

# Garvies Point Workforce, LLC Cost-Benefit Analysis

Prepared by:



Prepared for:  
Glen Cove IDA

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## Executive Summary

The Glen Cove Industrial Development Agency (the “Agency”) received an application for financial assistance from Garvies Point Workforce, LLC (the “Applicant”) related to a proposed project located on the east side of Dickson Lane, Glen Cove, NY (the “Site”). The proposed project includes the development of an approximately 59,236 square foot building offering 55 affordable housing units at the City’s waterfront and associated furniture, fixtures, 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.

MRB Group conducted a thorough assessment of the economic and fiscal impacts of the project, for both one-time construction impacts and ongoing impacts of operations. 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.

Using estimates provided by the Applicant of the percentage of locally-sourced labor and materials used in the construction phase of the Project, we were able to assess the one-time economic impact.<sup>1</sup> The construction phase of the Project will produce 44 direct, on-site construction jobs and 25 indirect jobs. Therefore, in total, the construction phase of the Project will create 69 jobs and generate \$5.4 million in wages. Upon completion of the Project, we estimate that the spending of “net new” households will yield 14.5 jobs total, producing \$647,819 in annual earnings.

### Summary of Economic Impacts

	Direct	Indirect	Total
Construction Jobs	44	25	69
Construction Wages	\$3,877,639	\$1,572,911	\$5,450,550
Ongoing Jobs	14.5	De minimus	14.5
Ongoing Wages	\$596,396	\$40,308	\$647,819

<sup>1</sup> 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.

In terms of costs of the Project, the Applicant has requested a sales tax exemption and a mortgage recording tax exemption. The property in question is already subject to a master tax agreement that stipulated certain PILOT payments, and the Applicant is not requesting any changes to that pre-existing master tax agreement, so the cost of inducement with respect to PILOT payments is zero. The estimated cost of the sales tax exemption is \$987,010, and of the mortgage recording tax exemption is \$146,750.

In term of fiscal benefits,<sup>2</sup> based upon our estimated construction-phase earnings, we project a one-time sales tax revenue impact to the County of \$40,538. Upon completion of the Project, we estimate that that County will benefit from annual sales tax revenues of \$14,459 related to the new household spending and the new wages being earned from ongoing jobs.<sup>3</sup> As noted above, the Project is currently subject to a master tax agreement, under which it will pay PILOT payments in the amount of \$72,326 on average per year for the 20-year life of the agreement.

### Summary of Fiscal Impacts

Costs		\$
Sales Tax Exemption		\$987,010
Mortgage Recording Tax Exemption		\$146,750
PILOT Exemption		\$0
Benefits		\$
Sales Tax, One Time, County		\$40,538
Sales Tax, Annual, County		\$14,459
PILOT Payments, Annual Average		\$72,326

<sup>2</sup> Note that while we report the entire cost of the exemptions to both state and local government, we are reporting only the fiscal benefits that accrue to the County and City.

<sup>3</sup> The County distributes a portion of its entire sales tax collections to its various municipalities based on population. Because of the presumed increase in City population due to the Project, we estimate the City will benefit from \$4,192 in additional sales tax revenue distributions annually from the County.

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## Introduction

The Glen Cove Industrial Development Agency received an application for assistance from Garvies Point Workforce, LLC related to a proposed project located on the east side of Dickson Lane, Glen Cove. The proposed project includes the development of an approximately 59,236 square foot building offering 55 affordable housing units at the City's waterfront and 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.

MRB Group conducted a thorough assessment of the economic and fiscal impacts of the project, for both one-time construction impacts and ongoing impacts of operation. The impacts considered in this analysis include direct and indirect changes to jobs, sales, and expenditures in the region. Economic impacts were 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 following analysis includes a brief profile of the Glen Cove market in terms of demographics and real estate market trends, followed by an economic and fiscal impact analysis.

## 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 former Glen Cove 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 affordable housing units in the City of Glen Cove and surrounding areas, together with relevant demographic and economic statistics.

### Demographic Trends

Using projections forecasted by ESRI, an international leader in GIS software, we are able to observe relevant demographic trends for Glen Cove. The City’s population has slightly increased from 2010, and is projected to increase further through 2024. Households, families, and median age all follow a similar trend of gradual increases. Notably, the City’s rental population is expected to increase significantly through 2024, possibly suggestive of a sustained demand for rental units.

