
**Economic and Community Impact Analysis,
Rivers Casino and Resort at Mohawk Harbor:
Schenectady, New York**

Prepared for:
Rush Street Gaming, LLC

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Impact Analysis: Schenectady, New York

Note: this document addresses the following exhibits in response to the Request for Applications (RFA) to Develop and Operate a Gaming Facility in New York State issued by the New York State Gaming Facility Location Board on March 31, 2014.

- VIII.B.3.a
- VIII.B.3.b
- VIII.B.4
- IX.A.2.a
- IX.A.4
- IX.A.5

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SECTION ONE: EXECUTIVE SUMMARY

The Innovation Group was retained by Rush Street Gaming, LLC to complete an Economic and Community Impact Analysis of the proposed Rivers Casino at Mohawk Harbor. Specifically, this report will provide an analysis of the impact the development will have on communities in Schenectady County, the Capital Region, and the State of New York.

This document addresses the following exhibits in response to the Request for Applications (RFA) to Develop and Operate a Gaming Facility in New York State issued March 31, 2014 by the New York State Gaming Facility Location Board:

- VIII.B.3.a
- VIII.B.3.b
- VIII.B.4
- IX.A.2.a
- IX.A.4
- IX.A.5

It is our understanding that Rivers Casino will be part of the proposed Mohawk Harbor situated along the Mohawk River in the City of Schenectady, New York. Aside from a casino, the development is also anticipated to include a football-shaped harbor, upscale apartments, restaurants, retail stores, condos, a casino hotel with 150 rooms, a non-casino hotel with 124 rooms, and commercial space.

The casino is scheduled to house 1,150 slot machines, 54 house-banked table games, and 12 poker tables. A 150-room casino hotel is also planned. Hard construction costs for the casino and parking garage are estimated by Rush Street Gaming to total approximately \$103 million. The casino (including food and beverage operations) is projected to employ 1,070 people with a payroll of approximately \$40 million. Casino payroll does not include an estimated \$10 million in tips which would provide additional economic impact. Rush Street Gaming has successfully developed two waterfront casinos in Pennsylvania and operates a third casino in the Chicago area.

The hotel is to be operated by BBL on behalf of the Galesi Group. Hard construction cost for the hotel is estimated to total \$20 million. Employment and payroll are estimated at 89 jobs and \$1.9 million, respectively.

Like many cities in the northeastern United States, Schenectady saw its thriving industrial economy decline beginning in the 1970s. And like many such cities, it is now seeking to revitalize a former industrial waterfront site into a mixed-use residential, commercial, and entertainment district.

Schenectady has been successful in recent economic development efforts yet it remains a city of extensive unused capacity. Land use, housing development and economic activity

are all well below potential. From the 1920s into the 1950s, Schenectady was home to 90,000 residents, and it still housed 78,000 people in 1970. In the 1990s, the population of the city declined by 5.7% and median income dropped by 10.5%, while most surrounding towns posted gains. Population loss and disinvestment have created a vicious cycle of declining tax base and property blight.

In sum, Schenectady is a well-qualified candidate for fulfilling the goal of the Gaming Act “to enhance the financial condition of localities in the State that have suffered from economic hardships.” The Schenectady community would benefit greatly from the tax revenues and economic development quantified in this report.

Direct Gaming, Sales and Hotel Taxes

Gaming tax is estimated to total \$81.5 million, of which 10% would go to the host community to be split 50%-50% between Schenectady County and City. The effective tax rate for the host community is calculated to be 3.7% given the slot/table revenue split estimated in Exhibit VIII.A.3. Surrounding counties in Region 2 would also split 10% of gaming taxes or 3.7% of gaming revenue. Funding to the State and surrounding counties is to be targeted to school funding and/or property tax relief.

The Rivers Casino at Mohawk Harbor, Gaming Tax Breakdown (MMs)

	Total Gaming Tax	To State	To Host County/City	To Surrounding Counties
Base	\$81.5	\$65.2	\$8.1	\$8.1
High	\$89.7	\$71.7	\$9.0	\$9.0
Low	\$73.2	\$58.6	\$7.3	\$7.3

The sales tax in Schenectady County is 8.0%, a rate that would be imposed on food and beverage and hotel revenues at the resort. This is split 50%-50% between the State and the County. Hotels in Schenectady County also pay a 4% bed tax on top of the 8% sales tax; this 4% goes to the County. Based on estimated food and beverage and hotel sales, the sales/bed tax would total more than \$2.4 million with the County receiving nearly \$1.4 million.

Property taxes for the casino and hotel have yet to be determined but for the purposes of this analysis are estimated to total \$4 million at full value assessment, with more than half going to the City’s School District, based on property tax rates for 2014 as shown in the following table.

Rivers Casino & Hotel Property Tax Estimate

	2014 Millage*	% of Total	Rivers Casino and Hotel Estimate
City	\$13.75	32.0%	\$1,279,070
County	\$7.15	16.6%	\$665,116
Schenectady City School District	\$22.10	51.4%	\$2,055,814
Total	\$43.00	100.0%	\$4,000,000

*Source: City of Schenectady Tax Department, per \$1,000 of assessed value.

In total, revenue from gaming, sales/bed and property taxes is estimated at \$13.5 million, with \$5.35 million going to the City. The City School District would receive approximately \$2 million.

Direct Gaming, Sales/Bed and Property Tax Payments MMs (Base Case)

	Gaming Tax	Sales & Bed Tax	Property Tax	Total
County of Schenectady	\$4.07	\$1.36	\$0.67	\$6.10
City of Schenectady	\$4.07		\$1.28	\$5.35
Schenectady City School District			\$2.06	\$2.06
Total Countywide Impact	\$8.15	\$1.36	\$4.00	\$13.50
<i>Surrounding Counties in Capital Region</i>	<i>\$8.15</i>			<i>\$8.15</i>
<i>State</i>	<i>\$65.16</i>	<i>\$1.06</i>		<i>\$66.22</i>

Total Economic Effects

The direct impacts shown above do not include the spin-off benefits from construction and operation of the casino and hotel, as assessed through a multi-regional analysis utilizing IMPLAN software. The multi-regional analysis results in impacts for the host county (Schenectady) and the rest of the state of New York (termed “Balance of State” in the table headings in this report). The following tables show the results of the IMPLAN multiplier analysis in the Base Case.

In addition to the 1,159 direct jobs in Schenectady County, the operation of the casino and hotel will generate 194 indirect jobs and 193 induced jobs for a total of 1,546 in the county. Total labor income is estimated to exceed \$74 million annually and total spending in Schenectady County is estimated to exceed \$229 million.

Operating Impacts—Schenectady County (\$MMs)

	Employment	Labor Income	Value Added	Output
Direct Effect	1,159	\$51.47	\$83.87	\$167.53
Indirect Effect	194	\$13.45	\$21.72	\$34.53
Induced Effect	193	\$9.29	\$18.06	\$27.77
Total	1,546	\$74.20	\$123.65	\$229.83

IMPLAN Group, LLC, IMPLAN System (data and software); The Innovation Group

The spending from ongoing operations will have an indirect and induced impact on other communities within the state of New York, supporting an additional 355 jobs and over \$29 million in labor income throughout the state.

Operating Impacts—Balance of State (\$MMs)

	Employment	Labor Income	Value Added	Output
Direct Effect	0	\$0.00	\$0.00	\$0.00
Indirect Effect	156	\$16.04	\$25.29	\$38.70
Induced Effect	199	\$13.73	\$23.57	\$35.07
Total	355	\$29.77	\$48.86	\$73.78

IMPLAN Group, LLC, IMPLAN System (data and software); The Innovation Group

Total output for New York (including Schenectady County) is approximately \$304 million. Casino and hotel operations are estimated to support 1,900 jobs generating \$104 million in labor income associated with direct, indirect and induced employment.

Operating Impacts—Total New York State (\$MMs)

	Employment	Labor Income	Value Added	Output
Direct Effect	1,159	\$51.47	\$83.87	\$167.53
Indirect Effect	350	\$29.49	\$47.00	\$73.23
Induced Effect	391	\$23.01	\$41.64	\$62.85
Total	1,900	\$103.97	\$172.51	\$303.61

IMPLAN Group, LLC, IMPLAN System (data and software); The Innovation Group

In addition to the tax impact from consumer F&B and hotel sales as outlined previously, IMPLAN calculates the taxes that go into “production” (i.e., construction and operations) such as business taxes (including sales taxes from the property’s purchase of goods and services), payroll taxes, and state income tax from employee wages. IMPLAN combines local and state taxes; therefore, the column labeled “Schenectady County” shows the combined local and state taxes generated by the economic activity that occurs within the

county. Likewise, the columns labeled “Balance of State” and “Total NY” show the combined local and state taxes.

Fiscal Impacts from Operations (\$MMs)

	Schenectady County	Balance of State	Total NY
Direct Effect	\$14.06	\$0.00	\$14.06
Indirect Effect	\$2.06	\$2.63	\$4.69
Induced Effect	\$2.35	\$2.82	\$5.17
Total	\$18.47	\$5.45	\$23.92

IMPLAN Group, LLC, IMPLAN System (data and software); The Innovation Group
 Note: Combined Local and State taxes for each column

Construction of the facility is estimated to directly support 739 workers in Schenectady County, with construction labor income equaling \$48.3 million. Indirect and induced effects are estimated to support an additional 650 jobs across the entire state (including Schenectady County). In total, the New York economy is estimated to gain \$92.7 million in labor income, and \$234.8 million in output or total spending.

Construction Impacts—Total New York State (\$MMs)

	Employment	Labor Income	Value Added	Output
Direct Effect	739	\$48.28	\$54.45	\$122.92
Indirect Effect	278	\$24.52	\$35.01	\$57.78
Induced Effect	372	\$19.90	\$36.15	\$54.09
Total	1,389	\$92.71	\$125.60	\$234.79

IMPLAN Group, LLC, IMPLAN System (data and software); The Innovation Group

SECTION TWO: BACKGROUND

Rivers Casino at Mohawk Harbor

Rivers Casino at Mohawk Harbor is to be part of a long-planned mixed-use re-development of largely abandoned industrial land that formerly housed the American Locomotive Company (ALCO). The casino is to be developed and operated by Rush Street Gaming, which has developed casinos in similar waterfront locations as Mohawk Harbor, including the SugarHouse Casino near downtown Philadelphia and Rivers Casino in Pittsburgh.

SugarHouse casino in Philadelphia is also on re-developed former industrial and blighted land on the Delaware River. The casino has been highly successful even in a challenging neighborhood of neglected warehouses. The success of the casino is spawning commercial redevelopment of surrounding properties, testifying to the spin-off effect of the casino and its role in revitalizing Philadelphia's Fishtown neighborhood.

SugarHouse opened in September 2010 and currently has approximately 1,600 slot machines and 60 tables. In a recent assessment of the economic and community impact of SugarHouse, Econsult Solutions detailed the casino's community impacts, including support for local community organizations working to improve the Delaware River Waterfront and gaming tax and property tax benefits to the City and School District. SugarHouse has been approved for a \$155 million expansion which will increase the impact on the local community.

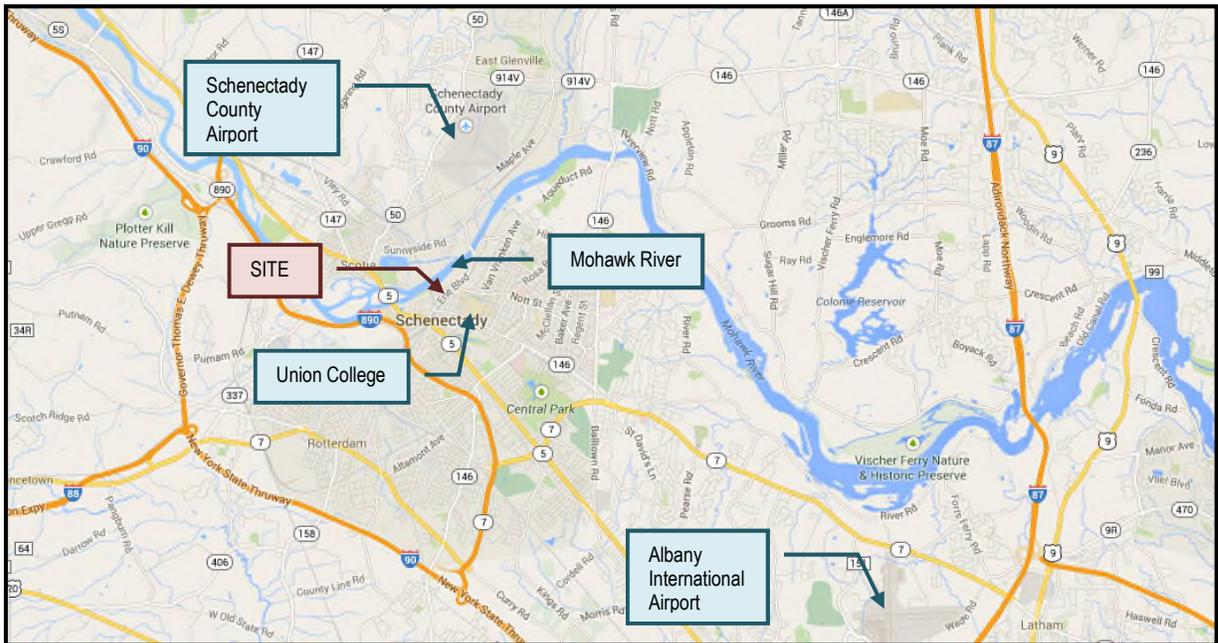
The Rivers Casino in Pittsburgh opened in August 2009 and currently has approximately 3,000 slot machines and 110 tables. In a recent assessment of the economic and community impact of the Rivers Pittsburgh, Econsult Solutions detailed the casino's community impacts, including gaming tax and property tax benefits that have funded pensions, capital projects including a new sports arena, retiree health care and life insurance, debt reduction, libraries, brownfield development, commercial and residential development, open space preservation, tourism promotion, and programs for the arts.

Site Analysis

The proposed Mohawk Harbor site is located in the City of Schenectady which accounts for 43% of the population of Schenectady County. Schenectady is part of the Albany-Schenectady-Troy, NY Metropolitan Statistical Area which has a population of approximately 870,000.

The development is situated at the corner of Nott Street and Erie Blvd, along the Mohawk River. It is near Interstate 890 which is a 10-mile highway that runs northwest to southeast through the City of Schenectady. This highway connects to Interstate 90 which is a major thoroughfare that runs east-west through the entire State. The site is four miles

from the Schenectady County airport and 10 miles west of the Albany International Airport.



