

Monticello Kosher Supermarket LLC

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

Monticello Kosher Supermarket



Benefit/Cost Analysis

Prepared by:

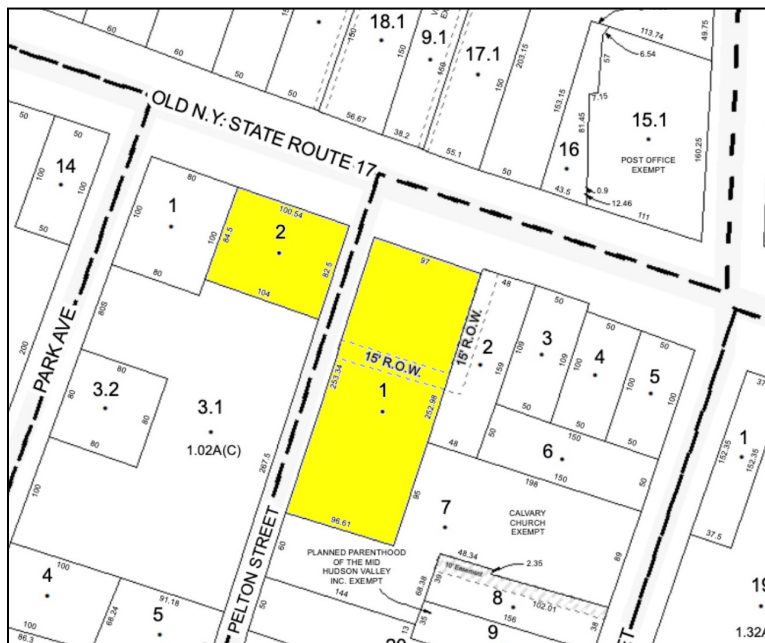
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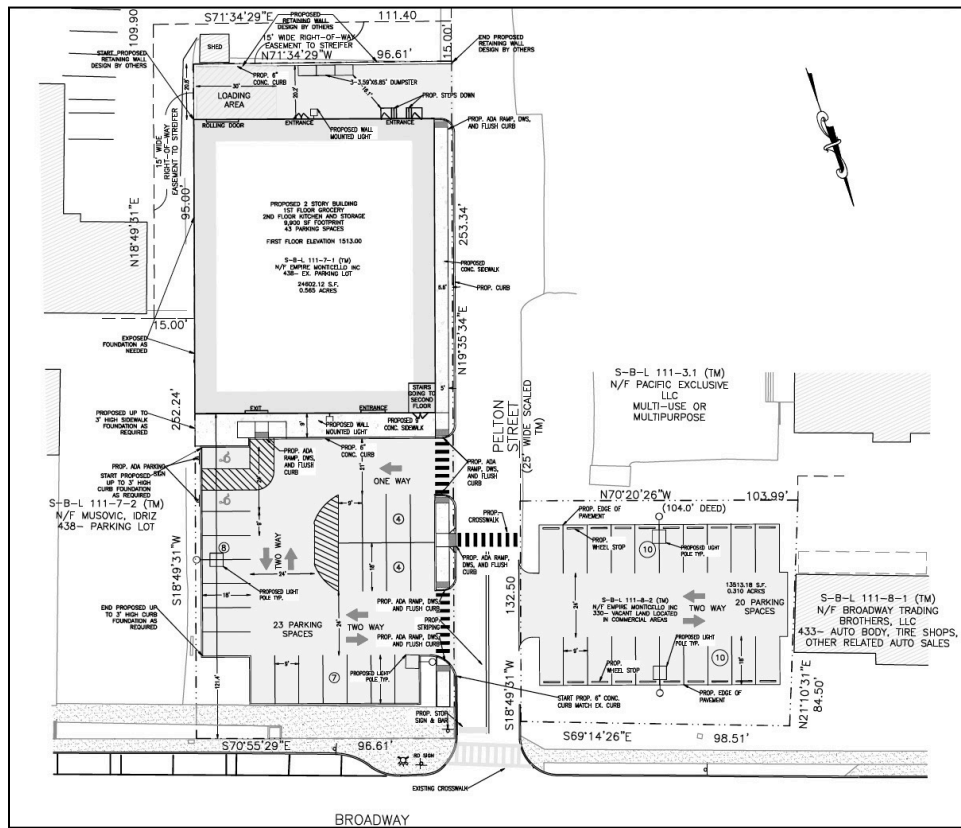
Background:

Monticello Kosher Supermarket LLC has applied for financial assistance to develop a two-story supermarket with 19,800 square feet of total floor area in the Village of Monticello, Town of Thompson. The building will be constructed on 0.565 acre Parcel No. 111-7-1 (0.55 acre) at 507 Broadway, with the first floor serving as the supermarket retail space with the second floor accommodating support operations. Parcel No. 111-8-2 (0.310 acre), on the opposite corner, will provide 20 of the total of 43 parking spaces to be provided.



