

Appendix B-5
GMA Supplemental Socioeconomic Response to
Comments



MEMORANDUM

To: Acorn Environmental – Koi Nation

From: GMA Consulting

DATE: November 5th, 2024

RE: Supplemental Socioeconomic Response to Comments for Koi Nation Draft EIS

INTRODUCTION

The following responses to public comments pertain to the economic analysis of the Koi Nation of Northern California's (Koi Nation) proposed fee-to-trust transfer of approximately 68.6 acres in unincorporated Sonoma County, California, near the Town of Windsor, for gaming purposes (the Proposed Action). This analysis is part of the Environmental Impact Statement ("EIS") of which the Draft ("DEIS") was completed and published in July 2024. As with all economic studies, the conclusions are based on the data available at the time of the analysis. Any significant changes to the economic structure or long-term growth projections could affect the conclusions and the responses provided here.

A8 – TOWN OF WINDSOR

A8-25 SOCIOECONOMICS

The socioeconomic analysis in the DEIS is flawed and relies on assumptions that do not reflect the local realities of Windsor and Sonoma County.

Housing Impacts: The DEIS assumes that the project will have minimal impact on local housing markets, despite acknowledging the existing housing shortage exacerbated by recent wildfires. The Town disputes the DEIS's finding of "Less Than Significant Impact" and recommends that the DEIS be revised to include realistic assessments of housing needs, including the provision of on-site affordable housing for casino workers.

As shown in the tables below, Sonoma County had approximately 208,234 total housing units as of January 1, 2023, with an estimated 17,292 vacant. Approximately 8.3% percent of housing was vacant in Sonoma County during 2022 and 2023. This vacancy rate is defined by the California Department of Finance as the

estimated number of vacant units divided by the existing housing stock. This vacancy rate suggests there is already some capacity within the housing market to accommodate new demand without driving up prices or displacing residents. The Project is expected to draw from the existing local workforce, with most workers either residing locally or staying in regional hotels. By drawing on the broader regional labor pool, the Project minimizes the need for workers to relocate to Sonoma County, thus limiting housing impacts.

2023 Regional Housing Estimates			
County	Total Housing Units	Percent Vacant	Estimated Vacant Units ¹
Lake County	34,354	19.3%	6,630
Marin County	112,183	6.6%	7,404
Mendocino County	41,718	12.4%	5,173
Napa County	55,910	10.1%	5,647
Sonoma County	208,234	8.3%	17,283
TOTAL	452,399	9.3%	42,138

California Department of Finance, 2023.
 Accessed online at: <https://dof.ca.gov/forecasting/demographics/estimates/>
¹ Calculated by GMA based on total housing units and vacancy rate

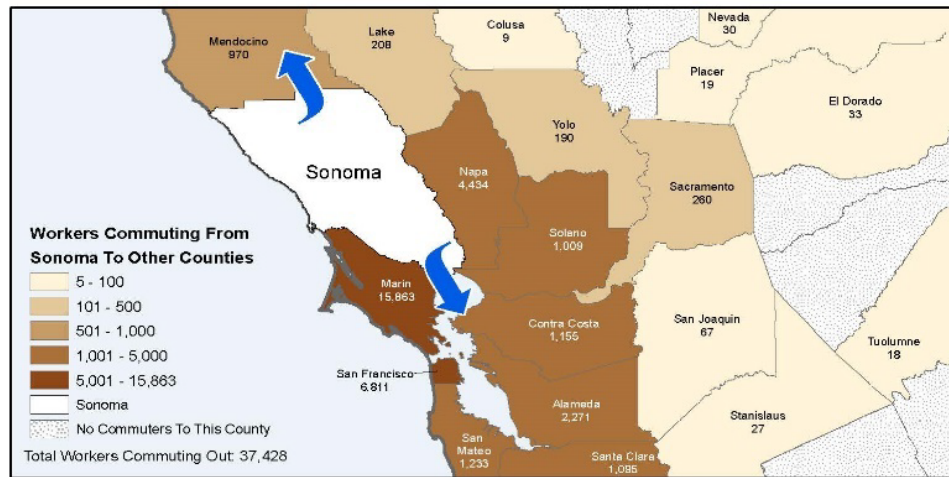
Historical Housing Vacancy Rates					
	2019	2020	2021	2022	2023
Lake County	19.7%	19.3%	19.5%	19.3%	19.3%
Marin County	6.6%	6.6%	6.7%	6.6%	6.6%
Mendocino County	12.5%	12.3%	12.8%	12.3%	12.4%
Napa County	10.4%	10.3%	10.1%	10.1%	10.1%
Sonoma County	8.3%	8.3%	8.2%	8.3%	8.3%

California Department of Finance, 2023.
 Accessed online at: <https://dof.ca.gov/forecasting/demographics/estimates/>

Moreover, many employees for the Project are likely to commute from counties that comprise the surrounding region. A significant portion of the regional workforce currently commutes to Sonoma County for employment, as evidenced by current commuting trends. Employees would commute not only from within Sonoma County but also from nearby counties, such as Lake, Napa, Marin, Solano, and Mendocino. Similar to other large-scale projects in the region, the Project will draw workers from a broad catchment area. This will be especially applicable to indirect and induced jobs created by the Project, which will be more broadly distributed across Sonoma County.



Sonoma County to County Commuting Estimates



Total Workers Who Live And Work in Sonoma: 197,589

Data Source:
Special Report of 2011 to 2015 County-to-County Commuting Flows,
American Community Survey, U.S. Census Bureau,
report released 2019

Cartography by:
Labor Market Information Division
California Employment Development Department
October 2022

EDD Employment Development Department
State of California

LaborMarketInfo

Regarding the potential for in-migration resulting from the Project, when looking at the GMA model, the “South Market” which extends from Marin City up to Healdsburg contains approximately 575,000 adults, all of whom are within a reasonable commute time to the Project Site. The total of 2,220 people to be employed by the Project, including direct, indirect and induced employment positions, would represent 0.4% of the adult population. The existing workforce is sufficiently large to fill these new employment positions. Furthermore, given the relatively large size of tourism-focused industries in Sonoma and surrounding counties combined with employees who have been trained in the gaming industry, most of the workers needed to fill Project jobs are already present within the local labor force.

As described in Draft EIS Appendix B, GMA estimated that up to 10 households may relocate to Sonoma County to fill managerial-level positions at the Project. However, to present a highly conservative case, GMA has estimated relocation in a scenario where the Project causes additional employees to in-migrate. One source available on this subject is a 2019 survey conducted in Massachusetts by UMass Donahue Institute's Economic & Public Policy Research Group. Due to the prevalence of large existing casinos in the Sonoma County market area, we believe that this study is only marginally comparable to the effects of the Project, as a result of the existence of the large number of experienced casino workers who already reside in Sonoma County and the surrounding counties. (as of the 2018 opening date of the MGM Springfield, the only other major casino operating in the State of Massachusetts was the Plainridge Park Casino, located south of Boston). In addition to the number of casino employees, a large number of Sonoma County workers are currently employed in tourism, which requires many of the same employee skills as the gaming industry.

Nevertheless, the survey appears to be comprehensive and rigorous, estimating that 26% of casino workers at MGM Springfield either relocated to the area or planned to do so. Assuming this 26% figure in a conservative scenario suggests that, out of the Project's estimated 2,200 jobs (including 1,571 direct positions), approximately 572 workers would relocate or commute to Sonoma County or nearby counties. Among these, around 409 would be direct employees. As described above, there are an estimated 17,292 vacant housing units in Sonoma County and 42,178 vacant units in the five-county regional area. Under this scenario, the estimated 409 direct employees would occupy approximately 2.4% of available housing should all such employees relocate to Sonoma County and 1.0% of available housing if such employees were evenly distributed throughout the five-county region.

