



Advancing Communities

104 WASHINGTON STREET, LLC: COST-BENEFIT ANALYSIS

PREPARED ON NOVEMBER 11th, 2024

PREPARED FOR THE CITY OF NEWBURGH INDUSTRIAL DEVELOPMENT AGENCY



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EXECUTIVE SUMMARY

The City of Newburgh Industrial Development Agency (the “Agency”) received an application for financial assistance from 104 Washington Street, LLC (the “Applicant”) related to a proposed project located at 104 Washington Street in the City of Newburgh (the “Site”). The proposed project includes the creation of a mixed-income, mixed-use development that includes a total of 14 units of affordable and market-rate housing, and 8,287 square feet of coworking space (the “Project”). The Agency requested an economic and fiscal impact analysis from MRB Group to assess the benefits and costs of the Project on the City of Newburgh (the “City”) and other jurisdictions as part of the Agency’s deliberations.

MRB Group assessed the Project for both one-time construction impacts and ongoing impacts of operations. The economic impacts considered in this analysis include direct and indirect changes to jobs, wages, and sales associated with the renovation of the mixed-use building. There will also be ongoing economic impacts associated with the new household spending and the anticipated employment at the proposed Site. The fiscal impacts of the Project include one-time and ongoing new tax revenue as well as the presumed costs of the financial assistance under consideration by the Agency.

Using an estimate of locally-sourced labor and materials, we were able to assess the one-time economic impact. The construction phase of the Project will produce approximately 33 direct, on-site local construction jobs and 8 indirect jobs. Combining direct and indirect impacts, the construction phase of the Project will create 41 jobs that generate \$2.1 million in wages. Using anticipated annual spending habits of the Site’s residential tenants and on-site employment estimates provided by the Applicant, we estimate the operations of the Site will result in a total of 15 full-time equivalent (FTE) jobs earning \$939,940 in wages on an annual basis.

Summary of Economic Impacts			
	Direct	Indirect	Total
Construction Jobs	33	8	41
Construction Wages	\$1,604,990	\$511,018	\$2,116,007
Ongoing Jobs	9.5	5.5	15.0
Ongoing Wages	\$700,297	\$239,643	\$939,940

Source: Lightcast, MRB

In terms of fiscal benefits, we estimate that that County will benefit from additional, one-time sales tax revenue of \$13,886 associated with the construction wages earned during the construction phase of the Project. Upon completion of the Project, we estimate the County will benefit from additional sales tax revenue of \$318,142 over the 30-year PILOT term related to the new wages being earned from ongoing jobs and residential tenants spending locally.

Under the proposed PILOT terms, we estimate the Project will generate an increase of \$244,094 in additional property tax revenue over the current taxes for the County, City, and school district.

In terms of fiscal costs of the Project, the Applicant has requested a sales tax exemption and a mortgage recording tax exemption. The estimated cost of the sales tax exemption is \$288,566, the local portion of which is \$133,184. The cost of the mortgage recording tax exemption is \$32,000, the local portion of which is \$15,238.

The proposed PILOT schedule includes net total exemptions of \$2.4 million over 30 years based on a 2% escalation rate.

Summary of Fiscal Benefits, Local Government	
Source	Total
Sales Tax, Construction, One-time	\$13,886
Sales Tax, Operations, 30 Years	\$318,142
Increase in Property Tax Revenue, 30 Years	\$244,094

Source: Lightcast, Applicant, MRB

Summary of Exemptions, Local Government	
	Total
Cost of Sales Tax Exemption, One-Time	\$133,184
Mortgage Recording Tax Exemption	\$15,238
PILOT Exemption, 30 Years	\$2,357,147

Source: Lightcast, Applicant, MRB

INTRODUCTION

The City of Newburgh Industrial Development Agency received an application for financial assistance from 104 Washington Street, LLC related to a proposed project located at 104 Washington Street in the City of Newburgh. The proposed project includes the creation of a mixed-income, mixed-use development that includes a total of 14 units of affordable and market-rate housing, and 8,287 square feet of coworking space. The Agency requested an economic and fiscal impact analysis from MRB Group to assess the benefits and costs of the Project on the City of Newburgh and other jurisdictions as part of the Agency's deliberations.

