



**ECONOMIC IMPACTS OF
THE SHAWNEE TRIBE'S PROPOSED HOTEL CASINO
ON OKLAHOMA CITY AND
THE STATE OF OKLAHOMA**

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1.0 INTRODUCTION

Applied Economics was retained by the Navegante Group to prepare an economic impact analysis for the benefit of the Shawnee Tribe of the operations of planned Hotel Casino on Oklahoma City and the state. The accompanying report is for phase I of a two phased master planned project. This project includes a resort hotel, casino, entertainment, and specialty retail. It would attract a significant number of visitors including hotel guests, as well as local and non-local day visitors, and visitors from other hotels in the area. These visitors would generate new economic activity as well as additional state and local tax revenues. The impact presented here includes three components: construction impacts, operations impacts for the hotel casino, and visitor spending impacts at other establishments in the area.

In Phase 1, the Hotel Casino project could create an annual economic impact of \$354.2 million on Oklahoma City, with additional impacts of approximately \$123.1 million annual on the rest of the state. It will directly and indirectly support over 5,800 jobs throughout the state, including 4,500 locally.

The information and observations contained in this report are based on our present knowledge of the components of development, and of the current physical, socioeconomic and fiscal conditions of the affected areas. Estimates made in this analysis incorporate current tax policies, the current economic conditions in the region, and certain assumptions. While considerable care has been taken in making the estimates in this report, actual impacts may vary because events and circumstances may not play out as anticipated. Accordingly, this analysis is based on the best available information and analytic methods customarily used in the economics profession. This analysis is intended to aid the Shawnee Tribe in quantifying the hotel casino's impacts on the local and state economy.

2.0 IMPACT SUMMARY

The operations that are detailed in this analysis will provide significant economic benefits to Oklahoma City and the State of Oklahoma. These positive impacts include the following:

- Local construction expenditures of \$203.9 million will create a local economic impact of \$278.0 million on Oklahoma City and directly and indirectly support 3,300 jobs during the 18 month construction period. (see Figure 1)
- Once operational, the hotel casino could have an economic impact of approximately \$354.2 million on the Oklahoma City economy each year. The project will support over 2,600 jobs and \$56.5 million in annual payroll or personal income *at other local businesses* supported by hotel and casino supplier purchases, employees spending, and casino visitors. This is in addition to the 1,884 employees and \$57.9 million in payroll generated by the hotel casino project directly. (See figure 2)
- It is estimated that the compact exclusivity fee (“Compact Fees”) paid to the State for tribal gaming will generate \$10.464 million annually. Additional state and local tax revenues generated off of trust land by visitor and employees spending are estimated at \$18.6 million annually. (see Figure 5)

Phase 1 of the Hotel Casino project will include a total of 400 hotel rooms, 130,000 square feet of new casino space, 70,000 square feet of retail space, 66,000 square feet of restaurants, 15,000 of convention space and 260,000 square feet of lobby, recreation and convention space. The project will provide a new high quality casino/hotel convention facility in Oklahoma City, as well as additional tourist and local retail opportunities.

SUMMARY OF RESULTS
(millions of dollars)

Hotel Casino Profile	
Jobs	1,887
Annual Payroll	\$57.85
Construction Cost	\$270.60
Leased On-Site Retail Space	
Jobs	114
Annual Payroll	\$1.81
Tourism Profile	
Annual daytrippers from out of area	760,000
Average daily spending per person outside casino resort	\$30
Annual in-house hotel guests	178,850
Average daily spending per person outside casino resort	\$67
Annual casino visitors from other hotels	295,977
Average daily spending per person outside casino resort	\$155
Economic Impact of Construction	
Output	\$278.01
Jobs	3,303
Personal Income	\$113.46
Economic Impact of Operations	
Output	\$238.52
Jobs	2,471
Personal Income	\$76.04
Tourism Economic Impacts	
Output	\$115.64
Jobs	2,029
Personal Income	\$38.34
Total Economic Impact	
Output	\$354.16
Jobs	4,500
Personal Income	\$114.38
Revenue Impacts	
State Revenues (Sales, Tourism, Gaming and Personal Income)	\$20.24
Local Revenues (Sales, Lodging, Property)	\$8.86

Source: Applied Economics, 2008.

