

MGM SPRINGFIELD SURROUNDING COMMUNITY IMPACTS

BASELINE STUDY – 2015 HOLYOKE



INTRODUCTION

Civic Economics is pleased to present the **City of Holyoke** and **MGM Springfield** with this report of Baseline Study data developed according to the Surrounding Community Agreement (SCA) between the municipality and MGM. It summarizes the current state of and trends affecting the areas of potential impact defined in that SCA so that they can be documented and tracked over time.

Those areas of study are as follows:

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Two additional areas of long term impact will be incorporated into the Look Back studies, when MGM Springfield has established hiring and contracting data for the region. These are (1) local vendor/supplier spending in the community and (2) employment of local residents.

This report takes each in turn, including both current data and a brief discussion. In addition, Excel workbooks will remain accessible to municipal and MGM Springfield officials via Dropbox.com (or successor services) in the years leading up to the Look Back studies. We hope that information flow facilitates cooperative efforts in the years leading up to opening.

This baseline report incorporates as the datasets provided by the community as well as additional data contained in the associated Dropbox folder. Civic Economics has collected a range of material covering municipal finance for all participating communities.

BACKGROUND

On November 5, 2014, in the culmination of an extended selection process, the Massachusetts Gaming Commission granted MGM a license to develop a casino complex in the heart of Springfield, Massachusetts. The design submitted by MGM was intended to create a regional gaming destination with an approximate 125,000 square foot casino floor, 250 hotel rooms, 54 market rate apartments, a bowling alley and movie theater, and an outdoor park with seasonal ice skating. Development is expected to cost approximately \$800 million and require more than two years to construct and furnish.

As a part of the licensing process, MGM Springfield has reached Surrounding Community Agreements with eight area municipalities, seven of which about the City of Springfield and all of which are within Hampden County. These Agreements describe a series of studies to be undertaken over a period of several years by an independent third party. Civic Economics was retained to provide these studies for seven surrounding communities, including this one.

The Impact Study Series

The Surrounding Community Agreements provide the parameters for the impact study series:

1. A Baseline Study was to be conducted shortly after MGM Springfield received a gaming license from the State of Massachusetts. This study is designed to make a record of current conditions in eight categories, which form the chapters of this report, for each of the eight participating communities.
2. A One Year Look Back Study will commence approximately 15 months after the opening of the Springfield casino. That study will look for changes in these categories that are attributable to the casino and quantify both positive and negative impacts on each participating community. It will also identify any negative impact that is both substantial and ongoing, so the parties can plan or act appropriately. Each community will work with the casino operator to determine appropriate mitigation compensation, if any.
3. A Five Year Look Back Study will largely replicate the One Year, with the parties again negotiating appropriate mitigation compensation, if any.

Civic Economics will conduct all of these studies as described in the Proposal for Baseline, 1 Year and 5 Year Analyses dated December 2014 and provided to all participating communities.

Data Collection and Maintenance

Each participating community and MGM Springfield will be provided with ongoing access to supporting materials in the years leading up to opening. It is our hope that periodic efforts will be made to update relevant data points during that period. That effort will ensure

that the community is able to document impacts in the Look Back studies and provide an opportunity to work with MGM Springfield to address any emerging issues as they develop.

MGM Data Collection

This report lacks data regarding the operation of MGM Springfield for the simple reason that it does not yet operate.

We have discussed our data needs with MGM and the company understands the need to provide data to support this project when the look back studies commence. Subject to the limitation that MGM cannot provide data that might compromise the privacy of employees and contractors in any community, we will receive detailed data regarding employment and employee compensation and a degree of detail regarding vendor contracts in each community.

During the look back studies, Civic Economics will make additional data requests of MGM Springfield as needed in order to quantify impacts according to the parameters outlined in the Surrounding Community Agreements.

