

STUDIES AND REPORTS

Exhibit VIII. B.3.a

As required pursuant to Exhibit VIII. B.3.a, the company engaged an independent expert, Louis Berger Group, to perform a study that analyzes the incremental economic benefit of the proposed facility to the Region, the State and Host municipality and nearby municipalities, including the manner in which the facility will generate new revenues as opposed to taking revenues from other New York businesses. Accordingly, please see the report on the following page.

INCREMENTAL ECONOMIC BENEFIT

Introduction

Following the Request for Application (RFA) to Develop and Operate a Gaming Facility in New York State, Exhibit VIII. B.3.a of the Application for Resorts World Hudson Valley by RW Orange County LLC presents the overall economic incremental benefit of the proposed facility to the Region, the State and the Host municipality and nearby municipalities including the manner in which the facility will generate new revenue as opposed to taking revenues from other New York businesses.

Project Description

The proposed Resorts World Hudson Valley development totals approximately 1.7 million square feet in size and consists of a 600-room hotel, a full-service gaming facility, conference center, restaurants, retail and other hotel and casino-related ancillary uses on a 373-acre site adjacent to I-84 Exit 5A. Utility-related uses include a water reclamation plant and storm water treatment areas. The proposed project also includes 6,550 parking spaces in multi-story parking structure and surface parking lot. As a year-round tourist attraction, the proposed project is expected to bring approximately 6.7 million visitors to the site annually. In order to accommodate project traffic, transportation improvements are proposed that include a signalized T intersection on Route 17K at the northern entrance to the project site, a roundabout on Route 747 at the eastern entrance to the site, and widening Route 747 to four lanes between I-84 and the roundabout. The Resorts World Hudson Valley is proposed pursuant to the Upstate New York Gaming Economic Development Act of 2013, the goals of which include creating jobs, reducing unemployment, enhancing the State's tourism industry, and generating substantial revenue for public education and taxpayer relief.

Methodology

This Appendix estimates the economic impact of the proposed Resorts World Hudson Valley on the State, the Catskills, and Orange County. The Catskills Region is composed of Sullivan, Ulster, Orange, Delaware, Dutchess, Greene, and Columbia. In each of these three regions, the proposed facility will create two types of economic impacts. First, there will be a one-time economic impact during the construction phase, which will consist of jobs in the construction industry and related industries. Upon construction completion, the facility will provide on-site employment and generate additional economic activity through purchasing goods and services at state, regional, and local businesses. The facility's operations will be supported by gaming and other revenues obtained by visitors including Orange County residents, residents from other Catskills counties, and other New York counties as well as by out-of-state visitors.

Purchases made during the construction or operation phases from regional vendors generate a "multiplier effect" which is the additional economic activity that occurs when these vendors make purchases from other vendors within the region, who in turn make purchases from other vendors within the region. Similarly, purchases at regional businesses made by Resort employees or by vendor employees generate a multiplier effect.

To determine the magnitude of the multiplier effect, we used input-output modeling techniques. The multiplier effect consists of three distinct areas:

- Direct Impact corresponds to the initial changes in final demand that the project activities created.
- Indirect Impact includes the consecutive rounds of industry spending on goods and services triggered by the initial change in final demand. Regional businesses from which the Resort will purchase goods and services typically purchase some materials

and services from other regional businesses, which then in turn purchase from their local suppliers.

- Induced Impact refers to the impact triggered by increased household spending by employees of the directly and indirectly affected businesses. Employees spend part of their earnings at regional establishments, which in turn purchase some of their input materials and services locally to satisfy this demand.

Area-specific multipliers were created with the IMPLAN input-output modeling system and take into account inter-industry relationships, the relationship between industries and consumers, and trade flow patterns.

