# APPENDIX R

## Socioeconomic Assessment

# Socioeconomic Assessment:
Madera, California

Prepared for:
**North Fork Rancheria Casino Resort**

**September 2008**

Prepared by:

THE INNOVATION GROUP
400 N. Peters St., Suite 206
New Orleans, LA 70130

## Table of Contents

# Section 1: Introduction

The North Fork Rancheria of Mono Indians is proposing to build a casino and hotel development in Madera County, California. The Tribe has hired Station Casinos as its management company. As part of the Final Environmental Impact Statement for the development, The Innovation Group has been asked to prepare an update to the socioeconomic assessment originally prepared in October 2005 for the Draft EIS. This report examines the socioeconomic impacts of the proposed location and development program as well as three other alternative development programs.

The four alternatives include the proposed alternative (Alternative A) which provides for a hotel, casino and retail development along I-99 just north of the City of Madera. Alternative B is a smaller casino development (no hotel) on the same site. Alternative C allows for a retail development on the proposed site, rather than the development of the casino. Alternative D calls for a considerably smaller casino development in a different location in Madera County.

This report projects the social and economic impacts to be experienced by Madera County should one of the alternatives be developed. These impacts are measured in terms of both increased costs and increased revenue for the County. To produce this document, interviews were conducted with the head of each of the affected County departments.

In addition to measuring the impacts to Madera County, this report also examines the impacts of the development on one of the incorporated areas within the County: the City of Madera. As the larger incorporated area in the County and closer to the location of Alternative A, B and C, it is projected that some portion of new residents moving into the County to seek employment with the Casino will move into the City of Madera. For these reasons, a section has been included to measure the impact to the City.

This report incorporates the following updated information into its analysis:

- Annual County and City budget information
- Cost of government services
- Labor costs
- Construction costs
- Housing market
- Sales and use tax rates
- The location of new residents within the County and City
- Problem gambling prevalence rates

Since the completion of the last socioeconomic assessment, several agreements have been made which are considered in this update. These include the Tribe's Compact with the State of California, an MOU with the City of Madera, an MOU with the Madera Irrigation District, and agreements with labor unions with respect to construction and hotel employees.

This report is divided into 10 main sections. The first is the introduction and the second provides the most recent economic and demographic data on Madera County. This information assisted in our understanding of the dynamics of Madera County. The third section provides an assessment of Alternative A. The fourth, fifth and sixth sections review the impacts of Alternatives B, C and D, respectively. In the seventh section, we review the areas of the County that are likely to experience new development. In the eighth, we estimate the impacts to the City and in the ninth, the impacts to the State. In the final, section we draw conclusions.

# Section 2: Economic and Demographic Data

The following section provides an overview of the economic and demographic characteristics of Madera County.

## 2.1 Population

According to Claritas estimates and projections released in August of 2007, the population growth rate in Madera County is greater than that of both California and the United States. The City of Madera is growing even faster than the County average. Historically, the County has experienced growth due to the number of Bay Area residents moving into the area seeking less expensive housing options.

Table 2.1
**Population Data**

| Location | 2000 Population | 2007 Population Estimate | 2012 Population Projection | Average Annual Growth |
|---|---|---|---|---|
| City of Madera | 43,207 | 54,195 | 61,732 | 3.0% |
| City of Chowchilla | 11,127 | 13,254 | 14,680 | 2.3% |
| Madera County | 123,109 | 147,778 | 165,061 | 2.5% |
| California | 33,871,648 | 33,871,648 | 37,075,982 | 1.3% |
| United States | 281,421,906 | 281,421,906 | 301,045,522 | 0.9% |

Source: iXPRESS, Claritas, Inc.

The above population projections for 2012 do not take into account the recent economic downturn which has resulted in a slowing of population growth for both the City and the County. Population estimates from the California Department of Finance show lower annual growth for the City and County in the range of 2.0% to 2.2% from January 2007 to January 2008.

Table 2.2
**City/County Population Estimates**

| County/City | Total Population 1/1/2007 | Total Population 1/1/2008 | Percent Change |
|---|---|---|---|
| City of Madera | 55,475 | 56,710 | 2.2% |
| Madera County | 147,944 | 150,887 | 2.0% |

Source: California Department of Finance Demographic Research

City officials believe population growth will increase again in the next cycle of economic activity. The City has a long-range estimation of 100,000 city residents by 2025.

## 2.2 Income

The average annual household income in Madera County is lower than the averages of California and the United States, though its average annual growth rate of 2.8% is faster than that of the state and country. The City of Madera has average annual household incomes significantly lower than the County, which is growing at a slightly slower average rate of 2.6% annually. There are two main reasons for a lower average income level in Madera. Much of the labor force is unskilled. Secondly, much of the work in Madera County is agricultural and therefore is seasonal.

Table 2.3

**Average Annual Household Income**

| | 2000 Census | 2007 Estimate | 2012 Projection | Average Annual Growth |
|---|---|---|---|---|
| **City of Madera** | $41,425 | $49,409 | $56,100 | 2.6% |
| **Madera County** | $48,050 | $58,576 | $66,723 | 2.8% |
| **California** | $65,628 | $76,956 | $85,077 | 2.2% |
| **United States** | $56,644 | $66,670 | $73,741 | 2.2% |

Source: iXPRESS, Claritas, Inc.

Effective buying income denotes disposable income or income after taxes. The Madera County population's effective buying income is also lower than the state or national averages, but growing at a faster rate. City of Madera effective buying income, while lower than other areas, is expected to experience a higher growth rate than the state or country.

Table 2.4

**Effective Buying Income**

| | 2007 Estimate | 2012 Projection | Average Annual Growth |
|---|---|---|---|
| **City of Madera** | $40,571 | $45,530 | 2.3% |
| **Madera County** | $47,297 | $53,353 | 2.4% |
| **California** | $61,318 | $67,484 | 1.9% |
| **United States** | $53,727 | $59,186 | 2.0% |

Source: iXPRESS, Claritas, Inc.

## 2.3 Employment Data

Madera County had approximately 64,400 people in its labor force in 2007, approximately 44% of the population. Of the 64,400-person labor force, 7.6% was unemployed in 2007. Since 2005 the unemployment rate has remained below 8%, but in previous years, unemployment was higher. Local officials attribute much of reduction in unemployment to the introduction of jobs at Chukchansi Casino which opened in June 2003. From 2002 to 2004, the number of employed persons in Madera County increased by 6,100. The casino had 1,400 positions when it opened and by 2005 had approximately 1,600 employees. After the casino opened, unemployment dropped by nearly 3 percentage points.

In comparison, the unemployment rate for the State of California in 2007 was 5.4%. The same figure for the US was 4.6% in 2007 according to Bureau of Labor Statistics.

**Table 2.5**
**Madera County Labor Force Data**

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | Average Annual Growth |
|---|---|---|---|---|---|---|---|
| **Labor Force** | 55,800 | 59,500 | 61,700 | 62,600 | 63,800 | 64,400 | 2.9% |
| **Employment** | 49,900 | 53,300 | 56,000 | 57,600 | 59,300 | 59,500 | 3.6% |
| **Unemployment** | 5,900 | 6,200 | 5,700 | 5,000 | 4,500 | 4,900 | -3.6% |
| **Unemployment Rate (%)** | 10.6 | 10.3 | 9.2 | 7.9 | 7.0 | 7.6 | -6.4% |

Source: California Employment Development Department, www.labormarketinfo.edd.ca.gov.

*All Data has been adjusted to 2007 benchmarks..

The unemployment rate for the County is not steady throughout the year. In fact, because one of the main industries in the County is agriculture, the unemployment rate is extremely dynamic over the course of the year. For example, in September 2007, the unemployment rate was only 6.3%, but by December unemployment was as high as 8.8%.

Table 2.6

**2007 Unemployment Data for Madera County**

| Month | Labor Force | Employed | Unemployed | Unemployment Rate |
|---|---|---|---|---|
| January | 64,700 | 59,500 | 5,200 | 8.1% |
| February | 63,000 | 57,600 | 5,400 | 8.5% |
| March | 61,500 | 56,300 | 5,200 | 8.5% |
| April | 63,100 | 57,900 | 5,200 | 8.2% |
| May | 64,500 | 59,900 | 4,600 | 7.1% |
| June | 65,900 | 61,300 | 4,600 | 7.0% |
| July | 65,000 | 60,100 | 4,900 | 7.5% |
| August | 65,600 | 61,200 | 4,400 | 6.7% |
| September | 66,600 | 62,400 | 4,200 | 6.3% |
| October | 64,300 | 59,900 | 4,400 | 6.9% |
| November | 64,000 | 58,900 | 5,100 | 7.9% |
| December | 65,000 | 59,300 | 5,700 | 8.8% |
| Annual | 64,400 | 59,500 | 4,900 | 7.6% |

Source: California Employment Development Department, www.labormarketinfo.edd.ca.gov.

The following chart details the growth in employment by sector of the economy. At present, the production growth area is in durable goods manufacturing. Service growth areas include transportation, warehousing and utilities, and educational services. Growth in the arts, entertainment and recreational services sector has been flat. The accommodation and food services sector is growing by 2.2% annually.

Table 2.7

**Employment by Sector for Madera County**

| Industry Title | 2004 | 2005 | 2006 | 2007 | Average Annual Growth |
|---|---|---|---|---|---|
| Total Nonfarm | 33,300 | 33,500 | 34,900 | 35,000 | 1.3% |
| Total Private | 23,700 | 23,600 | 24,700 | 24,400 | 0.7% |
| Goods Producing | 5,800 | 5,900 | 6,200 | 5,700 | -0.4% |
| Natural Resources, Mining & Construction | 2,600 | 2,700 | 2,900 | 2,400 | -2.0% |
| Manufacturing | 3,300 | 3,200 | 3,300 | 3,300 | 0.0% |
| Durable Goods | 1,900 | 2,000 | 2,100 | 2,100 | 2.5% |
| Nondurable Goods | 1,400 | 1,200 | 1,200 | 1,200 | -3.8% |
| Service Providing | 27,500 | 27,600 | 28,700 | 29,300 | 1.6% |
| Trade, Transportation and Utilities | 5,000 | 5,100 | 5,400 | 5,300 | 1.5% |
| Wholesale Trade | 700 | 700 | 700 | 600 | -3.8% |
| Retail Trade | 3,500 | 3,500 | 3,800 | 3,800 | 2.1% |
| Food and Beverage Stores | 1,000 | 1,000 | 1,000 | 1,000 | 0.0% |
| Miscellaneous Store Retailers | 2,500 | 2,600 | 2,800 | 2,800 | 2.9% |
| Transportation, Warehousing and Utilities | 800 | 800 | 900 | 1,000 | 5.7% |
| Information | 600 | 600 | 500 | 500 | -4.5% |
| Financial Activities | 800 | 800 | 900 | 800 | 0.0% |
| Professional and Business Services | 2,700 | 2,300 | 2,500 | 2,900 | 1.8% |
| Educational and Health Services | 5,500 | 5,600 | 5,800 | 5,700 | 0.9% |
| Educational Services | 100 | 100 | 100 | 200 | 18.9% |
| Health Care and Social Assistance | 5,400 | 5,500 | 5,600 | 5,500 | 0.5% |
| Health Care | 4,700 | 4,900 | 5,000 | 4,900 | 1.0% |
| Social Assistance | 700 | 600 | 700 | 600 | -3.8% |
| Leisure and Hospitality | 2,500 | 2,500 | 2,600 | 2,700 | 1.9% |
| Arts, Entertainment, and Recreation | 300 | 300 | 300 | 300 | 0.0% |
| Accommodation and Food Service | 2,200 | 2,200 | 2,300 | 2,400 | 2.2% |
| Other Services | 800 | 900 | 800 | 800 | 0.0% |
| Government | 9,700 | 9,900 | 10,200 | 10,500 | 2.0% |
| Federal Government | 300 | 400 | 500 | 500 | 13.6% |
| State and Local Government | 9,300 | 9,500 | 9,800 | 10,100 | 2.1% |
| State Government | 2,100 | 2,200 | 2,300 | 2,400 | 3.4% |
| Local Government | 7,300 | 7,300 | 7,500 | 7,700 | 1.3% |
| Local Government Education | 4,000 | 4,000 | 4,000 | 4,200 | 1.2% |
| County | 1,300 | 1,400 | 1,500 | 1,400 | 1.9% |
| City | 400 | 400 | 400 | 400 | 0.0% |
| Other Local Government | 1,600 | 1,600 | 1,600 | 1,700 | 1.5% |

Source: California Employment Development Department, www.labormarketinfo.edd.ca.gov.

Note: Sum of detail may not equal totals due to rounding or the exclusion of certain industries from publication.

## 2.4 Retail Sales

Retail sales from 2005 show a 16.5% increase over 2004. Strong growth was also experienced in 2003 and 2004. There was a decline in retail sales in 2001 of 2%. Average annual growth in retail sales between 2000 and 2005 was 8.3%.

Table 2.8

**Retail Sales in Madera County**

| Year | Retail Sales | Percent Change |
|---|---|---|
| 2000 | $880,970,000 | 6.3% |
| 2001 | $863,708,000 | -2.0% |
| 2002 | $916,103,000 | 6.1% |
| 2003 | $1,007,261,000 | 10.0% |
| 2004 | $1,125,134,000 | 11.7% |
| 2005 | $1,311,282,000 | 16.5% |

Source: California Employment Development Department, www.labormarketinfo.edd.ca.gov.

# Section 3: Alternative A -- Proposed

This scenario addresses the economic costs and benefits associated with developing a casino resort in Madera County. We assume the facility to be appropriately sized to maximize the potential of its gaming, lodging and retail functions. The casino is proposed to be a 500,000 square foot development. The development would include a 200-room hotel with 6,000-square-foot spa, retail space and banquet/meeting facilities. Food and beverage services would be provided through a 500-seat buffet, two sit-down restaurants, a five-tenant food court, coffee shop and two bars. Finally, the facility would have 4,500 parking spaces of which 2,000 would be in a parking structure.

Table 3.1

**Building Program**

| Element | Square Footage |
|---|---|
| Casino | 171,630 |
| Retail | 1,185 |
| Food and Beverage | 67,365 |
| Entertainment | 7,000 |
| Hotel | 207,680 |
| Spa | 16,850 |
| Central Plant | 21,300 |
| Total | 493,010 |

Source: Station Casinos.

The development would be located on a 305-acre site just north of the City of Madera in Madera County. It would be situated adjacent to State Route 99 and specifically bounded by Avenue 18, Golden State Boulevard and Road 23.

## 3.1 Development Impact on Population

The casino's effects on employment will come in both the construction and operational phases. The impacts of construction are only felt for the duration of construction spending so they are necessarily temporary. The operational effects are felt as long as the casino is in operation.

The effects are measured in three ways: direct employment, indirect employment and induced employment. Direct employment includes those employees who are directly employed at the facility either during construction or operation. Examples of direct employees would be construction foremen, blackjack dealers and casino managers.

Indirect employment includes those employees who provide services to the casino but are not directly employed by the casino. They are employed at least in part due to the casino but the casino does not cut their paychecks. These employees include the baker who provides bread to the casino restaurant or the wholesaler who provides doors for the facility. Generally, these jobs are categorized as those created from casino spending.

The third category is induced employment. This category includes all the other jobs that are created due to the ripple effect of all of this spending throughout the economy as a whole. Examples include the hair dresser who cuts the hair of an employee or the investment advisor who maintains a construction worker's individual portfolio. Generally, these jobs are categorized as those that are created through direct and indirect casino employment spending.

In order to measure these impacts, we used the Regional Input-Output Modeling System (RIMS II) produced by the Bureau of Economic Analysis, US Department of Commerce. When provided changes in output in a sector or sectors of the economy, the model estimates the direct, indirect and induced changes in the economy's output, employment and earnings. In other words, RIMS II takes changes in construction output (spending) and calculates the direct, indirect and induced impacts for the study area. In this study, Madera County is the study area.

For the operational employment impacts, we again used RIMS II. When provided changes in employment (e.g., increase or decrease in direct employment) in a sector or sectors of the economy, the model estimates the total employment (direct, indirect and induced) to be expected in all sectors.

### 3.1.1 Construction Employment

As discussed above, construction employment and spending is only temporary, but it can have substantial impacts on the economy. For Alternative A, the estimated construction spending will be almost $422 million. The following table details the projected spending.

Table 3.2

**Construction Costs**

| | |
|---|---|
| Design | $13,266,000 |
| General Construction | $285,264,328 |
| Soft Costs | $94,495,500 |
| Contingency | $28,929,765 |
| Total Project Cost* | $421,955,593 |

Source: Stations Casino, Inc.; The Innovation Group
Note: Soft costs include furniture, fixtures and equipment, financing fees, etc.
*Costs have been inflated from the 2005 figure to reflect increases in construction costs, labor costs, etc.

Based on the almost $422 million in spending for construction, RIMS II projects that the project will create 2,441 jobs. Although most of these jobs fall within the construction sector, these jobs are spread out over 21 different segments of the economy.

Table 3.3

**Construction Impact on Employment**

| Sector | Employment Impact (Jobs) |
|---|---|
| 1. Agriculture, Forestry, Fishing, & Hunting | 4.66 |
| 2. Mining | 10.82 |
| 3. Utilities | 1.14 |
| 4. Construction | 1,205.58 |
| 5. Manufacturing | 77.80 |
| 6. Wholesale Trade | 27.41 |
| 7. Retail Trade | 226.58 |
| 8. Transportation & Warehousing | 36.82 |
| 9. Information | 19.00 |
| 10. Finance & Insurance | 115.94 |
| 11. Real Estate & Rental & Leasing | 44.66 |
| 12. Professional, Scientific, & Technical Services | 176.21 |
| 13. Management of Companies & Enterprises | 30.48 |
| 14. Administrative & Waste Management Services | 41.38 |
| 15. Educational Services | 6.58 |
| 16. Health Care & Social Assistance | 82.72 |
| 17. Arts, Entertainment, & Recreation | 9.10 |
| 18. Accommodation & Food Services | 261.45 |
| 19. Other Services | 47.73 |
| 20. Households | 15.45 |
| 21. Total Employment | 2,441 |

Source: RIMS II, Bureau of Economic Analysis, Department of Commerce.

### *3.1.2 Operational Employment*

Operational employment includes those jobs that are generated from the operation of the casino. These impacts will last as long as the casino is in operation.

### Direct Employment

Direct employment includes all positions at the casino and hotel. Station Casinos anticipates that the facility will employ 1,291 full-time employees and 283 part-time employees or 1,461 full-time equivalents (FTEs).

### Indirect and Induced Employment

Indirect employment includes those jobs which provide support services to the casino but are not directly paid by the casino. Induced employment calculates the impacts of these direct and indirect jobs on the rest of the economy as spending by direct and indirect employees ripples through the economy. RIMS II projects that if the Alternative A development opens it will have the effect of creating 2,319 jobs in Madera County. Of those, 1,461 are the direct employees discussed above and 858 are indirect and induced jobs.

Table 3.4

**Operational Impact on Employment**

| Sector | Employment Impact (Jobs) |
|---|---|
| 1. Agriculture, Forestry, Fishing, & Hunting | 4.06 |
| 2. Mining | 0.23 |
| 3. Utilities | 0.88 |
| 4. Construction | 8.21 |
| 5. Manufacturing | 23.30 |
| 6. Wholesale Trade | 12.03 |
| 7. Retail Trade | 88.23 |
| 8. Transportation & Warehousing | 14.74 |
| 9. Information | 11.69 |
| 10. Finance & Insurance | 8.21 |
| 11. Real Estate & Rental & Leasing | 19.34 |
| 12. Professional, Scientific, & Technical Services | 9.96 |
| 13. Management of Companies & Enterprises | 20.75 |
| 14. Administrative & Waste Management Services | 18.14 |
| 15. Educational Services | 3.89 |
| 16. Health Care & Social Assistance | 48.65 |
| 17. Arts, Entertainment, & Recreation | 1,316.82 |
| 18. Accommodation & Food Services | 665.26 |
| 19. Other Services | 35.11 |
| 20. Households | 9.13 |
| 21. Total Employment | 2,319 |

Source: RIMS II, Bureau of Economic Analysis, Department of Commerce.

### *3.1.3 Population*

Given that the casino is projected to increase employment in Madera County by 2,441 temporary positions and 2,319 permanent positions, it is necessary to see how that increase in employed persons will affect the population as a whole. Increases in population create demand for County services which will affect the County's budget.

Currently, the population in Madera County is estimated to be 147,800 with a 2007 average unemployed population of 4,900 (see Economic and Demographic Data section above). With such a large unemployed population, the influx of new jobs to the area will alleviate some of the unemployment problem.

In order to determine the effects employment opportunities at the casino will have on the population, certain assumptions must be made. These assumptions are discussed below.

## Construction Employment Impact

It is not expected that the 2,441 temporary construction jobs will result in an increase in local population. Of the 1,206 construction jobs to be created, it is believed that those jobs that can be filled locally will be and those that cannot will be filled by individuals who will travel for the work as opposed to relocating. Typically, construction workers travel for employment opportunities during the week and then return home on the weekends. We expect the same to be true in this instance.

As for the 1,235 non-construction sector jobs, these positions are temporary as well. They are created by construction spending so that once construction is completed these positions will disappear. We project that many of these positions will be filled by already employed workers who are working overtime or are managing more than their current workload.

For these reasons, we do not expect that the population will show any impacts from the influx of temporary construction spending.

## Operations Employment Impact

The 2,319 permanent jobs are expected to result in increases in local population. It is believed that some portion of these jobs will be filled by individuals who will move into Madera County for employment. In order to project what percentage of people will move into the County, it must be determined what percentage of individuals who work at the casino will live in Madera County.

*Direct Employees*
Under the Memorandum of Understanding between Station Casinos and Madera County, the casino has agreed to make a good faith effort to ensure that 50% of its employees live in Madera County. The Chukchansi Casino, also in Madera County, had the same requirement when it opened in June 2003. The Chukchansi were able to meet this goal and, in fact, exceeded it. Of the approximately 1,600 employees at Chukchansi (in 2005), 65% live in Madera County.

Given the still large number of unemployed in Madera County and the experience at Chukchansi, it is believed that Station Casinos will have no problem meeting the 50% goal and the project will wind up with 65% of its employees being Madera County residents. Given this assumption, 950 of the 1,461 employees will be residents of Madera County.

It should be noted that the opening of the North Fork casino in Madera would have an impact on revenues, and hence employment, at Chukchansi Casino and Resort. The current number of employees at Chukchansi is unknown, as they may have hired more with their recent expansion, and the total current employment is a fluid number, $\Sigma$. The Innovation Group expects that the opening of the North Fork casino in Madera will result in a 15% to 20% reduction of employment at Chukchansi. Therefore some Madera County residents (in the range of $\Sigma \times 65\% \times 15\%$ to $\Sigma \times 65\% \times 20\%$) would no longer be employed at Chukchansi, but would easily find jobs at the proposed North Fork casino in Madera.

*Indirect and Induced Employees*
Some of the 858 indirect and induced employees will also potentially move into Madera County. According to US Census data from 2000, 26.5% of Madera County's employees commute from outside the County. That means that 73.5% of the jobs in Madera County are held by residents of the County. Assuming that this commute pattern will hold constant for the new casino employees, 631 of these new positions will be filled by Madera County residents.

*Employees to Move into Madera County*
Given the large number of unemployed residents in Madera County, we believe that the influx of new residents will be low. Internal reviews conducted by both the Madera Unified School District and the Department of Behavioral Health found no significant impact on these departments by the opening of the Chukchansi Casino in 2003. (Written copies of these analyses were not made available to authors of this report.) Given this experience and the large number of unemployed, we believe the number of people moving into the County for direct, indirect or induced employment opportunities will be low. To be conservative, we have estimated that 20% of the Madera County residents will be new residents although we believe this to be on the high side.

If 20% of the new employees who live in Madera County are new residents of Madera County, then the number of employees that move into the County would be 316. The 316 figure includes 20% of the 950 direct employees expected to live in the County and 20% of the 631 indirect and induced employees expected to live in the County.

**Table 3.5**

**Employees Who Move to Madera County**

| | |
|---|---|
| Direct | 190 |
| Indirect and Induced | 126 |
| Total | 316 |

## New Residents

If 316 new employees move into Madera County, these will not be the only new residents in the County who moved in because of the casino. These employees will in some cases bring families. To account for this, we calculated an employee per household ratio for Madera County. Given the 2007 average labor force of 64,400 and a 2007 household estimate of 42,900, there is a 1.5 ratio of laborers to households. To be conservative in our estimate of casino impacts on the County, we assumed that the ratio of new employees per household was 1.2. Then using 2000 Census data, we calculated the number of persons per household in Madera County. Applying this rate, we projected the number of new residents in Madera County.

**Table 3.6**

**New Residents in Madera County**

| | |
|---|---|
| New Employees Moving to Madera | 316 |
| Number of Employees per Household | 1.2 |
| Number of New Households | 263 |
| Number of Persons per Household | 3.18 |
| Number of New Residents | 836 |

Source: U.S. Census.

## City Versus County Residents

The table above projects that 836 residents will move into the County of Madera under this Alternative. Some of those residents will live in the unincorporated areas of Madera County while others will live in the Cities of Madera or Chowchilla. In order to measure the impacts of the development on Madera County and the City of Madera, it is necessary to determine where these new residents will live.

Table 3.7

**City of Madera Population Growth**

| | 2007 Estimate | 2012 Projection | Growth |
|---|---|---|---|
| City of Madera | 54,195 | 61,732 | 7,537 |
| County of Madera | 147,778 | 165,061 | 17,283 |
| Percent of Population in City | 37% | 37% | 44% |

Source: iXPRESS, Claritas, Inc.

According to the table above, 7,537 of the new 17,283 County residents are projected to move into the County will choose to reside in the City of Madera. In other words, the percentage of new County residents moving into the City is 44%. We would therefore assume that under normal circumstances 44% of the population moving into the County would move into the City of Madera.

But in this instance, we have information that suggests otherwise. Because the development is to be located next to the City of Madera, we project that the development-induced growth will not be typical. Due to the proximity of the development to the City of Madera, we project that a higher percentage of new County residents will move into the City. Conversations with City and County officials revealed estimates ranging from 50% to 75% for new county residents that would reside within the city. We project that 60% of the new residents will move into the City of Madera; therefore, it is projected that 502 of the new residents will live in the City of Madera.

Residents also have the option to live in the City of Chowchilla. According to the table below, 8% of the growth in County population is expected to live in the City of Chowchilla.

Table 3.8

**City of Chowchilla Population Growth**

| | 2007 Estimate | 2012 Projection | Growth |
|---|---|---|---|
| City of Chowchilla | 13,254 | 14,680 | 1,426 |
| County of Madera | 147,778 | 165,061 | 17,283 |
| Percent of Population in City | 9% | 9% | 8% |

Source: iXPRESS, Claritas, Inc.

We will assume this holds true for the growth projected due to the proposed development. Therefore, it is projected that 67 people will live in the City of Chowchilla. The rest of the population, 268 residents, will live in unincorporated portions of the County of Madera.

# 3.2 Cost of County Government Services

The following section provides information on how the casino and hotel will increase the cost of government service provision in the County. There are two main ways that it will impact government services. The first is through the demand for services that the development itself will create. The second is through the demand created by the new residents who will move to Madera County in order to work in the casino.

### 3.2.1 Casino Demand

The following section details the demand for services created by the casino itself. These services include fire, sheriff, emergency management and judicial services as well as road improvements and the need for more social service and mental health professionals.

*Fire Protection*
The demand for fire protection services is one of the greatest impacts of the development proposed in Alternative A. Developments such as a casino and hotel that attract large numbers of visitors tend to generate many calls for emergency services. As fire departments act as first respondents to all emergencies, not just fires, the demand for fire protection services increases significantly with a development of this type. According to the *Madera County Recommended Proposed Budget for the Fiscal Year Ending June 30, 2008*, the Coarsegold fire house (#13), which currently responds to the Chukchansi Casino, responded to 345 calls in 2004, 336 in 2005, and 303 in 2006. These calls were not all to the casino but a significant portion were.

The County currently contracts with the California Department of Forestry and Fire Protection (CDF) for fire services. The contract is for the unincorporated areas of the County; the cities of Madera and Chowchilla provide for their own fire protection. CDF currently maintains 16 stations; 45 vehicles including various capacities of fire engines, water tankers, squad units and a ladder truck; 21 career firefighters; 185 paid-call volunteers; and 6.5 full-time equivalent support staff for Madera County.

According to Deputy Chief Stan Craig, the standard goal for a fire department is to be able to respond to any location in its jurisdiction within 4 minutes. Obviously, this may not be possible under all circumstances especially for the residential units found in the remote areas of Madera County. Nonetheless, it is the fire department's goal to achieve this level of service for any new development in the County. Currently, however, there is no fire station that can provide this level of response to the Alternative A casino location. Any development in this area beyond the isolated residential unit would require the building of a fire station and purchase of a new fire truck in order to comply with this level of service goal.

