



Hampton, Virginia Gaming Market and Economic Impact Assessment

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Presented by:

Michael Soll

President

&

Thomas Zitt, Ph.D.

Executive Vice President



Presentation Agenda

- Introduction to The Innovation Group
- Description of Scenarios
- Gravity Model Analysis
- Gaming Revenue Results
- Economic Impact Analysis



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Lead Team Members

Michael Soll, President

Oversight, Client Relations

- *Expert in strategic developments for all range of leisure and gaming aspects*
- *23 years in the industry*

Thomas Zitt, Ph.D., Executive VP, Strategic Planning

Project Leader, Gravity Model Development & Interpretation

- *Expert in market planning and economic impact analysis*
- *22 years with the firm*
- *21 years doing gravity models*

Angela Slovachek, IMPLAN Specialist

Economic Impact Modelling

- *Master's in Urban and Regional Planning*
- *Performed the IMPLAN modeling for the JLARC study*



Industry Experience

- Management has been exposed to industry best practices across 78 countries & six continents
- Associated with more than US\$100 billion in investment and development decisions
 - Helped bring many of the largest entertainment & hospitality developments to fruition
- Industry leading accuracy
 - The Innovation Group has been conducting credibility analysis on our work since the late 1990's
 - 58% of all IG studies were within 5% of actual performance
 - **90% of all IG studies were within 10% of actual performance**
 - The average variance of all studies is approximately 4%



Selected Innovation Group Clients

Agua Caliente Band of Cahuilla Indians
Barclays Capital Group
B.B. King Clubs
Bear River Band of Rohnerville Rancheria
Bermuda Hotel Association
Biloxi Chamber of Commerce
Blue Man Group Holdings
Boyd Gaming
Cabazon Band of Mission Indians
Caesars Entertainment
Carlson Worldwide Resorts
Casinos Austria International
Celebration Jamaica Ltd.
Chitimacha Tribe of Louisiana
Churchill Downs
City of Philadelphia
Clairvest Group
Colusa Indian Community
Confederated Tribes of Colville Reservation
Confederated Tribes of Grand Ronde
Cordish Company
Costa Rica Tourism Board
Credit Suisse
Crown Casinos
Delaware North Companies
Deutsche Bank
Duckwater Shoshone Tribe
Enterprises of the Pascua Yaqui Tribe
Florida Gaming Corporation
Forest County Potawatomi Tribe
Fort Sill Apache Tribe
Goldman & Sachs Co.
Government of Panama
Government of Israel
Hard Rock Cafe International
Harrah's Entertainment
Ho-Chuck Nation of Wisconsin
Isle of Capri Casinos
Kaw Nation
Lamb Partners
Las Vegas Sands
Little River Band of Ottawa Indians
Lowes Hotels
Lower Elwha Klallam Tribe
Manitoba Lotteries Corporation
Margaritaville Holdings, Inc.
Marriott International, Inc.
Maryland Economic Development Corp
Maryland State Senate
Mashantucket Pequot Tribal Nation
Massachusetts State Senate
Melco Entertainment
Merrill Lynch / Bank of America
MGM Resorts International
Muckleshoot Indian Tribe
Muscogee Creek Nation
National Park Service
Nez Perce Indian Tribe
North Fork Rancheria of Mono Indians
Ohio State Racing Commission
Osage Nation
Papa John's Pizza, Inc.
Pechanga Development Corporation
Pennsylvania State Senate Appropriations
People's Republic of China, Ministry of Culture
Pittsburgh Penguins
Planet Hollywood
Poarch Band of Creek Indians
Pueblo of Santa Ana
Resorts Atlantic City
Rivers Casino Pittsburgh
Saipan Government
Seminole Tribe of Florida
Seneca Gaming Corporation
Shawnee Tribe
Sheraton Hotels & Resorts
Snoqualmie Entertainment Authority
Spokane Tribe of Indians
Starwood Hotels & Resorts Worldwide
State of Oregon
St. Regis Mohawk Tribe
Stillaguamish Tribe of Indians
Sumitomo Trust & Banking Co., Ltd.
Sycuan Tribal Government
Tavistock/Harmonization Jamaica
The Palms Resort Casino
Upper Skagit Indian Tribe
U.S. Department of Interior
Walton Street Capital
Wynn Resorts



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Three Scenarios: Hampton Roads

