

ECONOMIC IMPACT STUDY: PROPOSED RACETRACK AND SPORTS BAR IN LEOMINSTER, MA

Prepared for Baystate Racing LLC

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SPECTRUM
GAMING GROUP®

Introduction and Project Overview

- Baystate Racing LLC retained Spectrum Gaming Group (“Spectrum,” “we” or “our”) to independently estimate the economic impacts of developing and operating a proposed Thoroughbred racetrack facility with a sports bar and sportsbook between the Leominster Connector and Mechanic Street in Leominster, MA
 - Our study has four components:
 1. Estimated revenues and impacts for the live-racing business
 2. Estimated revenues and impacts for a retail sportsbook operated by a licensed third party
 3. Estimated revenues for food & beverage business at the sports bar
 4. Estimated economic impacts generated by the proposed facility
 - Importantly, this study does not include the additional economic impacts of non-race-day events at the racetrack, such as festivals, concerts and shows. It is our understanding that the city or other parties would be producing such events and thus they are not a direct part of Baystate Racing’s business plan.
 - However, the Baystate Racing sports bar would benefit from increased foot traffic on those days (which we *have* factored into our modeling)
 - Thus, the overall economic impact of the racetrack facility beyond Baystate Racing’s plans for it could be significantly higher than what is estimated in this study