Due to the elevated nature of the hotel building plan, the fire truck to be purchased would need to be an aerial apparatus in order to adequately protect the facility in the event of a fire. The County only owns one aerial apparatus which services the Chukchansi Casino located 36 miles away. The City of Madera has a smaller aerial apparatus, but it is about to be retired due to its restricted capabilities and old age. Neither would provide adequate coverage for the new hotel tower, and therefore the County would need to purchase a second aerial apparatus to provide protection for the facility. In addition to an aerial apparatus, the Deputy Chief recommends a Type I Fire Engine to meet service standards outlined in the new master plan for the department.

Capital costs for a new fire house are estimated to be between $1.2 and $2 million. The new aerial apparatus will cost approximately $1 million while the fire engine is estimated to cost $500,000.

Table 3.9

**Capital Costs for Fire Prevention**

| | |
|---|---|
| Fire House | $1.2-$2 million |
| Aerial Apparatus | $1 million |
| Type I Fire Engine | $500,000 |
| Total | $2.7 - $3.5 million |

Source: Interview with Stan Craig, Deputy Chief, Madera County Fire Department, June 4, 2008.

A County-wide Master Fire Plan is in the process of being developed and is expected to be completed in late 2008. Early recommendations include increasing staffing levels to meet national standards. These were specified in a comment letter submitted by Fire Chief Mikel Martin on March 28, 2008. For the aerial ladder apparatus, a staffing ratio of 1:1:2 is recommended for captains, engineers, and firefighters. For the Type I Fire Engine, a ratio of 1:1:1 is recommended. The department must hire 3 people to fill one 24-hour position 365 days per year. Therefore, a total of 21 FTEs is recommended.

In addition to full-time staff, a fire house needs volunteers to keep it running. The fire houses in Madera County average 12 volunteers per house. Costs to the County for the volunteers include membership fees in the California State Firemen's Association and equipment.

Table 3.10

**Fire Personnel Costs**

| | Units | Cost per Unit | Total |
|---|---|---|---|
| Fire Captains Salary & Benefits | 6 | $121,296 | $727,776 |
| Fire Engineers Salary & Benefits | 6 | $104,811 | $628,866 |
| Fire Fighters Salary & Benefits | 9 | $104,811 | $943,299 |
| Volunteer Memberships | 12 | $71 | $852 |
| Sets of Equipment | 33 | $1,400 | $46,200 |
| Total | | | $2,346,993 |

Source: *Recommended Proposed Budget for the Fiscal Year Ending June 30, 2008*, Madera County. Interview with Stan Craig, Deputy Chief, Madera County Fire Department, June 4, 2008.

It should be noted that the proposed staffing ratio is a significant increase over that recommended in the previous Socioeconomic Impact Assessment (2005). Therefore costs have increased to a level beyond that supported by the County MOU.

*Sheriff*

The need for law enforcement is also expected to increase when the casino resort opens. The Sheriff's Department currently employs 94 people of which 65 are sworn officers. The Department is responsible for the enforcement of State and County laws and prevention of crime and apprehension of criminals for all of the unincorporated areas of the County.

According to Sheriff John Anderson, the Department responds to 12-15 calls per month at the Chukchansi Casino. The department averages 8 cases per month when the officer actually has to do something once he/she arrives. The types of crime perpetrated include public drunkeness, petty theft (purse snatching), bad checks, identity theft, credit card fraud and car break-ins. In 2004, the Chukchansi Casino investigated one serious crime where an employee alleged that another employee raped her.

While it is assumed that the same sorts of criminal activity will occur at the North Fork facility as the Chukchansi Casino, it is presumed that the demand for law enforcement services will likely be greater at the proposed casino location. The increase is due to the proximity of the North Fork Casino to an area with much higher population density. The Chukchansi Casino is in an area of very low population for the County. The Chukchansi provide funding for 5 deputy sheriff positions as a result of the demand for services.

In order to combat this criminal activity, Sheriff John Anderson estimates that he will need to hire 5 deputies and ½ sergeants. It takes 5 people to fill one deputy sheriff position 24 hours/day for 365 days/year. The Department keeps a ratio of 1 sergeant for every 10 deputies which requires a ½ sergeant be hired. The following details the cost of adding these individuals to the force.

**Table 3.11**
**Sheriff Personnel Costs**

| | Sergeant (0.5) | Deputy Sheriff (5) | Total |
|---|---|---|---|
| Salary & Benefits | $78,316 | $61,031 | $344,313 |
| Equipment | $12,000 | $22,026 | $116,130 |
| Retirement | $28,264 | $12,000 | $74,132 |
| Health Insurance | $8,798 | $8,798 | $48,389 |
| Workers' Compensation Insurance | $8,480 | $8,480 | $46,640 |
| Uniform Allowance | $900 | $900 | $4,950 |
| Total | $136,758 | $113,235 | $634,554 |

Source: Interview with Sheriff John Anderson, Madera County Sheriff's Department, June 2, 2008.

*Emergency Medical Services*
While typically there are a significant number of calls for emergency medical services at a casino, emergency medical services or ambulance services are privately provided. The cost for those services is born by the individual who calls for service. According to Monte Pistoresi, owner of Pistoresi Ambulance which provides ambulatory services to Madera County (June 10, 2008 interview), the County has a contract with Pistoresi Ambulance for indigent care which pays the Medi-Cal rates for services. The cost of these calls is included in the Sheriff's budget and not separately outlined here. These costs have been accounted for on a per capita basis in Section 3.2.2 New Resident Demand.

*Judicial Services*
As crime increases so will the demands on the judicial system. The judicial system includes the District Attorney who prosecutes the crimes, the Public Defender who defends those accused who are indigent, the court that holds the trials and the grand jury that indicts the accused.

Discussions with the District Attorney in 2005 revealed that the DA's office did not see an increase in caseload with the opening of the Chukchansi Casino, but that they did see some cases that were more complex than most of their cases. Generally speaking, the crimes committed by casino clientele were not any different from their normal cases; they included crimes such as drunk in public, drunk driving and petty theft. Charges against employees, however, included both embezzlement and rape which are more complex crimes to prosecute. The embezzlement cases, in particular, required that attorneys study the casino's very complex security system in order to be able to understand it and present it to a jury.

While there may be some increase in demands on the District Attorneys' time, it does not appear that the demands from the Chukchansi Casino were such that they required the hiring of a new District Attorney. For these reasons, we do not believe that the District Attorney will need to hire a new attorney to handle the case load from the Station Casino.

*Department of Corrections*

Increased criminal activity will place an added burden on the Madera County Department of Corrections (MCDC). The County has one jail that was built to accommodate 316 inmates, but the facility routinely has a population well above that level. At the beginning of 2005, the facility housed 364 inmates with approximately 50 of them being women. In fiscal year 2005-2006, the average daily inmate population was 377. In 2006-2007, this number was at 396. The projection for 2007-2008 is 408. In fiscal year, 2006-2007 a project which added bed space and staffing to the current facility was completed. This is expected to accommodate the 408 inmates and only modest increases beyond that number. The current facility is at capacity.

The MCDC has received funding of $30 million authorized by State of California Senate Bill 900 to build a new facility. Architectural plans are being created and construction is expected to begin in late 2008 early 2009. The facility is expected to be finished in July 2010.

The inmates housed at this facility are there because they broke state law while in Madera County. They are either awaiting arraignment, being held on warrants or serving a sentence of less than one year. Those prisoners serving sentences over 1 year are transferred to a state facility.

Talks with the Sheriff indicate that calls to the Chukchansi Casino result in 2 arrests per month. The Sheriff believes that the arrest rate will be higher at the new casino because of its proximity to a more densely populated area; therefore we estimate that the new casino will create 3 arrests per month. The cost to house one inmate for one night is $59. This figure includes food, clothing, staff salaries, building, utilities, etc. The average stay is 23 nights. The following table details the added cost for the Department of Corrections for the additional burden created by the casino.

Table 3.12

**Correctional Facilities Costs**

| | |
|---|---|
| Number of Arrests per Year | 36 |
| Average Length of Stay (Nights) | 23 |
| Cost per Night | $59 |
| Total | $48,852 |

With 36 additional prisoners staying an average of 23 nights, the prison will have 828 additional cell nights filled. This is the equivalent of having an additional 2.3 prisoners in prison for a year. The additional burden of housing 2.3 prisoners a year could easily be accommodated by the new facility.

Note: There are two women's prisons in Madera County but these are State facilities and therefore not part of the County system.

*Behavioral Health Services*

The Madera County Behavioral Health Services (MCBHS) provides services which promote the prevention of and recovery from mental illness and substance abuse for residents of the County. According to the Director, Janice Melton, MCBHS had 43.5 licensed and pre-licensed counselors on staff in 2007 who served 5,180 clients during the same year. Mental illness services are provided by MCBHS only to the segment of the population within a lower income bracket while alcohol and drug counseling is provided for all income levels based on a sliding scale fee.

Clients rarely present the symptoms which the DSM-IV diagnoses as problem or pathological gambling alone and clients rarely approach MCBHS for help with gambling problems. Typically, problem gamblers present symptoms of a mental illness, such as depression, or a drug and alcohol problem. It is later determined they have a co-occurring gambling problem.

There are currently no local resources for problem gambling in the private sector in Madera County. The Director of MCBHS said in the last six months, 2-3 private sector counselors have contacted MCBHS for advice/resources on problem gambling.

The Memorandum of Understanding between the County and the Chukchansi does provide for money for the MCBHS. The MCBHS has used these funds to fund a prevention coordinator. Funding has also been used to update MCBHS's intake assessments to incorporate questions to identify problem gambling. Additionally, staff members are trained to identify symptoms of problem gambling.

The *2006 California Problem Gambling Prevalence Survey,* prepared for the state Office of Problem and Pathological Gambling, cites a meta-analysis of problem and pathological gambling studies (Shaffer et al., 1999). This analysis concludes that the prevalence rate of problem gambling has risen from 0.8% to 1.3% since 1993, when casino gambling was relatively rare. The increase from 0.8% to 1.3% is assumed to be attributed to the introduction of more casinos within communities. Thus it is assumed that the introduction of a large casino would increase the percentage of problem gamblers in the County by 0.5% or 531 persons.

According to Debby Estes, Assistant Director of Madera County Behavioral Health Services, between 10% and 20% of those problem gamers will seek professional help from either the County or private practitioners. That means 53 to 106 problem gamers will seek professional help in Madera County.

Table 3.13

**Number of Problem Gamblers in Madera County**

| | |
|---|---|
| 2007 Madera County Adult Population | 106,260 |
| Increase in prevalence rate | 0.50% |
| Incremental Problem Gamblers | 531 |
| Percent Seeking Professional Help | 10% to 20% |
| Number Seeking Professional Help | 53-106 |

Source: Interview with Janice Melton, Director, Madera County Behavioral Health Services, June 2, 2008. iXPRESS, Claritas, Inc.

To err on the side of overestimating the burden to the County, we have assumed that 20% of these problem gamers will seek professional treatment. Janice Melton, the Director of MCBHS expects that 80% of the people seeking professional treatment will do so with MCBHS due to the lack of resources for problem gambling elsewhere in the county. Under these assumptions, 85 Madera County residents would seek treatment with MCBHS.

Table 3.14

**Number of Treated Patients at MCBHS**

| | |
|---|---|
| Number Seeking Professional Help (20%) | 106 |
| Percent Treated at MCBHS | 80% |
| Number Treated at MCBHS | 85 |

In 2007, MCBHS treated 5,180 clients with 43.5 licensed counselors. Given this patient to counselor ratio and the additional 85 people seeking treatment for problem gaming in Madera County due to the introduction of the proposed casino, the following table shows the additional counselors to be hired.

Table 3.15

**Number of New Patients at MCBHS**

| | |
|---|---|
| Number of Patients Treated in 2007 | 5,180 |
| Number of Licensed Counselors | 43.5 |
| Additional Patients to be Treated at MCBHS | 85 |
| Additional Staff to be Hired | 0.7 |

Source: Interview with Mental Health Director Janice Melton, Madera County Behavioral Health Services, June 2, 2008.

The County would have to hire 0.7 FTE licensed counselors to treat the problem gamer population. The following table details the cost for 0.7 FTEs.

Table 3.16

**Behavioral Health Personnel Costs**

| | Cost per Unit | Total |
|---|---|---|
| Licensed Clinician Salary & Benefits (.7) | $66,158 | $47,228 |
| Retirement | $10,141 | $7,239 |
| Health Insurance | $6,496 | $4,637 |
| Workers' Compensation Insurance | $205 | $146 |
| Equipment | $6,101 | $4,355 |
| Total | $89,101 | $63,606 |

Source: Interview with Janice Melton, Director, Madera County Behavioral Health Services, June 2, 2008.

*Resource Management Agency*

The Resource Management Agency is a unified agency that brings together several different County departments: Roads, Planning, Environmental Health, Sanitation, Engineering, Building Inspection and Fire Marshall.

The only department expected to need any investment due to the demands of the casino would be the roads department. As the traffic engineer has not completed the roads study, the results of that study have not been included here. We will use the Memorandum of Agreement payment ($4.6 - $15.6 million adjusted by the CPI to $5.126-$17.384 million) as a substitute for road improvement costs.

*Schools*

There are ten school districts in Madera County. In the 2007-2008 school year, they ranged in size from 360 to 18,958 students per school district. The total student population in Madera County was 29,411 in 2007-2008. The Madera Unified School District (MUSD) is the largest of the school districts serving approximately 65% of the students in the county. MUSC includes the area where the proposed casino would be located and the City of Madera. As most of the impacts will be borne by MUSD because of its size and proximity to the proposed development, we have examined the impacts that this development will have on the district.

The MUSD is the third fastest growing school district in the state. Two years ago MUSD was on a 420-student growth model. Due to slowing of population growth, the District is now on a 125-150-student growth model. In 2007-2008 the student population was 18,958. Management does not believe this to be a permanent slowdown in growth. As soon as the economy picks up, the District is expected to return to higher student population growth rates.

After several years of high student population growth, MUSD residents passed two school bonds (in 2002 and 2006) which allowed the construction of four elementary schools, one middle school, one high school, as well as renovations at existing schools and purchase of land for a third high school. The opening of the fifth new school in August 2007 allowed the District to transition from a year-round calendar (which had been implemented because of capacity constraints and high population growth) to a traditional 9-month calendar.

Budget cuts have caused the district to close one school building for the upcoming school year. This school has a capacity for 635 students. Additionally, there are 30 vacant classrooms throughout MUSD facilities. Each classroom can accommodate an average of 25 students. In total, in the 2008-2009 school year the MUSD could potentially accommodate an additional 1,385 students.

The following table projects the number of new students the casino will generate for the county school system. The additional 175 student population could easily be absorbed by the MUSD according to their current capacity.

Table 3.17

**Number of New Students**

| | |
|---|---|
| New Population | 836 |
| Percentage of School Children in Madera Population | 20.9% |
| New School Population | 175 |

Source: iXPRESS, Claritas, Inc.

## 3.2.2 New Resident Demand

This section details the demand for increased governmental services created by the new residents in the County. These services include a much broader range of services and include everything from animal control to welfare support.

For those services that are uniquely offered by the County, we have assumed the entire County population will bear their cost. For services such as fire, sheriff, corrections and judicial where similar services are provided by the Cities of Madera and Chowchilla as well as County governments, we assumed that only those residents who live in the unincorporated areas of the County will bear these costs.

We assumed that 60% of the new County population will live in the City of Madera and 8% will live in the City of Chowchilla (See Section 3.1.3). The remaining 268 residents are projected to live in the unincorporated areas of the County.

*Administrative Services*

Administrative services include the cost of running the County's government as well as those costs not covered in any other section below. It includes the costs of the following departments: the County Board of Supervisors, library, animal control, human resources, information technology, insurance, tax collection, elections, contingency fund and other costs. With each additional resident of the County, these costs increase. The following table details the amount of spending per capita the County incurs for these services and what the cost of the new residents will be.

Table 3.18

**Cost of Administrative Services**

| | |
|---|---|
| 2007 Budget | $21,738,410 |
| 2007 Population | 147,778 |
| Per Capita Spending | $147.10 |
| Number of New Residents | 836 |
| Cost for New Residents | $122,977 |

Source: Recommended Proposed Budget for the Fiscal Year Ending June 30, 2008, Madera County. Interview with Stell Manfredi, Madera County Administrative Officer, June 2, 2008.

*Fire Protection*

The demand for fire protection services will increase as population increases in the unincorporated areas of Madera County. The following table demonstrates the expenditure per resident Madera County currently employs and the increase in spending required to maintain that level of service after the projected population increase.

Table 3.19

**Cost of Fire Services**

| | |
|---|---|
| 2007 Budget | $5,117,298 |
| 2007 Population | 147,778 |
| Per Capita Spending | $34.63 |
| Number of New Residents | 268 |
| Cost for New Residents | $9,280 |

Source: Recommended Proposed Budget for the Fiscal Year Ending June 30, 2008, Madera County. Interview with Stan Craig, Deputy Chief, Madera County Fire Department, June 4, 2008.

*Sheriff*

With an increase in population comes an increase in need for law enforcement. The following chart details the impact of the additional population and expected increase in crime prevention spending. Since the Cities of Madera and Chowchilla provide police protection, only the unincorporated residents are included in this analysis.

Table 3.20

**Cost of Sheriff Services**

| | |
|---|---|
| 2007 Budget | $12,169,175 |
| 2007 Population | 147,778 |
| Per Capita Spending | $82.35 |
| Number of New Residents | 268 |
| Cost for New Residents | $22,069 |

Source: Recommended Proposed Budget for the Fiscal Year Ending June 30, 2008, Madera County. Interview with Sheriff John Anderson, Madera County Sheriff's Department, June 2, 2008.

*Emergency Medical Services*
As discussed above, emergency medical services are generally paid by the individual being served and where the County bears the cost it is included in the sheriff's budget. Therefore, the analysis above includes a per capita analysis of the cost of emergency medical service provision.

*Judicial Services*
The following table demonstrates the additional costs that will be incurred to provide judicial services to the new population in the unincorporated areas of Madera County.

**Table 3.21**

**Cost of Judicial Services**

| | |
|---|---|
| 2007 Budget | $6,832,976 |
| 2007 Population | 147,778 |
| Per Capita Spending | $46.24 |
| Number of New Residents | 268 |
| Cost for New Residents | $12,392 |

Source: Recommended Proposed Budget for the Fiscal Year Ending June 30, 2008, Madera County.

*Department of Corrections*
The following table details the costs associated with providing prison services for additional residents. It includes both the adult prison discussed above as well as the juvenile detention facility and juvenile boot camp run by the County. As the Cities pay to use the County facility, only the unincorporated population is used here.

**Table 3.22**

**Cost of Correctional Services**

| | |
|---|---|
| 2007 Budget | $16,242,926 |
| 2007 Population | 147,778 |
| Per Capita Spending | $109.91 |
| Number of New Residents | 268 |
| Cost for New Residents | $29,457 |

Source: *Recommended Proposed Budget for the Fiscal Year Ending June 30, 2008*, Madera County.

*Behavioral Health Services*

The demand for behavioral health services will also increase with population. Most of the funding for this department is state or federal. County funds are cited in the table below (much of their funding comes from the state). Assuming the same rate of service provision, the cost of the increased population will be as follows. The Cities of Madera and Chowchilla do not provide similar services.

**Table 3.23**

**Cost of Behavioral Health Services**

| | |
|---|---|
| 2007 Budget | $14,101 |
| 2007 Population | 147,778 |
| Per Capita Spending | $0.10 |
| Number of New Residents | 836 |
| Cost for New Residents | $80 |

Source: Recommended Proposed Budget for the Fiscal Year Ending June 30, 2008, Madera County. Interview with Director Janice Melton, Madera County Behavioral Health Services, June 2, 2008.

*Social Services*

Due to the influx of new people to the County, the demand for social services will increase. Madera County provides numerous social services to its underprivileged citizens. The In-Home Supportive Services (IHSS) program provides aged, blind, disabled and low-income individuals with services that allow them to remain in their own homes as opposed to being institutionalized. The Veterans Services Office provides services to veterans and their dependents including handling property for those who have been adjudged incompetent.

The Department of Social Services Administration also administers various other programs. Funding under this department goes to the Temporary Assistance to Needy Families program, Fresno/Madera Area Agency on Aging, CalWORKS, economic development, the More Opportunities for Viable Employment project, foster care and others. Many of these departments focus on training and employee development.

Given the estimated population increase, the following table details the increased spending required by the County on an annual basis. The Cities of Madera and Chowchilla do not provide similar services.

**Table 3.24**

**Cost of Social Programs**

| | |
|---|---|
| 2007 Budget | $4,535,363 |
| 2007 Population | 147,778 |
| Per Capita Spending | $30.69 |
| Number of New Residents | 836 |
| Cost for New Residents | $25,657 |

Source: Recommended Proposed Budget for the Fiscal Year Ending June 30, 2008, Madera County.

*Resource Management Agency*
Each department (See Casino Demand Section for list) is expected to have increased demand for its services as population increases. The following details spending per capita for these services and the required increase in spending needed to maintain this level of spending.

Table 3.25

**Cost of Resource Management Services**

| | |
|---|---|
| 2007 Budget | $6,862,317 |
| 2007 Population | 147,778 |
| Per Capita Spending | $46.44 |
| Number of New Residents | 836 |
| Cost for New Residents | $38,821 |

Source: Recommended Proposed Budget for the Fiscal Year Ending June 30, 2008, Madera County.

*Schools*
As new residents move into the area, the County must increase its spending to support the school system. The following chart details the local spending per pupil currently found in the Madera Unified School District (MUSD). MUSD is one of ten school districts found in the County. As this is the largest school district and the one to bear the greatest impacts should the casino development go forward, we will assume that the per pupil spending in MUSD is similar to that in other school districts. The following table projects the new cost to the County based on the new student level after the casino is put in place.

Table 3.26

**Cost of Educational Services**

| | |
|---|---|
| 2007 Budget | $26,294,746 |
| 2007 Student Population | 18,958 |
| Per Capita Spending | $1,387.00 |
| Number of New Students | 175 |
| Cost for New Residents | $242,725 |

Source: Ed Data, California Department of Education http://www.ed-data.k12.ca.us

## 3.2.3 Total Cost

The total cost to the County of providing services to the casino and the new residents attracted by the casino includes both one-time capital development costs as well as annual payroll and service costs.

*Casino-Induced Costs*

Capital development costs include a fire station, fire truck and road improvements. These costs are estimated in the table below.

**Table 3.27**

**Estimate of Casino-Induced Capital Costs**

| | |
|---|---|
| Fire Protection[1] | $3,100,000 |
| Roads | $5.126-$17.384 million |
| Total | $8.22 - $17.38 million |

[1]The estimate for a new fire house is between $1.2 and $2 million. An average cost of $1.6 million is used here.

In addition to capital costs, the casino is also creating the need for more personnel in some departments. It should be noted that the proposed staffing ratio for fire protection is a significant increase over that recommended in the previous Socioeconomic Impact Assessment (2005). Therefore costs have increased to a level beyond that supported by the County MOU. These costs are annual and detailed below.

**Table 3.28**

**Estimate of Casino-Induced Annual Costs**

| | |
|---|---|
| Fire Protection | $2,346,993 |
| Sheriff | $634,554 |
| Department of Corrections | $48,852 |
| Behavioral Health Services | $63,606 |
| Total | $3,094,005 |

*New Resident-Induced Costs*

The costs created by new residents are annual in nature. They are detailed below.

**Table 3.29**

**Estimate of New Resident-Induced Annual Costs**

| | |
|---|---|
| Administrative Services | $122,977 |
| Fire Protection | $9,280 |
| Sheriff | $22,069 |
| Judicial Services | $12,392 |
| Department of Corrections | $29,457 |
| Behavioral Health Services | $80 |
| Social Services | $25,657 |
| Resources Management Agency | $38,821 |
| Schools | $242,725 |
| Total | $503,459 |

### 3.2.4 Impact from County Visitors

In Madera County, at any time, there are a number of visitors as well as itinerant construction workers. The public services for these visitors and workers are not unusual for any governmental entity to provide on a continuing basis; and the costs related to them are included in the budgets of the various divisions of government. With an increase in population due to the new casino, we have increased the cost of certain governmental services on a per capita basis as shown above. The per capita costs include the costs of servicing visitors and itinerants. Thus no separate allowance is made for these persons in terms of most government operations. The impacts of the visitors, however, are directly accounted for in the additional capital costs related to fire protection and roads as well operational costs the following departments: Fire Protection, Sheriff, Judicial Services and Department of Corrections.

## 3.3 County Revenue from Casino

There are two main sources of revenue the County can expect from the casino: payments under the Memorandum of Understanding between the County and the North Fork Rancheria Tribe and tax revenue.

### 3.3.1 Memorandum of Understanding Revenue

The Memorandum of Understanding with the County was signed August 16, 2004. Among other things, the agreement requires payments to be made to the County by the casino. This section details those payments.

### Non-Recurring Payments

Non-recurring payments are those payments that are made only once by the Tribe in order to mitigate potential impacts created by the casino.

*Public Safety Resources Contribution*
Money for public safety is to be used for an emergency response facility to be located within 5 minutes response time to the casino. The total value of this payment is $1,915,000.

*Transportation Resources Contribution*
This contribution will be between $4 and $15 million depending on the results of a traffic study. The monies will go toward mitigating impacts to traffic and other transportation resources. This money is only allotted for improvements on those roads owned by the County.

*Road Contribution Consistent with County Ordinances*
This contribution is in lieu of road impact fees and is to be used to mitigate the impacts to the County's roads. It is $600,000.

*Recreation Contribution*
To be used for expenditures related to Courthouse Park and the Ahwahnee property, the Tribe will make a one-time payment of $200,000.

*School Contribution*
In lieu of school impact fees, the Tribe will pay $150,000 for impacts to the Madera Unified School District.

*County Legal Fees Reimbursement*
The Tribe will also reimburse the County for the cost of its legal fees associated with the negotiation of the Memorandum of Understanding. This reimbursement is up to $50,000.

The non-recurring payments (with the exception of the county legal fees) are subject to the CPI Adjustment as of July 1, 2005 and each July 1 thereafter. This is equal to the percentage change in the U.S. Department of Labor's Consumer Price Index for all Urban Consumers (CPI-U), U.S. city average for all items, for the previous May to May period, rounded to the nearest thousand dollars. Recurring payments are also adjusted annually, but only after the opening of the casino. The CPI index is shown in the table below.

**Table 3.30**
**CPI - All Urban Consumers**

| Year | May (Index 1982-1984 = 100) | % Change |
|---|---|---|
| 2005 | 194.40 | |
| 2006 | 202.50 | 4.17% |
| 2007 | 207.95 | 2.69% |
| 2008 | 216.63 | 4.18% |
| 2005-2008 | | 11.44% |

Source: US Department of Labor, Bureau of Labor Statistics

## Recurring Payments

Recurring payments have been established to occur yearly for the 20-year duration of the Memorandum of Understanding. The following section details these recurring payments.

*North Fork Rancheria Charitable Foundation Contribution*
The Tribe is to establish this charitable foundation no later than 30 days after construction commences. The Foundation will focus on negating social impacts from the casino development or serving the community generally. Possible recipients include youth programs, senior centers, parks services, recreation department, service clubs or other activities. The donation will be $200,000 annually although it is not under the control of the County.

*North Fork Rancheria Economic Development Foundation*
This nonprofit corporation is again to be established by the Tribe within 30 days of beginning construction. The focus of the Foundation is to mitigate the impacts of the development or serve the community. The donation is $250,000 annually. This contribution is not under the control of the County.

*North Fork Rancheria Educational Foundation*

The money from this nonprofit corporation will go to supplement the instructional programs of the local school districts or support work force development and training programs. The annual contribution of $400,000 is not under the control of the County.

*North Fork Unincorporated Area Foundation*
This $250,000 donation is to be used for community development, education, beautification, infrastructure, parks/recreation, business relations/development/attraction and assistance to other nonprofit organizations. This contribution is not under County control.

*County Services Contributions*
The following contributions will be made directly to the County with the purpose of limiting the impacts of the development on the community. These include $250,000 for workforce programs or neighborhood housing; $415,000 for the salaries of ½ sheriff sergeant and 5 sheriff deputies; $1.2 million for the salaries of 3 fire captains and 6 fire engineers; $50,000 to the Behavioral Health Department for alcohol education and treatment and prevention of problem gambling; $70,000 for maintenance, operation and preservation of open space within Courthouse Park and the Ahwahnee property; $100,000 for additional public safety support and administrative positions; and $500,000 for the public facilities budget.

