

SECTION 3

**TRANSPORTATION
ASSESSMENT**

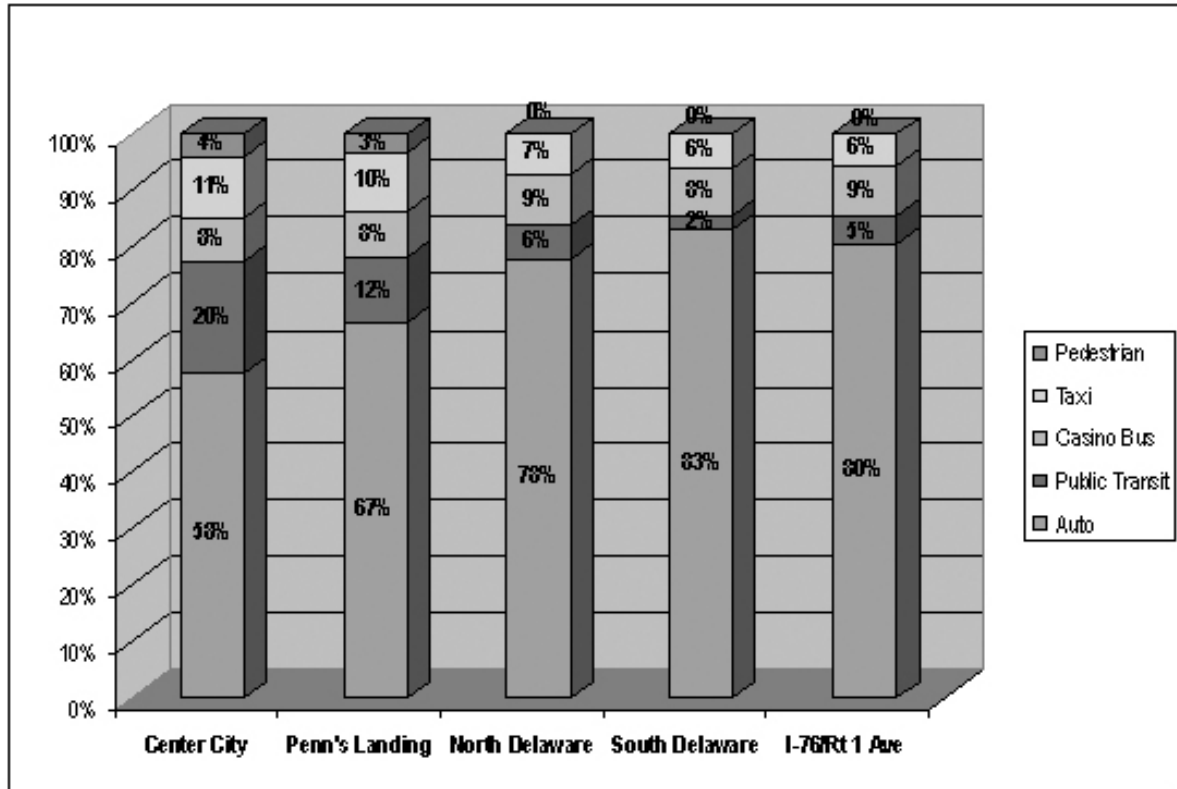
Introduction

In addition to analyzing the major advantages and challenges associated with potential gaming sites (see page 77), the Task Force also conducted an in-depth transportation access study to assess the impact of increased traffic at potential casino locations. This assessment begins with an estimation of “mode splits”, or the percentage of casino visitors expected to arrive by various modes of transportation. It is followed by a detailed technical analysis current and projected traffic conditions on city streets surrounding potential gaming sites. This traffic capacity analysis is based upon current traffic counts and intersection conditions, determination of current roadway capacity levels, and modeling of anticipated additional local traffic generated by development of a 3,000-device slot parlor.

Mode of Arrival

Understanding how gamers are likely to arrive at Philadelphia slots parlors is a necessary first step in assessing the potential traffic impacts associated with casino development. Toward this end, the Task Force drew upon surveys of potential gamers in the region as well as the industry expertise of its consultants to estimate the percentage of visitors that would arrive by various modes of transportation at different casino locations. These “mode splits” can vary according to the relative location of Philadelphia’s two slots parlors (see page 202 for analysis of casino development scenarios) as well as a casino operator’s marketing strategy. Graph 3.1 displays the expected typical distribution of transportation modes for a casino located in a given area of the City. An explanation of the methodology used in developing these mode splits is included on page 192.

GRAPH 3.1: Mode Splits



FINDING: Private automobile will be the overwhelming preferred mode of arrival at Philadelphia gaming sites.

As in other gaming markets, private automobile is expected to be the preferred method of transportation for people visiting Philadelphia slots parlors. It is expected that more than half of gamers would drive to a casino located in or near Center City, and more than three-quarters would arrive by car at other sites in the city. Private auto use could account for 80 percent or more of visitors at casinos further from Center City, such as those along the South Delaware or close to the I-76/Route 1 interchange.

FINDING: Philadelphia casinos are expected to rely on chartered buses significantly less than Atlantic City, but still will draw approximately 8 percent of their visitors by coach.

The share of Philadelphia slots parlor visitors arriving by casino bus is expected to be between 8 and 9 percent, substantially less than Atlantic City, which currently draws 20 percent of its customers via coach. The Philadelphia casino bus share is expected to be consistent across different potential gaming sites, although a given casino operator may choose to pursue a marketing strategy that relies more or less on bringing in customers by charter bus. Given the high taxes on gaming in Pennsylvania, however, Philadelphia slots parlors may not be able to compete as successfully for bus trip customers with the much lower taxed Atlantic City casinos.

FINDING: Public transit share would be significant only for casinos located in Center City and, to a lesser degree, at Penn’s Landing.

Despite Philadelphia’s extensive transit infrastructure, it is anticipated that no more than 20 percent of casino customers would arrive via transit at a Center City site, and as little as 2 percent for a site along the South Delaware. Transit use would be highest among Center City residents, declining with distance and the availability of transit service. While a casino operator at a site with strong transit access could make an effort to increase transit usage to its gaming venue, there is no significant precedent for Philadelphia to draw upon in this respect.

More than half of regional survey respondents (52 percent) say that having public transportation proximate to a Philadelphia casino would be important to them. However, current behavior heavily favoring personal automobile use – 83 percent of respondents said they drive into the city for leisure activity – suggests that while people may think transit is important in general or for others, they personally continue to drive.

FINDING: Pedestrian volume to Philadelphia casino locations will be minimal except for Center City or Penn’s Landing locations.

Pedestrian volume could account for as much as three or four percent of total arrivals at a Center City or Penn’s Landing casino, but other potential gaming locations throughout the city would experience negligible pedestrian traffic. Barriers to pedestrian access are too great to realize significant volumes elsewhere.

FINDING: Taxi volumes would be maximized at sites in, or close to, Center City.

As much as 11 percent of Philadelphia casino customers may arrive by taxi at a Center City location. This percentage would drop in half for more remote locations.

Transportation Access Analysis

The following is a detailed analysis of existing and projected traffic volumes on streets surrounding potential gaming sites, as well as an engineering review of the capacity of those streets and intersections to carry the increased volumes.

A summary of current traffic volumes on major roads near potential gaming sites and the projected additional traffic demand generated by casino development at each site are presented in Tables 3.1 and 3.2. For each site, the numbers in the first row are current traffic volumes based on electronic counts of vehicles conducted during the period of May 10-17. The second row shows the estimated number of additional vehicles on weekdays and Saturdays if a slots-only casino were to be placed at that location. The estimates vary between sites for two main reasons: (1) Based on Task Force projections, different sites will experience different levels of visitation based on their varying proximity and accessibility to patrons (see Appendix on Revenue Methodology on page 282) and (2) it is estimated that some sites will draw more

patrons by public transit and therefore the number of automobiles would be less.

It is important to note that conclusions about potential congestion problems at these sites cannot be drawn without analyzing projected traffic volumes within the context of existing roadway and intersection capacity and without an understanding of peak traffic volumes. A projected sharp increase in traffic volume at a given site may or may not be accompanied by sufficient roadway and intersection capacity, and this capacity may or may not be strained at peak volumes. These variables are considered in-depth in the analysis that follows.

TABLE 3.1: Current and Projected 24-Hour Traffic Volumes at Potential Gaming Sites

Sheetmetal Workers Site	Weekday	Saturday
Current traffic volume (Columbus south of Washington)	44,579	49,119
Projected additional casino volume	11,000	25,200
South Delaware Site		
Current traffic volume (Columbus south of Washington)	44,579	49,119
Projected additional casino volume	10,800	24,700
Penn's Landing Site		
Current traffic volume (Columbus south of Market)	31,045	32,171
Projected additional casino volume	9,630	21,950
Old Incinerator Site		
Current traffic volume (Columbus south of Spring Garden)	28,467	29,007
Projected additional casino volume	12,100	27,500
Fishtown Site		
Current traffic volume (N. Delaware north of Berks)	24,414	19,353
Projected additional casino volume	9,540	21,740
Navy Yard Site		
Current traffic volume (S. Broad north of Tasker)	26,252	26,136
Projected additional casino volume	8,330	21,150
Center City/Market East Site		
Current traffic volume (Market west of 12th)	22,539	23,505
Projected additional casino volume	10,070	23,900
Budd Site		
Current traffic volume (Wissahickon north of Hunting Park)	15,502	12,914
Projected additional casino volume	11,670	28,230
Adam's Mark Site		
Current traffic volume (City Avenue east of Monument)	58,599	54,264
Projected additional casino volume	11,670	28,230

TABLE 3.2: Current and Projected Peak Hour Traffic Volumes at Potential Gaming Sites
 Weekday peak from 4-6 PM; Saturday peak from 5-10 PM

Sheetmetal Workers Site	Weekday	Saturday
Current traffic volume (Columbus south of Washington)	3,021	3,140
Projected additional casino volume	490	1,380
South Delaware Site		
Current traffic volume (Columbus south of Washington)	3,021	3,140
Projected additional casino volume	480	1,350
Penn's Landing Site		
Current traffic volume (Columbus south of Market)	2,264	1,775
Projected additional casino volume	430	1,200
Old Incinerator Site		
Current traffic volume (Columbus south of Spring Garden)	2,625	1,740
Projected additional casino volume	540	1,500
Fishtown Site		
Current traffic volume (N. Delaware north of Berks)	2,170	1,034
Projected additional casino volume	430	1,190
Navy Yard Site		
Current traffic volume (S. Broad north of Tasker)	1,834	1,579
Projected additional casino volume	400	1,100
Center City/Market East Site		
Current traffic volume (Market west of 12th)	1,490	1,400
Projected additional casino volume	450	1,250
Budd Site		
Current traffic volume (Wissahickon north of Hunting Park)	1,284	659
Projected additional casino volume	550	1,540
Adam's Mark Site		
Current traffic volume (City Avenue east of Monument)	4,192	2,942
Projected additional casino volume	550	1,540

Study Design

The intent of this transportation access analysis is to present a general overview of the 11 potential gaming sites identified by the Task Force (see page 77) with respect to vehicular access. It is meant to be used as a comparative assessment of the current and future transportation attributes of these locations and should not in any way be interpreted as a detailed analysis of any site of specific development. As noted elsewhere in this report, these 11 locations have been chosen for purposes of analysis only and do not represent a comprehensive list of potential Philadelphia gaming locations.

The consultant conducted field visits at each potential site, obtained secondary source traffic volume counts on the primary access routes that provide access to the general study area,

conducted 24-hour machine volume counts on street sections and roadways that provide access to each site and conducted manual vehicular and pedestrian counts at intersection locations. Traffic count data was collected for both weekday and weekend time periods.

Images 3.1 through 3.3 present the weekday, Saturday and Sunday 24-hour daily traffic volumes recorded at key access routes to the South Delaware, Sheetmetal Workers, Penn's Landing, Old Incinerator, Fishtown, Navy Yard and Center City sites. Images 3.4 through 3.6 present the weekday, Saturday and Sunday daily traffic volumes recorded at key access routes to the two I-76 / Route 1 interchange sites, the Adam's Mark and the Budd sites.

Data collected for each site was not always directly comparable to that collected for one or more of the other sites. This was due to the fact that many of the sites differed fundamentally from each other. Most sites were conducive to detailed intersection and capacity analysis, although projected changes in future conditions and lack of current adequate data rendered the same depth of analysis for the Fishtown, Navy Yard, and Budd sites not viable.

IMAGE 3.1: Weekday 24-Hour Traffic Volumes

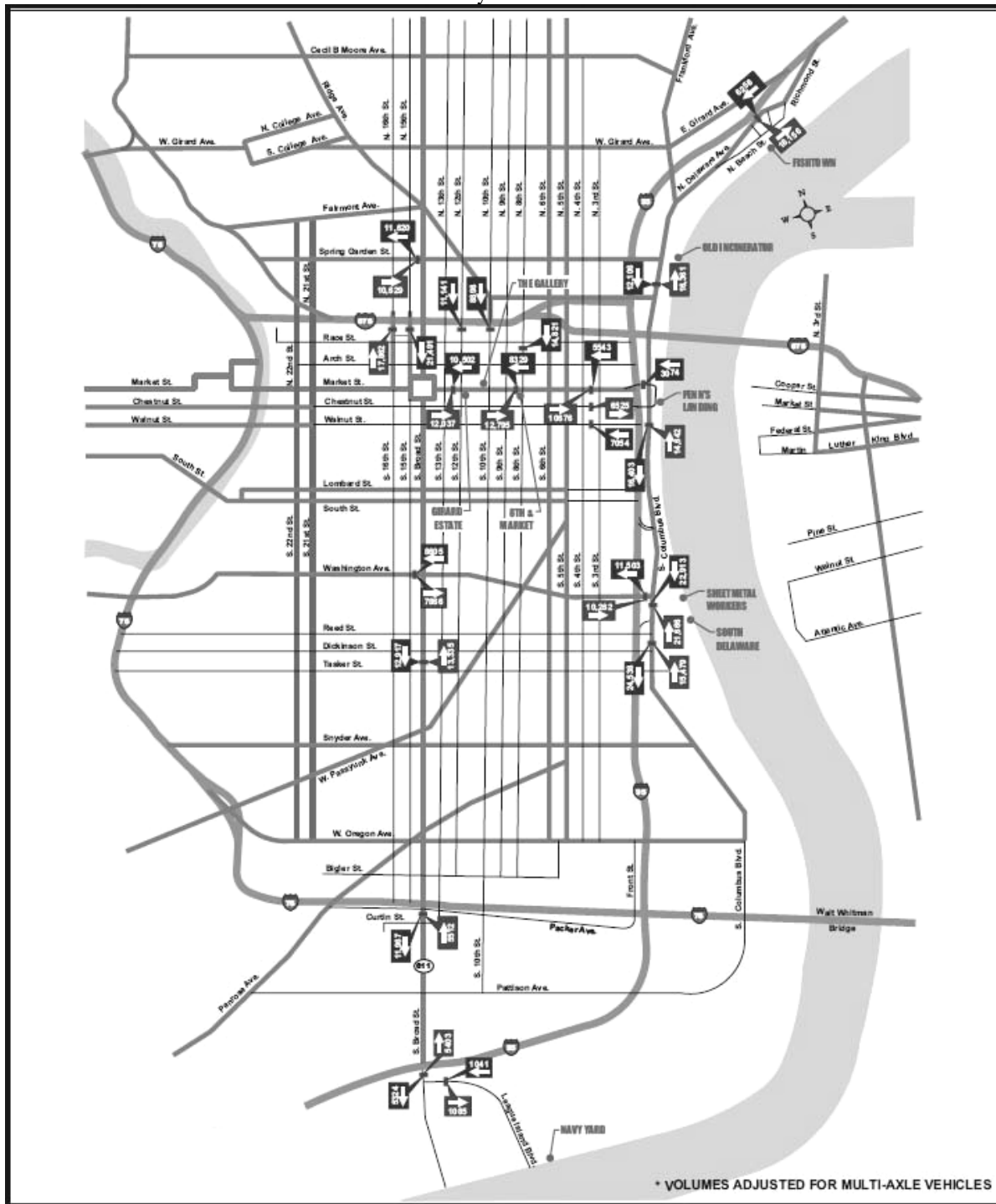


IMAGE 3.2: Saturday 24-Hour Traffic Volumes

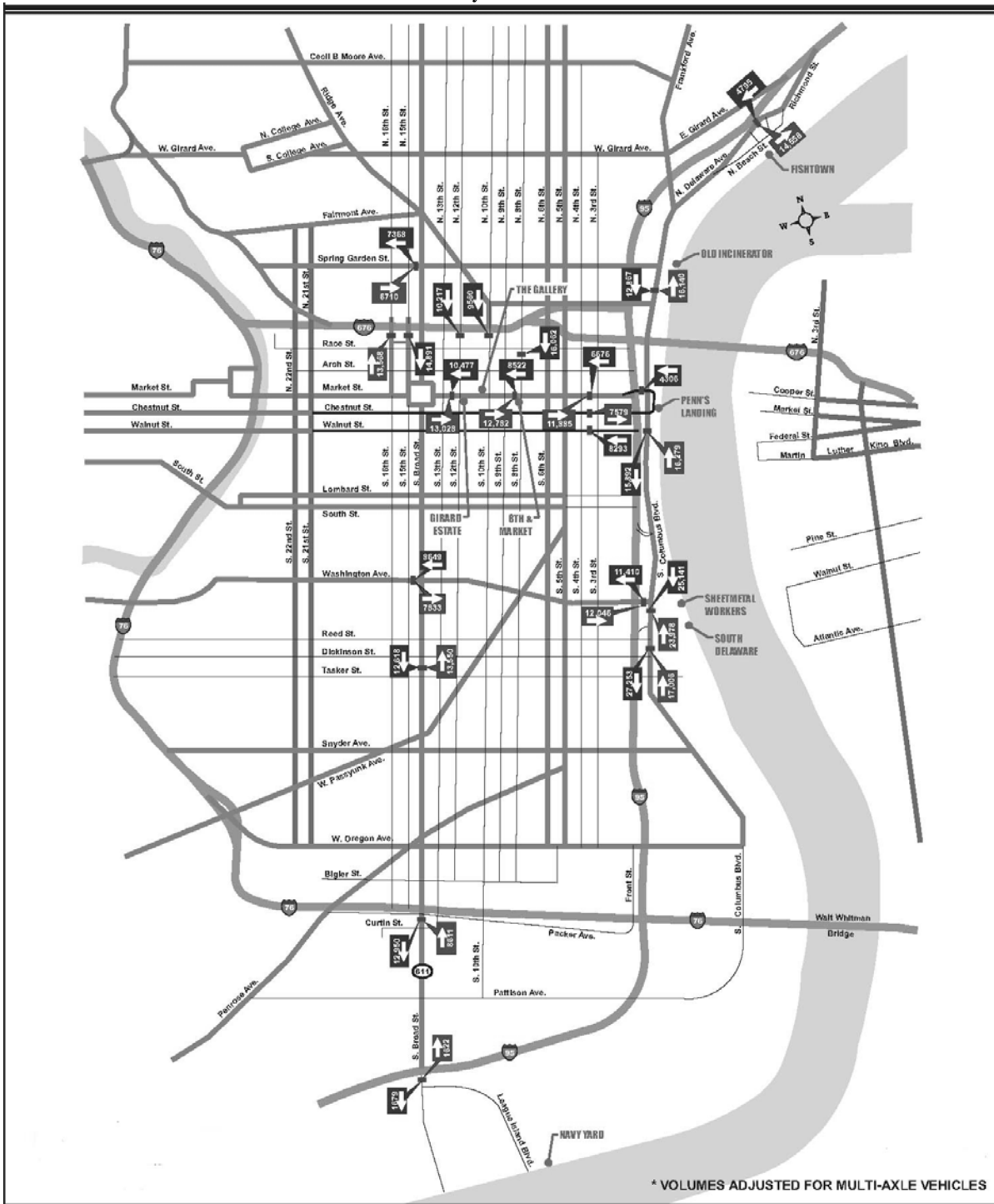


IMAGE 3.3: Sunday 24-Hour Traffic Volumes

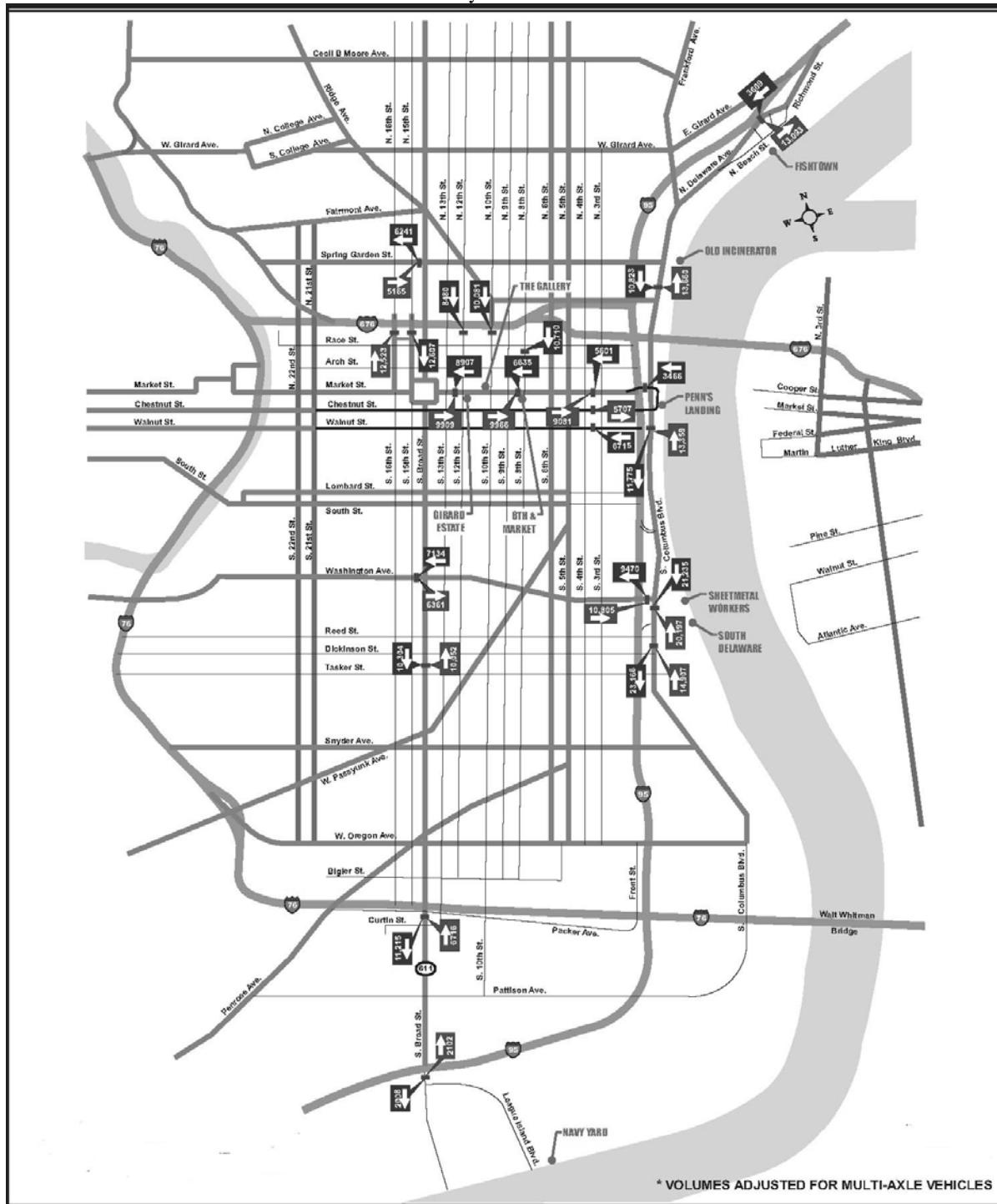


IMAGE 3.4: Weekday 24-Hour Traffic Volumes for North Philadelphia Sites

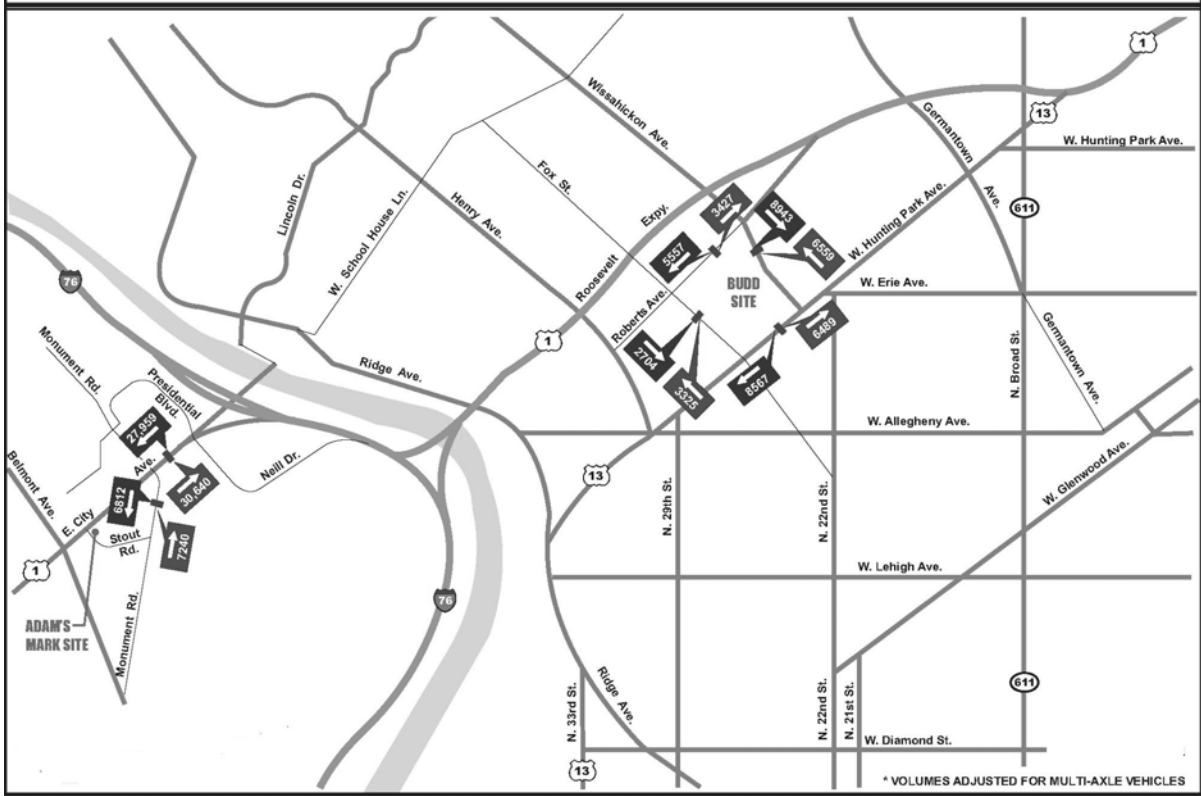
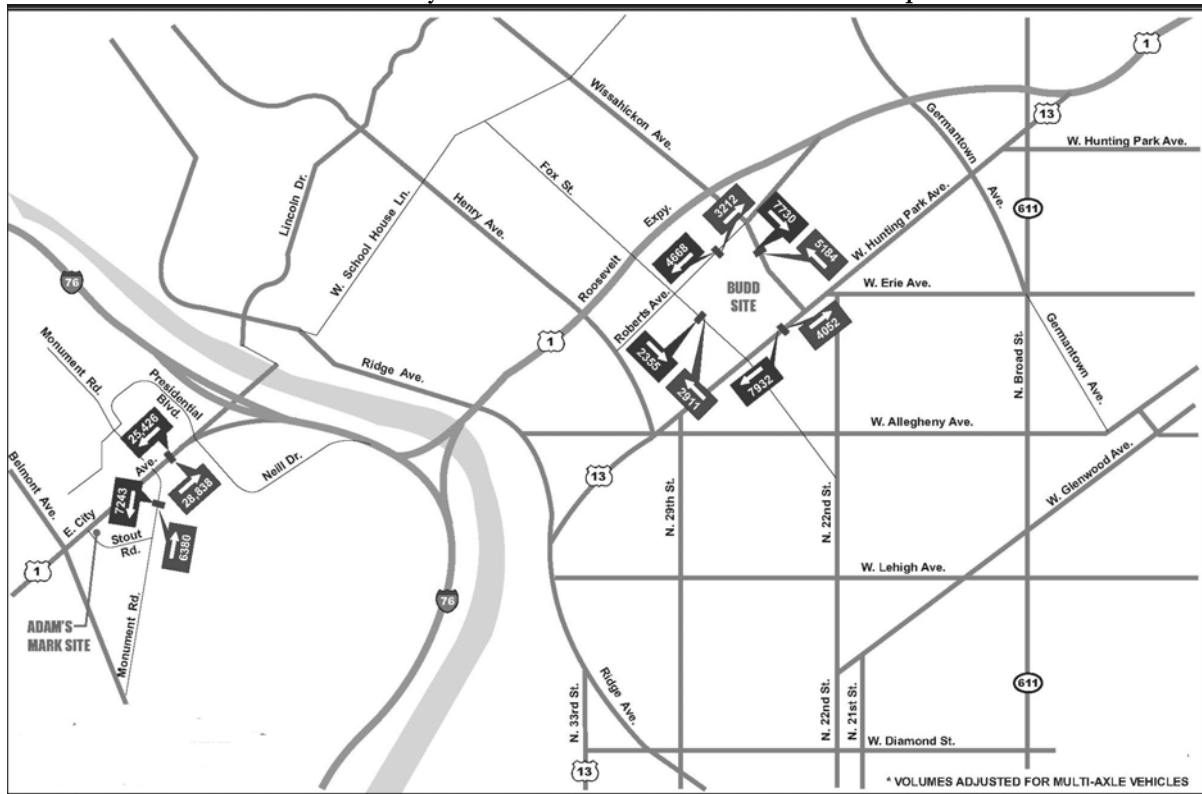


IMAGE 3.5: Saturday 24-Hour Traffic Volumes North Philadelphia Sites



access to the site. Levels of Service (LOS) represent a qualitative and quantitative evaluation of the traffic operation of a given intersection using procedures developed by the Transportation Research Board and contained in the *Highway Capacity Manual, HCM 2000*. The Highway Capacity Manual (HCM) procedures have been adapted to computer based analysis packages, which include signalized and unsignalized intersection modules.

Levels of Service range from LOS A, a condition of little or no delay to LOS F, a condition of capacity breakdown represented by heavy delay and congestion. Level of Service B is characterized as stable flow. Level of Service C is considered to have a stable traffic flow, but is becoming susceptible to congestion with general levels of comfort and convenience declining noticeably. Level of Service D approaches unstable flow as speed and freedom to maneuver are severely restricted and LOS E represents unstable flow at or near capacity levels with poor levels of comfort and convenience.

Table 3.3 below presents the Level of Service criteria for signalized and unsignalized intersections.

TABLE 3.3: Level of Service Criteria

SIGNALIZED INTERSECTION	
Level of Service	Stopped Delay Per Vehicle (Sec)
A	<10
B	>10 and <20
C	>20 and <35
D	>35 and <55
E	>55 and <80
F	>80
UNSIGNALIZED INTERSECTION	
Level of Service	Average Total Delay (Sec/Veh)
A	<10
B	>10 and <15
C	>15 and <25
D	>25 and <35
E	>35 and <50
F	>50

Table 3.4 presents LOS ranges based upon data presented in The Institute of Transportation Engineers' publication *Transportation Planning Handbook, Chapter 7, Planning Approach to Capacity*, Edited by John D. Zegeer.

TABLE 3.4: Signalized Intersection Maximum Service Volumes (Single Approach)

Left Turn Lane Present?	Number of Through Lanes	Maximum Service Volume (veh/h)				
		LOS A	LOS B	LOS C	LOS D	LOS E
No	1	N/A	390	480	520	540
No	2	N/A	680	770	810	850
No	3	N/A	990	1,310	1,410	1,490
Yes	1	N/A	N/A	570	680	740
Yes	2	N/A	N/A	1,040	1,220	1,320
Yes	3	N/A	N/A	1,410	1,650	1,770

Notes: N/A = not achievable given assumed signal timing.
 Assumptions used to generate the values in Table 2.7 are:

1. Entries are total hourly volume for subject approach, including turns.
2. All approaches to intersection have the same demand as the subject approach.
3. Left turns equal 10 percent of approach demand. Right turns equal 10 percent of approach demand.
4. Phasing is permitted lefts in absence of exclusive left-turn; projected lefts when left-turn lane is present.
5. All approaches are two-way streets.
6. Cycle length = 100 s, lost time = 6 s without protected lefts or 12 s with protected lefts. Actuated, isolated signal, arrival type 3, in urban non-CBD area. Green/cycle length times computed to equalize degree of saturation.
7. Saturation flow computed assuming: 1,900 base saturation, 3.6 m lane widths, 2 percent heavy vehicles, 0 percent grade, 20 parking movements per hour, no local buses, no pedestrians.
8. Peak hour factor = 0.90. Lane utilization factors = 1.05 for two lanes, 1.10 for three lanes.

Source: **Transportation Planning Handbook, Chapter 7, Planning Approach to Capacity, Table 7-7**

Table 3.4 values will be used to evaluate existing and future conditions on major streets that provide access to a site where intersection turning movement count data was not recorded. The Budd site falls into this category of analysis.

In terms of driver perception and experience, LOS C or better conditions can be viewed as a condition of little delay and good roadway and intersection operating conditions. At LOS D, delay and congestion are noticeably higher, but most drivers would find LOS D conditions acceptable to good under urban traffic conditions. LOS E conditions represent yet higher levels of delay and congestion and are typical of urban traffic conditions during peak hours. Most urban drivers expect and accept LOS E conditions during peak demand periods. At LOS F, long queue lengths typically occur on one or more approaches to a given intersection and many drivers would likely have to wait through two or three cycles of the traffic signal to travel through the intersection. It is generally considered that LOS F conditions can act as a deterrent for some kinds of trips, particularly a recreational or non-work related trip.

For purposes of future conditions analysis, casino traffic estimates were developed and assigned to major site access roadways and intersections. These estimates were derived by combining projected visitation levels for each potential gaming site, mode of arrival, and vehicle occupancy rates (see Appendix on Mode Split Methodology on page 192). The resulting future traffic volume estimates represent vehicle trip demand associated with each site by day of week and by time of day for weekdays and Saturdays and for peak hours. Saturday casino peak hours generally coincide with the late afternoon to late evening hours.

Peak month demand estimates were used to present highest or worst case traffic demand conditions and can be assumed to overstate traffic generated during most other times of the year. This overestimation of gamer traffic is considered to counterbalance projected additional non-gamer casino-related traffic, such as employee movements and service delivery. This is considered a valid assumption since casinos do not typically schedule major shift changes or generate significant goods movement activity during peak periods under normal operating conditions.

South Delaware Site / Sheetmetal Workers Site

Site and Area Description

Both sites are located on the Delaware River, with frontage on Columbus Boulevard. Land uses in close proximity consist of industrial and commercial uses, including big box retail developments. The Sheetmetal site is 12 acres and the South Delaware site is 16 acres.

Site Access

- Area wide vehicular access via I-95 North and South and Columbus Boulevard
- Secondary vehicular access via Washington, Oregon, Snyder and Tasker
- Public transit access (Bus Routes 7, 25, 29 and 64 in close proximity)

Key Issues

- Existing traffic congestion on Columbus Boulevard between the I-95 ramp interchanges
- Potential conflict with traffic generated by big box retail uses that are located in corridor
- Proximity to and impact on residential land uses located west of I-95
- Limited right of way to implement improvements on Columbus Boulevard at existing intersections and at future access intersections.

Traffic Count Program

These two sites are located on a heavily traveled section of Columbus Boulevard that supports both local trips and functions as a primary access to I-95 and by extension, I-676 and I-76.

In conjunction with this study, 24-hour volume data was recorded at three locations in close proximity to the site and PM peak hour and Saturday turning movement data was recorded at five intersections.

Machine count data was recorded at the following locations:

- Columbus Blvd south of Washington
- Washington west of Columbus
- Columbus Blvd north of Tasker

Intersection turning movement counts were conducted at the following locations:

- Columbus at Washington
- Columbus at I-95 off ramp
- Columbus at I-95 NB on ramp / SB off ramp
- Columbus at Reed
- Columbus at Tasker

Existing Conditions Traffic Volumes

Table 3.6 presents bi-directional 24-hour traffic volumes recorded at these key access roadways near the site during an average weekday and weekend period. These traffic volumes have been adjusted for multi-axle vehicles.

TABLE 3.6: 24-Hour Traffic Volumes

Location	Weekday	Saturday	Sunday
Columbus Blvd. south of Washington	44,579	49,119	41,432
Washington west of Columbus	21,765	23,456	20,275
Columbus Blvd north of Tasker	40,017	44,259	38,073

A review of Table 3.6 indicates that Columbus Boulevard near the site operates with daily volumes of roughly 44,580 vehicles during a weekday, 49,120 vehicles during a Saturday and 41,430 vehicles during a Sunday. Washington Avenue operates with daily volumes of 21,765 vehicles for a weekday, 23,455 vehicles for a Saturday and 20,275 vehicles for a Sunday. Comparisons of the weekday and weekend traffic volumes recorded at these two access roadways near the site indicate an increase of 10 percent on Saturday and a decrease of 7 percent on Sunday.

The highest peak hour volumes identified for the weekday PM peak hour period (4 PM to 6 PM) and the Saturday peak casino hour period (5 PM to 10 PM) are presented in Table 3.7. Table 3.7 presents the peak hour volumes with its bidirectional volume in the first column and its peak direction volume in the second column.

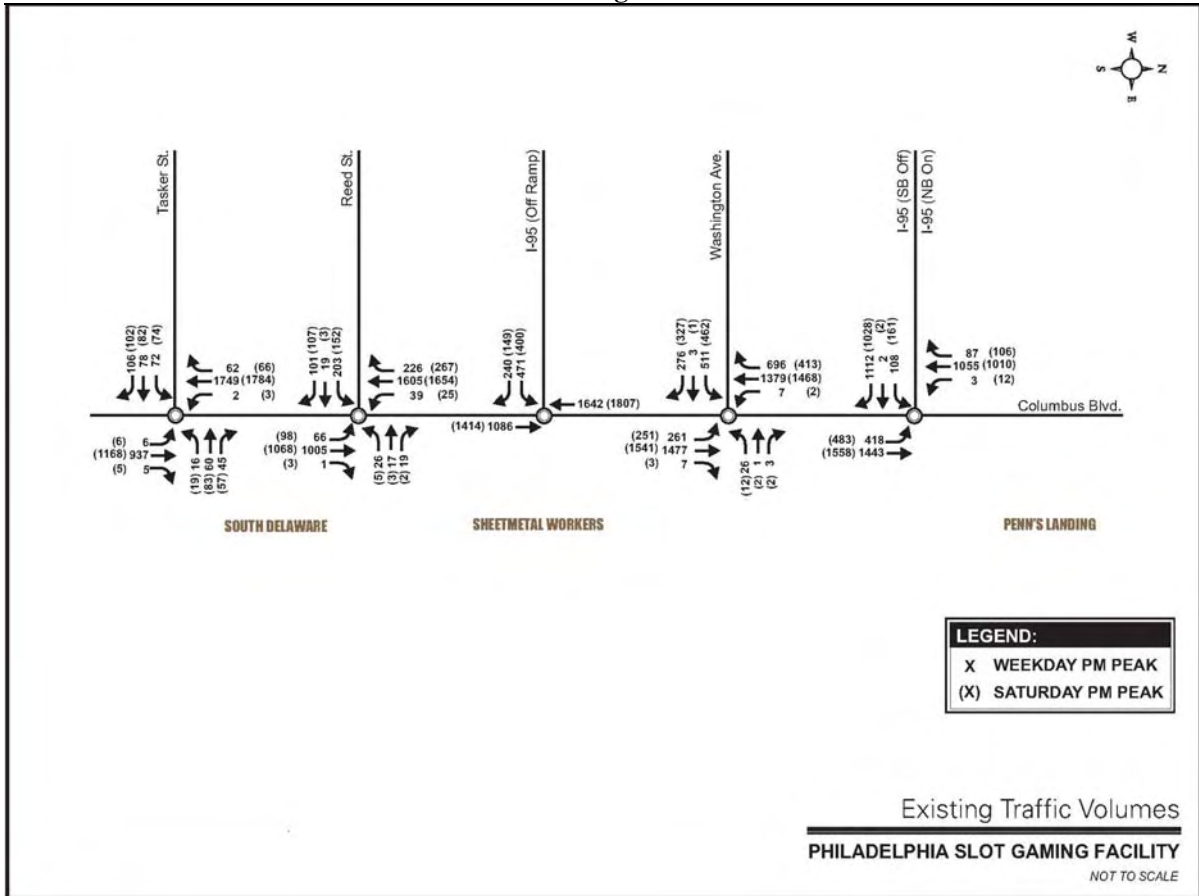
TABLE 3.7: Peak Hour Volumes

	Weekday		Saturday	
	PH	PD	PH	PD
Columbus Blvd. south of Washington	3,021	1,571	3,140	1,630
Washington west of Columbus	1,518	808	1,338	709
Columbus Blvd north of Tasker	2,750	1,669	2,656	1,599

A review of Tables 3.6 and 3.7 indicates highest volume conditions during the Saturday counts period and lowest on Sunday. Peak hour count data on weekdays and Saturday was slightly higher on Saturday, south of Washington, likely reflecting retail activity.

Image 3.7 presents the intersection traffic volumes recorded in the vicinity of the site during a weekday and Saturday peak hour.

IMAGE 3.7: Existing Traffic Volumes



Existing Conditions Level of Service

Data collected at intersections was input into a standard traffic engineering model and Level of Service estimates were prepared for weekday PM peak hour conditions and during the Saturday peak period. Table 2.10 presents a summary of intersection and approach LOS ranges at each intersection.

TABLE 3.8: Existing Conditions Level of Service

Intersection	Approach/ Intersection	Weekday PM Peak	Saturday PM Peak
Columbus Blvd. @ Tasker	Southbound	LOS A	LOS A
	Northbound	LOS A	LOS A
	Westbound	LOS D	LOS D
	Eastbound	LOS E	LOS F
	Intersection	LOS B	LOS B
Columbus Blvd. @ Reed	Southbound	LOS C	LOS C
	Northbound	LOS B	LOS C
	Westbound	LOS C	LOS C
	Eastbound	LOS C	LOS C
	Intersection	LOS C	LOS C
Columbus Blvd. @ I-95 Exit (Northbound I-95)	Southbound	LOS B	LOS B
	Northbound	LOS C	LOS C
	Eastbound	LOS C	LOS C
	Intersection	LOS C	LOS C
Columbus Blvd. @ I-95 Ramp	Southbound	LOS D	LOS D
(Northbound I-95 On Ramp/ Southbound I-95 Off Ramp)	Northbound	LOS C	LOS C
	Eastbound	LOS B	LOS B
	Intersection	LOS C	LOS C
Columbus Blvd. @ Washington	Southbound	LOS F	LOS F
	Northbound	LOS D	LOS D
	Westbound	LOS C	LOS C
	Eastbound	LOS D	LOS C
	Intersection	LOS F	LOS F

A review of Table 3.8 indicates acceptable LOS and capacity ranges at both I-95 ramp intersections, although higher levels of delay and lower LOS ranges were observed for the I-95 southbound off ramp and the I-95 northbound on ramp movements. Field observations indicated somewhat higher levels of delay for the northbound thru movement as the left turn queue extended beyond the left turn lane and blocked one of the thru lanes.

Existing conditions delay at the intersection of Columbus at Tasker is noted on the eastbound approach to the intersection, with LOS E during the PM peak hour and LOS F on Saturday. This condition could be improved by allocating additional green time to this approach without any significant deterioration in capacity or LOS on Columbus Boulevard.

The intersection of Columbus at Washington was evaluated to operate within LOS F ranges. This indicates that the intersection is at or near capacity under current demand conditions. Highest delay is noted on the southbound approach to the intersection, where southbound thru traffic joins exiting southbound traffic from I-95.

Future Conditions

Trip Generation Estimates and Traffic Assignments

Vehicle trip generation estimates for casino patrons were developed for both sites based upon a 3,000 device facility and reflect day of week visitation characteristics, casino occupancy patterns, and mode of transportation assumptions developed by Task Force consultants. Highest volume estimates reported for each site will be used to present a highest potential impact scenario. Table 6 presents daily and peak period vehicle trip estimates for each site. As would be expected, given the proximity of the two South Delaware sites to each other, both are assumed to generate the same level of patron visitation and vehicle trip demand.

Volumes presented for weekday peak hour conditions reflect the hourly volume demand during the weekday peak period, typically 4 PM to 6 PM. Volumes presented for Saturday peak hour reflect volume demand during the highest demand period, during the Saturday casino peak hour, generally between 5 PM to 10 PM.

Volume estimates presented reflect two-way volume demand. Studies of casino vehicle trip demand generally indicate a relatively balanced split of inbound and outbound trips under peak demand conditions.

TABLE 3.9: Vehicle Trip Estimates (Sheetmetal and South Delaware Sites)

Sheetmetal Site

Weekday		Saturday	
Daily	Peak Hour	Daily	Peak Hour
11,000	490	25,200	1,380

South Delaware Site

Weekday		Saturday	
Daily	Peak Hour	Daily	Peak Hour
10,800	480	24,700	1,350

A review of Table 3.9 indicates slightly lower volume demand associated with the South Delaware site, but this difference is not significant in terms of both daily and peak hour demand.

Vehicle trip estimates presented in Table 3.9 were assigned to site access roadways based upon

the directional distributions of site trips generated by the Task Force’s visitation model (see Appendix on Revenue Projection Methodology on page 282 for background on visitation model). For purposes of intersection analyses, the higher value will be used for both sites.

Table 3.10 presents a summary of new casino-generated two-way traffic demand for weekday and Saturday daily and peak hour demand.

TABLE 3.10: Traffic Assignments By Access Route

Weekday		
Street Section	Daily	Peak Hour
Columbus N. of Washington	6,600	294
Columbus S. of Washington	3,300	147
Washington W of Columbus	1,100	50

Saturday		
Street Section	Daily	Peak Hour
Columbus N. of Washington	16,940	924
Columbus S. of Washington	8,470	462
Washington W of Columbus	2,820	154

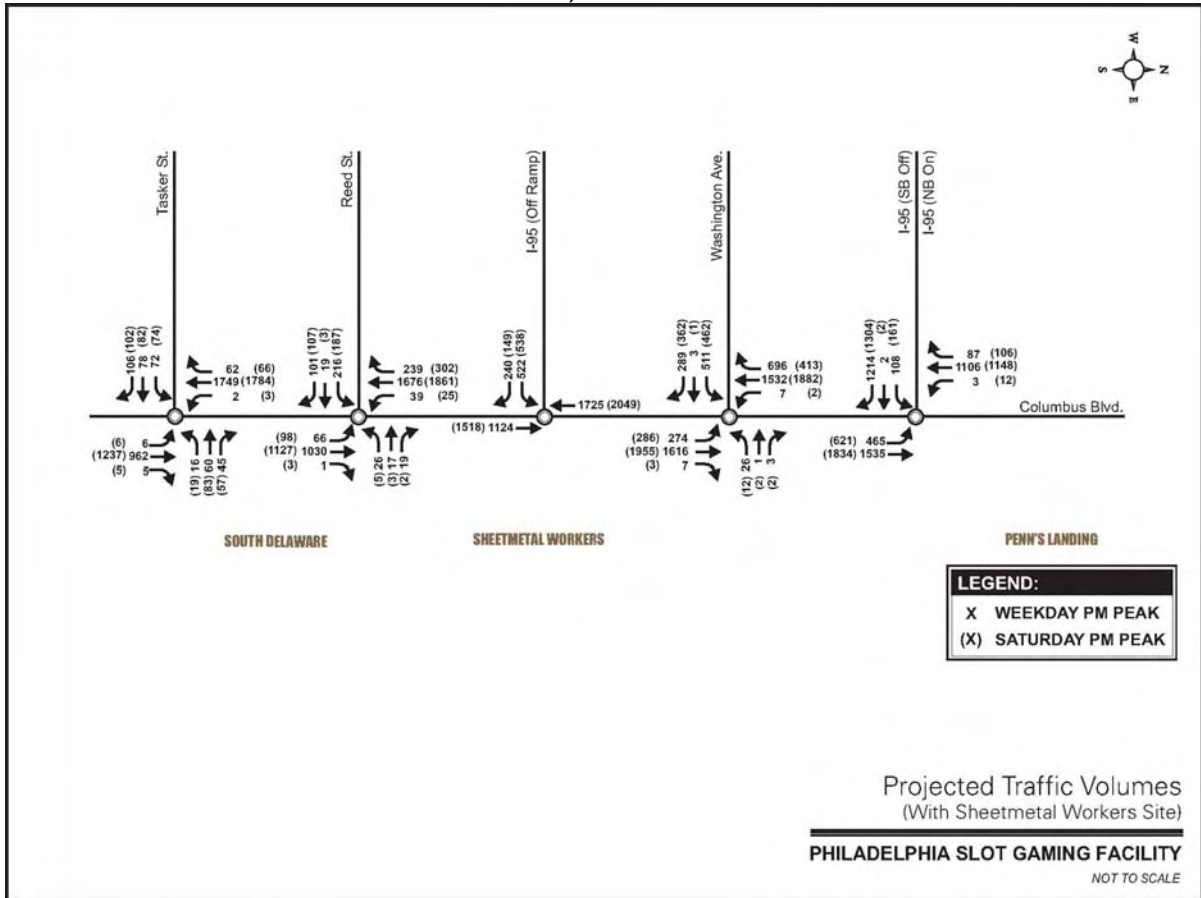
Future Conditions LOS Analysis By Site Location

Although both the Sheetmetal and the South Delaware sites are anticipated to generate comparable demand under various development scenarios, the specific location of each site will result in slightly different approach and access patterns. For example, traffic approaching from the south on I-95 would approach the Sheetmetal site from the south and the South Delaware site from the north. For this reason, new traffic was assigned to the corridor for each potential site accordingly.

Sheetmetal Site

Image 3.8 presents the projected intersection traffic volumes that include the site traffic assignments added to the existing volumes near the site during a weekday and Saturday peak hour.

IMAGE 3.8: Projected Traffic Volumes



New projected casino traffic was added to existing traffic volumes and an intersection LOS analysis prepared for each location. Table 3.11 presents a summary of projected LOS conditions without further roadway or intersection improvements at each location with the Sheetmetal site as an origin and destination.

TABLE 3.11: Projected Conditions Level of Service (w/ Sheetmetal Site)

Intersection	Approach/ Intersection	Weekday PM Peak	Saturday PM Peak
Columbus Blvd. @ Tasker	Southbound	LOS A	LOS A
	Northbound	LOS A	LOS A
	Westbound	LOS D	LOS D
	Eastbound	LOS E	LOS F
	Intersection	LOS B	LOS B
Columbus Blvd. @ Reed	Southbound	LOS C	LOS D
	Northbound	LOS B	LOS C
	Westbound	LOS C	LOS C
	Eastbound	LOS C	LOS C
	Intersection	LOS C	LOS D
Columbus Blvd. @ I-95 Exit (Northbound I-95)	Southbound	LOS B	LOS C
	Northbound	LOS C	LOS C
	Eastbound	LOS C	LOS C
	Intersection	LOS C	LOS C
Columbus Blvd. @ I-95 Ramp (Northbound I-95 On Ramp/ Southbound I-95 Off Ramp)	Southbound	LOS D	LOS E
	Northbound	LOS C	LOS D
	Eastbound	LOS B	LOS B
	Intersection	LOS C	LOS D
Columbus Blvd. @ Washington	Southbound	LOS F	LOS F
	Northbound	LOS D	LOS D
	Westbound	LOS C	LOS C
	Eastbound	LOS D	LOS D
	Intersection	LOS F	LOS F

A review of Table 3.11 and comparison with Table 3.8 values indicates little change in overall LOS conditions, with the exception of the intersection of Columbus at Reed on Saturday. Intersection operations are expected to be reduced from LOS C to LOS D and the southbound approach is expected to deteriorate from LOS C to D as well.

Delay is also projected to increase at the intersection of Columbus at the I-95 northbound on and southbound off ramps. LOS estimates for the Saturday simulation indicate a reduction in intersection LOS from LOS C to LOS D and increased delay on both the northbound (LOS C to D) and southbound (LOS D to E) approaches to the intersection.

At the intersection of Columbus at South Washington, overall intersection LOS designations are unchanged since the analysis procedure does not differentiate among F ratings. Critical

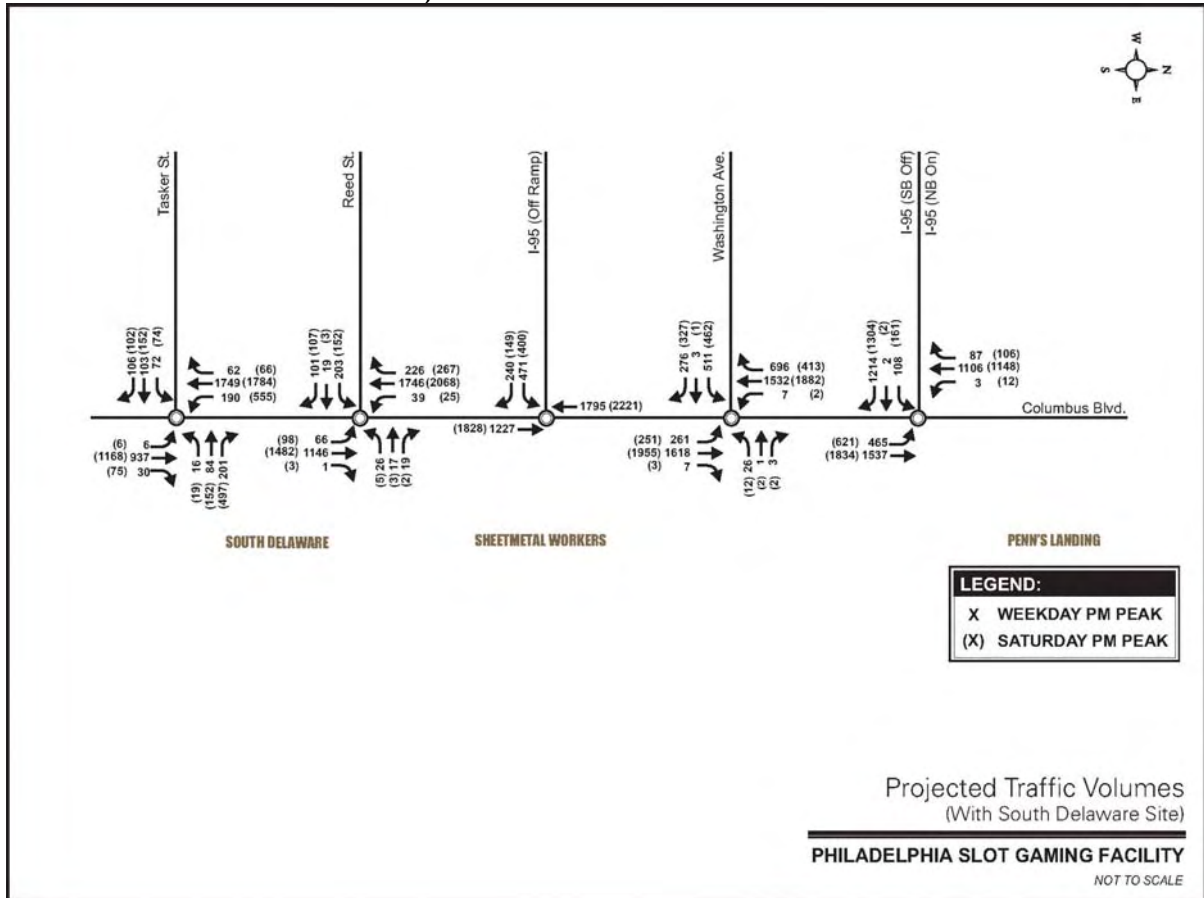
movements at each location are currently functioning at capacity, however, and additional traffic assigned each location increases delay estimates.

A review of standard capacity analysis worksheets indicates increases in intersection delay at all locations and deterioration of LOS conditions for some movements. At the critical intersection of Columbus at Washington, LOS delay is estimated to increase by roughly 75 seconds on the southbound Columbus approach to roughly 145 seconds during the PM peak period.

South Delaware Site

Image 3.9 presents the projected intersection traffic volumes that include the site traffic assignments added to the existing volumes near the site during a weekday and Saturday peak hour.

IMAGE 3.9: Projected Traffic Volumes with South Delaware Site



New projected casino traffic was added to existing traffic volumes and an intersection LOS analysis prepared for each location. Table 3.12 presents a summary of projected LOS conditions without further roadway or intersection improvements at each location with the South Delaware site as an origin and destination.

TABLE 3.12: Projected Conditions Level of Service (w/ South Delaware Site)

Intersection	Approach/ Intersection	Weekday PM Peak	Saturday PM Peak
Columbus Blvd. @ Tasker	Southbound	LOS C	LOS F
	Northbound	LOS A	LOS A
	Westbound	LOS D	LOS F
	Eastbound	LOS F	LOS F
	Intersection	LOS C	LOS F
Columbus Blvd. @ Reed	Southbound	LOS C	LOS E
	Northbound	LOS B	LOS C
	Westbound	LOS C	LOS C
	Eastbound	LOS C	LOS C
	Intersection	LOS C	LOS D
Columbus Blvd. @ I-95 Exit (Northbound I-95)	Southbound	LOS B	LOS C
	Northbound	LOS C	LOS D
	Eastbound	LOS C	LOS C
	Intersection	LOS C	LOS D
Columbus Blvd. @ I-95 Ramp (Northbound I-95 On Ramp/ Southbound I-95 Off Ramp)	Southbound	LOS D	LOS E
	Northbound	LOS C	LOS D
	Eastbound	LOS B	LOS B
	Intersection	LOS C	LOS D
Columbus Blvd. @ Washington	Southbound	LOS F	LOS F
	Northbound	LOS D	LOS C
	Westbound	LOS C	LOS C
	Eastbound	LOS D	LOS D
	Intersection	LOS F	LOS F

A review of Table 3.12 indicates that increased demand at the intersections of Columbus at Tasker and Columbus at Reed will result in deterioration in LOS conditions. Values stated for Columbus at Tasker assume that this intersection will provide access to the site and likely reflect a worst case scenario whereby limited improvements are feasible on all but the westbound or site exit approach to the intersection. Projected conditions at this intersection are reduced from LOS B to LOS C during the PM peak period and from LOS B to LOS F on Saturday.

