

King Thiel II Senior Community, LLC Cost-Benefit Analysis

Prepared by:



Prepared for:
Town of Colonie IDA

Date:
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Executive Summary

The Town of Colonie Industrial Development Agency (the “Agency”) received an application for financial assistance from King Thiel II Senior Community, LLC (the “Applicant”) related to the construction of a 125,629 square foot apartment building (the “Property”) containing 99 units of affordable senior housing at 11 Elks Lane (the “Site”) in the Town of Colonie (the “Town”). The Applicant is requesting a payment-in-lieu-of-taxes (PILOT) abatement over a 30-year period. The requested PILOT terms are comparable to an existing PILOT for the Applicant’s previous project – the King Thiel Senior Community, which has been fully occupied since May 2017. The Applicant has stated that the Project will comply with the U.S. Department of Housing and Urban Development’s (HUD) requirement that at least 10% of units be income-restricted to tenants earning 80% of the area median income (AMI). All units of the Project will be income-restricted to households earning no more than five times the asking rent.

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.

The Project’s economic impacts are associated with estimates of “net new” spending stemming from household expenditures of the occupants of the Property during the 30-year PILOT term, as well as employment maintained by the Applicant associated with the Property. The fiscal impacts of the Project include the increase in property tax revenue over the current taxes, 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 the construction of the project will generate 81 direct jobs earning roughly \$4.0 million in wages. Coupled with the indirect impacts, the Project’s construction phase will yield 97 jobs earning \$5.2 million in wages. Once constructed, the Project will have annual economic impacts associated with the new household spending by residents of the Project and the onsite employment of the Project for operation and maintenance. On an annual basis, the Project will yield economic impacts of 44 jobs earning \$1.9 million in wages.

Summary of Economic Impacts

	Direct	Indirect	Total
Construction Jobs	81	16	97
Construction Wages	\$3,973,736	\$1,182,051	\$5,155,786
Ongoing Jobs	35	9	44
Ongoing Wages	\$1,366,449	\$530,451	\$1,896,899

In terms of fiscal benefits, we estimate that the County will benefit from additional sales tax revenues of \$36,091 during the construction phase of the Project and \$1.1 million over the course of 30 years related to the household spending of the new residents, and the wages being earned from ongoing jobs over the 30-year PILOT extension.

The Project will also increase the Town’s population and thus its portion of sales tax revenues distributed from the County.¹ Over 30 years, this amounts to \$1.6 million.

Finally, we estimate the increase in property tax revenue, over the 30-year PILOT term, at \$1.5 million. In total, the fiscal benefits of the Project over the 30-year PILOT extension are estimated at \$4.2 million.

The cost of the PILOT exemption over 30 years is estimated at \$8.3 million. The Applicant is not requesting a mortgage recording tax exemption or a sales and use tax exemption at this time.

Summary of Fiscal Benefits

Source	Total
Sales Tax, One-Time	\$36,091
Sales Tax, Operations, 30 Years	\$1,059,431
Sales Tax Distributions to Town, 30 Years	\$1,649,172
Increase in Property Tax Revenue, 30 Years	\$1,454,054
Total Fiscal Benefits Over 30 Years	\$4,162,656

Summary of Exemptions

	Total
PILOT Exemption, 30 Years	(\$8,253,744)

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 \$54,972 in additional sales tax revenue distributions in the first year.

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Introduction

The Town of Colonie Industrial Development Agency received an application for financial assistance from King Thiel II Senior Community, LLC related to the construction of a 125,629 square foot apartment building containing 99 units of affordable senior housing at 11 Elks Lane in the Town of Colonie. The Applicant is requesting a payment-in-lieu-of-taxes abatement over a 30-year period. The requested PILOT terms are comparable to an existing PILOT for the Applicant's previous project – the King Thiel Senior Community, which has been fully occupied since May 2017. The Applicant has stated that the Project will comply with the U.S. Department of Housing and Urban Development's requirement that at least 10% of units be income-restricted to tenants earning 80% of the area median income. All units of the Project will be income-restricted to households earning no more than five times the asking rent.

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.

Economic Impact Analysis

Economic impacts associated with the Property include the one-time construction phase impacts on jobs, earnings, and sales and 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 construction of the Project, the operations of the Project (e.g., on-site employment of a maintenance person), and 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 Lightcast³ economic modeling system. We used data from the Applicant, the Agency, 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.

