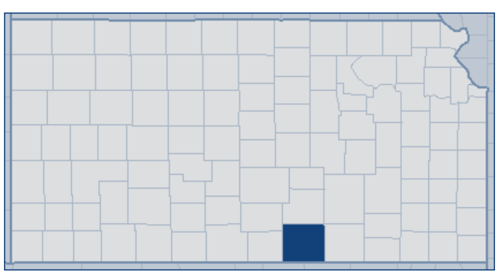
KANSAS RACING AND GAMING COMMISSION

LOTTERY GAMING FACILITY REVIEW BOARD

ECONOMIC IMPACTS OF PROPOSED GAMING FACILITIES

SOUTH CENTRAL ZONE (SUMNER COUNTY)

JULY 2008



CIVIC ECONOMICS
CREATIVITY · OPPORTUNITY · PROSPERITY

Contains CORRECTED Page 18

TABLE OF CONTENTS

INTRODUCTION

Civic Economics is pleased to present the Kansas Racing and Gaming Commission and the Lottery Gaming Facility Review Board with this economic impact analysis of the competing proposals for the South Central Gaming Zone. Fiscal impacts, covering benefits and costs to governmental bodies, are being prepared separately by Meridian Business Advisors.

Civic Economics utilizes IMPLAN, a product of the Minnesota Implan Group and an industry-standard tool for evaluating the impact of economic activities. Given the Board's statewide mandate, Civic Economics used Kansas as the operative study area and applied multipliers and other data from IMPLAN's Local Area Data File for the state rather than for smaller jurisdictions such as counties. Therefore, all impacts reported on the pages that follow are impacts on the State of Kansas.

Economic impacts analyses were conducted for two wholly separate phases of each proposal.

- Construction Impacts cover the development of Phase I of each proposal, including planning and design and actual construction of all facilities required by the applicant's contract with the Kansas Lottery Commission. Expenditures were assumed to occur entirely within 2010.
- Operating Impacts cover the first full year of operation. Because all applicants propose to open complete Phase I facilities in mid- to late- 2010, operating impacts were prepared for the year 2011.
- The report concludes with a discussion of the competitive impacts on existing businesses in the South Central Zone.

CONSTRUCTION IMPACTS

The construction phase of each proposed facility will generate substantial but temporary economic activity related to designing and building the gaming facilities and associated infrastructure. In each case, Civic Economics assumed that all expenditures would take place in the year 2010 for the simple reason that applicant submissions did not allow a more time specific analysis.

Inputs were derived from the Performance Templates submitted to the KRGC in June 2008. Where specific and verifiable deviations in development proposals were identified, inputs were changed accordingly. In the South Central Zone, this occurred only with regard to ancillary developments committed as part of the Sumner Resorts/Harrah's proposal.

The economic impact of any construction project is, as one might assume, driven primarily by the total expenditure on the facility. However, impacts will vary depending on the type of expenditure and the likelihood that such expenditures will be made in Kansas. For this analysis, Civic Economics consistently applied the Local Coefficients provided by IMPLAN, as these provide a credible estimate of local spending for each type of expenditure. It should be noted, though, that conscientious project managers with supportive clients can substantially increase the use of local contractors and suppliers. Therefore, the impacts described below may be seen as conservative.

Notes:

Excluded Items: Taking our lead from the analysts accustomed to working with gaming facilities, Furniture Fixtures & Equipment (FFE), Floor & Wall Coverings, and Gaming Equipment were not included in the impact inputs for any applicant. These items are quite specialized in the gaming industry and thus will come primarily from out of state.

Auxiliary Development: The Sumner Resorts/Harrah's proposal includes an ancillary development across the Kansas Turnpike to be developed by a Kansas partner to include 109 hotel rooms, a small retail building, RV parking, and residential spaces. These have been included in the construction impact analysis because they are included in the contract with the Lottery. However, it should be noted that such developments are likely to occur in close proximity to other Sumner County proposals, as well, wholly independent of the gaming contract.

Impact Reporting

The economic impacts are comprised of three separate categories. Each category is analyzed separately from one another in IMPLAN.

- **Economic Output** is the total production or sales derived from the project. For this study, the total construction costs and casino revenue are the basis for output.
- **Employment** is the total number of Kansans employed both on a full and part time basis in a given industry.
- **Wages** is the amount of salaries and benefits paid to Kansas employees.

For each of the categories listed above a direct effect, indirect effect, and induced effect has been calculated.

- **Direct** effects capture the initial impact created. For construction impacts, this is based on the amount spent in each of a variety of categories in site preparation and facilities design and development. In this analysis, these were provided by the applicants.
- **Indirect** effects are additional impacts derived from businesses providing products or services to the selected industries. This can be restaurants purchasing supplies, the casino hiring a security firm, or the hotel purchasing advertising from a local radio station. Those are all examples of indirect effects.
- **Induced** effects are the result of increased household spending due to the direct and indirect effects. Employees of firms directly or indirectly affected by the project are buying new cars, homes, and groceries locally and this is detailed in the indirect effects.

Chart 1: Applicant Submissions and Model Inputs

APPLICANT SUBMISSION AND MODEL INPUT CORRESPONDENCE
CONSTRUCTION ECONOMIC IMPACT ANALYSIS

Applicant Submission Category		IMPLAN Category Applied	Notes
Buildings	➡	Construction of commercial and institutional buildings	
Land	➡	None	Land purchases are not factored into economic impacts
Land improvements, excluding landscaping	➡	Other new construction	
Landscaping	➡	Other new construction	
Soft Costs, i.e. engineering, architectural, development fees	➡	Architectural and engineering services	
Financing costs	➡	None	Financing costs were not factored into the economic impacts
Public sector infrastructure	➡	Split evenly with Highway, street, bridge, tunnel construction and Water, sewer, and pipeline	
Rolling stock	➡	Motor vehicle and parts dealers	
Furniture, fixtures and equipment	➡	None	Assumed purchases would be made out of state
Floor and wall treatments	➡	None	Assumed purchases would be made out of state
Gaming equipment	➡	None	Assumed purchases would be made out of state

Chart 2: Construction Impact Summary Chart

CONSTRUCTION IMPACTS SUMMARY
SOUTH CENTRAL GAMING ZONE

	Direct	Indirect	Induced	*Total*	Relative Impacts
ECONOMIC OUTPUT	Total revenues associated with construction ($ Millions, 2007 Dollars)				
Marvel Gaming	$ 199.4	$ 63.7	$ 87.1	$ 350.2	
Penn Sumner LLC	$ 152.9	$ 49.6	$ 66.8	$ 269.3	
Sumner Resorts/Harrah's	$ 261.6	$ 84.5	$ 112.7	$ 458.9	
EMPLOYMENT	Total workers, including full-time and part-time				
Marvel Gaming	2,064	500	811	***3,375***	
Penn Sumner LLC	1,554	385	622	***2,561***	
Sumner Resorts/Harrah's	2,674	657	1,050	***4,380***	
WAGES	Total wages paid to workers identified above ($ Millions, 2007 Dollars)				
Marvel Gaming	$ 90.7	$ 21.7	$ 26.1	$ 138.5	
Penn Sumner LLC	$ 69.3	$ 16.8	$ 20.0	$ 106.1	
Sumner Resorts/Harrah's	$ 116.8	$ 28.6	$ 33.7	$ 179.1	

