

September Morning, LLC
Economic and Fiscal Impact Analysis

Prepared by:

MRB | *group*

Prepared for:
September Morning, LLC

Date:
March 16th, 2023

Executive Summary

September Morning, LLC (the "Applicant") is proposing a real estate development project at Ramsay Road in Shirley, NY in the Town of Brookhaven (the "Site"). The project consists of the construction of an approximately 70,000-square-foot warehousing and distribution facility on currently vacant land (the "Project"). The Applicant submitted an application to the Town of Brookhaven Industrial Development Agency (IDA) requesting incentives to induce this project and has indicated that the project will not move forward without the IDA's assistance. The following analysis includes an examination of the local market's ability to support the Project, the extent of economic impacts associated with the Project on the Town of Brookhaven (the "Town"), and associated fiscal benefits.

To do so, MRB Group modeled the economic impacts of the construction of the Project in terms of direct and indirect jobs and earnings in the region. We also modeled the annual economic impacts post-construction, which resulted from our estimates of employment at the Site and spending from future occupants of the Site. Below are the results of our analyses.

Market Review Conclusions

The Project appears to be well-positioned in a strong market. Over the last ten years, vacancy rates for industrial properties in the Town have ranged between 1.0% and 4.8%, despite several substantial deliveries. In 2022, the Town of Brookhaven's industrial market had both 10-year lows in vacancy rates and 10-year highs in square footage delivered. The current state of the Town's industrial real estate market suggests there may be unmet demand for additional space. Therefore, we conclude that the market data appear to support the Project's success.

Economic Impacts

In terms of economic impacts, we estimate that there will be 54 direct, on-site local construction jobs, 32 indirect jobs and, therefore, a total of 87 construction-phase local jobs, collectively earning \$6.1 million in wages.

Once the Project is complete and occupied, we estimate a total of 38 ongoing (permanent) jobs will be created for ongoing operations, with total annual earnings of \$2.6 million.¹

Fiscal Impacts

In terms of fiscal benefits, the Project will increase tax revenues for the County, Town, and School District. We estimate that the County will earn sales tax revenue in the amount of \$45,476 during the construction phase of the Project resulting from a portion of the construction phase earnings being spent locally. During the operation phase of the Project, we estimate the County will receive \$336,295 in sales tax from operation phase earnings being spent locally over the 15-year PILOT term. Over the life of the proposed PILOT, the Project will collect \$1.8 million *more* in property tax revenue than it would otherwise collect, which will be proportionally allocated to the applicable taxing jurisdictions. Therefore, in total, we estimate the fiscal benefit from the Project over the 15 years of the presumed PILOT, including both construction and operation phases, would be \$2.1 million.

Summary of Economic Impacts

	Direct	Indirect	Total
Construction Jobs	54	32	87
Construction Wages	\$3,846,489	\$2,267,993	\$6,114,482
Ongoing Jobs	29	9	38
Ongoing Wages	\$2,099,030	\$515,613	\$2,614,643

Summary of Fiscal Benefits, Local Government

Source	Total
Sales Tax, Construction, One-time	\$45,476
Sales Tax, Operations, 15 Years	\$336,295
Increase in Property Tax Revenue, 15 Years	\$1,784,471
Total Fiscal Benefits Over 15 Years	\$2,166,242

¹ Note that the direct and indirect "Construction Jobs" and "Construction Wages" shown are with respect to Suffolk County (the "County"), as such jobs tend to be pulled from a larger labor shed. The direct and indirect "Ongoing Jobs" and "Ongoing Wages" shown are with respect to the Town.

In terms of fiscal costs, the Applicant has requested a sales tax exemption and a mortgage recording tax exemption of \$251,048 and \$58,080 respectively². We also estimate the cost of the PILOT exemption of \$1.6 million over 15 years. This is the difference between the anticipated PILOT payments and the estimated taxes on the full assessment. However, this cost is theoretical by nature, as the Applicant has stated that the Project cannot move forward absent a PILOT inducement.

