

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 “overall economic incremental benefit to the Region, the State, the 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 business.” Accordingly, please see the report on the following page for an explanation of 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.

EXHIBIT VIII.B.3.A INCREMENTAL ECONOMIC BENEFIT

1 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 Sterling Forest Resort 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.

1.1 Project Description

The proposed Sterling Forest Resort is a luxury gaming and resort facility in Tuxedo, New York that will consist of 775,403 square feet of lodging area, 146,189 square feet of gaming area, 68,913 square feet of restaurant space, 11,167 square feet of bar space, 37,823 square feet of meeting space and 3,731 square feet of retail. The resort will include outdoor activities, including more than 90 acres of ski slopes, Sterling Forest Gardens (24 acres) and fairgrounds (18 acres).

The Proposed Project will be a year-round tourist attraction, operating seven days per week. Transient lodging-related development includes the Resorts World Grand Hotel building with 1,000 rooms, gaming facility (casino) and ancillary hotel uses (dining and lodging-related commercial). Recreational development includes world fairgrounds and seasonal fairgrounds in the current location of the NY Renaissance Faire, a Ski Village in the current location of the Tuxedo Ridge Ski Center and the rebirth of the Sterling Forest Gardens, as well as stables, an arboretum, amphitheater, mountain biking and hiking trails, a funicular incline railway, zip lines, toboggan run, snowboard pipes and rails, and a riverfront walk along the Indian Kill Creek.

The Sterling Forest Resort will contribute to the local, regional and state economy. A one-time economic impact will be created during the construction phase of the resort, which will create 11,420 person-year of employment in construction and related industries, which corresponds to 5,710 two-year jobs. In 2018, which will be the second year of operation, the Resort will offer about 4,080 permanent jobs (FTE). Average salaries, including tips, will be \$67,000. The extensive benefits package increases the average compensation per employee to \$89,000 (including tips). With its unique combination of all-season outdoor recreation, luxury resort facilities and gaming, Sterling Forest Resort will attract visitors from New York City, Long Island, Westchester and other areas in New York State and other states to the Catskills and will be able to recapture current spending by New York residents at casinos in neighboring states.

1.2 Methodology

This Exhibit estimates the economic impact of the proposed Sterling Forest Resort 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 impact. 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 completion of the construction, the facility will provide on-site

employment and will 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 operations phase 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, and so on. 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 effects:

- 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 that were triggered by the initial change in final demand. Regional businesses from which the Resort will purchase goods and services typically purchase some of their materials and services from other regional businesses, which then in turn purchase from their local suppliers and so on.
- 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, and so on.

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

To estimate the incremental economic impact of the Sterling Forest Resort, 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 as some of the patrons of the existing establishments will chose to patronize the new facility instead. Spending at the new facility by residents is also expected to displace other discretionary spending on recreation, entertainment, dining and other products and thereby reduce 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.

1.3 Report Overview

This report presents the incremental economic impact of the Sterling Forest Resort to Orange County, the Catskills Region and New York State. The report starts by assessing the

economic impact of the Sterling Forest Resort 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. The report presents outputs for three gaming revenue scenarios, high, base and low, as defined in Exhibit VIII.A3. Finally, the report presents results of other studies based on observed data from existing casinos.

2 Construction Phase

The construction budget for the resort and casino totals \$1.1 billion, not including the cost of the land. Additional construction for infrastructure improvements related to transportation (interchange 15B, roundabout 17A and SFR Access Road) and utilities (electricity, water, sewer, gas, storm water) will total an additional \$72 million as described in Exhibit VIII.C17. Based on a budget of \$1.17 billion, 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 3,280 full and part-time jobs, or 3,126 FTE, per year will be created in the Town of Tuxedo. Combined labor income will amount to \$295.9 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 economy, the Catskills economy and the Orange County economy 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	6,560	\$ 295.9	\$ 966.9
	Indirect and Induced	4,860	\$ 253.8	\$ 698.9
	Total	11,420	\$ 549.7	\$ 1,665.8
Catskills	Direct	6,560	\$ 295.9	\$ 966.9
	Indirect and Induced	4,000	\$ 182.7	\$ 536.4
	Total	10,560	\$ 478.5	\$ 1,503.3
Orange County	Direct	6,010	\$ 271.1	\$ 894.8
	Indirect and Induced	3,450	\$ 158.7	\$ 462.0
	Total	9,460	\$ 429.8	\$ 1,356.8

3 Operations Phase

Upon completion of the construction, Sterling Forest Resort 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 Sterling Forest Resort, 80 percent of gaming revenue is expected to come from visitors to the Catskills, 62.5 percent of which from out-of-state.

3.1 Employment at Sterling Forest

In 2018, the second year of its operations, the facility will employ about 4,080 full-time equivalent (FTE) positions in the Town of Tuxedo. Including tips, the total employee compensation will be \$367.3 million. Exhibit VIII.B.7.a. presents an overview of the employment at the facility.

Based on the presence of unemployed and on Sterling Forest program to hire local residents in areas with high unemployment, it is assumed that 45 percent of these employees will live in Orange County and 25 percent in Sullivan and Ulster County. The remaining employees are expected to live elsewhere in New York State (25 percent) and in other states (5 percent).

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

3.2 Purchases from Regional Businesses

The operations of Sterling Forest Resort will support employment at other regional businesses. The multiplier effect will be triggered by the purchases of goods and service that Sterling Forest Resort will make at regional businesses.

