

A.3

Rural Casino Development Patterns

Case Studies and how they may help inform likely development patterns for the Schoolfield District



Comparison Communities

As part of the Schoolfield analysis NP examined 4 casino developments to obtain a firsthand look at actual development activity near the casinos and overall growth patterns of the communities. Three of the four casinos were subject to a site visit in November of 2021 to get on the ground knowledge of the development patterns, vacancy levels and “curb appeal”.

Specifically, the case studies were used to understand:

- What could be the size and reach of the labor shed?
- What development patterns and uses have emerged since the opening of the casinos ?
- What has happened to the local economy & population since the opening?
- What are key considerations for Danville?

Comparison Casino Developments

- Mohegan Sun, Uncasville CT
- French Lick Resort, French Lick IN
- Harrah's Council Bluffs, IA
- Harrah's Cherokee Resort, NC

Details about each casino is available on the next page.

Casino Comparisons

Casino / Location	Rooms	Spa / Golf / Convention / Concert Venue	Branded Restaurants	Gross Revenue 2019	Notes
Mohegan Sun, Norwich CT Rural Opened: 1996	1563	All of the above	Yes – multiple	\$992m (Casino.org)	<ul style="list-style-type: none"> • Occupancy over 95% • Major convention center expansion in 2020 (183ksft) • 9m visitors (the Day New London)
French Lick Resort, IN Rural Opened: 2006	686	All of the above	No	\$155m (Indiana Gaming Commission)	<ul style="list-style-type: none"> • 56 rooms under construction • Addition of convention center in 2015 caused substantial growth in visitor activity
Harrah's Council Bluffs, IA Suburban Opened: 1995	251	Concert venue / public golf course adjacent to Casino	No	\$168m (Iowa Gaming Commission)	Located across river from Omaha.
Harrah's Cherokee Resort, NC Rural Opened: 1997	1108*	All of the above	Yes - multiple	\$400+m (estimated from impact reports)	<ul style="list-style-type: none"> • 5.2m visitors (Haywood County) • 2 expansions. *Finished major expansion in Oct '21 convention center + new hotel tower. • Occupancy over 95%

OBSERVATION

Population and employment growth has been mixed

At least 3 of the communities noted that lack of housing was a major inhibitor to overall growth. There was some upward pressure but not enough to spur the market to respond to significantly increase supply.

In the French Lick example, the lack of quality housing was also impacting their ability to recruit staff to work at the Casino and nearby resorts.

It is unlikely there will be a significant rush to build new housing solely because of the presence of the Casino. Based on the case studies there was little evidence of the market rushing to build new housing despite employment growth and price increases. Moreover, the casinos with the most similar geographic profile to Danville, Mohegan and French Lick, approximately 50% of the workforce appears to commute less than 10 miles based on OnTheMap data.

Housing availability and quality is already acknowledged as a key issue for Danville and will likely need to be addressed outside of a market response from private developers.

Casino / Location	Population Growth 2000 to 2020 (host city / county)	Net Job Growth 2000 to 2020*	Avg Rent 1 Bedroom (rentdata.org)	Median Home Value / % State Avg (Zillow)
Mohegan Sun, Norwich CT Rural Opened: 1996	+11% / -2.0%	245 (Norwich)	\$1000 (Zillow)	\$207,172 / 63%
French Lick Resort, IN Rural Opened: 2006	-1% / +2.9%	1006 (Orange County)	\$563	\$125,123 / 63%
Harrah's Council Bluffs, IA Suburban Opened: 1995	+7% / +6.7%	621 (Council Bluffs)	\$798	\$166,421 / 95%
Harrah's Cherokee Resort, NC Rural Opened: 1997	-2.5% / +9.6%	60 (Swain County)	\$548	\$207,924 / 75%

*job growth based on census 2002 to 2019 due to data limitations for local community reporting in some states

Observation:

Likely major development in proximity to casino locations appears unlikely on its own

It is likely to see several new hotels (1 to 3) or repositioning of existing hotels in proximity to the casino.

Likely product examples are Fairfield Inn to Candlewood Suites ranging from 60 to 120 keys at the lower range of price points with limited service (breakfast). Cherokee Resort had a number of AirBnB opportunities. However, the Cherokee Resort is also adjacent to the Great Smoky Mountains National Park.

Several of the resorts had a significant retail and dining component. Any outside retail development will be designed to capture incidental spending of the casino visitor or worker. Otherwise, retail development will be based on standard formulas driven by household growth in Danville unless there is a specialty development.

Casino / Location	Neighboring Hotels since Opening	Nearby Retail / Restaurant	Other Development
Mohegan Sun, Norwich CT Rural Opened: 1996	<ul style="list-style-type: none"> Hyatt Place Hampton Inn Microtel Holiday Inn Fairfield Inn (repositioned) 	<ul style="list-style-type: none"> Gas station McDonalds 	<ul style="list-style-type: none"> "Norwich Hospital site, totaling 393 acres, Mohegan Gaming & Entertainment wants to build an outdoor theme park, indoor water park, hotels, a sports complex, retail components, 200 senior residential units, 100 time share units, a 100-unit RV facility, year-round ski facility and a marina with 50 slips." https://www.norwichbulletin.com/story/news/2020/07/15/norwich-hospital-site-bonding-released/113709914/
French Lick Resort, IN Rural Opened: 2006	<ul style="list-style-type: none"> Comfort Inn Equivalent to 50 to 100 key hotel in AirBnBs 	<ul style="list-style-type: none"> 5 restaurants located in revitalized town center from reinvestment of casino payments 	<ul style="list-style-type: none"> French Lick Resort providing land and investing \$1m into new housing development to meet shortfall https://www.tnnews.com/story/news/2021/09/08/first-home-completed-french-lick-resort-housing-project/5755549001/ Indoor waterpark resort
Harrah's Council Bluffs, IA Suburban Opened: 1995	None	None	
Harrah's Cherokee Resort, NC Rural Opened: 1997	<ul style="list-style-type: none"> Fairfield Holiday Inn Express Several locals 	<ul style="list-style-type: none"> Starbucks Wendy's McDonalds 2 Pawn shops 2 Gas Stations 	<ul style="list-style-type: none"> Significant 2nd home growth in region due to location in the Smoky Mountains

Observation:

Diversification of drawing visitors with more than gambling highly likely

A review of the expansions of the case study casinos shows a pattern marked by building of the initial gambling venue and a baseline hotel, adding shopping and restaurants, then substantial expansion by adding event and meeting space.

