

# Empire Resorts Real Estate I, LLC

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

## Golf Course Project



## Benefit/Cost Analysis

*Prepared by:*

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## Background:

Empire Resorts Real Estate I, LLC, an entity created to manage recreational assets in conjunction with Montreign casino development, has applied for financial assistance for the development of a recreational lot in the Town of Thompson (Tax Map Parcels 15-1-13, 14.1, 14.2, 15, 16, 17, 18 and 50 plus Tax Map Parcels 23-152, 52.2, 53.2 and 54.5). The project involves the reconstruction of the former Concord Monster golf course on some 237 acres of land to accommodate a new 18-hole world-class golf course, including supporting buildings and infrastructure.



It is estimated \$15,870,000 will be invested in improving the property with, of which an estimated \$7,935,000 will represent sales taxable purchases and materials costs associated with the project, based on input from the Town of Thompson Assessor. Real property improvements will be valued at \$6,000,000 which will, at an 88% equalization

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rate, yield an estimated \$5,280,000 of assessed value). Empire Resorts Real Estate I, 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 this analysis of this project:

1) The project involves the renovation of the existing property which will require an estimated \$7,935,000 in sales taxable material and equipment purchases.

2) It is assumed, for purposes of this analysis, that all construction activities will occur in 2018. It is further assumed that the IDA will approve a PILOT Agreement under the IDA's [Uniform Tax Exemption Policy for Destination Resorts](#), the PILOT to apply to the estimated value times the 88% equalization rate for the Town of Thompson. 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	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 \$20,000,000 mortgage to which mortgage tax abatement will apply.

4) It is anticipated the Empire Resorts Real Estate I, LLC project will create 55 full-time, part-time and seasonal jobs (typical employee hired for six months per year) with salaries averaging \$25,000 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

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estimated at \$1,280 for each new resident attracted (\$3,137 per household). This is based on an estimated county and town tax levy of \$19,600,000, divided by a Town of Thompson population of roughly 15,300 persons.



It is assumed 25% of employees or 14-15 of these individuals 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 20-21 new households (55 jobs x 25% new households x 1.50), with a cost of approximately \$3,137 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 \$2,413 per household would be covered from taxes paid by the new residents, leaving \$724 per household as the net cost for town and county

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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 \$20,500 per student, which is the estimated average figure for the Monticello Central School District where the project is located. A total of 10 additional students are projected.

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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 related to retail and recreation fees.
- 8) Cash flow streams from benefits and costs are net present valued using a discount rate of 2.34% ([current interest rate on the public debt](#)). Net present value figures include actual costs of abatements and other costs for the construction period plus discounted values for 2018 through the end of the PILOT period.

### Conclusion:

This project will generate costs of \$1,107,050 in mortgage, real property and sales tax abatements over the period of the PILOT agreement. Net present valued this equates to a total cost of \$1,058,154. There are an additional estimated \$688,770 of school costs and \$219,578 of highway and related costs over this same period (net present valued), bringing total costs to \$1,966,502.

The project benefits consist of the new real property taxes that will be generated (\$657,051), the payroll gains (\$7,804,530), the sales taxes from those payroll gains (\$624,362) and the sales taxes from operations (\$2,906,124) which, at net present value, total \$11,992,067 combined over the analysis period.

