

Hudson Valley Foie Gras

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



Benefit/Cost Analysis

Prepared by:

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Background:

Two affiliates of HVFG LLC (doing business as Hudson Valley Foie Gras) have applied for financial assistance for the redevelopment of a property in the Town of Bethel (Tax Map Parcel 18-1-16.4).

The project involves the adaptive reuse of two buildings, previously occupied by an equipment manufacturer, at the Airport Industrial Park. Importantly, the renovation and reoccupation of the two buildings will add value to what is otherwise byproduct of the HVFG farm operation.



One of the buildings will be production space for existing and newly developed products (dog treats made from the byproduct of duck slaughter). The other will house additional freezers.

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Because substantially all of the investment is in furtherance of the already existing operation in Sullivan County, the project is being considered under the [Agricultural Industry Uniform Tax Exemption Policy](#) of the County of Sullivan Industrial Development Agency.



It is estimated \$1,695,000 will be invested in improving the property. Some \$600,000 will be spent on renovations with another \$1,095,000 to be invested in equipment such as freezers (\$650,000), wastewater treatment equipment (\$350,000), A GENERATOR (\$75,000) and furniture, fixtures and equipment (\$20,000) of which an estimated \$423,750 will represent sales taxable purchases and materials costs associated with the project (processing equipment is already tax-exempt).

Real property improvements will add an estimated \$200,000 to the theoretical market value under the current assessment and at a 73% equalization rate, yield an estimated \$146,480 of new assessed value.

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Hudson Valley Foie Gras has applied to the County of Sullivan Industrial Development Agency (IDA) for real property, mortgage and sales tax abatements to assist with bringing this project to completion.

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.



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The following is a summary of the 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 of this project:

- 1) This renovation project involves an estimated \$423,750 in sales taxable material and equipment purchases (25% of the total project cost, recognizing processing equipment will already be sales tax exempt under New York State law).

- 2) It is assumed, for purposes of this analysis, that all construction activities will occur in 2016. It is further assumed that the IDA will approve a PILOT Agreement under the IDA's [Uniform Tax Exemption Policy Agricultural Industry Program](#), the PILOT to apply to the estimated costs of developing the real property times the 73% equalization rate for the Town of Bethel. The PILOT schedule is detailed in the table to the right.

Real Property Tax Abatement Schedule		
Year	% Abated	PILOT %
1	100.0%	0.0%
2	100.0%	0.0%
3	100.0%	0.0%
4	100.0%	0.0%
5	100.0%	0.0%
6	90.0%	10.0%
7	80.0%	20.0%
8	70.0%	30.0%
9	60.0%	40.0%
10	50.0%	50.0%
11	40.0%	60.0%
12	30.0%	70.0%
13	20.0%	80.0%
14	10.0%	90.0%
15	0.0%	100.0%

- 3) The applicant indicates it will finance \$1,304,750 of its investment. It is, therefore, assumed there will be a mortgage of an equal amount to which mortgage tax abatement will apply.

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- 4) It is anticipated the Hudson Valley Foie Gras project will create 10 full-time equivalent jobs with salaries averaging \$37,500 per year.
- 5) The additional annual costs to local government for providing highway maintenance and other non-educational services in the Town of Bethel are estimated at \$2,348 for each new resident attracted (\$5,752 per household). This is based on an estimated county and town tax levy of \$9,900,000, divided by a Town of Bethel population of roughly 4,250 persons.

It is assumed 25% of employees or up to three persons will be new to Sullivan County. Further applying an employment multiplier of 1.65 (the Cornell University estimated multiplier for meat businesses in New York), the project will produce 4 new households (10 jobs x 25% new households x 1.65), with a cost of approximately \$5,752 annually in non-educational local government services each.

It is assumed, based on the *Sullivan County Cost of Community Services Study*, that 82.6% or \$4,754 per household would be covered from taxes paid by the new residents, leaving \$998 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 Bethel.

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

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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) 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 \$15,435 per student, which is the current estimated average figure for the Monticello Central School District where the project is located. A total of two additional students are projected.
- 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 2.216% ([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 \$93,838 in mortgage, real property and sales tax abatements over the 15-year period of the standard PILOT agreement. Net present valued this equates to a total cost of \$87,286. There are an additional estimated \$97,159 of school costs and \$75,430 of highway and related costs over this same period (net present valued), bringing total costs to \$259,875.

