

Hotel

Many casinos develop nearby or adjoining hotels in order to encourage more visitation with longer lengths of stay and provide the casino with an opportunity to compensate regular visitors. The Traditions at the Glen Resort and Conference Center, located in Johnson City, NY, currently offers a 41-room hotel at the resort. In addition to the proposed casino development, the property is expected to expand its hotel offering to 200 rooms to accommodate the additional visitation derived from gaming activities. The room count was based on the average room counts of the main competitors in the market, which includes Mohegan Sun at Pocono Downs, Mt. Airy, and Vernon Downs & Miracle Isle Gaming Resort. The average number of rooms per facility is approximately 191. The following section further describes the occupancy calculation.

Occupancy

According to STR, there are approximately 40 properties consisting of 3,000 rooms in the Binghamton MSA. Of these, a sample of 27 properties (2,443 rooms) report statistics to STR. These properties have a running 12 month occupancy rate of approximately 52.6%. The current property is operating at occupancy slightly below that of the market at 52%.

Casino hotels that are not constrained generally have occupancy at about 25% higher than that of the surrounding market. This high rate can be attributed to the high quality amenities provided by a full casino resort, as well as the comping of rooms by the casino to attract and retain quality patrons. Due to the major constraint of the 41 room facility, there will be more demand than supply at this facility and therefore we assumed an occupancy rate at almost 100%. In year 3, the first year of operation of the new hotel expansion, the rate is anticipated to come down to approximately 73%.

Revenue from Hotel Operations

To determine the average daily rate (“ADR”) for the proposed hotel, The Innovation Group first looked at the ADR within the local market. Of our sample of 27 properties within the Binghamton MSA, the average ADR is approximately \$85. This is well below the current ADR of the Traditions property, which stands at \$118. The anomaly in the calculation of ADR is in year 1 and 2 as the property has a constraint on rooms and is therefore able to command a higher premium. In some markets with casino hotel room constraint, we have experienced premiums as high as 25%. In 2019, when the expanded hotel opens, we estimate that the ADR will drop as the constraint is lifted and the property normalizes to market rates with a smaller premium. Based on these assumptions, we project the hotel to generate nearly \$2.4 million in room revenue during the first year of operation, climbing to over \$7.7 million by year five. Additionally, other non-room hotel revenue, which represents room service, minibar, and other charges, has been added as per a comparative analysis with other properties around the nation.