

SCANNELL PROPERTIES
FEDEX DISTRIBUTION FACILITY
EAST GREENBUSH NEW YORK

SUPPLEMENT TO FISCAL IMPACT STUDY

MAY, 2010

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Executive Summary

Scannell Properties and Camoin Associates are submitting this Supplement to the Fiscal Impact Study dated April, 2010 in response to questions asked by representatives of the Town of East Greenbush. Below is an overview of the specific questions and responses. These responses are further explained in the main body of the document.

- In response to the question on job creation - The project is expected to create:
 - 96 full-time equivalent construction and equipment installation jobs during the construction and equipping of the facility, which is expected to begin in the fourth quarter of 2010 and continue through the second quarter of calendar year 2012. Total wages and benefits from construction and equipment installation are estimated at \$7.1 million. Upon commencement of operations in 2012-2013, the facility will retain 100 full-time equivalent positions and 82 independent contractor opportunities in the Capital Region with total wages, benefits, and gross income of \$13.7 million annually and is expected to create 55 new full-time equivalent positions and 41 new independent contractor opportunities with total wages, benefits, and gross income of \$5.9 million annually. In summary, the total wages, benefits and gross income in 2012-2013 will be in excess of \$19.6 million annually. The project is further expected to create another 24 full-time equivalent positions and 15 independent contractor opportunities by 2015; bringing the total wages, benefits and gross income to approximately \$22 million annually. It's further projected that by 2017-2019, an additional 19 new full-time equivalent positions and 17 new independent contractor opportunities will be created bringing the total wages, benefits and gross income to \$24.8 million annually.
 - As a direct result of these job opportunities, 108 additional full-time jobs are expected to be indirectly created by the Project, with an economic benefit to the region of \$9.0 million.
- In response to the question on traffic improvement to Route 4 - The estimated investment by the project developer is in the range of \$1-3 million. These improvements will provide an overall improvement to the Route 4 corridor and provide the Town the opportunity to further increase their tax base without increasing debt, all at no cost to taxpayers.
- In response to the question on maintaining the current tax base - The project will enable the Town to maintain the existing real property tax revenue totaling \$344,641 annually despite the current state of the economy .
- In response to the question on increased tax revenue - The project will provide an increase in tax revenue across all tax districts of approximately \$20,000 in the first year of operation and approximately \$10,000 additional in each consecutive year for a twenty year period. After twenty years, the stabilized real property tax revenue will be \$548,005 annually.

- In response to the question on FedEx’s involvement in the local community - The Town will gain a new Fortune 100 company that endeavors to be a good corporate citizen. FedEx is committed to being a great place to work, a thoughtful steward of the environment and a caring citizen in the communities where employees live and work. FedEx team members volunteer thousands of hours each year to make local communities better places to live, work and play.

In addition to these questions, we have further explained the methodology used in the indirect and induced benefits and the incentives package being pursued through Rensselaer County Industrial Development Agency.

1. Introduction

Camoin Associates and Scannell Properties are submitting this Supplement to the Fiscal Impact Study dated April, 2010 in response to questions asked by representatives of the Town of East Greenbush. Several of the discussion items were broader in scope than elements specific to the Fiscal Impact Study and required input from both Scannell Properties and Camoin Associates. Please note that responses for items 3, and 6 were prepared by Scannell Properties, item 7 was prepared by Camoin Associates, and the remaining were prepared jointly. FedEx also provided information relating to wages, benefits and gross incomes.

2. Value of Jobs and Independent Contractor Opportunities to the Community

The table below provides a more detailed explanation of the wages and benefits and gross income direct benefits from the FedEx project. Average wages for FedEx employee positions will be approximately \$34,520, and FedEx also provides a benefits package of \$8,670 per employee position, for total compensation of \$43,190 per employee position. Average gross income paid to independent contractors is \$106,910¹. All forms of compensation have a direct benefit to community and indirect and induced impacts as discussed in item 8.

