CONVERGENCE
STRATEGY GROUP

CITY OF DANVILLE, VIRGINIA

CASINO VISITATION, REVENUE, AND IMPACT ASSESSMENT

SUBMITTED:

November 14, 2019

7105 Walmsley Avenue
New Orleans, LA 70125
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EXECUTIVE SUMMARY

Convergence Strategy Group ("CSG") was contracted by the City of Danville to conduct a series of analyses of the potential for casino gaming at four locations, as well as the potential for a historical horseracing facility (as included on the November 2019 ballot). The locations studied are:

- White Mill (River District/Downtown)
- Highway Bypass Location
- Schoolfield (former Dan River Mills industrial site on West Main Street)
- Retail/Piedmont Drive Corridor

As the potential casino sizing and building programs for development have yet to be determined, CSG assessed two separate scenarios for each of the four locations: 1) a destination resort scale casino with 2,500 slot machines, 100 table games, approximately 325 hotel rooms, multiple food and beverage offerings and associated resort amenities; and 2) a moderate scale casino with 1,200 slot machines, 60 table games, approximately 225 hotel rooms, associated food and beverage offerings, and limited amenities.

In our assessment, **the greatest gaming revenue potential exists for a destination resort casino at the Bypass site, with a projected $363.5 million in gaming revenues in 2022**. This large greenfield site with excellent access for out-of-state gamers appears capable of accommodating a significant destination resort facility with multiple amenities and therefore attracting the largest number of patrons of the all the sites and building programs studied. The other sites assessed do not enjoy the same access advantages nor the same apparent potential for large-scale development. Total property revenues for a destination resort casino at the Bypass location, including hotel, food and beverage, and other revenues, could reach $436.5 million, creating **2,377 direct jobs (FTEs), with wages of $75.7 million.** In addition to approximately **$4.0 million to $4.5 million in gaming taxes** that would be distributed locally, the City of Danville should expect between **$4.8 million and $5.4 million in incremental hotel, meal and sales taxes if such a destination resort casino is developed**.

Should a smaller scale or moderate casino be developed, it would be less capable of generating new gaming behavior and would be less competitive than other facilities in the region offering more gaming supply and amenities. **However, a moderate scale casino could still generate substantial revenues ($233 million to $280 million in gaming revenues for $275 million to $330 million in total property revenues), create between 1,480 and 1,780 jobs, contribute $2.9 million to $3.5 million in gaming taxes locally, and between $3.1 million and $3.6 million in additional hotel, meal and sales taxes.**

PROJECTED FACILITY REVENUES, DIRECT TAXES AND EMPLOYMENT (2022)

	BYPASS	SCHOOLFIELD	WHITE MILL	RETAIL CORRIDOR
Destination Resort Scale				
Gross Gaming Revenues	$363,463,029	$328,165,410	$324,500,707	$322,794,334
Hotel Revenues	$20,107,029	$17,632,183	$17,429,300	$17,323,871
F&B Revenues	$44,342,489	$40,036,180	$39,589,086	$39,380,909
Other	$8,558,251	$7,716,675	$7,630,382	$7,589,982
Total Revenues	$436,470,798	$393,550,448	$389,149,475	$387,089,096
Total Employment	2,377	2,140	2,118	2,106
Total Payroll	$75,666,660	$68,125,800	$67,418,940	$67,059,900
Gaming Taxes - Danville	**$4,543,288**	**$4,102,068**	**$4,056,259**	**$4,034,929**
City Sales Tax	**$730,078**	**$653,850**	**$646,488**	**$642,948**
Hotel Tax	**$1,809,633**	**$1,586,896**	**$1,568,637**	**$1,559,148**
Meals Tax	**$2,882,262**	**$2,602,352**	**$2,573,291**	**$2,559,759**
Moderate Scale				
Gross Gaming Revenues	$280,252,559	$239,297,155	$235,564,117	$233,794,360
Hotel Revenues	$12,218,753	$10,831,012	$10,622,765	$10,522,758
F&B Revenues	$30,827,781	$26,322,687	$25,912,053	$25,717,380
Other	$6,465,982	$5,529,017	$5,441,979	$5,400,690
Total Revenues	$329,765,075	$281,979,871	$277,540,913	$275,435,188
Total Employment	1,778	1,515	1,492	1,481
Total Payroll	$56,988,420	$48,553,020	$47,834,940	$47,475,900
Gaming Taxes - Danville	**$3,503,157**	**$2,991,214**	**$2,944,551**	**$2,922,430**
City Sales Tax	**$495,125**	**$426,827**	**$419,768**	**$416,408**
Hotel Tax	**$1,117,143**	**$990,264**	**$971,224**	**$962,081**
Meals Tax	**$2,003,806**	**$1,710,975**	**$1,684,283**	**$1,671,630**

An alternative development considered is a historical horseracing **("HHR") facility in the White Mill**. For this site with 600 devices (and no table games) and a modest amenity mix, we project **gaming revenues of nearly $59 million in 2022, which would result in gaming taxes of $4.0 million to the City of Danville**. Should a **smaller HHR facility with 150 machines** be developed, we project **gaming revenues of between $16 million and $18 million in 2022**, which would result in approximately $1.1 million to $1.2 million in gaming taxes (assuming the HHR device win percentage continues to average approximately 7.4%) to the City of Danville.

It is important to note that these projections consider a competitive environment which includes existing regional casino and HHR facilities, but not potential commercial gaming in North Carolina. Should the State of North Carolina authorize casino gaming, and **should casinos be built in both Greensboro and Raleigh-Durham**, the impacts on a Danville casino would be far-reaching. Gaming revenue potential could **decline by 45 to 50% for a destination-scale casino, or 37 to 42% for a moderate-scale casino**.

In addition to the direct impacts from casino facility operations, indirect impacts are expected in terms of spending by casino patrons in the community. Off-site spending will depend heavily on what options these gamers have proximate to the casino for F&B and retail.

Total spending on F&B and retail outside of the casino by gaming patrons is projected to range from $500,000 per year to as high as $6.3 million per year, dependent on the location of the casino. From a sales and meals tax perspective at the City level, this incremental spending by gamers in Danville could result in approximately $28,000 per year (moderate-scale casino at Highway site) to $285,000 per year (resort-scale at Retail Corridor).

PROJECTED OFF-CASINO SPENDING BY GAMERS

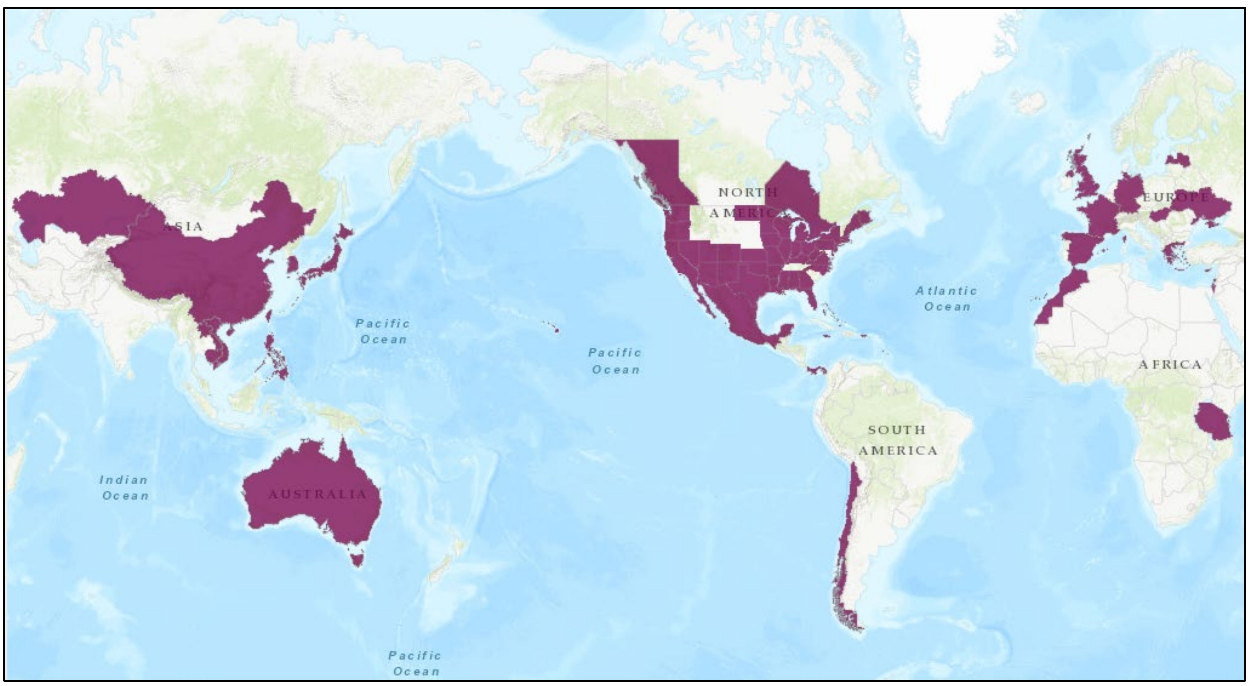
	HIGHWAY	SCHOOLFIELD	WHITE MILL	RETAIL CORRIDOR
Resort-Scale Casino:				
Projected non-Danville, non-Tourist Gamer Visits	2,296,890	2,322,699	2,476,328	2,283,894
% spending on food	1%	5%	6%	7.5%
$/F&B purchase	20	20	20	20
% spending on retail	0.25%	0.5%	0.5%	5%
$/retail, purchase	$25	$25	$25	$25
Total Spending	$602,934	$2,613,036	$3,281,135	$6,280,707
Total Local Tax	$35,889	$177,106	$225,965	$285,487
Moderate-Scale Casino:				
Projected non-Danville, non-Tourist Gamer Visits	1,796,451	1,827,151	1,984,504	1,782,282
% spending on food	1%	6%	7.5%	10%
$/F&B purchase	20	20	20	20
% spending on retail	0.25%	0.5%	0.5%	5%
$/retail, purchase	$25	$25	$25	$25
Total Spending	$471,568	$2,420,975	$3,224,819	$5,792,418
Total Local Tax	$28,070	$166,728	$225,737	$289,621

ABOUT CONVERGENCE STRATEGY GROUP

Convergence Strategy Group ("CSG") was formed in early 2018 as a joint venture between Leisure Dynamics Research, LLC (led by Dr. Scott Fisher) and Renaissance, LLC (led by Suzanne P. Leckert) to offer a broad array of analytical and strategic planning services to gaming, hospitality, racing, leisure, commercial, tribal and public development partners. Leisure Dynamics Research, LLC is in its 10th year of consulting for the gaming and leisure industry, while Renaissance, LLC is in its 2nd year, but Fisher and Leckert combine to offer nearly 40 years of professional experience providing these services to the gaming, leisure and urban planning industries. Additionally, we work with non-profits and government agencies in evaluating and planning projects for the public good, such as arts and cultural districts, workforce housing and airports.

CSG's principals have performed gaming-related studies in 38 U.S. States, as well as 33 countries across the world.

GLOBAL EXPERIENCE OF CONVERGENCE STRATEGY GROUP



For more information, please visit www.convergencestrat.com.

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INTRODUCTION

In March 2019, the Virginia General Assembly passed and Governor Ralph Northam signed SB 1126, which "authorizes casino gaming in the Commonwealth to be regulated by the Virginia Lottery Board" and states that "casino gaming shall be limited to certain cities that meet the criteria that is outlined in the bill, and a referendum must be passed in the city on the question of allowing casino gaming in the city." Per the criteria in this legislation, the city of Danville is one of the potential locations for casino gaming in Virginia.

Convergence Strategy Group ("CSG") was contracted by the City of Danville, Virginia in July 2019 to provide consulting services related to the city's potential as a location hosting a private casino gambling operation. CSG conducted a series of analyses of the potential for casino gaming at four locations, as well as the potential for a historical horseracing facility (as included on the November 2019 ballot). The potential development sites considered are:

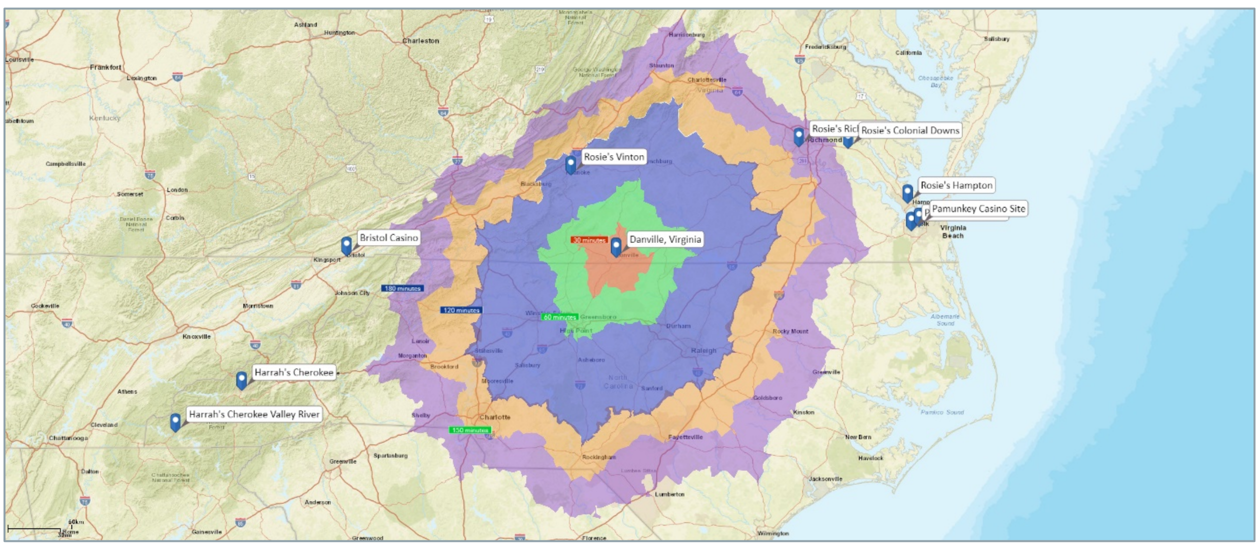
- White Mill (River District/Downtown)
- Highway Bypass
- Schoolfield (former Dan River Mills industrial site on West Main Street)
- Retail/Piedmont Drive Corridor

The following study document provides our firm's analyses of the likely costs and benefits to the community that could accrue from the introduction of casino-style gaming and is intended to be a resource for the City of Danville as it weighs the decisions before it.

ECONOMIC AND DEMOGRAPHIC ANALYSIS

In evaluating any market, it is critical to understand the demographic and economic profile of its residents. The following section details and assesses the size of the population, income levels, and employment in the region surrounding and including Danville. Various reports and statistics prepared by federal, state and local agencies were reviewed, including the U.S. Census; Bureau of Labor Statistics; West Piedmont Economic Development District's 2019 Comprehensive Economic Development Strategy; A Residential Analysis in the City of Danville, Virginia for the City of Danville Economic Development. Additionally, data were derived from sources such as Convergence Strategy Group's in-house geographic information systems (GIS) provider, ESRI. ESRI is the worldwide leader in geographic information systems, utilizing data from the U.S. Census, local, state and federal government agencies, and its own proprietary research[1].

MAP 1: DRIVE-TIMES FROM DANVILLE



Source: ESRI

POPULATION SIZE

In the 2-hour drive time area, the current year population is 5,040,041. The rate of change since the 2010 Census was 1.09% annually. The five-year projection for the population in the area is 5,317,057 representing a change of 1.08% annually from 2019 to 2024. The 0 to 120-minute drive time region surrounding Danville is projected to grow at a higher rate than the state of Virginia and the United

[1] ESRI's full Methodology Statement: http://downloads.esri.com/esri_content_doc/dbl/us/J10268_Methodology_Statement_2019-2024_Esri_US_Demographic_Updates.pdf

States as a whole, however the most proximate area, the 0 to 30-minute drive time region, is projected to decline at an average annual rate or compound annual growth rate (CAGR) of -0.39%.

TABLE 1: TOTAL POPULATION

REGION	2019	2024	CAGR
0-30 minutes	118,903	116,587	-0.39%
30-60 minutes	795,616	820,977	0.63%
60-120 minutes	4,125,522	4,379,493	1.20%
0-120 minutes	5,040,041	5,317,057	1.08%
North Carolina	10,609,155	11,226,048	1.14%
Virginia	8,632,203	8,982,126	0.80%
United States	332,417,793	345,487,602	0.77%

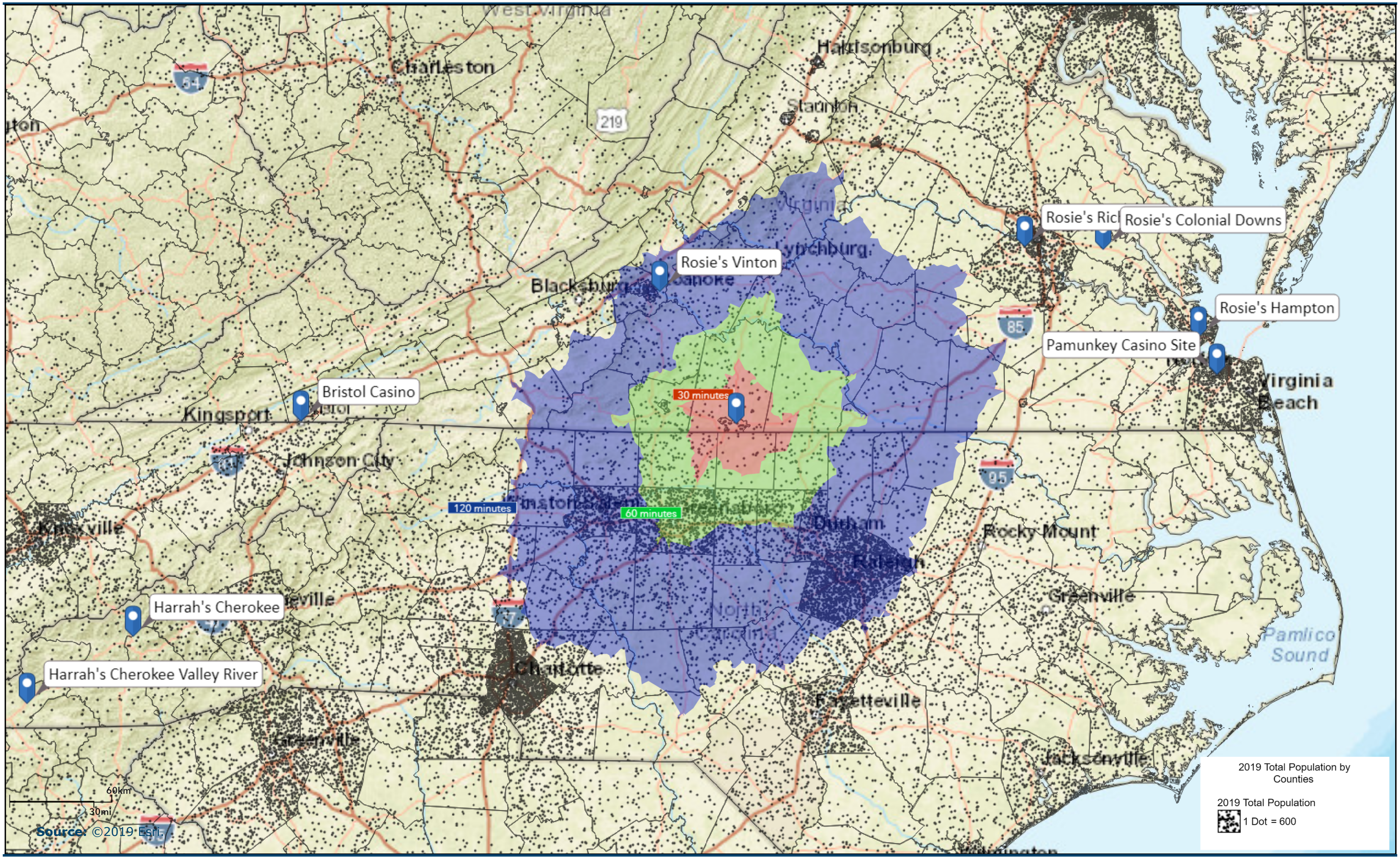
Source: ESRI Business Analyst (2019); U.S. Census Bureau, Census 2010 Summary File 1. ESRI forecasts for 2019 and 2024. ESRIi converted Census 2000 data into 2010 geography

Pittsylvania County is estimated to have 62,270 residents in 2019 (down 1.95% from 63,506 in the 2010 Census (CAGR of -0.22%)), and is projected to decline to 60,953 by 2024 (CAGR of -0.29%). By comparison, the most recent reporting from the Weldon Cooper Center for Public Service at the University of Virginia was a bit more pessimistic, estimating the 2018 population of Pittsylvania County at 61,640[2], reflecting a decline of 2.94% (CAGR of -0.37%) from the 2010 Census[3]; projecting forward, the County population is estimated at 61,379[4] in 2020 (CAGR of -0.34%), 60,523[5] in 2030 (CAGR of -0.24%), and 58,946[6] in 2040 (CAGR of -0.25%).

[2] University of Virginia Weldon Cooper Center, Demographics Research Group. (2019). Virginia Population Estimates. https://demographics.coopercenter.org/virginia-population-estimates
[3] Due to the similarities in population estimates and the limited availability of relevant demographic data points from the Weldon Cooper Center at the level of detail necessary for gaming market analyses, CSG utilizes ESRI data for model inputs and forward-looking projections.
[4] University of Virginia Weldon Cooper Center, Demographics Research Group. (2019). Virginia Population Estimates. https://demographics.coopercenter.org/virginia-population-estimates
[5] Ibid.
[6] Ibid.

Danville Regional Population Density with Drive Time Rings

2019 Total Population by Counties



September 05, 2019

AGE

Within a 2-hour drive time of Danville reside approximately 3.7 million people of legal gaming age (21+). This population is projected to grow to nearly 4 million by 2024.

