

# **Financial Assistance Application**

## **Tioga Downs Golf Course Cost / Benefit Analysis**

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The information included herein is taken from the attached Tioga County Industrial Development Agency (IDA) "Application for Financial Assistance" made by Tioga Downs Racetrack LLC, (User), the Tioga Recreation Association, Inc. (Owner), and various correspondence and conversations between representatives of the Tioga County Department of Economic Development and Planning, Tioga County Industrial Development Agency, County of Tioga, Town of Nichols, Village of Nichols and the Applicants.

### **PROJECT SUMMARY**

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In May 2012, Tioga Downs Racetrack, LLC began discussions with Tioga County Economic Development and Planning (ED&P) staff about the pending application to New York State for a full gaming license. The comprehensive plan included four (4) phases of development, identified as follows: Phase 1- construction of a parking garage, Phase 2- construction of a gaming floor and restaurant, Phase 3- construction of a hotel, amenities building and outdoor concert venue and Phase 4- renovation and improvements to the Tioga Country Club Golf Course. All phases were identified in the initial gaming license application filed and ultimately approved by New York State.

Phases 1-3 held an immediate need to begin the construction in a timeframe that would allow for the casino to open as soon as possible. The applications were made solely by Tioga Downs Racetrack, LLC. At this time Phases 1-2 have been completed and Phase 3 construction has commenced; each was addressed in previous Applications for Financial Assistance made by Tioga Downs Racetrack, LLC. Due to the ownership structure of Phase 4, a separate Application for Financial Assistance has been made to the Tioga County Industrial Development Agency.

Phase 4, the renovation and improvements to the existing Tioga Country Club facility located at 151 Ro-Ki Boulevard, Nichols, owned and operated by the Tioga Recreation Association, Inc., will be ancillary to the Tioga Downs Casino and Resort. The \$3,280,000 improvement to the golf course was part of the original development of the Tioga Downs Casino and Resort tourism destination and is a condition of the gaming license issued by the State of New York earlier this year. The improvements will include demolition of the existing clubhouse and subsequent construction and equipping of an approximately 10,000 square foot clubhouse, including kitchen equipment, HVAC and refrigeration equipment, support, security and fire systems, IT infrastructure, as well as the purchase of golf carts and course maintenance equipment.

On September 30, 2016, Tioga Downs Racetrack, LLC and the Tioga Recreation Association, Inc. made a joint request to the Tioga County Industrial Development Agency for financial assistance on improvements to the Tioga Country Club Golf Course. This arrangement calls for a lease of the facility by

Tioga Downs Racetrack, LLC with ownership being retained by the Tioga Recreation Association, Inc.

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

As has been recently demonstrated by other golf clubs in the area, it has become increasingly difficult for a small course to be fiscally viable. The recent news of the sale of the Vestal Hill Golf Course and the closing of the Newark Valley Golf Course are clear evidence of this. The declining membership at the Tioga Country Club and increasing financial challenges the golf club has faced in recent years does not bode well for their sustainability. However, the relationship in partnership with Tioga Downs will not only improve, stabilize and strengthen the long term viability of the golf club, but will also retain the existing jobs and create a small number of additional jobs. In addition, the anticipated sales enhancement to be derived from the project improvements will generate new sales tax revenue. The new clubhouse will present a unique facility in the local golf marketplace, quite distinct from what is available at other golf related businesses in the area. This is a winning situation for not only Tioga Downs and their customers, but also for the existing members and players at this long standing Tioga County attraction.

Another compelling factor in this case is the economic impact of the tourism sector in Tioga County, NY. With expanded room capacity for tourists and the ability to offer other recreational opportunities, the area will generate more local spending by visitors.

The Tioga County 2020 Strategic Plan (the "Plan") specifically identifies tourism as a basic activity that generates new economic funds for a local community. The identified goal to "Maintain and strengthen Tioga County's position as a tourism destination" outlines three (3) specific objectives which this project will address:

- Increase visitor's length of stay and spending by assisting with projects that develop and enhance new and existing tourism assets, such as historic properties, lodging, greenspaces and walkable downtowns, as well as increasing recreational, cultural and entertainment opportunities, including recreational opportunities on the Susquehanna river
- Capitalize on the increased visitor traffic at Tioga Downs Casino through on-site promotion
- Support new tourism product development such as an outlet mall adjacent to Tioga Downs and an outdoor/indoor recreational facility

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

## PROJECT DETAIL

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**Proposed Site:** Current Tioga Recreation Association site consists of approximately 112 acres and includes a golf course, club house and numerous out buildings.

**Job Creation:** Project creates an anticipated new workforce of \*3 direct full time year round employees plus 28 part-time seasonal employees (or 17 FT equivalent) with an estimated direct new payroll of \$325,000 within two (2) years of project completion.

