

**Economic and Fiscal Impact of the
Proposed Hollywood Casino Philadelphia
in the City of Philadelphia, PA**

(First Phase)

Submitted to:
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0) EXECUTIVE SUMMARY

In response to the Pennsylvania Gaming Control Board's call for applications for Philadelphia's second casino license, Penn National Gaming, Inc. is proposing the Hollywood Casino Philadelphia on the 700 block of Packer Avenue in South Philadelphia. The first phase of the planned casino facility will include 102,000 SF of gaming floor with 2,050 slot machines and 81 table games, multiple restaurants and bars, and a 180-seat entertainment lounge.

The proposed location is adjacent to the Philadelphia Sports Complex which is comprised of three world-class sports venues and the newly opened XFINITY Live! Philadelphia. The addition of the Hollywood Casino Philadelphia in this area will result in significant economic impact for the City of Philadelphia and the Commonwealth of Pennsylvania.

In order to analyze the economic benefits of the Hollywood Casino Philadelphia, Penn National retained Urban Partners to independently assess the economic impacts of the construction and operation of the proposed facility. Our analysis of the proposed casino's economic impact focuses on three primary factors:

- 1) The initial construction/development period impacts;
- 2) The direct and indirect economic impact of the casino's on-going operations and the employment generated by this activity; and
- 3) The tax benefits received by the City of Philadelphia and the Commonwealth of Pennsylvania as a result of the casino.

Although additional phases of the casino are planned for the future, the economic impact analysis in this report is limited to the first phase only.

Impact of Hollywood Casino Philadelphia Construction

The construction of the first phase of the Hollywood Casino Philadelphia, which is estimated to cost \$482.8 million, directly and indirectly will generate a one-time economic impact of **\$446.4 million for the Commonwealth of Pennsylvania**, of which **\$356.1 million is the estimated portion for the City of Philadelphia**. In addition, the construction of the casino will produce:

- 3,610 full time equivalent jobs in the Commonwealth of Pennsylvania
 - 1,350 full-time equivalent jobs as a result of direct impact
 - 2,260 full-time equivalent jobs as a result of indirect/induced impact
- 2,735 full time equivalent jobs in the City of Philadelphia
 - 1,305 full-time equivalent jobs as a result of direct impact
 - 1,430 full-time equivalent jobs as a result of indirect/induced impact
- \$187.15 million in wages and salaries
 - \$157.05 million earned within Philadelphia
 - \$117.79 million is estimated to be earned by Philadelphia residents

- \$11.75 million as wage/income tax revenue
 - \$6.00 million as wage tax revenue for the City of Philadelphia
 - \$5.75 million as income tax revenue for the Commonwealth of Pennsylvania
- \$10.45 million as sales tax revenue
 - \$2.63 million for City of Philadelphia
 - \$7.82 million for the Commonwealth of Pennsylvania
- \$11.46 million in business/corporate & real estate tax revenue
 - \$8.32 million for City of Philadelphia
 - \$3.14 million for the Commonwealth of Pennsylvania
- \$76.25 million in gaming licensing fees to the Commonwealth of Pennsylvania

Annual Operating Impact of Hollywood Casino Philadelphia

In addition to the one-time benefits associated with the development and construction of the casino, this project will result in an on-going spending associated with the operation of the facility. The operational expenditures of the casino and the significant out-of-facility spending of casino visits will generate an **estimated annual direct and indirect/induced economic impact of \$596.7 million** for the Commonwealth of Pennsylvania. In addition, casino operations will produce:

- 4,390 full time equivalent jobs in the Commonwealth of Pennsylvania
 - 3,500 full-time equivalent jobs as a result of direct impact
 - 890 full-time equivalent jobs as a result of indirect/induced impact
- 3,740 full time equivalent jobs in the City of Philadelphia
 - 3,210 full-time equivalent jobs as a result of direct impact (2,410 residents)
 - 530 full-time equivalent jobs as a result of indirect/induced impact (400 residents)
- \$131.94 million in wages and salaries
 - \$108.05 million earned within Philadelphia
 - \$81.04 million is estimated to be earned by Philadelphia residents
- \$8.18 million as wage/income tax revenue
 - \$4.13 million as wage tax revenue for the City of Philadelphia
 - \$4.05 million as income tax revenue for the Commonwealth of Pennsylvania
- \$12.22 million as sales tax revenue
 - \$4.3 million for City of Philadelphia
 - \$7.92 million for the Commonwealth of Pennsylvania
- \$10 million in business/corporate & real estate tax revenue
 - \$6.76 million for City of Philadelphia
 - \$3.24 million for the Commonwealth of Pennsylvania
- \$155.12 million in gaming tax revenue
 - \$11.8 million for City of Philadelphia as host fees
 - \$143.32 million for the Commonwealth of Pennsylvania

1) INTRODUCTION

Penn National Gaming, Inc. owns, operates, or has ownership interests in gaming and racing facilities with a focus on slot machine entertainment. The company presently operates 28 facilities in 19 jurisdictions, including Colorado, Florida, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Ohio, Texas, West Virginia, and Ontario. In Pennsylvania, Penn National operates the Hollywood Casino at Penn National Race Course in Grantville, in addition to off-track wagering facilities located in Chambersburg, Lancaster, Reading, and York.

