

Mohegan Sun at the Concord Destination Resort Casino



Economic Impact/ Benefit Analysis

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1.0 Background

The Cappelli Organization proposes, in cooperation with the Mohegan Tribal Gaming Authority, to develop a destination resort casino at the site of the former Concord Hotel in the Town of Thompson, Sullivan County, New York. The facility will be branded as “Mohegan Sun at the Concord.”

It will be located adjacent to a proposed master planned resort that includes the Monster Golf Course and several other amenities and resort attractions. Mohegan Sun at the Concord facilities will include a 52,000 square foot casino, 2,100 gaming positions (1,800 slots and 50 tables games at 6 positions each), Class III table gaming, high-end player lounges, 252 hotel rooms (including 21 suites), parking for 2,250 vehicles, four restaurants (including a food court), a 94-seat entertainment lounge, 1,460 square feet of retail, 29,800 square feet of meeting/event space and a 2,900 square foot fitness center.

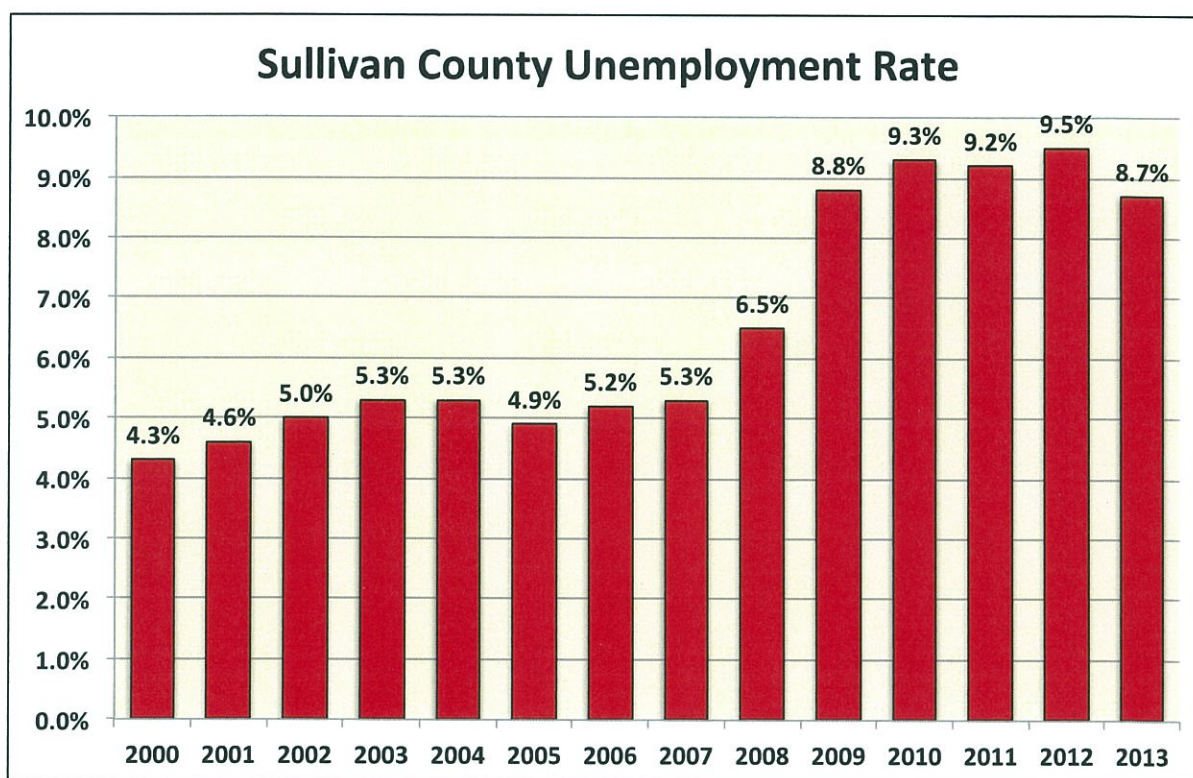
All hotel and casino foundations are in place and sized to allow future expansion to 750 hotel rooms if warranted. The project is already has legal entitlements to proceed based on an earlier proposed project. Approximately \$480.7 million will be invested in the project.

The Sullivan County economy has experienced considerable economic difficulties over the last several years, following a long decline of the Catskill resort industry. Total employment in 2013 averaged only 30,600 persons in 2013, [according to the New York State Department of Labor](#). This was below the 31,700 employed persons average for 2000, indicating the county economy has essentially gone nowhere except for a brief uptick in 2004-2008, when employment reach as high as 33,500 persons.

While [labor statistics for the Hudson Valley Region](#) (Dutchess, Orange, Putnam, Rockland, Sullivan, Ulster and Westchester Counties) for the 12-month period ending in April 2014, indicates 2.1% job growth occurred in leisure and hospitality industries, but ***Sullivan County (-1.1%) was the only area in the region that experienced a decline in private sector job count.*** Overall, regional employment growth in the private sector lags that of the state (+1.3 percent) and the nation (+2.1 percent).

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The recent economic recession produced very high unemployment within Sullivan County, which is reflected in the chart below:

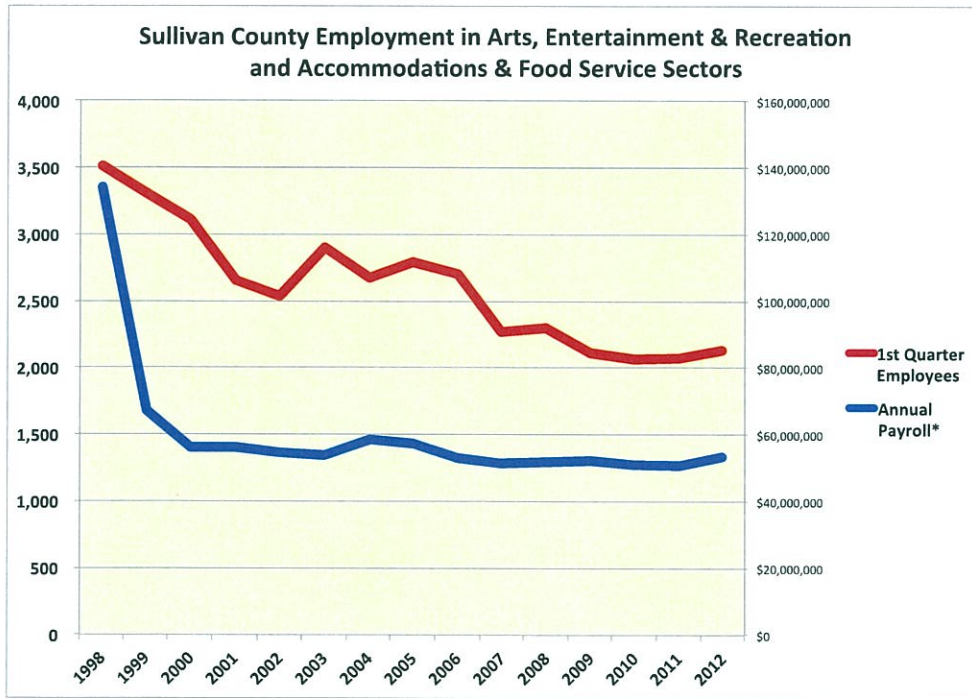


The tourism economy of the county took a major dive in 1998 when the Concord Hotel closed and it's never recovered. The table and chart following on the next page illustrate vividly how the loss of the Concord economically impacted the famous Catskills tourist region. Inflation adjusted payroll data from [the Census Bureau's County Business Patterns site](#) shows the 2012 payroll related to Sullivan County workers employed in the "arts, entertainment & recreation" and "accommodations & food service" sectors that define the bulk of tourism was less than 40% of what it was in 1998 before the Concord closing. Moreover, the number of first quarter employees declined by 39% and the number of business establishments is still below where it was in 1998. There is no significant pattern of tourism growth in Sullivan County. Therefore, all growth connected with the Mohegan Sun at the Concord will be incremental.

