

**Economic Impact Study
Live! Hotel & Casino New York
Orange County, New York**

**Prepared for:
The Cordish Group**

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Introduction:

Meczka Marketing Research and Consulting, Inc., (MMRC) have been retained by the Cordish Group to conduct an independent analysis regarding a proposed world-class destination casino/hotel development in Orange County, New York.

The proposed project will be an equally owned LLC between two established gaming operators with extensive real estate development experience, the Cordish Group and Penn National Gaming, Inc.

Utilizing Cordish Group Live! Brand, the Live! Hotel & Casino New York will offer:

- Over 3,000 slot machines and 270 total tables games including 80 poker tables
- A twelve story upscale boutique hotel featuring over 300 rooms and suites
- Multiple food and beverage options including a Center Bar, Lobby Bar, Steakhouse, Italian Restaurant, Food Court, 24-hour Café and International Noodle Bar.
- The facility will provide meeting and conference space for both business and personal events.
- A 3,000 seat Entertainment Venue will feature live performances from recognized acts throughout the U.S. and abroad.

This amenity set represents a key feature of the hotel/casino development. No other gaming facility in the immediate market will offer similar features. In addition, the gaming facility will open with an exclusive on “live table” gaming within a 60-minute drive time from the Market Area.

Research has shown that destination developments that offer a more diverse set of amenities such as hotel rooms, event venues and retail options will attract a multi-focused visitor base from a wider radius than properties that offer only gambling.

In terms of location, the Live! Hotel & Casino New York is well situated between three of the state’s major interstates making it accessible to the large population base surrounding the site. The site is also strategically located to maximize the underserved demand currently crossing New York State borders. A more detailed discussion of these issues will be present under the topic of Recapture Effect.

MMRC’s analysis will focus on the impact of this proposed hotel/casino project on the Hudson Valley Region, surrounding counties and state of New York.

Methodology:

In order to quantify the economic impact of this new development on the Hudson Valley Region, the division between basic and service activities within a local area must occur. Once identified, the relationship between changes in the basic components of the economy and the resulting changes in the service components must be measured.

A basic industry activity can be identified by the location of the market served. Almost any type of business may be classified as a basic industry, if its products or services are sold outside the local area or it attracts customers from other areas.

A service industry, unlike a basic industry, consists of businesses that serve the local market. These are the retail and service businesses that serve local residents as well as firms that provide goods and services (inputs) to businesses engaged in basic industry activities. The key factor that distinguishes basic from service activity is the location of the market served and not the type of goods or services provided.¹

An increase or decrease in industry spending within a local area has a “multiplier” effect as other sectors of the local economy are impacted by the change in local spending.

Input-Output analysis is a means of examining relationships within an economy, both between businesses and between businesses and final consumers. It captures all monetary market transactions for consumption in a given time period. The resulting mathematical formulae allow examination of the effect of change in one or several economic activities on an entire economy. The estimation of the multiplier effect for each sector is the objective of the economic impact analysis.²

Final consumption or final demand drives Input-Output models. Industries respond to meet demands directly or indirectly (by supplying goods and services to industries responding directly). Each industry that produces goods and services generates demands for other goods and services and so on, round by round. Multipliers describe these iterations.³

This model traces the flow of goods and services, income and employment among related sectors of the economy. An Input-Output model is a snapshot of an economy in equilibrium, where the gross output of each industry is equal to the gross input to the other industry.

As a result any change such as an increase in demand or the introduction of a new development within the economy creates a ripple or multiplier effect. This multiplier effect will move throughout the economy until a new balance is reached.

¹ Using IMPLAN to Assess Local Economic Impacts, David Mulkey and Alan Hodges

² User’s Guide, IMPLAN Professional version 2.0 Minnesota IMPLAN Group, Inc. Stillwater, Minnesota April, 1999

³ User’s Guide, IMPLAN Professional version 2.0 Minnesota IMPLAN Group, Inc. Stillwater, Minnesota April, 1999

The Input-Output model is utilized to capture and quantify this ripple effect based on three distinct effects. In the case of the new casino development in Orange County, New York these are:

Direct Effect – These include the creation of new jobs and the corresponding wages earned by these employees. Direct impacts can be categorized into both development and operational phases. Construction jobs and wages are the primary components of the development phases.

Indirect Effect – These are the changes in inter-industry purchases and expenditures as they react to the new demands of the directly affected industries. These demands include materials, services and labor.

Induced Effect – The changes in household spending due to the additional employment generated by the direct and indirect effects.

In order to accomplish this effort, the IMPLAN software system was utilized. IMPLAN is an economic impact assessment software system that combines a set of extensive databases concerning economic factors multipliers and demographic statistics with a highly refined and detailed system of modeling software. IMPLAN develops local-level Input-Output models that can estimate the economic impact of events such as a new casino development moving into an area.

A key feature of IMPLAN is the specificity of its economic data sets. The database contains information for 528 different industries and 21 different economic variables. The database also contains a full schedule of Social Accounting Matrix (SAM) data at the national, state and county level. The data collected by IMPLAN is from the U.S. Department of Commerce, the U.S. Bureau of Labor Statistics, and other federal and state government agencies.

The IMPLAN software system, an acronym for IMPact Analyses and PLANning, was originally developed by the U.S. Forest Service in cooperation with the Federal Emergency Management Agency and the U.S. Department of the Interior Bureau of Land Management.

The software is in use at universities throughout the country, State and Federal Government agencies and numerous private consulting firms.

In addition to impacts measurable through the use of the Input-Output model other significant impacts will result from the introduction of a casino development. Three of the most important of these will be:

Fiscal Impacts – The wide range of local and state government taxes, fees and payments that will result in the direct and indirect impacts of the construction and on-going operations of the casino development.

Destination / Ancillary Impacts – Hotel/Casino developments will draw visitors from outside of the Hudson Valley Region. Spending by casino patrons from outside the region increases the aggregate amount of the economic activity within the

region. In addition, individuals within the region currently patronizing other gaming facilities outside the Hudson Valley Region will now engage in gaming locally. This is typically referred to as the Recapture Effect or Repatriation.

Social Impacts – The impacts on the region from issues relating to problem gambling and crime.