In response to the Pennsylvania Gaming Control Board's call for applications for Philadelphia's second casino license, Penn National is proposing the Hollywood Casino Philadelphia on the 700 block of Packer Avenue in South Philadelphia (see **Figure 1**). The first phase of the planned casino facility will include:

- 102,000 SF of gaming floor with 2,050 slot machines and 81 table games;
- Steakhouse restaurant/bar (125 seats)
- Noodle bar (70 seats)
- Three meal restaurant (140 seats)
- Four food courts (200 seats)
- Entertainment lounge (180 seats)
- Casino bar (20 seats)
- VIP lounge/bar (40 seats)
- 2,500 SF pre-function room
- 500 SF of retail space

The proposed location is adjacent to the Philadelphia Sports Complex which is comprised of three world-class sports venues (i.e. Lincoln Financial Field, Citizens Bank Park, and the Wells Fargo Center). According to the Sports Complex Special Services District, the Complex "hosts approximately 380 events, 8 million visitors, and 5.5 million vehicle trips each year." Complementing these sports venues is the newly opened XFINITY Live! Philadelphia, which is a dining and entertainment district that's programmed to enhance the visitor experience before and after sports and concert events. The addition of the

Figure 1: Proposed Location



Hollywood Casino Philadelphia in this area will result in significant economic impact for the City of Philadelphia and the Commonwealth of Pennsylvania.

In order to analyze the economic benefits of the Hollywood Casino Philadelphia, Penn National retained Urban Partners to independently assess the economic impacts of the construction and operation of the proposed facility. Our analysis of the economic impact of the Hollywood Casino Philadelphia facility focuses on three primary factors:

- 1) The initial construction/development period impacts;
- 2) The direct and indirect economic impact of the casino's on-going operations and the employment generated by this activity; and
- 3) The tax benefits received by the City of Philadelphia and the Commonwealth of Pennsylvania as a result of the casino.

Section 2 of this report discusses the methodology employed by Urban Partners, including an explanation of the input-output analysis performed using IMPLAN (Impact analysis for PLANning). In Section 3, the development period impact is discussed, followed by an analysis of the recurring impact from on-going operations of the casino in Section 4. The various components of economic impact (i.e. direct and indirect output, employment, wages, and tax benefits to local and state governments) are included in Sections 3 and 4.

Although additional phases of the casino are planned for the future, the economic impact analysis in this report is limited to the first phase only.

2) METHODOLOGY

In order to calculate the potential economic and fiscal impact of the proposed Hollywood Casino Philadelphia on the City of Philadelphia and the Commonwealth of Pennsylvania, Urban Partners employed the IMPLAN (IMPact analysis for PLANning) model.¹ Developed by the U.S. Forest Service's Land Management Planning Unit and the University of Minnesota, IMPLAN utilizes the quantitative economic technique called the input-output model to track the way a dollar injected into one sector is spent and re-spent in other sectors of the economy. Through the use of IMPLAN, the economic impact of a new casino can be traced over multiple rounds of spending in the economy.

The initial round of spending is referred to as the direct impact. This figure is limited to the portion of economic activity that occurs within the local economy. In other words, the expenditures that leave the local economy (e.g. purchases from an out-of-state vendor) are excluded from the figure.

By inputting the initial round of spending into the IMPLAN model, additional effects can be measured in a local economy in two forms: indirect and induced. First, the changes in inter-industry purchases as a result of the direct effect are referred to as the indirect impact. For example, the Hollywood Casino Philadelphia will purchase goods and services from suppliers and vendors, who in turn make purchases of goods and services. Second, the induced effect refers to the impact generated by increased wages as a result of direct and indirect impacts. These wages in turn will pay for local goods and services, creating another round of economic impact. This process continues until leakages eventually stop the cycle.

The magnitude or degree in which the direct impact triggers indirect and induced impacts is referred to as the "multiplier." IMPLAN calculates different multipliers depending on the types of spending that comprises the direct impact, as well as the geographic region that's being studied. For the purposes of this analysis, the study areas are the Commonwealth of Pennsylvania and the City of Philadelphia.

¹ Data and software (IMPLAN system 3.0) furnished by Minnesota IMPLAN Group, Inc. The region data used in the model are for 2010, which are the latest data available. See **Appendix A** for a technical explanation of the IMPLAN model.

3) DEVELOPMENT PERIOD IMPACT

The economic impact analyses in this section are limited to the construction/development period. As shown in **Table 1** below, the total development budget for the Hollywood Casino Philadelphia is \$482.75 million, of which \$225.5 million is budgeted for hard construction costs, \$9.25 million in furniture/fixtures/equipment, \$40 million in operational equipment, \$20.75 million in soft costs, \$60 million in land acquisition, \$76.25 million in licensing fees, and \$51 million in other miscellaneous expenses.

Table 1: Total Development Budget (First Phase)

Development Budget		
Construction		\$225,500,000
Furniture, fixtures, and equipment		\$9,250,000
Operations Equipment		\$40,000,000
Soft Costs		\$20,750,000
Design & Engineering	\$16,700,000	
Other Professional & Admin Costs	\$4,050,000	
Land		\$60,000,000
Licenses		\$76,250,000
Misc. expenses		\$51,000,000
Total		\$482,750,000

Source: Penn National

Of this amount, we estimate that \$238.92 million can be counted as direct impact for the Commonwealth of Pennsylvania and \$224.96 million for the City of Philadelphia:

	Direct Impact Pennsylvania	Direct Impact Philadelphia
• Construction labor ² :	\$90.200 million	\$90.200 million
• Materials ³ :	\$101.475 million	\$101.475 million
• Contractor profit ⁴ :	\$18.040 million	\$11.275 million
• FF&E purchases ⁵ :	\$6.938 million	\$4.625 million
• Operational equipment purchases ⁶ :	\$4.000 million	\$2.000 million
• Design & engineering ⁷ :	\$15.030 million	\$13.360 million
• Professional and admin ⁸ :	\$3.240 million	\$2.025 million
TOTAL	\$238.923 million	\$224.960 million

² We apply the industry standard for calculating the labor portion of construction costs (40% of overall construction costs). All economic activity associated with construction labor will occur in Philadelphia.

