

Skyways, Ltd. and Sullivan County International Airport Partners, LTD

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

Aircraft Maintenance Project



Benefit/Cost Analysis

Prepared by:

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Skyways Benefit/Cost Analysis

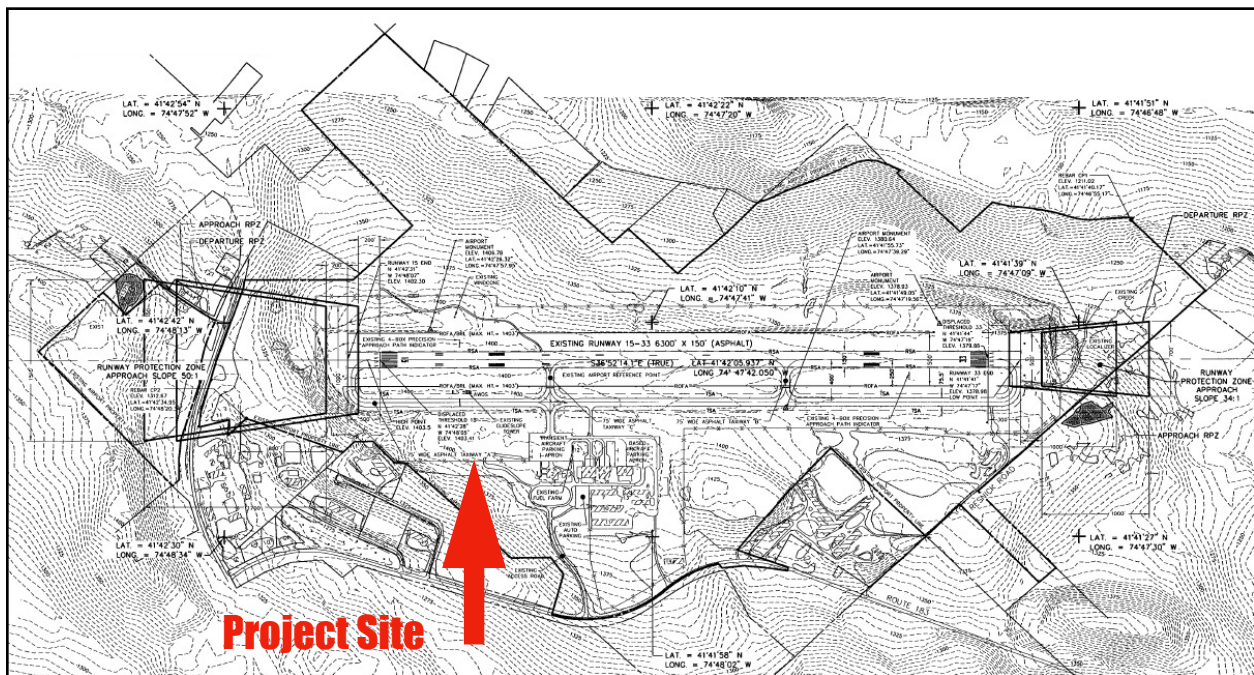
Background:

Skyways, Ltd. and Sullivan County International Aircraft Partners, LTD (jointly referred to hereafter as “Skyways”) have applied to the Industrial Development agency for financial assistance for the construction of a new aircraft hangar and maintenance facility at the Sullivan County International Airport in the Town of Bethel (leased portion of Tax Map Parcel 18-1-16.1) on land that is owned and will be leased by the County of Sullivan to Sullivan County International Aircraft Partners, LTD for sublease to Skyways, Ltd., which will operate the facility.



Skyways Benefit/Cost Analysis

Skyways is a full service aircraft management, maintenance and charter company. It leases and operates a fleet of Lear 60 aircraft under the brand "Jet 60" (see jet60.com). It is estimated \$1,755,000 will be invested in taxable real property improvements of which 70% or \$1,328,500 is anticipated to be sales taxable equipment and material. This will take place on an 18,000 square feet area leased from the County of Sullivan. An estimated additional \$100,000 of sales taxable equipment will also be acquired. Skyways has applied to the County of Sullivan Industrial Development Agency (IDA) for real property, mortgage and sales tax abatements to assist with the 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.

