



Feasibility and Revenue Impact of a Petersburg Casino

Study mandate

- Contract with The Innovation Group for analysis of
 - revenues that would be generated by a casino in Petersburg
 - potential negative revenue impact on casinos authorized in other cities

Item 36 #4s of the 2022-24 Appropriation Act

In Brief

- Demand is sufficient in the Petersburg market to support a casino with a minimum \$300M capital investment.
- Petersburg casino would generate additional state and local tax revenue.
- Petersburg casino would decrease projected future net gaming revenue from other casinos and historical horse racing facilities.
- Petersburg casino would lead to lower projected local tax revenue for other casino host cities.
- Demand is sufficient in the Richmond/Petersburg market to support a casino in each city, but impacts on other casinos and HHR would be greater with both casinos.

In this presentation

Background

State and local tax revenues

Impacts on other forms of gaming

Overall net impacts

Status of the five casinos authorized by the 2020 General Assembly

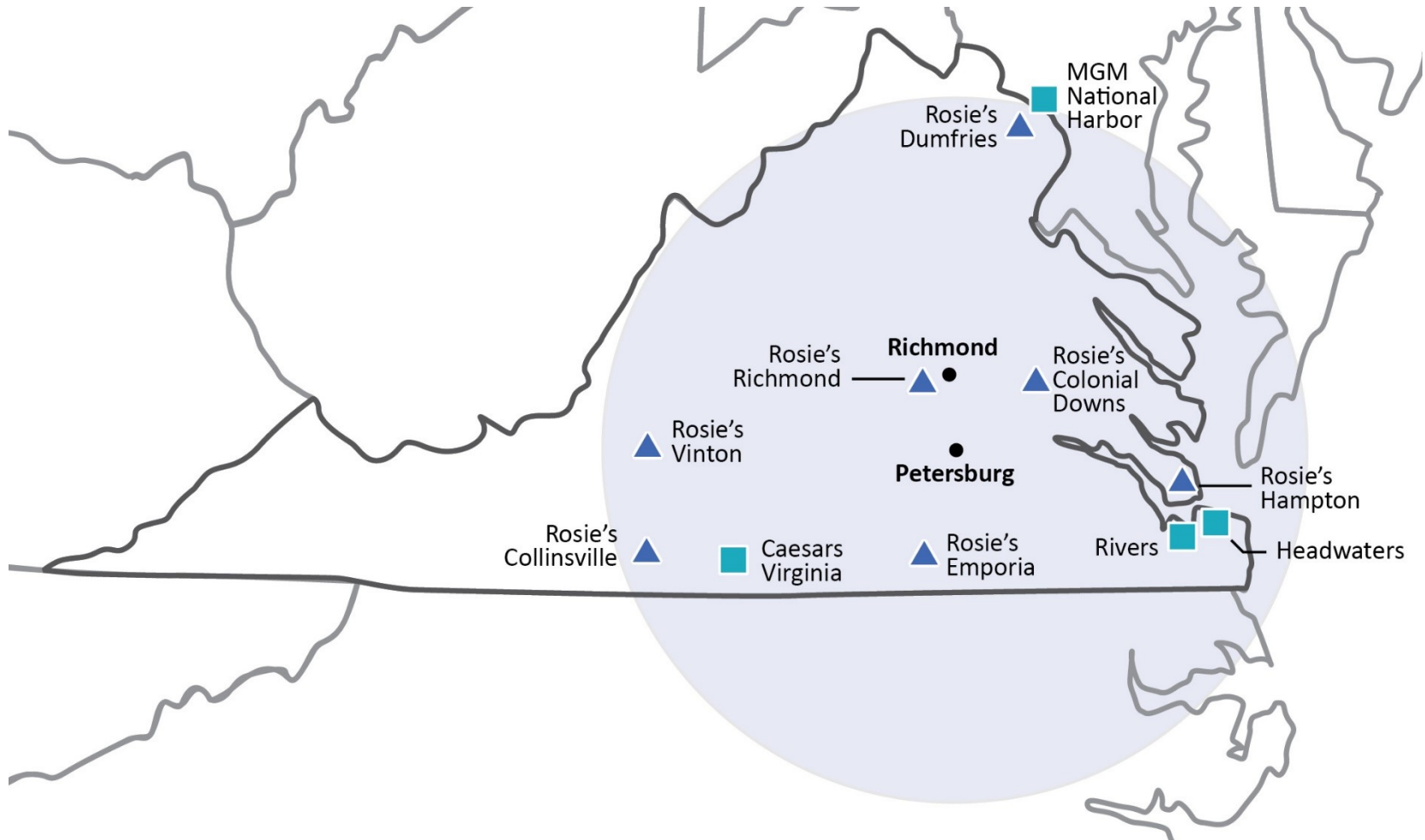
- Bristol, Danville, Norfolk, Portsmouth, and Richmond each authorized to host a casino
- Legislation required referendum in each host city
 - Voters approved casinos in all cities but Richmond
- Temporary Bristol casino opened in 2022 – permanent casino expected to open in 2024
- Portsmouth casino to open in 2023
- Norfolk and Danville casinos to open in 2024