Projected conditions at the intersection of Columbus at Reed are projected to continue to function at LOS C during the weekday PM peak period and within LOS D ranges on Saturday. Increased demand assigned to the southbound approach to the intersection indicates a reduction from LOS C under existing volume demand to LOS E under projected conditions.

Projected LOS conditions at the intersections of Columbus at Washington and Columbus at the I-95 southbound off ramp / I-95 northbound on ramp are comparable to those estimated for the Sheetmetal site simulations.

Penn's Landing

Site and Area Description

Located on the Delaware River at the projection of Market, Chestnut and Walnuts Streets and east of I-95, Penn's Landing is the riverfront site that is located closest to Center City and to downtown tourist attractions.

Site Access

- Areawide vehicular access from I-95 North and South and Columbus Boulevard
- Secondary vehicular access from Chestnut and Market Streets
- Pedestrian access via grade separated pedestrian bridges that span I-95 and Columbus Boulevard
- Public transit access (Market Frankford Subway Line, Phlash and local bus routes)
- Within walking distance to Old City / Historic District attractions and hotels

Key Issues

- Existing traffic congestion on Columbus Boulevard between the I-95 ramp interchanges
- Limited available right of way on Columbus Boulevard to implement access improvements

Traffic Count Program

In conjunction with this study, 24-hour volume data was recorded at five locations in close proximity to the site.

Machine count data was recorded at the following locations:

- Columbus south of Market
 - Market west of Columbus
-

- Market west of 3rd Street
- Chestnut west of 3rd Street
- Walnut west of 3rd Street

Existing Conditions Traffic Volumes

Table 3.13 presents bi-directional 24-hour traffic volumes recorded at these key access roadways near the site during an average weekday and weekend period. These traffic volumes have been adjusted for multi-axle vehicles.

TABLE 3.13: 24-Hour Traffic Volumes

	Weekday	Saturday	Sunday
Columbus south of Market	31,045	32,171	25,134
Market bridge west of Columbus	3,074	4,306	3,466
Market west of 3rd Street	16,219	18,561	14,682
Chestnut west of 3rd Street	6,525	7,579	5,707
Walnut west of 3rd Street	7,054	8,293	6,715

Comparison of volume data reported on Columbus Avenue presented in Table 3.13 with data reported in Table 3.6 for Columbus near Washington (Sheetmetal site) and Columbus near Tasker (South Delaware site) indicates overall volume conditions at Penn's Landing that are roughly 25 to 30 percent lower on weekdays, 30 to 35 percent lower on Saturday, and 35 to 40 percent lower on Sunday.

The highest peak hour volumes identified for the weekday PM peak hour period (4 PM to 6 PM) and the Saturday peak casino hour period (5 PM to 10 PM) are presented in Table 3.14. Table 3.14 presents the peak hour volumes with its bidirectional volume in the first column and its peak direction volume in the second column.

TABLE 3.14: Peak Hour Volumes

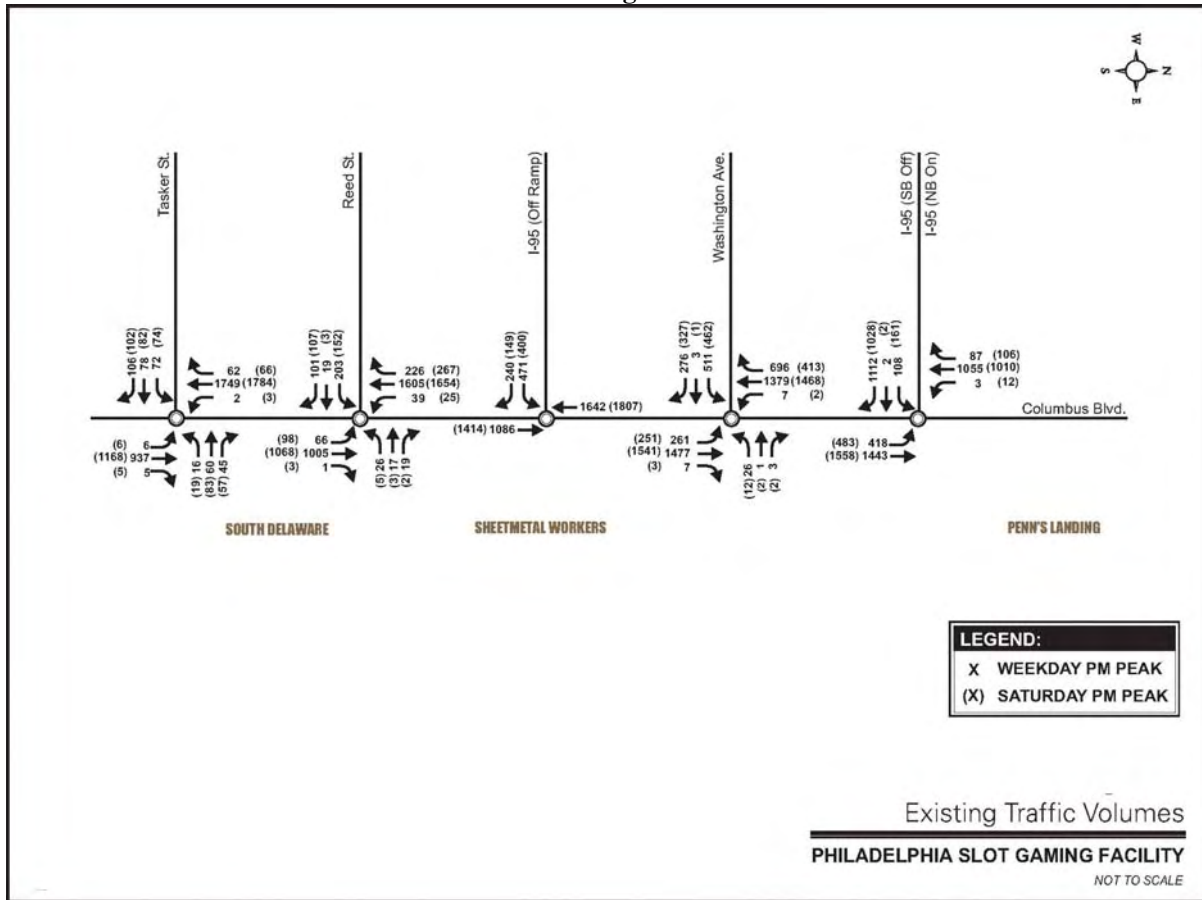
	Weekday		Saturday	
	PH	PD	PH	PD
Columbus south of Market	2,264	1,210	1,775	1,021
Market bridge west of Columbus	236	236	316	316
Market west of 3rd Street	1,257	891	1,156	773
Chestnut west of 3rd Street	552	552	538	538
Walnut west of 3rd Street	451	451	490	490

Peak hour volume demand on Columbus north of the intersection with the I-95 northbound on ramp / southbound off ramp indicates that Columbus at Penn’s Landing functions within LOS C ranges.

LOS ranges for Chestnut and Walnut likely fall within LOS C to LOS D ranges and for Market within LOS D to LOS E ranges.

Image 3.10 presents the intersection traffic volumes recorded in the vicinity of the site during a weekday and Saturday peak hour.

IMAGE 3.10: Existing Traffic Volumes



Existing Conditions Level of Service

Data collected at intersections was input into a standard traffic engineering model and Level of Service estimates were prepared for weekday PM peak hour conditions and during the Saturday peak period. Table 3.15 presents a summary of intersection and approach LOS ranges at each intersection.

TABLE 3.15: Existing Conditions Level of Service

Intersection	Approach/ Intersection	Weekday PM Peak	Saturday PM Peak
Columbus Blvd. @ I-95 Exit (Northbound I-95)	Southbound	LOS B	LOS B
	Northbound	LOS C	LOS C
	Eastbound	LOS C	LOS C
	Intersection	LOS C	LOS C
Columbus Blvd. @ I-95 Ramp (Northbound I-95 On Ramp/ Southbound I-95 Off Ramp)	Southbound	LOS D	LOS D
	Northbound	LOS C	LOS C
	Eastbound	LOS B	LOS B
	Intersection	LOS C	LOS C
Columbus Blvd. @ Washington	Southbound	LOS F	LOS F
	Northbound	LOS D	LOS D
	Westbound	LOS C	LOS C
	Eastbound	LOS D	LOS C
	Intersection	LOS F	LOS F

A review of Table 3.15 indicates acceptable LOS and capacity ranges at both I-95 ramp intersections, although higher levels of delay and lower LOS ranges were observed for the I-95 southbound off ramp and the I-95 northbound on ramp movements. Field observations indicated somewhat higher levels of delay for the northbound thru movement as the left turn queue extended beyond the left turn lane and blocked one of the thru lanes.

The intersection of Columbus at Washington was evaluated to operate within LOS F ranges. This indicates that the intersection is at or near capacity under current demand conditions. Highest delay is noted on the southbound approach to the intersection, where southbound thru traffic joins exiting southbound traffic from I-95.

Future Conditions

Trip Generation Estimates and Traffic Assignments

Vehicle trip generation estimates for casino patrons were developed for the Penn’s Landing site based upon a 3,000 device facility and reflect day of week visitation characteristics, casino occupancy patterns, and mode of transportation assumptions developed by Task Force consultants. Highest volume estimates reported for the site will be used to present a highest

potential impact scenario. Table 3.16 presents daily and peak period vehicle trip estimates for the Penn’s Landing site.

Volumes presented for weekday peak hour conditions reflect the hourly volume demand during the weekday peak period, typically 4 PM to 6 PM. Volumes presented for Saturday peak hour reflect volume demand during the highest demand period, during the Saturday casino peak hour, generally between 5 PM to 10 PM.

Volume estimates presented reflect two-way volume demand. Studies of casino vehicle trip demand generally indicate a relatively balanced split of inbound and outbound trips under peak demand conditions.

TABLE 3.16: Vehicle Trip Estimates (Penn’s Landing)

Weekday		Saturday	
Daily	Peak Hour	Daily	Peak Hour
9,630	430	21,950	1,200

Vehicle trip estimates presented in Table 3.16 were assigned to site access roadways based upon the directional distributions of site trips generated by the Task Force’s visitation model (see Appendix on Revenue Projection Methodology on page 282 for background on visitation model). Table 3.17 presents a summary of the new casino-generated two-way traffic demand for weekday and Saturday daily and peak hour demand.

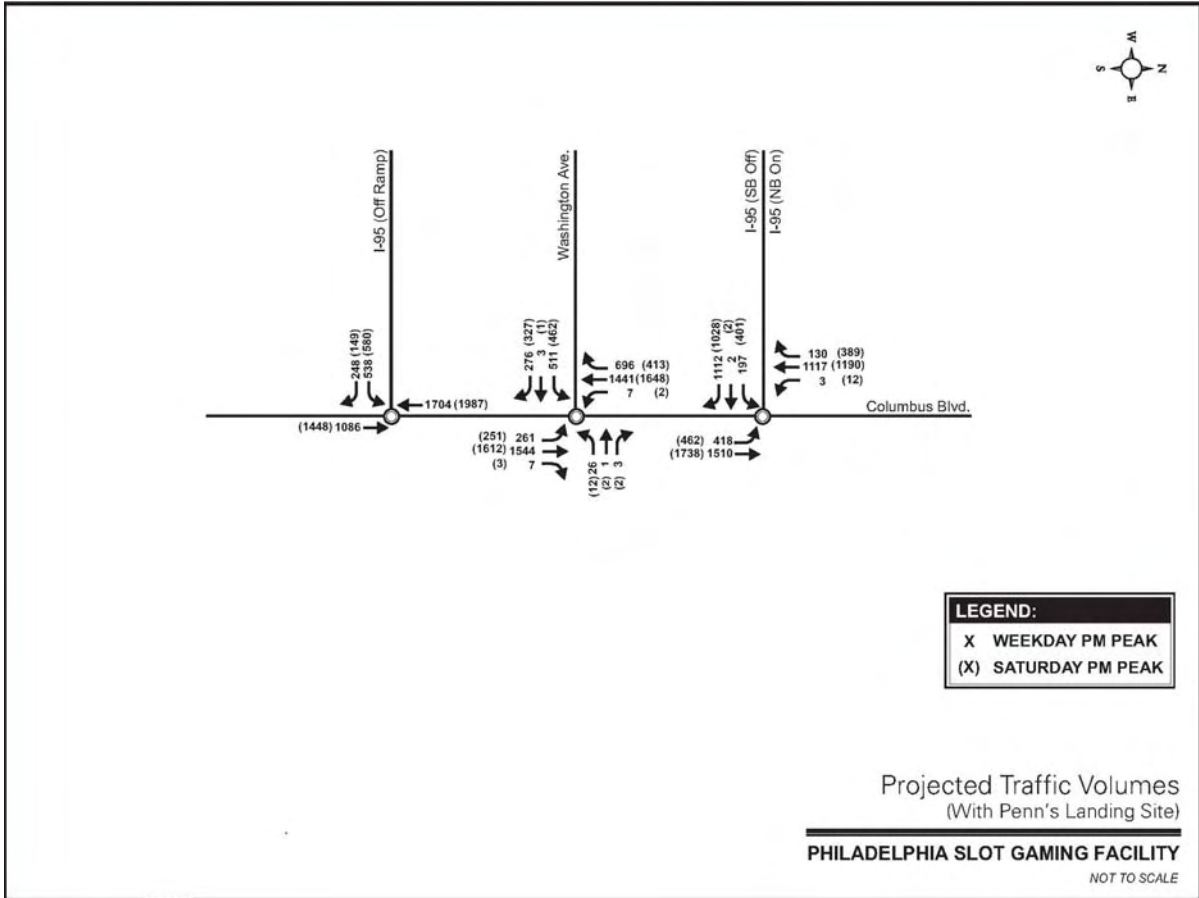
TABLE 3.17: Traffic Assignments By Access Route

Weekday		
Street Section	Daily	Peak Hour
Columbus N. of Market	2,000	90
Columbus S. of Market	6,800	305
Chestnut W. of Columbus	1,000	45
Market W. of Columbus	1,000	45

Saturday		
Street Section	Daily	Peak Hour
Columbus N. of Market	4,600	250
Columbus S. of Market	15,600	850
Chestnut W. of Columbus	2,200	120
Market W. of Columbus	2,200	120

Image 3.11 presents the projected intersection traffic volumes that include the site traffic assignments added to the existing volumes near the site during a weekday and Saturday peak hour.

IMAGE 3.11: Projected Traffic Volumes with Penn's Landing Site



New projected casino traffic was added to existing traffic volumes and an intersection LOS analysis prepared for each location. Table 3.18 presents a summary of projected LOS conditions without further roadway or intersection improvements at each location with the Penn's Landing site as an origin and destination.

TABLE 3.18: Projected Conditions Level of Service (Penn's Landing Site)

Intersection	Approach/ Intersection	Weekday PM Peak	Saturday PM Peak
Columbus Blvd. @ I-95 Exit (Northbound I-95)	Southbound	LOS B	LOS C
	Northbound	LOS C	LOS C
	Eastbound	LOS C	LOS C
	Intersection	LOS C	LOS C
Columbus Blvd. @ I-95 Ramp (Northbound I-95 On Ramp/ Southbound I-95 Off Ramp)	Southbound	LOS E	LOS F
	Northbound	LOS C	LOS C
	Eastbound	LOS B	LOS C
	Intersection	LOS C	LOS E
Columbus Blvd. @ Washington	Southbound	LOS F	LOS F
	Northbound	LOS D	LOS D
	Westbound	LOS C	LOS C
	Eastbound	LOS D	LOS D
	Intersection	LOS F	LOS F

A review of Table 3.18 indicates that conditions are projected to deteriorate at the intersection of Columbus at the I-95 southbound off and the I-95 northbound on ramp on Saturday as demand on the southbound approach increases. On Saturday, intersection LOS changes from LOS C to LOS E and the southbound approach LOS changes from LOS D to LOS F. During the weekday PM peak hour conditions intersection LOS conditions are estimated to remain at LOS C.

LOS conditions at the intersections of Columbus at Washington are projected to remain within LOS F ranges, although delay on some approaches would be reduced compared to the Sheetmetal and South Delaware simulations. Conditions at the intersections of Columbus at the I-95 northbound exit ramp and at the intersections of Columbus at Reed and Columbus at Tasker would be expected to be comparable to those estimated in the Sheetmetal simulations.

Old Incinerator Site

Site and Area Description

The Old Incinerator site is located at the intersection of Spring Garden at Columbus Boulevard.³

Site Access

- Area wide vehicular from Columbus Boulevard, I-676 and Spring Garden Street
- Public transit access via local bus service and located east of Market Frankfort line.

Key Issues

- Potential traffic growth in the area associated with high density residential land uses that are planned north of the site
- Construction impacts on site access during construction of the I-95 Girard Avenue interchange

Traffic Count Program

In conjunction with this study, 24-hour volume data was recorded at two locations in close proximity to the site and PM peak hour and Saturday turning movement data was recorded at one intersection.

Machine count data was recorded at the following locations:

- Columbus south of Spring Garden
- Spring Garden west of Broad

Intersection turning movement counts were conducted at the intersection of Columbus at Spring Garden.

Existing Conditions Traffic Volumes

³ Columbus Boulevard becomes North Delaware Avenue north of Spring Garden Street, but for purposes of traffic analysis around the Old Incinerator site, it will be referred to as Columbus Boulevard throughout.

Table 3.19 presents bi-directional 24-hour traffic volumes recorded at key access roadways near the site during an average weekday and weekend period. These traffic volumes have been adjusted for multi-axle vehicles.

TABLE 3.19: 24-Hour Traffic Volumes

	Weekday	Saturday	Sunday
Columbus south of Spring Garden	28,467	29,007	24,483
Spring Garden west of Broad	22,249	14,078	11,406

A review of Table 3.19 indicates that Columbus Boulevard near the site operates with daily volumes of 28,467 for a weekday, 29,007 for a Saturday and 24,483 for a Sunday. Spring Garden operates with a weekday daily volume of 22,249, Saturday daily volume of 14,078 and Sunday daily volume of 11,406. Comparisons of the weekday and weekend traffic volumes for Columbus Boulevard indicate a small increase of 2 percent on Saturday and a decline of 14 percent on Sunday. Spring Garden had declines in its daily volumes of 37 percent and 49 percent on Saturday and Sunday as compared with a weekday daily volume.

The highest peak hour volumes identified for the weekday PM peak hour period (4 PM to 6 PM) and the Saturday peak casino hour period (5 PM to 10 PM) are presented in Table 3.20. Table 3.20 presents the peak hour volumes with its bidirectional volume in the first column and its peak direction volume in the second column.

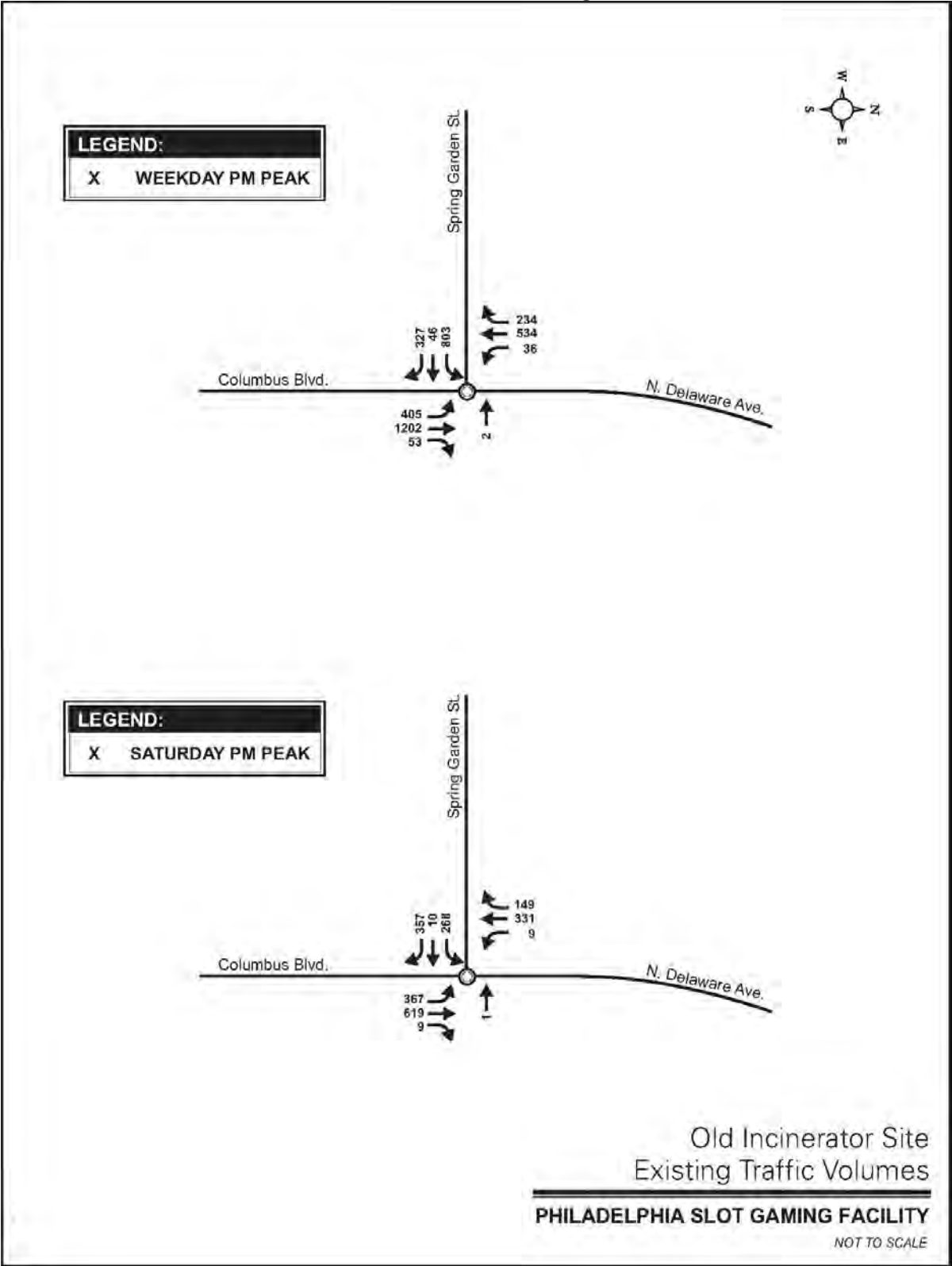
TABLE 3.20: Peak Hour Volumes

	Weekday		Saturday	
	PH	PD	PH	PD
Columbus south of Spring Garden	1,832	1,740	1,138	2,625
Spring Garden west of Broad	1,947	1,043	718	378

Based upon these service volumes, LOS D conditions would be estimated during the PM peak period and LOS C or better conditions for Saturday.

Image 3.12 presents the intersection traffic volumes recorded in the vicinity of the site during a weekday and Saturday peak hour.

IMAGE 3.12: Old Incinerator Site Existing Traffic Volumes



Existing Conditions Level of Service

Data collected at the intersection was input into a standard traffic engineering model and Level of Service estimates were prepared for weekday PM peak hour conditions and during the Saturday peak period. Table 3.21 presents a summary of intersection and approach LOS ranges at each intersection.

TABLE 3.21: Existing Conditions LOS

Intersection	Approach/ Intersection	Weekday PM Peak	Saturday PM Peak
Columbus Blvd. @ Spring Garden	Southbound	LOS C	LOS C
	Northbound	LOS D	LOS D
	Eastbound	LOS E	LOS D
	Intersection	LOS D	LOS D

Existing conditions peak hour capacity analyses prepared for the intersection of Columbus at Spring Garden indicate LOS D conditions during both the weekday PM peak hour and Saturday peak hour, indicating excess capacity to support increased traffic demand associated with the development of a slot facility at the site.

Future Conditions

Trip Generation Estimates and Traffic Assignments

Vehicle trip generation estimates for casino patrons were developed for the Old Incinerator site based upon a 3,000 device facility and reflect day of week visitation characteristics, casino occupancy patterns, and mode of transportation assumptions developed by Task Force consultants. Highest volume estimates reported for the Old Incinerator site will be used to present a highest potential impact scenario. Table 3.23 presents daily and peak period vehicle trip estimates for the Old Incinerator site.

Volumes presented for weekday peak hour conditions reflect the hourly volume demand during the weekday peak period, typically 4 PM to 6 PM. Volumes presented for Saturday peak hour reflect volume demand during the highest demand period, during the Saturday casino peak hour, generally between 5 PM to 10 PM.

Volume estimates presented reflect two-way volume demand. Studies of casino vehicle trip demand generally indicate a relatively balanced split of inbound and outbound trips under peak

demand conditions.

TABLE 3.22: Vehicle Trip Estimates (Old Incinerator Site)

Weekday		Saturday	
Daily	Peak Hour	Daily	Peak Hour
12,100	540	27,500	1,500

Vehicle trip estimates presented in Table 3.22 were assigned to site access roadways based upon the directional distributions of site trips generated by the Task Force’s visitation model (see Appendix on Revenue Projection Methodology on page 282 for background on visitation model). Table 3.23 presents a summary of the new casino-generated two-way traffic demand for weekday and Saturday daily and peak hour demand.

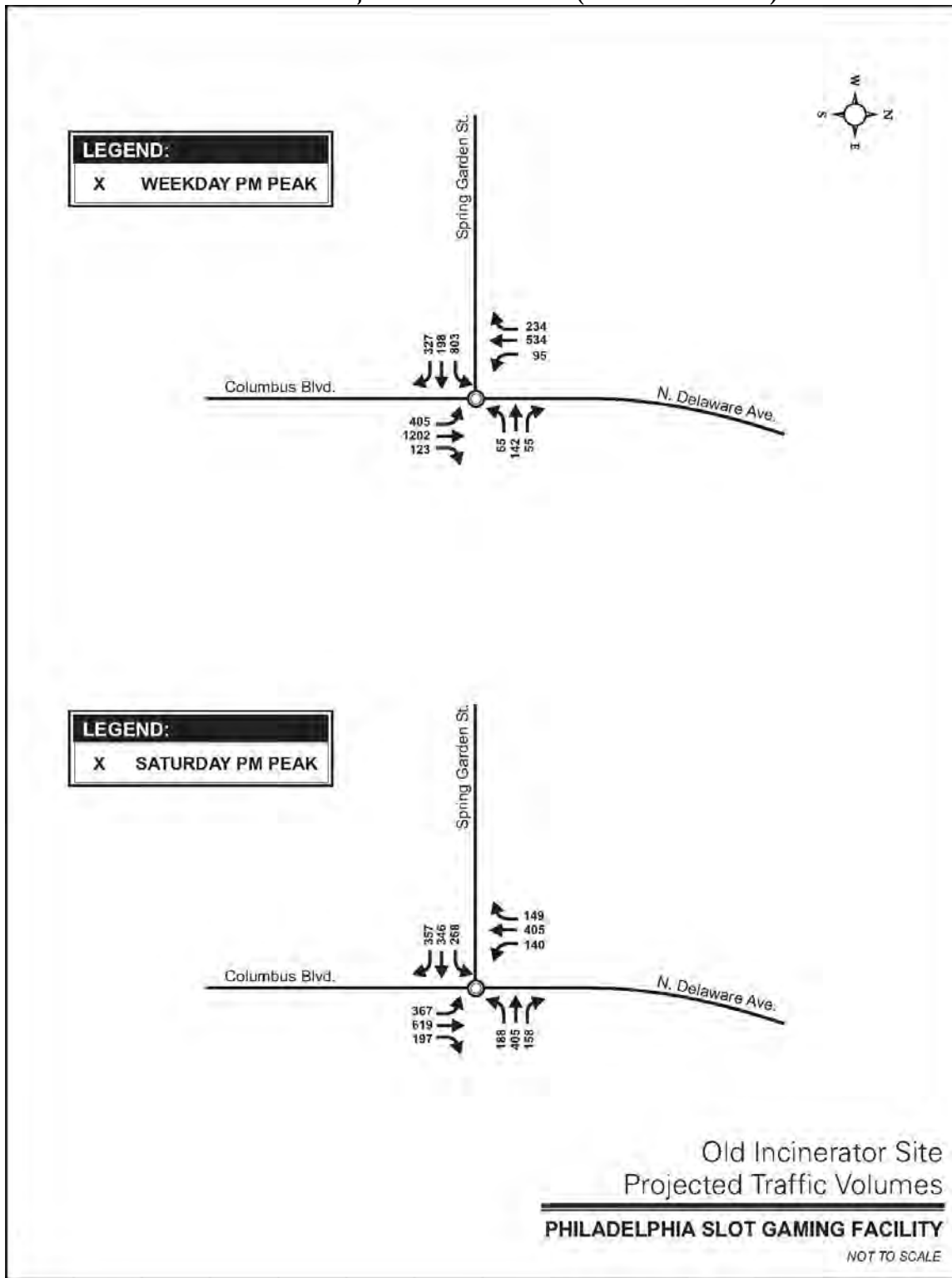
TABLE 3.23: Traffic Assignments By Access Route

Weekday		
Street Section	Daily	Peak Hour
Columbus N. of Spring Garden	2,540	115
Columbus S. of Spring Garden	3,025	135
Spring Garden W. of Columbus	6,534	292

Saturday		
Street Section	Daily	Peak Hour
Columbus N. of Spring Garden	5,775	315
Columbus S. of Spring Garden	6,875	375
Spring Garden W of Columbus	14,850	810

Image 3.13 presents the projected intersection traffic volumes that include the site traffic assignments added to the existing volumes near the site during a weekday and Saturday peak hour.

IMAGE 3.13: Projected Traffic Volumes (Old Incinerator Site)



New projected casino traffic was added to existing traffic volumes and a LOS analysis prepared for the intersection. Table 3.24 presents a summary of projected LOS conditions without further roadway or intersection improvements at each location with the Old Incinerator site as an origin and destination.

TABLE 3.24: Projected Conditions LOS

Intersection	Approach/ Intersection	Weekday PM Peak	Saturday PM Peak
Columbus Blvd. @ Spring Garden	Southbound	LOS C	LOS D
	Northbound	LOS D	LOS D
	Westbound	LOS F	LOS F
	Eastbound	LOS F	LOS F
	Intersection	LOS F	LOS F

New traffic added to the current volume demand at this intersection and projected intersection operations deteriorated to LOS F ranges for weekday PM peak hour conditions and to LOS F for Saturday.

Existing right of way and roadway widths at the intersection were reviewed and future conditions intersection simulations were prepared assuming capacity and operational improvements to the intersection. These include the development of additional left and right-turn lanes and the development of a multi-lane exit drive on the westbound approach to the intersection. This will require reconstruction of the intersection, elimination of on street parking at some locations and other traffic operational changes. Results of a future conditions analyses with improvements indicate maintenance of LOS E conditions under weekday PM and LOS D condition for Saturday peak periods.

Fishtown Site

Site and Area Description

The Fishtown site is located on an undeveloped tract north of the Old Incinerator Site. Existing access to the site is somewhat via N. Delaware / Richmond.

Site Access

- Current access to the Fishtown site is via Delaware Avenue
- Future access improvements are the new I-95 Girard Avenue Interchange

Key Issues

- Construction impacts on site during construction of the I-95 Girard Avenue interchange

Traffic Count Program

In conjunction with this study, 24-hour volume data and PM peak hour and Saturday turning movement data was recorded in close proximity to the site. Machine count data was recorded on N. Delaware north of Berks.

Existing Conditions Traffic Volumes

Table 3.25 presents bi-directional 24-hour traffic volumes recorded at key access roadways near the site during an average weekday and weekend period. These traffic volumes have been adjusted for multi-axle vehicles.

TABLE 3.25: 24-Hour Traffic Volumes

	Weekday	Saturday	Sunday
N. Delaware north of Berks	24,414	19,353	16,702

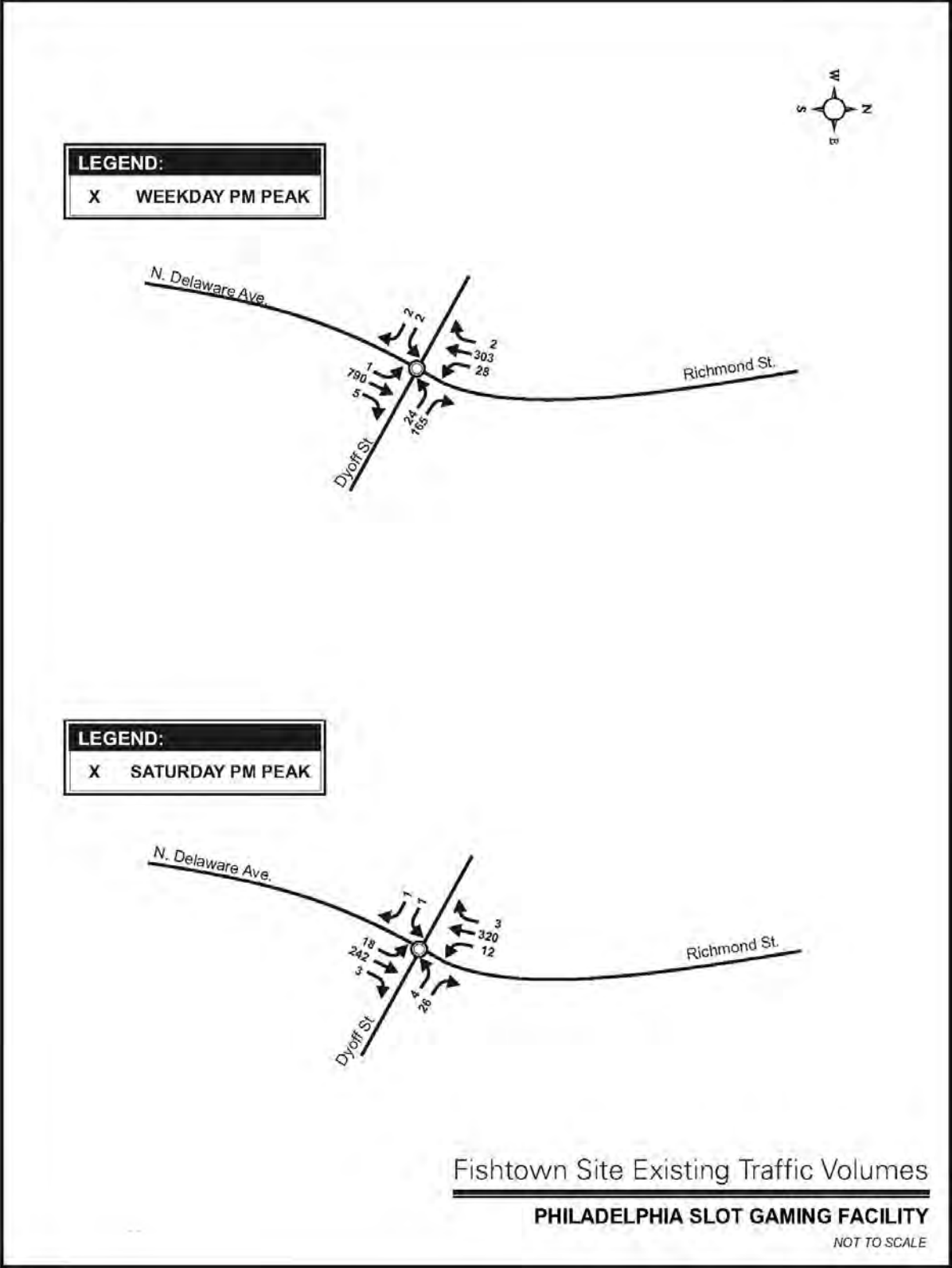
The highest peak hour volumes identified for the weekday PM peak hour period (4 PM to 6 PM) and the Saturday peak casino hour period (5 PM to 10 PM) are presented in Table 3.26. Table 3.26 presents the peak hour volumes with its bidirectional volume in the first column and its peak direction volume in the second column.

TABLE 3.26: Peak Hour Volumes

	Weekday		Saturday	
	PH	PD	PH	PD
N. Delaware North of Berks	2,170	1,841	1,034	798

Image 3.14 presents the intersection traffic volumes recorded in the vicinity of the site during a weekday and Saturday peak hour.

IMAGE 3.14: Existing Traffic Volumes (Fishtown Sites)



Based upon current volume demand on N. Delaware, existing conditions LOS ranges fall within LOS E to F during the PM peak hour and LOS C or better during the Saturday peak period. This LOS is expected to improve with the development of a new I-95 interchange at Girard Avenue.

Future Conditions

Trip Generation Estimates and Traffic Assignments

Vehicle trip generation estimates for casino patrons were developed for the Fishtown site based upon a 3,000 device facility and reflect day of week visitation characteristics, casino occupancy patterns, and mode of transportation assumptions developed by Task Force consultants. Highest volume estimates reported for the site will be used to present a highest potential impact scenario. Table 24 presents daily and peak period vehicle trip estimates for the Fishtown site.

Volumes presented for weekday peak hour conditions reflect the hourly volume demand during the weekday peak period, typically 4 PM to 6 PM. Volumes presented for Saturday peak hour reflect volume demand during the highest demand period, during the Saturday casino peak hour, generally between 5 PM to 10 PM.

Volume estimates presented reflect two-way volume demand. Studies of casino vehicle trip demand generally indicate a relatively balanced split of inbound and outbound trips under peak demand conditions.

TABLE3.27: Vehicle Trip Estimates (Fishtown Site)

Weekday		Saturday	
Daily	Peak Hour	Daily	Peak Hour
9,540	430	21,740	1,190

Assignment of new trips reflect the future roadway network that will be implemented with the new I-95- Girard Avenue Interchange and related surface roadway improvements.

Table 3.28 presents a summary of the new casino-generated two-way traffic demand for weekday and Saturday daily and peak hour demand.

TABLE 3.28: Traffic Assignments By Access Route

Weekday

Street Section	Daily	Peak Hour
N. Delaware Avenue	1,900	90
I-95 from South	4,770	115
I-95 From North	1,430	65
Aramingo Avenue	1,430	65

Saturday

Street Section	Daily	Peak Hour
N. Delaware Avenue	4,350	240
I-95 from South	10,870	600
I-95 From North	3,260	180
Aramingo Avenue	3,260	180

A detailed future conditions analysis was not prepared for the Fishtown site as design year traffic volumes were not available for the new access network. Additional study of this site is needed once a firm development plan is proposed.

However, it can be assumed that the new interchange and the related surface level improvements will significantly increase the capacity of the network to accommodate current and future demand.

Further study is also required with respect to access to the site during the construction activities. The estimated start of construction is 2009.

Navy Yard Site

Site and Area Description

Located at the southern terminus of Broad Street, a major north / south arterial, access to the Navy Yard site is limited to S. Broad Street at present.

Site Access

- Area wide vehicular access via I-76 and I-95 via S. Broad
- Secondary vehicular access via S. Broad, Washington, and Pattison Avenue
- Limited public transit access (Bus Route 71 from Pattison Station)
- Sports complex accessible by SEPTA, via Pattison Station, which is south terminus of

Broad Street Subway Line

Key Issues

- Conflict with traffic demand generated by Sports Complex (436 events held in 2004, an estimated 5.5 million vehicle trips)
- Proximity to and impact on residential land uses north of FDR Park and the Sports Complex
- Potential gaming site located outside of reasonable walking distance from Pattison Station
- Potential conflict with Navy Yard master plan
- Existing constraints to area access via I-95 and I-76 during peak stadium activity periods
- Development of new highway or local street access infrastructure will likely be required

Traffic Count Program

This site is located in a remote area of the Delaware Riverfront with access being S. Broad Street and League Island Boulevard. At this intersection, S. Broad operates with about half of the traffic than it does north of Tasker.

In conjunction with this study, 24-hour volume data was recorded at three locations in close proximity to the site and PM peak hour and Saturday turning movement data was recorded at its primary access intersection, S. Broad at League Island. Traffic counts were conducted during a Phillies homestand, a period characterized as resulting in moderate neighborhood traffic impacts.

Machine count data was recorded at the following locations:

- S. Broad north of Tasker
- S. Broad north of League Island
- League Island east of S. Broad

Intersection turning movement counts were conducted at the intersection of S. Broad at League Island.

Existing Conditions Traffic Volumes

Table 3.29 presents bi-directional 24-hour traffic volumes recorded at these key access roadways near the site during an average weekday and weekend period. These traffic volumes have been adjusted for multi-axle vehicles.

TABLE 3.29: 24-Hour Traffic Volumes

	Weekday	Saturday	Sunday
S. Broad North of Tasker	26,252	26,168	20,356
S. Broad North of League Island	10,727	3,301	4,110
League Island East of S. Broad	2,126	n/a*	n/a*

*League Island closed on the weekend

A review of Table 3.29 indicates that S. Broad north of Tasker operates with daily volumes of roughly 26,252 vehicles during a weekday, 26,168 vehicles during a Saturday and 20,356 vehicles during a Sunday. S. Broad south of I-95 is considerably much less traveled than north of Tasker and traffic volumes recorded north of League Island were 10,727 vehicles for a weekday, 3,301 vehicles for a Saturday and 4,110 vehicles for a Sunday. League Island operates with a weekday 24-hour traffic volume of 2,126 vehicles. Weekend traffic volumes on League Island were not recorded due to its low activity and frequent closure on weekends. Comparisons of the weekday and weekend traffic volumes recorded on S. Broad north of Tasker indicate only a slight decrease in volumes on Saturday and a decrease of 22 percent on Sunday. S. Broad north of League Island and closer to the site operates with 69 percent less traffic on Saturday and 62 percent less traffic on Sunday.

The highest peak hour volumes identified for the weekday PM peak hour period (4 PM to 6 PM) and the Saturday peak casino hour period (5 PM to 10 PM) are presented in Table 3.30. Table 3.30 presents the peak hour volumes with its bidirectional volume in the first column and its peak direction volume in the second column.

TABLE 3.30: Peak Hour Volumes

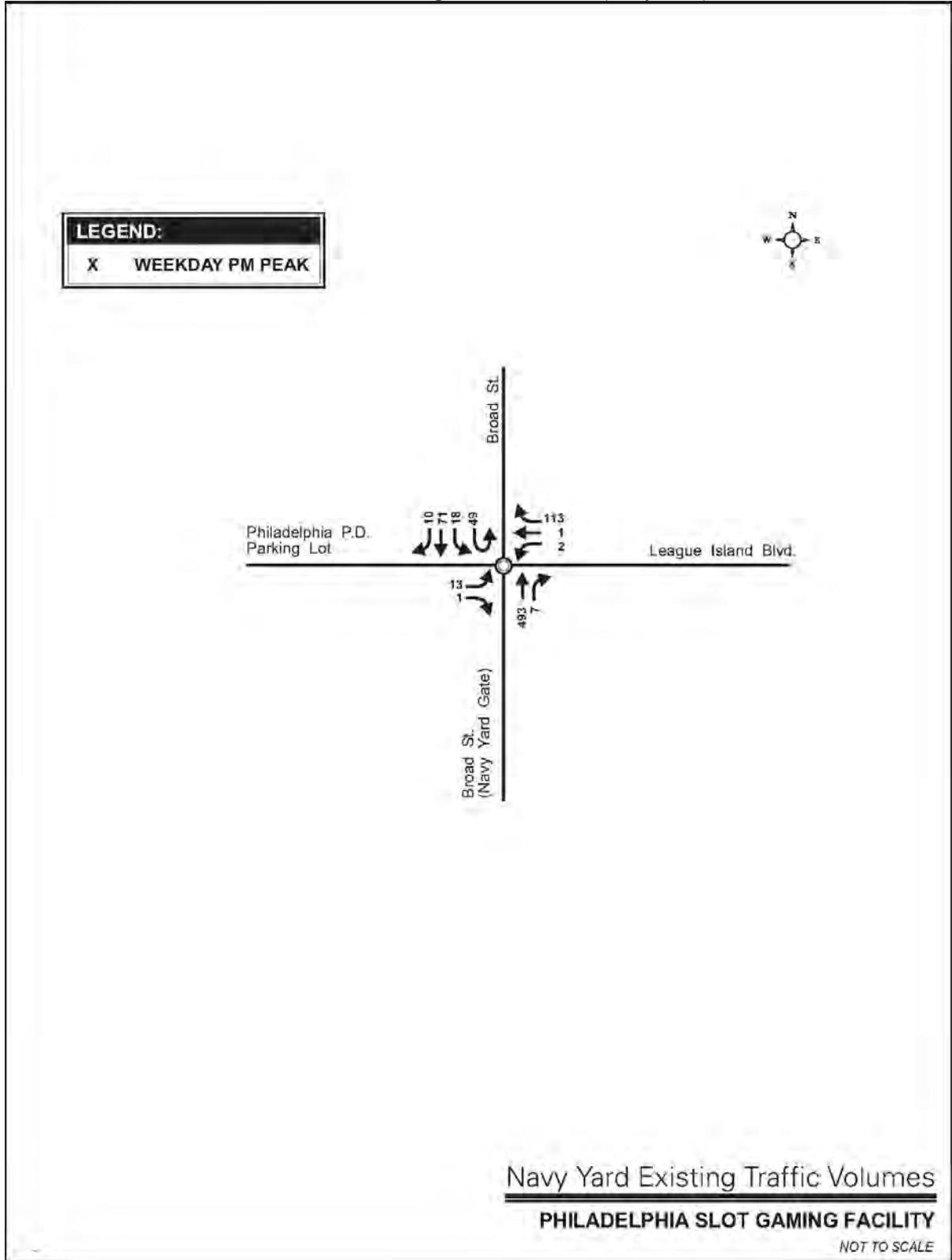
	Weekday		Saturday	
	PH	PD	PH	PH
S. Broad north of Tasker	1,834	1,073	1,579	917
S. Broad north of League Island	817	692	280	175

A review of Table 3.30 volumes on S. Broad at the site and north of Tasker and comparison with LOS and capacity ranges in Table 3.3 would indicate that both sections of S. Broad exhibit excess capacity. This conclusion is accurate for the section of S. Broad in close proximity to League Island Boulevard. This is not accurate, however, for the section north of Tasker and

other sections of S. Broad that are required to support travel demand to the immediate area of the site. Field observations of traffic conditions on S. Broad indicate higher levels of delay and congestion.

Image 3.15 presents the intersection traffic volumes recorded in the vicinity of the site during a weekday and Saturday peak hour.

IMAGE3.15: Existing Traffic Volumes (Navy Yard)



Existing Conditions Level of Service

Table 3.31 presents a summary of existing LOS conditions at the intersection of S. Broad at League Island Boulevard using an unsignalized intersection analysis procedure.

TABLE 3.31: Existing Conditions LOS

Intersection (Unsignalized)	Approach/ Movement	Weekday PM Peak
S. Broad @ League Island	Northbound	
	-Left	LOS A
	Southbound	
	-Left	LOS A
	Westbound	
	-Left	LOS C
	-Thru/Right	LOS B
	Eastbound	
	-Left	LOS C
	-Thru/Right	LOS B

As would be expected, given the low intensity of land use currently developed in the area, LOS conditions at the intersection of S. Broad at the Navy Yard during the PM peak period were estimated to fall within LOS C or better ranges on all approaches to the intersection.

Future Conditions***Trip Generation Estimates and Traffic Assignments***

Vehicle trip generation estimates for casino patrons were developed for the Navy Yard site based upon a 3,000 device facility and reflect day of week visitation characteristics, casino occupancy patterns, and mode of transportation assumptions developed by Task Force consultants. Highest volume estimates reported for the Navy Yard site will be used to present a highest potential impact scenario. Table 3.32 presents daily and peak period vehicle trip estimates for the Navy Yard site.

Volumes presented for weekday peak hour conditions reflect the hourly volume demand during the weekday peak period, typically 4 PM to 6 PM. Volumes presented for Saturday peak hour reflect volume demand during the highest demand period, during the Saturday casino peak hour, generally between 5 PM to 10 PM.

Volume estimates presented reflect two-way volume demand. Studies of casino vehicle trip

demand generally indicate a relatively balanced split of inbound and outbound trips under peak demand conditions.

TABLE 3.32: Vehicle Trip Estimates (Navy Yard Site)

Weekday		Saturday	
Daily	Peak Hour	Daily	Peak Hour
8,330	400	21,150	1,100

Vehicle trip estimates presented in Table 3.32 were assigned to site access roadways based upon the directional distributions of site trips generated by the Task Force’s visitation model (see Appendix on Revenue Projection Methodology on page 282 for background on visitation model). Table 3.33 presents a summary of the new casino-generated two-way traffic demand for weekday and Saturday daily and peak hour demand.

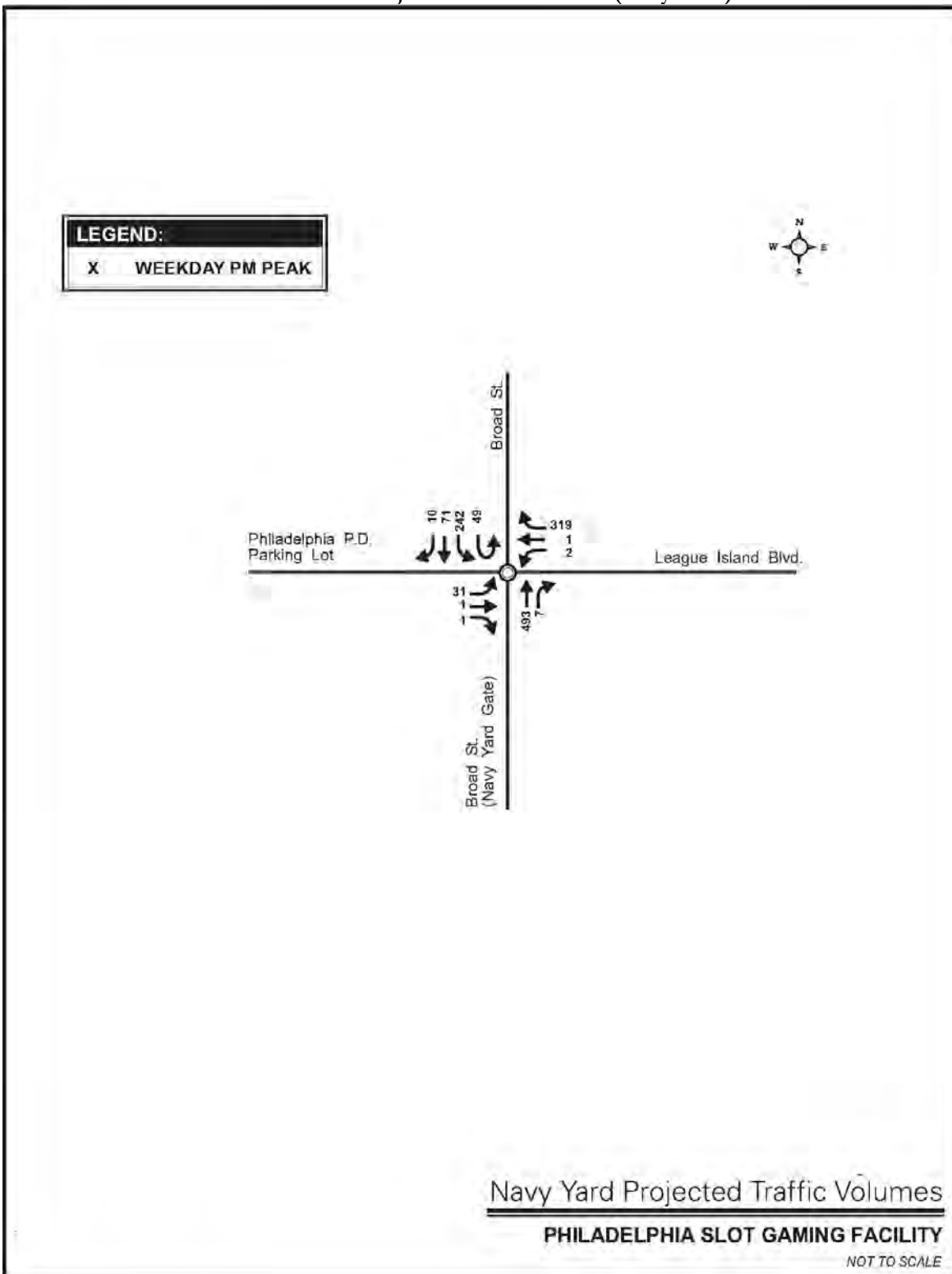
TABLE 3.33: Traffic Assignments By Access Route

Weekday		
Street Section	Daily	Peak Hour
S. Broad N. of League Island	8,330	430
League Island E. of Broad	8,330	430
S. Broad N. of Tasker	2,100	52
S. Broad S. of Packer	5,800	144

Saturday		
Street Section	Daily	Peak Hour
S. Broad N. of League Island	21,150	550
League Island E. of Broad	21,150	550
S. Broad N. of Tasker	5,300	140
S. Broad S. of Packer	14,800	385

Image 3.16 presents the projected intersection traffic volumes that include the site traffic assignments added to the existing volumes near the site during a weekday and Saturday peak hour.

IMAGE 3.16: Projected Traffic Volumes (Navy Nard)



New projected casino traffic was added to existing volume demand and a future conditions intersection analysis was prepared for the intersection of S. Broad at League Island. Table 3.34 presents a summary of projected LOS conditions location with a Navy Yard site as an origin and destination.

TABLE 3.34: Projected Conditions LOS

Intersection (Unsignalized)	Approach/ Movement	Weekday PM Peak
S. Broad @ League Island	Northbound	
	-Left	LOS A
	Southbound	
	-Left	LOS B
	Westbound	
	-Left	LOS C
	-Thru/Right	LOS C
	Eastbound	
	-Left	LOS F
-Thru/Right	LOS C	

Results of the projected conditions unsignalized intersection analysis indicate increased delay on the eastbound approach to the intersection.

Future traffic demand at the intersection will require traffic control signalization to maintain LOS C or better operations.

This improvement does not address constraints and impacts at off-site locations. Traffic conditions associated with events in the sports complex are well documented in the Philadelphia Navy Yard Master Plan and by the Sports Complex Special Services District. These conditions will affect access to a slot facility located at the Navy Yard, primarily due to the traffic generating nature of sports events. Unlike gaming facilities, which are typically 24-hour operations that exhibit low to moderate peak ingress and egress characteristics, sports events typically exhibit surges in entry and in exit activity. Surges in entry activity often result in capacity constraints on key access routes such as highway interchanges and arterial streets. Under peak demand conditions at the Sports Complex, where it is possible that multiple events are held on the same day, traffic control measures must be implemented, including rerouting highway exit ramp traffic.

Further, the ability of S. Broad to support increased demand is limited by the cross section of the roadway, intense land use development in the commercial sections north of Oregon Avenue, goods movement activities in those areas, and on-street parking on both curbs and in the center of the roadway at some locations.

In order to accommodate future traffic demand at the Naval Yard, both in terms of the development of a slot facility and full development of the PIDC Master Plan, alternative access facilities must be developed.

Center City Sites

Site and Area Description

Three sites have been identified as potential slot gaming facilities. These are the Girard Estate site (3.7 acres), the Gallery site (7.2 acres), and the 8th and Market Street site (2.8 acres). All three locations are in Center City, near the Convention Center and downtown hotels and attractions.

Site Access

- Area wide vehicular access from I-76 and I-95 via I-676
- Secondary vehicular access via Market, N. & S. Broad, Walnut, Race, and Vine
- Excellent public transit access, both in terms of local subway and regional rail lines
- Unlike riverfront sites, which are constrained in terms of roadway access, the downtown sites enjoy vehicular access from the north, south, east and west
- Proximity to hotels, the Convention Center, and attractions as well as the large daytime population likely result in high degree of pedestrian access to facility

Key Issues

- Limited site area to develop on-site accessory parking and transportation elements
- While the generalized area has a significant supply of off-street parking facilities, weekday daytime occupancy rates are high
- Existing localized congestion and pedestrian / vehicular conflicts at intersections in Center City
- Addition of new roadway capacity constrained by current development

Traffic Count Program

The three Market East sites are located in the Center City core with the most traveled roadways that provide access near the site being Market, 8th, 15th and 16th streets.

In conjunction with this study, 24-hour volume data was recorded at seven locations in close

proximity to the site and PM peak hour and Saturday turning movement data was recorded at three intersections.

Machine count data was recorded at the following locations:

- Market west of 8th Street
- Market west of 12th Street
- 8th Street north of Market
- 10th Street south of Vine
- 12th Street south of Vine
- 15th Street south of Vine
- 16th Street south of Vine

Intersection turning movement counts were conducted at the following locations:

- Market at 9th Street
- Market at 11th Street
- Market at 12th Street

Existing Conditions Traffic Volumes

Table 3.35 presents bi-directional 24-hour traffic volumes recorded at these key access roadways near the site during an average weekday and weekend period. These traffic volumes have been adjusted for multi-axle vehicles.

TABLE 3.35: 24-Hour Traffic Volumes

	Weekday	Saturday	Sunday
Market west of 8th Street	21,124	21,304	16,601
Market west of 12th Street	22,539	23,505	18,816
8th Street north of Market	14,821	16,062	10,710
10th Street south of Vine	8,898	9,560	10,081
12th Street south of Vine	11,141	10,217	8,480
15th Street south of Vine	21,491	14,891	12,607
16th Street south of Vine	17,862	13,568	12,523

A review of Table 3.35 indicates that Market Street operates with a weekday 24-hour traffic

volume of 22,539 at its busiest point. Saturday and Sunday 24-hour volumes recorded on Market Street were 23,505 and 18,816. These volumes represent an increase in traffic of 4 percent on Saturday and a decrease of 16 percent on Sunday in comparison to the weekday volume.

Traffic volumes on 8th Street were recorded for a weekday — 14,821, Saturday — 16,062 and Sunday — 10,710. These volumes represent an increase in traffic of 8 percent on Saturday and a decrease of 28 percent on Sunday in comparison to the weekday volume.

Table 3.35 also presents recorded traffic volumes on 15th Street for a weekday — 21,491, Saturday — 14,891 and Sunday — 12,607. These volumes represent decreases in traffic of 31 percent on Saturday and 41 percent on Sunday in comparison to the weekday volume.

16th Street operates with daily traffic volumes of 17,862 during a weekday, 13,568 during a Saturday and 12,523 during a Sunday. These volumes represent decreases in traffic of 24 percent on Saturday and 30 percent on Sunday.

