

GRAND STREET NEWBURGH PROPERTY CO., LLC AND FSH NEWBURGH HOTEL, LLC

COST-BENEFIT ANALYSIS

CITY OF NEWBURGH IDA

PREPARED AUGUST 2025

EXECUTIVE SUMMARY

The City of Newburgh Industrial Development Agency (the “Agency”) received an updated application for financial assistance from Grand Street Newburgh Property Co., LLC, and FSH Newburgh Hotel, LLC (the “Applicant”) related to a proposed project located at 48-54-62 Grand Street in the City of Newburgh (the “Site”)¹. The proposed project includes the development of 79,072 square feet of building space across three historic buildings into 74 hotel rooms, an event space, a dining facility, and a full-service spa (the “Project”). The Agency requested an updated economic and fiscal impact analysis from MRB Group to assess the benefits and costs of the Project on the City of Newburgh (the “City”) and other jurisdictions as part of the Agency’s deliberations.

MRB Group conducted an assessment of the Project for both one-time construction impacts and ongoing operations impacts. The economic impacts considered in this analysis include direct and indirect changes to jobs, wages, and sales associated with the renovation of the Site and the ongoing impacts associated with the anticipated employment at the Site. The fiscal impacts of the Project include one-time and ongoing new tax revenue as well as the presumed costs of the financial assistance under consideration by the Agency.

Using an estimate of locally-sourced labor and materials, we assessed the one-time economic impact of construction.² The construction phase of the Project will produce approximately 81 direct, on-site construction jobs and 41 indirect jobs. Combining direct and indirect impacts, the construction phase of the Project will create 121 jobs that generate \$11.1 million in

Summary of Economic Impacts			
	Direct	Indirect	Total
Construction Jobs	81	41	121
Construction Wages	\$8,355,789	\$2,738,178	\$11,093,968
Ongoing Jobs	61	12	73
Ongoing Wages	\$2,709,071	\$782,691	\$3,491,761

Source: Applicant; Lightcast; MRB

¹ The Applicant originally submitted an application for financial assistance to the Agency, as amended, in 2021. For ease, we refer to this as the “original application” here and elsewhere. The Agency provided the requested assistance thereafter, which we refer to as the “original PILOT” or similar. The Applicant has submitted a “Second Amended Application” dated July 25, 2025. For ease of reference to that July 25, 2025 application, we use terms such as “updated application”, “updated economic and fiscal impact analysis” and similar throughout this report.

² Note that the direct and indirect “Construction Jobs” and “Construction Wages” shown are with respect to Orange County (the “County”), as such jobs tend to be pulled from a larger labor shed. The direct and indirect “Ongoing Jobs” and “Ongoing Wages” shown are with respect to the City.

wages. Upon completion of the Project, we estimate that the operations will generate 73 jobs earning \$3.5 million in wages annually.³

Regarding fiscal benefits, we estimate that the County will benefit from an additional, one-time sales tax revenue of \$72,804 associated with the construction wages earned during the Site’s construction. Upon completion of the Project, we estimate the County will benefit from the additional sales tax revenue of \$307,334 over the 12-year PILOT term related to the new wages earned from ongoing jobs. Over the same period, retail sales occurring at the Project will generate \$4 million in sales tax revenue for the County, as well as \$1.3 million from the hotel occupancy tax.

Summary of Fiscal Benefits, Local Government	
Source	Total
Sales Tax, Construction, One-time	\$72,804
Sales Tax, Operations, 12 Years	\$307,334
Sales Tax, On-site Retail Sales	\$3,980,598
Hotel Occupancy Tax	\$1,251,455
Property Tax Revenue, 12 Years	\$3,776,773
Total Fiscal Benefits	\$9,388,963

Source: Applicant; Lightcast; MRB

The Applicant’s PILOT exemption request of the Agency in the updated application did not change from the PILOT request of the original application.

Therefore, we have retained the exact estimates of benefits and costs we used in the 2021 original cost-benefit analysis as they relate to the PILOT request. We therefore show that the Project will generate \$3.8 million in property tax revenue for the County, City, and school district. Therefore, in total, the fiscal benefits of the proposed Project will be approximately \$9.4 million over the life of the PILOT.

