

VF Lear Jet, 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 VF Lear Jet, LLC (the "Applicant") related to a currently vacant property at 2 Lear Jet Lane (the "Site") in the Town of Colonie (the "Town"). The Applicant proposes constructing 54,000 square-feet of speculative flexible warehousing space across three buildings (the "Project"). The Applicant is requesting 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.

The Project's economic impacts are associated with the construction of three flex-space industrial buildings and the employment associated with business operations of future tenants at the Site. The fiscal impacts of the Project are related to various tax revenues and exemptions.

In terms of economic impacts, we estimate the construction of the Project will result in 16 local construction jobs earning \$1.9 million in direct earnings. These direct impacts yield indirect impacts of 8 jobs and \$571,101 in earnings for a total impact of 24 jobs and \$2.5 million in earnings.

Once renovations are complete and tenants occupy the buildings, MRB estimates that the Project could support 60 direct and indirect jobs and \$1.1 million in earnings.

Summary of Economic Impacts

	Direct	Indirect	Total
Construction Jobs	16	8	24
Construction Wages	\$1,890,993	\$571,101	\$2,462,095
Ongoing Jobs	25	35	60
Ongoing Wages	\$780,000	\$338,631	\$1,118,631

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 \$17,235, 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 \$54,813 in sales tax revenue over the first seven years of operations¹. Once the Project is constructed, the increase in the Site’s assessed value will result in an increase in property taxes generated at the Site of approximately \$645,360 over seven years. In total, the fiscal benefits of the Project are estimated at \$717,408.

The Project will also have fiscal costs associated with the Applicant’s requested exemptions. The requested sales and use tax exemption during the construction phase is \$256,000. The requested mortgage recording tax exemption is \$65,000.

Summary of Fiscal Benefits

Source	Total
Sales Tax, One-Time	\$17,235
Sales Tax, Operations, 7 Years	\$54,813
Increase in Property Tax Revenue, 7 Years	\$645,360
Total Fiscal Benefits Over 7 Years	\$717,408

Summary of Exemptions

	Total
Sales Tax Exemption	\$256,000
Mortgage Recording Tax Exemption	\$65,000

¹ Normally, MRB would analyze the costs and benefits for the duration of the PILOT. Since this project does not have a PILOT, we have chosen a seven-year analysis to match other analyses done for previous IDA projects.

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Introduction

The Town of Colonie Industrial Development Agency received an application for financial assistance from VF Lear Jet, LLC related to a currently vacant property at 2 Lear Jet Lane in the Town of Colonie. The Applicant proposes constructing 54,000 square-feet of speculative flexible warehousing space across three buildings. The Applicant is requesting 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.

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.²

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 construction of the Project.
- 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 tenant 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)³ 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.

² 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 on 10 ZIP codes, which closely approximates the Town. A full list of 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

According to the Applicant, approximately \$9.8 million will be invested in the Project for materials and labor, a portion of which will be spent locally⁴. In correspondence with the Agency, we conservatively estimate that 50% of the materials and labor cost will be spent in Albany County, or roughly \$4.9 million.

We estimate that \$4.9 million in local spending will translate to the economic impacts in the County, as shown in the table to the right.⁵ We estimate that the construction of the Project will support 16 local construction jobs earning \$1.9 million in direct earnings. Coupled with indirect impacts, the total impact of the Project will be 24 jobs, \$2.5 million in earnings, and \$6.5 million in sales.

Construction Spending In Region

	\$ Total	% County	\$ County
Materials & Labor	\$9,750,000	50%	\$4,875,000

Source: Applicant, MRB

Economic Impact of Construction Phase, One-Time

	Direct	Indirect	Total
Jobs	16	8	24
Earnings	\$1,890,993	\$571,101	\$2,462,095
Sales	\$4,875,000	\$1,674,394	\$6,549,394

Source: Lightcast, MRB

⁴ This figure was derived from the total project cost of \$11 million as stated in the application, netting out the cost of acquisition, legal and financial charges.