Net Impact on Existing Commercial/Retail Activity, Including Tourism and Community Business Development

Civic Economics has collected two forms of data for the commercial/retail baseline. From the Massachusetts Department of Revenue, we pulled local option tax revenues for meals and lodging for those municipalities that collect such taxes. Holyoke collects both the local meals and local rooms option taxes. In addition, we asked local officials to provide data they believe to be relevant to the issue.

| Related Fiscal Impacts | 2012 | 2013 | 2014 | Notes |
|----------------------------------|--------------|--------------|--------------|--|
| Meals Local Option | \$0 | \$0 | \$0 | Fiscal Year; Started Meals Option at end of 2014 |
| Rooms Local Option | \$320,000 | \$365,000 | \$379,000 | Fiscal Year |
| Commercial Property Tax Receipts | \$18,549,733 | \$18,571,364 | \$18,524,241 | Fiscal Year |

| Local Data | 2012 | 2013 | 2014 | Notes |
|---|---------------------------------|---------------|---------------|--------------|
| Total Commercial Value | \$481,436,112 | \$464,632,588 | \$466,135,921 | |
| Commercial Value as Pct of Total Tax Base | 22.53% | 22.22% | 22.70% | |
| Commercial Tax Rate | \$38.52 | \$39.97 | \$39.74 | |
| Business Licenses Granted | 119 | 129 | 145 | |
| Business Licenses Expired | Data not available at this time | | | |
| Number of Hotels | 5 | 5 | 5 | |
| Number of Hotel Rooms | 388 | 388 | 388 | |

Impacts to Community from Traffic Levels

For each surrounding community, a separate engineering consultant has been retained to conduct traffic studies. Those analyses will be provided separately as it remains a work in progress as of the date of delivery for this document.

| Related Fiscal Expenditures | 2012 | 2013 | 2014 | Notes |
|--|-------------|-------------|-------------|--------------------------------|
| Dept of Public Works- Personal Services | \$1,916,100 | \$1,986,400 | \$2,132,000 | Fiscal Year |
| Dept of Public Works- General Expenses | \$2,545,130 | \$2,854,825 | \$2,994,900 | Fiscal Year |
| Dept of Public Works- Capital Outlay | \$273,465 | \$603,820 | \$376,800 | Fiscal Year |
| Snow and Ice Removal- Personal Services | \$61,480 | \$135,420 | \$202,230 | Fiscal Year; Overtime |
| Snow and Ice Removal- General Expenses | \$156,250 | \$427,950 | \$619,500 | Fiscal Year |
| Streets/Traffic Lights- General Expenses | \$530,900 | \$484,930 | \$428,220 | Fiscal Year; Energy and Repair |

Utility Infrastructure Needs Directly Related to the Project

Where possible, Civic Economics met with municipal officials involved with utility services. Concerns related to utilities deal with the availability and pricing of water and wastewater services. These services are currently purchased jointly through the City of Springfield. If the casino were to bring them closer or above capacity the fear is that pricing will rise and be passed along to the surrounding communities. We will monitor this situation throughout the length of the study.

In the years before the look back studies, municipal officials would do well to monitor any areas of concern related to utilities. Should likely impacts and costs appear, consultation with MGM Springfield would be advised in order to consider issues of causation and mitigation before costs and disruptions rise.

Related Fiscal

Expenditures

2012

2013

2014

Event TBD

Local Data

2012

2013

2014

Water Use

Wastewater Use

No water or wastewater usage was provided as part of the baseline analysis.

Crime Rates and Public Safety

The fear that crime associated with the MGM Springfield casino will spill over into the surrounding communities is common to all seven communities to some degree. The benefit of a look back study is that this can be measured over time and the changes can be analyzed without having to speculate. The baseline study contains crime data for 2012-14 and budgets related to police, fire, and ambulance services. We ask that communities continue tracking this data in the coming years so that a complete record can be assembled for the look back studies.

| Related Fiscal Expenditures | 2012 | 2013 | 2014 | Notes |
|--------------------------------------|--------------|--------------|--------------|--------------|
| Police Department- Personal Expenses | \$10,725,000 | \$11,151,000 | \$11,253,000 | Fiscal Year |
| Police Department- General Expenses | \$756,000 | \$793,000 | \$813,000 | Fiscal Year |
| Police Department- Capital Outlay | \$257,000 | \$284,000 | \$6,000 | Fiscal Year |
| Fire Department- Personal Expenses | \$8,513,000 | \$8,557,000 | \$8,460,000 | Fiscal Year |
| Fire Department- General Expenses | \$486,000 | \$445,000 | \$588,000 | Fiscal Year |
| Fire Department- Capital Outlay | \$171,000 | \$19,000 | \$70,000 | Fiscal Year |
| Ambulance Service- Personal Expenses | | | | |
| Ambulance Service- General Expenses | | | | |
| Ambulance Service- Capital Outlay | | | | |
| EMT- Personal Expenses | | | | |
| EMT- General Expenses | | | | |
| EMT- Capital Outlay | | | | |
| Local Data | 2012 | 2013 | 2014 | |
| Robbery | | | | |
| Assault Aggravated | | | | |
| Assault Simple | | | | |
| Burglary/Break and Enter | | | | |
| Shoplifting | | | | |

