

# Catskill Hospitality Holdings LLC

Application to County of Sullivan  
Industrial Development Agency for  
Financial Assistance for

## Hotel Project



## Benefit/Cost Analysis

*Prepared by:*

**Shepstone Management Company, Inc.**  
**Planning & Research Consultants**  
100 Fourth Street Honesdale, PA 18431  
(570) 251-9550 FAX 251-9551  
[www.shepstone.net](http://www.shepstone.net)  
[mail@shepstone.net](mailto:mail@shepstone.net)

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## Background:

Catskill Hospitality Holdings LLC has applied for financial assistance for the development of a property in the Town of Thompson (Tax Map Parcel 13-3-38.1). The project involves the construction of a 100-unit hotel with limited services that will operate under the Hampton Inn franchise flag.



It is estimated \$9,592,000 will be invested in purchasing (\$900,000) and improving the property (\$8,692,000), of which an estimated \$5,717,000 will represent sales taxable purchases and materials costs associated with the project. Real property (\$9,592,000 of investment less \$2,400,000 of furniture, fixtures and equipment) will, at an 88% equalization rate, yield an estimated \$6,328,910 of assessed value). Catskill Hospitality Holdings LLC has applied to the County of Sullivan Industrial Development Agency (IDA) for real property, mortgage and sales tax abatements to assist with bringing this project to completion.

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New York State law governing IDAs requires "an analysis of the costs and benefits of the proposed project." Shepstone Management Company, Inc. has been requested by the IDA to provide such an analysis on an independent basis. This study is designed to compare the economic benefits of the project, including both direct and indirect revenues generated for local and state government, against the costs to these governments for additional services required. Both direct and indirect costs are considered on this side of the equation as well.

The following is a summary of the findings from this analysis, including supporting materials forming the basis for the conclusion reached.

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## Methods and Assumptions:

The following methods and assumptions were employed for this analysis of this project:

1) This new construction project involves an estimated \$5,717,000 in sales taxable material and equipment purchases, the former amounting to \$4,217,000 or 58.6% of construction and the latter being an estimated \$1,500,000 for furniture, fixtures and equipment (FF&E) at a projected cost of \$15,000 per room based on the *HVS Survey of Hotel Development Costs* plus an additional \$900,000 in other FF&E.

2) It is assumed, for purposes of this analysis, that all construction activities will occur in 2016. It is further assumed that the IDA will approve a PILOT Agreement under the IDA's [Uniform Tax Exemption Policy Tourism Industry Program](#), the PILOT to apply to the estimated costs of developing the real property times the 88% equalization rate for the Town of Thompson. The PILOT schedule is detailed in the table to the right.

Real Property Tax Abatement Schedule		
Year	% Abated	PILOT %
1	100.0%	0.0%
2	100.0%	0.0%
3	100.0%	0.0%
4	100.0%	0.0%
5	100.0%	0.0%
6	10.0%	90.0%
7	20.0%	80.0%
8	30.0%	70.0%
9	40.0%	60.0%
10	50.0%	50.0%
11	60.0%	40.0%
12	70.0%	30.0%
13	80.0%	20.0%
14	90.0%	10.0%
15	100.0%	0.0%

3) It is assumed there will be a \$8,000,000 mortgage to which mortgage tax abatement will apply.

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- 4) It is anticipated the Catskill Hospitality Holdings LLC project will create 12 full-time equivalent jobs with salaries averaging \$40,000 per year.
  
- 5) The additional annual costs to local government for providing highway maintenance and other non-educational services in the Town of Thompson are estimated at \$1,280 for each new resident attracted (\$3,137 per household). This is based on an estimated county and town tax levy of \$19,600,000, divided by a Town of Thompson population of roughly 15,300 persons.

It is assumed 25% of employees or up to three persons will be new to Sullivan County. Further applying an employment multiplier of 1.50 (the New York State Department of Labor estimated multiplier for leisure and hospitality businesses in New York), the project will produce 4 to 5 new households (12 jobs x 25% new households x 1.50), with a cost of approximately \$3,137 annually in non-educational local government services each.