Employment Breakdown			
Number of Full Time Equivalent (FTE) Employment Opportunities			
	Transfers	New	Total
Employee Positions	100	79	179
Independent Contractor Opportunities	82	56	138
Total FTE	182	135	317
Wages and Benefits			
	Transfers	New	Total
Employee Wages	\$3,884,112	\$2,294,732	\$6,178,843
Employee Benefits	\$1,036,539	\$515,395	\$1,551,934
Subtotal	\$4,920,651	\$2,810,127	\$7,730,777
Independent Contractor Gross Income	\$8,766,649	\$5,986,980	\$14,753,629
Grand Total Wages and Benefits	\$13,687,300	\$8,797,107	\$22,484,406

In addition, FedEx projects that by 2017-2019 an additional 19 new fulltime employee positions and 17 new independent contractor opportunities will be created with total wages and benefits and gross income of \$2.8 million annually.

In regards to job opportunities, we have evaluated the positions required for the FedEx project and performed a case study of the location of employee and contractor's residences. The table below shows the type of job positions at the proposed facility.

¹ Gross income paid to independent contractors goes toward wages, benefits and other costs, but the specific breakdown is not known by Camoin Associates or Scannell Properties.

Job Positions Phase I and Phase II				
Employees	Transfers	New	Total	Full Phase Total
Manager	7	0	7	8
Service Manager	14	9	23	26
Operations Planner	1	0	1	1
Safety Specialist	1	0	1	1
Recruiter	1	0	1	1
Clerical	17	18	35	38
Package Handler	59	52	111	123
Subtotal (Employees)	100	79	179	198
Independent Contractors	82	56	138	155
Grand Total	182	135	317	353

In regards to the location of employee and contractor’s residences, we studied an existing facility located in Colonie, New York. Employees and independent contractors of the Colonie facility live in the following locations:

- 44.16% live within 5 miles of the facility
- 55.8% live in Albany County
- 17.8% live in Rensselaer County
- 9.64% live in Schenectady County
- 10.66% live in Saratoga County
- 6.09% live in Other Counties

From these findings, we would expect the transfer positions to remain in their current residences throughout the greater Albany area. From this data, currently 32 FTE positions reside in Rensselaer County. Of the 135 new FTE positions, we would expect 54 FTE’s to live within 5 miles of the site. It should be noted this representation is based on one specific case study which has a relatively small sample size, however, it should provide a reasonable estimate of where these employees and contractors would reside.

3. Transportation Improvement Impacts

The current Traffic Impact Study under review by the New York State Department of Transportation considers three alternatives to improving the Route 4 corridor. Alternative #1 includes an un-signalized intersection with improvement to the right and left hand turn lanes and an acceleration lane in the southbound direction. Alternative #2 includes a signalized intersection, upgrades to the turn lanes and a full second lane extension in the southbound direction from the Wal-Mart signal to Empire Drive. Alternative #3 includes a roundabout constructed at the site entrance. These three mitigation alternatives have been proposed to be constructed using private funds by the project applicant. The cost of the improvements are in the range of \$1,100,000 to \$3,000,000. This substantial investment would mitigate FedEx’s traffic impact on Route 4 and provide an overall improvement to the corridor at no cost to taxpayers.

In summarizing Greenman-Pedersen, Inc. Traffic Impact Study dated April 1, 2010, the level of service under Alternative #1 would have a slight decrease in the PM peak; however, Alternative #2 and #3 would maintain the same level of service as the existing vacant Albany International facility. The level of service under these Alternatives, indicate that the intersection will function better than other intersections in the Town of East Greenbush. These alternatives not only allow the Town to re-develop an underutilized property, but it provides the opportunity for future development on Thompson Hill. These provide the opportunity to increase the tax base through improvements to the main transportation corridor, and potentially reduce future debt to be incurred by the Town for funding of transportation improvements.

4. Maintenance of Base Tax Rate

The current property taxes paid by the property owner are significant and total \$344,641 across all property tax districts. In addition to the incremental increase in property tax, sales tax, and other fee revenue, the Project will also ensure preservation of the existing property tax base amount. The current property owner retains the 7th highest assessed property value and is the 5th highest property tax payer in the Town of East Greenbush². If the property remains unoccupied a negative consequence is the potential erosion of that base tax amount. FedEx is a Fortune 100 company that will be entering a long term lease for the Project³, providing a stable use for the site.

