

The Potential Economic and Fiscal Impact of the Proposed Gabrielino Casino Resort on Los Angeles County



Submitted to:
Gabrielino-Tongva Tribe

Submitted by:
Analysis Group, Inc.

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Executive Summary

The Gabrielino-Tongva Tribe (“Gabrielino Tribe”) is a state-recognized tribe in California with well-documented ancestral ties to Los Angeles County. While the Tribe is currently landless, it intends to establish reservation land in a host city in Los Angeles County, where the Tribe holds geographical, historical, and cultural ties to the land.¹ On this land, the Tribe is proposing a state-of-the-art resort casino (“Gabrielino Casino Resort”). The casino is planned to have:

- a 310,000-square-foot gaming floor with 5,000 slot machines and 100 table games;
- a 1,000-room hotel;
- 10 gourmet restaurants;
- 6 reasonably-priced restaurants and a food court;
- 250,000 square feet of retail space;
- an entertainment complex, including a 3,500-seat amphitheatre, a 600-seat showroom, a 250-seat lounge for live music, and an in-house television studio for taping celebrity interviews;
- a 12-screen movie theater; and
- 80,000 square feet of meeting space.

Adjacent to the proposed casino, the Tribe is planning a tribal cultural center, a neighborhood supermarket, and an abundance of parking.

Based upon the size, scope, and projected performance of the Gabrielino Casino Resort, Analysis Group has determined that the casino will generate a significant economic and fiscal impact on Los Angeles County. The impact will come from three sources:

- the construction of the Gabrielino Casino Resort, which is a one-time impact;
- the gaming operation of the Gabrielino Casino Resort, which is a recurring annual impact; and
- tourism generated from the introduction of the Gabrielino Casino Resort, which is also a recurring annual impact.

IMPACT OF GABRIELINO CASINO RESORT CONSTRUCTION

The construction of the Gabrielino Casino Resort, which is estimated to cost \$520 million and, for the purposes of this study, is assumed to take place in 2007, will

¹ The Tribe is currently in discussions with the City of Compton and is conducting other discussions with other host city candidates on a confidential basis. The Tribe insists that all potential sites be surrounded by suitable zoning and served by a grid of at least three freeways and be a sufficient distance removed from residential and school properties.



directly and indirectly generate a one-time economic impact on Los Angeles County, including approximately:

- \$970.5 million in output (i.e., dollar value of production and sales);
- \$409.4 million in wages; and
- 7,900 jobs.

The construction of the Gabrielino Casino Resort will also directly and indirectly generate \$86.0 million in tax revenue. Approximately 53 percent of tax revenue, or \$45.9 million, would be received by the federal government, while the remaining 47 percent, or \$40.1 million, would go to state and local governments. This revenue will be generated by taxable economic activity resulting from the construction of the Gabrielino Casino Resort, including construction expenditures, construction employee wages and spending, the iteration of businesses purchasing from other businesses as a result of construction expenditures and employee spending, and wages and spending by employees at these other indirectly impacted businesses.

IMPACT OF GAMING OPERATION AT GABRIELINO CASINO RESORT

The gaming operation of the Gabrielino Casino Resort will yield a recurring positive economic and fiscal impact on Los Angeles County. In its first year of operations, which for the purposes of this study is assumed to be 2008, it is estimated that the *gaming activity alone* at the casino will directly and indirectly generate approximately:

- \$1.2 billion in output;
- \$482.7 million in wages; and
- 11,900 jobs.

The casino alone will support approximately 9,850 jobs and \$361.6 million in wages.

The operation of the Gabrielino Casino Resort will also result in a substantial fiscal impact to state and local governments. The impact is two-fold: 1) tax revenues generated from economic activity that results from the Gabrielino Casino Resort; and 2) revenue sharing with state and local governments under the terms of a tribal gaming compact.

Summary of Fiscal Impact of Gaming Operations at Gabrielino Casino Resort	
Source of Fiscal Impact	Year 1 Amount (\$ Millions)
Tax Revenue from Secondary Economic Activity	\$100.5
Revenue Sharing with State and Local Governments	164.3
Total Fiscal Impact	264.8



The first year of operations of the casino will indirectly generate \$100.5 million in tax revenue. Approximately 57 percent of tax revenue, or \$56.9 million, would be received by the federal government, while the remaining 43 percent, or \$43.6 million, would go to state and local governments. This revenue will be generated by taxable economic activity resulting from the operation of the casino, including purchases by the Gabrielino Tribe and Gabrielino Casino Resort from suppliers, casino employee wages and spending, the iteration of businesses purchasing from other businesses as a result of casino operations and employee spending, and wages and spending by employees at these other indirectly impacted businesses.

In addition to tax revenue indirectly generated for state and local governments, the Gabrielino Casino Resort will also yield a fiscal impact via revenue sharing. If the Gabrielino Tribe provides 20 percent of slot revenue to state and local governments,² revenue sharing would total \$164.3 million based upon the current size, scope, and projected performance of the Gabrielino Casino Resort.

The economic and fiscal impact of casino operations should be considered to be conservative. First, it excludes non-gaming operations at the casino (e.g., hotel, food and beverage, retail, and entertainment). Non-gaming business at the casino is instead incorporated into the tourism impact analysis. Second, it excludes all management fees, non-local revenue sharing, and substitution effects.

IMPACT OF TOURISM

In addition to the economic and fiscal impact that results from the construction and operation of the Gabrielino Casino Resort, the Gabrielino Casino Resort is expected to generate additional tourism for Los Angeles County. Additional tourism spending will come in the form of visitor spending on lodging, restaurants, shopping, sightseeing, transportation, and entertainment. Given tourism trends related to gaming in other jurisdictions, it is projected that the Gabrielino Casino Resort will increase tourism spending in Los Angeles County by \$1.7 billion in 2008, the assumed first year of operations.

This tourism spending will spur subsequent economic activity in Los Angeles County. In total, the additional tourism is estimated to directly and indirectly generate approximately:

- \$3.0 billion in output;
- \$1.2 billion in wages; and
- 36,000 jobs.

² The Tribe has proposed revenue sharing of 10 percent to the state, 2 percent to the county, 7 percent to the host city, and 1 percent to school districts of the host city. Final revenue sharing percentages may vary depending upon negotiations between the Tribe and other governmental entities.



The tourism industry alone, excluding gaming at the casino but including non-gaming operations at the casino, would support approximately 26,850 jobs and \$734.7 million in wages.

Tourism resulting from the operation of the Gabrielino Casino Resort will also result in a substantial fiscal impact to state and local governments. Tourism in the first year of operations of the casino is estimated to directly and indirectly generate \$383.1 million in tax revenue. Approximately 41 percent of tax revenue, or \$157.8 million, would be received by the federal government, while the remaining 59 percent, or \$225.3 million, would go to state and local governments.

TOTAL RECURRING ANNUAL IMPACT

The potential economic and fiscal impact of the Gabrielino Casino Resort on a recurring annual basis, including the operation of the casino and tourism resulting from the operation of the casino, are substantial for Los Angeles County. The operation of the casino and the resulting tourism are estimated to directly and indirectly generate approximately:

- \$4.2 billion in output;
- \$1.7 billion in wages;
- 47,900 jobs; and
- \$648 million fiscal impact on state and local governments, including:
 - \$483.7 million in tax revenue (44 percent to federal government and 56 percent to state and local governments); and
 - \$164.3 million in revenue sharing with state and local governments.

This total annual impact should be considered conservative as it is measured for the first full year of operations. Once the Gabrielino Casino Resort fully ramps up its operation and establishes itself as a premier gaming destination, its performance can be expected to improve and yield a greater annual economic and fiscal impact.

IMPACT ON EXISTING CARD ROOMS

Despite the rapid expansion of California Indian gaming in recent years, cardrooms have exhibited strong and sustained growth. With a fixed number of card tables, numbering approximately 800 at this time, California cardrooms have grown 34 percent since 2000 and just over 9 percent in 2004 alone. Furthermore, cardrooms seemed to be gaining momentum in recent years, while growth in Indian gaming has slowed down somewhat. For the past two years, gaming revenue at cardrooms has grown at an increasing rate. However, in 2004, gaming revenue at Indian casinos grew but at a much lower rate than previously was the case.



The steady growth in cardroom revenue points to the viability of their operations, which is attributable to the increasing popularity of poker and a strong customer base. Given recent trends, the strong growth of cardrooms is expected to continue. While the introduction of the proposed Gabrielino Casino Resort with slot machines and 100 table games may slow down cardroom growth, it is not expected to stop it. Los Angeles County cardrooms have already proven that they can persevere in the face of strong competition from Indian gaming facilities located in nearby counties.



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Cover: Depiction of proposed Gabrielino Casino Resort, Marnell Architecture.



1. Assignment

Analysis Group was commissioned by the Gabrielino-Tongva Tribe to estimate the potential economic and fiscal impact of a proposed resort casino (“Gabrielino Casino Resort”) on Los Angeles County. We were also asked to estimate the impact of casino operations on tourism. In conducting our assignment, Analysis Group has relied upon the current specifications of the planned 47-acre casino, Lehman Brothers’ financial projections for the casino, and publicly-available and private data on Indian gaming, commercial gaming, and tourism. Background on Dr. Alan Meister, the primary author of this study, and Analysis Group are set forth in Appendices A and B, respectively.



2. Background

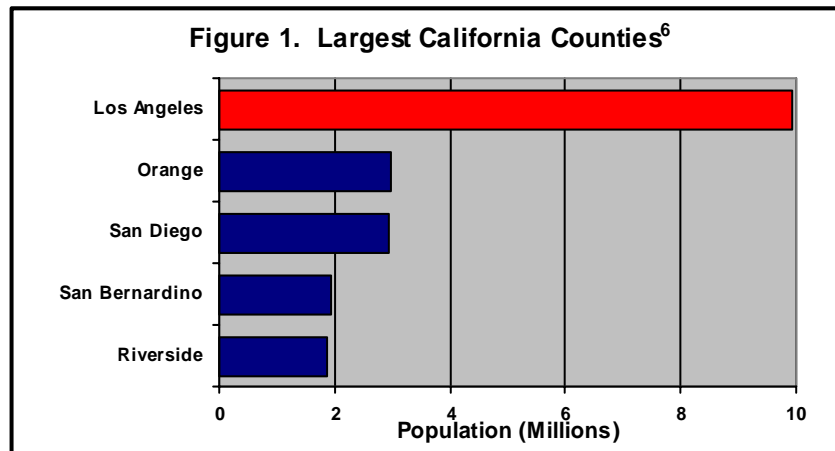
GABRIELINO TRIBE³

The Gabrielino-Tongva Tribe (“Gabrielino Tribe”) is a state-recognized tribe with ancestral ties to Los Angeles County. The Tribe has been indigenous to the Los Angeles Basin for 7,000 years. Gabrielino villages extended north to Topanga Creek in Malibu, south to the Newport Beach estuary, and east to the San Bernardino Mountains.

