

MIDDLETOWN MEDICAL PC



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

URGENT CARE CENTER Benefit/Cost Analysis

Prepared by:

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Middletown Medical PC Urgent Care Center Project Benefit/Cost Analysis

Background:

Middletown Medical PC, proposes to develop a Monticello Urgent Care Center project located in the Shoprite Plaza, Thompson Square, Monticello, Town of Thompson, Sullivan County, New York (Sullivan County Tax Parcel 13-3-40.6).

Middletown Medical PC is renovating a 8,400 square foot facility in the Shoprite Plaza (former “Just-A-Buck” space depicted below) to provide health care to the community. The project will consolidate two Monticello physician offices and, in addition, create an Urgent Care Center to serve local residents. Current space will be upgraded to include 20 exam rooms with physician offices, two waiting rooms, an X-ray unit and a state-of-the-art CAT Scan machine. Some 28 jobs will be retained and 10 jobs will be added.



Altogether, approximately \$1,500,000 will be invested. Some \$1,100,000 of this will be sales taxable equipment and materials. Middletown Medical PC has applied to the

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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 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.

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Methods and Assumptions:

The following methods and assumptions were employed for this analysis:

- 1) The project involves \$1,500,000 in total investment. Some \$1,100,000 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 2018.
- 3) All figures are extrapolated over the period of 2018-2027, with sales tax abatements being recorded in 2018 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 in the case of sales-tax abatement.
- 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.
- 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 \$1,333 for each new resident attracted. This is based on an estimated Town of Thompson tax levy of \$9,000,000 and a County tax levy of



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\$11,000,000 (a total of approximately \$20,000,000) divided by a Town of Thompson population of roughly 15,000 persons.

Town of Thompson Tax Rates		
Tax Category	Rate (Before Equalization)	% of Market Value
Medicaid	3.330744	0.29%
NYS Welfare Mandates	1.048673	0.09%
Other NYS Mandates	2.833098	0.25%
County Levy	1.901855	0.17%
County Total	9.114370	0.80%
Town to Highway	3.061889	0.27%
Highway Outside Vill	2.202313	0.19%
Gen Fund out of Vill	0.104381	0.01%
Town Total	5.368583	0.47%
Combined Total	14.482953	1.27%

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 \$3,333 annually in non-educational local government services.

It is assumed, based on Sullivan County's and other costs-of-services studies, that 90% or \$3,000 per household would be covered from taxes paid by the new

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residents, leaving \$333 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.

- 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 slightly less than one new family household will be generated by the project and with one new student for the Monticello School District, the school system estimated to be most affected by this project.



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The Monticello School District experiences an estimated average cost per pupil of \$29,500 net of New York State School Aid (based upon school budget and enrollment statistics). This includes special education costs.

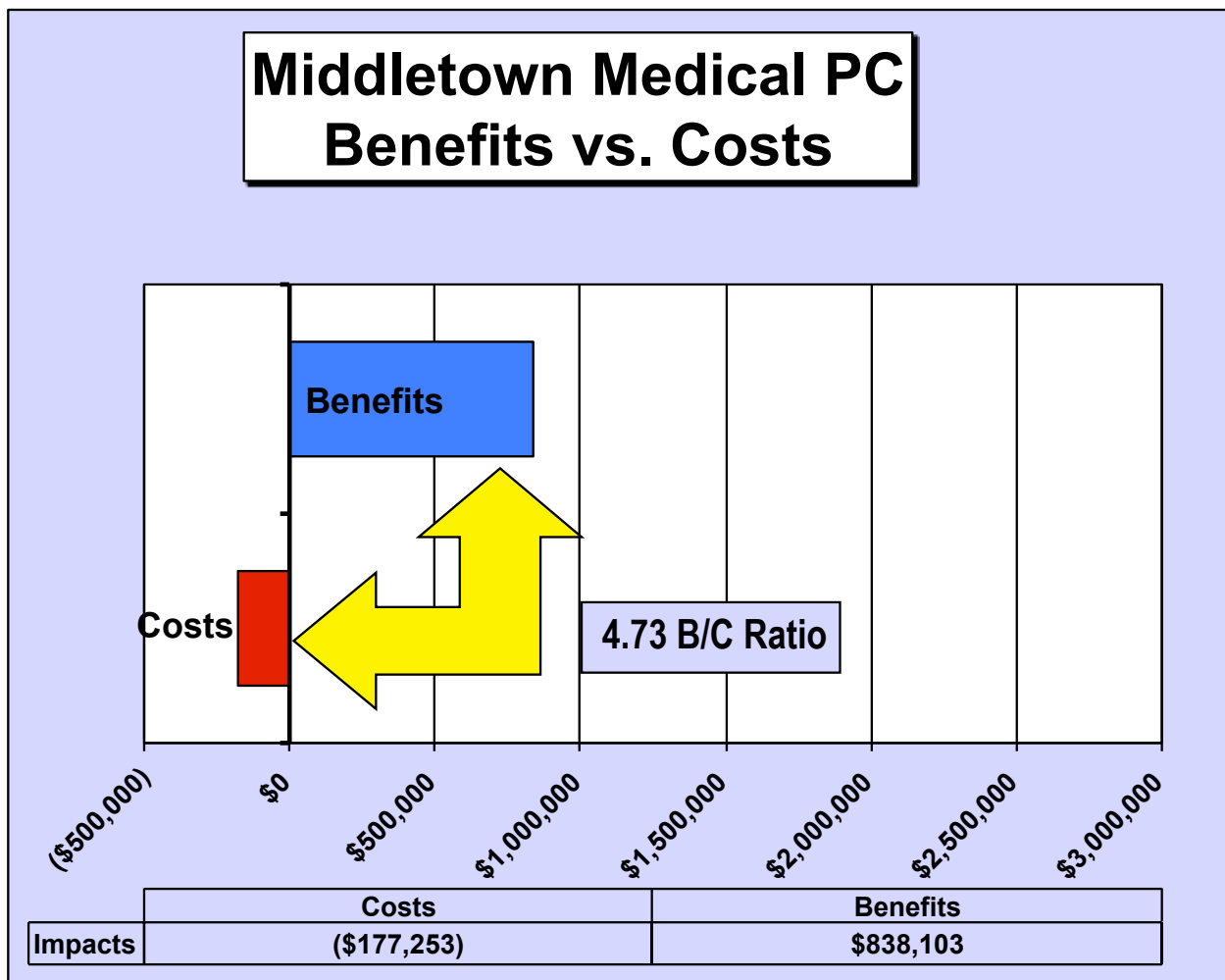
A 1.5% per year escalation in these and other costs (as well as benefits) is assumed. It is further assumed property taxes paid by new residents would, once again, cover a minimum of 90% of the local share (see No. 5 above).

