



CASINO GAMING IN GEORGIA

FINAL REPORT
JANUARY 2017



Central Atlanta Progress
Atlanta Downtown Improvement District

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FORWARD

The topic of casino gaming in Georgia has been a prominent one, on the minds of many in recent months from legislators, casino operators, business owners, residents and the like. As one of the few remaining states without legalized casino gaming, Georgia and its Metro Atlanta counties are becoming increasingly attractive to gaming interests wanting to gain a foothold into these untapped markets.

Previous legislative sessions saw a series of gaming proposals that promised to add jobs, inject new money into Georgia's economy, and ultimately give a boost to the HOPE Scholarship program. Despite failing to pass on Crossover Day in 2016, these proposals are likely to reemerge in future legislative sessions and Georgians would ultimately have to vote to change the Constitution. In anticipation of this, there is a critical need to examine the potential development of a casino gaming attraction in Atlanta or elsewhere in Georgia and determine its ultimate impact upon the community, before approving such legislation.

That's why Central Atlanta Progress and the Atlanta Downtown Improvement District (CAP/ADID) announced their combined effort to conduct an independent study that will provide constituents, elected officials, business stakeholders and the general public with relevant fact-based data about the potential impacts of proposed casino gaming in Georgia and Atlanta. Neither organization has yet to take a stand for or against casino gaming.

This independent study will allow all of us to better understand the ultimate impacts, both positive and negative, of casino gaming on our City's, and ultimately, our State's economy. We want to study the facts and learn from other jurisdictions that have dealt with or are dealing with these issues.

In the past decade, Downtown Atlanta has seen over \$3.8 billion in investment. It is critical that future developments, including a possible casino, advance this momentum rather than hinder it. With an increasing number of residents, employees, students, and tourists moving in and around Atlanta, we need to make every effort to best understand the impact such a development may have on our city's landscape and legacy. Together, CAP and ADID are committed to the core of the city and champion a livable, vibrant and economically robust community as the heart of the Atlanta region and the State of Georgia for years to come.



- A.J. Robinson, CAP/ADID President



- Dave Stockert, CAP Board Chair



- Craig Jones, ADID Board Chair

CONTEXT FOR THIS STUDY

During the 2015-2016 Georgia Legislative session, legislation was introduced that proposed the creation of four casinos in two designated regions in Georgia. Although the legislation ultimately did not pass, a similar proposal will likely emerge in future years.

Central Atlanta Progress / Atlanta Downtown Improvement District, Inc. (CAP/ADID) have commissioned a series of research studies to understand the impact of a gaming attraction to the State as well as local communities, with emphasis on urban cores.

The research studies focused on four key areas, including state-level impacts of casino gaming, social and economic impacts to local host communities, as well as impact on real estate development surrounding a casino. The full studies can be found in the appendices, beginning on page 13.

The key takeaways were summarized by CAP/ADID and do not necessarily represent the opinions of the authors of the research studies contained in the appendices.

It is important to note that one of the largest takeaways from these reports is that impacts to local host communities, particularly in large urban markets such as Atlanta, are largely understudied. This is due to a myriad of reasons, not the least of which is a lack of direct equivalents to what has been proposed for Metro Atlanta. The closest, if any, is likely the Wynn Boston Harbor, a \$2.1 billion resort casino planned for a site four miles north of Boston; however, this development is still under construction. Furthermore, even with research that is available, much of the conclusions are hyperlocalized, making it difficult to unanimously apply them to the Atlanta context. Rather, the following key takeaways should serve as guideposts for the City of Atlanta, the larger metro region, and the State for close consideration as future proposals emerge.

Central Atlanta Progress, Inc. is a Downtown business association with approximately 240 members. Its mission is to champion a livable, vibrant and economically robust Downtown community as the heart of the Atlanta region. The Atlanta Downtown Improvement District is a 501(c)(3) non-profit, charitable corporation created by CAP to make Downtown safer, cleaner and more hospitable. www.atlantadowntown.com



SCOPE OVERVIEW

Impact of Casino Gaming for the State of Georgia

- *Horwath HTL and HLT Advisory Inc.*

- What size is the potential market for gaming in Georgia and Metro Atlanta?
- How much money is currently being spent by Georgians at out-of-state casinos?
- Would casinos attract new, out-of-state visitors?
- What regulatory and legislative best practices should be enacted if gaming is allowed in Georgia?

Impact of Casinos on the Local Economy

- *Bruce Seaman, Ph. D, Georgia State University*

- What are the economic and fiscal impacts of casinos on local host communities?
- Do casinos displace other forms of spending in the local market?
- Does this displacement affect local public revenues?
- What impact would casinos have on state lotteries?

Overview of Potential Social Impacts of a Casino Resort in Atlanta

- *Douglas M. Walker, Ph.D., Casinonomics Consulting, LLC*

- What are the potential social impacts of a casino in Atlanta and other local host communities?
- What have other jurisdictions done to mitigate these potential risks?

Impact of Casinos on Downtown Development

- *Bleakly Advisory Group and Key Advisors*

- How would a casino impact downtown real estate development?
- What impacts have casinos had in other cities (i.e. New Orleans, Cleveland, Pittsburgh, and Detroit)
- Have casinos helped achieve other development objectives in their cities?

KEY TAKEAWAYS

KEY TAKEAWAY

1

CASINO GAMING COULD
- GENERATE -
AN ADDITIONAL SOURCE
OF STATE REVENUE, BUT
HAS ITS DRAWBACKS

KEY TAKEAWAY

2

CASINO REVENUE
- IS -
PRIMARILY GENERATED
FROM LOCALS, NOT
TOURISTS

KEY TAKEAWAY

3

SUBSTITUTION EFFECTS
- LIKELY EXIST -
AT MULTIPLE LEVELS
BUT ARE COMPLEX AND
DIFFICULT TO FULLY
PREDICT

KEY TAKEAWAY

4

LOCAL COMMUNITIES
- WILL INCUR -
COSTS, SO FUNDING
MECHANISMS MUST BE
IN PLACE TO MITIGATE
IMPACTS

KEY TAKEAWAY

5

SOCIAL IMPACTS
SHOULD BE
- PLANNED FOR -
IN COMMUNITIES
CLOSEST TO A CASINO

KEY TAKEAWAY

6

LOCAL COMMUNITIES MUST
- SET & NEGOTIATE -
SPECIFIC OBJECTIVES
BEFORE ALLOWING CASINO
DEVELOPMENT OR THEY ARE
UNLIKELY TO SEE A POSITIVE
IMPACT FROM GAMING

CASINO GAMING COULD GENERATE AN ADDITIONAL SOURCE OF STATE REVENUE, BUT HAS ITS DRAWBACKS

- Given the absence of tribal or commercial gaming in the State, Georgia has the potential to be a large gaming market, with possible spending estimated between \$2.1 billion and \$2.5 billion per year. This is based on historical introduction of gaming in other states.
- At a 20% proposed tax rate, the State could earn between \$320 and \$400 million/year in gaming tax.¹
- However, it is unclear how much of this casino revenue would be “new” money or a diversion of other non-casino discretionary spending (from local shops, theaters, entertainment, etc.).
- There is also a risk that these initial revenue estimates may not be met. In the four case study cities (Cleveland, New Orleans, Pittsburgh, and Detroit), revenue growth forecasts have not materialized due to competition for the gambling dollar, both in state and in adjacent states.
 - For example, from 2007-2016, Harrah’s Casino in New Orleans has seen a 30% reduction in gross gaming revenue.

¹ Assumes an 80 percent capture rate from total revenue potential

Georgia Population and Casino GGR Potential by Identified Regions					
Gaming Regions	Adults	GGR/Adult (\$)*		Total GGR Potential (\$M)	
		Low	High	Low	High
Region 1	3,093,713	\$300	\$350	\$928.1	\$1,082.8
Region 2	4,082,182	\$300	\$350	\$1,224.7	\$1,428.8
Total	7,175,895	\$300	\$350	\$2,152.8	\$2,511.6

Source: HLT Advisory Inc. based on definition of Licensing Regions as per proposed Gaming Act, US Census Bureau 2014 Population Estimates by County and HLT Advisory.

** GGR/adult represents a revenue potential range used for planning purposes. This range is based on an assessment of various markets across the US.*

CASINO REVENUE IS PRIMARILY GENERATED FROM LOCALS, NOT TOURISTS

Net new
visitors
(out-of-state)
per year

is estimated to
only make up

5.9%

of Region One/Metro
Atlanta's
anticipated
revenue



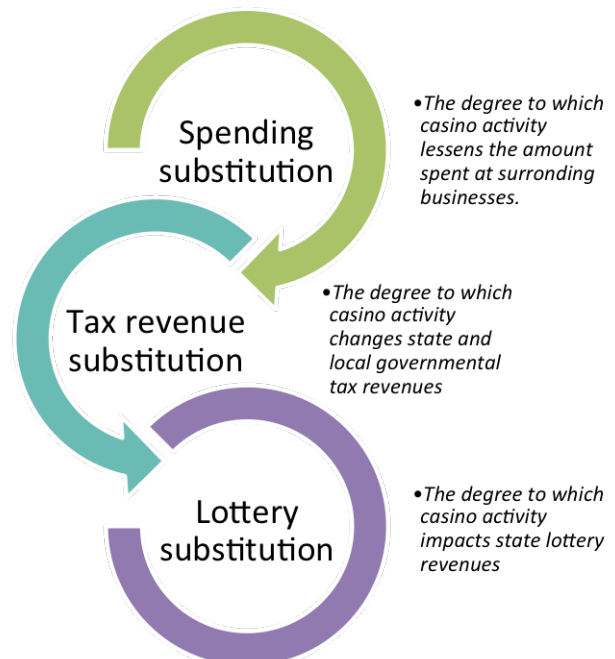
Using the recently proposed
legislation as a proxy.

- Casinos draw a majority of visitors (and revenue) from local residents in their immediate area and the close-in regional market, not out-of-market tourists.
- For cities like Atlanta with existing tourism appeal, a casino might augment but is not likely to create a big increase in new tourism appeal.
- Using the recently proposed legislation as a proxy, net new visitors (out-of-state) per year is estimated to only make up 5.9% of Region One / Metro Atlanta's anticipated revenue.
- A new gaming facility would presumably capture leakage of Georgia's gambling spending out-of-state.
 - Georgians are currently estimated to spend between \$570 to \$670 million/year at casinos in adjacent states; Under the recently proposed legislation, this translates into \$90 - \$107 million/year in potential tax revenue.²
 - It's not clear what size or location of a gaming facility that would be best to capture this market and the effects on local jurisdictions. It has also not been proven that all Georgians will change their gaming patterns and strictly gamble in Georgia.
- Out of the four case cities studied, most stakeholders reported that the majority of casino demand was from regional residents. Casino attendance was flat or declining despite broader increases in tourism in the city.

² Assumes an 80 percent capture rate from total revenue potential

SUBSTITUTION EFFECTS LIKELY EXIST AT MULTIPLE LEVELS BUT ARE **COMPLEX & DIFFICULT TO FULLY PREDICT**

- Concerns around spending substitution are legitimate, but researchers have found mixed effects contingent on criteria such as size, location, and program of the casino.
 - Given that the greatest likely effect is on leisure and entertainment spending, Atlanta and other Georgia jurisdictions should carefully consider the potential impact of a casino entertainment and retail component on surrounding businesses.
 - Best practices identified include affiliation programs with neighboring businesses and creating a mechanism (i.e. point-of-sale data) to track spending effects.
- Tax revenue substitution can occur at the county or municipal level. Therefore, revenue sharing agreements are vital for local host communities to offset potential fiscal losses impact from casinos.
- Lottery revenue substitution exists; however, from an exclusive State revenue perspective, research shows that any reduction in lottery revenue could be offset from casino revenues.
- Without revenue sharing agreements, there is no statistically significant increase in county per capita revenues. Local fiscal effects have been found to be dramatically more dependent on revenue sharing arrangements with the states, in contrast to any possible increase in local economic development.
- Additional empirical research is needed on substitution effects around urban casinos, particularly around similar models as previously proposed for the Metro Atlanta region.



LOCAL COMMUNITIES WILL INCUR COSTS, SO FUNDING MECHANISMS MUST BE IN PLACE TO MITIGATE SUCH IMPACTS

- Costs – social, economic, and municipal – will be incurred by the local community so care must be taken to follow best practices for how to best mitigate them (e.g. regulation and legislation).
- For example, casino payments/taxes can offset:
 - Necessary increases to law enforcement budget
 - Additional infrastructure requirements
 - Related utility costs
 - Impacts of spending and tax revenue substitution
 - Other costs as identified
- State and local officials should carefully consider the experiences of other states with regards to state gaming tax rates and host community shares in order to ensure adequate funding for the local communities that would ultimately host a casino.
- For example, Georgia’s previously proposed legislation allocated between 1% and 3% of total State revenue to local host communities in Georgia, which is significantly lower than states such as Pennsylvania (7%-14%), New York (10%) or Massachusetts (6.5%). Cities have also been able to negotiate direct payments between host community and casino applicant.

GAMING TAX RATES – STATEWIDE AND LOCAL LEVEL For Commercial Casinos

	LA	MA	MI	NY	PA	GA*
State Gaming Tax Rate	Greater of 21.5% of gross gaming revenue or \$60 million.	25% of gross gaming revenue; 49% of gross gaming revenue for slots	18% of gross gaming revenue	37%-45% of slot revenue, 10% of table games revenue	55% of slot revenue; 14% of table game revenue	20% of gross gaming revenue
Host Community Share	No direct payments negotiated	20% to local aid fund 6.5% to local host community	55%	10% to local host community 10% to county	Slots: 7% of state tax to local county Tables: 14% of state tax to local county	1-3%

Source: HLT Advisory Inc. based on State gaming commissions/boards, Host Community/Development agreements, and other relevant sources

*Previously proposed legislation (2015-2016 GA-HB 677)

SOCIAL IMPACTS NEED TO BE MITIGATED FOR COMMUNITIES CLOSEST TO CASINO

- There are several types of social impacts that need to be considered and planned for including problem gambling, crime, bankruptcy, political corruption, and other quality of life issues.
- The extent of these impacts can vary due to a number of factors including size and location of a casino as well as mitigation efforts in place in the immediate surrounding areas (e.g. how the size and priorities of the police force change with the opening of the casino.)
- Additional research, specific to the Atlanta region is needed to better identify the social impacts that should be funding priorities.
 - Quality of life issues, most pertinent to Downtown Atlanta, such as homelessness, mental illness, disorderly conduct, and human trafficking are largely understudied in current published research.
- Funding for related mitigation efforts should be flexible and responsive to the impacts identified in the ongoing research. This approach, rather than attempting to predict a specific problem before the casino is built and lock-in funding for only those anticipated programs, is helpful in directing resources to ease any problems created or exacerbated by the casinos.
- Policymakers should closely consider the best practices of other states such as Pennsylvania and Massachusetts in both their development of legislation at the state level as well as agreements at the local level (i.e. host agreements) to ameliorate potential negative social impacts from casinos.

LOCAL COMMUNITIES MUST SET AND NEGOTIATE SPECIFIC OBJECTIVES BEFORE ALLOWING A CASINO DEVELOPMENT

Without these objectives, communities are unlikely to see a positive impact from gaming.

Casinos have promised to bring about many things to a local community such as new jobs, increased tourism/hotel demand, redevelopment, and additional investment. However, the ability for casinos to deliver on these benefits has shown mixed results. What may have been a compelling reason for one state or municipality to host a casino may not be true (or needed) for Georgia or Atlanta.

Job creation

- In the four case cities studied, the casino created additional jobs in the hospitality sector
- However, the entrance of a casino does not seem to increase employment in any other industry
- It remains unclear if a casino is a deterrent in attracting other job industries to a market

Creates additional hotel and leisure demand

- Case study cities report a modest impact on hotel room demand from casinos.
- Majority of visitors to a casino come from a 2 hour radius, therefore, it is unclear how many additional room nights would be generated.
- Should City of Atlanta, or other Georgia cities, decide to pursue a casino license, the proposed development should leverage, not recreate, the surrounding hospitality and leisure assets

Ability to catalyze downtown development

- Casinos serve as a complementary attraction to other activities downtown but have not, by themselves, been a major catalyst to other development, due to their nature as self-contained venues.
- Large cities are less likely to experience positive effects on real estate market values or other development metrics than are smaller or more rural communities

Ability to incent additional investment

- Casinos can be effective for driving initial investment but specific objectives need to be explicitly identified and made a part of the negotiation at the local community level

Appendices

RESEARCH STUDIES

APPENDIX

A

IMPACT OF CASINO
GAMING FOR THE STATE
OF GEORGIA

-
HORWATH HTL AND
HLT ADVISORY INC.

APPENDIX

B

IMPACT OF CASINOS
ON THE LOCAL
ECONOMY

-
BRUCE SEAMAN, PH. D,
GEORGIA STATE UNIVERSITY

APPENDIX

C

OVERVIEW OF POTENTIAL
SOCIAL IMPACTS OF A CASINO
RESORT IN ATLANTA

-
DOUGLAS M. WALKER,
PH.D., CASINONOMICS

APPENDIX

D

IMPACT OF CASINOS
ON DOWNTOWN
DEVELOPMENT

-
BLEAKLY ADVISORY GROUP
AND KEY ADVISORS

Casino Gaming In Georgia: Issues and Considerations

Presented to Central Atlanta Progress/Atlanta Downtown Improvement District

MAY 2016



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EXECUTIVE SUMMARY

Recent proposed legislation in Georgia would see the creation of four casinos in the state (two in the metro Atlanta area with an investment of \$1.25 billion and \$750 million respectively and two located outside metro Atlanta). At this early stage, while some discussion has occurred on the implementation approach, the specifics of how casino gaming might be introduced, the use of tax revenues generated, as well as the implications at a local level are not known. With the objective of providing an independent and neutral view of potential impacts (both positive and negative), Central Atlanta Progress/Atlanta Downtown Improvement District engaged HLT Advisory and Horwath HTL to consider the proposed legislation and provide a perspective on the introduction of casino gaming in Georgia.

As an overall observation, Atlanta and Georgia are potentially large gaming markets. Potential casino spending by Georgians is estimated between \$2.15 and \$2.51 billion (not including potential spending by existing tourists). Georgians are currently estimated to spend some \$570 to \$670 million at casinos in adjacent states.

The introduction of gaming is a state prerogative. The decision to introduce gaming will be influenced by a variety of factors including:

- At a 20% tax rate, as proposed in the most recent legislation, and assuming an 80% capture rate of casino spending potential, the State could earn between \$325 and \$400 million/annum in gaming tax.
- In addition to tax revenue, in other states where casino gaming has been permitted, the underlying objectives have focused on employment, repatriation of gaming dollars from adjacent states, support for related gaming industry sectors (most often the racing industry) and economic benefits to both citizens and small/large businesses. For the most part, where gaming has been introduced in other states, these core objectives have been met (although to different degrees).
- Some impact may be felt on the Georgia lottery, although any losses are likely to be offset with revenue gains from development and operation of casinos (assuming a roll out similar to that envisioned to date).

The number, size, location, operating restrictions (if any), management and a host of other factors will affect the benefits and concerns at a State level.

EXECUTIVE SUMMARY (CONT'D.)

Although the introduction of casino gaming is a state prerogative, varying levels of control and responsibility have been shared with local/municipal governments ranging from requirements for a local referendum (in order to prove community consent) to significant revenue sharing. Community acceptance and revenue sharing recognizes that, to the extent negative impacts associated with large-scale casino projects occur, these impacts occur at the local (as opposed to the state) level. For example:

- Cannibalization of existing entertainment offerings.
- Parking and transportation issues associated with significant volumes of patrons drawn to a large, multi-component destination casino.
- Additional infrastructure (e.g., enhanced roadways/signalling network and public transportation), services (e.g., emergency management services) and utilities required to support visitor volumes.
- Relationships between the casino and adjacent land uses often requiring zoning amendments and impacts on existing land owners.
- Social impacts associated (including prevalence of crime, problem gambling, and negative impacts on neighborhoods) and the need to mitigate these impacts through social assistance and other forms of support.

Given these positive and negative considerations, Central Atlanta Progress/ Atlanta Downtown Improvement District is advised to identify its own priorities/ desirable outcomes from the implementation of casino gaming in Atlanta. Further, that CAP/ADID work with the City of Atlanta (or others) to ensure effective input into key decisions associated with casino gaming such as casino location, revenue sharing, required infrastructure (e.g., additional hotel/convention capacity) and mitigation issues (including responsible gaming initiatives).

BACKGROUND AND SCOPE OF THE ASSIGNMENT

The Georgia legislature is contemplating the introduction of casino gaming within the State and, almost certainly, within Greater Atlanta. In response to this policy decision, an opportunity exists for Atlanta civic and business leaders, as represented through Central Atlanta Progress/Atlanta Downtown Improvement District (“CAP/ADID”), to explore the impacts—both positive and negative—of casino gaming.

Given this opportunity, CAP/ADID engaged a consulting team comprised of Horwath HTL and HLT Advisory to undertake a research project focused on the impacts of urban casinos in North America. This research was intended to educate the business community and policy makers and inform policy decisions. The initial focus of the research project is to provide clarity and insights on:

- The Georgia and Atlanta gaming market, including a high-level view of:
 - spending by Georgians at out-of-state casinos
 - potential casino spending at casinos located within Georgia (and Atlanta)
- The impact of introducing casino gaming on state lotteries
- The process to implement casino gaming in selected states
- The impacts of casino gaming on selected U.S. urban centers
- Social and related impacts from casino gaming

These focus areas and our findings are summarized in the following pages.

MARKET/REVENUE CONSIDERATIONS

INTRODUCTION

As a starting point, HLT considered the gaming revenue potential within and adjacent to Georgia as well as considered the implications for Atlanta specifically. The exercise is preliminary (until such time as the nature, location, scope and scale of casinos is determined) but sufficient to provide realistic ranges of gaming revenue based on population and gaming spending benchmarks.

The following section presents our initial conclusions on:

- The total current casino gaming revenue realized in surrounding states (North Carolina, Alabama, Florida, Mississippi and Louisiana).
- The proportion of gaming revenue in surrounding states generated by Georgia residents.
- The potential spend by Georgia residents on casino gaming (in a casino environment in Georgia).
- The potential spend at casinos in the Atlanta and Savannah markets. Note that Savannah was selected as a sample location of a non-Atlanta casino as the immediate market area (i.e., up to 2-hour drive) does not overlap with the Atlanta market area.

HLT has conducted gaming market analyses across North America and internationally. HLTs process considers population concentrations within “bands” of drive times from a potential/existing casino site, estimates of per capita gaming spend (drawn from work in comparable markets) and subsequent cross checks on the percentage of household income to test for reasonableness.

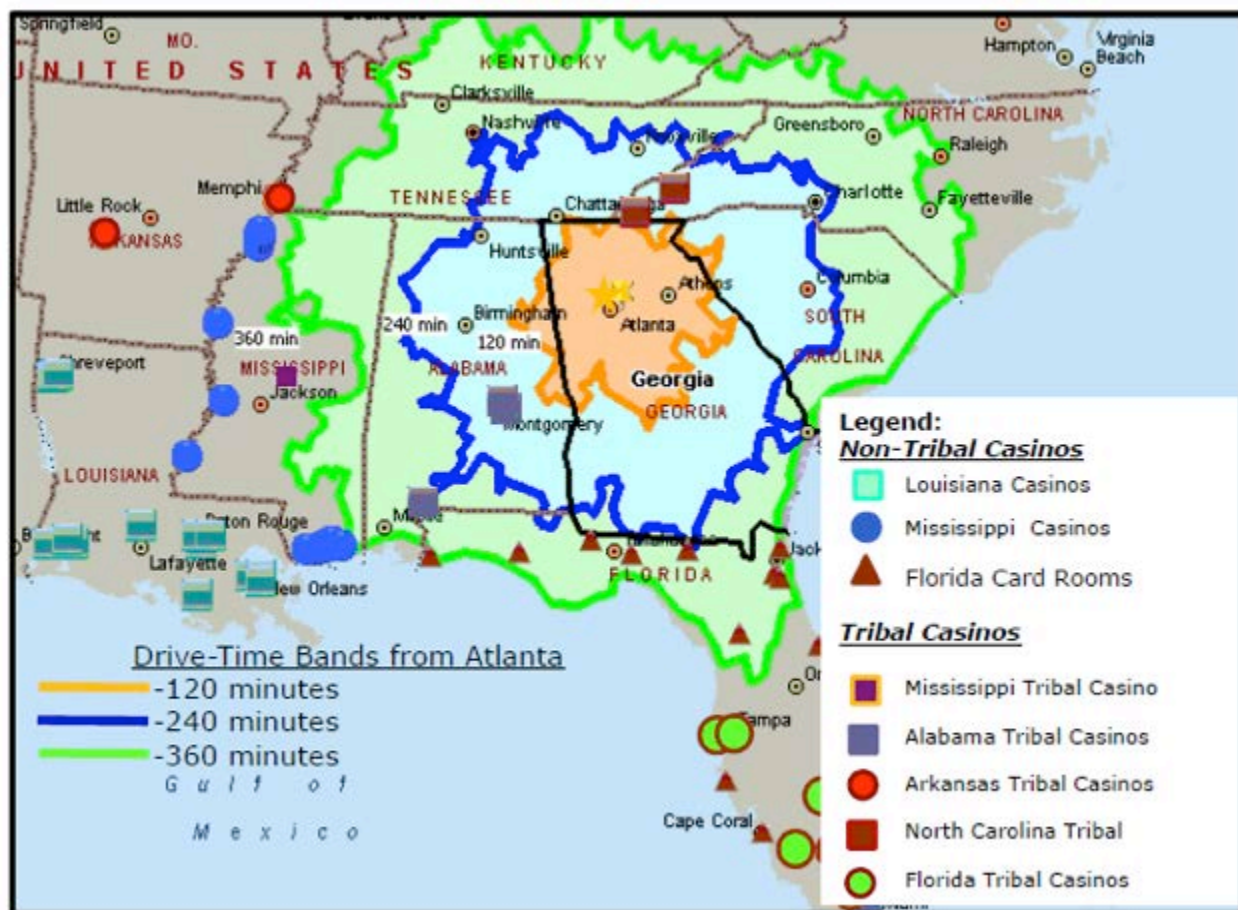
The assignment did not include estimates/profiles of casino “product” necessary to meet demand (including capital cost), site/location criteria, amenities (hotel, entertainment), infrastructure (parking) or related factors given the lack of clarity on future gaming regulations. However, the revenue estimates provided should be seen as reasonable and achievable given key parameters in the latest proposed legislation (i.e., minimum investment, limitations on supply and tax thresholds). It should also be noted that this assignment did not assess the impact of gaming spending on other consumer/discretionary spending (i.e., “Substitution Effect”).

CASINO GAMING SUPPLY IN SURROUNDING STATES

A variety of full-service casinos (slot machines and table games) both tribal and non-tribal, as well as card rooms and racetrack slot venues operate in every state adjacent to Georgia except Tennessee and South Carolina (which has two small cruise casino operations).

Atlanta residents have a choice of four full-service casinos within a 4-hour drive of the City (two in North Carolina and two in Alabama).

Within a 6-hour drive numerous full-service casino opportunities are available.



ESTIMATED CASINO GAMING REVENUE IN SURROUNDING STATES

Total casino gaming revenue in the four states bordering Georgia (as well as Louisiana) is estimated at \$8.2 billion. Spending by Georgians at casinos located in adjacent states is estimated between \$570 and \$670 million during the most recent operating year.

All casinos in border states are assumed to generate some revenue from Georgia residents but the North Carolina casinos, most notably the recently-opened Harrah's Cherokee River Valley ("River Valley"), have a much greater dependency. River Valley—the closest casino to Georgia located about 20 minutes from the state line—is estimated to draw as

much as 75% of its total gaming revenue from Georgia residents. Casinos and gaming opportunities located to the south (Florida) and south/west (primarily Mississippi and Alabama) of Georgia, generate much smaller but still meaningful revenues from Georgians.

Under the latest proposed legislation, which allows for up to four full-service casinos across the state, it would be reasonable to expect that 80% (or more) of all casino spending outside Georgia could be recaptured. Assuming a 20% gaming tax, the State would generate between \$90 and \$107 million in tax revenue.

Estimate of Gaming Spending By Georgia Residents at Casinos in Neighboring States (\$Million)						
States	Total GGR \$ Estimate	Gross Gaming Revenue from Georgia Residents ¹⁾				
		Percent		Dollars		High
		Low	High	Low	High	
Harrah's Cherokee River Valley ²⁾	\$300.0	70.0%	75.0%	\$210.0	\$225.0	
Harrah's Cherokee ³⁾	\$550.0	25.0%	30.0%	\$140.0	\$165.0	
Sub total North Carolina	\$850.0	40.0%	45.0%	\$350.0	\$390.0	
Alabama Casinos ⁴⁾	\$350.0	10.0%	15.0%	\$40.0	\$50.0	
Mississippi Casinos ⁵⁾	\$2,097.1	3.0%	4.0%	\$60.0	\$80.0	
Florida Casinos ⁶⁾	\$2,330.0	3.0%	4.0%	\$70.0	\$90.0	
Louisiana River Boats & Casinos ⁷⁾	\$2,585.1	2.0%	2.5%	\$50.0	\$60.0	
Other States	\$7,362.1	3.0%	3.8%	\$220.0	\$280.0	
Total All Existing Casinos	\$8,212.1	6.9%	8.2%	\$570.0	\$670.0	

1) Rounded to the nearest multiple of 5.

2) Harrah's Cherokee River Valley casino opened on September 28, 2015. GGR estimated based on an assessment of number of gaming positions, the performance of Harrah's Cherokee and number of adults within a 2-hour drive time. The GGR estimate assumes a full-operating year. The amount of GGR generated from Georgia residents based on the amount of Georgia residents within a 2 and 3-hour drive time from facility as compared to Harrah's Cherokee.

3) Casino GGR estimate based on review public reports stating that in 2013 Harrah's Cherokee casino surpassed \$500 in GGR. The amount of GGR generated from Georgia residents based on rated play data contained in a report entitled "Assessing the Economic and Non-Economic Impacts of Harrah's Cherokee Casino", University of North Carolina, 2011.

4) There are three Tribal Casinos in Alabama (Montgomery, Wetumpka and Atmore) - all owned by the Poarch Tribe. GBB Magazine (Vol 14, N6, June 2015, "Alabama Empire"), estimated that these facilities combined generate about \$330 million in GGR. Amount of GGR generated from Georgia residents was estimated based on distance of these casinos to Georgia.

5) GGR based on information from the Mississippi Gaming Commission. Amount of GGR generated from Georgia residents estimated based on visitation data by State - available from the Mississippi Gaming Commission.

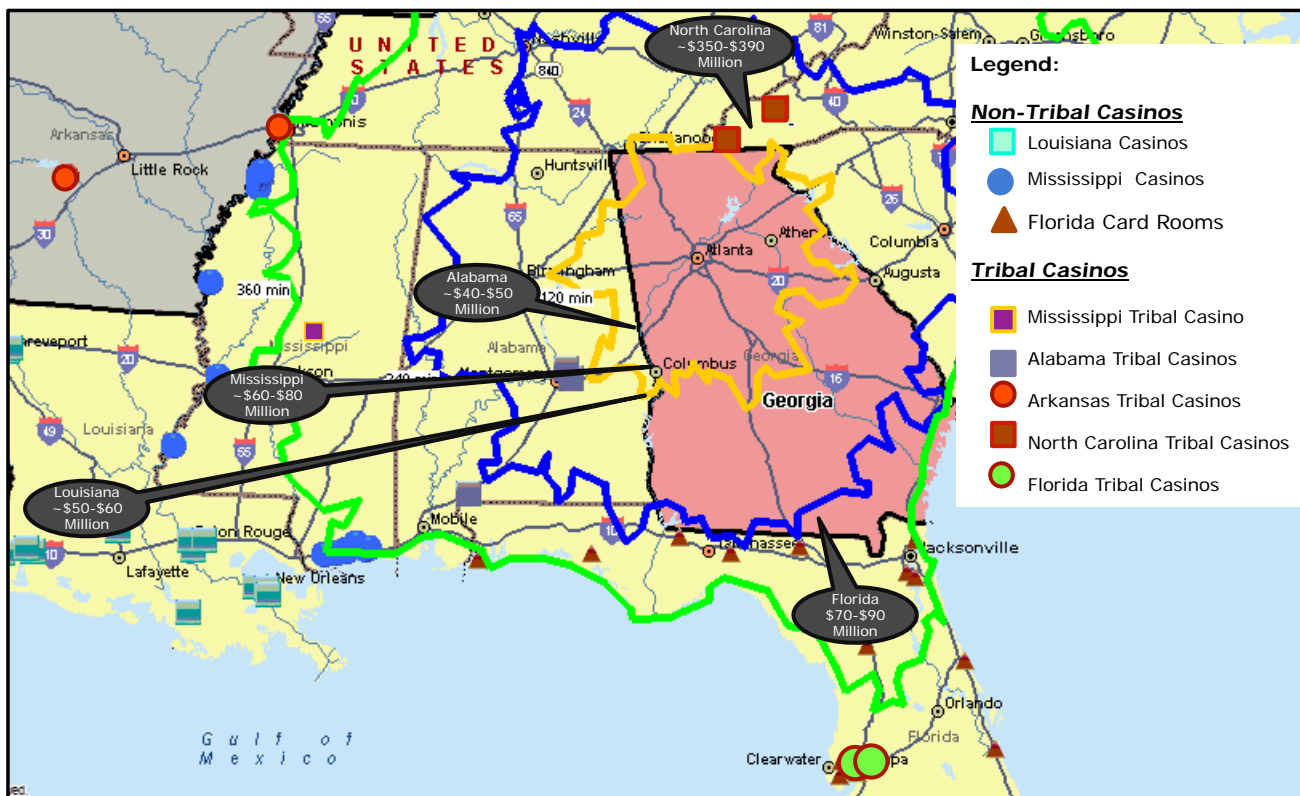
6) GGR estimate based on article from Las Vegas Review Journal - March 30, 2015. Amount of GGR generated from Georgia residents is assumed to be the same as Mississippi (3% to 4%).

7) GGR includes River Boat casinos, land-base casino, and slots at racetracks (\$2.6 billion) - does not include GGR generated by Tribal casinos. GGR generated from Georgia residents estimated at 2.0% to 2.5% of total GGR (compares to 3.0% to 4.0% for Mississippi casinos).

Source: HLT Advisory Inc. based on data from University of North Carolina, Assessing the Economic and Non-Economic Impacts of Harrah's Cherokee Casino, 2011, Mississippi Gaming Commission, Louisiana Gaming Control Board, GBB Magazine, Vol 14, N6, June 2015, "Alabama Empire", various news articles, US Census Bureau population data, MapPoint drive times and HLT estimates.

SPENDING BY GEORGIA RESIDENTS AT CASINOS IN SURROUNDING STATES

Estimated gaming revenue from Georgia residents is illustrated below by destination state.



RESIDENT VS. TOURIST DEMAND: WHAT IS A “TOURIST?”

With few exceptions (e.g. Las Vegas, Gulf Coast of Mississippi and, at one time, Atlantic City), North American casinos draw a majority of visitation (and revenue) from residents of their immediate area (i.e., the local area surrounding the casino) and the close-in regional market. As the number and geographic coverage of casinos continues to grow, the local/regional nature of visitation has become even more pronounced. As a result, the majority of casino visits outside the handful of true gaming destination, are same-day trips.

