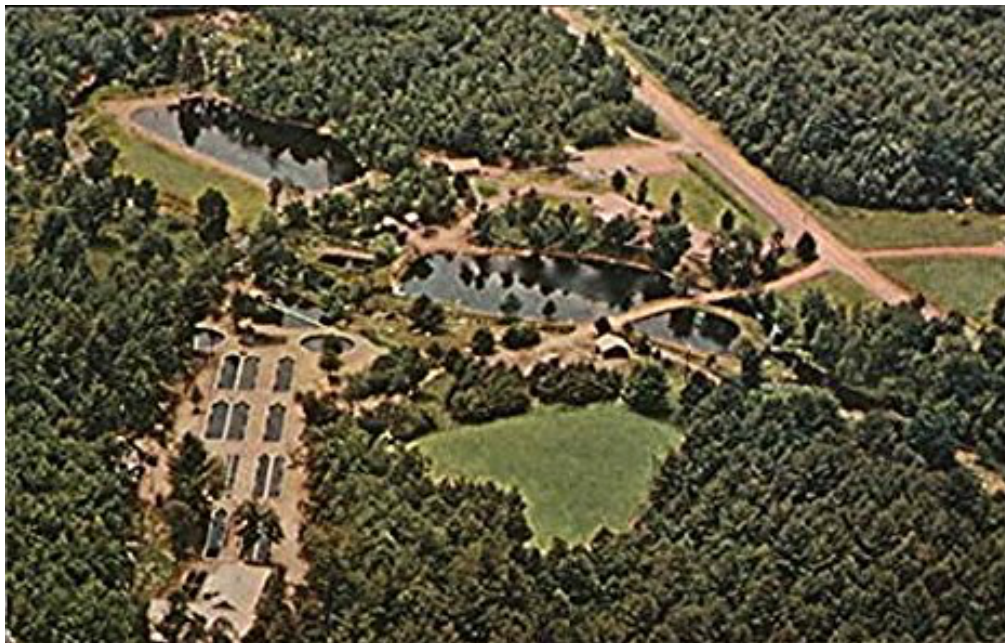


Amytra Development LLC

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

The Homestead Project



Benefit/Cost Analysis

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Background:

Amytra Development LLC has applied for financial assistance for the development of a 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 development of a resort tentatively identified as “The Homestead,” which will include the construction of a restaurant, 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 “Amytra.”



The project involves an estimated \$8,500,000 in real property improvements. An estimated \$7,500,000 will be spent on otherwise sales taxable purchases and materials costs associated with the project.

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Real property is currently assessed at 100% of market value in the Town of Highland, yielding an estimated future assessed value of \$8,500,000 for the proposed improvements. 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:

- 1) This new construction project involves an estimated \$7,500,000 in otherwise sales taxable material, wastewater treatment plant construction and fixtures and equipment purchases.
- 2) It is assumed, for purposes of this analysis, that all project construction activities will occur in 2018 with the facility opening in 2019. It is further assumed the IDA

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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 follows. The base assessed value is the Town's assessed value on the roll immediately prior to tearing down the buildings formerly comprising the "Eldred Preserve."

