

K. Economics

The following chapter provides a summary of the economic and fiscal analysis of the proposed project. The entire text of the report entitled *Economic and Fiscal Impact Analysis Glen Isle Mixed-Use Waterfront Development, Glen Cove New York*, can be found in the Appendix.

The analysis considers one-time economic benefits from construction of the proposed project and the recurring annual economic benefits generated after the project is completed.

1. Existing Conditions

As previously stated, the 96-acre MW-3 District area along the north side of Glen Cove Creek permits the redevelopment of the area with residential, water-related, water-enhanced and other related uses. The City, State and Federal governments have spent or committed over \$121 million for site clean-up and related infrastructure improvements in this area. In addition to the total investment commitment to date, it is anticipated that there would be additional remediation costs required for the eastern portion of the project area. The total extent of the cost cannot be determined until further subsurface investigations are conducted. However, any additional remediation costs (beyond those stipulated in the LDA) necessary to meet required clean up objectives to support the project would be borne by the redeveloper.

General population, labor force and employment data for the City and area surrounding the proposed project are provided in **Section III.L, Demographics**. In summary, manufacturing, retail and health care industries are significant employers in the City of Glen Cove. The Glen Cove civilian labor force consists of approximately 12,760 persons and the November 2008 unemployment rate for the City was 5.1 percent, up from 3.8 percent in November 2007.¹

As detailed in **Section II**, the approximately 56-acre project area contains 27 lots. However, since the bulk of the project lots (approximately 21) are in public ownership and therefore tax-exempt, existing tax generation from the project site is limited.

Additional revenues generated would include income taxes and, potentially, limited sales taxes.

2. Potential Impacts

The potential impacts of the proposed project are presented below. The proposed project represents a public private partnership; however, no tax abatements or public subsidies are anticipated at this time. The provisions of the LDA require that all off-site

¹ NYS Department of Labor – Local Area Unemployment Statistics.

infrastructure costs would be the responsibility of the City. Responsibility for costs related to on-site infrastructure improvements and the public amenities within the open spaces of the project development area would be borne by the redeveloper.

a) Economic Viability

The project scope requires an analysis of the expected sales prices and rents for residential and non-residential uses. Analysis of trade market area, market demand and relevant absorption rates is also required. Economics Research Associates (ERA) analyzed and developed a market-based development program for the mixed-use project proposed for the Glen Cove Waterfront (see Appendix). The Market Study, covering residential, retail, office, hotel, cultural, recreational, entertainment and marina uses, was conducted over the course of a year, from fall 2003 to fall 2004 and was then later updated in the fall of 2007 and again in December of 2008. Initial findings were used to help define the development program and later findings were used to further refine and validate the development program as it relates to current market forces given the recent change in global markets and anticipates a recovery of same.

For-Sale Condominium and Townhouse Market

ERA's demand analysis indicates that the North Shore (defined as the northern half of Long Island) could attract approximately 900 new owner-occupied households on an annual basis seeking condominium and townhouse units similar to those proposed for the Glen Isle site. This analysis is reinforced by the historic pace of (and forecast) absorption, coupled with the expected product to be delivered at the project site. The anticipated demand accounts for residents moving within the county as well as residents in-migrating from outside of Nassau County. The pool of potential candidates for the project site is based in part on income qualification and preference for moderate to high density residential product. Empty nesters, young professionals, and early retirees make up the majority of target households.

Based on an assessment of the competitive environment for for-sale condominium and townhouse units in Nassau County, ERA concludes that the RXR Glen Isle site could capture a reasonable proportion of this demand. RXR Glen Isle would have to capture about 38% of total North Shore condominium demand and approximately 10% of townhouse demand in order to sell out in a reasonable amount of time. The analysis assumes that the for-sale housing units will come on line in approximately three to four years, allowing for some stabilization of the housing market. ERA concludes that these are feasible target ranges based on few similar products in the market, the planned cohesive mixed-use development, expected range of uses, critical mass at the site, and specific amenities such as water views and a high-speed ferry service to Manhattan (and other destinations) that could likely command a premium in terms of both unit absorption and price points.

Multi-Family Rental Market

ERA's demand analysis indicates that the North Shore could attract 312 new multi-family renter households on an annual basis seeking appropriately priced units to match the target household income range. These households may also choose to rent at one of the annually reoccurring vacancies at new construction buildings in the North Shore area (specifically at the two proximate Avalon projects).

Assuming that approximately half of the 312 households will rent existing units that turn over in existing buildings, ERA estimates that the North Shore can support about 145 new multifamily rental units on an annual basis. This assumption is based on existing area supply (including the 256-unit and 111-unit Avalon projects), moderate overall vacancy rates, historical absorption in the county, and the relatively limited projected net new household growth. The RXR Glen Isle project would have to capture about 33% of total net new rental demand in order to lease up in a reasonable amount of time. This represents a relatively modest capture rate and indicates supportable demand for the proposed product type.

