

# 50 Glen Realty, LLC

## Economic and Fiscal Impact Analysis

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Prepared for:  
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## Executive Summary

50 Glen Realty, LLC (the “Developer” or “Applicant”) is proposing a real estate development project consisting of a renovation of a coworking space (the “Project”) in the City of Glen Cove (the “City”) on approximately 0.2542 acres of land at 50 Glen Street, Glen Cove, NY (the “Site”). The Project includes substantial upgrades and renovations of a coworking space to attract and retain working professionals in Glen Cove.

The following analysis includes examining the expected economic and fiscal impacts associated with the Project on Nassau County (the “County”) and the City. 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-renovation based on estimated employment at the Site. In terms of fiscal impacts, we modeled the fiscal benefit of the increase in tax revenue generated by the Project and the fiscal costs associated with the Developer’s requested tax abatement.

### Economic Impacts

During the Project’s construction phase, we estimate 2 direct jobs earning \$207,317 in wages. When coupled with the indirect impacts, we estimate the total impact of the Project will be 3 jobs earning \$296,596 in wages over the construction period.

Upon completion of the Project, we estimate a total of 24 ongoing (permanent) jobs will be created in the City due to the increased utilization of the coworking space, as well as the operations of the Project, with total annual earnings of \$3.6 million.<sup>1</sup>

Summary of Economic Impacts

	Direct	Indirect	Total
Construction Jobs	2	1	3
Construction Wages	\$207,317	\$89,279	\$296,596
Ongoing Jobs	24	5	29
Ongoing Wages	\$3,160,000	\$424,166	\$3,584,166

<sup>1</sup> Note that the direct and indirect “Construction Jobs” and “Construction Wages” shown are with respect to 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 of Glen Cove.

### Fiscal Impacts

In terms of fiscal benefits, we estimate that the County will earn sales tax revenue of approximately \$2,401 during the construction period, resulting from a portion of the construction phase earnings being spent locally. Over the ten-year life of the proposed PILOT, we estimate the County will receive \$317,644 in sales tax from the operation phase earnings being spent locally. The County, City and School District will receive \$58,396 in PILOT revenue than in property taxes should the Project not occur.

Regarding the fiscal costs, the Developer has requested a sales tax exemption of \$19,710 (County portion only).<sup>2</sup> We estimate the cost of the PILOT exemption to be \$450,112 over 10 years<sup>3</sup>. The “cost” of the PILOT exemption is the difference between the anticipated PILOT payments and the estimated taxes on the full assessment. This cost is necessarily theoretical, as the Developer has stated that the Project cannot move forward without a PILOT inducement.

Summary of Fiscal Benefits, Local Government

Source	Total
Sales Tax, Construction One-time	\$2,401
Sales Tax, Operations, 10 Years	\$317,644
Increase (Decrease) in Property Tax	(\$58,396)

Summary of Exemptions

Source	Total
Cost of Sales Tax Exemption, One-Time County	\$19,710
Cost of Sales Tax Exemption, One-Time City	<i>De minimus</i>
PILOT Exemption, 10 Years	\$450,112

<sup>2</sup> City portion of the sales tax exemption is *de minimus* (approximately \$15).

<sup>3</sup> For clarity, we note that this figure is not additive to the \$58,396 figure noted above. In other words, the cost of the PILOT exemption of \$450,112 is already inclusive of the \$58,396 figure.

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## Introduction

50 Glen Realty, LLC is proposing a real estate development project consisting of a renovation of a coworking space in the City of Glen Cove on approximately 0.2542 acres of land at 50 Glen Street, Glen Cove, NY. The Project includes upgrades and renovations of a coworking space to attract and retain working professionals in Glen Cove.

The following analysis includes examining the expected economic and fiscal impacts associated with the Project on Nassau County and the City. 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-renovation based on job creation at the Site. In terms of fiscal impacts, we modeled the fiscal benefit of the increase in tax revenue generated by the Project and the fiscal costs associated with the Developer's requested tax abatement.

## Economic Impact Analysis

The Project would have several economic impacts on the County and City. These impacts include one-time impacts on jobs, earnings, and sales during the construction phase of the Project, which we estimate for the entire County. It also includes ongoing impacts the operations of the Project, which we estimate for the City.<sup>4</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 operations phase:

- Direct jobs, wages, and sales are those jobs created from the operations of the Project (e.g., onsite employment of administrative personnel, employees of tenants).
- Indirect jobs, wages, and sales are those caused by the Direct impact, such as business-to-business purchases and from employees of such businesses spending a portion of their wages locally.