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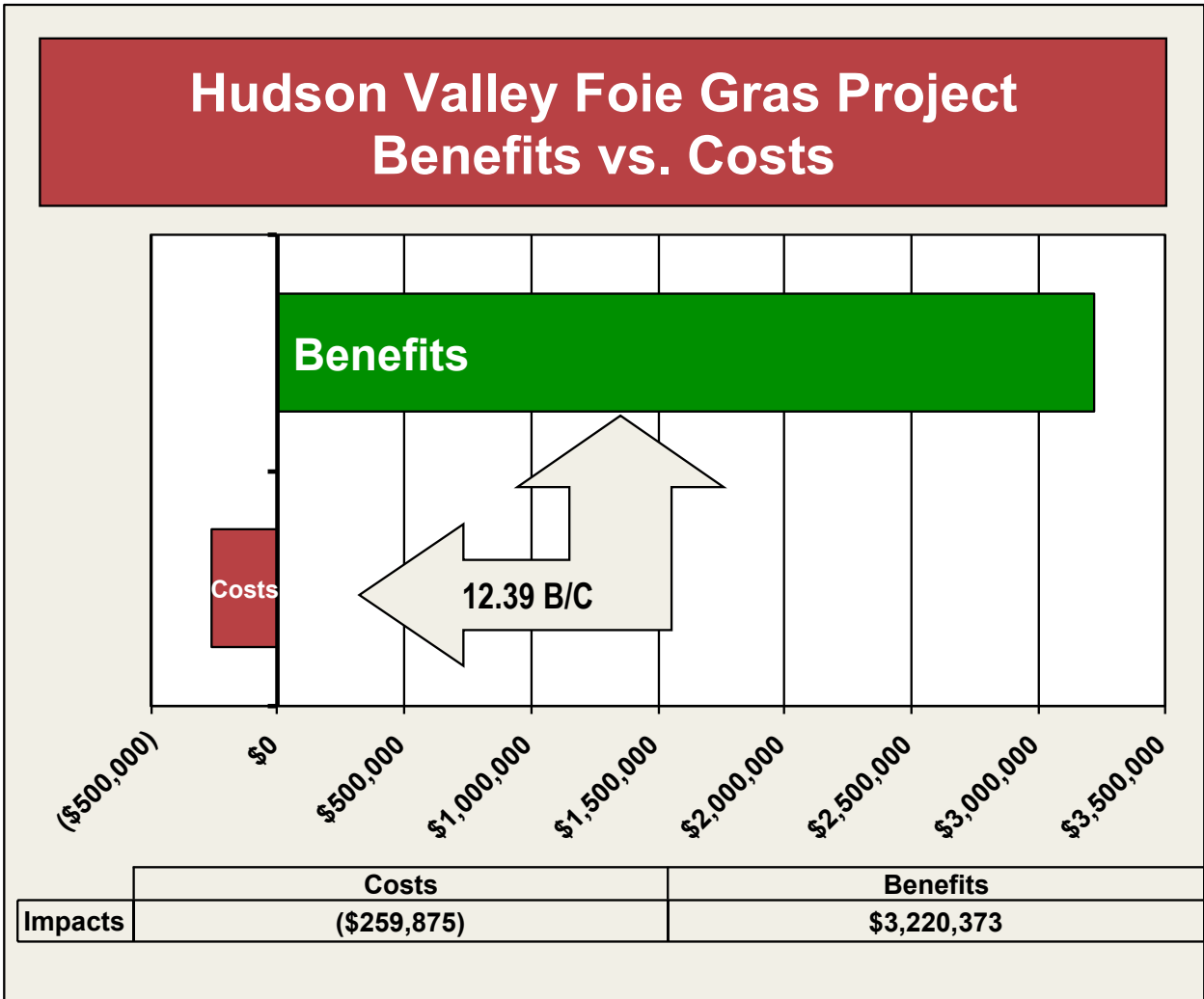
The project benefits consist of the new real property taxes that will be generated (\$70,203), the payroll gains (\$2,916,824) and the sales taxes from those payroll gains (\$303,549, which, at net present value, total \$2,960,498 combined over the analysis period. This yields a positive benefit/cost ratio of 12.39.



