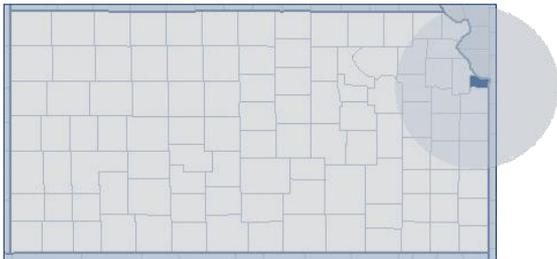

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES



**NORTHEAST ZONE
(WYANDOTTE COUNTY)**

BRIEF AGENDA

- Overview of Scope
- Economic Impact Approach
- Economic Impact of Construction
- Economic Impact of Operations
- Non-Gaming Competitive Impacts

Scope of Work

Scope of Work

- Same as Southeast and South Central
- Economic impact of construction and operations of proposed facilities
 - Inconsistent submissions required one model applied to all applicants
- Review of “cannibalization” and competition for non-gaming activities

Economic Impact Approach

Economic Impact Approach

- IMPLAN, an industry-standard tool built on input-output modeling
- Impacts calculated on a statewide basis
- Focus is on equitable treatment of applicants
 - Developed a single model for all applicants

Economic Impact Approach

- Used data supplied by applicants where possible
 - Inconsistent entries in templates required substantial adjustments
 - Any adjustments made for all applicants
- Bottom line impacts less important here than comparative impacts

NET Economic Impacts

- The most important thing to learn today:
 - Economic impact analysis must focus on activity that is new to the study area
 - Activity that simply moves from one location or firm to another is not new to the area
- Applied to Kansas gaming proposals using Cummings and Wells models

NET Economic Impacts

- *Export Revenue:*
 - This refers to the portion of gaming revenues derived from non-Kansas visitors that would not, absent the proposed casino, have occurred in Kansas.
- *Import Substitution Revenue:*
 - This refers to the portion of gaming revenues derived from Kansas residents that would, absent the proposed casino, have occurred outside of Kansas.

Economic Impact Reporting

- Economic impacts are comprised of three separate categories.
 - *Economic Output* is the total production or sales derived from the project.
 - *Employment* is the total number of Kansans employed both on a full and part time basis in a given industry.
 - *Wages* is the amount of salaries and benefits paid to Kansas employees.

Economic Impact Reporting

- For each of the categories listed above a direct effect, indirect effect, and induced effect has been calculated.
 - *Direct* effects capture the initial impact created.
 - *Indirect* effects are additional impacts derived from businesses providing products or services to the selected industries.
 - *Induced* effects are the result of increased household spending due to the direct and indirect effects.

Construction Impacts

Construction Impacts

- Temporary economic activity associated with designing and building facilities and associated infrastructure
- Cost inputs provided by applicants
- Assumed all activity in 2010
- Simply put, relative cost of proposed facilities drives relative outcomes

Construction Impact Summary

CONSTRUCTION IMPACTS SUMMARY						Relative Impacts
NORTHEAST GAMING ZONE						
	Direct	Indirect	Induced	Total		
ECONOMIC OUTPUT	Total revenues associated with construction (\$ Millions, 2007 Dollars)					
Hard Rock/Speedway	\$ 373.6	\$ 120.1	\$ 164.1	\$ 657.8		
Golden Heartland	\$ 390.3	\$ 125.9	\$ 171.5	\$ 687.6		
Legends Sun	\$ 415.5	\$ 133.7	\$ 182.9	\$ 732.1		
Pinnacle	\$ 410.3	\$ 131.4	\$ 180.5	\$ 722.3		
EMPLOYMENT	Total workers, including full-time and part-time					
Hard Rock/Speedway	3,948	983	1,572	6,503		
Golden Heartland	4,071	1,050	1,642	6,763		
Legends Sun	4,379	1,090	1,751	7,221		
Pinnacle	4,288	1,093	1,729	7,111		
LABOR INCOME	Total wages paid to workers identified above (\$ Millions, 2007 Dollars)					
Hard Rock/Speedway	\$ 170.4	\$ 41.2	\$ 49.1	\$ 260.7		
Golden Heartland	\$ 177.6	\$ 43.5	\$ 51.3	\$ 272.4		
Legends Sun	\$ 190.0	\$ 45.9	\$ 54.7	\$ 290.5		
Pinnacle	\$ 187.5	\$ 45.3	\$ 54.0	\$ 286.8		