Scenarios analyzed include a casino in Petersburg, and a casino in Petersburg plus one in Richmond

- Benchmark scenario modeled for the 4 authorized casinos and 7 HHR facilities to update projections from 2019 JLARC study
- Petersburg-only scenario: Opening a casino in the City of Petersburg by 2027, full year of operation in 2028
- Petersburg + Richmond scenario: Opening casinos in the cities of Petersburg and Richmond by 2027, full year of operation by 2028

HHR = Historical horse racing

Petersburg casino market area



Source: The Innovation Group

In this presentation

Background

State and local tax revenues

Economic impacts

Impacts on other forms of gaming

Overall net impacts

Legislation established tiered tax rates on gaming revenue, divided between state and localities

- Casino tax rates on net gaming revenue
 - 18% on first \$200M
 - 23% between \$201M and \$400M
 - 30% above \$400M (not reached in these forecasts)
- Revenues divided between state and local host governments
 - Local government receives first 6% of net gaming revenue
 - State receives remainder of tax revenue collected

Baseline Scenario: Projected net gaming revenue from 4 authorized casinos

- In 2028, four authorized casinos projected to generate \$828M in net gaming revenue
 - Danville: \$256M
 - Norfolk: \$226M
 - Portsmouth: \$199M
 - Bristol: \$147M
- No casino is projected to generate net gaming revenue that is taxed at highest rate of 30%
 - Vast majority of revenue taxed at 18%

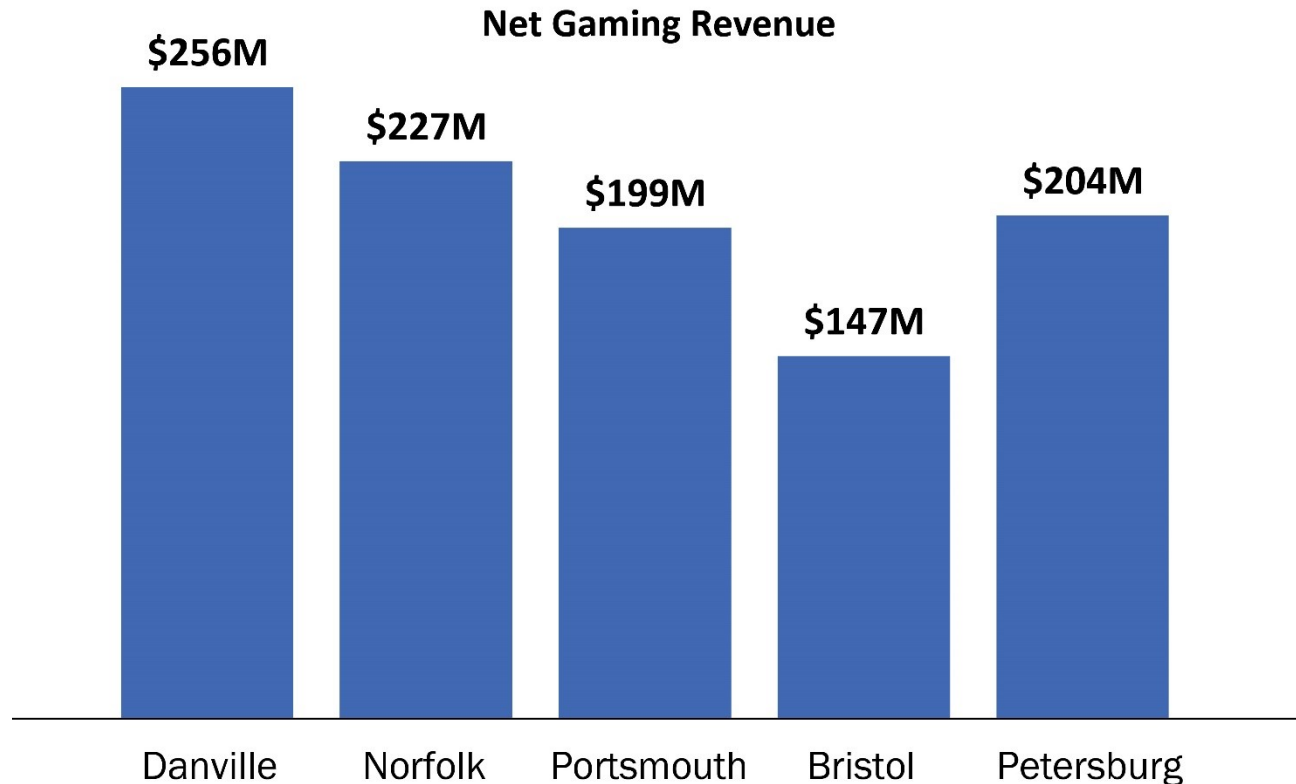
Annual net gaming revenue = total dollars wagered minus prizes minus free play credits.

