

Parking Feasibility Study

Central City, Colorado



FINAL REPORT

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Parking Feasibility Study

Prepared for

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SECTION I.

Introduction

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Introduction

The city of Central City is a historic mining community in the foothills of the Rocky Mountains, approximately 40 miles west of Denver, Colorado. Central City has a well preserved historic core, a valuable license to host gaming operations, a new highway access road—and an underperforming economy. The city's 20-year-old gaming industry has struggled to meet expectations because of building constraints associated with historic preservation, well-entrenched competition, topographic challenges and visitor parking limitations. The community seeks a more prosperous gaming environment, but one that still respects the historic scale of the traditional mining community. Providing additional visitor parking is a necessary element in pursuing this goal.

Study Objectives

Over the past few years, Central City has taken multiple steps toward improving economic conditions in the community. Most notable, in 2004, the community completed the Central City Highway, which connected the city with Interstate 70. In 2007, Central City, in partnership with one of the casinos, built the city garage—a 490-space structure—which is now experiencing capacity limitations on many holidays and weekends, and periodically when the Central City Opera is in session. In 2011, the city completed a redesign of the Main Street streetscape, improving lighting, traffic flow and pedestrian access.

Convenient and plentiful parking remains a community limitation. The objective of this study is to document parking development options and suggest a cost effective, financially feasible parking solution. Specifically, this analysis includes four tasks:

- Reexamine parking design options prepared over the past few years;
- Analyze the current performance of the Central City gaming industry and document the manner in which parking availability influences gaming receipts and related city tax revenues;
- Evaluate parking development options with particular attention paid to the impact on gaming performance; and
- Analyze parking development options and prepare projections of new gaming revenues and city taxes associated with parking development.

The city is seeking to understand how an appropriately sized and located parking structure might stimulate local gaming and tourism activity along with increases in gaming-related fees and taxes and how it could be used to support construction of the proposed structure.

Report Organization

This report has four sections. Following this introduction, Section II examines the historic performance of the Central City's gaming industry as context for this analysis. Section III details prospective parking solutions and calculates the economic benefits of parking garage development. Section IV projects parking utilization and public and private revenue consequences.

SECTION II.

Central City and the Colorado Gaming Industry

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Central City and the Colorado Gaming Industry

This section describes the Colorado gaming industry and Central City's position in the current industry environment.

Gaming in the United States

Prior to 1979, the state of Nevada and the city of Atlantic City were the only places in the United States with legalized gambling. In the 1980's, Native American tribes began to open casinos around the country on tribal reservations. Gradually, state lotteries and various versions of pari-mutuel betting were legalized in most areas of the country. Today, 17 states allow some form of casino gaming.

Gaming as economic development. In the 1989, South Dakota and Iowa turned to legal commercial gaming in specially designated districts as a means to attract tourism, revitalize historic communities and raise tax revenues. In the 1990s, riverboat casinos were legalized in a number of states. Other states and communities followed suit, and communities as diverse as Deadwood, South Dakota, Tunica, Mississippi and Gary, Indiana established gaming as a core economic development strategy. In very recent years, the internet has introduced a variety of new gaming options and created a marketplace for online poker, gambling entertainment and sport betting.

By 2010 there were over 450 privately owned and operated commercial casinos generating a total of \$34.7 billion in tax revenue for state and local governments. Presently 17 states and multiple Indian reservations allow some form of gaming and 43 states have lotteries. International gaming has also grown particularly in Asia, Australia and South Africa.

Technological change. Changes in technology are also affecting the operation of commercial casinos. Cashless slots with player cards, digitized machines, interactive and multi-player games on single machines and heightened security and scam prevention technology have allowed casinos to provide a more exciting, customer-friendly experience, particularly to younger, technology-savvy players, while reducing overall operating costs. The computerized slots allow customers to make dozens of small bets at a time and the increase in betting frequency increases the number of "wins" for the player. Adding bonus plays, graphics and a player specific accounting, many casinos now rely on penny slots far more than table games to support casino operations.

According to the Nevada Gaming Commission, during the most recent recession, revenue from every form of gambling fell, except for penny slots. The computerized, entertaining and fast-paced slots machines are proving to be a dependable revenue source and key attraction for loyal customers.

Player loyalty clubs. The past decade has also seen the growing importance of player-clubs that reinforce customer loyalty by offering discounts and perks to players who are frequent casino visitors. By offering promotional deals like food, drinks and lodging, and coupons for additional play, casinos incentivize customers to only spend time and money at their casino. Customer management and inducement, which has always been a hallmark of the casino business, has become a far more sophisticated and complex element of casino management.

Gaming in Colorado

In November 1990, Colorado voters approved a state constitutional amendment allowing limited stakes gambling in three historic mining towns: Central City, Black Hawk and Cripple Creek. As predicted, gaming allowances spurred dramatic new development in the three subject communities. In 2008, Colorado voters approved Amendment 50, which expanded the range of permissible gaming, permitting casinos to stay open 24 hours a day and allowing higher stakes table gaming. In this same period, an indoor smoking ban was implemented. While the extended business hours and raised stakes are thought to have boosted activity, the smoking ban is widely viewed as negatively affecting revenues.¹

Performance indicators. The Colorado Gaming Industry is heavily regulated and the Colorado Gaming Commission tracks multiple measures of gaming activity. The following terms are specific to the gaming industry and are from the Colorado Department of Revenue:

- **AGP (Adjusted Gross Proceeds):** The total amount of all wagers made by players less all payments to players. This is simply defined as the amount of money “won” by the casino. AGP is sometimes referred to as the casinos’ net gaming revenue.
- **Coins In:** The amount wagered in a slot machine.
- **Average Daily AGP:** The amount of AGP earned a daily basis. Sometimes this is expressed on a per device basis (AGP/Number of Devices/Average Days Open per Month).
- **Hold Percentage:** Percentage of revenue retained by a device slot machine = (Device AGP/Coins In).

Colorado industry metrics. Since 1990, Colorado commercial casinos have generated over \$11.5 billion in AGP and \$1.5 billion in associated taxes. Annual statewide AGP and related tax revenues are shown in Figure II-1 for the years 1992 to 2011. AGP can be defined simply as the casino’s revenue, or the amount of money the customers loses to the casinos.

¹ The Economic Impact of Colorado’s Commercial Casinos, Fred Crowley, Ph. D, 2011.