Commercial Components

The commercial (retail and office) components of the project were initially conceived to be supporting and destination uses that related to the on-site conditions (water views of the creek and Long Island Sound), proximity to recreational boating, accessibility to a public esplanade linking downtown Glen Cove to the project area, and the desire to create new retail demand and potentially prompt improvement of the existing downtown area, rather than creating a competing/comparably sized retail concentration that would compete with downtown Glen Cove. From the initial meeting with the top retail commercial brokers in the New York City area, as well as throughout the planning process, this core principle – to complement, rather than compete with downtown Glen Cove – has been a central focus of the plan. The original recommended retail development program for the site was dramatically cut back due in part to the fact that the 240,000 square feet of retail space that currently exists in Downtown Glen Cove is almost double the square footage needed. This led to the recommendation that the plan's retail component be reduced, and in turn, the residential component be increased. This recommendation was based on the principle that additional people living on the waterfront adjacent to Downtown would help support the existing businesses located in Downtown Glen Cove.

The information included in the original market update suggested that the market conditions and longer term prospects for increased potential spending power had grown stronger since the earlier evaluation, with significant increases in the number of households with average incomes over \$100,000 per year and an even greater relative increase in the number of households with annual incomes of over \$500,000 per year. If properly conceived and implemented, it is ERA's view that the relatively limited amount

of retail square footage at the site should be easily supported by the new residents, but that the retail component of the project should not try to replace or supplant an improved version of today's Glen Cove retail. The 240,000 square foot retail concentration downtown should be the area's major shopping destination, with RXR Glen Isle's smaller component planned to activate public spaces, serve water-based commuters, and provide service to area residents as part of the experience provided by the waterside esplanade and other recreation activities on the site.

The commercial office program is also smaller than might be market-supportable, but intended to provide a complementary component for this mixed use project. ERA recommended an office development program that would focus on multi-tenant professional services tenants, although there could also be an opportunity for two or three users, should there be a corporate objective to locate within a mixed use development and to have proximity to the ferry to Manhattan. The concept of the project was to develop a truly mixed-use neighborhood that would provide real estate product that balances multiple uses. As such, the primary market drivers for retail (and to a large degree, commercial office) are the residents of the site and the surrounding neighborhood areas. ERA remains confident that the sizing and integrated planning recommendations developed in the RXR Glen Isle master plan remain supportable and appropriate for the site and setting.

Marina

Boating is an important recreational pastime on Long Island and presents an opportunity for new marinas at the project site. There are approximately 345 marinas, comprising 27,524 slips/moorings in Nassau and Suffolk counties combined. Twelve percent (3,435) of the slips/moorings are located within the 23 marinas that are located in the Glen Isle trade area (defined as the northern half of Long Island).

Discussions with Dock Masters at the nearby marinas indicate that vacancy rates for slips are low, particularly during the summer season. Marinas on the North Shore of Long Island have typically fetched higher rates per foot for rented slips than Marinas on the South Shore of Long Island, reflecting the shallow nature of many south shore channels and the generally better boating conditions on the North Shore.

In addition to providing convenient water access for area residents, the Marina component of the Glen Isle project will be a key offering in attracting guests to the proposed hotel at the Glen Isle site and downtown restaurants and retail, thereby providing additional support for marina uses.

Conclusion

In conclusion, the mix of uses proposed for the RXR Glen Isle site will result in a market supportable mixed-use development, which will be unique in the Glen Cove market, as well as the region, and provide a new consumer base for Glen Cove's existing business

community. The long-term phasing of the project provides that the build-out of the project can occur at pace with the recovery of the market.

(1) Market Value, Unit Costs and Phasing

Table III.K-1, below, provides estimates of unit values and rents, rent per square foot for commercial uses and hotel room rates, anticipated occupancy and market value.

Table III.K-1
Estimated Market Value of Project Components

Use	Number /Sq. Ft.	Income Units	Amt.	Occupancy %	As % of Total Income	Net Oper. Income	Capitalization Rate %	Market Value
Office	50,000sf	Rent/SF/Yr	\$40	95	80	\$1,520,000	9.0	\$16,888,889
Hotel	250 suites	Room rate/Day	\$220	72	35	\$5,058,900	9.0	\$56,210,000
Hotel Spa	18,000sf	Rent +5% gross	\$45	--		\$1,110,000	9.0	\$12,333,333
Hotel Catering/ Conf.	15,000sf	Rent +10% gross	\$40	--		\$900,000	9.0	\$10,000,000
Retail	25,000 sf	Rent/SF/Yr	\$40	95	70	\$665,000	9.0	\$7,388,889
Marina transient ^{1/} _{2/}	32 slips	Cost/Foot/Day	\$3.5	80	--	\$645,120	9.0	\$7,168,000
Marina seasonal ^{1/}	16 slips	Cost/Foot/Season	\$250	100	--	\$440,000	7.0	\$6,285,714
Rental Units								
1 bedroom	63 units	Rent/Unit/Month	\$2,500	95	75	\$1,346,625	8.5	\$15,842,647
2 bedroom	90 units	Rent/Unit/Month	\$3,000	95	75	\$2,308,500	8.5	\$27,158,824
3 bedroom	27 units	Rent/Unit/Month	\$3,500	95	75	\$807,975	8.5	\$9,505,588
Total								\$52,507,059
Condo Units								
1 bedroom	148 units	Sales/SF	\$850	100	NA	NA	NA	--
2 bedroom	297 units	Sales/SF	\$850	100	NA	NA	NA	--
3 bedroom	149 units	Sales/SF	\$850	100	NA	NA	NA	--
Total								\$934,065,000
Workforce Units								
1 bedroom	13 units	Sales/SF	\$360	100	NA	NA	NA	\$4,212,000
2 bedroom	73 units	Sales/SFs	\$360	100	NA	NA	NA	\$28,908,000
Total								\$33,120,000
GRAND TOTAL								\$1,135,966,884

Source: ERA, May 2009.