Tourist Industry Program Real Property Tax General Abatement Schedule					
Year	Base Value for PILOT	Value of New Real Property	% Abatement New Real Property	New \$ Value Abated	Total Value for PILOT
Construction Period	\$ 1,200,000	\$ -	-	\$ -	\$ 1,200,000
1	\$ 1,200,000	\$ 8,500,000	100%	\$ 8,500,000	\$ 1,200,000
2	\$ 1,200,000	\$ 8,500,000	100%	\$ 8,500,000	\$ 1,200,000
3	\$ 1,200,000	\$ 8,500,000	100%	\$ 8,500,000	\$ 1,200,000
4	\$ 1,200,000	\$ 8,500,000	100%	\$ 8,500,000	\$ 1,200,000
5	\$ 1,200,000	\$ 8,500,000	100%	\$ 8,500,000	\$ 1,200,000
6	\$ 1,200,000	\$ 8,500,000	90.0%	\$ 7,650,000	\$ 2,050,000
7	\$ 1,200,000	\$ 8,500,000	80.0%	\$ 6,800,000	\$ 2,900,000
8	\$ 1,200,000	\$ 8,500,000	70.0%	\$ 5,950,000	\$ 3,750,000
9	\$ 1,200,000	\$ 8,500,000	60.0%	\$ 5,100,000	\$ 4,600,000
10	\$ 1,200,000	\$ 8,500,000	50.0%	\$ 4,250,000	\$ 5,450,000
11	\$ 1,200,000	\$ 8,500,000	40.0%	\$ 3,400,000	\$ 6,300,000
12	\$ 1,200,000	\$ 8,500,000	30.0%	\$ 2,550,000	\$ 7,150,000
13	\$ 1,200,000	\$ 8,500,000	20.0%	\$ 1,700,000	\$ 8,000,000
14	\$ 1,200,000	\$ 8,500,000	10.0%	\$ 850,000	\$ 8,850,000
15	\$ 1,200,000	\$ 8,500,000	0.0%	\$ 0	\$ 9,700,000

- 3) According to the application to the IDA there will be a mortgage to which mortgage tax abatement will apply, which mortgage will not exceed \$12,000,000.

- 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 an estimated maximum of four new family households (24 jobs x 33% new households x 31%

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family 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 the following projected taxable sales:

Projected Taxable Sales					
	Days Open	Seats/ Rooms	Sales Per Unit	Turnover/ Capacity	Projected Sales
Pub	350	30	\$20	2.5	\$525,000
Restaurant	270	120	\$20	2.5	\$1,620,000
Lodging	270	28	\$150	0.4	\$453,600
Total Projected Taxable Sales					\$2,598,600

- 8) Room tax revenue is calculated at the 5% Sullivan County rate.

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

Tax Rates in Town of Highland		
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%
School Tax Rate*	15.225411	1.52%
Combined Total	28.567537	2.86%

* Estimated for 2019

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Conclusion:

This project will generate costs of \$2,497,860 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 \$2,252,205. There are an additional estimated \$66,235 of net school costs and \$981,248 of highway and related costs over this same period (net present valued), bringing total costs to \$3,299,688.