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Sullivan County Tourism Economy, 1998-2012			
Year	1st Quarter Employees	Annual Payroll*	Business Establishments
1998	3,511	\$134,319,420	297
1999	3,301	\$67,010,040	286
2000	3,110	\$55,989,010	285
2001	2,653	\$56,007,900	288
2002	2,541	\$54,649,600	295
2003	2,901	\$53,912,500	283
2004	2,672	\$58,495,340	285
2005	2,794	\$57,121,440	284
2006	2,705	\$52,788,840	283
2007	2,266	\$51,531,750	286
2008	2,304	\$51,704,540	289
2009	2,116	\$52,226,700	293
2010	2,067	\$51,148,650	302
2011	2,073	\$50,742,960	302
2012	2,137	\$53,421,000	292

* Inflation adjusted to 2012 dollars



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2.0 Basic Methods and Assumptions

The following are the specific methods and the key assumptions employed in this analysis:

- 1) The project development cost is estimated at \$480.7 million, of which hard costs (\$202.6 million), design expenses, furniture, fixtures, equipment and financing constitute \$363.0 million and the remainder represents purchase of an existing land mortgage, license fees and already expended amounts for existing improvements. Labor costs are estimated at \$165.5 million or 46% of total development costs ([the Pennsylvania average](#)) and other output amounts to \$197.5 million or 54% of the total.
- 2) It is assumed, for purposes of this analysis, that all construction activity will occur in 2015-16.
- 3) Overall economic impacts are analyzed over a 20-year period of 2015-2034. This period is based on the construction period plus a reasonable period for assessing the net present value of long-term benefits (additional economic activity and governmental revenues generated) and long-term costs (additional governmental expenses) produced as a result of the project. Tax revenues are projected over five years.
- 4) Gaming revenues have been independently projected by the [Spectrum Gaming Group](#), which estimated \$255 million of gross gaming revenue (assuming a second casino in Sullivan County) for the first full stabilized year of operation in 2018, increasing to \$321 million in 2026. Revenue for years following is assumed to increase at 2.7% per year. A lower range estimate of \$216.9 million (15% discount) and a high-range estimate of \$280.7 million (10% premium) are also assumed for purposes of comparing relative economic impacts at those arbitrary levels of gross gaming revenue (GGR).
- 5) Construction of the facilities will, at the roughly [\\$119,300 of development costs per job average found with respect to the construction of 12 relatively new casinos in Pennsylvania](#), yield a total of 3,042 direct and 1,521 indirect construction jobs during the course of construction. It is anticipated 80% of these jobs will go to Sullivan, Orange and

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Ulster Counties with approximately one-third going to currently unemployed individuals, and the remainder of the jobs to underemployed, individuals. The 80% figure is based on [experience with the Turning Stone Casino where 80% of capital expenditures went to just three counties surrounding the casino.](#)

Based on the Pennsylvania average of one direct job per \$187,000 of gaming revenue, Mohegan Sun at the Concord is capable of producing a minimum of 1,365 direct jobs during the first full year of operation. Indirect employment may be estimated by comparison to the Mohegan Sun at Pocono Downs facility in Wilkes-Barre, Pennsylvania, [where the direct to total employment multiplier has been estimated to be 1.58.](#) This indicates the project can be expected to generate a minimum of 792 additional indirect jobs. These indirect jobs are a result of the spinoff or multiplier effects of the payroll expenditures within the region.

- 6) Labor income is estimated at \$56,400 per job average, which is based on [the labor income generated by Pennsylvania casinos](#) divided by the number of jobs created in total, which includes fringes and other extras.
- 7) Sales taxes attributable to the increased buying power generated by the construction and permanent payrolls the facility will produce are calculated on the assumptions that 50% of the project payroll will consist of Sullivan County residents, 50% of such payroll will be spent on taxable items in Sullivan County and that total labor income, including indirect or "spin-off" gains, is 1.58 times direct personal income (incorporating the "multiplier effect"). This economic multiplier is based on [experience at Mohegan Sun at Pocono Downs.](#) A multiplier of 1.5 is used for construction based on experience with similar projects.

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3.0 Overall Incremental Economic Benefit

Mohegan Sun at the Concord can, according to independent projections developed by the [Spectrum Gaming Group](#), be conservatively expected to produce \$255 million of gross gaming revenue (assuming a second casino in Sullivan County) for the first full year of operation in 2018, increasing to \$321 million in 2026. Revenue for years following is assumed to increase at 2.7% per year. This activity, based on the Pennsylvania average of one direct job per \$187,000 of gaming revenue, indicates Mohegan Sun at the Concord is capable of producing 1,365 direct jobs during the first full year of operation, although full-time equivalent (FTE) numbers are expected to be in the range of 75% of this number .

Indirect employment may be estimated by comparison to the Mohegan Sun at Pocono Downs facility in Wilkes-Barre, Pennsylvania, [where the direct to total employment multiplier has been estimated to be 1.58](#). This indicates the project can be expected to generate a minimum of 792 additional indirect jobs. These indirect jobs are a result of the spinoff or multiplier effects of the payroll expenditures within the region.

Moreover, construction of the facilities will, at the roughly [\\$119,300 per construction job average found with respect to the construction of 12 relatively new casinos in Pennsylvania](#), yield a total of 3,042 direct and 1,521 indirect construction jobs during the course of construction. It is anticipated 80% of these jobs will go to Sullivan, Orange and Ulster Counties with approximately one-third going to currently unemployed individuals, and the remainder of the jobs to underemployed, individuals.

The 80% figure is based on [experience with the Turning Stone Casino where 80% of capital expenditures went to just three counties surrounding the casino](#). It is assumed, based on experience with other projects in the vicinity and the central location of Mohegan Sun at the Concord within the county, that 50% of all jobs would go to Sullivan County.

Labor income is estimated at \$56,400 per job average, which is based on [the labor income generated by Pennsylvania casinos](#) divided by the number of jobs created in total, which includes fringes and other extras. The total annual economic impact of the payroll from the

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facility, including spinoff effects from applying an income multiplier of 1.58 to the direct annual payroll anticipated, will be a minimum of \$121.6 million (some \$77.0 million direct and \$44.7 million indirect).

Mohegan Sun at the Concord - Jobs

	Direct Jobs Created	Indirect Jobs Created	Total Jobs Created
Construction Jobs	3,042	1,521	4,563
Operating Jobs	1,365	792	2,156
Totals	4,407	2,313	6,719

Note: Indirect construction jobs are those created from spinoff or multiplier effects and are based on an employment multiplier of 1.5. Construction jobs shown reflect the total for the project. Total jobs reflect the sum of construction jobs over the construction period plus operations for the first year of operation.

The construction and operation of Mohegan Sun at the Concord will also have significant impacts on the total economic output of the region and state by virtue of direct non-payroll expenditures for materials, equipment, supplies and services, the spinoff benefits of which will go far beyond the initial construction cost and annual budget for these items.

