

# Gibber Estates LLC MEP Wholesalers Corp.

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



## MEP Wholesalers Facility

## Benefit/Cost Analysis

*Prepared by:*

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# MEP Wholesalers Facility Benefit/Cost Analysis

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## Background:

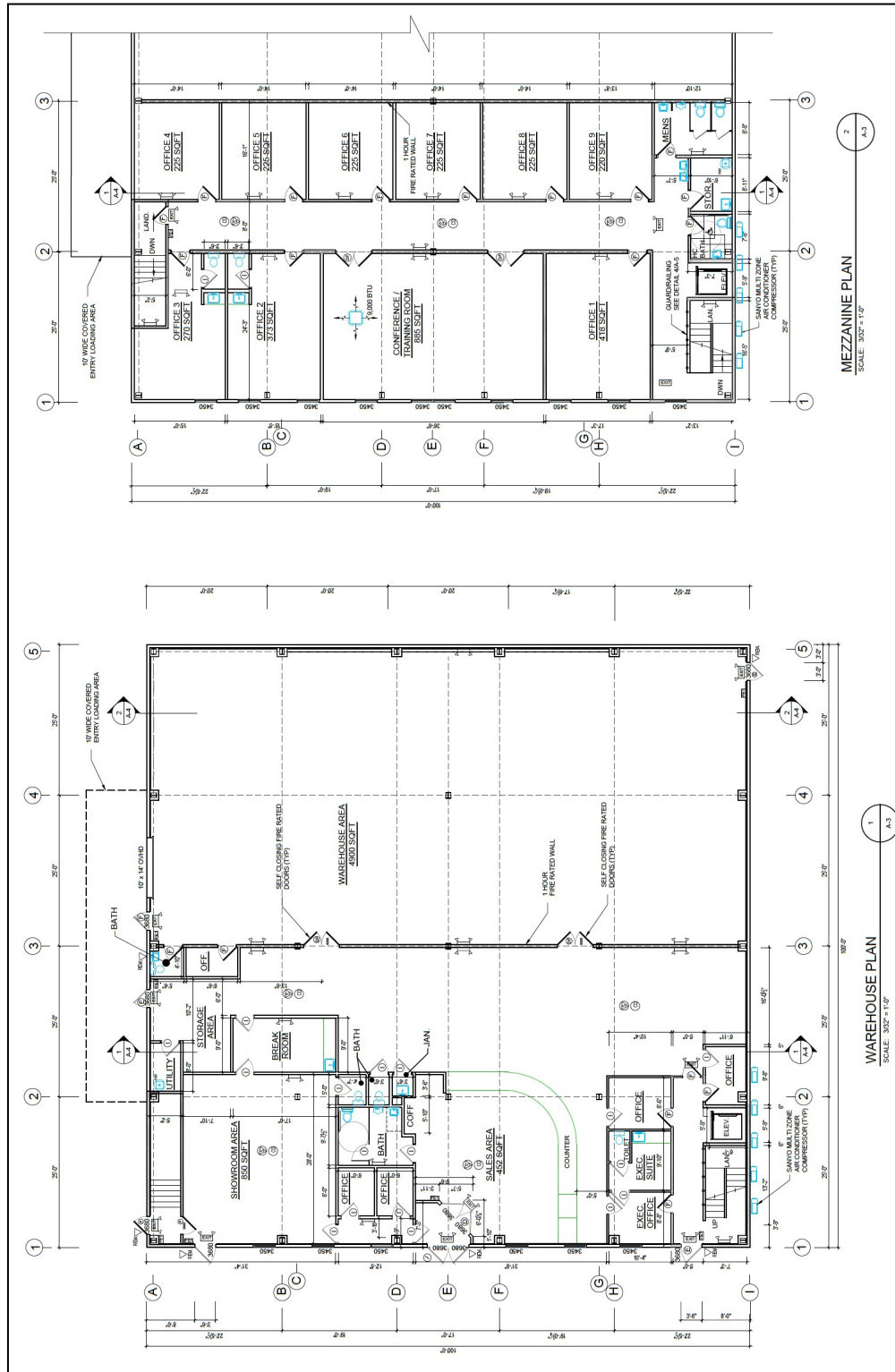
Gibber Estates, LLC and MEP Wholesalers Corp. (hereinafter jointly referred to as “MEP Wholesalers”) have applied for financial assistance to construct a new 15,000 square foot HVAC/ electrical supply house and retail space in South Fallsburg. The location is 30 La Vista Drive in the Town of Fallsburg (Tax Map Parcel 60-1-21.1). A parcel map follows and the floor plan may be found on the next page.



