

The Economic Impact Of the Catawba Gaming Facility

Prepared for

The Catawba Indian Nation

Prepared by

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Columbia, SC



January 2012

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1. Introduction and Overview

This report provides an overview of the economic impacts on the economy of the York County area that could be expected from the proposed Catawba Gaming Facility that would be located on the Catawba Nation Reservation in York County, South Carolina. The project will consist of approximately a 220,000 sq/ft gaming facility and two hotels with a combined 750 rooms. Included in the gaming facility will be numerous commercial and retail outlets and restaurants and other entertainment venues. The gaming facility and hotels are expected to be in operation by the year 2013.

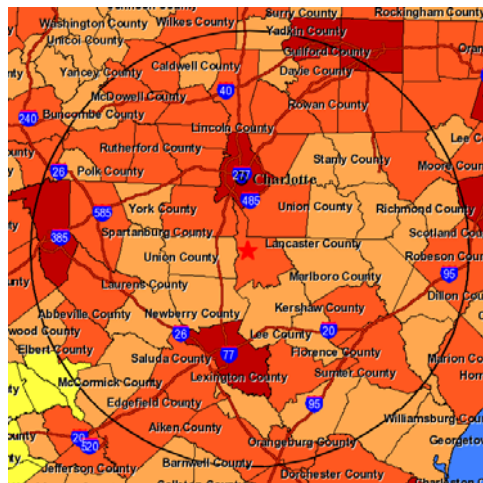
This area of South Carolina is in dire need of new job opportunities. As of October 2011, there were 17,728 unemployed people in York and Lancaster counties. The combined unemployment rate for the area was 12.5% -- almost 3% points above the state average of 9.9%.

There is a substantial competitive opportunity for the Catawba's to generate significant market share of the gaming industry in the Southeast. The closest gaming facilities to the Catawba Reservation are the Cherokee Indian Gaming facilities in the Northwestern corner of North Carolina – roughly a four-hour drive from Charlotte, North Carolina.

Figure 1 demonstrates the regional draw of North and South Carolina areas within a 100-mile radius of the proposed site. There is a substantial competitive opportunity for the Catawba's to generate significant market share of the gaming industry. It is estimated that by 2015, there will be more than 7.0 million people living within a 100 miles of the Catawba Reservation. Of this 7.0 million, it is estimated that 4.7 million of them will be 25 years old or older. Within this 100-mile radius, there will be more than 2.6 million households by 2015. The average household income in 2010 was \$62,600 and is estimated to be almost \$67,000 in 2015.

Figure 1

100-Mile Radius



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2. Economic Impacts of the Catawba Gaming Facility

The Catawba Gaming Facility will operate in a similar pattern as other state-of-the-art gaming facilities in the United States. This analysis estimates the impacts of the new Catawba Gaming Facility in two major phases. The first phase will be the construction period during which the facilities are built and infrastructure is developed. This phase will be relatively short term (2 to 3 years) and last only as long as the construction activity lasts.

The second phase is the ongoing permanent impacts of the operations of the Catawba Gaming Facility and hotels. These impacts will be on an annual basis and last as long as the Catawba Gaming Facility and hotels operate.

Total capital investment represented by the Catawba Gaming Facility will be substantial. By the third year the capital investment in the gaming facility and hotels will reach over \$339.5 million dollars.

The economic benefits from the construction and operation of the Catawba Gaming Facility are outlined in this section of the report. This analysis utilizes impact models generated by the IMPLAN modeling system.¹ IMPLAN is a nationally recognized system of local economic models that are specifically designed to represent local economies such as the York County of South Carolina. The IMPLAN models are modifications of the national input-output models developed by the Bureau of Economic Analysis, US Department of Commerce.

The IMPLAN models incorporate the most recent data available and are generally 2009 unless otherwise noted². The estimates are based on constant dollars and assume no inflation during the project's buildout. This assumption applies to all estimates in this analysis, including: property values, incomes, sales, construction materials, etc. The assumption of constant dollars assumes revenues and costs will increase at similar rates during the period of analysis.

