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THE GENESEO TOWN CENTRE AN ECONOMIC AND FISCAL IMPACT ASSESSMENT OF THE PROPOSED LOWE'S

Prepared for:
Town of Geneseo

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May 2006

SUMMARY

Quantifiable Outcomes

CGR was engaged by the Town of Geneseo to conduct an economic and fiscal impact assessment of a proposed Lowe's Home Improvement store in the Town of Geneseo (designed "LG" in the rest of the report). In addition to the 169,000 square feet home improvement store, the developer has also proposed additional development on the same site, tentatively a 15,000 square feet pharmacy.* The site in question is at the crossing of Volunteer Road and Lakeville Road (Route 20A).

Since this location is zoned for commercial or light industrial use and will likely not remain undeveloped, we compare LG with two alternative development scenarios: a call center of 35,000 square feet and a multiple unit call center of 80,000 square feet. These alternative scenarios are within current zoning size limits, so it would not need a special approval as a Planned Development District. While we analyze these different scenarios separately, it should be noted that a Lowe's does not preclude a call center or the other way around.

* The proposed ancillary development will be considered with respect to property tax revenues, but not employment, income, and sales tax. These impacts are likely to be much smaller compared to the impacts of LG. Furthermore, a retail facility this size will not drive a change in market size or character and is not likely to draw business from outside Livingston County or to displace a significant volume of business currently flowing outside the County. In the case of a pharmacy, much of the business volume generated is likely to be at the expense of the nearby Wegmans and Wal-Mart.

Employment & Payroll Impact

	Scenario A		Scenario B		Scenario C		Scenario D	
	No Home Depot in Dansville		Home Depot in Dansville		Call Center 35,000 sqft		Call Center 80,000 sqft	
	Jobs	Payroll (1000s)	Jobs	Payroll (1000s)	Jobs	Payroll (1000s)	Jobs	Payroll (1000s)
Livingston County	+122	+\$2,980	+129	+\$3,220	+484	+\$9,103	+1,107	+\$20,821
Rest of PTA	-30	-\$980	-49	-\$1,590	0	0	0	0
Total Long-Term Impact	+92	+\$2,010	+81	+\$1,630	+484	+\$9,103	+1,107	+\$20,821
One-time Construction	116	\$5,424	116	\$5,424	25	\$1,153	57	\$2,637

Currently, a project for a Home Depot in Dansville is also in process. Naturally, this would influence the impact of a Lowe's in Geneseo. At the time of this writing it is still not certain whether this project will go forward or not. We analyze what the impact of LG will be with and without a Home Depot in Dansville.

Summarizing, we will study 4 different scenarios:

- ❖ Scenario A: No Home Depot in Dansville;
- ❖ Scenario B: A Home Depot in Dansville;
- ❖ Scenario C: The alternative scenario of a 35,000 square feet call center;
- ❖ Scenario D: The alternative scenario of an 80,000 square feet call center.

Findings

While LG will create new jobs, we expect that employment at other home improvement retail businesses in the region will be lost. Based on the average employees per square foot, we expect LG to hire about 150 employees. We estimate that regional businesses will lose in the range of 60 to 70 employees, depending on whether a Home Depot in Dansville will be opened. Thus, there will be a net increase of perhaps 80 to 90 jobs within the primary trade area if the Lowe's is constructed. These estimates are based on the fact that sales per employee are much higher at a large retailer than at a local retailer. So for a given decrease in sales, the local retail business will lose more employment compared to a large retailer.

Sales Tax Revenue

Revenue for:	Scenario A	Scenario B
Town of Geneseo	\$5,100	\$5,200
Village of Geneseo	\$4,600	\$4,800
Other towns and villages	\$57,400	\$59,100
Livingston County	\$939,600	\$967,800
Total Sales Tax Revenue	\$1,006,700	\$1,037,000

Property Tax Revenue

Revenue for:		Scenario A&B (LG)		Scenario C (35,000 sqft CC)		Scenario D (80,000 sqft CC)	
		Year 1	Year 11	Year 1	Year 11	Year 1	Year 11
Town of Geneseo	Low	\$22,200	\$44,500	\$4,200	\$8,500	\$9,700	\$19,300
	High	\$27,400	\$54,800	\$5,200	\$10,400	\$11,900	\$23,800
Geneseo School District	Low	\$123,200	\$246,500	\$23,400	\$46,900	\$53,600	\$107,200
	High	\$151,700	\$303,400	\$28,900	\$57,700	\$66,000	\$131,900
Livingston County	Low	\$47,500	\$95,100	\$9,000	\$18,100	\$20,700	\$41,300
	High	\$58,500	\$117,000	\$11,100	\$22,300	\$25,400	\$50,900
Total Property Tax Revenue	Low	\$193,000	\$386,000	\$36,600	\$73,500	\$83,900	\$167,900
	High	\$237,600	\$475,200	\$45,200	\$90,400	\$103,300	\$206,600