MRB Group assessed the Project for both one-time construction impacts and ongoing impacts of operations. The economic impacts considered in this analysis include direct and indirect changes to jobs, wages, and sales associated with the renovation of the mixed-use building. There will also be ongoing economic impacts associated with the new household spending and the anticipated employment at the proposed Site. The fiscal impacts of the Project include one-time and ongoing new tax revenue as well as the presumed costs of the financial assistance under consideration by the Agency.

ECONOMIC IMPACT ANALYSIS

The Project would have economic impacts on the County and City in several ways. Economic impacts include one-time effects on jobs, earnings and sales during the construction phase of the Project, which we estimate for the entire County. It also includes ongoing impacts related to new household spending and operations of the Project, which we estimate for the City.¹

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 operation phase:

- Direct jobs, wages, and sales are those jobs created from the operations of the Project (e.g., on-site employment of a maintenance person) and from new household spending occurring as a result of the Project.
- Indirect jobs, wages, and sales are those caused by the Direct impact, such as business-to-business purchases (e.g. a grocery store serving the new households buying goods from a distributor) and employees of such businesses spending a portion of their wages locally.

¹ 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 ZIP code 12550, which is the closest approximation available of the City. A map of ZIP Code 12550 in relation to the City’s boundaries is included in the Appendix.

Data Note

To estimate the Direct and Indirect impacts, MRB Group employs the Lightcast² economic modeling system. We used data from the Applicant and publicly-available and proprietary data sources as inputs to the Lightcast modeling system. Where needed, we adjusted the Lightcast model to best match the Project specifics. We then reported the results of the modeling.

Construction Phase

The Applicant provided estimates of the construction spending that would occur locally (i.e. in-County). Over the construction period, the Applicant estimates that \$2.2 million will be spent on local labor and \$1.9 million on local materials for a total of \$4.1 million in local spending. We used the \$4.1 million local spending level (direct “Sales” in the table) as the input into the Lightcast economic modeling system, assigning the County as the geography of study. We estimate that \$4.1 million in local spending will create 41 direct jobs and direct earnings of \$2.1 million. When coupled with the indirect impacts shown below, the total economic impact of the construction of the Project will be 41 jobs, \$2.1 million in earnings, and \$5.7 million in total sales.

Local Construction Spending	
	Local Spend
Labor	\$2,237,500
Materials	\$1,864,584
Total Local Spend	\$4,102,084

Source: Applicant, MRB

Economic Impact of Construction Phase, One-Time			
	Direct	Indirect	Total
Jobs	33	8	41
Earnings	\$1,604,990	\$511,018	\$2,116,007
Sales	\$4,102,084	\$1,587,101	\$5,689,185

Source: Lightcast, MRB

² Lightcast, formerly “Economic Modeling Specialists, Intl.” or EMSI, uses data from the US Bureau of Labor Statistics, the US Bureau of Economic Analysis, the US Census, and other public data sources to model out economic impacts.

Operation Phase

Unlike the construction phase impacts, which were estimated at the County level to account for their dispersed nature, the operation phase impacts are estimated at the City level.³

Operation phase impacts are driven by two sources. One source of operational impacts is “net new” household spending from the new units being brought to the market by the Project. The second source of operation phase impacts results from the employment on the Site.

The Project will bring 14 total housing units to the market, all of which we consider “net new.” All of the residential units will have some form of income restriction. Two of the units will be reserved for households earning at or below 50% of the Area Median Income (AMI), 7 units will be for households earning at or below 60% AMI, and the remaining 5 units will be for households earning no more than 120% AMI.

³ The ZIP code included in the economic impact analysis is shown in Appendix A, and are compared to the City’s boundaries.