Source: Applicant Submissions, IMPLAN, Civic Economics

Operating Impacts

Operating Impacts

- Used 2012 for first full year of operations
 - Variations in projected growth in out years
- Steps to determine inputs:
 - Gaming revenue adjustment
 - Calculation of net impacts from Cummings and Wells analyses
 - Operational scale
 - Final input modifications for labor costs

Operational Scale

- Applicants projected both non-gaming and gaming revenues
 - Gaming revenue applied here is average of Cummings and Wells mid-case
- Non-gaming revenues were adjusted downward in proportion to NET revenues
 - Hotel revenue separately forecast based on Probe analysis

Gaming Revenue Projections

REVENUE FORECASTS, 2012 NORTHEAST GAMING ZONE (IN 2007 Dollars)				
GAMING REVENUE PROJECTIONS				
	Hard Rock / Speedway	Golden Heartland	Pinnacle	Legends Sun
Estimated gaming revenue: Applicant	\$ 358,073,000	\$ 266,085,000	\$ 401,456,000	\$ 281,858,000
Estimated gaming revenue: Wells	\$ 211,160,000	\$ 166,454,000	\$ 180,178,000	\$ 152,604,000
Estimated gaming revenue: Cummings	\$ 234,200,000	\$ 223,200,000	\$ 206,300,000	\$ 182,800,000
Average of Wells & Cummings	\$ 222,680,000	\$ 194,827,000	\$ 193,239,000	\$ 167,702,000
Ratio of Average to Applicant	0.622	0.732	0.481	0.595

SOURCE: Applicant Submissions, Wells Gaming and Cummings & Assoc., Probe Strategic Solutions, Civic Economics

Net Gaming Revenue Adjustment

- Cummings and Wells analysis allows an estimate of gaming revenue flows among states
- This analysis uses the sum of:
 - Import Substitution
 - Export

NET Revenue Projections

NET REVENUE FOR ECONOMIC IMPACT ANALYSIS				
NORTHEAST ZONE				
Wells Model				
	Hard Rock / Speedway	Golden Heartland	Pinnacle	Legends Sun
Estimated Gaming Revenue	\$ 211,160,000	\$ 166,454,000	\$ 180,178,000	\$ 152,604,000
Estimated Gaming Export	\$ 51,694,315	\$ 36,804,993	\$ 44,184,574	\$ 34,814,124
Estimated Gaming Import Substitution	\$ 97,932,591	\$ 78,067,485	\$ 82,984,410	\$ 70,206,486
Net Revenue	\$ 149,626,906	\$ 114,872,478	\$ 127,168,984	\$ 105,020,610
Cummings Model				
	Hard Rock / Speedway	Golden Heartland	Pinnacle	Legends Sun
Estimated Gaming Revenue	\$ 234,200,000	\$ 223,200,000	\$ 206,300,000	\$ 182,800,000
Estimated Gaming Export	\$ 70,500,000	\$ 63,700,000	\$ 61,000,000	\$ 53,000,000
Estimated Gaming Import Substitution	\$ 91,100,000	\$ 84,400,000	\$ 80,000,000	\$ 70,000,000
Net Revenue	\$ 161,600,000	\$ 148,100,000	\$ 141,000,000	\$ 123,000,000
Average of Wells and Cummings				
Average Net Revenue	\$ 155,613,453	\$ 131,486,239	\$ 134,084,492	\$ 114,010,305
Net as a % of Gaming Revenue	69.9%	67.5%	69.4%	68.0%