5. Magnitude of Increase in Property Tax in Initial Years and Alternative Use Scenarios

The incremental PILOT revenue across all property tax districts will increase annually over a twenty year period. The increase in the first year of operation will be approximately \$20,000 and an additional \$10,000 in each consecutive year. After twenty years, the stabilized real property tax revenue will be \$548,005 annually. These figures are shown in the table at right. This is just a summary of the proposed PILOT. Please refer to page 2 and page 30 of the original analysis for a detailed summary of the total fiscal impacts of the project.

Estimated PILOT Payments Across all Districts Including County			
Year	Current	Increase	Total
0	\$ 344,641	\$ -	\$ 344,641
1	\$ 344,641	\$ 20,735	\$ 365,375
2	\$ 344,641	\$ 30,347	\$ 374,987
3	\$ 344,641	\$ 39,959	\$ 384,599
4	\$ 344,641	\$ 49,571	\$ 394,211
5	\$ 344,641	\$ 59,183	\$ 403,823
6	\$ 344,641	\$ 68,795	\$ 413,436
7	\$ 344,641	\$ 78,407	\$ 423,048
8	\$ 344,641	\$ 88,019	\$ 432,660
9	\$ 344,641	\$ 97,631	\$ 442,272
10	\$ 344,641	\$ 107,243	\$ 451,884
11	\$ 344,641	\$ 116,855	\$ 461,496
12	\$ 344,641	\$ 126,468	\$ 471,108
13	\$ 344,641	\$ 136,080	\$ 480,720
14	\$ 344,641	\$ 145,692	\$ 490,332
15	\$ 344,641	\$ 155,304	\$ 499,944
16	\$ 344,641	\$ 164,916	\$ 509,556
17	\$ 344,641	\$ 174,528	\$ 519,169
18	\$ 344,641	\$ 184,140	\$ 528,781
19	\$ 344,641	\$ 193,752	\$ 538,393
20	\$ 344,641	\$ 203,364	\$ 548,005

Possible alternative land uses could include retail, office and manufacturing. Manufacturing is a declining industry in New York State and many communities continue to battle plant closures and relocations. Both retail and office could potentially increase the tax base; however, these uses would

² Source: Town of East Greenbush assessment data

³ The lease agreement is for 15 years with two five year extension options, for a total of 25 years.

have a much larger traffic impact on Route 4 and all Town districts. The fiscal and traffic impacts of alternative uses would require separate studies.

The credit crisis has impeded development of all land use types, this combined with the time associated with the planning and development process may mean that a financially viable alternative development scenario may not be feasibly constructed in the near future. If approved, the FedEx project is expected to be operational in 2012.

6. Construction Sales Tax and Mortgage Recording Tax Exemptions

As previously stated, the Project developer has applied to the County IDA for assistance. The package offered by the IDA includes a potential Construction Sales Tax, Personal Property Sales Tax, and Mortgage Tax Exemption. Construction sales tax was not included in the fiscal impact analysis; however, we expect this project to have sales tax on construction materials of roughly \$482,000. As a result of construction, it's worth noting that this project will result in a substantial direct impact in the near term on the construction industry. It's been estimated the direct impact will be the equivalent of 63 full-time employee positions during the 4th quarter of 2010 and calendar year of 2011. The total wages and benefits and gross income during construction will exceed \$7.0 million.

The Personal Property Tax exemption is approximately \$1,579,000, bringing the total sales tax exemption to \$2,061,000. Based on information received from the County and Camoin Associates, 1.2% of the sales tax, approximately \$24,732 would be distributed directly to the Town.

The Mortgage Tax Exemption is estimated at \$375,000. Based on information received from the County, the Town would receive 0.50% of 1.25% of the mortgage amount. Thus, the Town's portion would be, approximately \$150,000.

The three tax exemptions listed above would require payment of a fee to the County IDA estimated to be \$420,000. That fee would fund and benefit future economic development opportunities.

7. Expanded Economic Impact Analysis

Methodology

Economic impacts of the Project were estimated using an Input-Output model (IO model), which is the accepted industry standard for estimating community-wide economic impacts of a project. Input-Output modeling uses empirically collected data where possible, but there is a limit to the economic data available to conduct this sort of analysis. For this reason I-O modeling must rely on regional industry averages to determine the inputs and outputs of the Project. Additionally, the number and type of industries that supply those inputs or absorb the outputs are used to estimate the proportion of the dollars that remain in the community of the total dollars created by the ongoing input and output of the project.

