REPORT AND RECOMMENDATIONS OF
COMMITTEE TO REVIEW
COUNTY OF SULLIVAN INDUSTRIAL DEVELOPMENT AGENCY'S
UNIFORM TAX EXEMPTION POLICY

INTRODUCTION

Periodically, the County of Sullivan Industrial Development Agency ("Agency") reviews its Uniform Tax Exemption Policy ("Policy") to be certain that such policy is aligned with the economic development needs of the County of Sullivan ("County"). A comprehensive review was undertaken in 2004 by a committee appointed by Christopher A. Cunningham, then Chairman of the Sullivan County Legislature ("2004 Committee"). Following that review, the Agency amended its Policy effective September 14, 2004. Due to significant changes in the overall economy of Sullivan County between 2004 and 2006, Chairman Cunningham and the County Legislature were of the opinion that another review was warranted in 2006. On October 17, 2006 Chairman Cunningham appointed a committee ("2006 Committee") to undertake another comprehensive review of the Policy. The Agency's polices were amended following that review effective April 8, 2008. Since that time the County has undergone significant change demographically and commercially. Large-scale projects including the Resorts World Catskills Casino, Kartrite Resort and Indoor Waterpark, and others have been completed. Over the past 18 months we have navigated a worldwide pandemic, the effect of which may not be known for many years to come. We are now in the midst of a nationwide labor crisis and a local boom real estate market. Given these developments and the passage of time, it is important to review the Policy to ensure that it meets the County's current and future needs and appropriately addresses the needs of commercial enterprises seeking to develop and expand here.

On September 30, 2021, Robert Doherty, Chairman of the County Legislature, appointed a six (6) member committee ("Committee") to review the Policy as it now exists and assess the Policy's strengths and weaknesses in providing assistance to individuals or companies that seek to establish or expand businesses and create employment in the County. The Committee consists of the following individuals:

Joshua Potosek, Sullivan County Manager

Heather Brown, Sullivan County Deputy Commissioner of Planning and Environmental Management

Kirsten Harlow Foster, Foster Supply Hospitality

Phil Vallone, Rolling V Enterprises

Howard Siegel, Agency Treasurer and Chief Financial Officer

Edward Sykes, Agency Vice Chairman

HISTORY OF THE AGENCY'S UNIFORM TAX EXEMPTION POLICY

A Certificate of Establishment of the Agency was filed with the New York Secretary of State on November 6, 1970. The Agency was formed for the benefit of the County and its inhabitants to accomplish any or all of the purposes specified in Article 18-A of the General Municipal Law of the State of New York ("GML") under authority granted pursuant to Section 906 of the GML. The founding members of the Agency adopted a single "one-size-fits- all" tax abatement policy applicable to all projects. That policy still exists today and is called the General Abatement Program (as hereinafter defined).

Effective January 1, 1996, the County implemented a charter form of government replacing its Board of Supervisors with elected legislative district representatives comprising the County Legislature. On February 9, 1996, the County Legislature appointed Robert Kunis, Allan C. Scott, Harold Gold, Joyce Salimeno, Raymond Walter, Edward T. Sykes and Ronald Gozza to serve as members of the Agency. The post-1996 Agency members, working closely with the County Legislature and the County Office of Planning and Community Development ("County Planning Department") undertook a review of industrial development agencies' policies and procedures in place elsewhere. The County Planning Department, with the aid of the Agency and the Partnership for Economic Development in Sullivan County, Inc. ("Partnership") commissioned a study, which ultimately resulted in a two (2) volume report entitled Rebuilding Sullivan County – An Economic Development Strategy ("Strategy"). The Strategy concluded that it would be beneficial for the Agency to establish programs targeted to benefit certain industries believed to be well-suited to the County's infrastructure and goals.

Coincidentally, in 1997, Section 874 of the GML was amended requiring the Agency to review and re-adopt its Uniform Tax Exemption Policy on or before April 1, 1999 and setting forth the procedure therefor. Following review of the Strategy the Agency, in accordance with the procedures set forth in Section 874 of the GML, reaffirmed its General Abatement Program and adopted the following additional programs:

Tourism Industry

Agricultural Industry

Manufacturing

Retail Sales

Thereafter, the Agency on its own initiative adopted several additional programs: Disaster Impacted Businesses Program (1998); the Return of Tax Exempt Property to Taxable Status Program (1999); Green Technology Manufacturing Program (2008); Destination Resort Program (2008); Tax Credit Participation Program (2008); Arts Industry Program (2016); Community Distributed Generation Program (2016); and Commercial/ Industrial Park Program (2021).

COMMITTEE'S REVIEW PROCEDURE AND SUMMARY OF THE AGNECY'S UNIFORM TAX EXEMPTION POLICY

At the Committee's initial meeting held on October 19, 2021, the Committee agreed to extend an invitation to the Supervisor of each of the County's fifteen (15) towns and the Mayor of each of the County's six (6) villages to review, discuss and provide input on the Policy. Each Supervisor and Mayor was also asked to invite up to two other local representatives.

Invitations were extended to the following local governments to meet on the following dates:

Date	Local Governments
November 3, 2021	Towns of Callicoon, Cochecton, Delaware, Fremont, and Tusten; Village of Jeffersonville
November 10, 2021	Towns of Bethel, Forestburgh, Highland, and Lumberland
November 17, 2021	Towns of Fallsburg, Mamakating, and Thompson; Villages of Bloomingburg, Monticello, Woodridge, and Wurtsboro
December 1, 2021	Towns of Liberty, Neversink, and Rockland; Village of Liberty

The Committee also invited representatives of the Partnership, Sullivan County Chamber of Commerce, Sullivan Catskills Visitors Association, SUNY Sullivan, Sullivan BOCES, Sullivan County Center for Workforce Development, and the Agency to a meeting on December 8, 2021, to discuss the Policy.

