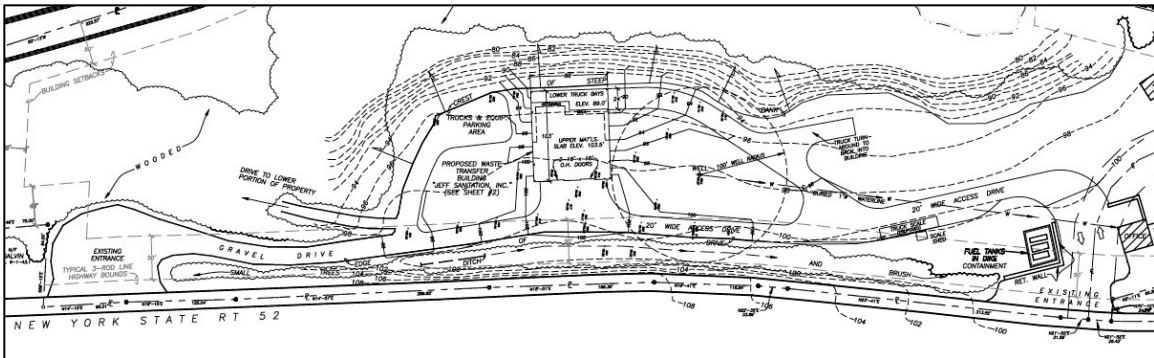


Jeff Sanitation, Inc. and Be Neet LLC

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



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
mail@shepstone.net

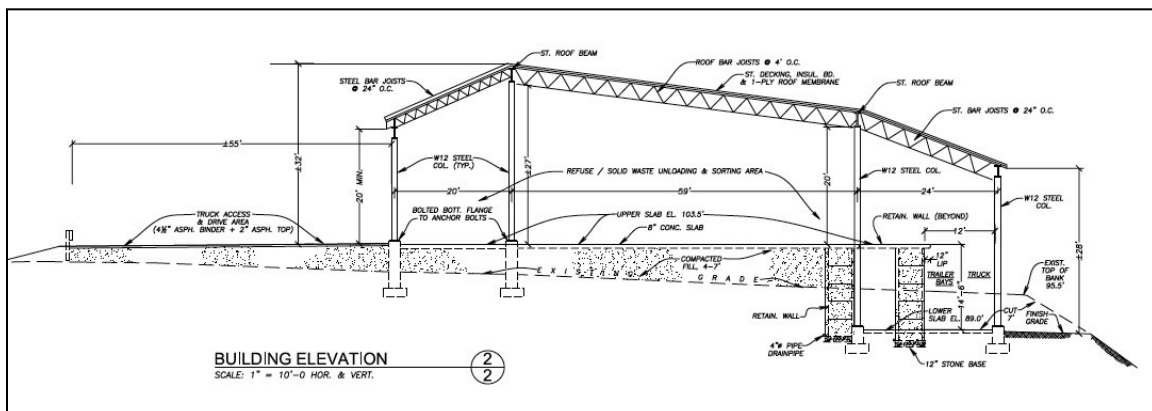
December, 2016

Jeff Sanitation Benefit/Cost Analysis

Background:

Two companies, Be Neet LLC and Jeff Sanitation, Inc., doing business as Jeff Sanitation, have applied for financial assistance for the redevelopment of a property in the Town of Delaware (Tax Map Parcel 21-1-12.1).

