

# Lincoln Avenue Development, 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 Lincoln Avenue Development, LLC (the “Applicant”) related to a currently vacant property (the “Property”) at 950 First Street (the “Site”) in the Town of Colonie (the “Town”). The Applicant proposes constructing 165,000-square-foot of speculative flexible warehousing space across two buildings (the “Project”). The Applicant is requesting a property tax abatement, an exemption of the mortgage recording tax, and an exemption of 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. In addition to the one-time abatement of the sales and use tax and the mortgage recording tax, the Applicant requests a property tax abatement over a seven-year period.

The Project’s economic impacts are associated with the construction of a new 120,000-square-foot building and a new 45,000 square foot building, and the employment associated with business operations at the Site. The fiscal impacts of the Project are related to various tax revenues and exemptions. Below are the results of our analyses.

In terms of economic impacts, we estimate the construction of the Project will result in 35 construction jobs earning \$4.3 million in direct earnings. These direct impacts yield indirect impacts of 18 jobs and \$1.3 million in earnings for a total impact of 53 jobs and \$5.6 million in earnings. Once renovations are complete, MRB estimates that the Project could support 66 direct and indirect jobs and \$2.6 million in earnings.

### Summary of Economic Impacts

	Direct	Indirect	Total
Construction Jobs	35	18	53
Construction Wages	\$4,311,936	\$1,302,856	\$5,614,791
Ongoing Jobs	52	14	66
Ongoing Wages	\$2,080,000	\$535,790	\$2,615,790

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 \$39,304, as construction workers spend a portion of their wages locally. Similarly, new employees of the Project will also spend a portion of their wages locally. We estimate this spending will generate \$128,174 in sales tax revenue over the first seven years of operations. Once the Project is constructed, the increase in the Property's assessed value will result in an increase in property taxes generated at the Site of approximately \$1.9 million. In total, the fiscal benefits of the Project are estimated at \$2.0 million.

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 \$534,000. The requested mortgage recording tax exemption is \$192,000. The property tax exemption is estimated at \$2.5 million over the seven-year period.

### Summary of Fiscal Benefits

Source	Total
Sales Tax, One-Time	\$39,304
Sales Tax, Operations, 7 Years	\$128,174
Increase in Property Tax Revenue, 7 Years	\$1,855,864
<b>Total Fiscal Benefits Over 7 Years</b>	<b>\$2,023,341</b>

### Summary of Exemptions

	Total
Sales Tax Exemption	\$534,000
Mortgage Recording Tax Exemption	\$192,000
PILOT Exemption, 7 Years	\$2,460,712

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## Introduction

The Town of Colonie Industrial Development Agency received an application for financial assistance from Lincoln Avenue Development, LLC related to a currently vacant property at 950 First Street in the Town of Colonie. The Applicant proposes constructing 165,000-square-feet of speculative flexible warehousing space across two buildings. The Applicant is requesting a property tax abatement, an exemption of the mortgage recording tax, and an exemption of 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. In addition to the one-time abatement of the sales and use tax and the mortgage recording tax, the Applicant requests a property tax abatement over a seven-year period.

## 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 Applicant 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 \$23.1 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, we conservatively estimate that 50% of the materials and labor cost will be spent in Albany County, or roughly \$11.5 million.

We estimate that \$11.5 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 construction of the Project will support 35 construction jobs earning \$4.3 million in direct earnings. Coupled with indirect impacts, the total impact of the Project will be 53 jobs, \$5.6 million in earnings, and \$15.2 million in sales.

### Construction Spending In Region

	\$ Total	% County	\$ County
Materials & Labor	\$23,050,000	50%	\$11,525,000

Source: Applicant, MRB

### Economic Impact of Construction Phase, One-Time

	Direct	Indirect	Total
Jobs	35	18	53
Earnings	\$4,311,936	\$1,302,856	\$5,614,791
Sales	\$11,525,000	\$3,714,180	\$15,239,180

Source: Lightcast, MRB

<sup>3</sup> This figure was derived from the total project cost of \$24 million as stated in 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 tenants of the warehousing space. Though a tenant has not yet been identified, the Applicant has provided an estimate of the anticipated employment at the Site. According to the Applicant, the Site will employ approximately 16 managerial-level employees, 15 skilled employees, and 21 unskilled employees, for a total of 52 employees. The Applicant has also stated that the average salary for these positions is expected to be \$40,000 per job on an annual basis. In total, the Applicant estimates 52 jobs earning \$2.1 million at the Facility annually.

The onsite employment at the site will result in the economic impacts shown in the table to the right. The 52 on-site jobs will generate an estimated \$2.1 million in direct earnings and \$4.3 million in direct sales. The total impacts of the onsite employment are estimated at 66 jobs earning \$2.6 million in earnings and \$5.8 million in sales.

