

## **LOCAL IMPACTS AND COSTS**

### **Exhibit IX. A.2.a**

As required pursuant to **Exhibit IX. A.2.a**, the company engaged an independent expert, Louis Berger Group, to perform a study that analyzes “cost to each Host Municipality, nearby municipalities, and the State for the proposed Gaming Facility, including, without limitation, the incremental effect on local government services (police, fire, EMS, health and building inspection, schools, public health and addiction services, and general government services).” Accordingly, please see attached Appendix IX. A.2.a-1.

**LOCAL IMPACTS AND COSTS**

**APPENDIX IX. A.2.a. COST TO HOST MUNICIPALITIES AND STATE**

# **COST TO HOST MUNICIPALITIES AND STATE**

## **1 Introduction**

RW Orange County LLC commissioned The Louis Berger Group to prepare estimates of the Resorts World Hudson Valley's cost to each Host Municipality, nearby municipalities and the State for the proposed Gaming Facility including, without limitation, the incremental effect on local government services (police, fire, EMS, health and building inspection, schools, public health and addiction services and general government services). The report serves as Exhibit IX.A.2. of the Application for Resorts World Hudson Valley following the Request for Application (RFA) to Develop and Operate a Gaming Facility in New York State.

### **1.1 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. 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 in the and generating substantial revenue for public education and taxpayer relief. See A.1.b. Description of Proposed Action and Figure 3, Resorts World Hudson Valley Preliminary Site Plan.

### **1.2 Methodology**

The method for cost estimation of Resorts World Hudson Valley's effect on fiscal expenditures for local governments involved the following steps:

1. Revenue and expenditure data were collected from the New York State, Office of the State Comptroller for FY2012 budget, the most recent year for which uniformly reported data was available.

2. Revenues by source were benchmarked to identify that portion of local government spending that was raised from local sources as opposed to other State or Federal sources.

3. Expenditures by function were then examined for county and local government services and include the following major functional categories:

- **General Government:** Total amount of expenditures for services provided by the governmental entity for the benefit of the public or governmental body as a whole. This subcategory may include the following subcategories: administration, zoning and planning, operations, judgments, county distribution of sales tax, and miscellaneous general government.

- Education: For counties only, county’s contribution to the community college, tuition payments to community colleges, education of disabled students and miscellaneous educational expenditures.
- Public Safety: Expenditures for public safety include law enforcement, traffic control, fire protection and control, animal control, examination boards, safety inspection, civil defense, and demolition of unsafe buildings, among others.
- Public Health: Expenditures for public health administration, ambulance service, registrar of vital statistics, addiction control and mental health services, and all other health services provided by the county.
- Transportation: Expenditures for services provided for the safe and adequate flow of vehicles and pedestrians. Services include administration, construction, repairs, and maintenance of highways and walkways, snow removal, street lighting, sidewalk maintenance, public transportation, and off-street parking, among others.
- Economic Assistance: Expenditures to promote the economic welfare of the locality and its residents. This includes expenditures for infirmaries and social services administration and programs, including Medicaid, aid to dependent children, child care, and home relief.
- Culture and Recreation: Expenditures for all cultural and recreational activities for the benefit of residents and visitors. This includes general administration of cultural and recreational activities, parks, playgrounds, youth and adult recreation programs, libraries, museums, historical properties, and other cultural and recreational activities.
- Community Services: Expenditures for services provided to the community at large including environmental, sanitation, water, sewage, housing and community development, protection of natural resources, and activities intended to improve the general environment.

