

Penn Harris Gaming, L.P.

Category 3 Application and Disclosure Information Form

APPENDIX 41 – LOCAL IMPACT REPORT

Attached please find a copy of the Local Impact Study that was delivered to Hampden Township and Cumberland County.

I. INTRODUCTION

This Local Impact Report has been prepared by Penn Harris Gaming, L.P. ("Penn Harris") in compliance with 58 Pa. Code §441a.3(d) and Appendix 31 of the Pennsylvania Gaming Control Board Category 3 – Application and Disclosure Information Form. The purpose of this report is to present the local impacts, if any, that are anticipated to occur as a result of the development of the proposed casino located at the Holiday Inn Harrisburg West in Hampden Township, Pennsylvania.

Site Location

The site of the proposed casino is located at 5401 Carlisle Pike, Hampden Township, Pennsylvania. The site location is illustrated in Exhibit A. The proposed site consists of approximately 22.5 acres, including a 12 acre parcel on which the existing Holiday Inn Hotel is located and two parcels of land adjacent to the hotel site, which together comprise approximately 10 acres.

Access

Access to the facilities is excellent via the Pennsylvania State Routes 581 and 11, the Pennsylvania Turnpike, I-81 and I-83. The site offers exceptional vehicular access from many of the major East Coast cities in the region. From Philadelphia, I-76 W provides travelers with a direct and easy route to the site. From Baltimore, I-83 N offers visitors a short and express route to the site. New York City is less

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than three hours away using I-78 W. From Pittsburg, I-76 E offers a safe and short path to the site. Also Washington, D.C. is only two hours away, using I-270 N and US-15 N. Attached as Exhibit B is a map depicting the existing roadway network.

Zoning

As the enabling legislation permitting gaming was recently enacted in the Commonwealth of Pennsylvania, Hampden Township's zoning ordinance does not specifically reference casino gaming. As such, Hampden Township would have to either create a new zoning classification for casino gaming, grant a variance, deem casino gaming a permitted use or expand the existing zoning classification to include casino gaming as a permitted use.

Studies

Attached as Exhibit C to this Local Impact Report is a Phase I Environmental Site Assessment Report prepared by EBI Consulting, which also addresses the suitability of the existing municipal services and utilities. Penn Harris is in the process of retaining a traffic engineer to prepare a traffic study which will examine the impact and adequacy of the existing roadways to accommodate the operation of the proposed casino.

Conclusion

The findings of this Local Impact Report conclude that the development and opening of the proposed Hampden Township casino will result in minimal or no adverse impact to the surrounding property owners, residents, utility infrastructure systems, local police and emergency service capabilities, existing tourism, and

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historical and cultural resources. To the contrary, this project will transform an existing property into a regional, destination resort that will significantly contribute to the local community and to the Commonwealth by generating jobs, tax revenue and economic development, all utilizing the local vendor community and residents.

II. PROJECT PLAN

Penn Harris Gaming, L.P. ("Penn Harris") has filed a gaming application with the Pennsylvania Gaming Control Board for the remaining Category 3 Slot Machine License. A Category 3-licensed casino, also known as a "resort" license, is a much smaller operation than the casinos currently operating in Pennsylvania. Those other large-scale facilities are permitted to operate up to 5,000 slot machines and up to 250 table games. Hollywood Casino at Penn National, in Grantsville, Pennsylvania, operates over 2,400 slot machines.

Penn Harris proposes to operate only 600 slot machines and 50 table games (the maximum number permitted for Category 3 casinos). Penn Harris believes that patrons will prefer a smaller, more intimate casino experience as opposed to the often warehouse-like feel of some of the large casinos.

The proposed casino facility will be designed and operated as a tourism/entertainment destination that will deliver substantial economic benefits to Hampden Township, Cumberland County and the greater Central Pennsylvania region. There will be significant employment opportunities at the casino facility both during construction and after opening. That employment will generate spin-off economic activity to the local community.

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We will work jointly with regional tourism/promotional bureaus to increase the economic development for the Cumberland County region. Together, we can maximize the benefits of additional tourism and visitation for conventions, business and entertainment. Our primary marketing focus will be attracting guests from outside of the region to bring visitors and leisure dollars to the Township and County. Business owners within the Township and along Carlisle Pike will benefit from the increased patronage to their businesses as patrons of the hotel/casino will frequent their establishments.

The casino will have a positive affect on hotel occupancy at the existing resort hotel. Increased occupancy will lead to additional employment on the hotel side of the operations and generate both jobs and revenues in food, entertainment and other amenities. With such increases, a proportionate share of revenue will flow to the Township, County and the Commonwealth.

