

Beechwood Merrick, LLC: Economic and Fiscal Impact Analysis

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Prepared for:

Town of Hempstead Industrial Development Agency
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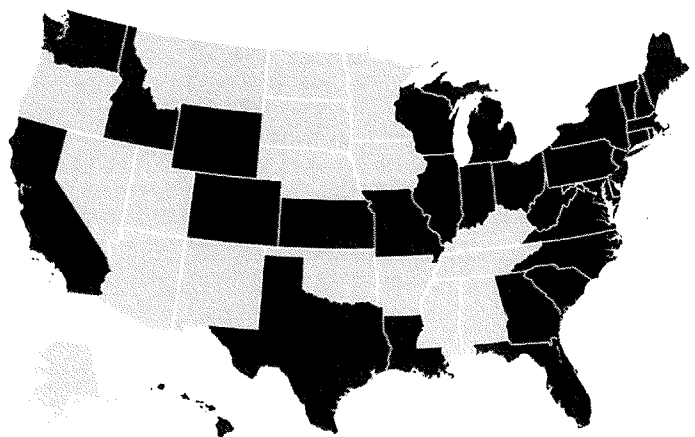
About Camoin Associates

Camoin Associates has provided economic development consulting services to municipalities, economic development agencies, and private enterprises since 1999. Through the services offered, Camoin Associates has had the opportunity to serve EDOs and local and state governments from Maine to California; corporations and organizations that include Lowes Home Improvement, FedEx, Volvo (Nova Bus) and the New York Islanders; as well as private developers proposing projects in excess of \$6 billion. Our reputation for detailed, place-specific, and accurate analysis has led to projects in 32 states and garnered attention from national media outlets including *Marketplace* (NPR), *Forbes* magazine, *The New York Times* and *The Wall Street Journal*. Additionally, our marketing strategies have helped our clients gain both national and local media coverage for their projects in order to build public support and leverage additional funding. We are based in Saratoga Springs, NY, with regional offices in Portland, ME; Boston, MA; Richmond, VA and Brattleboro, VT. To learn more about our experience and projects in all of our service lines, please visit our website at www.camoinassociates.com. You can also find us on Twitter [@camoinassociate](https://twitter.com/camoinassociate) and on [Facebook](https://www.facebook.com/camoinassociates).

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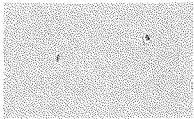


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Summary

The Town of Hempstead Industrial Development Agency (the "Agency") received an application for financial assistance from Beechwood Merrick, LLC (the "Applicant") for the acquisition, demolition, and construction of 210 residential units, 27 extended stay hotel units, and restaurant (the "Project") at 695 Merrick Ave in the Hamlet of Westbury, Town of Hempstead, Nassau County, New York (the "Site"). The Project will entail the demolition of an approximately 90,520 square foot two-story building and construction of an approximately 400,000 square feet building with 6,000 square feet attributed to the restaurant. Additionally, the Project will include a pool, fitness center, and community meeting rooms. The Agency commissioned Camoin Associates to conduct an economic and limited fiscal impact analysis of the Project on the Town of Hempstead (the "Town").

Camoin Associates conducted a market analysis of market-rate housing in the Town to determine the extent to which any of the housing units would create "new" households and, therefore, new household spending in the Town. We determined that all 210 residential market-rate units would be considered as providing "net new" households to the Town (i.e. allowing households to exist in the Town that otherwise would locate elsewhere). We then computed the total amount of net new spending by these new households to derive job creation resulting from the Project. We also examined the impact of on-site jobs associated with the operation and maintenance of the facility.

The following is a summary of our findings from this study, with details below.

Summary of Benefits	
Construction Phase Jobs	150
Construction Phase On-Site Jobs	104
Construction Phase Earnings	\$ 12,338,570
Construction Phase On-Site Earnings	\$ 9,671,707
One-Time Construction-Related Sales Tax Revenue	\$ 8,097
Annual Jobs	127
Direct Jobs	97
Indirect Jobs	30
Annual Earnings	\$ 6,347,568
Direct Earnings	\$ 4,421,328
Indirect Earnings	\$ 1,926,239
Annual Sales Tax Revenue to Town	\$ 13,644
Average Annual PILOT Payment	\$ 1,380,267
Average Annual PILOT Town Payment	\$ 230,917
Average Annual PILOT Benefit	\$ 783,160
Average Annual PILOT Benefit to Town	\$ 131,022

Note: Jobs and Earnings only include "net new" positions.

