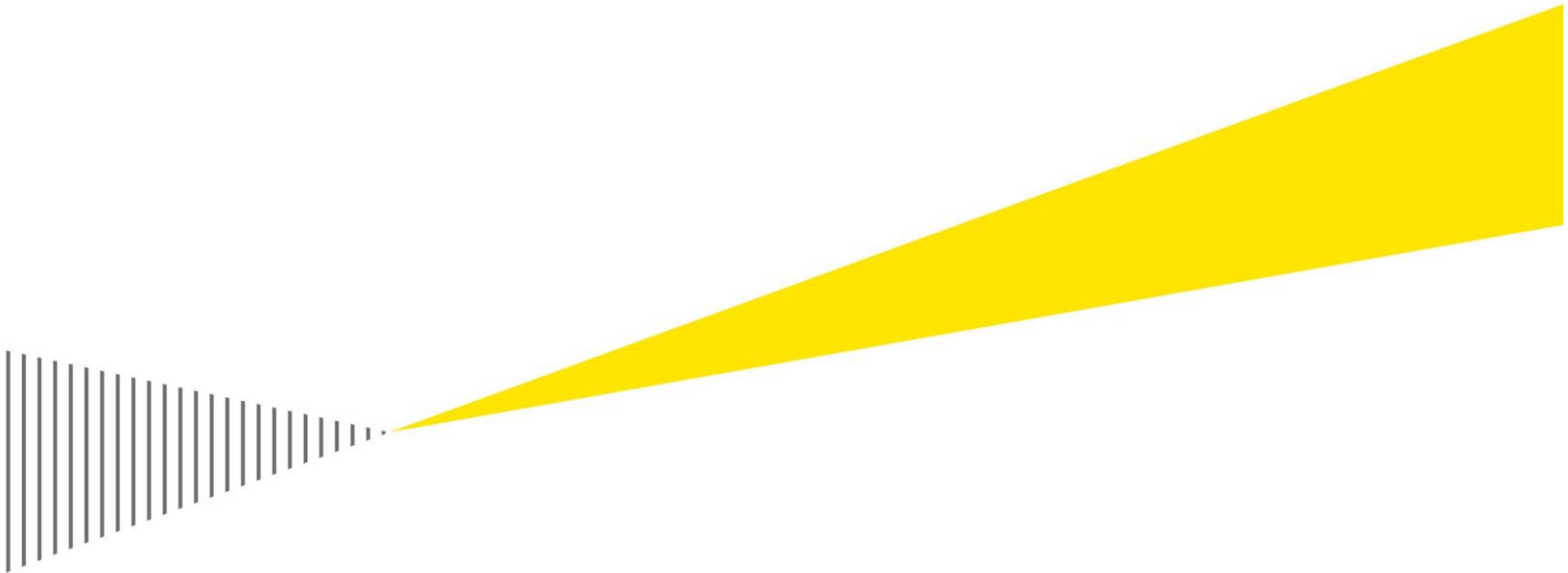


Revenue / Expenditure Analysis

Impact of LEGOLAND on Town of Goshen

8 September 2017



EY

Building a better
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Revenue / Expenditure Analysis

Impact of LEGOLAND on Town of Goshen

Merlin Entertainment, LTD. has proposed a 153 acre LEGOLAND theme park for development on a 524 acre parcel of land in the Town of Goshen, NY. The development will include rides, an aquarium, theaters, restaurants, a hotel and back-of-the-house facilities. The park is expected to see average daily attendance of 10,000 visitors with peak visitation of 20,000 (opening year attendance is expected to be 1.5 to 2.5 million visitors and visitors are expected to be 1/3rd overnight visitors, 1/3rd day trip visitors, and 1/3rd local guests). It will have 5,000 parking spaces and include a 250 room hotel. The theme park's operation will be seasonal, open April through October, 10:00 am – 8:00 pm during high season (June-August) and 10:00 – 6:00 in shoulder seasons (April-May, September-October). The hotel will be open year round. LEGOLAND will have 500 full-time employees, 300 part-time and 500 seasonal employees.