Accompanying each invitation to meet with the Committee was a package of information prepared by Agency staff and legal counsel containing a copy of the current Policy, a listing of active projects approved under each program since January 1, 2011, and a copy of the 2008 Report and Recommendations of the Committee to Review the Policy.

Each County Legislator was invited to participate in at least one meeting of the municipality or municipalities located within his or her legislative district.

A summary of the Agency's Uniform Tax Exemption Policy in place at the time of review is as follows:

<u>GENERAL ABATEMENT PROGRAM</u>

<u>Program Overview.</u>

After a Certificate of Establishment of the Agency was filed with the New York Secretary of State on November 6, 1970, an original tax exemption policy was adopted by the founding members of the Agency under authority granted pursuant to Section 906 of the General Municipal Law of the State of New York. That basic policy still exists today and is called the General Abatement Program. The Agency readopted its General Abatement Program as required by Law on December 28, 1993 and in 1997, 1998, and 1999. During the 2004 review process, the 2004 Committee determined that the development of tourism destination projects in close proximity to gaming related facilities will occur with or without financial assistance from the Agency. Therefore the 2004 Committee recommended that the General Abatement Program be amended so as not to provide tax abatements to applicants proposing tourism destination facilities within the Town of Thompson, where several gaming related facilities were proposed for development. The General Abatement Program was amended on September 14, 2004 to eliminate benefits for applicants proposing tourism destination facilities within the Town of Thompson.

Program Tax Abatements.

The tax abatements associated with the General Abatement Program are as follows:

Sales. Sales tax abatements are provided in connection with all taxable items purchased by projects under this program.

Mortgage. All mortgage tax on loans financing projects under this program is abated.

Real Estate. Real estate taxes on the increased value resulting from improvements are abated at fifty (50%) percent for year one (1) with the abatement decreasing two and one-half (2½%) percent per year for years two (2) through twenty (20). This type of abatement program, commonly called a 485-b "stretch", provides benefits similar to benefits that are available under Section 485-b of the New York Real Property Tax Law ("RPTL"), but over a twenty (20) year period versus the ten (10) year period provided for in the RPTL.

Employment Goals.

Employment goals are determined on a project by project basis. Real property tax abatements are reduced in future years if the project's employment goals are not met.

TOURISM INDUSTRY PROGRAM

Program Overview.

The Agency adopted its targeted tax abatement program for the tourism industry ("Tourism Industry Program") on December 31, 1998. Prior to adoption of this targeted tax exemption program the Agency had many meetings and discussions relative to the "Sweet Spots" of the Sullivan County economy. For scores of years the tourism industry (together with the agricultural industry) was a backbone of the County's economy. Tourism facilities typically purchase most of their goods and services locally, while attracting customers and guests to the County from outside the region. Benefits of tourism industry projects include substantial employment in the tourism industry and the import of tourism dollars from elsewhere to the County economy.

The Tourism Industry Program was amended in 2004 following recommendations from the 2004 Committee. In 2004, the Tourism Industry Program was amended to prohibit the Agency from accepting applications or providing tax abatements to any Tourism Industry Program applicant developing a project within the Town of Thompson.

Program Tax Abatements.

The following tax abatements are associated with the Tourism Industry Program:

Sales. Sales tax abatements are provided in connection with all taxable items purchased in connection with tourism industry projects.

Mortgage. All mortgage tax on loans necessary for tourism industry projects is abated.

Real Estate. Real estate taxes on the increased value resulting from improvements are abated at one hundred (100%) percent for years one (1) through five (5) with the abatement decreasing ten (10%) percent per year for years six (6) through fifteen (15).

Employment Goals.

Minimum employment goals are established for projects receiving benefits under this program.

Employment goals are determined on a project by project basis. Real property tax abatements are reduced in future years if the project's employment goals are not met.

AGRICULTURAL INDUSTRY PROGRAM

Program Overview.

The Agency adopted its targeted tax abatement program for the agricultural industry on September 14, 1998 ("Agricultural Industry Program"). Prior to adoption of this targeted tax exemption program the Agency had many meetings and discussions relative to the "Sweet Spots" of the Sullivan County economy. For scores of years the agricultural industry (together with the tourism industry) was a backbone of the County's economy. This industry provides the County with both direct and measurable benefits, as well as important indirect benefits. Benefits that are direct and measurable include the substantial employment in the agricultural industry and the sale of agricultural products outside of the County market area resulting in the import of money from elsewhere to the County economy. Indirect benefits include the preservation of open space and the County's rural landscape.

Program Tax Abatements.

The tax abatements associated with the Agricultural Industry Program are as follows:

Sales. Sales tax abatements are provided in connection with all taxable items purchased in connection with the agricultural projects. This is of little benefit to production farms that are statutorily exempt from sales tax. However, this is an important benefit for services or suppliers to production farms and to businesses processing farm products.

Mortgage. All mortgage tax on loans necessary for agricultural industry projects is abated.