Program and Direct Economic Inputs

The casino is scheduled to house 1,150 slot machines, 54 house-banked table games, and 12 poker tables. A 150-room casino hotel is also planned. Hard construction costs for the casino and parking garage are estimated by Rush Street Gaming to total approximately \$103 million. The casino (including food and beverage operations) is projected to employ 1,070 people (full and part-time) with a payroll of approximately \$40 million. This does not include an estimated approximately \$10 million in tips which would provide additional economic impact. Gaming activities are projected to generate \$222.5 million in gross gaming revenue (base case) in 2019 with an additional \$19 million in food and beverage revenues.

The hotel is to be operated by BBL on behalf of the Galesi Group. Hard construction cost for the hotel is estimated to total \$20 million. Employment and payroll are estimated by BBL at 89 jobs and \$1.9 million, respectively. The hotel is projected to earn \$7.5 million in revenue during 2019 (base case), according to the hotel consulting firm REVPAR.

As discussed in the Gaming Market Assessment (Exhibit VIII.A.3.), gaming visitation at the Rivers Casino is estimated to range from 2.5 million (Low Case) to 3.0 million (High Case) in stabilized operations.

The construction of the Rivers Casino and casino hotel within the proposed Mohawk Harbor development will have a significant positive impact on the local economy. Current plans for the casino and hotel have a development budget of approximately \$320 million dollars. Of the total project budget, approximately \$123 million dollars will be defined as construction hard costs for the purpose of the IMPLAN analysis. In addition to the hard costs, FF&E for the casino and hotel, as well as local architectural and construction management fees were also included in the analysis. There is one exception to this; gaming equipment was excluded from the FF&E budget as it will likely be purchased outside of the state. The eligible inputs are outlined in the table below.

Casino, Hotel and Parking Garage Construction Inputs	Budget (\$MMs)
Casino & Hotel Construction Hard Costs	\$97.62
Parking Garage	\$17.28
<i>Building and Garage Subtotal</i>	<i>\$114.90</i>
Site work + On-site Utilities	\$7.27
Landscaping	\$0.75
Casino Professional Fees and Project Management	\$1.21
Hotel Professional Fees and Project Management	\$0.50
Casino FF&E	\$7.50
Hotel FF&E	\$2.25
Total Inputs	\$134.39

Local Conditions

Background

Like many cities in the northeastern United States, Schenectady saw its thriving industrial economy decline beginning in the 1970s. And like many such cities, it is now seeking to revitalize a former industrial waterfront site into a mixed-use residential, commercial, and entertainment district. As discussed above, Rush Street Gaming has successfully developed two waterfront casinos in Pennsylvania.

From the 1920s into the 1950s, Schenectady was home to 90,000 residents, and it still housed 78,000 people in 1970. In the 1990s, the population of the city declined by 5.7% and median income dropped by 10.5%, while most surrounding towns posted gains. The population of the city increased during the 2000s, largely through an influx of immigrants from downstate New York (especially Queens, Brooklyn and the Bronx); local estimates place the number as high as 6,000.

Population loss and disinvestment have created a vicious cycle of declining tax base and property blight that Schenectady has worked hard, with some recent success, to break. An expanded Proctors Theatre downtown now hosts large-scale Broadway shows. Other new development includes a new hotel, cinema, restaurants, high technology companies, a YMCA, cafes and downtown loft housing. GE has added over 1,000 jobs and major technology companies such as Transfinder and Quirky have expanded in Schenectady.

However, it remains a city of extensive unused capacity. Land use, housing development and economic activity are all well below potential.

The City of Schenectady Department of Development completed an analysis of the Mohawk Harbor development site to assess the impact of a declining manufacturing industry on the area's tax base. The analysis concluded that the site is currently assessed at less than 1/7 of the value of adjacent properties. The redevelopment of this property with the casino and hotel will convert vacant land into a productive enterprise that will contribute to the local property tax rolls.

The income provided by casino jobs for current residents and potential new residents are expected to assist the City's goal of increased home ownership¹ as well as create opportunity for revitalizing blighted properties. Currently, according to the Department of Development, 56% of housing units in Schenectady are rental properties, many of them owned by absentee landowners, and much of the housing stock is poorly maintained. A 44% homeownership rate is extremely low. The national average is 65% and the Northeast average is 62.5%.²

¹ HOMES (Home Ownership Made Easy in Schenectady)

² <http://www.census.gov/housing/hvs/files/qtr114/hown114.png>

In a 2013 report on fair housing, the Department of Development noted how the declining tax base has led both to cuts in spending on schools as well as increased property tax rates, which further discourages investment. According to the school superintendent, “Schenectady has made significant cuts, to the bone, over the last couple of years. Dramatic changes in operations, closing a school and other cuts were needed to close a \$9 million and subsequent \$7.5 million budget gap over the last two years. Schenectady taxpayers have made up the difference through property taxes.”³ The report goes on to explain:

The Schenectady City School District is one of the poorest school districts in New York State and has the 13th highest concentration of childhood poverty in the nation. ... Studies have shown that “residential segregation and the related lack of housing affordability in ‘high-opportunity’ places continue to impact the quality of a child’s education and increase educational disparities by socio-economic status in multiple ways” including access to fair housing. ...

Currently, the school district’s budget has a \$9.5 million dollar gap (“Schenectady: School budget focuses on cuts,” *The Daily Gazette*, March 14, 2013). The gap presents a significant need for cuts, while residents already support an inordinately high tax rate. The City of Schenectady has the highest [property] tax rate in the Capital Region, including one of the highest school tax rates (<http://alloveralbany.com/archive/2012/05/10/capital-region-property-tax-rates>). Continued school budget cuts coupled with Schenectady’s suffocating high tax rate is an impediment to families looking to purchase homes and results in a limited availability of affordable quality rental properties.

As shown in the following table, these education cuts have occurred at a time when school enrollment in the City has been increasing, largely as a result of the influx of immigrants from New York, even as the enrollment elsewhere in the county has been declining. There are five other school districts in the county besides the City district.

³ City of Schenectady, *Analysis of Impediments to Fair Housing*, 2013, page 14.

Schenectady County School Enrollment

	2000-01	2005-06	2012-13
Schenectady City	8,482	9,248	9,612
Other districts in the county:			
Duanesburg Central	927	958	806
Scotia-Glenville Central	3,060	2,917	2,599
Niskayuna Central	4,150	4,300	4,126
Schalmon Central	2,228	2,107	1,892
Rotterdam-Mohonasen	3,373	3,396	2,924
Subtotal other	13,738	13,678	12,347
Total Schenectady County	22,220	22,926	21,959
Schenectady City as % of total	38.2%	40.3%	43.8%

Source: <http://www.p12.nysed.gov/irs/statistics/enroll-n-staff/home.html>

In sum, Schenectady is a well-qualified candidate for fulfilling the goal of the Gaming Act “to enhance the financial condition of localities in the State that have suffered from economic hardships.”

Population

Total Population

For the purpose of the impact analysis, the population within the City and County of Schenectady as well as New York State and the United States was assessed. The total City population remained virtually the same from 2010 and 2014 with approximately 66,000 people. The growth rate also remained relatively stagnant on the country level (0.1%) which is home to 155,000 residents. Growth was only slightly higher for the State overall which is estimated to have had an annual average growth rate (A.A.G) of 0.4% between 2010 and 2014 to reach 19.6 million. The highest increase in population came on a national level at 0.7%. These trends are anticipated to continue through to 2019 will all markets experiencing sluggish growth rates not to exceed 0.5%. The following table illustrates population trends per market segment:

Total Population					
Ring	2010	2014	2019	A.A.G. 2010-2014	A.A.G. 2014-2019
City - Schenectady	66,135	66,257	66,737	0.0%	0.1%
County - Schenectady	154,727	155,366	156,828	0.1%	0.2%
State - New York	19,378,102	19,674,630	20,050,570	0.4%	0.2%
National –U.S.	308,745,538	317,199,353	328,309,464	0.7%	0.4%

Source: IXPRESS/Nielsen Claritas, The Innovation Group

2014 Population by Race and Ethnicity

The racial composition of the population in the City of Schenectady is fairly distinct from that of the national population with 57.9% of the population identifying as White Alone as compared to a national average of 71.5%. The Black or African American population accounts for nearly 22% of the city’s population, nearly double the national rate. Conversely, those who identified as Asians, American Indian and Alaska Natives, and Hispanic or Latino in the City all ranked lower than that of the national average. County racial classifications show less diversity than the City or the Nation with nearly 78% of the total population identifying as White Alone. State statistics reflect a more blended racial-ethnicity mix with 64.5% of New York residents identifying as White, 16% as Black and 19% classifying themselves as Hispanic or Latino.

2014 Single Population by Single Race Classification or Ethnicity

Ring	Total Pop	White Alone	Black or African American Alone	American Indian and Alaska Native Alone	Asian Alone	Native Hawaiian & Other Pacific Islander Alone	Some Other Race Alone	Two or More Races	Hispanic or Latino
City - Schenectady	66,257	57.9%	21.7%	0.8%	4.4%	0.2%	7.8%	7.2%	12.4%
County - Schenectady	155,366	77.8%	10.2%	0.4%	3.8%	0.1%	3.8%	4.0%	6.7%
State - New York	19,674,630	64.5%	15.9%	0.6%	7.8%	0.1%	7.9%	3.3%	18.8%
National – U.S.	317,199,353	71.3%	12.7%	1.0%	5.0%	0.2%	6.6%	3.2%	17.6%

Source: IXPRESS/Nielsen Claritas, The Innovation Group

Income

The Average Annual Household Income (“AAHI”) for the City of Schenectady was an estimated \$49,685 in 2014. This income level was 27.4% below the County average of \$68,478, 39.4% below the New York State Average of \$81,923 and 30.3% below that of the U.S. at \$71,320. Average Annual Household Income in the market area, however, is expected to grow at a slightly higher rate to that of New York and the U.S. during the next five years. The AAHI within the City is expected to grow at 2.1% per year to reach \$55,000 by 2019 and the County is projected to grow at 2.2% to reach \$76,000. The AAHI in the United States as a whole is expected to reach \$76,000 while the average household in New York is anticipated to earn nearly \$90,000 annually in 2019. These figures are illustrated in the following table:

Annual Average Household Income (AAHI)

Ring	2000	2014	2019	A.A.G. 2000-2014	A.A.G. 2014-2019
City - Schenectady	\$38,270	\$49,685	\$55,002	1.9%	2.1%
County - Schenectady	\$52,899	\$68,478	\$76,504	1.9%	2.2%
State - New York	\$61,489	\$81,923	\$89,959	2.1%	1.9%
National – U.S.	\$56,644	\$71,320	\$75,940	1.7%	1.3%

Source: IXPRESS/Nielsen Claritas, The Innovation Group

Unemployment

Unemployment in Schenectady County currently stands at over 4,800 workers. Recent trends have shown declining unemployment; therefore for the future baseline condition we have used the 2006-2013 average, or approximately 4,500.

Schenectady County Employment Statistics

Year	Civilian labor force	Employment	Unemployment	Unemployment rate (%)
2006	75,970	72,802	3,058	4.2
2007	75,615	72,422	3,042	4.2
2008	76,726	72,820	3,714	5.1
2009	76,559	70,922	5,248	7.4
2010	75,639	69,722	5,438	7.8
2011	74,577	68,924	5,238	7.6
2012	75,137	69,260	5,402	7.8
2013	75,069	69,892	4,823	6.9
Average	75,662	70,846	4,495	5.9%

Source: Bureau of Labor Statistics, Non-seasonally adjusted; The Innovation Group

SECTION THREE: ECONOMIC IMPACT ANALYSIS (EXHIBIT VIII.B.3.A)

Methodology

This economic impact assessment will evaluate the benefits that could be expected during the construction phase as well as the ongoing operational stage of the proposed development. The construction phase of the project will be considered a one-time benefit to the area. This refers to the fact that these dollars will be introduced into the economy only during the construction phase of the project, and cannot be expected to continue to provide permanent jobs or revenues beyond the project's completion. This differs from the economic benefits that accrue from the annual operations of the casino. These are termed ongoing benefits, as they are revenues, jobs, earnings, and tax dollars that can be expected to accrue annually as a result of gaming operations and the attraction of gaming patrons.

Direct, indirect, and induced impacts are assessed for both the construction of the facility and ongoing operations.

Direct impacts result from the economic activity that occurs on the property itself. In the case of ongoing operations, these expenditures ultimately derive from patron spending. The direct impact effectively represents the expenditures made by the facility in the form of employee compensation, purchases of goods and services, and patron spending on the food, beverage, hospitality, and retail sectors of the complex. Patron spending on the casino floor has been discounted to exclude gaming taxes, since these represent direct transfers to government coffers and are accounted for in the fiscal impact analysis.

Indirect impacts reflect the economic spin-off that is made possible by the direct purchases of the facility. Local firms providing goods and services to the proposed facility will have incomes partially attributable to these gaming operations. These dollars contribute to the vendors' spending power, and therefore the incremental increase in their spending attributable to this income is considered an indirect impact. These additional expenditures and revenues continue to flow throughout the economy in a rippling effect.

These do not include the promotional program (Rush Rewards Plus) whereby casino customers can redeem casino points at local stores, restaurants and hotels. Rush Street Gaming operates such a program at its casino in Philadelphia and intends to implement Rush Rewards Plus in Schenectady.

Induced impacts result from the direct impacts on labor income. As household incomes are affected by direct employment and spending, this money is re-circulated through the household spending patterns causing further local economic activity.

The economic impact analysis results in the following outputs:

1. Employment—or number of total jobs supported. This includes full and part-time workers.
2. Labor Income (Earnings/Salaries) in IMPLAN consists of two parts. First is the total payroll cost of the employee paid by the employer: wage and salary, all benefits, and employer-paid payroll taxes (e.g. employer side of social security, unemployment taxes, etc). Second, proprietor income consists of payments received by self-employed individuals and unincorporated business owners.
3. Value Added is comprised of Labor Income, Indirect Business Taxes, and Other Property Type Income. It demonstrates an industry's value of production over the cost of its purchasing the good and services required to make its products. Value Added is often referred to as Gross Regional Product (GRP). $\text{Value Added} = \text{Labor Income} + \text{Indirect Business Taxes} + \text{Other Property Type Income}$.
4. Output (Total Spending) represents the value of industry production. In IMPLAN these are annual production estimates for the year of the data set and are in producer prices. For manufacturers this will be sales plus/minus change in inventory. For service sectors production = sales. For retail and wholesale trade, output = gross margin and not gross sales. $\text{Output} = \text{Intermediate Inputs} + \text{Value Added}$.

Economic impact analyses use industry multipliers that have been developed based on U.S. Census data to determine the indirect impacts that occur from direct expenditures. The Innovation Group has utilized IMPLAN 3.0 software and data for the purpose of these calculations. IMPLAN accounts closely follow the accounting conventions used in the "Input-Output Study of the U.S. Economy" by the Bureau of Economic Analysis.