Notes: ^{1/} Based on assumptions provided by RXR Glen Isle Partners LLC

^{2/} Marina incorporating both permanent and transient slips based on market conditions.

b) Temporary Construction Impacts

Temporary benefits are those that accrue to local and state governments during the construction phase. The primary economic benefits that will accrue to local government during the development of the mixed-use project are employment, earnings, and material sales. In addition to these impacts that occur on-site, there are ripple effects of economic activity on other businesses in Nassau County and the state.

(1) Development Costs

To estimate the one-time economic impact resulting from the construction phase of the proposed development, an estimate of the construction costs, \$950 million, was developed by VJ Associates. The construction costs include fees for road work, utilities, parks, marine work, building construction and off-site work (dredging, landscaping, etc.). This estimate does not include soft costs and is based on current market prices. Of the construction costs, it is estimated that 60 percent (\$570 million±) would be construction materials and 40 percent (380 million±) would be direct construction wages.

(2) Construction Employment and Material Purchases

Analysis of the construction costs of the mixed-use project is used to determine the amounts that are likely to be paid in wages and salaries to labor during construction. Labor costs of about \$380 million are projected, resulting in a total of 6,979 full-time equivalent jobs (based on average construction wages by sector). Since construction progresses in stages, the total number of employees involved in the development of the project at any one time would likely vary. In addition to direct employment, development of the project would also result in an additional 2,768 indirect jobs and 2,258 induced jobs as a result of jobs in businesses providing goods and services for the construction employees. This would in turn generate an additional \$223 million in earnings (see **Table III.K-2** and **Table III.K-3**).

Based on the construction costs enumerated above, total material purchases of \$570 million are projected. In addition, it is estimated that construction employees will spend about \$17.3 million annually in retail purchases in the county during the construction time period. Employee spending is based on annual construction wages and the percent of spending typically allocated to retail goods (as measured the U.S. Consumer Expenditure Survey).

**Table-III.K-2
Construction Costs and Employment**

Use	Construction Costs	Construction Employment (FTE jobs)	Employee Wages Per Worker	Total Construction Wages
Commercial				
Hotel/Spa	\$193,218,947	1,419	\$54,450	\$77,287,579
Retail Space	\$9,335,913	69	\$54,450	\$3,734,365
Restaurant	\$2,679,743	20	\$54,450	\$1,071,897
Office (includes parking)	\$29,252,324	215	\$54,450	\$11,700,930
Marina	\$2,146,009	16	\$54,450	\$858,403
Residential				
Condos	\$472,265,024	3,469	\$54,450	\$188,906,010
Rental	\$79,982,057	588	\$54,450	\$31,992,823
Workforce	\$19,556,529	144	\$54,450	\$7,822,611
Infrastructure			\$54,450	
Road Work	\$9,728,545	71	\$54,450	\$3,891,418
Utilities	\$43,859,764	322	\$54,450	\$17,543,906
Parks and Site Amenities	\$30,107,018	221	\$54,450	\$12,042,807
Marine Work	\$31,151,647	229	\$54,450	\$12,460,659
Offsite Work	\$26,716,480	196	\$54,450	\$10,686,592
Total/Average	\$950,000,000	6,979	\$54,450	\$380,000,000

Source: ERA and IMPLAN, May 2009

(3) Fiscal Impact

Total temporary tax impacts associated with the construction period are summarized in **Table III.K-3**. The proposed project would result in temporary tax revenues for Nassau County, the State of New York, and the Metropolitan Transportation Authority (MTA).

A significant portion of tax revenues would be attributable to the purchase of construction materials, which is estimated to generate a total of \$44.3 million in total sales tax revenues. State income tax revenues attributable to construction employment would total approximately \$37.2 million. The Nassau County mortgage recording fee would generate an additional \$10.1 million in revenues, approximately \$6.7 million of which would accrue to the County and \$3.4 million to the MTA.

As reflected in **Table III.K-3**, it is estimated that the project would generate approximately \$93.0 million in total tax revenues during the construction period.

**Table III.K-3
Summary of Construction Period Impacts**

Economic Impacts				
	Direct	Indirect	Induced	Total
Jobs (FTE)	6,979	2,765	2,258	12,001
Payroll	\$380,000	\$129,575,354	\$93,379,547	\$602,954,901
Material Purchases	\$570,000,000	--	--	\$570,000,000
Fiscal Impacts				
	County	State	MTA	Total
Income Tax ¹	NA	\$41,302,411	NA	\$37,172,170
Direct Sales Tax	\$21,802,500	\$22,520,000	\$1,923,750	\$44,246,250
Indirect Sales Tax ²	\$736,440	\$693,120	\$64,980	\$1,494,540
Mortgage Recording Fee	\$6,726,000	NA	\$3,363,000	\$10,089,000
TOTAL	\$29,264,940	\$58,385,290	\$5,351,730	\$93,001,960

¹ Includes indirect and induced; ² Resulting from construction employee spending within the area.

