

Fiscal Impacts of Project First Light on the City of Taunton

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2. HR&A Advisors, Inc. (HR&A) has been engaged and compensated by the City of Taunton to prepare this Study. In preparing this Study HR&A has used its independent professional judgment and skills in good faith, subject to the limitations, disclosures and disclaimers herein.
3. This Study is based on estimates, assumptions and other information developed by HR&A, other third party consultants, and city officials. Every reasonable effort has been made to ensure that the data contained in this Study are accurate as of the date of this Study; however, factors exist that are outside the control of HR&A and that may affect the estimates and/or projections noted herein. HR&A neither guarantees any results nor takes responsibility for their actual achievement or continuing applicability, as actual outcomes will depend on future events and circumstances beyond HR&A's control.
4. HR&A reviewed the information and projections provided by third parties using its independent professional judgment and skills in good faith, but assumes no liability resulting from errors, omissions or any other inaccuracies with respect to the information provided by such third parties referenced in this Study.
5. HR&A also relied on data provided by or purchased from the Minnesota IMPLAN Group and the Commonwealth of Massachusetts in order to generate estimates of indirect employment, economic output and to calculate estimated tax revenues. HR&A assumes no liability resulting from errors, omissions or any other inaccuracies with respect to the information provided by these parties.
6. HR&A received all project information and projections of attendance, revenues, costs, etc. from project sponsors. HR&A did not independently verify these numbers.
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10. Many of the figures presented in this report will be rounded. HR&A disclaims any and all liability relating to rounding errors.

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14. This Study is qualified in its entirety by, and should be considered in light of these General and Limiting Conditions. By use of this Study each party that uses this Study agrees to be bound by all of the General and Limiting Conditions stated herein.

Executive Summary

On behalf of the City of Taunton, HR&A Advisors, Inc. ("HR&A") conducted a fiscal impact analysis of a proposed destination resort casino ("the Project") to be developed and operated by the Mashpee Wampanoag Tribe under the 2011 Massachusetts Gaming Law. The proposed Project includes approximately one million square feet of gaming, retail, restaurant, hotel and recreational uses, including an indoor water park. Specifically, the program studied includes:

- A 150,000 SF casino with 4,500 gaming positions, including:
 - 3,000 slot machines,
 - 150 gaming tables, and
 - 40 poker tables.
- Three 300 room hotels, two of which would be built above the casino.
- 65,629 SF of restaurants
- 12,000 SF of retail
- 2,500-3,000 structured parking spaces

This analysis provides an overview of the City's current economic and fiscal condition, estimates tax revenues if the property were to remain tax eligible.¹ Key findings are as follows:

The City of Taunton has faced economic challenges for a number of years, even prior to the 2008 recession.

- Median household income in the City (\$55,611) is 18% lower than the statewide median (\$67,515) in 2010 and this gap is greater than it was in 2000.
- The City's unemployment rate is persistently several percentage points higher than the statewide average. As of February 2012, the City's unemployment rate was 8.6% compared to 7.5% statewide.

The City relies heavily on declining state aid and has been forced to increase taxes, mainly on commercial businesses, to cover budget shortfalls.

- State aid makes up approximately one third of the municipal budget.
- The City's total assessed value has fallen by 23% since 2007 due to impact of the recession.
- Despite significant cost cutting measures, the City has increased the total tax levy by 29% since 2007 to meet basic budget demands.
- As the City taxes residential and commercial uses differently, it has shifted most of the burden to commercial uses with a \$27.62 mill rate² that is nearly double the \$12.47 mill rate.

¹ As an Indian casino, the property acquired by the Tribe to develop the facility will be entered into a trust as sovereign land. This property and activities on it will be exempt from local, state, and federal taxes, unless alternative arrangements are made.

² A mill rate is the tax levied per \$1000 of assessed value.

The proposed Project would generate significant tax revenues to the City, if the property were to remain on the tax rolls.

- HR&A estimates that the Project would have an assessed value of approximately \$594 million at full build out, which would generate revenues of approximately \$16.4 million in a stabilized year at current rates. This translates into a \$16.1 million incremental increase over existing uses.
- The Project would also generate approximately \$1.1 million in additional hotel room occupancy and meals tax revenues at current rates.
- In the past, the City has offered tax abatements as part of tax increment finance (TIF) agreements that have reduced incremental taxes by up to 65% for a defined time period. It is possible that a similar agreement would be required to attract a comparable project, which would result in lower tax revenues to the City in the near term.

While the proposed Project will generate substantial benefits through job creation, it will also produce significant one-time impacts on the City.

- HR&A estimates that the City will need to make major capital investments and temporary staffing additions to adequately service the Project. These include:
 - Major renovations and improvements to the fire/police substation in the East Taunton sector.
 - Vehicle purchases, including a new ladder truck with an operational 100 ft ladder and two new police cars.
 - The City will need to temporarily increase its administrative capacity for fire inspections and other services during construction of the Project.
- HR&A estimates that the total cost of these required upfront capital investment is \$6.0 million. While the purchase of a ladder truck is critical for the hotels and, therefore, could be delayed until phase II of the Project, other capital investments will be necessary immediately to prepare for the expected 4.7 million annual visitors to the casino.³
- Costs by department studied are summarized in the following table.

Figure 1. Summary of One-Time Upfront Expenses

| Upfront Costs | Upfront Costs |
|------------------------|----------------------|
| Police | \$2,982,000 |
| Fire/EMS | \$2,860,000 |
| General Administration | \$132,000 |
| Schools | <i>no impact</i> |
| Total | \$6,000,000 |

Source: HR&A Advisors

After opening, the Project will add incremental annual costs to the City's fire, police, and school systems as they service an expected 25% increase in daytime population.

- HR&A estimates that the project will generate an incremental increase of \$4.8 million in annual public service costs. This represents 3% of the total municipal budget that will not be funded through increases in direct state aid under existing formulas.

³ Estimates provided by the Tribe.

- The majority of these costs will be to provide additional police and fire personnel. Fire personnel serve as first responders to all calls (fire and EMS). HR&A's estimate assumes that other police services (Commonwealth or Tribe) are provided for criminal activity directly on the property.
- According to the Tribe, 25% of jobs may be filled by people outside of the region due to expertise requirements. HR&A estimates that this could generate approximately 100 new public school students, which would increase the City's school funding burden.
- Costs by department studied are summarized in the following table.

Figure 2. Summary of Incremental Annual Operating Expenses

| Annual Operating Costs | Operating Expenses |
|-------------------------------|---------------------------|
| Police | \$2,500,000 |
| Fire/EMS | \$1,500,000 |
| Schools | \$370,000 |
| General Administration | \$400,000 |
| Total | \$4,770,000 |

Source: HR&A Advisors

I. Introduction

The City of Taunton retained HR&A Advisors, Inc. to conduct a fiscal impact analysis of a proposed resort destination casino on the City. HR&A is a real estate, economic development, and public policy consulting firm based in New York City. HR&A has conducted economic and fiscal impact studies for over \$50 billion in development since 2006.

PURPOSE OF PROJECT

The Mashpee Wampanoag Tribe is proposing to build a destination resort casino (“the Project”) on property in the City of Taunton, Bristol County, Massachusetts. The Project would be built on a 130-acre development site in the Liberty & Union Industrial Park (LUIP), which is located at the intersection of State Routes 140 and 24 in the City’s East Taunton neighborhood. The properties on which the Tribe currently has options to purchase include approximately 90 buildable acres and are bisected by an active freight rail line. The Tribe is petitioning for the property to become designated tribal land, and therefore would be exempt from state and local taxes.

PROGRAM STUDIED

The Project’s development program includes the phased development of a 150,000 square foot gaming area, three 300 room hotels, 2,500 to 3,000 structured parking spaces, an indoor water park and other supporting uses, summarized Figure 3. The casino floor will have 4,500 gaming positions, including:

- 3,000 slot machines,
- 150 gaming tables, and
- 40 poker tables.

These areas will be surrounded by a 300-seat food court, two fine dining restaurants, a 200-seat bar and entertainment zone, and 12,000 square feet of supporting retail space.

