

Comparative Analysis
of
Mason-Dixon's
Local Impact Report

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Comparative Analysis of Mason-Dixon Local Impact Report

Summary

Mason-Dixon's Local Impact Report [LIR] proves their proposed casino is a "locals" casino that will take more from Adams County than it returns. This is a significant change from Crossroads' 2006 proposal. In that proposal, Crossroads claimed that Adams would provide 17% of the casino's revenue – 6% from residents and 11% from existing overnight hotel guests. At the time, we debated Crossroad's projection for Adams as too low.

Casino Attendance

	Crossroads		Mason-Dixon	
Existing Hotel Guests	360,000	11%	93,000	12%
Adams	193,800	6%		
0-30 Minutes			449,000	59%
30-60 Minutes			225,000	29%
Within 1 hour	2,170,000	67%	674,000	88%
1-2 hours	700,000	22%		
	<hr/>		<hr/>	
	3,230,000		767,000	

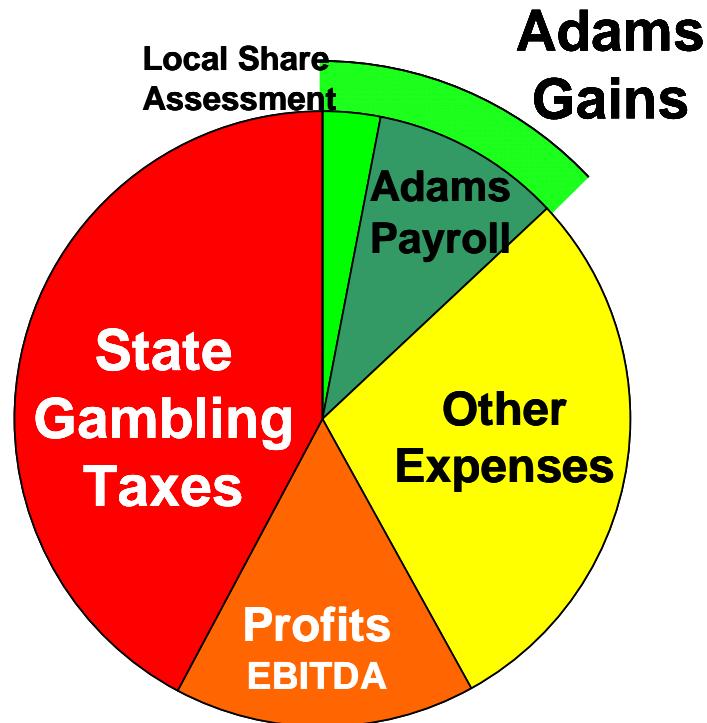
Now Mason-Dixon is proposing that 71% of revenue will come from existing hotel guests or residents who live within half an hour. The balance will come from those who live 30-60 minutes away. Gone are claims that people will drive from Baltimore, Washington or Northern Virginia. Applying Mason-Dixon's visitation forecast to the surrounding population indicates Mason-Dixon expects Adams residents will make about 330,000 visits or 43% of the total visits. This 43% plus 12% from existing hotel guests implies 55% of the gambling revenue is taken from Adams County.

While Mason-Dixon will take in over half its revenues from Adams County residents and existing hotel guests, it Pays Out about an eighth of those revenues to Adams County in the form of wages and benefits and local share assessments. The majority will go to State Gambling Taxes, Investor Profits, and Other Expenses (primarily out-of-county suppliers). Although Adams suppliers will compete for some of this business, they will not win enough to make up what Adams residents lose at the casino. In aggregate, ignoring social costs and lost heritage tourism revenues, Adams will lose about \$20 million in total economic activity as the losses of local residents and existing hotel guests more than offsets the income of casino jobs and taxes. For every casino job created two will be lost elsewhere in the Adams economy. For every dollar Adams residents and existing hotel guests puts into Mason-Dixon, it gets back six cents of Local Share Assessment Gambling taxes. It's a bad deal.

Mason-Dixon Takes In



Mason-Dixon Pays Out



Comparative Analysis of Mason-Dixon Local Impact Report

Mason-Dixon's LIR was prepared by Econsult. This is the same firm that prepared the LIR for Valley Forge Convention Center [VFCC]. Following is a comparative analysis of these two LIR's. Using their own figures as evidence, this analysis demonstrates the similarities and differences in the two LIR's to explain the potential impacts of the proposed Mason-Dixon casino. Extracts are shown in grey. Author commentary highlighting differences and explaining the Mason-Dixon LIR is provided in white. This commentary shows that the proposed Mason-Dixon casino will predominantly serve locals. It will extract money to pay taxes and investor profits from Adams County residents, thereby reducing economic output and jobs. This report clearly establishes that many of Mason Dixon's claims are unprecedented and unsupported.

Executive Summary

Mason-Dixon LIR

Spending and Employment

Overall, we estimate that the combined impacts of incremental net new casino operational spending and ancillary (visitor) spending will have positive economic impacts for Adams County and the Commonwealth of Pennsylvania.

Net New, Ongoing Impacts in Adams County.

- \$66 million in total economic activity
 - \$51 million attributable to increased hotel operations impacts
 - \$15 million attributable to ancillary (visitor) spending impacts
- 896 total jobs
 - 375 new, FTE jobs at Mason-Dixon Resort and Casino
 - 326 indirect jobs attributable to Mason-Dixon operating expenditures
 - 195 jobs attributable to ancillary (visitor) spending

VFCC LIR

Spending and Employment

Overall, we estimate that total indirect and direct potential ongoing annual economic impacts generated by the entertainment center for the State of Pennsylvania to be:²

Net New Ongoing Impacts in Montgomery County.

- \$29.3 million in total economic activity
 - \$15.5 million attributable to Entertainment Center Operations
 - \$3.7 million attributable to Increased VFCC Hotel Operations
 - \$10.1 attributable to ancillary (visitor) spending
- 291 total jobs
 - 169 Direct, Indirect and Induced due to Entertainment Center
 - 28 Direct, Indirect, and Induced due to Increased VFCC Hotel Operations.
 - 94 jobs attributable to ancillary (visitor) spending

¹ Econsult, "Potential Impact of the Proposed Category 3, Mason-Dixon Resort & Casino." Philadelphia, PA, March 2010. Page E1

² Econsult, "Potential Local Economic Impacts of the Proposed Category 3 Entertainment Center Gaming Facility for the Valley Forge Convention Center," Philadelphia June 2007 Page E1

Comparative Analysis of Mason-Dixon Local Impact Report

Net New, Ongoing Impacts in the Commonwealth of Pennsylvania

- \$127 million in total economic activity
 - \$100 million attributable to increased hotel operations impacts
 - \$27 million attributable to ancillary (visitor) spending impacts
- 1,799 total jobs
 - 375 new, FTE jobs at Mason-Dixon Resort and Casino
 - 1,054 indirect jobs attributable to Mason-Dixon operating expenditures
 - Nearly 370 jobs attributable to ancillary (visitor) spending.
- Over \$37 million in wages and employee earnings

Taxes

- Combined, gaming and induced non-gaming state taxes could approach \$37 million annually with this proposed complex.
- Combined, gaming and induced non-gaming local taxes could approach \$3.0 million annually with this proposed complex.¹

Net New, Ongoing Impacts in the Commonwealth of Pennsylvania

- \$44.8 million in total economic activity
 - \$24.2 million attributable to Entertainment Center Operations
 - \$6.1 million attributable to Increased VFCC Hotel Operations
 - \$14.5 attributable to ancillary (visitor) spending
- 606 total jobs
 - 344 Direct, Indirect and Induced due to Entertainment Center
 - 72 Direct, Indirect, and Induced due to Increased VFCC Hotel Operations.
 - 190 jobs attributable to ancillary (visitor) spending
- Over \$13.1 million in wages and employee earnings³

Taxes

- Combined, gaming and induced non-gaming state taxes could approach \$31.7 million annually with this proposed entertainment center.
- Combined, gaming and induced non-gaming local taxes could approach \$2.8 million annually with this proposed entertainment center.⁴

Despite serving a market one fifth the size served by VFCC, Mason-Dixon claims it will create about three times the economic activity and jobs that VFCC would create. Despite all this added economic activity, state gaming taxes are about the same, and local gaming taxes are virtually identical at \$3.0 and \$2.8 million for Adams and Montgomery counties

³ Econsult, "Potential Local Economic Impacts of the Proposed Category 3 Entertainment Center Gaming Facility for the Valley Forge Convention Center," Philadelphia June 2007 page 10, 11, 13 figures taken from body of report and placed in same format as Mason-Dixon. Executive summary says \$45 million in additional spending over 500 new jobs (including 150 at the entertainment center), and over \$13 million in wages and employee earnings. The jobs number in the summary appears low.

⁴ Econsult, "Potential Local Economic Impacts of the Proposed Category 3 Entertainment Center Gaming Facility for the Valley Forge Convention Center," Philadelphia June 2007 Page E1

Comparative Analysis of Mason-Dixon Local Impact Report

and local governments. The magnitude of the differences in the forecasts cast a question over the feasibility of Mason-Dixon's projections. Furthermore, as demonstrated below, Mason-Dixon's LIR shows it will be a locals casino that will extract more than it returns to Adams County. As shown below a "More Realistic Scenario" indicates that, without taking into account a decline in heritage tourism or social costs due to gambling, a casino will reduce economic activity by \$20.6 million as local losses exceed income. On a net basis 346 jobs are lost.

Mason-Dixon LIR

Spending and Employment

Overall, we estimate that the combined impacts of incremental net new casino operational spending and ancillary (visitor) spending will have positive economic impacts for Adams County and the Commonwealth of Pennsylvania.

Net New, Ongoing Impacts in Adams County.

- \$66 million in total economic activity
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- 896 total jobs
 - 375 new, FTE jobs at Mason-Dixon Resort and Casino
 - 326 indirect jobs attributable to Mason-Dixon operating expenditures
 - 195 jobs attributable to ancillary (visitor) spending.⁵

More Realistic Scenario

Spending and Employment

Mason-Dixon casino will be a smaller locals casino extracting more from Adams than is brought in:

Net New, Ongoing Impacts in Adams County.

- \$20.6 million decline in total economic activity
 - \$24.7 million increase attributable to increased hotel operations impacts⁶
 - \$0.35 million attributable to ancillary (visitor) spending impacts⁷
 - \$41.5 million lost economic activity attributable to incremental gambling losses by Adams residents and Existing/Current Hotel Guests⁸
 - \$4.2 million lost economic activity attributable to \$10 casino admission charge.⁹

- 346 jobs lost
 - 179 new, FTE jobs at Mason-Dixon Resort and Casino for Adams residents.¹⁰
 - 53 indirect jobs attributable to Mason-Dixon operating expenditures¹¹

⁵ Econsult, "Potential Impact of the Proposed Category 3, Mason-Dixon Resort & Casino." Philadelphia, PA, March 2010. Page E2

⁶ See Table 2.2.e page 28

⁷ See Table 2.4.f page 37

⁸ See Table 6.1.a page 52

⁹ See Table 2.4.g page 37

¹⁰ See Table 2.2.e page 28

¹¹ See Table 2.2.e page 28

Comparative Analysis of Mason-Dixon Local Impact Report



- 4 jobs attributable to ancillary (visitor) spending
- 529 jobs lost due to lost economic activity attributable to gambling losses.¹²
- 53 jobs lost attributable to \$10 admission charges.¹³

Taxes

- Combined, gaming and induced non-gaming state taxes could approach \$37 million annually with this proposed complex.
- Combined, gaming and induced non-gaming local taxes could approach \$3.0 million annually with this proposed complex.¹⁴

Taxes

- Cumberland residents suffer \$3.3 million incremental gambling losses for which Cumberland receives \$1.2 million in gambling taxes.
- Balance of Adams County residents suffer \$20.0 million in incremental gambling losses for which Adams receives \$1.2 million in gambling taxes.¹⁵

1.0 Introduction

Mason-Dixon LIR

Mason-Dixon Resorts, L.P. (“Mason-Dixon”) is submitting an application to the Pennsylvania Gaming Control Board for a Category 3 Slot Machine Operator License to develop, own, and operate a first-class resort and casino facility in Adams County, Pennsylvania.

The current Eisenhower Hotel & Conference Center features the following:

VFCC LIR

Valley Forge Convention Center Partners, L.P. (“VFCC PARTNERS”) is submitting an application to the Pennsylvania Gaming Control Board for one of two Category 3 Slot Machine Operator Licenses to develop, own, and operate a first-class, 500-slot entertainment center facility inside the existing Valley Forge Convention Center, located in Montgomery County, Pennsylvania.

The current space at the Valley Forge Convention and Exhibition Center is an ideal setting for the proposed enter-

¹² See Table 6.1.b page 52

¹³ See Table 2.4.h page 38

¹⁴ Econsult, “Potential Impact of the Proposed Category 3, Mason-Dixon Resort & Casino.” Philadelphia, PA, March 2010. Page E2

¹⁵ See Table 6.1.a page 52

¹⁶ Econsult, “Potential Impact of the Proposed Category 3, Mason-Dixon Resort & Casino.” Philadelphia, PA, March 2010. Page 1

Comparative Analysis of Mason-Dixon Local Impact Report

- 308 guest rooms in two building complexes (Eisenhower I and Eisenhower II)
- 12,420 square feet of meeting space in Eisenhower I with six meeting rooms, including a
- ballroom of approximately 9,800 square feet
- 15,563 square feet of meeting space in Eisenhower II with 19 meeting rooms, including a ballroom of approximately 9,700 square feet
- Richard's Restaurant and Lounge
- The Allstar (Events) Complex of approximately 48,260 square feet currently used for events, exhibits, etc.

The current plan is to convert and expand the Events Complex to incorporate a casino with 600 slot machines, 50 Table Games, as well as a food court and lounge. The Category 3 Casino ("the Casino" or "the Resort and Casino") would be developed as part of the redeveloped Eisenhower Hotel & Conference Center and would be known as the "Mason-Dixon Resort & Casino."¹⁶

tainment facility. It already offers a wide-range of amenities and meeting space that will be continuously improved to become the high-end boutique that VFCC PARTNERS outlines in their proposal.

