

PREPARED FOR:

Town of Hempstead Industrial Development Agency
350 Front Street, Room 234-A
Hempstead, NY 11550

Economic and Fiscal Impact

BSREP III 107 CHARLES LINDBERGH
BOULEVARD LLC.

Town of Hempstead
Industrial Development Agency

MARCH 4, 2022

PREPARED BY:



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CAMOIN 310

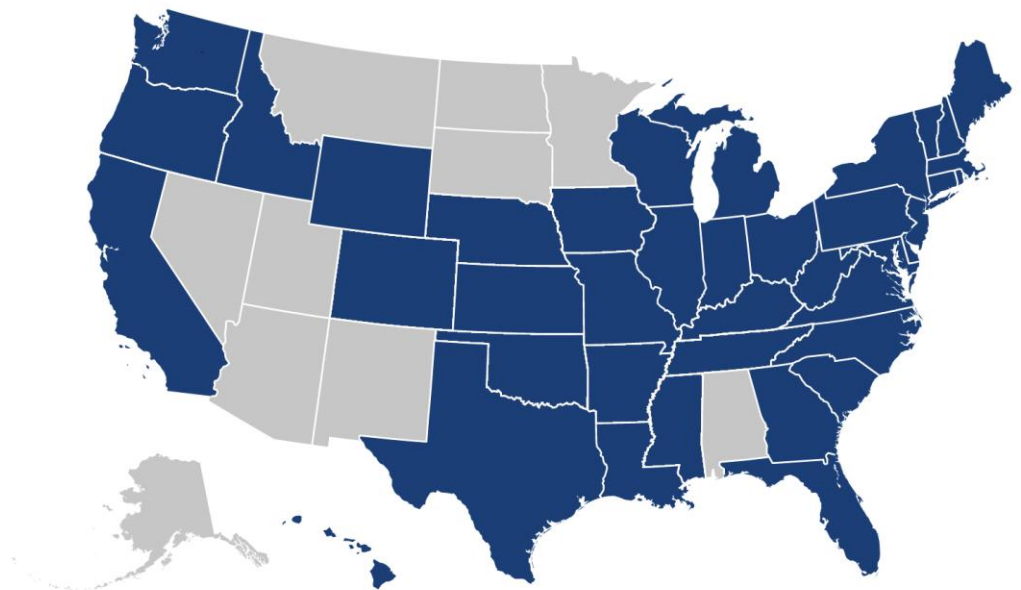
ABOUT CAMOIN 310

Camoin 310 has provided economic development consulting services to municipalities, economic development agencies, and private enterprises since 1999. Through the services offered, Camoin 310 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, Amazon, 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), Crain's New York Business, 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**.

THE PROJECT TEAM

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ABOUT THE STUDY

Camoin 310 was retained by the Town of Hempstead Industrial Development Agency to measure the potential economic and fiscal impacts of a project proposed by BSREP III 107 Charles Lindbergh Boulevard LLC. The proposed project involves construction of a new approximately 114,380 square foot warehouse at 107 Charles Lindbergh Boulevard, Garden City, Town of Hempstead, Nassau County, New York. The goal of this analysis is to provide a complete assessment of the total economic, employment and tax impact of the project on the Town of Hempstead that result from the construction of the facility and on-site operations.

The primary tool used in this analysis is the input-output model developed by Economic Modeling Specialists Intl. (Emsi). Primary data used in this study was obtained from the developer's application for financial assistance to the Town of Hempstead Industrial Development Agency and included the following data points: construction spending, on-site jobs, exemptions, and PILOT schedule.

The economic impacts are presented in four categories: direct impact, indirect impact, induced impact, and total impact. The indirect and induced impacts are commonly referred to as the "multiplier effect." Note that previous impact reports commissioned by the Town of Hempstead Industrial Development Agency were presented in only three categories: direct impact, indirect impact, and total impact. Prior to 2020, Camoin 310 included both the indirect and induced impacts in the "indirect impact" category. Beginning in 2020, the indirect and induced impacts will be reported separately to allow for more accurate interpretation of results.