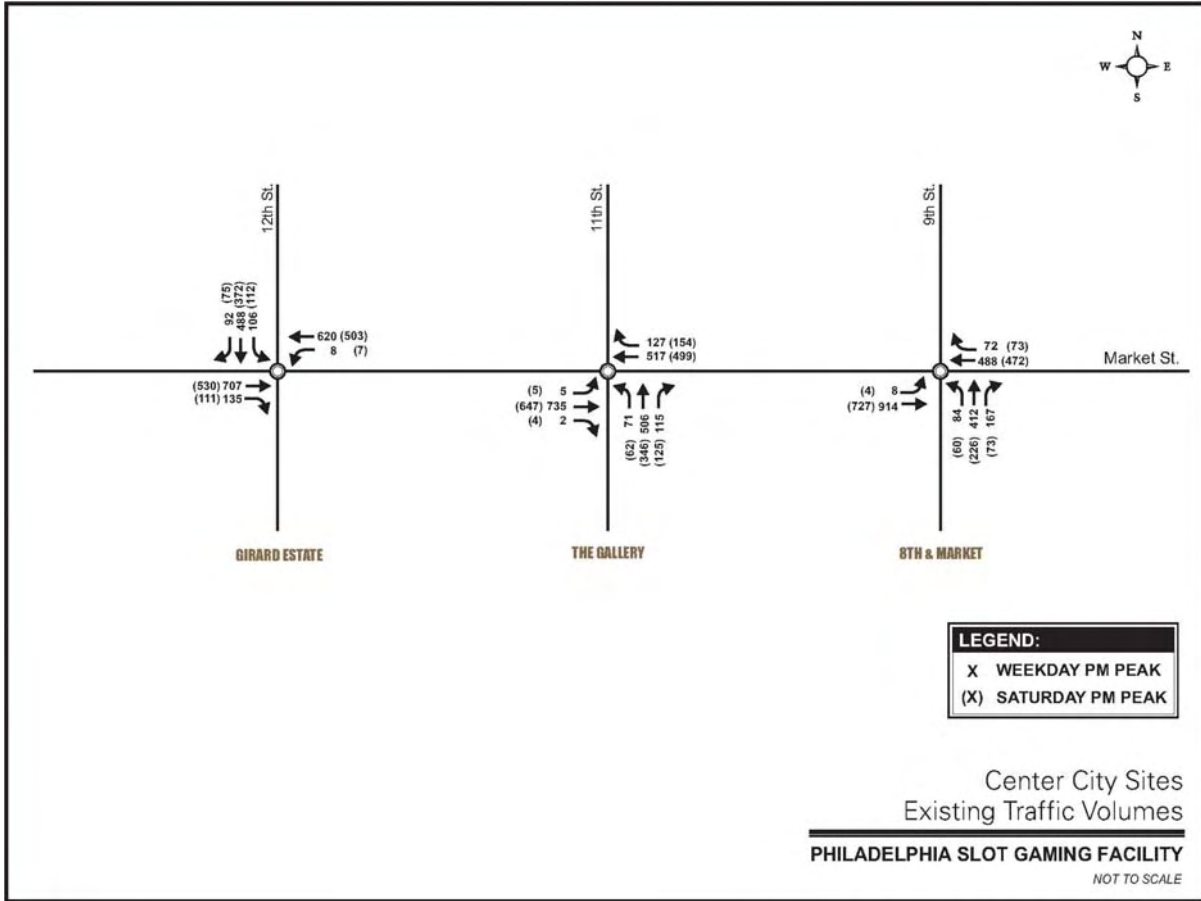
The highest peak hour volumes identified for the weekday PM peak hour period (4 PM to 6 PM) and the Saturday peak casino hour period (5 PM to 10 PM) are presented in Table 2.37. Table 2.37 presents the peak hour volumes with its bidirectional volume in the first column and its peak direction volume in the second column.

TABLE 3.36: Peak Hour Volumes

	Weekday		Saturday	
	PH	PD	PH	PD
Market west of 8th Street	1,562	1,032	1,283	815
Market west of 12th Street	1,490	846	1,400	850
8th Street north of Market	785	785	891	891
10th Street south of Vine	521	521	657	657
12th Street south of Vine	669	669	700	700
15th Street south of Vine	1,235	1,235	942	942
16th Street south of Vine	1,396	1,396	663	663

Image 2.54 presents the intersection traffic volumes recorded in the vicinity of the site during a weekday and Saturday peak hour.

IMAGE 3.17: Existing Traffic Volumes (Center City Sites)



Existing Conditions Level of Service

Data collected at intersections was input into a standard traffic engineering model and Level of Service estimates were prepared for weekday PM peak hour conditions and during the Saturday peak period. Table 3.37 presents a summary of intersection and approach LOS ranges at each intersection.

TABLE 3.37: Existing Conditions LOS

Intersection	Approach/ Intersection	Weekday PM Peak	Saturday PM Peak
Market @ 9th Street	Northbound	LOS D	LOS B
	Westbound	LOS F	LOS F
	Eastbound	LOS B	LOS B
	Intersection	LOS E	LOS E
Market @ 11th Street	Northbound	LOS C	LOS C
	Westbound	LOS F	LOS F
	Eastbound	LOS B	LOS A
	Intersection	LOS F	LOS F
Market @ 12th Street	Southbound	LOS C	LOS C
	Westbound	LOS F	LOS F
	Eastbound	LOS B	LOS B
	Intersection	LOS E	LOS D

A review of Table 3.37 indicates near capacity to capacity conditions at each intersection. Existing LOS conditions at Market at 9th, are LOS E for both weekday and Saturday peak periods. Intersection LOS conditions at the intersection of Market at 11th, are estimated at LOS F for both periods. At the intersection of Market at 12th, LOS conditions are estimated at LOS E for the weekday peak and LOS D on Saturday. LOS conditions on the single lane westbound approach are LOS F for both the weekday and Saturday simulations at each intersection.

A number of factors affect intersection traffic operations on Market Street in this area and in the immediate study area. These include heavy pedestrian volume demand, public transit operations, and the limited street width to accommodate traffic demand. Some of these factors are not easily replicated in standard analysis procedures, specifically heavy pedestrian movements that occur during the vehicular interval. Field observation during peak periods revealed significant delays with vehicles attempting to execute turning movements that conflict with pedestrian flows. For example, right turn movements from Market to an intersecting street are often delayed by pedestrian flows crossing that street on the same green interval.

Future Conditions

Trip Generation Estimates and Traffic Assignments

Vehicle trip generation estimates for casino patrons were developed for the three Center City sites based upon a 3,000 device facility and reflect day of week visitation characteristics, casino occupancy patterns, and mode of transportation assumptions developed by Task Force consultants. Highest volume estimates reported for a Center City slot facility site will be used to present a highest potential impact scenario. Table 3.38 presents daily and peak period vehicle trip estimates for each site. As would be expected, given the proximity of each site to the other, each location is assumed to generate the same level of patron visitation and vehicle trip demand.

Volumes presented for weekday peak hour conditions reflect the hourly volume demand during the weekday peak period, typically 4 PM to 6 PM. Volumes presented for Saturday peak hour reflect volume demand during the highest demand period, during the Saturday casino peak hour, generally between 5 PM to 10 PM.

Volume estimates presented reflect two-way volume demand. Studies of casino vehicle trip demand generally indicate a relatively balanced split of inbound and outbound trips under peak demand conditions.

TABLE 3.38: Vehicle Trip Estimates (Center City Site)

Weekday		Saturday	
Daily	Peak Hour	Daily	Peak Hour
10,070	450	23,900	1,250

Vehicle trip estimates presented in Table 3.38 were assigned to site access roadways based upon the directional distributions of site trips generated by the Task Force’s visitation model (see Appendix on Revenue Projection Methodology on page 282 for background on visitation model). Table 3.39 presents a summary of the new casino-generated two-way traffic demand for weekday and Saturday daily and peak hour demand.

TABLE 3.39: Traffic Assignments By Access Route

Weekday

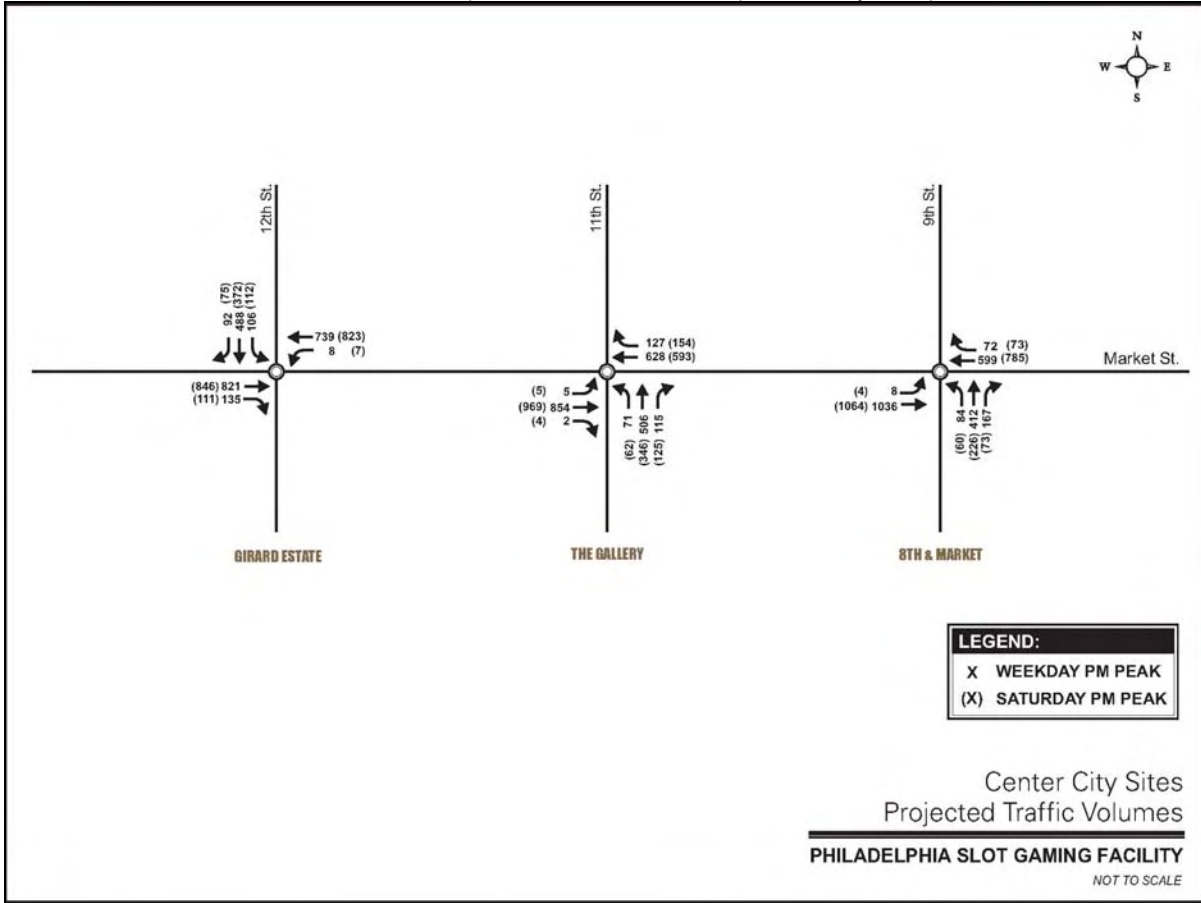
Street Section	Daily	Peak Hour
Market South of 9th	1,500	70
Market North of 12th	3,500	160
15th Street	2,500	115
16th Street	2,500	115

Saturday

Street Section	Daily	Peak Hour
Market South of 9th	3,500	200
Market North of 12th	8,500	450
15th Street	6,000	315
16th Street	6,000	315

Image 3.18 presents the projected intersection traffic volumes that include the site traffic assignments added to the existing volumes near the site during a weekday and Saturday peak hour.

IMAGE 3.18: Projected Traffic Volumes (Center City Sites)



New projected casino traffic was assigned to the network and for purposes of intersection capacity analysis, it was assumed that 50 percent of all vehicular trips to the site would travel on Market Street and that the remainder of the traffic would circulate to the site via other street sections that provide access to a given site.

Table 3.40 presents a summary of the projected conditions LOS analysis for a Center City slot facility located in the Market Street corridor.

TABLE 3.40: Projected Conditions LOS

Intersection	Approach/ Intersection	Weekday PM Peak	Saturday PM Peak
Market @ 9th Street	Northbound	LOS D	LOS B
	Westbound	LOS F	LOS F
	Eastbound	LOS C	LOS C
	Intersection	LOS F	LOS F
Market @ 11th Street	Northbound	LOS C	LOS C
	Westbound	LOS F	LOS F
	Eastbound	LOS B	LOS B
	Intersection	LOS F	LOS F
Market @ 12th Street	Southbound	LOS C	LOS C
	Westbound	LOS F	LOS F
	Eastbound	LOS B	LOS B
	Intersection	LOS F	LOS F

Results of the future conditions analysis indicate that conditions at the intersection of Market at 9th will be reduced from LOS E to LOS F ranges during the PM peak hour and on Saturday. At the intersection of Market at 11th, LOS conditions will remain within LOS F ranges during both periods. At the intersection of 12th at Market, LOS conditions will be reduced from LOS E to LOS F during the weekday PM peak hour and from LOS D to LOS F on Saturday.

I-76 – Route 1 Sites

Two sites were identified for review that are located outside of the Delaware River and Center City areas. These sites are the Budd site, located on a former manufacturing site that is generally located south of the Roosevelt Expressway and east of I-76 and the Adam's Mark site, located west of I-76 at the Route 1 / City Avenue interchange, south of the Montgomery County line.

Budd Site

Site and Area Description

The Budd site is a large underutilized property located in the southeast of the I-76 / Roosevelt Expressway interchange.

Site Access

- Area wide access from I-76 and the Roosevelt expressway.
- Local access from W. Hunting Park, Wissahickon, Roberts and Fox Streets.

- Public transit access via local bus service and SEPTA R-6 station located within site

Key Issues

- Street and roadway infrastructure that formerly supported industrial land uses can be assumed to have the capacity to support casino traffic demand
- Although portions of the site are occupied by existing structures, it can be viewed as an undeveloped site in terms of the potential to obtain additional right of way to increase the capacity of street sections that border the site.

Traffic Count Program

In conjunction with this study, 24-hour volume data was recorded in close proximity to the site.

Machine count data was recorded at the following locations:

- Wissahickon north of W. Hunting Park
- W. Hunting Park west of Wissahickon
- Roberts west of Wissahickon
- Fox north of W. Hunting Park

Existing Conditions Traffic Volumes

Table 3.41 presents bi-directional 24-hour traffic volumes recorded at key access roadways near the site during an average weekday and weekend period. These traffic volumes have been adjusted for multi-axle vehicles.

TABLE 3.41: 24-Hour Traffic Volumes

	Weekday	Saturday	Sunday
Wissahickon North of W. Hunting Park	15,502	12,914	11,125
W. Hunting Park West of Wissahickon	15,056	11,984	9,264
Roberts West of Wissahickon	8,984	7,880	6,879
Fox North of W. Hunting Park	6,029	5,266	4,879

The highest peak hour volumes identified for the weekday PM peak hour period (4 PM to 6 PM) and the Saturday peak casino hour period (5 PM to 10 PM) are presented in Table 3.42. Table 3.42 presents the peak hour volumes with its bidirectional volume in the first column and its

peak direction volume in the second column.

TABLE 3.42: Peak Hour Volumes

	Weekday		Saturday	
	PH	PD	PH	PD
Wissahickon North of W. Hunting Park	1,284	703	659	361
W. Hunting Park West of Wissahickon	1,504	923	658	447
Roberts West of Wissahickon	726	441	415	231
Fox North of W. Hunting Park	440	268	280	165

Existing Conditions Level of Service

Weekday and Saturday PM peak hour approach volumes for the subject roadways presented in Table 3.42 were then compared with the values presented in Table 3.3 Signalized Intersection Maximum Service Volumes in order to estimate LOS levels for each access roadway (see page 133 for an explanation of the different LOS techniques used to analyze the Budd site). Table 3.43 presents the peak hour single approach volumes and LOS levels designated for each access roadway.

**TABLE 3.43: Existing Conditions
Peak Hour Single Approach**

	Weekday PM		Saturday PM	
	P.D.	LOS	P.D.	LOS
Wissahickon	703	≤ LOS C	361	≤ LOS C
W. Hunting Park	923	≤ LOS C	447	≤ LOS C
Roberts	441	≤ LOS C	231	≤ LOS C
Fox	268	≤ LOS C	165	≤ LOS C

A review of Table 3.43 indicates that the access roadways to the site are estimated to operate at LOS C or better conditions and can be assumed to have excess capacity to support increased traffic demand in the immediate site area.

Adam's Mark Site

Site and Area Description

The Adam's Mark site is located in close proximity to the I-76 / Route 1 interchange. The site is a former hotel and direct access to the site is from Monument Avenue.

Site Access

- Area wide access via I-76 and Route 1
- Primary access is via the intersection of City Avenue at Monument Avenue
- Secondary access is via Monument south of the site.
- Public transit access via local bus routes

Key Issues

- Proximity to the I-76 interchange and localized congestion during peak periods
- Lack of apparent right of way to implement capacity improvements at the key site access intersection of City Avenue at Monument Avenue.

Traffic Count Program

In conjunction with this study, 24-hour volume data was recorded at two locations in close proximity to the site and PM peak hour and Saturday turning movement data was recorded at one intersection.

Machine count data was recorded at the following locations:

- E. City Avenue east of Monument
- Monument south of E. City Avenue

Intersection turning movement counts were conducted at the intersection of E. City Avenue at Monument.

Existing Conditions Traffic Volumes

Table 3.44 presents bi-directional 24-hour traffic volumes recorded at key access roadways near the site during an average weekday and weekend period. These traffic volumes have been adjusted for multi-axle vehicles.

TABLE 3.44: 24-Hour Traffic Volumes

	Weekday	Saturday	Sunday
E. City Avenue E. of Monument	58,599	54,264	47,434
Monument south of E. City Avenue	14,052	13,623	11,166

A review of Table 3.44 indicates that E. City Avenue east of Monument operates with daily

volumes of 58,599 during a weekday, 54,264 during a Saturday and 47,434 during a Sunday. Monument Street has traffic volumes of 14,052 vehicles on a weekday, 13,623 on a Saturday and 11,166 on a Sunday. Comparisons of the weekday and weekend traffic volumes for E. City Avenue indicate decreases of 7 percent and 19 percent for a Saturday and Sunday respectively. Monument Street has similar decreases in traffic of 3 percent for Saturday and 20 percent for Sunday compared to the weekday volumes.

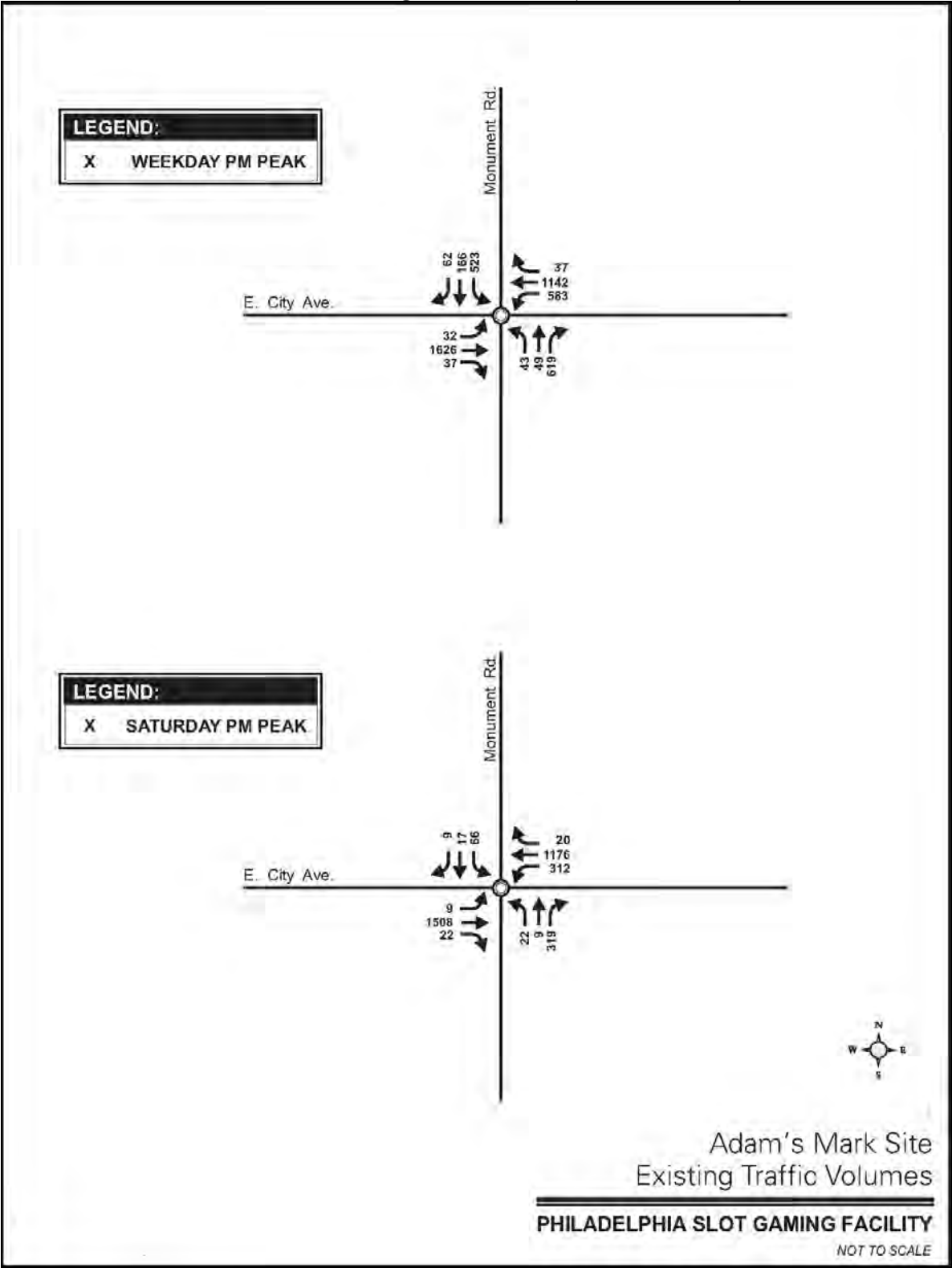
The highest peak hour volumes identified for the weekday PM peak hour period (4 PM to 6 PM) and the Saturday peak casino hour period (5 PM to 10 PM) are presented in Table 3.45. Table 3.45 presents the peak hour volumes with its bidirectional volume in the first column and its peak direction volume in the second column.

TABLE 3.45: Peak Hour Volumes

	Weekday		Saturday	
	P.H.	P.D.	P.H.	P.D.
E. City Avenue east of Monument	4,192	2,459	2,942	1,515
Monument south of E. City Avenue	1,027	555	622	314

Image 3.19 presents the intersection traffic volumes recorded in the vicinity of the site during a weekday and Saturday peak hour.

IMAGE 3.19: Existing Traffic Volumes (Adam's Mark Site)



Existing Conditions Level of Service

Data collected at the intersection was input into a standard traffic engineering model and Level of Service estimates were prepared for weekday PM peak hour conditions and during the Saturday peak period. Table 3.46 presents a summary of intersection and approach LOS ranges at the intersection of E. City Avenue at Monument.

TABLE 3.46: Existing Conditions LOS

Intersection	Approach/ Intersection	Weekday PM Peak	Saturday PM Peak
E. City Avenue @ Monument	Southbound	LOS F	LOS D
	Northbound	LOS D	LOS D
	Westbound	LOS C	LOS C
	Eastbound	LOS D	LOS C
	Intersection	LOS F	LOS C

A review of Table 3.46 shows LOS F conditions during the PM peak period, indicating that the intersection is operating at or near capacity under PM peak hour demand. Highest delay, LOS F, was noted on the Monument southbound approach to the intersection.

Under Saturday peak period delay, LOS C conditions were estimated.

Existing traffic volume and flow conditions during weekday PM peak demand periods indicate little excess capacity to accommodate future traffic demand.

Future Conditions

Trip Generation Estimates and Traffic Assignments

Vehicle trip generation estimates for casino patrons were developed for the two sites located near the I-76 / Rt 1 interchange based upon a 3,000 device facility and reflect based day of week visitation characteristics, casino occupancy patterns, and mode of transportation assumptions developed by Task Force consultants.

Highest volume estimates reported for a slot facility at this location will be used to present a highest potential impact scenario. Table 3.47 presents daily and peak period vehicle trip estimates for each site. As would be expected, given the proximity of each site to the other, each site is assumed to generate the same level of patron visitation and vehicle trip demand.

Volumes presented for weekday peak hour conditions reflect the hourly volume demand during the weekday peak period, typically 4 PM to 6 PM. Volumes presented for Saturday peak hour reflect volume demand during the highest demand period, during the Saturday casino peak hour,

generally between 5 PM to 10 PM.

Volume estimates presented reflect two-way volume demand. Studies of casino vehicle trip demand generally indicate a relatively balanced split of inbound and outbound trips under peak demand conditions.

TABLE 3.47: Vehicle Trip Estimates (I-76 / Route 1 Sites)

Weekday		Saturday	
Daily	Peak Hour	Daily	Peak Hour
11,670	550	28,230	1,540

Vehicle trip estimates presented in Table 3.47 were assigned to site access roadways based upon the directional distributions of site trips generated by the Task Force’s visitation model (see Appendix on Revenue Projection Methodology on page 282 for background on visitation model). Table 3.48 and 3.49 present a summary of the new casino-generated two-way traffic demand for weekday and Saturday daily and peak hour demand at the Budd Site and at the Adam’s Mark Site.

TABLE 3.48: Traffic Assignments By Access Route (Budd Site)

Weekday

Street Section	Daily	Peak Hour
W. Hunting Park	3,500	165
Wissahickon	6,420	300
Roberts	1,750	85
Fox	1,170	55

Saturday

Street Section	Daily	Peak Hour
W. Hunting Park	8,570	460
Wissahickon	15,520	850
Roberts	4,250	230
Fox	2,800	155

TABLE 3.49: Traffic Assignments By Access Route (Adam’s Mark Site)

Weekday

Street Section	Daily	Peak Hour
City Avenue West	2,900	140
City Avenue East	6,400	300
Monument South of City Avenue	2,300	110

Saturday

Street Section	Daily	Peak Hour
City Avenue West	7,000	385
City Avenue East	15,500	850
Monument South of City Avenue	5,700	308

Future Conditions LOS Analysis By Site Location

Budd Site

New projected casino traffic demand for the Budd site was added to the existing peak hour single approach volumes and then compared with the values presented in Table 3.3 Signalized Intersection Maximum Service Volumes in order to designate LOS levels for each access roadway. Table 3.50 presents the peak hour single approach volumes with the Budd site assignments and LOS levels designated for each access roadway.

**TABLE 3.50:
Projected Conditions
Peak Hour Single Approach
Budd Site**

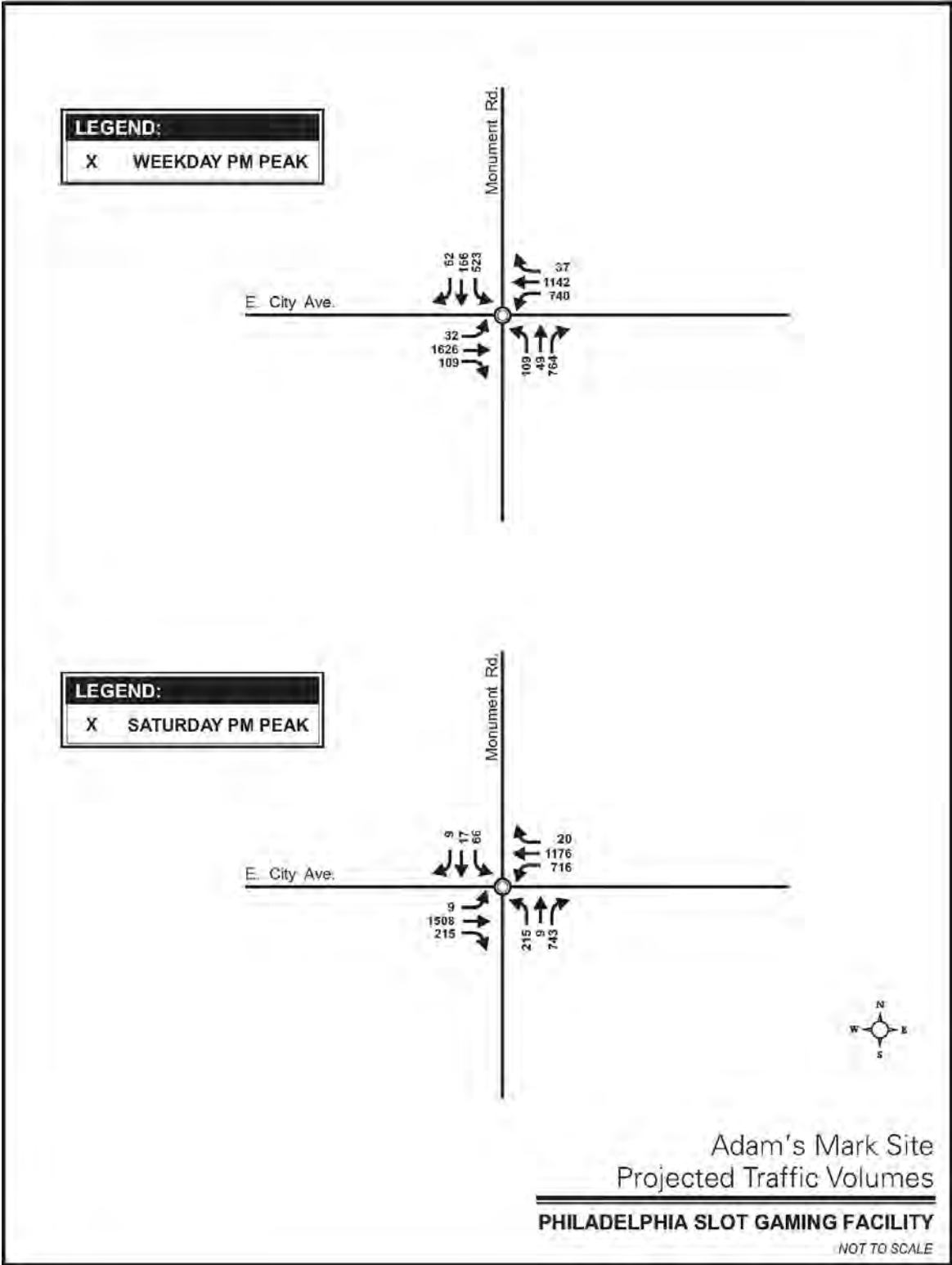
	Weekday PM		Saturday PM	
	PD	LOS	PD	LOS
Wissahickon	853	≤ LOS C	786	≤ LOS C
W. Hunting Park	1,005	≤ LOS C	677	≤ LOS C
Roberts	483	≤ LOS C	346	≤ LOS C
Fox	295	≤ LOS C	242	≤ LOS C

A comparison of Table 3.50 with Table 3.43 Existing Conditions LOS designations indicate that the main site roadways near the Budd Site are projected to continue at LOS C or better.

Adam’s Mark Site

Image 3.20 shows the projected intersection traffic volumes including the site traffic assignments added to the existing volumes near the site during a weekday and Saturday peak hour.

IMAGE 3.20: Projected Traffic Volumes (Adam's Mark Site)



New projected casino traffic was added to existing traffic volumes and an intersection LOS analysis prepared. Table 3.51 presents a summary of projected LOS conditions without further roadway or intersection improvements at each location with the Adam’s Mark site as an origin and destination.

TABLE 3.51: Projected Conditions LOS (Adam’s Mark Site)

Intersection	Approach/ Intersection	Weekday PM Peak	Saturday PM Peak
E. City Avenue @ Monument	Southbound	LOS F	LOS D
	Northbound	LOS F	LOS F
	Westbound	LOS E	LOS E
	Eastbound	LOS D	LOS D
	Intersection	LOS F	LOS F

A comparison of Table 3.51 with Table 3.46 Existing Conditions LOS designations indicates LOS F conditions for the intersection and LOS F conditions for the north and southbound Monument approaches to the intersection during a weekday PM peak. The Saturday simulation indicated a reduction in intersection LOS from LOS C to LOS F and LOS F conditions on the northbound Monument approach to the intersection.

Appendix on Mode Split Methodology

Mode split numbers were derived by drawing upon the Task Force consultants’ experience with regard to mode splits at casino properties elsewhere, input from Task Force staff, and the results of the Task Force’s regional gaming market survey. To assist in determining how mode splits might vary among different potential gaming sites, the city was divided up into a number of regions according to previously defined market areas as part of the Task Force’s economic impact modeling work. These areas were defined based on their relationship to the highway and public transit systems. Mode split for casino visits by gamers from each area was then assessed for a development scenario that paired two potential Philadelphia casino locations. A separate mode split was then assessed for each of the 14 casino pairings that were analyzed (see page 202 for a description of this development scenario analysis). For example, the percentage of transit from North Philly to a Center City site would be different from the transit mode share from West Philly.

These casino mode splits by area were then applied to the projected gamer visits generated in each area under each development scenario. These were then combined into a composite mode split. Input was then sought on the individual area casino mode splits from Task Force staff utilizing their local knowledge. Vehicle occupancy rates of 2.2 persons per car, 38 passengers per bus, and 1.85 persons per taxi were then applied to projected visitation levels to derive estimated vehicle trip demand.

SECTION 4

ECONOMIC AND FISCAL IMPACTS

Economic Development Framework

Casinos are growing in a free market competition that operates across state borders in varying state regulated environments. This section of the report attempts to look at those competitive and regulatory factors in context, to look at what will help these casinos thrive and what will help Philadelphia thrive with them.

Philadelphia casinos will bring in three-quarters of a billion dollars in gambling revenue each year. But that is only the beginning. Added to casino-floor spending is other spending in the casino complex, other Philadelphia spending by suburban and tourist gamblers, spending by the casinos, and spin-off economic development. There is further benefit from the uses of the gaming taxes, particularly development fueled by tax reduction and the expansion of the Pennsylvania Convention Center. Altogether gaming in Philadelphia is a multi-billion dollar proposition and a major new engine to help drive the local economy.

As with any engine, it must work. These casinos will be inserted into a heavily competitive marketplace throughout the mid-Atlantic and within that market will have both competitive advantages and disadvantages. Our projections show tremendous revenue potential and casino growth such that success is all but assured for the chosen operators. The Philadelphia casinos also will be successful for the Commonwealth and potentially can be a boon for the City. The operators will make large profits, the Commonwealth will reap huge revenues for tax relief in excess of 2003-2004 projections, the City will see increased tax receipts and revenues, although it will bear some substantial costs, and Philadelphians will see tax savings, jobs, and business opportunities. These projections all presume that the casinos are opened “right” and in a spirit of cooperation between operators, City government, and City residents to address land use, traffic, diversity, job training, economic development, and other concerns and ensure full benefit to Philadelphians, many of whom, of course, are prospective customers and employees of the operators.

FINDING: The four casinos in major American cities generate casino revenues between \$319 and \$436 million each annually.

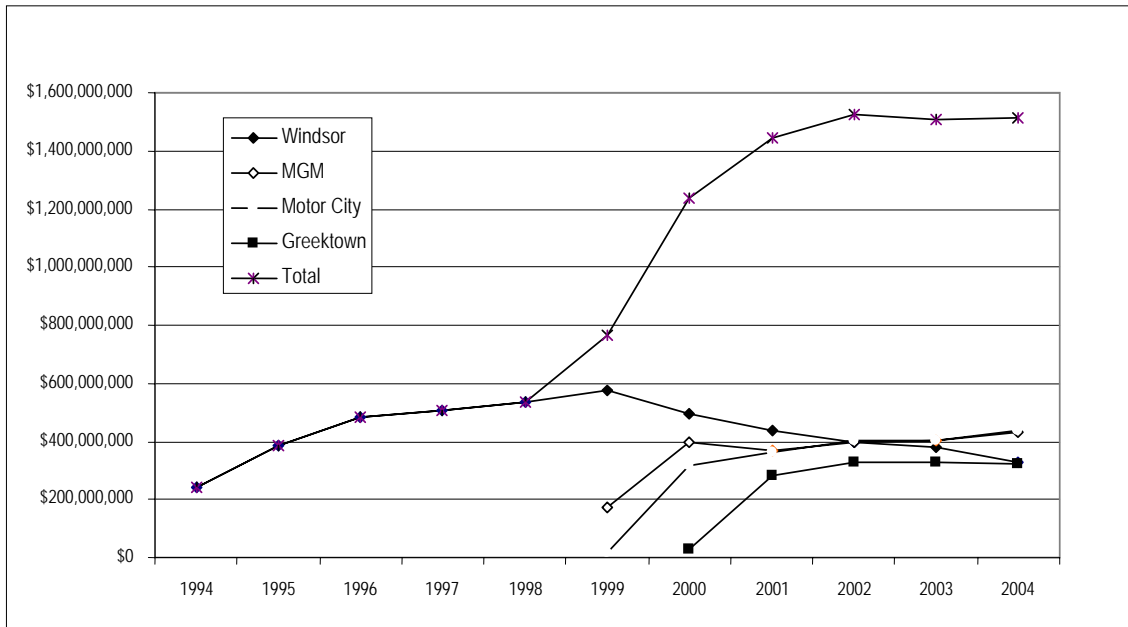
As discussed above, American urban casino gambling exists only in New Orleans, Detroit, and the gambling-driven cities of Las Vegas and Atlantic City. None of these cities provide a very good precedent for Philadelphia, which is bigger, denser, and more filled with diverse attractions than New Orleans; bigger and more economically vibrant than Detroit; and not entirely focused on gambling as are Las Vegas and Atlantic City.

The experiment of inserting gaming operations into a thriving urban core was first attempted in New Orleans in 1993. Initially, due to regulatory and other hurdles, New Orleans saw the initial failure, bankruptcy, and closure of the Harrah’s Jazz temporary facility and the closure of several riverboat operations. Today, however, re-opened Harrah’s Jazz is thriving near the French Quarter and is constructing a strip of restaurants and a casino hotel. Additionally, and the greater New Orleans area is home to three riverboat casinos. Even with competition from the

riverboats, race tracks, and gambling nearby in Baton Rouge and along the Mississippi Gulf Coast, Harrah's has seen three years of substantial and increasing growth, including a 13 percent growth in 2004 revenues to a total of \$320 million. All this while the number of gaming positions were temporarily reduced, falling from 3,500 in 2001 to 2,822 in 2004, in large part due to the need to add space for amenities after regulatory restrictions were lifted. Including the riverboats, total New Orleans revenues grew 7.7 percent in 2004. While revenue is the one figure always reported to regulators, because Harrah's is a publicly-traded company, profit information is also available and the story there is optimistic too, with earnings from Harrah's Jazz New Orleans up 19.6 percent in 2004.

In Detroit, gaming revenues skyrocketed and have plateaued at a higher-than-expected level, reaching almost \$1.2 billion in 2004 and exceeding \$1.5 billion if Casino Windsor, across the Canadian border, is included. This success is despite the fact that the three Detroit casinos remain in temporary facilities without what the industry would deem to be adequate parking and amenities.

GRAPH 4.1: Detroit and Windsor Revenue Performance



Source: Innovation Group research for the Task Force

The Detroit casinos are all profiting and are expanding, and now, following the conclusion of a drawn-out court case, are working to convert the temporary facilities into permanent casino resorts, by constructing the necessary amenities and parking. These proposals are currently undergoing zoning review in Detroit.

It is also worth noting that smaller gambling venues can be found on riverboats near many Mississippi River cities and near other Midwestern cities. However, because they do not face the concerns of maintaining a successful urban casino in the middle of urban traffic, crime, and other pressures, they are not particularly useful comparisons for the experiences of the two Philadelphia casino operators.

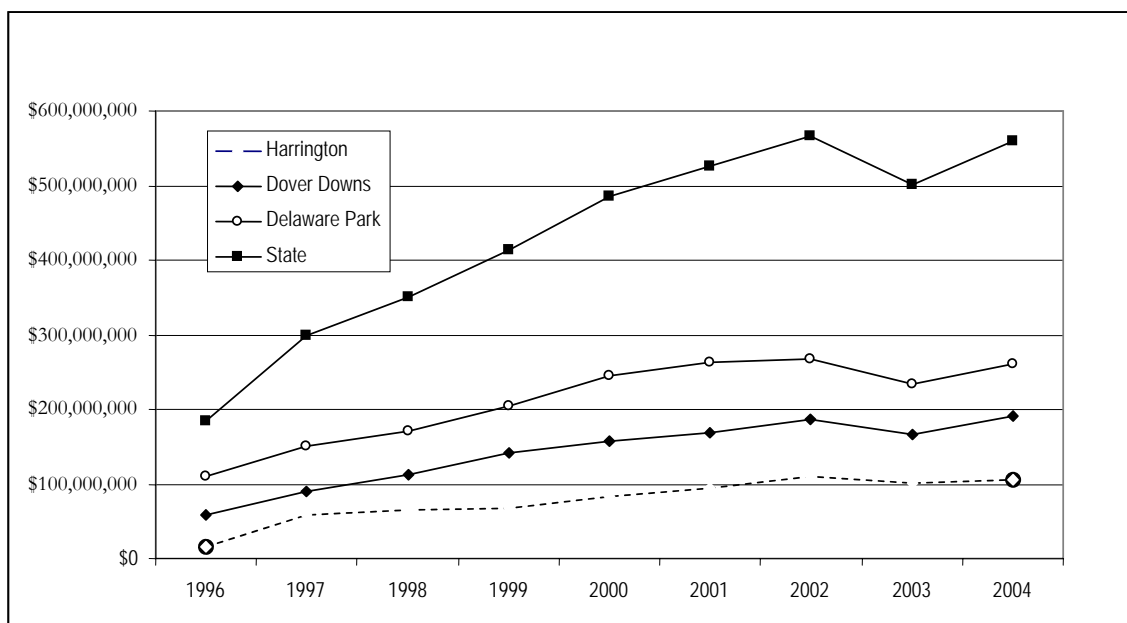
Whether in major urban centers or smaller communities, gamblers often become loyal to their “home” casino and in the amenities that are offered on site. These gamblers frequently bring their spouse, adult children, and friends with them to the casino complex, and the multifaceted offerings of Philadelphia might create significant synergies in targeting these customers. This marketing strategy is a prospect that will have to be tested here.

FINDING: Slots-only casinos and racinos generate competitive revenue for operators across the country.

While full casinos generally bring in more revenue than otherwise comparable slots-only facilities, many casinos generate tremendous revenues and profits where they are only allowed to offer slot machines. Delaware, for instance, has three slots-only racinos and has seen sustained revenue growth over the years, and the as properties have expanded the size of the casinos and the array of amenities.

Revenues have increased steadily each year at each Delaware property, except for in 2003, when a smoking ban was implemented (see page 230 for further information on impacts of the smoking ban). This has led to both higher-than-expected tax revenue returns to the state and increased profits for operators. Growth has been so dynamic that in 2004 Dover Downs not only completed a fourth expansion but also increased dividends and bought back ten percent of its outstanding publicly traded shares.

GRAPH 4.2: Delaware Slot Performance



Source: Innovation Group research for the Task Force

TABLE 4.1: Annual Revenue for Tracks and State of Delaware

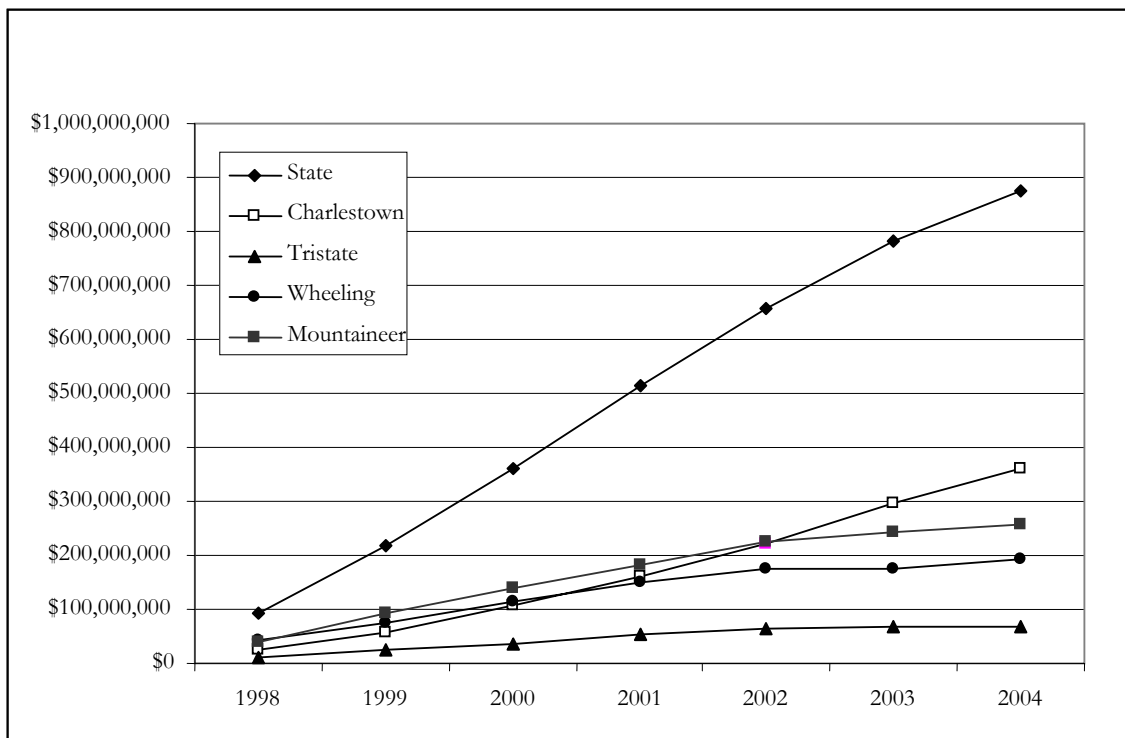
	Harrington	Dover Downs	Delaware Park	State
1996	\$14,687,300	\$58,485,700	\$111,205,411	\$184,378,411
1997	\$58,211,200	\$90,133,000	\$150,560,900	\$298,905,100
1998	\$65,803,600	\$113,115,400	\$171,902,200	\$350,821,200
1999	\$67,442,100	\$141,300,000	\$203,751,200	\$412,493,300
2000	\$82,633,900	\$156,999,600	\$245,470,800	\$485,104,300
2001	\$95,145,000	\$168,373,700	\$263,421,200	\$526,939,900
2002	\$110,807,400	\$186,893,500	\$268,209,000	\$565,909,900
2003	\$100,699,100	\$167,411,100	\$233,889,500	\$501,999,700
2004	\$105,856,600	\$191,847,000	\$261,596,000	\$559,299,600

TABLE 4.2: Delaware State Performance Detail

	Year	Win	Slots	Win Per Slot
State	1996	\$184,378,411	1,670	\$302.47
State	1997	\$298,905,100	2,566	\$319.98
State	1998	\$350,821,200	2,709	\$355.74
State	1999	\$412,493,300	3,616	\$313.42
State	2000	\$485,104,300	4,899	\$272.06
State	2001	\$526,939,900	5,200	\$278.38
State	2002	\$565,909,900	5,339	\$291.18
State	2003	\$501,999,700	5,463	\$252.46
State	2004	\$553,318,700	6,337	\$239.90

Casino revenues have also consistently grown at all of West Virginia's facilities, which are also slots-only, growing from \$219 million in the first full year of operation (1999) to \$874 million in 2004.

GRAPH 4.3: West Virginia Revenue Performance



Where slots-only venues directly compete with table games, they do compete at a disadvantage but not necessarily a critical one. Otherwise comparable slots-only gaming venues compete on a head-to-head basis with gaming venues that offer both slots and table games in only three American marketplaces. In two of the three, the slots-only facility competes relatively evenly with its competitors, once size and other control factors are accounted for. And the third market, Shreveport/Bossier, may not truly be comparable because the slots-only venue is located six exits east of the five riverboats, placing it at a significant competitive disadvantage when chasing the target customers of Dallas and other Texas marketplaces.

TABLE 4.3: 2004 Council Bluffs Market Performance

	Admissions	Gaming Rev	Pos	Win/Pos	Market Share
Bluffs Run	2,925,603	\$133,938,009	1,543	\$237.22	32.03%
Ameristar	3,098,636	\$171,054,382	1,793	\$261.41	40.90%
Harrah's Kanesville Queen	2,161,039	\$113,189,498	1,446	\$213.85	27.07%

TABLE 4.4: 2004 Lake Charles Casino Performance

	Admissions	Gaming Rev	Pos	Win/Pos	Market Share
Delta Downs	1,633,780	\$128,385,080	1,455	\$241.09	27.78%
Harrah's	2,823,770	\$156,284,504	1,648	\$259.84	33.82%
Isle of Capri	3,171,488	\$177,397,557	2,205	\$220.42	38.39%

TABLE 4.5: 2004 Shreveport/Bossier Casino Performance

	Admissions	Revenues	Positions	Win/Pos	Market Share
Louisiana Downs	2,151,310	\$84,236,202	1,500	\$153.44	10.08%
Sam's Town	3,318,871	\$154,707,135	1,419	\$297.95	18.52%
Isle of Capri	1,837,089	\$110,617,855	1,303	\$231.98	13.24%
Harrah's	3,049,794	\$249,387,232	1,995	\$341.63	29.85%
Boomtown	2,330,369	\$105,679,289	1,430	\$201.86	12.65%
Hollywood	3,690,907	\$130,878,219	1,849	\$193.40	15.66%

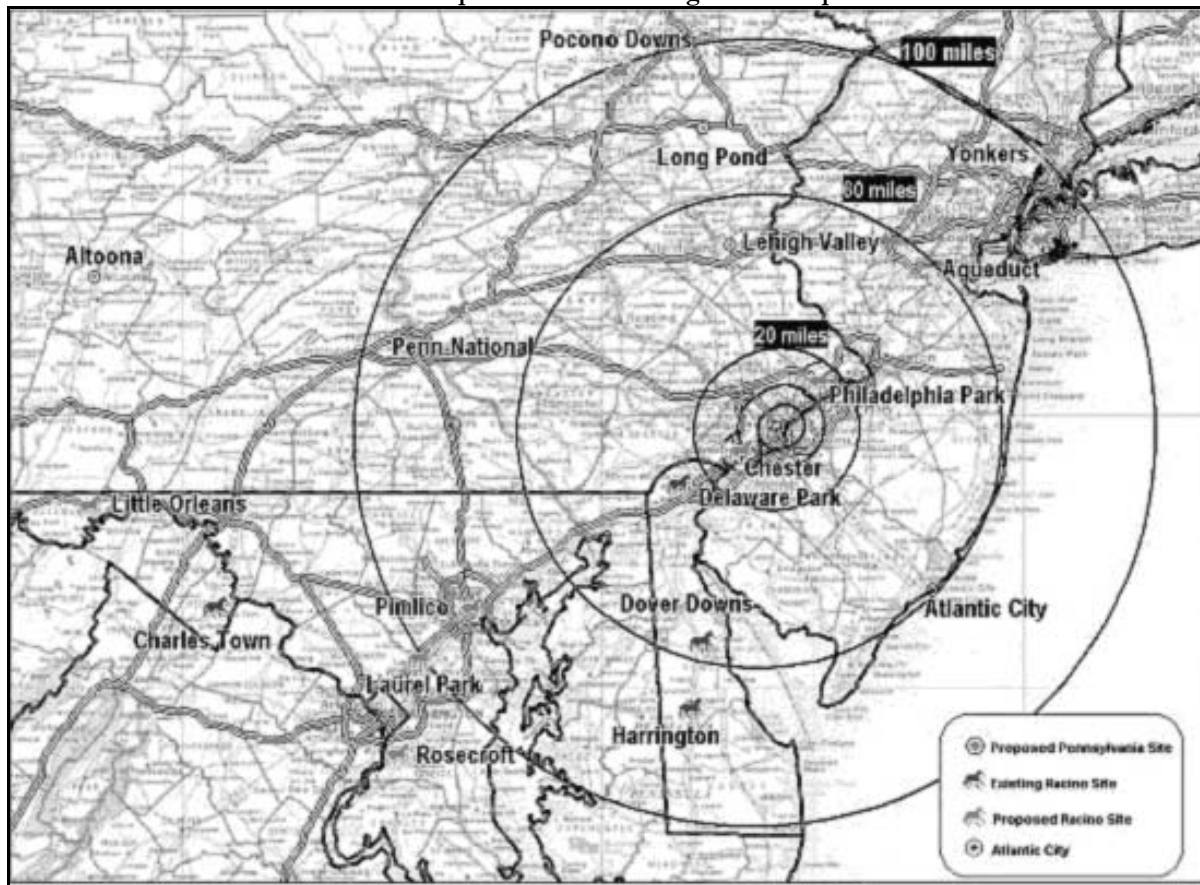
Source: Innovation Group research for the Task Force

Most national slots-only casino venues are, in fact, racinos. While there is some potential for a different impact for a slots-only stand alone casino, the difference is relatively minor because Task Force experts, gaming industry marketing strategies, and the lack of changes to racetrack handles when slots are added indicate that there is minimal crossover between horse players and slot machine gamblers. At Dover Downs, for example, there was no substantial crossover effect after legalization of slot machines; track attendance and on-site gambling handle declined significantly, but in a manner consistent with the national decline in racetrack attendance and on-site handle.

FINDING: Philadelphia casinos will compete in an exceedingly, and increasingly, competitive regional marketplace, where operator strategies, facilities, and marketing play essential roles in determining casino revenues.

The identities, nature, and activities of the Philadelphia operators and their competitors will be major factors in determining future success of the casinos. Casinos are booming throughout the United States, particularly in the mid-Atlantic region. The two Philadelphia casinos will have to compete in this market, where competition is escalating, in part due to the increased competition in reaction to legalized gambling in Pennsylvania.

IMAGE 4.1: Philadelphia Concentric Rings and Competitive Venues



Atlantic City casinos have broadened their activities to include beach bars and new headliners. Delaware is expanding its hotel and entertainment complex. Suburban racinos are developing entertainment complexes. And the Tropicana and Borgata have new development that was designed to appeal to Philadelphians.

But competition is more than just amenities. Across the industry, gamblers feel entitled to superior customer service at casinos including varying perquisites depending upon their level of play. The highest-dollar players have the highest expectations of customer service, expectations that center firmly around their casino host and the key executives at the casino. Most gamblers expect high-quality, if more generic, customer services and subsidies through slot or rewards clubs that offer reward calculations similar in many ways to frequent-flyer programs. These programs reward gamblers with small gifts, free meals, and discounted show tickets and hotel rooms to win and keep their business.

In this era of the database, these customer retention strategies generally meld with marketing strategies, which themselves need to sync with the entertainment and amenities offered by the casino properties. Casino operator strategies, and the strategies employed by competitors, are as innately tied to gaming revenues and successes as the kind of gambling allowed.

FINDING: Philadelphia casinos will be inserted into a mature city with a developed restaurant, hospitality, entertainment, and business environment.

Another critical factor underlying casino profitability is the potential and existing health of the local marketplace. In Philadelphia, unlike anywhere else in America, gambling will be inserted into a thriving top-10 city. While there are clearly parallels, to Detroit in terms of size, and to New Orleans in terms of a healthy tourism economy, Philadelphia does present a case of first impression for what casinos will do when surrounded by a variety of tourist attractions, a downtown business core, and entertainment options of the kind only present in a few American cities.

In the last decade, Philadelphia has made tremendous strides as a tourist destination. In this context, casinos will only benefit the city to the extent they augment rather than detract from the qualities that bring people to Philadelphia. Casinos can aid Philadelphia if they become one more thing to do. And Philadelphia can aid casinos by being a thriving tourist mecca.

Under the Gaming Act, Pennsylvania casinos need to arrive in a manner that not only maximizes revenues on the casino floors, but which also provides for full economic development. Doing so will present a challenge, including protecting the valuable in-place economic development assets such as historical tourism in the dense, thriving core with many 18th century scale streets.

FINDING: Pennsylvania's tax structure is at the high end of the national range but is consistent with the tax rates imposed in Delaware and West Virginia where gaming is succeeding.

In many markets in the casino industry, and certainly here in the Commonwealth, the single largest gambling-related expense is taxes. While the rate in Pennsylvania will be high, it will likely not be so high as to interfere in full development or profitability for the operators of the casinos in Philadelphia.

The Gaming Act sets the tax rate to be paid by Pennsylvania casinos, initially leaving only 46 percent to operators, although that amount will grow to 48.6 percent as the dollar amount made available for a horse-racing subsidy increases. Compared to national averages, this is a relatively high tax rate, but is far from the highest, with Illinois using a graduated tax that reaching over 70 percent to the state in some cases. The analysis is made more difficult because each state has a different regulatory scheme, with different tax rates applied to different pools of revenue and with some taxes based upon admissions or other means of counting other than revenue. In New York, operators had been keeping just 29 percent of all gross revenue, although under a recently enacted law that will increase to approximately 39 percent, counting a pool of allocated money that can be spent on customer rewards, marketing, and promotion.

Pennsylvania's tax burden has a second component in the \$50 million license fees that operators will have to pay. This up-front fee is an order of magnitude larger than is typical of fees in high tax jurisdictions, although license auctions and other processes elsewhere have occasionally resulted in market-entry fees even higher than the Pennsylvania licenses.

Pennsylvania's rate is comparable to that in Delaware, where operators keep 49 percent of gross revenue, and West Virginia, where operators keep approximately 44 percent. Slots-only casinos have been profitable at these tax rates in these similar environments.

Not all jurisdictions have a similarly high tax rate. New Jersey operators, for example, keep 89.5 percent of gross revenue, with 8 percent going to the state and 2.5 percent for economic development, with some additional state-mandated fees like a per car tax that is generally directly passed on to the customer. This differential tax rate has implications, of course, if an operator has a facility in both a higher tax and lower tax jurisdiction. For example, an operator with casinos in both Philadelphia and Atlantic City would have a strong incentive to ensure that gaming revenues that could be earned in either market get earned in Atlantic City because the operator will keep almost twice as much of the money earned in New Jersey.

Scenario Modeling

FINDING: The revenue and economic impact of each Philadelphia casino will be affected by its own location, by the location of the other Philadelphia casino, and by the strategies that it and its competitors adopt.

When determining revenue from a casino, the location of a site is a driving factor, particularly its proximity to prospective customers and competition. As discussed in the site evaluation section of this report, eleven potential sites have been identified as potential gaming sites, and the Task Force expects that these sites will be representative of other types of sites that may be proposed in the months ahead. This report attempts to project revenue for each of these sites.

However, projections can not be made for just one site. The revenue generation for each site is heavily dependent upon its nearby competitors, and because the two Philadelphia casinos are likely to be the most crucial competitors to each other, an analysis of revenue has to look at the sites as paired together.