However, the use of the term “tourist” has created a significant misperceptions regarding source of demand as casino patrons that live within (say) a two-hour drive of a casino, but across state (or international) borders, are most often referred to as “tourists” when entering the adjacent state to gamble. To the extent these casino visitors are generating incremental spending (on gaming or related travel/entertainment services) the tourist moniker is legitimate. However, the fact remains that most North American casinos draw most visitation from within a reasonable driving distance.

This situation is not expected to be different for a casino located either in Atlanta or elsewhere in Georgia. North Carolina provides a good example of this characteristic, where Harrah’s operates two casinos, both of which draw substantial visitation from Georgia residents. The North Carolina casinos are discussed on the following page.

HARRAH'S NORTH CAROLINA CASINOS: DEPENDENCE ON GEORGIA "TOURISTS"

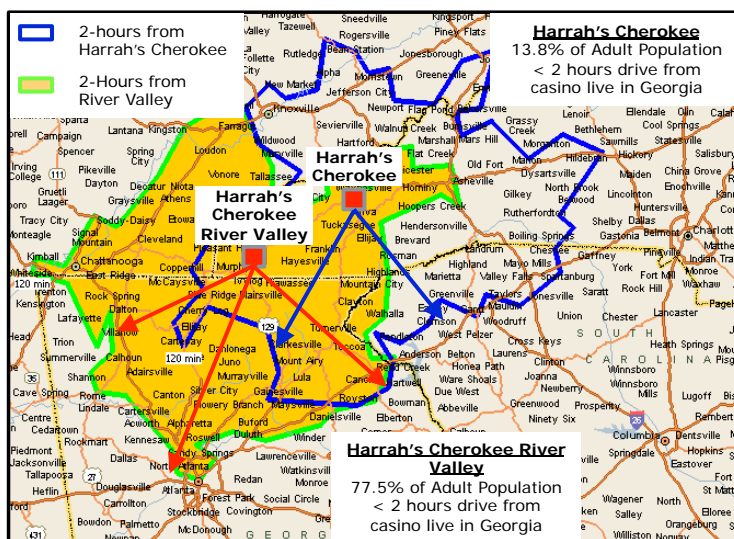
HLT estimates that about 14% and 78%, respectively, of the population within the Cherokee and River Valley casino market areas (within a two-hour drive) reside in Georgia. Technically, patronage at these casinos by Georgians could be considered tourism.

- Harrah's Cherokee Casino generates more than \$500 million in gaming revenue, some 25% to 30% from Georgia residents. About 14% of the population within a 2-hour drive time of the casino resides in Georgia.
- Harrah's newer River Valley Casino is even closer to Georgia, and to Atlanta. Of the River Valley Casino's primary market within a 2-hour drive, about 78% reside in Georgia. We estimate that 70% or more of River Valley's visitation and win is drawn from Georgia.

Whether "resident" or "tourist" the drive-time analysis reinforces the regional draw of these casinos.

Drive-Time Adult Population Existing Casinos in North Carolina				
	Harrah's Cherokee, NC		Harrah's Cherokee River Valley, NC	
	Adults	% Dist.	Adults	% Dist.
Two Hour Drive Time				
North Carolina	654,742	28.8%	150,615	4.2%
South Carolina	707,015	31.1%	57,536	1.6%
Tennessee	598,181	26.3%	599,511	16.7%
Georgia	314,226	13.8%	2,780,308	77.5%
Alabama	n.a.	n.a.	n.a.	n.a.
Adults Within 2 Hours	2,274,164	100.0%	3,587,970	100.0%
Three Hours Drive Time				
North Carolina	2,053,843	22.1%	666,737	8.2%
South Carolina	1,271,121	13.6%	866,439	10.6%
Tennessee	1,756,384	18.9%	1,620,898	19.9%
Georgia	4,232,328	45.4%	4,864,202	59.8%
Alabama	n.a.	n.a.	121,546	1.5%
Adult Within 3 Hours	9,313,676	100.0%	8,139,822	100.0%

Source: HLT Advisory Inc. based on MapPoint drive time estimates and US Census Bureau population estimates by County.



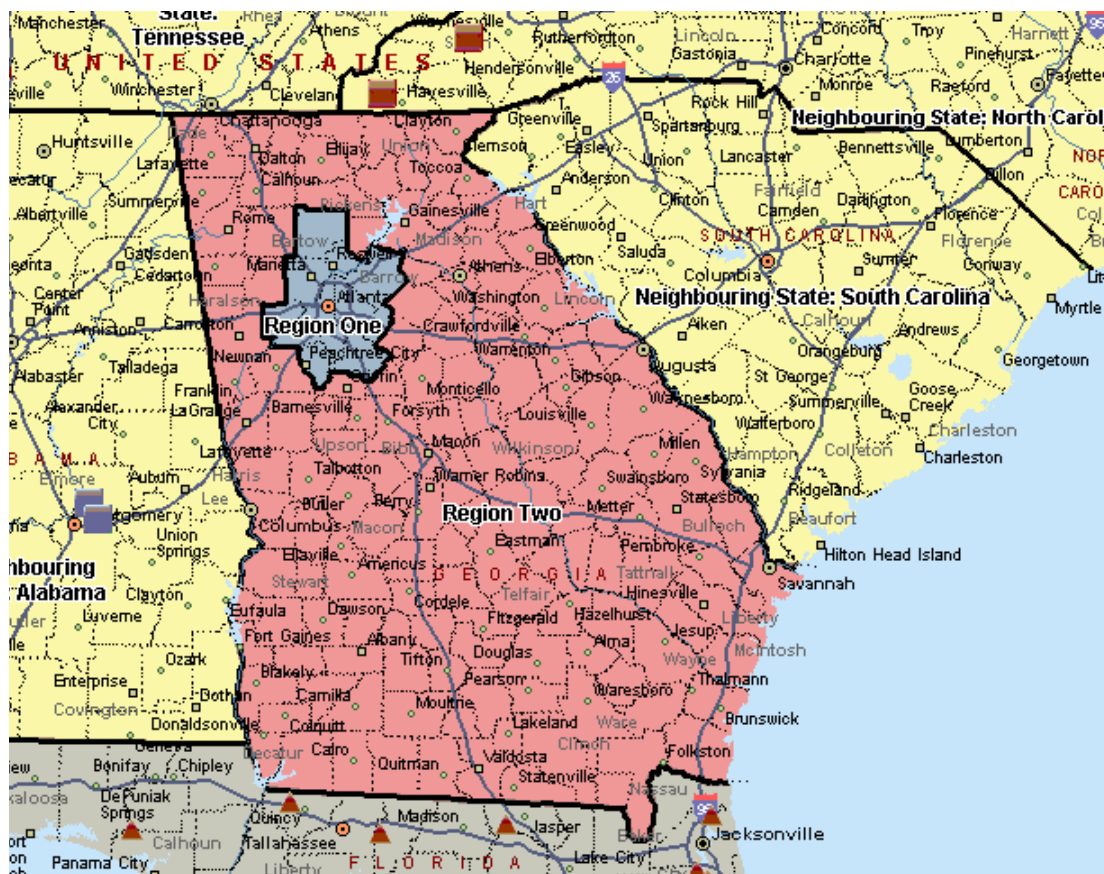
PROPOSED CASINO LICENSING REGIONS

The latest proposed legislation lays out the potential for four full-service casinos, two in each of two regions. Under the legislation, the characteristics of casino gaming permitted in each region varies, specifically:

- Region 1 (Atlanta Metro area) would include two full-service casinos with a minimum capital investment of \$1.25 billion and \$750 million respectively.
- Region 2 (remainder of state) would contain two full-service casinos with minimum capital investment of \$400 million each.

As with many other states, the eventual number, borders and rules associated with each zone are likely to change before final implementation (assuming implementation).

The latest proposed legislation calls for initial licensing fees ranging from \$15 to \$40 million. The annual tax rate is proposed to be 20%.



ESTIMATING THE GEORGIA CASINO GAMING MARKET SIZE

Gross casino gaming revenue potential (or potential “GGR”) is determined by the size of the adult population base as well as the amount each adult is likely to spend on casino gaming (“GGR/adult”).

To establish an appropriate GGR/adult ratio to apply to Georgia, a number of urban casino markets were identified. These markets have been selected based on the size and performance of the casino supply base. Each market area has been delineated based on approximately 60 to 90-minutes drive time from the City’s core depending on the location of other competing markets.

Across these casino markets, the average GGR/adult ranges from about \$200/adult (Indianapolis) to over \$450/adult (St. Louis and Kansas City). These GGR/adult ratios are a function of several factors including the adult population base, nature of the gaming supply (adults/device), location of casinos relative to population concentrations, access and visibility as well as size and scope of casino facilities.

To estimate the casino gaming potential for Georgia, a GGR/adult ranging from \$300 to \$350 was selected. This range is in the middle of the current performance of identified casino markets.

Comparable Market Areas - FY2015 Performance								
	Indianapolis	Cleveland	Philadelphia	Pittsburgh ¹	Chicago	Cincinnati	St. Louis	Kansas City
Adult Population ²	2,273,844	2,968,892	4,683,841	2,674,853	7,796,680	2,068,169	2,329,513	1,687,078
# of Facilities in Market Area	2	4	5	5	11	7	6	6
Supply								
Slots	3,972	6,081	10,591	8,637	16,567	9,810	10,627	8,760
Tables	n/a	121	470	310	700	270	337	255
Gaming Supply								
Adults/Slot	572	488	442	310	471	211	219	193
Adults/Table	n/a	24,536	9,970	8,637	11,138	7,660	6,913	6,616
Casino Win(\$Millions)								
Slot Win	\$448.2	\$501.6	\$975.5	\$642.4	\$1,882.3	\$662.3	\$921.2	\$678.0
Table Win	n/a	\$100.0	\$352.8	\$140.7	\$475.7	\$113.6	\$135.3	\$101.5
Total Win	\$448.2	\$601.7	\$1,328.3	\$783.1	\$2,357.9	\$775.9	\$1,056.5	\$779.5
Win/Adult								
Slot Win	\$197	\$169	\$208	\$240	\$241	\$320	\$395	\$402
Table Win	n/a	\$34	\$75	\$53	\$61	\$55	\$58	\$60
Total Win	\$197	\$203	\$284	\$293	\$302	\$375	\$454	\$462
<small>Source: HLT Advisory Inc. based on reports from the Pennsylvania Gaming Control Board, Ohio Casino Control Commission, Ohio State Racing Commission, Illinois Gaming Board, Indiana Gaming Commission, Michigan Gaming Control Board, Iowa Racing and Gaming Commission, Kansas Racing and Gaming Commission, Missouri Gaming Commission, Delaware Lottery, West Virginia Lottery, US Census Bureau and HLT estimates. 1- Assumes ~55% to ~70% of West Virginia (Mountaineer and Wheeling) casino win and ~70% of Lady Luck casino win originates from within the defined Pittsburgh market area. 2- 2015 adult population 21+. Market areas are based on up to a 90-minutes drive time - adjusted for competition. n/a - not applicable</small>								

Note: In the markets studied by HLT, GGR/adult remains fairly consistent after introduction of casinos with significant changes resulting only from adjustments to the supply base (e.g., even greater GGR/adult with increased supply up to a saturation point). GGR reflects amounts spent at casinos only; GGR does not include lottery, racing, etc.

ESTIMATING THE GEORGIA CASINO GAMING MARKET SIZE

HLT estimated gaming revenue potential in Georgia, assuming a full-service casino model by:

- Estimating the population contained in each of Regions 1 and 2.
- Estimating the adult population (21+) as a subset of the total population, by Region.
- Applying a per capita, per annum gaming spend of \$300 to \$350 to the adult population consistent with the data presented on the previous page.

This approach produced a state-wide casino gaming market potential of \$2.153 billion to \$2.512 billion. This figure includes spending by Georgia residents only. Gaming spending by residents of adjacent states or spending by tourists to Georgia is not included in this total.

As a check, we validated the estimated gaming spending by Georgia residents by considering the projected spend as a percent of total Georgia household income. The \$2.153 to \$2.512 billion estimate of gaming spending is approximately 0.9% to 1.0% of the State's household income. We are aware that 1% of household income has been used as a reasonable upper threshold for casino spending. We are confident, these figures accurately represent the potential gaming spend by Georgians at casinos located within the state.

The introduction of casinos in Georgia will likely result in some redistribution of consumer spending, or "substitution" away from current discretionary spending and/or savings.

The potential magnitude of the substitution effect is currently unknown and warrant additional assessment. The outcome of such an assessment will be dependent on the location, size and scope of casinos in the State.

Georgia Population and Casino GGR Potential by Identified Regions					
Gaming Regions	Adults	GGR/Adult (\$)*		Total GGR Potential (\$M)	
		Low	High	Low	High
Region 1	3,093,713	\$300	\$350	\$928.1	\$1,082.8
Region 2	4,082,182	\$300	\$350	\$1,224.7	\$1,428.8
Total	7,175,895	\$300	\$350	\$2,152.8	\$2,511.6

Source: HLT Advisory Inc. based on definition of Licensing Regions as per proposed Gaming Act, US Census Bureau 2014 Population Estimates by County and HLT Advisory.

** GGR/adult represents a revenue potential range used for planning purposes. This range is based on an assessment of various markets across the US.*

Note: Gaming market potential is not a projection of actual revenue. Actual revenue will be a function of the number of casinos serving the market, casino size and location, operator actions/strategic plan as well as regulatory constraints (including tax rates) that are not currently known.

However, given the supply parameters in the latest proposed legislation, the capture rate is likely to be in excess of 80% (i.e., \$1.6 to \$2 billion). At a 20% tax rate, this revenue level would produce between \$320 and \$400 million in gaming tax to the State.

REGION 1 (ATLANTA) GAMING MARKET POTENTIAL

Atlanta gaming revenue potential based on:

- Region 1 adult population and potential spending as discussed on slide 15.
- Adults within a 60-minute and 61 to 120-minute drive time of Atlanta (not all of whom reside in Georgia).
- Penetration into the existing adult tourist base (assumes 10% penetration @ \$100-\$150/adult/visit). At top end of the range (possible limited overlap with those living within 60-120 minutes of Atlanta).
- Destination gamers (high-limit players known to the casino operator) not considered until operator(s) is known. Likely less than 10% to 20% of total casino revenue.³

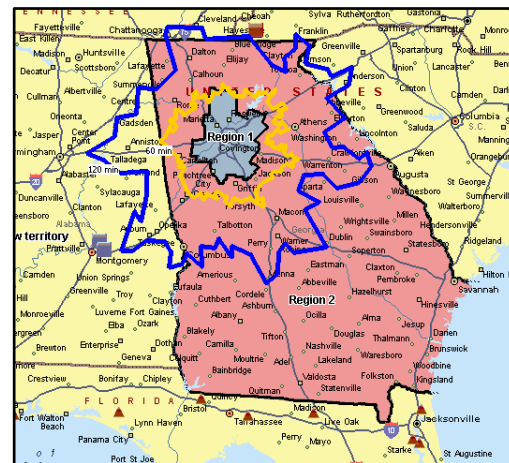
Some gaming revenue generated at an Atlanta casino (as well as non-gaming spending such as meals) may occur as a result of foregone spending at other Atlanta businesses.

Overall, the revenue potential for the Atlanta market area ranges between \$1.95 and \$2.34 billion, with \$1.77 to \$2.06 billion from within 120 minutes drive. (some from out-of-state). An additional \$188 to \$281 million is projected from penetration of the existing tourist base. Destination gamers could be expected to add ~10% additional revenue.

	Region 1: Atlanta - Market Area Potential								
	Adults			GGR Potential Low (\$300/Adult - \$Million)			GGR Potential High (\$350/Adult - \$Million)		
	In-State	Out-State	Total	In-State	Out-State	Total	In-State	Out-State	Total
Region 1	3,093,713	n.a.	3,093,713	\$928.1	n.a.	\$928.1	\$1,082.8	n.a.	\$1,082.8
60-Minutes	706,959	n.a.	706,959	\$212.1	n.a.	\$212.1	\$247.4	n.a.	\$247.4
60 to 120 Minutes	1,703,430	387,229	2,090,659	\$511.0	\$116.2	\$627.2	\$596.2	\$135.5	\$731.7
Subtotal Resident Market	5,504,102	387,229	5,891,331	\$1,651.2	\$116.2	\$1,767.4	\$1,926.4	\$135.5	\$2,062.0
Existing Tourist*	n.a.	18,750,000	18,750,000	n.a.	\$187.5	\$187.5	n.a.	\$281.3	\$281.3
Subtotal Tourist Market	n.a.	18,750,000	18,750,000	n.a.	\$187.5	\$187.5	n.a.	\$281.3	\$281.3
Total Potential	n.a.	n.a.	n.a.	\$1,651.2	\$303.7	\$1,954.9	\$1,926.4	\$416.8	\$2,343.2

Source: HLT Advisory Inc. based on definition of Licensing Regions as per proposed Gaming Act, US Census Bureau 2014 Population Estimates by County and HLT Advisory.
n.a.: not applicable.

* Total overnight/out-of-state visitors to Atlanta was 21.0 million in 2014 (6.0 million business and 15 million leisure). It is assumed that 100% and 85% of business and leisure travelers, respectively, are adults (18.8 million). Total existing tourist gaming potential estimated based a 10% propensity to gamble (or 1.88 million) and a spend/visit of \$100 (low) to \$150 (high).



FACTORS AFFECTING ATLANTA CASINO DEMAND

Atlanta casino gaming market potential ranges from \$1.955 to \$2.343 billion. Assuming two casinos as described in the latest proposed legislation for Region 1, revenue and visitation levels will be a function of:

- Location—proximity of each casino to each other and ability to service (versus compete for) Atlanta Metro (and area) market.
- Size and scope of casinos—including both the number of gaming devices and non-gaming ancillary offerings such as restaurants, hotel(s), entertainment venue(s), recreation offerings and the like.
- Accessibility and parking—ease of access, transportation systems.
- Casino operator and market focus—the business plan and strategy of the operator(s) will determine positioning, player profiles and destination potential (i.e., number of dedicated/high-limit players). No destination demand is calculated on the previous page as the operator, and its strategy, is not determinable. However, total destination demand is unlikely to exceed 10% of total demand even in a strongly optimistic scenario.
- Penetration of existing tourist base—largely a function of location (proximity to tourist attractors/lodging).
- Atlanta’s prominence in the convention/trade show marketplace is a factor. Positive attributes from casino gaming include a greater variety of leisure activities. However, some negative impacts could be felt (e.g., pressure to drive up hotel room pricing, increased congestion, morality/health issues with some meeting planners/organizations).

If properly sized and located, two casinos in the Atlanta area could be expected to capture 80% or more of the potential \$1.955 to \$2.343 billion of casino gaming revenue (or somewhere from \$1.564 to \$1.875 billion). If 80% of the potential is captured, casino visitation of up to 12.5 million/annum could be expected (based on an average GGR of \$150 per visit) or, if divided equally, about 6.25 million visits at each casino. This visitation level would be comparable to Harrah’s New Orleans (~5.0 million visits/annum) and the expected visitation at Wynn Boston/Everett (~7.0+ million visits/annum).

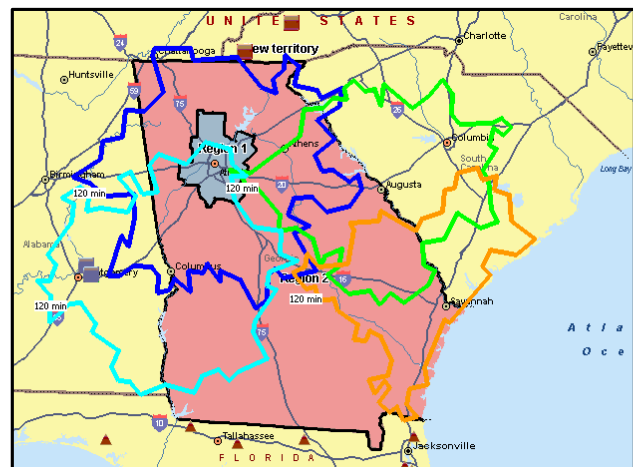
ASSESSING DEMAND FROM REGION 2

In addition to the two Atlanta casinos envisioned in the latest proposed legislation (Region 1), two casinos are permitted elsewhere in Georgia (Region 2). The legislation is not prescriptive as to where these casinos would or could be placed. However, it would be reasonable to assume that an operator looking at location options in Georgia (and given two casinos already in metro Atlanta) would look to the largest concentration of population (and existing visitors) outside the Atlanta market.

Therefore, as a means of defining potential additional casino (and State tax) revenue that could be generated from the Region 2 casinos, HLT considered the Census Statistical areas of Augusta, Savannah and Columbus. Of these three areas, both Columbus and Augusta are located within a 2-hour drive time radius of central Atlanta, suggesting at least a partial overlap of market area (and potentially less incremental gaming revenue). Approximately 4 million adults reside within a two-hour drive time from Columbus, with about 80% also residing within a two-hour drive of Atlanta. A smaller market overlap exists between Atlanta and Augusta (i.e., about 2.1 million adults reside within two-hour drive from Augusta, with about 25% also within the Atlanta market area).

Only Savannah's market does not overlap with the Atlanta market. For this reason we assumed that a casino operator/developer would look at the Savannah market as a likely location for one of the two Region 2 casinos, and, for the purpose of this assessment, Savannah was selected as the market for additional analysis.

The second Region 2 casino, regardless of its eventual location, will have an overlapping market area(s) with one or more of the other three facilities but will still generate incremental demand, depending on the eventual location selected.



SAVANNAH CASINO MARKET POTENTIAL

Estimation of Savannah's casino gaming revenue potential requires consideration of:

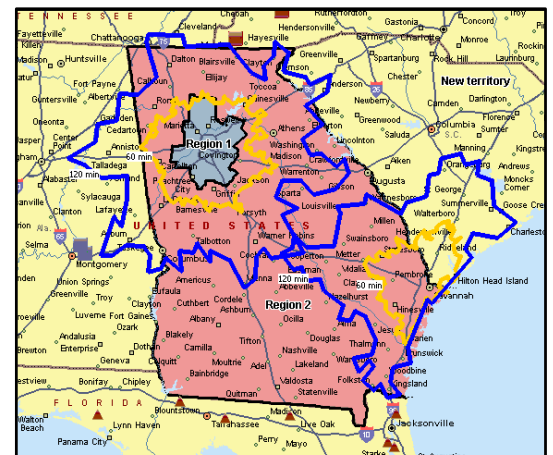
- Adults within a 60-minute and 61 to 120-minute drive (about 50% reside in South Carolina).
- Penetration into the existing tourist base. Likely some overlap with out-of-state (South Carolina) markets.
- Destination gamers (high-limit players known to casino operator) not considered until operator(s) is known. Likely a modest to insignificant portion.

Overall, the revenue potential for the Savannah market area ranges between \$448 and \$536 million, with \$407 to \$475 million generated from market-area residents (including those in adjacent states) and \$41 to \$61 million from the existing tourist base.

Other Georgia Casino Markets - Savannah			GGR Potential Low (\$300/Adult - \$Million)			GGR Potential High (\$350/Adult - \$Million)			
	Adults		In-State	Out-State	Total	In-State	Out-State	Total	
60-Minutes	446,083	154,136	600,219	\$133.8	\$46.2	\$180.1	\$156.1	\$53.9	\$210.1
60 to 120 Minutes	235,612	520,688	756,300	\$70.7	\$156.2	\$226.9	\$82.5	\$182.2	\$264.7
Subtotal Resident Market	681,695	674,825	1,356,520	\$204.5	\$202.4	\$407.0	\$238.6	\$236.2	\$474.8
Existing Tourist	n.a.	4,086,575	4,086,575	n.a.	\$40.9	\$40.9	n.a.	\$61.3	\$61.3
Subtotal Tourist Market	n.a.	4,086,575	4,086,575	n.a.	\$40.9	\$40.9	n.a.	\$61.3	\$61.3
Total Potential	n.a.	n.a.	n.a.	\$204.5	\$243.3	\$447.8	\$238.6	\$297.5	\$536.1

Source: HLT Advisory Inc. based on definition of Licensing Regions as per proposed Gaming Act, US Census Bureau 2014 Population Estimates by County and HLT Advisory.
n.a.: not applicable.

* Assumes Savannah can capture 14% of the State's overnight visitor gaming potential or 4.7 million overnight visitors (same as Savannah's current share of total visitors to the State). It is assumed that 100% and 85% of business and leisure travelers, respectively, are adults (4.1 million). The visitor gaming potential is estimated based on overnight visitors (leisure and business) coming to Georgia from other states and/or countries. Assumes that 10% of total overnight adult visitors will gamble and spend on average \$100 (low) to \$150 (high) per visit.



CASINO IMPLEMENTATION IN SELECTED STATES

INTRODUCTION

The decision to introduce casino gaming is a State prerogative. In consultation with CAP/ADID we identified six states for examination of the underlying rationale for the introduction of casino gaming including traditional measures (e.g., state revenue, job creation, and infrastructure development) and state-specific or unique justifications in each jurisdiction (including revenue sharing mechanisms at the city/region/county level). Consideration was also given to unexpected benefits or challenges that arose during the legislative approval or introductory phases.

For each of Louisiana, Massachusetts, Michigan, New York and Pennsylvania, we compiled:

- a comparison of legislative approaches taken to legalizing full-service casino gaming
- Language used in the ballot (and ballot results)
- Key objectives, constraints, conditions set out in the legislation
- Governance structure

The balance of this section includes a series of matrices identifying and comparing key variables in each state's legalization process. A complete package of documentation has been provided separately.

SUMMARY OF CASINO INTRODUCTION BY STATE

In discussions with Central Atlanta Progress/Atlanta Downtown Improvement District the states of Louisiana, Michigan, New York, Pennsylvania, Florida and Massachusetts (listed in alphabetical order) were identified for comparison on certain operating parameters. Each state is introduced below, details follow on the subsequent pages.

FL	In 2004 voters approved slot machines at existing pari-mutuel facilities in Miami-Dade and Broward counties. Both counties held ballots in 2005, and slot machines were approved in Broward County and defeated in Miami-Dade County. In 2008 another vote was held in Miami-Dade County and slot machines were approved. In 2010, the Seminole Tribe executed a tribal-state compact allowing full casino gaming. In 2012, a bill allowing for up to 3 resort casinos with a capital investment of at least \$2.0 billion each was introduced. Given the significant opposition by Walt Disney World, the Florida Chamber of Commerce, the state's pari-mutuel industry and the Seminole Tribe of Florida, the Bill was ultimately withdrawn from the 2012 Legislative session.
LA	Consistent with several states bordering major waterways, casino gaming was first permitted in Louisiana on riverboats. Legislation to open what would become one of North America's first casinos in a major urban market (New Orleans) was passed in 1992. The casino opened in 1999 after much controversy, a failed temporary facility and numerous operational issues.
MA	In 2011, Gov. Deval Patrick signed the act establishing expanded gaming in Massachusetts, legislation designed to provide significant benefits by advancing job creation and economic development. While no referendum was held prior to the Act being passed, a subsequent (unsuccessful) referendum sought to have the Act repealed.
MI	In 1993, the state entered into 7 tribal-state compacts allowing tribal casino gaming in Michigan. In 1996, Michigan voters approved three commercial casinos to be built in Detroit. Tribal-state compacts with 5 additional tribes were entered in 1998 (4) and 2007 (1).
NY	Governor Cuomo signed the first gaming compact in 1993 allowing tribal casino gaming. In 2001, the state approved legislature to allow video lottery terminals at horse racetracks. In 2013, Gov. Cuomo signed the Upstate NY Gaming Economic Development Act authorizing up to four upstate NY casinos (7-year exclusivity period).
PA	In 2004, Pennsylvania Gaming Act was passed to allowing legalized licensed State casinos. In 2006, the Pennsylvania Gaming Control Board granted six licenses to existing racetracks and five to stand-alone casinos. In 2010, the Act was amended to allow table games at all casinos (racetracks and stand-alone).

EVOLUTION OF TYPES OF CASINO GAMING

Casino gaming has evolved over the last two decades through various forms. Riverboat gaming (gaming occurring on—often permanently—moored vessels or even fixed platforms along various waterways) and slot machines at racetracks were among the first forms. Many racetrack slot operations have now morphed into full-service casinos. Indian tribes also negotiated “compacts” with state governments (agreements setting out terms of development/operation, including exclusivity in some cases, and associated compensation). Commercial (i.e., non-tribal, full service) land-based casinos were generally last to emerge but have now proven to be among the largest developments to occur.

	FL	LA	MA	MI	NY	PA
Year Established	Tribal – 2010 Slots at Racetracks – 2004	Riverboat – 1991 Land-Based – 1992	2011	Tribal – 1993 Commercial – 1996	Tribal – 1993 Slots at Racetracks – 2001 Commercial – 2013	2004
Enabling Legislation	Tribal – Tribal-State Gaming Compact Slots at Racetracks – Florida Statutes Title XXXVIII Chapter 551	Riverboat – Louisiana Riverboat Economic Development and Gaming Control Act Land-Based – Louisiana Economic Development and Gaming Corporation Act	An Act Establishing Expanded Gaming in the Commonwealth	Tribal – Tribal-State Gaming Compacts Commercial – Michigan Gaming Control and Revenue Act	Tribal – Tribal-State Gaming Compacts Slots at Racetracks – Chapter IV Division of Gaming Subchapter A Video Lottery Gaming Commercial – Upstate New York Gaming Economic Development Act	Pennsylvania Race Horse Development and Gaming Act
Year Opened	Tribal – 2010 Six casinos across south Florida Slots at Racetracks – 2005 & 2008 Broward & Miami-Dade Counties	Riverboat – 1996 Baton Rouge, New Orleans, Lake Charles, Shreveport & Bossier Land-Based – 1999 Harrah's New Orleans	2015 slots only facility at Plainridge Park Full-service casinos by Wynn (Boston) and MGM (Springfield) in 2018	Tribal – 1993 Multiple locations across the State Commercial – 1999 Detroit (MGM, Greektown & MotorCity)	Tribal – 1993 5 casinos across the State Slots at Racetracks – 2004 9 facilities across the State Commercial – 2017 Rivers Casino & Resort at Mohawk Harbor (Schenectady), Lago Resort & Casino (Tyre, Seneca County) and Montreign Resort Casino (Thompson, Sullivan County)	2006 slots only, tables added in 2010 Philadelphia, Pittsburgh, and various other cities/town across the State

STATED OBJECTIVES IN CASINO ENABLING LEGISLATION

The underlying rationale for individual states to enable full-service casinos (not including tribal) has many common objectives. Whether overtly stated in the legislation or not, raising revenue is most often among the primary objectives. Job creation, the generation of tourism (although as discussed above, this can be narrowly defined) and the repatriation of gaming spending in adjacent states are other common objectives. Legislation in the six states reviewed had the following stated objectives for enabling casino gaming.

Stated Objectives:	FL	LA	MA	MI	NY	PA
• Create Jobs		x	x		x	x
• Generate Tourism		x				x
• Support Local Businesses			x		x	
• Maximize Revenue (tax relief, econ dev., education)	x		x	x	x	x
• Enhance Existing Gaming (e.g. horse racing)	x		x		x	x
• Recapture Resident Gaming Spend			x	x	x	x
• Other			<ul style="list-style-type: none"> • Protect the lottery • Mitigate impact on host community 		<ul style="list-style-type: none"> • Mitigate impact on host community 	

SUCCESS IN ACHIEVING STATED OBJECTIVES

Actual successes achieved against stated objectives are highlighted below for four states with active casinos.

Stated Objectives	Florida
• Maximize Revenue	About \$1.1 billion in taxes from slot and table operations since opening.
• Enhance Existing Gaming	50% of card room revenue (\$6.8 million in 2014) goes to the Pari-Mutuel Wagering Trust Fund.
Stated Objectives	Louisiana
• Create Jobs	About 2,900 casino jobs, 90% of which are from Greater New Orleans Area.
• Generate Tourism	Casino is active supporter of tourism; 1/3 of all New Orleans visitors estimated to visit the casino.
Stated Objectives	Michigan
• Maximize Revenue	Michigan receives 8.1% of adjusted gross gaming revenue (\$108 million in tax revenue in 2014).
• Recapture Resident Spending	Prior to the opening of the Detroit casinos, at least \$600 million/annum was spent by Michigan residents at the adjacent Windsor (Canada) casino. Detroit casinos have been able to recapture the majority of this spending (at least \$550 million or ~90%).
Stated Objectives	Pennsylvania
• Create Jobs	Pennsylvania casinos employ about 17,000 people, 89% are Pennsylvania residents.
• Generate Tourism	Casino provide Pennsylvania cities with another tourism option/product. <i>"SugarHouse has become a key tourism asset for Philly"</i> , Meryl Levitz, President/CEO of Greater Philly Tourism Marketing Corp.
• Maximize Revenue	Casinos directed about \$11.4 billion in tax revenue to the State government since opening.
• Enhance Existing Gaming	11% of slot revenue is earmarked for the Pennsylvania horse racing industry (\$240 million in 2015).
• Recapture Resident Spending	Significant recaptured spending previously directed to Atlantic City casinos. Since 2006, Atlantic City casino revenue declined by about 55% or \$2.8 billion an unknown but significant amount of which was generated by residents of Pennsylvania.

SUCCESS IN ACHIEVING STATED OBJECTIVES (CONT'D.)

In Massachusetts and New York, recent gaming initiatives have been approved but not fully implemented. Estimates of performance against stated objectives are summarized below.

Stated Objectives	Massachusetts (two Category 1 casinos and one slot parlor approved to date)
• Create Jobs	8,200 jobs across two casinos and one slot parlor.
• Generate Tourism	Wynn Resorts (Boston casino licence) estimates 1.75 million visitors/overnight stays/annum as a result of the casino resort.
• Support Local Businesses	In the order of \$150 million+ in goods and services acquired within Massachusetts.
• Maximize Revenue	Initial/one-time license fees of \$195 million plus \$400 million+ annual gaming taxes.
• Enhance Existing Gaming	9% of slot parlor and 0.63% of casino gaming revenue earmarked for horseracing.
• Recapture Resident Spending	Estimated recapture of \$500m-\$700m of \$1.1bn currently being spent by Massachusetts residents in Connecticut and Rhode Island.
Stated Objectives	New York (four casinos approved in 2015)
• Create Jobs	About 4,600 jobs across all venues.
• Generate Tourism	Tourism estimates not publically disclosed.
• Support Local Businesses	Goods and services spending not publically disclosed but minimally \$100 million annually.
• Maximize Revenue	\$170 million in initial license fees and about \$300 million in annual gaming taxes.
• Enhance Existing Gaming	Existing racetracks converting into full casinos are required to make existing pari-mutuel related payments.
• Recapture Resident Spending	Unquantified estimates of recaptured spending contained in applicants (redacted) applications.

UNINTENDED IMPACTS/OUTCOMES

Gaming tax and job creation have been among the most common objectives underpinning the introduction of casino gaming. For the most part, in the jurisdictions studied, these objectives have been achieved. Most jurisdictions have also recognized, in advance, the challenges associated with large-scale casino projects (e.g., the volume of visitors and associated transportation/access needs) and address these early on.

