

Amytra Development LLC

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

Eldred Preserve Project



Benefit/Cost Analysis

Prepared by:

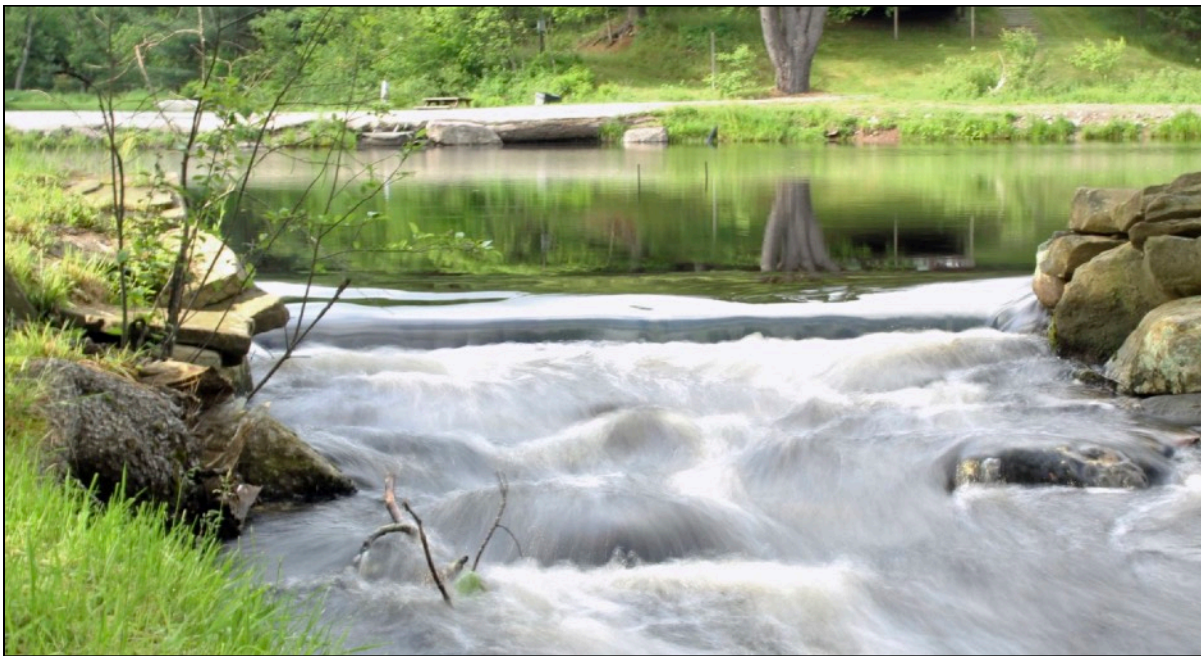
Shepstone Management Company, Inc.
Planning & Research Consultants
100 Fourth Street Honesdale, PA 18431
(570) 251-9550 FAX 251-9551
www.shepstone.net
mail@shepstone.net

April, 2018

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Background:

Amytra Development LLC has applied for financial assistance for the redevelopment of a nearly 37.93 acre property located at 1040 State Route 55 in the Town of Highland (Tax Map Parcel 4-1-3.1). The project involves the redevelopment of a resort known as the Eldred Preserve, to include the reconstruction of a former restaurant facility and operate it, along a 28-room inn and event space. Eldred Entertainment LLC will operate the restaurant and event space and Eldred Hospitality LLC will operate the inn. The three entities connected with the project are collectively referred to herein as “The Eldred Preserve.”



The Eldred Preserve Project that is the subject of the application to the County of Sullivan Industrial Development Agency (IDA) involves redevelopment of a former resort

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in the Town of Highland. The resort was well-known and is featured in many historical descriptions of the area, on old postcards and various tourism write-ups.

It is estimated \$12,000,000 will be invested in capital improvements, of which an estimated \$8,400,000 will represent sales taxable purchases and materials costs associated with the project. Real property is currently assessed at market value in the Town of Highland, yielding a total assessed value of \$12,000,000 for the proposed improvements, which include a 28-room lodging facility and an estimated 120 seat restaurant. Amytra Development, 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.

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.

Methods and Assumptions:

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

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- 1) This new construction project involves an estimated \$8,400,000 in sales taxable material and fixtures and equipment (FF&E) purchases, the former amounting to \$6,000,000 or 50% of construction and the latter items representing an estimated sub-total of \$2,400,000.

- 2) It is assumed, for purposes of this analysis, that all Eldred Preserve construction activities will occur in 2018 with the facility opening in 2019. It is further assumed the IDA will approve a PILOT Agreement under the Sullivan County IDA's [Uniform Tax Exemption Policy Tourism Industry Program \(§301.c\)](#); the PILOT to apply to the estimated costs of developing the real property.