### Demographic Trends, Glen Cove

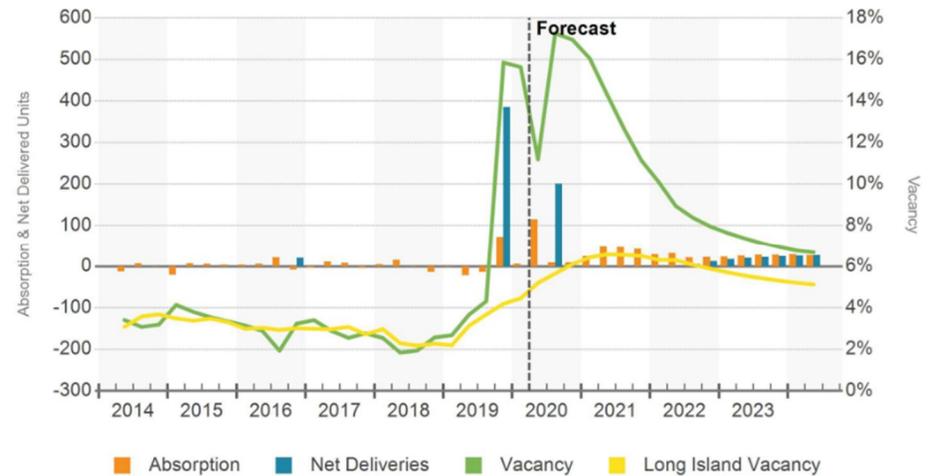
Item	2010	2019	2024	2010-2024
Population	26,964	27,171	28,669	6.3%
Households	9,764	9,717	10,215	4.6%
Families	6,579	6,493	6,817	3.6%
Average Household Size	2.69	2.73	2.74	1.9%
Owner-Occupied Housing Units	5,478	5,393	5,422	-1.0%
Renter-Occupied Housing Units	4,286	4,324	4,793	11.8%
Median Age	40.6	41.8	42.4	4.4%

Source: 2010 Census, 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 across the rest of Long Island. In Q4 2019, a residential development project brought 385 units to the market that are currently being absorbed. A second development will bring an additional 200 units online in 2020, adding to supply. According to CoStar, 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.

Rental units 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 Westchester County and Northern New Jersey.)



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

## 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

Housing affordability in the City of Glen Cove also indicates strong unmet demand for 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<sup>4</sup> was 37%. As a general rule, households spending more than 28% of their income on housing-related costs are said to be “burdened.” By analyzing the City’s median home value, relative to median household income, we are able to further assess the City’s housing burden of residents. In the tables below, a household income threshold of \$137,657 was calculated, representative of the income level needed for a household to not be considered burdened. This threshold is nearly double the median household income of \$77,899; 60% of households would be deemed “burdened” in a home ownership scenario. Therefore, the renter-occupied units play an integral role in Glen Cove’s housing market.

Median contract rent in 2019 was \$1,591 for the City of Glen Cove. Applying the same 28% rule, a rental income threshold of \$68,186 is required to afford a median-priced rental unit without being considered burdened. Roughly 40% of Glen Cove residents would be considered burdened by the median rent prices. Therefore, there is clear demand for additional affordable housing units in the City.

**Household Income Threshold**

	Glen Cove
Median Home Value, 2019	\$599,316
10% Down Payment	\$59,932
Loan Amount	\$539,384
Avg. Mortgage Payment, 30 Yrs. @ 5%	\$2,896
Est Additional Costs	\$316
Avg Mortgage Payment and Estimated Additional Costs	\$3,212
Household Income Threshold	\$137,657
Median Household Income, 2019	\$77,899

Source: ESRI, Zillow, MRB Group

**2019 Households by Income**

	Glen Cove %
< \$15,000	9.0%
\$15,000 - \$24,999	7.4%
\$25,000 - \$34,999	6.7%
\$35,000 - \$49,999	11.2%
\$50,000 - \$74,999	14.0%
\$75,000 - \$99,000	12.0%
\$100,000 - \$149,000	13.6%
\$150,000 - \$199,000	9.6%
\$200,000+	16.5%

Source: ESRI, the vintage on the data is 2019

<sup>4</sup> 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 the national average, which is represented by an SPI of 100. 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.

### 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 indicating strong demand for new affordable units, 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.<sup>5</sup>

### 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. on-site 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<sup>6</sup> 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.

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<sup>5</sup> 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.

<sup>6</sup> 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 the percentage of labor and materials to be sourced within the County. As shown in the table to the right, the Applicant conservatively estimates that 50% of its \$11.4 million of materials costs and 50% of its \$7.6 million in labor costs would be sourced within the County, for a total of \$9.5 million of in-region construction spending.

