

# Empire Resorts Real Estate II, LLC

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

## Entertainment Village Hotel Project



## Benefit/Cost Analysis

*Prepared by:*

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# Empire Resorts Real Estate II, LLC Benefit/Cost Analysis

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## Background:

Empire Resorts Real Estate II, LLC has applied for financial assistance for the development of a property in the Town of Thompson (Tax Map Parcel 23-1-54.6). The project involves the construction of a 140-unit hotel as an element of the Entertainment Village project complementing the new the Resorts World Catskills Casino project (the “Resorts World Casino” f/k/a the Montreign Resort Casino).



The Entertainment Village Hotel Project will include an approximately 124,000 square foot six-story building adjacent to the Resorts World Casino, with parking for up to 289 cars. The proposed six-story building will include a 140 room hotel and mixed-use spaces including a coffee shop, a restaurant, a night club, and retail. There is also a design option for a 162 room facility, which is analyzed herein as an alternate.

It is estimated \$38,900,000 will be invested in capital improvements will be involved, of which an estimated \$19,450,000 will represent sales taxable purchases and materials costs associated with the project. There will also be an estimated \$660,000 in furniture,

# Empire Resorts Real Estate II, LLC

## Benefit/Cost Analysis

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fixtures and equipment. Real property will, at an 88% equalization rate, yield an estimated \$34,200,000 of assessed value). Empire Resorts Real Estate II, 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.

### Methods and Assumptions:

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

- 1) This new construction project involves an estimated \$20,110,000 in sales taxable material and equipment purchases, the former amounting to \$19,450,000 or 50% of construction and the latter being an estimated \$660,000 for furniture, fixtures and equipment (FF&E) as estimated by the applicant in its pro forma financials for a 140 room hotel operation.

## Empire Resorts Real Estate II, LLC Benefit/Cost Analysis

2) It is assumed, for purposes of this analysis, that all Entertainment Village Hotel construction activities will occur in 2017. It is further assumed that the IDA will approve a PILOT Agreement under the Sullivan County IDA's [Uniform Tax Exemption Policy Destination Resort Program](#), the PILOT to apply to the estimated costs of developing the real property times the 88% equalization rate for the Town of Thompson. The applicable 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	100.0%	0.0%
7	100.0%	0.0%
8	100.0%	0.0%
9	87.5%	12.5%
10	75.0%	25.0%
11	62.5%	37.5%
12	50.0%	50.0%
13	37.5%	62.5%
14	25.0%	75.0%
15	12.5%	87.5%
16	0.0%	100.0%

- 3) It is assumed there will be a \$31,120,000 mortgage to which mortgage tax abatement will apply (assuming a mortgage equal to 80% of the estimated hotel construction cost).
- 4) It is anticipated the Empire Resorts Real Estate II, LLC project will create 63 full-time equivalent jobs with salaries averaging \$40,000 per year.
- 5) The additional annual costs to local government for providing highway maintenance and other non-educational services in the Town of Thompson are estimated at \$1,354 for each new resident attracted (\$3,317 per household). This is based on an estimated county and town tax levy of \$20,725,152 (based on 2015 figures plus 10%), divided by a Town of Thompson population of roughly 15,300 persons.

## Empire Resorts Real Estate II, LLC Benefit/Cost Analysis

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It is assumed 25% of employees or up to 16 persons will be new to Sullivan County. Further applying an employment multiplier of 1.50 (the New York State Department of Labor estimated multiplier for leisure and hospitality businesses in New York), the project will produce 23-24 new households (62 jobs x 25% new households x 1.50), with a cost of approximately \$3,317 annually in non-educational local government services each.

It is assumed, based on the *Sullivan County Cost of Community Services Study*, that 76.9% or \$2,552 per household would be covered from taxes paid by the new residents, leaving \$765 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 Thompson.

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 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 0.48 children per household average for Sullivan County times a total costs (net of state aid) of an \$14,900 per student, which is the latest estimated average figure for the Monticello Central School District where the project is located (real estate levy net of state aid). A total of 11 additional students are projected.

