Arcadia Landing, LLC

Cost-Benefit Analysis

Prepared by:

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Prepared for:
Glen Cove IDA

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Executive Summary

The Glen Cove Industrial Development Agency (the "Agency") received an application for assistance from Arcadia Landing, LLC (the "Applicant") related to a proposed project at 100 Breton Way, Glen Cove, NY (the "Site"). The project consists of the construction of an approximately 102,800 square foot building with 72 age-restricted residential condominiums, together with associated furniture, fixtures, machinery and equipment (the "Project"). The Agency requested 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 City of Glen Cove (the "City") and region, as part of the Agency's deliberations.

To do so, MRB Group modeled the economic impacts of the construction of the Project in terms of direct and indirect jobs and earnings in the region. We also modeled the annual economic impacts post-construction, which result from our estimates of "net new" household spending from future occupants of the Site. In terms of fiscal impacts, we estimated 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.

In terms of economic impacts[1], we used the Applicant's estimates of the percentage of locally-sourced labor and materials to project 25 direct, on-site construction jobs, 14 indirect jobs and, therefore, a total of 39 construction-phase jobs, collectively earning $3.1 million in wages. Once the Project is complete and occupied, we estimate a total of 18.5 ongoing (permanent, post-construction) jobs will be created due to the spending of the new households, with total annual earnings of $729,138. As this is a new project, all such employment is "net new".

Summary of Economic Impacts

	Direct	Indirect	Total
Construction Jobs	25	14	39
Construction Wages	$2,214,627	$898,179	$3,112,806
Ongoing Jobs	17.5	1.0	18.5
Ongoing Wages	$676,371	$52,767	$729,138

[1] Note that the direct and indirect "Construction Jobs" and "Construction Wages" shown are with respect to Nassau County (the "County"), as such jobs tend to be pulled from a larger labor shed. The direct and indirect "Ongoing Jobs" and "Ongoing Wages" shown are with respect to the City.

Summary of Fiscal Impacts

	County	City	School
Sales Tax, One-Time*	$23,151		
Cost of Sales Tax Exemption, One-Time	-$220,496		
Sales Tax, Annual*	$18,044	$5,487	
Increase in Property Tax, Annual**	$59,944	$181,670	$444,292

*Sales tax under "City" refers to new distributions of sales tax from the County due to increase in population.

**"School" includes library tax.

With respect to fiscal impacts, we project a one-time sales tax revenue impact to the County of $23,151, related to construction-phase earnings, as well as a one-time cost to the County of $220,496 from the Agency's presumed sales tax exemption under consideration[2].

Once the Project is complete and occupied, we estimate that that County will benefit from annual sales tax revenues of $18,044 related to the new household spending and the new wages being earned from ongoing jobs. Because of the presumed increase in City population due to the Project, we also estimate the City will benefit from $5,487 in additional sales tax revenue distributions from the County[3].

The Project will also increase the taxable assessed value of the Site. Based on projections from the Applicant as to the future assessed value of the Site, we estimate the County will benefit from an annual increase of $59,944 in property tax revenue above what the Site currently generates, the City will benefit from an annual increase of $181,670 and the Glen Cove City School District (the "School" and "School District")[4] will benefit from an annual increase of $444,292.

[2] Note that this includes only the County's cost of the sales tax exemption. Also note that the Applicant is not requesting a mortgage recording tax exemption nor a PILOT exemption.

[3] The County distributes a portion of its entire sales tax collections to its various municipalities based on population.

[4] Amounts shown for the School also include library tax.

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Introduction

The Glen Cove Industrial Development Agency received an application for assistance from Arcadia Landing, LLC related to a proposed project at 100 Breton Way, Glen Cove, NY. The project consists of the construction of an approximately 102,800 square foot building with 72 age-restricted residential condominiums, together with associated furniture, fixtures, machinery and equipment. The Agency requested 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 City of Glen Cove and region, as part of the Agency's deliberations.