The Gabrielinos and their geographical, historical, and cultural ties to Los Angeles County are well documented through 2,800 archaeological sites, in state historical records, federal archives, and Catholic Church records at San Gabriel Mission and San Fernando Mission. The Gabrielinos' long history with the federal government began with an 1852 treaty signed by President Millard Fillmore, several federal land claims litigations, and generations of publications and certifications of tribal members by the U.S. Bureau of Indian Affairs. A current exhibit at the Native American Museum in Washington, D.C. includes the Tribe. In 1994, the State of California recognized the Gabrielino Tribe as “the aboriginal tribe of the Los Angeles Basin.”⁴

LOS ANGELES COUNTY

Los Angeles County is one of the nation’s larger counties with a geographic area of 4,084 square miles.⁵ Furthermore, as shown in Figure 1, it is largest county in the California in terms of population.



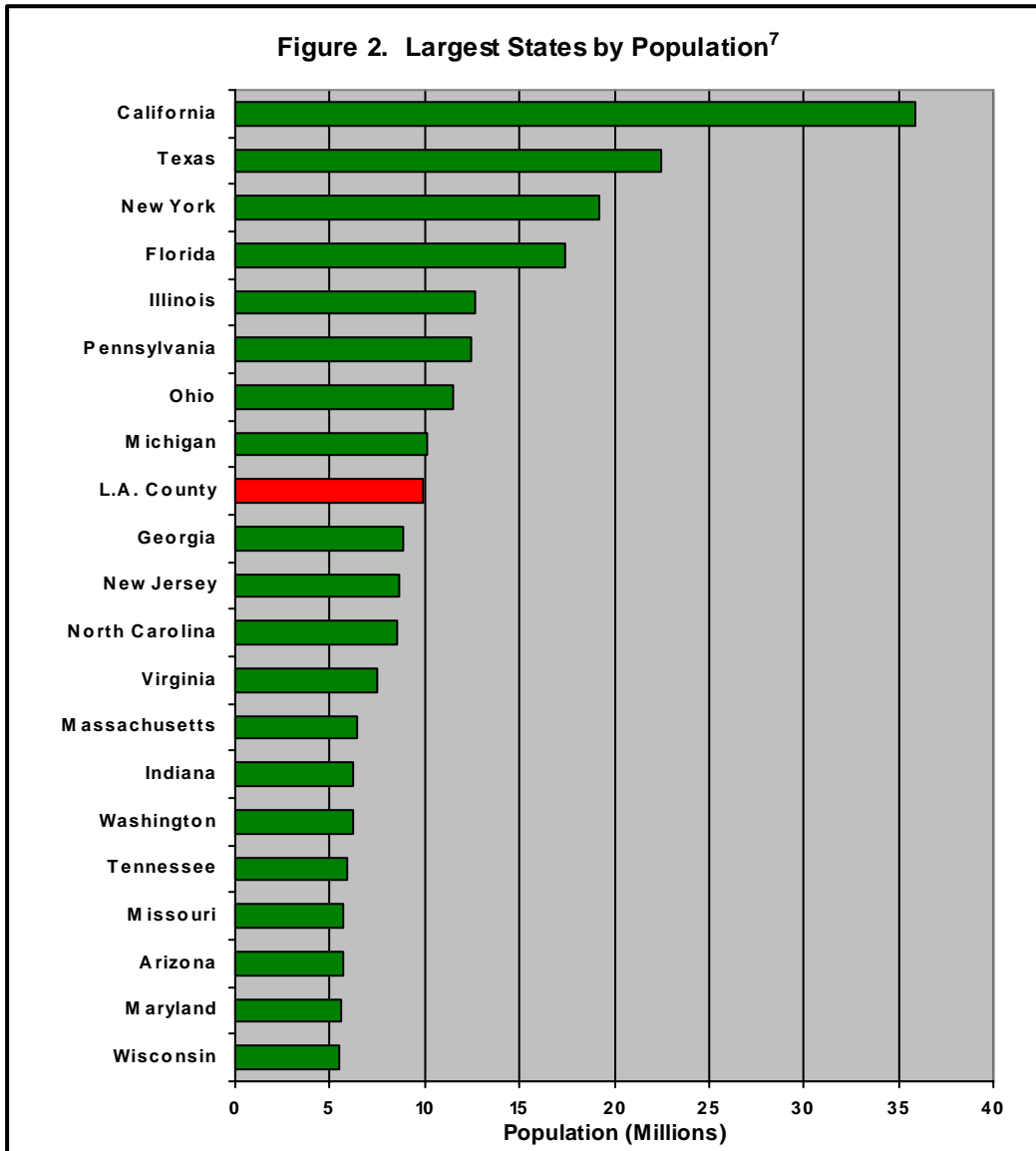
³ Source: Gabrielino Tribe.

⁴ Assembly Joint Resolution 96, chaptered by the California Secretary of State as Resolution chapter 146, Statutes of 1994.

⁵ County of Los Angeles website (<http://lacounty.info/overview.htm>).



It has approximately 9.9 million people and represents approximately 28 percent of the state's population.⁶ Los Angeles County also has the largest population of any county in the entire United States. In fact, as shown in Figure 2, only eight states have larger populations.⁷



The median household income in Los Angeles County (\$42,189) is above the national average.⁸ Los Angeles County is also surrounded by a number of fairly large

⁶ Population Division, U.S. Census Bureau, "Annual Estimates of the Population for Counties of California: April 1, 2000 to July 1, 2004" (CO-EST2004-01-06)" April 14, 2005.

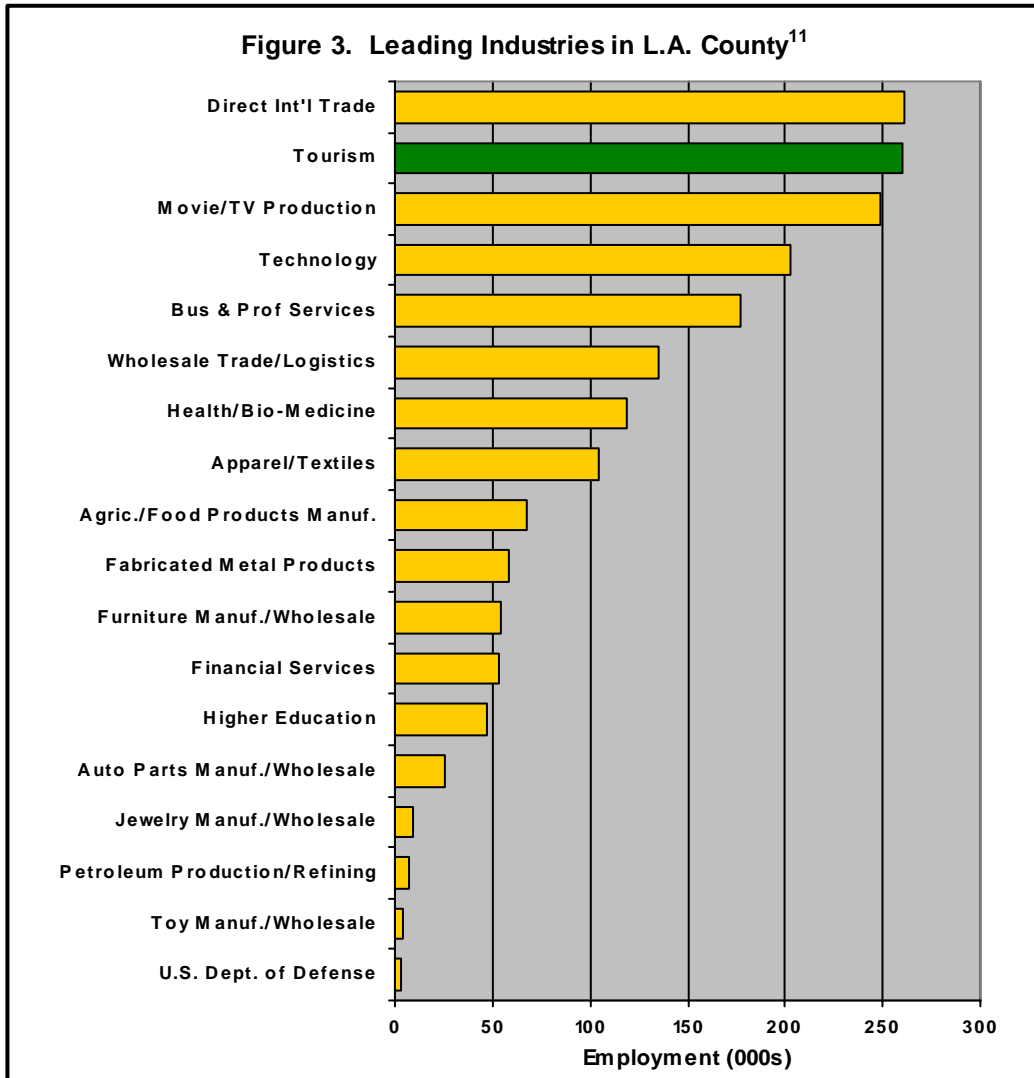
⁷ Population Division, U.S. Census Bureau, "Annual Estimates of the Population for the United States and States, and for Puerto Rico: April 1, 2000 to July 1, 2004" (NST-EST2004-01)" December 22, 2004.

⁸ U.S. Census Bureau, 2000 Census.



counties with above-average incomes (Orange, San Diego, San Bernardino, Riverside, and Ventura Counties).⁹

Los Angeles County's economy is vast and diversified. If Los Angeles County were a country, it would be the sixteenth largest economy in the world.¹⁰ As shown in Figure 3, tourism is the second largest industry in Los Angeles County. Other leading industries include direct international trade, motion picture/TV production, technology, and business/professional services.¹¹



Los Angeles County continues to be a leading tourist destination in the U.S. In 2003, it ranked fourth among domestic travelers and second among international

⁹ Population Division, U.S. Census Bureau, "Annual Estimates of the Population for Counties of California: April 1, 2000 to July 1, 2004" (CO-EST2004-01-06)" April 14, 2005; U.S. Census Bureau, 2000 Census.

¹⁰ LA INC., the Convention and Visitors Bureau, "Facts about Los Angeles: Business & Economy," accessed June 24, 2004 (<http://www.lapressroom.info/jsp/factsbusiness.jsp>).

¹¹ Los Angeles County Economic Development Corporation, "LA Stats," June 2005 Edition.



travelers.¹² In 2004, Los Angeles County saw a healthy increase in tourism. Overall, the number of visitors increased 4.1 percent from approximately 23.3 million to 24.3 million and spending by visitors increased 7.8 percent from approximately \$11.1 billion to \$12.0 billion.¹³ According to forecasts by the Los Angeles Economic Development Corporation, the tourism industry should see continued growth in 2005-2006 due to the declining value of the U.S. dollar and favorable media exposure the area has been receiving.¹⁴ With a loosening of travel restrictions on middle-class citizens in China, LA INC., the Convention and Visitors Bureau for Los Angeles, is expecting an increase in Chinese travelers to the United States.¹⁵ Given high gambling participation rates and an increasing number of high rollers among mainland Chinese,¹⁶ a world-class casino could help bring more Chinese travelers to Los Angeles County.

