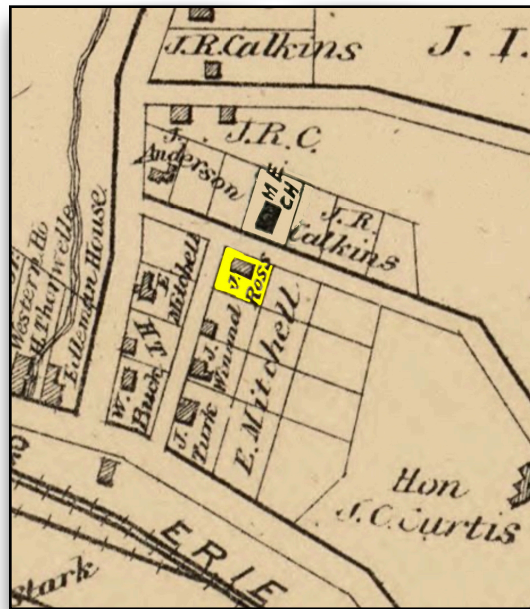


Doetsch Family III LLC

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

The Old Ross House Lodging Project



Benefit/Cost Analysis

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Background:

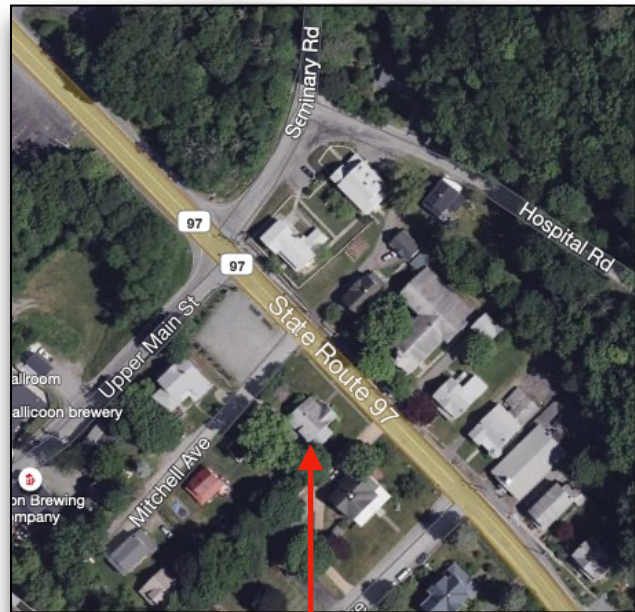
Doetsch Family III LLC has applied for financial assistance for the redevelopment of an existing residential property in the Town of Delaware (Tax Map Parcel 14-5-33). The project involves the conversion of the existing structures on a 0.20 acre parcel into a four-key lodging enterprise called The Old Ross House (see below).



It is estimated \$540,000 will be invested, including approximately \$200,000 in improving the property, of which an estimated \$100,000 will represent sales taxable materials costs associated with the renovation project. There will also be an estimated \$50,000 invested in furniture, fixtures and equipment that will be sales taxable. The real property improvements will, at an 68.7% equalization rate and with other adjustments, yield an estimated \$52,500 of assessed value for new improvements. Doetsch Family III LLC has applied to the County of Sullivan Industrial Development Agency (IDA) for real property and sales tax abatements to assist with bringing this project to completion.

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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 Old Ross House

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 this analysis of this project:

- 1) The construction/rehabilitation aspect of the project involves an estimated \$150,000 in sales taxable material and equipment purchases, the former amounting to \$100,000 or 50% of construction and the latter being an estimated \$50,000 for furniture, fixtures and equipment (FF&E) at a projected cost of

Doetsch Family III LLC Benefit/Cost Analysis

\$12,500 per key based on adjusted *HVS Survey of Hotel Development Costs* figures.