Figure 3. Development Program by Phase by Size (Gross Square Feet)

| Development Program | Phase I | Phase II | Phase III | Phase IV | Total |
|----------------------------|----------------|-----------------|------------------|-----------------|------------------|
| Casino | 171,520 | - | - | - | 171,520 |
| Food and Beverage | 60,329 | - | 5,300 | - | 65,629 |
| Hotel | - | 248,490 | 173,890 | 300,000 | 722,380 |
| Retail | 12,000 | - | - | - | 12,000 |
| Miscellaneous | 78,400 | 6,000 | 8,900 | - | 93,300 |
| Subtotal | 322,249 | 254,490 | 188,090 | 300,000 | 1,064,829 |
| Structured Parking | 1,008,480 | - | - | - | 1,008,480 |
| Surface Parking | 734,100 | - | 113,400 | - | 847,500 |

Sources: Mashpee Wampanoag Tribe; HR&A Advisors

The first phase of the development project calls for the demolition of the two existing industrial buildings and the construction of a three-story, 300,000 square foot gaming podium. The gaming podium

developed in phase I will serve as the base for hotel construction in phases II and III. Phase I will also include the construction of approximately one million square feet of structured parking.

The second and third phases call for the construction of two mid-rise hotels connected to the gaming podium. Though plans have not been finalized, these hotel towers will likely range in height from 10 to 15 stories and include 300 rooms each at an approximate average daily rate (ADR) of \$150. The performance of the casino will affect the final design, configuration, market positioning, and timing of the hotels, but the developer has committed to build them. The current plans call for the development of a 3.5 to 4-star hotel in Phase II, including a pool, spa, roof terrace and a small space for events and meetings. Phase III calls for the construction of an additional 300-room, mid-range hotel and a 5,000 square foot café.

Phase IV of the project calls for the development of the vacant parcel north of the rail line into a family-oriented resort consisting of a third hotel, a 25,000 square foot indoor water park and a 2,000-seat event center. The site would be accessed by a new bridge over the rail line that will connect the northern and southern parcels. O'Connell Street will be extended along an existing right-of-way easement.

II. Overview and Project Context

The City of Taunton is located approximately 40 miles south of Boston and 20 miles east of Providence, RI. Founded in 1637, it is the seat of Bristol County and one of the oldest cities in the United States. The City has a strong industrial heritage; its abundance of silver smiths and other metal working factories led it to become known as the Silver City. Today, its largest private employers include several regional hospitals and a diverse number of firms in the warehousing, logistics, wholesale distribution, and retail sectors.

As of the 2010 Census, Taunton is home to 55,874 residents. The City experienced rapid population growth in the late 1980s and 1990s, as its affordable home prices made it attractive to households who were priced out of more expensive suburbs of Boston and Providence. Since 2000, however, both population and household growth have remained flat. City's residential growth rate has lagged behind those of Bristol County and the overall State.

Taunton has remained a solidly middle class community. In 2010, the median income of Taunton households was \$55,611, which is 18% less than the statewide median. Incomes have grown at a slower pace than in the surrounding towns of Bristol County or southeastern Massachusetts.

Figure 4. Demographic Overview: Taunton, Bristol County and Massachusetts

| Demographic Category | City of Taunton | Bristol County | Massachusetts |
|-------------------------------|------------------------|-----------------------|----------------------|
| Population | | | |
| Population 1990 | 49,832 | 506,325 | 6,016,425 |
| Population 2000 | 55,976 | 534,678 | 6,349,097 |
| Population 2010 | 55,874 | 548,285 | 6,547,629 |
| % Change Population 1990-2010 | 12.1% | 8.3% | 8.8% |
| % Change Population 2000-2010 | -0.2% | 2.5% | 3.1% |
| Household Incomes | | | |
| Median Household Income, 2000 | \$43,036 | \$43,525 | \$50,539 |
| Median Household Income, 2010 | \$55,611 | \$57,037 | \$67,515 |
| % Change, 2000-2010 | 29.2% | 31.0% | 33.6% |
| Home Values | | | |
| Median Home Value, 2000 | \$145,807 | \$151,529 | \$185,714 |
| Median Home Value, 2010 | \$230,175 | \$242,505 | \$297,051 |
| % Change, 2000-2010 | 57.9% | 60.0% | 60.0% |

Sources: ESRI Business Analyst Online; HR&A Advisors

Taunton also remains one of the most affordable cities in southeastern Massachusetts. The 2010 median home value in Taunton was \$230,000, which is lower than in other cities and towns in the region, and well below the statewide median. Home prices have grown at a slightly slower rate than in surrounding communities, though they have largely mirrored those of the Commonwealth of Massachusetts as a whole.

Nominal home prices in the City have also grown at nearly twice the rate of personal incomes over the past decade (57.9% versus 29.2%).

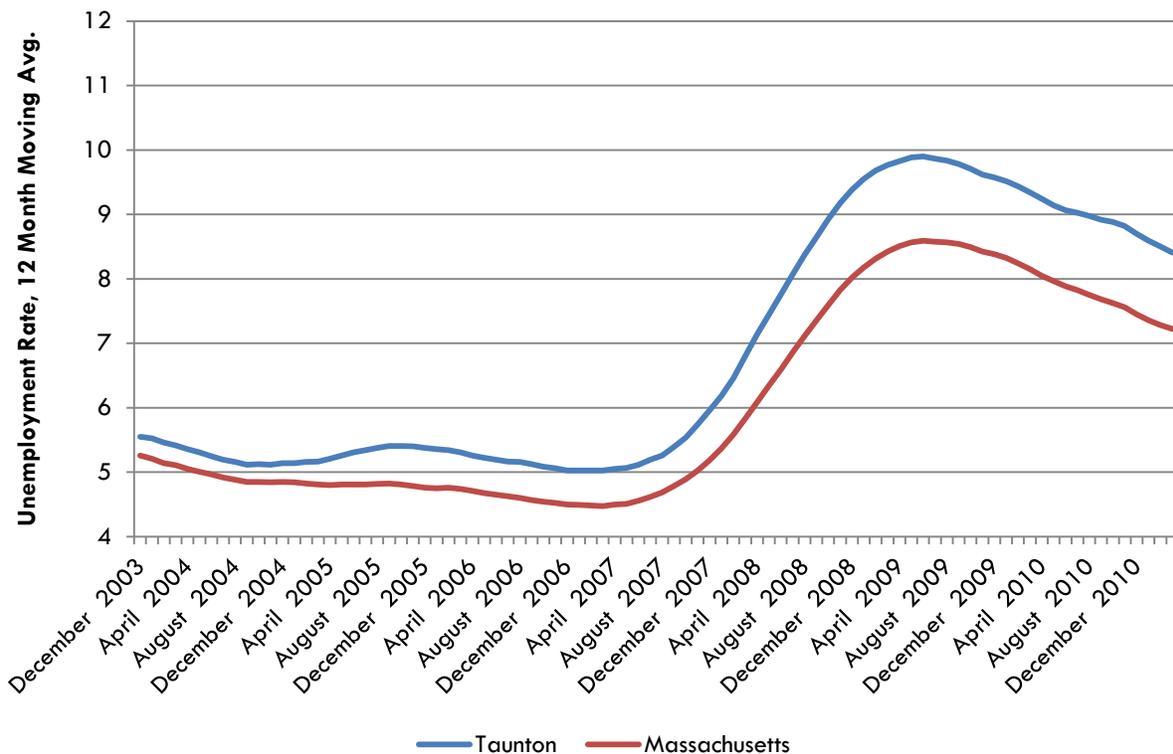
Taunton’s unemployment rate was 8.6% as of February 2012. As illustrated in Figure 5, this rate is higher than the statewide average but lower than the overall rate for Bristol County by over two percentage points. The City’s unemployment rate has persistently exceeded the statewide average, as shown in Figure 6, and the gap has increased during the most recent recession. This follows a common trend of higher unemployment in old industrial cities due to disinvestment and the challenges of redeveloping industrial infrastructure.

