Main Office:
120 West Avenue, Suite #303
Saratoga Springs, NY 12866
Phone: 518.899.2608
Fax: 512.777.5045

Regional Offices:
Portland, ME
Boston, MA
Richmond, VA
Brattleboro, VT

MEMORANDUM

To: City of Hudson Industrial Development Agency
Cc: Mike Tucker, Columbia Economic Development Corporation
From: Victoria Storrs, Camoin 310
Date: 8/25/2020
Re: Recommendations for Reviewing Economic and Fiscal Impact Studies

The City of Hudson IDA is evaluating the Hudson House project proposed for 620 Union Street. The Applicant has requested financial assistance from the IDA. To assist with project evaluation, Camoin 310 was asked to complete an economic and fiscal impact study of the benefits to the region and the City of Hudson from project construction and operation. We then compared the benefits to the anticipated costs of the financial assistance and calculated benefit / cost ratios.

This memo provides recommendations and guidelines for evaluating this type of analysis, based on Camoin 310's experience working with IDAs and other economic development organizations.

Questions this analysis is intended to answer:

- Comply with NYS requirement that a benefit / cost analysis be completed for each project in advance of an IDA's decision to award financial assistance.
- If the project is constructed and becomes operational as anticipated,
    - How many jobs will be created, what would be paid in wages and earnings, and what additional economic activity, including jobs, will be created when workers spend those wages for grocery purchases, rent payments, etc.?
    - How much additional activity, or "ripple effect" will occur as a result of purchases of construction materials and ongoing project inputs such as vegetables or soap? How many jobs, what earnings, and what additional effects occur because the project is directly contributing to the local economy?
    - How much additional tax revenue will be collected as a result of this new activity? This includes sales taxes and, specific to this project, lodging taxes and parking fees.
- What is the foregone revenue, or "cost" of awarding a PILOT? This is a comparison between what the taxes might be if the project were completed but not awarded a PILOT, and the taxes paid under the PILOT. *This is a hypothetical calculation only*, as each applicant must confirm that the project would not be completed *if not for* the financial assistance.

- As an example, for the Hudson House project, full taxes are estimated to be $896,484 on a present value basis. The present value of the PILOT is $554,088. The foregone revenue is the full taxes minus the PILOT, or $342,396. See page 7 of the report for details.

  It is important to note that while the PILOT is less than full taxes, *the PILOT is greater than the taxes that would be collected if the project was not built*. Without the project, this property would generate an estimated $483,817 over 11 years. The difference is a *gain* of $70,271 over 11 years. No current revenues or cash is lost if the PILOT is awarded.
- What is the foregone revenue, or "cost" of the other financial assistance such as mortgage recording tax exemption or sales tax exemption on construction materials?

- How do the project benefits (jobs, earnings, new taxes) compare with the value of the financial assistance requested? A ratio of benefits to costs is calculated to represent this. The basic question is, for each dollar of financial assistance awarded, how many dollars of benefits are generated?

Evaluation Recommendations

Each project presented to an IDA is different from every other project. The local economy, community goals, purpose of a project, and demand for the goods or services provided, will vary. The ratio of benefits to costs isn't necessarily a target to meet, but a guideline. It calculates dollars, but the qualitative aspects of a project and the need for it, are equally important to the evaluation.

Generally, IDAs seek a benefit / cost ratio of at least $1 of benefits to $1 of costs, and ratios as low as $2:$1 are sometimes a minimum. In some circumstances, such as affordable housing, an IDA may accept a ratio where the costs exceed the benefits, because the project is critical to the well being of the community. It may decline to assist a project with a very high ratio because it's not a good fit. The benefit / cost ratio is therefore one piece of information, and should be considered along with other factors about the project.

Other factors frequently considered are:

- Will a meaningful number of jobs be created, given the size of the community? This becomes very important during periods of job losses and unemployment.
- How much private capital will be invested? How likely is the business to stay and become part of the community?
- How does the project fit within the existing industries and businesses? Will other businesses benefit, either directly by selling more projects, or indirectly because more people will enjoy the downtown, and spend more money, because they visited the project?
- Does it revitalize a distressed area?
- How does it serve the needs of existing residents? If it's hospitality or recreation, will it also invite non-residents to spend money at other local businesses?