- 2) It is assumed, for purposes of this analysis, that all construction activities will occur in 2022. It is further assumed that the IDA will approve a PILOT Agreement under the IDA's [Uniform Tax Exemption Policy Tourism Industry Program](#), the PILOT to apply to the estimated costs of developing the real property times the 68.7% equalization rate for the Town of Delaware with adjustment to \$52,500 to account for an expected \$75,000 increase in market value. The PILOT schedule is detailed in the table to the right.

Real Property Tax Abatement Schedule		
Year	% Abated	PILOT %
1	100.0%	0.0%
2	100.0%	0.0%
3	100.0%	0.0%
4	100.0%	0.0%
5	100.0%	0.0%
6	10.0%	90.0%
7	20.0%	80.0%
8	30.0%	70.0%
9	40.0%	60.0%
10	50.0%	50.0%
11	60.0%	40.0%
12	70.0%	30.0%
13	80.0%	20.0%
14	90.0%	10.0%
15	100.0%	0.0%

- 3) It is assumed there will be no mortgage and no mortgage tax abatement associated with this project.
- 4) It is anticipated this Doetsch Family III LLC project will create one new job in Sullivan County at a salary of \$50,000 per year.
- 5) Because only one new employee already residing in Sullivan County is anticipated, it is assumed there will be no significant additional annual costs to local government for providing highway maintenance and other non-educational services in the Town of Delaware.

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- 6) Likewise, because there will be one new employee already residing in Sullivan County, no additional school costs are anticipated.
- 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 and room taxes based on an initial 25% occupancy rate increasing gradually to 50% over five years and a \$300 average room rate per key.
- 8) Cash flow streams from benefits and costs are net present valued using a discount rate of 1.971% ([current interest rate on the public debt](#)). Net present value figures include actual costs of abatements and other costs for 2022 plus discounted values for 2023-2042.

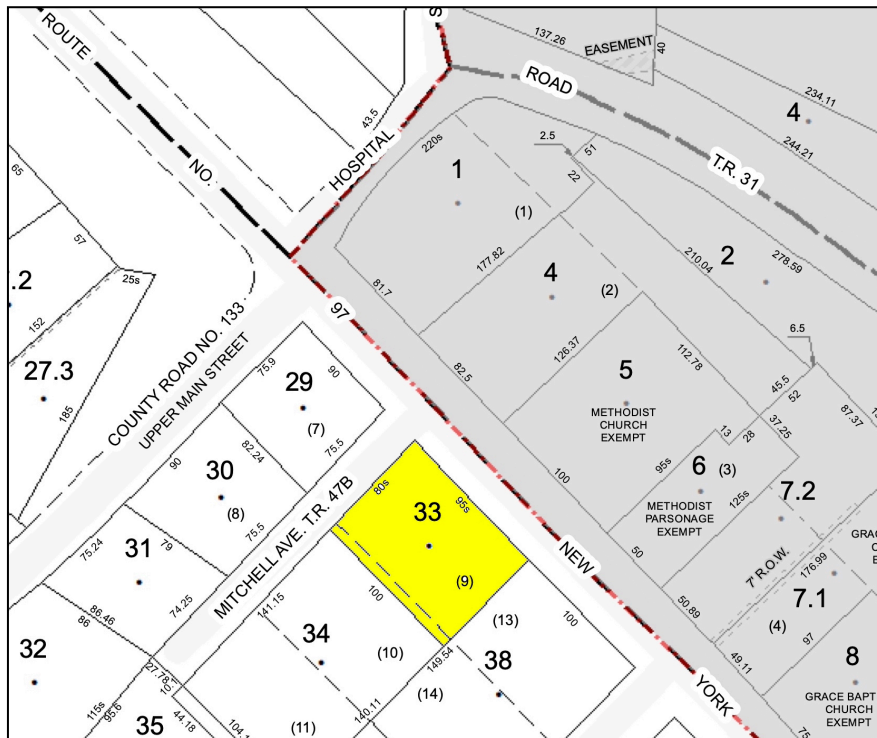
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Conclusion:

This project will generate costs of \$22,798 in real property and sales tax abatements over the period of the standard PILOT agreement plus five years. Net present valued this equates to a total cost of \$21,617.

