

The Economic Impact
Of the Catawba Gaming
Facility
On Cleveland County

Prepared for

The Catawba Indian Nation

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The Economic Impact of the Catawba Gaming Facility

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1. Introduction and Overview

This report provides an overview of the economic impacts on the economy of Cleveland County, North Carolina that could be expected from the proposed Catawba Gaming Facility that would be located on the Catawba Nation Reservation property in Cleveland County, North Carolina.

The project will consist of approximately a 220,000 sq/ft gaming facility and two hotels with a combined 750 rooms. Included in the gaming facility will be numerous commercial and retail outlets and restaurants and other entertainment venues. The gaming facility and hotels are expected to be in operation by the year 2015.

This area of North Carolina is in dire need of new job opportunities. As of April 2013, there were more than 24,000 unemployed people in Cleveland County and surrounding area (see Table 1). The average unemployment rate for the area was 9.8% -- well above the North Carolina statewide rate of 8.5%.

Table 1

County	April 2013	
	Unemployed	Unemployment Rate
Cleveland	4,768	9.5%
Rutherford	3,160	11.9%
Lincoln	3,467	8.7%
Burke	3,757	9.6%
Gaston	9,177	9.1%
Region Totals	24,329	9.8%
North Carolina	398,043	8.5%

Source: Employment Security Commission of North Carolina, May 2013

There is a substantial competitive opportunity for the Catawba's to generate significant market share of the gaming industry in the Southeast. The closest gaming establishment to the Cleveland County area is the Cherokee Indian Gaming facility in the Northwestern corner of North Carolina – roughly a three-hour drive from Cleveland County.

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2. Economic Impacts of the Catawba Gaming Facility

The Catawba Gaming Facility will operate in a similar pattern as other state-of-the-art gaming facilities in North Carolina. This analysis estimates the impacts of the new Catawba Gaming Facility in two major phases. The first phase will be the construction period during which the facilities are built and infrastructure is developed. This phase will be relatively short term (2 to 3 years) and last only as long as the construction activity lasts.

The second phase is the ongoing permanent impacts of the operations of the Catawba Gaming Facility and hotels. These impacts will be on an annual basis and last as long as the Catawba Gaming Facility and hotels operate.

Total capital investment represented by the Catawba Gaming Facility will be substantial. By the third year the capital investment in the gaming facility and hotels will reach over \$339.5 million dollars.

The economic benefits from the construction and operation of the Catawba Gaming Facility are outlined in this section of the report. This analysis utilizes impact models generated by the IMPLAN modeling system.¹ IMPLAN is a nationally recognized system of local economic models that are specifically designed to represent local economies such as Cleveland County, North Carolina and York County of South Carolina. The IMPLAN models are modifications of the national input-output models developed by the Bureau of Economic Analysis, US Department of Commerce.

The IMPLAN models incorporate the most recent data available and are generally 2011 unless otherwise noted². The estimates are based on constant dollars and assume no inflation during the project's buildout. This assumption applies to all estimates in this analysis, including: property values, incomes, sales, construction materials, etc. The assumption of constant dollars assumes revenues and costs will increase at similar rates during the period of analysis.

The IMPLAN model calculates how Catawba Gaming Facility investment dollars impact the local economy. The IMPLAN program uses data from a number of sources, including County Business Patterns, Bureau of Labor Statistics (BLS) Current Employment and Wages Program (CEW), and the Bureau of Economic Analysis (BEA) among others. IMPLAN uses national data and adjusts that data for smaller geographic regions using a methodology developed by the USDA Forest Service.

These data are then manipulated using proprietary software developed by Minnesota IMPLAN Group (MIG). Input-output (IO) software answers this question: "If demands of the exogenous sectors were forecast to be some specific amounts next year, how much output from each of the sectors would be necessary to supply these final demands?" In other words, when the Tribe invests in a Catawba Gaming Facility, what happens to other labor, industries and governments to meet this new demand?