CGR estimates that a 35,000 square foot call center can expect to generate about 480 extra jobs, and an 80,000 square foot call center 1,100 extra jobs. Although one-time construction employment and payroll are more favorable for LG compared to a call center, the employment and payroll impact is more positive for the call center scenario than for LG. There are two main reasons for this. First, call centers have higher employee densities than do large retailers. The employee density of a call center is so high, in fact, that a 35,000 square foot call center will hire far more workers than a 169,000 square foot Lowe's. Second, LG's impact on employment is muted due to the loss of jobs in competing retailers. This displacement effect is absent with a call center.

The fiscal impacts show a completely different picture. The call center generates less tax revenue compared to LG. One reason for this is that the call center will not collect sales tax. Moreover, LG is likely to be assessed higher than the call center, thus generating more property tax. The county and school districts will receive

most of the total tax revenue. A small portion will go to the Town and Village of Geneseo.

Finally, the call center and LG will have very different impacts on traffic, a concern expressed by many residents. Estimates of the timing, magnitude and impact of both alternatives will be addressed in another report, although clearly the traffic volume generated by a call center will be heavily concentrated at the beginning and end of the work day while traffic volume for LG will be more disbursed over the day.

Other Considerations

Although our analysis anticipates significant displacement from existing retailers to LG, many traditional retailers have demonstrated that it is possible to compete and even thrive in the same retail market as a large footprint retailer like Walmart or Lowe's, although product selection and service must adapt. Significant retail sales are lost to metropolitan Monroe County each year; just as we predict that a Lowe's in Geneseo would "repatriate" some of this sales volume, we believe that traditional retailers can do the same with other lines of business. Apart from this, LG will generate more customers in the area and other local retailers might profit from this as well.

Stimulative Impact on Geneseo

The *local* stimulative impact of retail projects is very real but difficult to forecast with confidence. We concur with the argument that an expansion of retail on the proposed site will make the immediate area more desirable to current and prospective retailers, boosting retail activity in the Route 20 corridor from the Town of Geneseo into the Village. Fundamentally, however, the region's disposable income remains largely unchanged as a consequence of the expansion of retail outlets. Increased retail sales within the County must come from a combination of sales repatriated from retailers outside the County (largely Monroe County) and a reduction in saving by the region's residents. While Livingston County would likely benefit economically, the "spillover" benefits of expansion along the Geneseo strip will be offset by reductions elsewhere in the region.

Main Street Impact

We believe it is quite possible—even likely—that Main Street businesses in the Village of Geneseo will benefit as the retail strip on its borders establishes Geneseo as the “market town” of Livingston County. Main Street merchants can influence the probability of benefit by their response to the development on the Village fringe. Joint marketing, effective signage and coordinated events would increase the likelihood that shoppers attracted to the Town of Geneseo by the concentration of large scale retail on the village/town boundary can be persuaded to patronize businesses of Main Street.

Rising gas prices also raise the question of the impact of LG on consumers. The increasing incidence of two-earner families and the pace of family life in the 21st century adds support for convenience (both in terms of proximity and product selection) and longer retailing hours, both of which would be an outcome of a Lowe’s siting in Geneseo.

Contributing Staff

Andries Hof, M.S., performed the bulk of the analysis contained in this report. Jen Syverud assisted with interviews and provided invaluable assistance with the development of the report.

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INTRODUCTION

In 2005, a proposition was made to build a Lowe's Home Improvement Center in the town of Geneseo. To analyze the costs and benefits of such a project, the Town of Geneseo hired CGR to conduct an economic and fiscal impact assessment. This report identifies and estimates such impacts of the proposed Lowe's.

The proposed project consists of a Lowe's Home Improvement Center (from here on referred to as LG) of 169,000 square feet and a 15,000 square feet pharmacy, located at the crossing of Volunteer Road and Lakeville Road (Route 20A). Currently, there are two large retailers not far from LG: a Wegmans and a Wal-Mart Supercenter. Wegmans was built in 1992 and is located in the town of Geneseo. A Wal-Mart was also built in 1992 in the town, but moved into the village when it upgraded to a Supercenter in August 2005. LG's site is in the town, just outside the village border.

The current size limit for zoning at the site is 35,000 square feet for single units and 80,000 square feet for multiple units. Before LG can build there, the store must first gain approval as a Planned Development District (PDD). Since the site of LG is zoned for commercial or light industrial use, it is unlikely that the land will remain undeveloped. In the absence of the Lowe's development the owner of the site is likely to find other interested parties who are willing to promote a project that can be built as-of-right without requiring PDD approval.

