

# **THE POTENTIAL ECONOMIC AND FISCAL IMPACTS OF THE PROVENCE**

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## EXECUTIVE SUMMARY

Tower Entertainment is proposing to develop The Provence, a resort complex containing a hotel, a casino, and a mix of non-gaming entertainment venues at the northern edge of Center City and immediately adjacent to the expanded Pennsylvania Convention Center Expansion District. The project will significantly stimulate the City of Philadelphia and the Commonwealth of Pennsylvania economies and generate new investment in surrounding areas.

No other casino-related development in Pennsylvania would better maximize total benefits to the City and Commonwealth, in terms of:

- Direct investment, annual spending, employment
- Corresponding net new state and local tax revenues
- Induced real estate investment by others, generating new development, construction and economic activity in nearby areas

Specific economic and fiscal impacts of The Provence and resulting real estate investments include:

1. For the City:

- **2,000 jobs** and **\$5 million** in city tax revenues, related to construction activities
- An additional **5,300 jobs** and **\$25 million** in city tax revenues annually after that, from gaming revenue, ongoing operations, and ancillary spending
- over **600 temporary jobs** and **1,000 permanent jobs** accessible to residents from the immediate neighborhood

2. For the Commonwealth:

- **6,400 jobs** and **\$89 million** in tax revenues and license fees, related to construction activities
- An additional **7,800 jobs** and **\$204 million** in state tax annually after that, from gaming revenue, ongoing operations, and ancillary spending

3. Serve as a catalyst for **2-3 million square feet** of new commercial and residential development around The Provence over the next decade, representing about **\$1 billion** in initial investment

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## 1.0 INTRODUCTION

### 1.1 Tower Entertainment's Proposed The Provence: Project and Site Characteristics

Tower Entertainment is proposing to develop The Provence, an entertainment complex containing a hotel, a casino, and a mix of non-gaming entertainment venues along the north side of three blocks of Callowhill Street between North Broad Street and 17<sup>th</sup> Street, at the (current) northern edge of Center City and immediately adjacent to the expanded Pennsylvania Convention Center Expansion District. This area is severely underdeveloped at this time, and with strong development to the south and west, this project could be the keystone to spur one of the most important redevelopment opportunities for the city and state at the present time.

The Provence will generate significant economic impacts within the City of Philadelphia and the Commonwealth of Pennsylvania, and will generate significant fiscal (i.e. tax revenue) impacts for the City and Commonwealth. This report estimates that when fully operational, The Provence will generate hundreds of millions of dollars in economic impact within the City and Commonwealth, produce over \$160 million in gaming tax revenues for the Commonwealth, and induce an additional 2 million to 3 million square feet in new real estate developments in a very important part of the city.

The Provence will be positioned as a tourist and regional entertainment destination with gaming facilities, rather than a locals-oriented, stand-alone casino. The nature of The Provence makes it substantially different than other existing or proposed casino developments within the Commonwealth in terms of its scope, its significantly positive impact and its ability to open for business within 24 months of a license issuance. The Provence will cater to a far wider market than any other current or proposed casinos in Pennsylvania, including higher income tourists, conventioners, locals, and visitors not currently inclined to patronize existing metro area casinos. Furthermore, coordination with tourism and convention marketing efforts should serve to maximize out-of-state visitor impact (increased visitors, increased visitor days, and increased visitor spending per day).

The breadth of scope and design of The Provence is the primary strength of the proposal. Multiple entertainment components aggregate to approximately 1.25 million square feet of new construction, and the creation of a 120,000 square foot European-style, family-oriented rooftop village makes The Provence truly unique. The full service, high quality casino, featuring 3,300 electronic gaming devices (slots and automated table games)<sup>1</sup> and 150 table games, will be the centerpiece of The Provence, but will comprise less than 20 percent of The Provence (excluding the garages) (see Table 1.1).

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<sup>1</sup> The Provence must open with no more than 3,000 slots but can subsequently expand to more upon regulatory approval

**Table 1.1 – Proposed Preliminary Distribution of Uses within The Provence<sup>2</sup>**

Use	SF
Casino	120,000
Garage (2 Garages)	649,000
Bridges (2)	12,000
Hotel (125 keys)	160,000
Concert Hall	75,000
Shops	60,000
Restaurants (8)	25,000
Event Facilities (3)	30,000
Meeting Rooms	20,000
Spa and Fitness Center	20,000
Sports Venue	30,000
Pool	40,000
Night Club	9,000
<b>Total</b>	<b>1,250,000</b>

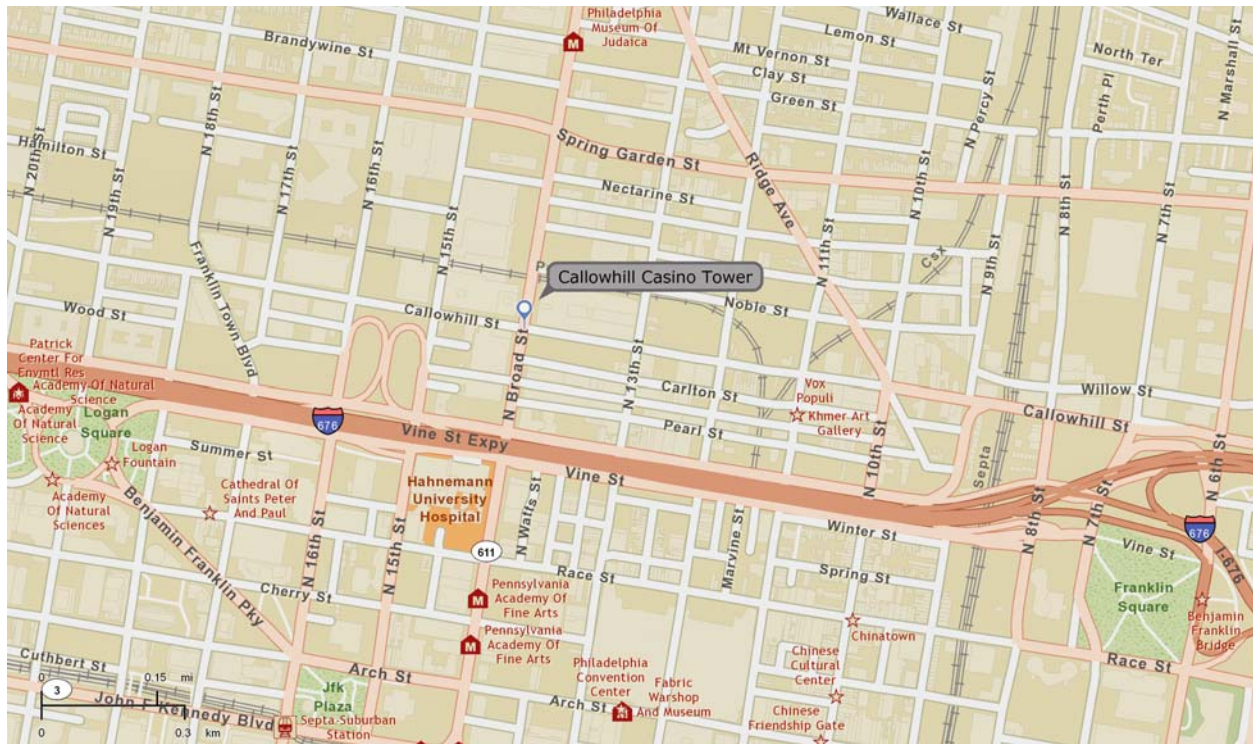
*Source: Tower Entertainment (2012)*

## 1.2 Project Strategy: Inducing Investment, Development and Economic Activity

The Provence has the potential not only to become a significant addition to the City and Commonwealth economy on its own, but also to serve as a spark to ignite and expand the nascent transformation of the northeast quadrant of Center City Philadelphia. This induced, or “spin-off” investment potential represents the primary public and economic benefit of the project to the city and the state. This report identifies and provides estimates of the potential economic and fiscal impacts generated by (1) the development and annual operations of The Provence itself, (2) ancillary spending by new visitors attracted by The Provence, and (3) development and annual operations of spin-off activity nearby.

In addition to the nature of The Provence project itself, clearly one of the strongest advantages is **the proposed location** at the crossroads of the last large area poised for redevelopment in Center City: the northeast quadrant.

<sup>2</sup> Throughout this report, totals may not sum exactly due to rounding



This project is consistent with existing city planning objectives for North Broad Street and its environs. It will connect *south* to the Convention Center and to Center City hotels and attractions, crossing Vine St. with investment in the currently underdeveloped area between Broad Street and the Benjamin Franklin Parkway. As such, it would provide a natural extension to broaden the Convention Center's impact with its new North Broad entrance.

It will also spur development *east* of Broad Street, from Vine Street to Spring Garden Street, North Broad Street to Old City, and to the Delaware River. It will further enhance redevelopment *north* along Broad Street, including boosting the nascent but popular Spring Garden/Fairmount neighborhoods up to Temple University.

Nearby transit junctions for employees and local customers, automobile ingress and egress without having to circulate through surrounding neighborhood streets, and ample existing and new parking will guarantee a very efficient access to The Provence while minimizing negative traffic impacts.<sup>3</sup>

Spectrum Gaming Group LLC has performed a market analysis for the casino component of this unique entertainment complex, and it forecasts \$457 million in annual gross gaming revenue (GGR) by Year 5, which is significantly higher than estimates for stand-alone casinos in other

<sup>3</sup> There are or will be 1,500-2,000 parking spaces on-site and other existing parking garages and surface lots in the area supply an additional 2000 parking spaces.

parts of Philadelphia and the state. Likewise, it forecasts net new GGR to be approximately \$196 million per year by Year 5, much higher than the amounts forecasted for other proposed Pennsylvania casinos.