Data from the Bureau of Labor Statistics' Consumer Expenditure Survey (CEX) estimates the annual spending of households for the baskets of goods and services shown in the table to the right. The Project's 14 units will attract households of different income levels that will likely have varying spending habits. To accommodate the different spending habits, we divided the 14 units into two spending baskets as shown. We also conservatively assume the 80% of household spending will occur locally.

The nine units with either a 50%- or 60%-AMI income restriction will spend an average of \$32,652 each on the baskets of goods and services listed. Together these nine units will spend an estimated \$235,094 locally each year. The remaining five units with a 120% AMI restriction will spend an estimated \$49,469 each annually for a total of \$197,876 on the goods and services shown.

In total, "net new" residents occupying the Project will account for an estimated \$432,970 in local spending annually.

Total New Household Spending				
	Annual per HH Spend	% Spent Locally	# of Units	Total New Spending
50% - 60% AMI				
Food	\$8,110	80%	9	\$58,392
Household Furnishings	\$1,941	80%	9	\$13,975
Apparel and Services	\$1,258	80%	9	\$9,058
Transportation	\$9,986	80%	9	\$71,899
Healthcare	\$4,995	80%	9	\$35,964
Entertainment	\$2,423	80%	9	\$17,446
Personal Care Products and Services	\$734	80%	9	\$5,285
Education	\$900	80%	9	\$6,480
Miscellaneous	\$1,822	80%	9	\$13,118
Other	\$483	80%	9	\$3,478
Total	\$32,652	80%	9	\$235,094
Up to 120% AMI				
Food	\$12,552	80%	5	\$50,208
Household Furnishings	\$3,219	80%	5	\$12,876
Apparel and Services	\$2,408	80%	5	\$9,632
Transportation	\$15,442	80%	5	\$61,768
Healthcare	\$7,317	80%	5	\$29,268
Entertainment	\$3,695	80%	5	\$14,780
Personal Care Products and Services	\$1,004	80%	5	\$4,016
Education	\$1,796	80%	5	\$7,184
Miscellaneous	\$1,451	80%	5	\$5,804
Other	\$585	80%	5	\$2,340
Total	\$49,469	80%	5	\$197,876
Total Spending			14	\$432,970

Source: Table 3104. Northeastern region by income before taxes: Average annual expenditures and characteristics, Consumer Expenditure Surveys, 2021-2022; MRB

Annual spending of \$432,970 (see “Direct Sales” in table), corresponds to a direct impact of 2 jobs and earning \$147,453 in earnings. Coupled with the indirect impacts, the total economic impacts of new household spending will be 3 jobs, \$177,911 in earnings, and \$511,795 in sales annually.

The second source of the Project’s annual economic impact will be the on-site employment of the Project. While the residential space will be managed by an existing company in the City of Newburgh, the Applicant estimates that between 5 and 10 jobs will be created in the coworking space. For the purposes of this analysis, we use the midpoint of 7.5 FTE jobs for the coworking space. An estimated 7.5 jobs in the Project’s coworking space corresponds to \$552,843 in direct earnings, and \$1.6 million in direct sales. When coupled with the indirect impacts, the total economic impact of onsite employment will be 12 jobs, \$762,029 in earnings, and \$2.2 million in sales.

The total annual economic impact of the Project will be the combination of the impacts related to both new household spending and onsite employment. In total, the combined annual economic impact of the Project is 15 jobs, \$939,940 in earnings, and \$2.7 million in sales.

Economic Impact of New Household Spending, Annual			
	Direct	Indirect	Total
Jobs	2	1	3
Earnings	\$147,453	\$30,457	\$177,911
Sales	\$432,970	\$78,825	\$511,795

Source: Lightcast

Economic Impact of Onsite Employment, Annual			
	Direct	Indirect	Total
Jobs	7.5	4.5	12.0
Earnings	\$552,843	\$209,186	\$762,029
Sales	\$1,633,041	\$554,159	\$2,187,200

Source: Lightcast, MRB

Combined Economic Impact, Annual			
	Direct	Indirect	Total
Jobs	9.5	5.5	15.0
Earnings	\$700,297	\$239,643	\$939,940
Sales	\$2,066,011	\$632,984	\$2,698,995

