

King Thiel Senior Community, LLC Cost-Benefit Analysis

Prepared by:



Prepared for:
Town of Colonie IDA

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Executive Summary

The Town of Colonie Industrial Development Agency (the “Agency”) received an application for financial assistance from King Thiel Senior Community, LLC (the “Applicant”) related to an existing 115,000 sf apartment building (the “Property”) containing 96 units of affordable senior housing at 17 Elks Lane (the “Site”) in the Town of Colonie (the “Town”). The Property is already subject to an existing Agency inducement, including a 30-year PILOT agreement that commenced in 2018 and terminates in 2047 (the “Current PILOT”). The Current PILOT payment in 2021 is \$66,970 and escalates at 1% per year with 2021 being “Year 4” of the Current PILOT. The Applicant is pursuing a refinancing of the existing debt on the Property through the U.S. Department of Housing and Urban Development (HUD), such refinancing to carry a 35-year term. Because of this, the Applicant is requesting from the Agency a 35-year PILOT, to commence in 2022 and terminate in 2057, with the same 1% escalation per year (the “Requested PILOT”), which, in effect, would represent a 10-year extension of the Current PILOT. The Applicant is also proposing to make certain investments in the Property in the amount of \$65,700 for bathroom renovations, parking, and radon remediation. The renovations, together with the refinancing of debt, is the “Project” being considered by the Agency.

The Agency requested a cost-benefit analysis from MRB Group in conformity with GML Section 859-a(5) to enumerate the economic benefits and costs of the Project on the Town, as part of the Agency’s deliberations. Because of the existing inducement and Current PILOT agreement in place through 2047, this cost-benefit analysis is limited to the ten-year time period of 2048-2057 (the “Extension Period”).

The economic impacts of the Project are therefore associated with estimates of “net new” spending stemming from household expenditures of the occupants of the Property during the Extension Period as well as employment maintained by the Applicant associated with the Property. The fiscal impacts of the Project include ongoing tax revenue as well as the presumed costs of the financial assistance being considered by the Agency. Below are the results of our analyses.

First, we estimate that the impact of household spending and the operations of the facility will yield 38 jobs total, producing \$1.6 million in annual wages.

Summary of Economic Impacts

	Direct	Indirect	Total
Ongoing Jobs	30	8	38
Ongoing Wages	\$1,134,747	\$428,596	\$1,563,343

We estimate that that County will benefit from additional sales tax revenues of \$300,099 over the course of ten years related to the household spending and the wages being earned from ongoing jobs over the 10-year PILOT extension.

In terms of fiscal benefits for the Town, the Project will increase the Town’s population, and thus its portion of sales tax revenues distributed from the County.¹ Over ten years, this amounts to \$443,894.

Finally, we estimate the property tax revenue, over the 10-year Extension Period, at \$916,602. In total, the fiscal benefits of the Project, over the 10-year PILOT extension, are estimated at \$1.7 million.

In terms of the costs of the Project, the estimated cost to the state and County of the mortgage recording tax exemption is \$140,000. The cost of the PILOT exemption over the 10-year life of is exemption is estimated at \$3.2 million.

Summary of Fiscal Benefits

Source	Total
Sales Tax, Operations, 10 Years	\$300,099
Sales Tax Distributions to Town, 10 Years	\$443,894
Property Tax, 10 Years	\$916,602
Total Fiscal Benefits Over 10 Year Extension	\$1,660,596

Summary of Exemptions

	Total
Cost of Sales Tax Exemption, One-Time	\$0
Mortgage Recording Tax Exemption	\$140,000
PILOT Exemption, 10 Year Extension	\$3,167,148

¹ Albany County distributes a portion of its entire sales tax collections to its various municipalities based on population. Because of the presumed increase in Town population due to the Project, we estimate the Town will benefit from \$44,389 in additional sales tax revenue distributions in the first year following the next Census.

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Introduction

The Town of Colonie Industrial Development Agency (the “Agency”) received an application for financial assistance from King Thiel Senior Community, LLC (the “Applicant”) related to an existing 115,000 sf apartment building (the “Property”) containing 96 units of affordable senior housing at 17 Elks Lane (the “Site”) in the Town of Colonie (the “Town”). The Property is already subject to an existing Agency inducement, including a 30-year PILOT agreement that commenced in 2018 and terminates in 2047 (the “Current PILOT”). The Current PILOT payment in 2021 is \$66,970 and escalates at 1% per year with 2021 being “Year 4” of the Current PILOT. The Applicant is pursuing a refinancing of the existing debt on the Property through the U.S. Department of Housing and Urban Development (HUD), such refinancing to carry a 35-year term. Because of this, the Applicant is requesting from the Agency a 35-year PILOT, to commence in 2022 and terminate in 2057, with the same 1% escalation per year (the “Requested PILOT”), which, in effect, would represent a 10-year extension of the Current PILOT. The Applicant is also proposing to make certain investments in the Property in the amount of \$65,700 for bathroom renovations, parking, and radon remediation. The renovations, together with the refinancing of debt, is the “Project” being considered by the Agency.