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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 benefits and costs conclusion reached with respect to the project:

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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 construction of a new 12,000 square feet aircraft hangar and maintenance building that will require an estimated \$1,328,500 in sales taxable material and equipment purchases (70% of the estimated value of property improvements and associated equipment). Some \$100,000 in sales taxable equipment is also expected to be purchased

- 2) It is assumed, for purposes of this benefit/cost analysis, that all activities will occur in 2021. It is further assumed the IDA will approve a PILOT Agreement that accompanies the project under the Sullivan IDA's [General Abatement Program](#).

The PILOT agreement will apply to the applicant's estimated costs of the proposed real property improvements times the 58% equalization rate for the Town of Bethel. The PILOT schedule for the General Abatement Program 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%

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- 3) It is assumed there will be a \$1,500,000 mortgage to which mortgage tax abatement will apply (slightly more than 85% of the market value of proposed real property improvements involved).

- 4) It is anticipated the expansion project will create 22 construction (equivalent to four full-time equivalent jobs at \$42,500 per year salaries) and eight permanent full-time equivalent jobs with salaries averaging \$53,300 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 \$2,544 for each new resident attracted (\$6,360 per household). This is based on an estimated county and town tax levy of \$10,552,518, divided by a 2018 estimated Town of Bethel population of some 4,136 persons.

It is assumed 25% of employees or two of the new permanent hires will also be new to Sullivan County. Further applying an employment multiplier of 1.30 (the estimated Sullivan County RIMS II multiplier for output and jobs for “commercial and industrial machinery and equipment repair and maintenance”), the project will produce less than one new family household with children (8.0 full-time equivalent jobs x 1.30 multiplier x 25% new households x 17.4% family households with school-age age children per latest Census estimate).

It is further assumed, based on the *Sullivan County Cost of Community Services Study*, that 82.6% or \$5,256 per household would be covered from taxes paid by the new residents, leaving \$1,104 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.

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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.

6} The following tax rates are assumed for purposes of benefit/cost calculations:

Tax Rates		
Tax Category	Rate (Before Equalization)	Percent of Value
Medicaid	4.305974	0.43%
NYS Welfare Mandates	1.994672	0.20%
Other NYS Mandates	3.735238	0.37%
County Levy	3.139951	0.31%
County Total	13.175835	1.32%
Town to Highway	9.64936	0.96%
Town Total	9.649360	0.96%
School Taxes	44.096265	4.41%
Library Taxes	1.179060	0.12%
Combined Total	68.100520	6.81%

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- 7) School costs are based on the 0.48 children per household average for Sullivan County times a total costs (net of state aid) of \$10,720 per student, which is the average for the Liberty Central School District where the project is located.
- 8) 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.
- 9) Cash flow streams from benefits and costs are net present valued using a discount rate of 1.795% ([current interest rate on the public debt](#)). Net present value figures include actual costs of abatements and other costs for 2021 plus discounted values for 2022-2041.

Conclusion:

This project will generate costs of \$367,188 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 \$360,417. There are an additional estimated \$5,876 of school costs and \$50,604 of highway and related costs over this same period (net present valued), bringing total costs to \$416,897.

