

# Sullivan Resorts LLC

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

## Grossinger's Project



## Benefit/Cost Analysis

*Prepared by:*

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## Background:

Sullivan Resorts LLC has applied for financial assistance for a Project Site fronting on NYS Routes 17 and 52 and straddling a portion of Clements Road in the Town and Village of Liberty. The following parcels are involved:

Tax Map Parcels 23-1-87 and 112.3 (Town of Liberty)

Tax Map Parcels 29-2-3 and 7 (Town of Liberty)

Tax Map Parcel 30-1-1 (Town of Liberty)

Tax Map Parcel 125-1-1.2 (Village of Liberty)

The project involves the demolition and cleanup of the former Grossinger's Resort Hotel property which was comprised of more than 20 buildings with a total floor area of approximately 460,000 square feet. The buildings have been shuttered since the resort closed more than thirty years ago, and are now well beyond restoration and re-use, and, after asbestos abatement is completed, require demolition. There are also numerous areas on the Project Site that exhibit surface and subsurface soil and groundwater contamination.

Sullivan Resorts LLC has entered into an agreement with the New York State Department of Environmental Conservation ("NYSDEC") for admission of portions of the Project Site into the Brownfield Clean-up Program. This requires remediation of an approximately 19 acre portion of the site, including the majority of the former hotel building complex, such that it is suitable for later redevelopment, making the Project a real property capital improvement one. All remediation work will be reviewed and approved by NYSDEC.

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It is not anticipated sales taxable purchases and materials costs associated with the project will be significant although sales tax abatement is requested (see explanation in Methods and Assumptions section).

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) The Project involves a brownfield cleanup (limited to 19 acres of a much larger group of properties) to residential standards that would prepare the site for new resort/residential development. The New York State Department of Taxation and Finance, Office of Tax Policy Analysis, Taxpayer Guidance Division, has issued an advisory opinion indicating the following:

*"...where a subcontractor is hired to remove debris from a construction site upon which a capital improvement to real property is being performed, such services*

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*are considered part of the overall capital improvement service being performed on the real property and receipts from the sale of such services are exempt from sales tax...”*

While the advisory opinion is qualified and there may be taxable activities that justify abatement, the amount that would be involved appears to be incidental and insignificant. Therefore, no costs have been assigned for this purpose. Rather, the requested abatement is simply to confirm the policy articulated above.

- 2) It is assumed, for purposes of this analysis, that all Project activities will occur in 2018.
- 3) It is anticipated the Sullivan Resorts, LLC project will create 25 jobs for a six-month period or 12.5 full-time equivalent jobs for the first year. An average salary of \$45,830 per year is estimated based on [New York Department of Labor data](#).



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- 4) The additional annual costs to local government for providing highway maintenance and other non-educational services in the Village of Liberty are estimated at \$2,021 for each new (albeit temporary) full-time equivalent construction worker attracted. This is based on an estimated county and town/village tax levy of \$8,147,558 based on 2016/2017 figures plus 1.5% for inflation, divided by a Village of Liberty population of 4,092 persons in 2016. Because the employment is limited to a six-month construction period, it is assumed no employees will be new to Sullivan County or create school costs.
- 5) Sales taxes attributable to the increased buying power generated by the new payroll the facility will produce are included among Project benefits.
- 6) Cash flow streams from benefits and costs are net present valued using a discount rate of 2.421% ([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.

## Conclusion:

This project will generate an estimated \$25,262 of highway and related costs.

The project benefits consist of payroll gains (\$1,283,240) and the sales taxes from those payroll gains (\$51,330), which, altogether, at net present value, total \$1,309,308 combined over the analysis period.