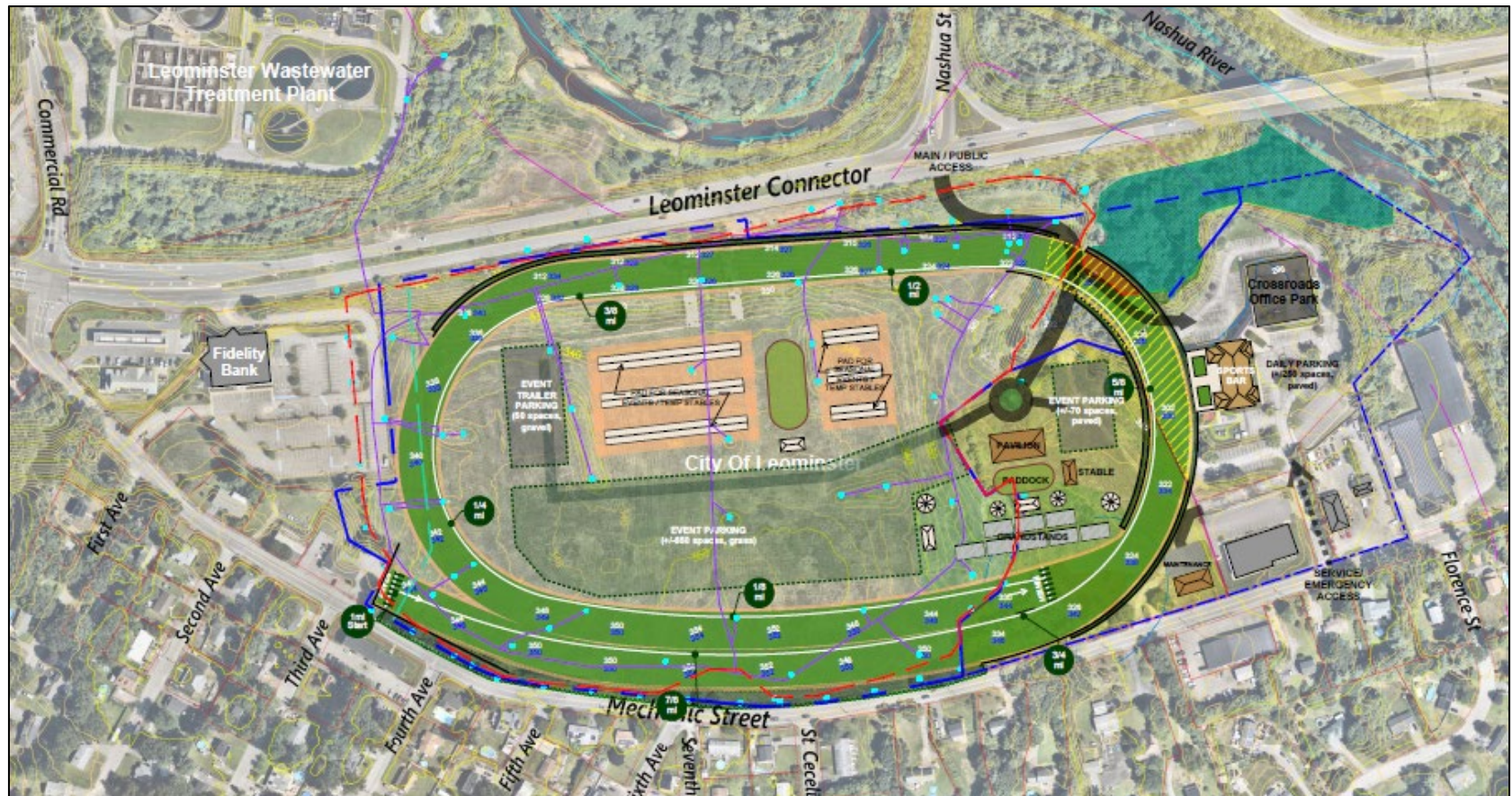
Key Findings and Conclusions

- 7.5 million adults live within the primary, 90-minute drive-time market catchment area
- Spectrum estimates the three-day racing festivals could generate 2,000 to 5,000 attendees per day, \$4.5 million to \$5 million purses, 156 jobs (many part-time), total racing-related revenues of \$3.3 million
- The on-site sportsbook would generate \$4.5 million in handle and \$454,000 in revenue annually
- The bar would attract an estimated average of 330 patrons daily and generate \$3.7 million in food and beverage revenue annually
- Construction and annual operation of the facility would produce the considerable economic impacts in Leominster (plus additional impacts in the rest of Worcester County), as shown in the table at right

Construction Impacts	
Employment (Direct, Indirect, Induced)	238
Labor Income (000)	\$17,879
Value Added (000)	\$22,407
Output (000)	\$44,852
Annual Operational Impacts	
Employment (Direct, Indirect, Induced)	153
Labor Income (000)	\$3,129
Value Added (000)	\$3,777
Output (000)	\$8,077
Annual Tax Impacts	
Total Local Taxes and Host Community Fees	\$1,005,075
Host Community Payments	\$1,000,000
Rooms Tax to City	\$5,075