Source: Camoin Associates, Town of Hempstead IDA

- Construction of the Project would result in approximately 104 on-site construction jobs generating nearly \$9.7 million in earnings throughout the Town of Hempstead.¹ In total the construction phase of the Project would support 150 jobs and \$12.3 million in earnings within the Town.
- Additionally, the Project would have an annual impact on the Town based on new economic activity from household spending and on-site employment. In total the Project would support 127 net new jobs in the Town with over \$6.3 million in associated earnings.

¹ Analysis uses the 33 ZIP codes that are predominately located within the Town of Hempstead (map image shown in Attachment B).



- Sales associated with the Project would be taxed and distributed to the Town of Hempstead on an annual basis, resulting in an annual sales tax revenue of approximately \$13,644 for the Town.
- The Applicant has proposed a 15-year PILOT agreement with the Agency, where the Applicant would pay an average of \$1,380,267 each year, of which \$230,917 would be allocated to the Town. As compared to the otherwise-applicable property taxes, the PILOT represents a benefit to the Town of \$131,022 per year on average.

Estimated One-Time Costs to Affected Jurisdictions

	State and County
Mortgage Recording Tax Exemption*	\$ 997,500
Sales Tax Exemption*	\$ 5,649,375

**The IDA may or may not consider this a "cost."*

Source: Town of Hempstead IDA, Camoin Associates

- Through negotiations with the Agency, the Applicant could have access to a mortgage recording tax exemption valued up to \$997,500 and a sales tax exemption valued at up to \$5,649,375. However, if we assume that the Project would not occur absent IDA benefits, this is not actually a "cost" to the State and County since no future revenue stream would exist without the exemptions.



Economic Impact Analysis

The estimates of direct economic activity generated during facility operation and new resident spending, as provided by the Applicant, were used as the direct inputs for the economic impact model. Camoin Associates used the input-output model designed by Economic Modeling Specialists, International (EMSI) to calculate total economic impacts. EMSI uses the amount of new direct economic activity (spending or jobs) occurring within the Town of Hempstead as a direct input to estimate the spillover effects that the net new spending or jobs have as these new dollars circulate through the Town economy. This is captured in the indirect impacts and is commonly referred to as the "multiplier effect." See Attachment A for more information on economic impact analysis.

The Project would have economic impacts on the Town of Hempstead as a result of Project construction, spending by new tenant households, and, new permanent jobs.

Construction Phase Impacts

The Applicant anticipates that the private sector investment in the construction of the Project (excluding land acquisition, legal fees, and financial fees) would be approximately \$84.8 million.² Assuming that approximately 30%³ of the total renovation and construction cost is sourced from within the Town of Hempstead, this results in approximately \$25.4 million in net new spending in the Town of Hempstead associated with the construction phase.

Construction Phase Spending	
Construction Cost	\$ 84,750,000
Percent Sourced from Town	30%
Net New Construction Spending	\$ 25,425,000

Source: Applicant, Camoin Associates

The \$25.4 million worth of net new direct spending and 104 construction jobs⁴ over the construction period were used as inputs to determine the one-time impact of construction on the Town. In total, the construction-related spending would support 150 jobs, \$12.3 million in earnings, and \$33.0 million in sales within the Town of Hempstead.⁵

Economic Impact - Construction Phase				
	Direct		Indirect	Total
Jobs	104		46	150
Earnings	\$ 9,671,707	\$	2,666,863	\$ 12,338,570
Sales	\$ 25,425,000	\$	7,622,883	\$ 33,047,883

Source: EMSI, Camoin Associates

² Includes project costs as provided by Applicant in the application under Project Costs, except for legal and financial fees, land acquisition, permits, and real estate taxes.

³ Camoin Associates conducted an industry analysis on the construction industry in the Town of Hempstead and found that 31% of the industry's inputs are purchased from within the region. Based on this data, Camoin Associates assumes that 30% of the total construction sales will be sourced from within the Town.

⁴ The Applicant estimates 345 construction jobs will be created as a result of undertaking the project. Accounting for 30% of these jobs being sourced from within the Town results in approximately 104 jobs.

⁵ Analysis uses the 33 ZIP codes that are predominately located within the Town of Hempstead (map image shown in Attachment B).



