

### **III.H Tax Analysis**

#### **I. Introduction and Principal Conclusions**

As a result of the proposed project, significant economic development will occur for the benefit of the community including increased property tax revenue based on increased assessed value of the property, sales tax revenue, and revenue to support local businesses passed on by the creation of over 800 construction jobs and over 900 permanent jobs.

The Applicant is seeking a Payment in Lieu of Taxes (PILOT) program which is a mechanism to encourage economic development while providing appropriate revenue to the municipality and other taxing jurisdictions. Under a PILOT, instead of paying property taxes on the full assessed value of a property, a land owner negotiates a fixed payment with the various property taxing jurisdictions for a period of time. In no case would a PILOT payment be less than the taxes the land owner is currently paying on the unimproved property. As part of the PILOT negotiations, the Applicant will ensure that the PILOT payments exceed the costs of providing governmental services to the project.

The State has empowered local Industrial Development Agencies (IDA) to help facilitate/induce economic development and job creation with incentives that help make New York's opportunities feasible, productive, competitive and successful. The Applicant would seek IDA inducement from the Putnam County IDA for the proposed project. The applicant is seeking IDA benefits as these benefits are needed to assure the project is competitive with other comparable projects and to further assure the realization of resulting economic development benefits for local, county and state governments.

The property is currently assessed as vacant land, and generates approximately \$140,000 in annual property taxes. In practice, the Applicant would continue to pay

the taxes on the undeveloped property prior to any development. The local community would not lose this revenue.

In Putnam County, PILOT's generally last for ten years and permit the payment of 50% of the assessed value taxation based on local tax rates in the first year a project is completed and ramps the PILOT payments to 100% in year eleven. Under a PILOT, the property's increased assessed value as a result of the project would result in a PILOT payment for the first year significantly above \$140,000.

Each taxing jurisdiction (School District, Town, County and Fire Department) would share the PILOT revenue in the same ratio as they would share the property taxes from the parcels within the project site. In the final analysis, each recipient of property tax revenue would receive at a minimum those taxes based on assessed value for undeveloped land and benefit from the additional revenue generated by phased development of the property because of its land and building improvements.

As discussed in the Economic Impact Analysis in Section III.H.4.b, there are two phases of the proposed project that generate economic benefits: The construction phase and the operations phase.

When aggregating direct, indirect and induced outputs from the construction phase, the project is expected to contribute \$110,555,593 of economic output to the local Southeast economy. During the operations phase, the project is estimated to annually generate \$91,581,976 in economic output to the Town's economy.

During the construction period, labor income is expected to reach \$45,511,667 at the local level. During the operations period, labor income is projected total \$32,370,903 towards the local economy on an annual basis.

Direct, indirect and induced jobs to be created during the construction phase are anticipated to reach 818 jobs at the local level. Permanent jobs to be generated during

operation of the facility are expected to be 919 jobs added to the local labor force, which include 665 direct jobs from the operation of the proposed facility.

The development and implementation of the proposed project would have a positive impact on the economy of the Town of Southeast.

## **2. Existing Conditions**

### **a. Existing Property Tax Conditions**

The Town of Southeast 2017 Final Tax Assessment Roll indicates the property's 156 parcels range in size from 0.30 acres (tax lot #45.-3-93) to 52.52 acres (tax lot # 45.-1-12), totaling ±326.05 acres according to the Assessment Roll (see Appendix H-1).

All of the lots except tax lot #45.-1-4, comprising 42.54 acres, are identified on the Town's Assessment Roll as property type classification code 300 Vacant Land. Tax lot # 45.-1-4 is classified as 310 Residential Vacant Land.

The majority of the lots (151, totaling ±171.97 acres) are currently taxed as homestead parcels, meaning they are taxed at a lower rate than non-homestead parcels. The remaining 5 lots, comprising ±154.08 acres, are taxed at the higher non-homestead rate.

Table III.H-1, below, identifies each existing tax parcel including the 5 non-homestead tax parcels (NH), as well as the acreage and zoning classification of each parcel.