## Total Payments

The following table details all of the payments agreed to in the Memorandum of Understanding.

Table 3.31

**Memorandum of Agreement Revenue**

| | | With CPI Adjustment on July 1, 2008 |
|---|---|---|
| Non-Recurring Contributions | | |
| Public Safety Resources Contribution | $1,915,000 | $2,134,000 |
| Transportation Resources Contribution | $4-$15 million | $4.457 - $16.715 million |
| Road Contribution Consistent with County Ordinance | $600,000 | $669,000 |
| Recreation Contribution | $200,000 | $223,000 |
| School Contribution | $150,000 | $167,000 |
| Legal Fees Reimbursement | $50,000 | $50,000 |
| Subtotal | $6,915,000 - $17,915,000 | $7,700,000 - $19,958,000 |
| Recurring Contributions | | |
| North Fork Rancheria Charitable Foundation Contribution[1] | $200,000 | |
| North Fork Rancheria Economic Development Foundation[1] | $250,000 | |
| North Fork Rancheria Educational Foundation[1] | $400,000 | |
| North Fork Unincorporated Area Foundation[1] | $250,000 | |
| County Services Contributions | | |
| Workforce or Housing programs | $250,000 | |
| Police | $415,000 | |
| Fire | $1,200,000 | |
| Behavioral Health | $50,000 | |
| Open Space/Parks | $70,000 | |
| Public Safety Support | $100,000 | |
| Public Facilities Budget | $500,000 | |
| City of Madera[1] | $250,000 | |
| City of Chowchilla[1] | $100,000 | |
| Subtotal | $4,035,000 | |

Source: Memorandum of Understanding between Madera County and the North Fork Rancheria of Mono Indians of California, signed August 16th, 2004.

[1]This contribution is not under the control of Madera County.

CPI Adjustment only applicable to non-recurring contributions (excluding legal fees) prior to opening of casino.

It should be noted that Madera County imposes an impact fee on new developments at the time of permitting. These fees support County government services. The impact fee in 2007-2008 for a single family unit is $4,342 and for a multi-family unit is $3,749. We have estimated that 263 new households will move to Madera County. Based on the average of these fees and the fact the each household would occupy a housing unit which at one point paid the fee, the County would collect, at most, $1,063,967 from these households. This is an upperbound estimate which assumes that all 263 families would occupy new homes. In reality, some would occupy older homes or apartments for which an impact fee was paid in the past.

County Impact fees are also applied to commercial non-residential structures. Based on a fee of $775 per 1,000 square foot, the proposed casino – if it were to pay an impact fee – would generate a one-time impact fee of $382,083.

The annually-recurring MOU provision for county services, which totals $2,585,000, far exceeds the one-time county impact fee amount of $1,446,050 that would be potentially collected from an analogous development of similar size which would require the same number of families to move to the County.

### 3.3.2 Tax Revenue

Because of the sovereign status of the North Fork Rancheria, the casino will pay fewer taxes than a development of this size would normally pay. The following sections present information on the taxes that will be lost due to the placement of the property into trust and the taxes generated from the new residents to the area.

## Property Tax

The following section calculates the lost and gained taxes from the casino opening.

*Casino Property Tax*
The casino opening would normally create a windfall for the locality in terms of property taxes, but the special circumstances surrounding this development prevent that from happening. Because the owner/operator of the development is a Native American Indian Tribe, the property will go through a process by which it is placed into trust. By placing the land in trust, it is no longer subject to property taxes; therefore, the tax calculations below represent the loss in taxes that will occur when the casino land is placed into trust. Taxes on the property are approximately $12,600.

**Table 3.32**
**Property Tax**

| Parcel Number | Acreage | Assessed Value | | | Property Tax* |
|---|---|---|---|---|---|
| | | Land | Structure | Total | |
| 033-030-010 | 36.01 | $117,099 | $0 | $117,099 | $1,246 |
| 033-030-011 | 40.66 | $134,086 | $14,568 | $148,654 | $1,582 |
| 033-030-012 | 38.26 | $126,276 | $21,943 | $148,219 | $1,577 |
| 033-030-013 | 42.23 | $140,408 | $17,047 | $157,455 | $1,675 |
| 033-030-014 | 38.92 | $128,427 | $114,850 | $243,277 | $2,588 |
| 033-030-015 | 56.44 | $183,529 | $10,897 | $194,426 | $2,069 |
| 033-030-017 | 52.97 | $171,842 | $2,897 | $174,739 | $1,859 |
| Total | 305.49 | $1,001,667 | $182,202 | $1,183,869 | $12,596 |

*The property tax rate is estimated at 1.1%. The exact tax rate of any given year cannot be definitively projected.

Source: First American Title, 2003; Analytical Environmental Sciences, 2004; Madera County Assessor's Office, 2008.

*New Resident Property Tax*
Private property remains taxable; therefore, any new housing stock built due to the opening of the casino would increase property tax revenue for the County. Our analysis indicates that more than enough housing stock is constructed and vacant or currently under development to serve the

new residents of the County (See Section 7: Land Development Pattern). Because no new housing is expected to be built due to the movement of new residents into the area, the casino development is not expected to increase property tax revenue for the County.

## Sales and Use Tax

The County sales and use tax was calculated using RIMS II. By inputting changes to the output in a sector or sectors of the economy, RIMS II estimates the direct, indirect and induced changes to output in all sectors of the economy. The following table details the output in terms of dollars spent in the retail sector and the sales and use tax associated with that spending for both the one-time construction spending and the recurring operations spending. Currently, a 0.5% sales tax provides revenue to the locality. The rest of the 7.75% in sales tax charged goes to the state.

**Table 3.33**

**Sales and Use Tax Revenue**

| | |
|---|---|
| Retail Sector Output for Construction Spending (one-time) | $26,177,953 |
| Retail Sector Output for Operational Spending (annual) | $8,864,319 |
| Sales Tax Rate for Madera County | 0.50% |
| Sales Tax on Construction Spending (one-time) | $130,890 |
| Sales Tax on Operational Spending (annual) | $44,322 |

Source: California State Board of Equalization

## Hotel Tax

Increased hotel and motel tax revenue would be seen because of the additional visitors coming into Madera County in order to enjoy the casino. The new development itself would not contribute to the tax rolls because of its sovereign status; therefore, no hotel tax would apply to the hotel guests staying at the casino hotel.

It is projected that some guests will visit Madera for the primary purpose of gaming but not stay at either of the two gaming hotels. In this instance, any hotel taxes derived from their visit would be added revenue for the County. The measurement of these visitors is too tenuous and speculative and therefore calculations have not been attempted.

## *3.3.3 Total Revenue*

The following table details the total revenue expected to be generated by the casino on both an annual and one-time basis.

Table 3.34

**Total Revenue Attributed to Casino**

| | |
|---|---|
| **One-Time Payments** | |
| Memorandum of Understanding | $7,700,000 - $19,958,000 |
| Sales and Use Tax | $130,890 |
| Total | $7.83 - $20.09 million |
| **Annual Revenue** | |
| Memorandum of Understanding[1] | $2,585,000 |
| Property Tax | ($12,596) |
| Sales and Use Tax | $44,322 |
| Total | $2,616,726 |

[1]Those MOU payments earmarked for charitable foundations are not included here as these funds are not under the control of the County.

# 3.4 Cost Versus Revenue

This section provides a comparison of the costs and revenues estimated as a result of the new casino. The first table compares one-time costs and revenue while the second table compares annual costs and revenue. The primary gap between costs and revenues reflects increased cost assumptions related to Fire Protection. A revision to the MOU to allow for recommended protection levels would provide for a closer balance.

Table 3.35

**Comparison of One-Time Costs and Revenues**

| Spending Category | Cost | Revenue* |
|---|---|---|
| Fire Protection[1,2] | $3,100,000 | $2,134,000 |
| Roads[3] | $5.126-$17.384 million | $5.126-$17.384 million |
| Recreation[4] | $223,000 | $223,000 |
| Schools/Sales and Use Tax[4,5] | $167,000 | $297,890 |
| Legal Fees[4] | $50,000 | $50,000 |
| Total | $8.66 - $20.92 million | $7.83 - $20.09 million |

[1]The estimate for a new fire house is between $1.2 and $2 million. An average cost of $1.6 million is used here.

[2]The difference between cost and revenue for fire protection is $966,000. Annual debt service at 4.25% for 30 years is $57,572, including coverage. Covered by annual $1.2 million MOU payment for fire protection.

[3]At the completion of this report, the road study had not been completed; therefore the total cost of road improvements is only estimated based on the MOU contribution.

[4]The MOU calls for a contribution of this amount and it is assumed the County will use the entire amount.

[5]Cost is from Schools. Revenue is from Sales Tax and MOU contribution.

*CPI adjustments are made to MOU contributions through July 1, 2008.

Table 3.36

## Comparison of Annual Costs and Revenues

| Spending Category | Cost | Revenue |
|---|---|---|
| Administrative Services[1] | $122,977 | $570,000 |
| Fire Protection[1,4] | $2,356,273 | $1,142,428 |
| Sheriff[1,6] | $656,623 | $515,000 |
| Judicial Services | $12,392 | [2] |
| Department of Corrections | $78,309 | [2] |
| Behavioral Health Services[1] | $63,686 | $50,000 |
| Social Services[1] | $25,657 | $250,000 |
| Resources Management Agency | $38,821 | [2] |
| Schools/Sales and Use Tax[3] | $242,725 | $44,322 |
| Property Tax | $0 | ($12,596) |
| County Payments to Cities[5] | $350,000 | $350,000 |
| Total | $3,947,464 | $2,909,154 |

Costs include Casino-Induced and Resident-Induced Demand.

[1]MOU Payment

[2]Covered in excess of $570,000 MOU payment above.

[3]Cost is from Schools. Revenue is from Sales Tax.

[4]Annual Debt Service for fire protection capital costs has been subtracted from MOU revenue.

[5]The MOU calls for a $250,000 payment to the City of Madera and $100,000 payment to the City of Chowchilla.

[6]Sheriff revenue includes $415,000 payment to the sheriff's office from the MOU and $100,000 for Public Safety Support from the MOU.

# Section 4: Alternative B -- Reduced Intensity

In contrast to Alternative A, this alternative has 20% less gaming space for a total of 128,080 square feet dedicated to the casino portion of the development. The development does not include a hotel, but it does have a gift shop, buffet, 2 bars, a coffee shop, a steakhouse and a 5-tenant food court. The entertainment space would be equal to that in Alternative A, but parking would be reduced to 3,200 spaces.

Table 4.1

**Building Program**

| Element | Square Footage |
|---|---|
| Casino | 128,080 |
| Retail | 1,185 |
| Food and Beverage | 53,725 |
| Entertainment | 7,000 |
| Central Plant | 9,000 |
| Total | 198,990 |

Source: Station Casinos.

## 4.1 Development Impact on Population

As described above, we used the RIMS II model to predict the direct, indirect and induced employment created by this alternative.

### *4.1.1 Construction Employment*

For this alternative, the projected construction spending will be almost $256 million. Construction will create 1,159 direct employees and 643 indirect and induced employees for a total of 1,802 employees. The following table details the projected construction employment.

Table 4.2

**Construction Impact on Employment**

| Sector | Employment Impact (Jobs) |
|---|---|
| 1. Agriculture, Forestry, Fishing, & Hunting | 3.64 |
| 2. Mining | 10.39 |
| 3. Utilities | 0.83 |
| 4. Construction | 1,163.46 |
| 5. Manufacturing | 69.33 |
| 6. Wholesale Trade | 23.55 |
| 7. Retail Trade | 192.93 |
| 8. Transportation & Warehousing | 30.05 |
| 9. Information | 14.19 |
| 10. Finance & Insurance | 11.84 |
| 11. Real Estate & Rental & Leasing | 15.00 |
| 12. Professional, Scientific, & Technical Services | 30.36 |
| 13. Management of Companies & Enterprises | 23.43 |
| 14. Administrative & Waste Management Services | 28.46 |
| 15. Educational Services | 4.83 |
| 16. Health Care & Social Assistance | 60.89 |
| 17. Arts, Entertainment, & Recreation | 6.54 |
| 18. Accommodation & Food Services | 66.03 |
| 19. Other Services | 34.50 |
| 20. Households | 11.31 |
| 21. Total Employment | 1,802 |

Source: RIMS II, Bureau of Economic Analysis, Department of Commerce.

### *4.1.2 Operational Employment*

Operational employment includes those jobs that are generated from the operation of the casino. These impacts will last as long as the casino is in operation.

### Direct Employment

Direct employment includes all positions at the casino and hotel. Station Casinos anticipates that the facility will employ 879 full-time employees and 139 part-time employees or 962 full-time equivalents (FTEs).

### Indirect and Induced Employment

Indirect employment includes those jobs which provide support services to the casino but are not directly paid by the casino. Induced employment includes those jobs created by the spending of direct employees. RIMS II projects that if Alternative B is operational it will have the effect of creating 1,485 jobs in Madera County. Of those, 962 are the direct employees discussed above and 523 are indirect and induced jobs.

Table 4.3

**Operational Impact on Employment**

| Sector | Employment Impact (Jobs) |
|---|---|
| 1. Agriculture, Forestry, Fishing, & Hunting | 2.72 |
| 2. Mining | 0.15 |
| 3. Utilities | 0.55 |
| 4. Construction | 5.16 |
| 5. Manufacturing | 15.12 |
| 6. Wholesale Trade | 7.86 |
| 7. Retail Trade | 58.26 |
| 8. Transportation & Warehousing | 9.34 |
| 9. Information | 7.08 |
| 10. Finance & Insurance | 5.24 |
| 11. Real Estate & Rental & Leasing | 12.30 |
| 12. Professional, Scientific, & Technical Services | 6.36 |
| 13. Management of Companies & Enterprises | 12.57 |
| 14. Administrative & Waste Management Services | 11.30 |
| 15. Educational Services | 2.47 |
| 16. Health Care & Social Assistance | 30.88 |
| 17. Arts, Entertainment, & Recreation | 879.61 |
| 18. Accommodation & Food Services | 388.82 |
| 19. Other Services | 23.04 |
| 20. Households | 5.80 |
| 21. Total Employment | 1,485 |

Source: RIMS II, Bureau of Economic Analysis, Department of Commerce.

### *4.1.3 Population*

This section provides information on how those new employees will affect population growth.

## Construction Employment Impact

Similar to Alternative A, it is not expected that the 1,802 temporary construction jobs will have a significant impact on the local population. Construction is temporary and therefore the jobs created as a result of construction spending are temporary as well. We do not project that there will be any population changes due to construction spending.

## Operations Employment Impact

The almost 1,500 permanent jobs are expected to have an impact on population however. It is believed that some portion of those jobs will be filled by individuals who will move into Madera County for employment. In order to project what percentage of people will move into the County, it must be determined what percentage of individuals who work at the casino will live in Madera County.

*Direct Employees*
As with Alternative A, it is believed under this scenario that the casino will have about 65% of its employees living in Madera County. Given this assumption, 625 of the 962 employees will be residents of Madera County.

As with Alternative A, it is projected that the number of new employees who will actually move into Madera County will be low. Again we project that up to 20% of the employees will move in from other areas and will use 20% in an attempt to be conservative in calculating the impact the casino will have on the County. If 20% of the direct employees move in from elsewhere, then the number moving into Madera County would be 125.

**Table 4.4**

**Employees who Live in Madera County**

| | |
|---|---|
| Total New Employees | 962 |
| Percentage of Employees who will live in County | 65% |
| Number of Employees who will live in County | 625 |
| Percent of Employees who will Move in from Elsewhere | 20% |
| Number of New Resident Employees in Madera County | 125 |

*Indirect and Induced Employees*
Some of the 523 indirect and induced employees will also potentially move into Madera County. Applying the same commuting ratio (73.5%) as in Alternative A, the casino would yield a Madera County resident pool of 384.

If 20% of the new employees who live in Madera County are new residents of Madera County, then the number of indirect and induced employees that move into the County would be 77.

*Total Employees*
The total number of employees projected to move into Madera County is 202.

**Table 4.5**

**Employees who Move into Madera County**

| | |
|---|---|
| Direct | 125 |
| Indirect and Induced | 77 |
| Total | 202 |

## New Residents

If 202 new employees move into Madera County, these will not be the only new residents in the County who moved in because of the casino. These employees will in some cases bring families. The following table provides the calculations performed to arrive at a new resident total.

Table 4.6

**New Residents in Madera County**

| | |
|---|---|
| New Employees Moving to Madera | 202 |
| Number of Employees per Household | 1.2 |
| Number of New Households | 168 |
| Number of Persons per Household | 3.18 |
| Number of New Residents | 534 |

Source: U.S. Census.

As in Alternative A, we will assume that 60% the new population or 320 residents will live in the City of Madera and 8% or 43 residents will live in the City of Chowchilla. This leaves a population of 171 in the unincorporated areas of Madera County.

# 4.2 Cost of Government Services

The following section provides information on how the new casino will increase the cost of government service provision.

## *4.2.1 Casino Demand*

The new casino will create demands for services just as Alternative A did. These demands will not be as great as with Alternative A because of its smaller size.

*Fire Protection*

The casino will demand fire protection from the County but the costs for these services will be slightly lower than in Alternative A. According to Deputy Chief Stan Craig, Alternative B would still require a new fire station and that cost is estimated to be $1.2 to $2 million. The new fire engine will not need to be an aerial apparatus as there is no hotel tower component in this alternative. A Type I fire engine costs half of what an aerial apparatus does. Capital costs for fire protection of the casino are listed below.

Table 4.7

**Capital Costs for Fire Prevention**

| | |
|---|---|
| Fire House | $1.2 - $2 million |
| Type I Fire Engine | $500,000 |
| Total | $1.7 - 2.5 million |

Source: Interview with Stan Craig, Deputy Chief, Madera County Fire Department, June 4, 2008.

The new fire station and engine will require fire engineers. Because the truck will not be an aerial apparatus, the staffing needs of the station will decrease relative to Alternative A. In order to reach national standards, the Deputy Chief recommends a staff ratio of 1:1:1 for captain, engineer, and firefighter. The County has a goal of filling 3 fire fighter positions per station which requires 9 persons to be hired. The station will also recruit 12 volunteers to assist with fires. These costs are detailed below.

Table 4.8

**Fire Personnel Costs**

| | Units | Cost per Unit | Total |
|---|---|---|---|
| Fire Captains Salary & Benefits | 3 | $121,296 | $363,888 |
| Fire Engineers Salary & Benefits | 3 | $104,811 | $314,433 |
| Fire Fighters Salary & Benefits | 3 | $104,811 | $314,433 |
| Volunteer Memberships | 12 | $71 | $852 |
| Sets of Equipment | 21 | $1,400 | $29,400 |
| Total | | | $1,023,006 |

Source: *Recommended Proposed Budget for the Fiscal Year Ending June 30, 2008*, Madera County. Interview with Stan Craig, Deputy Chief, Madera County Fire Department, June 4, 2008.

*Sheriff*

The Sheriff's department can still be expected to see an increase in call volume with a new casino in town. We estimate that the demands for sheriff services will be the same as in Alternative A as it is located near a higher population area and is not substantially smaller in size. One position requires 5 sheriff deputies to fill and for every 10 deputies there is a sheriff's sergeant to oversee them. The following details the cost of filling both the 5 deputy positions and a half-time sergeant position.

Table 4.9

**Sheriff Personnel Costs**

| | Sergeant | Deputy | Total |
|---|---|---|---|
| Salary & Benefits | $78,316 | $61,031 | $344,313 |
| Equipment | $12,000 | $22,026 | $116,130 |
| Retirement | $28,264 | $12,000 | $74,132 |
| Health Insurance | $8,798 | $8,798 | $48,389 |
| Workers' Compensation Insurance | $8,480 | $8,480 | $46,640 |
| Uniform Allowance | $900 | $900 | $4,950 |
| Total | $136,758 | $113,235 | $634,554 |

Source: Interview with Sheriff John Anderson, Madera County Sheriff's Department, June 2, 2008.

*Judicial Services*

The level of criminal activity would be lower at the smaller facility than at the larger one in Alternative A so that we project even less work to be generated for the District Attorney's Office. As such, there will be no measurable impact to the District Attorney's Office.

*Department of Corrections*

As with Alternative A, we assume there will be 3 arrests per month at this facility.

Table 4.10

**Correctional Facilities Costs**

| | |
|---|---|
| Number of Arrests per Year | 36 |
| Average Length of Stay (Nights) | 23 |
| Cost per Night | $59 |
| Total | $48,852 |

*Behavioral Health*

As the number of problem gamers in the County is based on the number of adults in the population, the number of new licensed counselors (0.7) remains the same as in Alternative A.

Table 4.11

**Behavioral Health Personnel Costs**

| | Cost per Unit | Total |
|---|---|---|
| Licensed Clinician Salary & Benefits (0.7) | $66,158 | $47,228 |
| Retirement | $10,141 | $7,239 |
| Health Insurance | $6,496 | $4,637 |
| Workers' Compensation Insurance | $205 | $146 |
| Equipment | $6,101 | $4,355 |
| Total | $89,101 | $63,606 |

Source: Interview with Janice Melton, Director, Madera County Behavioral Health Services, June 2, 2008.

*Roads*

As the road study is not yet completed, we are estimating the cost of road improvements to be between $3.68 and $12.48 million. This figure is based on the MOU negotiated for Alternative A but has been adjusted to reflect the smaller size of this facility as compared to Alternative A.

*Schools*

The new population in Madera will generate a greater population in Madera County schools. The following table details the number of new students.

Table 4.12

**Number of New Students**

| | |
|---|---|
| New Population | 534 |
| Percentage of School Children in Madera Population | 20.9% |
| New School Population | 112 |

Source: U.S. Census.

As with Alternative A, the school system has sufficient capacity to accommodate these new pupils.

## *4.2.2 Total Cost*

The total cost to the County of providing services to the casino and the new residents attracted by the casino includes both one-time capital development costs as well as annual payroll and service costs.

*Casino-Induced Costs*

The following details the cost of capital improvements to the County of the new development.

**Table 4.13**

**Estimate of Casino-Induced Capital Costs**

| | |
|---|---|
| Fire Protection[1] | $2,100,000 |
| Roads | $4.1 - $13.9 million |
| Total | $6.2 - $16 million |

[1]The estimate for a new fire house is between $1.2 and $2 million. An average cost of $1.6 million is used here.

In addition to one-time costs, the casino will be associated with annual increases in costs.

**Table 4.14**

**Estimate of Casino-Induced Annual Costs**

| | |
|---|---|
| Fire Protection | $1,023,006 |
| Sheriff | $634,554 |
| Department of Corrections | $48,852 |
| Behavioral Health | $63,606 |
| Total | $1,770,018 |

*New Resident-Induced Costs*

Using the same per resident formulas as in Alternative A, we calculated the expenditures for the new residents in the County.

**Table 4.15**

**Estimate of New Resident-Induced Annual Costs**

| | |
|---|---|
| Administrative Services | $78,552 |
| Fire Protection | $5,917 |
| Sheriff | $14,072 |
| Judicial Services | $7,901 |
| Department of Corrections | $18,782 |
| Behavioral Health Services | $51 |
| Social Services | $16,389 |
| Resources Management Agency | $24,797 |
| Schools | $169,478 |
| Total | $335,939 |

## 4.3 County Revenue from Casino

Revenue to the County from this alternative will be lower than that of Alternative A due to the scaled-back nature of this project.

### 4.3.1 Memorandum of Understanding Revenue

The Memorandum of Understanding signed by the Tribe and the County only applies to Alternative A. The MOU does allow for renegotiation of the agreement if there is a "reduction in the scope of gaming permitted on the Trust Property." In Alternative B, the scope of gaming is only 80% of Alternative A.

Assuming that the Tribe and County would renegotiate the agreement, we believe that the terms of the agreement would be similar to the current document. In the current agreement, the Tribe agreed to several one-time payments that would help alleviate the impacts of the development on the County. These included payments for a new fire station, road improvements, education, recreational programs and legal fees. It is assumed that the Tribe would agree to continue these payments under the reduced intensity alternative. The Tribe also agreed to many recurring payments to cover the costs of extra sheriff and fire personnel.

We assume that the Tribe and County would negotiate an MOU similar to the original, but reduced in proportion to the reduction in size of the scope of gaming. To that end, we have reduced the MOU payments by 20% (of the current CPI-adjusted MOU amounts) to reflect the reduction in gaming under this alternative.

Table 4.16

**Memorandum of Understanding Revenue**

| | | With CPI Adjustment on July 1, 2008 |
|---|---|---|
| Non-Recurring Contributions | | |
| Public Safety Resources Contribution | $1,532,000 | $1,707,200 |
| Transportation Resources Contribution | $3,200,000 - $12,000,000 | $3,565,600 - $13,372,000 |
| Road Contribution Consistent with County Ordinance | $480,000 | $535,200 |
| Recreation Contribution | $160,000 | $178,400 |
| School Contribution | $120,000 | $133,600 |
| Legal Fees Reimbursement | $40,000 | $40,000 |
| Subtotal | $5.5 - $14.3 million | $6.16 - $15.97 million |
| Recurring Contributions | | |
| North Fork Rancheria Charitable Foundation Contribution[1] | $160,000 | |
| North Fork Rancheria Economic Development Foundation[1] | $200,000 | |
| North Fork Rancheria Educational Foundation[1] | $320,000 | |
| North Fork Unincorporated Area Foundation[1] | $200,000 | |
| County Services Contributions | | |
| Workforce or Housing programs | $200,000 | |
| Sheriff | $506,391 | |
| Fire | $480,570 | |
| Behavioral Health | $40,000 | |
| Open Space/Parks | $56,000 | |
| Public Safety Support | $80,000 | |
| Public Facilities Budget | $400,000 | |
| City of Madera[1] | $200,000 | |
| City of Chowchilla[1] | $80,000 | |
| Subtotal | $2,922,961 | |

[1]This contribution is not under the control of Madera County.

### *4.3.2 Tax Revenue*

The following section breaks down the tax revenue to be expected from the casino as well as the new residents.

## Property Tax

The property tax section includes data on property taxes lost with the Native American-owned development and the additional property taxes from new residents.

*Casino Property Tax*

As with Alternative A, the sovereign Tribe will not be required to pay property tax once the property is placed in trust for the Tribe. The loss of property taxes will be identical to that in Alternative A; therefore, the loss in property taxes will be approximately $12,600.

*New Resident Property Tax*
New housing already constructed or under development will accommodate the expected increase in population created by this alternative. (See Section 7: Land Development Pattern) As such, there are no additional property taxes expected to be generated by this development.

## Sales and Use Tax

Using the RIMS II multipliers, sales and use tax revenue can be calculated. The following table details the output in terms of dollars spent in the retail sector and the sales and use tax associated with that spending for both the one-time construction spending and the recurring operation spending.

Table 4.17

**Sales and Use Tax Revenue**

| | |
|---|---|
| Retail Sector Output for Construction Spending (one-time) | $22,288,033 |
| Retail Sector Output for Operational Spending (recurring) | $5,847,226 |
| Sales Tax Rate for Madera County | 0.50% |
| Sales Tax on Construction Spending (one-time) | $111,440 |
| Sales Tax on Operational Spending (recurring) | $29,236 |

Source: California Board of Equalization

## Hotel Tax

As there is no hotel included in Alternative B, the hotel tax revenue collection will be minimal. Most gamers who plan an overnight trip for the purpose of gaming do so at a casino with a hotel attached. The only additional revenue from hotel taxes would be from those people who traveled to Madera County to game and stayed at a non-casino hotel. Attempts were not made to calculate this revenue as it is very speculative.

## *4.3.3 Total Revenue*

The following table details the total revenue expected to be generated by the casino on both an annual and one-time basis.

Table 4.18

**Total Revenue Attributed to Casino**

| | |
|---|---|
| **One-Time Revenue** | |
| Memorandum of Understanding | $6.16 - $15.97 million |
| Sales and Use Tax | $111,440 |
| Subtotal | $6.27 - $15.97 million |
| **Annual Revenue** | |
| Memorandum of Understanding[1] | $1,762,961 |
| Property Tax | ($12,596) |
| Sales and Use Tax | $29,236 |
| Subtotal | $1,779,601 |

## 4.4 Cost Versus Revenue

The following two tables provide a side-by-side comparison of the costs and revenues to the County. The first chart details one-time costs and revenue while the second deals with annual costs and revenue. The primary gap between costs and revenues reflects increased cost assumptions related to Fire Protection, which is largely offset by tax revenues. A revision to the MOU to allow for recommended protection levels would provide for a closer balance.

