

## **Financial Assistance Application –**

### **TIOGA DOWNS RACETRACK,LLC Cost/Benefit Analysis**

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The information included herein is taken from the attached Tioga County Industrial Development Agency (IDA) “Application for Financial Assistance” and various correspondence and conversations between representatives of the Tioga County Department of Economic Development and Planning, Tioga County Industrial Development Agency, County of Tioga, Town of Nichols, and Tioga Downs Racetrack, LLC.

#### **PROJECT SUMMARY**

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Tioga Downs Racetrack, LLC. plans the construction of a hotel, events center and parking garage on their currently owned 87.09 acre site under their ownership (tax map # 158.00-3-49). New construction will be adjacent and to the east of their gaming facility and racetrack at 2384 W. River Road, Nichols, NY. The planned hotel will be approximately 84,357 square feet, with six (6) levels. It will consist of approximately 135 hotel rooms, pool, fitness center, roof terrace and multi-purpose restaurant. The events center will be approximately 85,743 square feet and the three (3) level parking garage will accommodate 308 cars. The project is estimated to cost \$52,310,410.

The Tioga County 2010 Strategic Plan (the “Plan”) specifically identifies tourism as a basic activity that generates new economic funds for a local community. The Plan outlines two (2) specific tasks which this project will help address:

- Tioga Park (Tioga Downs) is listed as a priority site by the Tioga County Legislature that Tioga County should have an active roll in development.
- Concentrate product development on building overnight stays, “book-ending” the night with twilight, evening and early morning activities and experiences.

Tioga Downs Racetrack. LLC is under parent company American Racing & Entertainment, LLC and is a sister company to Vernon Downs Acquisitions, LLC.

## PROJECT DETAIL

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- Proposed Site:** Current Tioga Downs Racetrack site consists of approximately 149 acres and includes a gaming facility, restaurant, racetrack and horsebarns. The proposed development will require the necessary planning-level approvals from the Town of Nichols, County of Tioga and New York State SEQRA.
- Job Creation:** Project creates an anticipated new workforce of 70 with an estimated new payroll of \$2,087,290 within two (2) years of project completion.
- Project Schedule:** Construction is scheduled to begin in April 2013 and be completed by May 31, 2014.

## ESTIMATED PROJECT BUDGET

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### Tioga Downs Racetrack, LLC

Building Construction	\$41,605,291
Engineering/Architectural	\$3,094,400
Furniture, Fixtures & Equipment	\$5,676,704
<u>Other Charges and Fees</u>	<u>\$1,934,015</u>
Total	\$52,310,410

Financial Assistance Fee	\$472,819
Closing Costs	TBD
<u>Application Fee</u>	<u>\$2,500</u>
Estimated IDA Cost Total	\$475,319

Grand Total \$52,785,729

### Tioga County IDA

Based on Building Construction and FF&E estimates, the IDA will be offering a sales tax savings estimated at \$1,619,084

At this time, it is not anticipated that there will be a Mortgage Tax filing, so no additional estimate was included. Tioga Downs Racetrack, LLC would be eligible for these savings if one is filed.

**Total estimated sales tax savings and mortgage recording tax savings for the project: \$ 1,619,084.**

## ECONOMIC IMPACT

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### A) Employment Impact:

In determining employment impact to the area, we have utilized the direct-effect employment multiplier provided by the US Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis (1997). The following estimates employment impact for Tioga County, New York.

<b>Estimated Employment Impact Tioga County, NY</b>	
	<b>Tioga Downs</b>
Job Creation	70*
Multiplier	1.1455
Total Employment Impact to Tioga County, NY	80.185

*Note: Multiplier = "Hotels"*

### Employment Impact Summary:

1. This project will immediately create 40 jobs and result in a total of 70 new jobs over a two (2) year period. \*The creation of 70 new jobs is contingent on the project resulting in Tioga Downs being awarded a table gaming license.
2. Additional indirect results include the retention of the current job force of 235.

**B) Earnings Impact on an annual basis:**

In determining annual earnings (wages) impact, we have utilized the direct-effect earnings multiplier provided by the US Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis (1997). The following estimates annual earnings impact for Tioga County, New York.

<b>Estimated Annual Earnings Impact Tioga County, NY</b>	
	<b>Tioga Downs</b>
Annual Earnings (70 employees)	Est \$2,087,290
Multiplier	1.1162
Total Earnings Impact to Tioga County, NY	\$2,329,833

*Note: Multiplier = "Hotel"*

**Annual Earnings Impact Summary:**

1. This project is projected to create an estimated \$2,087,290 in annual employee earnings by Tioga Downs Racetrack, LLC.
2. Indirect results include creating ~\$242,543 in additional annual employee earnings in Tioga County, NY.