The IMPLAN model calculates how Catawba Gaming Facility investment dollars impact the local economy. The IMPLAN program uses data from a number of sources, including County Business Patterns, Bureau of Labor Statistics (BLS) Current Employment and Wages Program (CEW), and the Bureau of Economic Analysis (BEA) among others. IMPLAN uses national data and adjusts that data for smaller geographic regions using a methodology developed by the USDA Forrester Service.

These data are then manipulated using proprietary software developed by Minnesota IMPLAN Group (MIG). Input-output (IO) software answers this question: *“If demands of the exogenous sectors were forecast to be some specific amounts next year, how much output from each of the sectors would be necessary to supply these final demands?”* In other words, when the Tribe invests in a Catawba Gaming Facility, what happens to other labor, industries and governments to meet this new demand? It also answers the question: *“If the Catawba Gaming Facility produces “x” jobs per year, what is the impact on the industries that supply goods, services and*

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labor to the Catawba Gaming Facility.” This is calculated using the Leonfief production functions (Miller & Blair, 2009).

We also want to know which employees, industries (local vendors) and local governments will benefit most from the investment in a Catawba Gaming Facility operation. Our local analysis does just this. IMPLAN applies local data (industry, employment and tax – Local Mix) and calculates the effects in a defined study region (in this study, Lancaster and York Counties).

The local analysis again focuses on the importance of the high-quality local labor needed to operate the Catawba Gaming Facility, and spin-off employment from vendors who will work with and supply the Catawba Gaming Facility. Locally these include food service providers, real estate, retail and wholesale trade. All of these industries are available in the study region. (See Top 10 Industry Impacts in Table 3.)

The process described above produces direct, indirect and induced impacts based on specific and empirical data regarding how wage earners, owners, industries and governments spend resources when there is an economic change.

As the operating and visitor dollars are spent and re-spent in the York County area, additional economic activity is created for those companies and individuals that supply goods and services to the Catawba Gaming Facility. The recipients of this income will spend this income on other goods and services.

Each time, some of the purchases will be for goods and services inside the York County area and the surrounding counties and some will be for goods and services from outside the area (referred to as “leakages”). The well-known “multiplier effect” estimates the aggregate amount of local buying and selling that occurs.

The multipliers used in this analysis estimate three components of total change within the local area:

- * *Direct effects* represent the initial change in the industry in question.
- * *Indirect effects* are changes in inter-industry transactions as supplying industries respond to increased demands from the directly affected industries.
- * *Induced effects* reflect changes in local spending that result from income changes in the directly and indirectly affected industry sectors.

This cycle of spending continues until leakages from the region (spending on goods and services outside the area) stop the cycle. Due to these multiplier effects, the initial, direct investment results in indirect and induced impacts of many more dollars.

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Construction Impacts

The construction phase impacts from the Catawba Gaming Facility's initial development and installation will have substantial impacts on the York County economy. These construction impacts will be generated in two construction projects; the gaming facility first, and then the two hotels.

As seen in Table 1, the compounding effects of the multiplier cause the initial direct employment of an estimated 684 employees constructing the Catawba Gaming Facility to result in indirect and induced impacts of an additional 378 more jobs in the York/Lancaster County area – for a total of 1,062 jobs supported during the gaming facility construction phase.

These jobs will generate substantial labor income. During the facility construction period, it is estimated that there will be \$25.6 million in direct labor income generated by the construction of the facility. This direct labor income will have indirect and induced impacts of another \$15.9 million for a total impact labor income of almost \$41.6 million.

Total direct output (total economic activity) generated by the construction phase of the Catawba Gaming Facility will be \$79.5 million. The indirect and induced impacts will generate another \$42.2 million for a total impact on the local York/Lancaster County area economy of over \$121.8 million during the construction phase of the gaming facility.

