

Financial Assistance Application

Tioga Downs Racetrack, LLC Cost / Benefit Analysis

The information included herein is taken from the attached Tioga County Industrial Development Agency (IDA) "Application for Financial Assistance" made by Tioga Downs Racetrack LLC, (Corporation), 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 the Corporation.

PROJECT SUMMARY

On or about May 2012, Tioga Downs Racetrack, LLC began discussions with Tioga County Economic Development and Planning (ED&P) staff about the construction of a hotel and events center on the site located at 2384 West River Road. Nichols NY. The planned expansion will add 191,219 square feet to their existing facility. The expansion will include a 161 room boutique hotel (96,737 square feet), an amenities building (60,428 square feet), casino floor expansion (20,073 square feet), restaurant (13,981 square feet) as well as an outdoor concert venue capable of holding 12,000+ people. The total project cost is estimated at \$134,825,000.

Tioga Downs Racetrack, LLC is a subsidiary of American Racing & Entertainment LLC and Sister Company to Vernon Downs Acquisition LLC. The planned expansion to the existing Tioga Downs facility will spark economic growth in the area. The project will create jobs, reduce unemployment in a disadvantaged area of the State, enhance the tourism industry and generate substantial revenue for public education and taxpayer relief. The Tioga Downs Racetrack, LLC project clearly advances the purposes outlined in the Upstate New York Gaming Economic Development Act of 2013.

The Tioga County Department of Economic Development and Planning (ED&P) responded to Corporation's request for economic development assistance for the construction, renovation and equipping of the expansion to the subject property. This expansion will allow Tioga Downs Racetrack, LLC to retain the current workforce, add new jobs and increase tourism in Tioga County and the surrounding Region.

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.

The Tioga Downs Racetrack, LLC construction includes plans for the renovation of the casino floor, expansion of existing space, upgrade to farmers market site as well as the new construction of a hotel, restaurant, conventions and amenities center, water slide, swimming pool and outdoor concert venue. The anticipated building construction is estimated at \$73,070,000, soft costs at \$39,215,000, permits and fees at \$22,540,000 for total project investment of \$134,825,000.

The Tioga County Economic Development Priorities and Policies Plan, developed by Glenn Carter and adopted by the Tioga County Legislature on November 13, 1995 via Resolution 414-95, specifically identifies the need to “put maximum effort into finding and courting businesses”, additionally noting that business attraction is a highly competitive activity ..., that there is the necessity for rapid response to company needs on the part of economic development entities, and the need for provision of meaningful incentives such as taxes, building, and infrastructure. The plan states, “Tioga County must be prepared to offer competitive incentives.”

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

PROJECT DETAIL

Proposed Site: Current Tioga Downs Racetrack, LLC site consists of approximately 149 acres and includes a gaming facility, restaurant, racetrack and horse barns.

Job Creation: Project creates an anticipated new workforce of 150 direct with an estimated direct new payroll of \$6,250,000 within two (2) years of project completion.

Project Schedule: Construction is scheduled to begin in October 2015 and be completed by June 2017.

ESTIMATED PROJECT BUDGET

Tioga Downs Racetrack, LLC

Building Construction	\$ 73,070,000
Engineering/Architectural	\$ 4,960,000
Furniture, Fixtures & Equipment	\$ 34,255,000
Other Charges and Fees	\$ 540,000
Licenses and Fees	\$ 21,000,000
Legal/Financial Fees	\$
Financial Application Fee	\$ 1,000,000
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Total	\$134,825,000

Tioga County IDA

Based on taxable items related to the building construction and equipment and fixtures purchases anticipated at \$ 63,483,000 the IDA will be offering a sales tax savings estimated at \$5,078,640; State and local amounts in equal portions of \$2,539,320.

Based on the anticipated mortgage required by the Company in the amount of \$143,500,000 the IDA will be offering a mortgage tax savings estimated at \$1,076,250.

Total estimated local sales tax savings and mortgage recording tax savings for the project: \$3,615,570.

ECONOMIC IMPACT

A) Operations 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 (2003). The following estimates employment impact for Tioga County, New York.

Estimated Operations Employment Impact Tioga County, NY	
	Tioga Downs Racetrack, LLC
Job Creation	150
Multiplier	1.1196
Total Employment Impact to Tioga County, NY	167

Note: Multiplier = "Hotels"

Operations Employment Impact Summary:

1. This project will create approximately 150 new FTE's by the Corporation.
2. Additional indirect results include creating ~ 17 FTE's in Tioga County, NY.
3. This project will also retain existing direct job force of 310.
4. Additional indirect results include the retention of the current indirect job force of 555.
5. Total annual job impact is estimated at 1,032.

B) Operations 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 (2003). The following estimates annual earnings impact for Tioga County, New York.

Estimated Operations Annual Earnings Impact Tioga County, NY	
	Tioga Downs Racetrack, LLC
Annual Earnings (150 employees)	Est \$6,250,000
Multiplier	1.1237
Total Earnings Impact to Tioga County, NY	\$7,023,125

Note: Multiplier = "Hotel"

Operations Annual Earnings Impact Summary:

1. This project will create approximately \$6,250,000 in new annual employee earnings by the Corporation.
2. Indirect results include creating ~\$773,125 in additional annual employee earnings in Tioga County, NY.
3. This project will also retain existing direct annual earnings of \$12,600,000
4. Additional indirect results include the retention of current indirect annual employee earnings in Tioga County, NY.
5. Total impact to earnings through term of agreement ~ \$476,790,325

C) Construction 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 (2003). The following estimates annual earnings impact for Tioga County, New York.

