

234 Main Street, LLC

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

Retail/Residential Project



Benefit/Cost Analysis

Prepared by:

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Background:

234 Main Street, LLC (referred to hereafter as “234 Main”) has applied to the Industrial Development agency for financial assistance for the construction of a new building in the hamlet of Hurleyville in the Town of Fallsburg (Tax Map Parcel 34-9-12.2) to use as a mixed-use retail/residential facility (four street level storefronts with eight apartments above).



Aerial View of Existing Site

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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.



The following is a summary of the 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 of this project:

- 1) The project involves the construction of a new building with four store fronts totaling 2,500 square feet of floor with eight two-bedroom apartments above.

- 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 expansion under the IDA's [General Abatement Program](#), the PILOT agreement to apply to the estimated market value of the proposed real property improvements times the 54.5% equalization rate for the Town of Fallsburg. 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 \$2,000,000 mortgage to which mortgage tax abatement will apply (slightly less than 74% of the market value of proposed real property improvements involved).
- 4) It is anticipated the expansion project will create 20 construction and 10 permanent full-time equivalent jobs with salaries averaging \$40,000 per year.

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- 5) The additional annual costs to local government for providing highway maintenance and other non-educational services in the Town of Fallsburg are estimated at \$1,512 for each new resident attracted (\$3,780 per household). This is based on an estimated county and town tax levy of \$19,689,736, divided by a Town of Fallsburg population of some 13,283 persons.

It is assumed 25% of employees or 2.5 permanent hires will be new to Sullivan County. Further applying an employment multiplier of 1.30 (the estimated Sullivan County multiplier for a mix of retail and real estate industries), the project will produce 3.25 new households, with a cost of approximately \$3,780 annually in non-educational local government services each.

It is assumed, based on the *Sullivan County Cost of Community Services Study*, that 63.3% or \$2,392 per household would be covered from taxes paid by the new residents, leaving \$1,388 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 Fallsburg.

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.

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6) Applicable tax rates for purposes of benefit/cost analyses follow:

Town of Fallsburg Tax Rates		
Tax Category	Rate (Before Equalization)	Percent of Value
Medicaid	4.451254	0.45%
NYS Welfare Mandates	2.061970	0.21%
Other NYS Mandates	3.861262	0.39%
County Levy	3.245890	0.32%
County Total	13.620376	1.36%
Town to Highway	7.718654	0.77%
Highway No. 1	2.436341	0.24%
General Fund Outside Village	6.966310	0.70%
Town Total	17.121305	1.71%
School Taxes	41.976580	4.20%
Combined Total	72.718261	7.27%

- 7) School costs are based on the 0.41 children per household average for Sullivan County in 2018 times a total costs (net of state aid) of \$13,882 per student, which is the average for the Fallsburg 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. Sales tax from sales generated by storefront businesses are estimated at 8% of sales calculated on the assumption of \$150 per square foot of floor area and 50%, which is a conservative number akin to a typical dollar store, further assuming 50% of sales will be new to the county.

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- 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 \$369,319 in mortgage and real property tax abatements over the period of the standard PILOT agreement or 21 years. Net present valued this equates to a total cost of \$247,499. There are an additional estimated \$17,952 of school costs and \$70,931 of highway and related costs over this same period (net present valued), bringing total costs to \$336,382.