In performing this analysis with our consultants, the Task Force created clusters of sites into certain typologies based upon similar locations and projected shared characteristics of access and target markets. The six typologies selected are the same typologies by which the site assessments are classified and are:

- **Market East** (which include sites at the Girard Estate development located at 12th & Market Streets, The Gallery, and at 8th and Market Streets)
 - **North-Central Delaware** (which include the identified Fishtown and Old Incinerator sites)
 - **South Delaware** (which include the site currently used as the Sheet Metal Workers hall and the vacant property two properties south of that)
-

- **Navy Yard** (which includes sites located only at the East End)
- **Penn's Landing** (the Delaware riverfront at Market Street)
- **I-76/Route 1 area** (which includes the Budd Company and the City Line Adam's Mark sites)

The various typologies were paired in combinations to create 14 potential development scenarios, at least one of which should provide good revenue parallels to any combination of sites that are feasible, at least among the typologies of sites currently proposed. The Task Force then projected visitation and revenue for each site in each scenario.

The fourteen scenarios are:

- 1) Two on North-Central Delaware
- 2) One on Market East, one on South Delaware
- 3) One on Market East, one on North-Central Delaware
- 4) One on Market East, one near I-76/Route 1
- 5) One on North-Central Delaware, one at Navy Yard
- 6) One on South Delaware, one North-Central Delaware
- 7) Two on South Delaware
- 8) One on South Delaware, one near I-76/Route 1
- 9) One at Navy Yard, one near I-76/Route 1
- 10) One on Market East, one at Navy Yard
- 11) One at Penn's Landing, one on North-Central Delaware
- 12) Two one near I-76/Route 1
- 13) One at Penn's Landing, one near I-76/Route 1
- 14) One near I-76/Route 1, one on North-Central Delaware

FINDING: Certain scenarios had such severe parking and/or traffic concerns that they are unacceptable development plans.

Scenarios were only generated for the combinations of sites that the Task Force believed were reasonably feasible, as certain scenarios posed parking and/or traffic concerns that results in the pairings being rejected based upon preliminary transportation analysis. Three pairings were so rejected: (i) two casinos at the Navy Yard; (ii) two casinos on Market East; and (iii) one casino at Penn's Landing and one on Market East)

Two at the Navy Yard

The traffic generated by one Navy Yard facility alone would nearly double the volume of traffic that is currently in the already-overused road system for the Sports Complex and the existing and potential Navy Yard entrance points. Because one casino at the Navy Yard poses a significant traffic hurdle that might significantly interfere with both casino development and existing activity in the area (see page 165), placing two casinos in the complex was so infeasible that the concept was promptly rejected.

Two on Market East or Penn's Landing with Market East

The traffic grid, and particularly Market Street and its intersecting streets, are already operating at or beyond capacity during the afternoon rush hour, and in isolated areas at other times as well. A single casino off of East Market Street will add an additional 74 percent of existing traffic volume to the Center City road system in Center City, with concentration on Market Street and the numbered streets between Broad Street and Independence Mall, as well as on all other major cross streets. Because of the size of the roadways, the current road system can not be enlarged, even if operators are able to construct the parking facilities necessary to handle a pair of large casinos the prospective patrons will be unable to reach the facilities and existing Center City businesses would be severely damaged. Furthermore, there is a parking crunch because even if the traffic grid was overcome and parking was constructed for casino patrons, Center City does not have sufficient parking to handle the direct and indirect needs created by two facilities between the Delaware and Broad Street, even if substantial numbers of employees use public transportation.

Casino Gaming Revenues

The revenue model used by the Task Force incorporates both location and the other major factors that drive casino revenue. The analysis includes a series of factors about the people, activities, and transportation networks in the Delaware Valley. Regional residents are classified on where they live and work today and where they will be in the years ahead and on the demographic and economic characteristics of each component of the Delaware Valley population. Activities considered include projections as to the entertainment and other amenities that will be located at each casino, proximity to hotels and existing public attractions, and new regional entertainment development, including other casinos outside of Philadelphia. Transportation factors include ease of access from highways and public transit and the site-specific advantages and challenges set forth in the site evaluation analysis above (see pages 62). This model, about which greater details are provided on page 282, allowed the Task Force to project casino visitation and gaming revenues for each scenario and to identify projected gamblers, both by where they are coming from and by how much they currently gamble elsewhere.

Revenue Projections

FINDING: Philadelphia casinos can generate at a minimum \$668 million and as much as \$747 million in annual revenue.

Depending on the scenario selected, and based upon the projected building program (see page 207), the two Philadelphia casinos will likely bring in between \$668 and \$747 million in their first full year of operation, with on-going growth after that. This amounts to, approximately, a full quarter of the projected statewide revenue, although Philadelphia will house only two of the 14 statewide casinos. The charts below project visitation and gaming revenue for each scenario,

both in total and by casino.

TABLE 4.6: Annual Revenue Projections by Scenario

Scenario	Casino 1			Casino 2			Full Scenario		
	Visits (# in millions)	Rev Per Visit	Total (\$ in millions)	Visits (# in millions)	Rev Per Visit	Total (\$ in millions)	Visits (# in millions)	Rev Per Visit	Total (\$ in millions)
Two North Central Delaware	5.89	\$62.21	\$366.14	5.11	\$62.76	\$320.66	10.99	\$62.47	\$686.80
One Market East One S. Delaware	5.61	\$61.83	\$347.06	5.52	\$61.90	\$341.78	11.13	\$61.87	\$688.84
One Market East One North Central Delaware	5.42	\$62.09	\$336.54	5.61	\$62.32	\$349.81	11.03	\$62.21	\$686.35
One Market East One I-76/Rt. 1	5.59	\$60.02	\$335.49	5.95	\$66.62	\$396.52	11.54	\$63.42	\$732.01
One North Central Delaware One Navy Yard	6.42	\$60.81	\$390.19	4.29	\$64.86	\$278.25	10.71	\$62.43	\$668.44
One South Delaware One North Central Delaware	5.61	\$61.59	\$345.26	5.35	\$61.88	\$330.94	10.95	\$61.73	\$676.21
Two South Delaware	5.69	\$62.19	\$353.80	5.59	\$62.23	\$347.84	11.28	\$62.21	\$701.64
One South Delaware One I-76/Rt. 1	5.54	\$60.21	\$333.66	6.04	\$66.63	\$402.52	11.58	\$63.56	\$736.18
One Navy Yard One I-76/Rte-1	4.72	\$62.71	\$295.74	6.61	\$64.86	\$429.01	11.33	\$63.97	\$724.75
One Navy Yard One Market East	4.30	\$65.44	\$281.18	6.69	\$60.50	\$404.73	10.99	\$62.43	\$685.91
One North Central Delaware One Penn's Landing	5.83	\$61.94	\$361.12	5.20	\$62.93	\$327.11	11.03	\$62.41	\$688.23
Two I-76/Rt. 1	5.81	\$66.17	\$384.34	5.58	\$61.89	\$345.60	11.39	\$64.07	\$729.94
One I-76/Rt. 1 One Penn's Landing	5.99	\$66.51	\$398.57	5.77	\$60.48	\$349.23	11.77	\$63.55	\$747.81
One I-76/Rt. 1 One North-Central Delaware	5.73	\$66.92	\$383.42	5.94	\$59.94	\$355.90	11.67	\$63.37	\$739.32

Source: Innovation Group analysis for the Task Force

FINDING: Gaming revenue was maximized by locating one casino near the interchange of I-76 and Route 1 and one casino on the Delaware River waterfront or in Center City.

While each casino will have different revenues depending on the pairing, consistent themes do emerge from the scenarios. Maximizing Philadelphia gaming revenues will best be accomplished by pairing casinos at opposite ends of the City. In fact, the top four scenarios all have at least one casino at the Western boundary paired with a casino on the Eastern boundary, and the fifth best performer is two casinos paired together near the City's Western edge.

This is also logical, as this will ensure that casinos easily reach the broadest possible market. A casino on Market East or the Delaware River will compete best for dollars from visitors staying at Center City hotels, residents of Southern New Jersey, and Philadelphian's who live in the

City's Eastern portion. And a casino near the intersection of the Schuylkill Expressway and City Line/Roosevelt Boulevard will best attract gamblers in the Western suburbs and gamblers in Philadelphia's Western regions. Further, placing a casino at the western edge of the City minimizes direct competition with the suburban racinos; competition that would likely arise if a Philadelphia casino was placed on I-95 immediately outside of the 10-mile exclusion zones, minimizing both Philadelphia and Commonwealth-wide gaming revenue.

FINDING: The Navy Yard will generate the least revenue of all evaluated sites, even after accounting for revenues created from synergistic casino-sports complex visits.

Regardless of where its partner site is located The Navy Yard site performs at the bottom of the chart for comparable pairings, largely due to the increased competition from locating immediately outside of the 10-mile Chester Downs exclusion zone, drawing off of the same highway, but requiring an extensive drive off of that road. While there is some synergistic revenue created by locating near the sports complex, see discussion below, traffic congestion and the well-known game schedule would likely deter significant evening traffic. Between the lower revenue projections, and the significant traffic and flood-plain costs at the Navy Yard site, it is expected that a casino at the East End of the Navy Yard site would be significantly less profitable for the operator than casinos will be at other locations.

FINDING: Locating a casino near a cluster of hotels will maximize overnight tourist revenue both inside the casinos and outside the casinos.

The propensity for hotel guests to gamble is highly sensitive to the location of the hotel to the casino, with hotel guests in a concentrated area of hotel rooms within several blocks of a casino willing to gamble more than 20 percent of the time. Thus, to maximize a casino's ability to draw existing tourists, casinos would need to be located in Center City or at Penn's Landing. The South Delaware and Old Incinerator sites are on the outer edge of the likely travel bubble, and may have some increased visitation from existing hotel guests, but the proximity effect declines dramatically beyond a mile. Additionally, the further the casino is located from a specific prospective gambler's hotel, the more of a challenge it is to draw tourists due to transportation barriers and the visitor's uncertainty, which will lead to perceived concerns about community quality, crime, and safety simply due to unfamiliarity.

FINDING: With the revenues projected above, the casinos will each be profitable, with prospective earnings in the range of a 17 to 20 percent return on investment.

Based upon the revenue numbers generated and projected pro formae for each casino, the Task Force believes that the casinos will be exceptionally profitable. The pro formae developed by Task Force experts, which are obviously subject to dramatic revision by specific operators, project that the return on investment (measured by earnings before interest, depreciation, taxes, and amortization or "EBIDTA") will be between 17 and 20 percent, even after the casinos fully fund the increased police, fire, and other necessary services in an amount of \$20 million per year each, a conservatively large number from the casino operator's perspective. This return will likely result in full repayment of initial construction and licensing costs in less than five years,

and potentially in as little as 3.5 years. Both the return and the timing of full repayment of financing are significantly better than the Task Force understands are required to drive gaming industry investment.

FINDING: Future casino development plans will have a substantial effect on long-term revenues and economic impact of the casinos.

While development plans will obviously be set by each applicant for a Philadelphia casino license, the Task Force projects that the construction will occur in multiple phases. The initial projected construction plan consists of the 90,000-square foot gaming floor, similar back-of-house space, and about 40,000 square feet of food, beverage, and retail space. Later phases include construction of a hotel and an expanded entertainment space with additional food and beverage options, and expansion of the hotel, expansion of the gaming floor, and refreshing the property.

Phase II – Construction of Hotel and Larger Entertainment Venue

Addition of a hotel will increase gaming revenue because gamblers staying overnight in casino hotels typically gamble significantly more than daytrippers. The effect is heightened to the extent that free or discounted rooms can be used to draw gamblers who generally play for higher stakes and longer times, who when they stay over typically visit the casino more than once for each night stay.

Towards that end, the Task Force projects that a 400-room hotel added to a single casino would generate an additional \$23.7 million in gaming revenue the first year it is open, increasing to four years later. The Task Force projects similar construction and revenue growth to occur at each casino.

TABLE 4.7: Phase II 400 Room Hotel Gaming Revenue

Total	Hotel Guests	Gamer Visits	Win	\$ Per Room	\$ Per Occupied Room
Year 6	186,150	197,784	\$23,734,125	\$163	\$191.25
Year 7	197,100	209,419	\$25,758,506	\$176	\$196.03
Year 8	201,480	214,073	\$26,989,190	\$185	\$200.93
Year 9	205,860	218,726	\$28,265,310	\$194	\$205.96
Year 10	205,860	218,726	\$28,971,943	\$198	\$211.10

Source: Innovation Group projection for the Task Force

Entertainment facilities are being added to casinos all over the country. They are a proven means of generating incremental gaming trips, and serve as ancillary sources of revenue. Entertainment venues provide the casino with a further means to identify, reward and attract particularly profitable customers, who generally combine taking in a show with making an incremental gaming visit.

In addition to the hotel, the Task Force projects that as part of the initial expansion, each casino will develop a large entertainment venue, with approximately 4000 seats. Applying conservative

assumptions, it is likely that gaming revenues will incrementally increase about \$10.8 million at each casino after construction of the larger entertainment space. That projection is based upon assumptions of 70 shows annually, averaging 76 percent occupancy, with 20 percent of tickets made complimentary to gamblers who lose \$180 per visit (for the 70 percent who gamble on that trip) and smaller and less frequent losses from the “paying” customers. Additionally, customers purchasing tickets do so at relatively high prices, thereby effectively funding the shows, and allowing the casinos to increase their gambling revenue streams and still covering the costs of the entertainment attractions. These visits also generate ancillary revenue and taxes.

Including the growth from the initial phase projected expansion, gaming revenues will likely increase by over 35 percent in ten years. The Task Force analysis predicts that a normalized casino scenario (setting initial year revenues to \$700 million between two casinos) will grow to \$956 million in gaming revenues from the two Philadelphia casinos alone by the tenth year of operations.

TABLE 4.8: Gaming Revenue Projections for Full Build out 6-10 Years

	Year 6	Year 7	Year 8	Year 9	Year 10
Casino 1					
Gaming Win	\$393,654,028	\$403,495,378	\$413,582,763	\$423,922,332	\$434,520,390
Incremental					
Hotel	\$23,734,125	\$25,758,506	\$26,989,190	\$28,265,310	\$28,971,943
Theater	\$10,800,080	\$11,070,082	\$11,346,834	\$11,630,505	\$11,921,268
Total	\$428,188,233	\$440,323,967	\$451,918,787	\$463,818,147	\$475,413,600
Casino 2					
Gaming Win	\$398,331,722	\$408,290,015	\$418,497,265	\$428,959,697	\$439,683,689
Incremental					
Hotel	\$23,734,125	\$25,758,506	\$26,989,190	\$28,265,310	\$28,971,943
Theater	\$10,800,080	\$11,070,082	\$11,346,834	\$11,630,505	\$11,921,268
Total	\$432,865,927	\$445,118,603	\$456,833,290	\$468,855,511	\$480,576,899
Two Casinos					
Gaming Win	\$791,985,749	\$811,785,393	\$832,080,028	\$852,882,029	\$874,204,079
Incremental					
Hotel	\$47,468,250	\$51,517,013	\$53,978,381	\$56,530,620	\$57,943,885
Theater	\$21,600,160	\$22,140,164	\$22,693,668	\$23,261,010	\$23,842,535
Total	\$861,054,159	\$885,442,570	\$908,752,077	\$932,673,658	\$955,990,499

Source: Innovation Group projection for the Task Force

Phase III - Hotel Expansion and Addition of Table Games

The projected Phase III expansion calls for the hotels at each property to grow to 800 rooms. The expansion will lead to similar growth as the initial construction, although with the additional rooms there will be some decline in occupancy on non-peak nights. Because the Task Force also projects expansion to table games (see below), and thus the double occupancy factor increases as a higher proportion of couples are likely be attracted with the presence of table games. Overall incremental gaming revenues solely due to the casino hotel guests increases to

\$68 million at each property for eleventh year of operation, going to \$84 million by the fifteenth year.

TABLE 4.9: Phase III 800 Room Hotel Gaming Revenue

Total	Hotel Guests	Gamer Visits	Win	\$ Per Room	\$ Per Occupied Room
Year 11	378,432	418,167	\$68,128,990	\$233	\$288.05
Year 12	397,120	438,818	\$73,280,719	\$251	\$295.25
Year 13	411,136	454,305	\$77,763,775	\$266	\$302.63
Year 14	420,480	464,630	\$81,519,412	\$279	\$310.20
Year 15	425,152	469,793	\$84,485,813	\$289	\$317.95

Source: Innovation Group projection for the Task Force

Across the country slots-only jurisdictions are exploring expansion to table games. If the legislature legalizes table games at all statewide casinos about a decade after casinos open in Philadelphia, there would be substantial additional revenue.

The addition of table games would likely mean that casino revenues would increase similar to the return on table games at comparable properties elsewhere, plus an additional increase because as couples with divergent gaming interests (e.g., one likes slots, one likes blackjack) are recaptured from Atlantic City, there would be an increase in slot play. The Task Force projection is that statewide legalization of table games will result in a 20 to 25 percent growth in revenues.

Combining annual growth, with the legalization of table games and the projected casino complex expansion, a pair of Philadelphia casinos would have the following revenues in years 11-15. As with the projections above, this is based upon a normalized scenario of a \$700 million first year. Essentially, this projection has gaming revenues doubling within 15 years, assuming the regulatory and development timetables set forth above.

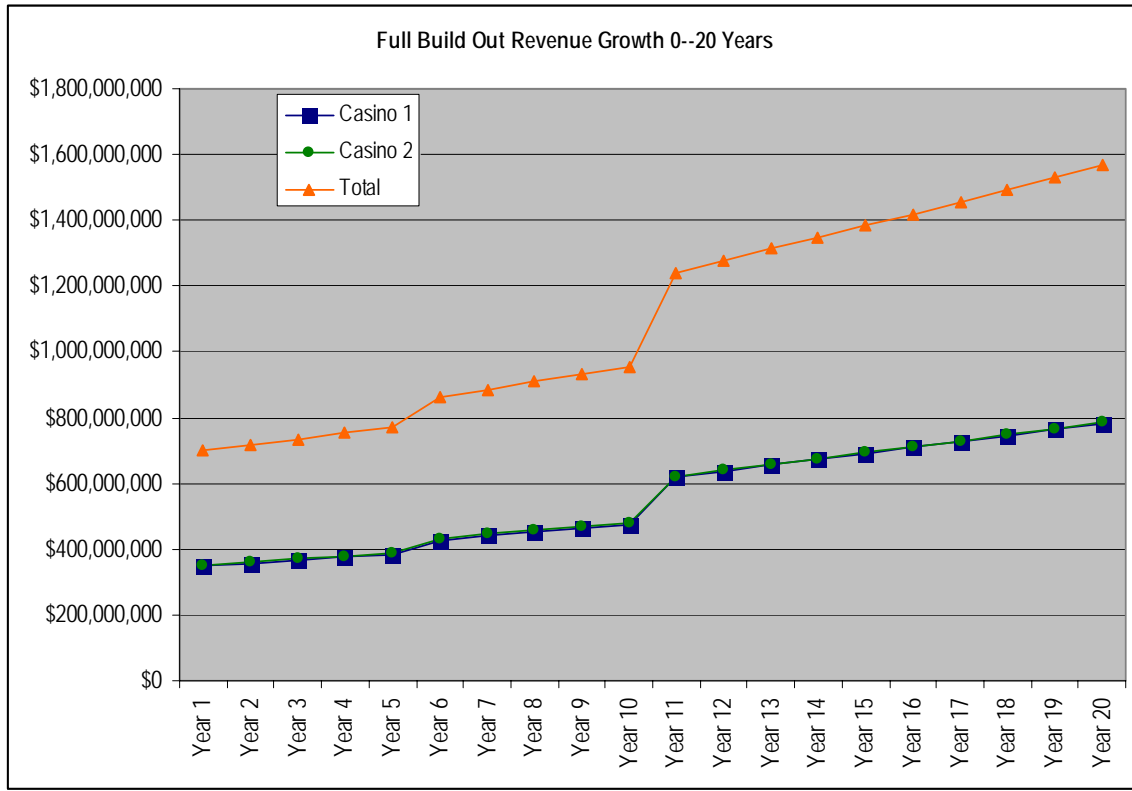
TABLE 4.10: Gaming Revenue Projections for Full Build out 11-15 Years

	Year 11	Year 12	Year 13	Year 14	Year 15
Casino 1					
Gaming Win	\$537,917,219	\$551,365,149	\$565,149,278	\$579,278,010	\$593,759,960
Incremental					
Hotel	\$68,128,990	\$73,280,719	\$77,763,775	\$81,519,412	\$84,485,813
Theater	\$12,219,299	\$12,524,782	\$12,837,901	\$13,158,849	\$13,487,820
Total	\$618,265,508	\$637,170,650	\$655,750,954	\$673,956,270	\$691,733,592
Casino 2					
Gaming Win	\$539,358,546	\$552,842,509	\$566,663,572	\$580,830,161	\$595,350,916
Incremental					
Hotel	\$68,128,990	\$73,280,719	\$77,763,775	\$81,519,412	\$84,485,813
Theater	\$12,219,299	\$12,524,782	\$12,837,901	\$13,158,849	\$13,487,820
Total	\$619,706,835	\$638,648,010	\$657,265,248	\$675,508,422	\$693,324,548
Two Casinos					
Gaming Win	\$1,077,275,764	\$1,104,207,658	\$1,131,812,850	\$1,160,108,171	\$1,189,110,875
Incremental					
Hotel	\$136,257,980	\$146,561,438	\$155,527,550	\$163,038,823	\$168,971,625
Theater	\$24,438,598	\$25,049,563	\$25,675,802	\$26,317,698	\$26,975,640
Total	\$1,237,972,343	\$1,275,818,660	\$1,313,016,202	\$1,349,464,692	\$1,385,058,140

Source: Innovation Group projection for the Task Force

Looking a little further into the future, and at the current projected development, it is clear that Philadelphia casinos will generate a lot of revenue, probably following the growth pattern indicated below over all phases of the development for the first 20 years.

GRAPH 4.4: Full Build Out Revenue Growth 0 to 20 Years



Source: Innovation Group projection for the Task Force

Visitors, Suburbanites, and Philadelphians as Sources of Revenue

FINDING: The more money that comes from outside the City of Philadelphia and the Commonwealth of Pennsylvania, the greater the economic benefit for the City and the Commonwealth.

While where gamblers come from makes little difference to the operator or the state, variations on who gamblers are, and how they otherwise would have spent their money, are central to predicting the ultimate impact that gambling will have on Philadelphia.

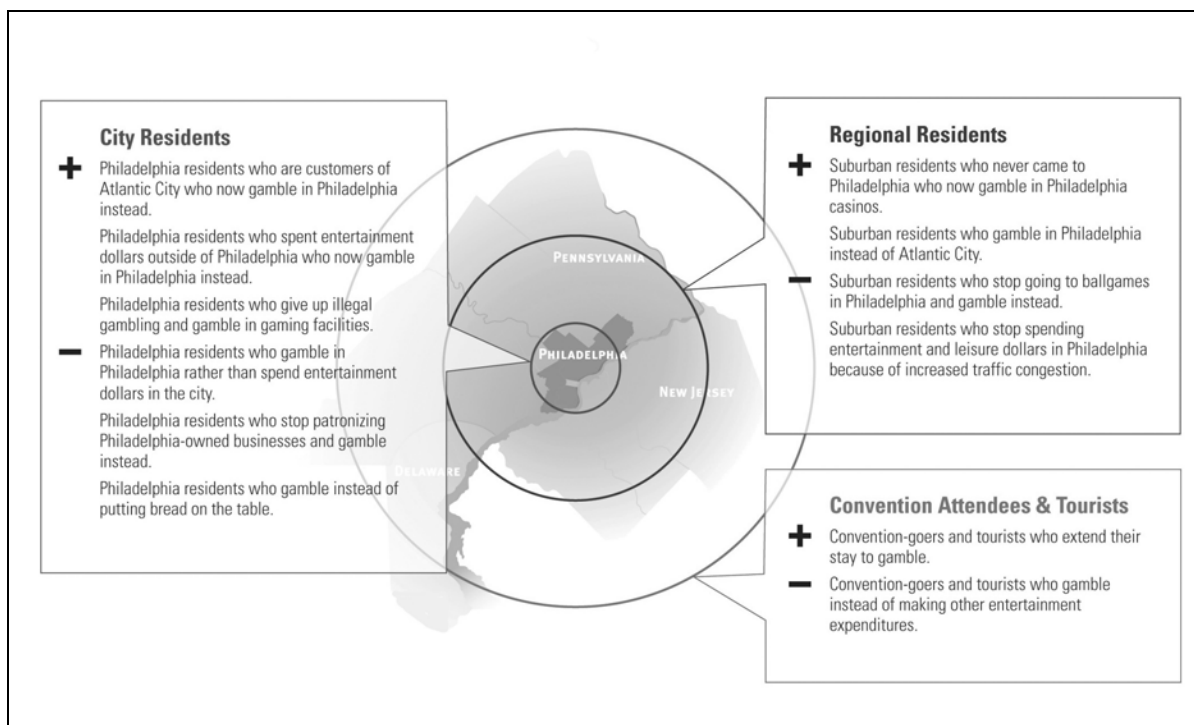
As is becoming increasingly common in all business enterprises, geographic entities are competing with one another for business. And gaming is no different than other industries; Philadelphia venues will compete with other Pennsylvania venues, and Pennsylvania will compete with Delaware, New Jersey, New York, West Virginia, and destination casino travel, such as to Las Vegas. And Maryland and Ohio, the only two states bordering Pennsylvania without casino/racino/tribal gambling, have recently considered legalizing gambling and future legislative efforts are foreseen in each state.

Geographically, there are four primary classes of gamers to consider: (i) City residents, (ii) other Pennsylvanians, (iii) regional day-trippers from out-of-state, and (iv) overnight guests, whether convention goers, tourists, business travelers, or other visitor to the City. The specific

characteristics and behaviors of these different classes of customers dictate the net economic impact for Philadelphia, with maximum City and regional benefit from a new visitor spending money in Philadelphia that would not have otherwise been spent in the City, Commonwealth, or region.

Other factors also figure into the analysis of a gaming dollar, particularly if the gaming dollar would otherwise have been spent in another state, and whether that same dollar would have been spent on a different Philadelphia or regional activity but for gaming's existence in this market.

IMAGE 4.2: Who is the Customer for Philadelphia Gaming Facilities?



Source: Center City District

If that same suburban resident gambles at the expense of other entertainment and leisure expenditures in Philadelphia, this will have a neutral or, possibly, a negative overall impact.

FINDING: Philadelphia's economy will realize maximum benefits if casino gambling occurs with money that (i) is today gambled in other jurisdictions, (ii) represents new spending from tourists who extend stays in Philadelphia, and (iii) is new spending in Philadelphia by regional residents who increase how frequently they come to Philadelphia for leisure activities.

Not every dollar spent or gambled in Philadelphia will have the same effect on Philadelphia's

economy. For example, it is not clear if there is a greater positive impact if a couple gambles away \$100 at a casino rather than spending it to buy theatre tickets. To the extent that spending truly substitutes for other Philadelphia spending, the analysis of the impact on Philadelphia's economy is driven by the relative taxes imposed, how the business re-spends its operating expenses, and where the owners who retain the "profit" are located.

While the concept is obvious, the calculation is particularly difficult. Even after the fact, it is typically impossible to control for all relevant factors. Where, as is the case here, there is no truly comparable marketplace, an accurate prediction is even more difficult.

That said, there are clearly certain types of spending that are more affected by the substitution effect. In considering the substitution effect on the City of Philadelphia, there are four relevant pools of money that can be wagered in the casino, or spent by visitors on a gambling trip: (i) money that is today gambled elsewhere or spent elsewhere on gambling excursions; (ii) money that will be gambled in Philadelphia that otherwise would have been spent outside of the City; (iii) money that will be gambled in Philadelphia that otherwise would not have been spent at all; and (iv) money that will be gambled in Philadelphia that otherwise would have been spent in Philadelphia on another activity or item.

Recaptured Spending

The dollars that are most easily identified as not being subject to the substitution effect are "recaptured" spending, which are the dollars that are today gambled elsewhere. Recaptured spending, as set forth below, represents approximately half of the Philadelphia gaming market. Additionally, recapturing this spending was a principle driver for enactment of the Gaming Act. Recaptured spending is the one component of this analysis which is easiest to identify and project.

Regional Capture

Also clearly outside the substitution effect are money spent in Philadelphia by visitors who are extending their stays or making trips to Philadelphia that they would not otherwise have made. These dollars, which are now being spent in Philadelphia rather than someplace else, constitute a net gain to the Philadelphia marketplace. Again, there is a substitution effect someplace else, typically the home locale of the gambler or where that gambler currently goes for entertainment.

New Spending

Identifying and tracking the scope of dollars that would otherwise have been saved is almost impossible, and it is unclear what effect this extra spending will have on the local economy.

Substitution Spending

From a policy perspective, money that is spent on gambling that would otherwise have been spent on other Philadelphia activities is the pot of money which most concerns the Task Force. Because of this substitution spending, it is probable that some portion of the economic impact identified in this report is simply a relocation of money spent in Philadelphia away from existing

entities to the casinos. The Task Force has not made a judgment about whether these dollars are good or bad for the Philadelphia economy. Instead, it is important to note that these dollars will have a much smaller, if any, impact on the Philadelphia economy than the other forms of revenue. The Task Force has taken steps throughout this report to try and limit the assessment of these substituted dollars, where possible, and attempts to explain these measures throughout the report.

The Task Force's best analysis of substitution effect is that it will be between 10 and 25 percent of casino gambling and certain other casino-related spending. Those figures are arrived at by subtracting spending that is definitively not substitution spending from the whole and then applying a maximum metric based upon the industry and research experience of the Task Force consultants. The initial subtraction is fifty percent, based upon the estimated recapture effect discussed on page 213. Of the remaining fifty percent, about one-third is food, beverage, and retail spending; based on the Task Force's experts' industry and research experiences elsewhere, food, beverage, and retail spending is apportioned evenly between new spending and substitution spending. Of the remainder, Task Force experts predict substitution spending will be between a small amount and half of the spending, or between 2 and 17 percent of "possible" spending, probably towards the lower end. Thus, the Task Force projects that substitution spending will be between 10 and 25 percent, leaving new, or "incremental" spending at between 75 and 90 percent. This is a best assessment but is only that; it is possible that incremental spending could be as low as 65 percent or as much as 95 percent.

A full discussion of the nature of likely ancillary spending can be found at page 234.

FINDING: Approximately half of all money gambled at Philadelphia casinos will be recaptured dollars that otherwise would have been gambled elsewhere.

One of the principle arguments expounded by the sponsors of the Gaming Act was that billions of dollars annually leave the state to neighboring jurisdictions and that much of that money could be brought home.

The Task Force analysis indicates that it is likely that the Philadelphia casinos will be able to recapture a significant portion of the dollars currently leaving the state to Atlantic City and Delaware racinos. Depending on the scenario, the two Philadelphia casinos alone will annually recapture between \$321 and \$400 million dollars from other jurisdictions. This means that about half, between 47 and 54 percent, of all revenue that will be wagered in these casinos will be recaptured dollars.

TABLE 4.11: Recaptured Dollars from Existing Jurisdictions by Scenario

Scenario	Recapture	% of Total
Two on North-Central Delaware	\$376,137,876	54.77%
One on Market East, one on South Delaware	\$335,951,598	48.77%
One on Market East, one on North-Central Delaware	\$331,384,669	48.28%
One on Market East, one near I-76/Rt. 1	\$366,837,109	50.11%
One on North-Central Delaware, one at Navy Yard	\$321,745,492	48.13%
One on South Delaware, one North-Central Delaware	\$354,242,476	52.39%
Two on South Delaware	\$379,354,153	54.07%
One on South Delaware, one near I-76/Rt. 1	\$399,329,514	54.24%
One at Navy Yard, one near I-76/Rt. 1	\$375,813,773	51.85%
One on Market East, one at Navy Yard	\$324,756,330	47.35%
One at Penn's Landing, one on North-Central Delaware	\$338,671,740	49.21%
Two near I-76/Rt. 1	\$394,344,391	54.02%
One at Penn's Landing, one near I-76/Rt. 1	\$385,571,196	51.56%
One Old Incinerator, one near I-76/Rt. 2	\$400,695,707	54.20%

Source: Innovation Group analysis for the Task Force

FINDING: 62 to 67 percent of gaming revenue in Philadelphia casinos will be wagered by non-Philadelphians.

Depending on the scenario selected, the percentage of gaming revenue derived from non-Philadelphians will be between 62 and 67 percent of Philadelphia casino gaming revenues. Revenues from residents of the Pennsylvania suburbs and the rest of the state outside of the City will be between \$207 and \$322 million, with the higher numbers occurring if at least one casino is near the Western edge of the City.

The amount gambled by Philadelphians varies scenario from 33 to 38 percent by scenario. Even within scenarios, as one might expect, there is great variation by property, with a low of 20 percent at the Adams' Mark site in one scenario.

TABLE 4.12: Revenues by Philadelphians and non-Philadelphians

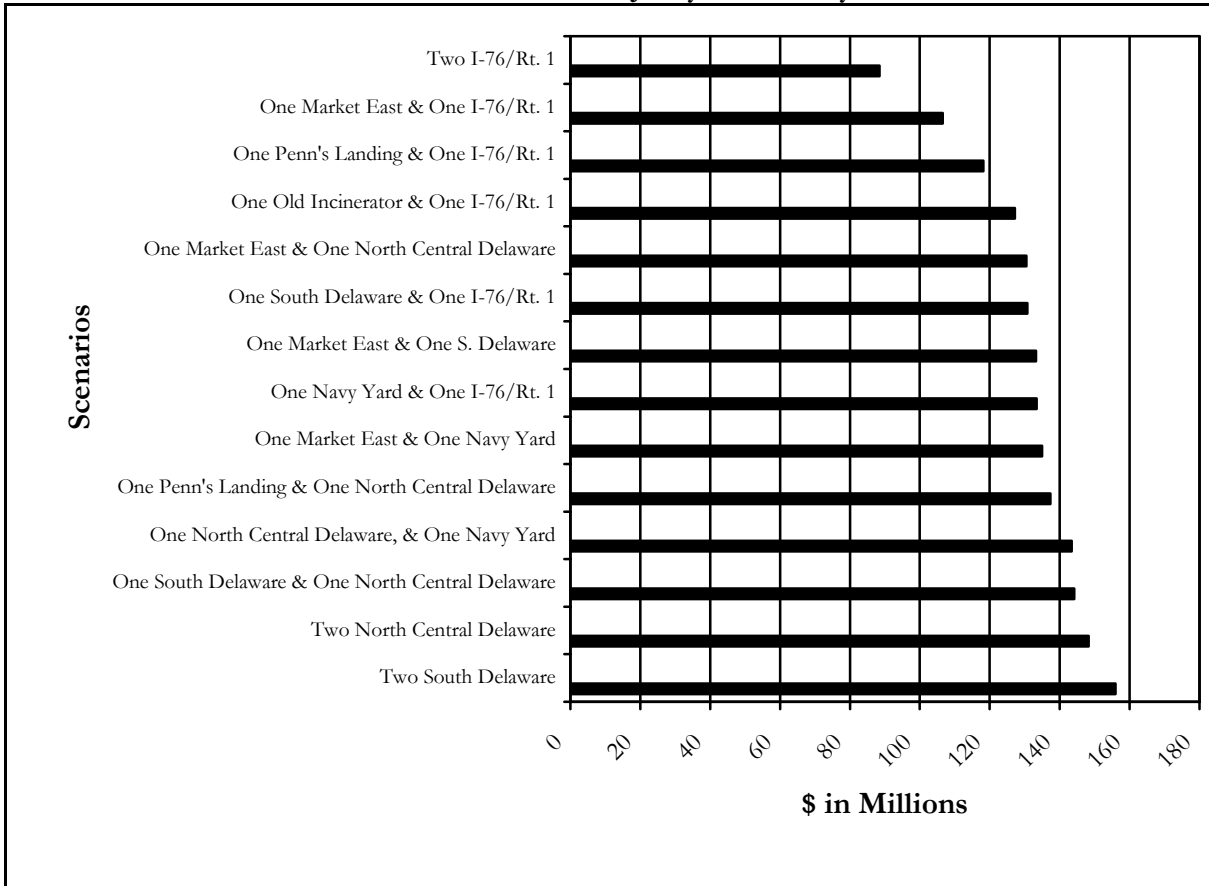
Scenario	Philadelphia	Philadelphia%	Non Philadelphia	Non Philadelphia%
Two North Central Delaware	\$249,213,931	36%	\$209,958,050	64%
One Market East One S. Delaware	\$251,928,356	37%	\$227,887,747	63%
One Market East One North Central Delaware	\$247,029,835	36%	\$226,478,714	64%
One Market East One I-76/Rt. 1	\$254,423,407	35%	\$198,833,519	65%
One North Central Delaware One Navy Yard	\$230,865,256	36%	\$205,908,126	64%
One South Delaware One North Central Delaware	\$257,063,133	38%	\$204,416,401	62%
Two South Delaware	\$255,467,781	36%	\$218,679,791	64%
One South Delaware One I-76/Rt. 1	\$255,814,742	35%	\$192,010,769	65%
One Navy Yard One I-76/Rte-1	\$233,744,764	33%	\$190,899,540	67%
One Navy Yard One Market East	\$229,808,509	34%	\$230,751,715	66%
One North Central Delaware One Penn's Landing	\$244,931,517	36%	\$228,908,320	64%
Two I-76/Rt. 1	\$262,098,790	36%	\$145,124,123	64%
One I-76/Rt. 1 One Penn's Landing	\$258,106,120	35%	\$209,441,523	65%
One I-76/Rt. 1 One North-Central Delaware	\$262,969,609	36%	\$189,592,465	64%

FINDING: A significant portion of the Philadelphia gaming market will cross the Delaware River from New Jersey.

A recent New Jersey poll found that ten percent of New Jersey residents predict that they would alter their behavior and gamble in New York or Philadelphia rather than Atlantic City once new casinos open. Our market survey and models confirm that certain New Jersey residents are likely to gamble in Philadelphia.

In fact, revenue from gambling by New Jersey residents at the two Philadelphia facilities will likely exceed \$100 million annually, potentially by a significant amount. In all but one of the scenarios, Task Force experts predict revenues from New Jersey residents will exceed \$106 million, with a high prediction of \$156 million. The final scenario, with both casinos near the City's Western edge, still yields \$88 million in revenue from gambling by New Jerseyans.

GRAPH 4.5: Revenue from New Jersey Residents by Scenario

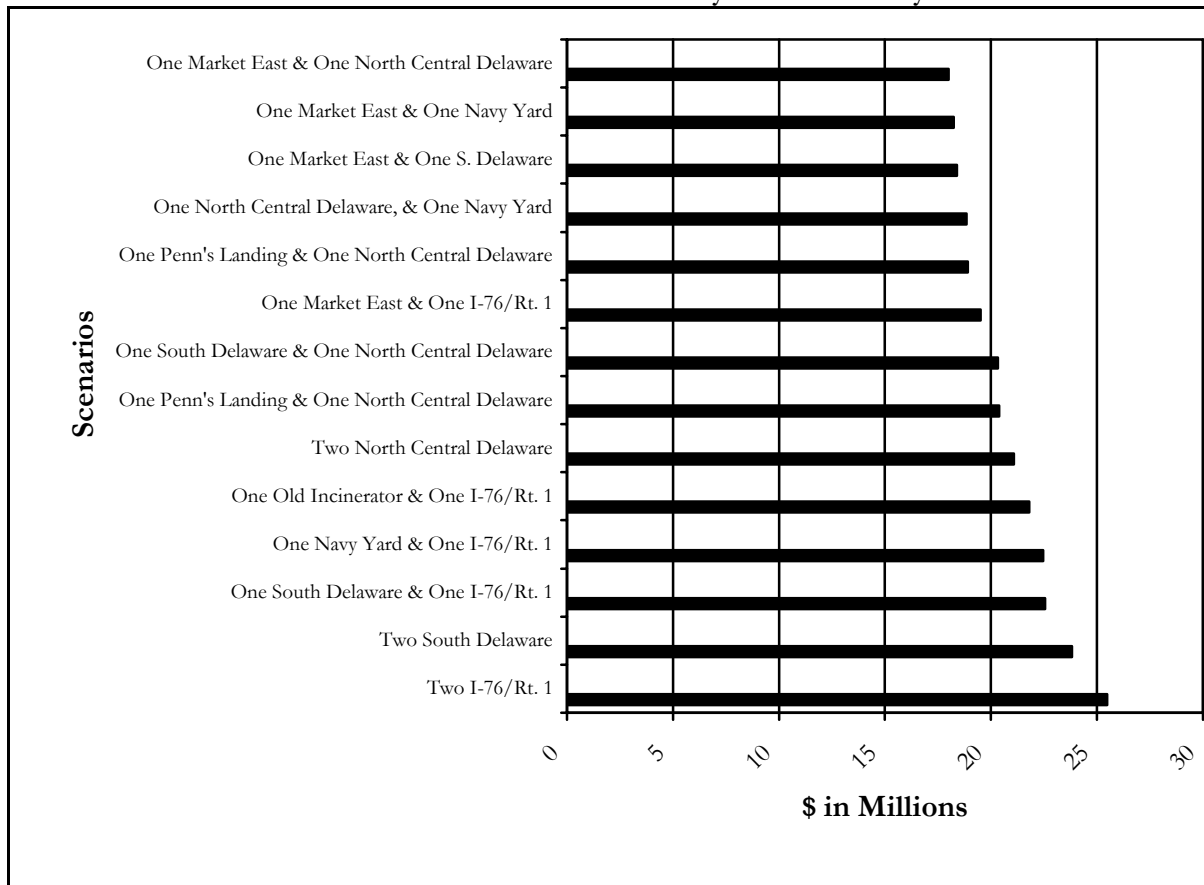


SOURCE: Innovation Group Projections prepared for Task Force

FINDING: Maryland and Delaware residents will be only a small portion of the Philadelphia gaming market.

Subject to interception on the way to Philadelphia by both the Delaware casinos and Chester Downs, it is probable that Delaware and Maryland residents out for a day of gambling will gamble closer to home. Task Force scenarios show revenues from residents of both states combining for \$18 to \$25 million in gaming revenues.

GRAPH 4.6: Revenue from Delaware and Maryland Residents by Scenario



SOURCE: Innovation Group Projections prepared for Task Force

FINDING: Overnight tourists are part of the Philadelphia target market, but represent at most twelve percent of the predicted gaming revenue.

The wide and continually-growing variety of gambling destination options and the proximity of Atlantic City result in predicted revenue from overnight guests at a level much lower than that which might otherwise be expected. Depending on whether a casino is proximate to the concentration of Center City hotels, overnight tourists will likely make up between four and twelve percent of the gaming market.

In scenarios with a single casino on Market East or Penn’s Landing, the model predicts overnight tourist gaming revenue about \$74 million annually, or ten to twelve percent of predicted gaming revenue. Scenarios with one or both casinos on the Delaware River Waterfront average \$39 million annually, which is about six percent of gaming revenue. The scenario with both casinos near the Schuylkill Expressway/Route-1 interchange will likely only draw about \$31 million, or about four percent of gaming revenue, in annual spending from overnight visitors.

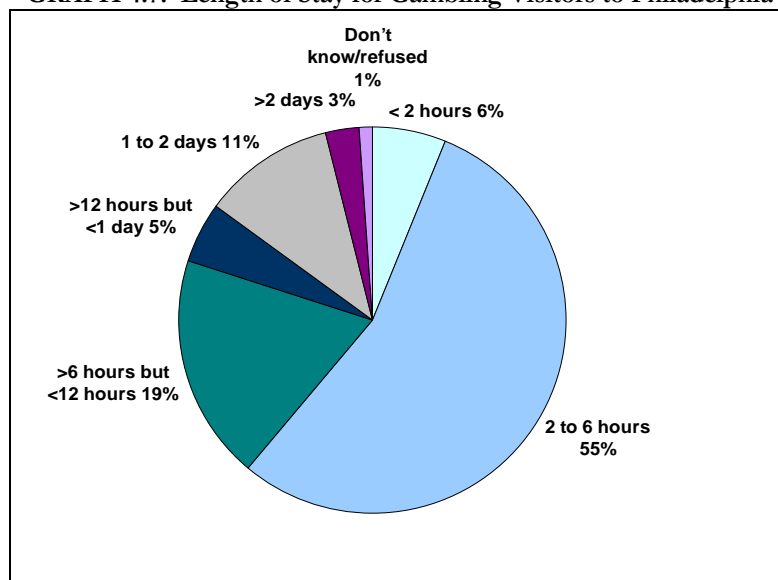
TABLE 4.13: Overnight Market Visits and Gambling by Scenario

Scenario	Annual Visits	Annual Win
Scenario 1 Two on North Central Delaware	562,985	\$40,590,922
Scenario 2 Market East and S. Delaware	1,055,390	\$76,250,551
Scenario 3 One on Market East, one on North-Central Delaware	1,079,440	\$77,998,507
Scenario 4 One on Market East, one in I-76/Rt. 1	1,007,290	\$72,754,494
Scenario 5 One on North-Central Delaware, one at Navy Yard	605,551	\$43,650,302
Scenario 6 One on South Delaware, one North-Central Delaware	553,366	\$39,892,071
Scenario 7 Two on South Delaware	538,936	\$38,841,179
Scenario 8 One on South Delaware, one in I-76/Rt. 1	536,531	\$38,666,467
Scenario 9 One in Navy Yard, one in I-76/Rt. 1	488,797	\$35,006,971
Scenario 10 One on Market East, one at Navy Yard	1,073,906	\$77,563,616
Scenario 11 One at Penn's Landing, One on North-Central Delaware	999,469	\$72,674,235
Scenario 12 Two in I-76/Rt. 1	435,742	\$31,169,331
Scenario 13 One at Penn's Landing, one in I-76/Rt. 1	975,419	\$70,972,835
Scenario 14 One Old Incinerator, one in I-76/Rt. 2	562,985	\$40,590,922

Source: Innovation Group analysis for the Task Force

The model's projection is consistent with findings of a survey of 176 Philadelphia overnight hotel guests. Fifty-seven percent of all respondents said that they would have been significantly likely to have visited a slots-only casino and 41 percent said they would have extended their stay had Philadelphia had a casino. This survey was uncontrolled and was filled out voluntarily by guests checking out of several local hotels, but even with those limitations, the survey demonstrates that there is a substantial portion of current hotel guests who would extend their stays and gamble in Philadelphia.

The projections are also generally consistent with the results of the Task Force's market survey of regional residents, in which 14 percent of respondents indicated that they would stay overnight on gambling trips to Philadelphia. That number jumped to 25 percent when the analysis was limited to respondents who live in the region but not in the seven nearest counties. Furthermore, of those planning to stay overnight, 62 percent would expect to stay in a Philadelphia hotel.

GRAPH 4.7: Length of Stay for Gambling Visitors to Philadelphia

Source: Alea Advisors market research survey for the Task Force

With the exception of the relatively high overnight rate, a possible manifestation of the other draws of metropolitan Philadelphia, the market survey yielded results that are typical in the gaming industry for non-destination casinos. A majority of gamblers would come for an afternoon or evening, with 55 percent of respondents predicting a stay of 2 to 6 hours. Also typical and logical is that most gamblers would play for at least two hours after traveling from outside of the City to the casino, with four of five gamblers projecting stays of more than two hours but less than a full day.

Philadelphia Casinos in the Competitive Regional Marketplace

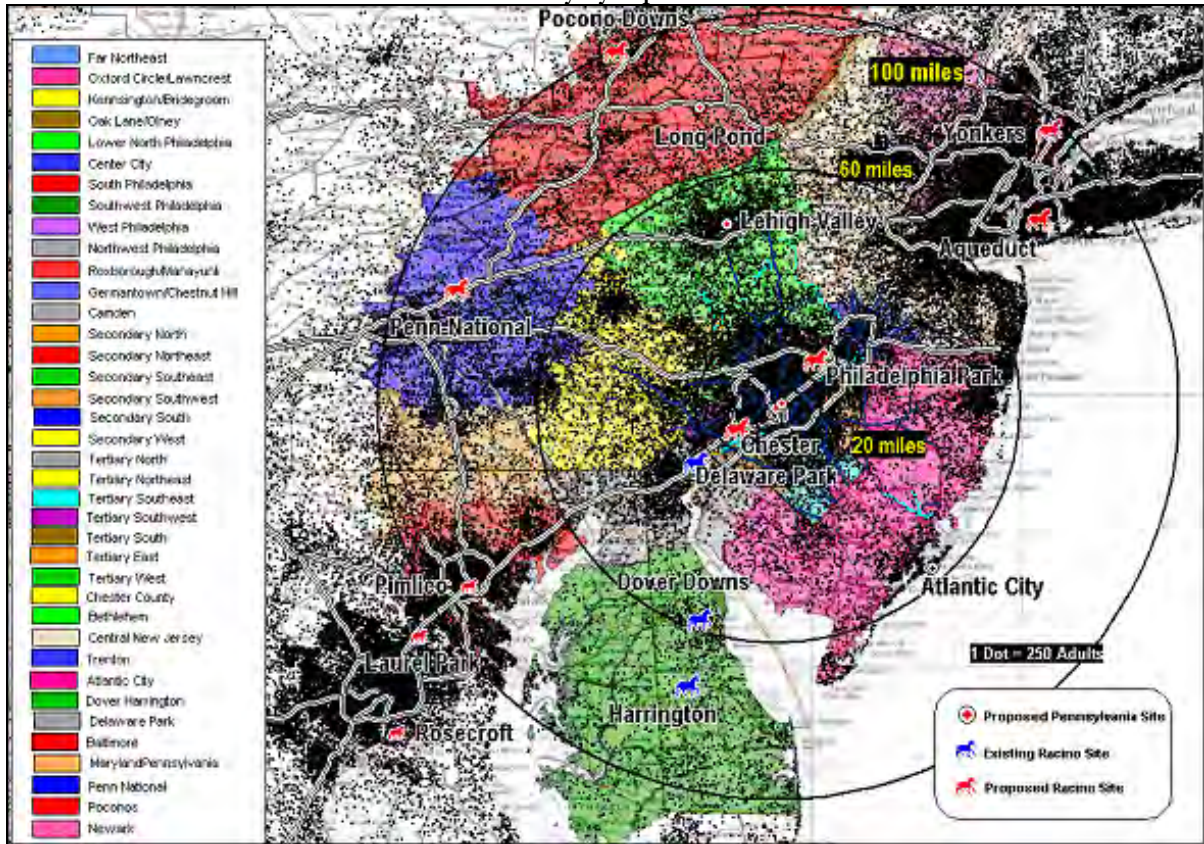
Casino growth is pervasive throughout the mid-Atlantic region, with new casinos and racinos scheduled to open in New York and Pennsylvania, and significant facility and amenity expansion planned or underway at existing facilities in Connecticut, Delaware, New Jersey, New York, and West Virginia. Additionally, Maryland has repeatedly attempted to legalize slot machines, with a legislative initiative only narrowly failing in the 2005 session.

The two Philadelphia casinos will have to compete in this market, which is itself becoming more competitive, in part due to the increased competition brought by legalized gambling in Pennsylvania. Atlantic City casinos have broadened their activities to include beach bars, shifted headliner marketing to a new generation of acts, are developing nightclubs, and are importing bars, restaurants and retailers with Philadelphia roots.

While each facility will have different competitive advantages and disadvantages, the two Philadelphia casinos will have their own advantages. No other casino will be as close to urban cores as the Philadelphia facilities will potentially be. Philadelphia the city brings ready-made tourism, convention and business visitors to the area, and unique historical assets that are already

part of a strong tourism marketing program. But most importantly, in an industry where consumers are largely driven by proximity, the Philadelphia casinos will have the competitive advantage of being closer to larger masses of people than any of the regional competitors, except the two New York race tracks currently being converted to racinos.

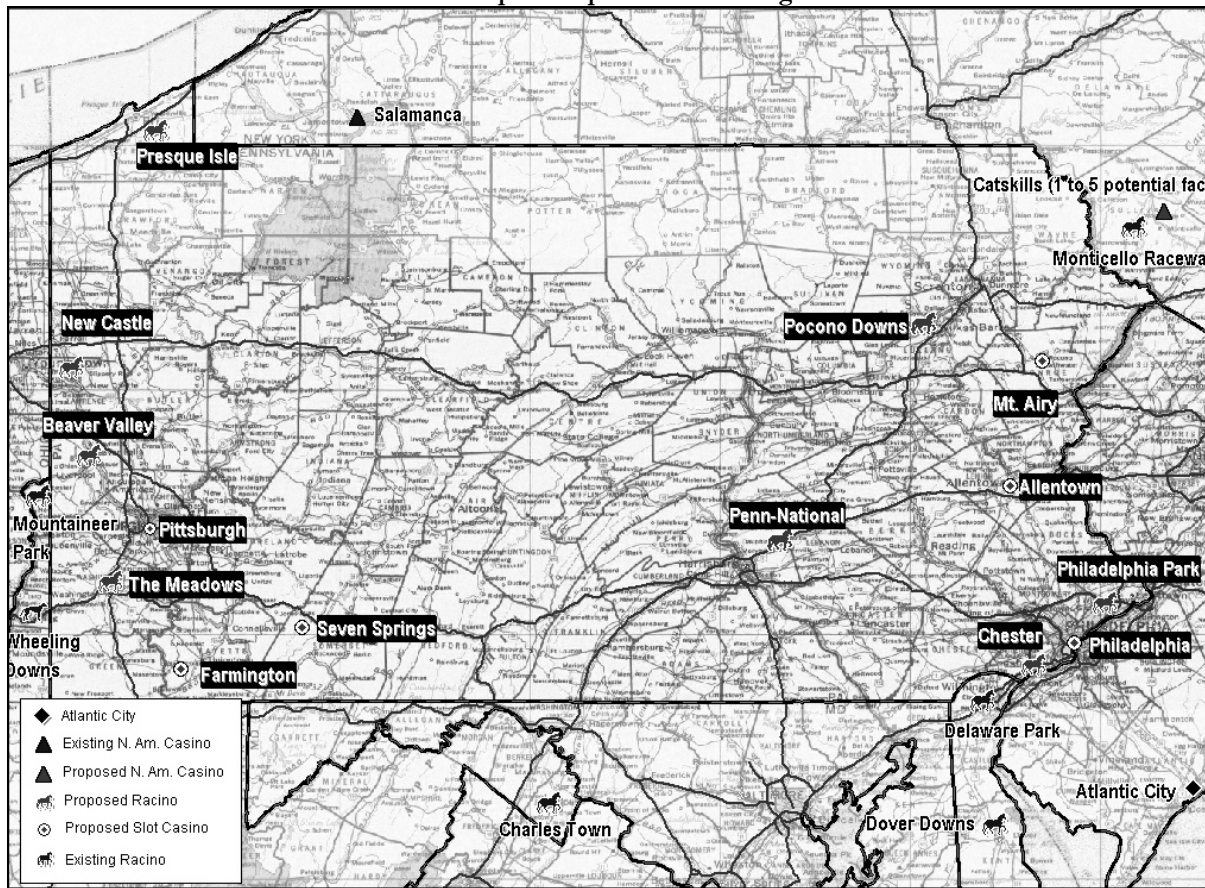
IMAGE 4.3: Delaware Valley Gaming Market Regions with Competitive Sites with 2010 Adult Population Density by Zip Code



Pennsylvania Racinos and Casinos

The Task Force projects that there will be racinos in Bensalem (Philadelphia Park), Wilkes-Barre, Chester (Chester Downs) and at Grantville. Projections are that the Chester and Philadelphia Park facilities will open with 3,000 gaming devices, whereas our model assumed that the Downs at Pocono will open with the minimum 1,500 and Penn National’s Grantville facility will have 2500 machines. There are also widespread projections that a stand-alone facility will be located in Bethlehem, Allentown, or somewhere else in the Lehigh Valley. The Task Force model has projected there to be a 3000-slot machine casino opening in the Lehigh Valley about when the two casinos open in Philadelphia.

IMAGE 4.4: Map of Proposed PA Gaming Facilities



Source: Innovation Group

Atlantic City Casinos

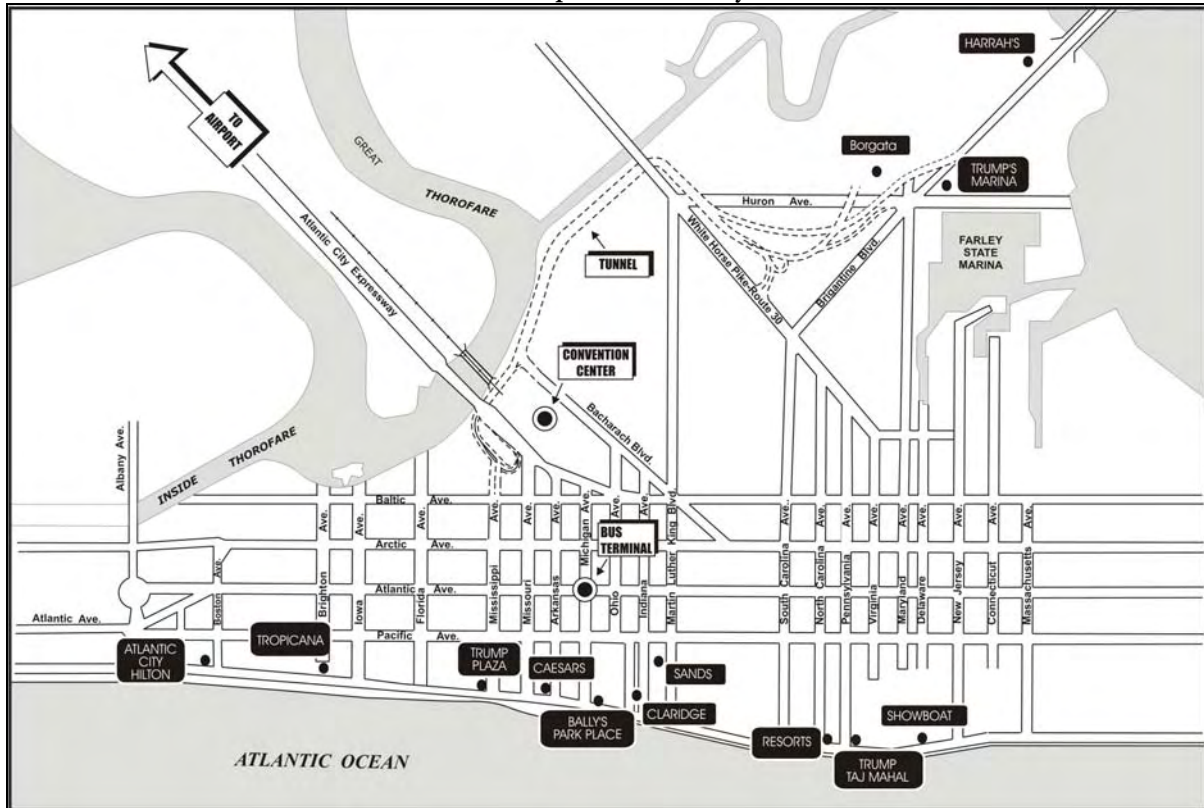
Located 61 miles from Philadelphia, Atlantic City is the second oldest major gaming market in the county, with its first casino opening in 1978. Atlantic City today has more than 1.2 million square feet of gaming space, over 40,000 slot machines, and 1,400 table games among 12 casinos.