Source: Applicant Submissions, IMPLAN, Civic Economics

Chart 3: Marvel Construction Economic Output

MARVEL GAMING CONSTRUCTION IMPACTS					
		ECONOMIC OUTPUT (In 2007 Dollars)			
Code	**Sector**	**Direct**	**Indirect**	**Induced**	**Total**
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	84,089	707,132	791,221
19	21 Mining (AGG)	0	1,960,256	979,529	2,939,785
30	22 Utilities (AGG)	0	836,780	2,230,610	3,067,391
33	23 Construction (AGG)	183,774,190	488,389	487,756	184,750,327
46	31-33 Manufacturing (AGG)	0	15,535,850	8,754,256	24,290,105
390	42 Wholesale Trade (AGG)	0	4,180,996	4,849,928	9,030,923
391	48-49 Transportation & Warehousing (AGG)	0	2,879,153	2,112,641	4,991,794
401	44-45 Retail trade (AGG)	6,084,997	6,939,275	10,863,904	23,888,173
413	51 Information (AGG)	0	1,757,808	2,399,525	4,157,335
425	52 Finance & insurance (AGG)	0	3,918,514	7,569,910	11,488,424
431	53 Real estate & rental (AGG)	0	3,443,375	4,244,168	7,687,543
437	54 Professional- scientific & tech svcs (AGG)	9,530,710	14,992,961	2,678,708	27,202,379
451	55 Management of companies (AGG)	0	797,866	639,896	1,437,762
452	56 Administrative & waste services (AGG)	0	3,205,925	1,505,070	4,710,994
461	61 Educational svcs (AGG)	0	42,206	1,089,088	1,131,293
464	62 Health & social services (AGG)	0	1,524	13,992,018	13,993,543
475	71 Arts- entertainment & recreation (AGG)	0	116,607	808,815	925,423
479	72 Accomodation & food services (AGG)	0	773,151	4,695,805	5,468,956
482	81 Other services (AGG)	0	1,144,144	3,324,677	4,468,820
495	92 Government & non NAICs (AGG)	0	593,987	13,204,687	13,798,673
		$ 199,389,897	***$ 63,692,857***	***$ 87,138,122***	***$ 350,220,864***

Source: Applicant Submissions, IMPLAN, Civic Economics

Chart 4: Marvel Construction Employment

MARVEL GAMING CONSTRUCTION IMPACTS					
		TOTAL EMPLOYMENT			
Code	Sector	Direct	Indirect	Induced	Total
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	1	5	6
19	21 Mining (AGG)	0	6	3	9
30	22 Utilities (AGG)	0	2	4	6
33	23 Construction (AGG)	1,927	4	5	1,936
46	31-33 Manufacturing (AGG)	0	41	18	59
390	42 Wholesale Trade (AGG)	0	25	29	54
391	48-49 Transportation & Warehousing (AGG)	0	25	20	46
401	44-45 Retail trade (AGG)	63	119	186	368
413	51 Information (AGG)	0	5	8	13
425	52 Finance & insurance (AGG)	0	24	44	67
431	53 Real estate & rental (AGG)	0	23	34	58
437	54 Professional- scientific & tech svcs (AGG)	75	118	26	219
451	55 Management of companies (AGG)	0	4	4	8
452	56 Administrative & waste services (AGG)	0	64	27	91
461	61 Educational svcs (AGG)	0	1	22	23
464	62 Health & social services (AGG)	0	0	178	178
475	71 Arts- entertainment & recreation (AGG)	0	4	24	28
479	72 Accomodation & food services (AGG)	0	14	93	107
482	81 Other services (AGG)	0	16	73	89
495	92 Government & non NAICs (AGG)	0	3	8	11
		2,064	***500***	***811***	***3,375***

Source: Applicant Submissions, IMPLAN, Civic Economics

Chart 5: Marvel Construction Wages

MARVEL GAMING CONSTRUCTION IMPACTS					
		Total Wages in 2007 Dollars			
Code	**Sector**	**Direct**	**Indirect**	**Induced**	**Total**
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	16,683	81,293	97,977
19	21 Mining (AGG)	0	476,326	237,481	713,807
30	22 Utilities (AGG)	0	164,622	430,675	595,297
33	23 Construction (AGG)	82,777,177	184,674	194,270	83,156,117
46	31-33 Manufacturing (AGG)	0	2,507,777	1,167,990	3,675,767
390	42 Wholesale Trade (AGG)	0	1,582,859	1,836,106	3,418,965
391	48-49 Transportation & Warehousing (AGG)	0	1,168,936	870,547	2,039,484
401	44-45 Retail trade (AGG)	2,775,213	2,793,127	4,381,021	9,949,360
413	51 Information (AGG)	0	413,646	486,601	900,247
425	52 Finance & insurance (AGG)	0	1,191,357	2,113,263	3,304,620
431	53 Real estate & rental (AGG)	0	591,443	724,449	1,315,892
437	54 Professional- scientific & tech svcs (AGG)	5,155,946	7,598,904	1,162,865	13,917,713
451	55 Management of companies (AGG)	0	346,204	277,658	623,862
452	56 Administrative & waste services (AGG)	0	1,738,521	737,450	2,475,971
461	61 Educational svcs (AGG)	0	18,570	496,050	514,619
464	62 Health & social services (AGG)	0	540	7,193,459	7,193,998
475	71 Arts- entertainment & recreation (AGG)	0	35,290	271,285	306,575
479	72 Accomodation & food services (AGG)	0	259,754	1,516,602	1,776,356
482	81 Other services (AGG)	0	471,314	1,504,134	1,975,448
495	92 Government & non NAICs (AGG)	0	135,247	387,175	522,421
		$ 90,708,334	***$ 21,695,793***	***$ 26,070,373***	***$ 138,474,497***

Source: Applicant Submissions, IMPLAN, Civic Economics

Chart 6: Penn Sumner Construction Economic Output

PENN SUMNER CONSTRUCTION IMPACTS					
		ECONOMIC OUTPUT (In 2007 Dollars)			
Code	**Sector**	**Direct**	**Indirect**	**Induced**	**Total**
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	63,016	541,935	604,951
19	21 Mining (AGG)	0	1,608,098	750,697	2,358,794
30	22 Utilities (AGG)	0	628,490	1,709,505	2,337,994
33	23 Construction (AGG)	140,193,667	373,864	373,808	140,941,345
46	31-33 Manufacturing (AGG)	0	12,281,931	6,709,127	18,991,057
390	42 Wholesale Trade (AGG)	0	3,197,825	3,716,911	6,914,735
391	48-49 Transportation & Warehousing (AGG)	0	2,337,202	1,619,095	3,956,297
401	44-45 Retail trade (AGG)	644,103	5,172,019	8,325,932	14,142,053
413	51 Information (AGG)	0	1,316,111	1,838,959	3,155,070
425	52 Finance & insurance (AGG)	0	3,031,954	5,801,466	8,833,420
431	53 Real estate & rental (AGG)	0	2,642,643	3,252,663	5,895,306
437	54 Professional- scientific & tech svcs (AGG)	12,051,330	11,736,024	2,052,920	25,840,275
451	55 Management of companies (AGG)	0	519,579	490,405	1,009,984
452	56 Administrative & waste services (AGG)	0	2,572,908	1,153,461	3,726,370
461	61 Educational svcs (AGG)	0	35,117	834,659	869,775
464	62 Health & social services (AGG)	0	1,244	10,723,252	10,724,497
475	71 Arts- entertainment & recreation (AGG)	0	95,244	619,863	715,107
479	72 Accomodation & food services (AGG)	0	635,056	3,598,795	4,233,850
482	81 Other services (AGG)	0	897,197	2,547,977	3,445,174
495	92 Government & non NAICs (AGG)	0	444,482	10,119,865	10,564,346
		$ 152,889,100	***$ 49,590,004***	***$ 66,781,293***	***$ 269,260,399***