### Estimated Operational Employment

Position	Count	Avg. Salary	Total
Manager	16	\$40,000	\$640,000
Skilled	15	\$40,000	\$600,000
Unskilled	21	\$40,000	\$840,000
<b>Total</b>	<b>52</b>		<b>\$2,080,000</b>

Source: Applicant

### Economic Impact, Operations and Maintenance of Project

	Direct	Indirect	Total
Jobs	52	14	66
Earnings	\$2,080,000	\$535,790	\$2,615,790
Sales	\$4,288,908	\$1,541,456	\$5,830,364

Source: Lightcast, MRB



## Fiscal Impact Analysis

The fiscal benefit of the Project is the increase in tax revenue generated by the Project and the fiscal cost of the project is the assistance requested by the Applicant in the form of a mortgage recording tax exemption, a sales and use tax exemption and a PILOT.

Estimates on current and full taxes were calculated using the Site’s current and future assessed value, as well as the current tax rates. The current assessed value of \$1.0 million (Current AV) was obtained from the Site’s tax bill for the current year. The future assessed value of \$6.9 million (Future AV) was provided by the Applicant. The current property tax rates were obtained from the Site’s current tax bill and confirmed with the Agency.

### Assessed Value - 2023

Jurisdiction	% of Total
Full Market Value	\$1,614,350
Uniform %	55.75%
Current AV	\$1,000,000
Future AV	\$17,400,000
Escalation Factor	2%

Source: Applicant; MRB

### PILOT Schedule

The proposed seven-year PILOT schedule is shown in the table to the right. The Applicant is requesting a PILOT term that is 10% of the Site’s full tax obligation in year 1, increasing by 10% each year for the first four years, then by 15% in the following three years. Under the proposed schedule, the Site will be fully taxable after 8 years. Over the requested PILOT term, the Project will generate an estimated \$2.1 million in property tax revenue.

### PILOT Schedule

Year	Future AV	Tax Rate	Full Taxes	Payment %	PILOT Payment
1	\$17,400,000	33.2840	\$579,141	10%	\$57,914
2	\$17,748,000	33.9496	\$602,538	20%	\$120,508
3	\$18,102,960	34.6286	\$626,881	30%	\$188,064
4	\$18,465,019	35.3212	\$652,207	40%	\$260,883
5	\$18,834,320	36.0276	\$678,556	55%	\$373,206
6	\$19,211,006	36.7482	\$705,969	70%	\$494,179
7	\$19,595,226	37.4831	\$734,491	85%	\$624,317
			<b>\$4,579,782</b>		<b>\$2,119,070</b>

Source: Applicant; MRB

## Property Tax Revenue

The table below displays the increase in property tax revenue generated by the Site under the requested PILOT term. The 'Taxes w/o Project' represents the current taxes generated by the Site in its current state. Over the seven-year PILOT term, the project will generate an estimated \$1.8 million more in property tax revenue than it would absent the Project.

### Property Tax Payment

Year	Future AV w/o Project	Tax Rate	Taxes w/o Project	PILOT	Increase in Revenue
1	\$1,000,000	33.28396	\$33,284	\$57,914	\$24,630
2	\$1,020,000	33.94964	\$34,629	\$120,508	\$85,879
3	\$1,040,400	34.62863	\$36,028	\$188,064	\$152,037
4	\$1,061,208	35.32120	\$37,483	\$260,883	\$223,400
5	\$1,082,432	36.02762	\$38,997	\$373,206	\$334,208
6	\$1,104,081	36.74818	\$40,573	\$494,179	\$453,606
7	\$1,126,162	37.48314	\$42,212	\$624,317	\$582,105
			<b>\$263,206</b>	<b>\$2,119,070</b>	<b>\$1,855,864</b>

Source: Applicant; MRB

### Sales Tax Revenue, Construction Phase

In the previous section of this report, we estimated \$5.6 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 \$39,304 in sales tax revenue during construction.

### Sales Tax Revenue - Construction Phase

Line	Value
Total Construction Earnings	\$5,614,791
% Spent in County	70%
\$ Spent in County	\$3,930,354
% Taxable	25%
\$ Taxable	\$982,588
County Sales Tax Rate	4.00%
\$ County Sales Tax Revenue	\$39,304

Source: MRB

### Sales Tax Revenue, Operation Phase

Using the same methodology as above, we estimate the Project will result in \$18,311 in annual sales tax revenue to the County associated with the new earnings during the operation of the Facility. Over seven years, we estimate the Project will generate \$128,174 in sales tax revenue.

### Sales Tax Revenue - Operation Phase

Line	Value
Total Earnings	\$2,615,790
% Spent in County	70%
\$ Spent in County	\$1,831,053
% Taxable	25%
\$ Taxable	\$457,763
County Sales Tax Rate	4.00%
\$ County Sales Tax Revenue	\$18,311
Revenue Over 7 Years*	\$128,174

Source: MRB \*Expressed in 2023 dollars.

### Cost of Property Tax Abatement

The table below shows the fiscal cost of the property tax abatement over seven years. The 'Full Taxes' column is the calculated tax obligation for the Site absent a PILOT payment – currently estimated at \$4.6 million over seven years. When subtracting out the anticipated PILOT payments, the difference is \$2.5 million over seven years.