It is assumed, based on the *Sullivan County Cost of Community Services Study*, that 76.9% or \$2,413 per household would be covered from taxes paid by the new residents, leaving \$724 per household as the net cost for town and county services. This is the ratio of costs of services to tax revenues for residential development in the Town of Thompson.

This is to say every new household, viewed independently of the businesses employing its members, theoretically generates a net tax loss for the community. This strict interpretation provides for a conservative analysis of benefits versus costs, but it is also important to remember the commercial ratables would not exist without the employees required to run the business or residential customers

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for its products. The value of costs of services data is limited to analyzing the likely tax impacts of projects, as it is being used in this instance.

- 6) School costs are based on the 0.48 children per household average for Sullivan County times a total costs (net of state aid) of an \$20,500 per student, which is the estimated average figure for the Monticello Central School District where the project is located. A total of two additional students are projected.
- 7) Sales taxes attributable to the increased buying power generated by the new payroll the facility will produce are included among benefits the project will create, along with sales taxes and room taxes based on 62% occupancy and a \$105 average room rate.
- 8) Cash flow streams from benefits and costs are net present valued using a discount rate of 2.34% ([current interest rate on the public debt](#)). Net present value figures include actual costs of abatements and other costs for 2016 plus discounted values for 2017-2037.

### Conclusion:

This project will generate costs of \$1,879,103 in mortgage, real property and sales tax abatements over the period of the standard PILOT agreement. Net present valued this equates to a total cost of \$1,690,284. There are an additional estimated \$184,847 of school costs and \$58,929 of highway and related costs over this same period (net present valued), bringing total costs to \$1,934,060.

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The project benefits consist of the new real property taxes that will be generated (\$2,601,513), the payroll gains (\$3,351,855), the sales taxes from those payroll gains (\$268,142), the sales taxes from operations (\$3,351,855) and hotel occupancy taxes (\$2,179,669) which, at net present value, total \$11,888,657 combined over the analysis period.