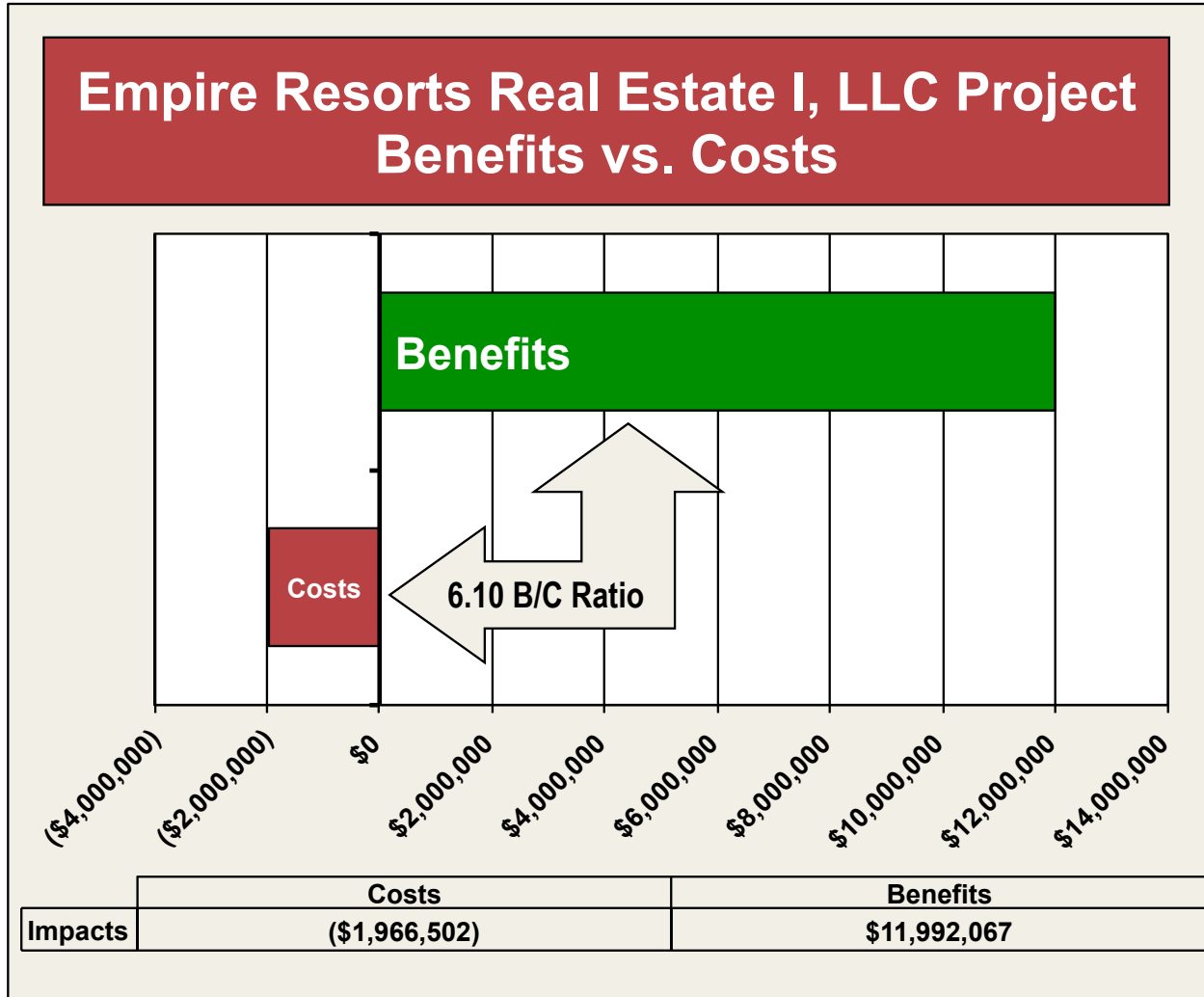
This yields a positive benefit/cost ratio of 6.10.

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

Empire Resorts Real Estate I, LLC Project Cost/Benefit Analysis	
<b>Costs (2016-2033)</b>	
Sales Tax Abatements (County)	\$317,400
Sales Tax Abatements (State)	\$317,400
Mortgage Tax Abatements	\$200,000
Real Property Tax Reductions Net of 485-b Benefits	\$272,250
<b>Sub-Total (Value of All Abatements) =</b>	<b>\$1,107,050</b>
Net Present Value of Abatements	\$1,058,154
Additional School Costs	\$688,770
Variable Highway & Other Municipal Costs	\$219,578
<b>Total Costs (Net Present Value)=</b>	<b>\$1,966,502</b>
<b>Benefits (Net Present Value, 2016-2033)</b>	
Real Property Taxes	\$657,051
Sales Taxes (General - From Gains in Buying Power)	
County	\$312,181
State	\$312,181
Sales Taxes (From Operations)	
County	\$1,453,062
State	\$1,453,062
<b>Sub-Total (Taxes/Charges) =</b>	<b>\$4,187,537</b>
Personal Income Gains Related to New/Retained Jobs	\$5,203,020
Personal Income Gains Related to Multiplier Effects	\$2,601,510
<b>Sub-Total (Income Gains) =</b>	<b>\$7,804,530</b>
<b>Total Benefits =</b>	<b>\$11,992,067</b>
<b>Excess Benefits Over Costs =</b>	<b>\$10,025,565</b>
<b>Benefits to Costs Ratio =</b>	<b>6.10</b>