Economic Impacts

Direct Pre-Opening / Construction Impact:

The pre-opening and construction will create a significant economic impact to the Hudson Valley Region and the State of New York. The development will cost over \$750 million to complete during a 24-month pre-opening and construction process. This investment will generate a wide range of local and State wide economic impact primarily in four areas:

Jobs – Over the 24-month development period there will be a total of 2,800 jobs created and an average of 700 full-time-equivalent construction employees. This is in addition to 150+ total full and part-time employees throughout the pre-opening/development period. The total estimated payroll during this 24-month period is projected to be over \$230 million.

Materials /Supplies – The development will spend an estimated \$100 million in material and supplies during the construction process.

FF&E Purchases – The development will spend an estimated \$128 million in opening inventory, furniture, fixtures and equipment in preparation for the opening.

Ancillary – The creation of these new jobs and the activity related to the pre-opening and construction will generate ancillary revenues within the local economy in areas such as food, beverage, lodging and retail sales.

Fiscal - New payroll dollars will generate incremental State taxes in addition to incremental sales tax from ancillary spending. The development will also generate additional revenues for local and State agencies through permits, fees and licenses related to the development and construction process.

Table #1 – Pre-Opening / Construction Fiscal Impact details the various fiscal related expenditures anticipated during this phase and the fiscal impact to both the State and County.

Live! Hotel & Casino New York Pre-Opening / Construction Fiscal Impact

\$ in millions	Cost		Fiscal	Fiscal
Labor	Estimates		County	State

Pre-Opening Development Non-Construction	\$5,060,000		\$551,540
Construction Labor	\$225,000,000		\$14,715,000
Ancillary Sales	\$5,194,752	\$194,803	\$207,790
Assume 2,800 employees, 2-yr phase, \$10/day			
Hotel/Lodging	\$5,923,840	\$296,192	
Taxes, Permits & Fees (Development Phase)			
County		\$3,543,500	
State			\$2,650,000
Total Pre-Opening / Development Fiscal Impact		\$4,034,495	\$18,124,330

Assumptions for labor, taxes, permits & fees based on Cordish Group projections.

Total Annual Fiscal Impact of Pre-Opening / Development Phase:

- **County \$4.0 million**
- **State \$18.1 million**

The majority of these economic impacts will be non-recurring and specifically related to this pre-opening phase the significance on the economy is not diminished. The following is a summary of the direct impacts for this phase of the development.

Summary of Direct Pre-Opening / Construction Impact:

- New Job Creation – 2,950+ employees
- Total Payroll - \$230 million+
- Materials & Supplies - \$100 million+
- FF&E Purchases - \$128 million +
- Ancillary Sales - \$10 million+
- Fiscal Income - \$22.2 million+

Total Direct Economic Impact of \$490.2 million+

Direct On-Going Employment Impact:

Once the construction is complete the development will transition to the On-Going / Operation Phase. During this phase, employment and the related payroll expenses represents the most significant source of economic impact locally and State-wide.

As a result of the gaming and non-gaming options available within Live! Hotel & Casino New York, the variety and quality of employment opportunities created by the project will be significant to the Hudson Valley Region.

Based on a preliminary business plan provided by Cordish Group, the direct, indirect and induced economic impacts relating to on-going employment can be made. ⁴ For this and subsequent estimates the Average Scenario projections were assumed for Year 2018 (fully operational).

The following table shows the various Full-Time-Equivalent (FTE) employees projected for the various Divisions.

	# FTE's
General and Administrative	
Professionals, Managers, Executives and Technicians	63
Clerical Workers, Compliance, Accounting, and Sales	39
Human Resources	21
Production and Transport Operators, Laborers and Cleaners	19
Casino	
Professionals, Managers, Executives and Technicians	115
Dealers and game supervisors	1,409
Clerical Workers, Sales and Hosts	420
Security and Surveillance	202
Cleaners	-
Other	-
Hotel	
Professionals, Managers, Executives and Technicians	5
Clerical Workers, Sales and Marketing Staff	14
Room cleaners, housekeeping supervisors	46
Other	40
Food and Beverage	
Professionals, Chefs, Managers, Executives and Technicians	38
Clerical Workers, Sales and Service Workers	4
Food preparers and servers, Hosting staff, and Cleaners	598
Other	-
Other (including convention, entertainment, retail, etc.)	
Professionals, Managers, Executives and Technicians	65
Production and Transport Operators, Laborers and Cleaners	274
Other	17
Total	3,388

The Live! Hotel & Casino New York destination resort development will create the need for a diverse set of job functions for experienced and untrained employees. Live! Hotel & Casino New York will employ an estimated 4,708 employees, 3,264 full-time and 1,444 part-time.

One of the key factors that contribute to the economic impact of the Hudson Valley Region regarding any potential development is the quality of jobs available. Based on Cordish Group projections, the level of compensation and benefits to be offered as well as the ability for advancement represents an opportunity for the Orange County Region. Unemployment in Orange County was 8,900 in April 2014 according to the Orange County Partnership.

In terms of projected compensation, the jobs created by the Live! Hotel & Casino New York development will be quality jobs and not predominately minimum wage. Based on projected wage rates including tips, 99% or 3,351 of all employees will New York.⁵ The 37 remaining 37 employees will earn a wage 32% greater than the current New York State minimum wage rate of \$7.25.

In addition, 2,677 employees or 57% of the total 4,708 employees will have a pay rate, including tips, above the current average personal income for Orange County residence of \$43,000 based on adjusted 2011 Federal Bureau of Economic Analysis.

The total direct impact of Salary and Wages generated from the 3,388 FTE will be \$164.9 million including estimated tips, when fully staffed.

Direct On-Going Operating Impact:

In addition to the direct impact created by the introduction of Salary and Wages, the development will create further impact from expenditures necessary for on-going operations. Based on preliminary projections provided by Cordish Group, the following summarizes the major non-labor related operational direct impacts.

