CITY OF NEWBURGH INDUSTRIAL DEVELOPMENT AGENCY

AMENDED APPLICATION

To: City of Newburgh Industrial Development Agency
83 Broadway, 3rd Floor
P.O. Box 1298
Newburgh, New York 12551
Attention: Chairman

From: Grand Street Newburgh Property Co., LLC
and FSH Newburgh Hotel, LLC

This Amended Application modifies in part the Application of Grand Street Newburgh Property Co., LLC and FSH Newburgh Hotel, LLC, dated July 30, 2021 ("Application"). Except as modified by this Amended Application, the Application shall remain in force as originally submitted.

The purpose of this Amended Application is to modify the deviation request as set forth in the explanation to and part of the Application to the City of Newburgh Industrial Development Agency. The explanation attached to the Application is hereby deleted and the following Explanation attached to this Amended Application is submitted in its place and stead.

The Application is further amended as follows:

The estimated value of the Real Property Tax Exemption at the bottom of page 4 is amended to strike 3,588,482 and insert 3,317,161 in its place and stead.

The estimated value of the Real Property Tax Exemption at 4(c) on page 23 is amended to 3,317,161.

The estimated value of the Real Property Tax Exemption on line 3(c) of the Project Questionnaire on page 33 is amended to 3,317,161.

70317-010v4

I affirm under penalty of perjury that all statements made on this Amended Application are true, accurate, and complete to the best of my knowledge.

Date Signed: October 19, 2021

Grand Street Newburgh Property Co., LLC
By: FSH Holding, LLC, its Sole Member

By: Corey Sims Foster, Manager

FSH Newburgh Hotel, LLC
By: FSH Holding, LLC, its Sole Member

By: Corey Sims Foster, Manager

CERTIFICATION

I certify that I have prepared the responses provided in the Questionnaire as modified by the Amended Application and that, to the best of my knowledge; such responses are true, correct, and complete.

I understand that the foregoing information and attached documentation will be relied upon, and constitute inducement for, the Agency in providing financial assistance to the Project. I certify that I am familiar with the Project and am authorized by the Company to provide the foregoing information, and such information is true and complete to the best of my knowledge. I further agree that I will advise the Agency of any changes in such information and will answer any further questions regarding the Project prior to the closing.

I affirm under penalty of perjury that all statements made on this Amended Application are true, accurate, and compete to the best of my knowledge.

Date Signed: October 19, 2021

Name of Person Completing Project Questionnaire on behalf of the Company.

Name: Corey Sims Foster
Title: Manager
Phone Number: 347-451-5295
Address: 4053 State Route 52,PO Box 595, Youngsville, NY

Signature:

EXPLANATION – AMENDED APPLICATION

This explanation is attached to and part of the Amended Application of Grand Street Newburgh Property Co., LLC and FSH Newburgh Hotel, LLC to the City of Newburgh Industrial Development Agency.

Reference is made to Section VI. FINANCIAL ASSISTANCE EXPECTED FROM THE AGENCY. At B. Tax Benefits, the Applicant seeks a deviation from the Agency's UTEP.

The project consists of the redevelopment of three (3) buildings on Grand Street. Redevelopment of these structures respecting the historic nature of the buildings must be carefully approached and will be expensive to achieve on a square foot basis.

Hospitality properties are unlike most other businesses. Hotels and event venues rely heavily on repeat bookings to generate revenue. Lodging venues require some years of operation before guests return for a subsequent visit. This hotel will attract special types of guests and cannot be viewed in the same way as a limited service hotel convenient to an airport or highway intersection.

Foster Supply Hospitality, LLC ("FSH") developed six (6) small hotels in Sullivan County and Wayne County, Pennsylvania over the past seven (7) years. All current FSH properties operate in locations where the real estate tax burden is substantially lower than what would exist in the City, absent a PILOT.

