
Impacts of the Nevele Resort, Casino and Spa on Local Businesses

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April 2014



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IMPACT ON LOCAL BUSINESSES

Executive Summary

A review of studies of casino impacts on local business shows that casinos can stimulate local economies, resulting in communitywide growth, even in the local food and beverage business and retail businesses. There is little evidence of significant economic substitution after the introduction of new casinos, particularly for large casinos in urban areas with well-designed master plans.

In relation to the Nevele Resort, Casino and Spa, it is expected that there would be a significant positive impact on local businesses. First there will be an influx of visitors drawn to the area from a wider area. These patrons will spend money in the local economy to the benefit of the local businesses. In addition many of the projected local casino visitors currently visit out-of-state casinos in New Jersey and Pennsylvania and to a lesser extent Connecticut and Rhode Island and thus their recapture to a facility in-state represents a net gain. This effect is confirmed by examples from other jurisdictions; as noted in the Federal Reserve study cited in this document, “casino gambling in Indiana results in import substitution—casinos attract local patrons who would have, without the casino, spent their money outside of the local area.”

In addition many casinos, contract for large numbers of room blocks in local hotels and have established partnerships with local restaurants to which customers are referred and often comped dinner at the casino’s expense. It is the intention of Nevele Resort, Casino and Spa to establish a cooperative relationship with local business which, as the evidence suggests, is likely to be mutually beneficial.

From the economic impact assessment it has been estimated that at minimum there will be \$4.6 million spent on transportation, F&B, entertainment and retail.

Compounding the effect from visitors, there will also be the positive impact on local businesses by bringing a sizeable number of employees into the immediate area around the Nevele Resort, Casino and Spa. These employees will spend money on food and beverages in the local area, and will buy gasoline and other convenience and retail items. This is spending which does not currently occur in the area and which can be further enhanced by instituting a discount program for casino employees who patronize local businesses. This not only benefits local merchants but from the casino’s perspective provides an additional benefit to its employees. Even without the program noted above employee spending in the local economy is estimated at \$608,000, with a discounted program sponsored by Nevele and aimed at its employees this could increase to \$1.5 million annually.

Introduction

This analysis reviews the experience of local businesses in the vicinity of a casino in relation to business volumes. Based on this review the analysis identifies the likely impact that the proposed casino development will have on businesses in the area.

Three causal factors suggest that local businesses benefit from the development of a casino:

- Casino visitors stopping at local retail outlets (mostly gas stations) for goods and to some extent restaurants.
- Long-distance patrons staying at area hotels; even in markets with casino hotels, non-casino hotels enjoy boosts in occupancy. It should be noted here that the resort has limited the number of rooms and would thus likely purchase room blocks from nearby hotels.
- The development the Nevele Resort, Casino and Spa will generate substantial employment. This influx of employees into the areas will in turn generate demand to local F&B and retail establishments. This effect can be enhanced when casinos implement bonus or discount programs with their employees to encourage use of local businesses.

Background Discussion and Secondary Research

Casino opponents often claim that, through cannibalization, casinos will devastate local businesses, especially smaller “mom and pop” retail, restaurant and entertainment businesses. The basis of this argument is that most customers will come from within a 50-mile radius and the spending by these casino customers is simply diverting money that is already being spent in the economy with local businesses. For the most part this does not hold true for the Nevele Resort, Casino and Spa since the immediate population is very small in comparison to those from further afield such as New York City

This argument has its origins in long-ago controversies regarding Atlantic City. Clyde Barrow, Director for the Center of Policy Analysis at the University of Massachusetts Dartmouth, traces the Atlantic City “myth” to a misinformation campaign by the Atlantic City Restaurant and Tavern Association “to win more concessions for its members from the city’s casino hotels.”¹

Barrow cites research by Kathryn Hashimoto and George Fenich, which found that, contrary to a negative impact, casinos in Atlantic City actually reversed a downward trend:

¹ Barrow, Clyde and Mathew Hirshy. “The Persistence of Pseudo-Facts in the U.S. Casino Debate: The Case of Massachusetts” *Gaming Law Review and Economics* Volume 12, Number 4, 2008.