STUDY INFORMATION

Data Source:
BSREP III 107 Charles Lindbergh
Boulevard LLC Application for
Assistance and the Town of
Hempstead Industrial
Development Agency

Geography:
Town of Hempstead

Study Period:
2021

Modeling Tool:
Emsi

DIRECT IMPACTS

This initial round of impacts is generated as a result of spending on construction and operations.

INDIRECT IMPACTS

The direct impacts have ripple effects through business to business spending. This spending results from the increase in demand for goods and services in industry sectors that supply both the facility.

INDUCED IMPACTS

Impacts that result from spending by facility employees, employees of town businesses, and employees of suppliers. Earnings of these employees enter the economy as employees spend their paychecks in the town on food, clothing, and other goods and services.

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EXECUTIVE SUMMARY

The Town of Hempstead Industrial Development Agency (the "Agency") received an application for financial assistance from BSREP III 107 Charles Lindbergh Boulevard LLC (the "Applicant") for the construction of a new approximately 114,380 square foot warehouse (the "Project") at 107 Charles Lindbergh Boulevard, Garden City, Town of Hempstead, Nassau County, New York. (the "Site"). While the tenant is yet to be determined, the site is being marketed as a high-end industrial warehouse or e-commerce distribution center for pharmaceutical use. The Applicant is seeking a 10-year PILOT agreement from the Agency. The Agency commissioned Camoin 310 to conduct an economic and limited fiscal impact analysis of the Project on the Town of Hempstead (the "Town").

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

Table 1

Summary of Benefits

Total Jobs	64
Direct Jobs	50
Total Earnings	\$ 3,069,376
Direct Earnings	\$ 2,268,419
Annual Sales Tax Revenue	\$ 2,014
Average Annual PILOT Payment	\$ 580,180
Average Annual PILOT Payment to Town	\$ 86,845
Average Annual PILOT Cost	\$ (24,940)
Average Annual PILOT Cost to Town	\$ (3,733)

- ◆ The Project supports 64 net new jobs in the town, with nearly \$3.1 million in associated earnings. These figures include net new jobs resulting from both on-site direct jobs and indirect/induced activity.
- ◆ The Applicant has negotiated terms of a proposed 10-year PILOT agreement with the Agency, where the applicant would pay an average of \$580,180 each year, of which \$86,845 will be allocated to the Town. As compared to the otherwise applicable property taxes, the PILOT represents an average annual cost to the Town of \$3,733.
- ◆ Through negotiations with the Agency the Applicant could have access to a sales tax exemption valued at up to \$791,344 and a mortgage recording tax exemption valued at up to \$215,427. 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.

Table 2

Summary of Costs to Affected Jurisdictions

	State and County	
Sales Tax Exemption	\$	791,344
Mortgage Tax Exemption	\$	215,427

Source: Applicant, Camoin 310

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ECONOMIC IMPACT ANALYSIS

The estimates of direct economic activity generated by facility operation and construction spending as provided by the Applicant were used as the direct inputs for the economic impact model. Camoin 310 uses the input-output model designed by Economic Modeling Specialists, International (Emsi) to calculate total economic impacts. Emsi allows the analyst to input the amount of new direct economic activity (spending or jobs) occurring within the town and uses the direct inputs to estimate the spillover effects that the net new spending or jobs have as these new dollars circulate through the Town of Hempstead's economy. This is captured in the indirect and induced 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 upon the Town of Hempstead as a result of Project operation, new permanent jobs, and construction spending.

CONSTRUCTION PHASE IMPACTS

The Applicant anticipates that private sector investment in the construction of the Project would cost over \$18.0 million¹, of which 70% would be sourced from within the town. This means that there will be over \$12.6 million in net new spending in the town associated with the construction phase of the Project.

Table 3

Construction Phase Spending	
Total Construction Cost	\$ 18,050,000
Percent Sourced from Town	70%
Net New Constuction Spending	\$ 12,635,000

Source: Applicant, Emsi, Camoin 310

Based on \$12.6 million worth of net new direct spending associated with the construction phase of the Project, we determined that there would be over \$16.0 million in total one-time construction related spending supporting 86 jobs and an associated nearly \$6.5 million in earnings over the construction period throughout the town. Table 4 outlines the economic impacts of construction.