⁵ 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 tenants of the warehousing space. Though a tenant has not yet been identified, the Applicant stated that their projects typically draw medical tenants that supply the region or service medical professionals.⁶ According to the Applicant, the Site will employ approximately 25 people by the end of year 2, following the Project’s completion. The Applicant estimated that the anticipated total payroll at this site will be \$780,000 annually for these positions.

The onsite employment at the site will result in the economic impacts shown in the table to the right. The 25 on-site jobs will generate an estimated \$780,000 million in direct earnings and \$2.4 million in direct sales. Together with the indirect impacts, the total impacts of the onsite employment are estimated at 60 jobs earning \$1.1 million and associated with \$3.2 million in sales.

Estimated Operational Employment

	Count	Avg. Salary	Total
Year 1	10	\$31,200	\$312,000
Year 2	15	\$31,200	\$468,000
Total	25		\$780,000

Source: Applicant

Economic Impact, Operations at Project Site

	Direct	Indirect	Total
Jobs	25	35	60
Earnings	\$780,000	\$338,631	\$1,118,631
Sales	\$2,357,869	\$876,169	\$3,234,037

Source: Lightcast, MRB

⁶ We applied the NAICS code of 423450 “Medical, Dental, and Hospital Equipment and Supplies Merchant Wholesalers” in the Lightcast Modeling System.

Fiscal Impact Analysis

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

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 \$320,000 (Current AV) was obtained from the Site’s tax bills for the current year. The future assessed value of \$2.6 million (Future AV) was estimated based on discussions with the Town’s assessor and project parameters 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	\$627,500
Uniform %	55.75%
Current AV	\$320,000
Future AV	\$2,550,000
Escalation Factor	2%

Source: Applicant; MRB

Property Tax Revenue

The table below displays the increase in property tax revenue generated by the Site. The 'Taxes w/o Project' column represents the current taxes generated by the Site in its current state, escalated at 2% per year. The 'Taxes with Project' is based on the assumed future assessed value, also escalating at 2% per year. Therefore, over a seven-year term, the Project will generate an estimated \$645,360 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	Taxes with Project	Increase in Revenue
1	\$320,000	36.59627	\$11,711	\$93,320	\$81,610
2	\$326,400	37.32820	\$12,184	\$97,091	\$84,907
3	\$332,928	38.07476	\$12,676	\$101,013	\$88,337
4	\$339,587	38.83626	\$13,188	\$105,094	\$91,906
5	\$346,378	39.61298	\$13,721	\$109,340	\$95,619
6	\$353,306	40.40524	\$14,275	\$113,757	\$99,482
7	\$360,372	41.21335	\$14,852	\$118,353	\$103,501
			\$92,608	\$737,968	\$645,360

Source: Applicant; MRB

Sales Tax Revenue, Construction Phase

In the previous section of this report, we estimated \$2.5 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 \$17,235 in sales tax revenue during construction.

Sales Tax Revenue - Construction Phase

Line	Value
Total Construction Earnings	\$2,462,095
% Spent in County	70%
\$ Spent in County	\$1,723,466
% Taxable	25%
\$ Taxable	\$430,867
County Sales Tax Rate	4.00%
\$ County Sales Tax Revenue	\$17,235

Source: MRB

Sales Tax Revenue, Operation Phase

Using the same methodology as above, we estimate the Project will result in \$7,830 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 \$54,813 in sales tax revenue.

Sales Tax Revenue - Operation Phase

Line	Value
Total Earnings	\$1,118,631
% Spent in County	70%
\$ Spent in County	\$783,041
% Taxable	25%
\$ Taxable	\$195,760
County Sales Tax Rate	4.00%
\$ County Sales Tax Revenue	\$7,830
Revenue Over 7 Years*	\$54,813

Source: MRB *Expressed in 2023 dollars.