³ We apply the industry standard for calculating the materials portion of construction costs (50% of overall construction costs). We estimate that 90% of construction materials purchases will occur in Philadelphia.

⁴ We apply the industry standard for calculating the contractor profit portion of construction costs (10% of overall construction costs). We estimate that 80% of the construction contracts will be awarded to Pennsylvania based companies and 50% of the contracts will be awarded to Philadelphia based companies.

⁵ We estimate that 75% of the FF&E purchases will be made in Pennsylvania and 50% will be made in Philadelphia.

⁶ This category of purchases comprise primarily of specialized gaming equipment that's manufactured predominantly in Nevada. We estimate that 10% of operational equipment purchases will be made in Pennsylvania and 5% will be made in Philadelphia.

⁷ We estimate that 90% of the design & engineering contracts will be awarded to Pennsylvania based companies and 80% of the contracts will be awarded to Philadelphia based companies.

⁸ We estimate that 80% of the professional & admin contracts will be awarded to Pennsylvania based companies and 50% of the contracts will be awarded to Philadelphia based companies.

According to IMPLAN, the multiplier for indirect and induced impacts of the development period economic activity is 0.8684 for the Commonwealth of Pennsylvania and 0.5828 for the City of Philadelphia. Applying these multipliers to the direct impact figures, the resulting indirect/induced impact for the Commonwealth of Pennsylvania is \$207.481 million, and \$131.107 million for the City of Philadelphia.

In total, the development of the Hollywood Casino Philadelphia will result in **\$446.40 million in economic impact for the Commonwealth of Pennsylvania**, of which **\$356.07 million is the estimated portion for the City of Philadelphia** (Table 2).

Table 2: Development Period Economic Impact (First Phase)
(All Estimates in Millions)

	Pennsylvania	Philadelphia
Direct Economic Impact	\$238.923	\$224.960
Indirect/Induced Impact	\$207.481	\$131.107
TOTAL ECONOMIC IMPACT	\$446.404	\$356.067

Source: Urban Partners

3.1) DEVELOPMENT PERIOD EMPLOYMENT IMPACT

The \$446.40 million in total economic impact translates into 3,610 full time equivalent jobs – 1,350 full-time equivalent jobs as a result of direct economic impact and an additional 2,260 full-time equivalent jobs as a result of indirect/induced economic impact. Philadelphia’s portion of the employment impact is estimated to be 2,735 fulltime equivalent jobs (see Table 3)

Table 3: Development Period Employment Impact

Development Period--Employment Impact	Pennsylvania	Philadelphia
Direct Employment Impact		
Annualized Construction Jobs (FTE)	825	825
Annualized Materials Jobs (FTE)	370	370
Annualized FF&E Jobs (FTE)	60	35
Annualized FF&E/Operational Equipment Jobs (FTE)	95	75
Total Direct Development Period Employment (Annualized FTE)	1,350	1,305
Indirect Employment Impact	2,260	1,430
Total Employment Impact (Annualized FTE)	3,610	2,735

Source: Urban Partners

3.2) DEVELOPMENT PERIOD FISCAL IMPACT

Table 4 below shows the estimated amount of fiscal benefits during the development period. The Hollywood Casino Philadelphia will generate approximately \$109.9 million in fiscal revenues during this period--\$16.95 million for the City of Philadelphia and \$92.96 million for the Commonwealth of Pennsylvania, which includes \$76.3 million in gaming licensing fees paid to the Pennsylvania Gaming Control Board⁹.

Table 4: Summary of Development Period Fiscal Benefits

	For City of Phila	For State of PA	Total City & State
Taxes on Wages & Salaries	\$6,000,000	\$5,745,000	\$11,745,000
Sales & Hotel Taxes	\$2,629,000	\$7,823,000	\$10,452,000
Business Privilege & Net Profits Taxes	\$2,681,000		\$2,681,000
Real Estate Taxes Paid on Business Property	\$2,574,000		\$2,574,000
Use & Occupancy Taxes Paid on Business Property	\$1,261,000		\$1,261,000
State Corporate & Other Business Taxes		\$2,539,000	\$2,539,000
Gaming Licensing Fees		\$76,250,000	\$76,250,000
Real Estate Transfer Taxes	\$1,800,000	\$600,000	\$2,400,000
Total Annual Tax Benefits	\$16,945,000	\$92,957,000	\$109,902,000

Source: Urban Partners

The 3,610 full-time equivalent jobs supported directly and indirectly by the development of the Hollywood Casino Philadelphia are estimated to generate wages and salaries of approximately \$187.15 million (see **Table 5** on the following page). These estimates of wage and salary impact were derived using industrial sector factors developed as part of the IMPLAN analysis adjusted to 2012 dollars.

Of this \$187.15 million in wages and salaries, \$157.05 million is estimated to be earned within Philadelphia and \$117.79 million is estimated to be earned by Philadelphia residents. In terms of tax revenue, this employment activity is estimated to generate \$6 million as wage tax revenue

⁹ The following are the current tax rates for the City of Philadelphia and the Commonwealth of Pennsylvania:

City of Philadelphia

- Wage tax: 3.928% for city residents; 3.4985% for non-residents.
- Sales tax: 2%.
- Business privilege tax: 1.415 mills on gross receipts and 6.45% on taxable net income (we assume net income is 10% of gross receipts).
- Net profits tax: wage tax rates on net income less 60% of net profits portion of the Business Privilege Tax.
- Real estate tax: 9.432% on assessed value.
- Use and occupancy tax: \$5.51 per annum per \$100 of assessed value.