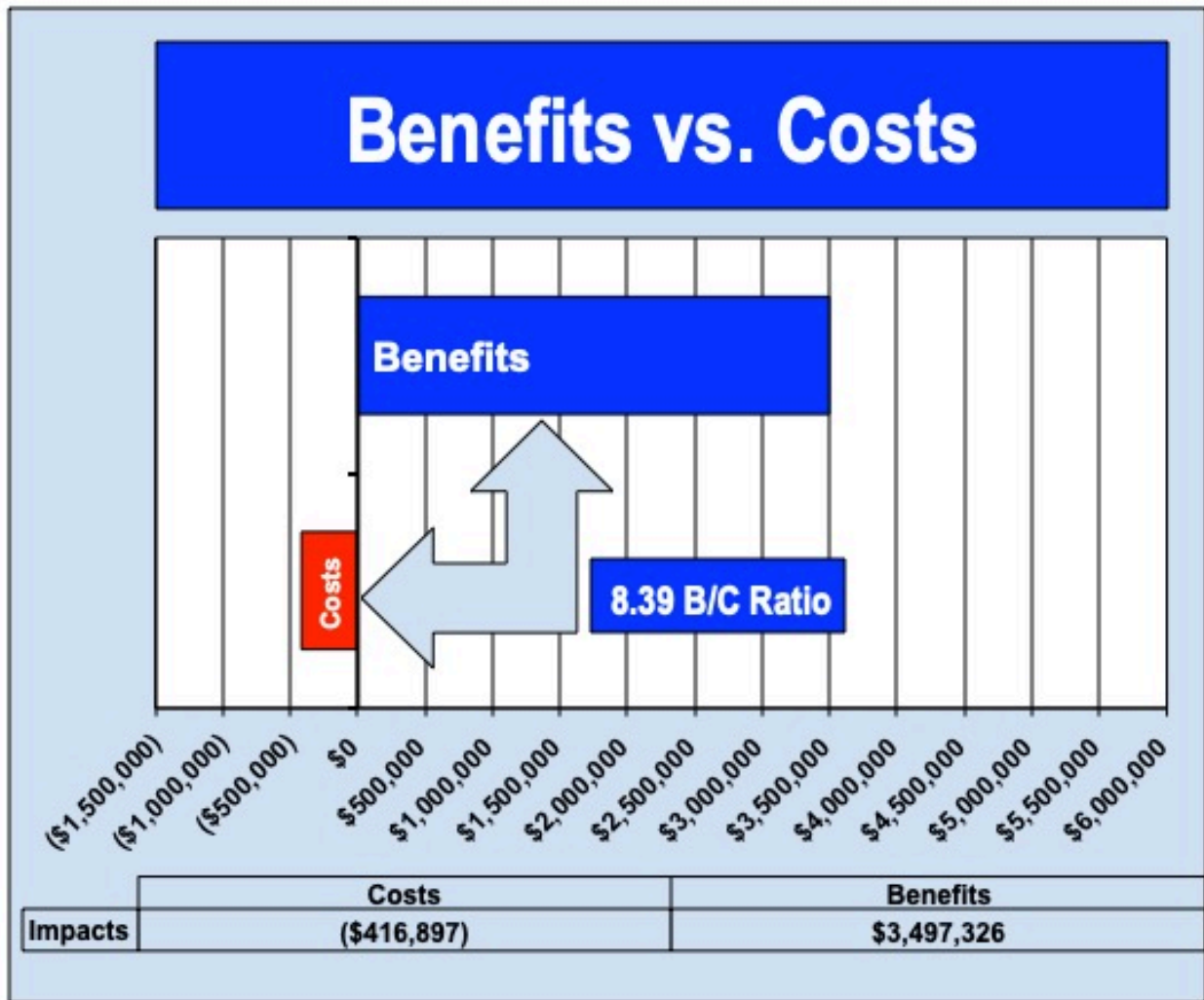
The project benefits consist of the new real property taxes that will be generated (\$1,124,230) plus payroll gains (\$2,373,096). Sales taxes from those payroll gains total \$94,924 but are netted out, such that combined benefits are estimated to total \$3,497,326 combined over the 21 years at net present value.

This yields a positive benefit/cost ratio of 8.39.

Skyways Benefit/Cost Analysis

Cost/Benefit Analysis	
Costs (2021-2041)	
Sales Tax Abatements (County)	\$53,140
Sales Tax Abatements (State)	\$53,140
Mortgage Tax Abatements	\$15,000
Real Property Tax Reductions Net of 485-b Benefits	\$367,188
Sub-Total (Value of All Abatements) =	\$488,468
Net Present Value of Abatements*	\$360,417
Additional School Costs	\$5,876
Variable Highway & Other Municipal Costs	\$50,604
Total Costs (Net Present Value)=	\$416,897
Benefits (Net Present Value, (2021-2041))	
Property Taxes	\$1,124,230
Sales Taxes (General - From Gains in Buying Power)	
County	\$47,462
State	\$47,462
Sales Taxes (From Operations)	
County	\$0
State	\$0
Sub-Total (Taxes/Charges) =	\$1,219,154
Personal Income Gains Related to New/Retained Jobs	\$1,825,458
Personal Income Gains Related to Multiplier Effects	\$547,638
Sub-Total (Income Gains) =	\$2,373,096
Total Benefits (Net of Sales Taxes from Gains in Buying Power) =	\$3,497,326
Gross Excess Benefits Over Costs = \$3,080,428	
Net of Abatements "Costs" and Income Gains= \$1,162,673	
Benefits to Costs Ratio = 8.39	