² Due to their more diffuse nature, the construction phase impacts are assessed at the County level. The 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 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

As shown in the table to the right, we use a conservative estimate of 50% of the Project’s \$21.0 million of materials and labor costs⁴ being sourced from within Albany County, for a total of \$10.5 million of in-County construction spending.

\$10.5 million of in-County construction spending (direct “Sales” in the second table) was used as an input into the Lightcast economic modeling system. According to the model, \$10.5 million of spending in Albany County will result in 81 direct jobs and direct earnings of approximately \$4.0 million. Indirect impacts resulting from direct spending of new wages were modeled, resulting in an estimated 16 jobs earning \$1.2 million. Therefore, the total economic impact of the construction phase of the Project will result in 97 jobs earning \$5.2 million in wages and \$13.9 million in sales.

Construction Spending In Region

	\$ Total	% County	\$ County
Materials & Labor	\$21,034,451	50%	\$10,517,226

Source: Applicant, MRB

Economic Impact of Construction Phase, One-Time

	Direct	Indirect	Total
Jobs	81	16	97
Earnings	\$3,973,736	\$1,182,051	\$5,155,786
Sales	\$10,517,226	\$3,372,369	\$13,889,595

Source: Lightcast, MRB

⁴ We use the Applicant’s stated total project costs of \$23.4 million less land and building acquisition, legal fees, and financing costs.

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 Project and the employment at the Site.

As stated in the Application, the Project includes 35 1-bedroom units and 64 2-bedroom units of age-restricted senior housing, for a total of 99 units. The Applicant has stated the Property has income restrictions of no more than 80% AMI for 1-bedroom units and market rate for the 2-bedroom units. As such, we include two distinct spending brackets to estimate total spending by residents of the Project. We have assumed that approximately 80% of this spending would occur in the Town of Colonie. Given 99 units and the spending profile and percentages shown, we estimate that a total of \$3.1 million of household spending would occur annually in the Town.

By matching the line items of household expenditures with corresponding industry codes in

Total New Annual Household Spending

	Annual per HH Spend	% Spent in Town	Units	Total Spending
1 - Bedroom Units				
Food	\$8,118	80%	35	\$227,304
Household Furnishings and Equipment	\$2,925	80%	35	\$81,900
Apparel and Services	\$1,493	80%	35	\$41,804
Transportation	\$9,449	80%	35	\$264,572
Healthcare	\$5,144	80%	35	\$144,032
Entertainment	\$2,821	80%	35	\$78,988
Education	\$1,544	80%	35	\$43,232
Personal Care Products and Services	\$736	80%	35	\$20,608
Miscellaneous	\$1,103	80%	35	\$30,884
Other	\$513	80%	35	\$14,364
2 - Bedroom Units				
Food	\$10,984	80%	64	\$562,381
Household Furnishings and Equipment	\$2,796	80%	64	\$143,155
Apparel and Services	\$2,186	80%	64	\$111,923
Transportation	\$12,641	80%	64	\$647,219
Healthcare	\$6,277	80%	64	\$321,382
Entertainment	\$3,608	80%	64	\$184,730
Education	\$1,839	80%	64	\$94,157
Personal Care Products and Services	\$946	80%	64	\$48,435
Miscellaneous	\$1,259	80%	64	\$64,461
Other	\$439	80%	64	\$22,477
Total			99	\$3,148,008

Source: Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, 2020 -2021, "Table 3104. Northeastern region by income before taxes: Average annual expenditures and characteristics."

Lightcast, we can assess the impact of annual household spending.⁵ Our analysis reveals that annual household spending will result in an estimated 31 new direct jobs and \$1.2 million in new earnings. Taken together with an estimate of indirect impacts, total household spending impacts include 38 jobs, \$1.6 million in earnings, and \$4.2 million in sales.

The Applicant also stated that the Project would employ 4 full-time employees at the Site for management, and skilled and unskilled labor for operations and maintenance. The wages paid to the full-time employees have been stated as \$51,500, \$48,410, and \$38,110, respectively. In total, the Property accounts for \$186,430 in annual wages paid to the 4 employees. According to Lightcast, these wages correspond to sales of \$621,451. Together with a small number of indirect impacts, the total impacts of management, operations, and maintenance would be 7 jobs, \$305,479 in earnings, and \$946,878 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 45 jobs, \$1.9 million in earnings, and \$5.2 million in sales on an annual basis.