The Atlantic City marketplace is changing, most prominently with the construction and planned expansion of the Borgata and the expansion of the Tropicana.

In June 2003, the Borgata opened in the Marina District and features approximately 2,000 hotel rooms, 3,600 slots, 160 table games, a 50,000-square foot European-style spa, several restaurants, and retail facilities. Its marketing focus has been on higher-end and younger gamblers. The construction and operating approach appears to have worked, as Atlantic City gambling revenues increased from \$4.4 billion in 2003 to \$4.8 billion for the year end 2004, with the growth generally attributed by industry officials to a full year of operations at The Borgata.

Further, Borgata officials have announced that they are rolling some of their profits back into the casino, planning a \$200 million gaming and amenity expansion, on top of an underway \$200 million casino expansion includes approximately 600 slots, 34 tables, new restaurants, nightclubs, and other attractions.

IMAGE 4.5: Map of Atlantic City Casinos



Source: Innovation Group

Competitive pressures, including Pennsylvania gaming and the Borgata, have spurred other casino operators to reinvest in their properties, as other Atlantic City facilities are now developing amenities to also attract the 25 to 39 demographic. The Casino Reinvestment Development Authority has approved an expansion and renovation at Harrah's Showboat and renovations at Caesars Palace and Bally's.

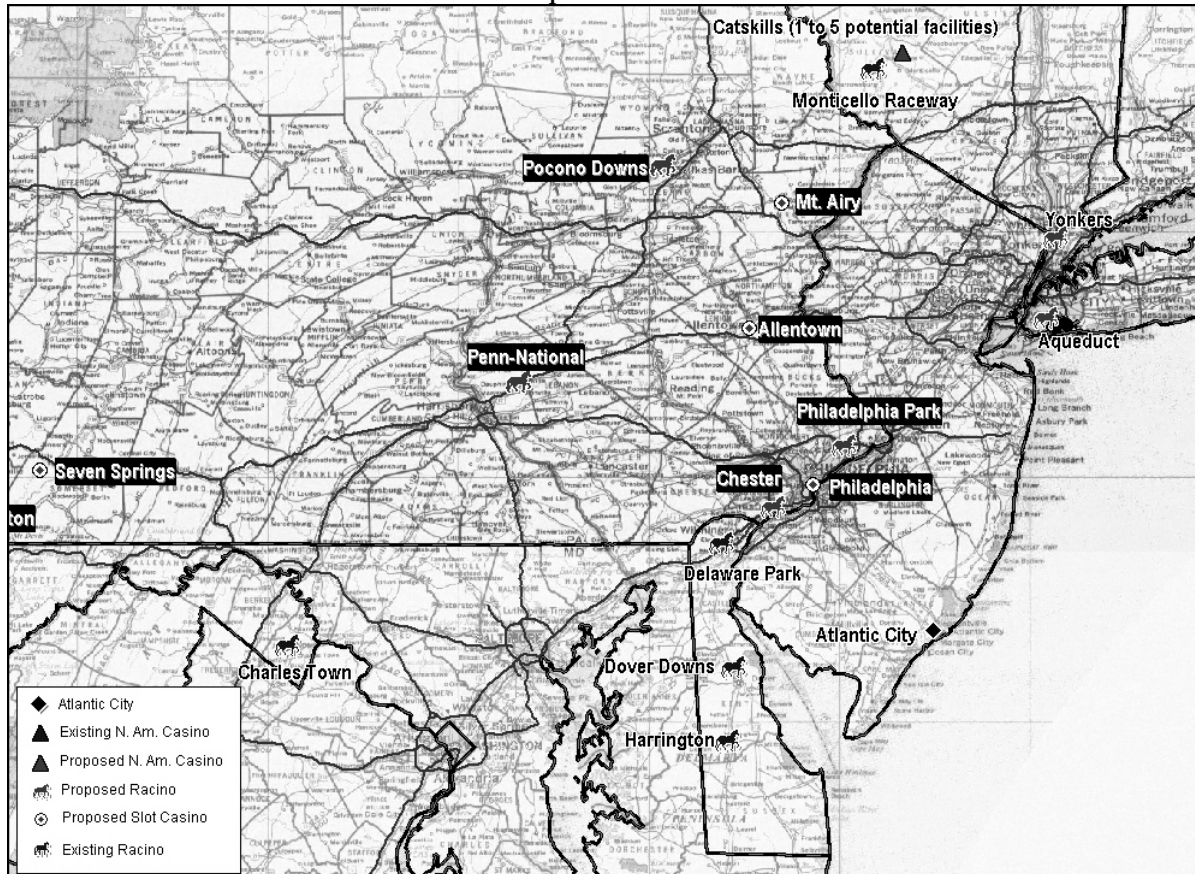
The first expansion, underway well before the Borgata was completed, is a \$280 million non-gaming expansion at the Tropicana called "The Quarter." The Quarter features over 200,000 square feet of dining, retail, and entertainment space with many of the amenities featuring Philadelphia ties and targeting Philadelphia consumers. The Quarter includes a 505-room hotel tower, 45,000-square feet of meeting space, and additional parking.

Delaware Racinos

Delaware is home to three racino properties, located in the cities of Wilmington, Dover and Harrington. Delaware Park Racetrack and Casino is 32 miles southwest of Philadelphia in

Wilmington, features 2,500 video lottery terminals, and is planning a significant hotel/restaurant/entertainment complex expansion. Dover Downs also has 2500 machines, is 80 miles southwest of Philadelphia, and features a 200-room hotel and conference center and several restaurants. The Harrington Raceway is located approximately 97 miles southwest of Philadelphia and holds only 1,500 slot machines. The three facilities generated a combined win of \$553 million for year end 2004, with Delaware Park, the facility drawing from the Philadelphia marketplace, generating almost half that total, \$261 million.

IMAGE 4.6: Map of Delaware Racino Sites



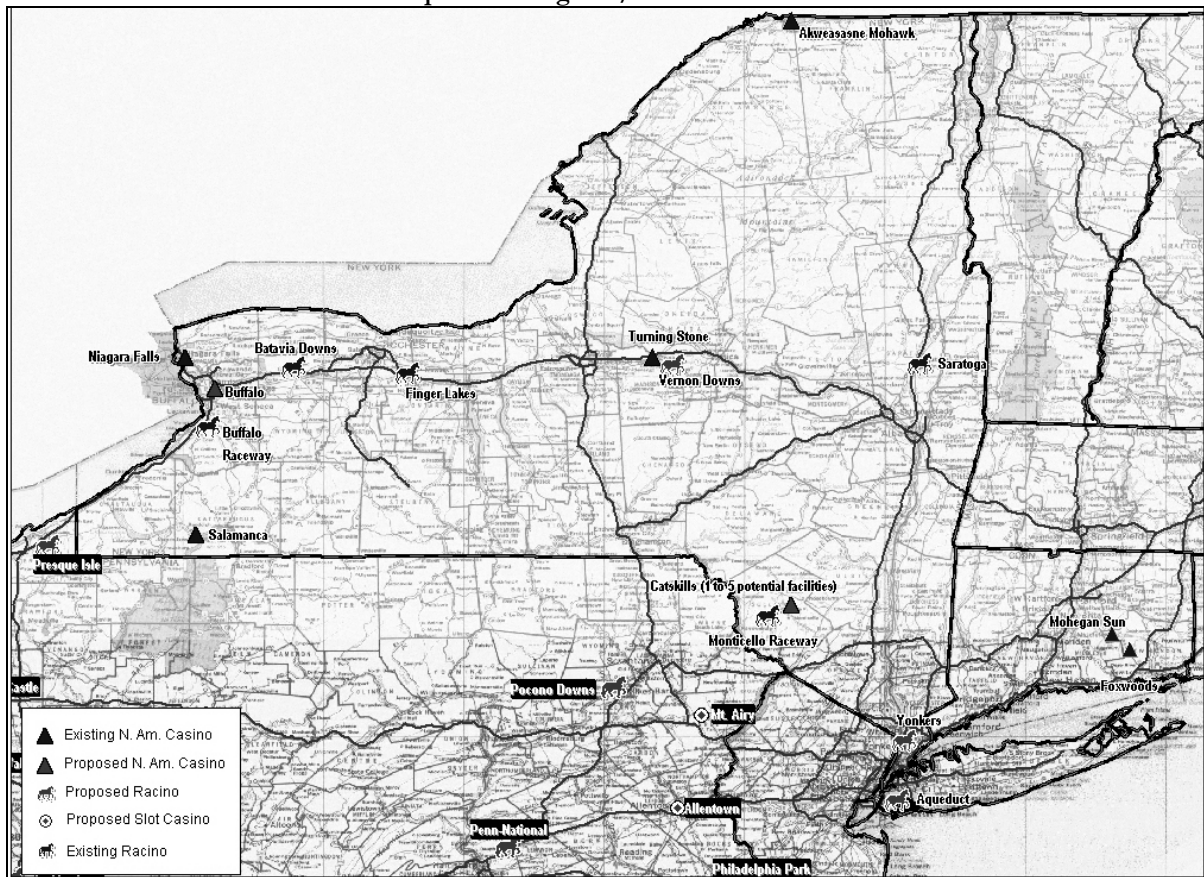
Source: Innovation Group

There is the potential for additional development in Delaware in response to any expanded gaming in Pennsylvania. There have been published reports calling for either a riverboat operation or a stand-alone full service casino in or near Wilmington. While Delaware expansion would likely negatively impact Chester Downs, its impact on Philadelphia’s facilities would be limited. Further, expanded Delaware gambling has met local opposition and would likely negatively impact revenues at the existing Delaware properties, which could be expected to lobby strongly against expansion.

New York Racinos and Casinos

There are currently five operating racinos in New York: Finger Lakes Racetrack, Buffalo Raceway, Saratoga Harness, the Mighty M in Monticello, and the recently-opened Batavia Downs. The New York facilities have numerous limitations on operations that constrain their ability to be competitive with full-scale casinos, including smoking bans, limits on machine game types, limited operating hours, and a high tax rate that makes marketing, advertising, and most forms of customer service (such as players clubs and free soft drinks) either limited or non-existent, although recent legislation will give the racinos the ability to spend more on marketing and facility improvements.

IMAGE 4.7: Map of Existing and/or Planned New York Casinos



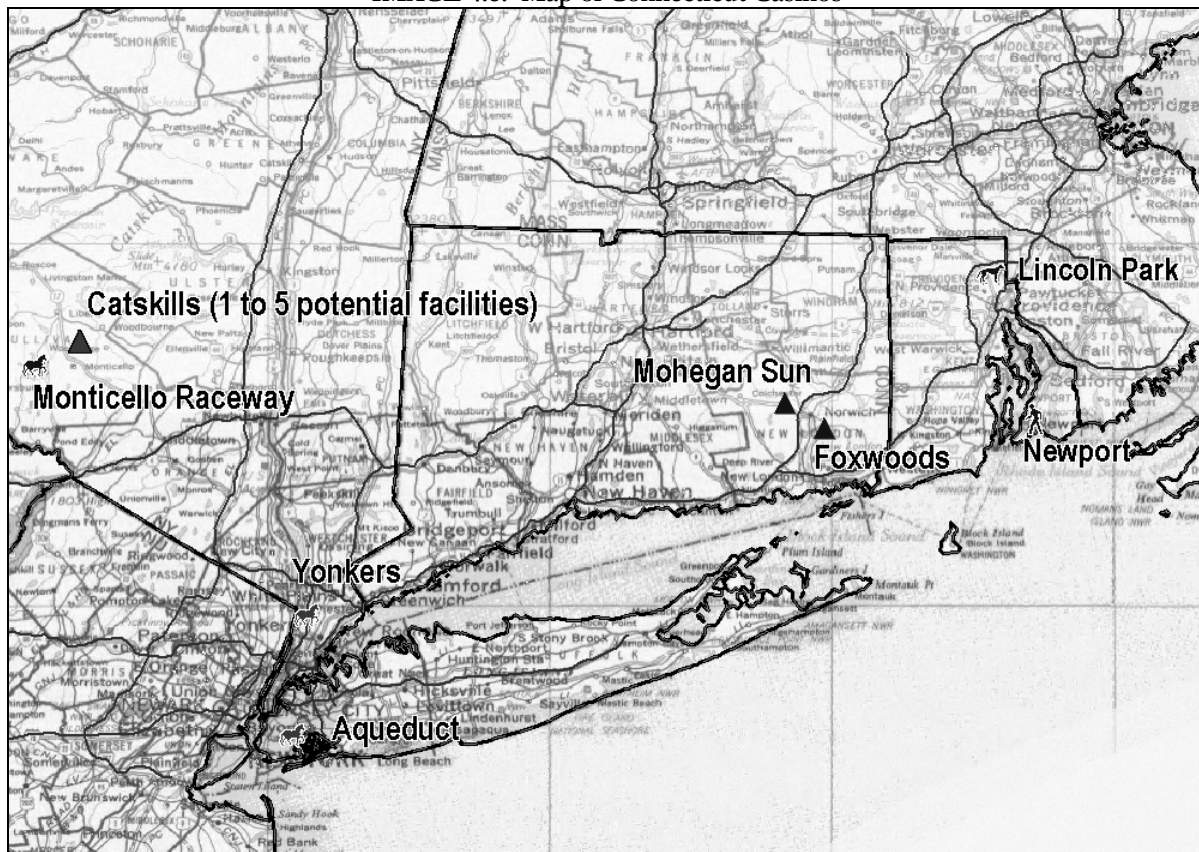
Source Innovation Group

New York is planning expansion, with both Aqueduct and Yonkers Raceway each likely to install between thousands of terminals in the coming year, and multiple proposals being floated for the Catskills. The location of these racinos in the heart of New York City will limit the geographical draw of these properties. In the Catskills, the varying plans generally are for an additional 15,000 gaming positions, but it is unclear if these positions will be in two to three casinos or in one large Native American casino. While the New York facilities are unlikely to compete for the Philadelphia marketplace, they do limit the likelihood that Philadelphia will draw a significant number of gamblers from New York City.

Connecticut Casinos

Connecticut is home to the two largest casinos in the world, Foxwoods and Mohegan Sun. These two casinos offer nearly 13,000 slots and 550 gaming tables. The slots alone generate well over \$1.5 billion annually, and with table games annual revenues approach \$2.3 billion.

IMAGE 4.8: Map of Connecticut Casinos



Source: Innovation Group

Foxwoods is the larger of the two properties, but they have comparable revenues. In recent years both Foxwoods and Mohegan Sun have continuously expanded their properties, and made them far more attractive and amenity-filled than any other East Coast casino, and Foxwoods has announced a major expansion that might allow it to compete for destination travel with Atlantic City and Las Vegas. Currently, however, New England is the primary source of patronage for these casinos, with a substantial number of metro-New York gamblers also attracted to the casinos as proximate alternatives to Atlantic City.

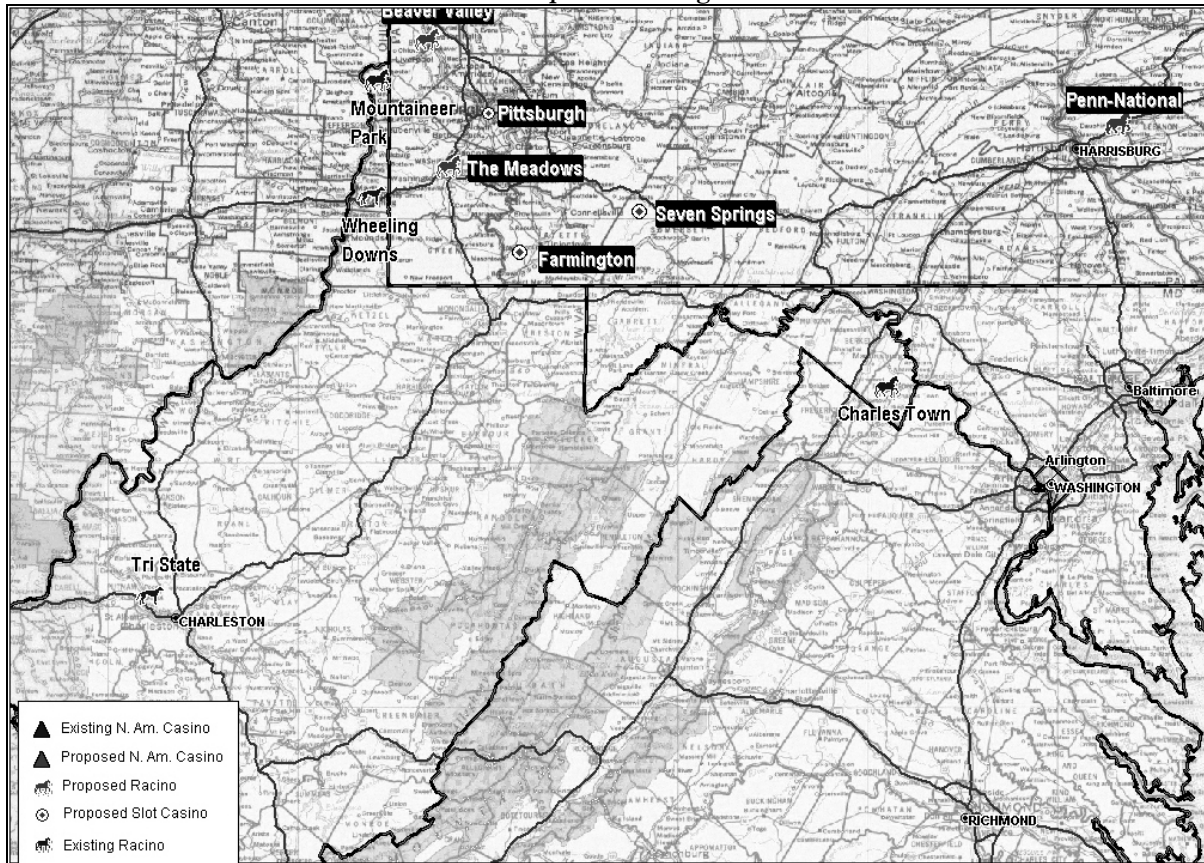
West Virginia Racinos

West Virginia is home to four racino facilities, only one of which, the Charles Town Races and Slots facility, is part of the mid-Atlantic region. Charles Town is located approximately 170

miles west of Philadelphia and draws gamblers from the Baltimore area and central Pennsylvania, gaming markets which are largely beyond the reach of Philadelphia casinos.

As is the case in Delaware, the facility nearest the I-95 corridor generates the lion's share of revenue. In 2004, the Charles Town facility generated approximately \$360 million in revenue, which was 42 percent of West Virginia's revenue from four facilities. Charles Town is sufficiently far away from Philadelphia, and is separated from Philadelphia by both existing Delaware racinos and planned Pennsylvania racinos such that there will be minimal, if any, effect on Philadelphia from gambling in West Virginia.

IMAGE 4.9: Map of West Virginia Casinos



Source: Innovation group

West Virginia is also considering legalizing table games as a response to legalized gambling coming to Pennsylvania. However, as with the current slot gambling, the Task Force analysis shows that distance and other options dictate that table games in West Virginia would have minimal to no impact on Philadelphia slots facilities.

FINDING: Philadelphia's ability to compete in the greater regional gaming market will have a significant impact on New Jersey and Delaware gaming revenues.

The arrival of Pennsylvania gaming will dramatically affect Atlantic City and Delaware revenues,

with the bulk of the diverted revenues being gambled at casinos in Philadelphia and the Lehigh Valley and the racinos in Chester, Bensalem, and Harrisburg. This analysis, however, is based upon the unrealistic assumption that Atlantic City and Delaware operators are not and will not respond to the competitive pressures exerted by Pennsylvania casinos. Instead, this represents only the reduction in potential from the existing competitive current market based on their current and past product, if either marketplace undergoes dramatic changes, the impact on the affected operators will be dramatically altered.

Overall, and depending on scenarios implemented in Philadelphia, the impact on Atlantic City revenues is expected to vary between a 12 percent and a 13.6 percent decline, with the portion of Atlantic City's market originating from the Philadelphia marketplace declining about 16 percent. These findings are consistent with a report generated by Penn National, a national gaming company that owns a future racino site in Pennsylvania, shows that the number of gamblers for whom Atlantic City is the most convenient option will drop from 2.28 million to 930,000 once all Pennsylvania venues are opened.

The impact on Delaware revenues will be even greater, with a reduction in revenue of approximately 23 percent.

While these figures clearly demonstrate the likely success of the Gaming Act in recapturing dollars, they also indicate the insecurity of out of state capture dollars. Although currently unlikely, an expansion of New Jersey gaming to the Delaware River would likely counter Philadelphia's proximity advantages to gamers in the suburban New Jersey counties.

FINDING: In the Philadelphia region, Atlantic City casinos have a competitive advantage because of table games; best estimates are that slots-only casinos forego 20 to 25 percent of revenues that could be gained by a casino with table games.

While legalizing slot machines, the Gaming Act has not legalized table games such as blackjack, roulette and poker (although video versions, such as video roulette and video poker will be legal). While table games are a relatively small percentage of the gaming market, they still represent hundreds of millions of foregone dollars statewide and well over \$100 million in foregone revenue from Philadelphia casinos. Table games are also the most employee-heavy form of gambling, so that eliminating table games eliminated a substantial portion of casino-floor jobs.

In most American jurisdictions, table games account for 12 to 17 percent of revenues at casinos, although they account for a significantly higher proportion in Atlantic City and Nevada, where table games attract national and international players, and a significantly lower portion in Colorado, where table game stakes are limited to five dollars per hand.

TABLE 4.14: Relative Percent of Revenues from Slots and Tables

	% Slot Revenue	% Table Revenue
Colorado	96%	4%
Illinois	86%	14%
Indiana	83%	17%
Iowa (Riverboats only)	88%	12%
Mississippi	84%	16%
Missouri	88%	12%
Nevada	77%	23%
New Jersey	74%	26%

Source: Innovation Group analysis for the Task Force of numbers published by state regulators

The experts the Task Force consulted expect Philadelphia casinos to bring in amounts closer to the higher end of the national range because of local gamblers' familiarity with Atlantic City table gaming and the growing share of the gambling market attributable to the poker trend of the last three years. Thus, there is the potential for table game revenues to generate about 20 percent of initially projected slot revenues, comprising 16 to 17 percent of total gaming revenues once table games are included. Additionally, legalization of table games would likely lead to a small increase (2 to 3 percent) in slot play because Pennsylvania will be able to compete for the business of couples where one partner wishes to play table games and the other wishes to play slots.

FINDING: In other new markets, excessive regulatory restrictions on casino and facility operations have sometimes caused problems.

The casino industry succeeds because players believe that the games are fair, even though slightly stacked in favor of the house. That perception of fairness derives from the heavy regulation which is imposed upon the casinos. That regulation is unquestionably necessary and is generally supported by both the industry and the public.

However, other gaming industry regulation is not always benign. There have been instances, most notably in New Orleans, of excessive government interference with what the casinos can do on the gaming floor, and what amenities casinos can offer, that have restricted operations that would have otherwise been profitable from turning a profit.

When it first opened, in an attempt to protect French Quarter hotels and restaurants from a perceived threat, the New Orleans casino was prohibited from having a hotel or even a restaurant. As a result of these regulations, and likely due to some bad publicity following the allegation of gaming-related corruption involving Louisiana's governor (he was convicted in 2000), Harrah's New Orleans went bankrupt. Twice. The president of Harrah's entertainment at the time said:

"Optimal revenues can't be achieved in an environment that limits the casino's ability to offer customers what they get from competitors just a few miles away, and I specifically mean its inability to profitably offer rooms, food and beverages to its customers.... It must be able to compete on an equal basis with those casinos just a short drive across the Mississippi border."

Louisiana eventually learned from its error. Today, the room, food and beverage restrictions have been lifted and Harrah’s offers on-site restaurants and is constructing an additional entertainment mall called Fulton Street and a 450-room hotel. And, as discussed above, Harrah’s New Orleans is profitable.

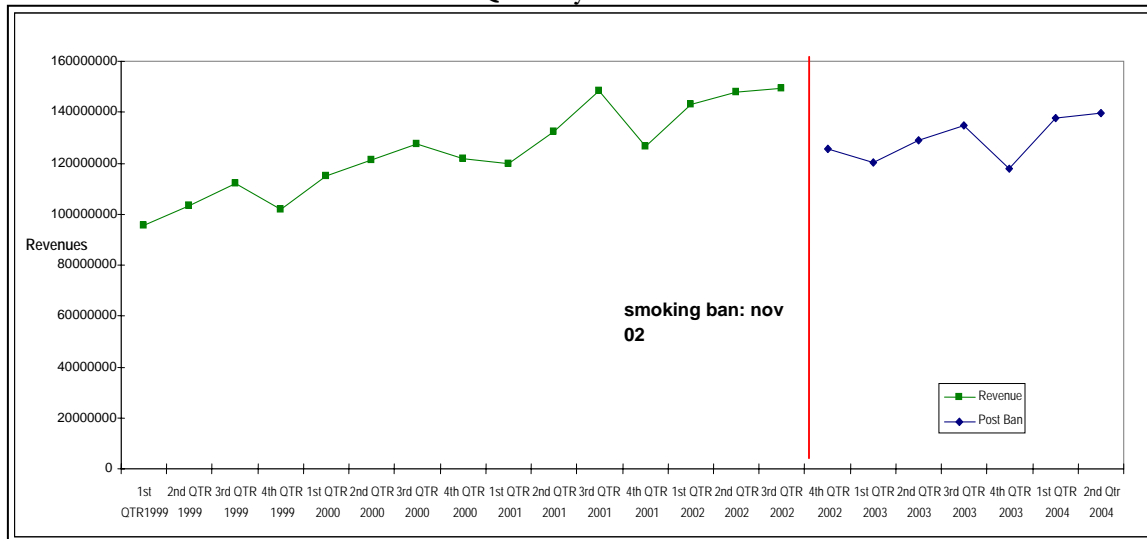
FINDING: Casino smoking bans could be a competitive disadvantage and likely will have a short-term, and potentially a long-term, negative effect on revenue.

It is expected that the City of Philadelphia will enact a smoking ban by the end of 2005. Similar bans recently have been imposed at gaming facilities in Delaware and in several other locations around the world. In each case, there was a short-term negative effect on casino play and insufficient time has passed to judge long-term effects.

In Delaware, the smoking ban went into effect on November 2, 2002. In the three months following the ban, compared to the prior year, statewide slot revenues declined 16.2 percent. The Task Force has found no other logical correlation or causation factor that could have caused this drop.

In Victoria, Australia, there was a 11.5 percent drop in gaming revenue in the three months following the implementation of a smoking ban. It is worth noting that smoking is much more prevalent in Australia, where 21 percent of the population smokes, and that Australian gamblers self-report smoking 2.5 times as often as other Australians.

GRAPH 4.8: Quarterly Performance Statistics



Source: Innovation Group analysis for the Task Force of numbers published by Delaware authorities

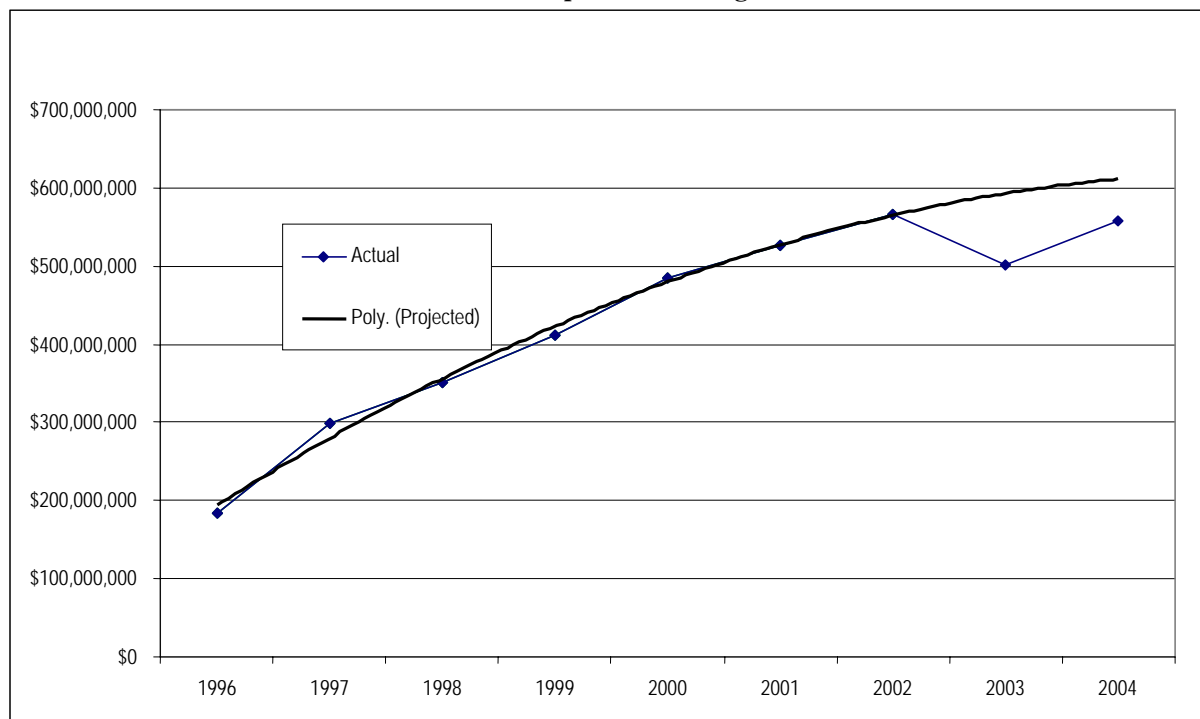
TABLE 4.15: Annual Win of Delaware Racinos (US \$)—Calendar Year

	Delaware Park Win	% Change	Dover Downs	% Change	Harrington Win	% Change	Total Win	% Change
1996	\$111,205,411		\$58,485,700		\$14,687,300		\$184,378,411	
1997	\$150,560,900	35.4%	\$90,133,000	54.1%	\$58,211,200	296.3%	\$298,905,100	62.1%
1998	\$171,902,200	14.2%	\$113,115,400	25.5%	\$65,803,600	13.0%	\$350,821,200	17.4%
1999	\$203,751,200	18.5%	\$141,300,000	24.9%	\$67,442,100	2.5%	\$412,493,300	17.6%
2000	\$245,470,800	20.5%	\$156,999,600	11.1%	\$82,633,900	22.5%	\$485,104,300	17.6%
2001	\$263,421,200	7.3%	\$168,373,700	7.2%	\$95,145,000	15.1%	\$526,939,900	8.6%
2002	\$268,209,000	1.8%	\$186,893,500	11.0%	\$110,807,400	16.5%	\$565,909,900	7.4%
2003	\$233,889,500	-12.8%	\$167,411,100	-10.4%	\$100,699,100	-9.1%	\$501,999,700	-11.3%
2004 est	\$264,608,378	13.1%	\$185,200,669	10.6%	108,467,845	7.7%	\$558,276,892	11.2%

Source: Innovation Group analysis for the Task Force of numbers published by Delaware authorities

While it is clear that the trend exists in the short-term, less certain is the long term effect. This potentially reflects counterbalancing decisions to forego smoking and the attraction of other gamers who are put off by pervasive smoke. In Delaware, the trend turned upwards within six months of the ban, And in the second year revenues increased by 11.2 percent, recapturing 99.9 percent of the losses from the first year. The 11.2 percent growth compares favorably to the 8 percent growth in the two years preceding the smoking ban's effective date.

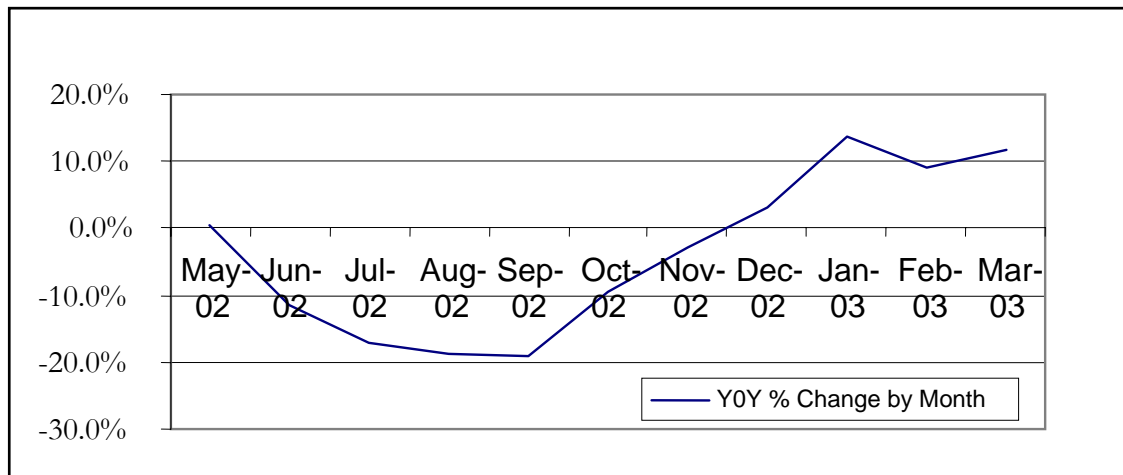
However, while there has been recovery, revenues have not returned to the level they probably would have reached but for the ban. The chart below displays a developed trend line for revenues prior to the Delaware smoking bans and extended these two years for 2004. Compared to 2003 and 2004 revenues, this shows approximately a continuing, but reducing, decline of 7.7 percent by the second year.

GRAPH 4.9: Estimated Impact of Smoking Ban on Delaware

Source: Innovation Group analysis for the Task Force of numbers published by Delaware authorities

Similarly, in Victoria, which has a large seasonal shift so must be evaluated on a year-over-year basis, the drop stabilized after the first quarter, but the year-over-year results stayed low until post-ban months were being compared to other post-ban months. As soon as the data artifact passed, monthly revenues began to post minimal gains of between two and five percent.

There are potential amelioration strategies, particularly the use of a “designated smoking room.” Casino Halifax, in Halifax, Nova Scotia, has a smoking ban that allows for an area up to 25 percent of the gaming floor to be a designated smoking room. After three months of very minor drops, month-over-month revenues have consistently risen since the ban went into effect. The Burnaby casino in Vancouver, British Columbia, instituted a designated smoking room six months after a smoking ban went into place (December 2002 on the chart below). It appears that the use of the designated smoking room accelerated recovery from the initial post-ban dip. In fact, as soon as the smoking room was created, lost growth was recovered and growth over prior years resumed.

GRAPH 4.10: Post Ban YoY Change in Slot Drop

Source: Innovation Group analysis for the Task Force of numbers reported to British Columbia regulators

Although New York also bans smoking in its racinos, it is not included in this analysis because other regulatory restrictions and other changes that make longitudinal analysis inappropriate make it difficult to draw lessons from the New York experience.

The anticipated smoking ban might put Philadelphia facilities at a disadvantage when competing with venues in New Jersey, New York, and surrounding Pennsylvania counties.

The one Canadian casino proximate to Detroit (Casino Windsor) will be covered by a province-wide smoking ban that goes into effect in mid-2006. Casino Windsor generally competes with the three Detroit casinos across the border. In terms of proximity, this will be a similar situation to the competition between the two Philadelphia casinos and the racinos in Bucks and Delaware Counties.

Delaware and Victoria, like Philadelphia, are reasonably proximate to other gaming facilities where smoking continues to be permitted. In 2005 there were rumblings of a smoking ban being enacted in New Jersey and it is possible a ban might be applied to gaming areas at nearby Pennsylvania racinos; were that to happen, any competitive disadvantage would be attenuated or eliminated.

FINDING: Under current law banning free drinks at suburban racinos, Philadelphia casinos likely will have a competitive advantage vis a vis the casinos in Bucks and Delaware Counties.

Free drinks are as connected with Americans' images casinos as green felt and the giant volcanoes and pyramids of Las Vegas. However, under current Pennsylvania law, Pennsylvania racinos will be prohibited from providing free drinks to gamblers under a section of the Liquor Code that applies to race tracks. The Legislature had attempted to override the existing ban in the Gaming Act, but the Supreme Court in June invalidated this override on technical grounds. While it is possible that the Legislature will try to reenact a cured version of this provision, at

least as the law currently stands the stand-alone casinos in Philadelphia and elsewhere will have this competitive advantage when they compete with Pennsylvania racinos.

Economic Development

Annual gambling floor casino revenues over \$700 million and corresponding consumer and casino spending will change the City's economy. It could spur localized development around casinos, and generally spur growth across many sectors of the economy. It will create thousands of jobs in and around casinos. It will drive millions of dollars in new tax receipts. And it will do so while reducing taxes and improving the City's competitiveness. For these reasons, as the Mayor has stated, gaming represents is a once-in-a-lifetime economic development opportunity for the City. In fact, no industry this large has come to Philadelphia in a planned way since the expansion of the Navy Yard during World War II.

Surprisingly, only half of Philadelphians the Task Force polled currently believe that slots-only gaming will help the economy, with 30 percent believing it will not make much of a difference. However casino developments elsewhere and other Philadelphia economic development initiatives indicate that gaming will spur the economy. The development generated by the arrival of casinos will include redevelopment of adjacent areas, direct, indirect, and induced spending by the casino, its vendors, and their employees, casino-driven growth in Philadelphia's convention/tourism/hospitality sector, and growth fueled by wage tax cuts and the Convention Center expansion funded by gaming revenues. Redevelopment of adjacent areas generally varies by site, and has been discussed in the site evaluations and casino design section above. The other factors are detailed in this section of the report.

FINDING: Once opened, the two casinos will become two of the most-trafficked destinations in Philadelphia

With each casino drawing between 4.5 and 6.5 million visitors annually, they will likely become two of the most attended venues in Philadelphia. Today, the heaviest traffic at any one location occurs at the Convention Center, the Sports Complex and at certain Independence Mall and Parkway locations. All of the events at the Sports Complex combined will draw fewer visitors than the two casinos and all of the cultural institutions on the Parkway collectively draw less than 3 million visitors a year.

Casino and Visitor Spending

Money that is spent in and around the casino not only funds taxes and operator profits, but obviously must cover the capital and operating expenses of the casinos, including construction costs, wages, promotions and marketing, and casino purchases. Direct casino spending then multiplies throughout the economy creating both indirect and induced spending.

The Task Force, guided by economic and industry experts, initially estimated the likely economic impacts of two slot machine parlors in Philadelphia in terms of three measures of economic

activity: total sales or output, total earnings (wages and salaries), and total employment. The estimates of the economic impacts are based on direct spending encompassing one-time construction, annual casino operations, and annual ancillary spending by gamblers when they are off of the casino floor.

Casino operating expenditures include parlor spending on machines, payroll, food and other supplies, advertising, and other items. Ancillary spending includes spending on transportation, meals and refreshments, souvenirs, retail, lodging, and other entertainment.

The direct expenditures created by the casinos will generate additional economic activity by way of indirect and induced expenditures. Indirect expenditures are those expenditures resulting from all intermediate rounds of goods and services produced by various firms that are stimulated by the direct construction, operations, and ancillary expenditures. For example, a casino might purchase linen services from a supplier who would in turn purchase linens, detergent, and delivery vehicles from other businesses, and, since some of these items are produced in the region, the parlor's expenditures for linen services will generate additional rounds of expenditure in the City.

Induced expenditures are expenditures generated through the spending of salaries and wages earned as part of the direct and indirect expenditures. For example, employees of a construction firm will spend their earnings on various items (e.g., housing, food, clothing), and since some of these items are produced in the City, the construction patrol expenditures will generate additional rounds of expenditures in the City.

Together, the direct, indirect, and induced expenditures constitute the total economic activity or output generated by the two casinos. Within the total output, construction expenditures and the associated indirect and induced expenditures will have a one-time impact, while the operating and ancillary expenditures and their associated indirect and induced expenditures will have ongoing, annual economic impacts.

On-Going Spending

FINDING: Depending on revenues, strategies, and the scenario adopted, each casino will likely spend between \$79 and \$114 million on casino operations.

Based on the revenues projected for the casinos, Task Force experts have developed projected pro forma spending on casino operations, showing projected ranges of spending at each site on casino and ancillary operations. Driven by the gamblers' spending, it is these casino expenditures that largely will drive other economic impacts in the City.

**TABLE 4.16: Ongoing Operating Expenditures Per Casino
(\$ in Millions)**

Type of Expenditure	Navy Yard	North Delaware	South Delaware	Market East	I76-City Avenue
Ongoing Operations – Low	\$79	\$99	\$92	\$95	\$104
Ongoing Operations – High	\$85	\$108	\$95	\$111	\$114

Source: Econsult and Innovation Group projections for the Task Force

It is likely that some portion of these operating expenditures is attributable to substitution spending, probably in the range of 10 to 25 percent (see page 213).

FINDING: Ancillary spending by casino visitors will be between \$68 and \$187 million annually, although this likely includes some substitution spending.

Some gamblers are likely to spend some money off of the casino floor while they are in Philadelphia. Both reflecting the fact that (outside of Nevada and Atlantic City) spending rates for daytrip gamblers are relatively low and ensuring that these projections are conservative, Task Force experts have projected average spending outside of a casino to range from \$5 to \$30 per visitor per day, depending on the location of the casino. It is worth noting that the I-76/City Line figure has been deflated by half because it was assumed that half of ancillary spending by visitors to those casinos would occur in Montgomery County, and thus not directly impact Philadelphia.

TABLE 4.17: Spending Estimates

Spending/Day-Visitor	Navy Yard	North Delaware	South Delaware	Market East	I76 City Avenue
Total Per Day Spend \$	\$5	\$15	\$13	\$30	\$5
Percentage of visitors who spending outside casino	10%	30%	26%	40%	20%
Amount spent by those who spend outside casino:					
Adjacent PA Suburbs	\$50	\$50	\$50	\$75	\$25
Rest of PA	\$50	\$50	\$50	\$75	\$25
Camden	\$0	\$0	\$0	\$0	\$25
Other Adjacent NJ Suburbs	\$50	\$50	\$50	\$75	\$25
Rest of NJ	\$50	\$50	\$50	\$75	\$25
Maryland	\$50	\$50	\$50	\$75	\$25
Delaware	\$50	\$50	\$50	\$75	\$25
Philadelphia	\$0	\$0	\$0	\$0	\$0

Source: Econsult projection for the Task Force with input from Innovation Group

The Task Force estimates of \$50-75 spending per visitor are consistent with both local tourism and national gaming experiences. Locally, Greater Philadelphia Tourism and Marketing Corporation's 2005 estimate of visitor spending is \$101.30, which would be discounted because

of money also spent on gambling. Elsewhere, a 2004 Louisiana study of non-lodging/transportation spending by out-of-state visitors in New Orleans (\$40-\$80/day), Baton Rouge (\$82/day), Shreveport (\$42/day), and Lake Charles (\$36/day), although this includes some spending by overnight visitors (such as extra meals) that would not happen for daytrippers. Center City spending was set higher because, like New Orleans and Baton Rouge, there will be comparatively more options for the person who leaves the casino to shop or eat.

Similarly, for the small percentage of new overnight visitors the model projects spending at \$150-250, depending on where the casino is located. Again, the spending at the Western edge of the City is reduced by 50 percent to account for the effect of the county line.

Finally, the model makes several direct assumptions about incremental/substitution spending patterns on ancillary spending. Because Philadelphians and Camden residents already generally spend their restaurant and shopping dollars, the model assumes that any ancillary spending from those gamblers would only be substitution spending, and thus assumes that (i) visitors who are residents of Philadelphia will not make incremental ancillary expenditures and (ii) visitors who are residents of Camden will not make incremental ancillary expenditures at any of the sites except if they travel across Philadelphia to casinos located near the Schuylkill. For similar reasons, the model assumes that a number of day trippers from the adjacent Pennsylvania suburbs that spend money at the I76-City Avenue sites would have done so anyway, and discounts that factor substantially.

Overall, when the estimates are rescaled to include all area residents, the estimates of incremental spending per day tripper range from \$2.25 for a South Delaware location to \$11.25 for a Center City location.

Even with these relatively conservative projections, when applied to the large number of day-trip and overnight visitors (see page 218 for detail on new overnight visitors), the model predicts significant spending. Ancillary economic development spending, off of the casino floor, is predicted to range from \$34 to \$114 million per casino, with scenario spending varying between \$68 and \$187 million annually. Because some of these day trippers and overnight visitors might otherwise have been visiting Philadelphia (although not staying over), some portion of the identified spending will be substitution spending, which does reduce the overall impact to an unknown degree.

**TABLE 4.18: Numbers of Visitors and Ongoing Ancillary Spending Per Casino
(\$ Millions)**

	Navy Yard	North Delaware	South Delaware	Market East	176-City Avenue
Other Visitors (IG)	2,350,000	2,500,000	2,500,000	2,000,000	2,695,000
Who Stay Overnight	150,000	190,000	165,000	245,000	170,000
Who Do Not Stay Overnight	2,200,000	2,310,000	2,335,000	1,755,000	2,525,000
Average Overnight Spending Outside of Casino in Dollars	\$150.00	\$200.00	\$150.00	\$250.00	\$125.00
New Spending Outside of Casino by Overnight Visitors in Millions of Dollars	\$23	\$38	\$25	\$61	\$21
Total Day Visitors	2,200,000	2,310,000	2,335,000	1,755,000	2,525,000
Outside Casino Spending	\$5.00	\$15.00	\$13.00	\$30.00	\$5.00
Total Spending Outside of Casino by Day Visitors in Millions of Dollars	\$11	\$35	\$30	\$53	\$13
Total Ancillary Expenditures	\$34	\$73	\$55	\$114	\$34

Source: Econsult/Innovation Group projections for the Task Force

These projections may, in fact, be too conservative. The Task Force consultants believe that Philadelphia will likely exceed these projections because Philadelphia has greater potential for ancillary spending. Implicit in the model are standard room-occupancy factors and higher hotel rates, restaurant and retail prices and options, but Philadelphia's prices are higher and options more diverse than in other gaming cities.

Philadelphia represents a market that is somewhat different than other cities (other than New Orleans) in another way because Philadelphia can market gaming as an additional attraction to conventioners and tourists. Because of this greater potential, and the likely marketing efforts associated with it, it is possible that these estimates of ancillary expenditures are relatively low compared to projected gaming visitation and overall tourism in the city.

FINDING: Casino operation's spending is projected to be \$148 to \$226 million in total indirect and induced expenditures, depending on the scenario. Some portion of these expenditures would be substitution spending.

As discussed above, in addition to direct expenditures, there are two other components of economic activity that will be created by the slot machine parlors: indirect and induced expenditures. Indirect expenditures are those expenditures resulting from all intermediate rounds of goods and services produced by various firms stimulated by the direct spending. Induced expenditures are those that are generated through the spending of households' earned incomes (salaries and wages) generated by the direct and indirect expenditures.

**TABLE 4.19: Ongoing Indirect & Induced Expenditures Per Casino
(\$ Millions)**

Originating from	Navy Yard	North Delaware	South Delaware	Market East	I76-City Avenue
Operations Expenditures – Low	\$43	\$53	\$50	\$51	\$56
Operations Expenditures - High	\$46	\$58	\$51	\$60	\$61
Ancillary Expenditures	\$19	\$42	\$32	\$66	\$20
Ongoing Total – Low	\$62	\$96	\$82	\$117	\$76
Ongoing Total - High	\$65	\$100	\$83	\$126	\$81

Source: Econsult analysis for the Task Force

Combined with direct spending above, the indirect and induced spending allows us to calculate the total range of per casino ongoing expenditures.

**TABLE 4.20: Ongoing Total Expenditures Per Casino
(\$ Millions)**

Originating from	Navy Yard	North Delaware	South Delaware	Market East	I76-City Avenue
Operations Expenditures – Low	\$122	\$152	\$142	\$146	\$160
Operations Expenditures – High	\$131	\$166	\$147	\$171	\$175
Ancillary Expenditures	\$53	\$115	\$87	\$180	\$54
Total - Low	\$175	\$267	\$229	\$326	\$214
Total - High	\$184	\$281	\$234	\$351	\$228

Source: Econsult analysis for the Task Force

The substitution/incremental effect on indirect and induced spending tracks exactly the substitution/incremental effect on direct expenditures. Thus, if incremental spending is 75 to 90 percent of direct spending, then it will also be 75 to 90 percent of induced and indirect spending. Because the estimated ancillary expenditures are already controlled for substitution effects, the indirect and induced spending arising from ancillary expenditures would all be new spending. Calculating incremental spending only for the affected spending, the models project the following ranges of incremental spending as a portion of total spending:

TABLE 4.21: Range of Incremental Percentage of Ongoing Total Expenditures

	Navy Yard	North Delaware	South Delaware	Market East	176-City Avenue
Oper. Exp. 75% Incremental	82%	85%	84%	88%	81%
Oper. Exp. 90% Incremental	93%	94%	94%	95%	92%

Source: Econsult and Innovation Group analysis for the Task Force

Construction Spending

FINDING: Depending on location, design, and structural elements, construction spending to build the initial stage will likely be between \$144 and \$177 million at each casino.

Construction of a basic casino operation will cost between \$144 and \$177 million at each site, based only on limited internal food, beverage, and entertainment space. There would be additional spending if the casinos are initially constructed to include significant high-end bars and restaurants, expanded entertainment venues, hotels, retail space or other amenities currently projected for later-phase development. The projected costs also do not include land acquisition costs (which will depend on whether the landowner becomes part of the ownership group, as is possible in many cases) and site preparation costs such as demolition and sewer relocation which are necessary for any construction on these sites.

TABLE 4.22: One-Time Construction Expenditures Per Casino (\$ Millions)

Type of Expenditure	Navy Yard	North Delaware	South Delaware	Market East	176 City Avenue
Casino Construction	\$45	\$45	\$45	\$52	\$43
Back Room Construction	\$18	\$18	\$18	\$21	\$17
F&B, Retail & Entertainment	\$26	\$26	\$26	\$30	\$25
Parking Construction	\$55	\$71	\$71	\$75	\$71
Totals	\$144	\$160	\$160	\$177	\$155

Source: Econsult and Innovation Group analysis for the Task Force

The construction projections are based on a prototypical building program with the following assumptions:

- 90,000 square feet of casino space at a cost \$500 per square foot (“psf”).
- An additional 90,000 square feet of “back room” space at \$200 psf.
- Commensurate food & beverage, retail, and entertainment space.
- Parking for 3,000 cars in one garage, except at the Navy Yard where the garage would contain only 2,000 spaces and there will be 1,000 surface spaces.

- Riverfront construction would involve significant use of pilings, costing roughly \$2 million.

Construction on Market East is projected to cost more because of the logistical burden of working in Center City and because a casino building in Center City will probably be more vertical than at other sites. Building up instead of out raises some costs (e.g., there are more exterior walls and there is a greater cost for structural support), lowers others (e.g., there is a smaller foundation and a smaller roof), and does not change another set (e.g., finishing costs). All told, the Task Force’s experts’ best estimate is that the net differential of Center City versus the various sites will be between 10 and 20 percent, so the model uses the 15 percent midpoint.

FINDING: This construction spending will likely lead to total new indirect and induced one-time expenditures of \$152 to \$171 million depending on the scenario.

Task Force estimates of the one-time indirect and induced expenditures that will originate from the one-time construction expenditures range from \$152 to 171 million. Because none of the direct spending leading to this indirect and induced spending would happen in the absence of gambling, all of these expenditures are incremental or new spending.

TABLE 4.23: One-Time Indirect & Induced Expenditures Per Casino
(\$ Millions)

Originating from	Navy Yard	North Delaware	South Delaware	Market East	176-City Avenue
Construction	\$73	\$81	\$81	\$90	\$79

Source: Econsult analysis for the Task Force

Job Creation

Gaming in Philadelphia has the potential to create a substantial number of permanent, high quality jobs for City residents across a wide spectrum of the service industry. These jobs are a critical economic benefit the City of Philadelphia can realize from casino gambling.

Gaming facilities will directly employ persons in food and beverage, slot department, public area cleaning, parking and hotel areas, as well as “white collar” occupations such as financial services, casino management, promotions, and administrative services. Indirectly, gaming facilities will also likely increase permanent employment in sectors that significantly sell to or disproportionately benefit from casinos, such as in private security firms and restaurants and hotels in the vicinity of the casinos. Additionally, gaming facilities will create temporary, but significant numbers of construction jobs.

The number of jobs that will be created directly in casino operations is significantly larger than currently projected by most Philadelphians. Philadelphians by and large believe that gambling will bring only minimal employment, with only 11 percent anticipating more than 2000 jobs and

40 percent anticipating that gambling will bring 500 jobs or less.

TABLE 4.24: Number of Perceived Casino Jobs Estimated by Philadelphia Residents

Range of Jobs Estimated	Percentage of Philadelphia Residents
Under 100	9%
100 to 500	31%
501 to 1000	19%
1000 to 2000	11%
Over 2000	11%
Don't Know/Not Sure	18%

Source: Lester & Associates survey of ___ Philadelphians for the Task Force

As explained in greater detail below, the Task Force anticipates between 7,000 and 12,000 new jobs, even before any supply side effect and before counting jobs created by the expanded Convention Center. If these job projections are accurate, it is likely that gambling will have a much larger impact on Philadelphia than is currently projected by the populace.

Casinos generally provide significant employee benefits, including health insurance, job skills and training, and access to day care. As Philadelphians win these jobs and create new careers, the casinos will put dollars into neighborhoods and assist local businesses and increase home ownership.

FINDING: There will be 1,445 to 1,500 gaming operations jobs in the two Philadelphia casinos and between 2,100 and 4,500 new jobs in ancillary operations at the two casino complexes.

The Task Force analysis predicts that each casino will employ between 715 and 765 employees directly in its gaming operations and over 1,000 people at each site in ancillary operations. Potentially, initial ancillary job creation can be as high as 4,500, paying as much as \$231 million in annual wages. The 1,445 to 1,500 direct jobs do include some substitution effect consistent with the direct expenditure projections discussed above. Thus there would likely be between 1,083 and 1,380 net new direct jobs. As hotels, entertainment, and other amenities are developed, the number of jobs would increase.

**TABLE 4.25: Ongoing Impacts on Jobs and Earnings Per Casino
(\$ Millions)**

Employment	Navy Yard	North Delaware	South Delaware	Market East	176- City Avenue
Parlor Operations					
Jobs	715	735	730	730	765
Salaries & Wages	\$22.7	\$23.8	\$23.3	\$24.0	\$24.4
Ancillary Operations					
Jobs	1,039	2,050	1,122	2,562	1,238
Salaries & Wages	\$41.4	\$81.8	\$44.7	\$102.2	\$49.4

Source: Econsult and Innovation Group analysis for the Task Force

FINDING: Casinos will indirectly lead to between 3900 and 6400 new jobs from growth in these other industries and in local businesses across the economy that service casino patrons and businesses that service casinos.

While jobs immediately associated with casinos and ancillary activities will be the easiest jobs to pinpoint, there will be a greater impact on the economy from the indirect and induced jobs created in the overall economy by adding two economic engines. These jobs are very difficult to identify in a post-development audit because they get mixed into other economic growth, and are even more difficult to accurately predict in advance. However, the Task Force experts have produced low and high estimates (on a per casino basis), that appear below. These do *not* account for the substitution effect, which likely means that some of the perceived growth, likely around 10 percent, will constitute realignment within the marketplace and not new growth.

**TABLE 4.26: Ongoing Indirect/Induced Impacts on Jobs and Earnings Per Casino
(\$ Millions)**

Employment	Navy Yard	North Delaware	South Delaware	Market East	176- City Avenue
Induced/Indirect - Low					
Jobs	1,763	2,676	2,302	3,242	2,163
Salaries & Wages	\$25.6	\$32.1	\$29.9	\$30.8	\$33.7
Induced/Indirect - High					
Jobs	1,853	2,815	2,349	3,492	2,315
Salaries & Wages	\$27.5	\$34.9	\$30.9	\$35.9	\$36.8

FINDING: Economic development, spurred by wage tax cuts and the Convention Center expansion, will eventually lead to more new jobs.

There are two principal motivations for lowering wage tax rates. First, and more obviously, holding other factors constant, people would prefer to pay lower taxes. Second, the lowering of local tax rates is expected to stimulate the local economy. As discussed below in the tax receipt

section, it is anticipated that the wage tax cuts will spur the economy, leading to new jobs. Some further analysis of the growth spurred by the wage tax cuts is available at page 270.

Similarly, expansion of the Convention Center has been predicted to dramatically increase the number of conventions and expand the hospitality sector of the Philadelphia economy. Although exact job predictions are beyond the scope of the Task Force, more detail on the impact of Convention Center expansion can be found on page 255.

FINDING: Construction will likely lead to between 945 and 1071 construction jobs paying between \$30 and \$34 million in wages, with another 1703 to 1922 induced and indirect construction-related jobs paying between \$69 and \$78 million in wages.

Construction is a major, if temporary, economic driver for the Greater Philadelphia region. Construction of two Philadelphia casinos will likely lead to about 1000 construction jobs, which will pay approximately \$30-34 million in combined wages. This construction will also lead to over 1700 additional induced and indirect jobs, paying another \$69 to \$78 million.

**TABLE 4.27: One-Time Per Casino Impacts on Jobs and Earnings
(\$ Millions)**

Type of Expenditure	Navy Yard	North Delaware	South Delaware	Market East	176-City Avenue
Capital Expenditures					
Jobs	448	509	509	562	497
Salaries & Wages	\$14	\$16	\$16	\$18	\$16
Induced/Indirect					
Jobs	819	910	910	1012	884
Salaries & Wages	\$33	\$37	\$37	\$41	\$36
Total One-Time					
Jobs	1266	1418	1418	1573	1381
Salaries & Wages	\$48	\$53	\$53	\$59	\$52

Source: Econsult analysis for Task Force

Because of the nature of the construction trades, much of this stimulus will be felt in the region, but beyond the City's borders. On the other hand, City businesses and residents will also likely benefit from the construction of the new racino in Chester and the expansion of Philadelphia Park to include a racino.

Casino Jobs

FINDING: Philadelphia's anticipated unionized gaming jobs will likely be relatively higher quality jobs with higher wages and better benefits than other retail and hospitality industry jobs available to workers with comparable qualifications.

There is a clear national trend towards unionization in the casino industry, a trend which meshes well with organized labor's historic importance and successful representation of its members in

Pennsylvania and, more specifically, Philadelphia. The Legislature was cognizant of this fact when it made employer-employee relationships, including dealing with employees' "representatives" at other locations, an enumerated factor for the Board to consider before granting a license.