Source: Spectrum Gaming Group, UMass Donahue Institute

Location of Proposed Racetrack and Sports Bar

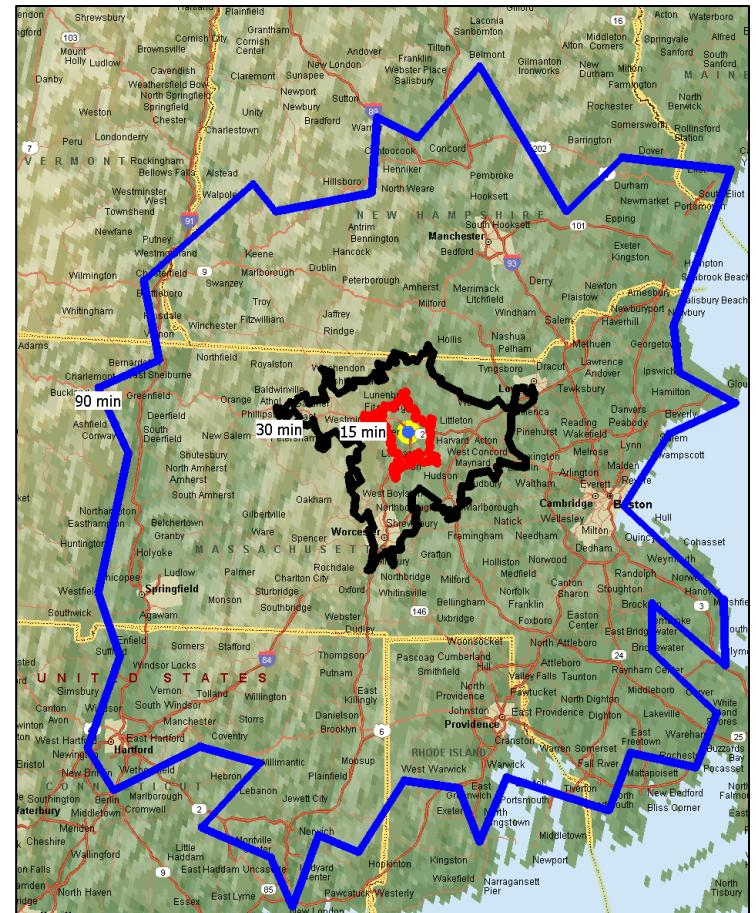


Drive-Time Population to Leominster Racetrack

- Spectrum mapped the drive-time population in 15-minute, 30-minute and 90-minute bands from the proposed facility
 - The 15-minute and 30-minute bands would be the primary markets for the sports bar and sportsbook business
 - The 90-minute band would be the market reach for the racetrack
 - Quality Thoroughbred racing would draw from a farther distance
 - The lack of other racing options in the area increases the reach of the proposed track

Drive Time	Est. Pop 2027	Est. Age 21+
0-15 Minutes	54,710	41,896
16-30 Minutes	669,697	512,840
31-90 Minutes	8,893,880	6,941,163
Total	9,618,288	7,495,898

Source: Microsoft MapPoint, Spectrum Gaming Group



RACETRACK BUSINESS

Horse Racing and Proposed Leominster Racetrack

- In US horse racing, here is what's working:
 - Big events – special days of top races like Kentucky Derby Day
 - Short niche race meets – Keeneland (spring/fall meets) and Kentucky Downs (all grass racing for six days)
 - With increased competition from more sporting events, more entertainment and more gambling, long race meets of 60, 70, or 80 days of racing are no longer competitive in the current market
- Baystate Racing plans for proposed Leominster track:
 - Two racing festivals of turf racing – 6 total days
 - Two weekends (late spring/summer and fall festivals) with attractive prize money that can be coupled with other events to attract people to Leominster and the races
 - Spectrum assumes 90 horses per day, serviced by 850 licensed horsepeople coming from all over the region
 - Spectrum estimates average attendance of 2,000 to 5,000 for each race day

Impacts of Racing Festivals

- The two racing festivals would be offered seasonally (spring/summer and fall) on weekends, with three race days each week
 - Horsepeople bring horses to race on consecutive days; race-day customers would be encouraged to attend multiple days and stay in Leominster with discount multiday packages
 - The same could be done with other, non-racing events throughout the year
- Spectrum assumptions, made in cooperation with Baystate Racing:
 - 2,000 to 5,000 people attending 6 days of racing
 - Purse money of \$4.5 million to \$5 million offered to attract horses and their caretakers to Leominster
 - Some horse caretakers would include overnight stays as they race more than one horse over multiple days
- Spectrum estimates a part-time payroll of \$239,218 for the two racing festivals
- Spectrum employment estimates: Of the 156 employees, 35 to 40 would be current full-time staff;¹ 117 seasonal needed to put on racing events; about 111 of the seasonal could be hired locally

Summary of Racing Festivals at Proposed Leominster Racetrack

Live Racing Statistical Estimates	
Race days	6
Attendance	2,000 to 5,000 per day
Purse money for races	\$4.5 million to \$5 million
Pari-Mutuel Payment from Host Community Agreement	\$240,000
Payroll for live racing operations*	\$239,218
Number of horses racing	90 per day
Number of commission racing licenses issued	850

Source: Baystate Racing, Spectrum Gaming Group. * Excludes payroll of full-time employees who help with live racing operations. Additional outsourced services specifically needed for racing operations are not included in the payroll numbers. Those services may include video/photo finish, TV production and simulcasting services, starting gate and racing office data/software.

