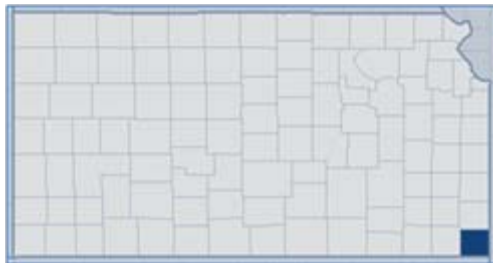

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

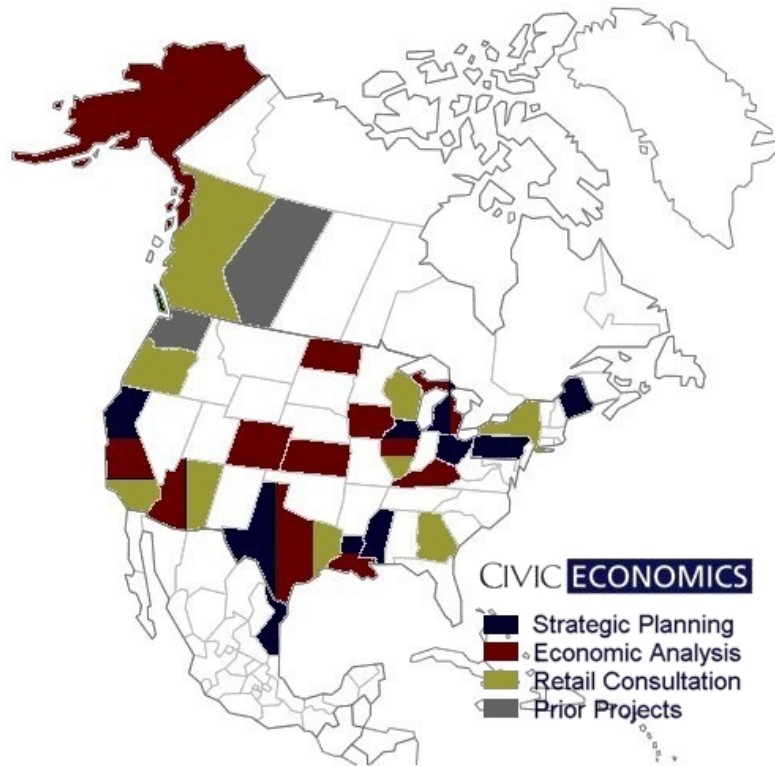


**SOUTHEAST ZONE
(CHEROKEE COUNTY)**

BRIEF AGENDA

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

About Civic Economics



*Economic Analysis & Strategic
Planning for Sustainable Prosperity*

- Established in 2002
- Matt Cunningham in Chicago, Dan Houston in Austin
- Diverse practice in scope and geography
- Not a gaming/tourism practice

Scope of Work

Scope of Work

- Something of a moving target
- 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
 - Can be modified in SW, NE zones

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 Summary Chart

CONSTRUCTION IMPACTS SUMMARY				
SOUTHEAST GAMING ZONE				
	Direct	Indirect	Induced	Total
ECONOMIC OUTPUT	Total revenues associated with construction (\$ Millions, 2007 Dollars)			
	\$ 46.2	\$ 15.0	\$ 20.4	\$ 81.7
EMPLOYMENT	Total workers, including full-time and part-time			
	468	117	190	775
WAGES	Total wages paid to workers identified above (\$ Millions, 2007 Dollars)			
	\$ 21.2	\$ 5.1	\$ 6.1	\$ 32.5

Source: Applicant Submissions, IMPLAN, Civic Economics

Operating Impacts

Operating Impacts

- Used 2011 for first full year of operations
 - Variations in projected growth in out years
- Steps to determine inputs:
 - Gaming revenue and operational scale
 - Calculation of net impacts from Cummings and Wells analyses
 - Final model adaptations 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 proportionately

Chart 5, Page 11

REVENUE FORECASTS, 2011	
SOUTHEAST GAMING ZONE (IN 2007 Dollars)	
GAMING REVENUE PROJECTIONS	
	Penn Cherokee
Estimated gaming revenue: Applicant	\$ 57,393,218
Estimated gaming revenue: Wells	\$ 28,372,204
Estimated gaming revenue: Cummings	\$ 32,040,000
Average of Wells & Cummings	\$ 30,206,102
Ratio of Wells/Cummings to Applicant	0.5263
ADJUSTED NON-GAMING REVENUE PROJECTIONS	
	Penn Cherokee
Hotel Revenue	\$ -
Food Revenue	\$ 1,449,959
Retail Revenue	\$ 302,061
Other Revenue	n/a