It is estimated \$2,525,000 will be invested altogether, including \$350,000 to acquire the property, and \$1,550,000 in construction (of which roughly 45% or \$700,000 represents sales taxable materials). Applying typical assessments for comparable projects yields an estimated \$775,000 of assessed value for new real property improvements. MEP Wholesalers has applied to the County of Sullivan Industrial Development Agency (IDA) for real property, mortgage and sales tax abatements to assist with the project.

# MEP Wholesalers Facility

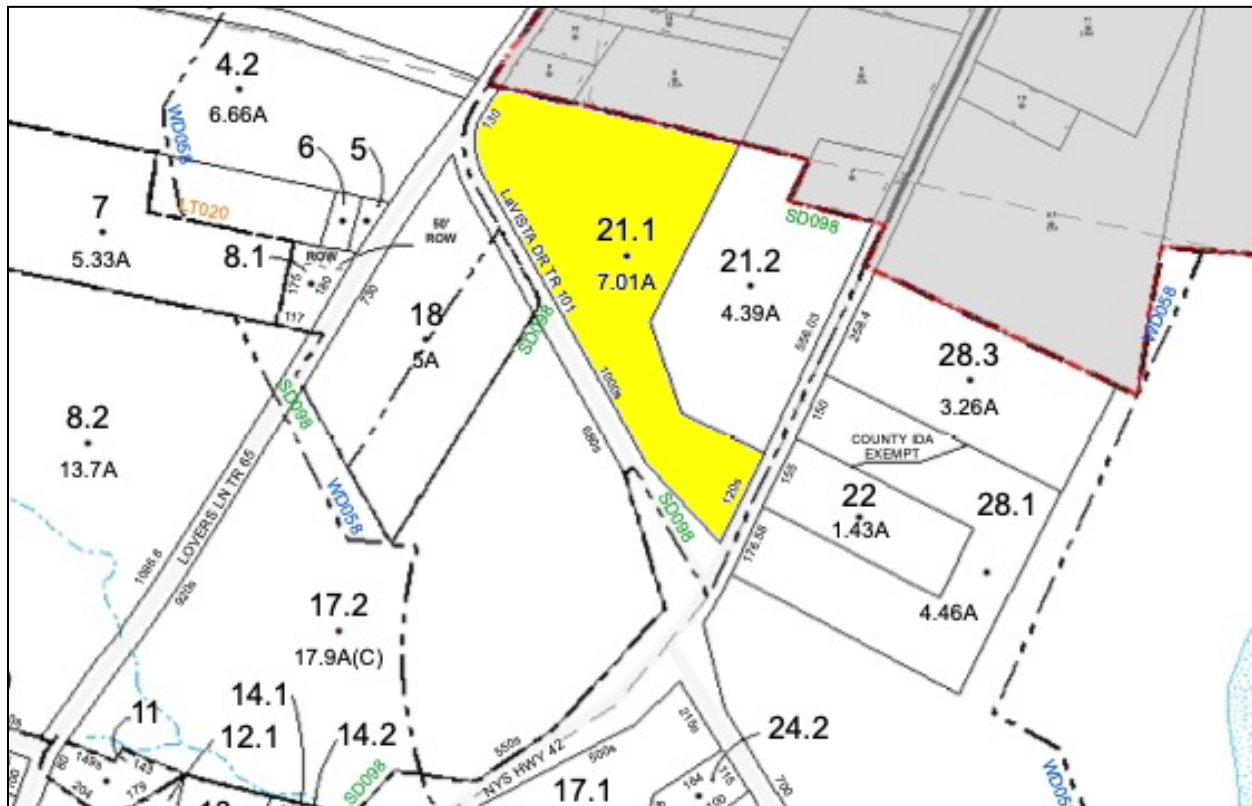
## Benefit/Cost Analysis



# MEP Wholesalers Facility Benefit/Cost Analysis

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.

