EPR Properties

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

Water Park Resort Hotel Project

Benefit/Cost Analysis

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Background:

EPR Properties ("EPR") plans to develop a new indoor water park resort on approximately 50 acres of land leased from the EPT Concord II, LLC ("EPT II"). EPT II proposes to develop a master planned destination resort community on a 1,735 acre site largely comprised of the former Concord Resort ("EPT Concord Resort"). EPT II proposes a world-class, four-season destination resort and multi-use residential community. EPR proposed indoor water park resort hotel complex of comprises of approximately 450,000 square feet and includes the following elements:

- 400 unit hotel/resort
- 20,000 square feet banquet room/conference center
- 85,000 square feet indoor water park
- Porte-cochere
- Split level lobby core of 60,000 square feet
- Outdoor pools
- Outdoor pavilion stage for concerts and events

It is estimated that $152 million will be invested in the new facility by EPR. Approximately, $130 million of that investment will be subject real property taxes and $78 million of which will represent sales taxable equipment and materials. EPR has applied to the County of Sullivan Industrial Development Agency (IDA) for real property, sales and mortgage tax abatements to assist with this project.

New York State law governing IDA's 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.

Methods and Assumptions:

The following methods and assumptions were employed for this analysis of the EPR Water Park Resort Hotel project:

1) The project involves the investment of a total of $162 million, which includes $10 million in land costs, $130 million in building/equipment/soft costs and $22 million of other costs. An estimated $78 million will be spent on sales taxable material and equipment purchases.

2) It is assumed, strictly for purposes of this analysis, that all construction activities will occur in 2013 and, absent IDA involvement, the real property improvements will be taxable beginning in 2013. Actual construction may take considerably longer but this would not have a practical impact on the benefit/cost analysis.

3) Data is extrapolated over the period of 2013 through 2028. Sales tax abatements are recorded in 2013 as actual costs. This is a reasonable period to assess the net present value of long-term benefits (new economic activity and governmental revenues) and costs (new governmental expenses) produced. Values are net present valued for purposes of fairly comparing benefits and costs taking place over periods of varying length.

4) Mortgage tax abatement costs are not associated with this project at this time.

5) No benefits or costs are assumed with respect to any difference in the purchase and assessed values of the property.

6) Certain special district taxes are not included in the calculations of benefits and costs since IDA tax abatement applies only to ad valorem levies.

7) Real property tax abatement will be provided according to the Real Property Tax Abatement Schedule depicted in the table to the right. This abatement schedule is application to destination resort projects of the nature proposed in this instance and covers a 16-year period from beginning to end (2013-2028), over which real property taxes are effectively phased in under a Payment In Lieu of Taxes (PILOT) agreement through the IDA while the property remains under its ownership, such that taxing jurisdictions receive the equivalent of real property taxes.

Real Property Tax General Abatement Schedule

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

8) Sewage treatment and water supply will be subject to separate municipal/private agreements and not be abated or represent any uncompensated added cost.

9) The additional annual costs to local government for providing highway maintenance and other non-educational services in the Town of Thompson are

estimated at $1,646 for each new resident attracted. This is based on an estimated Town of Thompson tax levy of $4.3 million within the Town and an estimated County tax levy of $9.8 million (a total of approximately $14.1 million) divided by a Town population outside the Village of Monticello of 8,582 persons.

It is assumed one-third of employees will be new to Sullivan County. However, the applicant should be able to hire mostly local employees given its convenient location within the County and the type of labor required as compared to the available unemployed workforce. Assuming an average household size of 2.45 persons for all households (individuals as well as families), the project will produce 117 new households, with a cost of approximately $4,032 annually in non-educational local government services.

It is assumed, based on the *Sullivan County Cost of Community Services Study*, that 76.9% or $3,101 per household would be covered from taxes paid by the new residents, leaving $930 per household as the net cost for Town of Thompson and Sullivan 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 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.

10) It is estimated one-third of the estimated new employees (350 new employees are anticipated) will involve new households. Moreover, family households represented some 65% of all Sullivan County households in 2010. This suggests 78 new family households will be generated by the project. There were 14,957 children aged 5-19 years for an average of 0.78 school-age children for each family household according to the Census Bureau. This yields a maximum potential of 59 new students for the Monticello Central School District, the school system within which the project is located.

The Monticello Central School District, given recent reductions in State Aid, can be expected to incur an estimated average cost per pupil of roughly $15,000 net of New York State School Aid (based upon School District and New York State Department of Education statistics). This includes special education costs.

A 1.5% per year escalation in these and other costs (as well as benefits) is assumed. It is further assumed property taxes paid by new residents will, once again, cover a minimum of 76.9% of the local share (see No. 9 above).

11) Sales taxes attributable to the increased buying power generated by the payroll the facility will produce (at $58,985 per job average, based on the applicant's estimates) are calculated on the assumptions 50% of the project payroll will consist of Sullivan County residents, and 50% of such payroll will be spent on taxable items in Sullivan County.