Table 4.19

**Comparison of One-Time Costs and Revenues**

| Spending Category | Cost | Revenue |
|---|---|---|
| Fire Protection[1,2] | $2,100,000 | $1,707,200 |
| Roads[3] | $4.1 - $13.9 million | $4.1 - $13.9 million |
| Recreation[4] | $178,400 | $178,400 |
| Schools/Sales and Use Tax[4,5] | $133,600 | $245,040 |
| Legal Fees[4] | $40,000 | $40,000 |
| Total | $6.55 - $16.35 million | $6.27 - $16.07 million |

[1]The estimate for a new fire house is between $1.2 and $2 million. An average cost of $1.6 million is used here.

[2]The difference between cost and revenue for fire protection is $392,800. Annual debt service at 4.25% for 30 years is $23,410, including coverage. Covered by annual MOU payment for fire protection.

[3]At the completion of this report, the road study had not been completed; therefore the total cost of road improvements is only estimated based on the MOU.

[4]The MOU calls for a contribution of this amount and it is assumed the County will use the entire amount.

[5]Cost is from Schools. Revenue is from Sales Tax and MOU Schools Contribution.

Table 4.20

## Comparison of Annual Costs and Revenues

| Spending Category | Cost | Revenue |
|---|---|---|
| Administrative Services[1] | $78,552 | $456,000 |
| Fire Protection[1,4] | $1,028,923 | $936,590 |
| Sheriff[1,6] | $648,626 | $586,391 |
| Judicial Services | $7,901 | [2] |
| Department of Corrections | $67,634 | [2] |
| Behavioral Health Services[1] | $63,657 | $40,000 |
| Social Services[1] | $16,389 | $200,000 |
| Resources Management Agency | $24,797 | [2] |
| Schools/Sales and Use Tax[3] | $169,478 | $29,236 |
| Property Tax | $0 | ($12,596) |
| County Payments to Cities[5] | $280,000 | $280,000 |
| Total | $2,385,957 | $2,018,740 |

Costs include Casino-Induced and Resident-Induced Demand.

[1]MOU Payment

[2]Covered in excess of $456,000 MOU payment above.

[3]Cost is from Schools. Revenue is from Sales Tax.

[4]Annual Debt Service for fire protection capital costs has been subtracted from MOU revenue.

[5]The MOU calls for a $200,000 payment to the City of Madera and $80,000 payment to the City of Chowchilla.

[6]Sheriff revenue includes MOU payments directly to the sheriff's office and those MOU payments for Public Safety Support.

# Section 5: Alternative C -- Retail Development

Alternative C examines the impacts if the proposed site were developed into a retail development as opposed to a casino development. The 237,000-square-foot building program includes two department stores, three restaurants and 1,860 parking spaces. The following table provides the building program.

Table 5.1

**Building Program**

| | Square Footage |
|---|---|
| Retail Store 1 | 125,000 |
| Retail Store 2 | 100,000 |
| Restaurant 1 | 5,000 |
| Restaurant 2 | 4,000 |
| Restaurant 3 | 3,000 |
| Total | 237,000 |

## 5.1 Development Impact on Population

As described above, we used RIMS II to predict the direct, indirect and induced employment created by this alternative.

### *5.1.1 Construction Employment*

For this alternative, projected construction spending will be over $31 million. The construction investment will create approximately 175 direct jobs and 96 indirect and induced jobs. The following table details the projected construction employment.

Table 5.2

**Construction Impact on Employment**

| Sector | Employment Impact (Jobs) |
|---|---|
| 1. Agriculture, Forestry, Fishing, & Hunting | 0.55 |
| 2. Mining | 1.56 |
| 3. Utilities | 0.12 |
| 4. Construction | 174.87 |
| 5. Manufacturing | 10.42 |
| 6. Wholesale Trade | 3.54 |
| 7. Retail Trade | 29.00 |
| 8. Transportation & Warehousing | 4.52 |
| 9. Information | 2.13 |
| 10. Finance & Insurance | 1.78 |
| 11. Real Estate & Rental & Leasing | 2.25 |
| 12. Professional, Scientific, & Technical Services | 4.56 |
| 13. Management of Companies & Enterprises | 3.52 |
| 14. Administrative & Waste Management Services | 4.28 |
| 15. Educational Services | 0.73 |
| 16. Health Care & Social Assistance | 9.15 |
| 17. Arts, Entertainment, & Recreation | 0.98 |
| 18. Accommodation & Food Services | 9.92 |
| 19. Other Services | 5.19 |
| 20. Households | 1.70 |
| 21. Total Employment | 271 |

Source: RIMS II, Bureau of Economic Analysis, Department of Commerce.

## *5.1.2 Operational Employment*

Operational employment includes those jobs that are generated from the operation of the retail development. These impacts will last as long as the shopping center is in operation. The following table estimates the annual revenue to be generated by this facility based on the revenue per square foot that is experienced at other similar retail developments.

Table 5.3

**Retail Development Revenue**

| Development Type | Development Size (sq ft) | Annual Revenue per Square Foot | Total Revenue |
|---|---|---|---|
| Department Store 1 | 125,000 | $400 | $50,000,000 |
| Department Store 2 | 100,000 | $200 | $20,000,000 |
| Restaurant 1 | 5,000 | $475 | $2,375,000 |
| Restaurant 2 | 4,000 | $425 | $1,700,000 |
| Restaurant 3 | 3,000 | $200 | $600,000 |
| Total | 237,000 | $1,700 | $74,675,000 |

The following table details the jobs created by the operation of the facility.

Table 5.4

**Operational Impact on Employment**

| Sector | Employment Impact (Jobs) |
|---|---|
| 1. Agriculture, Forestry, Fishing, & Hunting | 1.18 |
| 2. Mining | 0.08 |
| 3. Utilities | 0.39 |
| 4. Construction | 2.94 |
| 5. Manufacturing | 14.01 |
| 6. Wholesale Trade | 4.69 |
| 7. Retail Trade | 729.57 |
| 8. Transportation & Warehousing | 11.05 |
| 9. Information | 7.95 |
| 10. Finance & Insurance | 4.16 |
| 11. Real Estate & Rental & Leasing | 12.08 |
| 12. Professional, Scientific, & Technical Services | 4.37 |
| 13. Management of Companies & Enterprises | 41.82 |
| 14. Administrative & Waste Management Services | 11.50 |
| 15. Educational Services | 1.79 |
| 16. Health Care & Social Assistance | 22.31 |
| 17. Arts, Entertainment, & Recreation | 2.72 |
| 18. Accommodation & Food Services | 106.62 |
| 19. Other Services | 11.54 |
| 20. Households | 4.19 |
| 21. Total Employment | 995 |

Source: RIMS II, Bureau of Economic Analysis, Department of Commerce.

### *5.1.3 Population*

In this section the population increase to be expected in the County due to the opening of the retail development is estimated.

## Construction Employment Impact

As with the other alternatives, temporary construction jobs are not projected to have any impact on local population growth. Construction is temporary and therefore the jobs created as a result of construction spending are temporary as well. We do not project that there will be any population changes due to construction spending.

## Operations Employment Impact

Operation of the retail development will create 995 jobs. Assuming an employment rate of 1.8 persons per 1,000 square feet, the shopping center will employ 427 direct employees. This means that 568 are indirect and induced employees.

*Employees to Move into Madera County*
General commuting patterns indicate that 73.5% of Madera County jobs are worked by Madera County residents. Of the 73.5% that live in Madera County, we project that very few will move in from other areas given the large number of unemployed persons in the County compared to the number of jobs created by this development. For the gaming alternatives, we projected that as many as 20% of the Madera County residents would be new residents, but we do not feel that the same percentage of residents will move for retail or restaurant employment as casino employment. As retail and restaurant employment opportunities are much more pervasive than casino employment, we project that fewer residents will move into the County for the opportunity to work at a shopping center. To be conservative and project the largest impact probable, we project that 10% of the Madera resident employees will move into Madera County from elsewhere.

**Table 5.5**

**Employees who Live in Madera County**

| | |
|---|---|
| Total New Employees | 995 |
| Percentage of Employees who will live in County | 73.5% |
| Number of Employees who will live in County | 731 |
| Percent of Employees who will Move to Madera County | 10% |
| Number of New Resident Employees in Madera County | 73 |

## New Residents

As was discussed in the previous alternatives, new employees will not be the only new residents in Madera County. Predictably, new employees will bring family and therefore increase the population of Madera by a greater amount. The following table calculates the number of new residents in Madera County.

**Table 5.6**

**New Residents in Madera County**

| | |
|---|---|
| New Employees Moving to Madera | 73 |
| Number of Employees per Household | 1.2 |
| Number of New Households | 61 |
| Number of Persons per Household | 3.18 |
| Number of New Residents | 194 |

Source: U.S. Census.

As with the previous alternatives, we will assume that 60% or 116 new residents live in the City of Madera while 8% or 16 residents will live in the City of Chowchilla. The rest (62) will live in the unincorporated areas of the County of Madera.

# 5.2 Cost of Government Services

The following section provides information on how the retail development will increase the cost of government service provision.

## *5.2.1 Development-Induced Demand*

The new retail development will create demands for services just as the casinos do in the other alternatives. The following examines these impacts.

*Fire Protection*

The retail development alternative will still require a new fire station and truck according to Deputy Chief Stan Craig. The shopping center will not have a high rise component so an aerial apparatus would not be required. The fire station would need to be equipped with a Type II or higher fire engine though.

**Table 5.7**

**Capital Costs for Fire Prevention**

| | |
|---|---|
| Fire House | $1.2 - $2 million |
| Type II Fire Engine | $500,000 |
| Total | $1.7 - $2.5 million |

Source: Interview with Stan Craig, Deputy Chief, Madera County Fire Department, June 4, 2008.

The new fire station and engine will require fire fighters. Because the truck will not be an aerial apparatus, the staffing needs of the station will decrease as compared to Alternative A. In order to reach national standards, the Deputy Chief recommends a staff ratio of 1:1:1 for captain, engineer, and firefighter. The County has a goal of filling 3 fire fighter positions per station which requires 9 persons to be hired. The station will also recruit 12 volunteers to assist with fires. These costs are detailed below.

**Table 5.8**

**Fire Personnel Costs**

| | Units | Cost per Unit | Total |
|---|---|---|---|
| Fire Captains Salary & Benefits | 3 | $121,296 | $363,888 |
| Fire Engineers Salary & Benefits | 3 | $104,811 | $314,433 |
| Fire Fighters Salary & Benefits | 3 | $104,811 | $314,433 |
| Volunteer Memberships | 12 | $71 | $852 |
| Sets of Equipment | 21 | $1,400 | $29,400 |
| Total | | | $1,023,006 |

Source: *Recommended Proposed Budget for the Fiscal Year Ending June 30, 2008*, Madera County. Interview with Stan Craig, Deputy Chief, Madera County Fire Department, June 4, 2008.

*Sheriff*

The Sheriff's department can still be expected to see an increase in call volume with a new shopping center in town. Experience with other shopping centers reveals that sheriff departments often station a deputy at a retail location such as this on a full-time basis because of the amount of crime that is perpetrated on the premises. Common criminal activities include breaking into cars, car theft, shoplifting and disorderly conduct. In addition to preventing criminal activity, sheriffs assist with emergency situations and traffic incidents at the shopping center. Given this information, we estimate the Sheriff's department will need to hire 5 deputies and a half-time sergeant to accommodate the shopping center's demand for services.

Table 5.9
**Sheriff Personnel Costs**

| | Sergeant | Deputy | Total |
|---|---|---|---|
| Salary & Benefits | $78,316 | $61,031 | $344,313 |
| Equipment | $12,000 | $22,026 | $116,130 |
| Retirement | $28,264 | $12,000 | $74,132 |
| Health Insurance | $8,798 | $8,798 | $48,389 |
| Workers' Compensation Insurance | $8,480 | $8,480 | $46,640 |
| Uniform Allowance | $900 | $900 | $4,950 |
| Total | $136,758 | $113,235 | $634,554 |

Source: Interview with Sheriff John Anderson, Madera County Sheriff's Department, June 2, 2008.

*Emergency Management Services*
There will be no impact from the retail development on this department.

*Judicial Services*
Demands for judicial services from crimes perpetrated at the shopping center are not expected to generate the need for additional staffing.

*Department of Corrections*
The cost to the Department of Corrections is projected to be equal to that of Alternative A. The facility is expected to generate a fair amount of criminal activity given its location near a large population and the nature of the shopping center in general.

Table 5.10
**Correctional Facilities Costs**

| | |
|---|---|
| Number of Arrests per Year | 36 |
| Average Length of Stay (Nights) | 23 |
| Cost per Night | $59 |
| Total | $48,852 |

*Behavioral Health*
There will be no impact from the retail development on this department.

*Resource Management Agency*
As the road study is not completed yet, we have estimated the cost of the road improvements required for this project to be between $4.6 and S15.6 million.

*Schools*

Under the retail alternative, the number of new students in the school system is estimated to be 41. This small number of new students can easily be accommodated by the County.

Table 5.11

**Number of New Students**

| | |
|---|---|
| New Population | 194 |
| Percentage of School Children in Madera Population | 20.9% |
| New School Population | 41 |

Source: iXPRESS, Claritas, Inc.

## 5.2.2 Total Cost

The following details the total of one-time costs to the County of the new retail development.

Table 5.12

**Estimate of Development-Induced Capital Costs**

| | |
|---|---|
| Fire Protection[1] | $2,100,000 |
| Roads | $4.6 - $15.6 million |
| Total | $6.7 - $17.7 million |

[1]The estimate for a new fire house is between $1.2 and $2 million. An average cost of $1.6 million is used here.

In addition to one-time costs, the facility will be associated with annual increases in costs.

Table 5.13

**Estimate of Development-Induced Annual Costs**

| | |
|---|---|
| Fire Protection | $1,023,006 |
| Sheriff | $634,554 |
| Department of Corrections | $48,852 |
| Total | $1,706,412 |

Using the same per resident formulas as above, we calculated the expenditures for 194 new residents in the County.

**Table 5.14**
**Estimate of New Resident-Induced Annual Costs**

| | |
|---|---|
| Administrative Services | $28,508 |
| Fire Protection | $2,148 |
| Sheriff | $5,107 |
| Judicial Services | $2,868 |
| Department of Corrections | $6,816 |
| Behavioral Health Services | $18 |
| Social Services | $5,948 |
| Resources Management Agency | $8,999 |
| Schools | $62,041 |
| Total | $122,454 |

# 5.3 County Revenue from Retail Development

Revenue to the County from this alternative will be significantly lower than that of casino Alternative A. The County can expect revenue from the retail development in two forms: payment-in-lieu of impact fees and tax revenue.

## *5.3.1 Impact Fees*

Normally under a retail development scenario, the developer would pay impact fees. This is not the case of the sovereign developer. The Tribe would not be required to pay impact fees.

## *5.3.2 Tax Revenue*

The following section breaks down the tax revenue to be expected from the development as well as the new residents.

### Property Tax

The following section calculates the property tax lost due to placing the proposed site into trust as well as the additional revenue to be expected from new residential development.

*Casino Property Tax*
As with Alternative A, the sovereign Tribe will not be required to pay property tax once the property is placed in trust for the Tribe. The loss of property taxes will be identical to that in Alternative A; therefore, the loss in property taxes will be approximately $12,600.

*New Resident Property Tax*
New housing already constructed or under development will accommodate the expected increase in population created by this alternative. (See Section 7: Land Development Pattern) As such, there are no additional property taxes expected to be generated by this development.

## Sales and Use Tax

Using RIMS II, output in the retail sector of the economy can be calculated. The following table details the output in terms of dollars spent in the retail sector and the sales and use tax associated with that spending for both the one-time construction spending and the recurring operational spending.

Table 5.15

**Sales and Use Tax Revenue**

| | |
|---|---|
| Retail Sector Output for Construction Spending (one-time) | $3,349,858 |
| Retail Sector Output for Operational Spending (annual) | $74,115,302 |
| Sales Tax Rate for Madera County | 0.50% |
| Sales Tax on Construction Spending (one-time) | $16,749 |
| Sales Tax on Operational Spending (annual) | $370,577 |

Source: California Board of Equalization

### *5.3.3 Total Revenue*

The following table estimates the total revenue to be generated by the retail development on both an annual and one-time basis.

Table 5.16

**Total Revenue Attributed to Development**

| | |
|---|---|
| **One-Time Revenue** | |
| Sales and Use Tax | $16,749 |
| Total | $16,749 |
| **Annual Revenue** | |
| Property Tax | ($12,596) |
| Sales and Use Tax | $370,577 |
| Total | $357,981 |

## 5.4 Cost Versus Revenue

The following tables compare the costs and revenues in both the annual and one-time categories.

Table 5.17

**Comparison of One-Time Costs and Revenues**

| Spending Category | Cost | Revenue |
|---|---|---|
| Fire Protection[1] | $2,100,000 | N/A |
| Schools/Sales and Use Tax[2] | $0 | $16,749 |
| Roads[3] | $4.6 - $15.6 million | N/A |
| Total | $6.7 - $17.7 million | $16,749 |

[1]The estimate for a new fire house is between $1.2 and $2 million. An average cost of $1.6 million is used here.

[2]Costs are from Schools. Revenue is from Sales and Use Tax.

[3]At the completion of this report, the road study had not been completed; therefore the total cost of road improvements is only an estimate.

Table 5.18

**Comparison of Annual Costs and Revenues**

| Spending Category | Cost | Revenue |
|---|---|---|
| Administrative Services | $28,508 | - |
| Fire Protection | $1,025,154 | - |
| Sheriff | $639,661 | - |
| Judicial Services | $2,868 | - |
| Department of Corrections | $55,668 | - |
| Behavioral Health Services | $18 | - |
| Social Services | $5,948 | - |
| Resources Management Agency | $8,999 | - |
| Schools/Sales and Use Tax[1] | $62,041 | $370,577 |
| Property Tax | | ($12,596) |
| Total | $1,828,866 | $357,981 |

Costs include Retail-Induced and Resident-Induced Demand.

[1]Costs are from Schools. Revenue is from Sales and Use Tax and School Impact Fees.

# Section 6: Alternative D -- North Fork

Alternative D examines the impacts the casino would have if it were moved to a different location. This alternative looks at the impacts of the development if it were located near North Fork, California. The site is still located in Madera County but in a more mountainous region of the County as opposed to the more developed area where the other three alternatives would be located.

As environmental constraints plague this site, the building program would have to be scaled back if this option were chosen. Instead of the 2,000 slot machines and 60 tables analyzed at the Highway 99 site, this option would only have 275 slot machines and 6 tables. There would be no hotel, gift shop or spa with this alternative. The casino would have a food court/deli, snack bar and coffee shop.

Table 6.1

**Building Program**

| Element | Square Footage |
|---|---|
| Casino | 21,451 |
| Food and Beverage | 4,550 |
| Total | 26,001 |

Source: Station Casinos.

There are economic constraints connected with this site as well. A separate report produced by The Innovation Group concerning the economic feasibility of the North Fork location indicates that the remote location of the casino would inhibit earning potential. (See North Fork Gaming Market Assessment.)

# 6.1 Development Impact on Population

As described in the previous alternatives, we used RIMS II to predict the direct, indirect and induced employment created by this alternative.

### *6.1.1 Construction Employment*

For the North Fork alternative, the projected construction spending will be over $49 million. The following table details the projected employment from this spending. Based on the $49 million in spending for construction, RIMS II projects that the project will create 351 jobs, with 226 of those being direct employees and 125 being indirect or induced employees.

Table 6.2

**Construction Impact on Employment**

| Sector | Employment Impact (Jobs) |
|---|---|
| 1. Agriculture, Forestry, Fishing, & Hunting | 0.71 |
| 2. Mining | 2.02 |
| 3. Utilities | 0.16 |
| 4. Construction | 226.49 |
| 5. Manufacturing | 13.50 |
| 6. Wholesale Trade | 4.58 |
| 7. Retail Trade | 37.56 |
| 8. Transportation & Warehousing | 5.85 |
| 9. Information | 2.76 |
| 10. Finance & Insurance | 2.30 |
| 11. Real Estate & Rental & Leasing | 2.92 |
| 12. Professional, Scientific, & Technical Services | 5.91 |
| 13. Management of Companies & Enterprises | 4.56 |
| 14. Administrative & Waste Management Services | 5.54 |
| 15. Educational Services | 0.94 |
| 16. Health Care & Social Assistance | 11.85 |
| 17. Arts, Entertainment, & Recreation | 1.27 |
| 18. Accommodation & Food Services | 12.85 |
| 19. Other Services | 6.72 |
| 20. Households | 2.20 |
| 21. Total Employment | 351 |

Source: RIMS II, Bureau of Economic Analysis, Department of Commerce.

## 6.1.2 Operational Employment

Operational employment includes those jobs that are generated from the operation of the casino. These impacts will last as long as the casino is in operation. The casino is projected to employ 139 full-time employees and 23 part-time employees or 153 full-time equivalents. Total employment generated by the facility will be 167 of which 153 are direct and 14 are indirect and induced. The following table details the jobs created by the operation of the casino.

Table 6.3

**Operational Impact on Employment**

| Sector | Employment Impact (Jobs) |
|---|---|
| 1. Agriculture, Forestry, Fishing, & Hunting | 0.29 |
| 2. Mining | 0.02 |
| 3. Utilities | 0.07 |
| 4. Construction | 0.79 |
| 5. Manufacturing | 1.78 |
| 6. Wholesale Trade | 0.90 |
| 7. Retail Trade | 5.18 |
| 8. Transportation & Warehousing | 1.11 |
| 9. Information | 0.83 |
| 10. Finance & Insurance | 0.62 |
| 11. Real Estate & Rental & Leasing | 1.43 |
| 12. Professional, Scientific, & Technical Services | 0.84 |
| 13. Management of Companies & Enterprises | 1.43 |
| 14. Administrative & Waste Management Services | 1.37 |
| 15. Educational Services | 0.29 |
| 16. Health Care & Social Assistance | 3.59 |
| 17. Arts, Entertainment, & Recreation | 108.74 |
| 18. Accommodation & Food Services | 32.58 |
| 19. Other Services | 4.56 |
| 20. Households | 0.67 |
| 21. Total Employment | 167 |

Source: RIMS II, Bureau of Economic Analysis, Department of Commerce.

### *6.1.3 Population*

As previously done, it is necessary to estimate the number of new residents who will move into Madera County based on the new employment gained from the casino having opened.

## Construction Employment Impact

As with the other alternatives, temporary construction jobs are not projected to have any impact on local population growth. All of the jobs created through construction spending are temporary because construction spending is temporary; therefore, it is projected that the local population will not increase due to construction spending.

## Operations Employment Impact

Approximately 65% of the Chukchansi's employees are Madera County residents. General commuting patterns indicate that 73.5% of Madera County jobs are worked by Madera County residents. Given the small size of the casino in this alternative and the high level of unemployment in the County, we believe that a greater percentage of employees will come from Madera County in this alternative than Alternative A. We will assume that 73.5% of the employees will come from Madera County.

Of the 73.5% of employees that live in Madera County, we project that very few will move in from other areas given the large number of unemployed persons in the County compared to the number of jobs available. Of course, some of the employees will undoubtedly move in from other areas. For this reason, we project that 10% of the employees who do live in Madera County will do so after moving in from somewhere else.

Table 6.4

**Employees who Live in Madera County**

| | |
|---|---|
| Total New Employees | 167 |
| Percentage of Employees who will live in County | 73.5% |
| Number of Employees who will live in County | 123 |
| Percent of Employees who will Move to Madera County | 10% |
| Number of New Resident Employees in Madera County | 12 |

## New Residents

If new employees move into Madera, these will not be the only new residents. These employees will in some cases bring families. Using the employee per household values calculated above, we determined the number of new households created by employees moving into the area. Applying the number of persons per household in 2000, we determined the number of new residents in Madera.

Table 6.5

**New Residents in Madera County**

| | |
|---|---|
| New Employees Moving to Madera | 12 |
| Number of Employees per Household | 1.2 |
| Number of New Households | 10 |
| Number of Persons per Household | 3.18 |
| Number of New Residents | 32 |

Source: U.S. Census.

In Alternative D, the development would occur substantially further away from the City of Madera. For this reason, we will assume that the growth in the City is not as substantial as in the other alternatives. We will assume it to be 44% (14 new residents) based on the general level of Madera County's population that is moving into the City of Madera (See Table 3.7). We will assume the City of Chowchilla will still receive 8% of the population.

# 6.2 Cost of Government Services

The following section provides information on how the new casino will increase the cost of government service provision.

### *6.2.1 Casino Demand*

The new casino will create demands for services just as Alternative A did. These demands will not be as great as with Alternative A because of its smaller size.

*Fire Protection*

In his March 28, 2008 letter, Chief Mikel Martin recommends two Type III or higher fire engines to be fully staffed (3 FTEs each) at the existing Rancheria Cal fire station, which is near North Fork, in order to meet standards outlined in the County-wide Master Fire Plan. Type III fire engines have a smaller capacity than Type I and would also cost less. Capital costs for fire protection of the casino are listed below.

**Table 6.6**

**Capital Costs for Fire Prevention**

| | |
|---|---|
| Type III or higher Fire Engines (2) | $800,000 |

Source: Interview with Stan Craig, Deputy Chief, Madera County Fire Department, June 4, 2008.

The new fire engines will require fire engineers. The County has a goal of 3 full-time fire fighter positions per truck. Each position requires 3 people to fill it 24 hours/day 365 days/year. As the station is an existing station fewer volunteers will need to be recruited to assist with fires. These costs are detailed below.

**Table 6.7**

**Fire Personnel Costs**

| | Units | Cost per Unit | Total |
|---|---|---|---|
| Fire Captains Salary & Benefits | 6 | $121,296 | $727,776 |
| Fire Engineers Salary & Benefits | 6 | $104,811 | $628,866 |
| Fire Fighters Salary & Benefits | 6 | $104,811 | $628,866 |
| Volunteer Memberships | 6 | $71 | $426 |
| Sets of Equipment | 24 | $1,400 | $33,600 |
| Total | | | $2,019,534 |

Source: *Recommended Proposed Budget for the Fiscal Year Ending June 30, 2008*, Madera County. Interview with Stan Craig, Deputy Chief, Madera County Fire Department, June 4, 2008.

In addition to the above mentioned costs, the Alternative D location has occasionally been threatened by forest fires. Although the annual probability and the cost of such wildfires are difficult to estimate because of the human and weather factors related to fires, the expected cost is certainly greater than zero. Given the remote location of Alternative D, the expected cost would be greater than in the other alternatives which are located in a built-up area of Madera County with better access to fire prevention and fighting capabilities. The existence of a casino in the Alternative D location would make firefighting there more complicated and costly while increased human activity in the area would raise the probability of fire. This additional expected cost would need to be borne by Madera County, the state and the federal government

*Sheriff*

The Sheriff's department can still be expected to see an increase in call volume with a new casino in town. Assuming that the rate of calls is proportional to the size of the facility, the North Fork casino would make fewer calls for sheriff assistance than the Chukchansi Casino or the casino in Alternative A. Fewer calls require fewer officers to respond to those calls. We will assume that the Sheriff's office will need to increase its deputies by half a position. A position requires 5 sheriff deputies to fill. The following details the cost of filling this position as well as filling a quarter-time sergeant position to oversee these deputies.

**Table 6.8**

**Sheriff Personnel Costs**

| | Sergeant (0.25) | Deputy (2.5) | Total |
|---|---|---|---|
| Salary & Benefits | $78,316 | $61,031 | $172,157 |
| Equipment | $12,000 | $22,026 | $58,065 |
| Retirement | $28,264 | $12,000 | $37,066 |
| Health Insurance | $8,798 | $8,798 | $24,195 |
| Workers' Compensation Insurance | $8,480 | $8,480 | $23,320 |
| Uniform Allowance | $900 | $900 | $2,475 |
| Total | $136,758 | $113,235 | $317,277 |

Source: Interview with Sheriff John Anderson, Madera County Sheriff's Department, June 2, 2008.

*Judicial Services*

Given that we are estimating only one-third the amount of criminal activity in this alternative as in Alternative A, we estimate that the District Attorney's office will not need additional staffing.

*Department of Corrections*

The cost to the Department of Corrections should also be less than in Alternative A. Assuming the number of arrests per year is proportional to the size of the facility, the North Fork facility would have 3.5 arrests per year given the 24 arrests per year experienced at the Chukchansi facility. To be conservative, we will assume that the facility experiences half the number of arrests that the Chukchansi Casino does. The following details the cost to the Department given this assumption.

**Table 6.9**

**Correctional Facilities Costs**

| | |
|---|---|
| Number of Arrests per Year | 12 |
| Average Length of Stay (Nights) | 23 |
| Cost per Night | $59 |
| Total | $16,284 |

*Behavioral Health*

As the number of problem gamers in the County is based on the number of adults in the population, the number of new licensed counselors remains the same as in Alternative A.