Cost of Exemptions

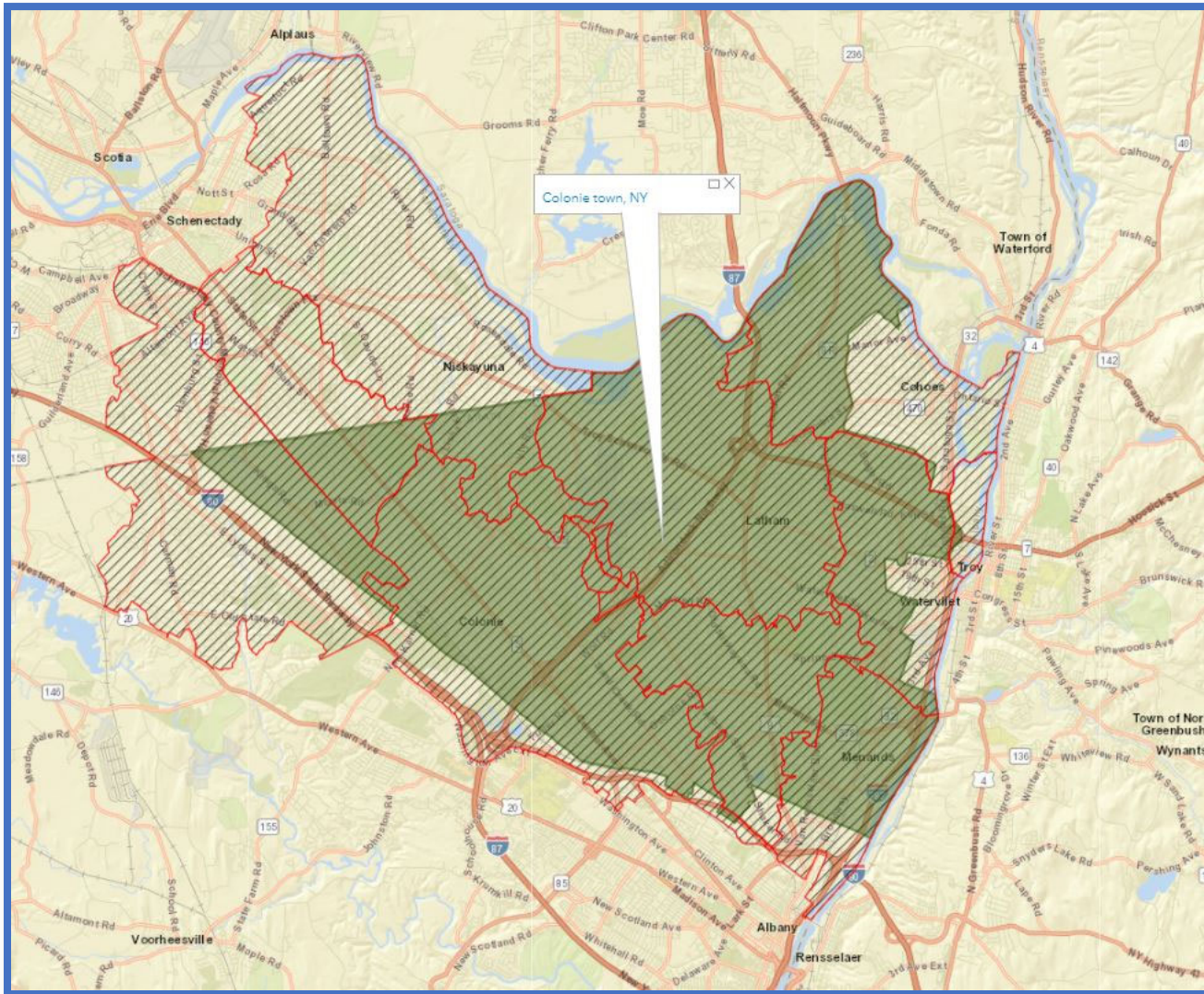
The Applicant has requested an exemption from the sales and use tax of \$256,000. The Applicant also requested a mortgage recording tax exemption valued at \$65,000, including state and county portions.

Cost of Exemptions

Line	Value
Sales Tax Exemption	\$256,000
Mortgage Recording Tax Exemption	\$65,000

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)