

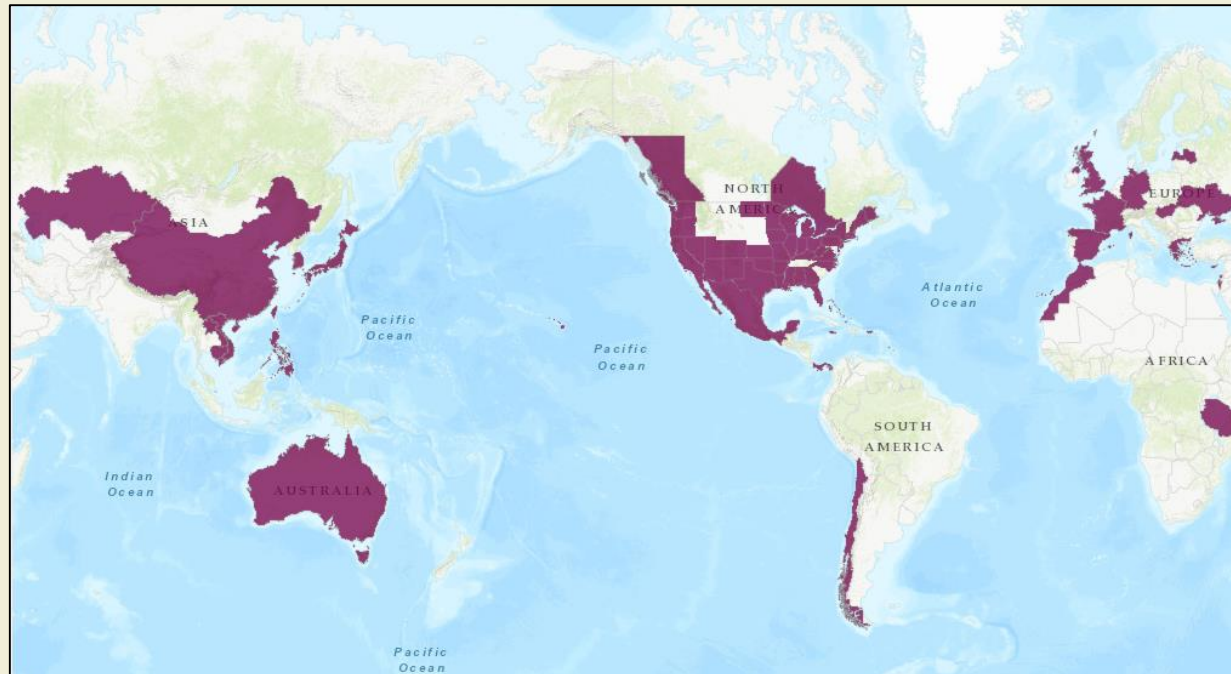
CITY OF DANVILLE, VIRGINIA

CASINO VISITATION, REVENUE, AND IMPACT ASSESSMENT



ABOUT CONVERGENCE STRATEGY GROUP

- New Orleans-based consulting firm
- 35+ years of professional experience in analytical and strategic planning services to gaming, leisure, commercial, tribal and public agencies
- Over 400 casino and resort-related analyses worldwide, across 6 continents, 33 countries, and 38 U.S. states



CSG PRINCIPALS



Scott Fisher, Ph.D.

- Co-founder & Managing Partner
 - Ph.D. in Economics with focus on International Trade, Industrial Organization and Public Finance
 - MBA with a concentration in Finance
 - 20+ years experience in the gaming and leisure industries
 - Former co-owner of Riverwalk Casino in Vicksburg, Mississippi and Monte Lago in Lake Las Vegas, Nevada
 - Former partner of Innovation Capital, Innovation Project Development, and was Managing Director of the casino and leisure consulting firm The Innovation Group



Suzanne Perilloux Leckert, AICP

- Co-founder & Managing Partner
 - Master of Urban and Regional Planning
 - 15+ years experience in urban planning, and the gaming and leisure industries
 - “Great Women of Gaming” nominee, 2018.
 - “Emerging Leader” in the casino gaming industry, Global Gaming Business, 2013/2014
 - LA-APA’s “Excellence Award” for the Shreveport Common Market Assessment, 2015
 - Former Director of Gaming, Feasibility and Land Use Analysis at TMG Consulting, and former Director of Development Analysis at The Innovation Group

TASK AT HAND

- Provide City of Danville with “consulting services related to the city’s potential as a location hosting a private casino gambling operation”
- Series of analyses of the potential for casino gaming at four locations, as well as the potential for a historical horseracing facility.
 - White Mill (River District/Downtown)
 - Highway
 - Schoolfield (former Dan River Mills industrial site on West Main Street)
 - Retail/Piedmont Drive Corridor

DEVELOPMENT PROGRAMS STUDIED

- Destination resort scale casino
 - 2,500 slot machines
 - 100 table games
 - 325 hotel rooms (approx.)
 - Multiple food and beverage, and resort amenities
- Moderate scale casino
 - 1,200 slot machines
 - 60 table games
 - 225 hotel rooms (approx.)
 - Food and beverage, and limited amenities

