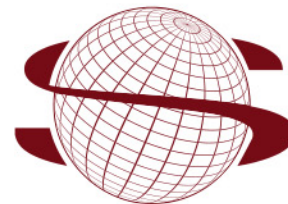


Economic Impact Study: Proposed Racetrack in Sturbridge, MA

Prepared for Commonwealth Racing LLC

July 29, 2021



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Introduction

- Commonwealth Racing LLC (“Client”) first retained Spectrum Gaming Group (“Spectrum,” “we” or “our”) in summer 2020 to independently analyze and evaluate the potential for retail and digital sports betting at a proposed Thoroughbred racetrack development in Sturbridge, MA
 - Our study had two components:
 1. Project sports betting gross gaming revenue (“GGR”) statewide and for the track specifically. We assumed sports betting would be offered via both digital (i.e., online) and retail (i.e., on site) channels
 2. Determine whether a new racetrack could be economically viable without offering another form of gaming – in this case sports betting
- The Client subsequently retained Spectrum in June 2021 to forecast economic impacts of the proposed racetrack on Worcester County
 - Also assess specific impacts on the town of Sturbridge

Key Findings from 2020 Study

- Massachusetts has great potential as a sports betting market; Spectrum forecasts from \$350 million to \$500 million in annual GGR at maturity
 - *Given recent trends, Spectrum believes state will achieve high end of this range*
- Where both retail and digital betting are allowed, digital betting is the overwhelming choice for bettors
 - We assume 80% of Massachusetts bets would be made via digital channels
- Most states that permit pari-mutuel wagering also permit some form of alternative gaming – whether slots, full casinos, or sports betting
 - Alternative gaming options are necessary to ensure overall profitable operation, thus sustaining the horse racing industry
 - Tracks in states that do not allow alternative gaming are struggling
 - Last new racetrack to open without alternative gaming closed after two years
- Digital + retail sports betting at new Commonwealth Racetrack would likely ensure success of overall operation