Impacts of New Household Spending

In order to determine the annual economic impact of the Project on the Town, the first step is to calculate the number of households that can be considered “net new” to the Town’s economy. In other words, the number of households that, but for the Project, would not exist in the Town of Hempstead. With respect to this Project, net new households consist of those who would otherwise live elsewhere if the Project were not to occur.

For this study, we analyzed the existing supply and demand of market-rate apartments. The following summarizes the research conducted to determine the percentage of the market-rate units that could be considered new to the Town of Hempstead.

In 2017, the vacancy rate for multifamily rental units for Long Island (Nassau and Suffolk counties) ranged from 0.7% to 8.3% depending on the class and style of development.⁶ Overall, vacancy rates remain below 3%, with less than 30% of inventory representing Class A product. According to Integra Realty Resources, new construction has been minimal, which will ensure continued unmet rental demand.

The following table compares 2017 multifamily rental vacancy rates for Nassau/Suffolk counties, the U.S. East Region, and the nation:

2017 Annual Multifamily Vacancy Rates			
	Long Island*	East Region	National
Urban Class A	8.3%	7.5%	7.8%
Urban Class B	4.7%	5.9%	5.4%
Suburban Class A	1.8%	3.7%	4.0%
Suburban Class B	0.7%	3.3%	3.8%

* Nassau and Suffolk counties

Source: Integra Realty Resources, 2017 mid-year report

Overall, rental units comprise a small share of the total housing stock in Nassau County and the Town of Hempstead, especially relative to neighboring New York City and the New York Metropolitan Statistical Area (MSA). Only 19.5% of Nassau County’s and 19.7% of the Town of Hempstead’s housing units are rental units, compared to 68.0% in New York City, and 49.0% in the MSA.

Rental Housing Units		
	Renter- Occupied Units	% of All Occupied Units
Town of Hempstead	47,621	19.7%
Nassau County	86,139	19.5%
New York City	2,116,613	68.0%
New York MSA	3,484,472	49.0%

Source: 2016 American Community Survey 1-Year Estimates

Given low vacancies for multifamily rental units and the overall dearth of rental units in the Town of Hempstead and across Long Island, the Project will likely capture a notable amount of the Town’s pent-up rental housing demand, retaining residents within the Town and/or attracting new residents.

Therefore, due to the high demand for housing units in the Town of Hempstead and on Long Island in general, this analysis assumes that 100% of those occupying the 210 units will be net new to the Town. *Note the extended stay hotel units are not included in this analysis as they are not contributing households to the Town.*

⁶ 2017 Long Island, NY Multifamily Annual Report, Integra Realty Resources.



Spending by New Tenants

The Project consists of 210 apartment units ranging from studio to three-bedroom units. The new residents of these units would make purchases in the Town, thereby adding dollars to the Town's economy. For this analysis, we researched spending patterns by household income to determine the spending by new tenants.

The Applicant provided the breakdown of units by type and rental costs. We used this information to arrive at an average rental price point of \$3,074 per unit per month. Given that housing costs typically account for 30% of a household's income, qualifying tenants will need a household income of at least \$122,970. Therefore, we consider qualifying tenants to fall within the income bracket of \$100,000 to \$149,999. Using this bracket, we can determine spending patterns for the market-rate tenants.

Analyzing a spending basket for the region which details household spending in individual consumer categories by income level, we concluded likely tenant spending. According to the Bureau of Labor Statistics 2017 Consumer Expenditure Survey, households with an income between \$100,000 and \$149,999 have annual expenditures (excluding housing and utility costs) of \$46,453.

We assume that 70%⁷ of total expenditures would occur within the Town of Hempstead and, therefore, have a positive impact on the Town's economy. The Total Net New Town Spending column shows the total amount that we estimate will be spent in the Town based on the 210 net new units.

Tenant Spending Basket				
\$100,000 to \$149,999 Annual Household Income				
Category	Annual per Unit Spending Basket	Amount Spent in Town (70%)	Total Net New Town Spending (210 net new units)	
Food	\$ 10,918	\$ 7,643	\$	1,604,946
Household furnishings and equipment	\$ 2,994	\$ 2,096	\$	440,118
Apparel and services	\$ 2,762	\$ 1,933	\$	406,014
Transportation	\$ 14,041	\$ 9,829	\$	2,064,027
Health care	\$ 6,850	\$ 4,795	\$	1,006,950
Entertainment	\$ 4,692	\$ 3,284	\$	689,724
Personal care products and services	\$ 1,110	\$ 777	\$	163,170
Education	\$ 1,745	\$ 1,222	\$	256,515
Miscellaneous	\$ 1,341	\$ 939	\$	197,127
Annual Discretionary Spending	\$ 46,453	\$ 32,517	\$	6,828,591
Total Net New Spending			\$	6,828,591