Economic Impact, Annual Household Spending

	Direct	Indirect	Total
Jobs	31	7	38
Earnings	\$1,180,019	\$411,402	\$1,591,420
Sales	\$3,148,008	\$1,099,357	\$4,247,365

Source: Lightcast, MRB

Economic Impact, Operations and Maintenance of Project

	Direct	Indirect	Total
Jobs	4	3	7
Earnings	\$186,430	\$119,049	\$305,479
Sales	\$621,451	\$325,427	\$946,878

Source: Lightcast, MRB

Economic Impact, Combined Annual Impact

	Direct	Indirect	Total
Jobs	35	10	45
Earnings	\$1,366,449	\$530,451	\$1,896,899
Sales	\$3,769,459	\$1,424,783	\$5,194,242

Source: Lightcast, MRB

⁵ 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.

Fiscal Impact Analysis

The proposed PILOT agreement would also have fiscal impacts on tax revenues and the cost of tax exemptions, described below.

PILOT Schedule

The Applicant provided an estimate of the PILOT schedule over the 30-year term, as shown in the table to the right. The 'Full Taxes' were estimated using the Applicant's equalized assessed value of the Project of \$7.4 million, escalated at 2% per year. The proposed PILOT is approximately 26% of the full annual taxes for 30 years. Over the requested PILOT term, the project would generate \$2.9 million in tax revenue.

PILOT Schedule

Year	PILOT Year	Future AV	Tax Rate	Full Taxes	Payment %	PILOT Payment
1	2024	\$7,400,000	37.1476	\$274,892	25.9877%	\$71,438
2	2025	\$7,548,000	37.8906	\$285,998	25.9877%	\$72,867
3	2026	\$7,698,960	38.6484	\$297,552	25.9877%	\$74,324
4	2027	\$7,852,939	39.4213	\$309,573	25.9877%	\$75,811
5	2028	\$8,009,998	40.2098	\$322,080	25.9877%	\$77,327
6	2029	\$8,170,198	41.0140	\$335,092	25.9877%	\$78,874
7	2030	\$8,333,602	41.8343	\$348,630	25.9877%	\$80,451
8	2031	\$8,500,274	42.6709	\$362,715	25.9877%	\$82,060
9	2032	\$8,670,279	43.5244	\$377,368	25.9877%	\$83,701
10	2033	\$8,843,685	44.3948	\$392,614	25.9877%	\$85,375
11	2034	\$9,020,559	45.2827	\$408,476	25.9877%	\$87,083
12	2035	\$9,200,970	46.1884	\$424,978	25.9877%	\$88,824
13	2036	\$9,384,989	47.1122	\$442,147	25.9877%	\$90,601
14	2037	\$9,572,689	48.0544	\$460,010	25.9877%	\$92,413
15	2038	\$9,764,143	49.0155	\$478,594	25.9877%	\$94,261
16	2039	\$9,959,426	49.9958	\$497,929	25.9877%	\$96,146
17	2040	\$10,158,614	50.9957	\$518,046	25.9877%	\$98,069
18	2041	\$10,361,787	52.0156	\$538,975	25.9877%	\$100,031
19	2042	\$10,569,022	53.0559	\$560,749	25.9877%	\$102,031
20	2043	\$10,780,403	54.1171	\$583,404	25.9877%	\$104,072
21	2044	\$10,996,011	55.1994	\$606,973	25.9877%	\$106,153
22	2045	\$11,215,931	56.3034	\$631,495	25.9877%	\$108,277
23	2046	\$11,440,250	57.4295	\$657,007	25.9877%	\$110,442
24	2047	\$11,669,055	58.5781	\$683,550	25.9877%	\$112,651
25	2048	\$11,902,436	59.7496	\$711,166	25.9877%	\$114,904
26	2049	\$12,140,484	60.9446	\$739,897	25.9877%	\$117,202
27	2050	\$12,383,294	62.1635	\$769,789	25.9877%	\$119,546
28	2051	\$12,630,960	63.4068	\$800,888	25.9877%	\$121,937
29	2052	\$12,883,579	64.6749	\$833,244	25.9877%	\$124,376
30	2053	\$13,141,251	65.9684	\$866,907	25.9877%	\$126,863
Total				\$15,520,742		\$2,898,112

Source: Applicant; MRB Group

Increase in Property Tax Revenue

One fiscal benefit of the Project is the difference between the current taxes the Site generates and those generated under the requested PILOT. The 'Future AV w/o Project' was calculated by escalating the assessed value for the current year by 2% and each year after that. The tax rates for the current year were provided by the Agency and were also escalated by 2% each year. Over 30 years, the Site would generate \$1.4 million in property taxes absent the Project.