As an example, based on industry averages it is determined that an auto mechanic would require X value of auto parts as one input to run a business. To determine what this impact would mean on the local economy the I-O model takes into account the number of industry locations, I.E. autoparts dealers, within the local area that could serve as an input source for the mechanic. Based on this data an estimation is formed to determine how much of those inputs are likely to come from local vendors and how much are likely to come from vendors outside the study area. The value calculated from this process, and a similar process for outputs, is the “multiplier effect”. Multipliers differ by industry, location, and size of geographic region. In this instance Rensselaer County was used as the impact area, because employment information is collected at the County level in New York State, and therefore represents the smallest geographic unit for which primary employment data is available.

Impacts

In reviewing the original economic impact analysis a correction needs to be made to the multipliers. The original analysis used the North American Industry Classification System (NAICS) code of 484122-general freight long-distance LTL trucking; FedEx ground commonly uses an alternative NAICS code which is 492110-couriers and local express delivery service. Updating the NAICS code will adjust the multipliers for the project in the following manner.

Multiplier Summary		
	484122 General Freight	492110 Couriers
FTE Multiplier	1.69	1.34
Annual Earnings Multiplier	1.52	1.40

The Project will combine operations from three existing facilities in Albany County into the operations at the East Greenbush location. The Project will also expand operations to include additional capacity for local service and become a regional “hub” that will serve to coordinate delivery throughout many parts of the Northeast. The table below separates out the direct impacts into “new” versus “transferred” FTEs⁴, as well as a breakdown of the wages and benefits for each employment opportunity and gross income for independent contractor opportunities.

DIRECT ECONOMIC IMPACTS							
	Employee Positions			Independent Contractor Opportunities		Total	
	FTE	Earnings (Wages)	Earnings (Benefits)	FTE	Earnings (Gross Income)	FTE	Earnings
Transferred	100	\$3,884,112	\$1,036,539	82	\$8,766,649	182	\$13,687,300
New	79	\$2,294,732	\$515,395	56	\$5,986,980	135	\$8,797,107
Total	179	\$6,178,844	\$1,551,934	138	\$14,753,629	317	\$22,484,407

Based on the direct impacts shown above and the economic multipliers established for this location and industry, the total economic impacts have been calculated and are shown in the

⁴ See Fiscal Impact Study Page 3 for a definition of FTE.

tables below. The indirect and induced impacts show that in the County 108 FTEs will be created in addition to the direct FTEs, and an additional \$9 million in earnings will also be created, for a total impact of 425 FTEs and \$31,478,170 in earnings.

TOTAL ECONOMIC IMPACT FTE	
Direct	317
Indirect & Induced	108
Total	425

TOTAL ECONOMIC IMPACT EARNINGS	
Direct	\$22,484,407
Indirect & Induced	\$8,993,763
Total	\$31,478,170

Transferred positions introduce some uncertainty into the economic impact modeling process. Because these employment opportunities will be transferred from a close geographic area, there may be some “crossover” as a part of this project. That is to say that the Albany County facilities may already derive some of their input from Rensselaer County. Similarly, some of the outputs including employee spending may already be going to Rensselaer County. If there is any effect from this crossover it will be to the induced and indirect impacts attributable to transferred FTE. To form a detailed estimate of the magnitude of this effect would require significant additional research which is beyond the scope of this study.

The information that is available can be used to form a very rough estimate of what this effect may be. The Colonie case study in section 4 indicates that 17.8% of employees and contractors reside in Rensselaer County. For display purposes only let us assume that this 17.8% represents the crossover effect. The resulting induced and indirect impacts would be 97 FTE’s and \$8,019,227 in earnings for a total impact of 414 and \$30,503,634 respectively. A more conservative estimate of 50% crossover results in an induced and indirect impact of 54 FTE’s and \$7,392,873 in earnings, for a total impact of 371 FTE and \$29,877,280 in earnings.

The induced and indirect FTEs created will be in a variety of industries, including day care, healthcare, realty and many others. Below is a table that displays a listing of the top five industry categories that are projected to receive the largest growth from total FTE creation as a result of the project.

Total FTE Impact - Top Five Affected Industries		
NAICS Code	Industry Description	Change
48-49	Transportation and warehousing	321
62	Health care and social assistance	17
44-45	Retail trade	15
23	Construction	7
72	Accommodation and food services	7