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Hudson Valley Foie Gras Project Cost/Benefit Analysis	
Costs (2016-2036)	
Sales Tax Abatements (County)	\$16,950
Sales Tax Abatements (State)	\$16,950
Mortgage Tax Abatements	\$10,000
Real Property Tax Reductions Net of 485-b Benefits	\$49,938
Sub-Total (Value of All Abatements) =	\$93,838
Net Present Value of Abatements	\$87,286
Additional School Costs	\$97,159
Variable Highway & Other Municipal Costs	\$75,430
Total Costs (Net Present Value)=	\$259,875
Benefits (Net Present Value, 2016-2036)	
Real Property Taxes	\$70,203
Sales Taxes (General - From Gains in Buying Power)	
County	\$116,673
State	\$116,673
Sub-Total (Taxes/Charges) =	\$303,549
Personal Income Gains Related to New/Retained Jobs	\$1,767,772
Personal Income Gains Related to Multiplier Effects	\$1,149,052
Sub-Total (Income Gains) =	\$2,916,824
Total Benefits =	\$3,220,373
Excess Benefits Over Costs =	\$2,960,498
Benefits to Costs Ratio =	12.39

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Economic Analysis of Hudson Valley Foie Gras 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	\$33,900	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mortgage Tax Abatement	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Tax Abatement	\$0	\$3,410	\$3,808	\$4,216	\$4,636	\$5,067	\$4,776	\$4,475	\$4,163	\$3,842	\$3,509	\$3,166
Highway/Other Costs	\$0	\$4,118	\$4,180	\$4,242	\$4,306	\$4,371	\$4,436	\$4,503	\$4,570	\$4,639	\$4,708	\$4,779
School Costs	\$0	\$5,304	\$5,384	\$5,465	\$5,546	\$5,630	\$5,714	\$5,800	\$5,887	\$5,975	\$6,065	\$6,156
Real Property Taxes	\$6,621	\$0	\$0	\$0	\$0	\$0	\$735	\$1,492	\$2,271	\$3,073	\$3,899	\$4,749
Personal Income - New/Retained Jobs	\$0	\$95,156	\$98,032	\$99,503	\$100,995	\$102,510	\$104,048	\$105,609	\$107,193	\$108,801	\$110,433	\$112,089
Indirect Income Benefits	\$0	\$61,852	\$63,721	\$64,677	\$65,647	\$66,632	\$67,631	\$68,646	\$69,675	\$70,720	\$71,781	\$72,858
Added Sales Tax (General)	\$0	\$12,561	\$12,940	\$13,134	\$13,331	\$13,531	\$13,734	\$13,940	\$14,149	\$14,362	\$14,577	\$14,796

Economic Analysis of Hudson Valley Foie Gras 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	\$33,900	\$33,900
Mortgage Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,000	\$10,000
Real Property Tax Abatement	\$2,410	\$1,631	\$828	\$4,997	\$5,072	\$5,226	\$5,304	\$5,384	\$5,464	\$5,546	\$49,938	\$43,386
Highway/Other Costs	\$4,851	\$4,923	\$4,997	\$5,072	\$5,148	\$5,226	\$5,304	\$5,384	\$5,464	\$5,546	\$95,221	\$75,430
School Costs	\$6,248	\$6,342	\$6,437	\$6,533	\$6,631	\$6,731	\$6,832	\$6,934	\$7,038	\$7,144	\$122,652	\$97,159
Real Property Taxes	\$5,624	\$6,524	\$7,450	\$8,401	\$8,527	\$8,655	\$8,785	\$8,917	\$9,051	\$9,186	\$94,775	\$70,203
Personal Income - New/Retained Jobs	\$113,771	\$115,477	\$117,209	\$118,967	\$120,752	\$122,563	\$124,402	\$126,268	\$128,162	\$130,084	\$2,231,940	\$1,767,772
Indirect Income Benefits	\$73,951	\$75,060	\$76,186	\$77,329	\$78,489	\$79,666	\$80,861	\$82,074	\$83,305	\$84,555	\$1,450,761	\$1,149,052
Added Sales Tax (General)	\$15,018	\$15,243	\$15,472	\$15,704	\$15,939	\$16,178	\$16,421	\$16,667	\$16,917	\$17,171	\$294,616	\$233,346