Source: Lightcast, MRB

FISCAL IMPACT ANALYSIS

The Project would also have a number of fiscal impacts as described below. To calculate the fiscal impact of the Project, we use data provided by the City of Newburgh Assessor’s Office. In its current condition, the Site has a current assessed value (CAV) of \$60,000. The local assessor provided an estimate of the future assessed value (FAV) of the site post-development, which ranged between \$1.8 and \$2.2 million. For purposes of this analysis, we use the midpoint FAV of \$2.0 million in order to calculate the Project’s fiscal impacts. We also note the current tax rates as shown in the table to the right, that were used in the following calculations.

Current and Future Assessed Value	
	Value
CAV	\$60,000
FAV - Low	\$1,800,000
FAV - High	\$2,200,000
FAV - Mid	\$2,000,000

Source: City of Newburgh Assessor's Office

Tax Rates	
	Value
School/Library	15.5648
City	15.1869
County	2.3001
Total	33.0518

Source: City of Newburgh Assessor's Office



PILOT Schedule

The table to the right displays the Applicant’s proposed PILOT schedule. The Applicant is proposing a 30-year term with a fixed payment of \$8,000 in the first year, escalated at 2% per year thereafter for the term of the PILOT. Under this PILOT schedule, the Project will generate \$324,545 in property tax revenue over 30 years.

Proposed PILOT Schedule	
Year	PILOT
Year 1	\$8,000
Year 2	\$8,160
Year 3	\$8,323
Year 4	\$8,490
Year 5	\$8,659
Year 6	\$8,833
Year 7	\$9,009
Year 8	\$9,189
Year 9	\$9,373
Year 10	\$9,561
Year 11	\$9,752
Year 12	\$9,947
Year 13	\$10,146
Year 14	\$10,349
Year 15	\$10,556
Year 16	\$10,767
Year 17	\$10,982
Year 18	\$11,202
Year 19	\$11,426
Year 20	\$11,654
Year 21	\$11,888
Year 22	\$12,125
Year 23	\$12,368
Year 24	\$12,615
Year 25	\$12,867
Year 26	\$13,125
Year 27	\$13,387
Year 28	\$13,655
Year 29	\$13,928
Year 30	\$14,207
Total	\$324,545

Source: Applicant; MRB



Increase in Property Tax Revenue

Under the current assessment, the Site will generate \$1,983 in property tax revenue annually. Escalated at 2% per year, the Site would generate \$80,451 in property tax revenue under the current assessment over 30 years. Under the proposed PILOT, the Site would generate \$324,545 in property tax revenue. Therefore, the Site would generate \$244,094 more in property tax revenue over 30 years compared to what it would under the current assessment.

