



MEMORANDUM

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To: Mr. John Tubbs,
 County of Franklin Industrial Development Agency
From: Rachel Selsky, Senior Economic Development Specialist
Date: May 3, 2016
Re: Jericho Rise Wind Farm PILOT Application Impact Analysis

Other Offices:

Scarborough, ME
 Brattleboro, VT

Introduction

Jericho Rise Wind Farm LLC (the “Applicant”) has submitted an application for assistance to the County of Franklin Industrial Development Agency (the “Agency”) for construction of a 77.7 MW wind farm including 37 Gamesa 2.1 MW wind turbine generators (the “Project”) covering 6,600 acres in the towns of Bellmont and Chateaugay, New York (the “Site”). As part of the review of the Payment in Lieu of Taxes (“PILOT”) application, the Agency has commissioned Camoin Associates to conduct an economic impact analysis of the Project on Franklin County.

As a result of the Project, the Applicant will create 10 full time jobs in Franklin County. Without financial assistance, the Applicant would be unable to complete the Project. Therefore, 10 (or 100%) of the new positions are considered “net new,” to Franklin County, because the jobs will not be created, but for the Project. This study analyzes the impact that the Project (including the construction) will have on the local Franklin County economy.

The following is a summary of our findings from this study, with details below.

Summary of Benefits to County	
Economic Impact	
Construction Phase Jobs	189
Construction Phase On-Site Jobs	124
Construction Phase Earnings	\$ 14,377,794
Construction Phase On-Site Earnings	\$ 12,288,713
Annual Jobs	19
On-Site Jobs	10
Annual Earnings	\$ 1,289,197
On-Site Earnings	\$ 947,000
Fiscal Impact	
Net Benefit to County Jurisdictions	\$ 19,949,803

Source: EMSI, Camoin Associates



- The construction of the Project will result in approximately 124 new direct construction jobs and 65 indirect jobs throughout the County. These jobs will generate over \$12 million in direct new earnings on-site and an additional \$2 million in indirect earnings.
- Once the wind farm is operational, there will be approximately 19 jobs in the County including the 10 “net new” direct on-site jobs. The new direct earnings associated with the Project equals \$947,000 on-site and \$342,000 indirect earnings throughout the County.
- The Applicant will make payments to Franklin County entities totaling more than \$23 million over the 30 year PILOT term. This is nearly \$20 million more than the Project will cost to the taxing jurisdictions in terms of exemptions.

Economic Impact Analysis

The estimates of direct economic activity generated during the construction phase and wind farm operation as provided by the Applicant were used as the direct inputs for the economic impact model. Camoin Associates used the input-output model designed by Economic Modeling Specialists, Inc. (EMSI) to calculate total economic impacts. EMSI allows the analyst to input the amount of new direct economic activity (spending or jobs) occurring within the County and uses the direct inputs to estimate the spillover effects that the net new spending or jobs have as these new dollars circulate through the Franklin County economy. This is captured in the indirect impacts and is commonly referred to as the “multiplier effect.”

One-Time Construction Phase Impacts

The Applicant anticipates that construction of the Project will cost \$156 million. Assuming that approximately 50% of the construction related sales (not including buildings or wind turbines¹) are made within the County², that is \$32,250,000 in net new sales. Based on \$32,250,000 net new sales associated with the construction phase of the Project, Camoin Associates is able to determine that there will be a total of \$14 million in one-time construction-related earnings supporting 189 job-years and \$37 million in sales in Franklin County.³

¹ The expenses related to the wind turbines are not included because they will be imported into the County and will therefore not create new economic activity in the County.

² The exact amount of construction expenses was not provided by the Applicant and therefore Camoin Associates assumes 50% based on existing construction related activity in the County.

³ Indirect impacts represent money spent by businesses on purchases of goods and services within the local economy, creating additional employment and earnings. It also includes the expenditures of new household income from wages and payments made to employees.



Economic Impact - One Time Construction Phase			
	Direct	Indirect	Total
Job-Years	124	65	189
Earnings	\$ 12,288,713	\$ 2,089,081	\$ 14,377,794
Sales	\$ 32,250,000	\$ 5,454,361	\$ 37,704,361

Source: EMSI, Camoin Associates

Building Occupation and Operation Impacts

The table below outlines the impact that the jobs associated with the Project would have on Franklin County in terms of direct, indirect and total employment and wages. Without financial assistance from the Agency, the Applicant states it would not follow through with the Project. Because these employment positions would not exist in Franklin County without the Project, all existing jobs of the Applicant and jobs related to the expansion are treated as new employment for the County or “direct” jobs created by the project.