To estimate the incremental economic impact of the Resorts World Hudson Valley, the total economic impact is reduced to take into account displacement of existing economic activity in the State, Catskills, and County. A new gaming facility is expected to “cannibalize,” or reduce the revenue of, existing gaming facilities since patrons of the existing establishments will choose to patronize the new facility. Spending at the new facility by residents is also expected to displace other discretionary spending on recreation, entertainment, dining, and other products thereby reducing revenues at other business.

The impact is expressed in terms of employment (includes full- and part-time jobs), output (sales revenue plus inventory change), and labor income.

The annual impacts are estimated for 2018, which is the second year of operation.

Report Overview

The Exhibit VIII. A.3 report presents the incremental economic impact of the Resorts World Hudson Valley to Orange County, the Catskills Region, and New York State. The report starts by assessing the economic impact of the Resorts World Hudson Valley during the construction phase and then continues to assess the impact of its operations. The report presents the total contribution of the facility to the state and regional economy as well as the net new effect, which takes into account displacement of existing gaming and non-gaming spending. Where possible, the report presents outputs for three gaming revenue scenarios high, base, and low, as defined in Exhibit VIII. A.3. Finally, the report presents results of other studies based on observed data from existing casinos.

Construction Phase

The construction budget for the resort and casino totals [REDACTED], not including the cost of the land. Based on a budget of [REDACTED], the construction is expected to create 6,560 person-years of employment in the construction and related industries. As the construction is expected to take two years, an estimated average of 1,968 full- and part-time jobs, or 1,870 full-time equivalent (FTE) per year will be created in the Town of Montgomery. Combined labor income will amount to \$177.5 million in the two-year construction period, which corresponds to an average of \$45,000 per worker. Through the multiplier effect, construction will further contribute to the economy of New York State, the Catskills, and Orange County. An overview of the direct, indirect, and induced effect of the construction of the resort and the infrastructure improvement on the New York State, Catskills, and Orange County economies are presented in Table 1.

Table 1 - Economic Impact of Construction, 2015-2016

	Impact Type	Employment (person-year)	Labor Income (\$million)	Output (\$million)
New York State	Direct	3,936	\$177.54	\$580.14
	Indirect and Induced	2,916	\$152.28	\$419.34
	Total	6,852	\$329.82	\$999.48
Catskills	Direct	3,936	\$177.54	\$580.14
	Indirect and Induced	2,400	\$109.62	\$321.84
	Total	6,336	\$287.10	\$901.98
Orange County	Direct	3,606	\$162.66	\$536.88
	Indirect and Induced	2,070	\$95.22	\$277.20
	Total	5,676	\$257.88	\$814.08

Operations Phase

Upon construction completion, Resorts World Hudson Valley will generate an annual economic impact by providing employment to regional residents and purchasing goods and services from regional vendors. Gaming facilities have the largest potential for a positive economic impact if they employ regional residents and utilize regional vendors while attracting out-of-region visitors or “retain” in-region residents who currently frequent casinos outside the region. In the case of Resorts World Hudson Valley, 63 percent of gaming revenue is expected to come from visitors to the Catskills, and 35 percent will come from out-of-state visitors.

Employment at Hudson Valley

In 2018, the second year of its operations, the facility will employ approximately 3,000 FTE positions in the Town of Montgomery. Including tips, the total employee compensation before benefits and taxes will be \$194.6 million. Exhibit VIII. B.7.a. presents an overview of the employment at the facility.

Based on Resorts World Hudson Valley’s program to hire local residents in areas with high unemployment, it is assumed that 60 percent of these employees will live in Orange County and 20 percent in Sullivan and Ulster County. The remaining employees are expected to live elsewhere in New York State (15 percent) and in other states (5 percent).

As agreed as part of the Host Community Agreement with the Town of Montgomery, Resorts World Hudson Valley will advertise and hold at least two events for residents on-site or at other venues designated to publicize its hiring needs and process. Resorts World Hudson Valley will also establish employment recruiting centers in Newburgh, Sullivan, and Ulster counties to recruit employees. At these locations, they will accept resumes, conduct interviews, and hire individuals. Once the resort is operational, Resorts World Hudson Valley may run shuttles from these sites.