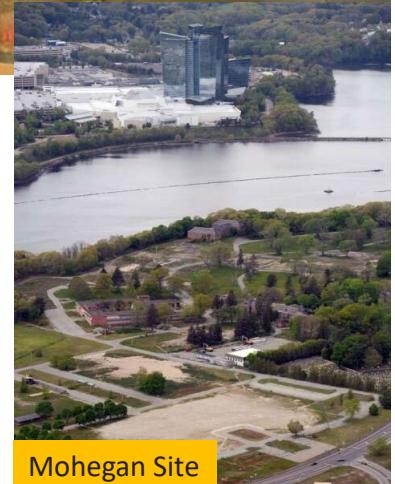
For example, Harrah's Cherokee added an 83,000sft convention space and an additional 725 hotel rooms in 2021. French Lick has done two major expansions primarily involving event and meeting space since its opening in 2006.

Additionally French Lick and Mohegan have or are adding "family friendly" activities near their casino facilities. In French Lick a 154 room, 40,000sqft indoor / outdoor water park resort exists within 10 minutes walking distance of the casino. (note it is not part of the casino development). This type of development reinforces French Lick's historic role as a Midwest resort area built around its natural springs.

In contrast, the Mohegan Tribe purchased a 393 acre state hospital site with the intent to develop it as a family friendly resort with camping, hotel, marina, youth sports complex, among other projects.



A strong event and convention business will have positive impacts on the River District and other parts of Danville if the city is prepared for the increased activity by continued focus on the visitor experience.



Development Framework

Rough Ideas for Development Planning for Schoolfield Corridor based on the Case Studies

Base Level Development
Absorbing Casino Associated Development

- 1 – 3 hotels
- Ancillary retail (gas, food, convenience) may be limited

“Entertainment”

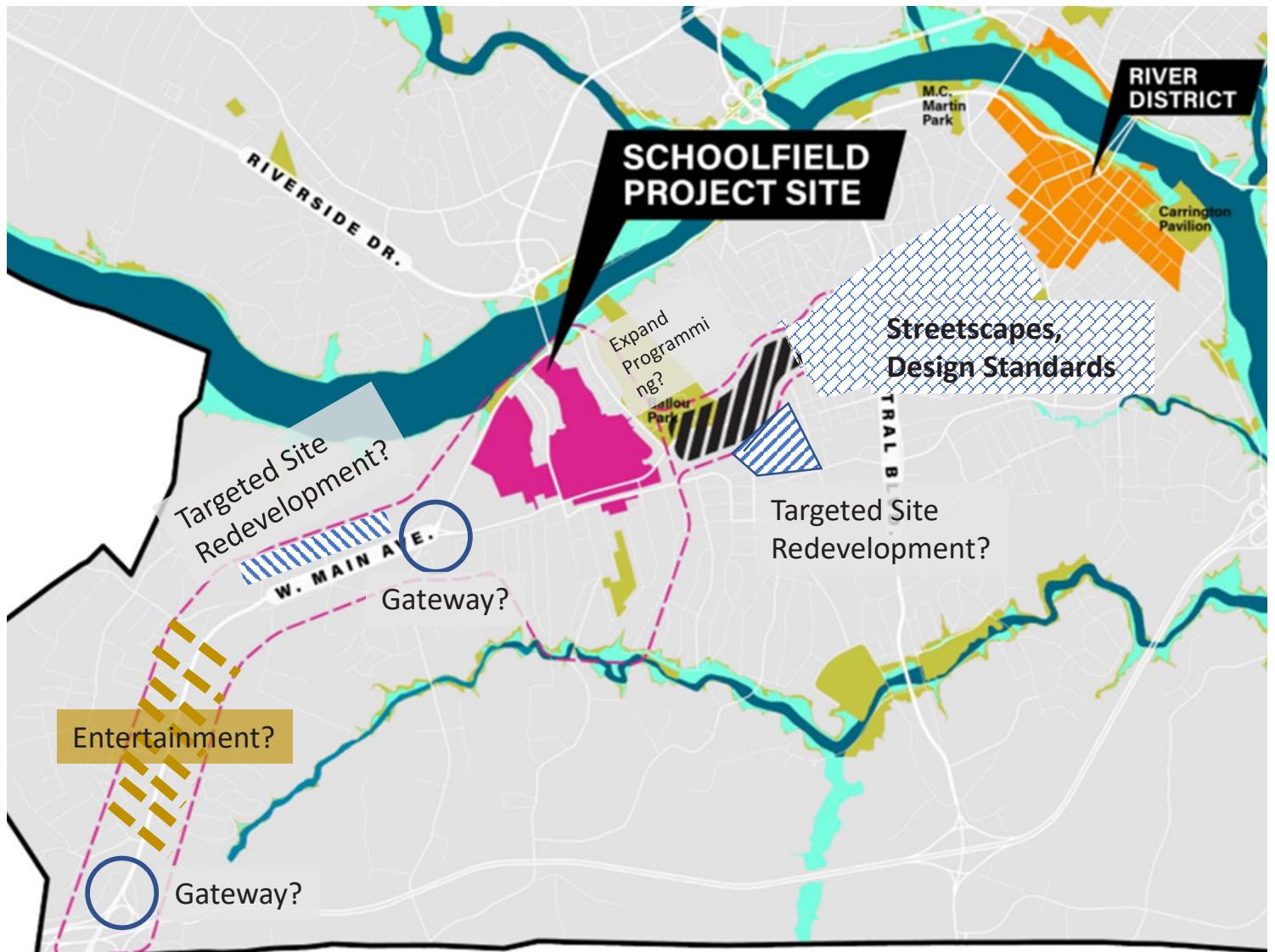
- Promote zoning to encourage development of live entertainment, mixed use, and vacation-style assets
- Take advantage of larger parcel sizes