## PROPOSED PAYMENT-IN-LIEU-OF-TAX

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The following PILOT has been negotiated with Tioga Downs Racetrack, LLC.

Year	PILOT percentage	PILOT estimated payment amount	Estimated Real Property Tax*
1	5%	\$48,163	\$571,508
2	10%	\$75,708	\$571,508
3	15%	\$103,252	\$571,508
4	20%	\$130,796	\$571,508
5	25%	\$158,341	\$571,508
6	30%	\$185,885	\$571,508
7	35%	\$213,430	\$571,508
8	40%	\$240,974	\$571,508
9	45%	\$268,519	\$571,508
10	50%	\$296,063	\$571,508
11	55%	\$323,608	\$571,508
12	60%	\$351,152	\$571,508
13	65%	\$378,697	\$571,508
14	70%	\$406,241	\$571,508
15	75%	\$433,786	\$571,508
16	80%	\$461,330	\$571,508
17	85%	\$488,875	\$571,508
18	90%	\$516,419	\$571,508
19	95%	\$543,964	\$571,508
<b>Total</b>		<b>\$5,625,203</b>	<b>\$10,858,652</b>

\*Note: Real Property Taxes estimated for \$7,000,000 new assessment based on a 2012/2013 Town, County, School and Recycle combined tax rate of 78.698523. Fire tax is \$2.945582/1000 assessed value and at 100% all years.

**According to this estimated PILOT financial model, over a period of nineteen (19) years, Tioga Downs Racetrack, LLC. would be afforded an estimated real property tax abatement of \$5,233,449.**

The compelling factor in this case is the economic impact of the tourism sector in Tioga County, NY. With expanded room capacity for tourists and convention guests, the area can generate more local spending by visitors. Our equal distance to the major New York State metropolitan areas is gaining interest and notoriety. The Southern Tier region is hosting an increasing number of statewide conventions, conferences and special events. In order to tap this growing number, it is necessary to have the lodging capacity which will serve growing business needs, increasing tourist visits and rising convention numbers. If visitors stop in Tioga County, they spend money at our area businesses and attractions; if visitors stay the night, they spend more.

Tourism is a basic activity; this sector is comprised of local businesses that are entirely dependent on external factors (visitors spending money). Tourism is a significant portion of our current economy.

### **New York State Tourism**

- Tourism is New York's second largest industry. Travel and tourism remains a vital and growing component of the New York State economy.
- In 2011, more than 155 million U.S. and international travelers visited New York State and spent \$53.9 billion in the state, including \$11.8 billion in restaurants, \$11 billion in retail shops, \$15.1 billion in lodging and \$5 billion in recreation. Another \$87 billion was spent in indirect economic activity generated by travel and tourism in New York. Traveler spending growth has averaged 5% per year from 2003-2011 (compound annual growth).
- Tourism is the 5<sup>th</sup> largest employer in New York State on the basis of direct tourism employment. More than 694,000 jobs were sustained by tourism activity in 2011 with a total income of \$28 billion.
- Most travelers to New York State drive to their destination, with the majority of trips being within a 5 hour or less driving distance. This positions the state as a "short-trip" destination. The Tri-state area (New York State, PA, NJ) comprises the majority of domestic day and overnight trips to New York State.
- Visitors to New York State mostly enjoy visiting state and national parks, historic sites, dining, entertainment, and museums, supporting the finding that the main purpose of leisure travel to the State is sightseeing.

### **Finger Lakes Region (Smith Marketing Services Study 2010-2011)**

Tourism in the Finger Lakes is a \$2.7 billion industry, supporting 59,006 jobs. Spending at restaurants and for lodging comprised 29% and 23% of the total, respectively.

#### **Profile of Visitor:**

While there was great diversity in the sample the predominant profile is: White (95%), married (79%), ages 50 – 64 (43%), traveling as two adults (44%) without children. The Finger Lakes traveler is highly educated with (67%) having a college degree plus and (75%) having an income of \$50,000 or more.

**Mode of Travel:**

- Automobile 87%
- Motorcoach 7%
- RV/camper 3%
- Fly/drive 3%

**Type of Lodging:**

- Hotel/Motel 55%
- Bed & Breakfast 14%
- Campground 10%
- Vacation Rental 11%
- Friends/Family 5%

**Most Popular Activities:**

- Wineries 54%
- Camping/hiking/state parks 36%
- Shopping/antiquing 17%
- Art galleries/Museums 14%
- Visiting Friends/family 14%
- Dining 13%
- Fishing/hunting 10%
- Boating 9%
  
- College/universities 6%
- Biking 6%
- Bird watching 3%
- Golf 2%
- Horseback riding 1%
- Skiing 1%
- Spas 1%

**Top Request for More:**

More restaurants were, hands down, the most requested addition, particularly fine dining restaurants. Rental options were second, with suggestion ranging from bikes to boats. Other suggestions included – driving tour with points of interest, more theater, more shopping and more children’s activities.