**Figure II-1.
Statewide Adjusted Gross
Proceeds and Tax Revenues**

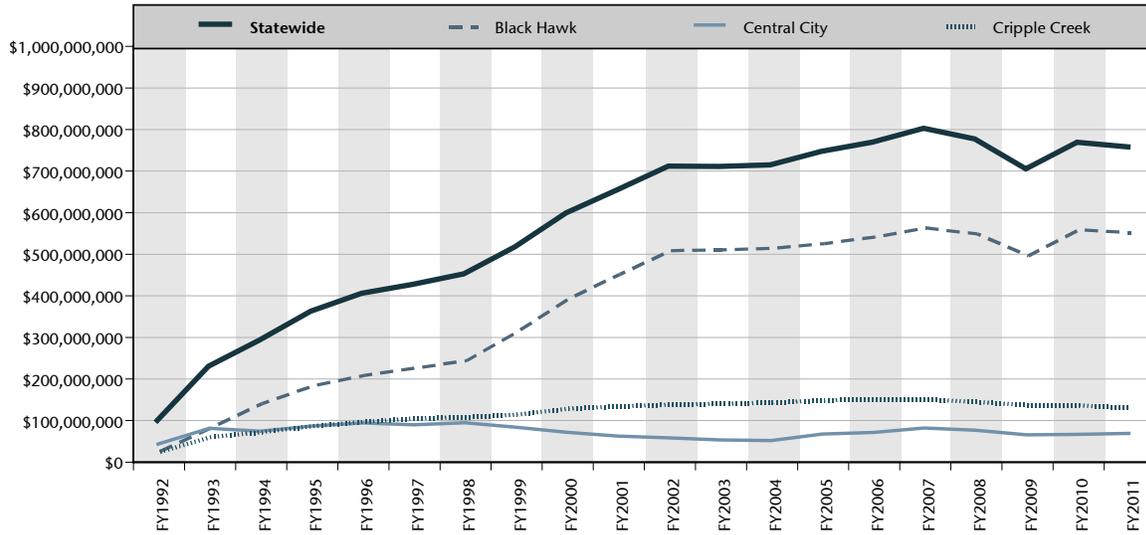
Source:
Colorado Department of Revenue,
Division of Gaming, 2012.

	Adjusted Gross Proceeds	Gaming Tax Revenue	Tax Rate
FY1992	\$96,318,657	\$10,792,403	11.2%
FY1993	\$226,612,826	\$30,123,026	13.3%
FY1994	\$289,922,436	\$39,853,816	13.7%
FY1995	\$358,861,345	\$43,997,095	12.3%
FY1996	\$401,862,892	\$50,846,465	12.7%
FY1997	\$423,431,813	\$53,934,421	12.7%
FY1998	\$448,820,296	\$61,719,562	13.8%
FY1999	\$514,066,109	\$74,229,691	14.4%
FY2000	\$595,347,389	\$76,474,602	12.8%
FY2001	\$650,540,545	\$88,722,061	13.6%
FY2002	\$707,804,271	\$95,672,703	13.5%
FY2003	\$707,229,904	\$97,450,869	13.8%
FY2004	\$711,015,335	\$98,546,761	13.9%
FY2005	\$743,835,872	\$99,078,163	13.3%
FY2006	\$765,426,159	\$106,131,460	13.9%
FY2007	\$798,969,770	\$112,004,927	14.0%
FY2008	\$773,392,238	\$108,176,398	14.0%
FY2009	\$701,770,974	\$94,906,277	13.5%
FY2010	\$764,976,870	\$107,667,716	14.1%
FY2011	\$754,115,371	\$104,794,878	13.9%
Total	\$11,434,321,071	\$1,555,123,295	13.6%

The effective tax rate on commercial gaming has grown from 11.2 percent to near 14 percent of AGP, which reflects a growing percentage of the business going to larger casinos. (Tax rates vary by the size of the casino as measured by number of gaming devices.) Statewide gaming revenues grew consistently though the first decade of the industry's existence, but expansion rates slowed beginning in 2002. Statewide gaming activity peaked at \$799 million in 2007. The expansion of gaming hours and addition of new table games with higher stakes could not overcome the economic downturn, although statewide AGP in FY 2011 is only about 6 percent below 2007 levels and the last quarter of 2011 showed substantive growth rates over the same quarter in 2010.

Figure II-2 shows AGP by gaming town. Black Hawk's dominance within the industry is notable. Central City's modest market share and lack of substantial growth is also apparent.

Figure II-2.
Adjusted Gross Proceeds of Gaming Centers in Colorado, 1992-2011



Source: Colorado Department of Revenue, Division of Gaming, 2011.

Tax distribution. Gaming tax receipts are distributed by formula to the state’s tourism promotion organization, the three gaming communities and their respective counties, certain historic preservation interests, and the state’s General Fund. A breakdown of the percentage of gaming funds allocated is shown in Figure II-3.

Figure II-3.
Distribution of Gaming Funds 1992 – 2010

Source:
 Colorado Department of Revenue, Division of Gaming, 2011; The Economic Impact of Colorado’s Commercial Casinos, Fred Crowley, Ph. D, 2011.

	Percent
Tourism	34.0%
Colorado Historical Society	28.0%
Colorado Tourism Promotion Fund	6.0%
Gaming Communities	22.4%
City of Black Hawk	6.6%
City of Central City	1.3%
City of Cripple Creeks	2.1%
City of Victor (Cripple Creek region)	0.1%
City of Woodland Park (Cripple Creek region)	0.3%
Gilpin County (Black Hawk and Central City)	9.4%
Teller County (Cripple Creek)	2.6%
General Fund	29.9%
Other	13.7%
Total Distributed	100.0%

As shown in prior Figure II-3, considerably more funds are allocated to Black Hawk than Central City or Cripple Creek, which reflects the larger gaming receipts in Black Hawk in comparison with the other two communities.

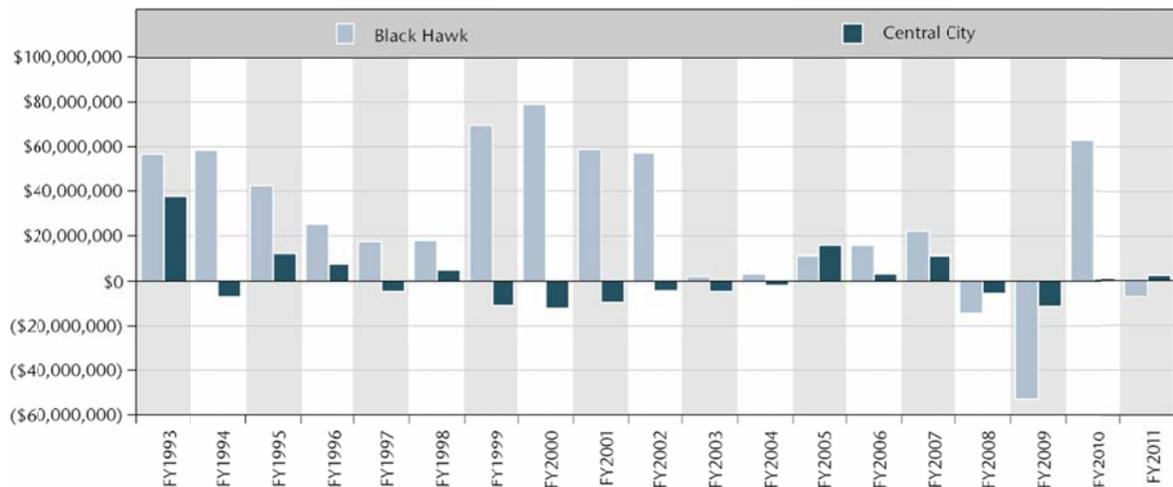
Gaming in Central City and Black Hawk

When gaming was first introduced in Central City and Black Hawk, Central City was the larger community and had a far greater stock of historical structures. The city planned to build the gaming business within the quaint downtown storefronts in order to preserve the city’s historical character and support the new business. A few miles down the road, Black Hawk had fewer historic structures, larger building lots and greater development flexibility. As a result, Black Hawk was able to build larger casinos and accommodate onsite parking. Black Hawk was also competitively advantaged by its location on the major access route in the area, which effectively gave Black Hawk a front-door advantage. Today, Black Hawk has over twice the number of casinos and over eight times the adjusted gross proceeds as does Central City.