TABLE 2: GAMING AGE (21+) POPULATION

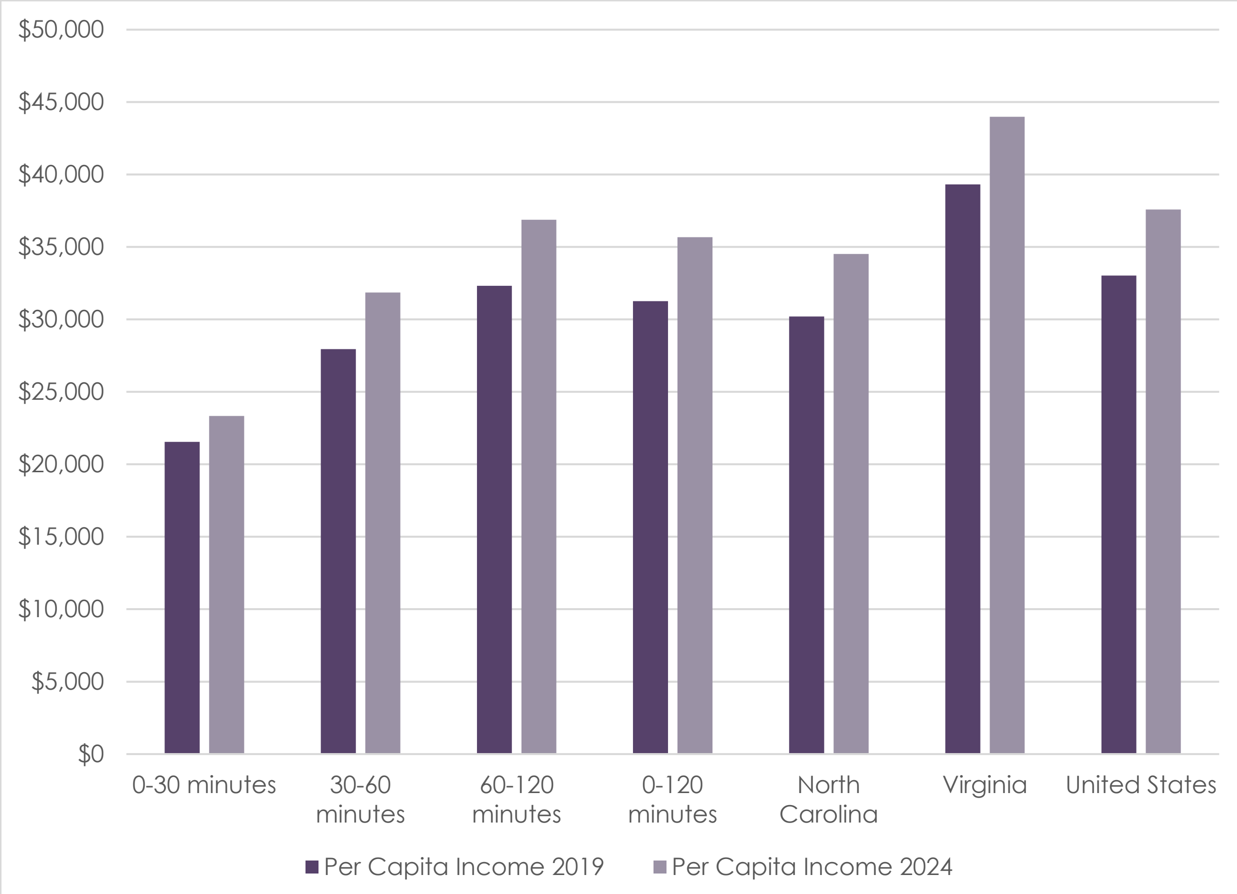
REGION	2019	2024	CAGR
0-30 minutes	92,118	90,492	-0.36%
30-60 minutes	596,211	617,604	0.71%
60-120 minutes	3,041,750	3,243,348	1.29%
0-120 minutes	3,730,079	3,951,444	1.16%
North Carolina	7,834,958	8,315,651	1.20%
Virginia	6,415,541	6,714,146	0.91%
United States	245,355,982	256,360,465	0.88%

Source: ESRI Business Analyst (2019); U.S. Census Bureau, Census 2010 Summary File 1. ESRI forecasts for 2019 and 2024. ESRI converted Census 2000 data into 2010 geography

INCOME LEVELS

Current per capita income is $31,266 in the area, compared to the U.S. per capita income of $33,028. The per capita income is projected to be $35,675 in five years, compared to $36,530 for all U.S. households, which represents a slightly higher rate of growth for the 0 to 120-minute region than the U.S. as a whole.

CHART 1: PER CAPITA INCOME



Source: ESRI Business Analyst (2019); U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2019 and 2024. Esri converted Census 2000 data into 2010 geography

TABLE 3: PER CAPITA INCOME

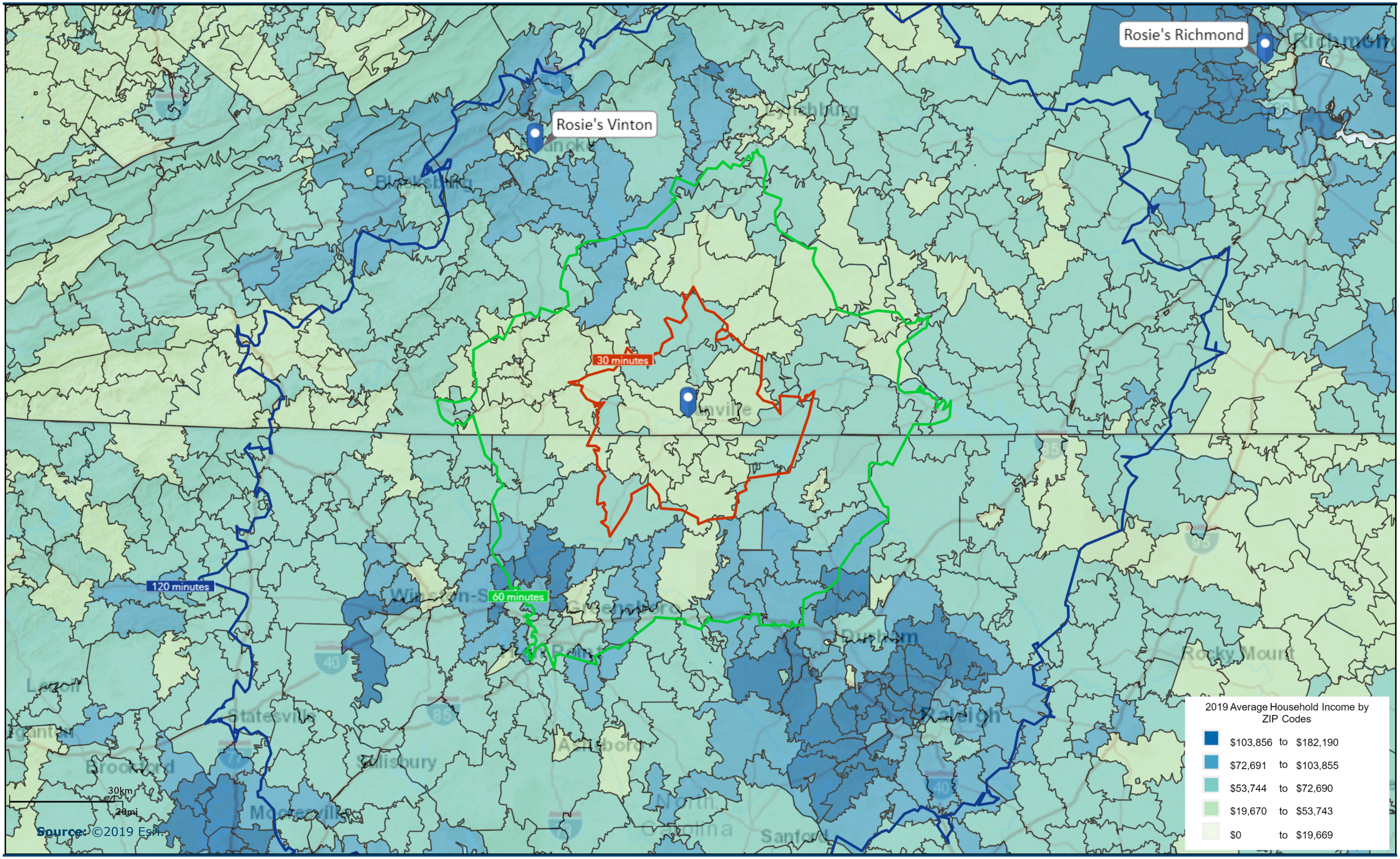
REGION	2019	2024	CAGR
0-30 minutes	$21,549	$23,336	1.61%
30-60 minutes	$27,954	$31,857	2.65%
60-120 minutes	$32,320	$36,883	2.68%
0-120 minutes	$31,266	$35,675	2.67%
North Carolina	$30,207	$34,522	2.71%
Virginia	$39,317	$43,985	2.27%
United States	$33,028	$37,585	2.62%

Source: ESRI Business Analyst (2019); U.S. Census Bureau, Census 2010 Summary File 1. ESRI forecasts for 2019 and 2024. ESRI converted Census 2000 data into 2010 geography

Current average household income is $79,066 in this area, compared to $87,398 for all U.S. households. Average household income is projected to be $90,390 in five years, compared to $99,638 for all U.S. households. Incomes in the 0 to 30-minute region are currently the lowest, and are projected to grow at a slower rate than all of the comparison locales.

Danville Regional Income Levels

2019 Average Household Income by ZIP Codes



September 05, 2019

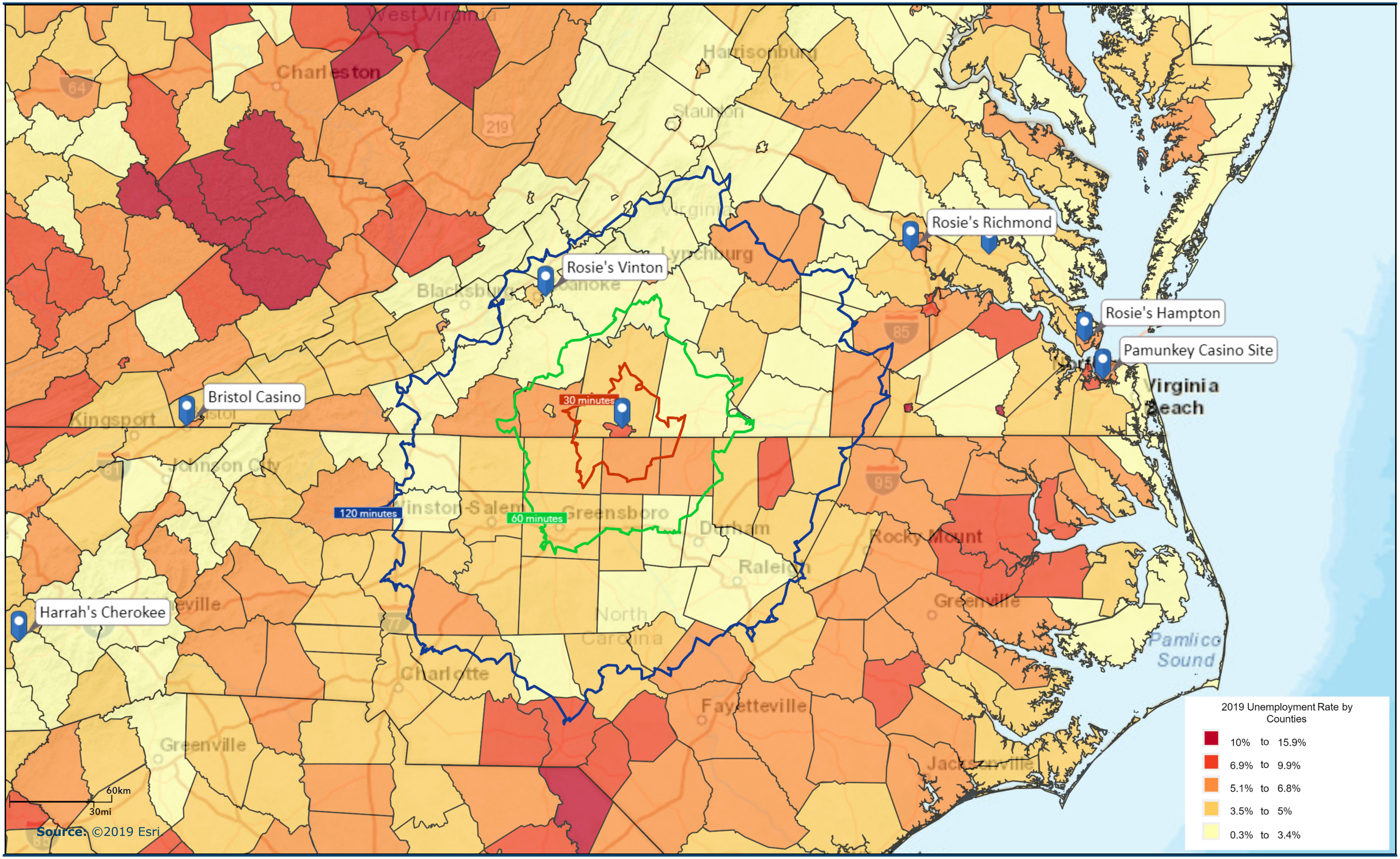
EMPLOYMENT AND UNEMPLOYMENT

The local and regional economy in terms of employment and unemployment are detailed in the following section. Income levels and spending patterns are discussed in previous sections of this study.

The unemployment rate in the 0 to 30-minute region (5.6%) is somewhat higher than the surrounding areas, with an unemployment rate of 3.9% in the 0 to 120-minute region - a rate lower than both the national rate and the statewide rate for North Carolina.

Danville Regional Unemployment Rates

2019 Unemployment Rate by Counties



September 05, 2019

TABLE 4: EMPLOYMENT

REGION	2019 EMPLOYED CIVILIAN POPULATION AGE 16+	2019 UNEMPLOYED POPULATION AGE 16+	2019 UNEMPLOYMENT RATE
0-30 minutes	52,923	3,125	5.6%
30-60 minutes	371,256	15,928	4.1%
60-120 minutes	2,021,857	75,941	3.6%
0-120 minutes	2,446,036	94,994	3.9%
North Carolina	4,967,832	222,318	4.3%
Virginia	4,312,652	164,180	3.7%
United States	160,548,951	7,661,574	4.6%

Source: ESRI Business Analyst (2019); Bureau of Labor Statistics; U.S. Census Bureau, Census 2010 Summary File 1. ESRI forecasts for 2019 and 2024. ESRI converted Census 2000 data into 2010 geography

INDUSTRIES AND EMPLOYERS

As of June/July 2019 data reporting, there were approximately 9,291 employed persons in health care/social assistance, 9,178 in manufacturing and 5,962 in retail trade within a 30-minute drive of Danville's City Council chambers. The following table details the number of employed persons by industry for 2019 in the study region.

TABLE 5: EMPLOYMENT BY INDUSTRY

2019 INDUSTRY	0-30 MINUTES	30-60 MINUTES	60-120 MINUTES	0-120 MINUTES	NORTH CAROLINA	VIRGINIA	UNITED STATES
Agriculture/Forestry/Fishing/Hunting	360	2,086	13,181	15,627	47,754	25,416	1,915,709
Mining/Quarrying/Oil & Gas Extraction	62	363	2,221	2,646	5,836	6,943	819,151
Construction	3,420	26,652	137,560	167,632	364,890	291,056	11,245,975
Manufacturing	9,178	55,924	254,579	319,681	648,912	286,838	16,057,876
Wholesale Trade	1,004	8,774	49,397	59,175	119,537	71,453	4,183,931
Retail Trade	5,962	43,546	205,508	255,016	544,185	419,693	17,127,172
Transportation/Warehousing	2,123	17,029	81,111	100,263	199,608	175,358	7,876,848
Utilities	456	2,633	12,984	16,073	37,411	31,581	1,276,400
Information	454	4,258	32,473	37,185	71,785	78,711	3,157,650
Finance/Insurance	1,452	14,542	89,884	105,878	226,042	190,896	7,377,311
Real Estate/Rental/Leasing	424	5,624	34,921	40,969	93,541	88,764	3,204,043
Professional/Scientific/Tech Services	1,833	20,099	177,468	199,400	341,877	491,132	11,744,228
Management of Companies/Enterprises	138	426	2,728	3,292	6,845	5,285	237,307
Admin/Support/Waste Management Services	2,547	15,909	80,840	99,296	202,920	168,079	6,106,184
Educational Services	4,325	34,981	201,624	240,930	439,356	412,786	14,565,802
Health Care/Social Assistance	9,291	53,748	282,375	345,414	680,552	543,019	22,612,482
Arts/Entertainment/Recreation	648	5,602	34,693	40,943	89,629	82,810	3,332,132
Accommodation/Food Services	3,760	27,668	137,705	169,133	378,654	284,609	11,738,765
Other Services (excl Public Administration)	2,893	18,451	103,448	124,792	258,004	241,600	8,141,078
Public Administration	2,591	12,940	87,157	102,688	210,494	416,623	7,828,907
2019 Employed Civilian Population Age 16+ by Industry Base	**52,923**	**371,256**	**2,021,857**	**2,446,036**	**4,967,832**	**4,312,652**	**160,548,951**

Source: ESRI Business Analyst (2019); Bureau of Labor Statistics; U.S. Census Bureau, Census 2010 Summary File 1. ESRI forecasts for 2019 and 2024. ESRI converted Census 2000 data into 2010 geography

In the immediate area, Health Care/Social Assistance is the largest industry (18% of employment), with Manufacturing coming in a close second (17%).

The top two industries in both the 30 to 60-minute the 60 to 120-minute regions are likewise Manufacturing and Health Care/Social Assistance. Statewide, the largest industries are Healthcare/Social Assistance, followed by Professional/Scientific/Tech Services, Public Administration, Educational Services, and Retail Trade. Nationally, the largest industry by employment is Healthcare/Social Assistance, followed by Retail Trade and Manufacturing.

The following graduated table displays the percent of employment by industry for each region studied; the darker purple shades indicate the predominance of an industry.

TABLE 6: SHARE OF EMPLOYMENT BY INDUSTRY

2019 INDUSTRY	0-30 MINUTES	30-60 MINUTES	60-120 MINUTES	0-120 MINUTES	NORTH CAROLINA	VIRGINIA	UNITED STATES
Agriculture/Forestry/Fishing/Hunting	1%	1%	1%	1%	1%	1%	1%
Mining/Quarrying/Oil & Gas Extraction	0%	0%	0%	0%	0%	0%	1%
Construction	6%	7%	7%	7%	7%	7%	7%
Manufacturing	17%	15%	13%	13%	13%	7%	10%
Wholesale Trade	2%	2%	2%	2%	2%	2%	3%
Retail Trade	11%	12%	10%	10%	11%	10%	11%
Transportation/Warehousing	4%	5%	4%	4%	4%	4%	5%
Utilities	1%	1%	1%	1%	1%	1%	1%
Information	1%	1%	2%	2%	1%	2%	2%
Finance/Insurance	3%	4%	4%	4%	5%	4%	5%
Real Estate/Rental/Leasing	1%	2%	2%	2%	2%	2%	2%
Professional/Scientific/Tech Services	3%	5%	9%	8%	7%	11%	7%
Management of Companies/Enterprises	0%	0%	0%	0%	0%	0%	0%
Admin/Support/Waste Management Services	5%	4%	4%	4%	4%	4%	4%
Educational Services	8%	9%	10%	10%	9%	10%	9%
Health Care/Social Assistance	18%	14%	14%	14%	14%	13%	14%
Arts/Entertainment/Recreation	1%	2%	2%	2%	2%	2%	2%
Accommodation/Food Services	7%	7%	7%	7%	8%	7%	7%
Other Services (excl Public Administration)	5%	5%	5%	5%	5%	6%	5%
Public Administration	5%	3%	4%	4%	4%	10%	5%

Source: ESRI Business Analyst (2019); Bureau of Labor Statistics; U.S. Census Bureau, Census 2010 Summary File 1. ESRI forecasts for 2019 and 2024. ESRI converted Census 2000 data into 2010 geography

TABLE 7: AVERAGE HOUSEHOLD INCOME

REGION	2019	2024	CAGR
0-30 minutes	$52,003	$56,364	1.62%
30-60 minutes	$68,621	$78,266	2.67%
60-120 minutes	$82,164	$93,943	2.72%
0-120 minutes	$79,066	$90,390	2.71%
North Carolina	$76,665	$87,722	2.73%
Virginia	$103,024	$115,677	2.34%
United States	$87,398	$99,638	2.66%

Source: ESRI Business Analyst (2019); U.S. Census Bureau, Census 2010 Summary File 1. ESRI forecasts for 2019 and 2024. ESRI converted Census 2000 data into 2010 geography

GAMING BEHAVIOR AND ENTERTAINMENT SPENDING

The population within a 30-minute drive time of Danville is estimated to spend $100.6 million on entertainment and recreation in 2019. As the size and income level of the populations increase as one is further away from Danville, so too does entertainment and recreation spending, as shown in *Table 8*.

With limited casino gaming options, the area residents are not prolific casino gamers. The following table and map detail the casino gaming indices for the region, whereby a score of 100 equals the national average participation in casino gaming, a score greater than 100 indicates above average participation, and a score below 100 reflects lower than average behavior. It should be noted that the gaming index includes all casino gaming behavior, including destination gaming trips to locations such as Atlantic City, New Jersey and Cherokee, North Carolina.

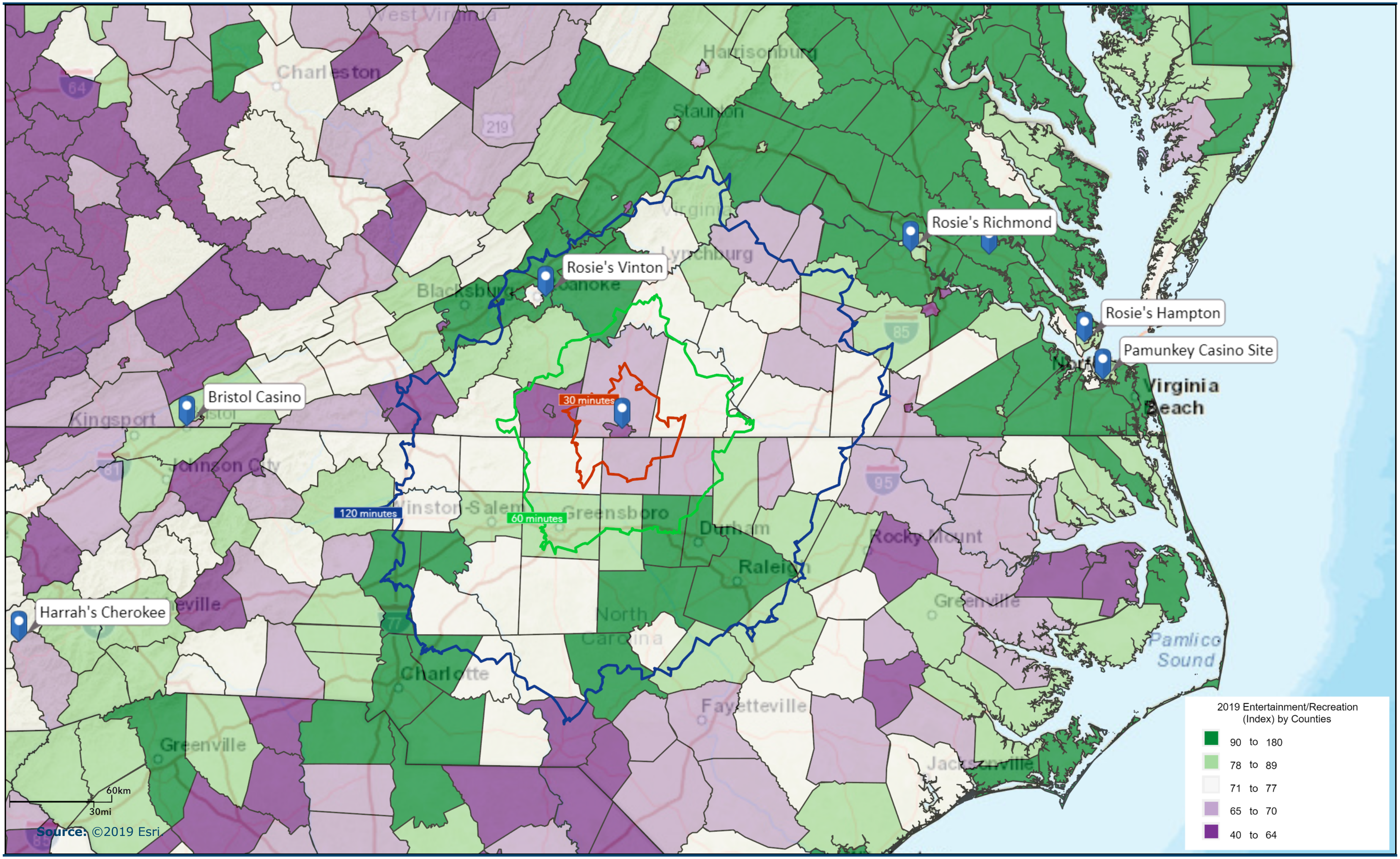
TABLE 8: GAMING BEHAVIOR AND ENTERTAINMENT SPENDING

REGION	2019 ENTERTAINMENT/RECREATION SPENDING	2019 GAMBLED AT CASINO IN LAST 12 MONTHS (INDEX)
0-30 minutes	$100,636,359	79
30-60 minutes	$853,786,548	90
60-120 minutes	$5,044,388,699	94
North Carolina	$12,210,198,011	92
Virginia	$12,689,351,776	102
United States	$409,223,576,885	100