the number of eating and drinking establishments in Atlantic County was actually declining in the years *prior* to the opening of the first casinos. However, this decline was actually reversed after the first casinos opened, when the number of non-casino eating and drinking places increased from 415 in 1978 to 569 in 1994 (37 percent). Moreover, in the 11 years since the Hashimoto and Fenich study, the number of non-casino eating and drinking places in Atlantic County has continued to increase to 625 (9.8 percent) in 2004 with 9,020 employees (36 percent).²

The research also revealed a motivating factor in local business opposition:

Similarly, the number of employees in this sector increased from 4,439 in 1978 to 6,624 in 1994 (50 percent). Payroll rose by two and one-half times the rate of employment, which indicates that wages improved in this sector due to competition from the casinos; a fact that explains why state restaurant associations routinely oppose casino legislation. **It is not because they will go out of business, but because they will have to offer their employees better wages and benefits.**³

There is substantial corroborating research from throughout the country, not just Atlantic City.

Pulling together research from across the country, the research division of the Federal Reserve Bank of St. Louis concludes that the evidence is generally positive as it relates to the impact of casinos on local businesses:

The casino's impact on local retail sales is determined by consumption preferences of local citizens and the degree to which casinos attract visitors from outside the local area. There are three possibilities. First, casino gambling can serve as part of an overall tourist industry. Under this scenario, casinos attract non-local players who inject new money into the economy via the casino and other entertainment activities. A second possibility is that gambling can function as an import substitution activity that serves only local customers who, without the casino, would have spent their income outside of the local area. That is, the casino keeps local income local. Finally, the third possibility is that a casino functions as a local service only, just like any other business, and simply results in a redistribution of income from one business to another as local consumers choose where to spend their income.⁴

The study also states "casinos located in larger cities that offer relatively more amenities than rural areas will tend to attract casino patrons from outside the area more so than rural casinos will." This therefore results in a greater impact on local businesses. In the case of Nevele the influx of new visitors who would not have visited the area otherwise is very large and will create demand for goods and services in the immediate area of the casino.

Hashimoto and Fenich's 1997 research shows that "in jurisdictions from the seashore to the riverfront to rural areas, north and south, east and west, local restaurants tended to

² Ibid.

³ Ibid.

⁴ Thomas A. Garrett, Senior Economist, Federal Reserve Bank of St. Louis, *Casino Gambling in America and Its Economic Impacts*, August 2003.

thrive after a casino opened nearby.” Furthermore, Hashimoto and Fenich conclude: "When casinos are developed, all aspects of the local food and beverage business increase: the number of establishments increases, the number of people employed increases and payroll increases at an even greater rate than the first two."⁵

Research conducted in 1996 by Nancy Reeves and Associates for the Mille Lacs Band of Ojibwe, entitled “The Economic Impact of Grand Casino Mille Lacs and Grand Casino Hinckley on Their Surrounding Areas” concluded that:

At least 15 businesses have either opened, expanded, or re-opened since the opening of Grand Casino Mille Lacs. Included are 4 hotels/motels and resorts, 8 restaurants and fast food establishments, 2 gas stations and a go-kart track. Together, these businesses have added an estimated 142 jobs in the area.

With the opening of Grand Casino Hinckley in 1992, the hospitality business in Hinckley was transformed from a rest stop for travelers to a tourist destination. In addition to the casino complex, with its 1,275 jobs, Hinckley has added 11 new businesses and expanded 4 more since 1992, adding 87 new jobs. As is the case in the Mille Lacs area, Hinckley is now a year round destination because of the casino. Also similar to the Mille Lacs situation, the main street businesses in Hinckley have seen increases in customer spending attributed primarily to casino employees living in the area.