The project involves an applicant-estimated \$2,217,000 in costs for construction of real property improvements. An estimated 50% of this or \$1,108,500 will be spent on otherwise sales-taxable material and \$1,274,000 of equipment will also be sales-tax-exempt. There is expected to be a \$4,600,000 mortgage associated with the project. Monticello Kosher Supermarket 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.

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Site Plan

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 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 \$73,500 (equalized market value of \$147,000) 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				
Rock Hill Trading Post	51.-2-1	1959	\$20,300	\$401,100	\$421,400	0.5000	\$802,200	21,520	\$37.28
Key Food Liberty	108.-6-38	1070	\$106,200	\$381,300	\$487,500	0.4936	\$772,488	14,045	\$55.00
Peck's - Callicoon	14.-5-69	1946/62	\$34,800	\$643,600	\$678,400	0.5800	\$1,109,655	19,634	\$56.52
Peck's - Livingston Manor	46.-1-36	1976	\$16,900	\$408,400	\$425,300	0.4290	\$951,981	13,260	\$71.79
Peck's - Eldred	13.-5-4.1	1965/99	\$38,500	\$706,625	\$745,125	0.6400	\$1,104,102	14,455	\$76.38
Mountain Kosher	113.-4-3	2023	\$135,000	\$579,700	\$714,700	0.5000	\$1,159,400	13,054	\$88.82
Peck's - Jeff	105.-3-19	1960	\$13,400	\$506,600	\$520,000	0.3820	\$1,326,178	13,750	\$96.45
Skopp's - Fallsburg	36.-1-28.6	2015	\$15,000	\$373,200	\$388,200	0.3625	\$1,029,517	10,080	\$102.13
Pete's - Narrowsburg	8.-2-2	1964	\$57,600	\$642,400	\$700,000	0.3300	\$1,946,667	17,776	\$109.51
Total/Average		N/A	\$437,700	\$4,642,925	\$5,080,625	0.4551	\$10,202,188	137,574	\$74.16
Total/Average/Excluding Highest/Lowest		N/A	\$359,800	\$3,599,425	\$3,959,225	0.5312	\$7,453,321	98,278	\$75.84
Total/Average/Excluding Bottom Three		N/A	\$276,400	\$3,216,925	\$3,493,325	0.4279	\$7,517,845	82,375	\$91.26

The data indicates an overall average assessed equalized value (market value) of \$74.18 per square square foot. The three lowest values per square feet assessments are, though significantly out of line with the other properties and discounting them, the average equalized value per square foot is \$91.26, which falls very close to the value for Mountain Kosher, another project relatively recently approved.

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Further applying the 50% equalization rate for the Town of Thompson and deducting the existing base assessment of \$147,000, this yields a projected assessment value for purposes of this analysis of approximately \$1,660,221 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 \$1,660,221 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 by virtue of the increased taxes on the new real property improvements, which are calculated as a benefit.



Proposed site of new Monticello Kosher Supermarket

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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	2.597631	0.26%
NYS Welfare Mandates	1.753461	0.18%
Other NYS Mandates	3.063585	0.31%
County Levy	2.955151	0.30%
County Total	10.369828	1.04%
Town to Highway	2.314558	0.23%
Town Total	2.314558	0.23%
Village Tax	25.645000	2.56%
Village Total	25.645000	2.56%
School Tax Rate	20.858000	2.09%
Combined Total	59.187386	5.92%

- 4) This new construction project involves an estimated \$2,715,050 in otherwise sales taxable material purchases (assuming 65% material costs for \$2,217,000 of real property construction costs plus \$1,274,000 of furniture, fixtures and equipment).
- 5) It is assumed, for purposes of this analysis, that all project construction activities will occur in 2024-25 with real property tax abatement beginning in 2026.
- 6) The application to the IDA indicates there will be a \$4,600,000 mortgage to which mortgage tax abatement will apply.

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- 7) There are expected to be up to 15 full-time equivalent (FTE) construction jobs created at an average salary of \$45,000 for the construction period. There are also an estimated eight new FTE permanent jobs to be created along with 23 new part-time and seasonal employees (estimated to be the equivalent of seven FTEs) at an average salary of \$35,000. 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 inflation-adjusted 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 3.259% ([current interest rate on the public debt](#)). Net present value figures include actual costs of abatements and other costs for 2024-2025 (construction period) plus discounted values for 2026-2045.

Conclusion:

This project will generate estimated costs at net present value of \$263,204 in mortgage, real property and sales tax abatements over the period of the standard PILOT agreement.