“Targeted Sites”

- Focus on redevelopment of key parcels to meet community needs for housing, community amenities

“Danville Experience”

- Protect the transition between urban Danville and the commercial corridor
- Promote Danville experience as part of any group business that may occur at the casino





DANVILLE BASE CONDITIONS MARKET SNAPSHOT

June 2020

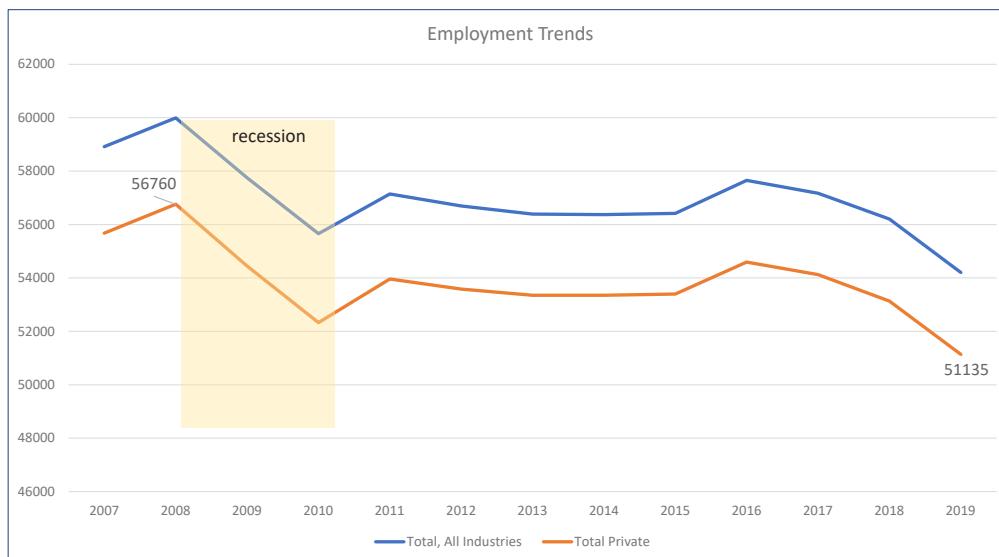
Overview of Findings

FINDINGS & IMPLICATIONS

- Danville has been losing jobs but gaining establishments – establishments that space typologies are more office than industrial.
- Danville's entrepreneurial sector has been steadily gaining strength and scale.
- The population story of Danville is mixed – the population is forecasted to decline but the city has been a net recipient of residents, and nearly 1/2 of the residents that have left have remained in the area.
- This mixed population story coupled with the aging housing stock of the city suggests an opportunity for new housing development to absorb the demographic shifts in the city as well as the new residents coming into the city. However, price points could make it difficult to gain financing due to comparative appraisal issues.
- Continued expansion of sustainable retail and restaurant development will require continued population growth as well as an expansion of visitor activity.

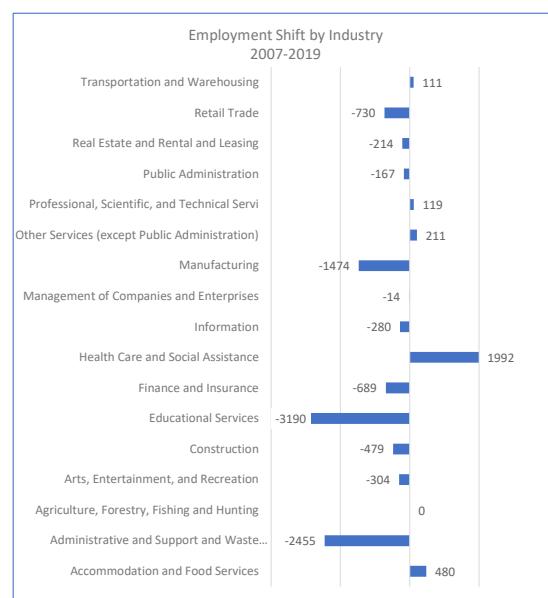
Economic Performance

EMPLOYMENT IN DANVILLE NEVER FULLY RECOVERED FROM THE '08 RECESSION



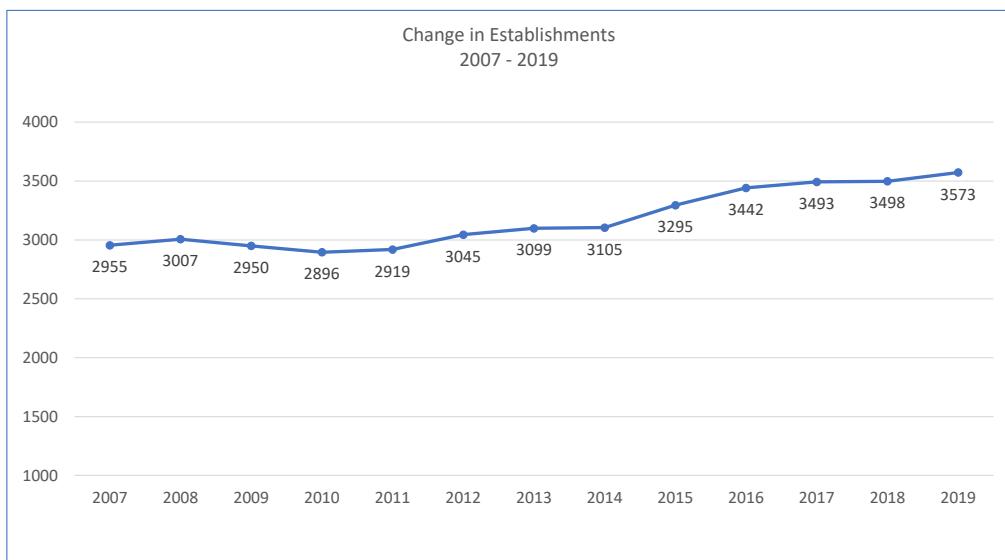
MANUFACTURING WAS NOT THE LARGEST CONTRIBUTOR TO JOB LOSSES IN DANVILLE

Healthcare and social assistance jobs did offset the decline in manufacturing but its important to remember that those are not one to one job shifts meaning that manufacturing workers cannot without substantial retraining work in the healthcare industry.