Los Angeles County offers a variety of air and ground transportation options for travelers. There are several commercial airports (LAX, Ontario International Airport, Long Beach Airport, Burbank Airport, and John Wayne Airport), LAX obviously being the largest. In fact, LAX is third busiest airport in the nation and fifth busiest in the world in terms of passenger volume.¹⁷ For ground transportation, taxis, public transportation (i.e., MTA Bus, MTA Rail, Metrolink, Metro Rail, and Amtrak),¹⁸ and private transportation (e.g., rental cars, limousines) are widely available.

The Los Angeles County area offers an abundance of tourist attractions:¹⁹

- amusement parks/zoos
 - Universal Studios, Disneyland, Disney's California Adventures, Six Flags Magic Mountain, Pacific Park (Santa Monica Pier), Aquarium of the Pacific, Los Angeles Zoo, and Knott's Berry Farms
- landmarks

¹² LA INC., the Convention and Visitors Bureau, "Tourism is the No. 2 Industry in LA," accessed June 24, 2004 (<http://www.lacvb.com/corporate/jsp/more1.jsp>).

¹³ LA INC., the Convention and Visitors Bureau, "LA Travel Stats 2004," forthcoming 2005.

¹⁴ Los Angeles County Economic Development Corporation, "2005-2006 Economic Forecast & Industry Outlook for the Los Angeles Five-County Area," January 2005.

¹⁵ LA INC., the Convention and Visitors Bureau, and Los Angeles World Airports, "Understanding the China Travel Market," February 2005.

¹⁶ Cai, L., X. You, and J. O'Leary (2001), Profiling the U.S.-Bound Chinese Travelers by Purpose of Trip, *Journal of Hospitality and Leisure Marketing* 7(4), 3-17; Kim, W., L. Cai, and K. Jung (2003), A Profile of the Chinese Casino Vacationer to South Korea, *Journal of Hospitality and Leisure Marketing* 7(1-2); Walker, T., *The 2005 Casino and Gaming Market Research Handbook*, 8th Edition, Atlanta: Terri C. Walker Consulting, Inc.

¹⁷ LA INC., the Convention and Visitors Bureau, "Facts About Los Angeles: Transportation," accessed June 24, 2004 (<http://www.lapressroom.info/jsp/factstransportation.jsp>); Los Angeles World Airports, "Just the Facts," accessed June 24, 2005 (<http://www.lawa.org/lax/justTheFact.cfm>).

¹⁸ LA INC., the Convention and Visitors Bureau, "Facts About Los Angeles: Transportation," accessed June 24, 2004 (<http://www.lapressroom.info/jsp/factstransportation.jsp>).

¹⁹ All attractions are located within Los Angeles County with the exception of Disneyland, Disney's California Adventures, Downtown Disney, Knott's Berry Farm, Los Angeles Angels of Anaheim, and Mighty Ducks of Anaheim. However, each of them is within a reasonable distance of Los Angeles County.



- Grauman's Chinese Theatre, the Hollywood sign, the Hollywood Walk of Fame, Queen Mary, Griffith Observatory, and La Brea Tar Pits
- concerts and performing arts
 - Music Center/Performing Arts Center of Los Angeles County (including the new Walt Disney Concert Hall), Hollywood Bowl, Kodak Theater, Shrine Auditorium, Staples Center, and Gibson Amphitheatre (formerly known as Universal Amphitheatre)
- museums
 - Getty Museum, Museum of Contemporary Art, Los Angeles County Museum of Art, and the Natural History Museum of Los Angeles County
- shopping
 - Rodeo Drive, the Beverly Center, Hollywood & Highland, Universal CityWalk, Third Street Promenade, Venice Beach Boardwalk, and Downtown Disney
- sporting events
 - Los Angeles Lakers, Los Angeles Dodgers, Los Angeles Angels of Anaheim, Los Angeles Kings, Mighty Ducks of Anaheim, USC, and UCLA
- beaches
 - along 81 miles of coastline
- golf

One activity not available in Los Angeles County but very popular among area residents is casino gambling. Although there are several cardrooms in the county offering poker, the vast majority of casino gamblers in Los Angeles County are gambling at Indian casinos in other counties or in Nevada (see next section below for more on cardrooms and casinos in the area). So these dollars are just being spent outside the Los Angeles County economy.

Participation in casino gambling activities in the Los Angeles area ranks among the highest in the country. According to survey research conducted for Harrah's Entertainment, Inc. in 2004, the participation rate for the Los Angeles market was 40 percent.²⁰ In other words, four out of every 10 residents of the Los Angeles market gambled in a casino in the previous year. This was much higher than the U.S.

²⁰ Harrah's Entertainment, Inc., "Harrah's Survey '04: Profile of the American Casino Gambler," 2004. The survey used the Los Angeles Designated Market Area (DMA). The participation rate was measured by whether someone gambled at least once in a casino in the previous 12 months.



average participation rate of 26 percent. Furthermore, of 23 major U.S. markets, only San Diego had a higher participation rate (41 percent) than Los Angeles.²¹ Despite San Diego's slightly higher participation rate, Los Angeles was by far the largest source of casino gamblers in California (50 percent) with its large population and high participation rate.²² In fact, Los Angeles was second only to New York City in terms of its share of nationwide casino gamblers, which was 10 percent.

Interestingly enough, in terms of the number of casino trips per gambler, Los Angeles was below the U.S. average (4.4 versus 5.8 trips per year). This may have resulted from the fact that the nearest full-scale casinos are some distance away in neighboring counties. It also suggests that the Los Angeles market has significant room for growth, especially if a high quality gaming facility were introduced closer to the gambling population.

CASINO GAMING IN LOS ANGELES COUNTY & SURROUNDING AREA

On the whole, there are very limited options in terms of casino gaming in Los Angeles County. Appendix C depicts the casino gaming options in Los Angeles County. Currently, there are no full-scale Vegas-style casinos or Indian casinos in Los Angeles County. There are only eight cardrooms and, per state law, they are restricted to offering only poker and California/Asian style table games (e.g., Pai Gow poker and Pai Gow tiles). No gaming machines or other table games are permitted at cardrooms. Key information on these cardrooms is set forth in Table 1.

Table 1. Cardrooms in Los Angeles County			
Cardroom	City	Miles from Downtown L.A.¹	# of Tables²
Bicycle Casino	Bell Gardens	9.6	135
Club Caribe Casino	Cudahy	9.5	10
Commerce Casino	Commerce	7.6	243
Crystal Park Casino	Compton	17.7	22
Hawaiian Gardens Casino	Hawaiian Gardens	20.7	180
Hollywood Park Casino	Inglewood	12.7	102
Hustler Casino	Gardena	13.5	65
Normandie Casino	Gardena	12.9	45
Total			802
¹ Source: Yahoo Maps (http://maps.yahoo.com). ² State authorized number of tables as of May 31, 2005. Source: Division of Gambling Control, State of California.			

²¹ Harrah's Entertainment, Inc., "Harrah's Survey '04: Profile of the American Casino Gambler," 2004. The survey used the Los Angeles Designated Market Area (DMA). The participation rate was measured by whether someone gambled at least once in a casino in the previous 12 months.

²² The number of casino gamblers in Los Angeles and California were approximately 4.61 million and 9.27 million, respectively, per Harrah's Entertainment, Inc., "Harrah's Survey '04: Profile of the American Casino Gambler," 2004.



In 2004, California cardroom revenues grew just over 9 percent, from \$600 million to \$655 million.²³ Los Angeles County cardrooms experienced just over 7 percent growth in 2004 from \$368 million to \$394 million.

Outside of Los Angeles County, there are a number of large-scale Indian gaming facilities. Appendix D presents the closest Indian gaming facilities to Los Angeles County. Although they are located in neighboring counties, they are some distance from much of the Los Angeles County population. The closest Indian casinos to downtown Los Angeles, the central point for the county are: San Manuel Indian Bingo & Casino in San Bernardino County (67 miles); Morongo Casino, Resort & Spa in Riverside County (89 miles); Pechanga Resort & Casino in Riverside County (91 miles); Soboba Casino in Riverside County (93 miles); Pala Casino, Resort & Spa in San Diego County (97 miles); Casino Pauma in San Diego County (101 miles); and Valley View Casino in San Diego County (111 miles).²⁴ Table 2 provides information on the closest Indian gaming facilities.

Casino	City	Miles from Downtown L.A.¹	# of Slots²	# of Tables²
San Manuel Indian Bingo & Casino	Highland	67	2,000	99
Morongo Casino, Resort & Spa	Cabazon	89	2,000	84
Pechanga Resort & Casino	Temecula	91	2,000	153
Soboba Casino	San Jacinto	93	2,000	21
Pala Casino, Resort & Spa	Pala	97	2,250	88
Casino Pauma	Pauma Valley	101	750	24
Valley View Casino	Valley Center	111	1,250	10
Total			12,250	479

¹ Source: Yahoo Maps (<http://maps.yahoo.com>).
² Underlying data to *Indian Gaming Industry Report*, 2005-2006 Edition (www.indiangamingreport.com).

Despite their distance, these Indian casinos are able to draw casino patrons from Los Angeles County because they offer more gaming options (i.e., slot machines, blackjack, and other table games) and non-gaming amenities (e.g., hotel, restaurants, and entertainment) than cardrooms. Furthermore, with a closer proximity, improved quality, increased gaming options, and the availability of non-gaming amenities, Indian casinos are becoming more viable, local alternatives to Nevada casinos. In fact, confidential industry survey data have shown that a greater percentage of gambling Californians now patronize California Indian casinos rather

²³ Source of cardroom data: Division of Gambling Control, Department of Justice, Office of the Attorney General, State of California.

²⁴ All distances are from downtown Los Angeles and are measured in road miles using Yahoo! Maps (<http://maps.yahoo.com>).



than Nevada casinos (53 percent versus 42 percent; remaining 5 percent visited elsewhere).²⁵

GABRIELINO CASINO RESORT

The Gabrielino Tribe intends to establish reservation land in a host city in Los Angeles County, where the tribe holds geographical, historical, and cultural ties to the land. The Tribe is currently in discussions with the City of Compton and is conducting other discussions with host city candidates on a confidential basis. The Tribe insists that all potential sites be surrounded by suitable zoning, be served by a grid of at least three freeways, and be sufficiently removed from residential and school properties. On its reservation, it proposes to build a world-class, state-of-the-art resort casino (“Gabrielino Casino Resort” or “Gabrielino Casino”) with:

- a 310,000-square-foot gaming floor with 5,000 slot machines and 100 table games;
- a 1,000-room hotel;
- 10 gourmet restaurants;
- 6 reasonably-priced restaurants and a food court;
- 250,000 square feet of retail space;
- an entertainment complex, including a 3,500-seat amphitheatre, a 600-seat showroom, a 250-seat lounge for live music, and an in-house television studio for taping celebrity interviews;
- a 12-screen movie theater; and
- 80,000 square feet of meeting space.