Summary of Exemptions

	Total
Cost of Sales Tax Exemption, One-Time	\$251,048
Mortgage Recording Tax Exemption	\$58,080
PILOT Exemption, 15 Years	\$1,627,069

² Local portions only.

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Introduction

September Morning, LLC is proposing a real estate development project at Ramsay Road in Shirley, NY in the Town of Brookhaven. The project consists of the construction of an approximately 70,000 square foot warehousing and distribution facility on currently vacant land. The Applicant submitted an application to the Town of Brookhaven Industrial Development Agency requesting incentives to induce this project, and has indicated that the project will not move forward without the IDA's assistance. The following analysis includes an examination of the local market's ability to support the Project, the extent of economic impacts associated with the Project on the Town of Brookhaven, and associated fiscal benefits.

To do so, MRB Group modeled the economic impacts of the construction of the Project in terms of direct and indirect jobs and earnings in the region. We also modeled the annual economic impacts post-construction, which result from our estimates of employment at the Site and spending from future occupants of the Site.

Industrial Real Estate Market Review

Local Real Estate Market

The graphs to the right display historical supply and demand trends for industrial real estate in the Town of Brookhaven. Changing consumer habits towards an increasing dependence on e-commerce sales have emphasized the importance of warehousing and distribution facilities on Long Island. The Town of Brookhaven seems to be capitalizing on this trend as the industrial real estate market is showing historically strong fundamentals in recent years.

Over the last ten years, vacancy rates for industrial space have ranged between 1.0% - 4.5%, currently estimated at a near historic low of 1.9%. Substantial leasing activity in 2021 in the Town of Brookhaven drove vacancy rates down to current lows.

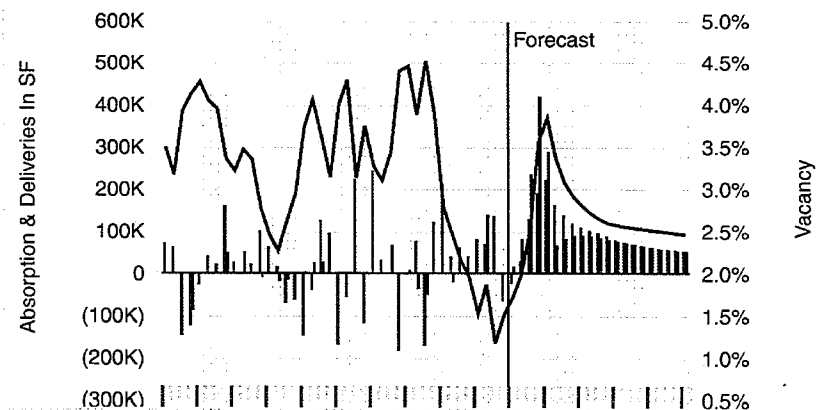
While there have been few deliveries over the last ten years, approximately 761,000 square feet of industrial space is currently under construction with even more expected to be delivered this year.

Rent prices for industrial space in the Town of Brookhaven are currently \$15.88 per square foot according to CoStar. Market rent has grown persistently over the last ten years, indicating strong demand for industrial space in the Town.