The value of this non-payroll economic output generated by the project has also been estimated. Pennsylvania data on 12 casino operations in that state, which is referenced above and in other sections of this report, indicates the project can be expected to generate an annual average of \$117,400 of total output (payroll plus value added) per employee or \$160.2 million in total, of which \$77.0 million is direct payroll, meaning there is another \$84.8 million of direct output related to materials, equipment, supplies and non-payroll services. Application of the previously referenced multiplier of 1.58, yields an additional indirect impact of \$83.2 million. Combined direct and indirect impact of \$160.2 million in non-payroll output can be expected to be associated with the project.

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Finally, there is also additional non-labor economic output associated with construction. Assuming labor costs are 46% of total development costs (the Pennsylvania average), labor costs represent \$165.5 million of that total and other output amounts to \$197.5 million. Applying a total non-labor economic output multiplier of 1.50 to this investment suggests additional spinoff benefits from the project totaling about \$98.8 million.

Altogether, this brings total output, direct plus indirect, to some \$797.7 million using the mid-range (expected) revenue performance estimate.

Mohegan Sun at the Concord - Total Output			
	Direct Output	Indirect Output	Total Output
Construction - Labor Income	\$165,500,000	\$82,750,000	\$248,250,000
Construction - Other Output	\$197,500,000	\$98,750,000	\$296,250,000
Subtotal - Construction Output	\$363,000,000	\$181,500,000	\$544,500,000
Operations - Labor Income (1st Year)	\$77,000,000	\$44,700,000	\$121,700,000
Operations - Other Output (1st Year)	\$83,200,000	\$48,300,000	\$131,500,000
Subtotal - Operations Output (1st Year)	\$160,200,000	\$93,000,000	\$253,200,000
Total Labor Income	\$242,500,000	\$127,450,000	\$369,950,000
Total Other Output	\$280,700,000	\$147,050,000	\$427,750,000
Total Output	\$523,200,000	\$274,500,000	\$797,700,000

A lower range estimate of \$216.9 million and a high-range estimate of \$280.7 million in GGR are also assumed for purposes of comparing relative economic impacts at those arbitrary GGR levels. If the low-range estimate of \$216.9 million in annual GGR is used, the total impact of construction and first-year operations drops slightly to \$759.7 billion and if the high range number of \$280.7 million in annual GGR is applied, then the total impact swells to \$823.0 million. These numbers, net present valued over a 20-year period at a 5% discount rate, yield current values of \$3.00 billion at the low-range estimate, \$3.43 billion at the mid-range level and \$3.72 billion at the high-range number.

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These overall economic benefits are entirely incremental to the the Town of Thompson (the host municipality), nearby municipalities and the three-county region of Sullivan, Orange and Ulster Counties, as there are no other comparable casinos or resorts within this region or the Catskills/Hudson Valley region as defined by the New York State Gaming Commission.

This facility, in fact, will replace the original Concord Hotel that was the premier resort of the Catskills for decades, but was closed several years ago and then razed. It will not, therefore, compete for revenues with any other facility.

The Monticello Raceway and Casino is also located within the Town of Thompson, of course, but it is not comparable with Mohegan Sun at the Concord, as it does not offer hotel accommodations, is strictly a VGM facility and the long-term plan calls for this facility to be relocated on adjoining property as part of a complementary master planned development. Therefore, little or no impact is expected on the revenues of that facility. Rather, the two facilities can be expected to enhance the value of Monticello and the Town of Thompson as an important East Coast gaming destination, with significant clustering benefits akin to retail stores that routinely locate close together.

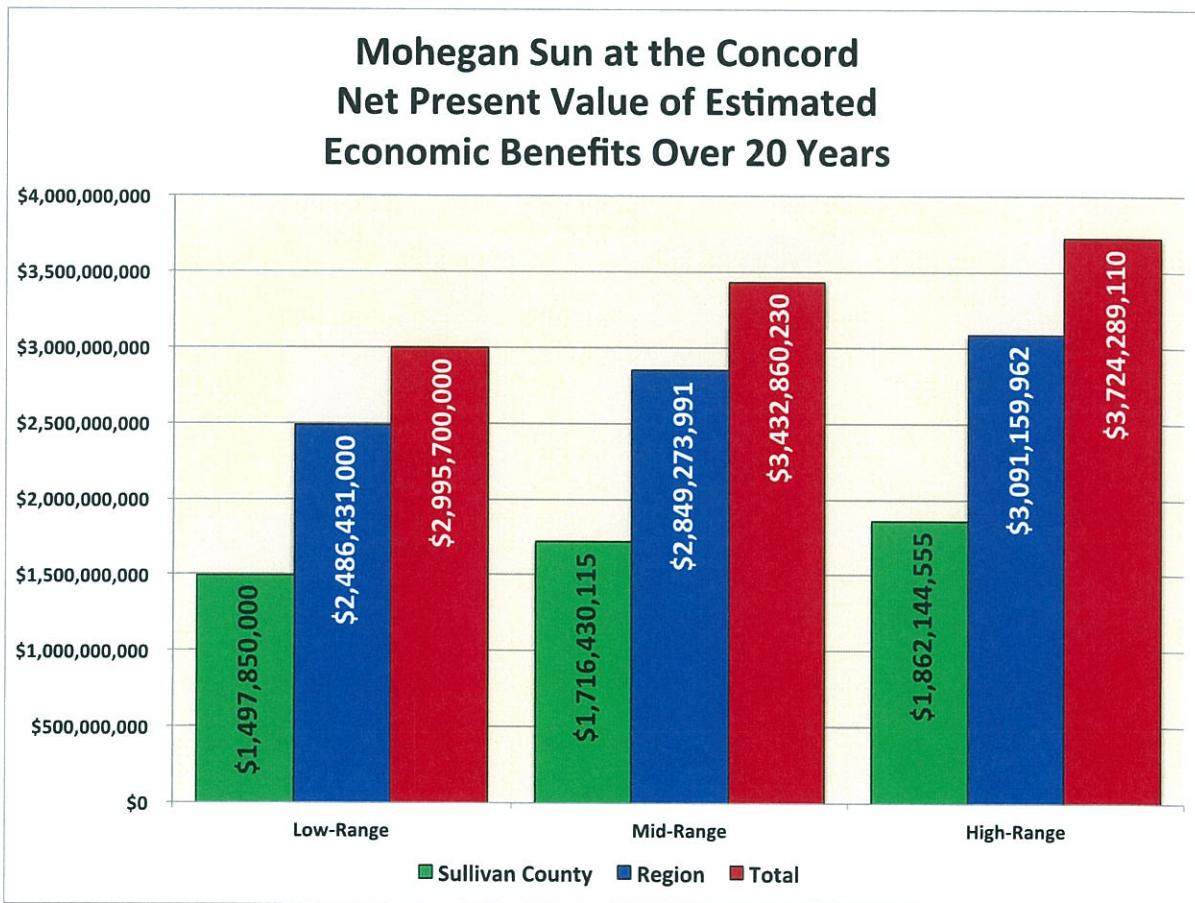
There are, of course, other gaming destinations within New York State (e.g. Turning Stone) but all are located, not only well outside the Catskills/Hudson Valley region, but substantial distances away where there is no possibility of significant impacts on revenues of those facilities.

Tax revenues to various units of government, which constitute a portion of total output, are also separately analyzed. See Section 5.0.