Chart 7: Penn Sumner Construction Employment

PENN SUMNER CONSTRUCTION IMPACTS					
			TOTAL EMPLOYMENT		
Code	Sector	Direct	Indirect	Induced	Total
1	11 Ag, Forestry, Fish & Hunting (AGG)	0.0	0.4	4.1	4.4
19	21 Mining (AGG)	0.0	4.8	2.2	7.0
30	22 Utilities (AGG)	0.0	1.3	3.4	4.7
33	23 Construction (AGG)	1,453.2	3.3	3.4	1,459.9
46	31-33 Manufacturing (AGG)	0.0	30.7	13.8	44.6
390	42 Wholesale Trade (AGG)	0.0	19.3	22.4	41.6
391	48-49 Transportation & Warehousing (AGG)	0.0	20.5	15.5	36.0
401	44-45 Retail trade (AGG)	6.6	88.5	142.8	237.9
413	51 Information (AGG)	0.0	4.0	5.7	9.7
425	52 Finance & insurance (AGG)	0.0	18.2	33.6	51.7
431	53 Real estate & rental (AGG)	0.0	17.6	26.3	43.9
437	54 Professional- scientific & tech svcs (AGG)	94.3	92.1	19.7	206.1
451	55 Management of companies (AGG)	0.0	2.9	2.7	5.6
452	56 Administrative & waste services (AGG)	0.0	51.7	20.8	72.5
461	61 Educational svcs (AGG)	0.0	0.7	17.1	17.8
464	62 Health & social services (AGG)	0.0	0.0	136.5	136.5
475	71 Arts- entertainment & recreation (AGG)	0.0	3.4	18.0	21.4
479	72 Accomodation & food services (AGG)	0.0	11.5	71.3	82.8
482	81 Other services (AGG)	0.0	12.4	56.2	68.6
495	92 Government & non NAICs (AGG)	0.0	2.2	6.3	8.5
		1554	***385***	***622***	***2561***

Source: Applicant Submissions, IMPLAN, Civic Economics

Chart 8: Penn Sumner Construction Wages

PENN SUMNER CONSTRUCTION IMPACTS					
		Total Wages in 2007 Dollars			
Code	Sector	Direct	Indirect	Induced	Total
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	12,466	62,301	74,768
19	21 Mining (AGG)	0	391,206	182,001	573,208
30	22 Utilities (AGG)	0	122,845	330,063	452,908
33	23 Construction (AGG)	62,494,766	140,892	148,886	62,784,544
46	31-33 Manufacturing (AGG)	0	1,956,347	895,130	2,851,477
390	42 Wholesale Trade (AGG)	0	1,210,645	1,407,164	2,617,809
391	48-49 Transportation & Warehousing (AGG)	0	944,694	667,174	1,611,867
401	44-45 Retail trade (AGG)	293,759	2,081,789	3,357,549	5,733,097
413	51 Information (AGG)	0	308,074	372,923	680,997
425	52 Finance & insurance (AGG)	0	919,509	1,619,574	2,539,082
431	53 Real estate & rental (AGG)	0	455,061	555,206	1,010,267
437	54 Professional- scientific & tech svcs (AGG)	6,519,557	5,913,884	891,201	13,324,640
451	55 Management of companies (AGG)	0	225,451	212,794	438,245
452	56 Administrative & waste services (AGG)	0	1,397,558	565,170	1,962,727
461	61 Educational svcs (AGG)	0	15,459	380,164	395,623
464	62 Health & social services (AGG)	0	438.141	5,512,948	5,513,387
475	71 Arts- entertainment & recreation (AGG)	0	29,039	207,908	236,948
479	72 Accomodation & food services (AGG)	0	213,480	1,162,302	1,375,781
482	81 Other services (AGG)	0	363,882	1,152,743	1,516,625
495	92 Government & non NAICs (AGG)	0	101,471	296,724	398,195
		$ 69,308,081	***$ 16,804,190***	***$ 19,979,924***	***$ 106,092,194***

Source: Applicant Submissions, IMPLAN, Civic Economics

Chart 9: Sumner Resorts/Harrah's Construction Economic Output

SUMNER RESORTS/HARRAH'S CONSTRUCTION IMPACTS					
		ECONOMIC OUTPUT (In 2007 Dollars)			
Code	**Sector**	**Direct**	**Indirect**	**Induced**	**Total**
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	112,709	914,782	1,027,491
19	21 Mining (AGG)	0	2,694,528	1,267,170	3,961,698
30	22 Utilities (AGG)	0	1,057,075	2,885,631	3,942,705
33	23 Construction (AGG)	252,064,977	599,518	630,986	253,295,491
46	31-33 Manufacturing (AGG)	0	21,481,121	11,324,950	32,806,071
390	42 Wholesale Trade (AGG)	0	5,741,307	6,274,113	12,015,420
391	48-49 Transportation & Warehousing (AGG)	0	4,010,419	2,733,020	6,743,438
401	44-45 Retail trade (AGG)	0	9,758,518	14,054,099	23,812,618
413	51 Information (AGG)	0	2,156,709	3,104,149	5,260,858
425	52 Finance & insurance (AGG)	0	5,147,453	9,792,823	14,940,276
431	53 Real estate & rental (AGG)	0	4,197,639	5,490,470	9,688,109
437	54 Professional- scientific & tech svcs (AGG)	9,553,717	19,511,011	3,465,313	32,530,044
451	55 Management of companies (AGG)	0	870,064	827,801	1,697,864
452	56 Administrative & waste services (AGG)	0	3,856,856	1,947,034	5,803,890
461	61 Educational svcs (AGG)	0	51,006	1,408,899	1,459,904
464	62 Health & social services (AGG)	0	2,026	18,100,777	18,102,803
475	71 Arts- entertainment & recreation (AGG)	0	141,811	1,046,325	1,188,136
479	72 Accomodation & food services (AGG)	0	961,068	6,074,733	7,035,801
482	81 Other services (AGG)	0	1,453,728	4,300,968	5,754,696
495	92 Government & non NAICs (AGG)	0	744,574	17,082,252	17,826,826
		$ 261,618,694	***$ 84,549,141***	***$ 112,726,293***	***$ 458,894,140***

Source: Applicant Submissions, IMPLAN, Civic Economics

Chart 10: Sumner Resorts/Harrah's Construction Employment

SUMNER RESORTS/HARRAH'S
CONSTRUCTION IMPACTS

Code	Sector	Direct	TOTAL EMPLOYMENT Indirect	Induced	Total
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	0.6	6.8	7.5
19	21 Mining (AGG)	0	8	3.7	11.7
30	22 Utilities (AGG)	0	2.1	5.8	7.9
33	23 Construction (AGG)	2598.8	5.2	5.8	2609.9
46	31-33 Manufacturing (AGG)	0	57.1	23.4	80.5
390	42 Wholesale Trade (AGG)	0	34.6	37.8	72.4
391	48-49 Transportation & Warehousing (AGG)	0	34.3	26.2	60.6
401	44-45 Retail trade (AGG)	0	166.9	241	407.9
413	51 Information (AGG)	0	6.4	9.7	16.1
425	52 Finance & insurance (AGG)	0	30.8	56.7	87.5
431	53 Real estate & rental (AGG)	0	27.8	44.4	72.2
437	54 Professional- scientific & tech svcs (AGG)	74.8	153.9	33.3	262
451	55 Management of companies (AGG)	0	4.8	4.6	9.4
452	56 Administrative & waste services (AGG)	0	77.1	35.1	112.1
461	61 Educational svcs (AGG)	0	1	28.8	29.8
464	62 Health & social services (AGG)	0	0	230.3	230.3
475	71 Arts- entertainment & recreation (AGG)	0	5.1	30.4	35.5
479	72 Accomodation & food services (AGG)	0	17.5	120.4	137.9
482	81 Other services (AGG)	0	20.1	94.8	114.9
495	92 Government & non NAICs (AGG)	0	3.7	10.6	14.3
		2,674	***657***	***1,050***	***4,380***