Racing-Related Revenues

Racing-Related Revenues (1 year of operations) ¹	
Live race handle track commissions	\$122,130
Export handle host fees for track – live racing	\$67,500
Import handle track commissions (year-round, at the sports bar)	\$637,000
Revenue from ADW (advance-deposit wagering) contracts	\$1,260,000
Earn-back revenue from Capital Improvement Trust Fund	\$61,080
Live racing food & beverage ^{1,2}	\$562,500
Admissions	\$255,000
Publication sales ²	\$33,300
Parking	\$60,000
Miscellaneous sales ²	\$15,000
Sponsorship ²	\$30,000
Total³	\$3,291,010

Source: Spectrum Gaming Group. ¹ Excludes food & beverage revenue from sports bar. ² Cost of goods sold is not subtracted from sales. ³ Total revenue has not deducted the MGC assessment per Chapter 128A section 5B because this amount is determined annually by MGC

Potential Other Activity at the Racetrack

- 12 to 15 non-racing events throughout the year could be held on property (subject to City approval)
 - A variety of events utilizing the infrastructure, capabilities and capacity of the grounds, appealing to different audiences and markets throughout the year
 - Both one-day and multi-day events would attract diverse tourism to explore and stay in Leominster
 - A synergy of events coordinated and co-marketed with other attractions would increase hotel stays, restaurant spending and tourism as visitors explore Leominster and the local attractions
 - The City or independent producers may host/produce other events on the racetrack grounds, such as concerts, outdoor festivals, arts/crafts shows, tournaments and equestrian events when there is no racing
- A year-round sports bar with sports wagering and simulcasting of horse races from throughout the country, plus broadcast of major league sports events and major horse races
 - Special promotions can be offered for each major sports event to attract sports fans and bettors



SPORTSBOOK BUSINESS

Estimated Visitation and Sports Wagering

- The racetrack, by definition, would attract bettors
 - Horseplayers are similar to sports bettors in that both weigh conditions, competition, and skill when placing wagers
- While most sports betting would occur online, we expect that half the racing attendees would place sports bets at the sports bar's sportsbook
 - Developing a sports bar with simulcasting and a sports book would draw bettors
 - Importantly, Spectrum assumes that the sportsbook would be operated by an existing, third-party sports wagering operator already licensed in Massachusetts
 - Thus, the revenues generated by the sportsbook would accrue to the third-party sportsbook operator, not Baystate Racing
 - We have assumed that Baystate Racing would receive a fixed fee from the sportsbook operator in exchange for allowing it to operate inside Baystate Racing's facility
- As shown on the following page, Spectrum estimated the sports wagering revenue that could take place at the Leominster facility as an indicator of the attraction and activity generated by a sportsbook

Estimated Visitation and Sports Wagering (cont.)

- Spectrum estimates that the sports bar would attract an average of 330 non-racing patrons daily
 - Sports bar patrons are likely to place bets while dining and watching the games
- We expect that sports bar patrons would be more likely to place bets – but at a lower average bet – than horseplayers
 - Sports fans/bettors may primarily visit the sports bar to watch games, not to bet
 - Horseplayers are at the site for the purpose of betting

	Dates	Avg. Daily Attendance	% Sports Bet	No. Bettors	Average Bet	Handle	Hold	Revenue
Racing Attendees	6	2,000 to 5,000	50%	15,000	\$75	\$1,125,000	10%	\$112,500
Simulcast/Bar	364	330	75%	68,250	\$50	\$3,412,500	10%	\$341,250
Total/Average			69%	83,250	\$55	\$4,537,500	10%	\$453,750

Source: Spectrum Gaming Group



FOOD & BEVERAGE BUSINESS

Estimated Attendance and Food & Beverage Service

- Racing attendees and sports bettors would eat and drink at the sports bar
- Spectrum estimates that the sports bar would serve approximately 113,500 covers annually
 - Sports bar patrons are at the site for dining and watching sports
 - Horseplayers are at the site to place bets on the action
- We anticipate 24 non-racing festival days, attracting 3,000 visitors each day
 - Some of the 72,000 estimated festival visitors would eat at the sports bar
 - Most festival visitors would buy refreshments from festival vendors
 - Festival visitors may place bets at the sports bar, but are not primarily bettors
- Our estimates for wagering and dining include festival visitors

	Avg. Daily Patrons	Capture Rate	Average Check
Racing Attendees	2,000 to 5,000	75%	\$25
Sports Bar	330	100%	\$35
Total		94%	\$31