However, as noted by the Center for Policy Analysis at the University of Massachusetts Dartmouth in a study from 2004, IMPLAN multipliers are lower than those calculated by the Bureau of Economic Analysis:

The IMPLAN modeling system accounts for substitution effects by applying local and regional multipliers to disposable personal income only. The modeling system's balanced accounts matrix insures that disposable income which is spent on one type of good or service cannot be spent simultaneously on some other good or service. The application of multipliers to disposable personal income and the imposition of a balanced accounts matrix results in multiplier effects that are substantially less than those recommended in the U.S. Bureau of Economic Analysis Regional Input-Output Modeling System II (RIMS II). ... Thus, the indirect and induced impacts represent *net* new job creation and not merely a transfer of jobs from one sector to another.

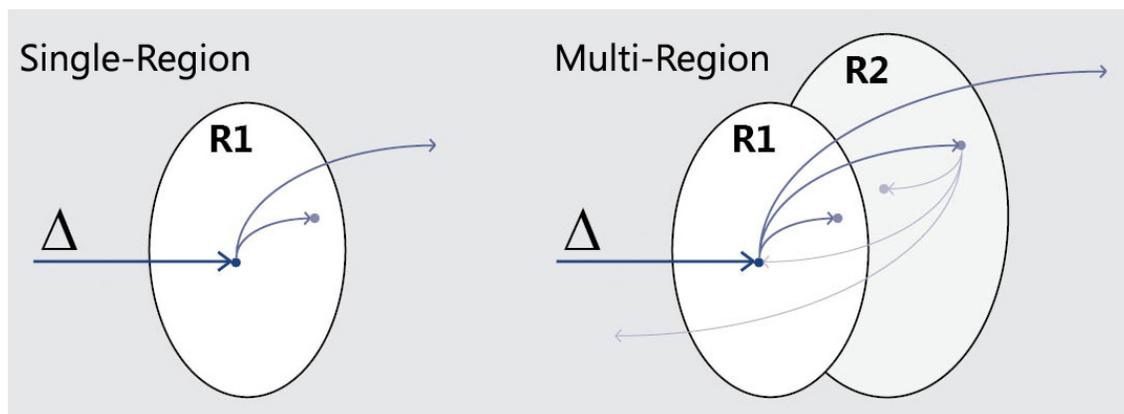
In addition to proposed plans for the development as described previously, the findings and conclusions in this report are based, in part, on the following construction and operating assumptions:

- Construction will take place in 2015 and 2016;
- 2017 shall represent the first full year of operations at the subject property;
- 2019 shall represent the stabilized year of operations at the subject property. Operating impacts in the report are shown for 2019 in 2019 dollars;
- An experienced and professional management team will operate all aspects of the gaming facility and hotel; and
- The economy will normalize by the opening date of the casino and any economic and visitation fluctuations will occur in line with assumptions herein.

Multi-Regional Analysis

In order to model economic impacts for Schenectady County as well as for the rest of New York, we relied upon the multi-regional input-output (MRIO) analysis method available in the IMPLAN 3.0 software.

In this process, we enter the impacts associated with the construction and operation of the casino in Schenectady County. Then, this county-level model is linked to a model of all the other New York counties. This allows our analysis to capture purchases and employment that occur outside of Schenectady County but within New York State. Our analysis of these linked models yields direct, indirect, and induced effects for Schenectady County, as well as indirect and induced effects for the balance of the state; direct effects occur only in Schenectady County, as all purchases and employment associated with construction, employment, and redevelopment activities occur there. The IMPLAN model contains information about supply chains that estimate



Ongoing Operating Impacts

According to Rush Street Gaming’s pro forma analysis, the casino, once fully operational, will employ 1,070 individuals with a payroll totaling approximately \$40 million which includes wages and salaries, health insurance and payroll taxes. Tips to dealers and service workers are estimated to be approximately \$10 million which would provide additional induced impact. The casino hotel is estimated by BBL to require staffing and payroll of 89 jobs and \$1.9 million, respectively. In total, the casino and hotel will directly employ 1,159 individuals, with a total compensation input of approximately \$51.5 million, including payroll and tips. These employee and compensation figures were used to refine the IMPLAN model in order to more accurately reflect the economic impact of ongoing operations.

Schenectady County Base Case Impacts

In addition to the 1,159 direct jobs in Schenectady County, the operation of the casino and hotel will generate 194 indirect jobs and 193 induced jobs for a total of 1,546 in the county. Total labor income is estimated to exceed \$74 million annually and total spending in Schenectady County is estimated to exceed \$229 million.

The total impact of ongoing operations in Schenectady County is shown in the following table.

Operating Impacts—Schenectady County (Base Case \$MMs)

	Employment	Labor Income	Value Added	Output
Direct Effect	1,159	\$51.47	\$83.87	\$167.53
Indirect Effect	194	\$13.45	\$21.72	\$34.53
Induced Effect	193	\$9.29	\$18.06	\$27.77
Total	1,546	\$74.20	\$123.65	\$229.83

IMPLAN Group, LLC, IMPLAN System (data and software); The Innovation Group

New York State Base Case Impacts

The impacts of operation are not solely relegated to the confines of Schenectady County. The spending from ongoing operations will have an indirect and induced impact on other communities within the state of New York. The ongoing operation of the casino resort in Schenectady County is expected to support an additional 156 indirect jobs and \$16 million in labor income throughout the state, as well as 199 jobs and \$14 million in labor income through induced effects. New York is estimated to see an additional \$73.8 million in total spending on an annual basis, as described in the following table.

Operating Impacts—Balance of State (Base Case \$MMs)

	Employment	Labor Income	Value Added	Output
Direct Effect	0	\$0.00	\$0.00	\$0.00
Indirect Effect	156	\$16.04	\$25.29	\$38.70
Induced Effect	199	\$13.73	\$23.57	\$35.07
Total	355	\$29.77	\$48.86	\$73.78

IMPLAN Group, LLC, IMPLAN System (data and software); The Innovation Group

Total output for New York (including Schenectady County) is approximately \$304 million. Casino and hotel operations are estimated to support 1,900 jobs generating \$104 million in labor income associated with direct, indirect and induced employment.

Operating Impacts—Total New York State (Base Case \$MMs)

	Employment	Labor Income	Value Added	Output
Direct Effect	1,159	\$51.47	\$83.87	\$167.53
Indirect Effect	350	\$29.49	\$47.00	\$73.23
Induced Effect	391	\$23.01	\$41.64	\$62.85
Total	1,900	\$103.97	\$172.51	\$303.61

IMPLAN Group, LLC, IMPLAN System (data and software); The Innovation Group

High and Low Scenarios

As discussed in the Gaming Market Assessment (Exhibit VIII.A.3.), the high-low sensitivity analysis was based on 10% +/- of gaming revenue. For this economic impact analysis, the same range was applied to hotel and food and beverage revenue. Employment and payroll impacts for the casino were provided by Rush Street Gaming. In the high scenario, casino and hotel employment is estimated at 1,266 jobs and labor income at \$55.8 million. The following tables show the IMPLAN results for the High Case:

Operating Impacts—Schenectady County (High Case \$MMs)

	Employment	Labor Income	Value Added	Output
Direct Effect	1,266	\$55.81	\$91.48	\$184.42
Indirect Effect	214	\$14.80	\$23.91	\$38.01
Induced Effect	210	\$10.10	\$19.65	\$30.21
Total	1,689	\$80.72	\$135.04	\$252.65

IMPLAN Group, LLC, IMPLAN System (data and software); The Innovation Group

Operating Impacts—Balance of State (High Case \$MMs)

	Employment	Labor Income	Value Added	Output
Direct Effect	0	\$0.00	\$0.00	\$0.00
Indirect Effect	172	\$17.66	\$27.84	\$42.60
Induced Effect	218	\$15.07	\$25.88	\$38.51
Total	390	\$32.73	\$53.72	\$81.12

IMPLAN Group, LLC, IMPLAN System (data and software); The Innovation Group

Operating Impacts—Total New York State (High Case \$MMs)

	Employment	Labor Income	Value Added	Output
Direct Effect	1,266	\$55.81	\$91.48	\$184.42
Indirect Effect	385	\$32.46	\$51.74	\$80.62
Induced Effect	428	\$25.17	\$45.53	\$68.72
Total	2,079	\$113.45	\$188.75	\$333.76

IMPLAN Group, LLC, IMPLAN System (data and software); The Innovation Group

In the low scenario, casino and hotel employment is estimated at 1,044 jobs and labor income at \$46.7 million. The following tables show the IMPLAN results for the Low Case:

Operating Impacts—Schenectady County (Low Case \$MMs)

	Employment	Labor Income	Value Added	Output
Direct Effect	1,044	\$46.70	\$75.83	\$150.60
Indirect Effect	174	\$12.09	\$19.52	\$31.04
Induced Effect	175	\$8.41	\$16.36	\$25.15
Total	1,393	\$67.20	\$111.71	\$206.79

IMPLAN Group, LLC, IMPLAN System (data and software); The Innovation Group

Operating Impacts—Balance of State (Low Case \$MMs)

	Employment	Labor Income	Value Added	Output
Direct Effect	0	\$0.00	\$0.00	\$0.00
Indirect Effect	140	\$14.42	\$22.73	\$34.79
Induced Effect	179	\$12.36	\$21.22	\$31.58
Total	319	\$26.78	\$43.95	\$66.37

IMPLAN Group, LLC, IMPLAN System (data and software); The Innovation Group

Operating Impacts—Total New York State (Low Case \$MMs)

	Employment	Labor Income	Value Added	Output
Direct Effect	1,044	\$46.70	\$75.83	\$150.60
Indirect Effect	314	\$26.51	\$42.25	\$65.83
Induced Effect	354	\$20.77	\$37.58	\$56.73
Total	1,712	\$93.98	\$155.67	\$273.17

IMPLAN Group, LLC, IMPLAN System (data and software); The Innovation Group

Construction Impacts

The following section presents the one-time construction impacts associated with developing the proposed Rivers Casino and Hotel at Mohawk Harbor.

Schenectady County Impacts

Based on the hard cost construction budget, through the IMPLAN model we estimate that construction of the facility will support 739 workers in Schenectady County, with labor income equaling \$48.3 million. The direct spending for construction is estimated to generate a further \$26.6 million in indirect purchases or spending through supply chains in the county. These purchases are estimated to support 146 jobs in the county with labor income equaling \$13.4 million. Household spending by the workers employed through construction (either directly or indirectly through the local supply chain) is estimated to support induced employment of 200 workers with labor income of \$8.9 million.

In total, Schenectady is estimated to see a one-time employment impact of 1,084 workers, providing \$70.5 million in labor income, and \$175.7 million in total spending, as shown in the following table.

Construction Impacts Schenectady County (\$MMs)

	Employment	Labor Income	Value Added	Output
Direct Effect	739	\$48.28	\$54.45	\$122.92
Indirect Effect	146	\$13.37	\$18.14	\$26.62
Induced Effect	200	\$8.85	\$17.23	\$26.14
Total	1,084	\$70.50	\$89.82	\$175.67

IMPLAN Group, LLC, IMPLAN System (data and software); The Innovation Group

New York State Impacts

Though most of the effects created by developing the casino will occur in Schenectady County, some of the indirect purchases will be made in other New York counties, generating indirect employment, induced output, and induced employment there.

Construction Impacts Balance of State (\$MMs)

	Employment	Labor Income	Value Added	Output
Direct Effect	0	\$0.00	\$0.00	\$0.00
Indirect Effect	132	\$11.16	\$16.87	\$31.17
Induced Effect	172	\$11.05	\$18.92	\$27.95
Total	304	\$22.20	\$35.79	\$59.12

IMPLAN Group, LLC, IMPLAN System (data and software); The Innovation Group

Statewide, construction is estimated to support 1,389 jobs. In total, the New York economy is estimated to gain \$92.7 million in labor income and \$234.8 million in output or total spending.

Construction Impacts Total New York (\$MMs)

	Employment	Labor Income	Value Added	Output
Direct Effect	739	\$48.28	\$54.45	\$122.92
Indirect Effect	278	\$24.52	\$35.01	\$57.78
Induced Effect	372	\$19.90	\$36.15	\$54.09
Total	1,389	\$92.71	\$125.60	\$234.79

IMPLAN Group, LLC, IMPLAN System (data and software); The Innovation Group

Tax and Other Fiscal Benefits

In addition to the gaming taxes that the casino will pay, the casino will generate sales taxes, and property taxes paid on the casino's real estate. As with the economic impacts above, the fiscal impacts are expressed in stabilized operations.

Gaming Taxes

Under the Upstate New York Gaming and Economic Development Act of 2013, the State will tax Region Two's slot machine revenue at a rate of 45% and table revenue at 10%. Given the casino's projected slot and table gaming revenue in 2019 (see Exhibit VIII.A.3.), the gaming tax is estimated to total \$81.5 million, of which 10% would go to the host community.

Rivers Casino at Mohawk Harbor, Gaming Tax Breakdown (MMs)

	Total Gaming Tax	To State	To Host County/City	To Surrounding Counties
Base	\$81.5	\$65.2	\$8.1	\$8.1
High	\$89.7	\$71.7	\$9.0	\$9.0
Low	\$73.2	\$58.6	\$7.3	\$7.3

The Rivers Casino development would provide significant revenue to Schenectady. The gaming tax revenue to be provided to Schenectady County and City from hosting a casino is estimated to range from \$7.3 million to \$9.0 million. The City would receive 50% or between \$3.7 million and \$4.5 million. The effective tax rate for the host community is calculated to be 3.7% given the slot/table revenue split estimated in Exhibit VIII.A.3. Surrounding counties in Region 2 would also split 10% of gaming taxes or 3.7% of gaming revenue. The State is to receive 80% of gaming taxes.

The casino will also pay an annual \$500-per-gaming unit⁴ license fee, which may be adjusted annually for inflation after 5 years. Based on a 1,216-unit facility, the casino would provide the State with \$608,000 in license fees.

Taxes from Food and Beverage and Hotel Sales

According to the New York Department of Taxation and Finance, the sales tax in Schenectady County is 8.0%, a rate that would be imposed on food and beverage (F&B) and hotel revenues at the resort. This is split 50%-50% between the State and the County. Hotels in Schenectady County also pay a 4% bed tax on top of the 8% sales tax; this 4% goes to the County.

⁴ Slot machines and gaming tables (not seats at tables).

Based on estimated F&B and hotel sales as shown in the following table, sales tax would total more than \$2.4 million with the County receiving nearly \$1.4 million.

