

# Northway Six, 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 Northway Six, LLC (the "Applicant") related to an existing 63,450 square-foot industrial building (the "Property") at 6 Northway Lane (the "Site") in the Town of Colonie (the "Town"). The Applicant proposes to renovate the currently vacant building into a flexible co-warehousing space to assist start-up businesses in scaling up operations (the "Project"). The Applicant is requesting an exemption of the mortgage recording tax and sales and use tax associated with the Project.

The Agency commissioned 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. Though the Applicant is requesting a one-time abatement of the sales and use tax and the mortgage recording tax, we estimated the economic and fiscal benefits of the Project over ten years.

The Project's economic impacts are associated with renovations of the vacant building during the construction phase, employment associated with business operations at the site, and the projected employment of the future tenants of the Site. The fiscal impacts of the Project are increased property tax revenue over what the Site currently generates minus the presumed costs of the financial assistance being considered by the Agency. Below are the results of our analyses.

In terms of economic impacts, we estimate the renovation of the Facility will result in 10 construction jobs earning \$1.2 million in direct earnings. These direct impacts yield indirect impacts of 4 jobs and \$267,564 in earnings for a total impact of 14 jobs and \$1.4 million in earnings. Once renovations are complete, MRB estimates that the Project could support 53 direct and indirect jobs and \$3.2 million in earnings.

Summary of Economic Impacts			
	Direct	Indirect	Total
Construction Jobs	10	4	14
Construction Wages	\$1,167,089	\$267,564	\$1,434,652
Ongoing Jobs	42	11	53
Ongoing Wages	\$2,542,550	\$655,308	\$3,197,858

The project will have several fiscal impacts, including sales tax revenue and increased property tax revenue. We estimate the new sales tax revenue generated during the construction phase will be \$10,043 as construction workers spend a portion of their wages locally. Similarly, new employees of the Facility will also spend a portion of their wages locally. We estimate this spending will generate \$256,341 over the first ten years of operations. Once the Facility is renovated, the increase in the property’s assessed value will result in an increase in property taxes generated at the Site. Over ten years, the property will generate approximately \$537,878 more in property tax revenue than it would but for the Project.

Summary of Fiscal Benefits	
Source	Total
Sales Tax, One-Time	\$10,043
Sales Tax, Operations, 10 Years	\$256,341
Increase in Property Tax, 10 Years	\$537,878
<b>Total Fiscal Benefits Over 10 Years</b>	<b>\$804,261</b>

The Project will also have fiscal costs associated with the Developer’s requested abatement. The requested sales and use tax exemption during the construction phase is \$445,626. The requested mortgage recording tax exemption is \$67,240.

Summary of Exemptions	
	Total
Sales Tax Exemption	\$445,626
Mortgage Recording Tax Exemption	\$67,240

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## Introduction

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The Agency commissioned 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. Though the Applicant is requesting a one-time abatement of the sales and use tax and the mortgage recording tax, we estimated the economic and fiscal benefits of the project over ten years.

## Economic Impact Analysis

The project would have several economic impacts on the County and Town. Economic impacts include one-time impacts on jobs, earnings, and sales during the construction phase of the Project, which we estimate for the County. The Project will have other impacts related to the operation of the Property, which we estimate for the Town.<sup>1</sup>

### Methodology

Both one-time, construction-phase impacts and ongoing, operation-phase impacts have “Direct” and “Indirect” components. For the construction phase:

- Direct jobs, wages, and sales are those that occur on-site related to labor and materials used in the renovation of the Facility.
- Indirect jobs, wages, and sales are those caused by the Direct impacts and result from business-to-business purchases (e.g., a contractor buying a piece of equipment from a dealer) and employees spending a portion of their wages locally).

For the operation phase:

- Direct jobs, wages, and sales are those jobs created from the operations of the Project (e.g., on-site employment).
- Indirect jobs, wages, and sales are those caused by the Direct impact, such as business-to-business purchases, and employees of such businesses spending a portion of their wages locally.

To estimate the Direct and Indirect impacts, MRB Group employs Lightcast’s (formerly Emsi)<sup>2</sup> economic modeling system. We used data from the Property Owner and publicly-available and proprietary data sources as inputs to the Lightcast modeling system. We adjusted the Lightcast model where needed to best match the Project specifics. We then reported the results of the modeling.