Source: 2017 Consumer Expenditure Survey, Bureau of Labor Statistics

The total net new spending in the Town was calculated by multiplying the amount spent in the Town by the number of net new units. As shown in the table above, spending in the Town by all new households would total approximately \$6.8 million per year. We used the above spending basket amounts to calculate the direct, indirect, and total impact of the Project on the Town. To do this, we attributed the various spending categories to the NAICS codes shown in the table below.

⁷ Every category of retail exists within the Town, but some portion of the retail expenditure occurs outside the Town limits.



Spending Basket Breakdown by NAICS Code

NAICS Code	Industry	Spending Basket Category
445110	Supermarkets and Other Grocery (except Convenience) Stores	Food
722511	Full-Service Restaurants	Food
442299	All Other Home Furnishings Stores	Household furnishings and equipment
448140	Family Clothing Stores	Apparel and services
441110	New Car Dealers	Transportation
447110	Gasoline Stations with Convenience Stores	Transportation
811111	General Automotive Repair	Transportation
524114	Direct Health and Medical Insurance Carriers	Health care
622110	General Medical and Surgical Hospitals (Private)	Health care
512131	Motion Picture Theaters	Entertainment
	All Other General Merchandise Stores	Entertainment, Personal care products and services, Miscellaneous
452319	All Other General Merchandise Stores	Personal care products and services
	All Other General Merchandise Stores	Miscellaneous
611310	Colleges, Universities, and Professional Schools	Education

Source: Camoin Associates

Using \$6.8 million as the new sales input, Camoin Associates employed EMSI to determine the indirect and total impact of the Project on the Town of Hempstead. The following table outlines the findings of this analysis. Spending from new tenant households will support a total of 80 net new jobs, nearly \$3.5 million in earnings, and over \$10.1 million in sales in the Town of Hempstead, annually.

Town Economic Impact - Household Spending

	Direct	Indirect	Total
Jobs	62	18	80
Earnings	\$ 2,321,328	\$ 1,186,214	\$ 3,507,542
Sales	\$ 6,828,591	\$ 3,281,445	\$ 10,110,036

Source: EMSI, Camoin Associates



Impacts of On-Site Employment

The Applicant projects that 35 workers will be employed on-site as a result of the Project. This includes jobs associated with the hotel, restaurant, as well as building operation and maintenance. The table below details the impact the 35 new jobs with an average salary of \$60,000⁸ will have on the Town of Hempstead in terms of direct, indirect and total impacts on employment and wages.

Annual Economic Impact - Operations and Maintenance			
	Direct	Indirect	Total
Jobs	35	12	47
Earnings*	\$ 2,100,000	\$ 740,026	\$ 2,840,026
Sales	\$ 4,411,671	\$ 1,950,727	\$ 6,362,397

**Earnings adjusted based on information from the Applicant*
Source: EMSI, Camoin Associates

As shown in the table above, we anticipate that 35 new jobs and \$2.1 million in new earnings would occur at the Site itself. Taking into account the additional indirect and induced economic impacts on the Town from the 35 direct jobs, total employment created by the Project is estimated at 47 jobs with approximately \$2.8 million in annual earnings. Nearly, \$6.4 million in total sales would be generated as a result of operating and maintaining the Project.

Total Annual Economic Impact

The complete economic impact, both from new household spending as well as operation and maintenance of the multifamily residential facility, is displayed in the table below. The total annual economic impact will include 127 new jobs with over \$6.3 million in new earnings, and nearly \$16.5 million in new sales.

Town Economic Impact - Household Spending			
	Direct	Indirect	Total
Jobs	62	18	80
Earnings	\$ 2,321,328	\$ 1,186,214	\$ 3,507,542
Sales	\$ 6,828,591	\$ 3,281,445	\$ 10,110,036

Town Economic Impact - Operation and Maintenance			
	Direct	Indirect	Total
Jobs	35	12	47
Earnings	\$ 2,100,000	\$ 740,026	\$ 2,840,026
Sales	\$ 4,411,671	\$ 1,950,727	\$ 6,362,397

Town Economic Impact - Combined Annual Impact			
	Direct	Indirect	Total
Jobs	97	30	127
Earnings	\$ 4,421,328	\$ 1,926,239	\$ 6,347,568
Sales	\$ 11,240,262	\$ 5,232,171	\$ 16,472,433

Source: EMSI, Camoin Associates

⁸ As estimated by the Applicant.