Figure 5. Employment Statistics by Region, February 2012

| Place | Labor Force | Employed Workers | Unemployed Workers | Unemployment Rate |
|----------------|-------------|------------------|--------------------|-------------------|
| Taunton | 31,129 | 28,458 | 2,671 | 8.6% |
| Bristol County | 290,587 | 259,450 | 31,137 | 10.7% |
| Massachusetts | 3,439,200 | 3,181,200 | 258,000 | 7.5% |

Sources: Massachusetts Department of Labor, Local Area Unemployment Statistics; HR&A Advisors

Figure 6. Unemployment Rate, 12 Month Moving Average, 2003-2012



Sources: Massachusetts Department of Labor, Local Area Unemployment Statistics; HR&A Advisors

MUNICIPAL BUDGET

Based on its provisional budget for Fiscal Year 2012, the City of Taunton expects to collect \$157.8 million in revenue from local property taxes, state aid, fees, fines and miscellaneous funding sources. Property tax receipts are estimated to be \$69.8 million, which would account for 44% of the City's budget. State aid accounts for the next largest source of revenue at \$53.3 million, although the Commonwealth's contributions to local governments have fallen dramatically during the recession. As a result, Taunton has been forced to raise property tax rates in order to fill the nearly \$5 million budget gap caused by state-level cutbacks.

Figure 7. Municipal Revenue by Source, FY 2008 – FY 2012

| Source | 2008 | 2009 | 2010 | 2011 | 2012 |
|----------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Property | | | | | |
| Taxes | \$57,900,000 | \$61,000,000 | \$63,700,000 | \$66,700,000 | \$69,800,000 |
| State Aid | \$55,300,000 | \$57,200,000 | \$52,800,000 | \$52,000,000 | \$53,300,000 |
| Other | \$37,500,000 | \$37,400,000 | \$41,400,000 | \$41,800,000 | \$34,700,000 |
| Total | | | | | |
| Revenue | \$150,700,000 | \$155,600,000 | \$157,900,000 | \$160,500,000 | \$157,800,000 |

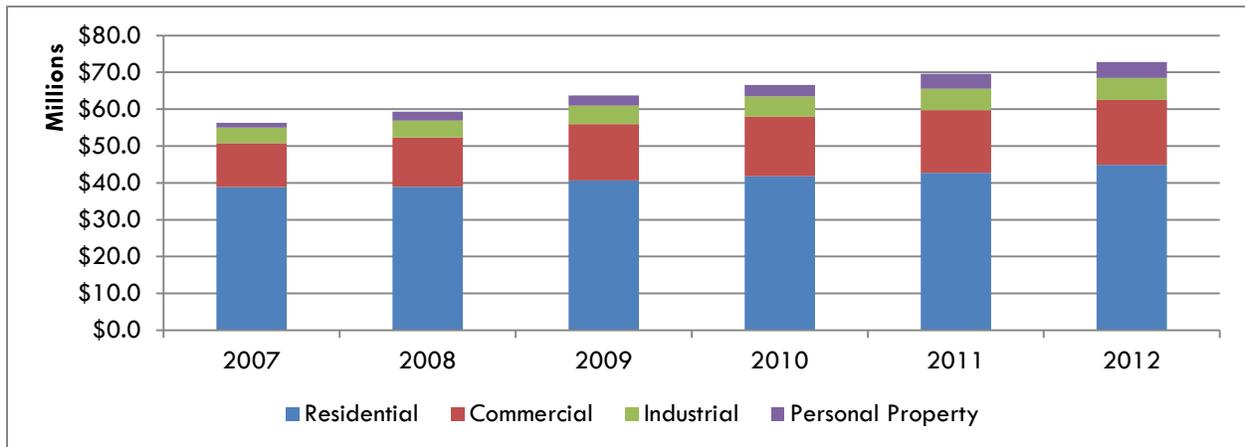
Sources: City of Taunton; HR&A Advisors

PROPERTY TAXES

The City of Taunton currently assesses property taxes on residential and commercial properties, as well as personal property. Revenue growth has been strong in recent years, though this growth has been driven by rising tax rates rather than growth in assessed values. The total taxable valuation of real property has fallen 23% since 2007 due to the impacts of the recession. Despite significant cost cutting measures, the City has had to increase the total levy by 29% over the same period to meet basic budget demands.

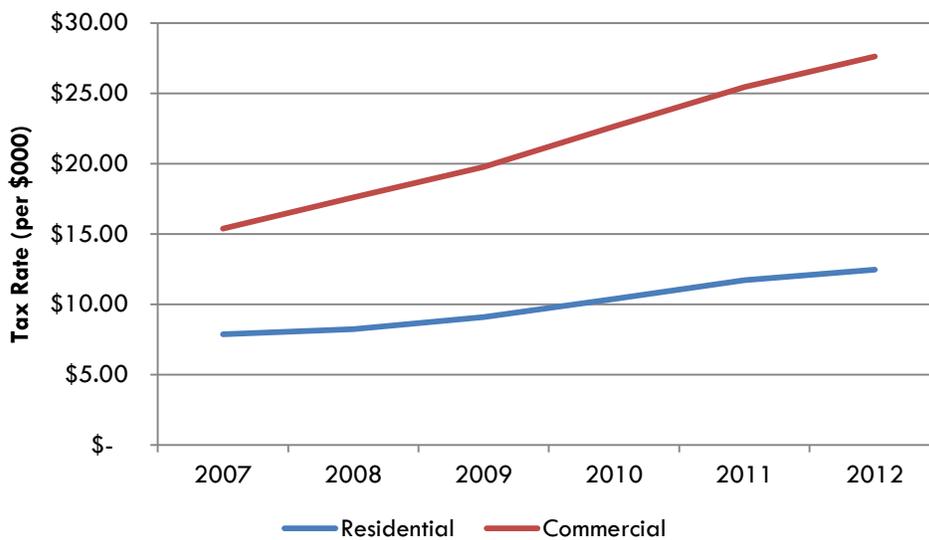
The City taxes residential and commercial property at different rates. While tax rates on both residential and commercial property are rising, the commercial rate has grown faster in recent years, as illustrated in Figure 9. In 2012, the commercial mill rate is \$27.62 per \$1,000 of assessed value, while the residential mill rate is \$12.47 per thousand.

Figure 8. Total Tax Levy by Property Category, City of Taunton, 2007-2012



Sources: City of Taunton; HR&A Advisors

Figure 9. Historical Tax Rates by Use, City of Taunton, 2007-2012



Source: City of Taunton, HR&A Advisors

Existing Tax Revenues from Project Site

The project site consists of two non-contiguous sites in the Liberty and Union Industrial Park. The first site consists of five vacant parcels owned by the Taunton Development Corporation, a publically controlled non-profit corporation charged with managing and marketing the City's two industrial parks. The second site consists of five parcels owned by the Maggiore Companies, a private real estate developer based in Woburn, MA. The Maggiore parcels include the two existing buildings. The building at One Stevens Street, housing Workout World and other uses, would be left as is in the May 2012 plans. Other buildings would be demolished for the construction of a larger casino floor plate and parking garage. The casino would be constructed as a podium for two of the three proposed hotels.

As all parcels would become sovereign tribal land and be removed from the City's property tax rolls, it is important to consider current assessed value. Combined, the sites have a total taxable valuation of \$11.7 million with an annual tax levy of \$325,000 according to publically available data obtained from the City's website in April 2012. These numbers may differ from final 2012 assessments slightly as several of the parcels were undergoing improvements and the Assessor updates values through June 30. Land accounts for 58% of site's total value.

Other Taxes

The City of Taunton also collects a hotel occupancy tax and a tax on prepared meals. Currently, the City levies a rate of 6.0% for hotel room occupancy and 0.75% for meals, which are the maximum municipal tax rate permitted under Massachusetts law. In Fiscal Year 2012, Taunton expects to collect \$529,000 in meals tax revenue from Citywide restaurants and \$174,000 in hotel occupancy taxes from the one hotel.

METHODOLOGY

Fiscal impact analysis informs policymakers, communities and their representatives, and other interested parties as they consider the costs and benefits of a proposed development. HR&A's approach towards fiscal impact analysis is to determine a study area – in this case, the City of Taunton – and to estimate the likely revenues and costs attributable to the Project that will accrue to each entity within that study area. Consistent with accepted approaches to fiscal impact analysis, HR&A makes conservative assumptions based on existing conditions that, if anything, underestimate new revenues and overestimate new costs resulting from a given development. Where assumptions are made, these are pointed out and justified in the text.

In estimating the costs for the proposed development, HR&A analyzed documents and data sources dealing with current and projected fiscal and socioeconomic conditions in Taunton to project the Project's costs and benefits. For this study, HR&A conducted its analysis in the following manner:

HR&A estimated existing tax revenues to the City on properties included in the development efforts.