Rivers Casino at Mohawk Harbor, Sales Tax Breakdown (MMs)

Sales	
F&B	\$18.92
Hotel	\$7.52
Tax Revenue	
County	\$1.36
State	\$1.06
Total	\$2.42

This does not include spending by casino patrons outside of the resort (see discussion in Section Four on Rush Rewards Plus program), which would also generate tax revenue for the State and localities.

Taxes from “Production”

In addition to the tax impact from consumer F&B and hotel sales as outlined above, IMPLAN calculates the taxes that go into “production” (i.e., construction and operations) such as business taxes (including sales taxes from the property’s purchase of goods and services), payroll taxes, and state income tax from employee wages. The spending from ongoing operations is estimated to generate \$14 million in state and local taxes within Schenectady County and approximately \$10 million in the rest of the state.

Fiscal Impacts Operations: (Base Case \$MMs)

	Schenectady County	Balance of State	Total NY
Direct Effect	\$14.06	\$0.00	\$14.06
Indirect Effect	\$2.06	\$2.63	\$4.69
Induced Effect	\$2.35	\$2.82	\$5.17
Total	\$18.47	\$5.45	\$23.92

IMPLAN Group, LLC, IMPLAN System (data and software); The Innovation Group
 Note: Combined Local and State taxes for each column

Construction is estimated to have a fiscal impact of approximately \$7.5 million within Schenectady County and an additional \$4 million in the rest of the state.

Fiscal Impacts Construction (MMs)

	Schenectady County	Balance of State	Total NY
Direct Effect	\$3.70	\$0.00	\$3.70
Indirect Effect	\$1.52	\$1.77	\$3.29
Induced Effect	\$2.24	\$2.25	\$4.49
Total	\$7.46	\$4.02	\$11.49

IMPLAN Group, LLC, IMPLAN System (data and software); The Innovation Group
 Note: Combined Local and State taxes for each column

Five-Year Tax Forecast (Exhibit VIII.B.4)

The following tables show the five-year forecasts for fiscal impacts from the Rivers Casino for gaming taxes, sales and hotel taxes, and taxes resulting from operations. The following tables do not include property tax for the casino and hotel which for the purposes of this report are estimated to total \$4 million at full value assessment.

Rivers Casino at Mohawk Harbor, Gaming Tax Forecast (MMs)

	2017	2018	2019	2020	2021
Base Case					
Total Gaming Tax	\$73.90	\$78.30	\$81.50	\$83.50	\$85.60
To State	\$59.12	\$62.64	\$65.20	\$66.80	\$68.48
To Host County/City	\$7.39	\$7.83	\$8.15	\$8.35	\$8.56
To Surrounding Counties	\$7.39	\$7.83	\$8.15	\$8.35	\$8.56
High Case					
Total Gaming Tax	\$81.30	\$86.20	\$89.70	\$91.90	\$94.20
To State	\$65.04	\$68.96	\$71.76	\$73.52	\$75.36
To Host County/City	\$8.13	\$8.62	\$8.97	\$9.19	\$9.42
To Surrounding Counties	\$8.13	\$8.62	\$8.97	\$9.19	\$9.42
Low Case					
Total Gaming Tax	\$66.40	\$70.40	\$73.20	\$75.00	\$76.90
To State	\$53.12	\$56.32	\$58.56	\$60.00	\$61.52
To Host County/City	\$6.64	\$7.04	\$7.32	\$7.50	\$7.69
To Surrounding Counties	\$6.64	\$7.04	\$7.32	\$7.50	\$7.69

The Innovation Group

Rivers Casino—Taxes from Food and Beverage and Hotel Sales (MMs)

	2017	2018	2019	2020	2021
Base Case					
County	\$1.20	\$1.29	\$1.36	\$1.39	\$1.43
State	\$0.94	\$1.01	\$1.06	\$1.08	\$1.11
Total	\$2.14	\$2.30	\$2.42	\$2.48	\$2.54
High Case					
County	\$1.36	\$1.44	\$1.49	\$1.53	\$1.57
State	\$1.06	\$1.12	\$1.16	\$1.19	\$1.22
Total	\$2.41	\$2.56	\$2.66	\$2.72	\$2.79
Low Case					
County	\$1.11	\$1.17	\$1.22	\$1.25	\$1.28
State	\$0.86	\$0.91	\$0.95	\$0.97	\$1.00
Total	\$1.97	\$2.09	\$2.17	\$2.23	\$2.28

The Innovation Group

Rivers Casino—State and Local Taxes from Operations (MMs)

	2017	2018	2019	2020	2021
Base					
Schenectady County	\$16.11	\$17.76	\$18.47	\$18.93	\$19.89
Balance of State	\$4.75	\$5.24	\$5.45	\$5.59	\$5.87
Total NY	\$20.86	\$23.00	\$23.92	\$24.51	\$25.76
High					
Schenectady County	\$17.67	\$19.48	\$20.26	\$20.76	\$21.82
Balance of State	\$5.23	\$5.76	\$5.99	\$6.14	\$6.45
Total NY	\$22.90	\$25.24	\$26.25	\$26.91	\$28.27
Low					
Schenectady County	\$14.51	\$16.00	\$16.64	\$17.05	\$17.92
Balance of State	\$4.28	\$4.71	\$4.90	\$5.03	\$5.28
Total NY	\$18.79	\$20.71	\$21.54	\$22.08	\$23.20

IMPLAN Group, LLC, IMPLAN System (data and software); The Innovation Group

Rivers Casino—Total NY Statewide Taxes (MMs)

	2017	2018	2019	2020	2021
Base	\$96.90	\$103.60	\$107.83	\$110.49	\$113.89
High	\$106.61	\$114.00	\$118.61	\$121.53	\$125.26
Low	\$87.16	\$93.20	\$96.91	\$99.30	\$102.38

IMPLAN Group, LLC, IMPLAN System (data and software); The Innovation Group

SECTION FOUR: OTHER IMPACTS (EXHIBIT VIII.B.3.B)

Impact on Incremental Job Creation and Unemployment Rates

Schenectady County Employment Analysis

As noted, the casino and hotel are projected to require approximately 1,160 jobs⁵ to operate.

Rivers Casino and Hotel Employment

	Base	High	Low
Casino & F&B Jobs	1,070	1,169	964
Hotel Jobs	89	97	80
Number of New Employees	1,159	1,266	1,044

These jobs are expected to be filled by a combination of local unemployed workers, local out-bound commuters, residents of neighboring counties, and new residents. Unemployment in the County currently stands at over 4,800 workers. Recent trends have shown declining unemployment; therefore for the future baseline condition we have used the 2006-2013 average, or approximately 4,500.

Schenectady County Employment Statistics

Year	Civilian labor force	Employment	Unemployment	Unemployment rate (%)
2006	75,970	72,802	3,058	4.2
2007	75,615	72,422	3,042	4.2
2008	76,726	72,820	3,714	5.1
2009	76,559	70,922	5,248	7.4
2010	75,639	69,722	5,438	7.8
2011	74,577	68,924	5,238	7.6
2012	75,137	69,260	5,402	7.8
2013	75,069	69,892	4,823	6.9
Average	75,662	70,846	4,495	5.9%

Source: Bureau of Labor Statistics, Non-seasonally adjusted; The Innovation Group

⁵ Headcount, including full and part-time workers.

Given the proximity to Albany, there is a great deal of cross-border commuting in Schenectady County, according to the most recent data from the US Census (2010). Only 59% of people working in Schenectady County live in Schenectady County, meaning 41% commute in from other counties. Of all workers who live in Schenectady County, 43% work in other counties.

Schenectady County Commuting Patterns

Schenectady County Work Force in 2010	75,639
Live & work in Schenectady County	44,868
% who live & work in Schenectady	59%
Live elsewhere & commute IN	30,771
% who commute IN	41%
Total Number of Workers residing in Schenectady County	78,205
Live in Schenectady and work elsewhere	33,337
% who commute OUT	43%

Source: US Census 2010; The Innovation Group

As the following table shows, it is estimated that the existing area workforce will account for the vast majority of employment. Only a small percentage of workers is estimated to move into the area.

Rivers Casino Source of Workforce

	Base	High	Low
Number of New Employees	1,159	1,266	1,044
% who will commute in from outside S.C.	30%	30%	30%
Number of Commuters from outside S.C.	348	380	313
S.C. Unemployed (Future estimate)	4,500	4,500	4,500
% of Currently Unemployed that will find work	10.0%	10.5%	9.5%
S.C. Unemployed back to work	450	473	428
Live in S.C. and work elsewhere	34,000	34,000	34,000
% that will now work in S.C. rather than commute	0.90%	0.95%	0.85%
Commuters Staying within County	306	323	289
Total from Existing Area Workforce	1,104	1,175	1,030
New Workers Needed (net increase to S.C.)	55	91	14
% of Total Casino Positions	4.77%	7.18%	1.38%

S.C.= Schenectady County

Unemployment is projected to decline by 450 workers in the base case as shown in the previous table, resulting in a decline in the unemployment rate to 5.3% as a result of the direct jobs created by operating the casino and hotel.

Impact from Direct Jobs on Schenectady County Employment Base Case

Year	Civilian labor force	Employment	Unemployment	Unemployment rate (%)
Future Baseline	75,662	70,846	4,495	5.9%
With Direct Impact	75,778	70,962	4,045	5.3%

Source: Bureau of Labor Statistics, Non-seasonally adjusted; The Innovation Group

Additionally, the approximately 387 indirect and induced jobs attributable to direct employment and purchases of goods and services from local vendors would further reduce the unemployment rate.

Comparative Research

The Innovation Group collected labor force data from three Pennsylvania counties and MSAs that have similar markets to Schenectady. Casinos opened in these three markets at the end of 2006 (Pocono Downs in Nov. 2006) or beginning of 2007 (Presque Isle Downs in Erie in Feb. 2007 and Chester Downs in Delaware County in Jan. 2007).

Pennsylvania Unemployment Trends

Year	Wilkes Barre/Scranton	Erie	Delaware Co. (Chester)	State
2004	17,522	8,548	14,031	337,235
2005	15,455	7,595	12,859	312,201
2006	14,379	7,059	12,014	286,574
2007	13,682	6,721	11,412	276,227
Change 2007/2006	-4.8%	-4.8%	-5.0%	-3.6%

The peer-group casinos have generally had a positive impact on unemployment, with unemployment declining in 2007 at a higher rate than that experienced statewide in Pennsylvania.

Impact on Local Businesses and Cultural Institutions

Background

Casino development sometimes elicits concern which research has dispelled that cannibalization of consumer spending (the substitution effect) will impact local

businesses, especially smaller “mom and pop” retail, restaurant and entertainment businesses. This argument has its origins in long-ago controversies regarding Atlantic City. Clyde Barrow, Director for the Center of Policy Analysis at the University of Massachusetts Dartmouth, traces the Atlantic City “myth” to a misinformation campaign by the Atlantic City Restaurant and Tavern Association “to win more concessions for its members from the city’s casino hotels.”⁶

Research by Kathryn Hashimoto and George Fenich found that contrary to a negative impact, casinos in Atlantic City actually reversed a downward trend:

The number of eating and drinking establishments in Atlantic County was actually declining in the years *prior* to the opening of the first casinos. However, this decline was actually reversed after the first casinos opened, when the number of non-casino eating and drinking places increased from 415 in 1978 to 569 in 1994 (37 percent). Moreover, in the 11 years since the Hashimoto and Fenich study, the number of non-casino eating and drinking places in Atlantic County has continued to increase to 625 (9.8 percent) in 2004 with 9,020 employees (36 percent).⁷

More recently, similar concern of a substitution effect on cultural institutions has been raised in enabling legislation in Massachusetts and New York. Based on an extensive literature search, the Innovation Group concludes that there has been no published research on the impact of casino development specifically on cultural institutions or entertainment venues. Our analysis of attendance at museums and live performance venues in Pittsburgh, Philadelphia and St. Louis did not indicate any discernible impact from casino development.

Rivers Casino is estimated to attract more than 2.5 million visits to Schenectady and the downtown area, as discussed in the Gaming Market Assessment (Exhibit VIII.A.3.). This substantial visitor volume is expected to benefit local businesses, as has been experienced in numerous gaming jurisdictions across the country.

Research Results

There is a substantial body of research and case studies demonstrating the impacts that casinos have on surrounding local businesses. There are several important reasons that local businesses benefit from the development of a casino:

- Casino visitors stopping at local retail outlets and restaurants.
- Long-distance patrons staying at area hotels; even in markets with casino hotels,

⁶ Barrow, Clyde and Mathew Hirshy. “The Persistence of Pseudo-Facts in the U.S. Casino Debate: The Case of Massachusetts” *Gaming Law Review and Economics* Volume 12, Number 4, 2008.

⁷ *Ibid.*

non-casino hotels enjoy boosts in occupancy.

- Local vendor program: the customer impacts on local businesses as mentioned in the first two bullet points are enhanced by a promotional program allowing customers to redeem casino points at local restaurants, retailers, and hotels. Rush Street Gaming plans to utilize its Rush Rewards Plus program, which it also operates at SugarHouse Casino.
- Casino expenditures on local goods and services put more money into the local economy.

A review of studies of casino impacts on local business shows that casinos can stimulate local economies, resulting in communitywide growth, including in the local food and beverage business and retail businesses. There is little evidence of significant economic substitution after the introduction of new casinos, particularly for casinos in urban areas.

Casino development has without exception increased room demand at non-casino hotels even when casino hotels are built. For example, in Shreveport, Louisiana, hotel occupancy rates averaged about 60% before casinos, compared to the current range of 85% to 90%. Such a boost to non-casino hotel demand results from the overall increased visitation to the area and the overflow from peak periods when casino hotels are fully booked. On the Mississippi Gulf Coast occupancy rates in non-casino hotels remained steady at 55% despite a 143% increase in total rooms, including a 60% increase in non-casino hotel rooms.

Many casinos, Harrah's in downtown New Orleans and Greektown in Detroit being prime examples, contract for large numbers of room blocks in local hotels and have established partnerships with local restaurants to which customers are referred and often comped dinner at the casino's expense.