**Table III.H-1**  
**Existing Tax Parcels**

<b>#</b>	<b>Tax ID #</b>	<b>Acreage</b>	<b>Zoning</b>
1	45.-1-4 (NH)	42.54	RC
2	45.-1-5.2 (NH)	21.74	OP-3
3	45.-1-5.3	29.50	OP-3
4	45.-1-8.1	10.44	OP-3
5	45.-1-8.2	8.95	OP-3
6	45.-1-8.3	3.40	OP-3
7	45.-1-12 (NH)	52.52	RC
8	45.-1-13 (NH)	7.78	RC
9	45.-3-1	0.56	OP-3
10	45.-3-2	0.89	OP-3
11	45.-3-3	0.67	OP-3
12	45.-3-4	0.38	OP-3
13	45.-3-5	0.44	OP-3
14	45.-3-6	0.74	OP-3
15	45.-3-7	0.99	OP-3
16	45.-3-8	0.40	OP-3
17	45.-3-9	0.70	OP-3
18	45.-3-10	0.67	OP-3
19	45.-3-11	0.45	OP-3
20	45.-3-12	0.37	OP-3
21	45.-3-13	0.72	OP-3
22	45.-3-14	0.78	OP-3
23	45.-3-15	0.56	OP-3
24	45.-3-16	0.91	OP-3
25	45.-3-17	0.93	OP-3

<b>#</b>	<b>Tax ID #</b>	<b>Acreage</b>	<b>Zoning</b>
26	45.-3-18	0.53	OP-3
27	45.-3-19	0.32	OP-3
28	45.-3-20	0.31	OP-3
29	45.-3-21	0.35	OP-3
30	45.-3-22	0.48	OP-3
31	45.-3-23	0.74	OP-3
32	45.-3-24	0.52	OP-3
33	45.-3-25	0.61	OP-3
34	45.-3-26	0.52	OP-3
35	45.-3-27	0.59	OP-3
36	45.-3-28	0.49	OP-3
37	45.-3-29	0.39	OP-3
38	45.-3-30	0.39	OP-3
39	45.-3-32	0.66	OP-3
40	45.-3-33	0.45	OP-3
41	45.-3-34	0.62	OP-3
42	45.-3-35	0.52	OP-3
43	45.-3-36	0.45	OP-3
44	45.-3-37	0.62	OP-3
45	45.-3-38	0.67	OP-3
46	45.-3-39	0.45	OP-3
47	45.-3-40	0.55	OP-3
48	45.-3-41	0.82	OP-3
49	45.-3-42	0.64	OP-3
50	45.-3-43	0.54	OP-3
51	45.-3-44	0.61	OP-3
52	45.-3-45	0.51	OP-3
53	45.-3-46	0.60	OP-3
54	45.-3-47	0.38	OP-3

<b>#</b>	<b>Tax ID #</b>	<b>Acreage</b>	<b>Zoning</b>
55	45.-3-48	0.51	OP-3
56	45.-3-49	0.57	OP-3
57	45.-3-50	0.46	OP-3
58	45.-3-51	0.39	OP-3
59	45.-3-52	0.55	OP-3
60	45.-3-53	0.68	OP-3
61	45.-3-54	0.53	OP-3
62	45.-3-55	0.46	OP-3
63	45.-3-56	0.35	OP-3
64	45.-3-57	0.42	OP-3
65	45.-3-58	0.55	OP-3
66	45.-3-59	0.77	OP-3
67	45.-3-60	0.73	OP-3
68	45.-3-61	0.60	OP-3
69	45.-3-62	0.81	OP-3
70	45.-3-63	0.62	OP-3
71	45.-3-64	0.68	OP-3
72	45.-3-65	0.62	OP-3
73	45.-3-66	0.66	OP-3
74	45.-3-67	0.77	OP-3
75	45.-3-68	0.93	OP-3
76	45.-3-69	0.47	OP-3
77	45.-3-70	0.34	OP-3
78	45.-3-71	0.38	OP-3
79	45.-3-72	0.38	OP-3
80	45.-3-73	0.69	OP-3
81	45.-3-74	0.67	OP-3
82	45.-3-75	0.66	OP-3
83	45.-3-76	0.39	OP-3

