

New York Gaming Facility Location Board  
Response to Request for Applications to Develop and Operate a  
Gaming Facility in New York State

**TIOGA DOWNS RACETRACK, LLC**

*Exhibit VIII.C.7.b.*

**INTRODUCTION**

HVS, an international hospitality-consulting firm was retained by Tioga Downs in the fall of 2012 to conduct a market and financial feasibility study for the proposed subject hotel. Their report was completed in November 2012. The objective of the assignment was to evaluate the supply and demand factors affecting the market for a hotel as part of Tioga Downs and to determine the feasibility of the proposed hotel.

Nichols is a town in Tioga County in the Southern Tier of NY State, and is located halfway between Binghamton and Elmira. Nichols is proximate to the border of Pennsylvania and the town of Sayre. HVS identified the primary geographic market area for the proposed subject hotel as Elmira / Corning, NY, Binghamton, NY and Bradford County, PA, which includes the town of Sayre.

The area sits on the northern extent of the Marcellus Formation, which includes natural gas. The Marcellus natural gas trend, which encompasses 104,000 square miles and stretches across Pennsylvania and West Virginia, and into southeast Ohio and upstate New York, is the largest source of natural gas in the United States, and production was still growing rapidly in 2013. The surge in drilling activity in the Marcellus Shale since 2008 has generated economic benefits and has driven the development of new hotel supply in the market area.

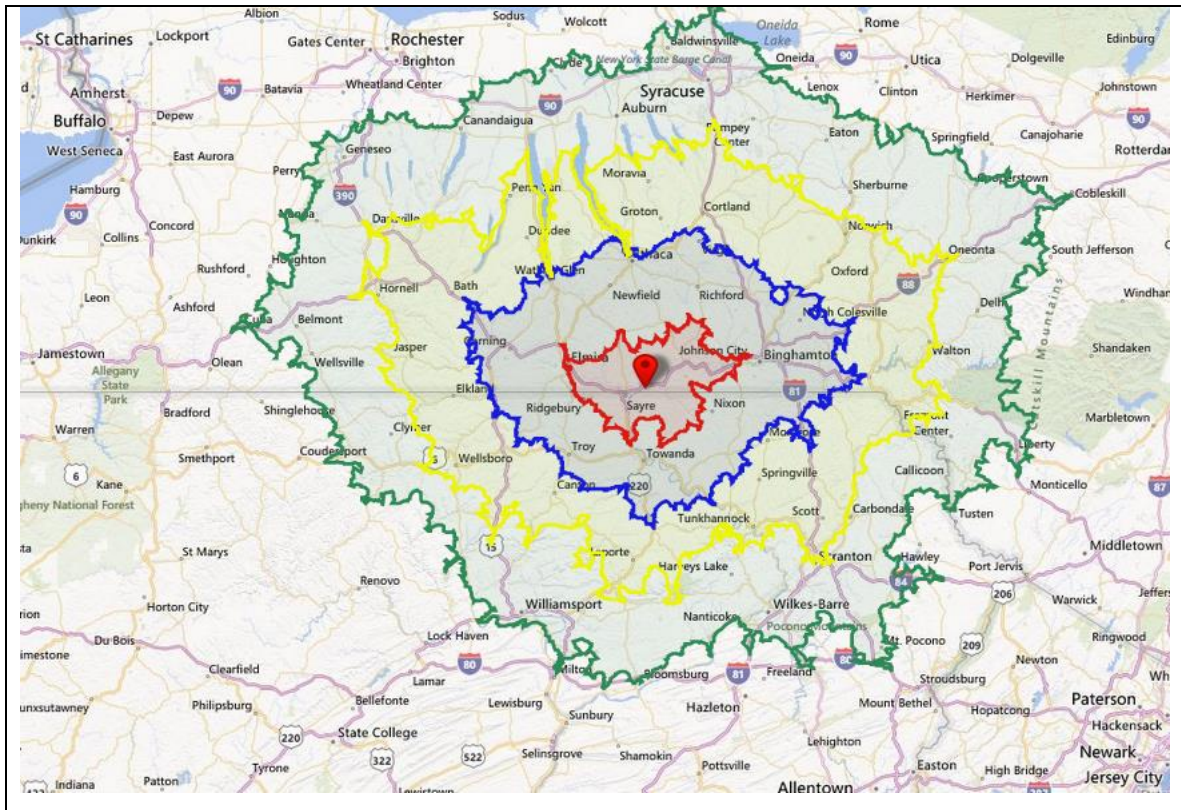
Agriculture is also a major part of the economy. Leading products are dairy, vegetables orchard fruit and wine grapes.