In an effort to capture an additional share of the gaming market, Central City sponsored the construction of Central City Parkway in 2004. The new 8-mile road connects the town with I-70, greatly improving access into Central City. Although the new road is attractive and well used, it alone could not overcome Black Hawk’s competitive advantages and Black Hawk continues to dominate the gaming market in the region.

Figure II-4 illustrates the dramatic growth and the more recent variable performance of the gaming industry in Black Hawk and Central City.

Figure II-4.
Growth in Annual Adjusted Gross Proceeds, 1992-2011



Source: Colorado Department of Revenue, Division of Gaming, 2011.

Three years of consistent growth followed the completion of the Central City Parkway in 2004; however, proceeds declined in both cities in 2008 concurrent with the national economic recession and the indoor smoking-ban legislation.

Figure II-5 offers a snapshot of the gaming market share in the Central City/Black Hawk region. While Central City has around 20 percent of the number of slot machines and tables, the city only captures 10.8 percent of the proceeds. Black Hawk, on the other hand, has about 80 percent of the gaming devices but captures 89.2 percent of the proceeds. Slots in Black Hawk earn on average \$182.50 per machine/day while slots in Central City only had proceeds of \$75.08 (FY 2011). Meaning slots in Black Hawk are more than two times more productive than those in Central City.

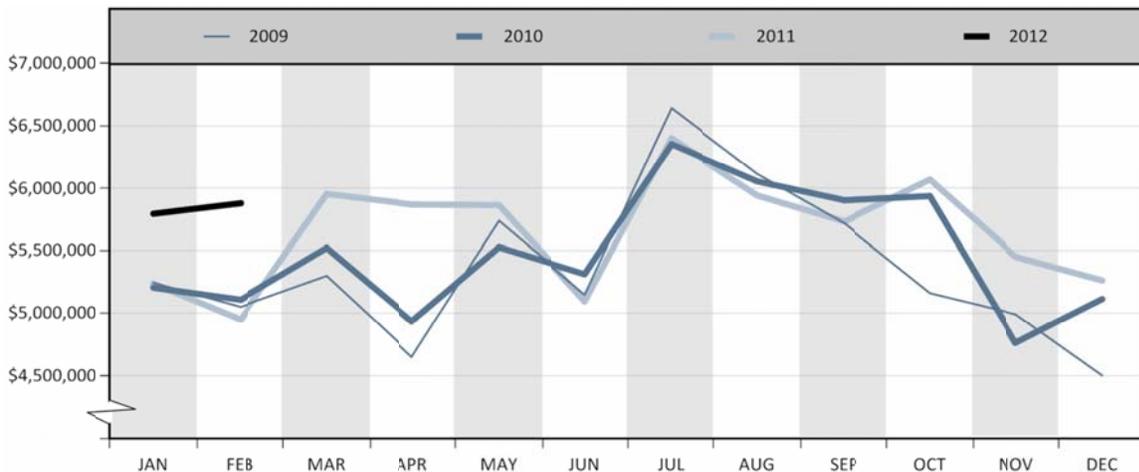
Figure II-5.
Central City and Black Hawk Gaming Industry, September 2011

	Central City		Black Hawk	
		Share of Regional Market		Share of Regional Market
Number of Casinos	8	30.8%	18	69.2%
Adjusted Gross Proceeds (AGP)	\$5,732,117	10.8%	\$47,457,363	89.2%
Slot Devices	2,379	22.1%	8,375	77.9%
<i>Avg Daily AGP</i>	<i>\$75.08</i>		<i>\$166.78</i>	
Tables	45	18.4%	199	81.6%
<i>Avg Daily AGP</i>	<i>\$277</i>		<i>\$930</i>	

Source: Colorado Department of Revenue, Division of Gaming, 2011.

Figure II-6 illustrates the notable seasonality of the gaming market in Central City. Summer is busier and business lags during the fall and early winter months.

Figure II-6.
Central City Monthly AGP, 2008-2012



Source: Colorado Department of Revenue, Division of Gaming, 2011.

In summary, the influx of new gaming venues over the past 30 years has fundamentally reshaped the American gaming industry. Destination gaming communities, such as Las Vegas or Lake Tahoe, have tried to differentiate their offerings with luxury hotels, entertainment, expansive retail and diverse recreational amenities. Market delineation strategies have also evolved with varied branding or market targeting strategies, ranging from family-friendly resorts to niche entertainment offerings and conventions. Regardless of community marketing strategies, individual casino owners also attempt to differentiate their offerings and keep their guests engaged without visiting rival casinos. This is most often accomplished by using loyalty clubs, market-targeted privileges, lodging, food, entertainment offerings and parking.

SECTION III.

Parking Development Options

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Parking Development Options

The city of Central City has examined additional garage development options on a number of prior occasions. In addition, private owners and developers have also suggested new parking and casino developments that incorporate parking changes. This section summarizes parking proposals and parking development options. The focus of this section is on location options for additional parking and the prospects for various locations to stimulate casino business. No new structural or architectural evaluations were completed as part of this feasibility analysis.

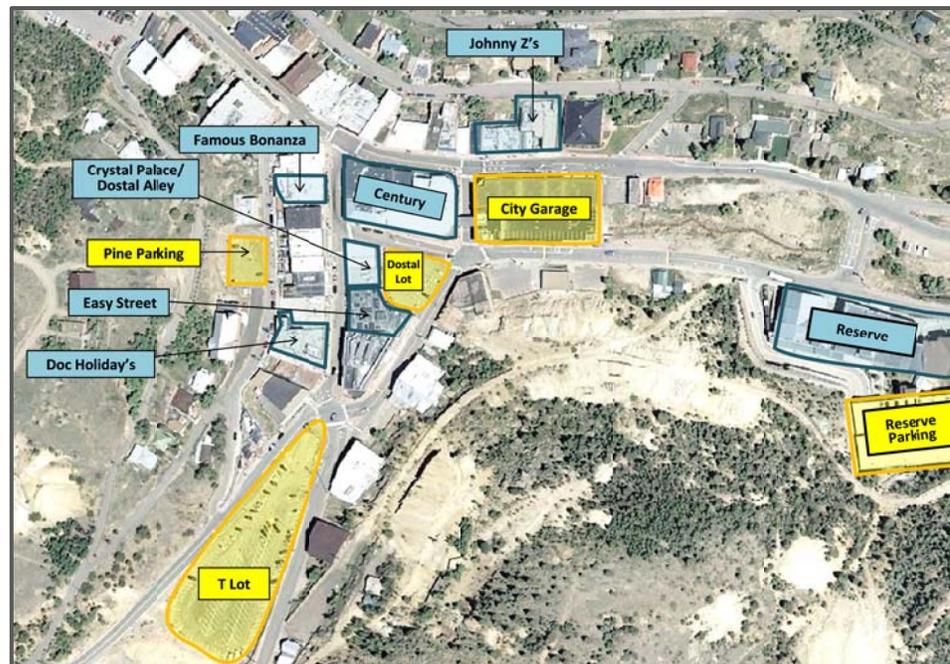
Central City Casinos and Parking Lots

Figure III-1 shows the location of Central City casinos and parking lots. Central City has:

- Eight active casinos, all but one (Reserve) are in the core area of the community served by one major parking structure, three surface lots and some ancillary street parking;
- There are 2,300 gaming devices in the full community and 1,540 devices in the core area (YE 2011); and
- There is plentiful underutilized commercial space in the gaming district.