Table 1

**Catawba Gaming Facility
Construction Impacts**
(Totals may not equal due to rounding)

Impact Type	Employment	Labor Income	Output
Direct Effect	684	\$25,650,466	\$79,499,996
Indirect Effect	170	\$8,808,300	\$20,650,610
Induced Effect	208	\$7,110,506	\$21,680,572
Total Effect	1,062	\$41,569,272	\$121,831,179

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As seen in Table 2, the compounding effects of the multiplier cause the initial direct employment of an estimated 2,143 employees constructing the Catawba Gaming Hotels to result in indirect and induced impacts of an additional 1,185 more jobs in the York/Lancaster County area – for a total of 3,328 jobs supported in during the gaming hotel construction phase.

These jobs will generate substantial labor income. During the hotel construction period, it is estimated that there will be \$82.1 million in direct labor income generated by the construction of the hotels. This direct labor income will have indirect and induced impacts of another \$50.9 million for a total impact labor income in of almost \$133.0 million.

Total direct output (total economic activity) generated by the construction phase of the Catawba Gaming hotels will be \$260.0 million. The indirect and induced impacts will generate another \$135.5 million for a total impact on the local York/Lancaster County area economy of over \$395.5 million during the construction phase of the hotels.

Table 2

**Catawba Gaming Hotels
Construction Impacts**
(Totals may not equal due to rounding)

Impact Type	Employment	Labor Income	Output
Direct Effect	2,143	\$82,068,515	\$260,000,004
Indirect Effect	534	\$28,182,106	\$66,347,657
Induced Effect	651	\$22,750,020	\$69,178,157
Total Effect	3,329	\$133,000,641	\$395,525,818

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As seen in Table 3, the combined impacts from the construction of the gaming facility and hotels are substantial. The compounding effects of the multiplier cause the initial direct employment of an estimated 2,827 employees constructing the Catawba Gaming facility and hotels to result in indirect and induced impacts of an additional 1,564 more jobs in the York/Lancaster County area – for a total of 4,391 jobs supported in during the gaming facility and hotel construction phase.

These jobs will generate substantial labor income. During the gaming facility and hotel construction period, it is estimated that there will be \$107.7 million in direct labor income generated by the construction of the gaming facility and hotels. This direct labor income will have indirect and induced impacts of another \$66.7 million for a total impact labor income in of almost \$174.6 million.

Total direct output (total economic activity) generated by the construction phase of the Catawba Gaming facility and hotels will be \$339.5 million. The indirect and induced impacts will generate another \$177.7 million for a total impact on the local York/Lancaster County area economy of over \$517.4 million during the construction phase of the gaming facility and hotels.

Table 3

**Catawba Gaming Facility & Hotels
Total Construction Impacts
(Totals may not equal due to rounding)**

Impact Type	Employment	Labor Income	Output
Direct Effect	2,827	\$107,718,981	\$339,500,000
Indirect Effect	705	\$36,990,406	\$86,998,267
Induced Effect	859	\$29,860,526	\$90,858,729
Total Effect	4,391	\$174,569,913	\$517,356,997

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Ongoing Permanent Impacts

Once construction activity is completed and the Catawba Gaming Facility begins to ramp up its operations, there will be more permanent, ongoing economic impacts generated in the York County area.

Table 4 summarizes the impacts that could be expected in the once the gaming facility and hotels are operational. As seen in Table 4, there will be 3,000 direct jobs at the Catawba Gaming Facility and another 966 jobs supported in the York/Lancaster County area for a total employment impact of 3,966 jobs supported by the Catawba Gaming Facility.

These jobs will generate substantial labor income in the York County area. As seen in Table 4, the direct labor income generated by the operations of the Catawba Gaming Facility will be an estimated \$93.6 million a year. This direct labor income will have multiplied impacts in the area and generate an additional \$36.7 million in indirect and induced labor income for a total of \$130.3 million in total labor income in the York/Lancaster area.

Once the facility is operating and continuing for the life of the Catawba Gaming Facility, there will be more than \$150.7 million in annual direct economic activity generated in the York/Lancaster area as a result of the Catawba Gaming Facility's operations. This direct output of \$150.7 million will have indirect and induced impacts of an additional \$108.2 million for a total impact on the York/Lancaster area of an estimated \$259.0 million a year.