Source: ESRI Business Analyst (2019)

Danville Regional Entertaiment Spending

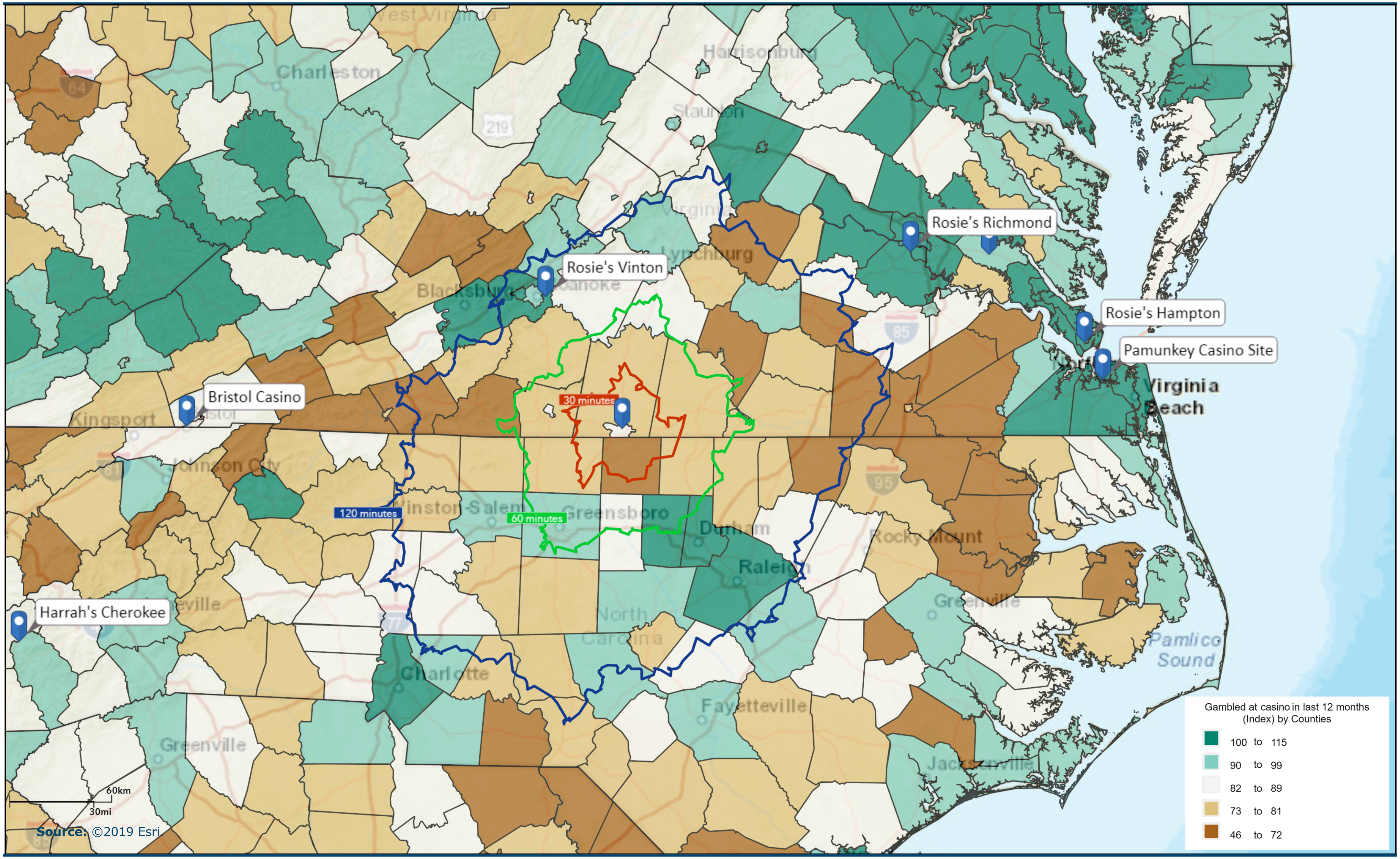
2019 Entertainment/Recreation (Index) by Counties



September 05, 2019

Danville Region Casino Gaming Behavior

Gambled at casino in last 12 months (Index) by Counties



September 05, 2019

TOURISM

To assess the potential patronage of a casino in Danville by tourists, CSG evaluated the number and type of visitors to the region. The data presented herein provided inputs to the visitation and revenue forecast models discussed in later sections of this study.

VIRGINIA

According to our analysis of data published in the U.S. Travel Association's *Economic Impact of Domestic Travel on Virginia, 2018 and 2017*, the Southern Virginia tourist region (less Danville) enjoys approximately 849,929 tourist visits annually. Of those visitors, 476,287 are reportedly overnight visitors. By comparison, we estimate Danville to host 252,102 overnight visitors annually. The tourists to this region primarily visit friends and relatives (50%), while 17% of the visitors' primary purpose is for entertainment/sightseeing, as shown in the following table.

TABLE 9: SOUTHERN VIRGINIA REGION TOURISM, PURPOSE OF TRIP

PRIMARY PURPOSE OF TRIP	%
Visit Friends/Relatives	50%
Entertainment/Sightseeing	17%
Outdoor Recreation	10%
Other Pleasure/Personal	8%
Business	8%
Other Pleasure/Personal	3%

Source: Southern Virginia Region Travel Profile, Virginia.org

While visitors to Southern Virginia have no casino gaming options within the region, approximately 2.5% of its visitors reported participating in casino gaming during their trip[7].

NORTH CAROLINA

Within a day-trip drive of Danville are multiple communities whose resident and tourist populations could become visitors to the proposed casino.

High Point, North Carolina, an approximate 1-hour drive from Danville, is host to the semi-annual (held April and October) High Point Furniture Market which attracts 75,000 exhibitors and buyers from around the world to each market[8].

The Greater Raleigh Convention and Visitors Bureau reported that Wake County drew 16.45 million visitors in 2017.

[7] Southern Virginia Region Travel Profile. VA Module of TNS-TravelTrakAmerica, FY 2018 and FY 2017.
[8] High Point Market Facts. https://www.highpointmarket.org/about-market Accessed September2019.

Guilford County ranked third behind Meckenburg and Wake Counties in 2017 in estimated spending by visitors.

The Piedmont Region of North Carolina (as designated by Visit North Carolina) includes the area that is within a reasonable day-trip drive time to Danville, including the cities of Charlotte, Greensboro, Winston-Salem, High Point, and Raleigh-Durham. According to the most recent North Carolina Visitor Profile[9], in 2018 this region had 33.8 million person-trips, with approximately 26.0 million of those as overnight visitors. Only 27% of travel parties included children (28% of overnighters). The top states of origin for overnight visitors to the Piedmont Region were North Carolina (32%), Virginia (8%), South Carolina (7%), Florida (6%), New York (6%), and Georgia (5%). Total trip expenditures averaged $634 per overnight visitor party, with an average length of stay of 3.3 nights. On average, these visitors spent $3 per trip on gaming, $9 on amenities (golf fees, spa, etc.) $34 on entertainment, and $193 on lodging.

TABLE 10: NORTH CAROLINA PIEDMONT REGION VISITORS: 2018

Total Person-Trips	33,800,000
Overnight Person-Trips	26,000,000

Source: 2018 North Carolina Regional Visitor Profile

TABLE 11: NORTH CAROLINA PIEDMONT REGION: AVERAGE TRAVEL PARTY EXPENDITURE

Per Trip	$511
Overnight Visitors	$634
Daytrip Visitors	$211

Source: 2018 North Carolina Regional Visitor Profile

TABLE 12: AVERAGE SPENDING BY OVERNIGHT VISITOR PARTIES TO NORTH CAROLINA'S PIEDMONT REGION

CATEGORY	AVERAGE SPEND	% OF TOTAL SPEND
Total Trip Expenditures	$634	100.0%
Lodging	$193	30.4%
Gasoline/Other Transportation	$212	33.4%
Food/Beverage/Dining	$113	17.8%
Groceries	$27	4.3%
Shopping/Gifts/Souvenirs	$40	6.3%
Entertainment/Admissions	$34	5.4%
Gaming	$3	0.5%
Amenities (golf fees, spa, etc.)	$9	1.4%
Other	$4	0.6%

Source: 2018 North Carolina Regional Visitor Profile

[9] 2018 North Carolina Regional Visitor Profile. Visit North Carolina, Economic Development Partnership of North Carolina.

TABLE 13: NORTH CAROLINA PIEDMONT REGION: ORIGIN OF OVERNIGHT VISITORS

STATE	SHARE OF OVERNIGHT VISITORS
North Carolina	32%
Virginia	8%
South Carolina	7%
Florida	6%
New York	6%
Georgia	5%
Other	36%

Source: 2018 North Carolina Regional Visitor Profile

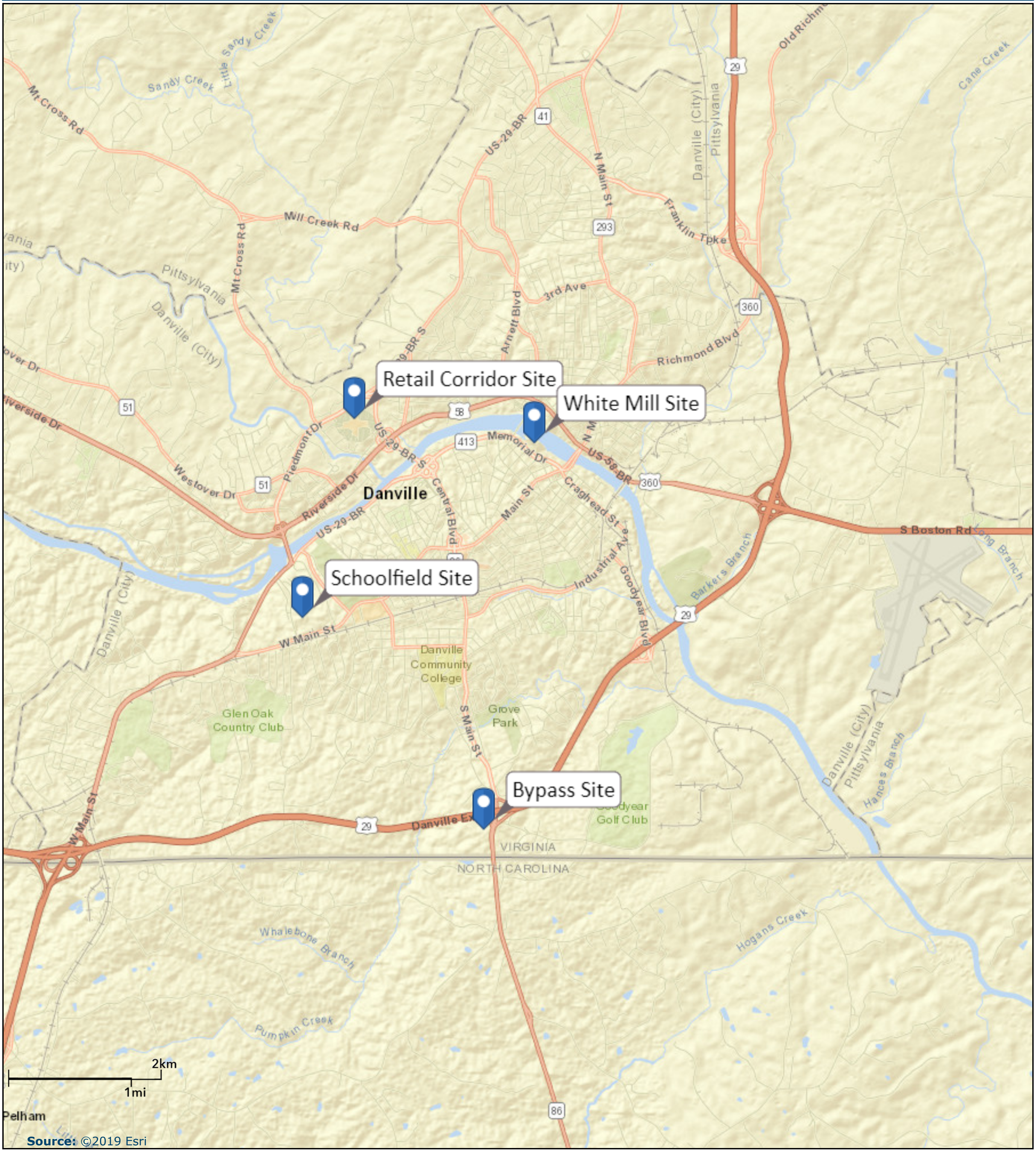
GAMING MARKET ASSESSMENT

CSG conducted a series of analyses of the potential visitation and gross gaming revenue generation for casino gaming at four locations, as well as the potential for a historical horseracing facility (as included on the November 2019 ballot). The potential development sites (shown on Map 7) considered are:

- White Mill (River District/Downtown)
- Highway Bypass
- Schoolfield (former Dan River Mills industrial site on West Main Street)
- Retail/Piedmont Drive Corridor

The existing and potential future competitive environments for casino gaming were considered, and a series of custom forecast models were constructed.

Potential Casino Locations



November 12, 2019

COMPETITIVE ENVIRONMENT

There are not currently any casino operations within the State of Virginia, however, there exist Native American casinos in neighboring North Carolina.

EXISTING CASINO GAMING FACILITIES

HARRAH'S CHEROKEE

The Harrah's Cherokee Casino Resort in Cherokee, North Carolina is a large gaming and resort facility with approximately 3,355 slot machines and 190 table games in the nearly 180,000 square foot casino, 1,100 hotel rooms, 10 food and beverage outlets, a spa, multi-tainment center (24 bowling lanes and game center), resort pool, night club, multiple retail outlets, and access to a golf course. Numerous public reports have estimated the property's hotel occupancy at 99% year-round, and that the vast majority of customers drive in from within 200 miles, mostly from Atlanta, Charlotte, Knoxville, and upstate South Carolina. In interviews and published reports[10], property management has stated that the facility was attracting 3 million visitors per year before Valley River opened, and that gross gaming revenues exceeded $500 million in 2013.

HARRAH'S CHEROKEE VALLEY RIVER

The Harrah's Cherokee Valley River Casino & Hotel is located in Murphy, North Carolina and offers 1,018 slot machines, 65 table games and approximately 300 hotel rooms. This property captured 862,000 gaming visits[11] in 2018 per published reports. On July 23, 2019 the property management broke ground on a $250m expansion to include 700+ hotel rooms, parking and a 83k sq ft. event center - expected to open in 2021.

POTENTIAL NEW CASINO GAMING FACILITIES

VIRGINIA

Per SB1126, the locations for new casinos in Virginia are limited to Bristol, Portsmouth, Norfolk, and Danville. The most proximate casino site to Danville, the Bristol casino, is currently proposed as a $250 million property with a 100,000 sq. ft. casino, go-kart track, waterpark, and live entertainment venue. The Pamunkey Indian Tribe is proposing development of a $700 million casino resort in Norfolk with a minimum of 750 slot machines and 25 table games, however their published projections (and more in -line with the proposed level of investment) include up to 4,500 slots and 250 tables. A casino entertainment district is being considered in Portsmouth to include an approximate 400,000 square foot casino entertainment facility.

[10] "Cherokee casino banking on $200M hotel, convention expansion." Citizen-Times. January 26, 2017. https://citizen-times.com/story/news/local/2017/01/26/Cherokee-casino-banking-200m-hotel-convention-expansion/96/86/82/. Accessed August 21, 2019.
[11] "Casino profits set records." Smoky Mountain News. December 5, 2018. https://www.smokymountainnews.com/news/item/26049-casino-profits-set-records. Accessed August 21, 2019.

NORTH CAROLINA

North Carolina currently contains only Native American casino gaming; however, the North Carolina Lottery has recently issued a request for proposals to study the potential for bringing commercial gaming to the state. Although there is currently no legislation to authorize casino gaming in the state, CSG modeled the potential impacts of casinos in both Greensboro and Raleigh-Durham on a Danville casino development.

CASINO GAMING FORECAST

The current and potential future market casino gaming in the Danville region consists of local gamers, tourists, and drive-through travelers. To assess the feasibility of the potential development, Convergence Strategy Group constructed a series of models: Drive-Time Gravity Models for the local population; Regional Tourism Models for the tourist population; and Traffic Intercept Models for drive-through travelers. The combination of these model forecasts yields the gross gaming revenues for a Danville casino.

LOCAL MARKET DRIVE-TIME GRAVITY MODELS

In order to assess the current market dynamics and to project the potential future visitation and revenue generation for the proposed developments from the local area market, Convergence Strategy Group designed and built a series of custom drive-time gravity models for the competitive regions within a roughly 3-hour drive of Danville. A total of four models were constructed:

1. 2019 Base Model Calibration
    - Calibrated based upon historical gaming revenues for HHR facilities, estimates of gaming revenues at casinos in the region, and proprietary data on the casino gaming behavior of populations at the ZIP Code level. Model re-created the existing visitation and revenue patterns.
2. 2022 Status Quo Projection
    - Accounts for organic growth in the market (population and incomes), the continued operation of existing HHR facilities, and the opening of publicly announced HHR facilities.
3. 2022 Projection VA Only
    - Adds in the potential new casinos in Virginia, including Danville, Bristol, Portsmouth, and Norfolk
4. 2022 Projection VA and NC
    - Adds in potential new casinos in Greensboro and Raleigh-Durham, North Carolina

METHODOLOGY

In competitive gaming markets, gravity models are the most widely used tool to determine local and regional market demand and the distribution of that demand between different properties. The general format of gravity models is that size and attractiveness of properties are factors that pull patrons towards a specific property, whereas distance from a property exponentially detracts a patron from visiting a specific property. Model calibration was done based on the percentage of total gaming revenues at each property that we estimate comes from the regional population, taking into consideration as well the average win per visit as reported for the client's casino. With the addition of the new supply, we also made minor adjustments to gaming participation rates, as demand growth in some areas may be expected as a result of adding new alternatives to the market.

Rather than constructing a standard "crow-flies" gravity model, wherein the straight-line distance between each zip code in the market to each competitive property is calculated based upon geographic coordinates (X, Y), Convergence constructed a drive-time gravity model. For this model, the real-world drive times from each ZIP Code (at the centroid) in the market to each competitive property[12] were derived from our in-house geographic information system, ArcGIS Online from Redlands, California-based ESRI[13]. The result is a model that more accurately assesses the relationships between the people and places in a market.

SUB-MARKET REGIONS

Table 14 details the size of the gaming age (21+) population in the Danville area gaming market, a region that is with an approximate 3-hour drive time of the city, by sub-market area. This entire region holds 8.94 million adults of legal gaming age, however the vast majority (91%) of this population resides more than a one-hour drive from Danville.

[12] Per ESRI specifications for drive times, "measurements are made along roads or walkways, and they honor applicable rules, such as one-way streets, illegal turns, and so on." Due to the complex nature of the area traffic environment, no one day or time was selected for drive time comparison, rather drive times were calculated at the average travel time from one point to another.

[13] ESRI is the global market leader in GIS, with its ArcGIS product as the standard platform for government agencies across the United States, most national governments worldwide, as well as the private sector.

TABLE 14: DANVILLE MARKET AREA GAMING AGE (21+) POPULATION

SUBMARKET	2019	2020	2021	2022	2023	2024	CAGR 2019-2024
Danville Primary VA	73,487	73,139	72,792	72,448	72,105	71,763	-0.47%
30 min North Carolina	66,411	66,400	66,388	66,377	66,365	66,354	-0.02%
60 min Virginia East	46,961	46,806	46,651	46,497	46,344	46,191	-0.33%
60 min Virginia West	82,933	82,710	82,487	82,265	82,044	81,823	-0.27%
60 min NC Hillsborough	149,312	150,819	152,341	153,879	155,432	157,001	1.01%
Greensboro 30 Danville 60	350,733	354,732	358,777	362,868	367,005	371,190	1.14%
Raleigh Durham	1,257,245	1,285,656	1,314,709	1,344,418	1,374,799	1,405,866	2.26%
120 min North Carolina East	123,963	124,856	125,756	126,663	127,576	128,495	0.72%
Rosie Vinton Primary	219,778	220,696	221,618	222,544	223,473	224,407	0.42%
120 min Virginia West	35,844	35,861	35,878	35,894	35,911	35,928	0.05%
Rosie 60 min Danville 120 min	174,258	175,327	176,403	177,486	178,575	179,671	0.61%
120 min Virginia East	249,205	249,729	250,254	250,781	251,308	251,837	0.21%
150 to 180 min Virginia Bristol	70,925	70,717	70,510	70,304	70,098	69,893	-0.29%
150 to 180 min Virginia Northwest	231,932	232,674	233,418	234,165	234,914	235,666	0.32%
Charlottesville	275,198	277,883	280,595	283,333	286,097	288,889	0.98%
Richmond Primary	849,630	859,170	868,818	878,574	888,439	898,415	1.12%
150 to 180 min Virginia Southeast	98,862	98,934	99,005	99,077	99,149	99,221	0.07%
150 to 180 min North Carolina Southeast	1,198,874	1,203,504	1,208,151	1,212,817	1,217,500	1,222,202	0.39%
150 to 180 min North Carolina SW Cherokee	2,042,275	2,074,531	2,107,296	2,140,578	2,174,387	2,208,729	1.58%
120 min NC West	1,344,446	1,356,453	1,368,567	1,380,789	1,393,120	1,405,562	0.89%
Total	**8,942,272**	**9,040,597**	**9,140,417**	**9,241,757**	**9,344,643**	**9,449,103**	**1.11%**

Source: ESRI; CSG analysis

The average household incomes of the market's residents are considered in the forecast models when estimating the average "win per visit" for casino gaming visits to each facility. The market area with the highest income level is Raleigh-Durham, with an average household income of $100,755. By contrast, the *Danville Primary VA* sub-market area has the lowest average household income in the market - $52,796.