T5 – LYTTON RANCHERIA

T5-18 SOCIOECONOMICS

The economic impact studies for the DEIS are from 2022 and woefully dated and inaccurate. The data itself includes analysis from when Sonoma County was still recovering from the pandemic and does not have a full grasp of the current economic situation. This should have been updated after the EA was determined to be insufficient. The economic impact statement is so dated it doesn't include mention of the potential Scotts Valley Casino in nearby Vallejo which is also being pushed forwards. App B at 62. As the DEIS itself notes when talking about other potential future casinos in the area, "should these or other similar developments move forward, there would be material impact to the overall market size and competitive effects projections outlined in this report." App. Bat 69.

The economic impact studies included as Draft EIS appendices were current and up to date when these studies were initiated in 2022.

GMA was initially tasked with providing the Substitution Effects Analysis on tribal gaming casinos within the local market relevant to the Koi Project. To do so, GMA employed gravity model methodology to understand the sources of gaming revenue based upon market segment as well as means and prevalence to gamble for the residents that reside within the local market. GMA considered the following major assumptions in performing the Substitution Effects Analysis to project the substitution effects on local market competitors.

- The Project will commence operations in 2028.
- Calendar Year 2033 represents a stabilized year of Project operations for the fully built-out facility.
- Graton Resort and Casino builds and opens an expanded gaming floor, an additional hotel tower, and other non-gaming amenities within the forecast period.
- Wilton Rancheria Casino opens within the forecast period.
- The Lone Band Plymouth Casino opens within the forecast period.
- The new Coyote Valley Casino is open today, and the associated Wyndham hotel facility will open and stabilize operations within the forecast period.
- Consumer behaviors, income growth, and spending patterns will recover from impacts of the COVID-19 pandemic by the end of calendar year 2022.
- No other changes in the competitive environment occur other than those discussed in this report.

Under these assumptions, GMA began by calibrating the model to the market conditions of the time (2022). With this completed, GMA created a Base scenario in which GMA grew the market to the defined subject year of 2033. This allowed GMA to estimate the level of local market gaming revenue for relevant tribal participants should no additional market changes occur. GMA then layered in a scenario in which the Koi Project opens and estimated the local market gaming revenue of the Project. In doing so, GMA compared the local market gaming revenues under the Koi Project scenario to the levels observed in the Base scenario, thereby estimating levels of substitution on local market gaming revenue for tribal casinos.

With the announcement of the possible opening of the Scott’s Valley casino, GMA performed an additional gravity model scenario analysis assuming the opening of both Scott’s Valley and the Koi casino (“Cumulative Impact Scenario”). It is important to emphasize that the substitution effects measured in GMA’s model for the originally analyzed scenario (the “Koi impacts” column below) reflects only the changes in local market gaming revenue. Local market revenue is representative of the revenue derived from the defined local market within the gravity model, which includes population and income data from various zip codes that are aggregated into market segments. As such, the impact percentages calculated and illustrated within the “Cumulative Impacts” column only applies to local market revenue and not outer market revenue. To understand the total blended percentage impact on overall market revenue, GMA adjusted these impact percentages by casino for the estimated amount of gaming revenue that is derived from the defined local market. Such amounts are listed in the Cumulative Impacts adj. for Outer Market” column.

The following table provides this additional step in the analysis and illustrates the substitution effects that are expected to occur in the originally analyzed scenario as well as the Cumulative Impact Scenario. The introduction of the Scotts Valley casino would be anticipated to grow the market by an additional 7.2%, as this casino is proposed to be a quality casino offering that is in a prime location that has access to large population centers in the Bay Area. The remaining local market gaming revenue would be anticipated to stem from substitution effects on other regional casinos, including the Project.

Projected Total Market Substitution Effects Compared to Base			
	Koi Only	Scotts Valley Only	Cumulative Impacts*
River Rock (No Expansion)	-23.03%	-21.04%	-39.10%
Sherwood Valley	-7.39%	-4.22%	-10.49%
Graton	-10.87%	-24.57%	-31.98%
Konocti Vista	-6.57%	-12.57%	-17.58%
Twin Pine	-8.65%	-24.07%	-29.97%
Robinson Rancheria	-6.25%	-14.39%	-18.87%
Running Creek	-5.00%	-12.04%	-15.56%
Coyote Valley	-4.40%	-7.45%	-10.85%
Garcia River	-3.64%	-2.21%	-5.46%
Colusa	-1.53%	-8.98%	-9.68%
Cache Creek	-3.16%	-21.28%	-22.46%
Hard Rock Sacramento	-1.10%	-8.50%	-8.86%
Harrarh's NorCal	-1.29%	-7.57%	-8.11%
Thunder Valley	-1.45%	-10.38%	-10.89%
Red Hawk	-1.22%	-8.70%	-9.13%
lone Plymouth	-4.04%	-7.20%	-7.55%
Jackson Rancheria	-1.41%	-9.99%	-10.49%
Wilton Rancheria	-4.02%	-15.23%	-15.91%
San Pablo Lytton	-3.83%	-30.32%	-31.37%

Source: GMA

*Combined impact is less than sum of Koi Only and Scotts Valley Only due to initial greater impact of 1 facility versus 2.

**Substitution effects inclusive of projected outer market gaming revenue.

***GMA notes that the model was built to assess the impact on gaming revenue based on the Koi facility. As such, the impact of the addition of Scott's Valley could be greater on casinos outside of GMA's market carve than presented in this table.

Additionally, as provided in the Supplemental Competitive Effects Discussion, (included as Appendix B-3 in the DEIS) GMA performed a scenario analysis that considers the impact of the Koi Nation casino on local market gaming revenue should River Rock undertake an expansion. In this scenario, GMA assumed River Rock would expand its gaming offering to 1,500 machines, as well as add a host of upgrades and renovations to the property.

To begin, GMA projected River Rock's 2033 local market gaming revenue both with and without an expansion in a scenario where both Koi and Scotts Valley do not open, the results of this analysis provided the "River Rock Expansion Base" and the "No River Rock Expansion Base". GMA then layered in an



additional scenario where River Rock underwent expansion in both the Koi Impacts scenario and the Cumulative Impact Scenario and compared the results of this analysis to both the No River Rock Expansion Base and the River Rock Expansion Base.

In this analysis, GMA found that should River Rock undertake expansion and Koi open; it could expect a 40.42% increase in local market gaming revenue in comparison to a scenario in which Koi does not open and River Rock does not expand. With expansion at River Rock, it would be expected to produce local market gaming revenue that is -16.59% lower than projected in a scenario where River Rock does not expand and Koi and Scotts Valley do not open.

T8-28

The Draft EIS also conducts an analysis that it calls “Gaming Substitution Effects” in which it essentially evaluates the economic impact on other gaming facilities of operating the new Koi casino facility at the Koi Site. Draft EIS, Section 3.7.3.2 at pp. 3-74 to 3-75. The analysis concludes that several nearby existing Indian gaming facilities would lose future gaming revenues. For example, it calculates that the Graton Casino revenues would decrease by 11.45%. As discussed in Appendix 4, the decrease in business revenues has a direct effect on the funds upon which tribal governments depend to provide governmental services to their citizens, including public safety, environmental and cultural resources protection, health care, and other matters that affect the human environment of the affected tribal communities. Moreover, because the funds transferred to tribal governments are a share of net revenues, the percentage decreases in gross revenues projected by the Draft EIS translate necessarily into larger percentage decreases in funds to support the tribal governments and tribal citizens.