3.0 ECONOMIC IMPACT RESULTS

Economic impacts measure the effects of economic stimuli or expenditures in the local economy. The economic benefits resulting from Phase 1 of the project include both the one-time construction impacts and on-going operations impacts. These impacts can be expressed in terms of direct and indirect jobs, personal income, and economic activity or output that will be generated by the project. Indirect impacts are the result of the multiplier effect and include supported supplier and consumer businesses and employees in Oklahoma City that will benefit from the Hotel Casino. This analysis captures one-time construction impacts, the on-going operations impacts of the hotel casino and on-site retail, and the impacts of off-site spending by casino visitors and hotel guests.

The economic impact results presented here from the three components listed above are grouped into direct impacts and total impacts. Direct impacts include payroll and sales at the hotel casino as well as spending by employees and casino visitors. Direct jobs represent employees at the hotel casino and on-site retailers, as well as employees at other local consumer and hospitality-related establishments where casino visitors make purchases. These supplier businesses and their employees in turn make additional local purchases, which are captured in the total impact estimates. The total impact includes both the direct impacts and the secondary or induced impacts created by other local businesses and their employees.

The secondary impacts of the hotel casino's local expenditures as well as employee and visitor spending are called multiplier effects. Multiplier effects are a way of representing the larger economic effects on the local economy. The multiplier effects translate an increase in output (loosely defined for service industries as sales, less profits) into a corresponding increase in jobs and personal income. In essence, the multiplier effect represents the recycling of local spending. This recycling process creates new business opportunities. The multipliers used in this analysis are from IMPLAN, a national vendor of economic impact software, and are specific to Oklahoma City and the State of Oklahoma.

Construction Impacts

The total increase in economic activity from new construction expenditures along with supported jobs and payroll are shown in Figure 1. These impacts are projected to occur during the construction phase of the project in 2008-2009. The project itself will result in direct construction expenditures of about \$270.6 million for the construction of a 400 room hotel, 130,000 square feet of casino space, 70,000 square feet of retail and 341,000 square feet of other dining, entertainment, meeting and recreation space. About \$203.9 million of total construction expenditures would be spent locally on items that generate an economic impact. The multiplier effect of this construction spending on the City would result in a total increase in economic activity of about \$278.0 million. The approximately 3,300 direct and indirect jobs created by this construction project would result in over \$113.4 million in personal income in Oklahoma City during the construction period.

FIGURE 1
CONSTRUCTION IMPACTS
PLANNED HOTEL CASINO
(millions of dollars)

	Direct			Indirect and Induced			Total		
	Construction Expenditures	Jobs	Personal Income	Output	Jobs	Personal Income	Output	Jobs	Personal Income
2008-2009	\$203.90	2,505	\$88.10	\$74.11	798	\$25.36	\$278.01	3,303	\$113.46

Source: Applied Economics, 2008.

Note: Only \$203.9 million of the total construction and land cost of \$270.6 million will be spent on items that will result in a local economic impact.

Operations Impacts

Once construction is complete, the Hotel Casino would create an annual economic impact of \$354.2 million in Oklahoma City and \$477.2 statewide. The project would directly and indirectly support over 2,600 jobs and \$56.5 million in personal income *at other local businesses* in Oklahoma City through supplier purchases and purchases made by employees and visitors. These economic impacts are in addition to the 1,887 employees and \$57.9 million in payroll that are supported directly by the hotel casino and on-site retail.

The largest component of the Hotel Casino's impact would be from the operations of the hotel, the casino and on-site retail. The hotel and casino would employ approximately 1,773 people full time at an estimated payroll of \$56.0 million including tips, translating into an average annual wage of \$31,745. The on-site retail, including 65,000 square feet that would be leased to specialty retailers, would support approximately 114 additional employees at an estimated payroll of \$1.8 million.

The multiplier effect of this increase in economic activity on the Oklahoma City would result in a total output impact of \$238.5 million annually (Figure 2). The approximately 2,500 direct and indirect jobs could result in about \$76.0 million in personal income in Oklahoma City on an annual basis. There would be additional impacts in other parts of the state that are estimated at \$84.0 million annually, supporting about 900 additional jobs and \$25.4 in payroll (Figure 3). This translates to an average statewide output multiplier of 1.76, meaning that for every \$1 million in economic activity at the hotel casino, there would be \$760,000 in additional demand created at other local businesses along with 28 direct and indirect jobs.