Overview of approach

EY was asked to estimate the Town of Goshen revenues and expenditures associated with the proposed LEGOLAND. Specifically, EY was asked to evaluate town highway and storm drainage expenditures, police expenditures and building inspection expenditures. Expenditures for fire services, emergency medical, water, sewer and sanitation, education, village and state streets, county sheriff and village police, county property assessment, and general administrative services costs (budget office, town clerk) were not considered, because EY understands these services are either not the responsibility of the Town or have negligible impacts.

These expenditure effects are compared to revenues payable under the Host Community Benefit Agreement (HCBA), the payment-in-lieu-of-taxes (PILOT) agreement, and the expected town share of sales taxes. Additional tax revenues may be available from a potential hotel occupancy tax, but given uncertainty surrounding the tax and the sharing of tax revenues, these amounts are included only as a note to the analysis. Assumptions for these revenue estimates will be made per those found in KPMG's previous revenue estimates. These expenditure cost estimates are also compared to those of communities with similar LEGOLAND developments in Winter Haven, Florida and Carlsbad, California.¹

Summary Finding: Undiscounted estimates suggest that expected revenues associated with the development of a LEGOLAND theme park in Goshen to the Town of Goshen government exceed expected expenditures by more than \$68.925 million over a 30 year period of park operations. From a fiscal perspective, this reflects a significant net benefit to the Town government.

¹This report relies on information provided by Town and comparison city officials, and on third party estimates and assumptions. EY has not independently verified the accuracy of this information, estimates or assumptions.

Comparison Communities

In addition to discussions with Goshen officials, EY interviewed selected representatives from two jurisdictions with existing LEGOLAND theme parks to understand the effects of those parks on expenditures. Revenues were not explicitly discussed as part of these interviews because the revenue structure in Goshen is significantly different than in the comparison communities.

- **Winter Haven, Florida:** LEGOLAND Florida opened doors for guests on the site of the previous Cyprus Gardens theme park in Polk County Florida on October 15, 2011. Seven months later, it opened an adjacent water park. LEGOLAND was annexed by Winter Haven, Florida (at LEGOLAND's request) March 14, 2016, at which time the City of Winter Haven began to take over responsibilities for providing services to the park (such as police services) from the County. LEGOLAND Florida includes a 150 room, 5-story hotel with a site foot print of 150.5 acres. Peak day attendances is 20,000 persons with 1,574 employees. Winter Haven has a population of 38,953.
- **Carlsbad, California:** LEGOLAND California opened March 20, 1999. It includes LEGOLAND, Sea Life Aquarium, a waterpark and a 250 room hotel, with a second 250 room hotel under development. Peak daily attendance is 21,510 guests with 2,263 employees. Carlsbad has a population of 113,952.

Anticipated Expenditures Effects

EY discussed LEGOLAND's potential Town of Goshen expenditure effects with Town Department Heads. It was felt that the most significant effects would relate to highways and storm drainage, police services and building inspections. Discussions were also conducted with officials from Winter Haven Florida and Carlsbad California to understand LEGOLAND's effect on their communities. Many of the potential effects on the Town of Goshen are mitigated by a division and assumption of responsibility that places service responsibilities on jurisdictions other than the Town.

The sections below discuss potential expenditures impacts for all three categories of town services.

Police service

Based on discussion with the Goshen Police Chief and Town Supervisor, it is anticipated that the estimated influx of 10,000 to 20,000 additional people each day would require an expansion of police service capacity.

Goshen's estimated population as of July 1, 2016 was 13,980. However, police service responsibilities are split between county, town and village. Village police are first responders in the incorporated territories of villages. The most populous village in the Town of Goshen is the Village of Goshen (pop. 5,386). Small portions of the territories of the villages of Florida (pop. 2,833) and Chester (pop. 3,969) are also located in the Town of Goshen. If we ignore the minor portions of Florida and Chester and if it is assumed that the Village of Goshen police are first responders and primary police service providers to the population and territory within the village jurisdiction and that the Town of Goshen is the first responder and primary police service provider

to areas unincorporated into villages within the Town's boundaries, then the primary service population for the Town of Goshen is at least 8,594 people (ignoring the daily outmigration of population for employment commuting).