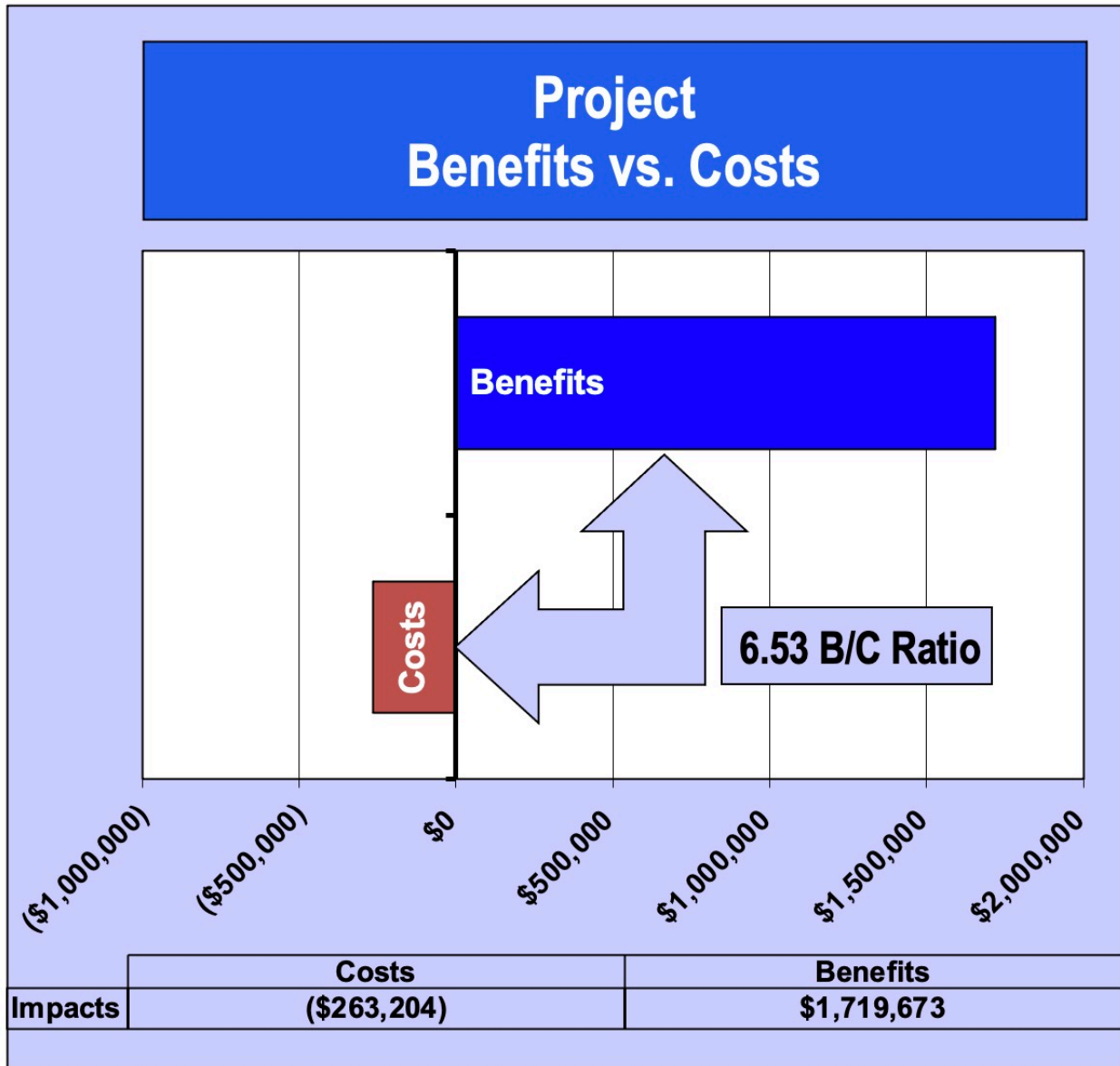
The net present valued project benefits consist of real property taxes associated with improvements (\$737,254), payroll gains (\$7,363,351), sales taxes from those payroll gains (\$147,267) and sales taxes from retail operations (\$687,886), that, altogether, total \$9,083,024 combined over the analysis period. Leaving aside the personal income gains per se, the net present value of benefits amounts to \$1,719,673 compared to the costs.

This yields a positive benefit/cost ratio of 6.53.

