

Financial Assistance Application – 231 Main, LLC Cost / Benefit Analysis

The information included herein is taken from the attached Tioga County Industrial Development Agency (IDA) "Application for Financial Assistance" 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, Village of Owego, and 231 Main, LLC.

PROJECT SUMMARY

The County of Tioga Government has owned the property at 231 Main Street in the Village of Owego since 1972. In 2003, the Tioga County Legislature started capital project plans to consolidate certain departments in a new building to be constructed on State Route 38 north of the Village of Owego and a new addition to the Tioga County Annex building. Once vacant, Tioga County's preferred option is to place the parcel at 231 Main Street back on the tax rolls.

A "Request for Proposals" (RFP) from the County was made public on October 15, 2004 to find an adaptive reuse for the current structure on the property. After the RFP process closed on November 30, 2004, discussions began with Mr. Bruce Nelson, principal owner of newly formed 231 Main, LLC, regarding the financial viability of such a rehabilitation project. Mr. Nelson was one of two bidders who submitted proposals to the county on the project. The other RFP response requested a multi-million dollar county-secured bond component.

Bruce Nelson's current operations include Nelson Lamplighters, a commercial electrical installation company at 1803 Castle Garden Rd., Vestal, NY and the Jailhouse Apartment and Commercial Complex at the corner of Court Street and Main Street in the Village of Owego – a former county jail complex renovated by Mr. Nelson.

The 231 Main, LLC plan is for the adaptive reuse and rehabilitation of the 231 Main Street structure in the Village of Owego. The parcel is a 1.99-acre site and is designated as tax map number 128.08-4-44. The parcel is bounded on the south by Main Street and on the north by Temple Street. The structure was originally built in 1906 as a school building and is currently included in the Central Owego Historic District and has, since 1997, been listed as a historic structure on both the National and State Registers of Historic Places. The property has not been subject to real property taxes since 1906 – 99 years ago.

The project plan for this 43,350 square foot structure is the creation of up to nineteen (19) upscale (market rate) apartment dwellings (averaging 1,400 square

feet each) including about 7,600 square feet of common area. Approximately 8,830 square feet will be utilized for commercial purposes yet to be determined. The Main Street side of the building will be landscaped to resemble a "park like" setting. Residence parking will be to the rear of the property on the Temple Street side.

All exterior surfaces and architectural details will be restored consistent with its original appearance. Exterior trim will be refinished and brickwork repaired. Two grand entryways will be created on the Main Street façade.

The interior will feature the existing wide walls and high ceilings. Wall coverings, custom paint treatments and architectural treatments will be used to provide a bright and elegant environment. New roof, electrical, plumbing, mechanical and HVAC systems will be installed. Appropriate asbestos remediation will occur on site.

231 Main, LLC anticipates a total project cost of \$1,892,000 to rehabilitate the historic building.

The Tioga County 2010 Strategic Plan (the "Plan") approved by the Tioga County Legislature specifically identifies the "231 Main Street - Former County Office Building" site as a prioritized parcel for redevelopment.

The Village of Owego 2003 Master Plan states:

- "According to the 2000 Census, the Village's population dropped by nearly 12% to 3,911 between 1990 and 2000."
- "The housing needs of a community are a central element in planning for the future."
- "Efforts to increase housing supply may create opportunities for adaptive use of significant buildings."

Housing strategies outlined in the Village of Owego 2003 Master Plan:

A. IMPROVE CONDITIONS OF EXISTING HOUSING STOCK

1. Rehabilitate housing at higher densities.
2. Reduce the percentage of older, abandoned properties in the housing inventory.
3. Encourage the participation of the business community in the creation of a program to balance residential and commercial activities in the Downtown through renovations of existing housing stock.
4. Use the building conditions survey done as part of the Village of Owego Downtown Strategic Plan (Thoma, 2002) to assess, prioritize and address sub-standards buildings.

B. Increase Housing Varieties

1. Provide housing alternatives for the elderly and households over 55 with the spin-off benefit of increasing the supply of larger homes for families.
2. Construct new housing at higher densities.
3. Encourage a segment of "high end" housing by raising the standards for subdivisions and assure that Zoning protects the investment made by purchasers.

C. Establish Mixed-Income Housing Developments

1. Support affordable housing through regulatory change and financial investments as appropriate.
2. Make affordable housing and market variety a component of the economic development strategy for the village in order to attract and retain businesses.
3. Seek HUD's Section 8 Housing Certificates, which can be accepted by private landlords and are targeted to benefit the poor and elderly.