## Empire Resorts Real Estate II, LLC Benefit/Cost Analysis

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- 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 75% occupancy and a \$125 average room rate plus estimated revenues from the lobby bar, coffee outlet, rental income, special events and the nightclub. No associated gaming revenues or taxes applicable thereto, if any, have been included.
- 8) Cash flow streams from benefits and costs are net present valued using a discount rate of 2.28% ([current interest rate on the public debt](#)). Net present value figures include actual costs of abatements and other costs for 2017 plus discounted values for 2018-2037.

### Conclusion:

This project will generate costs of \$12,789,263 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 \$11,177,825. There are an additional estimated \$717,734 of school costs and \$332,183 of highway and related costs over this same period (net present valued), bringing total costs to \$12,227,742.

The project benefits consist of new real property taxes to be generated (\$10,877,850), the payroll gains (\$17,903,485), the sales taxes from those payroll gains (\$1,432,478), the sales taxes from operations (\$10,109,916) and hotel occupancy taxes (\$6,318,697) which, at net present value, total \$28,738,742 combined over the analysis period.

This yields a positive benefit/cost ratio of 3.81. An alternate analysis based on a 162 room hotel model has also been conducted indicated a ratio of 3.93.

# Empire Resorts Real Estate II, LLC Benefit/Cost Analysis

## Entertainment Village Hotel Project Cost/Benefit Analysis - 140 Rooms

### Costs (2017-2037)

Sales Tax Abatements (County)	\$804,400
Sales Tax Abatements (State)	\$804,400
Mortgage Tax Abatements	\$311,200
Real Property Tax Reductions Net of 485-b Benefits	\$10,789,263
<b>Sub-Total (Value of All Abatements) =</b>	<b>\$12,709,263</b>

Net Present Value of Abatements	\$11,177,825
Additional School Costs	\$717,734
Variable Highway & Other Municipal Costs	\$332,183
<b>Total Costs (Net Present Value)=</b>	<b>\$12,227,742</b>

### Benefits (Net Present Value, 2017-2037)

Real Property Taxes	\$10,877,850
Sales Taxes (General - From Gains in Buying Power)	
County	\$716,139
State	\$716,139
Sales Taxes (From Operations)	
County	\$5,054,958
State	\$5,054,958
Hotel Occupancy Taxes	\$6,318,697
<b>Sub-Total (Taxes/Charges) =</b>	<b>\$28,738,742</b>

Personal Income Gains Related to New/Retained Jobs	\$11,935,657
Personal Income Gains Related to Multiplier Effects	\$5,967,828
<b>Sub-Total (Income Gains) =</b>	<b>\$17,903,485</b>

**Total Benefits = \$46,642,227**

**Excess Benefits Over Costs = \$34,414,486**

**Benefits to Costs Ratio = 3.81**

## Empire Resorts Real Estate II, LLC Benefit/Cost Analysis

### Entertainment Village Hotel Project Cost/Benefit Analysis - 162 Rooms

#### Costs (2017-2037)

Sales Tax Abatements (County)	\$828,000
Sales Tax Abatements (State)	\$828,000
Mortgage Tax Abatements	\$320,000
Real Property Tax Reductions Net of 485-b Benefits	\$11,092,090
<b>Sub-Total (Value of All Abatements) =</b>	<b>\$13,068,090</b>

Net Present Value of Abatements	\$11,493,840
Additional School Costs	\$740,519
Variable Highway & Other Municipal Costs	\$342,729
<b>Total Costs (Net Present Value)=</b>	<b>\$12,577,088</b>

#### Benefits (Net Present Value, 2017-2037)

Real Property Taxes	\$11,178,494
Sales Taxes (General - From Gains in Buying Power)	
County	\$738,874
State	\$738,874
Sales Taxes (From Operations)	
County	\$5,616,470
State	\$5,616,470
Hotel Occupancy Taxes	\$7,020,587
<b>Sub-Total (Taxes/Charges) =</b>	<b>\$30,909,769</b>

