of which an estimated \$425 will represent sales taxable purchases and materials costs associated with the project and real property improvements will total \$3,500,000 in market value for purposes of assessment (which at a 62% equalization rate would be

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\$2,170,000 of assessed value). Metabolized Carbon Corporation, Inc. has applied to the County of Sullivan Industrial Development Agency (IDA) for real property, mortgage and sales tax abatements to assist with this project.



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 renovation of the existing property which will require an estimated \$425,000 in sales taxable material and equipment purchases (manufacturing equipment is assumed to non-taxable).

- 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 (the base value is a function of the purchase price and is not a factor) times the 62% equalization rate for the Town of Fallsburg. The PILOT schedule is detailed in the table to the right.

Real Property Tax Abatement Schedule		
Year	% Abated	PILOT %
1	100%	0%
2	100%	0%
3	100%	0%
4	100%	0%
5	100%	0%
6	90%	10%
7	80%	20%
8	70%	30%
9	60%	40%
10	50%	50%
11	40%	60%
12	30%	70%
13	20%	80%
14	10%	90%
15	0%	100%

- 3) It is assumed there will be a \$1,200,000 mortgage to which mortgage tax abatement will apply.
- 4) It is anticipated the Metabolized Carbon Corporation project will create 10 full-time jobs with salaries averaging \$40,000 per year.

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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 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.

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- 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 an \$20,500 per student, which is the estimated average figure for the Monticello 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.



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Conclusion:

This project will generate costs of \$855,379 in mortgage, real property and sales tax abatements over the period of the standard PILOT agreement. Net present valued this equates to a total cost of \$752,717. There are an additional estimated \$210,728 of school costs and \$72,446 of highway and related costs over this same period (net present valued), bringing total costs to \$1,035,892.

The project benefits consist of the new real property taxes that will be generated (\$1,316,186), the payroll gains (\$2,755,970) and the sales taxes from those payroll gains (\$220,478), which are estimated to total \$4,293,633 combined over the analysis period at net present value.

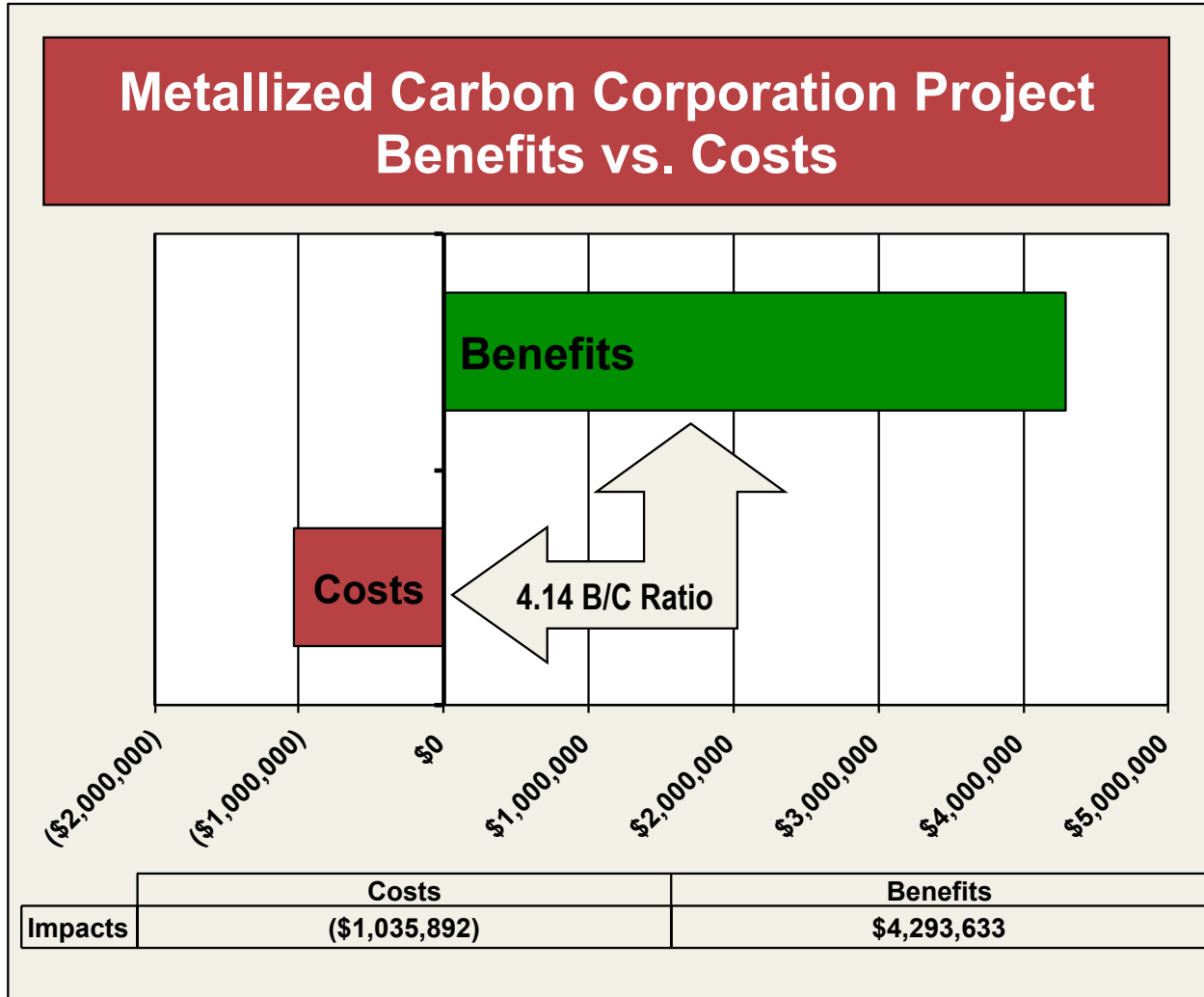
This yields a positive benefit/cost ratio of 4.14.