Commonwealth of Pennsylvania

- Income tax: 3.07%
- Sales tax: 6%
- Corporate net income tax: 9.9%

for the City of Philadelphia and another \$5.75 million as income tax revenue for the Commonwealth of Pennsylvania.

Table 5: Development Period Wage & Salary Impacts; Taxes on Wages and Salaries

(All Estimates in Millions)

	Within Pennsylvania	Within Philadelphia	Philadelphia Residents	Non Phila Residents
Direct Wage & Salary Impacts				
Direct Construction Wages & Salaries	\$90.20	\$90.20	\$67.65	\$22.55
Direct Material Jobs Wages & Salaries	\$12.58	\$12.58	\$9.43	\$3.14
Direct FF&E/Operational Equipment Jobs Wages & Salaries	\$2.05	\$1.15	\$0.86	\$0.29
Direct Professional/Soft Cost Wages & Salaries	\$5.51	\$4.54	\$3.41	\$1.14
Indirect/Induced Wage & Salary Impacts	\$76.81	\$48.58	\$36.44	\$12.15
Total Wage & Salary Impacts	\$187.15	\$157.05	\$117.79	\$39.26
Wage Taxes Paid To City of Philadelphia		\$6.00	\$4.63	\$1.37
Income Taxes Paid To State of Pennsylvania	\$5.75			

Source: Urban Partners

Additionally, sales taxes resulting directly and indirectly from construction of the Hollywood Casino Philadelphia are estimated to account for another \$10.45 million in increased public revenue, including \$2.63 million in revenue collected by the City of Philadelphia and \$7.82 million in revenue collected by the Commonwealth of Pennsylvania (see Table 6).

Table 6: Development Period Sales Taxes

	Total	Total Paid to City of Phila	Total Paid to State of PA
Direct Economic Activity			
Sales Tax on Construction Materials	\$8,119,000	\$2,030,000	\$6,089,000
Sales Tax On FF&E	\$509,000	\$93,000	\$416,000
Sales Tax On Operational Equipment	\$280,000	\$40,000	\$240,000
Total Sales Taxes on Direct Economic Activity	\$8,908,000	\$2,163,000	\$6,745,000
Indirect/Induced Economic Activity			
Sales Tax on Taxable Indirect/Induced Economic Activity	\$1,300,000	\$222,000	\$1,078,000
Liquor Tax on Indirect/Induced Economic Activity	\$24,000	\$24,000	
Hotel Tax	\$221,000	\$221,000	
Total Sales Taxes on Indirect/Induced Economic Activity	\$1,545,000	\$467,000	\$1,078,000
Total Sales Taxes	\$10,453,000	\$2,630,000	\$7,823,000

Source: Urban Partners

The for-profit business activity generated by the development of the Hollywood Casino Philadelphia will spur on an additional \$6.52 million in additional tax revenue for the City of Philadelphia and \$2.54 million for the Commonwealth of Pennsylvania (see **Table 7**).

Table 7: Development Period Business Tax & Real Estate Tax Benefits

	<u>Within Pennsylvania</u>	<u>Within Philadelphia</u>
Direct For-Profit Business Activity		
Construction Activity	\$209,715,000	\$202,950,000
FF&E/Operational Equipment Activity	\$10,938,000	\$6,625,000
Design, Professional & Administration Activity	\$18,270,000	\$15,385,000
Total Direct For-Profit Business Activity	<u>\$238,923,000</u>	<u>\$224,960,000</u>
Indirect/Induced For-Profit Business Activity	<u>\$179,471,000</u>	<u>\$113,408,000</u>
Total For-Profit Business Activity	<u>\$418,394,000</u>	<u>\$338,368,000</u>
Annual Business Privilege & Net Profits Taxes Paid		\$2,681,000
Annual Real Estate Taxes Paid on Business Property		\$2,574,000
Annual Use & Occupancy Taxes Paid on Business Property		\$1,261,000
State Corporate and Other Business Tax Paid	\$2,539,000	

Source: Urban Partners

4) ANNUAL ECONOMIC IMPACT

In addition to the one-time benefits associated with the development and construction of the casino, this project will result in on-going spending associated with the operation of the facility. The benefit of the increased level of expenditures on the region’s economy is multiplied by the fact that Philadelphia area vendors and service providers will supply a significant portion of the goods and services consumed in the operation of the Hollywood Casino Philadelphia facility. The incremental income generated by these businesses as a result of the casino’s existence will further extend the economic impact on the local economy by inducing these businesses and their employees to increase their overall level of consumption.

The overall economic impact of the Hollywood Casino Philadelphia is derived from two interrelated components:

- The direct impact of the casino’s economic activity, and
- The significant out-of-facility spending of visitors to the casino.

These two components of economic activity constitute the **direct economic impact** of the Hollywood Casino Philadelphia. An important third impact—the **indirect/induced economic activity** stimulated by this direct spending—can also be traced through the regional economy.

According to the IMPLAN model, the multipliers for indirect and induced impacts of the on-going operations of the casino are 0.73416 for non-payroll expenditures of the casino and 0.87521 for out-of-facility spending of casino visitors. Applying these multipliers to the direct impact figures¹⁰, the **estimated annual direct and indirect/induced economic impact of the Hollywood Casino Philadelphia is \$596.7 million** (see Table 8).

