



An Initial Analysis of the Norfolk Resort Casino

December 2019

Presentation Overview

- The purpose of this presentation is to provide some initial analysis of impacts of the resort casino project.
- Complete estimate of benefits and costs difficult to develop given the significant variables to be determined. The most important variable (project size) is still outstanding
- However, it is useful to show the economic and fiscal impacts across the range of likely project sizes.

Presentation Overview

- The ultimate size, scale and composition of the resort will depend on:
 - Market dynamics (industry changes and regional/state/national economic changes)
 - Additional economic analysis
 - (i.e., flood mitigation costs and infrastructure costs are covered by partner)
 - Virginia General Assembly action
- Estimates presented are preliminary.
- JLARC assumptions used where possible to provide consistency.

Review of the Proposed Project

Review of the Proposed Project

- Ordinance #47,773 approved two documents laying out the basics of the partnership between the City of Norfolk, The Pamunkey Indian Tribe and Golden Eagle Consulting II:
 - Option to Purchase
 - Intergovernmental Agreement (IGA)
- Documents allow for either a tribal or commercial casino to be developed.

Project Location



Metes & Bounds Exhibit Property @ Harbor Park City of Norfolk, Virginia

Source: Arial Survey
Date: 06/12/2018

Notes

1. THE PROPERTY LINES AND EASEMENT LINES SHOWN WERE DETERMINED BY PLANS AND PLAT OF RECORD. NO CITY OF NORFOLK OR MAPPER, AN ACTUAL FIELD SURVEY HAS NOT BEEN PERFORMED.
2. BOUNDARIES OF THE PROPERTY ARE AS SHOWN ON THE PLAT. ACTUAL PROPERTY LINES WERE DETERMINED BY CITY OF NORFOLK SURVEYOR. AN ACTUAL TITLE REPORT HAS NOT BEEN PERFORMED. PROPERTY AGREEMENT WITH 1 HAS BEEN COMPUTED BASED ON AUTOCAD.
3. SOURCE: 40' EASEMENT DEED SHOWING 40' YEAR EASEMENT AGREEMENT - NORFOLK METRORAIL TRANSPORTATION CENTER BY DIVISION OF SURVEY DEPARTMENT OF PUBLIC WORKS DATE: REvised 10-09-2012.
4. SOURCE: PARCEL 1, PARCEL 2, PARCEL 3 SUBPARCELS AND PARCEL 3 BASED ON MAP BOOK 34, PAGE 11.



Estimated Economic and Fiscal Impact

Analysis Across Likely Project Sizes

Local Tax Estimates

					TRIBAL CASINO	COMMERCIAL CASINO		
Closest to JLARC Prediction 	Project Size	Slots	Tables	Hotel Rooms	Net Gaming Revenue	Gaming Tax Revenue (IGA Rate)*	Gaming Tax Revenue (JLARC)**	Other Local Tax Revenue Needed to Equal IGA Revenue***
	1	750	25	150	\$120,993,625	\$4,837,345	\$1,632,604	\$3,204,741
	2	1500	36	225	\$223,353,720	\$8,934,148	\$3,015,275	\$5,918,874
	3	2250	60	300	\$342,964,450	\$13,718,598	\$4,630,027	\$9,088,571
	4	3000	110	375	\$496,958,450	\$19,878,338	\$6,708,939	\$13,169,399
	5	3750	138	425	\$621,859,260	\$24,874,370	\$8,395,100	\$16,479,270
	6	4500	180	500	\$765,273,600	\$30,610,944	\$10,331,194	\$20,279,750

*4% of Total Net Gaming Revenue; ** 5% of Commonwealth's 27% Tax on Total Net Gaming Revenue

***Could include real estate taxes, sales taxes, personal property taxes, etc.

Project Size Estimates with Various Levels of Capital Investment

Internal Staff

Project Size	Slots	Tables	Hotel Rooms	Capital Investment
1	750	25	150	\$200M
2	1500	36	225	\$375M*
3	2250	60	300	\$435M
4	3000	110	375	\$515M
5	3750	138	425	\$585M
6	4500	180	500	\$650M

JLARC Report Table 3-1 (page 32)

Slots	Tables	Hotel Rooms	Capital Investment
1,500	40	200	\$200M
2,600	105	300	\$400M
3,500	180	400	\$600M