- A: Hampton Casino Only in Hampton Roads
- B: Hampton Casino plus a Portsmouth Casino
- C: Casinos in Hampton, Portsmouth and Norfolk
- All scenarios assumed the other three casino locations contained in the bill: Richmond, Danville and Bristol
- Rosie's historical horse racing machines were also included (existing and planned facilities, including in Hampton and Chesapeake)



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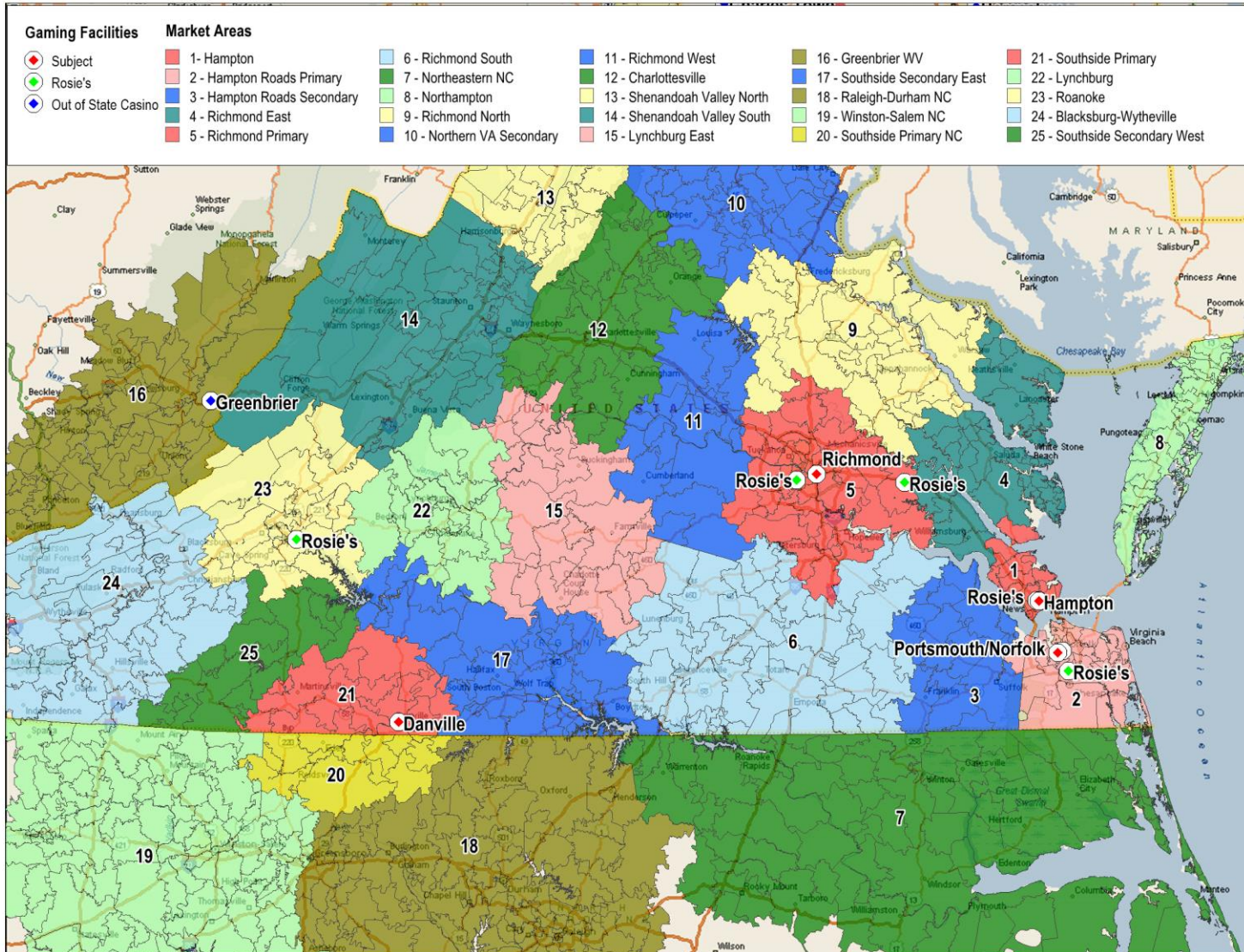


Gravity Model Inputs

- Gaming-age population (21 and over)
- Percentage who visit casinos
- Average number of annual trips per gamer
- Spend per visit
- # of slots and tables for each competitor



