

# 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:*

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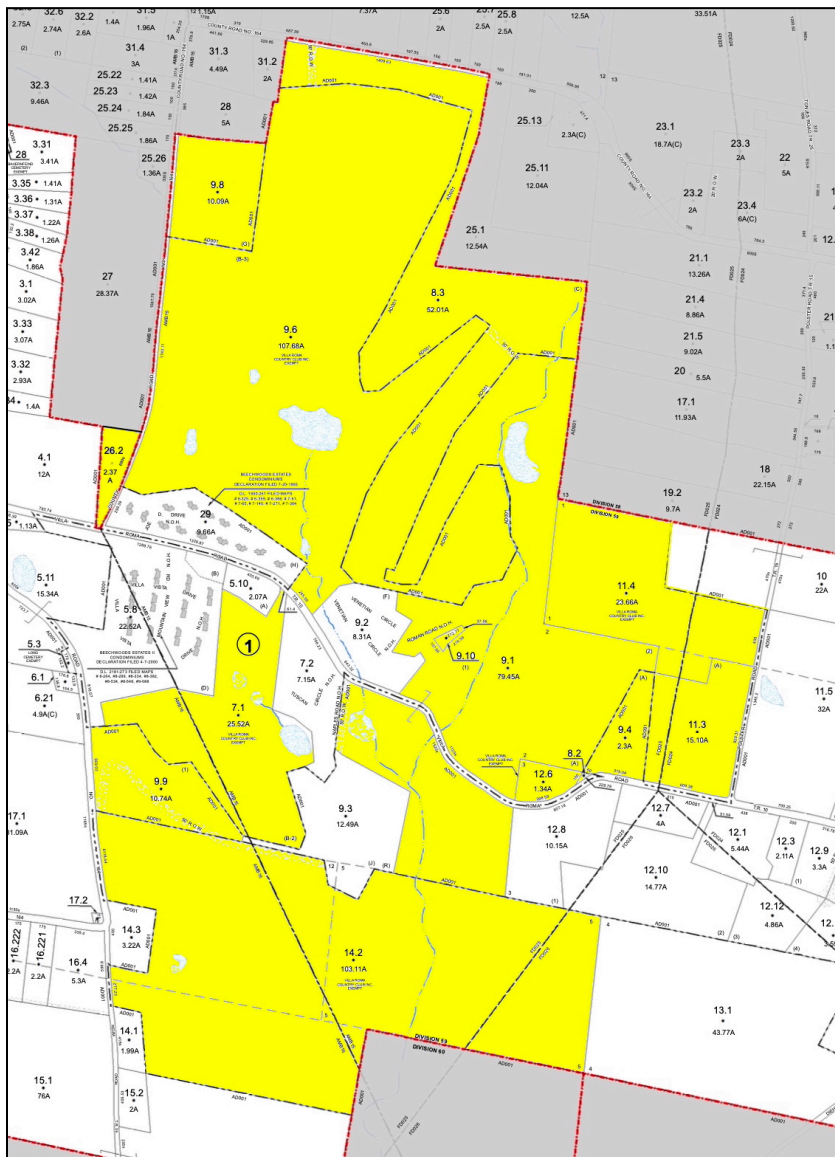
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# Fay Hospitality Catskills LLC Benefit/Cost Analysis

## Background:

Fay Hospitality Catskills LLC has applied for financial assistance for the revitalization of the Villa Roma Resort and Conference Center located on 434.46 acres of land located in the Town of Delaware. The following tax map parcels are involved:



Villa Roma Parcels		
S/B/L	Acres	Assessed Value
5-1-26.2	2.37	\$ 72,600
20-1-7.1	25.52	\$ 223,200
20-1-8.2	0.39	\$ 2,000
20-1-8.3	52.01	\$ 200,000
20-1-9.1	79.83	\$4,033,480
20-1-9.4	2.3	\$ 20,000
20-1-9.6	107.68	\$1,405,230
20-1-9.8	10.09	\$ 71,000
20-1-9.9	10.74	\$ 46,700
20-1-9.10	0.32	\$ 300,000
20-1-11.3	15.1	\$ 76,000
20-1-11.4	23.66	\$ 267,840
20-1-12.6	1.34	\$ 13,400
20-1-14.2	103.11	\$ 158,100
<b>Totals</b>	<b>434.46</b>	<b>\$6,889,550</b>

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The project involves the revitalization and upgrading of the resort. It involves an applicant estimated \$3,920,000 in rehabilitation costs related to real property improvements of which \$2,352,000 is believed to be taxable as real property. Another \$2,523,000 will be spent on otherwise sales-taxable material purchases. It is anticipated the additional real property involved will have an equalized assessed value of \$1,960,000 at the current equalization rate.