FIGURE 2
ANNUAL ECONOMIC IMPACT OF PLANNED HOTEL CASINO
ON OKLAHOMA CITY
(millions of dollars)

	Direct			Indirect and Induced			Total		
	Output	Jobs	Personal Income	Output	Jobs	Personal Income	Output	Jobs	Personal Income
Total Economic Impact	\$270.48	3,609	\$86.70	\$83.68	891	\$27.68	\$354.16	4,500	\$114.38
Hotel Casino Operations	\$182.92	1,887	\$57.85	\$55.60	584	\$18.19	\$238.52	2,471	\$76.04
Visitor Spending	\$87.56	1,722	\$28.85	\$28.08	307	\$9.49	\$115.64	2,029	\$38.34
Hotel Guest	\$19.03	317	\$6.16	\$6.23	70	\$2.15	\$25.26	387	\$8.31
Other Overnight Visitors	\$45.73	921	\$14.61	\$14.36	156	\$4.81	\$60.09	1,077	\$19.42
Non-local Daytrippers	\$22.80	484	\$8.08	\$7.49	81	\$2.53	\$30.29	565	\$10.61

Source: Applied Economics, 2008.

FIGURE 3
ANNUAL ECONOMIC IMPACT OF THE PLANNED HOTEL CASINO
ON THE STATE OF OKLAHOMA*
(millions of dollars)

	Direct			Indirect and Induced			Total		
	Output	Jobs	Personal Income	Output	Jobs	Personal Income	Output	Jobs	Personal Income
Total Economic Impact	\$270.48	3,631	\$86.37	\$206.74	2,195	\$64.98	\$477.21	5,826	\$151.35
Casino Hotel & Retail Operations	\$182.92	1,887	\$57.85	\$139.56	1,479	\$43.59	\$322.48	3,366	\$101.44
Visitor Spending	\$87.56	1,744	\$28.52	\$67.17	716	\$21.39	\$154.73	2,460	\$49.91
Hotel Guest	\$19.03	319	\$6.11	\$14.47	157	\$4.70	\$33.50	476	\$10.81
Other Overnight Visitors	\$45.73	934	\$14.42	\$34.84	369	\$10.97	\$80.57	1,303	\$25.39
Non-local Daytrippers	\$22.80	491	\$7.99	\$17.86	190	\$5.72	\$40.66	681	\$13.71

Source: Applied Economics, 2008.

*Includes impact in Oklahoma City shown in Figure 2.

Visitor Impacts

The other component of the Hotel Casino's impact would be from visitor spending on goods and services outside the property including hotels, restaurants, retail and transportation. It is estimated that visitors would spend \$87.6 million annually in Oklahoma City (Figure 4). This visitor spending includes the following:

- ✓ Casino hotel guests who spend approximately \$67 per person per day on food, transportation and retail outside the hotel casino
- ✓ Guests of other hotels who patronize the casino and spend approximately \$155 per person per day on lodging, food, transportation and retail at other establishments
- ✓ Non-local day trip visitors who patronize the casino and spend approximately \$30 per person per day on food and retail at other establishments

FIGURE 4
AVERAGE ANNUAL NON-LOCAL VISITOR EXPENDITURES*
OUTSIDE HOTEL CASINO

Type of Expenditure	Expenditures	Distribution
Lodging	\$26,045,976	30%
Food & Beverage	\$29,688,768	34%
Transportation	\$12,224,877	14%
Retail	\$19,598,466	22%
Total Visitor Expenditures**	\$87,558,087	100%
Total Visitor Days	581,817	
Average Expenditure per Day	\$150	

* Based on 1,234,827 non-local visitors per year--178,850 hotel guests; 295,977 other hotel overnight visitors, and 760,000 non-local daytrippers.

**Excluding revenues from local casino visitors and spending at casino resort.

All total, the \$87.6 million in direct visitor spending outside the hotel casino would result in a total economic impact of \$115.6 million in Oklahoma City (Figure 3). This corresponds to \$38.3 million in annual personal income and 2,030 jobs at local retail and hospitality establishments. Statewide, the impact increases to \$154.7 million annually.

