Ford Block:

Cost-Benefit Analysis

Prepared by:

MRB group

Prepared for:
Otsego County IDA

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Executive Summary

The County of Otsego Industrial Development Agency (the "Agency") received an application for financial assistance from Springbrook NY, Inc. on behalf of a to-be-formed special-purpose entity Ford Block Oneonta, LLC (the "Applicant") related to a proposed project located on the upper two stories of 186-212 Main Street in the City of Oneonta (the "Site" and the "Ford Block"). The proposed project includes the renovation of currently vacant upper stories into 24 workforce housing units and associated furniture, fixtures, and equipment (the "Project"). These units will be income-restricted to individuals earning up to 80% of the area's median income. The Agency requested a cost-benefit analysis from MRB Group to enumerate the economic benefits and costs of the Project on the County, as part of the Agency's deliberations.

MRB Group conducted an assessment of the economic and fiscal impacts of the Project, for both one-time construction impacts and ongoing impacts of operations that will stem from new household spending. The effects considered in this analysis include direct and indirect changes to jobs, sales, and expenditures in the region. Economic impacts associated with estimates of "net new" spending stem from household expenditures of future occupants of the Site. The fiscal impacts of the Project include one-time and ongoing new tax revenue as well as the presumed costs of the financial assistance being considered by the Agency.

The Applicant provided estimates for both the level of spending and the percentage of locally-sourced materials and labor associated with the construction of the Project. Using these estimates, we assessed the one-time economic impact of construction. The construction phase of the Project will create 29 direct, on-site construction jobs and 5 indirect jobs. Therefore, in total, the construction phase of the Project will create 34 jobs and generate $1.3 million in wages.

Summary of Economic Impacts

	Direct	Indirect	Total
Construction Jobs	29	5	34
Construction Wages	$1,105,400	$198,569	$1,303,969
Ongoing Jobs	5	2	7
Ongoing Wages	$184,686	$60,669	$245,355

Upon completion of the Project, we estimate that the spending of "net new" households will yield 7 total jobs and $245,355 in associated wages.

In terms of costs, the Applicant has requested a sales tax exemption, a mortgage recording tax exemption, and a property tax exemption. The cost of the sales tax exemption to the County and State is $210,000, and the cost of the mortgage recording tax exemption is $58,000. The cost associated with the requested PILOT is $1.3 million. However, the Applicant has noted that, without this assistance from the Agency, the Project will not move forward. As such, these costs are only hypothetical in nature.

Summary of Fiscal Impacts

Costs Over 25 Years	Total
Sales Tax Exemption	$210,000
Mortgage Recording Tax Exemption	$58,000
PILOT Exemption	$1,260,151
Benefits Over 25 Years	**Total**
Sales Tax, One-Time, County	$9,128
Sales Tax, Operations, County	$147,940
PILOT Payments, Increase Over Base	$648,924

In term of fiscal benefits,[1] based upon our estimated construction-phase earnings, we estimate a one-time sales tax revenue impact to the County of $9,128. Over 25 years, we estimate that Otsego County will benefit from sales tax revenues of $147,940 related to the new household spending.[2] Under the requested PILOT, the Project will generate $1.8 million in PILOT payments over 25 years, which represents an increase of $648,924 in payments over the base case (i.e. property taxes paid on the current assessment without the Project).

[1] Note that while we report the entire cost of the exemptions to both state and local government, we are reporting only those fiscal benefits that accrue to the County.

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Introduction

The County of Otsego Industrial Development Agency received an application for financial assistance from the Applicant related to a proposed project located on the upper two stories of 186-212 Main Street in the City of Oneonta. The proposed project includes the renovation of currently vacant upper stories into 24 workforce housing units and associated furniture, fixtures, and equipment. These units will be income-restricted to individuals earning up to 80% of the area's median income. The Agency requested a cost-benefit analysis from MRB Group to enumerate the economic benefits and costs of the Project on the County, as part of the Agency's deliberations.

MRB Group conducted an assessment of the economic and fiscal impacts of the Project, for both one-time construction impacts and ongoing impacts of operations that will stem from new household spending. The effects considered in this analysis include direct and indirect changes to jobs, sales, and expenditures in the region. Economic impacts associated with estimates of "net new" spending stem from household expenditures of future occupants of the Site. The fiscal impacts of the Project include one-time and ongoing new tax revenue as well as the presumed costs of the financial assistance being considered by the Agency. Below are the results of our analyses.