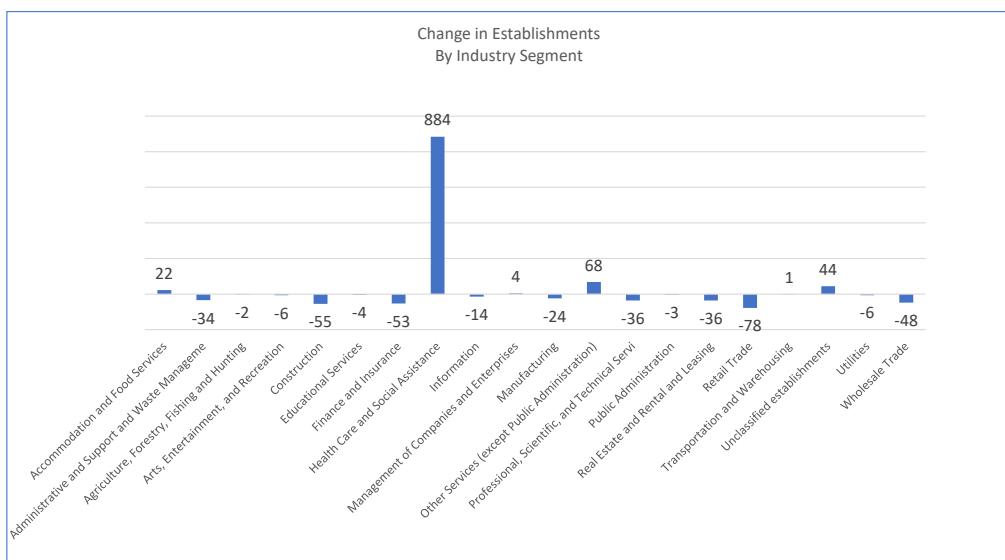


Source: NP analysis of VA LMI QCEW data

DANVILLE HAS HAD STEADY GROWTH IN ESTABLISHMENTS



BUT NEARLY ALL THE GROWTH HAS COME FROM THE HEALTHCARE AND SOCIAL SECTOR

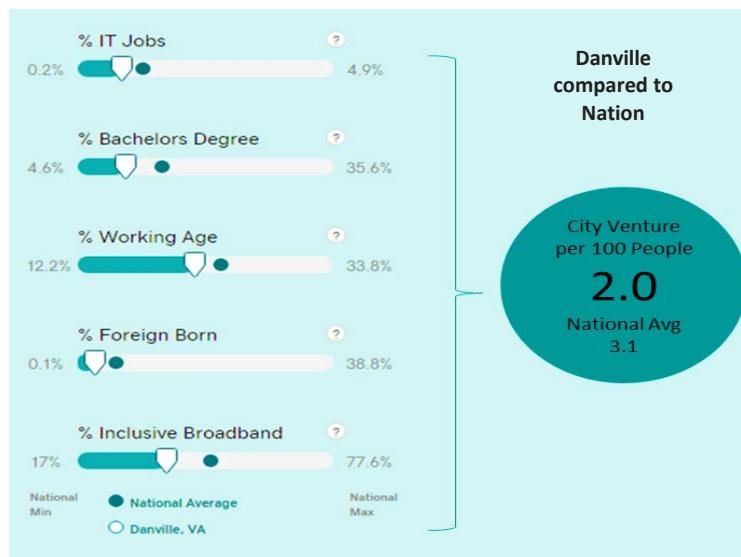


Source: NP analysis of VA LMI QCEW data

Entrepreneurial/Innovation Economy

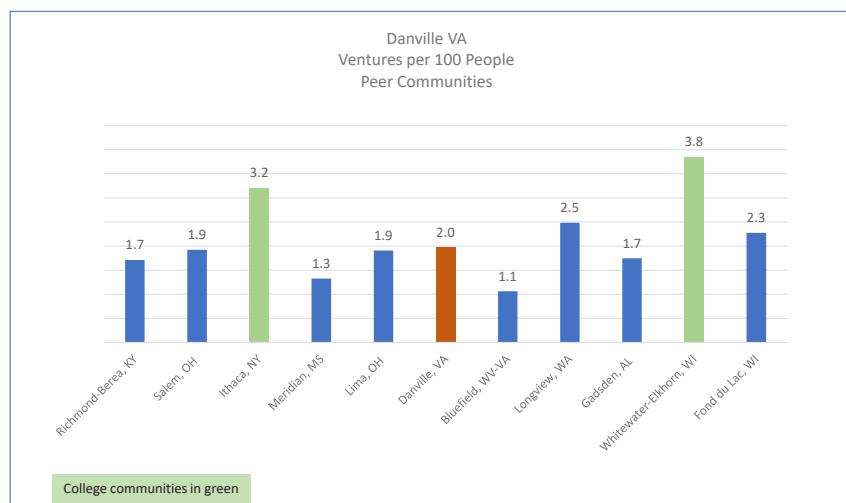
VENTURE FORWARD INNOVATION CAPACITY FACTORS

Venture Forward is a research program by GoDaddy.com. The research identified relationships between venture development and key indicators for over 900 communities. Based on this analysis Danville's performance lags the US.