Table 4

Catawba Gaming Facility Ongoing Permanent Impacts

Impact Type	Employment	Labor Income	Output
Direct Effect	3,000	\$93,600,000	\$150,737,087
Indirect Effect	324	\$14,223,846	\$39,918,177
Induced Effect	642	\$22,508,914	\$68,317,499
Total Effect	3,966	\$130,332,760	\$258,972,763

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As seen in Table 5, these indirect and induced impacts will be felt across a wide spectrum of industries in the York/Lancaster economy. There will be additional industries impacted by the operations of the Catawba Gaming Facility, but Table 5 highlights the ones that will be impacted the largest in terms of new jobs.

Table 5
Top Ten Industries Impacted
By the Catawba Gaming Facility

Top 10 Industries Impacted	Total Jobs Supported
Gaming Industries	3,000
Food Service	106
Building services	35
Employment services	45
Real Estate	31
Private Households	29
Civic Organizations	55
Legal services	19
Offices of Physicians	18
Accounting Services	18

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3. Fiscal Impacts of the Catawba Gaming Facility

In addition to the economic impacts outlined above, the Catawba Gaming Facility will have substantial fiscal impacts on South Carolina. There will be two major sources of fiscal impact that the Catawba Gaming Facility will have on the State: Gaming fees collected by the Catawbas and contributed directly to the State General Fund and sales and income taxes generated by the additional economic activity outlined above.

If the Catawba Gaming Facility has a similar agreement with South Carolina as the Eastern Band of Cherokee Indians has with North Carolina, it is estimated that the State will receive over \$100 million a year from gaming revenues.

In addition to the direct gaming revenues that the state will receive, the state will also benefit from the Catawba Gaming Facility by the sales and income taxes generated by the economic activity at the facility. In order to estimate the revenue impacts of this economic activity, the methodology utilized by the South Carolina Coordinating Council on Economic Development in their Benefit-Cost Model is used in this study.³

Based on the estimated annual total labor income impacts as indicated in Table 4, there would be an estimated \$9.8 million per year generated to the State' General Fund from sales and income taxes generated by the Catawba Gaming Facility. The construction impacts would be short term but would also generate one-time revenue impacts of \$13.1 million for the general fund.

Together, these direct payments and sales and income taxes would generate an estimated \$109.8 million for the State of South Carolina annually.

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4. Summary and Conclusion

Based on this analysis, it is evident that the proposed Catawba Gaming Facility will have a positive economic impact on the York/Lancaster area and the State of South Carolina.

The construction of the proposed Catawba Gaming Facility will generate and support more than 4,300 jobs in the York/Lancaster area. More than \$174 million in labor income will be generated in the York County area as a result of the construction of the facility. The total impacts on the York/Lancaster area will be more than \$517 million in economic activity during this phase of the Catawba Gaming Facility's development.

Once the Catawba Gaming Facility is constructed and operating, the ongoing permanent impacts on the York/Lancaster area will be substantial. The proposed Catawba Gaming Facility will generate and support an estimated 3,966 jobs on an annual basis through its direct and indirect impacts. More than \$130.3 million in labor income will be generated on an annual basis from the Catawba Gaming Facility's operations and continue for the life of the Catawba Gaming Facility. The total impacts on the York County area will be more than \$259 million in economic activity per year once the Catawba Gaming Facility is in full operation.

And finally, the fiscal impacts of the Catawba Gaming Facility operations would have a substantial impact on State government revenues. It is estimated that more than \$109.8 million would be generated per year from direct payments from the Catawba Gaming Facility as well as sales and income taxes generated by the new economic activity supported by the Gaming Facility.

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Notes:

¹ IMPLAN is regional modeling system developed by MIG, Inc., Stillwater, MN.

² The latest data available for the IMPLAN modeling system are for the 2009 calendar year. However, the final dollar impacts estimated in this analysis reflect 2011 prices.

³ The Coordinating Council for Economic Development's Benefit-Cost Model assumes 7.5% of gross income will be generated in general sales and state income taxes.

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METHODOLOGY

This study estimates the economic impacts on the economy of the York and Lancaster County area from the proposed Catawba Indian Nation Gaming Facility to be located on the Nation Reservation. The impact methodology used in this study is the IMPLAN regional input-output modeling system developed by MIG, Inc. of Stillwater, Minnesota. The most recent data available was used in this analysis – 2009 data. No inflation is incorporated in this analysis.