Under the requested PILOT, the Project will generate an estimated \$2.9 million in property tax payments. Therefore, the requested PILOT will yield an estimated increase of \$1.5 million in property tax revenue over the current taxes.

Assessed Value - 2023

Jurisdiction	% of Total
Full Market Value	\$1,210,762
Uniform %	55.75%
Current Assessment	\$675,000
Future Assessment	\$2,024

Source: Applicant

Property Tax Payment

Year	PILOT Year	Future AV w/o Project	Tax Rate	Taxes w/o Project	PILOT	Increase in Revenue
1	2024	\$688,500	37.1476	\$25,576	\$71,438	\$45,862
2	2025	\$702,270	37.8906	\$26,609	\$72,867	\$46,258
3	2026	\$716,315	38.6484	\$27,684	\$74,324	\$46,640
4	2027	\$730,642	39.4213	\$28,803	\$75,811	\$47,008
5	2028	\$745,255	40.2098	\$29,967	\$77,327	\$47,361
6	2029	\$760,160	41.0140	\$31,177	\$78,874	\$47,696
7	2030	\$775,363	41.8343	\$32,437	\$80,451	\$48,014
8	2031	\$790,870	42.6709	\$33,747	\$82,060	\$48,313
9	2032	\$806,687	43.5244	\$35,111	\$83,701	\$48,591
10	2033	\$822,821	44.3948	\$36,529	\$85,375	\$48,846
11	2034	\$839,278	45.2827	\$38,005	\$87,083	\$49,078
12	2035	\$856,063	46.1884	\$39,540	\$88,824	\$49,284
13	2036	\$873,184	47.1122	\$41,138	\$90,601	\$49,463
14	2037	\$890,648	48.0544	\$42,800	\$92,413	\$49,613
15	2038	\$908,461	49.0155	\$44,529	\$94,261	\$49,733
16	2039	\$926,630	49.9958	\$46,328	\$96,146	\$49,819
17	2040	\$945,163	50.9957	\$48,199	\$98,069	\$49,870
18	2041	\$964,066	52.0156	\$50,147	\$100,031	\$49,884
19	2042	\$983,348	53.0559	\$52,172	\$102,031	\$49,859
20	2043	\$1,003,014	54.1171	\$54,280	\$104,072	\$49,792
21	2044	\$1,023,075	55.1994	\$56,473	\$106,153	\$49,680
22	2045	\$1,043,536	56.3034	\$58,755	\$108,277	\$49,522
23	2046	\$1,064,407	57.4295	\$61,128	\$110,442	\$49,314
24	2047	\$1,085,695	58.5781	\$63,598	\$112,651	\$49,053
25	2048	\$1,107,409	59.7496	\$66,167	\$114,904	\$48,737
26	2049	\$1,129,557	60.9446	\$68,840	\$117,202	\$48,362
27	2050	\$1,152,148	62.1635	\$71,622	\$119,546	\$47,924
28	2051	\$1,175,191	63.4068	\$74,515	\$121,937	\$47,422
29	2052	\$1,198,695	64.6749	\$77,525	\$124,376	\$46,850
30	2053	\$1,222,669	65.9684	\$80,658	\$126,863	\$46,206
Total				\$1,444,058	\$2,898,112	\$1,454,054

Source: Applicant; MRB

Sales Tax Revenue, Construction Phase

During the Project’s construction phase, we estimated \$5.2 million in earnings for direct and indirect employment. We conservatively estimate that 70% of these earnings, or \$3.6 million, will be spent in Albany County. Of the \$3.6 million in in-County spending, we assume 25%, or \$902,263, will be subject to County sales tax. Applying the County sales tax rate of 4%, we estimate the one-time County sales tax revenue from the construction phase will be \$36,091.