Equivalent to “Adjusted Gross Receipts” in Code of Virginia.

Innovation Group found that Petersburg casino would be viable

- Casino amenities
 - 1,700 slot machines, 70 table games, a sportsbook
 - Restaurants to accommodate 600 guests, 300-room hotel, 1,500-seat events center
- Return-on-investment analysis shows Petersburg casino to remain profitable five years after opening and positive cash flow after 10 years
- Increases total net gaming revenue from casinos statewide by 18%

Petersburg casino's \$204M in net gaming revenue would be comparable to other casinos' revenue



Source: The Innovation Group

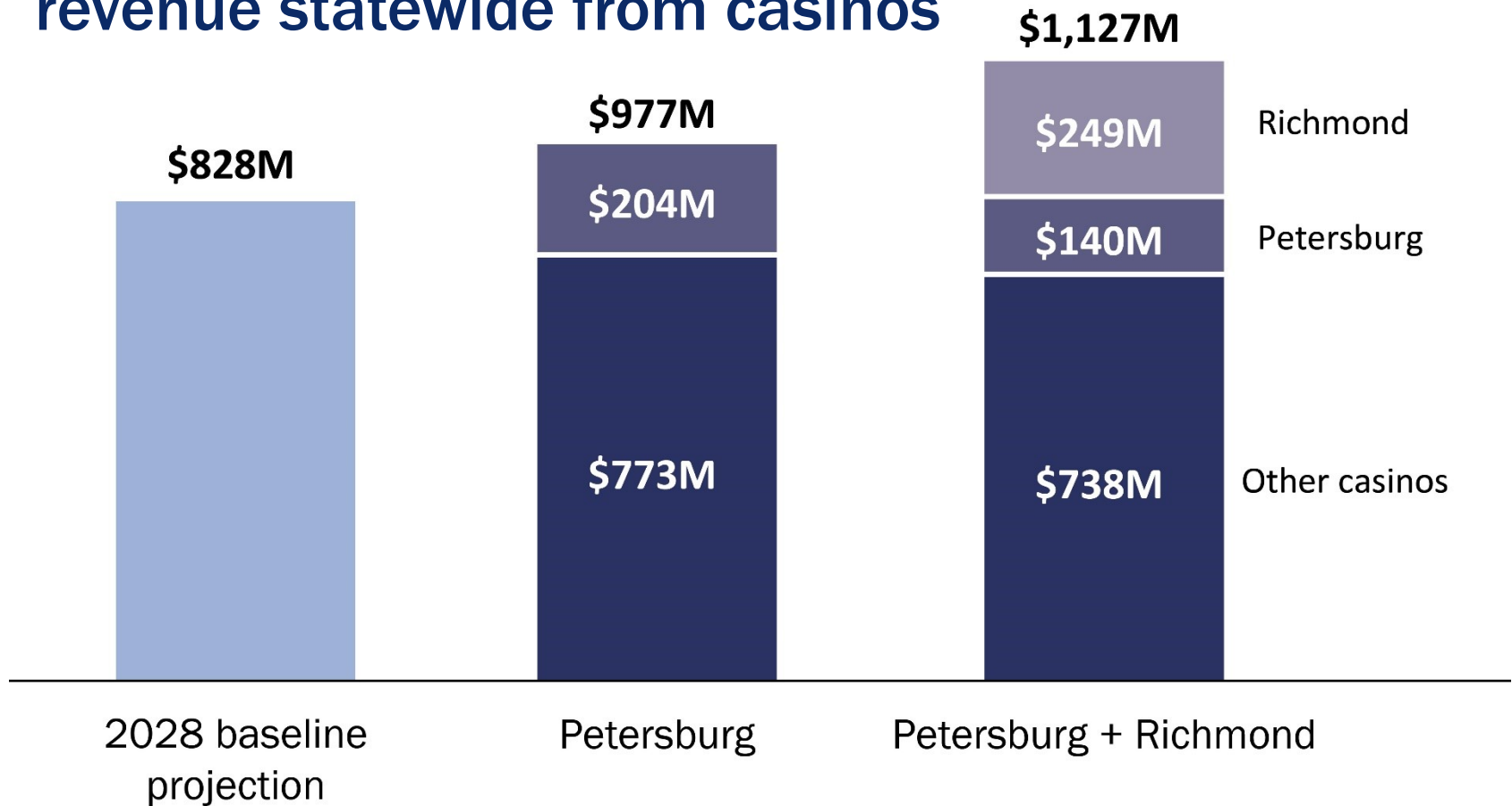
Projections are for 2028, after a full year of operation.

