

Fay Hospitality Catskills LLC

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

Villa Roma Resort and Conference Center



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

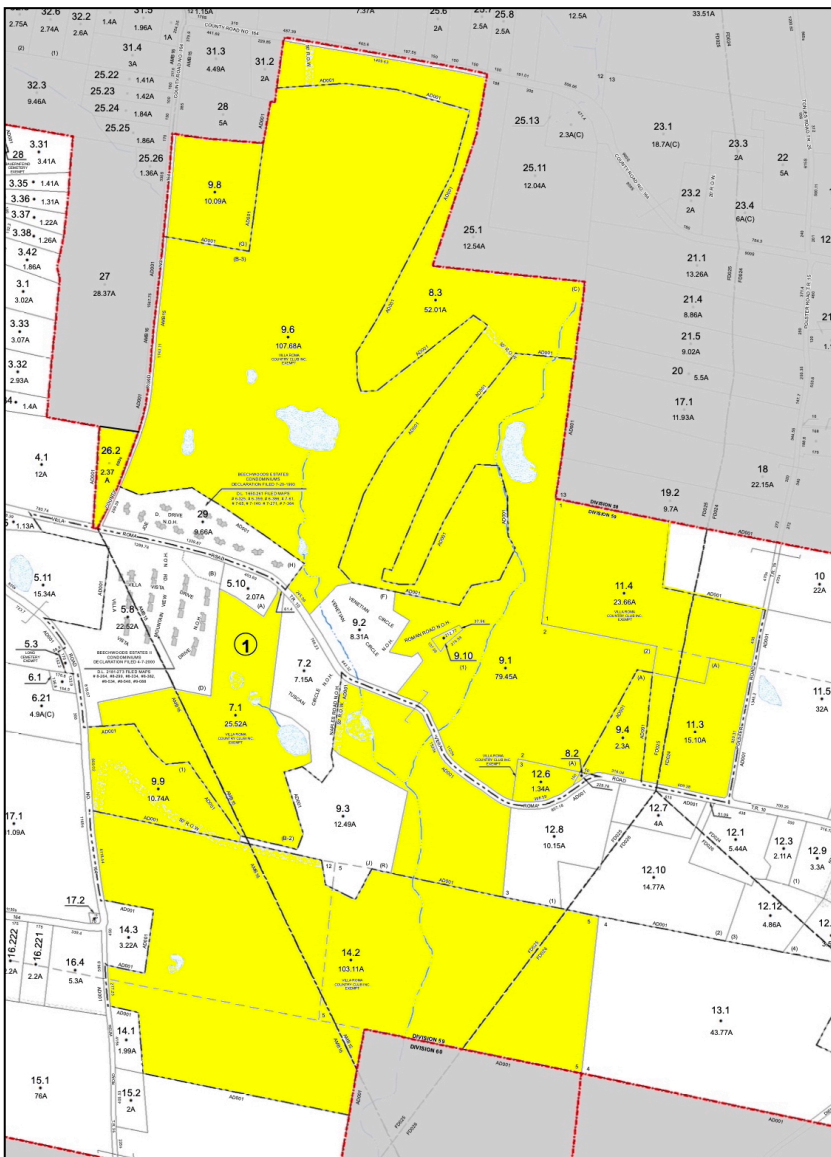
mail@shepstone.net

May, 2022

Fay Hospitality Catskills LLC Benefit/Cost Analysis

Background:

Fay Hospitality Catskills LLC has applied for financial assistance for the revitalization of the Villa Roma Resort and Conference Center located on 434 acres of land located in the Town of Delaware. The following tax map parcels are involved:



Parcel No.	Acres
5.-1-26.2	2.37
20.-1-7.1	25.52
20.-1-8.2	0.39
20.-1-8.3	52.01
20.-1-9.1	79.83
20.-1-9.4	2.3
20.-1-9.6	107.68
20.-1-9.8	10.09
20.-1-9.9	10.74
20.-1-9.10	0.32
20.-1-11.3	15.1
20.-1-11.4	23.66
20.-1-12.6	1.34
20.-1-14.2	103.11
Total	434.46

Fay Hospitality Catskills LLC

Benefit/Cost Analysis

The project involves the revitalization and upgrading of the resort. It involves an applicant estimated \$7,867,930 (rounded to \$8,000,000) in rehabilitation costs related to real property improvements. An estimated 60% or \$4,800,000 will be spent on otherwise sales-taxable material purchases. It is anticipated the real property will have an equalized assessed value of \$5,000,000.