Source: Applicant Submissions, IMPLAN, Civic Economics

Chart 11: Sumner Resorts/Harrah's Construction Wages

SUMNER RESORTS/HARRAH'S
CONSTRUCTION IMPACTS

Code	Sector	Direct	Indirect	Induced	Total
			Total Wages in 2006 Dollars		
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	21,518	102,251	123,769
19	21 Mining (AGG)	0	637,031	298,704	935,734
30	22 Utilities (AGG)	0	200,998	541,705	742,703
33	23 Construction (AGG)	108,505,184	220,207	244,354	108,969,744
46	31-33 Manufacturing (AGG)	0	3,401,854	1,469,102	4,870,957
390	42 Wholesale Trade (AGG)	0	2,113,338	2,309,461	4,422,799
391	48-49 Transportation & Warehousing (AGG)	0	1,542,427	1,094,977	2,637,404
401	44-45 Retail trade (AGG)	0	3,819,057	5,510,464	9,329,521
413	51 Information (AGG)	0	489,172	612,048	1,101,220
425	52 Finance & insurance (AGG)	0	1,516,421	2,658,070	4,174,492
431	53 Real estate & rental (AGG)	0	702,669	911,213	1,613,883
437	54 Professional- scientific & tech svcs (AGG)	5,025,174	9,652,758	1,462,656	16,140,588
451	55 Management of companies (AGG)	0	367,070	349,240	716,309
452	56 Administrative & waste services (AGG)	0	2,028,789	927,567	2,956,356
461	61 Educational svcs (AGG)	0	21,818	623,933	645,751
464	62 Health & social services (AGG)	0	694	9,047,952	9,048,647
475	71 Arts- entertainment & recreation (AGG)	0	41,956	341,223	383,179
479	72 Accomodation & food services (AGG)	0	313,996	1,907,589	2,221,584
482	81 Other services (AGG)	0	574,711	1,891,903	2,466,615
495	92 Government & non NAICs (AGG)	0	165,247	486,989	652,237
		$ 113,530,358	***$ 27,831,732***	***$ 32,791,400***	***$ 174,153,489***

Source: Applicant Submissions, IMPLAN, Civic Economics

OPERATING IMPACTS

This section of this report analyzes the economic impacts to be generated by each proposal in the first full year of operation, which is 2011 for all proposals. As with construction, economic impacts were calculated for the entire state of Kansas using the IMPLAN model.

Notes:

Gaming Revenue and Operational Scale: As requested by the Board, all applicants provided a detailed spreadsheet looking forward into several years of operations. In all cases, these sheets proceeded from an estimate of the gaming revenue to be earned at each facility, as estimated by the applicants. For this exercise, though, Civic Economics was asked to evaluate impacts based on the gaming revenue forecast by the Board's own consultants, Wells Gaming and Cummings & Associates. In the South Central Zone, these estimates were lower than the applicants had put forward, as illustrated in Chart 11 on the following page. Consequently, the economic impact of gaming activities relied on these lower revenue figures as an input into the model.

This analysis also assumes that, in general, non-gaming activities in proposed facilities would change in proportion with the gaming revenues, which was in this case a reduction. Chart 11 also illustrates those reductions in revenue.

Finally, our partners in this process, Probe Strategic Solutions, applied their specific expertise in the gaming industry to review and forecast revenues associated with hotel operations at those facilities offering one. In their opinion, reduced gaming revenue will not be reflected in reduced hotel occupancy as operators seek to fill rooms in order to provide casino patrons. Hotel revenues at the three attached luxury properties are based on an average daily rate of $118.97 and 90% occupancy. For the two ancillary, mid-market hotels proposed by Sumner Resorts, revenues are based on an average daily rate of $87.82 and 80% occupancy. In addition, this "revenue" measure is intended to guide the model by presenting market values to rooms that are frequently provided at reduced rates or free to gaming customers.

Chart 12: Revenue Forecast Adjustments

REVENUE FORECASTS, 2011
SOUTH CENTRAL GAMING ZONE (IN 2007 Dollars)

GAMING REVENUE PROJECTIONS

	Marvel	Penn Sumner	Sumner Resorts/Harrah's
Estimated gaming revenue: Applicant	$ 236,895,000	$ 158,044,873	$ 252,359,000
Estimated gaming revenue: Wells	$ 134,991,402	$ 122,612,240	$ 198,835,894
Estimated gaming revenue: Cummings	$ 130,200,000	$ 123,500,000	$ 174,200,000
Average of Wells & Cummings	$ 132,595,701	$ 123,056,120	$ 186,517,947
Ratio of Wells/Cummings to Applicant	0.5597	0.7786	0.7391

ADJUSTED NON-GAMING REVENUE PROJECTIONS

	Marvel	Penn Sumner	Sumner Resorts/Harrah's
Hotel Revenue	$ 11,880,820	$ 13,678,576	$ 11,711,541
Food Revenue	$ 7,919,528	$ 5,906,574	$ 22,398,355
Retail Revenue	$ 1,049,370	$ 2,681,550	n/a
Other Revenue	$ 3,368,416	$ 3,997,593	$ 2,527,714

SOURCE: Applicant Submissions, Wells Gaming and Cummings & Assoc., Probe Strategic Solutions, Civic Economics

CORRECTED CHART 080719

Total Impacts and Net Impacts: The layman might expect an economic impact analysis to quantify the output, employment, and wages of the totality of a proposed facility, which in this case would be built from total projected gaming revenues. However, such an analysis would substantially overstate the true economic impact the facility will have on the State of Kansas as it would, by design, incorporate the impact of money simply redirected from one local activity to another. The true economic impact of a facility is based on a more meaningful number, the net impact.

In this case, net economic impact identifies only that economic activity that is truly new to the jurisdiction. This new activity is made up of two components:

a. **Export Revenue:** This refers to the portion of gaming revenues derived from non-Kansas visitors that would not, absent the proposed casino, have occurred in Kansas. This revenue is truly new to Kansas as out-of-state visitors spend money in the state they would not have otherwise spent.
b. **Import Substitution Revenue:** This refers to the portion of gaming revenues derived from Kansas residents that would, absent the proposed casino, have occurred outside of Kansas. Again, this revenue is truly new to Kansas as Kansas residents repatriate out-of-state casino spending with in-state casino spending.
c. **Redirected Local Activity:** The remainder of gaming revenue not accounted for above is not included in the net economic impact analysis, because it reflects casino spending by Kansans that would not otherwise have occurred in any casino. This revenue is not new to Kansas because it represents a diversion of other Kansas household income that previously went to innumerable alternative discretionary activities. However, there is a definite fiscal advantage to this activity in the form of additional taxes generated. These fiscal impacts are detailed in the report provided by Meridian Business Advisors.

These values were calculated from the reports of Wells and Cummings. Chart 12 on the following page summarizes the calculation of net new gaming revenues used to calculate net economic impact. It should be noted, and is reflected in this chart, that Wells and Cummings prepared and reported these calculations by different approaches; this chart reflects the detail available from each.

Chart 13: Net Revenues in Kansas

EXPORT AND IMPORT SUBSTITUTION IN KANSAS CASINOS, 2011
SOUTH CENTRAL ZONE

	Marvel Gaming	Penn Sumner	Sumner Resorts/Harrah's
Wells			
Estimated Gaming Revenue	$ 134,991,402	$ 122,612,240	$ 198,835,894
Estimated Gaming Export	*Wells methodology did not allow a breakdown of these values*		
Estimated Gaming Import Substitution			
Net or New Revenue	$ 75,199,538	$ 64,439,443	$ 109,229,495
Cummings			
Estimated Gaming Revenue	$ 130,200,000	$ 123,500,000	$ 174,200,000
Estimated Gaming Export	$ 14,900,000	$ 12,400,000	$ 8,200,000
Estimated Gaming Import Substitution	$ 47,600,000	$ 42,800,000	$ 50,700,000
Net or New Revenue	$ 62,500,000	$ 55,200,000	$ 58,900,000
Average Net Revenue	**$ 68,849,769**	**$ 59,819,722**	**$ 84,064,748**
Net as a % of Gaming Revenue	**51.0%**	**48.8%**	**42.3%**

SOURCE: Wells, Cummings, Civic Economics

Final Input Modifications: In order to provide fair and equitable treatment of all applicants, Civic Economics determined to run the same model, with the same modifications, for each application. While necessary to the task at hand, this required some modest modifications and adaptations from the data provided by the applicants.