To estimate the Direct and Indirect impacts, MRB Group employed the Lightcast<sup>5</sup> economic modeling system. We used data from the Developer and publicly available and proprietary data sources as inputs to the Lightcast modeling system. We adjusted the Lightcast model where needed to match the Project specifics.

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<sup>4</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 ZIP code 11542 that closely approximate the City.

<sup>5</sup> Lightcast, formerly “Emsi,” uses data from the U.S. Bureau of Labor Statistics, the U.S. Bureau of Economic Analysis, the U.S. Census, and other public data sources to model economic impacts.

### Construction Phase

The Developer has provided estimates of the total cost of the renovation work of the Project and the percentage of labor and materials to be sourced from within the County. As shown in the table to the right, the Developer estimates that 80% of its \$360,000 of materials and 75% of its \$345,000 labor costs<sup>6</sup> would be spent locally, for a total of \$546,750 of in-region construction spending.

In-region construction spending of \$546,750 (direct “Sales” in the table) was then used as an input in the Lightcast economic modeling system, assigning the County as the geography of study. This spending resulted in 2 direct jobs and direct earnings of \$207,317. The model estimates that this will cause indirect impacts of 1 new job, \$89,279 new earnings, and \$255,780 in new sales. Therefore, the total, one-time, construction-phase impacts would be 3 jobs, \$296,596 in wages, and \$802,530 in sales.

#### Local Construction Spending

	Value	% Local	Local Spend
Materials	\$360,000	80%	\$288,000
Labor	\$345,000	75%	\$258,750
<b>Total</b>	<b>\$705,000</b>		<b>\$546,750</b>

Source: Applicant MRB Group

#### Economic Impact of Construction

	Direct	Indirect	Total
Jobs	2	1	3
Earnings	\$207,317	\$89,279	\$296,596
Sales	\$546,750	\$255,780	\$802,530

Source: Lightcast, MRB

### Operation Phase

Construction phase impacts were measured at the County level to account for their dispersed nature. Conversely, the impacts of the operation phase are estimated at the City level. We have used ZIP Code 11542 that approximates the City of Glen Cove to model operational impacts.<sup>7</sup>

Operation phase impacts come from two sources. The largest source is the new employment that will be induced at the Site from the expanded utilization of the coworking space to accommodate additional coworkers. The second source of operation phase impacts is the employment on Site that results from the operations of the Project, including administrative and management personnel.

<sup>6</sup> Project budget from the Agency application, minus land, legal, and financing costs.

The Site is currently operating as a coworking space, that supports an estimated 65 jobs, all of which are assumed to be retained upon completion of the Project. In addition to the jobs that will be retained in the City, the Applicant provided an estimate of the number of new jobs, and the average annual wages, the space will be able to support as a result of the Project.<sup>8</sup> The Applicant estimates 22 jobs across employment grades shown in the table will be support because of the Project. The Applicant also stated that it would hire 2 on-site employees for operations and maintenance at the administrative level. In total, the Applicant estimates that the Project will result in the creation of 24 jobs that will earn \$3.2 million in wages annually.

The direct impact of 24 jobs and \$3.2 million in earnings would result in indirect impacts of 5 jobs, \$424,166 in wages, and \$1.2 million in indirect sales. When combined, the total economic impact of the project will be 29 jobs, \$3.6 million in earnings, and \$11.0 million in sales.

Job Creation Estimates

Grade	Count	Average Annual Wages	Total Annual Wages
Management	5	\$95,000	\$475,000
Professional	8	\$200,000	\$1,600,000
Administrative	9	\$85,000	\$765,000
Supervisor	2	\$160,000	\$320,000
<b>Total</b>	<b>24</b>		<b>\$3,160,000</b>

Source: Applicant; MRB

Economic Impact of Operations

	Direct	Indirect	Total
Jobs	24	5	29
Earnings	\$3,160,000	\$424,166	\$3,584,166
Sales	\$9,816,250	\$1,187,357	\$11,003,607

Source: Lightcast; MRB

<sup>8</sup> For purposes of this analysis, we only examine the jobs that will be *created* as a result of the Project, which are considered “net new” to the City.



## Fiscal Impact Analysis

The Project would also have fiscal impacts in terms of new tax revenues.

### PILOT Schedule

The table to the right displays the Applicant’s proposed future PILOT schedule. The Applicant has requested the Agency’s standard PILOT as outlined in the UTEP for Adaptive Reuse projects. As stated in the Agency’s UTEP, the PILOT includes the base tax over ten years with a 2% escalation per year, starting in Year 4. The Site is currently generating annual taxes of \$159,226. Therefore, for the first three years of operation, the Project will generate tax revenue equal to the current taxes. Starting in Year 4, the PILOT will be equal to the current tax inflated by 2% per year, through Year 10.