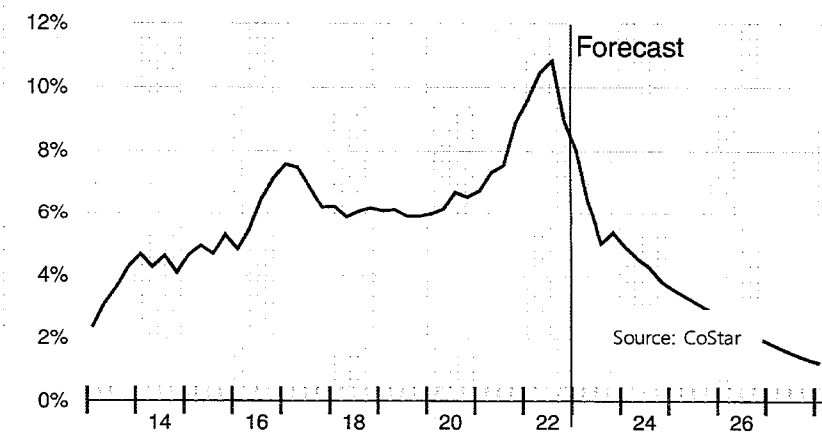
Determination of Market Support

We used the market statistics to make certain conclusions regarding both the level of support in the market for the Project. As noted above in the various CoStar data points and trends, the Project appears to be well positioned in a strong market. In 2022, the Town of Brookhaven’s industrial market had both 10-year lows in vacancy rates and 10-year highs in square footage delivered. Therefore, we conclude that the market data appear to support the Project’s success.

Net Absorption, Net Deliveries & Vacancy



Market Rent Growth (YOY)



Economic Impact Analysis

The Project would have economic impacts on the County and Town in a number of ways. This includes one-time impacts to 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 the operations of the Project, which we estimate for the Town³.

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., onsite employment of a maintenance person).
- Indirect jobs, wages and sales are those caused by the Direct impact, such as business-to-business purchases and from employees of such businesses spending a portion of their wages locally.

To estimate the Direct and Indirect impacts, MRB Group employs the Lightcast⁴ economic modeling system. We used data from the Applicant and from 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.

³ By their nature, construction-related impacts tend to be somewhat more diffuse, which is why we report them as county-level impacts. Town level impacts are measured based on the 36 ZIP codes, which closely approximates the Town.

⁴ Lightcast, formerly “Economic Modeling Systems, Intl.” 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.

Construction Phase

The Applicant has provided estimates of the material and labor cost per square foot that will be spent locally during the construction phase of the Project. As shown in the table to the right, the estimated local construction costs of \$150 per square foot multiplied by the building size equates to an estimated \$10.5 million in local spending for the construction phase.

We used this \$10.5 million spending figure (direct "Sales" in the table) as the input into the Lightcast economic modeling system, assigning the County as the geography of study. We estimate this spending creates 54 direct jobs and direct earnings of \$3.8 million. The model estimates that this will cause indirect impacts of 32 jobs, \$2.3 million in earnings and \$6.5 million in indirect sales. Therefore, the total, one-time, construction-phase impacts would be 87 jobs, \$6.1 million in wages and \$17.0 million in sales.

Construction Spending In Region

	\$ County
Local M&L Cost per Square Foot	\$150
Total Square Footage	70,000
Total M&L Cost	\$10,500,000

Source: Developer, MRB

Economic Impact of Construction Phase, One-Time

	Direct	Indirect	Total
Jobs	54	32	87
Earnings	\$3,846,489	\$2,267,993	\$6,114,482
Sales	\$10,500,000	\$6,547,742	\$17,047,742

Source: Lightcast, MRB

Operation Phase

Unlike the construction phase impacts that were measured at the County level, to account for their dispersed nature, we estimated operation phase impacts at the Town level. To do so, we have used 29 ZIP Codes to best approximate the Town of Brookhaven in order to model operational impacts⁵.

Operation phase impacts come from the employment on Site that results from the operations of the Project, in this case two full-time employees. According to the Applicant, the Project is a speculative build that will house 2 or 3 tenants when complete. Because tenants have not been identified at this time, we use data from the U.S. Energy Information Administration (EIA) to estimate the level of employment that will likely be supported by the Project. According to the U.S. EIA, warehousing and distribution facilities have a median of 2,400 square feet per employee.

Given the Project's size of 70,000 square feet, we conclude the Project can support at least 29 direct on-site jobs that will earn approximately \$2.0 million in earnings. According to Lightcast, these direct impacts will translate to 9 indirect jobs with \$515,613 in total earnings.

In total the economic impact of the operation of the Project will be 38 jobs, \$2.6 million in earnings, and \$5.9 million in sales.

