

August 15, 2023

# 147 Cannon Street Project

## 25 Tibbits Avenue LLC

FINANCIAL ASSISTANCE AND IMPACT ANALYSIS  
FOR THE VILLAGE OF GREEN ISLAND INDUSTRIAL DEVELOPMENT AGENCY  
GREEN ISLAND, NEW YORK



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# EXECUTIVE SUMMARY

## THE 147 CANNON STREET PROJECT

The Village of Green Island Industrial Development Agency (Agency) is evaluating financial assistance to 25 Tibbits Avenue LLC (Applicant), which proposes to construct an industrial or warehouse and distribution facility on an underutilized site at 147 Cannon Street (Project.) Storrs Associates, LLC has been engaged by the Agency to conduct an objective, third-party analysis to assist the Agency with its evaluation of the application. The Project includes:

- ◆ Two Class A industrial or warehouse/distribution buildings, one with 120,000 square feet of space and a second with 30,000 square feet.
- ◆ Removal of 7 abandoned buildings on the 11.71-acre parcel.
- ◆ \$20,000,000 total project costs, funded with a mortgage and owner equity.
- ◆ An estimated 20 permanent full-time jobs at the site, generating approximately \$800,000 annual wages by Year 2.
- ◆ Approximately 50 construction jobs to prepare the site and build the structures.

### Financial Assistance Requested

- ◆ Real property tax exemption under NYS Real Property Law Section 485-b (RPTL 485-b) exempting a portion of taxes otherwise due to the Village/Town, Albany County, and Green Island Union Free School District for a period of 10 years, with a savings to the Project of \$1,051,873 present value over 10 years, equal to 23% of taxes. (See Exemption Schedule on page 8 for detail.)
- ◆ Sales tax exemption for construction materials, estimated at \$445,000.
- ◆ Mortgage Recording Tax exemption of \$160,000.

This Project is subject to the NYS prevailing wage policy for IDA projects. Certain projects over \$5 million are expected to use project labor or union wage agreements during construction, if the cost of public benefits exceeds 30% of project costs. Public benefits provided to the 147 Cannon Street project are estimated to be 8.28% of the \$20 million project costs, and 13.17% of estimated construction costs.

### Estimated Benefit/Cost Ratio for Total Project

- ◆ Benefit/cost ratio of \$3.08/ \$1.00
- ◆ Net fiscal benefit of \$3,441,985 over 10 Years

### Estimated Benefit/Cost Ratio for the Village of Green Island and Green Island Union Free School District

- ◆ Benefit/cost ratio of \$3.96/ \$1.00
- ◆ Net fiscal benefit of \$3,042,772 over 10 Years

<u>Fiscal Benefits</u>	<u>Total Project</u>
Sales Tax Revenue from Construction Materials	\$445,000
Sales Tax Revenue from Construction Worker Spending	900
Ongoing Sales Taxes from Employee Spending, Present Value	57,087
Mortgage Recording Tax	160,000
<u>Property Tax Revenue from Project without RPTL 485-b</u>	<u>4,435,870</u>
<b>Total Fiscal Benefits</b>	<b>\$5,098,858</b>
<u>Fiscal Costs (Foregone Revenue)</u>	
Exempted Sales Tax on Construction Materials	\$445,000
Exempted Mortgage Recording Tax	160,000
<u>Exempted Property Tax Revenue, Present Value</u>	<u>1,051,873</u>
<b>Total Costs of Financial Assistance</b>	<b>\$1,656,873</b>
Benefit to Cost Ratio	3.08
Net Fiscal Benefit	\$3,441,985

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# FINANCIAL ASSISTANCE REQUESTED

Storrs Associates calculated the estimated dollar value of the requested financial assistance. Actual assistance may differ after Project completion and final assessment, including if the Project is completed earlier or later than anticipated.