**Project Schedule:** Construction is scheduled to begin in December 2016 and be completed by 2018.

**\*The current workforce will be terminated by Tioga Recreation Association and new hires will be employed by Tioga Downs Racetrack, LLC. The net impact to employment will create 1 direct full time year round employee plus 6 part time seasonal employees (or 4 FT equivalent) and retain 2 full time year round employees plus 22 part time seasonal employees (or 13 FT equivalent).**

## ESTIMATED PROJECT BUDGET

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### Tioga Downs Racetrack, LLC

Building Construction	\$2,400,000
Soft Costs	\$ 250,000
Furniture, Fixtures & Equipment	\$ 600,000
Financial Application Fee	\$ 30,000
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Total	\$3,280,000

Based on taxable items related to the building construction, equipment and fixtures purchases, less labor cost, anticipated at \$1,800,000 the IDA will be offering a sales tax savings estimated at \$144,000; State and local amounts in equal portions of \$72,000.

The financing for Phase 4 was included in the previously granted PILOT for the overall Tioga Downs Racetrack project. Therefore there will be no mortgage specific to this construction and thus no mortgage tax abatement offered.

**Total estimated local sales tax savings and mortgage recording tax savings for the project: \$72,000.**

**ECONOMIC IMPACT**

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**A) Operations Employment Impact:**

In determining employment impact to the area, we have utilized the direct-effect employment multiplier provided by the US Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis (2013). The following estimates employment impact for Tioga County, New York.

<b>Estimated Operations Employment Impact Tioga County, NY</b>	
	<b>Tioga Downs Racetrack, LLC</b>
Job Creation	4
Multiplier	1.0587
Total Employment Impact to Tioga County, NY	4.2348

*Note: Multiplier = "Other amusement and recreation industries"*

**Operations Employment Impact Summary:**

1. This project will create approximately 4 new FTE (equivalent) by the Corporation.
2. Additional indirect results include creating ~ <1 FTE in Tioga County, NY.
3. This project will also retain existing direct job force of 13 (FT equivalent).
4. Additional indirect results include the retention of the current indirect job force of 1.
5. Total annual job impact is estimated at 18.

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

In determining annual earnings (wages) impact, we have utilized the direct-effect earnings multiplier provided by the US Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis (2013). The following estimates annual earnings impact for Tioga County, New York.

<b>Estimated Operations Annual Earnings Impact Tioga County, NY</b>	
	<b>Tioga Downs Racetrack, LLC</b>
Annual Earnings (4 employees)	Est \$75,772
Multiplier	1.1331
Total Earnings Impact to Tioga County, NY	\$85,857

*Note: Multiplier = "Other amusement and recreation industries"*

**Operations Annual Earnings Impact Summary:**

1. This project will create approximately \$75,772 in new annual employee earnings by the Corporation.
2. Indirect results include creating ~\$10,085 in additional annual employee earnings in Tioga County, NY.
3. This project will also retain existing direct annual earnings of \$249,228
4. Additional indirect results include the retention of current indirect annual employee earnings in Tioga County, NY.
5. Total impact to earnings through term of agreement ~ \$6,701,700

**C) Construction Earnings Impact on an annual basis:**

In determining annual earnings (wages) impact, we have utilized the direct-effect earnings multiplier provided by the US Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis (2013). The following estimates annual earnings impact for Tioga County, New York.

<b>Estimated Construction Employment Impact Tioga County, NY</b>	
	<b>Tioga Downs Racetrack, LLC</b>
Job Creation	15
Multiplier	1.2578
Total Employment Impact to Tioga County, NY	18.867

**Construction Employment Impact Summary:**

1. This project will create approximately 15 construction jobs.
2. Additional indirect results include creating ~ 3 jobs in Tioga County, NY.