The Draft EIS relies on studies by Global Market Advisors (“GMA”) in Appendices B-1 to B-3. These documents assert that these direct economic losses to environmental justice communities do not qualify as adverse effects, and therefore (with the exception of one tribal casino) do not have significant impacts on FIGR or other Sonoma County tribes. The Draft EIS makes no attempt whatsoever to analyze the socioeconomic effects that lower net revenues at the 19 affected tribal casinos will have on the non-Indian communities that benefit from the casinos through direct funding of local government, infrastructure, and charitable giving, and indirect support through increased economic activity, and tax revenues, among other things. Instead, the Draft EIS chooses to focus almost entirely on the positive economic impacts for the Koi Nation except where it must acknowledge that the income to the Koi Nation will come mostly from the casino businesses of their fellow tribal governments.

To reduce gaming revenue loss from new competitors reducing cash flow, a casino can employ two main strategies: increasing revenue and reducing costs. This can involve investing in the property through facility upgrades, expansions, or smaller improvements such as updating carpets or introducing new gaming titles. Reinvesting in player retention and analyzing operations to identify cost-saving opportunities can also maintain profitability. In GMA’s supplemental competitive effects discussion, examples were provided of casinos nationwide that experienced gaming revenue declines of over 20% yet remained operational. Each of these properties implemented some or all of these measures.

It would be speculative to precisely estimate how a potential revenue decrease would impact operations at these tribal casinos without understanding their current financial health and revenue sources, as doing so would be speculative. Like any business, whether tribal or non-tribal, they must navigate competition and its effects on revenue. These impacts can be mitigated, but the measures taken will differ. Nevertheless, some high-level estimates can be inferred from the data presented.

Given the expected decline due to Koi, it is unlikely that River Rock would recover to its pre-Koi levels without substantial changes to its facility. River Rock will need to adjust its operations to plan for this impact to gaming revenues. With regards to Sherwood Valley, while recovery would be challenging, it could likely reposition itself within the tourism market. Reinvestment into its facility would likely be necessary. The other listed facilities could be expected to recoup their losses due to the Koi Project with the proper marketing and operational enhancements, in addition to organic growth to be that would be expected to occur over time.

The competitive effects of Alternative A would not occur until Alternative A commences operations. However, gaming revenue for competing facilities, and the related tribal government funding should continue to accrue and increase in years prior to the opening of Alternative A, provided that the economy and the gaming population continue to grow. This interim period should also allow tribes time to plan and adjust the operations of their existing gaming facilities to mitigate substitution effects anticipated to occur once Alternative A opens. Positive trends should also reoccur after the year 2033, which is when the gaming revenue of existing facilities would begin to recover from substitution effects caused by Alternative A.

The Draft EIS clearly has misunderstood and misapplied the applicable law. The demonstrated future loss of gaming revenues for disadvantaged tribal communities clearly constitute direct or indirect adverse environmental impacts on FIGR and other Indian tribes that are similarly situated for the reasons explained above. Moreover, the BIA's abrupt rejection of an off-site alternative in Lake County that would avoid these adverse NEPA effects precluded the possibility of choosing an alternative that would avoid this impact.

Finally, the study attempting to calculate these future gaming losses is included as Appendix B-2 to the Draft EIS. FIGR engaged a leading expert in this field -- Meister Economic Consulting -- to assess the validity of this analysis and its assessment report is included as Appendix 4 to this letter.

Meister Economic Consulting ("MEC") found that Acorn built its socioeconomic conclusions on a faulty report by Global Market Advisors ("GMA"), and therefore its conclusions are perforce faulty themselves. The cracks in the foundation begin with GMA's reliance upon an analysis of a casino on the Shiloh site done by MEC itself on a previous version of what became Alternative A. GMA, however, among other things, failed to update the outdated report, which was based on pre-pandemic data and a different set of competitors; did not and could not understand the assumptions and analysis in MEC's work because those were not included in the work itself and GMA did not consult MEC; and changed the nature of the project meaningfully from the one MEC analyzed without changing the revenue or cost projections. Appendix 4 at 2-3. When a conclusion is drawn from incorrect premises it is inherently unreliable. In this case, however, MEC has demonstrated that the assumptions and conclusions GMA used to find that the proposed Koi Nation casino would have less than significant socioeconomic impacts are incorrect, not just unreliable.

GMA was tasked with evaluating the potential impact on competitors based on an assumed level of gaming revenue generated at the Koi Project as estimated by MEC. To do this, GMA developed an independent model to estimate substitution effects on nearby gaming facilities, using sound economic analyses grounded in well-established and respected methodologies that did not rely on other assumptions or data from MEC's report. GMA estimated the likely sources of revenue and market revenue growth that would occur given the competitive dynamics of the market.

Perhaps the greatest flaw in the GMA analysis is that the competition from the proposed Koi Nation casino would not significantly and adversely affect tribal communities, which are definitionally one of the concerns of environmental justice analysis under NEPA. That flaw derives from minimizing the impacts on other tribal casinos and then only focusing on the effects on those casinos' gross revenues rather than the effects on the tribal owners that depend on the profits from the casinos to run their governments to benefit their citizens. MEC found that GMA artificially limited the revenue impacts on the competing casinos. GMA relied on incorrect premises including those of MEC's own now-outdated study to find that 54% of the proposed casino's revenues would come from growing its own market even though the market is mature and saturated with 17 existing and 2 planned tribal casinos. Id. at 4.

GMA is an independent third-party consulting firm that was engaged to provide its opinion on the estimated potential impact of the Project. GMA has established its prominent position in the gaming and hospitality consulting space based on its integrity and unwillingness to bend or adjust its projections based on the desires of its clients. Its long-lasting positive reputation with banks, other financial institutions and consultants involved in the gaming industry is predicated on its valued independence and integrity. In no way were GMA's projections influenced by any party. In fact, GMA estimated that the associated substitution effects would have a significant impact on one tribal gaming facility. GMA was not tasked with projecting the precise level of financial impacts on tribal communities as the data required for such an analysis is not publicly available, and this would require speculation into the sources and levels of tribal funding. GMA instead focused its study on the gaming revenue impacts related to tribal gaming enterprises.

The Project's location will provide it with proximate access to the greater San Francisco Bay Area. While the greater Bay Area market has had access to tribal gaming for a substantial period of time, it has continuously proven that it can support additional gaming capacity, including the nearby Graton Casino and Resort and the recently developed Sky River facility, which attracts patrons from both the Bay Area and Sacramento area. In general, Bay Area gaming patrons have access to a limited number of proximate gaming facility options. Consequently, the Bay Area gaming market has not realized full market potential from a propensity or spend perspective.

Although the commenter is correct that Draft EIS Appendix B-1 estimated substitution effects to the Graton Casino and Resort at -11.45% of local market gaming revenue during 2033, as per GMA's assumptions, the Graton expansion was factored into the initial substitution effects analysis as well as the cumulative effects analysis as it was assumed to take place before the opening of the Koi casino. It is understood that the recent circa 2023 Graton Casino and Resort expansion will increase the gaming floor

area of the resort by over 50%¹. A cumulative substitution effect analysis has been performed and is listed in **Response to Comment T5-18**. As shown therein, the cumulative substitution effect on local market gaming revenue is estimated at -33.66% and overall gaming revenue is estimated at -31.98% during calendar year 2033.