Table 8: Annual Economic Impact (in Millions, '12 Dollars)

Direct Economic Impact	
Casino Economic Activity	\$ 351.00
Visitor Spending (Outside Venue)	<u>\$ 97.34</u>
Total Direct Economic Impact in Region	<u>\$ 448.34</u>
Indirect/Induced Economic Impact	
Indirect/Induced Impact of Casino Economic Activity	\$ 63.17
Indirect/Induced Impact of Visitor Spending (Outside Venue)	<u>\$ 85.19</u>
Total Indirect/Induced Economic Impact	<u>\$ 148.36</u>
Total Economic Impact	<u>\$ 596.70</u>

Source: Urban Partners

¹⁰ The basis for calculating the indirect/induced impact for casino economic activity is \$86.04 million, which is equivalent to casino’s annual operating budget less non-payroll expenses that will be spent outside of the Commonwealth of Pennsylvania (10% of non-payroll expenses).

Direct Economic Impact

Urban Partners utilized the projected income and expense statements prepared by Penn National to estimate the direct economic impact generated by the Hollywood Casino Philadelphia. The projected gross revenue from casino operations is approximately **\$351 million**¹¹ and outlays will total \$95.6 million annually, which does not include taxes. These outlays include all payroll, management, security, maintenance, utilities, supplies, and services required to operate the facilities over a one-year period. Approximately 50% of this spending is anticipated to flow in the form of payroll expenses (i.e. wages, salaries and fringe benefits), and 90% of the non-payroll expenses will be spent within the Commonwealth of Pennsylvania.

In addition to the economic activity occurring within the confines of the facility, the casino is anticipated to generate significant visitor spending at other area establishments--including hotels, restaurants, and retail establishments. In order to estimate the amount of visitor expenditures outside the casino, the estimated 4.4 million visitors are first categorized into three geographical designations: 1) Philadelphia residents; 2) out-of-town visitors within 1-hr driving distance; and 3) out-of-town visitors outside of the 1-hr driving radius. Then, the estimated percentage of visitors staying overnight at hotels were calculated from survey data collected from previous economic impact studies performed by Urban Partners.¹²

As shown in **Table 9**, we estimate that seven percent of the visitors (or 308,000) are “incidental” casino visitors who may be in town for other primary reasons. For the purpose of calculating the out-of-facility visitor spending, the total number of incidental visitors are excluded from the analysis since the casino is not their primary reason for coming to Philadelphia. Of the remaining 4.092 million visitors, 35% are estimated to be Philadelphia residents and 58% are out-of-town visitors¹³.

Table 9: Characteristics of Casino Visitors

Estimated Annual Visitors (First Year)	4,400,000			
Philadelphia Residents	1,540,000	35%		
Non-Philadelphia Residents	2,552,000	58%		
Incidentals (in town for other primary reasons)	308,000	7%		
	Phila Residents	Non-Phila Residents Within 1 Hr	Non-Phila Residents Outside 1 Hr	Total
Visitor Characteristics				
Estimated Annual Visitors	1,540,000	1,914,000	638,000	4,092,000
Visitors Staying Overnight @ Hotel	-	114,840	146,740	261,580
Daytrip Visitors	1,540,000	1,799,160	491,260	3,830,420

Source: Urban Partners

¹¹ Annual revenue from table games: \$62 million. Taxed at 16% (or \$9.92 million). The tax rate will decrease to 14% after the first two years of operation. Annual revenue from slot machines: \$264 million. Taxed at 55% (or \$145.2 million). Food and alcohol sales: \$24.85 million (50% will be food). Merchandise sales: \$150,000.

¹² The breakdown of the visitors by geography were estimated using the *Report of Findings of the Philadelphia Gaming Advisory Task Force (2005)* and from survey data collected by Urban Partners for previous economic impact studies of entertainment events in the Philadelphia area.

¹³ Estimate from the *Report of Findings of the Philadelphia Gaming Advisory Task Force (2005)*.

The estimated percentage of out-of-town visitors who will stay overnight at hotels is extrapolated from survey data collected by Urban Partners for previous economic impact studies of entertainment events in the Philadelphia area. For visitors within a 1-hr driving distance, we estimate that 6% will stay overnight at a hotel (114,800 visitors). For visitors who are outside of the 1-hr driving distance, we estimate that 23% will use hotel lodging (146,740 visitors).

The amount of out-of-facility spending is greatly influenced by a visitor’s overnight lodging plans. Visitors who stay overnight spend significantly more per person than daytrip visitors. The following is an estimated out-of-facility spending per person based on geographic breakdown and hotel lodging status¹⁴:

<u>Daytrip Visitors</u>	<u>Dining</u>	<u>Shopping</u>	<u>Hotel</u>	<u>Total</u>
• Philadelphia Residents:	\$12.98	\$10.63	\$0	\$23.61
• Inside 1-hr Radius:	\$14.13	\$5.45	\$0	\$19.57
• Outside 1-hr Radius:	\$9.33	\$8.17	\$0	\$17.50
<u>Hotel Staying Visitors</u>	<u>Dining</u>	<u>Shopping</u>	<u>Hotel</u>	<u>Total</u>
• Philadelphia Residents:	\$0	\$0	\$0	\$0
• Inside 1-hr Radius:	\$22.92	\$13.99	\$55.43	\$92.35
• Outside 1-hr Radius:	\$9.88	\$9.00	\$9.00	\$42.52

As shown below in **Table 10**, the estimated total for hotel expenditures is \$10.14 million, the estimated total dining expenditures \$54.07 million, and the estimated total shopping expenditures \$33.13 million for a **total out-of-facility expenditures of \$97.34 million**.