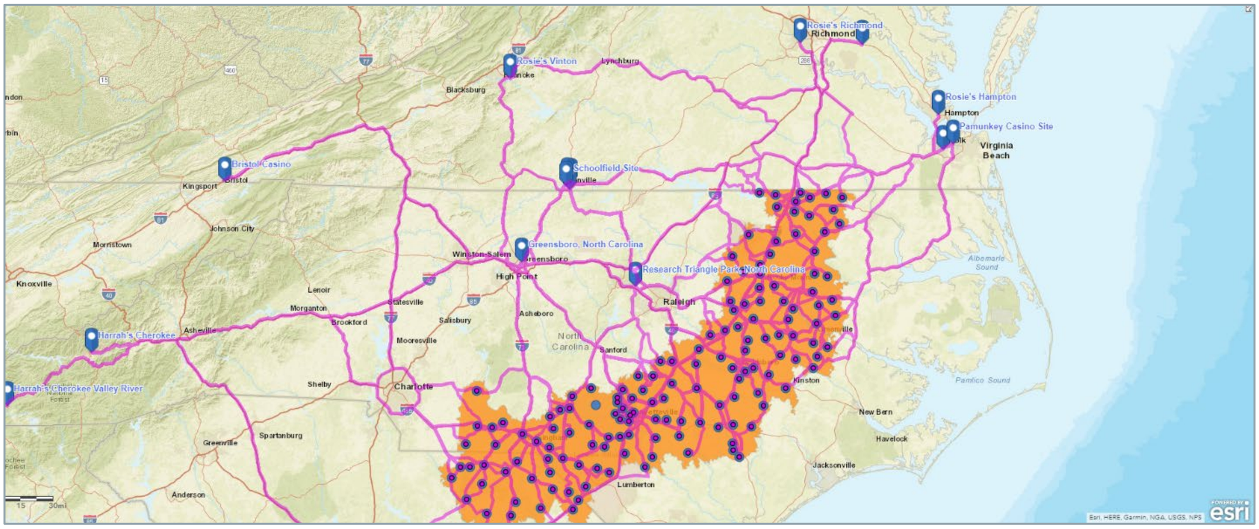
TABLE 15: DANVILLE MARKET AREA AVERAGE HOUSEHOLD INCOMES

SUBMARKET	2019	2020	2021	2022	2023	2024	CAGR 2019-2024
Danville Primary VA	$52,796	$53,516	$54,245	$54,985	$55,734	$56,494	1.36%
30 min North Carolina	$57,275	$58,705	$60,169	$61,671	$63,210	$64,787	2.50%
60 min Virginia East	$55,613	$57,025	$58,474	$59,958	$61,481	$63,042	2.54%
60 min Virginia West	$54,632	$55,727	$56,845	$57,984	$59,147	$60,333	2.00%
60 min NC Hillsborough	$73,203	$75,340	$77,539	$79,803	$82,132	$84,529	2.92%
Greensboro 30 Danville 60	$76,304	$78,366	$105,739	$82,659	$84,892	$87,186	2.70%
Raleigh Durham	$100,755	$103,217	$66,638	$108,323	$110,970	$113,682	2.44%
120 min North Carolina East	$63,304	$64,950	$58,127	$68,369	$70,146	$71,969	2.60%
Rosie Vinton Primary	$77,366	$79,328	$80,484	$83,401	$85,515	$87,683	2.54%
120 min Virginia West	$55,043	$56,564	$81,318	$59,733	$61,384	$63,080	2.76%
Rosie 60 min Danville 120 min	$77,286	$79,277	$64,426	$83,413	$85,561	$87,764	2.58%
120 min Virginia East	$61,310	$62,849	$60,325	$66,043	$67,701	$69,400	2.51%
150 to 180 min Virginia Bristol	$57,033	$58,656	$71,724	$62,042	$63,807	$65,623	2.85%
150 to 180 min Virginia Northwest	$68,313	$69,998	$92,569	$73,493	$75,306	$77,163	2.47%
Charlottesville	$88,013	$90,262	$99,030	$94,934	$97,360	$99,848	2.56%
Richmond Primary	$94,325	$96,649	$87,572	$101,471	$103,971	$106,533	2.46%
150 to 180 min Virginia Southeast	$83,328	$85,424	$62,238	$89,775	$92,033	$94,347	2.52%
150 to 180 min North Carolina Southeast	$59,060	$60,628	$88,566	$63,891	$65,588	$67,330	2.66%
150 to 180 min North Carolina SW Cherokee	$83,868	$86,185	$54,245	$91,013	$93,528	$96,112	2.76%
120 min NC West	$70,840	$72,831	$60,169	$76,981	$79,144	$81,368	2.81%
Source: ESRI; CSG analysis							

DRIVE TIME CALCULATIONS

Rather than utilizing a standard "as the crow flies" gravity model which considers straight-line distance from each ZIP Code within a market to each competitive facility, CSG constructed multiple real-world drive-time gravity models. The distinct sub-market areas for the proposed facilities, consisting of groupings of US ZIP Codes, were evaluated for their relative access to existing and potential casino locations through the calculation of vehicular drive-times from the centroid of each ZIP Code to each competitive location (see *Map 8*). These drive-times consider the average or typical driving time, following the quickest routes from one point to another.

MAP 8: DRIVE TIME PROCESS



MODEL CALIBRATIONS

The first step in forecasting the potential visitation and revenue generation of the proposed facilities is the construction and calibration of base models which re-create existing conditions. The 2019 base models were calibrated to re-create the current visitation and revenue generation of the existing gaming facilities in the marketplace. The performance of HHR facilities were modeled, as were estimates[14] of the gross gaming revenues of Native American casinos in North Carolina of each facility were critical factors in our models, wherein not only annual gaming revenues but monthly trends were considered.

In calibrating the model, CSG drew from proprietary data sets on the prevalence of casino gaming participation segmented by ZIP Code of residence. Such data enabled CSG to refine our models so that they more accurately reflect the current marketplace and consumer behaviors. As seen across the world, the addition of casino gaming options to an area results in an increase in gaming behavior – as adults have increased access to casinos, the propensity of those adults to be gamers increases as does the frequency of their play.

Win per Visit was estimated through a comparative analysis of the average household incomes of the population, as well as the historical gaming revenues the facilities in the market. Gaming participation in the gravity model was estimated through the application of propensity, frequency, and market index factors. The national average propensity of the gaming age population to participate in casino gaming (33%), as well as the average frequency of visitation (11 visits) were first applied across the model.

Thereafter, and most importantly, these model factors were adjusted for every ZIP Code in the model. Proprietary survey data compiled by ESRI's Business Analyst service produces reliable estimates of the gaming participation (participated in casino gaming within the last 12 months) of the country's population down to the block group level. Comparing each block group to the entire country results

[14] Native American gaming facilities are not required to publicly disclose earnings, and therefore CSG estimated gaming revenues through analyses of published and proprietary reports.

in a gaming participation index for each. An index of 100 represents a population that matches the national average in gaming participation, while an index higher or lower represents populations that have higher or lower participation. **The casino gaming index for each of the ZIP Codes in the market areas were obtained and applied to the national participation rates to arrive at highly refined and accurate participation factors at a granular level.** *Table 16* presents the gaming indices for the ZIP Codes within the 3-hour drive time region.

TABLE 16: MARKET AREA GAMING PARTICIPATION

SUBMARKET	GAMING PARTICIPATION INDEX
Danville Primary VA	81
30 min North Carolina	76
60 min Virginia East	76
60 min Virginia West	80
60 min NC Hillsborough	86
Greensboro 30 Danville 60	98
Raleigh Durham	103
120 min North Carolina East	79
Rosie Vinton Primary	97
120 min Virginia West	71
Rosie 60 min Danville 120 min	94
120 min Virginia East	84
150 to 180 min Virginia Bristol	77
150 to 180 min Virginia Northwest	87
Charlottesville	96
Richmond Primary	106
150 to 180 min Virginia Southeast	87
150 to 180 min North Carolina Southeast	85
150 to 180 min North Carolina SW Cherokee	93
120 min NC West	87

Source: ESRI

Combining the gaming participation index with reasonable and observed propensity and frequency factors results in the refined gaming participation rates. The resulting model factors used in CSG's calibrated gravity models are shown in *Table* 17.

TABLE 17: BASE MODEL CALIBRATION FACTORS

SUBMARKET	PROPENSITY	FREQUENCY	AVG. WIN PER VISIT
Danville Primary VA	4.9%	2.0	$65.86
30 min North Carolina	4.6%	2.0	$71.45
60 min Virginia East	4.5%	2.0	$69.37
60 min Virginia West	4.8%	2.0	$68.15
60 min NC Hillsborough	5.1%	2.0	$91.31
Greensboro 30 Danville 60	5.9%	2.0	$95.18
Raleigh Durham	6.2%	2.0	$125.68
120 min North Carolina East	4.7%	2.0	$78.97
Rosie Vinton Primary	10.5%	6.0	$96.51
120 min Virginia West	4.3%	2.0	$68.66
Rosie 60 min Danville 120 min	9.3%	4.5	$96.41
120 min Virginia East	5.1%	2.0	$76.48
150 to 180 min Virginia Bristol	4.6%	2.0	$71.14
150 to 180 min Virginia Northwest	5.2%	2.0	$85.21
Charlottesville	5.8%	2.0	$109.79
Richmond Primary	11.4%	6.0	$117.66
150 to 180 min Virginia Southeast	5.2%	2.0	$103.94
150 to 180 min North Carolina Southeast	5.1%	2.0	$73.67
150 to 180 min North Carolina SW Cherokee	5.6%	2.0	$104.62
120 min NC West	5.2%	2.0	$88.37

Source: CSG analysis

Once these model factors were built in, the real-world drive times from each ZIP Code centroid to each competitive facility were input, as were the size (in terms of gaming positions), and relative attractiveness of each competitor. This "attraction" factor is a measure of the quality and draw of a facility, and accounts for the differences between hotel resorts with large amenity packages that draw from a larger regional market and stand-alone casino properties that draw from a more local market.

Utilizing the calibrated base model which recreates existing conditions, baseline models for the projection year of 2022 were created. The projected changes in population and income levels (see *Tables 14* and *15*) as reported by our data provider, ESRI, were factored into the model, as were expected changes to the competitive supply and observed trends in gaming revenue growth on a property-level and regional basis.

LOCAL MARKET PROJECTIONS

Projections of casino gaming visits and resulting gross gaming revenues from the local market population were generated for each of the potential development sites in 2022. It should be noted that the differences between projections for one site versus another result from factors such as relative access to population centers, proposed building program and facility amenities, and competition.

COMPETITIVE ASSUMPTIONS

In generating the future year projections for Danville casino project, expected growth in the size and income levels of the population were input to the gravity models. The expected changes in gaming supply, including the proposed project and new facilities in the region were considered in adjustments to the model factors from the base calibration. The competition modeled is detailed in the following table and shown on *Map 9.*

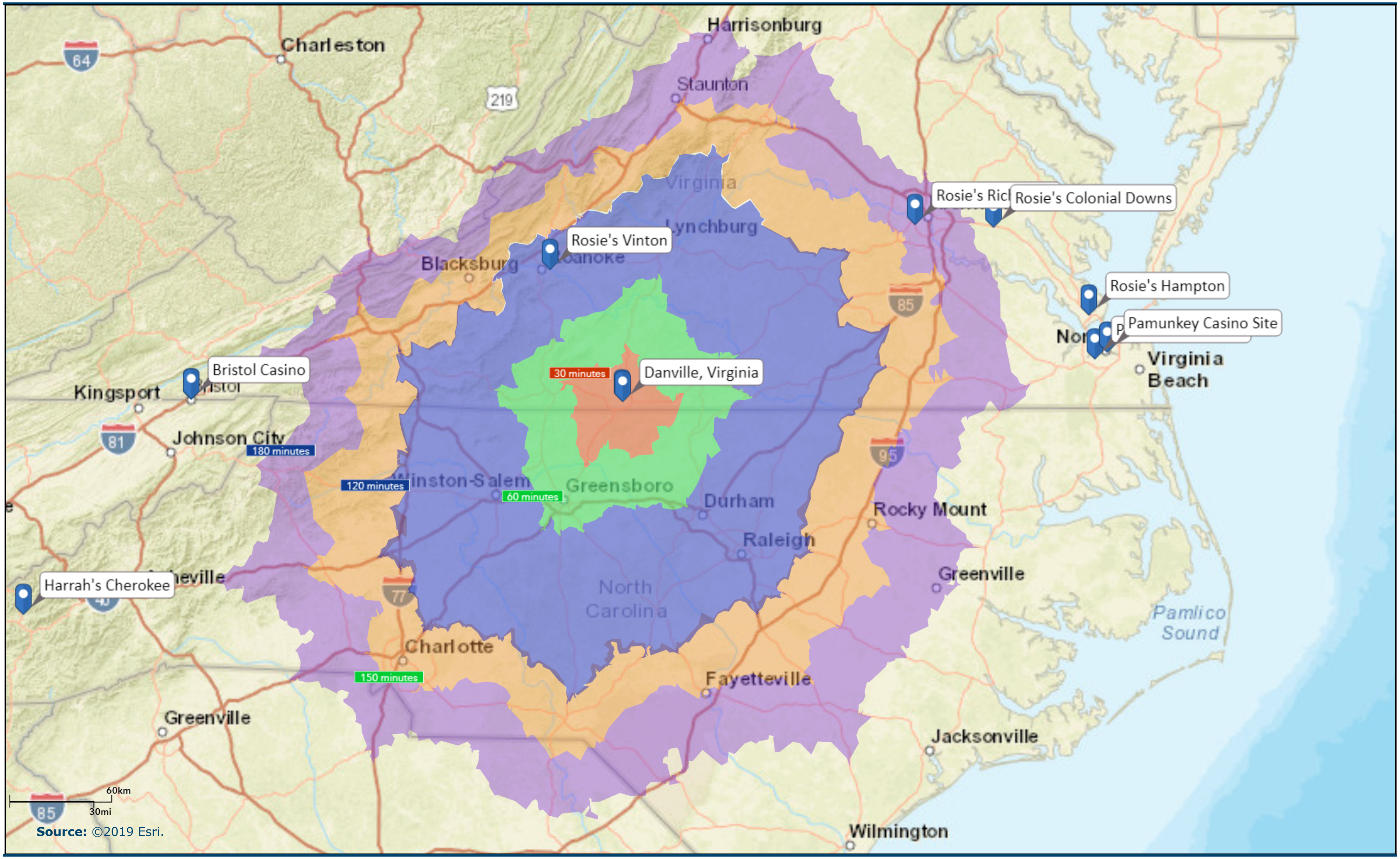
TABLE 18: COMPETITIVE GAMING SUPPLY ASSUMPTIONS

FACILITY	ADDRESS	CITY	STATE	SLOTS	TABLES	HHR MACHINES	HOTEL ROOMS
Rosie's at Colonial Downs	10515 Colonial Downs Parkway	New Kent	VA			600	
Rosie's Richmond	6807 Midlothian Turnpike	Richmond	VA			700	
Rosie's Vinton	1135 Vinyard Road	Vinton	VA			150	
Rosie's Hampton	1976 Power Plant Pkwy	Hampton	VA			700	
Harrah's Cherokee	777 Casino Drive	Cherokee	NC	3355	190		1108
Harrah's Cherokee Valley River	777 Casino Parkway	Murphy	NC	1018	64		324
Raleigh-Durham Casino	Research Triangle Park		NC	2000	60		
Greensboro Casino	center point of Greensboro	Greensboro	NC	2000	60		
Portsmouth Casino	I-264, Victory Boulevard and TCC's Portsmouth campus	Portsmouth	VA	2400	75		300
Pamunkey Casino	on Elizabeth River, near the minor league stadium	Norfolk	VA	3000	85		
Bristol Casino	Bristol Mall	Bristol	VA				

Source: Company websites and published reports

Danville with Drive Times and Competition

30, 60, 120, 150, and 180-minute drive time rings



August 14, 2019

MODEL SCENARIOS

As both the building program and the location for a Danville casino are yet to be determined, CSG constructed the following series of models which assess the potential gaming visitation and revenues for two building programs (destination resort scale casino and moderate scale casino), at the four potential locations studied:

1. Destination Resort Scale Casino – White Mill
2. Destination Resort Scale Casino – Schoolfield
3. Destination Resort Scale Casino – Bypass
4. Destination Resort Scale Casino – Retail Corridor
5. Moderate Scale Casino – White Mill
6. Moderate Scale Casino – Schoolfield
7. Moderate Scale Casino – Bypass
8. Moderate Scale Casino – Retail Corridor

For the destination resort casinos, we modeled a facility with 2,500 slot machines and 100 table games. The moderate casinos were modeled at 1,200 slot machines and 60 table games.

MODEL FACTORS

As casino gaming participation is associated with access to casino gaming options, the propensity of populations to visit a casino and the frequency of visitation increase with increases in supply. In the projection models, both the propensity to participate in casino gaming and the frequency of play for those residing in areas with easy access to a casino are expected to increase by varying amounts.

Applying the average propensity to participate in gaming to the size of the adult population results in an estimated number of casino gamers; the number of gaming visits is a result of this figure multiplied by the average number of times per year that those adults will visit a casino. An average win per visit (adjusted by the income levels of populations, competitive factors, and other demographic and psychographic data discussed in previous sections of this report) is then applied to arrive at the total estimated gaming spend per market area. These model factors are input to the gravity model, and gaming visits are then distributed accordingly (please refer to Methodology section of this study).

The following table demonstrates these model factors.

TABLE 19: PROJECTION MODEL FACTORS

SUBMARKET	PROPENSITY	FREQUENCY	WIN PER VISIT
Danville Primary VA	36.0%	9.0	$71.56
30 min North Carolina	33.6%	8.4	$77.12
60 min Virginia East	26.4%	6.6	$75.06
60 min Virginia West	26.4%	6.6	$73.84
60 min NC Hillsborough	26.4%	6.6	$96.90
Greensboro 30 Danville 60	26.4%	6.6	$100.75
Raleigh Durham	18.0%	4.5	$131.11
120 min North Carolina East	13.5%	3.4	$84.61
Rosie Vinton Primary	16.2%	9.0	$102.07
120 min Virginia West	13.5%	3.4	$74.35
Rosie 60 min Danville 120 min	26.7%	9.1	$101.97
120 min Virginia East	13.5%	3.4	$82.13
150 to 180 min Virginia Bristol	24.0%	6.0	$76.82
150 to 180 min Virginia Northwest	12.0%	3.0	$90.83
Charlottesville	12.0%	3.0	$115.29
Richmond Primary	13.6%	7.2	$123.12
150 to 180 min Virginia Southeast	7.5%	2.0	$109.47
150 to 180 min North Carolina Southeast	12.0%	3.0	$79.33
150 to 180 min North Carolina SW Cherokee	7.5%	2.0	$110.14
120 min NC West	13.5%	3.4	$93.96

In addition to accessibility, the gravity model considers the “attractiveness” of casinos with more to offer and therefore reaching more gamers. This “attraction” factor is a measure of the quality and draw of a facility, and accounts for the differences between hotel resorts with large amenity packages that draw from a larger regional market and stand-alone casino properties that draw from a more local market.

MODEL OUTPUTS

A casino in Danville would compete with not only gaming facilities in Virginia, but also those in North Carolina. Considering the competitive landscape, size and geographic dispersal of the population (drive-time from the site), and the facility and amenity programming assumed per our review of planning documents provided by potential casino operators to the City of Danville, CSG projects that a Danville casino should be capable of generating between $213.3 million and $336.9 million in gross gaming revenues from the local market in 2022. The following tables present the high and low model projections for number of gaming visits and gross gaming revenue projected from each submarket in the region.

TABLE 20: PROJECTED LOCAL MARKET VISITS AND GAMING REVENUES, SCENARIO 3 (HIGH)

SUBMARKET	GAMER VISITS	GAMING REVENUE
Danville Primary VA	189,281	$12,325,420
30 min North Carolina	141,679	$9,942,775
60 min Virginia East	57,102	$4,457,242
60 min Virginia West	141,239	$10,845,824
60 min NC Hillsborough	212,471	$21,411,285
Greensboro 30 Danville 60	592,688	$62,099,902
Raleigh Durham	717,796	$122,341,277
120 min North Carolina East	22,559	$2,481,252
Rosie Vinton Primary	43,641	$5,790,507
120 min Virginia West	6,551	$633,156
Rosie 60 min Danville 120 min	156,859	$20,792,772
120 min Virginia East	57,644	$6,154,494
150 to 180 min Virginia Bristol	18,770	$1,874,414
150 to 180 min Virginia Northwest	23,860	$2,817,224
Charlottesville	23,674	$3,548,098
Richmond Primary	11,288	$1,806,774
150 to 180 min Virginia Southeast	666	$94,748
150 to 180 min North Carolina Southeast	141,075	$14,549,771
150 to 180 min North Carolina SW Cherokee	124,280	$17,794,503
120 min NC West	124,206	$15,171,954
Total:	**2,807,328**	**$336,933,391**

TABLE 21: PROJECTED LOCAL MARKET VISITS AND GAMING REVENUES, SCENARIO 8 (LOW)

SUBMARKET	GAMER VISITS	GAMING REVENUE
Danville Primary VA	188,044	$10,832,013
30 min North Carolina	138,773	$8,615,122
60 min Virginia East	51,343	$3,545,282
60 min Virginia West	129,706	$8,810,926
60 min NC Hillsborough	183,823	$16,386,984
Greensboro 30 Danville 60	525,418	$48,699,470
Raleigh Durham	457,053	$68,911,685
120 min North Carolina East	12,843	$1,249,556
Rosie Vinton Primary	20,951	$2,459,158
120 min Virginia West	4,350	$371,954
Rosie 60 min Danville 120 min	90,309	$10,589,790
120 min Virginia East	38,938	$3,677,669
150 to 180 min Virginia Bristol	10,079	$890,383
150 to 180 min Virginia Northwest	12,614	$1,317,544
Charlottesville	11,810	$1,565,727
Richmond Primary	4,680	$662,636
150 to 180 min Virginia Southeast	284	$35,773
150 to 180 min North Carolina Southeast	76,751	$7,002,400
150 to 180 min North Carolina SW Cherokee	66,817	$8,463,105
120 min NC West	85,495	$9,238,309
Total:	**2,110,082**	**$213,325,487**

The following table details the model results for the local market in each of the eight scenarios.

TABLE 22: SUMMARY OF PROJECTED LOCAL MARKET VISITS AND GAMING REVENUES

BUILDING PROGRAM	SITE	SLOTS	TABLES	PROJECTED LOCAL MARKET VISITS	PROJECTED LOCAL GGR
1: Destination Resort Casino					
	White Mill	2,500	100	2,627,890	$299,979,367
	Schoolfield	2,500	100	2,653,699	$303,377,413
	Bypass	2,500	100	2,807,328	$336,933,391
	Retail Corridor	2,500	100	2,614,894	$298,237,571
2: Moderate Casino					
	White Mill	1,200	60	2,124,251	$215,009,524
	Schoolfield	1,200	60	2,154,951	$218,564,065
	Bypass	1,200	60	2,312,304	$258,329,977
	Retail Corridor	1,200	60	2,110,082	$213,325,487

REGIONAL TOURISM

In addition to gaming visits from the local population, casinos can capture regional tourists in the facilities. Considering the size of the regional tourist population as detailed in previous sections of this study, and applying industry standard capture rates and a reasonable spend per visit based upon visitor spending patterns locally and nationwide at casino properties, CSG projects that the Danville casino could generate approximately $11.5 million in gaming revenues from the tourist population.

TABLE 23: PROJECTED TOURIST VISITS AND GAMING REVENUES

MEASURE	DANVILLE	SOUTHERN VIRGINIA REGION (LESS DANVILLE)	NORTH CAROLINA PIEDMONT REGION	TOTAL
Total Visitors		849,929	33,800,000	34,649,929
Overnight Visitors	252,102	476,287	26,000,000	26,728,389
Non-Local Visitors % (net of VA/NC visitors)	41%	41%	60.0%	
Non-Local Visitors # (net of VA/NC visitors)	103,362	195,278	15,600,000	15,898,640
Capture Rate	7.0%	3.0%	0.7%	
Gamer Capture	7,235	5,858	101,400	114,494
Est. Gaming Spend/Visit	$100	$100	$100	$100
Total Gaming Spend	$723,532	$585,833	$10,140,000	$11,449,366

Source: 2018 Economic Impact of Domestic Travel on Virginia and Localities, 2018 North Carolina Regional Visitor Profile; hotel websites; Convergence Strategy Group

HOTEL INCREMENTAL

While a hotel study for the potential Danville casino was not included in Convergence Strategy Group's scope of work with the City of Danville, the potential impacts of this development component must still be considered. For each of the eight development scenarios, industry standard capture rates were applied to the gamer visitation by sub-market area to arrive at a potential number of room nights of demand (RND) for the hotel on an annual basis. The high and low projections for on-site hotel utilization are detailed in the following tables. It should be noted that the hotel size for the varying scenarios was estimated through a sensitivity analysis, whereby a casino generating more gaming visits from those residing further away would necessarily require more hotel rooms to accommodate those guests, and casinos generating less visits from those residing far away would not require as many hotel rooms (and would operate at a sub-optimal occupancy rate if additional rooms were built).