Among other things GMA did to minimize the competitive impact of the proposed casino was to invent an ambiguous “outer market,” contributing revenue from “nowhere.” Id. at 5-6. Because the market is mature with loyal customer bases built up by the existing tribes over a long period of time, most of the proposed casino’s revenue will come from cannibalization of other Indian tribal governments’ businesses contrary to the rosy projections of GMA adopted by the BIA.

Despite the efforts to minimize the effects by crediting the proposed casino with new markets from “nowhere,” GMA did admit to significant detrimental impacts on other Indian tribes’ casinos. MEC found, however, that by focusing only on gross revenues from the casinos, and defining significance to only include those cases where a casino would go out of business, which GMA admits that at least one may do, GMA and the BIA failed to address the obvious socioeconomic impacts on the tribal government owners and their tribal citizens that would occur far short of that dire consequence, not to mention the socioeconomic impacts on their surrounding, non-tribal communities and governments from reductions in employment, economic activity, tax revenues, and direct support from the tribes. MEC found that, even taking at face value the impacts that GMA projected, such as the 11.45% reduction in FIGR’s casino’s gross revenues, they would translate into “a loss of governmental revenue to [FIGR], such that it will have to substantially reduce expenditures on tribal programs and services to its tribal members.” Id. at 4-5. The same would be true of all the tribal owners of the competing casinos because they also depend on profits from their casinos to fund their governmental programs such as public safety, health, employment, and cultural and environmental protection, among the many other things that tribal governments do. Id. at 8, 10, 12. Some may have to eliminate government programs depending on the profit margins of their casinos. Id. at 8.

As discussed in GMA’s response to the previous comment, GMA’s projections represent its own opinion based on thorough analysis and were in no way influenced by other parties to formulate “rosy” projections.

In response to the comment surrounding the outer market stemming from “nowhere”, the outer market is a standard industry concept. Casinos derive revenue from beyond the defined local market. Some percentage of gaming revenue is sourced from outside of the local market catchment area. These patrons are comprised of overnight guests to the subject casino’s hotel or other nearby hotels, people whose primary residence is elsewhere but reside in a secondary home in the marketplace, and daytrip travelers who are passing through the region on major thoroughfares.

¹ <https://www.gratonresortcasino.com/pressaccolades/graton-resort-casino-breaks-ground-on-1-billion-expansion/>

A modest but notable portion of gross revenue is sourced from these outer market patrons. Certain amenities, such as hotels, help increase this percentage by providing convenient and accessible accommodation for distant visitors, encouraging them to extend their stays. This often results in longer gaming sessions and increased spending across various on-site amenities. Furthermore, with Sonoma County attracting approximately 10.3 million visitors annually, its appeal as a tourist destination contributes to the growing share of revenue from non-local markets. In a market such as Sonoma County, it is typical that the outer market is slightly larger than average due to the robust tourism of surrounding wineries, redwoods, scenic coastline, and rich historical landmarks.

Due to the reasons described above, GMA properly accounted for the outer market in its analysis. The gravity model specifically calculates revenue based on the average annual household income from zip codes that represent the local catchment area, as such, the outer market is considered. However, because the out-of-market area is geographically very large, any substitution effects would be spread among a large number of existing casinos or created via new market growth. There are 19 existing casinos listed in the substitution effects quantitative analysis listed on page 69 of the GMA Report. The lowest substitution effect for an individual facility is – 3.87% of local market gaming revenue. Because substitution effects decline with distance and due to the limited amount of outer market revenue, effects for facilities outside of the market area would be much lower than – 3.87%

The BIA and GMA also attempt to characterize the impacts as temporary because they would “dissipate” and because some casinos in very different circumstances have managed to stay open. MEC found, however, that there is simply no basis for the assumption that the competitive effect of a new casino would dissipate over time even if the competing casinos regained the nominal revenue they had before the entrance of the new competitor. Id. at 6. Moreover, the examples that GMA chose to show that casinos need not close did not support their conclusions because they were not akin to the market that Koi Nation seeks to enter, suffered revenue losses due to the Great Recession as well as in some cases competition, in some cases had to take heroic efforts to survive, did not regain their economic positions, and, in several cases did not even manage to survive. Id. at 8-9. Just as it ignored the socioeconomic impacts on the tribes and tribal members affected by Koi Nation’s entry into a mature market outside of its homeland, GMA did not concern itself with the impacts on the only two tribal governments and tribal members included in its examples. Id.

GMA was tasked with projecting the competitive impacts on gaming revenue—not with projecting the extent of this impact on tribal communities as such data is often not publicly available and would be speculative to assess.

T8-122

GMA’S RELIANCE ON PREVIOUS WORK BY OTHER CONSULTANTS

At several points throughout its studies, GMA admits that work performed by other consultants, namely Meister Economic Consulting, is the fundamental basis and starting point for its competitive effects study and economic impact statement for Alternative A (pp. 27, 28, 29, 33, 45, 65, and 68 of Appendix

B-1 and p. 5 of Appendix B-3 to the Koi Nation DEIS). Specifically, GMA relies entirely on our that work for the construction and development costs of Alternative A (pp. 27 and 29 of Appendix B-1 to the Koi Nation DEIS) and the projected financial performance of Alternative A (pp. 28, 33, 45, and 68 of Appendix B-1 and p. 5 of Appendix B-3 to the Koi Nation DEIS). The Koi Nation DEIS even generally relies on our that work for the majority of the proposed scope of the casino in Alternative A and the proposed gaming scope in Alternative B (pp. 2-2 and 2-23 through 2- 24 of the Koi Nation DEIS; there are some differences in scope, which we discuss later). However, much of the data, assumptions, and methodologies behind the prior work would not have been known to GMA.

We are uniquely positioned to comment on our prior work and on the significant issues that arise due to GMA's dependence on it, which resulted in fundamentally flawed conclusions by GMA regarding competitive effects and economic impacts of Alternatives A and B. These flaws include:

- ***GMA Used Outdated Information:*** *The work on which GMA relied was completed in June 2021, during a time when the gaming industry, like many others, was still grappling with the effects of the COVID-19 pandemic. As a result, our analysis used 2019 as the base year for its projections, further rendering those analyses outdated because they are nearly five years old and because they pre-date the pandemic. An updated market analysis needs to be done to account for changes in the economy, consumer behavior, competitive dynamics, and other factors.*

When GMA was engaged to prepare an economic impact analysis it was asked to do so based on the gross revenue estimates and project cost estimates as prepared in the Meister report. As such, GMA calibrated its models assuming that those were to be the numbers generated by Koi. This was the only number used from Meister and all other data was generated by GMA.

MEC is no longer working for the Tribe, but has instead been hired to critique the Project, and is the author of Comment Letter T-8. In its report, GMA did state that it believes the construction cost estimates prepared by MEC are conservative, because of construction cost inflation that occurred subsequent to the MEC estimates. Socioeconomic impacts from construction costs were analyzed in our 2022 report and would occur primarily in the form of jobs, economic output and taxes and fees that would accrue to local, state and federal governments.

Unlike the construction cost forecast, GMA did not make a similar statement regarding the MEC operational forecast. Rather, estimates made by GMA regarding substitution effects assume a recovery from the COVID pandemic. Specifically, as stated in the Assumptions section of the GMA 2022 report, page 65):

“Consumer behaviors, income growth, and spending patterns will recover from impacts of the COVID-19 pandemic by the end of calendar year 2022.”