Summary of Exemptions, Local Government	
	Total
Cost of Sales Tax Exemption, One-Time	\$709,539
Mortgage Recording Tax Exemption	\$121,750
PILOT Exemption, 12 Years	\$4,510,525

Source: Applicant; Lightcast; MRB

In terms of costs of the Project, the Applicant has requested a sales tax exemption and a mortgage recording tax exemption. The estimated cost to the County of the sales tax exemption is \$709,539, and the cost of the mortgage recording tax exemption is \$121,750. As noted above, the estimate of the cost of the PILOT abatement remains as reported in the original cost-benefit analysis at \$4.5 million over 12 years based on a 2% escalation rate.⁴

³ Applicant noted ongoing employment will stabilize in the third year. As such, ongoing annual impacts assume the Site is at full employment for a given year. To see the estimated cumulative impact of the Project over the life of the PILOT, please see Appendix.

⁴ These costs are theoretical by nature as the Applicant has stated the Project will not move forward absent IDA assistance.

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INTRODUCTION

The City of Newburgh Industrial Development Agency received an application for financial assistance from Grand Street Newburgh Property Co., LLC and FSH Newburgh Hotel, LLC related to a proposed project located at 48-54-62 Grand Street in the City of Newburgh. The proposed project includes the development of approximately 79,072 square feet across three historic buildings into 74 hotel rooms, an event space, a dining facility, and a full-service spa. The Agency requested an economic and fiscal impact analysis from MRB Group to assess the benefits and costs of the Project on the City of Newburgh and other local jurisdictions as part of the Agency's deliberations.

MRB Group conducted an assessment of both one-time construction impacts and ongoing impacts of operations. The economic impacts considered in this analysis include direct and indirect changes to jobs, wages, and sales associated with the renovation of the Site as well as the ongoing impacts associated with the anticipated employment at the Site. The fiscal impacts of the Project include one-time and ongoing new tax revenue as well as the presumed costs of the financial assistance under consideration by the Agency.

ECONOMIC IMPACT ANALYSIS

The Project would have economic impacts on the County and City in several ways. These include one-time effects on jobs, earnings, and sales during the construction phase of the Project, which we estimate for the entire County. They also include ongoing impacts related to the project's operations, which we estimate for the City.⁵

Methodology

Both one-time, construction-phase impacts and ongoing, operation-phase impacts have “Direct” and “Indirect” components. For the construction phase:

- Direct: Jobs, wages, and sales that occur on-site related to labor and materials used in the construction of the Project.
- Indirect: Jobs, wages, and sales caused by the Direct impacts, and result from business-to-business purchases (e.g., a contractor buying a piece of equipment from a dealer) and from employees spending a portion of their wages locally.

For the operation phase:

- Direct: Jobs, wages, and sales created from the operations of the Project (e.g., on-site employment).
- Indirect: Jobs, wages, and sales caused by the Direct impact, such as business-to-business purchases (e.g., a grocery store serving the new households buying goods from a distributor) and employees of such businesses spending a portion of their wages locally.

To estimate the Direct and Indirect impacts, MRB Group employs the Lightcast economic modeling system.⁶ We used data from the Applicant and publicly available and proprietary data sources as inputs to the Lightcast modeling system. We adjusted the Lightcast model where needed to match the Project specifics best. We then reported the modeling results.

⁵ By their nature, construction-related impacts tend to be somewhat more diffuse, which is why we report them as County-level impacts. City-level impacts are measured based on ZIP code 12550, which closely approximates the City. A map of ZIP Code 12550 in relation to the City's boundaries is included in the Appendix.

⁶ Lightcast, formerly “Economic Modeling Systems, Intl.,” uses data from the US Bureau of Labor Statistics, the US Bureau of Economic Analysis, the US Census, and other public data sources to model out economic impacts.

Construction Phase

The Project will require approximately \$27.2 million in renovations to convert the Site into the proposed facilities. The Applicant assumes 80% of the Project’s materials and labor will be sourced within Orange County.

Therefore, the \$21.8 million of construction spending (direct “Sales” in the second table) in Orange County was used as an input into the Lightcast economic modeling system. According to the model, this spending will create 81 direct jobs with approximately \$8.4 million in direct earnings. We then modeled impacts resulting from indirect spending (sales), resulting in an expected 41 indirect jobs, \$2.7 million in indirect earnings, and \$8.3 million in sales. Combining direct and indirect impacts, the total one-time construction-phase impacts would be 121 jobs, \$11.1 million in wages, and \$30 million in sales.

