

# **Real Estate Institute at Stony Brook University Spring 2021**



## **White Paper**

# **The Industrial Development Agency: Facts, Benefits, Impacts, and Challenges**

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## **Introduction**

The purpose of this study is to explain how the Industrial Development Agencies (“IDA”) operates, what benefits are available to the Applicant, and to analyze the economic impact IDA projects have on their surrounding communities - during and after development. REI aggregated 66 applications from approved Long Island IDA projects within the past five years to illustrate the impact to the surrounding communities. Our analysis considers the economic impact in terms of total hard costs of construction, total direct jobs created, sales tax benefits, mortgage tax benefits, and PILOT program agreements. An excel spreadsheet has been prepared to show the calculations used for these economic impacts. Information from these applications was divided into three subgroups:

A.) Multifamily Complexes

B.) Commercial/Industrial Properties

C.) 55 and Over/Senior Developments

The case studies referenced in this White Paper include Hartz Mountain Industries Inc. (Industrial), Middle Country Meadows, LLC (55 and Over), and Engel Burman at the Beach (Multifamily). These case studies will help illustrate the direct, indirect, and induced impact to the communities because of these developments.

## **IDA Background**

The Industrial Development Agency was formed in 1969 by the NYS Industrial Development Agency Act codified as Title I of Article 18-A of NYS General municipal law. There are currently 109 IDA’s across NYS. Each IDA operates within the geographical boundaries of the benefited municipality. There are eight different industrial development agencies on Long Island including:

- Nassau County IDA
- Town of Hempstead IDA
- City of Glen Cove IDA
- Suffolk County IDA
- Town of Brookhaven IDA
- Town of Islip IDA
- Town of Riverhead IDA
- Town of Babylon IDA

IDA’s are formed to preserve and promote economic prosperity and job growth. They are empowered to provide financial assistance to qualified businesses. IDA’s are technically

classified as public benefit corporations that have specific characteristics of a municipality, which allows those benefits to be passed along to an approved applicant.

The law grants IDA's certain power including the right to hold and dispose of real and personal property by taking title, possession, or control to the property via lease, license, or otherwise.

IDA's may execute contracts and leases, issue tax-exempt debt, provide exemptions for sales and mortgage taxes, and provide real property tax exemptions to industrial or commercial properties under contractual agreements known as Payment in Lieu of Taxes (PILOT).

### **Public-Private Partnership and IDA Process**

IDA's and each project sponsor essentially create a quasi-Public-Private-Partnership. The design of the agreement permits the IDA to acquire an interest in the "Project Property" which makes the project eligible for several tax exemptions. Ownership is usually evidenced in the form of a straight lease or bond-type structure. Financing of the project may allow for traditional mortgage financing from a separate lender or through the issuance of IDA revenue bonds.

The business owner/operator (applicant), assumes the role of "agent" for the IDA, managing all business operations. The IDA holds title/ownership to the subject property and, by this arrangement, allows the agent (as Lessee) to receive the benefits afforded by a quasi-public corporation.

The process for obtaining IDA assistance begins with a pre-application questionnaire. The applicant describes the nature of the business, the proposed project, the estimated cost of the project, and other factors for consideration (i.e., current employment level pre- and post-project completion, job growth, job creation). If the proposed applicant proceeds to the formal application stage, a cost/benefit analysis is required to be submitted to show the benefits requested by the applicant versus the economic impact generated. Public input is an integral component of the process.

The applicant needs to clearly define why the project is necessary, why the agency's financial assistance is necessary, and the effect the project will have on the applicant's business operations. In addition, the project must satisfy zoning/land use requirements, comply with all environmental/green building standards, and describe the social and economic impacts the project will have upon the surrounding community.

A detailed estimate of hard and soft costs, along with the source and use of funds, is required with every application. Construction cost breakdowns must include all costs for materials and labor and identify the county from which those resources will be purchased or obtained. A cost-benefit analysis must also be provided including estimated payroll at the project site for three years on a forward-looking basis.

Average salaries of jobs on a full-time equivalency basis (FTE) are prepared and will be retained for future review. The actual performance of the project must compare favorably to the application to be compliant and avoid claw-back provisions. Transaction documents require the applicant to maintain a certain number of jobs, occupations, and payroll for each install to acquire a project.

The applicant will provide a projection for the annual amount of goods and services to be purchased for three years after completion of the project identifying the amount and percentage sourced from third-party businesses located within the county and state.