In performing its analysis, GMA developed an independent model to estimate substitution effects on nearby gaming facilities, using sound economic analyses grounded in well-established and respected methodologies that considered changes in the economy, consumer behavior, competitive dynamics, and various other factors that impact the gaming market. The results of GMA's analysis reflect a thorough review of these factors and are representative of how these factors would impact the future gaming

market as they were projected at the time of this analysis. The key assumption derived from the MEC report was the assumed level of gaming revenue performance that could be expected at the Project. GMA was asked to formulate an “if/then” analysis predicated on the assumption that “if” the Project were to produce “X” level of gaming revenue “then” it would be expected to have “Y” impacts on the marketplace. While updating projections to the current day may adjust gross gaming revenue, operating expenses would increase as well. What is the most salient point, is that the overall percentage impacts would generally remain the same.

T8-124

GMA Misrepresents Assumptions of the Prior Work it Relied Upon: Despite GMA's inability to understand the key assumptions in our prior work that they relied upon—because they did not and could not know what they were—GMA claimed that several major assumptions in their own gravity model were consistent with ours (p. 65 of Appendix B-1 to the Koi Nation DEIS). However, this assertion is unequivocally false. Specifically, certain major assumptions made by GMA that were not incorporated into our prior work include:

- Expansion of the Graton Resort & Casino (it had not yet been announced at the time of our prior work);***
- Future opening of the new Lone Band Plymouth Casino (a compact between the Tribe and State had not yet been executed); and***
- Opening of a new hotel associated with the Coyote Valley Casino.***

If we had incorporated any of these assumptions in our prior work, it would have changed the results of that work, which in turn would have necessarily changed the results of the competitive effects analysis by GMA. Incorporating these assumptions into our prior work would result in lower projected revenues for the Proposed Koi Nation Casino but a significantly higher percentage of those revenues attributable to cannibalization of existing tribal casinos in the market area.

In performing its analysis, GMA developed an independent model to estimate substitution effects on nearby gaming facilities, using sound economic analyses grounded in well-established and respected methodologies that considered changes in the economy, consumer behavior, competitive dynamics, and various other factors that impact the gaming market. The results of GMA’s analysis reflect a thorough review of these factors and are representative of how these factors would impact the future gaming market as they were projected at the time of this analysis. The only assumption derived from the MEC report was the assumed level of gaming revenue performance that could be expected at the Project. Please refer to Response to Comment T8-122 regarding the appropriateness of the gaming revenue projections. GMA was asked to formulate an “if/then” analysis predicated on the assumption that “if” the Project were to produce “X” level of gaming revenue “then” it would be expected to have “Y” impacts on the marketplace.

However, the commenter is correct that the wording on page 65 of the GMA 2022 Report is not precisely accurate. The first paragraph of that section reads:

“GMA considered the following major assumptions in performing the Substitution Effects Analysis, which were consistent with assumptions utilized by other consultants hired by the Koi Nation...”

A more accurate statement is that the GMA substitution analysis was modelled consistent with “some of” the assumptions utilized by the other consultants.

Although non-gaming revenue may be slightly understated, the gaming revenue forecasts are appropriate and would not be significantly affected by changes to the non-gaming amenities, and the gaming forecasts are what drive the competitive effects. Non-gaming amenities typically serve to leverage the gaming database and/or target some level of local and regional non-gaming demand. Specifically, meeting and convention facilities, was the most notable change to the proposed non-gaming amenity program. These non-gaming amenities traditionally do not significantly drive gaming revenue.

While updating projections to the current day may adjust gross gaming revenue, operating expenses would increase as well. What is the most salient point, is that the overall percentage impacts would generally remain the same.

T8-125

□ Acorn and GMA Changed Alternative A Project Scope Without Revising Revenue/Cost Projections from the Prior Work They Relied Upon: While Acorn and GMA utilized the recommended programing for gaming and hotel offerings from our prior work, they modified the scope of the meeting/event space and food and beverage offerings, and added a sportsbook, which is not even legal at this time for California tribes (p. 2-2 of the Koi Nation DEIS). These changes included a significant increase in meeting/event space, as well a moderate increase in the total number of seats at food and beverage outlets. Despite these changes, GMA did not adjust the construction cost estimates (p. 29 of Appendix B-1 to the Koi Nation DEIS) or ancillary revenue forecasts (pp. 28 and 33 of Appendix B-1 to the Koi Nation DEIS) contained in our prior work to properly reflect their expanded project scope. It is also important to note that increases in non-gaming amenities may also warrant adjustment to gaming revenue forecasts as meetings and events would typically draw in more people to the Proposed Koi Nation Casino.

While GMA acknowledges that non-gaming revenue is conservatively estimated in its model, any adjustments to the mix of such non-gaming amenities would not be expected to significantly impact the gaming revenue forecasts, which primarily drive the competitive effects.

Sports betting is not currently legal and as such was not included in the GMA revenue projections. However, a discussion of the sports book was included in the event that it becomes legal in the future. Meeting and event space has minimal effect on gaming revenue and draws customers from a wide regional catchment area.

GMA Grossly Understates Total Competitive Impact

Given the market in which the Proposed Koi Nation Casino Alternative A would operate, there is little chance that it would be able to generate the aforementioned level of market growth, instead the amount of the local market gaming revenue that would come at the expense of other competitive casinos within the market would be far greater than 46%. Based on our preliminary analyses, we estimate that approximately 80% of the Proposed Koi Nation Casino's gaming revenues would come from cannibalization of the revenues of competitors. We discuss below a variety of factors that cause GMA to overestimate market growth generated by the Proposed Koi Nation Casino.

Failure to Properly Account for the Market's Advanced Maturity Level: *The local market where Alternative A of the Proposed Koi Nation Casino would operate is a very mature market that already consists of a large number of established casinos (GMA identifies 17 existing and 2 proposed competitive casinos at the time of its study, pp. 45 and 69 of Appendix B-1 to the Koi Nation DEIS). Most of these competitors have loyal customer bases, established marketing strategies, and comprehensive loyalty programs. The introduction of the Proposed Koi Nation Casino would not dramatically expand the market size in such a well-established and near-saturated environment, as GMA erroneously asserts.*

Overestimation of Unmet Demand: *While our preliminary analyses identify some pockets of unmet demand within the market area that the Proposed Koi Nation Casino could potentially tap into, the extent of this unmet demand is not sufficient to support GMA's unrealistic projection of \$244.2 million attributed to natural market growth generated by the introduction of the Proposed Koi Nation Casino. Our preliminary market analysis and gravity modeling using Graton Resort & Casino's actual data, along with past experience in this market and other markets, indicate that while new casinos can often capture some new segments of the population and stimulate some additional visits, the overall impact on organic growth in a large and mature market is typically much more modest.*

Inappropriate Exclusion of Numerous Competitors from the Competitive Set in its Market Analysis: *GMA's market model for estimating the competitive impacts for Alternative A of the Proposed Koi Nation Casino presents a significant oversight by failing to include California card rooms, as they directly compete against Northern California tribal casinos in terms of table games given the types of games they offer and their often advantageous locations closer to population centers. GMA's failure to account for card rooms undermines the comprehensiveness and accuracy of its competitive impacts model and it leads to overstatement of achievable natural market growth, understatement of competitive impacts on existing tribal casinos, and omission of competitive impacts on the card rooms.*

