



Starlite Associates, 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 Starlite Associates, LLC (the “Applicant”) related to a currently vacant property at 85 Coliseum Drive (the “Site”) in the Town of Colonie (the “Town”). The Applicant proposes constructing 135,000 square-feet of class A office space that will serve as the new headquarters of the New York State Insurance Fund (NYSIF) (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 the office building and the employment associated with business operations of NYSIF 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 45 local construction jobs earning \$6.5 million in direct earnings. These direct impacts yield indirect impacts of 25 jobs and \$1.9 million in indirect earnings for a total impact of 70 jobs and \$8.3 million in earnings.

Once renovations are complete and NYSIF occupies the buildings, MRB estimates that the Project could support 1,972 direct and indirect jobs and \$87.0 million in earnings.

Summary of Economic Impacts

	Direct	Indirect	Total
Construction Jobs	45	25	70
Construction Wages	\$6,496,150	\$1,852,278	\$8,348,427
Ongoing Jobs	600	1,372	1,972
Ongoing Wages	\$48,000,000	\$38,997,259	\$86,997,259

Fiscal impacts of the Project include sales tax revenue associated with the local spending during both the construction and operation phases. We estimate the new sales tax revenue generated during the construction phase will be \$58,439, 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 \$608,981 in sales tax revenue on an annual basis.

The Project will also have fiscal costs associated with the Applicant’s requested exemptions. The local portion of the requested sales and use tax exemption during the construction phase is \$2.1 million. The local portion of the requested mortgage recording tax exemption is \$463,500.

Summary of Fiscal Benefits

Source	Total
Sales Tax, One-Time	\$58,439
Sales Tax, Operations, Annual	\$608,981

Summary of Exemptions

	Total
Sales Tax Exemption	\$2,060,000
Mortgage Recording Tax Exemption	\$463,500

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Introduction

The Town of Colonie Industrial Development Agency received an application for financial assistance from Starlite Associates, LLC related to a currently vacant property at 85 Coliseum Drive in the Town of Colonie. The Applicant proposes constructing 135,000 square-feet of class A office space that will serve as the new headquarters of the New York State Insurance Fund (NYSIF). 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.¹

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)² 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.

¹ 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.

² 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 15% of the Project’s \$111.6 million in construction costs will be spent locally³. Therefore, in total, the Project will result in \$16.7 million in local spending over the construction phase.

We estimate that \$16.7 million in local spending will translate to the economic impacts in the County, as shown in the table to the right.⁴ We estimate that the construction of the Project will support 45 local construction jobs earning \$6.5 million in direct earnings. Coupled with indirect impacts, the total impact of the Project will be 70 jobs, \$8.3 million in earnings, and \$22.2 million in sales.

Construction Spending In County

	Total \$	% in-County	\$ in-County
Materials and Labor	\$111,571,434	15%	\$16,735,715

Source: Applicant, MRB

Economic Impact of Construction

	Direct	Indirect	Total
Jobs	45	25	70
Earnings	\$6,496,150	\$1,852,278	\$8,348,427
Sales	\$16,735,715	\$5,541,716	\$22,277,432

Source: Applicant; Lightcast

³ From within Albany County.

⁴ 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 Project. According to the Applicant, the Site will create approximately 600 jobs earning an average of \$80,000 annually. In total, the Project’s 600 jobs will generate \$48.0 million in earnings annually.

The onsite employment at the site will result in the economic impacts shown in the table to the right. The 600 on-site jobs will generate an estimated \$48.0 million in direct earnings and \$280.5 million in direct sales. Together with the indirect impacts, the total impacts of the onsite employment are estimated at 1,972 jobs earning \$87.0 million in wages and \$388.4 million in sales.

Onsite Employment

Line	Value
Job Count	600
Average Salary	\$80,000
Total Earnings	\$48,000,000

Source: Applicant

Economic Impact of Operations

	Direct	Indirect	Total
Jobs	600	1,372	1,972
Earnings	\$48,000,000	\$38,997,259	\$86,997,259
Sales	\$280,468,622	\$107,916,743	\$388,385,365

Source: Applicant; Lightcast

Fiscal Impact Analysis

The fiscal benefit of the Project is the increase in sales 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.

Sales Tax Revenue, Construction Phase

In the previous section of this report, we estimated \$8.3 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 \$58,439 in sales tax revenue during construction.

Sales Tax Revenue - Construction Phase

Line	Value
Total Construction Earnings	\$8,348,427
% Spent in County	70%
\$ Spent in County	\$5,843,899
% Taxable	25%
\$ Taxable	\$1,460,975
County Sales Tax Rate	4%
\$ County Sales Tax Revenue	\$58,439

Source: MRB

Sales Tax Revenue, Operation Phase

Using the same methodology as above, we estimate the Project will result in \$608,981 in annual sales tax revenue to the County associated with the new earnings during the operation of the Facility.