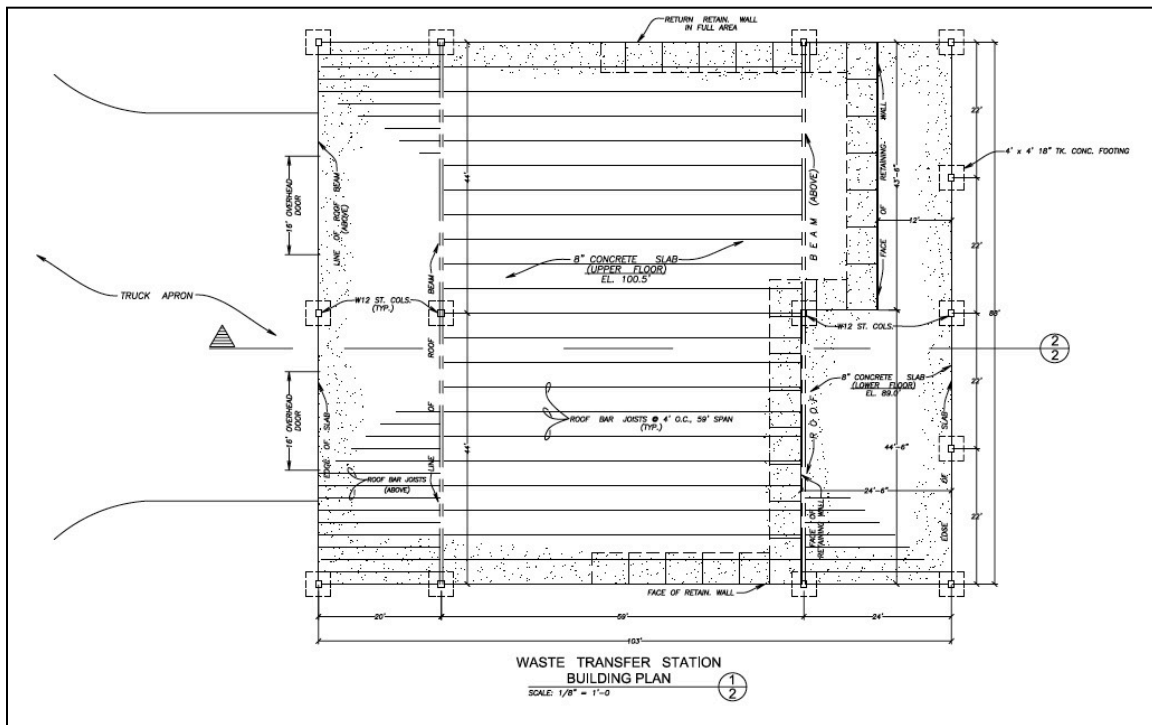
The project involves construction of a new transfer station building at building at 5239 State Route 52 in Jeffersonville, NY, along with associated site improvements. Equipment to be purchased includes industrial scales to weigh waste material and a loader/excavator to move and load material. The purpose of the project is to provide a “more affordable, efficient, and environmentally sound method of handling waste materials.”



It is estimated \$650,000 of taxable improvements will be invested in improving the property. An estimated \$292,500 will represent sales taxable purchases and materials costs associated with the project (45% of construction costs). The project is being considered under the [General Abatement Program provided in the Uniform Tax Exemption Policy](#) of the County of Sullivan Industrial Development Agency.

Jeff Sanitation Benefit/Cost Analysis

Real property improvements will, therefore, add an estimated \$650,000 to the theoretical market value under the current assessment and at a 100% equalization rate, yield equivalent new assessed value.



Jeff Sanitation 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.

Jeff Sanitation Benefit/Cost Analysis

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.

Jeff Sanitation Benefit/Cost Analysis

Methods and Assumptions:

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

- 1) This renovation project involves an estimated \$292,500 in sales taxable material and equipment purchases (45% of the total project cost).

- 2) It is assumed, solely for purposes of this analysis, that all construction activities will occur in 2016. It is further assumed the IDA will approve a PILOT Agreement under the IDA's [Uniform Tax Exemption Policy General Abatement Program](#), the PILOT to apply to the estimated costs of developing the real property at the 100% equalization rate for the Town of Delaware. The PILOT schedule is detailed in the table to the right.

Real Property Tax Abatement Schedule		
Year	% Abated	PILOT %
1	50.0%	50.0%
2	47.5%	52.5%
3	45.0%	55.0%
4	42.5%	57.5%
5	40.0%	60.0%
6	37.5%	62.5%
7	35.0%	65.0%
8	32.5%	67.5%
9	30.0%	70.0%
10	27.5%	72.5%
11	25.0%	75.0%
12	22.5%	77.5%
13	20.0%	80.0%
14	17.5%	82.5%
15	15.0%	85.0%
16	12.5%	87.5%
17	10.0%	90.0%
18	7.5%	92.5%
19	5.0%	95.0%
20	2.5%	97.5%
21	0.0%	100.0%

- 3) The applicant indicates it will finance \$450,000 of its investment. It is, therefore, assumed there will be a mortgage of an equal amount to which mortgage tax abatement will apply.

- 4) It is anticipated the Jeff Sanitation project will create three full-time equivalent jobs with salaries averaging \$32,500 per year (\$13 per hour plus fringes).

Jeff Sanitation Benefit/Cost Analysis

- 5) The additional annual costs to local government for providing highway maintenance and other non-educational services in the Town of Delaware are estimated at \$1,532 for each new resident attracted (\$3,754 per household). This is based on an estimated county and town tax levy of \$4,090,000, divided by a Town of Delaware population of roughly 2,670 persons.

It is assumed 25% of employees or up to three persons will be new to Sullivan County. Further applying an employment multiplier of 1.61 (the Sullivan County, New York RIMS II multipliers supplied by the Bureau of Economic Analysis), the project will produce one new household (3 jobs x 25% new households x 1.61), with a cost of approximately \$3,754 annually in non-educational local government services each.