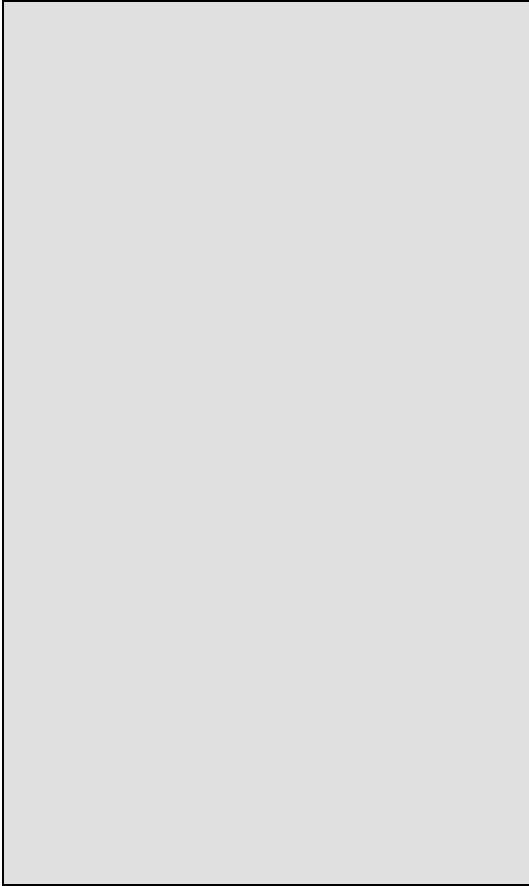
The 850,000 square foot Valley Forge Convention and Exhibition Center currently is comprised of two hotels containing a combined total of 488 rooms. In addition, both the Scanticon Business Center and the Radisson Hotel contain full service restaurants. Other amenities include various meeting rooms, lounges, a nightclub, health and fitness area, spa, and outdoor aquatic center.

The Valley Forge Convention and Exhibition Center currently contains 108,000 square feet of meeting, convention, and exhibition space. An additional 30,000 square feet of upscale meeting, conference and banquet facilities are available as either meeting rooms or ballrooms.

A highlight of the current space is a completely renovated state-of-the-art private entertainment area, renamed the Waterford. It replaces the long running Lily Langtry's Victorian Restaurant and Showplace. This is the first of a number of planned improvements to upgrade the overall ambiance and attractiveness of the complex.

VFCC PARTNERS plans to renovate and redevelop approximately 18,000 square feet within the existing center for use as the Category 3 entertainment center, which includes additional space for back office purposes. Additional

¹⁷ Econsult, "Potential Local Economic Impacts of the Proposed Category 3 Entertainment Center Gaming Facility for the Valley Forge Convention Center," Philadelphia June 2007 Page 1-3



internal (no external changes are planned) improvements to all parts of the complex are included in the plans for the new entertainment center. The interior theme will be designed as a "high-end" facility considering the limited number of Slots and the facility location. The premiere "boutique" image will be utilized to set the entertainment center apart from the other larger facilities, and to fill a niche not already covered in the area. Patron comfort and prestige would be incorporated into both facility design and service considerations, including increased emphasis on well-trained personable staff in all areas, valet parking, players club, convenient service systems (slot marketing, beverage service), clean and well-maintained patron areas, and hands-on management interacting with customers. Quality customer service will be the hallmark of the VFCC entertainment center.¹⁷

1.1 / 1.2 Estimated Entertainment Center Visits and Gaming Revenues.

Mason-Dixon LIR

The underlying data for all of the estimates presented here are the forecasts for visitation and spending at the proposed facility. Pro forma estimates of resort and casino visits and gaming revenues were developed by Mason-Dixon, using standard models incorporating market boundaries, market share, and adult population gaming propensities.¹⁸

VFCC LIR

The underlying data for all of the estimates presented here are the forecast for visitation and spending at the proposed facility. Pro forma estimates of entertainment center visits and gaming revenues were developed by PKF and f/b Capital Partners, using standard models incorporating market boundaries, market share, and adult population gaming propensities.¹⁹

Crossroads Market forecasts were prepared by PKF consulting. For some reason, Mason-Dixon unlike Crossroads is not using PKF and has prepared its own forecasts.

¹⁸ Econsult, "Potential Impact of the Proposed Category 3, Mason-Dixon Resort & Casino." Philadelphia, PA, March 2010. Page 2

¹⁹ Econsult, "Potential Local Economic Impacts of the Proposed Category 3 Entertainment Center Gaming Facility for the Valley Forge Convention Center," Philadelphia June 2007 Page 2

Comparative Analysis of Mason-Dixon Local Impact Report

Mason-Dixon LIR

Using various reasonable assumptions about annual growth rates, market penetration, and utilization ramp-up, the resort and casino is forecast to generate approximately 767,000 visits and \$83.1 million in gross gaming revenues upon completion. Of this, almost 674,000 visits and \$72 million in gross revenues would be generated by daytrippers to Mason-Dixon. In addition, approximately 93,000 visits and \$11.2 million in gross gaming revenue would come from hotel guests at both Mason-Dixon and hotels in the area.

Note that the estimates for gaming visits by hotel guests (at Mason-Dixon hotel and nearby hotels) are based on existing market occupancy levels, and do not account for any additional hotel room nights generated by the existence or operation of the facility. This is clearly conservative (and appropriate) when estimating resort and casino visitor numbers, but also clearly omits an important potential spin-off effect: generating more hotel visitors.²⁰

VFCC LIR

Using various reasonable assumptions about annual growth rates, market penetration, and utilization ramp-up, the entertainment center is forecast to generate approximately 740,000 entertainment center visits and \$59.8 million in gross gaming revenues, or "entertainment center wins", in its first full year of operation (for our purposes, assumed to be 2009). Of this, almost 660,000 visits and \$53 million in gross revenues would be generated by visitors to Valley Forge. In addition, approximately 85,000 visits and \$6 million in gross gaming revenue would come from hotel guests at both VFCC hotels and hotels in the area.

Note that the estimates for gaming visits by hotel guests (at VFCC hotels and nearby hotels) are based on existing occupancy levels, and do not account for any additional hotel room nights generated by the existence or operation of the facility. This is clearly conservative (and appropriate) when estimating entertainment center visitor numbers, but also clearly omits an important potential spin-off effect: generating more hotel visitors.²¹

Despite the larger population and hotel industry that surrounds Valley Forge, Mason-Dixon claims a larger potential market. Over 1.25 million adults live within 30 minutes of the VFCC compared to about 87,734 adults who live within 30 minutes of Mason-Dixon. Yet Mason-Dixon claims it will achieve a higher day trip attendance of 674,000 compared to 660,000 at VFCC. Furthermore Mason-Dixon indicates that its day trippers will lose \$107 per visit which is a third more than the \$80 forecast to be lost by day trippers at VFCC. Studies of the impact of income on gambling losses indicate elasticity in demand in mature markets ranging from 0.49 to 0.7. That is, for every dollar of extra

²⁰ Econsult, "Potential Impact of the Proposed Category 3, Mason-Dixon Resort & Casino." Philadelphia, PA, March 2010. Page 2

²¹ Econsult, "Potential Local Economic Impacts of the Proposed Category 3 Entertainment Center Gaming Facility for the Valley Forge Convention Center," Philadelphia June 2007 Page 2

Comparative Analysis of Mason-Dixon Local Impact Report

income, adults will lose an additional \$0.49 to \$0.7 dollars in casinos.²² On average Mason-Dixon predicts adults living within 30 minutes of its casino will make 5.1 trips per year losing \$107 per visit or \$547 year. Mason-Dixon predicts these losses despite the fact that the Median Household Income in Montgomery County is 41% greater than Adams County. If VFCC’s forecast of \$80 lost per visit is correct and elasticity is 0.7, then Mason-Dixon patrons should be losing \$62 per visit or 42% less than Mason-Dixon predicts.²³ Such a loss in income reduces the viability of Mason-Dixon.

Table 1.1.A Comparison Mason-Dixon/Adams to VFCC/Montgomery

	Mason- Dixon Adams	VFCC Montgomery
Slots / up to Tables	600 / 50	500
Casino facility investment \$ millions	\$27	\$43
Attendance Day Trip	674,000	660,000
Attendance Current/Existing Hotel Guests	93,000	85,000
Gambling Revenue \$ millions	\$83.1	\$59.8
Adults within 30 minutes	87,734	1,262,233
Median Household Income 2008	\$55,124	\$77,993
Arts and Entertainment and Recreation Sales 2002 \$ millions	\$23	\$285
Accommodation and Food Service Sales 2002 \$ millions	\$110	\$1,274
Accommodation 2002 \$ millions	\$40	\$295
Losses per day tripper	\$107	\$80
Losses per overnight attendee	\$120	\$70
Existing Rooms	308	488
Annual Capacity 70% occupancy 1.8 per room	141,649	224,431

²⁴

Mason-Dixon’s claim that current/existing hotel guests to Adams will lose \$11.2 million or almost twice as much as current/existing hotel guests to the Valley Forge area appears unjustified. Part of the difference is because Mason-Dixon claims 93,000 of the existing/current hotel guests will go to the Mason-Dixon Casino whereas VFCC projected only 85,000 would go to its casino. VFCC is 58% larger than the Eisenhower Inn, and Montgomery County’s Accommodation industry is six times larger than Adams. There are about 2700 rooms in Adams County with a capacity to serve at 70% occupancy and 1.8 persons per room or 1.24 million overnight guests. Mason-Dixon is predicting that 7.5% of the current/existing overnight guests will divert their spending into the casino. With its far larger capacity, VFCC is predicting that less than 2% of existing/current hotel guests to VFCC and area hotels will go to the casino. Furthermore, Mason-Dixon is predicting that current/existing hotel guests will lose 71% more per visit

²² Jim Landers, “Future Casino Tax Yields; What Recent Trends in Casino Wagering and Attendance Suggest, *Indiana Business Review*, Spring 2009 page 8 & 9

²³ Montgomery County / Adams Household Income = 1.41. $41\% \times 70\% = 28.5\%$. VFCC patrons with 41% greater income should be losing 28.5% more than Adams patrons. $\$80 / 1.28 = \62 .

²⁴ Adults from Analysis by Keith Miller; Household Income from *USA Counties IN Profile* ; Arts and Entertainment and Accommodation and Food Service Sales from *US Census Bureau*

Comparative Analysis of Mason-Dixon Local Impact Report

in the Mason-Dixon Casino or \$120 per visit vs. the \$70 predicted by VFCC. Although current hotel guests may try either the Mason-Dixon or the VFCC casino, they are not going to these hotels or the hotels in the area to gamble, and may not have a large propensity to gamble or tolerance for losses. It is doubtful that Mason-Dixon will achieve its forecast from current/existing hotel guests.

Crossroad's application was rejected because it would overwhelm the "*traditionally rural nature of the community*" and, "*the Gettysburg area itself is primarily a rural area without large population centers nearby to sustain the casino.*" Mason-Dixon's LIR indicates that the applicant no longer entertains a belief that gamblers will travel any considerable distance from urban centers to the proposed casino. As the PGCB explained:

"With respect to the Crossroads project, Crossroads presented substantial testimony that it will rely in large part on the Baltimore, Maryland and Washington D.C. areas for its patronage and that 60% to 65% of its revenues would originate from outside the Commonwealth. *The Gettysburg area itself is primarily a rural area without large population centers nearby to sustain the casino*, thus the emphasis on the market to the South. In theory, this strategy is appealing. However, during the licensing hearings, Gettysburg presented testimony that it was "virtually the same drive time away from the Baltimore/Washington D.C. market as Charlestown Slots in West Virginia and that Charlestown had a casino win of \$437 million in the fiscal year ending January 30, 2006. While that number is significant, the Board was not presented with any credible evidence to demonstrate how much of that Charlestown business could be expected to leave that facility and travel north to Gettysburg.

"Further, the Board received testimony concerning the possibility of slot machines being introduced in Maryland and the impact that would have on the Gettysburg property. Gettysburg proponents testified that that they do not believe gaming legislation will be passed in Maryland in the "near future" but that even if it did, "we estimate that the revenue impact on Crossroads will be between 15 and 20 percent leaving Crossroads a substantial cushion above its break-even revenue level." See Hearing transcript at p. 62. While the Board certainly is comforted by the testimony that Crossroads would have a cushion above its break-even revenue level, since the Board has a strong interest in "protecting its product" by assuring that the chosen casinos stay in business, a twenty percent decline in revenues would place the revenue generation estimates in the \$216 million to \$231 million range depending on whether the Task Force or Crossroads revenue estimates are utilized. This scenario would place Crossroads at the bottom of the revenue generation models, a position any applicant should desire to avoid in a competitive licensing situation as is present here."²⁵

²⁵ Pennsylvania Gaming Control Board, "Adjudication of the Pennsylvania Gaming Control Board in the Matters of the Application for Category 2 Slot Machine Licenses in a Revenue or Tourism Enhanced Location." February 1, 2007, Page 95-96

Comparative Analysis of Mason-Dixon Local Impact Report

The PGCB also took note of concerns regarding “the proximity of the casino to the historic Gettysburg battlefield areas and the effect the casino would have on the traditional rural nature of the community.” The PGCB found that the proposed Crossroads casino was “located approximately 2.5 miles from the historical Gettysburg battlefield” and “would have not been visible to the naked eye from nearby battlefield sites including Barlow’s Knoll, Culp’s Hill and East Calvary Field.”²⁶ Although the proposed Mason-Dixon casino is not visible from the Gettysburg National Military Park it is about half a mile from it.

“We note particularly the opposition to the Crossroads proposal in Gettysburg. During the public input hearings in April and May, 2006, community group representatives and individual members of the community testified overwhelmingly in opposition to the project. Opposition was strongest in *relation to the proximity of the casino to the historic Gettysburg battlefield areas and the effect the casino would have on the traditionally rural nature of the community*. Section 1102(10) of the Act instructs that “the public interest of the citizens of this Commonwealth and the social effect of gaming shall be taken into consideration in any decision or order made.” While the Board duly noted and considered the degree and proportion of public opposition, the Board’s decision was not based solely on this factor.”²⁷

While Mason-Dixon is not as large as Crossroads, it too would overwhelm the current/existing tourism industry. Whereas a \$59.8 million dollar casino might fit within the context of Montgomery County, an \$83.1 million dollar casino overwhelms Adams County. Based on the definitions from the Bureau of Labor Statistics, The VFCC casino represents less than 20% of Montgomery County’s 2002 Arts and Entertainment and Recreation revenue, while an \$83.1 million dollar casino is four times larger than Adams County’s Arts, Entertainment and Recreation revenue. At \$59.8 million VFCC represents less than 20% of Montgomery County’s 2002 Accommodation Revenue while an \$83.1 million dollar casino is twice as large as Adams’ 2002 Accommodation Revenue.

1.3 Employment Generator

Mason-Dixon LIR

The proposed Mason-Dixon resort and casino would directly employ approximately 475 full-time employees. In addition, hundreds of indirect jobs will be created by the economic activity that is generated by the resort and casino’s operations, including increased tourism and convention meeting activity. We estimate the total ongoing employment effect (direct plus indirect and induced

VFCC LIR

VFCC entertainment center would directly employ over 150 people at wage and salary levels higher than those currently paid in the region’s hospitality industry. In addition, hundreds of indirect jobs will be created by the economic activity that is generated [by] the entertainment center’s operations, including through increased tourism and convention meeting activity. We

²⁶ Ibid page 110, 43 & 81

²⁷ Ibid page 110

Comparative Analysis of Mason-Dixon Local Impact Report

jobs) will be nearly 1,800 new jobs in Pennsylvania. This is in addition to nearly 550 construction period jobs – our estimate of employment includes both full-time and part time jobs.²⁸

estimate the total ongoing employment effect (direct plus indirect and induced jobs) will be in excess of 500 new jobs in Pennsylvania. This is in addition to 850 construction period jobs - our estimate of employment includes both full-time and part time jobs.²⁹

VFCC promised to pay “wage and salary levels higher than those currently paid in the region's hospitality industry,” Mason-Dixon did not.