### **PILOT (Payments in Lieu of Taxes)**

To explain the real estate tax exemptions available under an IDA-approved program, it is crucial to describe what a PILOT means. PILOT is an acronym for Payment in Lieu of Taxes. Structurally, the IDA will hold title to the property (as a public benefit corporation). Based upon that status, the property is removed from the tax rolls during the term of agreement because municipal landowners are not designated as taxpayers. PILOT payments are paid by the project owner/operator to the IDA. Funds received are redistributed to the appropriate jurisdictions according to formulas established by the IDA in concert with the local tax assessor. Each IDA is required by Section 874 of the General Municipal Law to adopt a uniform tax exemption policy “UTEP”, which is to provide a guideline for the IDA to follow regarding the approval and granting of tax exemptions and PILOTs. Under UTEP, property taxes under a PILOT program are not generally permitted to be less than the pre-existing taxes for the underlying land. Below is an example of a PILOT program approved by the Town of Hempstead Industrial Development Agency.

### **Avalon Bay Communities, INC - Island Park PILOT**

Sheridan Place and Island Parkway South

Island Park, NY 11558

Current Tax Information:

Section; 43, Block: 381, Lots: (35-26,102,314) 328

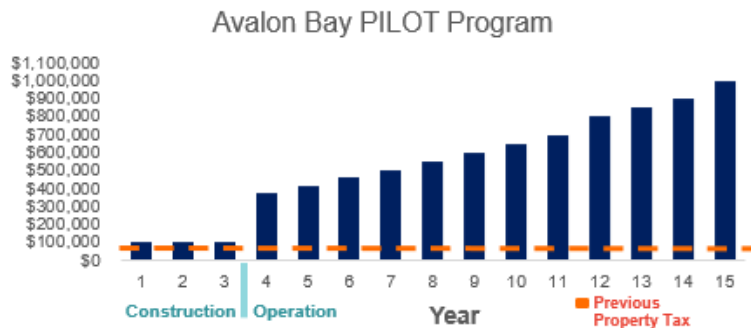
Parcels: 2

SD- 31

Total Tax *Land Only (Now)*: \$97,813.70

Estimated Taxes Within Independent Impact Study Once Built: \$1,091,713.00

Year	PILOT Payments
1	\$100,000
2	\$100,000
3	\$100,000
4	\$375,000
5	\$410,000
6	\$460,000
7	\$500,000
8	\$550,000
9	\$600,000
10	\$650,000
11	\$700,000
12	\$800,000
13	\$850,000
14	\$900,000
15	\$1,000,000



## Project Size

Projects eligible for IDA assistance cover the gamut from small businesses and nonprofits to multinational corporations. During June 2020 the Governor of NYS enacted legislation that helps to ensure the short-term viability of both small businesses and not-for-profit corporations by allowing IDAs to:

1. Provide grants up to \$10,000 to small businesses and not-for-profit corporations to acquire personal protective equipment “PPE” and/or installing fixtures necessary to prevent the spread of COVID-19; and
2. Make loans up to \$25,000, through the administration of a state disaster emergency loan program, to small businesses and not-for-profit corporations.

Local examples of IDA project size and diversity show that during the second quarter of 2021, the Town of Brookhaven provided financial assistance to 8 different projects ranging in size from \$ 2.5mm (AE-Town Hall Solar) to \$120mm (Jefferson’s Ferry). It is important to note that the IDAs, now more than ever, are integral to the retention and growth of existing and new businesses in furthering the prosperity and welfare of the geographic area where they operate.

Collaboration also exists between and amongst regional IDAs. Beginning in 2019, all Long Island IDAs partnered with the tourism agency Discover Long Island. The purpose of this partnership was to spur additional economic growth and development on Long Island. Through this collaborative effort, the Long Island Economic Development Collective (LIEDC) was created. IDAs have become important liaisons for attracting businesses to the Long Island region and are well versed to serve in this capacity.

## **IDA Challenges**

Each of the eight Long Island IDA's were created to attract, retain, and expand business within their affiliated municipality. Business objectives are two-fold, to retain successful companies and attract new investments from outside the region. From the developer's perspective, investing in a business on Long Island is expensive and fraught with risk. It is no secret that risks associated with business development on Long Island are high due to:

- Taxes
- Skilled labor costs
- Transportation
- Energy
- Restrictive zoning codes
- Lengthy timeframes for approvals
- NIMBY-ism (Not In My Backyard – A grass roots antidevelopment initiative)

As a result, some developers are forced to rethink their business plans and may consider leaving the island for more receptive communities.