Compared to the two other communities in the United States with LEGOLAND theme parks, the Town of Goshen's service population is quite small. Winter Haven and Carlsbad also see significant influxes of population on a daily basis for recreational, commercial, retail, and travel and lodging purposes unrelated to LEGOLAND. This means that the effective service population increases above the level of the resident population and more significantly above and beyond that of LEGOLAND patrons in these two cities. From a comparative perspective, this would increase the relative scale of the LEGOLAND service population in Goshen, compared to these two cities. The table below shows the effect of relative scale across LEGOLAND sites, it ignores, however, the added effect of an influx of population in Carlsbad and Winter Haven for activities unrelated to LEGOLAND.

Primary Police Resident Service Population

	Town of Goshen, NY	Winter Haven, FL	Carlsbad, CA
Town/city population	13,980	38,953	113,952
Less overlapping jurisdictions of first response	5,386	-	-
Total Resident Service Population	8,594	38,953	113,952
Peak Daily LEGOLAND Attendance	20,000 est.	20,000	21,510
LEGOLAND as a portion of Resident Service Population	2.33	0.51	.19
Police Services FTE (Goshen 6 FTE, 13 PT = 12.5 FTE)	12.5	111	168
Peak LEGOLAND Attendance Per Police FTE	1,600	180	128

Goshen's resident service population is 8,594. This is less than 1/4 of Winter Haven and less than 1/10th that of Carlsbad, while the expected peak daily LEGOLAND attendance is approximately equal. This suggests that the proportionate effect of a LEGOLAND population influx will be greater in Goshen than for these comparison cities. LEGOLAND's peak attendance is 133 percent greater than the Town's resident police service population. It is equal to one half of the resident police service population of Winter Haven and 1/5th of the population of Carlsbad. If this influx is compared to police department full-time equivalent employment, it results in a 1,600 person increase in population per police officer in Goshen, compared to a 180 person increase for Winter Haven and a 128 person increase for Carlsbad. This is a function of the greater existing police capacity in these two communities prior to the opening of LEGOLAND. Each of these communities has suggested that LEGOLAND's opening did not require the hiring of any additional law enforcement personnel. The existing capacity of these communities allowed the demands of the LEGOLAND theme park to be absorbed by making relatively minor adjustments in patrol zones and staff deployment.

The perspective of the police chiefs of both Winter Haven and Carlsbad was that the demographics of the population attracted by the LEGOLAND theme park (primarily families - or grandparents - with children between the ages of 2 and 12) did not place an excess demand on police services and that most issues could be handled by park security. Winter Haven, however, did indicate that the LEGOLAND population did create a possible concern for increased criminal activity outside the theme park (primarily car burglaries) as the LEGOLAND patrons lodging in

nearby hotels are easy targets and may attract opportunists. Still, both police chiefs were highly complementary of the cooperation received by LEGOLAND and expressed a willingness to discuss with the Town of Goshen Police Department ways that the LEGOLAND impact on police services can be minimized through cooperation with LEGOLAND security staff.²

However, scale in this sense may be important. The police department staff of Goshen is approximately 1/10th that of Winter Haven and 1/13th that of Carlsbad. It is unlikely that Goshen will be able to absorb the needs of the LEGOLAND population with no staff increase. This need is unlikely to be created due to a meaningful increase in criminal activity; it is likely to come from the need to respond to non-criminal requests for service and traffic/accident related incidents.

Town of Goshen, Winter Haven and Carlsbad Reported Crimes (Uniform Crime Reports), by year

