

**RGG Realty LLC &
Columbia Ice and Cold Storage Corporation**

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

Ice Distribution Facility



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**

July, 2020

RGG Realty, LLC Benefit/Cost Analysis

Background:

RGG Realty LLC & Columbia Ice and Cold Storage Corporation (jointly referred to hereafter as “RGG”) has applied for financial assistance for the purchase and conversion of an existing building in the Village of Monticello and Town of Thompson (Tax Map Parcel 130-1-17) to use as an ice distribution facility. The project also involves certain building improvements to create office space and a truckers’ room.



Aerial View of Existing Building/Site

RGG Realty, LLC

Benefit/Cost Analysis

The property is currently owned by Sullivan County and will be purchased by RGG for the sum of \$425,000. It is estimated \$1,017,750 will be invested in the improvements with \$240,000 representing real property improvements and \$814,200 or 80% being sales taxable equipment and material. RGG 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.

RGG Realty, LLC

Benefit/Cost Analysis

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) The project involves the purchase and renovation of an existing county-owned building which will require an estimated \$814,200 in sales taxable material and equipment purchases (80% of the estimated value of property improvements and associated equipment).

- 2) It is assumed, for purposes of this benefit/cost analysis, that all activities will occur in 2020. It is further assumed the IDA will approve a PILOT Agreement that accompanies expansion under the IDA's [General Abatement Program](#), the PILOT agreement to apply to the estimated costs of the proposed real property acquisition and improvements times the 86% equalization rate for the Town of Thompson. The PILOT schedule is detailed in the table to the right.

General Abatement Program		
Year	% Abated	PILOT %
1	50.00%	50.00%
2	47.50%	52.50%
3	45.00%	55.00%
4	42.50%	57.50%
5	40.00%	60.00%
6	37.50%	62.50%
7	35.00%	65.00%
8	32.50%	67.50%
9	30.00%	70.00%
10	27.50%	72.50%
11	25.00%	75.00%
12	22.50%	77.50%
13	20.00%	80.00%
14	17.50%	82.50%
15	15.00%	85.00%
16	12.50%	87.50%
17	10.00%	90.00%
18	7.50%	92.50%
19	5.00%	95.00%
20	2.50%	97.50%
21	0.00%	100.00%

- 3) It is assumed there will be a \$315,000

RGG Realty, LLC Benefit/Cost Analysis

mortgage to which mortgage tax abatement will apply (roughly 20% of the market value of proposed acquisition, real property improvements and equipment involved).

- 4) It is anticipated the expansion project will create five full-time equivalent jobs with salaries averaging \$40,000 per year.

- 5) The additional annual costs to local government for providing highway maintenance and other non-educational services in the Town of Thompson and Village of Monticello are estimated at \$1,759 for each new resident attracted (\$4,396 per household). This is based on an estimated county, town and village tax levy of \$26,438,000, divided by a Town of Thompson/Village of Monticello population of roughly 15,000 persons.

It is assumed 25% of employees or up to one person will be new to Sullivan County. Further applying an employment multiplier of 3.04 (the estimated New York State multiplier for other manufacturing), the project will produce one new household (5.0 full-time equivalent jobs x 25% new households x 31% family households x 3.04), with a cost of approximately \$4,396 annually in non-educational local government services each.

It is assumed, based on the *Sullivan County Cost of Community Services Study*, that 77.9% or \$3,382 per household would be covered from taxes paid by the new residents, leaving \$1,015 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 Thompson/Village of Monticello.

RGG Realty, LLC

Benefit/Cost Analysis

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 rates 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.

- 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 \$14,893 per student, which is the average 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 1.875% ([current interest rate on the public debt](#)). Net present value figures include actual costs of abatements and other costs for 2020 plus discounted values for 2021-2040.

Conclusion:

This project will generate costs of \$180,397 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 \$140,760. There are an additional estimated

RGG Realty, LLC Benefit/Cost Analysis

\$42,391 of school costs and \$152,583 of highway and related costs over this same period (net present valued), bringing total costs to \$335,734.