Gravity Model Market Areas





Market Area Demographics

	Adult Pop 2019	Adult Pop 2024	CAGR 2019- 2024	Average HHI 2019	Average HHI 2024	CAGR 2019- 2024
1 - Hampton	288,138	292,609	0.3%	\$79,873	\$87,030	1.7%
2 - Hampton Roads Primary	781,377	805,774	0.6%	\$90,339	\$99,930	2.0%
3 - Hampton Roads Secondary	87,920	90,868	0.7%	\$80,226	\$87,067	1.6%
4 - Richmond East	146,087	152,715	0.9%	\$98,096	\$106,839	1.7%
5 - Richmond Primary	848,949	895,703	1.1%	\$94,220	\$102,814	1.8%
6 - Richmond South	90,809	90,995	0.0%	\$62,007	\$66,776	1.5%
7 - Northeastern NC	333,788	339,082	0.3%	\$60,976	\$65,948	1.6%
8 - Northampton	33,319	33,308	0.0%	\$60,690	\$64,213	1.1%
9 - Richmond North	199,370	210,268	1.1%	\$99,076	\$108,296	1.8%
10 - Northern VA Secondary	442,337	477,582	1.5%	\$133,824	\$142,956	1.3%
11 - Richmond West	76,337	79,497	0.8%	\$85,812	\$90,472	1.1%
12 - Charlottesville	188,794	198,607	1.0%	\$96,483	\$103,407	1.4%
13 - Shenandoah Valley North	218,205	229,498	1.0%	\$80,020	\$88,415	2.0%
14 - Shenandoah Valley South	162,267	166,549	0.5%	\$69,169	\$73,465	1.2%
15 - Lynchburg East	55,950	56,628	0.2%	\$59,885	\$65,182	1.7%
16 - Greenbrier WV	113,872	111,445	-0.4%	\$54,027	\$56,459	0.9%
17 - Southside Secondary East	59,357	59,668	0.1%	\$58,147	\$63,276	1.7%
18 - Raleigh-Durham NC	1,809,372	1,956,990	1.6%	\$91,363	\$101,842	2.2%
19 - Winston-Salem NC	1,540,174	1,637,102	1.2%	\$78,470	\$87,405	2.2%
20 - Southside Primary NC	78,601	79,843	0.3%	\$52,803	\$56,056	1.2%
21 - Southside Primary	107,053	107,041	0.0%	\$58,017	\$63,832	1.9%
22 - Lynchburg	160,702	166,833	0.8%	\$69,723	\$74,071	1.2%
23 - Roanoke	230,541	237,283	0.6%	\$72,297	\$76,172	1.0%
24 - Blacksburg-Wytheville	192,992	198,819	0.6%	\$69,519	\$76,706	2.0%
25 - Southside Secondary West	54,423	55,198	0.3%	\$60,760	\$66,295	1.8%
Total	8,300,734	8,729,905	1.0%	\$85,469	\$94,043	1.9%
<i>Virginia State Total</i>	<i>6,303,830</i>	<i>6,579,859</i>	<i>0.9%</i>	<i>\$105,163</i>	<i>\$113,367</i>	<i>1.5%</i>
<i>National</i>	<i>241,443,147</i>	<i>251,847,827</i>	<i>0.8%</i>	<i>\$89,646</i>	<i>\$98,974</i>	<i>2.0%</i>



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Gaming Revenue Components

- Gravity Model is the largest component
 - Capture of local residents making repeat visits throughout the year
- Out-of-market visitation
 - Leisure & Convention Tourism—proposed site has strong potential with the Coliseum, Convention Center and local
 - Traffic Intercept—site has good interstate access and high volume but limited through-traffic
 - Travelers staying with friends or family
 - Some gamers like to try different casinos even if far away
 - Hampton Casino is assumed to have a hotel which would assist in capture of visitors



Gaming Revenue Results (MMs)

	A	B	C
Gravity Model	\$220.9	\$138.2	\$109.3
Out-of-market	\$21.0	\$16.6	\$9.3
Total	\$241.9	\$154.8	\$118.5



Gaming Revenue Conclusions

- Hampton Casino is viable in all scenarios
- Other Hampton Roads casinos and Rosie's would be impacted
- But statewide impact on employment and tax revenue would be a net gain to the Commonwealth