In a 2004 study by the Center for Policy Analysis, University of Massachusetts Dartmouth, the authors state:

There was a net increase of eight restaurants in Bossier City, Louisiana following the introduction of riverboat casinos. The city’s taxable restaurant sales, excluding restaurants in the hotels and casinos, increased by 5 percent in 1994 and by 7 percent in 1995 *after* the introduction of riverboat casinos. In Biloxi/Gulfport, Mississippi, the rate of non-casino retail sales growth increased from an average of 3 percent annually (1990-1992) in the years prior to riverboat gambling to 12 percent annually in the years after riverboat gaming began in the locality. Restaurant sales in Biloxi/Gulfport have increased overall, although increased competition from national chains and a migration of clients toward higher quality has forced some local restaurants to close. Nevertheless, the net economic welfare benefit is better quality, wider selection, increased overall sales and employment in eating and drinking establishments. Finally, along the Mississippi Gulf Coast overall hotel occupancy has increased from 55 percent in 1992 to 70 percent following the introduction of riverboat gaming.⁶

Furthermore the authors point out that:

... the number of restaurants in the area surrounding Foxwoods and Mohegan Sun increased from 472 to 506 following the casino’s opening, while restaurant employment

⁵ George Fenich and Kathryn Hashimoto, “The Effects of Casinos on Local Restaurant Business,” paper presented at the International Conference on Gambling and Risk-Taking, Montreal, 1997.

⁶ Center for Policy Analysis University of Massachusetts Dartmouth. “Economic and Fiscal Analysis for a West Warwick Resort Casino” Volume 2, May 2004.

increased from 5,911 to 6,628 during the same period.... In Gilpin County Colorado, the number of restaurants increased from 31 to 40 after the introduction of casino gaming. In Tunica County, Mississippi, the number of restaurants increased by 13 percent and restaurant employment grew by 9 percent after the introduction of casino gaming in the county⁷

Similar conclusions have been reached in other studies:

- Even after accounting for the substitution effect, economists at the University of Missouri and Washington University concluded that casino gambling in Missouri had a net positive annual impact on Missouri output of \$759 million, corresponding to a continuing higher level of employment of 17,932 jobs generating \$508 million more in personal income.⁸
- A multijurisdictional analysis of retail spending found that in Biloxi/Gulfport, Miss., annual retail sales growth rates increased an average of 3 percent per year from 1990 to 1992, the year when casinos were introduced. Between 1993 and 1995, retail sales jumped 13 percent.
- In Will County, Ill., retail sales growth trailed statewide trends until 1992, when riverboat casinos were introduced in the local economy. But each year between 1992 and 1995, retail sales growth in Will County exceeded the state rate.
- In Shreveport/Bossier City, La., retail sales increased by more than 10 percent during 1994, the year that riverboat casinos opened, as the region enjoyed the highest retail sales increase in more than a decade.⁹

In summary, there is a wealth of evidence contradicting the proposition that gaming permanently substitutes for other expenditures. As concluded by Penn State University economist Adam Rose in a study for the National Gambling Impact Study Commission (NGISC), "The preponderance of empirical studies indicate claims of the complete 'cannibalization' of pre-existing local restaurants and entertainment facilities by a mere shift in resident spending is grossly exaggerated."¹⁰

⁷ Ibid.

⁸ Charles Leven et al., "Casino Gambling and State Economic Development," paper presented at the Regional Science Association, 37th European Congress, Rome, Aug. 26-29, 1997.

⁹ Arthur Andersen, *Economic Impacts of Casino Gaming in the United States, Volume 2: Micro Study* (Washington, D.C.: American Gaming Association, May 1997).

¹⁰ Adam Rose and Associates, *The Regional Economic Impacts of Casino Gambling: Assessment of the Literature and Establishment of a Research Agenda*, report prepared for the National Gambling Impact Study Commission (State College, Pa.: Adam Rose and Associates, Nov. 5, 1998),

Case Studies

We can look to some qualitative evidence to support the likely local impact on businesses.

Shreveport, Louisiana (Multiple Casinos)

As described above, the casinos in downtown Shreveport, Louisiana were developed as part of master planned downtown regeneration. A victim of the oil bust that hit Louisiana in the 1980s, Shreveport had been a struggling city in one of the poorest states in the country. The \$410 million capital investment by casinos is credited by local officials as the catalyst for construction of a 350,000 sq. ft. convention center, and a 120,000 sq. ft. Red River District urban entertainment development, with restaurants new sidewalks, landscaping, art islands and residential conversion projects. Casinos have fueled a development boom for local and national restaurant brands system aimed to draw more families into the tourist market. Hotel occupancy rates averaged about 60 percent before casinos came to Shreveport, compared to the post-casino range of 85 percent to 90 percent.