Across the industry, unionization has led to benefits for employees, but also for employers and regulators. And a cooperative relationship between unions and gaming industry employers helps to ensure high job quality and benefits, which then has helped to lift service sector workers into the middle class.

Wages

In the casino industry, as with most industries, wages and benefit packages are higher for union workers than non-union workers. For example, wages for unionized casino workers in Las Vegas were 35 percent higher than for otherwise-comparable non-unionized casino workers in Reno. Likewise, wages for unionized casino workers in Atlantic City and Detroit were more than double the wages paid to non-union casino workers in Mississippi, although some other localized effects enter into this analysis. Not surprisingly, unionization efforts are rapid in the Mississippi casino labor market.

**TABLE 4.28: Real Income Growth, 1977-1996
Union Gaming Workers v. the Larger Service Sector**

Job Category	Real Income Growth 1977-1996
Atlantic City cook (union)	115.0 %
Atlantic City housekeeper (union)	100.4 %
New Jersey service worker	16.0 %
United States service worker	10.1 %

Source: Prior study by HERE Local 54 and Economic Policy Institute

Health Benefits

Similarly, as of 2000, the last year where such data was available on a segmented basis, only 47 percent of American blue-collar and service industry workers nationwide had health insurance through their employer. In comparison, all unionized gaming workers in Atlantic City, Detroit, and Las Vegas have full family health coverage entirely funded by employer paid premiums, with no deductions from paychecks.

Pension Benefits

At a time when even governments are cutting back on pension benefits, pensions remain the standard for gaming employees. All unionized gaming employees in Atlantic City and Las Vegas are covered by defined pension plans that are entirely funded by the employer, whereas 48 percent of private sectors workers generally are covered by any pension plan. Unionized gaming employees generally also often have separate 401K plans in addition to their defined benefit

plan.

Finally, to the extent that the gaming industry creates high paying, good quality union jobs that include generous health and pension benefits, these jobs may reduce the reliance upon public assistance and government funded medical programs.

FINDING: Gaming is a heavily unionized industry with strong labor-management partnerships, with most new developments utilizing labor peace agreements.

The gaming industry is one of most highly unionized industries in the United States, particularly in the Northeast, except to the extent the casinos are run by Native American tribes. All casino workers in Atlantic City and Detroit are unionized, as are all workers in Las Vegas Strip casinos. In recent years, in fact, new casinos have effectively opted-in to unionization by entering into pre-construction agreements making it easy for workers to determine whether to certify a union.

These agreements, called labor peace agreements or card-check agreements, are now generally signed between an operator and the relevant union, typically the major gaming union UNITE-HERE. A typical agreement sets forth a quick and cooperative process for determining whether or not employees wish to be represented by a labor union, and, as employees are hired, they are entitled to select whether or not to join the union. Of late, this process has been used extensively at both new and existing gambling properties. The process was used for all three Detroit casinos, at the Borgata in Atlantic City, in riverboat gaming markets throughout the Midwest, and at nearly every new casino to open on the Las Vegas Strip in the last 15 years.

To the extent that a Philadelphia license is granted to a major operator, the operator will not only be familiar with, but likely will be operating elsewhere under such an agreement. A majority of major gaming industry employers are already unionized, or at least operate as union shops in certain environments. Thus Philadelphia could benefit from the standard of good quality jobs that stems from the cooperative labor-management partnership already in place in the gaming industry.

Unionization should not work to keep non-members out of jobs in Philadelphia. The casino industry runs as union shops, where employees who are hired then join the union (or pay the equivalent of union dues). Union membership is automatic if the prospective member pays the dues and holds the job, with extra requirements prohibited by federal law, and even if someone is ejected from the union, the union is not permitted to seek to have that ejection used as grounds to terminate the employee. As a result, these jobs should be available to a full cross-section of qualified Philadelphians.

Getting Philadelphians Ready and Into Casino Jobs

The Gaming Act anticipates that gaming jobs will and should be made available to all qualified local residents. It directs that each casino have a hiring plan which “promotes a diverse work force, minority participation and personnel from within the surrounding geographical area.” There is also language requiring good faith plans for promotion and training of a diverse local

workforce. But the Gaming Act does nothing to ensure that Philadelphians, or residents of other host communities, are ready for the jobs. Because the creation of these jobs are a major factor that make casinos an acceptable economic development proposal to the local communities, Philadelphia will fully benefit only if a plan is implemented to prepare Philadelphians to win these jobs.

FINDING: Because customer service standards are key in gaming industry competition, highly trained service employees are critical to the successful operation of a gaming facility.

Trained employees are critical to the successful operation of a gaming facility. There are several successful models for private-public partnerships dedicated to training employees for gaming industry jobs. These training centers result in savings of both time and money for gaming employers because graduates are ready to meet industry standards when they start at the gaming facility.

Training will involve more than filling the jobs at the two casinos. In Philadelphia, it is expected that many gaming employees will apply from elsewhere in the service sector, leaving behind them a diffuse set of service sector opportunities. Additionally, because the regulatory framework makes it probable that Philadelphia Park and Chester Downs will operate before Philadelphia facilities, there are opportunities outside of Philadelphia for Philadelphia residents even before these venues are open.

Towards this end, it is unclear whether employers or the City can identify funding to use this opportunity as a catalyst to build a broad coalition of hospitality employers. This training effort could focus on the training needs of hospitality and customer service workers. Other major employers in the hospitality industry may want to coordinate efforts to avoid significant depletion of trained hospitality and customer service workers from one particular sector of the hospitality industry.

In this regard, joint training facilities might be developed within the larger Philadelphia hospitality industry. Alternatively or additionally, there may be sufficient demand in the Southeastern Pennsylvania gaming market, with four casinos/racinos in the Greater Philadelphia area and potential other facilities in Lehigh Valley and Long Pond, or other similar areas, to support a dedicated gaming-specific training program. If either such a facility is developed, the economic development and recruitment impact on Philadelphians would be significantly greater if it were to be located inside the City of Philadelphia.

No training program is without costs and both because of the high effective tax rate on casinos and the need to train employees even before Philadelphia operators are selected, training funding is uncertain. It is similarly unclear to what extent the Commonwealth will fund these efforts, even though they serve to address a problem created at the state level.

FINDING: Philadelphia can draw from a number of models to develop a training program; different models are based around training and funding through casino operators, organized labor, area schools and colleges, and/or community organizations.

Successful models exist both inside and outside the gaming industry that Philadelphia can draw on to inform future training decisions. For example, just when it comes to training culinary staffs, there are local hospitality models at the Opportunities Industrialization Center (“OIC”), federally funded training and apprentice programs in Atlantic City, and an industry funded culinary academy in Las Vegas. Similar programs exist beyond culinary training in all aspects of the gaming industry.

Opportunities Industrialization Center

OIC was founded by Reverend Leon H. Sullivan as a North Philadelphia self-help, job training program to prepare unemployed and underemployed Philadelphians in a variety of industries. It has provided that training for the last 40 years, and has been so successful that it is a worldwide model with 60 domestic affiliates and programs in 16 foreign nations.

Since 1989, OIC has operated Opportunities Inn: The Hospitality Training Institute, which provides entry-level training in hotels, restaurants, and entertainment venues and the Convention Center. It contains an adult culinary school that provides about 45 Philadelphians annually with a 16-week training program. The program, which is subsidized by a small portion of the City’s hotel tax, via the Pennsylvania Convention Center Authority, is free to the participants, who need purchase only utensils and uniforms.

OIC is now exploring creation of a Gaming Industry Training Institute to take some of the local lessons and methods learned in related environments and apply them to the new gaming industry to ensure that Philadelphians are ready for the coming opportunities.

The Atlantic City Apprentice Program

In Atlantic City, a partnership of gaming industry employers and the labor union has created the Atlantic City Casino Industry Cooks Apprentice Program, the first federally accredited culinary training program in the country. The program is run by a joint labor-management committee and has trained over 1300 participants in culinary arts through a variety of partnerships with gaming operators, vocational schools, post-secondary institutions and faith/community-based organizations.

This apprenticeship program requires participants to study 400 hours, including 290 hours of study at Atlantic Cape Community College’s Culinary Arts School, and includes additional on-the-job training. Pre-apprentice programs – targeted at high school students – provide 16 weeks of training, including job tours, internships, work-based learning, interviewing techniques and resume building. Students who successfully complete the apprentice program receive free job placement by the gaming labor union local, UNITE-HERE Local 54. The program is funded by both federal and state grant money.

The Culinary Training Academy

In Las Vegas, the Culinary Training Academy graduates 4,000 students each year in various hospitality sectors, with specific training programs targeted for housekeepers, food servicers, cooks, and sommeliers, among others. The placement rate for program graduates is over 75 percent, and is the main route by which participant employers find “work ready” employees.

The program is designed not only to provide entry-level workers with skills employers need, but also to provide an avenue for advancement and upgrade for incumbent workers. Over 30 gaming industry employers participate in the Academy’s programs that are overseen by a Board made up of labor and management trustees.

The Academy is primarily funded through a per-hour-worked employer contribution, and is negotiated through collective bargaining agreements between gaming industry employers and the gaming workers union.

The Academy also has an intensive vocational English as a second language program to eliminate barriers to advancement and to enhance customer service delivery for employees for whom English is a second language, as well as a diversity outreach program that focuses on increasing participation from African-American communities.

Beyond the culinary arts, similar training models exist across the region and country for different components of the hospitality and gaming industries. Atlantic Cape Community College, for example, also has training programs for electronics for slot technicians, specialized police officers, loss prevention, and slot surveillance. OIC also has housekeeping and maintenance, food servers, front desk operations, front and back desk clerical operations, and a general travel/tourism occupations training. Online courses and short seminars also abound in this arena, but they tend to focus on developing skills for personnel already in the industry. And Philadelphia’s secondary schools and community colleges are currently expanding vocational and industry-specific training efforts.

FINDING: Philadelphia has an extensive job linkage system for entry-level jobs.

Philadelphia has a local CareerLink system that matches thousands of residents with employers each year, and has been a recruitment source for new businesses in Philadelphia. This system, which is supported by a wide of partners that includes several state agencies, will be an important vehicle for connecting residents with jobs in the gaming industry, as well as to jobs created in ancillary businesses.

For example, ARAMARK uses CareerLink so successfully that it has established its regional recruitment center at a the CareerLink location at 10th and Spring Garden Streets. Through hiring and screening at that CareerLink, ARAMARK has filled over 2000 temporary jobs in the past five years, and over 1000 of those temporary hires have transitioned to full-time ARAMARK jobs. ARAMARK now uses this system all-but-exclusively for certain classes of entry level positions in this market and believes that this system has both increased community access to their jobs and has led to a substantial recruitment and assessment savings for

ARAMARK.

As with every City economic development initiative, a crucial issue for Philadelphia impact will be insuring that – to the greatest extent possible – City residents have access to the jobs that are created. CareerLink and other networking tools that already feed qualified Philadelphians into jobs, might serve as a cost-effective and community-friendly bridge to the operators.

FINDING: Philadelphians will need to be educated about the state-mandated suitability requirements for casino employees and vendors.

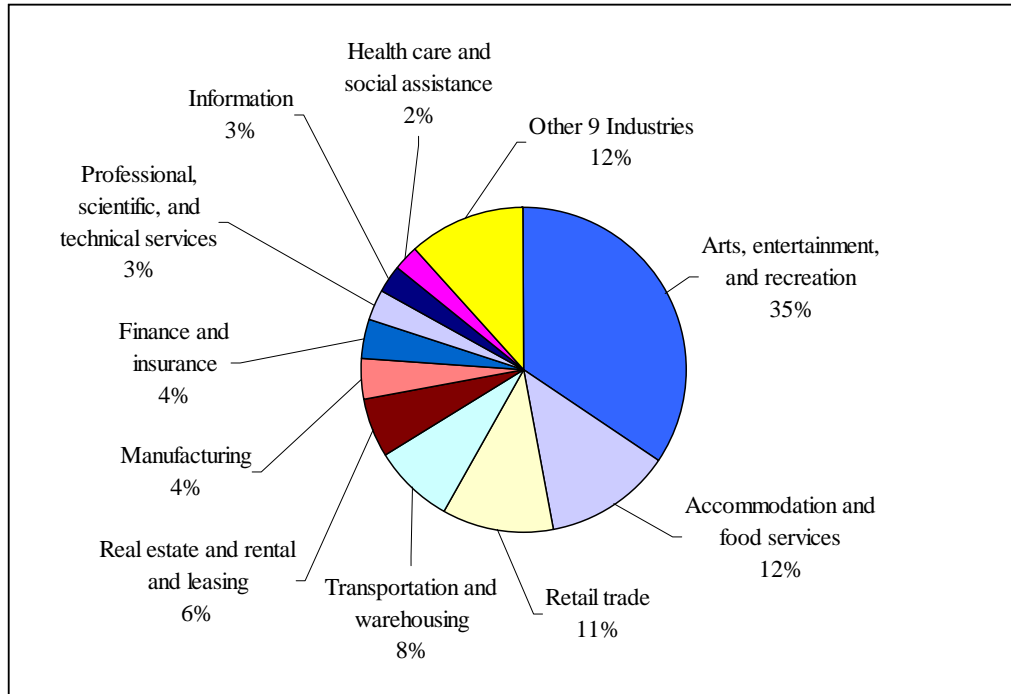
During the course of the Task Force’s public hearings around the City, it became clear that the general public was not familiar with the suitability requirements of the Gaming Act and of similar requirements in other jurisdictions. These requirements may limit the ability of people with convictions for certain crimes or other character issues from working in, servicing, or otherwise benefiting directly from gaming’s arrival in Pennsylvania. Building on the text of the Gaming Act, the first set of final regulations issued by the Board discuss suitability and background requirements in the context of manufacturer contracts. The Board has indicated that similar regulations will likely be issued for operators, suppliers, key personnel, and employees.

In whatever form those regulations are issued, to the extent Philadelphians wish to seek employment with or business opportunities from a casino, they need to be familiar with suitability requirements and take necessary steps to ensure that their license applications, and business entities where appropriate, are properly constructed to give a full view of their character. However, the public is not sufficiently aware of these issues and Philadelphians will be better prepared to win these jobs and contracts if the City’s populace and business community are educated about suitability and counseled about how best to comply.

Philadelphians as Beneficiaries of Casino-Generated Business Opportunities

FINDING: A broad range of business opportunities will arise with gaming that should create opportunities at all levels of the economy and can be accessible to all Philadelphians.

Casinos spawn opportunities, ranging from ownership to construction, financing, land ownership, employment, product sales, and professional services. Some of these opportunities will be in-house while others are conducted by vendors outside of the casino. But they will be in virtually all sectors of the economy.

GRAPH 4.11: Estimated Business Opportunities by Sector of Economy

Source: Econsult analysis for the Task Force

While some of the products and services are needed on an ongoing basis, others may be only be needed periodically. Specifically, the Task Force anticipates a typical casino to need at least the following types of vendors:

TABLE 4.29: Vendors

Facilities and Maintenance	Casino Marketing
Construction	Advertising specialties
Construction management	Advertising
Fabrics	Copywriting
Furniture	Party design and decorating
Hardware	Mailing services
Paint	Food, Beverage, and Related
HVAC components	Produce
Upholstery	Meats
Art	Fish
Wall coverings	Dairy
Hotel Operations	Beer
Interior Signs	Juice/soda
Glassware	Grocery goods
Linens and laundry service	China
Cleaning chemicals and supplies	Glassware
Automotive supplies	Paper ware and disposables
Guest room amenities	Table linens
Medical supplies	Uniforms
Health spa equipment	Security
Messenger/delivery services	Surveillance equipment
Paper/printing/paper products	Safety equipment
Technology	Material handling equipment
Computer hardware and software	Security guard services
Computer supplies	Entertainment / audio Visual
Consultation	Cameras
	Musical instruments
Financial Services	Piano tuning
Banking	Sound equipment
Accounting	Limousines
ATMs	Horticultural
Insurance	Flowers and interior plants
Slots	Exterior landscaping
Purchase	
Maintenance	Talent
Electronic parts	Promotion services
Power tools	
Professional Services	
Legal services	
Real estate services	
Human resource services	
Banking/financial services	

Philadelphia's business community has local companies able to service all of these needs, in most cases many companies ranging from small to large and reflecting the diversity of the community. Except to the extent an operation has centralized national operations, the Task Force is aware of no reason why a bulk of these opportunities can not be managed and staffed by a diverse population of Philadelphians and Philadelphia businesses, including those certified as minority-, woman- and disabled-owned by the Department of General Services ("DGS") under the regulatory framework established by the Board.

The Gaming Act has made clear that a diverse population serving this new industry is a fundamental goal of the Commonwealth. Towards that end, the Board is beginning to promulgate regulations. However, in the absence of local participation or other quota systems which have been successful elsewhere in the gaming industry (under then-existing federal law), this language will have to be coupled with aggressive enforcement by state regulators to meet these ends.

Small businesses and businesses owned by minorities, women, and the disabled must be capable of being licensed and certified and must be readied to take advantage of the opportunities. Though the DGS will certify businesses, the Minority Business Enterprise Council and other local entities might facilitate the certification process by pre-qualifying eligible businesses to increase the likelihood and reduce the delays in the certification process of DGS.

FINDING: For a full and equal opportunity to participate, the scope of casino requirements should be broadly communicated to allow the small business community to become adequately prepared.

If minority-, woman- and disabled-owned and other small businesses ("MWDSBs") do not know of opportunities, they obviously will not be able to position themselves to pursue, pursue, and win the contracts. Towards that end, Philadelphia's MWDSBs will be best prepared if the types of opportunities and how buying decisions are made are transparent and if efforts to promote networking and access are encouraged.

The industry has made some attempts at such networking at a national level. For example, the American Gaming Association has sponsored an "Opportunity Expo" annually since 2002, where it brings together the industry's top purchasing decision makers and MWDSB vendors. Last year, this expo also addressed those who were interested, but lacked certification, by holding a special session on the certification process.

Other amelioration programs have been undertaken by major industry companies. For example, Caesars's purchasing office has a diversity program that includes a publicly available brochure that lists how decisions are determined, the types of opportunities that are available and provides the name, address, email address, phone and fax of each purchasing agent.

Some companies have stated that these programs have led to success. MGM Mirage credits its diversity program with increasing by 218 percent its spending with women and disadvantaged businesses. The MGM program requires minority participation in all bids for construction and supplies, and the effort is led by a board-level Diversity Committee chaired by former Secretary

of Labor Alexis Herman.

Diversity-promotion efforts can yield tremendous benefit if brought to the Philadelphia business community. The Board is planning “Diversity Forums” in Philadelphia on September 29 and in Pittsburgh in late October, and they should be significant positive steps. The City has the ability to play a key role in educating and disbursing information on the business opportunities associated with gaming by sponsoring a citywide event to augment the efforts of the Board.

Efforts to promote diversity are further challenged by that fact that, no uniform standards exist to track diversity in casino spending. In fact, only three states are requiring collection of these data. The lack of uniform data, and in most cases any data, makes it impossible to draw concrete conclusions.

FINDING: Large scale contracts often present artificial hurdles for MWDSBs; these barriers can be reduced by de-bundling contracts.

Major contracts, including those typical of major construction, may exceed the contracting, bonding, or financing capacity of MWDSBs. To increase participation and afford more MWDSBs the opportunity to be a part of the economic benefit from gaming, casinos can explore efforts to make these contracts achievable for MWDSBs.

De-bundling the contracts into smaller, more achievable contracts can increase accessibility, although likely at some project management cost. With increased accessibility, MWDSBs will not necessarily have to joint venture with, or subcontract from, other businesses. The elimination of joint venturing may ease other difficulties because the construction manager will more often be dealing directly with the business owner. Direct contracting facilitates ease of contracting by the MWDSB, unlike joint venturing and subcontracting. Direct contracting also promotes creation of business relationships that could lead to other opportunities.

An alternate or additional effort to ease access for MWDSB would be assistance through some sort of centralized bonding and financing program. As part of a comprehensive diversity plan, casino operators could support these small businesses by subsidizing, guaranteeing, or simply using their leverage to negotiate for bonding and financing terms that reflect the operator’s commitment to rapid completion in a manner that promotes diversity.

FINDING: Projects with diversity plans that incorporate quantifiable, measurable inclusion goals best achieve a diverse base of contractors, suppliers, and vendors.

Based upon experiences with recent Philadelphia projects, such as the airport expansion and stadium construction, it is recommended that MWDSB inclusion be set up-front by the casino owner. Whereas in a public project, inclusion is achieved through negotiation, in the casino context the process will follow the diversity plan submitted by applicants. The Board has the opportunity to mandate that operators set forth specific goals for local, small, and minority business inclusion and to impose ongoing measurement and monitoring. Such a plan might be able to enforce upon operators the goals to which the operator voluntarily commits while in a

competitive application process.

FINDING: Oversight and enforcement of operator commitments is essential to achieve diversity in opportunities.

Oversight committees serve as effective liaisons between citizens and owners. The most effective recent oversight committees have included a cross section of community organizations, regulators, and affected municipal elected officials and have governed by consensus. For example, the Convention Center reported that it was through an effective oversight committee that it was able to overcome a negative attitude that had developed in connection with the construction of the project. Effective oversight needs to include both monitoring and enforcement.

Monitoring can involve providing documentation of contracts in effect, payments made, and summaries throughout and at the end of the engagement, and, where appropriate, site visits. Often monitoring is performed directly the oversight committee, regulators, and the operator, although on significant projects it often works to have a third-party monitor funded by the project owner.

Enforcement is often, but need not be, penalty-driven. The Minority Business Enterprise Council's economic opportunity plan proposes a non-compliance program of conciliation and persuasion regarding the exercise of best and good faith efforts, followed by suspension, withholding of payment, and other measures after due process. While penalty-based deterrence often works, so do incentives. However, constructing appropriate and enforceable incentives in the gaming context will require creativity on the part of the applicant, the Board, and local members of whatever oversight committee is created.

Convention Center Expansion

The Gaming Act directs to an economic development fund five percent of all gross gaming revenues, or approximately \$150 million annually once gaming is fully implemented in Pennsylvania. That money is distributed across the Commonwealth for economic development projects, but the share of the money to be spent in Philadelphia and Pittsburgh is to be utilized for only limited purposes for the next ten years, with the Philadelphia share to be used to pay the operating deficits of and fund expansion of the Pennsylvania Convention Center.

FINDING: Convention Center expansion will be a major economic engine for Philadelphia's hospitality industry

In the Task Force's discussions with local stakeholders and experts in hospitality and tourism, the expansion of the Convention Center was universally deemed to overweigh all but the most site-specific and implementation-based concerns about the costs and effects of gaming on the tourism industry.

While a full critical analysis of the impact of the expansion of the Convention Center is beyond the brief of this Task Force, the Pennsylvania Convention Center Authority and the Philadelphia

Convention and Visitor Board have made some projections of the impact of expanding the Convention Center. These projections include:

- Substantial increase in the number of large conventions in Philadelphia and an almost doubling of small- to medium-sized simultaneous conventions.
- Increase of average daily hotel rates by about \$12, or eight percent.
- Significantly increase the number of convention-driven room nights, potentially driving the need for additional hotels and hotel jobs.
- Hundreds of millions of dollars in annual additional delegate spending on food, beverage, entertainment, and retail.

FINDING: The growth projected by Convention Center expansion proponents would lead to 3,200 jobs, \$195 million in increased annual economic traffic in Philadelphia, and \$3.8 million in new tax receipts.

The Task Force has calculated that, based upon the Convention Center-related entity projections, total long-term ancillary, induced, and indirect expenditures are estimated to increase \$195 million annually in Philadelphia, leading to approximately 3200 new jobs. Additionally, the four surrounding Pennsylvania counties will likely experience an additional \$58 million in indirect and induced expenditures creating approximately 3400 new jobs. And there will be some benefit in the three suburban New Jersey counties as well.

Further, if Convention Center expansion proponent's projections are correct, the expansion-driven increased economic traffic would lead to approximately \$3.8 million in annual additional local tax receipts to the City of Philadelphia, even after accounting for gaming-driven wage tax reductions.

Tourism, Hospitality and Retail

FINDING: In the last decade, Philadelphia has become a major tourist destination and hospitality has flourished as a major local industry.

In the last five years, Philadelphia's number of overnight leisure travelers has grown by 31 percent, despite the national decrease in tourism following the terrorist attacks of September 11, 2001. Tourism marketing has worked domestically and internationally. The region now attracts 17.9 million leisure visitors, with 7.9 million staying overnight (in 2003).

In 2003, travelers spent \$6.34 billion in the five-county region, up 19.6 percent from the \$5.3 billion they spent in 2001. Over half (56 percent) of total visitor spending is attributable to the leisure travel segment. Greater Philadelphia Tourism and Marketing Corporation ("GPTMC") projects that leisure spending today translates into:

- \$3.58 billion in leisure spending and \$2.76 billion in business/convention spending
- 84,265 jobs attributable to leisure travel and 66,208 jobs attributable to business/convention travel
- \$857 million in federal, state, and local taxes attributable to leisure travel and \$673 million in taxes due to business/leisure travel

Philadelphia's national ranking as an American destination for international tourists, has risen from 24th earlier this decade to 12th place in 2003, in part due to a three-year international marketing campaign that concluded in 2004. The measurement that indicated the growth in international recognition predates the Dali exhibition, Live 8, and other major international initiatives implemented by the City.

Employment in Philadelphia hotels has also grown over the last several years, in part due to the boom in hotel construction prior to the 2000 Republican National Convention. In 2002, the last time the Department of Commerce took an economic census, 7,292 Philadelphians were employed in the hotel industry, a growth of 14 percent from the 1997 count of 6,404 employees.

Ensuring that gaming is a tourism enhancer will require a new marketing approach. Although gaming is being added to/considered for a number of other destinations, there is likely to be some concern on the part of some tourists that gaming will make the city undesirable and unsavory in some ways as Philadelphia is just overcoming widespread perceptions that the city is a dangerous place.

FINDING: Overnight visitation will increase because a portion of regional residents who come to gamble will choose to spend the night in Philadelphia.

Depending on the location of the casinos, the Task Force projects that there will be between 315,000 and 435,000 additional overnight visitors due only to stays by gamblers coming to gamble who are not already spending the night in Philadelphia. This is a conservative estimate because it assumes that none of the City's current overnight visitors who are expected to gamble would be induced to extend their stays; although prior studies and the Task Force's experts project that there two to five percent of such gamblers do so.

TABLE 4.30: Estimated Percent Overnight Visitors, by Location of Casino

% Overnight	Navy Yard	North Delaware	South Delaware	Market East	176-City Avenue
Adjacent PA Suburbs	3.00%	3.60%	3.00%	6.00%	2.00%
Rest of PA	10.00%	12.00%	10.00%	20.00%	10.00%
Camden	0.00%	0.00%	0.00%	0.00%	3.00%
Other Adjacent NJ Suburbs	5.00%	6.00%	5.00%	10.00%	5.00%
Rest of NJ	10.00%	12.00%	10.00%	20.00%	10.00%
Maryland	10.00%	12.00%	10.00%	20.00%	10.00%
Delaware	10.00%	12.00%	10.00%	20.00%	10.00%
Philadelphia	0.00%	0.00%	0.00%	0.00%	0.00%
Estimated % overnight of total	3.6%	3.2%	3.0%	4.5%	2.8%
New Annual Overnight Visitors	150,000	190,000	165,000	245,000	170,000

Source: Econsult projection for the Task Force

FINDING: On certain peak nights and during major attractions, Philadelphia is running out of hotel capacity to handle current and anticipated demand.

Philadelphia hotels are already almost fully occupied on Saturday nights, with a 2004 mean Saturday night occupancy around 80 percent, and with many Saturday nights being sold out. Approximately one quarter of Center City hotel room-nights (687,000 hotel room-nights) in 2004 were used by tourists, and regionally tourism accounted for 32 percent of hotel room-nights. A vast majority of these tourist bookings occur on weekends, which is also when casino peak demand occurs. While additional casino-hotel rooms will boost capacity, even with that capacity, there may not be space in the market to accommodate additional Saturday night demand. Similar concerns exist during major conventions, with convention guests routinely being shifted to South Jersey, King of Prussia, and, occasionally, Atlantic City hotels.

While Saturday nights and peak periods result in booked hotels throughout the city, it is also the case that the hotel industry in Philadelphia is still recovering from the shock to the national hotel industry that followed September 11, 2001. For instance, Average Daily Rates (“ADR”) in Philadelphia in 2004 – though up from the year before – are still below levels in 1998 – 2000.

TABLE 4.31: Average Daily Hotel Rates in Philadelphia 1998-2004

YEAR	ADR
1998	\$120.87
1999	122.57
2000	127.62
2001	119.30
2002	122.22
2003	116.30
2004	119.72

Source: Smith Travel Research

As a result, the industry's marketing, including efforts by GPTMC, is changing to further direct visitors to off-peak nights and weeks. It is still the case, however, that filling Philadelphia hotels at non-discounted rates all year round is still something to work towards, and not yet achieved.

Among these efforts are a tourism conversion/extension program, with the Philadelphia Convention and Visitors Bureau and the Greater Philadelphia Hotel Association to encourage visitors to come back to the city after their convention, meeting, business trip is over. Similarly, marketing is being focused on seasonal variations in travel that allow for extending the weekend into Friday and Sunday nights, where there is still room for hotels to accommodate guests and nights of the week where hotel rates are their lowest.

For gaming to have a significant impact on overnight tourism, it will have to be built around new hotel rooms and non-Saturday night hotel stays because there is just no room at the inn on Saturday night. However, our research indicates that in other markets, gamers' peak demand for hotel rooms is on Saturday nights. This limitation might hamper both casino marketing efforts and efforts to develop synergistic uses.

FINDING: Industry experts have indicated that the successful growth of tourism in the Philadelphia region is largely attributable to the mix of experiences that visitors have while here and the marketing campaign that trumpets those opportunities.

Tourist visits include history, culture, museums, shopping, outdoor cafes, fine dining, ethnic dining, sporting events, our university communities, and many other aspects of Philadelphia's life. Unlike many other communities that host gaming, Philadelphia is not a one-trick tourism town. But casinos will clearly provide an additional thing to do in Philadelphia.

The City's marketing campaign has been tuned to capitalize on the broad set of tourist options. GPTMC's annual multi-aspect marketing plan focuses on advertising, public relations, and the Internet as its primary vehicles. Its campaigns have focused on building the image of the region, by emphasizing all there is to do here and the fun of sleeping over.

This regional marketing has relied in large part on successful partnerships with attractions, cultural institutions, and hotels. Area entities share information about media schedules for advertising purposes, statistics and tracking data on our customers/visitors, and do as much as possible to cross-sell and cross-promote. For the visitor, this means getting a coherent sense of all there is to do and how best to take advantage of a trip to Philadelphia, from using Phlash to

get around, kicking off a trip at the Independence Visitor Center, to utilizing hotel packages and identifying restaurants.

It remains to be seen how best to integrate casinos into Philadelphia's marketing program. While the current Pennsylvania gaming legislation does not have a provision for contributing dollars to tourism marketing, New Orleans provides a model for how gaming facilities can support their destination. In New Orleans gaming licensees are required by state law to directly contribute to centrally prepared tourism marketing.

If gaming is to function as a tourism enhancer, it must be integrated into the other activities visitors enjoy and offered as another in the list of reasons to come and stay longer. Because casino operators are likely to undertake their own marketing campaigns, there is a real possibility of confusion or dilution of existing efforts if there is insufficient coordination with larger hospitality and tourism industry efforts.

To combat this possible concern, GPTMC and casino operators might explore joint or complementary marketing campaigns. Additionally, GPTMC could retool its marketing efforts to incorporate casinos. But collaboration or retooling is not without costs. To create the right gaming message, the existing and new tourism industry will involve a financial investment, including new creative input for advertising, new approaches to media-buys, outreach to visiting journalists, and revisions to the existing Internet campaign. For example, the on-going Culture Files program cost \$887,000 over three-years and the recent promotion of the Dali exhibition cost approximately \$800,000, including staff time and other direct expenses.

Similarly, operators, PCVB, GPTMC, and existing industry participants might share research on visitorship, understand each other's advertising and marketing plan, and look for opportunities to cooperate and partner. Coordination with activities on the Avenue of the Arts, at the sports complex, and elsewhere around town, particularly boxing venues such as The Blue Horizon, is also a key to maximizing benefits and minimizing costs.

FINDING: Area residents who predict they will gamble in Philadelphia also expect to visit restaurants and shops while in the city.

The regional residents and Philadelphians surveyed by the Task Force indicated that a significant portion of respondents expected to both eat/drink at local restaurants and bars and to undertake a variety of other activities widely representative of the scope of activities available in Philadelphia. Most surprising is the number of regional visitors who will turn gaming trips into larger tourist excursions, including visits to Philadelphia's museums, cultural, and historic attractions.

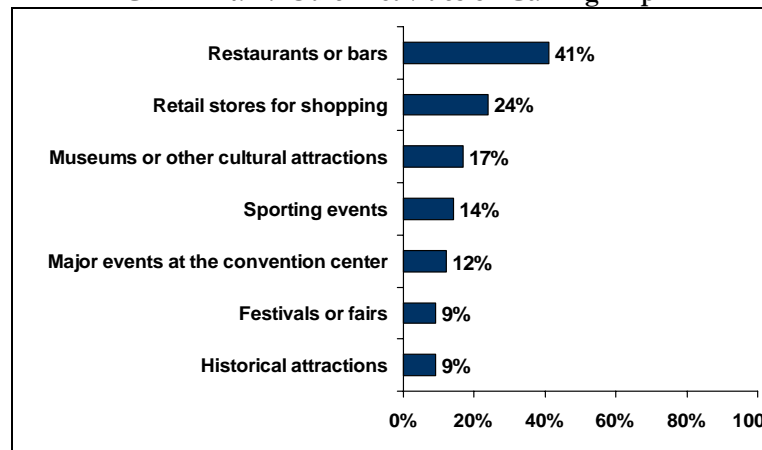
This projection of future activities differs dramatically from why the same respondents say that they come to Philadelphia today. Respondents predict significantly increasing visits to bars, restaurants, and retail shopping. The respondents currently come into the City for sporting events (23 percent), restaurants and bars (21 percent), cultural attractions such as museums (20 percent), retail shopping (19 percent), to visit friends and family (15 percent) and to work (14

percent). In fact, restaurants, bars, and retail shopping are predicted to be more likely to be part of a casino trip from a regional resident than the focus of a stand-alone trip.

Sporting events and museums and cultural activities have a slight fall-off, but still maintain a significant share of activities. And festivals and fairs and historical attractions continue to draw at nine percent. These continuing strong numbers show a potential existing market willingness to extend current trips to include additional time at a casino.

The variety of existing attractions may make Philadelphia quite different from most other cities with “local” casinos. According to the experts the Task Force has consulted, in other markets spending outside casinos is generally maximized in areas where there is already development of services and activities that would attract leisure visitors. For example, the restaurants, nightclubs, gas stations, convenience stores, and outlet malls located in close proximity to a casino would benefit from the millions of gamer visits that a casino would generate that previously would not have been made to the immediate vicinity because some portion of these trips would spread from the casinos to these surrounding businesses. But, with the exception of New Orleans’s single data point, a data point confused by several peculiar and case-specific variables, there is no context nationally for what happens when a casino is inserted into a thriving entertainment and hospitality marketplace.

GRAPH 4.12: Other Activities on Gaming Trip



Source: Alea Advisors market research survey for the Task Force

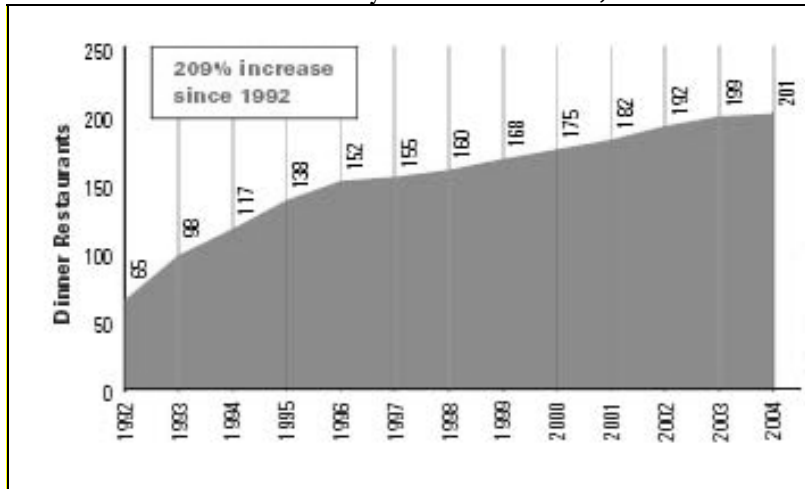
Bars and Restaurants

FINDING: Center City has a thriving restaurant and bar industry, but around the City results are less consistent.

In the past decade, Center City Philadelphia has developed one of the nation’s most exciting and varied collections of fine dining establishments, helping to change the city’s former reputation as a place with limited restaurant choices. Restaurant growth outside of Center City has been more restrained than in downtown, but neighborhood restaurants and national chains alike have become more numerous in many parts of the city in recent years.

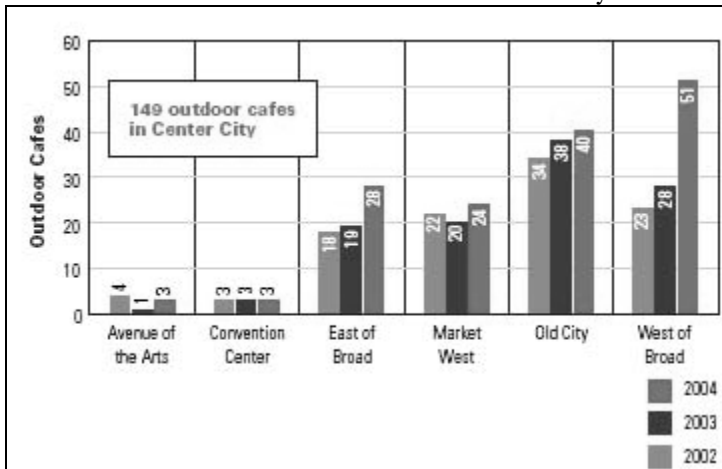
Center City’s restaurant industry has boomed in the last decade, growing from 65 restaurants serving dinner in 1992 to 201 last year, with growth every year. In the last few years, this overall growth has extended to Center City’s sidewalks as the number of outdoor cafes has grown as well.

GRAPH 4.13: Center City Restaurant Trends, 1992-2004



Source: Center City District, 2005 State of Center City Report

GRAPH 4.14: Outdoor Cafes in Center City

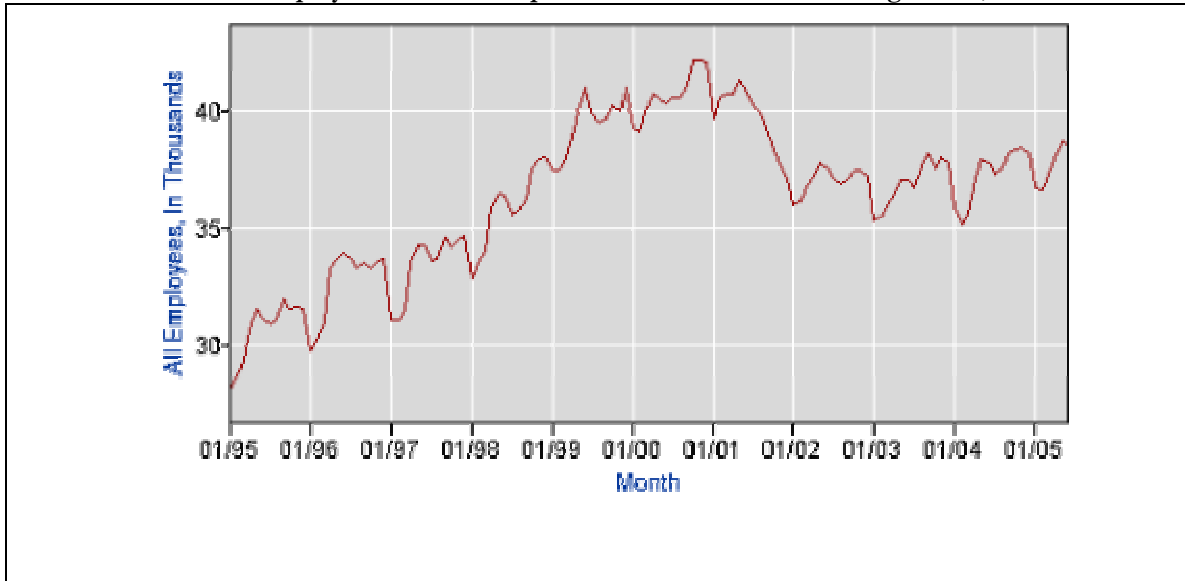


Source: Center City District, 2005 State of Center City Report

Citywide, the foodservices and tavern sectors continues to grow. In the five years between the last two economic censuses, restaurant employment grew marginally from 14,179 to 14,329 employees, and drinking establishment employment grew more than 15 percent, increasing from

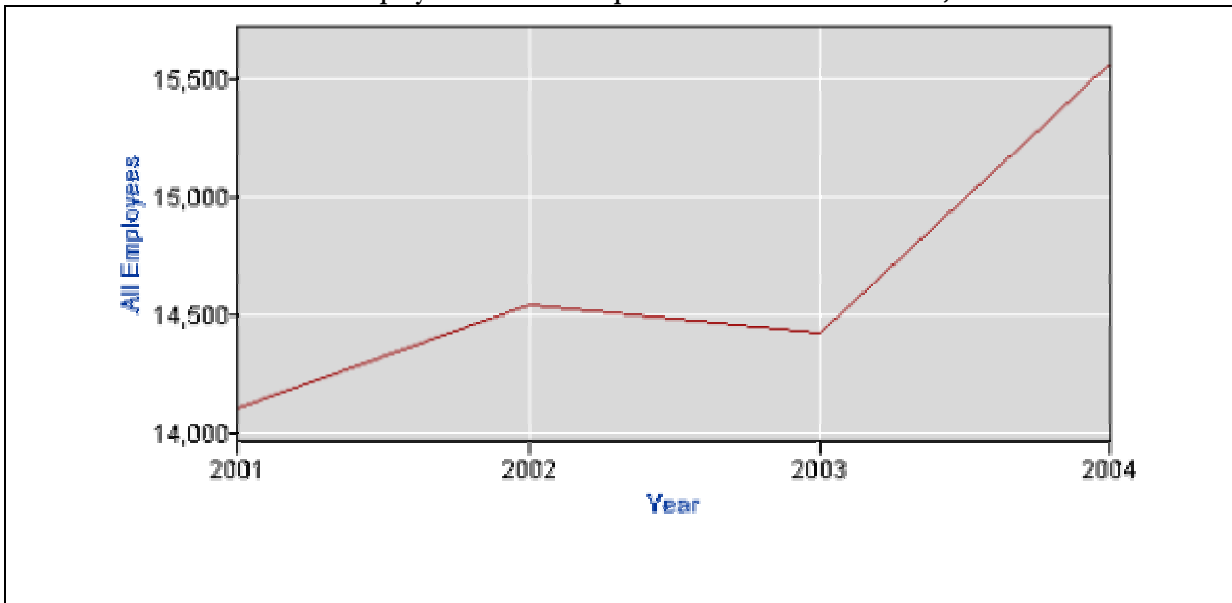
2,013 to 2,333. These numbers all fell off in 2002, potentially as an after-effect of the reduced national spending after September 11, 2001, but are now bouncing back, at least in the restaurant industry, as shown by the charts below: At full service restaurants there was no fall off at all, potentially reflecting the continuing strength and growth of the Center City restaurant sector.

GRAPH 4.15: Employment in Philadelphia Food Services and Drinking Places, 1995-2005



Source: Bureau of Labor Statistics

GRAPH 4.16: Employment in Philadelphia Full Service Restaurants, 2001-2004



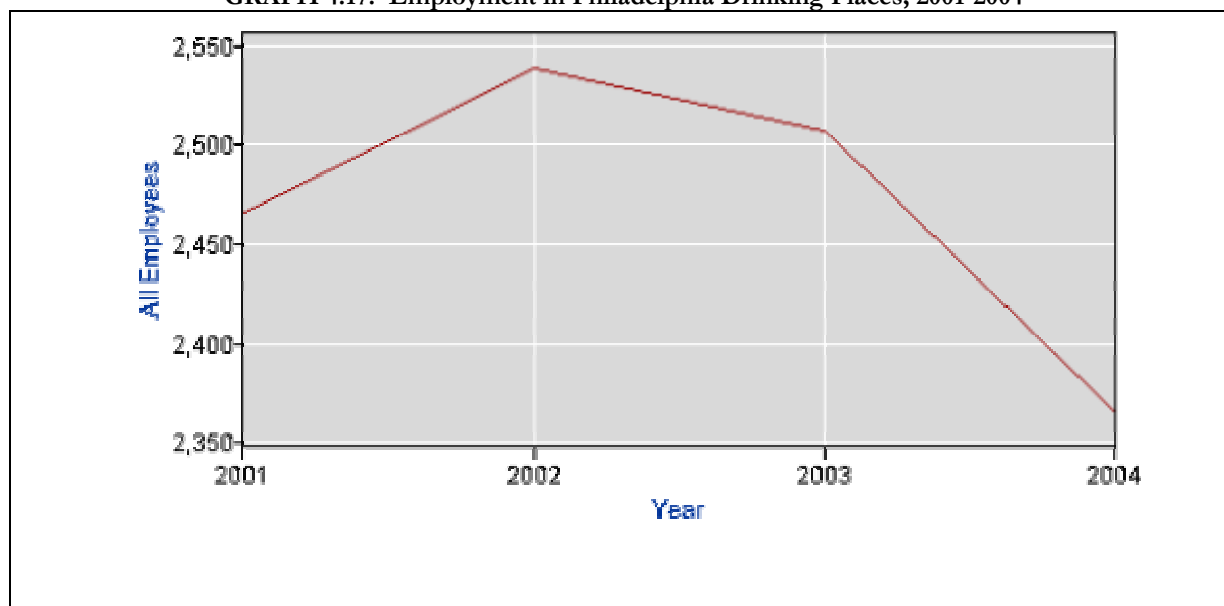
Source: Bureau of Labor Statistics

Although employment is a better measure of economic activity than total establishments, since it

captures growth, similar results are found when looking only at the number of establishments. Although the number of food services/drinking places fell from a 1991 high of 3051 to 2930 in 2002, the number has bounced back, reaching 3127 in the preliminary 2004 numbers. And for full-service restaurants, there was a 2002 retrenchment from 823 to 779 restaurants, but that number has grown to 936 in the last two years.

There is a possible contrary impact, however, in the Philadelphia tavern industry. Recent Bureau of Labor Statistics numbers seem to indicate that the Census Bureau undercounted employment in taverns. While the BLS figures reflect the national up tick in 2001-2002 alcohol sales, but the tavern industry statistics show a more recent decline in employment, without a rebound.

GRAPH 4.17: Employment in Philadelphia Drinking Places, 2001-2004



Source: Bureau of Labor Statistics

FINDING: Limited data from other markets makes it difficult to project the effect that gaming’s arrival will have on the restaurant/bar industry.

While Philadelphia’s restaurant scene is currently thriving, there is insufficient data to determine whether the arrival of gaming will pose a threat. There is simply insufficient data on the restaurant/tavern impact in New Orleans, Delaware, Detroit, and elsewhere to allow us to project the impact these two facilities, and the two suburban facilities, might have on Philadelphia. For example, the BLS data so useful in analyzing Philadelphia’s recent trends was not compiled before to casinos entered any of those markets.

Of concern, however, is one set of data from Indiana; a very dissimilar marketplace. The data indicates that, in a significantly smaller marketplace, there was a significant decrease in projected restaurant/bar employment. The Task Force is unable to separate out this point of data from other trends that may explain the difference.

Indiana's Gaming Commission has contracted with Purdue University's Center for Urban Policy and the Environment to do follow-up studies on Indiana casinos, with interim studies done the first five years of their existence and a full study done when the casinos come up for their eight-year license renewal and every three years thereafter. The first eight-year studies are now being completed and show a disturbing trend in Gary, Indiana, home to four riverboat casinos serving the outskirts of Chicago. In 2001, there were 13,671 Gary employees employed in "food services and drinking places," which is 14 percent less than would have been employed solely based upon the 1991-1996 trend and 8 percent lower than would have been projected based upon what happened in non-riverboat counties in Indiana.

While these figures are cause for concern, there may be alternate explanations – for example, Lake County's manufacturing base cratered during the same time period. For example, transportation equipment manufacturing was 64 percent lower than "projected" by this analytical context, machinery manufacturing was down 57 percent from these projections, food manufacturing was down 23 percent, chemical manufacturing down 13 percent, and motor vehicle and parts dealers down 72 percent.

The Indiana data echoes the story of Atlantic City, where the independent tavern industry has been crippled over the past 30 years. In 1978, Atlantic City had 311 taverns and restaurants. When the NGISC performed a comprehensive survey nineteen years later, there were only 66 remaining independent bars and restaurants. This reflects both the total consumption of the existing beach industry by casinos and casinos driving away immediately proximate competitors through the use of expansive offerings. The rapid tavern decline, however, was underway well before 1978 and thus can not all be blamed upon the arrival of gambling.

As discussed above, despite physical proximity, Atlantic City is a poor model for comparison for Philadelphia. The transformation of Atlantic City, with a population of 40,000 people and 13 major casino resorts, into a gambling destination makes a direct comparison inappropriate for Philadelphia, a City of 1.4 million people with only two casinos permitted under the Gaming Act.

In a city the size of Philadelphia, citywide data will likely mask an entire range of outcomes in the immediate vicinity of a casino. For example, even if casinos are good for the broader bar and restaurant industry, they may threaten a neighborhood-focused facility mere feet from a casino. That threat, however, may also be seen as a glass that is half-full; where an existing neighborhood tavern may see a reduction in traffic from its current customers, it might lead to an opportunity to serve new casino customers by adopting a niche or to target casino employees.

Task Force discussions with tavern industry representatives have highlighted both the risks and the potential opportunities that might exist and have also convinced us that additional data is needed. The Task Force has thus commenced a study of tavern industry patrons, the results of which will be incorporated into the final report.

Retail

FINDING: Philadelphia’s retail climate varies dramatically from area to area and the sites selected will dictate the effect of gaming on Philadelphia retail establishments.

Center City’s resurgent residential population and the city’s overall growth as a tourism destination have given the retail sector renewed energy. New boutiques and destination stores have begun to open in formerly neglected precincts such as along Chestnut Street and in Old City. Furthermore, in the rest of the city, new “power centers” featuring big box stores are being developed, often on former industrial tracts in North, South and Northeast Philadelphia.

It is within this context that gaming will impact the retail community. And because of this wide variation, beyond the extent of the gaming amenities that will be included on-site, the factor that will most dictate the effect on the retail community will be the location selected for the casinos.

For example, a gaming facility on Market East, close to existing retail and dining attractions, could generate additional customer traffic that would expand retail sales and make additional retail more viable. In contrast, if the gaming facilities located in the city are sited in locations far from existing retail and dining attractions—for example a stand-alone facility on the Budd site in Nicetown—would likely have very limited impact as surrounding retail establishments almost exclusively service nearby residents. Of course, impacts will also exist to the extent that the casino drives changes in the surrounding environments.

A downtown slots parlor would almost surely be situated in close proximity to existing retail and restaurants. However, a slots parlor in a relatively remote location, such as on the Delaware riverfront far from existing commercial attractions, may have a more limited impact. Alternatively if a site is chosen which lends itself to the development of new restaurants in the vicinity an entirely new concentration of restaurants could develop based on patrons attracted to the slots parlors.

A casino will also have to match the neighborhood. One national retail expert who spoke to the Task Force worried that a big box casino, even with substantial internal retail, could empty out the streets between City Hall and Independence Mall, potentially causing Market Street and nascent Chestnut street development to stagnate. She drew a parallel to the impact on the retail area near Detroit’s Greektown casino. According to her, Greektown “killed” the limited pre-development growth in the neighborhood and no local or non-casino driven retail now exists in that vicinity. She also stated that retailers have “certainly not” followed the Greektown casino into the neighborhood and locals do not shop in the facility. However, the restaurant industry around Greektown has thrived, in part, probably, because the “temporary” nature of the casino has limited internal development.

As discussed elsewhere, casino design may be able to ameliorate that problem, at least to a degree. To the extent that a casino is in a retail area, the expert believes that a crucial design element is to get the casino off of the ground floor so that the ground floor can be utilized for outward-facing retail. This contradicts traditional industry focus, which is facing inward, so this

should be a design element change that could have a major economic impact.

FINDING: The limited hours of retail shopping downtown does not coincide with peak casino visitation hours.

Gaming activity generally peaks on evenings and weekends, with gaming activity beginning to rise in late afternoon and peaking around 10 PM. See pages 65 for details on the likely visitation patterns for casinos.

However, Philadelphia's retail sector tends to close relatively early, with most retail outlets in Center City other than restaurants and bars closing by 6 PM. As a result, the bulk of weekday casino patrons will likely arrive after most retail options are closed, which will limit retail benefit from casinos until and unless traffic becomes significant enough to warrant a wide variety of retail outlets extending their hours.

Entertainment

FINDING: While Center City's restaurants and its arts and culture attractions are strong and thriving, the city remains weak in the kinds of popular entertainment offerings that casinos frequently develop.

There is an entire sub-industry of entertainers who draw their best crowds, and best add value, as part of a casino experience. Casinos generally target a demographic more consistent with the profile of casino gamblers (see gaming market segment) than the demographic focused on by traditional nightclubs and comedy clubs. They also tend to focus on large-scale entertainment spectacles like "Cirque du Soleil" or The Blue Man Group, offerings that are frequently part of a casino's entertainment repertoire.

To handle these acts, even away from destination casinos, more and more regional casinos have constructed state-of-the-art entertainment facilities. These facilities generally range from 1,200 to 7,000 theater seats, although more recently the trend has been to increase the flexibility of the facility by utilizing convertible seating which would transform theater seating into flat floor service that can accommodate conventions, exhibitions and banquets.

Most evenings, Center City's restaurants are filled with patrons enjoying a meal before and after performances at one of the city's theaters and music halls. However, the City lacks depth in higher-end nightclub acts and large-scale entertainment spectacles such as Cirque du Soleil.

As discussed in the projected development scenarios, initial gaming developments are expected to incorporate modestly-sized entertainment venues of about 1,200 to 2,500 seats plus several bars and nightclubs. It is probable that these will be expanded to become even more significant entertainment venues with 4,000 to 7,000 seats within five years. These expanded venues will significantly enhance the City's entertainment offerings

Casino entertainment will likely thrive if it complements existing successful entertainment niches in the Philadelphia marketplace, which already strongly services the need for larger venues (Wachovia Center, Wachovia Spectrum, Liacouris Center) and smaller nightclubs. Even so,

there may be competition with the few venues of comparable size.

FINDING: A small number of area residents would like to attend a sporting event and gamble on the same trip to Philadelphia.

There are different degrees of opportunities for synergies with different aspects of the City's sporting industry. In other markets, casinos often enter into advertising/sponsorship deals, purchase luxury or box seats, or possibly enter into more complicated partnering transactions. In various forms, some synergy is likely because, as discussed above, Task Force market research indicates that 14 percent of regional gamblers desire to combine trips to sporting events with casino visits.

Generally sponsorship transactions differ greatly by sport depending on league rules, the local marketplace, and general affinities. National Football League teams, for example, are effectively prohibited by league rule from any interaction with gaming beyond the sale of seats. And as the Eagles are regularly completely sold out, there is only a limited possibility of cooperation between them and a casino.

Other teams, however, can consider a variety of possibilities of working with casinos. This could involve co-promotion of special events, from concerts to boxing, an effort to otherwise utilizing venues that would otherwise sit idle. Nationwide, boxing is a traditional casino staple, for example, and also a sport with a storied Philadelphia tradition. Traditionally, casinos have attempted to stage fights on or near premises to draw gamers to their venue, but many events are also staged offsite, for example at the Thomas and Mack Center at the University of Nevada Las Vegas.

It is further expected that if a casino is proximate to the sporting complex there will be an up tick in revenues from fans extending a trip to a game to include some gambling. The projected figures are not as large as the Task Force members instinctively believed before looking at the data because there are a number of site- and area-specific problems that will depress what might otherwise be projected.

Foremost is that current traffic congestion on event days would be exacerbated and likely deter potential gamers whether or not they attend the sporting event. The problem is compounded by the distance to the one possible site near the stadiums, at the East End of the Navy Yard. Because the East End site will not be pedestrian accessible from the Sports Complex, instead requiring people leaving the game to fight post-game traffic even if only driving to the casino, there will be a further deterrent to extending trips.

Additionally, the nature of sporting events dictates that large numbers of potential customers are "dumped" into the traffic pattern all at one time at the end of a game. However the casino can only accommodate a relatively limited number of players at a single time – its volume comes from continual operation. For example, with 3000 gaming positions, a casino could only handle a tiny fraction of 60,000 people leaving an Eagles game at the same time, particularly as the games tend to be played on evenings and weekends, at which time a majority of the slot

machines will likely already be in use.

Finally, many of these events are sporting events which last for several hours, more so if they follow tailgating, which makes the extension of a day trip for a significant gaming visit less likely. Even with these assumptions, and removing all child-related concerts, circuses, and similar events from the mix, the Task Force projects additional revenues from sports complex fans if a casino was located at the Navy Yard.

TABLE 4.32: Stadium Related Incremental Revenues

	Annual Attendance	Capture Rate	Total Annual Visits	Total Annual Win	Average Attendance per Event	Average Visits Per Event	% Casino Capacity Per Event
Sports	7,929,500	3%	237,885	\$16,414,065	24,857	746	24.86%
Conference	31,000	2%	620	\$40,300	10,333	207	6.89%
Concerts	612,000	4%	24,480	\$1,689,120	12,240	490	16.32%
Total	8,572,500		262,985	\$18,143,485			

Source: Innovation Group analysis for the Task Force

FINDING: Amenity options are being dramatically expanded at existing regional casinos and are planned for proposed new ventures.

Attempting to satisfy the market’s desire for broader entertainment and hospitality experiences has of late been a significant trend in the gaming industry. These developments monopolize on customer inertia and a unified marketing strategy to drive casino patrons to stay within the facility or complex. This growth is even expanding into those activities where “going out” otherwise might be part of the attraction, such as restaurants and nightclubs as there has been a growing trend in the industry to create separate spaces both on the casino floor and in the amenities, such as bars, nightclubs and restaurants, while keeping these proximate to the casino floor. Casinos hope these strategies maintain interest in gambling, while creating a sense of intimacy and exploration by offering a “getaway” location that has a different ambience than the casino floor but which is physically close.