Table 6.10

**Behavioral Health Personnel Costs**

| | Cost per Unit | Total |
|---|---|---|
| Licensed Clinician Salary & Benefits (0.7) | $66,158 | $47,228 |
| Retirement | $10,141 | $7,239 |
| Health Insurance | $6,496 | $4,637 |
| Workers' Compensation Insurance | $205 | $146 |
| Equipment | $6,101 | $4,355 |
| Total | $89,101 | $63,606 |

Source: Interview with Janice Melton, Director, Madera County Behavioral Health Services, June 2, 2008.

*Resource Management Agency*

As the traffic engineer has not completed the roads study, the results of that study have not been included here. We have estimated the cost of the road improvements to be proportional to the size of the new facility as compared to Alternative A; therefore, the cost is estimated to be between $606,187 and $2,055,763.

*Schools*

Under the North Fork Alternative, the number of new students in the school system is estimated to be 7. Current school developments undertaken by the County will accommodate these new students.

Table 6.11

**Number of New Students**

| | |
|---|---|
| New Population | 32 |
| Percentage of School Children in Madera Population | 20.9% |
| New School Population | 7 |

Source: iXPRESS, Claritas, Inc.

### *6.2.2 Total Cost*

The following details the cost of capital improvements to the County of the new development.

Table 6.12

**Estimate of One-Time Casino-Induced Costs**

| | |
|---|---|
| Fire Protection | $800,000 |
| Roads | $675,503 - $2,290,857 |
| Total | $1.47 - $3.09 million |

In addition to one-time costs, the casino will be associated with annual increases in costs.

Table 6.13

**Estimate of Casino-Induced Annual Costs**

| | |
|---|---|
| Fire Protection | $2,019,534 |
| Sheriff | $317,277 |
| Department of Corrections | $16,284 |
| Behavioral Health | $63,606 |
| Total | $2,416,701 |

Table 6.14

**Estimate of Annual New Resident-Induced Costs**

| | |
|---|---|
| Administrative Services | $4,707 |
| Fire Protection | $532 |
| Sheriff | $1,265 |
| Judicial Services | $710 |
| Department of Corrections | $1,688 |
| Behavioral Health Services | $3 |
| Social Services | $982 |
| Resources Management Agency | $1,486 |
| Schools | $10,592 |
| Total | $21,966 |

# 6.3 County Revenue from Casino

Revenue to the County from this alternative will be significantly lower than that of Alternative A.

## *6.3.1 Memorandum of Understanding Revenue*

The Memorandum of Understanding signed by the Tribe and the County only applies to Alternative A. It is assumed that if Alternative D were the chosen alternative that the Tribe and the County would negotiate a similar yet proportional agreement based on the sizing of the facility. Given these assumptions, we posit that the Tribe would make the following payments for this alternative location.

Table 6.15

**Memorandum of Understanding Revenue**

| | | With CPI Adjustment on July 1, 2008 |
|---|---|---|
| Non-Recurring Contributions | | |
| Public Safety Resources Contribution | $252,358 | $281,218 |
| Transportation Resources Contribution | $527,119 - $1,976,695 | $587,342 - $2,202,697 |
| Road Contribution Consistent with County Ordinance | $79,068 | $88,161 |
| Recreation Contribution | $26,356 | $29,387 |
| School Contribution | $19,767 | $22,007 |
| Legal Fees Reimbursement | $6,589 | $6,589 |
| Total | $.9 - 2.4 million | $1.70 - $2.63 million |
| Recurring Contributions | | |
| North Fork Rancheria Charitable Foundation Contribution[1] | $26,356 | |
| North Fork Rancheria Economic Development Foundation[1] | $32,945 | |
| North Fork Rancheria Educational Foundation[1] | $52,712 | |
| North Fork Unincorporated Area Foundation[1] | $32,945 | |
| County Services Contributions | | |
| Workforce or Housing programs | $32,945 | |
| Sheriff | $323,682 | |
| Fire | $480,570 | |
| Behavioral Health | $6,589 | |
| Open Space/Parks | $9,225 | |
| Public Safety Support | $13,178 | |
| Public Facilities Budget | $65,890 | |
| City of Madera[1] | $32,945 | |
| City of Chowchilla[1] | $13,178 | |
| Total | $1,123,160 | |

## 6.3.2 Tax Revenue

The following section breaks down the tax revenue to be expected from the casino as well as the new residents.

## Property Tax

*Casino Property Tax*

Under this Alternative, the casino will be developed on land that is already in trust so that no property will be removed from the tax rolls. There will be no impact to property taxes from the land the casino will sit on.

*New Resident Property Tax*

New housing already constructed or under development will accommodate the expected increase in population created by this alternative. (See Section 7: Land Development Pattern.) As such, there are no additional property taxes expected to be generated by this development.

## Sales and Use Tax

Using RIMS II, output in the retail sector of the economy can be calculated. The following table details the output in terms of dollars spent in the retail sector and the sales and use tax associated with that spending for both the one-time construction spending and the recurring operation spending.

Table 6.16

**Sales and Use Tax Revenue**

| | |
|---|---|
| Retail Sector Output for Construction Spending (one-time) | $4,338,854 |
| Retail Sector Output for Operational Spending (annual) | $480,538 |
| Sales Tax Rate for Madera County | 0.50% |
| Sales Tax on Construction Spending (one-time) | $21,694 |
| Sales Tax on Operational Spending (annual) | $2,403 |

Source: California Board of Equalization

## Hotel Tax

As there is no hotel included in the North Fork Alternative, the hotel tax revenue collection will be minimal. Because this casino is significantly smaller than even Alternative B, we do not believe it will attract as many overnight guests as Alternatives A or even B.

### *6.3.3 Total Revenue*

The following table details the total revenue to be expected to be generated by the casino on both an annual and one-time basis.

Table 6.17

**Total Revenue Attributed to Casino**

| | |
|---|---|
| **One-Time Revenue** | |
| Memorandum of Understanding | $1.70 - $2.63 million |
| Sales and Use Tax | $21,694 |
| Subtotal | $.1.72- 2.62 million |
| **Annual Revenue** | |
| Memorandum of Understanding[1] | $932,079 |
| Property Tax | $0 |
| Sales and Use Tax | $2,403 |
| Subtotal | $934,482 |

[1]Those MOU payments earmarked for charitable foundations are not included here as these funds are not under the control of the County.

## 6.4 Cost Versus Revenue

The following two tables provide a side-by-side comparison of the costs and revenues to the County. The first chart details one-time costs and revenue while the second deals with annual costs and revenue. The primary gap between costs and revenues reflects increased cost assumptions related to Fire Protection. An MOU that provides for the recommended protection levels would yield a closer balance.

Table 6.18

**Comparison of One-Time Costs and Revenues**

| Spending Category | Cost | Revenue |
|---|---|---|
| Fire Protection[1] | $800,000 | $281,218 |
| Roads[2] | $675,503 - $2,290,857 | $675,503 - $2,290,857 |
| Recreation[3] | $29,387 | $29,387 |
| Schools/Sales and Use Tax[3,4] | $22,007 | $43,702 |
| Legal Fees[3] | $6,589 | $6,589 |
| Total | $1.53 - $3.15 million | $1.036 - $2.652 million |

[1]The difference between cost and revenue for fire protection is $518,782. Annual debt service at 4.25% for 30 years is $30,919, including coverage. Covered by annual MOU payment for fire protection.

[2]At the completion of this report, the road study had not been completed; therefore the total cost of road improvements is only estimated based on the MOU.

[3]The MOU calls for a contribution of this amount and it is assumed the County will use the entire amount.

[4]Cost is from Schools. Revenue is from Sales and Use Tax and MOU contribution.

Table 6.19

**Comparison of Annual Costs and Revenues**

| Spending Category | Cost | Revenue |
|---|---|---|
| Administrative Services[1] | $4,707 | $75,115 |
| Fire Protection[1,4] | $2,020,066 | $449,651 |
| Sheriff[1,6] | $318,542 | $336,860 |
| Judicial Services | $710 | [2] |
| Department of Corrections | $17,972 | [2] |
| Behavioral Health Services[1] | $63,609 | $6,589 |
| Social Services[1] | $982 | $32,945 |
| Resources Management Agency | $1,486 | [2] |
| Schools/Sales and Use Tax[3] | $10,592 | $2,403 |
| Property Tax | $0 | $0 |
| County Payments to Cities[5] | $46,123 | $46,123 |
| Total | $2,484,790 | $949,692 |

Costs include Casino-Induced and Resident-Induced Demand.

[1]MOU Payment

[2]Covered in excess of $75,114 payment above.

[3]Cost is from Schools. Revenue is from Sales and Use Tax.

[4]Annual Debt Service for fire protection capital costs has been subtracted from MOU revenue.

[5]The MOU calls for a $32,945 payment to the City of Madera and $13,178 payment to the City of Chowchilla.

[6]Sheriff revenue includes MOU payments directly to the sheriff's office and those MOU payments for Public Safety Support.

# Section 7: Land Development Pattern

In this section, we project the increased demand for development and where in the County that development will occur. We will separate the development into two categories: residential and commercial. The commercial category includes retail, office and industrial businesses.

## 7.1 Residential Development

### *7.1.1. Existing Development*

The existing housing stock in Madera County totaled 49,372 total units on January 1, 2008. On average 10.17% of these, or 5,019 in 2008, were vacant. Nearly 60% of the total housing units were located in the unincorporated areas of the county. More than 14% of these homes were vacant, while less than 5% in incorporated areas were vacant.

**Table 7.1**

**Existing Total Residential Housing Units and Vacancy Rates – Madera County**

| | Total Housing Units | | | Percent Vacant | | | Vacant Units | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2006 | 2007 | 2008 | 2006 | 2007 | 2008 |
| Chowchilla | 3,353 | 3,670 | 3,884 | 5.49 | 5.94 | 5.54 | 184 | 218 | 215 |
| Madera | 14,997 | 16,034 | 16,418 | 4.34 | 4.34 | 4.34 | 651 | 696 | 713 |
| Balance Of County | 28,289 | 28,756 | 29,070 | 14.07 | 14.07 | 14.07 | 3,980 | 4,046 | 4,090 |
| Incorporated | 18,350 | 19,704 | 20,302 | 4.55 | 4.64 | 4.57 | 835 | 914 | 928 |
| County Total | 46,639 | 48,460 | 49,372 | 10.33 | 10.24 | 10.17 | 4,816 | 4,961 | 5,019 |

Note: Data as of January 1 each year.
Source: California Department of Finance Demographic Research

From the total number of residential units listed above, the following table shows a total of more than 5,300 multi-family units in Madera Count in 2008. The vacancy percentage is only reported for the total housing units, so we are unable to make an assumption of the vacancy level of multi-family units alone.

**Table 7.2**

**Madera County Multi-Family Units 2008**

| | 2 TO 4 | 5 PLUS |
|---|---|---|
| Chowchilla | 272 | 304 |
| Madera | 1,557 | 2,160 |
| Balance Of County | 605 | 417 |
| Incorporated | 1,829 | 2,464 |
| County Total | 2,434 | 2,881 |

Note: Data as of January 1 each year.
Source: California Department of Finance Demographic Research

Single family homes sales in 2007 were down nearly 40% from 2006. The median sale price for single family homes in 2007 was $295,000, down 10.6% from 2006.

Table 7.3
**Madera Single Family Home Sales**

| Sales | | | Median Price | | |
|---|---|---|---|---|---|
| 2006 | 2007 | | 2006 | 2007 | |
| 600 | 367 | -38.80% | $329,990 | $295,000 | -10.60% |

Source: California Building Industry Association

According to the Madera Housing Authority (phone interview June 13, 2008) the average monthly rental rate for an apartment is $660 for a two-bedroom and $1,200 for a three-bedroom.

### 7.1.2. Proposed Development

At present, the number of housing units permitted is declining from a peak in 2005. Permits issued in 2007 totaled 533, down from 2,379 in 2005. The permits issued in the first quarter of 2008 show a 62% decline compared to the same period in 2007. City and County planning officials acknowledge the slowdown in residential permits issued, but counter that the sharp decreases seen are in relation to years of high growth with a peak in 2005. They note that they are still issuing permits, which they consider a good sign.

Table 7.4
**New Housing Units in Building Permits Issued - Madera Metro Area**

| | Single Family | Multi Family | Total | % change from previous period |
|---|---|---|---|---|
| 2004 | 1,714 | 207 | 1,921 | |
| 2005 | 2,133 | 246 | 2,379 | 24% |
| 2006 | 1,282 | 109 | 1,391 | -42% |
| 2007 | 510 | 23 | 533 | -62% |
| 1Q 2007 | 149 | 8 | 157 | |
| 1Q 2008 | 59 | 0 | 59 | -62% |

Source: California Building Industry Association

There is currently an 8-10 month backlog of housing (unrented/unsold) in the County. In addition, there are a number of uncompleted housing starts. These subdivisions look completely finished from the exterior, but have only studs in the interior. If new people moved to the area, these homes would quickly be finished and available for occupancy.

With each news article in the Fresno Bee about the potential casino in Madera, the County Planning office would receive 10-15 phone calls from developers interested in residential development in that area. There have been 6-8 multifamily housing developers, which could accommodate employees with lower salaries, proposing projects on the north side of Madera near (north and east of) the project site. Their proposals have dissolved with each delay in the progress of the casino, but the county planners feel confident that offers would return as soon as the land is in trust and plans move forward on the construction of the Madera casino.

Many developers are in the process of filing their paperwork for various developments and will wait for the next economic upturn to begin construction. The County Planning Department is anticipating a 14-month period of uncertainty where little construction will be started but between 34,000 and 38,000 units are planned throughout the county, many of which are located along Hwy 41 just north of Fresno County. Residential as well as commercial development is expected to be contained between HWY 99 and HWY 41, while areas west of HWY 99 will be reserved for agricultural use. The following table identifies several developments which are several steps into the process.

Table 7.5

**Residential Development in Unincorporated Areas of Madera County**

| Project Name | Acres | Residential Units | Status |
|---|---|---|---|
| North Shore at Millerton Lake | 2,238 | 2,522 | Final EIR in Progress |
| Gateway Village | 2,392 | 6,455 | Project Approved at Board of Supervisors in Sept 2007 |
| Gunner West | 1,135 | 3,014 | New Partner Sun Cal - New Specific Plan Pending |
| Tesoro Viejo - McCaffery | 1,574 | 4,600 | Draft EIR Published |
| Tra Vigne | 162 | 432 | EIR to Begin |
| Total | 7,501 | 17,023 | |

Source: County of Madera, Planning Department

In addition to the housing market backlog identified by the county planners, the City of Madera has a total of 4,526 residential subdivision lots which are planned. Of these, 1,423 are completed finished and are available for purchase and occupancy.

Table 7.6

**Residential Subdivision Development Activity**

| | # of Units Planned | Improved lots | Vacant Improved lots | SFD Permits Issued | Remaining |
|---|---|---|---|---|---|
| City of Madera | 4,526 | 4,261 | 1,423 | 2,838 | 1,689 |

Source: City of Madera, Planning Department

Alternative A is estimated to draw approximately 263 new households to the County (84 to unincorporated areas). With each of the subsequent scenarios, the impact on the housing market diminishes. According to County Planning officials, the existing housing stock alone would be able to easily absorb the addition of 200-300 households.

## 7.2 Commercial Development

In this section, we examine commercial development which includes retail, office and industrial spaces.

*Retail Development*
Approximately 1.5 million square feet of retail development has been approved in and near Madera. Construction of the first project listed below is nearly complete. The second two projects will be located across Highway 99 from the proposed casino.

- A Lowes will anchor The Commons at Madera Fair located at southeast corner of Schnoor and Cleveland avenues. The Lowes is expected to cost $18.5 million and open in the third quarter of 2008. The entire center will offer 300,000 square feet of retail.
- Gateway Galleria at the southeast corner of Highway 99 and Avenue 17 will offer more than 450,000 square feet of retail space. This shopping center is expected to be anchored by a Super Wal-Mart.
- At the northeast corner of State Route 99 and Avenue 17, Madera Town Center will offer 800,000 square feet of new retail. The center will have 2,000 feet of linear frontage on Highway 99. It will be constructed in two phases and is scheduled for a 2009 opening. A Target store is expected to be the anchor for this shopping center.

The City of Chowchilla has little in terms of existing retail, but there is some development that is in the planning stages. A local car dealership recently opened its operations at a 31-acre parcel in Chowchilla. Figtree Plaza, which will contain a Save Mart Supermarket and Walgreens, is under construction. A Rite-Aid, Taco Bell and KFC are being planned along with a large mini-storage structure.

In all of the scenarios, the proposed casino development is expected to create jobs within the retail sector. Aside from those positions in the arts, entertainment and recreation category, the two sectors estimated to see the largest increases in employment opportunities due to the casino opening would be the retail trade and accommodation and food services categories (Tables 3.4, 4.3, 5.4 and 6.3). For Alternative A, 88 of these jobs are in the retail sector. The retail development described above could easily provide these new jobs. Some additional demand for food service jobs outside of the casino will also be created. Restaurant developments tend to occur along side retail trade, and we expect restaurants within the retail developments outlined above will provide these jobs.

As noted above, the planned retail at the Avenue 17/Highway 99 intersection could accommodate the new jobs that would be demanded from the gaming patron base. Retail and food and beverage facilities may also be needed in the market to accommodate casino and non-casino employees that become new residents of the area, though it should be noted that these new employees are expected to fill residential developments that are independent of the casino, and such retail developments would be planned for the communities as a whole, and not merely the casino-related employee element of the total. Therefore, with an estimated 34,000 – 38,000 new single family dwellings in the process of being developed in Madera County, the demand for new retail space will continue to increase. It is not expected that the gaming facility will bring enough new persons to the area to magnify the existing retail growth induced by resident demand.

In all of the scenarios, we project that the growth in retail space will continue to focus in the City of Madera primarily and the City of Chowchilla secondarily.

*Hospitality Development*
While Alternative A includes a hotel, other hotel developments are being completed in the area. A 78-room Hampton Inn and Suites at Ave 17 and HWY 99 is near completion. Madera Springhill Suites (a division of Marriott hotels) with a restaurant is opening across from Madera Community Hospital in early 2009. A 63-room Holiday Inn Express will open in Chowchilla in the summer of 2008.

*Office Development*
Most of the office buildings in Madera County are in and around the City of Madera. The following provides a listing of the currently vacant office properties in the County and their sizes.

Table 7.7
**Vacant Office Space in Madera County**

| City | Name | Address | Sq. Ft. |
|---|---|---|---|
| Madera | Ave 17 Office Space | 26045 Avenue 17, Ste. A | 907 |
| | Ave. 17 Office Ste. B | 26045 Ave. 17, Ste. B | 447 |
| | 720 Mission Office | 720 North I Street | 1,000-8,392 |
| | 730 Mission Office | 730 North I Street | 1,000-10,200 |
| | 750 Mission Office | 750 North I Street | 1,000-9,440 |
| | 760 Mission Office | 760 North I Street | 1,000-4,800 |
| | 780 Mission Office | 780 North I Street | 1,000-4,273 |
| | 28th Aero Squadron Ind. Park Bldg. 103 | 19500 Road 28 1/2 | 6,400 |
| | 2000 N. Schnoor Bldg. | 2000 N. Schnoor #102 | 2,424 |
| | Bronco Professional Park | Almond Ave. & Emily Way | 18,812 |
| | 2531 Howard Rd. | 2531 Howard Rd. | 4,300 |
| | The Courtyard | 1816 Howard Road | 1,300 |
| | Ave 17 Office Space | 26045 Avenue 17, Ste. A | 907 |

Source: Madera County Economic Development Commission (June 16, 2008)

We anticipate only a slight increase in the demand for office space as a result of any of the scenarios. Very little of the employment expected to be generated will require office space—about 108 jobs resulting from Alternative A in sectors 9, 10, 11, 12, 13 and 19 and less in the other alternatives (See Tables 3.4, 4.3, 5.4 and 6.3). What little is needed we anticipate will be developed in the incorporated areas of the County, mainly resulting from the service needs of the residential development. Given the limited amount of space that is needed, the lack of immediate proximity needed to either residences or the casino, it is too speculative to estimate where the demand for the space would be in the County.

*Industrial Development*

Most of the industrial development in Madera County is in and around the City of Madera. The following provides a listing of the currently available properties in the County and their zoning and sizes.

Table 7.8

**Vacant Industrial Development in Madera County**

| City | Name | Address | Zoning | Sq. Ft. |
|---|---|---|---|---|
| Madera | Massetti Building | Ave 12 1/2 | Heavy Industrial | 8,000 |
| | Ave 15 1/2 Building | 28810 Ave 15 1/2 | Industrial | 2,500 |
| | 28th Aero Squadron Ind. Park Bldg. 210B | 19500 Rd. 28 1/2 | Industrial | 6,500 |
| | Building A (North) | Falcon Drive | Industrial | 18,006 - 72,025 |
| | Building B (South) | Falcon Drive | Industrial | 18,006 - 72,025 |
| | 3469 Yeager | 3469 Yeager, Suite 101 | Industrial | 10,000 |
| | 2890 Falcon | 2890 Falcon Drive | Industrial | 17,375 +/- (3 bldgs) |
| | Falcon Warehouse | 2880 Falcon Drive | Industrial | 16,000 +/- |
| | Granada Business Park | Granada & Mitchell Ct. (NEC) | Light Industrial/Office | 2,870-10,413 |
| | Alquist Industrial Complex | Falcon Drive | Light Industrial/Office | 27,500 |
| Chowchilla | Old Hwy 99 | Ave 24 1/2 | Industrial | 6,000 |
| | Robertson Industrial Bldg. | Robertson Blvd. at Avenue 23.5 | Industrial | 7,200 |

Source: Madera County Economic Development Commission website (June 16, 2008)

The City of Chowchilla has very little built industrial space. It does have a number of excellent sites for industrial development and is on a short-list for consideration by a large industrial developer. .

There will be almost no demand for additional industrial space in the County as a result of the casino or retail developments. What little there might be from 68 new jobs in sectors 1, 2, 3, 4, 5, 6 and 8 for Alternative A (See Table 3.4) can be absorbed by the vacant units in existing industrial spaces in the County or in existing industrial operations. It is assumed that the most likely scenario will be that the casino will generate new jobs at existing industrial locations as opposed to generating new industrial operations. These jobs would be dispersed among all of the current industrial operations in Madera County.

# Section 8: Impacts to the City of Madera

The preceding sections focused on the impacts to Madera County. Given the proximity of the proposed development in Alternatives A, B and C to the City of Madera, we assess the impacts to the City in this section. Alternative D will also have impacts on the City, but these are expected to be smaller given the distance between the development and the City. The following section describes these impacts.

## 8.1 Development Impact on Population

In Alternatives A, B and C, the development is situated in the County immediately adjacent to the City of Madera. In Alternative D, the development is located across the County from the City.

For Alternatives A, B and C, we projected that 60% of development-induced residents would move into the City of Madera. We projected that Alternative D will cause growth closer to typical City growth because it is located further from the City. For this reason, we have projected 44% of the County's residents will move to the City under Alternative D. Under all of the alternatives, we projected that 8% of the new resident population will move into the City of Chowchilla (See Section 3.1.3.).

Given these projections, the number of new residents in each of the Alternatives is listed below.

Table 8.1

**New Residents in City of Madera**

| | County Population | City Population |
|---|---|---|
| Alternative A | 836 | 502 |
| Alternative B | 534 | 320 |
| Alternative C | 194 | 116 |
| Alternative D | 32 | 14 |

## 8.2 Cost of Government Services

The following section details the cost to the City of adding this population.

### *8.2.1 Development Demand*

In Alternatives A, B and C, the development is located just outside the city limits. Because the development is located outside the city limits of the City of Madera, most development-induced demands will be borne by the County. Under Alternative D, no development-induced impacts are expected as the casino would be located on the other side of the County from the City of Madera.

*Road Costs*

The only demand that may impact the City would be for upgrading the road network leading to the developments in Alternatives A, B and C. It is possible that a city road might need to be widened or a traffic signal installed at the intersection of Avenue 17 and Golden State Boulevard. A traffic study is currently under development to determine those impacts.

### 8.2.2 New Resident Demand

The following section details the costs to the City of Madera for the new residents who are projected to move into the City as a result of the new development (See Table 8.2.).

*Capital Costs*

It is not expected that there will be any need for capital improvements under any of the Alternatives. Under Alternative A where the largest population gain is expected, it is projected that only 502 new residents will move into the City as a result of the new development. The new residents equal only 0.93% of the current population.

*Operational Costs*

Despite low capital cost investment, the City's operational costs are expected to rise with each new resident. To determine the cost of these new residents, the City's current annual expenditures were analyzed. The following chart summarizes the City of Madera's spending.

**Table 8.2**

**City of Madera Expenditures**

| | |
|---|---|
| City Administration | $2,100,875 |
| Finance Department | $749,965 |
| City Attorney | $410,365 |
| Police | $8,905,299 |
| Fire | $2,788,084 |
| Community Development | $4,040,804 |
| Parks and Recreation | $2,421,256 |
| Public Works | $3,571,851 |
| Grant Oversight | $389,969 |
| Total | $25,378,468 |

* Does not included capital outlays
Source: 2007-2008 City of Madera Budget,
Revised budget per memo of 8/16/2007.

Operational costs have nearly doubled since 2004, primarily due to increases in costs of benefits, but also due to creation of new positions.

Table 8.3

**City of Madera Expenditure Growth**

| | 2004-2005 Budget | 2005-2006 Actual | 2006-2007 Estimated | 2007-2008 Adopted |
|---|---|---|---|---|
| Operational Expenses | $13,019,484 | $19,022,667 | $22,416,983 | $25,378,468 |
| Change | | 46.1% | 17.8% | 13.2% |

Source: 2007-2008 City of Madera Budget, Revised budget per memo of 8/16/2007; 2004-2005 City of Madera Budget.

On a per capita basis, the City of Madera spends $468.28 annually for each City resident.

Table 8.4

**City of Madera**
**Per Capita Spending**

| | |
|---|---|
| 2007 Budget | $25,378,468 |
| 2007 Population | 54,195 |
| Per Capita Spending | $468.28 |

Source: 2007-2008 City of Madera Budget, Revised budget per memo of 8/16/2007.

The new City of Madera residents for each Alternative will cost the City the following amounts for operational costs.

Table 8.5

**Cost for New Residents**

| | City Population | Annual Cost to City |
|---|---|---|
| Alternative A | 502 | $235,077 |
| Alternative B | 320 | $149,850 |
| Alternative C | 116 | $54,320 |
| Alternative D | 14 | $6,556 |

The recent economic downturn has slowed the growth of City of Madera's expected future spending. Due to revenue constraints, the City Administrator is planning on maintaining 2007-2008 operating levels for 2008-2009, with no COLA adjustment, which is an effective reduction in services. There will be a soft hiring freeze, only hiring for fire and public safety positions. The capital replacement schedule will be pushed back one year which will affect the city's fleet. Collective bargaining agreements will be renegotiated in 2009 (general employees) and in 2010 (public safety). These will further increase salaries/benefits and therefore operating costs.

## 8.3 City Revenue from Development

Along with additional costs, residents will bring in additional revenue to the City. There are two forms of revenue. The first is in the form of payments from the Tribe and the second is through payments made by the individual residents to the City.

### *8.3.1 Memorandum of Understanding Revenue*

The Tribe has a Memorandum of Understanding with the City of Madera regarding payments to be made to the City by the Tribe. In this agreement under Alternative A, the Tribe has agreed to pay the City several one-time payments which total \$6.285 million to \$10.285 million as well as several annually recurring payments which total \$1.075 million. The purpose of each of the payments is outlined in the following table.

**Table 8.6**

**City of Madera MOU**

| | |
|---|---|
| **One-Time Payments** | |
| Law enforcement | \$200,000 |
| Road and transportation improvements | \$885,000 |
| Additional improvements for County roads annexed into the City | Up to \$4,000,000 |
| Local land use planning | \$200,000 |
| Water conservation and maintenance for City golf course | \$2,500,000 |
| Madera East Side Youth recreational opportunities | \$2,000,000 |
| Public safety training | \$500,000 |
| Subtotal | \$6,285,000 - \$10,285,000 |
| **Recurring Payments** | |
| Law enforcement (six additional law enforcement officers) | \$675,000 |
| Downtown revitalization | \$100,000 |
| Air quality resources (bus system) | \$50,000 |
| City of Madera general government funding | \$250,000 |
| Subtotal | \$1,075,000 |
| **Total** | **\$7,360,000 - \$11,360,000** |

* \$640,000 in first year, \$675,000 in following years.

Source: MOU between City of Madera, CA and the North Fork Rancheria of Mono Indians of California, signed October 18, 2006.