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It also answers the question: “If the Catawba Gaming Facility produces “x” jobs per year, what is the impact on the industries that supply goods, services and labor to the Catawba Gaming Facility.” This is calculated using the Leonfief production functions (Miller & Blair, 2009).

We also want to know which employees, industries (local vendors) and local governments will benefit most from the investment in a Catawba Gaming Facility operation. Our local analysis does just this. IMPLAN applies local data (industry, employment and tax – Local Mix) and calculates the effects in a defined study region (in this study, Cleveland County, NC).

The local analysis again focuses on the importance of the high-quality local labor needed to operate the Catawba Gaming Facility, and spin-off employment from vendors who will work with and supply the Catawba Gaming Facility. Locally these include food service providers, real estate, retail and wholesale trade. All of these industries are available in the study region. (See Top 10 Industry Impacts in Table 4.)

The process described above produces direct, indirect and induced impacts based on specific and empirical data regarding how wage earners, owners, industries and governments spend resources when there is an economic change.

As the operating and visitor dollars are spent and re-spent in the Cleveland County area, additional economic activity is created for those companies and individuals that supply goods and services to the Catawba Gaming Facility. The recipients of this income will spend this income on other goods and services.

Each time, some of the purchases will be for goods and services inside the Cleveland County area and the surrounding counties and some will be for goods and services from outside the area (referred to as “leakages”). The well-known “multiplier effect” estimates the aggregate amount of local buying and selling that occurs.

The multipliers used in this analysis estimate three components of total change within the local area:

- * Direct effects represent the initial change in the industry in question.
- * Indirect effects are changes in inter-industry transactions as supplying industries respond to increased demands from the directly affected industries.
- * Induced effects reflect changes in local spending that result from income changes in the directly and indirectly affected industry sectors.

This cycle of spending continues until leakages from the region (spending on goods and services outside the area) stop the cycle. Due to these multiplier effects, the initial, direct investment results in indirect and induced impacts of many more dollars.

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Construction Impacts

The construction phase impacts from the Catawba Gaming Facility's initial development and installation will have substantial impacts on the Cleveland County area economy. These construction impacts will be generated from two major construction projects; the gaming facility and the two hotels.

The construction projects will generate almost 3,800 jobs during their construction. As seen in Table 2, the compounding effects of the multiplier cause the initial direct employment of an estimated 3,780 employees constructing the Catawba Gaming Facilities to result in indirect and induced impacts of an additional 1,220 more jobs in the Cleveland County area – for a total of 5,000 jobs supported during the gaming and hotels construction phase.

These jobs will generate substantial labor income. During the facilities construction period, it is estimated that there will be \$122.5 million in direct labor income generated by the construction of the facilities. This direct labor income will have indirect and induced impacts of another \$40.3 million for a total impact labor income of almost \$163 million.

Total direct output (total economic activity) generated by the construction phase of the Catawba Gaming and hotel facilities will be \$340.5 million. The indirect and induced impacts will generate another \$127.8 million for a total impact on the local Cleveland County area economy of over \$468.3 million during the construction phase of the gaming and hotel facilities.

Table 2

Catawba Gaming and Hotel Facilities Construction Impacts

(Totals may not equal due to rounding)

Impact Type	Employment	Labor Income	Output
Direct Effect	3,780	\$122,504,532	\$340,528,473
Indirect Effect	560	\$19,162,184	\$54,211,892
Induced Effect	660	\$21,272,982	\$73,589,916
Total Effect	5,000	\$162,939,698	\$468,330,281

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Ongoing Permanent Impacts

Once construction activity is completed and the Catawba Gaming Facility begins to ramp up its operations, there will be additional, ongoing economic impacts generated in the Cleveland County area.

Table 3 summarizes the impacts that could be expected once the gaming facility and hotels are operational. As seen in Table 3, there will be 3,000 direct jobs at the Catawba Gaming Facility and another 1,048 jobs supported in the Cleveland County area for a total employment impact of 4,048 jobs supported by the Catawba Gaming Facility.