The IDA's endeavor to operate without bias to political pressure. They have intensified/improved the vetting and approval process. To achieve increased transparency, State and County audits are performed to monitor project goals, prepare performance summaries, and identify variances from compliance benchmarks established with each approved application.

## **IDA Benefits**

As a “quasi-Public-Private-Partnership”, the IDA can provide the following three benefits directly to an approved Applicant:

1. Mortgage Recording Tax exemption
2. Sales Tax exemptions from the purchase of goods and services
3. PILOT (Payment in Lieu of Taxes)

These benefits are negotiated and documented with each applicant based upon the need for financial assistance. Benchmarks and controls are put in place to ensure compliance with project goals and claw-back provisions are available when non-compliance is evident.

## Long Island IDA Project Sample

As previously stated, we have aggregated 66 applications from approved Long Island IDA projects within the past five years to illustrate the benefits received. Our analysis considers the total hard costs of construction, total direct jobs created, sales tax benefits, and mortgage tax benefits excluding PILOT program agreements.

Multi-Family									
Projects	Total Projects Analyzed	Total Construction Costs	Labor Costs	Cost For Materials	Direct Jobs Created	Sales Tax Benefit	Mortgage Tax Benefit	Total Benefits	Percentage of Benefits to Total Costs of Construction
<b>Total</b>	<b>32.00</b>	<b>\$1,265,100,624</b>	<b>\$498,413,879</b>	<b>\$712,735,443</b>	<b>3,328</b>	<b>\$75,925,807</b>	<b>\$10,388,836</b>	<b>\$86,314,643</b>	<b>7%</b>
Nassau IDA	6.00	\$409,390,156	\$151,069,652	\$204,369,202	1,099	\$22,483,402	\$3,596,520	\$26,079,922	6%
Town of Hempstead IDA	5.00	\$247,113,418	\$79,507,772	\$167,605,646	136	\$26,247,362	\$1,923,660	\$28,171,022	11%
City of Glencove	4.00	\$88,240,166	\$43,965,698	\$44,274,468	550	\$3,826,107	\$791,564	\$4,617,671	5%
Suffolk IDA	1.00	\$13,721,800	\$5,538,720	\$8,183,080	14	\$774,790	\$158,522	\$933,312	7%
Town of Brookhaven	4.00	\$117,498,888	\$52,787,004	\$64,711,884	17	\$5,367,414	\$780,250	\$6,147,664	5%
Town of Islip	5.00	\$168,667,000	\$55,609,620	\$113,057,380	133	\$9,751,199	\$2,137,907	\$11,889,106	7%
Town of Riverhead	1.00	\$8,958,000	\$3,583,206	\$5,374,794	8	\$463,576	\$77,653	\$541,229	6%
Town of Babylon	6.00	\$211,511,196	\$106,352,207	\$105,158,989	1,371	\$7,011,957	\$922,760	\$7,934,717	4%