Fiscal Impact Analysis

In addition to the economic impact of the Project on the local economies (outlined above), there would also be a fiscal impact in terms of annual property tax and sales tax generation. The following section of the analysis outlines the impact of completion of the Project on the Town in terms of the cost and/or benefit to the municipal budget.

Payment in Lieu of Taxes (PILOT)

The Applicant has applied to the Agency for a Payment In Lieu of Taxes (PILOT) agreement. The Applicant has proposed a 15-year payment schedule based on the current tax rate, taxable value, and assessed value of the Project.

Based on the terms of the PILOT as proposed, Camoin Associates calculated the potential impacts on the Town:

Tax Payments With PILOT		
Year	Total Payment	Town Portion of Payment
1	\$ 518,000	\$ 86,661
2	\$ 518,000	\$ 86,661
3	\$ 518,000	\$ 86,661
4	\$ 650,000	\$ 108,744
5	\$ 800,000	\$ 133,839
6	\$ 950,000	\$ 158,934
7	\$ 1,225,000	\$ 204,941
8	\$ 1,400,000	\$ 234,219
9	\$ 1,550,000	\$ 259,314
10	\$ 1,700,000	\$ 284,408
11	\$ 1,800,000	\$ 301,138
12	\$ 1,900,000	\$ 317,868
13	\$ 2,075,000	\$ 347,146
14	\$ 2,350,000	\$ 393,153
15	\$ 2,750,000	\$ 460,073
Total	\$ 20,704,000	\$ 3,463,760
Average	\$ 1,380,267	\$ 230,917

Source: Town of Hempstead IDA, Camoin Associates



Tax Policy Comparison

Without financial assistance from the Agency, Camoin Associates assumes that the Applicant would not undertake the Project. Based on the current taxes applicable on the Site and an assumed annual increase to the tax rate of 2.00%⁹ (holding taxable value constant), the following table outlines the estimated tax payments made by the building owner without the Project.

Tax Payment Without Project*		
Year	Payment Without Project	Town Portion of Payment Without Project
1	\$ 517,919	\$ 86,647
2	\$ 528,278	\$ 88,380
3	\$ 538,843	\$ 90,148
4	\$ 549,620	\$ 91,951
5	\$ 560,613	\$ 93,790
6	\$ 571,825	\$ 95,666
7	\$ 583,261	\$ 97,579
8	\$ 594,927	\$ 99,531
9	\$ 606,825	\$ 101,521
10	\$ 618,962	\$ 103,552
11	\$ 631,341	\$ 105,623
12	\$ 643,968	\$ 107,735
13	\$ 656,847	\$ 109,890
14	\$ 669,984	\$ 112,088
15	\$ 683,384	\$ 114,329
Total	\$ 8,956,597	\$ 1,498,431
Average	\$ 597,106	\$ 99,895

* Assumes 2.00% annual increase

Source: Town of Hempstead IDA, Camoin Associates

⁹ The tax rate is increased by 2.00% annually, the maximum inflation factor that can be reasonably anticipated into the future. New York State property tax cap legislation limits tax levy growth to an inflation factor set by the State or 2.00%, whichever is less, the amount by which a government entity may increase its annual tax levy (certain exceptions apply). Although in recent years the inflation factor has been less than 2.00%, using 2.00% for the purposes of comparing future otherwise applicable property tax payments without the Project to the proposed PILOT schedule provides a conservative estimate of the Project's benefit/cost to the Town.



The tables below calculate the benefit (or cost) as the difference between the PILOT payments associated with the Project and the property tax payments without the Project. Over the course of the proposed PILOT term, the average annual collection by local jurisdictions would be approximately \$783,160 more in PILOT revenue than property taxes without the Project. The total benefit to the affected taxing jurisdictions of the PILOT agreement over 15 years would be \$11,747,403.