Increase in Property Tax Revenue					
Year	Current AV	Tax Rate	Current Taxes	PILOT	Increase
Year 1	\$60,000	33.0518	\$1,983	\$8,000	\$6,017
Year 2	\$60,000	33.7128	\$2,023	\$8,160	\$6,137
Year 3	\$60,000	34.3870	\$2,063	\$8,323	\$6,260
Year 4	\$60,000	35.0748	\$2,104	\$8,490	\$6,385
Year 5	\$60,000	35.7763	\$2,147	\$8,659	\$6,513
Year 6	\$60,000	36.4918	\$2,190	\$8,833	\$6,643
Year 7	\$60,000	37.2216	\$2,233	\$9,009	\$6,776
Year 8	\$60,000	37.9661	\$2,278	\$9,189	\$6,912
Year 9	\$60,000	38.7254	\$2,324	\$9,373	\$7,050
Year 10	\$60,000	39.4999	\$2,370	\$9,561	\$7,191
Year 11	\$60,000	40.2899	\$2,417	\$9,752	\$7,335
Year 12	\$60,000	41.0957	\$2,466	\$9,947	\$7,481
Year 13	\$60,000	41.9176	\$2,515	\$10,146	\$7,631
Year 14	\$60,000	42.7560	\$2,565	\$10,349	\$7,783
Year 15	\$60,000	43.6111	\$2,617	\$10,556	\$7,939
Year 16	\$60,000	44.4833	\$2,669	\$10,767	\$8,098
Year 17	\$60,000	45.3730	\$2,722	\$10,982	\$8,260
Year 18	\$60,000	46.2804	\$2,777	\$11,202	\$8,425
Year 19	\$60,000	47.2060	\$2,832	\$11,426	\$8,594
Year 20	\$60,000	48.1502	\$2,889	\$11,654	\$8,765
Year 21	\$60,000	49.1132	\$2,947	\$11,888	\$8,941
Year 22	\$60,000	50.0954	\$3,006	\$12,125	\$9,120
Year 23	\$60,000	51.0973	\$3,066	\$12,368	\$9,302
Year 24	\$60,000	52.1193	\$3,127	\$12,615	\$9,488
Year 25	\$60,000	53.1617	\$3,190	\$12,867	\$9,678
Year 26	\$60,000	54.2249	\$3,253	\$13,125	\$9,871
Year 27	\$60,000	55.3094	\$3,319	\$13,387	\$10,069
Year 28	\$60,000	56.4156	\$3,385	\$13,655	\$10,270
Year 29	\$60,000	57.5439	\$3,453	\$13,928	\$10,476
Year 30	\$60,000	58.6948	\$3,522	\$14,207	\$10,685
Total			\$80,451	\$324,545	\$244,094

Source: Applicant; MRB

Sales Tax Revenue – Construction Phase

As estimated previously, the construction phase of the Project will result in \$2.1 million new earnings over the construction period. Assuming 70% of the total new earnings will be spent in the County and 25% of that spending amount will be subject to the sales tax, we estimate \$370,301 in taxable spending over the construction period. Applying the County sales tax rate of 3.75%, we estimate \$13,886 in sales tax revenue will be generated during construction.

Sales Tax Revenue - Construction Phase	
Line	Value
Total New Earnings	\$2,116,007
% Spent in County	70%
\$ Spent in County	\$1,481,205
% Taxable	25%
\$ Taxable	\$370,301
County Sales Tax Rate	3.75%
\$ County Sales Tax Revenue	\$13,886

Source: MRB

Sales Tax Revenue – Operation Phase

Using a similar methodology as above, we estimate the sales tax revenue generated from both the new earnings of the on-site employees and new household spending by residential tenants. We estimated \$762,029 in total new earnings and \$432,970 of household spending occurring annually within the County during the operation phase of the Project. Given the projected level of earnings and spending, we estimate a resulting \$7,842 in sales tax revenue for the County. Escalating 2% per year over 30 years, we estimate the Project will generate \$318,142 in sales tax over the length of the PILOT.

Sales Tax Revenue - Operation Phase	
Line	Value
Total New Earnings	\$762,029
Total New Household Spending	\$432,970
% Spent in County	70%
\$ Spent in County	\$836,500
% Taxable	25%
\$ Taxable	\$209,125
County Sales Tax Rate	3.75%
\$ County Sales Tax Revenue	\$7,842
Revenue Over 30 Years	\$318,142

Source: MRB

Cost of Property Tax Exemption

The table to the right displays the difference in estimated property tax revenue under the proposed PILOT and the value of the ‘Full Taxes’ absent an exemption (i.e. the “Cost of Abatement”). Over the 30-year PILOT term, the fiscal cost of the Project would be \$2.4 million. However, this cost is theoretical by nature, as the Applicant has stated it would not move forward with the Project absent an abatement.

