

Atlantic City Gaming Win & Non-Gaming Revenue

Source: NJ Division of Gaming Enforcement

Year to Date - For Nine Months Ended Sept 30, 2015 (\$ in Thousands)	Sept 30, 2015	Change from Prior Year	Sept 30, 2014
Casino Licensees:			
Casino	\$ 1,912,665	4.1%	\$ 1,837,719
Rooms	\$ 316,812	1.2%	\$ 313,178
Food & Beverage	\$ 341,345	1.6%	\$ 335,934
Entertainment & Other	\$ 116,629	-1.2%	\$ 117,996
Casino Licensees Total Revenue	\$ 2,687,451	3.2%	\$ 2,604,827
Third Party Business Sales	\$ 157,794	-5.2%	\$ 166,496
Combined Sales	\$ 2,845,245	2.7%	\$ 2,771,323

Third Quarter Ended Sept 30, 2015 & 2014 (\$ In Thousands)	Q3 - 2015	Change from Prior Year	Q3 - 2014
Total Revenue	\$ 1,030,449	-7.9%	\$ 1,118,316

Month of October	October 2015	Change from Prior Year	October 2014
Gaming Win	\$191.6M	-3.1%	\$197.7M
Internet Gaming Win	\$12.9M	35.6%	\$9.5M

Atlantic City Statistical Transportation Data

Source: South Jersey Transportation Authority

Visitors - Month of October	October 2015	Change from Prior Year	October 2014
AC Expressway			
Total Toll Paying Traffic			
Pleasantville Toll Plaza	1,514,719	-.8%	1,526,305
AC Airport			
Scheduled Service Passengers	71,297	-3.3%	73,732
Charter Passengers	10,047	-10.8%	11,259
Total Air Passengers	81,344	-4.3%	84,991
Casino Buses to AC	5,782	-20.8%	7,299
Casino Bus Passengers	113,187	-17.6%	137,391
NJ Transit Rail Service to AC			
Rail Passengers	90,089	-2.2%	92,142

Legislative Update

Assembly Bill #3981 – “Casino Property Taxation Stabilization Act” (PILOT bill) – A-3981 consists of a number of components in an effort to assist Atlantic City’s budgetary shortfall due (in part) to casino closings. The bill would also reduce the City’s financial dependence on the casino industry, while also avoiding tax appeals that have reduced the ratable base in Atlantic City. The centerpiece of A-3981 is a payment-in-lieu-of-taxes plan, or PILOT program, that is designed to stabilize Atlantic City’s revenue stream amid falling property values. Under the plan, casinos would pay \$150 million annually for two years and then \$120 million a year for the next 13 years to help the city’s finances. Issues concerning the bill include the length of the PILOT, whether \$30M being diverted from the CRDA should extend beyond the first two years of the agreement and the inclusion of an agreement regarding the revenue the County will receive from the City.

A-3981 has passed both the Senate (34-5) and the Assembly (52-20 with 2 abstaining). On November 10, the Governor vetoed the bill where he accepted the part of the PILOT that allows the State to direct more aide to AC schools, but rejected the component that provides for pension and health benefits for casino workers as part of their employment. The Governor accepted the provision that would allow for casino to pay \$120M in taxes for 15 years and would not allow for tax appeals during this period. The \$60M that was once directed to the Atlantic City Alliance, Atlantic City’s marketing arm, which was intended to be directed toward Atlantic City, would now be directed to the State. In order for the City to receive any of these funds, the City must submit a plan to the State Finance Board and indicate changes that will be made to AC’s financial plan/spending. Bill sponsors Senate President Sweeney, Senator Whelan and Assemblyman Mazzeo were disappointed by the actions and think the conditional veto will further delay its passage. President Sweeney stated that he will meet with Governor Christie in attempt to reach an agreement on differing issues. Lawmakers must approve the changes by January 12 to avoid having to re-introduce the bills in the next session. Given Mayor Guardian’s statement that the current cash flow will expire on April 29, 2016, the clock is ticking for Atlantic City.

Senate Bill # 3169 – Permits counties to impose one-percent hotel tax - In an effort to assist counties to raise additional funds, S-3169 was introduced in late September by instituting an additional 1% tax that would go directly to county governments. According to the Press of Atlantic City, “the state Division of Tourism reported that spending during calendar year 2014 on lodging in Atlantic County was about \$3.9 billion – and while all of that might not be from room fees alone, 1 percent of that is \$39 million.” Since Atlantic County’s property tax base has fallen about 37 percent, from \$58.3 billion in 2008 to \$36.5 billion in 2015, mainly due to casinos tax assessment appeals, tax relief is an important issue. The bill awaits review by the Senate Budget and Appropriations Committee.