PROJECT DETAIL

- Proposed Site:** 231 Main Street in the Village of Owego, NY on approximately a 1.99-acre site at tax map number 128.08-4-44. The proposed redevelopment will require the necessary planning-level approvals from the Village of Owego, County of Tioga, New York State SHPO, Owego Historic Preservation Commission and New York State SEQRA.
- Job Creation:** Project creates an anticipated new workforce of 5 with an estimated new payroll of \$100,000 in 2006.
- Residential Space:** Project creates nineteen (19) upscale (market rate) rental units in the central business district in the Village of Owego.
- Commercial Space:** Project creates approximately 8,830 square feet of new commercial / professional space in the central business district in the Village of Owego.
- Project Schedule:** Renovation is scheduled to begin in September of 2005 and be completed by Summer 2006.

ESTIMATED PROJECT BUDGET

231 Main, LLC	
Cost of Property	\$1
Building Rehabilitation	\$1,071,000
Machinery & Equipment	\$758,000
Engineering	\$25,000
Legal and Finance	\$38,000
<u>Project Total</u>	<u>\$1,892,001</u>
Financial Assistance Fee (1%)	\$18,920
Closing Costs	TBD
Application Fee	\$1,500
<u>Estimated IDA Cost Total</u>	<u>\$20,420</u>

Grand Total \$1,912,421

Tioga County will reimburse the asbestos remediation up to a cost of \$326,000 per the Memorandum of Understanding (MOU) signed August 18, 2005.

231 Main, LLC will have a private equity contribution of \$300,000 towards the project.

By selecting a private company to own and rehabilitate the historic structure, Tioga County will save approximately \$461,000 in demolition costs.

Tioga County IDA

Based on Machinery & Equipment estimates and based on Building Rehabilitation estimates on a 60% labor / 40% material ratio, the IDA will be offering a sales tax savings estimated at \$94,912.

Based on an estimated mortgage of \$1,266,000 and a rate of 0.75%, the IDA will be offering a Mortgage Recording Tax savings estimated at \$9,495.

Total estimated sales tax savings and mortgage recording tax savings for the project: \$ 104,407

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 (1997). The following estimates employment impact for Tioga County, New York.

Estimated Employment Impact Tioga County, NY	
	231 Main, LLC
Job Creation	5
Multiplier	1.2018
Total Employment Impact to Tioga County, NY	6.009

Note: Multiplier = "Real estate agents, managers, operators, and lessors"

Employment Impact Summary:

1. This project will immediately create 5 employees by 231 Main, LLC.
2. Additional indirect results include creating ~1 job in Tioga County, NY.

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 (1997). The following estimates annual earnings impact for Tioga County, New York.

Estimated Annual Earnings Impact Tioga County, NY	
	231 Main, LLC
Annual Earnings (5 employees)	Est. \$100,000
Multiplier	1.2392
Total Earnings Impact to Tioga County, NY	\$123,920

Note: Multiplier = "Real estate agents, managers, operators, and lessors"

Annual Earnings Impact Summary:

1. This project will immediately create an estimated \$100,000 in annual employee earnings by 231 Main, LLC.
2. Indirect results include creating ~\$23,920 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.

Estimated Consumer Spending Impact Village of Owego, NY			
	231 Main, LLC		
Residents (19 apartments)	32	32	32
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	\$87,600	\$175,200	\$262,800

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

Annual Consumer Spending Impact Summary:

1. This project will create an estimated \$87,600 annually in new consumer spending in the Village of Owego. RKG Associates, Inc. has calculated the positive economic impact as high as \$262,800 annually in the Village of Owego.
2. Assumptions: Two (2) single-occupancy apartments, seventeen (17) double-occupancy apartments, ten percent (10%) vacancy rate – for an estimated total of 32 new residents with high disposable income in the Village of Owego.

PROPOSED PAYMENT-IN-LIEU-OF-TAX

The following PILOT has been negotiated with 231 Main, LLC:

Year	PILOT percentage	Estimated PILOT payment	Estimated Real Property Tax*
1	0%	\$0	\$53,999
2	0%	\$0	\$53,999
3	0%	\$0	\$53,999
4	0%	\$0	\$53,999
5	0%	\$0	\$53,999
6	0%	\$0	\$53,999
7	0%	\$0	\$53,999
8	0%	\$0	\$53,999
9	0%	\$0	\$53,999
10	0%	\$0	\$53,999
11	20%	\$10,800	\$53,999
12	40%	\$21,600	\$53,999
13	60%	\$32,400	\$53,999
14	80%	\$43,199	\$53,999
15	100%	\$53,999	\$53,999
Total		\$161,998	\$809,985

*Note: Real Property Taxes estimated for \$1,082,940 adjusted assessment based on a 2005 Village, Town, County and School combined tax rate of 49.863502. (see attached chart)

According to this estimated PILOT financial model, over a period of fifteen (15) years, 231 Main, LLC would be afforded an estimated real property tax abatement of \$647,987.