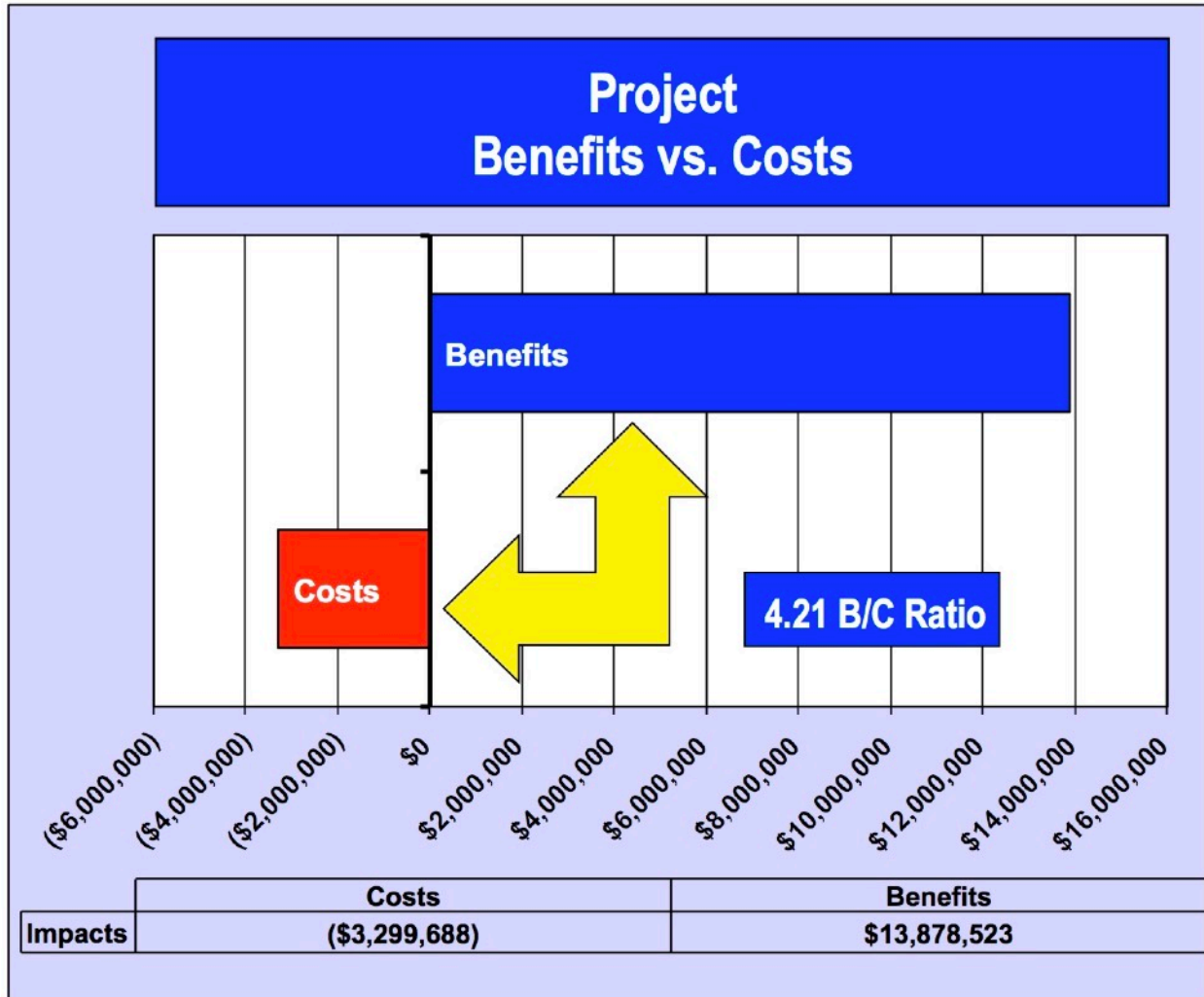
The project benefits consist of new real property taxes to be generated by a tax base adjustment (\$258,232) plus real estate taxes associated with improvements (\$2,221,219), the payroll gains (\$7,190,222), the sales taxes from those payroll gains (\$287,608), the sales taxes from operations (\$3,089,802) and room taxes of \$831,439 which, altogether, at net present value, total \$13,878,523 combined over the analysis period.

This yields a positive benefit/cost ratio of 4.21.

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Project Cost/Benefit Analysis	
Costs (2018-2038)	
Sales Tax Abatements (County)	\$300,000
Sales Tax Abatements (State)	\$300,000
Mortgage Tax Abatements	\$120,000
Real Property Tax Reductions Net of 485-b Benefits	\$1,777,860
Sub-Total (Value of All Abatements) =	\$2,497,860
Net Present Value of Abatements*	\$2,252,205
Additional School Costs	\$66,235
Variable Highway & Other Municipal Costs	\$981,248
Total Costs (Net Present Value)=	\$3,299,688
Benefits (Net Present Value, 2018-2038)	
Property Taxes Related to Improvements	\$2,221,219
Property Taxes Related To Assessment Base Addition	\$258,232
Sales Taxes (General - From Gains in Buying Power)	
County	\$143,804
State	\$143,804
Sales Taxes (From Operations)	
County	\$1,544,901
State	\$1,544,901
Room Tax Revenue	\$831,439
Sub-Total (Taxes/Charges) =	\$6,688,301
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 = \$13,878,523	
Gross Excess Benefits Over Costs = \$10,578,836	
Net of Abatements "Costs" and Income Gains=	\$5,640,818
Benefits to Costs Ratio = 4.21	