Real Estate. Real estate taxes on the increased value resulting from improvements are abated at one-hundred (100%) percent for years one (1) through five (5) with the abatement decreasing ten (10%) percent per year for years six (6) through fifteen (15). This is of reduced benefit to production farms that qualify for agricultural value assessment. However, this is an important benefit for suppliers to production farms and to businesses processing farm products.

Employment Goals.

There are no minimum employment goals associated with this program.

TARGETED MANUFACTURING PROGRAM

Program Overview.

The Agency adopted its targeted tax abatement program for manufacturing ("Targeted Manufacturing Program") on May 11, 1999. This program was developed in cooperation with the Partnership and the County Planning Department. By way of background, in 1997 the County Legislature adopted Rebuilding Sullivan County-- An Economic Development Strategy. This strategy recommended targeted tax incentives to be used "to attract particular businesses or industries ... well suited or beneficial to the economy"... of the County. Additionally, the Business Retention and Expansion Study which was conducted in the course of preparing the Strategy also recommended "targeted efforts ... to produce job growth through business expansion." The survey indicated twenty-nine (29%) percent of existing businesses were considering expansion. The most often cited reason for businesses considering relocating out of the County was "high taxes," a factor identified by nineteen (19%) percent of respondents. This targeted tax abatement program was designed to address this problem by converting such disincentives to incentives for those businesses with particular potential for job growth in industries identified to be well suited to the County's economy. This targeted tax abatement program was originally made available to the following types of manufacturing businesses:

SIC Code	Type of Manufacturing
20	Food and Kindred Products
24	Lumber and Wood Products, Except Furniture
25	Furniture and Fixtures
27	Printing, Publishing and Allied Industries
2834	Pharmaceutical Preparations
2836	Biological Products, Except Diagnostic Substances
32	Stone, Clay, Glass and Concrete Products
34	Fabricated Metal Products, Except Machinery and Transportation Equipment
35	Industrial and Commercial Machinery and Computer Equipment
36	Electronic and Electrical Equipment and Components, Except Computer Equipment

The Targeted Manufacturing Program was amended in 2004 in accordance with the 2004 Committee's recommendation that certain of the above-listed SIC codes were likely to produce low-wage paying jobs, which jobs were no longer viewed as attractive given the County's then present unemployment levels. The 2004 Committee recommended, and the Agency did so ultimately amend, its Manufacturing Program so as to eliminate various SIC Codes. Effective September 14, 2004, the Targeted Manufacturing Program is now available only to the following types of manufacturing businesses:

SIC Code	Type of Manufacturing
24	Lumber and Wood Products, Except Furniture
2834	Pharmaceutical Preparations
2836	Biological Products, Except Diagnostic Substances
34	Fabricated Metal Products, Except Machinery and Transportation Equipment
36	Electronic and Other Electrical Equipment and Components, Except Computer Equipment

Program Tax Abatements.

The following tax abatements are associated with the Manufacturing Program:

Sales. Sales tax abatements are provided in connection with all taxable items purchased in connection with manufacturing projects.

Mortgage. All mortgage tax on loans necessary for manufacturing projects is abated.

Real Estate. Real estate taxes on the increased value resulting from improvements are abated in accordance with the following schedule:

Year	% of Real Estate Taxes Abated
1	90.00%
2	90.00%
3	80.00%
4	80.00%
5	70.00%
6	70.00%
7	60.00%
8	60.00%
9	50.00%
10	50.00%
11	50.00%
12	50.00%
13	40.00%
14	40.00%
15	30.00%
16	30.00%
17	20.00%
18	20.00%
19	10.00%
20	10.00%

Employment Goals.

Minimum employment goals are established for projects receiving benefits under this program. Employment goals are determined on a project-by project basis. Real property tax exemptions are proportionally reduced if employment goals are not met.

RETAIL SALES PROGRAM

Program Overview.

Industrial development agencies must follow strict guidelines when providing financial assistance to retail projects ("Retail Sales Program"). These guidelines are set forth in Section 862 of the GML. The general rule is that industrial development agencies cannot provide financial assistance to any project that is primarily engaged in retail sales to customers who personally visit the project's facility to obtain such goods or services, if such sales constitute more than one-third (1/3) of the total project costs, unless:

(i) the predominant purpose of the project would be to make available goods or services which would not, but for the project, be reasonably accessible to the residents of the city, town, or village within which the proposed project would be located because of a lack of reasonably accessible retail trade facilities offering such goods or services; or

(ii) the project is located in a highly distressed area.

If the proposed project meets either exception above, then an industrial development agency may approve the application for financial assistance only if:

(i) the Agency finds that undertaking the project will preserve or increase the overall number of permanent, private sector jobs in New York State, and
(ii) the proposed action of the Agency with respect to the project is confirmed by the County Manager.

The Agency's Retail Sales Program was amended in 2004 following the recommendation of the 2004 Committee. In keeping with the 2004 Committee's belief that the development of tourism destination projects in close proximity to gaming related facilities will occur with or without financial assistance from the Agency, the Agency amended its Retail Sales Program effective September 14, 2004 so as to not provide tax abatement benefits under the Agency's Retail Sales Program to applicants proposing tourism destination facilities within the Town of Thompson. No changes were made to the Retail Sales Program following the 2008 review.

Program Tax Abatements.

Sales. Sales tax abatements are provided in connection withal taxable items purchased by retail projects.

Mortgage. All mortgage tax on loans necessary for financing retail projects is abated.