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4.0 Positive and Negative Impacts on Local/Regional Economy

Mohegan Sun at the Concord can, at a minimum, as detailed in Section 2.0, be expected to generate a combined economic impact of \$797.7 million during the construction period and first year of operations. Data from the Turning Stone operation indicates 80% of capital expenditures and 86% of operational output is likely to be spent within the three-county region of Sullivan, Orange and Ulster Counties and it is estimated 50% is spent within Sullivan County based on the central location of the facility within the county.



The initial economic benefits from construction and the annual economic benefits over time can also be net present valued to ascertain current total economic value of the project to the

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local and regional economy. Assuming a development cost of \$363 million (excluding license fees and existing improvements, etc.) and stabilized gaming revenues of \$255,000,000 per year (actual GGR is expected to increase but this may be assumed to be roughly equal to inflation for purposes of a conservative analysis), the net present value of the direct plus indirect economic benefits stream over 20 years (including the construction period), discounted at 5%, is \$3.43 billion (\$3.00 billion at the low-range level and \$3.72 billion at the high-range GGR level). The chart preceding compares total economic impact at all three levels for Sullivan County, the three-county region of Sullivan Orange and Ulster and in total.

Also, using the low-range estimates of economic impact, it is estimated Mohegan Sun at the Concord will create 1,365 direct jobs and another 792 indirect jobs (see Section 2.0). Sullivan County's labor force is roughly 33,500 people of whom approximately 2,900 are unemployed. If 50% of the estimated new jobs go to existing Sullivan County residents this will reduce the number of unemployed to 1,535 and lower the unemployment rate from 8.7% to 4.6%, a major improvement.

The project will simultaneously create small business opportunities. The number of tourism establishments in the county has stayed flat at around 300 since 1998, while job numbers and payrolls have declined by 39-40%. This has forced many small businesses into precarious financial condition. The number of small non-employer businesses in Sullivan County, in fact, dropped from 558 to in 2007 to 512 in 2012, [according to the Economic Census](#). The total receipts for those businesses dropped from \$17,459,000 in 2007 to \$14,120,000 in 2012, a loss of more than \$3,300,000 in sales.

Mohegan Sun at the Concord will inject some \$296.3 million of new demand into the region from the construction project and another \$131.5 million annually (an estimated \$198.4 million and \$65.8 million, respectively into the county) for products these small businesses can assist in providing and help to stabilize and grow them again.

Finally, Mohegan Sun at the Concord will drive more traffic to the region that not only patronizes the casino and other businesses, but also cultural institutions such as the [Museum at Bethel Woods](#), which celebrates the history of the Woodstock Festival, and many other

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attractions. The museum is located but 8-10 miles from the proposed casino.

These benefits are offset, to some extent by additional costs to governments and the costs of business lost by potentially competitive non-gaming enterprises that operate outside the resort environment.

The former consist of impacts on road systems, emergency services and social service systems. The additional traffic to and from the casino is unlikely to generate significant costs, as the access road to the facility is located a very short distance from Exit 105 of Route 17 and the connector section of New York State Route 42 is already four lanes in width, signaled and maintained by the State of New York. Moreover, the New York State Department of Transportation estimates the current average daily traffic as only 8,840 ADT, which is well below the capacity of the route, which was designed to accommodate Concord Hotel traffic. Therefore, no significant additional costs to the Town of Thompson, or Sullivan County, are expected in connection with Mohegan Sun at the Concord.

Demand for emergency services, primarily policing services, can be expected to increase based on the experience of other casinos, simply because they introduce new visitation to an area, if nothing else. Assuming Mohegan Sun at the Concord patrons spend approximately \$100 per day gaming (typical of the industry), this suggests the casino will attract as many as 5,000 visitors per day. Many will arrive by bus, however, so the additional activity in terms of traffic is far more limited and many of the patrons will only visit the casino and have no occasion to intermingle with the general public. Any safety issues in such instance would be addressed by casino security staff.

Therefore, the total net impact on the demand for policing by the Town of Thompson and Sullivan County is likely to be very modest. The Town of Thompson currently relies upon the New York State Police and the Sullivan County Sheriff's Department for policing. The Sheriff's Department has [an annual budget of approximately \\$18,000,000](#) for providing police protection to roughly 77,000 residents and as many [350,000 people altogether during the summer tourist season](#). Mohegan Sun at the Concord, therefore, will increase that population by perhaps 1-2%, generating an economic cost of somewhere in the vicinity of \$200,000 to \$300,000, which is

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very small in comparison to the tax revenue that will be generated to offset it.

Other emergency service demands relate to ambulance and fire protection will be addressed in the planning for the project and are subject to special district taxes that offset costs.

Finally, there is potential demand on social services related to problem gamblers who may reside in the area and the like. The studies that have been performed on this issue vary widely in their conclusions and many have been conducted by organizations with anti-gaming agendas and, therefore, are unreliable. An [analysis of these studies by the Philadelphia Federal Reserve Bank](#) offers the following (emphasis added):

*At least two studies cited by Rose (1999) found **no statistically significant increase in pathological gambling after the introduction of casino gambling in Minnesota and South Dakota (Emerson et al. 1994; Volberg and Stuefen 1994).** A more recent study, which compared the gambling behavior of 800 residents of Hull, Quebec, over a four-year period following the opening of the casino in that city, with the behavior of a similar sample in Quebec City where there was no casino, **reached the same conclusion (Jacques and Ladouceur 2006).** While investigators for the National Gambling Impact Study Commission (NGISC) found that the presence of a casino within 50 miles was associated with a significantly higher prevalence of problem and pathological gambling (Gerstein et al. 1999), **the study does not permit drawing a direct connection between the opening of a casino and an increase in problem gambling.** The authors of a 2002 meta-analysis concluded that “it can appear that gambling causes social problems, and it even might be that gambling is a cause of these social problems. However, the current state of scientific research simply does not permit this conclusion” (Shaffer and Korn 2002, p. 178).*

Given all this, it is simply not possible to estimate additional social costs with any accuracy. [Harvard Medical School data](#) indicates about 1% of American adults are pathological gamblers. If so, there are, perhaps, 500 such individuals among the adult population of Sullivan County. However, those individuals have already been exposed to a readily available gaming venue at the Monticello Raceway and it appears to have had little impact on the costs to the county. This

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is because the state has funded the county to provide the gambling addiction services it offers, which have ranged from as high as \$179,000 several years ago, to \$78,000 this year. Addiction services are, in fact, more likely to generate a revenue surplus than a deficit, based on a review of the last seven county budgets.

Overall, then, the total additional costs to the town and county are very limited and consist primarily of potential additional policing costs.

The costs of business lost by potentially competitive non-gaming enterprises that operate outside the resort environment are negligible as [labor statistics for the Hudson Valley Region](#) indicate Sullivan County (-1.1%) was the only area in the region that experienced a decline in private sector job count. The number of non-tourism non-employer businesses dropped from 5,467 in 2006 to 5,184 in 2012, indicating the nature of the problem. Likewise, the number of non-tourism employer establishments declined from 1,725 to 1,665 over the same period. The county is already under severe economic distress that, arguably, can only be lessened by the infusion of additional dollars into the region by a project such as Mohegan Sun at the Concord.

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5.0 Projections of State, County and Local Tax Revenue

In addition to these basic employment and direct/indirect impacts from the construction and operation of Mohegan Sun at the Concord, there are several other specific economic benefits to the State of New York, Sullivan County and the Town of Thompson in the form of tax revenue.