- The Mashpee Wampanoag Tribe currently has options on 10 properties in the Liberty and Union Industrial Park. Five properties are owned by the non-profit Taunton Development Corporation (TDC) and five properties are owned by Maggiorie.
- While only 9 of the 10 properties would be directly impacted by development, all would become sovereign tribal land and be removed from the City's property tax rolls.
- The 10 properties had a total assessed value of approximately \$324,000 in 2012 according to publically available data.⁴

HR&A estimated the Project's assessed value in consultation with the City Assessor and estimated property tax revenues using current rates.

⁴ Assessed values reflect data available on the City's website as of April 2012. Final 2012 AV may be higher for properties that are under construction as the Assessor's office updates values until June 30 of each year.

- HR&A reviewed the Tribe's construction budget and estimated net operating income based on an analysis of the pro forma provided by the Tribe and market study conducted by Union Gaming Analytics. *HR&A did not independently verify these estimates.*
- HR&A and the assessor conducted a scan of assessment approaches in other jurisdictions, including conversations with assessors in Rhode Island, Las Vegas, Northampton County, Pennsylvania, and Monroe County, Pennsylvania. A number of jurisdictions use a replacement cost approach to assess casinos. Some jurisdictions use a hybrid between the replacement cost and income capitalization approach.
- HR&A reviewed its analysis with the Taunton assessor and determined that the replacement cost approach was the most appropriate approach for this scenario.⁵
- HR&A applied the City's 2012 mill rate of 27.62 per \$1000 of assessed value.

HR&A estimated additional revenues to the City that would be generated by the project.

- HR&A reviewed estimates of income for food and beverage and hotel rooms provided by the Tribe. *HR&A did not independently verify these estimates.*
- The City of Taunton collects hotel room revenues taxes and meals taxes at the maximum level permitted by Massachusetts law. They are:
 - 6.0% of hotel room revenues.
 - 0.75% of prepared meal revenues (food and beverage).

HR&A estimated local public sector expenditures resulting from the Project.

- To estimate Project expenditures, HR&A first identified the drivers of new local public sector costs likely to be generated by the Project based on interviews with City of Taunton public officials.
- HR&A analyzed the City's budget to develop estimates of the marginal costs of services per unit. These calculations were based on a review the existing capital and operating budgets for police, fire, emergency medical services and other administrative departments.
- A marginal cost approach considers only the costs directly attributable to the Project and the specific demands it will place on the City of Taunton. The marginal cost approach is considered to be the most conservative and realistic method of estimating costs, since it is based on the marginal expenses that the City would incur to provide an additional service unit in that category.
- HR&A anticipates that the project will commence construction in mid-2013. As such, both upfront and ongoing public sector expenditures are reported in 2013 dollars (assuming a 3% inflation rate).

⁵ The City of Taunton assesses at 100% of value. There is no equalization ratio.

III. Municipal Revenues

All property included in the proposed Project is expected to be put into trust as sovereign tribal land and will thus be removed from the City’s property tax rolls and also exempt from other State and local taxes (meals, hotel occupancy, etc.). As part of this fiscal impact analysis, however, HR&A considers the revenue generation potential if the property and on-site activities were to remain taxable. The Project would generate substantial new revenues to the City through property taxes, hotel room occupancy taxes, and meals taxes. The purposes of this analysis is to estimate tax revenues that could be collected in the interim years if the Project opens before the process for putting the land into trust is complete and to inform negotiations of the Inter-Governmental Agreement.

Property Taxes

HR&A estimated the Project’s assessed value based on a review of assessment approaches at comparable gaming facilities and in consultation with the assessor. Methods used in other jurisdictions varied—some use the replacement cost approach, others use the income approach, and some use a combination of the two. The City assessor preferred a cost replacement approach for this project given the type of project, availability and quality of data, and phasing schedule. This approach estimates values based on replacement cost. For new development, these costs can be estimated from construction budgets.

HR&A analyzed the Project’s construction budget to develop a replacement cost estimate of the Project’s value at full build out in a stabilized year. Including land, building, and personal property, HR&A estimates that the Project would have a replacement value of \$594 million. Figure 10 illustrates what costs were included in this estimate.

Figure 10: Estimated Replacement Cost (2012\$)

| Use | Total Value |
|---------------------------------------|----------------------|
| Land Value | \$40,000,000 |
| Vertical | |
| Casino | \$114,300,000 |
| Hotel | \$225,000,000 |
| Events Center | \$3,500,000 |
| Water park | \$14,100,000 |
| Parking | \$74,100,000 |
| Other (Special features, etc.) | \$10,100,000 |
| Subtotal | \$441,100,000 |
| Personal Property (Fit Out, Machines) | \$113,200,000 |
| Total Assessed Value | \$594,300,000 |

Sources: Mashpee Wampanoag Tribe; HR&A Advisors

HR&A estimated potential property tax revenues by applying the City of Taunton’s 2012 mill rate of 27.62 (2.8%). Using this approach, HR&A estimated that the property would generate \$16.4 million in taxes at full build out if it were to remain on the tax rolls. This translates into an incremental increase of \$16.1 million over the existing uses. In the past, however, the City has offered tax abatements as part of

tax increment finance (TIF) agreements that have reduced incremental taxes by up to 65% for a defined time period. It is possible that a similar agreement would be required to attract a comparable project, which would result in lower tax revenues to the City in the near term.

Impact of a Casino on Other Property Values

The City of Taunton requested that HR&A research the impact of casinos on residential property values. HR&A reviewed available studies to gauge impacts on both immediately adjacent properties and properties citywide. In general, most of the studies found no significant impacts in property values resulting from the opening and operation of a casino. In fact, there were several cases, such as the Foxwoods Casino and Resort in Connecticut, in which property values have been positively impacted by the presence of the casino (Cartensen, 2000). Moreover, a review of 492 gambling-related economic studies performed by the Canadian Consortium for Gambling Research identified six studies where gambling was associated with higher property prices, five where there was no effect and a single study where gambling facilities had adversely impacted local property values (Williams, Rehm, & Stevens, 2011)

With regard to neighborhood and citywide effects, a study by The Innovation Group prepared for Las Vegas Sands in Bethlehem, PA compared the impacts of casinos on property prices at the census tract, city and county level for five different locations. These were: Wheeling Island, WV; Lawrenceburg IN; Milwaukee, WI; Bettendorf, IL; and Albuquerque, NM. The study found that in three locations Wheeling Island, Milwaukee, and Albuquerque, property values near the casino increased at the same rate as those in other parts of the cities. In two locations, Lawrenceburg and Bettendorf, property values near the casinos increased at slower rates than the cities average. Based on these findings, however, the study concluded that casinos have no effect in property prices at the Census Tract or city level .

When looking specifically at the impacts of Native American casinos, HR&A identified two studies that found a positive relationship among these and property prices. Researcher Michael Wenz from Winona State University concludes that Native American casinos are positively associated with an increase in population, employment, and housing units (Wenz, Matching Estimation, Casino Gambling and the Quality of Life, 2008). The study found that these measures grow 3%-5% faster in counties where Native American casinos are located. In another paper, the same author observed that Native American casinos are associated with a 4.6% increase in house prices and non-Native American isolated casinos are associated with a 3.5% decline in house prices (Wenz, 2008).

Hotel Occupancy and Meals Tax

If the proposed Project were not located on sovereign property, the City of Taunton would receive revenues from hotel room occupancy and meals taxes. HR&A reviewed the Tribe's pro forma and market study conducted by Union Gaming. Based on this analysis, HR&A estimates that the Project will generate nearly \$18 million in taxable hotel room revenue and \$10 million in taxable food and beverage revenue. Applying the current tax rates in the City of Taunton, which are the maximum eligible by Commonwealth law, the City could generate over \$1.1 million in hotel room occupancy tax revenues and \$74,000 in meals tax revenues for a total of approximately \$1.1 million.

