

Homestead LLC North Branch Cider Mill LLC

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



North Branch Cider Mill & Barn

Benefit/Cost Analysis

Prepared by:

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North Branch Cider Mill & Barn Benefit/Cost Analysis

Background:

Homestead LLC and North Branch Cider Mill LLC. (hereinafter jointly referred to as “North Branch Cider Mill & Barn”) has applied for financial assistance for the purchase and upgrade of a facility of the same name at 38 and 44 North Branch Callicoon Center Road in the Town of Callicoon (Tax Map Parcels 24-6-5.2, 25-1-23.2 and 25-1-50.2). The project involves the restoration of the Cider Press operation and adding of a country store, tea-room and garden, home goods store, garden store, commercial wood shop and design studio into the space.



It is estimated \$1,417,000 will be invested, including \$1,132,000 to upgrade the property (of which an estimated 50% or \$566,000 represents sales taxable materials). This investment in rehabilitation of the facility will, at a 38.2% equalization rate, yields an

North Branch Cider Mill & Barn

Benefit/Cost Analysis

estimated \$432,424 of assessed value for new real property improvements. North Branch Cider Mill & Barn 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.



The following is a summary of the findings from this analysis, including supporting sources forming the basis for the conclusion reached.

North Branch Cider Mill & Barn Benefit/Cost Analysis

Methods and Assumptions:

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

- 1) The project involves an estimated \$1,132,000 in various improvements that qualify as real property, of which 50% or \$566,000 are assumed to be sales taxable material and equipment purchases. These improvements will be made in phases that are, purposes of this analysis, are considered as taking place over a 2023-24 construction period, although the actual period could be longer.

- 2) It is assumed the IDA will approve a PILOT Agreement under the IDA's [Section 301.b Uniform Tax Exemption Policy Retail Sales Program](#), the PILOT to apply to the value of the real property improvements times the 38.2% equalization rate for the Town of Callicoon. The PILOT schedule is detailed in the table to the right.

Real Property Tax [Retail Program] Abatement Schedule		
Year	% Abated	PILOT %
1	50.0%	50.0%
2	55.0%	45.0%
3	60.0%	40.0%
4	65.0%	35.0%
5	70.0%	30.0%
6	75.0%	25.0%
7	80.0%	20.0%
8	85.0%	15.0%
9	90.0%	10.0%
10	95.0%	5.0%
11	100.0%	0.0%
12	100.0%	0.0%
13	100.0%	0.0%
14	100.0%	0.0%
15	100.0%	0.0%

- 3) It is further assumed there will be a \$872,000 mortgage and mortgage tax abatement will be part of this project.

North Branch Cider Mill & Barn Benefit/Cost Analysis

- 4) It is anticipated this project will create or retain eight full-time equivalent jobs in Sullivan County at an average salary of \$53,500 per year with an equal number construction/operational jobs at the same rate during the construction period.
- 5) Additional annual costs to local government for providing highway maintenance and other non-educational services in the Town of Callicoon were estimated based on the annual tax levy per household with a total of two new households attracted (25% of employees x employment multiplier of 1.50).
- 6) Additional school costs are anticipated and are based on an estimated new 1-2 students at an average educational cost of \$19,600 net of state aid.
- 7) Sales taxes from operations are based on a conservative starting estimate of \$1,100,000 per year of sales, growing from there and adjusted for inflation, with an estimated 50% being new to Sullivan County as the facility would not continue to operate at the same level without the IDA assistance.
- 8) Cash flow streams from benefits and costs are net present valued using a discount rate of 2.566% ([current interest rate on the public debt](#)). Net present value figures include actual costs of abatements and other costs for 2023 plus discounted values for 2024-2044.



North Branch Cider Mill & Barn Benefit/Cost Analysis

Conclusion:

This project will generate costs of \$54,000 in real property, mortgage and sales tax abatements over the period of the standard PILOT agreement plus five years. Net present valued this equates to a total cost of \$54,000. There are also estimated highway and other municipal costs that, net present valued, amount to \$175,814 and school costs (\$41,015 at net present value).