Real Estate. Real estate taxes on the increased value resulting from improvements are abated at fifty (50%) percent for year one (1) with the abatement decreasing by five (5%) percent per year for years two (2) through ten (10). This abatement mirrors Section 485-b of the New York Real Property Tax Law. For years eleven (11) through fifteen (15), payments in lieu of taxes ("PILOT payments") are equal to "full taxes"; although the value of the project for PILOT purposes remains fixed.

Employment Goals.

There are no minimum employment goals associated with this program.

DISASTER IMPACTED BUSINESSES PROGRAM

Program Overview.

The targeted tax abatement program for Disaster Impacted Businesses ("Disaster Impacted

Business Program") was adopted by the Agency in July, 1998. The purpose of this program is to provide incentives for businesses, which have been substantially destroyed by fire, flood, or other natural disasters, to rebuild in the County. Moving a business from one location to another involves a myriad of challenges. Notwithstanding the challenges, businesses routinely relocate. When the assets of a business are reduced to the form of an insurance company check the challenges associated with moving a business from one location to another cease to exist. Whether a business chooses to reestablish in its former location or move to a new location (either within or outside the County) can be greatly influenced by a targeted program designed to assist a disaster impacted business in its time of need.

Program Tax Abatements.

The following tax abatements are associated with the Disaster Impacted Businesses Program:

Sales. Sales tax abatements are provided in connection with all taxable items purchased in connection with the rebuilding of the disaster impacted business.

Mortgage. All mortgage tax on loans necessary to rebuild the disaster impacted business is abated.

Real Estate. Real estate taxes on the increased value resulting from improvements are abated at one-hundred (100%) percent for year one (1) with the abatement decreasing ten (10%) percent per year through year (5) five and then at five (5%) percent per year years six (6) through fifteen (15).

Employment Goals.

Since the Disaster Impacted Businesses Program is a business retention tool, there are no minimum employment goals associated with this program.

ENCOURAGING THE RETURN OF TAXABLE PROPERTY TO TAXABLE STATUS PROGRAM

Program Overview.

The Agency adopted its targeted tax abatement program encouraging the return of tax exempt property to taxable status ("Encouraging the Return of Taxable Property to Taxable Status Program") on June 8, 1999. In adopting this targeted tax exemption program, the Agency recognized that historically many properties within the County receive real property tax exemptions as a result of ownership and use by not-for-profit organizations. Many of these properties, if returned to the tax rolls, would require substantial improvements. As adopted in 1999, this was a twenty-year program, under which real estate taxes on the increased value resulting from improvements were abated at fifty (50%) percent for year one (1) with the abatement decreasing at two and one-half (2-½%) percent per year for years two (2) through twenty (20). The 2008 Review committee, recognizing the substantial number of tax exempt properties in the County, recommended that the Agency enhance the abatement schedule to provide a more meaningful incentive for property owners considering undertaking projects. The Agency accepted this recommendation and amended the Program to provide the abatement schedule below. Further, the 2008 Committee recommended that the Agency require that a project seeking benefits under this program be limited to properties that have been tax exempt for a minimum of three (3) years, and that the assessed value established by the assessing jurisdiction be utilized in computing PILOT payments for the term of the program. The Agency accepted all recommendations of the 2008 Committee with respect to the Encouraging the Return of Taxable Property to Taxable Status Program and amended the program to reflect these changes on April 8, 2008.

Program Tax Abatements.

The following tax abatements are associated with this program:

Sales. Sales tax abatements are provided in connection with all taxable items purchased by a project in connection with this program.

Mortgage. All mortgage tax on loans necessary for projects constructed under this program is abated.

Real Estate. Real estate taxes on the increased value resulting from improvements are abated according to the following schedule:

Year	% of Real Estate Taxes Abated
1	100.00%
2	100.00%
3	100.00%
4	91.67%
5	83.33%
6	75.00%
7	67.67%
8	58.33%
9	50.00%
10	41.67%
11	33.33%
12	25.00%
13	16.67%
14	8.33%
15	0.00%

Employment Goals.

As this program focuses on taxable status, there are no minimum employment goals associated with the program.

GREEN TECHNOLOGY MANUFACTURING PROGRAM

Program Overview.

The Green Technology Manufacturing Program was adopted by the Agency on April 8, 2008 at the recommendation of the 2006 Committee. This program is targeted to businesses locating in the Green Technology Park located at SUNY Sullivan.

Program Tax Abatements.

Sales. Sales tax abatement on all taxable purchases made in connection with the acquisition, construction, installation, and equipping of the project.

Mortgage. There is a mortgage tax abatement on all loans financing projects under this program.

Real Estate. Real estate taxes on the increased value resulting from improvements are abated over a twelve-year period, at one-hundred (100%) percent for first three (3) years, seventy-five (75%) percent the next three (3) years, fifty (50%) percent the following three (3) years, and twenty-five (25%) percent the last three (3) years.

Location Restriction.

To be eligible for benefits under this program, a project must be located in the Green Technology Park at SUNY Sullivan.

Employment Goals.

Minimum employment goals are established for projects receiving benefits under the Green Technology Manufacturing Program. Employment goals are determined on a project-by-project basis. Real property tax abatements are proportionally reduced if the project's employment goals are not met.

DESTINATION RESORT PROGRAM

Program Overview.

The Agency adopted its Destination Resort Program on April 8, 2008, at the recommendation of the 2008 Review Committee. This program is designed to offer meaningful incentives for large-scale tourism projects, which have numerous direct and indirect benefits for Sullivan County. These projects generally invest significant funds in their projects, attract tourism dollars that are spent in the County, and create many jobs. To qualify for the Destination Resort Program, a project must meet each of the following criteria:

(i) $25,000,000 in total project costs;
(ii) total project investment of not less than $250,000 per room; and
(iii) a minimum job creation of one (1) full-time equivalent employee ("FTE") for every four (4) rooms.