The Star City Casino, Sydney, New South Wales, Australia

The Star City Casino is located in a redeveloped section of old docks and warehouses called Pyrmont; it has 1,500 slots and 200 table games and employs 4,000 people. The casino was licensed in 1994 and built as a first step toward redeveloping the area, which has now been transformed into a mixed-use district of residences, shops and malls. According to a local official, "the area has been totally transformed".

Harrah's Casino, New Orleans, Louisiana

Located in a major urban area, Harrah's casino in downtown New Orleans is the state's only commercial landbased casino. It has approximately 3,000 gaming positions and gaming revenues of more than \$300 million. State legislation, driven by opposition from local businesses, initially limited the casino to a cafeteria-style buffet of 250 seats and prohibited the casino from developing a hotel or using gambling revenue to subsidize menu prices.

However, after operating for several years, the fears of local businesses were allayed and Harrah's was allowed to develop a hotel and expand its F&B, including a high-end celebrity steak house. Despite its F&B expansion and hotel opening, Harrah's continues to send its guests to the partnered restaurants, often times on a comp basis paid for by Harrah's, and to buy large room blocks from several adjacent hotels.

Another major impact of Harrah's has been the activation of the lower end of Canal Street which has made the area safer and more amenable to pedestrian traffic, thus benefitting local businesses. In particular, Harrah's redeveloped an adjacent two-block strip as a pedestrian retail and entertainment mall with a major restaurant anchor. Called the Fulton Street experience, the redevelopment has benefitted an existing bar and restaurant that anchors the far end of the strip.

Michigan City, Michigan

A positive example of a casino's impact on retail operations can be found in a December 2008 radio interview with the Mayor of Michigan City. He stated that there was some spillover effects from the Blue Chip Casino to their Lighthouse Place Outlet Mall. He expected that with the introduction of a conference center at the casino expected to open in 2009, that more spillover was expected.

Cherokee Nation Enterprises, Oklahoma

Cherokee Nation Enterprises operates a number of casinos in northeastern Oklahoma. Listing the spin-off benefits of the tribe's Catoosa property, CEO David Stewart cites increased sales tax revenues, new businesses development, and an increase in property values. "What we have seen near that facility is older, rundown areas are purchased and cleaned up, paving the way for new businesses to move in. Take Walgreens, for example. They would normally never locate in a town as small as Catoosa. But based on the town's growth pattern the last few years, the company decided that would be a wise decision. Since we announced our plans to expand the property in Catoosa, which will include multiple entertainment and dining venues, numerous new businesses have made plans to locate there."

A planned Cherokee casino for West Siloam Springs created prospective spin-off development even before opening. Elaine Carr, the mayor of West Siloam Springs, said two hotels and a couple of restaurants have expressed interest in building near the casino. Wayne Mays, president of the Siloam Springs Chamber of Commerce, said he had heard talk of an outlet mall and even a large, multipurpose arena/convention center. "This will have a huge impact on us. The casino is a magnet. Whenever something like this locates in or near your community, other businesses and opportunities tend to pop up around it."

Benefit to Local Businesses—Some Numbers

Following is an analysis of the number of business in selected gaming markets both prior to and after the introduction of casinos.

Shreveport/Bossier

The Shreveport Bossier market was referenced previously in this report. Gaming began in Shreveport/Bossier in 1993 and by 1997 the market was generating over half a billion dollars a year from over 11.6 million visits with over 5,100 gaming positions.

% change in Number of Eating and Drinking Places in Shreveport/Bossier

	1993-1997
Bossier Parish, LA	13.8%
Caddo Parish, LA	14.6%

Source: US Census County Business Patterns

Despite the advent and growth of gaming between 1993 and 1997 the number of eating and drinking establishments in both Bossier and Caddo (Shreveport) parishes increased during this period by a significant increment as seen in the table above. This is contrary to the contention of casino opponents that casino development will result in a decline in the number of eating and drinking establishments.