The Tribe's MOU with the County has a goal of hiring County residents to fill 50% of its jobs. The MOU with the City states a goal of hiring 33% of the County hires from City residents. Prior to opening, the Tribe shall offer training to help City residents qualify for positions, according to the MOU.

The Tribe has also signed an MOU with the Madera Irrigation District (MID). This includes annually recurring payments of \$11,500 due to loss of taxes by putting the land into Trust. Additionally an annual payment of \$36,000 for aquifer recharge will compensate for annual water usage totaling 450 acre feet at the Trust property. If water use exceeds this rate, the Tribe will have to pay MID the market rate for overusage.

Also, as part of the MOU with the MID, the Tribe agrees to establish arrangements with local providers for the sale and purchase of local agricultural products at the facility and establish an agricultural demonstration project for educational purposes on the Trust property.

## 8.3.2 Tax Revenue

New residents will pay sales and use taxes which in turn will fund operations in the City. The following table calculates the per capita revenue received by the City from sales and use taxes.

**Table 8.7**
**Per Capita Revenue from Sales and Use Taxes**

| | |
|---|---|
| 2007 Budget | $6,629,668 |
| 2007 Population | 54,195 |
| Per Capita Revenue | $122.33 |

Source: Source: 2007-2008 City of Madera Budget, Revised budget per memo of 8/16/2007.

Based on the current level of revenue in the City, each resident pays $122.23 in sales and use tax that goes to the City. Depending on the new population projected to move into the City, each Alternative has a different level of revenue received from sales and use taxes. The following table documents this revenue.

**Table 8.8**
**City of Madera Tax Revenue**

| | City Population | City Revenue from Taxes |
|---|---|---|
| Alternative A | 502 | $61,361 |
| Alternative B | 320 | $39,194 |
| Alternative C | 116 | $14,225 |
| Alternative D | 14 | $1,722 |

### 8.3.3 Total Revenue

Total annual revenue for each Alternative, including per capita revenue from sales and use taxes and recurring payments, is demonstrated below. Though the City's MOU only applies to Alternative A, proportional payments have been calculated for Alternatives B and D for illustration.

Table 8.9

**Total Revenue**

| | Revenue from Taxes Only | MOU | Total |
|---|---|---|---|
| Alternative A | $61,361 | $1,075,000 | $1,136,361 |
| Alternative B | $39,194 | $860,000 | $899,194 |
| Alternative C | $14,225 | $0 | $14,225 |
| Alternative D | $1,722 | $141,664 | $143,386 |

## 8.4 Cost Versus Revenue

It is assumed that recurring payments for law enforcement, downtown revitalization, and air quality resources for the bus system, totaling $825,000, will be used in their entirety to offset costs for those services. The following table summarizes the annual cost of other government services and revenue for each of the Alternatives.

**Table 8.10**

**Comparison of Annual Costs and Revenues**

| | Cost | Revenue |
|---|---|---|
| Alternative A | $1,060,077 | $1,136,361 |
| Alternative B | $809,850 | $899,194 |
| Alternative C | $54,320 | $14,225 |
| Alternative D | $115,274 | $143,386 |

# Section 9: Impacts to the State of California

This section describes the impacts of the preferred and alternative developments on the State of California.

## 9.1 Development Impact on Population

We assume that no new residents, which move to Madera County for jobs created by the Alternatives, are from out of state, but rather from other areas within the State of California. Therefore, these preferred and alternative developments would have no impact on the population of the State of California.

## 9.2 Cost of Government Services

As there is no expected net population change within the State of California due to the Alternatives, no population-induced costs will be incurred by the State. Potential casino-induced costs include those placed on the California Highway Patrol as well as the State's Office of Problem Gambling.

*California Highway Patrol*

The California Highway Patrol (CHP) has jurisdiction on all state highways and county roadways and with any vehicular-related incident. The city police are responsible for traffic incidents within incorporated areas. The CHP responds to incidents on private property involving vehicular theft, vehicular collision, drunk driving, a serious injury or fatality while using a motor vehicle.

The CHP has 8 divisions. The Central Division, in which Madera County is located, has 15 Area Offices, 6 Resident Posts, 2 Commercial Inspection Facilities which employ 667 Uniformed Officers and 226 Non-Uniformed Personnel.

The Madera Area Office has one commander, 3 field supervisors, and 30 officers. The recommended ratio of field supervisors to officers is 1:8, which implies that the Madera Area Office is slightly understaffed. This office covers primarily the valley floor of Madera County along with some of the foothills. A recent expansion created a new Area Office which covers the area from the border in the foothills to Yosemite. This office has 16-18 officers.

The CHP has not responded to any incidents on the property of Chukchansi Casino since its opening. Traffic has increased on the highway leading to Chukchansi Casino, and hence traffic related incidents have also increased. There are several attractions accessed by this route in addition to the casino including Yosemite and recreational lakes. Additionally the population in the foothills has increased since the opening of the casino. These factors dilute any direct causation to increased CHP response on roadways due to the casino.

According to Lieutenant Commander Dave Paris (interviewed by phone on May 22, 2008), increased traffic generally results in increased incidents to which the CHP would respond. The CHP was unable to estimate if additional staffing would be needed as a result of the proposed casino near Madera.

*Office of Problem Gambling*
The Office of Problem Gambling is housed within the California Department of Alcohol and Drug Programs. In Fiscal Year 2007-2008, the budget for this office totaled $3.529 million funded by the Indian Gaming Special Distribution Fund. As listed on their website, legislative mandates for the office include offering the following:

- A toll-free telephone service for immediate crises management and containment with subsequent referral of problem and pathological gamblers to health providers who can provide treatment for gambling related problems and to self-help groups.
- Public awareness campaigns that focus on prevention and education among the general public including, for example, dissemination of youth oriented preventive literature, educational experiences, and public service announcements in the media.
- Empirically driven research programs focusing on epidemiology/ prevalence, etiology/causation, and best practices in prevention and treatment.
- Training of health care professionals and educators, and training for law enforcement agencies and nonprofit organizations in the identification of problem gambling behavior and knowledge of referral services and treatment programs.
- Training of gambling industry personnel in identifying customers at risk for problem and pathological gambling and knowledge of referral and treatment services.

Though an increase in the supply of casino gaming might increase the utilization of the services provided by this office, there is no research available which identifies or quantifies the correlation. Therefore suggesting a dollar amount as an impact is too speculative.

# 9.3 State Revenue from Development

## *9.3.1. Gaming Revenue Sharing*

The compact between the State of California and the North Fork Rancheria of Mono Indians of California was signed in April 2008. The compact authorizes the Tribe to operate up to 2,500 slot machines at a single facility on the 305 acre parcel in Madera, CA. This compact limits the size of the resort casino and hotel to a 280,000-square-foot footprint with 2,000 slot machines (Section 11.8.9). An option to expand the facility and operate up to 500 additional slot machines during the 20-year term of the compact is allowed if the Tribe's existing agreement with the County of Madera is amended to cover any additional off-reservation impacts to the environment.

The Compact requires the Tribe to share gaming revenues with the State of California through a graduated percentage of net win from the operation of both slot machines and banked card games. The state will receive 13.5% of the first $100 million of net win, 18% of amounts between $100 and $200 million in net win, and 22% of net win over $200 million.

**Table 9.1**
**Revenue Contribution (%) to the State of California***

| Annual Net Win | State % |
|---|---|
| $0 - $100 million | 13.5% |
| Over $100 million - $200 million | 18% |
| Over $200 million | 22% |

* Payments to County pursuant to MOU are deducted from contributions to State.
Source: Tribal-State Compact Between the State of California and The North Fork Rancheria of North Fork Indians of California.

Alternative D is located on Trust Land and would not be subject to revenue sharing contributions in a Compact with the State. An estimate of the Tribe's revenue contribution to the State in the casino's first year of operation is outlined below for Alternative A and Alternative B.

**Table 9.2**
**Annual Revenue Contribution to the State of California***

| | Alternative A | Alternative B |
|---|---|---|
| State Share* | $29,236,676 | $21,054,299 |

Source: Tribal-State Compact Between the State of California and The North Fork Rancheria of North Fork Indians of California
*Based on The Innovation Group's gaming revenue estimate for first full year of operation
*Payments to County pursuant to MOU are to be deducted from contributions to State.

As outlined in the Compact, the Wiyot Tribe will receive revenue payments from the gaming facility proposed to be operated by the North Fork Mono Rancheria in Madera County in exchange for foregoing its right to game on its tribal lands along Humboldt Bay in Northern California. The revenue sharing schedule is outlined in the following table. This would result in approximately $5.1 million under Alternative A and $3.7 million under Alternative B.

**Table 9.3**
**Revenue Sharing Trust Fund for the Benefit of the Wiyot Tribe**

| Annual Net Win* | Wiyot % |
|---|---|
| $0 - $100 million | 2.5% |
| Over $100 million - $200 million | 3% |
| Over $200 million | 3.5% |

Source: Tribal-State Compact Between the State of California and The North Fork Rancheria of North Fork Indians of California.

### *9.3.2. Sales and Use Tax*

Each of the development alternatives explored is expected to generate construction spending during an initial period as well as annual operational spending. From this spending the State of

California receives 7.25% of the 7.75% sales and use tax imposed in Madera County. The following table identifies the sales and use tax revenue to the State from each of the alternatives.

Table 9.4

**Sales and Use Tax Revenue**

| | Alternative A | Alternative B | Alternative C | Alternative D |
|---|---|---|---|---|
| Retail Sector Output for Construction Spending (one-time) | $26,177,953 | $22,288,033 | $3,349,858 | $4,338,854 |
| Retail Sector Output for Operational Spending (annual) | $8,864,319 | $5,847,226 | $74,115,302 | $480,538 |
| Sales Tax Rate in Madera County to the State | 7.25% | 7.25% | 7.25% | 7.25% |
| Sales Tax on Construction Spending (one-time) | $1,897,902 | $1,615,882 | $242,865 | $314,567 |
| Sales Tax on Operational Spending (annual) | $642,663 | $423,924 | $5,373,359 | $34,839 |

Source: California Board of Equalization

# 9.4 Cost Versus Revenue

The costs to the State include impacts on the California Highway Patrol and the Office of Problem Gambling. The costs for each of these are difficult to estimate, but the revenue sharing contributions from the proposed casino in addition to the sales and use tax revenue are expected to sufficiently address the costs.

# Section 10: Conclusion

The potential impacts of the various scenarios vary in degree, but generally the greater the positive impact, such as new jobs and revenue to the County, the larger the negatives such as costs to the County. (See Table 10.1 below.)

It should be noted that the proposed staffing ratio for fire development is a significant increase over that recommended in the previous Socioeconomic Impact Assessment (2005). Therefore costs have increased to a level beyond that supported by the County MOU. For Alternative A, the County MOU provides $1.2 million in annual payments for fire protection. The fire protection staffing proposed in this document totals more than $2.3 million for annual casino-induced demand at 2007-2008 wage rates.

The recommended staffing for the Madera County Behavioral Health Services has increased due to new research on prevalence rates. The cost of the proposed staffing ($235,000) has exceeded the revenue provided in the County MOU ($50,000).

Recurring payments outlined in the County MOU are not adjusted annually for inflation until after the opening of the casino. Continual increases in wages for each of the governmental departments will cause the total casino-induced and population-induced costs to exceed payments outlined in the County MOU as time progresses. For example, the current casino-induced costs (excluding population-induced costs) imposed on the Sherriff's Department total $634,554, which exceeds the $515,000 annually recurring payment in the MOU ($415,000 to the Sheriff's Department and $100,000 for public safety support).

The combination of these three items results in annual costs to the County which exceed annual revenues to the County for each of the alternatives, with the exception of Alternative C.

In terms of the City of Madera, it is projected that for Alternatives A, B and C more new residents will move into the City than typically would be expected from increases in County population. The new population is expected to increase City spending, but it will also increase City revenues. The following table provides a comparison of spending and revenue for the City for each of the Alternatives. In the case of the City, annual revenues exceed annual costs.

In terms of land use development impacts, none of the alternatives is projected to impact residential, retail, office or industrial development such that demand could not be satisfied by existing construction.

Table 10.1

## Impact Comparison for All Alternatives

| | Alternative A - Proposed | Alternative B - Reduced Intensity | Alternative C - Retail | Alternative D - North Fork |
|---|---|---|---|---|
| Square Footage | 493,010 | 198,990 | 237,000 | 26,001 |
| **County Impacts** | | | | |
| New Temporary Employees | 2,441 | 1,802 | 271 | 351 |
| New Permanent Employees | 2,319 | 1,485 | 995 | 167 |
| New Households | 263 | 168 | 61 | 10 |
| New Residents | 836 | 534 | 194 | 32 |
| One-time Costs | $8.66 - $20.92 million | $6.55 - $16.35 million | $6.7 - $17.7 million | $1.53 - $3.15 million |
| Annual Costs | $3,947,464 | $2,385,957 | $1,828,866 | $2,484,790 |
| One-time Revenue | $7.83 - $20.09 million | $6.27 - $16.07 million | $16,749 | $1.036 - $2.652 million |
| Annual Revenue | $2,909,154 | $2,018,740 | $357,981 | $949,692 |
| **City Impacts** | | | | |
| New Residents | 502 | 320 | 116 | 14 |
| Annual Costs | $1,060,077 | $809,850 | $54,320 | $115,274 |
| One-time Revenue[1] | $6.285 - $10.285 million | $5.028-$8.228 million | N/A | $0.828 - $1.355 million |
| Annual Revenue | $1,136,361 | $899,194 | $14,225 | $143,386 |

Note: Shortfall between One-time Costs and One-time Revenues can be mitigated by bonding excess annual revenue. See "Cost Versus Revenue" for each alternative in the text.

# DISCLAIMER

To the extent possible, we have attempted to verify and confirm estimates and assumptions used in this analysis. However, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur, therefore actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material. As such The Innovation Group accepts no liability in relation to the estimates provided herein.

# Introduction

This technical memorandum update considers the revenue and patronage potential for a proposed Class III gaming facility located in North Fork, California, as a site alternative to the Rancheria's proposed casino in the Madera area. This memorandum evaluates the casino's potential market position and makes projections for gaming visits and revenues based on the expected competitive environment in the region and the optimal gaming mix based on this market potential. The Madera, Tulare and Fresno County area has several established gaming facilities with which the proposed casino would compete, as well as a significant proposed gaming facility located between the city of Fresno and North Fork. As a result, from a competitive standpoint, proper positioning of the property in terms of size, attractiveness and amenities offered will all be key components determining the potential for success at the site.

The market potential for the casino is viewed as coming from two sources: the local population and the transient tourist population. The market potential from each of these segments is presented individually below, and aggregated in the final table.

# Demographic Overview

As a basis for the market assessment, this section provides a general overview of the population in the areas immediate to and surrounding the proposed North Fork facility. Concentric rings of 10, 25 and 50 miles were drawn around the North Fork site, from which the majority of the potential visitation may be drawn. Given the size of some of the competitive facilities in the market, and their respective accessibility relative to North Fork, it should be expected that demand for a North Fork facility would be primarily proximity-driven.

## *Adult Gamer Population*

For the three concentric rings examined in the North Fork area, the gamer population age 21 and older is projected to increase at an annual rate of 2.14% through 2009, to a total of 753 thousand. Nearly 95% of this population resides in the outer ring of 25 to 50 miles, with less than 36 thousand people residing within 25 miles. The growth rates for the all rings are considerably greater than the national average of 1.14% and the statewide average of 1.61%. These figures are shown in detail in the following table.

**North Fork, California Gamer Population**

| Ring | 2007 | % of Total 2007 Population | 2012 | % of Total 2012 Population | A.A.G. 2007 - 2012 |
|---|---|---|---|---|---|
| 0 - 10 mi | 12,818 | 76.8% | 14,237 | 77.7% | 2.12% |
| 10 - 25 mi | 23,152 | 74.6% | 25,803 | 77.0% | 2.19% |
| 25 - 50 mi | 641,547 | 64.8% | 713,311 | 66.0% | 2.14% |
| 0 - 50 mi | 677,517 | 65.3% | 753,351 | 66.5% | 2.14% |
| California | 25,598,458 | 69.0% | 27,732,242 | 69.9% | 1.61% |
| The United States | 214,059,412 | 71.1% | 226,527,835 | 71.9% | 1.14% |

Source: iXPRESS, Claritas, Inc., The Innovation Group

### *Income*

Between 2004 and 2009, the effective buying income for the 50-mile ring is expected to grow on average 2.3% per year from $47,588 to $53,340. The averages for the inner and outer rings are similar, while the inner ring average is approximately 15% greater. However, these average incomes are well below the statewide average, and with the exception of the middle ring, below the national average. Effective buying income reflects the adjusted net purchasing power of an average household in the market taking into consideration federal, state and local taxes. These figures are detailed below.

**North Fork, California Effective Buying Income**

| Rings | 2007 | 2012 | A.A.G. 2007-2012 |
|---|---|---|---|
| 0-10 Miles | $48,340 | $55,394 | 2.8% |
| 10-25 Miles | $57,306 | $64,405 | 2.4% |
| 25-50 Miles | $47,201 | $52,870 | 2.3% |
| 0-50 Miles | $47,588 | $53,340 | 2.3% |
| *California* | $61,318 | $67,484 | 1.9% |
| *USA* | $53,727 | $59,186 | 2.0% |

Source: iXPRESS, Claritas, Inc., The Innovation Group

## Competitive Market

The current gaming market in the Fresno-Yosemite area is comprised of three large casinos: the Chukchansi Gold Resort and Casino, located west of North Fork on Route 41 ion Coarsegold, The Palace, located 35 miles south of Fresno in Lemoore, and Table Mountain, a large facility located approximately 20 miles southwest of North Fork and 15 miles north of Fresno. Moving north or south out of the central valley there are several additional options for gamers. A description of the competitive facilities in the market follows.

**Chukchansi Gold**

Chukchansi Gold opened in 2003 and would be the most direct competitor for a casino in North Fork, as it is located west of North Fork on the most direct access road, Route 41. Located in Coarsegold, the attractive facility's design offers a large, open gaming floor that is well laid with easy access to restaurants and the hotel. The property is situated in the foothills adjacent to Yosemite National Park. The casino features 1,800 slot machines and 59 table games including a 12-table poker room. The 192-room full-service hotel complements the casino by accommodating trips to nearby Yosemite National Park. The property appears to have a reasonable amount of clientele during the off-season and reaches capacity constraints during the summer tourism season. The property offers seven restaurants that offer a variety of options at different price-points, including a buffet, two cafes, two casual dining restaurants, a steakhouse, and a restaurant-bar that offers live entertainment. Chukchansi Gold is a 45- minute drive north of Fresno. The tribe is currently in the process of completing construction on an 11-story, 220-room hotel, and recently completed development of a parking garage. The new hotel addition will also include a spa and pool. The hotel is expected to be completed in Fall 2008. A casino in North Fork would be more proximate to Chukchansi than a Madera facility would be, but could potentially have a smaller impact on its operations given the comparative scale of the proposed facility.

**Table Mountain Casino**

Table Mountain Casino is located just east of Millerton Lake, approximately 12 miles east of Route 41 in the town of Friant. The facility is easily visible from the road with parking available in a lot in front of the casino and a parking structure in the rear. Valet service is available only at peak times. The casino is the result of expansions at various times, but in spite of its physical disadvantages is the market leader in the Fresno region because of its convenience and positive reputation. The back of the property has a larger, more open gaming space that appears to have been added on. The entire facility houses 2,000 slot machines, 33 table games, and an 800-seat bingo parlor. The two main restaurants in the facility are located in this back area; one is Mountain Feast, a buffet while the other, Eagles Landing, offers casual dining. A concession stand is the only other dining outlet and is crowded in, like most of the casino, by slot machines. The 800-seat bingo hall doubles as an entertainment pavilion for shows which are held on occasion and they also feature a 1,200-slip parking garage. The Players' Club offers $10 to join and runs frequent promotions. Alcohol is not offered on the property. The casino occasionally faces capacity constraints, especially for parking and traffic congestion.

**Black Oak Casino**

In Tuolumne, approximately 75 miles north of Madera, the Tuolumne Band of Me-Wuk Indians offers the Black Oak Casino. The property's 1,000 plus slot machines include denominations between 1 cent and 5 dollars and offer some of the most current and popular games in the market. Twenty-four tables feature blackjack and poker, while the Black Oak Café and Willow Bar cater to customers' dining needs. An extensive expansion was completed and featured nearly 165,000 square feet to the current facility that offers entertainment to people of all ages. The first floor of the facility includes an entertainment zone that will have a family restaurant, 24-lane bowling alley, and kids' arcade. The second floor is a part of the casino and offer slots and table games, an entertainment lounge, and a non-smoking gaming area. The top floor features a fine-dining restaurant. In addition, a separate non-smoking casino is offered. This facility generates much of its patronage from the Modesto and Calaveras County areas, and has minimal overlap with the North Fork market, but limits the ability to attract patrons from north of the park area.

**Chicken Ranch and Bingo Casino**
The Chicken Ranch Bingo is a non-compacted casino in Jamestown which offers a 900-seat bingo hall and a comparatively limited offering of slot games, totaling approximately 250. Chicken Ranch offers few amenities and no table games and caters primarily to the local market, based in Jamestown and other immediately surrounding towns and communities. The facility offers very little in the way of signage around the region or near the facility, which can be difficult to find, and is not expected to offer significant competition to the North Fork facility, in Madera or in the town of North Fork. Given the proximity of Black Oak to Chicken Ranch, the market potential that could potentially be diverted from the Chicken Ranch market is relatively small.

**Palace Casino**
Gamers in the Fresno metropolitan area also have the option of gaming south of the city at a major facility in LeMoore. The Palace Gaming Center Casino, once little more than a glorified truck-stop, now has over 2,000 slot machines, 30 gaming tables, a large bingo hall, and a variety of food and beverage outlets including a steak house and large buffet. In addition, the facility has a 1,972-seat entertainment venue that is utilized for headliner entertainment. The Palace is currently developing a $60 million expansion that will include re-designed casino space, a 250-room hotel, a 1,200 –seat entertainment center and several new food and beverage amenities.

**Eagle Mountain Casino**
Not far from Lemoore is the Eagle Mountain gaming facility, run by the Tule River Tribe. Located in Porterville, the 70,000 square foot casino offers 1,500 slot machines and 22 tables. Additional amenities include a buffet, a café, a 500-seat live bingo hall, and live entertainment. A bus program focuses on Porterville and Bakersfield, located to the south, and thus there would be negligible overlap with a North Fork operation. The tribe has been attempting to re-locate the casino closer to Porterville on Highway 190, but this would require taking land into trust off the reservation.

**Proposed Facilities**
The Big Sandy Band of Western Mono Indians is planning a $200 million casino and hotel on more than 215 acres near the intersection of Millerton Road and Auberry Road. The casino would include 250 to 300 hotel rooms, more than 75,000 square feet of casino space, 2,000 slot machines, table games, restaurants, retail shops, entertainment areas and meeting space. The gambling space would be on a 40-acre parcel of land belonging to a tribal member. Based on the proposed scale of development the Big Sandy facility would have a significant competitive advantage over the current Table Mountain facility. It is assumed that the tribe will close its small Mono Wind Casino when the Big Sandy casino opens. Several other large-scale facilities are proposed for the outskirts of the Bay Area and Sacramento area markets, but would have negligible impacts on North Fork (or vice versa) due to the anticipated small scale of the North Fork operation.

# Gaming Market Analysis

This section of the report is intended to provide an estimate of the revenue potential in 2011 for a Class III casino in North Fork, California. The gaming market potential is expected to be comprised of two market segments: local gamers and tourist gamers.

## *Local Market Analysis*

To determine the potential revenues that the market area can generate, it is necessary to develop a gravity model. This model provides the flexibility to incorporate considerations reflecting the quality and size of existing properties, and allows for the estimation of the overall market. This model has been employed successfully in a number of jurisdictions, and is an effective tool when evaluating markets with high degrees of competition.

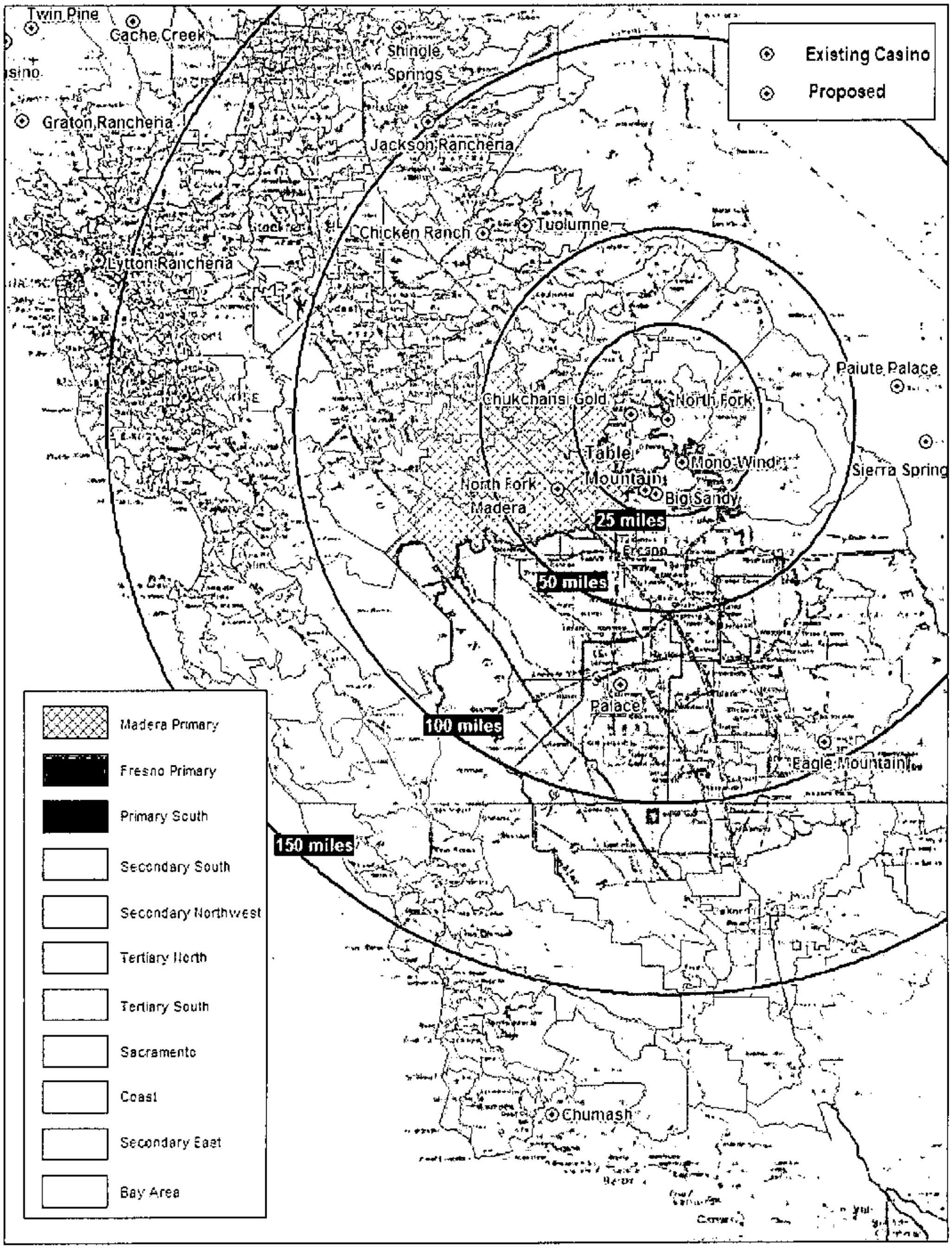
The most frequently used method of market assessment is the concentric ring model. This method draws several rings around a potential casino site and tabulates the adult population within each ring. Propensity and frequency factors are then applied to generate an estimated number of gamer visits per year. The concentric ring model, however, is not easily adjusted to reflect the impact of competitive venues that currently exist or are proposed within the range of the concentric rings, and thus the use of the concentric ring model was not considered suitable for the purposes of this study.

Gravity models are commonly used in location studies for commercial developments. First formulated in 1929 and later refined in the 1940s, the gravity model is an analytical tool that defines the behavior of a population based on travel distance and the availability of goods or services at various locations. The general form of the equation is that attraction is directly related to measure of availability such as square feet, and inversely related to the square of the travel distance. Thus, the gravity model quantifies the effect of distance on the behavior of a potential patron, and considers the impact of competing venues.

In this model, the regions were defined by the location of the existing competitive venues, the location of potential competitive venues, and travel distance to the subject facility. For each market area, propensity and frequency factors were applied to the adult population based on travel distance to the various competing gaming facilities. The gravity model then calculates the realistic distribution of gamer visits from each market area to each of the gaming locations in the market. The model does not recreate visitation to all competitive casinos, but only that portion from each market area that would normally accrue to the facility in the analyzed market area. Other competitors outside the region are treated as external competitors siphoning off a portion of gaming trips from within the region.