TABLE 24: PROJECTED HOTEL ROOM NIGHTS OF DEMAND, SCENARIO 3 (HIGH)

SUB-MARKET	GAMING VISITS	CAPTURE RATE	OVERNIGHT GUESTS	ADULTS/ ROOM	RND
Danville Primary VA	189,281	0.1%	189	1.8	105
30 min North Carolina	141,679	0.1%	142	1.8	79
60 min Virginia East	57,102	1.0%	571	1.8	317
60 min Virginia West	141,239	1.0%	1,412	1.8	785
60 min NC Hillsborough	212,471	1.0%	2,125	1.8	1,180
Greensboro 30 Danville 60	592,688	1.0%	5,927	1.8	3,293
Raleigh Durham	717,796	7.5%	53,835	1.8	29,908
120 min North Carolina East	22,559	7.5%	1,692	1.8	940
Rosie Vinton Primary	43,641	7.5%	3,273	1.8	1,818
120 min Virginia West	6,551	7.5%	491	1.8	273
Rosie 60 min Danville 120 min	156,859	7.5%	11,764	1.8	6,536
120 min Virginia East	57,644	7.5%	4,323	1.8	2,402
150 to 180 min Virginia Bristol	18,770	25.0%	4,692	1.8	2,607
150 to 180 min Virginia Northwest	23,860	25.0%	5,965	1.8	3,314
Charlottesville	23,674	25.0%	5,919	1.8	3,288
Richmond Primary	11,288	25.0%	2,822	1.8	1,568
150 to 180 min Virginia Southeast	666	25.0%	166	1.8	92
150 to 180 min North Carolina Southeast	141,075	25.0%	35,269	1.8	19,594
150 to 180 min North Carolina SW Cherokee	124,280	25.0%	31,070	1.8	17,261
120 min NC West	124,206	7.5%	9,315	1.8	5,175
Total Admissions	**2,807,328**	**6.45%**	**180,963**		**100,535**
				Rooms	375
			Room Nights Available		136,875
				Occupancy	73.5%

TABLE 25: PROJECTED HOTEL ROOM NIGHTS OF DEMAND, SCENARIO 8 (LOW)

SUB-MARKET	GAMING VISITS	CAPTURE RATE	OVERNIGHT GUESTS	ADULTS/ ROOM	RND
Danville Primary VA	188,044	0.10%	188	1.8	104
30 min North Carolina	138,773	0.10%	139	1.8	77
60 min Virginia East	51,343	1.00%	513	1.8	285
60 min Virginia West	129,706	1.00%	1,297	1.8	721
60 min NC Hillsborough	183,823	1.00%	1,838	1.8	1,021
Greensboro 30 Danville 60	525,418	1.00%	5,254	1.8	2,919
Raleigh Durham	457,053	7.50%	34,279	1.8	19,044
120 min North Carolina East	12,843	7.50%	963	1.8	535
Rosie Vinton Primary	20,951	7.50%	1,571	1.8	873
120 min Virginia West	4,350	7.50%	326	1.8	181
Rosie 60 min Danville 120 min	90,309	7.50%	6,773	1.8	3,763
120 min Virginia East	38,938	7.50%	2,920	1.8	1,622
150 to 180 min Virginia Bristol	10,079	25.00%	2,520	1.8	1,400
150 to 180 min Virginia Northwest	12,614	25.00%	3,154	1.8	1,752
Charlottesville	11,810	25.00%	2,952	1.8	1,640
Richmond Primary	4,680	25.00%	1,170	1.8	650
150 to 180 min Virginia Southeast	284	25.00%	71	1.8	39
150 to 180 min North Carolina Southeast	76,751	25.00%	19,188	1.8	10,660
150 to 180 min North Carolina SW Cherokee	66,817	25.00%	16,704	1.8	9,280
120 min NC West	85,495	7.50%	6,412	1.8	3,562
Total Admissions	**2,110,082**	**5.13%**	**108,234**		**60,130**
				Rooms	225
			Room Nights Available		82,125
				Occupancy	73.2%

As the gaming spend for overnight guests is typically greater than the spend for day-trippers, these overnight guests are projected to add incremental gaming revenues. On average, we project that each occupied room will provide an additional $150 in gaming revenues to the casino. In the high case (Scenario 3), this translates into $15.1 million in incremental gaming revenues; in the low case (Scenario 8), the hotel is projected to contribute an incremental $9 million in gaming revenues.

SUMMARY OF CASINO GAMING PROJECTIONS

Considering the projected casino visitation and gaming revenues from the local, tourism and hotel markets, a **Danville casino could generate between $233.8 million and $363.5 million in gaming revenues in 2022**. The following table details these projections by scenario.

TABLE 26: SUMMARY OF GAMING REVENUE PROJECTIONS BY BUILDING PROGRAM AND SITE

BUILDING PROGRAM	SITE	SLOTS	TABLES	HOTEL ROOMS	AMENITIES	PROJECTED LOCAL MARKET VISITS	PROJECTED LOCAL GGR	PROJECTED TOTAL VISITS	PROJECTED TOTAL GGR	PROJECTED WIN/POS
1: Destination Resort Casino										
	White Mill	2,500	100	325	Multiple F&B, Event Center, Spa, retail, etc.	2,627,890	$299,979,367	2,742,383	$324,500,707	$287
	Schoolfield	2,500	100	325	Multiple F&B, Event Center, Spa, retail, etc.	2,653,699	$303,377,413	2,768,193	$328,165,410	$290
	Bypass	2,500	100	375	Multiple F&B, Event Center, Spa, retail, etc.	2,807,328	$336,933,391	2,921,822	$363,463,029	$321
	Retail Corridor	2,500	100	325	Multiple F&B, Event Center, Spa, retail, etc.	2,614,894	$298,237,571	2,729,387	$322,794,334	$285
2: Moderate Casino										
	White Mill	1,200	60	225	Multiple F&B outlets, occasional events	2,124,251	$215,009,524	2,238,745	$235,564,117	$414
	Schoolfield	1,200	60	225	Multiple F&B outlets, occasional events	2,154,951	$218,564,065	2,269,445	$239,297,155	$420
	Bypass	1,200	60	275	Multiple F&B outlets, occasional events	2,312,304	$258,329,977	2,426,798	$280,252,559	$492
	Retail Corridor	1,200	60	225	Multiple F&B outlets, occasional events	2,110,082	$213,325,487	2,224,576	$233,794,360	$411

IMPACT OF POTENTIAL NORTH CAROLINA CASINO LEGALIZATION ON DANVILLE CASINO DEMAND

The potential development of a casino resort in Danville would be strategically located, in that it would be on the border of a state for which commercial casino development is currently illegal. However, it is also precariously located in that same regard, in that if a casino resort is developed in Danville, it would face the never-ending threat of market cannibalization when and if North Carolina passes casino-enabling legislation – something that the State Lottery is currently evaluating the merits of.

The gravity models created by Convergence Strategy Group show that a significant majority of the projected demand will come from North Carolina residents, including a large number of gamers that may come from market areas where a casino could reasonably be expected to be sited if casinos become permissible, given their large population bases (i.e. Raleigh-Durham and Greensboro). Based on adjustments to our demand models, we come to the following conclusions:

- Gaming Revenue potential could decline by 45 to 50% for a destination-scale casino, or 37 to 42% for a moderate-scale casino;
- Patronage could decline by 40 to 45% for a destination-scale casino, or 30 to 35% for moderate-scale casino.

HISTORICAL HORSERACING FACILITIES

BACKGROUND AND PERFORMANCE

The historical horse racing ("HHR") industry has developed significantly since its conception in the late 1990's by the General Manager of Oaklawn Park in Arkansas, and initial installations in the early 2000's. At that time, the machines had no resemblance to slot machines, rather they truly reflected wagering on horse races that had already been run (albeit where the bettor has no knowledge of what the outcome was). Over the past two decades the technology has changed, where the machines now have great resemblance to traditional/modern casino slot machines, where only the internal mechanism determining the payouts are what is driven by the race results – the gamer now needs no knowledge of horse racing parlance or interest in race wagering to play the modern games.

HHR machines are currently legal and in (or formerly in) operation in five states, including the most recent addition of Virginia. The machines are legal in Arkansas, one of the initial adaptors, but operators there have moved to full-scale casino gaming, and have subsequently shifted their electronic gaming offerings to casino-style electronic game alternatives (the HHR machines are still legal, but are being, or have been, phased out. HHR machines are still in operation in Wyoming (14 locations)[15], Kentucky (four existing locations[16], with a fifth and sixth in the planning stages near Cincinnati[17] and near the Tennessee border[18]) and Oregon (one location, at Portland Meadows, though the entire facility closed in Spring 2019). After many years of efforts, Nebraska legislators voted to permit HHR at Fonner Park in Grand Island, but operations have yet to commence.[19] Several other states where casinos are not in operation (but horse racing facilities are in operation) also have discussed permitting HHR devices, given the rationale that the machines' internal technology is pari-mutuel wagering.

While Wyoming has the most facilities with HHR machines, the facilities in Kentucky are comparatively large and generate considerably greater revenues. However, there is considerable variation between the two more successful properties in terms of gaming win and the two less successful properties. Kentucky Downs, located in south-central Kentucky on the Tennessee border approximately 35 miles north of Nashville, has minimal regional competition, and as a result attains the highest average wins per gaming device in the state. The Derby City facility located proximate to the Churchill Downs race track in Louisville, also performs very well and offers the largest number of HHR machines in the state (1,000). While located proximate to the Indiana border, Indiana's casinos are not proximate to Louisville (Belterra Resort and French Lick each being at least 50 miles away). In contrast, the two other HHR facilities have comparably proximate casino competition. In the Lexington market is the Keenland/Red Mile gaming facility, offering 753 HHR devices. The facility attained the lowest average win per device in Fiscal Year ending June 2019 ("FY2019"), at $74 (though it has been trending upwards, exceeding $80/device/day since February 2019, but yet to exceed $100). While Lexington is a relatively large city (approximately 350,000 residents), it is in an otherwise rural part of the state. The smallest facility

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15 "Wyoming Pari-Mutuel Commission 2018 Annual Report", Wyoming Pari-Mutuel Commission. https://drive.google.com/file/d/1c2B7cq-7f5mQT1j0dh2O-Y8yXarN6EJy/view, pages 14-18, accessed September 21, 2019.

16 Kentucky Horse Racing Commission website, pari-mutuel wagering monthly reports. http://khrc.ky.gov/Pages/reports.aspx

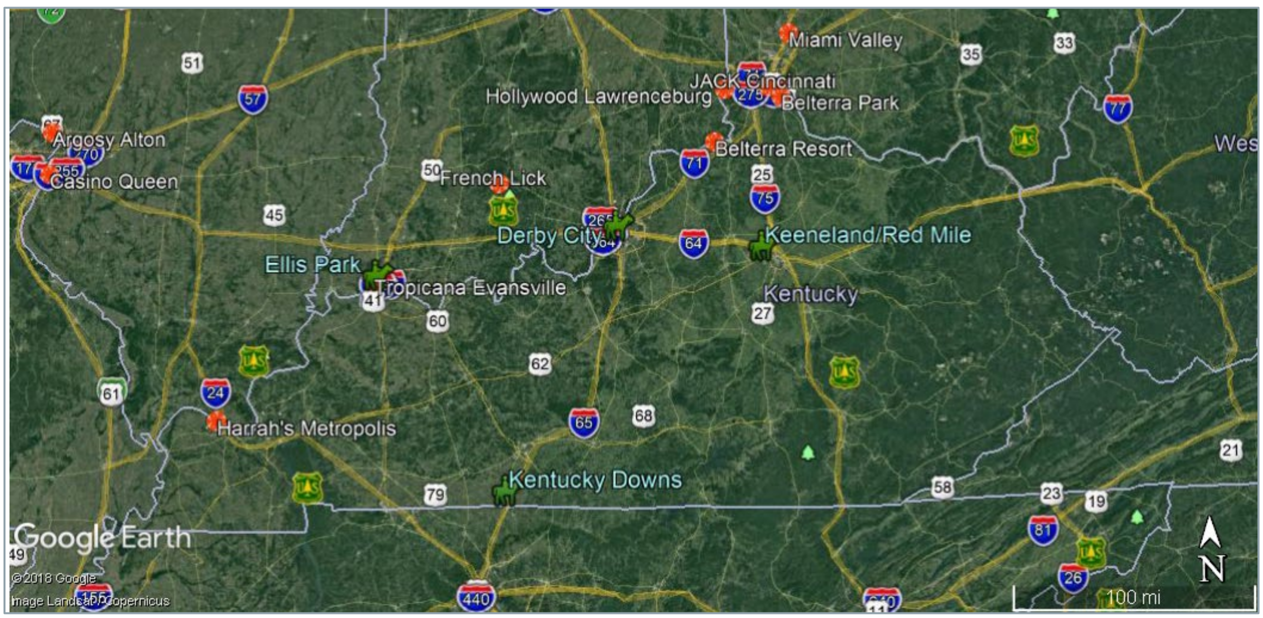
17 "Planning to Build New Track, Churchill Downs will Apply for Turfway Dates", *Thoroughbred Daily News*, September 5, 2019. https://www.thoroughbreddailynews.com/churchill-downs-will-apply-for-turfway-dates/.

18 Steve Bittenbender, "Kentucky Tracks See Big Jump as Wagering on Historical Racing Machines Tops $2 Billion in FY19", *Casino.org*, July 20, 2019. https://www.casino.org/news/kentucky-tracks-see-big-jump-in-wagering-on-historical-racing-machines.

19 Riley Johnson, "Nebraska Regulators Approve Controversial Historical Horse Racing Terminals for Grand Island Track", Lincoln Journal Star, July 31, 2019. https://journalstar.com/news/state-and-regional/govt-and-politics/nebraska-regulators-approve-controversial-historical-horse-racing-terminals-for-grand/article_76d1f3b2-fcae-5ef1-b49b-114e4860d6c4.html.

in the state, Ellis Park (179 devices), is located on the Indiana border, approximately 4 miles from the Tropicana casino in Evansville. The win per device in FY2019 at Ellis Park averaged $119 per day, but has been increasing, topping $130/device/day for 5 of the last six months. Ellis Park was recently acquired by Ellis Entertainment LLC and Laguna Development Corporation from Saratoga Casino & Hospitality Group, with the new owners intending to expand the property, including increasing the gaming supply by up to 900 HHR devices and ultimate development of a hotel, multiple restaurants and an event venue.[20] As a result, it is reasonable to expect facility Ellis Park revenues to increase considerably, and become more competitive with Tropicana.[21] In total, the state's four HHR facilities generated $169 million in win in FY2019, up from $85 million in FY2018. The addition of Derby City in September 2018 was largely responsible for the increase, though all properties experienced year over year increases due to the lack of market saturation within Kentucky. The opening of the fifth and sixth facilities, which would create competition for Keeneland and Kentucky Downs, may have more of a dilutive impact when opened.

MAP 10: KENTUCKY HISTORICAL HORSERACING FACILITIES



20 Joseph Payton and Jill Lyman, "New Ellis Park Owners Discuss Multimillion Dollar Plans", *WFIE Channel 14 News website,* July 19, 2019. https://www.14news.com/2019/07/19/watch-live-new-ellis-park-owners-holding-press-conference/.
21 Kentucky Horse Racing Commission website, pari-mutuel wagering monthly reports. http://khrc.ky.gov/Pages/reports.aspx.

TABLE 27: KENTUCKY HISTORICAL HORSERACING PERFORMANCE

	KY DOWNS	DERBY CITY	ELLIS PARK	KEENELAND/ RED MILE	STATEWIDE
HHR Win					
YE June 2015	$25,283,601		$3,840,166	$0	$29,123,767
YE June 2016	$33,256,789		$5,717,201	$11,826,434	$50,800,424
YE June 2017	$45,643,318		$5,792,685	$20,171,053	$71,607,056
YE June 2018	$57,406,766		$6,531,712	$21,052,416	$84,990,894
YE June 2019	$73,541,511	$63,299,022	$7,806,753	$24,306,130	$168,953,416
HHR units					
YE June 2015	500		179		679
YE June 2016	625		179	902	1,706
YE June 2017	643		179	902	1,724
YE June 2018	753		179	902	1,834
YE June 2019	753	892	179	902	2,577
HHR Win/Unit/Day					
YE June 2015	$139		$59		$118
YE June 2016	$146		$88	$36	$82
YE June 2017	$194		$89	$61	$114
YE June 2018	$209		$100	$64	$127
YE June 2019	$268	$241	$119	$74	$180

Source: Kentucky Horse Racing Commission

In contrast, Wyoming's 14 facilities generated $42.5 million in gaming win in Calendar Year 2018, up from $31.5 million at 17 facilities in 2017.[22] There were reportedly 800 devices statewide in 2017, with a total of 1,043 authorized, resulting in an average daily win per unit of approximately $107.[23] Given 800 devices in approximately 16 facilities in 2017 (reflecting closure of several small facilities), it reflects an average of 50 devices per property. As such, the Wyoming HHR venues are in, and of the scale of typical Off-track-betting facilities, and are not designed as, or of the scale of a typical casino.

While HHR facilities are a relatively new offering in Virginia, their relative success is encouraging. As of the most recent reporting, Colonial Downs generated nearly $3.6 million in September 2019, for an average win per position of $201, the Rosie's facility in Richmond generated $5.4 million and an average win per position of $258, and the Rosie's facility in Vinton generated $1.8 million and an average win per position of $397.[24] Aggregate revenues across the three facilities have remained relatively consistent over the past three months, as demonstrated in the following table. At this level

[22] Wyoming Pari-Mutuel Commission annual reports. https://parimutuel.wyo.gov/resources/annual-report
[23] Frank Fantini, "Historical Horse Racing: Examining the Potential of an Emerging Sector of the Gaming Industry", *Fantini Research,* January 3, 2019. https://leg.mt.gov/bills/2019/Minutes/Senate/Exhibits/bus30a06.pdf, page 11.
[24] Virginia Racing Commission Historical Horse Racing Reports. http://www.vrc.virginia.gov/hhr_reports/Colonial Downs HHR Commission Report 20190901-20190930.pdf

of revenue generation, the Virginia HHR facilities are on-par with successful casinos across the United States.

TABLE 28: VIRGINIA HISTORICAL HORSERACING PERFORMANCE TO DATE (APRIL - SEPTEMBER 2019)

MONTH	FACILITY	HANDLE	TOTAL COMMISSION AND BREAKAGE (GGR)	HHR MACHINES	WIN/POS/DAY
April					
	Colonial Downs	$15,089,254	$973,402	600	$125
	Richmond	-	-	-	-
	Vinton	-	-	-	-
May					
	Colonial Downs	$58,255,189	$3,971,043	600	$213
	Richmond	-	-	-	-
	Vinton	$12,593,894	$794,673	150	$230
June					
	Colonial Downs	$64,062,296	$4,657,953	600	$259
	Richmond	$2,208,038	$145,092	700	$207
	Vinton	$22,060,340	$1,550,626	150	$345
July					
	Colonial Downs	$48,973,176	$3,757,243	600	$202
	Richmond	$71,224,970	$4,590,761	700	$212
	Vinton	$22,590,849	$1,740,037	150	$374
August					
	Colonial Downs	$45,955,673	$3,898,896	600	$210
	Richmond	$71,372,769	$4,902,894	700	$226
	Vinton	$20,996,566	$1,835,243	150	$395
September					
	Colonial Downs	$42,384,135	$3,610,851	600	$201
	Richmond	$71,430,562	$5,410,030	700	$258
	Vinton	$20,366,338	$1,785,682	150	$397
Source: Virginia Racing Commission Historical Horseracing Reports					

In a market like Danville, it is reasonable to expect that an HHR facility of casino scale could perform comparably to a facility like Kentucky Downs in terms of generating relatively high average daily win per unit, especially if there is no competition from proximate casinos in North Carolina (Harrah's

Cherokee not being defined as "proximate"). However, if there ultimately is casino competition in cities like Greensboro and Raleigh, it would require substantial non-gaming amenity development to induce significant North Carolinian visitation to a Danville HHR facility.

HHR FACILITY PROJECTIONS

An alternative (and potentially the only permissible) development to be considered for an HHR facility in the White Mill site. For this site, we assumed that the facility would install 600 devices (and no table games) and ran our gravity model with that scale and assumed more modest amenity mix. Such a building program with pared-down gaming offerings would likely impact gaming behavior less than a full-scale casino and would provide less incentive for out-of-state gamers to travel to Danville. However, an HHR facility would still be capable of generating significant revenues and contributions to the tax base of Danville. The result of the model is a forecast of gaming win of $53.1 million from the local market as detailed in the following table.

TABLE 29: PROJECTED LOCAL MARKET VISITS AND GAMING REVENUES, 600 MACHINE HHR FACILITY AT WHITE MILL

SUBMARKET	GAMER VISITS	GAMING REVENUE
Danville Primary VA	101,928	$5,269,663
30 min North Carolina	83,780	$4,668,066
60 min Virginia East	25,290	$1,452,074
60 min Virginia West	63,036	$3,560,613
60 min NC Hillsborough	82,998	$6,152,328
Greensboro 30 Danville 60	74,300	$5,726,391
Raleigh Durham	92,123	$10,266,322
120 min North Carolina East	5,139	$369,605
Rosie Vinton Primary	8,589	$745,114
120 min Virginia West	1,735	$109,616
Rosie 60 min Danville 120 min	34,283	$2,971,358
120 min Virginia East	17,881	$1,248,241
150 to 180 min Virginia Bristol	3,562	$232,591
150 to 180 min Virginia Northwest	2,854	$220,343
Charlottesville	2,662	$260,876
Richmond Primary	1,968	$205,966
150 to 180 min Virginia Southeast	149	$13,827
150 to 180 min North Carolina Southeast	18,300	$1,234,030
150 to 180 min North Carolina SW Cherokee	37,969	$3,554,621
120 min NC West	60,499	$4,831,952
Total:	**719,043**	**$53,093,596**

In addition to visitation from the local area market, an HHR facility would be expected to attract gaming visits from the existing tourist population. Due to its limited offerings as compared to a destination scale casino, an HHR facility would be expected to capture approximately one-half the volume of tourist visits, resulting in incremental gaming revenues of $5.7 million from this segment. **Total gaming revenues for a 600 machine HHR facility at the White Mill site are projected to be $58.8 million in 2022, for an average of $269 per position per day.**

Should the operator/developer of an HHR facility choose instead to open a facility with only 150 machines as currently permitted by law, gaming revenues are expected to be significantly less. We project a **150 machine HHR facility** with one food and beverage outlet (quick service) to be capable of generating **between $16 million and $18 million in gaming revenues annually**.

DANVILLE CASINO FISCAL AND EMPLOYMENT IMPACT

The rationale for residents, City officials and Councilmembers to support the addition of a destination-casino project to Danville will likely be predicated on the expectation that it will bring employment opportunities, fiscal benefits and expanded entertainment options to the City, without significant offsetting social costs, fiscal outlays and related strains on social services. The employment and fiscal benefits from facility operations will naturally depend on the scale of the facility (including both size and amenity mix), the revenues that it generates, the various taxes that it generates and pays to the City, and any additional agreements between the operator and the City in terms of provision of public services and infrastructure improvements. The operator can also be expected to be philanthropic with local organizations and city-sponsored events (this may be comparatively difficult to quantitatively estimate prior to an applicant bidder stating their philanthropic targets in other markets where they operate). Costs are generally less quantitative in nature, rather they are considered as negative externalities, i.e. problem gaming concerns, increased traffic and increased strain on police and EMS.

The following analysis will estimate the potential scale of the destination-casino facilities at each of the four defined sites under consideration (White Mill, Schoolfield, Retail Corridor, and Highway Interchange), based on our demand forecast. We also consider the revenue potential at White Mill for a facility offering HHR machines as the only format of gaming. We note that our assumptions and resulting estimates may vary significantly with what developers may ultimately propose for each location, such that our models may eventually need to be adjusted accordingly (though developers should be expected to provide employment forecasts and demand projections with their bids or RFI responses). Based on our assumed scales of development and our demand forecasts, we provide below estimates of facility employment (by amenity) and total payroll, as well as projections of the fiscal impacts that will be generated for the City from gaming taxes, sales taxes, room occupancy taxes and incremental property taxes. From an employment perspective, we also consider what these new jobs will mean in terms of an impact on the balance of supply and demand of labor in Danville, Pittsylvania County and surrounding counties.