Cost of Abatement - Full Taxes vs. PILOT Revenue					
Year	PILOT	Tax Rate	FAV Post Construction	Full Taxes	Cost of Abatement
1	\$8,000	33.0518	\$2,000,000	\$66,104	(\$58,104)
2	\$8,160	33.7128	\$2,000,000	\$67,426	(\$59,266)
3	\$8,323	34.3870	\$2,000,000	\$68,774	(\$60,451)
4	\$8,490	35.0748	\$2,000,000	\$70,150	(\$61,660)
5	\$8,659	35.7763	\$2,000,000	\$71,553	(\$62,893)
6	\$8,833	36.4918	\$2,000,000	\$72,984	(\$64,151)
7	\$9,009	37.2216	\$2,000,000	\$74,443	(\$65,434)
8	\$9,189	37.9661	\$2,000,000	\$75,932	(\$66,743)
9	\$9,373	38.7254	\$2,000,000	\$77,451	(\$68,078)
10	\$9,561	39.4999	\$2,000,000	\$79,000	(\$69,439)
11	\$9,752	40.2899	\$2,000,000	\$80,580	(\$70,828)
12	\$9,947	41.0957	\$2,000,000	\$82,191	(\$72,244)
13	\$10,146	41.9176	\$2,000,000	\$83,835	(\$73,689)
14	\$10,349	42.7560	\$2,000,000	\$85,512	(\$75,163)
15	\$10,556	43.6111	\$2,000,000	\$87,222	(\$76,666)
16	\$10,767	44.4833	\$2,000,000	\$88,967	(\$78,200)
17	\$10,982	45.3730	\$2,000,000	\$90,746	(\$79,764)
18	\$11,202	46.2804	\$2,000,000	\$92,561	(\$81,359)
19	\$11,426	47.2060	\$2,000,000	\$94,412	(\$82,986)
20	\$11,654	48.1502	\$2,000,000	\$96,300	(\$84,646)
21	\$11,888	49.1132	\$2,000,000	\$98,226	(\$86,339)
22	\$12,125	50.0954	\$2,000,000	\$100,191	(\$88,066)
23	\$12,368	51.0973	\$2,000,000	\$102,195	(\$89,827)
24	\$12,615	52.1193	\$2,000,000	\$104,239	(\$91,623)
25	\$12,867	53.1617	\$2,000,000	\$106,323	(\$93,456)
26	\$13,125	54.2249	\$2,000,000	\$108,450	(\$95,325)
27	\$13,387	55.3094	\$2,000,000	\$110,619	(\$97,231)
28	\$13,655	56.4156	\$2,000,000	\$112,831	(\$99,176)
29	\$13,928	57.5439	\$2,000,000	\$115,088	(\$101,160)
30	\$14,207	58.6948	\$2,000,000	\$117,390	(\$103,183)
Total	\$324,545			\$2,681,692	(\$2,357,147)

Source: MRB

Cost of Other Exemptions

The Applicant has requested an exemption for construction-phase sales and use tax valued at \$288,566, the local portion of which is \$133,184. Similarly, the Applicant has also requested a mortgage recording tax exemption (MRTE) valued at \$32,000, the local portion of which is \$15,238.

Cost of Sales Tax Exemption, County	
Line	Value
Sales Tax Exemption	\$288,566
County	3.75%
State	4.00%
MCTD	0.375%
County Exemption	\$133,184

Source: Applicant; MRB

Cost of MRTE, County	
Line	Value
MRTE	\$32,000
County	0.50%
State	0.50%
MCTD	0.05%
County Exemption	\$15,238