Indeed, it would be hard to envision a casino related development in Pennsylvania that would better maximize total city and state benefits generated from multiple sources:

- Direct investment, annual spending, employment
- Corresponding net new state and local tax revenues
- Ancillary spending by patrons outside of The Provence
- State and local tax revenues generated by ancillary spending
- Induced real estate investment by others, generating new development, construction and economic activity in nearby areas
- Maximize the **net export nature of the gaming**, considering:
  - ✓ Use by out-of-state visitors (i.e. export)
  - ✓ Current visitor and additional visitors
  - ✓ Import substitution (i.e. keeping resident spending from going elsewhere)
  - ✓ Counter new opportunities in adjacent states
  - ✓ Latent demand (not other in-state consumption)
  - ✓ Spin-off investment, development and economic activity

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## 2.0 ECONOMIC IMPACTS FROM UPFRONT CONSTRUCTION OF THE PROVENCE

### 2.1 Direct Expenditures from Upfront Construction of The Provence

It is estimated that The Provence will have a project cost of about \$700 million. For purposes of properly modeling the economic and fiscal impact of upfront construction, the following adjustments were made:

1. Seventy percent of the estimated \$65 million in furniture, fixtures, and equipment (FF&E) was excluded from the economic impact analysis, to account for the fact that a significant component of FF&E will be slots and tables, which are not manufactured within the Commonwealth.
2. One-time license fees of \$50 million for slots and \$24.75 million for tables were excluded from the economic impact analysis, and accounted for directly in fiscal impacts.
3. Financing costs (\$104.2 million) and land contribution (\$100 million) were excluded from the economic impact analysis, as they are typically not counted in input-output modeling because they do not represent the purchase of goods and services.

This yields about \$320 million in hard costs and about \$55 million in soft costs. These amounts will represent direct expenditures that will then have a multiplier effect throughout the City and Commonwealth economy, as vendors ramp up to meet new demand for goods and services, and as workers spend their earnings locally.<sup>4</sup>

### 2.2 Economic Impact from Upfront Construction of The Provence

The first set of economic impacts that results from these expenditures takes place **during the construction period** itself. It is estimated that these investments, and the indirect and induced expenditures that resulted from them, will generate a considerable impact within the City and Commonwealth (see Table 2.1). **Within the City**, upfront construction is estimated to generate about \$560 million in total expenditures, supporting about **2,000 jobs** and about \$90 million in earnings. **Within the Commonwealth**, upfront construction is estimated to generate about \$880 million in total expenditures, supporting about **6,400 jobs** and about \$270 million in

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<sup>4</sup> See Appendix A for Econsult's economic and fiscal impact methodology.



earnings.<sup>5</sup> Because The Provence contains so many additional uses besides a casino, its impacts from upfront construction will be much larger than any other potential casino site.

**Table 2.1 – Estimated One-Time Economic Impact of Upfront Construction of The Provence (\$M)<sup>6</sup>**

City of Philadelphia	Casino	Non-Casino	The Provence
Direct Expenditures	\$75	\$301	\$376
Indirect and Induced Expenditures	\$37	\$146	\$183
<b>Total Expenditures</b>	<b>\$112</b>	<b>\$447</b>	<b>\$559</b>
<b>Total Employment</b>	<b>398</b>	<b>1,592</b>	<b>1,990</b>
<b>Total Earnings</b>	<b>\$17</b>	<b>\$69</b>	<b>\$86</b>
Commonwealth of Pennsylvania	Casino	Non-Casino	The Provence
Direct Expenditures	\$75	\$301	\$376
Indirect and Induced Expenditures	\$100	\$402	\$502
<b>Total Expenditures</b>	<b>\$175</b>	<b>\$703</b>	<b>\$878</b>
<b>Total Employment</b>	<b>1,283</b>	<b>5,135</b>	<b>6,418</b>
<b>Total Earnings</b>	<b>\$55</b>	<b>\$218</b>	<b>\$273</b>

*Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)*

### 2.3 Industry Distribution of Economic Impact from Upfront Construction of The Provence

The construction industry will gain the most from upfront construction of The Provence, but many other industries will also be positively impacted. Within the City, it is preliminarily estimated that 42 percent of the expenditure impact and 44 percent of the employment impact will be in industries besides construction. Within the Commonwealth, it is preliminarily

<sup>5</sup> Commonwealth impacts are larger than City impacts, even though direct expenditures are the same, because spillover impacts continue to emanate beyond City boundaries to areas outside the City. Since the City is completely contained within the Commonwealth, the Commonwealth figures include the City figures, and the difference between the two represents the impact that is estimated to take place inside the Commonwealth but outside the City.

<sup>6</sup> Throughout the report, dollar figures are expressed in 2012 terms.

estimated that 63 percent of the expenditure impact and 60 percent of the employment impact will be in industries besides construction.<sup>7</sup>

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<sup>7</sup> See Appendix B for additional detail on the industry composition of the estimated economic impact from upfront construction of The Provence.

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## 3.0 ECONOMIC IMPACTS FROM ONGOING OPERATIONS OF THE PROVENCE

### 3.1 Direct Expenditures from Ongoing Operations of The Provence

The Provence will represent 1.25 million square feet of space and will include a 120,000 square foot casino, a 125-room hotel, a 75,000 square foot concert hall, 60,000 square feet of retail space, 50,000 square feet of event and meeting space, a 40,000 square foot pool area, a 30,000 square foot sports venue, a 20,000 square foot spa and fitness area, five restaurants, and a night club. Using data provided by Tower Entertainment, and based on conservative assumptions as to employment, salaries, and expenditures associated with various uses (proxied in part by the characteristics of other casinos and related operations throughout the Commonwealth), it is estimated that The Provence will represent about **\$225 million in annual operations and directly employ about 2,500 people.**<sup>8</sup>

### 3.2 Economic Impact from Ongoing Operations of The Provence

The first set of economic impacts that results from The Provence takes place during the construction period itself, as discussed in Section 2. The second set of economic impacts that results from The Provence takes place each year thereafter, as it represents operating expenditures that in turn have a stimulative effect on the City and Commonwealth economy.

Based on Tower Entertainment' projections of the size and composition of The Provence and on the assumptions described above, it is estimated that these investments, and the indirect and induced expenditures that resulted from them, will generate a considerable impact within the City and Commonwealth (see Table 3.1). **Within the City**, ongoing operations are estimated to generate about \$350 million in total expenditures, supporting about **3,000 jobs** and about \$110 million in earnings per year. **Within the Commonwealth**, ongoing operations are estimated to generate about \$460 million in total expenditures, supporting about **3,700 jobs** and about \$150 million in earnings per year.

Because The Provence contains so many additional uses besides a casino, its impacts from ongoing operations will be much larger than any other potential casino location. In addition, its location characteristics (away from other casino locations up and down Interstate 95, proximate to the Pennsylvania Convention Center) suggest far less cannibalization of casino activity from other existing casinos than other possible casino sites, meaning that a much higher proportion of these impacts will be net new impacts for the Commonwealth.

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<sup>8</sup> These and other operating estimates represent full occupancy figures. See Appendix C for additional detail on the assumptions used to estimate operating expenditures for The Provence.

**Table 3.1 – Estimated Annual Economic Impact of Ongoing Operations of The Provence (\$M)**

<b>City of Philadelphia</b>	<b>Casino</b>	<b>Non-Casino</b>	<b>The Provence</b>
Direct Expenditures	\$123	\$102	\$225
Indirect and Induced Expenditures	\$64	\$44	\$128
<b>Total Expenditures</b>	<b>\$187</b>	<b>\$166</b>	<b>\$353</b>
<b>Total Employment</b>	<b>1,802</b>	<b>1,198</b>	<b>3,000</b>
<b>Total Earnings</b>	<b>\$63</b>	<b>\$44</b>	<b>\$107</b>
<b>Commonwealth of Pennsylvania</b>	<b>Casino</b>	<b>Non-Casino</b>	<b>The Provence</b>
Direct Expenditures	\$123	\$102	\$225
Indirect and Induced Expenditures	\$122	\$114	\$236
<b>Total Expenditures</b>	<b>\$245</b>	<b>\$216</b>	<b>\$461</b>
<b>Total Employment</b>	<b>2,119</b>	<b>1,565</b>	<b>3,684</b>
<b>Total Earnings</b>	<b>\$88</b>	<b>\$64</b>	<b>\$152</b>

*Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)*

### **3.3 Industry Distribution of Economic Impact from Ongoing Operations of The Provence**

The arts, entertainment, and recreation industry will gain the most from ongoing operations of The Provence, but many other industries will also be positively impacted. Within the City, it is preliminarily estimated that 65 percent of the expenditure impact and 43 percent of the employment impact will be in industries besides arts, entertainment, and recreation. Within the Commonwealth, it is preliminarily estimated that 73 percent of the expenditure impact and 52 percent of the employment impact will be in industries besides arts, entertainment, and recreation.<sup>9</sup>

<sup>9</sup> See Appendix D for additional detail on the industry composition of the estimated economic impact from ongoing operations of The Provence.

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## 4.0 ECONOMIC IMPACTS FROM ANCILLARY SPENDING ATTRACTED BY THE PROVENCE

### 4.1 Direct Expenditures from Ancillary Spending Attracted by The Provence

In addition to one-time expenditures associated with its upfront construction and annual expenditures associated with its ongoing operations, The Provence will generate new expenditures within the City and Commonwealth through the importation of spending by visitors to its hotel and casino components. These expenditures, in categories such as transportation, accommodations, food, and retail, are often referred to as *ancillary spending*, and they are an important component of The Provence's economic and fiscal impact within the City and Commonwealth.

