

Sharon Springs Inc. project selection

Business plan – tourism destination to provide Spa services and health care services.

Nature of the proposed project: renovation of historic Imperial Baths to an Asian style modern spa and resort. Address of property is 233 Main Street, Village of Sharon Springs, NY. This will allow the site to offer spa and health care services. The site will have two buildings; a Doctor's office consisting of 4,600 sq. ft. and the Imperial Baths having a square footage of 15,000.

Nature of the property before the project: The approximate size of the property is 14.2 acres. The site has two abandoned buildings. One is 4,600 square feet and the Imperial Baths; which has approximately 15,000 square feet. Both buildings are in disrepair. There is municipal water and sewer at the site.

Economic condition of the area at the time of application: Schoharie County has experienced significant job losses over the last 14 years. These include Story House in Summit of approximately 30-40 jobs and the Guildford Mill of over 500 jobs. Unemployment for the County is 0.00%. The Village of Sharon Springs was full of visitors 50 years ago when the bath houses were in operation but declined over time as the bath houses became inoperable and eventually closed. The Village has experienced some revitalization over the last ten plus years; which has served as a catalyst for further interest.

Extent to which project will create jobs: The project is expected to create 40 full time equivalent jobs.

Estimated value of tax exemptions to be provided: At an estimated assessment of \$2.5 million the tax without a PILOT would be approximately \$121,368 per year and with the PILOT taxes would be \$6,000 for the first year. The \$6,000 is the approximate current tax on the property. Over 15 years the value of the exemption would have estimated net value after PILOT payments of \$1,145,905. The value of the sales tax exemption is estimated to be up to \$350,000 and the mortgage recording tax exemption would approximate \$15,000 on the remaining loan.

The impact of the project and the proposed tax exemptions on the affected tax jurisdictions: The company would pay the current amount of taxes for 5 years with increases of 7%. Then in year six-15 the PILOT payments start at an estimated 40% of new assessment and increase over the remaining years. This has the effect of not losing any of the existing tax revenue. The company would be paying water, sewer, library and fire taxes which would be a positive for the area. In addition, the project is also expected to generate new sales tax revenue for the County.

The impact of the proposed project on existing and proposed businesses and economic development projects in the County: The bath houses would be a service that has no competitors in the local area. The tourists that come to the area would potentially visit other retail shops in the municipality and increase those businesses revenues. The consumers that would be visiting the Spa would mostly be from outside the area and therefore these would be new revenues.

The amount of private sector investment: Total investment of \$9,150,000 is anticipated.

The likelihood of accomplishing the project in timely fashion: The project would have a time frame for completion of approx. 1 year and the likelihood of accomplishing it is good.

Effect of project on environment: A SEQR is being completed with the Village of Sharon Springs as lead Agency and has received a conditioned approval. Municipal water and sewer are available. Currently, an increase in traffic is projected as visitors use the facility, otherwise at this time there are no negative effects on the environment.

The extent to which proposed to which the proposed project will provide additional revenue to jurisdictions: Real estate tax revenue will remain at the \$6000 amount it currently is for 5 years with annual increases of 7%. Over years 6-15 there will be an increasing scale starting at 40% of the new assessed value. The total PILOT payments for the fifteen years are \$798,818. Once the PILOT is over the taxes will be over \$120,000. Yearly sales tax revenue for the County are estimated to increase by approximately \$39,675 per year. Yearly fire and library taxes are expected to increase by \$3,149.

The extent to which the proposed project will provide a benefit not otherwise available within Schoharie County: The project will provide a spa for area residents that doesn't currently exist. The Spa will bring in tourist who will spend other monies in the community and who otherwise would not visit the area.

Other factors: All 4 taxing jurisdictions have accepted and approved this PILOT. It helps to stabilize the tax base and it stabilizes a building that has been dilapidated for several decades.

The cost benefit ratio: See attached sheets.