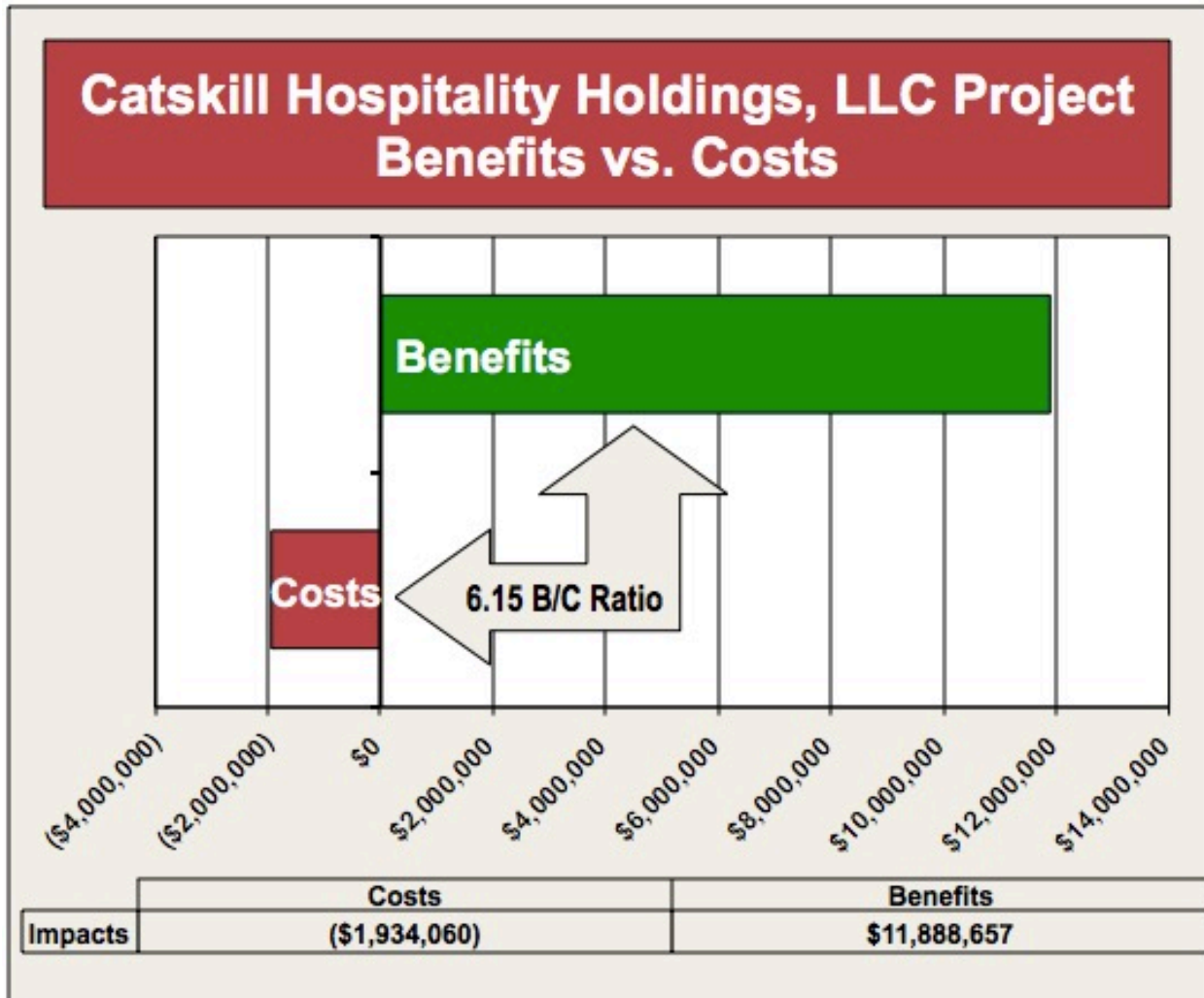
This yields a positive benefit/cost ratio of 6.15.

# Catskill Hospitality Holdings LLC Benefit/Cost Analysis

<b>Catskill Hospitality Holdings LLC Project Cost/Benefit Analysis</b>	
<b>Costs (2016-2036)</b>	
Sales Tax Abatements (County)	\$168,680
Sales Tax Abatements (State)	\$168,680
Mortgage Tax Abatements	\$80,000
Real Property Tax Reductions Net of 485-b Benefits	\$1,461,743
<b>Sub-Total (Value of All Abatements) =</b>	<b>\$1,879,103</b>
Net Present Value of Abatements	\$1,690,284
Additional School Costs	\$184,847
Variable Highway & Other Municipal Costs	\$58,929
<b>Total Costs (Net Present Value)=</b>	<b>\$1,934,060</b>
<b>Benefits (Net Present Value, 2016-2036)</b>	
Real Property Taxes	\$2,601,513
Sales Taxes (General - From Gains in Buying Power)	
County	\$134,074
State	\$134,074
Sales Taxes (From Operations)	
County	\$1,743,735
State	\$1,743,735
Hotel Occupancy Taxes	\$2,179,669
<b>Sub-Total (Taxes/Charges) =</b>	<b>\$8,536,801</b>
Personal Income Gains Related to New/Retained Jobs	\$2,234,570
Personal Income Gains Related to Multiplier Effects	\$1,117,285
<b>Sub-Total (Income Gains) =</b>	<b>\$3,351,855</b>
<b>Total Benefits =</b>	<b>\$11,888,657</b>
<b>Excess Benefits Over Costs =</b>	<b>\$9,954,597</b>
<b>Benefits to Costs Ratio =</b>	<b>6.15</b>