Among these adjustments, those for employment and labor were the most challenging. IMPLAN is designed to estimate wages and employment based on industry averages in the study jurisdiction. However, given the limited and nontraditional form of casino gaming in Kansas currently, it was not surprising that the Local Area Data Set estimated both total employment and wages substantially lower than what was indicated by the applicants. Upon careful analysis of the applicant submissions for both the Southeast and South Central Zones, it became apparent that we could not confidently apply the applicants' own values directly into the model; the ranges were simply too extreme and belied a somewhat haphazard completion of the submission templates by some applicants.

In order to correct for the inherently low productivity and wage numbers in the model, Civic Economics instead applied the average of all four applicants for each in worker productivity and wages, as shown at right:

APPLICANT SUBMISSION MODIFICATIONS
OPERATION ECONOMIC IMPACT ANALYSIS

Category	Harmonized Value	Notes
Revenue per employee	$ 146,960	Using an average of all casino applications
Wages per employee	$ 33,540	Using an average of all casino applications

We recognize that this approach produces outcomes that indicate all operate with the same level of labor intensity. In particular, it would appear to penalize Marvel Gaming which has made a strong case that the on-site presence of management personnel and its significantly higher offering of table games make it a particularly labor-intensive operation. However, had we simply used the values provided in the applications that unfairness would have been made substantially more pronounced, so we leave it to the applicants to make that case again.

Chart 14: Applicant Submission and Model Input

APPLICANT SUBMISSION AND MODEL INPUT CORRESPONDENCE
OPERATION ECONOMIC IMPACT ANALYSIS

Performance Template Category	IMPLAN Category	Notes
Estimated gaming revenue	Other amusement, gambling, and recreation industries	Modified first in terms of total revenue produced as estimated by Wells' and Cummings' reports. Also adjusted to only account for import substitution and export effects.
Hotel revenue	Hotels and motels, inlcuding casino hotels	Modified by Probe Strategic Solutions to represent the average revenues and occupancy rates for the region
Food revenue	Food services and drinking places	Modified to represent the same proportion of gaming revenue the casinos presented before the gaming revenue was modified by Wells and Cummings
Retail revenue	Miscellaneous store retailers	Modified to represent the same proportion of gaming revenue the casinos presented before the gaming revenue was modified by Wells and Cummings
Other revenue	Miscellaneous store retailers	Modified to represent the same proportion of gaming revenue the casinos presented before the gaming revenue was modified by Wells and Cummings

Impact Reporting

The economic impacts are comprised of three separate categories. Each category is analyzed separately from one another in IMPLAN.

- **Economic Output** is the total production or sales derived from the project. For this study, inputs are based upon projected gaming and non-gaming revenues.
- **Employment** is the total number of Kansans employed both full and part time in a given industry.
- **Wages** is the amount of salaries and benefits paid to Kansas employees.

For each of the categories listed above a direct effect, indirect effect, and induced effect has been calculated.

- **Direct** effects capture the initial impact created in Kansas.
- **Indirect** effects are additional impacts derived from businesses providing products or services to the selected industries. This can be restaurants purchasing supplies, the casino hiring a security firm, or the hotel purchasing advertising from a local radio station. Those are all examples of indirect effects.
- **Induced** effects are the result of increased household spending due to the direct and indirect effects. Employees of firms directly or indirectly affected by the project are buying new cars, homes, and groceries locally and this is detailed in the indirect effects.

Chart 15: Operating Impacts Summary Chart

OPERATING IMPACTS SUMMARY, 2011
SOUTH CENTRAL GAMING ZONE

	Direct	Indirect	Induced	*Total*	Relative Impacts
ECONOMIC OUTPUT	Total revenues associated with construction ($ Millions, 2007 Dollars)				
Marvel Gaming	$ 72.8	$ 33.4	$ 22.8	**$ 129.0**	
Penn Sumner LLC	$ 66.6	$ 29.6	$ 21.3	**$ 117.5**	
Sumner Resorts/Harrah's	$ 95.7	$ 44.2	$ 29.8	**$ 169.7**	
EMPLOYMENT	Total workers, including full-time and part-time				
Marvel Gaming	762	292	217	***1,271***	
Penn Sumner LLC	764	259	203	***1,225***	
Sumner Resorts/Harrah's	1,042	379	283	***1,704***	
WAGES	Total wages paid to workers identified above ($ Millions, 2007 Dollars)				
Marvel Gaming	$ 19.3	$ 10.2	$ 6.8	**$ 36.4**	
Penn Sumner LLC	$ 18.5	$ 9.1	$ 6.4	**$ 33.9**	
Sumner Resorts/Harrah's	$ 25.2	$ 13.3	$ 8.9	**$ 47.4**	

Source: Applicant Submissions, IMPLAN, Civic Economics

Chart 16: Marvel Gaming Operation Economic Output

MARVEL GAMING NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2011					
		ECONOMIC OUTPUT (In 2007 Dollars)			
Code	**Sector**	**Direct**	**Indirect**	**Induced**	**Total**
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	273,541	177,628	451,169
19	21 Mining (AGG)	0	498,205	256,078	754,283
30	22 Utilities (AGG)	0	1,573,921	584,091	2,158,013
33	23 Construction (AGG)	0	1,621,657	129,831	1,751,488
46	31-33 Manufacturing (AGG)	0	4,310,230	2,288,058	6,598,287
390	42 Wholesale Trade (AGG)	0	1,525,215	1,265,719	2,790,935
391	48-49 Transportation & Warehousing (AGG)	0	1,532,736	553,001	2,085,737
401	44-45 Retail trade (AGG)	3,866,131	662,729	2,834,189	7,363,049
413	51 Information (AGG)	0	2,345,966	629,439	2,975,405
425	52 Finance & insurance (AGG)	0	2,694,962	1,977,455	4,672,417
431	53 Real estate & rental (AGG)	0	4,759,745	1,107,898	5,867,643
437	54 Professional- scientific & tech svcs (AGG)	0	4,433,346	704,999	5,138,345
451	55 Management of companies (AGG)	0	1,022,695	167,734	1,190,429
452	56 Administrative & waste services (AGG)	0	2,527,120	396,069	2,923,189
461	61 Educational svcs (AGG)	0	31,049	284,093	315,142
464	62 Health & social services (AGG)	0	5,020	3,649,679	3,654,699
475	71 Arts- entertainment & recreation (AGG)	56,401,728	807,451	292,152	57,501,332
479	72 Accomodation & food services (AGG)	12,534,308	550,688	1,225,394	14,310,390
482	81 Other services (AGG)	0	993,236	867,865	1,861,101
495	92 Government & non NAICs (AGG)	0	1,228,134	3,445,174	4,673,308
Total		**$ 72,802,167**	**$ 33,397,646**	**$ 22,836,546**	**$ 129,036,361**

Source: Applicant Submissions, IMPLAN, Civic Economics

Chart 17: Marvel Gaming Operation Employment

MARVEL GAMING NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2011					
		TOTAL EMPLOYMENT			
Code	**Sector**	**Direct**	**Indirect**	**Induced**	**Total**
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	2	1	4
19	21 Mining (AGG)	0	2	1	2
30	22 Utilities (AGG)	0	3	1	5
33	23 Construction (AGG)	0	14	1	15
46	31-33 Manufacturing (AGG)	0	12	5	17
390	42 Wholesale Trade (AGG)	0	9	8	17
391	48-49 Transportation & Warehousing (AGG)	0	18	6	23
401	44-45 Retail trade (AGG)	143	12	50	204
413	51 Information (AGG)	0	10	2	13
425	52 Finance & insurance (AGG)	0	17	12	29
431	53 Real estate & rental (AGG)	0	38	9	47
437	54 Professional- scientific & tech svcs (AGG)	0	38	7	45
451	55 Management of companies (AGG)	0	6	1	7
452	56 Administrative & waste services (AGG)	0	47	7	54
461	61 Educational svcs (AGG)	0	1	6	7
464	62 Health & social services (AGG)	0	0	48	48
475	71 Arts- entertainment & recreation (AGG)	384	33	6	423
479	72 Accomodation & food services (AGG)	235	11	25	271
482	81 Other services (AGG)	0	14	20	33
495	92 Government & non NAICs (AGG)	0	5	2	8
Total		**762**	**292**	**217**	**1,271**