# MEP Wholesalers Facility 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 \$1,550,000 in various improvements that qualify as real property, of which 45% or \$700,000 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 estimated assessed value of the real property improvements. The estimated assessed value is \$775,000 based on comparison with the assessed values of other comparable retail projects. The PILOT schedule is detailed in the table to the right.

| Real Property Tax<br>[Retail Program]<br>Abatement Schedule |         |          |
|---|---------|----------|
| Year  | PILOT % | % Abated |
| 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 \$2,100,000 mortgage and abatement of this tax will be part of this project.

## MEP Wholesalers Facility Benefit/Cost Analysis

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- 4) It is anticipated this project will involve five full-time equivalent jobs in Sullivan County at an average salary of \$55,000 per year with an equal number construction FTE jobs (up to 20 jobs for 3 months) at the same rate.
- 5) Additional annual costs to local government for providing highway maintenance and other non-educational services in the Town of Fallsburg 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 one new student at an average educational cost of \$15,300 net of state aid.
- 7) Sales taxes from operations are based on a conservative starting projection of \$2,570,000 per year of sales, growing from there, with an estimated 50% being new to Sullivan County.
- 8) Cash flow streams from benefits and costs are net present valued using a discount rate of 2.828% ([current interest rate on the public debt over last five years](#)). Net present value figures include actual costs of abatements and other costs for 2023 plus discounted values for 2024-2044.

## MEP Wholesalers Facility Benefit/Cost Analysis

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### Conclusion:

This project will generate costs of \$77,000 in real property, mortgage and sales tax abatements over the period of the standard PILOT agreement plus five years. Real property tax abatements in this case are valued as \$0 due to the fact the Sullivan County IDA's Retail Sales Program offers no additional benefits beyond those which can be obtained under Section 485-b of the Real Property Tax Law. Net present valued the costs, therefore, still amount to a total of \$77,000 for sales and mortgage abatements that are limited to the construction period. There are also estimated highway and other municipal costs that, net present valued, amount to \$128,850 and school costs (\$89,485 at net present value).

The project benefits, net present valued, consist of sales taxes from operations (\$2,089,411) and personal income gains, including multiplier effects, (\$1,439,264) for a total of \$4,522,899 over the analysis period.