Figure III-1.
Central City
Casinos and
Parking Lots

Source:
BBC Research &
Consulting.



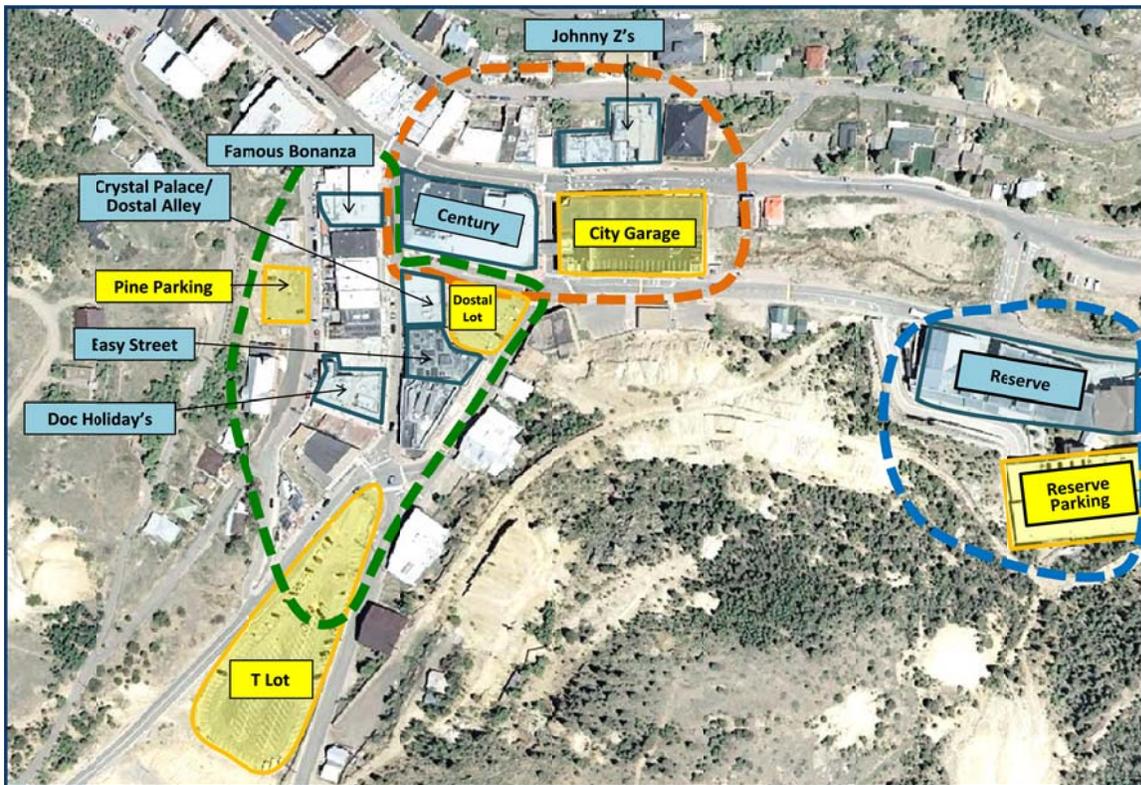
Parking Gaming/Submarkets

Casinos are very dependent on convenient parking. This is particularly true in Central City where steep terrain limits pedestrian mobility and nearby Black Hawk offers virtually unconstrained parking options. Central City has three submarkets defined by gaming and parking relationships. These three submarkets are shown in Exhibit III-2.

The Reserve Casino has its own parking that is adequate for the Reserve's current and foreseeable needs. Generally, patrons of the Reserve use the Reserve's parking and there is very little interaction between Reserve customers and other city parking facilities. Rarely do Reserve customers walk into the core area of the community. The Reserve's position is shown by the blue circle in Exhibit III-2.

The city's core area has two submarkets although there is considerable market overlap between these areas. One submarket is centered on the city garage, shown in orange below. A second submarket is centered on Main Street and the three surface lots serving that area, shown in green below.

Figure III-2.
Central City Parking Submarkets



Source: BBC Research & Consulting.

There is some minor additional parking on Main Street and certain of the local side streets.

Issues of parking adequacy and need for additional capacity are more fully discussed and quantified in the next section of this report.

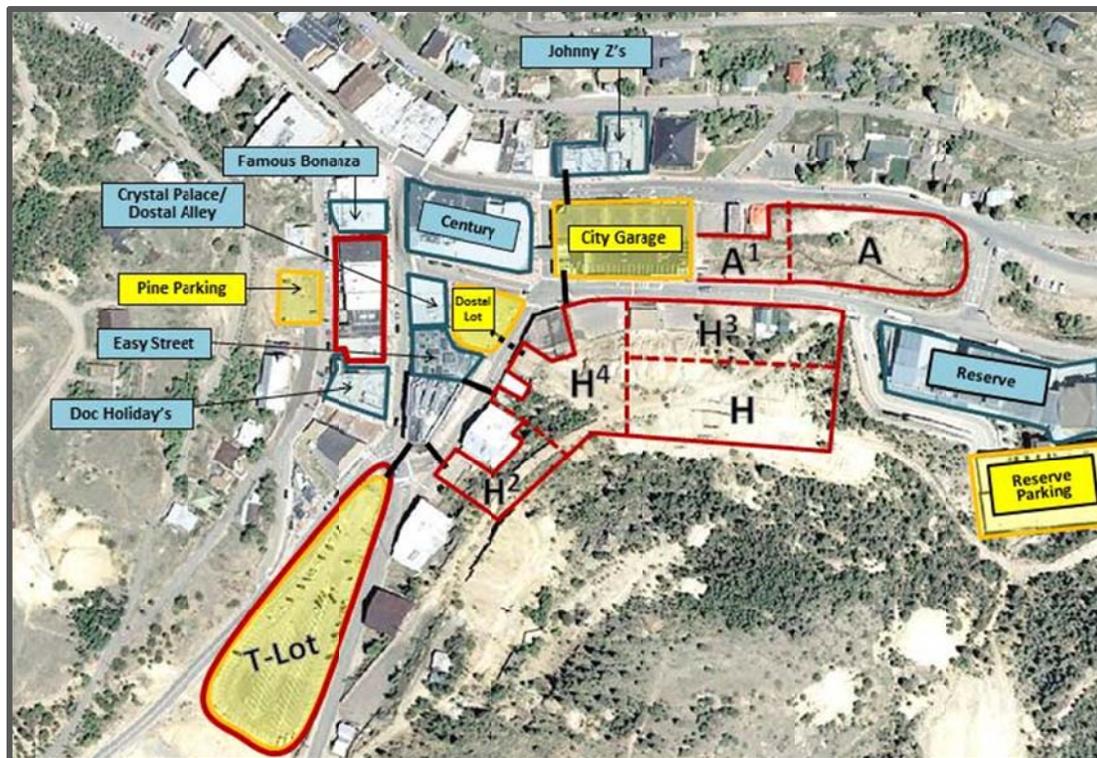
Core Area Parking Development Prospects

Central City is highly constrained by terrain and historic preservation limitations. Figure III-3 shows where new structured parking opportunities exist.