For the purposes of this analysis, ancillary spending estimates are only for those amounts outside of The Provence, since any spending within The Provence is already accounted for in the previous section's figures regarding operating expenditures. For the sake of simplicity and to be conservative, only ancillary spending generated by The Provence's casino component is considered in this report. In reality, ancillary spending generated by The Provence's hotel component is likely to be significant, especially given the City's relative dearth of hotel rooms and the recent expansion of the Pennsylvania Convention Center.

Based on a market analysis conducted by Spectrum Gaming Group, the casino component of The Provence is estimated to attract about 5.3 million gaming patron visits per year, as well as an additional 361,000 visits per year from tourists who will patronize the casino. To be conservative, no ancillary spending is ascribed to the projected 361,000 tourist visits, since it is assumed that they are already coming to the City and Commonwealth and therefore do not represent any net new ancillary spending within the City and Commonwealth.<sup>10</sup> To be further conservative, low-end estimates of ancillary spending per gaming patron visit are used, and 50 percent of those ancillary spending amounts are assumed to take place within The Provence and are therefore excluded.<sup>11</sup> Based on these assumptions, it is estimated that the volume and distribution of visits estimated by the Spectrum Gaming Group will represent about \$127 million per year in ancillary spending within the City and Commonwealth.

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<sup>10</sup> I.e. it is assumed that they do not represent any net new spending in such categories as transportation, accommodations, food, and retail. They may represent net new spending within The Provence, but as noted above, that spending is already accounted for in the previous section's figures regarding operating expenditures. In reality, it is likely that The Provence will in fact result in net new tourist visits to the City and Commonwealth, thus generating additional visitor spending over and above what is estimated here.

<sup>11</sup> I.e. of the ancillary spending represented by gaming patron visits, half of those amounts are assumed to go towards expenditures within The Provence, which are therefore already accounted for in the previous section's figures regarding operating expenditures. See Appendix E for additional detail on ancillary spending generated by The Provence.

## 4.2 Economic Impact from Ancillary Spending Attracted by The Provence

This importation of spending, and the indirect and induced expenditures that resulted from them, will generate a considerable impact within the City and Commonwealth (see Table 4.1). **Within the City**, ancillary spending is estimated to generate about \$200 million in total expenditures, supporting about **2,300 jobs** and about \$37 million in earnings per year. **Within the Commonwealth**, ancillary spending is estimated to generate about \$290 million in total expenditures, supporting about **4,100 jobs** and about \$82 million in earnings per year.

Because The Provence contains so many additional uses besides a casino, its impacts from ancillary spending will be much larger than any other potential casino location. And, as noted before, its location characteristics suggest far less cannibalization of casino activity from other existing casinos than other possible casino sites, meaning that a much higher proportion of these impacts will be net new impacts for the Commonwealth.

**Table 4.1 – Estimated Annual Economic Impact of Ancillary Spending Attracted by The Provence (\$M)**

	City	Commonwealth
Direct Expenditures	\$127	\$127
Indirect and Induced Expenditures	\$76	\$158
<b>Total Expenditures</b>	<b>\$203</b>	<b>\$285</b>
<b>Total Employment</b>	<b>2,273</b>	<b>4,081</b>
<b>Total Earnings</b>	<b>\$37</b>	<b>\$82</b>

*Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)*

## 4.3 Industry Distribution of Economic Impact from Ancillary Spending Attracted by The Provence

The accommodations and food services industry will gain the most from ancillary spending attracted by The Provence, but many other industries will also be positively impacted. Within the City, it is preliminarily estimated that 58 percent of the expenditure impact and 42 percent of the employment impact will be in industries besides arts, entertainment, and recreation. Within the Commonwealth, it is preliminarily estimated that 70 percent of the expenditure

impact and 54 percent of the employment impact will be in industries besides arts, entertainment, and recreation.<sup>12</sup>

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<sup>12</sup> See Appendix F for additional detail on the industry composition of the estimated economic impact from ancillary spending attracted by The Provence.

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## 5.0 FISCAL IMPACTS FROM THE PROVENCE

### 5.1 Fiscal Impact Overview

The Provence will generate significant fiscal revenue and expenditures for both the Commonwealth and City. New tax revenues will be generated from expansions in various local and state tax bases from the following sources:

- **Gaming Tax Revenues**
- **Construction, Operations and Ancillary Spending**
- **Resulting Nearby Investments:**
  - ✓ Upfront construction of nearby real estate investment
  - ✓ Ongoing operations of commercial component of nearby real estate investment
  - ✓ New residents and wage earners from residential component of nearby real estate investment

The increased economic activity will also generate a demand for increased public sector services, primarily municipal services. In this section, we estimate and forecast, and note that both the net fiscal impacts for both the Commonwealth and the City are likely to be positive and significant.

### 5.2 One-Time License Fees

If awarded, The Provence will pay \$50 million in one-time license fees to the Commonwealth for the right to have slot machines, and will also pay \$24.8 million in one-time license fees to the Commonwealth for the right to have table games. This represents an upfront fiscal impact to the Commonwealth of \$74.8 million.

### 5.3 Annual Gaming Tax Revenues

Gaming tax revenues will be the main state and local source of tax revenue generated by The Provence. Based on Spectrum Gaming Group's estimates, the casino component of The Provence will generate about \$460 million in Gross Gaming Revenues (GGR) in Year 5.



Approximately 70 percent of this revenue should come from slot machines, and the remaining 30 percent from table gaming revenues.

According to the Pennsylvania Gaming Control Board, one dollar produced via slots machines represents 51 cents in revenue returned to all Pennsylvanians through taxation, and an additional four cents to the City.<sup>13</sup> Table gaming revenue is estimated to bring 14 cents to the dollar in tax revenue to Pennsylvanians and an additional two cents to the City. Based on these estimates, **tax revenues to the Commonwealth in Year 5 represent an estimated \$185 million, and another \$16 million to the City** (see Table 5.1).<sup>14</sup>

**Table 5.1 – Estimated Annual Total Gaming Tax Revenues Generated by The Provence (in \$M)**

	Year 1	Year 2	Year 3	Year 4	Year 5
Total State Gaming Revenues	\$152.9	\$173.9	\$176.8	\$181.2	\$185.2
Total Local Gaming Revenues	\$12.7	\$14.4	\$14.8	\$15.2	\$15.6
<b>Total Gaming Tax Revenues</b>	<b>\$165.6</b>	<b>\$188.3</b>	<b>\$191.6</b>	<b>\$196.4</b>	<b>\$200.8</b>

*Source: Spectrum Gaming Group (2012), Gaming Control Board (2012)*

#### **5.4 Fiscal Impact from Upfront Construction, Ongoing Operations, and Ancillary Spending of The Provence**

The Provence will expand various tax bases within the City and Commonwealth in three distinct ways. First, construction will generate new upfront economic activity. Second, operations will generate new ongoing economic activity. Third, ancillary spending will draw in new expenditures each year.

The expansion in economic activity represented by direct construction expenditures of The Provence and by the indirect and induced expenditures that result from them will result in a

<sup>13</sup> "Gaming Benefits for Pennsylvanians," Gaming Control Board.

<sup>14</sup> See Appendix G for additional detail on fiscal impact from Gross Gaming Revenue to the City of Philadelphia and the Commonwealth of Pennsylvania.

one-time expansion in various tax bases within the City and Commonwealth (see Table 5.2).<sup>15</sup> It is estimated that **the City will gain about \$5 million in tax revenues and the Commonwealth will gain about \$15 million in tax revenues** as a result of upfront construction of The Provence.

**Table 5.2 – Estimated One-Time Fiscal Impact from Upfront Construction of The Provence (\$M)**

City of Philadelphia	Casino	Non-Casino	The Provence
Wage and Earnings	\$0.7	\$2.7	\$3.4
Sales	\$0.1	\$0.5	\$0.6
Business Privilege	\$0.2	\$0.7	\$0.9
<b>Total City Tax Revenues</b>	<b>\$1.0</b>	<b>\$3.9</b>	<b>\$4.9</b>
Commonwealth of Pennsylvania	Casino	Non-Casino	The Provence
Personal Income	\$1.0	\$4.0	\$5.0
Sales and Use	\$1.7	\$6.9	\$8.6
Corporate Net Income	\$0.2	\$0.8	\$1.0
<b>Total Commonwealth Tax Revenues</b>	<b>\$2.9</b>	<b>\$11.7</b>	<b>\$14.6</b>

Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)

The expansion in economic activity represented by ongoing operations of The Provence and by the indirect and induced expenditures that result from it will result in an ongoing expansion in various tax bases within the City and Commonwealth (see Table 5.3). It is estimated that **the City will gain about \$7 million in tax revenues and the Commonwealth will gain about \$10 million in tax revenues each year** as a result of ongoing operations of The Provence. These fiscal impacts include estimated hotel tax revenues from the hotel room revenues associated with The Provence.

Finally, the expansion in economic activity represented by ancillary spending drawn into the City and Commonwealth by The Provence, and by the indirect and induced expenditures that result from them, will result in an ongoing expansion in various tax bases within the City and Commonwealth (see Table 5.4). It is estimated that **the City will gain about \$3 million in tax**

<sup>15</sup> Because the City and Commonwealth are distinct government jurisdictions, there is no overlap between City tax revenue estimates and Commonwealth tax revenue estimates: the City tax revenue figure is the amount estimated to go to the City, and the Commonwealth tax revenue figure is the amount estimated to go to the Commonwealth.