VENTURE FORWARD INNOVATION CAPACITY FACTORS

NP examined the dataset and compared Danville to the next 10 communities of comparable size (5 larger and 5 smaller). Viewed through this lens Danville performs substantially better than several of its size peers.

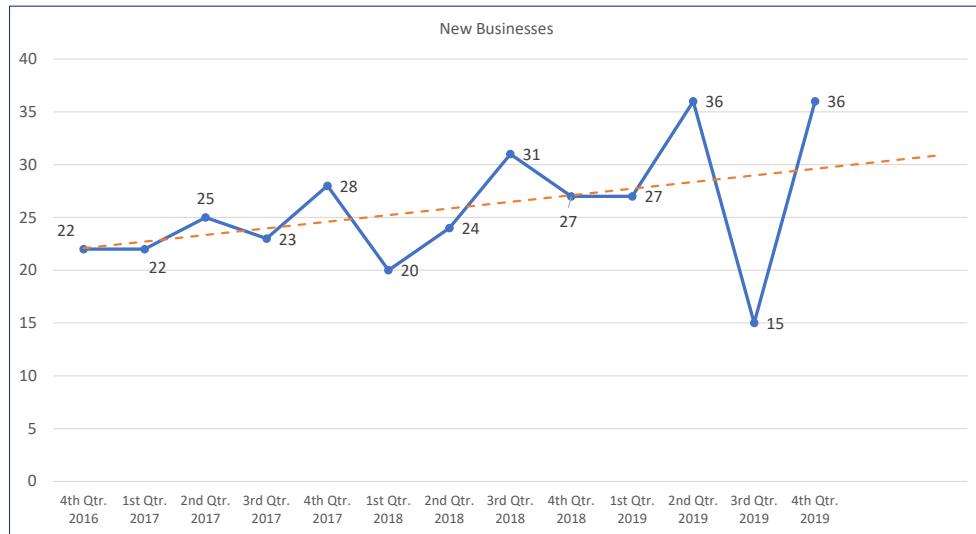


Source: NP analysis of Venture Forward by GoDaddy

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BUSINESS STARTS

Danville has averaged 25 new businesses a quarter since Q4 of 2016. The trendline suggests that the average could increase to over 30.



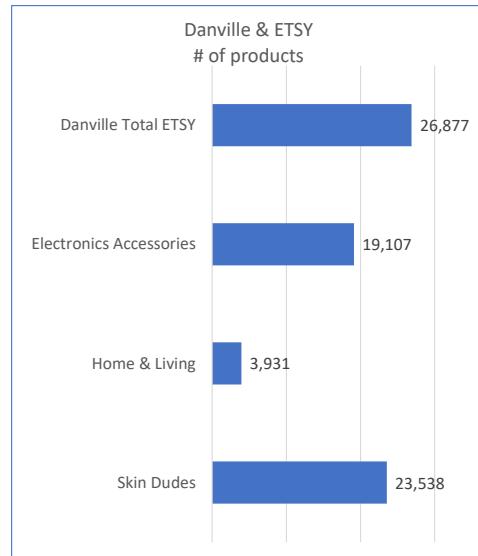
ETSY & KICKSTARTER

ETSY and Kickstarter are a way to gain a sense of the maker community in the area. ETSY is an online retail site that provides artisans, craftsmen, and consumer product focused businesses a common selling platform. Kickstarter is a crowd sourcing funding platform.

Danville based projects have a limited experience with Kickstarter. We found 9 projects dating back to 2013 of which only 2 have been funded.

Etsy is an interesting story. Danville has almost 27k products made from businesses in the area. The largest category is electronics & accessories which represents 71% of the total. The majority of these products are covering skins for cellphones, tablets, etc. The largest Danville ETSY store is Skin Dudes which represents 88% of the total Danville product base. Skin Dudes is in the top 1% of ETSY online retailers.

The next largest category is The remaining shops are small but several of them have common traits around consumer products with a design emphasis.

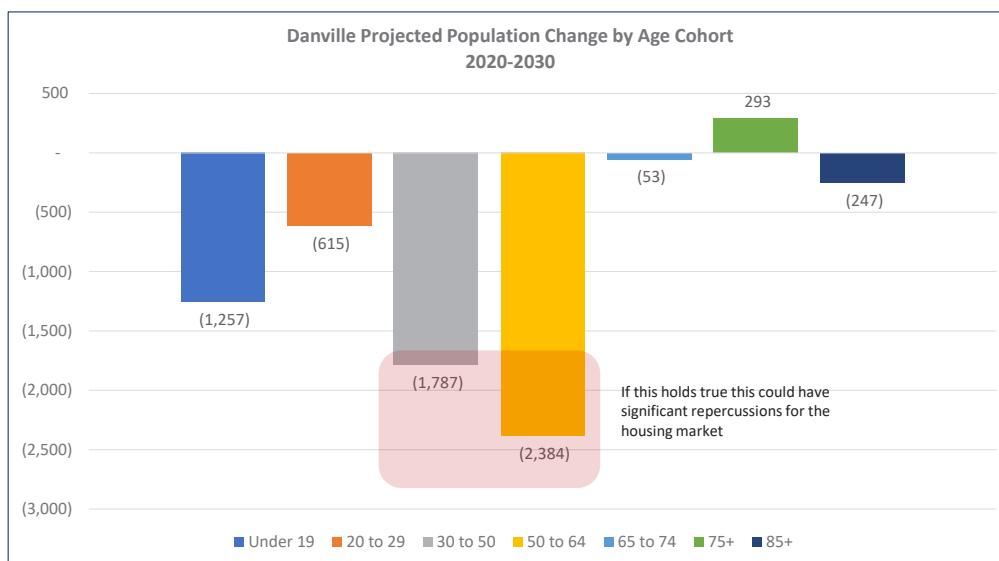


Housing Market Base Conditions

HOUSING MARKET FACTORS

- Population factors such as demographic shifts, household income distribution, migration, and typical turnover rates
- Housing stock including availability, price points, typologies, quality indicators

THE POPULATION FORECAST SHOWS A POPULATION DECLINE COUPLED WITH THE CITY GETTING OLDER



Source: NP calculations based on UVA Demographics Research Group

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FORECASTED SUGGESTS SOME IMPORTANT SHIFTS ACROSS AGE AND INCOME THAT COULD IMPACT THE HOUSING MARKETS

The combination of increased households with higher income levels in key family rearing ages plus growing senior cohorts could create the need for new housing.