Net gaming revenue from other casinos does not reflect impact of a Petersburg casino – see slide 18.

Innovation Group found that casinos in both Petersburg and Richmond are viable

- Return on investment analysis shows positive cash flow for both projects after 10 years
- Petersburg would be smaller if Richmond casino is also developed
 - 1,300 slot machines, 55 table games, fewer or smaller restaurants, a 250-room hotel
 - Would still have a sportsbook and 1,500-seat events center

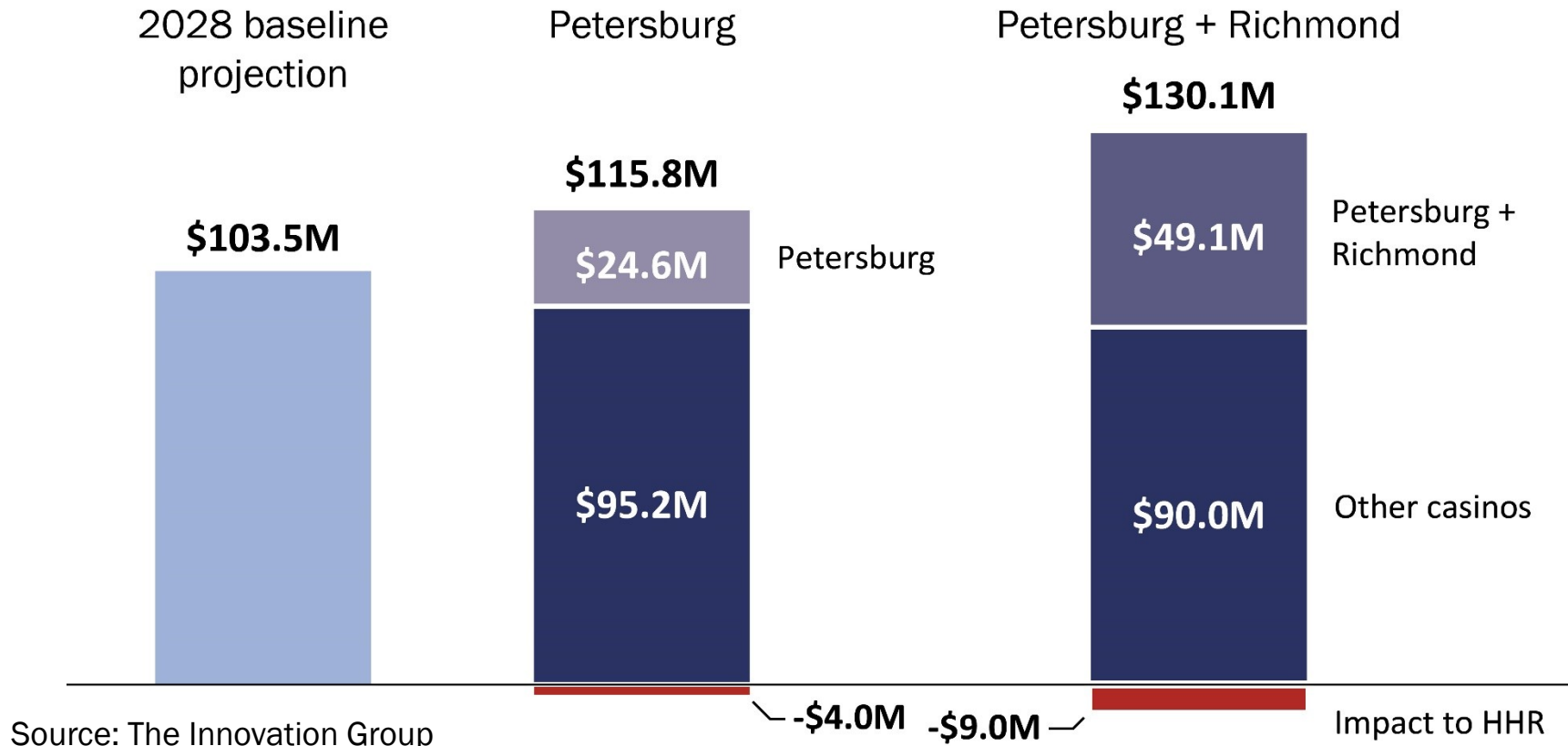
Petersburg casino would increase net gaming revenue statewide from casinos



Source: The Innovation Group

Projections are for 2028, after a full year of operation.

Petersburg casino would increase state casino tax revenue overall



Source: The Innovation Group

Projections are for 2028, after a full year of operation.

Reflects net impact after discounting reductions in casino tax collections and HHR commissions.

Petersburg casino would generate local taxes, fewer if Richmond casino were also authorized

- Petersburg only
 - Petersburg local tax of \$12.2M in 2028
- Petersburg + Richmond
 - Petersburg local tax of \$8.4M
 - Richmond local tax of \$14.9M