Note: Indirect/induced impacts calculated using the IMPLAN Model

Source: ERA, May 2009.

c) Ongoing Operations

Permanent benefits are those that will be achieved once the mixed-use development has been built, the space is fully occupied, and stabilized sales and occupancy levels have been achieved. It is assumed that a short transition time would be required to achieve stabilization. The benefits covered in the analysis include property taxes, retail sales (including hotel revenues), employment and earnings, and the off-site spin-off impacts in overall increases in business receipts (output), employment, and earnings. Public financing of infrastructure (e.g., tax increment financing, payment-in-lieu-of-taxes (PILOT), Industrial Development Agency tax-exempt bonds) will likely be considered later in the development process. Based upon past tax abatement structures, the reductions in project-generated property tax revenues can be expected to be somewhere in the range of 15-40%, but in any case will ultimately be determined through negotiations among parties at some time in the future.

(1) Employment and Earnings

Total anticipated employment benefits attributable to the ongoing operations at the proposed development are based on commonly accepted employment ratios by land use type (e.g. 200 square feet of required space per office employee). Total on-site employment is estimated at 768 full-time equivalent jobs, with the largest number of jobs attributable to ongoing operations at the hotel. **Table III.K-4** provides a summary of estimated on-site employment and estimated average wages.

**Table III.K-4
Estimated On-Site Employment and Wages**

Development Component	Estimated On-Site Employment	Estimated Average Wage
Hotel/Spa	357	\$28,000
Retail Space	36	\$25,690
Office	250	\$72,000
Marina	6	\$25,000
Residential Buildings	63	\$26,000
Restaurant	56	\$23,000

Source: ERA, May 2009

Note: Wages taken from recent Wage Survey for metropolitan area. Retail reflects mean annual wage for retail sales.

As with employment during construction, on-site operations would also generate indirect employment (e.g. those establishments providing goods and services to the on-site facilities). Total indirect and induced employment is estimated at an additional 273 jobs. Total wages for both direct and indirect and induced employment are estimated at approximately \$41.0 million. Wage estimates are based on a wage and salary survey for the Nassau-Suffolk New York Metropolitan Division (as defined by the Bureau of Labor Statistics).

Table III.K-5
Employment and Payroll
Indirect and Induced Operational Impacts

Employment				
Program Element	Direct Employ.	Indirect Employ.	Induced Employ.	Total Employment Impact
Commercial				
Hotel/Spa	357	25	39	420
Retail Space	36	2	4	42
Restaurant	56	5	8	70
Office				
Business/Financial	63	40	28	131
Computer/Math Sciences	63	12	16	90
Arch/Engineering	63	9	22	94
Admin. Support	63	16	23	101
Marina	6	N/A	MN/A	6
Residential Building Support	63	14	12	89
TOTAL	768	122	151	1,041
Payroll				
Program Element	Direct Employ. Impact	Indirect	Induced.	Total Employee Compensation Impact
Commercial				
Hotel/Spa	\$8,158,093	\$1,236,238	\$1,597,501	\$10,991,832
Retail	\$587,266	\$115,073	\$150,572	\$852,911
Restaurant	\$1,643,905	\$274,601	\$337,288	\$2,255,794
Office				
Business/Financial	\$7,815,440	\$1,463,110	\$1,567,682	\$10,846,232
Computer/Math Sciences	\$3,460,915	\$353,908	\$809,640	\$4,624,463

Arch/Engineering	\$3,073,147	\$691,930	\$854,292	\$4,619,369
Admin. Support	\$2,548,686	\$992,158	\$605,422	\$4,146,266
Marina	\$150,000	N/A	N/A	\$150,000
Residential Building Support	\$1,357,882	\$633,085	\$501,304	\$2,492,271
TOTAL	\$28,795,333	\$5,760,104	\$6,423,700	\$40,979,138

Source: ERA, May 2009, IMPLAN

(2) Fiscal Impacts

Following is a summary of the projected fiscal impacts associated with ongoing operation of the Glen Isle Mixed-Use development project. Inputs for the various tax benefits were obtained from the City of Glen Cove, Nassau County, the New York State Department of Taxation and Finance, and other applicable published sources. Detailed tables are provided within the Appendix.

Property Tax Benefits

The recipients of the real estate tax levies from development, and the amounts that would accrue to each entity, are reflected in **Table III.K-6** below. No attempt has been made in this study to estimate the real increases in off-site property taxes from permanent impacts from the new mixed-use development. It is difficult to determine where such impacts would occur as well as the appropriate property values to apply. However, it can be assumed that the off-site property tax impact would be positive. It is currently assumed that all of the components of the mixed-use project would be subject to city, county, and school district property tax. City and school district property taxes are assessed at 100% of market value. For Nassau County, residential property is assessed at .25% of market value and commercial property at 1% of market value. The market value estimates reflect current operating income parameters (rents and average sales for for-sale units) for similar or comparable properties in the region. Based on the analysis of market value, annual property tax revenues are estimated at \$5.6 million for the City of Glen Cove, \$2.2 million for Nassau County, and \$12.4 million for the Glen Cove School District at full build-out.