Economic Impact - Operation Phase			
	Direct	Indirect	Total
Jobs	10	9	19
Earnings*	\$ 947,000	\$ 342,197	\$ 1,289,197
Sales	\$ 6,108,492	\$ 868,511	\$ 6,977,002

Source: EMSI, Camoin Associates

*Earnings adjusted based on Applicant's reported average earnings

As shown in the table above, we anticipate that the 10 direct jobs and \$947,000 in earnings would occur at the Site itself and act as the direct impacts. Taking into account the additional indirect and induced economic impacts on Franklin County from those direct jobs, total employment created by the Project is estimated at 19 jobs, nearly \$7 million in sales, and \$1.3 million in annual earnings.

Fiscal Impact Analysis

In addition to the economic impact of the Project on the local economy (outlined above), there will also be a fiscal impact in terms of PILOT payments, Host Community Agreement payments, Economic Development Reserve Fund payments, and payments to the Industrial Development Agency. The Applicant will also be eligible for a Sales and Use Tax Exemption. The following section of the memo outlines the impact of the completion of the Project on the affected taxing jurisdictions in terms of the cost and/or benefit to municipal budgets.

PILOT Payments

The Applicant has applied to the Agency for a Payment In Lieu of Taxes (PILOT) agreement. The Applicant has proposed a thirty-year payment schedule. The terms of the PILOT are based on the proposed MW capacity of the wind farm and are as follows:



- Base Payment: \$4,000 per MW of the combined nameplate rated capacity of all installed Turbines
- Distribution: \$3,000/MW of the \$4,000/MW base PILOT Payment will be distributed to the taxing jurisdictions according to split percentages provided by the Agency. The remaining \$1,000/MW base PILOT payment will be paid to the Chateaugay Central School District.
- Annual Escalator: Starting in the sixth year the PILOT Payments will be increased by the New York State property tax cap allowable levy growth factor (based upon CPI, to be not less than 0% nor greater than 2%) over the prior year's PILOT Payment. Our analysis assumes the current inflation factor for NYS of 0.73%.
- PILOT Payment Schedule: The first PILOT Payment will be due when property taxes on the Project will otherwise be payable following the Construction Year. Accordingly, the first PILOT Payment for the Chateaugay Central School District will be due on or before September 30 following the first taxable status date after the Construction Year, and the first PILOT Payment to the Towns and County will be due on or before January 31 following the first taxable status date after the Construction Year. PILOT Payments for subsequent years will be due on the anniversaries of those due dates.

Based on the terms of the PILOT as proposed, Camoin Associates calculated the potential payments associated with the PILOT agreement:



PILOT Payments							
Year	Franklin County	Town of Belmont	Town of Chateaugay	Chateaugay Central School District			Total PILOT Payment
	13%	6%	22%	59%	Flat Payment	Total SD Payment	
1	\$ 30,303	\$ 13,986	\$ 51,282	\$ 137,529	\$ 77,700	\$ 215,229	\$ 310,800
2	\$ 30,303	\$ 13,986	\$ 51,282	\$ 137,529	\$ 77,700	\$ 215,229	\$ 310,800
3	\$ 30,303	\$ 13,986	\$ 51,282	\$ 137,529	\$ 77,700	\$ 215,229	\$ 310,800
4	\$ 30,303	\$ 13,986	\$ 51,282	\$ 137,529	\$ 77,700	\$ 215,229	\$ 310,800
5	\$ 30,303	\$ 13,986	\$ 51,282	\$ 137,529	\$ 77,700	\$ 215,229	\$ 310,800
6	\$ 30,524	\$ 14,088	\$ 51,656	\$ 138,533	\$ 78,267	\$ 216,800	\$ 313,069
7	\$ 30,747	\$ 14,191	\$ 52,033	\$ 139,544	\$ 78,839	\$ 218,383	\$ 315,354
8	\$ 30,971	\$ 14,295	\$ 52,413	\$ 140,563	\$ 79,414	\$ 219,977	\$ 317,656
9	\$ 31,198	\$ 14,399	\$ 52,796	\$ 141,589	\$ 79,994	\$ 221,583	\$ 319,975
10	\$ 31,425	\$ 14,504	\$ 53,181	\$ 142,623	\$ 80,578	\$ 223,200	\$ 322,311
11	\$ 31,655	\$ 14,610	\$ 53,570	\$ 143,664	\$ 81,166	\$ 224,830	\$ 324,664
12	\$ 31,886	\$ 14,717	\$ 53,961	\$ 144,713	\$ 81,758	\$ 226,471	\$ 327,034
13	\$ 32,119	\$ 14,824	\$ 54,355	\$ 145,769	\$ 82,355	\$ 228,124	\$ 329,421
14	\$ 32,353	\$ 14,932	\$ 54,751	\$ 146,833	\$ 82,957	\$ 229,790	\$ 331,826
15	\$ 32,589	\$ 15,041	\$ 55,151	\$ 147,905	\$ 83,562	\$ 231,467	\$ 334,248
16	\$ 32,827	\$ 15,151	\$ 55,554	\$ 148,985	\$ 84,172	\$ 233,157	\$ 336,688
17	\$ 33,067	\$ 15,262	\$ 55,959	\$ 150,072	\$ 84,787	\$ 234,859	\$ 339,146
18	\$ 33,308	\$ 15,373	\$ 56,368	\$ 151,168	\$ 85,406	\$ 236,573	\$ 341,622
19	\$ 33,551	\$ 15,485	\$ 56,779	\$ 152,271	\$ 86,029	\$ 238,300	\$ 344,116
20	\$ 33,796	\$ 15,598	\$ 57,194	\$ 153,383	\$ 86,657	\$ 240,040	\$ 346,628
21	\$ 34,043	\$ 15,712	\$ 57,611	\$ 154,503	\$ 87,290	\$ 241,792	\$ 349,158
22	\$ 34,291	\$ 15,827	\$ 58,032	\$ 155,630	\$ 87,927	\$ 243,557	\$ 351,707
23	\$ 34,542	\$ 15,942	\$ 58,455	\$ 156,767	\$ 88,569	\$ 245,335	\$ 354,275
24	\$ 34,794	\$ 16,059	\$ 58,882	\$ 157,911	\$ 89,215	\$ 247,126	\$ 356,861
25	\$ 35,048	\$ 16,176	\$ 59,312	\$ 159,064	\$ 89,866	\$ 248,930	\$ 359,466
26	\$ 35,304	\$ 16,294	\$ 59,745	\$ 160,225	\$ 90,522	\$ 250,747	\$ 362,090
27	\$ 35,561	\$ 16,413	\$ 60,181	\$ 161,394	\$ 91,183	\$ 252,578	\$ 364,733
28	\$ 35,821	\$ 16,533	\$ 60,620	\$ 162,573	\$ 91,849	\$ 254,422	\$ 367,396
29	\$ 36,083	\$ 16,654	\$ 61,063	\$ 163,759	\$ 92,519	\$ 256,279	\$ 370,078
30	\$ 36,346	\$ 16,775	\$ 61,509	\$ 164,955	\$ 93,195	\$ 258,150	\$ 372,779
Total	\$ 985,365	\$ 454,784	\$ 1,667,540	\$ 6,998,615			\$ 10,106,303
30 Year Average	\$ 32,845	\$ 15,159	\$ 55,585	\$ 233,287			\$ 336,877

Source: County of Franklin Industrial Development Agency, Camoin Associates

Over the 30 year PILOT term the Applicant will pay over \$10 million in PILOT payments or over \$336,000 per year.

Host Community Agreement

In addition to the PILOT Payments described above, the Applicant will pay \$5,000 per MW in Host Community Agreement payments to the Town of Belmont and the Town of Chateaugay.



Host Community Agreement	
Amount per MW per Year	\$ 5,000
Total MW	77.7
Total Annual Payment	\$ 388,500
Payments over 30 Years	\$ 11,655,000

Source: Agency, Camoin Associates

The \$388,500 annual payment will be split between the two towns based on the combined nameplate rated capacity of Turbines installed in each Town.

Economic Development Reserve and Industrial Development Agency Fees

Finally, the Applicant will pay \$388,500 to the Economic Development Reserve and \$1,560,000 to the County of Franklin Industrial Development Agency. The table below outlines the schedule of payments as provided by the Agency.

County of Franklin Industrial Development Agency Payments		
Year	Economic Development Reserve Fund Payments*	Fees**
0	\$ -	\$ 312,000
1	\$ 77,700	\$ 312,000
2	\$ 77,700	\$ 312,000
3	\$ 77,700	\$ 312,000
4	\$ 77,700	\$ 312,000
5	\$ 77,700	\$ -
Total	\$ 388,500	\$ 1,560,000

* \$1,000 per MW of nameplate rated capacity for the first five years of the Term, to be distributed by the Agency and payable when the portion of the PILOT payment to the County will be due.

** The Company will be responsible for the fees and expense of the Agency's counsel in connection with the Project, including with respect to the Agent Agreement, the Sales Tax Exemption Letter, and straight-lease transaction, and also cost/benefit analysis.