GAMING REVENUE, TAX AND EMPLOYMENT FORECASTS

In our comparative market assessment for Danville we forecast the potential gaming revenues for the four sites defined above for a full-scale, destination casino gaming facility and for a more modest scale destination casino, as well as (alternatively) for a small HHR facility at the White Mill. We also considered the revenue potential (and essentially the impact) of a destination casino with several new North Carolina casinos as competition. The comparative market assessment assumed a same-sized gaming floor (and # of gaming positions) and amenity mix for each of the four sites, with the exception of a slightly larger hotel room count being necessary at the Highway interchange location than the three alternatives, given that the visitation forecast for that site was approximately 6 percent greater than for the other three sites for a destination resort property, and approximately 8 percent greater for comparable properties of more moderate scale (with the incremental visitation largely reflecting visitors from longer distance, i.e. having a higher probability than the average visitor to demand a hotel room). We also perceive that it is the site that could accommodate the largest non-gaming area footprint, providing for a broad-amenity casino resort. The visitation forecasts for the other three sites are within 2% for their high/low forecasts (the only assumed differentiation being location), such that contemplating scalar differences is not necessary.

TABLE 30: SUMMARY OF DANVILLE CASINO FACILITY PROJECTIONS BY DEVELOPMENT SCENARIO (2022)

	BYPASS	SCHOOLFIELD	WHITE MILL	RETAIL CORRIDOR
Destination Resort Scale:				
Gaming Positions	3,100	3,100	3,100	3,100
Hotel Rooms	375	325	325	325
Projected Visitors	2,921,822	2,768,193	2,742,383	2,729,387
GGR	$363,463,029	$328,165,410	$324,500,707	$322,794,334
Annual Hotel Room Demand	100,535	88,161	87,146	86,619
Moderate Scale:				
Gaming Positions	1,560	1,560	1,560	1,560
Hotel Rooms	275	225	225	225
Projected Visitors	2,426,798	2,269,445	2,238,745	2,224,576
GGR	$280,252,559	$239,297,155	$235,564,117	$233,794,360
Annual Hotel Room Demand	69,821	61,891	60,702	60,130

With respect to fiscal impacts it is possible that at the State level there will be changes to the proposed tax structure before casino gaming fully becomes law, Senate Bill 1126 that established a framework for Lottery Board oversight of gaming in Virginia stipulated a gaming tax rate of 10%, to be distributed as follows:

- 5% to a Statewide fund, of which:
    - 50% paid to the Virginia Public School Construction Grants Program and Fund;
    - 49% paid to the General Fund. From this amount a sum sufficient shall be appropriated to fund the operations of the Lottery Board
    - 1% to the Problem Gambling Treatment and Support Fund.
- 5% to the State Local Casino Gaming Proceeds Fund, of which:
    - 25% paid to *the* city in which a casino gaming establishment is located
    - 75% to be divided equally among those localities in the transportation district created pursuant to the Transportation District Act of 1964.

Based on these distributions, and the projected gaming revenues for each site and scale considered, the following gaming tax fiscal impacts are forecast (for a stabilized year of operation):

TABLE 31: PROJECTED LOCAL GAMING TAX IMPACTS BY DEVELOPMENT SCENARIO (2022)

	BYPASS	SCHOOLFIELD	WHITE MILL	RETAIL CORRIDOR
Destination Resort Scale				
GGR	$363,463,029	$328,165,410	$324,500,707	$322,794,334
Local Taxes:				
City of Danville	$4,543,288	$4,102,068	$4,056,259	$4,034,929
Moderate Scale				
GGR	$280,252,559	$239,297,155	$235,564,117	$233,794,360
Local Taxes:				
City of Danville	$3,503,157	$2,991,214	$2,944,551	$2,922,430

As demonstrated above, from a gaming tax standpoint, the potential gaming tax revenues to the City are projected to be in the range of $2.9 million to $3.5 million per year for a mid-scale casino and $4.0 million to $4.5 million per year for a destination resort property, depending on location. It is also possible that this range could be slightly widened or narrowed, depending on who the operator is, and/or what the overall building program ultimately is.

From an employment standpoint, we consider gaming as the central part of facility operations. As such, from a General and Administrative standpoint, executive positions for the property, facility marketing and overall property maintenance crews are included in what we quantify as "casino jobs" and "casino wages and salaries".

It should be reasonable to expect wages to equate to approximately 15% of gross gaming revenues, with the average employee earning $35,000 per year (not including gratuities). This yields the following matrix of jobs and earnings (gratuities are largely limited to the table games dealers but can be a significant share of their earnings).

TABLE 32: PROJECTED EMPLOYMENT AND EARNINGS BY DEVELOPMENT SCENARIO

	BYPASS	SCHOOLFIELD	WHITE MILL	RETAIL CORRIDOR
Destination Resort Scale:				
FTE Employment	1,558	1,406	1,391	1,383
Earnings (n.i. gratuities)	$54,530,000	$49,210,000	$48,685,000	$48,405,000
Moderate Scale:				
FTE Employment	1,201	1,026	1,010	1,002
Earnings (n.i. gratuities)	$42,035,000	$35,910,000	$35,350,000	$35,070,000

HOTEL SCALE, REVENUE FORECASTS, OCCUPANCY/SALES TAXES AND EMPLOYMENT

A hotel is presumed to be a necessary component of any successful/recommendable destination casino development. This likely will not exist if the gaming facility in Danville is limited to a small, HHR gaming facility. As projected in the gaming market demand forecasts, approximately 2.83 million visitors are projected to come to a destination resort-scale casino property in Danville, +/- 100,000. If the property is of a more moderate scale, annual visitation is forecast at 2.32 million, +/- 100,000. Based on our estimates of the residence of these gamers, we projected annual hotel demand in the range of 86,619 to 100,535 with a destination resort casino, or in the range of 60,130 to 69,821 with a modest-scale casino hotel, likely with peak demands on weekends. This equates to approximately 5.1% to 6.4% of regional gamers staying overnight in the hotel, with the assumption of 1.8 gamers per occupied room and with estimates of overnight stays being based on distance from residence to Danville. The lower range reflects a moderate-scale casino property, whereby the gravitational pull from longer distances would not be as strong as by a destination resort. The annual demand forecasts result in optimal hotel sizes in the range of 325 to 375 rooms for a destination resort, or 225 to 275 rooms for a moderate-scale property.[25] Annualized, this reflects average occupancy rates in the 70-75% range, but at or near full occupancy on weekends.

Based on room rates at existing Danville hotels, stated room rates at Cherokee Casino Resort (currently $127 midweek, but $400+ on weekends), Cherokee Valley River (currently $99 midweek, $299 on weekends) the expectation that this will be an upscale property and that it is still several years in the future before it will open, it is reasonable and conservative to expect a Danville casino resort hotel room rate will average between $175 and $200 (the higher average reflecting a destination resort scale property with related amenities). This provides for a broad potential range in terms of potential room revenues:

TABLE 33: HOTEL OPERATING PROJECTIONS BY DEVELOPMENT SCENARIO

	BYPASS	SCHOOLFIELD	WHITE MILL	RETAIL CORRIDOR
Destination Resort Scale:				
Room Nights of Demand	100,535	88,161	87,146	86,619
ADR	$200	$200	$200	$200
Room Revenues	$20,107,029	$17,632,183	$17,429,300	$17,323,871
Moderate Scale:				
Room Nights of Demand	69,821	61,891	60,702	60,130
ADR	$175	$175	$175	$175
Room Revenues	$12,218,753	$10,831,012	$10,622,765	$10,522,758

[25] The challenge may be whether there is space to build hotels of this scale at all of the sites under consideration, particularly at the White Mill and at the Retail Corridor.

Taxes on hotel rooms and room revenues include a sales tax (5.3%, of which the state gets 4.3% and the city 1.0%) and a local hotel tax (8%), plus a local occupancy tax of $2 per occupied room. This results in the following matrix of projected annual hotel tax revenues.

TABLE 34: PROJECTED LOCAL HOTEL TAX REVENUES

	BYPASS	SCHOOLFIELD	WHITE MILL	RETAIL CORRIDOR
Destination Resort Scale:				
City Sales Tax	$201,070	$176,322	$174,293	$173,239
Hotel Tax	$2,010,703	$1,763,218	$1,742,930	$1,732,387
Occupancy Tax	$201,070	$176,322	$174,293	$173,239
Total City Hotel Taxes	**$1,608,562**	**$1,410,575**	**$1,394,344**	**$1,385,910**
City Sales Tax	$122,188	$108,310	$106,228	$105,228
Hotel Tax	$1,239,331	$1,098,574	$1,077,452	$1,067,308
Occupancy Tax	$122,188	$108,310	$106,228	$105,228
Total City Hotel Taxes	**$977,500**	**$866,481**	**$849,821**	**$841,821**

A reasonable assumption regarding employment for a casino hotel is that there will be approximately 1 job for every 3 hotel rooms. This suggests that FTE hotel employment would be in the range of 75 to 92 jobs for a moderate-scale casino hotel, or 108 to 125 jobs in a destination resort. This only reflects hotel operations, and not overall facilities' management, casino jobs, F&B, etc. The projected salaries and wages for hotel employees are as shown in the following table.

TABLE 35: PROJECTED HOTEL EMPLOYMENT AND EARNINGS

	BYPASS	SCHOOLFIELD	WHITE MILL	RETAIL CORRIDOR
Destination Resort Scale:				
FTE Employment	125	108	108	108
Earnings (n.i. gratuities)	$4,125,000	$3,564,000	$3,564,000	$3,564,000
Moderate Scale:				
FTE Employment	92	75	75	75
Earnings (n.i. gratuities)	$3,036,000	$2,475,000	$2,475,000	$2,475,000

F&B REVENUE FORECASTS, SALES TAXES AND EMPLOYMENT

The scale and revenues for Food and Beverage operations will naturally depend on whether the facility is a destination resort or a moderately-scaled property, as well as the total volume of visitation to the facility. Based on financial reporting of major regional gaming operators, we project it to be reasonable to expect F&B revenues will equate to between 11% and 12.2% of gross gaming revenues, with the higher percentage equating to the broader-scoped building program of a destination resort. As a result, F&B revenues could be in an annual range of $39 million to $44 million with a destination resort, or $26 million to $31 million with a moderately-scaled property. As such, a facility at the Bypass site may be expected to generate approximately $4.5 million to $5 million greater revenues than the other three sites under consideration, at either comparative scale.

From an employment standpoint, we estimate that labor costs will equate to approximately 35% of F&B revenues, with the average labor cost being approximately $24,000 per employee (this average is not inclusive of gratuities; gratuities can be expected to add approximately 50% to these totals, assuming they equate to approximately 17.5% of revenues). As a result, F&B employment (FTE) for a resort facility is estimated in the range of 574 to 647 jobs, or 375 to 450 jobs with a moderately-scaled facility.

TABLE 36: PROJECTED FOOD AND BEVERAGE REVENUES, EMPLOYMENT AND EARNINGS

	BYPASS	SCHOOLFIELD	WHITE MILL	RETAIL CORRIDOR
Destination Resort Scale:				
F&B Revenues	$44,342,489	$40,036,180	$39,589,086	$39,380,909
F&B FTE Employment	647	584	577	574
Est. Earnings (n.i. gratuities)	$15,528,000	$14,016,000	$13,848,000	$13,776,000
Est. Earnings (incl. gratuities)	$23,287,936	$21,022,332	$20,776,090	$20,667,659
Moderate Scale:				
F&B Revenues	$30,827,781	$26,322,687	$25,912,053	$25,717,380
F&B FTE Employment	450	384	378	375
Est. Earnings (n.i. gratuities)	$10,800,000	$9,216,000	$9,072,000	$9,000,000
Est. Earnings (incl. gratuities)	$16,194,862	$13,822,470	$13,606,609	$13,500,541

The City will receive a Meals Tax equal to 6.5% of F&B revenues, in addition to the 1% of the 5.3% sales tax (the State getting the 4.3% balance). This results in the following estimate of local taxes, by scenario:

TABLE 37: PROJECTED LOCAL TAX REVENUES FROM FOOD AND BEVERAGE OPERATIONS

	BYPASS	SCHOOLFIELD	WHITE MILL	RETAIL CORRIDOR
Destination Resort Scale:				
Local Sales Tax	$443,425	$400,362	$395,891	$393,809
Local Meals Tax	$2,882,262	$2,602,352	$2,573,291	$2,559,759
Moderate Scale:				
Local Sales Tax	$308,278	$263,227	$259,121	$257,174
Local Meals Tax	$2,003,806	$1,710,975	$1,684,283	$1,671,630

ANCILLARY AMENITY REVENUE FORECASTS, SALES TAXES AND EMPLOYMENT

It should be reasonable to expect that the casino, hotel and F&B facilities will account for the vast majority (i.e., >95%) of revenues for the property, but not 100%. There will almost certainly be some retail element, as well as some form of entertainment and meeting element. The scale of these amenities could range from significant to sundry/free. But from a jobs and fiscal impact standpoint, the relative impacts will likely be insignificant when compared to the elements presented above. For simplicity, we assume these amenities would generate an additional 2% of patron spending and total employment for the facility.

TABLE 38: PROJECTED ANCILLARY REVENUES, EMPLOYMENT AND TAX REVENUES

	BYPASS	SCHOOLFIELD	WHITE MILL	RETAIL CORRIDOR
Destination Resort Scale:				
Ancillary Revenues	$8,558,251	$7,716,675	$7,630,382	$7,589,982
Ancillary Employment	47	42	42	41
Local Sales Tax	$85,582	$77,167	$76,304	$75,900
Moderate Scale:				
Ancillary Revenues	$6,465,982	$5,529,017	$5,441,979	$5,400,690
Ancillary Employment	35	30	29	29
Local Sales Tax	$64,660	$55,290	$54,420	$54,007

SUMMARY REVENUE FORECASTS, DIRECT TAXES AND FACILITY EMPLOYMENT

A destination-scaled casino resort could be expected to generate between 2,100 and 2,400 jobs, and total revenues in the range of $387 million to $436 million. As demonstrated in the following table, the revenue potential, as well as the relative scales of the properties, are nearly identical for 3 of the 4 sites considered, with the Bypass site having slightly greater potential in all regards in terms of potential scale and demand. In addition to approximately $4.0 million to 4.5 million in gaming taxes that would be distributed to the City of Danville, the City should expect between $4.8 million and $5.4 million in incremental hotel taxes, meal taxes and sales taxes if a destination resort casino is developed.

A smaller-scale facility ("Moderate-Scale") provides significantly smaller impacts in all regards, with the Bypass site having a slightly greater variance from the other three sites, relative to the variance in the destination resort projections. A facility if this scale could support approximately 1,480 to 1,780 jobs and generate total revenues in the range of $275 million to $330 million. In addition to approximately $2.9 million to $3.5 million in gaming taxes that would be distributed to the City of Danville, the City should expect between $3.1 million and $3.6 million in incremental hotel taxes, meal and sales taxes if a moderate scale casino is developed.

TABLE 39: PROJECTED FACILITY REVENUES, DIRECT TAXES AND EMPLOYMENT

	BYPASS	SCHOOLFIELD	WHITE MILL	RETAIL CORRIDOR
Destination Resort Scale				
Gross Gaming Revenues	$363,463,029	$328,165,410	$324,500,707	$322,794,334
Hotel Revenues	$20,107,029	$17,632,183	$17,429,300	$17,323,871
F&B Revenues	$44,342,489	$40,036,180	$39,589,086	$39,380,909
Other	$8,558,251	$7,716,675	$7,630,382	$7,589,982
Total Revenues	$436,470,798	$393,550,448	$389,149,475	$387,089,096
Total Employment	2,377	2,140	2,118	2,106
Total Payroll	$75,666,660	$68,125,800	$67,418,940	$67,059,900
Gaming Taxes - Danville	$4,543,288	$4,102,068	$4,056,259	$4,034,929
City Sales Tax	$730,078	$653,850	$646,488	$642,948
Hotel Taxes	$1,809,633	$1,586,896	$1,568,637	$1,559,148
Meals Tax	$2,882,262	$2,602,352	$2,573,291	$2,559,759
Moderate Scale				
Gross Gaming Revenues	$280,252,559	$239,297,155	$235,564,117	$233,794,360
Hotel Revenues	$12,218,753	$10,831,012	$10,622,765	$10,522,758
F&B Revenues	$30,827,781	$26,322,687	$25,912,053	$25,717,380
Other	$6,465,982	$5,529,017	$5,441,979	$5,400,690
Total Revenues	$329,765,075	$281,979,871	$277,540,913	$275,435,188
Total Employment	1,778	1,515	1,492	1,481
Total Payroll	$56,988,420	$48,553,020	$47,834,940	$47,475,900
Gaming Taxes - Danville	$3,503,157	$2,991,214	$2,944,551	$2,922,430
City Sales Tax	$495,125	$426,827	$419,768	$416,408
Hotel Taxes	$1,117,143	$990,264	$971,224	$962,081
Meals Tax	$2,003,806	$1,710,975	$1,684,283	$1,671,630

POTENTIAL SPENDING IN DANVILLE BY CASINO PATRONS

As discussed above, a casino resort development in Danville could be expected to generate 2.2 million to 2.9 million gamer visitors per year. The vast majority of these gamers will be attracted to Danville by the casino, i.e. they are not local residents or tourists already coming to the Danville area. However, for the purpose of estimating what these induced visitors to the casino will mean in terms of off-site spending, we net out the local and base tourist volumes from the casino visitor count. The local market segment, which is comprised of our two defined market areas within 30 miles of Danville (a Virginia segment and a North Carolina segment) is projected to generate between 328,000 and 331,000 gamer visits per year in aggregate, depending on location and model. The base tourist market is projected to generate approximately 115,000 gamer visits per year. These gamers may be expected to shop, eat and drink in Danville independent of the presence of the casino resort. The net visitor projection therefore ranges from 1.78 million to 2.48 million.

Off-site spending will depend heavily on what options these gamers have to venture into the town for F&B and retail. It is not uncommon for a retail complex, fast food restaurants and gas stations to be developed proximate to casinos simply because their development decision-making hinges heavily on traffic counts. Many established businesses may also prosper as a result of having the casino resort in town, and ultimately it will come down to where and what the offerings are (existing and new). The downtown area (White Mill) obviously has several options for retail and F&B, as clearly does the Retail Corridor site. The Highway site currently has minimal proximate offerings and no tie-in to downtown or retailers around the retail corridor. Schoolfield has minimal direct tie-ins to retailers as well, but requires some travel through the city.

We have considered several other market areas that we have analyzed, as well as third party economic impact reports, and induced local benefits truly hinges on what is supplied – to the point of impacts being virtually non-existent to the casinos having significant synergistic benefits to area businesses. In the case of Danville, particularly for the White Mill and Retail Corridor site, the benefits should be reasonably good. For the Highway site, the impacts will be negligible UNLESS there is significant new retail and restaurant development nearby, though this is reasonable to assume. Nevertheless, it does nothing to benefit incumbent retailers.

The following table provides an estimate of the projected spending by casino visitors from outside of the local market on F&B and retail. Assuming no new development near the Highway site, total spending on F&B and retail outside of the casino by gaming patrons is projected to be approximately $500,000-$600,000 per year. If the casino is located at the Retail Corridor, total spending could be in the range of $5.8 million to $6.3 million per year. For the White Mill and Schoolfield sites, spending is projected to be in the range of $2.4 million to $3.3 million, with the White Mill site having the higher patron spending potential for established businesses.

From a sales and meals tax perspective at the City level, this incremental spending by gamers in Danville could range from approximately $28,000 per year (moderate-scale casino at Highway site) to $285,000 per year (resort-scale at Retail Corridor).

TABLE 40: PROJECTED OFF-CASINO SPENDING BY GAMERS

	HIGHWAY	SCHOOLFIELD	WHITE MILL	RETAIL CORRIDOR
Resort-Scale Casino:				
Projected non-Danville, non-Tourist Gamer Visits	2,296,890	2,322,699	2,476,328	2,283,894
% spending on food	1%	5%	6%	7.5%
$/F&B purchase	20	20	20	20
% spending on retail	0.25%	0.5%	0.5%	5%
$/retail, purchase	$25	$25	$25	$25
Total Spending	$602,934	$2,613,036	$3,281,135	$6,280,707
Total Local Tax	$35,889	$177,106	$225,965	$285,487
Moderate-Scale Casino:				
Projected non-Danville, non-Tourist Gamer Visits	1,796,451	1,827,151	1,984,504	1,782,282
% spending on food	1%	6%	7.5%	10%
$/F&B purchase	20	20	20	20
% spending on retail	0.25%	0.5%	0.5%	5%
$/retail, purchase	$25	$25	$25	$25
Total Spending	$471,568	$2,420,975	$3,224,819	$5,792,418
Total Local Tax	$28,070	$166,728	$225,737	$289,621

IMPACT OF POTENTIAL NORTH CAROLINA CASINO LEGALIZATION

The gaming revenue and facility impacts that could be expected from increased competition in the form of casinos in North Carolina are far-reaching, much of which deals with the timing for when North Carolina competition gets announced. If it is known before a Danville casino gets licensed that it will face competition from North Carolina, the scale as outlined above would not be feasible – from a hotel perspective, a destination-scale casino property would only need a hotel sized in the range of 200-225 rooms, not 325-375. If sized at 325-375 rooms, it is likely that the hotel would only operate at an occupancy rate of approximately 45%. From a gaming perspective, there would be no reason to have 3,000+ gaming positions, and from an F&B perspective, revenues would likely be 40 to 50% less than projected.

These impacts would be significant not just in terms of tax revenues, but also in terms of employment – which again is a significant issue in terms of timing. If it is known that competition is coming in, the facility can be sized and staffed appropriately from the start, and the City can budget appropriately from the start. If legislation is not imminent, but eventually comes, an unexpected budget shortfall and facility layoffs could be problematic.

The potential downside is not as severe with a moderate-scale casino. With a smaller facility, there is not as much reliance of large, distant North Carolina cities. While the optimal scale of the casino and hotel may be smaller than assumed above, it could still be a highly feasible development. It may also be reasonable to consider development in phases, such that even if North Carolina gaming is not imminent, even the threat of it could support a logical phased approach to development, such that incremental scale of gaming, hotel and non-gaming amenities may be the most appropriate path.

This approach takes away much of the incremental attractiveness of the Bypass site, as it was viewed as most attractive for two reasons – 1) ease of access for North Carolinians and 2) large footprint, on which a large, destination resort can be built. If instead the conservative approach is to build a moderate-scale facility to serve a more proximate, but loyal patron base, the four sites become much more comparable in market potential.

DEVELOPMENT OF AN HHR FACILITY

In Virginia, gaming revenue distributions for HHR devices are calculated based on racing handle, which is essentially the amount wagered, before payout of winnings. The State receives 0.75% of handle, while the local government gets 0.5%. The operator gets the balance of machine winnings, which to date (April to September, 2019) has equated to 7.4% of handle (but with a relatively broad variance – 6.45% in April, 8.05% in September). The operator's share therefore has been 6.15% of the 7.40% win rate. The effective tax rate therefore has been 16.89%, of which the State has gotten 10.14% and the local governments 6.75%. Assuming this average is indicative of a normative distribution of gaming handle in the long run, $58.8 million in HHR winnings at White Mill would provide gaming taxes of $5.96 million to Virginia and $3.97 million to Danville.

If the HHR facility is sized at 150 devices, the gaming revenues were forecast to be in the range of $16 million to $18 million. This would generate tax revenues to the State in the range of $1,.62 million to $1.82 million, and tax revenues to Danville in the range of $1.08 million to $1.22 million.