<b>#</b>	<b>Tax ID #</b>	<b>Acreage</b>	<b>Zoning</b>
84	45.-3-77	0.31	OP-3
85	45.-3-78	0.39	OP-3
86	45.-3-79	0.39	OP-3
87	45.-3-80	0.68	OP-3
88	45.-3-81	0.61	OP-3
89	45.-3-82	0.49	OP-3
90	45.-3-83	0.49	OP-3
91	45.-3-84	0.65	OP-3
92	45.-3-85	0.56	OP-3
93	45.-3-86	0.34	OP-3
94	45.-3-87	0.58	OP-3
95	45.-3-88	0.80	OP-3
96	45.-3-89	0.38	OP-3
97	45.-3-90	0.70	OP-3
98	45.-3-91	0.31	OP-3
99	45.-3-92	0.33	OP-3
100	45.-3-93	0.30	OP-3
101	45.-3-94	0.35	OP-3
102	45.-3-95	0.34	OP-3
103	45.-3-96	0.57	OP-3
104	45.-3-97	0.61	OP-3
105	45.-3-98	0.46	OP-3
106	45.-3-99	0.36	OP-3
107	45.-3-100	0.41	OP-3
108	45.-3-101	0.49	OP-3
109	45.-3-102	0.54	OP-3
110	45.-3-103	1.01	OP-3
111	45.-3-104	1.08	OP-3
112	45.-3-105	0.79	OP-3

<b>#</b>	<b>Tax ID #</b>	<b>Acreage</b>	<b>Zoning</b>
113	45.-3-106	0.54	OP-3
114	45.-3-107	0.48	OP-3
115	45.-3-108	0.73	OP-3
116	45.-3-109	0.41	OP-3
117	45.-3-110	0.34	OP-3
118	45.-3-111	0.37	OP-3
119	45.-3-112	0.46	OP-3
120	45.-3-113	0.43	OP-3
121	45.-3-114	0.61	OP-3
122	45.-3-115	1.35	OP-3
123	45.-3-116	0.75	OP-3
124	45.-3-117	0.48	OP-3
125	45.-3-118	0.53	OP-3
126	45.-3-119	0.43	OP-3
127	45.-3-120	0.42	OP-3
128	45.-3-121	0.46	OP-3
129	45.-3-122	0.69	OP-3
130	45.-3-123	0.77	OP-3
131	45.-3-124	0.53	OP-3
132	45.-3-125	0.61	OP-3
133	45.-3-126	0.57	OP-3
134	45.-3-127	0.50	OP-3
135	45.-3-128	0.59	OP-3
136	45.-3-129	0.61	OP-3
137	45.-3-130	0.57	OP-3
138	45.-3-131	0.58	OP-3
139	45.-3-132	0.48	OP-3
140	45.-3-133	0.49	OP-3
141	45.-3-134	0.63	OP-3

#	Tax ID #	Acreage	Zoning
142	45.-3-135	0.61	OP-3
143	45.-3-136	1.24	OP-3
144	45.-3-137	0.48	OP-3
145	45.-3-138	0.44	OP-3
146	45.-3-139	0.81	OP-3
147	45.-3-140	0.98	OP-3
148	45.-3-141	0.96	OP-3
149	45.-3-142	0.60	OP-3
150	45.-3-143	0.61	OP-3
151	45.-3-144	19.80	OP-3
152	45.-3-145	9.10	OP-3
153	45.-3-146	23.32	OP-3
154	45.-3-147	4.74	OP-3
155	45.-3-148	9.76	OP-3
156	45.-3-31	0.79	OP-3

Source: Putnam County GIS eParcel; Town 2017 Final Assessment Roll

Notes:

- (1) Tax Lot 45.-3-148 does not appear on the Town of Southeast Tax Map.
- (2) NH = Non-homestead taxed parcel.
- (3) Zoning classification:
  - OP-3 = Office Park OP-3 District
  - RC = Rural Commercial District

According to the Town's 2017 Final Tax Assessment Roll, the entire property's assessed value (which equals its market value, as confirmed with the Town of Southeast Assessors Office) is currently \$4,664,500. Parcels taxed at the non-

homestead tax rate have a total assessed value of \$1,663,600. Parcels taxed at the homestead tax rate have a total assessed value of \$3,000,900.