- ◆ \$5,562,500 of construction materials are estimated to be needed, for a \$445,000 exemption at 8.00%. All purchases are assumed to be made in Albany County, but actual purchases may be in jurisdictions with higher or lower rates, which would affect the total taxes, and taxes retained by Albany County or shared with the Village.
- ◆ The Project owner's expected \$16,000,000 mortgage would generate \$160,000 in mortgage recording tax (MRT), 100% of which is exempted. An additional 0.25% MRT is owed by the lender and is neither exempted nor included in these calculations. Based on the current assessed value, estimated completed assessed value, and current tax rates escalated over time, the 10-year exemption under RPTL-485-b is expected to deliver real property tax savings to the Project of \$1,051,873 on a present value basis.

Table 1

## Estimated Financial Assistance: Sales Tax, Mortgage Tax, and RPTL 485-b Real Property Tax Exemptions

	Total Project	Village of Green Island	Village of Green Island Union Free School District	Albany County	State and CDTA
<u>Sales Tax Exemption on Construction Materials</u>					
Construction Materials Costs, per Applicant	\$5,562,500	\$0	\$0	\$5,562,500	\$5,562,500
Sales Tax Rate Subject to Exemption	8.000%	See Note 1	n/a	See Note 1	4.000%
Estimated Sales Tax Exemption (1)	\$445,000	\$2,003	\$0	\$220,498	\$222,500
<u>Mortgage Recording Tax Exemption (2)</u>					
Estimated Mortgage Amount for Tax Basis	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000
Mortgage Recording Tax Benefit, Percent of Mortgage	1.00%	0.50%	0.00%	0.25%	0.25%
Estimated Mortgage Recording Tax Exemption	\$160,000	\$80,000	\$0	\$40,000	\$40,000
<u>Real Property Tax Exemption, Present Value</u>					
Estimated Real Property Taxes without RPTL 485-b	\$4,435,870	\$1,532,765	\$2,455,460	\$447,646	n/a
Less: Estimated Tax Payments after RPTL 485-b	(3,383,997)	(1,169,302)	(1,873,199)	(341,496)	n/a
Real Property Tax Exemption, Present Value	\$1,051,873	\$363,463	\$582,260	\$106,150	\$0
Estimated Financial Assistance Requested, Total	\$1,656,873	\$445,465	\$582,260	\$366,647	\$262,500

Present Value Discount Rate is 3%

(1) Total assumes all materials purchases are made in Albany County and owe 8.00%. Actual exemption will vary depending on sales tax rates at the location of purchase. Albany County sales tax rate is 4% and 0.9% of collections are estimated to be shared with Green Island based on population.

(2) Albany County rate is 1.25%. Borrower pays 1.0% and Lender pays 0.25%. Borrower exemption is calculated here. Of the 1.00%, 0.50% "Basic" is for community, 0.25% for Albany County, and 0.25% for the Capital District Transportation Authority (CDTA)

# FISCAL BENEFIT/COST ANALYSIS

## Calculation of the Ratio

A ratio of tax benefits to foregone tax revenue, or savings to the Project, can help evaluate the effects of both the Project and the financial assistance. Gross benefits are divided by foregone revenue.

## Purpose and Use of this Ratio

New York State requires that Industrial Development Agencies conduct a cost/benefit analysis but does not establish a ratio or benchmark. Storrs Associates calculates a benefit/cost ratio that the Agency can use to compare similar projects over time, and to understand how the Project affects different jurisdictions.

While NYS does not establish evaluation criteria, Storrs Associates recommends confirming that benefits exceed costs, showing a ratio of greater than \$1/ \$1. A dollar-valued net fiscal benefit should also be evaluated to determine whether the new revenue is meaningful for the community.

Certain projects may have marginal ratios or dollar benefits, but still represent significant progress toward community goals, and should be reviewed for these qualitative benefits as well.

