

Tompkins County Industrial Development Agency

Administration provided by  **TCAD**

Organic Nature (GreenStar Cooperative Market) – Community Benefits Overview *June 18, 2018 – REVISED July 5, 2018*

Project Overview

GreenStar will consolidate its existing West End operations which currently span two blocks under one roof at 770 Cascadilla Street (the former Cornell Press building). The applicant, Organic Nature, LLC, will purchase the property, demolish one existing warehouse, construct 148 parking spaces, renovate the existing 30,000 square foot building, and add another approximately 5,000 square feet of space. The new store will comprise approximately 16,500 square feet of retail floor, an increase from the current West End store size of 5,600 square feet. The remaining area will include café seating for 60, storage, receiving, and commissary kitchen and events spaces. The new, approximately 5,000 square foot mezzanine will house administrative offices.

The applicant, Organic Nature, is a partnership between three entities that together bring experience in construction, housing/commercial rental management and project development. The Organic Nature team will own the property and lease the facility to GreenStar with an option to purchase in year 10.

The constraints of the current store location prevent GreenStar from reaching its true capacity and threaten the solvency of the entire business if they are not able to increase floor space in the near future. Several independent market studies have indicated GreenStar's capacity could be much larger and GreenStar has searched for relocation opportunities for 15 years. GreenStar's current West End store generates 77% of GreenStar's annual revenue. Annual sales are large, however, after operating expenses, net income typically is less than one percent of sales (i.e. \$22 million in sales, generates only \$220,000 in revenue).

This project is located just outside/adjacent to the CIITAP boundary. The City of Ithaca has recommended that the project be considered under the CIITAP policy umbrella. The project qualifies as of right for the 7-year abatement schedule offered under CIITAP.

Cost-Benefit Analysis

- Extent to which project would create and/or retain private sector jobs – 40 new jobs with starting salaries at \$13.50 per hour plus benefits.
- Estimated value of tax exemption

Sales Tax	\$476,396
Mortgage Recording Tax	\$21,648
Property Tax	\$127,183
Total	\$625,227

The total incentive package represents approximately 4.2% of project costs.

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The sales tax and mortgage recording tax incentives would be delivered to both entities (Organic Nature and GreenStar) based on their respective qualified project related purchases and financing projections. The property tax incentive would be delivered to Organic Nature as the owner of the property and would directly benefit GreenStar as their lease structure requires that GreenStar pay property taxes directly.

- Estimate of private sector investment to be generated by the project – \$14.7 million
- Likelihood of completing project in a timely manner – All project approvals have been received by the City of Ithaca. The development team has experience and capacity to deliver this project on time. GreenStar membership approved the relocation. The GreenStar lease at the existing location terminates in December of 2019, so they are motivated to keep this project on schedule to be completed by year-end 2019.
- Extent to which project would generate additional sources of revenue for local taxing jurisdictions – The project estimates adding \$900,000 in assessment to the tax base. During the 7-year PILOT term, an estimated \$130,246 will be paid in new property taxes.

- Other benefits that might result from the project:

Community Revitalization – The City of Ithaca has targeted the waterfront zone for revitalization and new development. This project reuses a now vacant warehouse and starts to create a neighborhood hub for what is hoped to be a new, vibrant neighborhood.

GreenStar's operations contribute over \$6 million to the purchase of goods within 100 miles of the City of Ithaca. The cooperative employees over 200 residents at a starting wage of \$12.98 per hour, with a full benefits package for employees working over 20 hours per week. The average hourly wage at GreenStar exceeds \$15 per hour.

- Retail Determination:

New York State law only allows IDA's to deliver incentives to projects where facilities are primarily used in making retail sales to customers if certain thresholds are met, one of which is the project is located in a "highly distressed" area. The project meets the highly distressed requirement as it is in a State designated Empire Zone (Zone 97 – Tompkins County – Subzone A: City CBD Industrial/Retail). Retail projects that meet the distressed threshold must also preserve and/or create permanent, private sector jobs. GreenStar has demonstrated that the current facility does not allow for a financially stable return on investment and they have been looking for a new location for over 10 years. This new location is critical to keep the company in business, thus retaining 240 current positions.

The Chief Executive Officer of Tompkins County (which is the County Administrator) will need to submit a letter to the IDA confirming the retail finding by the IDA prior to incentives being delivered.

According to federal New Market Tax Credit (NMTC) data, census tract #08 (36109000800) was assigned a "severe distress" status and was targeted for NMTC investments. The parcel meets the following criteria for determining severe distress: high poverty rate (30% or more) and low median

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family income (below 60% of AMI). The NMTC data (2011-2015) list the following qualifying criteria: Percent of People in Poverty: 35.3%, Tract Income as % of AMI: 50.01%.

Census Tract #08 has also been designated as a Qualified Opportunity Zone by the Treasury Department (5/18/18) based on NYS recommendation, designed to assist distressed census tract neighborhoods.