Adjacent to the proposed casino, the Tribe is planning a tribal cultural center, a neighborhood supermarket, and an abundance of parking.

The Gabrielino Casino Resort would be well-situated for success. It would be centrally-located in a prime market that likes to gamble, with excellent freeway and airport access, close proximity to numerous attractions, and limited local competition.

²⁵ Visits to Indian casinos included both northern and southern California. Visits to Nevada included Las Vegas, Reno, Lake Tahoe, and Laughlin.



3. Methodology

This section provides background on the data and methods used in this report to assess the economic and fiscal impact of the proposed Gabrielino Casino Resort.

ECONOMIC IMPACT ANALYSIS²⁶

In order to measure the potential economic and fiscal impact of the proposed Gabrielino Casino Resort on Los Angeles County, input-output analysis was utilized. Input-output analysis is used to measure the total economic impact of one or more projects, businesses, or industries to a region's economy. Through its use, the impact of an initial change in an economy, such as the introduction of a new casino, can be traced to determine secondary effects in that economy. Input-output analysis models an economy by accounting for the economic interdependence between industries, households, and government institutions.

The initial change in economic activity is typically referred to as the direct effect. The direct effect is the "input" into the input-output analysis. In the case of the operation of the Gabrielino Casino Resort, the direct effect is casino patron expenditures while visiting Indian gaming facilities. This may include gaming and non-gaming expenditures at the gaming facilities and at other businesses during a casino visit.

Secondary effects come about as the initial spending at gaming facilities is in turn spent and re-spent throughout the economy. These successive rounds of spending are often referred to as the "multiplier effect." The secondary effects continue until leakages (e.g., imports, profits, and savings) stop the cycle. There are two types of secondary effects: indirect and induced.

The indirect effect arises from the iteration of businesses purchasing from other businesses as a result of the direct effect. For instance, in order to operate, the Gabrielino Casino Resort will purchase goods and services from suppliers, who in turn purchase goods and services from their suppliers, and so on.

The induced effect arises from spending that is stimulated by wages directly or indirectly earned as a result of the operation of the Gabrielino Casino Resort. For instance, employees use their wages to make household purchases.

At a minimum, the economic impact of the initial change in economic activity is the direct effect. However, since other segments of the economy are supported, at least in part, by the initial economic activity, the total economic impact is much larger than the direct effect. In fact, it equals the sum of the direct, indirect, and induced

²⁶ This report does not examine potential social impacts.



effects. In order to estimate the secondary effects, input-output analysis generates multipliers that are applied to the direct effect.

In conducting an economic impact analysis, a study area must be defined. The study area is the geographic region in which the economic impact is to be measured. The study area used in this study is Los Angeles County.

Input-output analysis yields three primary measures of economic activity: output, wages, and jobs. Output equals the dollar value of production or sales. Wages consist of income earned by households, including self-employed individuals. It also includes tips and benefits, such as health insurance and retirement payments. Jobs are reported in person-years of employment. A person-year is equal to the hours of work needed to keep an individual fully employed for one year.

In this report, IMPLAN is used to conduct the input-output analysis. See below for details on IMPLAN.

FISCAL IMPACT ANALYSIS

Fiscal impact generally refers to the revenues that may be generated for governmental jurisdictions.²⁷ There are two types of fiscal benefits that will result from the proposed Gabrielino Casino Resort: tax revenue and revenue sharing.

The first type of fiscal benefit is tax revenue to federal, state, and local governments. There exists a common perception that Indian gaming does not generate any tax revenue. However, this is incorrect. There are only a couple situations where taxes are not paid: (1) tribes, as sovereign governments, do not pay corporate income taxes on gaming revenue or property taxes on tribal land; (2) tribal members that live and work on an Indian reservation do not pay state income taxes; and (3) no state or local sales/excise taxes are levied on purchases by tribal members on reservations.

However, taxes are paid in all other circumstances, including all secondary economic activity generated by Indian gaming. The taxes on secondary economic activity include: corporate profits tax, income tax, sales tax, excise taxes, property tax, and personal non-taxes, such as motor vehicle licensing fees, fishing/hunting license fees, other fees, and fines.

Tax revenue is calculated by applying appropriate tax rates to *taxable* profits, income, and purchases. In this report, IMPLAN is used to estimate tax revenue.²⁸

²⁷ Increased governmental costs, to the extent they exist, are excluded from this analysis. A government-to-government Memorandum of Understanding (MOU) is now commonly entered into by a Tribe to pay for non-tribal governmental services, such as police, fire, infrastructure, and traffic control.

²⁸ Non-taxable revenue, such as that generated at the Gabrielino Casino Resort, is excluded from all tax estimates.



The second type of fiscal benefit that results from Indian gaming is revenue sharing. While federal law expressly prohibits states from imposing any tax, fee, charge, or other assessment upon a tribe, other than the reimbursement of the state's regulatory costs, as a condition to operate gaming facilities,²⁹ some tribes voluntarily contribute a portion of gaming revenue/profit to state and local governments. In exchange, tribes have been granted additional benefits beyond the right to operate gaming facilities, such as exclusivity in a region and/or an expansion of gaming.

In this study, revenue sharing was assumed to be a percentage of slot machine revenue, as is much of existing revenue sharing by tribes in California.³⁰ A total of 20 percent of slot revenues were assumed to be provided by the Gabrielino Tribe, with 10 percent going to the state, 7 percent to the host city, 2 percent to the county, and 1 percent to local school districts. The 20 percent total seems reasonable if not generous in light of revenue sharing agreements included in new and renegotiated compacts in 2004 and 2005. However, it must be emphasized that any revenue sharing agreement related to the Gabrielino Casino Resort would be part of a tribal gaming compact, which is not yet negotiated.

TOURISM IMPACT ANALYSIS

In addition to gaming revenue, the operation of the Gabrielino Casino Resort will generate additional spending on non-gaming activities inside and outside the casino. Casino patrons will spend money on lodging, food and beverages, shopping, sightseeing, transportation, and entertainment. The portion of these dollars spent by non-local casino patrons (i.e., patrons not living in Los Angeles County) represents tourist spending. Furthermore, this spending can be considered new dollars to the county if casino patrons would not have otherwise come to the county or stayed as long.

In order to measure the potential economic and fiscal impact of incremental tourism to Los Angeles County, we used the following approach:

- 1) Calculate the expected number of overnight domestic and international tourists without the Gabrielino Casino Resort;
- 2) Estimate the percentage increase in tourism that would result with the introduction of the Gabrielino Casino Resort;
- 3) Estimate the incremental number of tourists by multiplying the expected number of tourists without the Gabrielino Casino Resort by the expected

²⁹ Indian Gaming Regulatory Act, 25 U.S.C. §§ 2710(d)(4).

³⁰ This includes revenue sharing payments made to the Special Distribution Fund. Revenue sharing payments made to the Revenue Sharing Trust Fund, which are redistributed to non-gaming tribes, are based upon a fixed fee per slot machine. New and renegotiated compacts in 2004 and 2005 include fixed annual revenue sharing payments for 18 years, after which tribes pay the lesser of the fixed annual payment or 10 percent of net win from new gaming machines.



percentage increases in tourism that would result with the introduction of the Gabrielino Casino Resort.

- 4) Calculate incremental tourist spending by multiplying the incremental number of tourists by total spending per tourist; and
- 5) Use an input-output analysis to measure the total economic and fiscal impact of the incremental tourist spending.

GROSS IMPACT VERSUS NET IMPACT

Each dollar spent on gambling at the Gabrielino Casino Resort and tourist activities both inside and outside the casino have some impact on the economy. As described before, these dollars recycle through the economy and generate economic activity (i.e., output, wages, jobs, and taxes). The total effect of all dollars spent by casino patrons is commonly referred to as the *gross impact*.

However, not all of these dollars will necessarily be “new” to an economy. Some gambling dollars may merely replace current spending on other activities in the economy. This phenomenon is commonly referred to as the *substitution effect*.

On the other hand, the ability to retain or recapture spending within an economy rather than allowing it to be made elsewhere constitutes “new” dollars to that economy. This phenomenon is commonly referred to as the *recapture effect*.

To the extent that there are substitution and recapture effects, they should be taken into account in order arrive at the *net impact*. In this study, the *net impact* of the proposed Gabrielino Casino Resort was measured.

IMPLAN

The input-output analysis in this report was conducted using IMPLAN (Impact Analysis for PLANning).³¹ IMPLAN was originally developed by the USDA Forest Service in cooperation with the Federal Emergency Management Agency and the USDI Bureau of Land Management. IMPLAN has been in use since 1979 and continues to be widely used by universities, government agencies, and private consultants to conduct economic impact analyses involving a wide range of issues and industries.

The IMPLAN data and accounts closely follow the accounting conventions used in the “Input-Output Study of the U.S. Economy” by the U.S. Bureau of Economic

³¹ Minnesota IMPLAN Group, Inc. (MIG), IMPLAN system 2.0 (region data and software). The region data used in the model are for 2002, which are the latest data available. However, impact results are reported for the years in which they occur. Therefore, the construction impact is reported in 2007 dollars, while the operations and tourism impacts are reported in 2008 dollars.



Analysis and the format recommended by the United Nations.³² IMPLAN is based upon data from the U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics.

³² Olson, Doug and Scott Lindall, "IMPLAN Professional Software, Analysis, and Data Guide"; Minnesota IMPLAN Group, Inc.



4. Potential Economic and Fiscal Impact

The potential economic and fiscal impact of the proposed Gabrielino Casino Resort will come from three sources:

- the construction of the Gabrielino Casino Resort, which is a one-time impact;
- the gaming operation of the Gabrielino Casino Resort, which is a recurring annual impact; and
- tourism generated from the introduction of the Gabrielino Casino Resort, which is also a recurring annual impact.

Given that the proposed Gabrielino Casino Resort does not yet exist, the economic and fiscal impact analyses must be based upon the projected performance of the casino. Projections for the proposed Gabrielino Casino Resort were made by Lehman Brothers, a global investment bank, on behalf of the Gabrielino Tribe. These projections include revenue from gaming, food and beverage, retail, and entertainment. Lehman Brothers' projections do not include hotel revenue since the decision to include a hotel at the Gabrielino Casino Resort was made subsequent to the creation of the financial projections. Therefore, Analysis Group independently projected hotel revenue. Construction costs were provided by a potential casino developer via the Gabrielino Tribe. Tourism data were compiled from various sources, including: LA INC., the Convention and Visitors Bureau; the Los Angeles County Economic Development Corporation (LAEDC); the Travel Industry Association of America (TIA); and Smith Travel Research.

While Analysis Group has compiled information from authoritative sources, third-party data and projections were not independently audited.

IMPACT OF GABRIELINO CASINO RESORT CONSTRUCTION

Projected Casino Construction Costs

Given the proposed scope, size, design, and quality of the Gabrielino Casino Resort, including the hotel, restaurants, retail space, and entertainment facilities, it has been estimated by a potential casino developer that the total cost of construction, furniture, and fixtures will be \$500 million. This includes a 1 percent fee for the developer that is likely to be located outside of Los Angeles County. The rest of the initial construction expenditures are assumed to be made within the county.