There is substantial economic research from throughout the country contradicting the substitution effect. Pulling together research from across the country, the research division of the Federal Reserve Bank of St. Louis concludes that the evidence is generally positive as it relates to the impact of casinos on local businesses. The study also states that "casinos located in larger cities that offer relatively more amenities than rural areas will tend to attract casino patrons from outside the area more so than rural casinos will."⁸

Hashimoto and Fenich's 1997 research shows that "in jurisdictions from the seashore to the riverfront to rural areas, north and south, east and west, local restaurants tended to thrive after a casino opened nearby." Furthermore, Hashimoto and Fenich conclude: "When casinos are developed, all aspects of the local food and beverage business

⁸ Thomas A. Garrett, Senior Economist, Federal Reserve Bank of St. Louis, *Casino Gambling in America and Its Economic Impacts*, August 2003.

increase: the number of establishments increases, the number of people employed increases and payroll increases at an even greater rate than the first two."⁹

Research conducted in 1996 by Nancy Reeves and Associates for the Mille Lacs Band of Ojibwe, entitled "The Economic Impact of Grand Casino Mille Lacs and Grand Casino Hinckley on Their Surrounding Areas" concluded that:

At least 15 businesses have either opened, expanded, or re-opened since the opening of Grand Casino Mille Lacs. Included are 4 hotels/motels and resorts, 8 restaurants and fast food establishments, 2 gas stations and a go-kart track. Together, these businesses have added an estimated 142 jobs in the area.

With the opening of Grand Casino Hinckley in 1992, the hospitality business in Hinckley was transformed from a rest stop for travelers to a tourist destination. In addition to the casino complex, with its 1,275 jobs, Hinckley has added 11 new businesses and expanded 4 more since 1992, adding 87 new jobs. As is the case in the Mille Lacs area, Hinckley is now a year round destination because of the casino. Also similar to the Mille Lacs situation, the main street businesses in Hinckley have seen increases in customer spending attributed primarily to casino employees living in the area.

The Center for Policy Analysis University of Massachusetts Dartmouth came to similar conclusions analyzing a number of gaming jurisdictions throughout the country. The number of restaurants and retail sales excluding those from casinos increased in Bossier City, Louisiana; Biloxi/Gulfport, Mississippi; Connecticut; Gilpin County, Colorado, and; Tunica County, Mississippi.

There was a net increase of eight restaurants in Bossier City, Louisiana following the introduction of riverboat casinos. The city's taxable restaurant sales, excluding restaurants in the hotels and casinos, increased by 5 percent in 1994 and by 7 percent in 1995 *after* the introduction of riverboat casinos. In Biloxi/Gulfport, Mississippi, the rate of non-casino retail sales growth increased from an average of 3 percent annually (1990-1992) in the years prior to riverboat gambling to 12 percent annually in the years after riverboat gaming began in the locality.

...the number of restaurants in the area surrounding Foxwoods and Mohegan Sun increased from 472 to 506 following the casino's opening, while restaurant employment increased from 5,911 to 6,628 during the same period.... In Gilpin County Colorado, the number of restaurants increased from 31 to 40 after the introduction of casino gaming. In Tunica County, Mississippi, the number of

⁹ George Fenich and Kathryn Hashimoto, "The Effects of Casinos on Local Restaurant Business," paper presented at the International Conference on Gambling and Risk-Taking, Montreal, 1997.

restaurants increased by 13 percent and restaurant employment grew by 9 percent after the introduction of casino gaming in the county.¹⁰

Similar conclusions have been reached in other studies:

- Even after accounting for substitution effect, economists at the University of Missouri and Washington University concluded that casino gambling in Missouri had a net positive annual impact on Missouri output of \$759 million, corresponding to a continuing higher level of employment of 17,932 jobs generating \$508 million more in personal income.¹¹
- A multijurisdictional analysis of retail spending found that in Biloxi/Gulfport, Miss., annual retail sales growth rates increased an average of 3 percent per year from 1990 to 1992, the year when casinos were introduced. Between 1993 and 1995, retail sales jumped 13 percent. In Will County, Ill., retail sales growth trailed statewide trends until 1992, when riverboat casinos were introduced in the local economy. But each year between 1992 and 1995, retail sales growth in Will County exceeded the state rate. In Shreveport/Bossier City, La., retail sales increased by more than 10 percent during 1994, the year that riverboat casinos opened, as the region enjoyed the highest retail sales increase in more than a decade.¹²

In summary, there is a wealth of evidence contradicting the proposition that gaming substitutes for other expenditures. The positive spillover effect on local hotels for one is unequivocally demonstrated in numerous jurisdictions, even in markets where casinos operate hotels for their gaming customers.

Impact on Cultural Institutions

There is no empirical basis for a substitution effect from casino development on cultural institutions. Attendance or revenue data for museums and performing arts venues are sporadically available, which makes researching any substitution effect a challenge. Furthermore, a variety of factors influence attendance or revenue trends including macroeconomic trends, new exhibits, disruption from construction, competitive factors from surrounding museums, and funding levels. Therefore, isolating any causation or even correlation with casino development would be difficult even if more data were

¹⁰ Ibid.

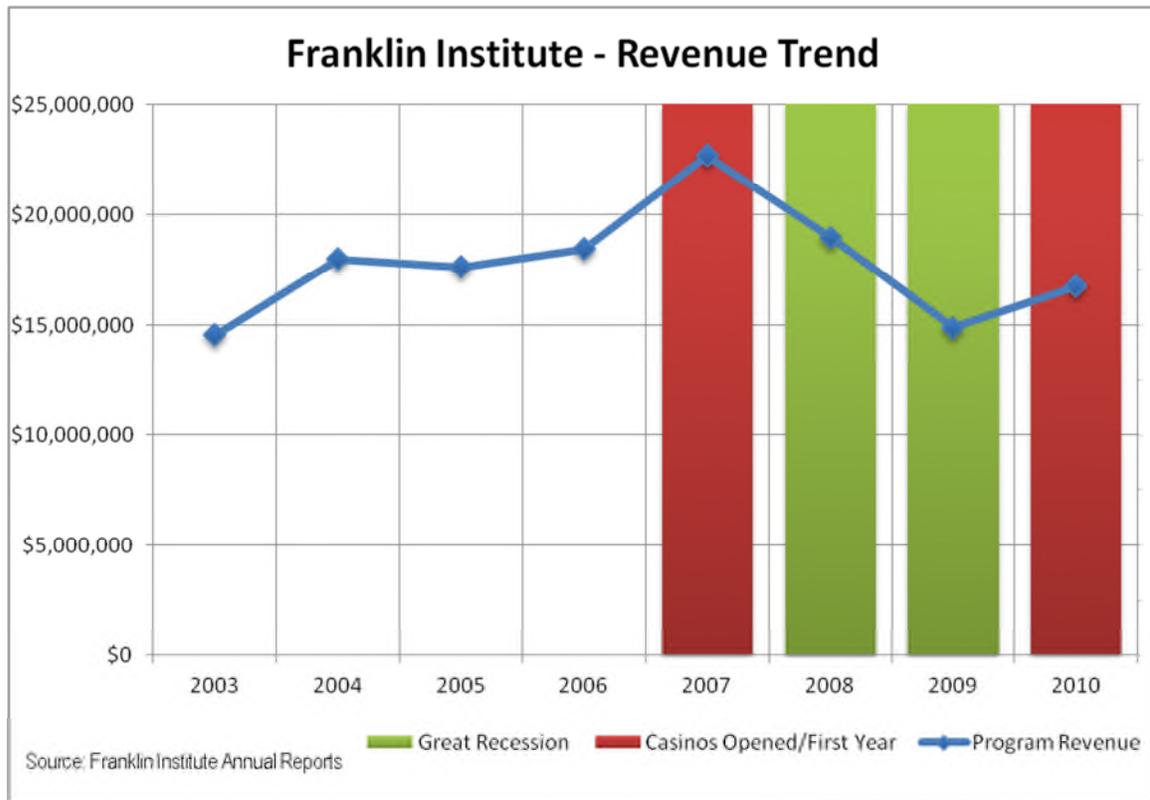
¹¹ Charles Leven et al., "Casino Gambling and State Economic Development," paper presented at the Regional Science Association, 37th European Congress, Rome, Aug. 26-29, 1997.

¹² Arthur Andersen, *Economic Impacts of Casino Gaming in the United States, Volume 2: Micro Study* (Washington, D.C.: American Gaming Association, May 1997).

available. However, in the case studies below, there is no discernible impact from casino development on attendance or revenues at cultural institutions.

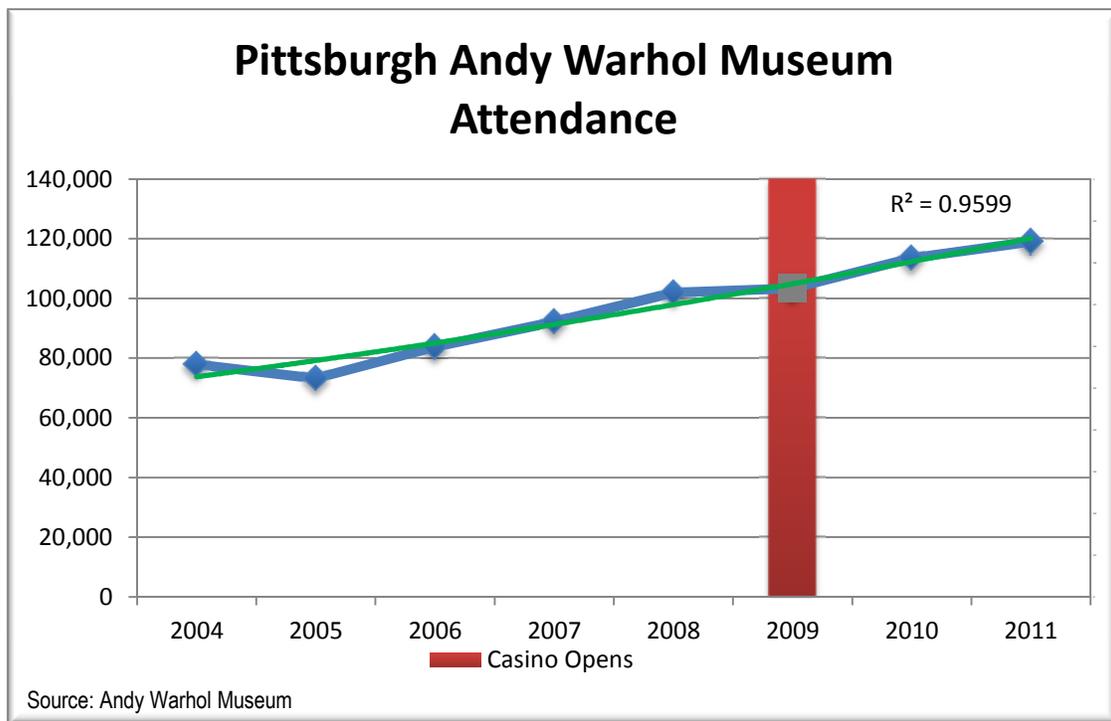
Philadelphia

The Franklin Institute is an interactive science museum as well as Pennsylvania’s most visited museum. Prior to casinos entering the Philadelphia market, the revenue trend for the Franklin Institute was positive with an average annual growth of 11.8% from 2003 to 2007. Parx Casino and Racetrack opened in December 2006 more than 20 miles north of the Franklin Institute and Harrah’s Chester Casino (now Harrah’s Philadelphia) in January 2007 approximately 14.5 miles southwest. Revenue for the Franklin Institute realized a dramatic 23.2% increase in 2007. The Sugar House Casino is approximately 4.7 miles east of the Franklin and opened in September 2010. In that same year the Franklin Institute realized a 12.6% increase in revenue following previous declines in 2008 and 2009, which could have resulted from the recession. There appears to be no correlation between casino development and museum demand in Philadelphia. Variations are likely due to macroeconomic trends and factors specific to the Franklin (such as special exhibits); however, the casinos do not seem to have hindered museum demand.



Pittsburgh

The Andy Warhol Museum is one of four Carnegie Museums in the Pittsburgh area and is one of the closest cultural institutions to the Rivers Casino that opened in August of 2009 approximately 1.2 miles east of the museum. Attendance at the Andy Warhol Museum between 2006 and 2008, prior to the opening of the casino, grew by 21.8%. In the two years following the opening of the Rivers Casino in 2009, the growth in attendance was 15.2%. By plotting a regression trend line (polynomial trend line to the second order), as in the following chart, it can be seen that the overall growth trend in attendance at the Andy Warhol Museum has remained consistent for the periods before and after the introduction of casinos. This suggests that the advent of casino gaming had little or no impact on attendance.



Conclusion

Local businesses in Schenectady are expected to benefit from casino development. Local hotels in particular would benefit from the introduction of a new market segment: casino-related room demand. As shown in numerous casino jurisdictions across the country, non-casino hotels benefit even when casinos operate their own hotel. Further, Rush Street Gaming plans to utilize a promotional program (Rush Rewards Plus) allowing customers to redeem casino points at local businesses which would benefit local restaurants, retailers, and hotels.

As for cultural institutions, there is no apparent correlation between casino development or casino visitation and museum or performing arts attendance. Trends at cultural institutions are related to special exhibits and events, program expansions, and macroeconomic factors. It would seem based on this evidence, and the diversity of motivations between the two segments, that there would be no major negative impact on cultural institutions from casino development.

Rivers Casino is not anticipated to negatively impact any cultural institution in Schenectady. Further, some may benefit by increased visitation to the downtown area, particularly Proctors Theater.

SECTION FIVE: LOCAL SERVICE IMPACTS (EXHIBIT IX.A.2.A.)

Introduction

This section assesses the potential community services impacts from expanded gaming through the introduction of casino gaming in Schenectady. Specifically, it addresses “the incremental effect on local government services (police, fire, EMS, health and building inspection, schools, public health and addiction services and general government services)” as requested for Exhibit IX.A.2.a.

As illustrated in the Local Conditions section previously, Schenectady is a community that needs re-development of abandoned or underutilized property—including its underinvested housing stock—and that has struggled recently with cuts in public education funding as enrollments have increased. Schenectady would greatly benefit from the gaming and property tax revenue provided by the Rivers Casino development as well as the increased household income provided by the approximately 1,160 jobs needed to operate the casino and hotel.

The assessment draws upon social science research as well as data analysis conducted by the Innovation Group. Increased local services and costs as a result of casino gaming operations generally fall into three categories: those arising from population and development growth, those arising from the impacts of increased visitation and traffic, and social impacts resulting from problem gambling, which are discussed in Appendix A.

Although casinos are perceived to be different in kind from other commercial developments of comparable size and visitor base, inordinate negative impacts from casino development have not materialized, even in small communities with limited infrastructure and resources. In fact, experience over the past two decades has demonstrated that mitigation payments designed in anticipation of drastic impacts have often exceeded the actual need of the communities.

Further, the perception that casinos breed crime is not supported by the evidence. While the *number* of reported crimes can increase, as with any commercial development that attracts visitors, such as a shopping mall, casino gaming has not been shown to lead to an increase in crime *rates*.

