

International Contractors Corp.

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

Building Expansion at Airport Industrial Park



Benefit/Cost Analysis

Prepared by:

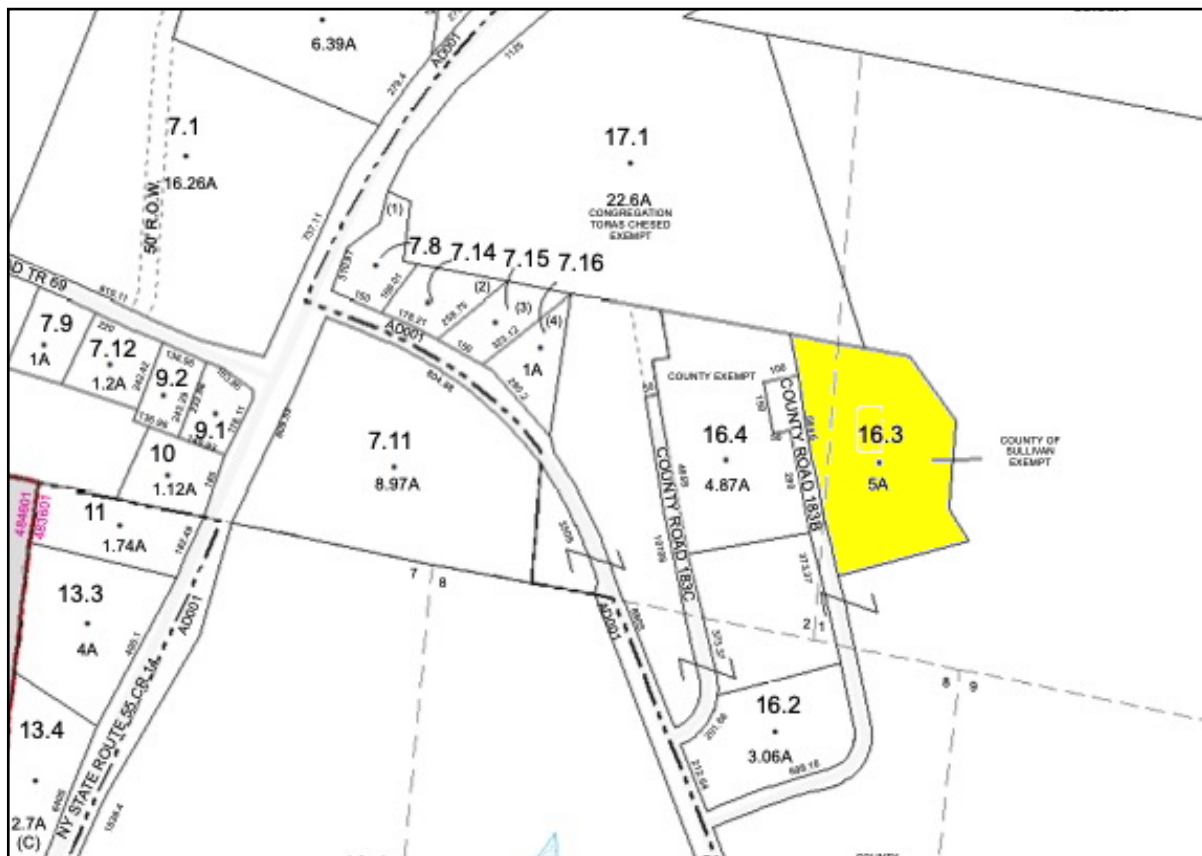
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International Contractors Corp. Project Benefit/Cost Analysis

Background:

International Contractors Corp. (ICC) has applied for assistance for the expansion of an existing building at the Airport Industrial Park that will be used for upgrading an existing roofing business previously assisted by the Industrial Development Agency of Sullivan County. It will expand the existing structure located at 46 Industrial Park Road, White Lake, New York (Town of Bethel Section 18, Block 1, Lot 16.3).