Two possible alternatives are another retail use at the scale permitted under current zoning or a different use entirely. As the Town of Geneseo was recently a finalist in a competition for a call center, this was selected as the alternative considered in this

analysis*. As current zoning limits a single entity to 35,000 square feet, both a single entity at 35,000 square feet and multiple entities at 80,000 square feet are considered.

We should take into account the possibility of other developments as well. Specifically, it is proposed to open a Home Depot store in Dansville, Livingston County. At the time of this writing it is still not certain whether this will be built or not. As a Home Depot in Dansville will affect the impact of LG, we will additionally study the impact of LG with a Home Depot in Dansville.

Summarizing, we will study 4 different scenarios:

- ❖ Scenario A: No Home Depot in Dansville;
- ❖ Scenario B: A Home Depot in Dansville;
- ❖ Scenario C: The alternative scenario of a 35,000 square feet call center;
- ❖ Scenario D: The alternative scenario of an 80,000 square feet call center.

While we analyze these different scenarios separately, it should be noted that a Lowe's does not preclude a call center or the other way around. A combination of these different scenarios could very well be possible.

This report is divided into two main sections: the economic impact and the fiscal impact. The economic impact discusses the effect on the local employment and labor income of LG. The fiscal impact estimates both the revenues and costs generated by LG.

* A retail use at a smaller scale would have very similar impacts as the proposed Lowe's, although a large footprint national retailer is more likely than smaller stores to repatriate business now flowing out of the county to Monroe, Ontario and Wyoming counties.

EMPLOYMENT & PAYROLL IMPACT

The first step in estimating the economic impact of LG is to define its Primary Trade Area (PTA). This will provide an estimate of where LG draws its customers from, and in turn, a measure of the impacts on regional retail business. It is assumed that sales generated by LG are displaced from somewhere else, rather than generated in addition to existing home improvement sales of the region. We assume that total disposable income remains the same (i.e. that the change in the retail market will not stimulate an increase in total economic activity) and that the share of total income consumed v. income saved is also unaffected.

Thus we further assume that sales will either be drawn from other large retailers (Lowe's, Home Depot) or from local home improvement retailers. The second step in the analysis is estimating what proportion of LG's sales is drawn from each source. This leads to the final step in the analysis – assessing the effects on the local economy.

Primary Trade Area

The Primary Trade Area (PTA) for a store can be thought of as the geographic area from which people come regularly to shop. The method used for defining a PTA for LG is fairly straightforward. It is based on the assumption that people who shop at large retailers for home improvement products will do so at the closest large retailer. The first step, therefore, is to locate other large home improvement stores in the region. Any town, city, or village closer to one of these existing stores is assumed to shop at the existing large retailer and is thus located outside of LG's PTA. Conversely, any town, city, or village closer to LG than to existing large retailers is located within the PTA. Of course, if the distance to a large retailer store becomes too large, people will decide to buy their home improvement products at local retailers. We use 45 minutes for the cutoff between driving to a large retailer and buying locally.

In scenario A, this exercise provides a PTA that includes all of Livingston County. Although Lima is the only town in the county that is geographically closer to the Lowe’s in Henrietta than to LG in Geneseo, travel time between Lima and Geneseo is less than between Lima and Henrietta. Therefore, it makes sense that inhabitants of Lima would choose to shop in Geneseo rather than in Henrietta. Lima can thus be included in the PTA with the rest of Livingston County. Other towns in the PTA include Castile, Covington, Perry, Pike, and Warsaw from Wyoming County, Cohocton and Wayland from Steuben County, and Canaseraga from Allegany County. Richmond and Canadice from Ontario County may be geographically closer to Geneseo, but travel time to the Lowe’s in Canandaigua is less than to Geneseo. Any area of the PTA that is outside of Livingston County will be called “Rest of PTA”.

In scenario B, the PTA will be Castile, Covington, Perry, Pike, and Warsaw from Wyoming County, and Caledonia, Avon, Lima, York, Geneseo, Livonia, Leicester, Mt. Morris, and Conesus from Livingston County. The southern towns of Livingston County are outside the PTA in this scenario, because most of the people here will shop at the Home Depot in Dansville instead.

Sales of LG

To assess what share of LG’s sales will come from other large retailers and what share will come from local retail businesses, two things must be determined: a) the current volume of home improvement sales in the PTA and b) the estimated sales of LG.