Host communities should anticipate impacts similar in kind to other commercial development of similar scope and visitor potential. As discussed in the Gaming Market Assessment (Exhibit VIII.A.3.), gaming visitation at the Rivers Casino is estimated to range from 2.5 million (Low Case) to 3.0 million (High Case). By comparison, Crossgates Mall in Albany receives 20 million visits annually. The projected increase in visitor population should be expected to lead to increases in public safety services.

The one significant difference in kind relates to the association between problem gambling and other social pathologies as discussed in this report. However, funding of problem gambling services in New York is slated to increase through the \$500 annual fee on slot and table units. Furthermore, given the availability of slot machine gaming in Saratoga and long-established casino resorts in Atlantic City and Connecticut and at Turning Stone, the addition of gaming at the Rivers Casino is not expected to lead to an increase in prevalence rates in the local area.

In summary, evidence suggests that on-going impacts to local communities are highly manageable, typically requiring only a small fraction of gaming revenues to address fully.

Given the availability of labor in Schenectady County and the Capital Region as discussed previously in the report and in Exhibit VIII.B.3., we would not expect a measureable increase in population in Schenectady resulting from development of the Rivers Casino. This finding is validated by an impact analysis of comparable jurisdictions nationwide where large-scale gaming venues have been developed, as shown in the Comparative Analysis discussion later in this section. The examples cited show that even large-scale casino resorts in rural areas do not result in significant population increases.

Increased expenses for fire services typically occur in rural areas where equipment is insufficient for high-rise developments. This is not expected to apply in the case of the Rivers Casino.

Municipal Services Infrastructure

City of Schenectady

Schenectady is a city of approximately 66,000 with a rich history of innovation and industrial development. The city that “Lights and Hauls the World” was the home to Thomas Edison and the General Electric Company and the American Locomotive Works.

The City has the municipal services infrastructure more than sufficient to service a development the size of the Rivers Casino at Mohawk Harbor. City departments include the following:

- Affirmative Action
- Assessment
- Animal Control
- Board of Ethics
- Building Inspector/Code Enforcement
- Bureau of Service (Snow plowing, street paving, sewer issues)
- Central Park
- City Archives/Efner History Center
- City Clerk/Vital Records

City Court
City Historian
Department of Development
Engineering
Energy Advisory Board
Finance Department
Fire Department
Bureau of Receipts (Tax Payments)
Human Resources
General Services/Neighborhood Revitalization
Law Department
Mayor's Office
Parks Department
Plumbing Inspector
Police Department
Police Court
Utilities & Facilities
Water Department

Of most direct consequence to casino development are police, fire, and EMS.

Police

There are approximately 170 sworn police officers in the City of Schenectady Police Department. Additionally, there is a civilian support staff of approximately 75 full-time personnel. The command staff includes the Chief of Police and three Assistant Chiefs. The Department is divided into three offices, each commanded by an Assistant Chief. These offices include the Field Service Bureau, Administrative Services Bureau, and the Investigative Services Bureau.

The Police Headquarters are located at 531 Liberty Street, approximately $\frac{3}{4}$ of a mile from the site. This station is open 24 hours a day, seven days a week. There are two satellite stations. The Traffic Services department is located at 187 Albany Street, and is open five days a week from 9 to 5. A small substation is located in downtown at 184 Jay Street.

Fire

Fire protection is provided by the City of Schenectady. Currently there are 115 firefighters that respond to 12,000 to 15,000 calls per year. The Fire Department provides emergency medical services (EMS), advanced life saving support services (ALS), hazardous materials (Haz Mat), weapons of mass destruction responses, mutual aid response in the Town of Rotterdam and the Village of Scotia, ALS for the Duanesburg Ambulance, automatic aid to the Town of Niskayuna, confined space rescues, and emergency services on a contract basis with General Electric.

There are four fire stations in the City. The closest station to the project is Station No. 4, located approximately 0.5 miles from the center of the Study Area. Station No. 4 is located on 1549 Avenue A and serves Eastern Avenue and Union Street into Upper Union Street and the North Side neighborhoods.

The Main Station (No. 1) is located at 360 Veeder Avenue and serves the Downtown, Hamilton Hill and Vale. Station No. 2 is located at 1515 State Street just above Fehr Avenue. This station serves the Central State Street neighborhood, the Woodlawn neighborhood and parts of the Mont Pleasant and Union Street neighborhoods. Station No. 3 is located on Third Avenue in the Mont Pleasant neighborhood and its service area includes the Mont Pleasant and Bellevue neighborhoods.

Emergency Medical Services

The Fire Department provides emergency medical services (EMS) and advanced life saving support services (ALS) to the City. Private ambulance companies within the City provide ambulance service and basic life support (BLS). White Eagle Volunteer Ambulance Squad, Inc., Schenectady Ambulance Service, Inc., and Parkland Ambulance Service, Inc (d.b.a. Mohawk Ambulance Service) are located within the City. Additional BLS and ALS may be provided by the Union College EMS, and services within neighboring towns.

Schenectady County

Schenectady County consists of five towns, two primarily rural and three primarily suburban, surrounding the centrally-located City of Schenectady. The county is located immediately west of the State Capital of Albany, and many of its residents commute to jobs in Albany and the other counties that make up New York's Capital Region.

Schenectady County Public Health Services (SCPHS), a unit of county government, is responsible for all public health and environmental health activities and enforcement throughout the city and county. The county contains a single non-profit acute care hospital – Ellis Medicine (the trade name for Ellis Hospital), and a single federally qualified health center (FQHC) – Hometown Health Center. There is also a specialty hospital (Sunnyview Rehabilitation Hospital) which is a member of an Albany-based system.

The Schenectady Coalition for a Healthy Community produced a Multi-Agency Consolidated Plan (2013 Community Health Needs Assessment and Community Action Plan) prioritizing the health care needs of county residents. No mention was made of problem gambling, and the mental health priorities listed were not related to gambling.

Schenectady County government includes the Office of Community Services, which under NYS Mental Hygiene Law Article 41 is responsible for ensuring a comprehensive array of services across the disability groups of mental health, substance abuse and mental retardation/developmental disabilities for the citizens of Schenectady County. The office operates the County's adult and children's SPOA (Single Point of Access) and

AOT (Assisted Outpatient Treatment) programs and contracts out direct service provision to a network of provider agencies.

According to the New York State Office of Alcoholism and Substance Abuse Services, the nearest facility for problem gambling treatment is in Albany (Albany County Family & Children's Services, 650 Warren Street).

Based on the proposed building program at the Rivers Casino and the annual \$500 per-unit license fee, dedicated funding for the treatment and prevention of problem gambling in the Capital Region would increase by approximately \$600,000.

Schenectady School Impact (Exhibit IX.A.5)

Rivers Casino Impact

As discussed in Section Four, the casino development is estimated to draw as many as 91 new employees into the area. Based on those estimates, the total population increase to Schenectady County is estimated to represent less than 0.15% of the projected 2019 population.

Rivers Casino Impact on Households and Population

	Base	High	Low
New casino employees moving to Schenectady Co.	55	91	14
# of jobs per household	110%	110%	110%
Number of new Households to Schenectady Co.	50	83	13
New York State Avg. Household Size	2.55	2.55	2.55
New Schenectady County Population	128	211	33
% Increase of Total Pop	0.08%	0.13%	0.02%

S.C.= Schenectady County

Based on this household increase and New York household metrics, the increase to Schenectady County school enrollment is estimated to be 0.13% in the high case. The increase in school funding as discussed above would vastly dwarf this small increase in enrollment.

Rivers Casino Impact on Schenectady County School Enrollment

		Base	High	Low
Number of New Households		50	83	13
Number of Households that will have children	31.4%	16	26	4
Number of Children per Household	1.34	21	35	6
School age Children	80%	17	28	4
Number of Students Future Estimate	22,000			
% Increase over enrollment		0.08%	0.13%	0.02%

Per pupil spending in the county from property taxes averages approximately \$8,500; it is highly variable, with the City spending only approximately \$5,500. Assuming 50% of the new students accrue to the City commensurate with its share of gaming tax, the added cost to the school district would only be approximately \$100,000 compared to the \$2 million in new funding from property taxes.

Comparative Analysis

Impacts on population and school enrollment are difficult to discern for urban casinos like the proposed Schenectady casino given the large base populations relative to staffing needs. However, even rural casinos have not been shown to cause dramatic population growth. The Innovation Group collected data and information from counties and towns nationwide where nine casinos have been established in rural or small-town locations. These should be considered worst-case impact potential, since rural municipalities have more limited service-infrastructure to handle large-scale developments and increased visitation than large cities, where impacts are marginal relative to resources.

Looking at before-and-after population change (decennial), most counties had population increases above the national average as well as above the average of their respective states. The row highlighted in boldface in the table below shows the percentage point difference between the county growth rate and the statewide average.

Of note is the impact of the Foxwoods Casino Resort in New London County, which opened in February 1992 and was by the late 1990s the largest single casino in the world. The population of New London County grew by only 1.6% during the 1990s, while the state of Connecticut increased by 3.6%. A study completed by the Connecticut Center of Economic Analysis, indicates that in 1999, 60% of those employed by Foxwoods lived in the County.

Rural/Small-Town Casino Impacts

	Soaring Eagle	Tunica, MS (Multiple facilities)	Grand Casino Hinckley	Grand Casino Coushatta	Silver Star Casino	Foxwoods	Horseshoe S. Indiana
Year Opened	1994	1996	1992	1995	1996	1992	1998
# of Gaming Positions at time of analysis	4,600	13,150	2,700	3,420	5,410	7,500	2,400
Nearest Town	Mt. Pleasant, MI	Tunica, MS	Hinckley, MN	Kinder, LA	Philadelphia, MS	Ledyard, CT	Elizabeth, IN
Town Population	27,301	1,201	1,392	2,008	8,068	15,524	200
County	Isabella	Tunica	Pine	Allen Parish	Neshoba	New London	Harrison
Population 1990	54,624	8,164	21,264	21,226	24,800	254,957	29,890
Population 2000	63,351	9,227	26,530	25,440	28,684	259,088	34,325
Change	16.0%	13.0%	24.8%	19.9%	15.7%	1.6%	14.8%
State Avg.	6.9%	10.5%	12.4%	5.9%	10.5%	3.6%	9.7%
Minus State Avg	9.1%	2.5%	12.3%	14.0%	5.1%	-2.0%	5.2%
Annual Difference	0.9%	0.3%	1.2%	1.4%	0.5%	-0.2%	0.5%
Employed Before	24,200	2,530	8,191	6,585	10,830	125,444	14,333
Employed After	32,100	4,200	10,737	8,977	15,000	130,721	18,216
Change	32.6%	66.0%	31.1%	36.3%	38.5%	4.2%	27.1%
Unemployed Before	1,625	400	1,003	779	770	7,615	761
Unemployed After	975	240	699	571	770	2,950	604
Change	-40.0%	-40.0%	-30.3%	-26.7%	0.0%	-61.3%	-20.6%

Source: The Innovation Group; U.S. Census; Nielsen Claritas, Inc.; Economagic.com; MS Employment Security Commission; CT Dept. of Labor; Indiana Dept. of Workforce Development

Employment statistics show a positive impact similar to those in the peer-group analysis in Section Four. Residence-based employment shot up 66% in Tunica County, Mississippi after casinos opened in 1996. This is an increase of 1,500 workers; the population rose by 1,063 and the number of unemployed fell by 160. In the case of Allen County, discussions with Coushatta management revealed that approximately 500 of its 2,000 employees live in Allen Parish, the majority commuting from Lake Charles, approximately 34 miles southwest of Kinder in Calcasieu Parish. The story is identical for the Grand Casino Hinckley, which estimates that 75% of its workers commute from outside Pine County. Isabella County, home to the 205,000-square-foot Soaring Eagle Casino, had a 16% increase in population and a 32.6% rise in employment.

In summary, while many of these peer communities have experienced population and employment growth as a result of casino development, none has been overwhelmed by growth, and commuting from surrounding counties is common.

Schenectady Housing Impact (Exhibit IX.A.4)

The Rivers Casino is expected to have a positive though slight impact on Schenectady’s housing market. As shown in the table below, the number of housing units in the city is estimated to have declined between 2000 and 2014, although a small increase is forecast for 2019. The county as a whole has experienced consistent growth.

	2000 Census	2014 Estimate	2019 Projection
Schenectady city, NY	30,268	30,165	30,341
Schenectady County, NY	65,033	68,672	69,419

Source: IXPRESS/Nielsen Claritas, The Innovation Group

The Rivers Casino is estimated to increase housing demand by 83 units in the high case or only 0.12% of the projected number of housing units in the county in 2019.

	Base	High	Low
Number of New Households	50	83	13
% household Increase over 2019 housing units	0.07%	0.12%	0.02%

As noted in Section Two, the income provided by casino jobs for current residents and potential new residents are expected to assist the City's goal of increased home ownership¹³ as well as create opportunity for revitalizing blighted properties. Currently, according to the Department of Development, 56% of housing units in Schenectady are rental properties, many of them owned by absentee landowners, and much of the housing stock is poorly maintained. A 44% homeownership rate is extremely low. The national average is 65% and the Northeast average is 62.5%.¹⁴

Impact on Public Safety Services

Comparative Analysis

A large, well-equipped fire department usually does not have to increase fire personnel in order to respond to incidents at a new casino. In some communities, revenue sharing agreements are made to purchase fire and/or EMS equipment for the local community. This is often the case in rural communities which do not have the types of equipment needed to respond to incidents at buildings beyond a certain height (e.g. ladder truck). In general, rural municipalities have more limited service-infrastructure to handle large-scale developments and increased visitation than large cities, where impacts are marginal relative to resources.

The introduction of a casino can lead to an increase in traffic patrol requirements and in the number of calls for police service. Arrests or citations related to increased visitation to the local area will create increased caseloads for the local judiciary. Even calls not resulting in arrest or citation can result in a need for increased police staffing.

The specific increase in police staffing varies from community to community. As shown below in the examples from Indiana, many communities found no need to increase police staffing.

The Center for Urban Policy and the Environment at Indiana University-Purdue University has prepared 5-year evaluations of riverboat licensees for the Indiana Gaming Commission which contain sections on community impacts. The following bullet points include summaries and excerpts from these reports with respect to police and fire protection.

Casino Aztar:

- The Evansville Police Department reports no increases in crime since the riverboat opening. They do report a drop in crime in 1999 when compared to the previous year.
- “No new police officers or firefighters were added. Traffic control has not been a problem...”

¹³ HOMES (Home Ownership Made Easy in Schenectady)

¹⁴ <http://www.census.gov/housing/hvs/files/qtr114/hown114.png>

Majestic Star:

- The community purchased 12 police cars with Year 1 incentive payments.
- Gary's Chief of Police reports no additional criminal activity surrounding the riverboat.

