CITY OF RICHMOND CASINO RFQ/P – MARKET ANALYSIS





City Council Informal Meeting
March 8, 2021



Affordable Housing **Equitable Economic Development** Jobs **Reducing Poverty School Funding Services for Citizens** Stronger Economic Base

A QUICK RICHMOND MATH LESSON



\$84M

\$1M

Assessed New Real Estate Value

New General Fund Real Estate Tax Revenue

A QUICK RICHMOND MATH LESSON



\$.01

\$2.54M

One Penny of the FY21 Real Estate Tax Rate of \$1.20

Projected General Fund Real Estate Tax Revenue in FY21



THEREFORE

\$213.4M = \$.01

Assessed New Real Estate Value

One Penny of the FY21 Real Estate Tax Rate of \$1.20

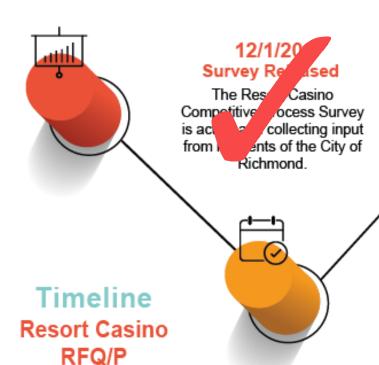
VIRGINIA CASINO ACT



- In 2020 the Virginia General Assembly enacted Chapter 1197 of the 2020 Acts of the Assembly (and its identical counterpart Chapter 1248) which authorizes a process for licensing and regulating the development and operation of a limited number of casino gaming operations in the Commonwealth of Virginia (The "Virginia Casino Act")
- Richmond is one of five cities that can have a casino gaming establishment licensed by the Commonwealth of Virginia if Richmond voters approve a casino at a specific location/site by voter referendum
 - o Criteria is established in the Virginia Casino Act
 - o The other four cities are Bristol, Danville, Norfolk, and Portsmouth
- Establishes tax paid to the City by the casino on it's adjusted gross receipts
 - o 6% tax on the first \$200 million of adjusted gross receipts
 - o 7% tax on the adjusted gross receipts that exceed \$200 million and are less than \$400 million
 - o 8% tax on the adjusted gross receipts that exceed \$400 million
 - The tax paid on the adjusted gross receipts does not include other tax revenue that would be payable to the City (i.e. Real Estate Tax, Sales Tax, Meals Tax, Lodging Tax, etc.)
- Richmond opted to have a voter referendum in November 2021, and prior to the voter referendum the City must:
 - Select the City's preferred location/site for a casino
 - o Select the City's preferred operator to develop and operate the casino
 - O Submit the City's preferred casino operator to the Commonwealth of Virginia for pre-certification
 - O The governing body of the host city petitions the court asking that a referendum be held on the question of whether casino gaming shall be permitted within the city
 - The question asked on the referendum will be, "Shall casino gaming be permitted at a casino gaming establishment in [name of city and location] as may be approved by the Virginia Lottery Board?"

RFQ/P TIMELINE







Any and all perested operators prove that have their proposed all associated material mitted to the City for consideration.



11/2/21 Voter Referendum

The City of Richmond voters will make the final decision via a referendum placed on the ballot.

Late December 2020 Planned RFQ/ Release

The Research Casino
Competitive Process will officially open are the sted operators can begin strong their proposals.



Summer 2021 Selection of Operator & Site

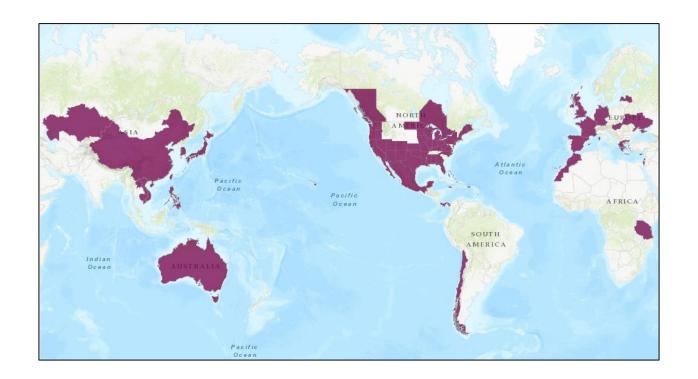
The City will have reviewed all proposal submissions thoroughly with an outside consulting firm that specializes in Resort Casinos. Community input will be considered in selection. The City will select an operator and announce it to the public.