**revenues and the Commonwealth will gain about \$9 million in tax revenues each year** as a result of ancillary spending drawn by The Provence.

**Table 5.3 – Estimated Annual Fiscal Impact from Ongoing Operations of The Provence (\$M)**

City of Philadelphia	Casino	Non-Casino	The Provence
Wage and Earnings	\$2.5	\$1.7	\$4.2
Sales (Including Hotel Taxes)	\$0.4	\$0.9	\$1.3
Business Privilege	\$0.7	\$0.5	\$1.2
<b>Total City Tax Revenues</b>	<b>\$3.6</b>	<b>\$3.1</b>	<b>\$6.7</b>
Commonwealth of Pennsylvania	Casino	Non-Casino	The Provence
Personal Income	\$1.6	\$1.2	\$2.8
Sales and Use (Including Hotel Taxes)	\$3.4	\$3.2	\$6.6
Corporate Net Income	\$0.4	\$0.3	\$0.7
<b>Total Commonwealth Tax Revenues</b>	<b>\$5.4</b>	<b>\$4.7</b>	<b>\$10.1</b>

Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)

**Table 5.4 – Estimated Annual Fiscal Impact from Ancillary Spending Attracted by The Provence (\$M)**

City of Philadelphia		Commonwealth of Pennsylvania	
Wage and Earnings	\$1.4	Personal Income	\$2.6
Sales	\$0.7	Sales and Use	\$4.2
Business Privilege	\$0.7	Corporate Net Income	\$2.0
<b>Total City Tax Revenues</b>	<b>\$2.8</b>	<b>Total Commonwealth Tax Revenues</b>	<b>\$8.8</b>

Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)

## 5.5 Total Fiscal Impacts of The Provence

All told, The Provence will generate significant fiscal impacts for the City and Commonwealth (see Table 5.5 and Table 5.6). The City will collect about \$16 million annually from Gross

Gaming Revenue (GGR) (by Year 5 of operations), and gain approximately \$5 million in tax revenues from upfront construction and \$10 million per year in tax revenues from annual operations and ancillary spending. The Commonwealth will collect about \$75 million from one-time licensing fees and about \$185 million annually from GGR (by Year 5 of operations), and gain approximately \$15 million in tax revenues from upfront construction and \$19 million per year in tax revenues from annual operations and ancillary spending.

**Table 5.5 – Estimated Fiscal Impacts to the City of Philadelphia from The Provence (\$M)**

One-Time Fiscal Impacts	Casino	Non-Casino	The Provence
From Upfront Construction	\$1.0	\$3.9	\$4.9

GGR Impacts	Casino	Non-Casino	The Provence
Annual Gaming Revenues (by Year 5)	\$15.6		\$15.6

Annual Fiscal Impacts	Casino	Non-Casino	The Provence
From Ongoing Operations	\$3.6	\$3.1	\$6.7
From Ancillary Spending		\$2.8	\$2.8
Annual Fiscal Impacts	\$3.6	\$5.9	\$9.5

*Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)*

**Table 5.6 – Estimated Fiscal Impacts to the Commonwealth of Pennsylvania from The Provence (\$M)**

License Fees	Casino	Non-Casino	The Provence
One-Time Fees for Slots and Tables	\$74.8		\$74.8
One-Time Fiscal Impacts	Casino	Non-Casino	The Provence
From Upfront Construction	\$2.9	\$11.7	\$14.6
GGR Impacts	Casino	Non-Casino	The Provence
Annual Gaming Revenues (by Year 5)	\$185.2		\$185.2
Annual Fiscal Impacts	Casino	Non-Casino	The Provence
From Ongoing Operations	\$5.4	\$4.7	\$10.1
From Ancillary Spending		\$8.8	\$8.8
<b>Annual Fiscal Impacts</b>	<b>\$5.4</b>	<b>\$13.5</b>	<b>\$18.9</b>

Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)

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## 6.0 ECONOMIC AND FISCAL IMPACT FROM ADDITIONAL NEARBY REAL ESTATE INVESTMENT

### 6.1 Direct Expenditures from Upfront Construction of Additional Nearby Real Estate Investment

The Provence is likely to induce significant additional nearby residential and commercial development, on the order of 2 million to 3 million square feet within a ½ mile radius of the site. It is assumed that the composition of this new investment will be 200,000 square feet of retail, 800,000 square feet of office, and 1.5 million of residential (1,000 units at 1,500 square feet per unit). Using industry estimates for construction cost per square foot, it is estimated that that will represent about \$1 billion in aggregate upfront construction activity.

It is useful to consider the magnitude of additional economic and fiscal impact to the City and Commonwealth that is associated with this nearby real estate investment. These impacts will result from upfront construction as well as ongoing operations, expanding various City and Commonwealth tax bases and adding residents and wage earners to the City and Commonwealth.

### 6.2 Economic Impact from Upfront Construction of Additional Nearby Real Estate Investment

The first set of economic impacts that results from these investments will take place during the construction period itself. It is estimated that these investments, and the indirect and induced expenditures that resulted from them, will generate a considerable impact within the City and Commonwealth (see Table 6.1). **Within the City**, upfront construction is estimated to generate about \$1.46 billion in total expenditures, supporting about **6,000 jobs** and about \$240 million in earnings. **Within the Commonwealth**, upfront construction is estimated to generate about \$2.35 billion in total expenditures, supporting about **20,000 jobs** and about \$760 million in earnings.

**Table 6.1 – Estimated One-Time Economic Impact of Upfront Construction of Additional Nearby Real Estate Investment Induced by The Provence (\$M)**

	City	Commonwealth
Direct Expenditures	\$973	\$973
Indirect and Induced Expenditures	\$483	\$1,373
<b>Total Expenditures</b>	<b>\$1,456</b>	<b>\$2,346</b>
<b>Total Employment</b>	<b>6,167</b>	<b>20,133</b>
<b>Total Earnings</b>	<b>\$240</b>	<b>\$760</b>

Source: US Department of Commerce (2009), City of Philadelphia Office of Property Assessment (2012), Marshall & Swift (2010), Buildingjournal.com (2012), Turner Construction (2012), Econsult Corporation (2012)

### 6.3 Economic Impact from Ongoing Operations of Additional Nearby Commercial Real Estate Investment

The second set of economic impacts that results from these investments takes place each year thereafter, as these developments represent operating expenditures that in turn have a stimulative effect on the City and Commonwealth economy. Based on conservative assumptions as to employment, salaries, and expenditures associated with the various commercial uses, it is estimated that the ongoing operations from this newly added commercial space will represent about \$200 million in annual operating expenditures and employ 2,700 people (see Table 6.2).

**Table 6.2 – Conservative Assumptions Made in Estimating Annual Operating Expenditures of Additional Nearby Commercial Real Estate Investment Induced by The Provence<sup>16</sup>**

Use	Residential	Retail	Office	Total
SF	1,500,000	200,000	800,000	2,500,000
Estimated # Employees		300	2,400	2,700
<b>Estimated Total Expenditures (\$M)</b>		<b>\$28</b>	<b>\$184</b>	<b>\$212</b>

Source: Tower Entertainment (2012), US Bureau of Labor Statistics (2011), bizstats.com (2011), Econsult Corporation (2012)

<sup>16</sup> See Appendix H for additional detail on conservative assumptions utilized in estimating annual operating expenditures for The Provence.

Based on the assumptions described above, it is estimated that these investments, and the indirect and induced expenditures that resulted from them, will generate a considerable impact within the City and Commonwealth (see Table 6.3). **Within the City**, ongoing operations are estimated to generate about \$330 million in total expenditures, supporting about **1,700 jobs** and about \$50 million in earnings per year. **Within the Commonwealth**, ongoing operations are estimated to generate about \$480 million in total expenditures, supporting about **2,200 jobs** and about \$130 million in earnings per year.

**Table 6.3 – Estimated Annual Economic and Fiscal Impact of Ongoing Operations of Additional Nearby Commercial Real Estate Investment Induced by The Provence (\$M)**

	City	Commonwealth
Direct Expenditures	\$212	\$212
Indirect and Induced Expenditures	\$123	\$264
<b>Total Expenditures</b>	<b>\$335</b>	<b>\$476</b>
<b>Total Employment</b>	<b>1,665</b>	<b>2,158</b>
<b>Total Earnings</b>	<b>\$49</b>	<b>\$134</b>

*Source: US Department of Commerce (2009), City of Philadelphia Office of Property Assessment (2012), Marshall & Swift (2010), Buildingjournal.com (2012), Turner Construction (2012), Econsult Corporation (2012)*

#### **6.4 Fiscal Impact from Additional Nearby Commercial Real Estate Investment**

The expansion in economic activity represented by direct construction expenditures of real estate investment near The Provence and by the indirect and induced expenditures that result from them will expand various tax bases within the City and Commonwealth (see Table 6.4). It is estimated that **the City will gain about \$15 million in tax revenues and the Commonwealth will gain about \$53 million in tax revenues** as a result.



**Table 6.4 – Estimated Fiscal Impact of Economic Activity Resulting from Upfront Construction of Additional Nearby Commercial Real Estate Investment (\$M)**

City of Philadelphia		Commonwealth of Pennsylvania	
Wage and Earnings	\$8.7	Personal Income	\$24.7
Sales	\$2.0	Sales and Use	\$22.3
Business Privilege	\$4.3	Corporate Net Income	\$6.0
<b>Total City Tax Revenues</b>	<b>\$15.0</b>	<b>Total Commonwealth Tax Revenues</b>	<b>\$53.0</b>

Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)

The expansion in economic activity represented by ongoing operations of the commercial component of real estate investment near The Provence and by the indirect and induced expenditures that result from them will expand various tax bases within the City and Commonwealth (see Table 6.5). It is estimated that **the City will gain about \$3 million in tax revenues and the Commonwealth will gain about \$6 million in tax revenues each year** as a result.