To do so, MRB Group modeled the economic impacts of the construction of the Project in terms of direct and indirect jobs and earnings in the region. We also modeled the annual economic impacts post-construction, which result from our estimates of "net new" household spending from future occupants of the Site. In terms of fiscal impacts, we estimated one-time and ongoing new tax revenue as well as the presumed costs of the financial assistance being considered by the Agency.

Multifamily Real Estate Market Review

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

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

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

Therefore, this section of the report provides a review of certain key indicators relating to the current supply and demand trends of market-rate and affordable housing units for the City of Glen Cove and surrounding areas, together with relevant demographic and economic statistics.

Demographics

The Project includes the development of both an affordable housing community and a 55+ community in the City of Glen Cove. Demographic data suggests that demand for 55+ housing development is expected to grow through 2024. Using projections forecasted by ESRI, an international leader in GIS software, key aspects of Glen Cove's 50+ age population show notable signs of growth. Population, household income, and renter-occupied housing units are uniformly project to grow through 2024.

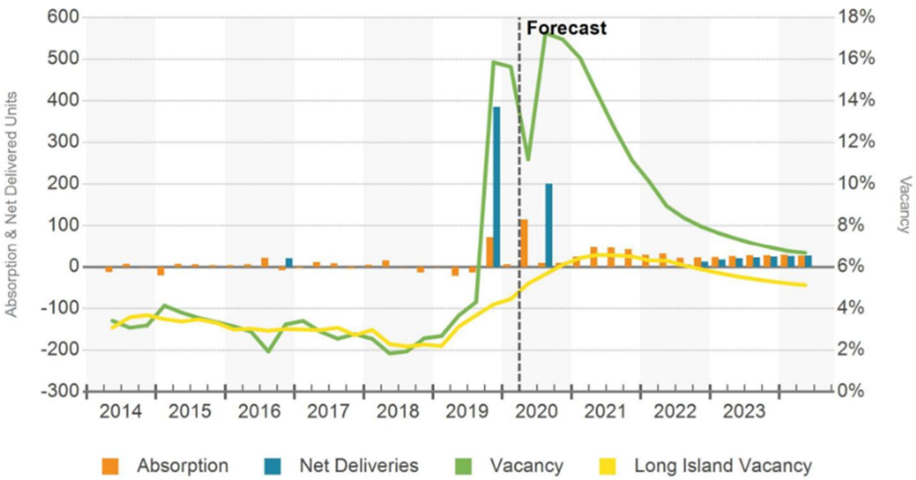
Glen Cove 50+ Age Profile

	2019	2024	2019-2024 Annual Rate
Population 50+	11,043	11,858	1.43%
% of Householders 55+	51.90%	52.80%	0.34%
Median Household Income 55+	$65,704	$77,431	3.34%
Total Renter-Occupied Housing Units	4,326	4,796	2.08%

Source: ESRI

Vacancy

From 2014-2019, multifamily (for-rent and for-sale) vacancy rates for the City have been persistently low, ranging from 2 – 4% and closely correlated with vacancy rates from the rest of Long Island. In Q4 2019, the first phase of a residential development project brought 385 rental units to the market that are currently being absorbed. A second phase will bring an additional 167 condo units online in 2020, adding to supply. According to Co-Star, our real estate data provider, these units are expected to be quickly absorbed by the area's otherwise tight housing market and vacancy will return to historical averages.



Source: Co-Star Multifamily Residential Report - Northern Nassau County Submarket

Rental units[5] in the City comprise a significant portion of total housing units when compared to Nassau County. Approximately 45% of housing units in the City of Glen Cove are rentals, compared to 18% in Nassau County, 61% in New York City, and 43% in the New York designated market area (which includes of Westchester County and Northern New Jersey.)