Mason-Dixon estimated “the total ongoing employment effect (direct plus indirect and induced jobs) will be nearly 1,800 new jobs in Pennsylvania.” VFCC estimates in this section only 500 such jobs. Mason-Dixon’s claim is without foundation, as will be demonstrated below

Mason-Dixon’s claim of 475 Jobs in this section is misleading. At a later point they explain that this is 375 new casino related jobs and 100 existing hotel jobs. VFCC did not conflate the two issues and left current/existing hotel employment separate from the casino.

The claim of 375 casino-related jobs is greater than the number prepared by Mason-Dixon in a draft February 2, 2010 letter from the Adams County Economic Development Committee. After ACEDC provided a generic letter indicating that they supported development in general but did not “specifically endorse or object to any specific business project,” Mason-Dixon edited the letter to include an endorsement of their claimed theoretical benefits. The edited letter provides the following additions to ACEDC’s signed letter:

Basic industries attract new money from outside the community while service industries help to circulate the money within the community. Both are important and necessary. Any change to a community such as an increase or decrease in employment, production or spending has an effect on many other sectors of the same business community, family units, taxing authorities, etc. ACEDC will use a tool (IMPLAN) to consider how a project as the one described will impact our local community.

IMPLAN is a software program that quantifies the interactions between industries (or sectors) and uses a multiplier to estimate the effect it has on the local economy by identifying the direct impact (the impact on the business itself), indirect (the impact it has on the inter-industry relationships) and induced impacts (changes in local spending ie. household spending, saving, taxes paid., etc.

²⁸ Econsult, “Potential Impact of the Proposed Category 3, Mason-Dixon Resort & Casino,” Philadelphia, PA, March 2010. Page 2

²⁹ Econsult, “Potential Local Economic Impacts of the Proposed Category 3 Entertainment Center Gaming Facility for the Valley Forge Convention Center,” Philadelphia June 2007 Page 3

300 people will have full time employment

75 jobs will be created (any job at a company that does business with the industry providing services or products)

100 induced jobs (any job that supplies a service to the people who work for direct employer and /or the indirect companies.)

475 people will have employment as a result of this new business.

Additionally, money will be generated by the services provided by the business.

\$1,000,000 plus dollars in direct expenses to operate(annually)

\$20,000,000 in indirect (or inter industry transactions ie: local suppliers)

\$20,000,000 in induced revenue for household incomes, taxes, etc.

Total amount of money generated from the operation of the considered project is 41,000,000 annually.

End result of such a study concludes that for every dollar spent by the business, \$ 2.00 is available to the local economy.³⁰

Mason-Dixon significantly increased its projections since preparing this letter. Its claims of 375 casino jobs are dependent upon installing 600 Slots and 50 Table Games. Table Games are highly labor intensive and not as popular as Slots. Mason-Dixon's claim that it will install 50 Table Games equivalent to one table game per dozen Slots is without precedent. Depending upon the game, Table Games can provide 5 (cards) to 20 (roulette) gaming positions per Table Game. The industry averages about 6.6 positions per game. 600 Slots and 50 Table Games is equivalent to about 930 gaming positions. Such a casino is almost twice the size of a VFCC with 500 Slots.

Due to the high cost of Table Games and the relative popularity of Slots, casinos across the nation average far more Slots per Table than proposed by Mason-Dixon. With the exception of New Jersey, many states average 37 Slots per Table Game.

³⁰ Draft Letter to Mr. David LeVan Mason-Dixon Resort and Casino, from ACEDC, February 2, 2010, letter not signed nor on ACEDC letterhead, Letter to Mr. David LeVan Mason-Dixon Resort Casino from ACEDC February 2, 2010 on ACEDC letterhead, signed by Shanon Toal Chairman and Robin Fitzpatrick President

Comparative Analysis of Mason-Dixon Local Impact Report

Table 1.3.a Slots and Tables at U.S. Casinos

	<u>Slots</u>	<u>Tables</u>	<u>Slots/ Table</u>
New Jersey	34123	1624	21
Indiana	17829	652	27
Iowa	17090	475	36
Missouri	19312	532	36
Mississippi	34369	790	44
Illinois	<u>9955</u>	<u>223</u>	<u>45</u>
Total	132678	4296	31
Total w/o New Jersey	98555	2672	37 ³¹

Pennsylvania and Delaware Casinos, which are installing Table Games, have announced that they will install one Table Game for every 41 Slots. The most aggressive announcements have come from Mohegan Sun, Wilkes Barre, and Parx Bensalem which have indicated they could achieve Slots/Tables ratios of about 30.

Table 1.3.b Slots and Tables Proposed at Pennsylvania Casinos

	Slots	Tables	Slots/ Table
Meadows	3722	65	57
Dover Downs	2724	52	52
Grantville	2353	52	45
Delaware Park	2500	60	42
Presque Isle	1994	50	40
Rivers	3000	80	38
Sands	3250	89	37
Wilkes Barre	2466	83	30
Parx now	3294	80	41
Parx Dec 2010	3744	120	31
Parx Ultimately	<u>4000</u>	<u>140</u>	<u>29</u>
Total*	25303	611	41

* Includes only Parx now

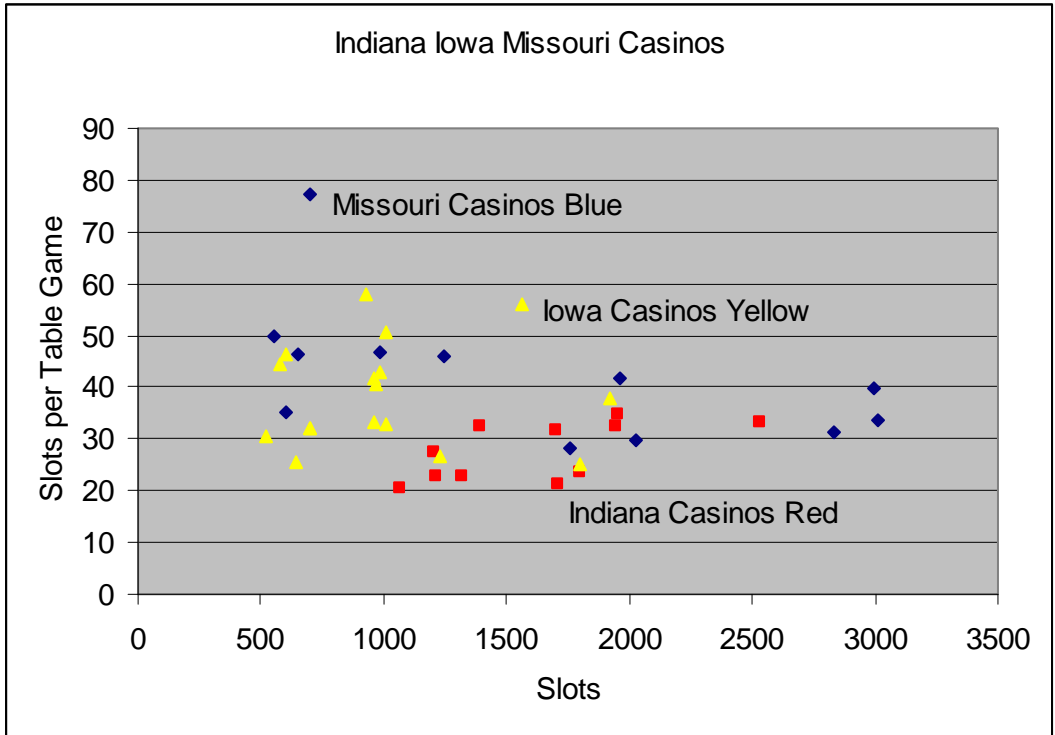
32

There is virtually no correlation between size of casino and Slots/Table game as demonstrated by an analysis of Indiana, Iowa, and Missouri casinos. As is shown in table 1.3.c, small casinos, such as Mason-Dixon, do not appear to justify a larger proportion of Table Games. These casinos averaged 37 Slots per Table with a standard deviation of 12 and a minimum of 20.5 Slots/Table game.

³¹ State Gaming Commission Reports

³² Various Press Releases

Table 1.3.c Slots Per Table Games at Indiana, Iowa, and Missouri Casinos



33

As shown in Table 1.3.d, if Mason-Dixon achieved the average of 36.9 Slots/ Table, which is lower than the 41 planned by Pennsylvania Casinos, it would employ 243 Full Time Effectives. If it installed 29 tables to match the lowest demonstrated Slots/Table ratio in Iowa, Indiana, and Missouri (20.5) it would employ 293 FTE's.

Table 1.3.d Employment

<u>Games</u>	<u>Employees</u>	<u>Employees</u>
<u>VFCC</u>		<u>/Game</u>
Slots	500	150
		0.30
<u>Mason Dixon as Proposed</u>		
Slots	600	180
Slots/Tables	12.0	
Tables	50	195
Total		375
<u>Mason Dixon at average rate slots/tables</u>		
Slots	600	180
Slots/Tables	36.9	
Tables	16	62
Total		242
<u>Mason Dixon at minimum rate slots/tables</u>		
Slots	600	180
Slots/Tables	20.5	
Tables	29	113
Total		293

Mason-Dixon's claims with respect to how many Slots they plan to install are without precedent, so the employment claims are unrealistic. If Mason-Dixon installed 16 Table Games, the facility would provide approximately 700 total gaming positions, and if it installed 29 Table Games it would provide almost 800 gaming positions.

³³ Iowa, Indiana, and Missouri State Gaming Commission Reports

1.4 / 1.5 Catalyst for Economic Development

Mason-Dixon LIR

The proposed Mason-Dixon resort and casino will also act as a significant catalyst for the economic competitiveness of Adams County. Based on D.K. Shifflet & Associates' "2007 Pennsylvania Travel Profile," the Hershey/Gettysburg/York "secondary region*" ranked second in 2007 among Pennsylvania's tourism regions, with an estimated 7.9 million overnight leisure visitors.

Currently, the major attraction in Adams County is the 6,000-acre Gettysburg National Military Park, which reports approximately 2.0 million visitors per year. In addition, the new \$103-million Gettysburg Museum and Visitor Center opened in late 2008.

Based on the current state of existing gaming areas, a new casino in Adams County would complement the current collection of attractions and options for visitors to the region.³⁴

* The "secondary region" consists of Adams, Cumberland, Dauphin, Franklin, Lebanon, Perry, and York Counties.

VFCC LIR

VFCC entertainment center will also act as a significant catalyst for the economic competitiveness of the Valley Forge and King of Prussia areas, especially as it relates to the Valley Forge Convention and Visitors Bureau's new and aggressive efforts to stimulate convention, tourism, and entertainment activities. It is important to note that this effort is likely to strengthen the entire region's economy as opposed to merely shifting a static demand across more venues.

...

In addition, this project would complement the area's regional retail sector, including the King of Prussia Mall. King of Prussia Mall, offering high-end retail and attracting over 26 million visitors a year, is the largest retail mall in the eastern U.S. The Radisson Hotel, part of the VFCC PARTNERS entertainment center complex, is the official hotel for the King of Prussia Mall. This existing relationship presents an opportunity for VFCC PARTNERS to develop joint marketing programs and potential patron contracts, as well as an opportunity to build an image of prestige that distinguishes it from nearby casinos.

A key advantage of the project will be the ability to significantly enhance an important component of the region's convention and tourism assets: the Valley Forge Convention Center (VFCC), and the hotels of the Valley Forge and King of Prussia area, the region's largest market outside of

³⁴ Econsult, "Potential Impact of the Proposed Category 3, Mason-Dixon Resort & Casino." Philadelphia, PA, March 2010. Page 14



Philadelphia. The VFCC serves as an important complement to the Pennsylvania Convention Center, and together they project an unparalleled set of meeting, convention, and assembly facilities options to a wide range of convention and meeting space demands throughout the Mid-Atlantic region and the entire country.³⁵

Neither proposal suggests it will add significantly if at all to the current/visitors to the region. Both anticipate diverting spending from such current visitors into their respective operations. Mason Dixon’s claim that it will divert more of the existing two million battlefield heritage tourists into its casino than VFCC will divert of the twenty-seven million King of Prussia Mall guests is optimistic.

2.1 Economic Impacts of Construction Expenditures

Mason-Dixon LIR
 Over the initial several years, Mason-Dixon Resorts, L.P. envisions approximately \$27 million for repositioning and redevelopment costs associated with the gaming venue. A summary of the onetime development costs is provided in Table 2.1.1.

Table 2.1.1 Estimated One-Time Development Costs (\$Millions of 2010 Dollars)

Description	Cost per sf	Total SF	Amount
Porte Corche	\$250	7,000	\$1.75
Back of House	\$175	25,000	\$4.38
Casino (F&B, Gaming)	\$275	50,000	\$13.75
Total			\$19.88

Summary	Amount
Subtotal Site Work	\$4.75
Subtotal Casino	\$19.88
Contingency	\$2.40

VFCC LIR
 Over the initial several years, VFCC PARTNERS envisions approximately \$40 million for repositioning and redevelopment costs associated with the gaming venue*. This is in addition to approximately \$3 million for roofs, elevators, and parking lot upgrades. Overall, the planned capital expenditure would approach \$43 million.³⁷

VFCC PARTNERS plans to renovate and redevelop approximately 18,000 square feet within the existing center for use as the Category 3 entertainment center, which includes additional space for back office purposes. Additional internal (no external changes are planned) improvements to all parts of the complex are included in the plans for the new entertainment center. The interior theme will be designed as a "high-end" facility considering the limited number of Slots and the facility location.³⁸

³⁵ Econsult, “Potential Local Economic Impacts of the Proposed Category 3 Entertainment Center Gaming Facility for the Valley Forge Convention Center,” Philadelphia June 2007 Page 4

Comparative Analysis of Mason-Dixon Local Impact Report

incremental increase in operational spending of \$47.1 million, which represents the total net new economic activity attributable to the expanded resort and casino. As before, we assume 80% of these expenditures are in Adams County and 100% in Pennsylvania.

In addition to increased operational expenditures, there will also be a significant number of net new jobs at Mason-Dixon. The Eisenhower Hotel currently employs 102 people. Based on the estimated 475 FTE jobs at Mason-Dixon, this would represent approximately 375 new jobs to Adams County and Pennsylvania.