While the project would generate additional population, including school aged children, school property taxes generated by this development scenario would exceed the marginal costs of the additional school age children generated. As discussed in **Section III.I Community Facilities and Services**, it is estimated that the proposed action would generate approximately 123 public school children, resulting in an increased annual cost of approximately \$1.85 million. The annual school tax generation is estimated to be \$12,422,535, resulting in an estimated annual surplus of approximately \$10.6 million for the public school district. Analysis of additional community services, (e.g., police and fire) is also discussed in **Section III.I**.

Table III.K-6
Estimated Annual Property Taxes and Fees

	Market Value	Tax Rate			Annual Property Tax Revenues		
		City (per \$1,000)	County (per \$1,000)	Glen Cove School District (per \$1,000)	City	County	Glen Cove School District
Office	\$16,888,889	12.251	52.400	27.35	\$206,906	\$88,498	\$461,911
Hotel/Spa/Caterine	\$78,543,333	12.251	52.400	27.35	\$962,234	\$411,567	\$2,148,160
Retail/Restaurant	\$7,388,889	12.251	52.400	27.35	\$90,521	\$38,718	\$202,086
Marina	\$13,453,714	12.251	52.400	27.35	\$164,821	\$70,497	\$367,959
Residential							
Rental	\$52,507,059	12.251	60.378	27.35	\$643,264	\$79,257	\$1,436,068
Condo	\$934,065,000	12.251	60.378	27.35	\$3,385,454	\$1,409,924	\$7,557,927
Workforce Housing	\$33,120,000	12.251	60.378	27.35	\$111,277	\$49,993	\$248,423
Total					\$5,564,478	\$2,148,454	\$12,422,535

Source: ERA, May 2009.

Note: As described above, public financing of infrastructure will likely be considered later in the development process. Based upon past tax abatement structures, the reductions in project-generated property tax revenues may be somewhere in the range of 15-40%, but in any case will ultimately be determined through negotiations among parties at some time in the future.

The projected phasing in of the anticipated project revenues for the City and the School District are illustrated below in **Table III.K-7**.

**Table III.K-7
City and School District Property Tax Revenue Phased Breakdown**

City Taxes		2010	2011	2012	2013	2014	2015	2016	2017
Component	Tax Rate per \$1,000								
Office Component	12.251	\$ -	\$ -	\$ -	\$ -	\$ 206,906	\$206,906	\$206,906	\$206,906
Hotel/Spa	12.251	\$ -	\$ -	\$ -	\$ -	\$962,234	\$962,234	\$962,234	\$962,234
Retail (sq ft)	12.251	\$ -	\$ -	\$47,656	\$47,656	\$47,656	\$47,656	\$47,656	\$47,656
Restaurant (sq ft)	12.251	\$ -	\$ -	\$ -	\$ -	\$11,914	\$11,914	\$11,914	\$11,914
Marina (slips)	12.251	\$ -	\$ -	\$164,821	\$164,821	\$164,821	\$164,821	\$164,821	\$164,821
<u>Residential (units)</u>									
Rental	12.251	\$ -	\$ -	\$634,264	\$634,264	\$634,264	\$634,264	\$634,264	\$634,264
Condos/TH - Market Rate (94 units)	12.251	\$ -	\$ -	\$535,745	\$535,745	\$535,745	\$535,745	\$535,745	\$535,745
Condos/TH - Market Rate (250 units)	12.251	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,424,854	\$1,424,854
Condos/TH - Market Rate (250 units)	12.251	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,424,854
Townhome - Workforce	12.251	\$ -	\$ -	\$ -	\$ -	\$111,277	\$111,277	\$111,277	\$111,277
Total City Property Tax		\$ -	\$ -	\$1,391,487	\$ 1,391,487	\$2,683,819	\$2,683,819	\$4,108,673	\$5,533,527
School District Taxes		2010	2011	2012	2013	2014	2015	2016	2017
Office Component	27.350	\$ -	\$ -	\$ -	\$ -	\$ 461,911	\$ 461,911	\$ 461,911	\$ 461,911
Hotel/Spa	27.350	\$ -	\$ -	\$ -	\$ -	\$ 2,148,160	\$2,148,160	\$ 2,148,160	\$ 2,148,160
Retail (sq ft)	27.350	\$ -	\$ -	\$106,392	\$106,392	\$106,392	\$106,392	\$106,392	\$106,392
Restaurant (sq ft)	27.350	\$ -	\$ -	\$ -	\$ -	\$26,598	\$ 26,598	\$ 26,598	\$ 26,598
Marina (slips)	27.350	\$ -	\$ -	\$367,959	\$367,959	\$ 367,959	\$367,959	\$367,959	\$ 367,959
<u>Residential (units)</u>									
Rental	27.350	\$ -	\$ -	\$1,463,068	\$1,463,068	\$1,463,068	\$1,463,068	\$1,463,068	\$1,463,068
Condos/TH - Market Rate (94 units)	27.350	\$ -	\$ -	\$1,196,036	\$1,196,036	\$1,196,036	\$1,196,036	\$1,196,036	\$1,196,036
Condos/TH - Market Rate (250 units)	27.350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$3,180,946	\$3,180,946
Condos/TH - Market Rate (250 units)	27.350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$3,180,946
Townhome - Workforce	27.350	\$ -	\$ -	\$ -	\$ -	\$248,423	\$ 248,423	\$248,423	\$248,423
Total School District Tax		\$ -	\$ -	\$ 3,106,454	\$3,106,454	\$ 5,991,547	\$ 5,991,547	\$9,172,492	\$12,353,438