As presented in Exhibit VIIIA3, base case gaming revenue in 2018 equals \$1.03 billion and non-gaming revenue is estimated at \$0.16 billion (not including complementary sales). The non-gaming revenue includes hotel, food and beverage, retail, entertainment and convention revenues.

3.3 Regional Household Spending by Employees

Household spending by Sterling Forest employees and vendor employees at regional businesses will also generate an 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 \$367.3 million. An estimate 95 percent of this labor income is earned by employees residing in the State, 70 percent of which in

the Catskills and will therefore be partially spend at regional businesses on food, entertainment, transportation, health care, education and other household expenditures.

3.4 Annual Contribution

Taking into account the multiplier effect triggered by purchases at regional business by Sterling Forest and its employees, the total economic contribution of the Sterling Forest and Resort in 2018 is as follows:

- a total of \$1.50 billion in annual output (or sales revenue), including \$0.50 billion in labor income and 7,670 jobs in New York State.
- a total of \$1.37 billion in output (or sales revenue), including \$0.45 billion in labor income and 6,850 jobs in the Catskills
- a total of \$1.34 billion in output (or sales revenue), including \$0.44 billion in labor income and 6,590 jobs in Orange County

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

3.5 Displacement Effect

The economic activity generated during the operations phase is partly offset by the negative impact on other gaming facilities and other businesses that are located in the State. The impact of Sterling Forest Resort on other gaming facilities is presented in marketing report in Exhibit VIIIA3. Existing gaming facilities are expected to experience decreases in revenue as Sterling Forest 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 Sterling Forest Resort 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 VIIIA3, in 2018 New York State and Catskills residents will account for 37.5 and 19.4 percent, respectively, of the Sterling Forest gaming revenues. The presence of Sterling Forest Resort will offer residents who currently visit other gaming facilities to remain local and will thus allow New York State and the Catskill counties to recapture spending of residents that is currently "leaking" out of the region and the 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 VIIIA3. Under the base case scenario the following recapture effect was estimated in 2018:

- An estimated \$196.8 million of gaming spending by New York State residents at out-of-state facilities will be "recaptured" by New York State with Sterling Forest.
- An estimated \$41.8 million of gaming spending by Catskills residents at facilities outside of the Catskills will be recaptured by the Catskills counties with Sterling Forest.
- An estimated \$1.1 million of gaming spending by Orange County residents at existing facilities will be recaptured by the Orange County with Sterling Forest.

After subtracting recaptured spending, which constitutes a net economic impact, it was conservatively assumed that 30 percent of the remaining spending at Sterling Forest by New

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

3.6 Incremental Impact

Taking into account the multiplier effect triggered by purchases at regional business and displacement effects, operations spending by Sterling Forest Resort will generate in 2018:

- \$1.40 billion in annual output (or sales revenue), including \$0.53 billion in labor income and 6,650 jobs in New York State.
- a total of \$1.38 billion in output (or sales revenue), including \$0.50 billion in labor income and 6,370 jobs in the Catskills
- a total of \$1.20 billion in output (or sales revenue), including \$0.53 billion in labor income and 6,460 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	4,840	\$ 397.5	\$ 1,198.4
	Indirect and Induced Effect	1,810	\$ 73.9	\$ 205.7
	Total Effect	6,650	\$ 471.4	\$ 1,404.1
Catskills	Direct Effect	4,840	\$ 397.5	\$ 1,198.4
	Indirect and Induced Effect	1,531	\$ 58.9	\$ 181.7
	Total Effect	6,371	\$ 456.4	\$ 1,380.2
Orange County	Direct Effect	4,840	\$ 397.5	\$ 1,198.4
	Indirect and Induced Effect	1,618	\$ 74.9	\$ 224.4
	Total Effect	6,458	\$ 472.4	\$ 1,422.8

3.7 Scenarios

Three scenarios were developed based on different levels of gaming revenue as described in Exhibit VIII4A. The net effect of the operations of the Sterling Forest Resort in each of three scenarios on the State and regional economy is presented in Table 4 and 5.

Table 4 - New York State Impact of Operations under three scenarios, 2018

		Employment	Labor Income (in \$ millions)	Output (in \$ millions)
High	Direct	5,144	\$ 422.5	\$ 1,653.9
	Indirect and Induced	2,498	\$ 101.9	\$ 283.8
	Total	7,642	\$ 524.5	\$ 1,937.7
Base	Direct	4,840	\$ 397.5	\$ 1,198.4
	Indirect and Induced	1,810	\$ 73.9	\$ 205.7
	Total	6,650	\$ 471.4	\$ 1,404.1
Low	Direct	4,342	\$ 356.6	\$ 982.7
	Indirect and Induced	1,484	\$ 60.6	\$ 168.7
	Total	5,826	\$ 417.2	\$ 1,151.4

Table 5 - Catskills Region Impact of Operations under three scenarios, 2018

		Employment	Labor Income (in \$ millions)	Output (in \$ millions)
High	Direct	5,144	\$ 423	\$ 1,654
	Indirect and Induced	2,112	\$ 81	\$ 251
	Total	7,256	\$ 504	\$ 1,905
Base	Direct	4,840	\$ 398	\$ 1,198

	Indirect and Induced	1,531	\$ 59	\$ 182
	Total	6,371	\$ 456	\$ 1,380
Low	Direct	4,342	\$ 356.6	\$ 982.7
	Indirect and Induced	1,255	\$ 48.3	\$ 149.0
	Total	5,597	\$ 404.9	\$ 1,131.7

4 Comparison with Other Casinos based on observed data

A Federal Reserve of St. Louis Study conducted in 2004 cited several academic studies that have 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 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 B3B.

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

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.