Increased Operating Expenditures due to Expansion
(Millions of 2010 Dollars)

Departmental Expenses	
Rooms	1.37
Food	4.02
Beverage	0.37
Deli	0.15
Events Complex	(0.17)
Casino	18.80
Spa	3.31
Other Operated Departments	0.06
Total Departmental Expenses	<u>27.91</u>
Undistributed Expenses	
Administration & General	4.92
Marketing	4.16
Property Operations and Maintenance	2.08
Utility Costs	0.90
Total Undistributed Expenses	<u>12.06</u>
Base Management Fee	1.49
Fixed Expenses	1.25
FF&E Reserve	4.42
Total Operating Expenses	<u>47.13</u>

39

grow over time.

Based on data obtained from f/b Capital Partners, annual entertainment center pro forma operating expenditures (consisting of fixed costs, variable costs, and management fees) would be at a steady-state, or full operations, by 2009. Fixed costs for gaming are estimated at \$10,000 per slot machine, while variable and management fees would be 10% and 3% of gross revenue, respectively. Based on these estimates, annual entertainment center operating expenditures would amount to \$11.4 million, as outlined in Table 2.2.1⁴⁰

2.3 Annual Impacts of Increased VFCC Hotel Expenditures (Ongoing)

In addition to patron spending inside the entertainment center facility, this project is expected to lead to increased hotel and convention activities in order to accommodate entertainment center guests and expanded meetings at the two VFCC hotels (Radisson Valley Forge and Valley Forge Scanticon with a combined 488 rooms). Based on data obtained from f/b Capital Partners, we consider the difference in 2008 and 2009 annual hotel operating expenditures (less 3% growth) as the portion of hotel operating expenditures attributable to the entertainment center-induced increased operations. The increase in hotel and convention operating expenditures amounts to \$3.0 million, an approximate 10% increase on a current \$30 million annual base.⁴¹

⁴⁰ Econsult, "Potential Local Economic Impacts of the Proposed Category 3 Entertainment Center Gaming Facility for the Valley Forge Convention Center," Philadelphia June 2007 Page 11-12

⁴¹ Econsult, "Potential Local Economic Impacts of the Proposed Category 3 Entertainment Center Gaming Facility for the Valley Forge Convention Center," Philadelphia June 2007 Page 10-11

Comparative Analysis of Mason-Dixon Local Impact Report

VFCC’s LIR projects that serving casino guests within the hotel complex will cost \$3.0 million. On the other hand, Mason-Dixon shows anticipated costs of at least \$6.01 million (\$1.37 rooms, \$4.02 food, \$0.37 beverage, and \$0.15 deli). The roughly six million dollars of expenses ignores the \$3.31 million of anticipated Spa expenses. With the exception of Mount Airy, spas are not popular at Pennsylvania Casinos.

**Table 2.2.1
Estimated Annual Direct Entertainment Center Operating Expenditures (2009)**

Description		Total Expenditures (\$Millions)	
Fixed Costs	\$10,000 per slot machine	500 Slots	\$5.0
Variable Slots	10% of Gross Revenue	Gross Revenue: \$49.0 million	\$4.9
Management Fees	3% of Gross Revenue	Gross Revenue: \$49.0 million	\$1.5
Total Operating Expenditures			\$11.4

VFCC provides little data on their expenses, and, to a certain extent, their data is not consistent with their claims. Specifically VFCC says that management fees will be 3% and variable expenses 10% of gross revenues which are said to be \$49 million in table 2.2.1. Elsewhere in the document, they claim Gross Gaming Revenues for VFCC will be \$59.8 million. In addition to the Gross Gaming Revenues there will be admission revenues on at least 665,000 visitors. In reconciling VFCC’s claims, the author has concluded that operating expenses are projected to be \$9.0 million, (10% of \$59.8 million of slots revenue plus \$3.0 million of “increased hotel and convention activities in order to accommodate entertainment center guests”); \$1.8 million Management fee (3% of \$59.8 million); and \$5.0 million fixed costs.

Although Mason-Dixon provides more detailed information, their cost structure appears to be unprecedented, unsupportable and unrealistic. In 2006 Crossroads presented a pro forma income statement that entailed a casino with \$317.6 million of Gross Revenue and \$70.5 million of Operating Expenses and SG&A in 2009. The proposed Mason-Dixon casino will have revenue less than a third of Crossroads’ and expenses equal to two thirds. Comparing Mason-Dixon’s Revenues and Operating Costs to Crossroads as well as VFCC indicates that Mason-Dixon may be a marginal proposition with Earnings before Interest, Taxes, Depreciation, and Amortization of 12.0% compared to 22.63% for Crossroads and 34.3% for VFCC. Such a level of profitability is relatively unattractive. Crossroads struggled to find a financial investor in 2006 and was abandoned by Morgan Stanley. In today’s economy marginal casino opportunities are struggling to find investors.

Comparative Analysis of Mason-Dixon Local Impact Report

**Table 2.2.a Comparative Proforma P&L Statements
(\$ Millions 2010)**

	Proposed				VFCC	
	Mason Dixon		Crossroads			
Slots Revenue	60.3	66.7%	310.2	97.7%	59.8	90.0%
Table Revenue	22.9	25.3%				
Admissions/Other Revenue	7.2	8.0%	7.4	2.3%	6.7	10.0%
Total Revenue	90.3		317.6		66.5	
Slots Taxes	(33.1)	55.0%	(170.6)	55.0%	(32.9)	55.0%
Table Taxes	(3.7)	16.0%				
Total Taxes	(36.8)	40.7%	(170.6)	53.7%	(32.9)	49.5%
Operating Expenses	(27.9)	30.9%	(34.7)	10.9%	(9.0)	13.5%
SG&A	(12.1)	13.4%	(35.8)	11.3%		
Management Fee	(1.5)	1.6%	(4.6)	1.4%	(1.8)	2.7%
Fixed Expenses	(1.3)	1.4%				
EBITDA	10.8	12.0%	71.9	22.6%	22.8	34.3%
Furniture Fixtures and Equipment Reserve	(4.4)	4.9%				
Depreciation			(17.0)	5.4%		
Fixed Costs of Slots					(5.0)	7.5%
Direct Expenditures	(47.1)	52.2%	(92.1)	29.0%	(15.8)	23.7%
EBITA	6.4	7.1%	54.9	17.3%	17.8	26.8% ⁴²

Mason-Dixon needs to cut costs but this may still make for a marginal investment. A 35% reduction in operating expenses, SG&A and headcount, might result in a 10% EBITA. A 35% reduction in headcount would reduce headcount to 244 which is consistent with a two thirds reduction in the number of Table Games to sixteen. Such a reduction would be matched by a corresponding reduction in Table Game revenue and in total gross gambling revenue to about \$68 million. As shown in Table 2.2.c this is ten dollars more per attendance than forecast by VFCC. This is not to say that Mason-Dixon will achieve this level of revenue.

⁴² Crossroads P&L from Crossroads, "Presentation to the Pennsylvania Gaming Control Board," December 13, 2006, Page 54

Comparative Analysis of Mason-Dixon Local Impact Report

Table 2.2.b Adjusted Mason-Dixon P&L

Employment				
Slots	180		180	
Tables	195		64	
Total	375		244	
	Proposed Mason Dixon		Adjusted Mason Dixon	
Slots Revenue	60.3	66.7%	60.3	80.4%
Table Revenue	22.9	25.3%	7.5	10.0%
Admissions/Other Revenue	7.2	8.0%	7.2	9.7%
Total Revenue	90.3		75.0	
Slots Taxes	(33.1)	55.0%	(33.1)	55.0%
Table Taxes	(3.7)	16.0%	(1.2)	16.0%
Total Taxes	(36.8)	40.7%	(34.3)	45.8%
Operating Expenses	(27.9)	30.9%	(17.3)	23.0%
SG&A	(12.1)	13.4%	(9.0)	12.0%
Management Fee	(1.5)	1.6%	(1.2)	1.6%
Fixed Expenses	(1.3)	1.4%	(1.3)	1.7%
EBITDA	10.8	12.0%	11.9	15.9%
Furniture Fixtures and Equipment Reserve	(4.4)	4.9%	(4.4)	5.9%
EBITA	6.4	7.1%	7.5	10.0%

Table 2.2.c Adjusted Losses Per Visit

	<u>VFCC</u>	<u>Mason Dixon</u>		
	<u>Losses</u>	<u>Adj. Losses</u>	<u>Attendance</u>	<u>Gambling</u>
	<u>per Visit</u>	<u>per visit</u>		<u>Revenue</u>
Day Trip	\$80	\$90	674,000	\$60.7
Overnight	\$70	\$80	93,000	\$7.4
Total			767,000	\$68.1

Comparative Analysis of Mason-Dixon Local Impact Report

Mason Dixon claims that it would create due Direct Expenditures (not ancillary visitor spending) 701 jobs in Adams County and 1,429 jobs in Pennsylvania. VFCC said it would create 197 jobs in Montgomery County and 416 jobs in Pennsylvania.

Mason-Dixon LIR

Table 2.3.3
Potential Annual Ongoing Economic Impacts Attributable to Increased Hotel Operations
 (Millions of 2010 Dollars)

Description	Adams County	Pennsylvania Commonwealth
Direct Expenditures (\$MM)	\$37.70	\$47.13
Indirect & Induced Expenditures (\$MM)	\$13.04	\$52.98
Total Output (\$MM)	\$50.74	\$100.11
Multiplier	1.35	2.124
Total Employment	701	1,429
Total Earnings (\$MM)	\$11.98	\$29.58

Source: Econsult Corporation (2010)
 *Results may not add due to rounding
 **Total Output includes Total Earnings
 ***Total Employment includes part-time and full-time jobs

43

VFCC LIR

Table 2.2.2
Potential Annual Ongoing Economic Impacts Attributable to Entertainment Center Operations
Steady State Full Operations 2009
 (\$ Millions in 2007 Dollars)

Description	Montgomery County	Pennsylvania Commonwealth
Direct Expenditures (\$MM)	\$ 9.1	\$ 11.4
Indirect & Induced Expenditures (\$MM)	\$ 6.4	\$ 12.8
Total Output (\$MM)	\$ 15.5	\$ 24.2
Multiplier	1.70	2.12
Total Employment	169	344
Total Earnings (\$MM)	\$ 3.1	\$ 7.1

Source: Econsult Corporation (2007)
 *Results may not add due to rounding
 **Total Output includes Total Earnings
 ***Total Employment includes part-time and full-time jobs

⁴³ Econsult, "Potential Impact of the Proposed Category 3, Mason-Dixon Resort & Casino." Philadelphia, PA, March 2010. Page 13

Comparative Analysis of Mason-Dixon Local Impact Report

Table 2.3
Potential Annual Ongoing Economic Impacts Attributable to Increased VFCC Hotel Operations
 (\$ Millions in 2007 Dollars)

Description	Montgomery County	Pennsylvania Commonwealth
Direct Expenditures (\$MM)	\$ 2.4	\$ 3.0
Indirect & Induced Expenditures (\$MM)	\$ 1.3	\$ 3.1
Total Output (\$MM)	\$ 3.7	\$ 6.1
Multiplier	1.55	2.03
Total Employment	28	72
Total Earnings (\$MM)	\$ 0.7	\$ 1.8

*Results may not add due to rounding
 **Total Output includes Total Earnings
 ***Total Employment includes part-time and full-time jobs

44

Comparing these two impact statements highlights the differences. Although Mason-Dixon will have only 2.5x the number of employees that VFCC will have, it purports it will have 4.13x the direct expenses. This higher level of expenses cascades into greater indirect and induced expenditures and thus total employment. If Mason-Dixon were to hire 375 casino workers and create comparable Total Direct, Indirect and Induced jobs to VFCC, it would create only 859 jobs in Pennsylvania or 570 fewer than its LIR indicates. If Mason-Dixon were to hire only 244 employees, then, using Econsult's VFCC multiplier, only 558 jobs would be created in Pennsylvania or 870 fewer jobs than reflected in Mason-Dixon's LIR. As discussed below, there is no credible evidence that Pennsylvania's foray into casinos is creating any indirect or induced jobs, and in fact it may be destroying jobs. On April 7, 2010, on WGET, David LeVan tried and failed to address the confusion over Mason-Dixon's escalating claims for ongoing jobs.

FRED SNYDER: "Jobs – now, you've said 900, you've said 500, 400. What is the number? What do you expect? What can Adams County people expect, and who would be eligible for these (jobs)?"

DAVE LEVAN: "OK, good question Fred. That's one of the things that's very different today than the circumstances back in 2006 – the economic circumstance, the unemployment rate in Adams County. Clearly one of the positives in this proposal is the ability to create good jobs in Adams County with this project. We're looking at new jobs, full-time jobs at the resort itself, of something...based on the economic impact study...something just slightly less than 400 new jobs, as well as the enhancement of existing jobs at Eisenhower Hotel. The other numbers that were included in that are part-time jobs during the construction period - - - temporary construction jobs - - - as well as jobs that come from other businesses that are going to serve this facility."⁴⁵

⁴⁴ Econsult, "Potential Local Economic Impacts of the Proposed Category 3 Entertainment Center Gaming Facility for the Valley Forge Convention Center," Philadelphia June 2007 Page 10 & 11

⁴⁵ Transcript: 04/07/10 – Casino applicant and Gettysburg Businessman David LeVan appears on 1320 WGET

Comparative Analysis of Mason-Dixon Local Impact Report

Table 2.2.d Comparison of Ongoing Economic Impacts

	<u>Mason Dixon</u>	<u>VFCC</u>	<u>MD/VFCC</u>
Direct Casino Jobs	375	150	2.50x
Direct Expenditures (\$MM)	47.13	14.40	3.27x
<u>Pennsylvania</u>			
Direct Expenditures (\$MM)	47.13	14.40	3.27x
Indirect & Induced Expenditures (\$MM)	52.98	15.90	3.33x
Total Output (\$MM)	100.11	30.30	3.30x
Multiplier	2.12x	2.10x	1.01x
Total Employment	1,429	416	3.44x
Total Employment / Direct Casino Jobs	3.81x	2.77x	1.37x
Total Earnings (\$MM)	29.58	8.90	3.32x
Earnings/Output	30%	29%	1.01x
Earnings/Employee	\$ 20,700	\$ 21,394	0.97x
% of Direct Expenditures to Host County	80%	80%	
<u>Host County</u>			
Direct Expenditures (\$MM)	37.70	11.50	3.28x
Indirect & Induced Expenditures (\$MM)	13.04	7.70	1.69x
Total Output (\$MM)	50.74	19.20	2.64x
Multiplier	1.35x	1.67x	0.81x
Total Output Host County / Pennsylvania	51%	63%	
Total Employment	701	197	3.56x
Total Employment Host County/ Direct Casino Jobs	1.87x	1.31x	1.42x
Total Earnings (\$MM)	11.96	4.40	2.72x
Earnings/Employee	\$ 17,061	\$ 22,335	0.76x

VFCC claims that the host county will achieve 169 jobs compared to the 150 directly created at the casino. Mason-Dixon claimed that Adams would obtain 701 jobs or 1.89x the 375 directly created casino jobs. Quite simply VFCC understands that current residents will not receive all of the casino jobs. At the top end, many positions require expertise and skills which do not exist in the host community – requiring that workers be brought in from elsewhere. At the other end, many of the low skill-minimum wage jobs are simply not that attractive. In its 2008 Diversity report, the PGCB reported elevated voluntary turnover (employees quit) indicating that these jobs are not relatively attractive.