On-site Employment

	Total
Building Square Feet	70,000
Median Square Feet per Employee	2,400
On-site Employment	29

Source: U.S. EIA, MRB

Economic Impact, Operations of Project

	Direct	Indirect	Total
Jobs	29	9	38
Earnings	\$2,099,030	\$515,613	\$2,614,643
Sales	\$4,323,687	\$1,555,264	\$5,878,951

Source: Lightcast, MRB

⁵ A full list of ZIP Codes included in the economic impact analysis are listed in Appendix A, and are compared to the Town's boundaries.

Fiscal Impact Analysis

The Project would also have fiscal impacts in terms of new tax revenues as described below. The table below displays the Applicant's proposed PILOT schedule.

PILOT Schedule

The Applicant has requested a 15-year PILOT term that will abate a portion of the improvement value associated with the construction. Under the requested PILOT term, 6.25% of the improvement value will be subject to the PILOT in Year 1. Each year thereafter, an additional 6.25% of the improvement value will be subject to the PILOT, until Year 16 when the Project will be fully taxable.

PILOT Schedule - 15 Years

Tax Year	Base Land Tax	Projected Improvement Tax	Improvement Phase-In	Total Improvement PILOT	Total PILOT
Year 1	\$12,781	\$197,274	6.25%	\$12,330	\$25,110
Year 2	\$13,036	\$201,219	12.50%	\$25,152	\$38,189
Year 3	\$13,297	\$205,244	18.75%	\$38,483	\$51,780
Year 4	\$13,563	\$209,349	25.00%	\$52,337	\$65,900
Year 5	\$13,834	\$213,536	31.25%	\$66,730	\$80,564
Year 6	\$14,111	\$217,806	37.50%	\$81,677	\$95,788
Year 7	\$14,393	\$222,162	43.75%	\$97,196	\$111,589
Year 8	\$14,681	\$226,606	50.00%	\$113,303	\$127,984
Year 9	\$14,975	\$231,138	56.25%	\$130,015	\$144,990
Year 10	\$15,274	\$235,761	62.50%	\$147,350	\$162,625
Year 11	\$15,580	\$240,476	68.75%	\$165,327	\$180,907
Year 12	\$15,891	\$245,285	75.00%	\$183,964	\$199,855
Year 13	\$16,209	\$250,191	81.25%	\$203,280	\$219,489
Year 14	\$16,533	\$255,195	87.50%	\$223,296	\$239,829
Year 15	\$16,864	\$260,299	93.75%	\$244,030	\$260,894
Year 16**	\$17,201	\$265,505	100.00%	\$265,505	\$282,706

**First Year of Full Taxes

Source: Applicant

PILOT Revenue

Absent the Project moving forward, the parcels in their current form will generate an estimated \$221,025 in property taxes over 15 years. According to the Applicant’s proposed PILOT schedule, the Project will generate \$2.0 million in PILOT payments over the 15-year term. As shown below, the proposed PILOT payment would generate \$1.8 million more in revenue for the local taxing jurisdictions than the base land tax without the Project.

PILOT Revenue - 15 Years

Tax Year	Base Land Tax	Total PILOT	Increase in Revenue
Year 1	\$12,781	\$25,110	\$12,330
Year 2	\$13,036	\$38,189	\$25,152
Year 3	\$13,297	\$51,780	\$38,483
Year 4	\$13,563	\$65,900	\$52,337
Year 5	\$13,834	\$80,564	\$66,730
Year 6	\$14,111	\$95,788	\$81,677
Year 7	\$14,393	\$111,589	\$97,196
Year 8	\$14,681	\$127,984	\$113,303
Year 9	\$14,975	\$144,990	\$130,015
Year 10	\$15,274	\$162,625	\$147,350
Year 11	\$15,580	\$180,907	\$165,327
Year 12	\$15,891	\$199,855	\$183,964
Year 13	\$16,209	\$219,489	\$203,280
Year 14	\$16,533	\$239,829	\$223,296
Year 15	\$16,864	\$260,894	\$244,030
	\$221,025	\$2,005,496	\$1,784,471

