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## **Rhode Island Gaming and State Revenue Forecast**

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Prepared for: The Rhode Island Department of Revenue  
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## Table of Contents

REVENUE ANALYSIS METHODOLOGY .....	3
THE CURRENT NEW ENGLAND MARKET—FACILITY REVIEW .....	5
THE NEW ENGLAND GAMING MARKET GOING FORWARD—PROPOSED FACILITIES REVIEW .....	13
RHODE ISLAND GAMING AND STATE REVENUE FORECASTS .....	18
A NEW CASINO IN TIVERTON, RHODE ISLAND .....	18
THE REVENUE IMPACTS OF EXPANDED GAMING.....	19
SCENARIO A: A RACINO IN PLAINVILLE AND CASINOS IN EVERETT AND SPRINGFIELD .....	22
SCENARIO B: A RACINO IN PLAINVILLE AND CASINOS IN EVERETT, SPRINGFIELD AND EAST WINDSOR, CONNECTICUT .....	24
SCENARIO C: A RACINO IN PLAINVILLE AND CASINOS IN EVERETT, SPRINGFIELD, TAUNTON AND EAST WINDSOR, CONNECTICUT.....	27
SUMMARY OF FORECASTS .....	30
COMPARISON WITH 2015 FORECASTS .....	32

## Table of Figures

EXHIBIT 1.1: MAP OF THE CURRENT (2017) REGIONAL GAMING MARKET .....	6
EXHIBIT 1.2: ESTIMATED CONNECTICUT CASINO WIN (GROSS GAMING REVENUE IN \$ MILLIONS) BETWEEN CALENDAR YEAR 2005 AND CALENDAR YEAR 2016.....	7
EXHIBIT 1.3: RHODE ISLAND VLT AND TABLE DATA FY 2008-FY 2017 .....	10
EXHIBIT 1.4: PLAINRIDGE PARK GAMING REVENUES FY2016-17 .....	12
EXHIBIT 1.5: SOUTHERN NEW ENGLAND GAMING REVENUES BY CALENDAR YEAR (IN \$\$ MILLIONS).....	13
EXHIBIT 1.6: PROJECT SUMMARIES FOR SOUTHERN NEW ENGLAND CASINO PROPOSALS .....	17
EXHIBIT 1.7: MAP OF KNOWN AND POTENTIAL SOUTHERN NEW ENGLAND CASINO LOCATIONS.....	21
EXHIBIT 1.8: BASELINE SCENARIO TIMELINE.....	22
EXHIBIT 1.9: BASELINE RHODE ISLAND REVENUE PROJECTIONS BY FISCAL YEAR.....	23
EXHIBIT 1.10: BASELINE RHODE ISLAND REVENUE PROJECTIONS BY FISCAL YEAR.....	24
EXHIBIT 1.11: SCENARIO B TIMELINE .....	25
EXHIBIT 1.12: REVENUE PROJECTIONS W/EAST WINDSOR CASINO, BY FISCAL YEAR .....	26
EXHIBIT 1.13: REVENUE PROJECTIONS W/EAST WINDSOR CASINO, BY FISCAL YEAR .....	27
EXHIBIT 1.14: SCENARIO C TIMELINE .....	28
EXHIBIT 1.15: REVENUE PROJECTIONS W/EAST WINDSOR AND TAUNTON CASINOS, BY FISCAL YEAR .....	29
EXHIBIT 1.16: REVENUE PROJECTIONS W/EAST WINDSOR AND TAUNTON CASINOS, BY FISCAL YEAR .....	30
EXHIBIT 1.17: SUMMARY OF RHODE ISLAND GAMING REVENUE PROJECTIONS BY FISCAL YEAR .....	31
EXHIBIT 1.18: SUMMARY OF RHODE ISLAND GOVERNMENT REVENUE BY FISCAL YEAR .....	32
EXHIBIT 1.19: SUMMARY OF RHODE ISLAND GAMING REVENUE PROJECTIONS BY FISCAL YEAR FROM CCA'S 2015 GAMING REVENUE FORECASTS.....	34

## Rhode Island Gaming and State Revenue Forecast

Christiansen Capital Advisors, LLC (CCA) has been retained by the State of Rhode Island Department of Revenue (DOR) to update its previous study of gaming in Rhode Island and New England<sup>1</sup> measuring the observed impacts of slot machine gaming at Plainridge Park in Plainville, Massachusetts (opened June 2015); the likely additional revenue impacts on the State of Rhode Island from under-construction casinos in Springfield and Everett, Massachusetts and of proposed casinos in East Windsor, Connecticut and Taunton, Massachusetts. CCA has the adjusted its prior analysis to reflect continuing delays in the implementation of full casino gaming in the Commonwealth of Massachusetts<sup>2</sup>; the potential positive impact of a 134 room hotel at Twin River-Lincoln (scheduled to open in July 2018); and the revenue potential of a new casino and 84 room hotel with VLTs and table games in Tiverton, Rhode Island (scheduled to open in December 2018).

Many unforeseen and surprising developments have occurred in the southern New England gaming market over the past two years. At the present time, it appears that a Region C (southeastern Massachusetts including Cape Cod) casino will be on hold for the foreseeable future. In our 2015 study, CCA ran two alternative scenarios with Region C casinos in Brockton or Taunton, Massachusetts. Since that time, the Massachusetts Gaming Commission rejected the Brockton application, and the tribal casino that was approved in Taunton is on hold as the result of a successful lawsuit challenging the United States Department of the Interior (DOI) ruling to take the land owned by the tribe for the casino site into trust.<sup>3</sup>

Additionally, in response to the competitive threat presented by MGM Springfield to Connecticut tribal casino gross gaming revenues and the State's share of those revenues, Foxwoods and Mohegan Sun formed a joint venture, MMCT Venture, LLC to build a new casino in East Windsor, Connecticut. Connecticut lawmakers approved into law the proposed

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<sup>1</sup> Christiansen Capital Advisors, LLC, for the Rhode Island Department of Revenue "Rhode Island Gaming and State Revenue Forecast," October 30, 2015.

<sup>2</sup> Massachusetts' Expanded Gaming Act was passed into law in November of 2011. Three years later (February 2014), Plainridge Park was awarded a slot-only facility license and opened in June 2015. MGM Springfield was licensed in June of 2014 and is scheduled to open in September of 2018. Wynn Boston Harbor was awarded a license to conduct casino games in September of 2014 and is scheduled to open in June 2019. This compares to neighboring New York where a constitutional amendment allowing as many as seven casinos (four initially) was approved by New York voters in November of 2013. Christiansen Capital Advisors, LLC was hired by the State of New York to assist in the RFP process and evaluate all 16 applicants, which we completed by September of 2014. Three licenses were issued in December 2014 (and additional license for Tioga Downs, which was not approved in the first round was later approved in August 2016). Three of the four casinos opened in 2017 (the largest of the four Montreign is scheduled to open in March 1, 2018). The whole process took only three and half years compared to the nearly eight years in Massachusetts by the time the first full casino opens.

<sup>3</sup> Although, as a few other commentators have noted, the State of Massachusetts could award a commercial (non-tribal) gambling license to the Wampanoag tribe thereby circumventing the need for the casino site to be taken into Trust under the Indian Gaming Regulatory Act (IGRA), but this would likely require reopening of the competitive bidding process for Region C.

casino in June of 2017. MGM has lobbied extensively against the East Windsor casino and pushed for a casino in southwestern Connecticut, rather than the Hartford area. After the East Windsor casino was approved, MGM promised to “pursue all legal remedies” to prevent the casino from opening.<sup>4</sup> We believe that, ultimately, these pursuits will be fruitless, but it may well succeed in delaying the East Windsor casino’s development.

In Rhode Island, Twin River-Lincoln is currently in the process of constructing a 134 room hotel at its flagship property and that hotel is scheduled to open next summer. Furthermore, in November of 2016, Rhode Island and Tiverton voters approved two separate referenda to approve the transfer and conversion of the Newport Grand slots operations in Newport, Rhode Island to a full casino and 84-room hotel with VLTs and table games in Tiverton, Rhode Island. That property is now under construction and expected to open in December 2018. Newport Grand is anticipated to continue operating right up until the day Tiverton opens.

To recap with greater specificity, CCA analyzed the following three scenarios in this report, organized by increasing level of competition for Rhode Island facilities:

(1) Scenario A: a baseline scenario, consisting of a six year projection of Rhode Island gross gaming revenue and the State of Rhode Island’s share of that revenue, for Twin River-Lincoln with a new 134 room hotel, Newport Grand under its current VLTs only configuration (until that site is closed and its operations are transferred), a new full casino facility with table games and a hotel in Tiverton, and assuming large casinos in Springfield and Everett, Massachusetts on the currently projected opening dates of these facilities and the existing slots-only facility in Plainville, Massachusetts;

(2) Scenario B: consisting of a six year projection of Rhode Island gross gaming revenue and the State of Rhode Island’s share of that revenue, for Twin River-Lincoln with a new 134 room hotel, Newport Grand under its current VLT only configuration (until that site is closed and its operations are transferred), a new full casino facility with table games and a hotel in Tiverton, and assuming that large casinos open in Springfield, Massachusetts, Everett, Massachusetts and East Windsor, Connecticut, on the currently projected opening dates of these facilities and the existing slots-only facility in Plainville, Massachusetts;

(3) Scenario C: consisting of a six year projection of Rhode Island gross gaming revenue and the State of Rhode Island’s share of that revenue, for Twin River-Lincoln with a new 134 room hotel, Newport Grand under its current VLT only configuration (until that site is closed and its operations are transferred), a new full casino facility with table games and a hotel in Tiverton, and assuming that large casinos open in Springfield, Massachusetts, Everett, Massachusetts and East Windsor, Connecticut, on the currently projected opening dates of these facilities and either a Class III tribal facility or State licensed commercial facility in Taunton, Massachusetts and the existing slots-only facility in Plainville, Massachusetts.

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<sup>4</sup> Caron, Matt. “MGM vows to pursue ‘all legal options’ after CT Gov. approves East Windsor casino,” 22News WWLP.com. <http://wwlp.com/2017/07/20/mgm-vows-to-pursue-all-legal-options-after-ct-gov-approves-east-windsor-casino/>

To develop projections for the revenue potential of casinos (and one racino) in Massachusetts, CCA utilized proprietary models it has used in previous studies,<sup>5</sup> modified to take into account specific southern New England and surrounding area market conditions, to develop projections for the market potential of expanded gaming in Massachusetts and its impact on Rhode Island.

In preparing this report CCA compiled pertinent historical data relating to casinos and video lottery terminal (VLT) facilities in New England, including the Twin River-Lincoln and Newport Grand markets, casino gaming in Connecticut and in adjoining States, and constructed models of similar markets in other jurisdictions. Our analysis of this historical experience and the output of our models form the basis for the following independent analysis and conclusions.

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#### REVENUE ANALYSIS METHODOLOGY

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The methodology employed by CCA in constructing the estimates presented in this report is rigorous in approach. To develop these projections, CCA utilized the same basic modeling technique it has used in previous studies over nearly the past 30 years, modified to take into account specific New England and surrounding area market conditions, to develop projections for the market potential of, and impacts on, existing Rhode Island licensees of expanded gaming in New England.

The core of the model, which is used in many location-based analyses of this type, is often referred to as a "gravity model," because it is similar to Newton's Law of Gravitation (for which the distance factor would be  $-2.0$ : if you double the distance, the attraction declines by a factor of four). This model has been consistently refined and improved by CCA over the years as it relates to gaming facilities; the technique focuses on the demographics of areas surrounding each facility, in particular the number of adults residing at various distances (measured in drive time), and the observed ratio of actual spending of other similar adult populations in other gambling markets.

In other words, our model assesses, and projects, gambling revenues based upon the distribution and characteristics of the adult populations surrounding each facility. The model includes parameters for distance, competition, *per capita* income, urban/rural population mix, and the nonresident "visitor" population. These factors or variables are then weighted using real world data and experience to generate the resulting projections. In conducting these analyses, CCA drills down to an extremely precise level of detail. CCA models markets in the United States down to adult population by ZIP Code, and in Canada by postal FSA. Carrying the analysis down to the ZIP code level is particularly important in markets that have several gambling facilities in close proximity.

