

# Oregon Entertainment Center

A commercial taxable casino

## Economic Impact Study Highlights

1/20/06

### REVENUE TO OREGON

The commercial taxable casino **will provide \$197 million in annual revenue** to Oregon should the casino and entertainment center be a sole casino in the Portland area. **In addition, nearly \$25 million each year will be generated in property taxes**, increased income taxes from newly created jobs and occupancy taxes.

### JOBS

The commercial taxable casino **will create over 10,000 new jobs** with 3000 new jobs during the construction years and over 3500 direct jobs and 4,500 indirect/induced jobs during each year of operation.

### THE THREAT IN WASHINGTON STATE

If the Oregon Entertainment Center is not approved and a mega-casino is built across the river in Washington, **Oregon will lose \$197 million** annually in dedicated revenue; \$25 million in additional lost tax revenue annually; and more than 10,000 new jobs.

Oregon Gaming & Entertainment Company, LLC commissioned *JOHNSON GARDNER, LLC* to conduct an independent study of likely economic impacts resulting from the development of a commercial taxable casino in Wood Village, Oregon. These highlights are based on the Oregon Entertainment Center being the sole casino in the Portland/metro area. *JOHNSON GARDNER, LLC* is a consultancy specializing in real estate development and land use economics. The firm has provided a comprehensive range of advisory services to business, institutional and governmental clients. Professionals at *JOHNSON GARDNER* have successfully completed more than five hundred projects regionally, nationally, and internationally.

Contact: Bill Reid of *JOHNSON GARDNER, LLC* (503) 295-7832.

# Oregon Entertainment Center

A commercial taxable casino

## Economic Assessment of a Proposed Commercial Taxable Casino in Wood Village, Oregon.

Oregon Gaming & Entertainment Company, LLC commissioned JOHNSON GARDNER, LLC to conduct an independent study of likely economic impacts resulting from the gaming portion of the entertainment center and resort casino in Wood Village Oregon. **This is the summary of significant findings.**

### I. ECONOMIC IMPACTS

#### A. Economic Impacts of Construction

Economic impact analysis seeks to assess changes in overall economic activity within a region as a result of a change in one of many specific activities. The ripple effect of a gain or loss in an economic activity is identified in three stages, whose terminology is employed throughout this document: *Direct Impacts, Indirect Impacts, and Induced Impacts.*

- **Direct Impacts:** The actual change in activity affecting a local economy. For example, if a new office building is constructed, direct economic impacts comprise the construction contract revenues for businesses involved in the project, as well as the jobs required by those businesses and the labor income they pay.
- **Indirect Impacts:** The response of all other local businesses to the direct impact. Continuing the previous example, indirect impacts of office building construction comprise revenues for project vendors, i.e. building materials wholesalers, subcontractors, etc., and the jobs and labor income they generated.
- **Induced Impacts:** The response of households affected by direct and indirect impacts. In the given example, induced impacts would be the increase in all categories of spending by households directly or indirectly employed by office building construction activities.

Impact results below are expressed in terms of a 12-month project construction period.

- Results indicated that construction of a \$300,000,000 casino would cycle over \$253 million of additional economic activity into the economy via indirect and induced impacts for a combined impact of \$531.7 million during the construction period.
- Assuming the current distribution of Portland metro area construction firms in Multnomah County and the City of Portland, each jurisdiction stands to enjoy \$250.7 million and \$198.7 million of the generated business revenue activity, respectively.
- Construction contracts, design services, engineering, and all other vendors and services activities are estimated to create over 3,000 jobs annually (6,000 equivalent positions over an estimated two year construction period) via direct, indirect, and induced economic activities. Direct development spending alone is estimated to create roughly 3,145 jobs due to direct project development and construction activities.
- Of all jobs created by construction activities and resulting ripple effects, 2,836.4 FTEs would likely reside within Multnomah County and 2,247.3 FTEs would likely reside within the City of Portland based on the proportional share of metro area labor force for each of those jurisdictions.
- The project is estimated to create nearly \$231.8 million in local wage payroll for direct, indirect, and induced jobs created during the development period.
- Assuming similar distributions of labor force and employment in the metro area, employment created in Multnomah County and the City of Portland are estimated to pay \$107.6 million and \$84.8 million, respectively in labor income due to direct, indirect and induced economic impacts.
- Project development will provide family-wage job opportunities. Average wages for direct construction jobs are estimated at \$43,725 annually, while all jobs combined will average nearly \$38,500 annually.

## B. Economic Impacts of On-going Casino Operations

In determining the level of gaming activity the proposed development would be able to anticipate, JOHNSON GARDNER modeled Adjusted Gross Revenues (AGR) from gaming on levels achieved by urban casinos in Detroit, Michigan, particularly the Motorcity Casino. Reasons for utility of Detroit casinos as a case study include:

- New but stabilized urban casino in a major metropolitan area;
- Development in a state with established Indian gaming venues providing immediate competition;
- Location in an urban area immediately bordering a state (in this case the Canadian province of Ontario) with existing, competitive gambling venues successfully attracting resident gaming spending from the target jurisdiction;
- Within three hours by automobile from another major metropolitan area (Cleveland, Ohio);
- A reasonable distance from established gaming centers such as Las Vegas or Atlantic City.