The Mississippi Gulf Coast

Gaming started in the Gulf Coast in 1993. Today there are 11 casinos generating over \$1.2 billion in gaming revenues. With the intensity of casino development on the Gulf Coast it would have been expected according to the theory that casinos detract from local businesses, that a significant decline would have occurred in the number of retail and F&B establishments. However, as the following table shows between 1991 and 1997 the number of eating and drinking establishments actually increased in Hancock County, home to 2 of the 11 casinos. The increases were an astounding 77 percent for drinking and dining establishments while retail establishments in both counties also increased over this period. The Gulf Coast shows no evidence of any significant negative impact on retail or eating and drinking establishments. To the contrary it shows an increase.

% change in Retail and Eating and Drinking Establishments 1991-1997 in the Mississippi Gulf Coast

County	Retail (1991-1997)	Eating and drinking places (1991-1997)
Harrison County, MS	14.7%	4.2%
Hancock County, MS	6.6%	77.1%

Source: US Census County Business Patterns

Moreover, hotel occupancy increased In the Mississippi Gulf Coast after casino development, despite the fact that casinos were required to open their own hotels and despite a large increase in the supply of non-casino hotels.

Des Moines

Prairie Meadows racetrack opened its casino operation in 1995. Today the facility generates more than \$175 million annually in gaming revenues. This market boasts another example of a casino’s positive impact on local businesses. From 1993 to 1997, the number of eating and drinking places increased by 6.0 percent in Polk County, IA.

% change in Eating and Drinking Establishments 1993-1997 in the Des Moines Market

	Eating and drinking places (1993-1997)
Polk County, IA	6.0%

Source: US Census County Business Patterns

Implications for the Nevele Resort, Casino and Spa

In relation to the Nevele Resort, Casino and Spa, we would expect that there would be a significant positive impact on local businesses. First there will be an influx of visitors not normally drawn to the area from a wide area. These patrons will spend money in the

local economy to the benefit of the local businesses. In addition many of the projected local casino visitors currently visit out-of-state casinos in Pennsylvania and New Jersey and to a lesser extent Connecticut and Rhode Island and thus their recapture to a facility in-state represents a net gain. For example, as noted in the St Louis Federal Reserve study cited previously, “casino gambling in Indiana results in import substitution—casinos attract local patrons who would have, without the casino, spent their money outside of the local area.”

Compounding the effect from visitors, there will also be the positive impact on local businesses by bringing a sizeable number of employees into the immediate area around Nevele. These employees will spend money on food and beverages in the local area, and will buy gasoline and other convenience and retail items. This is spending which does not currently occur in the area.

There are certain steps that a local community can take to ensure that the advent of a casino benefits local merchants and businesses. The first is that the project and its environs should be carefully master planned to ensure that casino patrons have access to quality retail and F&B developments in the immediate area of the casino. Such a master plan should carefully look at access routes, merchant mix, visibility and the attractiveness of the area. By working closely with the casino developer local communities can not only extract the maximum benefit from casino visitation but can also enhance the success of the casinos. It is the intention of the Nevele Resort, Casino and spa to develop just such a mutually beneficial relationship with the local business community.

It should be noted here that Nevele is deliberately under-building in terms of hotel rooms in order to provide local hoteliers with a boost to their business. This will be enhanced as Nevele intends to purchase blocks of rooms from nearby area hotels and will allow for promotional material to be available at the casinos concierge desk.

Also in relation to entertainment venues the Nevele has no plans to develop a major entertainment venue but will feature a small show or cabaret setting integrated with the casino floor. As a consequence we expect to focus local level acts and do not see Nevele as a competitor for major entertainment venues in the regions.

Nevele will also be comping meals to local area restaurants, and will be actively interested in opportunities to co market and sponsor various local events and activities.

In addition the casino will be a direct customer of many local area businesses with whom it will contract with for goods and services. It is Nevele’s intention to hold public meetings in association with local Chambers of Commerce to educate the local business community about the opportunities that will be available to them to do business with Nevele.