The Holiday Inn Harrisburg West is an existing, well-established resort hotel. The hotel opened in 1970 and has been a popular hotel for both transient guests visiting central Pennsylvania and groups holding events or meetings at the facility. The Holiday Inn portion of the facility contains 218 guest rooms and an adjacent wing (not under the Holiday Inn flag) contains 21 guest rooms. Penn Harris intends to be the first casino in Pennsylvania to target the leisure recreational vehicle. Moreover, we will offer patrons the ability to rent one of 36 themed recreational vehicles or to drive and park their own RV at the site. This market demographic is highly desirable as will be discussed in more detail below.

Resort activities at the facility include:

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- Legends Sports Bar and Grill
- Hardware Bar
- Carlisle Pike Saloon
- Ballroom
- Meeting Room and Conference Facilities
- Indoor and outdoor pools
- Fitness Center
- Miniature golf course
- Picnic Grounds
- Softball Fields
- Horseshoe pits
- Badminton courts
- Beach Volleyball Courts with Summer league play
- Future amenities: RV World and full-service spa

Penn Harris is proposing to construct a 30,000 – 40,000 square foot structure that will be incorporated into the existing hotel. The new structure will house an approximate 25,000 square foot gaming floor containing a center entertainment area for additional dining offerings, a spa and other hotel amenities. As mentioned above, the gaming floor will contain approximately 600 slot machines and 50 table games. Investment in the new structure, including fit-out, is estimated at \$20 million.

As part of the project plan, the existing hotel will be refurbished and upgraded and re-themed to incorporate the casino. In addition, due to the

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anticipated increased demand, Penn Harris intends to add to the existing hotel room count. The total project development costs of the casino room, additional hotel rooms and the refurbishment are approximately \$75 million.

Anticipated time from licensure to opening will be approximately nine months barring any unforeseen issues. With Gaming Board approval and community support, the local government will realize significant fiscal benefits very quickly.

A significant portion of the Holiday Inn's business is currently transient guests staying for business or pleasure. The purpose of the proposed project is to build on this target market and create an attraction for tourist, conventioners, families and leisure traveler. When the Legislature created the resort casino license, it was with the goal of adding another amenity to an existing hotel, which would enhance the facility's attractiveness as a regional destination. The addition of a boutique casino will attract those additional visitors to the entire Cumberland County area. As noted, Penn Harris will work closely with the regional tourist bureaus to market these new benefits.

As part of its marketing plan, Penn Harris will target a new and potentially lucrative segment of the population. The owners or operators of recreational vehicles constitute a huge segment of the tourism market. The typical RV owner is 49 years old, married, with an annual household income of \$68,000; significantly higher than the Pennsylvania and national median household income (approximately \$50,000). In Pennsylvania, there are almost 37,000 motor homes and 289,726 mobile trailers registered. The demographics of this market coincide

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with favorable demographics of gaming patrons. It consists of relatively affluent persons with leisure time and discretionary funds. It is skewed towards tourists seeking educational visitation experiences, such as historical and natural sites. The Commonwealth generally and Cumberland County, specifically, is rich in these attractions. Moreover, marketing data suggests that these persons are eager to find new venues and destinations to visit.

Penn Harris plans to aggressively target this market. As part of its development it intends to create a luxurious "World" for these patrons. Upscale facilities will be available for all of the services the market requires, including potable water, waste removal, fueling, site security, convenience shopping, rental facilities for entertainment needs, high amp electric hook-up, bathing and toilet facilities, high speed internet, pet facilities, a "World" center, tour group assistance/transportation and even rental units of varying degrees of luxury and novelty, e.g. Nostalgic Airstreams; "Lucy and Desi" units.

Las Vegas and other casino operators have found this market to be an attractive segment. Several existing casino operators outside of Pennsylvania cater to the market. For example, Isle of Capri Casino Hotel at Lake Charles, Louisiana, and Ameristar in Jackson, Nevada, market RV parks, specifically targeted at this group. Carson Valley Inn in Nevada has 59 RV parking spaces for this market. In Las Vegas, Circus Circus and Sam's Town operate huge facilities (up to 500 spaces) that successfully cater to this market.

To our knowledge, none of the Pennsylvania casinos has targeted this market. Certainly none has in the systematic and user-friendly manner Penn

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Harris contemplates. The new gaming venue, located as it is in the center of a historic state with a myriad of natural attractions, is a perfect setting for the proposed facility and will be a new economic generator for the Township and County.

Penn Harris believes that this proposed project is the best location for the remaining resort casino license and will deliver the maximum benefits to Hampden Township, Cumberland County and the Commonwealth. When completed, the resort casino hotel located at the Holiday Inn will be a first class attraction that both locals and visitors will be proud of and enjoy.