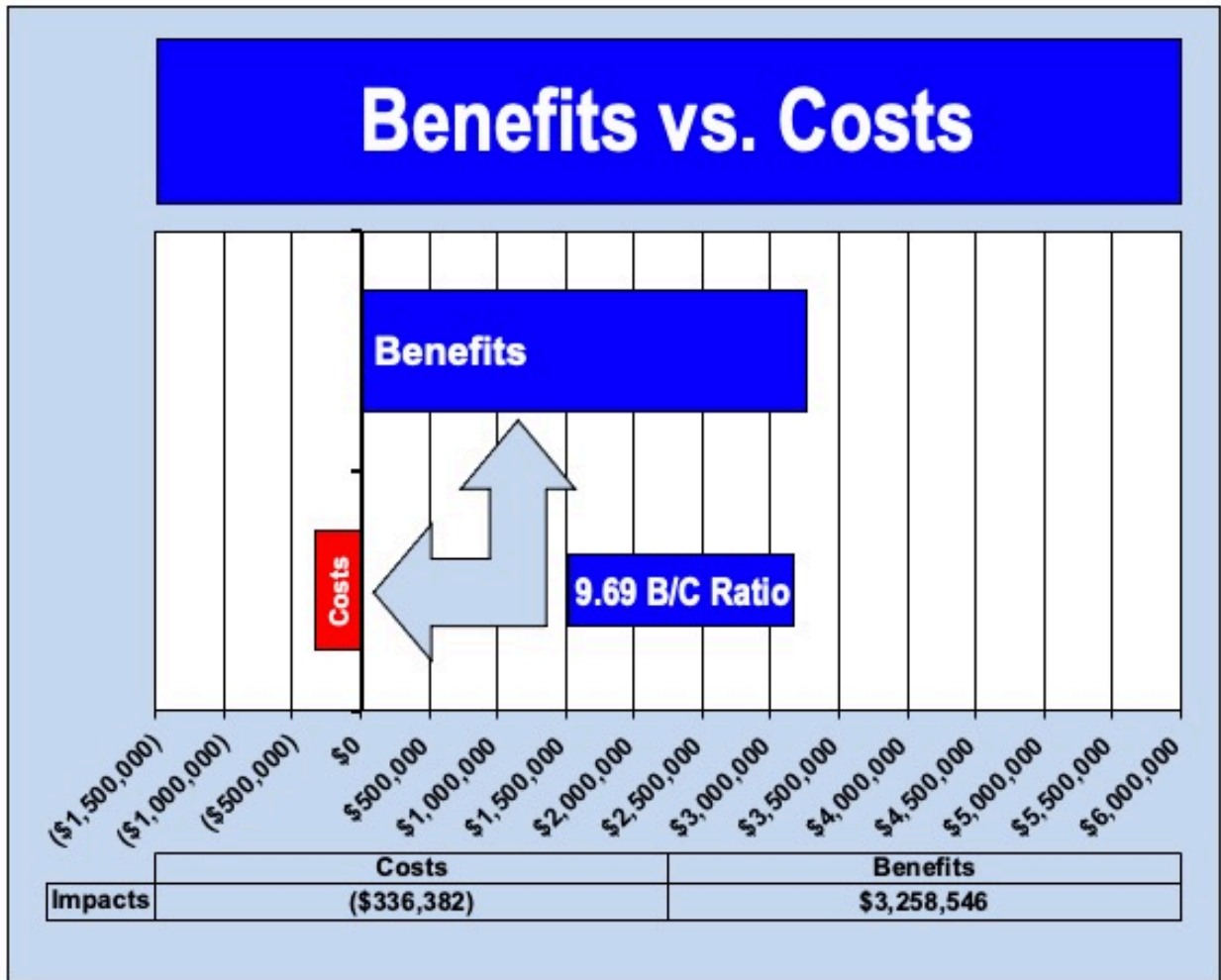
The project benefits consist of the new real property taxes that will be generated (\$1,072,700), the payroll gains (\$1,780,935), the sales taxes from those payroll gains (\$71,237) and sales taxes from retail operations (\$404,912), which are estimated to total \$3,329,783 combined (net of sales taxes paid from those gains) over the 21 years at net present value.

This yields a positive benefit/cost ratio of 9.69.