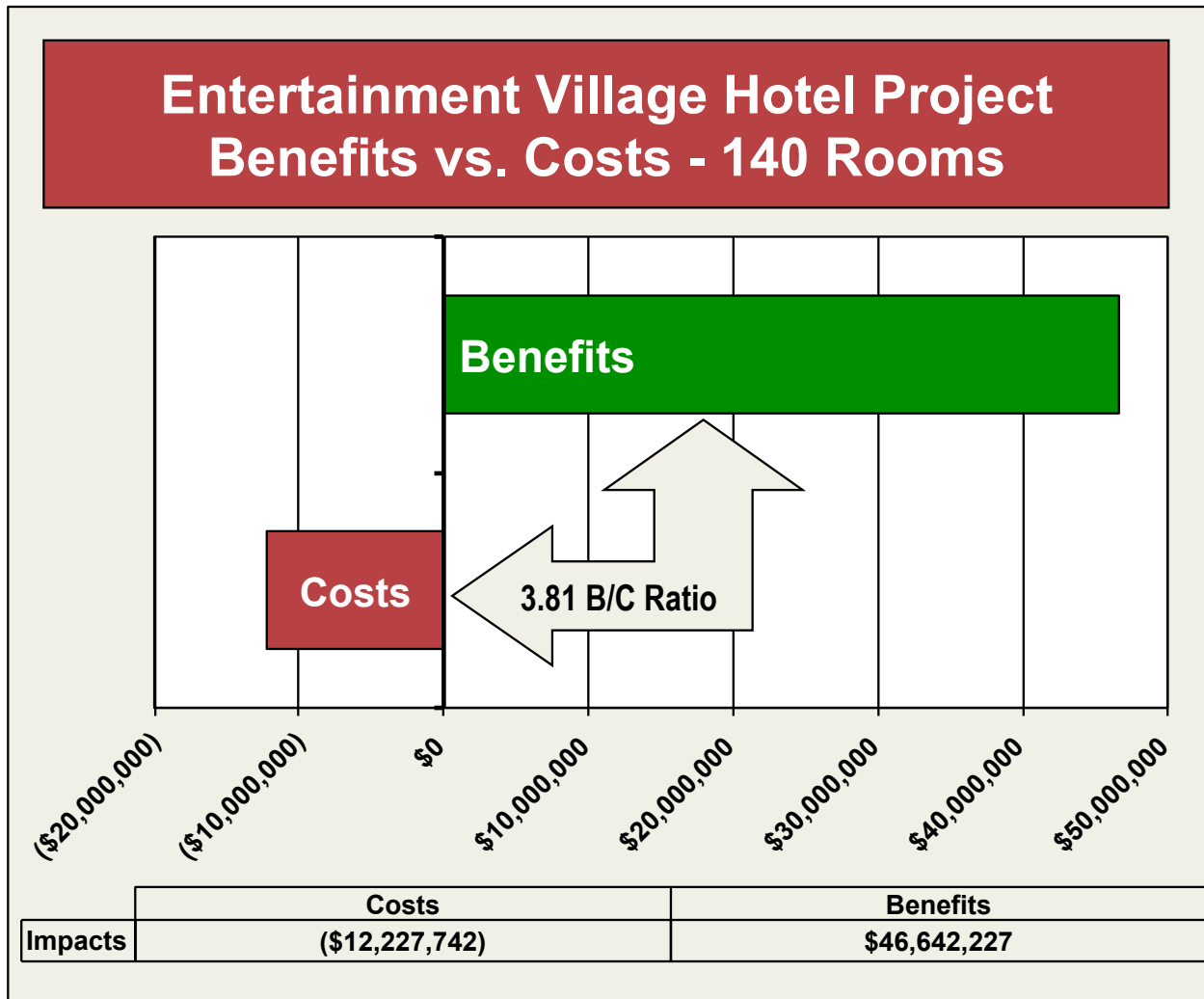
Personal Income Gains Related to New/Retained Jobs	\$12,314,566
Personal Income Gains Related to Multiplier Effects	\$6,157,283
<b>Sub-Total (Income Gains) =</b>	<b>\$18,471,850</b>