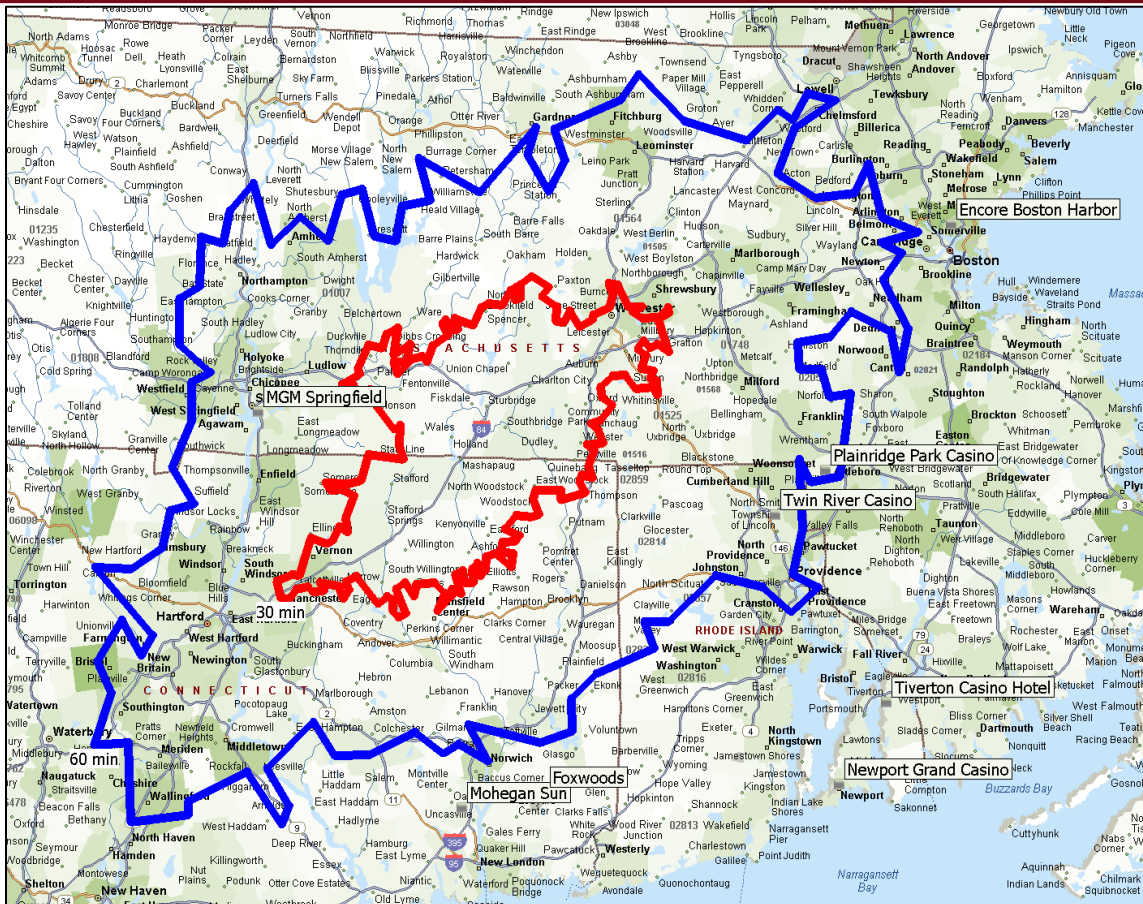
Methodology for Economic Impact Study

- Spectrum used data and information from several sources:
 - Our 2020 study for the Client
 - Facility plans provided by the Client
 - Public gaming, racing and economic data
- We also relied on our expertise in gaming, racing, and economic-impact modeling to make certain assumptions regarding staffing, facility operations, racing operations, and non-racing event days
- Retained the UMass Donahue Institute, a longstanding project partner of Spectrum's, to assist with inputs and operate the economic impact model
 - Employed the Regional Economic Models Inc. ("REMI") PI+ model for Worcester County
 - Models by REMI, based in Amherst, MA, have been used by almost every state government to help guide economic policy decisions

Horse Racing and Commonwealth Racing

- Horse racing – what’s working:
 - Big events – Kentucky Derby, special days of top races
 - Short niche race meets – Keeneland and Kentucky Downs (all grass racing for six days)
 - With increased competition from more sport events, more entertainment and more gambling, long race meets of 60, 70, or 80 days of racing are no longer competitive in the current market
- Commonwealth Racing plans:
 - Autumn Racing Festival of turf racing – 10 days
 - 3 weekends with attractive prize money that can be coupled with other events to attract people to Sturbridge and the races
 - Spectrum assumes 990 horses, 1,200 licensed horsemen and women
 - Spectrum estimates average attendance of 7,000 for each race day

Drive-Time Population to Commonwealth Racetrack



Drive Time	Population
0 – 30 Min	527,442
31 – 60 Min	3,929,837
Total 0 – 60 Min	4,457,279

Impacts of Autumn Racing Festival

- The Autumn Racing Festival will be three weekends of 3 or 4 race days each week, with the horsemen staying overnight and bringing horses to race on consecutive days while also encouraging race-day customers to attend multiple days and stay in Sturbridge with discount multiday packages. The same can be done with other events throughout the year
- 70,000 people attending 10 days of racing
- Prize money of over \$4.9 million offered to attract horses and their caretakers to Sturbridge
- 990 horses, 1,200 licensed horsemen, horsewomen and horse owners coming to Sturbridge
- At least 50% of the horse caretakers will include overnight stays, as they race more than one horse over multiple days
- Part-time payroll of \$366,101 for the three weeks of the Autumn Racing Festival
- Local employees: Of the 160 employees needed to put on racing events, about 111 of them could be hired from the local community

Summary of Autumn Racing Festival at Sturbridge

Live Racing Statistical Estimates

Race days	10
Attendance	70,000
Prize money for races	\$4,950,000
Local Aid Payment from pari-mutuel to the town of Sturbridge	\$240,000
Incentive money offered to horsemen for participation	\$1,000,000
Payroll for live racing operations*	\$366,101
Number of horses racing	990
Number of commission racing licenses issued	1,200

* Excludes payroll of full-time employees who help with live racing operations

Autumn Racing Festival Revenues

Racing Revenues (1 year of operations)¹

Racing Related	Revenue
Live race handle track commissions	\$185,100
Export handle host fees for track	\$123,750
Import handle track commissions	\$891,800
Revenue from ADW (advance-deposit wagering) contracts	\$882,000
Earn-back revenue from Capital Improvement Trust Fund	\$88,320
Live racing food & beverage ^{1,2}	\$910,000
Admissions	\$297,500
Publication sales ¹	\$77,700
Parking	\$140,000
Misc. sales ¹	\$35,000
Sponsorship ¹	<u>\$30,000</u>
Total	<u>\$3,661,170</u>

¹ Excludes food & beverage revenue from sports bar. ² Cost of goods sold is not subtracted from sales.