Another important component of CCA's modeling procedure that is often missing from other types of gravity model analyses is a *verifiable* adult spending base for slot machines and table

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<sup>5</sup> CCA has conducted similar studies with accurate results for the Federal National Gambling Impact Study Commission and in Kentucky, Kansas, Pennsylvania, Connecticut, Iowa, Illinois, Massachusetts, Florida, New York, Maryland, California, and various other North American markets.

games. We apply the experience of existing casino, racino and riverboat facilities in the existing market(s) and in comparable markets to estimate the consumer demand for a proposed gambling facility and its potential impacts upon other forms of gaming. CCA's analyses are based upon observed verifiable drive time-adjusted spending per adult in comparable gambling markets, providing a firm foundation for its projections. In this case, we have applied the experience of existing casinos and video lottery terminal (VLT) facilities in New England and in other comparable markets to estimate the consumer demand for New England casinos and their impacts upon Rhode Island. To this end, we analyzed the performance of gaming machines and table games at casinos and racetrack gaming facilities in a wide variety of markets, including Pennsylvania, New York, Indiana, West Virginia, Delaware, Connecticut, Illinois, Iowa and Maryland.

Our projections of casino demand and potential revenues are based on a very important observation: other things being equal, patrons of regional gaming facilities, as distinct from patrons of destination resorts serving long-distance travelers, overwhelmingly tend to gamble at the facility that is most conveniently located for them. Because the public tends to gamble at the facility that is most conveniently located, patronage (and associated spending) at full-service casino gambling facilities falls off with increased drive time. For very large casino resorts, like Foxwoods and Mohegan Sun we utilize a "drive time coefficient"<sup>6</sup> of about -0.45, compared to values of about -0.7 for racino or VLT only facilities. These coefficients are derived from observed experience and player tracking from many disparate casino markets. In other words, casino patronage rises with increased proximity to a gaming facility, but at differing rates for different types of gaming properties.<sup>7</sup>

Because regional casino slot machines and table games are in essence commodities, drive time is by far the predominant determinant of casino patronage (and, hence, we assume, spending). The drive time impact is manifold because it not only determines the overall level of *per capita* expenditures in the marketplace; it weighs heavily in consumer choice among competing suppliers. In general, the evidence from other markets overwhelmingly indicates that consumer expenditures on regional casino games will flow to the closest supplier to any given market.<sup>8</sup> Effective player databases, clever promotions, amenities such as signature restaurants, concert venues and so forth can play a key role in the relative *attractiveness* of competing gambling properties, particularly those in close proximity, but at round trip travel times measured in hours the tyranny of distance generally prevails. That said, casino patrons sometimes do visit more distant facilities, particularly if there is a critical mass of casinos or amenities that they cannot get at the nearest facility and they will spend more per visit at those casinos, but the local (nearby) supplier will usually get the lion's share of that patron's annual gambling budget.

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<sup>6</sup> The "distance factors" estimated for these models are, technically, the "elasticities" of spending with respect to distance. Based upon survey data from several jurisdictions, rates of casino visitation appear to decline in proportion to about the 0.5 to 0.6 power of the distance to the casino, yielding distance factors of about 0.5 to 0.6. This is a relatively "long-distance" attraction; if distance doubles, for example, spending (other things being equal) declines by only about 30 percent.

<sup>7</sup> Specifically, the drive time coefficient obtained from the analysis of comparable markets is -.45 for very large scale casino resorts, -.5 for large casinos with hotels and other amenities, -.6 for smaller casinos without a hotel, and -.7 for single product facilities.

<sup>8</sup> The best-known exceptions are Las Vegas and Macau. These markets are unique both in terms of intensity of casino development and of attractions that enable them to attract a truly global market.

To recap, the models used for the projections in this report adjust the populations surrounding each facility (or proposed facility) for drive time, *per capita* income,<sup>9</sup> the proportion of urban to rural residents in the population (urbanites typically spend more), the nonresident "visitor" population, and competition. From these data, we calculate an *adjusted adult population* around each facility, or group of facilities. This measure weights the adults who live closest to a facility (and not closer to a competing facility) at higher values than those who live at greater drive times. Total actual or estimated revenues (or consumer spending) in each market is divided by these adjusted population figures to arrive at a drive time adjusted spending base.<sup>10</sup>

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### THE CURRENT NEW ENGLAND MARKET—FACILITY REVIEW

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The following section presents an overview of the current New England gambling market.

Exhibit 1.1 presents a map of the regional market. The locations of the five current gaming facilities are indicated on this map.

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<sup>9</sup> We assume that for counties with *per capita* money incomes below regional averages, resort casino spending declines with income with an elasticity of 0.5.

<sup>10</sup> As noted above, these populations are adjusted for several other factors as well; however, the most significant variable, in terms of casino spending, is drive time. Hence, we refer to these populations as "drive time" adjusted.

Exhibit 1.1: Map of the Current (2017) Regional Gaming Market



Source: Christiansen Capital Advisors, LLC

### Connecticut Casinos

Connecticut's two tribal casinos, located approximately 10 miles apart in the Ledyard/Montville area in the southeastern region of the State, are currently the largest destination gaming resort attractions north of Atlantic City, more than 270 miles to the south.



Foxwoods and Mohegan Sun at a Glance<sup>11</sup>

- Foxwoods: Approximately 343 tables; 4,400 slot machines, 3,600 bingo seats; 344,000 square feet of casino floor; 37 restaurants and 3 bars; 2,224 hotel rooms in 4 hotels and \$707.3 million in estimated gross gaming revenue in calendar 2016;
- Mohegan Sun Casino, 269 table and poker games; 5,150 slot machines; 350,000 square feet of casino floor; 38 restaurants and 7 bars; 40-story, 1,200 room Sky Tower hotel, the Earth Tower with 361 standard rooms and 39 suites, and \$909.9 million in estimated gross gaming revenue in calendar 2016.

Exhibit 1.2 presents consumer spending (gross gaming revenue) on casino gaming at the two Connecticut tribal facilities between 2005 and 2016 and includes by-facility reported slot revenue and reported/estimated table revenue.

**Exhibit 1.2: Estimated Connecticut Casino Win (Gross Gaming Revenue in \$ Millions) between Calendar Year 2005 and Calendar Year 2016**

**Estimated Connecticut Casino Win (Gross Gaming Revenue in \$ Millions) between FY 2005 and FY 2016**

FY	Mohegan Sun Slot GGR	Mohegan Sun Table GGR	Foxwoods Slot GGR	Foxwoods Table GGR	Total Ct. Tribal GGR
2005	\$861.0	\$334.0	\$819.8	\$318.0	\$2,332.8
2006	\$905.0	\$366.0	\$818.0	\$330.8	\$2,419.8
2007	\$921.7	\$386.4	\$805.5	\$337.2	\$2,450.8
2008	\$855.9	\$374.5	\$760.2	\$332.6	\$2,323.1
2009	\$779.6	\$305.9	\$708.6	\$278.0	\$2,072.2
2010	\$746.4	\$296.2	\$652.2	\$258.8	\$1,953.5
2011	\$707.2	\$304.7	\$650.0	\$258.0	\$1,912.6
2012	\$675.1	\$291.3	\$595.7	\$310.2	\$1,872.3
2013	\$618.7	\$300.1	\$537.1	\$286.5	\$1,742.4
2014	\$582.1	\$293.3	\$493.2	\$256.0	\$1,624.5
2015	\$582.5	\$297.2	\$464.6	\$234.4	\$1,578.7
2016	\$592.1	\$317.8	\$462.6	\$245.1	\$1,617.7

*Sources:* Connecticut Division of Special Revenue, Mohegan Tribal Gaming Authority Form 10-K, Electronic Municipal Market Access, Christiansen Capital Advisors estimates.

<sup>11</sup> <http://connecticut.casinocity.com/>

The Connecticut Division of Special Revenue reports Foxwoods and Mohegan Sun slot gross gaming revenue (GGR). It does not report table GGR. Mohegan Sun and Foxwoods report both slot and table revenue (for the calendar year) in that the Mohegan Tribal Gaming Authority and Mashantucket Western Pequot Tribe have publicly issued debt and reports these statistics in the annual filings with the Securities and Exchange Commission (SEC).

Due primarily to the Great Recession and increased competition from neighboring States, Exhibit 1.2 shows Connecticut gross gaming revenue decreased from approximately \$2.4 billion in 2007 to approximately \$1.6 billion in 2016. With the further expansion of racinos and casinos in New York and Rhode Island and the addition of casinos and racinos in Massachusetts, particularly MGM Springfield, Connecticut tribal gaming will feel substantial additional competitive pressure going forward.

### **Rhode Island**

Given the proximity of full-scale casino competition from both Foxwoods and Mohegan Sun, among two of the largest casinos in the world, we believe Rhode Island's experience points up the importance of geographic convenience in regional casino VLT operations. Exhibit 1.3 shows that Twin River-Lincoln and Newport Grand are still attracting substantial numbers of machine customers and consumer spending.

Moreover, Twin River-Lincoln is only four miles (as the crow flies) from the center of Providence and is easily accessible from Massachusetts via the heavily traveled I-95 and I-295 arteries. To get to Twin River-Lincoln from the north, (south bound on I-95) travelers exit I-95 at I-295 and then exit I-295 onto the Lousquisset Pike (U.S. Route 146) south bound for approximately four miles.

Twin River is located in the Town of Lincoln in Providence County, which contains more than half the adult population of the State of Rhode Island. According to our models, Twin River-Lincoln draws upon a population of over half-million adults within a 10-mile radius of the facility. This segment of the market population contributes over 30% of the facilities revenues.

By contrast, Newport Grand, which does not offer table games due to local voter rejection of a table game referendum, has not made any substantial capital investments, has about the same number of machines today as it did in 2006 and had been in relatively steady decline, until the property was sold to Twin River Management Group which has marginally improved performance at the facility over the past two years.

The Newport Grand facility is not as favorably located as Twin River-Lincoln. Within 10 miles this facility can draw upon an adult population of approximately 82,000, compared to Twin River-Lincoln with an adult population of over half million within the same radius. Thus, Newport Grand must attempt to draw its clientele from farther away. We estimate that approximately \$10.0 million of VLT net terminal income in FY 2017 derived from the local (10-mile radius) market.

Newport Grand is located on Aquidneck Island, a coastal location that lacks the high volume of traffic found on the western side of Narragansett Bay. Newport Grand is accessible from the west and south via I-95. On I-95 north, travelers take Exit 5A to Route 102 east and then US Route 1 south to US Route 1A crossing the Jamestown-Verrazzano and Claiborne Pell-Newport Bridges into Newport. From eastern Massachusetts via I-95, travelers take Exit 8A onto Route 24/114/138 into Newport. It should also be noted that Newport, Rhode Island has a sizeable tourist influx during the summer months.

Exhibit 1.3 presents the VLT performance of Twin River-Lincoln and Newport Grand for the years FY 2008 – FY 2017. Twin River-Lincoln has benefited from both its proximity to Massachusetts and convenient access to Interstate I-95, together with increases in the supply of VLTs and the addition of table games in late FY 2013.