In this presentation

Background

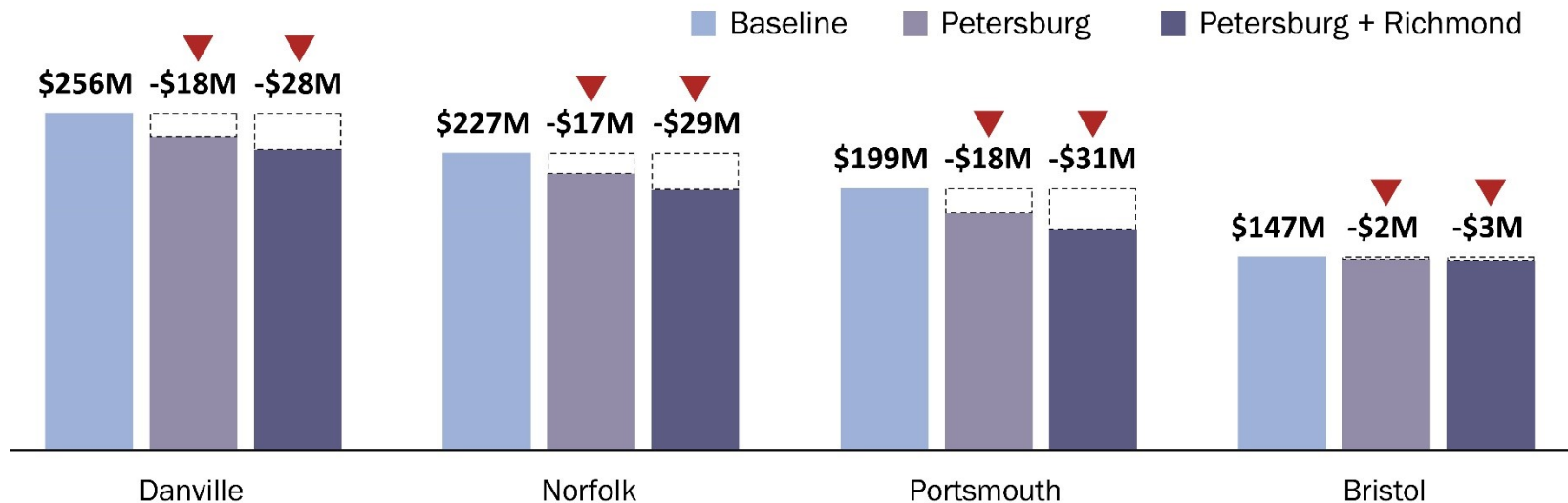
State and local tax revenues

Impacts on other forms of gaming

Overall net impacts

Petersburg casino would reduce net gaming revenue from other casinos

- Petersburg casino mostly affects Danville, Norfolk, and Portsmouth casinos
- No material impact on Bristol



Source: The Innovation Group

Projections are for 2028, after a full year of operation.

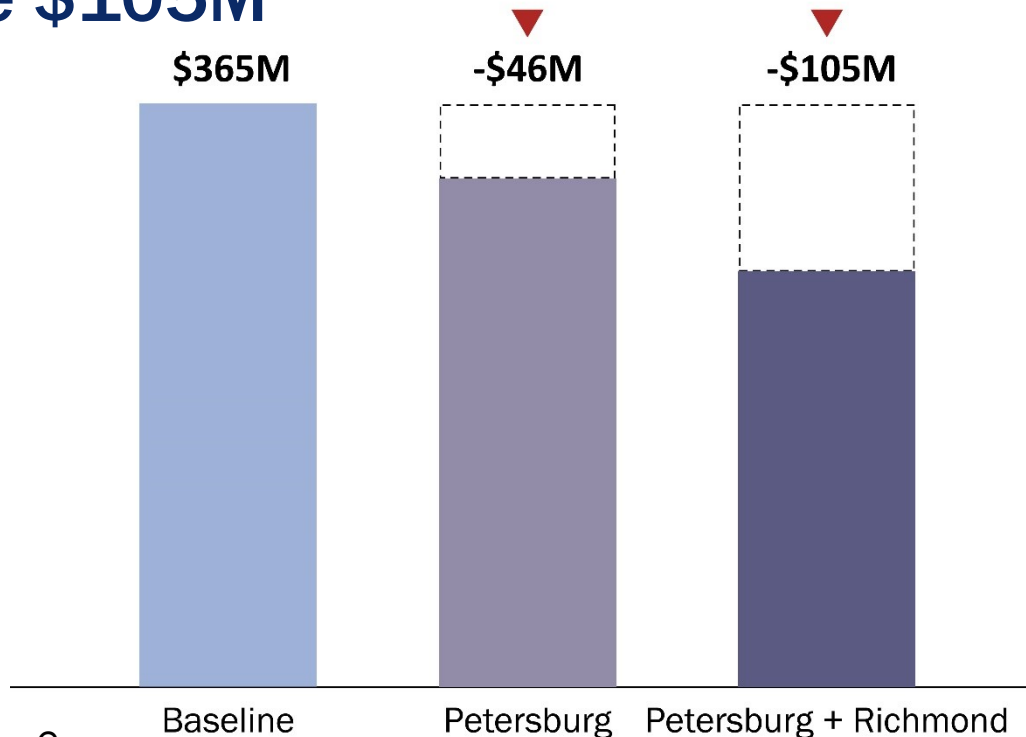
Petersburg's impact on other casinos would lead to lower local tax revenues in those host cities

- Petersburg casino reduces local taxes in Norfolk, Portsmouth, and Danville by approximately \$1M each
- No material impact on Bristol local taxes

000s	Norfolk	Portsmouth	Danville	Bristol
Baseline	\$13.6	\$11.9	\$15.4	\$8.8
Petersburg only	\$12.6	\$10.8	\$14.3	\$8.7
Petersburg + Richmond	\$11.9	\$10.1	\$13.7	\$8.7
<i>\$ Change</i>				
Petersburg only	-\$1.0	-\$1.1	-\$1.1	-\$0.1
Petersburg + Richmond	-\$1.7	-\$1.8	-\$1.7	-\$0.1

Source: The Innovation Group

Petersburg casino decreases HHR gaming revenue \$46M, adding Richmond decreases revenue \$105M



Source: The Innovation Group

Note: Represents net gaming revenue from HHR machines attributed only to the defined Petersburg market area. It is estimated that this covers the majority of the market for all facilities but Dumfries, which would generate additional revenue from the area outside of the Petersburg market.