While the proposed Tioga Downs Hotel will benefit from local economic drivers, its demand will largely be driven by the resort as a destination, with less than 25% coming from commercially driven demand generators.

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*(Exhibit VIII.C.7.b. cont.)*

The proposed subject hotel will draw its primary demand from a market largely within a two-hour drive time; however, as a destination resort, there is potential to draw from a much larger market area. The following map depicts drive times ranging from 30 minutes to 2 hours (30, 60, 90, 120, minute drive times). The potential draw for the proposed subject hotel and destination resort stretches beyond these drive times into southern Ontario, Rochester, north of Syracuse and northern Pennsylvania and New Jersey.



## **EXISTING AND PROPOSED HOTEL SUPPLY**

### **Primary Competitive Supply**

HVS identified 10 existing hotels comprising 1,188 rooms that make up the primary competitive supply in the market area. Two of these hotels are in Sayre, two are located in Binghamton, three in Elmira / Corning and three in Owego, NY. In addition, HVS identified three hotels being added in Sayre, a 77-room Microtel, an 85-room Comfort Inn, which are open and

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*(Exhibit VIII.C.7.b. cont.)*

operating today, and an 85-room Candlewood Suites, which is opening in August of 2014. In addition, the Hampton Inn in Elmira was expanded by 28 rooms. Combined these hotels will have increased the competitive supply by 275 rooms or 23% since the HVS study in November 2012.

The Sayre and Owego hotels are the closest competitive properties to the proposed subject hotel, all within 12 miles.

### **Demand**

The primary competitive hotels cater largely to commercial traffic and do not offer the experience of a destination resort. The guest profile of the identified competitive set of hotels is largely transient with a small component focused on group business. The proposed Tioga Downs Hotel will cater to a demand base that is destination driven for a leisure experience.

HVS indicated that the total demand within the primary competitive set was comprised of approximately 593,400 room nights as at the end of 2011.<sup>1</sup>

Table 6 – Market Demand

Market Segment	Demand	% of Total
Leisure	192,460	32
Commercial	313,097	53
Meeting & Group	87,845	15
<b>Total</b>	<b>593,402</b>	<b>100</b>

Thirty-two percent of demand is generated from leisure traffic, while 53% is from commercial demand and 15% from group business.

HVS projected latent demand for the market for the period 2014-2017. Latent demand is potential demand that cannot be accommodated due to either insufficient supply or additional demand that will be attracted to the market with the introduction of a new demand generator.

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<sup>1</sup> Market and Financial Feasibility Study, Proposed Hotel at Tioga Downs, HVS, November 2012, p. 35

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*(Exhibit VIII.C.7.b. cont.)*

The following table reflects projected latent demand, approximately 38% of which will be generated by the proposed Tioga Downs Hotel once stabilized.

**Table 7 – Projected Latent Demand**

Market Segment	2014	2015	2016	2017
Leisure	11,732	22,594	24,339	24,339
Commercial	15,165	28,996	31,389	31,389
Meeting and Group	10,481	18,772	19,670	19,670
Casino	2,420	5,212	5,212	5,212
Fully Comped Casino	3,388	7,297	7,297	7,297
<b>Total</b>	<b>45,200</b>	<b>84,886</b>	<b>89,923</b>	<b>89,924</b>

The HVS study provides a detailed summary of projected demand by market segment, showing based and latent demand, by market segment. HVS has projected market demand to grow 1.4% in 2013, 5.3% in 2014, 7.9% in 2015 and 2.2% in 2016, with no growth in 2017.