Cumulatively speaking, it appears as though there will be estimated unrealized real property tax revenue during the fifteen (15) years of the PILOT of \$647,987. One must realize that the property has not been subject to real property taxes for 99 years. Rather than demolish the structure for another use, the County's decision to rehabilitate the historic structure will place the property back on the tax rolls. Other development options and future discussions on the site may extend inaction for several years and thereby extend the lack of real property tax revenue. Though this project defers immediate tax revenue for the first ten years, the high disposable incomes brought into the Village of Owego central business district will enhance the local economic climate.

The compelling consideration in this project: Without the proposed PILOT Agreement, the project is not financially viable. Per the MOU signed August 18,

2005, acceptance of the Tioga County IDA PILOT application is a condition of purchase on the property from the County of Tioga.

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. Per the MOU signed August 18, 2005, acceptance of the Tioga County IDA PILOT application is a condition of purchase on the property from the County of Tioga.
- The impact of creating nineteen (19) upscale (market rate) housing units to the center of the Village of Owego will serve to improve the customer base of many local businesses. Upscale (market rate) apartment renters will bring with them disposable income that will serve to invigorate the local business sector.
- The project will fill the need for upscale apartments that is currently lacking in Tioga County. The "2002 Housing Study" prepared by Harrall-Michalowski Associates, Inc. identified the need for high-end (market rate) apartment housing and condominiums in Tioga County.
- Preservation of a registered historic structure in a neighborhood of stately historic homes is important to the overall nature of the Village of Owego area and its appeal to tourists, visitors, residents and future residents. Local organizations offer many walking tours of the Village of Owego historic buildings and preservation of this structure will only serve to enhance the neighborhood.
- Important to the future of Tioga County is attracting new residents to our Towns and Villages. Many new residents will be apartment dwellers prior to making the decision of long-term home ownership. The hope would be that as people become established in an area, they would have a desire to settle permanently in that same area. This project encourages that concept.
- The Tioga County 2010 Strategic Plan (the "Plan") approved by the Tioga County Legislature specifically identifies the "231 Main Street - Former County Office Building" site as a prioritized parcel for redevelopment.

Data which supports the need for higher incomes living in the Village of Owego so that the opportunity for higher disposable income spending occurs at local business establishments:

I) Poverty Data – Tioga County, 2000 Census, Tioga County – 8.4%

Census Tract Poverty Rates

Census Tract 201	9.2%	(Richford, Berkshire, Newark Valley)
Census Tract 202	9.7%	(Town/Village of Candor)
Census Tract 203	4.3%	(Town of Owego- North of Susquehanna)
Census Tract 204.01	5.0%	(Town of Owego- South of Susquehanna)
Census Tract 204.02	5.7%	(Apalachin- Tioga Terrace Area)
Census Tract 205	13.5%	(Village of Owego)
Census Tract 206	8.9%	(Town/Village of Nichols)
Census Tract 207.01	8.4%	(Town/Village of Spencer)
Census Tract 207.02	7.6%	(Town of Barton)
Census Tract 207.03	12.8%	(Village of Waverly)

II) HUD Low-Moderate Income Data, 2000 Census – Tioga County - 37.30%

<u>Municipality</u>	<u>HUD Percent Low-Moderate Income</u>
Town of Barton	45.70%
Village of Waverly	49.60%
Town of Berkshire	42.20%
Town of Candor	41.20%
Village of Candor	52.40%
Town of Newark Valley	37.40%
Village of Newark Valley	36.20%
Town of Nichols	46%
Village of Nichols	43.80%
Town of Owego	28.90%
Village of Owego	45.10%
Town of Richford	50%
Town of Spencer	40.60%
Village of Spencer	43.10%
Town of Tioga	41.70%

The Wage Factor is the estimated wage level for which jobs with salaries above this level will enhance the local economy and jobs with salaries below this level will dilute the local economy. In Tioga County for 2000, the Wage Factor is calculated at \$15.57/hour.