Commercial / Industrial									
Projects	Total Projects Analyzed	Total Construction Costs	Labor Costs	Cost For Materials	Direct Jobs Created	Sales Tax Benefit	Mortgage Tax Benefit	Total Benefits	Percentage of Benefits to Total Costs of Construction
<b>Total</b>	<b>19.00</b>	<b>\$305,375,720</b>	<b>\$106,516,785</b>	<b>\$151,299,660</b>	<b>2,453</b>	<b>\$13,464,589</b>	<b>\$1,840,166</b>	<b>\$15,304,755</b>	<b>5%</b>
Nassau IDA	5.00	\$59,918,028	\$23,793,096	\$33,474,474	200	\$3,180,656	\$353,250	\$3,533,906	6%
Town of Hempstead IDA	4.00	\$34,039,000	\$12,437,551	\$21,601,449	913	\$1,647,500	\$270,375	\$1,917,875	6%
City of Glencove	2.00	\$15,217,064	\$6,229,241	\$5,079,006	98	\$775,200	\$108,895	\$884,095	6%
Suffolk IDA	4.00	\$149,551,628	\$60,957,054	\$88,594,574	972	\$7,641,282	\$1,093,433	\$8,734,715	6%
Town of Brookhaven	1.00	\$3,050,000	\$699,994	\$2,350,006	34	\$202,688	\$0	\$202,688	7%
Town of Islip	2.00	\$2,600,000	\$2,399,849	\$200,151	186	\$17,263	\$14,213	\$31,476	1%
Town of Riverhead	1.00	\$41,000,000	\$0	\$0	50	\$0	\$0	\$0	0%
Town of Babylon	0.00	\$0	\$0	\$0	0	\$0	\$0	\$0	0%
55 & Over / Senior Care									
Projects	Total Projects Analyzed	Total Construction Costs	Labor Costs	Cost For Materials	Direct Jobs Created	Sales Tax Benefit	Mortgage Tax Benefit	Total Benefits	Percentage of Benefits to Total Costs of Construction
<b>Total</b>	<b>15.00</b>	<b>\$409,401,450</b>	<b>\$207,011,225</b>	<b>\$198,740,922</b>	<b>960</b>	<b>\$17,149,004</b>	<b>\$3,164,884</b>	<b>\$20,313,888</b>	<b>5%</b>
Nassau IDA	4.00	\$55,709,518	\$19,764,781	\$32,295,434	289	\$2,966,035	\$485,803	\$3,451,838	6%
Town of Hempstead IDA	0.00	\$0	\$0	\$0	0	\$0	\$0	\$0	0%
City of Glencove	1.00	\$10,276,295	\$3,082,888	\$7,193,407	55	\$447,477	\$0	\$447,477	4%
Suffolk IDA	2.00	\$48,995,850	\$16,558,343	\$32,437,507	10	\$2,797,735	\$436,886	\$3,234,621	7%
Town of Brookhaven	3.00	\$128,380,000	\$60,771,003	\$67,608,997	135	\$5,831,276	\$1,212,750	\$7,044,026	5%
Town of Islip	3.00	\$110,735,394	\$73,540,623	\$37,194,771	311	\$3,208,049	\$691,945	\$3,899,994	4%
Town of Riverhead	1.00	\$12,804,393	\$12,043,593	\$760,800	20	\$65,619	\$0	\$65,619	1%
Town of Babylon	1.00	\$42,500,000	\$21,249,994	\$21,250,006	140	\$1,832,813	\$337,500	\$2,170,313	5%
<b>Total</b>	<b>66.00</b>	<b>\$1,979,877,794</b>	<b>\$811,941,889</b>	<b>\$1,062,776,025</b>	<b>6,741</b>	<b>\$106,539,400</b>	<b>\$15,393,886</b>	<b>\$121,933,286</b>	<b>6%</b>