Change 2019-2024	Age of Household						
Income	<25	25-34	35-44	45-54	55-64	65-74	75+
<\$15,000	-15	-67	-28	-87	-154	-6	31
\$15,000-\$24,999	-20	-50	-18	-53	-85	-12	1
\$25,000-\$34,999	-20	-64	-22	-69	-81	-10	26
\$35,000-\$49,999	1	-4	45	-25	-48	63	79
\$50,000-\$74,999	4	-9	42	-30	-11	58	42
\$75,000-\$99,999	-1	-7	36	-7	-10	23	16
\$100,000-\$149,999	0	-12	15	-8	-8	6	20
\$150,000-\$199,999	0	-5	8	-6	0	0	6
\$200,000+	0	-6	3	2	-1	4	2

Source: NP analysis of ESRI demographic data

DANVILLE POPULATION MIGRATION STATISTICS

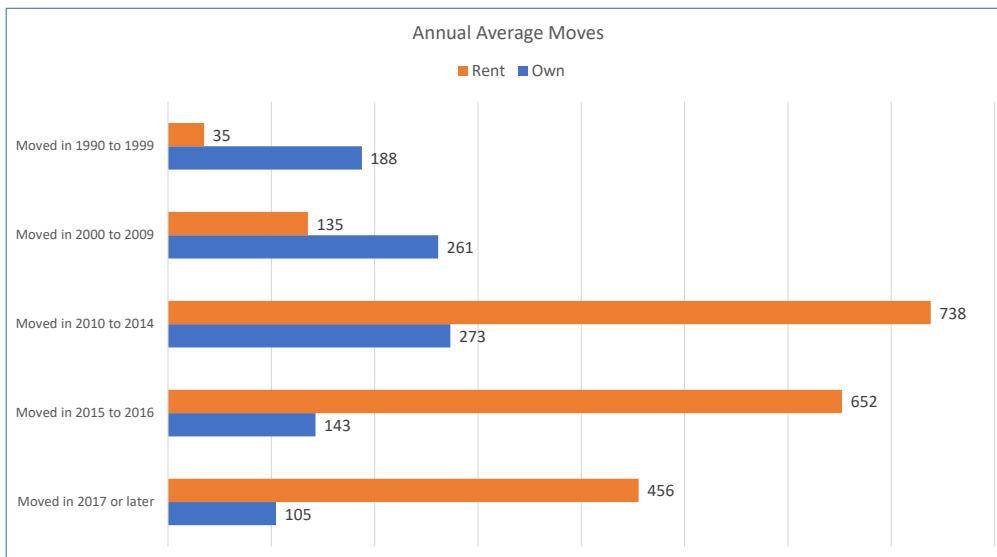
Danville saw an estimated 2520 people move to the city between 2013-2017 or an average of 630 people a year.

Net migration stats shows 106 more people moved to Danville than left during this time period. However, among those that left, a large percentage did not leave the area. 31% of the moves out of the city were into the county. Another 15% were to neighboring counties in Virginia and North Carolina.

Geographic Origin
Movers to Danville
more than 50 people

State/U.S. Island Area/Foreign Region of Geography B	County Name of Geography B	Flow from Geography B to Geography A
Virginia	Pittsylvania County	561
Alaska	Anchorage Municipality	286
North Carolina	Caswell County	124
Virginia	Halifax County	116
Virginia	Portsmouth city	85
North Carolina	Forsyth County	79
New Jersey	Burlington County	72
Asia	Asia	69
Virginia	Rockingham County	66
Virginia	Alleghany County	53
Tennessee	Davidson County	51

DANVILLE HAS SEEN AN INCREASE IN RENTAL HOUSING MOVEMENT IN THE LAST SEVERAL YEARS



HOUSING MARKET BASE CONDITIONS

It is important to remember that housing market assessments are snapshots in time and can change on a daily basis. For this review NP utilized a series of information sources including:

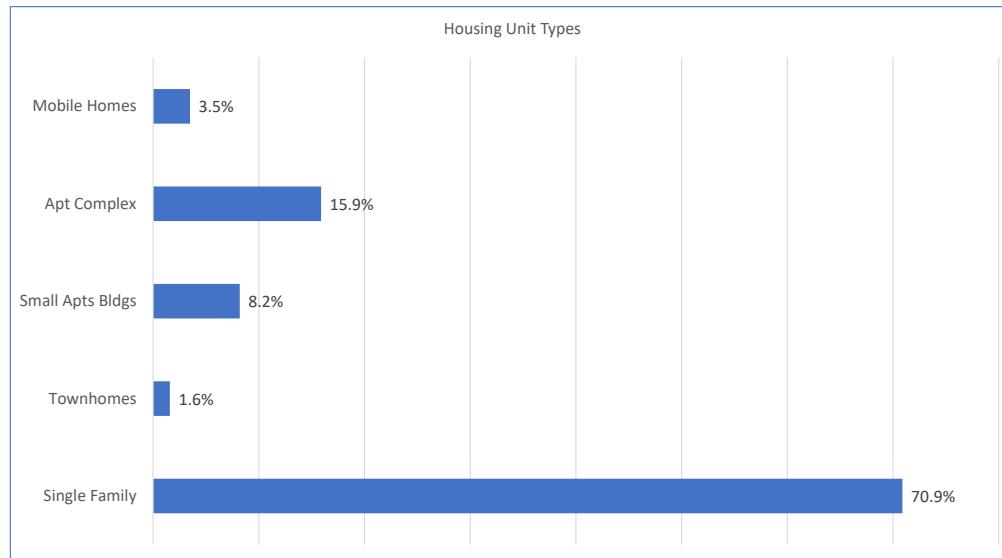
- Zillow
- Trulia
- Apartments.com
- Neighborhoodscout.com
- American Community Survey

NP also reviewed prior studies including the 2014 housing study.