Program Tax Abatements.

Sales. Sales tax abatement on all taxable purchases made in connection with the acquisition, construction, installation and equipping of the project.

Mortgage. Mortgage tax abatement on all loans financing projects under this program.

Real Estate. Real estate taxes on the increased value resulting from improvements are abated over sixteen (16) years as follows:

Year	% of Real Estate Taxes Abated
1	100.00%
2	100.00%
3	100.00%
4	100.00%
5	100.00%
6	100.00%
7	100.00%
8	100.00%
9	87.50%
10	75.00%
11	62.50%
12	50.00%
13	37.50%
14	25.00%
15	12.50%
16	0.00%

Employment Goals.

At least one (1) FTE for every four (4) rooms must be created and maintained during the term of the project. Real property tax abatements are proportionally reduced if the project's employment goals are not met.

TAX CREDIT PARTICIPATION PROGRAM

Program Overview.

The Tax Credit Participation Program was adopted by the Agency on April 13, 2010. Lenders underwriting requirements typically require participation in federal tax credit programs to form single purpose entities as conduit borrowers. Normally these single purpose entities are not exempt from taxation, even in cases where the entity is an affiliate or subsidiary of an entity entitled to exemption under RPTL § 420 and qualified and operating under Section 501(c)(3) of the Internal Revenue Code. The purpose of the Tax Credit Participation Program is to facilitate participation in the Federal New Markets Tax Credit Program, the Federal Historic Tax Credits Program or similar federal and state programs involving the use of federal tax credits.

This program does not apply to residential projects. All program participants must be an affiliate or subsidiary of an entity (i) exempt from real property taxes under RPTL § 420 and (ii) qualified and operating under Section 501(c)(3) of the Internal Revenue Code. An entity meeting the requirements of (i) and (ii) above shall be a qualifying subsidiary or affiliate if the applicable exempt entity is (x) the owner of or majority of the beneficial interest in such subsidiary or affiliate or (y) is the managing member of such subsidiary or affiliate.

Program Tax Abatements.

Sales: All sales tax on the lease or purchase of tangible personal property acquired under this program is abated.

Mortgage: All mortgage tax on loans financing projects under this program is abated.

Real Estate: All real estate tax for the period of the financing program but not exceeding thirty (30) years are abated.

Employment Goals.

There are no employment goals associated with this Program.

ARTS INDUSTRY PROGRAM.

Program Overview.

The Agency adopted the Arts Industry Program on June 13, 2016. This program benefits for-profit businesses in the arts industry. The program was designed to capitalize on then-current efforts introduced to establish Arts and Cultural Districts throughout New York; to further encourage the development of the County's arts industry by providing a significant comparative advantage to companies seeking to locate specifically in proposed Arts and Cultural Districts in Sullivan County with incentives from local municipalities, the County, and the State; to build on New York State's efforts to incentivize qualified film production companies that produce feature films, television series, relocated television series, television pilots, films for television, and/or incur post-production costs associated with the original creation of these productions through the Film Tax Credit Program for upstate counties; to further develop Sullivan County's tourism industry, which has long been a pillar of our economy, by providing incentives to arts and cultural businesses; to complement recently completed major development projects in Sullivan County; and to foster an industry that provides clean jobs that can strengthen the economy in our region while preserving the rural assets to which people are drawn.

Program Tax Abatements:

Sales: Sales tax abatement on all taxable purchases made in connection with the acquisition, construction, installation, and equipping of the project.

Mortgage: Mortgage tax abatement on all loans financing projects under this program.

Real Estate: Real estate taxes on the increased value resulting from improvements are abated over a fifteen year period as follows: one hundred percent (100%) for years one (1) through five (5); ninety percent (90%) for year six (6); eighty percent (80%) for year seven (7); seventy percent (70%) for year eight (8); sixty percent (60%) for year nine (9); fifty percent (50%) for year ten (10); forty percent (40%) for year eleven (11); thirty percent (30%) for year twelve (12); twenty percent (20%) for year thirteen (13); ten percent (10%) for year fourteen (14); and zero percent (0%) for year fifteen (15).

Employment Goals.

Employment goals are determined on a project-by-project basis. Real property tax abatements are proportionally reduced if the project's employment goals are not met.

COMMUNITY DISTRIBUTED GENERATION PROGRAM

Program Overview.

The Community Distributed Generation Program was adopted by the Agency on December 12, 2016. In light of changes to the financial and regulatory framework affecting solar development, the program was amended and re-adopted on September 14, 2020. The purposes of this program are (i) to support New York State's "Reforming the Energy Vision" Initiative, which is intended to encourage renewable energy development that will spur economic growth and develop new energy business models; (ii) to bring community distributed generation projects to Sullivan County, where existing low electricity rates would otherwise inhibit investment in solar installations; (iii) to administer a single County-wide uniform tax exempt policy, allowing municipalities to collect long- term predictable PILOT monies without the burden of developing and administering PILOT agreements at the local government or school district level; (iv) to respect variations in local policy by requiring that each project application includes a letter affirming that the host municipality supports the project; (v) to foster the development of residential and small business on-site solar energy systems, which are not eligible for Agency benefits, by requiring that 1) towns recommending projects to the Agency also participate in New York State's Real Property Tax Law (RPTL) Section 487 program; and 2) school districts within which projects are proposed also participate in the RPTL Section 487 program; (vi) to assist project developers by offering a single County-wide uniform tax exempt policy, eliminating the need to negotiate PILOTs with the County and the various towns, villages, and school districts; (vii) to enhance developers' prospects for financing community distributed generation projects by offering a uniform PILOT structure that is simple and therefore more appealing to lenders; (viii) to benefit Sullivan County residents and businesses by requiring community distributed generation projects to offer them a local buying preference and an electricity rate of 10 percent less than the utility company's default rate, averaged over a 36 month period; (ix) to stimulate Sullivan County's transition to a sustainable energy economy by fostering the generation of local solar energy that is purchased and used within the County; and (x) to bring short- and long-term jobs to Sullivan County.