Annual Expenditures / Direct Impacts:

Food Cost of Sales - \$21.9 million
Beverage Cost of Sales - \$3.0 million
Retail Cost of Sales - \$.357 million
Supplies - \$6.3 million
Repair & Maintenance - \$7.2 million
Outside Services - \$8.9 million
Contract Labor - \$.657 million
Utilities - \$5.4 million
Advertising - \$41.0 million
Marketing - \$18.2 million

Total On-Going Direct Impacts = \$112.9 million

⁵ Dr. Amy K. Glassmeir Massachusetts Institute of Technology, 2014
Proprietary & Confidential to
Cordish Group
Second Working Draft – Not for Distribution

It is important to note that not all of these expenditures will occur within the County or State of New York. Later, in the study when indirect and induce impacts are estimated the model will estimate the distribution of these direct impacts based on County and State spending patterns.

Direct On-Going Operations Fiscal:

One of the most important components of the Live! Hotel & Casino New York development will be the significant contribution to the Hudson Valley Region and State of New York fiscal growth. The following details the individual fiscal impacts for the first year of operations, using the average assumption model. A detailed summary of all Tax, License, Fee and Payments for the first five years of the operations, based on a high, average and low assumption model are included in the Appendix Exhibit VIII.B.4.

State Fiscal Impacts

- Gaming Tax - \$145.3 million
- Table & Slot Fee – \$1.7 million
- Gaming License Payment - \$70.0 million
- State Employer/Employee FICA - \$19.1 million⁶
- Horseman Payment - \$3.5 million
- License Fee - \$2.0 million
- State Portion Sales Tax – 1.8 million
- Application Fee - \$1.0 million
- Ancillary Sales Tax - .648 million

Total State Fiscal Impact Fully Operational = \$245.0 million

County Fiscal Impacts

- School District Tax - \$10.2 million
- Property Tax - \$1.6 million
- County Portion of Sales Tax - \$1.3 million
- Town Tax - \$.912 million
- County Use Tax - .688 million
- Police Services - \$.375 million
- Metro Commuter Transportation Mobility Tax - \$.298 million
- South Blooming Grove Fire - \$.243 million
- Orange County Hotel Occupancy Tax - \$.125 million
- Blooming Grove Ambulance District - \$.102 million
- County Portion Sales Tax – \$1.7 million
- Ancillary Sales Tax - .608 million

Total County Fiscal Impact Fully Operational = \$18.2 million

⁶ \$15.9 million reflects Employer match and Employee contribution for impact purposes

Village Fiscal Impacts

- Highway Services Tax - \$.653
- Village Tax - \$.357

Total Village Fiscal Impact Fully Operational = \$1.01 million

Ancillary Impact / Destination Effect:

Based on the design and amenities of Live! Hotel & Casino New York, the development is positioned to attract the underserved day trip customer from New York City and the overnight customer within the 120-minute drive time market area.

These customers will add to the economic impact beyond those generated within the development. The following is an estimate of the ancillary economic impact from hotel and day trip visitors to the property.

Using the projected number of hotel rooms of 300, an average occupancy rate of 95%, the combination of cash and complimentary customers and an average of 1.5 people per room, an estimate of 156,038 visitor occupancies per year is calculated.

Using a conservative average of \$30.00 for food, beverage, retail, supplies and entertainment spent outside the development per hotel visitor occupancy, an estimate of \$4.7 million of ancillary economic impact is projected.

Customers that do not stay over-night or day trip visitors will also have an ancillary economic impact but at a reduced level. Projecting the level of day trip visitors can be accomplished in several methods.

One method is to utilize projected gaming revenues and estimated per customer, per win averages to project daily casino visitation. A factor can be applied to this number that takes into account non-gaming visitor. Previously estimated hotel or over-night visitors should be deducted from this estimate in order to isolate only the day trip visitors.

Based on these assumptions, the projections provided by Cordish Group and the conservative average win per customer of \$125 per day, over 5.0 million visitors can be estimated. With a \$200 per day average win the estimate is 3.2 million visitors. Applying a factor of 1.2 to account for non-gaming visitors the range of estimated visitors is a high of 7.0 million to a low of 3.8 million. Visitation will fluctuate based on the day of the week and holiday/seasonal factors.

Using a conservative average of \$3.00 for food, beverage, retail, supplies and entertainment spent outside the development per day trip visitor, a conservative estimate of \$11.5 million of ancillary economic impact is projected.

Total Annual Ancillary Impact Fully Operational = \$16.2 million

The Operation Phase is significant to the host region and the State because, unlike the construction phase, this impact is recurring and on-going. The following is a summary of the direct impacts for this phase of the development.

Summary of Direct On-Going / Operational Impact:

- New Job Creation – 4,708
- Total Payroll - \$164.9 million
- Operations \$112.9 million
- Ancillary - \$16.2 million
- Fiscal Income - \$263.913 million

Total Direct On-Going / Operational Impact of \$557.9 million

The IMPLAN Model

The previous economic impacts are all direct and quantifiable. These however represent a portion of the economic impact generated by a hotel/casino development of the size and scope of Live! Hotel & Casino New York.

In order to quantify the total economic impact beyond those that are direct, one would have to trace each direct impact dollar throughout the economy. This task would be physically and fiscally impossible. The alternative has been to utilize economic models to simulate and replicate these interactions.

Utilizing the IMPLAN Model, the total economic impact can be estimated using detailed multipliers for each affected sector within the economy. In total, the IMPLAN Model will calculate the effect over 430 separate sectors to estimate the indirect and induced effect. Simply stated, the indirect effects are the economic impact of business-to-business transactions and the induced effects represent the “raising tide” or effect of more money in people’s pockets.

Based on projections of revenues and expenses provided by the Cordish Group, a variety of economic impact analysis was performed. This data was available for both casino operations and pre-opening/building construction. Total revenues were provided in three scenarios: low, average and high. Included in this data were detailed wage and salary information, including benefit expense. Two primary techniques were used to develop these economic impact estimates:

- 1) Industry Change Method, used for both the construction / operations impacts
- 2) Analysis of Parts used to estimate the pre-opening impact

The analysis resulted in 10 economic impacts that were segregated into three phases 1) Pre-Opening, 2) Construction and 3) On-Going Operations. A separate analysis by low, average and high assumptions were done for the on-going/operational phase for Orange County and the State of New York.

The variance between these impacts is primarily due to four factors:

- 1) Geography – County vs. State
- 2) Owner income
- 3) Pro-forma data
- 4) Economic deflators

It is important to define the terminology used within the IMPLAN model as well as the process for analyzing the results.

