Georgia Gaming Market & Impact Study -- 2015

Prepared for:

Georgia House & Senate Study Committees

On the Preservation of the HOPE Scholarship Program

Prepared by:

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Marquette Advisors – *Int'l Hospitality & Gaming Consultants*

- Marquette is the most recognized financial advisor and market consultant to the casino gaming industry in the US. Our work is accepted by institutions, corporations, and lenders active in the industry.
- 25 Year operating history
- Experience across North America, Bahamas, Central America
- Successful completion of hundreds of studies addressing financial feasibility, and the economic impact of individual casino gaming properties and entire portfolios
- Particular expertise in creation of strategies to maximize value of entire portfolios of casino gaming assets
- Delighted to offer a strategy to maximize casino gaming revenues and taxes for the State of Georgia

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Proposed HOPE Preservation Act of 2015

- The Act proposes:
  - Up to six (6) destination casino resort licenses across five (5) geographic zones in Georgia – Atlanta, Savannah, Columbus, Macon and South Georgia
  - Two (2) licenses for the Atlanta zone – one of which would be limited in scope to 2,000 gaming positions
  - Minimum private investment: $1 billion for primary Atlanta license and $200 million for all other licenses. Total $2 billion in private investment.
  - 12% gaming tax calculated off top-line casino revenue
  - Competitive RFP process – ensure benefits to GA are maximized
  - Regulatory oversight by Georgia Lottery Commission

Destination Casino Resorts

- Casino as the "anchor" – resort and amenity components diversify the entertainment experience and support the gaming operation as the primary profit center. Goal: attract diverse customer profile & maximize geographic draw.

Projected Destination Casino Resort Non-Gaming Amenities				
Zone	Hotel Rooms	Food & Beverage Outlets	Retail Shops	Other
Zone 1 – Atlanta Casino 1	500	12 – 16	6 – 10	Events Center (3,000+) Show Lounge, Spa
Zone 1 – Atlanta Casino 2	150	7 – 10	2 – 3	Show Lounge
Zone 2 (Savannah Area)	300	7 – 10	3 – 5	Events Center (1,500 – 2,000) Show Lounge, Spa
Zone 3 (Macon Area)	120	5 – 7	2 – 3	Events Center (1,500)
Zone 4 (Columbus Area)	120	5 – 7	2 – 3	Events Center (1,500)
Zone 5 (South Georgia Area)	250	8 – 12	3 – 5	Events Center (2,000 – 2,500) Show Lounge, Spa
Totals	1,440			

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Proposed Georgia Gaming Zones

Location considerations:

- Maximize facility utilization and economic impact.
- Recapture GA resident $ leaving GA each yr to casinos in nearby states.
- Maximize visitation and revenues from non-GA residents.
- Provide maximum economic impact across Georgia regional economy: investment, job opportunities and earnings.
- Maximize Investment

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Study Objectives

1. **Market study: What is the visitation & revenue potential for destination casino resorts (6) in Georgia?**
   - How many visitors per year can these facilities attract?
   - From where? GA vs. non-resident visitation & spending
   - How much revenue? -- gaming, lodging, F&B, entertainment, etc.
   - Factors:
     - GA demographics & economic factors (population, income, availability of gaming & complimentary leisure & recreational activities). How does GA compare to other markets?
     - Impact of competing facilities in neighboring jurisdictions – NC, AL, MS, FL

2. **Economic Impact Analysis**
   - Tax revenue, tourism, job creation, employee wages & benefits, business revenues/output

Market Environment

- Currently:
  - Estimated $346 million leaving state to casinos in NC, AL, FL and MS
  - Likely increasing to $470 m upon opening of Cherokee River Valley Casino in NC

- Expected impact of GA casino resort developments:
  - Increase casino gaming participation rates in GA – gamble more frequently & locally. "Recapture" of $400m+ in spending otherwise leaving the state
  - Major boost to tourism: casino resorts expected to attract out-of-state patrons. Boost to casinos and other attractions & businesses in GA.

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Georgia Gaming Market Potential

- What is the potential for GA casino visitation & revenues? Factors & methodology:
  - How do similar markets perform?
  - Adjust for regional population/income factors and consumer behavior
  - What is the potential for tourist visitation?
  - Marquette Advisors modeling for all GA casinos, by point of origin:
    - Adult population x gaming participation rate = total visitors
    - Total visitors x avg. spend per visit = total gaming revenues
  - Then, distribute casino trips & expenditures to each casino (gravity model).
    - Accounts for distance traveled and attractiveness factors of each casino resort.