**Length of Stay:**

21% of respondents say they stayed for three days in the Finger Lakes region, followed by 18% who say they stayed for seven days. People driving more than 2 hours are over 5 times more likely to spend at least one night in the Finger Lakes. Those traveling with children were twice as likely to stay 7 days (33%) as those traveling without children (14%).

## **Tioga County Tourism (2011 Tourism Economics)**

Annually, tourism spending in Tioga County, NY reached over \$40 million.

Travelers spent:

- \$16,142,000 on lodging
- \$3,304,000 on recreation
- \$7,726,000 in restaurants
- \$8,951,000 in shopping
- \$3,887,000 in transportation/2<sup>nd</sup> homes

Spending in 2011 increased 16.2% over 2010, the highest percentage increase of all the 14 counties in the Finger Lakes.

## **From a Tioga Tourism 2007 Study**

The main purpose for making a trip to Tioga was vacation/sightseeing and events/festivals and attractions. Of those surveyed, 50% traveled to Tioga via personal car; 34% stayed overnight, average stay 7 nights. Of the 34% who stayed overnight, 58% stayed at hotels/motels; 41% stayed with friends/relatives; 4% stayed at a bed and breakfast; 1% stayed in a campground. 46% of the parties consisted of adults with 14% traveling with children under 18 years of age.

Visitors spent an average of \$455.71 per stay.

The demographic profile of visitors to Tioga indicated the largest segment in the 60+ age bracket at 29%, followed closely by age 50-59 at 25%, and 19% in the 40-49 age bracket. 58% were female and 36% were male.

Income level at \$60,000+ was the largest income group at 35%, with 46% being employed and 38% retired. Most of those who visited had professional/management occupations at 72%.

## **Summary**

It has been reported that people visiting Tioga County spent \$40 million annually and that 34% of those people stayed overnight. Tioga County. That equates to \$23,200,000 from overnight travelers. Tioga County now has approximately 350 rooms which means each room resulted in \$66,285 spending annually. Anticipating a 70% occupancy rate at a new 135 room hotel results in \$6,263,932 in new spending in Tioga County.



## **JUSTIFICATION FOR DEVIATION FROM UNIFORM PILOT POLICY**

The negotiated PILOT is a deviation from our Uniform PILOT policy. The following is the basis for justification of this deviation.

The rural economy of Tioga County, New York has undergone severe disruption over the past few years. This includes a substantial drop in non-agricultural and manufacturing jobs in the early 2000's. Over 1000 jobs were lost due to job cutbacks by Lockheed Martin and the Department of Defense. The subsequent lack of adequate employment within the county forces 55% of the county's workforce to commute to work outside the county everyday.

- > Creation of 70 Tourism (basic industry) jobs
- > Additional \$2,087,290 in Tioga County wages (annual)
- > Increased conference capacity in Tioga County
- > Private investment of over \$50 million in Tioga County
- > Secure/retain 235 current jobs at site
- > Positioning for table gaming should it occur in NYS
- > Revenue projections show the need for longer payback
- > Addresses 2010 Strategic Plan objectives

## SUMMARY

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- ▶ □ Tioga Downs Racetrack, LLC., through new construction is contributing an estimated \$52,836,014 in private capital investment, 70 new jobs (plus any multiplier effect) and \$2,087,290 in new annual wage earnings (plus any multiplier effect).
- ▶ □ An estimated 10 additional jobs within the community with an estimated annual payroll of \$245,543 is projected as a direct result of the jobs produced by the project.
- ▶ The 135 new rooms are anticipated to reach 70% capacity on an annual basis. Based on visitor spending per stay (see Tourism Study 2011 data above), the local business community would experience an estimated \$6,263,932 infusion of new annual visitor spending.
- ▶ The Tioga County IDA is offering sales tax savings estimated at \$1,619,084 for construction and Mortgage Recording Tax savings if required by Tioga Downs Racetrack, LLC.
- ▶ The Tioga County IDA is offering a real property and sales tax savings estimated at \$6,852,533 over nineteen (19) years.
- ▶ New property taxes of \$5,625,203 would be paid over the period of the PILOT.