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Cost/Benefit Analysis	
Costs (2021-2041)	
Sales Tax Abatements (County)	\$0
Sales Tax Abatements (State)	\$0
Mortgage Tax Abatements	\$20,000
Real Property Tax Reductions Net of 485-b Benefits	\$349,319
Sub-Total (Value of All Abatements) =	\$369,319
Net Present Value of Abatements*	\$247,499
Additional School Costs	\$17,952
Variable Highway & Other Municipal Costs	\$70,931
Total Costs (Net Present Value)=	\$336,382
Benefits (Net Present Value, (2021-2041))	
Property Taxes	\$1,072,700
Sales Taxes (General - From Gains in Buying Power)	
County	\$35,619
State	\$35,619
Sales Taxes (From Operations)	
County	\$202,456
State	\$202,456
Sub-Total (Taxes/Charges) =	\$1,548,848
Personal Income Gains Related to New/Retained Jobs	\$1,369,950
Personal Income Gains Related to Multiplier Effects	\$410,985
Sub-Total (Income Gains) =	\$1,780,935
Total Benefits =	\$3,329,783
Gross Excess Benefits Over Costs = \$2,993,401	
Net of Abatements "Costs" and Income Gains= \$1,459,965	
Benefits to Costs Ratio =	9.69

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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	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mortgage Tax Abatement	\$20,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Tax Abatement	\$0	\$0	\$3,050	\$6,191	\$9,425	\$12,755	\$16,183	\$19,711	\$23,341	\$27,076	\$30,917	\$34,868
Highway/Other Costs	\$9,154	\$4,577	\$4,646	\$4,715	\$4,786	\$4,858	\$4,931	\$5,005	\$5,080	\$5,156	\$5,233	\$5,312
School Costs	\$0	\$2,363	\$1,383	\$1,383	\$1,383	\$1,383	\$1,383	\$1,383	\$1,383	\$1,383	\$1,383	\$1,383
Real Property Taxes	\$0	\$60,089	\$64,040	\$68,096	\$72,259	\$76,532	\$80,917	\$85,416	\$90,031	\$94,766	\$99,623	\$104,604
Personal Income - New/Retained Jobs	\$0	\$101,500	\$103,023	\$104,568	\$106,136	\$107,728	\$109,344	\$110,984	\$112,649	\$114,339	\$116,054	\$117,795
Indirect Income Benefits	\$0	\$30,450	\$30,907	\$31,370	\$31,841	\$32,319	\$32,803	\$33,295	\$33,795	\$34,302	\$34,816	\$35,338
Added Sales Tax (General)	\$0	\$5,278	\$5,357	\$5,438	\$5,519	\$5,602	\$5,686	\$5,771	\$5,858	\$5,946	\$6,035	\$6,125
Added Sales Tax (Operations)	\$0	\$30,000	\$30,450	\$30,907	\$31,370	\$31,841	\$32,319	\$32,803	\$33,295	\$33,795	\$34,302	\$34,816

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	\$0	\$0	\$0
Mortgage Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Tax Abatement	\$31,852	\$28,738	\$25,523	\$22,205	\$18,781	\$15,250	\$11,609	\$7,856	\$3,987	\$3,987	\$20,000	\$20,000
Highway/Other Costs	\$5,392	\$5,472	\$5,555	\$5,638	\$5,722	\$5,808	\$5,895	\$5,984	\$6,074	\$6,074	\$349,319	\$227,499
School Costs	\$1,383	\$1,383	\$1,383	\$1,383	\$1,383	\$1,383	\$1,383	\$1,383	\$1,383	\$1,383	\$114,993	\$70,931
Real Property Taxes	\$109,712	\$114,950	\$120,321	\$125,826	\$131,470	\$137,254	\$143,183	\$149,259	\$155,484	\$161,852	\$28,644	\$17,952
Personal Income - New/Retained Jobs	\$119,562	\$121,355	\$123,176	\$125,023	\$126,899	\$128,802	\$130,734	\$132,695	\$134,686	\$136,706	\$2,083,832	\$1,072,700
Indirect Income Benefits	\$35,869	\$36,407	\$36,953	\$37,507	\$38,070	\$38,641	\$39,220	\$39,809	\$40,406	\$41,014	\$704,116	\$410,985
Added Sales Tax (General)	\$6,217	\$6,310	\$6,405	\$6,501	\$6,599	\$6,698	\$6,798	\$6,900	\$7,004	\$7,109	\$122,047	\$71,237
Added Sales Tax (Operations)	\$35,338	\$35,869	\$36,407	\$36,953	\$37,507	\$38,070	\$38,641	\$39,220	\$39,809	\$40,406	\$693,710	\$404,911