PROJECTIONS

- Gross Gaming Revenues
 - \$233.8 million - \$363.5 million
- Direct Jobs
 - 1,482 – 2,377 FTEs
- Payroll
 - \$47.5 - \$75.7 million
- Taxes
 - Gaming taxes: \$2.9 – \$4.5 million
 - City sales tax: \$416 - \$730 thousand
 - Hotel tax: \$926 thousand - \$1.8 million
 - Meals tax: \$1.7 - \$2.9 million

PROJECTIONS

	HIGHWAY	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

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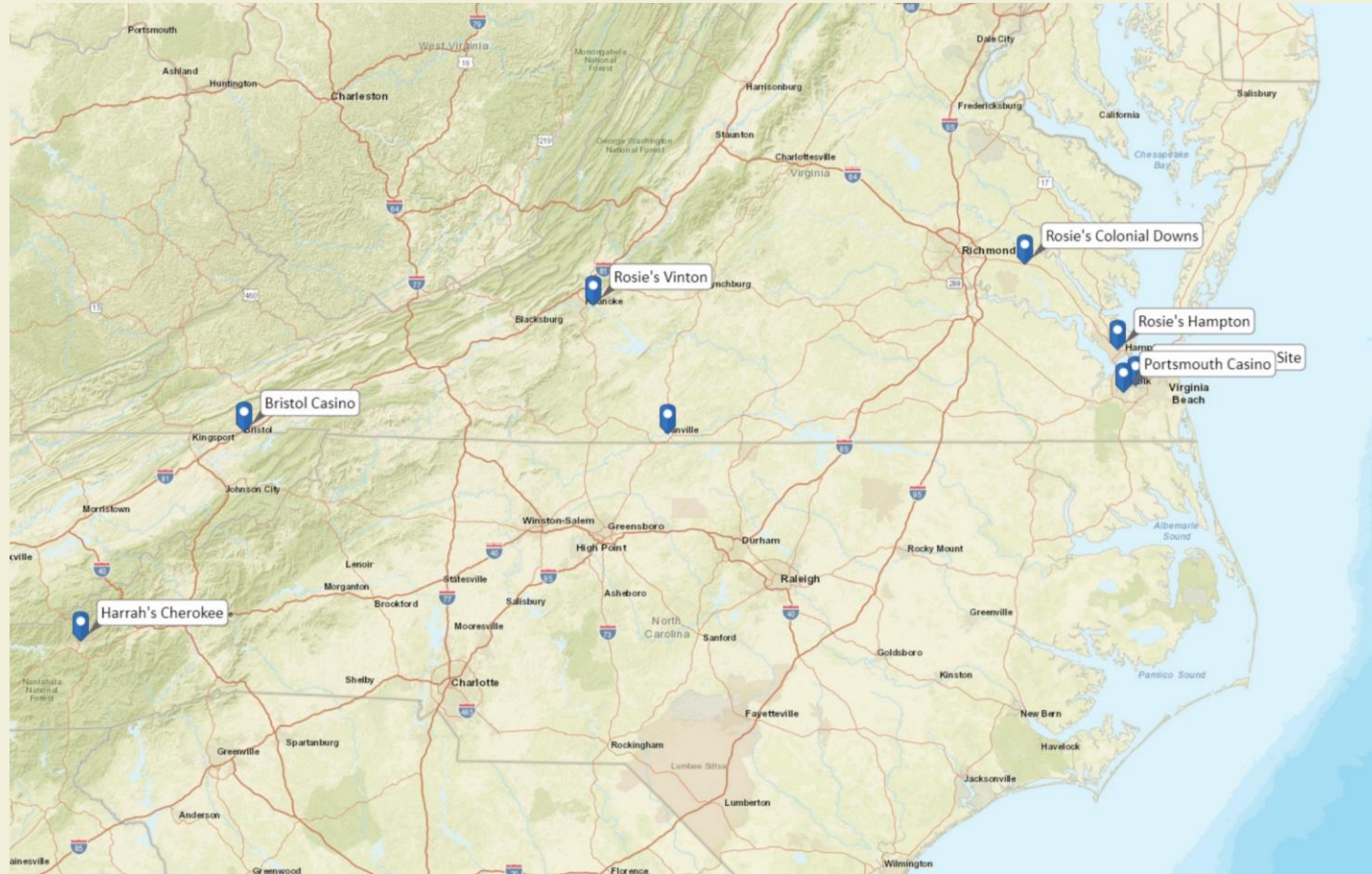
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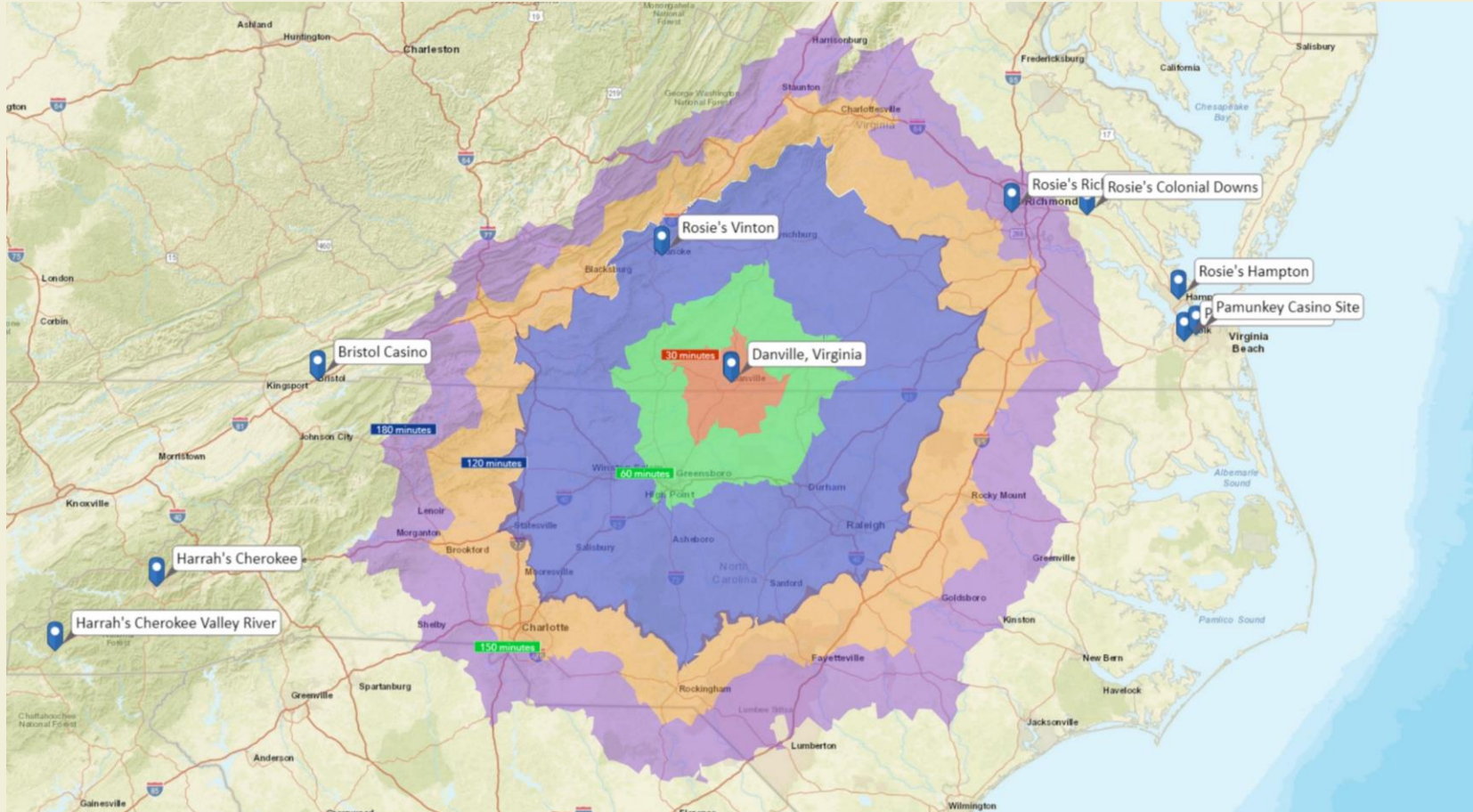
HOW WERE PROJECTIONS MADE?