The Spectrum Gaming Group has projected total stabilized GGR of \$255 million under a scenario involving the approval of two casinos for Sullivan County. This includes \$201.6 million in slot win and \$53.6 million in table wins. The *Upstate New York Gaming Economic Development Act* specifies the Mohegan Sun at the Concord would be subject to a tax rate of 39% on slot win and 10% on all other games, meaning the project can be expected to yield \$78.6 million of tax revenue from slots and \$5.4 million from tables, a total of \$84.0 million. The legislation also specifies these revenues be distributed as follows: 80% for K-12 education and property tax relief statewide; 10% to be distributed equally between the host municipality and the host county; and, 10% to be distributed to counties in the host region for real property relief and education. There is also a \$500 annual fee on all slot machines and table games that is to be dedicated to problem gambling programs. Combining these yields the following:

Mohegan Sun at the Concord Project Gaming Revenue Distribution					
Mid-Range Expected Case					
Year	2017	2018	2019	2020	2021
Slot Win	\$ 181,463,132	\$ 201,625,702	\$ 209,690,730	\$ 215,981,452	\$ 221,899,344
Slot Taxes	\$ 70,770,621	\$ 78,634,024	\$ 81,779,385	\$ 84,232,766	\$ 86,540,744
Table Win	\$ 47,165,101	\$ 53,596,706	\$ 55,740,754	\$ 57,412,791	\$ 58,985,901
Table Taxes	\$ 4,716,510	\$ 5,359,671	\$ 5,574,075	\$ 5,741,279	\$ 5,898,590
Total Taxes	\$ 75,487,132	\$ 83,993,694	\$ 87,353,460	\$ 89,974,045	\$ 92,439,334
State Taxes	\$ 60,389,705	\$ 67,194,956	\$ 69,882,768	\$ 71,979,236	\$ 73,951,467
State License Fees	\$ 925,000	\$ 925,000	\$ 925,000	\$ 925,000	\$ 925,000
Total State Revenue	\$ 61,314,705	\$ 68,119,956	\$ 70,807,768	\$ 72,904,236	\$ 74,876,467
Town of Thompson	\$ 3,774,357	\$ 4,199,685	\$ 4,367,673	\$ 4,498,702	\$ 4,621,967
Sullivan County	\$ 3,774,357	\$ 4,199,685	\$ 4,367,673	\$ 4,498,702	\$ 4,621,967
Other Regional Counties	\$ 7,548,713	\$ 8,399,369	\$ 8,735,346	\$ 8,997,405	\$ 9,243,933

Note: Gaming revenues projections by Spectrum Gaming Group. Allocations are according to provisions of the New York State Upstate Gaming and Economic Development Act.

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Low-range and high-range cases have also been calculated as follows:

Mohegan Sun at the Concord Project Gaming Revenue Distribution

Low-Range Case

Year	2017	2018	2019	2020	2021
Slot Win	\$ 154,243,662	\$ 171,381,847	\$ 178,237,121	\$ 183,584,234	\$ 188,614,442
Slot Taxes	\$ 60,155,028	\$ 66,838,920	\$ 69,512,477	\$ 71,597,851	\$ 73,559,633
Table Win	\$ 40,090,336	\$ 45,557,200	\$ 47,379,641	\$ 48,800,872	\$ 50,138,016
Table Taxes	\$ 4,009,034	\$ 4,555,720	\$ 4,737,964	\$ 4,880,087	\$ 5,013,802
Total Taxes	\$ 64,164,062	\$ 71,394,640	\$ 74,250,441	\$ 76,477,939	\$ 78,573,434
State Taxes	\$ 51,331,249	\$ 57,115,712	\$ 59,400,353	\$ 61,182,351	\$ 62,858,747
State License Fees	\$ 925,000	\$ 925,000	\$ 925,000	\$ 925,000	\$ 925,000
Total State Revenue	\$ 52,256,249	\$ 58,040,712	\$ 60,325,353	\$ 62,107,351	\$ 63,783,747
Town of Thompson	\$ 3,208,203	\$ 3,569,732	\$ 3,712,522	\$ 3,823,897	\$ 3,928,672
Sullivan County	\$ 3,208,203	\$ 3,569,732	\$ 3,712,522	\$ 3,823,897	\$ 3,928,672
Other Regional Counties	\$ 6,416,406	\$ 7,139,464	\$ 7,425,044	\$ 7,647,794	\$ 7,857,343

Note: Gaming revenues projections by Spectrum Gaming Group. Allocations are according to provisions of the New York State Upstate Gaming and Economic Development Act.

Mohegan Sun at the Concord Project Gaming Revenue Distribution

High-Range Case

Year	2017	2018	2019	2020	2021
Slot Win	\$ 169,668,028	\$ 188,520,031	\$ 196,060,833	\$ 201,942,658	\$ 207,475,887
Slot Taxes	\$ 66,170,531	\$ 73,522,812	\$ 76,463,725	\$ 78,757,636	\$ 80,915,596
Table Win	\$ 44,099,369	\$ 50,112,920	\$ 52,117,605	\$ 53,680,960	\$ 55,151,817
Table Taxes	\$ 4,409,937	\$ 5,011,292	\$ 5,211,760	\$ 5,368,096	\$ 5,515,182
Total Taxes	\$ 70,580,468	\$ 78,534,104	\$ 81,675,485	\$ 84,125,732	\$ 86,430,778
State Taxes	\$ 56,464,374	\$ 62,827,283	\$ 65,340,388	\$ 67,300,586	\$ 69,144,622
State License Fees	\$ 925,000	\$ 925,000	\$ 925,000	\$ 925,000	\$ 925,000
Total State Revenue	\$ 57,389,374	\$ 63,752,283	\$ 66,265,388	\$ 68,225,586	\$ 70,069,622
Town of Thompson	\$ 3,529,023	\$ 3,926,705	\$ 4,083,774	\$ 4,206,287	\$ 4,321,539
Sullivan County	\$ 3,529,023	\$ 3,926,705	\$ 4,083,774	\$ 4,206,287	\$ 4,321,539
Other Regional Counties	\$ 7,058,047	\$ 7,853,410	\$ 8,167,549	\$ 8,412,573	\$ 8,643,078

Note: Gaming revenues projections by Spectrum Gaming Group. Allocations are according to provisions of the New York State Upstate Gaming and Economic Development Act.

Additionally, Mohegan Sun at the Concord will generate income, real property, room and sales taxes to these respective units of government.

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Income taxes to the State of New York are based on an estimated \$56,400 of total labor income (the average [labor income generated by Pennsylvania casinos](#)) for the 2,146 direct and indirect jobs resulting from casino resort operations. There are also the previously estimated 4,563 direct and indirect construction jobs (see Section 2.0), which are expected to produce average labor income of \$54,400 each (46% of the \$363 million in projected development costs divided by 3,042 jobs for the direct portion).

New York State income tax tables indicate a head of household at these income levels would pay \$3,151 and \$3,022, respectively, in state income taxes, yielding \$6.8 million annually in taxes on labor income from operations and \$13.8 million from labor income related to construction.

There are also corporate income taxes, which are based on profits. The average profit for the industry has varied a great deal but was [estimated at 7.8% in 2005](#). Additional competition since then is believed to have reduced that profit margin, so a 5% profit is assumed for purposes of estimated taxable income, against which an average New York State corporate income tax rate of 7.1% is applied.