Sales Tax Revenue, Operation Phase

In the previous section of this report, we estimated \$1.9 million in total earnings (p. 9) and \$3.1 million in new household spending (p. 8) occurring within the Town. Using the same methodology above, we estimate the project will result in \$35,314 in annual sales tax revenue to the County. Over the 30-year life of the requested PILOT, this totals \$1.1 million.

Sales Tax Revenue - Construction Phase

Line	Value
Total Construction Earnings	\$5,155,786
% Spent in County	70%
\$ Spent in County	\$3,609,051
% Taxable	25%
\$ Taxable	\$902,263
County Sales Tax Rate	4.00%
\$ County Sales Tax Revenue	\$36,091

Source: MRB

Sales Tax Revenue - Operation Phase

Line	Value
Total Earnings	\$1,896,899
Total Household Spending	\$3,148,008
% Spent in County	70%
\$ Spent in County	\$3,531,435
% Taxable	25%
\$ Taxable	\$882,859
County Sales Tax Rate	4.00%
\$ County Sales Tax Revenue	\$35,314
Revenue Over 30 Years*	\$1,059,431

Source: MRB *Expressed in 2023 dollars.

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 formula⁶ 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.

Using the population figure of 85,590 for the Town of Colonie from the 2020 US Census, we can estimate the anticipated population increase and subsequent sales tax distribution stemming from the Project. Under the assumption of 1.5 persons per household, the 99 housing units will have the capacity to support approximately 149 residents in the Town of Colonie, representative of an approximate 0.17% increase in population.

Noting that the Town has budgeted \$31.7 million in “sales and use tax” revenues in its 2023 budget, we can estimate the proportional increase in sales tax distributions relative to the population increase. We estimate that the Project will lead to \$54,972 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 \$1.6 million over the 30-year life of the PILOT.

New Sales Tax Distributions to Town

Line	Value
Population (2020 Census)	85,590
Households	99
Persons per HH	1.5
New Persons	149
% Increase in Population	0.17350%
Sales Tax Distributions to Town (2023)	\$31,684,098
Increase in Distributions to Town (est.)	\$54,972
Dist. Over 30 Years*	\$1,649,172

Source: Town 2023 Budget, US Census, MRB. *2023 dollars

⁶ 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.