We then compared those future PILOT payments to the property tax revenue that would occur in the Project did not occur and the site continued to pay current property taxes escalated at 2% per year. As shown in the table, over the 10-year PILOT term, the Project will generate \$58,396 less in PILOT revenue than the property taxes generated without the Project..

PILOT Schedule

	Current Payment	Future PILOT	Change in Revenue
Year 1	\$159,226	\$159,226	\$0
Year 2	\$162,411	\$159,226	(\$3,185)
Year 3	\$165,659	\$159,226	(\$6,433)
Year 4	\$168,972	\$162,411	(\$6,561)
Year 5	\$172,351	\$165,659	(\$6,693)
Year 6	\$175,798	\$168,972	(\$6,826)
Year 7	\$179,314	\$172,351	(\$6,963)
Year 8	\$182,901	\$175,798	(\$7,102)
Year 9	\$186,559	\$179,314	(\$7,244)
Year 10	\$190,290	\$182,901	(\$7,389)
<b>Total</b>	<b>\$1,743,480</b>	<b>\$1,685,084</b>	<b>(\$58,396)</b>

Source: Applicant; MRB

### Sales Tax Revenue, Construction Phase

As stated in the economic impact analysis on page 7, we anticipate approximately \$296,596 direct and indirect earnings in the County will be generated during the Project’s construction phase. We assume 70% of the newly generated earnings will be spent in Nassau County. We estimate that 25% of that spending amount will be subject to sales tax. Applying the County’s sales tax rate of 4.625%, we conclude that the construction phase earnings will lead to approximately \$2,401 in County sales tax revenue throughout construction.

#### Sales Tax Revenue - Construction

Line	Value
Total New Earnings	\$296,596
% Spent in County	70%
\$ Spent in County	\$207,617
% Taxable	25%
\$ Taxable	\$51,904
County Sales Tax Rate	4.625%
\$ County Sales Tax Revenue	\$2,401
<b>Revenue, One-Time</b>	<b>\$2,401</b>

### Sales Tax Revenue, Operation Phase

We estimate \$3.6 million in total new earnings occurring annually within the County during the operation phase associated with new direct and indirect job creation (p. 8). Using the same methodology for estimating sales tax revenue for the construction phase, we estimate the Project will result in \$29,009 in annual sales tax revenue to the County. Escalated at 2% per year for 10 years, this totals \$317,644.

#### Sales Tax Revenue - Operation Phase

Line	Value
Total New Earnings	\$3,584,166
% Spent in County	70%
\$ Spent in County	\$2,508,916
% Taxable	25%
\$ Taxable	\$627,229
County Sales Tax Rate	4.625%
\$ County Sales Tax Revenue	\$29,009
<b>Revenue Over Ten Years</b>	<b>\$317,644</b>

### Fiscal Costs

Shown to the right is the difference in PILOT payments under the proposed terms and the estimated full property taxes of the project post-construction. The Applicant stated that the Project would generate \$195,000 in otherwise applicable taxes if the Project moved forward without assistance from the Agency, which we inflate at 2% per year over 10 years.

We then compared those figures to the estimated Future PILOT payments calculated as described above. Therefore, over 10 years, the Project will have a “cost” of \$450,112 in property tax revenues. However, the Applicant has indicated that the Project cannot move forward without an inducement, so this “cost” is theoretical.

Estimated Fiscal Cost of the Project

Tax Year	Future PILOT	Otherwise Applicable Taxes	Difference
Year 1	\$159,226	\$195,000	(\$35,774)
Year 2	\$159,226	\$198,900	(\$39,674)
Year 3	\$159,226	\$202,878	(\$43,652)
Year 4	\$162,411	\$206,936	(\$44,525)
Year 5	\$165,659	\$211,074	(\$45,416)
Year 6	\$168,972	\$215,296	(\$46,324)
Year 7	\$172,351	\$219,602	(\$47,250)
Year 8	\$175,798	\$223,994	(\$48,195)
Year 9	\$179,314	\$228,474	(\$49,159)
Year 10	\$182,901	\$233,043	(\$50,142)
<b>Total</b>	<b>\$1,685,084</b>	<b>\$2,135,196</b>	<b>(\$450,112)</b>

Source: Applicant; MRB

## Other Fiscal Costs

Per the Agency application, the Applicant is seeking a sales tax exemption of \$40,000, the local portion of which is \$19,710. As noted in the Executive Summary, the City's portion of the sales tax exemption is *de minimus*. The tables below show the local share of the cost.

Cost of Sales Tax Exemption

Type	Value
Sales Tax Exemption	\$40,000
County	4.250%
State	4.000%
MCTD	0.375%
<b>County Exemption</b>	<b>\$19,710</b>