IMPLAN was developed by MIG, Inc. as a cost-effective means to develop regional input-output models. The IMPLAN accounts closely follow the accounting conventions used in the “Input-Output Study of the US Economy” by the Bureau of Economic Analysis (1980) and the rectangular format recommended by the United Nations.

The IMPLAN Input-Output Model mathematically describes commodity flows from producers to intermediate and final consumers. Purchases for final use (final demand) drive the model. Industries producing goods and services for final demand also purchase goods and services from other producers. These other producers, in turn, purchase goods and services. This buying of goods and services (indirect purchases) continues. Leakages from the region eventually stop the cycle.

The IMPLAN input-output model mathematically derives the indirect and induced effects. The resulting multipliers describe the change in output for every regional industry caused by a one-dollar change in final demand for any given industry. The notion of a multiplier rests upon the difference between the initial effect of a change in final demand and the total effects of that change. Total effects are the direct effects plus indirect effects, plus induced effects. Direct effects are the production changes associated with initial final demand changes. Indirect effects are production changes in backward-linked industries caused by the changing input needs of directly effected industries. Induced effects result from the household expenditures from the directly or indirectly generated labor income.

In essence, the multipliers estimated by this methodology represent the consecutive rounds of buying and selling that ripple through an economy. To produce one dollar of new product, employees must be hired and paid. The wages paid to these workers will then be spent on goods and services, such as food, gasoline, clothes, housing, etc. within the region and outside the region. As these cents are spent, they become income to the recipient, and the spending continues over and over again. The induced effect is the cumulative amount of spending.

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The economic activity of the project also requires intermediate inputs to be purchased such as electricity, raw materials, transportation services, labor etc. These expenditures become income to the recipient and pay for the purchases of raw materials, labor, etc. They, in turn, are then spent over and over again in the economy. Purchases made from outside the region are considered “leakages” from the economy. The consecutive rounds of selling goods and services continues until these leakages from the region end the cycle. The indirect effect is the cumulative amount of such spending.

The IMPLAN databases consist of two major parts: national-level matrices and tables and economic and physical data at the county and/or state level. The national matrices are used with regional data to create a regional model.

The following national-level matrices are included with each IMPLAN database.

1. The *National Absorption Table* is a coefficient form of the National Use Table derived by dividing each element of the Use Table by the respective industry’s total dollar output. The resulting Absorption Table shows how an industry spends each dollar of outlay on goods and services to produce a dollar of output. Each column is an industry’s production function reflecting the proportions of commodities used to produce one dollar of output.
2. The *National Byproducts Table* is a coefficient form of the National Make Table derived by dividing each element by the Make Table row (industry) totals. Each industry can produce more than one commodity. The Byproducts Tables shows what percentage of an industry’s total output each commodity represents.
3. Deflators are used to adjust values from one time period to another.
4. Margins split a purchaser price into the appropriate producer values.

The local economic data in an IMPLAN database include Industry Output, Employment, Value Added and Final Demands. The value-added components are employee compensation, proprietors’ income, other property type income, and indirect business taxes. The final demands components in the initial Final Demands Table are personal consumption expenditures, state and local education and non-education purchases, federal military and non-military purchases, inventory purchases and capital formation. Regional data is applied to the national matrices to create a set of regional accounts.

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Catawba Reservation Gaming Casino Impact Method

The construction and operation of the Catawba Reservation Gaming Casino has three primary impacts to the community: construction of a gaming facility, construction of other related structures, and casino operations. The economic study area consists of York and Lancaster counties. Construction is projected to start in 2013 with operations beginning in 2014.

Casino Construction

Casino construction includes both the casino building and surrounding support structures such as parking facilities. IMPLAN sector 36, Other Non-Commercial Construction, is used to estimate the impact for the year 2013.

Other Construction

Other construction related to the casino project includes a hotel complex, which includes retail establishments. IMPLAN sector 36, Other Non-Commercial Construction, is used to estimate the impact for the year 2014.