Table 1: Current Sales of Home Improvement Products (million \$, 2005)

Store types	PTA in scenario A			PTA in scenario B		
	Livingston County	Rest PTA	Total PTA	Livingston County	Rest PTA	Total PTA
Appliances	7	7	14	2	7	9
Building materials and garden equipment	16	21	37	8	21	29
Floor covering	4	1	5	3	1	4
Total	27	29	56	13	29	42

Source: Claritas and CGR calculations

Current total sales of home improvement products, defined as appliances, building materials and garden equipment*, and floor covering products, amount to \$56 million in the PTA. With the Home Depot in Dansville scenario, sales in the (smaller) PTA will be \$42 million†. Note that a relatively large proportion of these sales occur outside of Livingston County.

Estimated Sales Volume of LG

The sales of LG can be estimated using a measure of Lowe's average sales per square foot. In 2005, Lowe's total sales amounted to \$43.2 billion‡ and total sales floor equaled 132 million square feet§. Using these figures, Lowe's sold an average of \$328 per square foot in 2005. The planned size of LG is 169,000 square feet, of which 117,000 square feet of sales floor space**. If LG performs as does an average Lowe's, total yearly sales will amount to \$38.3 million.

Where the sales of LG will come from

The sales of LG will be drawn from a) large retailers outside the PTA, b) local stores within Livingston County, and c) local stores outside of Livingston County but still within the PTA. To estimate

Table 2: Sales of home improvement products per capita*

	Sales (millions)	Population	Sales per year per capita
Rochester CSA (2002)†	\$968	1,133,903	\$854
Livingston County (2005)	\$27	64,942	\$416
Rest PTA, scenario A (2005)	\$29	13,490	\$1,705

the amount of sales coming from each source, several home improvement sales statistics must be considered. First, consider the amount of money that people living inside the PTA spend on home improvement products outside the PTA.

Source: Claritas for PTA Area, Economic Census for Rochester CSA

* Includes lumber, paint, glass, wallpaper, hardware, and nurseries

† Data from Claritas and CGR calculations

‡ 4Q 2005 Lowe's Financial Statements

§ Calculated as the average of total store size at the start of 2005 and the start of 2006. Source: 4Q Lowe's Financial Statements

** Figures from Mr. Taylor McDermott, the LG project manager

Currently, \$416 is spent on home improvement products per year per capita in Livingston County. This is less than half of the \$854 spent on home improvement products per year per capita for the Combined Statistical Area “Rochester – Batavia - Seneca Falls.”

The volume of home improvement products sold outside of Livingston County, but purchased by Livingston County inhabitants, can be represented by the difference between the total amount Livingston County inhabitants spend and the amount spent in Livingston County. It is reasonable to assume that the people of Livingston County spend the same amount on home improvement products as the people of surrounding counties (Rochester CSA) spend – \$854 a year. Since only \$416 of that is spent in Livingston County, the other \$438 is spent outside of Livingston County. Thus, Livingston County inhabitants spend a total of \$28.4 million a year on home improvement products outside their county.

Clearly, inhabitants of Livingston County buy a substantial portion of home improvement products outside the county. However, with LG nearby, there will no longer be a need to travel out of the county to find a large retailer. Thus, the \$28.4 million currently spent outside of Livingston County will instead be spent at LG.

In Rest of PTA – the area within the PTA but outside of Livingston County – home improvement sales per year per capita is \$1,705. Here, it is obvious that sales heavily outweigh what the inhabitants purchase. Thus, people must be traveling to Rest of PTA from either within Livingston County or from outside the PTA. Those traveling to Rest of PTA from outside the PTA are not expected to transfer any of their sales to LG. However, some inhabitants of Rest of PTA will transfer their shopping to LG. There will also be some transfer of sales within Livingston County.

* New York State figures 2002, Livingston and Rest PTA figures 2005. Source: Claritas, U.S. Census Bureau and CGR calculations. Home improvement products in this table cover the same three categories as in Table 1.

† The Rochester Combined Statistical Area includes 7 counties: Monroe, Livingston, Genesee, Orleans, Wayne, Ontario, and Seneca

Some who previously shopped at local retail stores within Livingston County will instead shop at LG.

As mentioned earlier, estimated sales of Lowe's are \$38.3 million a year. Of this \$38.3 million, \$28.4 million will come from inhabitants of Livingston County who previously bought home improvement products from outside Livingston County. This reflects Livingston County's recapture of sales. The remaining \$9.9 million will come from inhabitants of Livingston County and Rest of PTA who previously bought their home improvement products locally. Since it is difficult to estimate how much will come from Livingston County and how much from Rest of PTA, it is assumed that LG will draw from these two areas proportionally with current sales of home improvement products. With this assumption, retailers in Livingston County and retailers in Rest of PTA will share loss in sales equally.

In scenario B, LG draws more sales from the PTA outside Livingston County. Since the southern part of Livingston County will shop at Home Depot, LG will draw fewer sales from Livingston County.

Employment Effects

Employment at LG can be estimated using the average employment density of all Lowe's stores. On average, Lowe's employs 1.31 persons per 1,000 square feet of sales floor space*. LG has 117,000 square feet of sales floor, which results in about 150 employees.