Program Tax Abatements.

Sales: Sales tax abatement on all taxable purchases made in connection with the acquisition, construction, installation, and equipping of the project.

Mortgage: Mortgage tax abatement on all loans financing projects under this program.

Real Estate: Real estate taxes on the increased value resulting from improvements are abated over a twenty-year period. The annual PILOT payment is expressed as a dollar value per megawatt (MW) of the facility's nameplate capacity. The dollar value per megawatt depends upon the level of incentives the project receives from New York State through the Public Service Commission's Value of Distributed Energy Resources (VDER), or Value Stack, mechanism. The PILOT dollar value per MW is the same for all Agency projects receiving a particular level of incentives through VDER. The PILOT is divided among all affected taxing jurisdictions in proportion to their tax rates.

Employment Goals.

There are no employment goals associated with this Program.

COMMERCIAL/ INDUSTRIAL PARK PROGRAM

Program Overview.

The Commercial/ Industrial Park Program was adopted by the Agency on April 21, 2021. This program is designed to encourage owners of land zoned for commercial or industrial uses to invest in roads and infrastructure without a concern about additional real estate taxes becoming a burdensome carrying cost while the commercial or industrial park land or lots are being marketed to end users.

This program is limited to projects undertaken on land with zoning that allows commercial or industrial uses and shall be applicable to only the Towns of Liberty, Thompson and Mamakating, along Interstate Route 86 and the Towns of Fallsburg and Bethel, where commercial or industrial parks are located.

It is anticipated that persons or entities purchasing or leasing land (or the owner constructing improvements) will apply for tax abatements on projects to be constructed on the improved commercial or industrial park land. At the time of adoption of this program, such future abatements shall receive financial assistance under the Agency's General Abatement Program unless 1) the proposed use qualifies for abatements under the Agency's Manufacturing or other applicable Abatement Program or 2) the proposed project seeks and is granted a deviation from the Agency's General Abatement Program.

Program Tax Abatements.

Sales: Sales tax abatements are provided in connection with all taxable items purchased or leased in connection with the development of the qualifying commercial or industrial park. The Agency's sales tax reporting protocols shall apply to all such expenditures. The abatement is subject to the Agency's one (1%) percent sales tax abatement fee.

Mortgage: All mortgage recording taxes ("MRT") on real estate mortgages securing loans for development of qualifying industrial parks shall be abated. The abatement is subject to the Agency's MRT abatement fee of the greater of one-tenth (1/10%) percent of the original principal amount of the debt secured or Five Thousand and 00/l00 ($5,000.00) Dollars.

Real Estate: Real estate taxes on the increased value of the land following installation of roads and infrastructure shall be abated at one hundred (100%) percent for a period not to exceed ten (10) years. All projects relying on this program shall enter into a Master Development and Agency Agreement ("MDAA"). The MDAA shall provide that when a part of the commercial or industrial park is sold, leased or a building permit related thereto is issued, the land or lot subject to the sale, lease or permit shall no longer qualify for real estate tax abatement under this program.

Employment Goals.

There are no employment goals associated with this Program.

COMMITTEE RECOMMENDATIONS RELATING TO THE AGENCY'S UNIFORM TAX EXEMPTION POLICY

The Committee reviewed the eligibility criteria, tax abatement schedules, employment goals, and other information relating to each program within the Agency's Uniform Tax Exemption Policy. The Committee also reviewed each of the foregoing with representatives of the towns, villages, and economic development agencies who accepted the invitation of the committee to provide feedback on the Policy.

At its meeting on January 5, 2022, the Committee finalized its proposed recommendations to the Agency relating to the Agency's Uniform Tax Exemption Policy and commissioned this report. Thereafter, this report was revised and finalized for submittal to the Agency for consideration.

SUGGESTED AMENDMENT OF THE GENERAL ABATEMENT PROGRAM

During the review process, representatives of local governments expressed concern that the Agency's abatement programs are too generous. Recognizing the concerns of local governments that are burdened by many types of real property tax exemptions and recognizing that the County's economy has changed and improved substantially since the General Abatement Program was adopted, the Committee recommends that the Agency amend the General Abatement Program so that the total value subject to payment in lieu of taxes ("TVSP") is fixed by the Agency for only the first ten (10) years of the program. The Committee recommends that, after the ten (10) year "freeze period", the assessed value established by the assessing jurisdiction be utilized in computing payments in lieu of taxes ("PILOT Payments") for the remaining ten (10) years of the program.