Table 10: Annual Out-of-Facility Commercial Demand

	Phila Residents	Non-Phila Residents Within 1 Hr	Non-Phila Residents Outside 1 Hr	Total
Visitor Characteristics				
Estimated Annual Visitors	1,540,000	1,914,000	638,000	4,092,000
Visitors Staying Overnight @ Hotel	-	114,840	146,740	261,580
Daytrip Visitors	1,540,000	1,799,160	491,260	3,830,420
Hotel Staying Visitor Expenditures				
Hotel Expenditures	-	\$6,365,000	\$3,770,000	\$10,135,000
Dining Expenditures	-	\$2,633,000	\$1,576,000	\$4,209,000
Shopping Expenditures	-	\$1,607,000	\$1,436,000	\$3,043,000
Non-Hotel Staying Visitor Expenditures				
Dining Expenditures	\$19,984,000	\$25,416,000	\$4,462,000	\$49,862,000
Shopping Expenditures	\$16,377,000	\$9,801,000	\$3,911,000	\$30,089,000
Total Out-of-Facility Expenditures				\$97,338,000

Source: Urban Partners

¹⁴ From survey data collected by Urban Partners for previous economic impact studies of entertainment events in the Philadelphia area. Responses regarding expenditure patterns were collected for 1,900 visitors (860 surveys responses).

As shown in **Table 8**, taken together, the calculated **total direct economic impact of casino and visitor expenditures on the regional economy that are attributable to the Hollywood Casino Philadelphia is \$448.34 million.**

Indirect/Induced Economic Impact

Assessing the indirect/induced economic impact involves tracking the additional rounds of spending within the region induced by businesses and their employees as a result of these direct expenditures. Inputting various expenditures by industry categories into the IMPLAN model, Urban Partners calculated the appropriate multiplier for indirect/induced economic activity resulting from the Hollywood Casino Philadelphia. The indirect/induced multiplier for casino expenditures is 0.73416 and the appropriate multiplier for indirect/induced economic activity resulting from out-of-facility visitor expenditures is 0.87521.

Applying these multipliers to the casino and visitor expenditures of the Hollywood Casino Philadelphia, a **total indirect/induced economic impact of \$148.36 million** results.

4.1) EMPLOYMENT IMPACT FROM ON-GOING OPERATIONS

The Hollywood Casino Philadelphia will result in significant employment within the Commonwealth and within Philadelphia (see **Table 11**). The casino will employ 1,150 full-time equivalent positions and direct non-payroll expenditures by the casino will result in the support of an additional 490 full-time positions. Employment supported off-site by the out-of-facility spending of the casino visitors is estimated at 1,860 full-time equivalent positions.

Taken together, these **direct employment impacts total 3,500 full-time equivalent jobs**. Due to the proposed location of the casino and the fact that much of the visitor spending will be localized, this direct employment impact will be significantly concentrated within Philadelphia. Based on likely Hollywood Casino Philadelphia’s employment patterns, the locations of its contractors/suppliers, and the employment patterns within the key industries in which visitor spending will be concentrated, we estimate that 3,210 of the total 3,500 full-time equivalent jobs supported by the Hollywood Casino Philadelphia will be located within Philadelphia and 2,410 full-time equivalent positions will be filled by City residents.

The **indirect employment impact of the casino will result in the creation of 890 full-time equivalent positions**—270 as an indirect result of the casino’s expenditures, and 620 due to the indirect impact of visitor spending outside the casino. Because the indirect economic activity resulting from the Hollywood Casino Philadelphia will be more diffuse—both in terms of industrial sectors and location of employment—this employment is believed to be spread more broadly throughout the region. We estimate that approximately 530 of the 890 full-time equivalent positions supported by the indirect economic impact of the Hollywood Casino Philadelphia will be located within Philadelphia and that 400 will be filled by City residents.

Table 11: Permanent Employment Impacts

	Within Pennsylvania	Within Philadelphia	Philadelphia Residents
Direct Employment Impact			
Casino Employees (Annualized FTE)	1,150	1,150	860
FTE Employment Due to Non-Payroll Casino Expenditures within the Region	490	290	220
Employment Due to Visitor Spending (Outside Venue)--Annualized FTE	1,860	1,770	1,330
Total Direct FTE Employment Impact in Region	3,500	3,210	2,410
Indirect/Induced Employment Impact			
Indirect/Induced Impact of Casino Expenditures	270	160	120
Indirect/Induced Impact of Visitor Spending (Outside Venue)	620	370	280
Total Indirect/Induced Employment Impact	890	530	400
Total Employment Impact	4,390	3,740	2,810

Source: Urban Partners

In total, the direct and indirect/induced employment impacts of the Hollywood Casino Philadelphia will be 4,390 full-time equivalent positions, including **3,740 located within Philadelphia and 2,810 held by City residents**.

4.2) TAX REVENUE IMPACT

The Hollywood Casino Philadelphia will generate approximately **\$185.52 million in tax revenues**—\$26.99 million in increased tax revenue for the City of Philadelphia and \$158.53 million for the Commonwealth of Pennsylvania (see **Table 12**).

Table 12: Summary of Annual Tax Benefits¹⁵

	For City of Phila	For State of PA	Total City & State
Taxes on Wages & Salaries	\$4,130,000	\$4,050,000	\$8,180,000
Sales & Hotel Taxes	\$4,300,000	\$7,920,000	\$12,220,000
Business Privilege & Net Profits Taxes	\$2,780,000		\$2,780,000
Real Estate Taxes Paid on Business Property	\$2,670,000		\$2,670,000
Use & Occupancy Taxes Paid on Business Property	\$1,310,000		\$1,310,000
State Corporate & Other Business Taxes		\$3,240,000	\$3,240,000
Gaming Tax - Table Games	\$1,240,000	\$8,680,000	\$9,920,000
Gaming Tax - Slot Machines	\$10,560,000	\$134,640,000	\$145,200,000
Total Annual Tax Benefits	\$26,990,000	\$158,530,000	\$185,520,000

Source: Urban Partners

Wage Tax Revenue Impact

The 4,390 full-time equivalent jobs supported directly and indirectly by the Hollywood Casino Philadelphia are estimated to generate wages and salaries of approximately \$131.94 million (see **Table 13**). These estimates of wage and salary impact were derived using industrial sector factors developed as part of the IMPLAN analysis adjusted to 2012 dollars. Of this \$131.94 million in wages and salaries, \$108.05 million is estimated to be earned within Philadelphia and \$81.04 million is estimated to be earned by Philadelphia residents.