Table 3: Source of LG Sales

Sales from...	Scenario A	Scenario B
Livingston County	4.8	3.8
Rest PTA	5.1	8.4
Outside PTA	28.4	26.2
Total Sales	38.3	38.3

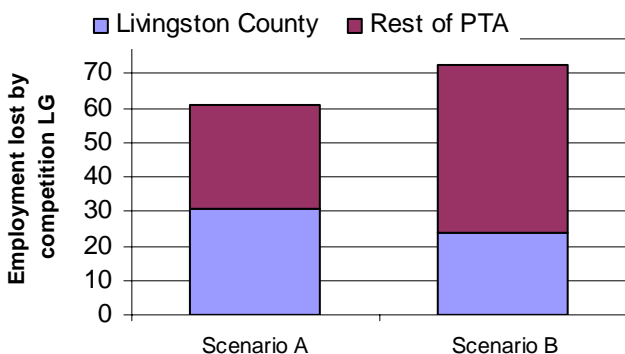
Some of the jobs created by LG are likely to be offset by jobs lost at other retailers. As calculated earlier, existing home improvement stores in the PTA may lose \$9.9 million in sales (scenario A). Their sales are likely to fall from \$56 million to \$46.1 million; a decrease of 18%. The decrease in sales would probably

* 4Q 2005 Lowe's Financial Statements and own calculations

also affect employment at local retailers. Currently, home improvement stores in the PTA employ 344 people. Assuming that employment decreases proportionally with sales, 18% of the workers – about 60 people – may lose their jobs. With the addition of about 150 jobs at LG, the 60 lost jobs could be displaced, resulting in a net employment increase of about 90 jobs.

The same reasoning applies to scenario B. In scenario B, a higher number of jobs are displaced, and in a much smaller geographic area (because the presence of Home Depot in Dansville has shrunk the PTA of LG). Thus, the proportion of employees displaced in the PTA rises to 29%.

Chart 1: Displacement effect of LG



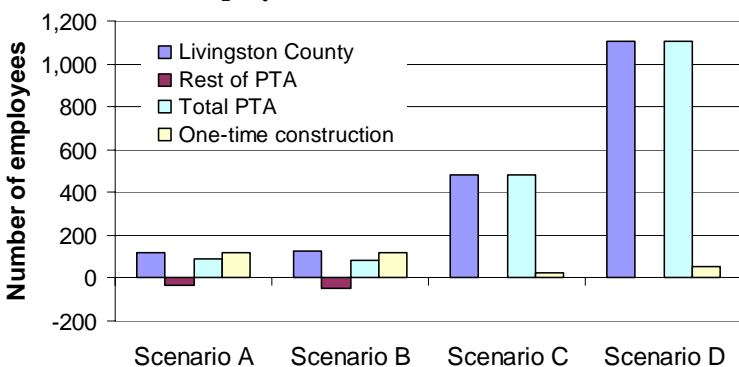
Summarizing, we can expect that LG will cause a displacement effect of roughly 60 to 70 people, depending on the presence or absence of a Home Depot in Dansville. A call center will not cause any displacement.

In Livingston County, employment created by LG will more than offset the loss in jobs, if we assume that most of LG's employees will live in the county. However, LG is not likely to generate employment in Rest of

PTA, and that region will experience a decrease in employment. The net employment gain within the county can be expected to be around 80 to 90 jobs.

Aside from these long-term employment effects, there will be a one-time employment increase through LG's construction and site

Chart 2: Total employment effects of LG



work. The construction cost is estimated at \$10.7 million. Using the IMPLAN input-output model, construction and site work will generate about 120 FTE jobs*.

The alternative development scenario of a 35,000 square foot call center will generate about 480 employees, and an 80,000 square foot call center 1,100 employees. Employment figures for the call centers are calculated under the assumption that its employment density (average space needed per employee) is equal to the employment density of the Verizon Wireless call center in Henrietta. Construction of the 35,000 square foot call center is expected to generate one-time employment of 25 FTE jobs, and for the 80,000 square foot call center 60 FTE jobs.

No matter which scenario (A or B) is considered, both the call center scenarios generate far more net employment. The employment density of a call center is so much higher than a large retailer that even a call center of 35,000 square feet will generate more employment than a Lowe's of 169,000 square feet. Making the call center's effect on employment even greater is the fact that the call center causes no employment displacement. On the other hand, one-time construction employment is much higher for a Lowe's compared to a call center.