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



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Economic Analysis of Empire Resorts Real Estate I, LLC Project Tax Abatement Program										
FISCAL YEAR	2016-17	2018	2019	2020	2021	2022	2023	2024	2025	2026
DESCRIPTION	C1	1	2	3	4	5	6	7	8	9
Sales Tax Abatement	\$634,800	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mortgage Tax Abatement	\$200,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Tax Abatement	\$0	\$2,136	\$5,866	\$9,706	\$13,661	\$17,732	\$21,923	\$26,234	\$30,671	\$29,804
Highway/Other Costs	\$0	\$14,931	\$15,155	\$15,382	\$15,613	\$15,847	\$16,085	\$16,326	\$16,571	\$16,819
School Costs	\$0	\$46,835	\$47,537	\$48,250	\$48,974	\$49,709	\$50,454	\$51,211	\$51,979	\$52,759
Real Property Taxes	\$0	\$34,291	\$34,805	\$35,327	\$35,857	\$36,395	\$36,941	\$37,495	\$38,057	\$44,058
Personal Income - New/Retained Jobs	\$0	\$348,906	\$359,452	\$364,844	\$370,316	\$375,871	\$381,509	\$387,232	\$393,040	\$398,936
Indirect Income Benefits	\$0	\$174,453	\$179,726	\$182,422	\$185,158	\$187,936	\$190,755	\$193,616	\$196,520	\$199,468
Added Sales Tax (General)	\$0	\$41,869	\$43,134	\$43,781	\$44,438	\$45,105	\$45,781	\$46,468	\$47,165	\$47,872
Added Sales Tax (Operations)	\$0	\$194,880	\$200,770	\$203,782	\$206,839	\$209,941	\$213,090	\$216,287	\$219,531	\$222,824

Economic Analysis of Empire Resorts Real Estate I, LLC Project Tax Abatement Program										
FISCAL YEAR	2027	2028	2029	2030	2031	2032	2033	TOTALS		
DESCRIPTION	10	11	12	13	14	15	16	Actual	NPV	
Sales Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$634,800	\$634,800	
Mortgage Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$200,000	\$200,000	
Real Property Tax Abatement	\$28,905	\$27,971	\$22,713	\$17,290	\$11,700	\$5,938	\$0	\$272,250	\$223,354	
Highway/Other Costs	\$17,072	\$17,328	\$17,588	\$17,851	\$18,119	\$18,391	\$18,667	\$267,744	\$219,578	
School Costs	\$53,550	\$54,353	\$55,169	\$55,996	\$56,836	\$57,689	\$58,554	\$839,856	\$688,770	
Real Property Taxes	\$50,231	\$56,579	\$63,106	\$69,815	\$76,713	\$83,801	\$91,084	\$824,555	\$657,051	
Personal Income - New/Retained Jobs	\$404,920	\$410,994	\$417,159	\$423,416	\$429,767	\$436,214	\$442,757	\$6,345,333	\$5,203,020	
Indirect Income Benefits	\$202,460	\$205,497	\$208,579	\$211,708	\$214,884	\$218,107	\$221,378	\$3,172,667	\$2,601,510	
Added Sales Tax (General)	\$48,590	\$49,319	\$50,059	\$50,810	\$51,572	\$52,346	\$53,131	\$761,440	\$624,362	
Added Sales Tax (Operations)	\$226,166	\$229,559	\$233,002	\$236,497	\$240,045	\$243,645	\$247,300	\$3,544,157	\$2,906,123	