**Total Benefits = \$49,381,619**

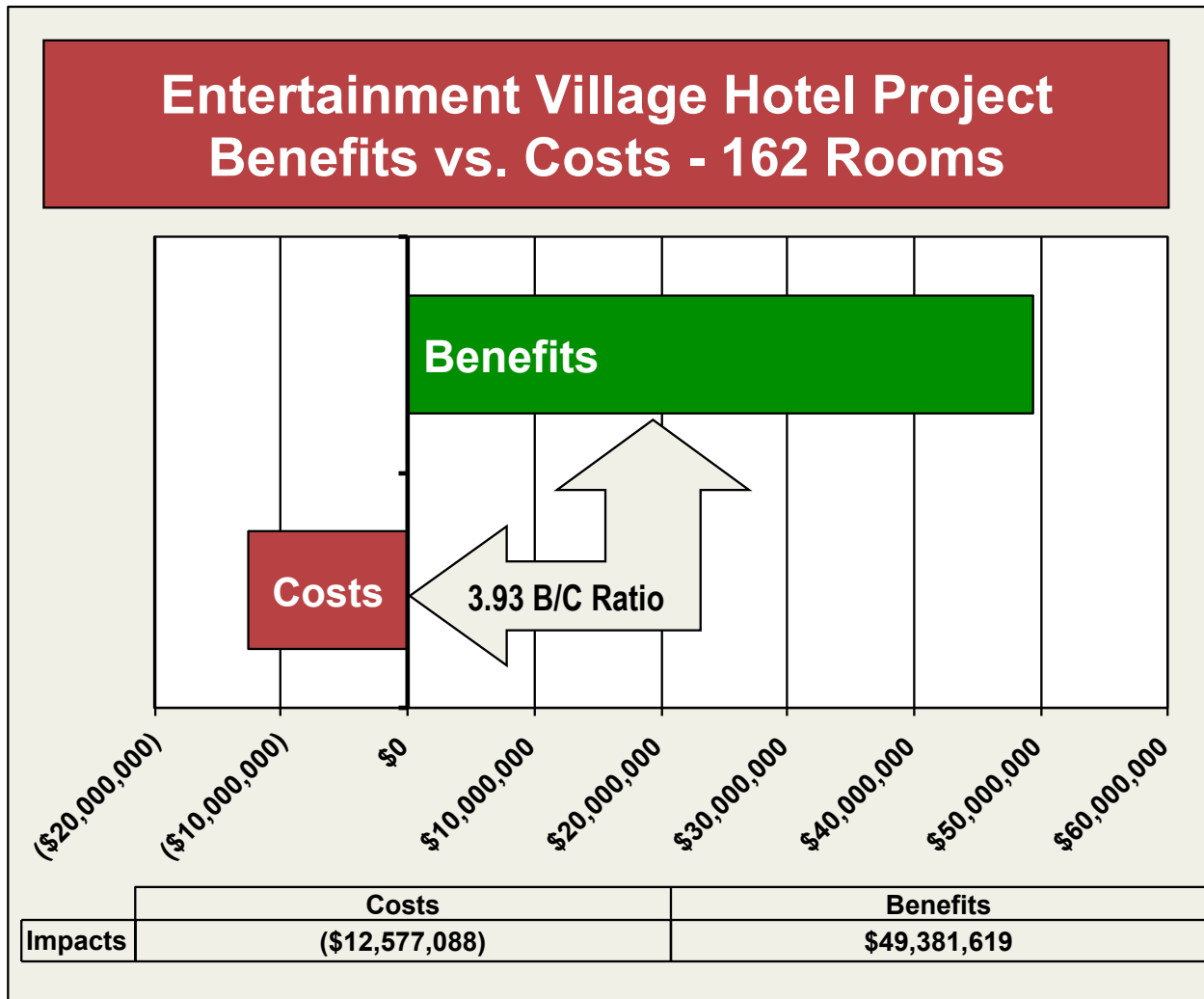
**Excess Benefits Over Costs = \$36,804,531**

**Benefits to Costs Ratio = 3.93**

# Empire Resorts Real Estate II, LLC Benefit/Cost Analysis



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# Empire Resorts Real Estate II, LLC Benefit/Cost Analysis