**Table 6.5 – Estimated Fiscal Impact of Economic Activity Resulting from Ongoing Operations of Additional Nearby Commercial Real Estate Investment (\$M)**

City of Philadelphia		Commonwealth of Pennsylvania	
Wage and Earnings	\$1.8	Personal Income	\$2.2
Sales	\$0.9	Sales and Use	\$3.2
Business Privilege	\$0.6	Corporate Net Income	\$.7
<b>Total City Tax Revenues</b>	<b>\$3.3</b>	<b>Total Commonwealth Tax Revenues</b>	<b>\$6.1</b>

Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)

## 6.5 Fiscal Impact from New Residents and Wage Earners from Additional Nearby Residential Real Estate Investment

The fiscal impact estimates above only include impacts which are generated from the operations of the commercial components of new developments near The Provence. To the extent that these new developments also include a significant residential component, which

will result in net new residents and wage earners within the City and Commonwealth, these developments also represent an expansion in the City's and Commonwealth's tax bases and an increase in the City's and Commonwealth's tax revenues.

Using conservative assumptions regarding the importation of new residents and wage earners, and the annual personal earnings and sales taxable spending they represent, it is estimated that **the residential component of all of these new developments directly results in an additional \$600,000 in City tax revenues and an additional \$300,000 in Commonwealth tax revenues per year.**<sup>17</sup>

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<sup>17</sup> These figures do not include any indirect or induced expenditures generated by this importation of residents and wage earners. See Appendix I for additional detail used to estimate the fiscal impact of new residents.

## 7.0 CREATION OF JOBS FROM UPFRONT CONSTRUCTION AND ONGOING OPERATIONS OF THE PROVENCE THAT ARE ACCESSIBLE TO NEIGHBORHOOD RESIDENTS

### 7.1 Overview

The Provence will not only support a significant amount of new jobs within the City and Commonwealth, but will also represent a significant number of jobs that are accessible to residents of its immediate neighborhood (see Figure 7.1). By comparing the labor demanded by the upfront construction and ongoing operations of The Provence with the labor supplied by neighborhood residents, an estimate of the number and proportion of jobs that are accessible to neighborhood residents can be determined.

**Figure 7.1 – Boundaries of The Provence’s Immediate Neighborhood**



Source: City of Philadelphia (2010, 2012), Econsult Corporation (2012)

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## 7.2 Defining Job Accessibility

In addition to the broader economic and fiscal impacts described in previous sections, The Provence strengthens its immediate neighborhood by creating jobs that are accessible to neighborhood residents. This section compares the amount and distribution of *labor demanded by The Provence* (during upfront construction and ongoing operations) with the amount and distribution of labor that can potentially be *supplied by neighborhood residents*.

Accessibility of jobs created by The Provence (labor demanded) to residents of its immediate neighborhood (labor supplied) was proxied by conservatively assigning educational attainment levels needed for various jobs and comparing that with the educational attainment levels of neighborhood residents. Three educational attainment levels were used in estimating how much labor being demanded by The Provence could be supplied by neighborhood residents:

- “A” – Requiring high school diploma and some college
- “B” – Requiring a bachelor degree
- “C” – Requiring a master or doctoral degree<sup>18</sup>

## 7.3 Job Accessibility

Comparing the composition of jobs demanded by The Provence (by educational attainment level needed) with the composition of the residents of its immediate neighborhood (by their educational attainment level) gives some sense of the number of jobs demanded by The Provence that are accessible to neighborhood residents. For “A,” “B,” and “C” jobs, it appears there are many more qualified neighborhood residents than there are available jobs, suggesting that a very large proportion of the jobs demanded are accessible to neighborhood residents (see Table 7.1).

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<sup>18</sup> These letters represent the intersection of employment demand (jobs required by The Provence), and employment supply (the labor pool represented by the immediate neighborhood). To be conservative, higher educational attainment levels than are actually necessary were used. This is not done to suggest that The Provence will be restrictive in its hiring of local residents; rather, it is done to make the labor supply estimates lower than they probably are, for purposes of being conservative. For example, if a set of jobs does not require even a high school diploma, and the methodology employed here only looks at residents who have a high school diploma and some college, that will have the effect of conservatively underestimating the number of residents for whom that set of jobs is accessible. Results arrived at through such a conservative approach should therefore be considered low-end estimates, with actual amounts likely to be higher.

**Table 7.1 – Comparison of the Composition of Jobs Demanded by The Provence, by Educational Attainment, with the Educational Attainment of the Residents within The Provence’s immediate Neighborhood**

Job Level	# Jobs Demanded (Upfront Construction)	# Jobs Demanded (Ongoing Operations)	# Jobs Supplied by Qualified Neighborhood Residents
"A"	1,094	1,943	6,101
"B"	214	299	1,674
"C"	30	258	1,631
<b>Total</b>	<b>1,338</b>	<b>2,500</b>	<b>9,406</b>

Source: EMSI (2012), US Department of Labor Bureau of Labor Statistics (2010), US Census Bureau (2010), Econsult Corporation (2012)

Educational attainment is admittedly an imperfect proxy for the skills and experiences needed for a particular job. On the labor supply side, neighborhood residents may choose not to apply for these new jobs because they are already gainfully employed or because they are simply not interested in these kinds of jobs. On the labor demand side, the number of direct construction and operations jobs that are accessible to neighborhood residents that actually go to neighborhood residents can be influenced by the amount of outreach that is conducted to make neighborhood residents aware of such job opportunities.

Nevertheless, a rough estimate can be made of the number and type of jobs that are accessible to neighborhood residents. If it is conservatively assumed that 50 percent of “A” jobs, 30 percent of “B” jobs, and 10 percent of “C” jobs will be secured by residents of The Provence’s immediate neighborhood (the labor supply and labor demand numbers suggest that these proportions are readily achievable), this would mean that **over 610 direct construction jobs** (about 46 percent of the direct construction jobs that will go to City residents) and **over 1,000 direct operations jobs** (about 43 percent of the direct operations jobs that will go to City residents) **may go to residents of The Provence’s immediate neighborhood** (see Table 7.2 and Table 7.3).<sup>19</sup>

<sup>19</sup> See Appendix J for additional detail on labor demanded and educational attainment by industry.

**Table 7.2 – Estimated Number of Temporary Jobs Generated by the Upfront Construction of The Provence That Are Accessible to Residents within The Provence’s Immediate Neighborhood**

Job Level	# Jobs Demanded by Upfront Construction	% Jobs That May Go to Neighborhood Residents	# Jobs That May Go to Neighborhood Residents
"A"	1,094	50%	547
"B"	214	30%	64
"C"	30	10%	3
<b>Total</b>	<b>1,338</b>		<b>614</b>
<b>% of All Jobs</b>			<b>46%</b>

Source: EMSI (2012), US Department of Labor Bureau of Labor Statistics (2010), US Census Bureau (2010), Econsult Corporation (2012)

**Table 7.3 – Estimated Number of Permanent Jobs Generated by the Ongoing Operations of The Provence That Are Accessible to Residents within The Provence’s Immediate Neighborhood**

Job Level	# Jobs Demanded by Ongoing Operations	% Jobs That May Go to Neighborhood Residents	# Jobs That May Go to Neighborhood Residents
"A"	1,943	50%	971
"B"	299	30%	90
"C"	258	10%	26
<b>Total</b>	<b>2,500</b>		<b>1,087</b>
<b>% of All Jobs</b>			<b>43%</b>

Source: EMSI (2012), US Department of Labor Bureau of Labor Statistics (2010), US Census Bureau (2010), Econsult Corporation (2012)

## 8.0 CONCLUSION

In summary, The Provence represents the highest potential for impact among all possible casino sites within the City, in terms of its economic and fiscal impact to the City and Commonwealth (see Table 8.1 and Table 8.2).

1. Its many complementary uses will work together to generate a significant amount of economic and fiscal impact within the City and Commonwealth.
2. Its strategic location makes it the site that will cannibalize existing casino activity the least, making more of that economic and fiscal impact new to the Commonwealth and not just a reshuffling of existing impact.
3. Its catalytic effect on nearby residential and commercial development will result in even more economic and fiscal impact within the City and Commonwealth.

Furthermore, The Provence represents the fulfillment of many citywide objectives. Most notably, it builds off of existing positive momentum on North Broad Street, sits in close proximity to the expanded Pennsylvania Convention Center, and adds significant density at a transit-served hub near the heart of Center City. These characteristics represent additional compelling positives for The Provence.