Construction Spending In County			
	\$ Total	% County	\$ County
Materials & Labor	\$27,227,885	80%	\$21,782,308

Source: Applicant, MRB

Economic Impact of Construction Phase, One-Time			
	Direct	Indirect	Total
Jobs	81	41	121
Earnings	\$8,355,789	\$2,738,178	\$11,093,968
Sales	\$21,782,308	\$8,265,419	\$30,047,727

Source: Lightcast; MRB

Operation Phase

An essential distinction between the impacts of the construction and operation phases is the geographic level at which impacts are measured. Primarily driven by ongoing employment at the Site, operational impacts are more localized relative to the County-level construction impacts. Because of this, we consider the economic impact of the operation phase at the City level. In this case, we used ZIP code 12550 to approximate the City’s boundaries, as ZIP codes are the smallest unit of geography considered in our economic modeling system (see Appendix).

The Applicant stated that employment at the Site will stabilize in the third year, employing 61 full-time employees for professional, skilled, semi-skilled, and unskilled positions.⁷ The Applicant also provided an estimate of the average annual salary for employees, at \$44,411. Using this average salary, we estimate \$2.7 million in annual earnings paid to the 61 employees. These earnings correspond to direct sales of \$11.1 million. Coupled with smaller indirect impacts, the total impact of operating the Project would be 73 jobs, \$3.5 million in earnings, and \$13.1 million in sales.

Economic Impact, Operations and Maintenance of Project			
	Direct	Indirect	Total
Jobs	61	12	73
Earnings	\$2,709,071	\$782,691	\$3,491,761
Sales	\$11,134,850	\$2,013,090	\$13,147,940

Source: Lightcast; MRB

⁷ In addition to onsite employment listed above, the Applicant anticipates hiring an additional six part time and six full time independent contractors.

FISCAL IMPACT ANALYSIS

The Project would also have fiscal impacts in terms of new tax revenues as described below. As noted in the executive summary to this report, the requested PILOT in the updated application has remained unchanged from the original application. We are therefore reporting all figures related to the PILOT abatement as was reported in the original cost-benefit analysis completed in 2021.

PILOT Schedule

The Applicant has requested a 12-year PILOT term that will abate a portion of the improvement value associated with the renovation. From year one through six, 90% of the improvement value will be abated. Beginning in the seventh year, the exempt amount will decrease by ten points for four years, after which time the exempt amount will be 50% of the improvement value. In year 11, the exempt amount will be reduced by 17 points to 33%, followed by a 16-point reduction to 17% in year 12. In year 13, the Site will be fully taxable, generating an estimated \$806,480 in property tax revenue.

PILOT Schedule per Application						
Year	Current AV	Improvement Value	Proposed Exemption	Improvement Value in PILOT	Total Value Subject to PILOT	Estimated PILOT Payment
Year 1	\$2,510,800	\$ 10,289,200	90%	\$1,028,920	\$3,539,720	\$175,853
Year 2	\$2,510,800	\$ 10,289,200	90%	\$1,028,920	\$3,539,720	\$179,370
Year 3	\$2,510,800	\$ 10,289,200	90%	\$1,028,920	\$3,539,720	\$182,958
Year 4	\$2,510,800	\$ 10,289,200	90%	\$1,028,920	\$3,539,720	\$186,617
Year 5	\$2,510,800	\$ 10,289,200	90%	\$1,028,920	\$3,539,720	\$190,349
Year 6	\$2,510,800	\$ 10,289,200	90%	\$1,028,920	\$3,539,720	\$194,156
Year 7	\$2,510,800	\$ 10,289,200	80%	\$2,057,840	\$4,568,640	\$255,605
Year 8	\$2,510,800	\$ 10,289,200	70%	\$3,086,760	\$5,597,560	\$319,434
Year 9	\$2,510,800	\$ 10,289,200	60%	\$4,115,680	\$6,626,480	\$385,714
Year 10	\$2,510,800	\$ 10,289,200	50%	\$5,144,600	\$7,655,400	\$454,518
Year 11	\$2,510,800	\$ 10,289,200	33%	\$6,859,810	\$9,370,610	\$567,481
Year 12	\$2,510,800	\$ 10,289,200	17%	\$8,573,990	\$11,084,790	\$684,717
Year 13*	\$2,510,800	\$10,289,200	0%	\$ 10,289,200	\$12,800,000	\$806,480

*First year of full taxes.