Table 4

Economic Impact - Construction Phase			
	<u>Jobs</u>	<u>Earnings</u>	<u>Sales</u>
Direct	67	\$ 5,237,415	\$ 12,635,000
Indirect	9	\$ 562,284	\$ 1,728,156
Induced	11	\$ 671,216	\$ 1,664,968
Total	86	\$ 6,470,915	\$ 16,028,124

Source: Emsi, Camoin 310

¹ Includes project costs and provided by the Applicant in Part IV of the application, excluding acquisition, legal fees, and financial charges.

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IMPACTS OF ON-SITE EMPLOYMENT

The Applicant estimates that 50 jobs will be on-site within two years following Project completion. This is an estimated figure since the future tenant of the space has yet to be determined. The table below details the impact that these 50 jobs will have on the Town of Hempstead (Table 5).

Table 5

Economic Impact - On-Site Operations			
	<u>Jobs</u>	<u>Earnings</u>	<u>Sales</u>
Direct	50	\$ 2,268,419	\$ 5,132,730
Indirect	10	\$ 518,680	\$ 1,455,625
Induced	5	\$ 282,276	\$ 699,037
Total	64	\$ 3,069,376	\$ 7,287,392

Source: Emsi, Camoin 310

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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 the completion of the Project on the local taxing jurisdictions in terms of the cost and/or benefit to municipal budgets.

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 10-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 310 calculated the potential impact on the Town of Hempstead.²

Table 6

Year	Tax Payments with PILOT	
	PILOT Payments	Town Portion of Payment
1	\$ 216,832	\$ 32,457
2	\$ 505,207	\$ 75,623
3	\$ 534,040	\$ 79,939
4	\$ 562,880	\$ 84,256
5	\$ 591,713	\$ 88,572
6	\$ 620,554	\$ 92,889
7	\$ 649,387	\$ 97,205
8	\$ 678,227	\$ 101,522
9	\$ 707,061	\$ 105,838
10	\$ 735,901	\$ 110,155
Total	\$ 5,801,802	\$ 868,453
Average	\$ 580,180	\$ 86,845

Source: Town of Hempstead IDA, Camoin 310

² It is assumed that the Town of Hempstead will continue to receive the same portion of the full tax bill that they currently are. The current total taxes are \$597,106 of which the Town receives approximately 15%.

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TAX POLICY COMPARISON

Without financial assistance from the Agency, Camoin 310 assumes the Applicant would not undertake the Project. Based on the current taxes applicable on the Site as provided by the Town of Hempstead IDA and an assumed annual increase to the tax rate of 2.00%³ (holding taxable value constant), Table 7 outlines the estimated tax payments made by the building owner without the Project.

Table 7

Tax Payments without Project

<u>Year</u>	<u>Property Tax Payment Without Project*</u>	<u>Town Portion of Payment Without Project</u>
1	\$ 552,635	\$ 82,722
2	\$ 563,688	\$ 84,377
3	\$ 574,962	\$ 86,064
4	\$ 586,461	\$ 87,785
5	\$ 598,190	\$ 89,541
6	\$ 610,154	\$ 91,332
7	\$ 622,357	\$ 93,159
8	\$ 634,804	\$ 95,022
9	\$ 647,500	\$ 96,922
10	\$ 660,450	\$ 98,861
Total	\$ 6,051,202	\$ 905,784
Average	\$ 605,120	\$ 90,578

Source: Town of Hempstead IDA, Camoin 310

*Assumes an average annual increase of 2.00%

³ 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).

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Table 8 calculates the benefit (or cost) to the affected taxing jurisdictions as the difference between the PILOT payments associated with the Project and the property tax payments without the Project. Nearly \$25,000 less in PILOT revenue will be received annually than property taxes that would be received without the Project. The total cost would be \$249,400 over the 10-year period.