Table 13: Annual Wage & Salary Impacts (in Millions)

	Within Pennsylvania	Within Philadelphia	Philadelphia Residents
Direct Wage & Salary Impacts			
Casino Payroll	\$40.63	\$40.63	\$30.47
Wages & Salaries Due to Non-Payroll Casino Expenditures within the Region	\$11.92	\$7.16	\$5.37
Wages & Salaries Due to Visitor Spending (Outside Venue)	\$36.04	\$34.24	\$25.68
Total Direct Wage & Salary Impacts	\$88.59	\$82.03	\$61.52
Indirect/Induced Wage & Salary Impacts			
Indirect/Induced Wage & Salary Impact of Casino Expenditures	\$13.66	\$8.20	\$6.15
Indirect/Induced Wage & Salary Impact of Visitor Spending (Outside Venue)	\$29.69	\$17.82	\$13.37
Total Indirect/Induced Wage & Salary Impacts	\$43.35	\$26.02	\$19.52
Total Wage & Salary Impacts	\$131.94	\$108.05	\$81.04

Source: Urban Partners

¹⁵ See tax rates referenced on page 9.

This employment activity is estimated to generate \$4.13 million in wage tax revenue for the City of Philadelphia and another \$4.05 million in income tax revenue for the Commonwealth of Pennsylvania (see **Table 14**).

Table 14: Annual Taxes on Wages & Salaries

	<u>Total Paid within PA</u>	<u>Total Paid within Phila</u>	<u>Total Paid to Phila Residents</u>	<u>Total Paid within Phila to Non-Residents</u>
Total Direct Wages & Salaries	\$88,590,000	\$82,020,000	\$61,520,000	\$20,510,000
Total Indirect/Induced Wages & Salaries	\$43,350,000	\$26,020,000	\$19,520,000	\$6,510,000
Total Wages & Salaries	<u>\$131,940,000</u>	<u>\$108,040,000</u>	<u>\$81,040,000</u>	<u>\$27,020,000</u>
Wage Taxes Paid to City of Philadelphia		\$4,130,000	\$3,180,000	\$940,000
Income Taxes Paid to the Commonwealth	\$4,050,000			

Source: Urban Partners

Sales and Hotel Tax Impact

Additionally, sales and hotel taxes directly and indirectly resulting from the on-site spending of the Hollywood Casino Philadelphia, as well as the out-of-facility spending of casino visitors, is estimated to generate another **\$12.2 million in increased public revenue**, including \$4.3 million in revenue collected by the City of Philadelphia and \$7.9 million in revenue collected by the Commonwealth of Pennsylvania (see **Table 15**).

Table 15: Annual Sales Tax & Hotel Tax Benefits

	<u>Total</u>	<u>Total Paid to City of Phila</u>	<u>Total Paid to State of PA</u>
Direct Economic Activity			
Sales Tax on In-Facility Sales	\$2,000,000	\$500,000	\$1,500,000
Sales Tax on Visitor Shopping (Outside Venue)	\$2,650,000	\$660,000	\$1,990,000
Sales Tax on Visitor Food Spending (Outside Venue)	\$3,470,000	\$870,000	\$2,600,000
Liquor Tax on Visitor Retail Spending (Outside Venue)	\$1,080,000	\$1,080,000	
Sales Tax on Hotel Rooms	\$760,000	\$200,000	\$560,000
Gasoline Tax	\$720,000		\$720,000
Hotel Tax	\$830,000	\$830,000	
Total Sales Taxes on Direct Economic Activity	<u>\$11,510,000</u>	<u>\$4,140,000</u>	<u>\$7,370,000</u>
Indirect/Induced Economic Activity			
Sales Tax on Taxable Indirect/Induced Economic Activity	\$580,000	\$30,000	\$550,000
Liquor Tax on Indirect/Induced Economic Activity	\$10,000	\$10,000	
Hotel Tax	\$120,000	\$120,000	
Total Sales Taxes on Indirect/Induced Economic Activity	<u>\$710,000</u>	<u>\$160,000</u>	<u>\$550,000</u>
Total Sales Taxes	<u>\$12,220,000</u>	<u>\$4,300,000</u>	<u>\$7,920,000</u>

Source: Urban Partners

Business and Real Estate Tax Impact

Of the \$596.7 million in total direct and indirect economic impact, \$398.33 million is estimated to support private for-profit business activity, including \$351.41 million in business activity within Philadelphia (see **Table 16**).