## Exhibit 1.3: Rhode Island VLT and Table Data FY 2008-FY 2017

Rhode Island Gaming Data FY 2008 - FY 2017										
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
VLT Net Terminal Income										
Twin River	\$406,503,579	\$396,638,140	\$410,461,472	\$442,373,975	\$475,950,951	\$472,626,468	\$462,394,315	\$470,766,020	\$443,747,069	\$436,268,534
Newport Grand	\$71,170,983	\$64,202,010	\$57,306,664	\$50,220,215	\$51,372,171	\$48,120,638	\$44,662,396	\$45,496,379	\$44,943,766	\$46,135,718
Rhode Island Total	\$477,674,562	\$460,840,150	\$467,768,136	\$492,594,190	\$527,323,122	\$520,747,106	\$507,056,711	\$516,262,399	\$488,690,835	\$482,404,252
Average Number of VLTs (FY)										
Twin River	4,615	4,744	4,745	4,748	4,751	4,700	4,536	4,539	4,272	4,236
Newport Grand	1,080	1,431	1,327	1,123	1,099	1,088	1,097	1,097	1,096	1,097
Rhode Island Total	5,679	6,175	6,072	5,870	5,850	5,787	5,633	5,633	5,633	5,633
VLT Win per unit Day										
Twin River	\$240.66	\$229.06	\$237.00	\$255.26	\$273.71	\$275.50	\$279.28	\$284.15	\$283.81	\$282.17
Newport Grand	\$180.05	\$122.92	\$118.32	\$122.52	\$127.72	\$121.17	\$111.54	\$113.63	\$112.04	\$115.22
Total Net Table Game Revenue										
Twin River							\$88,108,367	\$106,640,942	\$125,837,949	\$140,090,213
Average Number of Tables (FY)							73	80	108	119
Table Win per unit Day							\$3,306.75	\$3,652.09	\$3,183.51	\$3,216.47
Rhode Island Total Gaming Revenue	\$477,674,562	\$460,840,150	\$467,768,136	\$492,594,190	\$527,323,122	\$520,747,106	\$595,165,078	\$622,903,341	\$614,528,784	\$622,494,465

Source: Rhode Island Lottery

After shaking off the impact of the Great Recession, Twin River-Lincoln VLT revenue grew more or less steadily for six years until peaking at nearly \$476 million in FY 2012, and then declined marginally in FY 2013 and FY 2014. The decline in gross gaming revenue in the 2013-2014-time period was an industry wide phenomenon. Results in Rhode Island are consistent with the performance of gaming markets across the United States during that time. The majority of stable gaming markets (markets without material supply additions or other changes) across the country began to contract, or only slightly grow, on a year over year basis in 2013 and 2014.<sup>12</sup>

In FY 2015, VLT revenue at Twin River-Lincoln peaked again at \$470.8 million. The Plainridge Park casino opened in June of 2015, or right at the tail end of that fiscal year. In FY 2016, the first full year of competition for Twin River-Lincoln from Plainridge Park, VLT revenue declined by \$27 million or 5.74% from FY 2015 and an additional \$7.5 million or 1.7% in FY 2017. Revenue from table games has been increasing steadily since they started operating at Twin River-Lincoln in FY 2014, more than offsetting the decline in VLT revenues since the opening of Plainridge Park.<sup>13</sup>

VLT revenue at Newport Grand, in contrast, has been in steady decline since FY 2008, only improving marginally after operations were transferred to Twin River Management Group.

## **Massachusetts**

Originally a small harness track located in Plainville, Massachusetts, Plainridge Racecourse still offers approximately 100 live racing days per year in April to November and simulcasting all year round. The length of the racecourse is 5/8 mile and the length of stretch is 600 feet. The original Plainridge Racecourse offers the “21 Club,” which is a 172-seat simulcast theater with 80-inch TV screens, and 15-inch LCD TVs. The racecourse provides 3,500 seating accommodations, in Grandstand, Simulcast Theater and Clubhouse.

Penn National Gaming was awarded its casino license (Category 2) with a 3-to-2 majority vote by the Massachusetts Gaming Commission on February 28<sup>th</sup>, 2014. The \$225 million facility, the first slot machine parlor in Massachusetts, opened on June 24, 2015. The horse track racino's gaming space features its full allotment of 1,250 slot machines in a 106,000 square foot expansion to the existing racecourse site.<sup>14</sup> The property has eight restaurants and one bar, and Penn National Gaming added approximately 1,620 structured and surface parking spaces to the existing facility.

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<sup>12</sup> This phenomenon is described in greater detail with a market by market analysis in the publicly available report by CCA. Christiansen Capital Advisors, LLC. “Analysis of the Demand for and the Revenue Impact of the Award of a Casino License in Cedar Rapids on the Central Eastern Iowa Casino Market.” <https://irgc.iowa.gov/document/wild-rose>.

<sup>13</sup> Although table gaming is considerably less profitable for both the casino and the State of Rhode Island.

<sup>14</sup> *Plainridge Racecourse Visitor's General Information*. <[http://www.prharness.com/Visitor\\_Info/General\\_Info/general\\_info.html](http://www.prharness.com/Visitor_Info/General_Info/general_info.html)> 25 Oct 2014.

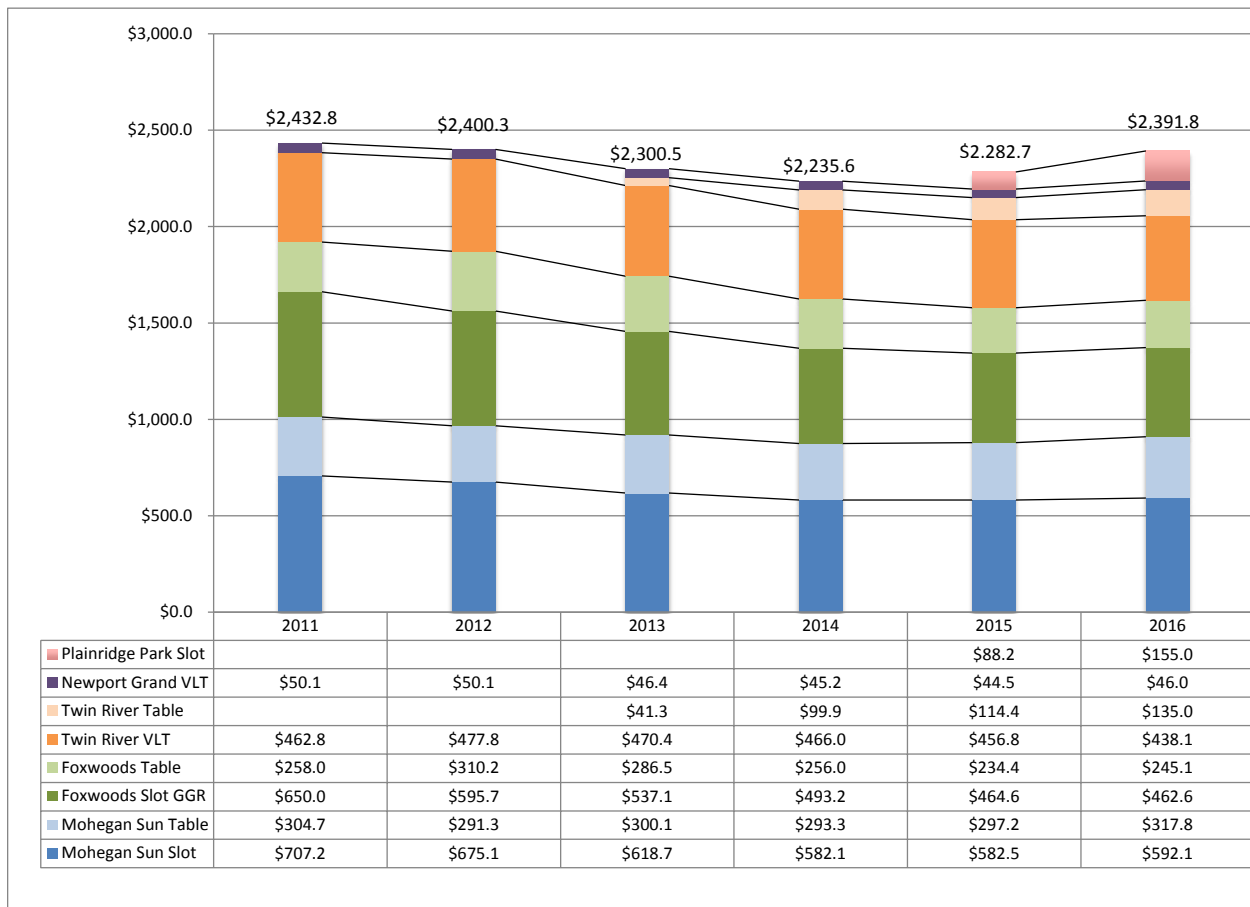
Exhibit 1.4 presents monthly and fiscal year total slot revenue for 2016 and 2017 at Plainridge Park. Slot machine revenues were down approximately 1% in Plainridge’s second full year of operation (FY2017) to \$158.3 million from \$159.9 million in FY2016.

<b>Exhibit 1.4: Plainridge Park Gaming Revenues FY2016-17</b>			
Slot Machine Revenue Plainridge Park Casino			
July, 2015	\$18,155,783.86	July	\$13,877,522.81
August	\$15,228,050.58	August	\$13,108,810.68
September	\$12,625,157.80	September	\$12,811,933.93
October	\$12,876,375.54	October	\$12,576,794.69
November	\$11,939,949.56	November	\$12,211,659.58
December	\$11,267,254.41	December	\$12,638,807.06
January, 2016	\$12,531,140.69	January, 2017	\$12,146,434.45
February	\$12,669,678.44	February	\$12,063,562.52
March	\$13,496,232.21	March	\$14,179,600.25
April	\$13,306,466.10	April	\$14,305,671.75
May	\$13,488,794.58	May	\$14,418,101.33
June	\$12,324,076.83	June	\$13,929,080.74
<b>FY 2016</b>	<b>\$159,908,960.60</b>	<b>FY 2017</b>	<b>\$158,267,979.79</b>

Source: Massachusetts Gaming Commission

Exhibit 1.5 presents a historical performance summary of all gaming (slot machines, VLTs, and table games) in Southern New England over the past six calendar years. CCA has converted all values to calendar rather than fiscal years because we can only get Connecticut table revenues by calendar year. In this exhibit, Mohegan Sun is indicated by the two blue bars (slots and tables), Foxwoods by the green bars, Twin River-Lincoln with two orange bars for slots and tables, purple for Newport Grand VLTs and pink for Plainridge Park slots. Like most U.S. gaming markets, total gaming revenue in southern New England was down in 2013 and 2014 but recovered in 2015 and 2016. As depicted by the trend lines, the addition of tables at Twin River-Lincoln substantially mitigated the competitive impact of slot machines at Plainridge. Also impacted by expanded gaming in New York State, Mohegan Sun and Foxwoods account for most of the decline in gaming revenues in southern New England over this period (2011-2016).

**Exhibit 1.5: Southern New England Gaming Revenues by Calendar Year (in \$s millions)**



Source: Rhode Island Lottery, Massachusetts Gaming Commission, Connecticut Division of Special Revenue, Mohegan Tribal Gaming Authority Form 10-K, Electronic Municipal Market Access, Christiansen Capital Advisors estimates.

**THE NEW ENGLAND GAMING MARKET GOING FORWARD—PROPOSED FACILITIES REVIEW**

Despite many unanticipated delays, casino gaming in Massachusetts is slowly moving forward as evidenced by the June 2015 opening of the first gaming facility in the Commonwealth, Penn National Gaming’s Plainridge Park Casino.

Region A: Wynn Boston Harbor in Everett, Massachusetts

Wynn Casino was awarded its casino license by the Massachusetts Gaming Commission on September 17, 2014. Originally budgeted at \$1.7 billion the project has since expanded to \$2.4

billion,<sup>15</sup> Wynn MA is planning on deploying 3,242 slot machines and 168 table games and a 90-table poker room in 193,000 square feet gaming facility. Wynn MA is anticipated to be a five-star resort with more than 600 hotel rooms, a nightclub with more than 30,000 square feet of floor space, high-end spa, retail, dining, and a ballroom and meeting space. In addition, Wynn MA plans to incorporate approximately 33,000 square feet of exhibition space and multi-purpose rooms, 77,250 square feet of retail and 3,700 parking spaces. Wynn Boston Harbor is scheduled to open in late June or early July of 2019.

#### Region B: MGM Springfield at Springfield, Massachusetts<sup>16</sup>

On June 13, 2014, the Massachusetts Gaming Commission awarded a casino license for Region B to MGM Springfield. The project so far has encountered few delays; MGM currently forecasts that the resort will open in September of 2018. Further details of the MGM Springfield project are shown in Exhibit 1.6.