Table 8

Tax Policy Comparison (All Jurisdictions)				
Year	Property Tax Payment Without Project	PILOT Payment	Benefit (Cost) of Project	
1	\$ 552,635	\$ 216,832	\$ (335,803)	
2	\$ 563,688	\$ 505,207	\$ (58,481)	
3	\$ 574,962	\$ 534,040	\$ (40,922)	
4	\$ 586,461	\$ 562,880	\$ (23,581)	
5	\$ 598,190	\$ 591,713	\$ (6,477)	
6	\$ 610,154	\$ 620,554	\$ 10,400	
7	\$ 622,357	\$ 649,387	\$ 27,030	
8	\$ 634,804	\$ 678,227	\$ 43,423	
9	\$ 647,500	\$ 707,061	\$ 59,561	
10	\$ 660,450	\$ 735,901	\$ 75,451	
Total	\$ 6,051,202	\$ 5,801,802	\$ (249,400)	
Average	\$ 605,120	\$ 580,180	\$ (24,940)	

Source: Town of Hempstead IDA, Camoin 310

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Table 9 calculates the benefit (or cost) to the Town. The Town would receive approximately \$3,700 less in PILOT revenue annually than it would receive in property taxes without the Project. The total cost to the Town would be \$37,332 over the 10-year period.

Table 9

Tax Policy Comparison for Town				
Year	Property Tax Payment		PILOT Payment	Benefit (Cost) of Project
	Without Project			
1	\$	82,722	\$ 32,457	\$ (50,265)
2	\$	84,377	\$ 75,623	\$ (8,754)
3	\$	86,064	\$ 79,939	\$ (6,125)
4	\$	87,785	\$ 84,256	\$ (3,530)
5	\$	89,541	\$ 88,572	\$ (970)
6	\$	91,332	\$ 92,889	\$ 1,557
7	\$	93,159	\$ 97,205	\$ 4,046
8	\$	95,022	\$ 101,522	\$ 6,500
9	\$	96,922	\$ 105,838	\$ 8,915
10	\$	98,861	\$ 110,155	\$ 11,294
Total	\$	905,784	\$ 868,453	\$ (37,332)
Average	\$	90,578	\$ 86,845	\$ (3,733)

Source: Town of Hempstead IDA, Camoin 310

OTHER EXEMPTIONS

There are additional benefits to working with the Agency including a one-time sales tax exemption on construction materials and furniture, fixtures, and equipment as well as a mortgage recording tax exemption. Tax exemptions are for the state and county taxes and are not applicable to the town and village.

Table 10

Summary of Costs to Affected Jurisdictions	
	<u>State and County</u>
Sales Tax Exemption	\$ 791,344
Mortgage Tax Exemption	\$ 215,427

Source: Applicant, Camoin 310

The additional incentives offered by the Agency will benefit the Applicant but will not negatively affect the taxing jurisdictions because, without the Project, the Town by definition would not be receiving any associated sales tax or mortgage tax revenue.

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SALES TAX REVENUE

SALES TAX REVENUE – CONSTRUCTION PHASE

The one-time construction phase earnings described by the total economic impact of the construction work (described in the above section) would lead to additional sales tax revenue for the Town. It is assumed that 70%⁴ of the construction phase earnings would be spent within the Town of Hempstead and that 25% of those purchases would be taxable.

Table 11

One-Time Sales Tax Revenue Construction Phase

Total New Earnings	\$ 6,470,915
Amount Spent in Town (70%)	\$ 4,529,641
Amount Taxable (25%)	\$ 1,132,410
New Town Sales Tax Revenue Portion*	0.375%
New Town Tax Revenue	\$ 4,247

*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 310

SALES TAX REVENUE – EMPLOYEE EARNINGS

The earnings generated by on-site jobs that will occur as a result of building operation at the Project (described under Impacts of On-Site Employment) would lead to additional annual sales tax revenue for the town. It is assumed that 70% of the earnings would be spent within the Town of Hempstead and that 25% of those purchases will be taxable. Table 12 displays the annual tax revenue that the Town will receive.