- Local market
 - Drive-time gravity model
 - Inputs: Population, Income Levels, Competition, Drive-Times (each ZIP Code to each site), Behavior Patterns (incl. spending and casino gaming)
 - Size and attractiveness of properties are factors that pull patrons towards a specific property
 - Distance (drive-time) from a property exponentially detracts a patron from visiting a specific property
 - Population living within 180-minute drive of Danville
 - Expected increases in gaming behavior with introduction of casinos, differing by distance from Danville and relative access to other casinos
 - Competition from existing and proposed casinos and HHR facilities
- Tourism
 - Model with most recent tourism statistics
 - Adult tourists
 - Casino gaming behavior data
 - Spending data
 - Capture rates in consideration of nationwide trends and comparables

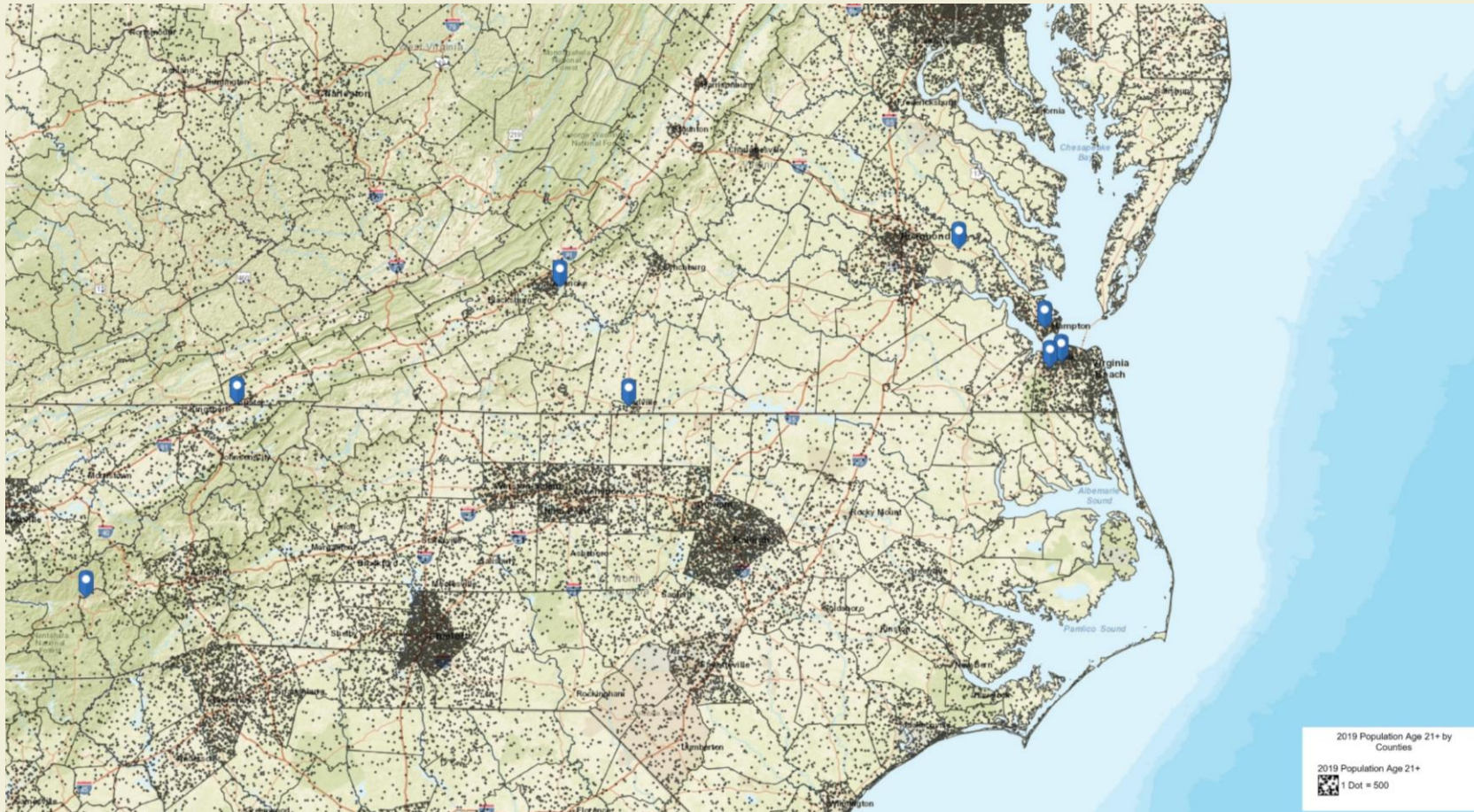
LOCAL MARKET MODEL: COMPETITION



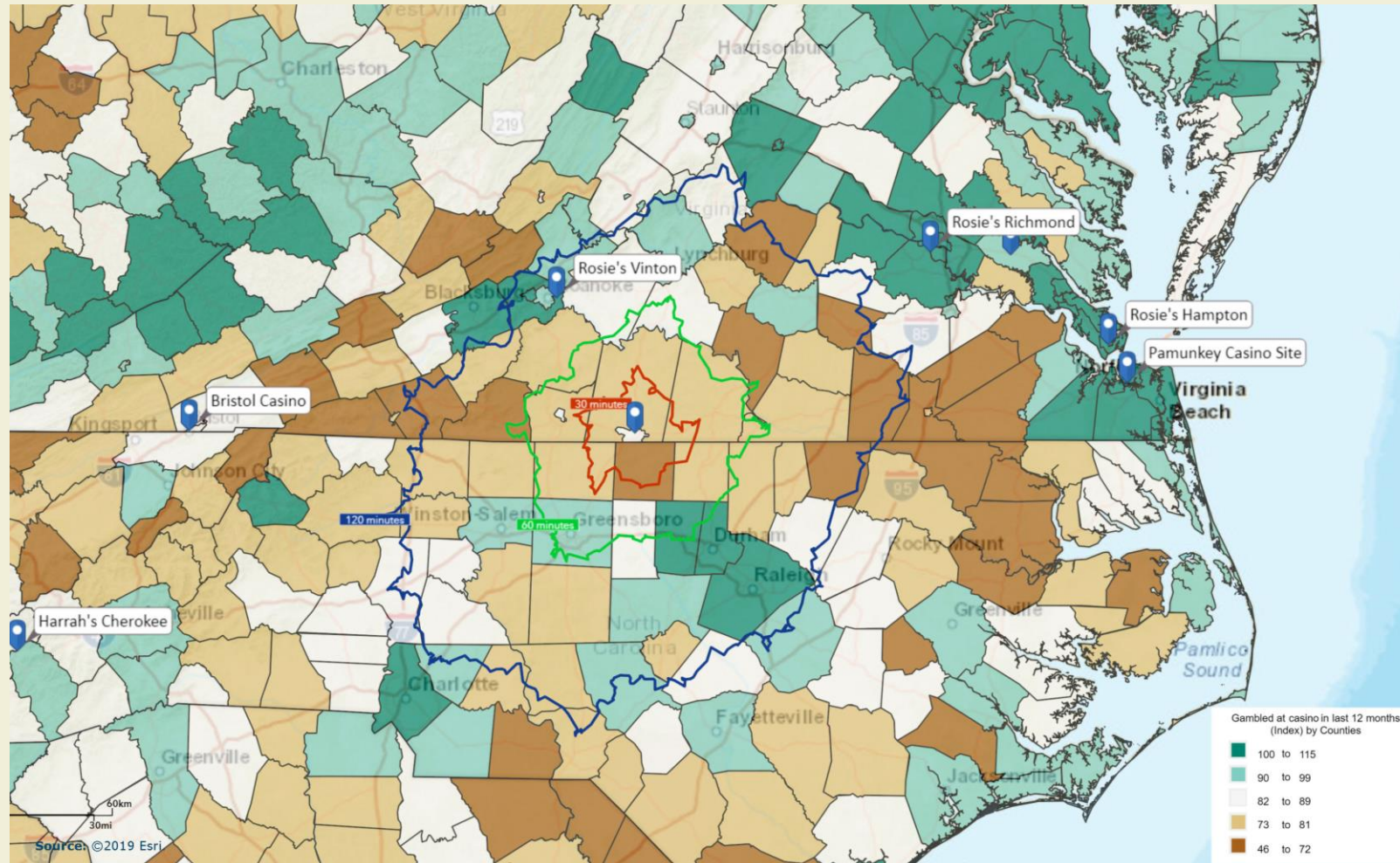
LOCAL MARKET MODEL: REGION



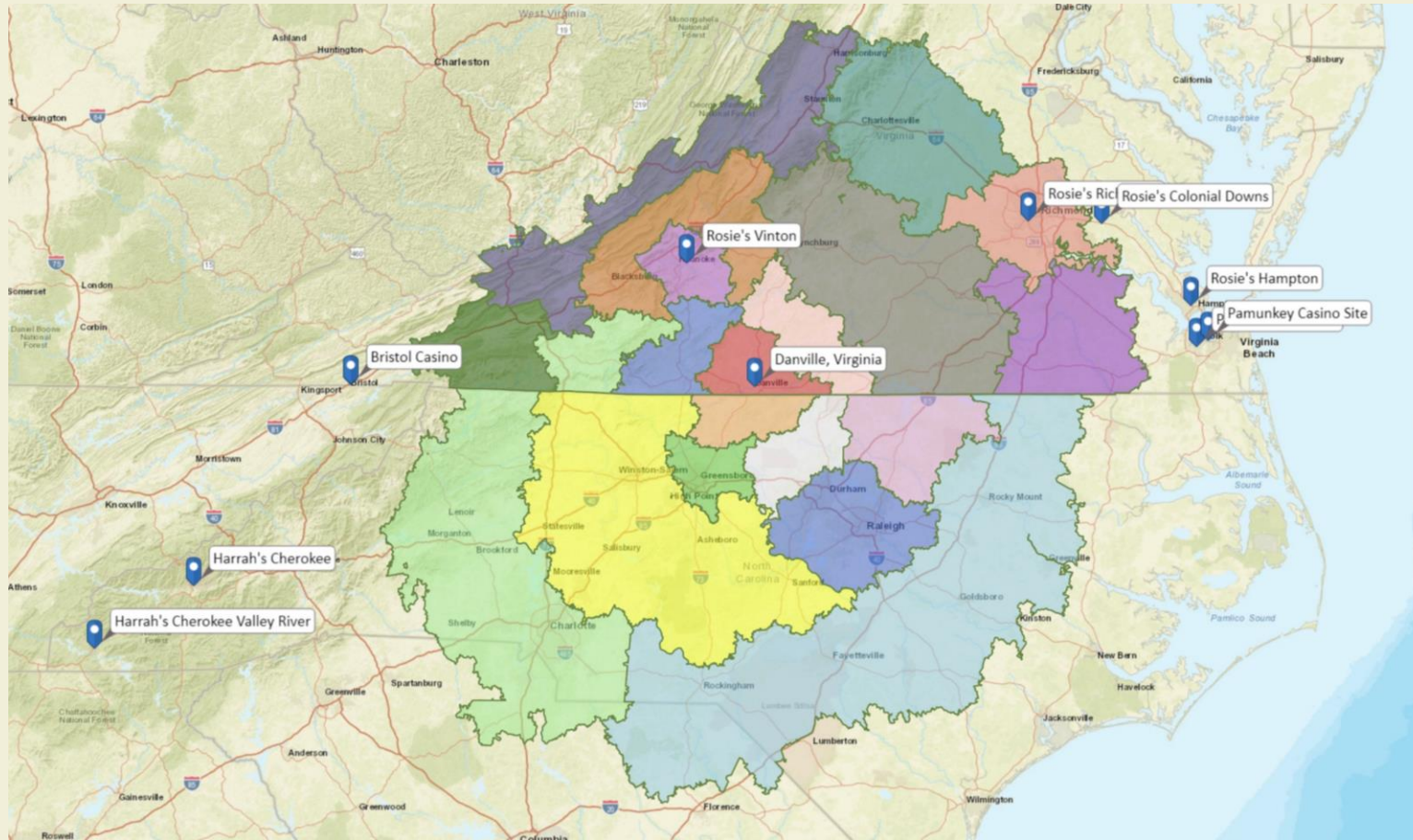
LOCAL MARKET MODEL: DEMOGRAPHICS



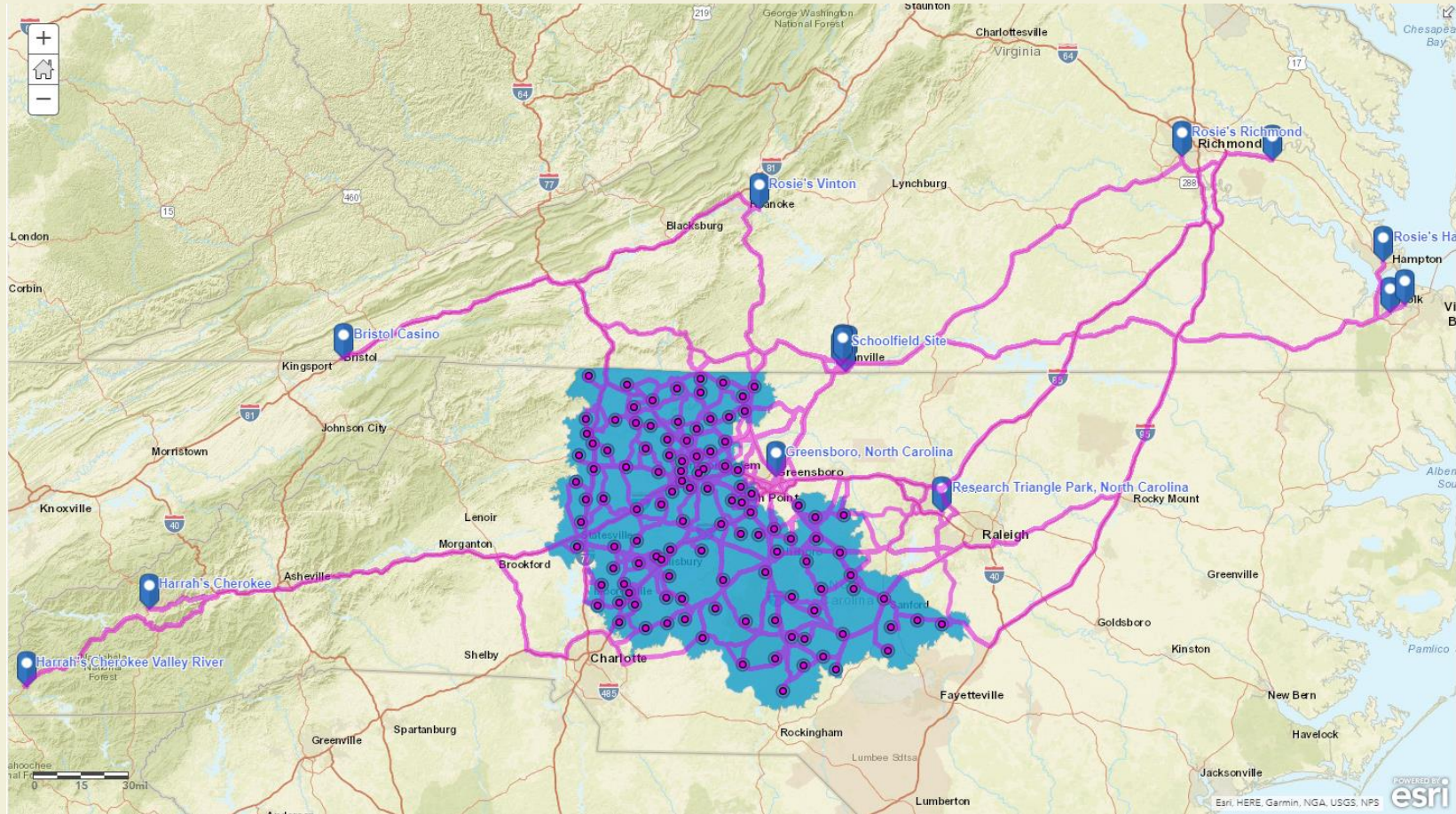
LOCAL MARKET MODEL: GAMING PARTICIPATION INDICES



LOCAL MARKET MODEL: SUB-MARKETS



LOCAL MARKET MODEL: DRIVE-TIMES



LOCAL MARKET MODELS BUILT

- Base Model (2019)
 - Calibrated to re-create existing behavior and revenue patterns
- Status Quo Model (2022)
 - Accounts for additional HHR facilities, population and income growth
- Projection Model (2022)
 - Adds casinos in Danville, Bristol, Portsmouth, Norfolk
- Projection Model with North Carolina (2022)
 - Adds casinos in Greensboro and Raleigh-Durham

TOURISM MODEL

- Regional tourists
- Industry standard capture rates
- Spend per visit based upon visitor spending patterns