Output - represents the value of industry production. In IMPLAN these are annual production estimates for the year of the data set and are in producer prices. For manufacturers this would be sales plus/minus change in inventory. For service sectors production = sales. For retail and wholesale trade, output = gross margin and not gross sales.⁷ Output can include direct, indirect and induced based on the source of the input.

In terms of analysis, each of the impact effect is mutually exclusive. The estimates for Output can include direct, indirect and induced effect. The estimate for Total Effect is **not** the sum total of the direct, indirect and induced estimated impacts. Each of the estimated effect is mutual exclusive to the other effects.

Development and Construction Impact:

The Live! Hotel & Casino New York Development will represent one of the largest commercial projects undertaken in the Hudson Valley Region of New York State.

The equally owned LLC between Cordish Group and Penn National Gaming will invest an estimated \$750 million into the project during the development and construction phase. This investment will generate a wide range of local economic benefits throughout the region and the entire State of New York prior to opening.

The IMPLAN Model was utilized to estimate the indirect and induced effects to labor and output. As discussed previously, specific economic data and industry spending patterns for both Orange County and New York State were utilized. For the purpose of completing Exhibit VIII.B.4 and the provided State template, the term of “Spillover” includes any effect not direct (indirect and induced).

⁷ User’s Guide, IMPLAN Professional version 2.0 Minnesota IMPLAN Group, Inc. Stillwater, Minnesota April, 1999

Orange County - Pre-Opening / Development Impact

2016	Impact Type	Employment	Labor Income	Output
	Direct Effect	150	\$5,090,000	\$15,650,194
	Indirect Effect	401	\$11,658,859	\$36,220,729
	Induced Effect	77	\$3,345,973	\$10,111,276
	Total Effect	628	\$20,094,832	\$61,982,199

New York State - Pre-Opening / Development Impact

2016	Impact Type	Employment	Labor Income	Output
	Direct Effect	150	\$5,090,000	\$15,650,194
	Indirect Effect	342	\$24,756,453	\$45,744,952
	Induced Effect	127	\$8,149,074	\$20,920,780
	Total Effect	619	\$37,995,527	\$82,315,926

The Live! Hotel/Casino New York upon completion will be a world-class destination resort property incorporating both gaming and non-gaming entertainment options. The one-time direct economic impact of such a construction project will have a significant effect on the Hudson Valley Region and State. The components of a construction project such as this will include, labor, building materials, supplies, furniture, fixture, equipment and services. The expenditure on these direct impacts will reverberate throughout the Hudson Valley Region and State.

The following summaries show the estimated indirect and induced effects to labor and output from these construction related expenditures.

Orange County- Construction Impact

2016 Summary

Impact Type	Employment	Labor Income	Output
Direct Effect	2,800	\$138,449,136	\$449,999,994
Indirect Effect	901	\$46,919,453	\$133,472,182
Induced Effect	157	\$6,818,283	\$20,605,765
Total Effect	3,858	\$192,186,872	\$604,077,941

New York State - Construction Impact

Impact Type	Employment	Labor Income	Output
Direct Effect	2,457	\$192,541,710	\$449,999,994
Indirect Effect	903	\$75,623,252	\$169,500,527
Induced Effect	227	\$13,974,690	\$35,878,617
Total Effect	3,587	\$282,139,652	\$655,379,138

On-Going Operational Impact:

The majority of the economic impact of the per-opening/development and 100% of the construction impact will be one-time only effects. There will be a recurring or on-going economic impact as a result of the development.

In terms of employment, the range of total new jobs will be from 3,800 to 5,200 within the Hudson Valley Region. This includes a range of indirect labor employees of 360 to 570 and induced employees of 540 to 800.

In terms of Output, the IMPLAN Model utilizes the labor assumptions, which factors in all of the direct impacts related to the on-going operational detailed above in addition to Orange County and New York State specific economic data and industry spending patterns.

Based on the IMPLAN Model, Live! Hotel & Casino New York will result in a range for new jobs of 3,770 to 5,200, which will generate a total labor effect between \$209 million to \$242 million throughout the County. The total Output, direct, indirect and induced related to the project will range from \$457 million to \$542 million.

Orange County - High Scenario - On-Going Operation

Summary

2018	Impact Type	Employment	Labor Income	Output
	Direct Effect	3,774	\$176,490,323	\$339,749,352
	Indirect Effect	571	\$28,001,026	\$87,457,465
	Induced Effect	838	\$37,903,694	\$114,951,372
	Total Effect	5,183	\$242,395,043	\$542,158,189

Orange County - Average Scenario - On-Going Operation

Summary	Impact Type	Employment	Labor Income	Output
2018	Direct Effect	3,388	\$152,438,423	\$284,989,352
	Indirect Effect	479	\$23,487,878	\$73,361,241
	Induced Effect	721	\$32,615,789	\$98,899,886
	Total Effect	4,588	\$208,542,090	\$457,250,479

Orange County - Low Scenario - On-Going Operation

Summary	Impact Type	Employment	Labor Income	Output
2018	Direct Effect	2,866	\$115,368,500	\$214,730,295
	Indirect Effect	361	\$17,697,360	\$55,275,333
	Induced Effect	545	\$24,670,484	\$74,805,857
	Total Effect	3,772	\$157,736,344	\$344,811,484

Utilizing State economic data for applicable sectors and adjusting spending patterns to account for the larger regions, the IMPLAN Model is capable of estimating the economic impact of the Live! Hotel & Casino New York on the entire States economy. The following summarizes the model results.

State of New York - High Scenario - On-Going Operation

Summary

2018	Impact Type	Employment	Labor Income	Output
	Direct Effect	3,774	\$252,569,284	\$525,811,520
	Indirect Effect	839	\$80,083,137	\$174,147,912
	Induced Effect	1,344	\$86,347,176	\$222,751,746
	Total Effect	5,957	\$418,999,597	\$922,711,178

State of New York - Average Scenario - On-Going Operation**Summary**

2018	Impact Type	Employment	Labor Income	Output
	Direct Effect	3,388	\$217,900,339	\$441,062,457
	Indirect Effect	704	\$67,175,525	\$146,079,146
	Induced Effect	1,152	\$73,999,958	\$190,872,455
	Total Effect	5,244	\$359,075,822	\$778,014,059

State of New York - Low Scenario - On-Going Operation**Summary**

2018	Impact Type	Employment	Labor Income	Output
	Direct Effect	2,866	\$164,883,290	\$332,326,352
	Indirect Effect	530	\$50,614,589	\$110,065,918
	Induced Effect	871	\$55,939,200	\$144,284,137
	Total Effect	4,267	\$271,437,079	\$586,676,407

Based on the IMPLAN Model, Live! Hotel & Casino New York will result in a range for new jobs of 4,200 to 5,900, which will generate a total labor effect between \$271 million to \$419 million throughout the County. The total Output, direct, indirect and induced related to the project will range from \$587 million to \$923 million.