MGM Springfield is proposing to offer 3,000 slots and 75 house banked table games and 20 poker tables in approximately 125,000 square feet of gaming space. As of the date of this report the proposed property also includes 15 shops and restaurants, 250 hotel rooms, approximately 45,000 square feet of exhibition/meeting space. Resort amenities will include an outdoor stage with free live entertainment, a state-of-the-art 20,000 square foot bowling alley, a 50,000 square foot movie cinema with 12 screens, casual as well as formal dining, a 7,000 square foot pool and spa, 35,000 sq. ft. garden and roof deck 5,000 parking spaces (3,600 covered) and 55,000 square feet of dining, entertainment, and retail space.<sup>17</sup>

#### Region C: First Light Casino in Taunton, Massachusetts (Wampanoag Tribe)

The Mashpee Wampanoag Tribe, also known as the People of the First Light, proposed to build a \$500 million casino and resort facility in East Taunton, which is located approximately 35 miles south of Boston and 20 miles east of Providence.

The tribe has proposed a phased construction plan (also known as The Project First Light Casino plan). Phase 1 of the construction plan involves building a 150,000 square feet casino facility with 3,000 slot machines, 150 house banked table games, and 40 poker tables. Phase 1 of the plan will also include the following facilities: a 2,500 to 3,200 space-parking garage, 2,085 surface parking spaces, a food court, an international buffet, 2 dining restaurants, a center bar with lounge seats and a small stage and 7-10 retail stores.<sup>18</sup> Construction on the project had already begun when in 2016 U.S. District Court Judge William G. Young ruled that United States Department of the Interior (DOI) erred by taking 151 acres in Taunton and 170 acres in Mashpee into trust (which in essence makes it tribal reservation land) because the tribe was not formally under federal jurisdiction in 1934 when the Indian Reorganization Act was enacted.

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<sup>15</sup> <https://www.boston.com/news/business/2017/03/02/wynn-tweaks-everett-casino-plan-as-cost-rises-to-2-4-billion>

<sup>16</sup> *MGM Springfield's finances, revenue projections rated positively by Massachusetts Gaming Commission's Enrique Zuniga*. Mass Live. <<http://www.masslive.com/politics/index.ssf/2014/06/mgm-springfields-finances-revenue-projections-rated-well-by-massachusetts-gaming-commissions-enrique-zuniga.html>>. 24 Oct 2014.

<sup>17</sup> <https://www.worldcasinodirectory.com/casino/mgm-springfield-ma>

<sup>18</sup> <http://www.mashpeewampanoagtribe.com/content/pages/77/MWT-Presentation.pdf>



The judge remanded the case back to the DOI. In June of 2017, prior to the release of a new finding by the DOI, the Mashpee Wampanoag tribe announced that, “In consultation with the U.S. Department of Interior, the tribe has suspended its request for review under Category 1 of the Indian Reorganization Act.”<sup>19</sup>

At the time this report was written, the future of the Mashpee Wampanoag’s First Light Casino is uncertain, although we believe it unlikely that the Region C gambling license created by the Massachusetts Gaming Act will remain dormant forever. Furthermore, the tribe has vowed to “investigate all options” and “examine all avenues available under the law.”<sup>20</sup> In the absence of another viable location, we have assumed for the purposes of our analysis that the First Light Casino will eventually get built, but that it will likely be several years from now. We have assumed a July 2022 opening date for the First Light Casino.

#### Connecticut: MMCT Ventures’ East Windsor Casino

MMCT Ventures, LLC is a joint venture of the Mashantucket Pequot and Mohegan tribes formed to develop a new casino in the State of the Connecticut. The tribal joint venture proposes to build a \$300 million casino on the site of an abandoned movie theater just off of I-91 in East Windsor, Connecticut. The proposed 200,000 square-foot casino would feature 2,000 slot machines and between 50 and 150 table games, but would have no hotel or other amenities of a major resort. Half the venue would be devoted to gaming, the other half to shops, restaurants and entertainment.<sup>21</sup>

The State of Connecticut will receive 25 percent of slot revenue and 25 percent of revenue from all other games at the new casino; 10 percent is earmarked to efforts to boost tourism and the remaining 15 percent toward the state’s general fund.

Connecticut lawmakers approved the proposed casino in June of 2017, subject to the approval of the Department of the Interior (DOI) on the amendments to the compacts with the Mashantucket Pequot and Mohegan tribes. MGM has lobbied extensively against the East Windsor casino and pushed for a casino in southwestern Connecticut, rather than the Hartford area. After the East Windsor casino was approved, MGM promised to “pursue all legal remedies” to prevent the casino from opening.<sup>22</sup> In September of 2017, Michael S. Black, acting assistant secretary for Indian affairs at the DOI Interior, sent a letter (the term of art is an Approval or Disapproval Letter) to the office of Connecticut Attorney General George Jepsen appearing to state that the BIA was not ready to offer its approval.<sup>23</sup> However, Black’s letter, which was also copied to U.S. Sen. Dean Heller, R-Nevada, is very irregular compared to the hundreds of other similar approval and disapproval letters issue by the DOI and seemed to question whether such approval was even necessary.

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<sup>19</sup> Although, as a few other commentators have noted, the State of Massachusetts could award a commercial (non-tribal) gambling license to the Wampanoag tribe thereby circumventing the need for the casino site to be taken into Trust under the Indian Gaming Regulatory Act (IGRA), but this would likely require reopening of the competitive bidding process for Region C.

<sup>20</sup> <http://www.tauntongazette.com/news/20170627/mashpee-wampanoag-land-in-trust-taunton-casino-deal-hits-another-snag>

<sup>21</sup> Pazniokas, Mark. “House votes for final approval of tribes’ casino in East Windsor.” The Connecticut Mirror, June 7, 2017.

<sup>22</sup> Caron, Matt. “MGM vows to pursue ‘all legal options’ after CT Gov. approves East Windsor casino,” 22News WWLP.com. <http://wwlp.com/2017/07/20/mgm-vows-to-pursue-all-legal-options-after-ct-gov-approves-east-windsor-casino/>

<sup>23</sup> Although after reviewing the brief letter several times, it is clearly open to several different interpretations.

“We return the amendment to you to maintain the status quo as action on the amendment is premature and likely unnecessary. The amendment addresses exclusivity provisions of the gaming compact. We find there is insufficient information upon which to make a decision as to whether a new casino operated by the Mohegan and Mashantucket Pequot Tribes would or would not violate the exclusivity clauses of the gaming procedures. The tribes have entered into an agreement with the state whereby they have agreed that the exclusivity provisions will not be breached by this arrangement. Therefore, our action is unnecessary at this time.”<sup>24</sup>

Some press reports have concluded that this letter could derail the East Windsor casino.<sup>25</sup> But under the Indian Gaming Regulatory Act, (IGRA) any compact or compact amendment Interior does not **affirmatively** approve or disapprove within 45 days of submission is deemed approved, but only to the extent it is consistent with the IGRA, which in essence punts the issue to the courts. Decision letters are supposed to accompany all approved and disapproved compacts, but deemed approved compacts only have decision letters in cases where Interior has policy guidance to share related to issues in the compact.

Despite MGM’s efforts, we believe that, ultimately, these pursuits will be fruitless because the addition of a tribally owned East Windsor casino expands, not curtails, the two tribes exclusivity within the State of Connecticut. But these efforts and the inscrutable letter from Mr. Black may very well succeed in delaying the East Windsor casino’s development. For these reasons, we have assumed for the purposes of our analysis that an East Windsor casino does open, but not until July 2021.

Project details for proposed casinos, MGM Springfield, Wynn Boston Harbor, Mashpee Wampanoag East Taunton, and East Windsor, Connecticut, are provided in Exhibit 1.6.

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<sup>24</sup> Hall, Phil. “U.S. Interior Department delays approval of East Windsor casino.” September 19, 2017.

<https://westfaironline.com/93897/interior-dept-delays-approval-east-windsor-casino/>

<sup>25</sup> Pazniokas, Mark. “MGM pitches Bridgeport casino as feds delay tribes’ expansion.” Connecticut Mirror. September 18, 2017.

<https://ctmirror.org/2017/09/18/mgm-pitches-bridgeport-casino-as-feds-delay-tribes-expansion/>

**Exhibit 1.6: Project Summaries for Southern New England Casino Proposals**

Proposed Casinos - Project Summaries				
Applicant	Springfield/ MGM	Everett/ Wynn	Mashpee Wampanoag	East Windsor
Name	MGM Springfield	The Wynn Resort in Everett	The Mashpee Wampanoag Tribe	NBD
Location	Springfield, MA	Everett, MA	Taunton, MA	East Windsor, CT
Construction Period	27 months	36 months	Construction begun but halted after court decision	
Opening Date	September 2018 [1]	June 2019 [3]	July 2022E	July 2021E [11]
Project Size	759,000 square feet [4]	3,096,700 square feet [3]	151 acres [8]	N/A
<b>Gaming</b>				
Slots	3,000 [2]	3,242 [5]	3,000 [9]	2,000 [10]
Table Games	75 [3]	168 [5]	150 [9]	50 to 150 [10]
Area (sq ft)	125,000 [3]	192,543	150,000 [9]	300,000 [12]
<b>Non-Gaming</b>				
Shops & Restaurants	15 [3]	10	7-10 branded themed outlets; International buffet; two fine dining restaurants [9]	Half of the facility devoted to shops, restaurants and entertainment [10]
Total Seats	2,065	1,160		
Hotel	6-story hotel with 250 rooms [4]	365-foot glass-like hotel tower [5] with 629 rooms [3]	three 300-room hotels [7]; 12 stories in height [9]	No Hotel [10]
Entertainment	Eight-screen cinema, bowling alley and an outdoor stage [3]	Nightclub, 1,000 seat multi-purpose venue, 500 seat outdoor amphitheatre	25,000 square foot water park [7]; bar, spa, large pool, roof terrace [9]	Spa, health club, pool [10]
Exhibition/Meeting Space	19,388 sq ft	32,942 sq ft [5]	6 Event/meeting rooms; 15,000 sq ft event center [9]	TBD
Retail	55,000 sq ft dining, retail, and entertainment space [3]	77,250 sq ft retail [5]	10 retail stores [9]	TBD
Parking (spaces)	Multi-level parking garage with 5,000 parking spaces [3]	4,200 (3,400 on-site) [3]	4,486- space parking garage; 1,171 surface parking spaces [7]	relocation of a 2,500-space parking garage in addition to a 1,200-space garage nearby. [12]

**Sources:**

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- [3] <http://massgaming.com/about/casinoslots-parlor-development/>  
"Casino/Slots Parlor Development - Massachusetts Gaming Commission." Massachusetts Gaming Commission. N.p., n.d. Web. 28 Oct. 2015.
- [4] <https://www.bostonglobe.com/business/2015/10/25/mgm-changes-springfield-raises-questions-about-meeting-state-threshold/Wynl7Xodnk9nDn0S99sZgJ/story.html>  
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Mashpeewampanoagtribe.com Section 8.19 Construction
- [8] <http://www.indianz.com/IndianGaming/2015/09/21/mashpee-wampanoag-tribe-aims-t.asp>  
"Mashpee Wampanoag Tribe Aims to Start Casino Work next Year." Indianz. N.p., 21 Sept. 2015. Web. 28 Oct. 2015.
- [9] <http://www.mashpeewampanoagtribe.com/content/pages/77/MWT-Presentation.pdf>  
Mashpee Wampanoag Tribe Project First Light
- [10] The Connecticut Mirror, House votes for final approval of tribes' casino in East Windsor By: MARK PAZNIOKAS | June 7, 2017
- [11] Christiansen Capital Advisors, LLC. estimate
- [12] <https://netimegambling.com/2017/02/27/east-windsor-is-chosen-by-mmct-for-ct-casino/>

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**RHODE ISLAND GAMING AND STATE REVENUE FORECASTS**

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Utilizing the models and methodology developed in our assessment of the current casino gambling market in New England (which is described in the previous section) we constructed estimates of the impact of four new casinos and a racino in Massachusetts on Rhode Island gaming revenues and State of Rhode Island's revenues derived from gaming.