Table 12

Annual Sales Tax Revenue On-Site Operations

Total New Earnings	\$ 3,069,376
Amount Spent in Town (70%)	\$ 2,148,563
Amount Taxable (25%)	\$ 537,141
New Town Sales Tax Revenue Portion*	0.375%
New Town Tax Revenue	\$ 2,014

*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 310

⁴ A retail leakage analysis of the Town of Hempstead suggests that a vast majority of the goods and services that employees will be purchasing are available within the town (food, clothing, vehicles, computers, etc.), but there still will be some outside spending on travel and through purchases made online and in neighboring towns. Based on third party proprietary retail spending data, 70% is a reasonable assumption for the amount of in-town spending. (Source: Esri Business Analyst Online Retail Market Profile)

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.

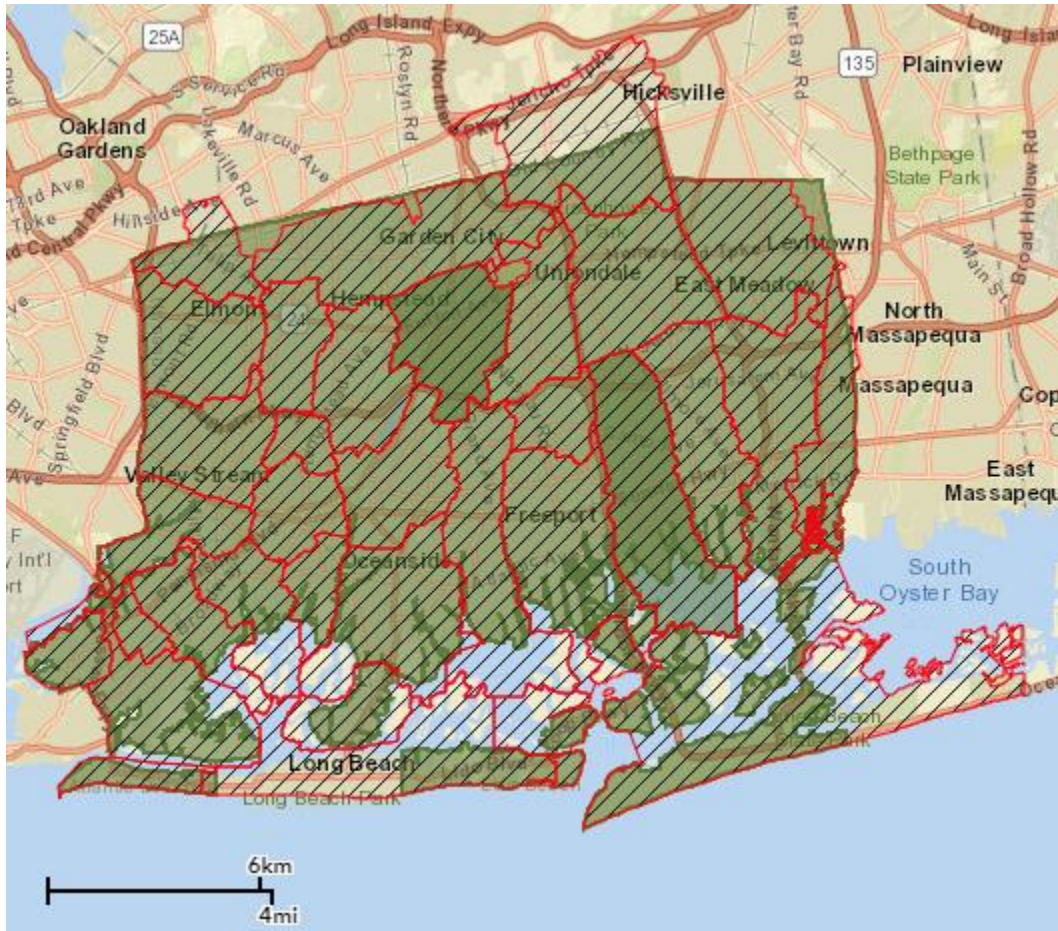
Key information for the reader to retain is that this type of analysis requires rigorous and careful consideration of the geography selected (i.e. how the “local economy” is defined) and the implications of the geography on the computation of the change in final demand. If this analysis wanted to consider 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.

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ATTACHMENT B: STUDY AREAS

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





Leading action to grow your economy

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