Generally, there are three prospective locations for new parking development, each of which presents multiple development options.

- **Parcel A (the Gulch)** could accommodate a major or a minor (A-1) expansion of the City Garage.
- **Parcel H (the Hillside Parcel)** is a large property, with multiple ownership parcels. This site could potentially accommodate a variety of parking configurations.
- **Parcel T (T-Lot)** would offer very valuable parking for support of Main Street but the site is very narrow and there is uncertainty as to how road circulation would be affected. Beyond Main Street support, the T-Lot does little to help the Century/Z submarket.

Figure III-3.
Parking Opportunities



Source: BBC Research & Consulting.

Central City has multiple opportunities for developing new parking but each option has strengths and weaknesses.

Option 1. Expand City Garage. (Parcel A) The city could work principally with the Century and Johnny Z's Casinos as well as the Central City Opera to complete an addition to the existing garage. Although costs are uncertain, the addition of 200 or more spaces at the City Garage would likely offer a cost-effective means of adding a small amount of peak period parking and relieving immediate parking constraints. It is also conceivable that the city garage could be expanded in association with the development of a substantial new casino on the "A" lot.

Opportunities

- A small garage addition is potentially a highly cost effective, relatively simple solution to part of the current parking shortage. The existing design has already been approved and expansion should not be controversial.
- Customers already know of this location as the core Central City garage; no new parking habits are required.
- This is a reasonable parking location for Opera patrons.
- Employees could be directed to the most remote part of the structure effectively increasing the amount of desirable, close-in space.
- Additional space could potentially be added in association with a new casino on the "A" lot property.

Limitations

- There are historic structures on the site that would have to be accommodated.
- The property needed for this expansion is not currently for sale and expansion of the garage, depending on scale and configuration, could lessen the prospects for additional casino development on the adjacent parcel.
- There are drainage and flood control issues with the site, which must be addressed with any development and present an added expense.
- This location would be of limited value to the Main Street casinos and this site is not a substantive solution for the historically underserved Main Street casinos.

Option 2. Hillside Garage. The city has completed preliminary studies for development of portions of the city's southern hillside into a sizeable and multifaceted garage. Although there are many variations of size and entryway locations, the site could accommodate several floors and perhaps three covered pedestrian walkways connecting the facility with the core gaming establishments. It is possible that this building could be extended and connected to the Reserve Casino.

Opportunities

- The southwestern portions of the garage are particularly attractive for support of Main Street commercial development. The site offers immediate physical connection to certain Main Street Casinos and could support other Main Street events beyond gaming.
- The site is also potentially beneficial to the Century/Zs submarket, which makes it widely beneficial to all core area casinos. The new garage could have a pedestrian connection to the current city garage and the adjacent casinos.

- The site appears to accommodate flexible phased development, which may be necessary given public and private financing constraints.
- Cost of land acquisition should be low because of limited use prospects for the affected parcels and low acquisition costs could offset costs of hillside removal.
- The property has low assessed valuation, thus its removal from the tax rolls would not have significant consequences for the Business Improvement District or other taxing jurisdictions.
- Portions of the property are already controlled by commercial interests that support garage development.

Limitations

- There are a series of adjoining historic buildings, and the city's current post office, which complicate development and design.
- The site is steep and will require earth moving and possible soil analysis.
- There are multiple private ownership parcels involved.
- The connections to Main Street are potentially advantageous but not perfect. Negotiations will have to be completed with adjacent casinos to accommodate walkways with appropriate financial support of the benefited casinos.
- Pedestrian walkways over the road may meet with historic preservation resistance.

Option 3. T-Lot. The T-Lot is a large, privately owned parcel within the gaming district, well situated at the southwest entry to the city. It currently serves as a surface public parking lot. It is not ideally configured for parking service to Main Street because its length necessitates a long walk to the casinos.

Opportunities

- The front of the T-lot offers the parking development option closest to Main Street and is the first point of arrival into Central City.
- There is the prospect of building a casino on the site and creating enough additional parking to support both Main Street activities and a new casino.
- The site could be reconfigured to bring its "nose" into the main street and offer a very functional pedestrian connection, or a pedestrian walkway to adjacent casinos.

Limitations

- The property is not actively for sale and informal inquiries have suggested a substantial asking price.
- Removal of this property from the tax rolls would have a significant impact on the BID and other taxing entities.
- The property's shape is not advantageous for providing plentiful parking that is close to Main Street and it's a lengthy and steep walk from Main Street to the center of the property.
- Traffic flow around the site will be challenging. The connection to Main Street may require reconfiguration of the intersection and second floor walkways.

As noted, each of these sites has comparative strengths and weaknesses and all are privately owned. Development costs are not known and final design will greatly influence how these prospective structures might connect with Main Street.

A final determination of the size, nature, location and connectivity of new parking can only be done in coordination with structural and architectural support. Final design will determine how each individual casino might benefit from parking additions and be the basis for a determination of how much each casino might contribute in financial support.

Despite uncertainties in final configuration of any parking option, conclusions can still be drawn about the relative merit of each site. The following section offers estimates of likely gaming industry growth and city revenue growth associated with the development of some version of these structures.

SECTION IV.

Central City Parking Utilization Analysis

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Central City Parking Utilization Analysis

This section documents Central City’s current parking/gaming relationships, the economic effects of expanded Central City parking and the potential public and private revenues associated with increased gaming activity.

Central City Gaming and Related Tax Metrics

Figure IV-1 shows independent measures of gaming conditions in Central City. Annual AGP, device counts and device fee revenue for 2008-2011 are from the Colorado Department of Revenue, Division of Gaming. Sales tax revenue, gaming tax revenue and device fee revenue are from city budgetary data. Device fee revenues are the result of a \$1,265 per device fee charged on all active Central City gaming devices. A comparison of the four-year average and the 2011 data reflects a quiet Central City gaming industry with very modest growth in gaming-associated revenue and in the number of active gaming devices. The number of devices will vary on a monthly basis but over the past few years the city has averaged about 2,136 devices in play at any one time.

As shown in Figure IV-1 the city reported 2,240 devices in 2011 and received \$2.83 million in gross device fee revenue—the city’s largest single revenue source.

Figure IV-1.
Current Gaming
Conditions and Revenues,
Central City, 2011 and
2008-2011 Four-Year
Average

Note:

Revenues are based on 2008-2011 city budgetary figures. Adjusted device fee revenue reflects a 70 percent rebate on Century Casino’s device fee payments.

*Sales Tax Revenue represents 2012 budget sales tax receipts.

Source:

Colorado Department of Revenue, Central City budget documents and staff, interviews with local business owners.