The combined estimate of gaming and non-gaming revenues in the case of Mohegan Sun at the Concord for the first full year of operations in 2018 (first full year of stabilized revenue) is \$294.5 million, which will, under these assumptions, yield \$1,045,502 in state corporate income taxes

Real property taxes to the Town of Thompson and Sullivan County are now based on [an 87% equalization rate](#), meaning the \$480.7 million project (less an estimated \$95 million in non-taxable furniture, fixtures, equipment and other non-taxables) can be expected to be assessed for approximately \$340 million. Estimated real property tax rates for the Town of Thompson, Sullivan County and Monticello School District in 2017 based on current rates adjusted for inflation are 0.8%, 0.9% and 2.25%, respectively, a total of 3.95%.

This property has been previously approved and can be expected to be subject to real property tax abatements, the precise form of which is yet to be determined. It is assumed the

Mohegan Sun at the Concord Economic Impact/Benefit Analysis

abatements will average 95% for the first five years, reducing by approximately 10% per year thereafter, based upon previous such agreements. This yields total net real property tax revenues, during the first full year of operations, of \$136,000 to the Town of Thompson, \$153,000 to Sullivan County and \$382,500 to the Monticello School District, a total of \$671,500, which will climb in future years.

Room taxes in Sullivan County are set at a rate of 5%. Mohegan Sun at the Concord will have 252 rooms (including 21 suites). Assuming [an occupancy rate of 90%](#) and average room rate of only \$150 (\$300 for each suite), the hotel operation should generate \$615,900 annually in room taxes to Sullivan County.

Sales taxes will apply both to hotel rooms and other non-gaming activities such as restaurants. The hotel operations are expected, based on the above assumptions, to yield \$13.5 million annually. Other non-gaming sales taxable activities are increasingly a source of casino revenues with some long-established gaming regions developing [as much as 62% of revenue from hotel revenue and these activities](#).

It is conservatively estimated in this instance the combination of hotel and these other activities will be approximately 15-16% of GGR or roughly \$40.0 million. The sales rate in Sullivan County is 8.0%, half of which goes to the State of New York, the other half going to the county. Mohegan Sun at the Concord, therefore, is expected to generate a minimum of \$3.2 million in combined sales taxes annually, \$1.6 million each to Sullivan County and the State of New York.

The total tax revenue that can be expected to be generated by unit of government is summarized in the following table for the mid-range average or expected outcome. Additional tables also follow to provide low and high range projections. They indicate total tax revenues over the construction period plus the first five years of operation will range from \$438.5 million to \$560.6 million with an expected average of \$511.8 million.

Mohegan Sun at the Concord Economic Impact/Benefit Analysis

Mohegan Sun at the Concord Project Total Tax Revenue

Mid-Range (Average) Case

Year	2017*	2018	2019	2020	2021
State of New York					
Taxes - Gaming Revenue	\$ 60,389,705	\$ 67,194,956	\$ 69,882,768	\$ 71,979,236	\$ 73,951,467
License Fees	\$ 925,000	\$ 925,000	\$ 925,000	\$ 925,000	\$ 925,000
Income Tax*	\$ 19,866,676	\$ 6,762,046	\$ 7,032,529	\$ 7,243,504	\$ 7,441,976
Sales Tax - Direct	\$ 1,437,958	\$ 1,600,000	\$ 1,664,000	\$ 1,713,920	\$ 1,760,881
Sales Tax - Indirect*	\$ 2,538,805	\$ 983,400	\$ 1,022,736	\$ 1,053,418	\$ 1,082,282
Total State Taxes	\$ 82,619,339	\$ 76,482,002	\$ 79,504,298	\$ 81,861,660	\$ 84,079,324
Sullivan County					
Taxes - Gaming Revenue	\$ 3,774,357	\$ 4,199,685	\$ 4,367,673	\$ 4,498,702	\$ 4,621,967
Real Property Tax	\$ 153,000	\$ 153,000	\$ 153,000	\$ 153,000	\$ 153,000
Room Tax	\$ 553,524	\$ 615,900	\$ 640,536	\$ 659,752	\$ 677,829
Sales Tax - Direct	\$ 1,437,958	\$ 1,600,000	\$ 1,664,000	\$ 1,713,920	\$ 1,760,881
Sales Tax - Indirect*	\$ 1,269,402	\$ 491,700	\$ 511,368	\$ 526,709	\$ 541,141
Total County Taxes	\$ 7,188,241	\$ 7,060,285	\$ 7,336,578	\$ 7,552,083	\$ 7,754,818
Town of Thompson					
Taxes - Gaming Revenue	\$ 3,774,357	\$ 4,199,685	\$ 4,367,673	\$ 4,498,702	\$ 4,621,967
Real Property Tax	\$ 136,000	\$ 136,000	\$ 136,000	\$ 136,000	\$ 136,000
Total Town Taxes	\$ 3,910,357	\$ 4,335,685	\$ 4,503,673	\$ 4,634,702	\$ 4,757,967
Monticello School District					
Real Property Tax	\$ 382,500	\$ 382,500	\$ 382,500	\$ 382,500	\$ 382,500
Total School Taxes	\$ 382,500	\$ 382,500	\$ 382,500	\$ 382,500	\$ 382,500
Other Counties					
Taxes - Gaming Revenue	\$ 7,548,713	\$ 8,399,369	\$ 8,735,346	\$ 8,997,405	\$ 9,243,933
Sales Tax - Indirect*	\$ 1,269,402	\$ 491,700	\$ 511,368	\$ 526,709	\$ 541,141
Total Other County Taxes	\$ 8,818,116	\$ 8,891,069	\$ 9,246,714	\$ 9,524,114	\$ 9,785,074
Total Tax Revenue	\$ 102,918,552	\$ 97,151,540	\$ 100,973,762	\$ 103,955,059	\$ 106,759,684

Note: Includes indirect sales tax revenue from construction period employment on assumption of 1.50 multiplier and 50% of employees being from Sullivan County with 50% of spending being sales taxable. Direct and indirect income tax revenue from construction is similarly included, assuming 6,049 total jobs at an average tax of \$3,054.