Source: Spectrum Gaming Group



ECONOMIC IMPACTS OF RACETRACK/SPORTS BAR FACILITY

Methodology for Economic Impact Study

- Spectrum used data and information from several sources:
 - Facility plans provided by Baystate Racing
 - Public gaming, racing and economic data
- We also relied on our expertise in gaming, racing, and economic-impact modeling to make certain assumptions regarding staffing, facility operations, racing operations, and non-racing event days
- We retained the UMass Donahue Institute, a longstanding project partner of Spectrum's, to assist with inputs and operate the economic impact model
 - Employed the IMPLAN model for Leominster, approximated by ZIP Code 01435
 - Models by IMPLAN have been used by almost every state government to help guide economic-policy decisions
- Using both our estimates and those from Baystate Racing, we ran an IMPLAN model of Leominster (using ZIP Code 01435) and the rest of Worcester County to capture feedback effects on the city
- Inputs to the model included permanent and temporary employment for racing and the sports bar and revenues from the same
 - Construction and expected furniture, fixtures and equipment ("FF&E") from the sportsbook operator also were entered into the model

Inputs into the IMPLAN Model for Year 1 of Full Operation

Category	Revenue
Racing-Related	\$3,291,010
Sportsbook Gaming	\$453,750
Sports Bar	\$3,747,500
Total Local Taxes (Rooms and Property) and Host Community Fees	\$1,005,075

Capital Investment Assumptions	
Construction	\$40,000,000
FF&E	\$10,000,000

Source: Spectrum Gaming Group, UMass Donahue Institute

Temporary Regional Employment, All Events	
Category	Annual Headcount
Racing	111

Permanent Employment	
Category	Headcount
Sports Bar	36.5

Summary Economic Impacts: Construction and Operations

Impact	Construction		
	Leominster	Rest of Worcester County	Worcester County (total)
Employment (Direct, Indirect and Induced)	238	78	315
Labor Income (000)	\$17,879	\$5,435	\$23,314
Value Added (000)	\$22,407	\$9,508	\$31,916
Output (000)	\$44,852	\$16,261	\$61,112

Impact	Operations		
	Leominster	Rest of Worcester County	Worcester County (total)
Employment (Direct, Indirect and Induced)	153	22	175
Labor Income (000)	\$3,146	\$1,302	\$4,448
Value Added (000)	\$3,809	\$2,149	\$5,957
Output (000)	\$8,122	\$3,760	\$11,882

Source: Spectrum Gaming Group, UMass Donahue Institute

Economic Impacts: Construction Discussion

- Construction is expected to create 315 jobs and \$61.1 million of business revenues in Worcester County, of which 238 jobs and \$44.9 million are expected in Leominster
 - Previous economic impact studies of construction projects have consistently shown that the majority of the workers and companies come from close to the construction site
 - Given that the main aspect of this project is site preparation, we see no reason that previous patterns should not hold
 - We expect workers and companies in and around Leominster to provide most of the work
- By their nature, construction projects – and thus impacts – are transient
 - It is usually more accurate to conceive of small-sized and medium-sized construction projects as supporting and retaining existing jobs rather than creating new jobs
 - Nevertheless, these types of projects are important, as an empty queue of projects would lead to job losses in the construction sector

Estimating Tax Receipts for City of Leominster:

Methodology

- We used estimates of food and beverage sales, hotel stays, and current tax rates to create estimates of meals and room taxes induced by the facility and accruing to the City of Leominster
- Based on Massachusetts Department of Revenue records, Leominster has not adopted the 0.75% local options meals tax and therefore we do not include revenues to the city from this source in the economic-impact modeling
 - If a meals tax were in place, revenue to the city would be \$28,106
- Room taxes are 6% (local options rooms tax rate) of the estimated hotel revenues
 - We assumed 8,824 room-nights and 6,256 rooms would be needed
 - However, there appear to be only two hotels in Leominster: a DoubleTree and a Motel 6, with a combined 303 rooms
 - Assuming an overall occupancy rate of 50%, there would be only 151 available rooms in the city; at an average daily rate of \$140, hotel revenues would be \$84,560 and room taxes \$5,075
 - For context, in FY 2024, the average monthly rooms tax was roughly \$58,300
- Host community payments are for the first year of full operations and escalate at 2.5% per year after Year 3; they are inclusive of estimated property tax payments of approximately \$98,450