These jobs will generate substantial labor income in the Cleveland County area. As seen in Table 3, the direct labor income generated by the operations of the Catawba Gaming Facility will be an estimated \$56 million a year. This direct labor income will have multiplied impacts in the area and generate an additional \$32.1 million in indirect and induced labor income for a total of \$88.9 million in total labor income in the Cleveland County area.

Once the facility is operating and continuing for the life of the Catawba Gaming Facility, there will be more than \$191.8 million in annual direct economic activity generated in the Cleveland County area as a result of the Catawba Gaming Facility's operations. This direct output will have indirect and induced impacts of an additional \$108.1 million for a total impact on the Cleveland County area of an estimated \$300.0 million per year.

Table 3

Catawba Gaming Facility Ongoing Permanent Impacts

Impact Type	Employment	Labor Income	Output
Direct Effect	3,000	\$56,837,023	\$191,835,529
Indirect Effect	502	\$14,552,492	\$47,323,268
Induced Effect	546	\$17,605,475	\$60,851,264
Total Effect	4,048	\$88,994,990	\$300,010,061

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These indirect and induced impacts will be felt across a wide spectrum of industries in the Cleveland County economy. There will be additional industries impacted by the operations of the Catawba Gaming Facility, but Table 4 highlights the ones that will be impacted the largest in terms of new jobs.

Table 4

Top Ten Industries Impacted By the Catawba Gaming Facility

<u>Top 10 Industries Impacted</u>	<u>Total Jobs Supported</u>
Gaming Industries	3,002
Food and related Services	111
Employment Services	76
Services to buildings and dwellings	63
Management, scientific, and technical services	42
Private hospitals	41
Accounting, bookkeeping, and payroll services	40
Real estate establishments	38
Advertising and related services	38
Nursing and residential care facilities	33

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3. Fiscal Impacts of the Catawba Gaming Facility

In addition to the economic impacts outlined above, the Catawba Gaming Facility will have substantial fiscal impacts on North Carolina. There will be two major sources of fiscal impact that the Catawba Gaming Facility will have on the State of North Carolina: Gaming fees collected by the Catawbas and contributed directly to the State General Fund and sales and income taxes generated by the additional economic activity outlined above.

If the Catawba Gaming Facility has a similar agreement with North Carolina as the Eastern Band of Cherokee Indians has with North Carolina, it is estimated that the State will receive over \$100 million a year from gaming revenues.

In addition to the direct gaming revenues that the state will receive, the State will also benefit from the Catawba Gaming Facility by the sales and income taxes generated by the economic activity at the facility. In order to estimate the revenue impacts of this economic activity, it is assumed that the average state tax burden in North Carolina of \$961 of per person applies to the labor income earnings estimated here and that the sales tax rate of 4.75% applies to 50% of the income earned.³

Based on the estimated annual total labor income impacts as indicated in Table 3, there would be an estimated \$6.0 million per year generated to the State's General Fund from sales and income taxes generated by the Catawba Gaming Facility. The construction impacts would be short term but would also generate one-time revenue impacts \$8.7 million for the General Fund.

Together, these direct payments and sales and income taxes would generate an estimated \$106.0 million for the State of North Carolina per year.

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4. Summary

Based on this analysis, it is evident that the proposed Catawba Gaming Facility will have a positive economic impact on the Cleveland County area and the State of North Carolina.

The construction of the proposed Catawba Gaming Facility will generate and support more than 5,000 jobs in the Cleveland County area. More than \$163 million in labor income will be generated in the Cleveland County area as a result of the construction of the facilities. The total impacts on the Cleveland County area will be more than \$468.3 million in economic activity during this phase of the Catawba Gaming Facility's development.