Source: Applicant; MRB Group

Sales Tax Revenue, Construction Phase

As our economic impact analysis states, we anticipate approximately \$6.1 million in direct and indirect earnings in the County will be generated during the Project's construction phase. We assume 70% of the newly generated earnings will be spent in Suffolk County. From there, we estimate that 25% of that spending amount will be subject to the sales tax. Applying the County's sales tax rate of 4.25%, we conclude that the construction phase earnings will lead to approximately \$45,476 in County sales tax revenue over the duration of construction.

Sales Tax Revenue, Operation Phase

We estimated \$2.6 million in total new earnings occurring annually within the County during the operation phase associated with new direct and indirect job creation. Using the same methodology as above, we estimate the Project will result in \$19,446 in annual sales tax revenue to the County. Escalated at 2% per year for 15 years, this totals \$336,295 in revenue over the term of the proposed PILOT.

Sales Tax Revenue - Construction Phase

Line	Value
Total New Earnings	\$6,114,482
% Spent in County	70%
\$ Spent in County	\$4,280,137
% Taxable	25%
\$ Taxable	\$1,070,034
County Sales Tax Rate	4.25%
\$ County Sales Tax Revenue	\$45,476
Revenue, one-time	\$45,476

Source: MRB

Sales Tax Revenue - Operation Phase

Line	Value
Total New Earnings	\$2,614,643
% Spent in County	70%
\$ Spent in County	\$1,830,250
% Taxable	25%
\$ Taxable	\$457,563
County Sales Tax Rate	4.25%
\$ County Sales Tax Revenue	\$19,446
Revenue Over 15 Years	\$336,295

Source: MRB

Fiscal Costs

The table below displays the difference in PILOT payments under the proposed terms and the estimated property tax revenue on the full assessment of the project post-construction. Over 15 years, the project will have a fiscal “cost” of \$1.6 million. However, the Applicant has indicated that the Project cannot move forward absent an inducement, so this “cost” is theoretical by nature.

Cost of Abatement - 15 Years

Tax Year	Base Land Tax	Projected Improvement Tax	Full Taxes	Total PILOT	Cost of Abatement
Year 1	\$12,781	\$197,274	\$210,055	\$25,110	\$184,944
Year 2	\$13,036	\$201,219	\$214,256	\$38,189	\$176,067
Year 3	\$13,297	\$205,244	\$218,541	\$51,780	\$166,761
Year 4	\$13,563	\$209,349	\$222,912	\$65,900	\$157,012
Year 5	\$13,834	\$213,536	\$227,370	\$80,564	\$146,806
Year 6	\$14,111	\$217,806	\$231,917	\$95,788	\$136,129
Year 7	\$14,393	\$222,162	\$236,556	\$111,589	\$124,966
Year 8	\$14,681	\$226,606	\$241,287	\$127,984	\$113,303
Year 9	\$14,975	\$231,138	\$246,113	\$144,990	\$101,123
Year 10	\$15,274	\$235,761	\$251,035	\$162,625	\$88,410
Year 11	\$15,580	\$240,476	\$256,056	\$180,907	\$75,149
Year 12	\$15,891	\$245,285	\$261,177	\$199,855	\$61,321
Year 13	\$16,209	\$250,191	\$266,400	\$219,489	\$46,911
Year 14	\$16,533	\$255,195	\$271,728	\$239,829	\$31,899
Year 15	\$16,864	\$260,299	\$277,163	\$260,894	\$16,269
			\$3,632,565	\$2,005,496	\$1,627,069

Source: Applicant; MRB Group

Other Fiscal Costs

The Applicant indicated that they will be seeking a sales tax exemption of \$509,479 and a mortgage recording tax exemption of \$87,120. The tables below show the local share of these costs.