Repatriation Effects:

A key factor component of the Live! Hotel & Casino New York project will be in its ability to repatriate a significant amount of dollars currently being spent at other casino properties located outside of New York State.

Based on its location, variety of non-gaming entertainment options and “live” table games, the development will offer New York residence an equal or superior experience closer to home.

As detailed in the Market/Revenue Study, a significant portion of gaming revenues reported by neighboring States can be traced to New York residence. A 2013 surveys conducted in Massachusetts indicated that an estimated 9.8% of Foxwoods Resort customers and 13.4% of Mohegan Sun customers surveyed were residents of New York State.

Casinos in New Jersey and Pennsylvania have aggressively pursued the large Asian population residing in New York City with bus programs and promotional incentives. Estimates of 20% to 30% of Atlantic City casinos gaming revenues are thought to be from New York residence.

Based on Met versus Unmet Demand analysis contained in the Market/Revenue Study, for these out-of-state casinos, the estimates for New York residence contribution to these casinos total revenues would appear valid.

- Sands Bethlehem, PA 11.9% - greater than projected demand
- Mount Airy, PA 44.3% - greater than projected demand
- Mohegan Sun – Pocono, PA 93.9% - greater than projected demand
- Foxwoods/Mohegan Sun, CT 171.6% - greater than projected demand
- Atlantic City, NJ 2093.6% - greater than projected demand

The following Exhibit was taken from the Market/Revenue Study and is an attempt to quantify the estimated amount of repatriation from those casinos within a 2-hour drive time of the proposed site.

Exhibit #13

Proposed Site Gaming Revenue Source (New York Resident, Out-of-State Resident, and Shift from Existing NY Racinos)

Current Gaming Revenues (per property)																	
	Pocono								Current				Current Total Market	Total Proposed Site	Future Southeast NY	Net New to Southeast NY	
	Sands, PA	Parx, PA	Downs, PA	Mt Airy, PA	Atlantic City	Foxwoods, CT	Mohegan, CT	Sub-Total	Yonkers	Aqueduct	Monticello	Southeast NY					
Slots	\$281.4	\$359.4	\$219.6	\$140.7	\$1,626.1	\$522.7	\$602.1	\$3,752.1	\$547.2	\$792.6	\$61.3	\$1,401.1	\$5,153.3	\$342.0	\$1,663.3	\$262.2	
Tables	\$166.4	\$102.6	\$40.8	\$38.3	\$740.0	\$232.7	\$268.1	\$1,588.9	\$0.0	\$0.0	\$0.0	\$0.0	\$1,588.9	\$277.4	\$277.4	\$277.4	
Poker	\$11.2	\$16.5	\$3.5	\$1.7	\$40.8	\$12.8	\$14.8	\$101.4	\$0.0	\$0.0	\$0.0	\$0.0	\$101.4	\$29.2	\$29.2	\$29.2	
Total	\$459	\$479	\$264	\$181	\$2,407	\$768	\$885	\$5,442.4	\$547.2	\$792.6	\$61.3	\$1,401.1	\$6,843.5	\$648.6	\$1,969.9	\$568.8	
% of Gaming Revenue Currently from New York Residents								Cannibalized VLT Revenue from Existing NY Casinos									
Slots	20%	10%	5%	5%	20%	10%	10%	15%	10%	2%	15%	6%	Slot Revenue	\$16.0	Convert from Electronic Tables to Live Tables		
Tables	30%	20%	20%	20%	30%	20%	20%	26%	\$54.7	\$15.9	\$9.2	\$79.8	Table Revenue	\$63.8			
Poker	30%	20%	20%	20%	30%	20%	20%	25%									
Total	24%	12%	8%	8%	23%	13%	18%										
\$ of Gaming Revenue Currently from New York Residents								Proposed Casino Recapture of New York Resident Revenue Currently at Out-of-State Casinos									
Slots	\$56.3	\$35.9	\$11.0	\$7.0	\$325.2	\$52.3	\$60.2	\$548.0					45%	\$234.4			
Tables	\$49.9	\$20.5	\$8.2	\$7.7	\$222.0	\$46.5	\$53.6	\$408.4					38%	\$113.9			
Poker	\$3.3	\$3.2	\$0.7	\$0.3	\$12.0	\$2.5	\$2.9	\$25.0	91.60	99.69	14.71	58%	\$14.5				
Total	\$109.5	\$59.7	\$19.8	\$15.0	\$559.3	\$101.3	\$116.7	\$981.4					37%	\$362.8			
Out of State Residents																	
	Projected Gaming Demand				Capture %				Capture \$								
	Slots	Tables	Poker	Total	Slots	Tables	Poker	Total	Slots	Tables	Poker	Total					
NJ <120 min	\$1,037.4	\$543.4	\$65.9	\$1,646.7	5%	16%	16%	8%	\$50.2	\$64.8	\$10.8	\$125.8					
CT <120 min	\$381.0	\$199.6	\$24.2	\$604.7	3%	5%	5%	4%	\$11.4	\$10.0	\$1.2	\$22.6					
PA <120 min	\$260.3	\$136.3	\$16.5	\$413.2	1%	2%	2%	1%	\$2.6	\$2.7	\$0.3	\$5.7					
Outside 2hr	Unknown				NA				\$27.4	\$22.2	\$2.3	\$51.9					
Total	\$1,678.7	\$879.3	\$106.6	\$2,664.6	5%	11%	14%	8%	\$91.6	\$99.7	\$14.7	\$206.0					

Exhibit #13 (Con't)

Proposed Site Gaming Revenue Source (New York Resident, Out-of-State Resident, and Shift from Existing NY Racinos)