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Economic Impact Analysis

Economic impacts associated with the Property include the ongoing impacts related to household spending and the operations of the Project, which we estimate for the Town.²

Methodology

- Direct jobs, wages, and sales are those jobs created from the operations of the Project (e.g. on-site employment of a maintenance person) and from household spending occurring as a result of the Project.
- Indirect jobs, wages, and sales are those caused by the Direct impact, such as business-to-business purchases (e.g. a grocery store serving the new households buying goods from a distributor) and from employees of such businesses spending a portion of their wages locally.

To estimate the Direct and Indirect impacts, MRB Group employs the Emsi³ economic modeling system. We used data from the Applicant, from the Agency, and from publicly-available and proprietary data sources as inputs to the Emsi modeling system. Where needed, we adjusted the Emsi model to best match the Project specifics. We then reported the results of the modeling.

² Town-level impacts are measured based on 10 ZIP codes, which closely approximate the Town. A full list and map of these ZIP Codes is included in the Appendix.

³ Emsi, formerly "Economic Modeling Systems, Intl.," uses data from the US Bureau of Labor Statistics, the US Bureau of Economic Analysis, the US Census, and other public data sources to model out economic impacts.

Operation Phase

Operation phase impacts of the Project are considered at the Town level. In this case, we have used 10 local ZIP Codes, which are representative of the smallest unit of geography considered in our economic modeling system (see Appendix.)

Operation phase impacts come from the effects of household spending from the residents of the Property and the employment at the Site.

The Property includes 32, 1-bedroom units and 64, 2-bedroom units of age-restricted senior housing, for a total of 96 units. The Applicant has stated the Property has income restrictions of no more than \$60,000 per year for 1-bedroom units and \$75,000 per year for 2-bedroom units. As such, we include two distinct spending brackets to estimate total spending by residents of the Property. We have assumed that approximately 80% of this spending would occur in the Town of Colonie. Given 96 units and the spending profile and percentages shown, we estimate that a total of \$2.7 million of annual household spending would occur annually in the Town.

By matching the line items of household expenditures with corresponding industry codes in Emsi, we are able to assess the impact of annual household spending.⁴ Our analysis reveals that annual household spending will result in an

Total New Annual Household Spending

	Annual per HH Spend	% Spent in Town	Units	Total Spending
1 - Bedroom Units				
Food	\$7,922	80%	32	\$202,803
Household Furnishings and Equipment	\$3,152	80%	32	\$80,691
Apparel and Services	\$1,801	80%	32	\$46,106
Transportation	\$8,972	80%	32	\$229,683
Healthcare	\$4,419	80%	32	\$113,126
Entertainment	\$2,204	80%	32	\$56,422
Education	\$1,014	80%	32	\$25,958
Personal Care Products and Services	\$732	80%	32	\$18,739
Miscellaneous	\$1,116	80%	32	\$28,570
Other	\$484	80%	32	\$12,390
2 - Bedroom Units				
Food	\$9,460	80%	64	\$484,352
Household Furnishings and Equipment	\$1,987	80%	64	\$101,734
Apparel and Services	\$1,954	80%	64	\$100,045
Transportation	\$11,086	80%	64	\$567,603
Healthcare	\$5,307	80%	64	\$271,718
Entertainment	\$3,516	80%	64	\$180,019
Education	\$1,680	80%	64	\$86,016
Personal Care Products and Services	\$844	80%	64	\$43,213
Miscellaneous	\$849	80%	64	\$43,469
Other	\$608	80%	64	\$31,130
Total			96	\$2,723,789

Source: Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, 2018-2019, "Table 3104. Northeastern region by income before taxes: Average annual expenditures and characteristics."

⁴ For example, for the "Food" line item, we applied half of the spending to the "Supermarkets and other grocery" store NAICS code (North American Industrial Classification System) and half to the "Full service restaurants" NAICS code.

estimated 27 new direct jobs and \$1.0 million in new earnings. Taken together with an estimate of indirect impacts, total household spending impacts include 32 jobs, \$1.4 million in earnings, and \$3.7 million in sales.

The Applicant also stated that the development would employ 3 full-time employees at the Site for management and maintenance. The wages paid to the full- and part-time employees have been stated as \$42,345 and \$35,700, respectively. In total, the Property accounts for \$113,745 in annual wages paid to the 3 employees. According to Emsi, these wages correspond to sales of \$379,161. Together with a small amount of Indirect impacts, total impacts of management and maintenance would be 5 jobs, \$186,376 in earnings, and \$577,711 in sales.