Rental Housing Units

	Renter-Occupied Units	% of All Occupied Units	Total Housing Units
Glen Cove	4,795	44.8%	10,700
Nassau County	86,216	18.3%	471,835
New York City	2,124,263	61.2%	3,472,354
New York DMA*	3,621,535	42.6%	8,497,647

Source: ESRI, 2014 - 2018 ACS
Estimates Note: *DMA - designated market area

Housing affordability in the City of Glen Cove also indicates demand for both market-rate and affordable rental units. The City scored a 57 on the Housing Affordability Index (HAI) in 2019, where a score of 100 represents the National Average. Additionally, the average percentage-of-income-spent-on-mortgage[6] was 37%. Both of these figures are indicative of a strong residential market and limited supply.

[5] We recognize that the Project is not a for-rent property. However, there is a clear economic linkage between the for-rent and for-sale multifamily residential markets, so we present this data here as a comparison and as an indication of trends. We also note that there is a very limited supply of for-sale multifamily properties in the entire Northern Nassau County sub-market.

[6] Source: Consumer Expenditure Survey, US Bureau of Labor Statistics.

Likewise, "House and Home Expenditures," shown in the table to the right, encompass annual spending of households on mortgage/rent, insurance, tax, and property maintenance, where appropriate. The Spending Potential Index (SPI) is a composite measure of household expenditures for the specified region as compared to national averages. Both owner- and renter-occupied units in Glen Cove have significantly higher home expenditures and spending potential as compared to national averages. These SPI figures again demonstrate that housing is in short supply/high demand in the City, indicating that any new affordable units would attract net new households to the area. We understand that the units in the proposed Project, while not income restricted, are anticipated to be priced attractively in the market.

Glen Cove House and Home Expenditures

	Average Amount Spent	SPI
Owned Dwelling	$ 17,324	135
Rented Dwelling	$ 8,246	161

Source: Consumer Spending data are derived from the 2016 and 2017 Consumer Expenditure Surveys, Bureau of Labor Statistics .

Net New Conclusion

Based on the best available data, we conclude that all units of the Project represent "net-new" households for the City.

Economic Impact Analysis

The Project would have economic impacts on the County and City 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 entire County. It also includes ongoing impacts related to household spending and the operations of the Project, which we estimate for the City[7].

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 the operations of the Project (e.g. onsite employment of a maintenance person) and 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[8] 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.

[7] By their nature, construction-related impacts tend to be somewhat more diffuse, which is why we report them as county-level impacts. City level impacts are measured based on the 11542 ZIP code, which closely approximates the City.

[8] 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

In its application to the Agency, the Applicant provided estimates of the total cost of construction of the Project and the percentage of labor and materials to be sourced within the County. As shown in the table to the right, the Applicant estimates that 50% of its $7.2 million of materials costs and 60% of its $3.1 million in labor costs would be sourced within the County, for a total of $5.4 million of in-region construction spending.

Construction Spending In Region

	$ Total	% County	$ County
Materials	$7,193,407	50%	$3,596,704
Labor	$3,082,888	60%	$1,849,733
Total	**$10,276,295**	**53%**	**$5,446,436**

Source: Applicant, MRB

We used this $5.4 million spending figure (direct "Sales" in the table) as the input into the Emsi economic modeling system, assigning the County as the geography of study. This spending creates 25 direct jobs and direct earnings of $2.2 million. The model estimates that this will cause Indirect impacts of 14 new jobs, $898,179 in new earnings and $2.6 million in new sales. Therefore, the total, one-time, construction-phase impacts would be 39 jobs, $3.1 million in wages and $8.0 million in sales.

Economic Impact of Construction Phase, One-Time

	Direct	Indirect	Total
Jobs	25	14	39
Earnings	$2,214,627	$898,179	$3,112,806
Sales	$5,446,436	$2,577,096	$8,023,532

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

Unlike the construction phase impacts that were measured at the County level, to account for their dispersed nature, we estimated operation phase impacts at the City level. To do so, we have used the 11542 ZIP Code, the smallest unit of geography used by Emsi, to model impacts.

Operation phase impacts come from two sources. By far the largest source is the effects of net-new household spending from the new units being brought onto the market by the Project. The second source of operation phase impacts is the employment on Site by the Applicant.