Out-Of State Resident Gaming Revenue at Live! Hotel Casino NY

	Yr1	Yr2	Yr3	Yr4	Yr5
High - Scenario					
Slot	\$94.7	\$105.3	\$107.4	\$109.5	\$111.7
Table	\$107.7	\$119.6	\$122.0	\$124.5	\$127.0
Poker	\$17.2	\$19.1	\$19.5	\$19.9	\$20.3
Total	\$219.6	\$244.0	\$248.9	\$253.9	\$258.9
Average - Scenario					
Slot	\$82.4	\$91.6	\$93.4	\$95.3	\$97.2
Table	\$89.7	\$99.7	\$101.7	\$103.7	\$105.8
Poker	\$13.2	\$14.7	\$15.0	\$15.3	\$15.6
Total	\$185.4	\$206.0	\$210.1	\$214.3	\$218.6
Low - Scenario					
Slot	\$79.8	\$88.7	\$90.4	\$92.2	\$94.1
Table	\$67.3	\$74.8	\$76.3	\$77.8	\$79.3
Poker	\$10.6	\$11.8	\$12.0	\$12.2	\$12.5
Total	\$157.7	\$175.2	\$178.7	\$182.3	\$185.9

In-State Resident Gaming Revenue at Live! Hotel Casino NY

	Yr1	Yr2	Yr3	Yr4	Yr5
High - Scenario					
Slot	\$242.5	\$269.4	\$274.8	\$280.3	\$285.9
Table	\$123.0	\$136.7	\$139.4	\$142.2	\$145.0
Poker	\$16.9	\$18.8	\$19.2	\$19.6	\$20.0
Total	\$382.4	\$424.9	\$433.4	\$442.1	\$450.9
Average - Scenario					
Slot	\$211.0	\$234.4	\$239.1	\$243.9	\$248.8
Table	\$102.5	\$113.9	\$116.2	\$118.5	\$120.9
Poker	\$13.0	\$14.5	\$14.8	\$15.1	\$15.4
Total	\$326.5	\$362.8	\$370.1	\$377.5	\$385.0
Low - Scenario					
Slot	\$204.2	\$226.9	\$231.4	\$236.1	\$240.8
Table	\$76.9	\$85.4	\$87.1	\$88.9	\$90.6
Poker	\$10.4	\$11.6	\$11.8	\$12.1	\$12.3
Total	\$291.5	\$323.9	\$330.4	\$337.0	\$343.7

Live! Hotel Casino NY Gaming Revenue From Existing NY Racinos

	Yr1	Yr2	Yr3	Yr4	Yr5
High - Scenario					
Slot	\$16.5	\$18.3	\$18.7	\$19.1	\$19.5
Table	\$68.9	\$76.6	\$78.1	\$79.7	\$81.3
Poker	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total	\$85.4	\$94.9	\$96.8	\$98.7	\$100.7
Average - Scenario					
Slot	\$14.4	\$16.0	\$16.3	\$16.6	\$16.9
Table	\$57.4	\$63.8	\$65.1	\$66.4	\$67.7
Poker	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total	\$71.8	\$79.8	\$81.4	\$83.0	\$84.7
Low - Scenario					
Slot	\$13.9	\$15.4	\$15.7	\$16.1	\$16.4
Table	\$43.1	\$47.9	\$48.8	\$49.8	\$50.8
Poker	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total	\$57.0	\$63.3	\$64.6	\$65.9	\$67.2

Live! Hotel Casino Non-Gaming Revenues

Out-Of State Resident Non-Gaming Revenue at Live! NY

	Yr1	Yr2	Yr3	Yr4	Yr5
Hi	\$36.0	\$39.3	\$40.1	\$40.9	\$41.7
Average	\$30.4	\$33.2	\$33.8	\$34.5	\$35.2
Low	\$25.9	\$28.2	\$28.8	\$29.4	\$29.9

In-State Resident Non-Gaming Revenue at Live! Hotel Casino NY

	Yr1	Yr2	Yr3	Yr4	Yr5
Hi	\$62.8	\$69.7	\$71.1	\$72.6	\$74.0
Average	\$53.6	\$59.6	\$60.7	\$62.0	\$63.2
Low	\$47.8	\$53.2	\$54.2	\$55.3	\$56.4

There will be minimal Non-Gaming Revenue shifted from the current NY facilities due to the minimal non-gaming offerings at those existing facilities

Based on this analysis, \$436 million dollars of revenues is projected to shift from these out-of-state casinos to the proposed site. It is assumed that a large portion of these revenues will be from New York residents who will now have gaming and non-gaming entertainment options closer to home.

Destination Effect: This section will also include the effects of the Hotel

The desire to attract visitors from other regions is a primary goal of the destination developments. The Destination Effect results in a greater net positive impact to the Hudson Valley Region. Surrounding businesses such as local restaurants, bars, hotels, transportation, and retail benefit from the spillover effect created by visitors. Destination casinos have the maximum economic impact on a region.

A key aspect of the Live! Hotel & Casino New York and its impact on the region will be based on the variety of non-gaming elements incorporated into the project. The amenities that will be available to the market area such as hotel rooms, convention space, "live" entertainment, multi-ethnic restaurants, a resort level pool and spa will differentiate it from the competition. These features are a direct reaction to the ongoing trend in consumer demand for a greater selection of non-gaming entertainment options.

Recent trends throughout the country have shown that non-gaming revenues are increasing and in some jurisdictions surpassing gaming revenues. This is most prevalent in young adult casino visitors. In order to attract a wider customer base, most new casino developments offer a range of activities besides gambling.

According to the American Gaming Association (AGA), the following list of non-gambling activities were chosen from all people surveyed:

- Enjoyed fine dining - 69%
- Saw a show, concert or other live entertainment - 55%
- Visited a bar or club - 45%
- Went shopping - 42%
- Went to a spa, pool, golf or fitness - 35%

The AGA survey also asked:

How often did you visit other attractions in the area outside the casino property?

- 53% of all casino visitors sought out attractions: always/usually/sometimes
- 64% of young adult casino visitors ages 21-35 years old answered: always/usually/sometimes

How often did you shop or eat at other places in the area outside the casino property?