Other Quantifiable Tax Benefits

In addition to property tax benefits, other potential tax benefits accruing as a result of the existing sales tax (on-site, indirect, new resident spending), hotel occupancy tax, personal income tax, and mortgage recording fee were analyzed.

Sales Tax

Sales tax revenues have been estimated based on average store sales for retail centers and restaurants. It should therefore be noted that the estimated sales are not the result of a detailed market analysis of existing supply and potential market demand. Total sales volume is based on an average sales productivity of \$375 per square foot for retail space and \$500 per square foot for the restaurant; with total annual retail sales of \$14 million estimated (including spa and catering sales). On-site retail sales result in an estimated \$1.2 in annual sales tax revenues.

Additionally, sales and hotel occupancy taxes would be generated as a result of operations at the proposed hotel/spa. Estimated gross room revenue at the 250-all suite proposed hotel is estimated at approximately \$14.5 million (based on 72% occupancy with an average daily rate of \$220); generating an annual estimated \$1.7 million in sales and hotel occupancy tax revenues (Nassau County imposes an additional 3% hotel occupancy tax).

Retail Spending

Potential retail spending (and resultant sales tax revenues) resulting from new residents moving into the proposed rental and for-sale housing was analyzed. Estimated retail spending for the new residents is based in part on average anticipated rents and sales prices for the proposed housing as well as the U.S. Consumer Expenditure Survey, which outlines average spending for retail items by household. Based on projected housing costs, it is estimated that the renters of the market rate units would have household incomes ranging from \$125,000 to \$175,000, the new for sale unit owners would have household incomes averaging \$296,000 and the owners of the workforce units would have household incomes ranging from \$79,200 to \$86,400. Total annual retail spending in Nassau County attributable to the new residents is estimated at \$15.9 million, generating approximately \$1.4 million in annual sales tax revenues. **Table III.K-8** provides a detailed analysis of estimated spending and tax revenues.

Table III.K-8
Recurring Annual Direct Spending and Tax Revenue
Residents/Unit Type

	Rental Units	Workforce	Condo Residents
Estimated Total Nassau County Retail Spending¹	\$1,983,600	\$557,597	\$13,337,795
Estimated Sales Tax Revenue			
State	\$79,344	\$22,304	\$533,512
County	\$84,303	\$23,698	\$566,856
MCTD	\$7,439	\$2,091	\$50,017
Total	\$171,086	\$48,093	\$1,150,385

Source: ERA, May 2009

Notes: ¹See *Economic and Fiscal Impact Analysis Glen Cove Mixed Use Waterfront Development, Glen Cove, New York*. Economics Research Associates, May 2009. In appendix for spending details.

The above tables summarize the anticipated revenue generation at full build-out, which is anticipated to occur by 2016. Tables 21 and 22 in the ERA report

Economic and Fiscal Impact Analysis Glen Isle Mixed-Use Waterfront Development, located in the Appendix provides a further breakdown of projected property and sales tax revenues by year, as it relates to the anticipated phasing and occupancy of the project.

Mortgage Recording Fees

Additionally, the County and MTA would benefit from mortgage recording fees collected as a result of turnover of the condominium units. Assuming that, on average, 85 units are sold every seven years, the annual mortgage recording fee would total approximately \$1.0 million, of which just over 70% would accrue to Nassau County.

In summary, as reflected in **Table III.K-9**, total annual tax revenues attributable to ongoing operations are estimated at \$27.6 million. The tax revenue projections break down as follows: the City of Glen Cove - \$5.6 million; Nassau County - \$5.2 million; the State of New York - \$4.0 million; the MTA - \$458,000; and, the Glen Cove School District - \$12.4 million.