Our experience tells us that the cost of guest acquisition is high when a property first opens. When FSH opened the Arnold House in 2014, we were glad to see a few rooms booked each weekend. Over time our guests enjoyed the experience and return guest bookings multiplied. Additional hotels we subsequently opened enjoyed overflow bookings from previously opened hotels and reached occupancy levels quicker than we expect in Newburgh.

Similarly, event business is slow to develop. Corporate outings are normally booked a year in advance. Wedding bookings have an even longer booking window. While we expect to create an attractive first-rate venue, we realize that attracting group business takes time. Our experience in operating other FSH hotels leads us to believe that event activity will not reach a stabilized level until our third (3rd) year of operations.

We do not anticipate the property to be cash flow positive until the fourth year of operations. We do not expect cumulative losses to be offset by profits until year five (5) of operations. Accordingly, limiting real estate tax expense in the first five (5) years of operations is necessary for the project to make financial sense.

Our projected profit and loss for the first five (5) years of operations is as follows:

Summary P&L	2023	2024	2025	2026	2027
Revenue	**5,276,456**	**8,349,071**	**9,004,606**	**9,838,118**	**10,691,540**
% Growth	-	*58%*	*8%*	*9%*	*9%*
COGS	3,153,236	4,742,812	5,115,198	5,530,098	5,944,997
Total Gross Margin	**2,123,220**	**3,606,259**	**3,889,408**	**4,308,020**	**4,746,543**
% Margin	40%	43%	43%	44%	44%
G&A	984,024	1,229,513	1,305,112	1,371,772	1,440,830
Management Fees	211,058	333,963	360,184	393,525	427,662
Other	372,725	438,122	369,604	385,462	401,747
Total EBITDA	**555,413**	**1,604,661**	**1,854,508**	**2,157,261**	**2,476,304**
% Margin	*11%*	*19%*	*21%*	*22%*	*23%*

Summary Cash Flow	2023	2024	2025	2026	2027
Total EBITDA	**555,413**	**1,604,661**	**1,854,508**	**2,157,261**	**2,476,304**
Net Cash Interest	($1,089,555)	($1,069,456)	($1,048,117)	($1,025,462)	($1,001,410)
Net Principal Repayment	(325,872)	(345,971)	(367,309)	(389,964)	(414,016)
Capex	-	-	-	-	-
Cash taxes	-	-	-	-	-
Change in net working capital	-	-	-	-	-
Other sources/(uses)	-	-	-	-	-
FCF avail for debt / distributions	**(860,013)**	**189,235**	**439,082**	**741,835**	**1,060,878**
Cumulative free cash flow	*(860,013)*	*(670,779)*	*(231,697)*	*510,138*	*1,571,016*

Debt Balance	2023	2024	2025	2026	2027
Cash and cash equivalents	(860,013)	(670,779)	(231,697)	510,138	1,571,016
1st Lien Debt	$18,306,990	$17,961,019	$17,593,710	$17,203,746	$16,789,730
2nd Lien Debt	-	-	-	-	-
Unsecured Debt	-	-	-	-	-
Total Debt	**$18,306,990**	**$17,961,019**	**$17,593,710**	**$17,203,746**	**$16,789,730**

Credit Metric Summary	2023	2024	2025	2026	2027
EBITDA/Interest	0.5 x	1.5 x	1.8 x	2.1 x	2.5 x
Net Debt / EBITDA	34.5 x	11.6 x	9.6 x	7.7 x	6.1 x
Debt / EBITDA	33.0 x	11.2 x	9.5 x	8.0 x	6.8 x
DSCR	0.4 x	1.1 x	1.3 x	1.5 x	1.7 x

The properties to be developed are currently owned by Orange County and exempt from ad valorem tax levies. The aggregate assessed value of the three parcels is $2,510,800. Recognizing the City will incur some modest additional costs for public services once these vacant buildings are redeveloped, we propose to make a PILOT Payment for the first five (5) years of operations (and during the pro-opening period) equal to what taxes would be at the current assessed value plus ten (10%) percent of the improvement value following completion of the redevelopment effort. In other words, the City will gain revenue vs. the current exempt status with PILOT payments equal to taxes on the properties at pre-development levels plus ten (10%) percent of the improvement value following completion of the redevelopment effort for the first five (5) years of operations.