Significant Other Activity at the Racetrack

- 12 to 15 non-racing events throughout the year and the Autumn Racing Festival
 - A variety of events, appealing to different audiences and markets throughout the year
 - Both one-day and multi-day events will attract diverse tourism to explore and stay in Sturbridge
 - A synergy of events coordinated and co-marketed with other attractions will increase hotel stays, restaurant spending and tourism to explore Sturbridge and the local attractions
 - Commonwealth, working with the local community, will host events such as concerts, outdoor festivals, arts/crafts shows and equestrian events when there is no racing
- A year-round sports bar with sports wagering and simulcasting of horse races from throughout the country including broadcast of major league sports events and the Kentucky Derby
 - Each major sports event can offer special promotions to attract sports fans and bettors

Estimating the Economic Impacts

- Using estimates from both the client and Spectrum, we ran a REMI economic model of Worcester County and other regions of Massachusetts
- Inputs to the model included permanent and temporary employment for racing, sportsbook, sports bar, and non-racing events and revenues from the same
 - Construction, but not furniture, fixtures and equipment, also entered the model
- Estimates for non-racing temporary employment and revenues is based on an average of similar venues around the country
 - We assumed there would be 15 non-racing events per year averaging 7,000 attendees per event
 - We assumed no permanent employment associated with non-racing events as we expect existing staff from racing, sportsbook, and food and beverage would be available for planning and supervision of non-racing events

Inputs into the REMI Model

Category	Revenue
Racing	\$3,661,170
Sportsbook	\$35,400,000 ¹
Sport bar	\$3,259,382
Non-racing events	\$3,908,520
Total local taxes	\$670,666

Construction	\$40,000,000
FF&E	\$0

Permanent Employment		
Category	FTE ²	Headcount
Racing	25	41
Sportsbook	5	9
Sport bar	30	49
Non-racing events	0	0

Temporary Employment All Events ³		
Category	Work Days	Annual Headcount Equivalent
Racing	1,020	7
Sportsbook	0	0
Sport bar	0	0
Non-racing events	3,990	25

¹ Sportsbook gross gaming revenue combines digital (i.e., online) and retail (i.e., on-site), per assumptions in Spectrum 2020 report for Commonwealth Racing. ² FTE = full-time-equivalent employee. ³ Because each racing and non-racing event is one day, the “Work Days” column shows the number of workers needed to put on the event multiplied by the number of events, e.g. 102 workers per race day x 10 days = 1,020 work days. The “Annual Headcount Equivalent” column converts the work days number into the equivalent number of year-round workers needed to do the same hours of work. This conversion is needed for the economic impact model, which is annual.

Summary Economic Impacts – Construction

Category	Worcester County	Rest of State	Massachusetts
Total Employment	474	107	581
Private Non-Farm Employment	458	103	561
Business Revenues (\$M)	\$71.4	\$23.2	\$94.6
Net Economic Impact (\$M)	\$42.1	\$14.6	\$56.7
Personal Income (\$M)	\$31.3	\$14.3	\$45.6
Disposable Personal Income (\$M)	\$25.7	\$11.9	\$37.6

Economic Impacts – Construction Discussion

- Construction is expected to create 474 jobs and \$74 million of business revenues in Worcester County
 - Previous economic impact studies of construction projects have consistently shown that the majority of the workers and companies are close to the construction site
 - Given that the main aspect of this project is site preparation, we see no reason that previous patterns should not hold
 - We expect workers and companies in and around Sturbridge to provide most of the work
- By their nature construction projects, and thus impacts, are transient
 - It is usually more accurate to conceive of small- and medium-sized construction projects as supporting and retaining existing jobs rather than creating new jobs
 - Nevertheless, these types of projects are important, as an empty queue of projects would lead to job losses in the construction sector

Summary Economic Impacts – Annual Operations

Category	Worcester County	Rest of State	Massachusetts
Total Employment	341	117	458
Private Non-Farm Employment	308	110	418
Business Revenues (\$M)	\$87.1	\$31.0	\$118.1
Net Economic Impact (\$M)	\$52.5	\$20.0	\$72.5
Personal Income (\$M)	\$16.5	\$15.9	\$32.4
Disposable Personal Income (\$M)	\$13.7	\$13.2	\$26.9

Estimating Tax Receipts for Town of Sturbridge – Methodology

- We used estimates of food and beverage sales, hotel stays, and assessed value to create estimates of meals, room, and property tax payments by the track to Sturbridge
- The meals taxes are 0.75% (local options meals tax rate) of the estimated revenues of the sports bar
- Room taxes are 6% (local options rooms tax rate) of the estimated hotel revenues. We assumed 23,593 room-nights at an average daily rate of \$115. The revenues are a result of the following key assumptions:
 - 30% of race and nonracing event attendees are overnight visitors, of which 80% use double-occupancy rooms
 - Roughly 50 race staff will need accommodations
 - Attendees will preferentially book rooms in Sturbridge
- Property taxes are based on an estimated assessed value of \$25 million and the 2020 tax rate of 19.02 per thousand dollars of assessed value

Estimated Tax Receipts for Town of Sturbridge

Category	Revenue
Total local taxes	\$910,666
Local Aid Payment from pari-mutuel to town of Sturbridge	\$240,000
Meals tax to town	\$24,445
Rooms tax to town	\$162,793
Property tax to town	\$483,428

- For context, in FY 2019 average monthly meals tax was roughly \$39,600 while average monthly rooms tax was roughly \$88,700. FY 2019 property taxes were \$23.7 million.