Some \$415,000 will be invested in expanding and equipping the existing building, an estimated \$252,000 of which will represent sales taxable equipment and materials.

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ICC has applied to the County of Sullivan IDA for real property tax abatements, sales tax abatements, and a mortgage tax abatement to assist with this project. The real property base value will remain at \$275,000 and \$200,000 will be set as the value of new improvements for purposes of calculating payments in lieu of taxes (the PILOT).



New York State law governing IDA's 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

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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 conclusion reached.

Methods and Assumptions:

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

- 1) The project involves the expansion of the existing building, which will require an estimated \$200,000 in sales taxable material and equipment purchases.
- 2) It is assumed, for purposes of this analysis, that all activities will occur in 2026. It is further assumed the IDA will enter into a PILOT Agreement with a base value of \$275,000, and that the improvements value for PILOT calculation purposes will be set at \$200,000.
- 3) Data is extrapolated over the period of 2026 through 2037. Sales tax abatements are recorded in 2026 as expected actual costs. This is a reasonable period to assess the net present value of long-term benefits (new economic activity and governmental revenues) and costs (new governmental expenses) produced.
- 4) Certain special district taxes are not included in the calculations of benefits and costs since IDA tax abatement applies only to ad valorem levies.

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- 5) The additional annual costs to local government for providing highway maintenance and other non-educational services in the Town of Bethel are estimated at \$2,879 for each new resident attracted. This is based on an estimated Town of Bethel tax levy of \$5.25 million with Bethel's share of an estimated County tax levy at \$7.0 million divided by a Town population of 4,255 persons.

The economic benefit in this case consists of the one new full-time-equivalent job that will be created, six retained jobs and associated multiplier benefits. It is assumed one-third of new full or part-time employees will be new to Sullivan County. The applicant should always be able to hire mostly local employees given its convenient location within the County and the type of labor required as compared to the available unemployed workforce. Assuming an average household size of 2.50 persons for all households (individuals as well as families), the project will produce one new household, with a cost of approximately \$7,053 annually in non-educational local government services.

It is assumed, based on the *Sullivan County Cost of Community Services Study*, that 82.6% or \$5,829 per household would be covered from taxes paid by the new residents, leaving \$1,224 per household as the net cost for Town and County services. This is the ratio of costs of services to tax revenues for residential development in the Town of Bethel.

This is to say every new household, viewed independently of the businesses employing its members, theoretically generates a net tax loss for the community. This strict interpretation provides for a conservative analysis of benefits versus costs, but it is also important to remember the commercial ratables would not

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exist without the employees required to run the business or residential customers for its products. The value of costs of services data is limited to analyzing the likely tax impacts of projects, as it is being used in this instance.

- 6) It is estimated one-third of the estimated new employees (six retained and new employees are anticipated) will involve new households. Moreover, family households represented some 59% of all Sullivan County households in 2020. This suggests no more than one new family household will be generated by the project. There were 15,724 children aged 5-19 years for an average of 0.50 school-age children for each family household, according to the Census Bureau. This yields a maximum potential of one new student for the Liberty Central School District, the school system within which the project is located.

The Liberty Central School District, given recent reductions in State Aid, can be expected to incur an estimated average cost per pupil of roughly \$19,000 net of New York State School Aid (based upon School District and New York State Department of Education statistics). This includes special education costs.

A 2.7% per year escalation in these and other costs (as well as benefits) is assumed. It is further assumed that property taxes paid by new residents will, once again, cover a minimum of 82.6% of the local share (see No. 5 above).

- 7) Sales taxes attributable to the increased buying power generated by the payroll the facility will produce (at \$48,350 per job average) are calculated on the assumptions 50% of the project payroll will consist of Sullivan County residents, and 25% of such payroll will be spent on taxable items in Sullivan County.