Figure 11. Estimated Receipts from Hotel and Meals Tax, Stabilized Year, (\$ 2012)

| | Taxable Revenue | Tax Rate | Estimated Receipts |
|--------------------------|----------------------------|-----------------|-------------------------------|
| Hotel Room Occupancy Tax | \$17,900,000 | 6.00% | \$1,074,000 |
| Meals Tax | \$9,900,000 | 0.75% | \$74,250 |
| Total | | | \$1,148,250 |

Sources: Union Gaming Analytics; Massachusetts Department of Revenue; HR&A Advisors

IV. Municipal Costs

HR&A estimated incremental municipal costs for the City of Taunton. This analysis considers both one-time, capital expenses that the City would be required to make to provide services to the Project and incremental costs it will incur on an annual basis as a result of the ongoing Project operations. HR&A examined the impacts on the following departments:

- Fire,
- Emergency services,
- Police, and
- School system.

Detailed assessments of the impact on traffic and the water and sewer system were conducted by other outside consultants. Given the scale of the project, HR&A uses a marginal cost approach, relying on conversations with public sector officials and a case study analysis to estimate the incremental impacts. The findings from HR&A's analysis are summarized in the following sections and totaled at the end.

FIRE DEPARTMENT

Existing Capacity

The City of Taunton's Fire Department is one of the oldest continually operating municipal fire departments in the United States. It currently employs 112 officers in six stations across the City. Five stations house engine and ladder companies, and one is reserved for administrative uses, fire inspection, and public safety officers. The Department is the first responder for all fire and emergency calls, though the City contracts with American Medical Response to provide ambulance transport services.

In Fiscal Year 2012, the Department has an annual budget of \$9.75 million, summarized in Figure 12. As a result of budget cuts, the Department currently operates well below its preferred minimum staffing levels, according to senior department officials. Based on industry standards developed by the National Fire Protection Association (NFPA), the Department would need an additional 13 personnel to fully staff all functions, including existing companies, inspection, and public safety duties. For example, currently each engine is staffed with only three firemen per shift, instead of four.

Figure 12. Fire Department Annual Budget, Fiscal Year 2012

| Budget Category | Amount |
|--------------------------------|--------------------|
| Salaries and Wages | \$9,178,351 |
| Contracted Services | \$24,000 |
| Fixed/Other | \$269,600 |
| Utilities | \$163,318 |
| Supplies and Materials | \$11,800 |
| Equipment and Capital Expenses | \$107,004 |
| Total | \$9,754,074 |

Sources: City of Taunton Fire Department; HR&A Advisors

The Department operates with an aging physical infrastructure and fleet. With the exception of one recently built station, its firehouses predate World War I, and its headquarters, which was built in 1867, is the oldest continually operating fire station in the United States. It currently has five engine companies, three ladder trucks and one heavy rescue truck. The department has purchased one new vehicle since the late 1990s, and it typically only has one or two of its three ladder trucks running at any given time. Its primary ladder truck can reliably service buildings up to 75 feet in height, which is considerably shorter than the Project’s proposed mid-rise hotel towers to be constructed in Phase II and III.

The Project site is located within the East Taunton Station services area and is approximately one mile from the station. The East Taunton station house was built in 1899. It has two bays, though it can only accommodate one engine due to a structurally deficient floor. As a result, the station would require substantial renovations before it would be able to house additional engines or ladder trucks. The station is currently equipped with one engine and a staff of 12.

The station also experiences the least activity of any station due to its service area being comprised of lower density development than the rest of the City. It mainly includes the industrial parks, the mall, and single family houses. In 2011, the East Taunton Station received only 8% of all emergency calls made to the Fire Department. As with other districts, first responder calls for medical emergencies comprised the majority of calls. Figure 13 provides a summary of the call types by district for a one year period.

Figure 13. Fire Department Service Calls by District, April 1, 2010 through March 31, 2011

| District | Medical | Fire | All Other¹ | Total Calls | District Share |
|---------------------|----------------|-------------|------------------------------|--------------------|-----------------------|
| Central | 2,053 | 174 | 1,181 | 3,408 | 35.3% |
| Weir | 1,295 | 136 | 720 | 2,151 | 22.2% |
| Bay | 1,172 | 100 | 731 | 2,003 | 20.7% |
| Oakland | 751 | 104 | 482 | 1,337 | 13.8% |
| East Taunton | 442 | 37 | 290 | 769 | 8.0% |

Sources: City of Taunton Fire Department; HR&A Advisors

¹ Includes calls relating to motor vehicle collisions, box alarms, hazardous materials, requests for public assistance, investigations and police assistance.

The City of Taunton contracts with American Medical Response to provide ambulance transport services for medical emergencies. AMR is the nation’s largest private medical transportation provider and contracts to with a number of cities in Massachusetts, including Springfield, Worcester, and Plymouth. Currently, AMR operates a facility in downtown Taunton that serves Taunton and other cities in the region.

AMR maintains a fleet of nine ambulances and approximately 60 employees at their Taunton facility; of these, two trucks and 16 staff are dedicated to calls originating in Taunton. AMR estimates that they respond to approximately 6,500 emergencies in Taunton in a typical year. On average, 85% of these responses result in trips to local hospitals.

Based on its current contract, AMR provides its transportation services at no cost to the City. It recoups its expenses through user fees charged to its patients. The Taunton Fire Department serves as a first responder on all medical emergency calls and assists AMR on site.

One-Time Costs to Taunton Fire Department from Project Opening

The proposed Project calls for three mid- to high-rise hotel buildings, two of which will be constructed over the three-story casino. These properties could rise as high as 15 stories, which would make them the tallest occupied buildings in the City. Since its current ladder trucks cannot service buildings of that height, Department officials estimate that it will need at least one additional ladder company, one ambulance and the staff to operate them at standard levels. A fully-equipped ladder truck that would service the hotels proposed in Phases II, III and IV is estimated to cost approximately \$720,000.

The East Taunton Fire Station would also require substantial capital improvements to accommodate a second fire engine and an addition or new facility to house a ladder truck. The station is one of the City's oldest and most underused stations. It can currently accommodate only one engine due to its structural instability, and would require substantial renovations before it would be able to accommodate a second vehicle. Additionally, given that it is currently equipped to serve a district comprised largely of single family homes and single story commercial buildings, it does not have the equipment required to service the Project's mid-rise buildings.

As it is currently designed, the East Taunton Station cannot accommodate a vehicle with the length of a traditional ladder truck. As a result, the existing facilities would need to be expanded or rebuilt to accommodate the new equipment.

The Department's 13,000 square foot Central Fire Station in downtown Taunton, which faced similar structural issues as the East Taunton Station, was recently renovated at a cost of \$2.5 million. The project replaced its floor and upgraded its electrical, heat, HVAC and sprinkler systems. At a minimum, the East Taunton Station would require a similar level of rehabilitation to accommodate its new equipment and house the officers required to staff them. Based on construction cost estimates from RS Means, the construction of a new substation would cost approximately \$2 million.

The Project will also place additional burden on the Department's fire inspection unit during its planning and construction phase. Since the inspection unit is currently understaffed, the Project will likely require the Department to hire or contract for an additional staffer at a cost of \$80,000 for one year.

In total, the impacts of the Project as proposed will result in \$2.9 million in upfront costs for the Department. However, the entirety of this cost will not need to be incurred immediately to support phase I. The key upfront activities will be a percentage of the fire inspection official's time as well as beginning the Station upgrades. HR&A estimates that \$2 million of the costs should be incurred to adequately support Phase I, with the remaining incurred at the beginning of Phase II.

Figure 14. One-Time Upfront Costs (2013\$)

| Upfront Impact Fees | Units | Per Unit Cost | Total Public Cost |
|----------------------------|--------------|----------------------|--------------------------|
| Ladder Truck | 1 | \$720,000 | \$720,000 |
| Fire Inspection Official | 1 | \$80,000 | \$80,000 |
| Station Upgrades (SF) | 10,000 | \$206 | \$2,060,000 |
| Total Impact Fees | | | \$2,860,000 |

Sources: City of Taunton Fire Department; RS Means QuickCost Estimator; HR&A Advisors

Ongoing Annual Operating Impacts

HR&A estimates that the Department will require a new ladder company at the East Taunton Station to fully service the estimated increase in calls that will result from the project.

Based on NFPA standards, a new ladder company requires 20 total officers. This represents four officers to staff each six-hour shift, plus four additional officers to cover for vacation and sick leave. At an average cost of \$69,500 per officer based on the 2012 budget and including benefits and pension expenses, this amounts to an additional \$1.4 million in annual operating costs for labor. These new officers would likely have to be hired and in place for the opening of Phase II.