The applicable IDA PILOT schedule is detailed in the table to the right.

| Tourist Industry Program 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 | 90.00% | 10.00% |
| 7 | 80.00% | 20.00% |
| 8 | 70.00% | 30.00% |
| 9 | 60.00% | 40.00% |
| 10 | 50.00% | 50.00% |
| 11 | 40.00% | 60.00% |
| 12 | 30.00% | 70.00% |
| 13 | 20.00% | 80.00% |
| 14 | 10.00% | 90.00% |
| 15 | 0.00% | 100.00% |

- 3) According to the application to the IDA there will be a \$12,000,000 mortgage to which mortgage tax abatement will apply.
- 4) It is anticipated the Amytra Development, LLC project will create 24 full-time equivalent jobs. An average salary of \$34,320 per year is estimated based on [New York Department of Labor data](#) for the Hudson Valley adjusted for inflation.

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- 5) The additional annual costs to local government for providing highway maintenance and other non-educational services in the Town of Highland are estimated at \$1,842 for each new resident attracted (\$4,606 per household). This is based on an estimated county and town tax levy of \$4,661,235 based on 2015 figures plus 4.5% (some 1.5% per year since 2015), divided by a Town of Highland population of roughly 2,530 persons.

It is assumed one-third of employees or up to eight persons will be new to Sullivan County. Further applying a Department of Commerce RIMS II multiplier of 1.4273 (the estimated output multiplier for New York State for “other amusement and recreation industries”), the project will produce a maximum of four new family households (24 jobs x 33% new households x 31% family

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households x 1.4273), with a cost of approximately \$4,606 annually in non-educational local government services each.



It is assumed, based on the *Sullivan County Cost of Community Services Study*, that 84.7% or \$3,903 per household would be covered from taxes paid by the new residents, leaving \$703 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 Highland.

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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.

- 6) School costs are based on the 0.40 children per household average for Sullivan County in 2016 times a total cost (net of state aid) of \$19,216 per student, which is the latest estimated average figure for the Eldred Central District where the project is located (real estate levy net of state aid with adjustment for inflation divided by estimated 570 enrollment). A maximum of one additional student is 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 based on projected lodging and restaurant sales of \$2.6 million combined (assumes room rate of \$150 at 60% occupancy and a 2.0 restaurant seat turnover at \$35 person with the latter open 200 days per year).
- 8) Room tax revenue is calculated at the 5% Sullivan County rate.
- 8) Cash flow streams from benefits and costs are net present valued using a discount rate of 2.347% ([current interest rate on the public debt](#)). Net present value figures include actual costs of abatements and other costs for 2018 plus discounted values for 2019-2038.

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- 9) Current real property tax rates within the Town of Highland, Sullivan County, are as follows:

| Town of Highland Tax Rates | | |
|----------------------------|----------------------------------|-------------------------|
| Tax Category | Rate (Before Equalization) | % of Market Value |
| Medicaid | 2.898307 | 0.29% |
| NYS Welfare Mandates | 1.129674 | 0.11% |
| Other NYS Mandates | 2.446235 | 0.24% |
| County Levy | 1.733644 | 0.17% |
| County Total | 8.207860 | 0.82% |
| Town to Highway | 5.134266 | 0.51% |
| Town Total | 5.134266 | 0.51% |
| Combined Total | 13.342126 | 1.33% |

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Conclusion:

This project will generate costs of \$3,301,920 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 \$2,955,113. There are an additional estimated \$66,235 of net school costs and \$1,373,900 of highway and related costs over this same period (net present valued), bringing total costs to \$4,395,248.