- 65% of all casino visitors answered: always/usually/sometimes
- 71% of young adult visitors ages 21-35 years old answered: always/usually/sometime

Live! Hotel & Casino New York was specifically designed with a variety of amenities and entertainment options to attract new visitors from outside the region. The project will enhance and compliment Orange County's estimated \$400 million tourism business. The casino development will create a year-around economic impact to the region that is currently reserved for the summer season. One of the most significant impacts to the Region will be the addition of an estimated 300 hotel rooms, conference facility and entertainment venue.

One of the key factors contributing to the growth of the Las Vegas casino industry has been the availability of non-gaming entertainment options. Las Vegas developed the concept of a destination experience with the goal of providing gaming and non-gaming entertainment that would attract new visitors and repeat visitors to stay multiple days.

Research indicates that a casino destination will benefit from surrounding entertainment options. A study commissioned by the Greater Boston Chamber of Commerce entitled, *Casino Gaming in Massachusetts: An Economic, Fiscal and Social Analysis* states, a Destination Effect is stronger if a region possess complementary man-made or natural resources to attract patrons from outside the region.

Live! Hotel & Casino New York in Orange County, New York will benefit from its location approximately 7 miles from one of the largest retail outlet malls in the country, The Woodbury Common Premium Outlet. The shopping complex attracts an estimated 11.0 million visitors a year.

According to Orange County Tourism, in addition to Woodbury Common Premium Outlets, the County generates \$400 million in annual tourism revenues from a variety of regional attractions.

This combination of gaming/non-gaming options, proximity to additional tourism options and ability to attract the underserved population base of New York City along with out-of-state visitors, can result in the greatest level of economic impact for the State of New York.

Social Impacts:

Any discussion regarding the economic impact associated with a new casino development must take into consideration the related social costs. The challenge becomes quantifying these costs. Opinions and analysis conducted on this topic vary in extremes from having no social impact to a creating net negative impact on society. The one constant among these studies is the acknowledgement of problem gambling as a critical issue in any discussion of casino expansion.

Problem and Pathological Gambling:

The most often cited study commissioned by the National Gambling Impact Study Commission, (NGISC) suggests that pathological gambling is confined to about 1% or less of the U.S. adult population.

The National Council on Problem Gambling estimated in 2013 that 6 to 8 million U.S. adults suffer some form of gambling addiction. Based on the US Census, the total population for 2013 was 316 million people. According to these estimates, 1.9% to 2.5% of the US population suffers from some form of gambling addiction.

One of the difficulties in assessing the impact of this new casino development on problem and pathological gambling is the lack of available data. The majority of research conducted in this area deals with the topic in totality or concentrates on new gambling jurisdictions.

In the case of Orange County and the State of New York, legalized gambling is an established industry. Currently, a total of five Native American properties offer some combination of slot and table game gambling and nine Racetracks or Racinos offer Video Lottery Terminals, (VLT's). An estimated 29,000 electronic gaming machines are currently operating in New York State. In addition to these facilities, New York State has multiple horse racing tracks and operates a state lottery. New York residents also have a variety of gambling options within close proximity to their borders. Pennsylvania, Connecticut, New Jersey, Canada and soon Massachusetts will offer New York residents gambling options.

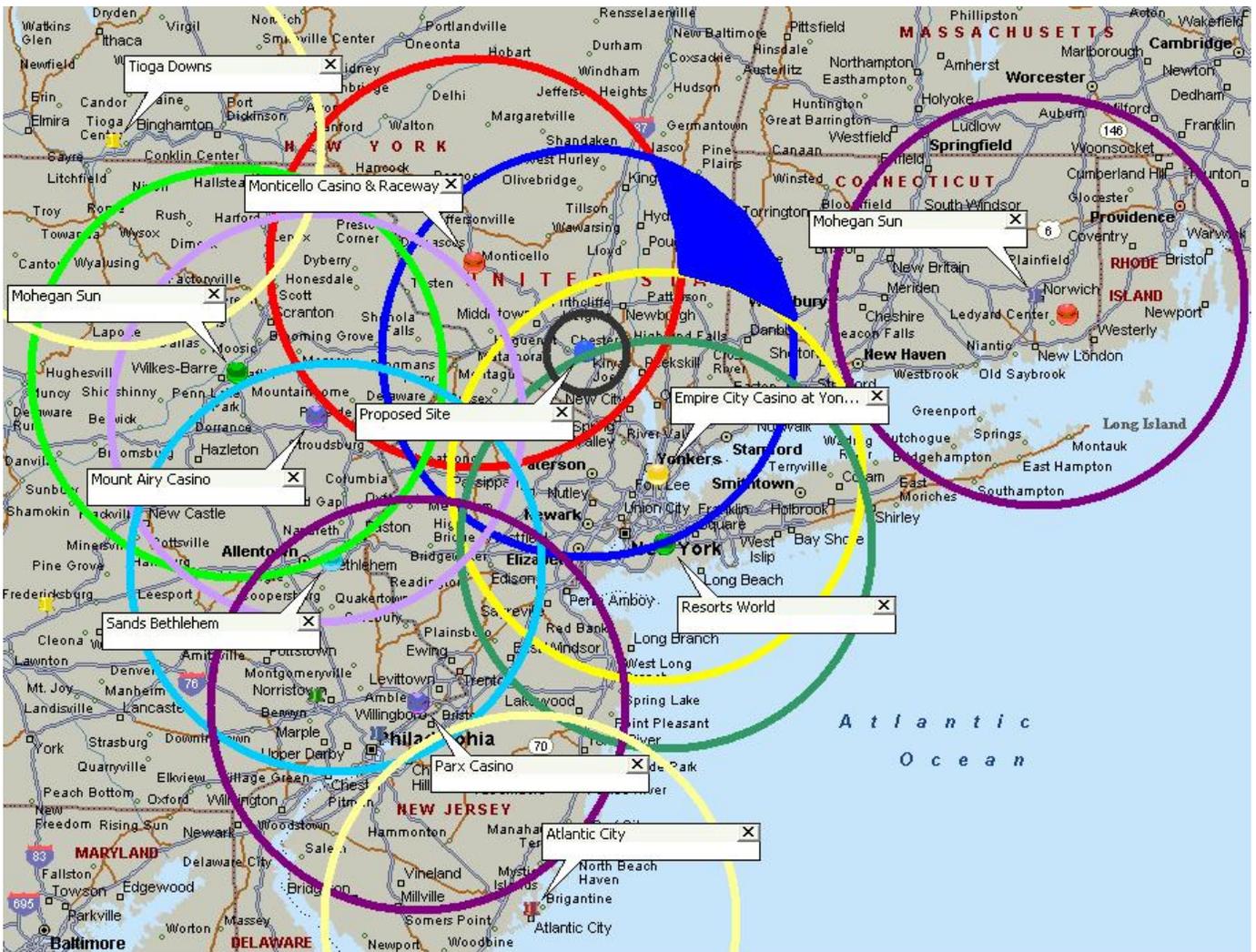
The previous statements were not intended to minimize nor mitigate the issue of problem or pathological gambling on society. The objective was to highlight the difficulties in isolating the incremental impact of introducing a new casino development into a mature gambling environment