Fay Hospitality Catskills 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.

Fay Hospitality Catskills LLC Benefit/Cost Analysis

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 conclusions reached regarding benefits and costs related to IDA assistance.

Fay Hospitality Catskills LLC Benefit/Cost Analysis

Methods and Assumptions:

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

- 1) This new construction project involves an estimated \$4,800,000 in otherwise sales taxable material purchases (assuming 60% material costs for \$8.0 million of real property improvements).
- 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 improving the existing real property.



Fay Hospitality Catskills LLC

Benefit/Cost Analysis

The applicable IDA PILOT schedule follows.

Real Property Tax Tourism Industry Abatement Schedule					
Year	Equalized Assessed Value	Equalized Value of Improvements	% Abatement New Real Property	New \$ Value Abated	Total Value for PILOT
Construction Period	\$ 16,323,954	\$ -	-	\$ -	\$ 16,323,954
1	\$ 16,323,954	\$ 5,000,000	100%	\$ 5,000,000	\$ 16,323,954
2	\$ 16,323,954	\$ 5,000,000	100%	\$ 5,000,000	\$ 16,323,954
3	\$ 16,323,954	\$ 5,000,000	100%	\$ 5,000,000	\$ 16,323,954
4	\$ 16,323,954	\$ 5,000,000	100%	\$ 5,000,000	\$ 16,323,954
5	\$ 16,323,954	\$ 5,000,000	100%	\$ 5,000,000	\$ 16,323,954
6	\$ 16,323,954	\$ 5,000,000	90.0%	\$ 4,500,000	\$ 16,823,954
7	\$ 16,323,954	\$ 5,000,000	80.0%	\$ 4,000,000	\$ 17,323,954
8	\$ 16,323,954	\$ 5,000,000	70.0%	\$ 3,500,000	\$ 17,823,954
9	\$ 16,323,954	\$ 5,000,000	60.0%	\$ 3,000,000	\$ 18,323,954
10	\$ 16,323,954	\$ 5,000,000	50.0%	\$ 2,500,000	\$ 18,823,954
11	\$ 16,323,954	\$ 5,000,000	40.0%	\$ 2,000,000	\$ 19,323,954
12	\$ 16,323,954	\$ 5,000,000	30.0%	\$ 1,500,000	\$ 19,823,954
13	\$ 16,323,954	\$ 5,000,000	20.0%	\$ 1,000,000	\$ 20,323,954
14	\$ 16,323,954	\$ 5,000,000	10.0%	\$ 500,000	\$ 20,823,954
15	\$ 16,323,954	\$ 5,000,000	0.0%	\$ 0	\$ 21,323,954

- 3) The application to the IDA indicates there will be a \$21,900,000 mortgage to which mortgage tax abatement will apply.

- 4) There are expected to be 50 full-time equivalent (FTE) construction jobs created at an average salary of \$64,000 for the construction period. Some 269 jobs will be retained but have not been counted as a specific benefit for purposes of this particular analysis. An economic multiplier of 1.50 is applied to these construction salaries for purposes of calculating personal income benefits and sales attributable to increased buying power, assuming 50% of construction jobs are local residents.

Fay Hospitality Catskills LLC Benefit/Cost Analysis

- 5) The annual costs to local government for providing highway maintenance and other non-educational services in the Town of Delaware are expected to be zero because construction employment is unlikely to generate any new residents.