**Table 8.1 – Estimated Economic and Fiscal Impact of Upfront Construction, Ongoing Operations, and Ancillary Spending of The Provence in the City of Philadelphia (in 2012 \$M)**

<b>From Upfront Construction</b>	<b>Casino</b>	<b>Non-Casino</b>	<b>The Provence</b>
Total Expenditures	\$112	\$447	\$559
Total Employment	398	1,592	1,990
Total Tax Revenues	\$1.0	\$3.9	\$4.9
<b>From Ongoing Operations and Ancillary Spending</b>	<b>Casino</b>	<b>Non-Casino</b>	<b>The Provence</b>
Total Expenditures	\$187	\$369	\$556
Total Employment	1,802	3,471	5,273
Total Tax Revenues (incl. GGR)	\$19.2	\$5.9	\$25.1

*Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)*

**Table 8.2 – Estimated Economic and Fiscal Impact of Upfront Construction, Ongoing Operations, and Ancillary Spending of The Provence in the Commonwealth of Pennsylvania (in 2012 \$M)**

<b>From Upfront Construction</b>	<b>Casino</b>	<b>Non-Casino</b>	<b>The Provence</b>
Total Expenditures	\$175	\$703	\$878
Total Employment	1,283	5,135	6,148
Total Tax Revenues (incl. license fees)	\$77.7	\$11.7	\$89.4
<b>From Ongoing Operations and Ancillary Spending</b>	<b>Casino</b>	<b>Non-Casino</b>	<b>The Provence</b>
Total Expenditures	\$245	\$501	\$746
Total Employment	2,119	5,646	7,765
Total Tax Revenues (incl. GGR)	\$190.6	\$13.5	\$204.1

*Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)*



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## APPENDIX A – ECONOMIC AND FISCAL IMPACT MODEL METHODOLOGY

### A.1 Economic Impact Model

The methodology and input-output model used in this economic impact analysis are considered standard for estimating such expenditure impacts, and the results are typically recognized as reasonable and plausible effects based on the assumptions (including data) used to generate the impacts. In general, any economic activity can be described in terms of the total output generated from every dollar of direct expenditures. If an industry in a given region sells \$1 million of its goods, there is a direct infusion of \$1 million into the region. These are referred to as *direct expenditures*.

However, the economic impact on the region does not stop with that initial direct expenditure. Regional suppliers to that industry have also been called upon to increase their production to meet the needs of the industry to produce the \$1 million in goods sold. Further, suppliers of these same suppliers must also increase production to meet their increased needs as well. These are referred to as *indirect expenditures*. In addition, these direct and indirect expenditures require workers, and these workers must be paid for their labor. These wages and salaries will, in turn, be spent in part on goods and services produced locally, engendering another round of impacts. These are referred to as *induced expenditures*.

Direct expenditures are fed into a model constructed by Econsult Corporation and based on data provided by the US Department of Commerce's Bureau of Economic Analysis through its Regional Input-Output Modeling System (RIMS II). The model then produces a calculation of the total expenditure effect on the regional economy. This total effect includes the initial direct expenditure effect, as well as the ripple effects described, the indirect and induced expenditure effects.

Part of the total expenditure effect is actually the increase in total wages and salaries (usually referred to as earnings), which the model can separate from the expenditure estimates. Direct payroll estimates are fed into the "household" industry of the input-output model. Impacts of this industry are estimated using the personal consumption expenditure breakdown of the national input-output table and are adjusted to account for regional consumption spending and leakages from personal taxes and savings. The direct, indirect, and induced earnings represent a component of the total economic impact attributable to wages and salaries. Finally, the model calculates the total expenditures affecting the various industries and translates this estimate into an estimate of the total labor (or jobs) required to produce this output.<sup>20</sup>

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<sup>20</sup> In the input-output model, the estimate of increased employment will always be in terms of the employment required for a given level of production, usually referred to as *person-years* of employment. As such, these estimates cannot be interpreted as specifying *permanent jobs*.

In short, the input-output model estimates the total economic activity in a region that can be attributed to the direct demand for the goods or services of various industries. This type of approach is used to estimate the total economic activity attributable to the expenditures associated with various types of spending in the region.

## **A.2 Fiscal Impact Model**

The RIMS II model provides estimates of the economic impact of a new project or program on the regional economy. It does not, however, estimate the fiscal impact of the increased economic activity on state and local governments. Econsult has constructed a model that takes the output from the RIMS II model and generates detailed estimates of the increases in state and local tax collections that arise from the new project. Those revenues are in fact a part of the total economic impact of a new project that is often ignored in conventional economic impact analyses.

The RIMS II model provides estimates of direct, indirect, and induced expenditures, earnings, and employment within the defined region. The Econsult fiscal impact model combines the RIMS II output with U. S. Census Bureau County Business Patterns data to produce estimates of the distribution of additional employment and earnings by county. In addition, the 2000 Census “Journey to Work” data on commuting flows are utilized to estimate income earned by residents of each county within the region, regardless of where they work. The fiscal model can then estimate the increase in earned income taxes by county and for the state as a whole resulting from the new project. For complex cases, like Philadelphia, the model can differentiate between residents and nonresidents and apply the proper wage tax rate. Pennsylvania state business and sales taxes, as well as business taxes in Philadelphia, are estimated based on the most recent data on average sales tax base per employee by major industry, as contained in publications from the Pennsylvania Department of Revenue.

**Figure A.1 – Glossary of Terms for Input-Output Models**

**Multiplier Effect** – the notion that initial outlays have a ripple effect on a local economy, to the extent that direct expenditures lead to indirect and induced expenditures.

**Economic Impacts** – total expenditures, employment, and earnings generated.

**Fiscal Impacts** – local and/or state tax revenues generated.

**Direct Expenditures** – initial outlays usually associated with the project or activity being modeled; examples: one-time upfront construction and related expenditures associated with a new or renovated facility, annual expenditures associated with ongoing facility maintenance and/or operating activity.

**Direct Employment** – the full time equivalent jobs associated with the direct expenditures.

**Direct Earnings** – the salaries and wages earned by employees and contractors as part of the direct expenditures.

**Indirect Expenditures** – indirect and induced outlays resulting from the direct expenditures; examples: vendors increasing production to meet new demand associated with the direct expenditures, workers spending direct earnings on various purchases within the local economy.

**Indirect Employment** – the full time equivalent jobs associated with the indirect expenditures.

**Indirect Earnings** – the salaries and wages earned by employees and contractors as part of the indirect expenditures.

**Total Expenditures** – the sum total of direct expenditures and indirect expenditures.

**Total Employment** – the sum total of direct employment and indirect employment.

**Total Earnings** – the sum total of direct earnings and indirect earnings.

*Source: Econsult Corporation (2009)*

## APPENDIX B – ESTIMATED INDUSTRY DISTRIBUTION OF ECONOMIC IMPACT FROM UPFRONT CONSTRUCTION OF THE PROVENCE

**Table B.1 – Estimated Expenditure Distribution of Economic Impact within the City from Upfront Construction of The Provence**

Rank	Industry	Expenditures	%
1	Construction	\$321	57.5%
2	Professional, scientific, and technical services	\$83	14.9%
3	Real estate and rental and leasing	\$42	7.5%
4	Manufacturing	\$25	4.4%
5	Finance and insurance	\$18	3.2%
	All other industries	\$70	12.4%

*Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)*

**Table B.2 – Estimated Employment Distribution of Economic Impact within the City from Upfront Construction of The Provence**

Rank	Industry	Employment	%
1	Construction	1,114	56.0%
2	Professional, scientific, and technical services	271	13.6%
3	Retail trade	109	5.5%
4	Accommodation and food services	74	3.7%
5	Health care and social assistance	64	3.2%
	All other industries	358	18.0%

*Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)*

**Table B.3 – Estimated Expenditure Distribution of Economic Impact within the Commonwealth from Upfront Construction of The Provence**

Rank	Industry	Expenditures	%
1	Construction	\$324	36.9%
2	Professional, scientific, and technical services	\$124	14.2%
3	Manufacturing	\$102	11.6%
4	Real estate and rental and leasing	\$54	6.2%
5	Retail trade	\$43	4.9%
	All other industries	\$231	26.2%

*Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)*

**Table B.4 – Estimated Employment Distribution of Economic Impact within the Commonwealth from Upfront Construction of The Provence**

Rank	Industry	Employment	%
1	Construction	2,535	39.5%
2	Professional, scientific, and technical services	712	11.1%
3	Retail trade	603	9.4%
4	Health care and social assistance	443	6.9%
5	Manufacturing	404	6.3%
	All other industries	1,721	26.8%

*Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)*

## APPENDIX C – CONSERVATIVE ASSUMPTIONS MADE IN ESTIMATING ANNUAL OPERATING EXPENDITURES BY THE PROVENCE

**Table C.1 – Additional Detail on Existing Casino Sites within the Commonwealth of Pennsylvania**

Casino Name	Casino Location	Casino SF	# Slot Machines	#Tables	# Employees	Payroll	Average Salary
Mohegan Sun	Wilkes-Barre	82,396	2,332	84	1,832	\$47M	\$25,655
Parx	Bensalem	163,476	3,371	168	1,416		
Harrah's	Chester	106,102	2,800	121	1,883		
Presque Isle	Erie	58,938	2,031	53	960		
The Meadows	North Strabane Township	136,344	3,317	80	1,289		
Mount Airy	Mount Pocono	67,746	2,075	72	1,315	\$36M	\$27,376
Hollywood	Grantville	99,536	2,478	70	1,389		
Sands	Bethlehem	143,244	3,024	152	1,910		
Rivers	Pittsburgh	136,594	2,933	116	1,810		
Sugar House	Fishtown, Philadelphia	53,536	1,602	59	1,098		
Valley Forge	King of Prussia	33,222	600	50	1,185		
<b>Average of Existing Casino Sites</b>		<b>98,285</b>	<b>2,415</b>	<b>93</b>	<b>1,462</b>	<b>\$42M</b>	<b>\$26,500</b>
<b>The Provence (estimated)</b>	<b>Center City Philadelphia</b>	<b>120,000</b>	<b>3,300</b>	<b>150</b>	<b>1,582</b>	<b>\$49M</b>	<b>\$31,254</b>

Source: Pennsylvania Gaming Control Board (2011), Tower Entertainment (2012), Spectrum Gaming (2012), Econsult Corporation (2012)