2014 Housing Study Findings

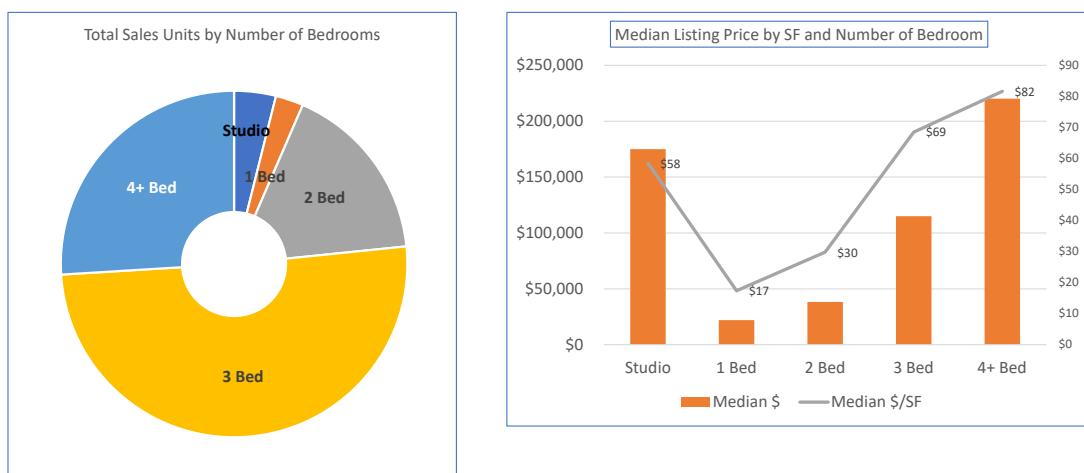
- Value problem not an affordability problem;
- Abundance of neglected homes;
- Too many obsolete homes;
- Shortage of quality of life amenities;
- Neighborhoods disconnected from the city's rather remarkable assets

TOWNHOMES MAY REPRESENT A POTENTIAL OPPORTUNITY



FOR SALE HOUSING MARKET

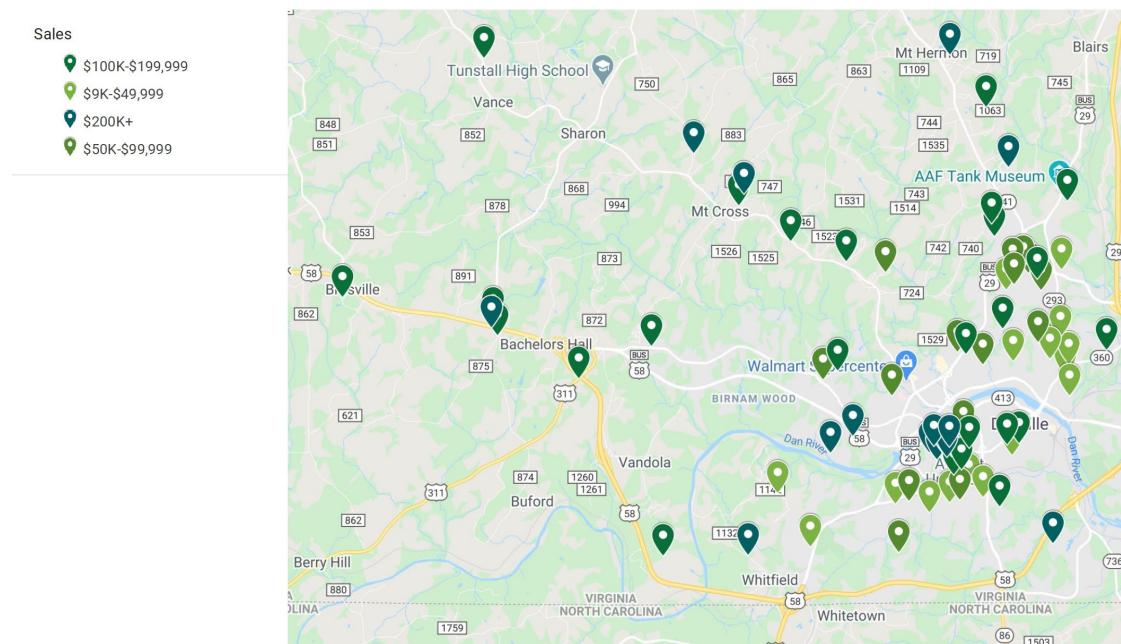
The majority of the available inventory in May was larger homes.
 For sale homes are below new construction costs which are typically around \$155/ft.
 It is notable that for sale studios are significantly more expensive than 1 or 2 bedroom units.



Source: NP analysis of Zillow & Trulia listings

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FOR SALE LOCATIONS



DANVILLE'S HOME VALUES ARE SEEING SIGNS OF APPRECIATION

Although Danville remains a highly affordable market, over the last 2 years there has been signs of significant price appreciation.