Mohegan Sun at the Concord Economic Impact/Benefit Analysis

Mohegan Sun at the Concord Project Total Tax Revenue

Low-Range Case

Year	2017*	2018	2019	2020	2021
State of New York					
Taxes - Gaming Revenue	\$ 51,331,249	\$ 57,115,712	\$ 59,400,353	\$ 61,182,351	\$ 62,858,747
License Fees	\$ 925,000	\$ 925,000	\$ 925,000	\$ 925,000	\$ 925,000
Income Tax*	\$ 18,955,094	\$ 5,747,739	\$ 5,977,650	\$ 6,156,978	\$ 6,325,679
Sales Tax - Direct	\$ 1,222,264	\$ 1,360,000	\$ 1,414,400	\$ 1,456,832	\$ 1,496,749
Sales Tax - Indirect*	\$ 2,406,234	\$ 835,890	\$ 869,326	\$ 895,405	\$ 919,939
Total State Taxes	\$ 72,433,608	\$ 65,148,451	\$ 67,717,403	\$ 69,721,161	\$ 71,606,176
Sullivan County					
Taxes - Gaming Revenue	\$ 3,208,203	\$ 3,569,732	\$ 3,712,522	\$ 3,823,897	\$ 3,928,672
Real Property Tax	\$ 153,000	\$ 153,000	\$ 153,000	\$ 153,000	\$ 153,000
Room Tax	\$ 470,495	\$ 523,515	\$ 544,456	\$ 560,789	\$ 576,155
Sales Tax - Direct	\$ 1,222,264	\$ 1,360,000	\$ 1,414,400	\$ 1,456,832	\$ 1,496,749
Sales Tax - Indirect*	\$ 1,203,117	\$ 417,945	\$ 434,663	\$ 447,703	\$ 459,970
Total County Taxes	\$ 6,257,080	\$ 6,024,192	\$ 6,259,041	\$ 6,442,221	\$ 6,614,546
Town of Thompson					
Taxes - Gaming Revenue	\$ 3,208,203	\$ 3,569,732	\$ 3,712,522	\$ 3,823,897	\$ 3,928,672
Real Property Tax	\$ 136,000	\$ 136,000	\$ 136,000	\$ 136,000	\$ 136,000
Total Town Taxes	\$ 3,344,203	\$ 3,705,732	\$ 3,848,522	\$ 3,959,897	\$ 4,064,672
Monticello School District					
Real Property Tax	\$ 382,500	\$ 382,500	\$ 382,500	\$ 382,500	\$ 382,500
Total School Taxes	\$ 382,500	\$ 382,500	\$ 382,500	\$ 382,500	\$ 382,500
Other Counties					
Taxes - Gaming Revenue	\$ 6,416,406	\$ 7,139,464	\$ 7,425,044	\$ 7,647,794	\$ 7,857,343
Sales Tax - Indirect*	\$ 1,203,117	\$ 417,945	\$ 434,663	\$ 447,703	\$ 459,970
Total Other County Taxes	\$ 7,619,523	\$ 7,557,409	\$ 7,859,707	\$ 8,095,497	\$ 8,317,313
Total Tax Revenue	\$ 90,036,914	\$ 82,818,284	\$ 86,067,173	\$ 88,601,275	\$ 90,985,206

Note: Includes indirect sales tax revenue from construction period employment on assumption of 1.50 multiplier and 50% of employees being from Sullivan County with 50% of spending being sales taxable. Direct and indirect income tax revenue from construction is similarly included, assuming 6,049 total jobs at an average tax of \$3,054.

Mohegan Sun at the Concord Economic Impact/Benefit Analysis

Mohegan Sun at the Concord Project Total Tax Revenue

High-Range Case

Year	2017*	2018	2019	2020	2021
State of New York					
Taxes - Gaming Revenue	\$ 66,428,676	\$ 73,914,451	\$ 76,871,045	\$ 79,177,160	\$ 81,346,614
License Fees	\$ 925,000	\$ 925,000	\$ 925,000	\$ 925,000	\$ 925,000
Income Tax*	\$ 20,474,397	\$ 7,438,251	\$ 7,735,782	\$ 7,967,854	\$ 8,186,173
Sales Tax - Direct	\$ 1,581,754	\$ 1,760,000	\$ 1,830,400	\$ 1,885,312	\$ 1,936,970
Sales Tax - Indirect*	\$ 2,627,185	\$ 1,081,740	\$ 1,125,010	\$ 1,158,760	\$ 1,190,510
Total State Taxes	\$ 89,409,827	\$ 84,037,702	\$ 87,362,227	\$ 89,955,326	\$ 92,394,757
Sullivan County					
Taxes - Gaming Revenue	\$ 4,151,792	\$ 4,619,653	\$ 4,804,440	\$ 4,948,572	\$ 5,084,163
Real Property Tax	\$ 153,000	\$ 153,000	\$ 153,000	\$ 153,000	\$ 153,000
Room Tax	\$ 608,876	\$ 677,490	\$ 704,590	\$ 725,727	\$ 745,612
Sales Tax - Direct	\$ 1,581,754	\$ 1,760,000	\$ 1,830,400	\$ 1,885,312	\$ 1,936,970
Sales Tax - Indirect*	\$ 1,313,593	\$ 540,870	\$ 562,505	\$ 579,380	\$ 595,255
Total County Taxes	\$ 7,809,015	\$ 7,751,013	\$ 8,054,935	\$ 8,291,992	\$ 8,515,000
Town of Thompson					
Taxes - Gaming Revenue	\$ 4,151,792	\$ 4,619,653	\$ 4,804,440	\$ 4,948,572	\$ 5,084,163
Real Property Tax	\$ 136,000	\$ 136,000	\$ 136,000	\$ 136,000	\$ 136,000
Total Town Taxes	\$ 4,287,792	\$ 4,755,653	\$ 4,940,440	\$ 5,084,572	\$ 5,220,163
Monticello School District					
Real Property Tax	\$ 382,500	\$ 382,500	\$ 382,500	\$ 382,500	\$ 382,500
Total School Taxes	\$ 382,500	\$ 382,500	\$ 382,500	\$ 382,500	\$ 382,500
Other Counties					
Taxes - Gaming Revenue	\$ 8,303,584	\$ 9,239,306	\$ 9,608,881	\$ 9,897,145	\$ 10,168,327
Sales Tax - Indirect*	\$ 1,313,593	\$ 540,870	\$ 562,505	\$ 579,380	\$ 595,255
Total Other County Taxes	\$ 9,617,177	\$ 9,780,176	\$ 10,171,386	\$ 10,476,525	\$ 10,763,582
Total Tax Revenue	\$ 111,506,311	\$ 106,707,044	\$ 110,911,489	\$ 114,190,915	\$ 117,276,002

Note: Includes indirect sales tax revenue from construction period employment on assumption of 1.50 multiplier and 50% of employees being from Sullivan County with 50% of spending being sales taxable. Direct and indirect income tax revenue from construction is similarly included, assuming 6,049 total jobs at an average tax of \$3,054.

Mohegan Sun at the Concord Economic Impact/Benefit Analysis

6.0 Projections of State, County and Local Costs

Section 3.0 of this report addresses many of the expected impacts and costs to local and state government in connection with the Mohegan Sun at the Concord project. The following expands on these.

Local and state impacts consist largely of those upon road systems, emergency services and health and social service systems. Schools are not an issue, given enrollment declines.

Road Systems

The additional traffic to and from the casino is unlikely to generate significant costs, as the main access road to the facility is located a very short distance from Exit 105 of Route 17 and the connector section of New York State Route 42 is already four lanes in width, signaled and maintained by the State of New York. Moreover, the New York State Department of Transportation estimates the current average daily traffic as only 8,840 ADT, which is well below the capacity of the route, it having been designed to accommodate Concord Hotel traffic. Some upgrading could be required with respect to the Concord Road (County Road No. 182) and Kiamesha Lake Road (County Road No. 109) accesses to the property, but the affected stretches are very limited in length and both road sections are in reasonably good condition.

Therefore, no significant additional costs to the Town of Thompson, or Sullivan County, are expected in connection with Mohegan Sun at the Concord that will not easily be more than offset by the increased revenue to the county. The two county road accesses comprise roughly 1.5 miles in total and Sullivan County spends \$52,000 per mile on average in annual maintenance expenses. Approximately, \$33,350 per mile is county funded and \$9,500 per mile comes in the form of state aid. This means the total cost to Sullivan County, even assuming Mohegan Sun at the Concord was responsible for all the traffic on these roads will be roughly \$50,000 or 0.7% of what the county will receive in taxes as a result of the project and the cost to the State of New York will be about \$14,250 or 0.02% of what the County will receive in taxes.