III. PROJECT OVERVIEW

If licensed by the Gaming Board, the Holiday Inn will be renovated and refurbished to theme the facility as Pennsylvania's first casino, hotel and RV park. Also, as noted, the facility will contain an "RV World" aimed at attracting that important market segment.

IV. TRANSPORTATION

The following section describes the existing transit services, existing roadways and parking as well as the anticipated impact and mitigation measures to be employed as a part of the proposed project.

A. Transit Services

Capital Area Transit is the principal provider of public transportation services in Cumberland County.

B. Roadways

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The primary means of access to the casino will be via automobile utilizing existing roadway network including Pennsylvania State Routes 581 and 11, the Pennsylvania Turnpike (I-76), I-81 and I-83. The site offers exceptional vehicular access from many of the major East Coast cities in the region. From Philadelphia, I-76 W provides travelers with a direct and easy route to the site. From Baltimore, I-83 N offers visitors a short and express route to the site. New York City is less than three hours away using I-78 W. From Pittsburg, I-76 E offers a safe and short path to the site. Also Washington, D.C. is only two hours away, using I-270 N and US-15 N.

C. Parking

The existing Holiday Inn site can accommodate 631 parking spaces. We believe that the available parking is more than sufficient to handle the needs of the proposed casino resort. In addition, an affiliate of the current hotel owner owns a 6-1/2 acre parcel of land adjacent to the hotel, which can be utilized for multiple uses attendant to the gaming operation, including additional parking.

Based on the existing number of parking spaces and the ability to provide additional parking at adjacent property, there is more than adequate parking for the resort guests.

V. UTILITIES

The following sections describe the utilities available at the existing site. No adverse impact to the existing utility systems is anticipated as part of the development.

A. Potable Water

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The site is serviced by an existing potable water system.

B. Sewer

Adequate sewerage service and capacity exists to meet anticipated demand.

C. Storm Water Collection and Drainage

The current storm drainage system is of sufficient capacity to properly handle normal storm water events.

D. Electric

Electric service is adequate to meet the anticipated demand.

E. Natural Gas

Natural gas service is adequate to meet the anticipated demand.

VI. PUBLIC SERVICES

A. Local Police Department

The site is serviced by local and state police. With the proposed addition of a casino the call volume is not expected to change significantly. In fact, in a recent report done in the six months following the opening of the Sands Bethworks in Bethlehem, Pennsylvania, the municipality saw minimal impact on crime. We anticipate that the police will adjust their operation accordingly to provide adequate service for any increase in calls which should be offset by the local share tax assessment provided by casino operations. In order to reduce this impact, the casino will have a full security staff that will be trained and certified to handle minor incidents, thus minimizing the impact on the local police.

B. Emergency Services

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Local ambulance service is available. EMS service is provided 24 hours a day, 7 days a week. The current operation of the ambulance service provides an adequate level of service to the surrounding community. The call volume is not expected to increase significantly with the addition of a casino. In order to assist in minimizing the impact to the EMS departments, the casino will require security personnel to be certified in both first aid and CPR. There will also be an Automated External Defibrillator (AED) available onsite at the casino.

C. Fire Department

Local fire departments currently service the facility and are adequate to cover the addition of the casino.

D. Impact on Local Community

The addition of a casino to the existing casino will have little or no impact on how the local police, fire and emergency services provide for the surrounding community. Population in the area is expected to increase minimally with the addition of new employees, as Penn Harris intends to staff the casino with existing residents from the local region. Even with increased travel in the area, these services will be able to adjust accordingly to provide an adequate level of service to the local community.

VII. SITE AND NEIGHBORHOOD CHARACTERISTICS

There are many advantages to this proposed location for a resort gaming license. The site is clearly visible, located within a commercial area and readily accessible by highway and public transit.

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The site is not directly adjacent to any residential neighborhoods; thus there will be a minimal impact on existing residents.

The region needs revitalization and more entertainment options. This is a prime location for a high-energy destination resort with phenomenal access and minimal community impact.

We believe that this casino can provide the incentive for a younger generation to return/remain through the creation of new jobs and entertainment opportunities.

VIII. ECONOMIC IMPACTS

Impacts will be generated in three key areas:

- Construction spending
- Ongoing casino facility operational spending (annual)
- Ancillary spending by visitors outside of the casino facility

This project will create significant construction dollars throughout the region in labor and material purchases. These in turn are expected to provide revenues to the municipality and state through increased sales and employment taxes.

Operating expenditures will include casino and resort facility spending on payroll, food and other supplies, advertising, and other services. Ancillary spending includes spending outside of the casino on transportation, meals, refreshments, retail and other entertainment. To the greatest extent possible, Penn Harris Gaming, L.P. will attempt to utilize local, regional and in-state vendors.

