

Financial Assistance Application

Owego Gardens II Associates, 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 Owego Gardens II Associates, LLC (Corporation), and various correspondence 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 June 2018, 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 apartment and townhome complex.

In January 2019, the Tioga County Department of Economic Development and Planning (ED&P) responded to the Corporation's request for economic development assistance for the purchase of real property and the construction and equipping of a 93 unit mixed-income rental community located on Belva Lockwood Lane in the Village of Owego, New York.

The 2017 Tioga County Housing Study recognized the need to increase housing stock within the County. Conservative estimates suggest a need of 45-60 additional units of low-moderate income rental units and 150-175 additional units of moderate income rental units within Tioga County.

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 2017 Housing Study projects a population loss of 10,000 people in the 15-64 age group between 2010 and 2040. Meanwhile, the workforce need in Tioga County is increasing. Major employers, such as Lockheed Martin, Crown Cork & Seal, and Tioga Downs indicate interest in increasing employment within the next 3-5 years, yet report issues with recruiting new talent due to lack of adequate housing options. Indeed, the 2017 Tioga County Housing Study notes that "quality housing is a primary element of retention and recruitment of the workforce."

Housing strategies outlined in the **2017 Tioga County Housing Study**:

A. NEIGHBORHOOD REVITALIZATION

GOAL: Revitalize neighborhoods in select villages (Owego, Newark Valley, Waverly)

STRATEGIES:

1. Demolition and rehabilitation of housing in specific neighborhood blocks.
2. New construction of moderate income rental properties to create mixed income neighborhoods.
3. Streetscape improvements in targeted neighborhoods.

B. ATTRACT INVESTMENT

GOAL: Attract capital investment from both public and private investors

STRATEGIES:

1. Housing rehabilitation and new construction of multi-family housing for middle/moderate income families and senior independent living.
2. Revitalization of community cores including streetscapes and façade improvement.
3. Upgrade existing market rate rentals.

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

- Proposed Site: Belva Lockwood Lane in the Village of Owego New York on approximately 10.59 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 \$93,483 by 2021.
- Residential Space: Project creates ninety-three (93) mixed income, workforce rental units in the Village of Owego.
- Project Schedule: Construction is expected to begin in November of 2019 and be completed by late 2021.

ESTIMATED PROJECT BUDGET

Owego Gardens II, LLC

Land/Facility Purchase	\$ 635,400
Building Construction	\$16,381,074
Working Capital	\$ 4,662,562
Engineering/Architectural	\$ 460,000
Misc.	\$ 384,000
Legal/Financial Fees	\$ 736,215
<u>Financial Application Fee</u>	<u>\$ 749,147</u>
Total	\$24,008,398

Tioga County IDA

Based on company estimates of taxable items for building construction (\$6,552,430), the IDA will be offering a sales tax savings estimated at \$524,194; State and local portions are in equal amounts of \$262,097.

Based on the anticipated mortgage required by the Company the IDA will be offering a mortgage tax savings estimated at \$174,517.

Estimated local sales tax savings and mortgage recording tax savings for the project: \$436,614.

ECONOMIC IMPACT

A) Operations 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 (2016). The following estimates employment impact for Tioga County, New York.

Estimated Operations Employment Impact Tioga County, NY	
	Owego Gardens II
Job Creation	2
Multiplier	1.1034
Total Employment Impact to Tioga County, NY	2.207

Operations Employment Impact Summary:

1. This project will create 2 employees by the Corporation.
2. Additional indirect results include creating ~.207 employees in Tioga County, NY.

B) Operations 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 (2016). The following estimates annual earnings impact for Tioga County, New York.

Estimated Operations Annual Earnings Impact Tioga County, NY	
	Owego Gardens II
Annual Earnings (2 employees)	Est. \$93,483
Multiplier	1.1516
Total Earnings Impact to Tioga County, NY	\$107,655

Operations Annual Earnings Impact Summary:

1. This project will create approximately \$93,483 in annual new employee earnings by the Corporation.
2. Indirect results include creating ~\$14,172 in additional annual employee earnings in Tioga County, NY.

C) Construction 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 (2016). The following estimates employment impact for Tioga County, New York.

Estimated Construction Employment Impact Tioga County, NY	
	Owego Gardens II
Job Creation	100
Multiplier	1.372
Total Employment Impact to Tioga County, NY	137

Construction Employment Impact Summary:

1. This project will create approximately 100 construction jobs.
2. Additional indirect results include creating ~37 jobs in Tioga County, NY.