By aggregating the impact of annual household spending and operations of the facility, we see the combined impact displayed in the table to the right. As shown, we anticipate that the Town will benefit from 38 jobs, \$1.6 million in earnings, and \$4.3 million in sales on an annual basis.

Economic Impact, Annual Household Spending

	Direct	Indirect	Total
Jobs	27	6	32
Earnings	\$1,021,002	\$355,962	\$1,376,964
Sales	\$2,723,789	\$951,210	\$3,674,998

Source: Emsi, MRB

Economic Impact, Operations and Maintenance of Project

	Direct	Indirect	Total
Jobs	3	2	5
Earnings	\$113,745	\$72,634	\$186,379
Sales	\$379,161	\$198,550	\$577,711

Source: Emsi, MRB

Economic Impact, Combined Annual Impact

	Direct	Indirect	Total
Jobs	30	8	38
Earnings	\$1,134,747	\$428,596	\$1,563,343
Sales	\$3,102,949	\$1,149,759	\$4,252,709

Source: Emsi, MRB

Fiscal Impact Analysis

Extending the life of the PILOT agreement would also have fiscal impacts in terms of tax revenues and the cost of tax exemptions, described below.

Property Tax Revenue

The Applicant provided the terms of the current PILOT agreement through the year 2047. The Requested PILOT would essentially extend the Current PILOT an additional 10 years, through the year 2057, with a 1% annual escalation in the amount of PILOT payments.

As shown in the table, we estimate the taxes on the Site to be \$916,602, over the life of the requested 10-year PILOT. We also estimate the fiscal cost of the Project, in terms of 'Full Taxes' absent the extension, escalating 2% per year.

Property Tax Payment - Extension

Year	Extension Year	PILOT	Full Taxes	Difference
2048	Year 1	\$87,611	\$372,955	\$285,344
2049	Year 2	\$88,487	\$380,414	\$291,927
2050	Year 3	\$89,372	\$388,022	\$298,650
2051	Year 4	\$90,265	\$395,783	\$305,517
2052	Year 5	\$91,168	\$403,698	\$312,530
2053	Year 6	\$92,080	\$411,772	\$319,692
2054	Year 7	\$93,001	\$420,008	\$327,007
2055	Year 8	\$93,931	\$428,408	\$334,477
2056	Year 9	\$94,870	\$436,976	\$342,106
2057	Year 10	\$95,819	\$445,715	\$349,897
TOTAL		\$916,602	\$4,083,750	\$3,167,148

Source: Applicant, MRB

Sales Tax Revenue, Operation Phase

In the previous section of this report, we estimated \$1.6 million in total earnings and \$2.7 million in new household spending occurring within the Town. Using the same methodology as above, we estimate the project will result in \$30,010 in annual sales tax revenue to the County. Over the 10-year life of the Requested PILOT, this totals \$328,600.

New Sales Tax Distributions to Town

The County’s sales tax revenues are distributed to its constituent cities and towns according to a set distribution formula⁵ that is based on population. Therefore, to the extent that the Project increases the population of the Town, the Town would receive additional sales tax distributions from the County.

By using the population figure of 81,588 for the Town of Colonie from the 2010 US Census, we are able to estimate the anticipated population increase and subsequent sales tax distribution stemming from the Project. Under the assumption of 1.5 persons per household, the 96 housing units will have the capacity to support approximately 144 residents to the Town of Colonie, representative of an approximate 0.18% increase in population.

Noting that the Town has budgeted \$25.2 million in “sales and use tax” revenues in its 2021 budget, we are able to estimate the proportional increase in sales tax distributions, relative to the population increase. We estimate that the Project will lead to \$44,389 in new annual Town revenues from these sales tax distributions from the County. We estimate the new sales tax distribution to the Town will be \$443,894 over the 10-year life of the extension.

⁵ Of the overall 4.00% tax rate imposed by the County: “The County retains 60% and distributes 40% to the cities and towns on the basis of published decennial population figures.” Source: “Local Government Sales Taxes in New York State: 2015 Update.” New York State Comptroller, Division of Local Government and School Accountability, March 2015.

Sales Tax Revenue - Operation Phase

Line	Value
Total Earnings	\$1,563,343
Total Spending	\$2,723,789
% Spent in County	70%
\$ Spent in County	\$3,000,992
% Taxable	25%
\$ Taxable	\$750,248
County Sales Tax Rate	4.00%
\$ County Sales Tax Revenue	\$30,010
Revenue Over 10 Year Extension*	\$300,099

Source: MRB *Expressed in 2021 dollars.

New Sales Tax Distributions to Town

Line	Value
Population (2010 Census)	81,588
Retained Households	96
Persons per HH	1.5
New Persons	144
% Increase in Population	0.17650%
Sales Tax Distributions to Town (2021)	\$25,150,320
Increase in Distributions to Town (est.)	\$44,389
Dist. Over 10 Year Extension*	\$443,894

Source: Town 2021 Budget, US Census, MRB. *2021 dollars

Cost of Exemptions

The Applicant has not requested an exemption from the sales and use tax at this time.