CITY OF RICHMOND, VIRGINIA



ABOUT CONVERGENCE STRATEGY GROUP

- New Orleans-based consulting firm
- 35+ years of professional experience in analytical and strategic planning services to gaming, leisure, commercial, tribal and public agencies
- Over 400 casino and resort-related analyses worldwide, across 6 continents, 33 countries, and 38 U.S. states





CSG PRINCIPALS



Scott Fisher, Ph.D.

- Co-founder & Managing Partner
 - Ph.D. in Economics with focus on International Trade, Industrial Organization and Public Finance
 - MBA with a concentration in Finance
 - 20+ years experience in the gaming and leisure industries
 - Former co-owner of Riverwalk Casino in Vicksburg, Mississippi and Monte Lago in Lake Las Vegas, Nevada
 - Former partner of Innovation Capital, Innovation Project Development, and was Managing Director of the casino and leisure consulting firm The Innovation Group



Suzanne Perilloux Leckert, AICP

- Co-founder & Managing Partner
 - Master of Urban and Regional Planning
 - 15+ years experience in urban planning, and the gaming and leisure industries
 - "Great Women of Gaming" nominee, 2018.
 - "Emerging Leader" in the casino gaming industry, Global Gaming Business, 2013/2014
 - LA-APA's "Excellence Award" for the Shreveport Common Market Assessment, 2015
 - Former Director of Gaming, Feasibility and Land Use Analysis at TMG Consulting, and former Director of Development Analysis at The Innovation Group



TASK AT HAND

- Provide City of Richmond with assistance related to the selection of a resort casino operator and for choosing a site to locate a resort casino within the city
 - Task A: Independent Market Assessment, Fiscal Impacts and Job Creation
 - Task B: Review and Analyze Responses to RFQ/P
 - Task C: Vetting Performance of Potential Operators
 - Task D: Meetings and Selection Guidance

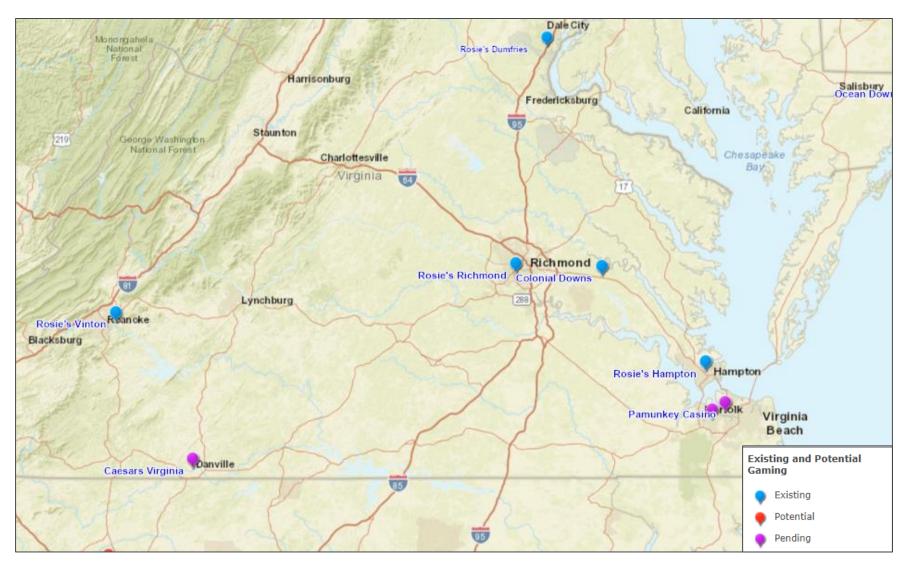


TASK A: MARKET ASSESSMENT, METHODOLOGY

- Forecast gaming demand and revenues
- Modeled 3 different sites:
 - Downtown
 - Northwest, and
 - South Richmond
- Considered all existing, planned, and proposed gaming facilities in the regional market