Estimated Tax Receipts for City of Leominster

Category	Revenue
Total Local Taxes	\$1,005,075
Host Community Payments	\$1,000,000
Rooms Tax to City	\$5,075

Source: Spectrum Gaming Group, UMass Donahue Institute

Economic Benefits to City of Leominster

Construction Impacts	
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Tax Impacts	
Category	Leominster
Total Local Payments	\$1,005,075
Host Community Fees and Property Taxes	\$1,000,000
Rooms Tax to City	\$5,075

Source: Spectrum Gaming Group, UMass Donahue Institute

Leominster Demographic Profile

- Per the 2023 American Community Survey, Leominster has a population of 43,697
 - 35,615 are considered working age (16+)
 - 68.2% of those working-age people, or 24,295, are in the labor force
 - 22,830 are employed, and 1,381 are unemployed, for an unemployment rate of 5.7% – higher than both the national rate (4.3%) and the state rate (3.9%)
 - Median income of those aged 25 and over with earnings is \$57,550
- Leominster has a poverty rate of 10.1% (4,373 people)
 - That is lower than both the nation (12.5%) and the state (10.4%)
 - Of those aged 25+ without a high school degree, 19.9% are poor, compared to 2.0% for those with a bachelor's degree or higher
 - With a mean income deficit of \$1,617, many Leominster residents require only a modest job to move above the poverty line
- With a diversity of occupations, the Leominster racetrack could also provide jobs suitable for Leominster's low-income population
 - 74% of those in poverty aged 25+ have no college experience
 - 12% of the workforce is employed in sectors that are closely related to racetracks

Employment of Leominster Residents by Sector

Leominster Industry Mix	2019
Civilian employed population 16 years and over	22,830
Educational services; health care and social assistance	6,843
Professional, scientific, and management; administrative; waste management services	2,496
Manufacturing	3,242
Retail trade	2,463
Finance and insurance; real estate, rental and leasing	1,281
Arts and entertainment; recreation; accommodation; food services	1,546
Construction	1,297
Wholesale trade	487
Public administration	1,061
Transportation, warehousing and utilities	957
Other services, except public administration	683
Information	382
Agriculture, forestry, fishing and hunting, mining	92

Source: 2015-2019 American Community Survey



Jobs Impacts Summary

- The proposed facility and its various lines of business are expected to directly create 153 total jobs (many part-time) in Leominster
 - Although private employers cannot refuse employment based on place of residence, through job preference, outreach, job fairs, and local advertising, the track is expected to heavily recruit from Leominster
- Most of the city's poor have no college experience, and many of the track's jobs would not require a college education
 - This match could provide opportunity for struggling residents
 - With a median income deficit of roughly \$1,600, many households could be lifted over the poverty line with a modest job
- Every \$10 of revenues at the track are estimated to create an additional \$5 of revenues at businesses elsewhere in Worcester County
 - Much of these additional revenues would be used to support other jobs in or near Leominster
- With about 1,400 unemployed individuals in Leominster, the 153 total jobs created and supported by the track can make a notable impact on the local unemployment picture



ABOUT THIS REPORT



Spectrum Gaming Group Background

- Founded in 1993
- Specialize in studying, analyzing the economics, regulation and policy of legal gambling worldwide
 - Recently completed study for MGC regarding feasibility of retail sports betting kiosks
 - Wrote strategic plan and consulted for Massachusetts Gaming Commission (MGC).
 - Assessed racing industry as MGC prepared to absorb State Racing Commission.
 - Prepared casino impact study for Governor's office, with follow up study for legislature.
- Policy of non-partisanship: We neither advocate for nor oppose legalized gambling.
- Policy of independent research and analysis: We do not accept engagements that seek a preferred result; we tell clients what they need to know, not what they necessarily want to hear.
- We have provided expertise in 44 US states and territories and in 50+ countries on 6 continents. Clients include 27 US state and territory governments, 8 national governments, 35+ Native American entities, numerous gaming companies (national and international) of all sizes, financial institutions, developers and other gaming-related entities.
- We have testified or presented before more than 40 governmental bodies worldwide.
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