However some unintended consequences have also been noted:

- A failure to broaden or grow the tourism base. Casinos were once seen as tourist generators however, the proliferation of casinos across the United States has limited this potential. For cities like Atlanta with existing tourism appeal, casino development might augment but likely not create new tourism appeal. In New Orleans, Harrah's casino failed to broaden the tourist appeal of the City after opening.
- Opportunities for small and medium sized businesses to supply good and services to casinos are sometimes not as significant as envisioned, resulting from:
 - Strict licensing requirements for casino vendors.
 - Limited capacity to meet the quantity requirements of large scale casino/hospitality operations.
- Detroit, casinos failed to meet envisioned marketing partnerships with surrounding restaurants and retail outlets.
- Displacement of jobs from other hospitality industries in favor of casino positions (as well as increases in salary/wage expectations). This situation can be particularly acute in the initial years of operation and more pronounced in resort/seasonal communities.

By definition unintended impacts are not foreseeable however, mitigation methods can be considered once the nature and scale of casino gaming is known.

NUMBER OF FACILITIES AND REGIONS

Most states attempt to “market manage” supply by defining regions/zones and the number of casinos in each.

	FL	LA	MA	MI	NY	PA
# Facilities	Tribal– 7 Slots at Racetracks– 7	Riverboat– 15 Land-Based– 1	Category 1 (Resort Casino)- 3 (pending) Category 2 (Slots)- 1 Tribal -1 possible	Tribal- 23 Commercial– 3	Tribal– 5 Slots at Racetracks– 9 Commercial– 3 (pending)	12 casinos
Regions	Tribal– Seminole lands Slots at Racetracks– Broward and Miami-Dade Counties	Riverboat– designated rivers and waterways Land-Based– On the site of the Rivergate Convention Center in Orleans Parish	Region A (Central Mass.): Suffolk, Middlesex, Essex, Norfolk and Worcester counties; Region B (Western Mass.) : Hampshire, Hampden, Franklin and Berkshire counties; and Region C (Southeast Mass.): Bristol, Plymouth, Nantucket, Dukes and Barnstable counties	Tribal- Tribal lands Commercial– City of Detroit (only)	Development Zone 1– New York City and other SW New York Counties Development Zone 2– Region 3, 4, and 6 exclusive to tribal gaming. Region 1, 2, and 5 include commercial casinos.	Category 1 casinos: at a licensed racetrack facility. Category 2 casinos: a facility in Philadelphia, Pittsburgh, or other revenue- or tourism-enhanced location Category 3 casinos: located in a well-established 275+ room resort hotel Note: Category 1, 2, and 3 casinos are permitted slot machines and table games (i.e. full casinos).
# Licenses Permitted	Tribal– Compact allows for seven tribal casinos Slots at Racetracks– 4 in Broward County, 3 in Miami-Dade County	Riverboat– Up to 15 licenses; No more than 6 per designated waterway Land-Based– 1 location in New Orleans	<ul style="list-style-type: none"> • No more than 3 category 1 licenses; • No more than 1 category 1 license shall be awarded per region • No more than 1 category 2 license 	Tribal– No limit Commercial– Up to 3	Tribal– 5 Slots at Racetracks– 9 Commercial– Authorized up to four gaming facility licenses in Regions one, two and five of Zone 2. These licenses have an exclusivity period of 7 years.	Category 1– Up to 7 (currently 6) Category 2– Up to 5 (currently 4). Only 2 permitted in Philadelphia (Class 1 City), and 1 in Pittsburgh (Class 2 City) Category 3– Up to 3 (currently 2)

STATE REVENUE

Most states attempt to “market manage” supply by defining regions/zones and the number of casinos in each.

	FL	LA	MA	MI	NY	PA
Initial License Fee	Slots at Racetracks- \$3 million annually	Riverboat- \$50,000 in Year 1, \$100,000 annually thereafter Land-Based- No Fee	Category 1- \$85 million upfront fee Category 2 (slots only)- \$25 million upfront fee	Commercial- \$50,000 upfront fee and \$25,000 annual fee	Slots at Racetracks- Resorts World NY - \$380 million upfront fee Commercial- \$20-\$50 million upfront fee	Category 1&2: \$50 million upfront fee Category 3: \$5 million upfront fee
Term	Slots at Racetracks- Renewed annually	Riverboat- 5 years Land-Based- 20 years	Category 1- 15 years Category 2 (slots only)- 5 years	Commercial- Renewed annually	Slots at Racetracks- Resorts World NY- 30 years Commercial- 10 years	Automatic renewal annually (unless suspended, revoked or not renewed with good cause)
Gaming Tax Rate	Slots at Racetracks- 35% of slot revenue	Riverboat- 21.5% of gross gaming revenue plus 4%-6% to local government Land-Based- greater of 21.5% of gross gaming revenue or \$60 million.	Category 1- 25% of gross gaming revenue Category 2 (slots only)- 49% of gross gaming revenue	Commercial- 18% of gross gaming revenue	Slots at Racetracks- Tiered, effective tax rate of ~55% of slot revenue Commercial- 37%-45% of slot revenue, 10% of table games revenue	Slots- 55% of slot revenue Tables- 14% of table game revenue
Where Gaming Tax Revenue Goes	Slots at Racetracks- to the Educational Enhancement Trust Fund (used to supplement public education funding statewide)	Riverboat- to the state general fund (used to fund state services including highway construction, education, fire protection and police protection) Land-Based- to the state general fund and to compensate the host county	Category 1- 20% local aid fund 15% transportation/ infrastructure 14% education fund 10% debt reduction 9.5% to econ. dev. 6.5% host/surrounding communities 25% to other funds Category 2 (slots only)- 82% local aid 18% race horse development	Commercial- 55% to the city 45% to the state school aid fund	Slots at Racetracks- 100% to State Education Fund Commercial- 80% to education or property tax relief 10% to host community 10% to counties within the region	Slots 62% property tax relief 22% Horse Race Industry 9% Econ. Dev./Tourism 7% Local /County Gov't Tables 86% to PA Budget General Fund 14% Local/County Gov't

HOST COMMUNITY ROLE

State legislation enabling commercial casinos and racetrack slots provides varying levels of power to host communities. Among those jurisdictions granting the most significant control is Massachusetts, where host communities were not only required to hold a referendum but casino companies competing for regional exclusivity were also required to negotiate formal agreements with host (and surrounding) communities setting out compensation and other commitments.

	FL	LA	MA	MI	NY	PA
Public Hearing	Per host county the public votes via referendum	No public hearing	The commission shall conduct a public hearing within the host community	Public hearings hosted by Casino Advisory Committee after public referendum	The New York Gaming Facility Location Board must hold a public meeting on impacts to the host municipality	Prior to licencing facility, the board must hold at least one public input hearing on the matter
Approval Process	Public Vote	Council Decision	Public Vote	Public Vote	Council Decision	Public Vote (on location)
Direct Payments to Host Community	12.5% of revenue is paid to the local counties	No direct payments negotiated. Mitigation payments made as described below	Direct payments negotiated between host community and casino applicant	Direct payments negotiated between host community and casino applicant	The State will ensure that host municipalities of casinos are provided with funding to limit any potential adverse impacts of casinos	Direct payments negotiated between host community and applicants
Aid to Surrounding Community	n.a.	No payments negotiated. Mitigation payments made as described below	Direct payments negotiated between surrounding community and casino applicant	Specified on ballot (see next page)	Casino applicants required to provide aid to surrounding communities based on applicants impact	Surrounding community aid based on negotiations with casino applicants
Mitigation	n.a.	~\$5 million in annual mitigation payments. Further breakdown in Appendix A	Various mitigation payments made to host communities as negotiated per HCA	Various mitigation covenants in ballot (see next page)	An applicant shall only receive a license if the applicant is mitigating potential impacts on the host and nearby municipalities	Mitigation payments made in accordance with community negotiations

SELECTED CASINO GAMING BALLOT QUESTIONS & RESULTS

	FL	LA	MA	MI	NY	PA
Ballot	Florida Slot Machines, Amendment 4	Louisiana Local Option on Gaming, Act 98	Massachusetts Casino Repeal Initiative, Question 3	Michigan Casino Gambling Act, Proposal E	NY Casino Gambling Amendment	n/a
Date	2004	1996	2014	1996	2013	n/a
Ballot Text	Authorizes Miami-Dade and Broward Counties to hold referenda on whether to authorize slot machines in existing, licensed pari-mutuel facilities (thoroughbred and harness racing, greyhound racing, and jai alai) that have conducted live racing or games in that county during each of the last two calendar years before effective date of this amendment. The Legislature may tax slot machine revenues, and any such taxes must supplement public education funding statewide. Requires implementing legislation.	A vote for would require the approval of a majority of voters in a parish before certain new gambling could be conducted there. In addition, a vote for would allow the Legislature to provide, by local or special law, for elections on propositions relating to allowing or prohibiting one or more forms of gambling authorized by legislative act. A vote against would continue to allow new gambling in a parish without the constitutional requirement of local approval and would continue to prohibit the Legislature from calling local elections on gambling through local or special laws.	This proposed law would (1) prohibit the Massachusetts Gaming Commission from issuing any license for a casino or other gaming establishment with table games and slot machines, or any license for a gaming establishment with slot machines; (2) prohibit any such casino or slots gaming under any such licenses that the Commission might have issued before the proposed law took effect; and (3) prohibit wagering on the simulcasting of live greyhound races. The proposed law would change the definition of "illegal gaming" under Massachusetts law to include wagering on the simulcasting of live greyhound races, as well as table games and slot machines at Commission-licensed casinos, and slot machines at other Commission-licensed gaming establishments. This would make those types of gaming subject to existing state laws providing criminal penalties for, or otherwise regulating or prohibiting, activities involving illegal gaming. The proposed law states that if any of its parts were declared invalid, the other parts would stay in effect. A YES VOTE would prohibit casinos, any gaming establishment with slot machines, and wagering on simulcast greyhound races. A NO VOTE would make no change in the current laws regarding gaming.	Proposal E would enact a new law to allow up to three casinos in the City of Detroit, establish a Michigan Gaming Control Board within the Department of Treasury to regulate casino gaming, impose an 18% State tax on gross gaming revenues, allocate 45% of the State tax revenue to the School Aid Fund, and allocate 55% of the State tax revenue to the City of Detroit for the hiring, training, and deployment of street patrol officers; neighborhood and downtown economic development programs designed to create local jobs; public safety programs such as emergency medical services, fire department programs and street lighting; anti-gang and youth development programs; and other programs that are designed to contribute to the improvement of the quality of life in the city. It should be noted that if non-Indian casinos operate in Michigan, then Indian casinos will no longer have to pay State or local governments. Currently, Indian casinos pay the State and local government units in which they are located a portion of their net win, which is the total amount wagered minus the total amount paid to winners from slot and electronic video games. For fiscal year 1995-96, Indian casinos paid \$30.3 million to the State and \$7.6 million to local units. Proposal E was placed on the ballot through the collection of petition signatures. If a majority of the voters cast "yes" votes on Proposal E, the new law will be enacted.	The proposed amendment to section 9 of the Constitution would allow the Legislature to authorize up to seven casinos in New York State for the legislated purposes of promoting job growth, increasing aid to schools, and permitting local governments to lower property taxes through revenues generated. Shall the amendment be approved?	n/a
Result	Yes- 50.8% No- 49.2%	Yes- 73.2% No- 26.8%	Yes- 40.0% No- 60.0%	Yes- 51.5% No- 48.5%	Yes- 57.1% No- 42.9%	n/a

CASINO IMPLEMENTATION IN SELECTED CITIES

INTRODUCTION

Although casino gaming is approved at the State level, most of the day-to-day impacts occur locally. When urban/city-center casinos were first introduced in the 1990s, the primary focus was compensating cities for expected increased services (e.g., police, EMS, fire, social services). More recently, municipalities have obtained greater control and a host of financial and related benefits (although the degree varies by city and state).

This section addresses cities where casino gaming has been introduced, in order to provide a sense of the current operating parameters and implications. As with the states reviewed in the previous section, we agreed with CAP/ADID to focus on several specific cities chosen for the range of timing (implementation) and scale (single-license and multi-license cities) specifically New Orleans, Pittsburgh, Chicago, Boston, Detroit, Philadelphia and Washington D.C. Note: the term “city” above refers to the identifiable market area not necessarily the actual municipality in which the casino is located. For example, the Chicago casino is located in Des Plaines, Illinois but serves the greater Chicago market.

The following pages summarize the size, scale, nature, capital cost of gaming venues, gaming revenue (including amounts shared—directly or indirectly—with the host city) as well as local versus tourist spending (and impact of spending on existing tourism infrastructure).

The cities have been grouped into single-casino locations (New Orleans, Chicago, Pittsburgh, Boston and Washington) and multi-casino locations (Detroit, Philadelphia). The following should be taken into account:

- The Chicago and Pittsburgh markets have additional gaming opportunities in suburban (or further) communities but we have identified the single largest casino closest to the downtown core for analysis.
- The Washington and Boston casinos are scheduled to open within the next few years.

The following pages contain a summary of each market.

More complete data on each city is contained in Appendix A (city-by-city characteristics).

MULTIPLE CASINO MARKETS

DETROIT

Casino gaming commenced in Windsor, Ontario (less than ½ mile across the Detroit River from Detroit) in 1993. By the late 1990's, despite tribal casinos in northern parts of Michigan, the single Windsor casino (operated by Caesars) was generating in excess of \$700 million/year. The outflow of gaming dollars to Windsor (the greater Detroit population of 3.7 million compares to Windsor's 320,000) spurred Detroit and Michigan legislators to permit gaming with a focus on Detroit. The legislation read in part to "Permit up to three gaming casinos in any city that meets the following qualifications: has a population of 800,000 or more; is located within 100 miles of any other state or country in which gaming is permitted; and has had casino gaming approved by a majority of the voters in the city."

Detroit officials were clear in their intent to cluster the casinos in downtown Detroit as a means to incent additional downtown development. A condition of development was the inclusion of an 800-room hotel (later reduced to 400 rooms). Temporary casinos were permitted (in fact, encouraged) in order to start the tax revenue flow. In fact, today's existing casinos are all located (and in some cases largely incorporate) the original temporary casinos.

The City of Detroit has faced a host of problems related to its traditional automobile manufacturing industries however, the casinos continue to perform and recent development in central Detroit suggests ongoing visitation is likely.

PHILADELPHIA

The Pennsylvania Gaming Control Board is permitted to issue 14 gaming licences including five stand-alone casino licenses (two in Philadelphia and one in Pittsburgh), seven racetrack casino licences and two resort casino licences. Philadelphia is the only Pennsylvania city with two casino licences although two racetrack casino licences (Harrah's Chester and Parx Bensalem) and one resort licence (Valley Forge) operate within the broader Philadelphia market area.

The two Philadelphia casinos were selected from among five applicants: SugarHouse (HSP Gaming, later Rush Street) and Foxwood Casino Philadelphia. The Foxwoods consortium was unable to secure financing and the licence award was rescinded; the second casino has yet to open although a license has been awarded.

Leading up to the licence awards, the Philadelphia Gaming Advisory Task Force was struck by the Mayor and civic representatives to collect "data, observations, and projections based on research and analysis conducted, collected, and/or reviewed by the Task Force and its consultants." The report was "intended to be used to assist the Mayor in making recommendations to the Pennsylvania Gaming Control Board on the introduction, implementation, and integration of gaming within the City of Philadelphia." The report contained a series of recommendations on location, social and financial impacts, government role and related matters.

SINGLE CASINO MARKETS

NEW ORLEANS

When initiated in 1993, the proposed New Orleans casino was touted as the largest in the world and would have made New Orleans the only major urban centre to feature a casino in the downtown core. While the State of Louisiana ran a competition for casino developer/ operator, the location for the casino had already been agreed as the site of the former Rivergate Convention Centre at the foot of Canal Street.

Early projections suggested gaming revenue of \$600 million +/-year with the state receiving \$100 and the City of New Orleans some \$20 million. Revenue was a principal motivation to approve the casino as was the creation of employment and as a means to incent greater tourist visitation to the area. Unfortunately when the temporary facility opened in 1995 (in advance of the permanent casino planned for Rivergate) the aggressive projections were off on almost all counts. Revenues didn't materialize (nor tax payments) and casino patrons were mostly drawn from the immediate area. Financial issues caused a series of stop-work orders and ownership changes, with the current casino (about half the size of original plans) eventually opening in 1999.

A 400-room hotel was opened by Harrah's in 2006 to support casino operations.

PITTSBURGH

The Pennsylvania Gaming Control Board is permitted to issue 14 gaming licences including five stand-alone casino licenses (two in Philadelphia and one in Pittsburgh), seven racetrack casino licences and two resort casino licences. Rivers Pittsburgh casino is located on a central waterfront site in the downtown core and operates in a broader market (within 60 miles) with The Meadows [racetrack] Casino (Washington, PA) and the Nemacolin resort casino.

The competition for the sole Pittsburgh casino included bids from Majestic Star (to become "Rivers Pittsburgh" after an ownership change), Isle of Capri Casinos, North Shore Gaming, and Station Square. Isle of Capri's offer to pay \$290 million towards the replacement of the Mellon Arena made them the preferred bidder from the City's perspective however the Majestic Star group was selected after committing to a \$7.5 million/year contribution towards a new hockey arena. The casino opened in 2009. Table games were added one year later.

Leading up to the selection process, the City of Pittsburgh Planning Department submitted an extensive report to the Gaming Control Board, favoring another bidder. Apparently this submission did not affect the outcome of the vote.

SINGLE CASINO MARKETS

CHICAGO (DES PLAINES)

The greater Chicago area is the nation's third largest population concentration and has been served by various gaming options (within Illinois and adjacent Indiana) for more than a decade. The closest casino to downtown Chicago is "Rivers" located in Des Plaines (a Chicago bedroom community adjacent to O'Hare Airport) and technically classified as a "riverboat casino" under Illinois gaming law. Nine other "riverboat" casinos operate in Illinois, four of which are located within 50 miles of downtown Chicago (Harrah's Joliet, Hollywood Casino Aurora, Grand Victoria Casino Elgin and Hollywood Casino Joliet).

Rivers Des Plaines performance (fiscal 2015) of \$424.9 million (more than twice the revenue of the next two best performing casinos) speaks to the strength of the broader Chicago market. State-wide casino revenue of \$1.44 billion and video lottery terminal revenue of \$913.6 billion (on 22,135 machines) reinforces this demand profile.

Given this market strength, State and City (Chicago) officials have been giving consideration to a centrally-located Chicago casino of vast proportions (up to 10,000 slot machines) justified primarily on the ability to generate tax revenue. A unique twist is the proposal for a government-operated casino, a model that currently does not exist anywhere in the United States.

SINGLE CASINO MARKETS (IN DEVELOPMENT)

BOSTON (EVERETT)

The Massachusetts Gaming Commission is responsible for implementing the Expanded Gaming Act by selecting full-service casinos in three zones. The “Boston Zone” (Region A) was a highly coveted opportunity where Wynn Resorts eventually beat a team headed by Mohegan Sun. The Boston-area casino (located in Everett, to the north of the downtown core) is expected to open in 2018.

Massachusetts has allowed host communities as much, if not more, influence in casino selection decisions as any jurisdiction. Both Wynn and Mohegan Sun (project proposed for another Boston suburb, Revere) were required to negotiate “host community agreements” with each municipality (and surrounding municipalities) before a city-wide referendum was held. The results of the host community agreement formed the basis for the vote. The public nature of the agreement and the vote arguably put considerable pressure on both developer and municipality to negotiate.

The Massachusetts Gaming Commission decision was based on five broad (unweighted) factors including site/building, finance/market, economic development, mitigation (on a number of fronts including impact on the state lottery) as well as a general catchall category. The Host Community Agreement components were highlighted across many of these weighting criteria including traffic/transportation, source of visitors (regional residents versus tourists), employment (commitments to hire locally) and environmental factors.

WASHINGTON D.C. (NATIONAL HARBOR, MARYLAND)

In May 2013, three proposals were submitted for Maryland’s sixth full-service casino to be developed in Prince George’s County, Maryland (across the Potomac River to the east). The Maryland Lottery and Gaming Control Agency’s procurement process elicited bids from MGM (National Harbor), Parx (Fort Washington) and Penn National (Rosecroft Racetrack). Ultimately MGM was successful with plans to open a \$900 million project in late 2016.

The Agency weighted business and market factors (70%), economic development factors (15%) and location siting factors (15%) in making its decision. Some controversy surrounded the lack of weighting applied to horse racing (and the future of the Rosecroft Racetrack) but this was not an identified criterion. A referendum was not required at the municipal level, but the RFP fixed the casino location as within “a four-mile radius of the intersection of Bock Road and St. Barnabas Road.”

National Harbor is a “census-designated place” (a concentration of population within a larger municipal entity/government) within Prince George’s County. National Harbor is a centrally-developed, 350-acre mixed-use project anchored by the Gaylord convention center, a major outlet mall and 50+restaurants and retail stores. The MGM casino is seen as a complementary use to the existing hospitality and retail businesses.

SOCIAL IMPACTS OF CASINO GAMING

INTRODUCTION

Since the introduction of multiple forms of gaming in North America, including casino gaming, no end of discussion, analysis and debate has occurred over the means to measure social and economic impacts. It should be noted that while the measurement of economic impacts can occur on a more timely and quantifiable basis the potential offset from social costs is less well defined.

In 2011, The Social and Economic Impacts of Gambling report was prepared for the Canadian Consortium for Gambling Research. The study remains the most comprehensive compilation of research reports identifying and analyzing 492 research projects, some 293 of which were empirical investigations. The majority of the studies were undertaken in the United States (62%) with others in Canada (16%), Australia (8%), and New Zealand (4%). Selected findings of this comprehensive study are summarized below:

“In general, the most consistent economic impacts across all forms of gambling tends to be increased government revenue, increased public services, increased regulatory costs (a relatively minor expense), and either positive or negative impacts on non-gambling businesses. The most consistent social impacts across all forms of gambling tends to be increased problem gambling (with most of this increase occurring after initial introduction), increased crime (to a small extent), increased socioeconomic inequality (to a small extent), and more negative attitudes toward gambling. “

“There are different impacts as a function of type of gambling. Formats that generate the most revenue (casinos, EGMs) and that are the most likely to be directly delivered by governments (lotteries) have the most reliable positive impacts on government revenue and the accompanying public services that may derive from this. Forms of gambling that are venue based (casinos, horse race tracks) are the only ones with the potential to add to the infrastructure value of the jurisdiction and also the only forms likely to impose infrastructure costs. Destination casinos have the greatest potential to bring in revenue from outside the local area, and thus, the greatest potential to create broad economic benefits to other local businesses in terms of revenue, business starts, and employment. Casinos have the greatest potential to increase property values. Continuous forms of gambling (casino table games, EGMs) and forms of gambling with 24 hr accessibility (Internet gambling) have greater potential to increase problem gambling. Casinos have the greatest potential to increase crime, and lotteries have the greatest potential to decrease crime. EGMs are the least labour intensive form of gambling and are most likely to decrease overall employment, whereas horse racing and casinos have the greatest potential for increasing employment.”

INTRODUCTION (CONT'D.)

Study findings continued:

“Destination casinos have the greatest potential for improving the quality of life for impoverished communities, whereas non-destination casinos and EGMs have the greatest potential for decreasing quality of life.

“The impacts of gambling can vary considerably between jurisdictions, as the impacts are strongly mediated by a) the magnitude of the change in gambling availability that has occurred for the population; b) the type of gambling that is being introduced; c) the length of time that gambling has been legally available in the jurisdiction prior to the introduction of additional or new forms; d) whether patrons and revenues are locally derived or come from outside the jurisdiction; e) the type and extent of gambling opportunities in neighbouring jurisdictions; e) the strength of jurisdictional policies and educational programs to mitigate the negative effects of gambling; f) baseline levels of community impoverishment; g) whether the impacts are only being examined at a micro community-specific level, or whether larger macro regional impacts are taken into account; h) the length of the time in which impacts are being evaluated; and i) how gambling revenue is ultimately distributed.

“Depending on these variables, the overall impact of gambling in a particular jurisdiction in a specific time period can range from small to large, and from strongly positive to strongly negative. That being said, in most jurisdictions, in most time periods, the impacts of gambling tend to be mixed, with a range of mild positive economic impacts offset by a range of mild to moderate negative social impacts.

For the purposes of understanding potential impacts on Atlanta and Georgia we reviewed the 2011 study (and more recent research) to gain a better understanding of the following impacts:

- Incidence of crime
- Incidence of problem gambling
- Impact on neighbourhoods and communities
- Substitution/cannibalization of existing consumer spending

Our findings follow. A list of additional research sources is contained in the Appendix.

INCIDENCE OF CRIME

Crime is one of the first concerns raised when consideration is being given to introducing casinos. The Social and Economic Impacts of Gambling report (the “Report”) identifies several ways in which casino gaming can have an impact on crime rates including 1) a decrease in illegal gambling; 2) an increase in the number of problem gamblers (a percentage of which will commit crimes to raise revenue); 3) an increase in illegal activity associated with the gaming activity (i.e., passing counterfeit money, loan-sharking, cheating-at-play); 4) an increase in alcohol-related offences at a licensed premises and; 5) increasing the overall number of visitors to the area.

The Report is clear in noting that the empirical research and opinions vary with respect to incidence of crime by stating that:

- “the most common finding is that crime rates do indeed increase with increased gambling availability”;
- and
- “many studies that found gambling introduction to have no impact on crime.”

Several more recent studies have found limited increased incidence of crime and, to the extent that crime increases do exist, these increases most often result from the fifth factor identified above: a significant increase in traffic/people at the site of the casino.

The Report concludes the section on crime by stating “Because the magnitude of the increase in crime is not that large in most of the studies, the presence of any of these other moderating factors has the potential to negate the increased crime effect.”

IMPACTS ON NEIGHBOURHOODS AND COMMUNITIES

Potential impacts on neighborhoods and communities can take many forms. With respect to major urban casinos the following concerns are raised:

- Traffic/congestion/parking—often one of the greatest concerns associated with the introduction of casino gaming is one of the most basic essentially, access to and from the casino site. This impact will vary based on casino size and associated visitor generating capability, existing road networks, availability of public transit (often more of an issue for staff), location of the casino (if proximate to other visitor-generating venues including convention centres and sports stadia) and the availability of on-site and adjacent parking. Limited research exists to assess this potential impact as each situation is unique. However a large urban casino in Atlanta, capable of accommodating a significant portion of estimated demand, could easily generate 15,000+ visits/day (not including staff).
- Infrastructure requirements—As with traffic and parking, infrastructure requirements are specific to each individual project. On the transportation front expanded road and transit capacity might be required. Municipal services (e.g., water, sewer, EMS) may also need increased capacity.
- Property values—Less of an issue in downtown or commercial zones, concerns over the impact of casinos on property values have also been raised. Depending on how the host government(s) approach traffic/congestion/parking and infrastructure requirements, the impact on property values could be either positive or negative.

INCIDENCE OF PROBLEM GAMBLING

The reported prevalence rates (i.e., the percentage of problem gamblers among the larger population) varies even among academics and medical institutions focusing on this topic. In one of the more recent studies, “The Population Prevalence of Problem Gambling: Methodological Influences, Standardized Rates, Jurisdictional Differences, and Worldwide Trends” which was conducted in 2012, the authors found that the incidence of problem gambling in the United States was 2.1% (a finding that places the U.S. slightly higher than European rates and lower than rates typically found in Asia).

Any discussion of problem gambling however, needs to address several underlying realities:

- that the incidence of problem gambling is not consistent across all forms of gaming (e.g., casino gaming in a regulated monitored environment and internet gaming);
- often those with problem gambling susceptibility are also prone to other addictive behaviors (e.g., alcohol) but the newness of gambling places greater emphasis on this activity as the root cause;
- much of the historical research used to quantify problem gambling was generated before the “modern era” of gaming (marked by increased focus on responsible gaming programs including training casino staff to prevent abuse) and;
- more recent research suggesting that after initial spikes in problem gambling incidence—following introduction of gaming—the rates of problem gambling stabilize or even decrease.

Problem gambling does exist as an issue for a small percentage of the population. And no one’s best interest is served by either exploiting the vulnerable—leading to a rise in problem gambling—nor reinforcing a perception that the industry is neither aware or capable of addressing such perceptions. But negative consequences from problem gambling do occur. Of the most serious (and those necessitating intervention at the local level) are consequence associated with financial distress (bankruptcies, use of food banks), social services (counselling,

behavior change management) and judicial proceedings (resulting from petty crimes and gaming-related incidents).

Proximity of gaming opportunities has proven to be a factor leading to increased rates of problem gambling. Therefore any introduction of casino gaming in Georgia should be implemented with a concurrent regime of responsible gaming (including training and self exclusion opportunities) and appropriate monitoring.

LOTTERY IMPACTS FROM CASINO SPENDING

INTRODUCTION

In many cases state-run lotteries were the first, and often the only, form of gaming available as North American legislatures started considering casino gaming. The principal concern was potential cannibalization of lottery revenue and the resulting decrease in lottery spending (and corresponding state revenue).

For the most part lottery revenue cannibalization has been modest, but the degree of impact varies by the nature of lottery product. Five states were reviewed as part of this analysis (Illinois, Maine, Maryland, Pennsylvania, Ohio). These states were selected given recent introduction of casino gaming and the presence of established state lotteries at the time of introduction. Almost all states reviewed offer ticket lotteries but only a few offer “monitor games” (the lottery product most closely resembling a casino electronic game or “slot”).

Game/ State	Instant	Multi-State	Daily Numbers	Other Games	Monitor Games
Examples of Games	Instant/ scratch & win tickets	Mega Millions/ Powerball	Daily numbers games – Pick 3, Pick 4, etc.	Other statewide draw games, raffles, etc.	Keno type games played on video monitors – several sessions/ day (~every 4/5 minutes)
Maine	√	√	√	√	NO
Maryland	√	√	√	√	√ available at bars, bowling alleys, grocery stores, restaurants
Pennsylvania	√	√	√	√	NO
Ohio	√	√	√	√	√ available at bars, fraternal organizations, grocery/ convenience stores, restaurants
Illinois	√	√	√	√	NO

IMPACT OF RECENT CASINO GAMING INTRODUCTION ON SELECTED LOTTERIES

The data summary below shows the total revenue or “win” (i.e., amount wagered less prizes) generated by lotteries and casinos across the five states previously identified.

Using Maine as an example, the State lottery generated \$80.4 million in win during FY2005 and has increased to \$87.2 million in FY2015....with very little year-over-year fluctuation. Casinos were introduced in Maine during FY2006 (“slots-only” operations; no table games), generating \$21.3 million in “win” during this partial operating year. Casino win has since increased to \$128.4 million.

Impact of Recent Casino Gaming Introduction on Lotteries in Selected States (\$Million)											
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Maine (1)											
Lottery Win	\$80.4	\$85.5	\$84.5	\$83.5	\$79.2	\$83.6	\$82.2	\$85.5	\$85.0	\$85.8	\$87.2
Casino Win	n.a.	\$21.3	\$41.5	\$43.2	\$57.2	\$61.3	\$60.0	\$68.4	\$124.2	\$125.4	\$128.4
Maryland (2)											
Lottery Win	\$629.5	\$656.8	\$650.3	\$716.2	\$672.2	\$672.4	\$685.4	\$729.2	\$717.6	\$702.0	\$709.4
Casino Win	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$103.1	\$195.1	\$608.7	\$834.0	\$1,038.2
Pennsylvania (3)											
Lottery Win	\$1,115.4	\$1,265.4	\$1,243.7	\$1,243.8	\$1,235.7	\$1,198.6	\$1,249.5	\$1,360.4	\$1,400.7	\$1,422.9	\$1,408.0
Casino Win	n.a.	n.a.	\$454.6	\$1,404.8	\$1,754.0	\$2,164.8	\$2,854.4	\$3,140.6	\$3,142.0	\$3,051.8	\$3,115.5
Ohio (4)											
Lottery Win	\$878.3	\$909.8	\$921.0	\$928.1	\$958.6	\$976.5	\$997.9	\$1,058.2	\$1,029.9	\$1,045.1	\$1,016.8
Casino Win	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$76.5	\$858.5	\$1,262.7	\$1,581.6
Illinois (5)											
Lottery Win	\$705.0	\$670.0	\$723.3	\$700.6	\$755.2	\$771.5	\$806.1	\$909.1	\$831.2	\$851.3	\$878.2
Casino Win	\$1,658.0	\$1,784.0	\$1,831.6	\$1,709.9	\$1,718.0	\$1,798.9	\$1,923.5	\$1,983.4	\$1,568.7	\$1,428.9	\$1,373.4
VLT Win	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$300.68	\$659.50	\$913.59

1) Bangor Racino opened on November 2005 and Oxford Racino opened Jun 2012.

2) Slots introduced in January 2011. Table gaming introduced in March 2013.

3) Casino gaming introduced in December 2006.

4) Casinos and Racinos introduced in May 2012.

5) VLTs introduced in September 2012.

Note: Win is defined as amount wagered less prizes paid.

Source: HLT Advisory Inc. based on population data from US Census Bureau, respective State Lottery Annual Reports and HLT estimates.

ACADEMIC RESEARCH ON LOTTERY IMPACTS

A recent research study conducted by Cummings and Walker (2014) examined the impact of introducing casinos on lottery sales in Maryland and concluded that:

“Casinos have a statistically significant negative impact on Maryland lottery sales, with an estimated [annual] decline in annual lottery sales of \$44-50 million (or 2.7%) due to casinos, and that the casinos’ cannibalization of lottery revenues is greater [when located proximate to a casino].”

The study also found that the greatest negative impacts from the introduction of casinos occurred with monitor games, followed by multi-state and instant games. The study noted that negative impacts on monitor games (particularly those located near casinos) is not unexpected given that these games offer a closer substitute to casino slot machines.

The degree to which a 2.7% impact on lottery sales is “statistically significant” as the study suggests is debatable. However, a thorough analysis of lottery impacts in a given State needs to also take into account:

- The type of lottery games currently offered (including where these games are authorized to be sold) and the amount of revenue generated by type of game. The similarity of lottery games to casino games is a key factor.
- Tax structure to be imposed on casino revenue (and the comparison to lottery taxation/profitability).
- The indirect revenues and spin offs from developing/building and operating a casino including employment (and associated taxation of payroll and spending), catalytic effects of mixed use development projects and purchase of goods and services to operate.
- Recaptured out-of-state spending on casinos (and other forms of gaming). In the case of Georgia, as much as \$670 million is spent by Georgians at out-of-state casinos. Assuming 80% of this out-of-state spending is recaptured by a Georgia casino(s) and a 20% gaming tax, the State would collect between \$90 and \$107 million.

Give these findings, the impact on Georgia’s lottery revenue from the introduction of casino gaming is believed to be minimal and would certainly be offset by incremental casino gaming revenue.

DISCRETIONARY SPENDING IMPACTS FROM CASINO GAMING

(SUBSTITUTION/CANNIBALIZATION OF SPENDING)

SUBSTITUTION/CANNIBALIZATION OF SPENDING

No methodology exists to quantify potential substitution in advance of knowing the nature and scale of casino gaming contemplated in Georgia (and only limited ability after these development plans are known). However, the degree of substitution needs to be considered across a range of factors including:

- Broad-based impacts—any substitution that may occur would be spread out over a wide geography and across multiple segments of the economy consistent with the origin of the casino customer and the diversity of consumer behavior (i.e., different casino customers will have differing economic circumstances, spending needs and preferences). Any substitution effect would be allocated across this broader catchment area and displaced from a variety of industries.
- Nature of the casino project—The extent of the catchment area will be, in part, a function of the size of the facility. Typically a positive relationship exists between the size and scale of a gaming facility, all else equal, and the distance consumers will travel. The further the distance consumers travel means the greater the area over which any substitution effect will be spread. Additionally, the amenities housed in the casino complex will partially dictate the effects external businesses feel. A facility that offers a variety of restaurants, bars, spas, and other complimentary or substitution entertainment offerings can have a greater effect on external businesses than a stand-alone gaming facility. These amenities can be mandated or excluded by regulation.
- Comparative tax rates—tax rates applied to casino gaming are almost always greater than tax rates applied to goods and services. To the extent a dollar spent on a good or service is substituted by spending the same dollar at a casino, the net tax revenue will be greater. In order to assess the overall impact substituted purchases make, tax rates applied to general goods and services (i.e. sales taxes) need to be compared to the tax rates applied to casino gaming.
- Recapture of outbound casino spending—some \$570 to \$670 million is being spent by Georgia residents at casinos in neighboring states. Permitting casino gaming in Georgia will recapture the majority of this outbound spending together with associated travel and hospitality costs (e.g. fuel, meals, overnight accommodation).