Accounting for geographic and competitive factors, the North Fork Market Area has been divided into eleven market areas. The North Fork Gaming Market map (on the following page) shows the eleven market areas and the locations of competing facilities, and the following discussion describes demographics for the market areas.

## North Fork Casino Market Area with Competitive Sites




Studies of gaming behavior in other areas have shown that both propensity and frequency are inversely related to travel distance to the casino. As travel times increase both the percentage of persons who gamble at that location and the number of times they visit the casino decrease. Gaming behavior also varies based on the availability and quality of the gaming experience. The following is a discussion of the component variables of the gaming market analysis:

- **Participation Rate**: The Gaming Participation Rate is a function of the propensity to participate in gaming (the percentage of adults in the region that will visit a casino in the region during the course of a given year) and the average frequency with which they will do so.
- **Capture Rate**: The Capture Rate reflects the percentage of annual gaming trips made by adults in a given market that will accrue to the Subject facility.
- **Win per Visit**. This is the average win per visit for all gaming visits within a market or market segment. This tends to increase with distance as the individual gamer makes fewer trips per year and is likely to maximize his or her participation for the trips that are made. It also varies based on income and inflation and on specific facility characteristics such as the degree of overcrowding and the mix of machine denominations.

The following table shows the output implications of the gravity model for North Fork for 2011. This is based on a model developed reflecting The Innovation Group's estimates or proprietary knowledge of competitive properties in the market. In total, it is projected that the casino in North Fork could generate approximately 199 thousand gamer visits, resulting in $11.2 million in local market gaming win.

**Projected Local Market Revenues and Patronage**

| | 2011 Adult Population | Participation Rate | Capture Rate | Visits | Win | Revenues |
|---|---|---|---|---|---|---|
| Madera Primary | 152,575 | 6.31 | 2.8% | 27,367 | $51.47 | $1,408,702 |
| Fresno Primary | 541,223 | 7.05 | 1.6% | 62,621 | $55.64 | $3,484,185 |
| Primary South | 411,858 | 5.60 | 0.9% | 20,072 | $52.39 | $1,051,637 |
| Secondary South | 156,079 | 4.14 | 0.8% | 4,980 | $43.63 | $217,256 |
| Secondary Northwest | 594,407 | 3.64 | 1.6% | 35,661 | $57.43 | $2,048,189 |
| Tertiary North | 1,061,320 | 2.40 | 0.5% | 12,727 | $66.45 | $845,690 |
| Tertiary South | 449,672 | 1.69 | 1.4% | 10,634 | $53.40 | $567,855 |
| Sacramento | 971,022 | 4.20 | 0.0% | 1,982 | $62.89 | $124,668 |
| Coast | 667,136 | 1.17 | 0.9% | 7,294 | $66.40 | $484,322 |
| Tertiary East | 13,162 | 4.88 | 18.5% | 11,874 | $57.47 | $682,414 |
| Bay Area | 4,881,775 | 0.42 | 0.2% | 4,237 | $73.52 | $311,501 |
| **Local Total** | **9,900,230** | | | **199,449** | **$56.29** | **$11,226,420** |

## *Tourist Market*

Yosemite National Park attracted approximately 3.5 million visitors in 2007, up slightly from 2006, but in line with the average for the past five years. Approximately one-third use the southern entrance at the end of Route 41, according to park rangers. Additionally, based on a 2001 Caliornia State University, Fresno study, 56% of these visitors reflect adults without children, such that the universe of potential tourist gamers is approximately 700 thousand adults assuming no change in tourism base.

However, the Chuckchansi Gold casino is easily accessible for tourists riding on this route, such that even with excellent signage, diversion to North Fork would be difficult. Assuming one-third of adult tourists participate in gaming during their visit, and 6% of these gamers go to a North Fork casino, the casino would generate approximately 14,320 gamer visits. This would result in an additional $1.0 million in gaming win, assuming an average win per visit of $70.

**Projected Tourist Gamer Patronage and Win, 2011**

| Adults | Participation Rate | Capture Rate | Gamer Visits | Win/Visit | Gaming Win |
|---|---|---|---|---|---|
| 716,072 | 33.3% | 6.0% | 14,320 | $70 | $1,002,401 |

## *Revenue Summary*

The proposed casino in North Fork could potentially generate approximately $12.2 million in gaming win in its first year of operation. Nominal growth could be expected during the first several years of operation, as the population growth rate in the region is relatively rapid, though most of the growth will be in areas that the casino will have difficulty competing.

**Gamer Visits and Revenues**

| | Gamer Visits | Win/Visit | Gaming Win |
|---|---|---|---|
| Local Market | 199,449 | $56.29 | $11,226,420 |
| Tourist Market | 14,320 | $70.00 | $1,002,401 |
| Total | 213,769 | $57.21 | $12,228,821 |

In order to accommodate these gamer visits as well as to have as competitive a facility as possible, it will be necessary to have 275 slots and 6 gaming tables. A revenue split of 88.5% slots and 11.5% tables would be normative for this market and for comparatively small sized or local facilities, and justifies these gaming position ratios. Based on a standard industry average of gaming 6 positions per table, an average daily win per position of approximately $108 would result, with minimal difference between win per table position and win per slot. These averages are well below industry norms, however in order to be competitive in this market it will be necessary to develop a facility with a scale of at least this minimum. However, based on these results, project feasibility may be questionable, depending on the necessary cost of development.

In a project of this nature as developed in conjunction with Stations Casinos, with the mix of local and tourist gamers as projected, food and beverage revenues could be expected to total approximately $1.82 million. Additionally, it could be expected that the average gamer would spend a net $2 to $2.50 per visit on other items, ranging from ATM commissions to retail items. This would yield an additional $435 thousand. In total, non-gaming revenues are projected to total $2.26 million, for total facility revenues of $14.5 million in the first year of operation.

**Projected Total Facility Revenues**

| | Gamer Visits | F&B Spend | Other Spend | Total Non-Gaming Spend | Total Revenues |
|---|---|---|---|---|---|
| Local Market | 199,449 | $8.00 | $2.00 | $1,994,488 | $13,220,908 |
| Tourist Market | 14,320 | $16.00 | $2.50 | $264,920 | $1,267,321 |
| **Total** | **213,769** | **$8.54** | **$2.03** | **$2,259,408** | **$14,488,229** |

A sensitivity analysis was run for several alternative casino sizes, with minimal difference in terms of cash flow margin by adding or subtracting 25 gaming devices. However, by subtracting more than 25 devices, the scale of the facility would be too small to warrant visitation and provide variety, given the level of competition in the market. Similarly, adding more than 25 devices would provide for diminishing marginal returns, with the level of investment necessary far outweighing any economic benefits that could be received. The following table provides an estimate of the gaming win, total revenues, and cash flow from operations under several sizing alternatives.

**Projections with Sizing Alternatives**

| | Gaming Revenue | Total Revenue | Estimated Cash Flow | Estimated Cash Flow Margin |
|---|---|---|---|---|
| 200 slots 6 tables | $9,812,557 | $11,266,437 | $1,515,671 | 13.5% |
| 250 slots 6 tables | $11,263,188 | $13,331,903 | $1,844,040 | 13.8% |
| **275 slots 6 tables** | **$12,228,821** | **$14,488,229** | **$2,030,092** | **14.0%** |
| 300 slots 6 tables | $13,049,269 | $15,435,282 | $2,142,128 | 13.9% |
| 350 slots 6 tables | $13,895,209 | $16,431,497 | $2,250,689 | 13.7% |

The required capital cost of development would determine which of these sizes, if any, would be feasible for development. It is understood that the size has challenges that would require minimum construction costs of well over $20 million for projects of this size, which would be a multiple of cash flow that could not be successfully financed (based on The Innovation Group's experience, in this economic climate, capital can not be raised for tribal gaming projects where capital costs are in excess of 5X cash flow. In this model the multiple would be at least 9X).

# North Fork Rancheria Competitive Impact Technical Memorandum

# INTRODUCTION

The North Fork Rancheria of Mono Indians is proposing to build a casino and hotel development in Madera County, California. The Tribe has hired Station Casinos as its management company. This competitive impact analysis, performed by The Innovation Group, is based on an updated economic impact analysis for the North Fork Rancheria's proposed casino development in Madera, California, completed in June 2008, along with an alternative impact assessment for an off-site location alternative in North Fork. For the proposed site in Madera, a casino-hotel as proposed was analyzed, along with a decreased intensity development, assumed to be 50% of the size of the preferred building program. The market currently has several tribal gaming facilities, and therefore any new gaming venue in this market could potentially have a detrimental impact on existing facilities. It is also noted that the Big Sandy Rancheria is planning a large-scale casino resort development in the market, and as such the impacts of a North Fork facility would be incremental to that of Big Sandy, assuming the Big Sandy facility is the first to open.

The following technical memorandum will analyze the impact that the proposed casino would have on the existing competition, based on each of the three development alternatives provided in the socio-economic analysis. In order to quantify these impacts, The Innovation Group will complete the following five models:

1) Base case 2007 – replicating the performance of facilities in the market based on our knowledge or estimates of facility performance
2) Base case 2011 – projecting growth for existing gaming facilities and a new Big Sandy facility proximate to Table Mountain, incorporating other proposed expansions as well as organic growth, stemming from local market population and income growth
3) 2011 base case assumptions with addition of full casino-hotel in Madera
4) 2011 base case assumptions with addition of reduced scale casino-hotel in Madera
5) 2011 base case assumptions with addition of casino in North Fork

In addition to local market gamers, it is recognized that some of the gaming demand for casinos in the market stems from the location in close proximity to tourist destinations, most notably the National Park area. Demand from this segment for Madera will be broken down in terms of new and diverted visitation, and estimates will be made of where the diverted gamer visits and gaming win would otherwise have been consummated. The sum of the tourist and local market impacts should reveal the total impacts on existing properties.

# *Demographic Analysis*

An area's economic health and growth potential is indicative of its ability to support the local lodging and gaming markets. In this section, some of the specific economic and demographic characteristics of the proposed hotel and casino market area that will affect future demand for expanded gaming in the area are analyzed. The purpose of such an analysis is to evaluate the area's ability to:

- Support existing and proposed hotel and gaming facilities in the area; and
- Attract new sources of lodging and leisure demand.

Some of the factors we analyzed, including population trends and average household income trends, are included in tables and text on the next several pages.

## Population

### Total Population

For the purposes of the economic/demographic analysis, the population within 100 miles of the potential development site was assessed in four concentric rings, 0-25 miles, 25-50 miles, 50-75 miles, and 75-100 miles. The total population within 100 miles of the subject property increased at an average annual rate of 1.76% between 2000 and 2007, bringing the population base from approximately 4.083 million to nearly 4.612 million. This growth is faster than the California's 1.30% average annual growth, and is nearly double the nation's 0.97% average annual growth for the same period.

Of the concentric rings analyzed for the Madera area, the 50-75 mile ring experienced the greatest average annual growth at 2.11% bringing the population from over 980,000 people in 2000 to over 1.134 million people in 2007. The next highest growth rate was that of the 0-25 mile demographic region. This ring's population grew 2.0% per year to reach an estimated 473,681 people in 2007. The 75-100 miles market area has the slowest population annual growth rates at 1.45% between the years 2000 and 2007.

Population projections estimate growth within the 100-mile area around the subject property at 1.69% per year between 2007 and 2012, bringing the population base to approximately 5.02 million. Although this growth rate demonstrates a decline from the previous four years, the trend is more in line with the state averages for the period projected of 1.40% and faster than the national averages. The ranking of growth rates is expected to remain the same with the 75-100 mile ring displaying the lowest growth rate at 1.46% and the 50-75 mile ring growing at 1.94% annually. The following table illustrates these population trends for the concentric rings as well as California and the nation.

**Preferred Area Total Population**

| Ring | 2000 | 2007 | 2012 | A.A.G. 2000 - 2007 | A.A.G. 2007 - 2012 |
|---|---|---|---|---|---|
| 0-25 miles | 412,344 | 473,681 | 519,058 | 2.00% | 1.85% |
| 25-50 miles | 700,284 | 803,249 | 880,380 | 1.98% | 1.85% |
| 50-75 miles | 980,326 | 1,134,816 | 1,249,326 | 2.11% | 1.94% |
| 75-100 miles | 1,990,089 | 2,200,768 | 2,366,318 | 1.45% | 1.46% |
| Area Total | 4,083,044 | 4,612,514 | 5,015,082 | 1.76% | 1.69% |
| *California* | 33,871,648 | 37,075,982 | 39,684,022 | 1.30% | 1.40% |
| *United States* | 281,421,906 | 301,045,522 | 314,920,978 | 0.97% | 0.90% |

Source: MapInfo-Claritas, The Innovation Group

## Adult Population

The adult population within 100 miles of the development site made up approximately 66% of the total population in 2007, compared to California's total population, of which approximately 69% is over the age of 21, and the national population, of which 71.1% is over the age of 21. The population over the age of 21 that resides within 100 miles of the proposed site is expected to grow 2.02% per year between 2007 and 2012, reaching nearly 3.4 million adults, or 67% of the total population. In California, the adult population is expected to grow by 1.61% per year through 2012 and the percentage of the total population in the state that is adult is expected to increase slightly to 69.9%. The national adult population is expected to grow by 1.14% per year until 2012, to increase the portion of the total population that is adult to 71.9%. Mimicking entire population trends noted above, the 50-75 mile ring demonstrates the highest annual growth over the projected period. The following chart provides details of the estimated population aged 21 and over.

**Population 21 and Over**

| Ring | 2007 | % of Total 2007 Population | 2012 | % of Total 2012 Population | A.A.G. 2007 - 2012 |
|---|---|---|---|---|---|
| 0-25 miles | 315,406 | 66.6% | 350,502 | 67.5% | 2.13% |
| 25-50 miles | 510,532 | 63.6% | 573,409 | 65.1% | 2.35% |
| 50-75 miles | 751,861 | 66.3% | 845,219 | 67.7% | 2.37% |
| 75-100 miles | 1,464,373 | 66.5% | 1,592,989 | 67.3% | 1.70% |
| Area Total | 3,042,171 | 66.0% | 3,362,119 | 67.0% | 2.02% |
| *California* | 25,598,458 | 69.0% | 27,732,242 | 69.9% | 1.61% |
| *United States* | 214,059,412 | 71.1% | 226,527,835 | 71.9% | 1.14% |

Source: MapInfo-Claritas, The Innovation Group

## Income

The table below demonstrates the average household income for the defined market area:

**Area Average Household Income**

| Ring | 2007 | 2012 | A.A.G. 2007 - 2012 |
|---|---|---|---|
| 0-25 miles | $63,766 | $71,711 | 2.4% |
| 25-50 miles | $54,571 | $62,006 | 2.6% |
| 50-75 miles | $61,388 | $68,926 | 2.3% |
| 75-100 miles | $77,980 | $85,750 | 1.9% |
| Area Average | $68,220 | $75,815 | 2.1% |
| *California* | $76,956 | $85,077 | 2.0% |
| *United States* | $66,670 | $73,741 | 2.0% |

Source: MapInfo-Claritas, The Innovation Group

In completing these assessments, local area income levels are best measured by determining the Effective Buying Income (EBI) for the market region. Thus the EBI, not the more familiar AAHI statistic, are analyzed below. EBI reflects the adjusted net purchasing power of an average household in the market taking into consideration federal, state and local taxes.

In 2007, the 100-mile ring near Madera demonstrated an average EBI of $54,429. This income level is slightly lower than the U.S. average of $53,727 and lower than the state of California average of $61,318. There is some disparity in income levels between the first and second rings. The 25 mile ring inclusive of and immediate to the Madera area demonstrated the second highest EBI in 2007, approximately 16% higher than the next ring (25-50 miles) and lower than state averages. As would be expected, the 75-100 mile ring, inclusive of San Jose, Stockton, and Salinas, has the highest EBI for the 100 mile region at $61,529.

EBI is expected to grow at a marginally slower rate in California than that of the United States during the next five years. The EBI within 100 miles of Madera is expected to grow at 2.0% annually to reach $60,116 by 2012. By 2012, the United States EBI is expected to reach approximately $59,186 while the average household in California is expected to earn an EBI of $67,484 annually. These figures are illustrated in the table below.

**Effective Buying Income**

| Ring | 2007 | 2012 | A.A.G. 2007 - 2012 |
|---|---|---|---|
| 0-25 miles | $51,392 | $57,327 | 2.2% |
| 25-50 miles | $44,325 | $49,841 | 2.4% |
| 50-75 miles | $49,491 | $55,071 | 2.2% |
| 75-100 miles | $61,529 | $67,401 | 1.8% |
| Area Average | $54,429 | $60,116 | 2.0% |
| *California* | $61,318 | $67,484 | 1.9% |
| *United States* | $53,727 | $59,186 | 2.0% |

Source: MapInfo-Claritas, The Innovation Group

## *Tourism in the Region*

The tourism region surrounding Fresno is based on both the economy, which is centered in Fresno, as well as the National Parks and other outdoor recreational activities in the region. An October 2001 survey conducted by California State University, Fresno, provides some insight into visitation to Fresno County. In the survey, 49% of respondents indicated that they were overnight guests, with 25% staying three or more nights. Additionally, 69% of parties were three or more persons. Of overnight visitors, 77% indicated that they were staying in hotels, followed by 13% staying with friends or relatives, and 7% that were camping. Seventy-eight percent of respondents indicated that they had visited primarily for pleasure and 15% reported that business was some component of their trip. The study indicates that nearly all of the 51% of day-trip respondents reported pleasure as the primary purpose of their visit and came from a neighboring county such as Madera, Tulare, Merced, or Kings. The study estimated total visitation to Fresno County of 3,195,326 between August 2000 and July of 2001. While no visitor counts were available in the current report, the California Department of Tourism's 2007 tourism report completed by Dean Runyan Associates reports that visitors to Fresno County spent $1.05 billion in 2007, and spent $196 million in Madera County.

Yosemite National Park is a wide and varied attraction, inclusive of several smaller regions comprised of clusters of villages and towns. Both the southern and western Yosemite regions offer a variety of attractions drawing tourists not only from the local regions, California, and the nation, but also the world. Visitors from countries all over the globe come to California to visit its natural wonders, such as Highway 1 leading between San Diego and the Oregon border, and Yosemite National Park, a natural treasure preserved in the midst of development in the state of California and surrounding regions. Yosemite Valley draws millions of tourists every year, peaking in numbers in the summer months every year. Surrounding the park and the roads into the valley are several small towns, offering lodging and recreation, ranging from sightseeing of historical gold towns to water sports on waterways located throughout the region. Towns attracting tourism in relation to Yosemite National Park, as well as other area national and state parks include: Fish Camp, Bass Lake, Oakhurst, and Coarsegold (in the southern entrance area), and El Portal, Mariposa, Merced, Madera, Columbia, Groveland, Jackson, and Jamestown (on the west and northwestern sides of the park near from Highways 140, 120, and 49). The park and other outdoor recreation areas are the primary reason for tourism to the region.

## The Region's Leisure Visitors

Visitors come from all over the world to the central valley of California to visit its preserves, such as the Sierra National Forest, Bass Lake, and Yosemite National Park. Tourists coming to visit the park have several options from which to choose when entering the park. They may choose to come from the northwest, from such cities as Modesto, Sacramento, or San Francisco, whereby they would come into the park via Highway 120. From the west, via Highway 140, visitors may come from Stockton, Madera, or the Monterey Bay area. From the south, the park is accessible by Highway 41 from Fresno and Bakersfield. Major cities in California are easily accessible when going to or leaving from the park accessible highways. Visitors can fly into several airports around the region and drive into the park region, or may drive in from road-trips around California.

The tourism market in Yosemite National Park is highly seasonal, given the four-season climate in the area. The park is often a family destination, subject to school year vacations, and given the weather variations, and often-resultant closure of several western access roads, the park's visitation naturally peaks in the summer months, offering somewhat of a bell-curve in visitation, though this varies by gate. Yosemite Park attracted approximately has attracted an average of approximately 3.3 million visitors for the past five years, although there has been a steady decline in the total number of visitors over the course of the past decade, from a peak of 4.2 million in 1996. In fact, in 2006 the park recorded its lowest visitation level in 16 years, with 3.24 million visitors, 20% below the 1996 peak. Therefore it is reasonable to assume that visitation to the Fresno and Madera region has declined this decade as well, although 2007 visitation to Yosemite totaled 3.5 million, the highest level since 1998.

# COMPETITIVE FACTORS

## *Existing Regional Market*

The current gaming market in the area around Madera is comprised of three large casinos: Table Mountain, the closest facility to Fresno, the Chukchansi Gold Resort and Casino in Coarsegold, and The Palace, located south of Fresno in Lemoore. In addition to this major competition, a number of other casinos compete to varying degrees with Madera. For most of the casinos in the market, proximity and ease of access from Fresno are major determinants of the casino popularity and revenue potential. Most of the mature, larger properties in the market either have, or will soon have ample attractive non-gaming amenities to attract gamers from longer distances as well.

### Table Mountain Casino

Table Mountain Casino is located just east of Millerton Lake, approximately 12 miles east of Route 41 in the town of Friant. The facility is easily visible from the road with parking available in a lot in front of the casino and a parking structure in the rear. Valet service is available only at peak times. The casino is the result of expansions at various times, but in spite of its physical disadvantages is the market leader in the Fresno region because of its convenience and positive reputation. The back of the property has a larger, more open gaming space that appears to have been added on. The entire facility houses 2,000 slot machines, 33 table games, and an 800-seat bingo parlor. The two main restaurants in the facility are located in this back area; one is Mountain Feast, a buffet while the other, Eagles Landing, offers casual dining. A concession stand is the only other dining outlet and is crowded in, like most of the casino, by slot machines. The 800-seat bingo hall doubles as an entertainment pavilion for shows which are held on occasion and they also feature a 1,200-slip parking garage. The Players' Club offers $10 to join and runs frequent promotions. Alcohol is not offered on the property. The casino occasionally faces capacity constraints, especially for parking and traffic congestion. The proposed Madera casino would be a major competitor for Table Mountain, as both would have the Fresno market in their primary target areas.

### Chukchansi Gold

Chukchansi Gold opened in 2003 and would likely compete with the proposed facility for clients from the region. Located in Coarsegold, the attractive facility's design offers a large, open gaming floor that is well laid with easy access to restaurants and the hotel. The property is situated in the foothills adjacent to Yosemite National Park. The casino features 1,800 slot machines and 59 table games including a 12-table poker room. The 192-room full-service hotel complements the casino by accommodating trips to nearby Yosemite National Park. The property appears to have a reasonable amount of clientele during the off-season and reaches capacity constraints during the summer tourism season. The property offers seven restaurants that offer a variety of options at different price-points, including a buffet, two cafes, two casual dining restaurants, a steakhouse, and a restaurant-bar that offers live entertainment. Chukchansi Gold is a 45- minute drive north of Fresno and approximately 25 miles northeast of the North Fork's proposed Madera site. The tribe is currently in the process of completing construction on an 11-story, 220-room hotel, and recently completed development of a parking garage. The new hotel addition will also include a spa and pool. The hotel is expected to be completed in Fall 2008. As with Table Mountain, the proposed Madera casino would compete heavily for Chukchansi's primary market areas. If the proposed casino is located in North Fork, it would be more proximate to Chukchansi, but could potentially have a smaller impact on its operations given the comparative scale of the proposed facility.

## Palace Casino

Forty-five minutes to the south of Fresno, near the town of Lemoore, is The Palace Gaming Center Casino. Once little more than a glorified truck-stop, the high-quality, well-designed facility now has 2,000 slot machines, 56 gaming tables including16 poker tables, a large bingo hall, and a variety of food and beverage outlets including a steak house and large buffet.

The Palace currently completed a $60 million expansion that includes re-designed casino space, a 250-room hotel, a 1,200 –seat entertainment center and several new food and beverage amenities. In addition, the facility has a 1,972-seat entertainment venue that is utilized for headliner entertainment.

## Mono Wind Casino

The Big Sandy Rancheria tribe currently operates the Mono Wind Casino in Auberry. Although close to Table Mountain as the crow flies (approximately 10 miles to the east of Table Mountain), Mono Wind Casino is located in a mountainous area difficult to reach and is not a significant competitive threat to the Madera facility. As noted below, the Rancheria is proposing a casino more proximate to the Fresno population, and would likely close this facility once the new one is opened. At the present site, the Madera facility would be a more proximate and more easily accessible property than Mono Wind for many gamers coming from the Fresno market area, and thus some cannibalization of this market is likely. The casino has 340 video game machines, and 8 gaming tables. The bingo area can accommodate 65 players. There is a small restaurant with approximately 30 seats and a small gift shop in the casino. Alcohol is not served at the casino. The parking area is large but unpaved.

## Eagle Mountain Casino

Not far from Lemoore is the Eagle Mountain gaming facility, run by the Tule River Tribe. Located in Porterville, the 70,000 square foot casino offers 1,500 slot machines and 22 tables. Additional amenities include a buffet, a café, a 500-seat live bingo hall, and live entertainment. A bus program focuses on Porterville and Bakersfield, located to the south, and thus there would be negligible overlap with a Madera operation. The tribe has been attempting to re-locate the casino closer to Porterville on Highway 190, but this would require taking land into trust off the reservation.

## Black Oak Casino

In Tuolumne, approximately 75 miles north of Madera, the Tuolumne Band of Me-Wuk Indians offers the Black Oak Casino. The property's 1,000 plus slot machines include denominations between 1 cent and 5 dollars and offer some of the most current and popular games in the market. Twenty-four tables feature blackjack and poker, while the Black Oak Café and Willow Bar cater to customers' dining needs. An extensive expansion was completed and featured nearly 165,000 square feet to the current facility that offers entertainment to people of all ages. The first floor of the facility includes an entertainment zone that will have a family restaurant, 24-lane bowling alley, and kids' arcade. The second floor is a part of the casino and offer slots and table games, an entertainment lounge, and a non-smoking gaming area. The top floor features a fine-dining restaurant. In addition, a separate non-smoking casino is offered. Tuolumne is located nearly 75 miles north of Madera, and therefore has limited overlap in terms of feeder markets.

## Chicken Ranch and Bingo Casino

The Chicken Ranch Bingo is a non-compacted casino in Jamestown which offers a 900-seat bingo hall and a comparatively limited offering of slot games, totaling approximately 250. Chicken Ranch offers few amenities and no table games and caters primarily to the local market, based in Jamestown and other immediately surrounding towns and communities. The facility offers very little in the way of signage around the region or near the facility, which can be difficult to find, and is not expected to offer significant competition to the North Fork facility, in Madera or in the town of North Fork. Given the proximity of Black Oak to Chicken Ranch, the market potential that could potentially be diverted from the Chicken Ranch market is relatively small.

## Jackson Rancheria

North of the immediate region, and located approximately 100 miles north of Madera, Jackson Rancheria caters to gamers 18 and over and does not serve alcohol. An arcade is available for minors. The primary market for the property is the Stockton-Sacramento corridor. Machine activity at the Jackson Casino is extremely high. The casino offers over 1,500 slot machines and 65 tables offering black jack and a variety of poker games. The hotel features 146-rooms and suites. Live entertainment features local and regional musicians, with occasional sold out shows for bigger-name performers. Three dining options include a full-service dining experience at Raging River Restaurant, casual dining at Uncle Bud's Burgers, and a buffet that is offered in conjunction with Raging River Restaurant. A gift shop located in the casino lobby is the only retail outlet available. A seven-story parking structure is available for patrons.

The success of the Jackson facility is all the more remarkable considering its location in the hills at the edge of the Sacramento Valley. From any direction it requires travel on winding, two-lane roads, although plans are being considered for a $5.5 million access road to alleviate local congestion and allow gamers easier access. From Stockton, it is a one-hour drive up Route 88. From Sacramento it is a one-hour drive on Route 16. From Placerville it is a 45-minute drive down Route 49. These feeder markets are located more than 100 miles from Madera and North Fork, and therefore the Jackson and North Fork casinos would pose limited competition for one another.

## *Proposed Competitive Facilities*

In addition to the existing competition in the market, there is one other proposed casino in the Fresno-Madera-Yosemite area market that will compete heavily for gamers in the region, as well as several large-scale casinos, existing and proposed, well outside of the region near major metropolitan areas in Northern California, that could limit the revenue potential for the North Fork's casino operation. Any impact by the subject proposed property on the major metro area properties would be negligible, however, as the market areas served by those casinos would yield only a small percentage of their total gamer visits to the subject proposed property.