Failure to in Competitive Impacts: *Beyond the revenues projected to be generated from within the local market, GMA also projects \$23.7 million in outer market revenues during the sixth year of operation of Alternative A (p. 68 of Appendix B-1 to the Koi Nation DEIS). Not only does GMA not even define the local and outer markets, nor provide any explanation or breakdown of the factors contributing to these figures, it excluded outer market revenues from consideration in its competitive effects analysis altogether because "these revenues are not*

expected to be materially impacted by the introduction of the Project” (p. 48 of Appendix B-1 to the Koi Nation DEIS). Essentially, the \$23.7 million appears out of nowhere. It is only reasonable to assume, however, that if the revenue exists, a portion of the projected outer market revenue would come at the expense of existing casinos, just like the portion that would come from within the local market. For instance, outer market revenue includes revenue from tourists to the region, and at least a portion of their visitation to the Proposed Koi Nation Casino would be cannibalization of existing casinos’ revenues. This dynamic is especially relevant for tourists with extended stays in the area or those planning to visit multiple destinations throughout the region. By excluding outer market revenue from consideration in the competitive impact assessment, GMA has underestimated the competitive impacts on the numerous existing tribal casinos.

GMA is a highly respected gaming consultant in the industry due to the rigorous efforts that are undertaken to ensure the accuracy of its models. Any market growth that was projected was tested against economic viability and sound logic in order to arrive at the results. The \$244.2 million local market growth represents an 8.0% increase over the base scenario in which the Project does not open, which is more than viable with the introduction of a new sophisticated casino product, even in a mature and saturated market.

As previously noted, the Project’s location will provide it with proximate access to the greater Bay Area. While the greater Bay Area market has had access to tribal gaming for a long time, it has continuously proven that it can support additional gaming capacity, including nearby Graton and the recently developed Sky River, which attracts patrons from both the Bay Area and Sacramento area. In general, Bay Area gaming patrons have only had access to a handful of proximate gaming facility options and, as a result, the greater Bay Area has not realized full market penetration from a propensity or spend perspective.

Further, GMA was tasked with measuring the competitive effects on tribal casinos. While these casinos do compete to a degree with California cardrooms for tables games business, they are not primary competitors. While there is overlap between cardroom patrons and casino patrons, there is limited competition between the two. The two types of facilities provide patrons with decidedly different experiences, with cardrooms providing convenient gaming options with extremely limited amenities and casinos providing a much more comprehensive entertainment experience. Even still, GMA’s model has accounted for the amount of gaming revenue that is generated by local market residents in California cardrooms and other casinos outside of the defined competitive set. Given the number of established Native American casinos throughout the greater Bay Area, specifically the Graton Casino and Resort to the south and River Rock to the north, the impact of Native American casinos on local card rooms has mostly already been realized. As such, only a minimal impact from the Project would occur.

Non-gaming revenue at regional casinos is typically closely correlated with gaming revenue performance and influenced by the immediate market area, including factors such as population size, tourism, and business activity, which affect revenue sources like food and beverage (“F&B”) and hotels.

Acorn Falsely Claims Competitive Impacts Dissipate Over Time

Acorn asserts that the competitive impacts of Alternative A would “tend to dissipate over time in a growing economy” (p. 3-75 of the Koi Nation DEIS). However, this opinion is not substantiated by any facts or analysis, and is not even mentioned by GMA in any of its studies. Moreover, Acorn’s assertion that the competitive impact will dissipate over time due to economic growth is patently and demonstrably false. Any natural growth in the market resulting from economic growth is a separate phenomenon that would occur regardless of the opening of the Proposed Koi Nation Casino. Therefore, this natural market growth does not diminish or recover the lost revenue experienced by existing tribal casinos as a result of the Proposed Koi Nation Casino. Acorn’s assumption that the competitive impact will diminish over time does not account for the sustained pressure that a new entrant typically exerts on existing casinos in a market. Furthermore, the introduction of a new casino permanently alters market share dynamics, leading to potential long term revenue losses for existing casinos. Even with market growth, these losses represent real and ongoing competitive impacts that need to be considered over a longer-term horizon. In essence, while competitive tribal casinos may potentially regain their nominal revenue levels in a growing economy, these revenues, when adjusted for inflation and market changes, will not restore the tribes to the financial position they would have held if a new casino had not entered the market.

Acorn Incorrectly Assumes No Non-Gaming Substitution Effects

Acorn believes that most hotel stays at the Proposed Koi Nation Casino would come from guests drawn to the casino, meaning that these stays would not significantly impact local hotels (p. 3-76 of the Koi Nation DEIS). For other patrons, they note that there will be both positive and negative substitution effects. Positively, they state that the project is expected to increase local hotel demand and create overflow effects, where gaming guests opt to stay at nearby hotels instead of in the casino’s hotel. Negatively, they note that some guests might choose the new project over existing local hotels. Acorn concludes without relying on any facts or analysis that these impacts would be minimal and therefore that the project would have a less-than-significant effect on local hotel substitution (p. 3-66 of the Koi Nation DEIS). Acorn’s analysis regarding the substitution effects of the proposed casino hotel on local non-gaming hotels may present a reasonable argument when considering the potential for overflow effects, but without any facts to support it, one cannot tell. However, the rest of their rationale is fatally flawed and leads to the incorrect assumption that there are no non-gaming substitution effects.

- Lack of Support for Acorn’s Rationale:** *Acorn presents its opinion regarding hotel substitution effects but provides absolutely no facts or analysis to support it, and GMA does not address the subject of non-gaming substitution effects at all in their studies.*
- Ignoring Direct Competition with Regional Non-Gaming Hotels:** *Acorn’s focus on local nongaming hotels, while important, neglects the interconnected nature of regional tourism and hospitality markets. The ripple effects of a new casino hotel can extend beyond immediate geographical boundaries, influencing regional tourism flows and accommodation preferences. Thus, regional non-casino hotels should have been examined. To the extent that the Proposed Koi Nation Casino causes substitution effects with regional non-casino hotels, there would certainly be negative competitive impacts on hotel occupancy taxes to local governments. However, this is not addressed by Acorn.*
- Ignoring Direct Competition with Regional Casino Hotels:** *Unlike local non-gaming hotels, regional competitive casino hotels cater to a similar market segment as the Proposed Koi Nation*

Casino. Patrons attracted to the gaming and entertainment offerings of the new casino hotel may choose to stay at the new facility instead of the existing regional competitive casino hotels, resulting in a hotel (and likely other non-gaming) substitution effect.

Inconsistent Logic: *While GMA acknowledges there would be competitive impacts on gaming revenues at regional competitive casinos (p. 69 of Appendix B-1 to the Koi Nation DEIS), they fail to extend this logic to the associated hotel demand at the competitive casinos. Gaming and hotel operations at casino resorts are intrinsically linked. The opening of the Proposed Koi Nation Casino will most certainly impact the demand for hotel room nights at other regional competitive casino hotels, given the overlap in target demographics*

Within most regional casino resorts, gaming performance and hotel performance are interrelated. This is largely due to the fact that a substantial number of overnight guests are induced to stay at the property via loyalty programs and associated player reinvestment initiatives, including heavily discounted or fully comped promotional offers. Outside of these invited guests, a significant number of leisure or free independent traveler (“FIT”) guests choose to stay overnight at casinos with gaming activities as the primary motivation for their visits.

