

# MEMORANDUM

**TO:** Penn National Gaming, Inc.  
**FROM:** Econsult Solutions, Inc.  
**DATE:** October 24, 2018  
**RE:** Local Impact Report in Support of PGCB Application

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## Background

Penn National Gaming, Inc. ("Penn National"), as part of its application for a Category 4 Satellite Casino, Hollywood Casino Morgantown, located in Caernarvon Township, Berks County, ("Caernarvon" or "Township"), hired Econsult Solutions, Inc. ("ESI") to conduct a local services and economic impact analysis. The proposed casino would be located on a site previously zoned for an approximately 175,000 square-foot mixed-use development adjacent to the I-76/I-176 interchange. Penn National expects to build a new 81,425 square-foot facility on 36 acres of land during a single phase of construction.

Penn National anticipates that the proposed development could take approximately 18 months from the receipt of all permits, approvals and entitlements. Under a Category 4 License, a satellite casino is allowed up to 750 slot machines and 30 table games in Year 1, with the ability to add an additional 10 table games after Year 2. Penn National plans to open with the maximum number of slots and table games in Year 1 and assess market demand for an increase in table games in Year 2.

Penn National estimates that the site is expected to primarily draw visitors from within a 60-minute drive-time of the site, a market that includes Berks, Lancaster, Chester, Lebanon, Montgomery, Lehigh, and Delaware Counties. This memo details our analysis in support of Appendix 33 of Penn National's application to the Pennsylvania Gaming Control Board ("PGCB"). Our analysis includes a local impact report detailing its impacts on Caernarvon Township.

## **Appendix 33**

### **Methodology**

In order to evaluate the potential impact of the proposed casino location, ESI undertook a three-part approach. First, we calculated the impacts of other Penn National casino locations on a per position basis. We then consulted Caernarvon Township officials to understand the baseline of local services and estimate the relative impact of the proposed casino. Finally, we integrated this analysis with the traffic and utility studies that Penn National had commissioned for the site.

A Category 4 casino can have a maximum of 750 slot machines and 40 table games (after Year 2), which equates to 990 positions. A gaming position is defined as either a slot machine or a seat at a table game. Penn National has five locations of similar size in the United States, located in Bangor, ME; Alton, IL; Tunica, MS; Zia Park, NM; and Biloxi, MS. These five sites have between 777 and 871 gaming positions. Penn National also operates a Category 1 casino in Pennsylvania, Hollywood Casino in Grantville, which has 2,750 gaming positions. Penn National provided average impacts from the similar sized casinos and the Pennsylvania-based casino. These calculations were used to estimate the impact of the Caernarvon Township location and are detailed by area of service below.

After calculating these estimates, we consulted with Ms. Joan Bair, Caernarvon Township Administrator. Ms. Bair spoke with other Township Officials to provide information on current baseline service levels and demand across Township departments. We then calculated the percentage increase that the proposed casino would have on the Township. Along with the current Township budget, we used our analysis to calculate the relative cost to the Township against the estimated new tax revenue generated by the proposed casino.

Finally, we integrated our analysis with traffic and utility impact analyses that Penn National had commissioned for the casino to understand the overall local service impact of a Category 4 casino in Caernarvon Township.

**Township Budget and Current Conditions**

Caernarvon Township’s General Fund Budget was approved for \$2.5 million in 2018 (Table 1).

**Table 2. Caernarvon Township General Fund Budget 2018**

	Appropriated
General Government	\$142,055
Administrative Services	\$319,190
Police and Public Safety	\$1,098,175
Fire Protection and Response	\$181,905
Ambulance Service	\$42,192
Public Works Maintenance	\$370,110
Public Works Streets and Traffic	\$288,960
Parks and Recreation	\$30,913
Library	\$11,670
<b>Total</b>	<b>\$2,485,170</b>

*Source: Township of (Caernarvon 2018)*

Any major new revenue sources would represent a significant increase in the Township’s General Fund.

**Public Works Department:**

**Street Maintenance:**

The proposed casino site is adjacent to the I-76 / 176 Interchange. The traffic study commissioned by Penn National has identified that the majority of trips associated with visits to the casino will be accessing the interstate on/off ramps of I-76.<sup>1</sup> The anticipated impacts to the local road network are anticipated to be minimal. We therefore anticipate that the impact on street maintenance for Caernarvon Township to be negligible.

**Sanitation, Water, and Sewer:**

The development site was previously approved for a much larger mixed-use retail project. As part of this approved project, sanitary sewer mains were constructed at the site. Penn National anticipates that no offsite improvements are needed and that connections to existing facilities can occur within the project site once the lines are dedicated to the respective Authority.

