

Sullivan Resorts LLC

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

Grossinger's Project



Benefit/Cost Analysis [UPDATE]

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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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. While it was previously assumed, based on an advisory opinion from the New York State Department of Taxation and Finance that there would be no sales tax involved, subsequent information received from the Department indicates otherwise.

The applicant has, in fact, has made expenditures of \$3,542,412 to date that have been determined to be sales taxable. There are also expected to be some minor additional sales taxable expenditures. Therefore, it is assumed total expenditures will be \$3,750,000 for purposes of this analysis.

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- 2) It is assumed, for purposes of this analysis, that all Project activities will occur in 2019.

- 3) It is anticipated the Sullivan Resorts, LLC project will in the end have created 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](#).



- 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 3.0% 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.

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- 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 2.594% ([current interest rate on the public debt](#)). Net present value figures include actual costs of abatements and other costs for 2019 plus discounted values for 2020-2039.

Conclusion:

This project will generate estimated sales tax abatement costs of \$300,000 and an estimated \$25,635 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 4.10.

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Project Cost/Benefit Analysis	
Costs (2019-2039)	
Sales Tax Abatements (County)	\$150,000
Sales Tax Abatements (State)	\$150,000
Mortgage Tax Abatements	\$0
Real Property Tax Reductions Net of 485-b Benefits	\$0
Sub-Total (Value of All Abatements) =	\$300,000
Net Present Value of Abatements*	\$300,000
Additional School Costs	\$0
Variable Highway & Other Municipal Costs	\$25,635
Total Costs (Net Present Value) =	\$325,635
Benefits (Net Present Value, 2019-2039)	
Property Taxes Related to Improvements	\$0
Sales Taxes (General - From Gains in Buying Power)	
County	\$25,665
State	\$25,665
Sub-Total (Taxes/Charges) =	\$51,330
Personal Income Gains Related to New/Retained Jobs	\$572,875
Personal Income Gains Related to Multiplier Effects	\$710,365
Sub-Total (Income Gains) =	\$1,283,240
Total Benefits = \$1,334,570	
Gross Excess Benefits Over Costs = \$1,008,935	
Net of Abatements "Costs" and Income Gains=	\$25,695
Benefits to Costs Ratio = 4.10	

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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	\$300,000	\$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	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Highway/Other Costs	\$25,635	\$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												
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	\$300,000	\$300,000	
Mortgage Tax Abatement	\$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	
Highway/Other Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$25,635	\$25,635	
School Costs	\$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	
Personal Income - New/Retained Jobs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$572,875	\$572,875	
Indirect Income Benefits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$710,365	\$710,365	
Added Sales Tax (General)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$51,330	\$51,330	

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