**Table C.2 – Conservative Assumptions Made in Estimating Annual Operating Expenditures of The Provence**

Use	Casino	Non-Casino	The Provence
Estimated # Employees	1,582	918	2,500
Average Annual Salary	\$31,254	\$33,000	
Estimated Total Salaries (\$M)	\$49	\$30	\$79
Salaries as % of Total Expenditures	40%	30%	
<b>Estimated Total Expenditures</b>	<b>\$123</b>	<b>\$102</b>	<b>\$225</b>

*Source: Tower Entertainment (2012), US Bureau of Labor Statistics (2011), bizstats.com (2011), Econsult Corporation (2012)*

## APPENDIX D – ESTIMATED INDUSTRY DISTRIBUTION OF ECONOMIC IMPACT FROM ONGOING OPERATIONS OF THE PROVENCE

**Table D.1 – Estimated Expenditure Distribution of Economic Impact within the City from Ongoing Operations of The Provence**

Rank	Industry	Expenditures	%
1	Arts, entertainment, and recreation	\$121	35.3%
2	Accommodation	\$83	23.6%
3	Real estate and rental and leasing	\$25	7.0%
4	Retail trade	\$19	5.4%
5	Finance and insurance	\$16	4.5%
	All other industries	\$85	24.2%

*Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)*

**Table D.2 – Estimated Employment Distribution of Economic Impact within the City from Ongoing Operations of The Provence**

Rank	Industry	Employment	%
1	Arts, entertainment, and recreation	1,721	57.4%
2	Accommodation	615	20.5%
3	Retail trade	173	5.8%
4	Food services and drinking places	127	4.2%
5	Real estate and rental and leasing	56	1.9%
	All other industries	308	10.3%

*Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)*



**Table D.3 – Estimated Expenditure Distribution of Economic Impact within the Commonwealth from Ongoing Operations of The Provence**

Rank	Industry	Expenditures	%
1	Arts, entertainment, and recreation	\$125	27.2%
2	Accommodation	\$83	18.0%
3	Real estate and rental and leasing	\$32	7.0%
4	Manufacturing	\$32	7.0%
5	Retail trade	\$29	6.3%
	All other industries	\$159	34.5%

*Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)*

**Table D.4 – Estimated Employment Distribution of Economic Impact within the Commonwealth from Ongoing Operations of The Provence**

Rank	Industry	Employment	%
1	Arts, entertainment, and recreation	1,758	47.7%
2	Accommodation	597	16.2%
3	Retail trade	296	8.0%
4	Food services and drinking places	163	4.4%
5	Health care and social assistance	133	3.6%
	All other industries	736	20.0%

*Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)*

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## **APPENDIX E – ADDITIONAL DETAIL ON ANCILLARY SPENDING GENERATED BY THE PROVENCE**

According to a market analysis conducted by Spectrum Gaming Group, The Provence will attract about 360,000 visits from tourists who will patronize the casino. Ancillary spending from tourist visits is conservatively excluded from this analysis under the assumption that they do not represent any net new spending within the City and Commonwealth.

The same analysis estimates that The Provence will attract about 5.3 million gaming patron visits per year, from a variety of markets within the broader region. Econsult classified these markets into “day trip” and “out of town,” for purposes of assigning per-visit spending amounts. It was conservatively estimated that only half of out-of-town visits involved an overnight stay, that all overnight stays were for only one night, and that there were 2 people per hotel room (see Table E.1).<sup>21</sup>

It was also estimated that 50 percent of spending for both day trip visits and out-of-town visits was captured by The Provence, and therefore only the other 50 percent was considered ancillary spending not already accounted for in figures associated with The Provence’s operating expenditures.

Based on national data on spending patterns, it was conservatively assumed that day-trip visits represented \$37 each, out-of-town visits not involving an overnight stay represented \$67 each, and out-of-town visits represented \$250 each. It was also conservatively assumed that half of these amounts were captured within The Provence, and therefore only the other 50 percent was considered ancillary spending not already accounted for in figures associated with The Provence’s operating expenditure (see Table E.2). This yields aggregate ancillary spending of about \$127 million per year (see Table E.3).

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<sup>21</sup> Therefore, for every two out-of-town visits involving a hotel stay, one visit was treated as including the cost of a hotel, from the standpoint of average spending per visit, while the other visit was treated as the equivalent of an out-of-town visit not involving a hotel stay.

**Table E.1 – Estimated Number of Visits to The Provence, by Visitor Type**

Location	Day Trip	Out-of-Town	No Hotel	Hotel
Philadelphia	4,142,041			
Atlantic City	203,147			
Bethlehem	73,280			
Central NJ	182,428			
Newark NJ		310,354	155,177	155,177
New York City		35,321	17,661	17,661
Reading		216,213	108,107	108,107
York		18,579	9,290	9,290
DelMarVA		74,307	37,154	37,154
Maryland		18,330	9,165	9,165
Harrisburg		17,959	8,980	8,980
Poconos		13,161	6,581	6,581
Total Visits	4,600,896	704,224	352,112	352,112
Nights/Visit				1
Guests/Room				2
Total Rooms				176,056
<b>Distribution by Type</b>	<b>4,600,896</b>	<b>704,224</b>	<b>528,168</b>	<b>176,056</b>

*Spectrum Gaming Group (2012), Econsult Corporation (2012)*

**Table E.2 – Estimated Ancillary Spending per Visit for The Provence, by Visitor Type**

Expenditure Category	Day Trip	Out-of-Town, No Hotel Stay	Out-of-Town, Hotel Stay
Transportation	\$8	\$15	\$23
Accommodations			\$153
Food	\$22	\$44	\$66
Other	\$8	\$8	\$8
<b>Total Ancillary Spending</b>	<b>\$38</b>	<b>\$67</b>	<b>\$250</b>
<b>Total Ancillary Spending Excluding That Which is Captured by The Provence</b>	<b>\$19</b>	<b>\$34</b>	<b>\$125</b>

*Spectrum Gaming Group (2012), US General Service Administration (2009), US Bureau of Labor Statistics (2009), Greater Philadelphia Cultural Alliance (2007), Econsult Corporation (2012)*

**Table E.3 – Estimated Aggregate Ancillary Spending per Year for The Provence**

	Day Trip	Out-of-Town, No Hotel Stay	Out-of-Town, Hotel Stay	Total
# Visits	4,600,896	704,224	352,112	5,305,120
Ancillary Spending per Visit	\$19	\$34	\$125	
<b>Aggregate Ancillary Spending (\$M)</b>	<b>\$87</b>	<b>\$18</b>	<b>\$22</b>	<b>\$127</b>

*Spectrum Gaming Group (2012), US General Service Administration (2009), US Bureau of Labor Statistics (2009), Greater Philadelphia Cultural Alliance (2007), Econsult Corporation (2012)*

## APPENDIX F – ESTIMATED INDUSTRY DISTRIBUTION OF ECONOMIC IMPACT FROM ANCILLARY SPENDING ATTRACTED BY THE PROVENCE

**Table F.1 – Estimated Expenditure Distribution of Economic Impact within the City from Ancillary Spending Attracted by The Provence**

Rank	Industry	Expenditures	%
1	Accommodation and food services	\$85	41.6%
2	Transportation and warehousing	\$28	13.6%
3	Arts, entertainment, and recreation	\$22	10.8%
4	Real estate and rental and leasing	\$14	6.8%
5	Manufacturing	\$9	4.6%
	All other industries	\$46	22.6%

*Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)*

**Table F.2 – Estimated Employment Distribution of Economic Impact within the City from Ancillary Spending Attracted by The Provence**

Rank	Industry	Employment	%
1	Accommodation and food services	1,327	58.4%
2	Transportation and warehousing	409	18.0%
3	Arts, entertainment, and recreation	288	12.7%
4	Health care and social assistance	37	1.6%
5	Retail trade	29	1.3%
	All other industries	184	8.1%

*Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)*

**Table F.3 – Estimated Expenditure Distribution of Economic Impact within the Commonwealth from Ancillary Spending Attracted by The Provence**

Rank	Industry	Expenditures	%
1	Accommodation and food services	\$87	30.3%
2	Transportation and warehousing	\$32	11.1%
3	Manufacturing	\$31	11.0%
4	Arts, entertainment, and recreation	\$23	7.9%
5	Real estate and rental and leasing	\$20	6.8%
	All other industries	\$94	32.8%

Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)

**Table F.4 – Estimated Employment Distribution of Economic Impact within the Commonwealth from Ancillary Spending Attracted by The Provence**

Rank	Industry	Employment	%
1	Accommodation and food services	1,881	46.1%
2	Transportation and warehousing	686	16.8%
3	Arts, entertainment, and recreation	476	11.7%
4	Retail trade	167	4.1%
5	Health care and social assistance	157	3.8%
	All other industries	713	17.5%

Source: US Department of Commerce (2009), Tower Entertainment (2012), Econsult Corporation (2012)

## APPENDIX G – ADDITIONAL DETAIL ON THE FISCAL IMPACT FROM GROSS GAMING REVENUE TO THE CITY OF PHILADELPHIA AND THE COMMONWEALTH OF PENNSYLVANIA FROM THE PROVENCE

**Table G.1 – Estimated Annual State Gaming Tax Revenues to the Commonwealth of Pennsylvania from The Provence (in \$M)**

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Gross Slots Revenues</b>	\$258.8	\$296.2	\$305.5	\$313.2	\$320.2
State Tax (34%)	\$88.0	\$100.7	\$103.9	\$106.5	\$108.9
Economic Development and Tourism Fund (5%)	\$12.9	\$14.8	\$15.3	\$15.7	\$16.0
Race Horse Development Fund (12%)	\$29.2	\$33.5	\$34.5	\$35.4	\$36.2
PA Gaming Control Board Tax (1.5%)	\$3.9	\$4.4	\$4.6	\$4.7	\$4.8
<b>Gross Table Gaming Revenues</b>	\$116.3	\$127.0	\$130.9	\$134.2	\$137.2
PA Budget General Fund (14% in Yrs. 1 and 2, 12% after)	\$16.3	\$17.8	\$15.7	\$16.1	\$16.5
PA Automated Table Games Tax <sup>22</sup>	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8
PA Gaming Control Board Tax (1.5%)	\$1.7	\$1.9	\$2.0	\$2.0	\$2.1
<b>Total State Gaming Revenues</b>	<b>\$152.9</b>	<b>\$173.9</b>	<b>\$176.7</b>	<b>\$181.1</b>	<b>\$185.2</b>

*Source: Spectrum Gaming Group (2012), Gaming Control Board (2012)*

<sup>22</sup> This tax is applied at 48 percent for the first two years and 46 percent thereafter to all unstaffed automated electronic table games.