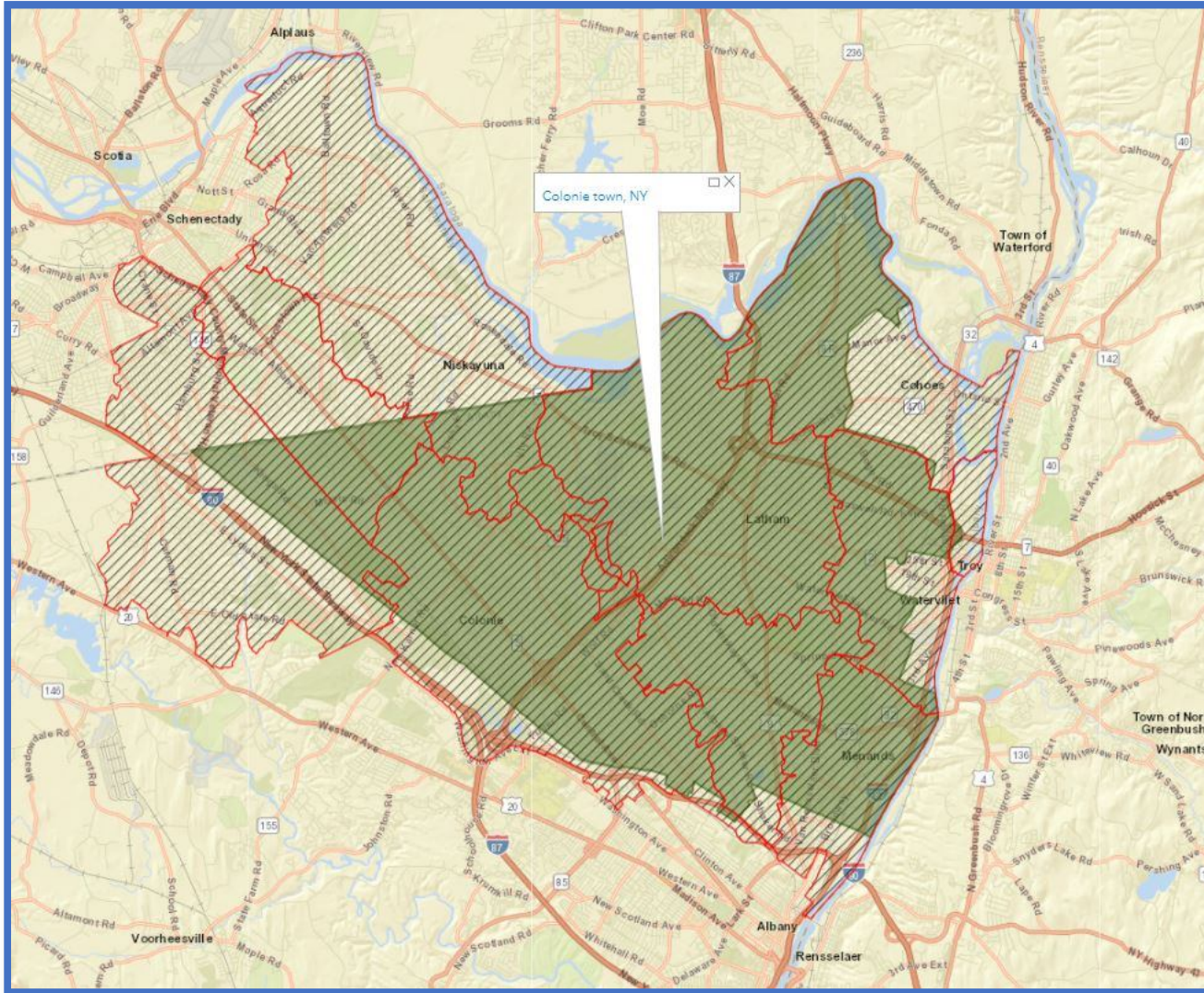
The Applicant is requesting a mortgage recording tax exemption valued at \$140,000 which also includes both state and county portions.

Over the 10-year extension period, we estimate the cost of the PILOT exemption will be \$3.2 million.

Summary of Exemptions

	Total
Cost of Sales Tax Exemption, One-Time	\$0
Mortgage Recording Tax Exemption	\$140,000
PILOT Exemption, 10 Year Extension	\$3,167,148

Appendix



Colonie ZIP Codes

ZIP Codes
12205 (Albany)
12211 (Albany)
12303 (Schenectady)
12304 (Schenectady)
12309 (Schenectady)
12047 (Cohoes)
12110 (Latham)
12183 (Troy)
12189 (Watervliet)
12204 (Albany)