

FSH Lodge at Neversink, LLC and 7491 State Route Property Co., LLC

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

The Lodge at Neversink



Benefit/Cost Analysis

Prepared by:

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FSH Lodge at Neversink, LLC

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Background:

FSH Lodge at Neversink, LLC, together with 7491 State Route Property Co., LLC has applied for financial assistance for the development of 229.50 acres of land located in the Town of Neversink (Tax Map Parcels 30-1-39.1 and 30-1-39.3). The project involves the redevelopment of a resort previously known as the New Age Health Spa that will be reopened as “The Lodge at Neversink.” The facility, closed for 12 years, will be restored and upgraded to serve as a wellness retreat, targeting customers similar to the one that has brought Foster Supply Hospitality success with several other small resort projects.

The project involves an estimated \$3,953,880 in construction costs related to real property improvements. An estimated \$3.436,100 will be spent on otherwise sales-taxable purchases and materials costs associated with the project, including furniture, fixtures and equipment (FF&E) and Operating Supplies and Equipment (OS&E). The real property is currently assessed at 3.3% of market value in the Town of Neversink, yielding a current assessed value of \$70,000.



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FSH Lodge at Neversink, 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.

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Methods and Assumptions:

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

- 1) This new construction project involves an estimated \$3,436,100 in otherwise sales taxable material and equipment purchases.
- 2) It is assumed, for purposes of this analysis, that all project construction activities will occur in 2022-2023 with the facility opening some time after March 1, 2023 and real property tax abatement beginning in 2025. It is further assumed the IDA will approve a PILOT Agreement under or comparable to the Sullivan County IDA's [Uniform Tax Exemption Policy Tourism Industry Program \(§301.c\) or a comparable program](#); the PILOT to apply to the estimated costs of developing the real property.



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It is estimated the 34 rooms/suites will have a market value of \$37,750 per room after improvements, yielding additional market value of \$1,283,500 and additional assessed value in the amount of \$42,783 (say \$43,750), bringing the total market value to \$3,383,500 and assessed value to \$112,650.

The applicable IDA PILOT schedule follows. The base assessed value is the Town's current assessed value.

Real Property Tax General Abatement Schedule					
Year	Base Assessed Value	Assessed Value of Improvements	% Abatement New Real Property	New \$ Value Abated	Total Value for PILOT
Construction Period	\$ 70,000	\$ -	-	\$ -	\$ 70,000
1	\$ 70,000	\$ 42,750	100%	\$ 42,750	\$ 70,000
2	\$ 70,000	\$ 42,750	100%	\$ 42,750	\$ 70,000
3	\$ 70,000	\$ 42,750	100%	\$ 42,750	\$ 70,000
4	\$ 70,000	\$ 42,750	100%	\$ 42,750	\$ 70,000
5	\$ 70,000	\$ 42,750	100%	\$ 42,750	\$ 70,000
6	\$ 70,000	\$ 42,750	90.0%	\$ 38,475	\$ 74,275
7	\$ 70,000	\$ 42,750	80.0%	\$ 34,200	\$ 78,550
8	\$ 70,000	\$ 42,750	70.0%	\$ 29,925	\$ 82,825
9	\$ 70,000	\$ 42,750	60.0%	\$ 25,650	\$ 87,100
10	\$ 70,000	\$ 42,750	50.0%	\$ 21,375	\$ 91,375
11	\$ 70,000	\$ 42,750	40.0%	\$ 17,100	\$ 95,650
12	\$ 70,000	\$ 42,750	30.0%	\$ 12,825	\$ 99,925
13	\$ 70,000	\$ 42,750	20.0%	\$ 8,550	\$ 104,200
14	\$ 70,000	\$ 42,750	10.0%	\$ 4,275	\$ 108,475
15	\$ 70,000	\$ 42,750	0.0%	\$ 0	\$ 112,750

- 3) The application to the IDA indicates there will be a \$6,783,658 mortgage to which mortgage tax abatement will apply.

- 4) It is anticipated the FSH Lodge at Neversink, LLC project will create an estimated

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43 full-time equivalent (FTE) jobs. An average salary of \$49,600 per year for each FTE is estimated based the applicant/s project financials.

- 5) The additional annual costs to local government for providing highway maintenance and other non-educational services in the Town of Neversink are estimated at \$3,323 for each new resident attracted (\$8,973 per household). This is based on an estimated county and town tax levy of \$11,868,000 based on 2020 figures plus 10.0%, divided by a Town of Neversink estimated population of 3,571 persons.

It is assumed one-third of employees or 14 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 20 new family households (43 jobs x 33% new households x 1.4273), with a cost of approximately \$8,973 annually in non-educational local government services each.

It is assumed, based on the *Sullivan County Cost of Community Services Study*, that 26.5% or \$2,380 per household would be covered from taxes paid by the new residents, leaving \$6,593 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 Neversink.