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Emergency Services

Demand for emergency services, primarily policing services, can be expected to increase based on the experience of other casinos, simply because they introduce new visitation to an area, if nothing else. Assuming Mohegan Sun at the Concord patrons spend approximately \$100 per day gaming (typical of the industry), this suggests the casino will attract as many as 5,000 visitors per day. Many will arrive by bus, however, so the additional activity in terms of traffic is far more limited and many of the patrons will only visit the casino and have no occasion to intermingle with the general public. Any safety issues in such instance would be addressed by casino security staff.

Therefore, the total net impact on the demand for policing by the Town of Thompson and Sullivan County is likely to be very modest. The Town of Thompson currently relies upon the New York State Police and the Sullivan County Sheriff's Department for policing. The Sheriff's Department has [an annual budget of approximately \\$18,000,000](#) for providing police protection to roughly 77,000 residents and as many [350,000 people altogether during the summer tourist season](#).

Mohegan Sun at the Concord, therefore, will increase that population by perhaps 1-2%, generating an economic cost of somewhere in the vicinity of \$200,000 to \$300,000, which is very small in comparison to the tax revenue that will be generated to offset it. Assuming \$250,000 of additional expense annually, this represents 3.5% of the taxes Sullivan County is expected to receive from the project.

Other emergency service demands relate to ambulance and fire protection will be addressed in the planning for the project and are also subject to special district taxes that offset costs. Mohegan Sun at the Concord will generate additional tax base well in excess of the added services. The Monticello Fire district tax rate is 0.184% and assuming 0.2% going forward, it will, even with a 95% tax abatement at the outset, generate \$34,000 per year, roughly 2.5% of the district's budget. Given the small addition of building space to the town inventory, this is a significant contribution to revenues and payments-in-lieu of taxes agreements can provide for additional funding if required, as is often done with emergency services.

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Health and Social Services

Finally, there is potential demand on social services related to problem gamblers who may reside in the area and the like. The studies that have been performed on this issue vary widely in their conclusions and many have been conducted by organizations with anti-gaming agendas and, therefore, are unreliable. An [analysis of these studies by the Philadelphia Federal Reserve Bank](#) offers the following (emphasis added):

*At least two studies cited by Rose (1999) found **no statistically significant increase in pathological gambling after the introduction of casino gambling** in Minnesota and South Dakota (Emerson et al. 1994; Volberg and Stuefen 1994). A more recent study, which compared the gambling behavior of 800 residents of Hull, Quebec, over a four-year period following the opening of the casino in that city, with the behavior of a similar sample in Quebec City where there was no casino, **reached the same conclusion** (Jacques and Ladouceur 2006). While investigators for the National Gambling Impact Study Commission (NGISC) found that the presence of a casino within 50 miles was associated with a significantly higher prevalence of problem and pathological gambling (Gerstein et al. 1999), **the study does not permit drawing a direct connection between the opening of a casino and an increase in problem gambling**. The authors of a 2002 meta-analysis concluded that “it can appear that gambling causes social problems, and it even might be that gambling is a cause of these social problems. However, the current state of scientific research simply does not permit this conclusion” (Shaffer and Korn 2002, p. 178).*

Given all this, it is simply not possible to estimate additional social costs with any accuracy. [Harvard Medical School data](#) indicates about 1% of American adults are pathological gamblers. If so, there are, perhaps, 500 such individuals among the adult population of Sullivan County. However, those individuals have already been exposed to a readily available gaming venue at the Monticello Raceway and it appears to have had little impact on the costs to the county. This is because the state has funded the county to provide the gambling addiction services it offers, which have ranged from as high as \$179,000 several years ago, to \$78,000 this year. Addiction

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services are, in fact, more likely to generate a revenue surplus than a deficit, based on a review of the last seven county budgets.

Moreover, the *Upstate Gaming and Economic Development Act* also provides for a \$500 per slot position and table license fee that is to be dedicated to problem gambling programs. It will generate \$950,000 of revenue to the state. The long existence of the Monticello Raceway and, now the VGM racino operation for several years do not indicate a significant local issue with problem gaming, so this additional funding should be more than adequate to cover any local and state impacts.

Schools

The Monticello Central School District and others in the area [have experienced roughly 10% declines in enrollment](#), which has caused it considerable budgetary distress and forced the Monticello District to shutter classrooms. The [district's most recent budget is \\$83,178,573 to serve roughly 3,000 students](#), or \$27,700 per student, approximately \$10,200 of which comes from the State.

Costs per student have risen significantly as a consequence of having fewer students over which to spread overhead expenses and declining state aid linked to enrollment. Assuming even 25% of the 2,156 Mohegan Sun at the Concord direct and indirect employees represent new households, with an average of 0.48 children per household (Census 2010), this would mean an additional 259 students, well below the district's enrollment of over 3,300 students just a few years ago. Therefore, the impact on schools even if concentrated in this one district would only restore the balance needed to support educational overhead.

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7.0 Consultant Qualifications

Shepstone Management Company, Inc. (SMC) is a planning and research consulting firm located in neighboring Wayne County, Pennsylvania. It specializes in market research, economic development and impact analysis, land use planning and transportation. The firm has operated primarily in New York and Pennsylvania but has extensive experience in representing both private and municipal clients throughout the Northeast and, in particular, the Catskills and Poconos tourist regions.

SMC has prepared numerous feasibility studies and market research reports for private development projects, including convenience stores, housing projects, manufacturing facilities, retail enterprises, restaurants and branch banks. Principal Thomas J. Shepstone also provides expert witness testimony on these subjects. A graduate of Pennsylvania State University, he has spoken at numerous planning conferences in both New York and Pennsylvania and authored articles in *Planning*, the *Pennsylvania Township News* and other publications. He also served on the Board of Delaware Otsego Corporation, a Northeast region rail operator and as Chairperson of the Wayne Memorial Health System.

SMC has extensive experience, also, with tourism development. The firm assisted Sullivan County, New York in preparing a Corridor Management Plan for the Upper Delaware Scenic Byway. It was instrumental in crafting the successful River Management Plan for the Upper Delaware Scenic and Recreational River and developed the Juniata River Valley Regional Tourism Plan for Juniata and Mifflin Counties, Pennsylvania. It has helped the City of Oil City, Pennsylvania and the Borough of Tionesta in assembling economic development strategies based on tourism. It assisted the Village of Deposit, New York with a similar endeavor. Shepstone Management has also collaborated in several other heritage tourism projects in New York and Pennsylvania. Finally, it assisted the Mount Airy Resort & Casino with its market studies related to retail and other accompanying development.

Among SMC's areas of specialty is market research. It has conducted commercial and housing market studies for several major builders in New York, New Jersey and Pennsylvania (e.g., Teicher Organization, Kalian Homes, Pulte Homes, Westminster Communities) and assisted

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Cherokee Investment Partners in evaluating two major brownfield projects in New Jersey that were intended to create new housing and commerce on former landfill sites near New York City. Other market studies conducted include one for a megaplex theater in the Port Jervis area and another for a ski and waterpark facility in Sullivan County, New York.

SMC has also assisted several communities and counties with economic development planning. He regularly works with Industrial Development Agencies in both New York and Pennsylvania on benefit/cost analyses and economic impact analyses (over 100 such studies performed), environmental assessments and packaging of applications for financial assistance. The firm also assisted the Catskill Watershed Corporation in developing a 5-county strategy for use of \$60,000,000 in New York City funds provided for economic development of the region and guided the Sullivan-Wawarsing Rural Economic Area Partnership in developing a Strategic Plan for economic development, as well preparing an Economic Development Plan for Sullivan County, New York.