

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY
LOCAL DEVELOPMENT CORPORATION**



MEMORANDUM #23-12

TO: Board of Directors
FROM: Sean Maguire, CEO/Executive Director
CC: Rick Field, Town Board Liaison
DATE: July 28, 2023
SUBJECT: 2 Lear Jet Lane Amendment

Summary

In June, the Board approved the VF Lear Let Lane, LLC project located a 2 Lear Jet Lane. The Board was informed that since the initial application, the total capital investment has grown to more than \$11 million. The costs subject to the application for financial assistance increased from \$8,625,000 to \$9,380,000 or 9%. As a result, the assistance requested for the project had increased from \$321,000 on the original application to \$415,000, a 29% increase that is attributed to the 31% increase in material costs. This information was included in an addendum letter to the application but was not captured in the cost-benefit analysis nor the final resolution. The total value of the assistance should have been presented at \$415,000 as stated in the addendum to the application. I respectfully request that the Board amend its approval of the project as requested and due to the overall increase in project costs.

Cost-Benefit Analysis

The original cost-benefit analysis for the project was reviewed to assess the impact of the request. In the initial analysis, the fiscal impacts of the project over the seven-year reporting period include a cost in the form of mortgage recording and sales tax exemptions of \$321,000 but with offsetting benefits of \$717,408 in the form of sales tax generated in the Project's operations and an increase to property taxes in the Town. We have extrapolated the impact of that increase.

Since the overall increase is related to the cost of materials, we do not expect there to be any increase to the number of jobs impacted by the project. An update to the full cost-benefit

analysis may suggest a marginal increase as these figures are often connected with project cost, but I have opted to take a conservative approach and not include that here.

It is estimated that 50% of the materials and labor cost will be spent in Albany County. In this case we can expect additional spending of \$493,500 in construction spending locally versus an increased sales and use tax exemption of \$79,000 with is a benefit-cost ratio of 6.24:1.

The original benefit-cost ratio for investment to assistance was 26.87:1. If approved, the ratio changes to 22.60:1. Since we conservatively projecting no increase in jobs and those costs are simply reflecting economic conditions in the supply chain, this is an expected outcome.

Statutory Considerations

In recognition of this amendment, I've restated the related requirements of the cost-benefit analysis according to GML 859-a(5)(b).

The extent to which a project will create or retain permanent, private sector jobs.

As noted in the application, the Project is estimated to create 25 jobs. Further, in the analysis by MRB Group, it is estimated that the project could support as many as 60 direct and indirect jobs. No additional increase is expected due to the increase in cost of materials.

The estimated value of any tax exemptions to be provided.

The applicant states in that the Project is requesting \$415,000 in total assistance.

The amount of private sector investment generated or likely to be generated by the proposed project.

The applicant states that the project will result in capital investment of more than \$11 million. The capital investment costs subject to the application for financial assistance is \$9,380,000.

The extent to which the proposed project will provide additional sources of revenue for municipalities and school district.

In its analysis, the MRB Group estimates that the project will result in a total increase of \$645,360 in property taxes over the seven-year reporting period of the project. The property taxes generated without the project are estimated to be \$92,608 and the property taxes with the project area estimated to be \$737,968. No significant increase to the original estimate is projected as a result of the increase cost of materials.