It is further assumed total personal income, including indirect or "spin-off" gains in personal income, will be 1.83 times direct personal income (incorporating the "multiplier effect" from the applicant's own IMPLAN analysis).

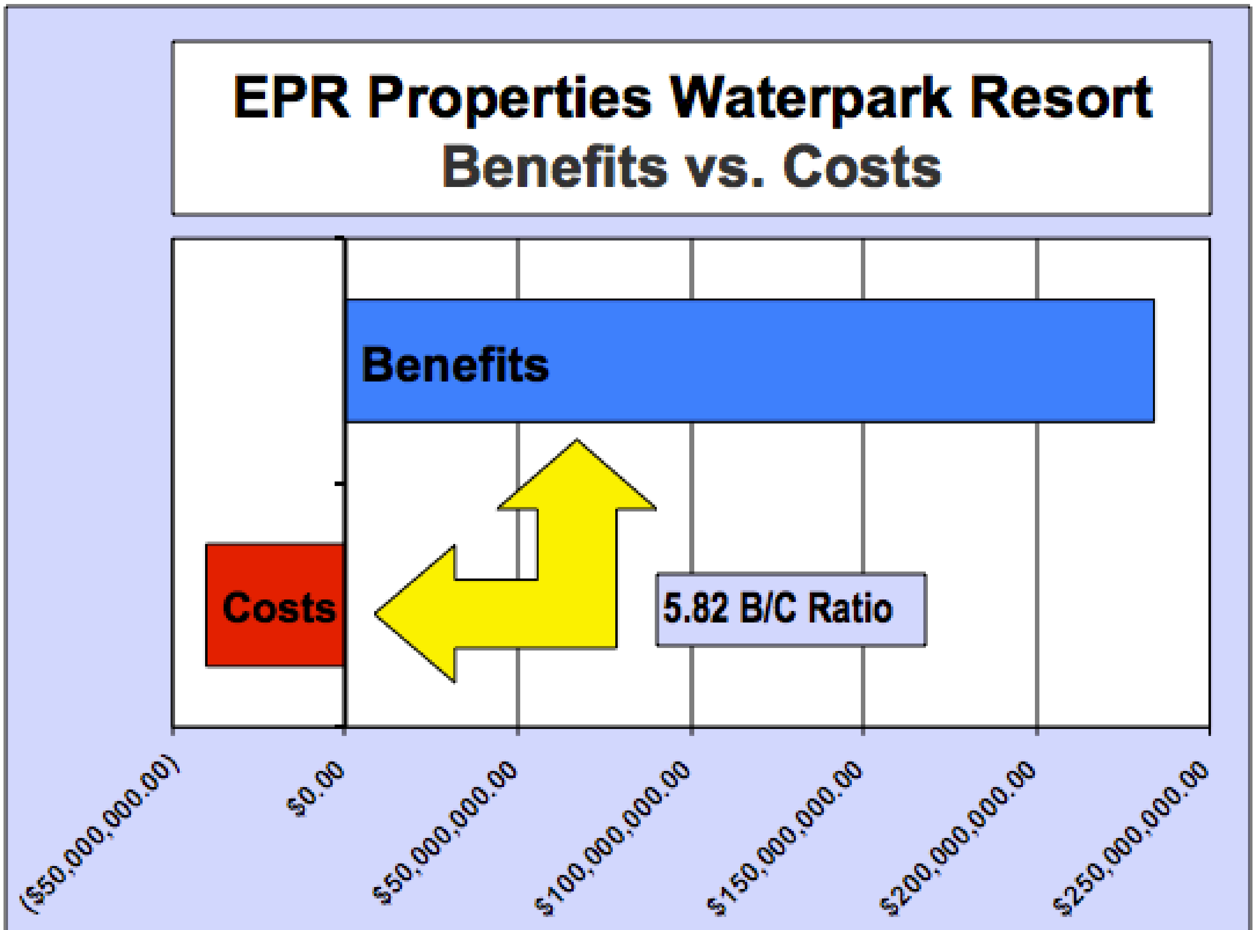
12) It is assumed there will be 400 hotel rooms renting at $265 per night with an 65% occupancy rate. It is further assumed the project will generate additional sales taxable income from ancillary activities (e.g., banquets, dining, water park activities, concessions, entertainment, etc.) in an amount equal to 25% of room revenue (many water park fees are included in room rentals). This assumption forms the basis for calculations of added sales tax revenue from operations and room tax revenue (based on the County's 5% room tax rate). These assumptions are conservative because seasonal room rates are likely to be much higher than those used for purposes of this analysis.

13) Cash flow streams from benefits and costs are net present valued using a discount rate of 2.487%, the average cost of public debt in the U.S. as of February 28, 2013. Net present value figures include actual costs of abatements and other costs for 2013 plus discounted values for 2014-2028.

Conclusion:

This project will generate a positive benefit/cost ratio of 5.82 for the County on a net present value basis. The chart and table following provide a summary of the benefit/cost analysis and illustrate the results.