Economic Benefits to Town of Sturbridge

Construction Impacts

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Private non-farm employment	458
Business revenues (\$M)	\$71.4
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Personal income (\$M)	\$31.3
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Annual Operational Impacts

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Estimated Annual Tax Impacts

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For context, in FY 2019 ...

- Average monthly meals tax was \$39,600
 - Project adds 3 weeks of tax to the year
- Average monthly rooms tax was \$88,700
 - Project adds 7 weeks of tax to the year
- FY 2019 property taxes were \$23.7 million
 - Project adds 2% to property tax receipts

Sturbridge Demographic Profile

- Per the 2019 American Community Survey, Sturbridge has a population of 9,539
 - 7,427 are considered working age (16+)
 - 65%, or 4,799, of them are in the labor force
 - 4,619 are employed, and 180 are unemployed, for an unemployment rate of 3.8% – lower than both the nation (4.8%) and the state (5.3%)
 - Median income of those 25 and older is \$53,096
- Sturbridge has a poverty rate of 5.5% (524 people)
 - Lower than both the nation (13.4%) and the state (10.3%)
 - Of those without a high school degree, 13.8% are poor, compared to under 0.5% for those with a bachelor’s degree or higher
 - With a mean income deficit of \$6,036, many Sturbridge residents require only a modest job to move above the poverty line
 - We expect the jobs at the race track to pay between \$17 and \$19 dollars an hour on average. That amounts to roughly \$140 per day to temporary event workers and roughly \$23,000 per year (+/- \$500) for the average food and beverage or sports book staff. Workers in these industry are typically part time and work around 1,300 hours per year. Their pay would scale with hours.
- With a diversity of occupations, the Sturbridge racetrack could also provide jobs suitable for Sturbridge’s low-income population
 - 95% of those in poverty have no college experience
 - 17% of the workforce is employed in sectors that are closely related to racetracks

Source: 2015-2019 American Community Survey

Employment of Sturbridge Residents by Sector

Sturbridge Industry Mix	2019
Civilian employed population 16 years and over	4,619
Educational services, and health care and social assistance	1,437
Professional, scientific, and management, and administrative and waste management services	640
Manufacturing	486
Retail trade	463
Finance and insurance, and real estate and rental and leasing	343
Arts, entertainment, and recreation, and accommodation and food services	301
Construction	218
Wholesale trade	208
Public administration	193
Transportation and warehousing, and utilities	135
Other services, except public administration	111
Information	84
Agriculture, forestry, fishing and hunting, and mining	-

Source: 2015-2019 American Community Survey

Jobs Impacts – Summary

- The racetrack and its various lines of business are expected to directly create 60 FTEs (or a headcount of roughly 100) in Sturbridge
 - Although private employers cannot refuse employment based on place of residence, through job preference, outreach, job fairs, and local advertising, the track is expected to heavily recruit from Sturbridge
- Most of the town's poor have no college experience, and many of the track's jobs will not require a college education
 - This match could provide opportunity for struggling residents
 - With a median income deficit of \$6,000, many households could be lifted over the poverty line with a modest job
- Every 10 jobs at the track are estimated to create 16 jobs elsewhere in Worcester County
 - Many of these are likely to be in and around Sturbridge
- With fewer than 200 unemployed individuals in Sturbridge, the 341 total jobs created and supported by the track can make a significant impact on the local unemployment picture

About Spectrum Gaming Group

- Founded in 1993.
- Specialize in studying, analyzing the economics, regulation and policy of legal gambling worldwide.
 - Wrote strategic plan and consulted for Massachusetts Gaming Commission (MGC).
 - Assessed racing industry as MGC prepared to absorb State Racing Commission.
 - Prepared casino impact study for Governor's office, with follow up study for legislature
- Policy of non-partisanship: We neither advocate for nor oppose legalized gambling.
- Policy of independent research and analysis: We do not accept engagements that seek a preferred result; we tell clients what they need to know, not what they necessarily want to hear.
- We have provided expertise in 41 US states and territories and in 48 countries on six continents. Clients include 22 US state and territory governments, six national governments, 22 Native American entities, numerous gaming companies (national and international) of all sizes, financial institutions, developers and other gaming-related entities.
- We have testified or presented before 40 governmental bodies worldwide.
- **Contact:** +1.609.926.5100 | solutions@spectrumgaming.com