In evaluating the Plainridge property, we have assumed that the lack of table games at Plainridge, the availability of smoking at Twin River-Lincoln, and the slot machine cap of 1,250 at Plainridge will continue to give Twin River-Lincoln a slight competitive advantage.<sup>26</sup> These two sites, only 11 miles apart, aggressively compete for gamblers. Both Plainridge and Twin River-Lincoln draw from areas that are rich in population and *per capita* income. Our models and results from these areas are very sensitive to changes in facility and/or operator quality. In other words, small differences in facility quality and/or management effectiveness in the densely populated areas of southern Massachusetts and northern Rhode Island could produce large swings in the revenue potential of these gaming facilities.

As discussed elsewhere in this report, geographic proximity is an important variable when assessing the demand for a proposed casino facility. As casino gaming becomes increasingly available throughout New England, casino visitation becomes more frequent and spending on casino games increases. For example, casino visitation and spending by residents of Massachusetts will increase as travel time to the nearest casino is reduced to 30 minutes or less for the vast majority of Massachusetts' residents. Furthermore, geographic proximity to population centers is a significant competitive advantage in the casino gaming business.

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**A NEW CASINO IN TIVERTON, RHODE ISLAND**

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Twin River Worldwide Holdings, which recently completed the purchase of Newport Grand, is in the process of transferring that license to an 80,000 square foot casino in Tiverton, Rhode Island off Route 81 only hundreds of feet from the Massachusetts border in Fall River. Twin River envisions a facility that resembles the town's public library. The under construction casino is anticipated to have 1,000 VLTs, 32 table games, and amenities such as a full-service restaurant and entertainment and an attached three-story 84-room hotel.

Our review of the experience of markets similar to Rhode Island suggests that VLTs, while an attractive product, are not as attractive as a full-blown casino (slots and tables). Virtually without exception, the gambling public prefers a broad spectrum of games, including traditional three reel machines, low denomination machines (penny and nickel slots), video machines, house-banked table games, and non-house banked table games such as poker. Restrictions on the types of games allowed or denomination limits have been shown to limit gross gaming revenues.

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<sup>26</sup> Massachusetts Session Law, Act 2011, Chapter 194.

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**THE REVENUE IMPACTS OF EXPANDED GAMING**

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As of the writing of this report, the Region C license in Massachusetts remains in limbo, and a new tribally owned casino in East Windsor, Connecticut, while approved into law by both the legislature and Governor, remains on an uncertain timeline. As such, we have constructed three different scenarios for gaming in southern New England: including the existing slot parlor in Plainville, Massachusetts, the Region B casino in Springfield, Massachusetts the Region A casino in Everett, Massachusetts and two possible scenarios for an additional casino in East Windsor, Connecticut and two additional casinos, one in East Windsor, Connecticut and one in Taunton, Massachusetts. In all of the scenarios we examined the advent of casino gaming in Massachusetts and the expansion of gaming in Connecticut will have some negative impacts on gaming revenues in Rhode Island, but that a new hotel at Twin River-Lincoln and a new casino with a hotel in Tiverton will go a long way toward mitigating those impacts. As discussed in the previous section a substantial portion of Rhode Island gambling revenues are contributed by Massachusetts residents, and, as previously noted, it is rare for the public to drive by one gambling facility to get to another. The result of expanded gaming in Southern New England is that some of the spending that currently crosses the Rhode Island border on its way to Rhode Island establishments will stay in Massachusetts. In terms of the relative revenue impacts upon the State of Rhode Island, the following section shows that the closer Massachusetts facilities are located to properties in Rhode Island, the greater the impacts on Rhode Island gaming facilities.

In assessing the impacts of expanded gaming on the existing Rhode Island facilities, we have relied primarily upon a gravity model analysis utilizing the methodologies and methods described in the previous section, in concert with the most updated projected opening dates for each Massachusetts casino and the East Windsor, Connecticut casino.

Gaming markets in the United States caught a tailwind recently due to markedly decreasing gas prices beginning in 2015. Prior to that, spending per adult and gross gaming revenues in reasonably supplied markets were in steady decline. To a large degree, this decline in spending per adult and gaming revenues is reflective of a material change in casino gaming market economics in the United States: baby boomers with less retirement savings after the 2008 market crash; an anemic recovery in the years following that event; millennials and generation Xers that don't gamble at the levels of their parents (and showing a clear preference for table gaming when they do gamble); and the hollowing out of the middle class. All of these things are affecting consumer spending on gambling at some level. Beginning in 2013, stable gaming markets (markets without material supply additions or other changes) across the United States began to contract, or only marginally grow, on a year over year basis. As a result CCA projects substantially less "organic growth" in U.S. gaming markets than was observed in the 2000s. For this report, we have assumed underlying non-supply related growth at about -0.5% per year for machine gaming (slots, VLTs, etc.) and +1.5% per year for table gaming.

### Timing

Upon consultation with the Department of Revenue, we have assumed in all three scenarios that casinos in Regions A and B in Massachusetts open in July 2019 and September 2018 respectively (which is consistent with applicant's most recent information), the casino in East

Windsor, Connecticut opens in July 2021 and the Massachusetts Region C casino opens in July 2022.<sup>27</sup>

Exhibit 1.7 presents a map of the awarded and potential locations for gaming facilities in Massachusetts (awarded licenses are denoted with a green pin with yellow highlight, the potential casinos, East Windsor and Taunton, a purple pin).

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<sup>27</sup> Although it is important to note that based upon the experience of the last three years, these projected opening dates are likely to be quite fluid.

Exhibit 1.7: Map of Known and Potential Southern New England Casino Locations



Source: Christiansen Capital Advisors, LLC

**SCENARIO A: A RACINO IN PLAINVILLE AND CASINOS IN EVERETT AND SPRINGFIELD**

For the purposes of comparison with our previous study and the other scenarios in this report,<sup>28</sup> CCA has prepared a baseline scenario to assess the extent of the impact of expanded gaming in Massachusetts on Rhode Island revenues assuming only the known (approved and under construction) casinos in Massachusetts and the new hotel at Twin River-Lincoln and the new casino and hotel currently under construction in Tiverton, Rhode Island.

Since the exact date of opening of these projects is still uncertain (and, if the past is any guide, likely to change), and for ease of calculation, we have assumed in all cases that the property opens on the 1<sup>st</sup> day of the month that they are scheduled. Exhibit 1.8 presents a timeline of the opening of the casinos assumed in Scenario A by Rhode Island fiscal year.

**Exhibit 1.8: Baseline Scenario Timeline**



Source: Rhode Island Department of Revenue, Christiansen Capital Advisors, LLC. estimates

<sup>28</sup> Christiansen Capital Advisors, LLC, for the Rhode Island Department of Revenue “Rhode Island Gaming and State Revenue Forecast,” October 30, 2015.



The resulting projections are presented in Exhibits 1.9 and 1.10.

**Exhibit 1.9: Baseline Rhode Island Revenue Projections by Fiscal Year**

GGR (in millions)	2017A	2018E	2019E	2020E	2021E	2022E	2023E	17-'23 CAGR
Twin River VLTs	\$436.3	\$434.1	\$417.8	\$395.7	\$393.7	\$391.7	\$389.8	-1.8%
Twin River Tables	\$140.1	\$150.0	\$129.5	\$124.5	\$126.4	\$128.3	\$130.2	-1.2%
Newport Grand VLTs	\$46.1	\$46.6	\$22.3					N/A
Tiverton VLTs			\$42.0	\$104.2	\$112.0	\$111.4	\$110.9	N/A
Tiverton Tables			\$10.2	\$25.3	\$27.2	\$27.7	\$28.1	N/A
<b>Rhode Island Gaming Revenue</b>	<b>\$622.5</b>	<b>\$630.7</b>	<b>\$621.7</b>	<b>\$649.7</b>	<b>\$659.3</b>	<b>\$659.1</b>	<b>\$658.9</b>	<b>0.98%</b>

Net State Revenue (in millions)*	2017A	2018E	2019E	2020E	2021E	2022E	2023E	17-'23 CAGR
Twin River VLTs	\$265.5	\$264.1	\$254.2	\$240.8	\$239.6	\$238.4	\$237.2	-1.8%
Twin River Tables	\$22.4	\$24.0	\$20.4	\$19.3	\$19.6	\$19.9	\$20.2	-1.7%
Newport Grand VLTs	\$27.4	\$27.7	\$13.2					N/A
Tiverton VLTs			\$24.8	\$62.3	\$67.3	\$66.9	\$66.5	N/A
Tiverton Tables			\$1.6	\$3.9	\$4.2	\$4.3	\$4.4	N/A
<b>Rhode Island Gov't Revenue</b>	<b>\$315.3</b>	<b>\$315.8</b>	<b>\$314.2</b>	<b>\$326.3</b>	<b>\$330.7</b>	<b>\$329.5</b>	<b>\$328.3</b>	<b>0.68%</b>

\* Excludes payments to third parties, such as host municipalities.

**Facility Assumptions**

Twin River Tiverton: 1,000 VLTs, 32 table games, and a hotel with 84 rooms. Facility and hotel expected to open December 2018. No down time between when Newport shuts down and Tiverton opens.

Twin River Lincoln: 97 table games, 22 poker tables, 4,225 VLTs, hotel with 134 rooms opening July 2018

MGM Springfield: 75 gaming tables, 3,000 slot machines and 250 room hotel. Projected to Open September 2018

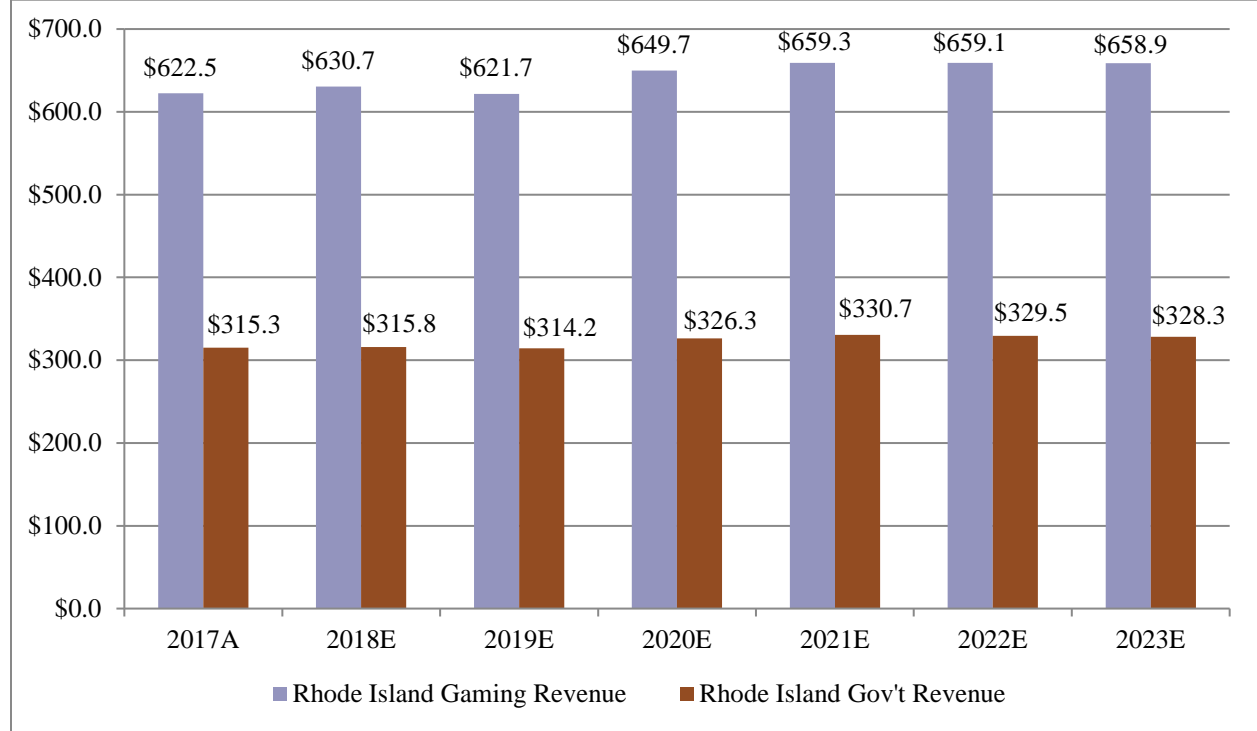
Wynn Everett: 168 tables, 2,838 slot machines and a 671 room hotel. Projected to Open June, 2019

*Source: Rhode Island Department of Revenue, Christiansen Capital Advisors, LLC. estimates*

Exhibit 1.9 presents these results in greater detail. We project that with anticipated competition from casinos in Springfield and Everett, a new casino and hotel in Tiverton and a new hotel at Twin River-Lincoln, Rhode Island gross gaming revenue from VLTs and table games would grow by approximately \$28.2 million, or 4.5 percent, between FY 2018 and FY 2023. We estimate that the State's share of these revenues will grow by about \$12.5 million over the same period.