Table III.K-9
Summary of On-Going Operational Impacts

Economic Impacts						
	Direct	Indirect	Induced	Total		
Jobs (FTE)	768	122	151	1,042		
Payroll	\$28,795,333	\$5,760,104	\$6,423,700	\$40,979,138		
Material Purchases	\$19,797,750	--	--	\$19,797,750		
Fiscal Impacts – Annual Operations at Build-Out						
	City	County	State	MTA	Glen Cove School District	Total
Income Tax	NA	NA	\$2,192,627	NA	NA	\$2,192,627
Direct Sales Tax/Hotel Occupancy	NA	\$1,641,799	\$1,137,110	\$106,604	NA	\$2,885,513
Property Tax	\$5,564,478	\$2,148,454	NA	NA	\$12,422,535	\$20,135,467
Indirect Sales Tax ¹	NA	\$674,857	\$635,160	\$59,546	NA	\$1,369,563
Mortgage Recording Fee	NA	\$728,937	NA	\$291,575	NA	\$1,020,512
TOTAL	\$5,564,478	\$5,194,048	\$3,964,896	\$457,725	\$12,422,535	\$27,603,683

¹ Resulting from new resident spending within the area

Note: Indirect/induced impacts calculated using the IMPLAN Model

Source: ERA, May 2009.

Existing Businesses

Development of the Glen Isle Mixed Use project would require the displacement of four existing business located on the site – Nassau Ready Mix, Windsor Fuel

Oil Company, Brilliant Electric and Paramount/Herb Hill Management. If it is assumed that these businesses would close or relocate out of the area, there would be an estimated loss of 49 on-site, 3 indirect, and 6 induced jobs, resulting in a total estimated loss of \$3.3 million in earnings. **Table III.K-10** provides a summary of the annual tax revenues and jobs attributable to the proposed project, less the impact of the existing businesses.

Table III.K-10
Summary of On-Going Operational Impacts, Less Existing Businesses

Economic Impacts						
	Direct	Indirect	Induced	Total		
Jobs (FTE)	719	119	145	984		
Payroll	\$25,768,833	\$5,610,104	\$6,273,700	\$37,652,638		
Material Purchases	\$19,797,750	--	--	\$19,797,750		
Fiscal Impacts – Annual Operations at Build-Out						
	City	County	State	MTA	Glen Cove School District	Total
Income Tax	NA	NA	\$1,964,762	NA	NA	\$1,964,762
Direct Sales Tax/Hotel Occupancy	NA	\$1,641,799	\$1,137,110	\$106,604	NA	\$2,885,513
Property Tax	\$5,564,478	\$2,148,454	NA	NA	\$12,422,535	\$20,135,467
Indirect Sales Tax ¹	NA	\$674,857	\$635,160	\$59,546	NA	\$1,369,563
Mortgage Recording Fee	NA	\$728,937	NA	\$291,575	NA	\$1,020,512
TOTAL	\$5,564,478	\$5,194,048	\$3,737,031	\$457,725	\$12,422,535	\$27,375,818

¹ Resulting from new resident spending within the area

Note: Indirect/induced impacts calculated using the IMPLAN Model

Source: ERA, January 2009.

Potential Municipal Costs

Since the project would generate new population requiring community services, it is anticipated that the City would incur additional municipal costs to provide these services. The 2009 City of Glen Cove Adopted Budget is summarized below.

**Table III.K-11
Glen Cove Budget Summary 2009**

	General Fund	Police Fund	Recreation Fund	Water Fund	Debt Service Fund	Insurance Fund	Total
Appropriations							
Expenditures	16,136,933	11,213,677	2,678,940	1,945,877	10,475,826	677,500	43,128,753
Interfund Transfers	20,463,338	0	65,450	1,269,123	0	0	21,797,911
Funding Required	36,600,271	111,213,677	2,744,390	3,215,000	10,475,826	677,500	64,926,664
Revenues							
Misc. Revenues	10,628,313	493,175	1,463,900	3,215,000	678,907	677,500	17,156,795
Interfund Transfers	0	10,720,502	1,280,490	0	9,796,919	0	21,797,911
Appropriation of Fund Balance	0	0	0	0	0	0	0
Real Estate Taxes	25,971,958	0	0	0	0	0	25,971,958
Funding Sources	36,600,271	11,213,677	2,744,390	3,215,000	10,475,826	677,500	64,926,664

As indicated above, the 2009 budget includes total expenditures of approximately \$43,128,753, which results in an average expenditure of approximately \$1,620 per capita ($\$43,128,753 / 26,622$ City population = \$1,620). However, only \$25,971,958 is supported by the municipal property tax levy, with the remainder provided by miscellaneous revenues (e.g., state aid, county assistance, utility tax, rental of city property, etc.). The per capita average municipal service cost supported by the tax levy is approximately \$976 ($\$25,971,958 / 26,622 = \975.58). The project is estimated to generate a new population of approximately 1,844. Applying the average per capita cost to project-generated population would result in a total municipal service cost of approximately \$1,798,970, which is significantly less than the \$5,564,475 in City property tax projected to be generated by the project.

The average per capita cost model assumes that the share of the cost of providing services for a new development is proportionally the same as for existing residences. However, this approach overstates the true marginal cost of providing services to new residents, since the calculation includes certain budget items that would not necessarily be affected by changes in service population, including General Fund line items such as City Council, Mayor, City Hall Operations, and Special Items. Also, the Water Fund is sustained by water service fees. (A portion of the Recreation Fund is also supported by user fees). In addition, Public Works represents a significant item in the budget. However, the project is an infill redevelopment and would not increase the linear feet of new roadway that would need to be maintained. The project would also be responsible for providing the majority of its own services (e.g., private carting, internal road maintenance), which would further reduce the impact on municipal costs. As a result, the actual marginal service cost would be significantly less than the average cost and the anticipated surplus would, therefore, be larger.