Income Effects

LG will cause a loss of jobs in local home improvement retailers and an increase of jobs in a home improvement center. Since average income differs for the two industries, income effects will not mirror employment effects. In the state of New York, the average income per paid home center employee is \$26,116. For local home improvement retail stores, the average income is \$32,786[†]. Finally, the average income in call centers is \$18,808[‡]. In

* The employment and income effects are estimated for Lowe's only. The proposed pharmacy will have some employment and income effects as well, but these impacts are likely to be much smaller than the impact of Lowe's.

† Calculated as the average for appliance, floor covering, and all other retail stores in the category "Building Materials and Garden Supply Stores"

‡ Based on Census 2002 data, adjusted for inflation

Chart 3: Total labor income effects of LG

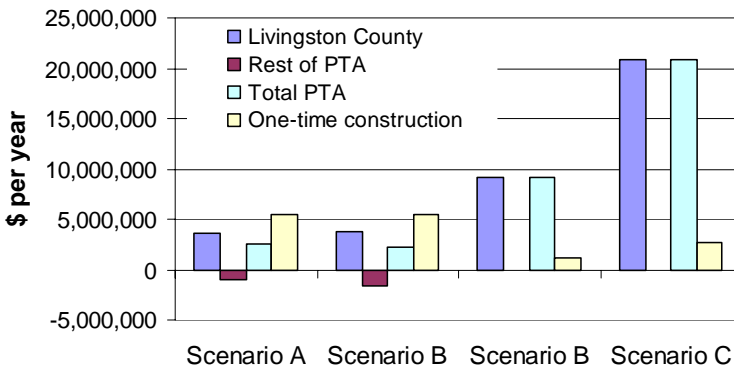


Chart 3, these average incomes are used to calculate the income effects of each scenario.

The income effects are similar to the employment effects. The long-term aggregate income effects of both the call center scenarios are better than of a Lowe's. The long-term positive income effects of LG

are expected to fall between \$2.2 and \$2.6 million. The yearly long-term income effects of a 35,000 square foot call center will be around \$9 million positive, and of an 80,000 square foot call center \$21 million positive. A call center will generate many jobs at a relatively low wage, resulting in a large positive total payroll effect. LG will generate fewer jobs, but at a higher wage, in the end resulting in a lower total payroll effect.

The one-time income generated by the construction of the building is \$5.5 million for LG and only around \$1 million and \$2.5 million for a 35,000 and an 80,000 square foot call center, respectively.

FISCAL IMPACT

The fiscal revenue will come from two sources: sales tax and property tax. Geneseo receives a part of both sales taxes, which are collected by the county, and property taxes, which are collected by the county, the town, and the school district.

Apart from the fiscal revenues, there could be costs involved as well. We will examine the effect of LG on the police, fire, public works, and court costs.

Sales Tax Revenue

Because some of LG's sales will be displaced from other retailers within Livingston County, only a portion of LG's sales should be used in calculating sales tax revenue. Of LG's \$38.3 million

estimated sales, between \$33.6 and \$34.6 million is expected to be a net sales increase in Livingston County. A sales tax of 8% -- 4% state tax and 4% county tax -- will be imposed on the new sales. Of the 4% county tax, 3% is distributed to the county, school districts, and towns and villages according to the following model:

- ❖ $93\frac{1}{3}\%$ for the county;
- ❖ $6\frac{2}{3}\%$ for the towns and villages, 50% based on population and 50% based on full value.

Table 4: How Livingston County Sales Tax is Distributed Across Towns (Scenario A)

\$	Of which:	Amounts to:
33.6 million extra sales	3% county tax for distribution	\$1,006,711 sales tax
1,006,711 sales tax	6.7% distributed amongst towns and villages in county	\$67,114 for distribution amongst towns & villages
67,114 for distribution amongst towns & villages	14.5% for Town and Village of Geneseo, based upon full value and population	\$9,710 for the Town and Village
9,710 for town and village	52.3% for the Town, 47.7% for the Village, based upon full value	\$5,075 for the Town and \$4,635 for the Village

Source: C. Taylor, Livingston County Treasurer, and own calculations

Table 5: Net Sales Tax Revenue of LG

Sales Tax Revenue for:	Scenario A	Scenario B
Geneseo Town	5,075	5,227
Geneseo Village	4,635	4,774
Other towns / villages	57,404	59,129
Livingston County	939,597	967,824
Total	1,006,711	1,036,954

The majority of sales tax revenue is received by the county. The Town and the Village will each collect around \$5,000 in extra sales tax revenue while sales tax revenue for the county will increase by about 950 thousand dollars. The rest of the extra sales tax revenue – close to 60,000 dollars – will be distributed

amongst the other towns and villages of Livingston County. The call centers will not generate any sales tax.