Source: Applicant

PILOT Revenue

As reported in the original cost-benefit analysis, the Project will generate \$3.8 million in revenue over the 12-year term.

PILOT Revenue				
Year	Current AV	Improvement Value	Proposed Exemption	Estimated PILOT Revenue
Year 1	\$2,510,800	\$ 10,289,200	90%	\$175,853
Year 2	\$2,510,800	\$ 10,289,200	90%	\$179,370
Year 3	\$2,510,800	\$ 10,289,200	90%	\$182,958
Year 4	\$2,510,800	\$ 10,289,200	90%	\$186,617
Year 5	\$2,510,800	\$ 10,289,200	90%	\$190,349
Year 6	\$2,510,800	\$ 10,289,200	90%	\$194,156
Year 7	\$2,510,800	\$ 10,289,200	80%	\$255,605
Year 8	\$2,510,800	\$ 10,289,200	70%	\$319,434
Year 9	\$2,510,800	\$ 10,289,200	60%	\$385,714
Year 10	\$2,510,800	\$ 10,289,200	50%	\$454,518
Year 11	\$2,510,800	\$ 10,289,200	33%	\$567,481
Year 12	\$2,510,800	\$ 10,289,200	17%	\$684,717
TOTAL				\$3,776,773

Source: Applicant

Cost of Property Tax Exemption

The table below displays the difference in estimated property tax revenue under the proposed PILOT and ‘Full Taxes’ absent an exemption (i.e., the “Cost of Abatement”). We calculate the fiscal cost of the abatement to be approximately \$4.5 million over the life of the PILOT.

However, this cost is theoretical by nature, as the Applicant has stated that the Project would not move forward absent an incentive.

Cost of Abatement - Full Taxes vs. PILOT Revenue							
Year	Escalation Factor	Current AV	Future AV	Tax Rate	Full Taxes	Estimated PILOT Revenue	Cost of Abatement
Year 1	1.00	\$10,289,200	\$ 12,800,000	48.27	\$ 617,898	\$ 175,853	\$ (442,044)
Year 2	1.02	\$10,289,200	\$ 12,800,000	49.24	\$ 630,256	\$ 179,370	\$ (450,885)
Year 3	1.04	\$10,289,200	\$ 12,800,000	50.22	\$ 642,861	\$ 182,958	\$ (459,903)
Year 4	1.06	\$10,289,200	\$ 12,800,000	51.23	\$ 655,718	\$ 186,617	\$ (469,101)
Year 5	1.08	\$10,289,200	\$ 12,800,000	52.25	\$ 668,832	\$ 190,349	\$ (478,483)
Year 6	1.10	\$10,289,200	\$ 12,800,000	53.30	\$ 682,209	\$ 194,156	\$ (488,053)
Year 7	1.13	\$10,289,200	\$ 12,800,000	54.36	\$ 695,853	\$ 255,605	\$ (440,248)
Year 8	1.15	\$10,289,200	\$ 12,800,000	55.45	\$ 709,770	\$ 319,434	\$ (390,336)
Year 9	1.17	\$10,289,200	\$ 12,800,000	56.56	\$ 723,966	\$ 385,714	\$ (338,251)
Year 10	1.20	\$10,289,200	\$ 12,800,000	57.69	\$ 738,445	\$ 454,518	\$ (283,927)
Year 11	1.22	\$10,289,200	\$ 12,800,000	58.84	\$ 753,214	\$ 567,481	\$ (185,733)
Year 12	1.24	\$10,289,200	\$ 12,800,000	60.02	\$ 768,278	\$ 684,717	\$ (83,561)
TOTAL					\$8,287,298	\$3,776,773	\$(4,510,525.03)

Source: Applicant, MRB

Sales Tax Revenue, Construction Phase

As our economic impact analysis states, we anticipate that approximately \$11.1 million in direct and indirect earnings in the County will be generated during the Project’s construction phase. We assume 70% of the newly generated earnings will be spent in Orange County. From there, we estimate that 25% of that spending amount will be subject to the sales tax. Applying the County’s sales tax rate of 3.75%, we conclude that the construction phase earnings will lead to approximately \$72,804 in County sales tax revenue from construction.