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Project Cost/Benefit Analysis	
Costs (2024/25-2045)	
Sales Tax Abatements (County)	\$108,602
Sales Tax Abatements (State)	\$108,602
Mortgage Tax Abatements	\$46,000
Real Property Tax Reductions Net of 485-b Benefits	\$0
Sub-Total (Value of All Abatements) =	\$263,204
Net Present Value of Abatements	\$263,204
Additional School Costs	\$0
Variable Highway & Other Municipal Costs	\$0
Total Costs (Net Present Value)=	\$263,204
Benefits (Net Present Value, (2024/25-2045))	
Property Taxes Related to Improvements	\$737,254
Sales Taxes (General - From Gains in Buying Power)	
County	\$147,267
State	\$147,267
Sub-Total =	\$294,534
Sales Taxes (Generated by Retail Operations)	
County	\$343,943
State	\$343,943
Sub-Total =	\$687,886
Personal Income Gains Related to New Jobs	\$4,908,900
Personal Income Gains Related to Multiplier Effects	\$2,454,450
Sub-Total (Income Gains) =	\$7,363,351
Total Benefits =	\$8,345,770
Gross Excess Benefits Over Costs = \$8,082,566	
Net Excess Benefits Over Costs = \$719,216	
Gross Benefits to Costs Ratio = 31.71	
Net Benefits to Costs Ratio = 6.53	

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Economic Analysis of Project and Requested Tax Abatement Program												
FISCAL YEAR	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	
DESCRIPTION	Construct / Startup	1	2	3	4	5	6	7	8	9	10	11
Sales Tax Abatement	\$217,204	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mortgage Tax Abatement	\$46,000	\$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	\$25,064	\$28,111	\$31,280	\$34,564	\$37,967	\$41,493	\$45,144	\$48,925	\$52,839	\$56,890	\$61,082
Total Real Property Taxes Without Project	\$22,136	\$22,579	\$23,030	\$23,481	\$23,961	\$24,440	\$24,929	\$25,427	\$25,936	\$26,455	\$26,984	\$27,523
Total Real Property Taxes With Project	\$22,136	\$47,633	\$51,141	\$54,771	\$58,525	\$62,407	\$66,422	\$70,572	\$74,861	\$79,294	\$83,874	\$88,606
Personal Income - Construction Employment	\$675,000	\$245,000	\$249,900	\$254,888	\$259,996	\$265,196	\$270,500	\$275,910	\$281,428	\$287,067	\$292,798	\$298,664
Indirect Income Benefits	\$337,500	\$122,500	\$124,950	\$127,449	\$129,998	\$132,598	\$135,250	\$137,955	\$140,714	\$143,528	\$146,399	\$149,327
Added Sales Tax (General)	\$40,500	\$14,700	\$14,994	\$15,294	\$15,600	\$15,912	\$16,230	\$16,555	\$16,886	\$17,223	\$17,568	\$17,919
Added Sales Tax (Operations)	\$0	\$39,805	\$40,601	\$41,414	\$42,242	\$43,087	\$43,948	\$44,827	\$45,724	\$46,638	\$47,571	\$48,523

Economic Analysis of Project and Requested Tax Abatement Program												
FISCAL YEAR	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
DESCRIPTION	12	13	14	15	16	17	18	19	20	21	22	23
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	\$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	\$62,304	\$63,550	\$64,821	\$66,117	\$67,440	\$68,788	\$70,164	\$71,568	\$72,999	\$74,455	\$75,936	\$77,441
Total Real Property Taxes Without Project	\$28,074	\$28,635	\$29,208	\$29,792	\$30,388	\$30,996	\$31,616	\$32,248	\$32,893	\$33,551	\$34,222	\$34,906
Total Real Property Taxes With Project	\$90,378	\$92,185	\$94,029	\$95,910	\$97,828	\$99,784	\$101,780	\$103,816	\$105,892	\$108,000	\$110,138	\$112,306
Personal Income - Construction Employment	\$304,627	\$310,719	\$316,934	\$323,272	\$329,738	\$336,332	\$343,059	\$349,920	\$356,919	\$364,058	\$371,336	\$378,754
Indirect Income Benefits	\$152,313	\$155,360	\$158,467	\$161,636	\$164,869	\$168,166	\$171,530	\$174,960	\$178,459	\$182,018	\$185,636	\$189,314
Added Sales Tax (General)	\$18,278	\$18,643	\$19,016	\$19,396	\$19,784	\$20,180	\$20,584	\$20,995	\$21,415	\$21,841	\$22,272	\$22,708
Added Sales Tax (Operations)	\$49,493	\$50,483	\$51,492	\$52,522	\$53,573	\$54,644	\$55,737	\$56,852	\$57,989	\$59,147	\$60,326	\$61,526

TOTALS	
Actual	NPV
\$217,204	\$217,204
\$46,000	\$46,000
\$0	\$0
\$0	\$0
\$0	\$0
\$1,071,102	\$737,254
\$570,742	\$412,326
\$1,641,843	\$1,149,579
\$6,627,856	\$4,908,900
\$3,313,928	\$2,454,460
\$397,671	\$294,534
\$967,166	\$687,986