- 6) Sales taxes attributable to food, beverage and retail sales on-site are estimated on the basis that \$5 million in new investment would, at \$250 per square feet, ordinarily purchase the equivalent of 20,000 sf of retail space and, at \$200 per square foot of sales, this should increase annual taxable sales by \$4 million.



- 7) It is assumed room revenue will represent 50% of new sales taxable sales or \$2 million and that room tax at 5% will also apply this share of revenue.

Fay Hospitality Catskills LLC Benefit/Cost Analysis

- 8) Cash flow streams from benefits and costs are net present valued using a discount rate of 1.55% ([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.
- 9) Current ad valorem real property tax rates within the Town of Delaware, Sullivan County, are as follows:

Tax Rates		
Tax Category	Rate (Before Equalization)	% of Assessed Value
Medicaid	2.594723	0.26%
NYS Welfare Mandates	1.327000	0.13%
Other NYS Mandates	2.501036	0.25%
County Levy	2.814346	0.28%
County Total	9.237105	0.92%
Town to Highway	6.40914	0.64%
Town Total	6.409140	0.64%
School Tax Rate*	14.990337	1.50%
Combined Total	30.636582	3.06%

* Estimated for 2022

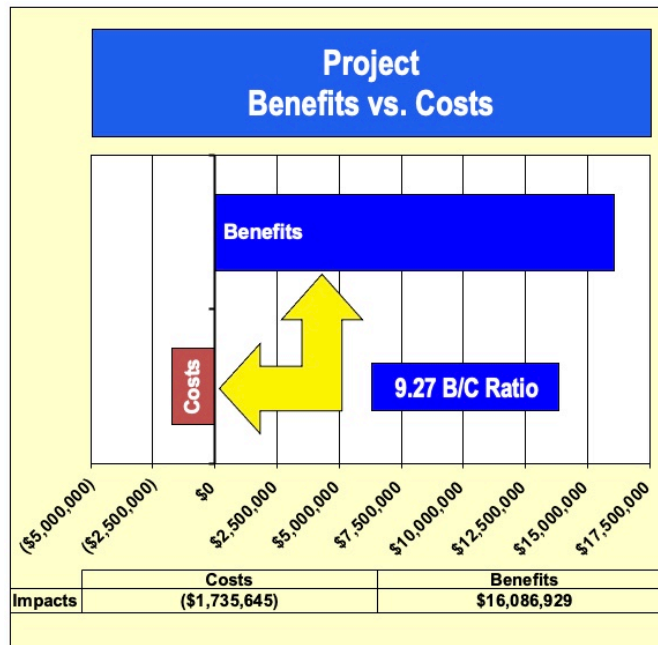
Fay Hospitality Catskills LLC Benefit/Cost Analysis

Conclusion:

This project will generate estimated costs of \$1,857,801 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 \$1,764,368.

The project benefits consist of real property taxes associated with improvements (\$1,986,370), construction payroll gains (\$3,200,000), sales taxes from those payroll gains (\$182,694), sales taxes from operations (\$7,058,081) and room taxes (\$2,259,505) that, altogether, at net present value, total \$14,322,561 combined over the analysis period.

This yields a positive benefit/cost ratio of 9.27. Netting out the construction payroll gains, the ratio is 6.64.



Fay Hospitality Catskills LLC

Benefit/Cost Analysis

Project Cost/Benefit Analysis	
Costs (2022-2044)	
Sales Tax Abatements (County)	\$192,000
Sales Tax Abatements (State)	\$192,000
Mortgage Tax Abatements	\$219,000
Real Property Tax Reductions Net of 485-b Benefits	\$1,254,801
Sub-Total (Value of All Abatements) =	\$1,857,801
Net Present Value of Abatements	\$1,735,645
Additional School Costs	\$0
Variable Highway & Other Municipal Costs	\$0
Total Costs (Net Present Value)=	\$1,735,645
Benefits (Net Present Value, 2022-2044)	
Property Taxes Related to Improvements	\$1,986,370
Sales Taxes (General - From Gains in Buying Power)	
County	\$91,347
State	\$91,347
Sales Taxes (From Operations)	
County	\$3,545,500
State	\$3,545,500
Room Taxes	\$2,259,505
Sub-Total (Taxes/Charges) =	\$11,519,569
Personal Income Gains Related to New Jobs	\$3,200,000
Personal Income Gains Related to Multiplier Effects	\$1,367,360
Sub-Total (Income Gains) =	\$4,567,360
Total Benefits =	\$16,086,929
Gross Excess Benefits Over Costs =	\$14,351,284
Gross Benefits to Costs Ratio =	9.27
B/C Ratio Net of Income Gains =	6.64