Sales Tax Revenue - Construction Phase	
Line	Value
Total New Earnings	\$11,093,968
% Spent in County	70%
\$ Spent in County	\$7,765,778
% Taxable	25%
\$ Taxable	\$1,941,444
County Sales Tax Rate	3.75%
\$ County Sales Tax Revenue	\$72,804

Source: MRB

Sales Tax Revenue, Operation Phase

We estimated \$3.5 million in total new earnings will occur annually within the County during the operation phase. Using the same methodology as above, we estimate the Project will result in \$22,915 in annual sales tax revenue to the County. Escalated at 2% per year for 12 years, this totals \$307,334 in revenue over the term of the proposed PILOT.

Sales Tax Revenue - Operation Phase	
Line	Value
Total New Earnings	\$3,491,761
% Spent in County	70%
\$ Spent in County	\$2,444,233
% Taxable	25%
\$ Taxable	\$611,058
County Sales Tax Rate	3.75%
\$ County Sales Tax Revenue	\$22,915
Revenue Over 12 Years	\$307,334

Source: MRB

Sales Tax Revenue, On-Site Retail Sales

In its application for IDA assistance, the Applicant noted that retail sales on the Site during the life of the PILOT would generate a total of \$8,624,628 in sales tax revenue. This revenue is composed of County sales tax revenue (with a rate of 3.75%), state sales tax revenue (4.0%) and the Metropolitan Commuter Transportation District (MCTD) sales tax revenue (0.375%).

Isolating just County revenues from the total amount reported, we calculate \$3,980,598 in County sales tax revenue.

Sales Tax Revenue, Retail Sales	
Line	Value
Sales tax revenue - On Site	\$8,624,628
Local	3.75%
State	4.00%
MCTD	0.375%
County Sales Tax Revenue	\$ 3,980,598

Source: Applicant, MRB

Hotel Occupancy Tax Revenue

In its application for IDA assistance, the Applicant estimated a total of \$1.3 million in hotel occupancy tax revenue during the life of the PILOT.

Cost of Other Exemptions

The Applicant has requested an exemption for construction-phase sales and use tax valued at \$1.5 million. As noted above, this is composed of County sales tax revenue (with a rate of 3.75%), state sales tax revenue (4.0%) and the MCTD sales tax revenue (0.375%). Isolating out the cost to just the County (Local Exemption) from the total amount reported, we arrive at local cost of \$709,539.

The Applicant has also requested a mortgage recording tax exemption (MRTE) of \$255,675. This amount is composed of a state portion (0.5%), a County portion (0.5%) and an MCTD portion (0.05%). Isolating out the cost to just the County (Local Exemption) from the total amount reported, we arrive at a local cost of \$121,750.

Cost of Sales Tax Exemption, County	
Line	Value
Sales Tax Exemption	\$1,537,335
Local	3.750%
State	4.000%
MCTD	0.375%
Local Exemption	\$ 709,539

Source: Applicant, MRB

Cost of MRTE Exemption, County	
Line	Value
MRTE	\$255,675
Local	0.500%
State	0.500%
MCTD	0.050%
Local Exemption	\$ 121,750

Source: Applicant, MRB

APPENDIX

Cumulative Impact of the Project and Benefits to Costs Ratio

Cost/Benefit Analysis - Cumulative Local Impact	
Local Costs (Construction - Year 12)	\$5,341,814
Sales Tax Exemption	\$709,539
Mortgage Tax Exemption	\$121,750
Real Property Tax Exemption	\$4,510,525
Local Benefits (Construction - Year 12)	\$61,014,160
Sales Tax, Construction, One-time	\$72,804
Sales Tax, Operations, 12 Years	\$307,334
Sales Tax, On-site Retail Sales	\$3,980,598
Hotel Occupancy Tax	\$1,251,455
Property Tax Revenue, 12 Years	\$3,776,773
Sub-Total Tax Benefits	\$9,388,963
Total New Earnings - Construction	\$11,093,967
Total New Earnings - Operations	\$40,531,230
Sub-Total (New Earnings)	\$51,625,197
Benefits to Costs Ratio	11.42
Tax Benefits to Tax Costs Ratio	1.76

Source: Applicant, MRB

City of Newburgh ZIP Code Approximation