The actual impacts caused by a casino will vary widely based on size and scale of the, nonlocal/out-of-state visitation, surrounding businesses, and substituted tax rates. These factors (among others) will influence the substitution effect and any magnitude that it could have on the community.

FINAL THOUGHTS

FINAL THOUGHTS

This report has attempted to provide insights into the market for casino gaming in Georgia, the process to introduce casino gaming in selected other states (and at the municipal level) as well as identifying some of the broad impacts associated with casinos. Much more information and analysis are necessary to properly assess how (or why or where) a casino(s) might be appropriate for Atlanta and Georgia.

However some findings are clear:

- Atlanta and Georgia are potentially large gaming markets.
 - Potential casino spending by Georgians is estimated between \$2.153 and \$2.512 billion (in addition to tourist-related spending).
 - Some \$570 to \$670 million is already being spent by Georgians at casinos outside of Georgia (along with travel and hospitality costs)
 - At a 20% tax rate, as proposed in the most recent legislation, and assuming an 80% capture rate of casino spending potential, the State could earn between \$325 and \$400 million/annum in gaming tax.
- The strength of the casino market opportunity is a result of market size and population density (e.g. Atlanta), location of major cities, the strength of the tourism and convention market and relative wealth of the area.
- Most North American casinos draw most visitation from within a reasonable driving distance. This situation is not expected to be different for a casino located either in Atlanta or elsewhere in Georgia.
- Some impact may be felt on the Georgia lottery. From a State revenue perspective, losses are likely to be offset by revenue gains from development and operation of casinos (assuming a roll out similar to that envisioned to date).
- Should casino gaming be permitted in Georgia (with investment levels and tax rates of the order of magnitude contemplated in the latest proposed legislation) significant interest will be generated by casino developers and operators.
- A casino of the size contemplated (i.e., a larger destination casino for Atlanta)

will create substantial parking, transportation and roadway infrastructure requirements...regardless of where a such a casino might be located.

- Negative impacts will occur as a result of entering the casino marketplace. The extent of these negative impacts will be a function of casino(s) location, project plans, operating model and a host of unknowns.

Given these initial conclusions, Central Atlanta Progress/Atlanta Downtown Improvement District is advised to identify desirable outcomes from implementation of casino gaming in Georgia. Further, that CAP/ADID work with the City of Atlanta (or others) to ensure effective input into key decisions such as location, revenue sharing, required infrastructure (e.g., additional hotel/convention capacity) and mitigation issues (including responsible gaming initiatives).

APPENDIX A:

CITY-BY-CITY CHARACTERISTICS

The following six pages contain three discrete set of characteristics:

- Casino Description and Performance
- Taxes and Benefits
- Employment and Spending

Two pages for each characteristic (one each for single casino and multiple casino markets)

CASINO DESCRIPTION AND PERFORMANCE - MULTIPLE CASINO MARKETS

Market	Casino Description and Performance - Multiple Casino Markets							
	Philadelphia				Detroit			
City	Philadelphia	Bensalem	Chester	King of Prussia	Detroit	Detroit	Detroit	
Facility Name	SugarHouse	Parx	Harrah's	Valley Forge	MotorCity	MGM	Greektown	
Opened/ Projected Opening	2010	2006	2007	2012	1999	1999	2000	
Description: Gaming								
Size (sq. ft.)	52,644 sq. ft.	153,407sq. ft.	106,102 sq. ft.	33,222 sq. ft.	100,000 sq. ft.	127,000 sq. ft.	100,000 sq. ft.	
Slots	1,900	3,285	2,800	600	2,800	3,900	3,000	
Tables (excluding poker)	59	112	84	50	59	98	60	
Description: Non-Gaming/Support								
Hotel Rooms	not applicable	not applicable	not applicable	326	400	400	400	
Food & Beverage Outlets	4	6	6	7	9	11	5	
Meeting/Conv. Space (sq. ft.)	30,000 sq. ft.	not applicable	14,000 sq. ft.	62,000 sq. ft.	67,000 sq. ft.	30,000 sq. ft.	20,000 sq. ft.	
Other Amenities	Ent. venue	Multiple ent. venues	Ent. venue, retail	Ent. venue, spa, fitness	Ent. venues, spa	Ent. venues, spa	Ent. venue	
On-site Parking Spaces	2,400	n.a.	2,600	3,000	3,500	5,625	3,000	
Development								
Developer/Operator	Rush Street	Parx	Harrah's	Valley Forge Convention Center	Detroit Entertainment	MGM	Rock Gaming	
Capital Investment (\$M)	\$500.0	\$250.0	\$441.0	\$165.0	\$825.0	\$803.0	\$245.0	
Performance								
Gross Gaming Revenue (FY15-\$M)	\$270.2	\$507.6	\$284.7	\$109.3	\$464.5	\$582.0	\$329.9	
Gross Gaming Revenue (Year 1-\$M)	not applicable	not applicable	not applicable	not applicable	not applicable	not applicable	not applicable	
Visitation								
Local (up to 2 hours)		~85%				~85%		
Regional (2+ hours)		~5%-10%				~5%-10%		
Tourists		<5%				<5%		
Total Visits (M most recent annual est.)	2.5	4.6	2.6	1.0	4.2	5.3	3.0	

n.a.: information not available.

* Visitation estimated based on an average spend of \$110 visit.

Note: Tourist visitation percentages are HLT Advisory estimates.

Source: HLT Advisory Inc. based on State gaming commissions/boards, and other relevant sources

CASINO DESCRIPTION AND PERFORMANCE – SINGLE CASINO MARKETS

Casino Description and Performance - Single Casino Markets					
Market	Chicago	New Orleans	Pittsburgh	Washington D.C	Boston
City	Des Plaines	New Orleans	Pittsburgh	National Harbor, MD	Everett
Facility Name	Rivers	Harrah's	Rivers	MGM	Wynn
Opened/ Projected Opening	2011	1999	2009	2016	2018
Description: Gaming					
Size (sq. ft.)	43,687 sq. ft.	125,100 sq. ft.	138,140 sq. ft.	125,000 sq. ft.	190,461 sq. ft.
Slots	1,024	1,750	2,981	3,600	2,574
Tables (excluding poker)	52	140	84	140	141
Description: Non-Gaming/Support					
Hotel Rooms	not applicable	450	not applicable	300	629
Food & Beverage Outlets	6	9	5	12	10
Meeting/Conv. Space (sq. ft.)	n.a.	47,000 sq. ft.	10,000 sq. ft.	27,000 sq. ft.	32,942 sq. ft.
Other Amenities	Ent. venue	Multiple ent. venues, luxury retail	Multiple ent. venues	Multiple ent. venues, spa, luxury retail	Multiple ent. venues, spa, luxury retail
On-site Parking Spaces	2,250	800	3,800	4,800	3,736
Development					
Developer/Operator	Midwest Gaming & Entertainment	Caesars	Rush Street	MGM	Wynn
Capital Investment (\$M)	\$445.0	n.a.	\$372.0	\$1,300.0	\$1,700.0
Performance					
Gross Gaming Revenue (FY15-\$M)	\$424.9	\$317.4	\$348.3	not applicable	not applicable
Gross Gaming Revenue (Year 1-\$M)	not applicable	not applicable	not applicable	\$712.6	\$804.1
Visitation					
Local (up to 2 hours)	~85%	n.a.	~85%	n.a.	~68%
Regional (2+ hours)	~5%-10%	n.a.	~5%-10%	n.a.	~14%
Existing/Destination Tourists	<5%	n.a.	<5%	n.a.	~18%
Total Visits (M most recent annual est.)*	3.4	4.8	3.2	6.5	7.4

n.a.: information not available.

* Estimated for Pittsburgh's River and Washington's National Harbor based on an average spend of \$110 visit.

Note: Tourist visitation percentages are HLT Advisory estimates.

Source: HLT Advisory Inc. based on State gaming commissions/boards, and other relevant sources

TAXES AND BENEFITS – MULTIPLE CASINO MARKET

Market	Philadelphia				Detroit		
City	Philadelphia	Bensalem	Chester	King of Prussia	Detroit	Detroit	Detroit
Facility Name	SugarHouse	Parx	Harrah's	Valley Forge	MotorCity	MGM	Greektown
Stated Rational	Provide PA with new revenue, economic & job development, enhance tourism, and help aid the horse racing/breeding industry. Also, repatriate casino dollars going out-of-state				Objectives were 4-fold: stimulate tourism/convention business, create jobs, add tax revenues, repatriate gaming dollars leaving Michigan		
State Taxes Earned							
One time License Fee	\$74.75M	\$74.75M	\$74.75M	\$5M	Licensing fee of \$25,000/casino/year		
Annual tax rates	Slots: 55% of revenue Tables: 14% of revenue				Wagering tax of 8.1%/casino to the State, \$8.3M State Services Fee/year/casino, \$667K/year/casino for Compulsive Gaming Prevention Fund		
State Taxes Allocations	Slots: 62% property tax relief, 22% horse racing industry, 9% economic development/tourism, 7% local county Tables: 86% State budget general fund, 14% local county				State school aid fund, general fund, Michigan agriculture equine industry development fund		
City Taxes Revenue							
One time tax/fee	not applicable	not applicable	not applicable	not applicable	Pay \$17M to City within 60 days upon license approval	not applicable	not applicable
Share of State Tax Revenue	Slots: 7% of state tax local county Tables: 14% of state tax local county				not applicable	not applicable	not applicable
Annual revenue	\$1M/year to Special Services District	not applicable	not applicable	not applicable	Wagering tax of 10.9%/casino (on adj. gross receipts), Host fee of > of 1.25% of adj. gross receipts or \$12M (\$4M/facility)		
One-time Other	not applicable	not applicable	not applicable	not applicable	Pay \$17M to City in 12 equal payments at start of each month beginning June 1, 03, Application fee of \$50,000/casino	\$1M for Joint Employment and Procurement Advisory Board, \$1M for Allocable Share of Development Costs, Application fee of \$50,000/casino	Application fee of \$50,000/casino
Annual Other	not applicable	not applicable	not applicable	not applicable	1% of daily AGR remitted daily to the City	not applicable	1% of AGR paid annually
City Conditions	Provide access to waterfront	not applicable	not applicable	not applicable	not applicable	Pay pro rata share of all infrastructure improvement costs (not >\$250M)	not applicable

Source: HLT Advisory Inc. based on State gaming commissions/boards, Host Community/Development Agreements, and other relevant sources

TAXES AND BENEFITS - SINGLE CASINO MARKETS

Market	Chicago	New Orleans	Pittsburgh	Washington D.C	Boston
City	Des Plaines	New Orleans	Pittsburgh	National Harbor, MD	Everett
Facility Name	Rivers	Harrah's	Rivers	MGM	Wynn
<u>Stated Rational</u>	Encourage tourism & economic development - particularly in economically struggling areas	Develop economic activity & growth of tourism industry (encourage out-of-state visitation)	Provide PA with new revenue, economic & job development, enhance tourism, and help aid the horse racing/breeding industry. Also, repatriate casino dollars going out-of-state	Resort style destination attracting out-of-state visitors, create local jobs and spur economic activity	Provide significant benefits by advancing job creation and economic development
<u>State Taxes Earned</u>					
One time License Fee	\$125M	\$125M	\$74.75M	\$21M for VLTS	\$85M
Annual tax rates	* Graduating Tax Rate from 15% of AGR <\$25M to 50% of AGR >\$200M * Admissions Tax: \$3 per person (\$1 to host community) * Additional Tax: 2% AGR to Cook County Criminal Justice System	*The greater of \$60M or 21.5% of Total GGR	* Slots: 55% of revenue * Tables: 14% of revenue	* Slots: 61% of GGR * Tables: 20% of GGR	* 25% of total GGR * \$600/slot machine to fund MGC expenses
State Taxes Allocations	Education Assistance Fund Gaming Board Admin & Operation Expenses	State general fund and to compensate the host county	Slots: 62% property tax relief, 22% horse racing industry, 9% economic development/tourism, 7% local county Tables: 86% State budget general fund, 14% local county	Education Trust Fund, local impact grants	20% local aid fund, 15% transportation/infrastructure, 14% education fund, 10% debt reduction, 9.5% economic development, 6.5% host community, 25% to other funds
<u>City Taxes Revenue</u>					
One time tax/fee	not applicable	not applicable	not applicable	not applicable	not applicable
Share of State Tax Revenue	\$1 admissions tax+5% wagering tax to Des Plaines (40% of tax revenue allocated to 10-25 of the neediest communities in Cook County), and 2% AGR to Cook County Criminal Justice System	not applicable	Slots: 7% of state tax to local county Tables: 14% of state tax local county	not applicable	20% local aid fund, 6.5% to host community
Annual revenue	not applicable	\$12.5M/year to City for lease (revised to \$5M in 2001) \$12.5M to City in property taxes \$1M to New Orleans DMO \$2M to New Orleans School Board \$1.25M when GGR >\$350M	not applicable	5.5% of video lottery terminal (VLT) revenue	* Community impact fee of \$5M (increasing by 2.5% per annum) * payment in lieu of taxes (PILOT) of \$20M (increasing by 2.5% per annum)
One-time Other	not applicable	not applicable	\$1M for 3 years to each of Pittsburgh Hill District & Northside Leadership Conference	Lump sum \$4M in improvements to Thomas Addison School and \$1M to local community, on-going payments of \$400K to community	Community enhancement fee of \$30M (in three installments)
Annual Other	not applicable	\$225K to assist local organizations/projects that aid New Orleans community, \$200K to Audubon Park Commission	\$7.5M for 30 years to fund new Pittsburgh arena	Estimated \$3.7M in roadway improvements	Pay for upgrades to existing electric and natural gas facilities, and water infrastructure
City Conditions	not applicable	not applicable	not applicable	Best efforts to allow County residents to invest in Project	Min. \$1 billion in project investment

Source: HLT Advisory Inc. based on State gaming commissions/boards, Host Community/Development Agreements, and other relevant sources

EMPLOYMENT AND SPENDING - MULTIPLE CASINO MARKETS

Market	Employment and Spending - Multiple-Casino Markets							
	Philadelphia				Detroit			
City	Philadelphia	Bensalem	Chester	King of Prussia	Detroit	Detroit	Detroit	
Facility Name	SugarHouse	Parx	Harrah's	Valley Forge	MotorCity	MGM	Greektown	
Employment: Construction								
Jobs	700 (Phase 2)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Commitments	Unionized, best efforts to hire locally	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Employment: Operations								
Jobs	1,224	1,946	1,442	1,063	7,972			
Residency	66% (state)	82% (state)	76% (state)	87% (state)	Employ minimum 50% Detroit residents			
Payroll (\$M)	\$50.0	\$90.0	\$50.0	\$30.0	\$110.0	\$140.0	\$80.0	
Other commitments	Internship & training program, free on-site parking, free transportation to/from SugarHouse	n.a.	n.a.	Connect with Montgomery Community College to train/hire students	Employ minimum 25% minorities, 5% women			
Local Purchasing Commit								
Construction (one time)	\$56M in 2015 (expansion)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Operation (annual)	\$13M (FY 15)	\$18M (FY 15)	\$4.2M (FY 2015)	\$11.7M (FY 2015)	Each casino must purchase minimum 30% of G&S from Detroit based businesses, best efforts to secure financing from local organization			
Other	Set up program for casino rewards to be redeemed locally	\$7.2M charitable donation (FY 15)	\$106K charitable donations (FY 15)	\$229K charitable donations (FY 15)	Each casino to pay \$10M to Minority Business Development Fund			

Source: HLT Advisory Inc. based on State gaming commissions/boards, Host Community/Development Agreements, and other relevant sources

EMPLOYMENT AND SPENDING – SINGLE CASINO MARKETS

Employment and Spending - Single Casino Market					
Market	Chicago	New Orleans	Pittsburgh	Washington D.C	Boston
City	Des Plaines	New Orleans	Pittsburgh	National Harbor, MD	Everett
Facility Name	Rivers	Harrah's	Rivers	MGM	Wynn
Employment: Construction					
Jobs	n.a.	1,000	n.a.	n.a.	4,000
Commitments	n.a.	n.a.	n.a.	20%-30% local hiring	Unionized, good faith to hire locally
Employment: Operations					
Jobs	1,478	2,900	1,715	4,000	4,000
Residency	n.a.	50% (City)/90% from greater New Orleans	96% (state)	40% (state)	Host events to help guide locals through job applications, good faith efforts to hire locally
Payroll (\$M)	\$80.0	\$80.0	\$60.0	\$170.0	\$170.0
Other commitments	n.a.	n.a.	n.a.	Best efforts to provide acceptance to MGM internship program for County students, sponsor 25 residents to participate in Summer Youth Enrichment Program	n.a.
Local Purchasing Commit					
Construction (one time)	n.a.	n.a.	n.a.	20% local labor hours	Local firm Suffolk construction selected
Operation (annual)	\$44M in-state spending (FY15)	Caesars spent ~\$95M on local hotels and ~\$45M on local restaurants/attractions between 2004-2014	\$21M (FY 15)	20 - 30% of total spending	Good faith effort to utilize local vendors
Other	n.a.	n.a.	n.a.	n.a.	Purchase \$50K in local business gift certificates per annum

Source: HLT Advisory Inc. based on State gaming commissions/boards, Host Community/Development Agreements, and other relevant sources

APPENDIX B:

ADDITIONAL RESEARCH SOURCES ON THE IMPACTS OF CASINO GAMING

ADDITIONAL SOURCES: IMPACTS OF CASINO GAMING

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QUALIFICATIONS

HLT Advisory is widely-recognized as a leading hospitality, leisure and tourism industry advisory firm. HLT's core competencies are in the following sectors:

Gaming – HLT has been involved in the growth and development of the domestic and international gaming industry across all gaming platforms.

Tourism and attractions – HLT provides strategic planning, operations, market analysis and marketing support to major attractions and events as well as assisting the public sector in the development of tourism marketing and investment plans and Request for Proposal processes.

Convention Centres – HLT has unsurpassed qualifications in the meeting and exhibition industry including preparation of market substantiation assignments for many Tier A and B facilities.

Lodging – HLT has worked across North America, and internationally, for a cross section of hotel companies focusing on development, marketing and operations planning for major mixed-use projects..

Sports and Entertainment Facilities - HLT has worked on numerous spectator and community sports/entertainment venues preparing market assessments and business plans as well as providing acquisition and related transaction services.

For more information contact Lyle Hall (lylehall@hlta.ca) or Rob Scarpelli (robertscarpelli@hlta.ca) or visit www.hlta.ca

Horwath HTL is the world's largest full-service consulting network in the Hospitality Industry, with 50 offices in 39 countries we offer a broad range of advisory services including:

Asset Management – Horwath HTL teams work to create and protect value. Our experts work along side owners, protecting their interests and maximizing returns on their investments.

Hotel Receivership – Horwath HTL has developed a range of products to help businesses navigate the difficult waters of a global economic downturn.

Hotel Planning & Development – Our teams of hotel experts can advise and navigate through all areas of hotel development.

Sales, Marketing and Revenue Management – We are an owner and manager's solution for lagging performance in today's challenging and rapidly changing economic cycles.

Hotel Transactional Advice – Horwath HTL is skilled at guiding investors, lenders and owners through the complex nature of acquisition and disposal transactions.

Hotel Valuation – Horwath HTL Valuation Services have valued Hotel properties all over the globe.

For more information contact Paul Breslin (pbreslin@horwathhtl.com) or visit horwathhtl.us

The Impacts of a Casino on the Local Economy

Presented to Central Atlanta Progress / Atlanta Downtown
Improvement District (CAP/ADID)

DECEMBER 2016



KEY
a d v i s o r s

Bruce Seaman, Ph.D.

TABLE OF CONTENTS

This analysis of the impact of casinos on local economies is organized as:

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- Introduction—Defining Key Terms
- Key Findings:
 - Spending Substitution—does a casino displace leisure and entertainment spending in the local market?
 - Tax Revenue Substitution—how does this displacement affect local public revenues?
 - Lottery Revenue Substitution—how does a casino affect the revenue generated from the lottery?
- Conclusions
 - Atlanta implications of spending, tax revenue and lottery substitution
 - Appendix A: Findings from Casino Research (selected references)

This report was commissioned as part of a preliminary look at potential casino impacts on downtown Atlanta, commissioned by Central Atlanta Progress/Atlanta Downtown Improvement District to inform the discussion regarding a potential casino downtown and should be read in conjunction with the three other impact reports.

EXECUTIVE SUMMARY

As part of the Bleakly Advisory Group, Inc. market research team, Dr. Bruce A. Seaman of Georgia State University, was engaged to do a review of the extensive academic research on the impacts of casinos on local economies. This review includes an assessment of the most important results derived from a comprehensive review and evaluation of the academic and related research literature on the economic impacts of resort casinos, with a special focus on urban casinos. The following conclusions can be drawn:

- **The concern about spending substitution is legitimate, but rigorous analysis suggests it remains a complex issue, with results varying across cases and databases.** One issue is that point of sale data in smaller well-defined geographical areas have not generally been available.
- **Tax revenue substitution occurs but at different levels of government.** For example, for counties, it is primarily explicit casino revenue sharing agreements with the states rather than local economic development that has provided fiscal benefits.
- **Lottery revenue substitution exists;** however, the magnitude of reduced lottery revenues is not large enough to outweigh the substantial gain in state revenues from casino gaming operations.
- **Large cities are less likely to experience positive effects on their real estate markets and overall economic impacts than are smaller communities or rural areas;** positive economic impacts tend to be greater in less densely populated areas, where the “value added” by gaming operations is much more apparent.
- **There continue to be many more studies of riverboat, racing related casinos (“racinos”), and largely rural Native American casinos in contrast to land-based urban casinos having more direct parallels to Atlanta;** hence, additional empirical research is needed to more fully understand the potential impacts for Atlanta, especially once legislation better defines the relevant options for Atlanta.

INTRODUCTION AND GOALS OF THE ANALYSIS

The focus of this analysis is on three specific issues:

1. The degree to which there are significant spending substitution effects

Generally referred to as a “cannibalization” effect from the spending done at urban resort casinos lessening the amount of other spending in an area for leisure and entertainment activities. This is normally focused on the hospitality and entertainment sectors, but can be broader. This issue can be referred to as “spending substitution.”

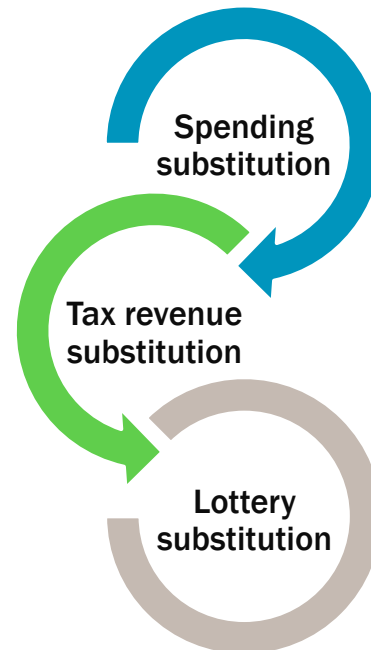
2. The degree to which casino activity changes state and local governmental tax revenues

This can be called “tax revenue substitution” and is related to the above “spending substitution,” and is also a function of differential tax rates.

3. The degree to which casino activity impacts state lottery revenues

This can be called “lottery revenue substitution”. A key issue is whether casinos have a negative impact on lottery revenues. In addition, if there is a reduction in state lottery revenues, does the typically higher level of casino taxation result in higher net overall state revenues?

The key takeaways from our review of previous research on these three issues follows.



KEY FINDINGS: DO CASINOS RESULT IN SPENDING SUBSTITUTION?

- **The concern about spending substitution is legitimate, but rigorous analysis suggests it remains a complex issue, and results can vary across cases and databases. The evidence for spending substitution occurring is mixed, and even top researchers have reached conflicting conclusions across their own studies.**
- This lack of evidence on spending substitution could be due to several factors:
 - We lack detailed point of sale data in most states on spending levels in small geographic areas below the city-wide or county boundaries.
 - The ability of casinos to retain spending by in-state residents that otherwise would go out-of-state could be off-setting the spending substitution that is occurring in the immediate casino area.
 - The outlets for spending substitution in the communities analyzed vary widely from Indian reservations, small towns to big cities, leading to widely different impacts due to the lack of availability of a wide range of goods or services in many of the study areas.
 - Hypothetically, casino spending may be triggered by factors more related to risk-taking/thrill seeking and addictive behavior and is not part of a conscious budgetary trade-off with other discretionary consumer spending decisions.
- Siegel and Anders (1999) found a 10% increase in gaming tax revenues led to a 4% drop in other recreation sales tax revenues, consistent with spending substitution. Doug Walker, (who appeared on an REIAC sponsored panel regarding Casino Gambling in Georgia in March 2016 with the author and two others) has sometimes found spending substitution effects, but not consistently.
 - The Walker and Jackson (2011) findings that “casinos (and greyhound racing) have a negative impact on net state revenues “indicate substitution away from other revenue productive forms of spending.” Yet the Wiley and Walker (2011) study of Detroit found that within a 5-mile radius “casinos have a complementary, rather than a substitution effect on other businesses.” And his research focused on Kansas (2015) found that since the total number of business establishments increased (even if modestly at 1.7%), the average county casino effect was that “cannibalization was

not expected overall," although there was likely substitution of jobs across industries." Furthermore, in his 2015 presentation in Kansas, he noted that despite the ongoing concerns about cannibalization going back to the early 1990's, there was still "little rigorous or anecdotal evidence..." of its occurrence.

KEY FINDINGS: SPENDING SUBSTITUTION, CONTINUED

- Some resort casinos combine gambling opportunities with an array of entertainment options that could potentially interfere with the ability of other local venues to book such entertainment. As described on the LocoLobo Events website (an entertainment booking agency) directed at casino management:

“Your guests might love to gamble. Gambling could be the reason they visit your establishment. For a well-rounded resort, however, you need to offer them a diversion when they need a break. If you don’t have such a diversion in place, guests could go to the casino next door or to a theater across town. Don’t let them leave your casino! Instead, offer alternative entertainment, such as music concerts, comedy acts, or theater.”

- It is unclear to what extent casinos are able to “lock-in” such talent through exclusive “non-compete contracts,” but such contracts would seem primarily limited to very long term engagements like Celine Dion at Caesars Palace in Las Vegas, or certain club music DJ’s like Calvin Harris at MGM Grand’s Hakkasan Las Vegas (after a two year engagement at Wynn Resorts; Billboard, 02/20/13). Other prominent entertainment like the Blue Man Group had long term engagements in Las Vegas, but were not prevented from appearing elsewhere. And, of course, Las Vegas is a unique case that has not been viewed as relevant to the analysis of urban casinos in Georgia, and in downtown Atlanta.
- However, the Dallas AT&T Performing Arts Center has identified the challenges it has faced due to increased competition in booking talent for country and rock music, and comedy acts from casinos in neighboring Oklahoma (such as WinStar World Casino & Resort) as a factor contributing to its financial challenges and growing debt issues (see DallasNews, 6/30/16). There are no known in-depth studies of this issue, but it presents a potential additional area for spending substitution to be relevant.

KEY FINDINGS: DO CASINOS RESULT IN TAX REVENUE SUBSTITUTION?

- **There is some evidence from the research that tax revenue substitution is occurring, but at different levels of intensity and impact. This variation in impacts can be attributed to several factors:**
 - The specific structure of the gaming taxes established at the state level.
 - Whether local governments participate in gaming taxation directly or receive their gaming related revenues from more traditional property and sales taxes.
 - The degree to which casinos are providing special funding or other governmental service cost off-sets.
 - Wide variability in local service costs across the spectrum of urban/suburban/rural casino locations.
- Tax revenue substitution is more likely when a jurisdiction is especially dependent on consumption based taxes (i.e., sales) rather than other types of taxes (e.g., income or property), and there is some evidence for this effect.
- It is clear that local governments have primarily benefited when there are generous revenue sharing arrangements with their State governments. Alan Mallach (2013) of the Brookings Institution concludes that “although host cities get property tax revenues, it is often a close call whether the fiscal benefits to the city outweigh the costs.” Some results clearly indicate such substitution, even within the local level, for example, Siegel and Anders’s (1999) finding of a 10% increase in county gambling tax revenues being associated with an approximate 4% decline in sales tax revenues from other amusement and recreation sources.
- Since studies specifically focused on urban land-based facilities are limited, this is a key area for further research.

KEY FINDINGS: DO CASINOS RESULT IN LOTTERY REVENUE SUBSTITUTION?

- **Among the three revenue substitution issues, the evidence on this issue is clearer, and suggests that there is indeed lottery revenue substitution.** The research shows that increasing revenues captured by gaming will lessen the amount of total wagers on the state lottery within a given state by a measurable and significant amount. There is evidence that the total gambling “handle”, the maximum amount citizens will collectively bet, is relatively fixed. Also, since most gambling outside of Las Vegas is done by intra-regional visitors, and not primarily by interstate/interregional tourists, the lottery substitution effect will likely occur.
- However, the typical magnitude of the reduced lottery revenues is not large enough to outweigh the substantial gain in state gaming revenues from the heavily taxed legalized commercial gambling sector--hence resulting in a net gain overall in state revenues. This result was also confirmed in CAP’s earlier gaming analysis. Therefore, any projections of the net gains in statewide revenues from the introduction and/or expansion of casino gambling must adjust for the expected negative effects on lottery revenues, but the net fiscal impacts would potentially still be positive even with lottery revenue substitution.

CONCLUSION: IMPLICATIONS FOR ATLANTA OF SPENDING, TAX REVENUE, LOTTERY SUBSTITUTION EFFECTS

Substitution Effect	Findings	Implications for Atlanta
Spending Substitution	<ul style="list-style-type: none"> Mixed effects, likely very case specific 	<ul style="list-style-type: none"> Greatest impact likely on leisure and entertainment spending Seek to minimize the fortress-like casino design, encourage ground-floor interaction (Global Market Advisors, 2015) Carefully consider impact of casino entertainment component on existing downtown venues Encourage area spending through special club cards/affiliation programs Implement point of sale GIS data base to track spending effects
Tax Revenue Substitution	<ul style="list-style-type: none"> Evidence tax revenue substitution is occurring at varying levels of impact based on local fiscal environment, type of taxes in effect 	<ul style="list-style-type: none"> Seek robust state gaming tax which generates substantial revenues Mandate a significant share of state gaming tax go to host cities to supplement more traditional local property and sales tax benefits Consider special impact or local service fees to address higher local service costs for public safety, traffic and public realm enhancements
Lottery Revenue Substitution	<ul style="list-style-type: none"> Research supports that lottery revenue substitution is occurring. However, increases in state gaming revenues off-sets the lottery losses—resulting in a net gain in state revenues 	<ul style="list-style-type: none"> Make sure the state gaming tax rate is sufficiently high to more than off-set the future loss in lottery revenues since the total gambling “handle” by residents in the state is largely fixed. Frequently states compensate their lottery's for lost revenue from state gaming taxes.

APPENDIX A:
**FINDINGS FROM CASINO
RESEARCH**
(SELECTED REFERENCES)

RESEARCH ON SPENDING SUBSTITUTION— REAL ESTATE VALUES

A great deal of research has been done on the various aspects of spending substitution caused by casino gambling. These include changes in property values, changes in employment, changes in retail sales and other measures. Given the wide variability in the context and area of focus of these studies not surprisingly they have come up with mixed results of the impacts of spending substitution.

- Wiley and Walker (2011), "Casino Revenues and Retail Property Values: The Detroit Case," econometrically isolate the effects of "adjusted gross receipts from Detroit casino operations on recorded purchase prices for retail property over the seven year period May 2001-June 2008.
- They noted that Detroit offers unique features that make generalization of their results very risky, since the three casinos in close proximity in a previously devastated area of the city, interacting also with the two major sports stadiums nearby provides a special context. They also provide evidence of a correlation between casino revenues and rising property values on a much more refined array of types of businesses (as identified in the next two points) than is the more customary aggregated examination of "arts, entertainment and recreation," and "accommodation and food service."
- **They found no correlation between greater casino spending and increased property values for: auto dealerships, auto repair, banks, bars, cash wash, convenience store, day care center, drug store, fast food, "general freestanding," restaurants, service stations, supermarkets and various other retail uses.**
- **They did find that within the 5-mile radius there are positive, effects from increased casino spending on rising property values for free standing retail, apparel stores, theaters, restaurants and service stations.**

RESEARCH ON SPENDING SUBSTITUTION— REAL ESTATE VALUES AND BROADER MEASURES

- Wiley and Walker noted that there is evidence of positive spillover effects and no significant substitution effects from their study. By contrast, if visitors only spend their money on “all-inclusive” casinos, there should be little effect on retail property values. However, they also note that casinos could oversupply the local market with retail space, and hence cannibalize the competitive market, both of which could lessen the positive impacts they found in their research.
- Michael Wenz’s (2007) study of the effect of casino gambling on housing markets provided some cautious evidence for positive effects (+2% on house prices within the same Census Public Use Microdata Area (PUMA) containing at least 100,000 individuals, and +6% in bordering PUMA areas), with considerable variations across regions. Only two non-Native American casinos (including Atlantic City, New Jersey, and Deadwood, South Dakota) were included in this study. Furthermore, the positive impacts were shown to DECLINE with higher population density AND a proxy for the size of the casino, suggesting smaller communities are more likely to experience the positive effects on their real estate market than larger cities. The distinction between types of casinos was also critical in Wenz’ (2008) finding that only Native American casinos were linked to increases in employment, housing units, and housing starts at the county level.
- Wenz’s later 2014 study broadened the measurement standard to include effects on local business “productivity,” income and wages in addition to housing prices so as to capture “quality of life effects.” Again, he finds significant differences, with rural and larger Native American casinos having stronger local productivity effects due in part to their improving entertainment options in those communities, and/or such casinos having been more effective in returning casino profits to local communities via tribal ownership or particular state gaming agreements. Commercial casinos were found to disperse profits more broadly to non-local shareholders and state governments.