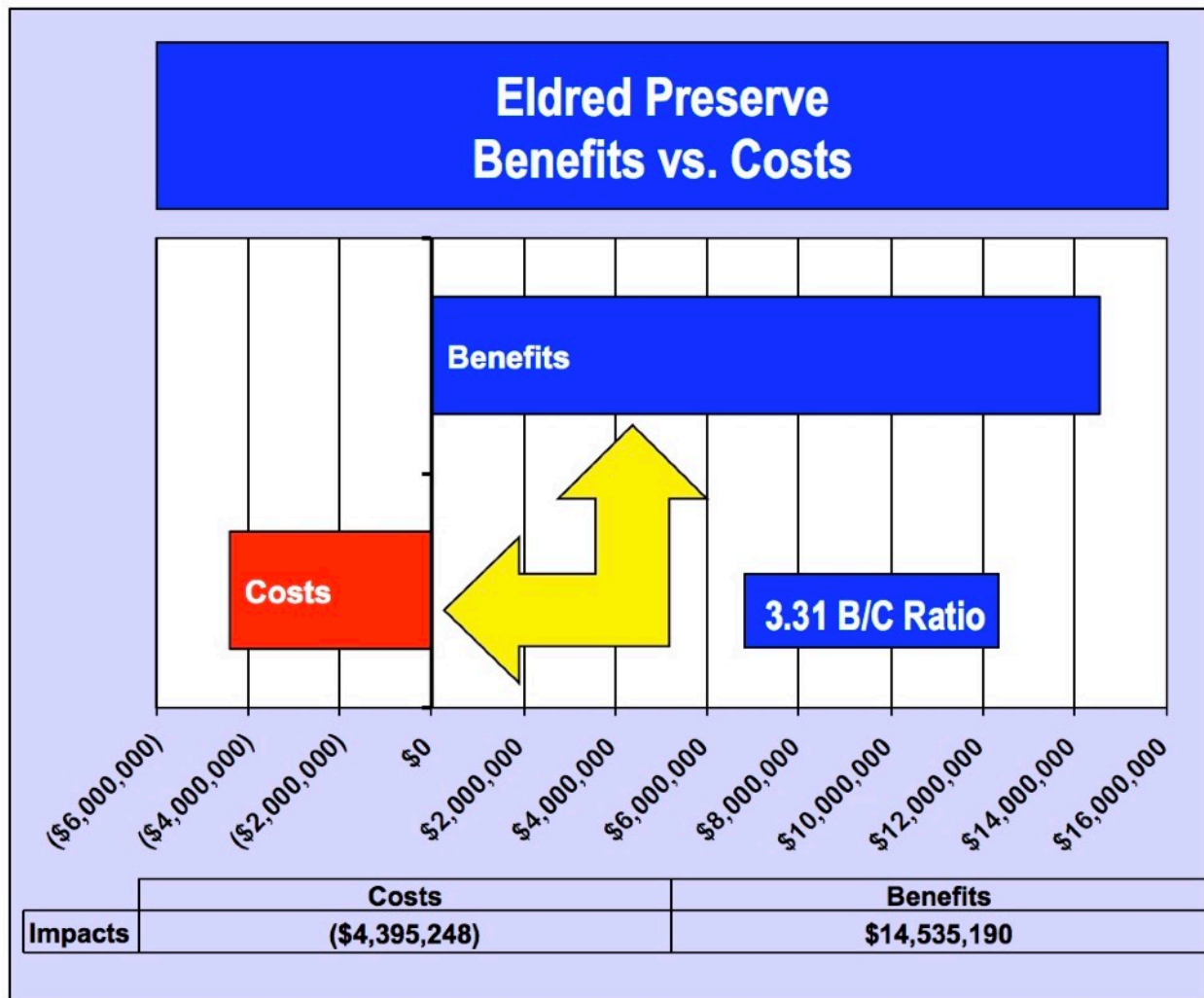
The project benefits consist of new real property taxes to be generated (\$3,135,838), the payroll gains (\$7,190,222), the sales taxes from those payroll gains (\$287,608), the sales taxes from operations (\$3,090,082) and room taxes of \$831,439 which, altogether, at net present value, total \$14,535,190 combined over the analysis period.

This yields a positive benefit/cost ratio of 3.31.

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| Eldred Preserve Cost/Benefit Analysis | |
|---|---------------------|
| Costs (2018-2038) | |
| Sales Tax Abatements (County) | \$336,000 |
| Sales Tax Abatements (State) | \$336,000 |
| Mortgage Tax Abatements | \$120,000 |
| Real Property Tax Reductions Net of 485-b Benefits | \$2,509,920 |
| Sub-Total (Value of All Abatements) = | \$3,301,920 |
| Net Present Value of Abatements* | \$2,955,113 |
| Additional School Costs | \$66,235 |
| Variable Highway & Other Municipal Costs | \$1,373,900 |
| Total Costs (Net Present Value)= | \$4,395,248 |
| Benefits (Net Present Value, 2018-2038) | |
| Property Taxes | \$3,135,838 |
| Sales Taxes (General - From Gains in Buying Power) | |
| County | \$143,804 |
| State | \$143,804 |
| Sales Taxes (From Operations) | |
| County | \$1,545,041 |
| State | \$1,545,041 |
| Room Tax Revenue | \$831,439 |
| Sub-Total (Taxes/Charges) = | \$7,344,968 |
| Personal Income Gains Related to New/Retained Jobs | \$5,037,639 |
| Personal Income Gains Related to Multiplier Effects | \$2,152,583 |
| Sub-Total (Income Gains) = | \$7,190,222 |
| Total Benefits = | \$14,535,190 |
| Gross Excess Benefits Over Costs = | \$10,139,942 |
| Net of Abatements "Costs" and Income Gains= | \$5,904,833 |
| Benefits to Costs Ratio = | 3.31 |

