

Mountain Kosher Food Corp. / 286 EB LLC

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

Mountain Kosher Supermarket



Benefit/Cost Analysis

Prepared by:

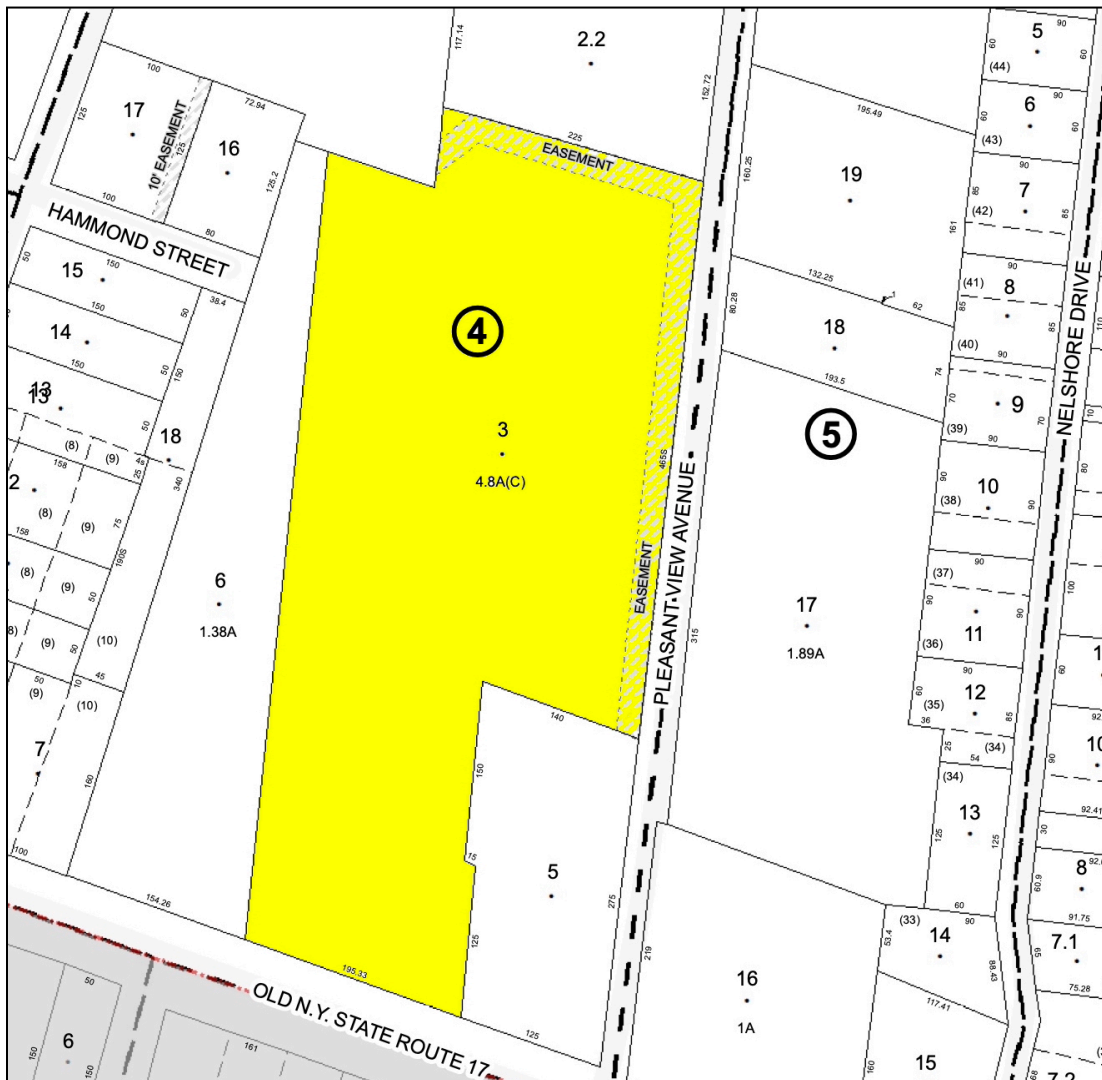
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Background:

Mountain Kasher Food Corp., together with 286 EB LLC, has applied for financial assistance to demolish an existing 11,500 square feet food market and construct a new 27,000 square feet steel-framed building that will include a new supermarket and accessory warehousing on 4.8 acres of land (Parcel 113-4-3) in the Village of Monticello, Town of Thompson.



