

## **Financial Assistance Application Owego Gardens Associates, LLC Cost / Benefit Analysis**

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The information included herein is taken from the attached Tioga County Industrial Development Agency (IDA) "Application for Financial Assistance" made by Owego Gardens Associates, 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**

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On or about March 2014, Home Leasing, a Limited Liability Corporation headquartered in New York at 180 Clinton Square, Rochester, began discussions with Tioga County Economic Development and Planning (ED&P) staff about the construction of a multi-unit senior living apartment complex.

In May 2015, 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 65,252 square foot 62 unit mixed-income senior rental community located at 130A Southside Drive (Route 434), Owego, New York.

The Tioga County 2010 Strategic Plan (the "Plan"), approved by the Tioga County Legislature, specifically identified the goal for "Tioga County to be prepared to more effectively attract commercial, industrial and residential development at a suitable level that will increase economic viability, optimize current water and sewer infrastructure, yet sustain its rural character and heritage".

According to the 2010 Census, the Village's population dropped 0.38% to 3,896 between 2000 and 2010 while during the same period the Village experienced a 2.1% decline in total housing units.

The Village of Owego 2014 Comprehensive Plan 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

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- Proposed Site:** 130A Southside Drive (Route 434) in the Village of Owego New York on approximately 5.44 acres. The proposed development will require 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 creates an anticipated new workforce of 2 with an estimated new payroll of \$58,390 by 2017.
- Residential Space:** Project creates sixty two (62) senior mixed income rental units in the Village of Owego.
- Project Schedule:** Construction is expected to begin in September of 2015 and be completed by Fall of 2016.

## ESTIMATED PROJECT BUDGET

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### Owego Gardens, LLC

Land/Facility Purchase	\$ 300,000
Building Construction	\$ 8,045,215
Working Capital	\$ 1,963,902
Engineering/Architectural	\$ 380,000
Misc.	\$ 85,000
Legal/Financial Fees	\$ 1,319,627
Financial Application Fee	\$ 201,827
<b>Total</b>	<b>\$12,295,571</b>

### Tioga County IDA

Based on Building Construction on materials only (\$4,000,000) and a small portion of Working Capital (\$15,000), the IDA will be offering a sales tax savings estimated at \$321,200.

Based on the anticipated mortgage required by the Company the IDA will be offering a mortgage tax savings estimated at \$10,500.

**Total estimated sales tax savings and mortgage recording tax savings for the project: \$331,700.**

**ECONOMIC IMPACT**

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**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 (2003). The following estimates employment impact for Tioga County, New York.

<b>Estimated Employment Impact Tioga County, NY</b>	
	<b>Owego Gardens</b>
Job Creation	2
Multiplier	1.133
Total Employment Impact to Tioga County, NY	2.266

***Employment Impact Summary:***

1. This project will create 2 employees by Owego Gardens, LLC.
2. Additional indirect results include creating ~.266 employees in Tioga County, NY.
3. 15-20 construction jobs will be created as a result of the project.

**B) Earnings Impact on an annual basis:**

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 (2003). The following estimates annual earnings impact for Tioga County, New York.

<b>Estimated Annual Earnings Impact Tioga County, NY</b>	
	<b>Owego Gardens</b>
Annual Earnings (2 employees)	Est. \$58,390
Multiplier	1.184
Total Earnings Impact to Tioga County, NY	\$69,133

**Annual Earnings Impact Summary:**

1. This project will create approximately \$58,390 in annual new employee earnings by the Corporation.
2. Indirect results include creating ~\$10,743 in additional annual employee earnings 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.

<b>Estimated Consumer Spending Impact Village of Owego NY</b>			
	<b>Owego Gardens</b>		
Residents (62 units)	70	70	70
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	\$191,625	\$383,250	\$574,875

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

**Annual Consumer Spending Impact Summary:**

1. This project will create and estimated \$191,625 annually in new consumer spending in the Village of Owego, RKG Associates, Inc. has calculated the positive economic impact as high as \$574,875 annually in the Village of Owego
2. Assumptions: Fifty (50) single-occupancy apartments, twelve (12) double-occupancy apartments, five percent (5%) vacancy rate- for an estimated total of 70 new residents with disposable income in the Village of Owego.

