

Financial Assistance Application

Nelson Development Group, LLC Cost / Benefit Analysis

The information included herein is taken from the attached Tioga County Industrial Development Agency (IDA) "Application for Financial Assistance" made by Nelson Development Group, LLC (Corporation), and various correspondence and conversations between representatives of the Tioga County Department of Economic Development and Planning, Tioga County Industrial Development Agency, County of Tioga, Town of Owego, Village of Owego, Empire State Division of Housing and Community Renewal and the Corporation.

PROJECT SUMMARY

On or about April 2016, Nelson Development Group, a Limited Liability Corporation headquartered in New York at 1803 Castle Gardens Road, Owego, began discussions with Tioga County Economic Development and Planning (ED&P) staff about the construction of a mixed use in-fill building at 200-202 and 204 Front Street in Owego.

On October 21, 2016, the Tioga County Department of Economic Development and Planning (ED&P) responded to Corporation's request for economic development assistance for the purchase of real property and for the construction and equipping of the Gateway Building, a 13,600 square foot building to include incubator retail space as well as eight (8) downtown dwelling units.

This project will help revitalize the Village of Owego's Historic Downtown Central Business District, by reconstructing an anchor building, previously destroyed by fire in July of 2000. The project will be in-filled with a 13,600 square foot new construction mixed-use development building, and will offer retail/incubator space to encourage commercial development in the downtown area, as well as, create additional quality housing options for residents. The building design will maintain the historical integrity and character of the Village's commercial district, while stabilizing the adjoining buildings. This project will allow the community and Village to recapture the value of the underused property, as well as, ensure the economic sustainability of the downtown Owego area that was severely impacted by flooding in both 2006 and 2011.

The Gateway Building will offer retail incubator spaces and offices on the first floor, and will provide the downtown Owego area with a broad range of hospitality and commercial services and products. These incubator spaces will reduce the barriers for business entry into the downtown business/retail district, and allow local entrepreneurs to launch new concepts with less risk, making potential out-growth to larger storefronts possible, and helping to keep Owego's commercial district vibrant. Public restrooms for shopping, local events and River Walk patrons in the downtown commercial area will also be included in the first floor

design. A patio overlooking the picturesque Susquehanna River will also be available for public use.

The second and third floors of the building will offer affordable quality apartments, which will increase the population and consumer base downtown. Initial design and amenities will focus on attracting professionals brought to the area by nearby development projects, who are looking to reside in a walkable downtown urban setting.

The Tioga County 2020 Strategic Plan (the "Plan"), approved by the Tioga County Legislature, specifically identified the following goals: 1) Collaborate with municipal officials to foster successful economic development growth within their town or village 2) Identify with municipal officials common economic development projects suitable to the various attributes and unique conditions in each municipality and work together to accomplish them 3) Increase and diversify housing stock to offer more alternate types, especially at higher densities.

According to the U.S Census Bureau, American Community Survey, the Village of Owego's population dropped 3% from 3,896 to 3,774 between 2010 and 2014. This concern has been addressed in Village of Owego 2014 Comprehensive Plan which states:

- "The housing needs of a community are a central element in planning for the future."
- "Improving the conditions of the housing stock, increasing the overall housing values, and establishing mixed-income developments will advance the housing stock, making the Village more appealing to a diverse array of visitors, potential residents, and current residents."

Housing strategies outlined in the Village of Owego 2014 Comprehensive Plan:

A. IMPROVE CONDITIONS OF HOUSING STOCK

GOAL: Develop a comprehensive system of campaigns, renovations, restorations, and new construction that work in concert to improve the condition of housing throughout the Village.

STRATEGIES:

1. Rehabilitate housing at higher densities.
2. Explore adaptive reuses of older and abandoned historic properties.
3. Review and potentially revise mixed-use zoning district overlay boundaries
4. Develop campaigns to promote available Community Development Block Grant (CDBG) housing rehabilitation funding.

5. Encourage the rehabilitation of downtown buildings to allow for upper-floor residential uses.

B. INCREASE HOUSING VALUES

GOAL: Encourage new housing development, and ensure that new housing development is offered at market rate.

STRATEGIES:

1. Encourage the development of universally- accessible, market-rate homes to encourage aging in place.
2. Continue to develop market rate housing opportunities.
3. Extend water, sewer, and natural gas on Southside along Route 434 to allow for high-end housing and mixed-use development.

C. ESTABLISH MIXED-INCOME HOUSING DEVELOPMENTS

GOAL: Attract quality market rate mixed-income developments that promote stable, economically healthy neighborhoods.