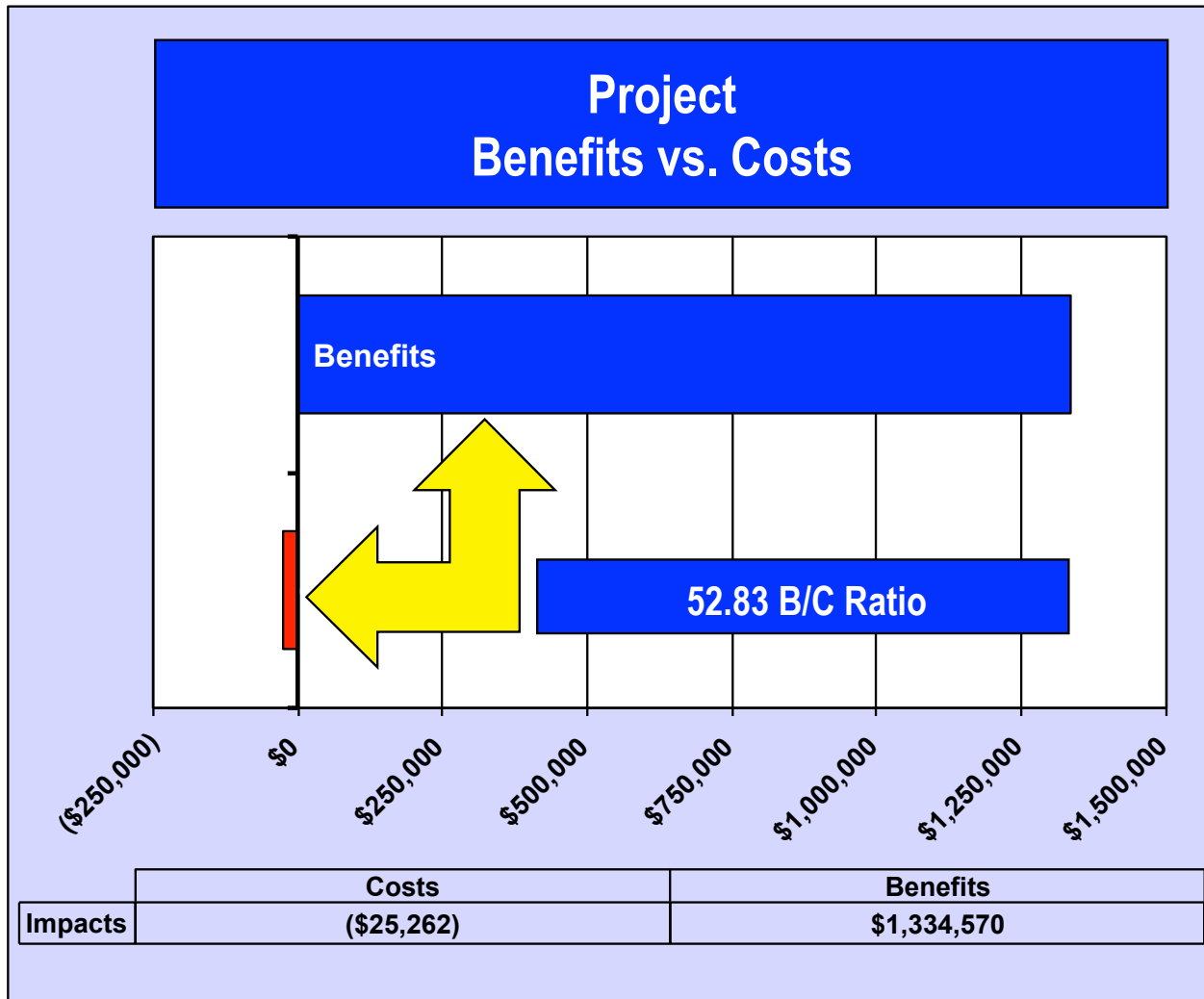
This yields a positive benefit/cost ratio of 52.83.



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Project Cost/Benefit Analysis	
<b>Costs (2018-2038)</b>	
Sales Tax Abatements (County)	\$0
Sales Tax Abatements (State)	\$0
Mortgage Tax Abatements	\$0
Real Property Tax Reductions Net of 485-b Benefits	\$0
<b>Sub-Total (Value of All Abatements) =</b>	<b>\$0</b>
Net Present Value of Abatements*	\$0
Additional School Costs	\$0
Variable Highway & Other Municipal Costs	\$25,262
<b>Total Costs (Net Present Value) =</b>	<b>\$25,262</b>
<b>Benefits (Net Present Value, 2018-2038)</b>	
Property Taxes Related to Improvements	\$0
Sales Taxes (General - From Gains in Buying Power)	
County	\$25,665
State	\$25,665
<b>Sub-Total (Taxes/Charges) =</b>	<b>\$51,330</b>
Personal Income Gains Related to New/Retained Jobs	\$572,875
Personal Income Gains Related to Multiplier Effects	\$710,365
<b>Sub-Total (Income Gains) =</b>	<b>\$1,283,240</b>
<b>Total Benefits =</b>	<b>\$1,334,570</b>
Gross Excess Benefits Over Costs =	\$1,309,308
<b>Net of Abatements "Costs" and Income Gains=</b>	<b>\$26,068</b>
<b>Benefits to Costs Ratio =</b>	<b>52.83</b>

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Economic Analysis of Project and Requested Tax Abatement Program												
FISCAL YEAR	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
DESCRIPTION	1	2	3	4	5	6	7	8	9	10	11	12
Sales Tax Abatement	\$0	\$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	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Highway/Other Costs	\$25,262	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Taxes on New Property Value	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Personal Income - New/Retained Jobs	\$572,875	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Indirect Income Benefits	\$710,365	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Added Sales Tax (General)	\$51,330	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Economic Analysis of Project and Requested Tax Abatement Program												
FISCAL YEAR	2030	2031	2032	2033	2034	2035	2036	2037	2038	TOTALS		
DESCRIPTION	13	14	15	16	17	18	19	20	21	Actual	NPV	
Sales Tax Abatement	\$0	\$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	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Highway/Other Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$25,262	\$25,262	\$25,262
School Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Taxes on New Property Value	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Personal Income - New/Retained Jobs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$572,875	\$572,875	\$572,875
Indirect Income Benefits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$710,365	\$710,365	\$710,365
Added Sales Tax (General)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$51,330	\$51,330	\$51,330