Sales Tax Revenue - Operation Phase

Line	Value
Total Operation Earnings	\$86,997,259
% Spent in County	70%
\$ Spent in County	\$60,898,081
% Taxable	25%
\$ Taxable	\$15,224,520
County Sales Tax Rate	4%
\$ County Sales Tax Revenue	\$608,981

Source: MRB

Cost of Exemptions

The Applicant has requested an exemption from the sales and use tax of \$4.1 million, the local portion of which is \$2.1 million. The Applicant also requested a mortgage recording tax exemption (MRTE) valued at \$927,000, the local portion of which is \$463,500.

Cost of Sales Tax Exemption, County

Line	Value
Sales Tax Exemption	\$4,120,000
County	4%
State	4%
County Exemption	\$2,060,000

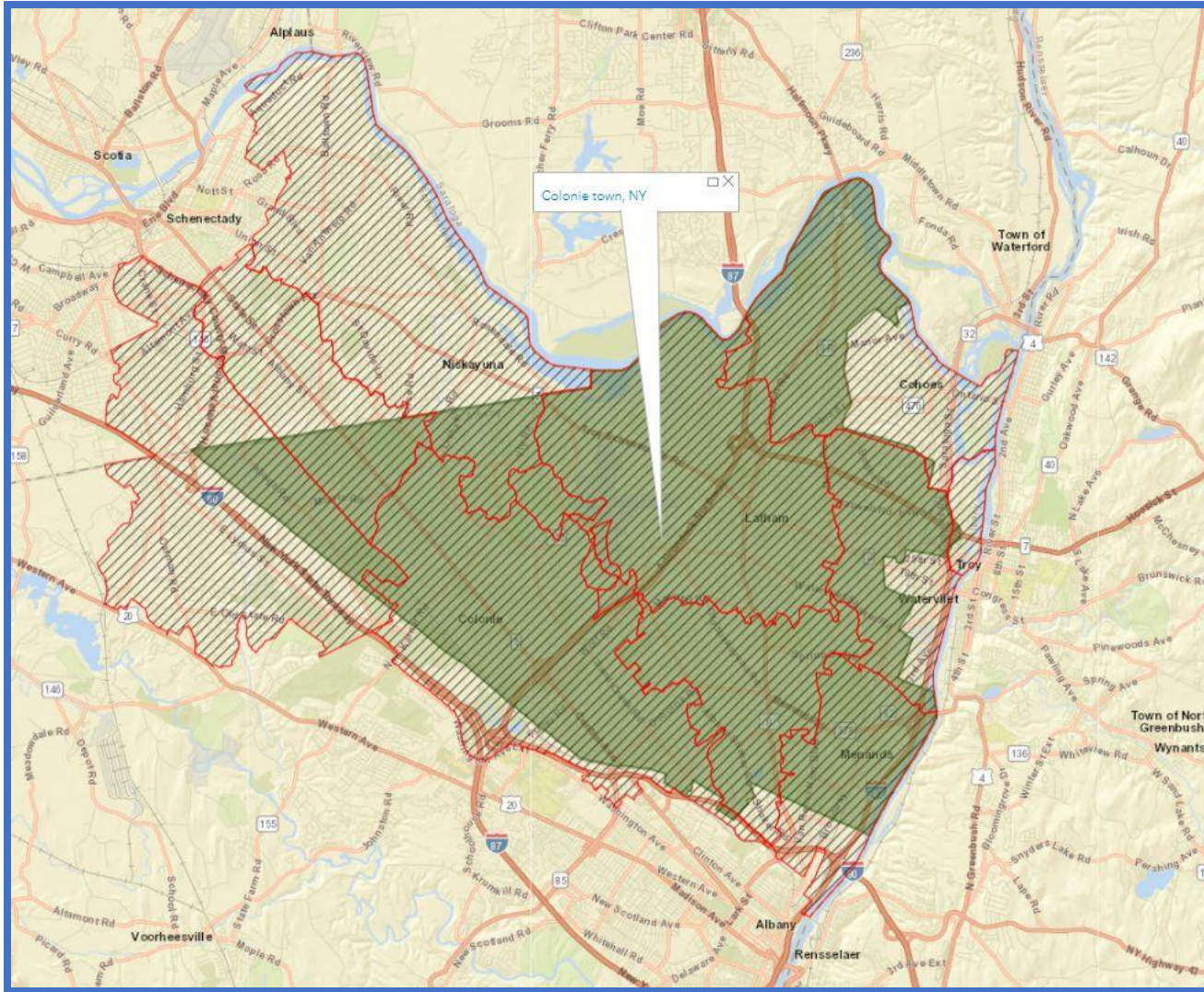
Source: Applicant; MRB

Cost of MRTE, County

Line	Value
MRTE	\$927,000
County	0.5%
State	0.5%
County Exemption	\$463,500

Source: Applicant; MRB

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)