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The project involves an applicant estimated \$5,900,000 in costs related to construction of real property improvements. An estimated 65% or \$3,835,000 will be spent on otherwise sales-taxable material purchases. There is expected to be a \$5,000,000 mortgage associated with the project. Mountain Kosher Food Corp. / 286 EB LLC has applied to the County of Sullivan Industrial Development Agency (IDA) for real property, mortgage and sales tax abatements to assist with bringing this project to completion.

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.



Existing Mountain Kosher Store to be Replaced

The following is a summary of the findings from this analysis, including supporting materials forming the basis for the conclusions reached regarding benefits and costs related to IDA assistance.

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Methods and Assumptions:

The following methods and assumptions were employed for the analysis of this project:

- 1) The existing base assessment is \$374,000 and will not change. The projected assessment following proposed improvements is based on the average assessment of market value per square foot from a survey of assessments on competitive grocery store/supermarket properties throughout various areas of Sullivan County. This provides a rational basis for projecting the likely assessment of this property upon completion. The following table summarizes the data:

Assessed Market Values of Competitors									
Project	S/B/L	Year Built	Assessed Valuation			Eq. Rate	Eq. Value of Imp.	Square Feet	Eq. Value Per S.F.
			Land	Imp.	Total				
Wurtsboro Center	49.-1-3.6	1999	\$40,100	\$911,900	\$952,000	0.4550	\$2,004,176	20,000	\$100.21
Pete's - Narrowsburg	8.-2-2	1964	\$57,600	\$642,400	\$700,000	0.3892	\$1,650,565	17,776	\$92.85
Bloomington Groceries	203.-2-15.4	1987	\$38,000	\$296,400	\$334,400	0.4550	\$651,429	7,250	\$89.85
Peck's - Jeffersonville	105.-3-19	1960	\$13,400	\$506,600	\$520,000	0.4440	\$1,140,991	13,750	\$82.98
Skopp's - Fallsburg	36.-1-28.6	2015	\$15,000	\$373,200	\$388,200	0.4462	\$836,396	10,080	\$82.98
Peck's - Eldred	13.-5-4.1	1965	\$38,500	\$706,625	\$745,125	0.7200	\$981,424	14,455	\$67.90
Peck's - Livingston Manor	46.-1-36	1976	\$16,900	\$408,400	\$425,300	0.5250	\$777,905	13,260	\$58.67
Peck's - Callicoon	14.-5-69	1946	\$34,800	\$643,600	\$678,400	0.6874	\$936,282	19,634	\$47.69
Key Food Liberty	108.-6-38	1970	\$106,200	\$381,300	\$487,500	0.6330	\$602,370	14,045	\$42.89
Rock Hill Trading Post	51.-2-1	1959	\$20,300	\$401,100	\$421,400	0.6200	\$646,935	21,520	\$30.06
Mountain Kosher (Existing)	113.-4-3	1975	\$135,000	\$239,000	\$374,000	0.6200	\$385,484	13,054	\$29.53
Buy-Rite - Woodridge	101.-1-26	1976	\$21,900	\$143,100	\$165,000	0.4462	\$320,708	13,195	\$24.31
Total/Average		1974	\$537,700	\$5,653,625	\$6,191,325	0.5662	\$10,934,664	178,019	\$61.42

The data indicates an overall average assessed equalized value (market value) of \$61.42 per square square foot which. applied to the proposed new 27,000 square feet store yields a total market value of roughly \$1,658,500.

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Further applying the 62% equalization rate for the Town of Thompson and deducting the existing base assessment of \$374,000, this yields a projected assessment value for purposes of this analysis of approximately \$1,055,225 as applied to the value of added real property improvements.

- 2) Real property tax abatement has been requested by the Applicant under § 301.b of the IDA's Uniform Tax Exemption Policy (Retail Sales Program), will apply to the projected assessment of \$1,055,225 on the net amount of real property improvements.

Because this program mirrors already available under § 485.b of the New York State Real Property Tax Law, there are not projected to be any costs related to real property tax abatements in this particular instance.

The proposed property improvements will, nonetheless, yield economic gains in increased taxes on those improvements, which are calculated as a benefit.