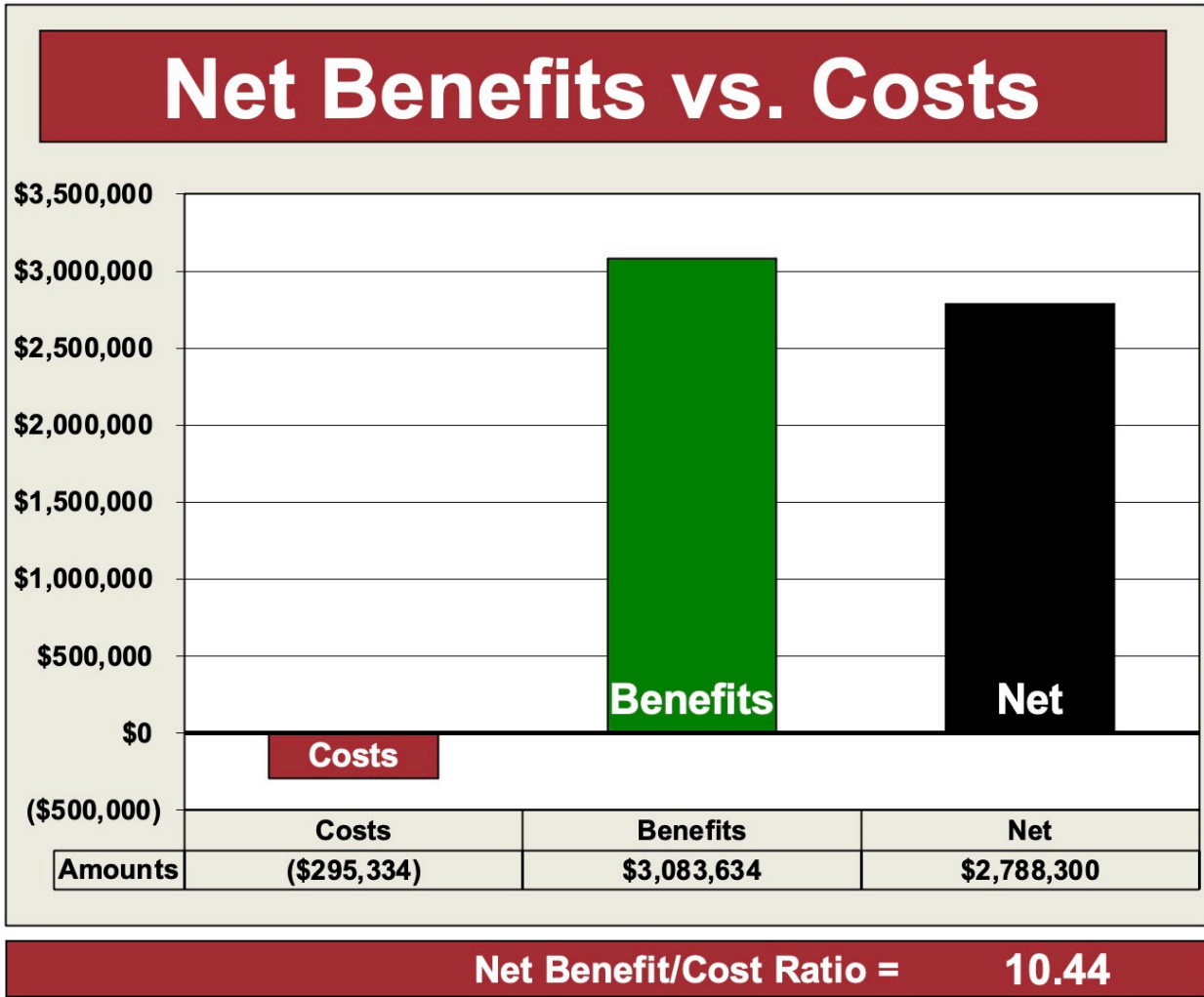
This yields a positive benefit/cost ratio of 15.31 to 1.00. Leaving aside personal income gains, the ratio is still 10.44 to 1.00.

## MEP Wholesalers Facility Benefit/Cost Analysis

| <b>Cost/Benefit Analysis</b>                             |                    |
|--|--------------------|
| <b>Costs (2023-2044)</b>                                 |                    |
| Sales Tax Abatements (County)                            | \$28,000           |
| Sales Tax Abatements (State)                             | \$28,000           |
| Mortgage Tax Abatements                                  | \$21,000           |
| Real Property Tax Reductions Net of 485-b Benefits       | \$0                |
| <b>Sub-Total (Value of All Abatements) =</b>             | <b>\$77,000</b>    |
|  |                    |
| Net Present Value of Abatements                          | \$77,000           |
| Additional School Costs                                  | \$89,485           |
| Variable Highway & Other Municipal Costs                 | \$128,850          |
| <b>Total Costs (Net Present Value)=</b>                  | <b>\$295,334</b>   |
|  |                    |
| <b>Benefits (Net Present Value, 2023-2044)</b>           |                    |
| Real Property Taxes                                      | \$994,224          |
| Sales Taxes (From Operations)                            |                    |
| County   | \$1,044,705        |
| State  | \$1,044,705        |
| Personal Income Gains (New and Retained Jobs)            | \$1,439,264        |
| <b>Total Benefits =</b>                                  | <b>\$4,522,899</b> |
| <b>Excess Benefits Over Costs =</b>                      | <b>\$4,227,564</b> |
| <b>Excess Benefits Over Costs (Net of Income Gains)=</b> | <b>\$2,788,300</b> |
|  |                    |
| <b>Benefits to Costs Ratio =</b>                         | <b>15.31</b>       |
| <b>Net Benefits to Costs Ratio =</b>                     | <b>10.44</b>       |