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<sup>1</sup> By their nature, construction-related impacts tend to be somewhat more diffuse, which is why we report them as county-level impacts. Town level impacts are measured based 10 ZIP codes, which closely approximates the Town. A full list of ZIP codes is included in the Appendix.

<sup>2</sup> Lightcast, formerly Emsi, 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.

### Construction Phase

According to the Applicant, approximately \$6.4 million will be invested in the Project for materials and labor, a portion of which will be spent locally<sup>3</sup>. In correspondence with the Agency, the Applicant has estimated that approximately 50% - 90% of the materials and labor cost will be spent in Albany County. To be conservative, for this analysis we estimate that 50% of the \$6.4 million in material and labor cost will be spent locally, or approximately \$3.2 million.

We estimate that \$3.2 million in local spending will translate to the economic impacts in the County, as shown in the table to the right.<sup>4</sup> We estimate the renovation of the Property will support ten construction jobs earning \$1.2 million in direct earnings. Coupled with indirect impacts, the total impact of the Project will be 14 jobs, \$1.4 million in earnings, and \$4.0 million in sales.

Construction Spending In Region			
	\$ Total	% County	\$ County
Materials & Labor	\$6,394,642	50%	\$3,197,321

Source: Applicant, MRB

Economic Impact of Construction Phase, One-Time			
	Direct	Indirect	Total
Jobs	10	4	14
Earnings	\$1,167,089	\$267,564	\$1,434,652
Sales	\$3,197,321	\$780,394	\$3,977,715

Source: Lightcast, MRB

<sup>3</sup> This figure was derived from the application, netting out the cost of acquisition, legal and financial charges.

<sup>4</sup> Construction impacts are more diffuse by nature. As such we estimate the construction phase impacts at the County level.

## Operation Phase

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

The operational impacts of the Project stem from employment associated with the facility’s operation and employment by tenants of the co-warehousing space.

Co-warehousing space is touted for its flexibility in lease terms and occupancy space. Therefore, we use data from the U.S. Energy Information Administration’s (EIA) Commercial Building Energy Consumption Survey (CBECS) to estimate the number of employees expected to work at the Property by tenant businesses. The table to the right displays the number of employees we estimate will work at the Facility during operation. According to the CBECS, warehouse, storage, and distribution facilities have a median of 1,500 square feet per employee. Based on the square footage breakdown of the Facility, we therefore estimate that the Facility will support 42 direct jobs, \$2.5 million in direct earnings and \$5.2 million in direct sales. Coupled with the indirect impacts, the total impact of tenant employment is estimated at 53 jobs, \$3.2 million in earnings, and \$7.1 million in sales.

In addition to tenant employment, the Applicant has stated that one full-time employee and one part-time employee will be hired for the operation and maintenance of the site—the table to the right displays the midpoint of the estimated compensation for each position.

Median Square Footage (SF) per Employee by Space			
Type	SF / Employee	Square Footage	Estimated Employment
Warehousing	1,500	63,450	42

Source: U.S. Energy Information Administration; Developer; MRB Group

Economic Impact, Tenant Employment			
	Direct	Indirect	Total
Jobs	42	11	53
Earnings	\$2,542,550	\$655,308	\$3,197,858
Sales	\$5,241,409	\$1,908,125	\$7,149,535

Source: Lightcast, MRB

Onsite Employment			
Type	Salary Range	Benefits	Midpoint Total
Full-time	\$55,000 - \$65,000	\$20,000 - \$30,000	\$85,000
Part-time	\$20,000 - \$26,000	\$7,500 - \$9,500	\$31,500
<b>Total</b>			<b>\$116,500</b>

Source: Applicant, MRB



The onsite employment of the site will result in the economic impacts shown in the table to the right. The two on-site jobs will generate an estimated \$116,500 and \$240,162 in direct sales. The total impacts of approximately two jobs, earning \$146,526 in earnings and \$327,593 in sales.

Combining both the tenant and on-site employment impacts, the total impact of the operations of the Facility is estimated at 55 jobs, \$3.3 million in earnings, and \$7.5 million in sales.