Year	Index	Violent Crime					Property Crime			
		Violent Total	Murder	Rape	Robbery	Agg. Assault	Property Total	Burglary	Larceny	MV Theft
Goshen										
2012	115	4	0	0	0	4	111	19	89	3
2013	63	1	0	0	0	1	62	7	52	3
2014	59	1	0	0	0	1	58	13	43	2
2015	50	2	0	1	0	1	48	9	39	0
2016	73	4	0	1	0	3	69	8	55	6
Winter Haven Florida										
2009	2255	289	3	27	92	167	1966	475	1388	103
2010	2159	244	2	10	68	164	1915	368	1462	85
2011	2150	302	4	12	78	208	1857	458	1294	105
2012	2057	245	5	8	59	173	1812	489	1267	56
2013	1792	215	2	24	46	143	1577	353	1180	44
2014	1575	224	2	14	49	159	1351	284	1025	42
2015	1609	228	1	19	41	167	1381	273	1033	75
2016	1535	196	2	10	33	151	1339	238	1021	80
2017*	1458	236	4	14	42	176	1915	220	910	92
Carlsbad										
1997	2632	297	2	10	57	228	2335	469	1599	267
1998	2281	218	2	8	68	140	2063	449	1386	228
1999	2187	201	0	17	40	144	1986	434	1324	228
2000	2055	179	1	5	44	129	1876	401	1251	224
2001	2061	197	2	11	41	143	1864	413	1252	199
2002	2273	210	1	16	49	144	2063	426	1396	241

*Annualized from 6 mo. data.

The table above shows reported crimes in Goshen and in Winter Haven and Carlsbad, based on uniform crime reports. The yellow shaded rows in Winter Haven and Carlsbad depict the year in which the LEGOLAND patrons became a first responder responsibility of each city's police

² The Carlsbad police chief summarized his view of LEGOLAND as a good partner and stated "If you're going to have a theme park in your community, this is the one to have."

services.³ There is no discernable differences between the incidence of crime in Winter Haven or Carlsbad before and after the opening of LEGOLAND that can be attributed to the parks. What is again apparent is the differences in scale between Winter Haven and Carlsbad; crime indexes for Winter Haven and Carlsbad are 20 – 30 times that of Goshen.

A more direct estimate of the police services effect for Goshen can be made by considering the calls originating directly from the LEGOLAND parks in Winter Haven and Carlsbad. The tables below provides call volume figures supplied by the Winter Haven and Carlsbad police.

**Winter Haven LEGOLAND originated call for service
(March 15, 2016 – Aug. 15, 2017)**

Type of Call	17 mo.	Annualized	Per 6 mo.
Total calls received	791	558	279
- Inadvertent calls	398	281	140
Calls requiring response	393	277	139
Response calls per month	23	23	23
Total Theft	39	28	14
Total auto accident	24	17	8
Total alarms (auto alarms)	43	30	15
Auto Burglary	4	3	1.5
Criminal mischief	1	1	.5
Hit and run	1	1	.5
Family dispute	25	18	9
Perimeter check	16	11	6
Other	240	169	85

**Carlsbad LEGOLAND originated call for service
(2016 – Aug. 15, 2017)**

Type of Call	19.5 mo.	Annualized	Per 6 mo.
Calls requiring response	742	457	228
Response calls per month	38	23	23
Calls resulting in criminal report	68	42	21
Theft or lost property	35	21	11
Fraud, ID theft	3	2	1
Other (lost children, lockout of vehicle)	674	415	207

Both police chiefs report the same monthly volume of response calls for activity inside the LEGOLAND parks within their cities, 23 per month. The time periods of reporting varied between the two cities (as Winter Haven annexed its park 2.5 months into 2016). The second column annualizes the data from each city and the third column places it within the context of a 6 month period more applicable to what will be experienced in Goshen. Goshen can expect to respond to approximately 23 call for service per month within the park. The vast majority of these calls will be non-criminal. In Carlsbad, only 21 calls within a 6 month period are expected to result in a criminal report (approximately 3 per month) and one-half of these are for theft or lost property.

³ The row shaded in grey for Winter Haven indicates the year the park was opened. However, at that time, the park was not within the boundaries of Winter Haven and the responsibility for first response was seated with the Polk County Sheriff's Office.