Economic Analysis of Entertainment Village Hotel Project and Requested Tax Abatement Program - 140 Rooms												
FISCAL YEAR	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
DESCRIPTION	C1	1	2	3	4	5	6	7	8	9	10	11
Sales Tax Abatement	\$1,608,800	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mortgage Tax Abatement	\$311,200	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Tax Abatement	\$0	\$630,108	\$704,209	\$780,519	\$859,092	\$939,978	\$1,023,234	\$1,108,912	\$1,016,958	\$951,572	\$855,243	\$755,589
Highway/Other Costs	\$0	\$18,084	\$18,373	\$18,667	\$18,966	\$19,269	\$19,578	\$19,891	\$20,209	\$20,533	\$20,861	\$21,195
School Costs	\$0	\$39,073	\$39,899	\$40,334	\$40,979	\$41,635	\$42,301	\$42,978	\$43,665	\$44,364	\$45,074	\$45,795
Real Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$180,113	\$365,989	\$557,767	\$755,589
Personal Income - New/Retained Jobs	\$0	\$640,080	\$660,726	\$671,298	\$682,039	\$692,951	\$704,039	\$715,303	\$726,748	\$738,376	\$750,190	\$762,193
Indirect Income Benefits	\$0	\$320,040	\$330,363	\$335,649	\$341,019	\$346,476	\$352,019	\$357,652	\$363,374	\$369,188	\$375,095	\$381,097
Added Sales Tax (General)	\$0	\$76,810	\$79,287	\$80,556	\$81,845	\$83,154	\$84,485	\$85,836	\$87,210	\$88,605	\$90,023	\$91,463
Added Sales Tax (Operations)	\$0	\$542,170	\$559,658	\$568,613	\$577,711	\$586,954	\$596,345	\$605,887	\$615,581	\$625,430	\$635,437	\$645,604
Room Tax	\$0	\$338,856	\$349,786	\$355,383	\$361,069	\$366,846	\$372,716	\$378,679	\$384,738	\$390,894	\$397,148	\$403,503

Economic Analysis of Entertainment Village Hotel Project and Requested Tax Abatement Program - 140 Rooms												
FISCAL YEAR	2029	2030	2031	2032	2033	2034	2035	2036	2037	TOTALS		
DESCRIPTION	12	13	14	15	16	18	19	20	21	Actual	NPV	
Sales Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,608,800	\$1,608,800	
Mortgage Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$311,200	\$311,200	
Real Property Tax Abatement	\$575,759	\$389,981	\$198,110	\$0	\$0	\$0	\$0	\$0	\$0	\$10,789,263	\$9,257,825	
Highway/Other Costs	\$21,534	\$21,879	\$22,229	\$22,584	\$22,946	\$23,313	\$23,686	\$24,055	\$24,424	\$422,312	\$332,183	
School Costs	\$46,528	\$47,272	\$48,029	\$48,797	\$49,578	\$50,371	\$51,177	\$52,000	\$52,828	\$912,470	\$717,734	
Real Property Taxes	\$959,598	\$1,169,942	\$1,386,771	\$1,610,239	\$1,636,003	\$1,662,179	\$1,688,774	\$1,715,794	\$1,743,247	\$15,432,004	\$10,877,850	
Personal Income - New/Retained Jobs	\$774,388	\$786,778	\$799,367	\$812,157	\$825,151	\$838,354	\$851,767	\$865,396	\$879,242	\$893,310	\$11,935,657	
Indirect Income Benefits	\$387,194	\$393,389	\$399,683	\$406,078	\$412,576	\$419,177	\$425,884	\$432,698	\$439,621	\$446,655	\$5,967,828	
Added Sales Tax (General)	\$92,927	\$94,413	\$95,924	\$97,459	\$99,018	\$100,602	\$102,212	\$103,847	\$105,509	\$107,197	\$1,432,279	
Added Sales Tax (Operations)	\$655,934	\$666,429	\$677,092	\$687,925	\$698,932	\$710,115	\$721,477	\$733,020	\$744,749	\$756,664	\$10,109,916	
Room Tax	\$409,959	\$416,518	\$423,182	\$429,953	\$436,832	\$443,822	\$450,923	\$458,138	\$465,468	\$472,915	\$6,318,697	