### Cost of Abatement

Year	PILOT Payment	Full Taxes	Net Exemption
1	\$57,914	\$579,141	(\$521,227)
2	\$120,508	\$602,538	(\$482,030)
3	\$188,064	\$626,881	(\$438,816)
4	\$260,883	\$652,207	(\$391,324)
5	\$373,206	\$678,556	(\$305,350)
6	\$494,179	\$705,969	(\$211,791)
7	\$624,317	\$734,491	(\$110,174)
	<b>\$2,119,070</b>	<b>\$4,579,782</b>	<b>(\$2,460,712)</b>

Source: Applicant; MRB

### Cost of Other Exemptions

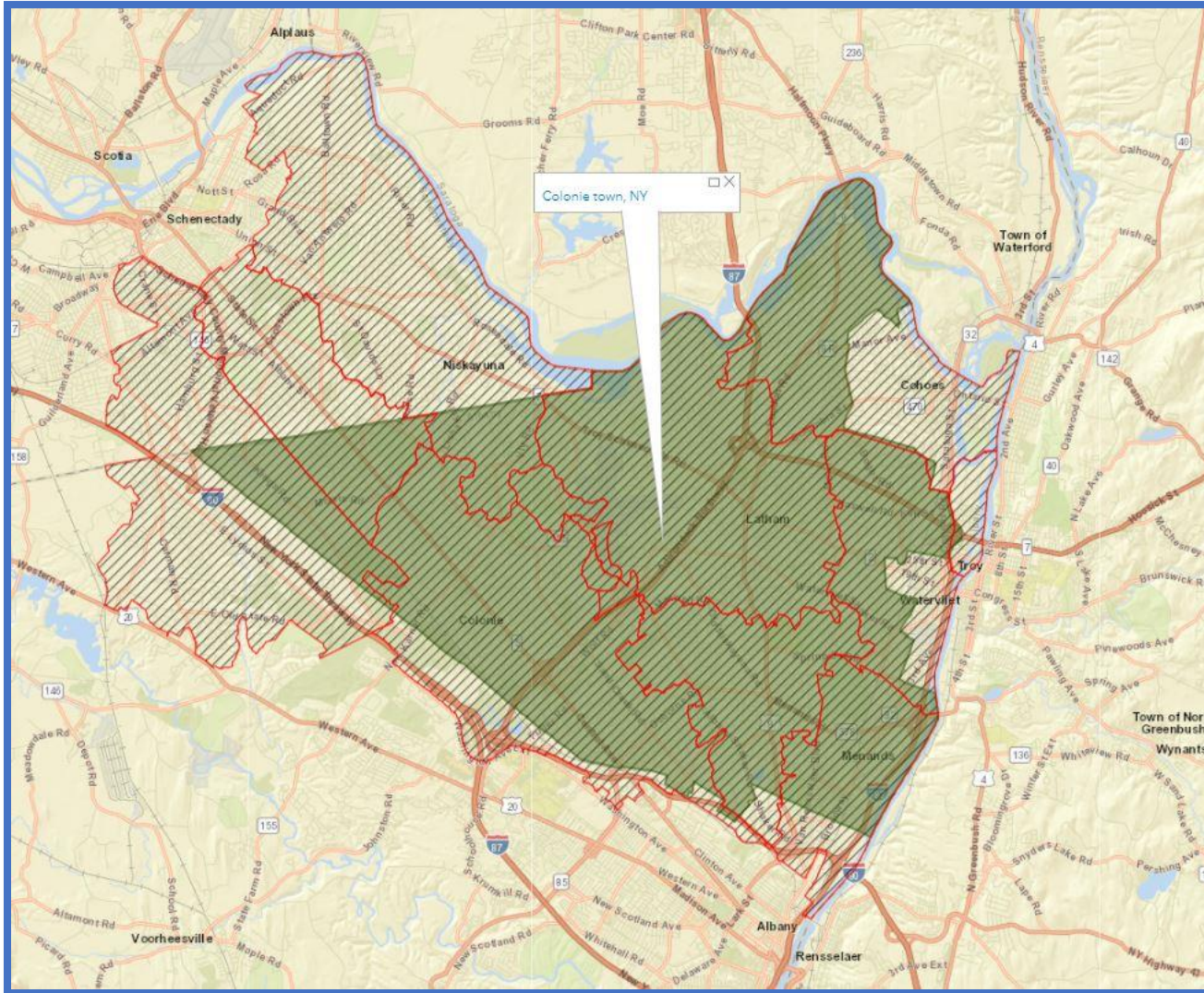
The Applicant has requested an exemption from the sales and use tax of \$534,000. The Applicant also requests a mortgage recording tax exemption valued at \$192,000, including state and county portions.

### Cost of Exemptions

Line	Value
Sales Tax Exemption	\$534,000
Mortgage Recording Tax Exemption	\$192,000

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)