It is assumed, based on the *Sullivan County Cost of Community Services Study*, that 78.1% or \$2,933 per household would be covered from taxes paid by the new residents, leaving \$821 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 Delaware.

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.

Jeff Sanitation 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 an \$17,685 per student, which is the current estimated average figure for the Sullivan West Central School District where the project is located. A total of one additional student is 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 2.204% ([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:

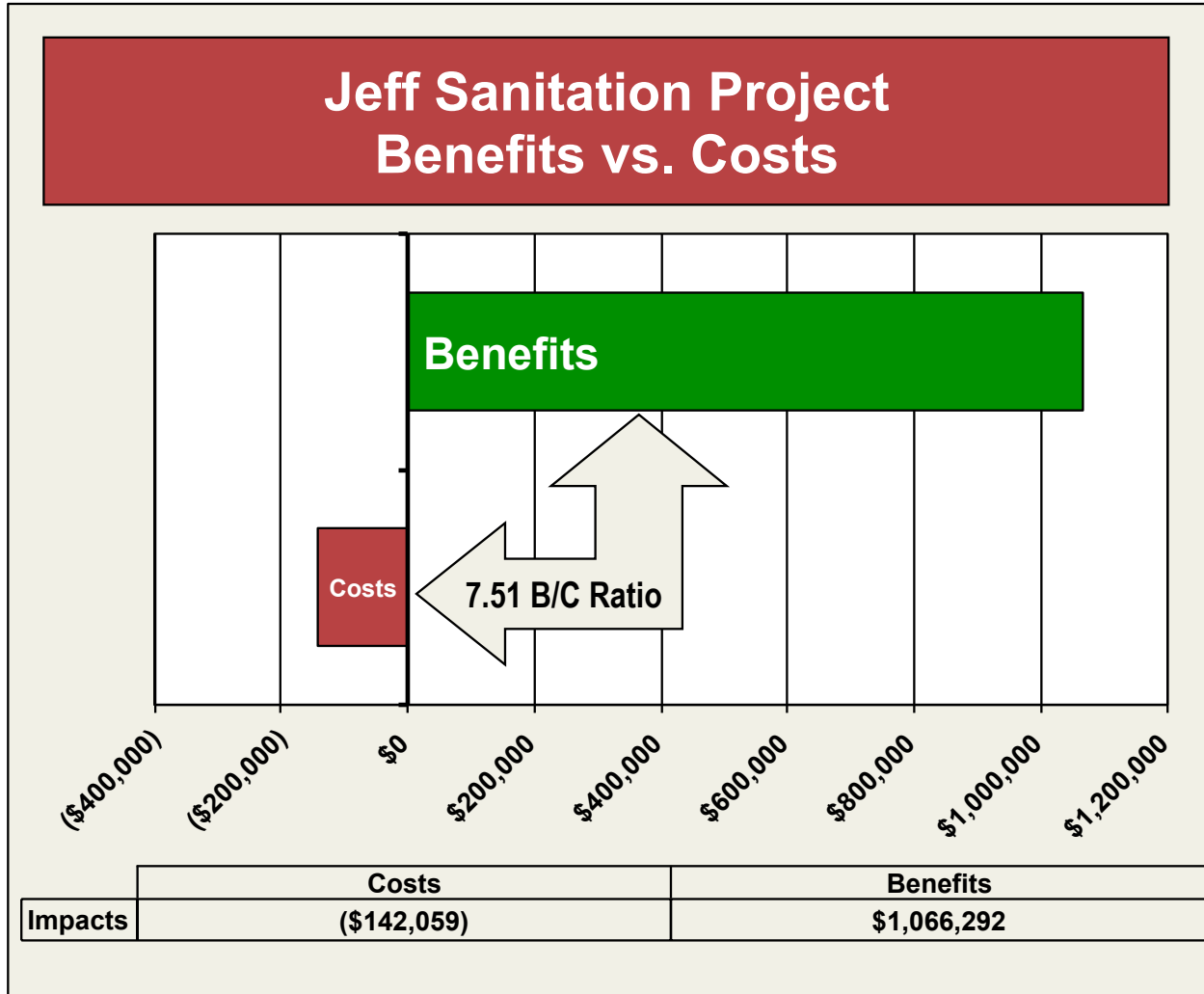
This project will generate costs of \$97,716 in mortgage, real property and sales tax abatements over the 20-year period of the standard PILOT agreement. Net present valued this equates to a total cost of \$82,751. There are an additional estimated \$41,121 of school costs and \$18,187 of highway and related costs over this same period (net present valued), bringing total costs to \$142,059.