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Skyways Benefit/Cost Analysis

Economic Analysis of Requested Tax Abatement Program												
FISCAL YEAR	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
DESCRIPTION	1	2	3	4	5	6	7	8	9	10	11	12
Sales Tax Abatement	\$106,280	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mortgage Tax Abatement	\$15,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Tax Abatement	\$0	\$0	\$3,206	\$6,507	\$9,907	\$13,408	\$17,011	\$20,720	\$24,635	\$28,461	\$32,499	\$36,652
Highway/Other Costs	\$1,457	\$3,641	\$3,696	\$3,751	\$3,808	\$3,865	\$3,923	\$3,982	\$4,041	\$4,102	\$4,163	\$4,226
School Costs	\$0	\$173	\$505	\$505	\$505	\$505	\$505	\$505	\$505	\$505	\$505	\$505
Real Property Taxes	\$0	\$59,758	\$67,316	\$71,580	\$75,956	\$80,447	\$85,056	\$89,785	\$94,637	\$99,614	\$104,719	\$109,955
Personal Income - New/Retained Jobs	\$0	\$135,249	\$137,277	\$139,337	\$141,427	\$143,548	\$145,701	\$147,887	\$150,105	\$152,357	\$154,642	\$156,962
Indirect Income Benefits	\$0	\$40,575	\$41,183	\$41,801	\$42,428	\$43,064	\$43,710	\$44,366	\$45,032	\$45,707	\$46,393	\$47,089
Added Sales Tax (General)	\$0	\$7,033	\$7,138	\$7,246	\$7,354	\$7,465	\$7,576	\$7,690	\$7,805	\$7,923	\$8,041	\$8,162
Added Sales Tax (Operations)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Economic Analysis of Requested Tax Abatement Program												
FISCAL YEAR	2033	2034	2035	2036	2037	2038	2039	2040	2041	TOTALS		
DESCRIPTION	13	14	15	16	17	18	19	20	21	Actual	NPV	
Sales Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$106,280	\$106,280	
Mortgage Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$15,000	\$15,000	
Real Property Tax Abatement	\$33,481	\$30,208	\$26,828	\$23,341	\$19,742	\$16,031	\$12,203	\$8,258	\$4,191	\$367,188	\$239,137	
Highway/Other Costs	\$4,289	\$4,354	\$4,419	\$4,485	\$4,553	\$4,621	\$4,690	\$4,760	\$4,832	\$85,658	\$50,604	
School Costs	\$505	\$505	\$505	\$505	\$505	\$505	\$505	\$505	\$505	\$9,768	\$5,876	
Real Property Taxes	\$115,325	\$120,831	\$126,476	\$132,263	\$138,195	\$144,276	\$150,508	\$156,894	\$163,438	\$2,187,028	\$1,124,230	
Personal Income - New/Retained Jobs	\$159,316	\$161,706	\$164,131	\$166,593	\$169,092	\$171,629	\$174,203	\$176,816	\$179,468	\$3,127,447	\$1,825,458	
Indirect Income Benefits	\$47,795	\$48,512	\$49,239	\$49,978	\$50,728	\$51,489	\$52,261	\$53,045	\$53,841	\$938,234	\$547,638	
Added Sales Tax (General)	\$8,284	\$8,409	\$8,535	\$8,663	\$8,793	\$8,925	\$9,059	\$9,194	\$9,332	\$162,627	\$94,924	
Added Sales Tax (Operations)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	

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