In contrast to casino development, casino competition from North Carolina would not have as significant an impact on demand, such that the fiscal impact may only be approximately 20 to 25% lower. However, a significant difference between this development and a casino as forecast above would be the employment impacts. Electronic gaming devices require a very small level of staffing. As such, the overall level of employment needed for the property would likely be well under 500, unless it involves a very large-scaled F&B footprint.

LABOR MARKET IMPACTS

According to the Virginia Employment Commission, the Danville Micropolitan Statistical Area had a civilian labor force of 49,481 in April 2019, down from 50,260 in April 2018. In April 2019, there were 47,569 civilians employed and 1,912 unemployed, reflecting an unemployment rate of 3.9%, down from 4.4% in April 2018. The Micropolitan area is comprised of the City of Danville and Pittsylvania County. The City of Danville had 19,284 persons in the labor force in April 2019, of which 974 (5.1%) were unemployed. This reflected a decline from 1,076 unemployed (5.5%) in April 2018. Pittsylvania County had a labor force of 30,197 in April 2019, down from 30,665 in April 2018. In April 2019, there were 938 civilians unemployed, reflecting an unemployment rate of 3.1%, down from 3.7% in April 2018. While the April 2019 rate for the Danville Micropolitan area was above the statewide average of 2.5% and the U.S. rate of 3.3%, the combined local rate is still that which most economists would view as "full employment".[26] Nevertheless, at a current rate of over 5% for the City of Danville, these jobs could help lower the unemployment rate.

It is also reasonable to assume many jobs could be filled by North Carolina residents living in proximate border counties, such as Caswill, Rockingham and Person. The unemployment rates in August 2019 were in the range of 4.8% to 5.0% for each of these three counties, with a combined labor force of 69,149 and unemployment of 3,372.[27]

Danville historically has dealt with structural unemployment issues related to having dominant industries, i.e. tobacco and textiles, such that downturns in those industries can be devastating to the regional economy. There is less of a reliance currently, such that the unemployment rate is lower than Danville has historically experienced, and not threatened by a specific industry downtown. The closure of the IKEA factory may have a short-term impact on regional unemployment, but we would assume there will be interest by other manufacturers to move into that space – however it is not as clear whether those that will lose the IJKEA jobs would be well-suited to move into those jobs.

An important thing to note is that as of April 2019 there were 1,912 civilians in the labor force defined as "unemployed" in the Danville Micropolitan Statistical Area and Pittsylvania County (and approximately 5,300 when combining with the proximate North Carolinians), with a projected employment need for either a moderate-scale or destination resort-scale facility of approximately 1,500 to 2,400 employees. It is reasonable to assume that some regional residents that are not currently in the labor force may enter/re-enter if and when these new jobs are made available. But it not reasonable to assume that the level of unemployment in Danville will decline to near 0% or regionally drop in half, as the new jobs may not be well suited for everyone (or even the majority of people) looking for a job. Nevertheless, given a combined City/County/North Carolina regional labor force of approximately 120,000, it is possible that the regional unemployment rate could decline by close to 1% as a result of the facility being operational, though this could be heavily dependent on macro-economic cycles; as unemployment rates are near historic lows, it is reasonable to assume that in 2 to 3 years there may be an economic downturn nationwide, such that the local unemployment rate could rise by several percent. In that event, the new casino jobs may be even more readily filled by the local population.

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[26] http://www.vec.virginia.gov/sites/default/files/APR-2019%20PRE%20%26%20MAR-2019%20REV.pdf
[27] North Carolina Department of Commerce. https://www.nccommerce.com/data-tools-reports/labor-market-data-tools/labor-market-publications#labor-market-overviews-by-workforce-board, accessed October 4, 2019.

From a housing and schools standpoint, there would appear to be ample regional population base to staff a new gaming property, such that it would not induce strain on the housing market or classroom sizes.

SOCIOECONOMIC IMPACTS

The development and operations of a casino in Danville will bring economic benefits, as outlined in the previous section, as well as possible concerns, as will be outlined in this section. We note that gambling has rightly caught the attention of regulators, law enforcement, counselors, and casino gaming operators across the United States. Individual States have mandated varying sums to be dedicated to services and support of problem gamblers, although large scale studies of the true impacts of problem gambling and casino gaming in general are few. In this section of the report we provide some conclusions from the most methodologically sound research on the topic in order to understand the potential implications of a gaming facility in Danville.

We have also conducted interviews with public officials in similarly-sized towns regarding the public safety impacts they have experienced from having a casino within their jurisdiction.

PRIMARY RESEARCH

During the months of July, August and September 2019, Convergence Strategy Group conducted primary research into the impacts of casino gambling on both established markets (markets in which casino gaming has been present for many years), as well as new markets (markets in which casino gaming is relatively new, and public officials can more readily compare the “before” and “after”). Research was conducted through telephone interviews with public safety officials in a total of twelve (12) cities as detailed in the following section. Additionally, the results of similar interviews previously conducted by CSG, and which helped to formulate our analyses, are included in the *Appendix* to this report.

In general, there seems to be very little deleterious impact on community services in areas that we surveyed in which a casino has opened, with public safety officials likening casinos to any other large business. In most small communities there was no signed MOU with any casino. In general, communities seemed to have an overall positive feeling toward the casino and felt that it was an asset to the town or county, while select few lamented not having an MOU with the casino.

ESTABLISHED CASINO MARKETS

Metropolis, Illinois (Harrah’s Metropolis Hotel & Casino)

Summary of Interview with Harry Masse, Fire and Police Chief, July 31, 2019:

> The Metropolis police and fire departments work very closely with one another. Chief Harry Masse is the chief of both departments. He reported that together they respond to about 15,000 service calls a year and only about 300 (2 percent) of total are calls made to the casino. The Chief reported that 90 percent of the calls made to the casino are for self-trespassing and the rest are for drunk and disorderly conduct. There have been no violent crimes at the casino for at least three years. There was a convention center that was previously attached to the casino, and when they would host large events it would put a strain on the police department, but the convention center was torn down to expand the casino. So now the department does not have a hard time serving the casino. They do not have an MOU with the

casino. Chief Masse said they view the casino as a regular business, but that they also keep in mind that it is the biggest source of revenue for the city.

Elgin, Illinois (Grand Victoria Casino Elgin)

Summary of Interview with Dick Cummings, Battalion Fire Chief, August 13, 2019:

The Elgin Fire Department makes about 3 service calls to the casino (Grand Victoria Elgin) in their jurisdiction a week. 95 percent of the calls are EMS related, and the other 5 percent are miscellaneous. The casino does not have an MOU with the department. Chief Cummings said that casino does not put a strain on their department. The casino is seen as an extra hazard to the fire department because of the amount of people it can hold; but from an EMS standpoint it is the same as all the other businesses in town.

Perryville, Maryland (Hollywood Casino Perryville)

Summary of Interview with Ray Ryan, Fire Chief, July 31, 2019:

Ray Ryan has been the chief of the Perryville Fire Department since before Hollywood Casino opened in 2010. The department responds to about 120 calls a month and, on average, only two (2 percent) of those are to the casino. He reported that the calls are usually EMS related and have to do with medical incidents such as cardiac arrest. Hollywood Casino was the first casino to open in Maryland. Chief Ryan said that when the casino first opened there were more calls there than he expected, but over time the volume of calls to the casino went down. The fire department does not have an MOU with the casino, but the casino does want to pay the State of Maryland and some of that money makes its way to the fire department. The casino is treated like any other business, except that is has more fire safety features on the inside because of the volume of people it can hold.

Dubuque, Iowa (Diamond Jo Dubuque & Q Casino)

Summary of Interview with Dubuque Police Department, July 30, 2019:

Dubuque is home to both the Diamond Jo Casino and the Q Casino, a greyhound racetrack and casino. The Police department in Dubuque, IA makes, on average, one call to the Dubuque casinos a day. They do not attribute a large amount of their drunk driving arrests to the casinos. The casinos hire police officers to be on-site and the city gets reimbursed. The police department sees the casinos as any other business in the area.

Tiverton, Rhode Island (Tiverton Casino Hotel)

Summary of Interview with Joseph Moolo, Fire Chief, July 29, 2019:

Joseph Moolo is the chief of the Tiverton Fire Department. When the casino opened near by the department, they did not have to change anything in regard to staffing or buying new equipment. The casino is a large business that attracts more people, so the number of service calls has increased since the opening. The department responds to approximately 11 calls a day and one of those is usually to the casino. Most of the calls at the casino are EMS related. There is dispatch that is on site and they can usually handle whatever issues arise there. Only about 1/3 of the calls require that the department send more personnel out to the casino. The casino does have an MOU with the Fire department. The chief said that they treat the casino as they would any other large business.

Wheeling, West Virginia (Wheeling Island Hotel-Casino-Racetrack)

Summary of Interview with John Wroten, Police Chief, August 1, 2019:

> John Wroten with the Wheeling Police Department noted that the city's gaming facility had been there for many years and even before it started offering casino gaming it has been a venue that attracted large crowds since 1866. Wheeling Island is a racetrack casino, which at one time offered and currently offers greyhound racing, and since 1994 has offered various forms of casino games (initially, slots-only, but now with full table game offerings and a poker room). The Police Department makes, on average, three calls to the casino each week. In the last year there were 159 service calls to the casino: 33 drunk/disorderly conduct, 4 car accident, 6 assault/ battery, 5 car burglary. Mr. Wroten noted that 20 percent of calls made to the casino were for drunk and disorderly conduct. He also said that the racetrack has been there a long time and the addition of gaming has not increased the number of drunk driving arrests made. The casino does not have an MOU with the Police Department.

NEW CASINO MARKETS

Nichols, New York (Tioga Downs Casino Resort)

Tioga Downs was a long-standing, slots-only, minimal-amenity harness racetrack and gaming facility until awarded a full-scale gaming license in 2016. The facility expanded to a full-scale casino, along with a hotel and broad F&B development, with a grand re-opening in December 2017.

Summary of Interview with Wayne Moulton, Undersheriff, August 8, 2019:

> Wayne Moulton is the undersheriff of Tioga County which serves the city of Nichols. As a whole, the county makes about 1,600 service calls a month. The most popular reason the police have to go to the Tioga Downs Casino is when they find money that someone has dropped. There is also frequent service calls for non-fatal vehicular accidents in the parking lot and EMS calls. When the casino opened the department did not have to change anything in regard to staffing or buying new equipment. The police department does not have an MOU with the casino. In New York, casinos are not allowed to hire the police department directly to be on standby at large events. The casino pays the county who then pays the policemen regular overtime. Mr. Moulton says that the casino brings in a large amount of tax dollars which helps the department. He wishes they would open another one.

Turtlecreek Township, Ohio (Miami Valley Gaming)

Miami Valley Gaming Center ("MVG"), a harness racing and slot facility that opened in December 2015, is one of few racetrack casinos that have been wholly developed over the past decade (as compared to those that simply added gaming). However, the facility replaced a licensed racing facility located several miles away (Lebanon Raceway), such that there was already an established racing market. Miami Valley is located in Warren County, between Cincinnati and Dayton. The County sheriff's office is responsible for police calls to the racino and the surrounding area. The Township has its own Fire and EMS department.

Summary of Interview with Maj. Brian Tinch, September 23, 2019:

> According to Maj. Tinch, "the Sheriff's department's deputies/detectives are at MVG almost every day for some type of complaint or on routine patrol. It is a 24-hour operation, and obviously has increased our call volume on that side of the county. That being said, it hasn't

really affected our service to the other areas of Turtlecreek Township, but certainly has increased the workload on the district cars. We have not increased our patrol staff since MVG opened. We have a good relationship with the security staff and are routinely detailed on site for special events."

Maj. Tinch further noted "Prior to MVG opening, we had our supervisory staff tour the facility, so we could get a feel for the layout. This included the security offices and the surveillance room." Further, "The Ohio Lottery Commission governs the gaming portion, and they have representatives on site 24/7, so if our staff needs their assistance with a criminal investigation, they are readily accessible."

According to the police call log, the department has responded to approximately 3,200 calls at or near the racino in the approximately 2,100 days since the facility opened, though upwards of 1,000 of these calls were for incidents in the facility neighborhood/adjacent highway, such that the average of approximately one visit/day holds true. The largest segment of calls to the facility are for EMS assist, as well as for accidents and traffic incidents. Approximately 10 percent of the calls have been for intoxicated drivers or individuals.[28]

Summary of Interview with Turtlecreek Township EMS Captain Brian Elleman, September 20, 2019:

According to Captain Elleman, the Township EMS department has responded to between 1,659 and 1,844 calls per year between 2014 and 2018, increasing every year. The number of calls to the racino in 2014 was 92 (5.5 percent of all calls, or approximately once every four days), declining to between 68 and 72 calls per year from 2015 to 2017 (4.0 percent), and increasing to 110 calls in 2018 (6.0 percent, or approximately once every 3.3 days). Falls, general medical complaints and heart issues were the primary reasons for the calls. On average, approximately two-thirds of those that are treated refused transport to the hospital, wanting instead to stay and gamble. Those treated are responsible for ambulance expense in the case of transport need. The racino has its own EMS-trained security staff, so it is not a heavy strain on the Township EMS department.

La Center, Washington (Ilani Casino Resort)

Summary of Interview with John Nohr, Fire Chief, July 30, 2019:

The Cowlitz Indian Tribe of Southwest Washington is located in Clark Country near LA Center. The reservation is home to the Ilani Casino Resort (opened April 2017). The reservation has its own police department that deals with any crime on the reservation. The reservation has an MOU with the Clark County fire department, so the reservation falls under Clark County jurisdiction. This was the first contract between a public service department and the Cowlitz Indian Tribe. Fire chief John Nohr said that the department did not have to hire more staff or buy more equipment. He also said that the relationship between the reservation and the fire department is very positive. The Cowlitz Indian Tribe is currently raising money so that way they can buy a new fire truck and give it to the Clark County Fire Department. The department gets about 70 service calls a week and only four of those are to the casino. The breakdown of the calls are as follows, 70% EMS, 20% fires and car crashes, 10% miscellaneous. Overall the

[28] The department notes that the categorization of the stated nature of incidents is based on the incoming call description, and that the actual nature and disposition may differ once the officer arrives.

casino does not put a big strain on the department and the relationship between them is better than they could have imagined.

Pittsburg, Kansas (Kansas Crossing Casino)

Summary of Interview with Tim Tompkins, Deputy Chief of Police, August 8, 2019:

The Kansas Crossing Casino (opened December 2017) has not caused the Police Department of Pittsburg to change their staffing needs. The only new equipment that they had to buy were new radios so that was the casino can communicate with the department more effectively. The casino paid for these radios. The police department makes between three and five calls to the casino each month. Chief Tompkins reported that most of the calls are for misdemeanor crimes such as smoking marijuana or car accidents in the parking lot. The land that the casino is on had been annexed by the city and actually lies 3 miles outside of its border, so the police department does not have jurisdiction on the highways that the department makes about 150 drunk driving arrests a year and that really has not increased since the casino opened. The casino does have an MOU with the police department to help offset any extra costs of serving the casino. Chief Tompkins says that hosting the city has not put a strain on the department. Soon the casino will start hosting large concerts, but it has not happened yet so they do not know how it will affect the department. Pittsburg is also home to a college (Pittsburg State), and the Chief says that comes with an increased number of bars in the city. They treat the casino as they would a large bar.

Summary of Interview with Mike Simons, Fire Chief, August 8, 2019:

The addition of the casino did not cause the Fire Department to have to buy new equipment or add any new personnel. The station makes about 65 calls per week and only one of those is to the casino or to the hotel that is attached to it. The calls are often from EMS or from false fire alarms. There is no MOU in place between the fire department and the casino. Approaching the addition of the casino the police and fire department were preparing for a heavy influx in class, according to Chief Mike. But he said that has not been the case at all. The casino hardly effects day to day operations at the station. The casino is seen as any other business in the area.

Sioux City, Iowa (Hard Rock Hotel & Casino)

Summary of Interview with Tom Everett, Fire Chief, July 31, 2019:

Sioux City Fire and Rescue Chief, Tom Everett, said that when the Hard Rock Hotel & Casino opened (August 2014) the department did not have to buy any more equipment or hire any more staff. The unit responds to about 192 service calls a week and 1 to 2 of those are to the casino. Last year the department responded to about 10,000 calls the whole year. In regard to the casino, they had 50 EMS calls and 1 small fire. Chief Everett reported that the casino does not put a big strain on the department. There is no MOU between the Hard Rock Hotel & Casino and Sioux City Fire and Rescue. When the Hard Rock hosts a concert, they will contract the fire department to be on site with officers and ambulances in case of emergency. The fire department treats the casino as another business.

Monticello, New York (Resorts World Catskills)

Summary of Interview with Robert Mir, Police Chief, August 8, 2019:

Robert Mir is the chief of the Monticello police department. The Resorts World Catskills casino resort (opened in February 2018) falls slightly outside of their jurisdiction, but it is very close to the station. They often end up responding to calls or giving back up to the state police there. The department has had to deal with budget cuts since the casino opened, so they have had to let officers go. The Chief also noted that they receive none of the host money from the casino and that it puts a strain on their department. He said it would have been nice if the casino agreed to buy them a few police cruisers because of the extra mileage they have to put on their cars responding to calls at the casino. The Monticello Police Department responds to about 1,000 calls a month, fifteen of those being to the casino. He noted that the call volume increases over the summer. They are usually for drunk/disorderly conduct or drug use related calls. There has not been a notable increase in drunk driving arrests but there is an increase in car accidents due to the amount of people the casino is bringing in. Chief Mir said that he wishes there would have been a study done before the casino opened, so that way the department could have better prepared. He emphasized again how helpful it would be to his department if they received extra funding for serving the casino.

SECONDARY RESEARCH

A number of studies have been conducted on the impacts of casino gambling on the social and economic welfare of gamblers and their communities. Few, however, have been comprehensive. CSG continually conducts our own research as well as keeping up to date on published studies. The following section summarizes some of the more relevant and recent published works addressing such impacts.

MASSACHUSETTS STUDY OF ECONOMIC AND SOCIAL IMPACTS OF GAMBLING

With the advent of casino-style gaming in Massachusetts, the Massachusetts Gaming Commission (MGC) embarked on the first ever comprehensive long-term study of the economic and social impacts of gaming. Conducted by the University of Massachusetts School of Public Health and Health Sciences, this research project is known as the Social and Economic Impacts of Gambling in Massachusetts (SEIGMA) and is studied on a real-time and continual basis, with reporting to the MA Gaming Commission and Department of Public Health[29] every two to three years. The 2018 report states, "other than the very clear revenue, employment, and spending of [Plainridge Park Casino], there is little evidence of marked socioeconomic changes to date in Massachusetts that can be attributed to gambling." Further, "As of mid-2018 (i.e., after the opening of Plainridge Park Casino and prior to the opening of MGM Springfield and Encore Boston Harbor), the evidence indicates the following:

- There has been no significant change in the prevalence of problem gambling or related indices (treatment seeking, bankruptcy, divorce/separation, suicides) at either a state level or in the PPC Host and Surrounding Communities (H&SC). In the case of the PPC H&SC this is likely due to the fairly high population level of casino gambling that existed prior to the introduction

[29] SEIGMA Research Team (2018). Social and Economic Impacts of Expanded Gambling in Massachusetts: 2018. Amherst, MA: School of Public Health and Health Sciences, University of Massachusetts Amherst. September 18, 2018.

of the PPC that is related to the close proximity of Rhode Island and Connecticut casinos that have been in operation since the early 1990s.
- There has been no significant change in the overall amount of crime at a state level or in the PPC H&SC. However, there has been an increase in credit card fraud and reports of lost property, suspicious activity, and traffic complaints in the Town of Plainville that can likely be attributed to the PPC. These increases, in turn, are largely attributable to an increased volume of visitors to the area.
- There has been a significant change in both statewide and regional attitudes towards gambling that likely reflects greater satisfaction with the current gambling landscape. Both in the state and in the PPC H&SC a greater portion of people now report being satisfied with the availability of gambling. Similarly, at a statewide level, a smaller portion of people now express the opinion that all forms of gambling should be legal. An additional statewide change is that fewer people indicate the benefits of gambling are equal to the harms. In the PPC H&SC, there has been a decrease in the percentage of people who believe casinos will be beneficial to Massachusetts and an increase in the percentage of people with more neutral opinions about PPC (i.e., more people believing it will be neither beneficial or harmful).
- There has been no significant change in population health (health, happiness, stress, substance use, addictions) at either a statewide level or in the PPC H&SC that can be attributed to casino introduction. While there may be a slight increase in overall gambling participation and number of formats engaged in within the state, overall intensity of gambling participation may have declined somewhat, and there has been no change in overall gambling involvement in the PPC H&SC.
- There has been no change in the broader population demographics at either a statewide level or in the PPC H&SC that can be attributed to casino introduction.
- There has been no change in traffic or noise at a statewide level attributable to casino introduction, but there has been an increase in traffic volume, traffic complaints, and noise complaints (during construction) in the Town of Plainville and an increase in traffic volume in the City of Everett.

Additionally, the study assesses the economic and fiscal impacts of gambling in Massachusetts and found that “as of mid-2018 (i.e., after the opening of Plainridge Park Casino and prior to the opening of MGM Springfield and Encore Boston Harbor), the evidence indicates the following:

- Slightly more than 500 people have ongoing employment at the casino, with approximately 71% being in-state employees. A significant portion of these are ‘new’ jobs as people taking the positions were either unemployed or working part-time prior to beginning work at the casino.
- There has been no impact on statewide wages or poverty rates. There has been a slight increase in wages and slight decrease in poverty rate in Plainville, but it is uncertain whether this is attributable to the casino. There is reason (and evidence) to believe that gambling is somewhat regressive (i.e., people with lower incomes paying proportionally more of their incomes), but no analysis has yet been conducted to determine whether expanded casino gambling has increased or decreased this tendency.
- There is no evidence of a statewide impact on real estate property values, residential building permits, or rental costs. Similarly, at a regional level it is unlikely that PPC has impacted property values or rental costs.
- Government impacts from casino gambling have not been extensively analyzed. However, it is clear that some regulatory costs are incurred at a state level that are offset by revenue from

casino business taxes and licensing fees. At a regional level there are some financial costs in the community hosting the casino due to strain on infrastructure and local government services as well as the fact that the local populace will disproportionately contribute to casino revenue. However, this is offset by revenue from Host and Surrounding Community agreements with the casino, casino property taxes, and Local Aid from the state government from taxes on casino gross gaming revenue.

In July 2018, the MGC presented the impact data for Plainridge Park Casino ("PPC"). The findings "are based on a five-year study of the economic and social impacts of Plainridge Park in the host community of Plainville and the surrounding towns" and are "fact-based evidence by academic-quality researchers, of the true costs and benefits of introducing casinos in a new jurisdiction."[30] The report was completed by the University of Massachusetts School of Public Health and Health Sciences.

TABLE 41: PLAINRIDGE PARK CASINO IMPACT STUDY FACILITY INFORMATION

VENUE	HOST COMMUNITY	SURROUNDING COMMUNITIES	OPENING DATE	CURRENT GAMBLING AVAILABILITY	NOTES
Slot Parlor	Plainville	Attleboro Foxborough Mansfield North Attleborough Wrentham	6/24/2015	1. 1,249 slots + electronic table games **2. live harness racing track + simulcast betting** 3. several instant ticket and lottery ticket terminals	1. Harness racing since 1999 2. Casino expansion cost $150.2M 3. 196,000 sq ft for casino operations 4. several restaurants & bars 5. Owned by Penn National

Source: "*The Economic and Social Impact of the Plainridge Park Casino* on *Plainville and Surrounding Communities (Attleboro, Foxborough, Mansfield, North Attleborough, and Wrentham) July 2015-June 2017*," Massachusetts Gaming Commission, June 26, 2018. https://massgaming.com/wp-content/uploads/SEIGMApresentation6.26.18.pdf

The authors of the report compared changes in the host and surrounding communities to those observed in what they defined as "Matched Control Communities". The findings of their analysis were:

- No significant change in problem gambling or related indices have likely occurred in the PPC host and surrounding communities subsequent to the opening of PPC;
- No reported change in number of Gamblers Anonymous meetings in Plainville area or number of people attending meetings;
- No change in divorce filings, restraining orders or cases of child welfare endangerment in Norfolk County;
- PPC has not significantly increased overall crime in PPC host and surrounding communities, but there was an increase (temporary) in credit card fraud and reports of lost property and suspicious activity in Plainville likely attributable to PPC;
- There were no significant changes in the number of illegal gambling offenses in Plainville.