Table 2

Estimated Fiscal Benefits and Costs of Financial Assistance

Fiscal Benefits	Total Project	Village of Green				Green Island, Village and School
		Island	Island Union Free School District	Albany County	State and CDTA	
Sales Tax Revenue from Construction Materials	\$445,000	\$2,003	\$0	\$220,498	\$222,500	\$2,003
Sales Tax Revenue from Construction Worker Spending	900	4	0	446	450	4
Ongoing Sales Taxes from Employee Spending, Present Value	57,087	266	0	28,278	28,544	266
Mortgage Recording Tax	160,000	80,000	0	40,000	40,000	80,000
<u>Property Tax Revenue from Project without RPTL 485-b</u>	<u>4,435,870</u>	<u>1,532,765</u>	<u>2,455,460</u>	<u>447,646</u>	<u>n/a</u>	<u>3,988,224</u>
Total Fiscal Benefits	\$5,098,858	\$1,615,038	\$2,455,460	\$736,867	\$291,494	\$4,070,497
<u>Fiscal Costs (Foregone Revenue)</u>						
Exempted Sales Tax on Construction Materials	\$445,000	\$2,003	\$0	\$220,498	\$222,500	\$2,003
Exempted Mortgage Recording Tax	160,000	80,000	0	40,000	40,000	80,000
<u>Exempted Property Tax Revenue, Present Value</u>	<u>1,051,873</u>	<u>363,463</u>	<u>582,260</u>	<u>106,150</u>	<u>0</u>	<u>945,723</u>
Total Costs of Financial Assistance	\$1,656,873	\$445,465	\$582,260	\$366,647	\$262,500	\$1,027,726
Benefit to Cost Ratio	3.08	3.63	4.22	2.01	1.11	3.96
Net Fiscal Benefit	\$3,441,985	\$1,169,572	\$1,873,199	\$370,220	\$28,994	\$3,042,772

(1) 50 workers on site per day, spending \$40 per day, the state's per diem for Albany County. This accounts for meals, gas, and incidentals, 75% of which is taxable.

(2) 20 workers on site per day, spending \$20 per day, 75% of which is taxable, over 30 years and discounted by 3%.

# RPTL 485-B ANALYSIS

## Notes and Disclaimers

This analysis is an estimate based on currently available information, and the actual assessed value, tax rates, and tax obligations over time may be different. The Village Assessor has provided an estimated completion value solely for the purposes of this analysis and the final completion value will be different.

## Role of Agency Assistance:

- ◆ The Project will return a brownfield to productive economic use.
- ◆ Without the Project, the parcel would generate \$426,450 of real property taxes over 10 years (present value.)
- ◆ With the Project, \$3,383,997 of payments after the RPTL 485-b exemption are estimated over 10 years, a net gain of \$2,957,547 of real property tax revenue (present value.)
- ◆ The Project pays 77% of taxes due, a 23% abatement from full taxes.

Table 3

## Real Property Tax Comparisons and New Revenue from Project

Comparison of Taxes on Full Value of Project, and Project with RPTL 485-b Exemptions

	Village of Green Island	Green Island Union Free School District	Albany County	All Jurisdictions
Taxes without RPTL 485-b	\$1,532,765	\$2,455,460	\$447,646	\$4,435,870
Less: Payments after 485-b	(1,169,302)	(1,873,199)	(341,496)	(3,383,997)
Value of Exempted Revenue	\$363,463	\$582,260	\$106,150	\$1,051,873
Exemption Percent	23%	23%	23%	23%
<b>Net New Taxes Compared with No Project</b>				
Payments after RPTL 485-b	\$1,169,302	\$1,873,199	\$341,496	\$3,383,997
Less: Taxes without Project	(147,355)	(236,060)	(43,035)	(426,450)
Net New Tax Revenue	\$1,021,947	\$1,637,139	\$298,461	\$2,957,547