D) 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			
	Owego Gardens		
Residents (93 units)	140	140	140
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	\$383,250	\$766,500	\$1,149,750

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

Annual Consumer Spending Impact Summary:

1. This project will minimally create an estimated \$383,250 annually in new consumer spending in the Village of Owego. RKG Associates, Inc. has calculated the positive economic impact as high as \$1,149,750 annually in the Village of Owego.
2. Assumption: All residents of Owego Gardens II will be new residents of the Village of Owego.
3. Note: Occupancy estimates obtained from the Corporation.

E) Sewer Revenue Impact on an Annual Basis:

Estimated Sewer Revenue Impact Village of Owego NY			
Additional EDUs	Village of Owego Sewer Rate	Capital Improvement Fee	Total
93	\$141/EDU	\$5/EDU	\$54,312

Annual Sewer Revenue Impact Summary:

1. This project will add an estimated 93 EDUs to the Village of Owego sewer system. This will produce \$54,312 in annual revenue for the Village of Owego.

SCHOOL DISTRICT IMPACT

The following is an estimate of the potential number of new students expected to attend schools in the Owego-Apalachin Central School District (OACSD):

Estimated Increase in Students Owego-Apalachin School District			
Age	%	Potential Students (93 units)	Total
5-9 years	5.7%	47	2.7
10-14 years	6.7%	47	3.1
15-19 years	6.1%	47	2.9
Total	18.5%	47	8.7

Source: U.S. Census Bureau – “2017 American Community Survey”

School District Impact Summary:

1. This project could lead to approximately 9 new students enrolling in OACSD.
2. Assumption: All residents of Owego Gardens II will be new to OACSD.
3. Assumption: 93 residents will be heads of household and will not attend OACSD.

PROPOSED PAYMENT-IN-LIEU-OF-TAX

The following PILOT has been proposed by Owego Gardens II, LLC.

Year	Estimated Real Property Tax**	PILOT Estimated Payment Amount*	Real Property Tax Abatement
Construction Period	\$0	\$0	\$0
1	\$167,085	\$46,500	\$120,585
2	\$170,427	\$47,430	\$122,997
3	\$173,835	\$48,379	\$125,456
4	\$177,312	\$49,346	\$127,966
5	\$180,858	\$50,333	\$130,525
6	\$184,475	\$51,340	\$133,135
7	\$188,165	\$52,367	\$135,798
8	\$191,928	\$53,414	\$138,514
9	\$195,767	\$54,482	\$141,285
10	\$199,682	\$55,572	\$144,110
11	\$203,676	\$56,683	\$146,993
12	\$207,749	\$57,817	\$149,932
13	\$211,904	\$58,973	\$152,931
14	\$216,142	\$60,153	\$155,989
15	\$220,465	\$61,356	\$159,109
16	\$224,875	\$62,583	\$162,292
17	\$229,372	\$63,835	\$165,537
18	\$233,959	\$65,111	\$168,848
19	\$238,639	\$66,413	\$172,226
20	\$243,411	\$67,742	\$175,669
21	\$248,280	\$69,097	\$179,183
22	\$253,245	\$70,478	\$182,767
23	\$258,310	\$71,888	\$186,422
24	\$263,476	\$73,326	\$190,150
25	\$268,746	\$74,792	\$193,954
26	\$274,121	\$76,288	\$197,833
27	\$279,603	\$77,814	\$201,789
28	\$285,195	\$79,370	\$205,825
29	\$290,899	\$80,958	\$209,941
30	\$296,717	\$82,577	\$214,140
Total	\$6,778,321	\$1,886,416	\$4,891,905

*Note: Year 1 of PILOT to start at \$500/unit (93 units), then increase by 2% each year thereafter for term of bond financing (30 years).

**Note: Real Property Taxes estimated for \$2,767,000 anticipated assessment using NYS Real Property Tax Law Section 581a (Assessment of Residential Real Property) and based on a 2018/2019 Town, County, School and Recycle combined tax rate of 60.384924. Model assumes a 2% annual tax increase.

According to this estimated PILOT financial model, over a period of thirty one (30) years, Owego Gardens II, LLC. would be afforded an estimated real property tax abatement of \$4,891,905.