# Catskill Hospitality Holdings LLC Benefit/Cost Analysis



# Catskill Hospitality Holdings LLC Benefit/Cost Analysis

Economic Analysis of Catskill Hospitality Holdings LLC - Project and Requested Tax Abatement Program												
FISCAL YEAR	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
DESCRIPTION	C1	1	2	3	4	5	6	7	8	9	10	11
Sales Tax Abatement	\$337,360	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mortgage Tax Abatement	\$80,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Tax Abatement	\$0	\$139,662	\$155,933	\$172,661	\$189,855	\$207,526	\$225,684	\$244,341	\$220,743	\$225,705	\$202,657	\$178,867
Highway/Other Costs	\$0	\$3,258	\$3,306	\$3,356	\$3,406	\$3,458	\$3,509	\$3,562	\$3,615	\$3,670	\$3,725	\$3,781
School Costs	\$0	\$10,218	\$10,372	\$10,527	\$10,685	\$10,846	\$11,008	\$11,173	\$42,763	\$86,810	\$11,511	\$11,684
Real Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,207	\$139,265	\$141,354	\$143,474
Personal Income - New/Retained Jobs	\$0	\$121,800	\$125,481	\$127,364	\$129,274	\$131,213	\$133,181	\$135,179	\$68,603	\$69,632	\$70,677	\$71,737
Indirect Income Benefits	\$0	\$60,900	\$62,741	\$63,682	\$64,637	\$65,607	\$66,591	\$67,590	\$16,465	\$16,712	\$16,962	\$17,217
Added Sales Tax (General)	\$0	\$14,616	\$15,058	\$15,284	\$15,513	\$15,746	\$15,982	\$16,221	\$217,349	\$220,610	\$223,919	\$227,277
Added Sales Tax (Operations)	\$0	\$192,943	\$198,775	\$201,757	\$204,783	\$207,855	\$210,973	\$214,137	\$0	\$0	\$0	\$0
Room Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Economic Analysis of Catskill Hospitality Holdings LLC - Project and Requested Tax Abatement Program												
FISCAL YEAR	2028	2028	2029	2030	2031	2032	2033	2034	2035	2036	TOTALS	
DESCRIPTION	12	13	14	15	16	17	18	19	20	21	Actual	NPV
Sales Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$337,360	\$337,360
Mortgage Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$80,000	\$80,000
Real Property Tax Abatement	\$136,162	\$92,136	\$46,759	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,438,691	\$2,079,921
Highway/Other Costs	\$3,837	\$3,895	\$3,953	\$4,013	\$4,073	\$4,134	\$4,196	\$4,259	\$4,323	\$4,388	\$75,328	\$58,929
School Costs	\$12,037	\$12,217	\$12,401	\$12,587	\$12,775	\$12,967	\$13,162	\$13,359	\$13,559	\$13,763	\$236,288	\$184,847
Real Property Taxes	\$226,937	\$276,409	\$327,315	\$379,685	\$385,381	\$391,161	\$397,029	\$402,984	\$409,029	\$415,164	\$3,636,537	\$2,540,113
Personal Income - New/Retained Jobs	\$145,626	\$147,811	\$150,028	\$152,278	\$154,562	\$156,881	\$159,234	\$161,623	\$164,047	\$166,508	\$2,856,883	\$2,234,570
Indirect Income Benefits	\$72,813	\$73,905	\$75,014	\$76,139	\$77,281	\$78,440	\$79,617	\$80,811	\$82,023	\$83,254	\$1,428,441	\$1,117,285
Added Sales Tax (General)	\$17,475	\$17,737	\$18,003	\$18,273	\$18,547	\$18,826	\$19,108	\$19,395	\$19,686	\$19,981	\$342,826	\$268,148
Added Sales Tax (Operations)	\$230,687	\$234,147	\$237,659	\$241,224	\$244,842	\$248,515	\$252,243	\$256,026	\$259,867	\$263,765	\$4,525,588	\$3,539,783
Room Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0