In addition, the anticipated increase in the Department's call volume will increase the Department's budget for utilities, supplies and materials, and outside contracted services. Based on the existing administrative and operating expenses per officer, the Department would incur an additional \$100,000 in operating costs per year.

Given the City's current contract with AMR and receipt of user fees to cover ambulatory costs, HR&A assumes that the cost of incremental AMR services will be paid for by individual users and will have no fiscal impact on the City.

The impacts of the proposed Project will generate up to \$1.5 million in incremental annual operating costs to the City of Taunton Fire Department. While full improvements to the Fire Station may not be necessary until Phase II, the Department will need to increase its staff at the opening of the casino to respond to expected increases in calls driven by visitation.

Figure 15. Incremental Annual Operating Expenses (2013\$)

| Incremental Operating Costs | Units | Per Unit Cost | Total Public Cost |
|-------------------------------------|--------------|----------------------|--------------------------|
| New Officers - Salary & Benefits | 20 | \$69,515 | \$1,400,000 |
| Incremental Operating Expenses | 20 | \$4,311 | \$100,000 |
| Total Annual Operating Costs | | | \$1,500,000 |

Sources: City of Taunton Fire Department; HR&A Advisors

Case Studies of Comparable Projects

In order to benchmark the cost estimates provided by City of Taunton officials to ensure reasonableness, HR&A reviewed impact studies for comparable facilities.

Case Study: Philadelphia

Project Type: Two land-based, slots-only casino resorts (proposed)

Project Size: 1,500-3,000 machines as-of-right; 5,000 machines by state approval; high-rise hotel

In 2005, then-Mayor John Street created the Philadelphia Gaming Advisory Task Force to estimate the impacts of casino gaming on the City. The Pennsylvania State Legislature had approved up to two gaming facilities in Philadelphia in 2004, but left it to the City to determine the best sites for the new facilities and to estimate the fiscal, economic and social impacts the casino properties would have on the City and surrounding area.

The Task Force's final report evaluates the potential costs and benefits of 14 combinations of development sites, each of which would have placed different burdens on municipal services and infrastructure.

Fire

The study conducted by the task force found that all but one of the proposed sites could be adequately served by the Philadelphia Fire Department's existing stations and fleet. The remaining location fell far enough outside the Philadelphia fire department's existing service areas that a new, fully-staffed firehouse would be necessary to serve a casino property built. The Task Force estimated that the fully equipped firehouse would require an up-front capital investment of \$2.85 million dollars for a station, an engine truck and a ladder truck. Once built, the station would have an annual operating budget of \$2 million.

Emergency Medical Services

The Task Force determined that volume of visitors and traffic generated by the new Philadelphia casino properties would require the addition of at least one new paramedic unit per project, regardless of location. In order to staff a round-the-clock EMS unit, the City would need to hire at least eight full-time paramedics and purchase one new ambulance. The upfront capital investment for a fully-equipped ambulance was estimated at \$60,000, while the unit's annual operating budget was estimated to be \$450,000.

Implications and Recommendations

Both the Philadelphia and Detroit gaming task forces found that their respective casino resort projects would generate the need for new fire and EMS facilities. Though only Detroit built and equipped a new facility, the projects were both estimated to cost between \$2.85 and \$3 million. The estimated capital impact of the Taunton project is at the lower end of this range, particularly after the former figures are adjusted for inflation. Differences in the incremental impacts between Taunton and these projects, however, explain most of the differences. The incremental costs for Taunton include the purchase of a ladder truck and an expanded firehouse, while the other cities purchased two trucks and likely constructed larger facilities.

The estimate that the Project will generate the need for one dedicated ambulance is consistent with the experiences of other cities. AMR's proposed staffing plan is also more conservative than the Philadelphia proposal, though this also reflects their large, existing workforce in Taunton that is available to supplement the dedicated casino staff as necessary. As such, the marginal impact on AMR would be less than it would be for an EMS workforce dedicated solely to emergency responses.

POLICE DEPARTMENT

Existing Department Capacity

The City of Taunton maintains a police department of approximately 100 officers. The Department has been headquartered in a temporary facility since 2002, which presents it with a number of logistical challenges. The station is located in a converted supermarket, and despite a renovation, it is not designed to function as a modern police facility. Its cell block was built as a temporary addition and has a number of structural and design flaws. It also lacks adequate administrative and meeting space for a department of Taunton's size.

In Fiscal Year 2012, the Department has a total budget of \$10.3 million. The Department currently has 103 sworn officers, 17 fewer than what is required to meet minimum staffing needs according to conversations with senior officials. Due to its reduced headcount, its officers currently spend the majority of their shifts responding to calls and processing reports; the Department cannot assign beat officers to preventative or routine patrols. On many nights, as much as one-third of the City will not have an officer on patrol in its respective sector. The City is geographically organized into eight sectors whose boundaries have not changed in over 30 years. As a result, many of the districts are extremely large and do not reflect the impacts of new growth that has occurred in recent years.

Figure 16. Fiscal Year 2012 Budget, Taunton Police Department

| Budget Category | Amount |
|--------------------------------|---------------------|
| Salaries and Wages | \$9,628,152 |
| Contracted Services | \$284,000 |
| Utility Charges | \$154,800 |
| Supplies/Materials | \$77,700 |
| Fixed/Other Charges | \$5,450 |
| Equipment and Capital Expenses | \$111,200 |
| Total | \$10,261,302 |

Sources: City of Taunton; HR&A Advisors

The Project site is located in Sector 8, which includes the Silver Galleria mall and the Liberty and Union Industrial Park. The Section 8 substation is located in the East Taunton Fire Station and is used primarily for roll calls and for the processing of minor police reports while officers are on duty. It lacks facilities for permanent administrative functions or arrest processing, both of which are handled at the central station.

Sector 8 has received the fewest service calls of any sector in the City in each of the past three years, as illustrated in Figure 17. This reflects the large share of commercial and industrial uses in the sector, as well as a residential density rate that is lower than other areas of Taunton. Its largest commercial tenant, the Silver Galleria mall, also hires officers to be stationed on premises during its peak operating hours.

Figure 17. Police Department Service Calls by Sector, 2009-2012

| Sector | 4/1/09 – 3/31/10 | 4/1/10 – 3/31/11 | 4/1/10 – 3/31/12 | Sector Share |
|---------------|-----------------------------|-----------------------------|-----------------------------|-------------------------|
| 1 | 3,746 | 3,711 | 3,865 | 15% |
| 2 | 4,923 | 5,013 | 4,032 | 15% |
| 3 | 3,213 | 3,208 | 3,104 | 12% |
| 4 | 3,414 | 3,355 | 3,187 | 12% |
| 5 | 3,609 | 3,606 | 3,681 | 14% |
| 6 | 3,475 | 3,647 | 3,438 | 13% |
| 7 | 2,880 | 2,936 | 2,989 | 11% |
| 8 | 2,329 | 2,354 | 2,190 | 8% |
| Total | 27,589 | 27,830 | 26,486 | 100% |

Source: Taunton Police Department: HR&A Advisors

One-Time Impacts

Based on conversations with City police officials and a review of similar projects, HR&A estimates the following one-time impacts to provide sufficient police capacity to cover the Project:

- Creation of a new sector around the Project site,
- Hiring of new officers to staff the Project's sector,
- Purchase of an additional police cars and the equipment necessary to outfit it, and
- \$2.9 million in facilities upgrades at the East Taunton Fire Station to provide a fully equipped police substation.

Based on conversations with Department officials, the new sector would likely require 20 to 25 new officers and two new cars to operate it without diverting resources from other sectors in the City.

The development would also require the construction of a new police substation to accommodate the increased daily population in East Taunton. The new facility would likely include an on-site jail block, which requires at least one officer to be present in the station at all times, as well as dedicated administrative and meeting space. Based on cost estimates from RS Means, a 10,000 square foot substation would cost approximately \$3.0 million.

The completion of the new police substation should be done in conjunction with upgrades to the Fire Station for full capacity to be in place before the opening of the hotels.