[30] MGC presents social and economic impact data for first two-years of operations at Plainridge Park Casino. Commission News. Massachusetts Gaming Commission. July 3, 2018.

Plainville police statistics show increase in property crime, total crime, and calls for service at PPC in 2 years after it became a casino compared to prior 2 years when it was just a racetrack.

However, when considering Plainville crime in general, annual offenses averaged 302 from 2010 to 2015, but fell to an average of 286 for 2016 and 2017. Inclusive of surrounding communities, the average annual crime volume declined from 8,305 (2010-2015) to 7,104 (2016-2017).[31]

TABLE 42: HISTORICAL POLICE CALLS TO PLAINRIDGE PARK, MASSACHUSETTS

	2-YEARS PRIOR TO JUNE 2015 AS RACETRACK	JUNE 2015 – JULY 2017 (POST-OPENING OF PPC) AS RACINO
Total Crime Offenses	10	90
Property Crime Offenses	6	47
Violent Crime Offenses	0	0
Calls for Service	1,130	1,566

Source: "*The Economic and Social Impact of the Plainridge Park Casino* on *Plainville and Surrounding Communities (Attleboro, Foxborough, Mansfield, North Attleborough, and Wrentham) July 2015-June 2017,*" Massachusetts Gaming Commission, June 26, 2018. https://massgaming.com/wp-content/uploads/SEIGMApresentation6.26.18.pdf

TABLE 43: HISTORICAL CRIMES IN PLAINVILLE AND SURROUNDING COMMUNITIES

OFFENSES	2010-2015 AVERAGES	2016-2017	% CHANGE
Total Crime Offenses	301.8	285.5	- 5.4%
Property Crimes	208.6	187.5	- 10.1%
Violent Crimes	29.6	37.5	+ 26.7%
Plainville and Surrounding Communities			
Total Crime Offenses	8,305.4	7,103.5	-14.5%
Property Crimes	3,904.6	3,466	-11.2%
Violent Crimes	870.4	943	+ 8.3%

Source: "*The Economic and Social Impact of the Plainridge Park Casino* on *Plainville and Surrounding Communities (Attleboro, Foxborough, Mansfield, North Attleborough, and Wrentham) July 2015-June 2017,*" Massachusetts Gaming Commission, June 26, 2018. https://massgaming.com/wp-content/uploads/SEIGMApresentation6.26.18.pdf

The researchers also found no change in health of the local community as attributable to PPC:

- No significant change from BTPS (baseline 2014)-Plainville to FTPS (2016 follow-up)-Plainville in health, happiness or stress.

[31] Ibid.

- No significant change from BTPS-Plainville to FTPS-Plainville in % of people who reported seeking help for their use of alcohol or drugs or who reported having a behavioral addiction.
- No significant change from BTPS-Plainville to FTPS-Plainville in rated 'importance of gambling as a recreational activity'.

There is evidence of some environmental impacts:

- There were noise complaints in Plainville associated with PPC construction, but not its operation.
- Plainville has experienced an increase in traffic volume.
- Plainville has experienced an increase in traffic complaints.

Additional conclusions include:

- There may be a small increase in the number of businesses in Plainville attributable to PPC
- In terms of impact on other gambling industries, PPC has increased lottery sales in Plainville and stabilized PPC horse racing revenues;
- It seems unlikely that PPC has had an impact on property values or commercial or industrial rental rates;
- There are some increased governmental costs, but they are offset by significant financial gain from GGR local aid and revenue from host and surrounding community agreements.

DISCLAIMER

Certain information included in this report contains projections, estimates and/or forward-looking statements which Convergence Strategy Group has based on our current expectations about future events. These items include statements that reflect our existing beliefs and knowledge regarding the operating environment, existing trends, existing plans, public announcements, objectives, goals, expectations, anticipations, results of operations, future performance and business plans.

Further, statements that include the words “project,” "estimate," "intend," "plan," "may," "could," "should," "would," "believe," "expect," "anticipate," or other words or expressions of similar meaning have been utilized. These statements reflect our current judgment based on information available to us when producing this report and we undertake no duty to update such statements in the future.

Although we believe that assumptions and methodologies used in this report are reasonable, any or all of the estimates or projections in this report may prove to be incorrect. To the extent possible, we have attempted to verify and confirm estimates and assumptions used in this analysis. However, some assumptions inevitably will not materialize as a result of inaccurate assumptions, and/or unanticipated events and circumstances may occur. Consequently, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material. As such, Convergence Strategy Group accepts no liability in relation to the estimates provided herein.

APPENDIX

COMPARABLE STUDIES/LITERATURE REVIEW

THE ECONOMIC IMPACT OF THE PROPOSED DANVILLE RESORT IN THE CITY OF DANVILLE

In January 2019, a study of the potential for a Danville Resort Casino was released by Chmura Economics and Analytics. This study, which was conducted by a firm without specialization in gaming market analyses, presents a series of unreasonable projections for a Danville facility.

This study assessed a 650,000 square-foot resort and casino in the former White Mill property, to include gaming, food and beverage outlets, and hotel. The construction cost estimated was $250 million, including FF&E. The study estimated the facility would, by 2028, "employ 5,200 workers and host approximately 4.0 million guests per year." First year visitation was estimated at 1.1 million, to increase to 3.3 million in year 5. Total property revenue in 2028 was projected to be $889.7 million, of which $600.0 million is gaming revenue, and $289.7 million is non-gaming revenue.

Convergence Strategy Group cannot verify, support, or find any justification for the projections. The performance projected by Chmura Economics and Analytics would rank at or near the top in terms of the largest and most successful casinos in the entire United States, the existing ones for which are located in/proximate to metropolitan markets with dense populations with high income levels.

CSG SOCIOECONOMIC RESEARCH

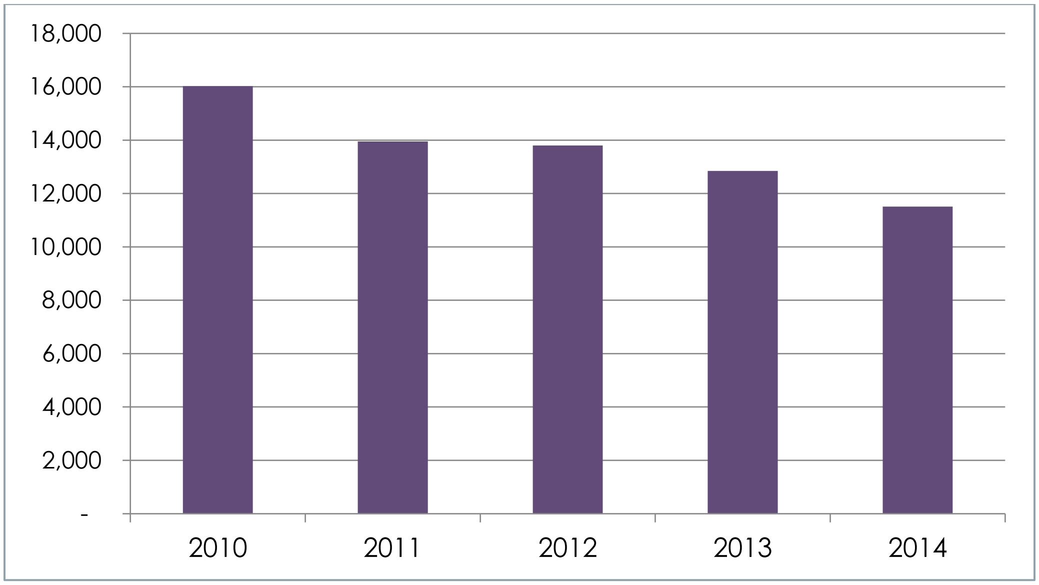
In addition to the research presented in the body of this report, CSG has interviewed public safety officials in markets throughout the US to gain perspective on how gaming facilities have impacted communities; i.e., whether the gaming facilities created any issues with respect to public safety staffing needs, the volume of calls to the casino and any information related to memorandums of understanding (MOUs) and/or funding from the casino to the departments. In 2016, CSG has surveyed the following departments (the feedback is still pertinent today, and was closer to the opening dates at that time):

- Mount Pocono, PA where the Mount Airy Lodge Casino opened in October 2007
- Emmetsburg, IA where the Wild Rose Casino and Resort opened in May 2006
- City of Waterloo, Black Hawk County, IA where the Isle Casino Hotel opened in June 2007
- Oxford, ME where the Oxford Casino opened in June 2012

MOUNT POCONO, PENNSYLVANIA

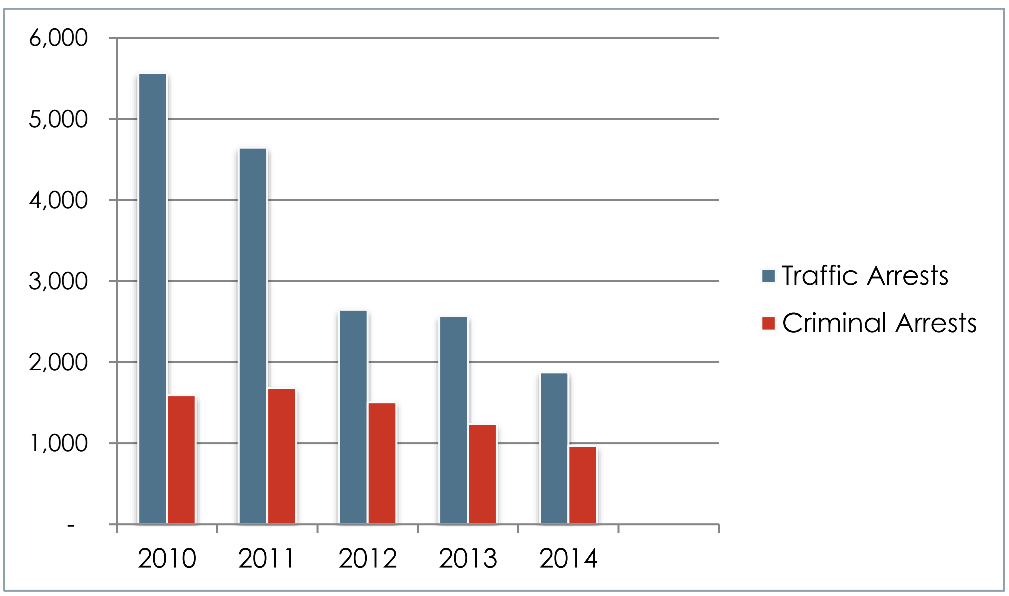
The Pocono Mountain Regional Police Department serves Tobyhanna, Mt. Pocono, Tunkhannok and Coolbaugh, the communities surrounding the Mt. Airy Casino. Chief Harry Lewis only had data available going back to 2010, which is after the casino opened, but in all categories surveyed there has been a steady decline in incidents, suggesting that the casino is not a continuing negative influence on criminal activity in the Mount Pocono region.

CHART 2: POCONO MOUNTAIN REGIONAL POLICE ANNUAL 911 CALLS



Source: Pocono Mountain Regional Police Department

CHART 3: POCONO MOUNTAIN REGIONAL POLICE ARRESTS



Source: Pocono Mountain Regional Police Department

The Pocono Mountain Fire Department is a 100% volunteer department, as are all of Monroe County and the surrounding counties. Chief Dan Luddeni stated that his station had not seen any increase in residential fires since the opening of the casino, but that they have seen "more traffic accidents in general and specifically in the area of the casino". Chief Luddeni said that the major cost increase was volunteer time spent, but that the department did spend approximately $60,000 for vehicle rescue equipment to be used for the entire coverage area. He said that overall call volume for his Company had grown slightly over the past 12 years from roughly 170 fire calls annually to approximately 200 currently, but that it has grown largely due to population increases over the past few decades and not as a result of the casino. Chief Luddeni also said that the number of volunteers has shown a slight increase recently, "but it is cyclical. We often gain a few then lose a few, always settling in or around the same number although we could always use more". His department has not received any funding or donations from the casino and did not have an MOU in place.

EMMETSBURG, BLACK HAWK COUNTY, IOWA

The Emmetsburg, IA Chief of Police Eric Hanson stated that his department gets eight to ten calls per month to the Wild Rose Casino and Resort, and that they fall into three main categories: request for support of armored trucks transporting casino property, ambulance calls, and requests to unlock vehicles. He said that it is extremely rare that the police department is called to the casino for criminal activity and that there are very few arrests. He said that on the occasions that an arrest is made, it is usually for Public Intoxication.

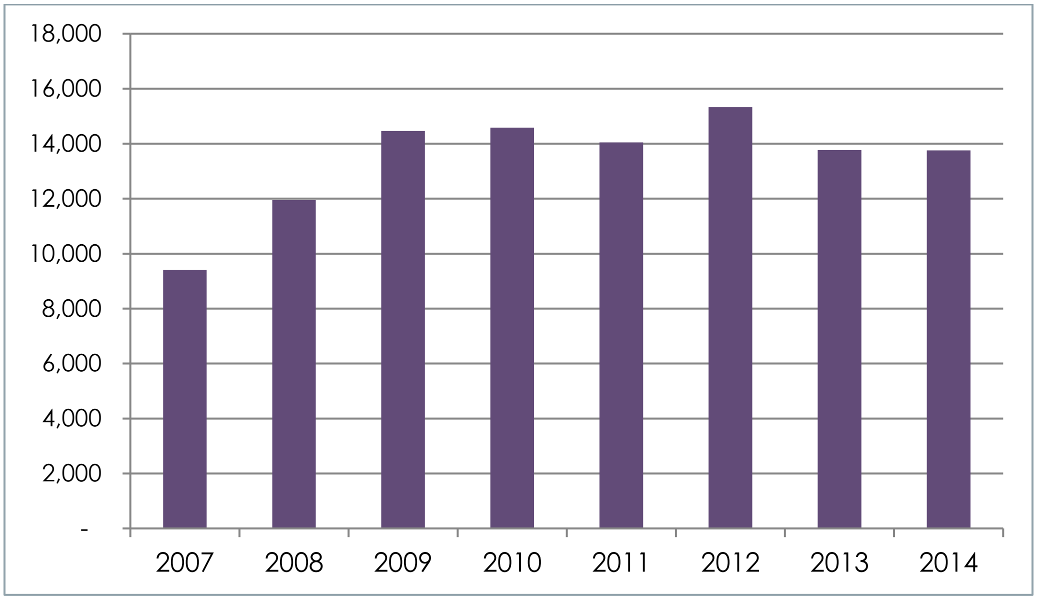
Chief Hanson said that the number of DUI/DWI arrests over the past ten years has remained relatively steady and he does not feel that there was in increase due to the casino opening. He provided information that there has been a total of 158 DUI/DWI arrests over the past ten years, for an average of 15.8 arrests annually. His department did not add any staff or equipment due to the opening of the casino and has had six full time officers and one secretary for the past ten years. There was not an MOU with the casino when it opened and the police department has not received any funds directly from the casino but has applied for and received grant funding from the casino's non-profit foundation.

Kim Kibbie, the Emmetsburg City Clerk, stated that the fire department had not needed to add a new fire station due to the opening of the casino. She said that they had purchased new equipment, but that that was not necessarily due to the casino opening. She said that the fire department had not signed an MOU with the casino, but that like the police department, had received numerous grants to fund equipment purchases from the casino.

Deputy George Wright of the Black Hawk County Sheriff's Department stated that the department had not added any staff when the Isle Hotel and Casino opened, but that they had loaned the Iowa Department of Criminal Investigations, which handles many of the law enforcement activities for the casino, the use of their NetMotion/Shield software to track offender in Black Hawk County at a cost of $500 to the department. They did not have an MOU with the casino and have not received any funding from the casino.

Since the casino opened there has been an increase in the number of annual 911 calls that the Black Hawk County Sheriff's Department receives, going from 9,405 calls in 2007, the year the casino opened, to a peak of 15,328 calls in 2012, a 63 percent increase. However, the number of annual 911 calls had fallen in the past two years.

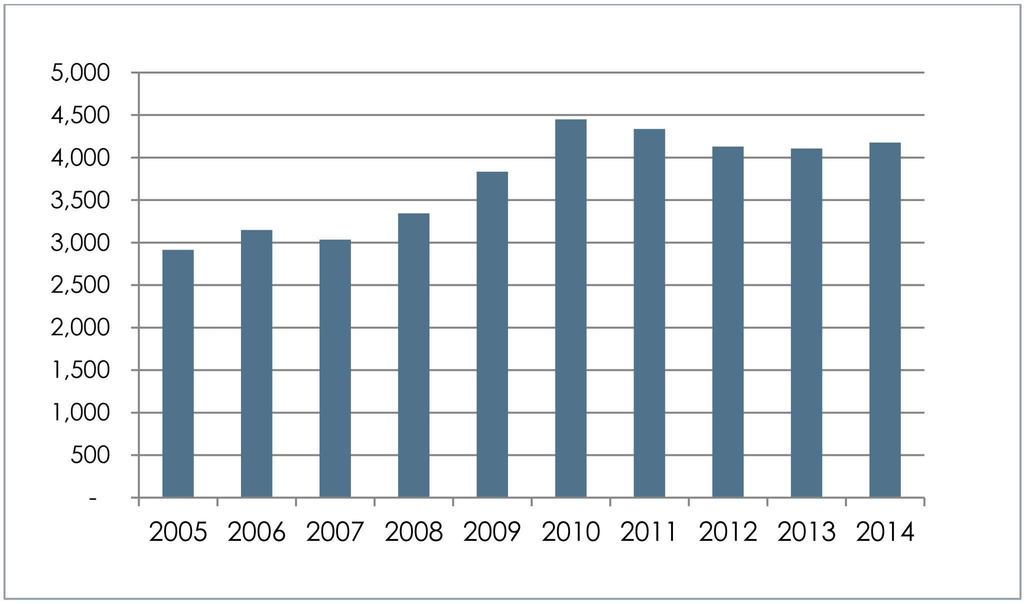
CHART 4: BLACK HAWK COUNTY, IA ANNUAL 911 CALLS



Source: Black Hawk County Sheriff Department

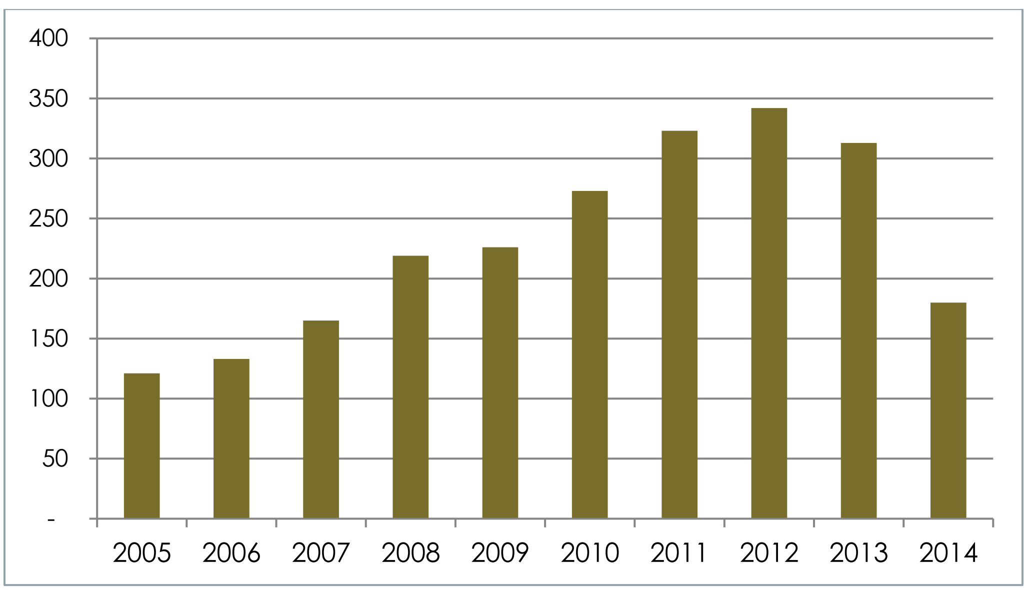
Similarly, there has been an increase in the annual number of arrests and number of DUI/DWI arrests since the casino in Black Hawk County opened. However, this trend began prior to the casino opening, but there was a significant jump in DUI/DWI arrests after the casino opened. Deputy Wright did not indicate whether he felt these increases were due to the opening of the Isle casino or not.

CHART 5: BLACK HAWK COUNTY, IA SHERIFF ANNUAL ARRESTS



Source: Black Hawk County Sheriff Department

CHART 6: BLACK HAWK COUNTY, IA SHERIFF ANNUAL DUI/DWI ARRESTS



Source: Black Hawk County Sheriff Department

WATERLOO, IOWA

The City of Waterloo Fire Rescue is a professional company that employs 100 uniformed and four civilian professional staff. In addition to its role in fire suppression and rescue, the department provides fire-service based Emergency Medical Services (EMS). Ambulances are staged at firehouses and are staffed by cross-trained firefighter-paramedics. This department feels that this affords considerable efficiency and flexibility to its operations. The budget for 2014-2015 was roughly $13.5M.[32] Chief of Fire Services Pat Treloar did not indicate whether the department had signed an MOU with the casino or if they had received any funding from the casino, but the department secretary felt that there had not been any money given by the casino or any kind of agreement with the casino. The department opened a new fire station and added staff since the casino opened, but the administrative liaison did not feel that this was due to the Isle Casino opening.

OXFORD, MAINE

Lieutenant Mike Ward of the Oxford, Maine police department stated that the number of calls to his department has increased in the past two to three years, but he indicated that this was due to all of the new businesses that had recently opened in Oxford and were bringing many people to the area. He said that in addition to the Oxford Casino, a Wal-Mart and numerous other businesses had recently opened that brought more people into Oxford from out of town than actually live in the city. He stated that they were, "a small community of about 4,000 people. These businesses opening have been a boon for the town. We have a great relationship with the casino and the other businesses". He was very enthusiastic about the Oxford Casino and said that it had brought many jobs to the community. He said that he had not noticed any increase in serious crimes, but that there was far more traffic in the town, again stating that "businesses are bringing more people in than actually live here". Although there was more traffic, Lt. Ward seemed to view the increased activity in the town as a significant positive.

Oxford Fire/Rescue is a professional company of 47 firefighters, EMTs, and paramedics. Lieutenant Steve Cordwell said that the department had grown in the past few years but said that he wouldn't necessarily attribute that to the Oxford Casino. He was unsure if the casino had provided any funding to the department or if there had been a signed MOU.

[32] Waterloo FY2015 budget, http://165.206.254.124/local/city/fy15/budgets/WATERLOO15.pdf

GLOSSARY

Gross gaming revenue (GGR) – the amount that casino players wager minus winnings

Win per Visit – the average amount that the casino earns per visitor (wagers less payouts)

Win per Position – the average amount that the casino earns per gaming position (slots = 1 position; table games = 6 positions) per day, typically on an annual basis

RNA – room nights available; a measure of hotel capacity which is equal to the number of hotel rooms multiplied by number of nights in operation, typically shown on an annual basis

RND - room nights of demand; a measure of hotel occupancy which is equal to the number of hotel rooms occupied, typically shown on an annual basis