The most proximate proposed casino to Madera is to be located approximately one mile from Table Mountain. The Big Sandy Band of Western Mono Indians is planning a $200 million casino and hotel on more than 215 acres near the intersection of Millerton Road and Auberry Road. The casino would include 250 to 300 hotel rooms, more than 75,000 square feet of casino space, 2,000 slot machines, table games, restaurants, retail shops, entertainment areas and meeting space. The gambling space would be on a 40-acre parcel of land belonging to a tribal member. Based on the proposed scale of development the Big Sandy facility would have a significant competitive advantage over the current Table Mountain facility. Project developers claim the land is in trust, although approval by the Department of Interior is not assured.

Two other casinos have been assumed in the market: Shingle Springs, and Graton Rancheria in Rohnert Park. Shingle Springs Rancheria appears to be making headway in having a direct exit ramp built to its land on Highway 50; Graton Rancheria has a similar case that was successful for the United Auburn Indian Community. Graton has an excellent location north of San Francisco and besides San Pablo would be the closest casino to the Bay Area. Shingle Springs has an excellent location east of Sacramento and would have a similar market potential as Thunder Valley.

Two proposed casinos have not been included in the analysis because of long odds and/or legal difficulties. The Ione Band of MiWuk Indians has proposed a development near Plymouth, but local opposition makes the project unlikely, in our view. Similarly, the Buena Vista Band of MiWuk Indians (a tribe consisting of one woman and her children) are proposing a casino near Ione, but is facing local opposition despite having a compact with the governor. Buena Vista is proximate to Jackson Rancheria in the Tertiary North market, and would have a relatively small impact on North Fork (likely 5% or less) if North Fork Rancheria develops in Madera as proposed.

# GRAVITY MODEL IMPACT STUDY

The first step in building the gravity model impact study is to assess the current revenue trends for the market. The Innovation Group's research regarding the current revenue and visitation estimates for this region are based both on primary market research and confidential data sources, resulting in revenue and visitation estimates for casinos existing and proposed within a 75-mile radius, including Table Mountain, Big Sandy, Chukchansi, Palace, Tuolumne Black Oak, and Chicken Ranch. As noted above, some revenues may be diverted from casinos outside of 75 miles from the North Fork development in aggregate, but the impact on any single casino would be negligible.

## *Methodology*

Having analyzed current market conditions and growth potential for the Fresno/Madera regional market utilizing confidential resources, we can then use these forecasts to calibrate a gravity model to estimate the impact of new competition and of adding amenities and expanding gaming space. First, the model was calibrated to reflect current market conditions and then it was used to estimate the impact of various scenarios.

Gravity models are commonly used for commercial developments, public facilities and residential developments. First formulated in 1929 and later refined in the 1940s, the gravity model estimates where a population will shop or gamble based on travel distance and the size and quality of competing facilities. One of the gravity model's strengths is its malleability; the model can simultaneously incorporate many different variables such as population, race and ethnicity, geographical location, income, propensity to gamble and frequency of gaming trips and measure the impact of new competition.

The gravity model is based on the concept that the attractiveness (or "gravitational pull") of a facility is related to its size, quality, and distance from a given population. Technically speaking, the interaction between two or more gaming venues is based on Newton's Law of Universal Gravitation: two bodies in the universe attract each other in proportion to the product of their masses and inversely proportional to the square of the distance between them. Thus, the expected interaction between gaming venue i and market area j is shown as:

$$\text{Attraction or "gravitational pull"} = \times \frac{P_i \times P_j}{d_{ij}{}^2}$$

where $P_i$ = the gaming positions in gaming venue i, $P_j$ = the population in market area j, $d_{ij}$ = the distance between them, and k = an attraction factor relating to the quality of the casino and the amenities to be found at each gaming venue in comparison to the competing set of venues.

The distribution of gaming visits is further influenced by incorporating an attractiveness factor, which weighs the relative quality of a facility with respect to non-gaming amenities, congestion both on area roadways and within the casino, and other site-related quality issues (essentially anything that may influence gaming decisions other than proximity and the size of a facility). The process takes into consideration population densities, transportation infrastructure and natural geographical boundaries.

Gamer visits are then generated from population data for each zip code within each of the market areas based on these factors. Gamer visits represent the number of patron trips to a gaming market, where an individual can make any number of separate visits in the course of a year. The gamer visits thus generated are then distributed among the competitors based upon the size of each facility, its attractiveness and the relative distance from the zip code in question. The gravity model then calculates the probabilistic distribution of gamer visits from each market area to each of the gaming locations in the market. A win per visit value is then applied to the gamer visits output in order to estimate revenues.

It should be noted that as market supply increases, generally so too does market demand, as the increased options, marketing efforts, and closer proximity to some residents will increase the level of participation for some gamers. The degree to which demand increases depends heavily on the quantity and quality of competition already in the market, and the location of a new property relative to population masses. In the subject market there are currently several facilities catering to the local population, as well as several additional properties catering to the broad, regional population. In a more competitive atmosphere, gaming facilities will need to be more focused on their marketing efforts, and perhaps broaden the market area from which they seek to attract patrons. As a result of the increased competition and expanded marketing efforts, gaming revenues for the market should increase, but should be expected decline at some or all of the existing facilities, as will be demonstrated in the cannibalization tables on page 20.

The following section provides a description and definition of the various components of the model.

## Gamer Visits

This measure is used to specify the number of patron trips to a gaming market, where an individual can make any number of separate visits in the course of a year. In order to estimate the gamer visits, market penetration rates, made up of the separate measures of propensity and frequency, are applied to the adult population in each zip code.

## Propensity

Propensity is a measure of the likelihood that an individual will visit a casino in a given year. This varies based upon a number of factors, which include the number of gaming venues in the area, their quality and type (i.e., landbased versus riverboat, or full casino versus racetrack slot-only facility), the games permitted, the availability of other entertainment and leisure options, and most importantly, distance from a gaming venue.

## Frequency

The frequency factor measures the average number of visits that an adult with a propensity to gamble will make annually to a gaming venue in the subject market. Frequency is a function of annual gaming budget as indicated by income variations, the number of venues in the market, and the quality and type of gaming facility. The frequency of visitation is inversely related to distance from a gaming venue, as fewer trips are made as convenience declines. However, the length of the average gaming trip increases with distance, such that an annual gaming budget for those living relatively far from a gaming venue may approach that of those living close by, for whom short gaming trips are typical.

## Attraction Factors

Attraction factors measure the relative attraction of one gaming venue in relation to others in the market. Attraction factors are applied to the size of the gaming venue as measured by the number of positions it has in the market. Positions are defined as the number of gaming machines plus the number of seats at gaming tables. A normative attraction factor would be one. When this is applied to the number of positions in a gaming venue there is no change in the size of the gaming venue as calculated by the model and hence its attraction to potential patrons. A value of less than one adjusts the size of the gaming venue downwards making it less attractive and conversely a value greater than one indicates that the gaming venue has characteristics that make it more attractive. Attraction factors can be based on a number of components including branding, the level and effectiveness of marketing efforts, and the level of quality of the casino and the amenities offered by a facility. Attraction factors are also adjusted to model the presence of natural and man-made boundaries which impact ease of access and convenience of travel in the market area.

The sensitivity of the model to changes in these factors is not in the nature of a direct multiplication. For example, a doubling of the attraction factor will not lead to a doubling of the gamer visits attracted to the site. It will however cause a doubling of the attractive power of the gaming venue, which is then translated via non-linear equations into an increase in the number of gamer visits attracted to the gaming venue. In this analysis attraction factors have been adjusted for each gaming facility for each ethnicity or race in each of the discrete market areas.

## Win Per Visit

A win per visit value is the win by the gaming venue for each visit made. Generally, this increases with distance from the gaming venue reflecting the less frequent nature of the trips and the effort required to make them. These factors tend to create a larger proportion of more dedicated players and hence a larger win per visit. Effective buying income, or disposable income, is also a factor in variances in win per visit as those with more disposable income have more money with which to gamble.

## Market Areas

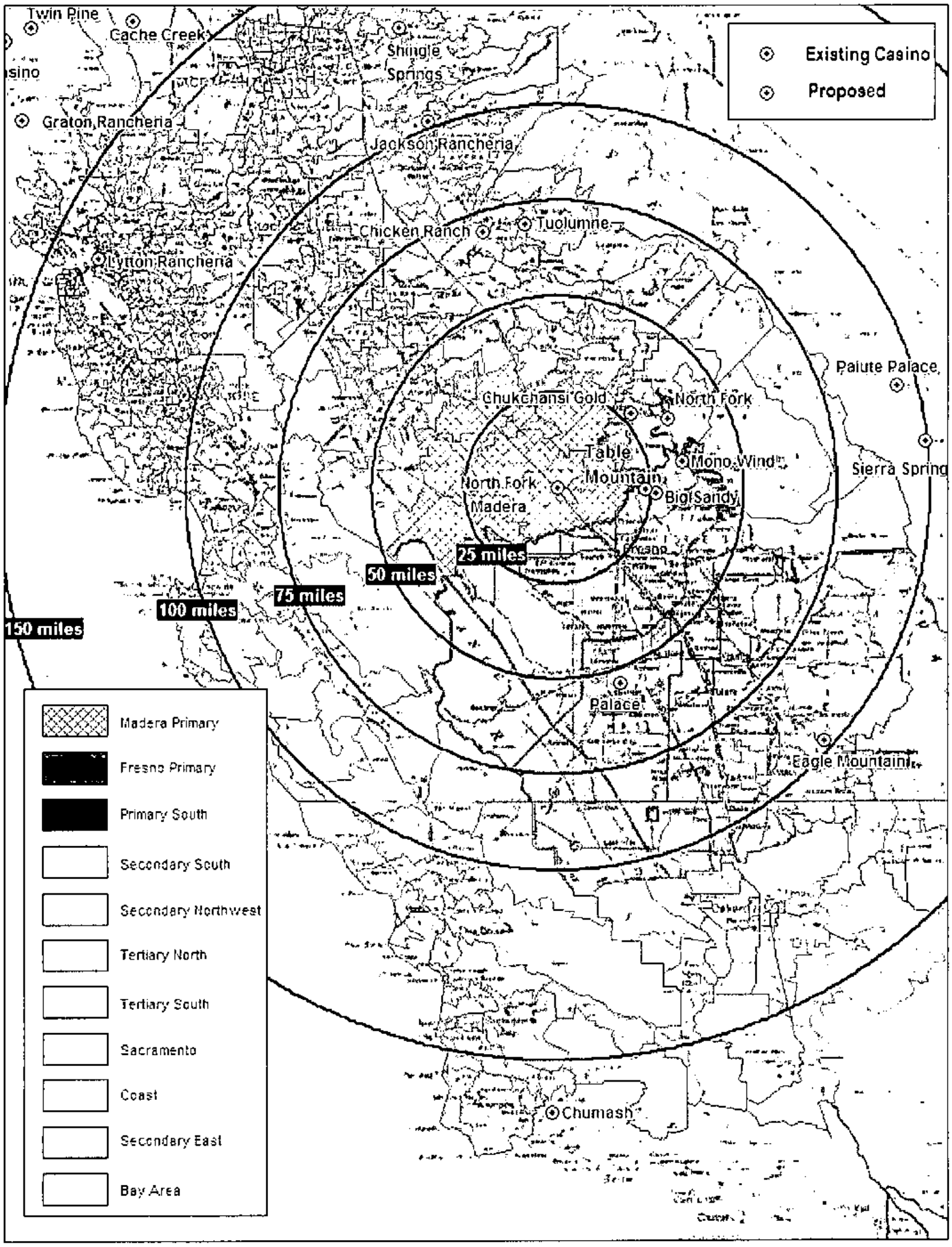
The gravity model requires that market areas be defined and assigned unique propensity and frequency factors. To this end, an area that encompasses about a three-hour drive from the casino was identified. Due to the mountains to the east and northeast, and the limited roadway access directly to the west, driving times in an east-west direction are much longer than moving northwest and southeast, for which major roadways and direct alternatives are available. A three-hour radius was identified because it represents the maximum that most casino visitors are willing to drive without spending the night, though this drive-time radius in no way reflects a concentric ring in terms of mileage. It is believed that this drive-time area will represent where most of the visitors to the casino live.

From this three-hour radius, eleven discrete market areas were carved. Each market area groups together individuals with similar propensity factors. Basically, individuals who live in the same market area have the same likelihood that they will visit the casino due to their distance to Madera and competing casinos.

For example, the Primary market areas are the areas are centered around Fresno and Madera, which includes the towns with the most proximate casinos. Gaming behavior within these market areas should be relatively similar among the different zip codes.

Other market areas were defined by metropolitan areas such as the San Francisco Bay area and the Sacramento area. The remaining market areas were defined by choosing contiguous areas with relatively similar transportation access to Madera and in relation to competitive facilities.

## North Fork Casino Market Area with Competitive Sites



# *Demographic Analysis of Madera Market Areas*

## Population

As population is one of the strongest drivers of gamer visits, it is one of the most closely studied characteristics of the market areas. In particular, it is important to understand the dynamics of population growth as this understanding will allow for better predictions of gamer visits.

The Innovation Group collected Census projections from Claritas Inc., providing the adult population changes from 2007 and 2011. Each of the eleven market areas is expected to experience growth in its population between 2007 and 2011. The average growth rate for the entire area of study is estimated to be 6.0% with the majority of the market areas experiencing growth at a higher rate, with the overall average dragged down by a slowly expanding Bay Area population. The Bay Area is expected to experience a growth rate of only 2.6% through 2011, whereas the three Primary market areas are projecting growth rates in the range of 8.7% to 10.2%. See the table below for detailed information regarding the adult population in each of the market areas.

| | 2007 Adult Population | 2011 Adult Population | Change |
|---|---|---|---|
| **Madera Primary** | 138,468 | 152,575 | 10.2% |
| **Fresno Primary** | 498,128 | 541,223 | 8.7% |
| **Primary South** | 374,550 | 411,858 | 10.0% |
| **Secondary South** | 142,049 | 156,079 | 9.9% |
| **Secondary Northwest** | 539,003 | 594,407 | 10.3% |
| **Tertiary North** | 943,952 | 1,061,320 | 12.4% |
| **Tertiary South** | 403,075 | 449,672 | 11.6% |
| **Sacramento** | 897,792 | 971,022 | 8.2% |
| **Coast** | 632,493 | 667,136 | 5.5% |
| **Tertiary East** | 12,446 | 13,162 | 5.8% |
| **Bay Area** | 4,756,681 | 4,881,775 | 2.6% |
| **Market Total** | **9,338,637** | **9,900,230** | **6.0%** |

Source: Claritas MapInfo

## *Gravity Model Results*

The Innovation Group proposed to create five models to demonstrate the net impact of the proposed facilities on the market. These models included:

1) Base case 2007 – replicating the performance of facilities in the market based on our knowledge or estimates of facility performance
2) Base case 2011 – projecting growth for existing gaming facilities and a new Big Sandy facility proximate to Table Mountain, incorporating other proposed expansions as well as organic growth, stemming from local market population and income growth
3) 2011 base case assumptions with addition of full casino-hotel in Madera. The full casino scenario assumes a gaming facility with 2,000 slots and 70 table games, and broad amenity mix including a hotel.
4) 2011 base case assumptions with addition of reduced scale casino-hotel in Madera, with 80% of the gaming positions of the full model (1,600 slots and 56 tables), and a similarly abbreviated non-gaming building program.
5) 2011 base case assumptions with addition of casino in North Fork, offering 275 slots and 6 tables.

**Total Market Gamer Visits by Scenario**

| | Base Case 2007 Scenario | Base Case 2011 Scenario | Full Casino Scenario | Reduced Scale Scenario | North Fork Scenario |
|---|---|---|---|---|---|
| **Local Market** | | | | | |
| Madera Primary | 782,339 | 883,236 | 986,981 | 963,568 | 884,413 |
| Fresno Primary | 3,379,451 | 3,855,035 | 4,065,857 | 3,989,797 | 3,861,058 |
| Primary South | 1,905,864 | 2,173,747 | 2,200,919 | 2,190,050 | 2,173,747 |
| Secondary South | 536,897 | 581,530 | 584,902 | 584,059 | 581,530 |
| Secondary Northwest | 1,926,962 | 2,128,058 | 2,462,216 | 2,386,591 | 2,131,928 |
| Tertiary North | 2,462,533 | 2,777,386 | 2,786,644 | 2,784,793 | 2,777,386 |
| Tertiary South | 655,713 | 734,991 | 737,818 | 737,253 | 734,991 |
| Sacramento | 3,965,705 | 4,291,869 | 4,304,132 | 4,301,679 | 4,291,869 |
| Coast | 755,819 | 797,100 | 827,179 | 803,116 | 797,100 |
| Tertiary East | 44,532 | 54,200 | 54,501 | 54,471 | 58,717 |
| Bay Area | 2,236,247 | 2,301,574 | 2,350,776 | 2,307,041 | 2,301,574 |
| **Local Total** | **18,652,062** | **20,578,727** | **21,361,926** | **21,102,418** | **20,594,314** |
| | | | | | |
| **Tourist Total** | **3,264,111** | **3,549,830** | **3,620,846** | **3,597,962** | **3,553,380** |
| **Total** | **21,916,173** | **24,128,558** | **24,982,772** | **24,700,380** | **24,147,695** |

## Total Market Gamer Visits by Scenario – Including only Proximate Facilities

| | Base Case 2007 Scenario | Base Case 2011 Scenario | Full Casino Scenario | Reduced Scale Scenario | North Fork Scenario |
|---|---|---|---|---|---|
| **Local Market** | | | | | |
| Madera Primary | 689,526 | 789,138 | 947,089 | 912,197 | 793,163 |
| Fresno Primary | 3,307,469 | 3,798,689 | 4,020,513 | 3,939,164 | 3,805,625 |
| Primary South | 1,780,804 | 2,033,744 | 2,071,873 | 2,056,246 | 2,035,407 |
| Secondary South | 261,968 | 299,443 | 311,976 | 307,741 | 301,611 |
| Secondary Northwest | 1,164,777 | 1,293,715 | 1,730,281 | 1,568,171 | 1,309,540 |
| Tertiary North | 291,120 | 345,994 | 473,484 | 401,290 | 356,479 |
| Tertiary South | 330,065 | 401,227 | 429,355 | 419,478 | 406,029 |
| Sacramento | 50,115 | 65,267 | 87,099 | 78,019 | 67,207 |
| Coast | 478,670 | 526,027 | 607,863 | 561,677 | 528,491 |
| Tertiary East | 43,541 | 53,074 | 53,577 | 53,393 | 57,666 |
| Bay Area | 180,099 | 218,128 | 294,166 | 255,092 | 221,581 |
| **Local Total** | **8,578,154** | **9,824,447** | **11,027,278** | **10,552,467** | **9,882,799** |
| | | | | | |
| **Tourist Total** | **1,544,068** | **1,679,980** | **1,778,148** | **1,741,157** | **1,685,017** |
| **Total** | **10,122,222** | **11,504,427** | **12,805,426** | **12,293,624** | **11,567,816** |

## Market Gaming Revenue by Scenario

| | Base Case 2007 Scenario | Base Case 2011 Scenario | Full Casino Scenario | Reduced Scale Scenario | North Fork Scenario |
|---|---|---|---|---|---|
| **Local Market** | | | | | |
| Madera Primary | $46,439,071 | $54,298,532 | $60,022,057 | $58,639,525 | $54,254,915 |
| Fresno Primary | $214,582,978 | $253,922,344 | $267,553,750 | $262,609,674 | $254,436,836 |
| Primary South | $113,165,536 | $134,288,701 | $135,928,085 | $135,264,768 | $134,663,280 |
| Secondary South | $26,536,302 | $29,905,233 | $30,076,118 | $30,033,396 | $29,933,458 |
| Secondary Northwest | $126,057,618 | $144,709,337 | $167,239,511 | $162,123,455 | $144,769,708 |
| Tertiary North | $185,273,106 | $217,403,863 | $218,142,297 | $217,972,093 | $217,305,779 |
| Tertiary South | $39,733,832 | $46,329,265 | $46,497,028 | $46,463,726 | $46,328,558 |
| Sacramento | $282,029,458 | $317,615,679 | $318,525,176 | $318,341,423 | $317,604,990 |
| Coast | $57,125,092 | $62,632,402 | $64,936,231 | $63,062,693 | $62,700,482 |
| Tertiary East | $2,992,752 | $3,775,608 | $3,792,188 | $3,791,221 | $3,961,961 |
| Bay Area | $186,133,510 | $199,330,245 | $203,570,691 | $199,783,566 | $199,334,510 |
| **Local Total** | **$1,280,069,253** | **$1,464,211,210** | **$1,516,283,131** | **$1,498,085,539** | **$1,465,294,477** |
| | | | | | |
| **Tourist Total** | **$277,449,419** | **$313,987,266** | **$320,268,721** | **$318,244,582** | **$314,301,254** |
| **Total** | **$1,557,518,673** | **$1,778,198,476** | **$1,836,551,852** | **$1,816,330,120** | **$1,779,595,731** |

**Gaming Revenue by Scenario – Including only Proximate Facilities**

| | Base Case 2007 Scenario | Base Case 2011 Scenario | Full Casino Scenario | Reduced Scale Scenario | North Fork Scenario |
|---|---|---|---|---|---|
| **Local Market** | | | | | |
| Madera Primary | $41,037,793 | $48,600,168 | $57,606,296 | $55,528,591 | $48,728,965 |
| Fresno Primary | $210,055,028 | $250,234,091 | $264,585,601 | $259,295,377 | $250,808,312 |
| Primary South | $105,757,649 | $125,658,969 | $127,973,756 | $127,017,115 | $126,136,083 |
| Secondary South | $12,976,022 | $15,426,959 | $16,068,086 | $15,851,223 | $15,566,429 |
| Secondary Northwest | $76,566,335 | $88,332,749 | $117,782,629 | $106,822,809 | $89,200,982 |
| Tertiary North | $22,141,135 | $27,323,560 | $37,305,090 | $31,635,656 | $28,045,156 |
| Tertiary South | $20,074,139 | $25,361,389 | $27,118,645 | $26,500,343 | $25,662,363 |
| Sacramento | $3,614,911 | $4,884,186 | $6,501,757 | $5,827,609 | $5,017,025 |
| Coast | $36,320,591 | $41,457,741 | $47,804,528 | $44,202,905 | $41,718,297 |
| Tertiary East | $2,928,341 | $3,699,468 | $3,729,719 | $3,718,298 | $3,890,889 |
| Bay Area | $15,232,788 | $19,129,183 | $25,690,723 | $22,306,769 | $19,432,091 |
| **Local Total** | **$546,704,732** | **$650,108,462** | **$732,166,829** | **$698,706,696** | **$654,206,592** |
| | | | | | |
| **Tourist Total** | **$131,245,755** | **$148,596,517** | **$157,279,619** | **$154,007,681** | **$149,042,028** |
| **Total** | **$677,950,488** | **$798,704,979** | **$889,446,448** | **$852,714,377** | **$803,248,620** |

## *Revenue Summary*

As demonstrated in the table above, it is projected that a casino with the preferred building program in Madera could increase total gaming expenditures at venues in the immediate market area by approximately $81 million or by approximately $56 million per year if a more moderate-scale facility is developed. A casino in the town of North Fork would have a negligible impact on market growth. The proposed casino at the alternative site in North Fork could potentially generate approximately $12.2 million in gaming win in its first year of operation for the year 2011, however if the casino is permitted at the Madera site with the preferred building program, gaming revenues for the property could total approximately $187 million annually. With a reduced intensity of development at the Madera site, gaming revenues for the property are projected to total $142 million annually.

In terms of capacity, the aforementioned sizes (2,000 slots and 70 tables with full the Full Scale Scenario or 1,600 slots and 56 tables in the Reduced Scale Scenario) would provide for an average of between 3.0 and 3.1 gamers per gaming position per day. A facility at North fork with 275 slots and 6 tables would likely average approximately 2.0 gamers per position per day. None of these averages would be likely to result in capacity constraints, and, based on our estimates of demand for the Palace and Table Mountain, are well below the average gamers/position ratios that those facilities currently experience. As a result, while technically it is possible that the tribe could negotiate for up to 2,500 gaming devices at the Madera site, it does not appear that there is sufficient demand in the market to expand beyond the 2,000 currently negotiated.

As discussed above, the availability and ease of access of an attractive casino to the population should result in an expansion of gaming demand, though given the competitiveness in the market, some decline in market share should naturally result at the competitive properties. The table below illustrates the gaming revenue for the total market, the subject facility's revenue potential, and the cannibalization of revenues on the facilities as projected within the immediate market area.

**Cannibalization by Scenario**

| | Base Case 2007 Scenario | Base Case 2011 Scenario | Full Casino Scenario | Reduced Scale Scenario | North Fork Scenario |
|---|---|---|---|---|---|
| **Total Market** | | | | | |
| Local Total | $546,704,732 | $650,108,462 | $732,166,829 | $698,706,696 | $654,206,592 |
| Tourist Total | $131,245,755 | $148,596,517 | $157,279,619 | $154,007,681 | $149,042,028 |
| Total | $677,950,488 | $798,704,979 | $889,446,448 | $852,714,377 | $803,248,620 |
| | | | **Subject Property** | **Subject Property** | **Subject Property** |
| Local Total | | | **$157,500,823** | **$118,306,940** | **$11,226,420** |
| Tourist Total | | | **$29,925,156** | **$23,661,388** | **$1,002,401** |
| Total | | | **$187,425,979** | **$141,968,328** | **$12,228,821** |
| **Cannibalized Totals** | | | | | |
| New Local % | | | 52.1% | 41.1% | 36.5% |
| Cannibalized Local $ | | | $75,442,456 | $69,708,707 | $7,128,290 |
| New Tourist % | | | 29.0% | 22.9% | 44.4% |
| Cannibalized Tourist $ | | | $21,242,054 | $18,250,223 | $556,889 |
| Total Cannibalized $ | | | $96,684,510 | $87,958,930 | $7,685,179 |

As demonstrated from the table above, in nominal terms, the full-scale casino development would have the largest cannibalizing impact of the development scenarios; however, it would also generate the highest percentage of new revenues for the market. In contrast, the alternative site development would not generate significant new local market demand, but would naturally have the smallest impact on existing competitors.

In the scenario where the full-scale casino is developed in Madera, it is projected that the most significant impacts will be felt on the Chukchansi, Table Mountain and the proposed Big Sandy facilities. While actual revenues for the properties is proprietary to the respective tribes, based on our models, it is projected that a revenue decline of approximately 19% would be felt at Chukchansi as a result of the operation of the subject casino, and a revenue decline of approximately 16% would be felt at both the Table

Mountain and Big Sandy facilities. The Palace, Tuolumne Black Oak and Chicken Ranch would also be impacted, though the revenue declines at each of those facilities would be well under 8%.

In the scenario where a reduced-scale casino is developed in Madera, the impacts on existing casinos would naturally be somewhat lower. It is projected that a revenue decline of approximately 17.5% would be felt at Chukchansi as a result of the operation of the subject casino, and a revenue decline of 13.9% to 13.6% would be felt at both the Table Mountain and Big Sandy facilities.

Finally, if a casino is developed at the alternative site, given that the projected cannibalized total is only $8.2 million, the impact on any single casino would be significantly less, with no single casino having a revenue decline of more than 2%.

It should be noted that even in the scenario where revenues at gaming facilities fall by 20%, the impact on the viability of operations is not one that jeopardizes its ability to remain open. A decline of this rate is typical in a market that is not already over-saturated, and one where multiple operators could successfully co-exist in the long run.

The following table presents the estimated percentage decline in revenues for the six most proximate gaming facilities based on each of the considered alternative competitive scenarios.

**Projected Decline in Revenues by Property and Development Scenario (Relative to Base 2011 Model)**

| Major Competitors Impacted | Full Scale | Reduced Scale | Alternative Site |
|---|---|---|---|
| Chukchansi | -19.2% | -17.5% | -1.5% |
| Table Mountain | -16.3% | -13.9% | -1.0% |
| Big Sandy | -15.7% | -13.6% | -1.4% |
| Palace* | -7.7% | -7.1% | -0.5% |
| Tuolumne* | -3.4% | -5.3% | -0.8% |
| Chicken Ranch* | -1.6% | -4.4% | -1.0% |

*Note: the impact to the Palace, Tuolumne and Chicken Ranch properties may be considerably smaller, as the market area carveout for the North Fork local market area does not extend fully into the areas for which these facilities attract gamers. To the extent that these casinos generate their patronage from unshared markets, the impacts to those casinos would be further muted.

It should be noted that without additional competition, Chukchansi revenues would continue to grow through 2011. However, the introduction to the market of the proposed Big Sandy casino in combination with the proposed Shingle Springs casino, both of which are anticipated to open prior to a casino in Madera, would decrease revenues at Chukchansi by approximately 20%. The nearly 20% impact from the Madera casino is in addition to the impact of these two other casinos opening.