STRATEGIES:

1. Partner with various agencies to provide a variety of housing options for residents.
2. Court developers for the high-density residential/mixed-use targeted area just west of downtown.

The March 2014 New York Rising Community Reconstruction Plan also identified during the public outreach process, “the need to reduce future flood damage by updating resiliency tools, and offering a variety of market rate housing options that will contribute to the sustainability and resilience of the Tioga Community”.

PROJECT DETAIL

Proposed Site:	200-202 and 204 Front Street in the Village of Owego New York on approximately .12 acres. The proposed development has already received the necessary planning-level approvals from the Village of Owego, County of Tioga, New York State SHPO, and New York State SEQRA.
Job Creation:	Project will not create direct jobs under the Nelson Development Group, LLC, however there will be nine (9) jobs created associated with the retail component of the development.

Residential Space: Project creates eight (8) rental units in the Central Business District in the Village of Owego.

Commercial Space: Project creates approximately 4,400 square feet of new commercial / professional space in the Central District in the Village of Owego.

Project Schedule: Construction is expected to begin in May of 2017 and be completed by December of 2018.

Nelson Development Group, LLC anticipates a total project cost of \$2,690,352 to construct and equip the building. The properties are currently listed under Roll Section 8; therefore no real property taxes are collected at this time.

ECONOMIC IMPACT

A) Employment Impact:

In determining employment impact to the area, we have utilized the direct-effect employment multiplier provided by the US Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis (2013). The following estimates employment impact for Tioga County, New York.

Estimated Employment Impact Tioga County, NY	
	Gateway Retail
Job Creation	9
Multiplier	1.1335
Total Employment Impact to Tioga County, NY	10.2015

Note: Multiplier = "General Merchandise Stores"

Employment Impact Summary:

1. This project will immediately create 9 employees in the Gateway retail incubator space.
2. Additional indirect results include creating ~1 job in Tioga County, NY.

B) Construction Earnings Impact:

In determining annual earnings (wages) impact, we have utilized the direct-effect earnings multiplier provided by the US Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis (2013). The following estimates annual earnings impact for Tioga County, New York.

Estimated Construction Employment Impact Tioga County, NY	
	Nelson Development Group
Job Creation	32
Multiplier	1.2578
Total Employment Impact to Tioga County, NY	40.2496

Construction Employment Impact Summary:

1. This project will create approximately 32 construction jobs.
2. Additional indirect results include creating ~ 8 jobs in Tioga County, NY.

C) Consumer Spending Impact on an annual basis:

In determining consumer spending impact, we have utilized the "Economic & Fiscal Impact Analysis of the Proposed Relocation of Tioga County Office" prepared for the Village of Owego in June 2001 by RKG Associates, Inc., of Durham, New Hampshire.

Estimated Consumer Spending Impact Village of Owego NY			
	Nelson Development Group, LLC		
Residents (8 units)	15	15	15
Average Consumer Spending as calculated by RKG Associates, Inc.	\$7.50/day (Low est.)	\$15.00/day (Medium. est.)	\$22.50/day (High est.)
Total Annual Consumer Spending Impact to the Village of Owego NY	\$41,062	\$82,125	\$123,187

Source: RKG Associates, Inc. – "Spin-off Consumer Spending & Potential"

Annual Consumer Spending Impact Summary:

1. This project will create an estimated \$41,062 annually in new consumer spending in the Village of Owego, RKG Associates, Inc. has calculated the positive economic impact as high as \$123,187 annually in the Village of Owego
2. Assumptions: Eight (8) double-occupancy apartments, five percent (5%) vacancy rate- for an estimated total of 15 new residents with disposable income in the Village of Owego.

ESTIMATED PROJECT BUDGET

Nelson Development Group, LLC	
Land/Facility Purchase	\$ 42,000
Building Construction	\$2,487,439
Engineering/Architectural	\$ 24,000
Equipment	\$ 68,000
Legal/Financial Fees	\$ 40,858
Financial Application Fee	\$ 28,055
Total	\$2,690,352

Tioga County IDA

Based on taxable items related to the building construction (less labor costs), equipment and fixtures purchases anticipated at \$1,386,342 the IDA will be offering a sales tax savings estimated at \$110,907; State and local amounts in equal portions of \$55,453.

Based on an estimated mortgage of \$1,490,352 and a rate of 0.75%, the IDA will be offering a mortgage recording tax savings estimated at \$11,177.

*Assumption: the anticipated local sales tax exemption is the maximum amount anticipated as if *all items* for the construction and equipping of the facility were purchased in Tioga County.