Exhibit 1.10 summarizes and expresses in graphical form the results from Exhibit 1.9.

**Exhibit 1.10: Baseline Rhode Island Revenue Projections by Fiscal Year**



Source: Rhode Island Department of Revenue, Christiansen Capital Advisors, LLC. estimates

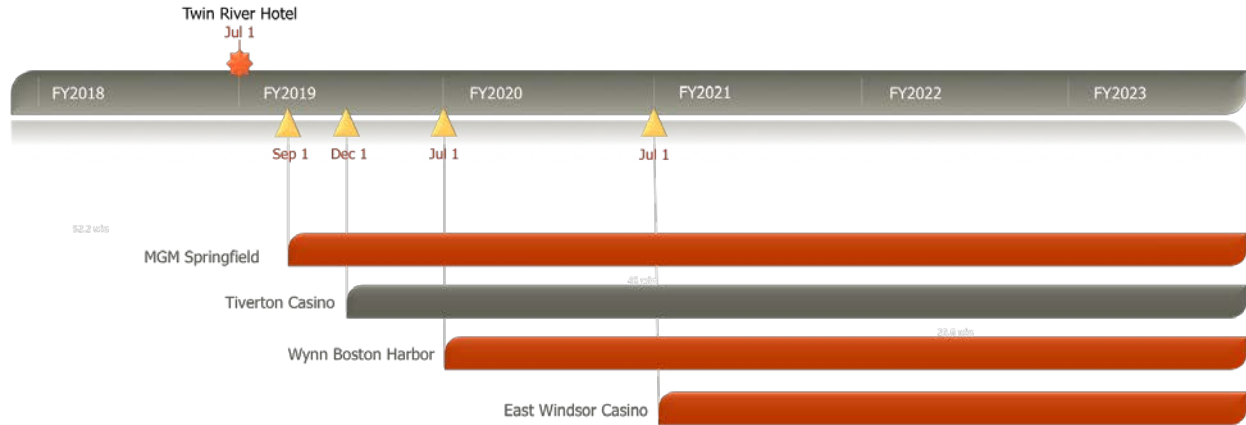
**SCENARIO B: A RACINO IN PLAINVILLE AND CASINOS IN EVERETT, SPRINGFIELD AND EAST WINDSOR, CONNECTICUT**

The following scenario examines the impact of expanded gaming in Southern New England on Rhode Island revenues if there are two new casinos in Massachusetts, specifically MGM Springfield and Wynn Boston Harbor, as well as a new tribally owned casino in East Windsor, Connecticut. As in Scenario A, we have assumed a new 134-room hotel at the Twin River-Lincoln facility, and the closing of Newport Grand that will be replaced by a new casino and hotel in Tiverton, Rhode Island.

Since the exact date of opening of these projects is still uncertain (and, if the past is any guide, likely to change), and for ease of calculation, we have assumed in all cases that the property opens on the 1<sup>st</sup> day of the month that they are scheduled. Exhibit 1.11 presents a timeline of the opening of the casinos assumed in Scenario B by Rhode Island fiscal year.

Exhibit 1.11: Scenario B Timeline

Timeline of Proposed Casinos Scenario B



Source: Rhode Island Department of Revenue, Christiansen Capital Advisors, LLC. estimates

Exhibit 1.12 presents our estimates of the impacts of expanded gaming in Massachusetts and East Windsor, Connecticut on Rhode Island gross gaming revenues. We project that with anticipated competition from casinos in Springfield and Everett, the positive benefit of a new casino and hotel in Tiverton and a new hotel at Twin River-Lincoln, Rhode Island gross gaming revenue from VLTs and table games would be only marginally impacted by a new casino in East Windsor and will grow by approximately \$13.4 million, or 2.1 percent, between FY 2018 and FY 2023. We estimate that the State’s share of these revenues will grow by about \$6.5 million over the same period.

**Exhibit 1.12: Revenue Projections w/East Windsor Casino, by Fiscal Year**

<b>GGR (in millions)</b>	<b>2017A</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>	<b>17-'23 CAGR</b>
Twin River VLTs	\$436.3	\$434.1	\$417.8	\$395.7	\$385.8	\$383.9	\$382.0	-2.1%
Twin River Tables	\$140.1	\$150.0	\$129.5	\$124.5	\$119.6	\$121.4	\$123.2	-2.0%
Newport Grand VLTs	\$46.1	\$46.6	\$22.3					N/A
Tiverton VLTs			\$42.0	\$104.2	\$112.0	\$111.4	\$110.9	N/A
Tiverton Tables			\$10.2	\$25.3	\$27.2	\$27.7	\$28.1	N/A
<b>Rhode Island Gaming Revenue</b>	<b>\$622.5</b>	<b>\$630.7</b>	<b>\$621.7</b>	<b>\$649.7</b>	<b>\$644.6</b>	<b>\$644.4</b>	<b>\$644.1</b>	<b>0.58%</b>

<b>Net State Revenue (in millions)*</b>	<b>2017A</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>	<b>17-'23 CAGR</b>
Twin River VLTs	\$265.5	\$264.1	\$254.2	\$240.8	\$234.7	\$233.5	\$232.3	-2.1%
Twin River Tables	\$22.4	\$24.0	\$20.4	\$19.3	\$18.5	\$18.8	\$19.1	-2.5%
Newport Grand VLTs	\$27.4	\$27.7	\$13.2					N/A
Tiverton VLTs			\$24.8	\$62.3	\$67.2	\$66.9	\$66.5	N/A
Tiverton Tables			\$1.6	\$3.9	\$4.2	\$4.3	\$4.4	N/A
<b>Rhode Island Gov't Revenue</b>	<b>\$315.3</b>	<b>\$315.8</b>	<b>\$314.2</b>	<b>\$326.3</b>	<b>\$324.7</b>	<b>\$323.5</b>	<b>\$322.3</b>	<b>0.37%</b>

\* Excludes payments to third parties, such as host municipalities.

**Facility Assumptions**

Twin River Tiverton: 1,000 VLTs, 32 table games, and a hotel with 84 rooms. Facility and hotel expected to open December 2018. No down time between when Newport shuts down and Tiverton opens.

Twin River Lincoln: 97 table games, 22 poker tables, 4,225 VLTs, hotel with 134 rooms opening July 2018

MGM Springfield: 75 gaming tables, 3,000 slot machines and 250 room hotel. Projected to Open September 2018

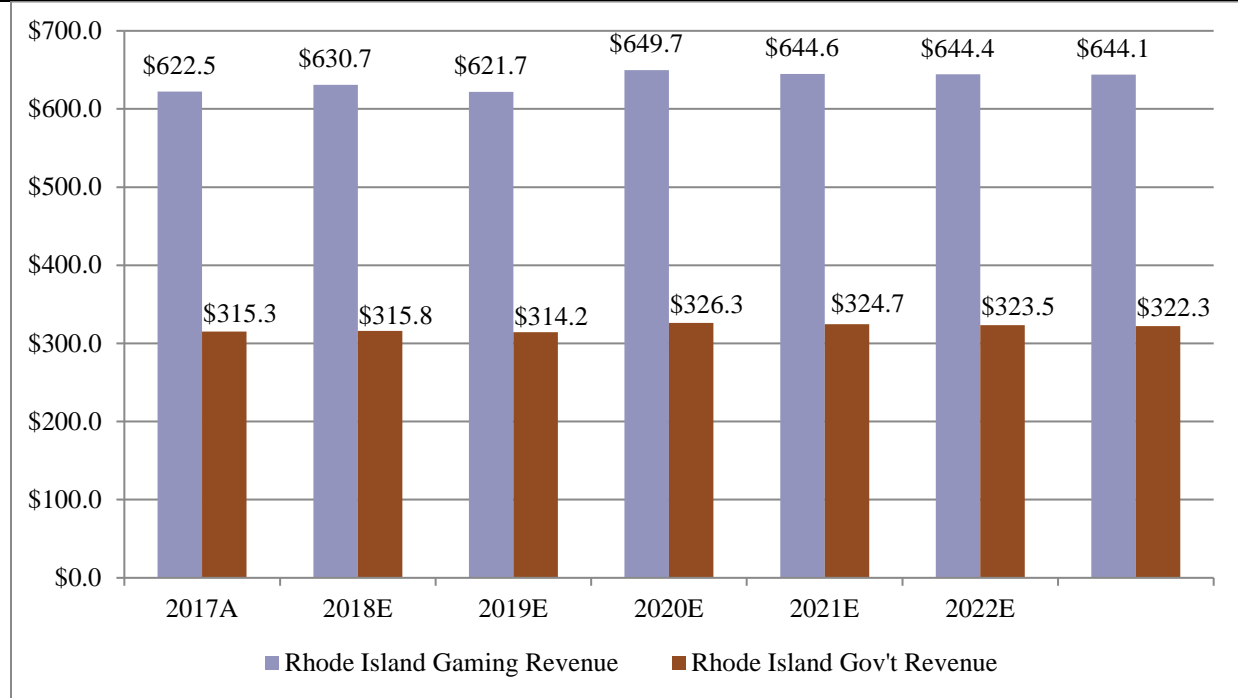
Wynn Everett: 168 tables, 2,838 slot machines and a 671 room hotel. Projected to Open June, 2019

East Windsor: 2,000 slot machines, 100 table games. Projected to open July 2021

*Source: Rhode Island Department of Revenue, Christiansen Capital Advisors, LLC estimates.*

Exhibit 1.13 summarizes and expresses in graphic format the results presented in Exhibit 1.12.