**b. Existing Property Taxes**

To determine the existing annual taxes paid on the overall property, the property has been broken out by the total assessed value of the homestead and non-homestead parcels to account for their differing tax rates.

An explanation of homestead and non-homestead assessments follows below.

According to “The Homestead Tax Option” by the New York State Department of Taxation and Finance Publication 1023 (9/11) dated April 2016, the Homestead Tax Option was created by State law to prevent any large shift of the property tax burden to the residential class of property owners after a revaluation. This is because in a number of municipalities in New York State, assessments of residential property frequently have historically been at a lower percentage of market (full) value than other types of property, such as commercial and industrial property. Following a correct and fair assessment, the residential properties, as a class, would bear a much larger share of the tax burden.

The Homestead Tax Option law permits a municipality to establish two separate property tax rates: a lower tax rate for residential property owners (homestead tax), and a higher rate for all other property owners (non-homestead tax).

In the case of the subject property, the portions of the property that contain residential uses pursuant to the previous approval are taxed at the lower homestead tax rate, and the portions of the property that contain commercial (non-residential) uses under the previous approval are taxed at the higher non-homestead tax rate. Table III.H-1, above, identifies the 5 parcels taxed at the

non-homestead tax rate. All the remaining parcels are taxed at the homestead tax rate.

Table III.H-2, below, details the existing annual property taxes paid on the homestead parcels by taxing jurisdiction.

**Table III.H-2**  
**Existing Annual Property Taxes Generated by**  
**Homestead Parcels**  
**(Total Assessed Value of \$3,000.9M)**

Levy Description	2017 Tax Rate (per \$1,000 of Assessed Value)	Taxes
Brewster Central Schools	21.32755	\$64,002
Town of Southeast	2.02875	\$6,088
Putnam County	3.077612	\$9,236
Brewster Fire	0.553453	\$1,661
<b>GRAND TOTAL</b>	--	<b>\$80,987</b>

Source: Putnam County GIS eParcel

Table III.H-3 details the existing annual property taxes paid on the non-homestead parcels by taxing jurisdiction.

**Table III.H-3**  
**Existing Annual Property Taxes Generated by**  
**Non-Homestead Parcels**  
**(Total Assessed Value of \$1,663.6M)**

Levy Description	2017 Tax Rate (per \$1,000 of Assessed Value)	Taxes
Brewster Central Schools	29.722273	\$49,446
Town of Southeast	3.090893	\$5,142
Putnam County	3.077612	\$5,120
Brewster Fire	0.553453	\$921
<b>GRAND TOTAL</b>	--	<b>\$60,629</b>

Source: Putnam County GIS eParcel

Table III.H-4 combines the homestead and non-homestead (total property) existing annual property taxes paid by taxing jurisdiction.

**Table III.H-4**  
**Total Existing Annual Property Taxes Generated**

Levy Description	Taxes
Brewster Central Schools	\$113,448
Town of Southeast	\$11,230
Putnam County	\$14,356
Brewster Fire	\$2,582
<b>GRAND TOTAL</b>	<b>\$141,616</b>

**I. Future Without the Proposed Project**

Without the proposed development, the property would continue to pay taxes as vacant land. The tax benefits to the community (while providing no impacts to the school district and few demands for municipal services) would not occur from the higher assessed value resulting from the proposed land and building improvements.

The significant direct, indirect, and induced economic benefits to the community would not occur, with no significant sales revenue and jobs, including 665 direct jobs resulting from the operation of the proposed project.

## **2. Anticipated Impacts**

### **a. Payment in Lieu of Taxes (PILOT)**

The Applicant is seeking a Payment in Lieu of Taxes (PILOT) program which is a mechanism to encourage economic development while providing appropriate revenue to the local municipality and other taxing jurisdictions. The Applicant will ensure that the taxes paid under the PILOT program exceed the costs of providing governmental services to the project. The Applicant also anticipates paying significantly more than the property currently pays in taxes.

A Payment in Lieu of Taxes (PILOT) program is a mechanism to encourage economic development while providing appropriate revenue to the municipality and other taxing jurisdictions.