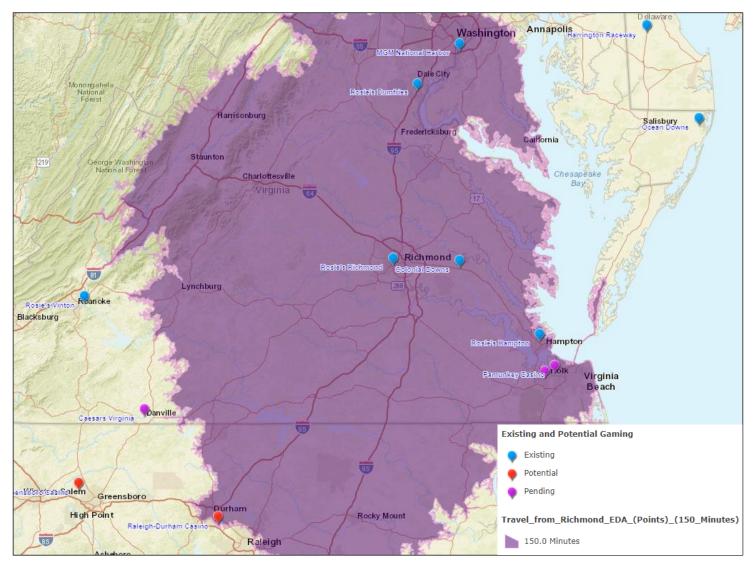


REGIONAL GAMING COMPETITION





2.5 HOUR REGIONAL MARKET





TASK A: MARKET ASSESSMENT, METHODOLOGY

Gaming market segments modeled

- Regional market (2.5 hours)
 - Drive-time gravity model
 - Inputs:
 - Population
 - Income Levels
 - Competition
 - Drive-Times (each ZIP Code to each site)
 - Behavior Patterns (incl. spending and casino gaming)
 - Expected increases in gaming behavior with introduction of casinos, differing by distance from Richmond and relative access to other casinos
 - Distributes gaming visits and revenues to all competition in the marketplace
- Hotel
 - Capture of regional market as overnight stays
 - Increased spending with overnight stay
- Tourism
 - Model with most recent tourism statistics
 - Adult tourists
 - Casino gaming behavior data
 - Spending data
 - Capture rates in consideration of nationwide trends and comparables

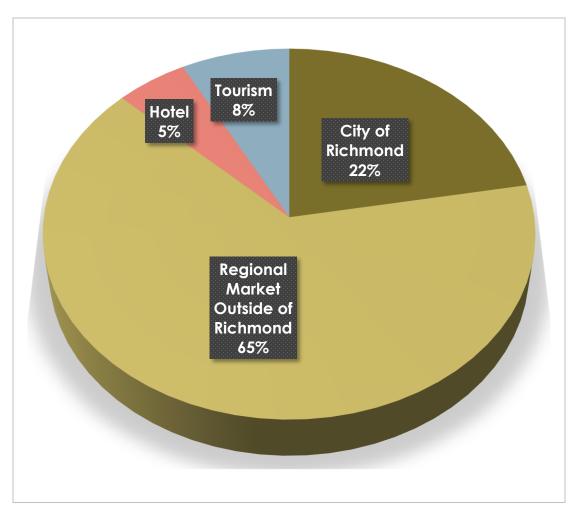


GAMING REVENUE POTENTIAL BY LOCATION





SOURCES OF GAMING REVENUES



Gaming Revenue Potential by Source, Downtown Richmond Site

		SHARE OF
SOURCE	GGR	GGR
City of Richmond Residents	\$72,696,641	22.2%
Regional Market Outside of	\$212,954,691	64.9%
Richmond		
Hotel	\$16,859,702	5.1%
Tourism	\$25,472,569	7.8%
TOTAL	\$327,983,603	100.0%

Source: CSG projections



FISCAL AND EMPLOYMENT IMPACTS

- Gaming Taxes
 - \$19M \$21M per year (City share of gaming taxes)
- Other Taxes
 - \$10-\$10.5M per year
 - Meals, hotel rooms, sales taxes, property taxes and business license fees
- Employment
 - 1,875 to 2,035 FTE employment
 - Casino operators may agree to preferential hiring for Richmond residents



SOCIOECONOMIC IMPACTS

- Primary Research
 - Interviews with local officials for this project, as well as over past 2 decades
 - Involvement in casino and resort casino projects across the U.S.
- Secondary Research
 - Massachusetts Study of Economic and Social Impacts of Gambling
 - First ever comprehensive long-term study
 - Continually reviewing scholarly studies
 - Previously debunked studies