Total Costs of Construction is calculated as follows: Site Work + Demolition / Construction / Renovation + Machinery & Equipment.

Mortgage Tax is calculated as 0.75% of the principal amount of total mortgage loans, while Sales Tax is calculated as 8.625% of total costs of material.

These costs do not include IDA fees, due diligence, start-up expenses, title insurance, property insurance, bonding, permits, interest expense, development fees, architectural/engineering fees, legal fees, marketing, financial fees, and other soft costs related to the overall development of the project.



## Statewide Project Summary

A 2020 office of NYS Comptroller’s review of the performance in New York State of all IDAs (based upon 2018 year-end reporting), reveals there were 4,289 active IDA projects with a total project value of \$105.4bn. The top 5 project purposes requiring assistance included Manufacturing, Services, Real Estate and Finance, Construction, and Wholesale trades. These five represent 72% of total active projects and 73% of total project value. Approximately 90% of all projects received financial assistance in the form of State and local sales and use tax exemptions. Statewide projects that executed PILOT programs, resulted in \$669mm in net tax exemptions.

### NYS Net Tax Exemption by Purpose (millions)

Purpose	Total Number Projects	Total Tax Exemptions	Total PILOTS	Net Tax Exemptions	Project Value
Finance & Real Estate	490	\$236	\$88	\$148	\$34,200
Manufacturing	1,118	\$191	\$101	\$90	\$18,200
Other Categories	480	\$192	\$84	\$108	\$12,500
Services	803	\$326	\$203	\$122	\$11,500
Construction	462	\$121	\$42	\$79	\$9,900
Transportation & Utilities	200	\$216	\$73	\$143	\$8,500
Civic Facility	230	\$13	\$5	\$8	\$3,900
Whole Sale Trade	265	\$83	\$32	\$52	\$3,800
Retail Trade	184	\$66	\$37	\$29	\$2,100
Continuing Care	23	\$8	\$4	\$4	\$600
Agriculture	34	\$2	\$1	\$1	\$200
<b>TOTAL</b>	<b>4289</b>	<b>\$1,453</b>	<b>\$669</b>	<b>\$784</b>	<b>\$105,400</b>

The Comptroller’s summary below identifies which project category generates the most construction jobs, temporary jobs, and retained jobs. Manufacturing is estimated to produce the most “Jobs to be retained” with a total of 81,086, while Real Estate and Finance are estimated to produce the most “Jobs to be created” in the amount of 83,714.

## NYS IDA Projects Estimated Jobs to Be Created by Purpose

Purpose	Temporary Construction	Jobs To Be Created	Jobs To Be Retained
Manufacturing	4,369	37,178	81,086
Services	3,504	33,536	49,804
Finance & Real Estate	10,685	83,714	35,194
Civic Facility	167	3,891	28,551
Transportation	704	10,343	24,412
Other Categories	4,760	24,740	23,173
Whole Sale	1,267	12,365	16,876
Construction	7,378	12,700	13,577
Retail Trade	1,602	9,421	6,926
Continuing Care	231	885	918
Agriculture	15	484	417
<b>TOTAL</b>	<b>34,682</b>	<b>229,257</b>	<b>280,934</b>

A contrasting 2020 report by the Authorities Budget Office “ABO” (authorized by Title 2 of the Public Authorities Law and a statewide government watchdog) determined that, as of 2018, the most common type of projects approved for financial assistance by “IDA’s” are manufacturing-related projects, however, in recent years IDA’s are providing financial assistance to a wider variety of projects that did not traditionally receive financial assistance. The public perception of IDA’s to provide tax benefits for manufacturers to create and maintain jobs may need to be revised. Projects including transit-oriented developments, solar farms, technology/data centers, warehouse distribution centers, and housing/mixed-use developments highlight paradigm shifts in the real estate industry.

### Direct, Indirect and Induced Impacts from a Project

Direct Impacts are characterized as the initial spending for a real estate development which creates economic activity in the local community. Direct impacts include total jobs created for full-time and part-time construction employment.

Indirect Impacts include business-to-business transactions resulting from operations of the project after construction is complete.

Induced Impacts reflect the economic response to changes (direct and indirect impacts) that occur via re-spending of income throughout the region. Examples include economic output generated from job creation, sales revenue, and spill-over spending in the community.

## Case Studies

The following case studies were used in our analysis to depict the direct, indirect, and induced impacts of an IDA project in each respective subgroup (Industrial, Multifamily, and Senior Developments). The 3rd party economic analyses used to study these projects were prepared by Nelson Pope Voorhis (NPV) - a professional environmental and planning firm - and Camoin Associates - a full-service economic development consulting firm headquartered in Saratoga Springs, NY. Each firm has qualifications and experience in preparing economic and fiscal impact analysis studies for private and municipal clients. The studies referenced in this paper base their findings on the anticipated fiscal impact that will occur throughout the construction phase of an IDA project, as well as the impact of the annual operations at the project property. These studies are utilized by municipalities or developers depending on the project at hand. We have also gathered information from audited financial statements available on IDA websites. The economic impact analysis studies have been attached to this report for further transparency.

### *Hartz Mountain Industries Inc. (Suffolk IDA) (2020)*

#### **Project Type: Industrial**

Hartz Mountain Industries plans for the development of a 414,000 square foot building on approximately 35 acres located at the former National Grid site along Spagnoli Road in Melville. The new building will be leased to prospective tenants and will be used for manufacturing warehousing and distribution operations. The building will serve as an expansion opportunity for companies entering the Long Island market, as well as existing regional users seeking expansion opportunities.



*Hartz Mountain Industries Spagnoli Road Rendering*

Nelson Pope Voorhis includes a Definition of Economic Impacts within their analysis of the Hartz Mountain Industries development. They have divided Direct, Indirect, and Induced impacts into Key Economic Findings during construction, and during annual operations at the project property.

“A *direct impact* arises from the first round of buying and selling. These direct impacts can be used to identify additional rounds of buying and selling for other sectors of the economy and used to identify the impact of spending by local households.”