Estimated Construction Employment Impact Tioga County, NY	
	Tioga Downs Racetrack, LLC
Job Creation	550
Multiplier	1.58
Total Employment Impact to Tioga County, NY	869

Construction Employment Impact Summary:

1. This project will create approximately 550 construction jobs.
2. Additional indirect results include creating ~ 319 jobs in Tioga County, NY.

PROPOSED PAYMENT-IN-LIEU-OF-TAX

The following is a deviation from the standard PILOT offered to Tioga Downs Racetrack, LLC.

Year	PILOT percentage	Estimated PILOT payment amount	Estimated Total Real Property Tax	Estimated New Real Property Tax*	Existing Real Property Tax
1	5%	\$790,461	\$2,351,187	\$ 1,642,869	\$708,318
2	10%	\$890,057	\$2,398,211	\$1,675,726	\$722,484
3	15%	\$993,320	\$2,446,175	\$1,709,241	\$736,934
4	20%	\$1,100,358	\$2,495,099	\$1,743,426	\$751,673
5	25%	\$1,211,280	\$2,545,000	\$1,778,294	\$766,706
6	30%	\$1,326,198	\$2,595,901	\$1,813,860	\$782,040
7	35%	\$1,445,229	\$2,647,819	\$1,850,137	\$797,681
8	40%	\$1,568,491	\$2,700,775	\$1,887,140	\$813,635
9	45%	\$1,696,105	\$2,754,790	\$1,924,883	\$829,907
10	50%	\$1,828,196	\$2,809,886	\$1,963,381	\$846,506
11	55%	\$1,964,892	\$2,866,084	\$2,002,648	\$864,436
12	60%	\$2,106,325	\$2,923,406	\$2,042,701	\$880,704
13	65%	\$2,252,629	\$2,981,874	\$2,083,555	\$898,318
14	70%	\$2,403,943	\$3,041,511	\$2,125,226	\$916,285
15	75%	\$2,560,409	\$3,102,341	\$2,167,731	\$934,611
16	80%	\$2,722,171	\$3,164,388	\$2,221,085	\$953,303
17	85%	\$2,889,380	\$3,227,676	\$2,255,307	\$972,369
18	90%	\$3,062,188	\$3,292,230	\$2,300,413	\$991,816
19	95%	\$3,240,753	\$3,358,074	\$2,346,422	\$1,011,653
20	100%	\$3,425,236	\$3,425,236	\$2,441,217	\$1,031,886
Total		\$39,477,622	\$57,127,662	\$39,917,397	\$17,210,264

*Note: Real Property Taxes estimated for \$16,364,436 new assessment based on a 2014/2015 Town, County, School and Recycle combined tax rate of 100.392648. Fire tax is 3.3656/1000 assessed value and Library tax is .5469/1000 assessed value, both at 100% all years.

According to this estimated PILOT financial model, over a period of twenty (20) years, Tioga Downs Racetrack, LLC, would be afforded an estimated real property tax abatement of \$17,650,040.

JUSTIFICATION FOR DEVIATION FROM UNIFORM PILOT POLICY

Company is making private investment of over \$134 million in Tioga County

Company is creating 150 direct jobs in Tioga County

Company is securing/retaining 310 direct jobs in Tioga County

Company is stimulating additional 17 indirect jobs in Tioga County

Company is bringing \$6.2 million in new direct payroll to Tioga County annually and over an estimated \$151 million new direct payroll over the life of the PILOT

Company is stimulating additional \$773,125 indirect payroll to Tioga County annually and over \$476 million in existing, new and indirect payroll over the life of the PILOT

Company is bringing 550 construction jobs to Tioga County

Company is stimulating additional 319 indirect jobs related to construction to Tioga County

Company will bring increased gaming revenue to County and Town

Company will bring increased conference capacity in Tioga County

Company will increase hotel/motel tax revenue for Tioga County

Revenue projections show the need for longer payback

Development addresses 2010 Strategic Plan objectives

SUMMARY

- Tioga Downs Racetrack, LLC, through new construction is contributing an estimated \$134 million in private capital investment
- Tioga Downs Racetrack, LLC is creating 150 new jobs with an associated annual payroll of \$6,025,000
- Tioga Downs Racetrack, LLC will be securing/retaining 310 jobs with an associated annual payroll of \$12,600,000
- The total wage impact is \$476,790,325 over 20 years
- Tioga Downs Racetrack, LLC is creating 550 construction jobs with an estimated payroll of \$25 million
- Annual anticipated new gaming revenue of \$1.7 million to Tioga County and \$1.7 million to the Town of Nichols

- The 161 new rooms are anticipated to reach 70% capacity on an annual basis. An estimated \$265,412 infusion of averaged new annual hotel/motel local tax revenue is anticipated.
- The Tioga County IDA is offering sales tax savings estimated at \$5,078,320 for construction, fixtures purchase and working capital. Local portion equals \$2,539,320.
- The Tioga County IDA is offering mortgage recording tax savings in the amount of \$1,076,250.
- The Tioga County IDA is offering a real property savings estimated at \$17,650,040 over twenty (20) years.
- The project will add \$22,267,358 to the real property tax base over the term of the PILOT.