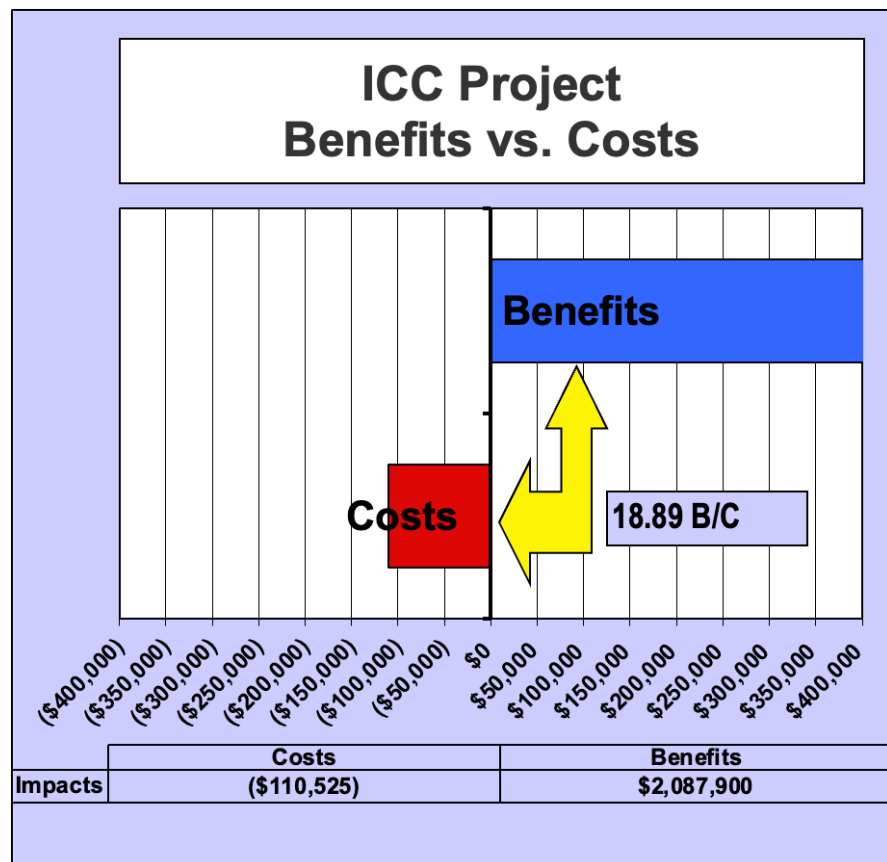
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It is further assumed total personal income, including indirect or "spin-off" gains in personal income, will be 1.72 times direct personal income (incorporating the latest "multiplier effect" for similar industries).

- 8) Cash flow streams from benefits and costs are net present valued using a discount rate of 4%. Net present value figures include actual costs of abatements and other costs for 2026 plus discounted values for 2027-2046.

Conclusion:

This project will generate a positive benefit/cost ratio of 18.89 on a net present value basis. The chart and table following provide a summary of the benefit/cost analysis and illustrate the results. The much more important fact, however, is that this business needs to grow and expand to stay competitive in the region it serves.



International Contractors Corp. Project Benefit/Cost Analysis

International Contractors Corp. Project Cost/Benefit Analysis	
Costs (2026-2046)	
Sales Tax Abatements (County)	\$10,100
Sales Tax Abatements (State)	\$10,100
Mortgage Tax Abatements	\$3,200
Real Property Tax Reductions Net of 485-b Benefits	\$31,806
Sub-Total (Value of All Abatements) =	\$55,206
Net Present Value of Abatements*	\$55,206
Additional School Costs	\$27,784
Variable Highway & Other Municipal Costs	\$27,536
Total Costs (Net Present Value)=	\$110,525
Benefits (Net Present Value, 2016-2046)	
Property Taxes/PILOT	\$27,979
Sales Taxes (General - From Gains in Buying Power)	
County	\$39,614
State	\$39,614
Sub-Total (Taxes/Charges) =	\$107,207
Personal Income Gains Related to New/Retained Jobs	\$1,151,566
Personal Income Gains Related to Multiplier Effects	\$829,127
Sub-Total (Income Gains) =	\$1,980,693
Total Benefits =	\$2,087,900
Gross Excess Benefits Over Costs =	\$1,977,375
Benefits to Costs Ratio =	18.89