Cost of Sales Tax Exemption, County

Type	Value
Sales Tax Exemption	\$509,479
Local	4.250%
State	4.000%
MCTD	0.375%
Local Exemption	\$251,048

Source: Applicant

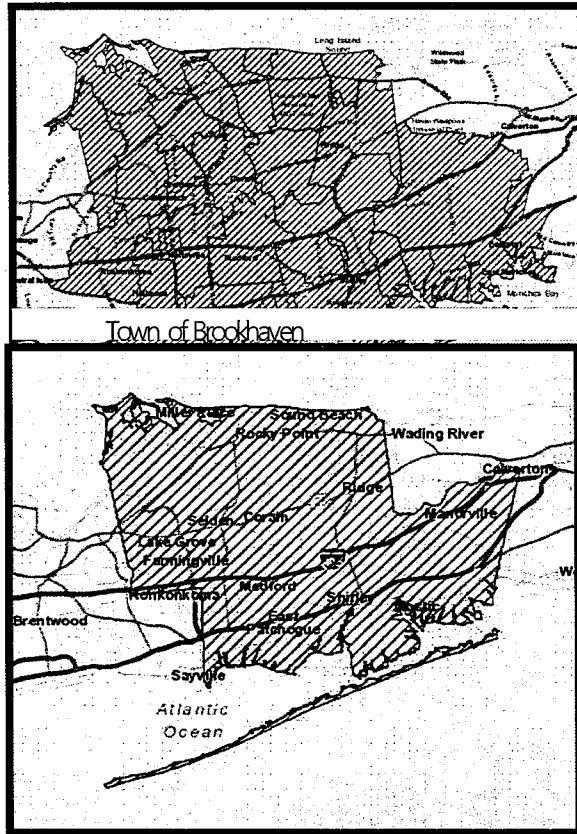
Cost of MRTE Exemption, County

Type	Value
MRTE	\$87,120
Local	0.50%
State	0.25%
Local Exemption	\$58,080

Source: Applicant

Appendix A

36 ZIP Codes of the Town of Brookhaven



ZIP	Description
11705	Bayport, NY (in Suffolk county)
11713	Bellport, NY (in Suffolk county)
11715	Blue Point, NY (in Suffolk county)
11719	Brookhaven, NY (in Suffolk county)
11727	Coram, NY (in Suffolk county)
11733	East Setauket, NY (in Suffolk county)
11738	Farmingville, NY (in Suffolk county)
11741	Holbrook, NY (in Suffolk county)
11742	Holtsville, NY (in Suffolk county)
11755	Lake Grove, NY (in Suffolk county)
11763	Medford, NY (in Suffolk county)
11764	Miller Place, NY (in Suffolk county)
11766	Mount Sinai, NY (in Suffolk county)
11772	Patchogue, NY (in Suffolk county)
11776	Port Jefferson Station, NY (in Suffolk county)
11777	Port Jefferson, NY (in Suffolk county)
11778	Rocky Point, NY (in Suffolk county)
11779	Ronkonkoma, NY (in Suffolk county)
11782	Sayville, NY (in Suffolk county)
11784	Selden, NY (in Suffolk county)
11786	Shoreham, NY (in Suffolk county)
11789	Sound Beach, NY (in Suffolk county)
11790	Stony Brook, NY (in Suffolk county)
11934	Center Moriches, NY (in Suffolk county)
11940	East Moriches, NY (in Suffolk county)
11941	Eastport, NY (in Suffolk county)
11949	Manorville, NY (in Suffolk county)
11950	Mastic, NY (in Suffolk county)
11951	Mastic Beach, NY (in Suffolk county)
11953	Middle Island, NY (in Suffolk county)
11955	Moriches, NY (in Suffolk county)
11960	Remsenburg, NY (in Suffolk county)
11961	Ridge, NY (in Suffolk county)
11967	Shirley, NY (in Suffolk county)
11973	Upton, NY (in Suffolk county)
11980	Yaphank, NY (in Suffolk county)