Key findings

- Demand is sufficient in the Petersburg market to support a casino.
- Petersburg casino would generate \$204M in net gaming revenue, \$12.2M in local taxes for the city, and \$12.3M in net state taxes.
- Petersburg casino would decrease net gaming revenue from other casinos by \$55M.
- Petersburg casino would decrease HHR gaming revenue by \$46M.
- Demand is sufficient in the Richmond/Petersburg market to support a casino in each city, but impacts on other casinos and HHR would be greater with both casinos.

Staff for this report

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Data tables for figures in this presentation

Petersburg casino would increase net gaming revenue statewide from casinos

MMs	Petersburg	Richmond	Norfolk	Portsmouth	Danville	Bristol	VA Casino Total
0. Baseline	\$0	\$0	\$226	\$199	\$256	\$147	\$828
Petersburg only	\$204	\$0	\$210	\$180	\$238	\$145	\$977
Petersburg + Richmond	\$140	\$249	\$198	\$168	\$228	\$144	\$1,127
\$ Change							
Petersburg only			-\$17	-\$18	-\$18	-\$2	\$149
Petersburg + Richmond			-\$28	-\$31	-\$28	-\$3	\$299
% Change							
Petersburg			-7.4%	-9.2%	-7.0%	-1.3%	18.0%
Petersburg + Richmond			-12.6%	-15.4%	-11.0%	-2.0%	36.1%

Source: The Innovation Group

Petersburg casino would reduce HHR revenue

000s	Richmond	New Kent	Hampton	Collinsville	Vinton	Emporia	Dumfries	VA HHR Total
Baseline	\$120	\$42	\$68	\$0.2	\$4.1	\$11	\$119	\$365
Petersburg only	\$98	\$32	\$64	\$0.1	\$3.2	\$8	\$112	\$318
Petersburg + Richmond	\$63	\$23	\$60	\$0.1	\$2.7	\$7	\$105	\$260
\$ Change								
Petersburg only	-\$22	-\$10	-\$4	-\$0.1	-\$0.9	-\$3	-\$7	-\$47
Petersburg + Richmond	-\$57	-\$19	-\$8	-\$0.1	-\$1.4	-\$4	-\$14	-\$105

Source: The Innovation Group
 Represents net gaming revenue from HHR machines attributed only to the defined Petersburg market area. It is estimated that this covers the majority of the market for all facilities but Dumfries, which would generate additional revenue from the area outside of the Petersburg market

Petersburg casino would increase state casino tax revenue

Source: The Innovation Group

000's	Potential Casinos	4 Authorized Casinos	Less Impact on HHR Commissions	Total Net	Net Gain from Petersburg
Local					
0. Baseline		\$49.7		\$49.7	
Scenario 1	\$12.2	\$46.4	-\$2.7	\$56.0	\$6.3
Scenario 2	\$18.0	\$46.0	-\$5.1	\$58.9	
Scenario 3	\$23.3	\$44.3	-\$6.0	\$61.6	\$2.7
State					
0. Baseline		\$103.5		\$103.5	
Scenario 1	\$24.6	\$95.2	-\$4.0	\$115.8	\$12.3
Scenario 2	\$41.0	\$94.3	-\$7.7	\$127.6	
Scenario 3	\$49.1	\$90.0	-\$9.0	\$130.1	\$2.5
Total					
0. Baseline		\$153.2		\$153.2	
Scenario 1	\$36.8	\$141.6	-\$6.6	\$171.8	\$18.6
Scenario 2	\$59.0	\$140.4	-\$12.8	\$186.6	
Scenario 3	\$72.5	\$134.3	-\$15.0	\$191.7	\$5.2