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 MODEL

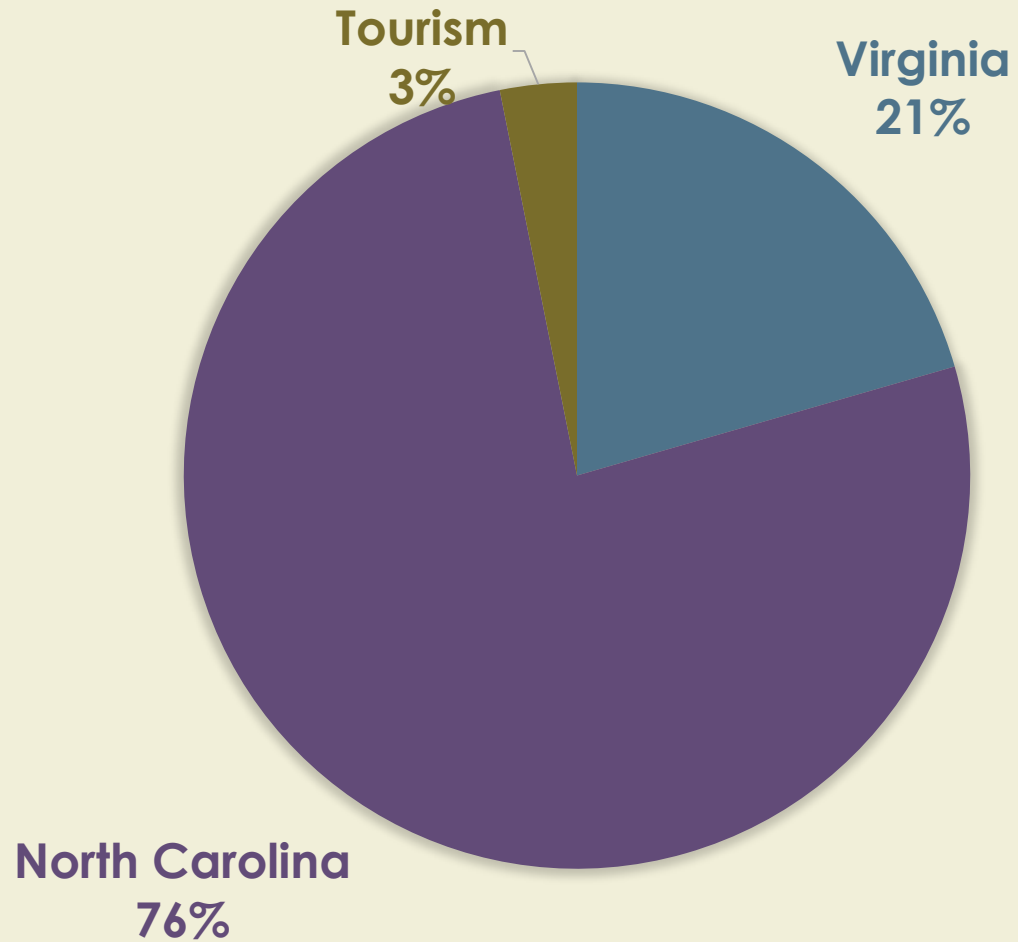
- Assessed each feeder in gravity model market
 - Hotel conversion rate for gaming visits in each market, dependent upon distance from casino
 - Average adults per room: 1.8
 - Resulted in projection of hotel occupancy
- Additional gaming spend per occupied room: \$150
- Incremental gaming revenues
 - \$9.1 million to \$15.1 million

NORTH CAROLINA THREAT

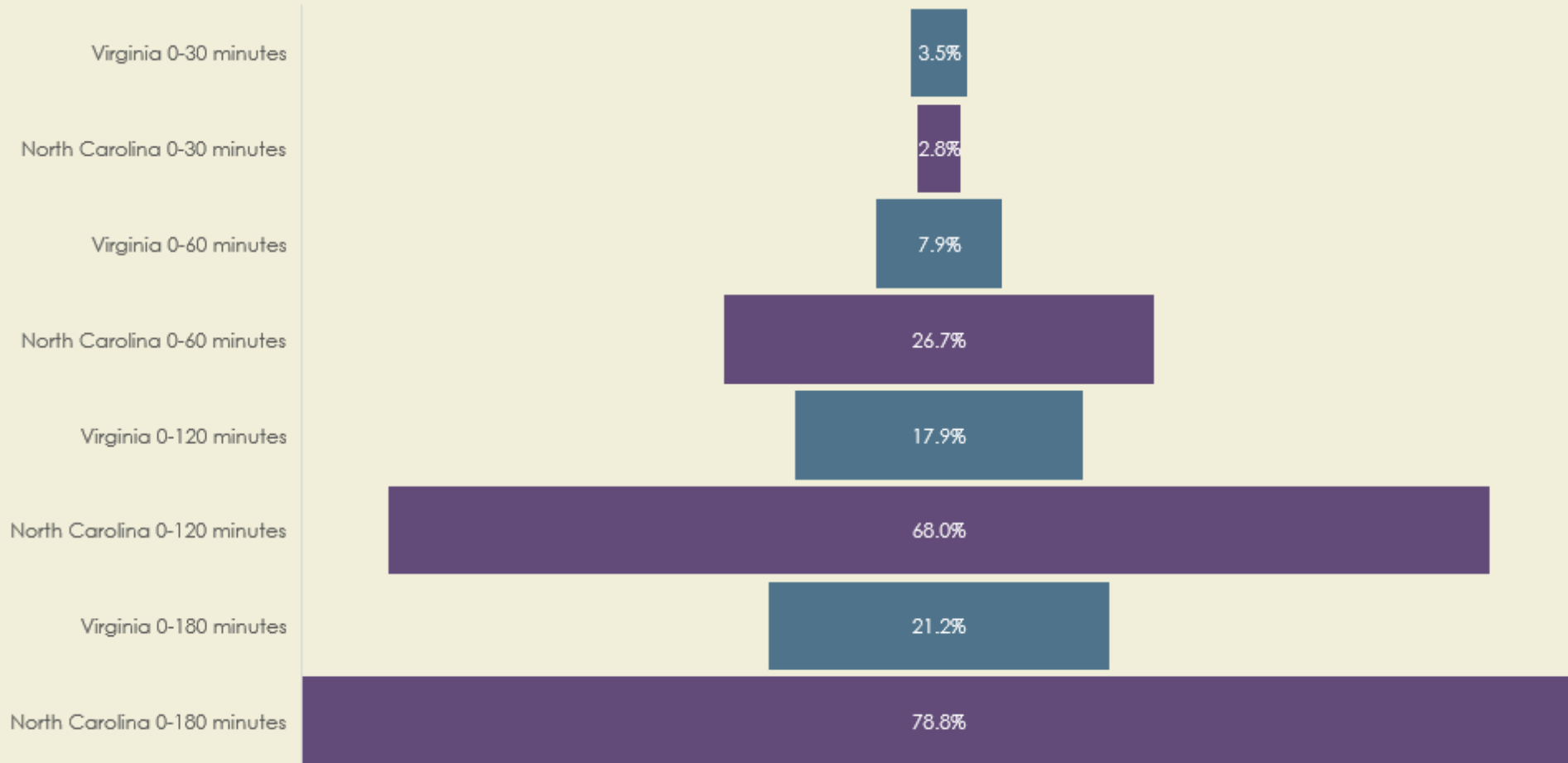
- **IF** the State of North Carolina authorizes casino gaming, **AND**
- **IF** destination resort casinos are built in both Greensboro and Raleigh-Durham
- Gaming revenue potential could decline, due to additional competition in key feeder markets
 - 45 to 50% for a destination-scale casino
 - 37 to 42% for a moderate-scale casino