International Contractors Corp. Project Benefit/Cost Analysis

Economic Analysis of International Contractors Corp. Project and Requested Tax Abatement Program													
FISCAL YEAR	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	
DESCRIPTION	1	2	3	4	5	6	7	8	9	10	11	12	
Sales Tax Abatement	\$20,200	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mortgage Tax Abatement	\$3,200	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Tax Abatement	\$0	\$3,257	\$2,926	\$3,435	\$3,087	\$3,623	\$3,034	\$3,561	\$3,200	\$3,755	\$4,339	\$6,602	\$6,602
Highway/Other Costs	\$2,839	\$2,839	\$2,839	\$2,839	\$2,839	\$2,839	\$2,711	\$2,711	\$2,711	\$2,711	\$2,711	\$3,292	\$3,292
School Costs	\$0	\$2,795	\$2,871	\$2,948	\$3,028	\$3,109	\$3,193	\$3,280	\$3,368	\$3,459	\$3,553	\$3,648	\$3,648
Real Property Taxes	\$0	\$814	\$1,672	\$1,717	\$2,646	\$2,717	\$3,467	\$3,561	\$4,571	\$4,694	\$4,821	\$6,602	\$6,602
Personal Income - New Jobs	\$0	\$115,851	\$118,979	\$122,192	\$125,491	\$128,879	\$132,359	\$135,932	\$139,603	\$143,372	\$147,243	\$151,218	\$151,218
Indirect Income Benefits	\$0	\$83,413	\$85,665	\$87,978	\$90,353	\$92,793	\$95,298	\$97,871	\$100,514	\$103,228	\$106,015	\$108,877	\$108,877
Added Sales Tax (General)	\$0	\$7,971	\$8,186	\$8,407	\$8,634	\$8,867	\$9,106	\$9,352	\$9,605	\$9,864	\$10,130	\$10,404	\$10,404

Economic Analysis of International Contractors Corp. Project and Requested Tax Abatement Program													
FISCAL YEAR	2038	2035	2036	2037	2038	2039	2040	2041	2042	2043	TOTALS		
DESCRIPTION	13	14	15	16	17	18	19	20	21	21	Actual	NPV	
Sales Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,200	\$20,200	\$20,200
Mortgage Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,200	\$3,200	\$3,200
Real Property Tax Abatement	\$3,200	\$3,755	\$4,339	\$6,602	\$5,424	\$5,570	\$4,290	\$4,406	\$3,017	\$3,098	\$40,817	\$31,806	\$31,806
Highway/Other Costs	\$2,711	\$2,711	\$2,711	\$3,292	\$2,321	\$2,321	\$2,321	\$2,321	\$2,321	\$2,321	\$33,881	\$27,536	\$27,536
School Costs	\$3,368	\$3,459	\$3,553	\$3,648	\$3,747	\$3,848	\$3,952	\$4,059	\$4,168	\$4,281	\$35,253	\$27,784	\$27,784
Real Property Taxes	\$4,571	\$4,694	\$4,821	\$6,602	\$8,136	\$8,355	\$10,011	\$10,281	\$12,067	\$12,393	\$37,282	\$27,979	\$27,979
Personal Income - New Jobs	\$139,603	\$143,372	\$147,243	\$151,218	\$0	\$0	\$0	\$0	\$0	\$0	\$1,461,118	\$1,151,566	\$1,151,566
Indirect Income Benefits	\$100,514	\$103,228	\$106,015	\$108,877	\$0	\$0	\$0	\$0	\$0	\$0	\$1,052,005	\$829,127	\$829,127
Added Sales Tax (General)	\$9,605	\$9,864	\$10,130	\$10,404	\$0	\$0	\$0	\$0	\$0	\$0	\$100,525	\$79,228	\$79,228