SOURCE: Wells, Cummings, Civic Economics

Non-Gaming Revenue Adjustment

NON-GAMING REVENUE ADJUSTMENTS, 2012				
NORTHEAST GAMING ZONE (IN 2007 Dollars)				
	Hard Rock / Speedway	Golden Heartland	Pinnacle	Legends Sun
Hotel Revenue	\$ 14,295,389	\$ 14,295,389	\$ 23,825,649	\$ 16,677,954
Food & Beverage Revenue	\$ 12,847,963	\$ 15,661,488	\$ 15,233,850	\$ 11,082,369
Retail Revenue	\$ 4,565,841	\$ -	\$ 3,673,950	\$ 3,041,402
Golf	\$ -	\$ 1,488,479	\$ -	\$ -
Convention	\$ 1,503,258	\$ -	\$ 2,731,562	\$ 1,200,129
Other Revenue	\$ 4,007,956	\$ 1,863,590	\$ 2,304,569	\$ 7,961,890

SOURCE: Applicant Submissions, Wells Gaming and Cummings & Assoc., Probe Strategic Solutions, Civic Economics

Adjustment for Labor Cost

- Sought to use applicant submissions for labor intensity of operations
 - IMPLAN models lower than likely new reality
- Chose to use average of zone applicants

PRODUCTIVITY AND WAGE HARMONIZATION NORTHEAST ZONE		
Category	Harmonized Value	Notes
Revenue per employee	\$ 285,816	Using an average of all four applicants
Wages per employee	\$ 32,477	

Source: Applicant Submissions

Finally, on to the numbers ...

Operating Impact Summary

OPERATING IMPACTS SUMMARY, 2012 NORTHEAST GAMING ZONE

	Direct	Indirect	Induced	Total	Relative Impacts
ECONOMIC OUTPUT					
Total revenues associated with operation (\$ Millions, 2007 Dollars)					
Hard Rock/Speedway	\$ 153.6	\$ 85.9	\$ 40.0	\$ 279.4	
Golden Heartland	\$ 130.7	\$ 74.2	\$ 33.3	\$ 238.2	
Legends Sun	\$ 121.2	\$ 65.1	\$ 32.7	\$ 219.0	
Pinnacle	\$ 141.0	\$ 76.9	\$ 37.2	\$ 255.1	
EMPLOYMENT					
Total employment associated with operation					
Hard Rock/Speedway	1,076	750	379	2,205	
Golden Heartland	831	645	316	1,792	
Legends Sun	1,021	567	311	1,898	
Pinnacle	1,059	669	353	2,080	
LABOR INCOME					
Total wages paid to employees above (\$ Millions, 2007 Dollars)					
Hard Rock/Speedway	\$ 25.2	\$ 26.5	\$ 11.9	\$ 63.5	
Golden Heartland	\$ 20.3	\$ 22.8	\$ 9.9	\$ 53.0	
Legends Sun	\$ 22.2	\$ 20.1	\$ 9.8	\$ 52.0	
Pinnacle	\$ 24.4	\$ 23.6	\$ 11.1	\$ 59.1	

Source: Applicant Submissions, IMPLAN, Civic Economics

Non-Gaming Competitive Impacts

Competitive Impacts

- Civic Economics was asked to evaluate likely competitive pressures on existing businesses due to arrival of new non-gaming amenities
- Issues in Northeast Zone:
 - Redirected local spending
 - Retail and entertainment developments
 - Convention facility developments
 - Food & Beverage competition
 - Golf competition

Redirected Local Spending

REDIRECTED SPENDING BY KANSANS NORTHEAST REGION (2007 Dollars)		
Cordish/Speedway	\$	67,066,547
Golden Gaming	\$	63,340,761
Pinnacle	\$	59,154,508
Legends Sun	\$	53,691,695

Equivalent to approximately
6.8 - 8.4%
of Wyandotte and Johnson
County retail sales

Source: Wells, Cummings, Claritas, Civic Economics

Retail and Entertainment

- Hard Rock/Speedway proposes “Kansas Live” entertainment and retail development
- Numerous dining and drinking options
- Cordish project
- Legends Sun proposes 200,000 square feet of commercial space
- Undetermined mix: to complement Legends
- Residential above shops