Table 16: For-Profit Business Activity Generated (in Millions)

	<u>Within Pennsylvania</u>	<u>Within Philadelphia</u>
Direct For-Profit Business Activity		
For-Profit Business Activity Due to Non-Payroll Casino Expenditures	\$195.88	\$195.88
For-Profit Business Activity Due to Visitor Spending (Outside Venue)	\$97.34	\$92.47
Total Direct For-Profit Business Activity	<u>\$293.22</u>	<u>\$288.35</u>
Indirect/Induced For-Profit Business Activity		
Indirect/Induced For-Profit Business Activity Due to Casino Expenditures	\$31.42	\$18.85
Indirect/Induced For-Profit Business Activity Due to Visitor Spending (Outside Venue)	\$73.69	\$44.21
Total Indirect/Induced For-Profit Business Activity	<u>\$105.11</u>	<u>\$63.06</u>
Total For-Profit Business Activity	<u>\$398.33</u>	<u>\$351.41</u>

Source: Urban Partners

This for-profit business activity is estimated to generate \$6.76 million in additional tax revenue for the City of Philadelphia and \$3.24 for the Commonwealth of Pennsylvania (see **Table 17**).

Table 17: Annual Business Tax & Real Estate Tax Benefits

	<u>Within Pennsylvania</u>	<u>Within Philadelphia</u>
Direct For-Profit Business Activity		
For-Profit Business Activity Due to Non-Payroll Organizational Expenditures	\$195,880,000	\$195,880,000
For-Profit Business Activity Due to Audience Spending	\$97,340,000	\$92,470,000
Total Direct For-Profit Business Activity	<u>\$293,220,000</u>	<u>\$288,350,000</u>
Indirect/Induced For-Profit Business Activity		
Indirect/Induced For-Profit Business Activity Due to Organizational Expenditures	\$31,420,000	\$18,850,000
Indirect/Induced For-Profit Business Activity Due to Audience Spending	\$73,690,000	\$44,210,000
Total Indirect/Induced For-Profit Business Activity	<u>\$105,110,000</u>	<u>\$63,060,000</u>
Total For-Profit Business Activity	<u>\$398,330,000</u>	<u>\$351,410,000</u>
Annual Business Privilege & Net Profits Taxes Paid		\$2,780,000
Annual Real Estate Taxes Paid on Business Property		\$2,670,000
Annual Use & Occupancy Taxes Paid on Business Property		\$1,310,000
State Corporate and Other Business Tax Paid	\$3,240,000	

Source: Urban Partners

Gaming Tax Impact

The operations of the Hollywood Casino Philadelphia will result in significant gaming tax revenue. Based on the proposed number of tables games and slot machines (81 and 2,050, respectively), the Hollywood Casino Philadelphia is estimated to generate \$143.32 million in gaming tax revenue for the Commonwealth of Pennsylvania, and \$11.8 million in host fees for the City of Philadelphia (see **Table 18**).

Table 18: Annual Gaming Tax Benefits

	<u>For City of Phila</u>	<u>For State of PA</u>	<u>Total City & State</u>
Tax on Table Games	\$1,240,000	\$8,680,000	\$9,920,000
Tax on Slot Machines			
State Share		\$89,760,000	\$89,760,000
Local Share	\$10,560,000		\$10,560,000
Economic Development and Tourism Fund		\$13,200,000	\$13,200,000
Horse Racing Fund		\$31,680,000	\$31,680,000
Total Annual Gaming Tax Benefits	\$11,800,000	\$143,320,000	\$155,120,000

Source: Urban Partners

5) *APPENDIX A: WHAT IS IMPLAN?*

(Adapted from the IMPLAN website)

Created by the Minnesota IMPLAN Group, Inc, the IMPLAN software system helps analysts address questions about economic study and analysis like these:

- How does the local economy function?
- What would the economic consequences of this project be?
- What would the effect of this company/base closure be?

By constructing Social Accounts that describe the structure and function of a specific economy, IMPLAN creates a localized model to investigate the consequences of projected economic transactions in a geographic region. Used by thousands of public and private institutions, IMPLAN is the most widely employed and accepted regional economic analysis software for predicting economic impacts.

IMPLAN Analysis

To ensure accuracy, IMPLAN's data is compiled from a wide variety of sources, and each Social Accounting Matrix is derived from unique local and census information. IMPLAN's data can be modified to accommodate new technologies or specifications of local industries, and is reported in a sectoring scheme roughly corresponding to NAICS.

With the IMPLAN modeling system, analysts can create an impact study which will track the effects of a modeled event on 440 unique sectors in the United States. The result is a detailed summary of economic impacts including changes in jobs, household incomes, tax impacts, and gross regional product. The summary can be used to show the effect of firms moving into an area, special events, introduction of new technologies, recreation and tourism, military base closures, changes in government spending and other similar events.

How IMPLAN works

Social Accounting: IMPLAN's Social Accounting Matrices (SAMs) capture the actual dollar amounts of all business transactions taking place in a regional economy as reported each year by businesses and governmental agencies. SAM accounts are a better measure of economic flow than traditional input-output accounts because they include "non-market" transactions. Examples of these transactions would be taxes and unemployment benefits.

Multipliers: Social Accounting Matrices can be constructed to show the effects of a given change on the economy of interest. These are called Multiplier Models. Multiplier Models study the impacts of a user-specified change in the chosen economy for 440 different industries. Because the Multiplier Models are built directly from the region specific Social Accounting Matrices, they will reflect the region's unique structure and trade situation.

Multiplier Models are the framework for building impact analysis questions. Derived mathematically, these models estimate the magnitude and distribution of economic impacts, and measure three types of effects which are displayed in the final report. These are the direct, indirect, and induced changes within the economy. Direct effects are determined by the Event as defined by the user (i.e. a \$10 million dollar order is a \$10 million dollar direct effect). The indirect effects are determined by the amount of the direct effect spent within the study region on supplies, services, labor and taxes. Finally the induced effect measures the money that is re-spent in the study area as a result of spending from the indirect effect. Each of these steps recognizes an important leakage from the economic study region spent on purchases outside of the defined area. Eventually these leakages will stop the cycle.