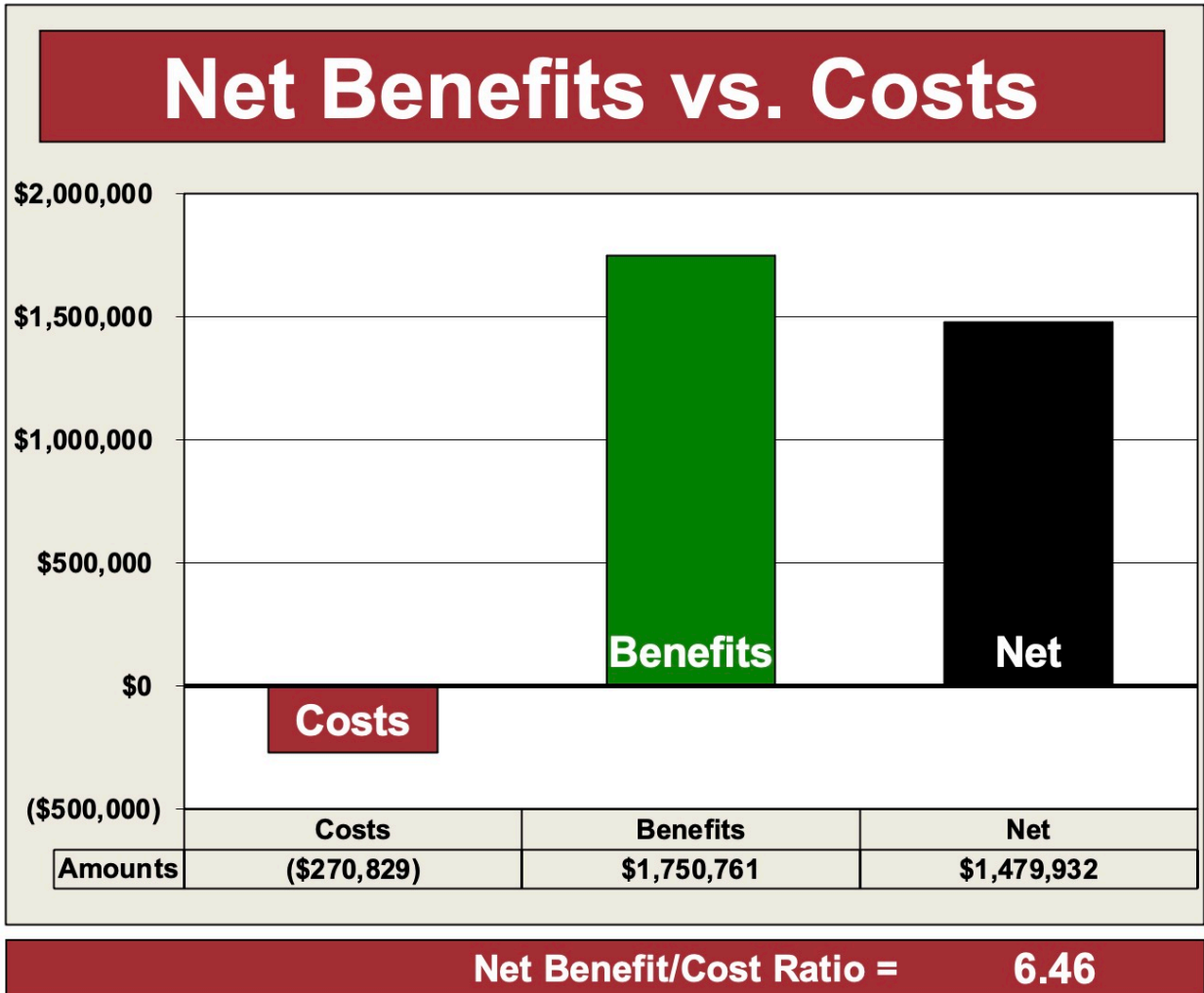
The project benefits, net present valued, consist of sales taxes from operations (\$1,365,772) and personal income gains, including multiplier effects, (\$2,255,612) for a total of \$4,006,373 over the analysis period.

This yields a positive benefit/cost ratio of 14.79 to 1.00. Leaving aside personal income gains, the ratio is still 6.46 to 1.00.