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Customer Profile

- 26 Million visitors per year
- $2.4 Billion in total gaming revenue
- Exact site selection and other factors will determine out-of-state revenue contribution
- $288 Million in gaming taxes

Types of Economic Impact

- **1. Construction / investment impacts (2 year construction period)**
- **2. Ongoing operational impacts**

- **"Direct" Impacts -** Generated directly by the casino resort facilities. Ongoing, operational impacts.
  - Jobs, Payroll & Benefits
  - Casino resort purchases of goods & services from Georgia suppliers
  - Tourism – tourist spending at hotels, restaurants, retail stores, other attractions, and State-operated convention centers

- **"Indirect" and "Induced" Impacts** -- "catalytic" impact or 'multiplier" effect
  - **"Indirect" Impact** – changes in inter-industry purchases – casino purchases goods/services from Business A. Business A then purchases goods/services from Business B, etc, etc.
  - **"Induced" Impact** – impact of employee expenditures as they cycle through the economy

- Indirect & Induced impacts measured utilizing IMPLAN input-output model which considers regional economic base and trade flows

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Create Meaningful Employment

- **Job Creation (construction): <u>11,300 construction-related jobs</u>**

- **Job Creation (permanent): <u>30,279 jobs statewide</u>**
  - **15,655 direct jobs**
  - **14,626 indirect/induced jobs statewide**

- **<u>$1.1 billion in annual employee earnings statewide</u>**

- ***<u>Context:</u>*** **Projected 30,279 new jobs = 10% of current unemployment in State of Georgia.**

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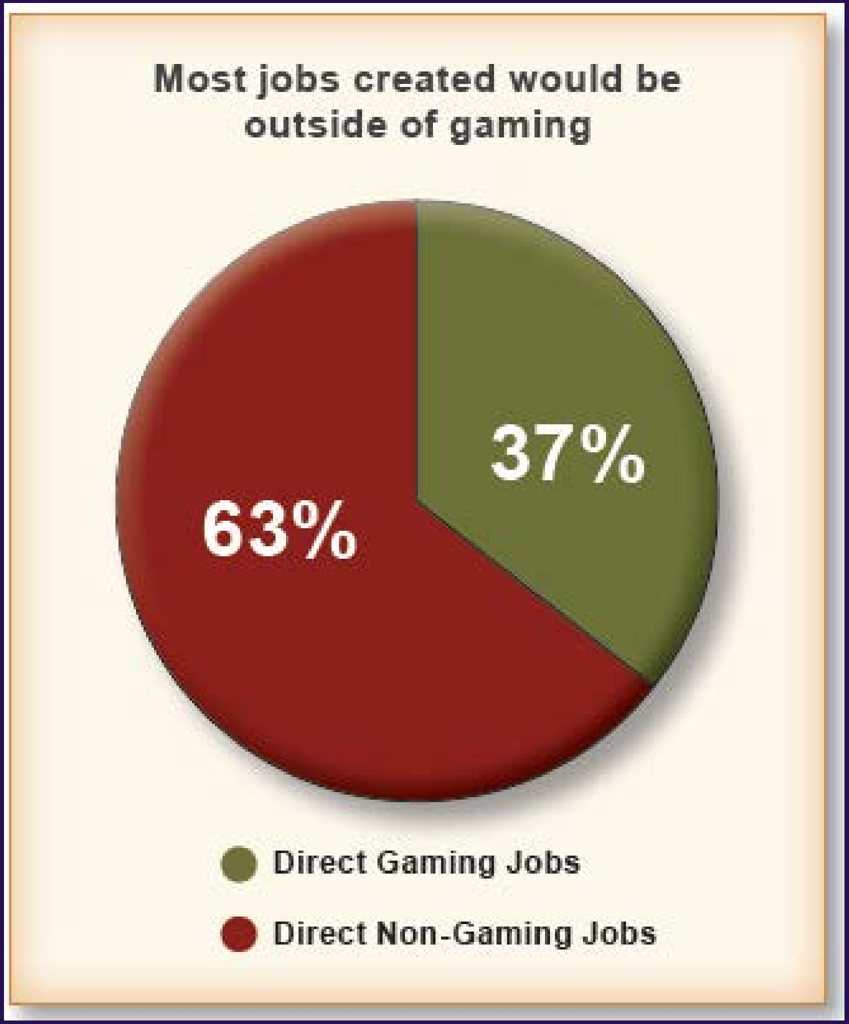
Create Meaningful Employment



- 15,655 direct jobs at casino resort facilities.
  - Nearly 2/3 in non-gaming positions.
  - Management, marketing, security, hotel, restaurants, etc.
- 14,654 additional non-gaming jobs statewide due to multiplier effect

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Tax Impacts

- **Gaming tax: $288 million (State)**
- **Payroll tax: $345 million (Federal)**
- **Sales tax: $200 million (State)**
- **Property tax; $29 million (Local)**
- **Hotel tax: $9.3 million (Local)**

Context -- Projected GA Gaming Taxes vs. GA Primary Revenue Sources	
GA Primary Revenue Sources	in $ Millions
Personal Income Tax	$9,000
Sales & Use Taxes	$5,100
Motor Fuels Taxes	$993
Lottery Funds	$910
Corporate Income Taxes	$817
Projected Gaming Taxes	**$288**
Tobacco Taxes	$218
Tobacco Settlement Funds	$200
Hospital Provider Payments	$254
Nursing Home Provider Payments	$168
Sources: GA State Budget (FY2014); Marquette Advisors (gaming tax forecast)	

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Total Impact = $5 Billion Annually

$2.8 Billion direct impact

+ $2.2 Billion catalytic impacts

= $5.0 Billion impact per year in State of Georgia

Context: equivalent to hosting another Summer Olympic Games every year.

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DISCUSSSION

&

QUESTIONS