These combined segments represent a vast majority of hotel patrons at regional casino properties and most of the economic benefit from these patrons is derived from their gaming expenditures. As a result, the gaming impacts calculated within the substitution effects analysis, capture a majority of the economic impact and substitution effects associated with these patrons.

T8-131

GMA’s Supplemental Competitive Effects Discussion Fails to Address True Detrimental Impact

GMA states that “[A]fter conducting extensive research and analysis, the consulting team at GMA has identified several markets where casinos have experienced impacts to their gaming revenues by more than 20% and yet managed to remain open” (p. 1 of Appendix B-3 to the Koi Nation DEIS). However, in this exercise, GMA fails to address the true nature of detrimental impact as it matters in a land-in-trust application. Moreover, the markets they identify clearly show detriment.

Limited, Irrelevant Examples: *GMA only provides four markets after its “extensive research and analysis” (p. 1 of Appendix B-3 to the Koi Nation DEIS), and three of the four examples are commercial casino markets (Chicagoland, Cincinnati/Southern Indiana, and Atlantic City, pp. 2-4 of Appendix B-3 to the Koi Nation DEIS). These three examples suffer from the very shortcoming raised in the federal court case cited by Acorn (p. 3-75 of the Koi Nation DEIS) - GMA only identifies detriment to the casinos themselves. In large part, that is because the three examples do not even involve tribal casinos, thus there can be no detriment to tribes, which is what is at issue in a land-in-trust application such as that for the Koi Nation. However, in finding no detrimental impact, GMA did not even attempt to analyze the socioeconomic impacts caused by the reductions in casino revenues in the examples that they identified, which may have included reduced governmental services due to decreases in tax revenues, among other things.*

Limited Examples Do Not Isolate Decreased Revenue from New Competitors: *In all four of GMA’s examples, the casinos that experienced revenue declines did so in large part because of factors unrelated to new competitors entering their market. GMA admits that the casinos in its analysis faced significant revenue challenges due to the economic recession and regulatory factors (p. 1 of Appendix B-3 to the Koi Nation DEIS). GMA admits the revenue loss for the*

casinos in the Chicagoland example was in large part due to the 2008 financial crisis and a smoking ban (one casino was even harmed by a fire) (pp. 2-3 of Appendix B-3 to the Koi Nation DEIS). In the Cincinnati/Southern Indiana example, GMA notes the causes of revenue losses to casinos to include the 2008 financial crisis (pp. 3-4 of Appendix B-3 to the Koi Nation DEIS). In the Atlantic City example, GMA points to the 2008 recession and inadequate management (pp. 2 and 4 of Appendix B-3 to the Koi Nation DEIS). The identified factors in these examples and GMA's failure to account for them obscure the degree to which competition played a role in their decline to begin with.

Weak and Unconvincing Examples: *GMA attempts to characterize the four markets as examples of how “casinos were able to adapt and regrow revenue after impact via strategic initiatives, operational changes, and/or product improvement/expansion” (p. 2 of Appendix B-3 to the Koi Nation DEIS). No matter how GMA spins it, the casinos in their examples were permanently harmed and experienced revenue losses that cannot be recovered, even if they get back to their original revenue level (as noted earlier in our discussion that Acorn Falsely Claims Competitive Impacts Dissipate Over Time). Furthermore, these casinos' attempts to mitigate their losses necessitated significant investments, often requiring substantial financial commitments. In the Chicagoland example, GMA notes how one casino (Grand Victoria) took losses for multiple years and eventually had to be sold and later expanded to keep afloat in the market (pp. 2-3 of Appendix B-3 to the Koi Nation DEIS). In the Atlantic City example, GMA admits that multiple casinos had to close down at least in part due to new competition over time in nearby states, and one casino (Harrah's) had to undergo renovations to try to get back to its previous revenue trajectory path (pp. 2 and 4 of Appendix B-3 to the Koi Nation DEIS). In the Greater Connecticut market, GMA highlights major, costly renovations and expansions two casinos undertook to try to mitigate their losses (p. 4 of Appendix B-3 to the Koi Nation DEIS).*

GMA provided examples of markets in which casinos sustained sizeable impacts to gaming revenue yet remained operational (as stated in pp.2-5 of Appendix B-3 Supplemental Competitive Effects Assessment). Given the lack of availability of tribal gaming performance by casino, GMA provided appropriate examples based on publicly available data of commercial casinos across the nation. GMA only presented data for casinos that have experienced this impact, the underlying factors that attributed to this revenue loss, and how they performed in the subsequent years. GMA applied no “spin” to its analysis to fit any sort of narrative. As previously discussed, (p. 5 of Appendix B-3 Supplemental Competitive Effects Assessment), GMA was tasked with evaluating whether a casino could withstand a similar degree of impact as presented in this study, a question that is further addressed in Appendix B-3.

In its analysis, GMA highlights that the Smoke Free Illinois Act, enacted in January 2008 prior to the Great Recession, significantly reduced casino attendance in Illinois, leading to notable declines in gaming revenue for several establishments. For example, casinos such as Grand Victoria, Hollywood Casino Aurora, Harrah's Joliet Hotel & Casino, and Hollywood Casino Joliet experienced declines in revenue ranging from 19.3% to 23.4% compared to the previous year, 2007, yet all remain operational today.

These challenges continued for Grand Victoria after the launch of Rivers Casino in July 2011, which caused a substantial and additional decline in its gaming revenue, given its proximity of just 30 minutes to the new venue. The revenue impact was substantial, with a year-over-year decrease in net gaming revenues

of 17.4% following the opening, escalating to 26.0% by 2012 during the two-year period. Despite these challenges, Grand Victoria continued to operate. In 2018 it transitioned ownership from MGM and Hyatt to Eldorado Resorts, now known as Caesars Entertainment, which invested \$4 million in an expansion in 2022, demonstrating its commitment to the local market.

In the Cincinnati/Southern Indiana area, GMA noted significant revenue declines for the Hollywood Casino Lawrenceburg and Grand Victoria Casino & Resort Rising Star, with declines in gross gaming revenues of 31.8% and 21.2%, respectively from 2012 to 2013, followed by further declines of 27.3% and 26.0%, respectively during 2014. These declines were attributed to the opening of the Hard Rock Casino in Cincinnati in 2013, a development facilitated by Ohio's 2009 constitutional amendment allowing casinos in the state's four largest cities. The Hard Rock facility is located slightly over 30 minutes from the Hollywood Casino & Hotel in Lawrenceburg and within an hour's drive of Grand Victoria. According to the Indiana Gaming Commission and within seven months of its opening, this facility, quickly became the region's leading casino.

Additionally, it is worth noting that the commenter has not suggested additional case studies beyond those described in the GMA study.

T8-134

GMA Fails to Adequately Justify Alternative C's Feasibility

It is difficult to assess the non-gaming development option set forth in Alternative C given the summary level data and analysis presented by GMA to substantiate their recommendations, projections, and economic impact assessment. There is just one very minimal pro forma income statement table to support it (p. 9 of Appendix B-2 to the Koi Nation DEIS). Market studies typically include a much more robust analysis of historical performance and projected growth trends within the market area in order to draw any meaningful conclusions as to the projected performance and viability of projects. The mere assertion that these projects can be easily absorbed within the market without any meaningful competitive impacts is not convincing without any facts or analysis. It defies logic to deny that elements of Alternative C are likely to result in competitive effects, which were not quantified or addressed in the Koi Nation DEIS.