Table III.K-12 identifies those elements of the General Fund that could reasonably be expected to witness increased costs as a result of the project. The project generated residents represent a 6.9% increase in the City population. Applying a proportionate share to these line item costs (and assuming a marginal cost of approximately 60% of the per capita average), the expected actual increase in General Fund costs would be approximately \$414,190.

The project would likely generate additional demand for services provided by the Police Fund and Recreation Fund. As described in **Section III.I**, the Police Department estimates that the project would generate a need for three additional officers. The annual cost of an additional officer, including salary and fringe benefits, is estimated at approximately \$111,603. Costs for the additional officers would therefore be approximately \$334,809. It is noted however, that the additional officers would not be needed immediately, but could be phased in over the course of the build-out.

Although the project would include publicly accessible open space, as well as indoor amenities for residents, it is likely that residents would also use other City facilities for active and passive recreation. The project generated residents represent a 6.9% increase in the City population. As indicated above, approximately 55% of the costs to provide recreation services are supported by fees. A proportionate 6.9% increase in the remainder of the City's recreation budget that is supported by the real property tax would amount to approximately \$83,838.

The true marginal cost of providing municipal services to the proposed project would therefore more likely be closer to \$832,837 than the \$1,798,970 produced using an average cost. This would increase the projected City surplus to \$4,731,638. Table III.K-13 summarizes potentially specifically identifiable costs related to community services provision.

As detailed in **Section III.I**, the project is anticipated to provide a net annual fiscal benefit to the School District of approximately \$10.6 million.

3. Mitigation Measures

The proposed project is anticipated to result in significant positive economic benefits. Therefore, no mitigation is necessary. As stated previously, the proposed project would generate employment and taxes during the construction phase and approximately 768 full-time equivalent positions during on-going operations. The anticipated employment on site would include hospitality, retail, restaurant, office and other jobs. The proposed project would generate on-going City, County, State, MTA and School District taxes which exceed current tax revenues. Total annual revenues attributable to on-going operations are estimated at \$27.6 million, including approximately \$5.6 million to the City of Glen Cove, \$5.2 million to Nassau County, \$4.0 million to the State of New York, \$458,000 to the MTA and \$12.4 million to the Glen Cove School District.

**Table III.K-12
General Fund Line Item Assessment**

General Fund Category	2009 Appropriation (\$)	Per Capita Cost (\$)	Project Impact (Y/N)	Project Population	Amount Required for Project (\$)*
<u>General Gov't Support</u>					
City Council	132,000	4.96	N	1,844	
Mayor	425,924	16.00	N	1,844	
City Hall Oper Exp	189,000	7.10	N	1,844	
Finance	997,300	37.46	Y	1,844	41,447
City Clerk	102,121	3.84	N	1,844	
City Attorney	292,000	10.97	N	1,844	
Personnel	75,323	2.83	N	1,844	
Civil Service	0	0.00	N	1,844	
Dept of Public Works – Admin	877,474	32.96	N	1,844	36,467
Dept of Public Works – Garage	607,104	22.80	Y	1,844	25,231
Special Items	428,750	16.11	N	1,844	
<u>Public Safety</u>		0.00		1,844	
Traffic Patrol Officers	133,500	5.01	Y	1,844	5,548
Fire Department	770,314	28.94	Y	1,844	32,014
Building & Code Enforce	407,748	15.32	Y	1,844	16,946
EMS/Ambulance Corps	331,789	12.46	Y	1,844	13,789
<u>Transportation</u>					
Dept of PW – Roads	2,053,415	77.13	N	1,844	
Harbor Patrol	37,000	1.39	Y	1,844	1,538
<u>Culture & Recreation</u>					
Senior Center (Nutrition)	371,225	13.94	Y	1,844	15,428
Senior Center (Recreation)	434,398	16.32	Y	1,844	18,053
Senior Center (Adult Day)	156,164	5.87	Y	1,844	6,490
Youth Bureau	628,908	23.62	Y	1,844	26,137
<u>Home & Community Services</u>					
Misc Budget Items	105,100	3.95	N	1,844	
City Planning Comm	124,833	4.69	N	1,844	
Dept of PW – Sanitation	2,242,291	84.23	N	1,844	
<u>Fringe Benefits</u>	4,213,252	158.26	Y	1,844	175,101
Total General Fund	16,136,933				414,190

*Based upon marginal cost estimate of 60% of average per capita cost.

**Table III.K-13
Potential Community Services Cost Summary**

Community Facility/Service	Potential Specifically Identified Public Costs
Police	\$334,809 (staffing)
Harbor Patrol	Unknown
Fire	Unknown – volunteer force
EMS/Ambulance	Unknown (\$95,170 estimated staffing cost for EMS planned increase in 24-hour coverage.)
Hospital Services	None.
Schools	\$1,858,416 (School District)
Recreation and Open Space	No cost related to privately-maintained on-site open space and recreation facilities. Proportionate cost for resident recreational services estimated at \$83,838
Solid Waste	Private carters – no significant costs anticipated