Multifamily Real Estate Market Review

Prior to calculating the economic and fiscal impacts of the Project, we first determined how many of the future households of the Project can be considered "net new" to the County.

There are several circumstances for which households would be considered net new:

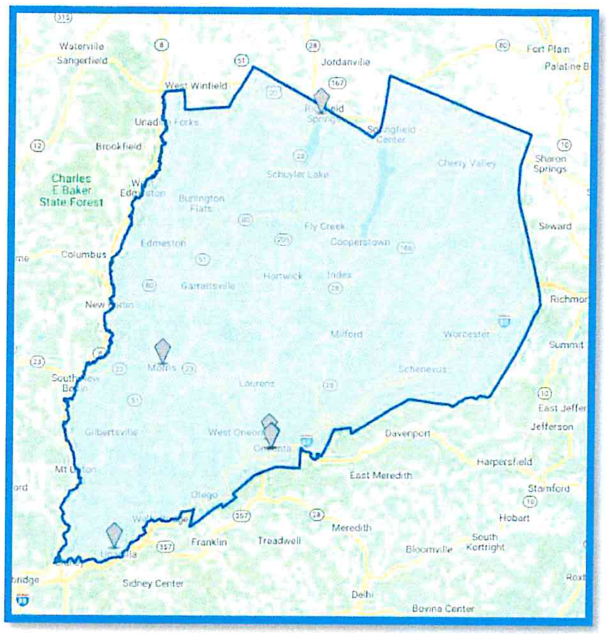
1) Out-of-area residents choosing to relocate to the County because of the Project.
2) Current County residents that would otherwise relocate outside of the County if the option to live in the Project were unavailable.
3) Current County residents that will move into the Project, freeing up their former Otsego County residences that will then be occupied by new County residents.

Therefore, this section of the report provides a review of certain key indicators relating to the current supply and demand trends of affordable housing units in Otsego County.

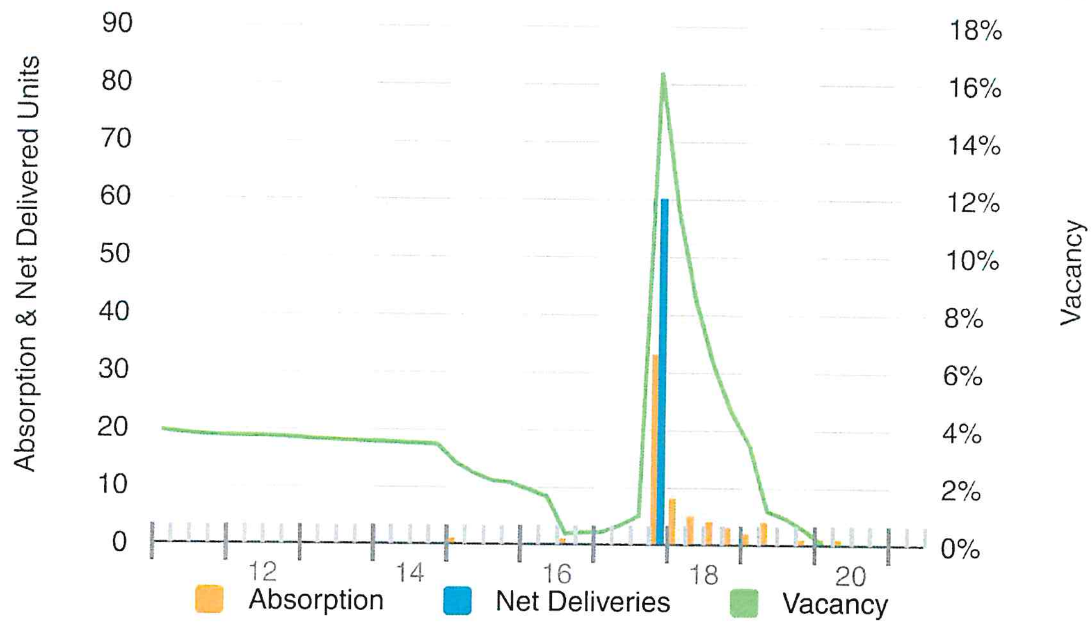
Affordable Multifamily Overview

The multifamily affordable real estate market in Otsego County (pictured) has shown strong fundamentals historically, with vacancy rates persistently below 4% over the last ten years. There are approximately 172 affordable units in Otsego County, averaging $766 in monthly rent.