4. An appropriate cost allocation method and metric was applied to each functional expenditure category. Expenditures by function typically involve services to support residential and non-residential activities undertaken in their respective jurisdictions. Depending on the functional expenditure category and the nexus between the proposed development and the governmental service, the appropriate allocation metric for costs may reflect a principally residential beneficiary (i.e., per capita), both residents and non-residential employees, or day time population including residents, non-resident employees and visitors. The allocation metric applied to each functional expenditure category is as follows:

- General Government: Residents and non-resident employees
- Education: school-age residents
- Public Safety: Residential and non-residential beneficiaries (i.e., daytime population including residents, non-resident employees and visitors)
- Public Health: Residents and non-resident employees

- Transportation: Residents and non-resident employees
- Economic Assistance: Residents
- Culture and Recreation: Residents
- Community Services: Residents and non-resident employees

5. For each expenditure category the metric was applied to the increment (e.g., population change, daytime population change) directly or indirectly created by Resorts World Hudson Valley in each of three gaming revenue scenarios as described in Exhibit VIII.A.3. Market Revenue Study

As an example, the fiscal impact of the casino in terms of public safety is calculated as follows:

- Fiscal Multiplier = Town's FY2012 Expenditure for Public Safety/2012 Daytime Population
- 2012 Daytime Population = Population + Non-resident Employees + Out-of-Town Visitors
- Impact = Incremental Effect of Hudson Valley Resort on Daytime Population \* Fiscal Multiplier

All numbers are in 2012 dollars.

### **1.3 Report Overview**

The report first presents the cost to the Town of Montgomery and neighboring towns and municipalities that are expected to have a population impact. The report continues with providing the impact on the Valley Central school district the Coldenham Fire District, Orange County and New York State. The impacts are presented for each of the three gaming revenue scenarios presented in Exhibit VIII.A.3. Finally, observed data from build casino projects is presented.

## **2 State and Local Governments**

### **2.1 Towns and Cities**

#### **2.1.1 Town of Montgomery**

Based on the New York State Comptroller, the Town of Montgomery's spent \$10.7 million in FY2014 on services to run the town including police, roads, etc. During that same time period the Town had a population of 22,606.

Table 1- Population, Employment, Visitors, 2012

	Population	Employment	Total Daytime Population	Total FY 2012 Expenditures
Town of Montgomery	22,606	7,462	30,080	\$7,599,474
City of Newburgh	28,866	8,800	37,676	\$46,313,379
City of Middletown	28,086	8,173	36,263	\$56,328,367
Town of Warwick	32,605	8,307	40,938	\$21,886,483
Town of Wallkill	27,426	14,370	41,870	\$24,159,718

Source: New York State Comptroller, ESRI.

Based on the fiscal multiplier approach outlined above, the opening of Resorts World Hudson Valley will add an additional \$12.7 million to the Town’s annual spending in the base case. This estimate is based on average daily visitation of an estimated 19,000 and approximately 3,390 new full-time jobs and part-time Resorts World Hudson Valley jobs, which is 3,000 FTEs.

The combination of workers and visitors increase the daily population of the Town Montgomery and thereby causing the town to incur costs such as additional police and emergency responders, road repairs, and other services required by a larger population. The fiscal impacts of the high, base, and low scenarios are presented in in the table below. As anticipated, the Town of Montgomery has a higher burden as it is the host community. Other communities will see an increase as new residents will move in to work at the resort.

Table 2 - Impact of Hudson Valley on Local Government Expenditures

	Low	Base	High
Town of Montgomery	\$11,998,308	\$12,711,930	\$13,796,392
City of Newburgh	\$18,728	\$21,227	\$23,726
City of Middletown	\$34,306	\$38,884	\$43,462
Town of Warwick	\$9,723	\$11,021	\$12,318
Town of Wallkill	\$11,250	\$12,752	\$14,253

Source: The Louis Berger Group

### 2.1.2 Other Towns and Cities

Employees at Resorts World Hudson Valley are expected to be mostly local residents, living in the areas surrounding the Town of Montgomery where there is high unemployment such as the City of Newburgh (Exhibit VIII.B.4.b.). It is anticipated that a small portion of employees will be new residents moving into the region to work at Resorts World Hudson Valley. These new residents are expected to move into areas where affordable housing is available, which are the City of Newburgh, the City of Middletown, the Town of Wallkill and the Town of Warwick (Table 1). An estimated 79 percent of the population growth is expected to take place in these four municipalities (Exhibit VIII.B.4.b.). Table 2 presents the impact on these municipalities assuming that 10 percent of Resorts World Hudson Valley employees will be new residents. These estimates assume that the new employees are single person households.