Per the Gabrielino Tribe, the cost of acquiring the land for the Gabrielino Casino Resort is assumed to be \$20 million, excluding any land preparation/cleanup costs. This amount will be paid to the landowner, which is assumed to be a government agency or private landowner located in Los Angeles County.



For the purposes of this report, it is assumed that the construction of the Gabrielino Casino Resort would start at the beginning of 2007 and finish by the end of the year.

Economic Impact of Casino Construction

As shown in Table 3, the construction of the Gabrielino Casino Resort, which is assumed to take place in 2007, will make a significant one-time impact on Los Angeles County. Specifically, it will directly and indirectly generate approximately:

- \$970.5 million in output;
- \$409.4 million in wages; and
- 7,900 jobs.

Table 3. Economic Impact of Casino Construction on Los Angeles County			
Type of Effect	Output	Wages	Jobs
Direct	\$515.0	\$239.5	4,366
Indirect	201.0	77.3	1,431
Induced	254.5	92.6	2,125
Total Impact	\$971.5	\$409.4	7,922
Detail may not equate to total due to rounding. Output and Wages in millions of 2007 dollars.			

Fiscal Impact of Casino Construction

The construction of the casino will also directly and indirectly generate \$86.0 million in tax revenue. Approximately 53 percent of tax revenue, or \$45.9 million, would be received by the federal government, while the remaining 47 percent, or \$40.1 million, would go to state and local governments. This revenue will come from taxable economic activity resulting from the construction of the Gabrielino Casino Resort (i.e., construction expenditures; construction employee wages and spending; the iteration of businesses purchasing from other businesses as a result of construction expenditures and employee spending; and wages and spending by employees at these other indirectly impacted businesses).

IMPACT OF GAMING OPERATION AT GABRIELINO CASINO RESORT

Projected Casino Revenue

Based upon the size and scope of the Gabrielino Casino Resort, casino revenue was projected by revenue source. Table 4 sets forth the projections for the first full year of operations of the Gabrielino Casino Resort. Given the assumed completion of construction by the end of 2007, the assumed first year of operations would be calendar year 2008.



Table 4. Projected Gabrielino Casino Revenue	
Revenue Source	Year 1 Amount (\$ Millions)
Slot Machines ¹	\$821.3
Table Games ¹	54.8
Total Gaming	\$876.1
Hotel ²	\$42.5
Food & Beverage ¹	80.6
Retail & Entertainment ¹	43.8
Total Non-Gaming	\$166.9
Grand Total	\$1,042.9
Detail may not equate to total due to rounding.	
¹ Source: Lehman Brothers projections.	
² Source: Analysis Group projections.	

Gaming Revenue

Gaming revenue, defined as amounts wagered minus payouts and prizes, comes from two primary sources: slot machines and table games. Based upon 5,000 machines and a win per slot machine per day of \$450, Lehman Brothers projects that the Gabrielino Casino Resort will generate \$821.3 million dollars in its first full year of operations. Lehman Brothers also projects table game revenue to be \$54.8 million in the first full year of operations based on 100 table games and a win per table per day of \$1,500.

Both slot machine and table game revenue are projected by Lehman Brothers to grow over time as the local gaming market continues to experience natural growth and the Gabrielino Casino Resort achieves its full gaming capacity. Therefore, the use of the first full year of operations for the economic and fiscal impact analysis should be considered to be a conservative approach.

Moreover, the Lehman Brothers' gaming revenue projections may be conservative given that they were made under the assumption that the Gabrielino Casino Resort would not include a hotel.³³ The inclusion of a hotel at a casino would likely serve to increase the duration casino visits and the amount spent at the casino, both on gaming and non-gaming activities.

In an effort to assist fiscally ailing non-tribal governments, the Gabrielino Tribe is proposing to share a portion of slot machine revenue with the host city, its school districts, Los Angeles County, and the State of California as shown in Table 5.

³³ The decision to include a hotel was made by the Gabrielino Tribe subsequent to Lehman Brothers' financial projections being made.



Table 5. Proposed Revenue Sharing by Gabrielino Tribe (\$ Millions)		
Revenue Sharing Recipient	% of Slot Revenue	Year 1 Revenue Sharing
Host City	7.0%	\$57.5
School Districts	1.0	8.2
Los Angeles County	2.0	16.4
State of California	10.0	82.1
Total Revenue Sharing	20.0%	\$164.3
Detail may not equate to total due to rounding.		

For the purposes of calculating the amount of gaming revenue that remains in the local economy, revenue sharing outside Los Angeles County should be excluded. This would include most but not all of the revenue sharing with the state as some dollars received by the state trickle back to the local economy. For the purposes of this report, it was assumed that revenue sharing amounts received by the state are returned to Los Angeles County in proportion to its population. Given that 2004 Los Angeles County population was 9.9 million out of the statewide population of 35.9 million, 27.7 percent of revenue sharing with the state, or 2.8 percent of slot revenue, will still have a local economic impact. The remaining 72.3 percent of revenue sharing with the state, or 7.2 percent of slot revenue, is not assumed to be a local impact.

The Gabrielino Tribe is also likely to pay a gaming operator to manage the casino on its behalf. This is not uncommon, especially when a tribe has little or no gaming experience and/or investment capital. It is likely that the management company will not be located in Los Angeles County, but rather in Nevada, as the Gabrielino Casino Resort would be managed by a leading, publicly-held operator in the gaming industry. While no agreement has been reached and it is subject to approval by governing agencies, the Gabrielino Tribe is considering an agreement that would give 24 percent of net operating income (for gaming and non-gaming operations) to a management company. For the purposes of calculating gaming revenue that remains in the local economy, management fees should be excluded since the management company will be based outside the county. In order to deduct the management fee from casino revenues in the economic impact model, the fee was recalculated as a percentage of revenue rather than net operating income. This yielded an equivalent management fee of 6.1 percent of revenue. In the first year of operations, this management fee would be equal to \$49.8 million.

After subtracting out the proportion of revenue sharing that is not local and the management fee, we arrive at the amount of gaming revenue that remains in the local economy at the direct impact level. As shown in Table 6, total gaming revenue after management fees and non-local revenue sharing is estimated to be \$766.8 million.



Table 6. Projected Gabrielino Casino Gaming Revenue that Stays in the Local Economy in the Direct Effect

Revenue Source	Year 1 Amount (\$ Millions)
Slot Machine	\$821.3
Revenue Sharing with State ¹	59.4
Slot Machine Revenue after Revenue Sharing	\$761.9
Table Game Revenue	54.8
Total Gaming Revenue after Revenue Sharing	\$816.6
Management Fee ²	49.8
Total Gaming Revenue after Revenue Sharing & Management Fee	\$766.8
Detail may not equate to total due to rounding.	
¹ Revenue sharing not returned to Los Angeles County is assumed to be 7.2% (= 72.3% of 10%).	
² Management fee is equivalent to 6.1% of revenue after revenue sharing.	

Hotel Revenue

Since Lehman Brothers did not include a hotel in its projections, Analysis Group estimated hotel revenue for the Gabrielino Casino Resort using the Mohegan Sun Casino in Uncasville, Connecticut as a benchmark. This is a reasonable benchmark for the Gabrielino Casino Resort given the proposed size and scope of the proposed Gabrielino Casino Resort and its hotel. At the end of calendar year 2004, the Mohegan Sun had approximately 300,000 square feet of gaming space with over 6,200 slot machines and 285 table games, a 1,200-room hotel with a spa, numerous restaurants, a shopping plaza, a nightclub, a 410-seat lounge, a 350-seat cabaret, a 10,000-seat arena, and 100,000 square feet of meeting space.³⁴ For calendar year 2004, the Mohegan Sun generated approximately \$51 million in hotel revenue from 1,200 rooms.³⁵ This equates to approximately \$42,500 per room per year or \$116 per room per day. Given this revenue per room, the Gabrielino Casino Resort would generate total annual hotel revenue of approximately \$42.5 million for the 1,000 proposed rooms.

Food and Beverage Revenue

The Gabrielino Casino Resort is planned to have 10 gourmet restaurants, 6 reasonably-priced restaurants, and a food court. Lehman Brother's projection for the first full year of operations of all food and beverage outlets is \$80.6 million. A 6.1 percent management fee on this amount would be approximately \$4.9 million, thus leaving \$75.7 million.

³⁴ Form 10-Q, For the Quarterly Period Ended December 31, 2004.

³⁵ Form 10-Q, For the Quarterly Period Ended December 31, 2003; Form 10-K, For the Fiscal Year Ended September 30, 2004; Form 10-Q, For the Quarterly Period Ended December 31, 2004.



Retail and Entertainment Revenue

Retail shopping at the Gabrielino Casino Resort is planned to have 250,000 square feet of space. Entertainment is planned to include a 3,500-seat amphitheatre, a 600-seat showroom, a 250-seat lounge for live music, an in-house television studio for taping celebrity interviews, and a 12-screen movie theater. Retail and entertainment combined are projected by Lehman Brother to be \$43.8 million. A 6.1 percent management fee on this amount would be \$2.7 million, thus leaving \$41.1 million.

Recapture Effect

The recapture effect associated with the Gabrielino Casino Resort is quite large. Given that the only casino gambling options in Los Angeles County are the eight cardrooms with limited table games, Los Angeles County is by far a net importer of casino gaming. In other words, the vast majority of casino patrons are leaving, not entering, the county to gamble. According to proprietary survey research conducted by a commercial gaming operator, the vast majority of California gamblers visit Indian casinos in California (53 percent) and Nevada casinos (42 percent). The remaining 5 percent of California gamblers visited California cardrooms or casinos elsewhere (the precise breakdown was not available). Thus, a large portion of the business to the Gabrielino Casino Resort will be recaptured from these other gaming markets.³⁶

Substitution Effect

In order to determine the substitution effect associated with the gaming operations at the Gabrielino Casino Resort, it is important to consider which activities, if any, would decrease as a proximate result of gambling activities at the Gabrielino Casino Resort. This task is best accomplished by defining the relevant market that includes the Gabrielino Casino Resort and then examining whether other activities fall into that market.

The relevant market is defined along two dimensions: geography and product. The relevant geographic market is Los Angeles County since it is the trading area that would be most affected by the Gabrielino Casino Resort. The relevant product market is casino gaming. The casino gaming market includes slot machines and table games.

Non-Gaming Entertainment

While there is a wide array of non-gaming entertainment options in Los Angeles County, they are not considered close substitutes for gaming. In fact, research has

³⁶ This also includes retaining or recapturing tourists that do not come to Los Angeles at all because of the lack of casino gaming or tourists that come to Los Angeles but leave to gamble elsewhere.



actually shown them to be complements to gaming. Researchers commissioned by the congressionally-mandated National Gambling Impact Study Commission found that earnings in the recreation, amusement, and lodging industries substantially increased in communities near newly opened casinos.³⁷ These benefits are the result of tourist spending during casino visits, as well as the recapture of local gamblers.