- Theft From Building
- Theft From Motor Vehicle
- All Other Larceny
- False Pretenses/Swindle
- Embezzlement
- Stolen Property Offenses
- Drug/Narcotic Violation
- Bad Checks
- Driving Under The Influence
- Family Offense/Non-Violent
- Liquor Law Violation
- Total Persons Arrested
- Total Traffic Offenses
- Total Motor Vehicle Violations
- Fire/Emergency Responses
- Emergency Medical Patients
- Code Compliance Activity

| Contextual Data | 2012 | 2013 | 2014 |
|------------------------|-------------|-------------|-------------|
| Population | 39,880 | 40,143 | 40,135 |

No crime data was provided during the baseline analysis portion of the study.

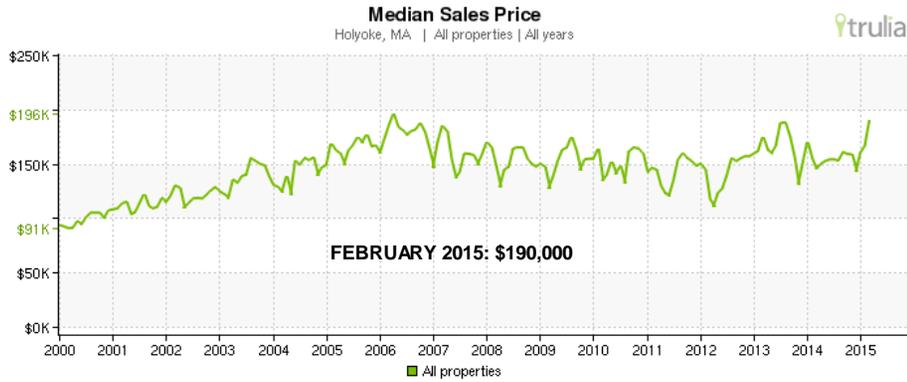
Residential Real Estate Values

The effect that MGM Springfield will have on residential real estate values is a concern of officials of some surrounding communities. For the baseline study we provided data that looks at total property tax receipts along with average home values, from local, regional, state, and national sources, as well as how much recent building activity has occurred within each jurisdiction. In addition, we have provided charts from Trulia.com that illustrate trends in home value. In look back studies, Civic Economics will evaluate data sources available at the time in order to chart trends.

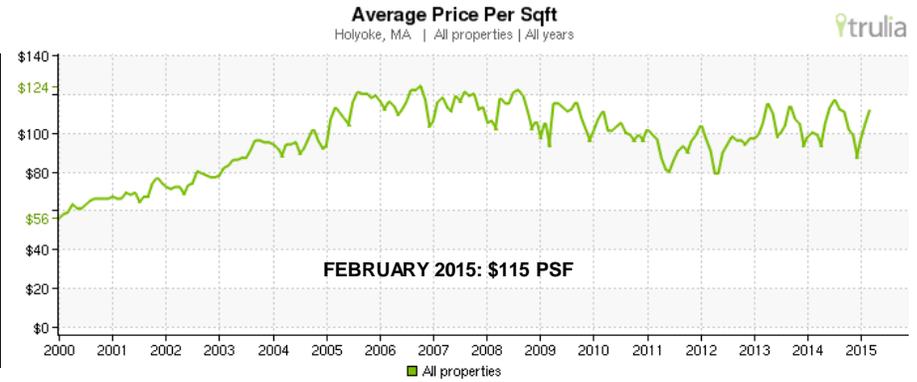
| Revenues | 2012 | 2013 | 2014 |
|-----------------------------------|--------------|--------------|--------------|
| Residential Property Tax Receipts | \$25,671,605 | \$27,424,601 | \$27,850,042 |

| Local Data | 2012 | 2013 | 2014 |
|--|-----------------|-----------------|-----------------|
| Average Home Values | \$184,888 | \$181,493 | \$178,741 |
| Total Residential Value | \$1,523,537,389 | \$1,494,528,700 | \$1,462,712,334 |
| Residential Value as Percent of Total Tax Base | 71.31% | 71.46% | 71.24% |
| Residential Tax Rate | \$16.85 | \$18.35 | \$19.04 |
| Total Single-family Units | 5,314 | 5,317 | 5,327 |
| Total Multifamily Units | 315 | 315 | 310 |
| New Single-family Units | 11 | 11 | 9 |
| New Multifamily Units | 5 | 4 | 0 |