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

Chart 6, Page 13

EXPORT AND IMPORT SUBSTITUTION IN KANSAS CASINOS, 2011 SOUTHEAST ZONE

	Penn Cherokee
Wells	
Estimated Gaming Revenue	\$ 28,372,204
Estimated Gaming Export	<i>Wells methodology did not allow a breakdown of these values</i>
Estimated Gaming Import Substitution	
Net or New Revenue	\$ 24,487,411
Cummings	
Estimated Gaming Revenue	\$ 32,040,000
Estimated Gaming Export	\$ 24,600,000
Estimated Gaming Import Substitution	\$ 4,200,000
Net or New Revenue	\$ 28,800,000
Average Net Revenue	\$ 26,643,706
Net as a % of Gaming Revenue	93.9%

SOURCE: Wells, Cummings, Civic Economics

Adjustment for Labor Cost

- Sought to use applicant submissions for labor intensity of operations
 - IMPLAN models lower than likely new reality
 - Applicants made case for varying labor cost
- Unable to use submissions due to inconsistent productivity values

APPLICANT SUBMISSION MODIFICATIONS		
OPERATION ECONOMIC IMPACT ANALYSIS		
Category	Harmonized Value	Notes
Revenue per employee	\$ 146,960	Using an average of all casino applications
Wages per employee	\$ 33,540	Using an average of all casino applications

Finally, on to the numbers ...

Operating Summary Chart

OPERATING IMPACTS SUMMARY, 2011				
SOUTHEAST GAMING ZONE				
	Direct	Indirect	Induced	Total
ECONOMIC OUTPUT	Total revenues associated with construction (\$ Millions, 2007 Dollars)			
	\$ 23.3	\$ 11.5	\$ 7.0	\$ 41.9
EMPLOYMENT	Total workers, including full-time and part-time			
	183.6	101.9	67.0	352.5
WAGES	Total wages paid to workers identified above (\$ Millions, 2007 Dollars)			
	\$ 5,567,960	\$ 3,549,200	\$ 2,103,561	\$ 11,220,720

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
- Key Local Variations:
 - SE site adjacent to larger facility with all amenities
 - Cherokee area economy thus already adapting to new competition

Gaming Spend Issue

- Remaining projected revenue after NET is new gaming spending by Kansans
- This is money that previously went to other discretionary activity
- Beyond scope here to evaluate sources of that money, but totals are as follows:

NEW GAMING SPENDING BY KANSANS SOUTHEAST REGION (2007 Dollars)		
Penn Cherokee	\$	3,562,397

Source: Wells, Cummings, Civic Economics

Chart 12, Page 23

RETAIL SUPPLY AND DEMAND SOUTHEAST REGION, FOUR-COUNTIES (2007)

SE TIGHT	Demand	Supply	Gap
Foodservice and Drinking Places-722	\$ 109,338,195	\$ 78,860,003	\$ 30,478,192
Full-Service Restaurants-7221	\$ 49,704,403	\$ 37,290,000	\$ 12,414,403
Limited-Service Eating Places-7222	\$ 45,859,968	\$ 38,549,000	\$ 7,310,968
Special Foodservices-7223	\$ 8,866,153	\$ 1,010,002	\$ 7,856,151
Drinking Places -Alcoholic Beverages-7224	\$ 4,907,671	\$ 2,011,001	\$ 2,896,670
Clothing and Clothing Accessories Stores-448	\$ 46,913,003	\$ 19,920,017	\$ 26,992,986
Jewelry, Luggage, Leather Goods Stores-4483	\$ 5,784,197	\$ 2,171,999	\$ 3,612,198
Book Stores and News Dealers-45121	\$ 4,705,216	\$ 1,348,003	\$ 3,357,213
Florists-4531	\$ 2,194,762	\$ 1,671,005	\$ 523,757
Gift, Novelty and Souvenir Stores-45322	\$ 5,435,805	\$ 3,822,996	\$ 1,612,809

Source: Claritas

Thank you.

CivicEconomics.com
dhouston @ or mattc @