**Exhibit 1.13: Revenue Projections w/East Windsor Casino, by Fiscal Year**



Source: Rhode Island Department of Revenue, Christiansen Capital Advisors, LLC. estimates

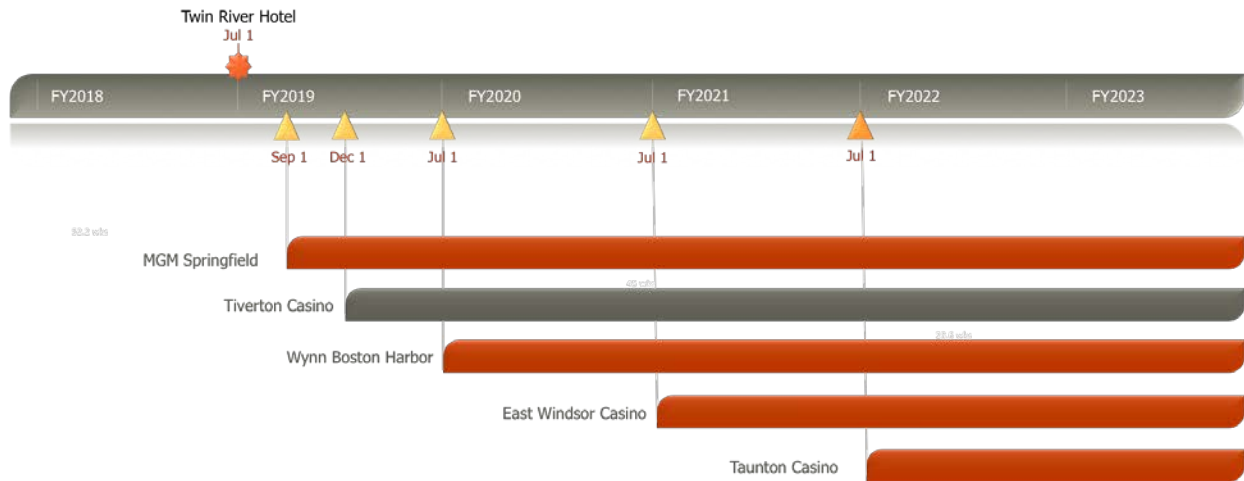
**SCENARIO C: A RACINO IN PLAINVILLE AND CASINOS IN EVERETT, SPRINGFIELD, TAUNTON AND EAST WINDSOR, CONNECTICUT**

The following scenario examines the impact of expanded gaming in Southern New England on Rhode Island revenues if there are **three** new casinos in Massachusetts, specifically MGM Springfield, Wynn Boston Harbor, and the First Light Casino in Taunton, as well as a new tribally owned casino in East Windsor, Connecticut. As in Scenarios A and B, we have assumed a new 134-room hotel at the Twin River-Lincoln facility, and the closing of Newport Grand which will be replaced by a new casino and hotel in Tiverton, Rhode Island.

Since the exact date of opening of these projects is still uncertain (and, if the past is any guide, likely to change), and for ease of calculation, we have assumed in all cases that the property opens on the 1<sup>st</sup> day of the month that they are scheduled. Exhibit 1.14 presents a timeline of the opening of the casinos assumed in Scenario C by Rhode Island fiscal year.

Exhibit 1.14: Scenario C Timeline

Timeline of Proposed Casinos Scenario C



Source: Rhode Island Department of Revenue, Christiansen Capital Advisors, LLC. estimates

Exhibit 1.15 presents our estimates of the impacts of expanded gaming in Massachusetts and Connecticut. As in our previous forecasts for the State of Rhode Island our models indicate that a casino in Taunton will have meaningful deleterious effects on Rhode Island gaming revenue and State of Rhode Island revenue derived from gaming. We project that with anticipated competition from casinos in Springfield, Everett, East Windsor and Taunton and the positive benefit of a new casino with a hotel in Tiverton and a new hotel at Twin River-Lincoln, Rhode Island gross gaming revenue from VLTs and table games would be meaningfully impacted by a new casino in Taunton, Massachusetts and will decline by approximately \$50.1 million, or 7.9 percent, between FY 2018 and FY 2023. We estimate that the State’s share of these revenues will decline by about \$23.8 million over this same period.

**Exhibit 1.15: Revenue Projections w/East Windsor and Taunton Casinos, by Fiscal Year**

<b>GGR (in millions)</b>	<b>2017A</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>	<b>17-'23 CAGR</b>
Twin River VLTs	\$436.3	\$434.1	\$417.8	\$395.7	\$385.8	\$364.7	\$355.6	-3.1%
Twin River Tables	\$140.1	\$150.0	\$129.5	\$124.5	\$119.6	\$111.3	\$106.9	-3.9%
Newport Grand VLTs	\$46.1	\$46.6	\$22.3					N/A
Tiverton VLTs			\$42.0	\$104.2	\$112.0	\$94.7	\$94.2	N/A
Tiverton Tables			\$10.2	\$25.3	\$27.2	\$23.5	\$23.9	N/A
<b>Rhode Island Gaming Revenue</b>	<b>\$622.5</b>	<b>\$630.7</b>	<b>\$621.7</b>	<b>\$649.7</b>	<b>\$644.6</b>	<b>\$594.3</b>	<b>\$580.6</b>	<b>-1.12%</b>

<b>Net State Revenue (in millions)*</b>	<b>2017A</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>	<b>17-'23 CAGR</b>
Twin River VLTs	\$265.5	\$264.1	\$254.2	\$240.8	\$234.7	\$221.4	\$215.8	-3.1%
Twin River Tables	\$22.4	\$24.0	\$20.4	\$19.3	\$18.5	\$17.3	\$16.6	-4.3%
Newport Grand VLTs	\$27.4	\$27.7	\$13.2					N/A
Tiverton VLTs			\$24.8	\$62.3	\$67.2	\$56.3	\$56.0	N/A
Tiverton Tables			\$1.6	\$3.9	\$4.2	\$3.6	\$3.7	N/A
<b>Rhode Island Gov't Revenue</b>	<b>\$315.3</b>	<b>\$315.8</b>	<b>\$314.2</b>	<b>\$326.3</b>	<b>\$324.7</b>	<b>\$298.6</b>	<b>\$292.0</b>	<b>-1.23%</b>

\* Excludes payments to third parties, such as host municipalities.

**Facility Assumptions**

Twin River Tiverton: 1,000 VLTs, 32 table games, and a hotel with 84 rooms. Facility and hotel expected to open December 2018. No down time between when Newport shuts down and Tiverton opens.

Twin River Lincoln: 97 table games, 22 poker tables, 4,225 VLTs, hotel with 134 rooms opening July 2018

MGM Springfield: 75 gaming tables, 3,000 slot machines and 250 room hotel. Projected to Open September 2018

Wynn Everett: 168 tables, 2,838 slot machines and a 671 room hotel. Projected to Open June 3, 2019

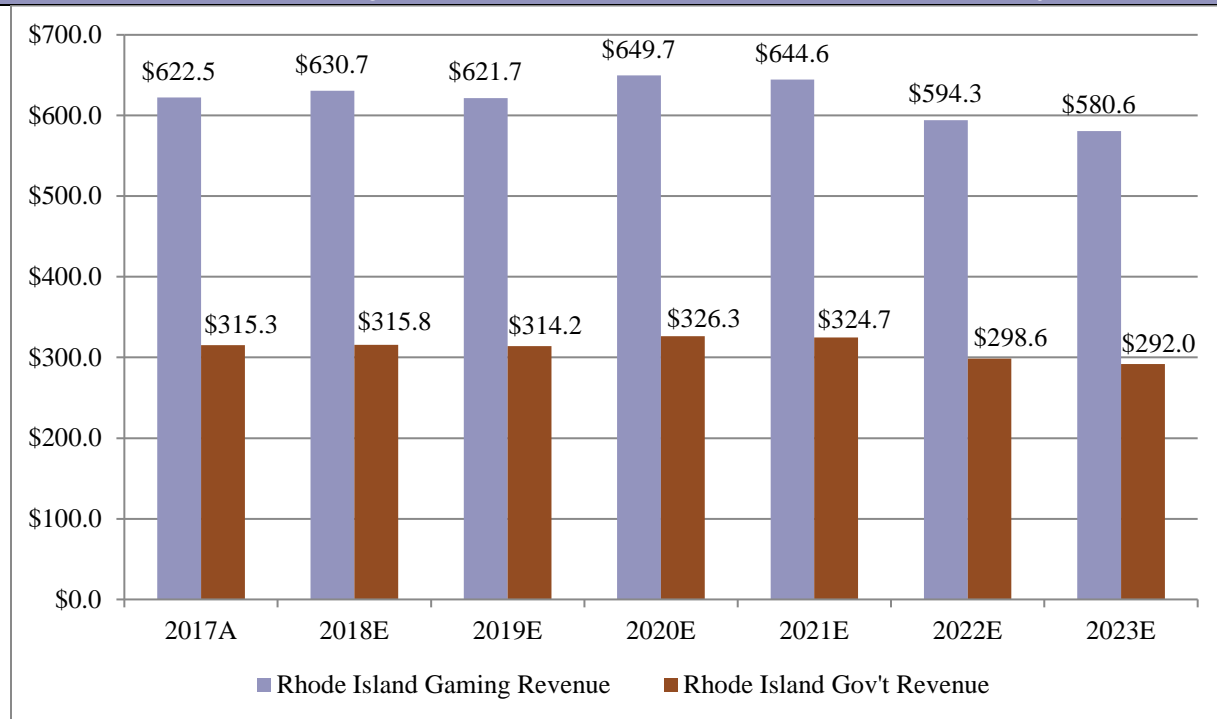
East Windsor: 2,000 slot machines, 100 table games. Projected to open July 2021

First Light Resort and Casino: 3,000 slot machines, 190 tables (40 poker), and a 300 room hotel. Projected to open July 2022

*Source: Rhode Island Department of Revenue, Christiansen Capital Advisors, LLC estimates.*

Exhibit 1.16 summarizes and expresses in graphic format the results presented in Exhibit 1.15.

**Exhibit 1.16: Revenue Projections w/East Windsor and Taunton Casinos, by Fiscal Year**



Source: Rhode Island Department of Revenue, Christiansen Capital Advisors, LLC. estimates

**SUMMARY OF FORECASTS**

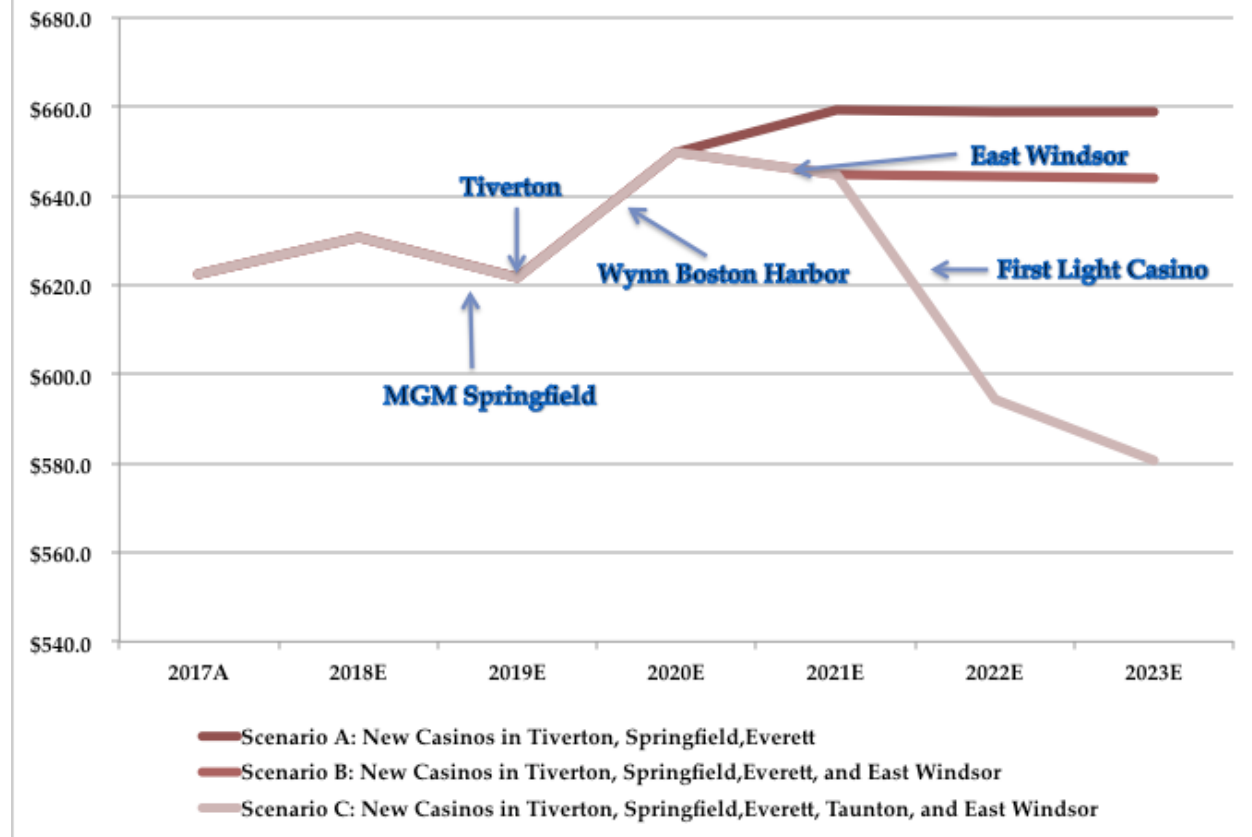
Exhibit 1.17 summarizes Rhode Island total gaming revenue and Rhode Island government revenue from gaming under the scenarios we have examined in this report, including the various milestones that will impact gaming revenue in the future. As shown in the exhibit, Rhode Island gaming revenues will be marginally impacted in FY 2019 by the September 2018 opening of MGM Springfield, but that the opening of a new hotel at Twin River-Lincoln three months earlier will help to mitigate some of the negative influence of a large new casino in Springfield.