## MEP Wholesalers Facility Benefit/Cost Analysis



# MEP Wholesalers Facility 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  | \$56,000 | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |
| Mortgage Tax Abatement   | \$21,000 | \$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      | \$6,520   | \$6,716   | \$6,917   | \$7,125   | \$7,339   | \$7,559   | \$7,786   | \$8,019   | \$8,260   | \$8,508   | \$8,763   |
| School Costs   | \$0      | \$4,528   | \$4,664   | \$4,804   | \$4,948   | \$5,097   | \$5,250   | \$5,407   | \$5,569   | \$5,736   | \$5,908   | \$6,086   |
| Real Property Taxes  | \$0      | \$29,116  | \$32,988  | \$37,067  | \$41,360  | \$45,878  | \$50,630  | \$55,625  | \$60,875  | \$66,390  | \$72,180  | \$78,259  |
| Personal Income - New/Retained Jobs                              | \$0      | \$70,813  | \$75,125  | \$77,379  | \$79,700  | \$82,091  | \$84,554  | \$87,090  | \$89,703  | \$92,394  | \$95,166  | \$98,021  |
| Indirect Income Benefits   | \$0      | \$35,406  | \$37,562  | \$38,689  | \$39,850  | \$41,046  | \$42,277  | \$43,545  | \$44,852  | \$46,197  | \$47,583  | \$49,011  |
| Accrued Sales Tax (Operators)                                    | \$0      | \$102,800 | \$109,061 | \$112,332 | \$115,702 | \$119,173 | \$122,749 | \$126,431 | \$130,224 | \$134,131 | \$138,155 | \$142,299 |

| 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       | \$56,000    | \$56,000    |
| Mortgage Tax Abatement   | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$21,000    | \$21,000    |
| Real Property Tax Abatement                                      | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0         | \$0         |
| Highway/Other Costs  | \$9,026   | \$9,296   | \$9,575   | \$9,863   | \$10,158  | \$10,463  | \$10,777  | \$11,100  | \$11,433  | \$11,776  | \$175,203   | \$128,860   |
| School Costs   | \$6,268   | \$6,456   | \$6,650   | \$6,849   | \$7,055   | \$7,267   | \$7,485   | \$7,709   | \$7,940   | \$8,179   | \$121,676   | \$89,485    |
| Real Property Taxes  | \$80,606  | \$83,025  | \$85,515  | \$88,081  | \$90,723  | \$93,445  | \$96,248  | \$99,136  | \$102,110 | \$105,173 | \$1,389,259 | \$994,224   |
| Personal Income - New/Retained Jobs                              | \$100,962 | \$103,991 | \$107,110 | \$110,324 | \$113,633 | \$117,042 | \$120,554 | \$124,170 | \$127,895 | \$131,732 | \$1,957,717 | \$1,439,264 |
| Indirect Income Benefits   | \$50,481  | \$51,995  | \$53,555  | \$55,162  | \$56,817  | \$58,521  | \$60,277  | \$62,085  | \$63,948  | \$65,866  | \$978,888   | \$719,632   |
| Accrued Sales Tax (Operators)                                    | \$146,588 | \$150,965 | \$155,494 | \$160,159 | \$164,964 | \$169,913 | \$175,010 | \$180,260 | \$185,668 | \$191,238 | \$2,842,059 | \$2,089,411 |