Fay Hospitality Catskills LLC Benefit/Cost Analysis

Economic Analysis of Project and Requested Tax Abatement Program												
DESCRIPTION	FISCAL YEAR											
	Construct / Startup	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Sales Tax Abatement	\$384,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mortgage Tax Abatement	\$219,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Tax Abatement	\$0	\$78,889	\$89,381	\$100,432	\$112,066	\$124,307	\$118,890	\$113,037	\$106,726	\$99,934	\$92,639	\$84,816
Highway/Other Costs	\$0	\$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	\$18,291	\$37,679	\$58,214	\$79,948	\$102,933	\$127,225
Total Real Property Taxes Without Project	\$442,598	\$455,875	\$469,552	\$483,638	\$498,147	\$513,092	\$528,485	\$544,339	\$560,669	\$577,489	\$594,814	\$612,658
Total Real Property Taxes With Project	\$442,598	\$455,875	\$469,552	\$483,638	\$498,147	\$513,092	\$528,485	\$544,339	\$560,669	\$577,489	\$594,814	\$612,658
Personal Income - Construction Employment	\$3,200,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Indirect Income Benefits	\$1,367,360	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Added Sales Tax (General)	\$62,002	\$320,000	\$320,000	\$329,600	\$339,488	\$349,673	\$360,163	\$370,968	\$382,097	\$393,560	\$405,366	\$417,527
Room Tax	\$0	\$100,000	\$103,000	\$106,090	\$109,273	\$112,551	\$115,927	\$119,405	\$122,987	\$126,677	\$130,477	\$134,392

Economic Analysis of Project and Requested Tax Abatement Program												
DESCRIPTION	FISCAL YEAR											
	2036	2037	2038	2039	2040	2041	2042	2043	2044	TOTALS		
	12	13	14	15	16	17	18	19	20	Actual	NPV	
Sales Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$384,000	\$384,000	
Mortgage Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$219,000	\$219,000	
Real Property Tax Abatement	\$65,521	\$44,991	\$23,170	\$0	\$0	\$0	\$0	\$0	\$0	\$1,254,801	\$1,132,645	
Highway/Other Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
School Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Real Property Taxes on New Property Value	\$152,882	\$179,963	\$208,533	\$238,654	\$245,814	\$253,188	\$260,784	\$268,607	\$276,665	\$2,509,378	\$1,966,370	
Total Real Property Taxes Without Project	\$631,038	\$649,969	\$669,468	\$689,552	\$710,239	\$731,546	\$753,493	\$776,097	\$799,380	\$12,692,141	\$10,743,124	
Total Real Property Taxes With Project	\$783,920	\$829,933	\$878,001	\$928,206	\$966,053	\$994,734	\$1,014,276	\$1,044,705	\$1,076,046	\$15,201,519	\$12,729,494	
Personal Income - Construction Employment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,200,000	\$3,200,000	
Indirect Income Benefits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,367,360	\$1,367,360	
Added Sales Tax (General)	\$430,053	\$442,955	\$456,243	\$469,931	\$484,029	\$498,550	\$513,506	\$528,911	\$544,779	\$8,419,400	\$7,091,000	
Room Tax	\$138,423	\$142,576	\$146,853	\$151,259	\$155,797	\$160,471	\$165,285	\$170,243	\$175,351	\$2,687,037	\$2,259,505	