Cost of PILOT Abatement

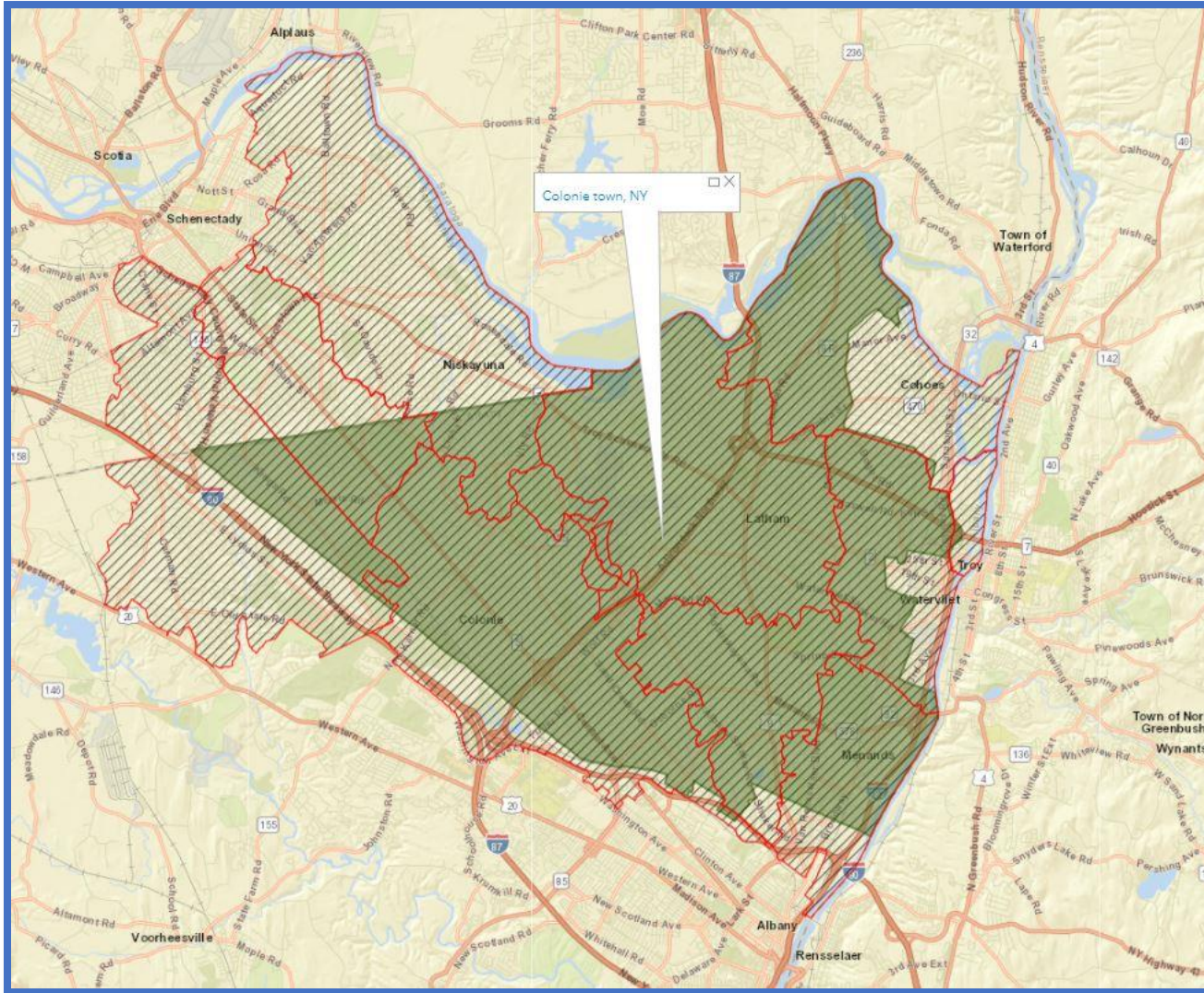
The cost of the PILOT abatement is the difference between the anticipated PILOT payments and the full taxes the project would pay based on the future assessed value of the Project post-construction. Over the 30-year period, we estimate the cost of the PILOT exemption will be \$8.3 million.

Cost of Abatement

Year	PILOT Year	PILOT Payment	Full Taxes	Net Exemption
1	2024	\$71,438	\$274,892	(\$203,454)
2	2025	\$72,867	\$280,390	(\$207,523)
3	2026	\$74,324	\$285,998	(\$211,674)
4	2027	\$75,811	\$291,718	(\$215,907)
5	2028	\$77,327	\$297,552	(\$220,225)
6	2029	\$78,874	\$303,503	(\$224,630)
7	2030	\$80,451	\$309,573	(\$229,122)
8	2031	\$82,060	\$315,765	(\$233,705)
9	2032	\$83,701	\$322,080	(\$238,379)
10	2033	\$85,375	\$328,522	(\$243,147)
11	2034	\$87,083	\$335,092	(\$248,009)
12	2035	\$88,824	\$341,794	(\$252,970)
13	2036	\$90,601	\$348,630	(\$258,029)
14	2037	\$92,413	\$355,603	(\$263,190)
15	2038	\$94,261	\$362,715	(\$268,453)
16	2039	\$96,146	\$369,969	(\$273,822)
17	2040	\$98,069	\$377,368	(\$279,299)
18	2041	\$100,031	\$384,916	(\$284,885)
19	2042	\$102,031	\$392,614	(\$290,583)
20	2043	\$104,072	\$400,466	(\$296,394)
21	2044	\$106,153	\$408,476	(\$302,322)
22	2045	\$108,277	\$416,645	(\$308,369)
23	2046	\$110,442	\$424,978	(\$314,536)
24	2047	\$112,651	\$433,478	(\$320,827)
25	2048	\$114,904	\$442,147	(\$327,243)
26	2049	\$117,202	\$450,990	(\$333,788)
27	2050	\$119,546	\$460,010	(\$340,464)
28	2051	\$121,937	\$469,210	(\$347,273)
29	2052	\$124,376	\$478,594	(\$354,219)
30	2053	\$126,863	\$488,166	(\$361,303)
Total		\$2,898,112	\$11,151,855	(\$8,253,744)

Source: Applicant; MRB Group

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)