Property Tax Revenue

Property tax is levied by the town, the county, and the school district. The amount of property taxes owed is determined by a) the property tax rate and b) the assessed value of the property. The tax rate is defined as the amount of tax to be paid per \$1,000 assessed value. The current property tax rates of the county, town

and school district are known and we assume that these rates will apply for the coming years. To calculate property tax revenue, we will have to estimate the assessed value of LG and the two call centers.

Estimating the Assessed Value

According to the Geneseo Town Assessor, LG is expected to be assessed at \$80 per square foot. The project consists of a 169,000 square foot Lowe's and 15,000 square foot building of other use; a total of 184,000 square feet. At \$80 a square foot, the site's assessed value amounts to \$14.7 million. This is significantly higher than the estimated construction costs of the building and site work together (\$10.7 million). The Lowe's in Henrietta is assessed at \$67 per square foot, the Home Depot at \$64 per square foot*. If we would use these numbers, we come closer to the actual construction costs of LG. Using \$65 per square foot, the total assessed value would come to \$12 million. Since the assessed value of a property has such a strong impact on property tax revenue, two options will be considered: one in which LG is assessed at \$65 per square foot (low assessment), and one in which LG is assessed at \$80 per square foot (high assessment).

We can estimate what the assessed value of a 35,000 square foot call center will be by comparing the per square foot construction costs of a call center with the construction costs of LG. The construction costs of a call center is somewhere between \$60 and \$70 per square foot†. LG's estimated construction cost per square foot – \$63 – falls right within that range. Since the construction costs for the call center and LG are close, it is reasonable to consider both projects as having the same assessment value per square foot. Again, two assessment options will be considered: one in which both projects are valued at \$65 per square foot and one in which both projects are valued at \$80.

* Source: Town of Henrietta Assessor

† Estimate by LeFrois Development, the developer of the Verizon Wireless Call Center in Henrietta

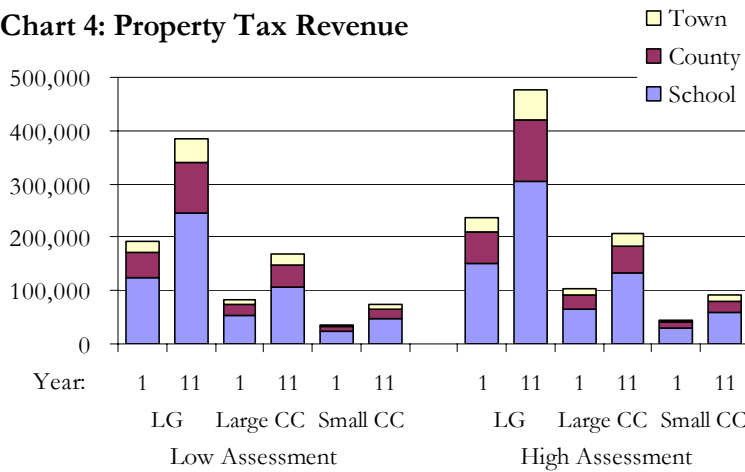
Tax Revenue of LG

The current property tax rates are as follows*:

- ◆ Geneseo Town: 3.72
- ◆ Geneseo Central School District: 20.61
- ◆ Livingston County: 7.95

New properties receive 50% abatement on property tax the first year, 45% the second year, and so on. To accurately assess property tax revenues, then, both the short run and the long run effects of property taxes must be considered. After 10 years, property tax revenues will stabilize.

Chart 4: Property Tax Revenue



Since the building of LG is larger than both the call centers, LG generates much more property tax revenue. In the first year, LG will generate between \$193,000 and \$238,000 of total property tax revenue. After ten years, this tax revenue will grow to \$386,000 to \$475,000. The Geneseo School District will receive about 64% of this revenue, Livingston County about 25%, and the Town about 11%.

Loss in Property Values

In scenario A, 18% of all employees in local home improvement stores is expected to be displaced. In scenario B this is 29%. Very likely, this will have an effect on the property values of these stores as well. We can get a rough idea what the impact of loss in property values on property tax revenue will be by assuming that the affected stores will lose 10% of their value.

* Source: Livingston County Real Property Tax Department. Rates are for 2006, except for School District tax rate which is for 2005