Central City	2008-2011 Average	2011
Annual AGP	\$ 67,574,465	\$ 67,084,076
Devices in City	2,136	2,240
Sales Tax Revenue	\$ 622,558	\$ 600,000 *
Gaming Tax Revenue	\$ 841,362	\$ 813,000
Total Device Fees Revenue	\$ 2,701,697	\$ 2,833,705
<i>Debt Service Fund (14%)</i>	\$ (378,238)	\$ (396,719)
<i>Century Rebate (70% Century device fees)</i>	\$ (487,025)	\$ (487,025)
Adjusted Device Fee Revenue	\$ 1,836,435	\$ 1,949,962
Total Gaming Associated General Fund Revenue	\$ 3,300,355	\$ 3,362,962
Historic Preservation Revenue	\$ 456,953	\$ 429,171
Total Gaming Associated Revenue	\$ 3,757,308	\$ 3,792,133

A portion of device fee receipts are allocated to debt service and certain device fee receipts are rebated to the Century Casino in return for their participation in funding and constructing the city’s current parking structure. In 2011, total available city gaming associated general fund revenue, which includes sales tax (largely on food and beverage sales), gaming tax and non-allocated device fees exceed \$3.3 million.

Each of the three gaming communities receives a portion of the state gaming tax receipts for designated historical preservation purposes. Distributions are based on each community's proportion of statewide gaming tax contribution. In 2011, Central City's historic preservation revenue was about \$430,000. Combined with gaming associated general fund revenue, total gaming associated revenue is nearly \$3.8 million.

Central City Core Area Activity

As noted in the prior Section III, the Central City core area encompasses of all the casinos in Central City, excluding the Reserve. Based on device counts and interviews with local casino operators, the seven casinos operating in the core area account for approximately 60 percent of the city's total gaming activity.

Figure IV-2 shows measures of gaming activity and associated taxes for the core area only. The number of devices and device fee revenue is based on device counts from the state of Colorado, the Central City budget and interviews with Casino operators.

**Figure IV-2.
Core Area Gaming Measures and
Related Revenues, 2011**

Note:

*Device fee revenues shown in IV-2 include the revenues after the rebate to the Century Casino for parking development. Device fee revenues before the rebate are about \$1,950,000.

Source:

Colorado Department of Revenue, Central City budget documents and staff, interviews with local business owners.

Core Area	Amount
Annual AGP	\$ 40,250,446
Devices in Core	1,540
Sales Tax Revenue	\$ 360,000
Gaming Tax Revenue	\$ 487,800
Device Fee Revenue (Adjusted*)	\$ 1,461,075
Total Gaming Associated General Fund Revenue	\$ 2,308,875
Historic Preservation Revenue	\$ 257,503
Total Gaming Associated Revenue	\$ 2,566,378

Total core area AGP revenue is about \$40 million and gaming receipts to the city are about \$2.3 million, which includes the device fees currently dedicated to the parking structure funding. In addition the city receives about \$260,000 a year from core area casino taxes that are specifically dedicated to historic preservation, bringing the core area total gaming associated revenue to about \$2.5 million.

Current Parking Capacity and Constraints

Capacity. Currently, the core area is supported by approximately 705 parking spaces, although employees consume about 15 percent of this capacity.

Figure IV-3.
Central City Core Area Parking Availability and Need

Source: BBC Research & Consulting, 2012.

Location	Spaces
Central City Garage	490
Pine Street / Main Street	50
Dostal Lot	35
T-Lot	130
Total Available Spaces	705
Employee Use (15%)	<105>
Core Area Customer Available Spaces	600

Employees and even some residents use these free parking facilities. Only about 600 spaces are available for visitor use. Main Street, which has 5 of the 7 core area casinos, has no immediately adjacent enclosed parking.

Parking constraints. The city garage was completed in 2007 and is well used. The “T” Lot has significant parking capacity but it is not enclosed and is not adequate to optimize support for Main Street. The few remaining surface lots have location or other shortcomings and limited capacity. Anecdotal data indicates that the current parking garage is full, or near effective capacity, most Friday and Saturday nights, key holidays and during Central City Opera performances. Central City has had a long standing image of constrained parking.

Figure IV-4 shows estimates of constrained periods, when Central City parking is reportedly at or near capacity.

Figure IV-4.
Central City Parking Constraints

Note:

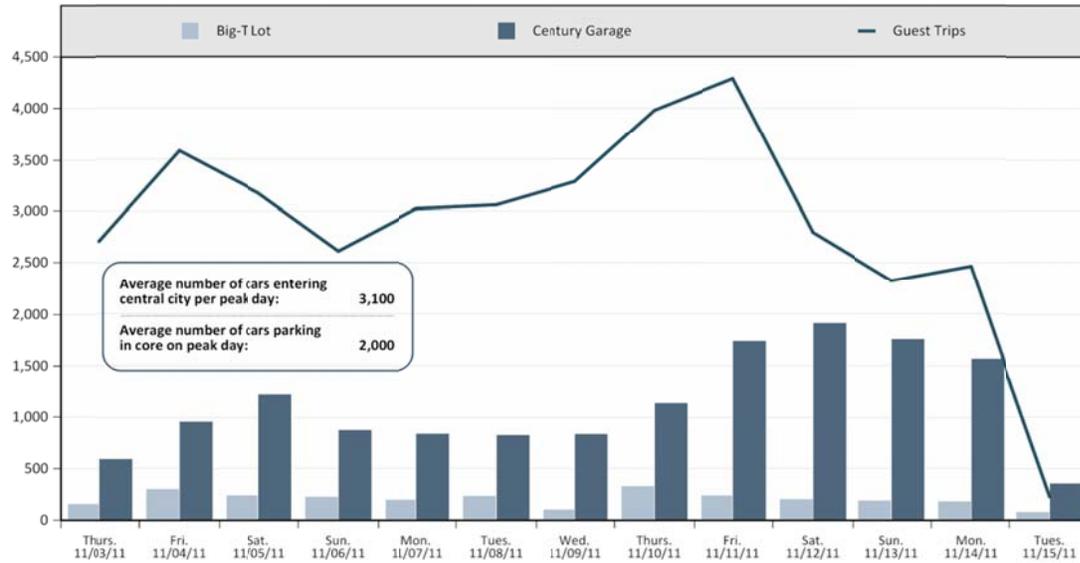
* 15 Opera weekends are already included in Saturday and Friday night counts.

Category	Amount
Saturday nights	45
Friday Nights	30
Holidays	5
Opera (non-Friday/Saturday)*	17
Total	97

Although parking lots are not fully monitored, Casino operators and local observers agree that the existing structure and the few informal parking lots are effectively full most weekend nights (and many afternoons when the Opera is in session) during the year.

Figure IV-5 shows traffic counts for a sample period tested in November 2011. There were problems with the counter operations that limit the usefulness of these data for the final week of sampling. Nevertheless, traffic data suggests that roughly 1,000 vehicles a day pass through Central City. It appears that many gamers are using the Central City Parkway, but then driving through Central City, presumably into Black Hawk, a further indication of market opportunity. These travel patterns are readily discernible by casual observation on weekend nights.

Figure IV-5.
Guest Trips and Capture Rate



Source: Central City

The “T” lot, which has additional surface parking capacity but no enclosed access to the casinos, is not an effective parking option, particularly when Black Hawk offers free, covered and convenient parking, as well as an attractive gaming experience.

Core Area Parking Needs

Two methodologies are used to test the need for additional parking in the core area of Central City.

Figure IV-6 shows current parking space counts, as described in prior Figure IV-3, and calculations of parking needs. The Central City core has only 600 customer parking spaces serving 1,540 gaming devices (39%). Industry standards suggest a minimum of 70 percent (.7 parking spaces to each device). Achieving this standard would require 478 new spaces.