A supplemental cost benefit analysis to the above that doesn't take into account present/future values and also estimates the sales tax revenue receipts based on the project applicants' numbers shows the following results: The costs equal the estimated sales tax exemption of \$125,000 - \$350,000 (use \$350,000), foregone property taxes of \$1,944,723 and the remaining mortgage tax exemption (on \$1.5 million) of \$15,000 for a total cost of \$2,309,723. The benefits equal PILOT payments of \$798,818, estimated income tax from construction of \$153,010, estimated income tax from ongoing operations of \$1,040,000 and then the additional sales tax receipts of \$1,031,563. The total State/regional benefits then equal \$3,023,391. This leaves the ratio 1.30 to 1. The local ratio using these figures is less than 1:1. These figures do not factor in the multiplier effects of visitors spending more monies and the employees spending monies and or living in the community.

In addition, if the project were not to be constructed the taxes would total approximately \$103,758 based on today's taxes with 2% increases versus the PILOT payments of \$798,818.

Board Report

Table 1: Basic Information

Project Name	Sharon Springs Spa & Resort
Project Applicant	Sharon Springs Inc
Project Description	To develop a spa and resort in the Village of Sharon Springs, NY.
Project Industry	Amusement, Gambling, and Recreation Industries
Municipality	Sharon Springs Village
School District	Sharon Springs
Type of Transaction	Lease
Project Cost	\$9,150,000
Mortgage Amount	\$6,800,000
Direct Employment Expected to Result from Project (Annual FTEs)	40

Figure 1: Estimated State & Regional Benefits / Estimated Project Incentives (Discounted Present Value*)

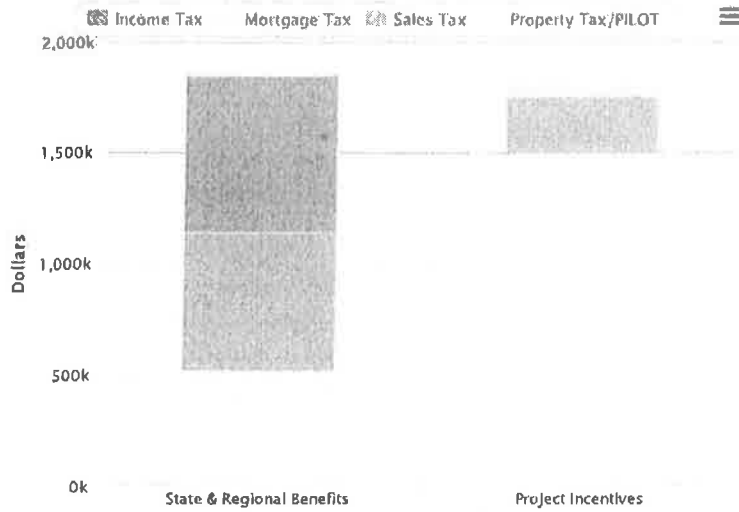


Table 2: Estimated State & Regional Benefits / Estimated Project Incentives Analysis (Discounted Present Value*)

Total State and Regional Benefits	\$1,846,029	
Total Project Incentives	\$1,727,439	
Benefit to Cost Ratio	1.1:1	
Projected Employment	State	Region
Total Employment	114	114
Direct**	40	40
Indirect***	13	13
Induced****	10	10
Temporary Construction (Direct and Indirect)	51	51

Table 3: Estimated State & Regional Benefits (Discounted Present Value*)

Total State and Regional Benefits	\$1,846,029
Income Tax Revenue	\$712,701
Property Tax/PILOT Revenue	\$514,593
Sales Tax Revenue	\$618,735

Table 4: Estimated Project Incentives (Discounted Present Value*)

Total Project Incentives	\$1,727,439
Mortgage Tax	\$68,000
Property Tax	\$1,485,589
Sales Tax	\$265,600
Less IDA Fee	-\$91,750

* Figures over 15 years and discounted by 3.49%

** Direct - The recipient of IDA assistance adds new jobs to the regional economy and/or retains jobs at risk of being lost to another region. Investments that result in displacing existing jobs (e.g., most retail and many service sector industries) do not fall under this definition.

*** Indirect - The recipient of IDA assistance makes purchases from regional firms, which stimulates suppliers to add jobs and payroll that are new to the regional economy or are saved from being lost to competitors outside the region.

**** Induced - The recipient of IDA assistance by adding to and/or retaining payroll stimulates household spending that is new to the regional economy and/or saved from being lost to competitors outside the region.

© Center for Governmental Research 2016. All rights reserved.

Powered by **informANALYTICS**