Projected Source of Gaming Revenues:

Destination Resort Casino, Highway Location



CUMULATIVE SHARE OF GAMERS BY STATE AND RING, DESTINATION HIGHWAY LOCATION



HHR MODEL RESULTS

Modeled two alternative scenarios:

- 600-device HHR facility (if permitted)
- 150 device HHR facility (as legislated and permitted)

Revenue Results:

- 600-device: \$58 million in annual gaming win
- 150-device: \$17 million in annual gaming win

The City of Danville would receive approximately **6.75% of HHR machine revenues** (formula is based on handle, not win)

- 600 devices: \$4.0 million in City Gaming Tax
- 150 devices: \$1.15 million in City Gaming Tax

FISCAL AND EMPLOYMENT IMPACTS

- Gaming Taxes
- Other Taxes
- Employment
- Spending Outside Casino
- Socioeconomic Impacts

CASINO GAMING TAXES

The City of Danville would receive **1.25% of casino GGR** as tax revenue:

- Resort-scale casino
 - \$4.0 million to \$4.5 million in taxes annually
 - **IF** casinos in BOTH Greensboro and Raleigh-Durham
 - \$2.2 million to \$2.3 million in taxes annually
- Moderate-scale casino
 - \$2.9 million to \$2.5 million in taxes annually
 - **IF** casinos in BOTH Greensboro and Raleigh-Durham
 - \$1.7 million to \$1.8 million in taxes annually

OTHER TAXES

	HIGHWAY	SCHOOLFIELD	WHITE MILL	RETAIL CORRIDOR
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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
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EMPLOYMENT

- Resort scale casino
 - 2,106 to 2,377 FTEs
 - \$67-\$76 million in payroll
- Moderate scale casino
 - 1,481 to 1,778 FTEs
 - \$47-\$57 million in payroll
- HHR facility
 - Amenity mix not considered, but operation would require significantly smaller staffing than a full-scale casino

SPENDING OUTSIDE CASINO

	HIGHWAY	SCHOOLFIELD	WHITE MILL	RETAIL CORRIDOR
Destination Resort Scale				
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				
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

SOCIOECONOMIC IMPACTS

- Primary Research (Interviews with local officials in 12 casino cities)

MARKET TYPE	CITY	CASINO	POPULATION	GAMING POSITIONS
Established Markets				
	Metropolis, IL	Harrah's Metropolis Hotel & Casino	6,507	992
	Elgin, IL	Grand Victoria Casino	112,456	1,340
	Perryville, MD	Hollywood Casino	4,413	948
	Dubuque, IA	Diamond Jo and Q Casino	58,276	1,007
	Tiverton, RI	Tiverton Casino Hotel	15,874	1,192
	Wheeling, WV	Wheeling Island Hotel Casino Racetrack	27,066	1,432
New Markets				
	Nichols, NY	Tioga Downs Casino Resort	2,433	1,060
	Turtlecreek Township, OH	Miami Valley Gaming	15,483	1,932
	Ridgefileld, WA	Ilani Casino Resort	7,959	2,950
	Pittsburg, KS	Kansas Crossing Casino	20,216	721
	Sioux City, IA	Hard Rock Hotel & Casino	82,514	976
	Monticello, NY	Resorts World Catskills	6,464	2,425

SOCIOECONOMIC IMPACTS

- Secondary Research
 - Massachusetts Study of Economic and Social Impacts of Gambling
 - First ever comprehensive long-term study
 - Continually reviewing scholarly studies
 - Previously debunked studies
- Previous Primary Research
 - Interviews with local officials over past 2 decades

SUMMARY & CONCLUSIONS

- Casinos generally not a strain on public safety service
 - Calls 1 per day to 1 time per week
 - Primarily EMS (elderly issues, followed by drunk/disorderly
 - Felony issues virtually non-existent; no jail impacts
 - Casinos generally contract for extra security during events
- Most cities do not have established MOU's with casinos
 - Some casino operators purchase equipment for Fire/EMS/ Police
- Review recent scholarly research. Interview your counterparts

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