**Table G.2 – Estimated Annual Local Gaming Tax Revenues to the City of Philadelphia from The Provence (in \$M)**

	Year 1	Year 2	Year 3	Year 4	Year 5
Gross Slots Revenues	\$258.8	\$296.2	\$305.5	\$313.2	\$320.2
Local Taxes (4%)	\$10.4	\$11.8	\$12.2	\$12.5	\$12.8
Gross Table Gaming Revenues	\$116.3	\$127.0	\$130.9	\$134.2	\$137.2
Local Taxes (2%)	\$2.3	\$2.5	\$2.6	\$2.7	\$2.7
<b>Total Local Gaming Revenues</b>	<b>\$12.7</b>	<b>\$14.3</b>	<b>\$14.8</b>	<b>\$15.2</b>	<b>\$15.6</b>

*Source: Spectrum Gaming Group (2012), Gaming Control Board (2012)*



## APPENDIX H – CONSERVATIVE ASSUMPTIONS MADE IN ESTIMATING ANNUAL OPERATING EXPENDITURES BY NEARBY COMMERCIAL DEVELOPMENTS INDUCED BY THE PROVENCE

**Table H.1 – Conservative Assumptions Made in Estimating Annual Operating Expenditures of Nearby Commercial Developments Induced by The Provence**

Use	Residential	Retail	Office	Total
SF	1,500,000	200,000	800,000	2,500,000
Employee/1000SF (Range from Lit Review)		1.50 1.0-2.0	3.00 2.6-3.3	
Estimated # Employees		300	2,400	2,700
Average Annual Salary (From US BLS / CCD)		\$20,000 \$25,166	\$50,000 \$58,210	
Estimated Total Salaries (\$M)		\$6	\$120	\$126
Salaries as % of Total Expenditures (From bizstats.com)		20% 10%	60% 30%	
<b>Estimated Total Expenditures</b>		<b>\$28</b>	<b>\$184</b>	<b>\$212</b>

*Source: Tower Entertainment (2012), US Bureau of Labor Statistics (2011), bizstats.com (2011), Econsult Corporation (2012)*

## APPENDIX I – ADDITIONAL DETAIL ON THE FISCAL IMPACT FROM NEW RESIDENTS AND WAGE EARNERS RESULTING FROM NEARBY RESIDENTIAL DEVELOPMENTS INDUCED BY THE PROVENCE

**Table I.1 – Estimated Distribution of Residential Units and Resulting Residents and Wage Earners Living in Nearby Residential Developments Induced by The Provence**

Type	# Units	Residents/Unit	# Residents	Wage Earners/Unit	# Wage Earners
1-2BR	500	2	1,000	1	500
3-4BR	500	3	1,500	2	1,000
<b>Total</b>	<b>1,000</b>		<b>2,500</b>		<b>1,500</b>

Source: Tower Entertainment (2012), Econsult Corporation (2012)

**Table I.2 – Estimated Residents and Wage Earners Living in Nearby Residential Developments Induced by The Provence That Are New to the City of Philadelphia and the Commonwealth of Pennsylvania<sup>23</sup>**

	#/%	City	Commonwealth
# Residents	2,500		
% New to City/Commonwealth		40%	20%
<b># New to City/Commonwealth</b>		<b>1,000</b>	<b>500</b>
	#/%	City	Commonwealth
# Wage Earners	1,500		
% New to City/Commonwealth		20%	10%
<b># New to City/Commonwealth</b>		<b>300</b>	<b>150</b>

Source: Tower Entertainment (2012), Econsult Corporation (2012)

<sup>23</sup> It is assumed that the vast majority of residents and wage earners are not new to the City or the Commonwealth.

**Table I.3 – Estimated Wage and Income Tax Revenues from Residents and Wage Earners Living in Nearby Residential Developments Induced by The Provence That Are New to the City of Philadelphia and the Commonwealth of Pennsylvania<sup>24</sup>**

	#/%	City	Commonwealth
New Wage Earners		300	150
Average Salary	\$50,000		
Aggregate Salary (\$M)		\$15	\$7.5
Income Tax Rate		3.93%	3.07%
<b>New Income Tax Revenue (\$000)</b>		<b>\$590</b>	<b>\$230</b>

*Source: Tower Entertainment (2012), Econsult Corporation (2012)*

**Table I.4 – Estimated Sales Tax Revenues from Residents and Wage Earners Living in Nearby Residential Developments Induced by The Provence That Are New to the City of Philadelphia and the Commonwealth of Pennsylvania<sup>25</sup>**

	#/%	City	Commonwealth
Aggregate Salary (\$M)		\$15	\$7.5
% Spent on Sales Taxable Items	10%		
Sales Taxable Amount (\$M)		\$1.5	\$0.75
Sales Tax Rate		2%	6%
<b>New Sales Tax Revenue (\$000)</b>		<b>\$30</b>	<b>\$45</b>

*Source: Tower Entertainment (2012), Econsult Corporation (2012)*

<sup>24</sup> A relatively low average annual salary is conservatively assumed.

<sup>25</sup> A relatively low proportion of sales taxable purchases is conservatively assumed.

## APPENDIX J – ADDITIONAL DETAIL ON THE LABOR DEMANDED BY THE PROVENCE AND SUPPLIED BY IMMEDIATE NEIGHBORHOOD RESIDENTS

### J.1 Labor Demanded by Upfront Construction

It is estimated that upfront construction of The Provence will support a total of 3,700 jobs for City residents, and that about 2,500 of those jobs are directly associated with upfront construction of The Provence (the remainder representing jobs supported by the spillover activity generated by upfront construction of The Provence). These 2,300 direct construction jobs were apportioned into the educational attainment levels required to fulfill them by assuming that they were of the same proportion as that of NAICS Code 23 (Construction) and NAICS Code 54 (Professional, Scientific, and Technical Services). This yields an estimate of **1,962 “A” jobs, 419 “B” jobs, and 74 “C” jobs** (see Table J.1).

**Table J.1 – Estimate of the Distribution by Educational Attainment Level of Jobs Represented by the Upfront Construction of The Provence**

Job Level	Upfront Construction Jobs
"A"	1,962
"B"	419
"C"	74
<b>Total Jobs Demanded</b>	<b>2,455</b>

Source: EMSI (2012), US Department of Labor Bureau of Labor Statistics (2010), Econsult Corporation (2012)

### J.2 Labor Demanded by Ongoing Operations

It is estimated that ongoing operations of The Provence will support a total of 3,300 jobs for City residents, and that about 2,500 of those jobs are directly associated with ongoing operations of The Provence (the remainder representing jobs supported by the spillover activity generated by ongoing operations of The Provence). These 2,500 direct operations jobs were apportioned into the educational attainment levels required to fulfill them by assuming that jobs associated with food services, accommodation, gambling, and retail were of the same proportion as that of NAICS Code 71 (Arts, Entertainment, and Recreation), NAICS Codes 44 and

45 (Retail Trade), and NAICS Code 72 (Accommodations and Food Services). This yields an estimate of **1,943 "A" jobs, 299 "B" jobs, and 258 "C" jobs** (see Table J.2).

**Table J.2 – Estimate of the Distribution by Educational Attainment Level of Full-Time Equivalent Jobs Represented by the Ongoing Operations of The Provence**

Job Level	Ongoing Operations Jobs
"A"	1,943
"B"	299
"C"	258
<b>Total Jobs Demanded</b>	<b>2,500</b>

*Source: EMSI (2012), US Department of Labor Bureau of Labor Statistics (2010), Econsult Corporation (2012)*

### **J.3 Labor Supplied by Ongoing Operations**

Residents of The Provence's immediate neighborhood who are of working age were classified by their educational attainment levels, using 2010 Census data. This yields an estimate of about 6,100 residents of working age who can perform "A" jobs, about 1,700 residents of working age who can perform "B" jobs, and about 1,600 residents of working age who can perform "C" jobs (see Table J.3).

**Table J.3 – Estimated Number of Residents within The Provence’s Immediate Neighborhood who are Qualified for “A,” “B,” and “C” Jobs**

Highest Educational Attainment Level	The Provence
1. Population 25 and over	9,406
2. Less than High School	2,271
3. High School or Associate’s degree	3,830
4. Bachelor’s degree	1,674
5. Graduate or professional degree	1,631
Job Level (Number of Persons)	The Provence
"A" (#2 plus #3)	6,101
"B" (#4)	1,674
"C" (#5)	1,631

*Source: US Census Bureau (2010), Econsult Corporation (2012)*