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

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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 0.26 children per household average for Sullivan County in 2021 times a total cost of \$26,221 per student, the latest estimated average figure for the Tri-Valley Central District where the project is located (real estate levy net of state aid divided by estimated 884 enrollment). A maximum of 14 new students is projected before considering multiplier effects.
- 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 from food and beverage and spa sales (estimated by the applicant).



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- 8) Room tax revenue is estimate based on 34 rooms with 50% occupancy and an average daily rate of \$650. Occupancy rates start somewhat lower and grow over time but a 50% average over the study period is assumed.
- 9) Cash flow streams from benefits and costs are net present valued using a discount rate of 1.687% ([current interest rate on the public debt](#)). Net present value figures include actual costs of abatements and other costs for the construction/start-up period (2022-2024) plus discounted values for 2025-2044, providing a reasonable period for assessing the full benefits and costs of the project.
- 10) Current ad valorem real property tax rates within the Town of Neversink, Sullivan County, are as follows:

Tax Rates		
Tax Category	Rate (Before Equalization)	% of Market Value
Medicaid	64.291955	0.21%
NYS Welfare Mandates	32.880360	0.11%
Other NYS Mandates	61.970598	0.21%
County Levy	69.733777	0.23%
County Total	228.876690	0.76%
Town to Highway	139.310648	0.46%
Town Total	139.310648	0.46%
School Tax Rate*	533.863221	1.78%
Combined Total	902.050559	3.01%

* Estimated for 2022

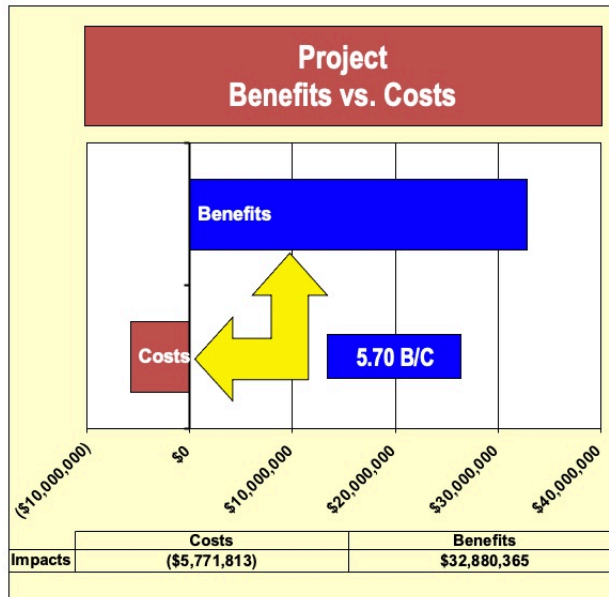
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Conclusion:

This project will generate costs of \$352,947 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 \$351,874. There are an additional estimated \$2,351,265 of net school costs and \$3,068,674 of highway and related costs over this same period (net present valued), bringing total costs to \$5,771,813.

The project benefits consist of real estate taxes associated with improvements (\$15,885), the payroll gains (\$23,282,106), the sales taxes from those payroll gains (\$931,284) and the sales taxes from operations (\$4,158,370) which, altogether, at net present value, total \$32,880,365 combined over the analysis period.

This yields a positive benefit/cost ratio of 5.70.



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Project Cost/Benefit Analysis	
Costs (2022-2044)	
Sales Tax Abatements (County)	\$137,440
Sales Tax Abatements (State)	\$137,440
Mortgage Tax Abatements	\$67,837
Real Property Tax Reductions Net of 485-b Benefits	\$10,231
Sub-Total (Value of All Abatements) =	\$352,947
Net Present Value of Abatements*	\$351,874
Additional School Costs	\$2,351,265
Variable Highway & Other Municipal Costs	\$3,068,674
Total Costs (Net Present Value)=	\$5,771,813
Benefits (Net Present Value, 2022-2044)	
Property Taxes Related to Improvements	\$15,885
Sales Taxes (General - From Gains in Buying Power)	
County	\$465,642
State	\$465,642
Sales Taxes (From Operations)	
County	\$2,079,185
State	\$2,079,185
Room Taxes	\$4,492,721
Sub-Total (Taxes/Charges) =	\$9,598,260
Personal Income Gains Related to New/Retained Jobs	\$16,311,992
Personal Income Gains Related to Multiplier Effects	\$6,970,114
Sub-Total (Income Gains) =	\$23,282,106
Total Benefits =	\$32,880,365
Gross Excess Benefits Over Costs =	\$27,108,552
Net of Abatements "Costs" and Income Gains=	\$4,178,320
Benefits to Costs Ratio =	5.70