Tax Policy Comparison					
	A		B		C
Year	Payment Without Project		Total Payment		Benefit (Cost) of Project (Col. B - Col. A)
1	\$	517,919	\$	518,000	\$ 81
2	\$	528,278	\$	518,000	\$ (10,278)
3	\$	538,843	\$	518,000	\$ (20,843)
4	\$	549,620	\$	650,000	\$ 100,380
5	\$	560,613	\$	800,000	\$ 239,387
6	\$	571,825	\$	950,000	\$ 378,175
7	\$	583,261	\$	1,225,000	\$ 641,739
8	\$	594,927	\$	1,400,000	\$ 805,073
9	\$	606,825	\$	1,550,000	\$ 943,175
10	\$	618,962	\$	1,700,000	\$ 1,081,038
11	\$	631,341	\$	1,800,000	\$ 1,168,659
12	\$	643,968	\$	1,900,000	\$ 1,256,032
13	\$	656,847	\$	2,075,000	\$ 1,418,153
14	\$	669,984	\$	2,350,000	\$ 1,680,016
15	\$	683,384	\$	2,750,000	\$ 2,066,616
Total	\$	8,956,597	\$	20,704,000	\$ 11,747,403
Average	\$	597,106	\$	1,380,267	\$ 783,160

Source: Town of Hempstead IDA, Camoin Associates



The table below calculates the benefit (or cost) to the Town. The Town would receive approximately \$131,022 more in PILOT revenue annually than it would receive in property taxes without the Project. The total benefit to the Town would be \$1,965,330 over the 15-year period.

Tax Policy Comparison for Town					
	A		B		C
Year	Payment Without Project		Total Payment		Benefit (Cost) of Project (Col. B - Col. A)
1	\$	86,647	\$	86,661	\$ 13
2	\$	88,380	\$	86,661	\$ (1,719)
3	\$	90,148	\$	86,661	\$ (3,487)
4	\$	91,951	\$	108,744	\$ 16,793
5	\$	93,790	\$	133,839	\$ 40,049
6	\$	95,666	\$	158,934	\$ 63,268
7	\$	97,579	\$	204,941	\$ 107,362
8	\$	99,531	\$	234,219	\$ 134,688
9	\$	101,521	\$	259,314	\$ 157,792
10	\$	103,552	\$	284,408	\$ 180,857
11	\$	105,623	\$	301,138	\$ 195,516
12	\$	107,735	\$	317,868	\$ 210,133
13	\$	109,890	\$	347,146	\$ 237,256
14	\$	112,088	\$	393,153	\$ 281,065
15	\$	114,329	\$	460,073	\$ 345,743
Total	\$	1,498,431	\$	3,463,760	\$ 1,965,330
Average	\$	99,895	\$	230,917	\$ 131,022

Source: Town of Hempstead IDA, Camoin Associates

Other Exemptions

There are other benefits to working with the Agency including a one-time sales tax exemption on renovation materials and furniture, fixtures, and equipment and mortgage tax exemption.

Estimated One-Time Costs to Affected Jurisdictions	
	State and County
Mortgage Recording Tax Exemption*	\$ 997,500
Sales Tax Exemption*	\$ 5,649,375

*The IDA may or may not consider this a "cost."

Source: Town of Hempstead IDA, Camoin Associates

The additional incentive offered by the IDA will benefit the Applicant but will not negatively affect the tax jurisdictions because, without the Project, the State and County by definition would not be receiving any associated sales tax.



Sales Tax Revenue - Construction Phase

The one-time construction phase earnings described by the total economic impact of the construction work would lead to additional sales tax revenue for the County, a portion of which is distributed to the Town. It is assumed that 70%¹⁰ of the construction phase earnings would be spent within Nassau County and that 25% of those purchases would be taxable. Sales tax is collected at the Nassau County level with 0.75% of the 4.25% sales tax distributed to Towns. For this analysis we assume half of the 0.75% sales tax is allocated to the Town of Hempstead.

One-Time Sales Tax Revenue Construction Phase	
Total New Earnings	\$ 12,338,570
Amount Spent in the County (70%)	\$ 8,636,999
Amount Taxable (25%)	\$ 2,159,250
New Town Sales Tax Revenue Portion*	0.375%
New Town Tax Revenue	\$ 8,097

* Nassau County's sales tax rate is 4.25%, of which 0.75% is allocated to the towns and cities within the county. For this analysis we assume half of the 0.75% is allocated to the Town of Hempstead.

Source: Town of Hempstead IDA, Camoin Associates

As a result of construction phase employment, the Town would receive approximate \$8,097 in sales tax revenue.

Sales Tax Revenue – New Household Spending

The Town would receive sales tax revenue from the purchases made by the new households. Based on in-Town spending by new households, the Town of Hempstead would receive \$9,478 annually in net new sales tax revenue.