Purchases from Regional Businesses

The operations of Resorts World Hudson Valley will support employment at other regional businesses. The multiplier effect will be triggered by Resorts World Hudson Valley’s purchase of goods and services at regional businesses.

As presented in Exhibit VIII. A.3, base case gaming revenue in 2018 equals \$737 million and non-gaming revenue is estimated at \$60 million (not including complementary sales). The non-gaming revenue includes hotel, food and beverage, retail, entertainment, and convention revenues.

Regional Household Spending by Employees

Household spending by Resorts World Hudson Valley employees and vendor employees at regional businesses will also generate additional economic impact. Examples of purchases are food and beverages, supplies for maintaining the facilities, utilities, advertising, legal services, and insurance. Employee compensation is estimated to account for \$194.6 million. An estimate 95 percent of this labor income is earned by employees residing in the State of New York, 80 percent of which will be in the Catskills and will therefore be partially spent at regional businesses on food, entertainment, transportation, health care, education, and other household expenditures.

Annual Contribution

Taking into account the multiplier effect triggered by purchases at regional business from Resorts World Hudson Valley and its employees, the total economic contribution in 2018 is as follows:

- a total of \$977 million in annual output (or sales revenue), including \$312 million in labor income and 5,410 jobs in New York State.
- a total of \$920 million in output (or sales revenue), including \$290 million in labor income and 5,080 jobs in the Catskills
- a total of \$909 million in output (or sales revenue), including \$288 million in labor income and 4,970 jobs in Orange County

The impact in the larger areas includes the impact in the smaller areas.

Displacement Effect

The economic activity generated during the operations phase is partly offset by the negative impact on other gaming facilities and other businesses located in New York State. The impact of Resorts World Hudson Valley on other gaming facilities is presented in Exhibit VIII. A.3. Existing gaming facilities are expected to experience decreases in revenue as Resorts World Hudson Valley and the other new casinos enter the market. Cannibalization of Resort World's other gaming facilities would be minimal as each facility would be marketed to a different market segment. Under the base case scenario, existing New York State gaming facilities are expected to experience a \$102.5 million decline in revenues in 2018.

Additional displacement effects will occur when spending at Resorts World Hudson Valley by residents displaces other types of discretionary spending such as spending on entertainment, dining, and retail. According to the base case gaming revenue estimate presented in Exhibit VIII. A.3, in 2018 New York State residents will account for 73 percent of the Resorts World Hudson Valley gaming revenues. The presence of Resorts World Hudson Valley will offer residents currently visiting other gaming facilities to remain local and thus allow New York State and the Catskill counties to recapture spending of residents currently "leaking" out of the region and state. Estimates of the recaptured spending are provided in the regional market analysis and in the out-of-region and international visitor analysis in Exhibit VIII. A.3. Under the base case scenario the following recapture effect was estimated in 2018:

- An estimated \$23 million of gaming spent by New York State residents at out-of-state facilities will be "recaptured" by New York State with Resorts World Hudson Valley.
- An estimated \$33 million of gaming spent by Catskills residents at facilities outside of the Catskills will be recaptured by the Catskills counties with Resorts World Hudson Valley.
- An estimated \$14.9 million of gaming spent by Orange County residents at existing facilities will be recaptured by Orange County with Resorts World Hudson Valley.

After subtracting recaptured spending, which constitutes a net economic impact, it was conservatively assumed that 30 percent of the remaining spending at Resorts World Hudson Valley

by New York State residents will displace other spending (i.e., entertainment and dining at existing local business.) within New York State. For Orange County residents and residents of the other Catskills, it was assumed that 20 percent of the spending at Resorts World Hudson Valley not recaptured from another gaming facility will displace local economic activity.