We have deeply studied competitive properties in the mid-Hudson. Looking at the competitive landscape, we expect a City-based hotel of similar quality as the competitive set to be successful if our average daily rates are at levels similar to the competition. Keeping this Project's costs aligned with the competitive set is essential to long term success. We view the competition as eleven (11) properties, each offering lodging, meeting/event space and with food and beverage offerings. The average equalized assessed value of the competitive set on a weighted average basis is $160,702 per key. A simple average of the equalized assessed value per key of the competitive properties is $157,498 per key. If you eliminate the three (3) highest assessed and three (3) lowest assessed properties, the average equalized assessed value is $155,529 per key.

And lastly, if you eliminate the three properties in Columbia County and focus solely on Orange, Dutchess and Ulster properties, the average equalized assessed value is $167,495 per key.

Any way you view this information, it is clear that for our project to be competitive, a PILOT at a value of $160,000 per key is necessary.

Accordingly, we propose a PILOT term of twelve (12) years with the value of the improvements building up starting in year 1 and reaching fully taxable status in year 13.

The proposed deviation schedule for improvements over the current assessed value base contemplates exemptions and annual PILOT payments as follows[1]:

Estimated PILOT Payments Under Proposed Deviation

Operating Year	Current AV	Improvement Value	Proposed Exemption	Improvement Value in PILOT	Total Value Subject to PILOT	Estimated PILOT Payment
1	$ 2,510,800.00	$ 10,289,200.00	90%	$ 1,028,920.00	$ 3,539,720.00	$ 175,853.29
2	$ 2,510,800.00	$ 10,289,200.00	90%	$ 1,028,920.00	$ 3,539,720.00	$ 179,370.36
3	$ 2,510,800.00	$ 10,289,200.00	90%	$ 1,028,920.00	$ 3,539,720.00	$ 182,957.76
4	$ 2,510,800.00	$ 10,289,200.00	90%	$ 1,028,920.00	$ 3,539,720.00	$ 186,616.92
5	$ 2,510,800.00	$ 10,289,200.00	90%	$ 1,028,920.00	$ 3,539,720.00	$ 190,349.26
6	$ 2,510,800.00	$ 10,289,200.00	90%	$ 1,028,920.00	$ 3,539,720.00	$ 194,156.24
7	$ 2,510,800.00	$ 10,289,200.00	80%	$ 2,057,840.00	$ 4,568,640.00	$ 255,605.12
8	$ 2,510,800.00	$ 10,289,200.00	70%	$ 3,086,760.00	$ 5,597,560.00	$ 319,434.30
9	$ 2,510,800.00	$ 10,289,200.00	60%	$ 4,115,680.00	$ 6,626,480.00	$ 385,714.40
10	$ 2,510,800.00	$ 10,289,200.00	50%	$ 5,144,600.00	$ 7,655,400.00	$ 454,517.93
11	$ 2,510,800.00	$ 10,289,200.00	33.33%	$ 6,859,809.64	$ 9,370,609.64	$ 567,480.77
12	$ 2,510,800.00	$ 10,289,200.00	16.67%	$ 8,573,990.36	$ 11,084,790.36	$ 684,716.76
13	$ 2,510,800.00	$ 10,289,200.00	0%	$ 10,289,200.00	$ 12,800,000.00	Fully Taxable

We are mindful that the tax rate is higher in the City of Newburgh than in the jurisdictions where competitive properties are situated. That said, we still propose using the then current tax rate multiplied by the sum of the current assessed value and improvement values subject to the proposed exemption levels to compute annual PILOT payments.

PILOT payments with the exemption levels increasing as contemplated by the UTEP will allow the property to reach the stabilized occupancy at competitive average daily rates and event booking levels over the time frame necessary to stabilize cash flow.

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[1] Tax rates are estimated at 4.968% for year 1 increasing 2% per year