From 2011-2021, there was only one delivery to the affordable market inventory (Q4 2017) that brought 60 income- and age-restricted units to the market. All of the 60 units were absorbed within twelve months of the delivery and vacancy rates today are near 0%. No other significant deliveries are expected in the submarket in the coming years.



Absorption, Net Deliveries & Vacancy



The table below lists the affordable developments located in Otsego County. Of the estimated 172 units, only 36 of these affordable units have no age restriction.

Otsego County Affordable Multifamily Units

Property Address	Property Name	City	Year Built	RBA	Number Of Units	Avg Asking/Unit	Avg Effective/Unit	% 1-Bed	% 2-Bed	% 3-Bed	Market Segment	Avg Unit SF	Style	Rent Type	Affordable Type
33 Academy St	-	Oneonta	-	20,532	28	-	-	-	-	-	Senior	-	Low-Rise	Affordable	Rent Controlled
30 Fairview St	James F. Lettis	Oneonta	-	51,664	30	-	-	-	-	-	All	-	Garden	Affordable	Rent Subsidized
153 Main St	-	Morris	1860	5,000	6	-	-	50.00	33.33	16.67	All	-	Low-Rise	Affordable	-
24 Park St	Bronner Manor Apartments	Richfield Springs	1981	20,250	24	$766	$765	70.83	29.17	-	Senior	844	Low-Rise	Affordable	Rent Subsidized
1 Silver Ave	Oneonta Heights	Oneonta	2017	32,602	60	-	-	70.00	13.33	16.67	Senior	905	Garden	Affordable	Affordable Units
71 Clifton St	Unadilla Neighborhood Apartments	Unadilla	-	19,224	24	-	-	100.00	-	-	Senior	801	Low-Rise	Affordable	Rent Subsidized

Market-Rate Multifamily Overview

Although the units proposed under the Project will be income-restricted to residents earning no more than 80% of the area's median income, we consider historical trends in the County's market-rate units.

There are an estimated 1,713 multifamily units located in Otsego County. These units are averaging a market rent of $882 in monthly rent. Over the last ten years, vacancy rates have dropped considerably from 6.1% in 2011 to 2% in 2021. Vacancy rates are projected to stabilize at 2.2% through 2025.

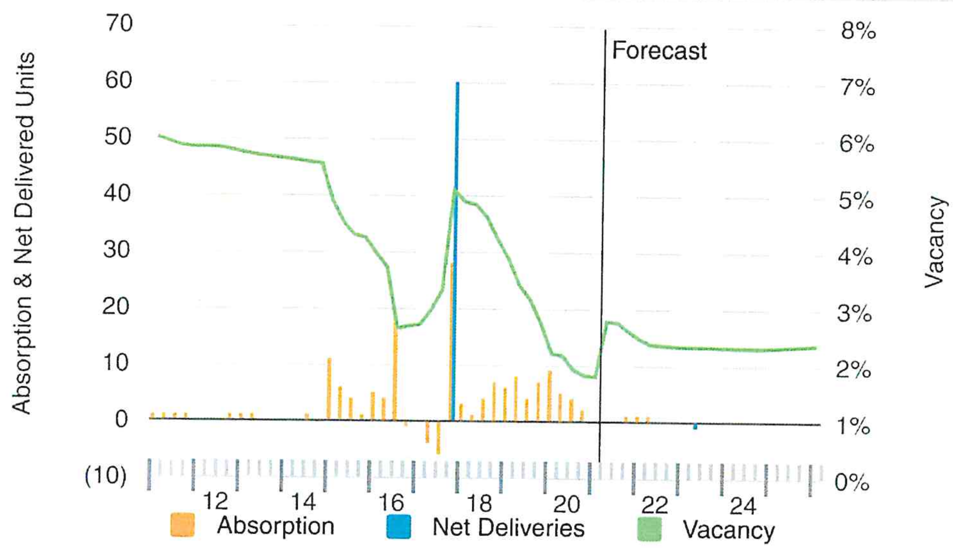
The single significant delivery shown in the graph is the senior housing development assessed in the previous section. As noted previously, nearly all of the 60 units delivered in 2017 were absorbed within 12 months.

Rent growth has risen steadily between 1-3% per year over the last ten years. The persistent growth in rent prices, across each bedroom count, suggests sustained demand for multifamily units in Otsego County.