## 2.2 School Districts

There is one school district within the Town of Montgomery: Valley Central School District.

### 2.2.1 Valley Central School District

The Valley Central School District spent a total of \$94 million in FY2014 with enrollment of 4,566 students. Based on our assumptions about the place of residence of employees who are new residents to the region from Exhibit VIII.B.4.b., Valley Central School District enrollment would be minimally affected (an addition of 3 students in the base case). The opening of Resorts World Hudson Valley would increase the school district's annual spending by \$62,349 in the base case.

Table 3 - Impact of Hudson Valley on Local School Districts Expenditures

	Total Impact
Valley Central School District	\$62,349.69

Source: The Louis Berger Group

## 2.3 Coldenham Fire District

In FY 2012, expenditures by the Fire District totaled \$0.7 million. Based on the fiscal multiplier approach outlined above, the opening of Resorts World Hudson Valley will add an additional \$102,749 to the Town's annual spending in the base case.

Table 4 - Impact of Hudson Valley on Local Government Expenditures (Fire Districts)

	Low	Base	High
Coldenham Fire District	\$101,962	\$102,749	\$104,122

Source: The Louis Berger Group

## 2.4 Orange County

In FY 2012 Orange County spent a total of \$825.7 million. Based on the fiscal multiplier approach outlined above, the opening of Resorts World Hudson Valley will add an additional \$1.96 million to the County's annual spending in the base case.

Table 5 - Impact of Hudson Valley on County Government Expenditures

	Low	Base	High
Orange County	\$1,944,067	\$1,967,105	\$2,000,408

Source: The Louis Berger Group

## 3 Comparison with Other Casinos

A report<sup>1</sup> produced by two economists in Massachusetts concerning local casino impacts on local government spending used a unique dataset of municipal finance data from across the country to examine the combined municipal and county government area revenues and expenditures also the combined expenditures on policing, roads, and education before and after the creation of a casino in a local area.

The conclusion of their study showed that the statistical analysis did not show any significant relationship between the introduction of a casino and revenues or spending at the combined county-local level. This was true regardless of whether the counties were held constant and compared outcomes before and after casinos, or whether it was compared 1987-1997 revenue and spending levels between casino counties and non-casino counties.

In their analysis of 16 largest recent casino counties, the data showed that the total revenues and spending increased, but the rate of increase was slightly less than state averages. Specifically, a real level government revenues grew 75 percent during this period, but in nine of the 16 counties the growth was slower than the state average. Total-area spending increased two percent slower than state averages, lagging in half of the counties. Mega-casino counties meanwhile saw revenues grow slower than their state averages in two out of three cases, and spending increase faster in two out of three cases.

The study noted that casinos are often associated with significant increases in population without increases in total revenues or spending means that per-capita spending and revenues grew more slowly for counties that introduced casinos than those without casinos. When analyzed the county fiscal data on a per-capita basis, this is exactly what the study found. In conclusion, the spending and revenue results should not be construed to mean that casinos retard

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<sup>1</sup> The Casino Gamble in Massachusetts!, Phineas Baxandall and Bruce Sacerdote, January 2005, Rappaport Institute for Greater Boston <http://www.ksg.harvard.edu/rappaport/research/gambling.htm>



growth; but they do not support the notion that casinos foster growth or enable local governments to spend more on services.

Some anecdotal information shows that the demand for police services rises due to a casino's operation begins. For instance, after Foxwoods casino opened nearby the town of Preston reported receiving almost 1,000 annual calls for emergency services, up from 200 yearly before the casino. The adjoining town of Ledyard's Planning Director cited casino-related traffic problems as prompting the town to increase its full-time police force from 14 to 19 officers.

The study's analysis of local and county spending did not show police spending in counties with casinos outpacing non-casino counties. None of the broader samples of counties showed any statistically significant effects of casinos on area spending for police. This was true even when the study looked only at casino counties with more than 1,760 slot machines. In contrast, largest casino counties increased police spending 13.6 percent faster than state averages. However this pattern is not consistent. However, police spending increased faster than the state average in 8 of the counties, and slower in the other 7 counties.