“An *indirect impact* refers to the increase in sales of other industry sectors, which include further round-by-round sales.

“An *induced impact* accounts for the changes in output and labor income by those employed within the region, resulting from direct and indirect impacts.

“*Total impact* is the sum of the direct, indirect, and induced impacts.”

### Summary of Key Economic Findings During 14-16-Month Construction Period

Impact Type	Output (Total Revenue)	Employment (Total Number of FTE Jobs)	Labor Income (Total Wages and Benefits)
Direct Impact	\$52,000,000	224.60	\$20,800,000
Indirect Impact	\$12,208,339	55.10	\$4,437,930
Induced Impact	\$14,958,794	91.70	\$5,239,618
<b>Total Impact</b>	<b>\$79,167,133</b>	<b>371.40</b>	<b>\$30,477,548</b>

The Direct Impact is equal to the total cost of construction and employment of jobs incurred during the 14-16-month construction period. Labor income is estimated at approximately 40% of total construction costs. The remaining portion represents the cost of materials.

## Summary of Key Economic Findings During Annual Operations

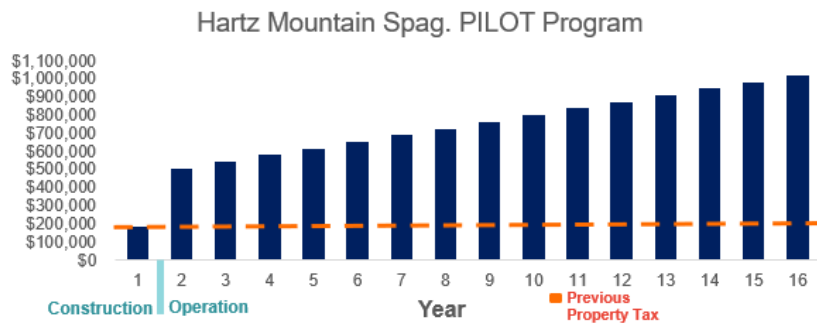
Impact Type	Output (Annual Revenue)	Employment (Number of Annual FTE Jobs)	Labor Income (Total Wages and Benefits)
Direct Impact	\$20,943,202	250	\$10,000,000
Indirect Impact	\$7,243,454	42	\$2,392,820
Induced Impact	\$7,456,425	45	\$2,614,265
<b>Total Impact</b>	<b>\$35,643,080</b>	<b>336</b>	<b>\$15,007,085</b>

The Indirect Impact is equal to the annual revenue plus labor income of those employed during operations.

As noted in the applicant's economic impact report, the indirect impacts are permanent, ongoing, and projected on an annual basis.

## Hartz Mountain Industries Spagnoli Rd. PILOT Program and Estimated Benefits

Year	PILOT Payments
1	\$184,383
2	\$505,467
3	\$542,162
4	\$578,858
5	\$615,553
6	\$652,248
7	\$688,944
8	\$725,639
9	\$762,334
10	\$799,030
11	\$835,725
12	\$872,420
13	\$909,116
14	\$945,811
15	\$982,506
16	\$1,019,202



**Sales Tax Benefit:** \$ 2,969,156 (\$57,375,000 cnst. x 60% x 8.625%)

**Total Mortgage Recording Tax:** \$ 479,250 (\$63,900,000 mtg. x .75%)

**Property Tax Net Benefits (PILOT):** \$ 5,091,476

**Total Estimated Benefits (Applicant):** \$ 8,539,882

*Subject to final approval by Suffolk IDA*

## ***Middle Country Meadows, LLC (Town of Brookhaven IDA) (2020)***

### **Project Type: Senior Care / 55 & Over**

Middle Country Meadows, LLC project involves the construction of a 136,400 square foot residential project, comprising 124 age-restricted residential apartments. associated furniture, fixtures, machinery, and equipment, of which 36 units will be income-restricted affordable units available to those who earn no more than 80% of the area median income.

Economic Impacts are estimated to be 152 direct, on-site construction jobs, 88 indirect jobs, totaling 240 construction-phase jobs, collectively earning \$14.9 million in wages.



*Middle Country Meadows Rendering*

Upon completion of the project, 50 FTE Jobs from operations are projected to generate \$ 2.1 million in recurring annual wages and earnings.