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Metallized Carbon Corporation Project Cost/Benefit Analysis	
Costs (2016-2036)	
Sales Tax Abatements (County)	\$17,000
Sales Tax Abatements (State)	\$17,000
Mortgage Tax Abatements	\$12,000
Real Property Tax Reductions Net of 485-b Benefits	\$809,379
Sub-Total (Value of All Abatements) =	\$855,379
Net Present Value of Abatements	\$752,717
Additional School Costs	\$210,728
Variable Highway & Other Municipal Costs	\$72,446
Total Costs (Net Present Value)=	\$1,035,892
Benefits (Net Present Value, 2016-2036)	
Real Property Taxes	\$1,317,186
Sales Taxes (General - From Gains in Buying Power)	
County	\$110,239
State	\$110,239
Sub-Total (Taxes/Charges) =	\$1,537,663
Personal Income Gains Related to New/Retained Jobs	\$1,862,142
Personal Income Gains Related to Multiplier Effects	\$893,828
Sub-Total (Income Gains) =	\$2,755,970
Total Benefits =	\$4,293,633
Excess Benefits Over Costs =	\$3,257,742
Benefits to Costs Ratio =	4.14

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Economic Analysis of Metallized Carbon Corporation 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	\$34,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mortgage Tax Abatement	\$12,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Tax Abatement	\$0	\$65,424	\$73,046	\$80,882	\$88,936	\$93,326	\$77,528	\$71,537	\$65,349	\$58,960	\$52,364	\$45,556
Highway/Other Costs	\$0	\$4,005	\$4,065	\$4,126	\$4,188	\$4,251	\$4,314	\$4,379	\$4,445	\$4,511	\$4,579	\$4,648
School Costs	\$0	\$11,649	\$11,824	\$12,001	\$12,181	\$12,364	\$12,549	\$12,738	\$12,929	\$13,123	\$13,320	\$13,519
Real Property Taxes	\$0	\$0	\$0	\$0	\$0	\$13,888	\$28,192	\$42,922	\$58,088	\$73,700	\$89,766	\$106,298
Personal Income - New/Retained Jobs	\$0	\$101,500	\$104,568	\$106,136	\$107,728	\$109,344	\$110,984	\$112,649	\$114,339	\$116,054	\$117,795	\$119,562
Indirect Income Benefits	\$0	\$48,720	\$50,193	\$50,945	\$51,710	\$52,485	\$53,273	\$54,072	\$54,883	\$55,706	\$56,542	\$57,390
Added Sales Tax (General)	\$0	\$12,018	\$12,381	\$12,567	\$12,755	\$12,946	\$13,141	\$13,338	\$13,538	\$13,741	\$13,947	\$14,156
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 Metallized Carbon Corporation Project and Requested Tax Abatement Program												
FISCAL YEAR	2028	2028	2029	2030	2031	2032	2033	2034	2035	2036	TOTALS	
DESCRIPTION	12	13	14	15	16	17	18	19	20	21	Actual	NPV
Sales Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$34,000	\$34,000
Mortgage Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$12,000	\$12,000
Real Property Tax Abatement	\$30,826	\$15,644	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$809,379	\$706,717
Highway/Other Costs	\$4,717	\$4,788	\$4,860	\$4,933	\$5,007	\$5,082	\$5,158	\$5,236	\$5,314	\$5,394	\$92,607	\$72,446
School Costs	\$13,722	\$13,928	\$14,137	\$14,349	\$14,564	\$14,783	\$15,004	\$15,229	\$15,458	\$15,690	\$269,372	\$210,728
Real Property Taxes	\$123,306	\$140,800	\$158,791	\$161,173	\$163,590	\$166,044	\$168,535	\$171,063	\$173,629	\$176,233	\$1,839,782	\$1,317,186
Personal Income - New/Retained Jobs	\$121,355	\$123,176	\$125,023	\$126,899	\$128,802	\$130,734	\$132,695	\$134,686	\$136,706	\$138,756	\$2,380,735	\$1,862,142
Indirect Income Benefits	\$38,251	\$59,124	\$60,011	\$60,911	\$61,825	\$62,752	\$63,694	\$64,649	\$65,619	\$66,603	\$1,142,753	\$893,828
Added Sales Tax (General)	\$14,368	\$14,584	\$14,803	\$15,025	\$15,250	\$15,479	\$15,711	\$15,947	\$16,186	\$16,429	\$281,879	\$220,478
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