Further, the Committee recognizes the dramatic changes in the local, regional, national and global economic development landscape since the last review. With the advent of electronic commerce over the past many years, and an increasing reliance on electronic commerce since the onset of the COVID-19 pandemic, thousands of distribution centers have been constructed to keep up with consumer demand for fast, reliable deliveries. The Committee believes distribution centers create jobs and increase the local tax base. However, as of November 2021 Sullivan County's unemployment rate was 3.9%, compared with 5.5% statewide, and employers around the County are struggling to fill open positions. The Committee urges the Agency to exercise caution when incentivizing projects like distribution centers, which creates jobs but for which there seem to be few potential employees, with few or no housing options. To offset the possible negative side-effects of incentivizing distribution centers, the Committee recommends that the Agency require distribution center projects to provide, through construction or renovation, market rate workforce housing at a minimum rate of one (1) housing unit per twelve thousand five hundred (12,500) square feet of distribution center space and a maximum rate of one (1) housing unit per five thousand (5,000) square feet of distribution space, in order to be eligible for benefits under the General Abatement Program. Market rate workforce housing units must be renovated or constructed within Sullivan County, and within twenty-five (25) miles of the distribution center project. Further, the Committee believes the Agency's tax incentives will do little to attract distribution centers, whose greatest expenses are transportation costs.

SUGGESTED AMENDMENT OF THE TOURISM INDUSTRY PROGRAM

The Committee recommends that the Tourism Industry Program offer two levels of real property tax abatements. The first would be identical to the current abatement schedule: real estate taxes would be abated on the increased value resulting from improvements at one-hundred (100%) percent for years one (1) through five (5) with the abatement decreasing ten (10%) percent per year for years six (6) through fifteen (15). The second would be as follows: real estate taxes would be abated on the increased value resulting from improvements at one-hundred (100%) percent for years one (1) through eight (8), with the abatement decreasing twelve and a half (12.5%) percent per year for years nine (9) through sixteen (16). To be eligible for the enhanced sixteen (16) year abatement schedule, a project would need to meet two criteria: 1) the project must create one full-time equivalent employment position for every two (2) rooms constructed as part of the Tourism Industry project, and 2) the project must provide, through construction or renovation, market rate workforce housing at a minimum rate of one (1) unit for every four (4) rooms and a maximum rate of one (1) unit for every one (1) room renovated or constructed as part of the Tourism Industry project. Market rate workforce housing units must be renovated or constructed within Sullivan County, and within twenty-five (25) miles of the Tourism Industry project.

SUGGESTED AMENDMENT OF THE TARGETED MANUFACTURING PROGRAM

The Committee recommends that the Agency leave this program intact, and ensure that green technology manufacturing businesses are included in the list of SIC codes that are eligible for Agency benefits.

SUGGESTED AMENDMENT OF THE RETAIL SALES PROGRAM

The requirements of Section 862 of the GML have been amended since the 2008 review. The Committee recommends the Agency amend the language of the Retail Sales Program to exactly mirror the current requirements of the General Municipal Law, as set forth in the Policy Overview above.

SUGGESTED INTEGRATION OF THE GREEN TECHNOLOGY MANUFACTURING PROGRAM INTO THE TARGETED MANUFACTURING PROGRAM

The Committee recognizes that, more than ever, the County of Sullivan and the Agency are committed to sustainable energy and a sustainable economy. We also recognize that green technology manufacturing is a global market and several international firms wield control of this market. We recommend that, rather than limiting incentives for green technology manufacturing to the SUNY Sullivan Campus, the Agency eliminate the Green Technology Manufacturing Program as a standalone program and instead integrate green technology manufacturing into the Agency's Targeted Manufacturing Program. This would ensure that manufacturers of green technology could locate anywhere in the County and realize the benefits of Agency involvement. We believe SIC Major Group 36, "Electronic and Other Electric Equipment," encompasses green technology manufacturing. This SIC Major Group is included in the listing of SIC codes eligible for benefits under the Targeted Manufacturing Program.

SUGGESTED INTEGRATION OF THE DESTINATION RESORT PROGRAM INTO THE

TOURISM INDUSTRY PROGRAM

The Committee recognizes the tremendous positive impact of large-scale tourism projects on Sullivan County's economy. We also understand the strain on new and existing employers, who struggle to attract employees to Sullivan County without an adequate supply of housing. To simplify the Agency's programs and to encourage large-scale tourism businesses to consider market rate workforce housing as an integral component of their business plans, we recommend that the Destination Resort Program be eliminated as a standalone program and instead be integrated into the Tourism Industry Program, with an enhanced level of benefits for the kinds of large-scale projects that are currently part of the Destination Resort Program, as outlined above in our suggested amendments to the Tourism Industry Program.

SUGGESTED ELIMINATION OF THE TAX CREDIT PARTICIPATION PROGRAM

Since this program was created in 2010, one project has received benefits under the program. Given the narrow focus and low utilization of this program, and the changing landscape of federal and state tax credit programs, the Committee recommends that the Agency eliminate the Tax Credit Participation Program at this time. The Agency may wish to consider investigating and creating a new program that aligns with current and future tax credit programs offered at the federal and state levels.

SUGGESTED AMENDMENT OF THE COMMUNITY DISTRIBUTED GENERATION PROGRAM

During our meetings with local elected officials, it became apparent that there is great variation among municipalities with respect to solar energy development as a land use planning issue. Many Sullivan County towns are amenable to solar facilities locating within their boundaries, but some towns do not wish to encourage the development of solar facilities. To respect variations in local policy, the Agency's Community Distributed Generation Program requires that each project application include a letter affirming that the host municipality supports the project. We recommend this requirement be preserved.