HOLYOKE, MASSACHUSETTS RESIDENTIAL MARKET TRENDS



FIFTEEN YEARS



FIVE YEARS



ONE YEAR



http://www.trulia.com/real_estate/Holyoke-Massachusetts/market-trends/

http://www.trulia.com/real_estate/Holyoke-Massachusetts/market-trends/

Public Education

The potential effects of MGM Springfield on public education are almost entirely related to additional costs. The belief is that additional employment will bring additional families and children to the surrounding communities and increase enrollment, along with associated costs, at area schools. As part of the baseline study we have school budget data, along with enrollment and costs per student data. As the casino opens and begins operations we will have access to data provided by MGM that will show where new employees to the region are living to provide additional context in calculating any additional costs to the communities.

| Related Fiscal Expenditures | 2012 | 2013 | 2014 |
|--------------------------------------|--------------|--------------|--------------|
| School Budget- Personnel | \$67,615,984 | \$70,850,675 | \$71,616,889 |
| School Budget- General | \$33,810,247 | \$33,041,266 | \$36,499,548 |
| School Budget- Capital Expenditures | \$827,411 | \$1,948,004 | \$5,140,945 |
| Local Data | | | |
| | 2012 | 2013 | 2014 |
| Total Students | 6,727 | 6,633 | 6,552 |
| Expenditures Per Student | \$15,200 | \$15,957 | \$17,286 |
| Total Elementary Students | 3,121 | 3,048 | 3,067 |
| Total Intermediate Students | 1,433 | 1,424 | 1,353 |
| Total High School Students | 2,173 | 2,161 | 2,132 |
| Total Other Students | | | |
| Expenditures Per Other Student | | | |
| Context Data | | | |
| Total MA Students (Public) | 953,369 | 954,773 | 955,739 |
| Expenditures Per MA Student (Public) | \$13,637 | \$14,021 | \$14,570 |

Public Health

Public health concerns for the opening of MGM Springfield cross a number of areas depending on the community and its proximity to the actual casino. The general concern is the effect that gambling losses will have on two broad groups may bear impacts they cannot afford: the poor and elderly. As this study is designed, it will look at the impacts that these factors have upon actual city finances. A line will need to be drawn showing that due to the casino opening there were specific negative consequences and they had a tangible effect upon budgets in the community. For the baseline study, budgeting data was gathered along with local data that was specific to each community depending on the programs they offered and the tracking that was set up.

| Related Fiscal Expenditures | 2012 | 2013 | 2014 | Notes |
|--------------------------------------|-------------|-------------|-------------|--------------|
| Health Department- Personal Services | \$417,000 | \$425,000 | \$433,000 | Fiscal Year |
| Health Department- General Expenses | \$134,000 | \$164,000 | \$164,000 | Fiscal Year |
| Council on Aging- Personal Services | \$405,000 | \$403,000 | \$408,000 | Fiscal Year |
| Council on Aging- General Expenses | \$39,000 | \$79,000 | \$120,000 | Fiscal Year |

| Local Data | 2012 | 2013 | 2014 | Notes |
|----------------------------------|--|-------------|-------------|----------------------------|
| Total Number of Patients | 25 | 25 | 25 | |
| Total Number of Senior s Engaged | 450 | 1574 | 1917 | Seniors defined as age 55+ |
| Total Number of Problem Gamers | No data, but Senior Center Staff indicate it's rarely seen, if any | | | |

Extraordinary municipal administrative burdens

This section will become clearer as the casino opens and real world issues occur. This will include items that may not be anticipated ahead of time but constitute a measurable cost to the community directly related to opening and operation of MGM Springfield. As they become apparent, community officials should begin tracking expenses for study in the look back studies. In the interim, communication with MGM Springfield may facilitate intervention and mitigation on a mutually agreeable basis without waiting for Civic Economics to return.

CONTACTS

Given the lengthy interval of time before the look back studies, we are providing e-mail addresses for Civic Economics, MGM Springfield, and the community that are unlikely to change in the coming years.

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DROPBOX

https://www.dropbox.com/sh/6oeasulwg2artpz/AABh763pvVXUS_plxK3sdZZXa?dl=0