The project benefits consist of the new real property taxes that will be generated (\$345,657), the payroll gains (\$667,255) and the sales taxes from those payroll gains (\$53,380), which, at net present value, total \$1,066,292 combined over the analysis period. This yields a positive benefit/cost ratio of 7.51.

Jeff Sanitation Benefit/Cost Analysis

Jeff Sanitation Project Cost/Benefit Analysis	
Costs (2016-2036)	
Sales Tax Abatements (County)	\$11,700
Sales Tax Abatements (State)	\$11,700
Mortgage Tax Abatements	\$4,500
Real Property Tax Reductions Net of 485-b Benefits	\$69,816
Sub-Total (Value of All Abatements) =	\$97,716
Net Present Value of Abatements	\$82,751
Additional School Costs	\$41,121
Variable Highway & Other Municipal Costs	\$18,187
Total Costs (Net Present Value)=	\$142,059
Benefits (Net Present Value, 2016-2036)	
Real Property Taxes	\$345,657
Sales Taxes (General - From Gains in Buying Power)	
County	\$26,690
State	\$26,690
Sub-Total (Taxes/Charges) =	\$399,037
Personal Income Gains Related to New/Retained Jobs	\$460,176
Personal Income Gains Related to Multiplier Effects	\$207,079
Sub-Total (Income Gains) =	\$667,255
Total Benefits =	\$1,066,292
Excess Benefits Over Costs =	\$924,233
Benefits to Costs Ratio =	7.51

Jeff Sanitation Benefit/Cost Analysis



Jeff Sanitation Benefit/Cost Analysis

Economic Analysis of Jeff Sanitation 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	\$23,400	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mortgage Tax Abatement	\$4,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Tax Abatement	\$0	\$0	\$609	\$1,237	\$1,884	\$2,549	\$3,234	\$3,940	\$4,665	\$5,412	\$6,179	\$6,969
Highway/Other Costs	\$0	\$992	\$1,007	\$1,022	\$1,037	\$1,053	\$1,068	\$1,084	\$1,101	\$1,117	\$1,134	\$1,151
School Costs	\$0	\$2,242	\$2,276	\$2,310	\$2,345	\$2,380	\$2,415	\$2,452	\$2,488	\$2,526	\$2,564	\$2,602
Real Property Taxes	\$23,315	\$12,010	\$12,799	\$13,610	\$14,442	\$15,296	\$16,172	\$17,071	\$17,994	\$18,940	\$19,911	\$20,907
Personal Income - New/Retained Jobs	\$0	\$24,741	\$25,488	\$25,871	\$26,259	\$26,653	\$27,052	\$27,458	\$27,870	\$28,288	\$28,713	\$29,143
Indirect Income Benefits	\$0	\$11,133	\$11,470	\$11,642	\$11,816	\$11,994	\$12,174	\$12,356	\$12,542	\$12,730	\$12,921	\$13,114
Added Sales Tax (General)	\$0	\$2,870	\$2,957	\$3,001	\$3,046	\$3,092	\$3,138	\$3,185	\$3,233	\$3,281	\$3,331	\$3,381

Economic Analysis of Jeff Sanitation Project and Requested Tax Abatement Program												
FISCAL YEAR	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	\$23,400	\$23,400
Mortgage Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,500	\$4,500
Real Property Tax Abatement	\$6,366	\$5,744	\$5,101	\$4,438	\$3,754	\$3,048	\$2,320	\$1,570	\$797	\$0	\$69,816	\$54,851
Highway/Other Costs	\$1,168	\$1,186	\$1,203	\$1,222	\$1,240	\$1,258	\$1,277	\$1,296	\$1,316	\$1,336	\$22,932	\$18,187
School Costs	\$2,641	\$2,681	\$2,721	\$2,762	\$2,803	\$2,845	\$2,888	\$2,931	\$2,975	\$3,020	\$51,848	\$41,121
Real Property Taxes	\$21,928	\$22,974	\$24,048	\$25,148	\$26,276	\$27,432	\$28,617	\$29,831	\$31,076	\$32,351	\$439,797	\$345,657
Personal Income - New/Retained Jobs	\$29,580	\$30,024	\$30,474	\$30,932	\$31,395	\$31,866	\$32,344	\$32,830	\$33,322	\$33,822	\$580,304	\$460,176
Indirect Income Benefits	\$13,311	\$13,511	\$13,713	\$13,919	\$14,128	\$14,340	\$14,555	\$14,773	\$14,995	\$15,220	\$261,137	\$207,079
Added Sales Tax (General)	\$3,431	\$3,483	\$3,535	\$3,588	\$3,642	\$3,697	\$3,752	\$3,808	\$3,865	\$3,923	\$67,315	\$53,380