The Project will bring to market 72 units of senior housing (aged 55+), 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 as of September 2019, specific to the New York metropolitan area. As shown, the typical household spends $39,280 per year in the categories of goods shown. For the purposes of being conservative, we have estimated that only 60% of this spending would occur in the City of Glen Cove. Given 72 units and the spending profile and percentages shown, we estimate a total of $1.7 million of new household spending would occur annually in the City.

MRB Group then took each of the above line items and applied that new household spending to one or more industry codes in Emsi[9]. This resulted in an estimate of 17 direct jobs and $641,371 in earnings. Taken together with an estimate of indirect impacts, total household spending impacts include 18 jobs, $694,138 in earnings and $1.9 million in sales.

Total New Household Spending

	Annual per HH Spend	% Spent in City	Units	Total New Spending
Food	$8,706	60%	72	$376,099
Household Furnishings and Equipment	$4,220	60%	72	$182,304
Apparel and Services	$2,574	60%	72	$111,197
Transportation	$8,494	60%	72	$366,941
Healthcare	$4,787	60%	72	$206,798
Entertainment	$3,154	60%	72	$136,253
Education	$3,007	60%	72	$129,902
Personal Care Products and Services	$858	60%	72	$37,066
Miscellaneous	$1,112	60%	72	$48,038
Other	$2,368	60%	72	$102,298
Total	$39,280	60%	72	$1,696,896

Source: "Table 3004. Selected northeastern metropolitan statistical areas: Average annual expenditures and characteristics", New York, Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, September, 2019

Economic Impact, New Household Spending

	Direct	Indirect	Total
Jobs	17	1	18
Earnings	$641,371	$52,767	$694,138
Sales	$1,696,898	$160,603	$1,857,501

Source: Emsi, MRB

[9] 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.

The Applicant also stated in its application that it would employ one part-time employee at the Site for operations and maintenance, and that the wages paid to that employee would be $35,000. According to Emsi, this corresponds to sales of $81,688. Together with a small amount of Indirect impacts, total impacts of operations and maintenance would be 0.5 jobs, $35,000 in earnings and $91,064 in sales.

The combined impacts of household spending along with impacts from operations and maintenance is displayed in the table to the right. As shown, we anticipate that the City will benefit from 18.5 jobs, $729,138 in earnings and $1.9 million in sales on an annual basis.

Economic Impact, Operations and Maintenance of Project

	Direct	Indirect	Total
Jobs	0.5	*De minimus*	0.5
Earnings	$35,000	*De minimus*	$35,000
Sales	$81,688	$9,376	$91,064

Source: Emsi, MRB

Economic Impact, Combined Annual Impact

	Direct	Indirect	Total
Jobs	17.5	1	18.5
Earnings	$676,371	$52,767	$729,138
Sales	$1,778,586	$169,979	$1,948,565

Source: Emsi, MRB

Fiscal Impact Analysis

The Project would also have fiscal impacts on the County, City and School in a number of ways, including changes to property tax revenue, sales tax revenue and sales tax distributions from the County to the City, on both a one-time basis and an ongoing basis.

Property Tax Impact

The property is currently taxable and the Applicant is not requesting a PILOT exemption as part of its application to the Agency. Therefore, the property tax impact of the Project would result from the increase in assessed value of the Site upon completion of the Project.

The Applicant has stated that the Site's current assessment, as-is, would yield $43,633 in property tax for the County, $132,236 for the City and $319,351 for the School District[10]. The Applicant has provided an estimate of the assessed value of the Project as-complete, along with estimated property tax yields for future years based on existing tax rates. Subtracting out as-is taxes from as-complete estimated taxes, the Project will result in an annual increase in property tax revenues for the County of $59,944, an increase of $181,670 for the City and an increase of $444,292 for the School, for a total annual increase in property tax revenues of $685,906 for all affected taxing jurisdictions.

Property Tax Impact

	County	City	School*	Total
As-Is	$43,633	$132,236	$319,351	$495,220
As-Complete	$103,577	$313,906	$763,643	$1,181,126
Increase	$59,944	$181,670	$444,292	$685,906

Source: Applicant, MRB

*"School" includes library tax.