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| Economic Analysis of Eldred Preserve Project and Requested Tax Abatement Program | | | | | | | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--|
| DESCRIPTION | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | |
| Sales Tax Abatement | \$672,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Mortgage Tax Abatement | \$120,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Real Property Tax Abatement | \$0 | \$171,405 | \$191,374 | \$211,903 | \$233,005 | \$254,693 | \$240,048 | \$224,906 | \$209,257 | \$193,087 | \$176,385 | \$159,138 | |
| Highway/Other Costs | \$81,698 | \$81,698 | \$81,698 | \$81,698 | \$81,698 | \$81,698 | \$81,698 | \$81,698 | \$81,698 | \$81,698 | \$81,698 | \$81,698 | |
| School Costs | \$0 | \$4,188 | \$4,188 | \$4,188 | \$4,188 | \$4,188 | \$4,188 | \$4,188 | \$4,188 | \$4,188 | \$4,188 | \$4,188 | |
| Real Property Taxes | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$36,930 | \$74,969 | \$114,140 | \$154,469 | \$195,983 | \$236,707 | |
| Personal Income - New/Retained Jobs | \$0 | \$278,651 | \$282,830 | \$287,073 | \$291,379 | \$295,750 | \$300,186 | \$304,689 | \$309,259 | \$313,898 | \$318,606 | \$323,385 | |
| Indirect Income Benefits | \$0 | \$119,067 | \$120,853 | \$122,666 | \$124,506 | \$126,374 | \$128,269 | \$130,193 | \$132,146 | \$134,129 | \$136,140 | \$138,183 | |
| Added Sales Tax (General) | \$0 | \$15,909 | \$16,147 | \$16,390 | \$16,635 | \$16,885 | \$17,138 | \$17,395 | \$17,656 | \$17,921 | \$18,190 | \$18,463 | |
| Added Sales Tax (Operations) | \$0 | \$207,984 | \$211,104 | \$214,270 | \$217,480 | \$220,735 | \$224,045 | \$227,410 | \$230,830 | \$234,305 | \$237,835 | \$241,420 | |
| Room Tax Revenue | \$0 | \$45,990 | \$46,680 | \$47,380 | \$48,091 | \$48,812 | \$49,544 | \$50,287 | \$51,042 | \$51,807 | \$52,585 | \$53,373 | |

| Economic Analysis of Eldred Preserve Project and Requested Tax Abatement Program | | | | | | | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|-------------|--|--|
| DESCRIPTION | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 | TOTALS | | | |
| Sales Tax Abatement | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | Actual | NPV | | |
| Mortgage Tax Abatement | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$672,000 | \$672,000 | | |
| Real Property Tax Abatement | \$121,144 | \$81,974 | \$41,602 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$120,000 | \$120,000 | | |
| Highway/Other Costs | \$81,698 | \$81,698 | \$81,698 | \$81,698 | \$81,698 | \$81,698 | \$81,698 | \$81,698 | \$81,698 | \$2,509,920 | \$2,163,113 | | |
| School Costs | \$4,188 | \$4,188 | \$4,188 | \$4,188 | \$4,188 | \$4,188 | \$4,188 | \$4,188 | \$4,188 | \$1,715,654 | \$1,373,900 | | |
| Real Property Taxes | \$282,669 | \$327,896 | \$374,417 | \$422,259 | \$428,593 | \$435,022 | \$441,547 | \$448,170 | \$454,893 | \$83,752 | \$66,235 | | |
| Personal Income - New/Retained Jobs | \$328,236 | \$333,160 | \$338,157 | \$343,229 | \$348,378 | \$353,603 | \$358,908 | \$364,291 | \$369,756 | \$4,430,663 | \$3,135,838 | | |
| Indirect Income Benefits | \$140,255 | \$142,359 | \$144,495 | \$146,662 | \$148,862 | \$151,095 | \$153,361 | \$155,662 | \$157,997 | \$6,443,422 | \$5,037,639 | | |
| Added Sales Tax (General) | \$18,740 | \$19,021 | \$19,306 | \$19,596 | \$19,890 | \$20,188 | \$20,491 | \$20,798 | \$21,110 | \$2,753,274 | \$2,152,583 | | |
| Added Sales Tax (Operations) | \$210,166 | \$213,318 | \$216,518 | \$219,766 | \$223,062 | \$226,404 | \$229,804 | \$233,252 | \$236,750 | \$367,868 | \$287,609 | | |
| Room Tax Revenue | \$54,174 | \$54,986 | \$55,811 | \$56,648 | \$57,498 | \$58,361 | \$59,236 | \$60,125 | \$61,026 | \$3,985,464 | \$3,090,081 | | |
| | | | | | | | | | | \$1,063,457 | \$831,439 | | |