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Economic Analysis of Project and Requested Tax Abatement Program												
DESCRIPTION	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
FISCAL YEAR	1	2	3	4	5	6	7	8	9	10	11	12
Sales Tax Abatement	\$600,000	\$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	\$121,412	\$135,557	\$150,098	\$165,045	\$180,407	\$170,034	\$159,309	\$148,223	\$136,770	\$124,939	\$112,723
Highway/Other Costs	\$58,349	\$58,349	\$58,349	\$58,349	\$58,349	\$58,349	\$58,349	\$58,349	\$58,349	\$58,349	\$58,349	\$58,349
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 on New Property Value	\$0	\$0	\$0	\$0	\$0	\$0	\$26,159	\$53,103	\$80,949	\$109,416	\$138,821	\$169,084
Real Property Taxes on \$500,000 Base Addition	\$0	\$14,284	\$14,498	\$14,715	\$14,936	\$15,160	\$15,388	\$15,618	\$15,853	\$16,091	\$16,332	\$16,577
Total Real Property Taxes Without Project	\$20,569	\$20,569	\$20,877	\$21,190	\$21,508	\$21,831	\$22,158	\$22,491	\$22,828	\$23,170	\$23,518	\$23,871
Total Real Property Taxes With Project	\$20,569	\$34,852	\$35,375	\$35,906	\$36,444	\$36,991	\$37,505	\$38,121	\$38,750	\$39,350	\$39,952	\$40,552
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	\$207,888	\$211,006	\$214,171	\$217,380	\$220,635	\$223,944	\$227,307	\$230,725	\$234,198	\$238,726	\$243,309
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 Project and Requested Tax Abatement Program												
DESCRIPTION	2030	2031	2032	2033	2034	2035	2036	2037	2038	TOTALS		
FISCAL YEAR	13	14	15	16	17	18	19	20	21	Actual	NPV	
Sales Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$600,000	\$600,000	
Mortgage Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$120,000	\$120,000	
Real Property Tax Abatement	\$85,810	\$68,065	\$29,468	\$0	\$0	\$0	\$0	\$0	\$0	\$1,777,860	\$1,532,205	
Highway/Other Costs	\$58,349	\$58,349	\$58,349	\$58,349	\$58,349	\$58,349	\$58,349	\$58,349	\$58,349	\$1,225,331	\$981,248	
School Costs	\$4,188	\$4,188	\$4,188	\$4,188	\$4,188	\$4,188	\$4,188	\$4,188	\$4,188	\$83,752	\$66,235	
Real Property Taxes on New Property Value	\$200,224	\$232,260	\$265,212	\$299,100	\$303,586	\$308,140	\$312,762	\$317,454	\$322,216	\$3,138,386	\$2,221,219	
Real Property Taxes on \$500,000 Base Addition	\$16,826	\$17,078	\$17,334	\$17,594	\$17,858	\$18,126	\$18,398	\$18,674	\$18,954	\$330,293	\$258,232	
Total Real Property Taxes Without Project	\$24,229	\$24,592	\$24,961	\$25,336	\$25,716	\$26,101	\$26,493	\$26,890	\$27,294	\$496,191	\$392,423	
Total Real Property Taxes With Project	\$241,278	\$273,930	\$307,507	\$342,030	\$347,160	\$352,367	\$357,653	\$363,018	\$368,463	\$3,964,870	\$2,871,873	
Personal Income - New/Retained Jobs	\$328,236	\$333,160	\$338,157	\$343,229	\$348,378	\$353,603	\$358,908	\$364,291	\$369,756	\$6,443,422	\$5,037,639	
Indirect Income Benefits	\$140,255	\$142,359	\$144,495	\$146,662	\$148,862	\$151,095	\$153,361	\$155,662	\$157,997	\$2,753,274	\$2,152,583	
Added Sales Tax (General)	\$18,740	\$19,021	\$19,306	\$19,596	\$19,890	\$20,188	\$20,491	\$20,798	\$21,110	\$387,868	\$287,609	
Added Sales Tax (Operations)	\$210,166	\$213,318	\$216,518	\$219,766	\$223,062	\$226,408	\$229,804	\$233,252	\$236,750	\$3,965,171	\$3,089,802	
Room Tax Revenue	\$54,174	\$54,986	\$55,811	\$56,648	\$57,498	\$58,361	\$59,236	\$60,125	\$61,026	\$1,063,457	\$831,439	