Figure 18. One-Time, Upfront Costs (2013\$)

| Items | Units | Cost per Unit | Total Cost |
|-------------------------------------|--------------|----------------------|--------------------|
| Substation Construction Costs (psf) | 10,000 | \$295 | \$2,900,000 |
| New Patrol Cars | 2 | \$41,200 | \$82,400 |
| Total Cost | | | \$2,982,000 |

Sources: City of Taunton Police Department; City of Taunton FY 2012 Budget; RSMeans Quick Cost Estimator; HR&A Advisors

Ongoing Annual Impacts

In the Fiscal Year 2012 budget, the City of Taunton budgets approximately \$93,000 per officer in salaries and wages and an additional \$5,000 per officer in other administrative, facilities and operating expenses.

At full build out and with an expanded station, HR&A estimates the Project would require an additional \$2.5 million in incremental spending by the Taunton Police Department to provide services. HR&As estimates for police officers assumes that police will be responding to traffic violations, drunk driving, and other criminal activities that would not take place without the Project. This estimate does not include police presence for criminal activity directly on the property. Department staff should be increased in conjunction with expected increases in casino visitation over the first few years, so most of these costs will be incurred in conjunction with phase I.

Figure 19. Incremental Operating Expenses (2013\$)

| Incremental Operating Costs | Units | Cost per Unit | Total Cost |
|------------------------------------|--------------|----------------------|--------------------|
| New Officers | 25 | \$96,282 | \$2,400,000 |
| Administrative Costs | 25 | \$5,220 | \$130,000 |
| Total Operating Costs | | | \$2,500,000 |

Sources: City of Taunton Police Department; City of Taunton FY 2012 Budget; HR&A Advisors

Case Studies

In order to benchmark the cost estimates provided by City of Taunton officials to ensure reasonableness, HR&A reviewed impact studies for comparable facilities.

Case Study: Detroit

Project Names: MGM Grand Detroit, Greektown Casino Hotel, MotorCity Casino Hotel

Location: Detroit, MI

Project Sizes:

| Property | Slot Machines | Tables | Hotel Rooms |
|-----------------|----------------------|---------------|--------------------|
| MGM Grand | 4,000 | 94 | 400 |
| Greektown | 2,600 | 100 | 400 |
| MotorCity | 2,500 | 84 | 400 |

Source: Gambling USA; HR&A Advisors

In order to meet the security needs created by its three casino developments, Detroit created a new Gaming Division within its police department. The new division was tasked with responding to calls from the casino properties, patrolling the surrounding neighborhood, and acting as the city's liaison to the state police, the state gaming commission, private casino security, and other law enforcement agencies with an interest in Detroit's casinos. It also is responsible for traffic enforcement and providing additional details during special events.

In 2004, Detroit incurred approximately \$9.8 million in operating expenses to police its three casinos, or roughly \$3.25 million per casino. Casino operators funded 83% of these expenses.⁶

Case Study: Philadelphia

Project Type: Two land-based, slots-only casino resorts (proposed)

Project Size: 1,500-3,000 machines as-of-right; 5,000 machines by state approval; high-rise hotel

In 2005, then-Mayor John Street created the Philadelphia Gaming Advisory Task Force in order to determine the impacts of casino gaming on the city. The Pennsylvania State Legislature had approved two gaming facilities for Philadelphia the previous year. In addition to advising the city on the best potential development sites, Mayor Street asked the Task Force to estimate the fiscal, economic and social impacts the casino properties would have on Philadelphia and its residents. The Task Force's final report evaluates the potential costs and benefits of 14 combinations of development sites, each of which would have placed different burdens on municipal services and infrastructure.

Regardless of where the new casinos were located, the report's authors recommended that Philadelphia establish a new division within the department that would focus on its casino properties and any spillover effects on adjacent neighborhoods. Based on their review of the cost structure of the local police department, the authors estimated that a new division would cost between \$4.5 and \$7.5 million per

⁶ Final Report, Philadelphia Gaming Advisory Task Force, October 27, 2005, p. 288.

casino, with a minimum of \$2 million in start up costs and \$2 million in annual operating expenses. It also recommended that the Police Department would need to hire 24 new officers to ensure that the division would be self-sufficient.⁷

Implications and Recommendations

Both Philadelphia and Detroit proposed the creation of new gaming divisions within their respective police forces. Estimates of the additional staff needed by the Taunton Police Department are slightly more conservative than elsewhere. Taunton's proposal to supplement their existing East Taunton staff would require the addition of 15 officers rather than the 25 officers in the case of Philadelphia or 50 in the case of Detroit. The proposed project in Taunton, however, is smaller than in Detroit and Philadelphia, and the Department would only be policing a single casino as opposed to a potential casino district. In addition, Taunton's current crime rate and population density is lower than in Detroit and Philadelphia. As such, Taunton will likely be able to accommodate the increased volume of police calls by supplementing its existing force and facilities rather than creating a new division.

⁷ Final Report, Philadelphia Gaming Advisory Task Force, October 27, 2005, p. 284.

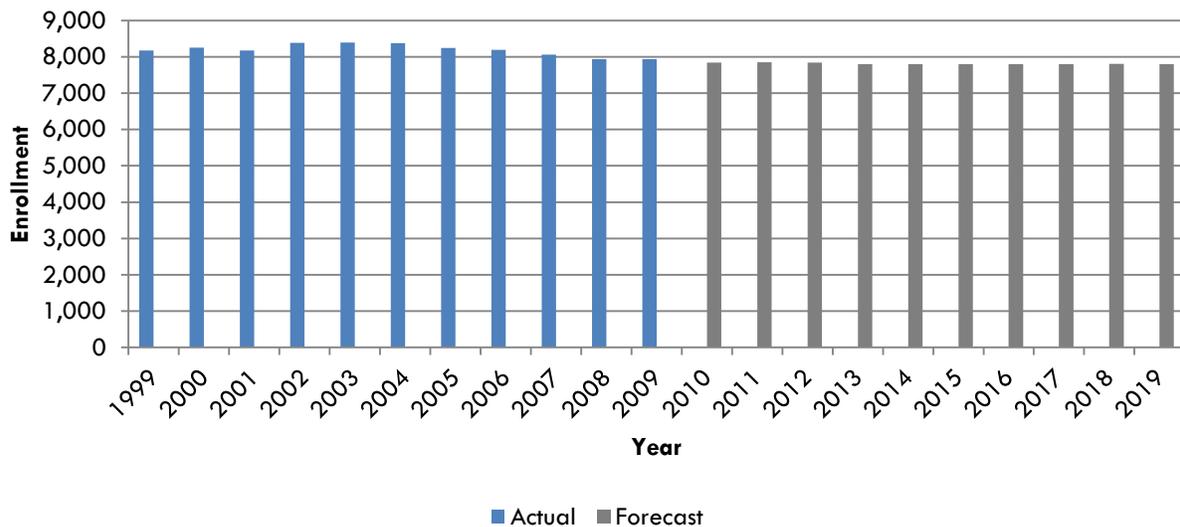
TAUNTON PUBLIC SCHOOLS

Existing Conditions

The Taunton Public School district is a comprehensive, city-wide school system comprising 13 schools covering Kindergarten through Grade 12. In the 2011-2012 school year, it enrolls 7,671 students and employs 557 teachers. The district recently completed a comprehensive realignment and capital construction campaign in which it closed three schools, converted its middle school into an elementary school and moved its eighth grade students into the high school.

Per pupil spending in Fiscal Year 2012 was \$9,532, the lowest rate of all urban school districts in the state. Its student-to-teacher ratio is approximately 13.7 to 1. Taunton's school-age population has been stable to negative in recent years. While the district gained 223 students between 1999 and 2003, it lost 437 between 2004 and 2009 and expects to lose an additional 150 students between 2009 and 2019. According to officials, the district could accommodate at least 10 additional students per year. This observation is supported by the District's demographic trends, in which actual enrollment has consistently fallen short of projected enrollment over the past few years. The current enrollment is 167 students below their original forecast for the 2012 school year.

Figure 20. Historical and Forecasted School Enrollment, Taunton School District, 1999-2019



Source: New England School Development Council, *Demography and Enrollment Projections, Taunton, MA, March 2010*

Impact of New Residents on School Enrollment

HR&A conducted a multi-step analysis of the impact the 2,950 estimated new full-time equivalent jobs at full build out would have on the Taunton School District. The analysis primarily considers the impact of workers estimated to relocate to Taunton from outside its current labor market in order to take jobs at the Project.⁸ The Tribe anticipates that it will hire approximately 75% of the casino's new workforce from Taunton and the surrounding region. If this holds true, one-quarter of the workforce, or 738 workers, would be new to the region. Many of these new residents will likely be workers with experience in gaming or hotel operations.