Horseshoe Hammond (formerly Empress Casino Hammond):

- The Hammond Police Department reports crime has fallen in most categories when compared to before the boat opened.

Hollywood (formerly Argosy):

- According to the Lawrenceburg Police Department, casino-related arrests for public intoxication, DWI, and minor theft, as well as traffic accidents in the area have increased slightly each year from 1997 to 2000.
- Lawrenceburg has added two police officers since the boat opened to deal with the increased caseload.

Ameristar (formerly Harrah's East Chicago):

- According to East Chicago's police department, no additional criminal activity can be attributed to the riverboat's presence.
- "Crime in East Chicago has decreased substantially over this time period due to increased cooperation with federal agencies, community policing and increased staffing."

Blue Chip Casino:

- According to Michigan City's chief of police, no additional criminal activity can be attributed to Blue Chip's presence.

On the issue of crime, Jeremy Margolis, who had served as Assistant U.S. Attorney in Chicago, Illinois Inspector General, and Director of the Illinois State Police, found in a 1997 study¹⁵ that the chance of being victim of a crime decreases after casino development. Factors include an increase in employment brought by casinos, increased law enforcement resources, safer infrastructure with well-lit garages, and an increase in general tourism activity.

In testimony before the Pennsylvania Gaming Control Board (PGCB) in 2006, Margolis was asked to give an update of his seminal study. Margolis concluded, based on examining updated crime data from the F.B.I. as well as interviews with the Executive Director of the Illinois Crime Commission, the Illinois State Police, and the Illinois Gaming Board, that the situation is "really unchanged except for the maturation of the industry, the maturation of the regulatory process has probably settled things down more than it had settled when I completed my study in 1997. It's just not an issue."¹⁶

¹⁵ Margolis, J. (December 1997). "Casinos and crime: An analysis of the evidence." American Gaming Association.

¹⁶ PGCG hearing transcript, September 7, 2006, pages 22-23.

Conclusion and Implications for Schenectady

Impacts to local communities are highly manageable, typically requiring only a small fraction of gaming revenues to address fully. Although casinos are perceived to be different in kind from other commercial developments of comparable size and visitor base, even small communities that have undergone casino development have found that negative impacts have not materialized, at least to the degree initially anticipated. In fact, experience over the past two decades has clearly demonstrated that mitigation payments often exceed the actual need of the communities.

Casino host communities in Indiana were receiving so much in funding from gaming revenue taxes that the State froze payments at FY 2002 levels and is distributing surplus funds to non-host communities statewide. Even with the freeze, the benefits still far outweigh the costs. Based on casino evaluations performed by Purdue University and other research institutions on behalf of the Indiana Gaming Commission, statewide average actual costs borne by host communities are approximately 0.3% of gaming revenues. A study of the fiscal impact of Belterra on Switzerland County in 2005 concluded, "...the added property, wagering and admissions taxes, and the incentive payments, exceeded the costs imposed by the riverboat. This allowed the county to increase appropriations—to cover added riverboat costs and to provide more public services—while charging Switzerland taxpayers less".¹⁷

Host communities should expect impacts similar in kind to other commercial development of similar scope and visitor potential, such as a shopping mall. The projected increase in visitor population should be expected to lead to increases in public safety services and judicial system caseload. Increases in building and health inspection and general administrative costs should also be expected. The one significant difference in kind relates to the association between problem gambling and other social pathologies as discussed in Appendix A. Therefore, the potential for increased social service caseloads should be planned for, although it is possible that Schenectady County could see a reduction in social service caseload given the employment and economic benefits of gaming development and the increase in funding for problem gambling services that will accompany gaming development in New York.

¹⁷ *Five-Year License Renewal: Belterra Resort Indiana, LLC*, performed by Indiana University-Purdue University Indianapolis on behalf of the Indiana Gaming Commission, October 2005, page 36.

APPENDIX A: PROBLEM GAMBLING RESEARCH

Definition and Prevalence

A majority of Americans, about 86%, report having gambled at least once in their lifetime¹⁸. Most people gamble for recreational purposes without the behavior becoming a problem. Studies, however, estimate that 0.4%-1.6% of the United States population can be classified as pathological gamblers.^{19,20} Pathological gambling has been commonly associated with relationship problems, employment issues, and significant financial difficulties.

The American Psychiatric Association (2004) defines a pathological gambler as a person who features a continuous loss of control over gambling. Furthermore this gambler illustrates a progression, in gambling frequency and amounts wagered, in the preoccupation with gambling and in obtaining monies with which to gamble. However, problem gambling is a more loosely defined term and is commonly associated with gaming-related difficulties that are considered less serious than those of a pathological gambler. For the sake of this report we will utilize the definition by noted researchers Cox, Rosenthal and Volberg which defines problem gambling as a pattern of gambling behavior that compromise, disrupt or damage personal, family or vocational pursuits.²¹

The National Research Council²² utilizes a three-level metric. Level 1 gambling is considered social and or recreational gambling with no appreciable harmful effects. Level 2 gambling is synonymous with problem gambling. Level 3 gambling is synonymous with pathological gambling. Problem gambling is an urge to gamble despite harmful negative consequences or a desire to stop. It is often defined by whether harm is experienced by the gambler or others, such as the gamblers family, significant other, spouse, friends, or coworkers. A problem gambler may or may not be a pathological gambler. Pathological or compulsive gambling is defined as a mental disorder characterized by a continuous or periodic loss of control over gambling, a preoccupation with gambling and with obtaining money with which to gamble, irrational thinking, and a continuation of the behavior despite adverse consequences.

Prevalence rates to determine adult problem gambling rates are measured by administering a survey (often a variation of the South Oaks Gambling Screen or a modified DSM-IV questionnaire) to a statistically valid sample of the adult population of the jurisdiction being

¹⁸ James KC, Bible WA, Dobson JC, Lanni JT, Leone RC, Loescher RW, et al. *National gambling impact study commission final report*. National Gambling Impact Study Commission. 1999.

¹⁹ Shaffer HJ, Hall MN, Vander Bilt J. "Estimating the prevalence of disordered gambling behavior in America and Canada: a research synthesis." *Am J Public Health*. 1999

²⁰ Petry NM, Stinson FS, Grant BF. "Comorbidity of DSM-IV pathological gambling and other psychiatric disorders: results from the national epidemiologic survey on alcohol and related conditions." *J Clin Psychiatry*. 2005

²¹ Cox, S., H. R. Lesieur, R. J. Rosenthal & R. A. Volberg. 1997. *Problem and Pathological Gambling in America: The National Picture*. Columbia, MD: National Council on Problem Gambling.

²² National Research Council, pp. 20-21.

measured. Adolescent rates are measured in a similar manner. Such a method and analysis of data that accompanies the process is referred to as a general population prevalence study.

Jurisdictions in several countries have conducted studies to estimate the percentage of the population that could be classified as having some level of problem gambling behavior. These studies, commonly referred to as prevalence studies, are designed to reflect the scope and severity of problem gambling behavior.²³

One of the most frequently cited studies on prevalence rates is *Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis by the Harvard Medical School Division on Addictions*. The meta-analysis method of estimating prevalence rates has been used in related addiction fields of drug prevention and patterns of alcohol use and alcohol treatment and is considered a more cost-effective method than a national study since it makes use of existing research already conducted in a field.

The Harvard Medical School study, believed to be the first to use meta-analysis measurements for problem gambling prevalence rates, analyzed 152 distinct previous prevalence studies available for review by June 15, 1997. The study determined that 2.0 percent of the adult population could be considered as Level 2 of disordered gambling (often referred to as problem gambling) and 0.9 percent of Level 3 or disordered gambling (also referred to as pathological gambling) during the past year. The vast majority of adults in the general population, then, do not experience gambling-related problems of any clinical significance.

The meta-analysis raw data was given to the Committee on the Social and Economic Impact of Pathological Gambling of the National Research Council (NRC) in its analysis for the National Gaming Impact Study Commission. After an extensive review, the NRC agreed with the above rates of problem gambling and used the numbers in its own analysis of problem gambling in its final report.

It should be noted that problem gambling is not limited to states with casinos, since most states have other forms of gambling and since casino options are available in other states.

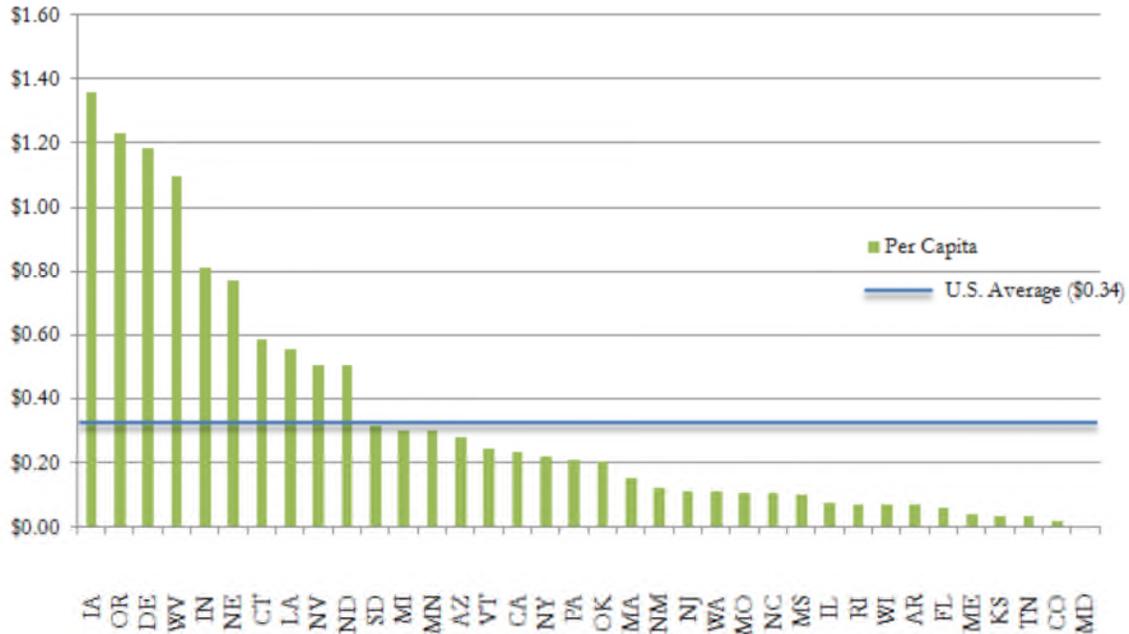
Conclusion and Implications for Schenectady

The introduction of casino gambling can lead to negative social impacts that can be controlled and minimized through proper planning, awareness campaigns, and prevention and treatment programs applied in a coordinated manner by all relevant stakeholders. Utilizing the many proven prevention and treatment programs and the requirements relating to problem/responsible gaming in the New York statute, the potential social impact of the advent of gaming in the state can be minimized. Through enhanced funding provided by the New York gaming statute,

²³ *Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis*, Harvard Medical School Division on Addictions, 1997.

problem gambling services will be more effective in mitigating problem gambling and promoting responsible gambling.

New York currently ranks below the national average in spending on problem gambling services. Data compiled by the Association of Problem Gambling Service Administrators shows that New York spends only approximately 22 cents per capita, compared to the national average of 34 cents. However, based on the \$500 annual fee and an estimated 7,500 slot machines and table games to be developed in four casinos statewide, funding in New York would almost double, raising per capita funding to 41 cents, well above the national average.



Note: Includes only funds line itemed for problem gambling services and passing through a state agency.

By devoting more resources to prevention and treatment, Connecticut was able to cut prevalence rates despite further gaming development. In 1996, Connecticut had only a single clinic, but by the time of an updated study in 2008, the state had 17 clinics.²⁴ Prevalence rates declined substantially during that period, despite the opening of Mohegan Sun late in 1996 and further expansion at Foxwoods, including the opening of Grand Pequot Tower hotel in 1997.

²⁴ Spectrum Gaming Group, *Gambling in Connecticut: Analyzing the Economic and Social Impacts*, prepared for the State of Connecticut, Division of Special Revenue, June 2009.

Connecticut Prevalence Rates

	2008 Survey	1997 Study
Problem Gamblers	0.90%	2.20%
Probable Pathological Gamblers	0.70%	0.60%
Total Disordered Gamblers	1.60%	2.80%

Source: Spectrum Gaming Group.

The presence of very large casinos in Atlantic City, Pennsylvania, and Connecticut that draw heavily from New York complicates an assessment of any impact on prevalence rates from further casino development in New York. Whether the addition of casinos in New York will have an impact on local prevalence rates, and the magnitude of that impact, are important questions that should be addressed empirically. In the case of the proposed Rivers Casino at Mohawk Harbor, a salient point is that casino gambling is already available in the area in Saratoga and at Turning Stone, and regionally major casinos in Atlantic City, Pennsylvania, and Connecticut have long impacted New York residents. Given this existing availability, the addition of gaming at the Rivers Casino is not expected to lead to an increase in prevalence rates in the local area.

Furthermore, it should be noted that increased resources are to be devoted to problem gambling research and services in New York. Funds for problem gambling will be added through the imposition of a \$500 annual fee on all slot machines and table games, which for the Rivers in Schenectady is expected to total more than \$600,000 annually for the funding of public health and addiction services. Furthermore, the facility will be required to develop comprehensive problem gambling programs and to have exclusion policies.

APPENDIX B: INNOVATION GROUP QUALIFICATIONS

The Innovation Group has extensive experience completing economic and community impact studies for gaming and hospitality development. The list of projects below represents a sample of The Innovation Group Project Team's community impact work to date.

Recent Social, Community & Economic Impact Experience (Domestic & International)

Government of Bermuda and the Bermuda Hotel Association (BHA)

The Innovation Group was engaged to provide consulting services to the Bermuda Government and the Bermuda Hotel Association regarding the potential implementation of gaming in Bermuda. This highly visible project involved working for a combined public/private client (a joint effort between the Government of Bermuda and the local Hotel Association) and was of a highly comprehensive and complex nature. In order to help determine the potential and methodologies for the tourism-focused jurisdiction, we applied a series of qualitative and quantitative tools including a gaming market assessment, a legislation study, tax considerations, and economic/social impact analysis.

Advisor to City of Springfield, Massachusetts

Through the prominent legal firm Shesky & Froelich, who had been engaged to represent City of Springfield in its negotiations with potential casino developers, The Innovation Group was engaged in 2013 as an expert advisor to assist with the review of operator bids for a proposed casino resort in Springfield. The Innovation Group helped the city develop economic impact estimates for each submission, including such services as police, fire, EMS, schools and other impacted departments. We reviewed each of the applicant's proposals and provided a critical review of each with respect to fiscal economic impacts.