The turnover rates reported by both the Category I and the Category II Licensees ranged in the area of twenty-four (24) to sixty-six (66) percent. The turnover rate is most significant for all Licensees in the area of Food and Beverage employees (i.e. culinary teams, stewarding teams, waitresses, hostesses, bartenders, bar

Comparative Analysis of Mason-Dixon Local Impact Report

porters, storeroom workers, etc.). The positions in this category are usually held by lowskilled, minimum wage employees.⁴⁶

Table 2.2.e shows an Estimated Mason-Dixon Scaled Back Operations as well as the corresponding Direct Expenditures, Indirect & Induced Expenditures. The multipliers used to measure Indirect & Induced Expenditures are the same as those used by Mason-Dixon. The number of jobs created is based on the factors used by VFCC.

Table 2.2.e Estimated Mason-Dixon Scaled Back Operations

Increased Hotel Operations	Rate	Total		Adams		
		Empl	\$ MM	%	Empl	\$ MM
Casino Jobs						
Management	\$150,000	5	0.75	0%		
Technical/Supervisory	\$ 40,000	42	1.70	60%	25	1.02
Dealers	\$ 35,000	58	2.02	75%	43	1.51
Operations	\$ 20,000	139	<u>2.78</u>	80%	111	<u>2.22</u>
	\$ 29,680	244	7.24	66%	179	4.75
Benefits	\$ 15,000	244	<u>3.66</u>	73%	179	<u>2.69</u>
Total Wages and Benefits		244	10.90	68%	179	7.44
Purchases			15.36	60%		9.21
Management Fee			1.20	0%		
Fixed Expenses			1.25	100%		1.25
FF&E			<u>4.42</u>	0%		
Direct Expenditures			<u>33.13</u>	54%		<u>17.90</u>
Indirect & Induced Expenditures		316	37.10		53	6.27
Total Output			70.23			24.17
Multiplier			2.12			1.35
Total Employment		560			232	

2.4 Economic Impacts of Ancillary Expenditures (Ongoing) (Visitors Spending Outside of Mason-Dixon / VFCC)

Mason-Dixon LIR
 In addition to patron spending inside the resort and casino facility, this project can be expected to generate significant additional visitor spending (by the patrons) outside of the Mason-Dixon resort and casino at other area establishments, including local hotels, restaurants, shops, entertainment, and cultural venues.

VFCC LIR
 In addition to patron spending inside the entertainment center facility, and the increase in Hotel/convention expenditures at the VFCC described above, this project can be expected to generate significant additional visitor spending (by the patrons) outside of the VFCC* at other area establishments, including primarily other Valley Forge and King of Prussia area hotels, restaurants, shops, entertainment, and cultural venues.

⁴⁶ 2008 Gaming Diversity Report, Pennsylvania Gaming Control Board, March 2009 Page 10.

Comparative Analysis of Mason-Dixon Local Impact Report

As we noted earlier, Mason-Dixon’s estimates for gaming visits by hotel guests (at Mason-Dixon hotels and nearby hotels) are based on existing market occupancy levels, and do not account for any additional hotel room nights generated by the existence or operation of the facility. This is clearly conservative (and appropriate) when estimating resort and casino visitor numbers, but also clearly understates an important, potential spin-off effect: generating more hotel visitors and more visitor spending by both overnights and daytrippers⁴⁷

As we noted earlier, PKF and f/b Capital Partners' estimates for gaming visits by hotel guests (at VFCC hotels and nearby hotels) are based on existing occupancy levels, and do not account for any additional hotel room nights generated by the existence or operation of the facility. This is clearly conservative (and appropriate) when estimating entertainment center visitor numbers, but also clearly omits an important, potential spin-off effect: generating more hotel visitors and more visitor spending by both overnights and daytrippers.⁴⁸

* We look at this separately, since all of the expenditures by visitors in the facility are already accounted for in the operating expenditures. Indeed this ancillary impact represents a significant potential benefit for the County and region.

Both LIR’s clearly state that the existing/current hotel guests’ purchases of accommodations are not new economic activity. Both LIR’s have *identical language* defining “ancillary” spending as is shown below, except where the one says Mason-Dixon the other says VFCC and vice versa.

Mason-Dixon and VFCC LIR

We refer to this as “ancillary” spending, and it represents an estimate of the incremental spending in the economy in addition to resort and casino and other Mason-Dixon [VFCC] spending. The magnitude of this ancillary spending will be influenced by several factors:

- Total estimated number of patrons/visitors
- Residence of resort and casino patrons
- Proportion of visitors who stay overnight (and length of stay) in other hotels
- Proportion of visitors classified as DAYTRIPPERS
- Average daily ancillary expenditures per OVERNIGHT or DAYTRIPPER visitor
- Spending of DAYTRIPPERS and OVERNIGHT visitors

We have developed estimates of direct ancillary spending based in part on Mason-Dixon’s estimates of annual resort and casino visitors. [VFCC PARTNERS' estimates of annual entertainment center visitors, as provided by f/b Capital Partners using PKF data.] Underlying our estimates are several assumptions, which we think are conservative, thereby making our estimates of ancillary direct spending conservative.

⁴⁷ Econsult, “Potential Impact of the Proposed Category 3, Mason-Dixon Resort & Casino.” Philadelphia, PA, March 2010. Page 14

⁴⁸ Econsult, “Potential Local Economic Impacts of the Proposed Category 3 Entertainment Center Gaming Facility for the Valley Forge Convention Center,” Philadelphia June 2007 Page 12

We define direct ancillary (outside of the resort and casino facility) spending to be the sum of the spending by OVERNIGHT visitors (outside of Mason-Dixon [VFCC]hotel[s]) and DAYTRIPPERS. In order to estimate the two direct expenditure amounts, we use the following methodology.⁴⁹

Continuing the two LIR's approach their markets differently.

Mason-Dixon LIR

The first step is to estimate the proportion and number of gaming visitors (DAYTRIPPERS) that will spend money in the local area. First, we exclude approximately 449,000 visits that are expected to be local -- that is, visitors will be coming from Zone 1 (residents within a 30-minute drive time from Mason-Dixon). Zone 1 includes the following number of zip codes in the counties specified below:

Zone 1 Breakdown

- 10 zip codes in Adams County, PA
- 3 zip codes in York County, PA
- 3 zip codes in Franklin County, PA
- 2 zip codes in Carroll County, MD
- 7 zip codes in Frederick County, MD

This leaves an estimated 225,000 visits from Zone 2, or residents within a 30-minute to 60-minute drive time from Mason-Dixon. Zone 2 includes the following number of zip codes in the counties specified below:

Zone 2 Breakdown

- 7 zip codes in York County, PA
- 4 zip codes in Franklin County, PA
- 5 zip codes in Cumberland County, PA
- 2 zip codes in Carroll County, MD

VFCC LIR

The first step is to estimate the proportion and number of OVERNIGHTERS and DAYTRIPPERS out of a TOTAL estimated 750,000 annual entertainment center visits. First, we exclude approximately 175,000 visits that are expected to be LOCAL - that is, visitors will be coming from Zone 1 (closest to the facility) and 88,000 patrons who are already hotel guests. This leaves an estimated 490,000 visits from all areas outside of Zone 1.⁵¹

⁴⁹ Econsult, "Potential Impact of the Proposed Category 3, Mason-Dixon Resort & Casino." Philadelphia, PA, March 2010. Page 14; Econsult, "Potential Local Economic Impacts of the Proposed Category 3 Entertainment Center Gaming Facility for the Valley Forge Convention Center," Philadelphia June 2007 Page 12

⁵⁰ Econsult, "Potential Impact of the Proposed Category 3, Mason-Dixon Resort & Casino." Philadelphia, PA, March 2010. Page 14-15

⁵¹ Econsult, "Potential Local Economic Impacts of the Proposed Category 3 Entertainment Center Gaming Facility for the Valley Forge Convention Center," Philadelphia June 2007 Page 12-13

Comparative Analysis of Mason-Dixon Local Impact Report

- 2 zip codes in Frederick County, MD
- 4 zip codes in Washington County, MD

In addition to the 674,000 local gaming visits, there will also be an additional 93,000 non-local gaming visitors (OVERNIGHTERS), as indicated by Mason-Dixon⁵⁰



Mason-Dixon is far more optimistic in terms of its expected capture than VFCC. Both operations face significant competition from nearby casinos that are larger, have more services, and are not required to charge a \$10 entry fee to non-hotel guests. Mason-Dixon’s forecast is about five times more optimistic than VFCC.

VFCC did not explicitly explain Zone 1. However there are approximately 17,800 adults living in King of Prussia located six minutes from the casino. If on average these adults made 10 visits per year this would explain 175,000 visits. There are about 69,000 adults living in the four zip codes within a dozen miles of the VFCC. If they made 2.5 visits per year, then this would account for 175,000 visits.

The importance of casino availability and proximity in expanding visitation was demonstrated in the “Analysis of Revenue Potential” in *A Proposal for Machine Gambling in Pennsylvania*. Adult participation rates within 50 miles for a number of Casino markets all exceeded 2.8 visits per year for distances less than 50 miles, and fell dramatically for increased distances. While the analysis did not define separate visitation rates within half a dozen or a dozen miles the trend line suggests that attendance at such shorter distances would be greater than that of 0-50 miles as a whole.⁵²

Table 2.4.a
Chart C: Gaming Participation Rates (numbers of visit per adult population)

Miles	0-50	50-100	100-150
New Jersey			
Atlantic City	3.5	2.0	0.9
Illinois			
Metropolis	2.8	1.0	0.2
Peoria	3.8	1.3	
Chicagoland	3.5	1.5	
Indiana			
Southeast	5.0	2.5	0.5
Iowa			
Quad Cities	5.6	2.5	
Dubuque	6.8	3.3	
Des Moines	6.0	3.0	
Missouri			
Kansas City	6.5	3.0	2.0
St Louis	7.2	4.5	2.5
Michigan			
Detroit-Windsor	4.2	1.8	0.6
Louisiana			
Shreveport	6.0	4.0	2.5
Lake Charles	6.0	4.0	2.0
New Orleans	8.0	3.5	
Mississippi			
Gulf	8.5	6.5	4.0
Tunica	8.8	6.5	4.0
Vicksburg	8.8	5.0	

Source: J.Adler

⁵² Thompson, William N, “Analysis of Revenue Potential,” *A Proposal for Machine Gambling in Pennsylvania*, September 8, 2003.

Comparative Analysis of Mason-Dixon Local Impact Report

There are about 260,000 adults who live within 20 minutes of VFCC; if they made 2.8 visits per adult, this would account for 665,000 visits. Given the results of the Adler study and other comparable analyses, Zone 1 for VFCC is most likely just King of Prussia with ten visits per year.

Mason-Dixon was explicit in describing its two target markets Zone 1 and Zone 2. Table 2.4.b below shows the zip codes within 30 minutes of the Eisenhower Inn as defined by Google Map as well as the estimated 2010 adult population. There are 87,734 adults living within 30 minutes of the Eisenhower Inn. Mason-Dixon claims that adults within 30 minutes will make 449,000 visits losing \$106.80 per visit. This implies that on average each adult makes about five visits and loses \$546.70. It is important to note that not all Adams County adults will gamble and in fact participation will be about a third, so those gambling are losing over \$1600 per adult. Adams residents living within 30 minutes would lose \$30.5 million.

Table 2.4.b Adults Living Within 30 Minutes of Mason-Dixon Casino.

County		#	Zip Codes	Adults
Adams	PA	13	17325 17343 17320 17340 17310 17303 17372 17350 17353 17301 17250 17306 17344	55,800
Franklin	PA	2	17214	817
Carroll	MD	2	21787	7,269
Frederick	MD	6	21727 21788 21778 21780 21775	15,873
Washington	MD	3	21719 21783	7,974
				87,734

Travel times and cost to play must be taken into consideration in determining whether a casino is more convenient for a patron. Both Mason-Dixon and VFCC charge \$10 for non-hotel guests to enter the casino whereas other casinos are free. To determine convenience, an Adjusted Time was created for resort casinos by multiplying the Google Map time by 1.333. Patrons were then assigned to casinos based on shortest Adjusted Time. Increasing the time required to travel to a Resort Casino by 1/3 is equivalent to saying that given a choice between driving 39 minutes to one of the surrounding casinos where there is no cover charge or driving 30 minutes to a Resort Casino, gamblers would go to the surrounding free casinos. For instance, it takes 39 minutes to get from Dillsburg to the Hollywood Casino and 36 minutes to get to Mason-Dixon. It was assumed that gamblers from Dillsburg would go to Hollywood because on an adjusted basis it took 48 minutes to get to Mason Dixon.

For comparison purposes this paper examined VFCC's market on the same basis as that used to examine Mason-Dixon. The market in which VFCC competes is a very crowded casino market, with competitors to the south, southeast, northeast and west. A million adults live within 30 minutes of VFCC. However, VFCC is the convenient choice (after the 1/3 time adjustment) for only 540,103 adults of these adults. The other 588,000 would find Harrah's in Chester or Parx in Bensalem more convenient.

Comparative Analysis of Mason-Dixon Local Impact Report

Table 2.4.c Adults Living Within 30 minutes of VFCC Casino.

Convenient to	#	Zip Codes	Adults
VCFF	37	19406 19403 19428 19405 19087 19462 19453	540,103
		19401 19426 19333 19301 19468 19127 19355	
		19010 19475 19312 19004 19035 19457 19460	
		19129 19072 19128 19144 19341 19446 19474	
		19473 19464 19335 19518 19478 19465 19425	
		19372 19525	
Harrah's Chester	14	19064 19008 19026 19083 19082 19041 19096	277,584
		19151 19085 19073 19003 19066 19131 19380	
Bensalem Parx	17	19090 19040 19034 19025 19075 19038 19031	210,957
		19002 19444 19150 19118 19437 19454 19422	
		19436 19119 18969	
			1,028,643

Parx President David Jonas recently commented that most of his revenue comes from patrons who live within twenty miles of his casino.⁵³ Comparing adults living within twenty minutes of Mason-Dixon and VFCC shows that 49,000 live in the rural area surrounding Gettysburg while 260,000 live in the urban and suburban areas around VFCC.