*JLARC report predicts a \$300M capital investment for Norfolk's project

Economic and Fiscal Impact Summary

- Every project size evaluated would generate significant tax revenue to Norfolk
- Tax revenue particularly impressive given project acreage (12.16 of developable land)
- “Project size 2” closely aligns with the estimate provided in the JLARC report (\$300M)
- A commercially operated facility provides additional tax revenues beyond those collected if the facility operates as a tribal casino, but the magnitude of that difference will be influenced by the tax rate on net gaming determined by state legislation.
- *The JLARC consultants found that the initial capital investment is highly sensitive to the Commonwealth’s gaming tax rate. An increase in the tax rate on gaming from 12% to 27% results in an estimated \$53M reduction in the initial capital investment.*

Additional Economic Benefits

Employment Impacts

Norfolk Employment Impacts*

Project Size	\$ Investment	Direct Employment	Total Employment	Total Compensation	Median Compensation**
1	200	643	906	\$44,110,898	\$48,688
2	375	1224	1,724	\$83,968,490	\$48,706
3	435	1805	2,542	\$123,826,083	\$48,712
4	515	2386	3,361	\$163,683,675	\$48,701
5	585	2954	4,161	\$202,649,445	\$48,702
6	650	3535	4,979	\$242,507,037	\$48,706

*Source: Staff calculations and Chmura JobsEQ

**2017 Median income in Norfolk was \$42,003 (one earner household)

Estimating Social Impacts

Pathological Gaming

Empirical Research on Pathological Gaming

- Previous academic work on problem gaming and the introduction of gaming opportunities provides no consensus.
- Prevalence of problem gaming has remained surprisingly constant over the last 30 years despite a massive proliferation of gaming opportunities across the country.

Prevalence Rates

"This review of prevalence research reveals that estimates of pathological gambling in the general population, ranging from less than 1% to 1.9%, have been fairly stable over the past three decades from study to study, time to time, and place to place despite the various methodologies employed by researchers. This constancy is surprising in view of the dramatic increase in legalized gambling in the United States during this period, and it belies the conventional wisdom that increased exposure to gambling necessarily results in higher rates of the disorder (LaPlante & Shaffer, 2007)."

- *The Prevalence of Gambling Disorders in the United States: 3 Decades of Evidence*, Christine Reilly in Gambling and the Public Health (2009)
- JLARC's analysis of previous work suggests a prevalence rate between 0.8% and 2.9% of adults.

Social Impacts of Gaming per Gambler

Douglas Walker in a 2008* article estimated social costs of problem gaming at \$1,579 this equates to \$1,885 in todays dollars.

“After considering the various effects in the context of the economics definition of social costs, most of the effects identified by Thompson and Schwer (2005) turn out to be private or internalized costs and thus should be removed from the social cost estimate. Without debating how they arrive at their specific dollar estimates, the social cost estimate would be reduced to \$1,579 by eliminating transfers and private costs. Taking for granted the prevalence estimates and related calculations by Thompson and Schwer (2005), the cumulative social costs for southern Nevada would be revised from \$314-545 million down to \$25-44 million per year.”

*Walker, D. (2008), “Clarification of the Social Costs of Gambling”, Journal of Public Budgeting, Accounting and Financial Management, 20(2): 141-152.

Pathological Gaming Impact Estimates for Norfolk

Study	Percent	# of Residents	Total Cost (\$1,885 Per Person)*
Reilly (2009) Range	1%-1.9%	1,921-3,652	\$3.6M-\$6.8M
Reilly (2009) Median	1.5%	2,883	\$5.4M
JLARC (2019) Range	0.8%-2.9%	1,538-5,574	\$2.9M-\$10.5M
JLARC (2019) Median	1.8%	3,459	\$6.5M

*192,191 adults in Norfolk in 2018

Problem Gaming Funding Forecast (Norfolk only)

Project Size	Slots	Table Games	Projected Net Gaming Revenue	27% Commercial Tax Rate	.7% to Fund*
1	750	25	\$120,993,625	\$32,668,279	\$228,678
2	1500	36	\$223,353,720	\$60,305,504	\$422,139
3	2250	60	\$342,964,450	\$92,600,402	\$648,203
4	3000	110	\$496,958,450	\$134,178,782	\$939,251
5	3750	138	\$621,859,260	\$167,902,000	\$1,175,314
6	4500	180	\$765,273,600	\$206,623,872	\$1,446,367
\$1.13 per Adult*	\$217,176				

* .7% and \$1.13 per adult provided as medians across 7 gaming states (Table 5-1, page 70)

Pathological Gambling Impact Summary

- Pathological gambling often occurs with other disorders making it difficult to determine true social cost (comorbidity).
- Historical Horse Racing is already required to provide 30% of the breakage (round-down delta) for gambling, compulsive behaviors, etc.
- State legislation to provide the mechanism for contributions to a state “problem gaming” fund that includes all types of gaming (i.e., casino gaming, lottery, grey machines, sports betting, etc.)