Economic Impact, On-site Employment			
	Direct	Indirect	Total
Jobs	2	De minimus	2
Earnings	\$116,500	\$30,026	\$146,526
Sales	\$240,162	\$87,431	\$327,593

Source: Lightcast, MRB

Combined Economic Impact, Operations and Maintenance of Project			
	Direct	Indirect	Total
Jobs	44	11	55
Earnings	\$2,659,050	\$685,334	\$3,344,384
Sales	\$5,481,572	\$1,995,556	\$7,477,127

Source: Lightcast, MRB

## Fiscal Impact Analysis

The primary fiscal benefit of the Project is the increase in property tax revenue generated by the Site over the level of property tax revenue currently generated on the vacant property. The primary fiscal cost of the project is the assistance requested by the Applicant in the form of a mortgage recording tax exemption and the sales and use tax exemption.

### Property Tax Revenue

The Site is currently assessed at \$1,050,000. According the Agency, the future assessed value of the site is estimated \$2.2 million. This represents an increase in the assessed value of \$1.2 million. The increase in assessed value will have a proportional increase in the property tax revenue generated at the Site, as estimated in the table below.

Over the first ten years of operations, the Project will generate an estimated \$1.0 million in property tax. This represents an increase of approximately \$537,878 over ten years to be split proportionally among the appropriate taxing jurisdictions.

Year	Escalation		Property Tax Payment				
	Factor	Tax Rate	Current AV	Taxes w/o Project	Future AV	Taxes with Project	Increase in Revenue
Year 1	1.000	38.1450	\$1,050,000	\$40,052	\$2,222,300	\$84,770	\$44,717
Year 2	1.020	38.9079	\$1,071,000	\$41,670	\$2,266,746	\$88,194	\$46,524
Year 3	1.040	39.6860	\$1,092,420	\$43,354	\$2,312,081	\$91,757	\$48,404
Year 4	1.061	40.4798	\$1,114,268	\$45,105	\$2,358,323	\$95,464	\$50,359
Year 5	1.082	41.2894	\$1,136,554	\$46,928	\$2,405,489	\$99,321	\$52,394
Year 6	1.104	42.1151	\$1,159,285	\$48,823	\$2,453,599	\$103,334	\$54,510
Year 7	1.126	42.9574	\$1,182,471	\$50,796	\$2,502,671	\$107,508	\$56,712
Year 8	1.149	43.8166	\$1,206,120	\$52,848	\$2,552,724	\$111,852	\$59,004
Year 9	1.172	44.6929	\$1,230,242	\$54,983	\$2,603,779	\$116,370	\$61,387
Year 10	1.195	45.5868	\$1,254,847	\$57,204	\$2,655,854	\$121,072	\$63,867
<b>TOTAL</b>				<b>\$481,764</b>		<b>\$1,019,643</b>	<b>\$537,878</b>

Source: Applicant, MRB

Future Assessed Value	
Line	Value
Current AV	\$1,050,000
Future AV	\$2,222,300
Increase in AV	\$1,172,300
Escalation Factor	2%
Tax Rate	38.14499

Source: Applicant, MRB

### Sales Tax Revenue, Construction Phase

In the previous section of this report, we estimated \$1.4 million in total earnings during the Project construction phase. We assume 70% of those earnings will be spent in the County, 25% of which will be subject to a sales tax. Given these assumptions, we estimate the Project will generate \$10,043 in sales tax revenue.

Sales Tax Revenue - Construction Phase	
Line	Value
Total New Earnings	\$1,434,652
% Spent in County	70%
\$ Spent in County	\$1,004,257
% Taxable	25%
\$ Taxable	\$251,064
County Sales Tax Rate	4%
\$ County Sales Tax Revenue	\$10,043

Source: Applicant, MRB

### Sales Tax Revenue, Operation Phase

Using the same methodology as above, we estimate the Project will result in \$23,411 in annual sales tax revenue to the County associated with the new earnings during the operation of the Facility. Over ten years and escalated a 2% per year, we estimate the Project will generate \$256,341 in sales tax revenue.