All taxes are present value with a discount rate of 3%

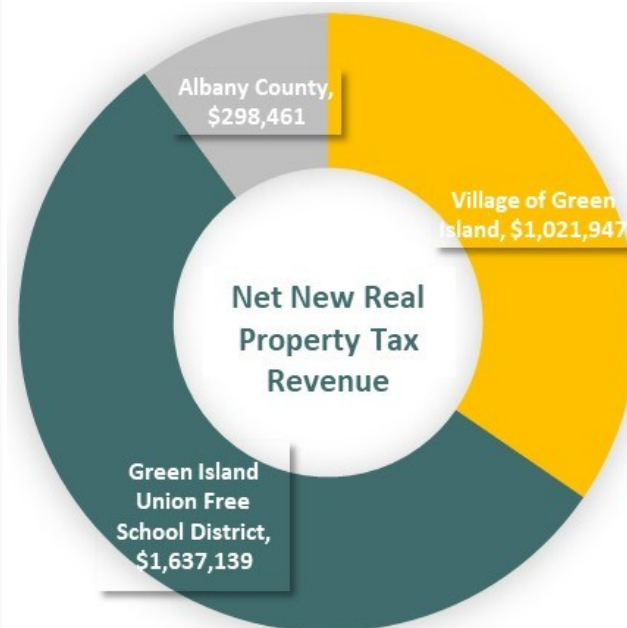
## Methodology

1. Calculate the taxes on current value and escalate by 1% annually.
2. Receive an estimated completed value from the Village Assessor, including an expected partial assessment for construction period, and estimate future taxes after Project completion, escalating annually.
3. Create a tax payment schedule according to the Agency's Uniform Tax Exemption Policy dated 2/20/08 and RPTL 485-b. The schedule offers a 50% exemption in the first year, declining annually to 5% in year 10.
4. Calculate the savings to the Project from the exemption, annually and over the 10-year life, discounted to present value at a rate of 3%. Calculate the total percent exemption over the 10-year period.

## Information Sources

- ◆ School tax rates for fiscal 2023-24 from the Green Island Union Free School District.
- ◆ County and Village tax rates and current (pre-Project) market and assessed values from the Egov.basgov.com data for Green Island. Property values and equalization rates were confirmed with the 2022 and 2023 Assessment Roles and the Village Assessor.

Figure 1



# SALES TAX ESTIMATES

Table 4

## Sales Tax Estimates over the Construction Period and Project Operations

The economic activity from the Project generates new sales taxes on a portion of the goods and services purchased during construction and operation. Sales tax revenue generated by this new and continuing activity is estimated as follows, and shown in Table 4.

### Construction Period

- ◆ Each worker purchases meals, gas, and workday incidentals for each day worked. Although project construction is anticipated to take more than one year, construction effects are estimated as if they took place within one year.
- ◆ 375 days of on-site “construction worker” activity is estimated, based on the Applicant’s estimate of 50 workers in the first year and 20 in the second. NYS sets a per diem of \$40 per day and this is used to estimate local purchases by the workers, regardless of where they live. 75% of purchases are expected to be taxable.
- ◆ Both NYS and Albany County charge a 4.0% sales tax, which is applied to the taxable worker purchases to estimate taxes collected. Green Island receives a portion of county taxes.

### Project Operations over 10 Years

- ◆ The Applicant estimates that in each of the first two years, 20 workers will be employed on site. These permanent full time workers are expected to purchase meals, gas, and incidentals, but to spend only \$20 per day because of the ongoing nature of the job. 75% of purchases are expected to be taxable.
- ◆ 245 annual workdays for each on-site worker generates an estimated \$73,500 of taxable spending in the first year, with sales taxes allocated among jurisdictions as described above.
- ◆ Over the exemption period of 10 years, worker spending of the per diem is estimated to generate \$713,592 of taxable spending, with sales taxes allocated among jurisdictions.