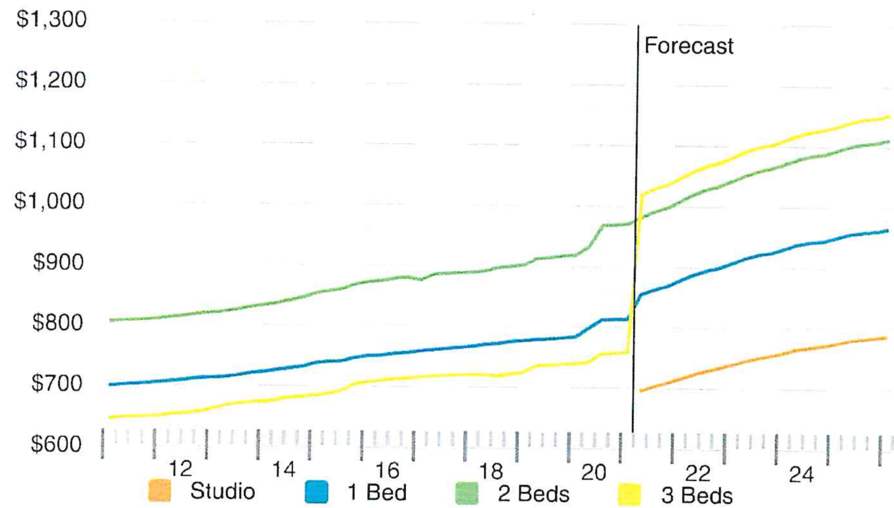
Net New Conclusion

Based on the best available regional data indicating strong demand for new affordable units, falling vacancy rates, immediate absorption of new affordable units and increasing rent prices, we conclude that all units of the Project represent "net-new" households for the County.

Absorption, Net Deliveries & Vacancy



Market Effective Rent Per Unit By Bedroom



Economic Impact Analysis

The Project would have economic impacts on the County in a number of ways. This includes one-time impacts to jobs, earnings, and sales during the construction phase of the Project, which we estimate for the County. It also includes ongoing impacts related to "net new" household spending.

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 from employees spending a portion of their wages locally.

For the operation phase:

- Direct jobs, wages, and sales are those jobs created from new 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 Emsi[3] economic modeling system. We used data from the Applicant, from the Agency, and from publicly-available and proprietary data sources as inputs to the Emsi modeling system. Where needed, we adjusted the Emsi model to best match the Project specifics. We then reported the results of the modeling.

[3] Emsi, formerly "Economic Modeling Systems, Intl.," 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

The Applicant provided estimates of the total cost of construction of the Project, and we estimated the percentage of labor and materials to be sourced within the County. As shown in the table to the right, we conservatively estimate that at least 50% of the $5.2 million in materials and labor costs would be sourced within the County, for a total of $2.6 million of in-region construction spending.

Construction Spending In Region

	$ Total	% County	$ County
Materials & Labor	$5,247,654	50%	$2,623,827

Source: Applicant, MRB

Otsego County construction spending of $2.6 million (Direct "sales" in the table) was used as an input into the Emsi economic modeling system. This spending creates 29 direct jobs and direct earnings of approximately $1.1 million. Indirect impacts resulting from direct spending were also modeled, with 5 new jobs, $198,569 in new earnings, and $559,977 in new sales. Therefore, the total, one-time, construction-phase impacts would be 34 jobs, $1.3 million in wages, and $3.2 million in sales.

Economic Impact of Construction Phase, One-Time

	Direct	Indirect	Total
Jobs	29	5	34
Earnings	$1,105,400	$198,569	$1,303,969
Sales	$2,623,827	$559,977	$3,183,804

Source: Emsi, MRB

We also note here that, based on the information provided by the Applicant, the Project timeline appears reasonable and should allow the Agency to conclude that the Project will be completed in a timely manner.

Operation Phase

Operation phase impacts come from the effects of net-new household spending from the new units being brought onto the market by the Project.

According to the Applicant, this Project will bring to market 24 units of affordable housing, all of which, as noted above, we consider "net new."

We used data from the Consumer Expenditure Survey (CEX) of the Bureau of Labor Statistics specific to the Northeastern region to arrive at annual spending estimates based on household income level. Households likely to occupy the affordable units will spend roughly $25,392 each, annually, on the goods listed.[4]

We have estimated that 80% of this spending would occur in the County. Given 24 units and the spending profile and percentages shown, we estimate that a total of $487,526 million of new household spending would occur annually in the County. By matching the line items of household expenditures with corresponding industry codes in Emsi, we are able to assess the impact of this new household spending.[5]

Our analysis reveals that the impact of new household spending will result in an estimated 5 new direct jobs and $184,686 in new earnings in the County. Taken together with an estimate of indirect impacts, total household spending impacts include 7 jobs, $245,355 in earnings, and $646,883 in sales annually.