Winter Haven reports an average of 14 responses for theft over a six month period (slightly more than 2 per month). Winter Haven also indicates that a significant component of their responses are auto related, either auto accidents or parking lot auto alarms, though more than once a month they also respond to family disputes. In both cities, the vast majority of responses are for other purposes, such as lost children or vehicle lockout. Both police chiefs have indicated that cooperative steps taken with LEGOLAND within their communities has minimized the need for local police response. The Chiefs indicate that LEGOLAND resolves the vast majority of disputes without the involvement of local police. They have well trained and competent internal security staff and incidents are frequently handled by park expulsion. Additionally, LEGOLAND staff are trained to handle minor parking lot mishaps, without the need for local police. Winter Haven indicates that the city has shared the State of Florida vehicle accident reporting forms with LEGOLAND and LEGOLAND assists motorists in filling out the form for submission to insurance and local police. Local police are only involved if the parties to an accident insist on law enforcement presence, and by the time of arrival, the LEGOLAND staff usually has the forms completed.

The reports for police services identified above do not include any incidents outside the park. They also do not include any need for police services for traffic control. Both Winter Haven and Carlsbad indicate that the park infrastructure and processes for park entrance and exit minimize the need for police traffic assistance. The approach roads to the park were built with sufficient lane capacity to accommodate traffic volume. Carlsbad indicated that it had at one time experienced a back-up problem on the main feeder road, however, LEGOLAND made internal improvements to entrance procedures and eliminated the issue. For Goshen, LEGOLAND plans to collect parking payment upon park exit (rather than entrance), further limiting the potential for entrance cueing. Finally, regarding traffic management, both police departments indicated that park operating hours aid in alleviating difficulties. Opening is after rush hour, when excess road capacity exists and departures are distributed across a longer period of time in the afternoon and evening, again minimizing the traffic effects.

Potential police capacity expansion costs

Town police services will need to absorb an estimated additional 23 responses for service per month within the park while the park is open (and far fewer during the periods of the year in which only the hotel is operating) and an additional unknown number due to park patrons outside the park. It is possible that this increased workload could be accommodated by existing resources and/or through cooperation between the Goshen Town Police and park security. The Town Police chief and Budget Officer have costed out a proposal for 2 additional part-time officers and one part-time sergeant, including overtime, vehicle, uniform, supplies and training. Total costs are as follows.

Estimated police department increment costs

Item	Year-1 Cost*	Average Annual Cost (30 yrs.)*	Inflation Adjusted Average Annual Cost (30 yrs.)**	Total (30 years)**
Sergeant	\$35,930	\$35,930	\$44,959	\$1,348,765
Part-time Officer – 1	\$32,075	\$32,075	\$40,135	\$1,204,053
Part-time Officer – 2	\$32,075	\$32,075	\$40,135	\$1,204,053
Over-time	\$20,000	\$20,000	\$25,026	\$750,774
Vehicle	\$35,223	\$7,045	\$8,554	\$256,630
Vehicle supplies, fuel & maintenance	\$7,300	\$7,300	\$9,134	\$274,032
Uniform, personal equipment, supplies	\$6,750	\$1,253	\$2,774	\$83,208
Training	\$10,967	\$2,638	\$3,113	\$93,404
Total	\$180,321	\$138,316	\$173,831	\$5,214,919

*EY estimates differ from budget office in three ways (i) no inflationary annual increase in wages or overtime were assumed (as inflation is unknown, affect the revenues as well as expenditures, and is not universally include in the estimate of other items), (ii) the estimated cost of the vehicle was based on the budget office estimated purchase price and apportion over its five year useful life, and (iii) a specific estimate was included for fuel and maintenance on the police vehicle (based on refueling every 3 days @ \$55.00, and \$600 per year maintenance).

**These estimates are adjusted of an annual cost escalation of 1.5 percent to match the 1.5 percent escalation in revenue estimates (and Host Community Benefit Agreement).

The year-one costs are higher than the annual costs due to non-annually recurring expenditures necessary to equip and train new officers. The annualized cost (over 30 years) is the more meaningful cost for comparison. The second column shows costs in current dollars (with no assumption regarding cost increases). The third column applies a cost inflation factor of 1.5 percent to make estimates comparable to out-year revenue estimates. The fourth column shows aggregate costs (w/ the 1.5 percent cost inflation factor).