Specifically, the proposed project provides substantial economic development benefits for the Town of Southeast, Putnam County and State of New York as it creates jobs and enhances the vitality of the local business community. The State has empowered local Industrial Development Agencies (IDA) to help facilitate/induce economic development and job creation with incentives that help make development opportunities feasible, productive, competitive and successful. The Applicant would seek IDA inducement from the Putnam County IDA for the proposed project. The applicant is seeking IDA benefits as these benefits are needed to assure the project is competitive with other comparable projects and to further assure the realization of resulting economic development benefits for local, county and state governments.

IDA inducement would provide the Applicant with waivers on sales taxes for construction materials and mortgage recording taxes and the opportunity to negotiate a PILOT that serves for a period of time as property tax payments to local and county government and local schools. Each IDA establishes its PILOT program. In the case of Putnam County, the PILOT generally lasts for ten years and permits the payment of 50% of the assessed value taxation based on local tax rates in the first year a project is completed and ramps the PILOT payments to 100% in year eleven.

In practice, the Applicant would continue to pay the taxes on the undeveloped property during construction. The local community would not lose this revenue. When a project is built and creates the jobs and economic impacts forecast in the IDA inducement, it would pay taxes on its full assessed value. This assessment would be higher than for undeveloped land because it would include significant land and building improvements. The property tax revenue in year one would be expected to be 50% of those taxes that would be assessed on the improved property but for the PILOT. In year two, the property tax revenue would be 55% of those taxes that would be assessed on the improved property but for the PILOT. The PILOT process would increase the percent of assessed value taxes paid by 5% each year until year eleven when the property would pay 100% of the property taxes based on the full assessed value of the project.

The proposed project would be multi-phased. The Applicant will seek to have each phase have a PILOT that commences when that phase of the project is complete and placed into operation. Prior to that date the project would pay the property taxes as undeveloped property.

Under a PILOT agreement, each taxing jurisdiction (School District, Town, County and Fire Department) would share the PILOT revenue in the same ratio as they would share the property taxes from the parcels within the project site. In the final analysis, each recipient of property tax revenue would receive at minimum those taxes based on assessed value for undeveloped land and benefit from the additional revenue generated by phased development of the property and its resultant increased assessed value.

**b. Economic Impact Analysis**

Phillips Price prepared a study estimating the economic benefits of the proposed project, both during construction and during operation, using an Impact Analysis for Planning (IMPLAN) model (see Appendix H-2).

The Impact Analysis for Planning (IMPLAN) modeling was utilized in order to accurately assess the project's construction and operations phase impacts to the local economy. IMPLAN uses proprietary multipliers to evaluate the economic output, labor income and employment generated by a specific industry activity.

The following types of economic impacts will be generated in the local economy

- *Direct Impacts:* Direct benefits are derived from short-term business activity by the proposed project, such as construction, or long-term business activity generated from operations. This includes money spent to pay for salaries, raw materials, and operating expenses.
- *Indirect Impacts:* Indirect benefits relate to businesses that are directly impacted by the project through business-to-business transactions,

such as the purchase of supplies, materials, and other services provided to the project as noted above. The businesses that benefit from these purchases by the project will subsequently increase spending at other local businesses. The indirect effect is a measure of this increase in business-to-business activity (not including the initial round of spending, which is included in the direct impacts).

- *Induced Impacts:* Induced benefits are the result of increased personal income caused by the direct and indirect benefits. Businesses experiencing increased revenue from the direct and indirect benefits will subsequently increase payroll expenditures (by hiring more employees, increasing payroll hours, raising salaries, etc. Households will, in turn, increase spending at local businesses. The induced benefits are a measure of this increase in household-to-business activity.

In performing this analysis, the project was broken down into two phases: construction phase and operations phase. The construction phase is the period of time from groundbreaking until the completion of the construction project. The operations phase refers to the impacts of the ongoing operations of the facility following its construction.

Local impacts were analyzed based on zip code level data. For the construction phase, the local geography consisted of zip code 10509, which comprises the Town of Southeast. For the operations phase, the local impacts were based on zip codes 10509 and 10512, the latter of which encompasses the neighboring Town of Carmel, because zip code data for 10509 was not available on its own.

**Construction Phase**

The Applicant estimates the construction cost for the proposed development is approximately \$80 million. The costs will be incurred over the phased construction period.