Detroit gaming revenues (\$5,400 per square foot annually) were then adjusted conservatively to \$4,500 per square foot to reflect Portland's different geographic position, cross-market realities, and proportional population and population density differences:

- The Detroit-Ann Arbor-Flint Michigan PMSA is roughly twice as populous as the Portland-Vancouver-Salem PMSA.
- Portland's broader regional market area for a casino is not as densely populated as Detroit's market area, which includes Windsor, Ontario, Northern Indiana, and Northern Ohio, including the Cleveland MSA. Ohio does not have legalized gambling.

### *Implications of Future Urban Casino Competition*

A major potential impact affecting likely potential gaming revenues for the proposed development is the potential development of an Indian gaming casino in La Center, Washington including roughly 130,000 square feet of gaming space. If approved, this development has the potential to capture a significant share of gaming revenue originating in the metropolitan area. This analysis will evaluate the potential impacts for the proposed Wood Village development under two scenarios:

- 1) Evaluate total potential impacts of on-going operations under current conditions. That is, assuming no competition from a new casino development in La Center. Utilizing the aforementioned assumption of \$4,500 annual gaming revenues per square-foot, a 175,000 square-foot casino can expect to gross approximately \$787 million in gaming revenues annually. This represents the total depth of the Portland gaming market.
- 2) Evaluate total potential impacts of on-going operations under the condition where an Indian gaming casino is constructed and successfully implemented in La Center, Washington. Assuming a competitive casino in La Center could capture approximately 40% of metro area gaming revenues, the proposed development could expect to gross roughly \$472.5 million in gaming revenues annually. This represents the proposed development's "share" of the Portland gaming market based on share of developed space dedicated to gaming.

### **Local Impacts**

The following pages provide a summary of annual, on-going economic impacts of casino operations in terms of Portland area business revenues, jobs, and wage income, respectively.

#### Business Revenues

- Under Scenario 1, Portland metro area commerce would grow by an estimated \$1.67 billion annually, including an estimated \$787.5 million in stabilized first-year gaming revenues.
- Ripple effects in the local economy, therefore, are estimated at roughly \$884 million annually.

- Based on industry employment estimates for Multnomah County and the City of Portland, businesses in each jurisdiction stand to benefit by \$1.2 billion and \$380 million in additional, annual sales, respectively. The significant difference is due simply to the geographic location of the proposed facility, in Multnomah County but outside the City of Portland.
- Under Scenario 2, assuming a sizeable casino is developed in La Center, Washington, total additional economic activity generated by the proposed development would measure roughly \$1.00 billion in annual business revenues including an estimated \$472.5 million in stabilized gaming revenues.
- Corresponding ripple effects in Scenario 2 would comprise roughly \$565 million annually.
- Based on similar business and industry distributions already described, Multnomah County and Portland businesses would stand to experience \$750 million and \$228 million in total annual, additional sales due to casino development impacts under Scenario 2.

### Jobs

- Given existing conditions, over 8,074 jobs would be created in the Portland metro area as a result of gaming and related, generated commerce. Large-scale casino operations as proposed are estimated to generate as many as 3,563 jobs, while another 4,500 would result from indirect and induced ripple effects.
- Based on employment/labor force distributions already expressed, Multnomah County residents are estimated to fill up to 5,915 of the 8,075 total jobs created annually, while Portland residents can be expected to fill over 3,252 of the 8,075 positions created via direct, indirect and induced impacts.
- Under Scenario 2, on-going casino operations are likely to generate as many as 4,845 annual jobs in the metro area. Direct casino revenues of \$472.5 million can support up to 2,138 annual casino based positions. Over 2,700 additional positions are expected through indirect and induced ripple effects.
- Under Scenario 2, Multnomah County residents are estimated to fill up to 2,374 of the 4,845 total jobs created annually, while Portland residents can be expected to fill over 1,951 of the 4,845 positions created via direct, indirect and induced impacts.

## Wages

- Total payroll generated in the Portland metro area in Scenario 1 is estimated to reach over \$189 million annually. Direct casino operations are expected to support up to \$89 million in wage income annually, with ripple effects to other local businesses estimated at roughly \$100.7 million in annual payroll wages.
- Multnomah County and Portland residents employed as a result of direct, indirect and induced economic activity are estimated to receive \$98.8 million and \$81.2 million in labor income, respectively.
- Under the condition of increased direct competition from a La Center casino, total wage impacts to the local economy will likely reach nearly \$114 million. Approximately \$53 million will be generated through direct casino operation with an additional \$60 million in payroll wages likely from indirect and induced ripple effects.
- Under Scenario 2, Multnomah County and Portland residents employed by all new economic activity created by the casino are estimated to receive \$59.3 million and \$48.7 million in annual labor income, respectively.