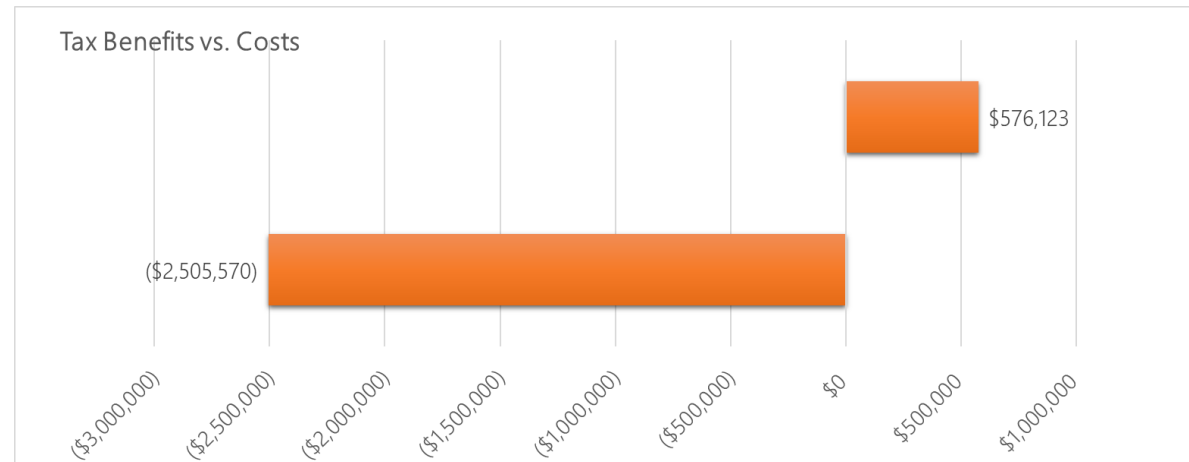
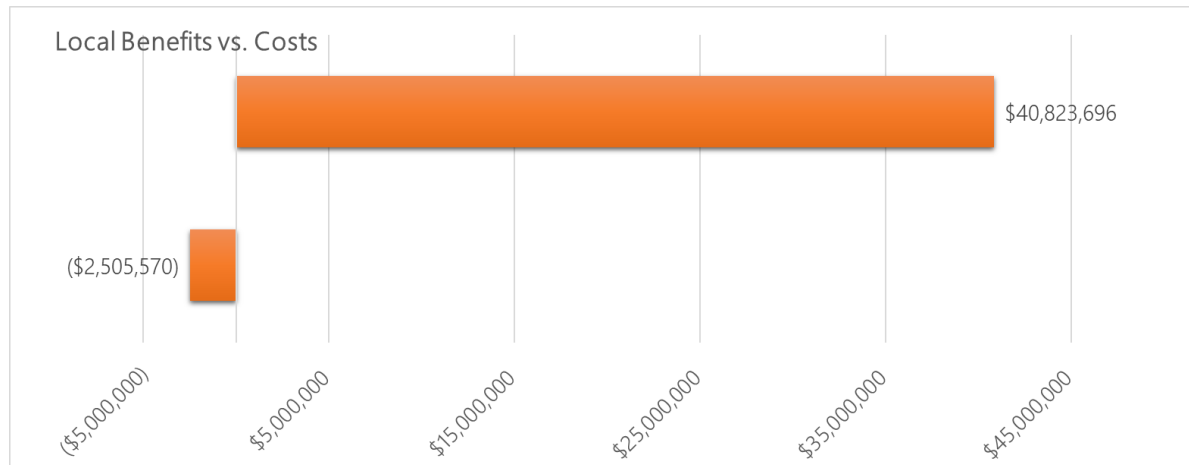
Source: Applicant; MRB

Cumulative Impact of the Project and Benefits-to-Costs Ratio

Cost/Benefit Analysis - Cumulative Local Impact	
Local Costs (Construction - Year 30)	\$2,505,570
Sales Tax Exemption	\$133,184
Mortgage Tax Exemption	\$15,238
Real Property Tax Exemption	\$2,357,147
Local Benefits (Construction - Year 30)	\$40,823,696
Sales Tax, Construction, One-time	\$13,886
Sales Tax, Operations, 30 Years	\$318,142
Increase in Property Tax Revenue, 30 Years	\$244,094
Sub-Total Tax Benefits	\$576,123
Total New Earnings - Construction	\$2,116,007
Total New Earnings - Operations, 30 Years	\$38,131,566
Sub-Total (New Earnings)	\$40,247,573
Benefits to Costs Ratio	16.29
Tax Benefits to Tax Costs Ratio	0.23

Source: Applicant, MRB

Benefits vs. Costs Graph



City of Newburgh ZIP Code Approximation