The multipliers vary by location (Oklahoma City versus State of Oklahoma) and by type of spending. However, the average statewide output multiplier for visitor spending is 1.77. Thus for every \$1.0 million in visitor spending, an additional \$770,000 in demand is created at establishments throughout Oklahoma. Similarly, for every \$1 million of visitor spending, 28 jobs result.

4.0 REVENUE IMPACT RESULTS

It is estimated that the Compact Fee paid to the State for tribal gaming will generate \$10.464 million annually. The hotel casino project will be located on tribal trust land and would not directly generate any property, sales or lodging tax for Oklahoma City, Oklahoma County, or the State of Oklahoma. However, indirect taxes from the development are estimated at \$18.6 million annually, including state and local sales, property, income and lodging taxes (Figure 5).

**FIGURE 5
STATE AND LOCAL REVENUE IMPACTS
PLANNED HOTEL CASINO**

	Local Taxes			State Taxes			
	Property	Sales	Transient Lodging	Sales	Personal Income	Tourism	Compact Fees
Casino Resort and Retail Operations							
Direct	\$0	\$0	\$0	\$0	\$0	\$0	\$10,463,552
Indirect	\$1,802,119	\$556,699	\$0	\$646,489	\$3,073,644	\$0	\$0
Visitor Spending	\$1,779,362	\$3,293,424	\$1,432,529	\$3,824,622	\$1,678,360	\$557,347	\$0
Total	\$3,581,481	\$3,850,123	\$1,432,529	\$4,471,111	\$4,752,003	\$557,347	\$10,463,552

Note: Hotel casino is located on tribal trust land and is exempt from sales, property and lodging taxes.

Indirect taxes generated by visitors at the establishments where they make purchases off trust land, located outside the hotel casino property and would be subject to normal taxes. State and local sales, transient lodging and tourism taxes generated by these establishments are estimated at \$9.1 million per year. This estimate is based on taxable sales by type as shown in Figure 4. Using the results from the economic impact analysis, it is possible to estimate indirect tax impacts.

Indirect property tax revenues from hotel employees and employees supported by visitor spending were based on average residential assessed value per capita and average nonresidential assessed value per employee in Oklahoma County, times the annual supported population and indirect jobs from the project, times the average countywide tax rate of 10.22 percent. In total, indirect property taxes are estimated at about \$3.6 million per year.

Indirect sales tax revenues comprise sales taxes collected off the trust property on purchases by hotel casino employees, customers, and others who patronize businesses in the vicinity of the trust property that will be created or increased as a result of the hotel casino development. These revenues are calculated by multiplying total personal income times 25 percent, times the local sales tax rate of 3.875 percent times 75 percent local workers.^{1,2} Indirect local sales taxes from the hotel casino operations are estimated at \$557,000 per year. State sales taxes are calculated similarly using a tax rate of 4.5 percent and are estimated at \$646,000 per year.

All of the non-tribal employees at the casino and the supported employees at other local establishments would also generate state personal income tax based on their income shown in the economic impact. Using average income per employee, a standard deduction/personal exemption of \$2,000 and the state

¹ According to the Census Bureau Consumer Expenditure Survey for 2004 (the most current data available), persons in the median income range spend about 25 percent of their income on taxable goods.

² Approximately 25 percent of the employees at the hotel casino would be tribal members and would not generate income taxes or sales taxes.

graduated income tax rate schedule, it is estimated that the project would indirectly generate about \$4.7 million per year in personal income taxes.

In total, the project could generate approximately \$8.9 million in total (direct and indirect) local tax revenues in Oklahoma City and County each year, plus an additional \$20.2 million in direct and indirect revenues to the State of Oklahoma. This results in a total annual revenue impact of \$29.1 million.

5.0 SUMMARY

The Hotel Casino in Oklahoma City would create substantial economic benefits, not only in Oklahoma City, but throughout the state. These benefits include the economic impacts of the construction phase and the on-going impacts of operations, once the development is complete. The project would create a substantial increase in local jobs and payroll in Oklahoma City, and would also create additional demand at other local businesses based on supplier purchases, employee spending and visitor spending. The project will attract thousands of visitors each year who spend money on and off the trust property. In addition, the project would generate significant state and local tax revenues through taxable retail sales, compact fees, lodging and tourism taxes, and employee spending and property ownership.