Incremental Impact

Taking into account the multiplier effect triggered by purchases at regional business and displacement effects, operations spent by Resorts World Hudson Valley will generate in 2018:

- \$919.7 million in annual output (or sales revenue), including \$294 million in labor income and 4,715 jobs in New York State.
- a total of \$926 million in output (or sales revenue), including \$292 million in labor income and 4,730 jobs in the Catskills
- a total of \$965 million in output (or sales revenue), including \$305 million in labor income and 4,870 jobs in Orange County

An overview of the direct, indirect and induced effect in 2018 in the Base Case is presented in Table 2.

Table 2 – Incremental Economic Impact of Operations, Base Case, 2018

	Impact Type	Employment	Labor Income (in \$ millions)	Output (in \$millions)
New York State	Direct Effect	3,680	\$249.1	\$797.6
	Indirect and Induced Effect	1,035	\$45.1	\$122.1
	Total Effect	4,715	\$294.2	\$919.7
Catskills	Direct Effect	3,680	\$249.1	\$797.6
	Indirect and Induced Effect	1,054	\$43.0	\$128.7
	Total Effect	4,734	\$292.1	\$926.4
Orange County	Direct Effect	3,680	\$249.1	\$797.6
	Indirect and Induced Effect	1,191	\$56.2	\$167.0
	Total Effect	4,871	\$305.3	\$964.6

Scenarios

Three scenarios were developed based on different levels of gaming revenue as described in Exhibit VIII. A.3. Presented in Table 3 and 4 is the net effect of the operations of Resorts World Hudson Valley in each of three scenarios on the State and regional economy.

Table 3 - New York State Impact of Operations under three scenarios, 2018

		Employment	Labor Income (in \$ millions)	Output (in \$ millions)
High	Direct	5,078	\$344	\$1,101
	Indirect and Induced	1,429	\$62	\$168
	Total	6,507	\$406	\$1,269
Base	Direct	3,680	\$249	\$798
	Indirect and Induced	1,035	\$45	\$122
	Total	4,715	\$294	\$920
Low	Direct	4,342	\$294	\$654
	Indirect and Induced	849	\$37	\$100
	Total	5,191	\$331	\$754

Table 4 - Catskills Region Impact of Operations under three scenarios, 2018

		Employment	Labor Income (in \$ millions)	Output (in \$ millions)
High	Direct	5,078	\$344	\$1,101
	Indirect and Induced	1,454	\$59	\$178
	Total	6,533	\$403	\$1,278
Base	Direct	3,680	\$249	\$798
	Indirect and Induced	1,054	\$43	\$129
	Total	4,734	\$292	\$926
Low	Direct	4,342	\$294	\$654
	Indirect and Induced	864	\$35	\$106
	Total	5,206	\$329	\$760

Comparison with Other Casinos based on observed data

A Federal Reserve of St. Louis Study conducted in 2004 cited several academic studies that explored the impact of casinos on local employment. The studies generally suggest that casinos do increase employment in the local area. Hewings, Schindler, and Nafziger¹ (1996) found that Illinois casinos generated over 17,000 new jobs. In a study of Colorado casinos, the Center for Business and Economic Forecasting² (1995) found that Native American gaming led to 6,100 new jobs. Leven and

¹ Hewings, G.; Schindler, G. and Nafziger, B. "The Impact of Riverboat Casino Gambling on the Illinois Economy 1991-1995." Report to the Illinois Gaming Board. Chicago: Regional Economics Applications Laboratory, 1996.

² Center for Business and Economic Forecasting, Inc. Economic Impact of Limited Gaming in Colorado. Report prepared for the Colorado Casino Owners Association, Regis University, January 1995

Phares³ (1997) found that nearly 12,200 new jobs were created as a result of Missouri casinos. A more extensive presentation of observed data related to the employment generating impact of casinos is presented in Exhibit VIII. B.3.b.

³ Leven, Charles and Phares, Donald. "Casino Gaming in Missouri: The Spending Displacement Effect and Net Economic Impact." Proceedings of the 90th Annual Conference on Taxation, National Tax Association, Chicago, November 1997, pp. 431-38.