**Table 8 - Market Demand**

Market Segment	2013	2014	2015	2016	2017
Base Demand	657,470	657,470	657,470	657,470	657,470
Latent Demand	10,178	43,186	82,871	87,907	87,907
<b>Total Demand</b>	<b>667,648</b>	<b>700,656</b>	<b>740,342</b>	<b>745,377</b>	<b>745,377</b>
Less: Residual Demand	25,395	24,323	10,743	0	0
<b>Total</b>	<b>642,253</b>	<b>676,333</b>	<b>729,599</b>	<b>745,377</b>	<b>745,377</b>
<b>% Growth</b>	<b>1.4%</b>	<b>5.3%</b>	<b>7.9%</b>	<b>2.2%</b>	<b>0%</b>

## **Proposed Subject Hotel – Projected Occupancy and Rate**

HVS has projected the proposed subject hotel to capture a stabilized level of 34,205 room nights annually, which represents 4.6% of total market demand. The following table shows projected demand for the proposed subject hotel.

**Table 9 – Projected Demand Proposed Subject Hotel**

	2014	2015	2016	2017
Proposed Subject Hotel Demand	15,705	33,814	34,205	34,205

## **TIOGA DOWNS RACETRACK, LLC**

*(Exhibit VIII.C.7.b. cont.)*

The proposed subject hotel is projected to obtain between 24% and 25% of its demand from the leisure market, 22%-23% from commercial travel, 17% from group, 15% from casino driven demand and 21% from fully-comped casino guests.

Table 10 – Projected Market Mix Proposed Subject Hotel

Market Segment	2014	2015	2016	2017
Leisure	25%	24%	24%	24%
Commercial	22%	23%	22%	22%
Meeting and Group	17%	17%	17%	17%
Casino	15%	15%	15%	15%
Fully Comped Casino	21%	21%	21%	21%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Based on their analysis of existing and proposed supply and demand trends in the market, HVS has projected occupancy and average rate for the primary competitive market and the proposed subject property (assuming a full casino license with table games) as follows:

Table 11 – Projected Occupancy and Average Rate Proposed Subject Hotel

	2014	2015	2016	2017
Market Occupancy	67.9%	66.9%	66.5%	66.5%
Proposed Subject Occupancy	70%	74%	75%	75%
Proposed Subject Penetration	103%	111%	113%	113%
Market Average Rate				
Proposed Subject Property ADR	\$130.70	\$137.59	\$146.34	\$150.73
Proposed Subject Yield				

HVS projected Net Income for the proposed subject hotel. The HVS projection included revenue from a proposed spa, which has been eliminated from the plan. We have adjusted revenues and expenses to take this into account. The impact on net income is not material.

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*(Exhibit VIII.C.7.b. cont.)*

Table 12 – Projected Net Income Proposed Subject Hotel

Proposed Tioga Downs Hotel Projected Operating Results 2014-2017				
<b>Revenue</b>				
Rooms	\$4,520	\$5,041	\$5,456	\$5,620
Food & Beverage	\$2,582	\$2,793	\$2,920	\$3,007
Other	\$240	\$261	\$273	\$281
<b>Total</b>	<b>\$7,342</b>	<b>\$8,095</b>	<b>\$8,649</b>	<b>\$8,908</b>
Departmental Income	\$4,017	\$4,594	\$5,019	\$5,169
Undistributed Operating Expenses	\$1,608	\$1,692	\$1,747	\$1,799
<b>House Profit</b>	<b>\$2,409</b>	<b>\$2,902</b>	<b>\$3,272</b>	<b>\$3,370</b>
Fixed Expenses	\$716	\$852	\$985	\$1,009
<b>Net Income</b>	<b>\$1,693</b>	<b>\$2,050</b>	<b>\$2,281</b>	<b>\$2,361</b>