The 2000 Census median household income for the Village of Owego is \$31,742 or about \$15.26/hour. By targeting households with higher median incomes to live within the Village, economic leakage can be minimized at a micro level as more disposable income is captured within the Village. As the average resident salary level in the Village of Owego rises above \$15.57/hour, the economic climate will tend to improve.

SUMMARY

- 231 Main, LLC is contributing \$300,000 in private capital investment, \$1,266,000 in borrowed investment, five (5) new jobs and \$100,000 in new annual wage earnings.
- An estimated one (1) additional job within the community with an estimated annual payroll of \$23,920 is projected as a direct result of the jobs produced by the project.
- Tioga County will reimburse the asbestos remediation up to a cost of \$326,000 per the Memorandum of Understanding (MOU) signed August 18, 2005.
- By selecting a private company to own and rehabilitate the historic structure, Tioga County will save approximately \$461,000 in demolition costs. The difference between the demolition cost and the asbestos remediation cost is a net savings to the County of Tioga of \$135,000.
- If this project does not come to fruition, the future negative fiscal impact to Tioga County taxpayers could be substantial. Tioga County has an obligation to this historically designated building that would require the following unknown taxpayer expenses: utility costs, general maintenance costs, structurally securing the building within historic regulations (new / repaired roof), protection against vandalism / infestation, and administrative time and expense to re-bid the project with / without saving the historic building.
- At a 0% PILOT payment, the 231 Main, LLC would be afforded a real property tax abatement estimated at \$53,999 annually for the first ten (10) years. The addition of thirty-two (32) upscale (market rate) renters in the Village of Owego will minimally create an economic stimulation of \$87,600 annually due to the infusion of new disposable income.
- The Tioga County IDA is offering sales tax savings estimated at \$94,912 for construction and, if required by 231 Main, LLC, Mortgage Recording Tax savings estimated at \$9,495.
- The Tioga County IDA is offering a real property tax savings estimated at \$647,987 over fifteen (15) years.

231 Main, LLC

Tioga County and its local municipalities levy NO income, occupational, inventory or luxury taxes. It does however assess real property. The following illustrates the impact of today's tax rates on the proposed project*:

231 Main, LLC	
Property Name:	231 Main Street (tax map # 128.08-4-44)
Property Location:	Village of Owego, Tioga County, New York
Project Description:	Rehabilitation of 43,360 sq.ft. historic building*
Assumptions:	Current Assessment in 2006 is \$390,000 Estimated Assessment upon completion is \$1,082,940
<u>Town Assessment Information</u>	
Assessment:	\$ 1,082,940
Equalization rate:	100%
Fair Market Value:	\$ 1,082,940
<u>2006 Tax Rates per \$1,000 of assessed value</u>	
Tioga County	9.705
Village of Owego	17.8223
Town of Owego	0.841762
Owego-Apalachin School	21.27844
<u>Recycle</u>	<u>0.216</u>
Total tax rate	49.863502

***This is for planning purposes only and does not represent guarantees by Tioga County Economic Development and Planning or Tioga County Industrial Development Agency.**

PILOT illustration											
Year	PILOT	School Tax Payable	County Tax Payable	Village Tax Payable	Town Tax Payable	Sub-total	Recycle Tax	Total Payable	Total Savings		
1	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,999		
2	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,999		
3	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,999		
4	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,999		
5	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,999		
6	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,999		
7	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,999		
8	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,999		
9	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,999		
10	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,999		
11	20%	\$ 4,609	\$ 2,102	\$ 3,860	\$ 182	\$ 10,753	\$ 47	\$ 10,800	\$ 43,199		
12	40%	\$ 9,217	\$ 4,204	\$ 7,720	\$ 365	\$ 21,506	\$ 94	\$ 21,600	\$ 32,400		
13	60%	\$ 13,826	\$ 6,306	\$ 11,580	\$ 547	\$ 32,259	\$ 140	\$ 32,400	\$ 21,600		
14	80%	\$ 18,435	\$ 8,408	\$ 15,440	\$ 729	\$ 43,012	\$ 187	\$ 43,199	\$ 10,800		
15	100%	\$ 23,043	\$ 10,610	\$ 19,300	\$ 912	\$ 53,765	\$ 234	\$ 53,999	\$ -		
								\$ 161,998	\$ 647,990		

Total savings over fifteen years with this proposed PILOT would be: \$647,990
Total payment over fifteen years with this proposed PILOT would be: \$161,998

231 Main, LLC Estimated Income Analysis