Real Estate Update

Stockton University/South Jersey Gas Atlantic City Campus – A Stockton University satellite campus, a new South Jersey Gas headquarters and an 886-space parking garage is planned to open in Atlantic City in late 2018. AC Devco, a nonprofit, wants to use a \$210M mix of public and private funds to redevelop land on Albany Avenue; \$121M of these funds will be used to create a campus for approximately 1,800 students, which will include classrooms and a 500-student oceanfront dormitory. The project is expected to contribute to redevelopment in Atlantic City, promote job growth and increase spending in the Atlantic City area. “We believe this to be in the best interests of our students and the region in creating educational options and opportunities,” Kesselman said. “Right now we are still in the process of lining up the financial partners to make this project a reality, and hope to finalize this in the near future.”

Showboat Atlantic City – In mid-September the Stockton Board of Trustees approved a resolution to sell the Showboat Casino Hotel to Bart Blatstein, Tower Investments, with a purchase price of \$22M. The closing was expected to take place sometime in November 2015, but has been extended to January 15, 2016. As a result of amending the sale agreement, Stockton will receive an additional \$1M, resulting in a revised purchase price of \$23M.

Atlantic Club Casino Hotel – TJM properties, a Florida development firm, purchased the Atlantic Club in May 2014 for \$13.5M and an adjacent property for \$715K. TJM indicated that it will reopen the Atlantic Club as a non-gambling property. This past July, CRDA approved for a 26,670SF waterfront park on the Boardwalk which will include a 81,454SF x 90' high indoor waterpark, a permanent beach café with indoor and outdoor dining, a seasonal beach café and a 57,723SF family entertainment center, in addition to renovations to the existing building. A spring 2017 opening is anticipated.

Harrah's Waterfront Conference Center – Caesars Entertainment opened a new \$126M conference center designed to help Atlantic City gain a bigger share of the business travel market and less reliant on gambling. The center already has 140,000 room nights booked through 2019, with more than 90,000 set for the next 12 months.

Resorts Casino Hotel – Opened a new \$5M conference center, including 15,000 square feet spread over 12 rooms, making its way into the East Coast corporate meetings market. Resorts officials project that the new conference center will generate about 12,000 room nights and \$2M in revenue.

Revel Atlantic City – Polo North Country Club, Inc. owner Glenn Straub purchased the Revel Casino Hotel on April 7 for \$82M, after being vacant since it closed in June 2014. According to the Press of Atlantic City, in early October Polo North was fined for failing to have competent engineers oversee the property's alarms and other emergency equipment. Earlier that month the State Department of Environmental Protection threatened to fine the company if it powered-up diesel-fueled generators it was intending to use to provide electricity to Revel. The generators were removed and the property was receiving limited electricity from ACR Energy Partners under an order issued by the state Department of Community Affairs. The Press of Atlantic City reported that on November 24th a deal was reached between a bank, utilities and Straub's Polo North. Under the conditions of the deal, which must be signed by December 2, ACR, the owner of the power plant that supplied the Revel's utility service, will pay \$15M, while Straub will pay \$30M into an escrow account to settle power plant bondholder debt. If signed, the deal will end litigation that's been preventing the Revel's reopening. However, litigation involving Revel's former tenants and Atlantic City Council president Frank Gilliam naming a re-developer for the neighborhood surrounding Revel remain unresolved.

City & County Update

Atlantic City – The Press of Atlantic City reported that the Local Finance Board, overseeing the City's finances, unanimously approved the city's \$262M budget which relies on transitional aid, multi-million dollar grants and a \$33.6M line item entitled "Casino Redirected Anticipated Payment" to keep taxes level. A deferment of \$38.9M in employee health benefit and pension contribution also was a key factor in the balanced budget. The budget did not take the passage of Assembly bill 3981 (i.e., the PILOT bill package) into account.

Atlantic County – A plan to diversify the Atlantic County economy was unveiled in late September. Angelos Angelou, founder of Angelou Economics and charged with formulating a strategic plan for the county, stated that the success of the plan relies on support from the private sector to fund a local non-profit Economic Development Office (EDO) at a cost of \$1.4M, which is vital to develop business and better jobs.

In the Region

Pennsylvania Gambling Expansion - In mid-November the Pennsylvania Gaming Oversight Committee approved a bill that, if enacted, would: 1) legalize and regulate Internet based gambling run exclusively through the state's 12 licensed casinos; 2) create a new type of mini-casino in Pennsylvania by permitting up to 250 slot machines at off-track betting parlors run by the state's six racetracks; 3) allow casino operators that have reached agreement with airport authorities to install slots at the state's six airports designated as capable of handling regular international flights, including Harrisburg; and, 4) would permit all casinos to sell alcohol around-the-clock. Casinos would also be required to block online accounts to persons who've placed themselves on voluntary exclusion lists, and would have to let players to pre-set personal limits on losses incurred in a specified time period, with a cooling-off period before they could play again. The committee rejected an amendment, however, to permit bar owners, fraternal organizations and private clubs with liquor licenses to have five gaming machines for their patrons.