The project benefits consist of the new real property taxes that will be generated (\$19,281), the sales taxes from operations (\$280,884) and hotel occupancy taxes (\$175,552) which, net present valued, total \$475,717 over the analysis period.

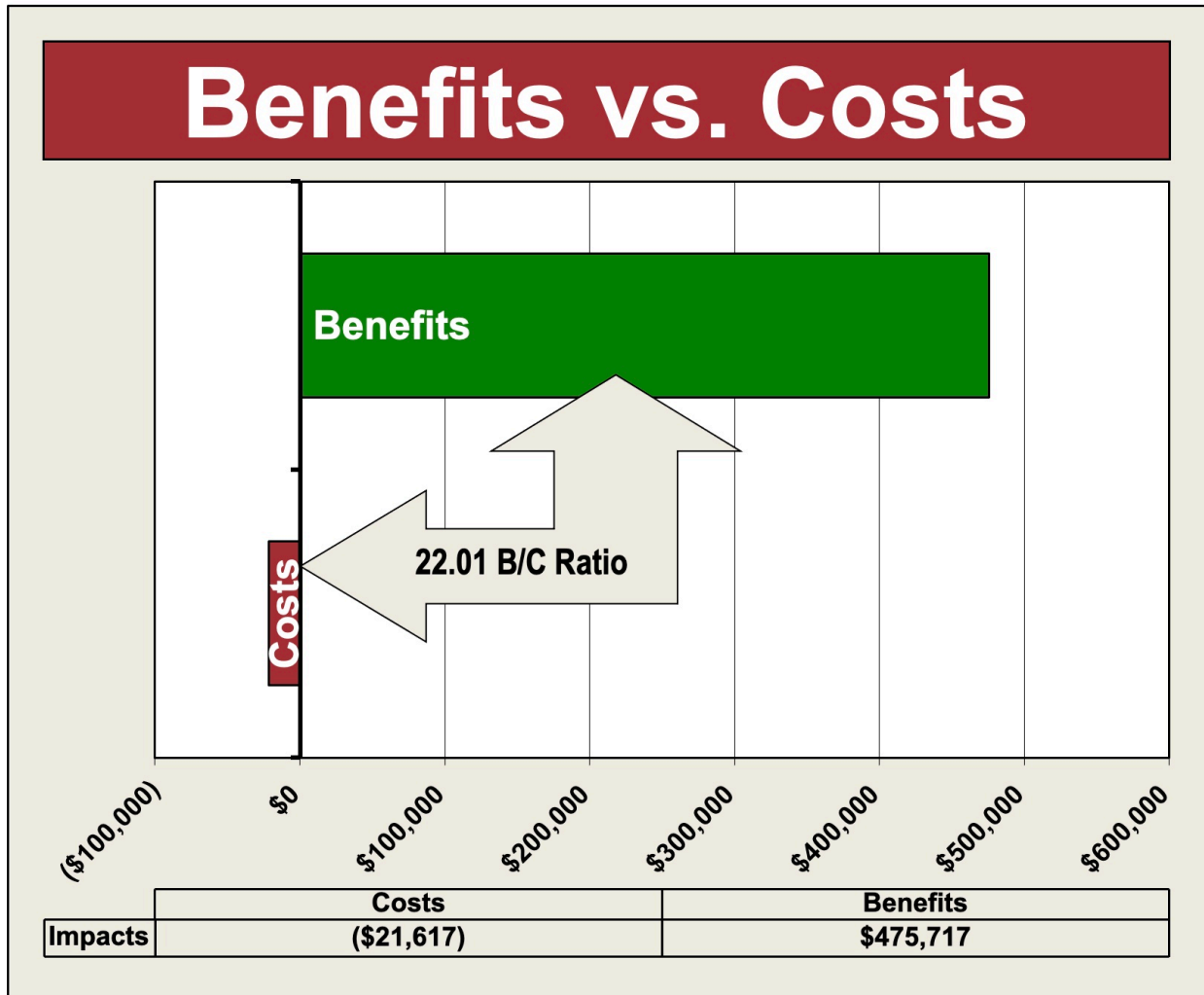
This yields a positive benefit/cost ratio of 22.01 to 1.00. Absent the Hotel Occupancy Tax (which arguably benefits the project), the ratio is still 13.89 to 1.00.