Casino Operations

Casino operation is calculated based on the estimated number of employees and the average hourly rate. Because of the need for higher-skilled technicians, wages are expected to be double what is currently estimated for that industry in the study region.

Wage impact is calculated in three steps:

- 1) The number employed in an industry change impact for sector 409, Amusement and Gaming Industries, is used to estimate indirect (business to business) spending and a portion of induced spending.
- 2) As a result in the variation of wages between the new employees and those currently in the study area, a labor income change impact is necessary to reflect the higher wages of the new employees. The additional calculation of a labor income change provides more induced spending in the study region due to higher wages.
- 3) The direct impact is the total number of employees and total wages. Indirect impact is calculated using total employment and induced impact is a sum of induced outputs from the industry change impact and labor income impact change scenarios for the year 2014.

Model Year and Multipliers

IMPLAN model year is 2009. Construction multipliers for this study region are

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approximately 1.52. Multipliers for casino operations are approximately 1.32, consistent with other service-related industries.

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MILEY & ASSOCIATES, INC.

Miley & Associates is one of the Southeast's leading economic and financial consulting firms. The firm specializes in economic impact analyses, fiscal impact analyses, feasibility reports, impact fee studies and benefit/cost modeling. Our clients include national and prominent local real estate developers, school districts, local governments, regional development agencies, and other private sector development firms. Miley & Associates partners appear regularly before decision-makers at all levels of government and understand the values, needs and desires of the clients they represent. With offices located in Columbia, South Carolina, the firm is well positioned to provide clients with hands-on service for projects throughout the entire Southeast region.

Miley & Associates appreciates that every research project is unique and deserves a custom solution. Public policy decisions are not made overnight, and we excel at providing advice and counsel along the way. We represent our clients. Our business plan is simple: we focus on exceeding our client's expectations and building long-term relationships.

Miley & Associates, Inc. was founded in 1993 by Harry W. Miley, Jr. Ph. D. The Company is an economic and financial consulting firm providing a range of analytical services to public and private sector clients. Miley & Associates conducts fiscal and economic impact analyses of proposed new developments and has extensive experience in assisting clients with their economic development and community revitalization projects.

Dr. Miley served as Chairman of the South Carolina Board of Economic Advisors (BEA) under two Governors. The BEA is responsible for estimating the State's revenues for the Governor and the General Assembly to use in formulating the State's annual budget. Dr. Miley was originally appointed as Chairman by Governor Carroll Campbell and continued to serve as Chairman for Governor David Beasley.

Dr. Miley was the Senior Executive Assistant for Economic Development to Governor Campbell from 1987 to 1989. Dr. Miley served as principal advisor to Governor Carroll Campbell on the state's policies for economic development, employment and training, work force and adult illiteracy, technical education and transportation issues.

Prior to joining the Governor's Office, Dr. Miley was on the faculty of the Moore School of Business at the University of South Carolina and Associate Director of the Division of Research at the School.

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GENERAL LIMITING CONDITIONS

This economic impact analysis is not a budget or forecasting document and is not intended to depict a definitive course of action. Moreover, economic impact analysis is not designed as a space or facility-planning document. Many assumptions underlying economic impact analyses are based on policy decisions which, if modified, would affect the overall results.

This study is based on estimates, assumptions and other information developed by Miley & Associates, Inc. from its independent research effort, consultations with the client and its representatives, and primary and secondary sources. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis are based on trends and assumptions and, therefore, there will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives or any other data source used in preparing this study.

This report is based on information that was current as of December 2011 and Miley & Associates, Inc. has not undertaken any update of its research effort since that date. We have no obligation, unless subsequently engaged, to update this report or revise this analysis as presented due to events or conditions occurring after the date of this report.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Miley & Associates, Inc." in any manner without first obtaining the prior written consent of Miley & Associates, Inc. No abstracting, excerpting or summarization of this study may be made without first obtaining the prior written consent of Miley & Associates, Inc. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose. This study may not be used for purposes other than that for which it is prepared or for which prior written consent has first been obtained from Miley & Associates, Inc.

This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.