**Figure IV-6.
METHODOLOGY I:
Central City Core Area
Parking Availability and Need**

Source:
BBC Research & Consulting.

Location	Spaces
Central City Garage	490
Pine Street / Main Street	50
Dostal Lot	35
T-Lot	130
Total Available Spaces	705
Employee Use (15%)	<105>
Core Area Customer Available Spaces	600
Central City Core Area Devices	1,540
Central City Core Area Parking Spaces as a Percent of Devices	39%
Industry Standard	70%
Core Area Current Parking Shortfall	478 spaces

Figure IV-7 reflects a second methodology for determining parking optimization. Casino operators suggest that a “full” casino has 30 percent of the devices still open to play. Customers often play more than one machine and they want availability of certain games, which means that not all machines should be occupied at one time. When the gaming floor exceeds this ratio, customers will often leave a casino and seek a less crowded gaming experience.

Based on the 1,540 devices in the core of Central City, a 70 percent utilization ratio, 25 percent additional customers in non-gaming activities (bar, restaurants, etc), the core area casinos can accommodate about 1,293 customers at one time, which suggests a need for about 972 parking spaces. This calculation is shown in Figure IV-7.

**Figure IV-7.
Central City Parking Availability and Need —Methodology II**

Category	Amount
Current Devices	1,540
Optimal Devices in Use at Peak Period	1,078 <i>devices or persons</i>
Bus Transit Reduction (5% or 54 persons)	(-54) <i>persons</i>
Additional Customers in Table Games, Restaurant and Elsewhere (25%)	269
Design Day Peak Period Customers	1,293
Customers per Car	1.33 <i>persons</i>
Required Spaces	972 <i>spaces</i>
Current Customer Parking	600
Required Customer Parking (972-600 spaces)	372

Source: BBC Research & Consulting.

By this methodology, Central City requires approximately 372 additional parking spaces to serve the current number of devices.

In sum, there is evidence that the city’s effective parking is full nearly 100 nights a year and, as a result, a large number of customers are driving by Central City, presumably on route to Black Hawk. Optimizing gaming productivity requires unconstrained peak period parking, particularly with Black Hawk’s free, structured parking always available just one mile away. Industry standards indicate that Central City requires about 400 additional spaces for reasonable optimization of peak period gaming demand.

Parking Costs

Central City’s parking options are shown and described in prior Section III. The current city parking structure was completed for \$20,000/space. A new structure will likely have higher land costs and additional soil removal expenses. As shown in Figure IV-8, for the purposes of this exercise, we have estimated parking construction cost at \$25,000 per space or \$10 million for a 400-car Phase I structure.

Figure IV-8.
Parking Garage Cost

Source:
BBC estimate.

Potential Garage Construction Cost	Amount
Parking Spaces	400
Cost Per Space	\$ 25,000
Construction Cost	\$ 10,000,000

According to the debt service schedule of a May 2011 Central City Certificate of Deposit Bond Application, a 30-year \$19.5 million bond with a 5.5 percent coupon rate requires an annual principal and interest payment of \$1.5 million. Given similar terms and rate, a 30-year municipal bond of \$10.0 million would require about \$800,000 per year in annual payments.

Expanded Parking Impact: AGP Growth

As noted previously, gaming activity is very sensitive to parking availability and convenience. The success of Black Hawk’s gaming business is in large part due to the presence of large, convenient parking structures, which serve each of the major casinos. Historically, Central City’s core area has been disadvantaged because of relatively expensive and inconvenient parking and steep pedestrian terrain. A new parking facility will provide AGP growth through two immediate effects: relief from peak period constraints and an overall economic lift to the core area.

Peak period growth. Anecdotal evidence suggests that there are nearly 100 peak nights when parking capacity is constrained. If new parking can offer relieve from peak period constraints, casinos will see additional revenues on weekend evenings, holidays and Opera days. Figure IV-9 shows anticipated performance of a moderate sized (400 spaces) garage designed to capture lost peak period activity. If a new 400-car garage could operate at 50 percent utilization during peak period, filling 200 spaces with 1.5 turns per occupied space, and AGP remains at about \$50/customer, the gaming community would realize about \$2.0 million in additional AGP receipts.

**Figure IV-9.
Peak Period AGP Growth**

Note:

New annual AGP is calculated by multiplying parking spaces, occupancy. Peak days, daily turnover, guest per car and AGP per guest.

Source:

BBC Research & Consulting.

Visitor Growth and AGP Growth	Amount
Additional parking spaces	400
Net new occupancy @ peak period	50%
Peak days	100
Peak period turnover	1.5
Guests per car	1.33
AGP per guest	\$ 50
Peak Period AGP Growth	\$ 1,995,000

Core area general business expansion. If the gaming industry invests in new devices, communicates to the marketplace how the parking situation in Central City has changed and aggressively pursues customer retention by investments in the quality of the gaming experience, there should be additional customer growth beyond simply filling the currently constrained peak periods. Convenient parking for the downtown will support visitors at all times of day, even when the current surface lots have vacancy.

In addition, a new garage could serve as an alternative employee parking structure, effectively increasing capacity for customers at the city's other parking locations. Additional parking would allow the Opera to operate with significantly lessened interference with the city's gaming business and allow the community to pursue other event and attraction strategies that have been restrained by parking limitations.

We have assumed an additional (above peak period growth) Main Street AGP lift of about 15 percent (of current business) for existing Main Street casinos and an additional 10 percent lift for Century and Johnny Z's with the presence of additional visitors in town. This represents an additional \$4.5 million in core area AGP.

As shown in Figure IV-10, the total impact of peak period relief (\$2.0 million) and core area general growth (\$4.5 million) is \$6.5 million.

These two events could create about \$6.5 million in new AGP.

**Figure IV-10.
AGP Growth from Peak Period
and General Core Expansion**

Source:

BBC Research & Consulting, 2012

Category	Amount
New Peak Period AGP Growth	\$ 1,995,000
General Core AGP Growth	\$ 4,528,175
New AGP	\$ 6,523,175

New casino prospect and casino expansion. The addition of parking and increased business in Central City, particularly if completed during a period of broader economic recovery, has the prospect of stimulating new casino openings. The old Scarlet’s Casino space is particularly well positioned to benefit from parking expansion at either the Hillside Lot or the T-Lot. Other properties on Main Street might also respond to the opportunities associated with new parking. A new casino would add scale and diversity to the Main Street offerings, which would benefit the entire community.

A modest addition of 250 devices earning \$80 in AGP per day, which is approximately the current core area average, would add \$7.3 million in annual AGP. A new casino would have to contribute to some additional parking in proportion to its size, perhaps triggering Phase II of the parking structure development.

In addition to new devices from a new casino, Johnny Z’s Casino is expected to add 100 new devices with the expansion of floor area, effectively adding an additional \$2.9 million in annual AGP. Together, a new casino and Johnny Z’s expansion will add about \$10.2 million in annual AGP.

Gaming Growth and City Revenue

City revenues associated with gaming are derived from device fees, retail sales taxes and gaming tax returns. Many of the Main Street casinos have the capacity to accommodate additional gaming activity without expanding the number of devices. We have assumed that the initial growth of new core area business associated with peak period congestion relief will be absorbed without increasing the number of devices. Thereafter, devices would be added in line with individual operator’s perception of their own establishment’s gaming experience and what is an acceptable level of device crowding. Because the new parking will basically allow the existing level of devices to be optimized, a muted response, in terms of new devices, is expected. We anticipate about 50-60 new devices in association with a new 400 space garage.