State Lottery and Pari-Mutuel Wagering

While the state lottery and pari-mutuel wagering (i.e., betting on horseracing) are also available in Los Angeles County, they are not good substitutes for casino gaming. Despite being forms of gaming, the state lottery and pari-mutuel wagering are different products than casino gaming and appeal to different core audiences.

Evidence from a number of jurisdictions has shown that the introduction of commercial casinos has had a negligible impact on lottery revenue and that there is minimal substitution between state lotteries and casinos.³⁸

Other Casinos

Although there are Indian gaming facilities in California, there are not any in Los Angeles County. Therefore, any business substituted away from other Indian casinos to the Gabrielino Casino Resort is not considered a substitution effect. As noted in the previous section, any dollars redirected from existing Indian casinos to the Gabrielino Casino Resort are recaptured dollars and thus included for the purposes of calculating economic and fiscal impact.

The same is true for commercial casinos (e.g., Las Vegas, Laughlin, or Reno). There are no full-scale commercial casinos in Los Angeles County. Therefore, any business lost by commercial casinos to the Gabrielino Casino Resort is not considered a substitution effect.

Cardrooms

As previously noted, there are eight cardrooms with a total of 800 card tables in the same geographic market as the Gabrielino Casino Resort. However, the Gabrielino Casino Resort would only potentially compete with the cardrooms on one small portion of the casino gaming market, poker, since the cardrooms do not have slot machines or other table games.

³⁷ National Opinion Research Center at the University of Chicago, Gemini Research, The Lewin Group, and Christiansen/Cummings Associates, "Gambling Impact and Behavior Study," Report to the National Gambling Impact Study Commission, April 1, 1999. The Commission was created by the 104th Congress and charged to conduct a comprehensive legal and factual study of the social and economic impacts of gambling on federal, state, local, and Native American tribal governments, communities, and social institutions.

³⁸ Center for Policy Analysis, University of Massachusetts Dartmouth, 2004, "Comparative Lottery Analysis: The Impact of Casinos on Lottery Revenues and Total Gaming Revenues," prepared for the State of Rhode Island.



Despite the rapid expansion of California Indian gaming in recent years, cardrooms have exhibited sustained growth, even while the number of tables has remained constant. As shown in Table 7, California cardroom revenue has been increasing steadily over the last four years. In fact, it has grown 34 percent since 2000 and over 9 percent in 2004 alone.³⁹

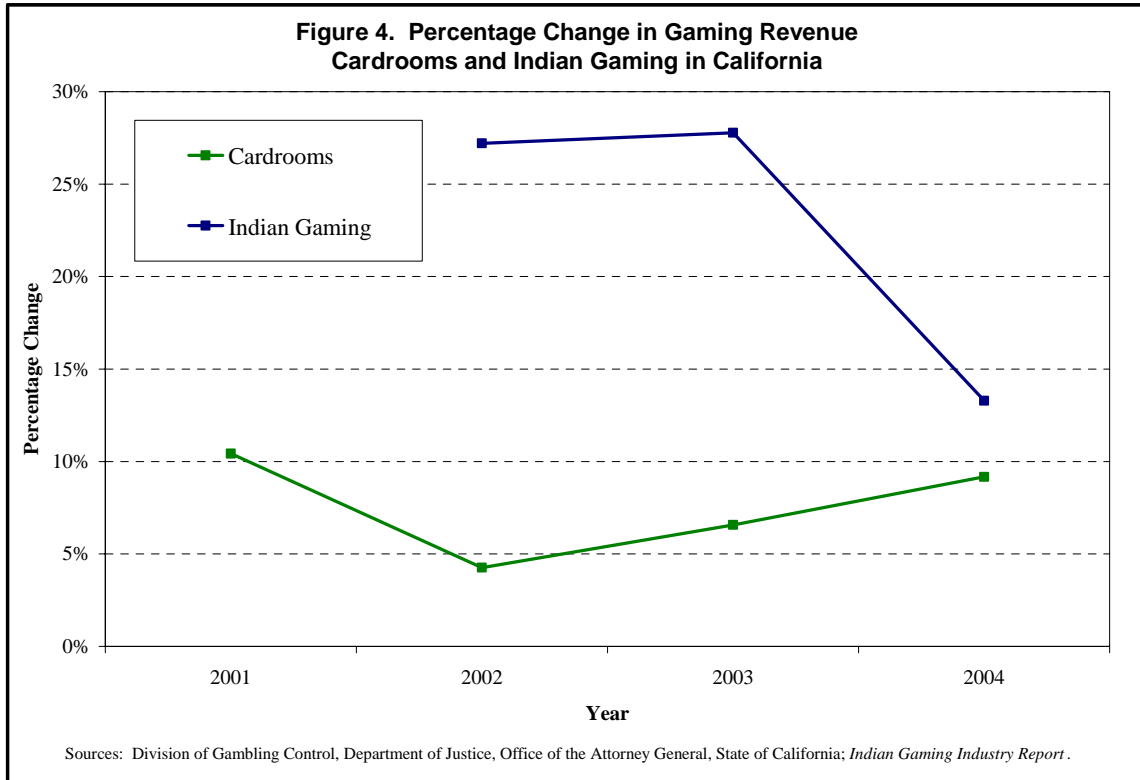
Table 7. Statewide Gaming Revenue Cardrooms and Indian Gaming (\$ Millions)		
Year	Cardrooms¹	Indian Gaming²
2000	\$489	n/a
2001	540	\$2,892
2002	563	3,678
2003	600	4,700
2004	655	5,324
n/a indicates not available		
¹ Division of Gambling Control, Department of Justice, Office of the Attorney General, State of California. ² Meister, Alan, <i>Indian Gaming Industry Report, 2005-2006 Edition</i> (www.indiangamingreport.com).		

Furthermore, as shown in Figure 4, the growth of cardrooms seemed to be gaining momentum in recent years, while growth in Indian gaming has slowed down somewhat. For the past two years, gaming revenue at cardrooms has been growing at an increasing rate (4 percent in 2002, 7 percent in 2003, and 9 percent in 2004). In 2004, gaming revenue at Indian casinos was still growing but at a much lower rate than was the case in previous year (27 percent in 2002, 28 percent in 2003, and 13 percent in 2004).

The steady growth in cardroom revenue points to the viability of their operations, which is attributable to the increasing popularity of poker and a strong customer base. Given recent trends, the strong growth of cardrooms is expected to continue. While the introduction of the proposed Gabrielino Casino Resort, with 5,000 slot machines and 100 card tables, may slow down cardroom growth, it is not expected to stop it. Los Angeles County cardrooms have already proven that they can persevere in the face of strong and growing competition from Indian gaming facilities in Riverside and San Diego Counties.

³⁹ Los Angeles County cardrooms experienced similar growth: 37 percent growth from 2001 to 2004 and just over 7 percent growth in 2004 (from \$368 million in 2003 to \$394 million in 2004). However, direct comparisons to Indian gaming revenue are cautioned since Indian gaming data are for the entire state. Indian gaming revenue is not available for any subset thereof. Source of cardroom data: Division of Gambling Control, Department of Justice, Office of the Attorney General, State of California.





To be *conservative*, we have assumed that all table game revenue at the Gabrielino Casino Resort (i.e. including all types of table games, even those not offered at the cardrooms) would be substituted away from existing cardrooms in the county. Table 8 recalculates projected gaming revenue at the Gabrielino Casino Resort (from Table 6) after netting out the substitution effect, which is all table game revenue at the Gabrielino Casino Resort. Procedurally, this is accomplished by eliminating the line for table game revenue and adjusting the management fee so that it only applies to the remaining gaming revenue, which is from slot machines. The direct impact of the gaming operation at the Gabrielino Casino Resort, which is the basis for economic and fiscal impact analysis, is thus equal to \$715.6 million.

Table 8. Direct Effect of the Gaming Operation at the Gabrielino Casino	
Revenue Source	Year 1 Amount (\$ Millions)
Slot Machine Revenue	\$821.3
Revenue Sharing with State ¹	59.4
Slot Machine Revenue after Revenue Sharing	\$761.9
Management Fee ²	46.2
Total Gaming Revenue after Revenue Sharing & Management Fee	\$715.6
Detail may not equate to total due to rounding.	
¹ Revenue sharing not returned to Los Angeles County is assumed to be 7.2% (= 72.3% of 10%).	
² Management fee is equivalent to 6.1% of revenue after revenue sharing.	



Economic Impact of the Gaming Operation

As shown in Table 9, the gaming operations of the Gabrielino Casino Resort will yield a significantly positive and recurring economic and fiscal impact on Los Angeles County. In its first year of operations, it is estimated that the *gaming activity* alone will directly and indirectly generate approximately:

- \$1.2 billion in output;
- \$482.7 million in wages; and
- 11,900 jobs.

Type of Effect	Output	Wages	Jobs
Direct	\$715.6	\$295.4	8,046
Indirect	211.6	79.1	1,448
Induced	295.6	108.2	2,419
Total Impact	\$1,222.8	\$482.7	11,913
Detail may not equate to total due to rounding. Output and Wages in millions of 2008 dollars.			

The casino alone will support approximately 9,850 jobs and \$361.6 million in wages.⁴⁰

The economic and fiscal impact of casino operations should be considered to be conservative. First, it excludes non-gaming operations at the casino (e.g., hotel, food and beverage, retail, and entertainment). Non-gaming business at the casino is instead captured in the tourism impact analysis. Second, the analysis excludes spending by casino patrons outside the casino. This spending is also captured in the tourism impact analysis. Third, the economic and fiscal impact analysis excludes from casino revenue all management fees, non-local revenue sharing, and substitution effects.

The exclusions of non-gaming spending at the casino and all spending outside the casino effectively calculate the impact of gaming operations only.

Fiscal Impact of the Gaming Operation

The gaming operation of the Gabrielino Casino Resort will also result in a substantial fiscal impact to state and local governments. As shown in Table 10, The impact is two-fold: 1) tax revenues generated from economic activity that results from the

⁴⁰ The jobs and wages supported by the casino alone are based on the total revenue, including table game revenue that was subtracted out as the substitution effect. These figures are solely for the purposes of calculating the number of employees and amount of wages supported directly by the casino and are not used for the net impact analysis.



Gabrielino Casino Resort; and 2) revenue sharing with state and local governments under the terms of a tribal gaming compact.

Table 10. Summary of Fiscal Impact of Gaming Operations at Gabrielino Casino Resort	
Source of Fiscal Impact	Year 1 Amount (\$ Millions)
Tax Revenue from Secondary Economic Activity	\$100.5
Revenue Sharing with State and Local Governments	164.3
Total Fiscal Impact	\$264.8

Tax revenue will come from taxable economic activity resulting from the operation of the casino (i.e., purchases by the Gabrielino Tribe and Gabrielino Casino Resort from suppliers; casino employee wages and spending; the iteration of businesses purchasing from other businesses as a result of casino operations and employee spending; and wages and spending by employees at these other indirectly impacted businesses). The first year of operations of the casino will indirectly generate \$100.5 million in tax revenue. Approximately 57 percent of tax revenue, or \$56.9 million, would be received by the federal government, while the remaining 43 percent, or \$43.6 million, would go to state and local governments.