SOCIO-ECONOMIC IMPACTS

- Indirect Impacts
 - The resort casino will be a major purveyor of goods and services in the regional economy
 - Resort casino may agree to a minimum % that gets purchased locally
 - Local purchases help generate strong economic impacts through a multiplier process
- Community partnerships
 - Area businesses
 - Colleges
 - Restaurateurs
- Philanthropy
 - Casino operators are generally major philanthropic entities in their communities



EXAMPLES FROM OTHER CASINO COMMUNITIES: CASINO PHILANTHROPY & COMMUNITY PLEDGES

- Vendor diversity
- Corporate level funding for 501(c)(3) charities
- Community service hours
- Support for veterans donations to Veterans Homes, hiring preferences
- Scholarships for employees and dependent children
- Adopt-A-Highway programs
- Holiday meals
- Community event hosting



SOCIOECONOMIC COSTS

- Often cited
 - Problem gambling 1% of the adult population
 - Crime
 - Bankruptcies, divorces, and other personal issues
- Fears typically overblown
 - Data and interviews with public officials across the U.S.
 - Casino development likened to any large big-box retail development, like a Wal-Mart.
 - Crime rate often lower in surrounding area, due to police presence
 - Small increases in crime instances
 - Mostly crimes of opportunity, much like any retail development
- Problem gambling
 - Treatment funded at State level



OTHER CASINO COMMUNITIES: TYPICAL ARRANGEMENTS

- State level
 - Casino gaming licenses are issued by the state
 - Licensing fees and gaming taxes paid to the state
- Local level
 - Mitigation payments, and reimbursement for infrastructure costs, largely dictated by state
 - No licensing fees, but some states allocate a share of gaming tax to local
 - Host agreements and MOU's are not common, but a few signed in last 2 years
 - Charitable contributions by casino operator
 - Jobs
 - Economic impact from increased spending and visitors



FOR RICHMOND TO CONSIDER, PAYMENTS TO CITY

- Virginia gaming law
 - Allocates 6% of first \$200 million and 7% between \$200 million and \$400 million to localities
 - On \$300-328 million of gaming revenue, equates to approximately \$19-\$20 million
 - This is MORE than other states allocate to local governments
- Emerging precedent
 - Danville development agreement in addition to share of state gaming taxes (mid-2020)
 - Up-front payment of \$20 million (incl. \$5 million for city-owned property)
 - Payment of taxes property, sales, F&B, cash hotel rooms
 - Share of gaming revenues on \$300 million, approximates to \$11 million on top of the \$20 million gaming tax, or total of \$31 million
 - Norfolk development agreement prior to passage of gaming act (2019)
 - · Norfolk to receive nothing over the share of state gaming taxes,
 - Rockford, Illinois development agreement in addition to share of state gaming taxes (late 2019)
 - 15% of net income during first 12 months, 5% thereafter (temp casino), and 1% of adjusted receipts for first 24 months, and 0.5% thereafter (permanent casino)
 - All payments to be used to mitigate community impacts from construction and operation of the project, and support development in high risk and low economic growth neighborhoods and establish a local foundation
 - Living wage of over \$37,000
 - New Orleans, LA agreement upon license renewal (2019)
 - City received nothing since 1999
 - \$19 million (one-time payment) to City for infrastructure



TASK B: REVIEW AND ANALYZE RESPONSES TO RFQ/P

- Benefits to be expected
 - Influx of \$ to city from its share of state gaming taxes
 - Potential additional \$ from casino in host community agreement
 - Job growth with decent pay
 - Economic impact on city and community
 - Opportunities for area businesses to benefit via partnerships, vendor contracts and spinoff economic impacts
 - Job training
 - Strong community engagement and philanthropic efforts by gaming operator
 - Entertainment destination with compelling non-gaming amenity mix
- Mitigation/Social Cost concerns
 - Problem gaming
 - Crime
 - Public infrastructure



TASK A: MARKET ASSESSMENT, SUMMARY OF FINDINGS

- Richmond resort casino has the potential for
 - \$300 million to \$328 million in casino gaming revenues (net of free play)
 - 2.6 million to 2.8 million visitors per year
 - 1,870 to 2,000 slots, and 80 to 90 tables
 - 325 to 400 hotel rooms at the resort casino
- Meaningful fiscal and employment impacts
 - \$19 million to \$21 million in gaming taxes for the City of Richmond (state mandated)
 - \$10-\$10.5 million in additional City taxes, including room, F&B, sales, and property
 - 1,875 to 2,035 FTE employment



- The Goal: Best project in the best location, rather than
 - Best project in the worst location
 - Worst project in the best location

The City Councilmembers and community can help inform us and the Evaluation Panel whether that is possible.