EPR Properties Waterpark Resort Project
Benefit/Cost Analysis



	Costs	Benefits
Impacts	($40,185,051.20)	$233,946,444

EPR Properties Waterpark Resort Project
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EPR Properties Waterpark Resort Project Cost/Benefit Analysis

Costs (2013-2028)	
Sales Tax Abatements (County)	$3,120,000
Sales Tax Abatements (State)	$3,120,000
Mortgage Tax Abatements	$0
Real Property Tax Reductions Net of 485-b Benefits	$32,936,231
Sub-Total (Value of All Abatements) =	**$39,176,231**
Net Present Value of Abatements*	$34,150,117
Additional School Costs	$2,812,531
Variable Highway & Other Municipal Costs	$3,222,403
Total Costs (Net Present Value)=	**$40,185,051**
Benefits (Net Present Value, 2013-2028)	
Property Taxes	$15,292,464
Sales Taxes (General - From Gains in Buying Power)	
County	$6,998,499
State	$6,998,499
Sales Taxes (From Operations)	
County	$17,471,531
State	$17,471,531
Room Taxes	$8,748,444
Sub-Total (Taxes/Charges) =	**$72,980,969**
Personal Income Gains Related to New/Retained Jobs	$81,610,911
Personal Income Gains Related to Multiplier Effects	$79,354,564
Sub-Total (Income Gains) =	**$160,965,475**
Total Benefits =	**$233,946,444**
Gross Excess Benefits Over Costs =	$193,761,393
Benefits to Costs Ratio =	**5.82**

APPENDIX

Economic Analysis of EPR Properties Waterpark Resort Project and Requested Tax Abatement Program

FISCAL YEAR	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
DESCRIPTION	1	2	3	4	5	6	7	8	9	10	11	12
Sales Tax Abatement	$6,240,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Mortgage Tax Abatement	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Real Property Tax Abatement	$0	$1,949,200	$2,176,281	$2,409,737	$2,649,707	$2,896,333	$3,149,762	$3,410,143	$3,136,799	$2,854,487	$2,563,000	$2,262,126
Highway/Other Costs	$216,346	$219,591	$222,885	$226,228	$229,622	$233,066	$236,562	$240,110	$243,712	$247,368	$251,078	$254,844
School Costs	$0	$205,454	$208,536	$211,664	$214,839	$218,061	$221,332	$224,652	$228,022	$231,442	$234,914	$238,438
Real Property Taxes	$0	$0	$0	$0	$0	$0	$0	$0	$540,827	$1,097,879	$1,671,522	$2,262,126
Personal Income - New/Retained Jobs	$0	$6,984,109	$7,088,870	$7,195,203	$7,303,131	$7,412,678	$7,523,868	$7,636,727	$7,751,277	$7,867,547	$7,985,560	$8,105,343
Indirect Income Benefits	$0	$5,796,810	$5,883,762	$5,972,019	$6,061,599	$6,152,523	$6,244,811	$6,338,483	$6,433,560	$6,530,064	$6,628,015	$6,727,435
Added Sales Tax (General)	$0	$1,022,473	$1,037,811	$1,053,378	$1,069,178	$1,085,216	$1,101,494	$1,118,017	$1,134,787	$1,151,809	$1,169,086	$1,186,622
Added Sales Tax (Operations)	$0	$2,552,573	$2,590,861	$2,629,724	$2,669,170	$2,709,208	$2,749,846	$2,791,093	$2,832,960	$2,875,454	$2,918,586	$2,962,365
Room Tax	$0	$639,069	$648,655	$658,385	$668,261	$678,285	$688,459	$698,786	$709,268	$719,907	$730,706	$741,666

Economic Analysis of EPR Properties Waterpark Resort Project and Requested Tax Abatement Program

FISCAL YEAR	2025	2026	2027	2028	TOTALS	
DESCRIPTION	13	14	15	16	Actual	NPV
Sales Tax Abatement	$0	$0	$0	$0	$6,240,000	$6,240,000
Mortgage Tax Abatement	$0	$0	$0	$0	$0	$0
Real Property Tax Abatement	$1,722,043	$1,165,249	$591,364	$0	$32,936,231	$27,910,117
Highway/Other Costs	$258,667	$262,547	$266,485	$270,482	$3,879,592	$3,222,403
School Costs	$242,014	$245,644	$249,329	$253,069	$3,427,411	$2,812,531
Real Property Taxes	$2,870,072	$3,495,748	$4,139,548	$4,801,876	$20,879,598	$15,292,464
Personal Income - New/Retained Jobs	$8,226,923	$8,350,327	$8,475,582	$8,602,716	$116,509,862	$95,607,909
Indirect Income Benefits	$6,828,346	$6,930,772	$7,034,733	$7,140,254	$96,703,185	$79,354,564
Added Sales Tax (General)	$1,204,422	$1,222,488	$1,240,825	$1,259,438	$17,057,044	$13,996,998
Added Sales Tax (Operations)	$3,006,800	$3,051,902	$3,097,681	$3,144,146	$42,582,370	$34,943,062
Room Tax	$752,791	$764,083	$775,544	$787,177	$10,661,043	$8,748,444