## State Impacts

Economic Impacts to the State of Oregon as a result of casino operations are also significant, though more measured in magnitude. Based on the findings of recent empirical research of realized impacts after casino development, local-level impacts can generally be expected to be roughly 1.75 to 2.0 times the levels experienced statewide.

Urban casinos generate significant new tourist traffic to a city that largely would otherwise be captured by gaming outside the region, i.e. Nevada and Washington, particularly should a La Center gaming facility be constructed in Clark County, Washington. Some traffic, however, may have occurred elsewhere within Oregon. Accordingly, JOHNSON GARDNER modeled State-level impacts from casino gaming utilizing a State-level impact adjustment of roughly 1.85. A summary of major findings is discussed below.

- Through various indirect and induced effects, statewide businesses could experience an additional \$286 million (Scenario 2) to \$477 million (Scenario 1) in business revenues as a result of on-going casino impacts.
- Statewide, gaming in the Portland area would generate statewide ripple effects of roughly 1,459 (Scenario 2) to 2,432 (Scenario 1) permanent jobs across all industries on an annual basis.

- Statewide payroll growth as a result of Portland casino development is estimated to range from \$32.6 million (Scenario 2) to \$54.3 million (Scenario 1) through associated ripple effects.

Following is a summary of business revenue impacts for the State of Oregon as a result of casino development under Scenarios 1 and 2. Also provided is an estimate of State of Oregon gaming tax revenue assuming a 25% tax rate on gaming revenues annually. Results indicate that the State stands to gain between \$118 million in annual revenue (Scenario 2) and \$197 million in annual revenue under Scenario 1 should the proposed development be the sole casino in the Portland metro area.

### **Total On-going Economic Impacts**

#### Scenario 1 (No Casino Construction in La Center)

- Local business revenue impacts totaling \$1.67 billion annually. Statewide impacts reaching \$1.26 billion annually.
- A total of 8,075 annual permanent jobs created locally as a result of on-going casino operations. At the state level, roughly 5,995 jobs would be created.
- Direct, indirect and induced effects of casino operations would generate annual payroll wages in excess of \$189.8 million in the metro area. Statewide, nearly \$143.4 million in wage income would be created.

## Scenario 2 (Competition from Casino Development in La Center)

- Local business revenues would total \$1.0 billion annually. Approximately \$758 million would impact statewide businesses.
- A total of 4,845 permanent positions would be generated in the metro area. On the state level, impacts would generate approximately 3,597 jobs.
- Total payroll wage impacts in the metro area would reach roughly \$113.9 million annually. Nearly \$86 million would remain in the Statewide economy.

## II. INCOME TAX REVENUE IMPACTS

Based on estimated economic impacts of casino construction and operations in the Portland metro area and the State of Oregon, JOHNSON GARDNER estimated potential State of Oregon and Multnomah County income tax revenues generated by the generated commerce.

- One-time income tax revenues generated by 12-month construction activities are significant for both the State of Oregon and Multnomah County. The State is estimated to receive nearly \$14.8 million in gross income tax revenues and \$13 million in net income tax revenues, calculated as gross revenues less credits.

Income tax generated by permanent, annual economic activity driven by casino operations is also substantial for both the State of Oregon and Multnomah County whether the proposed development is the lone casino in the metro area (Scenario 1) or whether a casino is developed in La Center, Washington (Scenario 2).

- The State of Oregon is estimated to receive \$7.3 million in gross income tax revenue should the proposed development be one of two metro area casinos and as much as \$9.2 million in gross income tax annually under Scenario 1 if the proposed development is alone in the Portland metro area.
- Casino operations employment alone is estimated to generated between \$3 million (Scenario 2) and \$5 million in permanent, annual State income tax revenue.

### III. PROPERTY TAX REVENUE IMPACTS

Redevelopment of the Multnomah Greyhound Park as a gaming and entertainment center will significantly increase property tax assessment at the site for all affected jurisdictions. JOHNSON GARDNER estimated net, new property tax revenues generated by redevelopment of the property as proposed. Results are expressed below, with detailed, annual property tax revenues by jurisdictional assessment.

- The proposed development can be expected to generate at least \$5.1 million in additional real property tax revenue annually for eight local taxing jurisdictions, including Reynolds School District (\$1.9 million annually), Multnomah County (\$1.7 million annually,) and the City of Wood village (\$1 million annually).
- The development would contribute \$2.2 million in property tax revenue annually to local education; specifically the Reynolds School District, Multnomah County ESD and Mount hood Community College.
- The development would contribute \$626,000 annually to existing debt service on bond levies for affected jurisdictions, including Reynolds School District (\$499,000 annually), Metro Services District (\$31,000 annually), and Tri-Met (\$38,300 annually).