## Sales Tax Revenue from Project Construction and Operation

### On-Site Construction Worker Spending, Construction Period Only

Construction Worker Per Diem, \$40 for 375 workdays	\$15,000
Taxable Spending by Construction Workers (75% of Per Diem)	\$11,250
Estimated Sales Taxes from Worker Per Diem, 4% NYS Rate	\$450
Estimated <u>Collected and Retained</u> by Albany County and Other Municipalities	\$446
<b>Estimated Allocated to Green Island Based on Population</b>	<b>\$4</b>

### On-Site Worker Spending and Sales Tax Collections, First Year of Operation

On-Site Worker Per Diem, \$20 for 245 Workdays	\$98,000
Taxable Spending by Project Workers (75% of Per Diem)	\$73,500
Estimated Sales Taxes from Worker Per Diem, 4% NYS Rate	\$2,940
Estimated <u>Collected and Retained</u> by Albany County and Other Municipalities	\$2,913
<b>Estimated Allocated to Green Island Based on Population</b>	<b>\$27</b>

### On-Site Worker Spending and Sales Tax, 10 Years of Operation, Present Value

On-Site Worker Per Diem	\$951,456
Taxable Spending by Project Workers (75% of Per Diem)	\$713,592
Estimated Sales Taxes from Worker Per Diem, 4% NYS Rate	\$28,544
Estimated <u>Collected and Retained</u> by Albany County and Other Municipalities	\$28,278
<b>Estimated Allocated to Green Island Based on Population</b>	<b>\$266</b>

Albany County population is 314,838, and Green Island's is 2,934, or 0.9%. Albany County allocates sales tax revenue to Green Island based on its share of county population. Sources of data: 2020 Census and 2022 American Community Survey.

## Note on NYS Income Tax

Certain benefit/cost analyses include NYS income taxes as a benefit of a project. This can greatly increase the benefits and therefore the ratio.

### Storrs Associates does not include NYS Income Tax:

1. Salary levels alone are insufficient to calculate worker household income and tax liability, which vary so greatly that estimates would be unreliable.
2. There is no consistent connection between local income tax collection and spending. Income taxes collected from a local worker may be spent hundreds of miles away and not benefit the municipality assisting the project.
3. Storrs Associates’ benefit/cost ratios may appear in total to be lower than other analyses, but real property, mortgage, and sales taxes should be comparable.

# FINANCING PLAN

## Capital Structure

The Applicant expects to fund Project construction with a combination of a mortgage on the property, and private funding or equity.

Table 5

### Sources and Uses of Funds

Sources of Funds	<u>Amount</u>	<u>Percent</u>
<u>Debt</u>		
Bank Loan (Mortgage)	\$16,000,000	80%
<u>Equity</u>		
Project Owner Funds	<u>\$4,000,000</u>	<u>20%</u>
<b>Total Sources</b>	<b>\$20,000,000</b>	<b>100%</b>
<u>Uses of Funds</u>		
Property Acquisition	\$4,100,000	21%
Hard Costs	13,500,000	68%
Soft Costs	437,500	2%
Financing Costs	<u>1,962,500</u>	<u>10%</u>
<b>Total Uses</b>	<b>\$20,000,000</b>	<b>100%</b>

Source: Applicant



# EXEMPTION SCHEDULE

## APPLIED TO REAL PROPERTY TAXES FOR ALL AFFECTED JURISDICTIONS

Table 6

Annual Exemption Schedule under NYS RPTL 485-b	
PILOT Year	Abatement: Exemption from Full Taxes on Improved Value
1	50%
2	45%
3	40%
4	35%
5	30%
6	25%
7	20%
8	15%
9	10%
10	5%
Total Exemption over 10 Years (not an average)	
	23%

### Abatement Schedule Notes

The Agency's Uniform Tax Exemption Policy of February 20, 2008 provides for the application of the tax abatement provisions set forth in NYS Real Property Tax Law Section 485-b (485-b). This section has also been adopted by the Village of Green Island, its school district, and Albany County, with respect to parcels within the Village of Green Island.

The Applicant expects to apply for the RPTL 485-b business exemption by the first taxable status date following the completion of construction.

485-b provides for a 10-year schedule beginning with a 50% abatement, declining by 5% each year and ending with a 5% abatement in year 10. It also applies only to the "assessed value attributable to the improvement" (per statute.)