As shown in Table III.H-5, it is estimated that approximately 600 jobs will be added to the local workforce during the construction phase. Of these construction jobs, approximately \$36,124,258 in income will be paid to these workers. Indirectly, it is estimated that approximately \$11,035,312 will be injected into the local economy from other firms conducting business related to the project. Induced output from spin-off effects (i.e. disposable income spending by project workers and workers associated with the project) will result in approximately \$19,520,280 of economic activity

In addition to the 600 construction jobs, approximately 150 indirect jobs will be created. These jobs will be at businesses providing goods and services to the project. Approximately 68 induced jobs will also be created, from businesses benefitting from the secondary spending by the project’s construction workers.

**Table III.H-5**  
**Summary of Economic Impacts - Construction Phase (Full Project Build-Out)**

	<b>Direct Effect</b>	<b>Indirect Effect</b>	<b>Induced Effect</b>	<b>Totals</b>
OUTPUT	\$80,000,000	\$11,035,313	\$19,520,280	\$110,555,593
LABOR WAGES	\$36,124,258	\$3,578,493	\$5,808,914	\$45,511,667
JOB	600	68	150	818

**Operations Phase**

The Applicant anticipates the Northeast Interstate Logistics Center would create approximately 665 permanent jobs when fully operational. The following describes the operations phase impacts which are summarized below in Table III.H-6.

At full operation, it is anticipated that approximately \$59,866,686 in direct economic output will be generated on an annual basis. Wages to be paid to the project’s 665 employees will be \$22,895,629 each year. Annual indirect output associated with firms conducting business with the project will result in \$16,792,908. Regarding induced impacts, it is estimated that approximately \$14,922,382 will be injected into the local economy annually from secondary spending by employees and businesses. associated with the project. In addition, 144 jobs are estimated to be generated indirectly and 110 locally induced jobs are also projected.

**Table III.H-6  
Summary of Annual Economic Impacts - Operations Phase**

	<b>Direct Effect</b>	<b>Indirect Effect</b>	<b>Induced Effect</b>	<b>Totals</b>
OUTPUT	\$59,866,686	\$16,792,908	\$14,922,382	\$91,581,976
LABOR WAGES	\$22,895,629	\$4,786,389	\$4,688,884	\$32,370,903
JOB	665	144	110	919

According to the 2012-2016 American Community Survey 5-Year Estimates, transportation, warehousing, and utilities accounted for 325 jobs (3.2%) in the Town. The project would be a significant generator of quality jobs in the warehouse and storage sector. According to New York State

Department of Labor, the median wages for transportation storage, and distribution managers was \$111,970 and transportation and materials moving occupations was \$35,360, both in 2017<sup>1</sup>. Based on these economic projections, it can be determined that the development and implementation of the proposed project will have a positive impact on the economy of the Town of Southeast.

### **3. Mitigation Measures**

No mitigation measures are required in connection with the tax revenue that the proposed project will generate.

The PILOT program would provide multiples of additional annual revenue to the Town over that provided under existing conditions, while providing no impacts to the school district and few demands for municipal services.

The development and implementation of the proposed project would have a positive impact on the economy of the Town of Southeast. When aggregating direct, indirect and induced outputs from the construction phase, for example, the project is expected to contribute \$110,555,593 of economic output to the local Southeast economy (zip code 10509). During the operations phase, the project is estimated to generate \$91,581,976 annually in economic output to the local economy.

During the construction period, labor income is expected to reach \$45,511,667 at the local level. During the operations period, labor income is projected to total \$32,370,903 annually towards the local economy.

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<sup>1</sup> New York State, Department of Labor, Occupational Wages. Hudson Valley Region. 2017.

For the operations phase, the project will generate annually approximately \$678,308 in sales tax revenue on production and imports. Approximately \$9,957 will be generated at the sub-county or municipal level, approximately \$294,777 at the county level, and approximately \$373,574 at the state level.

Direct, indirect and induced jobs to be created during the construction phase are anticipated to reach 818 jobs at the local level. Jobs to be generated during operation of the facility are expected to be 919 permanent jobs added to the local labor force, which include 665 direct jobs from the operation of the proposed project.

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