In the past few years, casinos across the country have attempted to replicate the success of Caesar’s Las Vegas’s Forum Shops where retail rents become a substantial profit driver for casinos. Recent examples include the Desert Passage at the Aladdin, The Shops at Mohegan Sun, and The Quarter at the Tropicana in Atlantic City. Typically these ventures are high end restaurant/retail outlets offering unique or specialty items or brand name shops with independent consumer appeal, often based around national high-end and luxury chains (e.g. Sharper Image). Additionally, it is worth noting that the Quarter at the Tropicana has modified that approach to focus on a specific market – Philadelphians. In the Quarter, as at the Borgata, many of the shops and restaurants have a Philadelphia flavor to attempt to woo business from Philadelphians who are in Atlantic City for gaming/entertainment/beach purposes.

Similarly, the gaming industry has, in the last few years, greatly diversified its bar offerings, including brew pubs, Irish pubs, martini or cigar bars, and other themed bars. Sports bars, while still popular, have been updated to include interactive activities along with food and beverage, often through cooperation with a national brand such as ESPN Zone. Further, the high end

nightclub has made a resurgence in the form of trendy dance venues. These have tended to be more single-themed, creating a brand identity, but the industry seems to be exploring the ability to alter the offerings, from dance to rhythm and blues to Asian night to create and maintain a level of interest. However, this exploration has largely been driven by focus groups and has not yet been tried successfully at a large scale.

For casinos offering expanded amenities, marginal profits frequently come from the retail establishment through rents and/or equity interests rather than through the gaming floor. In many cases, there has been only the most limited tying of outsourced retail outlets to a player award program, as the costs of such a program can spiral rapidly and can be particularly costly for the casino to alter once instituted.

To the extent that the casinos bring in retail establishments to compete with existing Philadelphia businesses, retail establishments currently in the surrounding communities could suffer. One way to address this concern would be to take a page from the Tropicana and focus on Philadelphia and Philadelphia small businesses. This would provide an opportunity for inclusion of stakeholders who might otherwise be negatively impacted by gaming's arrival.

Some form of cross-marketing plan between casinos and adjacent businesses would likely lead to greater growth, allowing different vendors to focus on core competencies. However, such an approach may require a community-friendly mission for a casino and it is unclear if such a mission would develop in the absence of aggressive community and municipal pressure and control.

Wage Tax Cuts

The bulk of state tax revenues from gaming, 34 percent of all gaming revenues, are to be used at the state level for tax reduction. In Philadelphia, these funds are to be used for wage tax relief. These tax cuts will be in addition to, and not instead of, the wage tax cuts already enacted by the City over the past 14 years.

FINDING: Gaming revenues will fund reductions in the wage tax of about 13 percent for residents and 8 percent for non-residents.

Tax cuts are phased in as soon as the Commonwealth tax-cut share of casino gross revenues reaches \$500 million. Projecting that that the tax relief threshold will be reached for a full year in Fiscal 2008, increasing over two years to \$1 billion, the Task Force projects the following wage tax cuts due to gaming:

TABLE 4.33: Projected Wage Tax Rates

	FY08	FY09	FY10	FY11
Without Gaming				
Resident	4.2395%	4.1940%	4.0924%	3.9392%
Non-resident	3.7400%	3.7046%	3.6448%	3.5692%
With Assumed State Gaming Revenue of				
	\$500 M	\$750 M	\$1,000 M	\$1,040 M
Resident	3.9793%	3.8190%	3.6348%	3.4816%
Non-resident	3.6328%	3.5503%	3.3944%	3.3188%

Source: Econsult calculations for the Task Force; because some tax cuts do not take place at the start of the fiscal year, those tax cuts are prorated for the appropriate number of months in each fiscal year

Tax relief funds depend only on state gaming revenues, so they will not be particularly sensitive to the choice of locations for the Philadelphia casinos. This also means that wage tax cuts will commence as soon as a substantial number of racinos are in operation, even if the Philadelphia casinos open later. However, with about a quarter of statewide gaming revenue coming from Philadelphia casinos, full tax cuts likely will not be achieved statewide until Philadelphia casinos are on-line.

There is some uncertainty about the form and scope of tax relief because the legislation authorizing the distribution of the money (“Act 72”) was widely rejected by the school boards that had to adopt certain provisions to trigger the tax relief. While the provisions at issue do not pertain to Philadelphia, which is receiving tax relief in a different form than the rest of the state, with the relevant legislation reopened there is always uncertainty about the form a tax cut will take.

Given the statewide uncertainty, it may not be surprising that only 52 percent of Philadelphians polled by the Task Force believe that the wage tax cuts for Philadelphians and property tax cuts for the rest of the state. While the Task Force is concerned about the need to revisit Act 72, and changes may be needed to Philadelphia’s tax relief formula, the eventual process adopted will most likely result in significant reductions in Philadelphia wage taxes.

FINDING: The reduction in the wage tax rate while maintaining service levels will spur further economic development in Philadelphia and will enhance Philadelphia’s competitiveness, not only leading to new and captured businesses and jobs, but also increased tax receipts.

Economists debate whether national tax rate reductions will dramatically increase economic activity and thereby increase tax revenue through so-called “supply side effects.” An attempt to implement this theory in the 1980s led to burgeoning deficits and retarded national growth.

There is, however, widespread agreement among economists that local tax reductions have supply-side effects. This seeming paradox is easily resolved – local supply side effects are strong while national supply-side effects are dubious because it is much easier for employers and residents to leave or avoid a city than it is to leave or avoid the entire country. For example, the growth on the Montgomery County side of City Line Avenue is generally attributed to the

significant tax incentives to locate on that side of the street. If city tax rates are reduced, not only will more existing businesses stay in the City, but logically more new ones will come and firms with multiple locations within the region will likely keep more of their jobs in Philadelphia, potentially leading to significant additional economic growth, and substantially more jobs in Philadelphia.

An analysis performed for the Task Force indicates that gaming-funded wage tax cuts can be expected to cause increases in the wage tax base, the property tax base, and the sales tax base. The models utilized in this analysis focused on Philadelphia's *share* of national activity, not on the absolute level of such activity. For example, the model evaluates the Philadelphia wage tax base as a percentage of total wages earned in the United States. This focus was adopted because Philadelphia competes nationally for business and household location, its share of the nation is a good indicator of its relative growth and success, and by using the local share the analysis effectively controlled for national trends in growth and inflation.

Because these tax reductions will be fully funded by gaming revenues, there will not be corresponding cuts in services, the traditional counter-balancing factor when it comes to tax cuts. Thus these tax cuts will have a substantial impact on the Philadelphia economy and on City tax revenue. These estimates are based on the assumption, discussed above, that state gaming revenues will equal \$500 million in fiscal 2008, \$750 million in fiscal 2009, \$1 billion in fiscal 2010, and \$1.04 billion in fiscal 2011. Nor are they time sensitive – a delay in revenues will generally lead to the same effect, just delayed as long as the tax cuts are delayed.

**TABLE 4.34: Projected Supply Side Effects on Tax Revenues
(\$ millions)**

Tax	FY2008	FY2009	FY2010	FY2011
Wage Taxes	\$9.8	\$12.8	\$13.1	\$32.5
Business Privilege	\$0.0	\$0.0	\$0.0	\$0.0
Property	\$0.0	\$11.0	\$16.8	\$23.1
Real Estate Transfer	\$0.0	\$3.5	\$5.0	\$6.4
Sales	\$1.3	\$1.8	\$2.4	\$4.4
Total	\$11.1	\$29.1	\$37.3	\$66.4

Source: Econsult analysis for the Task Force

The model projects that the full supply side effects of cuts are not realized for four years, so if full tax reduction is not reached until fiscal 2010, then the supply side effect will likely continue to dramatically increase until fiscal 2013.

Fiscal Impacts

Fees and Savings to the City

FINDING: The city host fee will vary by scenario but will likely be between \$26 and \$30 million annually.

Under the Gaming Act, the City will receive four percent of the casino's gross gaming revenue as a host fee. This amount is deemed a "local share assessment" under the Act and will be paid to the City's general fund, and similar provisions exist for every other venue in the Commonwealth, although often complicated by division between city and county and even city, county, and surrounding municipalities or other subdivision, depending on the size of the host locality.

It is the Task Force's understanding of the legislative history of this section that the intent was for the host municipalities and counties to have some revenue to spend on local programs and priorities to "make good" on the quality-of-life hassles that will come with hosting a gaming facility.

The amount of money that Philadelphia receives as its local share assessment, of course, varies with the amount of revenue generated. The variation, by scenario is between \$26 and \$30 million annually.

FINDING: By funding the operating deficits at the Pennsylvania Convention Center, gaming could save the city about \$18 million annually.

Five percent of gross gambling revenues are dedicated by the Gaming Act to fund other economic development efforts statewide. Philadelphia's access to, and use of, those funds are limited for the ten years following the commencement of gaming in Pennsylvania. During those ten years, the only payments made to or for Philadelphia out of that five percent will be for expansion of the Pennsylvania Convention Center and for reimbursement to Philadelphia for payments made by the City for the operating expenses of the Pennsylvania Convention Center.

The City's budget for fiscal 2006 calls for an advance from the City to the Convention Center of \$38.6 million and repayment of \$20.1 million at the end of the year, for a total planned subsidy of \$18.5 million. To the extent that this subsidy is covered by gambling revenues for the next ten years, it amounts to a saving to the City. This revenue is based on statewide gambling revenues so if racinos are in operation in fiscal 2006-07, it is possible that the City will see some partial relief that soon.

It is unclear if Philadelphia's share of the economic development fund, potentially about \$150 million annually, will be sufficient to pay for expansion of the Convention Center and to pay for the on-going operating subsidies.

City Tax Receipt Growth

FINDING: Casino operations and ancillary spending will generate between \$11 and \$15 million annually in additional Philadelphia tax receipts.

Economic development from the casinos will not lead only to job growth, but also to growth in City tax receipts. Most of the economic development will be subject to some combination of wage, business privilege, and sales taxes. This will lead to millions of dollars in additional tax revenue, ranging from \$10.7 to \$15.1 million in additional tax receipts in the first full year of operation, with additional growth to follow as casino revenues grow over time (see pages 207). A large portion, but not all, of these tax receipts will be incremental, or new, tax receipts.

TABLE 4.35: Ongoing Tax Receipts Without Supply Side Effects
(\$ millions per casino)

Tax	Navy Yard	North Delaware	South Delaware	Market East	I76-City Avenue
Wage Taxes	\$3.5	\$5.3	\$3.8	\$6.0	\$4.1
Business Privilege	\$0.3	\$0.3	\$0.3	\$0.4	\$0.3
Property	\$1.1	\$1.2	\$1.2	\$1.4	\$1.2
Real Estate Transfer	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Sales	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2
Total	\$5.1	\$7.1	\$5.6	\$8.0	\$5.9

Source: Econsult research for the Task Force

FINDING: Casino construction will generate over \$4 million in one-time tax revenue for Philadelphia.

Similarly, Philadelphia will garner tax receipts from the initial construction. The projected tax impact from initial construction will be between \$4.4 and \$5.0 million. Because, as discussed above, all of the construction spending is incremental rather than substitution, these projected tax receipts are all new tax receipts for the City.

TABLE 4.36: Incremental One-Time Tax Receipts Without Supply Side Effects
 (\$ millions per casino)

Tax	Navy Yard	North Delaware	South Delaware	Market East	I76-City Avenue
Wage Tax	\$1.95	\$2.18	\$2.18	\$2.42	\$2.12
Business Privilege Tax	\$0.12	\$0.14	\$0.14	\$0.17	\$0.13
Sales Tax	\$0.03	\$0.03	\$0.03	\$0.03	\$0.03
Total Receipts	\$2.10	\$2.35	\$2.35	\$2.62	\$2.28

Source: Econsult research for the Task Force

City Costs

Part of having these casinos in Philadelphia is the reality that the City will have to provide public safety, social services, and infrastructure support to both the casinos and the citizens of Philadelphia. These costs are millions of dollars annually, costs that are in many cases typically borne by casino operators through funding of government agencies with expertise and local authority. For this reason, the Task Force analysis assumes that reasonable additional costs will be borne by the casinos, so long as the casinos can remain profitable.

FINDING: Depending on the scenario, policing the casinos and the surrounding areas will annually cost between \$11 and \$16 million, with additional start-up costs.

The largest burden on the City will come from having to police not only in the casinos, but in the immediate area surrounding the casinos and on the traffic approaches. The Philadelphia Police Department (“PPD”) is tentatively planning to borrow a page from the Detroit Police Department and establish a unit of officers who would be specifically dedicated to policing the casino and the casino areas. In many ways this will be similar to the PPD’s Airport Unit, which deals with specific law enforcement issues and deals with non-Philadelphia regulators and law enforcement.

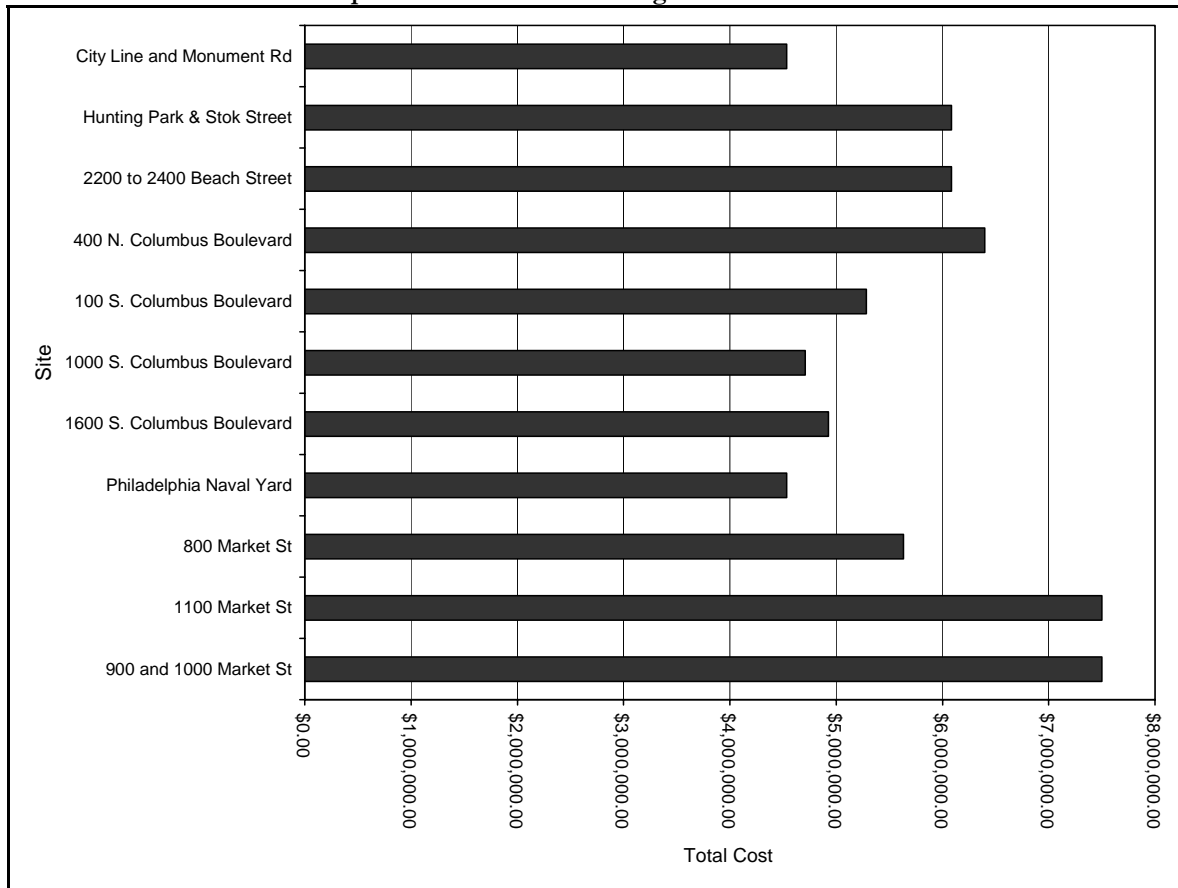
The proposed casino unit would be responsible for crime patrol around the casino and the adjoining neighborhoods, traffic control and the initial investigation of casino related crime. The creation of this unit will provide a liaison with surrounding patrol districts, community groups and the enforcement and investigatory arm of the Gaming Control Board. In doing so, it will provide a level of traffic control and a perception of public safety necessary for casino success.

In order to provide this enhanced level of policing, and to not otherwise compromise policing in other neighborhoods, the Police Department will have to hire and train more officers and establish a central command. Existing resources are already fully deployed and cannot simply be pulled away from other duties.

Preliminary police evaluations for each of the projected sites indicate that there are several areas that will need traffic officers, either full-time or at certain peak times, to ensure safe and orderly flow of vehicles. Additionally there will be a need for two to five round-the-clock bike patrol teams at each location to control crime in and around the parking and pedestrian access areas.

In the vicinity of casinos that are open 24 hours a day and seven days a week, police costs will increase from \$4.5 to \$7.5 million annually per casino, although there would likely be some cost savings if two casinos were clustered into adjacent sites.

Graph 4.18: Estimated Policing Costs for Each Site



The proposed Gaming Unit would also need a command section, including a captain, 3 lieutenants, 10 sergeants, 3 corporals, 6 detectives, and a single clerk. Including operation, maintenance, and depreciation on six vehicles, this command section will likely cost almost \$2 million annually. There will also be a one-time start-up cost of approximately \$2 million.

Finally, there might be a need for site acquisition/management costs for the headquarters of the Gaming Unit, although it is possible that a casino would choose to provide such space without charge.

FINDING: Annual additional emergency medical services costs to the city due to casinos will be about \$900,000, in each scenario. An additional \$2 million in Fire Department operating costs will be needed annually if one of the casinos is at the Navy Yard.

The Philadelphia Fire Department (“PFD”) expects that it could address initial fire suppression services to all but one of the proposed locations with the current complement of fire stations and apparatus. The exception is the Navy Yard site where an entire station would need to be built, equipped and staffed.

There will also be additional requirements for emergency medical services (“EMS”), simply as a function of the increased visitor traffic. For example, the town of Preston, one of the communities near Foxwoods casino in Connecticut, has seen annual EMS calls jump from about 200 a year pre-casino to about 1000 today.

PFD projects that the additional EMS requirements are generally consistent across the sites and that with the addition of a round-the-clock EMS unit near each casino it can meet anticipate increased EMS needs at any proposed location. To provide two round-the-clock EMS units requires 16 additional paramedics.

The cost for the paramedics, and for operation, maintenance, and depreciation of the EMS unit, would be \$450,000 per casino, and would also require a one-time investment of \$60,000 for the additional vehicle at each site. The cost for the fire station at the Navy Yard would be an additional \$2 million in operating expenses, and \$2.85 million to construct and equip a fire house, ladder, and engine.

For comparison’s sake, New Orleans spends about \$300,000 annually to provide EMS coverage and about \$870,000 for a share of the cost of fire suppression coverage for one casino. Detroit, with three casinos, budgeted \$4.4 million in 2004-2005 for casino-related fire department costs.

FINDING: Serving the social service needs caused by new problem and pathological gamblers will be about \$2.3 million annually.

Increased criminal justice costs, social services and family costs each represent costs to the people of Philadelphia that will have to be borne as a result of gaming coming to Philadelphia. As discussed on page 344, the Task Force projects the following approximate costs:

- \$4,000 in criminal justice costs per incremental arrested problem or pathological gambler
 - \$600 in treatment costs per incremental pathological or problem gamblers who seek help
 - \$110 in support costs per incremental family member or gamblers who seek help for problems relating to gambling.
-

Based on the assumptions of the number of pathological gamblers who will turn to crime and be caught and the projected increased demand for social and family services due to problem or pathological gambling, the Task Force projects the annual cost to the city to deal with these issues is about \$2.3 million.

FINDING: The Water Department, Philadelphia Gas Works, and electric utilities all will likely have an opportunity to add the two casinos as major customers.

Casinos by their nature are massive consumers of electricity, water, and heat. As such, wherever they locate, these economic engines should also drive revenue for the utilities that have to serve them. Until sites are known and plans are developed, it is impossible to know exactly what, if any, burden or benefit the utilities will experience. There are, however, some impacts that are clear.

The Water Department projects that there will be annual water and sewage charges of about \$800,000 for casinos, depending on the amount of water consumed. The revenue generated will likely not generate either a net gain or net loss to the department because increased costs for operation and maintenance of existing infrastructure and overhead will offset any net gain on provision of water. There will likely be permitting costs of about \$87,000 and, depending on the site, necessary expenses for infrastructure adjustment/expansion or development of storm water management infrastructure. These costs, which range from minimal costs at the Gallery site to almost \$4 million at Penn's Landing, are set forth in the relevant site assessments above, and would be borne by the developers as part of site preparation costs.

All identified potential sites are within close proximity to Philadelphia Gas Works ("PGW") facilities, although depending on the development plans at each site, some additional piping may be necessary. Additionally, all potential sites will likely require some degree of infrastructure upgrade to meet operator demands.

Operationally, PGW has estimated that, based upon the Task Force's projected initial development plans, each casino will need about 9 million BTUs per hour for heating and 2000 cooling tons for cooling. PGW suggests that the casinos can most efficiently meet their cooling and heating needs by installing a co-generation system that utilizes waste heat to heat and cool the casino complex as a 600 kilowatt engine can shave peak (and therefore most expensive) summer electric demand while also generating heat and cooling power at all times. PGW projects that the projected cogeneration plant would operate about 3000 hours per year utilizing about 25,000 million cubic feet of natural gas annually.

TABLE 4.37: Annual Gas Demand by Energy Utilization Model

Energy Utilization Model	Cogeneration	Hybrid Cooling	Electric Cooling
Cogeneration (electricity/heat/cooling)	25,000 Mcf	n/a	n/a
Heating	add'l 4000 Mcf	10,000 Mcf	10,000 Mcf
Hot Water/Cooking	4,000 Mcf	4,000 Mcf	4,000 Mcf
Cooling	inc. in heating and cogeneration	One gas chiller (7,000 Mcf gas); one electric chiller	All electric
Annual Gas Load	33,000 Mcf	21,000 Mcf	14,000 Mcf

Depending on whether electric or gas units are utilized for cooling the casinos, PGW estimates its annual margin on gas sales to casinos will be between \$48,000 and \$65,000 per site, with the low projection being for a system relying on electricity for all cooling needs and the higher figure representing the cogeneration plan scenario detailed above. Both necessary utilization and net margin will, of course, increase as the casino complexes are expanded through later phases.

Beyond the competition between PGW and electric utilities over the energy utilized to cool the casinos, there is likely to be competition in the deregulated electricity marketplace. Impact on PECO and other potential electricity marketplace players is an issue that the Task Force hopes to resolve as casino plans develop.

FINDING: Depending on the scenario and other factors, necessary roads and highway improvements due to casinos could amount to significant costs.

The placement of a casino in the City of Philadelphia will undoubtedly require some alteration in the way traffic is managed in the road system by a modification in the traffic signals to the addition of turn lanes and through lanes. Only one gaming company has taken the time to date to put together a proposal for a gaming site and has discussed some of their findings with certain city agencies, although the Task Force was not one of them. The city policy in the past has put the burden of any infrastructure improvements recommended by a new business to be funded in full by that entity including a complete study, plans, contract documents, permits, construction and management of the contract from the beginning to completion. Since there are a number of potential sites with out formal proposals attached to them, we are unable to calculate the actual expense of what these changes to the infrastructure will be. The cost of a modification at a signalized intersection could be as low as \$100,000.00 dollars and upwards of multi-millions of dollars with the addition of lanes and other unforeseen required improvements.

FINDING: The City will need to cover certain on-going costs driven by the casinos and potentially as yet unidentified infrastructure and operations related costs.

There will be a series of relatively small charges that the City will face when dealing with casinos, The Task Force anticipates, for example, that the Mayor's office will have a small office detailed to handle problems arising from or relating to casinos. The increase in crime due to the number of additional visitors will not only lead to the increased policing costs, but likely some small increased demand on the district attorney's office and the Department of Prisons. There will be additional need for inspections, which also carry costs. The administrative resources of the City will be needed to prepare for casinos and for casino-driven special events. While no single cost is substantial, collectively they will likely add up to more than a million dollars annually for the

pair of casinos.

In New Orleans, with the one casino and two riverboats, the administrative expense amount is about \$1.8 million. The New Orleans budget items are (2003 figures):

TABLE 4.38: 2003 New Orleans Budget Items

Total Administrative	\$1,785,423
Chief Administrative Office	\$459,546
Law Department	\$246,825
Finance Department	\$457,686
Utilities Department	\$32,035
City Council	\$182,358
Health Department	\$226,181
Mayors Office	\$180,792

Source: Innovation Group data provided by the City of New Orleans

While this section has attempted to identify the primary City-related costs that have arisen elsewhere, until it is known which sites are moving forward with applications, and the City is presented with detailed development and operations plans, it will not be possible to develop a comprehensive City cost list for each site.

FINDING: Casino-driven costs, such as infrastructure, police, fire, and social service costs, can be and often are directly funded by the casino operator, much like they are funded by developers and operators of other major Philadelphia projects.

Economic development is almost universally cited as one of the primary factors when casinos are legalized. In that context, as is the case here, host municipalities do not have the resources to fund increased public safety and social costs that come with gambling. These costs are traditionally borne by casinos, although the manner in which they do so vary by environment.

In Detroit, for example, operators pay almost all of the City's public safety costs. In 2003-2004, the three Detroit casinos combined to pay \$14 million of the \$15.26 million spend for casino-driven police and fire services. In the just completed 2004-05 year, the Police Department casino-related budget was \$12.7 million and the Fire budget of \$4.4 million, and the casinos paid \$14.2 of the almost \$17 million. Those payments are beyond the tax payments to the city, which received about \$139 million in gaming taxes (Detroit casinos also pay a separate tax to the state).

This is also consistent with other new development in Philadelphia. For example, when Ikea and other "big box" retailers were looking to locate on Delaware Boulevard, the City mandated certain new infrastructure (turning lanes, lights, etc) and the developers paid these infrastructure costs out of their own pocket.

This is also true in the policing context. When the Phillies and Eagles were constructing their new stadiums, the teams wanted a greater police presence for traffic control, parking lot policing, and enforcement of certain venue-specific crimes (e.g. trademark infringement, scalping, and sale of counterfeit merchandise) than the City believed was justified as part of its larger mission to

ensure public safety in the City. As a result, the teams and the City reached an agreement where, when they are available, a fixed number of officers are assigned overtime hours at each game, and the City is reimbursed all costs associated with their assignment.

Because two major factors for casino customer retention are a perception of safety and ease of access, it is probable that casinos will want a level of policing higher than the City believes is minimally necessary consistent with its public safety obligations. These are the levels set forth above. And it is reasonable and to be expected that these costs will be borne by the casino operators.

FINDING: The city budget currently does not have revenues to subsidize casino-driven costs.

Philadelphia, like most other urban areas, is facing a stagnant national economy and a declining tax base necessitating significant cuts in services. Yet at the same time, Philadelphia has continued to push ahead with tax cuts, something not being done by any other major American city. And Philadelphia has run and continues to manage a balanced budget.

These remarkable feats, however, have not been without pain and in each of the last couple of budget cycles the City Council and the Mayor have had to work to determine where program cuts could be made, even where they could not really have been afforded. As a result, due to the hard choices forced upon City government by federal and state spending cuts, successful programs have been scaled back or eliminated. And just last month the Pennsylvania Intergovernmental Cooperation Authority forced the City to make several further changes to its projected spending over the next five years to bring the budget into compliance.

In this context, the City is simply not in a position to fund the additional services and infrastructure needed by casinos. Doing so would endanger library hours, fire stations, museum subsidies, and other essential elements that are required to take care of Philadelphians.

Fortunately, the industry expectation is traditionally to fund its own infrastructure and marginal policing and fire needs out of operating revenues, traditionally through payment to the governmental entity providing the services. For this reason, the pro formae the Task Force has developed for each casino incorporated a payment to the City to cover these costs, conservatively estimated at \$20 million per casino annually. This payment, and the Task Force expects the actual number to be set at the marginal cost to the City driven by casinos once the actual location, plans, and neighborhood impacts are known at each site, will hold harmless City taxpayers who should not be further subsidizing these casinos, beyond the lucrative opportunity that will be provided under the Gaming Act.

And even incorporating this payment, Task Force pro formae still yield owner returns greater than 17 percent, calculated as earnings before interest, taxes, depreciation, and amortization, which eliminates differences in financing and accounting decisions. As a practical matter, even with the relatively high Pennsylvania tax rates, this profitability means that the typical casino development will have paid off its license fee and initial development in approximately five years, well ahead of what is generally expected in the industry.

Appendix on Revenue Projection Methodology

The revenue numbers were derived for the Task Force by the Innovation Group utilizing a series of gravity models developed and customized through their years of gaming industry experience. Gravity models are commonly used in location studies for commercial developments, public facilities and residential developments. They are used to define the behavior of a population based on travel distance and the availability of goods or services at various locations. The general form of the equation is that attraction is directly related to a measure of availability such as square feet (or for casinos, gaming positions) and inversely related to the square of the travel distance. Thus the gravity model quantifies the effect of distance on the behavior of a potential patron and considers the impact of competing venues.

The basic formulation is that the interaction between two or more gaming venues is based on Newton's Law of Universal Gravitation: two bodies in the universe attract each other in proportion to the product of their masses and inversely as the square distance between them. Thus, expected interaction between gaming venue i and market area j is shown as:

$$k \times \frac{P_i \times P_j}{d_{ij}^2}$$

where P^i = the gaming positions in gaming venue i , P^j = the population in market area j , d_{ij} = the distance between them, and k = an attraction factor relating to the quality and amenities to be found at each gaming venue in comparison to the competing set of venues. When this formulation is applied to each gaming venue gaming trips generated from any given zip code are then distributed among all the competing venues.

In their work for the Task Force, the Innovation Group used a constrained gravity model that particularly focused on the Philadelphia market and a surrounding radius of 100 miles. This included the identification of thirty eight discrete market areas, with particular attention paid to the location of competitive alternatives in the market. Each of these market areas is assigned a unique set of propensity and frequency factors. These factors are derived based upon primary research in the region conducted by the Innovation Group and the Task Force and are based on Innovation Group's experience of consumer reaction to the development of new gaming venues throughout the country.

From this analysis, gamer visits are then generated from zip codes in the outer market areas and by block group for the inner market areas by applying propensity and frequency factors to the adult populations in each of these areas. The gamer visits thus generated are then distributed among the competitors in the market based upon the size of each facility, its "attractiveness" (see below), and the relative distance from the zip code or block group in question. In this model the region included in the analysis extended approximately 100 miles from Philadelphia. The gravity model then calculates the probabilistic distribution of gamer visits from each market area to each of the gaming locations in the market. Other competitors located outside the defined market regions are treated as external competitors siphoning off a portion of gaming

trips from zip codes within the region.

The model relied on the following various components of the model:

Gamer Visits

Gamer visits are a measure used to specify the number of local patron trips to a gaming market, where an individual can make any number of separate visits in the course of a year. In order to estimate the gamer visits, market penetration rates, made up of the separate measures of propensity and frequency, are applied to the adult population in each zip code. These rates vary with distance from casino, the number of casinos in the market, the type of casino. The resultant participation rates are then varied by applying the market potential index (MPI). This index represents the proclivity of the population in each area to participate in gaming independent of consideration of distance, which is the primary determinant of casino participation rates. This index in itself is derived through a comprehensive survey by Simmons Market Research of consumers nationally. One of the questions asked is the level of participation in gaming in the past year. This data is then tied to the 64 lifestyle types developed by the Claritas Company which define the American population by lifestyle. A composite MPI index is then developed for each geographic area representing the proportional lifestyle composition of each geographic area. The MPI is then used to vary the base propensity and frequency factors assigned to the geographic area thus accounting for the types of individuals found in each area.

Propensity

Propensity measures the percentage of adults who will participate in casino gaming within the zip code during the course of a given year. This figure varies based upon a number of factors, which includes the number of gaming venues, their type (i.e. land-based versus cruising riverboat versus dockside riverboat), games permitted, availability of other entertainment and leisure options, and most importantly, distance from a gaming venue.⁴ Propensity in inner market areas from 0-30 minutes can vary between the high 30 percent range in a single venue market to the 50-55 percent range, or more, for multiple land-based casinos with a well developed array of amenities.

Given the proximity of Atlantic City it was expected that the propensity to gamble would be high. The following table presents the estimated propensity and frequency figures estimated by the survey which confirm the expectation of high frequencies. For example, the model predicts that 48 percent of adult Philadelphians gamble each year and that, on average, they do so 6.45 times a year, with 90 percent of that gambling taking place in Atlantic City and 6 percent in Delaware.

⁴ As evidenced from racinos in New York, several additional factors may influence gaming participation rates, including smoking bans and the level of customer service and advertising that can be afforded.

Philadelphia Only	
Propensity	48.00%
Frequency	6.45
Market Share	
Atlantic City	89.96%
Delaware	5.90%
Other	4.15%
Gloucester, Camden & Burlington	
Propensity	46.60%
Frequency	5.92
Market Share	
Atlantic City	90.89%
Delaware	2.51%
Other	6.61%
Bucks, Montgomery, Delaware & Chester	
Propensity	34.60%
Frequency	5.27
Market Share	
Atlantic City	81.55%
Delaware	8.63%
Other	9.82%
75 Miles Plus Exclusive	
Propensity	35.00%
Frequency	4.65
Market Share	
Atlantic City	70.33%
Delaware	14.84%
Other	14.84%
Total Survey	
Propensity	42.50%
Frequency	5.83
Market Share	
Atlantic City	85.01%
Delaware	7.37%
Other	7.62%

In addition to this data, proprietary information allowed Innovation Group to make reasonable estimates of the portions of Atlantic City business that is generated by each market area. Propensities along with other factors are then adjusted to match these known patterns and levels of visitation and revenue generation.

Propensities and frequencies applied in the survey subsequent to the addition of Pennsylvania gaming venues varied from a high of 52.8 percent propensity and a frequency of 16 in the

Philadelphia area to a low of 35 percent and a frequency of 7.5 in some of the outer markets.

Frequency

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

Frequencies vary by distance with the highest frequencies in areas close to the market center with well developed markets with multiple casino properties.

Attraction Factors

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

The sensitivity of the model to changes in these factors is not in the nature of a direct multiplication. For example, a doubling of the attraction factor will not lead to a doubling of the gamer visits attracted to the site. It will however cause a doubling of the attractive power of the gaming venue, which is then translated via non-linear functions into an increase in the number of gamer visits attracted to the gaming venue. This is based upon the location, size, and number of competing gaming venues and their relationship to the market area to which the equation is applied. The variation of these factors is based upon The Innovation Group's experience in developing and applying these models, and consideration of the existing visitation and revenues. The latter represents the calibration of the model and has been accomplished by adjusting attraction factors to force the model to recreate the existing revenues and patron counts. In this case attraction factors have been adjusted for each casino for each of the defined market areas. This is based upon known visitation patterns to an Atlantic City facility.

In the case of the Philadelphia slots-only casinos an attraction factor of 0.75 was used as

opposed to value in excess of 1.0 for casinos offering full gaming. Additional adjustments were made to the base attraction factors to account for the characteristics of the site which includes consumer preferences for a waterfront site, the benefits of clustering, and consumer preferences for locations closer to more peripheral residential areas.

Revenue per Visit

This is the amount that an individual gamer, on average, will leave behind in the casino each time he or she visits. That amount obviously varies by the individual but on average the higher the average household income the higher the average revenue per visit (in gaming industry parlance “win per visit”) for a given area.

The average revenue per visit for the local market for slots establishments in 2010 was estimated at \$70. This is a relatively low number reflecting the limited amenities versus Atlantic City, where the estimated average revenue per visit is currently in excess of \$110, but reflects an expectation based upon the Innovation Group’s expertise. The revenue per visit is also limited by the high frequency of visitation likely for these venues. While revenue per visit in any given area is permitted to vary based on the areas relationship to the average household income for the region, a minimum is established equivalent to two thirds the average revenue per visit to represent that gamers typically have a minimum amount of money that they wager when they make a trip to a casino.

When the revenue per visit is applied to gamer visits an estimate of gaming revenue is derived.

Appendix on Induced/Indirect Spending Methodology

Once the direct expenditures have been estimated, the model used an econometric input-output model of the City of Philadelphia to calculate the indirect and induced expenditures as well as the tax revenues generated by these direct expenditures. Regional input-output models are widely used for such calculations because they are well adapted to this type of analysis, in this case the Task Force utilized the Department of Commerce’s Regional Input-Output Modeling System II (RIMS II) model for the City of Philadelphia, a standard and widely used tool for estimating regional economic impacts. It is similar to that used in similar projections elsewhere in the gaming industry. The results generated from the RIMS II are widely recognized as reasonable and plausible in cases where the data utilized as the input to the model are accurate and based on reasonable assumptions. This section describes the basic concepts that underlie RIMS II.

The total economic impact of the \$1 million in initial sales includes one additional element. All economic activity that results from the initial \$1 million in sales, whether direct or indirect, requires workers, and these workers must be paid for their labor. This means that part of the direct and indirect output produced is actually in the form of wages and salaries paid to workers in the various affected industries. These wages and salaries will in turn be spent in part on goods and services produced locally, creating another round of regional economic impacts referred to

as “induced” impacts.

Direct expenditures are input into the RIMS II model. The model then produces a calculation of the total expenditures within the regional economy that results from these direct expenditures. This total effect is the sum of the initial direct, indirect, and induced expenditures. The RIMS II model also estimates the proportion of direct, indirect, and induced expenditures that represent income earned by regional households. Finally, the RIMS II model calculates total expenditure impacts that occur within each industrial sector, and translates this estimate into an estimate of the total number of full-time and part-time jobs within each industry required to produce this output.

The RIMS II model is based on regional *multipliers*, which are summary measures of economic impacts generated from direct changes in expenditures, earnings, or employment. An *expenditure multiplier*, or *output multiplier*, indicates the level of total expenditures (direct, indirect, and induced expenditures) that can be expected following an increase in direct expenditures for the goods produced by a particular regional industry. For example, if an industry in the City is said to have an output multiplier of 2, this tells us that a \$1 increase in the direct expenditures for the good produced by the industry leads to indirect and induced expenditures of another \$1 and, therefore, total expenditures of \$2 in the City economy. The \$2 includes the various wages and salaries (referred to here as earnings) generated across industries in the particular region.

The impact of this spending on the Philadelphia economy will depend on how much of the money is spent locally and regionally and how much is spent elsewhere, and that varies by industry and area. Multipliers show this overall impact to a regional economy resulting from a change in a particular industry. Multipliers can vary widely by industry and area and are generally higher for regions with a diverse industry mix. Industries that buy most of their materials from outside the state or region tend to have lower multipliers. Multipliers also tend to be higher for industries located in larger areas, because more of the spending by the industry stays within the area.

The RIMS II model generated expenditure multipliers for construction expenditures, parlor operations, and ancillary expenditures that the model implies for the City of Philadelphia are approximately 1.51, 1.54, and 1.58, respectively. It should be noted that the corresponding multipliers for the Philadelphia metropolitan area would be larger because a larger share of the indirect and induced expenditures would be made in the metropolitan area than in the smaller area of the City of Philadelphia.

Appendix on Tax Receipts Methodology

The economic activity estimated to result from an economic development project will result in additional tax revenue for state and local government in the region where that economic activity occurs. The Fiscal Impact model used for this report is designed to estimate this level of additional tax revenue based on the estimates of economic impact produced by the RIMS II model.

The RIMS II model provides estimates of direct, indirect, and induced expenditures, earnings, and employment within a county, metropolitan area, or state. The Econsult proprietary model used for this report combines the output of the RIMS II model with Census Bureau County Business Patterns data to produce estimates of the distribution of additional employment and earnings by county within a region or state. In addition, Census Bureau “Journey to Work” data on commuting flows from the 2000 Census are utilized to estimate income earned by residents of each county within a region. For models of the Philadelphia region, the fiscal impact model also estimates income earned within the City of Philadelphia by suburban residents. These estimates form the basis of estimates of tax revenues from local income taxes in Pennsylvania as well as Pennsylvania and New Jersey state individual income taxes. This model is the one utilized by Econsult in its work with the Tax Reform Commission and other local entities.

Pennsylvania state business and sales taxes are estimated based on the most recent data on average sales tax base per employee by major industry, as contained in publications from the Pennsylvania Department of Revenue. Estimates of New Jersey state business and sales tax revenue are based on the statewide average sales and business tax base per employee. For both states, the RIMS II model produces estimates of additional employment by industry. These estimates, combined with estimates of the average business and sales tax base per employee, and current and projected future tax rates, produce the estimates of additional annual state business and sales tax revenue.

For the current study, the fiscal impact estimates take into account estimated additional revenue from the following major tax sources:

- Local earned income taxes in Pennsylvania (counties other than Philadelphia)
 - Philadelphia wage and earnings tax
 - Philadelphia sales tax
 - Philadelphia business privilege tax
 - Pennsylvania and Philadelphia sales taxes
 - Pennsylvania and state individual income taxes
 - Pennsylvania corporate net income tax
 - Pennsylvania capital stock and franchise tax
-

SECTION 5

SOCIAL IMPACTS

Social Impact Framework

Social issues that surround gaming have been carefully examined to insure that opportunities are properly leveraged; and that both real and perceived social problems are mitigated.

The Task Force compiled primary data from polling, public hearings, and public stakeholder meetings, and data from existing studies. Information from all sources identified confirms that casino gambling is expected to affect the quality of life for individuals in Philadelphia. Wage tax cuts and new jobs created by this industry will positively effect individuals, families and communities while issues like problem gaming could negatively effect this same population.

The physical site of the facility is another key issue that will affect the lives of Philadelphia citizens. The Task Force has found that in other jurisdictions where gaming was introduced, municipalities were not prepared for dealing with casino related issues such as crime, public safety and various public nuisances. All possible issues are currently under review by the Task Force so as to insure that all planning incorporates preemptive strategic measures.

Issues of problem and pathological gambling have also been analyzed in great detail. Problem and pathological gambling greatly affect families and communities, and a plan to deal with these issues should be folded into the overall strategy for social service in Philadelphia.

FINDING: Comprehensive and conclusive information on the social impacts of gaming is limited.

Quantifying many of the “intangible” effects of this new industry presented several challenges. Comprehensive information on the social implications of gaming is limited. Much of the existing data presented offers conflicting and/or inconclusive information. Additionally, much of the secondary data available is several years old; and is not specific to slots-only gambling, but encompasses all forms of gambling.

The first major study in the United States focusing on gambling impact was the 1976 Commission on the Review of the National Policy Toward Gambling. At the time of that study only 13 states had lotteries, two states had approved off-track-wagering, only one state had casinos; and there were no tribal casinos. The key recommendations of the 1976 study focused on the enforcement of state and local gambling statutes, the regulation of legal gambling industries, and the issues surrounding illegal gambling industries.⁵

There was not another national study for twenty years until Congressman Frank Wolfe’s (R-Virginia) legislation in the 104th Congress in 1996 created the National Gambling Impact Study Commission. The nine-member commission, whose members were appointed by the U. S. President, Senate and House of Representatives, held public hearings in nine cities across the

⁵ National Gambling Impact Study Commission, page 9.

country, beginning in Washington in August 1997 and ending in Las Vegas, Nevada in November 1998. The final report was released in June 1999.

Two additional reports were also generated through the National Gambling Impact Study Commission. A research contract was given to the National Opinion Research Center (NORC) at the University of Chicago to conduct a national survey of gambling behavior and to examine the impact of gambling on a variety of indices, including financial health, crime and social problems.⁶ The research team's final report, *The Gambling Impact and Behavior Study: Final Report to the National Gambling Impact Study Commission* was submitted in March 1999.

After the release of the Impact Study Commission's final report, another national study was conducted by the National Council of Legislators from Gaming States (NCLGS) because, as the chairman of the organization stated: "There were no state legislators, no governors, no attorney generals and no mayors" on the National Gaming Impact Study Commission.⁷ The eleven-member public sector commission included a governor, mayor, state senator, state representative, state gaming commission personnel and an attorney general.⁸ Its findings were published as *Gambling Policy and the Role of the State* in March 2000.

Subsequent gaming studies tend to be of two types: (1) Social impact studies to measure the result of government action on the well-being of a community and (2) Prevalence studies to measure the rate of problematic gambling behavior. Social impact studies vary in their format in that they may focus on a particular social issue such as bankruptcy, suicide or crime, may study the impact of a particular type of gaming, such as the United State's General Accounting Office 2000 report on convenience gambling, or may be more broad-based in studying many issues related to gaming and problematic gambling.

Quality of Life

Attitudes about Gaming

FINDING: The overwhelming majority of Philadelphia residents say the quality of life in Philadelphia is acceptable and that a slots-only casino will not cause the quality of life to decrease.

Eighty-six percent of Philadelphia residents find their current quality of life acceptable and many are concerned about the impact of gaming on their quality of life. When asked how slots-only gaming would impact the quality of life for Philadelphia residents, 16 percent stated that it would improve the quality of life, 44 percent stated there would be no change, and 33 percent stated

⁶ National Gambling Impact Study Commission, p. 4-3.

⁷ Letter from Senator Steven Geller, Florida State Senate, Chairman, Public Sector Gaming Study Commission in the Final Report of the National Public Sector Gaming Study, National Council of Legislators from Gaming States

⁸ Included in the membership was Benjamin Nolt, then executive secretary of the Pennsylvania Horse Racing Commission.

that the quality of life would decrease.

TABLE 5.1: Concern about Quality of Life Issues

	Total	White	Black	Latino	Men	Women	<45 yrs	46-60	>60 yrs
Improve	16	13	18	31	19	13	18	14	16
No Effect	44	50	42	22	45	44	43	43	47
Worsen	33	34	30	37	31	35	33	36	29
Improve/No Effect	60	63	60	53	64	57	61	57	63

Poll results show an overwhelming majority of the public (83 percent) find slots-only gambling acceptable for either themselves or for others. Nearly one in three residents (30 percent) say gambling is an acceptable activity for all and that they would be open to participating themselves. A majority (53 percent) responded that while they would not personally gamble, it is an acceptable activity for others. Only 15 percent say gambling is an unacceptable activity. The acceptance of gaming crosses demographic lines, with no group registering less than a basic approval of 77 percent.

TABLE 5.2: Acceptance of Slots-Only Gaming

	Total	Whites	Blacks	Latino	Men	Women	<45 yrs	46-60	>60 yrs
Acceptable ⁹	30	30	34	23	28	32	34	27	28
No Objections ¹⁰	53	55	46	54	54	51	54	51	53
Unacceptable ¹¹	15	14	17	16	16	14	10	20	16
Total Accept/ No Objections	83	85	80	77	82	83	88	78	81

FINDING: Philadelphia residents accept gaming, but are concerned about possible crime rate increases. However, these perceptions are largely just perceptions and crime can be controlled with appropriate police staffing.

Although polling results indicate that Philadelphia residents support slots-only gaming, residents expressed concern about possible increase in crime due to the casino presence. Sixty-two percent of the respondents believe slots-only gaming will “greatly” or “somewhat” increase crime.

Crime rates in the comparable markets, New Orleans and Detroit, show no evidence that the

⁹ I find slots-only gambling acceptable for me and for others

¹⁰ I would not participate personally, but I have no objections if others wish to participate

¹¹ It is unacceptable to me and I do not believe others should participate in this form of gambling

introduction of gaming to these cities has caused an increase in the crime rates at the city-wide level. In fact, the Task Force study suggests that crime rates have for the most part declined during the period under analysis. This review is not suggesting that casinos have caused these declines. These declining crime rates could be as a result of generally improved economic conditions, and improved policing approaches, and other more important causal relationships associated with the broader social and general welfare of these communities.

Likewise, there is no evidence for large increases in major crimes within the adjacent casino neighborhoods.

FINDING: Philadelphia residents believe nuisance crimes will increase as a result of casinos.

Task Force polling indicates that 64 percent of Philadelphians anticipate an increase in public nuisances such as loitering, public drunkenness and littering as a result of the casino's presence. This issue was also a consistent concern raised at the Task Force's public hearings. Philadelphia residents consistently testified that they feared increases in public nuisances would negatively affect their neighborhoods.

The neighborhoods, the city government and the casinos will have to work together to address these issues. The city of Philadelphia has experience in working together with community organizations and businesses to handle issues dealing with quality of life and economic interests. An example of this is the Sports Complex Special Service District (SCSSD). The SCSSD addresses quality of life issues neighborhoods surrounding the South Philadelphia sports complex area. For further details see page 321.

FINDING: Polling indicates that a majority of Philadelphia residents expect to see some benefits and some negative impacts from gaming in Philadelphia, yet most do not believe themselves or their families will be affected.

Most city residents believe the introduction of slot machines will have a positive impact (45 percent) or no impact at all (19 percent) on Philadelphia. African Americans and Latinos are the most optimistic of the benefits they will bring – almost half (49 percent) believe that the introduction of slots-only gambling will have a positive impact on the city, compared to 43 percent of white voters. Voters over 60 years old are by far the most positive on the impact of slots gambling (52 percent positive, 32 percent negative) while middle-aged voters (45-60 years old) are the most skeptical (40 percent positive, 39 percent negative).

TABLE 5.3: Impact of Slots Facilities on Philadelphia

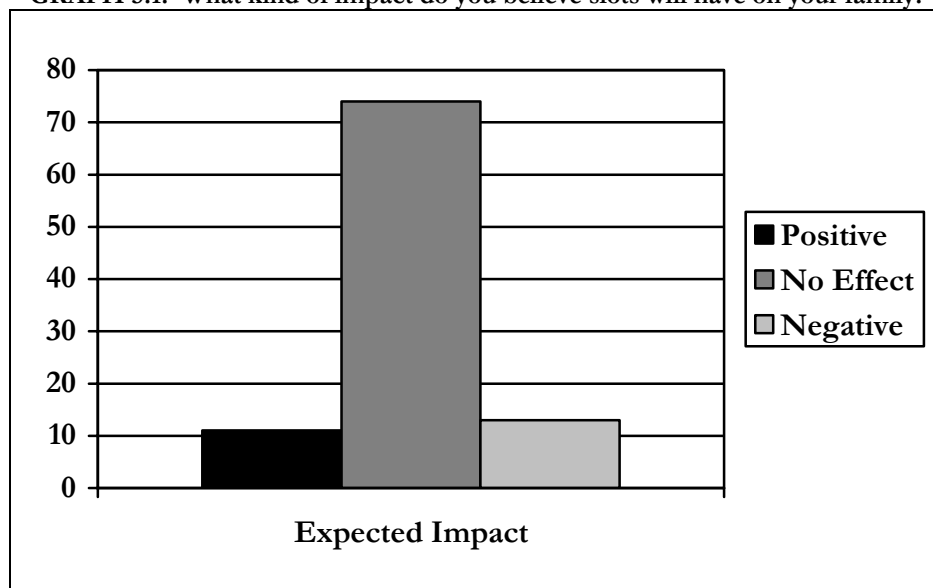
	Total	Whites	Blacks	Latino	Men	Women	<45 yrs	46-60	>60 yrs
Positive	45	43	49	49	47	43	43	40	52
Negative	33	38	28	32	32	35	29	39	32
No Impact	19	18	19	18	20	19	25	18	13

Half of the respondents (50 percent) believe that slots-only gaming will help the economy while 30 percent believe it will not make much of a difference. Only 17 percent of respondents believe it will hurt the economy. A majority of the respondents believes that the slots-only

casinos would create more jobs in the City of Philadelphia. Seventy-four percent believes it will create at least 500 jobs with 22 percent stating that the facilities could create well over 1,000 jobs.

A majority of the respondents (52 percent) believe that the intended purpose for gaming revenues would be realized – i.e. wage tax relief for Philadelphia residents and property tax reductions for the rest of the state. However, when probed further an overwhelming majority (77 percent) believes it will either eliminate or decrease the wage tax. Only 12 percent believed it would have no effect on the wage tax.

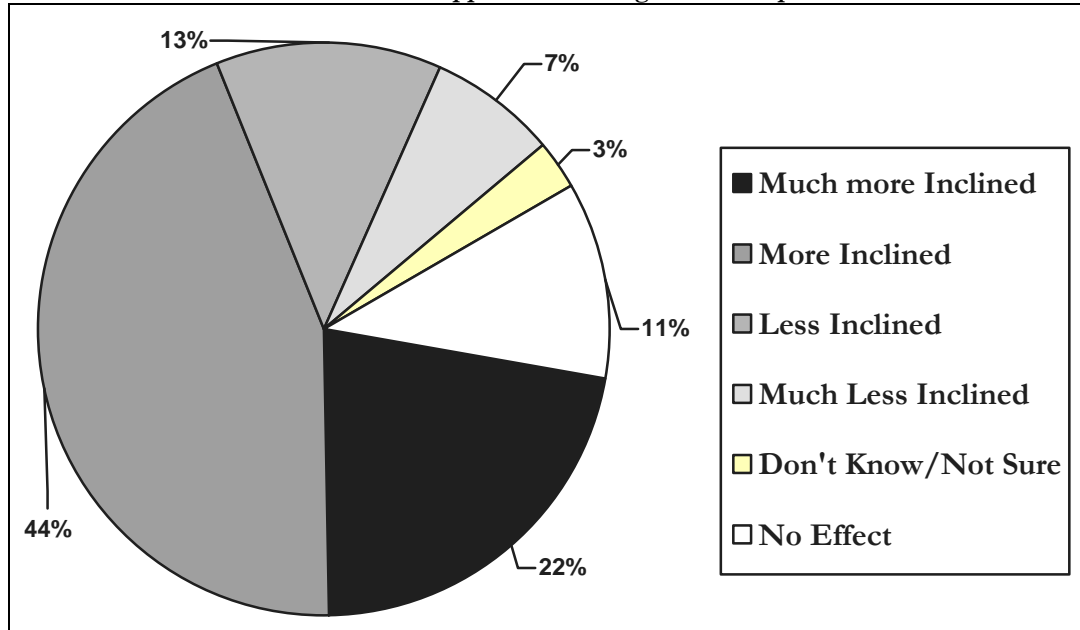
GRAPH 5.1: What kind of impact do you believe slots will have on your family?



A majority of Philadelphia residents don't expect slots gambling to have a direct impact on their families. Nearly 3-in-4 residents (74 percent) say slots operations will have no major impact on their families, with the remaining residents split almost evenly (11 percent positive, 13 percent negative).

FINDING: Polling indicates a greater amount of public support for casinos when revenue is directed toward community programs.

GRAPH 5.2: Support for Gaming in Philadelphia



Sixty-six percent of Philadelphia residents say they would be more inclined to support gaming in Philadelphia if they knew that the facilities would make substantial contributions to after-school programs for youth. Eleven percent said it would have no effect on their support and 20 percent said they'd be less inclined to support casinos in Philadelphia.

Neighborhood Concerns

FINDING: Despite an overwhelming acceptance of slots-only facilities, most Philadelphia residents are against having them near their neighborhoods.

While polling supports the fact that citizens do want and will support casino's in Philadelphia; the Task Force has learned through its public process that communities are concerned about the negative effects of having a slots-only casino near residential neighborhoods.

Three-in-five (60 percent) residents oppose a slot facility near their neighborhood. The sentiment was a common theme throughout the polling, the public hearings, and the stakeholder meetings. While some minor differences emerge along racial and geographic lines, similarly sized majorities of every race and virtually every region oppose slots facilities near their own neighborhoods.

FINDING: Community leaders that addressed the Task Force are concerned that existing overcrowding and traffic congestion will be exacerbated by casinos near their neighborhoods.

Anticipated traffic issues were raised in all of the public hearings. This was one of the issues most often cited as a negative effect of locating a gaming facility near any particular neighborhood.

Although each community voiced concern, testimony from residents currently living near the sports stadiums was particularly passionate. Increased gridlock due to stadium traffic combined with lack of street parking in neighborhoods surrounding the stadiums was a point of great contention. One resident stated: “Make no mistake; there cannot be any resolution to our current problems if there is another entertainment venue introduced into the mix.”

Additional concerns over pollution and air quality were raised. One South Philadelphia resident noted that “the carbon monoxide is enough to kill you” when sharing how he is effected by the large numbers of cars that start their engines at the same time as motorists prepare to exit the stadium at the end of a sporting event.

FINDING: Most Philadelphia community groups that presented to the Task Force feel that casinos would harm the fabric of their neighborhoods.

In six separate community stakeholder meetings, a majority of the community leaders who felt their neighborhoods have a strong sense of community indicated that they believe that a gambling establishment would weaken that sense of community. The perceived increase of crime, trash and traffic all contributed to this feeling. Many citizens who reside in communities near proposed sites voiced concerns that traffic increases, loitering and noise pollution would be disruptive to their communities.

FINDING: Most Philadelphia residents say that a Delaware River waterfront casino should be easily accessible to public transportation, yet they would prefer to drive to that location.

An overwhelming majority of Philadelphians see the Delaware River waterfront as the optimal location for a slots-only gaming operation; 68 percent prefer the waterfront, followed in a very distant second place by Center City at 12 percent, the Northeast at five percent, South Philadelphia at 3 percent, and West Philadelphia and North Philadelphia at 2 percent each.

Closely related to the issue of location is the question of transportation. Philadelphians cite a number of reasons why the waterfront would be the ideal location, most notably its easy access by car (36 percent) or public transportation (33 percent). However, of the 54 percent of residents who regularly or occasionally use SEPTA, 56 percent say they would ride SEPTA to visit a casino in Center City while only 38 percent would use it to visit a casino on the waterfront.

Employment

FINDING: Increases in the number of jobs held by neighborhood residents improve the quality of life in neighborhoods.

The gaming industry has the potential to create full-time entry level jobs which are badly needed in communities where unemployment and underemployment exists. Even if the casinos hire people already employed in the service sector, they will indirectly create jobs that will be in reach to much of Philadelphia's underemployed and unemployed population. For more information on potential job creation, see page 241.

FINDING: Gaming in Philadelphia will create significant employment opportunities during nontraditional work hours; additional childcare and after-school programs will help to maintain healthy families and communities.