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- 3) Current ad valorem real property tax rates within the Village of Monticello, Sullivan County, are listed in the table following:

Tax Rates		
Tax Category	Rate (Before Equalization)	% of Assessed Value
Medicaid	2.992440	0.30%
NYS Welfare Mandates	1.530402	0.15%
Other NYS Mandates	2.884394	0.29%
County Levy	3.245727	0.32%
County Total	10.652963	1.07%
Town to Highway	2.315895	0.23%
Town Total	2.315895	0.23%
Village Tax	24.980000	2.50%
Village Total	24.980000	2.50%
School Tax Rate	21.113386	2.11%
Combined Total	59.062244	5.91%

- 4) This new construction project involves an estimated \$3,835,000 in otherwise sales taxable material purchases (assuming 65% material costs for \$5,900,000 of real property construction costs).
- 5) It is assumed, for purposes of this analysis, that all project construction activities will occur in 2022-23 with real property tax abatement beginning in 2024.
- 6) The application to the IDA indicates there will be a \$5,000,000 mortgage to which mortgage tax abatement will apply.
- 7) There are expected to be up to 15 full-time equivalent (FTE) construction jobs created at

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an average salary of \$48,000 for the construction period. There are also an estimated three new FTE permanent jobs to be created along with 50 new full-time seasonal employees (estimated to be the equivalent of 12.5 FTEs) at an average salary of \$36,000. An economic multiplier of 1.50 is applied to these salaries for purposes of calculating personal income benefits and sales attributable to increased buying power, assuming 100% of construction jobs are local residents.



- 8) The annual costs to local government for providing highway maintenance and other non-educational services and supporting schools in the Village of Monticello are expected to be negligible because neither construction nor permanent or seasonal employment is likely to generate any new residents or schoolchildren in this case.

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- 9) It is assumed 10% of the supermarket sales (estimated at half the U.S. average of \$18.41 per square foot per week) will be sales taxable.



- 10) Cash flow streams from benefits and costs are net present valued using a discount rate of 2.186% ([current interest rate on the public debt](#)). Net present value figures include actual costs of abatements and other costs for 2022-2023 (construction period) plus discounted values for 2024-2042.

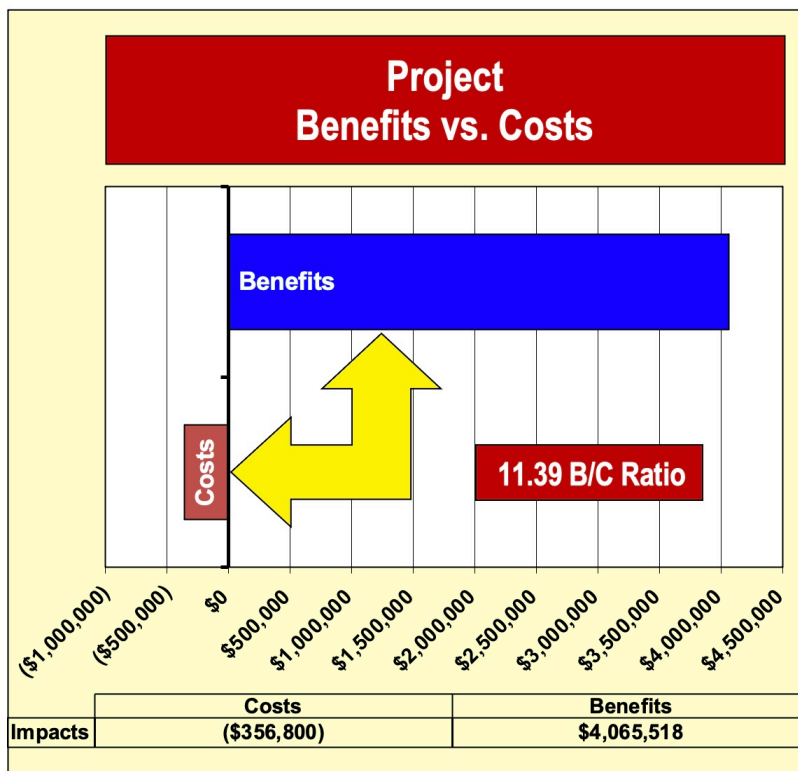
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Conclusion:

This project will generate estimated costs of \$356,800 in mortgage, real property and sales tax abatements over the period of the standard PILOT agreement.