Penn National anticipates water usage of 19,370 gallons per day, or 83 Equivalent Dwelling Units (“EDUs”) per day, for sewage. Conveyance will be provided by Caernarvon Township Water and Sewer Department,

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<sup>1</sup> Langan, Transportation Impact Study: Berks County Casino, Prepared for Penn National Gaming, Inc. (2018)

while treatment and disposal will be provided by the Caernarvon Township Sewer Authority Plant. Penn National does not anticipate that additional improvements are needed to meet usage and demand.

**Public Safety:**

As noted, Penn National provided the average number of public safety calls per month and average number of calls per month per gaming position. This data enabled us to estimate the anticipated number of new public safety calls from the proposed casino location. The average calls per month per position were multiplied by the number of gaming positions at both the opening and max build-out levels for police, fire, and Emergency Medical Services (“EMS”).

**Table 3. Estimated Calls/Month at Caernarvon Location**

<b>Casino Location</b>	<b># Gaming Positions</b>	<b>Police</b>	<b>Fire</b>	<b>EMS</b>
Estimated Opening	930	6.2	2.2	2.0
Max Build-Out	990	6.6	2.3	2.2

We then used information provided from Caernarvon Township officials to calculate the percentage increase on local public safety services from their current baseline operations.

**Police:**

Caernarvon Township operates a local police force, the Caernarvon Township Police Department (“CTPD”) that manages law enforcement in the Township. In total, the CTPD receives an average of 415 calls per month.<sup>2</sup> Using the average number of calls per month to police from the sample casinos, we estimate that the CTPD could expect to receive an average of 6.2 additional phone calls per month as a result of the casino opening and an average of 6.6 phone calls per month at max build-out. This represents an estimated 1.4 percent increase and 1.6 percent increase in non-traffic related police calls for the CTPD. We do not anticipate that the casino will have a material impact on the CTPD.

**Fire:**

The Twin Valley Fire Department (“TVFD”) covers six different municipalities in Berks and Chester Counties, including Caernarvon Township. TVFD receives approximately 200 calls annually, 46 percent of which originate in Caernarvon Township. Using the average number of calls per month to the fire department from the sample casinos, we estimate that TVFD should expect to receive an average of 2.2 additional phone calls per month as a result of the casino opening and an average of 2.3 phone calls per month at max build-out. This represents a 13.2 to 14.0 percent increase in fire calls per month. We anticipate that the casino would have a minor impact on the TVFD.

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<sup>2</sup> On average, the STPD handles 300 felonies, 600 misdemeanors, and 500 summary offenses per year.

### EMS:

EMS services in Caernarvon Township are provided by Elverson-Honey Brook Area EMS. The Elverson-Honey Brook Area EMS receives approximately 128 calls per year, 25 percent of which originate in Caernarvon Township. Based on other Penn National casino locations, we estimate an additional 1.4 EMS calls per month at the opening and 2.2 at max build-out. This represents a 20.6 to 22.0 percent increase in EMS service demand. Overall, we expect that the proposed casino will have a moderate impact on local EMS services.

### Traffic and Transportation

As noted, the anticipated impact of the proposed casino on the local road network is minimal. In its Transportation Impact Study, Langan identified three areas of work in conjunction with casino development at the site:

1. The instillation of a traffic signal at the intersection of Morgantown Road and the Main Site Driveway, if and when it's deemed warranted by PennDOT after the casino has opened
2. Restripe worn pavement markings at two site driveways
3. Coordinate with PennDOT and the Township to approve PennDOT Highway Occupancy Permits<sup>3</sup>

These represent minor traffic and transportation investments that are anticipated to be paid by Penn National.

### Other Municipal Services and Resources:

The Permits/Planning/Zoning office should anticipate a one-time and minor impact due to the administrative work needed for the construction of the casino. This impact is expected to subside once construction of the casino is underway. The ongoing operations of the casino are expected to have a minimal impact on the permits office and should not produce any significant adverse increases in workload in other government departments. Gas, electric, and telecommunications services are provided by non-municipal utility companies. Penn National does not anticipate these services will have a material impact on Caernarvon Township.

### Conclusion

In total, we estimate the casino development is expected to have no negative impacts on the Township from a capital improvement perspective. Any new tax revenues generated by the casino that the Township will receive as the host community should be considered as net incremental revenues.

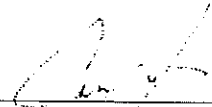
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<sup>3</sup> Langan, Transportation Impact Study: Berks County Casino, Prepared for Penn National Gaming, Inc. (2018)

**CERTIFICATE OF SERVICE**

I, Alex M. Hvizda, hereby certify that on this 24<sup>th</sup> day of October, 2018, I caused a true and correct copy of the foregoing *Local Impact Report*, to be served by electronic mail and first class mail, return receipt requested upon the following:

Joan Bair, Township Manager  
**CAERNARVON TOWNSHIP**  
3307 Main Street  
Morgantown, PA 19543



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