RESEARCH ON SPENDING SUBSTITUTION-- EMPLOYMENT

- Humphreys, Brad R. and Marchand, Joseph (2013), Labour Economics, provide evidence from Canada that the opening of a new casino directly doubles the employment and earnings of the local gambling industry within five years, then stabilizes. Indirect spillovers exist, but are limited to the local hospitality and entertainment sectors. For every gambling job approximately one to two additional hospitality jobs are created. However, no increase in any other employment sectors was evident.
- Chad Cotti (2008), in the Journal of Gambling Business and Economics, conducted a large scale econometric study of 3,000 counties between 1990-96 (28 Quarters), focused on all industries, but especially on leisure and hospitality. Although not adjusting for the number, size and other key differentiators of casinos, he finds that casinos generally have an overall positive effect on the number employed, although employment growth is inversely linked to county population. He also finds only small employment effects in surrounding counties, but with some effects in limited industries. In general, his findings do not suggest any major negative substitution effects on other sectors' labor markets.
- Doug Walker both in a presentation in Kansas (2015) and in his study with T. Nesbit (2014) in Growth and Change, "Casino Revenue Sensitivity to Competing Casinos: A Spatial Analysis of Missouri," improves in part on Cotti by also examining the number of establishments and finds average Kansas county casino effects across all industries of +9.9% in employment, +3.4% weekly wages, and +1.7% in the number of establishments, suggesting no aggregate cannibalization in the areas studied. However, since the change in leisure/hospitality jobs in Missouri is greater than in all industries, there IS some likely substitution of jobs across industries.

SUMMARY OF KEY RESEARCH IN TAX REVENUE SUBSTITUTION

The potential impact of casinos on local governmental revenues has been a widely researched topic. While there are varying results based on the methodology used, the type of casino studied, and its community context, some of the key research findings are summarized below:

- Among the most recent econometric studies is Nichols, Tosun and Yang (2015) in the Public Finance Review: “The Fiscal Impact of Legalized Casino Gambling”. They studied impacts of casinos on inflation adjusted (in \$ 2007) total county revenues, total expenditures, education expenditures, and sales tax revenues between 1987-2007. All are per-capita measures, and counties are distinguished as either having or not having a casino (whether legal or not at the time). Commercial casinos were distinguished from Native American Tribal casinos.
- Their finding is that commercial casinos **do increase per capita revenues and spending, primarily in those states having revenue sharing agreements with counties**. In counties without such agreements, there is **no statistically significant increase** in county per capita revenues.
- A good example of the tax substitution issue (although not between states and counties, but only within counties) is the work of Siegel and Anders (1999), “Public Policy and the Displacement Effects of Casinos in Missouri: A Case Study of Riverboat Gambling in Missouri, Journal of Gambling Studies. Although this does not focus on the more recent urban land based casinos, but instead on riverboat casinos, they find that between 1994-1996, a 10% increase in county gambling tax revenues was associated with an approximate 4% decline in sales tax revenues from other amusement and recreation sources. There were no other uniformly negative effects on any other types of revenues.

A SUMMARY OF RESEARCH ON TAX SUBSTITUTION CONTINUED

Some researchers who have found at least selective positive county fiscal effects from commercial casinos attempt to distinguish two possible causes: (1) an overall positive local economic development impact; or (2) the effects of state/local fiscal sharing.

- For example, in order to distinguish those two possible causes, the previously discussed Nichols et al. (2015) study examined the effects of commercial casinos on county sales tax revenues. They found that (a) casino counties had significantly lower per capita sales revenues irrespective of the presence of casinos, and (b) casino openings in those counties had no significant association with changes in county sales tax revenues. Although they note that one mechanism for such a result is for any negative impact on sales tax revenues from casinos via a substitution effect on sales in other sectors to be offset by an overall positive economic impact (leaving no net effect on sales tax revenues), they find no clear evidence for an overall economic impact.
- Since they find no clear evidence favoring a localized economic development effect from casinos, they conclude that the positive effect of commercial casinos on county revenues is due to the “fiscal” effect resulting from the direct state taxation of casinos, as well as the degree to which states explicitly and legislatively share a portion of such direct tax revenues with host counties. They conclude that it is revenue sharing with the states from casino operations and not local economic development that primarily provides fiscal benefits to counties.
- This cautious result regarding economic growth effects is consistent with Walker and Jackson (2007), who argue that although casinos affect local labor markets and tax revenues, there was no causal relationship between annual real casino revenues and real state level per capita income between 1991 and 2005, although they had previously (1998) found such evidence using quarterly data between 1991-1996 – suggesting a distinction between short run and long run economic growth effects.

RESEARCH ON LOTTERY REVENUE SUBSTITUTION

- The Walker and Nesbit (2014) results of casino competition in Missouri, identifies important inter-gambling effects. They conclude:
 - Casinos harm lotteries (as they and others have found, see e.g., Cummings Associates and Walker D. (Casinonomics Consulting) (2014) also cited in the Horwath HTL/HLT Advisory report indicating a 2.88% decline in Maryland lottery revenues due to four existing casinos (as of early 2014), with incremental further estimated losses of 1.07% to 1.53% due to two new casinos (2014 and 2016). BUT, as noted by the Horwath HTL/HLT Advisory report, overall positive revenue results are still likely after including the incremental direct casino gaming revenue, AT THE STATE LEVEL (again, revenue sharing is key for local fiscal effects).
 - Casinos in neighboring states and within a state harm each other.
- In addition to the Cummings/Walker (2014) study, other studies suggest some substitution between those two forms of gambling (lotteries and casinos), despite their different characteristics (not limited to urban casinos, which are still under-studied):
 1. Siegel and Anders (2001), "The Impact of Indian Casinos on State Lotteries: A Case Study of Arizona" (a 10% rise in slot machines is linked to a 2.8% to 3.8% decline in lottery revenues)
 2. Elliot and Navin (2002), "Has Riverboat Gambling Reduced State Lottery Revenue?" (\$1 increase in state gambling revenue leads to \$1.38 drop in lottery gross revenue; adjacent state casinos do not affect a state's gross lottery revenues, although cross-state negative lottery effects exist).
 3. Fink and Rork (2003), "The Importance of Self-Selection in Casino Cannibalization of State Lotteries" (\$1 increase in casino tax revenues leads to \$0.56 drop in lottery revenues)
 4. Walker and Jackson (2008), "Do U.S. Gambling Industries Cannibalize Each Other?" (in-state casinos adversely affect in-state lotteries, and adjacent state casinos also have negative effects).

An important study at the state level (also cited in the Horwath HTL/HLT Advisory Report) is Walker and Jackson (2011), finding that casinos and greyhound racing are associated with decreases in a state's net government revenue (but lotteries and horse racing are not). This suggests that casinos divert spending away from other taxable sources, not just lotteries, AND those effects apparently offset the tax revenues to the state created by the casinos.

OBSERVATIONS ON RESEARCH METHODS AND RESULTS ON SUBSTITUTION EFFECTS

The Importance of Governmental Revenue Sharing on Substitution Effects—

- A review of the research literature, and indeed just a description of what is known about the legislation authorizing casinos does indeed support the conclusion of the Horwath HTL and HLT Advisory report that “tax rates applied to casino gaming are almost always greater than tax rates applied to goods and services.” And of course, it is therefore the case that for any \$1 shifted from other lower taxed goods and services to higher taxed casino transactions, there can be a net gain in overall tax revenues. So even with substitution effects, and even with fairly limited overall economic impact/growth effects, there is an inherent “pro-casino” bias regarding any study of the state revenue effects of the introduction and expansion of casinos.
- **Local fiscal effects have been found to be dramatically more dependent on revenue sharing arrangements with the states in contrast to any possible increase in local economic development, effects that have certainly not been universally confirmed.**

OBSERVATIONS ON RESEARCH METHODS AND RESULTS ON SUBSTITUTION EFFECTS

Retained Spending by Residents a Key Factor in Understanding Substitution Effects—

- Visits by “non-locals,” is by far the dominant causal mechanism upon which claims of net positive economic impacts from new organizations, mega-events, stadiums/concert halls and other facilities are based. In all such studies, it is recognized that “import substitution” (e.g., in the form of local residents staying at home rather than traveling, and hence diverting some of their discretionary spending from outside the local economy back into the local economy) is possibly another mechanism for incremental positive regional economic impacts. However, in most cases, the magnitude of such import substitution effects is very limited, and the standard approach in most economic impact studies is to consider all locally originated spending at a new event, facility or activity to be a pure 100% displacement of other local discretionary spending, with “no net injection” of new economic activity locally.
- Casinos have been a very plausible exception to this “rule,” inasmuch as competition studies have confirmed what many marketing studies of casinos assume, which is: **the creation of a more convenient local casino option will reduce the flow of legalized gambling activity from inside the region to out of state suppliers of such services. Therefore, at least for the initial creation of local casino options (with the point of saturation needing to be considered), the initial casinos have the potential to retain significant levels of resident entertainment spending in the local economy that otherwise would have been diverted to outside the region/state. And especially if the local community explicitly has a gaming tax revenue sharing arrangement with the state, this can generate higher tax revenues to the local jurisdiction.**

OBSERVATIONS ON RESEARCH METHODS AND RESULTS ON SUBSTITUTION EFFECTS

The economic impacts of casinos vary dramatically over time and geography--

- There is considerable research as well as journalistic commentary identifying pre-existing fiscal strain and budgetary crisis as a key motivation for legalizing casino gambling in a state and locality. Therefore, especially in the short run, there are likely to be strong positive economic impact and fiscal effects. However, these have often been shown to not persist, and there are important examples of positive impacts underperforming compared to initial projections (e.g., in the four cities of Ohio: Cincinnati, Cleveland, Columbus and Toledo; see the Cleveland Plain Dealer, May 12, 2013).
- There are important differences between the economic impacts of casinos in rural vs. more urbanized areas. Frequently, the impacts are greater in rural less densely populated areas, where the “value added” of a new resort casino is much greater than the addition of just one more urban attraction. However, special cases like Detroit can almost approximate the results in more rural less heavily populated areas. There are other key differences between Native American Tribal resorts and “commercial” resorts, and between land based and riverboat casinos, race-track (racinos) and urban casinos with or without extensive hotel room capacity.
- Given the pro-casino biases that are identified above, it is especially noteworthy that so many studies have found mixed results in the economic impacts of casinos, especially in the more local fiscal impacts, when not benefiting from extensive revenue sharing arrangements with the states.

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ECONOMIC IMPACT ANALYSIS

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DECEMBER 2016

Bruce A. Seaman is a former Chair of the Economics Department at Georgia State University, a member of the core faculty of the Non-Profit Studies Program and also of the Center for State and Local Finance, and an affiliated faculty member in the Fiscal Research Center, all within the Andrew Young of Policy Studies. He was formerly on the Adjunct Faculty within the School of Public Policy at Georgia Tech. A sampling of his economic impact studies, speeches and research includes the following:

- He has authored and published many papers on economic impact analysis and related methodologies related to regional economic development and economic valuation and has often conducted such studies.
- He developed two economic models in the arts sector used by the Georgia Department of Economic Development (and the former Georgia Council for the Arts, GCA) and assisted in the original development of the Atlanta Sports Council model to evaluate all major sports events in the region., a model he continues to update and apply in cooperation with Peach Bowl, Inc. He is currently studying the eligibility of upcoming major sporting events for the newly enacted Georgia potential ticket revenue sales tax exemption.
- In March 2016, he appeared on a panel sponsored by the Real Estate Investment Advisory Council: "Casino Gambling in Georgia: What's Next and How Would It Impact Commercial Real Estate?"
- He testified twice in 2013 before the Atlanta City Council regarding the economic impacts of the construction phase, and the hosting of future mega-events for the new stadium for the Atlanta Falcons, and in 2011 conducted an economic impact study for the Atlanta Braves.
- He previously testified before committees of the Atlanta City Council regarding his analysis of the economic and fiscal impacts of the Atlanta Beltline project, and has testified regarding various tax policies before committees of the Georgia General Assembly.
- He conducted the economic analysis of the car rental tax used to partially fund the

original development of the Philips Arena site, and testified publicly regarding those findings.

- The analysis of the economic impacts of the Georgia Aquarium and the New World of Coca Cola museum, and two studies of the economic impact of the Fifth Runway at Hartsfield-Jackson Atlanta International Airport.
- He was the invited keynote speaker at a 2014 conference on economic impact methodologies sponsored by the Economic Research Center at the University of Arkansas at Little Rock.

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An Overview of the Potential Social Impacts of a Casino Resort in Atlanta

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Executive Summary

The legalization of casinos is an important decision at both the state and local level, as casinos have a variety of important economic and social impacts. This report reviews findings from the academic literature on the potential negative social impacts of casinos. An understanding of these impacts can be important for the effective legislation and regulation of casinos in Georgia. A review of academic literature reveals:

- Most of the social costs of gambling are attributable to pathological gambling, a condition that affects around 1% of the U.S. population. For the Atlanta metro area (5.5 million people), it would be about 55,000 people. The evidence is mixed on how a new casino opening affects problem gambling rates. Theory and empirical evidence suggest that a new casino opening may be concomitant with a temporary increase in problem gambling rates, but that the rate falls back once the local population adapts to the new casino.
- The social costs of gambling have been a controversial topic in the academic literature, and published monetary estimates are largely arbitrary. Rather than focusing on monetary estimates, it is more fruitful to focus on the types of negative impacts that may be associated with casinos and the strategies/best practices undertaken by similar cities to ameliorate the effects.
- There is a paucity of research on the social impacts of casinos in large cities. However, the potential negative social impacts of casinos discussed in the literature include, among others: reduced productivity at work, higher crime rates, bad debts, bankruptcy, divorce, and therapy and welfare costs. Among these, crime and bankruptcy have received the most research attention. The literature provides mixed evidence on these negative impacts.
- An examination of state legislation and community casino-hosting agreements in Massachusetts and Pennsylvania illustrates different strategies for regulating casinos and assisting local communities in alleviating problems created by casinos. Host cities and casinos often make agreements for the casino to provide funding to the host community for improvements.
- The Massachusetts model of funding research on casino impacts may be useful for Georgia and Atlanta in identifying the potential negative casino impacts that should be funding priorities. The research in Massachusetts may be of interest to Georgia policymakers as they contemplate the legalization of commercial casinos.
- Since the Atlanta metro area is so large, crime rates and other measures of social problems at a county- or city level may not be impacted by a casino. However, residents who live in immediate proximity to the casino may see significant impacts, while those living further away may not.
- Evidence from Reno, Nevada, suggests that a significant number of crime incidents occur near casinos. However, the particular casino effect on crime depends on a number of factors, including the casino location, number of visitors, and how the size and priorities of the police force change with the casino opening. A successful casino requires that its patrons feel safe. Therefore, city officials should pay careful attention to how casino payments/taxes can supplement law enforcement budgets and effectively guide priorities.

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1. Introduction

The U.S. casino industry has expanded dramatically since 1990, but the southeast U.S. may be the region with the fewest casino space per capita. Tribal casinos operate in Alabama, Florida, and North Carolina, but commercial casinos do not operate in these states. Recently the legalization of casinos in Georgia has been given more serious consideration, particularly as a strategy to help supplement the HOPE Scholarship.

During 2015-16 the Georgia Legislature's Study Committee on the Preservation of the HOPE Scholarship Program held several meetings for public input on legalizing commercial casinos in the State. At these meetings, a number of casino proponents and opponents spoke on the potential impacts of casino development in Georgia.² Casino proponents point to several key economic impacts that are expected to result from casino development. These include increased employment, higher average wages, and increased government tax revenues, all of which have been examined in the academic literature. These issues were also considered in the report by HLT Advisory and Horwath HTL (2016), commissioned by Central Atlanta Progress, Inc. The focus of the current report is the other side of the coin – the "social impacts" of casinos. These issues often receive less attention than the traditional "economic impacts," but are equally important to consider.

2. Review of social impacts literature

The academic literature on the social impacts of casinos mainly focuses on the cost side of the equation. This area of research is not as well developed as the economic impacts, primarily because social impacts are not easily defined or measured. Nevertheless, when casinos began to spread across the Midwest in the early 1990s, a number of vocal casino critics began publishing papers and reports claiming enormous "social costs" associated with casino gambling. Unfortunately, many of the claims were presented with no empirical history or evidence. Walker (2013, p. 155) lists 30 papers or reports that addressed the social costs of gambling, published from 1985 to 2001.³

The one thing that is generally agreed upon among researchers in this area is that most of the negative social impacts of casinos and gambling are attributable to individuals who are pathological gamblers. These are people for whom gambling goes beyond recreation, to a point at which they develop serious problems in their personal or professional lives.⁴ Since many of the behaviors of pathological gamblers negatively impact other people, it seems reasonable that researchers would

1 * This report is written for Central Atlanta Progress, Inc. The sponsoring organization did not have direct input to the content of this report, aside from minor edits and clarifications. Any opinions expressed in this report are those of the author, and do not necessarily represent Central Atlanta Progress, Inc., or the College of Charleston. All URLs in this report were working as of November 1, 2016.

2 See http://www.house.ga.gov/Committees/en-US/Preservation_of_Hope.aspx. The author of this report spoke at the meeting on December 10, 2015.

3 Walker and Sobel (2016) provide an overview of the most recent literature in the area.

4 The psychology profession identifies nine criteria in the *Diagnostic and Statistical Manual* that it uses to help diagnose gambling disorders, commonly called "pathological gambling" (American Psychiatric Association, 2013). These include being preoccupied with gambling, needing to bet with increasing amounts of money in order to achieve excitement from gambling, unsuccessful attempts to limit or quit gambling, returning to chase losses, and lying to people about their extent of gambling. A detailed discussion of gambling disorders is beyond the scope of this report.

want to estimate the monetary value of these negative impacts. The negative impacts of gambling could then be compared to the estimated economic benefits of casinos, which include increased employment and government tax revenues. The comparison of costs and benefits can then yield an estimated net impact value from casinos.

*Casino development and the prevalence of pathological gambling*⁵

Pathological gambling is a disorder that affects roughly 0.6% to 1.4% of the adult U.S. population (St-Pierre & Walker, 2015, p. 3). It is important to put the prevalence rate in perspective. If 1% of the U.S. population has a gambling disorder, this would be roughly 3.25 million people.⁶ For the Atlanta metro area (5.5 million people), it would be about 55,000 people. The degree to which a city like Atlanta may experience increased social problems with a new casino will depend on how sensitive the prevalence rate is to the opening of a new casino.

It seems intuitive that the expansion of casino gambling, say by the opening of a large casino resort in Atlanta, would represent increased availability and access to gambling opportunities. This might lead to an increase in the prevalence of problem gambling in the Atlanta metro area. Although gambling already exists in Georgia,⁷ it is possible that exposure to new gambling venues could be a catalyst for higher rates of pathological gambling.

The literature focuses on several dimensions of access to gambling, including geographical, temporal, and social. Geographical accessibility can be defined as the number of gambling venues within a particular geographical area, or the distance or travel time from a gambling venue and the population of interest. Temporal accessibility relates to the amount of time legal gambling opportunities have been available in a particular area, or the hours of operation of the venue(s). Finally, social accessibility refers to how attractive and safe the gambler perceives the venue.

There have been a variety of studies on how accessibility affects problem gambling. For example, the study by Welte, Wieczorek, Barnes, Tidwell, and Hoffman (2004) reported on a national telephone study of 2,631 U.S. adults. Their results suggested “neighborhood disadvantage was positively related to frequency of gambling and problem/pathological gambling” (p. 405), and that people living within 10 miles of a casino have twice the rate of problem/pathological gambling than people living further away (p. 419). However, in a study of gambling in Montreal, Sévigny, Ladouceur, Jacques, and Cantinotti (2008) found that greater proximity was associated with higher gambling participation and expenditure, but not with the prevalence of problem gambling. Clearly, the effects of casino introduction can vary by jurisdiction.

The overall impact of accessibility to gambling venues on problem gambling rates has been studied in the context of the “exposure theory,” which suggests that the greater availability or exposure to legal gambling results in more consumption and the greater incidence of harm (Shaffer, LaBrie, & LaPlante, 2004). This theory makes intuitive sense, but what does the empirical evidence suggest about problem gambling prevalence rates? Surprisingly, despite the recent expansion of casinos worldwide, the longitudinal studies that have examined problem gambling rates show that the rates have either remained about constant or declined over time. Stable or declining prevalence rates

5 The material in this section is based on St-Pierre and Walker (2015) and St-Pierre, Walker, Derevensky, and Gupta (2014). Other recent reviews of the literature in this area include the papers by Welte, Tidwell, Barnes, Hoffman, and Wieczorek (2015), Welte, Barnes, Tidwell, Hoffman, and Wieczorek (2015b), and Tong and Chim (2013).

6 This estimate is based on data by the U.S. Census, using <http://factfinder.census.gov/>.

7 The Georgia Lottery is very popular. In addition, a large number of video gambling machines already operate in Georgia; see <http://www.myajc.com/news/news/state-regional-govt-politics/georgia-struggles-to-clean-up-video-gambling/nmthX/>. Even as recently as late September, the GBI raided some gas stations confiscating illegal gambling machines; see <http://www.wsbtv.com/news/local/investigators-raid-gas-stations-over-illegal-gambling-machines/451846713>.

have been found in several different jurisdictions, including the United States, Sweden, Singapore, and Victoria, Australia. Moreover, in their review of prevalence studies conducted over the past 30 years, Williams, Volberg, and Stevens (2012) found a general increase in prevalence rates from the late 1980s through the late 1990s, followed by a worldwide downward trend thereafter.⁸

A theory that helps to explain how the expansion of gambling venues affects pathological gambling prevalence rates is the “social adaptation model” (LaPlante & Shaffer, 2007). According to this theory, the expansion of gambling opportunities in a region will initially lead to increases in exposure and a subsequent rise in rates of problem gambling. As the novelty wears off and people become more aware of the harms and costs associated with gambling, the region’s population will eventually adapt to this increased exposure. Rates of problem gambling will either level off or decline. However, different levels of exposure will lead to different levels of adaptation (Shaffer et al., 2004). This theory may help to reconcile the expansion of the casino industry with steady or falling rates of problem gambling in the United States.

Although there has been a lot of research on the prevalence of problem gambling, there is still no consensus among researchers. The literature in this area suggests that a new casino resort in Atlanta may lead to an initial increase in problem gambling behaviors and negative social impacts, but that these effects may wane as the population adapts to the greater availability of legal casino gambling. Therefore, based on the latest literature, it would appear that a new casino in Atlanta may not necessarily cause any lasting change to prevalence of pathological gambling and related problems.

Monetary estimates

During the 1990s when casinos were first expanding in the United States outside of Nevada and Atlantic City, NJ, researchers focused a lot of effort on estimating the social costs of gambling.⁹ A variety of methods have been used to estimate social costs, including surveying members of Gamblers Anonymous about their behaviors. Social cost estimates have ranged anywhere from around \$9,500 per pathological gambler per year, up to an astonishing \$50,000.¹⁰

Setting aside for the moment the specific items included in social cost estimates (discussed below), it is worth contemplating how such numbers are derived. One of the most comprehensive studies, by Grinols (2004), simply takes the average of nine other social cost estimates to arrive at the estimated cost of \$10,330 (pp. 172-174). Based on his estimation of costs and benefits, Grinols argues that casinos have a cost-to-benefit ratio of 3-to-1 (p. 176), a figure that was touted by John Kindt at the November 2, 2015, meeting of the Georgia legislative committee on the HOPE Scholarship.

Although monetary estimates of the social costs of gambling are often presented as if they are precise and science-based, they are actually almost completely arbitrary. Aside from a variety of other problems that were identified by Walker and Barnett (1999), there are two key, fundamental problems with most social cost studies: (1) an unclear definition of “social cost”, and (2) failure to control for co-existing disorders (or “comorbidity”).

The wide variety of social cost estimates suggests that the authors of such studies are not measuring the same thing. Herein lays the first key problem with the social cost literature: In most stud-

8 Roughly constant rates were found by Abbott, Romild, and Volberg (2014), Abbott, Stone, Billi, and Yeung (2015); declining rates were found by Storer, Abbott, and Stubbs (2009) and Winslow, Cheok, and Subramaniam (2015).

9 Indeed, two international conferences were organized that focused specifically on this issue (in 2000 and 2006).

10 The \$9,500 figure is by Thompson, Gazel, and Rickman (1997), the cost categories of which are shown in Table 1; the \$50,000 figure is from Kindt (1995), who cites Politzer, Morrow, and Leavey (1985), perhaps the first study that offered a monetary estimate of social cost, but with serious methodological problems.

ies, “social cost” is not even defined. Rather than carefully defining “social cost,” Walker and Barnett (1999) argue, researchers have tended to identify any type of negative impact that they think can be attributed to gambling, and estimate a value for it. The result is a variety of largely arbitrary social cost estimates.

According to mainstream economics, a “social cost” is a reduction of real societal wealth (Walker & Barnett, 1999, pp. 185-186).¹¹ This implies that therapy costs, for example, would be considered a social cost of gambling, since the therapist’s time could have been used for another purpose had they not needed to treat the pathological gambler. On the other hand, a gambler’s unpaid debts, or unemployment payments provided to a gambler who has lost his job, would be transfers of wealth that do not affect the overall level of wealth in society and would therefore not be social costs.

An example helps illustrate how critical the semantics are on this issue. One paper analyzing southern Nevada posited that the annual social cost per pathological gambler was \$19,711. However, if wealth transfers and costs borne by private individuals are excluded from the measure, the estimate falls to only \$1,579 (Walker, 2008, p. 147).

Even if researchers could agree on the definition and measurement of social cost, there is another problem relating to the pathological gamblers to which social costs are attributed. What most, if not all, social cost estimates have neglected to consider is that *most* pathological gamblers also have one or more *other* disorder. Consider two studies as examples. Petry, Stinson, and Grant (2005) estimated that about 73% of pathological gamblers in the United States also have alcohol use disorders, and about 50% have mood disorders. Among the subjects in the study by Westphal and Johnson (2007), 77% of problem gamblers had a co-occurring behavioral problem, and 56% had multiple problems.¹²

If most of the people who are responsible for most of the social costs of gambling also have other psychological problems that affect their behavior, then it is inappropriate to attribute all of the costs associated with their behavior to their gambling alone. Unfortunately, few, if any, social cost studies account for this in estimating the social costs of gambling.

To illustrate, suppose a pathological gambler engages in some criminal acts, receives therapy, and otherwise engages in behaviors that can be shown to create social costs (however defined) of \$13,000 per year. But suppose this person is also an alcoholic and a compulsive shopper. Then it would be inappropriate to attribute all of their socially harmful behavior to the gambling problem. Unfortunately, there is no scientifically valid way to apportion the social costs across the various psychological problems. Most social cost estimates likely overestimate the social costs of gambling, perhaps by a large amount, because they implicitly assume all the costs are due to gambling.

Types of negative social impacts

Since the monetary estimation of social costs is fraught with serious methodological problems, such estimates should not be taken too seriously. Nevertheless, there are potentially serious social costs of gambling. A better approach for understanding the likely impact of a large casino resort in Atlanta is to focus on the *types* of negative social impacts that are typically associated with pathological gambling.

One of the more thoroughly reported studies in the literature is by Thompson et al. (1997), who surveyed members of Gamblers Anonymous about the types of problems they had encountered and attributed to their gambling problems. Among these negative social impacts are those listed below

11 For a detailed discussion, also see Walker (2013, chapters 13 and 14).

12 Also see Chou and Afifi (2011).

in Table 1. Unfortunately, researchers have not made substantial progress at determining which problems affect what proportions of pathological gamblers.¹³

Table 1. List of “social costs” commonly included in published studies

<ul style="list-style-type: none"> • Employment <ul style="list-style-type: none"> • Lost work hours • Unemployment compensation • Lost productivity/unemployment • Criminal justice <ul style="list-style-type: none"> • Thefts • Arrests • Trials • Probation • Incarceration 	<ul style="list-style-type: none"> • Bad debts • Civil court <ul style="list-style-type: none"> • Bankruptcy court • Other civil court • Therapy • Welfare <ul style="list-style-type: none"> • Aid to Dependent Children • Food stamps
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Source: Thompson et al. (1997, p. 87)

As noted above, problem gamblers often develop problems in their personal and professional lives. They may skip work to gamble, or be less productive at their job because they are preoccupied with their gambling. In extreme cases, they may lose their jobs and engage in criminal activities to get money to continue their gambling. Financial problems are common, as problem gamblers may need to borrow from friends or family. When such loans go unpaid, they are called “bad debts” in the literature. In extreme cases, problem gamblers will end up in court and even in jail. Although therapy is listed as a social cost of pathological gambling, this can be a critical step in their recovery.

The list in Table 1 is helpful, even without monetary estimates or knowing exactly what proportion of pathological gamblers suffers from each, because it provides insight into some of the types of issues likely to affect problem gamblers in Atlanta.¹⁴ Legislation and regulations can provide funding and mechanisms to address these issues, as needed.

Aside from the items listed in Table 1, there are several other problems that may be associated with casino expansion. These include bankruptcy, divorce, drunk driving, and even suicide. Some of these issues that have been subject to empirical analysis will be discussed in more detail in sections 3 and 4 of this report. Others, such as divorce and suicide, may be social impacts related to casinos, but have not been analyzed empirically.

¹³ There have been several government-sponsored reports that attempt to provide comprehensive analyses of the social costs of gambling. One example is the analysis in Alberta, Canada, by Humphreys, Soebbing, Wynne, Turvey, and Lee (2011). In my view, this report takes the correct approach by identifying types of problems, but avoiding attempts to provide monetary estimates.

¹⁴ The Thompson et al. (1997) study, from which the list in Table 1 is taken, estimated the social costs to be \$9,469 per pathological gambler per year.

Neglected impacts

Although most of the social impacts of gambling discussed in the academic literature are negative, it is worth noting that there are some potentially positive impacts that are typically ignored in the academic literature and in public debate over casinos. Perhaps the most important benefit of legalizing casinos is the benefit to consumers of having a product they enjoy being more readily available.¹⁵

The legalization of casinos provides several benefits to consumers who enjoy casino gambling. First, it allows them more options in how to spend their disposable income. The fact that casinos earn profits is evidence that they provide a service that (some) consumers value. Second, when a casino opens it represents new competition in the local entertainment industry. This also benefits consumers by pushing entertainment prices lower, and quality higher, as firms try harder to compete for customers because of increased competition. Some economists believe that these consumer benefits from legal gambling are the largest benefits, and likely outweigh the social costs of gambling.¹⁶

Literature summary

Since the mid-1990s there have been numerous published studies on the negative social impacts of casino gambling. Although there are serious methodological problems with putting a monetary value on social costs, many types of problems associated with pathological gambling have been identified. Pathological gamblers may experience problems in their jobs and personal lives, and they may engage in criminal activities in order to finance their gambling.

Although one might expect that a new casino would lead to higher rates of pathological gambling, prevalence estimates have not confirmed this. The social adaptation model suggests that pathological gambling may increase after a new casino opens, but that it decreases as the local population adapts. This theory seems consistent with the fact that, despite significant casino expansion in the United States, there has not been a measurable, lasting increase in the prevalence of pathological gambling during the past twenty-five years.

3. Community comparisons

With its 5.5 million residents, The Atlanta metro area is the ninth largest in the United States, just ahead of Boston. If Georgia legalizes commercial casinos and one is located in Atlanta, the city would be joining several other large metro areas that currently host commercial casinos. These include Chicago, Philadelphia, Detroit, and soon, Washington, DC and Boston. Studies of the social impacts of casinos on large cities are scant, however.¹⁷

In this section, we first examine residents' and community leaders' perceptions of casino impacts. We then review evidence from the literature on the location and timing of crimes, with respect to casino location and hours of operation. Finally, we consider two other markets comparable to Atlanta to examine how their legislation and regulations attempt to address the social impacts of casinos. This section provides a foundation for understanding specific types of social impacts that may affect Atlanta, which are discussed in the section 4.

15 This could be considered to be an economic benefit, but regardless of how it is defined, it is typically ignored in the literature.

16 For example see the discussion by Forrest (2013) and Walker (2013, chapter 3).

17 There have been several economic impacts studies, including one that shows relatively minor employment and wage effects of casinos in heavily populated counties (Cotti, 2008).

Perceptions of casino impacts

Researchers have studied residents' perceptions of casinos and their social impacts in a number of different jurisdictions, including the United States, Macao, and South Korea. Across different countries, of course, casinos and cultures are different. We therefore focus on the studies that have examined perceptions among populations within the United States. It is important to note that some of these studies are dated, and that people's perceptions may have changed during the past decade, as casinos have continued to expand across the United States.

The study by Stitt, Nichols, and Giacomassi (2005) examined perceived casino impacts by surveying 2,769 people in eight different casino-hosting communities in Iowa, Missouri, Illinois, and Mississippi (p. 190).¹⁸ The results of this survey (Table 2) provide a good overview of the different types of issues that may accompany a casino development in Atlanta. Those impacts for which at least 50% of the population perceived an increase are highlighted; they were divorce, bankruptcy, and traffic congestion. The majority of respondents noticed no change in the other items. However, for almost all items, more people indicate an increase than a decrease.

Table 2. Residents' perceptions of casino impacts

"With regard to ____, do you think casino gambling has caused a(n)..."	Decrease	No Change	Increase
Drunk drivers on the road	2.5 %	50.4 %	47.1 %
People drinking in public	2.4	64.1	33.5
Groups of teens and other people hanging out and harassing people	2.7	84.0	13.3
Level of illegal drug use	2.6	69.1	28.4
Child abuse and neglect	1.9	53.5	44.6
Vandalism	1.9	71.7	26.5
Physical decay of the city	21.1	60.6	18.2
Victimization of the elderly	2.1	65.2	32.6
Domestic abuse	1.1	50.6	48.2
Garbage and litter on streets/sidewalks	10.0	75.6	14.5
Prostitution	2.7	70.1	27.2
Homelessness	3.2	61.5	35.2
Divorce	1.0	38.6	60.4
Suicide	1.0	59.2	39.9
Bankruptcy	0.7	25.5	73.7
Traffic congestion	1.1	46.5	52.3

¹⁸ The communities studied were Sioux City, IA; St. Joseph, St. Louis City, and St. Louis County, MO; Alton, Peoria, and East Peoria, IL; and Biloxi, MS. Since these communities are generally smaller than Atlanta, one would expect the average citizen in Atlanta to be less likely to notice these types of impacts from a casino.

Source: Stitt et al. (2005, p. 194)

There are several other studies that have examined residents' perceptions about casino impacts. For example, Giacomassi, Stitt, and Nichols (2001) examine perceptions of casinos on crime specifically, and conclude that "residents tend to over-estimate the negative impact of casinos on over-all crime, delinquency, fear of crime, and on specific offenses" (p. 151). Fong, Fong, and Law (2016) examined casino perceptions in Macao, the largest casino market in the world. They found that "perceived economic benefits are the only [relevant] predictor of satisfaction with life" (p. 1191), and that perceived "costs did not have an impact on satisfaction with life and support for casino development" (p. 1192). The authors suggested that Macao residents have become accustomed to casino development and they have adjusted to the costs. In addition, it is likely that since many residents in Macao make their living from the casino industry (or related industries), they tend to focus on the positive rather than negative casino impacts.

In general, published studies report that people perceive the benefits of casino development to outweigh the costs. This may simply be because the economic benefits tend to be more visible or better publicized, while the costs may be more difficult to see, or may take longer to materialize.

Aside from surveys of residents, there have also been studies of community leaders' perceptions of the impacts of casinos on their communities, although many of these studies are also dated. Here we focus on the study by Giacomassi, Nichols, and Stitt (1999), because it provides data on markets within the United States. For their study, the researchers interviewed 128 community leaders, such as mayors, police chiefs, gaming enforcement officials, and city council members. The respondents were from the same jurisdictions as those from which residents were surveyed for Table 2, above. These include large urban communities, such as St. Louis City and St. Louis County, MO, but also some smaller cities such as St. Joseph, MO, and Alton, IL.¹⁹ A variety of questions were asked in each interview; key perceptions of community leaders are shown in Table 3.