BREAKDOWN OF PROPOSED PILOT PAYMENT

Year	Total Estimated PILOT Payment*	Town Amount	County Amount	Village Amount	School Amount	Recycle Amount
Construction Period	\$0	\$0	\$0	\$0	\$0	\$0
1	\$46,500	\$820	\$8,890	\$14,791	\$21,472	\$527
2	\$47,430	\$836	\$9,068	\$15,087	\$21,902	\$537
3	\$48,379	\$853	\$9,250	\$15,389	\$22,340	\$548
4	\$49,346	\$870	\$9,435	\$15,696	\$22,786	\$559
5	\$50,333	\$888	\$9,623	\$16,010	\$23,242	\$570
6	\$51,340	\$905	\$9,816	\$16,330	\$23,707	\$581
7	\$52,367	\$923	\$10,012	\$16,657	\$24,181	\$593
8	\$53,414	\$942	\$10,212	\$16,990	\$24,665	\$605
9	\$54,482	\$961	\$10,416	\$17,330	\$25,158	\$617
10	\$55,572	\$980	\$10,625	\$17,677	\$25,661	\$629
11	\$56,683	\$999	\$10,837	\$18,030	\$26,174	\$642
12	\$57,817	\$1,019	\$11,054	\$18,391	\$26,698	\$655
13	\$58,973	\$1,040	\$11,275	\$18,759	\$27,232	\$668
14	\$60,153	\$1,061	\$11,501	\$19,134	\$27,777	\$681
15	\$61,356	\$1,082	\$11,731	\$19,516	\$28,332	\$695
16	\$62,583	\$1,104	\$11,965	\$19,907	\$28,899	\$709
17	\$63,835	\$1,126	\$12,205	\$20,305	\$29,477	\$723
18	\$65,111	\$1,148	\$12,449	\$20,711	\$30,066	\$737
19	\$66,413	\$1,171	\$12,698	\$21,125	\$30,668	\$752
20	\$67,742	\$1,194	\$12,952	\$21,548	\$31,281	\$767
21	\$69,097	\$1,218	\$13,211	\$21,979	\$31,907	\$782
22	\$70,478	\$1,243	\$13,475	\$22,418	\$32,545	\$798
23	\$71,888	\$1,268	\$13,744	\$22,867	\$33,196	\$814
24	\$73,326	\$1,293	\$14,019	\$23,324	\$33,859	\$830
25	\$74,792	\$1,319	\$14,300	\$23,790	\$34,537	\$847
26	\$76,288	\$1,345	\$14,586	\$24,266	\$35,227	\$864
27	\$77,814	\$1,372	\$14,877	\$24,752	\$35,932	\$881
28	\$79,370	\$1,400	\$15,175	\$25,247	\$36,651	\$899
29	\$80,958	\$1,428	\$15,478	\$25,751	\$37,384	\$917
30	\$82,577	\$1,456	\$15,788	\$26,267	\$38,131	\$935
Total	\$1,886,416	\$33,263	\$360,665	\$600,043	\$871,086	\$21,360

*Note: Year 1 of PILOT to start at \$500/unit (93 units), then increase by 2% each year thereafter for term of bond financing (30 years).

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 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.
- 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 ninety-three (93) 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 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 population of the County has been falling since 2000, and this project will assist in recruiting and retaining a quality workforce.
- The development of the 10.59 acres of the 81-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.
- The project will generate an estimated \$54,312 in annual sewer revenue for the Village of Owego.

SUMMARY

- Owego Gardens II, LLC is contributing an estimated \$24,008,398 in public and private capital investment; creating 2 full time jobs with an anticipated \$93,483 in new annual wage earnings.
- An estimated one (1) additional part time job within the community with an estimated annual payroll of \$14,172 is projected as an indirect result of the jobs produced by the project.
- An estimated 100 construction jobs will be created as a result of this project. This is expected to stimulate another 37 indirect jobs related to construction in Tioga County.
- The addition of one hundred forty (140) residents in the Village of Owego will create an economic stimulation of \$383,250 to \$1,149,750 annually due to the infusion of new disposable income.
- The addition of ninety-three (93) rental units in the Village of Owego will create an additional 93 EDUs for the Village of Owego sewer system, generating \$54,312 in annual revenue.
- The Tioga County IDA is offering a local sales tax savings estimated at \$262,097 for construction.
- The Tioga County IDA is offering mortgage tax savings estimated at \$174,517.
- The Tioga County IDA is offering real property tax savings estimated at \$4,891,905 over thirty (30) years.