TIME PERIOD	TOTAL APPRECIATION	AVG. ANNUAL RATE	COMPARED TO VA*	COMPARED TO AMERICA*
Latest Quarter: 2019 Q3 - 2019 Q4	1.90%	7.81%	of 10	
Last 12 Months: 2018 Q4 - 2019 Q4	4.46%	4.46%		
Last 2 Years: 2017 Q4 - 2019 Q4	8.26%	4.05%		
Last 5 Years: 2014 Q4 - 2019 Q4	7.33%	1.43%		
Last 10 Years: 2009 Q4 - 2019 Q4	4.52%	0.44%		
Since 2000: 2000 Q1 - 2019 Q4	23.33%	1.05%		

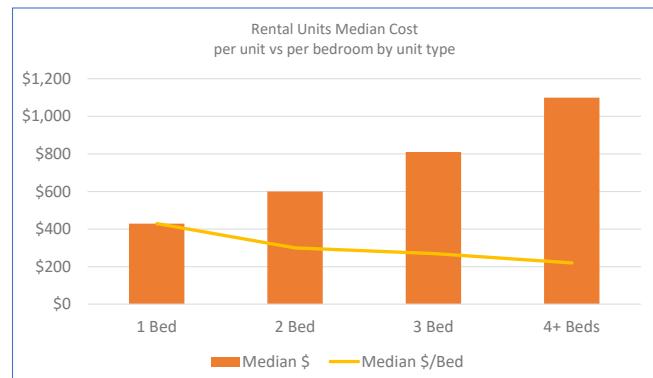
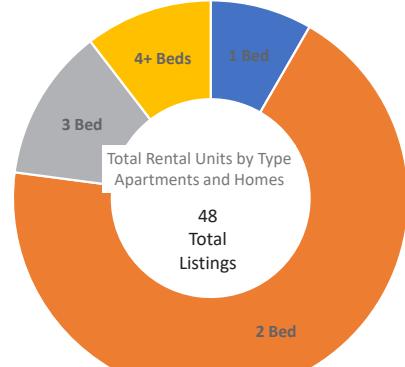
Note: 10 is highest performance.

Price appreciation is calculated by examining conforming loans using an algorithm similar to the Case Schiller Index and the index created by Federal Housing Finance Board.

Source: Neighborhoodscout.com

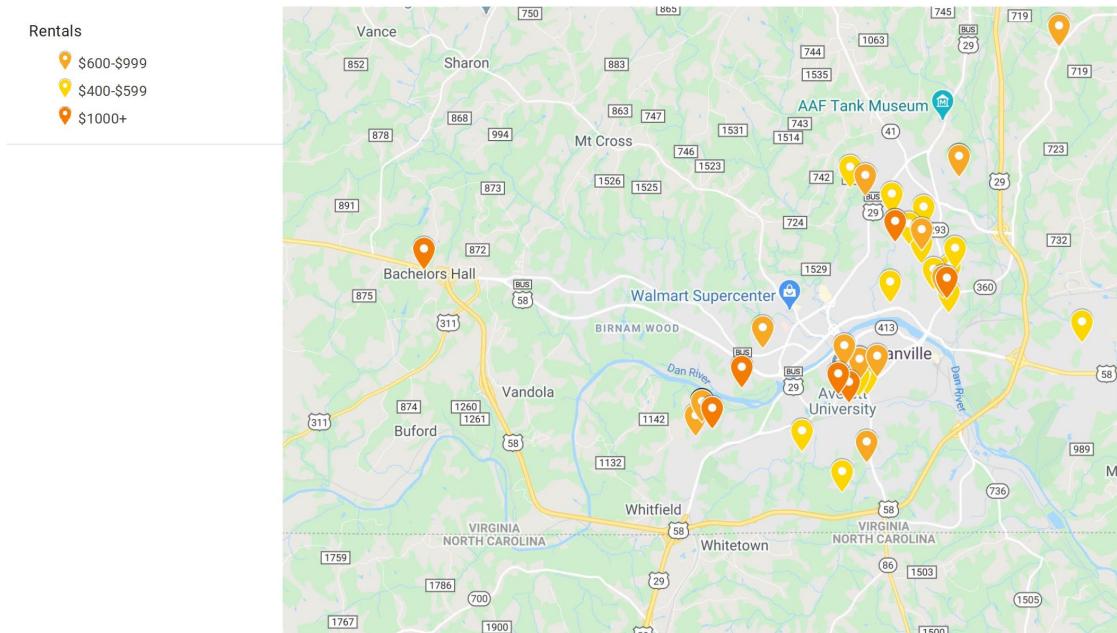
RENTAL MARKET

Rentals on a per square foot basis are below \$1.00/ft. Typically an investor needs rents above \$1.80/ft to make new construction viable without a subsidy. It may be lower in Danville based on the underlying land costs.



	Total	Median \$	Median \$/SF	Median \$/Bed
1 Bed	4	\$429.00	\$0.36	\$429.00
2 Bed	33	\$600.00	\$0.64	\$300.00
3 Bed	6	\$810.00	\$0.57	\$270.00
4+ Beds	5	\$1,100.00	\$0.53	\$220.00

RENTAL LOCATIONS



Retail

DANVILLE IS THE RETAIL DESTINATION FOR THE AREA

Danville's retail capacity far exceeds the city's ability to support it from its own population. This further reinforces that Danville is the regional center. It also suggests that continued retail development could be difficult given the size of the gap without substantial population growth or further increases of business travel and tourism.

It is important to consider the role of the surrounding area in supporting Danville's amenity base. For example Danville's citywide disposable income level is \$28,250. Within a 10 minute drive of the River District it is \$26,618. 30 minutes out, the disposable income increases to \$32,271 – a 21% increase.

City of Danville	DEMAND	SUPPLY	GAP
Total Retail Trade (ex auto)	\$ 323,651,013	\$ 674,060,075	\$ (350,409,062)
Total Food & Drink	\$ 37,959,549	\$ 91,289,517	\$ (53,329,968)
Combined	\$ 361,610,562	\$ 765,349,592	\$ (403,739,030)

Moreover, the city's restaurant base has an estimated \$91m in sales activity. The combination of regional population base and income levels does not reach that level of spending ability until you reach 30 minute drive time where it totals \$95m.

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