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.

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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 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.

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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 \$2,352,000 in otherwise sales taxable material purchases. Additionally, an estimated \$2,523,000 of the purchase price is allocated to otherwise taxable personal property for a total of \$4,875,000 in expenditures on otherwise taxable items.
- 2) It is assumed, for purposes of this analysis, that all project construction activities will occur in 2024-2025 with real property tax abatement beginning in 2026. 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.



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The Town of Delaware equalization rate for 2023 is 50.00%, which is down from 58.00% in 2023, 68.74% in 2022 and 88.50% in 2021. The PILOT schedule, before equalization and applying current tax rates is as follows.

<b>Tourist Industry Program Real Property Tax General Abatement Schedule</b>		
Year	% Abated	PILOT %
1	100.00%	0.00%
2	100.00%	0.00%
3	100.00%	0.00%
4	100.00%	0.00%
5	100.00%	0.00%
6	90.00%	10.00%
7	80.00%	20.00%
8	70.00%	30.00%
9	60.00%	40.00%
10	50.00%	50.00%
11	40.00%	60.00%
12	30.00%	70.00%
13	20.00%	80.00%
14	10.00%	90.00%
15	0.00%	100.00%

- 3) The application to the IDA indicates there will be a \$11,000,000 mortgage to which mortgage tax abatement will apply.
  
- 4) There are expected to be 30 full-time equivalent (FTE) construction jobs created at an average salary of \$65,000 for the period. Some 250 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.

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- 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 new investment should support the equivalent of 20,000 square feet of retail space, at \$250 per square feet, 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.

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- 8) Cash flow streams from benefits and costs are net present valued using a discount rate of 2.97% (current average interest rate on the public debt). Net present value figures include actual costs of abatements and other costs for the construction/start-up period (2024-2025) plus discounted values for 2026-2045, 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:

<b>Tax Rates</b>	
<b>Tax Category</b>	<b>% of Assessed Value</b>
Medicaid	0.24%
NYS Welfare Mandate	0.16%
Other NYS Mandates	0.28%
County Levy	0.27%
<b>County Total</b>	<b>0.95%</b>
Town to Highway	0.72%
<b>Town Total</b>	<b>0.72%</b>
<b>School Tax Rate</b>	<b>1.55%</b>
<b>Combined Total</b>	<b>3.22%</b>

The school tax rate is the latest available. There is no library tax but there is an ambulance tax and fire tax that have not been considered.



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### Conclusion:

This project will generate estimated costs of \$1,157,744 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 \$1,007,793.