The Gabrielino Casino Resort will also yield a fiscal impact via revenue sharing. If the Gabrielino Tribe provides 20 percent of slot revenue to state and local governments,⁴¹ revenue sharing for the first full year of operations would total \$164.3 million.

IMPACT OF TOURISM

Tourist Demand for Casino Gambling

While tourism continued to rebound in 2004 and there is optimism for the near future, it is clear that Los Angeles County is not capturing tourists that enjoy gambling. Of the domestic tourists that visit Los Angeles County, only 1 percent participate in gambling activities while in the county.⁴² This is well below the nationwide percentage of domestic trips that included gambling, which is 7 percent, and at gaming destinations as shown in Table 11.⁴³

⁴¹ The tribe has proposed 10 percent to the state, 2 percent to the county, 7 percent to the host city, and 1 percent to school districts of the host city.

⁴² LA INC., the Convention and Visitors Bureau, "LA Travel Stats 2004," forthcoming 2005.

⁴³ Travel Industry Association of America, "Profile of Travelers Who Participate in Gambling," 2000 Edition.



Table 11. Tourist Gambling Participation Rates⁴³	
Destination (MSA)	Gambling Participation Rate
Las Vegas, NV	73%
Reno, NV	66
Atlantic City, NJ	60
Gulfport-Biloxi, MS	59
Norwich-New London, CT ¹	47
Lake Charles, LA	46
Shreveport-Bossier City, LA	39
Davenport-Moline-Rock Island, IA	20
All Destinations	7
¹ Home to Foxwoods Resort Casino and Mohegan Sun Casino.	

The extremely low tourist gambling participation rate in Los Angeles County is not necessarily surprising given that there are no full-scale casinos in the county (only the eight cardrooms, horseracing tracks, and the lottery). But it is indicative that top-notch casinos can generate tourists. This could be especially true for Los Angeles County given that it has so much to offer. A casino would bring some visitors that might not otherwise come to Los Angeles County and keep some existing visitors in the county longer. The latter is a strong possibility, especially for international visitors who on average only stay approximately one-third of the duration of their U.S. trip in the Los Angeles County.⁴⁴ And it is no coincidence that Las Vegas was the most frequently visited city during a U.S. trip involving Los Angeles. Approximately 28 percent of international visitors that visited Los Angeles also visited Las Vegas,⁴⁵ most likely to gamble.

Overall, interest in gambling by the general public is clearly evident at Southern California Indian casinos, especially in the tourist-based economy of San Diego County. In fact, in recent years, many of those casinos have been transforming into resort casinos in an effort to attract patrons from farther distances and to get them to stay longer and spend more. They have added non-gaming resort amenities, such as hotels, spas, restaurants, entertainment venues, and golf courses, and now rival casinos at some traditional gaming destinations.⁴⁶ As noted previously, California

⁴⁴ The average length of stay for international visitors was 7.5 days in Los Angeles County and 21.2 days in the U.S. Source: LA INC., the Convention and Visitors Bureau, "LA Travel Stats 2004," forthcoming 2005.

⁴⁵ LA INC., the Convention and Visitors Bureau, "LA Travel Stats 2004," forthcoming 2005.

⁴⁶ Meister, Alan. 2005. *Indian Gaming Industry Report*, 2005-2006 Edition. Newton: Casino City Press; Meister, Alan. 2004. *Indian Gaming Industry Report*, 2004-2005 Updated Edition. Newton: Casino City Press; Meister, Alan, "Indian Gaming: Betting on Tourism," keynote presentation at the 16th Annual Southern California Visitor Industry Outlook Conference, November 19, 2004.



residents are more frequently visiting Indian casinos in the state than they are Nevada casinos.⁴⁷

Incremental Visitor Spending

In addition to spending money at casinos, gambling tourists would also spend money on non-gaming activities inside and outside the casino, including lodging, food and beverages, shopping, transportation, sightseeing, and entertainment. And in the Los Angeles area, with so much to see and do, there is no question that gambling tourists will spend money on such activities.

Table 12 sets forth the calculation of incremental visitor spending as a result of the introduction of the Gabrielino Casino Resort.

Table 12. Incremental Visitor Spending as a Result of the Proposed Introduction of the Gabrielino Casino		
	Domestic	International
Number of Tourists in 2004	20,031,000	4,236,000
Number of Tourists in 2008 without Casino ^{48,49}	21,512,372	5,292,229
Increase in Tourism with Casino	6%	28%
Incremental Number of Tourists with Casino	1,290,742	1,481,824
Spending per Tourist ^{55,57}	\$429	\$803
Incremental Tourist Spending	\$554,160,250	\$1,189,377,204
Total Incremental Tourist Spending	\$1,743,537,454	

First, we calculate separately the expected number of overnight domestic and international tourists in 2008 without the Gabrielino Casino Resort. LA INC. projects that the number of domestic visitors to Los Angeles County will increase 2.2 percent in 2005, 1.7 percent in 2006, 1.8 percent in 2007, and 1.5 percent in 2008.⁴⁸ LA INC. also projects that the number of international visitors to Los Angeles County will increase 6.5 percent in 2005, 6.1 percent in 2006, 5.3 percent in 2007, and 5.0 percent in 2008.⁴⁹ Starting with the 2004 number of visitors and applying the yearly growth rates yields 21,512,372 overnight domestic visitors and 5,292,229 international visitors in 2008.

Then, we must estimate the percentage increase in tourism that would result with the introduction of the Gabrielino Casino Resort.⁵⁰ Given our time constraints, we were asked by the Tribe to assume that the percentage of gambling tourists in Los Angeles County (i.e., the number of tourists that gamble divided by the total number

⁴⁷ See section titled "Casino Gaming in Los Angeles County & Surrounding Area" for more details.

⁴⁸ David Sheatsley, Vice President of Research, LA INC.

⁴⁹ David Sheatsley, Vice President of Research, LA INC.

⁵⁰ In order to simplify the estimation of the incremental number of visitors to Los Angeles County, existing visitors that extend their stay in the county are treated the same as new visitors to the county.



of tourists) would rise to the average for all U.S. traveling destination, which is much lower than that at resort gaming destinations (see Table 11). For overnight domestic visitors, the percentage of gambling tourists was 1 percent in Los Angeles County and 7 percent nationwide.⁵¹ Thus, the estimated increase in domestic tourists is the difference of 6 percent. For international visitors, there were no available data on the percentage of gambling tourists in Los Angeles, but it was 29 percent for the U.S. on the whole.⁵² For the percentage of international gambling visitors, we set it equal to the percentage of gambling domestic tourists (1 percent). This is reasonable given that there are no casinos in Los Angeles County and lots of other destinations where international travelers could go to gamble. Thus, the estimated increase in international tourists is 28 percent. Overall, the estimated increase in total tourists (i.e., the weighted average of the increase for domestic and international tourists) works out to be 10 percent.⁵³

Next, the incremental number of visitors is estimated by multiplying the expected number of tourists to Los Angeles County without the Gabrielino Casino Resort in 2008 by the expected percentage increases in tourism that would result with the introduction of the Gabrielino Casino Resort. Applying the appropriate percentages yields an increase of 1,290,742 overnight domestic tourists and 1,481,824 international tourists to Los Angeles County.⁵⁴

In order to arrive at total spending, the incremental number of tourists is multiplied by total spending per tourist. The average overnight domestic tourist to Los Angeles County spends approximately \$429 per trip.⁵⁵ This amount is spent on various goods and services as shown in Figure 5.⁵⁶ Therefore, applying average spending per overnight domestic tourist to the incremental number of overnight domestic tourists yields \$554 million in tourist spending.

⁵¹ LA INC., "LA Travel Stats 2004," forthcoming in 2005; Travel Industry Association of America, "Profile of Travelers Who Participate in Gambling," 2000 Edition.

⁵² LA INC., "LA Travel Stats 2004," forthcoming in 2005.

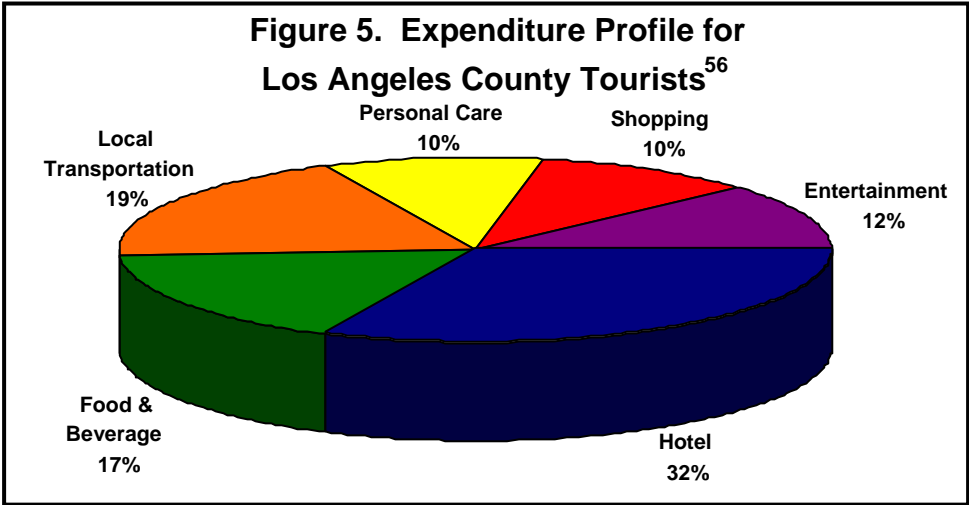
⁵³ Increase in total tourists = $(6\% \times (21,512,372/26,804,601)) + (28\% \times (5,292,229/26,804,601)) = 10.3\%$; where 26,804,601 equals the total number of tourists in 2008 without the casino (21,512,372+5,292,229).

⁵⁴ Assumes that the full increase in the number of tourists occurs in the first year of casino operations.

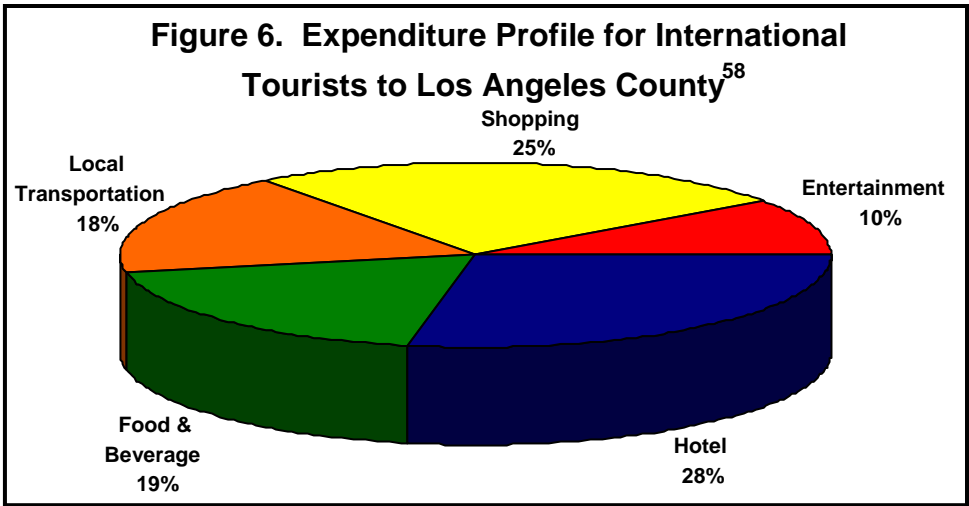
⁵⁵ \$8.6 billion spent by 20,031,000 tourists. Source: LA INC., "LA Travel Stats 2004," forthcoming in 2005.

