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Thomas J. Shepstone

January 27, 2022

Jennifer M. Flad
Executive Director
County of Sullivan Industrial Development Agency
548 Broadway
Monticello, New York 12701

Re: Sunset Lake Local Development Corporation
Benefit/Cost Analysis

We have, at your request, analyzed the benefits and costs associated with the Industrial Development Agency's ("Agency") assistance to the Sunset Lake Local Development Corporation ("Sunset Lake").

The Sunset Lake application to the Agency proposes a project in the Town of Liberty consisting of the following:

- (a) the acquisition of an interest in a 50.00 acre parcel of land improved by the County of Sullivan Adult Care Center;
- (b) the granting of certain financial assistance" providing for a fixed amount payment in lieu of real property taxes; and
- (c) the lease of the Agency's interest in the project to Sunset Lake.

Sunset Lake and the Town of Liberty are in a dispute regarding the taxable status of the real property upon which the project is located. Notwithstanding this, if the Agency takes an interest in the project, the underlying real property will be exempt from ad valorem real estate taxes. Moreover, the proposed fixed rate PILOT payments, starting at \$350,000 annually, are expected to be substantially equal to the estimated ad valorem real estate taxes that will be due.

Therefore, as a practical matter, there will be no real property tax abatement and any taxes collected will be new to taxing jurisdictions, the enterprise having previously operated as fully tax-exempt. There will also be no mortgage or sales tax abatements involved.

Given that this project involves no identifiable mortgage, real property or sales tax abatements, the benefits/costs analysis factors are limited to the impacts on the general economy and the fiscal impacts of the operation itself on government.

The economic benefits of the project, independent of its value in addressing a social service need of Sullivan County, include wages paid that would otherwise be lost, the multiplier effects of this income and the impacts of materials, supplies and services purchases by Sunset Lake and/or its contracted operator on the local business economy.

The project will retain approximately 150 jobs, producing annual wages of roughly \$9 million. The U.S. Department of Commerce RIMS II employment multiplier for "Nursing and Residential Care Facilities" for Sullivan County is 1.2268 and the earnings multiplier is 1.2678, meaning there are another 34 jobs and an additional \$2.4 million in wages affected throughout the economy, bringing the total impacts to 184 jobs and \$11.4 million in wages.

The typical nursing home spends 33% of its budget on items such as pharmaceuticals, food and building maintenance. The cost of those items varies depending on occupancy and other factors but given the \$9 million in wage costs and a 33% proportion of the budget for materials, supplies and contracted services, it is reasonable to assume there is in excess of \$4 million spent on these items and, given a RIMS II value-added factor of 0.9681, this means an almost equal amount of multiplier effects from these expenditures rippling through the economy, taking the total impact in this case to roughly \$8 million.

The net fiscal impacts on government are generally quantifiable from a Sullivan County Cost of Services study that found commercial land uses in the Town of Liberty generated \$1.00 in taxes for every \$0.40 in costs of community services provided. Therefore, the \$350,000 per year in PILOT payments (adjusted for inflation) represent a net benefit to local government of approximately \$210,000 annually, compared to \$140,000 in costs. That is equivalent to benefit/cost ratio of 1.5.

This is far from the total in benefits, though. Adding the positive general benefits to the economy with the net fiscal impacts to government, indicates total benefits of roughly \$19.6 million annually. This supports a conclusion the project has a very positive benefit/cost ratio/

Please contact me if you should need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas J. Shepstone". The signature is fluid and cursive, with a large initial "T" and "S".

THOMAS J. SHEPSTONE