Peak period. As discussed previously, the additional parking will facilitate new gaming activity at what is already the city’s busiest time of the week. Additional city revenues from the new business associated with the relief of peak period congestion are shown in Figure IV-11.

**Figure IV-11.
Peak Period Growth
AGP and City Revenues**

Note:
The device fee calculation assumes completion of the current Century City rebate obligation in 2014.

Source:
Colorado Department of Revenue, BBC Research & Consulting.

Category	Amount
New Peak Period AGP	\$ 1,995,000
New Devices	53
Tax Revenue Growth	
Gaming Tax Revenue	\$ 24,178
Sales Tax Revenue	\$ 17,843
Device Fees (\$1325/device)	\$ 70,796
Peak Period Tax Revenue Growth	\$ 112,817

New AGP associated with new peak period activity is a relatively small addition to the base because parking is fully constrained only during 100 or so nights per year.

Main Street lift. New convenient, safe and weather-protected parking will also help Main Street Casinos at other times beyond peak period. Based on the projected increase of \$4.5 million in AGP and current AGP/device ratios, additional receipts are shown in Figure IV-12. Because this growth occurs during non-peak times, we do not anticipate the addition the new devices.

**Figure IV-12.
Core Area Growth
AGP and City Revenues**

Source:
Colorado Department of Revenue, BBC
Research & Consulting.

Category	Amount
Total Core Growth AGP	\$ 4,528,175
Tax Revenue Growth	
Gaming Tax Revenue	\$ 54,878
Sales Tax Revenue	\$ 40,500
Core Area Tax Revenue Growth	\$ 95,378

New casino. Finally, a more resilient and prosperous Central City, combined with a rising economy, may reignite interest in reopening Main Street casinos, particularly with the convenience of new parking. As shown in Figure IV-13, a new casino with 250 devices, and a 100 device expansion of an existing casino, would conservatively add \$10.0 million in new AGP to the city's taxable accounts and about \$680,000 in new city revenue.

**Figure IV-13.
New Casino AGP
and City Revenues**

Source:
Colorado Department of Revenue, BBC
Research & Consulting.

Category	Amount
New Casino and Johnny Z's Expansion AGP (350 devices)	\$ 10,220,000
Tax Revenue Growth	
Gaming Tax Revenue	\$ 123,857
Sales Tax Revenue	\$ 91,408
Device Fees (\$1325/device)	\$ 463,750
New Casino Tax Revenue Growth	\$ 679,015

Historical Fund. According to the current ratio of annual historic preservation distribution per dollar in AGP, the increased activity during peak period, core area activity and new casino expansion may increase historic preservation revenues by \$107,000, as shown in Figure IV-14.

**Figure IV-14.
Historic Preservation
Fund Revenue Growth**

Source:
Central City, BBC Research & Consulting.

Category	Amount
Historic Preservation Distribution, 2011	\$ 429,171
Expected Revenue Growth	
Peak Period Revenue Growth	\$ 12,763
Core Area Revenue Growth	\$ 28,969
New Casino Revenue Growth	\$ 65,383
Total Historic Preservation Revenue Growth	\$ 107,115

Summary. In sum, alleviation of the town's current parking constraints, if completed with appropriate connections to the existing casino base, has the promise of substantially increasing casino performance and enhancing the prospects for new casino development. Although many factors influence business performance, including national and regional economic conditions, financing availability and entrepreneurial skills, we believe that remedying Central City's parking limitations is a necessary investment for the community to grow and prosper. Figure IV-15 summarizes potential general fund and historic preservation fund city revenues.

**Figure IV-15.
Summary: Annual Tax
Revenue and Historic
Preservation Fund Revenue
Growth**

Source:
Colorado Department of Revenue, BBC
Research & Consulting.

Category	Amount
Peak Period Tax Revenue Growth	\$ 112,817
Core Area Tax Revenue Growth	\$ 95,378
New Casino and Expansion Tax Revenue Growth	\$ 679,015
Total General Fund Revenue Growth	\$ 887,210
Historic Preservation Revenue Growth	\$ 107,115
Total Revenue Growth	\$ 994,324

It should be noted that this level of growth would require a year of construction and at least two years of marketing and market maturation before reaching these projected levels.

Parking Funding Options

Simply stated, Central City’s gaming growth remains constrained by limited parking. For a town dependent upon casino gaming, convenient parking is as fundamental to community success as utilities and highway access. The Main Street casinos are particularly disadvantaged by the present situation. Appropriately located and connected new parking will increase peak period activity and, if accomplished with revitalized marketing and operational improvements, will lead to substantial new gaming receipts and associated town revenues.

- In 2013, Central City will complete the final payments on long-standing debt obligations. Two bond debt payments are expiring: a water infrastructure bond and a combination of bonds used for land purchases. This will free up \$800,000 annually. A significant share of these funds could be employed for garage development still leaving the city new revenue for ongoing expenses.
- As noted above, BBC forecasts that the city’s revenues will increase by \$208,000 per year as result of peak period growth and the general Main Street lift associated with garage development. All or a share of these funds are also available for garage investment, although it should be noted that new revenues will not be received until after the garage is finished and the market has adjusted to the new Central City opportunity.
- Spurred by alleviation of parking constraints, a new casino and expansion of a current casino offers the prospect of an additional \$680,000 per year of new city revenue.
- In 2014, the Century device fee rebate will stop and the city will begin to receive an additional \$442,000 per year in tax revenue.
- Certain casino operators lease parking on the T-lot. All or a portion of these funds, approximately \$120,000 per year, could be redirected to the new structure. This expense could be a base casino contribution with the remaining benefited casinos contributing in proportional amounts.

These revenues are summarized in Figure IV-16.

**Figure IV-16.
Funding Options**

Source:
Central City staff, casino operators and owners, BBC Research & Consulting, 2012.

Category	Annual Amount
Release of Debt Obligations in 2013	\$ 800,000
Peak Period and Core Area Tax Revenue Growth	\$ 208,000
New Casino and Expansion Tax Revenue Growth	\$ 680,000
Expiring Century Garage Tax Rebate in 2014	\$ 442,000
Redirection of T-Lot Leases	\$ 120,000
Casinos' Private Contribution	Based on benefits to each business

In sum, new parking will generate new revenues, which in combination with the end of certain bond financing obligations indicates that Central City has a wide array of funding options to cover the estimated \$800,000 per year of parking costs.

It should also be noted that the Century Garage was privately built by Century Casino but the city negotiated to make the garage a free public amenity in exchange for a 70 percent annual device fee dedication (from Century Device fees). A similar arrangement could be structured for a portion of the costs associated with a new structure by which a share of device fee revenue could be dedicated to supporting construction of the new garage. The Century Garage device fee rebate continues for 10 years or until 60 percent of the total construction cost is recovered.

The currently unused Scarlet's Casino could be significantly benefited by most of the parking options. We would expect Scarlet's owners to contribute in a significant manner to the new structure's development, perhaps adding to the size of the structure to accommodate Scarlet's own needs.