### **Summary of Economic Impact**

	<b>Construction Jobs</b>	<b>Construction Wages</b>	<b>Ongoing Jobs</b>	<b>Ongoing Wages</b>
<b>Direct</b>	<b>152</b>	<b>\$9,665,399</b>	<b>40</b>	<b>\$1,490,791</b>
<b>Indirect</b>	<b>88</b>	<b>\$5,252,709</b>	<b>10</b>	<b>\$633,877</b>
<b>Total</b>	<b>240</b>	<b>\$14,918,108</b>	<b>50</b>	<b>\$2,124,668</b>

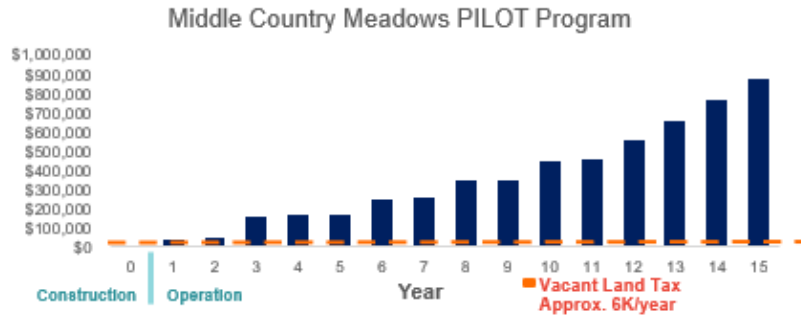
*(Induced Impacts have not been calculated for this Project as of the date of this report)*

Additional public improvements were required by the Town in the form of:

- New sidewalk connecting to Independence Plaza,
- Trail available for use by local high school cross country team,
- Ball field lighting for Selden Center Little League,
- Memorial monument and bench, and Clubhouse, to be available for civic meetings

## Middle Country Meadows PILOT Program and Estimated Benefits

Year	PILOT Payments
0	\$6,100
1	\$37,500
2	\$43,612
3	\$158,623
4	\$161,795
5	\$165,031
6	\$249,081
7	\$254,063
8	\$343,156
9	\$350,019
10	\$444,426
11	\$453,314
12	\$553,318
13	\$657,140
14	\$764,894
15	\$876,695



<b>Sales Tax Benefit:</b> 8.625%)	\$ 1,554,828	(\$18,027,000 cnst. x
<b>Total Mortgage Recording Tax:</b>	\$ 225,000	(\$30,000,000 mtg. x .75%)
<b>Property Tax Net Savings (PILOT):</b>	\$ 5,618,179	
<b>Estimated Savings (Applicant):</b>	\$ 7,398,007	

*Subject to final approval by Town of Brookhaven IDA*

## *Engel Burman at the Beach (Nassau IDA) (2021)*

### **Project Type: Mixed-Use**

EB at the Beach consists of the following:

A 6.04-acre parcel of land located between Long Beach Boulevard, Riverside Boulevard, and East Broadway, City of Long Beach, Nassau County, New York, designated as a Super Block to contain a 620,000 sq. ft. mixed-use building. This transit-oriented development will contain 238 residential rental units (of which 30 are designated for workforce housing), 200 market-rate residential condominiums, 6500 sq. ft. of retail space, and two levels of parking facilities sufficient to provide for all uses. EB at the Beach is a significant and challenging undertaking by the developer. The site has remained vacant and undeveloped for more than two decades and without the assistance of the IDA, the project would not proceed.

## ENGEL BURMAN AT THE BEACH LLC LONG BEACH SUPERBLOCK



### *Engel Burman at the Beach Rendering*

Camoin 310 was commissioned by the Nassau County IDA to provide an economic impact study to estimate the number of new jobs and household spending generated by the project. Camoin 310 uses an input-output model to determine the economic impact as designed by the Economic Modeling Specialists, International (EMSI). Direct economic activity inputs (Jobs and Spending) are used to model the spillover effect of spending in the local economy. Camoin 310 reports the following Direct, Indirect, and Induced impacts as follows:



## Summary of Economic Impact

Impact Type	Jobs	Earnings	Sales
Direct Impact	468	\$43,450,990	\$106,822,470
Indirect Impact	111	\$7,242,794	\$23,399,142
Induced Impact	156	\$10,202,472	\$26,681,895
<b>Total Impact</b>	<b>735</b>	<b>\$60,896,256</b>	<b>\$156,903,507</b>