Chart 5: Loss of Property Tax - Low estimate

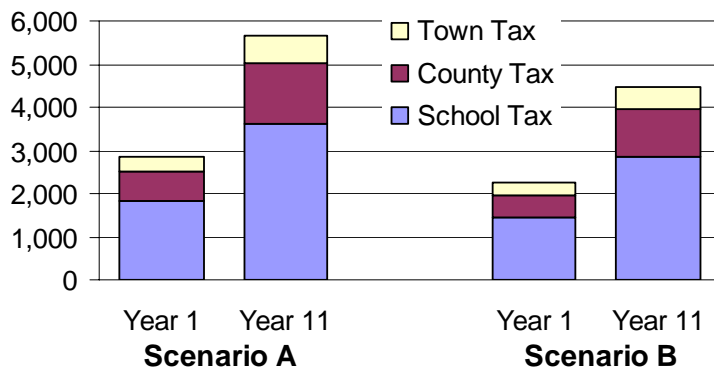
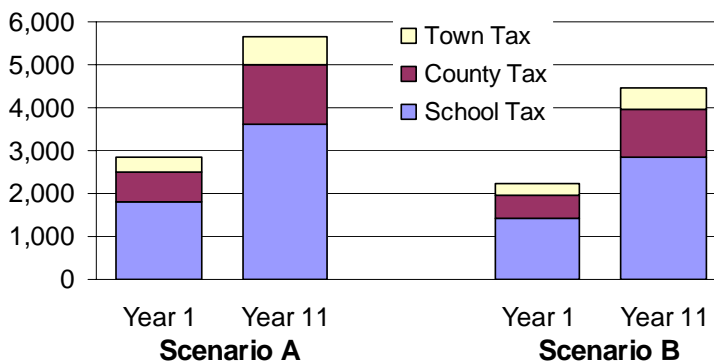


Chart 6: Loss of Property Tax - High estimate



According to the Geneseo Assessor’s Office, local retailers in Downtown Geneseo are assessed at around \$55 per square foot. That is less than the assessment of Wal-Mart or LG. Some of the reasons are that the buildings in Downtown are old, and that parking places are not available in Downtown. We will use \$55 per square foot as the average assessment value for all local retailers in home improvement products in Livingston County.

For obtaining the total assessed value of all local retailers in home improvement products, we have to estimate the total square footage of these stores. We can estimate this using two different assumptions.

First, we can assume that sales per square foot for local retailers are the same as for Lowe’s. Second, we know that the volume of sales per employee is about 50% higher for Lowe’s compared to local retailers. It is possible that the same is true for volume of sales per square foot, in which case the total square footage of local retailers is much higher. The first assumption gives us a low estimate of loss in property tax revenue, the second a high estimate.

This exercise shows us that the yearly loss of property tax revenue in scenario A will probably not be higher than \$3,000 in the first year and \$6,000 in the long run. In scenario B, the loss in property tax revenue is probably less than \$4,500 in the long run. Keeping in mind that total property tax revenue in the long run will be around \$400,000, the loss in property tax revenue due to loss in property values will not be very significant.

Costs involved

With increased activity in and around LG, there will likely be an increase of fire and ambulance calls. Fire and ambulance services are provided by the Village and partially financed by the Town. In 2006, the Town paid the Village for its services \$80,000, which was collected through the Town's fire tax at a rate of 0.42 per 1,000 assessed value*. Since LG will contribute to this fire tax, the cost of increased demand for public services will be indirectly paid for by LG.

The increase in cost of public works associated with the Gateway Project will also be paid for by LG. Since LG is private property, the store is responsible for its own parking lot maintenance, snow plowing, cleaning, etc. Hook-up to the sewer system is paid for by the developer. During LG's construction, the Town will employ engineers and inspectors. These costs, however, are reimbursed by the developer.

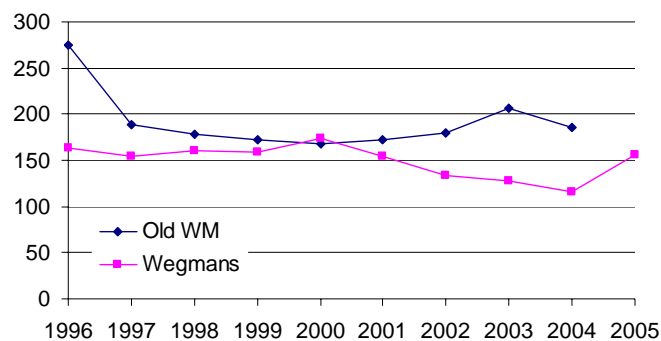
There will be some costs due to the necessary road infrastructure for LG. It is yet unknown whether the town or Lowe's will pay for these costs, so we will not take these costs into account. These costs would very likely not significantly influence the main results.

Police

We can use the numbers of calls originated from Wegmans and the old Wal-Mart to get an idea how many calls per year we can expect from LG. We see a fairly stable trend of about 150 calls a

year from Wegmans and around 190 calls a year from Wal-Mart.

Chart 7: Number of police calls a year



LG will be larger than the old Wal-Mart and current Wegmans. We can therefore expect the number of police calls from LG to be higher than from Wegmans and the old Wal-Mart. However, the Livingston County Sheriff's Office indicated that even an increase of 300 to

* Source: Jean M Bennet, Geneseo Town Clerk

350 calls a year would not make an increase in staff necessary. We will therefore assume that LG will not increase the cost of police.