As shown in Exhibits 1.9, 1.12, and 1.15 a new Tiverton casino hotel opening in December 2018 will more than double the gaming revenue that is currently derived from Newport Grand. Summarized in Exhibit 1.17, CCA projects that this will more than offset the negative impact of Wynn Boston Harbor which is scheduled to open six months later. As depicted by the dark red line in Exhibit 1.17, if no additional casinos open in Massachusetts or Connecticut, gaming revenue will continue to grow until FY 2021 when we expect (all other things equal) that gaming revenue growth will flatten out in FY 2022 and FY 2023. If a new tribal facility in East Windsor comes online in FY 2021 we expect that it will marginally impact gaming revenues in Rhode Island (by about \$15 million.) And if a third new casino opens in Taunton, Massachusetts at the



beginning of FY 2022, we project that Rhode Island gaming revenues will meaningfully decline in that year (from \$644.6 million to \$594.3) and by an additional \$13.7 million in FY 2023.

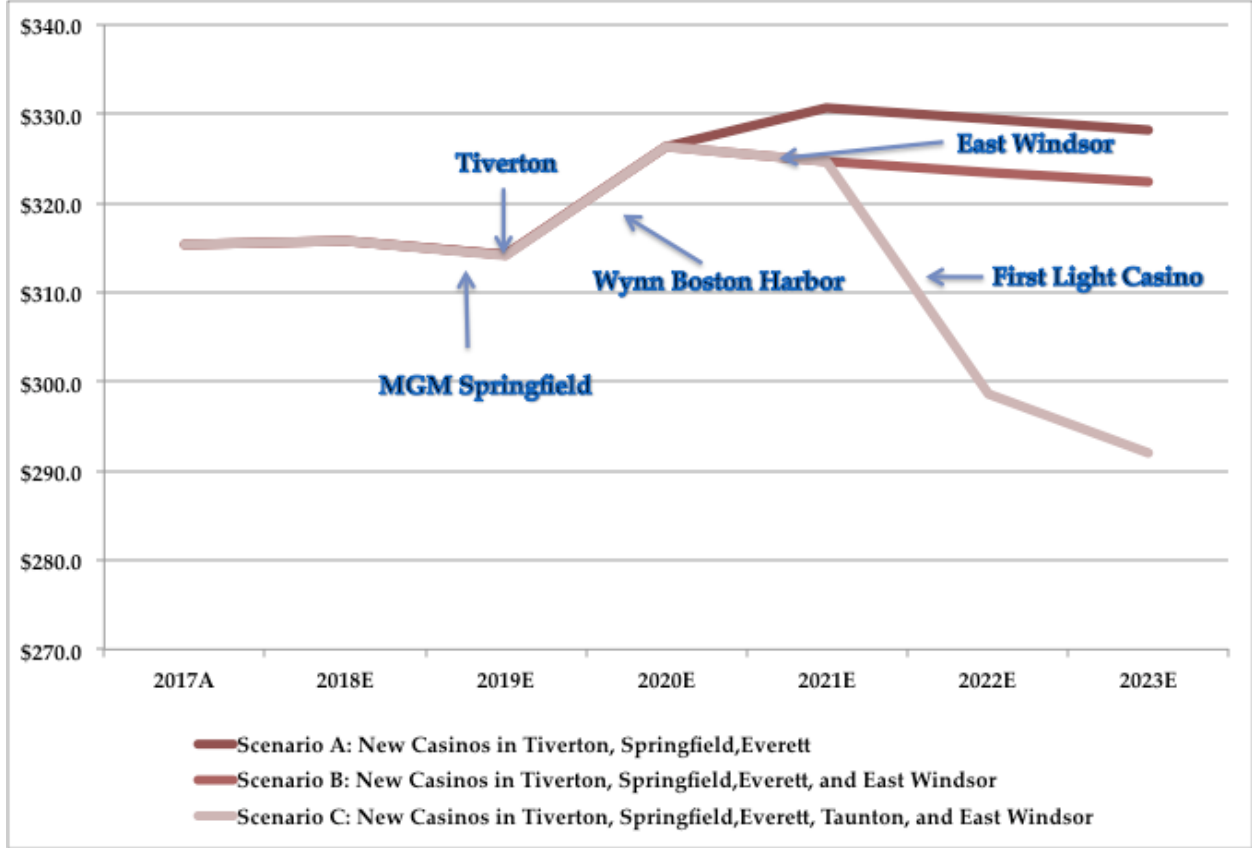
**Exhibit 1.17: Summary of Rhode Island Gaming Revenue Projections by Fiscal Year**



Source: Christiansen Capital Advisors, LLC. estimates

Exhibit 1.18 shows Rhode Island government revenue from gaming under the scenarios we have examined in this report, including the various milestones that will impact government revenue in the future. As one would expect, these lines show similar results to those in Exhibit 1.17, but there is one important difference. The trend lines for government revenue in Exhibit 1.18 depict a sharper deterioration than gaming revenue in Exhibit 1.17 due to the increased percentage of gaming revenue anticipated from table games, which are taxed at a significantly lower rate (16% currently and 15.5% after Tiverton opens) than VLTs.

**Exhibit 1.18: Summary of Rhode Island Government Revenue by Fiscal Year**



Source: Christiansen Capital Advisors, LLC. estimates

**COMPARISON WITH 2015 FORECASTS**

CCA was asked by the Department of Revenue to compare the results of this current study with the one we previously conducted in 2015.<sup>29</sup> Exhibit 1.19 presents a summary of Rhode Island total gaming revenue under the scenarios we examined in that report.

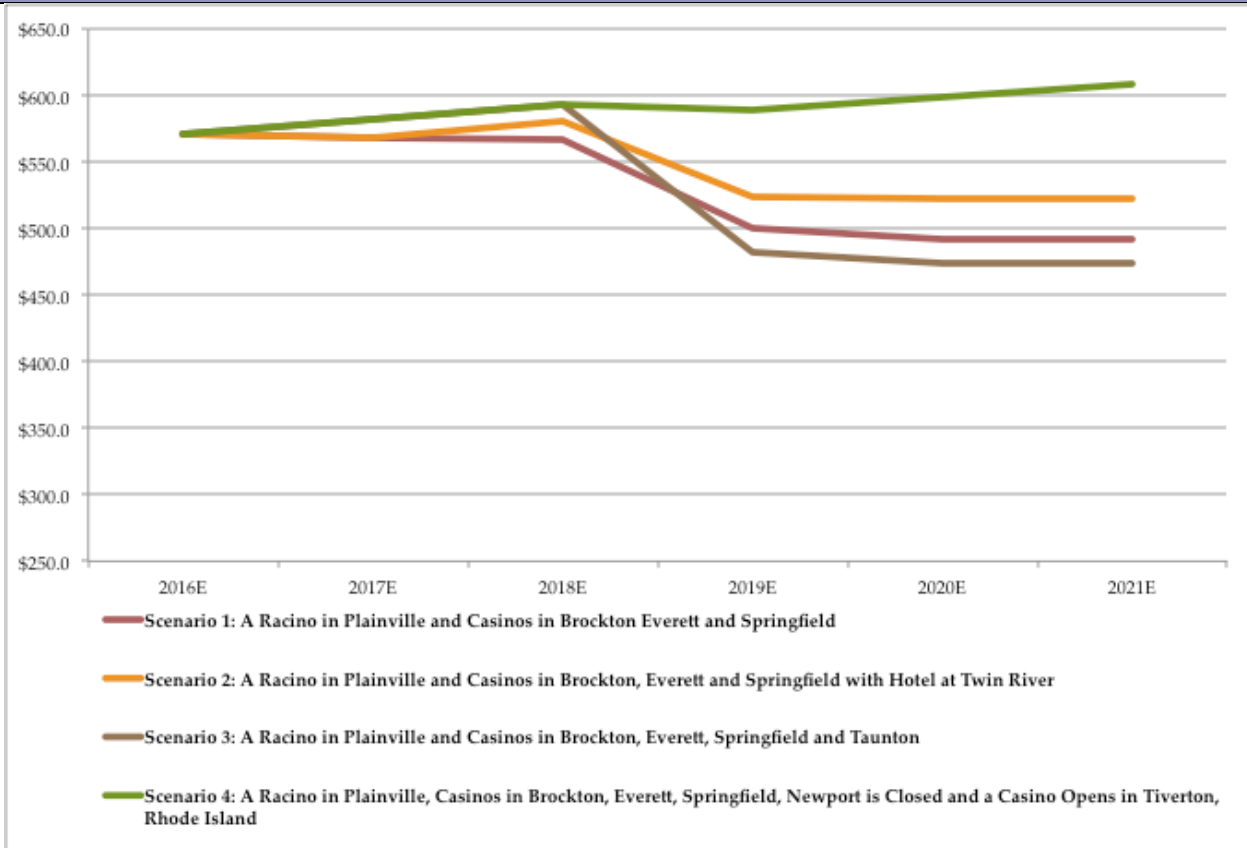
Much has changed since CCA completed its forecasts in 2015. At the present time, it appears that a Region C casino will be on hold for the foreseeable future. In our 2015 study, CCA ran two alternative scenarios with Region C casinos in Brockton and/or Taunton, Massachusetts. We also assumed a July 2018 opening date for the Region C casino. Since that time, the Massachusetts Gaming Commission has rejected the Brockton application, and the tribal casino that was approved in Taunton is on hold as the result of a successful lawsuit challenging the United States Department of the Interior (DOI) ruling to take the land owned by the tribe for the casino site into trust.

<sup>29</sup> Christiansen Capital Advisors, LLC, for the Rhode Island Department of Revenue “Rhode Island Gaming and State Revenue Forecast,” October 30, 2015.

Our 2015 study also assumed a July 2018 opening date for Wynn Boston Harbor and that project has since been delayed until July 2019. MGM Springfield, which is scheduled to open in September 2018, was the only Massachusetts casino that the opening dates did not change. These significant changes in the assumed competitive landscape make direct comparisons with our 2015 study difficult, but there are a few things we can learn from the comparison. As can be seen by comparing Exhibits 1.17 and 1.19 our current study is starting from a higher base in 2017. In our 2015 study CCA overestimated the impact of Plainridge Park on Twin River-Lincoln VLT revenue by about \$16.5 million (\$436.3 million actual versus a projected \$419.8 million), and underestimated table revenue also by about \$16.5 million. We also missed on the Newport VLT projection by approximately \$7.4 million, as after the property was transferred to Twin River Management Group what had been a steadily declining business (and we projected that it would continue to slowly decline) was turned around by the new management and managed to actually increase VLT revenues in FY2017.

In short, due to the delay in several Massachusetts projects (particularly in Region C which will impact Rhode Island gaming facilities the hardest of all) and the observed resilience of Rhode Island gaming facilities in the face of increasing competition from out-of-state, the outlook for gaming in Rhode Island has markedly improved from when we examined the southern New England market in 2015.

**Exhibit 1.19: Summary of Rhode Island Gaming Revenue Projections by Fiscal Year from CCA's 2015 Gaming Revenue Forecasts**



Source: Christiansen Capital Advisors, LLC. estimates

The projections presented herein are based upon the accompanying assumptions. Some of these assumptions will inevitably not materialize, and unanticipated events and circumstances will occur. Actual results may therefore vary from our projections, and such variations may be material.