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Economic Analysis of Project and Requested Tax Abatement Program												
FISCAL YEAR	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	
DESCRIPTION	C	1	2	3	4	5	6	7	8	9	10	11
Sales Tax Abatement	\$274,880	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mortgage Tax Abatement	\$67,837	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Tax Abatement	\$0	\$643	\$729	\$819	\$914	\$1,014	\$969	\$922	\$870	\$815	\$755	\$692
Highway/Other Costs	\$134,869	\$138,915	\$143,082	\$147,375	\$151,796	\$156,350	\$161,040	\$165,872	\$170,848	\$175,973	\$181,252	\$186,690
School Costs	\$0	\$105,540	\$108,706	\$111,967	\$115,326	\$118,786	\$122,350	\$126,020	\$129,801	\$133,695	\$137,706	\$141,837
Real Property Taxes on New Property Value	\$0	\$0	\$0	\$0	\$0	\$0	\$149	\$307	\$475	\$652	\$839	\$1,037
Total Real Property Taxes Without Project	\$21,649	\$21,649	\$22,299	\$22,968	\$23,657	\$24,366	\$25,097	\$25,850	\$26,626	\$27,425	\$28,247	\$29,095
Total Real Property Taxes With Project	\$21,649	\$21,649	\$22,299	\$22,968	\$23,657	\$24,366	\$25,047	\$25,850	\$26,626	\$27,425	\$28,247	\$29,095
Personal Income - New/Retained Jobs	\$0	\$732,188	\$764,154	\$776,778	\$800,082	\$824,084	\$848,807	\$874,271	\$900,499	\$927,514	\$955,339	\$984,000
Indirect Income Benefits	\$0	\$312,864	\$322,250	\$331,917	\$341,875	\$352,131	\$362,695	\$373,576	\$384,783	\$396,327	\$408,217	\$420,463
Added Sales Tax (General)	\$0	\$41,802	\$43,056	\$44,348	\$45,678	\$47,049	\$48,460	\$49,914	\$51,411	\$52,954	\$54,542	\$56,179
Added Sales Tax (Operations)	\$0	\$192,000	\$192,000	\$197,760	\$203,693	\$209,804	\$216,098	\$222,581	\$229,258	\$236,136	\$243,220	\$250,516
Room Tax	\$0	\$201,663	\$207,712	\$213,944	\$220,362	\$226,973	\$233,782	\$240,796	\$248,019	\$255,460	\$263,124	\$271,018

Economic Analysis of Project and Requested Tax Abatement Program												
FISCAL YEAR	2036	2037	2038	2039	2040	2041	2042	2043	2044	TOTALS		
DESCRIPTION	12	13	14	15	16	17	18	19	20	Actual	NPV	
Sales Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$274,880	\$274,880	
Mortgage Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$67,837	\$67,837	
Real Property Tax Abatement	\$534	\$367	\$189	\$0	\$0	\$0	\$0	\$0	\$0	\$10,231	\$9,157	
Highway/Other Costs	\$192,291	\$198,059	\$204,001	\$210,121	\$216,428	\$222,917	\$229,605	\$236,493	\$18,618	\$3,642,591	\$3,068,674	
School Costs	\$146,092	\$150,475	\$154,989	\$159,639	\$164,428	\$169,361	\$174,442	\$179,675	\$185,065	\$2,835,901	\$2,351,265	
Real Property Taxes on New Property Value	\$1,246	\$1,467	\$1,700	\$2,004	\$2,004	\$2,064	\$2,126	\$2,190	\$2,256	\$20,460	\$15,885	
Total Real Property Taxes Without Project	\$29,968	\$30,887	\$31,793	\$32,746	\$33,729	\$34,741	\$35,783	\$36,856	\$37,962	\$603,372	\$503,959	
Total Real Property Taxes With Project	\$31,214	\$32,334	\$33,493	\$34,692	\$35,733	\$36,805	\$37,909	\$39,046	\$40,218	\$623,832	\$519,844	
Personal Income - New/Retained Jobs	\$1,013,520	\$1,043,925	\$1,075,243	\$1,107,500	\$1,140,725	\$1,174,947	\$1,210,195	\$1,246,501	\$1,283,896	\$19,674,169	\$16,311,992	
Indirect Income Benefits	\$433,077	\$446,069	\$459,451	\$473,235	\$487,432	\$502,055	\$517,116	\$532,630	\$548,609	\$8,406,772	\$6,970,114	
Added Sales Tax (General)	\$57,864	\$59,600	\$61,388	\$63,229	\$65,126	\$67,080	\$69,092	\$71,165	\$73,300	\$1,123,238	\$931,284	
Added Sales Tax (Operations)	\$258,032	\$265,773	\$273,746	\$281,958	\$290,417	\$299,130	\$308,104	\$317,347	\$326,867	\$5,014,439	\$4,158,369	
Room Tax	\$279,148	\$287,523	\$296,148	\$305,033	\$314,184	\$323,609	\$333,317	\$343,317	\$353,616	\$5,418,747	\$4,492,721	