*Assumption: the anticipated mortgage recording tax exemption is the maximum amount anticipated as if all funds applied for require repayment; it is unknown at this time if the funds will be designated as loan or grant funds.

Total estimated local share of sales tax savings and mortgage recording tax savings for the project: \$66,630.

PROPOSED PAYMENT-IN-LIEU-OF-TAX

The following PILOT has been requested by Nelson Development Group, LLC. It calls for a deviation from the standard PILOT to allow for a fixed amount ramp up for the first ten (10) years and then a 20% of total tax ramp up of over the next five (5) years; fully taxed after year fifteen (15).

Year	PILOT	Estimated Total Property Tax	Estimated PILOT Payment	Estimated Property Tax Abatement
1	fixed	\$11,815	\$1,540	\$10,275
2	fixed	\$12,051	\$1,681	\$10,370
3	fixed	\$12,292	\$1,823	\$10,469
4	fixed	\$12,538	\$1,965	\$10,573
5	fixed	\$12,789	\$2,109	\$10,680
6	fixed	\$13,045	\$2,253	\$10,792
7	fixed	\$13,306	\$2,398	\$10,908
8	fixed	\$13,572	\$2,544	\$11,028
9	fixed	\$13,843	\$2,691	\$11,152
10	fixed	\$14,120	\$2,839	\$11,281
11	20%	\$14,402	\$2,920	\$11,482
12	40%	\$14,690	\$5,906	\$8,784
13	60%	\$14,984	\$9,011	\$5,973
14	80%	\$15,284	\$12,238	\$3,046
15	100%	\$15,590	\$15,590	\$0
Total		\$204,321	\$67,508	\$136,813

*Note: Real Property Taxes estimated for \$200,000 assessment based on a 2015/2016 Town, Village, County, School and Recycle combined tax rate of 58.874374 for first year and increased by 2% each following year. Library tax is .200525/1000 assessed value at 100% all years.

*Note: Year one (1) is fixed at \$1,500 plus Library tax; years two (2) through ten (10) increases each previous year by \$100 plus Library tax.

*Note: The subject property is currently listed as tax exempt; there are no Real Property Taxes being paid on the subject property at this time.

According to this estimated PILOT financial model, over a period of fifteen (15) years, Nelson Development Group, LLC, would be afforded an estimated real property tax abatement of \$136,813.

JUSTIFICATION FOR DEVIATION FROM UNIFORM PILOT POLICY

The following additional points should be considered as justification for deviation from the IDA's Uniform PILOT Policy:

- Without the proposed PILOT Agreement, the project is not financially viable. There are 3 variables that impact the operating budget of a housing project and its success: insurance, taxes, and utilities. The award of a PILOT removes one variable (taxes) and allows for more structured planning.
- The subject property is presently owned by the dba, Historic Owego Marketplace, and therefore is currently exempt from real property taxes.
- The impact of creating eight (8) housing units in the Village of Owego will serve to improve the customer base of many local businesses. Renters will bring with them disposable income that will serve to invigorate the local business sector.
- The project will provide resilient and sustainable housing stock opportunities and help to fill the need for apartments that is currently lacking in Tioga County largely due to the substantial housing stock loss as a result of Hurricane Irene and Tropical Storm Lee.
- Attracting new residents to our Towns and Villages is important to the future of Tioga County.
- Construction of an architecturally appropriate building in a neighborhood of historic structures is important to the overall nature of the Village of Owego area and its appeal to tourists, visitors, residents and future residents and will only serve to enhance the business district.
- The retail incubator space will reduce the barriers and encourage business entry into the downtown business/retail district, and help keep Owego's commercial district vibrant.
- Public restrooms for shopping, local events and River Walk patrons in the downtown commercial area have been identified as a desire and need by the business community.

SUMMARY

- Nelson Development Group, LLC is contributing an estimated \$2,690,352 in public and private capital investment.
- An estimated nine (9) additional retail jobs within the community, with one (1) additional indirect job created as a result of the project.
- An estimated 32 construction jobs, and an additional 8 indirect jobs, will be created as a result of this project.
- The addition of fifteen (15) renters in the Village of Owego will minimally create an economic stimulation of \$41,062 annually due to the infusion of new disposable income.
- The Tioga County IDA is offering local sales tax savings estimated at \$55,453 for construction.
- The Tioga County IDA is offering mortgage tax savings estimated at \$11,177.
- The Tioga County IDA is offering real property tax savings estimated at \$136,813 over twenty (20) years.