### *Economic Impact - Construction Phase*

Impact Type	Jobs	Earnings	Sales
Direct Impact	10	\$499,270	\$2,224,619
Indirect Impact	5	\$397,163	\$1,159,437
Induced Impact	3	\$244,091	\$633,961
<b>Total Impact</b>	<b>18</b>	<b>\$1,140,524</b>	<b>\$4,018,017</b>

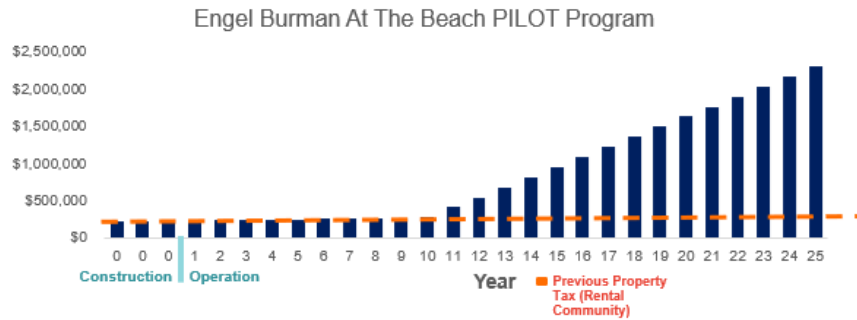
### *Economic Impact - On-Site Operations*

Impact Type	Jobs	Earnings	Sales
Direct Impact	101	\$4,038,339	\$12,571,168
Indirect Impact	24	\$1,525,535	\$4,627,883
Induced Impact	23	\$1,688,215	\$4,329,169
<b>Total Impact</b>	<b>148</b>	<b>\$7,252,089</b>	<b>\$21,528,220</b>

### *Total Annual Economic Impact*

## Engel Burman At the Beach PILOT Program and Estimated Benefits

Year	PILOT Payments
0	\$225,041
0	\$229,114
0	\$233,261
1	\$237,483
2	\$241,782
3	\$246,158
4	\$250,613
5	\$255,149
6	\$259,768
7	\$264,469
8	\$269,256
9	\$274,130
10	\$279,092
11	\$413,978
12	\$548,955
13	\$684,025
14	\$819,191
15	\$954,452
16	\$1,089,812
17	\$1,225,272
18	\$1,360,834
19	\$1,496,499
20	\$1,632,270
21	\$1,768,149
22	\$1,904,136
23	\$2,040,236
24	\$2,176,448
25	\$2,312,776



The residential condo development does not receive any benefits from the PILOT program, however, the construction of the residential condominiums plus the net new households created do contribute towards total induced impacts to the community.

The schedule of payments to be made by the Applicant under the draft PILOT agreement would be approximately \$15.4 million more than the property tax payments generated by the Site if the Project were not to occur. In other words, the PILOT represents a benefit to the affected taxing jurisdictions averaging \$615,931 per year.

<b>Sales Tax Benefit:</b>	\$ 6,019,676 (\$116,322,241 cnst. x 60% x 8.625%)
<b>Total Mortgage Recording Tax Benefit:</b>	\$ 947,483 (\$12,638,310 mtg. x .75%)
<b>Estimated Savings (Applicant):</b>	\$ 6,967,159
<b>Property Tax Benefit (PILOT):</b>	\$ 15,398,282

## **Forward-Looking**

The IDA has transformed to become an integral stakeholder supporting the needs of businesses in the region. Originally formed to maintain and enhance the manufacturing industry, the IDA is today at the forefront of an evolving marketplace. This includes large-scale projects comprising High Tech, Pharma, Mixed-Use Development, Distribution, Aerospace, and Transit-Oriented Developments.

Long Island is a part of the No 1 Metropolitan Statistical Area in the United States. With nearly 3 million residents (almost equally split between Nassau and Suffolk Counties) it has the potential to be an economic powerhouse. There exists a need for inter-related programs to manage and balance the future requirements of the region. These programs need to address “high taxes, a lack of affordable housing, a somewhat unfriendly business climate, and too many layers of government”.

It is important that oversight and review of business practices occur within each IDA, and the more that is done from within (to provide transparency of information and process) the better it will serve to the benefit of all stakeholders.

A future goal of REI is to expand upon this white paper with updates to provide more in-depth understanding of the facts, challenges and benefits that comprise IDA agreements and to share that information with the public in a timely fashion.

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