Source: Applicant Submissions, IMPLAN, Civic Economics

Chart 18: Marvel Gaming Operation Wages

MARVEL GAMING NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2011					
			TOTAL WAGES (2007 Dollars)		
Code	**Sector**	**Direct**	**Indirect**	**Induced**	**Total**
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	32,063	20,401	52,464
19	21 Mining (AGG)	0	120,946	62,085	183,031
30	22 Utilities (AGG)	0	322,849	112,800	435,649
33	23 Construction (AGG)	0	594,447	51,617	646,065
46	31-33 Manufacturing (AGG)	0	690,731	305,468	996,199
390	42 Wholesale Trade (AGG)	0	577,422	479,181	1,056,604
391	48-49 Transportation & Warehousing (AGG)	0	754,490	228,077	982,567
401	44-45 Retail trade (AGG)	2,089,783	266,757	1,142,935	3,499,474
413	51 Information (AGG)	0	586,097	127,833	713,929
425	52 Finance & insurance (AGG)	0	881,129	552,110	1,433,239
431	53 Real estate & rental (AGG)	0	796,885	189,136	986,021
437	54 Professional- scientific & tech svcs (AGG)	0	1,900,208	306,031	2,206,239
451	55 Management of companies (AGG)	0	443,760	72,782	516,542
452	56 Administrative & waste services (AGG)	0	1,259,892	194,204	1,454,096
461	61 Educational svcs (AGG)	0	13,621	129,397	143,018
464	62 Health & social services (AGG)	0	1,764	1,876,336	1,878,101
475	71 Arts- entertainment & recreation (AGG)	13,016,590	192,051	83,193	13,291,833
479	72 Accomodation & food services (AGG)	4,207,368	182,155	395,766	4,785,289
482	81 Other services (AGG)	0	343,941	392,607	736,547
495	92 Government & non NAICs (AGG)	0	268,878	101,191	370,069
Total		**$ 19,313,740**	**$ 10,230,085**	**$ 6,823,149**	**$ 36,366,975**

Source: Applicant Submissions, IMPLAN, Civic Economics

Chart 19: Penn Sumner Operation Economic Output

PENN SUMNER NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2011					
		ECONOMIC OUTPUT (In 2007 Dollars)			
Code	**Sector**	**Direct**	**Indirect**	**Induced**	**Total**
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	221,374	165,772	387,145
19	21 Mining (AGG)	0	443,343	238,986	682,329
30	22 Utilities (AGG)	0	1,404,015	545,106	1,949,121
33	23 Construction (AGG)	0	1,439,579	121,165	1,560,744
46	31-33 Manufacturing (AGG)	0	3,732,344	2,135,342	5,867,685
390	42 Wholesale Trade (AGG)	0	1,308,972	1,181,239	2,490,211
391	48-49 Transportation & Warehousing (AGG)	0	1,366,325	516,091	1,882,416
401	44-45 Retail trade (AGG)	5,845,109	598,366	2,645,023	9,088,497
413	51 Information (AGG)	0	2,097,894	587,427	2,685,321
425	52 Finance & insurance (AGG)	0	2,397,468	1,845,471	4,242,939
431	53 Real estate & rental (AGG)	0	4,230,524	1,033,951	5,264,475
437	54 Professional- scientific & tech svcs (AGG)	0	3,947,360	657,943	4,605,303
451	55 Management of companies (AGG)	0	955,706	156,539	1,112,245
452	56 Administrative & waste services (AGG)	0	2,277,028	369,633	2,646,661
461	61 Educational svcs (AGG)	0	27,907	265,131	293,038
464	62 Health & social services (AGG)	0	4,377	3,406,075	3,410,452
475	71 Arts- entertainment & recreation (AGG)	49,004,312	701,464	272,652	49,978,432
479	72 Accomodation & food services (AGG)	11,754,004	491,710	1,143,605	13,389,320
482	81 Other services (AGG)	0	882,484	809,938	1,692,422
495	92 Government & non NAICs (AGG)	0	1,097,747	3,215,225	4,312,973
Total		**$ 66,603,425**	**$ 29,625,987**	**$ 21,312,314**	**$ 117,541,729**

Source: Applicant Submissions, IMPLAN, Civic Economics

Chart 20: Penn Sumner Operation Employment

PENN SUMNER NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2011					
		TOTAL EMPLOYMENT			
Code	**Sector**	**Direct**	**Indirect**	**Induced**	**Total**
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	2	1	3
19	21 Mining (AGG)	0	1	1	2
30	22 Utilities (AGG)	0	3	1	4
33	23 Construction (AGG)	0	13	1	14
46	31-33 Manufacturing (AGG)	0	10	5	15
390	42 Wholesale Trade (AGG)	0	8	7	15
391	48-49 Transportation & Warehousing (AGG)	0	16	5	21
401	44-45 Retail trade (AGG)	216	11	47	273
413	51 Information (AGG)	0	9	2	11
425	52 Finance & insurance (AGG)	0	15	11	26
431	53 Real estate & rental (AGG)	0	33	9	42
437	54 Professional- scientific & tech svcs (AGG)	0	34	7	40
451	55 Management of companies (AGG)	0	5	1	6
452	56 Administrative & waste services (AGG)	0	42	7	49
461	61 Educational svcs (AGG)	0	1	6	6
464	62 Health & social services (AGG)	0	0	45	45
475	71 Arts- entertainment & recreation (AGG)	334	29	5	368
479	72 Accomodation & food services (AGG)	215	10	23	247
482	81 Other services (AGG)	0	12	18	31
495	92 Government & non NAICs (AGG)	0	5	2	7
Total		**764**	**259**	**203**	**1,225**

Source: Applicant Submissions, IMPLAN, Civic Economics

Chart 21: Penn Sumner Operation Wages

PENN SUMNER NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2011					
		TOTAL WAGES (2007 Dollars)			
Code	**Sector**	**Direct**	**Indirect**	**Induced**	**Total**
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	26,483	19,039	45,522
19	21 Mining (AGG)	0	107,628	57,941	165,569
30	22 Utilities (AGG)	0	287,981	105,271	393,252
33	23 Construction (AGG)	0	527,961	48,172	576,133
46	31-33 Manufacturing (AGG)	0	601,461	285,080	886,541
390	42 Wholesale Trade (AGG)	0	495,556	447,199	942,754
391	48-49 Transportation & Warehousing (AGG)	0	675,434	212,854	888,288
401	44-45 Retail trade (AGG)	3,159,492	240,850	1,066,650	4,466,991
413	51 Information (AGG)	0	524,416	119,301	643,717
425	52 Finance & insurance (AGG)	0	783,144	515,260	1,298,404
431	53 Real estate & rental (AGG)	0	707,163	176,512	883,675
437	54 Professional- scientific & tech svcs (AGG)	0	1,690,495	285,605	1,976,100
451	55 Management of companies (AGG)	0	414,693	67,924	482,617
452	56 Administrative & waste services (AGG)	0	1,128,838	181,241	1,310,079
461	61 Educational svcs (AGG)	0	12,243	120,760	133,003
464	62 Health & social services (AGG)	0	1,539	1,751,097	1,752,636
475	71 Arts- entertainment & recreation (AGG)	11,309,388	166,812	77,640	11,553,839
479	72 Accomodation & food services (AGG)	3,984,970	162,684	369,351	4,517,004
482	81 Other services (AGG)	0	307,634	366,401	674,035
495	92 Government & non NAICs (AGG)	0	240,517	94,437	334,955
Total		**$ 18,453,849**	**$ 9,103,530**	**$ 6,367,735**	**$ 33,925,113**