North Branch Cider Mill & Barn Benefit/Cost Analysis

Cost/Benefit Analysis	
Costs (2023-2044)	
Sales Tax Abatements (County)	\$22,640
Sales Tax Abatements (State)	\$22,640
Mortgage Tax Abatements	\$8,720
Real Property Tax Reductions Net of 485-b Benefits	\$0
Sub-Total (Value of All Abatements) =	\$54,000
Net Present Value of Abatements	\$54,000
Additional School Costs	\$41,015
Variable Highway & Other Municipal Costs	\$175,814
Total Costs (Net Present Value)=	\$270,829
Benefits (Net Present Value, 2023-2044)	
Real Property Taxes	\$384,989
Sales Taxes (From Operations)	
County	\$682,886
State	\$682,886
Personal Income Gains (New and Retained Jobs)	\$2,255,612
Total Benefits =	\$4,006,373
Excess Benefits Over Costs =	\$3,735,544
Excess Benefits Over Costs (Net of Income Gains)=	\$1,479,932
Benefits to Costs Ratio =	14.79
Net Benefits to Costs Ratio =	6.46

North Branch Cider Mill & Barn Benefit/Cost Analysis



North Branch Cider Mill & Barn Benefit/Cost Analysis

Economic Analysis of Project and Requested Tax Abatement Program												
FISCAL YEAR	2023-24	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
DESCRIPTION	C1	1	2	3	4	5	6	7	8	9	10	11
Sales Tax Abatement	\$45,280	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mortgage Tax Abatement	\$8,720	\$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	\$8,835	\$9,100	\$9,374	\$9,655	\$9,944	\$10,243	\$10,550	\$10,866	\$11,192	\$11,528	\$11,874
School Costs	\$0	\$2,061	\$2,123	\$2,187	\$2,252	\$2,320	\$2,389	\$2,461	\$2,535	\$2,611	\$2,689	\$2,770
Real Property Taxes	\$0	\$11,189	\$12,677	\$14,245	\$15,885	\$17,631	\$19,457	\$21,376	\$23,394	\$25,513	\$27,738	\$30,074
Personal Income - New/Retained Jobs	\$0	\$110,210	\$116,922	\$120,429	\$124,042	\$127,764	\$131,597	\$135,544	\$139,611	\$143,799	\$148,113	\$152,556
Indirect Income Benefits	\$0	\$55,105	\$58,461	\$60,215	\$62,021	\$63,882	\$65,798	\$67,772	\$69,805	\$71,900	\$74,067	\$76,278
Added Sales Tax (Operations)	\$0	\$44,000	\$72,000	\$74,160	\$76,385	\$78,676	\$81,037	\$83,468	\$85,972	\$88,551	\$91,207	\$93,944

Economic Analysis of Project and Requested Tax Abatement Program												
FISCAL YEAR	2036	2037	2038	2039	2040	2041	2042	2043	2044	TOTALS		
DESCRIPTION	12	13	14	15	16	17	18	19	20	21	Actual	NPV
Sales Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$45,280	\$45,280
Mortgage Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,720	\$8,720
Real Property Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Highway/Other Costs	\$12,230	\$12,597	\$12,975	\$13,364	\$13,765	\$14,178	\$14,604	\$15,042	\$15,493	\$15,958	\$237,411	\$175,814
School Costs	\$2,853	\$2,939	\$3,027	\$3,118	\$3,211	\$3,308	\$3,407	\$3,509	\$3,614	\$3,723	\$55,385	\$41,015
Real Property Taxes	\$30,977	\$31,906	\$32,863	\$33,849	\$34,864	\$35,910	\$36,988	\$38,097	\$39,240	\$40,417	\$533,882	\$384,989
Personal Income - New/Retained Jobs	\$157,133	\$161,847	\$166,703	\$171,704	\$176,855	\$182,160	\$187,625	\$193,254	\$199,052	\$205,023	\$3,046,919	\$2,255,612
Indirect Income Benefits	\$78,567	\$80,924	\$83,351	\$85,852	\$88,427	\$91,080	\$93,813	\$96,627	\$99,526	\$102,512	\$1,523,460	\$1,127,806
Added Sales Tax (Operations)	\$96,762	\$99,665	\$102,655	\$105,734	\$108,906	\$112,174	\$115,539	\$119,005	\$122,575	\$126,252	\$1,852,415	\$1,365,772