The report presented in Appendix B-2 is an economic impact study focused on Alternative C. As such, it only presents projections that are relevant as inputs within the economic impact model. GMA performed a confidential in-depth market study for this alternative, containing proprietary business information. This report included a robust analysis of historical performance, market dynamics, growth trends, and detailed performance projections, which were summarized in Appendix B-2. Alternative C would not be expected to have substantial substitution effects on the immediate market area as the site is already an operational vineyard and the hotel development would be unique in its market positioning as a tribally owned winery and hotel development, which would likely allow it to induce incremental visitation to the market area.

ECONOMIC IMPACT STUDY

In order to show the economic effects of the Proposed Koi Nation Casino on its surrounding community, GMA prepared an economic impact statement. While there is not sufficient time in the comment period to conduct our own original economic impact analysis so we can fully assess GMA's results, we reviewed and assessed the data, assumptions, methodologies, and results of their economic impact statement, identifying several key flaws below. These are in addition to the significant errors that resulted from GMA using our prior outdated work for another purpose that utilized different key assumptions (see GMA's Reliance on Previous Work by Other Consultants section).

GMA Does Not Provide Sufficient Information to Adequately Evaluate the Results of their Analyses

GMA did not provide enough detail on the inputs to their economic impact models to allow us to conduct a complete review. As noted above, without such information, the BIA and the public are also not able to evaluate the socioeconomic impacts on the surrounding community. For GMA's construction impacts, while total construction costs are noted as \$689.2 million (p. 29 of Appendix B-1 to the Koi Nation DEIS), the Direct Output (total economic activity from construction expenditures run through GMA's economic impact model) in their construction impact results is \$308.5 million (p. 30 of Appendix B-1 to the Koi Nation DEIS). For GMA's operation impacts, while Gross Revenue is \$575.3 million and EBITDA is \$146.7 million (p. 33 of Appendix B-1 to the Koi Nation DEIS), the Direct Output (total economic activity from operations run through GMA's economic impact model) in their operation impact results is \$185.6 million (p. 34 of Appendix B-1 to the Koi Nation DEIS). In both cases, GMA does not adequately detail what they did to get the inputs to their models such that they yield the aforementioned Direct Output figures. Specific details must be provided in order to determine whether the modeling was done properly.

The modeling was properly performed and is consistent with other projects completed for the BIA and other economic impact submissions. Construction inputs were based on detailed schedules provided by the client regarding the construction and development, which were prepared by other consultants. These development costs were appropriately adjusted to account for factors such as local versus non-local purchases. To estimate total operational impacts, ancillary revenues were estimated based on percentages of net revenues (defined as gross revenues less promotional credits). These percentages were based GMA's expansive operating knowledge of Native American casinos across the United States. Similarly, GMA's experience with expenses at other casino developments was utilized to develop estimated wage and employment estimates as well as other expenses.

GMA Fails to Properly Exclude Operations Tax Impacts Koi Nation Would Not Pay as a Tribal Government ***GMA highlighted that in its Alternative A operations related fiscal impact analyses "at the state and local level, adjustments were made to sales tax, property taxes, and State/local non-taxes by the ratio of indirect and induced output to total output to reflect the likely exemption status of direct spending occurring at the facility" (p. 37 of Appendix B-1 to the Koi Nation DEIS). While GMA's reasoning is correct, there appear to be a few flaws with this implementation that cause overinflated fiscal impacts.***

- Despite the aforementioned statement by GMA, it appears they did not actually deduct out the stated taxes at the state and local level because GMA later states that “[t]he IMPLAN model creates a projection of the total taxes, such that these discounts are not reflected in the resulting tables” (p. 37 of Appendix B-1 to the Koi Nation DEIS) and “the actual tax benefits will likely vary from those presented in the following tables addressing tax revenues during the operations phase for the Project” (p. 38 of Appendix B-1 to the Koi Nation DEIS).*
- At the state and local level, GMA should also have excluded Direct Corporate Profits Tax given that tribes do not pay it. GMA does not state this exclusion anywhere even though it is easily excluded from typical IMPLAN results after running a model.*
- GMA should also have excluded Direct Corporate Profits Tax at the federal level as well given tribes do not pay that either. GMA does not state this exclusion anywhere even though it is easily excluded from typical IMPLAN results after running a model.*

As mentioned above, “the actual tax benefits will likely vary from those presented in the following tables addressing tax revenues during the operations phase for the Project”. GMA accounted and adjusted for the fact that the Project would occur on tribal land.

When adjusting the tax estimates, GMA accounted for the fact that this is a tribal project, which often involves different tax considerations. In reviewing the taxes, GMA noted that certain types of taxes, such as corporate profits tax, could vary. The inputs factored in which taxes tribes are required to pay—or are exempt from paying—to federal and local governments.

The outputs reflect these considerations, but it is important to note that GMA cannot definitively determine which profits would be subject to taxes. For instance, while profits from tribal operations may be exempt, profits from leased venues operated by non-tribal vendors would likely be subject to corporate taxes. Thus, the specific tax implications can differ based on the source of the revenue, whether it originates from tribal or non-tribal entities.

T8-136

GMA Overestimates All Economic and Fiscal Impacts for Operation of All Alternatives by Not Accounting for Competitive Effects

As previously noted, GMA estimated competitive effects on existing tribal casinos, including two in Sonoma County (Graton Resort & Casino and River Rock Casino), the study area of their economic impact study (p. 26 of Appendix B-1 to the Koi Nation DEIS). As we previously pointed out in this assessment, these competitive effects are permanent and can never be recovered, contrary to Acorn’s erroneous and unsupported claim. With this in mind, the competitive effects should not be included in the revenue figures used as the input to the operations related economic impact model for all the Alternatives because for instance in Alternatives A and B the competitive effect is not new economic activity to Sonoma County, but just substituting for economic activity that is already generated at existing tribal casinos in the County. It is not readily apparent that GMA excludes these competitive effects from the operations economic impact model because it is not stated anywhere in their studies. By not excluding the competitive effects from these economic impact models, GMA would have overestimated all operations related economic and fiscal impacts of the Proposed Koi Nation Casino (pp. 34-36 and 38 of

Appendix B-1 to the Koi Nation DEIS) by the magnitude of competitive effects on Graton Resort & Casino and River Rock Casino.

GMA's focus was on the impact of the Project. The methodology of the analyses was consistent with that completed for other BIA submissions in the past by GMA and other socioeconomics consultants. It is not standard industry practice for substitution effects to be included in the analysis of economic output and job creation. However, it is possible to prepare these types of analyses "net" of substitution effects, and it is the case that if substitution effects were factored in, most other socioeconomic effects would be less than those presented in the GMA report. For example, economic output, the number of jobs created and impacts to housing would be less.

DISCLAIMER

This report is subject to certain assumptions.

In addition, information contained in this report was received or procured from third parties. While GMA is not aware of any reason to believe information received from such third parties is inaccurate, GMA did not validate or verify the accuracy thereof, and makes no warranty, real or implied, regarding the accuracy of data contained in this report to the extent incorporating or making reference to information received from such third parties.

This report also contains projections of future events, including projections based upon certain assumptions. Such projections necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from such projections of future performance or result expressed or implied in this report.

Although projections contained in this presentation are based upon what GMA believes are reasonable assumptions, there can be no assurance that such projections will prove to be accurate, as actual results and future events could differ materially from those anticipated or assumed by GMA in developing such projections. Consequently, GMA assumes no liability for the accuracy of these projections.

GMA undertakes no obligation to update this report or any projections set forth herein if circumstances or GMA's estimates or opinions should change.