As shown in Table 3, the majority of interviewees had very positive perceptions of the impacts of casinos on their communities. Regarding social impacts, "quality of life" and "crime" would be the most relevant questions. Almost two-thirds of interviewees indicated that they perceived an increase in quality of life due to the casino in their community. At the same time, over two-thirds indicated that they perceived a neutral impact on crime, due to casinos; only 12% of respondents indicated that they perceived crime as having become worse because of casinos.

Table 3. Community leaders' perceptions of casino impacts

Core Questions	Responses (% of respondents)			
	Negative	Neutral	Positive	No Answer
Effect on quality of life	18%	16%	65%	1%
Effect on economy	6	15	77	3
Effect on crime	12*	69	8	12
Favor casino in community	15	23	59	3

Source: Giacomassi et al. (1999, p. 129).

¹⁹ Other studies, such as that by Wan (2012), focus on jurisdictions such as Macao, which may have significantly different cultural perspectives on gambling than in Atlanta or Georgia.

Notes: † There are minor rounding errors in the above figures; rows may not sum to 100%.

* Negative effect is interpreted as an increase in crime.

Importantly, Giacomassi et al. note,

...these key individuals may well be influential in shaping the views of fellow citizens. As a result of their work, they may also be better informed than the average citizen. It should be noted, however, that a potential problem in studying the attitudes of community leaders is that, by definition, these leaders may have played a prominent role in the legalization of casino gambling in their communities and, therefore, may be more inclined to see the casino industry in a favorable light. (Giacomassi et al., 1999, p. 125)

The authors further explain that the interviewees chosen for inclusion in the study were not chosen randomly (p. 127). It is possible that those respondents with a positive opinion of casinos were more likely to agree to be interviewed. The results in Table 3 should be viewed with this in mind.

When Giacomassi et al. show how respondents in different cities viewed the casinos' impact on quality of life, an interesting story emerges. In the smaller communities of Alton and Biloxi, around 90% of respondents thought casinos had a positive effect. However, in much larger St. Louis, only 54% did (p. 131). This finding may be consistent with the fact that a casino in a large city is unlikely to have a significant impact on measurable quality of life variables.

*Crime location and timing*²⁰

Several studies have been published that examine the locations and timing of reported crime, with respect to casino location and operating hours. These studies are based on two popular theories of crime, "routine activities theory" and the "hot spot" theory of crime. The routine activities theory holds that criminal activity increases when three conditions exist simultaneously: likely offenders, suitable targets, and a lack of enforcement against crime (Cohen & Felson, 1979). The idea of "hot spots" is that crimes are perpetrated in very concentrated areas (Sherman, Gartin, & Buerger, 1989). If there is a link between casinos and crime, then perhaps casinos act as hot spots. Interestingly, a series of papers tested how the locations and timing of crimes in Reno, NV, were related to casinos.

The study by Barthe and Stitt (2007) examined the location of reported crimes in Reno, Nevada, during 2003. They noted that 22% of Reno's reported crimes occurred within 1,000 feet of major casinos. In order to investigate further, they divided Reno into three separate zones, with one zone including the downtown area where the casinos are located. The casino zone of the city had the highest crime rate of the three zones: 103.52 per 1,000 people. (The other zones had crime rates of 19.4 and 14.2.) However, the calculated crime rates did not account for the number of visitors to the downtown zone, thus over-stating the risk of being victimized in the casino zone. Once the visitors were accounted for, the crime rate in the Reno casino zone fell to 14.6, suggesting that the area surrounding the casinos is likely as safe or safer than other areas of the city (p. 134).²¹

In a second study, Barthe and Stitt (2009a) examined police data to determine whether calls to police were significantly different between casino and non-casino hot spots in Reno. They conclude,

²⁰ The material in this section is based on Walker (2010).

²¹ The issue of how to deal with visitors or tourists has been very controversial in the casino-crime literature; it is discussed in more detail in section 4 of this report. Table 5 (also in section 4) presents statistics for specific crimes from the Barthe and Stitt (2007) study.

Crime hotspots near casinos do not appear to be very different (by crime type and temporal factors) from hotspots in other parts of the city. The biggest differences lie in casino hotspots generating more calls for drunken behaviors and larcenies... This research should reassure local officials and law enforcement agencies that the mere presence of casinos will not produce an inordinate amount of property or disorder crime within their jurisdiction (pp. 12, 13).

In a third study of crime in Reno, Barthe and Stitt (2009b) focus on the timing of calls for police service to determine whether there is a difference in the timing pattern for police calls made near casinos and elsewhere. Since casinos are open 24 hours a day, one might expect casino-based criminal activities to occur throughout the day. In fact, Barthe and Stitt found little difference between the volume of casino- and non-casino-zone calls at various times throughout the day (pp. 7-10). One complicating factor, however, is that some calls regarding crime may have been made to casino security, rather than to the Reno police. In that case, the reported crimes in casino zones may be understated.

The available evidence on the locations and timing of reported crimes in Reno raises questions as to whether casinos are a significant catalyst for crime, at least in that market. In section 4 we address crime rates in general, and how they are affected by casinos.

Comparison cities

In order to understand the likely social impacts of casinos in Atlanta, it can be helpful to consider how other casino-hosting cities have attempted to deal with social impacts. Although casinos are widespread in the United States, few large cities host large casinos. For the purpose of this study, we choose to examine Boston and Philadelphia, primarily because their sizes are similar to Atlanta, and they are in different stages of hosting casinos.

In the case of Boston, the enabling legislation (passed in 2011) and regulatory framework is one of the most comprehensive in the United States. Construction on the Wynn casino in Boston is just beginning. Philadelphia has experience with casinos operating, including the SugarHouse Casino, and the state has revisited some of its regulations since casinos have opened. It should be noted at the outset that in Boston and Philadelphia (and in other casino hosting cities in other jurisdictions), the local community typically must agree to host the casino. This may be done by city leaders or by voters, or both. Such approval usually comes with an agreement with the casino, typically including cash payments from the casino to the host city, to ensure that the hosting community can make improvements and offset some of the impact of the new casino. If Atlanta agrees to host a casino, city leaders should be proactive in crafting an agreement to maximize the benefits to the community.

Philadelphia, Pennsylvania

Pennsylvania has a significant casino industry. The state receives more revenue from casino taxes than any other state, largely due to its high tax rate. The SugarHouse Casino in downtown Philadelphia is an interesting comparison for Atlanta.²² The Philadelphia metropolitan area ranks 7th largest in the United States, with over 6 million residents. (Atlanta ranks 9th with its 5.5 million.)

22 This is despite the fact that Atlanta and Philadelphia are, in many ways, dissimilar. For example, there are several large casinos in the downtown Philadelphia area; what has been proposed for Atlanta is one or perhaps two casino properties. Still, the comparison is useful with respect to the interaction between prospective casino and the hosting city.

At the state level, the Pennsylvania Race Horse Development and Gaming Act included provisions for problem gambling, which were adopted in 2007 and revised in 2014.²³ The law specifies how casino permit applicants are required to have a comprehensive plan for dealing with problem gambling. Among the requirements, applicants must have:

- procedures to identify patrons and employees with suspected or known compulsive and problem gambling behavior.
- procedures for responding to patron requests for information about problem gambling.
- printed material available to educate patrons about problem gambling and treatment options.
- procedures to prevent underage gambling.
- signs posted that provide information about how to get help.

In addition, any advertising on the part of the casinos must include a message about problem gambling. A review of this legislation provides a useful example from which Georgia may glean ideas for how to craft its own legislation, should it pursue legal casino gambling.

Aside from the state-level regulations and taxes, casinos are often required to pay taxes to their hosting cities. In addition, the casino and its hosting community may make an agreement outside of the state government structure. The hosting agreement with the SugarHouse Casino in Philadelphia created the Penn Treaty Special Services District (<http://penn-treaty-ssd.com/>). This Special Services District (SSD) is a nonprofit corporation – funded entirely by the SugarHouse Casino – whose goal is to maximize the benefits of the casino on the local community. The agreement for funding the SSD in Philadelphia is specific in the timing and size of monetary payments to be made by the casino, but intentionally vague in how the money should be spent by the SSD.

The SugarHouse contributions to the SSD included \$175,000 annually prior to the casino opening, and an annual \$500,000 after the casino opened. The annual payment increased to \$1,000,000 in 2015.²⁴ This payment is to continue for 15 years, then be renegotiated. Presumably, these payments from the casino can be used to address whatever issues or problems the members of the SSD see as their highest priorities.²⁵

As the example of Philadelphia shows, the concerns over problem gambling or other social problems that may be related to gambling can be addressed at both the state level (in the original legislation), as well as at the community level (e.g., in the hosting agreement with the community).

Interestingly, a recent Pennsylvania Supreme Court decision found that portions of the state's local casino tax are unconstitutional because it effectively taxes different size casinos at different rates.²⁶ Although the Court's decision is not related to SSDs, it does help to underscore how important it can be to carefully develop the legislation that enables and taxes casinos.

23 For the full text, see <http://www.pacode.com/secure/data/058/chapter501a/chap501atoc.html>.

24 <https://www.sugarhousecasino.com/press/press-releases/sugarhouse-casino-makes-1-million-annual-contribution-to-penn-treaty-special-services-district/#sm.00000g0r3xggxte5ny64m1olloh61>

25 For a copy of the agreement and related documents, see http://www.cityofboston.gov/images_documents/PhiladelphiaSugarHouseCBA_tcm3-35543.pdf. The required payments are detailed on pp. 30-31 (pages numbered 4-5 of the Community Benefits Agreement).

26 <http://www.post-gazette.com/news/state/2016/09/29/Pa-Supreme-Court-says-casino-taxing-method-unconstitutional/stories/201609290143>

Boston (Everett), Massachusetts

The legislation allowing commercial casinos in Massachusetts was passed in 2011, but the Wynn casino project in Boston (actually, Everett, a small city just north of Boston) only received final approval to begin construction in late October, 2016.²⁷ The Massachusetts law is perhaps the most comprehensive in the country, with respect to dealing with negative social impacts from gambling. The Massachusetts Gaming Commission (MGC) website includes information on the Commission's activities, as well as the Expanded Gaming Act that legalized casinos in the state.²⁸

The law creates the Gaming Policy Advisory Committee (Sec. 68), "which shall designate subcommittees to examine community mitigation, compulsive gambling and gaming impacts on cultural facilities and tourism." The Committee and its subcommittees are designed to offer recommendations to the MGC. Several different funds were created within the Massachusetts law, to be financed through taxes on casino revenues, annual slot machine license fees, and other sources, in order to address various social impacts they anticipated from the new casinos in the state. Some of these funds are outlined in Table 4.

Table 4. Massachusetts casino tax funds to address social impacts

Section*	Fund	Purpose
58	Public Health Trust Fund	"...to assist social service and public health programs dedicated to addressing problems with compulsive gambling including, but not limited to, gambling prevention and addiction services, substance abuse services, educational campaigns to mitigate the potential addictive nature of gambling and any studies and evaluation necessary, including the annual research agenda under section 71, to ensure the proper and most effective strategies."
61	Community Mitigation Fund	"...to assist the host community and surrounding communities in offsetting costs related to the construction and operation of a gaming establishment including, but not limited to, communities and water and sewer districts in the vicinity of a gaming establishment, local and regional education, transportation, infrastructure, housing, environmental issues and public safety, including the office of the county district attorney, police, fire and emergency services."
62	Transportation Infrastructure and Development Fund	"...for the purpose of transportation and related infrastructure projects including but not limited to, transit expansion and maintenance."

²⁷ http://www.jowellsun.com/breakingnews/ci_30509612/wynn-casino-greenlighted-construction-start

²⁸ See <http://massgaming.com/about/expanded-gaming-act/>. The text of the legislation is available at <https://malegislature.gov/Laws/GeneralLaws/PartI/TitleI/Chapter23K>; a concise summary is available at <http://massgaming.com/wp-content/uploads/mgl-c-194-codex.pdf>.

63	Gaming Local Aid Fund	"Funds shall be distributed to cities and towns in accordance with the formula used to determine the distribution of unrestricted general government aid..."
64	Education Fund	"...35 per cent of the funds received shall be appropriated for "...for the purposes of higher education"; funds may also be used to supplement K-12 education.

Note: * Text of all cited sections can be found at <https://malegislature.gov/Laws/GeneralLaws/Part/Title/Chapter23K>.

The casino legislation in Massachusetts is also unique because it requires research on the social and economic impacts to be done, presumably so that funding can be directed to priorities identified through the research. Section 71 describes the annual research agenda, funded by the Public Health Trust Fund (Sec. 58), which focuses on "responsible gambling" and mitigating problem gambling.²⁹ Annual research funding is anticipated to be \$15-20 million annually once the casinos in the state are operational. Many of the issues to be examined in the Massachusetts research are likely to be of interest to Georgia policymakers as they contemplate the legalization of commercial casinos.

The Wynn casino in Boston is a \$2 billion project. Despite a lot of legal wrangling between Wynn and the cities of Boston and Everett, the casino has made a hosting agreement with Everett.³⁰ The agreement requires, among other things:

- Wynn will pay the city a \$30 million "community enhancement fee" (p. 3)
- Wynn will pay an annual "community impact fee" of \$5 million, to increase annually at 2.5% (p. 4)
- Wynn will pay an annual "payment in lieu of taxes" of \$20 million, to increase annually at 2.5% (p. 4)
- Wynn will hire with a preference for Everett residents and unionized workers (pp. 6-7)
- Wynn agrees to invest at least \$1 billion in the project (p. 8)
- Wynn agrees to pay the cost of upgrading utilities, such as electricity, gas, and water/sewer (p. 8)
- Wynn agrees to pay the cost of transportation infrastructure impacts (p. 10)
- Wynn will fund the "Everett Citizens Foundation" at \$250,000 per year, to increase by 2.5% per year, with a purpose to support and promote local groups, associations, and programs (p. 13)

²⁹ Information on the research agenda is available at <http://massgaming.com/about/research-agenda/>. The research team's website is at <http://www.umass.edu/seigma/>.

³⁰ http://www.cityofboston.gov/images_documents/Host-Agreement-between-Everett-and-Wynn_tcm3-42798.pdf. For more information, see <http://massgaming.com/about/host-surrounding-communities/host-community-agreements/>. Other examples are available at <http://www.cityofboston.gov/gaming/about/agreements.asp>.

As shown by the examples in Philadelphia and Boston, the hosting agreement can vary in details, size of cash payments from the casino, and purposes of the payments. These examples are valuable in highlighting the potential strategies for Georgia and Atlanta to consider should it move forward with casino legalization. For example, suppose panhandling, disorderly conduct, and human trafficking (or prostitution) are specific concerns of residents in downtown Atlanta. In a hosting agreement with the casino applicant, the City of Atlanta (or a combination of affected cities or counties) could request funding from the casino specifically to address these problems, say, through a direct subsidy to law enforcement with the condition that it be used to address these three issues. Although such an arrangement would likely help with alleviating these particular problems as soon as possible, it might also prevent this money from being used for other, equally important purposes in the future. For this reason, too much specificity in the hosting agreement or in legislation may be detrimental in the longer run because it would tie funding to specific issues that may have been improved or otherwise lose importance later.

The example of Massachusetts is particularly useful, and may be the best model for Georgia to follow. Clearly, the impacts of casinos can vary by location and jurisdiction. Boston has a set of problems that may be very different from those in Atlanta. The legislation in Massachusetts requires research on a variety of wellbeing measures (e.g., economic impacts, crime, prevalence of pathological gambling) before and after the introduction of casinos. This research will be very helpful in terms of guiding resources to alleviate any problems that are identified as being created or exacerbated by the casinos.

Similarly, in Georgia, it would be wise either in the state's legislation or in the community hosting agreement to earmark funding for research on the impacts of casinos on the local communities, as well as funding that can then be used to address any problems identified in the research. A general approach such as this, to identify and then address problems as they arise, is more effective than attempting to predict specific problems before the casino is built, and locking-in funding for only those anticipated problems.

Help for problem gamblers

As noted earlier, many of the social problems attributed to gambling are caused by problem gamblers. There are national, state, and local organizations whose goal it is to provide help for problem gamblers.³¹ The National Council on Problem Gambling (NCPG) is one such organization. The NCPG operates a national helpline for problem gamblers, which can provide information on receiving help at the local level. In addition, on the NCPG website there is a national map with links to their state affiliates, including the Georgia Council on Problem Gambling.³²

Of course, the NCPG and its affiliates are not the only organizations that attempt to help problem gamblers. However, if Georgia moves forward with casino legalization the state would need to address problem gambling. Some funding from the casinos could be required for this purpose, either in the legislation or in the community agreement(s).

31 In many cases, the organizations are funded directly by the gambling industry. For example, the Georgia Lottery provides "\$400,000 annually to the Georgia Department of Behavioral Health and Developmental Disabilities to fund research, education and treatment of gambling addiction." On its webpage, the Lottery also provides information on how people can get help if they believe they have a gambling problem. See <https://www.galottery.com/en-us/about-us/play-responsibly.html>.

32 See <http://www.ncpgambling.org/>, which promotes the National Problem Gambling Helpline, 1-800-522-4700. The list of state affiliates is at <http://www.ncpgambling.org/about-us/state-affiliates/>; the Georgia Council on Problem Gambling is at <http://www.georgiaqamblinghelp.org/>.

4. Potential social impacts in Atlanta

As discussed in previous sections, there has been a lot written on the negative social impacts (or social costs) of gambling, though much of it is controversial. In this section we discuss how previous research can inform us on the likely specific impacts of a large casino development in Atlanta. For our discussion we focus on the literature that provides the best empirical evidence, and avoid literature based more on opinion than fact, or that otherwise lacks empirical evidence. Among the impacts to be discussed are: pathological gambling, FBI Index I crimes, political corruption, drunk driving fatalities, bankruptcy, and NIMBY concerns.

Prevalence of pathological gambling

Research suggests that roughly 1% of the U.S. population are pathological gamblers. This translates to around 55,000 pathological gamblers in metro Atlanta. Residents of Atlanta already have somewhat easy access to gambling, from the lottery at every convenience store, to online gambling, illegal gambling machines in Georgia, and legal casinos as close as 2 or 2.5 hours away.³³ The adaptation theory proposed by LaPlante and Shaffer (2007) suggests that, while a new casino in downtown Atlanta may be a catalyst for an increase in the number of problem gamblers, this number will adjust down to around its current level as the community adjusts to the new casino. Empirical evidence has supported this theory (e.g., Welte, Barnes, Tidwell, Hoffman, & Wieczorek, 2015a).³⁴ However, as noted earlier, there is some evidence that the prevalence rate may be higher nearer to the casino than further away (Welte et al., 2004).

Regardless of the specific prevalence rate of problem gambling in Atlanta, it is possible that the city would see a change in some negative social impacts once a casino is operating. We discuss some of these impacts below.

Crime rates

One of the greatest concerns over casino expansion is that it will be a catalyst for increased crime. The routine activities theory, discussed earlier, provides an intuitive explanation for this. Casinos would seem to bring together suitable targets, potential offenders, and may be characterized by a lack of enforcement if the local police force is not bolstered to handle the influx of tourists that casinos can bring. Among all of the potential negative social impacts of casinos, crime has received the most empirical research.

A comprehensive review of the literature on casinos and crime was published in 2010 (Walker, 2010). There have been at least 20 published studies on how casinos affect crime. The results have been mixed, with findings in some jurisdictions that casinos have contributed to increased crime, while there was no link found in other jurisdictions.

Perhaps the most comprehensive study was by Grinols and Mustard (2006), which examined county-level U.S. crime statistics from 1977 through 2006. The researchers examined crime data from the FBI's *Uniform Crime Reports*, focusing on these Index I crimes: aggravated assault, rape, robbery, larceny, burglary and auto theft. Grinols and Mustard performed a statistical analysis on how the presence of a casino in a county affected the crime rate. Their findings suggest that crime

³³ The Wind Creek Montgomery Casino is a 2.25-hour drive away (150 miles) from downtown Atlanta; the Harrah's Cherokee Valley River Casino is about 2.5 hours away in Murphy, NC (120 miles).

³⁴ It should be noted Welte, Barnes, et al. (2015a) found higher problem gambling rates for blacks and Hispanics than for whites and Asians. To the extent that Atlanta's racial make-up differs from the populations analyzed in published studies, the prevalence rate in Atlanta may be somewhat different.

rates begin to rise several years after casinos begin operating, and that casinos are responsible for roughly 8% of casino county crime. For Atlanta, this finding suggests that Index I crimes would be likely to increase by about 8% if a casino was built in the city.

However, one serious problem with the Grinols and Mustard study, as well as many other studies in the literature, is that researchers often do not account for the number of visitors when calculating the crime rate. This leads to an over-estimate of the likelihood of being victimized by crime.³⁵ It turns out that most studies that have found a relationship between casinos and higher crime rates, like the Grinols and Mustard study, have *not* adjusted the population measure by the number of tourists. In contrast, those studies that have adjusted the population measure by the number of tourists have generally found no relationship between casinos and crime rates (Walker, 2010). It is likely that the impact of casinos on crime is different in different jurisdictions. Findings indicate that some types of crime increase, while others decrease. But overall, the empirical evidence does *not* indicate a certain increase in crime rates after the introduction of a casino.

For Atlanta, the literature on casinos and crime suggests that a new casino in Atlanta could affect crime rates. Most studies of casinos and crime are done at a county-level, since reported crime data are usually available only at that level of aggregation, or larger. Unfortunately, evidence from other counties may not accurately predict the impact of a casino in downtown Atlanta, because of the dense population there. The particular casino effects will depend on a number of factors, including where the casino is located, the number of visitors it attracts, and how the size and priorities of the police force change with the opening of the new casino.

Nevertheless, the study that provides the most relevant information is that by Barthe and Stitt (2007), discussed in section 2. The paper focused on Reno, a city in which most casinos are located within a few blocks of each other (p. 121). The authors pinpointed the location of crime incidents from 2003, and examined their proximity to casinos. Each casino was given a 1,000 foot “buffer zone,” and the crime incidents that occurred within these zones were tabulated. Their findings indicated that many crimes – 22% of all Reno crimes – were clustered around the casinos. The results are presented in Table 5.

Table 5. Crime incidents occurring in Reno, NV, during 2003, citywide and within 1,000 feet from casinos

Crime	Citywide Incident Count	Incidents <1,000 ft. from casinos	% Incidents < 1,000 ft. from casinos
<i>Personal Crime</i>			
Murder/Homicide	17	4	24%
Assault	1,522	469	31
Robbery	507	167	33

³⁵ As a simple example, suppose a city has a population (p) of 100 and 10 crimes (c) reported in the year prior to a casino opening. The crime rate (c/p) would be calculated at 10%, which can be interpreted to mean that a person has a 10% chance of being victimized. Now suppose a casino opens in the city, and attracts an average of 500 tourists per day. Simply by the fact that there will be more people in the city (now 600 on any particular day), there will be more crimes committed. Suppose c rises to 60 in the year after the casino opens. If we ignore the tourists in calculating p , but include the crimes (c) committed by tourists, then the crime rate would be calculated as 60/100, or 60%. The chance of being victimized appears to have increased by a factor of 5, from 10% to 60%. But this is only because the tourists were not included in the population figure (p). The correct crime rate calculation would be 60/600, or 10%, which means a person's chance of being victimized is actually the same before and after the casino opened.

Domestic Battery	2,137	246	12
Rape/Sex Crimes	208	36	17
<i>Property Crime</i>			
Burglary/Larceny/ Theft	6,190	980	16
Car Crimes	4,595	613	13
<i>Disorder Crime</i>			
Drugs/Liquor	2,378	1,023	43
Nuisance Item	3,085	395	13
Prostitution/Vice	175	129	74
<i>Other</i>			
Financial Crimes	3,254	1,249	38
Gun Incidents	113	23	20
Recovered Stolen Car	217	46	21
Total	24,398	5,380	22%

Source: Giacomassi et al. (2007, p. 124).

It is important to note, as Barthe and Stitt do, that the occurrence of crimes near casinos does not mean that casinos “caused” the crime. Indeed, after adjusting for the visiting population to the casino areas, the crime rate there is *lower* than other areas of the city. This means that the average person is less likely to be victimized by crime, even though more criminal incidents occur near the casinos. An additional problem with the Reno study is that it does not provide crime data before casinos were operating, which makes it difficult to determine the casinos’ effect. Unfortunately, there is no published longitudinal study that analyzes crime at the neighborhood level. While the results from Reno do provide some data on how much crime was reported in areas surrounding the casinos there, it would be inappropriate to make any general conclusions from that study about the likely impact on crime from a new casino in Atlanta.

It is obviously critical to a casino’s success that potential customers perceive the casino and its surroundings to be safe. Therefore, city officials should pay careful attention to how casino taxes can supplement policing budgets and priorities.

Political corruption

Another common concern about the introduction of casinos is political corruption. There have been some high profile corruption cases that have been linked to casinos in states such as Illinois, Louisiana, and New Jersey. Since state and local governments control almost every aspect of casino expansion (number, size, and operators of casinos), casino adoption legislation may become a catalyst for corrupt activities.

In a statistical analysis of corruption convictions of state government employees, Walker and Calcagno (2013) found that states that legalized commercial casinos tended to see a subsequent increase in corruption convictions among state officials. They concluded that this may help explain some of the apparent “regulatory capture” that appears in some states.

Regulatory capture refers to the situation in which an industry that is regulated by government begins to exert influence and control over the regulators (Calcagno & Walker, 2016). Casino critics point to regulations that have been relaxed after the initial legalization of casinos. For example, several states initially had betting limits at table games or loss limits for customers (e.g., South Dakota and Missouri). Other states initially required riverboat casinos to leave their docks and navigate the river as customers gambled. Many of these types of regulations have been relaxed or reversed. In some states casino tax rates have been reduced, the casino industry has received government subsidies, or casinos have been allowed to expand beyond their initially approved sizes.³⁶ All of these are examples where regulators have made changes that helped the casino industry. This may occur because regulators rely on the casino industry for their jobs, or the state becomes more reliant on the casinos for tax revenues. Therefore, the regulators may seem to become agents of the casino industry – the regulators get “captured” by the industry they are tasked with regulating. As a result, the interests of the general public may be overlooked or ignored.

One advantage Georgia has in being a late-comer to the casino legalization debate is that it can look to the experiences in other states in crafting its casino legislation and regulatory framework. It can choose among relatively free market approaches, such as those in Nevada and Mississippi, or look to more highly regulated jurisdictions, such as Kansas and Massachusetts. Massachusetts has likely worked more than any other state in developing its casino regulations, and its legislation requires long-term study of the impacts of casinos. Policymakers in Georgia would be well advised to be careful in writing legislation that creates clear regulations and removes the potential for corruption and regulatory capture.

Drunk driving

Aside from the traffic a large casino can attract, there is an additional traffic concern with casinos that is not shared by many other entertainment venues. Most casinos have bars, and in many casinos patrons are offered free drinks while they gamble. This creates the possibility that a casino may exacerbate drunk driving in its surrounding area. In a city as large as Atlanta, a large casino would attract a large number of patrons from throughout the city. As a result, a casino in Atlanta could have an impact on drunk driving, which is an important public health and safety issue.

To date, there has been one published study that examined how casinos affect drunk driving fatalities. The study by Cotti and Walker (2010) examined U.S. county-level car accident data from the National Highway Traffic Safety Administration’s Fatality Analysis Reporting System. The data include auto fatalities in which alcohol was reported to be relevant. The data covered 1990 through 2000, a period over which 131 counties saw casino openings. The statistical results showed that counties with average population that had a casino had drunk driving fatalities that were 9.2% higher than non-casino counties. Interestingly, smaller population casino counties (such as a county with around 17,000 residents) saw a much larger 16.9% increase in drunk driving fatalities compared to non-casino small counties. At the same time, casino counties with large populations (e.g., a county with 900,000) saw 6.1% fewer drunk driving fatalities than their non-casino peer counties.

The researchers explain that drunk driving fatalities are a function of, among other things, miles driven by drunk drivers. When a casino is located in a rural location, and many of the patrons drive long distances to and from the casino, there are likely to be drunk drivers on the road for longer distances which significantly increases the number of accidents and fatalities. In contrast, a casino located in an urban area such as Atlanta may lead to a reduction in drunk driving fatalities because the casino may serve as an alternative to other entertainment and leisure options, such as bars and

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Several examples of regulations that changed to favor the casino industry are discussed by Calcagno and Walker (2016).

night clubs, where customers may have otherwise drunk more than at the casino. Another potential reason urban casinos do not increase drunk driving is that in many large cities, including Atlanta, there are more public transportation options, ride sharing services such as Uber, and taxis, than in smaller communities.

Based on the available research, drunk driving is not one of the issues that an Atlanta casino is likely to make worse. Of course, policymakers could still take precautions by requiring the casino to be responsible in serving alcohol, perhaps limit casino bar hours, or even ban free drinks.

Bankruptcy

As noted previously, many of the negative social impacts attributed to casinos result from the behaviors of pathological gamblers. Since these people often have difficulties controlling their gambling, and since casino gambling is, by design, a negative expected value activity, it is hardly surprising that pathological gamblers would be more likely than others to face financial problems. Indeed, the link between casino gambling and personal bankruptcy has been one of the more commonly studied issues in the socioeconomic impacts of gambling, perhaps second only to crime.

Evidence on the link between casinos and bankruptcy is mixed. Some papers have found empirical evidence of a link (Barron, Staten, & Wilshusen, 2002; Goss, Morse, & Deskins, 2009; Nichols, Stitt, & Giacompassi, 2000), while others find no such evidence (de la Vina & Bernstein, 2002; Thalheimer & Ali, 2004). A study by Garrett and Nichols (2008) found higher bankruptcy rates in states with higher rates of travel to out-of-state casinos, suggesting that casinos “export” bankruptcy. The study by Boardman and Perry (2007) found no link between casinos and bankruptcy. However, they did note that bankruptcies did increase in counties within 25 miles of pari-mutuel racing facilities, which suggests that different types of gambling may have different relationships to bankruptcy.

The most recent study on casinos and bankruptcy is by Grote and Matheson (2014). In this paper, which also considered lottery adoption, they found that states that adopted lotteries and casinos prior to 1995 experienced significantly higher personal bankruptcy rates. However, this effect has disappeared since the 1990s. This result may be a reflection of the fact that the states that were earlier to adopt casinos and lotteries may have been experiencing more serious fiscal situations (Calcagno, Walker, & Jackson, 2010); residents of such states may also have been more likely to be facing their own personal financial crises.

There have been several studies of casino gambling and bankruptcy, with mixed results. This suggests that policymakers in Georgia should be aware that there is the possibility that the introduction of casinos may lead to higher bankruptcy rates among more vulnerable populations. However, the effect is likely to be somewhat modest, as the most recent evidence suggests that there may be an adaptation-type effect happening with personal bankruptcy, such that later-adopting states have not seen casino adoptions affecting bankruptcy rates (Grote & Matheson, 2014).

NIMBY concerns

One concern people often have is that a casino will change the local culture. Especially in smaller communities, residents voice “NIMBY” (not in my back yard) concerns about casinos. People do not want the gambling, traffic, noise, or other potential social problems that may accompany a new casino. This is not an issue that has received much explicit attention in the academic literature. However, there have been a few studies that examined how casinos affect quality of life and residential property values. These variables can be seen as proxies for the degree to which residents have NIMBY concerns.

Two studies we have previously mentioned in the context of community comparisons provide survey and interview results on some issues relevant here. If we refer back to Tables 2 and 3, which report results from Stitt et al. (2005) and Giacomassi et al. (1999), respectively, we see little evidence that casinos posed problems for a majority of residents or community leaders. For example, in Table 3 it was reported that most community leaders thought the casinos had contributed a net positive impact to quality of life. However, as reported in Table 2, some 2,700 residents in casino communities reported their perception that casinos made divorce, bankruptcy, and traffic congestion worse in their communities.

Another study that indirectly gets at the NIMBY issue is by Wenz (2008), who attempts to estimate the different costs and benefits of casinos on their host communities. These effects are measured by the changes in county-level housing prices and wages, which are, to an extent, a reflection of the quality of life in the community. The study does not find any significant impact – either positive or negative – on quality of life. Of course, this may be partially due to the fact that the variables are measured at a county level. Some community residents may see improvements in quality of life, and others see declines, with the net result of “no effect.”

A follow-up study by Wenz (2014) has similar findings, with the qualification that casino impacts are likely to vary depending on type of casino and location (p. 155). In particular, casinos are seen as a positive amenity, with “mixed and negligible effects on household quality of life.” The effects are larger with larger casino size, and larger in more rural, rather than urban, areas (p. 156). Given the size of casino that has been proposed for Atlanta (i.e., \$1 billion or more), and the size of Atlanta, one should not expect a dramatic impact on the quality of life of Atlanta residents. Still, those nearest to the casino could see more significant benefits or harms.

One shortcoming in the literature on the social impacts of casinos is a lack of study of the relationship between casino proximity and its effects. Although evidence has suggested that the rate of problem gambling is much higher within about 10 miles of a casino, similar analyses have not been undertaken on many of the social impacts of casinos. Policymakers should be careful to consider the negative impacts a casino could have on its closest neighbors. These effects would likely include increased traffic, noise, and criminal activity.

Summary

The academic literature provides a variety of studies on some of the negative social impacts that are commonly associated with casino development. These studies can provide guidance for Atlanta, in better understanding how a casino will impact the community. Overall, because Atlanta is such a large city, the measurable effects on the city or the metropolitan area are likely to be minimal. However, different people could be affected differently, with those individuals located in the immediate proximity of the casino almost certainly experiencing larger impacts than residents further away.

5. Conclusions

Despite the fact that casinos are widespread across the United States, and that there have been a number of studies on the socioeconomic impacts of casinos published in the academic literature, there is still a lot of uncertainty about how casinos impact their host communities. Economic benefits such as employment and tax revenues are somewhat easier to measure and predict than the negative social impacts that may be caused by casinos.

In this report we have reviewed the evidence from the academic literature on various social impacts of casinos, including problem gambling, crime, bankruptcy, political corruption, drunk driving fatalities, and NIMBY concerns. In addition, we discussed other problems often associated specif-

ically with problem gambling, arguing that it is more productive to be aware of the types of problems such people may experience (such as productivity problems on the job, borrowing money they cannot repay, etc.) and best practices to ameliorate, rather than focusing on arbitrary monetary estimates of the social costs of gambling.

Based on the available evidence, it appears that a casino in a large city like Atlanta is unlikely to have a significant effect on crime statistics, on the prevalence of problem gambling, or other social ills, if only because the casino would represent a fairly small component of the Atlanta or Downtown Atlanta economy. One difficulty with using the published literature to predict casino impacts on Atlanta is that most studies have utilized county-level data. Unfortunately, neighborhood level data are usually not available.

Of course, it is unlikely that a casino would impact everyone equally, and we might expect there to be larger impacts in closer proximity to the casino. As a result, a small population nearest to a casino may be affected, but these effects do not show up in aggregate statistics. An additional concern is that the impacts of a large casino resort in Atlanta could be quite different from the effects of casinos in Boston, Philadelphia, or Detroit.

As the examples in Boston and Philadelphia show, the host community can attempt to alleviate casino-related social impacts by requesting funding from the casino in a hosting agreement, to be executed prior to the casino being licensed or built. In addition, the legislation at the state level could mandate certain programs or expenditures for particular issues that policymakers wish to address. Massachusetts provides a useful example in this regard, and it should be examined more closely. By providing funding for research on gambling and casino impacts, the legislation in Massachusetts makes it possible to better identify any problems created or exacerbated by casinos, which then can be targeted. A similar strategy may be advisable for Georgia and Atlanta.