Two independent studies attempt to add insight into this issue. The National Gambling Impact Study Commission has estimated that the number of problem gamblers roughly doubles within a 50-mile radius when a gambling option is introduced. In a separate study, John Welte of the University of Buffalo's Research Institute on Addictions found that problem gambling rates doubled again within 10-miles of a casino.

The following chart depicts the proposed site location and the eight competitive sites within a 2-hour drive time. A circle from each site is shown designating a 50-mile radius. Based on this chart, seven of the eight casinos overlap the proposed sites radius.

In addition, a circle depicting a 10-mile radius from the proposed site is shown. The chart also shows that this area is completely incorporated in two existing casinos and half of another. The adult population within the 10-mile radius of the proposed site is 104,389.

With the exception of a small section within the proposed sites 50-mile radius, approximate adult population of 60,090, the sites entire area of adult population is covered by at least two existing casino properties.



Once the incremental number of problem or pathological gamblers is estimated, accessing the costs on society would need to be calculated. For example, Earl Grisnols, a Baylor University professor and author of *Gambling in America*, estimates that addicted gamblers cost the U.S. between \$32.4 billion and \$53.8 billion a year or about \$274 per adult annually. The National Council on Problem Gambling estimates this cost to be \$6.7 billion per year or 800% less than Mr. Grisnols highest estimate. According to experts in the field, the costs associated with problem or pathological gamblers range between \$29 per adult to \$274 per adult.

There is little doubt that the introduction of a new casino development will contribute to an incremental increase in problem and pathological gambling. As outlined, quantifying the level and social cost is difficult in a competitive market. In this specific case, the overall positive impact would appear greater than the associated negative impacts on problem or pathological gambling on a strictly economic basis.

Crime and Casinos:

The issue of crime and the social implication of a new casino development on the Hudson Valley Region and surrounding communities must be addressed in any new casino development.

One of the challenges surrounding any objective discussion on the topic of the correlation of crime and a new casinos development is the lack of consistent or conclusive data. It is impossible to analyze these events in a vacuum necessary to eliminate all of the variables that will ultimately influence the outcome.

These factors will include:

- The specific location of the new casino, rural versus urban
- The specific type of casino development, destination resort versus local market
- The social economic demographic of the Hudson Valley Region
- Population levels
- Existing tourism and visitation levels
- The overall trend in crime within the Hudson Valley Region both locally and throughout the state
- The unemployment rate of the community
- The sample size of the data
- The categories of crime utilized in the data
- Enforcement levels and regulatory oversight

These represent just a few of the variables that will contribute to the outcome and correlation between crime and the introduction of a new casino development.

Based on these, there have been numerous studies conducted on this topic that have varied widely on their outcomes. The three most recent and often cited Grisnols and Mustard (2006), Sitts, Nicols and Giacopassi (2003) and Reece (2010) examined crime rates within various sample locations.

In the case of Grisnols and Mustard, the data utilized was all counties in the United States for all casinos including Native American from 1977 to 1996. Sitts, Nichols, and Giacopassi examined only six communities but increased their data to include a deeper review of the types of crimes including such categories as fraud, embezzlement and prostitution. Reese examined a limited geographic sampling focusing on the State of Indiana from 1994 to 2004.

These three studies varied widely and resulted in different conclusions based on the methodology employed. One of the most comprehensive and recent studies conducted, *The Impact of Legalized Casino Gambling on Crime*, (2013) by Mark W. Nichols and Mehmet Serkan-Tosun attempts to shed further light on this topic.

Nichols and Serkan-Tosun, examined the impact of legalized casino gambling including Native American casinos on all counties in regards to crime. Panel data was used on U.S. counties for the period of 1994 to 2004 and difference-to-difference estimations to identify the impact before and after casino legalization. In addition, like Sitts, they included both Part 1 offenses (assault, burglary, larceny, robbery, rape, and auto theft) and Part 2 offenses, arrests such as driving under the influence, fraud, embezzlement, and prostitution.

Based on their findings, no clear picture on the impact of casino gambling on crime was evident. Based on the circumstance, crime did show an increase with the introduction of a casino in some counties but not in others.

Recently published crime statistics for Connecticut highlight the difficulty and critical thinking necessary to properly evaluate this topic.

The crime studies include murder, rape robbery, assault burglary and theft (Part1) for Mohegan Sun and Foxwoods. Mohegan Sun opened in 1996 and Foxwoods in 1992. Montville has averaged 13 crimes per 1,000 residents annually since the casino opened through 2009, which is 35% less than the seven years before either casino was opened. In Ledyard, crime declined 25% compared to the period before the casino opened. In surrounding cities, Norwich crime fell 19%, in Preston 33%, and in North Stonington 24%.

Drunk driving arrests in Norwich went from an average of 208 during the period of 1985 to 1991 to 163 between 1992-2009. Foxwoods opened in 1992.

The State of Connecticut did experience more than triple the amount of embezzlement cases (Part 2) annually. Since the casinos opened, the annual average has increased from 49 to 158.

The introduction of a new casino development and the effects on crime to the Hudson Valley Region and the transitory effect on nearby jurisdictions is complicated. There are no definitive conclusions on this topic. Despite specific cases of decreases in crime rates post casino openings at certain location, each development and location is a unique. Crime rates will vary based on the hundreds of unique variables influencing them.