Cost of Exemptions

The Applicant has requested an exemption from the Sales and Use tax, the benefit of which for the Applicant would be $477,477. Segmenting out the local cost of that exemption[11], namely the County's 4.25% rate against the overall rate of 8.625%, yields a cost to the County of $220,496. The Applicant is not requesting a Mortgage Recording Tax Exemption and, as noted above, the Site

Cost of Exemptions

Type	$
Sales Tax Exemption	$220,496
Mortgage Recording Tax Exemption	n/a
Loss (Gain) of Property Tax Revenue	($685,906)

Source: Applicant, MRB

[10] As noted elsewhere, the School tax figure includes a small about of tax collected for the library.

[11] The state imposes a 4% tax rate and a rate of 0.375% goes to the Metropolitan Commuter Transportation District.

will generate $685,906 more in property tax revenues annually with the Project than without the Project.

Sales Tax Revenue, Construction Phase

As described about in the Economic Impact section, we anticipate $3.1 million in total new earnings in the County during the construction phase of the Project. To this, we applied a rate of 70% as the amount of such earnings spent in the County. Of that amount, we then applied a rate of 25% as the amount of such spending that is subject to the sales tax. Finally, we applied the County's sales tax rate of 4.25% to arrive at one-time sales tax revenue to the County of $23,151.

Sales Tax Revenue - Construction Phase

Line	Value
Total New Earnings	$3,112,806
% Spent in County	70%
$ Spent in County	$2,178,964
% Taxable	25%
$ Taxable	$544,741
County Sales Tax Rate	4.25%
$ County Sales Tax Revenue	$23,151

Source: Applicant, MRB

Sales Tax Revenue, Operation Phase

Likewise, during operations, we estimated $729,138 in new earnings and $1.7 million in new household spending occurring within the County. Applying the same factors as above, this results in an estimate of $18,044 in sales tax revenue to the County annually from the Project.

Sales Tax Revenue - Operation Phase

Line	Value
Total New Earnings	$729,138
New Household Spending	$1,696,896
% Spent in County	70%
$ Spent in County	$1,698,224
% Taxable	25%
$ Taxable	$424,556
County Sales Tax Rate	4.25%
$ County Sales Tax Revenue	$18,044

Source: MRB

New Sales Tax Distributions to City

The County distributes a portion of its sales tax revenue to its constituent cities, towns and villages according to a set distribution formula[12] that is based on population. Therefore, to the extent the Project adds to the population of the City, the City would receive additional sales tax distributions from the County.

To estimate this effect, we start with the population figure for the City from the 2010 US Census of 26,964. Using a figure of 1.5 persons per household, we estimate 108 new residents in the City, or an approximate 0.4% increase in population. We note that the City has budgeted $1.4 million in "local government assistance program" revenues in its 2020 budget (the name given by the County for these distributions of sales tax). Applying the percent increase in population to this figure, we estimate that the Project will lead to $5,487 in new annual revenues from these sales tax distributions from the County.

New Sales Tax Distributions to City

Line	Value
Population (2010 Census)	26,964
New Households	72
Persons per HH	1.50
New Persons	108
% Increase in Population	0.40053%
Sales Tax Distributions to City (2020)	$1,370,000
Increase in Distributions to City (est.)	$5,487

Source: City 2020 Budget, US Census, MRB

[12] Of the overall 4.25% tax rate imposed by the County, "First 3.00%: Retained by County. Additional 0.75%: The County distributes one-third to fund a local government assistance program for the three towns and two cities within the County. The assistance is distributed quarterly, on a per capita basis, based on the most recent decennial census. Villages also receive assistance, in an amount not to exceed one-sixth of the 0.75% remaining after the towns and cities have received their funding. Additional 0.50%: Retained by County." Source: "Local Government Sales Taxes in New York State: 2015 Update." New York State Comptroller, Division of Local Government and School Accountability. March 2015.