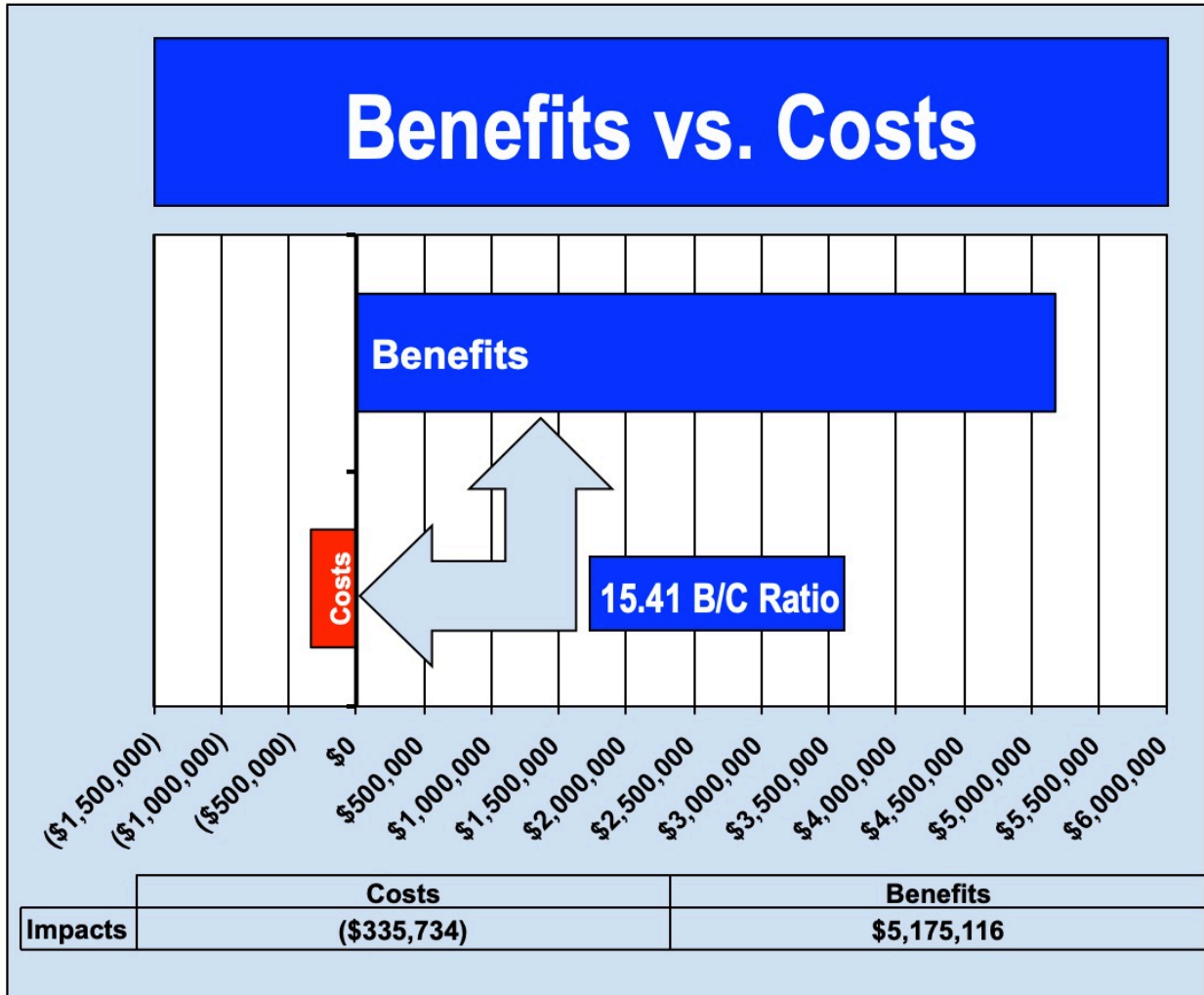
The project benefits consist of the new real property taxes that will be generated (\$342,102), the payroll gains (\$4,647,129) and the sales taxes from those payroll gains (\$92,943), which are estimated to total \$4,839,383 combined over the 21 years at net present value. This is without considering any sales tax revenue attributable to operations. Ice is normally sales taxable but it is not clear how much of the product would be sold in Sullivan County and/or at retail. Therefore, no such additional sales tax revenue was considered in the analysis.

This yields a positive benefit/cost ratio of 15.41.