One advantage of being a latecomer to the casino debate is that Georgia can follow examples from other states that have proven to be effective. States have varied with respect to the tax rates, degrees of regulation, and sizes and numbers of allowed casinos. It would be worthwhile for Georgia to study these different examples to determine the best path forward for Georgia and for the local communities that would ultimately host a casino.

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The Impacts of Casinos on Downtown Development

presented to Central Atlanta Progress / Atlanta Downtown
Improvement District (CAP/ADID)

DECEMBER 2016



KEY
a d v i s o r s

Bruce Seaman, Ph.D.

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- Key Findings and Observations
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 - Have casinos stimulated new development in their downtowns?
 - Have casinos helped achieve other development objectives in their cities?
- Conclusion
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 - **Appendix B:** Host Cities Share of Revenue
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EXECUTIVE SUMMARY

This report examines the experience of four cities who have had casinos in their downtowns for at least four years to assess the impact of casinos on downtown development. The case studies and related stakeholder interviews reveal the following impacts of casinos on their downtowns:

- **Casinos resulted in significant new investment in a gaming and resort facility, created jobs in the hospitality sector and generated substantial state revenues**, though not at the growth rates originally projected by their sponsors. An increase in local revenues is highly dependent upon revenue sharing agreements with states.
- **Casinos have had modest positive impacts on the hospitality sector in their cities**, since most gamblers come from the local regional market.
- **Casinos have not generated significant other redevelopment benefits**, due to their nature as self-contained, inward-looking entertainment venues. Detroit has been a strong exception to this rule due to the commitments of their local ownership.
- **Casinos are not a primary destination/tourism driver, but can serve as a complementary activity to other attractions downtown**—Harrah's Casino is viewed by local stakeholders as a complementary activity to the many hotels and other tourist attractions in the city rather than a primary destination/tourism driver.
- **Casinos have the potential for greater impact when they tap into - not recreate- existing assets downtown--** New Orleans and Cleveland located their casinos in the heart of their downtowns, increasing the potential to tap into the existing hotel bed base, other attractions, retail and restaurants, and sports and entertainment venues.
- **There is little interest among a broad cross-section of downtown Atlanta stakeholders in a future casino--** When asked their opinion about creating a major casino facility in downtown Atlanta, there was near universal opposition from a broad cross-section of the stakeholders. Those interviewed represented real estate development, leasing, hospitality, retail, restaurant and entertainment interests as well as downtown residents.

INTRODUCTION

Downtown development impacts of casinos

- To gauge the impact of a possible future casino in Downtown Atlanta we examined the experience of four cities who have had casinos in their downtowns for at least four years-
 - New Orleans—Harrah’s Casino and Hotel
 - Cleveland—The Jack Cleveland Casino
 - Pittsburgh—The Rivers Casino
 - Detroit—the MGM Grand, MotorCity, and Jack Greektown casinos
- The data in this report was obtained from casino regulatory agencies in the four states analyzed; interviews with stakeholders in each of the cities involved in downtown development, tourism and hotel operations. Additionally, annual reports, research reports and secondary data sources were utilized and are referenced in the report. (Appendix A&B)
- To gauge the opinion of downtown stakeholders five focus groups were asked their opinions regarding a downtown casino. The five focus groups were held with: real estate professionals, retailers and restaurant owners, tourism and hospitality professionals, Georgia State University students, and Downtown residents. (Appendix C)
- A reference list is provided at the back of this report.

INTRODUCTION

Downtown development impacts of casinos

This analysis addresses four questions:

- 1. What has been the impact of casinos in terms of their performance and state and local tax revenues?***
- 2. What has been the impact of casinos on hotels and the hospitality sector in their downtowns?***
- 3. Have casinos stimulated new development in their downtowns?***
- 4. Have casinos helped achieve other development objectives in their cities?***

KEY FINDINGS AND OBSERVATIONS

KEY FINDINGS AND OBSERVATIONS

1. *What has been the impact of casinos in terms of their performance and state and local tax revenues?*

- **Casino performance** —In the four case study cities the performance of the six downtown casinos has been at best, flat to modest growth (Detroit and Pittsburgh), with casino revenues in two of the four cities (New Orleans, Cleveland) declining significantly over the analysis period. This occurred at a time when general tourism in two downtowns was growing significantly (New Orleans, Cleveland).
- **The six casinos generate substantial state revenues** —The four states where the case study cities are located had been experiencing prolonged periods of slow economic growth, and saw gaming as a way to increase net revenues to the states, and to a lesser degree, localities. In 2015, the six casinos in the case study cities generated over \$2.2 billion for their respective states in gaming taxes, achieving the objective of increasing state revenues. While the casinos have not experienced the rate of growth in casino revenues that were initially projected, the amount of casino revenues generated in the last five years are still significant.
- **Ability to impact local revenues:** In three of the four case study cities the host city receives a significant portion of the casino revenues generated through a distribution of the gaming taxes (Appendix B). These funds are generated either from a specified share of the total state gaming taxes, a supplemental local gaming tax, or some form of revenue sharing among cities and counties. These funds are in addition to the local property, sales and hotel motel taxes paid by the casinos and their related facilities which can be substantial and should not be abated as an incentive to obtain the casino facility.

KEY FINDINGS AND OBSERVATIONS

2. What has been the impact of casinos on hotels and the hospitality sector in their downtowns?

- **Casino's impact on hotels and hospitality** —In two of the cities—New Orleans and Cleveland—the impact of the casinos on tourism has been modest and contributory to the growing tourist economy in both cities. In Cleveland's case, it appears the casino did contribute to the expansion of the hotel inventory; however, other downtown investments in new sports venues and the 2016 Republican National Convention played a major and likely, more significant, role, as reported by local stakeholders.
- In Pittsburgh, the casino's location on the North Shore along with the new sports and entertainment venues, contributed to a major hotel expansion in this area. The casino reportedly has had less impact on the downtown/CBD hotel market across the Ohio River.
- In Detroit, the casinos were the essential element in doubling the very limited hotel inventory in downtown, through the addition of 1,200 new rooms in a three year period. Local stakeholders noted the creation of the bed base at the casinos has allowed Detroit to compete for more convention and "staycation" business and has contributed to a second wave of hotel construction/redevelopment.

KEY FINDINGS AND OBSERVATIONS

3. *Have casino's stimulated new development in their downtowns?*

- **Casinos are having a mixed impact on downtown redevelopment**—Across the four case study cities the impression has generally been that the casino's impact on redevelopment have been modest with one key exception—Detroit.
- **In three of the case study cities**— Pittsburgh, Cleveland and New Orleans-- the primary impact of the casino has been on the hospitality related development, both in adding new room inventory, and breaking a pattern of disinvestment in downtown. There has been no measurable specific impact on the residential development, (with the exception of an indirect investment of local share casino taxes in Cleveland by the county in two projects). Downtown retail and restaurants have benefited to some degree just from the increased activity the casinos generate in downtown. However, all noted that casinos tend to be a largely self- contained forms of entertainment, that generally do not turn outward to the community and as a result, their impact on the retail and restaurant sector has been modest. A major exceptions is Detroit where the casinos are having a major redevelopment impact.
- **In Detroit, two Detroit-based entrepreneurs**—the Ilitch family, of Little Caesars Pizza, and Dan Gilbert, of Quicken Loans, are leveraging their investments in casinos to restore two key areas of downtown Detroit—the newly created “District” in the case of the Ilitch family and Greektown for Dan Gilbert. Their commitment to these communities is yielding a more comprehensive redevelopment strategy. The third Detroit casino, MGM Grand, is more inward looking and is not a major factor in area redevelopment.

KEY FINDINGS AND OBSERVATIONS

4. Have casinos helped achieve other development objectives in their cities?

- The casinos are achieving other development objectives:
 - **Bringing new investment in downtowns**—the creation of the six casinos was seen as a way to bring additional investment into their downtowns. This objective was achieved with the combined construction value of the six casinos in excess of \$3.7 billion.
 - **Job creation**—all four of the states where the six casinos were located had faced prolonged periods of job stagnation and saw casinos as an economic development strategy for job creation. The six casinos in the case study cities employ a combined 13,800 directly in their operations. The cities, therefore, were successful in adding jobs in the hospitality sector; however it is unclear whether increases in other employment sectors were achieved.
 - **Prevent “leakage” of resident gaming expenditures out of state**—due to increased competition from adjacent states-- and in the case of Detroit, from Canada—prior to the creation of the casinos, there was a significant level of in-state resident gaming spending “leaking” out of state. Since the majority of gamblers at the six casinos are presumed to be in-state residents, their presence has lessened the outflow of in-state gaming revenues to other states. Thus, while always subject to a changing competitive landscape, this objective has been achieved.

Overall, the four case study cities initially achieved their broader development objectives. However, the revenue growth forecasts have not materialized due to a number of factors including over-building in many states and increasing intra- and inter-state competition for the gambling dollar.

CONCLUSION

What problem, if any, is Atlanta trying to solve with a downtown casino?

A Potential Casino Benefit	Evidence from the Case Study Cities	Implications for Downtown Atlanta
Increases tourism in Downtown	Case study cities generally report modest impact from casinos on tourism—most casino demand is from regional residents. Tourism growing while casino attendance is flat or declining.	Tourism in Atlanta is already booming. An estimated 19 million tourists/visitors come to Downtown Atlanta annually to visit attractions, sporting events, concerts, or conventions.
Creates additional hotel demand	Case study cities generally report modest impact on hotel room demand from casinos, Detroit is the exception with strong growth, and casinos were the only way to get new hotel construction in a very depressed market.	Downtown hotel market is already very strong. Since 2009—634 new rooms added, 2,000 more rooms in pipeline; 800,000 more annual room nights since 2009; hotel occupancy increased to from 54 to 70%+. Less need for additional hotel rooms at casino?
Creates needed downtown employment	The casinos have added to downtown employment in the hospitality industry, directly in their facilities.	Downtown employs around 154,000 people, one of the largest concentrations of jobs in the region. A casino could potentially add additional jobs in the hospitality sector; however it is unclear if there would be spillover effects into other industries. The direct employment at the casino of 2,000 to 3,000 (based on case studies) would represent a modest addition to the existing Downtown job base.
Supports redevelopment of downtown areas	Case study cities report limited redevelopment benefits from casinos, due to their nature as self-contained venues. Other factors have reportedly been more significant in their downtown renaissance. Detroit an exception for the MotorCity and Greektown Casinos due to local, engaged ownership (Little Caesars, Quicken founders) making major investments in the area.	Over the past 10 years, Atlanta has seen \$3.8 billion in investment in downtown, with \$4.4 billion in the pipeline across all sectors—entertainment, residential, hospitality, etc.
Generates significant State and local revenues	In 2015, the six casinos in the case study cities generated over \$2.4 billion in state gaming taxes (state and local), achieving this objective. While in the last five years revenues have stagnated or declined, the sums generated are still significant. Future growth in revenue unlikely, given increased competition for gaming dollar. Three of the states share a significant portion of the gaming revenues with the host communities.	If it becomes a host city, Atlanta should seek a substantial share of potential gaming revenues as a way to off-set local service costs from the casinos to provide economic development funding to support redevelopment in the downtown areas.

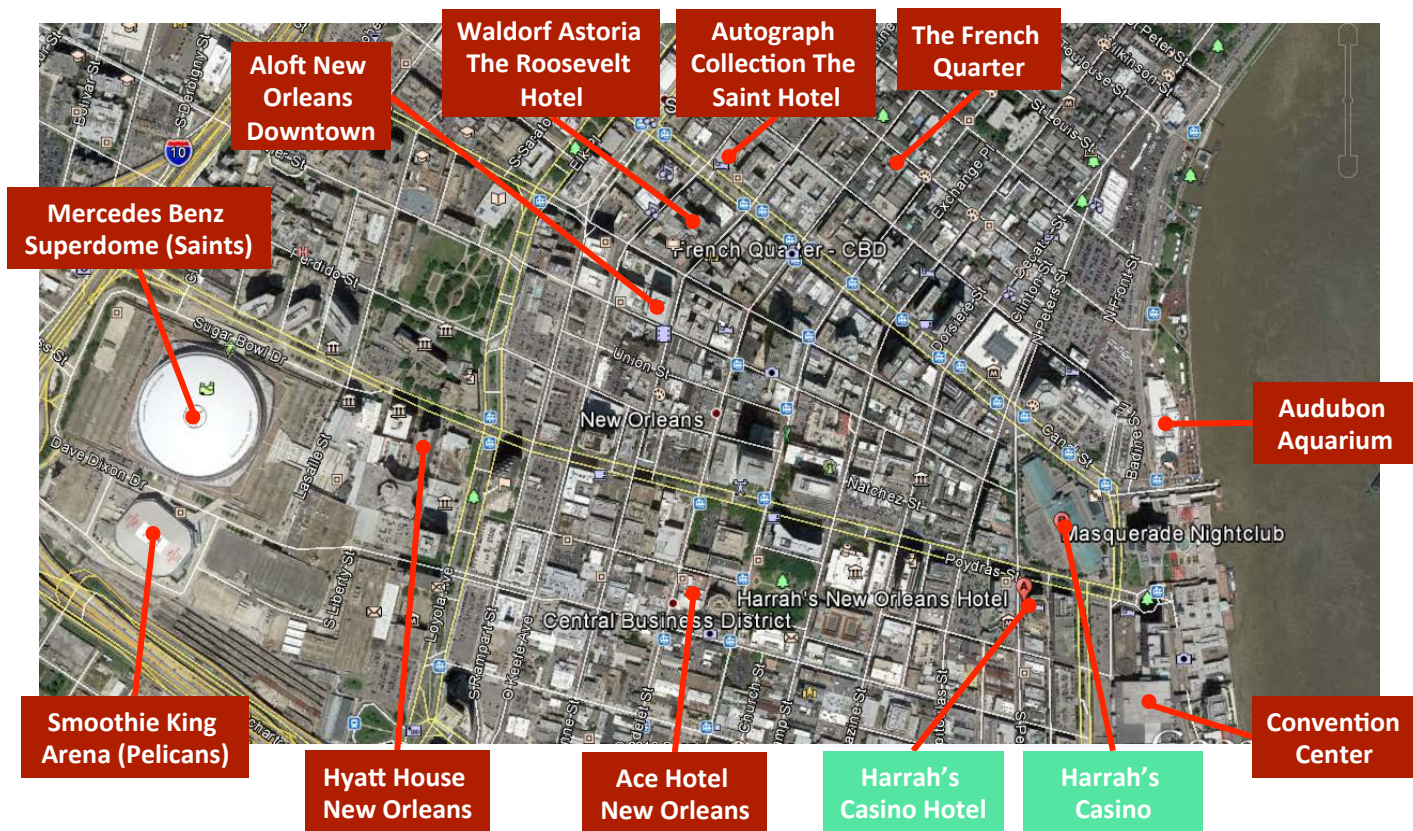
APPENDIX A:
**THE FOUR CITY
CASE STUDIES**

CASE STUDY 1: NEW ORLEANS—HARRAH'S CASINO AND HOTEL

- Casino Opening: 1999
- 115,000 SF of casino space
- 2,100 slots
- 90 table games, poker
- Variety of eight restaurants—Besh Steakhouse, Ruth's Chris, etc.
- Harrah's opened a 26-story, 450 room hotel across Poydras Street from the casino in 2006
- Only land based casino with table games in New Orleans, other gambling options in and near the city
- Operated by Caesars Entertainment



THE HARRAH'S CASINO IN DOWNTOWN NEW ORLEANS



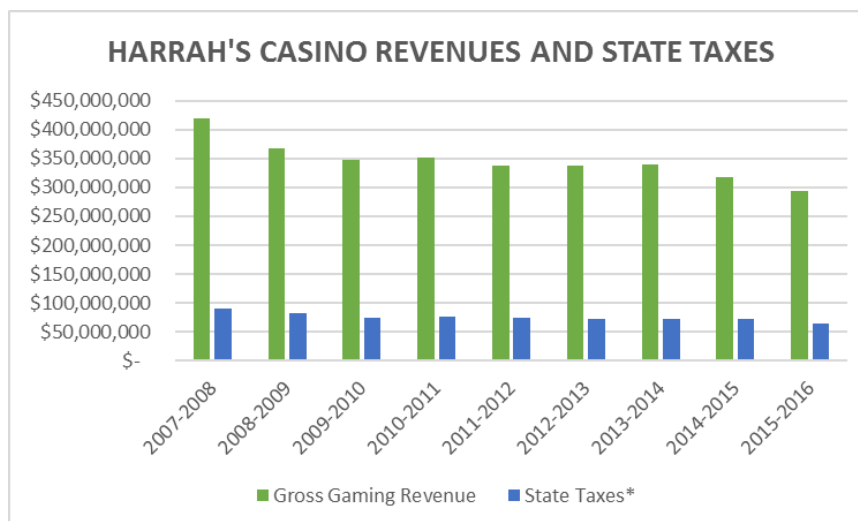
NEW ORLEANS CASINO PERFORMANCE

- Harrah's Casino has been in operation since 1999, in 2006 the hotel tower was added across the street
- Since FY 2007-2008 casino revenues have declined from \$419 mil. to \$293 mil.—a decline of 30%
- Admissions have also declined from 5.7 million to 4.8 million—a drop of 17%
- Revenues per admission have also declined by 16%
- State tax revenues have declined by 29% over the period
- Thus, the performance of the casino has been on downhill trend for the past eight years, based on these metrics.

PERFORMANCE OF HARRAH'S NEW ORLEANS CASINO				
Year	Gross Gaming Revenue	Admissions	GGR/Admission	State Taxes*
2007-2008	\$ 419,084,183	5,761,119	\$ 72.74	\$ 90,239,866
2008-2009	\$ 367,455,437	5,496,301	\$ 66.86	\$ 82,056,007
2009-2010	\$ 346,733,061	5,533,105	\$ 62.67	\$ 75,001,146
2010-2011	\$ 350,881,742	5,011,273	\$ 70.02	\$ 75,464,590
2011-2012	\$ 338,032,156	5,057,997	\$ 66.83	\$ 73,413,383
2012-2013	\$ 336,849,078	4,827,329	\$ 69.78	\$ 72,577,346
2013-2014	\$ 340,142,149	5,006,736	\$ 67.94	\$ 72,856,896
2014-2015	\$ 317,425,803	4,847,730	\$ 65.48	\$ 71,445,751
2015-2016	\$ 293,757,833	4,791,171	\$ 61.31	\$ 63,841,871
Change 2007-2015	-30%	-17%	-16%	-29%

* 21.5% of GGR

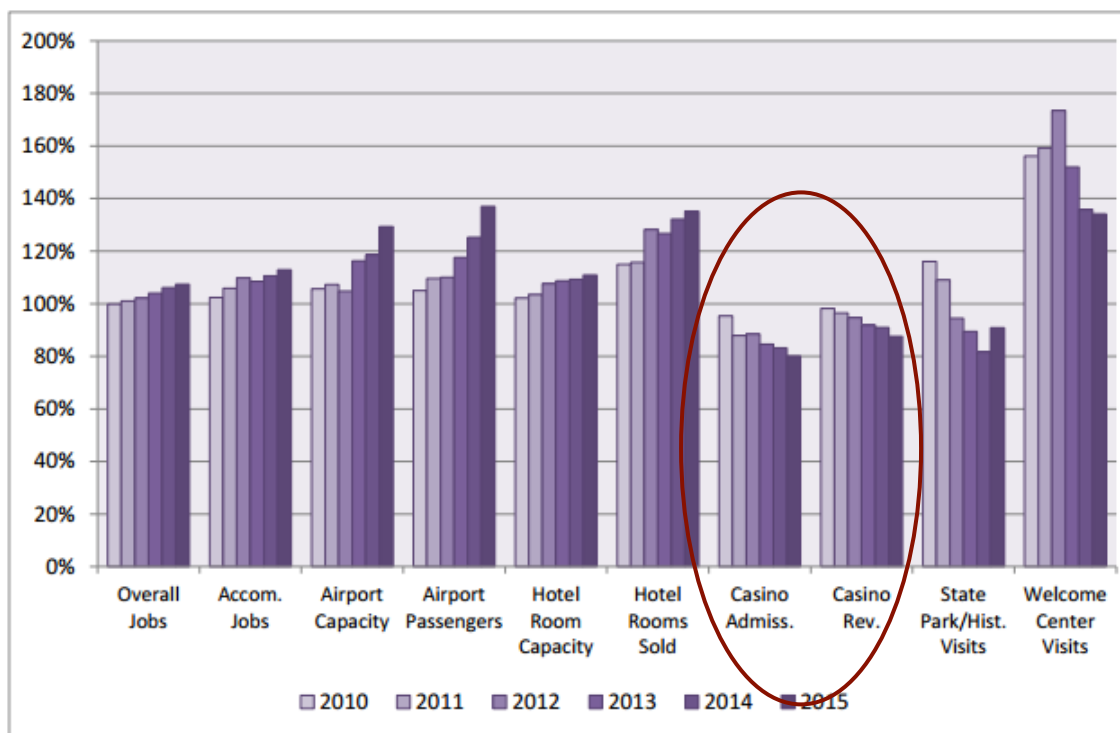
Source: Louisiana Gaming Control Board, Annual Reports



KEY NEW ORLEANS TRAVEL INDICATORS 2010-2015

As shown below, (scaled to data for 2009 as 100%) most of the key metrics dealing with tourism in New Orleans have been on a strong upswing since 2010 with the exception of the two casino metrics, (casino admissions, and casino revenue). During 2010-2015, New Orleans increased out of state tourism from 8.3 mil. to 9.8 mil. visitors.

Figure 18: New Orleans Travel Indicators

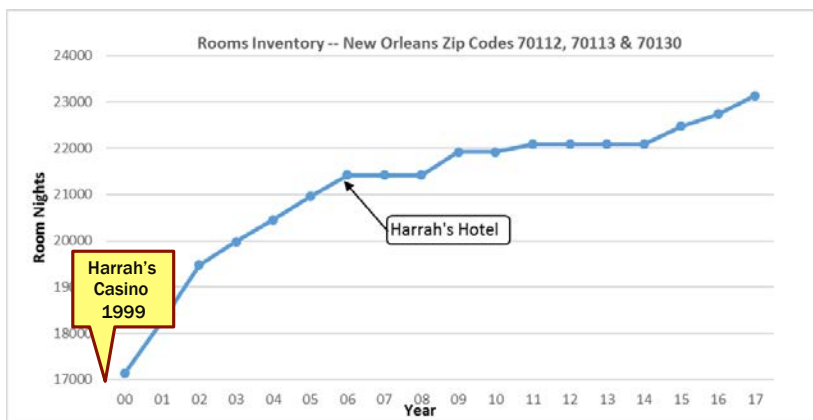


Source: See Appendix B.

Louisiana Tourism Forecast 2016-2019, University of New Orleans

HARRAH'S CASINO'S IMPACT ON THE HOTEL MARKET

- Harrah's Casino opened in 1999 in during a period of rapid expansion of the hotel supply, with more than 3,150 rooms added from 2001 to 2005.
- Katrina devastated the city in September 2005
- Harrah's hotel opened in 2006.
- Since 2009 an additional 1,700 rooms have been added.
- Key tourism drivers have been the Super Bowl in 2013, ironically, curiosity about New Orleans's recovery after Katrina, impact of film industry on exposure of the city.



New Supply	Rooms
2001	
Renaissance New Orleans Pere Marquette French Quarter Area Hotel	275
Hotel 504	157
Courtyard New Orleans French Quarter Iberville	230
Hilton New Orleans St Charles Avenue	252
Springhill Suites New Orleans Downtown Convention Center	208
2002	
Homewood Suites New Orleans Downtown French Quarter	166
MOXY New Orleans Downtown French Quarter Area	108
Crowne Plaza New Orleans French Quarter	693
Henry Howard House Inn	17
Loft 523	18
AC Hotels by Marriott New Orleans Bourbon French Quarter Area	220
2003	
Renaissance New Orleans Arts Warehouse District Hotel	219
Loews New Orleans	285
2004	
Hilton Garden Inn New Orleans French Quarter	155
Best Western Plus St Christopher Hotel	108
Staybridge Suites New Orleans French Quarter Downtown	208
2005	
Country Inn & Suites New Orleans French Quarter	155
Jellyroll Suites	23
Marriott New Orleans Downtown @ The Convention Center	331
2006	
Harrah's New Orleans Casino	450
2009	
Waldorf Astoria The Roosevelt Hotel	504
2011	
Autograph Collection The Saint Hotel	171
2015	
aloft New Orleans Downtown	188
Hyatt House New Orleans	194
2016	
Catahoula Hotel	35
Ace Hotel New Orleans	234
2017	
NOPSI Hotel New Orleans	217
The Troubadour	183

NEW ORLEANS CASINO DOWNTOWN IMPACTS

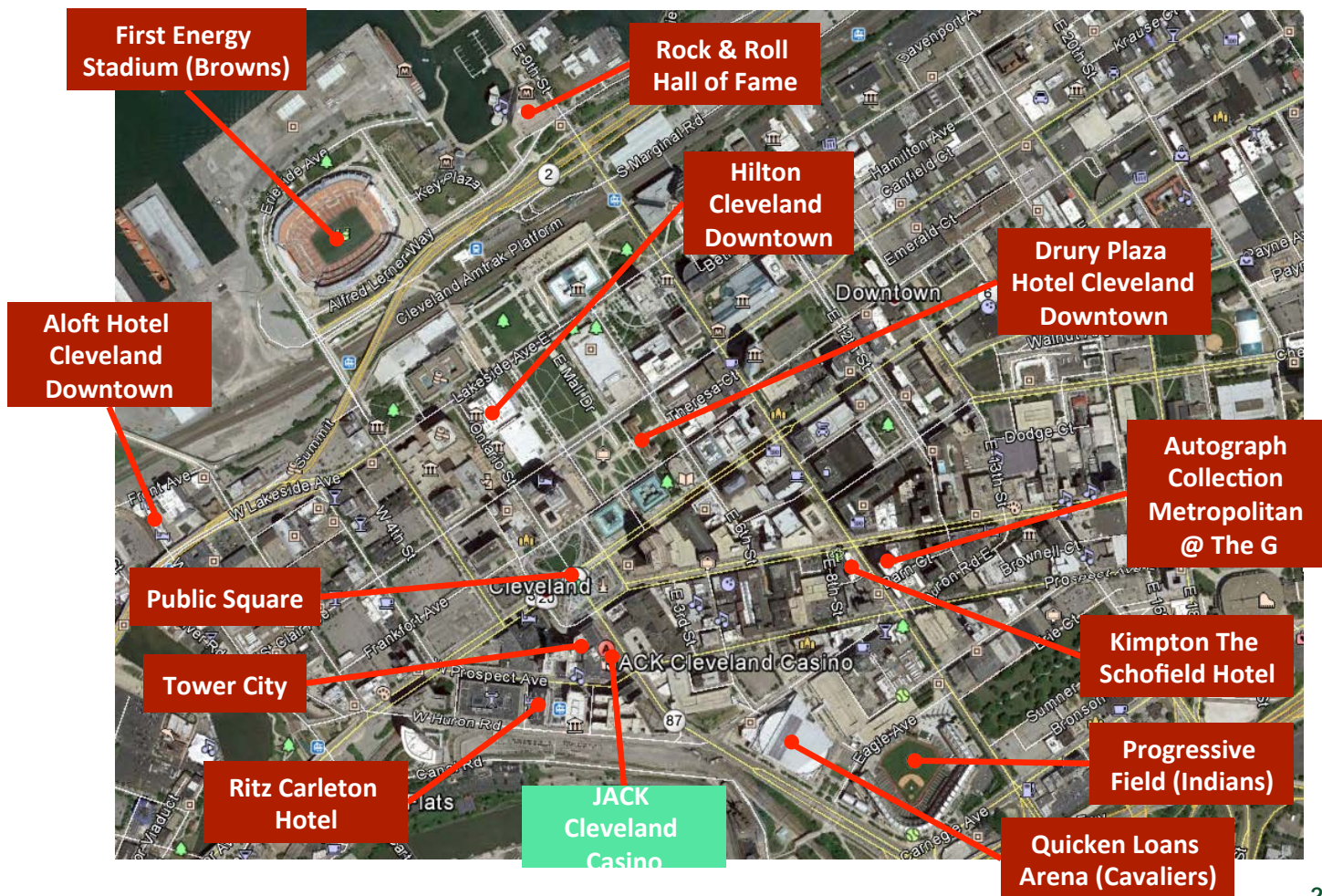
- **Impact of Casino Performance, State Revenue** —The annual gaming revenue from Harrah’s Casino has declined from \$419 million to \$293 million since FY2008-2009 a decline of 30%; Attendance has dropped from 5.8 to 4.8 million over the same period, a decline of 17%; state revenues have declined from \$90 million to \$64 million. The decline is reportedly due to increased competition from other nearby gaming options, and the impact of the city’s 2015 smoking ban in the casino.
- **Hospitality Impact** -- Since 2000, the year after the casino opened, total room inventory has increased from 17,000 to 23,000 rooms in the downtown market, with most room additions in the pre-Katrina period of 2000-2005. According to local contacts, the principal reason for growth was expansion in the New Orleans tourism market of which the casino played a modest, contributing part.
- **Stimulate other development downtown** –local stakeholders report the casino has been a complementary attraction to the other activities in downtown New Orleans, it expands the range of offerings to guests and visitors but has not, by itself been a major catalyst to other development.
- **Has the casino achieved other development objectives** –Based on gaming regulators and local stakeholders it has generated 2,600 direct jobs and helped support other jobs in the hospitality sector. By creating its own restaurants and bars it internalized some of the potential spin-off to surrounding areas.
- **Overall Impact on downtown New Orleans** –According to stakeholders, a net positive, expanding the options for tourists and visitors, adds to an already vibrant downtown core in a tourist-oriented city.

CASE STUDY 2: JACK CLEVELAND CASINO, CLEVELAND

- Casino Opening: 2012
- 96,000 SF of casino floor space
- 1,600+ slots
- 119 table games
- 200 video poker games
- Variety of smaller restaurants and bars in/near facility
- Casino owner's acquired 206-room Ritz Carleton Cleveland, nearby
- Casino initially developed jointly with Caesars, now operated by affiliate of Rock Ohio Casinos (Dan Gilbert)



JACK CLEVELAND CASINO IN DOWNTOWN CLEVELAND



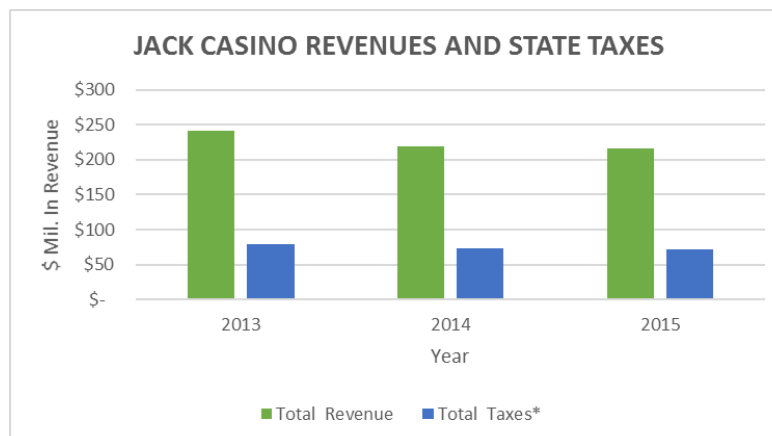
CLEVELAND CASINO PERFORMANCE

- The Jack Cleveland Casino opened as the Horseshoe Casino in mid-2012. In 2016 the casino had a change of ownership and branding to become the Jack Cleveland Casino, owned by the Rock casino group.
- Annual casino revenues have declined 10% over the last three full years of operation.
- During that period, table revenues have grown by 4%, while revenues from slots have declined by 20%.
- The number of slots has been reduced from 2,083 at opening to 1,634 today.
- State taxes from the casino have declined from \$80 mil. in 2013 to \$72 mil. in 2015—a 10% drop over the period.

PERFORMANCE OF CLEVELAND JACK CASINO (\$Mil.)				
Year	Table Gross Revenue	Slot Gross Revenue	Total Revenue	Total Taxes*
2013	\$ 96	\$ 146.00	\$ 242	\$ 80
2014	\$ 99	\$ 121.00	\$ 220	\$ 73
2015	\$ 100	\$ 117.00	\$ 217	\$ 72
Change 2013-2015	4%	-20%	-10%	-10%

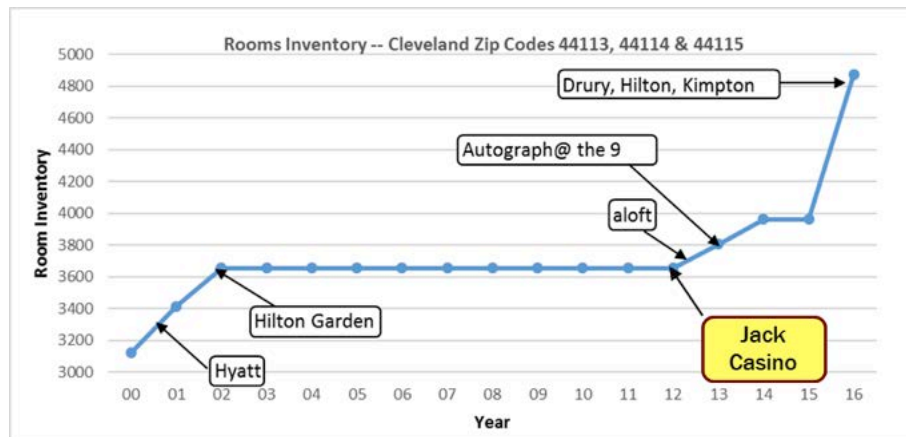
* Ohio taxes are 33% of the Gross Gambling Revenue. These funds are allocated to counties, education, the host city, and various commissions and funds

Source: Ohio Casino Control Commission, Annual Reports



JACK CLEVELAND CASINO'S IMPACT ON HOTEL MARKET

- The Jack Cleveland Casino opened in 2012.
- Following the Hilton Garden Inn opening in 2002, downtown's room inventory unchanged until 2013.
- Since 2013 an additional 1,750 rooms in five properties have been added to the inventory.
- The arrival of the casino has been viewed as a contributor to the resurgence of the downtown market along with significant other investments in the new ballfields, Quicken Loans Arena, the Flats and other areas and impact of the 2016 Republican National Convention, Cavalier's national championship, Indians World Series.



New Supply	Rooms
2001	
Hyatt Regency Cleveland @ The Arcade	293
2002	
Hilton Garden Inn Cleveland Downtown	240
2013	
aloft Hotel Cleveland Downtown	150
2014	
Autograph Collection Metropolitan @ The 9	156
2016	
Hilton Cleveland Downtown	600
Kimpton The Schofield Hotel	122
Drury Plaza Hotel Cleveland Downtown	189

JACK CLEVELAND CASINO'S DOWNTOWN IMPACTS

- **Impact of Casino Performance, State Revenue** —According to state gaming data, since its first full year of operation the Jack Cleveland Casino has seen its revenues decline from \$242 to \$217 million annually, a decrease of 10% over the period. Its peak year from a revenue perspective was its first full year in 2013 at \$242 million. State revenues have ranged from a high of \$80 million to \$72 million in 2015. With the change of ownership and increasing competition from other in-state casinos the declining performance of the casino has occurred while downtown tourism is growing--from 14 million visitors in 2010 to 16.9 million visitors in 2014 (Destination Cleveland).
- **Hospitality Impact** –From 2002 to 2012 there were no changes in the downtown hotel inventory. The casino opened in mid-2012 and from 2013 to today an additional 1,750 rooms in five properties were added. The casino has played a role in this hotel expansion, creating another attraction in downtown that has been contributory to the effects of the new sports facilities, new retail and dining options and the increasing appeal of downtown. The Republican National Convention was a major factor in the hotel expansion. The owners of the casino acquired the Ritz Carlton which is a block from the casino.
- **Stimulate other development downtown** –Local stakeholders report the casino has been a complementary attraction to the other activities in the downtown area. Indirectly it supported the creation of two downtown housing projects—a portion of casino revenues that goes to the County was invested in two residential projects. Cleveland has 3,500 new housing units under construction or in the pipeline. Local stakeholders noted the lack of valet parking and convenient parking has hurt the casino's operation. The casino has a rewards program with select local hotel and restaurants which drives business outside the casino but no detailed figures were available.