Annual Town Sales Tax Revenue Household Spending	
Total New Spending	\$ 10,110,036
Amount Taxable (25%)	\$ 2,527,509
New Town Sales Tax Revenue Portion*	0.375%
New Town Tax Revenue	\$ 9,478

* Nassau County's sales tax rate is 4.25%, of which 0.75% is allocated to the towns and cities within the county. For this analysis we assume half of the 0.75% is allocated to the Town of Hempstead.

Source: Town of Hempstead IDA, Camoin Associates

Note that the household spending figure has already been adjusted to account for 70% of total spending occurring within the Town.

¹⁰ A retail leakage analysis of Nassau County suggests that a vast majority of the goods and services that employees will be purchasing are available within the county (food, clothing, vehicles, computers, etc.), but there still will be some outside spending on travel and through purchases made online and in neighboring counties. Based on third-party proprietary retail spending data, 70% is a reasonable assumption for the amount of in-county spending. (Source: ESRI Business Analysis Online Retail Market Profile)



Sales Tax Revenue – Employee Earnings

In addition to the sales tax revenue from the construction phase, new earnings generated by jobs that will occur as a result of on-site operation jobs at the Project would lead to additional annual sales tax revenue for the County. Sales tax is collected by Nassau County and distributed to the Town of Hempstead. For this analysis we assume County sales tax is distributed to the Town of Hempstead at a rate of 0.375%. It is assumed that 70% of the earnings would be spent within Nassau County and that 25% of those purchases will be taxable.

Annual Town Sales Tax Revenue Employee Earnings	
Total New Earnings	\$ 6,347,568
Amount Spent in the County (70%)	\$ 4,443,297
Amount Taxable (25%)	\$ 1,110,824
New Town Sales Tax Revenue Portion*	0.375%
New Town Tax Revenue	\$ 4,166

* Nassau County's sales tax rate is 4.25%, of which 0.75% is allocated to the towns and cities within the county. For this analysis we assume half of the 0.75% is allocated to the Town of Hempstead.

Source: Town of Hempstead IDA, Camoin Associates

Under these assumptions, the Town would receive approximately \$4,166 each year in new tax revenue from the economic impacts of the Project.

Total Annual Sales Tax Revenue

In total, we estimate that the Town would receive \$13,644 in annual sales tax related to the Project.

Town Total Annual Sales Tax Revenue	
Household Spending	\$ 9,478
Employee Earnings	\$ 4,166
New Town Tax Revenue	\$ 13,644

Source: Town of Hempstead IDA, Camoin Associates



Attachment A: What is Economic Impact Analysis?

The purpose of conducting an economic impact study is to ascertain the total cumulative changes in employment, earnings and output in a given economy due to some initial “change in final demand”. To understand the meaning of “change in final demand”, consider the installation of a new widget manufacturer in Anytown, USA. The widget manufacturer sells \$1 million worth of its widgets per year exclusively to consumers in Canada. Therefore, the annual change in final demand in the United States is \$1 million because dollars are flowing in from outside the United States and are therefore “new” dollars in the economy.

This change in final demand translates into the first round of buying and selling that occurs in an economy. For example, the widget manufacturer must buy its inputs of production (electricity, steel, etc.), must lease or purchase property and pay its workers. This first round is commonly referred to as the “Direct Effects” of the change in final demand and is the basis of additional rounds of buying and selling described below.

To continue this example, the widget manufacturer’s vendors (the supplier of electricity and the supplier of steel) will enjoy additional output (i.e. sales) that will sustain their businesses and cause them to make additional purchases in the economy. The steel producer will need more pig iron and the electric company will purchase additional power from generation entities. In this second round, some of those additional purchases will be made in the US economy and some will “leak out”. What remains will cause a third round (with leakage) and a fourth (and so on) in ever-diminishing rounds of industry-to-industry purchases. Finally, the widget manufacturer has employees who will naturally spend their wages. Again, those wages spent will either be for local goods and services or will “leak” out of the economy. The purchases of local goods and services will then stimulate other local economic activity. Together, these effects are referred to as the “Indirect Effects” of the change in final demand.