Sales Tax Revenue - Operation Phase	
Line	Value
Total New Earnings	\$3,344,384
% Spent in County	70%
\$ Spent in County	\$2,341,069
% Taxable	25%
\$ Taxable	\$585,267
County Sales Tax Rate	4%
\$ County Sales Tax Revenue	\$23,411
Revenue Over 10 Years @ 2%	\$256,341

Source: MRB

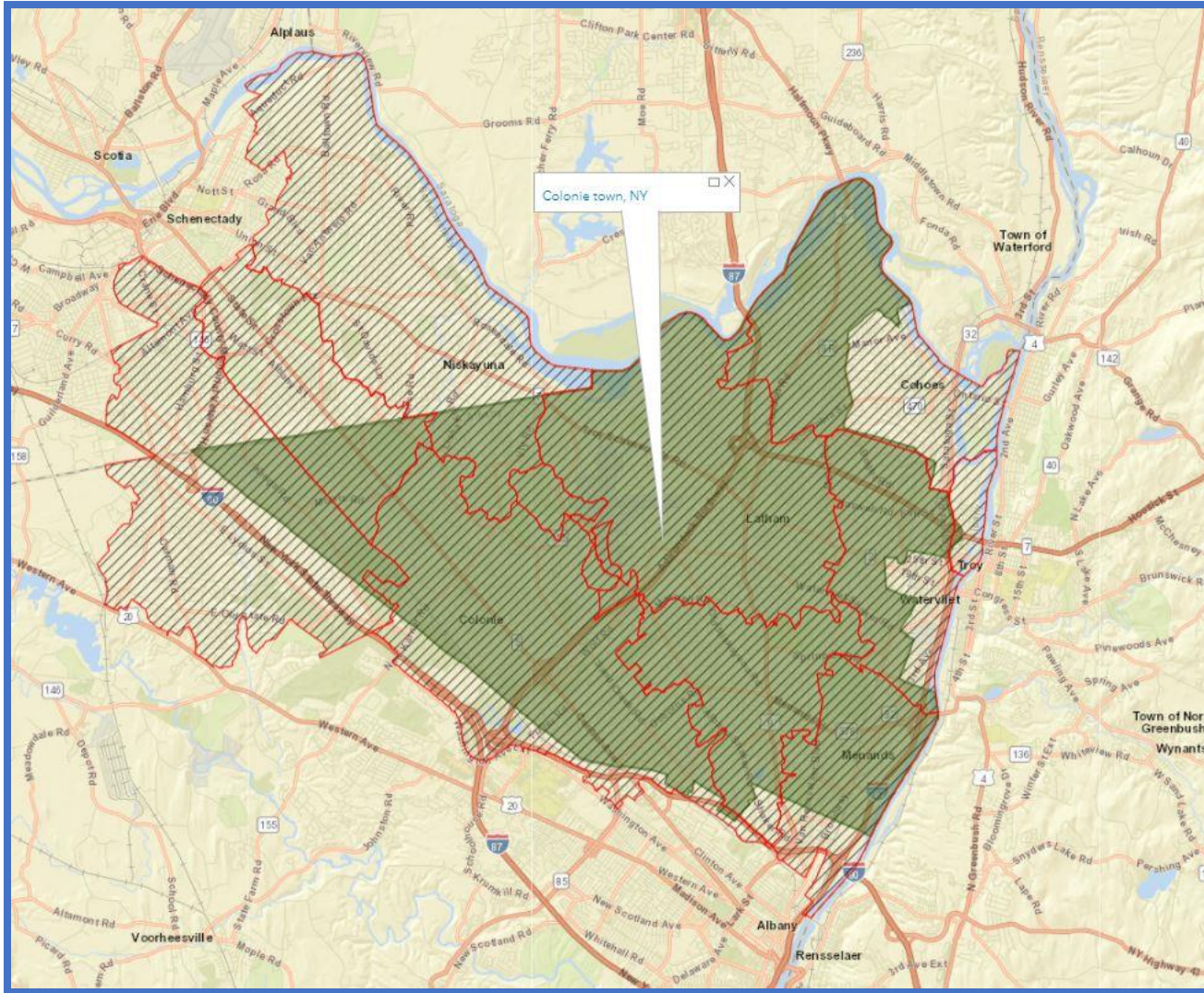
### Cost of Exemptions

The Applicant has requested an exemption from the sales and use tax of \$445,626. The Applicant is also requesting a mortgage recording tax exemption valued at \$67,240, including state and county portions.

Cost of Exemptions	
Type	\$
Sales Tax Exemption	\$445,626
Mortgage Recording Tax Exemption	\$67,240

Source: Applicant

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)