⁵⁶ LA INC., "LA Travel Stats 2004," forthcoming in 2005.





The average international tourist to Los Angeles County spends approximately \$803 per trip.⁵⁷ This amount is spent on goods and services as shown in Figure 6.⁵⁸ Therefore, applying average spending per international tourist to the incremental number of international tourists yields \$1.2 billion in tourist spending.



Total incremental tourist spending is simply the sum of the amounts for overnight domestic and international visitors, which is \$1.7 billion. All of these non-gaming expenditures by tourists are considered incremental since they are new dollars to Los Angeles County.

For purposes of this study, a visitor to Los Angeles County is defined as either: a) an overnight domestic visitor from outside of Los Angeles County; or b) an

⁵⁷ \$3.4 billion spent by 4,236,000 tourists. Source: LA INC., "LA Travel Stats 2004," forthcoming in 2005.
⁵⁸ LA INC., "LA Travel Stats 2004," forthcoming in 2005.

international visitor. This is the definition used by LA INC., the Convention and Visitors Bureau for Los Angeles, and is constructed based upon the definitions used by the entities that collect tourism data.⁵⁹ In any case, the use of this definition provides for readily available tourism data. Furthermore, it matches well with the study area (Los Angeles County) used in the economic and fiscal impact analysis in the study at hand.

The aforementioned definition of tourists does not account for two types of visitors to Los Angeles County: 1) domestic visitors that do not stay overnight (i.e., daytrippers); and 2) residents of Los Angeles County that travel to other parts of the county. As a result of these exclusions and given that the casino is likely to generate a significant number of daytrip patrons from other parts of Los Angeles County and other nearby counties, the impact of tourism resulting from the introduction of the Gabrielino Casino Resort is likely to be underestimated.

Economic Impact of Tourism

Incremental tourist spending will spur subsequent economic activity in Los Angeles County. As shown in Table 12, input-output analysis reveals that tourism resulting from the introduction of the Gabrielino Casino Resort directly and indirectly generates approximately:

- \$3.0 billion in output;
- \$1.2 billion in wages; and
- 36,000 jobs.

Type of Effect	Output	Wages	Jobs
Direct	\$1,743.6	\$734.7	26,851
Indirect	522.5	185.6	3,388
Induced	700.2	256.4	5,729
Total Impact	\$2,966.3	\$1,176.6	35,969
Detail may not equate to total due to rounding. Output and Wages in millions of 2008 dollars.			

The tourism industry alone, excluding gaming at the casino but including non-gaming activities at the casino by tourists, would support almost 26,850 jobs and \$734.7 million in wages.

⁵⁹ The Travel Industry Association of American (TIA) is the source for data on overnight domestic visitors. It specifically defines domestic travelers as person-trips, which is one person traveling 50 miles (one way) or more away from home and/or overnight. The Office of Travel and Tourism in the International Trade Administration of the U.S. Department of Commerce is the source for data on international visitors.



Fiscal Impact of Tourism

Tourism resulting from the operation of the Gabrielino Casino Resort will also result in a substantial fiscal impact to state and local governments. Tourism in the first year of operations of the casino is estimated to directly and indirectly generate \$383.1 million in tax revenue. Approximately 41 percent of tax revenue, or \$157.8 million, would be received by the federal government, while the remaining 59 percent, or \$225.3 million, would go to state and local governments.

TOTAL RECURRING ANNUAL IMPACT

The potential economic and fiscal impact of the Gabrielino Casino Resort on a recurring annual basis, including the gaming operation of the casino and tourism resulting from the operation of the casino, is substantial for Los Angeles County:

- \$4.2 billion in output;
- \$1.7 billion in wages;
- 47,900 jobs;
- \$648 million fiscal impact on state and local governments, including:
 - \$483.7 million in tax revenue (44 percent to federal government and 56 percent to state and local governments); and
 - \$164.3 million in revenue sharing with state and local governments.

Table 13. Total Recurring Annual Impact on Los Angeles County			
Type of Effect	Output	Wages	Jobs
Direct	\$2,459.2	\$1,030.0	34,897
Indirect	734.1	264.7	4,837
Induced	995.8	346.6	8,148
Total Impact	\$4,189.1	\$1,659.3	47,900
Detail may not equate to total due to rounding. Output and Wages in millions of 2008 dollars.			

This total recurring annual impact should be considered conservative as it is measured for the first full year of operations. Once the Gabrielino Casino Resort fully ramps up its operation and establishes itself as a premier gaming destination, its performance can be expected to improve and yield a greater annual economic and fiscal impact over time. The recurring impact is also conservative by way of the assumptions that are made in the individual input output analyses for the gaming operations and tourism.



5. Conclusions

Based upon the size, scope, and projected performance of the Gabrielino Casino Resort, Analysis Group has determined that the casino resort will generate a significant economic and fiscal impact on Los Angeles County. The impact will come from the construction of the casino, the gaming operation of the casino, and tourism generated from the introduction of the casino.

IMPACT OF GABRIELINO CASINO RESORT CONSTRUCTION

The construction of the Gabrielino Casino Resort will directly and indirectly generate a one-time economic impact on Los Angeles County, including approximately:

- \$970.5 million in output;
- \$409.4 million in wages;
- 7,900 jobs; and
- \$86.0 million in tax revenue.

IMPACT OF GAMING OPERATIONS AT GABRIELINO CASINO RESORT

The operation of the Gabrielino Casino Resort will yield a recurring positive economic and fiscal impact on Los Angeles County. In its first year of operations, it is estimated that the *gaming activity* at the casino will directly and indirectly generate approximately:

- \$1.2 billion in output;
- \$482.7 million in wages;
- 11,900 jobs;
- \$100.5 million in tax revenue; and
- \$164.3 million in revenue sharing with state and local governments.

IMPACT OF TOURISM

The Gabrielino Casino Resort is expected to generate additional tourism for Los Angeles County in the form of visitor spending on lodging, restaurants, shopping, sightseeing, transportation, and entertainment. This tourism spending will spur subsequent economic activity in Los Angeles County. In total, the additional tourism is estimated to directly and indirectly generate approximately:

- \$3.0 billion in output;
- \$1.2 billion in wages;
- 36,000 jobs; and
- \$383.1 million in tax revenue.



6. Appendix A: About the Author

Dr. Meister is an economist specializing in the application of economics to complex business issues and commercial litigation. His areas of expertise include economic impact analyses, market and feasibility analyses, economic planning and policy, antitrust, regulation, statistics, and the calculation of economic damages in commercial litigation.

Dr. Meister has extensive experience conducting economic impact studies. He combines his expertise with impact analysis, economics, planning, market analysis, statistics, and survey analysis to identify and measure the effects of proposed, existing, and discontinuing economic activity. His projects have involved casinos, hotels, resorts, sporting and entertainment events, retail establishments, medical research, publicly-funded projects, and ballot initiatives. Most notable has been his authoritative research on Indian gaming. He has received national recognition for his annual studies on Indian gaming. His work is regularly cited by the press and relied upon by the gaming industry, governments, and the investment community. Dr. Meister's research and analyses have also been relied upon before the United States Supreme Court and a panel of the World Trade Organization. Furthermore, he has written extensively on the subject and presented his work at various academic, professional, and industry conferences. In addition, he has testified before the California State Senate regarding Indian gaming issues.

With regards to his statistics work, Dr. Meister has conducted sophisticated regression analysis, statistical testing, and survey analysis. He has served as an expert regarding the use of statistics in forensic analysis and skill versus chance assessments of amusement games. Dr. Meister also has designed and implemented surveys. Prior to joining Analysis Group, Dr. Meister worked for a market research firm that implemented surveys for the motion picture industry. In addition, he was a teaching assistant for five years at the University of California, Irvine, where he taught courses on statistics, probability, econometrics, and survey design.

Dr. Meister has broad experience providing litigation consulting services. Specifically, he has provided assistance to attorneys on all phases of pretrial and trial practice, including assistance with discovery, development of economic, financial, and statistical models, expert testimony, and critique of analyses by opposing experts. Dr. Meister has conducted damages assessments in a wide variety of cases, including antitrust, intellectual property, contract disputes, fraud, and business interruption. Dr. Meister's experience encompasses numerous industries, including gaming, sports and entertainment, hospitality, real estate, telecommunications, computer software and maintenance, pharmaceuticals, tobacco, automotive, food processing, paper products, specialty retail products, and electronics.



7. Appendix B: About Analysis Group, Inc.

Analysis Group provides economic, financial, and business strategy consulting to corporations, law firms, and government entities. We advise corporate and government clients on a range of business issues that require expert interpretation of economic and financial data, including economic impact studies, market and competitive analyses, financial planning, employment and contractual matters, tax and transfer pricing issues, company and asset valuations, cost-effectiveness analyses, and evaluation of mergers and acquisitions. We help organizations create strategies for growth by analyzing market dynamics and organizational capabilities, enhancing innovation in current products and services, and identifying new market opportunities. We also assist law firms with all aspects of litigation, including pretrial discovery, development of economic and financial models, preparation of testimony, and critique of opposing experts.

Analysis Group, which was founded in 1981, has over 300 professional staff members, most with degrees in economics, finance, statistics, accounting, management, or law. We also work closely with an extensive network of experts at leading universities who help us develop state-of-the-art analyses and compelling insights for our clients. The academic rigor imposed by these relationships, coupled with our commitment to teamwork, ensures that our clients receive the highest caliber work product and service.

Analysis Group's practice areas include antitrust, commercial litigation, economic impact studies, energy, entertainment and sports, environmental economics, financial institutions, growth & innovation, health care economics, intellectual property, labor & employment economics, mergers & acquisitions, real estate, securities, telecommunications, transfer pricing, and valuation.

Analysis Group has offices in Boston, Dallas, Denver, Los Angeles, Menlo Park, Montreal, New York, San Francisco, and Washington, DC.



8. Appendix C: Map of Gaming Facilities in Los Angeles County

(see next page)



Appendix C

Gaming Facilities in Los Angeles County



9. Appendix D: Map of Gaming Facilities in Los Angeles County and the Surrounding Area

(see next page)



Appendix D

Gaming Facilities in Los Angeles County and Surrounding Area