Nassau County construction spending of \$9.5 million (direct “Sales” in the table) was used as an input into the Emsi economic modeling system. According to the model, this spending creates 44 direct jobs and direct earnings of approximately \$3.9 million. Indirect impacts resulting from direct spending were also modeled, with 25 new jobs, \$1.6 million in new earnings and \$4.5 million in new sales. Therefore, the total, one-time, construction-phase impacts would be 69 jobs, \$5.5 million in wages and \$14.0 million in sales.

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

An important distinction between construction and operation phase impacts is the geographical level at which impacts were measured. Because the operational impact will be significantly more localized relative to the County-level construction impacts, the economic impact of the operation phase was considered at the City level. In this case, we have used the 11542 ZIP Code, which is representative of the smallest unit of geography considered in our economic modelling system.

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

### Construction Spending In Region

	\$ Total	% County	\$ County
Materials	\$11,443,595	50%	\$5,721,798
Labor	\$7,629,064	50%	\$3,814,532
<b>Total</b>	<b>\$19,072,659</b>	<b>50%</b>	<b>\$9,536,330</b>

Source: Applicant, MRB

### Economic Impact of Construction Phase, One-Time

	Direct	Indirect	Total
Jobs	44	25	69
Earnings	\$3,877,639	\$1,572,911	\$5,450,550
Sales	\$9,536,330	\$4,513,153	\$14,049,483

Source: Emsi, MRB

According to the Applicant, this Project will bring to market 55 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 as of September 2019, the most recent available, 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 55 units and the spending profile and percentages shown, we estimate that a total of \$1.3 million of new household spending would occur annually in the City.

By matching the line items of household expenditures with corresponding industry codes in Emsi, we are able to assess the impact of new household spending.<sup>7</sup> Our analysis reveals that the impact of new household spending will result in an estimated 13 new direct jobs and \$489,936 in new earnings. Taken together with an estimate of indirect impacts, total household spending impacts include 13 jobs, \$530,244 in earnings and \$1.4 million in sales.

### Total New Household Spending

	Annual per HH Spend	% Spent in City	Units	Total New Spending
Food	\$8,706	60%	55	\$287,298
Household Furnishings and Equipment	\$4,220	60%	55	\$139,260
Apparel and Services	\$2,574	60%	55	\$84,942
Transportation	\$8,494	60%	55	\$280,302
Healthcare	\$4,787	60%	55	\$157,971
Entertainment	\$3,154	60%	55	\$104,082
Education	\$3,007	60%	55	\$99,231
Personal Care Products and Services	\$858	60%	55	\$28,314
Miscellaneous	\$1,112	60%	55	\$36,696
Other	\$2,368	60%	55	\$78,144
<b>Total</b>	<b>\$39,280</b>	<b>60%</b>	<b>55</b>	<b>\$1,296,240</b>

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	13	<i>De minimus</i>	13
Earnings	\$489,936	\$40,308	\$530,244
Sales	\$1,296,241	\$122,683	\$1,418,924

Source: Emsi, MRB

<sup>7</sup> 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 that the development would employ one full-time employee at the Site for management, and one part-time employee for maintenance. The wages paid to the full- and part-time employees have been stated as \$79,526 and \$29,935, respectively. According to Emsi, these wages correspond to sales of \$245,065. Together with a small amount of Indirect impacts, total impacts of operations and maintenance would be 1.5 jobs, \$117,575 in earnings and \$273,194 in sales.

By aggregating the impact of new household spending and operations of the facility, we see the combined impact displayed in the table to the right. As shown, we anticipate that the City will benefit from 14.5 jobs, \$647,819 in earnings and \$1.7 million in sales on an annual basis.

### Economic Impact, Operations and Maintenance of Project

	Direct	Indirect	Total
Jobs	1.5	<i>De minimus</i>	1.5
Earnings	\$106,460	\$11,115	\$117,575
Sales	\$245,065	\$28,129	\$273,194

Source: Emsi, MRB

### Economic Impact, Combined Annual Impact

	Direct	Indirect	Total
Jobs	14.5	<i>De minimus</i>	14.5
Earnings	\$596,396	\$40,308	\$647,819
Sales	\$1,541,306	\$150,812	\$1,692,118

Source: Emsi, MRB

## Fiscal Impact Analysis

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

### Property Tax Revenue

The property is already subject to the Block G Master Tax Agreement dated July 1, 2017 between RXR Glen Isle Partners, LLC, the Agency and the Glen Cove Local Economic Development Corporation. That original abatement agreement allows for the payment of \$55,000 per year to the affected taxing jurisdictions. In 2018 and every year thereafter, that base amount of \$55,000 is inflated at 2% per year. Assuming 2021 is the first year of PILOT payments made by the Applicant, the base year payment would be \$59,534 as shown in the table to the right.