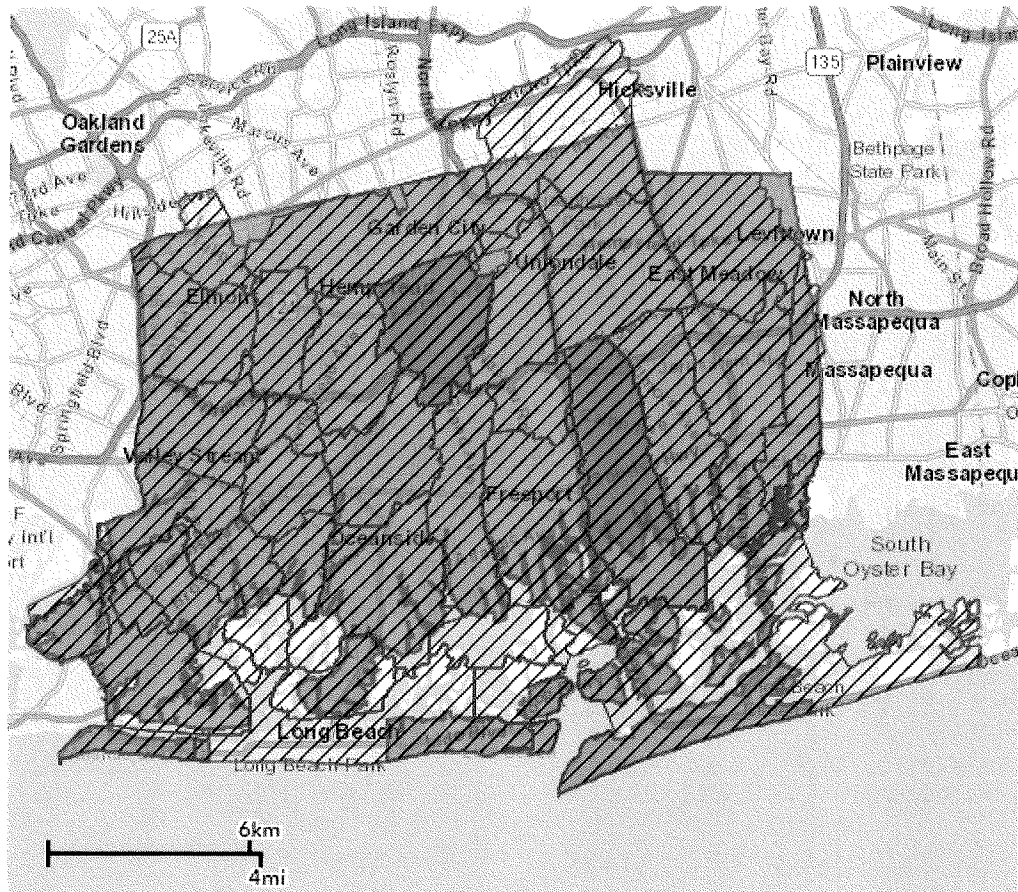
Therefore, the total economic impact resulting from the new widget manufacturer is the initial \$1 million of new money (i.e. Direct Effects) flowing in the US economy, plus the Indirect Effects. The ratio of Total Effects to Direct Effects is called the “multiplier effect” and is often reported as a dollar-of-impact per dollar-of-change. Therefore, a multiplier of 2.4 means that for every dollar (\$1) of change in final demand, an additional \$1.40 of indirect economic activity occurs for a total of \$2.40.

Key information for the reader to retain is that this type of analysis requires rigorous and careful consideration of the geography selected (i.e. how the “local economy” is defined) and the implications of the geography on the computation of the change in final demand. If this analysis wanted to consider the impact of the widget manufacturer on the entire North American continent, it would have to conclude that the change in final demand is zero and therefore the economic impact is zero. This is because the \$1 million of widgets being purchased by Canadians is not causing total North American demand to increase by \$1 million. Presumably, those Canadian purchasers will have \$1 million less to spend on other items and the effects of additional widget production will be cancelled out by a commensurate reduction in the purchases of other goods and services.

Changes in final demand, and therefore Direct Effects, can occur in a number of circumstances. The above example is easiest to understand: the effect of a manufacturer producing locally but selling globally. If, however, 100% of domestic demand for a good is being met by foreign suppliers (say, DVD players being imported into the US from Korea and Japan), locating a manufacturer of DVD players in the US will cause a change in final demand because all of those dollars currently leaving the US economy will instead remain. A situation can be envisioned whereby a producer is serving both local and foreign demand, and an impact analysis would have to be careful in calculating how many “new” dollars the producer would be causing to occur domestically.

Attachment B: Study Areas

Town of Hempstead (Green) and ZIP Code Region (Red outline with dashes)



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