## PROPOSED PAYMENT-IN-LIEU-OF-TAX

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The following PILOT has been negotiated with Owego Gardens, LLC.

Year	PILOT estimated payment amount	Estimated Real Property Tax*
1	\$21,700	\$53,719
2	\$22,134	\$53,719
3	\$22,577	\$53,719
4	\$23,028	\$53,719
5	\$23,489	\$53,719
6	\$23,959	\$53,719
7	\$24,438	\$53,719
8	\$24,926	\$53,719
9	\$25,425	\$53,719
10	\$25,934	\$53,719
11	\$26,452	\$53,719
12	\$26,981	\$53,719
13	\$27,521	\$53,719
14	\$28,071	\$53,719
15	\$28,633	\$53,719
16	\$29,205	\$53,719
17	\$29,789	\$53,719
18	\$30,385	\$53,719
19	\$30,993	\$53,719
20	\$31,613	\$53,719
21	\$32,245	\$53,719
22	\$32,890	\$53,719
23	\$33,548	\$53,719
24	\$34,219	\$53,719
25	\$34,903	\$53,719
26	\$35,601	\$53,719
27	\$36,313	\$53,719
28	\$37,039	\$53,719
29	\$37,780	\$53,719
30	\$38,536	\$53,719
31	\$53,719	\$53,719
	<b>\$934,046</b>	<b>\$1,665,289</b>

\*Note: Year 1 of PILOT to start at \$350/unit (62 units), then increase by 2% each year thereafter for term of bond financing (30 years).

\*Note: Real Property Taxes estimated for \$53,719 anticipated assessment using NYS Real Property Tax Law Section 581a (Assessment of Residential Real Property) and based on a 2014/2015 Town, County, School and Recycle combined tax rate of 56.846637.

According to this estimated PILOT financial model, over a period of thirty one (31) years, Owego Gardens, LLC. would be afforded an estimated real property tax abatement of \$731,243.

## **JUSTIFICATION FOR DEVIATION FROM UNIFORM PILOT POLICY**

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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 an affordable 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 investor underwrites the proforma at 2% income increase so a coinciding 2% PILOT increase is preferred. Also, as the PILOT term is tied to the affordability regulatory term of 30 years, which the proposed PILOT is co-terminus with.
- Senior projects do not utilize/ add to the costs of school districts as much as a family project would.
- The subject property is presently owned by the Tioga County Industrial Development Agency, and therefore is exempt from real property taxes. While the proposed PILOT would theoretically remain tax exempt, it does deliver a schedule of real property taxes to be paid to all affected taxing authorities.
- The impact of creating sixty two (62) 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 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.
- The project will provide housing alternatives for the elderly and households over 55 with the spin-off benefit of increasing the supply of larger homes for families.
- The project will provide resilient and sustainable housing choices for all income levels.
- Important to the future of Tioga County is attracting new residents to our Towns and Villages.
- The development of the 5.44 acres of the 86 acre site will function as an anchor for development and will serve as a catalyst for the development of the remainder of the site.
- This project will provide for housing options that are situated outside of the flood zone.

## **SUMMARY**

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- Owego Gardens, LLC is contributing an estimated \$12,295,571 in public and private capital investment; creating 2 full time jobs with an anticipated \$58,390 in new annual wage earnings.
- An estimated one (1) additional part time job within the community with and estimated annual payroll of \$10,743 is projected as a direct result of the jobs produced by the project.
- An estimated 15-20 construction jobs will be created as a result of this project.
- The addition of seventy (70) renters in the Village of Owego will minimally create an economic stimulation of \$191,625 annually due to the infusion of new disposable income.
- The Tioga County IDA is offering sales tax savings estimated at \$321,200 for construction.
- The Tioga County IDA is offering mortgage tax savings estimated at \$10,500.
- The Tioga County IDA is offering real property tax savings estimated at \$731,243 over thirty (30) years.