Therefore, the Project will still owe full real property taxes on the current value of the property; taxing jurisdictions will receive (1) full taxes on current value, and (2) new taxes net of the amount exempted by the adoption and implementation of RPTL 485-b.

# ABOUT THIS REPORT

## SCOPE OF SERVICES - INDUSTRIAL DEVELOPMENT AGENCY PROJECT ANALYSIS

The purpose of the report is to provide a consistent, accurate, and reliable analysis of a proposed project that has asked the Agency for financial assistance. This provides the Board with an objective, third-party analysis to support its decision-making. The three components are described below:

1. Calculate Tax Revenue Estimates and Confirm Capital Structure. This includes obtaining current, and reasonably estimated future, assessed values and real property tax rates for all jurisdictions affected by the requested tax abatement. Storrs Associates evaluates taxes without a project, with a project but no RPTL 485-b exemption, and with the project and exemption, and estimates savings to the project and net new tax revenue accruing to all affected jurisdictions because of the increased value of the parcel. We also confirm that the Applicant has provided information showing that all project costs will be covered, usually by a combination of debt and equity.
2. Estimate Mortgage Recording Tax and Construction Materials Sales Taxes and requested exemptions, using information from the Applicant and confirming calculations based on the project budget. Storrs Associates also estimates local spending by construction workers and ongoing project employees and calculates sales taxes.
3. Create a Benefit/cost ratio that compares total fiscal benefits to the foregone revenue, or costs, of the requested financial assistance. Real property, mortgage recording, and sales taxes on construction materials and worker spending are included.
4. Submit a Report presenting results of these analyses and, upon request, be available for a public hearing and meeting.

## DATA SOURCES



CoStar is an industry leader in commercial real estate information, analytics, and news. It provides clients both data and research tools to understand transactions, trends, assets, and market players down to individual community levels. Data ranges from market overviews of rents, Market Capitalization, occupancy, and net income, to fine-grained data on individual buildings, including loan performance and tax assessments.



Esri is an internationally-recognized provider of Geographic Information Systems (GIS) and demographic data and visualization tools. Esri's demographic data is gathered from the U.S. Census, the Bureau of Labor Statistics, and Bureau of Economic Analysis. Esri uses current and historical data to create estimates of future demographic characteristics.



RSMeans provides construction estimating data including up-to-date building and construction costs by region, type of project, and materials such as steel vs. concrete or roofing selections, and also collects and provides data about soft costs such as engineering, architecture, and design.



The US Census "QuickFacts" tool provides statistics for all states and counties, and for cities and towns with a population of 5,000 or more. Quickfacts does not report on the Village of Green Island.

# STORRS ASSOCIATES

Storrs Associates, LLC is a partner and advisor to public and private entities seeking to encourage economic growth and to make direct public and private investments. We deliver high quality advice, customized analyses and reports, public speaking and learning sessions, and transaction management.

Victoria Storrs, the company President, identified unmet demand for development finance advice and analysis; as economic development matures, communities and organizations are increasingly asking how to pay for development, what types of assistance are desired and which are effective, and for measurement to show elected leadership and the public that the resources are well spent.

She founded the firm in 2021 to provide direct, responsive service to municipal governments and the public and private organizations who work with and for them. She has worked with municipal governments for more than 20 years, beginning as an investment banker at First Albany Corporation (now Jefferies) and managing debt financings for state public authorities such as the NYS Environmental Facilities Corporation and NYS Dormitory Authority. She taught money and capital markets at the State University of New York at Albany School of Business, and has been a development finance and economic development consultant for more than nine years, including five years at Camoin Associates in Saratoga Springs, NY. You can learn more at [www.storrsassociates.com](http://www.storrsassociates.com) and on LinkedIn.

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THE VILLAGE OF GREEN ISLAND INDUSTRIAL DEVELOPMENT AGENCY  
GREEN ISLAND, NY