The largest component of cost is compensation for the officers, driven by the number of part-time officers and sergeant. This also drives training and uniform and equipment costs. Based on discussions with Goshen, Winter Haven and Carlsbad Police Chiefs, this is perceived to reflect the highest cost scenario. The advice of the Carlsbad police chief was to phase-in costs by first hiring only one part-time officer (and related expenses). The Carlsbad police chief suggested that working with park security might allow a single officer to cover the increased work load.

Highways / storm drainage costs

A second potential impact for the Town is in the areas of vehicular traffic, the need for road expansion, associated signaling and storm drainage. As indicated in the discussion of police services, traffic control has not been an issue for the other two communities. Those communities either already had sufficient (non-peak) road capacity or appropriate capital investments were made to create the needed capacity.

While this could be a significant issue for the Town of Goshen, most of the potential costs are mitigated by the fact that the Town roads expected to be most impacted are either under the financial responsibility of the State, the State has agreed to take them over, and/or the State and LEGOLAND have agreed to finance the needed capital expansion. Signaling falls into the same category and storm water drainage along the major impacted roadways would also be assumed by the State. The park itself could tax other components of the storm drainage systems, however, Carlsbad's planning and development department indicates that storm drainage issues have been assumed by LEGOLAND through retention ponds as required by the State and overflow has been within the capacity of the existing system.

LEGOLAND NY will be bounded by highway 17/6, M17 and Harriman Drive to the North East, Reservoir Road and South Street to the North West, Arcadia Road to the South East, and Conklingtown Road to the South West. The park entrance will be located on a significantly upgraded Harriman Drive and a two lane 4,100' (approximately) stacking lane along with parking fee collection upon park exit should neutralize issues of traffic back-up. The current exit on and off 17/6 will be moved to the South East toward the LEGOLAND site and improved, with a flyover bridge connecting Harriman Drive to M17. These project's costs are to be borne by the State with a possible \$20 million contribution from LEGOLAND. The multi lane, intersection and signaling upgrades to Harriman Drive will also be borne and maintained by the State, avoiding costs to the Town.

Additional traffic will also likely be seen on Reservoir, South, Arcadia and Conklingtown roads. The implications of this traffic and the presence of the park for road and storm water drainage improvements is uncertain. However, it is expected by Town officials that any additional costs would be less than the savings associated with State assumption of Harriman Drive maintenance and snow removal, resulting in a potential net benefit to the Town.

The parks generate additional demands for lodging off site. It is not clear where this lodging will occur, however, currently there are applications pending for 2 new hotels and restaurants off of 17 exit 122. These accommodations will generate increased traffic locally. However the effect is unlikely to spillover significantly beyond the immediate area of the exits.

At present, there is no convincing evidence of the need for additional Town spending on highway operations and improvements and storm drainage because, while improvements may be required, these costs are not expected to be borne by the Town.

Building inspection costs

The construction and operation of LEGOLAND will increase the workload for the Town Building Safety Inspector during both the anticipated two-year construction period and for continuing operations. Required inspections will include, building/construction, safety, food service, fire, grading, storm water drainage and amusement rides. The Town Safety Inspector indicates that the Town will have responsibility for building/construction, storm water drainage, and amusements

during construction, reconstruction and operations. Food and fire safety are not Town inspection functions.⁴

The planning department in Carlsbad California confirms that continuing improvements occur in the California Park which require inspection. Carlsbad also suggests that the timing of the need of these services is also quite compressed and that the City is accommodating and responsive. The scope of inspection services is also expanded to inspection of rides. Goshen Town staff expressed some concern for the need to identify inspection parameters and a new fees schedule for inspecting rides. In 44 of the 50 states (including New York, California and Florida), amusement parks are regulated by the state and elements of inspection are carried out jointly by state and local officials.

The fee structure for building inspection services are intended to cover costs. So, implicitly, the increased inspection requirement will be offset by increased fee collections. Establishment of new fee structures will be needed for park attractions and it is likely that existing building and safety inspection fee structures will need to be tested against costs for the LEGOLAND park facilities. The City of Carlsbad Building and Planning departments have indicated a willingness to share their fee structure to assist Goshen.