CITY OF RICHMOND, VIRGINIA

MARKET ASSESSMENT, FISCAL IMPACTS AND JOB CREATION OF A RESORT CASINO POTENTIAL BENEFITS AND COSTS Respectfully Submitted by CONVERGENCE

RESORT CASINO PROPOSALS RECEIVED





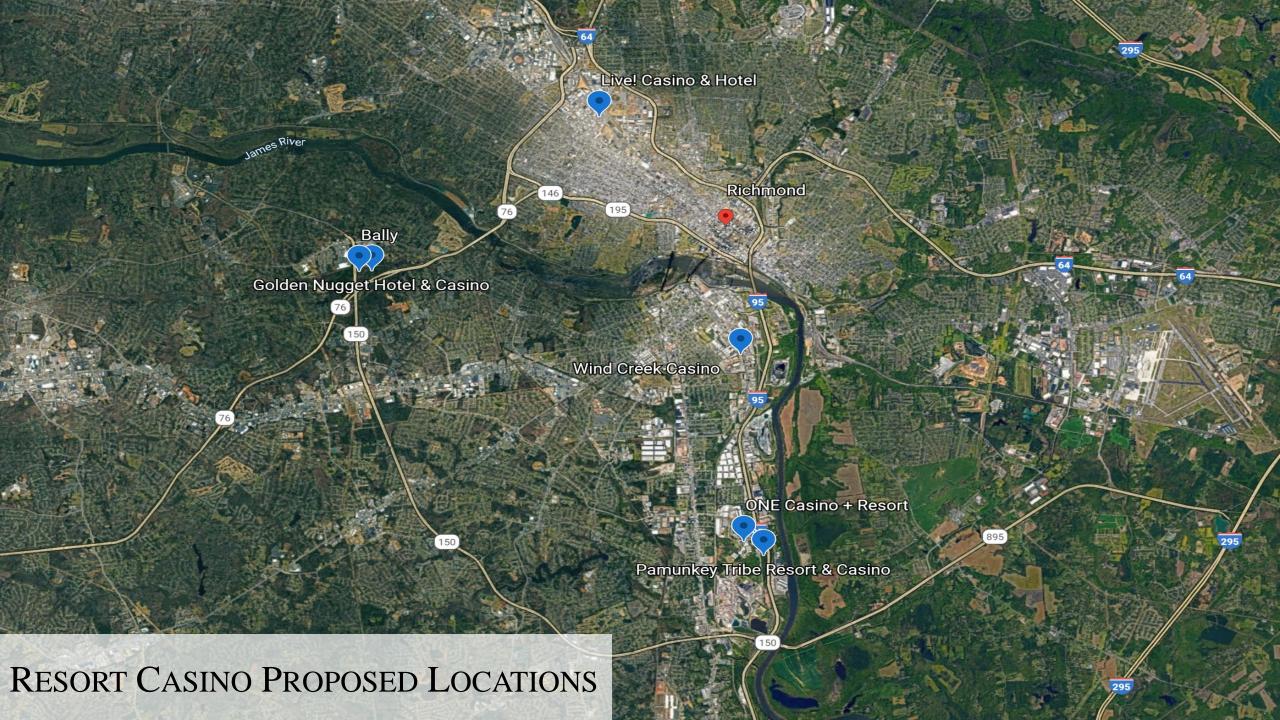












COMMUNITY ENGAGEMENT



Resort Casino Engagement

Public Engagement Opportunities

The engagement process follows 5 phases outlined below. All materials, meeting links, and digital workshop links will be shared on www.rva.gov/economic-development/resort-casino



Share & Listen

Community will have the opportunity to learn about resort casino developments ask questions about the proposed projects, and answer questions about benefits, revenue, and mitigation

Overview Period

Starting February 26, onepage summaries of each proposal written by each operator are available on www.rva.gov/economicdevelopment/resort-casino

Purpose: Evaluation panel Virtual Meetings: Process & Precedents

Held via MS Teams, community members will learn about 1) the community engagement process and 2) the community benefits a resort casino may provide, how communities have used resort casino revenues, across the nation, receive an and how a resort casino may mitigate negative impacts. overview of the 6 proposals, Meetings will be recorded and posted on the website. All meeting links will be posted on www.rva.gov/economic-

- City-wide Meeting: March 9, 6 P.M.
- City-wide Meetings: March 10, 12 P.M.
- Community Meetings: TBA

Digital Workshop 1: Benefits, Revenue, & Mitigation

Open from March 9 - April 4 and held on Konveio, the community can view examples of precedents from other communities and provide comments and ask questions

- Benefits: What are meaningful community benefits for the city? Your community?
- Revenue: What would you do with new revenue?
- Mitigation: What concerns you about a casino in Richmond? How can those concerns be mitigated?