The Program now in effect only authorizes the Agency to provide financial assistance to projects located in an area where no taxing jurisdiction has opted out of RPTL §487. The Committee does not believe there is a good reason to prevent Agency involvement in a project where a taxing jurisdiction has opted out under RPTL §487. The Committee recommends this limitation be eliminated and recommends that the exemption provided by the Agency be for the entire twenty (20) year abatement period.

SUGGESTED CREATION OF THE SULLIVAN COUNTY INTERNATIONAL AIRPORT PROGRAM

The Sullivan County International Airport presents an important opportunity for economic growth. While the County may be willing to lease airport land to developers at favorable rates, the Committee believes the high cost of property taxes deters potential developers from constructing hangars and other aviation-related facilities. In particular, we understand that in many neighboring states, real estate taxes are not assessed on airport properties. To overcome this competitive disadvantage and capitalize on the opportunity presented at the Airport, the Committee recommends that the Agency create a new Sullivan County International Airport Program. Such a program would only be available to developers proposing the construction of aircraft hangars or other aviation-related facilities.

The following program benefits are suggested:

Program Tax Abatements.

Sales. Sales tax abatement on all taxable purchases made in connection with acquisition, construction, installation and equipping of the project.

Mortgage. Mortgage tax abatement on all loans financing projects under this program.

Real Estate. A thirty (30) year abatement schedule is proposed whereby seventy-five (75%) percent of the assessed value established by the assessing jurisdiction is abated each year, from years one (1) through thirty (30).

Location Restriction.

Only projects located on the approximately six hundred (600) acres owned by the County of Sullivan and located at the Sullivan County International Airport would be eligible for benefits under this program.

Employment Goals.

No employment goals are proposed.

CONCLUSION

The Committee requests that, in accordance with its recommendations, the Agency reaffirm, in part and amend or establish, in part its Uniform Tax Exemption Policy, as follows:

1) reaffirm its Agricultural Industry Program; Disaster Impacted Businesses Program; Encouraging the Return of Tax Exempt Property to Taxable Status Program; and Arts Industry Program;
2) amend its General Abatement Program, to (i) use the assessed value established by the assessing jurisdiction as the TVSP when computing PILOT payments for years eleven (11) through twenty (20) of the Program; and (ii) balance job creation with the need for housing by allowing benefits for distribution center projects under this Program only if those projects construct or renovate market rate workforce housing at a minimum rate of one (1) unit per twelve thousand five hundred (12,500) square feet of distribution center space and a maximum rate of one (1) unit per five thousand (5,000) square feet of distribution center space, with such market rate workforce housing located within Sullivan County and within twenty-five (25) miles of the distribution center project;
3) amend its Tourism Industry Program, to offer an enhanced level of real estate tax abatements, specifically 100% abatement of new real estate taxes resulting from improvements for years one (1) through eight (8), decreasing twelve and one-half (12 ½%) percent per year for years nine (9) through sixteen, for projects that (a) create and maintain one FTE for every two (2) rooms constructed, and (b) construct or renovate market rate workforce housing at a minimum rate of one (1) unit for every four (4) rooms and a maximum rate of one (1) unit for every one (1) room renovated or constructed as part of

the Tourism Industry project, with such market rate workforce housing units located within Sullivan County and within twenty-five (25) miles of the Tourism Industry project;

4) amend its Targeted Manufacturing Program as needed to include all SIC codes that apply to businesses manufacturing green technologies;
5) amend its Retail Sales Program to reflect the requirements of Section 862 of the GML;
6) remove its Green Technology Manufacturing Program as a standalone program limited to the SUNY Sullivan campus, and incentivize green technology manufacturing projects anywhere in the County under the Targeted Manufacturing Program;
7) remove its Destination Resort Program as a standalone program and incentivize large-scale tourism projects through an enhanced benefits schedule under the Tourism Industry Program as described above;
8) eliminate its Tax Credit Participation Program;
9) amend its Community Distributed Generation Program to eliminate the limitation on Agency involvement in areas where a taxing jurisdiction has opted out under RPTL §487; and
10) create the Sullivan County International Airport Program through which an applicant seeking to develop an aircraft hangar or other aviation-related facility on land owned by the County of Sullivan at the Sullivan County International Airport receives sales tax abatements on taxable purchases made in connection with the project; mortgage tax abatement on all loans financing the project; and a real estate tax abatement on the total assessed value over a thirty (30) year period, at seventy-five (75%) of the assessed value established by the assessing jurisdiction for years one (1) through thirty (30).

The review undertaken by the Committee identified some areas where exploring solutions could not be accommodated in the timeframe for issuance of this report, as follows:

1. The Committee is hopeful that enhancing benefits under the Tourism Industry Program if market rate workforce housing units are developed and requiring development of market rate workforce housing as a condition for a distribution center to obtain financial assistance under the General Abatement program, will lead to development of sorely needed market rate workforce housing in the County. More work needs to be done to develop additional programs and incentives to promote housing opportunities.
2. The Committee recognizes that lack of childcare options in the County has resulted in some parents not being able to enter the workforce. Accordingly, development of incentives for childcare projects is necessary.
3. The Committee believes that strategies for redevelopment of the County's "Main Streets" is worthy of further exploration. The Committee recognizes that tax exemptions and financial assistance standing alone will not be an effective tool to accomplish this complicated goal.

If the County Legislature is in support of continued work by the Committee, the Committee is willing to continue to explore these areas of concern and if solutions or recommendations are developed, issue a supplemental report to the Agency.