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

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

Existing Real Property Tax	Estimated New Real Property Tax	Year	PILOT percentage	Estimated Total Real Property Tax	Estimated Total PILOT payment	Projected Abatement
\$15,563	\$253,956	1	5%	\$269,519	\$40,042	\$229,477
\$ 15,874	\$259,035	2	10%	\$274,909	\$53,162	\$221,747
\$16,192	\$264,216	3	15%	\$280,408	\$66,791	\$213,617
\$16,516	\$269,500	4	20%	\$286,016	\$80,944	\$205,072
\$16,846	\$274,890	5	25%	\$291,736	\$95,636	\$196,100
\$17,183	\$280,388	6	30%	\$297,571	\$110,884	\$186,687
\$17,527	\$285,996	7	35%	\$303,523	\$126,703	\$176,820
\$17,877	\$291,716	8	40%	\$309,593	\$143,111	\$166,482
\$18,235	\$297,550	9	45%	\$315,785	\$160,124	\$155,661
\$18,599	\$303,501	10	50%	\$322,100	\$177,760	\$144,340
\$18,971	\$309,571	11	55%	\$328,542	\$196,038	\$132,504
\$19,351	\$315,763	12	60%	\$335,114	\$214,976	\$120,138
\$19,738	\$322,078	13	65%	\$341,816	\$234,593	\$107,223
\$20,133	\$328,519	14	70%	\$348,652	\$254,909	\$93,743
\$20,535	\$335,090	15	75%	\$355,625	\$275,943	\$79,682
\$20,946	\$341,792	16	80%	\$362,738	\$297,717	\$65,021
\$21,365	\$348,627	17	85%	\$369,992	\$320,252	\$49,740
\$21,792	\$355,600	18	90%	\$377,392	\$343,569	\$33,823
\$22,228	\$362,712	19	95%	\$384,940	\$367,690	\$17,250
\$22,673	\$369,966	20	100%	\$392,639	\$392,639	\$0
<b>\$378,143</b>	<b>\$6,170,466</b>			<b>\$6,548,610</b>	<b>\$3,953,484</b>	<b>\$2,595,127</b>

\*Note: Real Property Taxes estimated for \$2,446,000 assessment based on a 2015/2016 Town, Village, County, School and Recycle combined tax rate of 110.2813 for first year and increased by 2% each following year. Fire tax is 3.279824/1000 assessed value and Library tax is .05469/1000 assessed value, both at 100% all years.

**According to this estimated PILOT financial model, over a period of twenty (20) years, Tioga Downs Racetrack, LLC, would be afforded an estimated real property tax abatement of \$2,595,127.**

Justification for deviation from Uniform PILOT Policy takes into consideration not only the Phase 4 Tioga Downs Golf Course project, but the Tioga Downs Casino and Resort impact in its entirety.

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

Company is making total private investment of over \$134 million in Tioga County; of which \$3,280,000 is applied to the Phase 4 golf course project.

Company is creating 154 direct jobs in Tioga County; of which 4 FT equivalent are applied to the Phase 4 golf course project.

Company is securing/retaining 323 direct jobs in Tioga County; of which 13 FT equivalent are applied to the Phase 4 golf course project.

Company is stimulating additional 18 indirect jobs in Tioga County; of which 1 is applied to the Phase 4 golf course project.

Company is bringing over \$6.2 million in new direct payroll to Tioga County annually and over an estimated \$152 million new direct payroll over the life of the PILOT; of which over \$1.5 million is applied to the Phase 4 golf course project.

Company is stimulating additional \$783,210 indirect payroll to Tioga County annually and over \$482 million in existing, new and indirect payroll over the life of the PILOT; of which \$6.7 million is applied to the Phase 4 golf course project.

Company is bringing 565 construction jobs to Tioga County; of which 15 are applied to the Phase 4 golf course project.

Company is stimulating additional 322 indirect jobs related to construction to Tioga County; of which 3 are applied to the Phase 4 golf course project.

The inclusion of the Phase 4 golf course project was a condition of the approval by New York State for the gaming license and is encompassed in the overall fiscal package for mortgage funding and tax relief.

Project will stabilize fiscal integrity and long term viability of Tioga Recreation Association.

Company will bring increased gaming revenue to County and Town.

Company will bring increased sales tax revenue to Tioga County.

Company will bring increased conference capacity in Tioga County.

Company will increase hotel/motel tax revenue for Tioga County.

Revenue projections show the need for longer payback.

Development addresses 2020 Strategic Plan objectives.

## SUMMARY

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- Tioga Downs Racetrack, LLC, through new construction is contributing an estimated \$134 million in private capital investment
- Tioga Downs Racetrack, LLC is creating 154 new jobs with an associated annual payroll of \$6.2 million
- Tioga Downs Racetrack, LLC will be securing/retaining 323 jobs with an associated annual payroll of \$12.8 million
- The total wage impact is \$483,492,025 over 20 years
- Tioga Downs Racetrack, LLC is creating 565 construction jobs with an estimated payroll of over \$25 million
- One time gaming license revenue of \$1 million to Tioga County and \$1 million to the Town of Nichols.
- The project will create increased sales tax revenue.
- Additional annual gaming revenue will go to Tioga County and to the Town of Nichols.
- The 161 new rooms are anticipated to reach 70% capacity on an annual basis. An estimated \$265,412 infusion of averaged new annual hotel/motel local tax revenue is anticipated.
- The Tioga County IDA is offering sales tax savings estimated at \$144,000 for construction, fixtures purchase and working capital. Local portion equals \$72,000.
- The Tioga County IDA is offering a real property savings estimated at \$2,644,317 over twenty (20) years.
- The project will add \$3,904,294 to the real property tax base over the term of the PILOT.