Virtual Meetings: Proposal Videos

Held via MS Teams, community members will learn more details about the proposals. Meetings will be recorded and posted on the

- City-wide Meeting: March 23, 6 P.M.
- City-wide Meeting: March 30, 6 P.M.
- City-wide Meeting: March 31, 6 P.M.
- City-wide Meeting: April 1, 6 P.M. - Community Meetings: TBA

Digital Workshop 2: Proposals Open from March 22 - April 4 and held on Konveio, the community can view short videos of the proposed projects and provide comments and ask questions about the

Canvassing

Canvassing team will engage community members to spread awareness about the proposed project, and encourage the community to submit feedback digitally on Konveio or email.

Report

Purpose: Evaluation Panel reports what they heard during Round #1

Virtual Meetings

Held via MS Teams, community members will hear a report of the input received in Round #1. Meetings will be recorded and

- City-wide Meeting: April 8, 6 P.M.
- City-wide Meeting: April 9, 12 P.M.
- Community Meetings: TBA

Recommend

Purpose: Evaluation panel shares the recommended location, operator, and terms of the deal

Virtual Meetings

Held via MS Teams, community members will learn the location. operator, and terms of the deal. Meetings will be recorded and

- City-wide Meetings: TBA
- Community Meetings: TBA

Council Meetings

Council meetings will be held to consider legislation related to the recommended operator and location.

Engage & Inform

Purpose: Continue to engage and inform the community about the details of the proposed resort casino project.

Details to be announced

5 Voter Referendum

Purpose: Voter referendum on the ballot to vote on the resort

Vote at your precinct on November 2, 2021

*All meeting links and Konveio links will be shared at www.rva.gov/economic-development/resort-casino

Resort Casino Virtual Meetings



Held via MS Teams, community members will learn about 1) the community engagement process and 2) the community benefits a resort casino may provide, how to mitigate potential negative impacts from a resort casino, and how communities have used resort casino revenue.

Tuesday, March 9th - 6 p.m.

Join the Teams meeting: http://bit.ly/RCMar9 Or call in (audio only)

+1804-316-9457

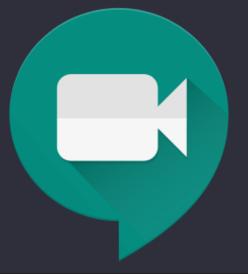
Phone Conference ID: 890 465 30#

Wednesday, March 10th - 12 p.m.

Join the Teams meeting: http://bit.ly/RCMar10 Or call in (audio only)

+1804-316-9457

Phone Conference ID: 837 455 515#



COMMUNITY ENGAGEMENT



What are meaningful community

benefits for the City?



RESORT CASINO COMMUNITY BENEFITS

- · Jobs with benefits
- New unskilled and skilled jobs
- · New job training programs
- MBE participation
- · Philanthropical opportunities
- · Contracting opportunities for local businesses
- \$15 per hour minimum wage for non-tipped positions
- · Expanded gaming and non-gaming entertainment options
- Stimulates additional development
- Increased tourism
- Higher and better use for undeveloped or underdeveloped property
- Opportunities for local businesses to have a presence in the resort casino

What are meaningful benefits that a resort casino could provide for your community?

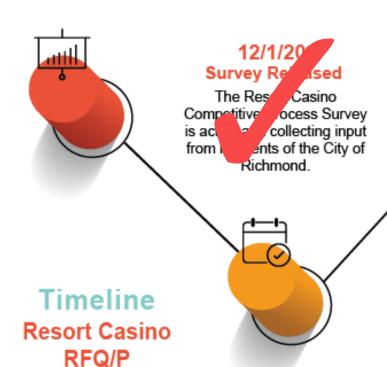
Additional comments



www.rva.gov/economic-development/resort-casino

THANK YOU!





Late February 021 RFQ/P Closs

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