The net present valued project benefits consist of real property taxes associated with improvements (\$652,724), payroll gains (\$1,080,000), sales taxes from those payroll gains (\$43,200) and sales taxes from retail operations (\$994,482), that, altogether, total \$2,770,406 combined over the analysis period.

This yields a positive benefit/cost ratio of 7.76.



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Project Cost/Benefit Analysis	
Costs (2022/23-2043)	
Sales Tax Abatements (County)	\$153,400
Sales Tax Abatements (State)	\$153,400
Mortgage Tax Abatements	\$50,000
Real Property Tax Reductions Net of 485-b Benefits	\$0
Sub-Total (Value of All Abatements) =	\$356,800
Net Present Value of Abatements	\$356,800
Additional School Costs	\$0
Variable Highway & Other Municipal Costs	\$0
Total Costs (Net Present Value)=	\$356,800
Benefits (Net Present Value, 2022-2044)	
Property Taxes Related to Improvements	\$652,724
Sales Taxes (General - From Gains in Buying Power)	
County	\$21,600
State	\$21,600
Sub-Total =	\$695,924
Sales Taxes (Generated by Retail Operations)	
County	\$497,241
State	\$497,241
Sub-Total =	\$994,482
Personal Income Gains Related to New Jobs	\$720,000
Personal Income Gains Related to Multiplier Effects	\$360,000
Sub-Total (Income Gains) =	\$1,080,000
Total Benefits =	\$2,770,406
Gross Excess Benefits Over Costs =	\$2,413,606
Benefits to Costs Ratio =	7.76

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Economic Analysis of Project and Requested Tax Abatement Program												
FISCAL YEAR	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
DESCRIPTION	Construct / Startup	1	2	3	4	5	6	7	8	9	10	11
Sales Tax Abatement	\$306,800	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mortgage Tax Abatement	\$50,000	\$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
Highway/Other Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Taxes on New Property Value	\$0	\$19,707	\$22,111	\$24,604	\$27,187	\$29,864	\$32,637	\$35,509	\$38,483	\$41,561	\$44,748	\$48,045
Total Real Property Taxes Without Project	\$22,089	\$22,531	\$22,982	\$23,441	\$23,910	\$24,388	\$24,876	\$25,374	\$25,881	\$26,399	\$26,927	\$27,465
Total Real Property Taxes With Project	\$22,089	\$42,238	\$45,093	\$48,045	\$51,097	\$54,252	\$57,513	\$60,883	\$64,364	\$67,960	\$71,675	\$75,510
Personal Income - Construction Employment	\$720,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Indirect Income Benefits	\$360,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Added Sales Tax (General)	\$43,200	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Added Sales Tax (Operations)	\$0	\$51,695	\$52,729	\$53,784	\$54,859	\$55,957	\$57,076	\$58,217	\$59,382	\$60,569	\$61,781	\$63,016

Economic Analysis of Project and Requested Tax Abatement Program												
FISCAL YEAR	2035	2036	2037	2038	2039	2040	2041	2042	2043	TOTALS		
DESCRIPTION	12	13	14	15	16	17	18	19	20	Actual	NPV	
Sales Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$306,800	\$306,800	
Mortgage Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$50,000	\$50,000	
Real Property Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Highway/Other Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
School Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Real Property Taxes on New Property Value	\$49,006	\$49,996	\$50,986	\$52,006	\$53,046	\$54,107	\$55,189	\$56,292	\$57,418	\$842,491	\$652,724	
Total Real Property Taxes Without Project	\$28,015	\$28,575	\$29,146	\$29,729	\$30,324	\$30,930	\$31,549	\$32,180	\$32,824	\$569,535	\$455,528	
Total Real Property Taxes With Project	\$77,021	\$78,561	\$80,132	\$81,735	\$83,369	\$85,037	\$86,738	\$88,472	\$90,242	\$1,412,026	\$1,108,252	
Personal Income - Construction Employment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$720,000	\$720,000	
Indirect Income Benefits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$360,000	\$360,000	
Added Sales Tax (General)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$43,200	\$43,200	
Added Sales Tax (Operations)	\$64,277	\$65,562	\$66,873	\$68,211	\$69,575	\$70,967	\$72,386	\$73,834	\$75,310	\$1,256,059	\$994,482	