Food and Beverage

FOOD AND BEVERAGE OFFERINGS					
Hard Rock/Speedway					
Night Club	850	Steak Restaurant	165	Buffet/Market Food Court	400
Casino Center Bar	100	Italian Restaurant	195	All Day Café	275
Rock Bar	300	Sports Bar	400	Burger	90
Dance Club	800	Pool Bar & Grille	120	Gelato	90
Irish Pub	350	Asian	225	<i>Limited-Service Total</i>	855
Comedy Club	400	Seafood	150		
Jazz Club	400	Health	125		
Country	500	Cuban/Latin	175		
Upscale Lounge	240	<i>Full-Service Total</i>	1555		
Players Club Lounge	90				
<i>Drinking Places Total</i>	4030			Hard Rock/Speedway Grand Total	6440
Golden Heartland					
Center Bar	50	Café	220	Buffet	350
Sports Bar	20	Steakhouse	125	<i>Limited-Service Total</i>	350
Lobby Bar	81	Specialty Restaurant	100		
<i>Drinking Places Total</i>	151	Golf Course Restaurant	275	Golden Heartland Grand Total	1221
		<i>Full-Service Total</i>	720		
Legends Sun					
Center Bar	80	24-Hour 'Coffee-Shop'	200	Buffet	350
Lobby Bar	35	Casual Themed Concept	120	Quick Service	150
Entertainment Bar	120	Michael Jordan's	150	<i>Limited-Service Total</i>	500
Terrace & Pool Bar	12	<i>Full-Service Total</i>	470		
High Limit Lounge	30			Legends Grand Total	1247
<i>Drinking Places Total</i>	277				
Legends Sun					
Piano Bar	122	Fine Dining	286	Buffet	629
Sports Bar	122	Fine Dining	245	Casual	179
Central Island Bar	306	Casual	223	Casual	223
Beer Garden Bar	122	Casual	223	Coffee	30
<i>Drinking Places Total</i>	673	<i>Full-Service Total</i>	977	<i>Limited-Service Total</i>	1060
				Pinnacle Grand Total	2711

Source: Applicant submissions, Probe Strategic Solutions

Food and Beverage

WYANDOTTE/JOHNSON COUNTY FOOD AND BEVERAGE MARKET			
	Demand	Supply	Available Market
Foodservice and Drinking Places-722	\$ 1,152,471,843	\$ 1,185,954,004	-33,482,161
Full-Service Restaurants-7221	\$ 525,538,007	\$ 552,847,007	-27,309,000
Limited-Service Eating Places-7222	\$ 480,371,274	\$ 544,193,993	-63,822,719
Drinking Places -Alcoholic Beverages-7224	\$ 53,710,323	\$ 33,539,995	20,170,328

Source: Claritas

Convention Facilities

KANSAS SUBURBAN CONVENTION FACILITIES		
Proposed	Exhibition Sq. Ft.	Meeting Rooms
Hard Rock/Speedway	80,000	5
Golden Heartland	25,000	6
Legends Sun	76,500	8
Pinnacle	118,540	24
Existing	Exhibition Sq. Ft.	Meeting Rooms
Overland Park Convention Center	85,000	7
Sheraton Overland Park	21,000	6
Doubletree Overland Park	20,000	
Hilton Garden Inn, KCKS	20,000	8
Marriott Overland Park	14,000	17
Holiday Inn Overland Park West	11,000	17
Radisson Lenexa	11,000	10

Source: Applicant Submissions, Kansas City CVB, Overland Park CVB

Golf

KANSAS SUBURBAN GOLF UPMARKET DAILY FEE COURSES

Course Name	Daily Fee	Type
Deer Creek, Overland Park	\$ 71	Private, Daily Fee
Falcon Ridge, Lenexa	\$ 85	Private, Daily Fee
Ironhorse, Leawood	\$ 70	Municipal
Prairie Highlands, Olathe	\$ 75	Private, Daily Fee

Source: KCMetroGolf.com, GolfLink

Thank you.

CivicEconomics.com
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