# Empire Resorts Real Estate II, LLC Benefit/Cost Analysis

Economic Analysis of Entertainment Village Hotel Project and Requested Tax Abatement Program - 162 Rooms												
FISCAL YEAR	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
DESCRIPTION	C1	1	2	3	4	5	6	7	8	9	10	11
Sales Tax Abatement	\$1,656,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mortgage Tax Abatement	\$320,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Tax Abatement	\$0	\$647,926	\$724,122	\$802,591	\$883,385	\$966,559	\$1,052,168	\$1,140,270	\$1,045,830	\$977,871	\$878,881	\$776,472
Highway/Other Costs	\$0	\$18,668	\$18,957	\$19,260	\$19,568	\$19,881	\$20,199	\$20,522	\$20,851	\$21,184	\$21,523	\$21,868
School Costs	\$0	\$40,314	\$40,959	\$41,614	\$42,280	\$42,956	\$43,644	\$44,342	\$45,052	\$45,772	\$46,505	\$47,249
Real Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$185,091	\$376,104	\$573,183	\$776,472
Personal Income - New/Retained Jobs	\$0	\$660,400	\$881,702	\$692,609	\$703,691	\$714,950	\$726,389	\$738,011	\$749,819	\$761,817	\$774,006	\$786,390
Indirect Income Benefits	\$0	\$330,200	\$340,851	\$346,305	\$351,845	\$357,475	\$363,195	\$369,006	\$374,910	\$380,908	\$387,003	\$393,195
Added Sales Tax (General)	\$0	\$79,248	\$81,804	\$83,113	\$84,443	\$85,794	\$87,167	\$88,561	\$89,978	\$91,418	\$92,881	\$94,367
Added Sales Tax (Operations)	\$0	\$602,395	\$621,826	\$631,775	\$641,883	\$652,154	\$662,588	\$673,189	\$683,961	\$694,904	\$706,022	\$717,319
Room Tax	\$0	\$376,497	\$388,641	\$394,859	\$401,177	\$407,596	\$414,118	\$420,743	\$427,475	\$434,315	\$441,264	\$448,324

Economic Analysis of Entertainment Village Hotel Project and Requested Tax Abatement Program - 162 Rooms												
FISCAL YEAR	2029	2030	2031	2032	2033	2034	2035	2036	2037	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	\$1,656,000	\$1,656,000
Mortgage Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$320,000	\$320,000
Real Property Tax Abatement	\$591,672	\$400,759	\$203,586	\$23,301	\$23,674	\$24,053	\$24,438	\$24,829	\$25,226	\$25,630	\$11,092,090	\$9,517,940
Highway/Other Costs	\$22,218	\$22,573	\$22,934	\$23,301	\$23,674	\$24,053	\$24,438	\$24,829	\$25,226	\$25,630	\$435,718	\$342,729
School Costs	\$48,005	\$48,773	\$49,553	\$50,346	\$51,152	\$51,970	\$52,802	\$53,646	\$54,505	\$55,377	\$941,438	\$740,519
Real Property Taxes	\$986,119	\$1,202,277	\$1,425,099	\$1,654,743	\$1,881,219	\$1,708,119	\$1,735,448	\$1,763,216	\$1,791,427	\$1,820,090	\$15,858,517	\$11,178,494
Personal Income - New/Retained Jobs	\$798,972	\$811,756	\$824,744	\$837,940	\$851,347	\$864,968	\$878,808	\$892,869	\$907,154	\$921,669	\$15,668,340	\$12,314,566
Indirect Income Benefits	\$399,486	\$405,878	\$412,372	\$418,970	\$425,673	\$432,484	\$439,404	\$446,434	\$453,577	\$460,834	\$7,829,170	\$6,157,283
Added Sales Tax (General)	\$95,877	\$97,411	\$98,969	\$100,553	\$102,162	\$103,796	\$105,457	\$107,144	\$108,859	\$110,600	\$1,879,001	\$1,477,748
Added Sales Tax (Operations)	\$728,796	\$740,457	\$752,304	\$764,341	\$776,570	\$788,995	\$801,619	\$814,445	\$827,476	\$840,716	\$14,283,019	\$11,232,939
Room Tax	\$455,497	\$462,785	\$470,190	\$477,713	\$485,356	\$493,122	\$501,012	\$509,028	\$517,173	\$525,447	\$8,926,887	\$7,020,587