Total New Annual Household Spending

	Annual per HH Spend	% Spent in County	Units	Total New Spending
Food	$6,428	80%	24	$123,418
Household Furnishings and Equipment	$1,668	80%	24	$32,026
Apparel and Services	$1,690	80%	24	$32,448
Transportation	$6,262	80%	24	$120,230
Healthcare	$4,355	80%	24	$83,616
Entertainment	$2,352	80%	24	$45,158
Education	$411	80%	24	$7,891
Personal Care Products and Services	$602	80%	24	$11,558
Miscellaneous	$1,130	80%	24	$21,696
Other	$494	80%	24	$9,485
Total	**$25,392**		**24**	**$487,526**

Source: Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, 2018-2019, "Table 3104. Northeastern region by income before taxes: Average annual expenditures and characteristics."

Economic Impact, New Household Spending

	Direct	Indirect	Total
Jobs	5	2	7
Earnings	$184,686	$60,669	$245,355
Sales	$487,526	$159,357	$646,883

Source: Emsi, MRB

[4] Affordable units are income-restricted to those earning up to 80% of the Area Median Income.

[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 Project would also have fiscal impacts in terms of new tax revenues and the cost of tax exemptions, as described below.

Requested PILOT Schedule

The Applicant is requesting a 25-year PILOT abatement of 100% of the increase in assessed value in Years 1 – 10, 75% for Years 11 – 15, 50% for Years 16 – 20, and 25% for Years 21 – 25. The table to the right displays the full PILOT schedule, as requested by the Applicant.

We used the assumptions laid out in the table below about base assessed value (AV), future assessed value, the current tax rate and a presumed 2% escalation per year, together with the proposed abatement schedule. As shown in the table to the right, PILOT payments over the 25 term would total $1.8 million, which is an increase of $648,924 over the taxes that would be paid on the base AV.

Assumptions

Line	Value
Base AV	$950,000
Future AV	$2,500,000
Increase in AV	$1,550,000
Escalation Factor	2%
Current Tax Rate	37.6990

Source: Applicant, MRB

PILOT Schedule

Year	Tax Rate	Increase in Assessed Value	Abatement	Taxes w/ PILOT	Increase in Revenue
Current	37.6990				
Year 1	38.4530	$1,550,000	100%	$36,530	$0
Year 2	39.2221	$1,550,000	100%	$37,261	$0
Year 3	40.0065	$1,550,000	100%	$38,006	$0
Year 4	40.8066	$1,550,000	100%	$38,766	$0
Year 5	41.6228	$1,550,000	100%	$39,542	$0
Year 6	42.4552	$1,550,000	100%	$40,332	$0
Year 7	43.3043	$1,550,000	100%	$41,139	$0
Year 8	44.1704	$1,550,000	100%	$41,962	$0
Year 9	45.0538	$1,550,000	100%	$42,801	$0
Year 10	45.9549	$1,550,000	100%	$43,657	$0
Year 11	46.8740	$1,550,000	75%	$62,694	$18,164
Year 12	47.8115	$1,550,000	75%	$63,948	$18,527
Year 13	48.7677	$1,550,000	75%	$65,227	$18,897
Year 14	49.7431	$1,550,000	75%	$66,531	$19,275
Year 15	50.7379	$1,550,000	75%	$67,862	$19,661
Year 16	51.7527	$1,550,000	50%	$89,273	$40,108
Year 17	52.7877	$1,550,000	50%	$91,059	$40,911
Year 18	53.8435	$1,550,000	50%	$92,880	$41,729
Year 19	54.9204	$1,550,000	50%	$94,738	$42,563
Year 20	56.0188	$1,550,000	50%	$96,632	$43,415
Year 21	57.1392	$1,550,000	25%	$120,706	$66,424
Year 22	58.2819	$1,550,000	25%	$123,121	$67,753
Year 23	59.4476	$1,550,000	25%	$125,583	$69,108
Year 24	60.6365	$1,550,000	25%	$128,095	$70,490
Year 25	61.8493	$1,550,000	25%	$130,657	$71,900
Total				**$1,819,003**	**$648,924**

Cost of PILOT Exemption

We also calculate the hypothetical cost[6] of the property tax exemption by comparing the otherwise-applicable taxes to what the Project will generate in PILOT revenue.