As shown in the table below, over the 20-year life of the agreement, PILOT payments would total \$1,446,514 and would average \$72,326 per year.

### Base Payment, 2021

Year	Payment
2017	\$55,000
2018	\$56,100
2019	\$57,222
2020	\$58,366
2021	\$59,534

Source: Applicant, MRB

### PILOT Payments 2021-2040

Year	Payment	Year	Payment
2021	\$59,534	2031	\$72,571
2022	\$60,724	2032	\$74,023
2023	\$61,939	2033	\$75,503
2024	\$63,178	2034	\$77,013
2025	\$64,441	2035	\$78,554
2026	\$65,730	2036	\$80,125
2027	\$67,045	2037	\$81,727
2028	\$68,386	2038	\$83,362
2029	\$69,753	2039	\$85,029
2030	\$71,148	2040	\$86,729
Total		\$1,446,514	
Average		\$72,326	

### Sales Tax Revenue, Construction Phase

As our economic impact analysis states, we anticipated approximately \$5.4 million in total new earnings in the County during the construction phase of the project. We assume 70% of this newly generated construction phase spending will be spent in Nassau County. From there, we conservatively estimate 25% of that spending amount will be subject to the sales tax. Applying the County’s sales tax rate of 4.25%, we conclude that the construction phase earnings will likely lead to approximately \$40,538 in County sales tax revenue.

#### Sales Tax Revenue - Construction Phase

Line	Value
Total New Earnings	\$5,450,550
% Spent in County	70%
\$ Spent in County	\$3,815,385
% Taxable	25%
\$ Taxable	\$953,846
County Sales Tax Rate	4.25%
\$ County Sales Tax Revenue	\$40,538

Source: Applicant, MRB

### Sales Tax Revenue, Operation Phase

During the operation phase, we estimated \$647,819 in total new earnings and \$1.3 million in new household spending occurring within the County. Using the same methodology as above, we estimate the project will result in \$14,459 in annual sales tax revenue to the County.

#### Sales Tax Revenue - Operation Phase

Line	Value
Total New Earnings	\$647,819
New Household Spending	\$1,296,240
% Spent in County	70%
\$ Spent in County	\$1,360,841
% Taxable	25%
\$ Taxable	\$340,210
County Sales Tax Rate	4.25%
\$ County Sales Tax Revenue	\$14,459

Source: MRB

### New Sales Tax Distributions to City

The County’s sales tax revenues are distributed to its constituent cities, towns and villages according to a set distribution formula<sup>8</sup> that is based on population. Therefore, to the extent that the Project increases the population of the City, the City would receive additional sales tax distributions from the County.

By using the population figure for the City of Glen Cove from the 2010 US Census of 26,964, we are able to estimate the anticipated population increase and subsequent sales tax distribution stemming from the Project. Under the assumption of 1.5 persons per household, the 55 affordable housing units will attract approximately 83 “net new” residents to the City of Glen Cove, representative of an approximate 0.3% increase in population. Noting 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), we are able to estimate the proportional increase in sales tax distributions, relative to the population increase. We estimate that the Project will lead to \$4,192 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	55
Persons per HH	1.50
New Persons	83
% Increase in Population	0.30596%
Sales Tax Distributions to City (2020)	\$1,370,000
Increase in Distributions to City (est.)	\$4,192

Source: City 2020 Budget, US Census, MRB

<sup>8</sup> 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.

### Cost of Exemptions

The Applicant has requested an exemption from the sales and use tax, which would result in a benefit of \$987,010 to the Applicant. Note that this includes state and local sales tax. Segmenting out the local cost of that exemption,<sup>9</sup> namely the County’s 4.25% rate against the overall rate of 8.625%, yields a cost to the County of \$486,353.

The Applicant is also requesting a mortgage recording tax exemption valued at \$146,750.

Finally, as noted above, the Site is already subject to a Master Tax Agreement. Since the Applicant is not proposing any changes to that agreement, there is no cost associated with a PILOT exemption.

### Cost of Exemptions

Type	\$
Sales Tax Exemption	\$987,010
Mortgage Recording Tax Exemption	\$146,750
PILOT Exemption	\$0

Source: Applicant, MRB

<sup>9</sup> The state imposes a 4% tax rate, and a rate of 0.375% goes to the Metropolitan Commuter Transportation District.