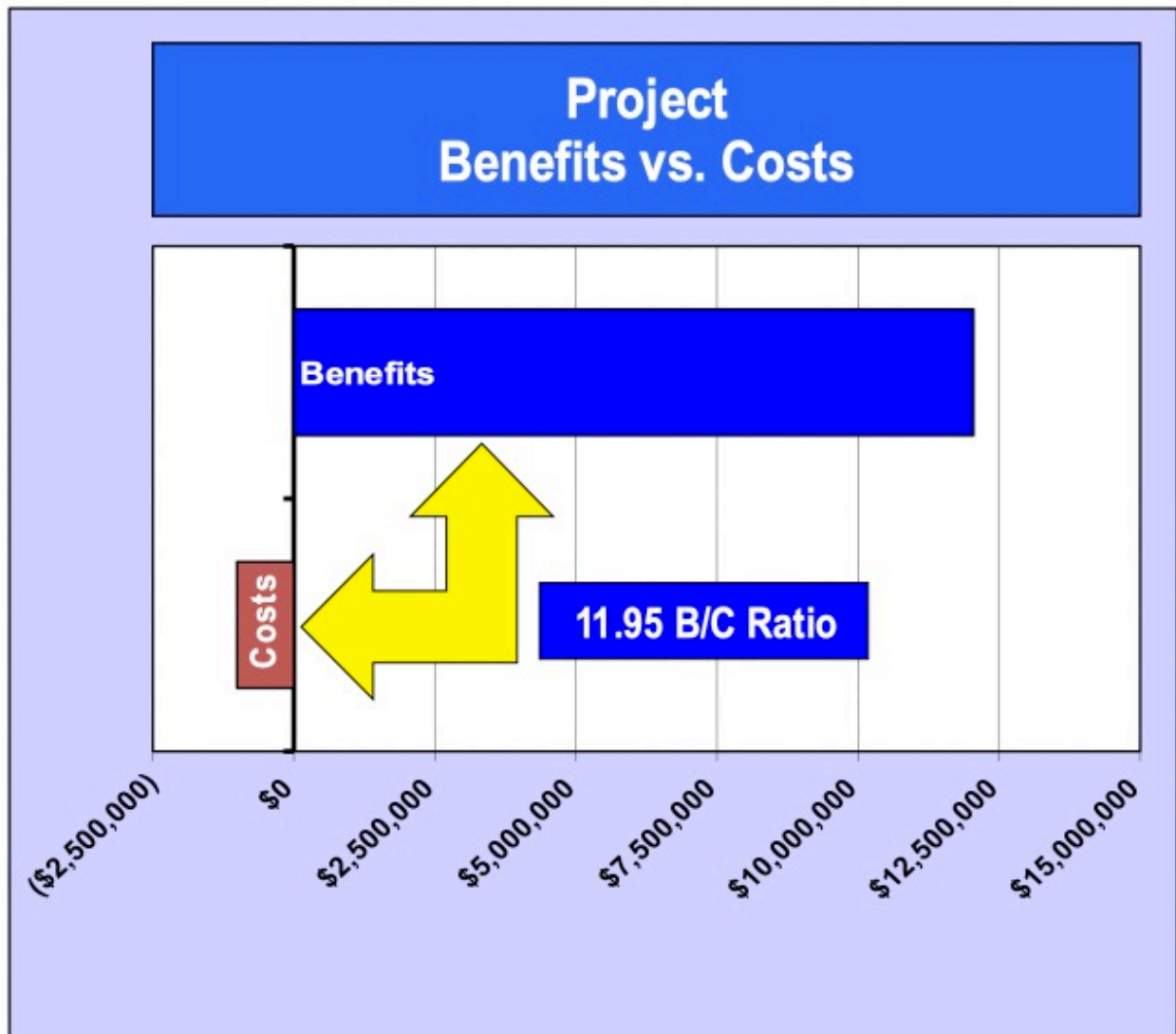
The project benefits consist of real property taxes associated with taxable real property improvements (\$1,106,606), construction payroll gains (\$1,950,000), multiplier effects (\$833,235), sales taxes from those payroll gains (\$111,329), sales taxes from operations (\$6,097,900) and room taxes (\$1,947,699) that, altogether, at net present value, total \$112,046,800 combined over the analysis period.

This yields a positive benefit/cost ratio of 11.95. Netting out the construction payroll gains, the ratio is 9.19.

# Fay Hospitality Catskills LLC Benefit/Cost Analysis

Project Cost/Benefit Analysis	
<b>Costs (2024-2045)</b>	
Sales Tax Abatements (County)	\$94,080
Sales Tax Abatements (State)	\$94,080
Mortgage Tax Abatements	\$110,000
Real Property Tax Reductions Net of 485-b Benefits	\$859,584
<b>Sub-Total (Value of All Abatements) =</b>	<b>\$1,157,744</b>
Net Present Value of Abatements	\$1,007,793
Additional School Costs	\$0
Variable Highway & Other Municipal Costs	\$0
<b>Total Costs (Net Present Value)=</b>	<b>\$1,007,793</b>
<b>Benefits (Net Present Value, 2024-2045)</b>	
Property Taxes Related to Improvements	\$1,106,606
Sales Taxes (General - From Gains in Buying Power)	
County	\$55,665
State	\$55,665
Sales Taxes (From Operations)	
County	\$3,048,968
State	\$3,048,968
Room Taxes	\$1,947,699
<b>Sub-Total (Taxes/Charges) =</b>	<b>\$9,263,571</b>
Personal Income Gains Related to New Jobs	\$1,950,000
Personal Income Gains Related to Multiplier Effects	\$833,235
<b>Sub-Total (Income Gains) =</b>	<b>\$2,783,235</b>
<b>Total Benefits =</b>	<b>\$12,046,806</b>
Gross Excess Benefits Over Costs =	\$11,039,013
<b>Gross Benefits to Costs Ratio =</b>	<b>11.95</b>
<b>B/C Ratio Net of Income Gains =</b>	<b>9.19</b>