In examining the market from 30-60 minutes, the impact of competing casinos on resort casinos is even greater. Mason-Dixon claims that residents in a five zip code region of Cumberland County will find Mason-Dixon convenient. However Grantville is better situated for all of Cumberland County. Mount Holly Springs (17055) is forty minutes from Mason-Dixon and forty-five minutes from Grantville. On an adjusted basis after multiplying by 1.333, Mount Holly Springs is 60 minutes from Mason-Dixon compared to 45 minutes to Grantville, making Grantville more convenient. For most of the other zip codes in Cumberland including Carlisle and Mechanicsburg, Grantville is simply a shorter drive. Charlestown is more convenient to many of the zip codes southwest of Mason-Dixon. Moreover, the proposed Baltimore casino is more convenient to gamblers southeast of Mason-Dixon in Maryland. Table 2.4.d below describes the available market from 30-60 minutes out. As noted earlier, Crossroads was denied a license because it presented no evidence as to how it would convince gamblers to switch. Mason-Dixon has to charge \$10 and makes no effort to pretend that it will attract Charlestown's patrons.

⁵³ Monica Yant Kinny "The Lifeblood of Parx Casino in Bucks is low-roller locals." *Philadelphia Inquirer*, March 7, 2010

Comparative Analysis of Mason-Dixon Local Impact Report

Table 2.4.d Adults Living 30-60 minutes from Mason-Dixon Casino.

<u>Convenient to Mason Dixon</u>										
County		#	Zip Codes							Adults
Adams	PA	4	17304	17324	17316	17307				15,499
Cumberland	PA	0								
Franklin	PA	7	17222	17268	17247	17237	17235	17201	17202	69,398
York	PA	5	17332	17333	17331	17364	17329			40,582
Carroll	MD	4	21757	21158	21791	21776				26,040
Frederick	MD	1	21798							1,499
Washington	MD	0								
										153,017
<u>Convenient to 1101 Russell Street Baltimore MD</u>										
Carroll	MD	5	21762	21157	21048	21102	21074			55,218
<u>Convenient to 580 East 5th Avenue, Ranson, WV 25438</u>										
Franklin	PA	2	17225	17244						15,366
Frederick	MD	4	21793	21701	21702	21773				63,101
Washington	MD	1	21742							25,337
<u>Convenient to 777 Hollywood Blvd Grantville PA</u>										
Cumberland	PA	9	17065	17055	17027	17007	17015	17257	17266	126,787
			17013	17241						
York	PA	11	17019	17365	17362	17339	17401	17404	17315	140,979
			17403	17327	17360	17407				
Total Convenient to Competing Casinos										426,788

Mason-Dixon’s claims that patrons living 30-60 minutes from the casino will make 225,000 visits works out to about 1.5 visits for each of the identified 153,017 adults, or at \$107 per visit \$157 per adult. Adams residents living in the northern part of the county will lose \$2.4 million at the casino for total Adams losses of \$33 million.

There are millions of adults within sixty minutes of VFCC; many of them are from Philadelphia. However, VFCC is not their most convenient choice. With casinos south southeast, northeast and northwest, there is a very small market service area for VFCC. Many of the millions that fall within an hour of VFCC were not counted in the below table. Despite this competitive environment, there are more adults in Zone 2 for VFCC than for Mason-Dixon. VFCC’s forecast does not appear to count on any of these people going to its casino.

Comparative Analysis of Mason-Dixon Local Impact Report

Table 2.4.e Adults Living within 30-60 minutes from VFCC

Convenient to		#	Zip Codes						Adults
VCFF	25	19492	19421	19343	19545	19320	19344	19519	181,560
		19543	19508	19512	19602	19520	19611	19523	
		19606	17555	19604	19607	17535	17527	19540	
		17519	17557	17529	17581				
Bensalem Parx	12	19044	18976	18974	18929	18936	18901	18914	142,697
		18915	18932	19440	18927	18964			
BethSands	22	18092	18960	18970	18070	18056	18041	18073	90,089
		19503	18962	18076	19504	18074	19510	19522	
		18054	19472	19435	19605	19560	19547	19610	
		19501							
Hollywood Grantville	17	19533	19609	19608	19565	19601	17572	17522	197,906
		17569	17576	17508	17517	17501	17602	17540	
		17578	19551	17601					
Harrah's Chester		19316	19358					916	
								613,168	

Mason-Dixon’s forecast for day trippers and overnight attendance is five times more aggressive than VFCC’s in terms of visitation and 34% to 71% more optimistic in terms of losses per visit. Such optimism places the forecast at risk.

Mason-Dixon provided a far more optimistic forecast for “Economic Impacts of Ancillary Expenditures (Ongoing) (Visitors Spending outside the Casino)” than VFCC.

Mason-Dixon LIR
 In addition to the 674,000 local gaming visits, there will also be an additional 93,000 non-local gaming visitors (OVERNIGHTERS), as indicated by Mason-Dixon.

 Based on average daily hotel room rates of \$92.96/night (for 2009*) in Adams County, we assume a per-visitor trip spending of \$120 for overnighters and \$25 for daytrippers (Zone 2). This in turn generates annual direct spending for

VFCC LIR
 In their work for the Philadelphia Gaming Advisory Task Force, the Innovation Group (IG) estimated that only a small proportion (2-4%) of visitors to Slots-only facilities stay overnight at the destination.* This estimate should clearly be adjusted down for VFCC since city facilities are closer to many of the region's main attractions and tourist destinations. We conservatively assume that 1%, or 4,900 of the new visitors will become

⁵⁴ Econsult, “Potential Impact of the Proposed Category 3, Mason-Dixon Resort & Casino.” Philadelphia, PA, March 2010. Page 15-16

Comparative Analysis of Mason-Dixon Local Impact Report

overnighters of \$11.2 million and daytrippers of \$1.4 million, or over \$12.6 million combined, as shown in Table 2.4.1. We also assume that 90% of the ancillary spending occurs in Adams County and 100% in Pennsylvania.⁵⁴

* Source: Smith Travel Research

overnighters and stay in area hotels outside of the VFCC hotels, with an average length of stay (LOS) of 1.5 nights and 1.8 occupants per room. The remaining non-Zone 1 visitors (485,000) would be classified as Day trippers, but we assume only 25% of day trippers spend any money outside of the VFCC.

Based on average Valley Forge area daily hotel room rates of \$113/night (for 2006[†]), we assume a per-visitor trip spending of \$150 for overnighters and \$50 for daytrippers. This in turn generates annual direct spending for overnighters of \$750,000 and daytrippers of \$6.1 million, or nearly 6.9 million combined. We also assume that 90% of the ancillary spending occurs in Montgomery County and 100% in Pennsylvania.⁵⁵

* Philadelphia Gaming Advisory Task Force: The Final Report, 2005.

[†] The \$113 daily room rate is based on 11 months YTD data from VFPCVB. With an overall occupancy rate of 68%, this generates a "revenue per available room" (REVPAR) estimate of \$77. We expect most of the additional occupancy in the higher end hotels, and also include an allowance for food to generate out conservative estimate of \$150 / night per overnight.

In the VFCC LIR, the spending of current/ existing hotel guests who go to the casino is not counted as new economic activity, because they are existing economic activity. VFCC only considers the economic activity of potentially new overnight stays which it sets at 1% of estimated non-Zone 1 casino guests. Mason-Dixon erroneously counts the economic activity of existing/current Adams hotel guests as new economic activity. Applying the methodology used by Econsult for VFCC to Mason-Dixon would result in an anticipated 2,250 new overnight guests to Adams County spending only \$258,750 which is a fraction of the \$11.3 million claimed by Mason-Dixon. In addition to these direct expenditures, indirect and induced economic activity would make the total economic activity of New Overnight Guests \$349,000.

⁵⁵ Econsult, "Potential Local Economic Impacts of the Proposed Category 3 Entertainment Center Gaming Facility for the Valley Forge Convention Center," Philadelphia June 2007 Page 12-13

Comparative Analysis of Mason-Dixon Local Impact Report

Table 2.4.f Direct Economic Activity of New Overnight Guests.

Zone 2 Attendance	225,000	Meals	
% staying overnight	1%	New Overnight Guests	2,250
New Overnight Guests	<u>2,250</u>	Length of Stay	<u>1.5</u>
Length of Stay	1.5	Days	3,375
Occupants per Room	<u>1.8</u>	\$ per day	<u>\$25</u>
Room Rentals	1,875		\$84,375
Rental Rate	<u>\$93</u>		
	\$174,375	Total	\$258,750

Mason-Dixon's claim as well as that of VFCC that day trip visitors will generate economic activity beyond the casino is simply unfounded. Resort Casinos have to charge \$10 for entry which will most likely go to food and beverage services diverting patron spending into the casino to the detriment of local eateries. As shown in Table 2.4.g Adams residents' entry fees will reduce Adams Food and Beverage [F&B] business by \$3.1 million. Assuming the casino provides F&B to patrons for their \$10 entry fee, the Casino will gain \$6.7 million in F&B revenue. On balance, Adams will have increased F&B by \$3.6 million, but local eateries will not be helped – they will be hurt. Mason-Dixon has already counted the jobs created within its casino due to its increased F&B efforts. It is necessary to subtract the negative impact on external businesses to obtain the net effect.

Table 2.4.g Economic Activity of Daytrip Guests.

Adams Attendance	308,359
Entry Fee	<u>\$10.00</u>
Lost Adams F&B	\$3,083,594
Food and Beverage Business gained by Casino	
Day Trippers	674,000
Entry Fee	<u>\$10.00</u>
Total	\$6,740,000

Table 2.4.h shows the economic impact of the lost Activity of Daytrip Guests using the exact same ratios and multipliers used by Mason-Dixon. Assuming a 1.35 multiplier, as was used by Mason-Dixon, an expected loss of \$3.08 million in Direct Expenditures will result in a loss of \$1.08 million in Indirect and Induced Expenditures resulting in a Total Output loss of \$4.16 million. Using the same ratios to employment and wages shows that there will be a loss of 53 jobs and almost a million in Total Earnings.

Table 2.4.h
Potential Ongoing Economic Impact Attributable to Ancillary Spending
(Millions of 2010 Dollars)

Description	Mason-Dixon Claim	Impact of Entrance Fee and Realistic New Overnight Visitors
Direct Expenditures	\$11.35	(\$3.08)
Indirect & Induced Expenditures	\$3.92	(\$1.08)
Total Output	\$15.27	(\$4.16)
Multiplier	1.35	1.35
Total Employment	195	(53)
Total Earnings	\$3.55	(\$0.97)

56

3.0 Impacts of State and Local Tax Revenue.

Both Mason-Dixon and VFCC claim they will bring gaming taxes to Pennsylvania and their local communities.

Mason-Dixon		
Table 3.1.1 Potential Direct Gaming State Tax Revenue (Millions of 2010 Dollars)		
Description	Tax Rate	Total Gaming Taxes
SLOTS (\$80.25 million total slot gaming revenue)		
Gaming Fund	34%	\$20.5
Race Horse Development Fund	12%	\$7.2
Economic Development and Tourism Fund	5%	\$3.0
TABLES (\$22.85 million total table gaming revenue)		
Table Taxes	16%	\$3.7
Total State Gaming Revenue		\$34.4

Source: Econsult Corporation (2010)

57

⁵⁶ Mason-Dixon Column from Table 2.4.2 Econsult, “Potential Impact of the Proposed Category 3, Mason-Dixon Resort & Casino.” Philadelphia, PA, March 2010 Page 16

⁵⁷ Mason-Dixon Column from Table 2.4.2 Econsult, “Potential Impact of the Proposed Category 3, Mason-Dixon Resort & Casino.” Philadelphia, PA, March 2010 Page 17

VFCC LIR

Table 3.1
Potential Direct Gaming Taxes
(\$ Millions in 2007 Dollars)

Description	Tax Rate	Total Gaming Taxes
Gaming Fund	34%	\$20.3 million
Race Horse Development Fund	12%	\$7.2 million
Economic Development and Tourism Fund	5%	\$2.9 million
Total State Gaming Revenue	51%	\$30.5 million

58

Local Assessments are based on Slots revenue only with nothing for Table Games. Since both Mason-Dixon and VFCC claim they will generate about \$60 million in Slots revenue, their local share assessments total \$2.4 million each.

Mason-Dixon LIR

Table 3.2.2
Potential INCREASES in Local Tax Revenues
(Millions of 2010 Dollars)

Description	Total Tax Impact
Gaming Taxes	
2% for Local host community fee	\$1.20
2% for DCED Adams County Economic Development	\$1.20
Total Local Gaming Taxes	\$2.40

59

⁵⁸ Econsult, “Potential Local Economic Impacts of the Proposed Category 3 Entertainment Center Gaming Facility for the Valley Forge Convention Center,” Philadelphia June 2007 Page 15

⁵⁹ Mason-Dixon Column from Table 2.4.2 Econsult, “Potential Impact of the Proposed Category 3, Mason-Dixon Resort & Casino.” Philadelphia, PA, March 2010 Page 19

VFCC LIR	
Table 3.2.2	
Potential <i>INCREASES</i> in Local Tax Revenues	
(\$ Millions in 2007 Dollars)	
Description	Total Tax Impact
Gaming Taxes	
2% for Local host community fee	\$ 1.2
2% for DCED Montgomery County Economic Development	\$ 1.2
Total Gaming Taxes	\$ 2.4

60

Neither LIR addresses the source of these taxes, which is local gamblers. Taxing 50% plus from a community represents a drain on the community.

As shown in table 3.1.a, Mason-Dixon claims (based on its inflated revenue forecasts), it will collect an aggregate of \$36.8 million in gaming taxes with \$2.4 million returned to Adams County and Cumberland Township. 41.4% of gross gambling revenue will go to the state and 2.9% will be split by the township and county.

Table 3.1.a

	<u>Taxes</u>	<u>% of Gross Gambling Revenue</u>
State Taxes	\$ 34.4	41.4%
Local Assessment	\$ 2.4	2.9%
	\$ 36.8	44.3%

Based on the analysis of zip codes described in Mason-Dixon’s forecasts, as demonstrated in Tables 3.1.b and 3.1.c, Adams County residents will provide \$32.9 million of the casino revenue while current/existing hotel guests will divert \$11.2 million of their available funds into the casino. Adams County Adults represent 64% of the Adults living in zone 1 within 30 minutes of Mason-Dixon and will thus make 285,570 visits. Adams adults are 10% of the total residing within Zone 2 where Mason-Dixon is the convenient gambling venue. This adds an additional 22,790 Adams visits for a total of 308,360. 308,360 represents 46% of the total attendance of 674,000 from adults living within an hour. 46% of Mason-Dixon’s forecast of \$72 million from adults living within an hour of the casino is \$32.9 million.