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In addition to patron spending outside the casino facility, this project is expected to generate additional visitor spending outside of the property at other area establishments.

A. EMPLOYMENT

The casino portion of the facility will create approximately 300 full-time-equivalent employee positions (FTE's). Annual payroll (including benefits) is estimated to be approximately \$12.0 million, an average annual compensation of \$40,000 per FTE.

The unemployment rate in Cumberland County was 7.9% in February 2010, a 1.2% net increase over February 2009 and double the historical average as reported by the U.S. Bureau of Labor Statistics. According to the U.S. Census Bureau, the number of persons in Cumberland County below the poverty line in 2008 was 7.6%. With more employment opportunities and higher caliber jobs anticipated from issuance of a gaming license, Penn Harris Gaming, L.P. should have a positive impact on both of these rates.

B. MUNICIPAL IMPACTS

Penn Harris has projected \$310 per slot machine per day for its gross terminal revenue. These projections are consistent with the currently operating facilities which, over the past 12 months have averaged between \$168 - \$339 per machine per day with an average of \$244/machine/day. It is important to note that the average number of slot machines at each of the current licensed facilities is approximately 2,800. Generally speaking, the larger the number of slot machines, the lower the win/unit/day. For example, when Mohegan Sun at Pocono Downs

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opened with approximately 1,200 slot machines, it generated between \$350 - \$440 win/unit/day. When it expanded to 2,466 slot machines, its win/unit/day decreased to approximately \$250 win/unit/day.

Also, attached are the gross terminal revenue projections for Valley Forge, which was recently awarded a Category 3 Slot Machine License. It is projected, with 600 slot machines, to generate between \$330 - \$400 in win/unit/day.

With 600 slot machines generating an average \$310 win/unit/day the proposed casino will produce approximately \$68,000,000 in gross terminal revenue. This will translate into over \$1.35 million each annually to Hampden Township and Cumberland County. In addition based on its projections, the Township and County will each receive an additional \$220,000 annually from Penn Harris's table games operation.

| | Hampden Township | Cumberland County |
|--------------------------------|------------------|-------------------|
| Annual Slot Tax Revenue | \$1,357,800 | \$1,357,800 |
| Annual Table Games Tax Revenue | <u>219,000</u> | <u>219,000</u> |
| Total | \$1,576,800 | \$1,576,800 |

C. STATE IMPACTS

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In addition to the one-time license fee of \$12.5 million and other fees associated with the award of a license, the casino facility is anticipated to generate substantial tax revenue for the Commonwealth:

| | |
|----------------------------------------|------------------|
| License Fee (one-time fee) | \$ 12,500,000 |
| State Gaming Fund (34%) | 23,082,600 |
| Economic Development Tourism Fund (5%) | 3,394,500 |
| Race Horse Development Fund (12%) | 8,146,800 |
| State General Fund (16% on Table GTR) | <u>3,066,000</u> |
| First year Total | \$50,189,000 |

In addition, there will be increased business taxes from those industries benefiting from the ancillary income generated as a result of the gaming facility.

IX. EXISTING TOURISM

Our primary target market is the business and tourist traveler; the Cumberland/Dauphin County area is at the center of government, sight-seeing, education and antique autos.

Antique auto shows are huge draws for visitors. The State House and ancillary government offices generate significant visits. Hunting, fishing and hiking are prime attractions. The Harrisburg Senators are a major league affiliate with an excess of 400,000 fans in 2008.

As noted, Hershey and Carlisle are the twin antique/automobile capital of the world. Both are nearby and draw hundreds of thousands of visitors. Our location is

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ideal for those individuals who are visiting these attractions. Hershey Park, a major family attraction, is also nearby.

We will also target those persons that are coming to the region to visit the sites, the government and the regional attractions. Our location provides a superior location for each category.

X. IMPACT ON HISTORICAL AND CULTURAL RESOURCES

As there are no historical or cultural resources within 1,500 feet of the proposed facility, no adverse impact will exist.

XI. SUMMARY - POSITIVE QUALITATIVE IMPACTS

The development of the casino at the Holiday Inn will have the following positive impacts:

- Provide increased opportunities for local businesses to market their products and services.
- Expand opportunities for employment at salary and benefit levels generally above the average hospitality industry levels for the area.
- Provide a stimulus for regional businesses. Developers in the area will see increased visitation.
- Provide funds to the local governmental bodies to reinvest in the infrastructure of the community, thus making it more attractive to new businesses and existing residents.
- Provide an all-inclusive visitor attraction in a community that is lacking available entertainment options.

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- Provide an attractive convention option for out-of-town businesses exploring mid-sized facilities.