Estimating Social Impacts

Public Safety

Estimated Visits Across Various Project Sizes

Project Size	Total Estimated Annual Visits	Average Daily Visits
1	895,805	2,454
2	1,654,472	4,533
3	2,540,481	6,960
4	3,681,174	10,085
5	4,606,365	12,620
6	5,668,693	15,531

- Project sizes 1 and 2 produce daily visits in line with the observed new visits generated by the opening of the Main and the new Waterside.
- No net new officers were added to Green Sector when Waterside opened.
- Currently, Norfolk Police Department staffs between 8 and 10 additional FTEs for major downtown events (Harborfest, Grand Illumination)
- Major events attract 150,000 to 250,000 visitors.

Concluding Remarks

- Staff revenue estimates for gaming in Norfolk are nearly identical to those projections from JLARC.
- JLARC's prediction for Norfolk resort size and capital investment (~\$300M) is in line with staff analysis.
- Legislation and market dynamics will ultimately determine scale and scope of the Norfolk resort project.
- All possible project sizes yield positive fiscal impact to the City.
- Overall fiscal impact will continue to be evaluated as conditions evolve.



Casino Project

Current Legislative and Legal

Summaries



Metes & Bounds Exhibit Property @ Harbor Park City of Norfolk, Virginia

Source: Arial Imagery
Prepared for: City of Norfolk
Date: 06/13/2013

Legend

- EXISTING RIGHT-OF-WAY/PROPERTY LINE
- EXISTING EASEMENTS
- PROPOSED PARCELS
- RELOCATED/EXTENDED EASEMENTS

Notes

1. THE PROPERTY LINES AND EASEMENT LINES SHOWN WERE DETERMINED BY PLANS AND PLATS OF RECORD, AND CITY OF NORFOLK GIS MAPPING. AN ACTUAL FIELD SURVEY HAS NOT BEEN PERFORMED.
2. PROPERTY DATA INCLUDING PROPERTY OWNERS, PARCEL ACREAGE, AND ZONING WERE DETERMINED BY CITY OF NORFOLK PROPERTY MAPPING. AN ACTUAL TITLE REPORT HAS NOT BEEN PERFORMED. PROPERTY ACREAGE WITH * HAS BEEN COMPUTED BASED ON AUTOCAD.
3. DOCUMENT: 20' EASEMENT DEED FOR 40 YEAR EASEMENT AGREEMENT - NORFOLK MULTI-MODAL TRANSPORTATION CENTER BY DIVISION OF SURVEY DEPARTMENT OF PUBLIC WORKS DATE REvised 10-09-2012.
4. SOURCE: PARCEL 1, PARCEL 2, PARCEL 2 SUBPARCELS AND PARCEL 3 BASED ON MAP BOOK 34, PAGE 11.



Review of SB 1126

- Allows commercial casino gaming in five localities: Bristol, Danville, Norfolk, Portsmouth, and Richmond
- Allows development of one casino per each of the five localities
- Allows the Pamunkey Tribe to operate two casinos – one in Norfolk and one in Richmond – as a commercial casino operator
- Requires a referendum in each locality
- Requires a minimum capital investment of \$200 million (includes land, buildings, infrastructure, equipment, and furnishings)

Terms of Proposed Agreement

- Option Agreement between the City, the Tribe, and the Tribe's developer, Golden Eagle Consulting/John Yarborough
- The Tribe and its Developer are permitted to exercise the option to purchase only after the Tribe has final approval to operate a commercial casino at the site
- Purchase price of \$750,000 per acre for a total purchase price of \$9,937,500 based on 13.25 acres
- There will be no Intergovernmental Agreement as it is not required in a commercial casino scenario.
- The Option Agreement is being modified to suit the new solely commercial scenario.
- This means that the land will not become sovereign land and, instead of 4% of revenues, the City will collect taxes from the project as it would with any other development in Norfolk