Source: Applicant Submissions, IMPLAN, Civic Economics

Chart 22: Sumner Resorts/Harrah's Operation Economic Output

SUMNER RESORTS/HARRAH'S NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2011					
		ECONOMIC OUTPUT (In 2007 Dollars)			
Code	**Sector**	**Direct**	**Indirect**	**Induced**	**Total**
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	555,136	231,409	786,544
19	21 Mining (AGG)	0	646,615	333,611	980,226
30	22 Utilities (AGG)	0	2,048,426	760,939	2,809,365
33	23 Construction (AGG)	0	2,034,188	169,141	2,203,328
46	31-33 Manufacturing (AGG)	0	6,467,420	2,980,823	9,448,242
390	42 Wholesale Trade (AGG)	0	2,372,555	1,648,946	4,021,501
391	48-49 Transportation & Warehousing (AGG)	0	2,053,050	720,436	2,773,486
401	44-45 Retail trade (AGG)	2,347,257	877,257	3,692,308	6,916,822
413	51 Information (AGG)	0	2,982,987	820,017	3,803,005
425	52 Finance & insurance (AGG)	0	3,449,201	2,576,176	6,025,377
431	53 Real estate & rental (AGG)	0	6,163,296	1,443,342	7,606,638
437	54 Professional- scientific & tech svcs (AGG)	0	5,554,311	918,455	6,472,766
451	55 Management of companies (AGG)	0	1,219,813	218,520	1,438,333
452	56 Administrative & waste services (AGG)	0	3,119,820	515,989	3,635,809
461	61 Educational svcs (AGG)	0	38,848	370,110	408,959
464	62 Health & social services (AGG)	0	6,275	4,754,713	4,760,988
475	71 Arts- entertainment & recreation (AGG)	68,865,840	1,036,834	380,609	70,283,280
479	72 Accomodation & food services (AGG)	24,519,332	750,846	1,596,411	26,866,588
482	81 Other services (AGG)	0	1,253,752	1,130,634	2,384,386
495	92 Government & non NAICs (AGG)	0	1,563,518	4,488,286	6,051,803
	Total	**$ 95,732,429**	**$ 44,194,148**	**$ 29,750,875**	**$ 169,677,446**

Source: Applicant Submissions, IMPLAN, Civic Economics

Chart 23: Sumner Resorts/Harrah's Operation Employment

SUMNER RESORTS/HARRAH'S NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2011					
		TOTAL EMPLOYMENT			
Code	**Sector**	**Direct**	**Indirect**	**Induced**	**Total**
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	4	2	6
19	21 Mining (AGG)	0	2	1	3
30	22 Utilities (AGG)	0	4	2	6
33	23 Construction (AGG)	0	18	2	19
46	31-33 Manufacturing (AGG)	0	18	6	24
390	42 Wholesale Trade (AGG)	0	15	10	25
391	48-49 Transportation & Warehousing (AGG)	0	23	7	30
401	44-45 Retail trade (AGG)	87	15	65	167
413	51 Information (AGG)	0	13	3	16
425	52 Finance & insurance (AGG)	0	22	15	38
431	53 Real estate & rental (AGG)	0	49	12	61
437	54 Professional- scientific & tech svcs (AGG)	0	48	9	57
451	55 Management of companies (AGG)	0	7	1	8
452	56 Administrative & waste services (AGG)	0	58	10	68
461	61 Educational svcs (AGG)	0	1	8	9
464	62 Health & social services (AGG)	0	0	62	62
475	71 Arts- entertainment & recreation (AGG)	469	43	8	519
479	72 Accomodation & food services (AGG)	487	15	33	534
482	81 Other services (AGG)	0	17	26	43
495	92 Government & non NAICs (AGG)	0	7	3	10
	Total	**1,042**	**379**	**283**	**1,704**

Source: Applicant Submissions, IMPLAN, Civic Economics

Chart 24: Sumner Resorts/Harrah's Operation Wages

SUMNER RESORTS/HARRAH'S
NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2011

		TOTAL WAGES (2007 Dollars)			
Code	**Sector**	**Direct**	**Indirect**	**Induced**	**Total**
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	58,719	26,578	85,296
19	21 Mining (AGG)	0	156,973	80,882	237,856
30	22 Utilities (AGG)	0	418,590	146,953	565,543
33	23 Construction (AGG)	0	745,837	67,246	813,083
46	31-33 Manufacturing (AGG)	0	1,010,780	397,956	1,408,736
390	42 Wholesale Trade (AGG)	0	898,212	624,265	1,522,477
391	48-49 Transportation & Warehousing (AGG)	0	987,451	297,133	1,284,584
401	44-45 Retail trade (AGG)	1,268,777	353,107	1,488,985	3,110,870
413	51 Information (AGG)	0	741,499	166,537	908,036
425	52 Finance & insurance (AGG)	0	1,128,309	719,274	1,847,583
431	53 Real estate & rental (AGG)	0	1,028,892	246,401	1,275,293
437	54 Professional- scientific & tech svcs (AGG)	0	2,376,573	398,690	2,775,263
451	55 Management of companies (AGG)	0	529,292	94,818	624,110
452	56 Administrative & waste services (AGG)	0	1,559,885	253,004	1,812,888
461	61 Educational svcs (AGG)	0	17,044	168,575	185,619
464	62 Health & social services (AGG)	0	2,208	2,444,445	2,446,654
475	71 Arts- entertainment & recreation (AGG)	15,893,102	248,349	108,381	16,249,833
479	72 Accomodation & food services (AGG)	8,050,762	248,197	515,594	8,814,554
482	81 Other services (AGG)	0	436,253	511,478	947,731
495	92 Government & non NAICs (AGG)	0	342,079	131,829	473,909
	Total	**$ 25,212,641**	**$ 13,288,247**	**$ 8,889,026**	**$ 47,389,916**

Source: Applicant Submissions, IMPLAN, Civic Economics

NON-GAMING COMPETITIVE IMPACTS

Civic Economics was asked to address the issue of cannibalization of existing business with regard to the non-gaming amenities at the proposed gaming facilities.

Gaming Impact on Budgeting

Before delving into the specific amenities offered by each applicant, a note about gaming revenues is appropriate. In the discussion of Net Economic Impact above, the significant values of Import Substitution and Export Revenues were described and calculated. In addition, it was suggested that the remaining gaming revenues would represent new gaming spending in lieu of other household spending choices. The additional gaming spending beyond Import Substitution and Export Revenue in the South Central Zone is as follows:

NEW GAMING SPENDING BY KANSANS SOUTH CENTRAL REGION (2007 Dollars)		
Marvel Gaming	$	63,745,932
Penn Sumner	$	63,236,399
Sumner Resorts/Harrah's	$	102,453,200

Source: Wells, Cummings, Civic Economics

It is beyond the scope of this study to evaluate the choices Kansas residents will make in determining how to make room in the household budget for this substantial additional gaming spending. However, it is likely that in a typical household increased gaming spending will be diverted from other leisure and entertainment pursuits.

Non-Gaming Competition for Non-Gaming Dollars

For this analysis, Civic Economics was asked to focus on the competition between existing businesses in the area of a proposed gaming facility and the non-gaming amenities proposed for development along with the gaming facility.

The relevant area for consideration is the Wichita MSA, including Sumner, Sedgwick, Butler, and Harvey Counties. As shown in the chart below, the Wichita area is best characterized as more solidly middle class than the state as a whole, presumably due to the extensive aircraft industry. As a result, though the average household income is slightly below the statewide average, the median is somewhat above it.