Summary of Payments

The following calculates the total payments made by the Applicant over the 30 year PILOT term. In total, the Applicant will make payments totaling \$23,709,803 to the Town of Belmont, the Town of Chateaugay, Franklin County, Chateaugay Central School District, the Economic Development Reserve Fund, and the County of Franklin Industrial Development Agency.



Year	Total Payments				
	PILOT Payments	Host Community Agreement	Economic Development Reserve	IDA Fees	Total
0	\$ -	\$ -	\$ -	\$ 312,000	\$ 312,000
1	\$ 310,800	\$ 388,500	\$ 77,700	\$ 312,000	\$ 1,089,000
2	\$ 310,800	\$ 388,500	\$ 77,700	\$ 312,000	\$ 1,089,000
3	\$ 310,800	\$ 388,500	\$ 77,700	\$ 312,000	\$ 1,089,000
4	\$ 310,800	\$ 388,500	\$ 77,700	\$ 312,000	\$ 1,089,000
5	\$ 310,800	\$ 388,500	\$ 77,700	\$ -	\$ 777,000
6	\$ 313,069	\$ 388,500	\$ -	\$ -	\$ 701,569
7	\$ 315,354	\$ 388,500	\$ -	\$ -	\$ 703,854
8	\$ 317,656	\$ 388,500	\$ -	\$ -	\$ 706,156
9	\$ 319,975	\$ 388,500	\$ -	\$ -	\$ 708,475
10	\$ 322,311	\$ 388,500	\$ -	\$ -	\$ 710,811
11	\$ 324,664	\$ 388,500	\$ -	\$ -	\$ 713,164
12	\$ 327,034	\$ 388,500	\$ -	\$ -	\$ 715,534
13	\$ 329,421	\$ 388,500	\$ -	\$ -	\$ 717,921
14	\$ 331,826	\$ 388,500	\$ -	\$ -	\$ 720,326
15	\$ 334,248	\$ 388,500	\$ -	\$ -	\$ 722,748
16	\$ 336,688	\$ 388,500	\$ -	\$ -	\$ 725,188
17	\$ 339,146	\$ 388,500	\$ -	\$ -	\$ 727,646
18	\$ 341,622	\$ 388,500	\$ -	\$ -	\$ 730,122
19	\$ 344,116	\$ 388,500	\$ -	\$ -	\$ 732,616
20	\$ 346,628	\$ 388,500	\$ -	\$ -	\$ 735,128
21	\$ 349,158	\$ 388,500	\$ -	\$ -	\$ 737,658
22	\$ 351,707	\$ 388,500	\$ -	\$ -	\$ 740,207
23	\$ 354,275	\$ 388,500	\$ -	\$ -	\$ 742,775
24	\$ 356,861	\$ 388,500	\$ -	\$ -	\$ 745,361
25	\$ 359,466	\$ 388,500	\$ -	\$ -	\$ 747,966
26	\$ 362,090	\$ 388,500	\$ -	\$ -	\$ 750,590
27	\$ 364,733	\$ 388,500	\$ -	\$ -	\$ 753,233
28	\$ 367,396	\$ 388,500	\$ -	\$ -	\$ 755,896
29	\$ 370,078	\$ 388,500	\$ -	\$ -	\$ 758,578
30	\$ 372,779	\$ 388,500	\$ -	\$ -	\$ 761,279
Total Payments	\$ 10,106,303	\$ 11,655,000	\$ 388,500	\$ 1,560,000	\$ 23,709,803
Average Annual (30 years)	\$ 336,877	\$ 388,500	\$ 12,950	\$ 52,000	\$ 790,327

Other Exemptions

In addition to the PILOT, there are other benefits to working with the Agency including a sales tax exemption on construction materials and furniture, fixtures, and equipment.

Cost of PILOT to County	
Sales and Use Tax Exemption	\$ 3,760,000
Source: Applicant	



The additional incentives offered by the Agency would benefit the Applicant but would not negatively affect the County because, without the Project, the County by definition would not be receiving any associated revenue.

Cost/Benefit Analysis

The following table calculates the total and annual fiscal impact of the Project on Franklin County taxing jurisdictions. Over the life of the PILOT the Applicant will pay \$23.7 million and will receive an exemption of \$3.7 million. This is equal to nearly \$20 million in new revenue for the County jurisdictions or an annual benefit of \$664,993.

Cost/Benefit Analysis for County Jurisdictions	
Total New Revenue	\$ 23,709,803
Total Exemptions	\$ 3,760,000
Net Benefit to the County	\$ 19,949,803
Average Annual Net Benefit to the County	\$ 664,993