In the table to the right, we report the hypothetical estimated full value property taxes for the years in question in the column marked "Taxes w/o PILOT." We then compare the "Taxes w/o PILOT" to the estimated PILOT payments from above. As shown, the hypothetical cost of the exemption is $1.3 million over 25 years.

Cost of PILOT Exemption

Year	Abatement	Taxes w/ PILOT	Taxes w/o PILOT	Difference
Current				
Year 1	100%	$36,530	$96,133	($59,602)
Year 2	100%	$37,261	$98,055	($60,794)
Year 3	100%	$38,006	$100,016	($62,010)
Year 4	100%	$38,766	$102,017	($63,250)
Year 5	100%	$39,542	$104,057	($64,515)
Year 6	100%	$40,332	$106,138	($65,806)
Year 7	100%	$41,139	$108,261	($67,122)
Year 8	100%	$41,962	$110,426	($68,464)
Year 9	100%	$42,801	$112,635	($69,833)
Year 10	100%	$43,657	$114,887	($71,230)
Year 11	75%	$62,694	$117,185	($54,491)
Year 12	75%	$63,948	$119,529	($55,581)
Year 13	75%	$65,227	$121,919	($56,692)
Year 14	75%	$66,531	$124,358	($57,826)
Year 15	75%	$67,862	$126,845	($58,983)
Year 16	50%	$89,273	$129,382	($40,108)
Year 17	50%	$91,059	$131,969	($40,911)
Year 18	50%	$92,880	$134,609	($41,729)
Year 19	50%	$94,738	$137,301	($42,563)
Year 20	50%	$96,632	$140,047	($43,415)
Year 21	25%	$120,706	$142,848	($22,141)
Year 22	25%	$123,121	$145,705	($22,584)
Year 23	25%	$125,583	$148,619	($23,036)
Year 24	25%	$128,095	$151,591	($23,497)
Year 25	25%	$130,657	$154,623	($23,967)
Total		**$1,819,003**	**$3,079,154**	**($1,260,151)**

[6] We denote this cost as "hypothetical," as the Applicant has stated that, without the exemption, the Project cannot move forward and thus the value against which these taxes are levied would not exist.

Sales Tax Revenue, Construction Phase

As our economic impact analysis states, we anticipated approximately $1.3 million in total new earnings in the County during the construction phase of the project. We assume 70% of this newly generated construction phase earnings will be spent in Otsego County. From there, we estimate 25% of that spending amount will be subject to the sales tax. Applying the County's sales tax rate of 4.00%, we conclude that the construction phase earnings will likely lead to approximately $9,128 in County sales tax revenue.

Sales Tax Revenue - Construction Phase

Line	Value
Total New Earnings	$1,303,969
% Spent in County	70%
$ Spent in County	$912,778
% Taxable	25%
$ Taxable	$228,195
County Sales Tax Rate	4.00%
$ County Sales Tax Revenue	$9,128

Source: Applicant, MRB

Sales Tax Revenue, Operation Phase

During the operation phase, we estimated $646,883 in spending occurring annually within the County. Using the same methodology as above, we estimate the Project will result in $4,528 in annual sales tax revenue to the County. Escalating that figure at 2% per year for 25 years, we estimate total operation phase sales tax revenue to be $147,940 over the 25 years.

Sales Tax Revenue - Operation Phase

Line	Value
Total New Spending	$646,883
% Spent in County	70%
$ Spent in County	$452,818
% Taxable	25%
$ Taxable	$113,205
County Sales Tax Rate	4.00%
$ County Sales Tax Revenue	$4,528
Revenue Over 25 Years @ 2%	$147,940

Source: MRB

Summary of Exemptions

The Applicant has requested an exemption from the sales and use tax, which would result in a benefit of $210,000 to the Applicant. Note that this includes state and local sales tax. The Applicant is also requesting a mortgage recording tax exemption valued at $58,000. Finally, as noted above, the estimated cost of the PILOT exemption is $1.3 million.

Summary of Exemptions

	Total
Cost of Sales Tax Exemption, One-Time	$210,000
Mortgage Recording Tax Exemption	$58,000
PILOT Exemption	$1,260,151