Chart 25: South Central Zone Demographics

SOUTHEAST ZONE, FOUR-COUNTY DEMOGRAPHICS
2007 DATA

	SE Zone		State of Kansas	
Population				
2012 Projection	603,280		2,811,082	
2007 Estimate	591,356		2,768,030	
Change	11,924		43,052	
2007 Households by Household Income	228,932		1,075,666	
Income Less than $15,000	26,783	11.7%	132,759	12.3%
Income $15,000 - $24,999	25,762	11.3%	124,454	11.6%
Income $25,000 - $34,999	27,897	12.2%	132,106	12.3%
Income $35,000 - $49,999	39,478	17.2%	184,004	17.1%
Income $50,000 - $74,999	49,654	21.7%	222,421	20.7%
Income $75,000 - $99,999	28,618	12.5%	125,535	11.7%
Income $100,000 - $149,999	21,995	9.6%	103,031	9.6%
Income $150,000 - $249,999	6,307	2.8%	36,223	3.4%
Income $250,000 - $499,999	1,733	0.8%	10,873	1.0%
Income $500,000 and over	705	0.3%	4,260	0.4%
2007 Est. Average Household Income	$ 59,782		61,115	
2007 Est. Median Household Income	$ 47,928		47,107	
2007 Est. Per Capita Income	$ 23,391		24,102	

Source: Claritas

The following excerpt from Chart 12 Summarizes the anticipated non-gaming revenue to be expected at each of the three proposed facilities:

REVENUE FORECASTS, 2011
SOUTH CENTRAL GAMING ZONE (IN 2007 Dollars)

ADJUSTED NON-GAMING REVENUE PROJECTIONS

	Marvel	Penn Sumner	Sumner Resorts/Harrah's
Hotel Revenue	$ 11,880,820	$ 13,678,576	$ 11,711,541
Food Revenue	$ 7,919,528	$ 5,906,574	$ 22,398,355
Retail Revenue	$ 1,049,370	$ 2,681,550	n/a
Other Revenue	$ 3,368,416	$ 3,997,593	$ 2,527,714

SOURCE: Applicant Submissions, Wells Gaming and Cummings & Assoc., Probe Strategic Solutions, Civic Economics

In the case of both food & beverage and hotel revenue projections, it is expected that the actual out of pocket spend by visitors will be roughly half, with the remainder being provided as “comps” (complimentary offerings) by the casino management. Some degree of comps are also to be expected in retail and other revenue, as well.

Charts 26 and 27 on the following pages explore further the current state of competitive businesses in the Wichita MSA.

The overriding fact in this analysis of regional competition is that the proposed casino sites are a substantial distance from the population center of Wichita and its suburbs. Therefore, for a typical resident considering the evening’s dining and/or drinking options, distance will provide a real disincentive to making casual nongaming trips down the turnpike.

By contrast, residents of either Wellington or Mulvane will face far lower obstacles to a meal or other outing at the casino. At either site, then, local businesses in direct competition with non-gaming amenities will feel real pressure. Over time, however, the loss of customers to casino options will be made up by the arrival of new residents seeking to live close to casino jobs. If officials in either community are able to accommodate residential growth and protect the health of existing business districts, firms doing business there should fare well despite the presence of a massive competitor just down the road.

Chart 26: Retail Supply and Demand

RETAIL SUPPLY AND DEMAND
SOUTH CENTRAL REGION, WICHITA MSA (2007)

	Demand	Supply	Available Market
Foodservice and Drinking Places-722	$ 777,904,314	$ 821,671,023	(43,766,709)
Full-Service Restaurants-7221	$ 350,851,276	$ 346,757,000	4,094,276
Limited-Service Eating Places-7222	$ 332,573,085	$ 412,086,010	(79,512,925)
Special Foodservices-7223	$ 64,248,591	$ 40,352,010	23,896,581
Drinking Places -Alcoholic Beverages-7224	$ 30,231,362	$ 22,476,003	7,755,359
Clothing and Clothing Accessories Stores-448	$ 423,209,607	$ 339,010,944	84,198,663
Jewelry, Luggage, Leather Goods Stores-4483	$ 59,124,053	$ 55,572,013	3,552,040
Book Stores and News Dealers-45121	$ 37,153,790	$ 44,308,001	(7,154,211)
Florists-4531	$ 18,305,757	$ 11,811,983	6,493,774
Gift, Novelty and Souvenir Stores-45322	$ 44,338,179	$ 31,690,966	12,647,213

Source: Claritas

Among the food, beverage, and retail segments to be impacted by a new casino in Sumner County, only Limited Service Eating Places (including fast food, buffets, etc.) face an already saturated market. It is likely, however, that a strong supply of such restaurants reflects an unusually high local preference for fast food. More importantly, the significant driving distance from most of the area population to the proposed sites further alleviates any concern about cannibalization here. Civic Economics visited both Mulvane and Wellington and found it highly likely that local restaurants will face significant competition from a casino at either site.

Chart 27: County Business Patterns

COUNTY BUSINESS PATTERNS FOR COMPETITIVE SECTORS
WICHITA MSA, 2005 DATA

		Estab-lishments	Wichita MSA Approximate Employees	Regional Concentration
7224	Drinking places (alcoholic beverages)	121	1750	2.51
7222	Limited-service eating places	563	17500	2.25
71391	Golf courses & country clubs	23	750	1.24
722110	Full-service restaurants	398	9336	1.09
7112	Spectator sports	10	219	0.96
7212	RV (recreational vehicle) parks & recreational camps	6	60	0.81
713	Amusement, gambling, & recreation industries	132	1750	0.63
72111	Hotels (except casino hotels) & motels	94	1750	0.63

Source: US Census Bureau, County Business Patterns

The Census Bureau's County Business Patterns database provides another look at the regional concentration of various business types in comparison with national averages. In 2005, the most recent year for which data was available, the Wichita area was blessed with abundant drinking places and limited service restaurants. In addition, the area is just above the national average in golf courses and country clubs (see below) and full service restaurants.

Most significantly, the area is, by this statistical measure, underserved by amusement-oriented businesses and hotels.

Civic Economics has not attempted to measure the hotel market opportunities for proposed casinos. Despite the distance from Wichita's business centers, however, the proposed meeting facilities will likely compete aggressively for small meetings with the Wichita Marriott and Hyatt Regency.

Chart 28: Existing Daily-Fee Golf Courses

WICHITA AREA DAILY-FEE GOLF COURSES

Course Name	Holes	Type	Fee	Location
Auburn Hills	18	Municipal	$ 36	443 S 135th St W, 67235
Braeburn GC	18	Daily Fee	$ 30	4201 E 21st St N 67208
Echo Hills	18	Daily Fee	$ 32	800 E 53rd St N 67219
Hidden Lakes	18	Daily Fee	$ 36	6020 S Greenwich Rd 67037
LW Clapp Memorial	18	Municipal	$ 30	4611 E Harry St 67218
Macdonald	18	Municipal	$ 40	840 N Yale Ave 67208
Pine Bay	9	Daily Fee	$ 22	6615 S Grove St 67216
Sierra Hills	18	Daily Fee	$ 27	13420 E Pawnee St 67230
Sim Park	18	Municipal	$ 28	2020 W. Murdock 67203
Tex Colsolver	18	Municipal	$ 40	1931 S. Tyler 67209
Wellington GC	18	Municipal	$ 27	1500 W. Harvey Ave., 67152

Source: Golflink.com and individual course websites

Finally, the prospect of a new and upmarket daily fee golf course at the Mulvane exit has raised some local concern. One applicant proposes to invest in an existing municipal course to alleviate that concern, but a review of the area golf market suggests that a new course at Harrah's, with daily fees in the range of $50 or greater, will find little comparable competition in the region.