Once the Catawba Gaming Facility is constructed and operating, the ongoing permanent impacts on the Cleveland County area will be substantial. The proposed Catawba Gaming Facility will generate and support an estimated 4,048 jobs on an annual basis through its direct and indirect impacts. An estimated \$89 million in labor income will be generated on an annual basis from the Catawba Gaming Facility's operations and continue for the life of the Catawba Gaming Facility. The total impacts on the Cleveland County area will be more than \$300 million in economic activity per year once the Catawba Gaming Facility is in full operation.

And finally, the fiscal impacts of the Catawba Gaming Facility operations would have a substantial impact on North Carolina State government revenues. It is estimated that more than \$106 million would be generated per year from direct payments from the Catawba Gaming Facility as well as sales and income taxes generated by the new economic activity supported by the Gaming Facility.

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Notes:

¹ IMPLAN is regional modeling system developed by MIG, Inc., Stillwater, MN.

² The latest data available for the IMPLAN modeling system are for the 2011 calendar year. However, the final dollar impacts estimated in this analysis reflect 2013 prices.

³ Based on National Tax Foundation estimate of \$961 per person in North Carolina income taxes and a sales tax rate of 4.75%. <http://taxfoundation.org/state-tax-climate/north-carolina>

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MILEY & ASSOCIATES, INC.

Miley & Associates is one of the Southeast's leading economic and financial consulting firms. The firm specializes in economic impact analyses, fiscal impact analyses, feasibility reports, impact fee studies and benefit/cost modeling. Our clients include national and prominent local real estate developers, school districts, local governments, regional development agencies, and other private sector development firms. Miley & Associates partners appear regularly before decision-makers at all levels of government and understand the values, needs and desires of the clients they represent. With offices located in Columbia, South Carolina, the firm is well positioned to provide clients with hands-on service for projects throughout the entire Southeast region.

Miley & Associates appreciates that every research project is unique and deserves a custom solution. Public policy decisions are not made overnight, and we excel at providing advice and counsel along the way. We represent our clients. Our business plan is simple: we focus on exceeding our client's expectations and building long-term relationships.

Miley & Associates, Inc. was founded in 1993 by Harry W. Miley, Jr. Ph. D. The Company is an economic and financial consulting firm providing a range of analytical services to public and private sector clients. Miley & Associates conducts fiscal and economic impact analyses of proposed new developments and has extensive experience in assisting clients with their economic development and community revitalization projects.

Dr. Miley served as Chairman of the South Carolina Board of Economic Advisors (BEA) under two Governors. The BEA is responsible for estimating the State's revenues for the Governor and the General Assembly to use in formulating the State's annual budget. Dr. Miley was originally appointed as Chairman by Governor Carroll Campbell and continued to serve as Chairman for Governor David Beasley.

Dr. Miley was the Senior Executive Assistant for Economic Development to Governor Campbell from 1987 to 1989. Dr. Miley served as principal advisor to Governor Carroll Campbell on the state's policies for economic development, employment and training, work force and adult illiteracy, technical education and transportation issues.

Prior to joining the Governor's Office, Dr. Miley was on the faculty of the Moore School of Business at the University of South Carolina and Associate Director of the Division of Research at the School.

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GENERAL LIMITING CONDITIONS

This economic impact analysis is not a budget or forecasting document and is not intended to depict a definitive course of action. Moreover, economic impact analysis is not designed as a space or facility-planning document. Many assumptions underlying economic impact analyses are based on policy decisions which, if modified, would affect the overall results.

This study is based on estimates, assumptions and other information developed by Miley & Associates, Inc. from its independent research effort, consultations with the client and its representatives, and primary and secondary sources. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis are based on trends and assumptions and, therefore, there will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives or any other data source used in preparing this study.

This report is based on information that was current as of June 2013 and Miley & Associates, Inc. has not undertaken any update of its research effort since that date. We have no obligation, unless subsequently engaged, to update this report or revise this analysis as presented due to events or conditions occurring after the date of this report.

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