JACK CLEVELAND CASINO'S DOWNTOWN IMPACTS

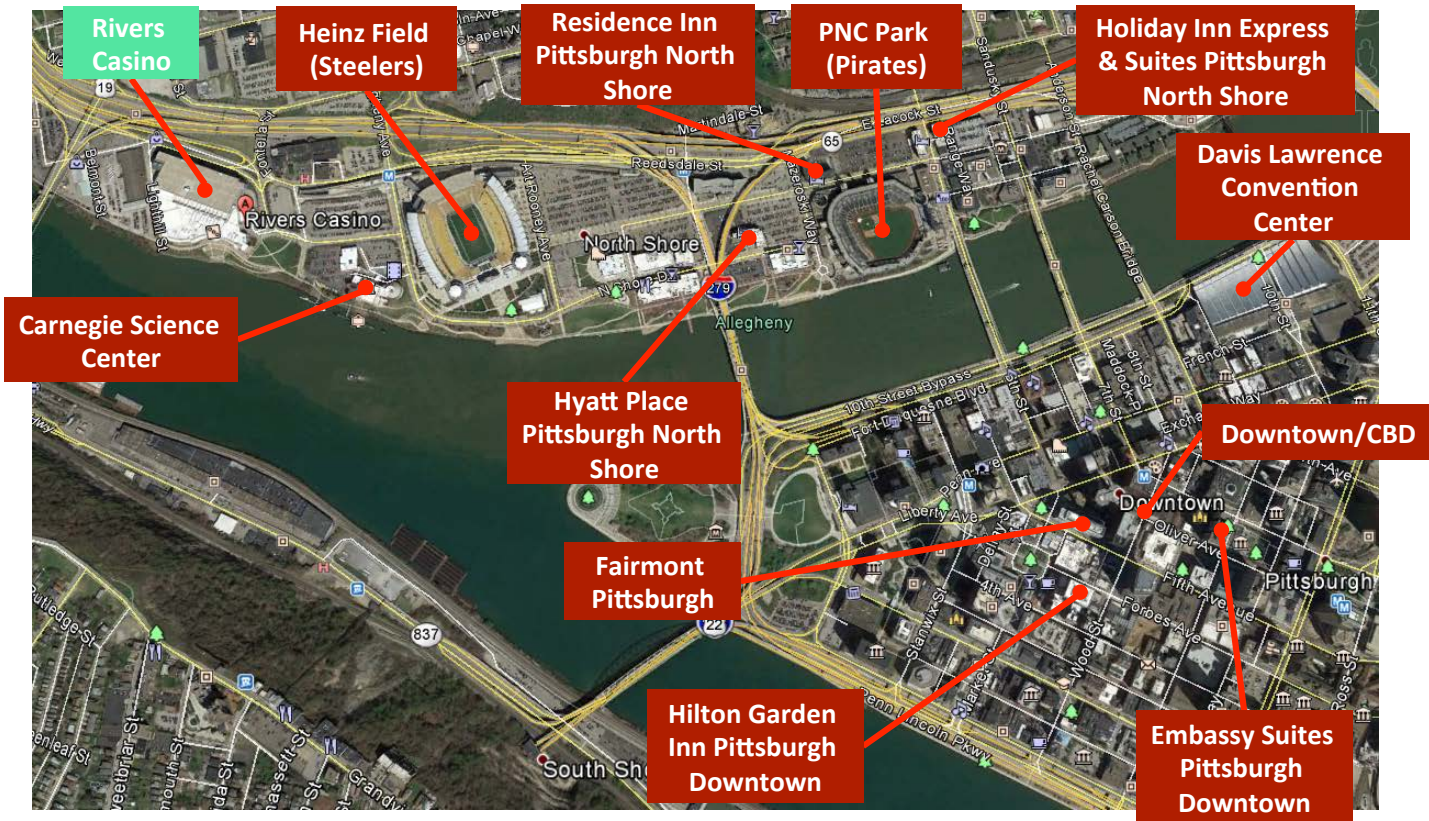
- **Has the casino achieved other development objectives** –it has generated 1,800 direct jobs and helped support other jobs in the entertainment and hospitality sector in the Cleveland region. Local stakeholders noted it has helped create a 24 hour environment downtown.
- **Overall Impact on downtown Cleveland** –A modest net positive, expanding the options for tourists and visitors, its proximity to the sports venues, downtown hotels and retail options enhances that market. Unique among downtown casinos is its adaptive reuse of a former department store, and in being at the center of the downtown/CBD. It also is more dependent on surrounding retail and restaurants given its limited internal food and beverage offerings compared to casinos in the other sample cities. The city has just invested \$50 million in improving the Public Square, a ten acre park at the front of the casino.

CASE STUDY #3: RIVERS CASINO, PITTSBURGH, PA

- Rivers Casino opened August 2009
- It is located on the North Shore area of Pittsburgh, across the Ohio River from downtown/CBD, adjacent to PNC Park (Pirates) and Heinz Field (Steelers)
- The casino is 120,000 SF
- 3,000 slot machines, 107 table games
- 1,000 seat outdoor amphitheater
- 7 restaurants and bars
- 15,000 SF ballroom
- Night club/show room

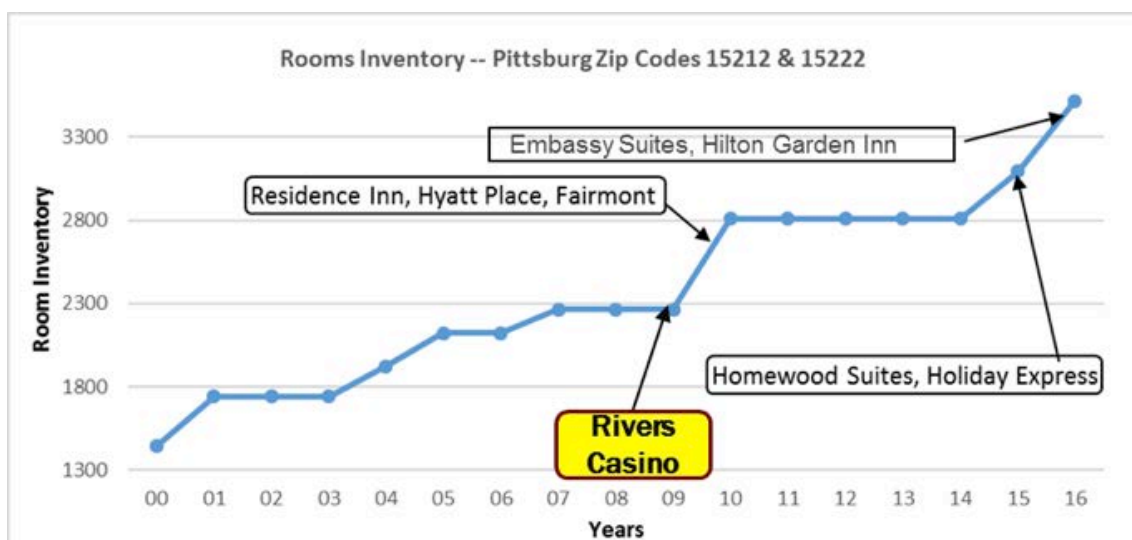


THE RIVERS CASINO IN DOWNTOWN PITTSBURGH



PITTSBURGH CASINO'S IMPACT ON HOTELS

- The Rivers Casino opened in mid-2009 and it has no hotel rooms attached.
- Since the casino opened there have been seven new hotel properties, with 1,150 rooms, opened in the downtown market area, three on the North Shore where the casino is located, three downtown.
- Local stakeholders noted the casino is not viewed as a major factor in hotel demand but does provide an additional demand source along with nearby sports facilities in North Shore market.
- Two new hotels are reportedly in the pipeline near the casino.



New Supply	Rooms
2010	
Residence Inn Pittsburgh North Shore	180
Hyatt Place Pittsburgh North Shore	178
Fairmont Pittsburgh	185
2015	
Holiday Inn Express & Suites Pittsburgh North Shore	135
Homewood Suites Pittsburgh Downtown	150
2016	
Embassy Suites Pittsburgh Downtown	225
Hilton Garden Inn Pittsburgh Downtown	197

PITTSBURGH'S RIVERS CASINO PERFORMANCE

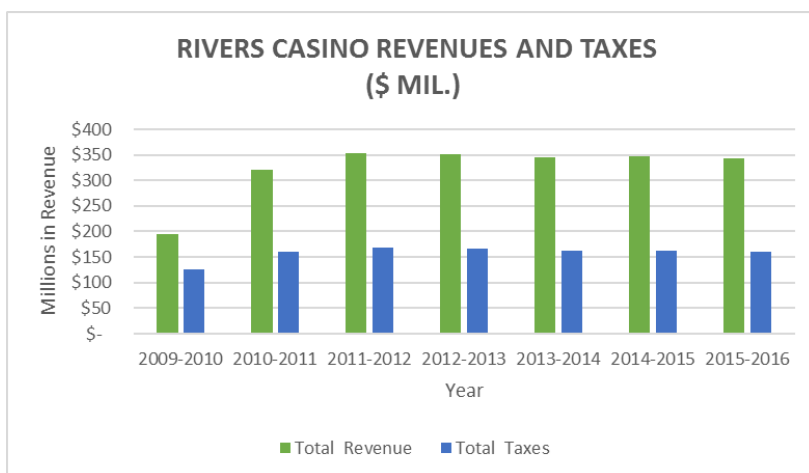
- The Rivers Casino opened in 2009 and did not have table games until 2010.
- The gross gaming revenues have increased 7% since FY 2010-2011, or slightly more than 1% per year.
- Total taxes paid by the casino have essentially remained flat over the six year period at \$160 million, the state slot tax dropped from 16% to 14% in FY 2012-2013
- Gross gaming revenues peaked in FY 2011-2012 and FY 2012-2013 at \$253 million.
- The casino is facing increased in-state and out-of-state competition.

PERFORMANCE OF PITTSBURGH RIVERS CASINO (\$ Mil.)						
Year	Table Gross Revenue	Taxes and Fees*	Slot Gross Revenue	Taxes and Fees**	Total Revenue	Total Taxes
2009-2010	\$ -	-	\$ 195.00	\$ 126	\$ 195	\$ 126
2010-2011	\$ 58	9	\$ 263.00	\$ 151	\$ 321	\$ 160
2011-2012	\$ 70	11	\$ 283.00	\$ 158	\$ 353	\$ 169
2012-2013	\$ 69	10	\$ 283.00	\$ 157	\$ 352	\$ 167
2013-2014	\$ 68	10	\$ 277.00	\$ 152	\$ 345	\$ 162
2014-2015	\$ 70	10	\$ 278.00	\$ 153	\$ 348	\$ 163
2015-2016	\$ 71	10	\$ 272.00	\$ 150	\$ 343	\$ 160
Change 2010-2015	22%	10%	3%	-1%	7%	0%

* table revenue taxed at 16% reduced to 14% in 2012-2013

** slot revenues taxed 34% state, local share assessments, econ. development, Race Horse Fund, Licensure fees.

Source: Pennsylvania Gaming Control Board, Annual Reports



RIVERS CASINO'S DOWNTOWN IMPACTS

- **Impact of Casino Performance, State Revenue** —Since its first full year of operation, the Rivers Casino has seen its revenues increase from \$321 to \$335 million annually, an increase of 7% over the period. Its peak years from a revenue perspective have been FY 2011-2012 and FY 2012-2013 at \$352-353 million. State revenues have ranged between \$160 million and \$165 million since FY 2010-2011. The Rivers Casino is facing increased competition from other in-state and Ohio casinos subsequently developed.
- **Hospitality Impact** --Since 2010, the year after the casino opened, room inventory has increased by 1,150 rooms in downtown/North Shore. Local stakeholders noted the principal reason for growth was expansion in North Shore as a destination with the development of the two sports facilities, additional retail and restaurants. Light rail has also come to the area, connecting it to downtown/CBD. Two new hotels near the casino are reportedly in the pipeline.
- **Stimulate other development downtown** –local stakeholders noted the casino has been a complementary attraction to the other activities in the North Shore area, with the linkage to the Pirates and Steelers, and related restaurant and retail development, making this a more appealing entertainment destination adjacent to downtown/CBD. Additional mixed use development is reportedly planned near the casino and stadiums.
- **Has the casino achieved other development objectives** –it has generated 1,800 direct jobs and helped support other jobs in the hospitality sector in the Pittsburgh region.
- **Overall Impact on downtown Pittsburgh** –A net positive, expanding the options for tourists and visitors, its proximity to the sports venues at North Shore enhances that market. Due to its location across the Ohio River, it has had minimal impact on the downtown/CBD area.

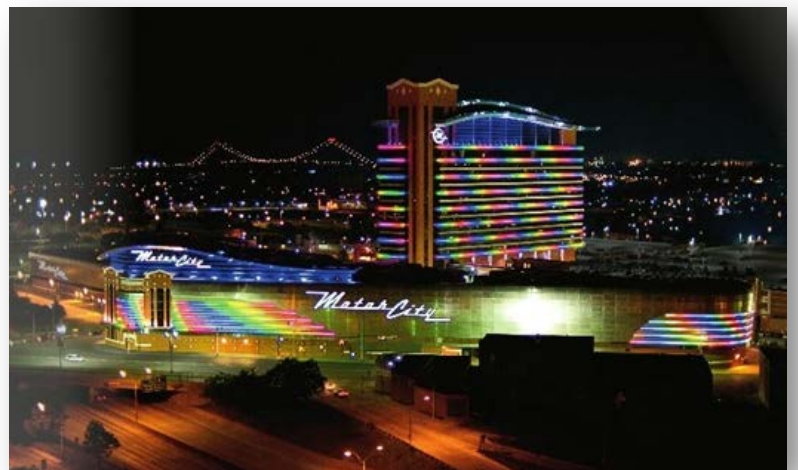
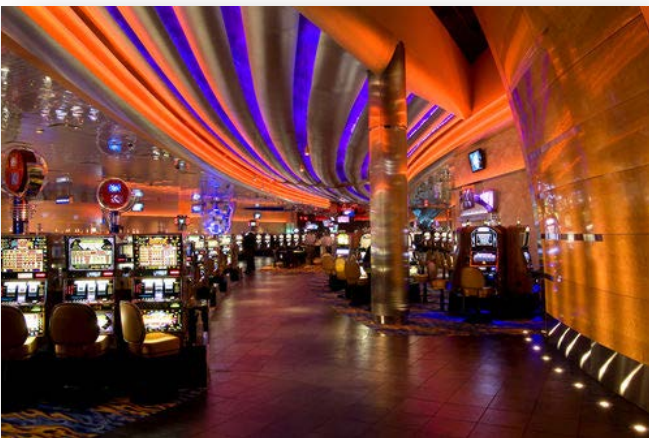
CASE STUDY #4: MGM GRAND CASINO HOTEL, DETROIT, MI

- Casino opened in permanent facility in 2007
- Initially opened a temporary facility in downtown in 1999
- 100,000 SF casino
- 3,500 slots and 121 table games
- Five restaurants and coffee shop
- 30,000 SF of conference and meeting space
- Performance space seats 1,200
- Hotel with 400 rooms, 18 floors above the casino



CASE STUDY #4: MOTORCITY CASINO AND HOTEL

- MotorCity Casino opened in a temporary facility in 1999, the permanent facility opened in 2007
- 100,000 SF casino
- 3,000 slots and 59 table games
- 13,000 SF spa
- 67,000 SF meeting and convention space
- 2,400 seat theater
- 400 guest rooms
- Owned by IH Gaming (Ilitch family, founders Little Caesar's Pizza)
- Chip Foose, auto designer, reality TV star, consulted on the design of hotel and casino



CASE STUDY #4: GREEKTOWN CASINO AND HOTEL

- Greentown Casino and Hotel opened in phases over 2008-2009.
- 30 story hotel tower with 400 rooms
- 100,000 SF casino
- 3,000 slots,
- 3 restaurants
- 20,000 SF of convention and banquet space
- Acquired by Jack Entertainment LLC in 2012 (Dan Gilbert founder of Quicken Loans), to be renamed Jack Greentown Casino



THE THREE CASINOS IN DOWNTOWN DETROIT



THE DISTRICT DETROIT

- The Ilitch family, founders of Little Caesars Pizza and owners of the Detroit Tigers and Redwings, have announced a major redevelopment project—The District.
- Located on 50 blocks between the MotorCity Casino and Grand Circus Park in downtown, it is creating a sports and entertainment district in the heart of downtown.
- Little Caesar Arena is rising at the heart of the District.
- Residential neighborhoods, street level retail and restored public domain are keys to the plan.



DETROIT CASINO PERFORMANCE

- Revenues from the three casinos grew by 41% from 2001 to 2011 their peak year; since 2011 revenues declined by 3.4%--essentially flat over the entire period.
- State taxes grew from \$81 million in 2001 to \$157 million in 2007—a 94% increase, but then declined to \$111 million in 2015—a 29% drop, due in part to declining gaming revenues and to a lowering of the state tax rate from 12.1% to 8.1% by 2010.

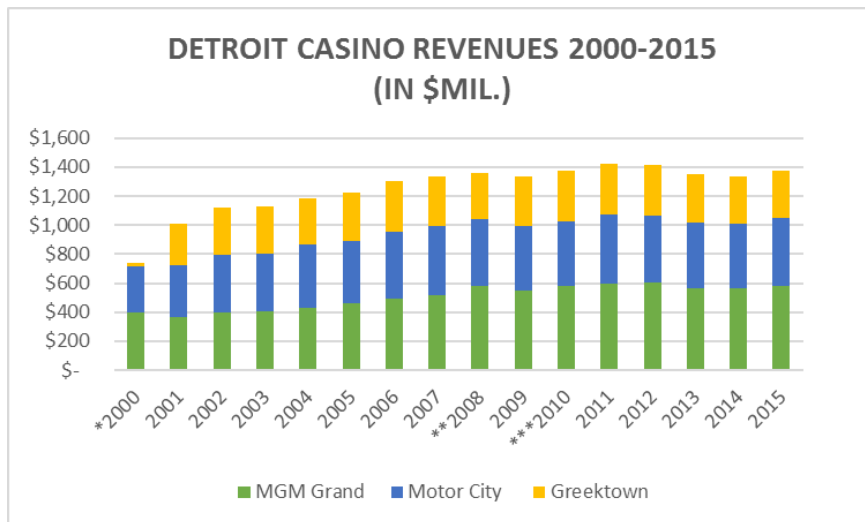
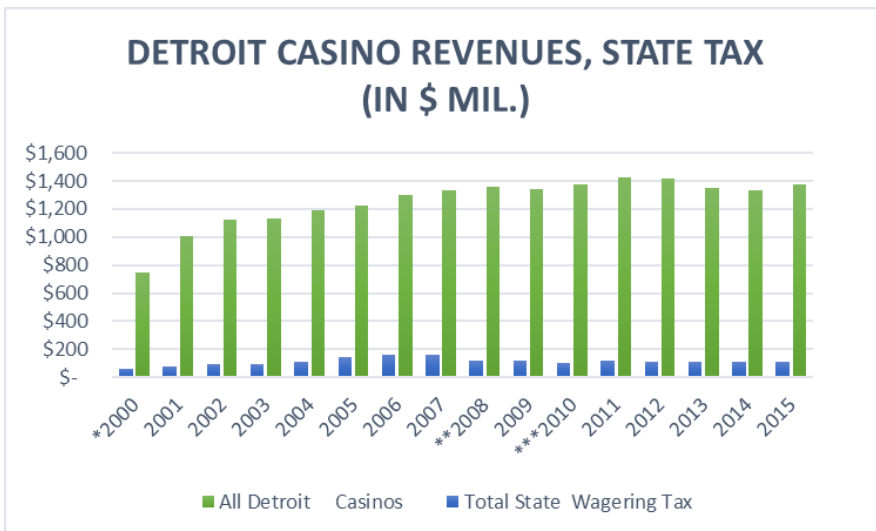
DETROIT CASINO REVENUES AND STATE TAXES 2000-2015 (\$ Mil.)						
Year	MGM Grand	Motor City	Greektown	All Detroit Casinos	Total State Wagering Tax	
2015	\$ 582	\$ 464	\$ 329	\$ 1,376	\$ 111	
2014	\$ 561	\$ 445	\$ 326	\$ 1,332	\$ 107	
2013	\$ 566	\$ 454	\$ 328	\$ 1,349	\$ 109	
2012	\$ 604	\$ 459	\$ 352	\$ 1,416	\$ 114	
2011	\$ 599	\$ 471	\$ 352	\$ 1,424	\$ 115	
***2010	\$ 581	\$ 446	\$ 349	\$ 1,377	\$ 99	
2009	\$ 547	\$ 445	\$ 346	\$ 1,339	\$ 122	
**2008	\$ 578	\$ 464	\$ 316	\$ 1,359	\$ 121	
2007	\$ 513	\$ 480	\$ 341	\$ 1,335	\$ 157	
2006	\$ 489	\$ 468	\$ 345	\$ 1,303	\$ 157	
2005	\$ 460	\$ 432	\$ 335	\$ 1,228	\$ 148	
2004	\$ 433	\$ 436	\$ 319	\$ 1,189	\$ 111	
2003	\$ 403	\$ 401	\$ 325	\$ 1,130	\$ 91	
2002	\$ 394	\$ 402	\$ 327	\$ 1,125	\$ 91	
2001	\$ 366	\$ 361	\$ 279	\$ 1,006	\$ 81	
*2000	\$ 397	\$ 315	\$ 30	\$ 743	\$ 60	

* Greektown opened in November of 2000

** State tax lowered from 12.1% to 8.1% for MGM and Motor City, Greektown at 12.1%

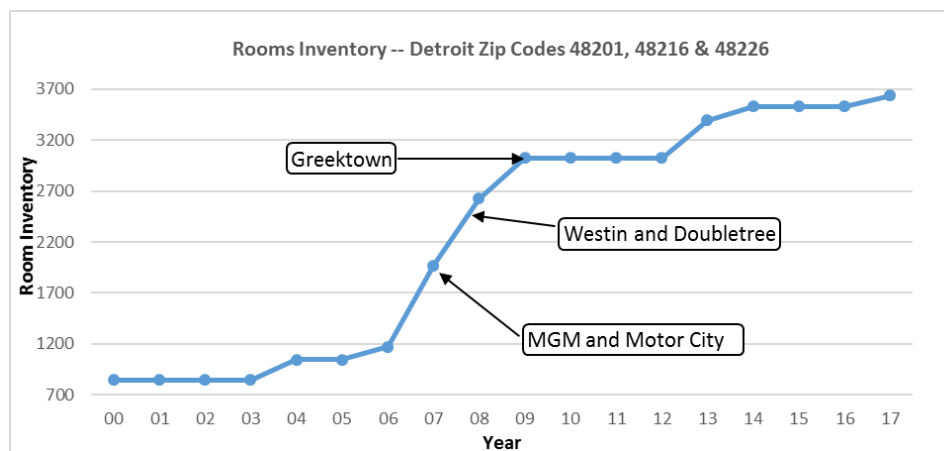
*** Greektown state wagering tax lowered to 8.1% midyear

Source: Michigan Gaming Control Board



DETROIT'S THREE CASINOS IMPACT ON HOTELS

- The creation of the three casinos with related hotel development gave downtown Detroit a boost of 1,200 rooms in 2007-2009.
- From 700 rooms, the downtown inventory increased to 3,200 by 2009, a major change.
- Since then, an additional 609 rooms in three hotels have been added.
- The addition of the casino hotel rooms allowed downtown Detroit to compete for convention business with a refreshed hotel inventory.



New Supply	Rooms
2004	
Hilton Garden Inn Detroit Downtown	198
2006	
Leland Inn	123
2007	
MGM Grand Detroit	400
MotorCity Casino Hotel	400
2008	
DoubleTree Suites Detroit Downtown Fort Shelby	453
Westin Book Cadillac Detroit	203
2009	
Greektown Casino Hotel	400
2013	
Crowne Plaza Detroit Downtown Riverfront	367
2014	
aloft Hotel Detroit @ The David Whitney	136
2017	
1509 Broadway	106

DETROIT'S DOWNTOWN CASINO IMPACTS

- **Impact of Casino Performance, State Revenue** —Revenues from the three casinos grew by 41% from 2001 to 2011 their peak year; since 2011, revenues of the three casinos have declined by 3.4%--essentially flat over the period. State taxes grew from \$81 million in 2001 to \$157 million in 2007—a 94% increase, but then declined to \$111 million in 2015—a 29% drop-- due, in part, to declining gaming revenues and to a lowering of state tax rate from 12.1% to 8.1% by 2010.
- **Hospitality Impact** --The three casinos built in 2007-2009 added 1,200 rooms to the downtown inventory. Since 2009 total room inventory has increased from 1,200 rooms to almost 3,700 rooms in the downtown market. In addition to the casino hotels another 600+ rooms have been added. This expanded bed base has allowed Detroit to become more competitive for convention and meeting business. The casinos created a refresh of the city's stagnant hotel inventory.
- **Stimulate other development downtown** --The development of the casinos paralleled a resurgence in downtown Detroit stimulated from a wide range of investors and initiatives, both small scale and large scale. Quicken Loans founder Dan Gilbert and the Ilitch Family, founders of Little Caesars Pizza, have made multi-billion dollar investments in downtown Detroit, simultaneously with many small scale, entrepreneurial investments creating many exciting initiatives in downtown. Creating new investments in Greektown and the District sports and entertainment district represent two of larger scale initiatives to revitalize downtown. Two of the three casinos MotorCity and Greektown, are well-located to benefit from the resurgence of the surrounding neighborhoods. The MGM Grand Casino and hotel has not had the same impact on neighborhood redevelopment.

DETROIT'S DOWNTOWN CASINO IMPACTS

- **Have the casinos achieved other development objectives**– the creation of the three Detroit casinos had several other development objectives:
 - Retain entertainment spending by Detroit and Michigan residents who were traveling into Canada and later, Ohio to gamble— by collectively capturing over \$1.3 billion in gaming revenues in 2015 the three casinos have likely achieved that objective even in the face of more competition from the newly created Ohio casinos, notably in Toledo
 - Create jobs for Michigan residents in economically depressed Detroit—the employment at the three totaled 7,972 in 2012 with an annual payroll of \$366 million (AGA)
 - Create a new and expanded inventory of downtown hotel rooms to increase Detroit's appeal as a convention and meeting location—this has occurred with an effective tripling of room inventory over the last decade.
 - Generate more revenue for the City —the three casinos contributed over \$150 million directly to Detroit through its City Wager Tax of 10.9%
- **Overall Impact on downtown Detroit** –A positive outcome from several perspectives-- its creation of new hotel room inventory; the creation of a significant number of jobs and payroll in downtown; the ability to serve as one catalyst in a neighborhood revitalization strategy in Greektown and for the new sports and entertainment zone known as the District. Adding to the positive momentum occurring from many directions for revitalization that is occurring in downtown Detroit.

APPENDIX B:
**HOST CITIES' SHARE OF
CASINO REVENUES**

HOST CITIES' SHARE OF CASINO REVENUES

- In three of the four case study cities the host city receives a significant portion of the casino revenues generated through a distribution of the gaming taxes. These funds are generated either from a specified share of the total state gaming taxes, a supplemental local gaming tax, or some form of revenue sharing among cities and counties.
- These funds are in addition to the local property, sales and hotel motel taxes paid by the casinos and their related facilities.
- These funds are generally for two purposes; 1.) to off-set the additional local governmental service costs associated with casino operations and its side-effects and 2.) to provide economic development funding to support redevelopment in the downtown areas.
- The following slides summarize how local communities share in the gaming revenues.

LOCAL TAX SHARING OF CASINO REVENUES

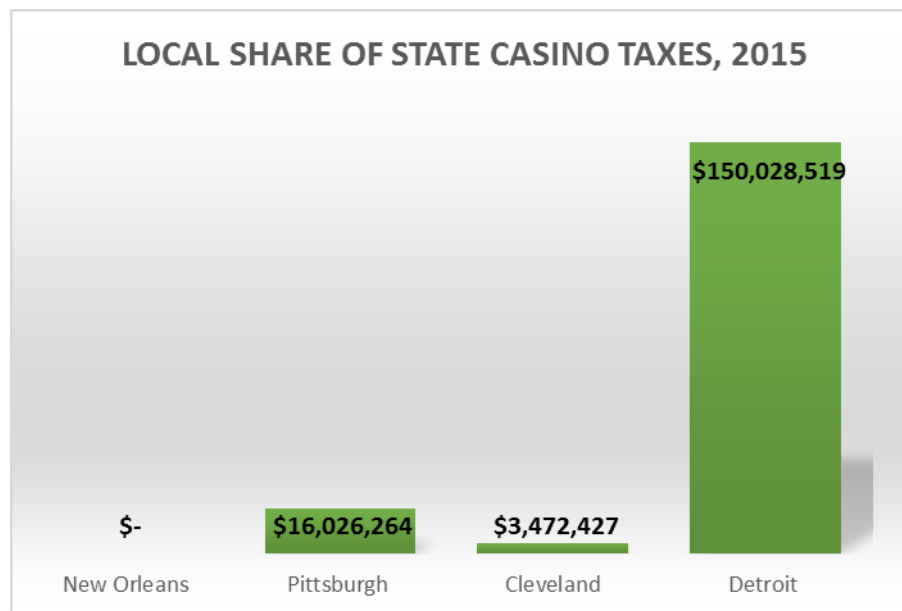
The four case study cities vary widely in the amount of casino revenues that is shared with the local community:

New Orleans	Pittsburgh	Cleveland	Detroit
<ul style="list-style-type: none"> • State: 21.5% of gaming revenue, or \$60 million, whichever is greater, to the State • Local: No local share 	<ul style="list-style-type: none"> • State: Slots revenue taxed at 53%; table games at 14% • Local: governments share 4% local government tax on slots, 2% local host city tax on table games 	<ul style="list-style-type: none"> • State: Casino gaming revenue is taxed at 33% • Local: host cities receive 5% of the state gaming revenues additional funds go to Counties as revenue sharing 	<ul style="list-style-type: none"> • State: 8.1% of gaming revenue to the State, local schools also get a share • Local: City Wagering Tax of 10.9% to City of Detroit

Local host city funding can be substantial totaling over \$12 million in Ohio in 2016 for example. Pittsburgh has used funds for economic development and improvement projects, Detroit uses its \$150 million in funds to subsidize city services.

LOCAL TAX SHARING REVENUES TO CASE STUDY CITIES

- Among the four case study cities, only New Orleans does not get a set share of state gaming taxes.
- Detroit gets the most due to the presence of three casinos and a special City Wagering Tax of 10.9% on gaming revenues.
- Other states share some portion of their gaming tax through set-asides for the host cities and economic development funds.



Source: State Gaming Commissions/BAG

APPENDIX C:
**DOWNTOWN ATLANTA
STAKEHOLDER OPINIONS OF
A CASINO**

DOWNTOWN ATLANTA STAKEHOLDER OPINIONS OF A CASINO

- This section summarizes the key comments received at the five focus groups that were held for the Downtown Market Study. Focus groups were held with: real estate professionals, retailers and restaurant owners, tourism and hospitality professionals, Georgia State University students, and Downtown residents. Approximately 60 stakeholders participated in the focus groups. While not a scientific sample, their comments provided useful insight about initial interest in a casino downtown.
- When asked their opinion about creating a major casino facility in downtown Atlanta, there was near universal opposition from a broad cross-section of the stakeholders. A sampling of their comments were:
- Comments from stakeholders in real estate development and brokerage included:
 - The casino in New Orleans has added nothing to the neighborhood and street life in that city.
 - Due to their (casino) design, which tend to be walled-off complexes, their positive impacts locally are minimal, it doesn't add much to local area.
 - Downtown needs to create an entertainment district by connecting existing districts/venues, more important than a casino.
 - Public money invested in creating a grocery store would have a greater impact on neighborhood and street life in downtown.

DOWNTOWN ATLANTA STAKEHOLDER OPINIONS OF A CASINO

- From stakeholders in the retail and restaurant sector we heard:
 - An example of Atlanta trying to be something it's not.
 - Downtown is currently oriented to family entertainment, not compatible with a casino.
 - A casino would be horrific, the worst idea ever.
 - Bring entertainment downtown not a casino, it would alienate locals from coming downtown.
 - It would hurt a lot of smaller local entertainment venues who don't have the resources to compete with a casino.
 - Beware the magic bullet – it doesn't exist.
- Among hospitality stakeholders there was concern about several potential negative impacts on downtown--
 - Draws a different clientele, not a family entertainment environment like downtown has become
 - Increased crime is a possible concern
 - Won't help or the hurt hotel business
 - Negatively impact surrounding downtown neighborhoods
 - A casino could be positive for other markets but is not a value-add for downtown
 - Castleberry residents at a recent community meeting indicated they weren't against a casino, in theory

REFERENCES

- Michigan Gaming Control Board—annual reports, financial reports, news releases
- Pennsylvania Gaming Control Board—annual reports, financial reports, news releases
- Ohio Casino Control Commission—annual reports, financial reports, news releases
- Louisiana Gaming Control Board—annual reports, financial reports, news releases
- Stephen Perry, President/CEO, New Orleans Convention and Visitors Bureau
- Joe Marinucci, President/CEO, Downtown Cleveland Alliance
- Eric Larsen, President, Downtown Detroit Partnership
- Brian Krutz, Director of Economic Development, Pittsburgh Downtown Partnership
- Craig T. Davis, President/CEO Visit Pittsburgh
- Maria J. Ortiz, Project Manager, Division of Business and Economic Research, University of New Orleans
- Leigh Ferguson, Director Development, New Orleans Downtown Development District
- STR, Inc. (formerly Smith Travel Research)
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- “Louisiana Tourism Forecast 2016-2019” Hospitality Research Center, University of New Orleans
- American Gaming Association, website and “State of the States, 2013” report.

Prepared by:



BleaklyAdvisoryGroup

- **Accuracy of Report:** Every reasonable effort has been made to insure that the data developed in this assignment reflect the most accurate and timely information possible and is believed to be reliable. This consulting assignment was based on estimates, assumptions and other information developed by Bleakly Advisory Group (“BAG”) from its independent research efforts, general industry knowledge and consultations with the client for this assignment and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agents or representatives or any other data source used in preparing or presenting this study. The research and reports are based on information that is current as of the date of the report. BAG assumes no responsibility to update the information after the date of the report. The research may contain prospective financial information, estimates or opinions that represent our view of reasonable expectations at a particular point in time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular outcome will occur. Actual results achieved during the period covered by our prospective analysis may vary from those described on our research and report and variations may be material. Therefore, no warranty or representation is made by BAG that any of the projected values or results contained in the work product from this assignment will actually be achieved.
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