- 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.
- 9) Cash flow streams from benefits and costs are net present valued using a discount rate of 2.326%, the typical current cost of U.S. public debt. Net present value figures include actual costs of abatements and other costs for 2018 plus discounted values for 2019-2027.

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Conclusion:

This project will generate a positive benefit/cost ratio of 4.73 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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Middletown Medical PC Benefit/Cost Analysis	
Costs (2018-2038)	
Sales Tax Abatements (County)	\$44,000
Sales Tax Abatements (State)	\$44,000
Mortgage Tax Abatements	\$0
Real Property Tax Reductions Net of 485-b Benefits	\$0
Sub-Total (Value of All Abatements) =	\$88,000
Net Present Value of Abatements	\$88,000
Additional School Costs	\$83,451
Variable Highway & Other Municipal Costs	\$5,802
Total Costs (Net Present Value)=	\$177,253
Benefits (Net Present Value, 2018-2038)	
Sales Taxes (From Gains in Buying Power)	
County	\$391,115
State	\$446,989
Sub-Total =	\$838,103
Personal Income Gains Related to New Permanent Jobs	\$1,326,113
Personal Income Gains Related to Multiplier Effects	\$769,146
Sub-Total (Income Gains) =	\$2,095,259
Total Benefits =	\$2,933,362
Gross Excess Benefits Over Costs =	\$2,756,109
Net of Abatements "Costs" and Income Gains=	\$748,850
Net Benefits to Costs Ratio =	4.73

APPENDIX

Economic Analysis of Middletown Medical PC Project and Requested Tax Abatement Program

DESCRIPTION	FISCAL YEAR										Totals	Net Present Value	
	2018 1	2019 2	2020 3	2021 4	2022 5	2023 6	2024 7	2025 8	2026 9	2027 10			
Sales Tax Abatement	\$88,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$88,000	\$88,000
Mortgage Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Highway/Other Costs	\$602	\$611	\$620	\$629	\$638	\$648	\$658	\$668	\$678	\$688	\$688	\$6,439	\$5,802
School Costs	\$8,653	\$8,783	\$8,914	\$9,048	\$9,184	\$9,321	\$9,461	\$9,603	\$9,747	\$9,893	\$9,893	\$92,608	\$83,451
Real Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Personal Income from New Jobs	\$137,500	\$139,563	\$141,656	\$143,781	\$145,937	\$148,127	\$150,348	\$152,604	\$154,893	\$157,216	\$157,216	\$1,471,624	\$1,326,113
Indirect Income Benefits	\$79,750	\$80,946	\$82,160	\$83,393	\$84,644	\$85,913	\$87,202	\$88,510	\$89,838	\$91,185	\$91,185	\$853,542	\$769,146
Sales Tax Revenue	\$86,900	\$88,204	\$89,527	\$90,869	\$92,232	\$93,616	\$95,020	\$96,446	\$97,892	\$99,361	\$99,361	\$930,067	\$838,103