Induced Spending-or Spending by Patrons outside the Casino

Local merchants and hoteliers will benefit from the introduction of the casino to the area as patrons of the property can be expected to spend some money elsewhere in the area during their visit, ranging from convenience stores and gas stations to area restaurants and hotels. These expenditures are deemed to be induced by the presence of the casino, meaning that these merchants would not be able to expect these revenues were it not for the presence of the casino. The following tables quantify the economic impact of this new spending:

Off-site spending primarily includes spending on transportation (fuel) by visitors to the Nevele. It is also expected that some visitors to the Nevele will patronize local restaurants and perhaps other entertainment venues, such as the theater, during their visit. The initial estimates described below are conservative as it is expected that in the first several years of operation, most visitors to the resort will spend most, if not all, of their time taking part in on-site activities. However, as the Nevele grows in popularity and the local business community responds to the new demand for tourism amenities and attractions, the Ellenville/Wawarsing region will likely evolve into a full-service tourism destination and the amount of spending that occurs off-site in the community is apt to increase dramatically.

To estimate the degree of off-site spending, an off-site spending per-day basket was applied to the total number of visitor days. We determined the total number of visitor days generated by the Nevele. A visitor day is considered to be one visitor spending one day at the resort. For example: a single person visiting the Nevele for 3 days is counted as 3 visitor days.

Visitor days were estimated by. The anticipated number of unique visitor days is summarized in the table below. To avoid double counting we estimated “unique visitor days” by assuming that if a visitor spends time at the casino as well as another activity in one day, they are counted under the casino visitation. Back to our 3-day visitor example: if this person spends one day at the casino, one day golfing, and one day split between the casino and golf, their visit would be counted as 2 casino days and 1 non-casino golf day.

Unique Visitor Days

Visitor Type	Spending
Casino	4,159,784
Non Casino	17,014
Non Casino Waterpark	108,665
Total Unique Visitors	4,285,463

Visitor spending baskets for off-site spending were developed using base data from a 2010 report entitled *The Economic Impact of Tourism in New York State: Hudson Valley*

Focus as well as results of a visitor survey conducted by volunteers at the Walkway Over the Hudson.

This information was used to estimate that the average visitor to the region spends approximately \$5 on transportation, \$20 on food and drink, \$9 on entertainment, and \$9 on retail per day.¹¹ For the purpose of this analysis, we assume that while the on-site visitor spending will likely be much higher than the average visitor to the region, off-site spending by visitors to the Nevele will likely be much lower than existing per-capita tourism spending, as many visitors will come by bus and the Site offers food and drink, entertainment, and retail options on-site. Therefore, the following off-site spending estimates were used.

Spend Per Visit Off Site

Spending Category	Spend Per Day
Transportation	\$1
F&B	\$3
Entertainment	\$2
Retail	\$4

Source Camoin & Associates

Considering the nature of the Project, it is unlikely that many day-trip visitors to the Nevele will make off-site purchases other than to fill up their vehicles with gas. Therefore, to calculate the transportation spending, the total unique visitor day figures were multiplied by the spending estimate. For the balance of the spending categories, per person spending figures were multiplied by the total number of overnight visitors. The table below shows the estimated day and overnight visitor days based, in part on estimates provided by the Company and the Casino and Hotel Market Assessments report by The Innovation Group.

Total Visitor Days	3,302,585
Overnight Visitor Days	137,821

Source: Camoin and Associates

The following table summarizes the estimated off-site spending expected to occur as a result of the Project. As shown, visitors to the Nevele are expected to generate over \$4.5 million in off-site sales.

¹¹ Per-capita per-day visitor estimates are an average for all visitors to the Hudson Valley region and inclusive of all visitor types - hikers and boaters, families and tour groups, etc.

Off Site Spending by Visitors

Spending Category	Spending
Transportation	\$3,302,585
F&B	\$413,463
Entertainment	\$375,642
Retail	\$551,284
Total	\$4,642,974

Source: Camoin and Associates

Just as with the on-site spending, the off-site spending estimates are the input into the *mplsn* model. The following table summarizes the expected impact of the off-site spending.