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Model Description

- Direct Effects—from the construction and operation of the casino resort itself
- Secondary or Multiplier Effects
 - Indirect—business-to-business transactions (purchases by the casino)
 - Induced—spending of household earnings made by casino employees
- Local area in this study has been defined as the Hampton Peninsula
 - Gloucester, Hampton, James City, Newport News, Poquoson, Williamsburg, and York



Direct Inputs

Scenario	Direct Construction Costs (MMs)	Seats in the Casino	Hotel Rooms	Direct Operating Jobs	Direct Labor Income from Operations (MMs)
A	\$278.5	2,540	300	1,509	\$66.7
B	\$192.6	1,730	200	1,067	\$47.4
C	\$164.8	1,500	180	926	\$42.4



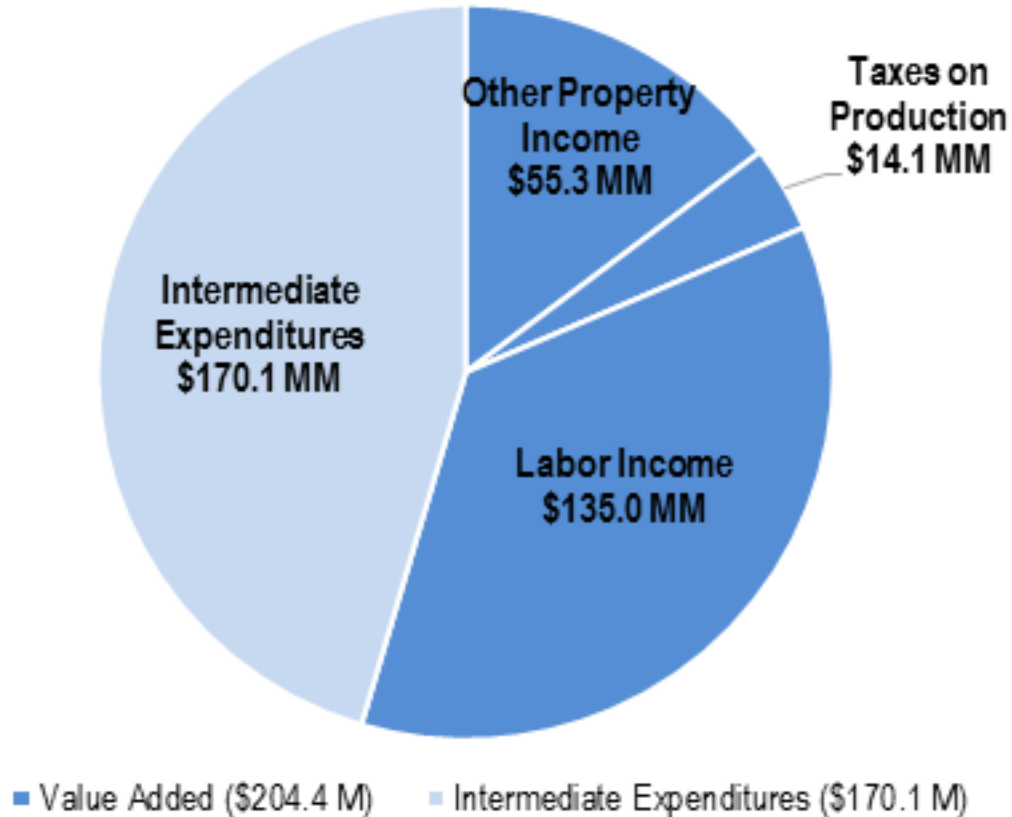
Model Output

- Results expressed as:
 - Jobs
 - Labor income—wages, payroll taxes, and benefits
 - Output—total spending



Example: Scenario A Construction

Total Economic Output (\$374.5M) Construction, Scenario A





Total Local Operating Impacts

	Jobs	Labor Income	Output
A	1,871	\$81.2	\$323.2
B	1,220	\$53.1	\$195.9
C	1,042	\$46.3	\$153.6

Net Direct Hampton Fiscal Results

- Local share of gaming revenue typically ranges from 2%-5%
 - Using 3.5% in the numbers below

	Gaming Tax at 3.5%	Amenity Taxes	Property Taxes	Total
A	\$6.6	\$3.1	\$4.3	\$13.9
B	\$3.9	\$2.0	\$3.0	\$8.8
C	\$3.2	\$1.6	\$2.5	\$7.4



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Questions?