RGG Realty, LLC Benefit/Cost Analysis

RGG Realty/Columbia Ice and Cold Storage Cost/Benefit Analysis	
Costs (2020-2040)	
Sales Tax Abatements (County)	\$32,568
Sales Tax Abatements (State)	\$32,568
Mortgage Tax Abatements	\$3,150
Real Property Tax Reductions Net of 485-b Benefits	\$112,111
Sub-Total (Value of All Abatements) =	\$180,397
Net Present Value of Abatements*	\$140,760
Additional School Costs	\$42,391
Variable Highway & Other Municipal Costs	\$152,583
Total Costs (Net Present Value)=	\$335,734
Benefits (Net Present Value, 2020-2040)	
Property Taxes	\$342,102
Sales Taxes (General - From Gains in Buying Power)	
County	\$92,943
State	\$92,943
Sales Taxes (From Operations)	
County	\$0
State	\$0
Sub-Total (Taxes/Charges) =	\$527,987
Personal Income Gains Related to New/Retained Jobs	\$1,528,661
Personal Income Gains Related to Multiplier Effects	\$3,118,468
Sub-Total (Income Gains) =	\$4,647,129
Total Benefits = \$5,175,116	
Gross Excess Benefits Over Costs = \$4,839,383	
Net of Abatements "Costs" and Income Gains= \$333,013	
Benefits to Costs Ratio = 15.41	

RGG Realty, LLC Benefit/Cost Analysis



RGG Realty, LLC Benefit/Cost Analysis

Economic Analysis of RGG Realty/Columbia Ice Project and Requested Tax Abatement Program												
DESCRIPTION	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
FISCAL YEAR	1	2	3	4	5	6	7	8	9	10	11	12
Sales Tax Abatement	\$65,136	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mortgage Tax Abatement	\$3,150	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Tax Abatement	\$0	\$0	\$979	\$1,987	\$3,025	\$4,094	\$5,194	\$6,326	\$7,491	\$8,690	\$9,923	\$11,191
Highway/Other Costs	\$10,957	\$10,852	\$11,270	\$11,479	\$11,532	\$11,741	\$11,741	\$11,741	\$11,741	\$11,741	\$11,741	\$11,741
School Costs	\$0	\$1,961	\$1,307	\$2,615	\$3,268	\$3,432	\$4,086	\$4,086	\$4,086	\$4,086	\$4,086	\$4,086
Real Property Taxes	\$0	\$19,285	\$20,553	\$21,855	\$23,191	\$24,562	\$25,970	\$27,414	\$28,895	\$30,415	\$31,973	\$33,572
Personal Income - New/Retained Jobs	\$0	\$40,600	\$82,418	\$104,568	\$111,443	\$134,661	\$136,660	\$138,731	\$140,812	\$142,924	\$145,068	\$147,244
Indirect Income Benefits	\$0	\$82,824	\$168,133	\$213,318	\$227,344	\$274,707	\$278,828	\$283,010	\$287,256	\$291,564	\$295,938	\$300,377
Added Sales Tax (General)	\$0	\$4,937	\$10,022	\$12,715	\$13,551	\$16,375	\$16,620	\$16,870	\$17,123	\$17,380	\$17,640	\$17,905
Added Sales Tax (Operations)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Economic Analysis of RGG Realty/Columbia Ice Project and Requested Tax Abatement Program												
DESCRIPTION	2032	2033	2034	2035	2036	2037	2038	2039	2040	TOTALS		
FISCAL YEAR	13	14	15	16	17	18	19	20	21	Actual	NPV	
Sales Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$65,136	\$65,136	
Mortgage Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,150	\$3,150	
Real Property Tax Abatement	\$10,223	\$9,223	\$8,191	\$7,126	\$6,028	\$4,895	\$3,726	\$2,521	\$1,280	\$112,111	\$72,474	
Highway/Other Costs	\$11,741	\$11,741	\$11,741	\$11,741	\$11,741	\$11,741	\$11,741	\$11,741	\$11,741	\$243,940	\$152,583	
School Costs	\$4,086	\$4,086	\$4,086	\$4,086	\$4,086	\$4,086	\$4,086	\$4,086	\$4,086	\$73,866	\$42,391	
Real Property Taxes	\$35,211	\$36,892	\$38,616	\$40,383	\$42,194	\$44,051	\$45,954	\$47,904	\$49,902	\$668,792	\$342,102	
Personal Income - New/Retained Jobs	\$149,452	\$151,694	\$153,969	\$156,279	\$158,623	\$161,003	\$163,418	\$165,869	\$168,357	\$2,753,811	\$1,528,661	
Indirect Income Benefits	\$304,883	\$309,456	\$314,098	\$318,809	\$323,591	\$328,445	\$333,372	\$338,372	\$343,448	\$5,617,774	\$3,118,468	
Added Sales Tax (General)	\$18,173	\$18,446	\$18,723	\$19,004	\$19,289	\$19,578	\$19,872	\$20,170	\$20,472	\$334,863	\$185,885	
Added Sales Tax (Operations)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	