Economic Impact of Visitor Spending Off site

	Direct	Indirect	Total
Jobs	84	13	97
Sales	\$4,542,974	\$6,466,014	\$11,008,988
Earnings	\$1,820,051	\$582,416	\$2,402,467

Source: Camoin and Associates

Employee Spending at Local Businesses

Another avenue to increase local benefit is for the casino and local merchants to work together to institute a discount program for casino employees who patronize local businesses. Casinos employ large numbers of people and many will utilize merchants in the area for food and other retail purchases. By implementing a cooperative discount program, the local community can increase the benefits that are likely to occur. This not only benefits local merchants but, from the casino's perspective, provides an additional benefit to its employees. The specific economic benefits from such a program are quantified in this section.

The introduction of an employee discount program for employees of the Nevele Resort, Casino and Spa in association with local retailers and restaurants achieves several goals:

1. It will help support local merchants and retailers by tapping into and focusing the demand of Nevele employees towards local retailers and restaurants.
2. It will increase employee loyalty for the casino by offering another benefit to employees.
3. By helping to support local restaurants and retailers it will assist them in providing and maintaining viable and attractive business which will attract not only casino employees but also casino visitors drawn to the area.
4. By creating customer loyalty among casino employees local business will in effect be creating "ambassadors" for their business among the casino employees

most likely to have direct face-to-face contact with casino customers. Though these referrals casino visitors will be directed to local businesses.

One example was recently cited in Mississippi although no quantitative information was readily available.

Prime Outlets – Gulfport announced the roll out of the 2008 Casino Employee Discount Program, It's Your Deal. Merchants are offering casino employees additional discounts that include extra percentages off or dollar-value discounts on the already low outlet prices. Participating merchants include Nike Factory Store, Lee Wrangler, Handbags & More, Vanity Fair, Jones New York, Wilson's Leather, Reebok/Rockport Outlet Stores and more.

"We introduced the casino discount program last year," said Rhonda Roberts, marketing manager at Prime Outlets – Gulfport. "Casino employees really liked the program so we wanted to add more merchants and make the program available in 2008."

To provide a baseline for estimating the potential benefits of employee spending and the impact of an employee discount program on local businesses we made a series of calculations and assumptions.

It is estimated that 2,070 jobs would be created at the Nevele Resort, Casino and Spa.

The following assumptions were made:

- Based on Innovation Group's analysis, without an employee discount program it is projected that 15 percent of casino employees will spend on average \$9 per day on F&B and will do so three times per week in the immediate area of the casino. Eight percent of employees will spend on average \$20 on retail items at local business in a given day.
- We have postulated that an employee discount program would double the capture rate on the proportion of employees patronizing local F&B businesses and that the average weekly spends would increase by a third. The capture rate for Retail/Other is postulated to increase by 50 percent while expenditures would increase by 25 percent.

These assumptions are incorporated in the following table.

Employee Spending at Local Businesses

		Employees	% Capture	Spend per Week	Annual Spend
Without incentive Program					
	F&B	2,070	15%	\$27.00	\$435,942
	Retail/other	2,070	8%	\$20.00	\$172,224
	Total				\$608,166
With Incentive Program					
	F&B	2,070	30%	\$36.00	\$1,162,512
	Retail/other	2,070	12%	\$25.00	\$322,920
	Total				\$1,485,432

Based on the assumptions above the potential employee spend at local businesses is estimated at \$0.6 million annually. Our assumptions also lead to the conclusion that these spending amounts could potentially increase by 144 percent with the institution of an employee discount program to over \$1.4 million. To these potential revenue benefits must be added the effect such a program would have on the likelihood that casino customers would also be referred to local merchants as noted previously. From the casino's perspective it benefits by being a good neighbor, by encouraging attractive and viable developments within its immediate environs, and by assisting in achieving employee loyalty.

Disclaimer

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

Further, statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," "project," or other words or expressions of similar meaning have been utilized. These statements reflect our judgment on the date they are made and we undertake no duty to update such statements in the future.

Although we believe that the expectations in these reports 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 or as a consequence of known or unknown risks and uncertainties and unanticipated events and circumstances, which 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, The Innovation Group accepts no liability in relation to the estimates provided herein.