State of Massachusetts

The Innovation Group was tasked by the State Senate of Massachusetts to evaluate several development scenarios based on pending legislation to enable casino gaming in the Commonwealth. The State Senate request included the preparation of a tax and regulatory discussion providing competitive intelligence into other jurisdictions, recommendations on specific legislative elements based on the Commonwealth's goals, and their fiscal impacts. Statewide gaming revenue estimates forecasted the gross gaming revenues and job creation that could be generated under a number of development scenarios. The revenue estimates were further evaluated to answer two key policy questions: the amount of revenue that would have accrued out of state in the absence of enabling legislation and the impact that casino gaming would have on the lottery.

Based on the recommendations and conclusions in our report, the State Senate of Massachusetts drafted legislation that created three development zones for large scale

casino developments in the state. The tax and regulatory discussion in our report was included in the final legislative proposal that the Governor signed into law.

The legislation being considered was expansive in scope and included a large amount of stakeholders, including our client, the Massachusetts State Senate and the potential developers and the Native American Tribes. Because of the different goals of each stakeholder, we developed a model that allowed us to evaluate multiple scenarios and iterations. The outcome of our modeling provided results that showed the full gaming potential to maximize the state's tax revenue potential while weighing the feasibility of the casino developments across the state.

Sullivan County, New York, Community Service Mitigation Analysis

In 2003, the Innovation Group was engaged by counsel for a proposed Native American casino in Sullivan County to provide a community mitigation analysis as part of a federal Environmental Impact Assessment for the Department of Interior.

Plainridge Racecourse Social/Community Impact Analysis & Strategic Research

In 2012, the Innovation Group was engaged by Plainridge Racecourse to provide market analysis, financial pro forma, and socio-economic social impact in support of a gaming license application in Massachusetts, which has the most intensive application requirements of any gaming jurisdiction. Included in our analysis were a comprehensive social impact analysis and an assessment of community mitigation, with applicants being required to negotiate a Community Host Agreement.

Ohio Statewide Economic and Community Impact Assessments

The Innovation Group recently completed an economic impact study for two locations being considered in Ohio for development by the Eastern Shawnee Tribe. Included was a cost-benefit analysis for local host communities relative to the proposed development. Benefits examined included employment from construction and on-going operations, earnings, spending on local goods and services, and fiscal impacts from sales, hotel room, and income taxes.

Laurel Park, Maryland, Gaming Market Assessment and Economic Impact Assessment

The Innovation Group recently completed the feasibility analysis for a gaming license application at Laurel Park, Maryland. In addition to a gaming market assessment and operating pro formas, our services included an economic impact analysis as part of the application requirements.

Grand Ronde Economic and Community Impact Study

The Innovation Group was asked to complete a "reverse" economic impact study to gauge the potential impact on tribal income and departments of the proposed Cascade Locks casino. The IG assessed the potential impacts on Grand Ronde's departmental services, programs, and employment from a reduction in income from Spirit Mountain. Our involvement with this assignment provides our team with important insight into the current tribal organization and the future economic challenges facing the Grand Ronde.

State of New Hampshire Economic Impact

The Innovation Group prepared an analysis of the potential New Hampshire gaming market for the state legislature in considering options for development. Following a preliminary review of the state, The Innovation Group developed six scenarios involving one or two casinos in three locations around the state. The scenarios were developed considering the state's two goals of maximizing revenue to the state and providing economic development opportunities to specific regions. The analysis projected both increased gaming revenues as well as potential impacts on other industries in the state such as the pari-mutuel industry, restaurants and bars, and increased governmental costs in the areas of enforcement and regulation.

Florida Statewide Economic Impact Analysis

The seven major racing operators in Florida engaged The Innovation Group to analyze the potential economic impact of the tax rate adjustment and addition of table games that are currently being discussed for the state of Florida. The goal of the assessment was to determine the aggregate construction expenditure and annual gaming revenue potential for Dade and Broward county pari-mutuel facilities assuming anticipated competitive environment and proposed legislative changes.

Economic Impact Assessment, Mile High USA, Inc., Aurora, Colorado

Mile High USA retained The Innovation Group to complete an Economic Impact Assessment for the potential addition of Video Lottery Terminals ("VLT's") at Arapahoe Park in Aurora, CO, including an optional scenario assuming the addition of VLT's to the South Colorado Gaming and Events Center in Pueblo, CO as well. We delivered a report including patron demand and revenue forecasts for each selected location; a sizing and supply distribution analysis looking at the appropriate number of VLT's for each site; an estimate of cannibalization to existing CO casinos; and an estimate of net direct and indirect economic impacts associated with construction and operation of each development, including a community needs assessment.

Kentucky Statewide Market & Social Impact Assessments

The Innovation Group was engaged to provide a statewide gaming market assessment, return on investment analysis and economic impact study for (2) two gaming scenarios in Kentucky. The first scenario assumed full-service slot and table gaming facilities at the state's (7) existing racetracks. The second scenario included several non-racetrack gaming locations. Using a gravity model, we developed revenue estimates, sizing and local capture potential from residents currently traveling out of state to gamble. The Innovation Group also conducted a qualitative study regarding the social cost of gaming, focusing on the impact to existing businesses in the area. A strategic plan acceptable to all participants was presented to the legislature with The Innovation Group providing supporting expert witness testimony regarding the findings.

Caesars Entertainment Economic & Social Impact Assessments, Suffolk Downs, Massachusetts

Caesar's Entertainment retained the Innovation Group to complete an analysis of the potential social and cultural impacts of casino at Suffolk Downs per the State of Massachusetts's Gaming Legislation. The report updated a feasibility study we conducted

in 2009 with added analyses on the impact a casino could have on local and small businesses, bankruptcy, problem gambling, property values, unemployment, cultural institutions, and the Massachusetts State Lottery.

Kahnawake First Nation Economic & Social Impact Studies, Quebec, Canada

In 2013, The Innovation Group completed a gaming market assessment and operational pro forma for a proposed First Nations casino in Montreal, Quebec. Accompanying that study was a complete economic impact for the First Nations community assessing the impact the casino would have on jobs, local businesses, and visitation to the area, as well as a complete socio-economic impact analysis to help the First Nation understand the various positive and negative social impacts that a casino may have on the surrounding population.

Las Vegas Sands, Bethlehem, Pennsylvania: Housing and Tourism Impact Study

General Scope: The Innovation Group completed an impact analysis of a proposed casino in Bethlehem, Pennsylvania, detailing the impact to the local housing market and existing tourism market. Comparisons were made to changes in housing values of other jurisdictions where gaming has been initiated. Impacts studied included the existing tourism market as well as potential new tourism opportunities generated by the development and indirect benefits from advertising and increased visibility. The study also included analyses of historical and other cultural impacts.

Additional Public Sector Related Experience

State of Illinois

The Innovation Group recently completed work for the Office of the Governor, Patrick Quinn. The project included analyzing multiple development scenarios and tax structures to determine the optimal strategy for casino expansion in the state. We worked closely with the Governor's office staff to ensure that our analysis matched the evolving nature of the negotiations between the Governor and the state legislature. This work was completed as a continuation from a previous project for the state that included analyzing the impacts of the Lottery and ambient video lottery terminals (VLT's) being introduced across the state.

The Governor has used The Innovation Group's analysis to guide the actions of the office as it evaluated all of the potential legislative actions for expanded gaming in the state.

The development scenarios, sizing parameters and tax structure for the expansion to gaming in the state were constantly evolving de nature of the discussions and negotiations between the governor and the state legislature. In order to be responsive to these changes and provide up to date results, we made our staff available and flexible to the needs of the Governor's Office. The ever evolving development scenario required our staff to be diligent with the modeling process in order to make sure that the correct results tied to each iteration of the discussion and negotiation.

OLG: Greater Toronto Area Market Assessment

The Innovation Group provided a market assessment for the greater Toronto Area (GTA), considering the 27 gaming facilities across Ontario (4 resort casinos, 17 racetrack slots and 6 charity casinos). To complete the scope of work, we referred to previous market studies and existing performance data, to consider opportunities within the GTA to further maximize revenue and profitability at some GTA gaming facilities. Particular consideration was offered to the long term future of Casino Rama, as well as general cannibalization consideration for all OLG locations. We reviewed the supply and demand for GTA gaming facilities and developed a market assessment for the GTA that clarified which areas of unmet demand could be defined in a variety of scenarios. The key objectives of our analysis were to determine the unmet demand (gaming revenue) within the GTA, estimate gaming demand and cannibalization impacts, based on a variety of scenarios to be determined together by OLG and The Innovation Group, and determine the optimal scenario(s) for best capturing this unmet demand, including supply requirements and resulting gaming revenue impacts. OLG also asked us to explore various sizing options with respect specific properties.

Based on the results and recommendations in our report, The Ontario Lotteries and Gaming commission has initiated its privatization and modernization program for more than 25 casinos and slot clubs in the Greater Toronto Area.

In order to comprehensively address the gaming revenue potential for the market, The Innovation Group had to determine a solution to estimate the latent demand in the market. The latent demand is not usually addressed in projects like this because of the complexity needed in order to estimate the potential. We established a methodology that addressed the maximum potential demand in the market based on comparables from other mature operating markets in the world. In order to accomplish this we created a metric that estimated the average gaming spend per adult and benchmarked this spend against comparable mature markets to establish the maximum.

Pennsylvania Statewide Table Game Analysis

In 2009, on behalf of several casino operators, The Innovation Group assessed the revenue potential that table game operations would generate in the Commonwealth of Pennsylvania. Our services included a statewide economic impact study evaluating the benefits to the Commonwealth from the introduction of table games, as well as testimony to the legislature regarding our findings. Key to allowing this program to proceed was convincing the legislature to assess a low tax rate on table games which they eventually accepted. In addition we projected increase in slot revenue as a result of companion play.

Based on the conclusions in the report and testimony, the state legislature passed a bill that allowed for table games to be introduced at casinos at a competitive tax rate. The lower tax rate bill spurred development at the casinos which included capital improvements to the casino floor and non gaming amenities including food and beverage and hotel development.

On the outset of the report, the state legislature was seeking a tax rate and structure that would have been prohibitive to the growth of the gaming industry in the state of Pennsylvania. In order to realign the stance of the legislature, The Innovation Group relied on our expertise to show both the numerical explanation of the issue as well as the expository writing to relay the point.

City of Philadelphia, Philadelphia Gaming Advisory Task Force Advisory Services

The Innovation Group was engaged to complete comprehensive analysis of the proposed new slot operations in the city and to make recommendations as to the city's oversight of these facilities. The input we provided aided officials in understanding a range of issues related to the operations so that they could more proactively take part in the development of the new industry. Our work included performing site analyses for 11 sites, developing market assessments and revenue projections for 14 scenarios, developing 28 pro formas, estimating local and overnight modal splits, estimating the fiscal impacts of problem gambling and impacts of crime and providing secondary research on trends in gaming. As primary consultants, we also oversaw the work of other consultants including input into the design and analysis of surveys and focus groups, and input into traffic impact assessments. The Innovation Group won this coveted contract through an open bid process.

The city used our recommendations in the report to assign two locations for potential casino development. One of the locations is currently developed and operating as one of the state's highest revenue generating casinos.

There were two main complications with this project: (1) the management of all the subcontractors and (2) addressing the needs of the various stakeholders on the city's development and oversight committee. In order to manage the many sub contractors on this project, The Innovation Group utilized a comprehensive timeline and communication strategy that allowed all of the subcontractors to be able to complete their tasks in a timely manner. In order to address all of the stakeholders, The Innovation Group created a communication protocol that allowed the committee members to voice their opinions and concerns and the results were addressed and included in the reports outcome and recommendations. The committee members felt their concerns addressed based on the outcome of the report.

Pennsylvania Statewide Market Assessment, Senate Democratic Appropriations Committee

In support of a bill that became the basis for subsequent gaming legislation and a state goal to generate \$1 billion in revenue, The Innovation Group conducted a gaming market analysis (using a gravity model at the statewide level) to determine the number, size and location of gaming licenses for 12 proposed facilities. Multiple scenarios were addressed in order to determine the distribution which would maximize state tax revenues and ensure viable developments. The report also included a financial analysis of the break-even point for development given a proposed \$50 million license fee and construction and financing costs. The recommendations of the report were eventually accepted by the state and incorporated into legislation. Following the passage of the bill, The Innovation Group also took a lead role on Philadelphia's Gaming Advisory Task Force to recommend optimum locations for gaming facilities in the city.

Legislation was drafted and passed through the state legislature based on the outcome and recommendation from The Innovation Group Report. The report identified the proximate sizing and location of casinos in the state that would generate over \$1 billion in gaming tax revenue. Subsequent to the development of the casinos the state has received over \$1 billion in total tax revenue.

Maryland Senate

Paul Girvan, a Managing Director/Partner of The Innovation Group and member of our proposed project team, testified before the Maryland Senate and provided revenue estimates in support of the legislation in 2004 and then again in 2007. The bill's success was partially based on our projections of gaming revenues that the state could put into its school system.

Government of Jamaica, Tourism Development & Strategic Planning Advisory Services

The Innovation Group has been retained and is working on an on-going basis for the Government of Jamaica's Public-Private Joint Venture to develop leisure and tourism attraction on the Country's north coast between Montego Bay and Ocho Rios in an area called Harmony Cove. The Innovation Group provided strategic planning, feasibility analysis, economic impact analysis, capital cost estimates and business planning support for a master plan development that will leverage landside uses drawing from a new cruise ship terminal at Falmouth and include hotels, casinos and other themed recreation all based upon a cultural fabric embedded in the country's musical history. The Innovation Group has played a key role in sourcing management for the proposed property, and structuring the operating agreement for management.

National Government of Panama

The Innovation Group assessed the potential gaming market in Panama under a number of scenarios relating to privatization, facility placement, and mixture of full casinos and slot rooms. Subsequent to our analysis, the state-run, hotel-based casinos and slot rooms were privatized and upgraded by international operators.

DISCLAIMER

Certain information included in this report contains forward-looking estimates, projections and/or statements. The Innovation Group has based these projections, estimates and/or statements on our current expectations about future events. These forward-looking items include statements that reflect our existing beliefs and knowledge regarding the operating environment, existing trends, existing plans, objectives, goals, expectations, anticipations, results of operations, future performance and business plans.

Further, statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," "project," or other words or expressions of similar meaning have been utilized. These statements reflect our judgment on the date they are made and we undertake no duty to update such statements in the future.

Although we believe that the expectations in these reports are reasonable, any or all of the estimates or projections in this report may prove to be incorrect. To the extent possible, we have attempted to verify and confirm estimates and assumptions used in this analysis. However, some assumptions inevitably will not materialize as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties and unanticipated events and circumstances, which may occur. Consequently, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material. As such, The Innovation Group accepts no liability in relation to the estimates provided herein.