# Fay Hospitality Catskills LLC Benefit/Cost Analysis



# Fay Hospitality Catskills LLC Benefit/Cost Analysis

Benefit/Cost Analysis of Tax Abatements													
FISCAL YEAR	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036		
DESCRIPTION	Construct / Startup	1	2	3	4	5	6	7	8	9	10	11	
Sales Tax Abatement	\$188,160	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mortgage Tax Abatement	\$110,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Property Tax Abatement	\$0	\$54,042	\$61,230	\$68,800	\$76,769	\$85,155	\$81,444	\$77,435	\$73,111	\$68,459	\$63,461	\$58,102	\$58,102
Highway/Other Costs	\$0	\$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	\$0
Real Property Taxes on New Property Value	\$0	\$0	\$0	\$0	\$0	\$0	\$12,530	\$25,812	\$39,879	\$54,767	\$70,513	\$87,153	\$87,153
Total Real Property Taxes Without Project	\$773,458	\$796,661	\$820,561	\$845,178	\$870,533	\$896,649	\$923,549	\$951,255	\$979,793	\$1,009,187	\$1,039,462	\$1,070,646	\$1,070,646
Total Real Property Taxes With Project	\$773,458	\$796,661	\$820,561	\$845,178	\$870,533	\$896,649	\$936,079	\$977,067	\$1,019,672	\$1,063,954	\$1,109,975	\$1,157,800	\$1,157,800
Personal Income - Construction Employment	\$1,950,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Indirect Income Benefits	\$833,235	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Added Sales Tax (General)	\$111,329	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Added Sales Tax (Operations)	\$37,783	\$320,000	\$320,000	\$329,600	\$339,488	\$349,673	\$360,163	\$370,968	\$382,097	\$393,560	\$405,366	\$417,527	\$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	\$134,392

Benefit/Cost Analysis of Tax Abatements												
FISCAL YEAR	2037	2038	2039	2040	2041	2042	2043	2044	2045	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	\$188,160	\$188,160	\$188,160
Mortgage Tax Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$110,000	\$110,000	\$110,000
Real Property Tax Abatement	\$44,884	\$30,820	\$15,872	\$0	\$0	\$0	\$0	\$0	\$0	\$859,584	\$709,633	\$709,633
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	\$104,729	\$123,281	\$142,852	\$163,487	\$188,391	\$173,443	\$178,646	\$184,006	\$189,526	\$1,719,015	\$1,106,606	\$1,106,606
Total Real Property Taxes Without Project	\$1,102,765	\$1,135,848	\$1,169,924	\$1,205,022	\$1,241,172	\$1,278,407	\$1,316,760	\$1,356,262	\$1,396,950	\$22,180,043	\$16,290,017	\$16,290,017
Total Real Property Taxes With Project	\$1,207,495	\$1,259,130	\$1,312,776	\$1,368,508	\$1,409,563	\$1,451,850	\$1,495,406	\$1,540,268	\$1,586,476	\$23,899,058	\$17,396,623	\$17,396,623
Personal Income - Construction Employment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,950,000	\$1,950,000	\$1,950,000
Indirect Income Benefits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$833,235	\$833,235	\$833,235
Added Sales Tax (General)	\$430,053	\$442,955	\$456,243	\$469,931	\$484,029	\$498,550	\$513,506	\$528,911	\$544,779	\$8,395,180	\$6,097,937	\$6,097,937
Added Sales Tax (Operations)	\$138,423	\$142,576	\$146,853	\$151,259	\$155,797	\$160,471	\$165,285	\$170,243	\$175,351	\$2,687,037	\$1,947,689	\$1,947,689
Room Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0