An analysis of commuting data from the U.S. Census and other sources finds that 41% of people who work in Taunton also reside in the City. If the new residents to the region reside in Taunton at the same rate as other workers who are employed in the City, the Project would generate 300 new households. (For the purposes of this analysis, we have assumed that each new worker will form one household.) Approximately 29% of existing Taunton households have at least one school-aged child. Multiplying this by the estimated number of new households, the household growth would likely produce 86 new households with school-aged children. Based on the current public school enrollment, households with children generate an average of 1.23 public school students per household. If the 86 net new households have school children at the same rate as existing households, the Project would generate up to 105 new school children. Most of this impact would be felt at the opening of the first phase of the project. The casino itself is expected to have approximately 85% of the total employment (2,500 out of the 2,950.)

Figure 21. New School Children Generated by Net New Households

| Methodology | Indicator |
|--|------------------|
| Total Full-Time Equivalent Employment | 2,950 |
| Share of Employees Moving from Outside the Region | 25% |
| Estimated Increase in Regional Population | 738 |
| Share of Workers who Live and Work in Taunton | 41% |
| New Taunton Residents | 300 |
| Share of Households with School-Aged Children | 29% |
| Estimated New Households with School-Aged Children | 86 |
| Public School Enrollment per Household with Children | 1.23 |
| Total New School Children | 105 |

Sources: ESRI Business Analyst Online, US Census Bureau, 2006-2010 ACS 5-Year Sample; US Census Bureau, 2005-2009 ACS 5-Year Sample; MA Department of Labor; New England School Development Council; Taunton Public Schools; HR&A Advisors

Contribution to School Funding

It is unlikely that the new school children generated by the Project will require the Taunton Public Schools to incur any additional capital spending or hire additional personnel. Based on Commonwealth law, however,

⁸ The Tribe estimates that employment at full build out will include 2407 full-time jobs and 1089 part time jobs. HR&A bases this analysis on the number of full-time equivalent positions (2,900) to account for some potential relocation for part-time jobs.

the increased student population will require the City to fund each of these new students according to its per-pupil funding mandate.

The Commonwealth of Massachusetts provides aid to local school systems based on a formula that takes into account their student enrollment, demographics and local tax base. A district's total need is based on its Foundation Budget, which is the amount that the Commonwealth has determined to be the minimum amount that a model school district would spend given a specific enrollment profile. Each district is required to spend at least 95% of their Foundation Budget, though the Commonwealth provides need-based aid to help districts reach this budget floor. (For Fiscal Year 2013, Taunton will receive state aid equal to 60.6% of its Foundation Budget.) Municipalities are required to fill the gap between state aid and their specific budget floor. Typically, this obligation is funded out of general fund revenue.

For Fiscal Year 2012, the Commonwealth provided the Taunton Public Schools with a total of \$45,960,000 in aid, which included aid towards its Foundation Budget target (\$45.6 million), as well as aid for school lunch programs (\$0.05 million), charter school reimbursements (\$0.02 million) and school choice receiving tuition credits (\$0.3 million). In the current year, this amounts to \$3,540 in aid per pupil. Assuming that the Commonwealth will require the City of Taunton to contribute at a similar level for all new students in the future, the City would be required to spend an estimated \$3,645 for each student that is new to the District. Based on this precedent, adding 105 new students would increase the City's required contribution to the Taunton Public School system by \$383,000 annually. As approximately 85% of the workforce would come onboard to staff the casino in Phase I, the school system would incur the same percentage of cost (\$325,000).

Figure 22. Estimate of New Local School Contribution

| | |
|-------------------------------------|------------------|
| Total State Aid | \$45,960,000 |
| 2012 Enrollment | 7,671 |
| State Aid per Pupil | \$5,990 |
| Local Share per Pupil | \$3,540 |
| Total Cost per Pupil | \$9,530 |
| New Pupils | 105 |
| 2013 Local Share | \$3,645 |
| Total New Local Contribution | \$383,000 |

Source: HR&A Advisors, Taunton Public Schools

OTHER ADMINISTRATIVE EXPENSES

One-Time Administrative Expenses

The City of Taunton will also experience increased demand for municipal administrative services resulting from the new project. The Project will be larger and more complex than any other project built in Taunton's history. As a result, the entitlement process and construction of the Project will place substantial and unique pressures on the City's existing administrative workforce, particularly in the Public Works and Traffic

departments. Given that Public Works employees currently earn an average of \$64,000 annually in salary and benefits in Fiscal Year 2012, the Project would be estimated to generate up to \$132,000 in additional administrative costs during construction and Phase I.

Figure 23. Upfront Administrative Expenses

| Category | Units | Per Unit Cost | Total Cost |
|-------------------|-------|---------------|------------------|
| New FTE Employees | 2 | \$66,000 | \$132,000 |

Sources: City of Taunton; HR&A Advisors

Ongoing Annual Expenses

The Project will also increase the City's daily population by almost 25%. While it is not possible to predict the exact strains this additional visitation will place on the local government, additional impacts will be felt by various government departments in addition to those studied in detail in this and other consultant reports. It may also increase the demand for public health, addiction and other social services relating to compulsive gambling. The City may also wish to create new workforce development programs that train residents and help to place them in casino-related jobs.

Assuming that new pressures will lead to a 5% increase in the budgets for agencies that fall into the General Government and Health/Citizen Services budget categories, the Project would lead to a \$400,000 increase in Taunton's administrative budget.

Figure 24. New Incremental Administrative Expenses

| Category | Annual Budget | Expected Increase | Total Cost |
|--------------------------|---------------|-------------------|------------------|
| General Governmen | \$5,589,451 | 5% | \$279,473 |
| Health/Citizen Services* | \$2,248,233 | 5% | \$112,412 |
| Total Cost | | | \$400,000 |

Sources: City of Taunton; HR&A Advisors

* Includes Human Services, Health and Zoning, Personnel/Training, et al

V. Conclusion

The Project will have a significant and ongoing impact on City of Taunton. If the City is to meet the anticipated service demands generated by the Project as it is proposed, it would require an upfront capital investment of \$6.0 million to pay for necessary capital upgrades in its public safety agencies and the additional expenses likely to be generated during the entitlement and construction phases of the development, as summarized in Figure 25.

Figure 25. Summary of One-Time Upfront Expenses

| Upfront Costs | Upfront Costs |
|------------------------|----------------------|
| Police | \$2,982,000 |
| Fire/EMS | \$2,860,000 |
| General Administration | \$132,000 |
| Schools | <i>no impact</i> |
| Total | \$6,000,000 |

Source: HR&A Advisors

The Project's ongoing operations will also likely place additional demands on the City's annual operating budget. The Police and Fire Departments will need additional personnel to handle the anticipated increase in service calls associated with the project. The School System will likely see an increase in the student population, which will require a larger local contribution to the school budget based on the State funding requirements. Finally, the City's general administrative bodies will likely experience increased demand in its finance, law and public health divisions, above and beyond any new social services or employment programs the City wishes to create to help serve the Project. In total, HR&A estimates these new expenses will exceed \$4.8 million per year, as shown in Figure 26.

Figure 26. Summary of Incremental Annual Operating Expenses

| Annual Operating Costs | Operating Expenses |
|-------------------------------|---------------------------|
| Police | \$2,500,000 |
| Fire/EMS | \$1,500,000 |
| Schools | \$370,000 |
| General Administration | \$400,000 |
| Total | \$4,770,000 |

Source: HR&A Advisors

VI. Sources

Outside Sources

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Cartensen, F., *The Economic Impact of the Mashantucket Pequot Tribal Nation*. Storrs: Connecticut Center for Economic Analysis, 2000.

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Interviews with Local Officials

Interview with Chief Timothy J. Bradshaw, Taunton Fire Department, March 27, 2012.

Interview with Barry Cooperstein, City of Taunton Tax Assessor, March 27, 2012.

Interview with Gill Enos, City of Taunton Budget Director, March 27, 2012.

Interview with Chief Edward Walsh, Taunton Police Department, March 30, 2012.

Interview with Dr. Julie Hackett, Superintendent of Taunton Public Schools, March 30, 2012.

Interview with American Medical Response, April 19, 2012.