Doetsch Family III LLC Benefit/Cost Analysis

Cost/Benefit Analysis	
Costs (2022-2042)	
Sales Tax Abatements (County)	\$6,000
Sales Tax Abatements (State)	\$6,000
Mortgage Tax Abatements	\$0
Real Property Tax Reductions Net of 485-b Benefits	\$10,798
Sub-Total (Value of All Abatements) =	\$22,798
Net Present Value of Abatements	\$21,617
Additional School Costs	\$0
Variable Highway & Other Municipal Costs	\$0
Total Costs (Net Present Value)=	\$21,617
Benefits (Net Present Value, 2019-2039)	
Real Property Taxes	\$19,281
Sales Taxes (From Operations)	
County	\$140,442
State	\$140,442
Hotel Occupancy Taxes	\$175,552
Total Benefits =	\$475,717
Excess Benefits Over Costs =	\$454,100
Benefits to Costs Ratio =	22.01
Benefits to Costs Ratio w/o Hotel Tax =	13.89

Doetsch Family III LLC Benefit/Cost Analysis



Doetsch Family III LLC Benefit/Cost Analysis

Economic Analysis of Project and Requested Tax Abatement Program												
FISCAL YEAR	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
DESCRIPTION	C1	1	2	3	4	5	6	7	8	9	10	11
Sales Tax Abatement	\$12,000	\$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	\$852	\$955	\$1,063	\$1,175	\$1,106	\$1,034	\$959	\$880	\$798	\$712	\$623
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	\$0	\$0	\$0	\$0	\$0	\$184	\$376	\$575	\$783	\$998	\$1,221	\$1,453
Personal Income - New/Retained Jobs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Indirect Income Benefits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Added Sales Tax (General)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Added Sales Tax (Operations)	\$0	\$14,016	\$14,582	\$14,874	\$15,171	\$15,475	\$15,784	\$16,100	\$16,422	\$16,750	\$17,085	\$17,427
Room Tax	\$0	\$8,760	\$9,114	\$9,296	\$9,482	\$9,672	\$9,865	\$10,062	\$10,264	\$10,469	\$10,678	\$10,892

Economic Analysis of Project and Requested Tax Abatement Program												
FISCAL YEAR	2031	2032	2033	2034	2035	2036	2037	2038	2039	TOTALS		
DESCRIPTION	12	13	14	15	16	17	18	19	20	21	Actual	NPV
Sales Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$12,000	\$12,000
Mortgage Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Tax Abatement	\$424	\$216	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,798	\$9,617
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	\$1,694	\$1,944	\$2,203	\$2,247	\$2,292	\$2,338	\$2,385	\$2,432	\$2,481	\$2,531	\$25,608	\$19,281
Personal Income - New/Retained Jobs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Indirect Income Benefits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Added Sales Tax (General)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Added Sales Tax (Operations)	\$17,776	\$18,131	\$18,494	\$18,864	\$19,241	\$19,626	\$20,018	\$20,419	\$20,827	\$21,244	\$347,083	\$280,884
Room Tax	\$11,110	\$11,332	\$11,559	\$11,790	\$12,026	\$12,266	\$12,511	\$12,762	\$13,017	\$13,277	\$216,927	\$175,552