Presently, building and safety inspection services employ 1 fulltime inspector, 1 fulltime clerk and 1.5 FTE of part-time inspectors (a total of 2.5 FTE of inspectors). Currently, 100 percent of inspections are performed by staff (with the exception of reinforced concrete and steel girder construction inspections). There is expected to be an increase in the demand for inspections services due to the construction and opening of LEGOLAND, development of planned new hotels and restaurants, and the Amy's Kitchen facility. The increased demand for safety inspector services is, according to the Goshen Town Building Inspector, expected to require an additional FTE of inspectors, up to 3.5 FTE by January 2018 and to 4.5 FTE by January 2019.

The new inspection demand attributable to LEGOLAND is 1 new full-time inspector on site for the period of park construction and an additional 10% of one inspector (based on the expectation of a need for 20 days per year devoted to LEGOLAND) during park operation. At this date, we have not received a budget estimate for costing this expansion and we understand that all costs are expected to be offset by revenue placed in escrow for fire inspections. The table below estimates the effects of an expansion in the scale of inspection services based on the expected increase in FTE inspectors. These estimates error on the high side as they assume that total budget costs for inspections vary directly with the number of FTE inspectors required and do not allow for scale economies by spreading fixed costs. These estimates also do not include any increase in office space required due to one additional FTE inspector on site at LEGOLAND.

⁴ It is our understanding that fire inspections are performed by fire department staff for an hourly fee and are thus cost recovering. We also understand, based on discussions with Town officials, that an inspection escrow account will be established and used to fund inspections at LEGOLAND's expense. This is expected to provide coverage for a large portion of any additional expenses incurred by the Town.

Building Department Effects of LEGOLAND

	Current Year 2017	Construction Year 1	Construction Year 2*	Operating Years*	Total (30 years)**
Department Budget	\$250,220	\$350,308	\$350,308	\$260,229	\$9,673,697
Inspector FTE	2.5	3.5	3.5	2.6	
Per 2.5 Inspector	\$100,088				
LEGOLAND FTE	\$0	\$100,088	\$100,088		\$200,176
LEGOLAND 10%				\$10,009	\$345,125
LEGOLAND effect	\$0	\$100,088	\$100,088	\$10,009	\$545,301

*These estimates are based on current spending (in current prices), no adjustment is made for inflationary or real price increases.

**The 30 year total incorporates annual inflationary price increases of 1.5 percent to match the increases built into revenue estimates.

In 2017, the Safety Inspection budget is \$250,220 and the department includes 2.5 FTE inspectors. The cost breakdown is \$100,088 per inspector. If we use this figure and assume inputs vary directly with the FTE number of inspectors and that the cost of these inputs are constant across years, the effect of LEGOLAND can be simply estimated by applying the average operating cost per inspection FTE to the number of new FTE required by LEGOLAND. The result suggest that LEGOLAND will require a \$100,088 increase in departmental expenditures during the two years the park is under construction and one tenth of that during annual operations.

Revenues

EY estimated three streams of revenue that would accrue to the Town of Goshen: 1) payments made under the host community benefit agreement, 2) property tax and PILOT payments, and 3) sales tax distributions from the County to the Town. These estimates are based on parameters specified in the various agreements, prior analyses conducted for Orange County, and assumptions as noted. Based on projected annual visitation, EY used two scenarios to project annual revenue: high-estimate assuming 2 million visitors per year and low-estimate assuming 800,000 visitors per year.

Total revenue (30 years)	Total revenue (30 years)	
	High estimate	Low estimate
Total visitors	74,007,500	24,000,000
Host agreement	\$52,565,462	\$19,520,114
Sales tax (ticket/food/merchandise)	\$3,086,272	\$983,105
Pilot	\$9,050,549	\$9,050,549
Property tax	\$9,983,429	\$9,983,429
Total tax revenue	\$74,685,712	\$39,537,197

Host Community Benefit Agreement (HCBA)

The Host Community Benefit Agreement specifies the payments to be made by LEGOLAND to the Town of Goshen based on annual attendance. The specified rate is \$0.65 per visitor for the first 2 million annual visitors, then \$0.20 per visitor for visitors in excess of 2 million per year. In the event annual visitors are less than 800,000, LEGOLAND will pay a set amount equal to the HCBA payment for 800,000 visitors. This structure allows LEGOLAND to capture the upside benefits of higher-than-expected annual attendance while protecting the Town from significantly lower-than-expected annual visitors.