⁶⁰ Econsult, “Potential Local Economic Impacts of the Proposed Category 3 Entertainment Center Gaming Facility for the Valley Forge Convention Center,” Philadelphia June 2007 Page 17

Comparative Analysis of Mason-Dixon Local Impact Report

Table 3.1.b

	Adults	
	<u>Within 30</u>	<u>30-60</u>
	<u>Minutes</u>	<u>Minutes</u>
Adams Residents	55,800	15,499
% of total	64%	10%
Total Adults	87,734	153,017

Table 3.1.c

	Attendance			<u>Gross</u>
	<u>Within 30</u>	<u>30-60</u>	<u>Total</u>	<u>Gambling</u>
	<u>minutes</u>	<u>Minutes</u>		<u>Revenue</u>
Total Visits	449,000	225,000	674,000	\$ 72.0
Adams % of Adults	64%	10%		
Adams Visits	285,570	22,790	308,360	\$ 32.9
Current Hotel Guests			93,000	\$ 11.2
Revenue from Adams Residents and Current Hotel Guests				\$ 44.1

As is shown in Table 3.1.d, applying the effective State and Local Gambling Taxes to Adams visits and the visits of Current/Existing Hotel guests provides that \$14.6 million in gambling taxes will be extracted from Adams Residents and another \$5.0 million from current/existing Hotel Guests for a total gambling taxes paid of \$19.5 million. In return for these gambling taxes paid Adams County and Cumberland Township would receive \$1.2 million of Local Share Assessment and Cumberland each for a total of \$2.4 million.

Table 3.1.d

	<u>Adams Visits</u>	<u>Current Hotel</u>	<u>Total</u>
		<u>Guests</u>	
Gross Gambling Revenue	\$ 32.9	\$ 11.2	\$ 44.1
State Taxes 41.4%	\$ 13.6	\$ 4.6	\$ 18.3
Local Share 2.9%	\$ 1.0	\$ 0.3	\$ 1.3
Total Taxes Paid	\$ 14.6	\$ 5.0	\$ 19.5
Local Share Assessment Received			\$ 2.4

The Mason-Dixon casino is extracting more in taxes than it returns. Cumberland Township has an adult population of about 4,700 in 2010. Due to proximity they will lose \$3.7 million. \$3.3 million of this is incremental to having a Gettysburg casino and \$420,000 is recaptured from Grantville and Charlestown. For increasing their losses by \$3.3 million, Cumberland gets \$1.2 million in Local Share Assessment taxes. In exchange for increasing their losses by over \$23 million above what they were losing at Grantville and Charlestown, the balance of Adams receives \$1.2 million in local share assessment.

3.2 Local Tax Revenue

Mason-Dixon LIR

Adams County, Cumberland Township, and the Gettysburg Area School District would all see increased tax revenues, directly via gaming taxes or via increases in existing local tax bases. We conservatively assume that one-time development costs of over \$27 million will lead to an increase in market value of \$25 million. Applying the Adams County common level ratio of 22.2%, we estimate that the total increase in assessed value will be \$5.5 million, which would generate the following increases in property tax revenue:

Adams County	\$85,748	
Cumberland Township:	\$19,425	
Gettysburg Area School District	<u>\$225,885</u>	
 Total Increased Property Tax Revenue	 \$331,058	 61

VFCC LIR

Montgomery County, Upper Merion Township, and the Upper Merion School District would all see increased tax revenues, directly via gaming taxes or via increases in existing local tax bases. Currently, the facility pays a total of \$443,472 in property taxes, comprised of

Upper Merion Township	\$51,511
School District	\$323,752
Montgomery County	\$68,209

62

The above calculation of “Total Increased Property Tax Revenue” dispels the misinformation provided on Mason-Dixon’s website. ***Emphasis Added***

Mason-Dixon Website

Ongoing annual impacts:

- Millions of dollars in new annual economic activity
- Millions of dollars in new local spending as a result of increased business spurred by the facility
- Millions of dollars increase in local personal earnings
- ***Millions of dollars annual real-estate tax contributions to school district***



63

⁶¹ Mason-Dixon Column from Table 2.4.2 Econsult, “Potential Impact of the Proposed Category 3, Mason-Dixon Resort & Casino.” Philadelphia, PA, March 2010 Page 18

⁶² Econsult, “Potential Local Economic Impacts of the Proposed Category 3 Entertainment Center Gaming Facility for the Valley Forge Convention Center,” Philadelphia June 2007 Page 16

- Permanent new jobs created
- Percent increase in Adams County annual economic activity
- Millions of unique/new day visitors
- 1 million tourist overnights requiring 1,200 additional hotel rooms

4.0 Potential Qualitative Impacts

Mason-Dixon LIR

In addition to the quantitative economic impacts discussed in previous sections, the proposed resort and casino facility project would generate several important unique qualitative benefits for the County and Commonwealth. While these are all valuable to the County and its citizens, it is difficult to place a dollar estimate on their values, since they are not directly exchanged in the marketplace.

- The Mason-Dixon resort and casino should generate a considerable “recapture” rate for Pennsylvania, due to its proximity to existing West Virginia and proposed Maryland gaming facilities, and the large number of Pennsylvanians who currently leave or would otherwise leave the Commonwealth to patronize such opportunities. As noted above, this recapture has the same stimulating effect on the economy as a new export.
- In addition to stimulating economic development and jobs, the Mason-Dixon resort and casino would provide expanded and increased meeting and entertainment

VFCC LIR

In addition to the quantitative economic impacts discussed in previous sections, the proposed entertainment center facility project would generate several important unique qualitative benefits for the County and Commonwealth. While these are all valuable to the County and its citizens, it is difficult to place a dollar estimate on their values, since they are not directly exchanged in the marketplace.

- The VFCC entertainment center should generate the greatest “recapture” rate for Pennsylvania, due to its proximity to both Atlantic City and Delaware gaming facilities, and the large number of Pennsylvanians who currently leave the Commonwealth to patronize such opportunities. As noted above, this recapture has the same stimulating effect on the economy as a new export.
- In addition to stimulating economic development and jobs, the VFCC entertainment center would provide expanded and increased meeting and entertainment opportunities for

⁶³ “Product Description” Mason-Dixon Resort & Casino, <http://www.masondixongaming.com/product.html> accessed April 11, 2010

⁶⁴ Mason-Dixon Column from Table 2.4.2 Econsult, “Potential Impact of the Proposed Category 3, Mason-Dixon Resort & Casino.” Philadelphia, PA, March 2010 Page 20

Comparative Analysis of Mason-Dixon Local Impact Report

opportunities for residents and visitors, and provide an important stimulus for regional tourism and convention/meeting activity. Mason-Dixon intends to work closely with local and state tourism and convention officials to enhance their marketing efforts. Marketing will take advantage of the proximity to important cultural, historical, and entertainment tourist attractions. This will boost tourism and convention attendance, generating significant additional business for the region's hospitality industry.⁶⁴

residents and visitors, and provide an important stimulus for regional tourism and convention/meeting activity. VFCC PARTNERS intend to work closely with local and state tourism and convention officials to enhance their marketing efforts. Marketing will take advantage of the proximity to important cultural, historical, and entertainment tourist attractions. This will boost tourism and convention attendance, generating significant additional business for the region's hospitality industry.⁶⁵

Both facilities make the same claims with respect to recapture as well as enhancing tourism. While recapture may be correct, there is little evidence, as is discussed below, of any benefit of enhancing tourism that would create additional jobs. If anything the evidence indicates that Pennsylvanians are displacing existing expenditures on tourism and other businesses for a high tax industry.

As shown in Table 4.1.a, according to the March 15, 2010 survey conducted by Terry Maddonna and Bernwood Yost at the behest of Mason-Dixon, Adams County residents currently make about 1 trip to a casino a year. 60% of these trips are to Charlestown which is located on a weighted average basis 80 minutes from Adams County residents and 40% are made to Grantville which is located 66 minutes on a weighted average basis from Adams County residents. The weighting takes into account the different distances of the different zip codes from the two facilities, e.g. East Berlin is 57 minutes and Cashtown is 81 minutes from Grantville. Based on this survey, a Mason-Dixon casino would recapture about 0.6 visits per adult in Adams and Franklin. Cumberland and York are already more conveniently located to Grantville than Charlestown. Thus, recapture would be about 75,000 visits, or at Mason-Dixon's estimated \$107 per day trip visitor, eight million dollars. As noted previously Mason-Dixon's dollars per visit appears overstated and if it was \$90 per day tripper the recapture would be \$6.75 million.

⁶⁵ Econsult, "Potential Local Economic Impacts of the Proposed Category 3 Entertainment Center Gaming Facility for the Valley Forge Convention Center," Philadelphia June 2007 Page 18

Comparative Analysis of Mason-Dixon Local Impact Report

Table 4.1.a Current Gambling Activity of Adams Residents

	Charlestown			Grantville				
	People	Visits per	Tot Visits	People	Visits per	Tot Visits		
One Time	48%	60	1	60	45%	44	1	44
Two Times	22%	27	2	55	19%	18	2	37
Three Times	9%	11	3	33	10%	10	3	29
Four Times	5%	6	4	25	5%	5	4	19
Five Times	2%	2	5	12	11%	11	5	53
Six of More Times	14%	17	10	175	10%	10	7	65
Total and Average		124	2.9	360		97	2.6	247
Visits Per Year Per Adult			0.60				0.41	
Total Visits				607				
Sample Size				604				
Visits per Adult				1.01				

66

4.2 Minimal Impacts to neighborhoods, local government services or infrastructure.

Mason-Dixon LIR

The impacts of the proposed resort and casino should have only minor negative impacts on the neighboring communities and the County government, primarily because this would not represent a significant change of use. Sufficient transportation and parking infrastructure is basically in place, and the facility is not adjacent to residential neighborhoods.⁶⁷

VFCC LIR

The impacts of the proposed entertainment center should have only minor negative impacts on the neighboring communities and the County government, primarily because this would not represent a significant change of use. Sufficient transportation and parking infrastructure is basically in place, and the facility is not adjacent to residential neighborhoods. Furthermore, The River Crossing Complex projects being promoted by Chester a& Montgomery Counties anticipates over \$220 million in highway upgrades in this immediate area. VFCC PARTNERS are planning to not only mitigate any such impacts, but also to improve existing conditions to the extent possible. The River Crossing Complex projects being promoted by Chester and Montgomery Counties anticipates over \$220 million

⁶⁶ Terry Madonna and Bernwood Yost, Adams County Gaming Survey 3/15/2010

⁶⁷ Mason-Dixon Column from Table 2.4.2 Econsult, “Potential Impact of the Proposed Category 3, Mason-Dixon Resort & Casino.” Philadelphia, PA, March 2010 Page 21



in highway upgrades in this immediate area.⁶⁸

In sections *1.5 and 1.6 Site and Neighborhood Characteristics – minimal negative impacts*, both Mason-Dixon and VFCC described their sites as “ideally suited.”

Mason-Dixon LIR

The specific site being proposed by Mason-Dixon Resorts, L.P. is ideally suited for Category 3 casino use. The site of the Eisenhower Hotel & Conference Center is basically already used for similar purposes, and should generate only minimal cost impacts on nearby residents or businesses, since the property is considerably isolated, as shown in Figure 1.5.1 below.⁶⁹

**Figure 1.5.1
Aerial Photograph of Existing Eisenhower
Hotel & Conference Center**



VFCC LIR

The specific site being proposed by VFCC PARTNERS is ideally suited for Category 3 entertainment center use. The VFCC site is basically already used for similar purposes, and should generate only minimal cost impacts on nearby residents or businesses.

- Strategically located in the Philadelphia Metropolitan area, in an area not directly covered by other existing or proposed gaming facilities.
- Tourist attractions nearby
- Enjoys a prominent location, visible from major highways
- Has excellent transportation access and has sufficient access and parking infrastructure
- Is not close to residential areas or schools⁷⁰

Circled in red in Figure 1.5.a, which is an enlargement of Figure 1.5.1, is Devonshire Village, a collection of apartments and condos which are adjacent to the proposed casino, and share and share a common driveway with the complex.

⁶⁸ Econsult, “Potential Local Economic Impacts of the Proposed Category 3 Entertainment Center Gaming Facility for the Valley Forge Convention Center,” Philadelphia June 2007 Page 19
⁶⁹ Mason-Dixon Column from Table 2.4.2 Econsult, “Potential Impact of the Proposed Category 3, Mason-Dixon Resort & Casino.” Philadelphia, PA, March 2010 Page 4
⁷⁰ Econsult, “Potential Local Economic Impacts of the Proposed Category 3 Entertainment Center Gaming Facility for the Valley Forge Convention Center,” Philadelphia June 2007 Page 5

Figure 1.5.a



In a April 7, 2010 interview on WGET, David LeVan acknowledged Devonshire Village existed and explained his plan for its residents. Although Mr. LeVan has explained that he intends to enhance the living experience in Devonshire Village, Mason-Dixon's LIR did not explain how this was to be achieved.

FRED SNYDER: "Let's talk about some of the cons on this, and see if we can clear the air and create a better understanding of your project. The people out in Devonshire Village have reportedly been concerned about this coming in and them going out. Do you have any plans on moving them or displacing them?"

DAVE LEVAN: "Absolutely not, Fred. Let's put that to rest. We reviewed the concepts of our resort design earlier this week - - -clearly outlined in that is the existing Devonshire Village. There is absolutely no plan to do anything, other than I think enhance the living experience in Devonshire Village. We have plans to enhance the look and quality of this resort and I think that can be nothing but a positive to the folks that currently own and live at the Devonshire."⁷¹

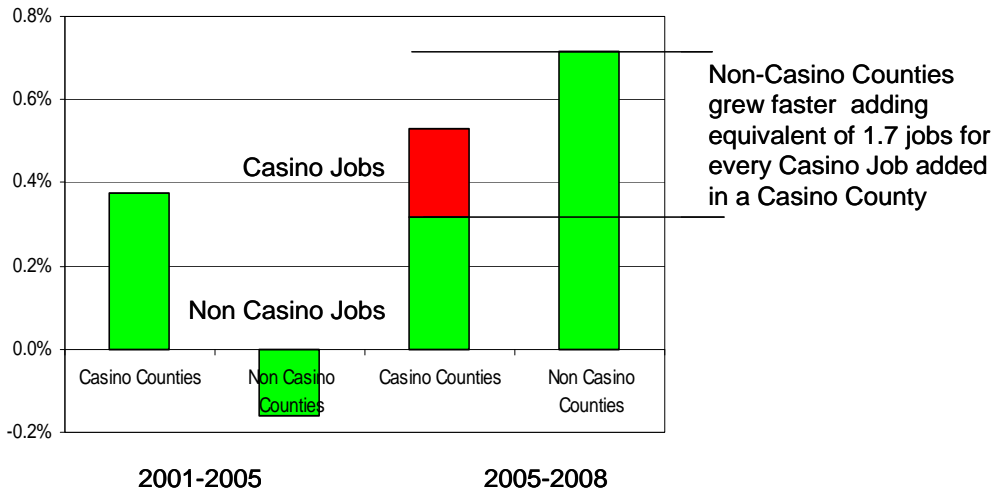
⁷¹ Transcript: 04/07/10 – Casino applicant and Gettysburg Businessman David LeVan appears on 1320 WGET

Section 5 Evidence of Indirect and Induced Business and Employment

Casino promoters universally declare they will increase employment opportunities. Unfortunately their claims ignore the diversion or displacement that their businesses bring to a local economy. When casinos remove local income from an area to pay State Gambling taxes, they reduce local purchasing power. If they hire locals, then some purchasing power is restored, but if more income is removed then returned more jobs will be lost than gained. Mason-Dixon, like other promoters, claims that for every job it creates directly within the casino a total of 2.39 jobs will be created in Adams. VFCC claimed for each job created within the casino 1.94 would be created in Montgomery.