Based on the parameters described above, given LEGOLAND's projected annual visitation, EY projects annual HCBA payments of \$1.310 million in the first year growing to \$2.323 million by year 30, assuming a 1.5% annual escalation in the HBCA per-visitor rate.

As an alternate scenario, if LEGOLAND's annual attendance is lower than 800,000, the Town will receive \$520,000 in the first year growing to \$800,790 by year 30.

Property tax and PILOT

The property tax assessment and PILOT amounts were determined by the Orange County Assessor's office. EY has relied on those estimates in this analysis. The PILOT amount has been determined to be \$5,000,000, a portion of which is payable to the Town at a variable percentage each year. Our calculations show that PILOT revenues will increase from \$35,600 in the first year to \$944,789 by year 20 of operations. After the 20-year PILOT has expired, LEGOLAND is projected to pay at the normal Town tax rate on full assessed value. In year 21, the Town's tax revenue would be \$954,237 growing to \$1.044 million by year 30.

Sales tax

LEGOLAND visitors are estimated to spend \$100 per day on food, beverage, and other items subject to sales tax.⁵ In addition, the projected ticket price is \$40 per person, of which 25% is expected to be subject to sales tax.⁶ Therefore, the total taxable sale per visitor is assumed to be \$110. Given Orange County's 3.75% sales tax rate, the total County sales tax is expected to be approximately \$4.13 per visitor.

Sales tax revenue will accrue to the Town through a distribution of the County's 3.75% sales tax. Of the total County sales tax collected on the purchases of LEGOLAND visitors, 26.384% goes to Orange County cities and towns. Of this, 67.475% is then distributed to specified towns and villages (including Goshen) based on population share. EY estimates that Goshen accounts for 4.458% of the population of the group of towns and villages in the distribution pool. Based on the distribution formula, the Town of Goshen would receive 0.794% of the County sales tax revenue (26.384% x 67.475% x 4.458%).

⁵ See KMPG report for Orange County ID (pg. 6)

⁶ See New York Tax Bulletin ST-30

Given the projected attendance each year, the Town sales tax distribution will increase from \$67,110 in year 1 to \$153,383 by year 30. In a low-attendance scenario in which the park only attracts 800,000 visitors each year, the revenues would increase from \$26,189 in year 1 to \$40,331 in year 30.

Hotel tax

At some point in the future, a 2.5% hotel tax may be imposed on accommodations charges. At this time, it is not certain whether such a tax will be levied or what share of the tax proceeds would accrue to the Town. As such, these revenues are not included in our projections but have the potential to be significant depending on the sharing arrangement.

Overall conclusions

Expected revenues associated with the development of a LEGOLAND theme park in Goshen to the Town of Goshen government exceed expected expenditures by \$68.925 million over a 30 year period of park operations. In a low-attendance scenario in which the park only attracts 800,000 visitors each year, expected revenues exceed expenses by approximately \$33.777 million. During the construction period (2 years), costs to the Town is expected to be approximately \$242,304 which would be more than fully covered within the first year of post-construction operations through park-generated revenue,⁷⁷ once the park is fully functional (not considering additional revenues from construction activity). From a fiscal perspective, the siting of LEGOLAND within the Town of Goshen appears to generate a significant net benefit to the Town government.

Comparing revenues and expenses

	Total (30 years)
Building department effects of LEGOLAND	\$545,301
Potential police capacity expansion costs	\$5,214,919
Total costs	\$5,760,220
Host agreement	\$52,565,462
Sales tax (ticket/food/merchandise)	\$3,086,272
Pilot	\$9,050,549
Property tax	\$9,983,429
Total Revenue	\$74,685,712
Difference	\$68,925,492

⁷⁷ First year revenue: \$766,570 (low-estimate) to \$1.597 million (high-estimate)