An examination of Bureau of Labor Statistics jobs data shows that casino counties lagged non-casino counties in the creation of non-casino jobs. Figure 5.1.a below shows job growth for casino and non casino counties from 2001 thru 2005 prior to the opening of casinos and from 2005-2008 after casinos began to open. Casino counties include Luzerne, Bucks, Delaware, Erie, Washington, Monroe, and Dauphin. Green bars are non-casino jobs, while the red bar for casino counties shows the impact of casino jobs on casino counties. Prior to the opening of casinos, counties which got casinos enjoyed more robust job growth than counties which did not receive casinos. After the introduction of casinos, non-casino counties added jobs at a faster rate than casino counties and in fact added an equivalent of 1.7 more jobs for every casino job added in a casino county. While casinos may add jobs within their walls and in select supplier industries (Slots maintenance) the addition of casinos to a county’s mix diverts spending into the casinos which is taxed away from the casino county reducing job creation opportunities within the county.

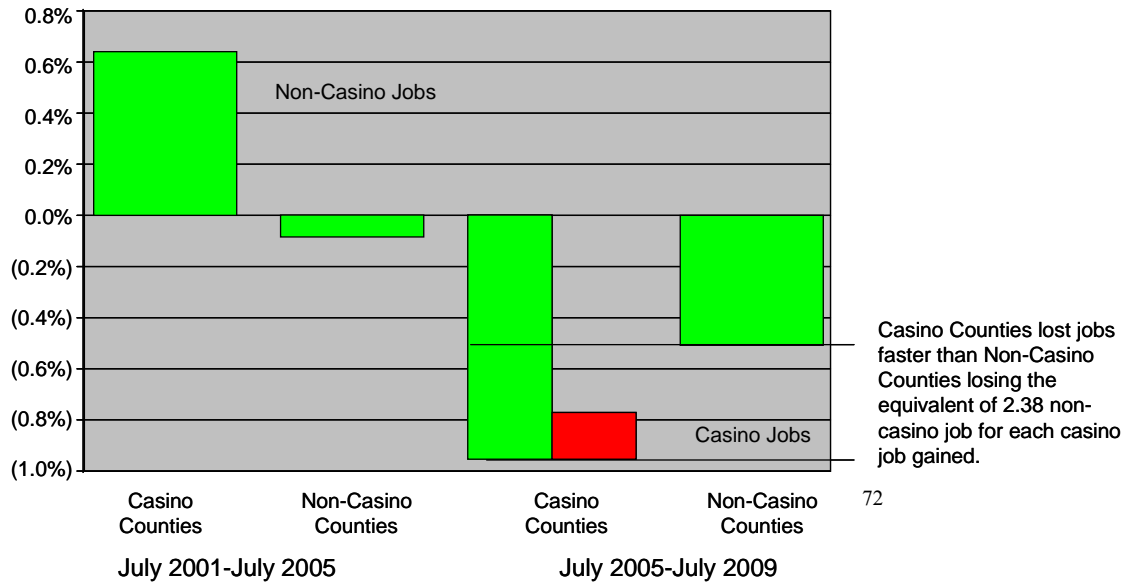
Figure 5.1.a
Pennsylvania Casino vs. Non Casino Counties
Compound Annual Growth in Jobs



After the recession began casino counties appear to have further underperformed non-casino counties. Figure 5.1.b shows job growth for casino and non casino counties from July 2001 thru July 2005 prior to the opening of casinos and from July 2005 to July 2009

after casinos began to open. **After the recession took hold in 2009, casino counties lost jobs faster than non-casino counties.** From July 2005 to July 2009, non-casino counties lost about 0.5% per year in non-casino jobs while casino counties lost almost 1% per year. Casino jobs offset some of this loss so that the net job loss was 0.77%. **When casino counties are compared to non-casino counties, Casino counties lost the equivalent of 2.38 jobs for each casino job gained.**

Figure 5.1.b
Pennsylvania Casino vs. Non Casino Counties
Compound Annual Job Growth



Casino Counties lost jobs faster than Non-Casino Counties losing the equivalent of 2.38 non-casino job for each casino job gained.

This result is rather remarkable, and it suggests that there is a strong diversion or displacement effect. The fact that casino patrons do not spend money elsewhere in the community explains the results from a University of Iowa Department of Economics study which showed that, over a four year period from 1996 to 2000, cities with casinos had a retail sales growth of just 3.3%, while retail sales growth in non-casino cities was five times faster: a robust 16.7%.⁷³ If casinos were adding multiples of their onsite jobs to casino counties then the result should be different.

The following table shows the result by county. Not all counties experienced a loss in Non-casino jobs. Compared to Non-Casino counties, Luzerne, Bucks, Delaware, Erie, and Monroe lost jobs, while Washington, Dauphin and Northampton did not. Older casino counties are more likely to have experienced non-casino job loss. Although each county has a unique story, it is important to realize that every other county in the state has a unique story. For example, although, in July of 2009 employers in Northampton may have begun to feel the effects of diversion due to BethSands opening two months before,

⁷² Casino Counties include: Luzerne, Bucks, Delaware, Washington, Monroe, Erie, Dauphin and Bethlehem. Pittsburgh opened in August 2009. Bureau of Labor Statistics for overall job creation. Casino jobs from press and PGCB.

⁷³ Based on statistics from Iowa State University, Dept. of Economics, 2001.

Comparative Analysis of Mason-Dixon Local Impact Report

they may not have yet reacted by reducing employment. Dauphin may be doing well because Harrisburg collects the gambling tax. Bucks may have done particularly poorly because of some plant closing. Despite the stories In aggregate, the data suggests Pennsylvania's casinos are displacing jobs not creating net job growth.

The following table shows when the casinos opened, as well as total private jobs in each of the host counties for July 2001, 2005 and 2009. The 2009 data is preliminary BLS data. Casino jobs are within the casino as announced by each of the casinos. Non-Casino Jobs in July 2009 are total jobs less casino jobs. To protect confidentiality BLS does not report casino jobs by county.

The row marked Jul-09 State Average Non Casino Jobs is the product of the Jul-05 jobs data shrunk at the non-casino county statewide average of 0.51% per year. This is a proxy for what each county would have achieved at the state average.

The row marked Non-Casino Jobs Gained (Lost) vs. State Average equals the Jul-09 Non-Casino Jobs row less the Jul-09 State Average Non-Casino Jobs. This is a metric for how the county performed relative to the state average in creating non-casino jobs.

The row marked Non-Casino Jobs Gained (Lost) per Casino Job equals the Non-Casino-Jobs Gained (Lost) vs. State Average divided by the July-09 Casino Jobs. This is a metric for how many non-casino jobs were displaced.

The table shows the average, median, and Σ Casino Counties changes. Figure 5.1.a was built using the Σ Casino Counties data, which lies between the average and median.

Comparative Analysis of Mason-Dixon Local Impact Report

Jobs in Casino and Non-Casino Counties

Opened County Casino	Nov-06		Dec-06		Jan-07		Feb-07		Jun-07		Oct-07		Feb-08		May-09		? Casino Counties	Non Casino Counties	Pennsylvania
	Mohegan Sun	Luzerne	Bucks	Parx	Delaware	Harrahs	Presque Isle	Erie	Washington	Meadows	Mount Airy	Hollywood	Dauphin	Beth Sands	Northampton	Northampton			
Jul-01	123,480	226,848	190,739	114,637	65,387	41,802	173,800	75,392	3,872,444	4,884,529									
Jul-05	125,523	241,983	183,278	115,191	68,051	45,216	177,511	81,450	3,859,741	4,897,944									
Jul-09 Preliminary	119,141	227,216	179,201	106,638	69,285	44,875	178,134	82,084	3,781,097	4,787,671									
Jul-09 Casino Jobs	1,028	603	1,061	660	1,300	950	990	1,000	-	7,592									
Jul-09 Non-Casino Jobs	118,113	226,613	178,140	105,978	67,985	43,925	177,144	81,084	998,982	4,780,079									
Jul 2001- Jul 2005	0.41%	1.63%	(0.99%)	0.12%	1.00%	1.98%	0.53%	1.95%	0.83%	0.77%	0.64%	(0.08%)							
Jul 2005- Jul 2009	(1.30%)	(1.56%)	(0.56%)	(1.91%)	0.45%	(0.19%)	0.09%	0.19%	(0.60%)	(0.37%)	(0.77%)	(0.51%)							
Non-Casino Only	(1.51%)	(1.63%)	(0.71%)	(2.06%)	(0.02%)	(0.72%)	(0.05%)	(0.11%)	(0.85%)	(0.71%)	(0.96%)	(0.51%)							
Jul-09 State Average Non Casino Jobs	122,965	237,052	179,544	112,844	66,664	44,295	173,894	79,790	1,017,049										
Non-Casino Jobs Gained (Lost) vs. State Average	(4,852)	(10,439)	(1,404)	(6,866)	1,321	(370)	3,250	1,294	(18,067)										
Non-Casino Jobs Gained (Lost) per Casino Job	(4.72)	(17.31)	(1.32)	(10.40)	1.02	(0.39)	3.28	1.29	(3.57)	(0.86)	(2.38)								

Source: Bureau of Labor Statistics

Section 6 Summary Costs and Benefits of Mason-Dixon Casino

As noted above, Mason-Dixon’s forecast appears optimistic in part due to a large estimated loss per visit — \$107 for locals and \$120 for current/existing hotel guests. If these per visit losses are reduced to \$90 and \$80 respectively, they would be distributed per Table 6.1.a.

Table 6.1.a Mason-Dixon Adjusted Revenue

	<u>Cumberland</u>	<u>Other Adams</u>	<u>Adams</u>	<u>Other PA</u>	<u>Maryland</u>	<u>Existing Hotel</u>	<u>Total</u>
Within 30							
Adults	4,700	51,100	55,800	817	31,117		87,734
Attendance	41,173	264,731	305,905	2,661	140,434		449,000
Revenue \$MM	3.7	23.8	27.5	0.2	12.6		40.4
30-60							
Adults		15,499	15,499	109,979	26,040		151,518
Attendance		24,454	24,454	161,461	39,086		225,000
Revenue \$MM		2.2	2.2	14.5	3.5		20.3
Total							
Adults	4,700	66,599	71,299	110,797	57,157		239,252
Attendance	41,173	289,185	330,358	164,122	179,520	93,000	674,000
Revenue \$MM	3.7	26.0	29.7	14.8	16.2	7.4	68.1
Recapture \$MM	0.25	3.60	3.85				3.85
Canibalize \$MM	0.17	2.40	2.57				2.57
Adams Incremental \$MM	3.3	20.0	23.3	14.8	16.2	7.4	61.7

**Table 6.1.b
Potential Ongoing Economic Impact Attributable to Ancillary Spending
(Millions of 2010 Dollars)**

Description	Mason-Dixon Claim for Ancillary Spending	Impact of Adams Residents and Existing/Current Guests losses at casino
Direct Expenditures	\$11.35	(\$30.7)
Indirect & Induced Expenditures	\$3.92	(\$10.75)
Total Output	\$15.27	(\$41.45)
Multiplier	1.35	1.35
Total Employment	195	(529)
Total Earnings	\$3.55	(\$9.63)

⁷⁴ Mason-Dixon Column from Table 2.4.2 Econsult, “Potential Impact of the Proposed Category 3, Mason-Dixon Resort & Casino.” Philadelphia, PA, March 2010 Page 16

Comparative Analysis of Mason-Dixon Local Impact Report

As shown in Table 6.1.a, Adams residents lose an incremental \$23.3 million in the casino, and existing/current hotel guests lose \$7.4 million. This \$30.7 million diverted from the local economy into the casino results in increased economic activity within the casino captured elsewhere and a loss of economic activity for Adams existing businesses.

Table 6.1.b demonstrates the Impact of Adams Residents and Existing/Current Hotel Guests losses at Mason Dixon using the same multipliers and ratios used by Econsult to measure Mason-Dixon's claimed benefits for Ancillary Spending. As is demonstrated, the loss of \$41.45 million in total output would result in the loss of 529 jobs and \$9.63 million in total earnings. In aggregate, ignoring social costs, and the risk of lost heritage tourism, Adams will lose \$20.6 million of economic impact as the increases attributable to the casino are more than offset by losses from local residents, and for every casino job added to Adams, more than two other jobs will be lost.

Net New, Ongoing Impacts in Adams County.

- \$20.6 million decline in total economic activity
 - \$24.7 million increase attributable to increased hotel operations impacts⁷⁵
 - \$0.35 million attributable to ancillary (visitor) spending impacts⁷⁶
 - \$41.5 million lost economic activity attributable to incremental gambling losses by Adams residents and Existing/ Current Hotel Guests⁷⁷
 - \$4.2 million lost economic activity attributable to \$10 casino admission charge.⁷⁸
- 346 jobs lost
 - 179 new, FTE jobs at Mason-Dixon Resort and Casino for Adams residents.⁷⁹
 - 53 indirect jobs attributable to Mason-Dixon operating expenditures⁸⁰
 - 4 jobs attributable to ancillary (visitor) spending
 - 529 jobs lost due to lost economic activity attributable to gambling losses.⁸¹
 - 53 jobs lost attributable to \$10 admission charges.⁸²

Taxes

- Cumberland residents suffer \$3.3 million incremental gambling losses for which Cumberland receives \$1.2 million in gambling taxes.
- Balance of Adams County residents suffer \$20.0 million in incremental gambling losses for which Adams receives \$1.2 million in gambling taxes.⁸³

⁷⁵ See Table 2.2.e page 28

⁷⁶ See Table 2.4.f page 37

⁷⁷ See Table 6.1.a page 52

⁷⁸ See Table 2.4.g page 37

⁷⁹ See Table 2.2.e page 28

⁸⁰ See Table 2.2.e page 28

⁸¹ See Table 6.1.b page 52

⁸² See Table 2.4.h page 38

⁸³ See Table 6.1.a page 52