In an interview with Task Force members, former Atlantic City Council President, Rosalind Norell-Nance stated there was a link between a lack of adequate childcare and increased levels of child neglect and abuse cases. She also noticed an increase in cases of childhood diabetes which she believed could be attributed to children not having a parent or guardian available to enforce a healthy diet. These conclusions were echoed during an interview with Tina Minus of New Jersey's Department of Youth and Family Services (DYFS). Minus added that the average casino jobs pays too much to qualify the worker for childcare subsidy yet not enough to allow that same worker to afford quality childcare. This, compounded by the fact that the majority of households affected were those of single mothers, left a tremendous gap in care for children after hours. The resulting fallout included increased instances of child neglect and child abuse because children were being left home alone. An increase in childhood diabetes was also noticed as fast food became a convenient substitute for home cooked meals for "latch-key" kids.

Crime and Public Safety

Philadelphia residents have a perception that crime rates will increase due to the introduction of casinos. A look at comparable markets revealed little correlation between crime rates and casino gambling. A key area of concern for Philadelphia residents is the issue of crime. Sixty-two percent of city residents believe slots operations will greatly (17 percent) or somewhat (45 percent) increase crime in the city, compared to 29 percent who say they will have no significant impact on crime; just 6 percent believe they will actually reduce crime. These concerns are largely consistent across the city.

TABLE 5.4: Concern About an Increase in Crime

	Total	White	Black	Latino	Men	Women	<45 yrs	46-60	>60 yrs
Total Increase	62	65	58	68	58	67	66	60	59
No Impact	29	29	31	23	33	25	25	31	32
Reduce	6	3	7	7	8	4	7	5	4

FINDING: Although there are no projected increases in crime rates, an increase in net crimes is expected due to increased visitation.

Research suggests that crime will increase in proportion to the increase in the number of people in the area. For example, it is likely that traffic violations will increase with a greater number of people traveling to the casinos. There will also be new unique casino related crimes such as patrons attempting to cheat and passing counterfeit money that criminal justice officials will have to prosecute.

Analysis of Crime

To address the public's concerns about crime, the Task Force conducted a review of crime rates in:

- 1) Philadelphia
- 2) Detroit, Michigan and New Orleans, Louisiana: Two major cities comparable to Philadelphia that have gaming.
- 3) Atlanta, Georgia: A major city comparable to Philadelphia that does not have gaming and is some distance removed from any major gaming location.
- 4) The national crime rate

The crime statistics for Detroit, Michigan; New Orleans, Louisiana; Atlanta, Georgia and Philadelphia, Pennsylvania from 1985 to 2002 were compiled from the Federal Bureau of Justice Statistics and the FBI's Uniform Crime Reports.

The national crime rate peaked in the late 1980's and the early 1990's and has been declining ever since, although since 2000 it has appeared to stabilize. The Task Force compared crime rates in New Orleans and Detroit (before and after gaming was introduced) to crime rates in Philadelphia and Atlanta (cities that had no gaming for the period studied). In all four cities, rates were fairly steady throughout the mid 1990s. Starting in 1996, New Orleans and Atlanta saw significant declines. In Detroit crime began to decline in 1999, the same year that casino opened. Philadelphia had a relatively stable crime rate until; 1999/2000 when crime rates started to decline.

There is no evidence from this data that casinos increase city-wide crime rates in general. Any one theory suggests that crimes associated with the arrival of casinos are offset by the economic benefits brought by casinos or that the level of crime is so small as to be overwhelmed by other

more significant factors such as the economy.

The 1994 opening of two riverboat casinos in New Orleans and the 1999 opening of two casinos in Detroit mark the points of comparison for observing any relationships between casinos and crime. In viewing the following graphs, the following casino openings/closings should be kept in mind:

- In New Orleans, both the Boomtown and the Treasure Chest opened in mid 1994. Boomtown is a riverboat casino located on the west bank of the Mississippi River and separated from the main portion of the City on the east bank. The Treasure Chest is located in Kenner, a suburban community outside of New Orleans proper.
- Bally's, another riverboat casino, opened in mid-1995 on the east bank of New Orleans near the lakefront, remote from the core urban area.
- Harrah's temporary casino opened in May 1995 in a poor location and subsequently closed in October of the same year. The Harrah's permanent casino, located near the New Orleans riverfront, opened in October 1999.
- In the Detroit/Windsor market Casino Windsor opened in May of 1994.
- In Detroit MGM opened in July of 1999, Motor City in December of 1999, and Greektown in November of 2000.

The crime statistics used in the following graphs have not been adjusted for non-resident casino visitors and include crimes committed within the casinos. With the onset of gaming, if there were a significant relationship between crime and casinos then the crime rate would increase. Due to the exclusion of visitor volumes, any relationship that might exist between casinos and crimes would be exaggerated in the following graphs.

In the following sections, graphs have been provided to illustrate the crime rates and how the introduction of casinos has or has not affected them. There were periods of time where data was not available in certain jurisdictions, in those cases the line segments are excluded or the year is simply not represented.

There were also some instances where data was not recorded correctly, data was incomplete or recording practices had changed making it unsuitable for our review:

- Michigan agencies 1993, Forcible rape figures furnished through the State program were not in accordance with national UCR guidelines and are excluded from these data.
 - Philadelphia Police Dept, Pennsylvania 1999, Due to changes in reporting practices, annexations, and/or incomplete data, 1999 figures are not comparable to previous years' data
 - New Orleans Police Dept, Louisiana 2000, Due to changes in reporting practices,
-

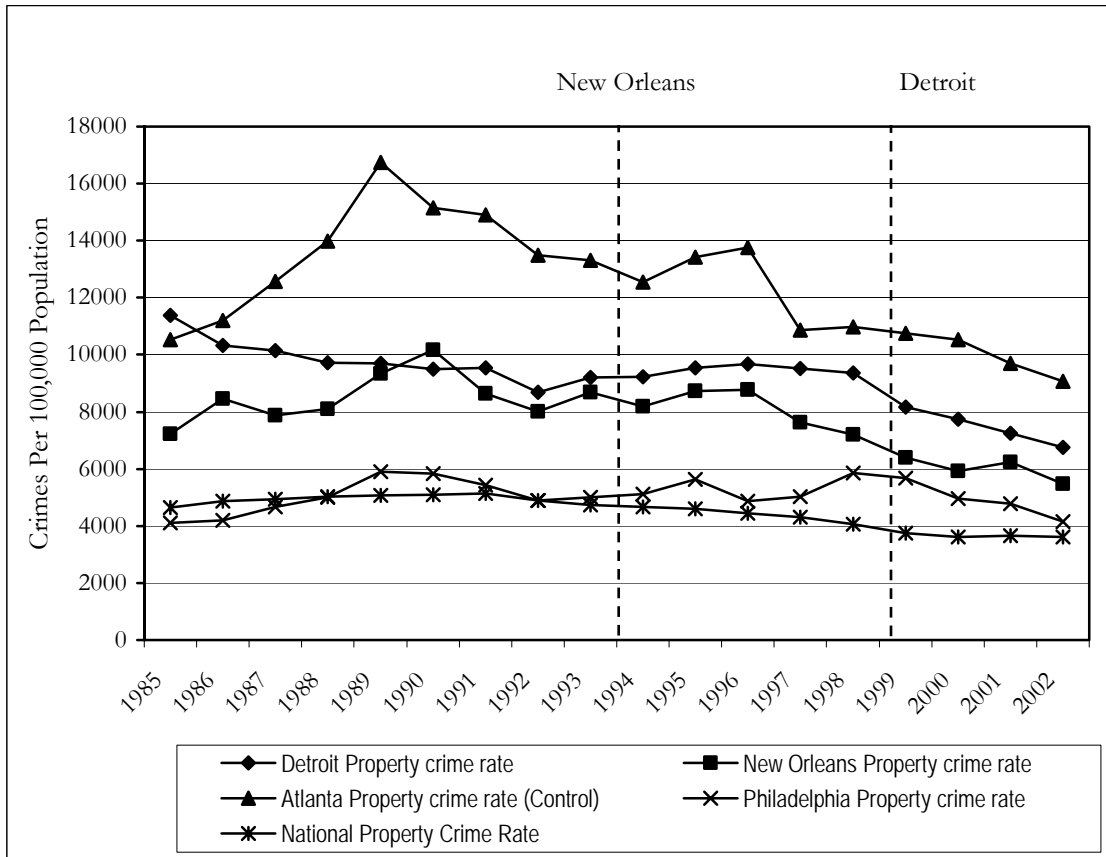
annexations, and/or incomplete data, 2000 figures are not comparable to previous years' data.

Comparison using the Composite Crime Index

The Composite Crime Index is defined as "...selected offenses used to gauge fluctuations in the volume and rate of crime reported to law enforcement. The offenses that make up the Crime Index are the violent crimes of murder and non-negligent manslaughter, forcible rape, robbery, and aggravated assault and the property crimes of burglary, larceny/theft, motor vehicle theft and arson."¹² There are no major increases in the crime rates for any of the jurisdictions compared. The composite crime index shows no signs of being drastically affected by the New Orleans casinos that opened in 1994 or the Detroit casinos that opened in 1999.

¹² <http://bjsdata.ojp.usdoj.gov/dataonline/Search/Crime/definitions.cfm>

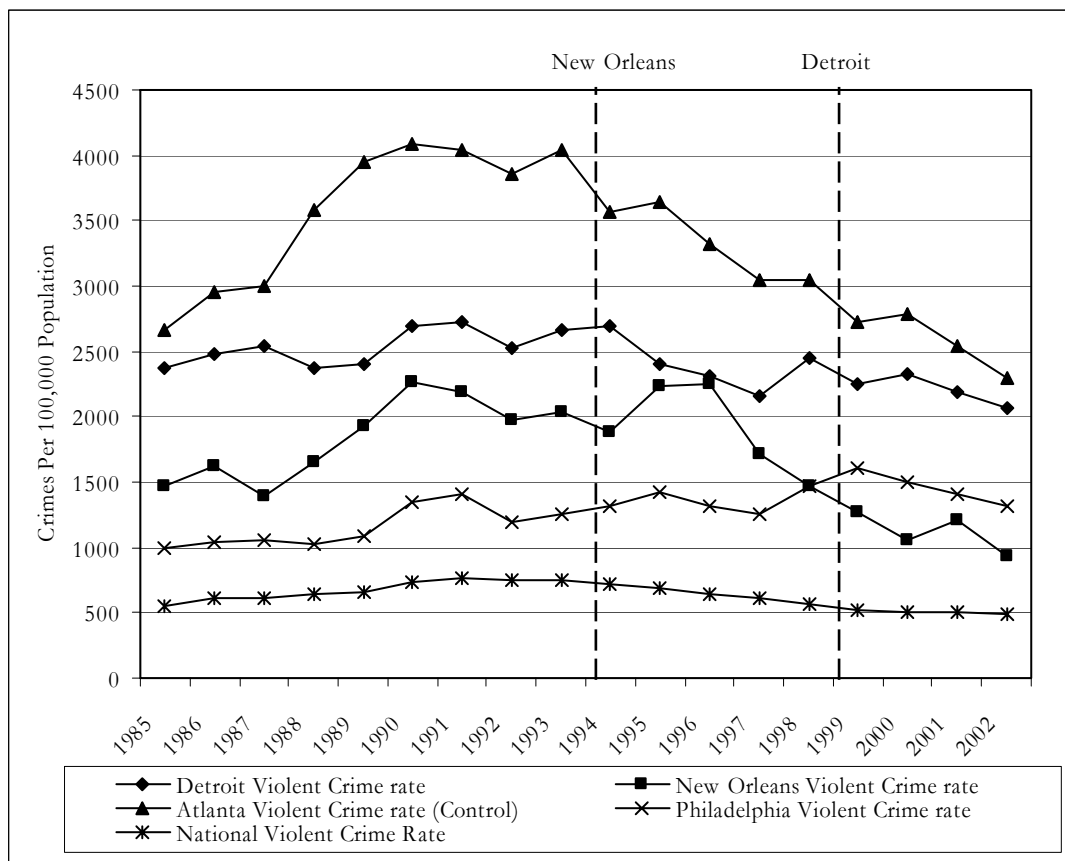
GRAPH 5.3: Composite Crime Index



Source: FBI, Uniform Crime Reports, prepared by the National Archive of Criminal Justice Data

Comparison using the Violent Crimes Index

GRAPH 5.4 Violent Crime Index



Source: FBI, Uniform Crime Reports, prepared by the National Archive of Criminal Justice Data

FINDING: There is no evidence to suggest that violent crime rates are in any affected by the presence of casino gambling.

The violent crime rate in Detroit has been in an erratic but general decline since 1994, coincidentally the same year Casino Windsor opened. In New Orleans violent crimes have declined sharply since 1996, with the exception of a brief spike in 2001. Atlanta on the other hand has seen sustained declines since 1993. Philadelphia saw sustained increases through 1999 and subsequent declines each year since then. These increases in the major cities, although more volatile, generally followed the national pattern which showed an increase in the latter 1980's through mid-1990's and a decline thereafter. This is consistent with the National Gambling Impact Study Commission's report in 1999 which analyzed FBI crime data from 100 communities with varying degrees of proximity to casino gambling and had concluded that the availability of casino gambling had no effect on rates of serious violent crimes like murder or

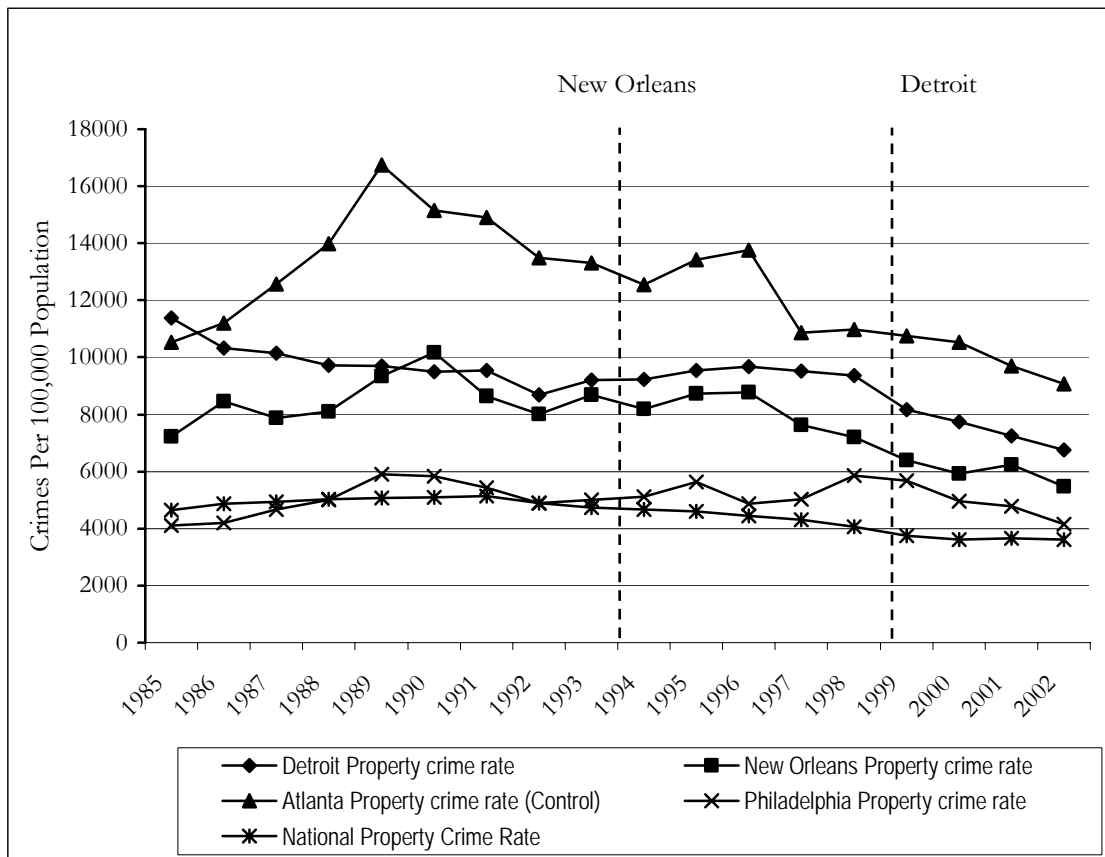
assault.¹³

Comparison using the Property Crimes Index

FINDING: There is also no correlation between property crime and the introduction of casinos.

Data shows that major cities had a higher crime rate than the nation as a whole, and were more volatile. These cities generally followed a similar trend, unaffected by the introduction of casinos.

GRAPH 5.5: Property Crime Index



Source: FBI, Uniform Crime Reports, prepared by the National Archive of Criminal Justice Data

¹³ National Opinion Research Center, Gambling Impact and Behavior Study, Report to the National Gambling Impact Study Commission, April 1, 1999, p. 71.

Crime within the Vicinity of Casinos

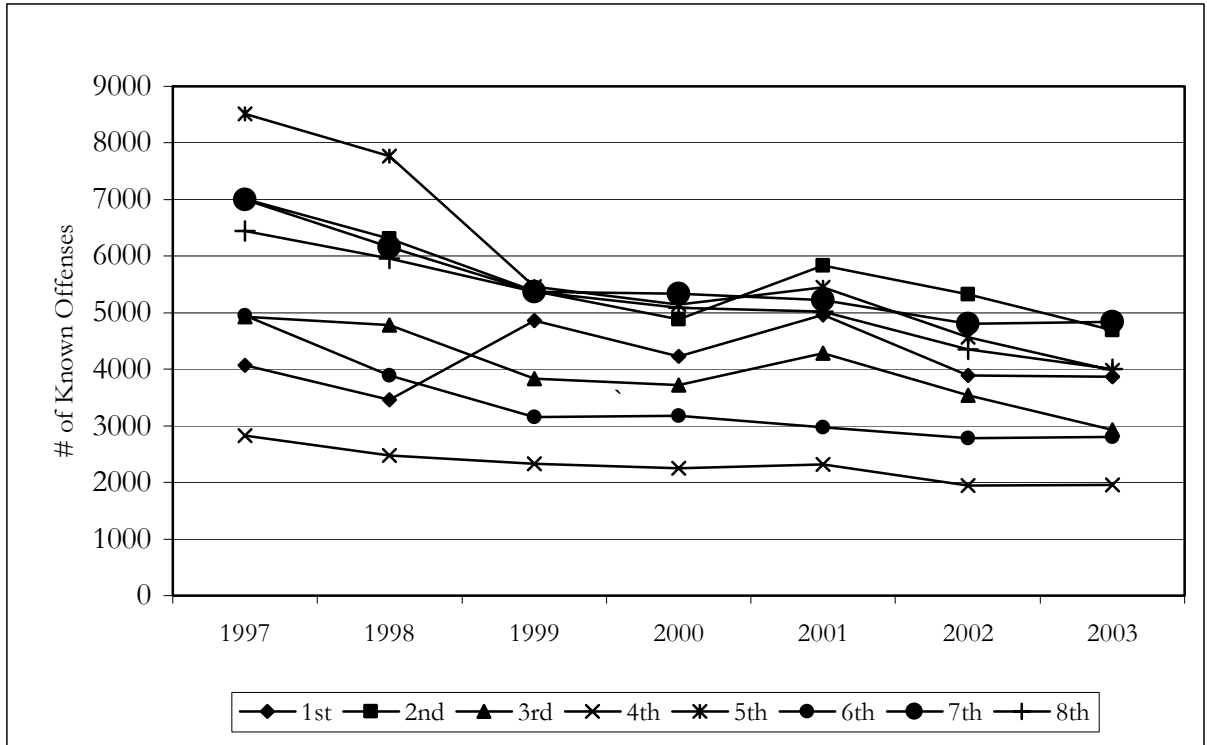
While it appears that the rate of most major crimes committed throughout a municipality are unaffected by the introduction of casinos, the Task Force also believes there is the potential that crime at the neighborhood level where the casino is located could be affected. This is based on the fact that if there is a substantial increase in suitable targets, targets that in all likelihood (at least upon their arrival) are carrying cash then there is the probability that criminal elements will focus on this area. However there is a third consideration. Knowing this relationship “guardians” can also be focused on this area to reduce and prevent crime. In the case of casinos, “guardians” come in two forms, the casino security and surveillance, responsible for on-site security and crime prevention, and the local police force responsible for patrolling the surrounding streets and neighborhoods.

Casinos are aware that criminal elements view their properties as “target-rich” areas and therefore they expend a considerable amount of resources to provide adequate security to deter on-site crimes. This is not only driven by responsibility to their patrons but also from a profit perspective. In a survey conducted for the Task Force, safety and security perceptions of the casino site play a paramount role in the process of deciding which casino to visit. In many cities casinos provide direct funding support to local police forces to provide additional police patrols in the neighborhood of the casino. From the limited data available and from anecdotal evidence, it appears that crime at the neighborhood level does not pose a major problem when sufficient resources are committed to provide the required level of “guardians”.

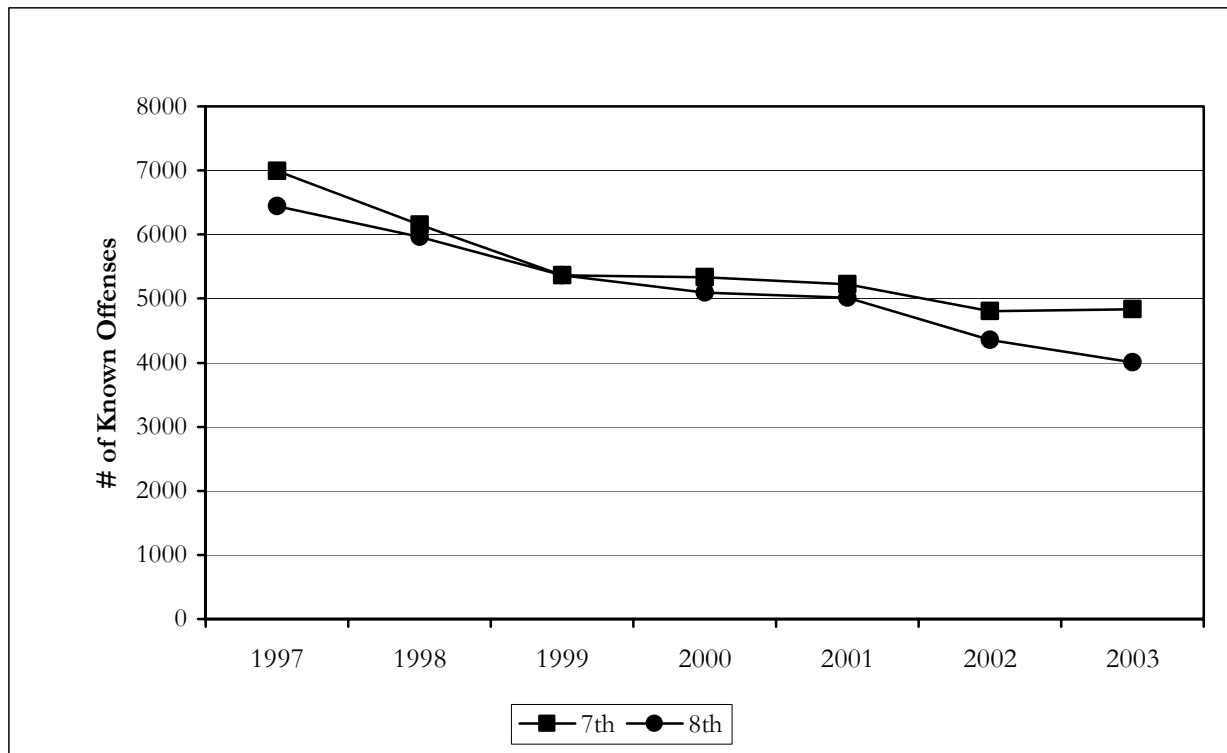
FINDING: Overall crime within the vicinity of casinos was unaffected by the introduction of casinos in New Orleans.

In New Orleans, based on district-level crime statistics, crime rates and traffic offenses have declined for the most recent eight year period in the 7th district (Harrah’s opened in October of 1999) and 8th district (home to a riverboat casino). These declines have been consistent each year compared to the first second and third districts where this general decline was interrupted by an upward spike in 2001. Additionally, crimes such as robberies and thefts declined in these districts.

GRAPH 5.6: New Orleans Crime by District



GRAPH 5.7: New Orleans Casino District Comparison



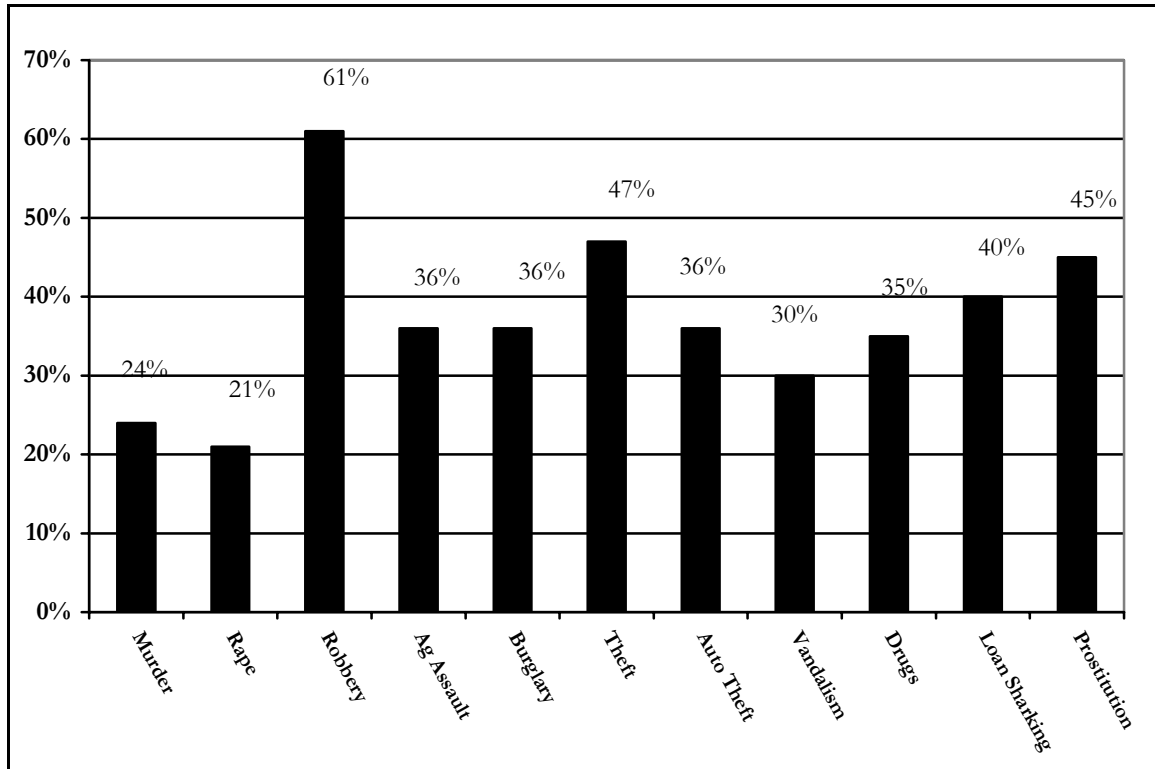
Source: <http://www.new-orleans.la.us/home/nopd/content.php?dir=ucr&page=ucrtitle.html>

One Louisiana jurisdiction credits the internal security provided by the casinos for the low levels of crime within the facilities. In Gretna, Louisiana host to Boomtown Casino and an off-track betting (OTB) video-poker facility, both the mayor and the police chief report no problems associated with either venue. In fact, the chief of police, crediting the internal security provided by the facilities, says that more calls for service are received from Home Depot and low-cost hotels in area than from the OTB parlor or Boomtown.

Concerns about Crime

FINDING: Polling indicates Philadelphia residents are most concerned about increases in property crimes, prostitution and loan-sharking.

GRAPH 5.8: Crime Concern

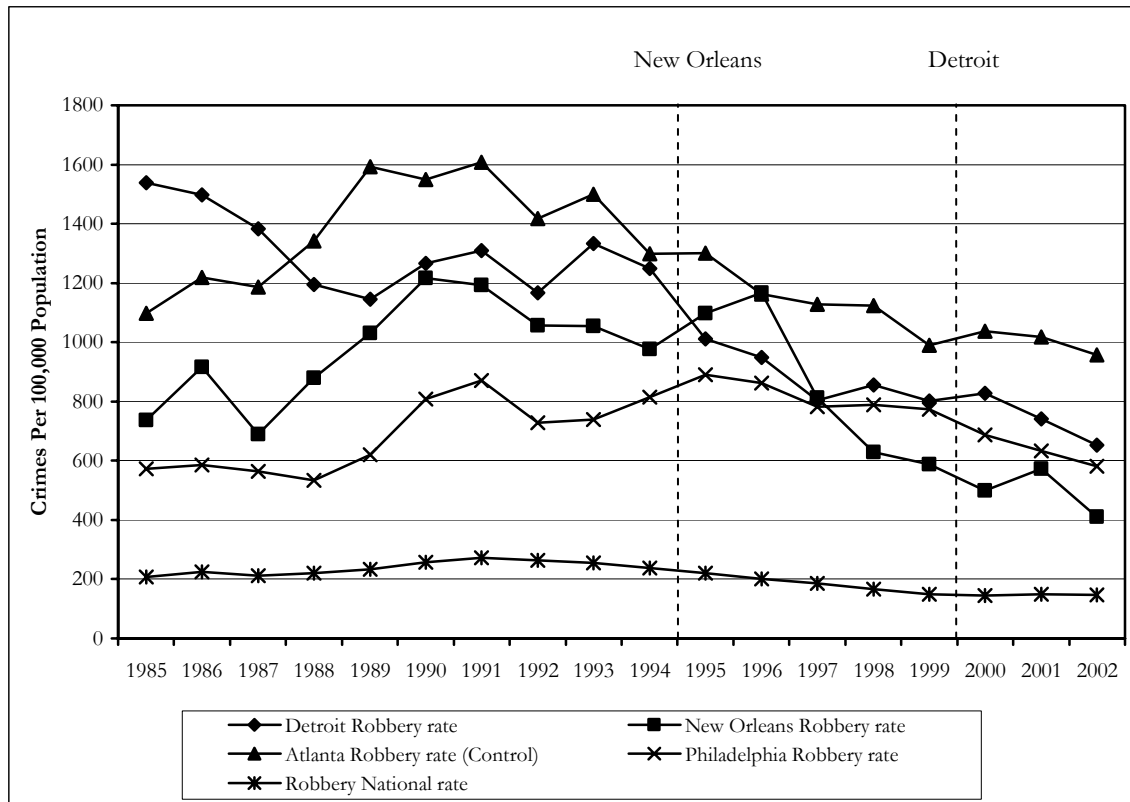


Philadelphia residents have indicated that they are most concerned that casinos will increase property crimes. Illustrated in the above graph, the three primary concerns for Philadelphia residents were: robbery at 61 percent, theft at 47 percent, and prostitution at 45 percent. The next few sections explore some of those concerns in detail.

Robbery

Robbery rates in all cities have declined since the early 1990's. Both New Orleans and Detroit have seen significant sustained declines greater than, or equal to, those experienced in Atlanta or in Philadelphia.

GRAPH 5.9: Robbery Rates



Source: FBI, Uniform Crime Reports, prepared by the National Archive of Criminal Justice Data

Some preliminary research does, however, make a connection between robbery and pathological gambling. A report funded and published by the U. S. Department of Justice studied arrestees in Las Vegas, Nevada and Des Moines, Iowa—both of which have casino gaming. In these jurisdictions, more than 30 percent of pathological gamblers who had been arrested reportedly having committed a robbery in the past year, nearly double the rate of low-risk gamblers. Of those, nearly one-third admitted that they had committed the robbery to pay for gambling or to pay gambling debts. About 13 percent said they had assaulted someone to get money.¹⁴

Nearly 40 percent of the subjects in the study had committed more than one theft in the past year, four times the number of arrestees without either a gambling or a substance abuse problem.

If further research confirms that pathological gamblers do have higher incidents of robbery and assault, this would point to the urgency in early identification of pathological gamblers in all jurisdictions and intensified efforts to get them into treatment or self-help recovery groups

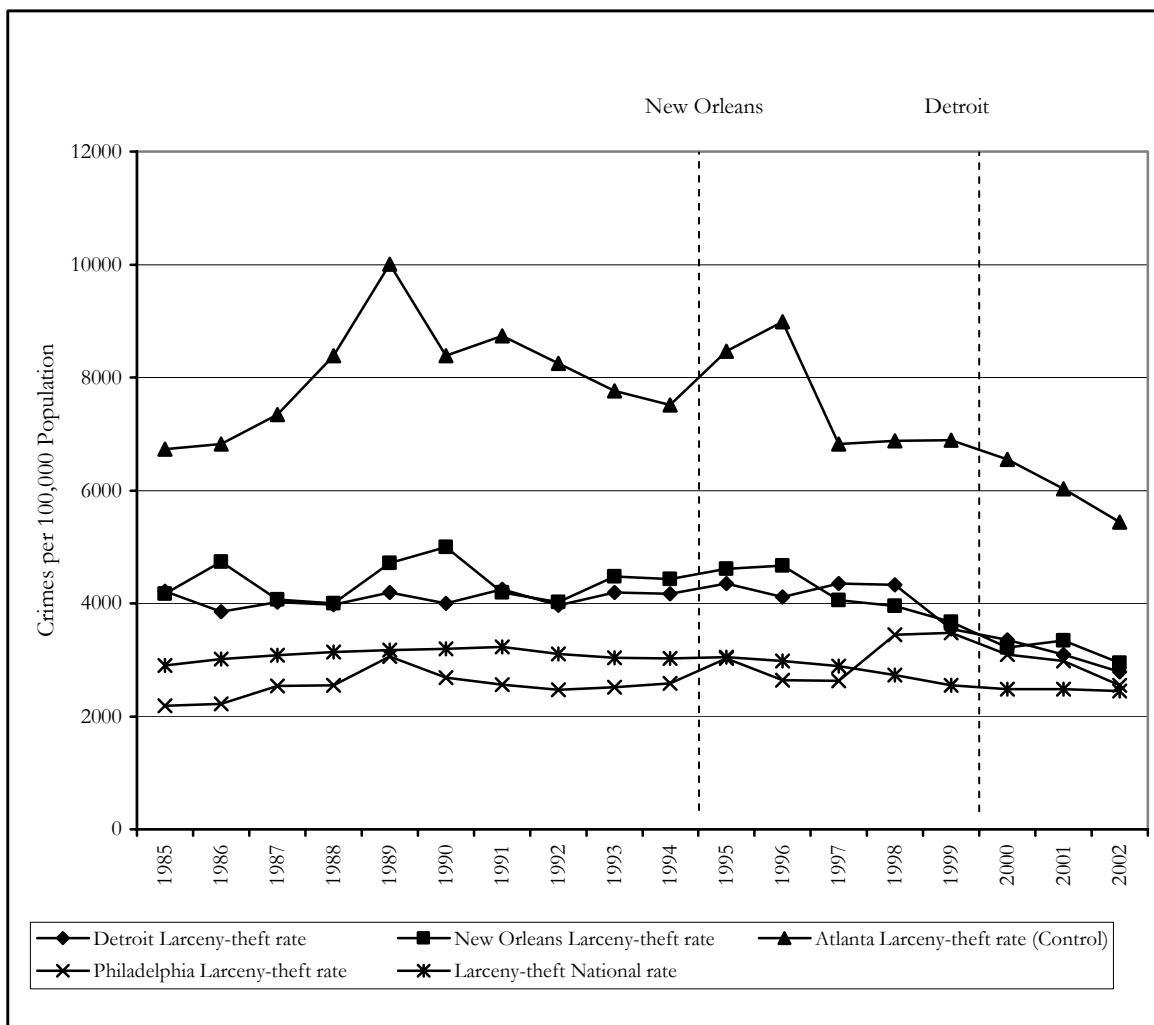
14U.S. Department of Justice Office of Justice Programs National Institute of Justice, July, 2004

before their criminal activities escalate. In the U. S. Department of Justice study, for example, only 13 percent of pathological gamblers in the study said they had sought treatment and only 10 percent said they had attended Gamblers Anonymous.

Larceny/Theft

Larceny/theft rates were unaffected by the introduction of casinos. There was a slight increase the year after the casino opened, but this was also true in Philadelphia and Atlanta. Rates in New Orleans and Detroit were relatively stable between 1985 and 1998 then declined through 2002. Atlanta rates fluctuate between 1985 and 1997 then declined through 2002. Philadelphia rates were relatively stable also between 1985 and 1997 then increased in 1998 and have declined each year through 2002. Again there is no discernible relationship to casino development at a city level.

GRAPH 5.10: Larceny/Theft Rates



Source: FBI, Uniform Crime Reports, prepared by the National Archive of Criminal Justice Data

Some social scientists, however, believe that many of the financial crimes of burglary, theft, embezzlement and robbery in a gaming environment are committed by problematic gamblers.

Even before slots-only casinos are operating in Philadelphia, robberies and burglaries of both residential and commercial properties are already among the highest reported incidents in Philadelphia crime statistics.¹⁵ An analysis of the number of these crimes by city council districts and the percentage of the city’s total in each category as reported in each city council district for the 2004 reporting period is shown in the following chart:¹⁶

¹⁵ Crime data available at <http://cml.upenn.edu/crimebase/>

¹⁶ Ibid

TABLE 5.5: Selected Crimes by City Council Districts

District	Robberies	Pct. By District	Aggr. Assault	Pct. By District	Residential Burglary	Pct. By District	Commercial Burglary	Pct. By District
1	1290	13.9%	1071	11.5%	882	11.5%	366	15.4%
2	1046	11.2%	1055	11.3%	681	8.9%	278	11.7%
3	1151	12.4%	1176	12.6%	797	10.4%	196	8.2%
4	582	6.2%	628	6.8%	746	9.8%	181	7.6%
5	1292	13.9%	1478	15.9%	734	9.6%	261	11.0%
6	720	7.7%	654	7.0%	695	9.1%	275	11.5%
7	1240	13.3%	1298	14.0%	904	11.8%	286	12.0%
8	1003	10.8%	1048	11.3%	1043	13.6%	231	9.7%
9	753	8.1%	620	6.7%	692	9.1%	125	5.2%
10	236	2.5%	274	2.9%	471	6.2%	183	7.7%
Totals	9313	100.0%	9302	100.0%	7645	100.0%	2382	100.0%

Prostitution

The subject of the connection between prostitution and gambling often appears in debates when a jurisdiction considers adding casino-type gaming.

Philadelphians were clearly concerned about prostitution as 45 percent of Philadelphians polled indicated that they thought this category of crime would increase.

Most of the references in a literature review to connection between prostitution and gambling appear to be with illegal gambling or a combination of illegal gambling, prostitution and drugs. Some jurisdictions seem to link these three together in a “vice” department.

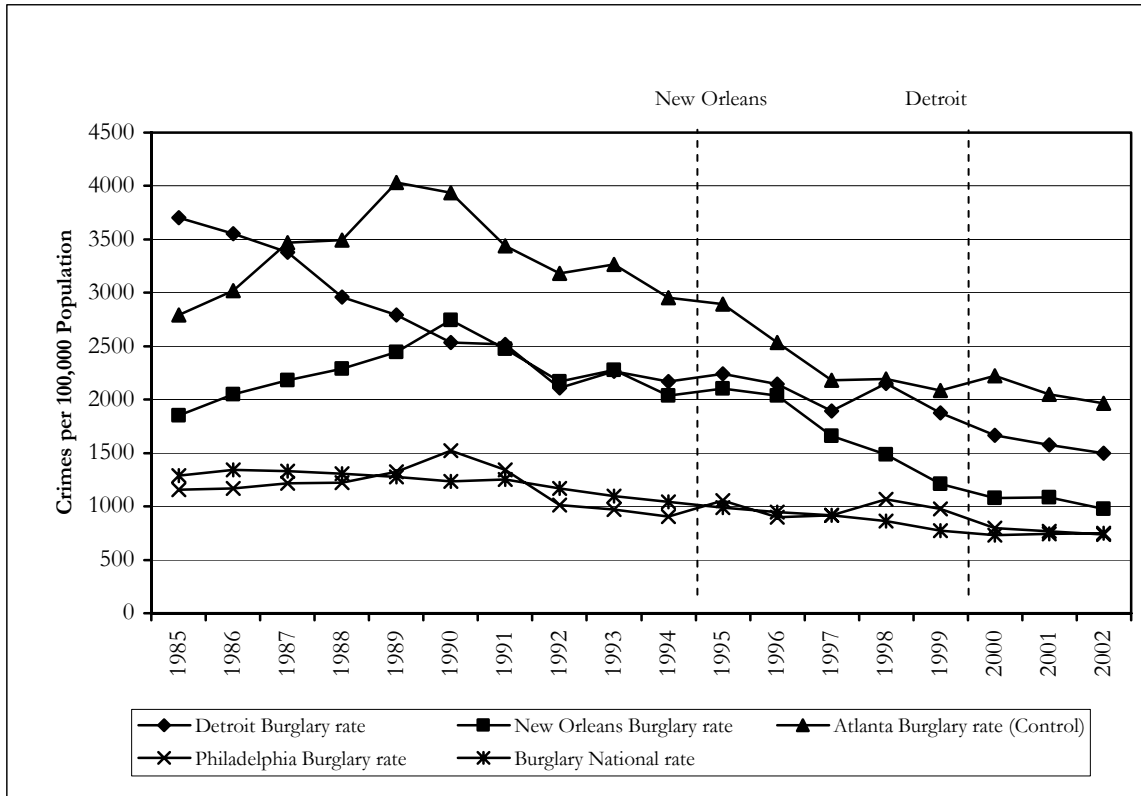
There have, however, been isolated incidents with legal gaming establishments. In 2002, for example, the Indiana Gaming Commission levied a \$2.26 million fine and ordered a casino to close for more than two days over allegations a casino executive had provided guests with prostitutes and money for gambling during a golf outing. The casino executive was forced to sell his stock in the gaming company and relinquish his Indiana gaming license.¹⁷

Burglary

Burglary has similar patterns as noted above for robbery. The decline remains steady despite the introduction of casinos in 1994 and 1999. This is also counter to the concerns of Philadelphia residents of which 36 percent were concerned about burglaries increasing.

¹⁷ Las Vegas Sun, 7/30/2002.

GRAPH 5.11: Burglary Rates



Source: FBI, Uniform Crime Reports, prepared by the National Archive of Criminal Justice Data

Loan Sharking

A related area of concern to Philadelphians appears to be that of loan sharking, loosely defined as “charging an illegally high interest rate and/or implying threats.” Public perception generally associates this method of loans with gambling. Nearly one-half of Philadelphians (40 percent) polled indicated they thought that gaming would increase this type of activity. Some gamblers who have exhausted their funds turn to loan sharks. There are currently no studies that estimate the percentage of problem gamblers that take money from loan sharks.

The connection between loan sharks and problematic gambling may be a worldwide issue. In China, for example, a psychiatrist reviewed the circumstances and client records of 56 gamblers he was treating who later took their own lives. He remembered these clients as under “tremendous pressure from loan sharks who harassed them” and estimated that 30 percent of their debt was to loan sharks.¹⁸

Embezzlement

Embezzlement is a form of stealing that occurs when one who has been entrusted with property, appropriates it fraudulently for his or her own use. It is the type of crime which has the potential to disrupt the lives of many individuals.

Whether the motivation for embezzlements is gambling or some other need for money, this type of theft can have a profound—and often rippling—affect on many people as shown in these two examples.

Those who have been victimized by gambling-related embezzlements emphasize the importance of businesses, governmental units, non-profit organizations and even churches and PTA-type organizations strengthening both their policies and procedures and internal controls to avoid a multiplication of embezzlements in a new gaming jurisdiction.

Domestic Violence

It is widely believed that families impacted by addictions encounter more discord and violence than families that are not impacted. Alcohol addiction, for example, is frequently mentioned as a factor in family violence.

Studies about domestic violence and problematic gambling are rare, but they do show that problematic gambling does influence domestic violence incidents. According to the National Research Council, studies indicate that between 25 and 50 percent of spouses of pathological gamblers have been abused and between 10 and 17 percent of their children have been abused.¹⁹

¹⁸ Wong Fei Wan, todayonline.com, April 15, 2005

¹⁹ National Research Council

FINDING: Studies of communities with casinos have shown an increase in domestic violence relative to the introduction of casinos in those communities.

Six of the ten cases in the National Opinion Research Center's case studies reported an increase in domestic violence relative to the advent of casinos.²⁰

The GAO report previously referenced found that domestic violence incidents per 10,000 of the population in Charleston County, South Carolina increased by 11 in the year after convenience gambling was legalized and increased by 15 per 10,000 in a survey three years after legalization. In the entire state, the number of incidents of domestic violence increased by 38 per 10,000 between 1988 and 1994.²¹

Child Abuse/Neglect

The National Opinion Research Center surveyed ten casino communities and found that six communities had one or more respondents who said they had seen increases in child neglect, and attributed this increase at least in part to parents leaving their children alone at home or in casino lobbies and parking lots while they went to gamble. Respondents in other communities in the same area however, reported no noticeable increases in child abuse.²²

To bring resolution to these issues, the American Gaming Association (AGA) formed a partnership with the National Center for Missing and Exploited Children (NCMEC) in order to address concerns about unattended children left alone in casino properties, and to form working solutions to combat the problem. With the help of the NCMEC, the AGA created "Guidelines for Children and Minors," and suggested standards for gaming companies to follow regarding unattended children.²³ One of the objectives of this collaboration was to educate parents on their responsibilities and duties when they are guests at a casino.

It is a more difficult task to document the number of incidents where children are left home alone because the adult responsible for their care is gambling. A contractor of the Department of Health and Human Services indicated to the U. S. General Accounting Office that complete national data on child abuse and neglect cases was not available because the data is reported on a voluntary basis and all states do not report certain data.

Some studies indicate a long-term impact on children of problematic gamblers. Early studies by Dr. Durand Jacobs, who has had a long interest in youth gambling issues, and Lesieur and Rothschild found that children of problem gamblers are more likely to report having an unhappy

²⁰ NORC.

²¹ GAO Report, p. 44.

²² National Gambling Impact Study Commission Report, Page 7-28.

²³ www.americangaming.org.

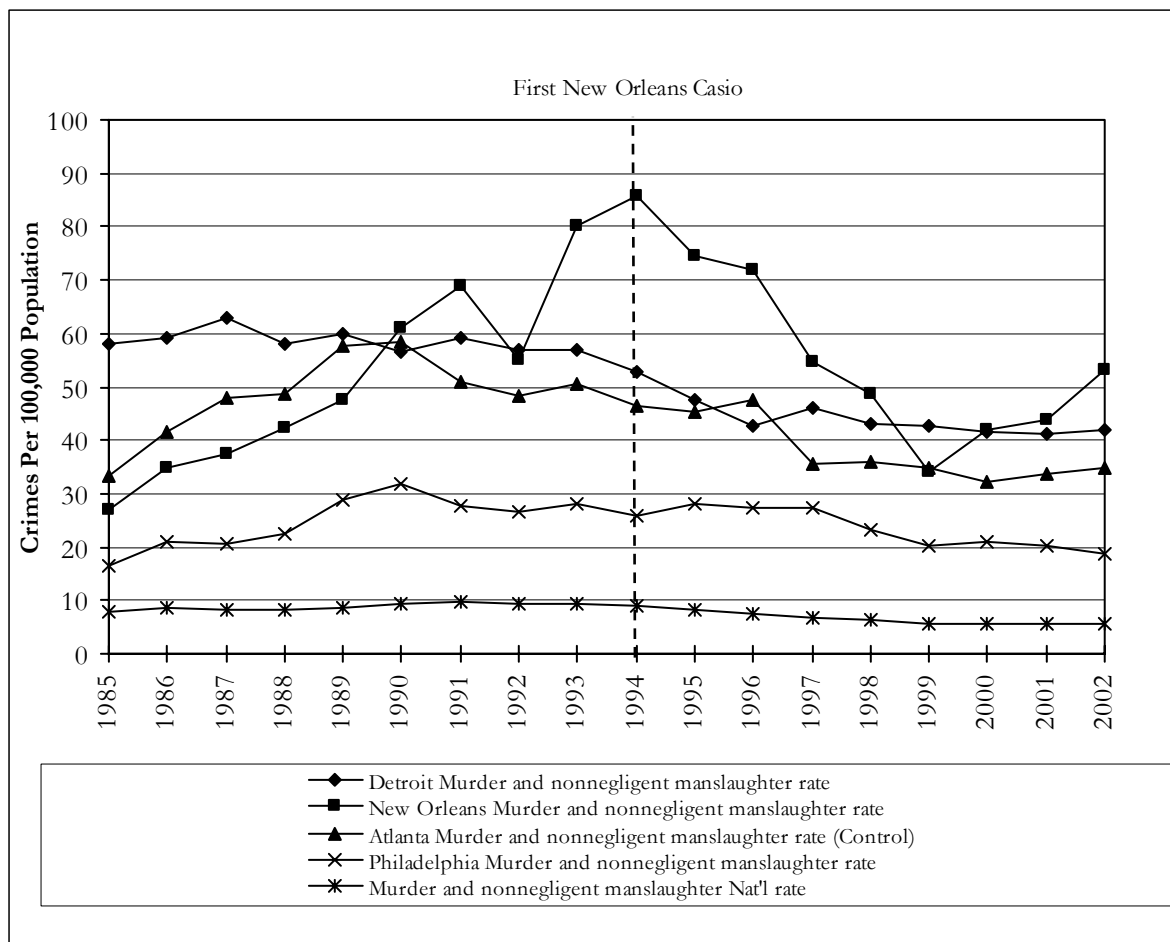
childhood, being depressed and suicidal, abuse stimulate drugs, engage in overeating, have gambling problem themselves and show other signs of psychosocial maladjustments than children without troubled parents.²⁴ Lesieur and Rothschild also found that children of pathological gamblers frequently reported feelings of anger, sadness and depression.

Murder

Murder rates declined significantly since 1993 in Atlanta, and since 1996 in New Orleans. Philadelphia rates increased between 1985 and 1999 but have continued to decline each year through 2002. Detroit murder rates were relatively stable throughout the late-1980's to early-1990's. Then declined through 1997, increased in 1998 and then began a period of decline through 2002. Again, there is no evidence from any link between casino development and murder rates.

²⁴ Durand Jacobs, Children of Problem Gamblers, Journal of Gambling Behavior, 5, 261-268 and Lesieur, H. R. and Rothschild, J, Children of Problem Gamblers, Journal of Gambling Behavior, 5, pp. 269-282.

GRAPH 5.12: Murder Rates

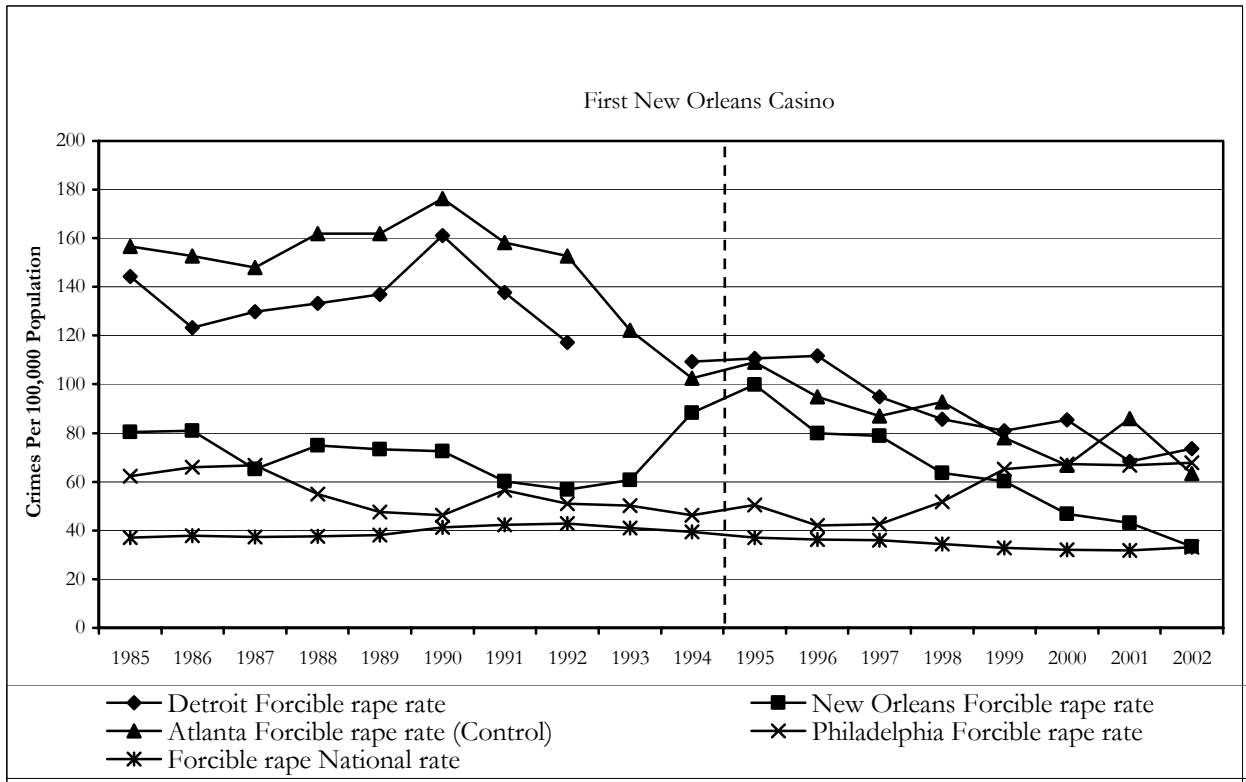


Source: FBI, Uniform Crime Reports, prepared by the National Archive of Criminal Justice Data

Forcible Rape

Between 1996 and 1999 the rate of forcible rapes in Philadelphia increased but has remained constant since then while numbers declined in Atlanta, Detroit, and New Orleans. However improvements in Atlanta and Detroit have brought their rates down to a level similar to Philadelphia while New Orleans has shown marked improvement. Again there is no evidence to link this crime category with casino development.

GRAPH 5.13: Forcible Rape

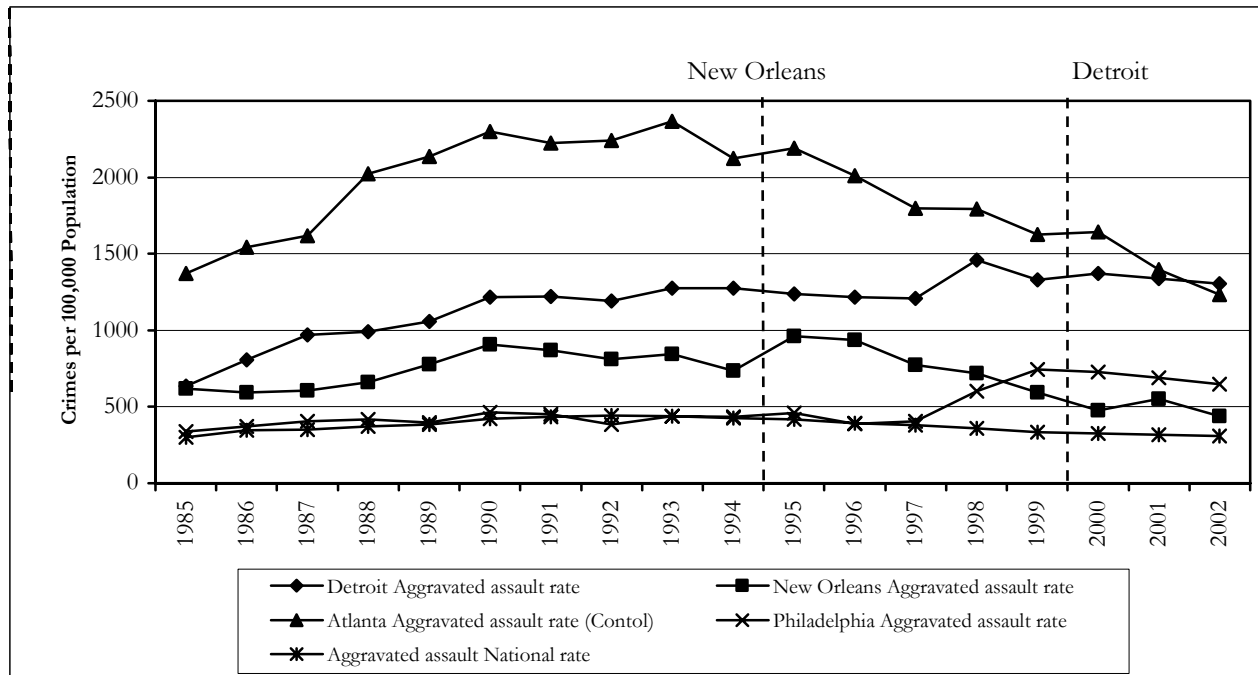


Source: FBI, Uniform Crime Reports, prepared by the National Archive of Criminal Justice Data

Aggravated Assault

Aggravated assault rates have declined in Atlanta and in New Orleans since 1996. Detroit and Philadelphia follow similar patterns although Philadelphia has a substantially lower rate. Again there is no discernable pattern in relation to the advent of casino development in either Detroit or New Orleans.

GRAPH 5.14: Aggravated Assault



Source: FBI, Uniform Crime Reports, prepared by the National Archive of Criminal Justice Data

Suicide

Another social impact issue that is a frequent topic in the debate over gaming issues is that of suicide as a result of problem gambling. Like other issues involving gaming, published studies have come to differing conclusions. This issue is more difficult to assess than some other social impact issues, for it is often impossible to make an exact determination of what dominant factor or factors led to a person taking their own life.

Suicide is the 11th highest ranking cause of death in the United States, ranking behind illnesses of heart disease, stroke, cancer, etc. and accidents, but ahead of death by assaults (homicides) and is the third highest-ranking cause in youth deaths.²⁵ Some studies attempt to make the link between gaming and suicide because Nevada historically leads the nation in the number of suicide deaths per year. Other researchers find that to be an inconclusive example by pointing out that some other gaming jurisdictions have lower than average rates.

The link between pathological gamblers and suicide is much more prevalent. Attempted suicide has been reported in 17 to 24 percent among Gambler's Anonymous members and other people

²⁵ 2002 Official Suicide Data compiled by John McIntosh, Ph.D. for the American Association on Suicidology, September 26, 2004 and available at www.suicidology.org.

seeking treatment for pathological gambling.²⁶ Many factors can be connected with suicides including financial difficulties, depression, and relationship problems.²⁷

FINDING: State-by-State suicide rates do not correlate with legalized gambling; however, one study found that Atlantic City experienced increased suicide levels for both visitors and residents after casinos opened.

Newer gaming jurisdictions were near the national average as shown in the following chart.²⁸

TABLE 6.6: Rate of Suicides Per 100,000 Population in Selected States

2002 Rank	State	Previous Rank	Rate per 100,000	Total
1	Wyoming	4	21.1	105
4	Nevada	3	19.5	423
14	Oklahoma	9	14.3	501
23	Missouri	18	12.2	693
24	Indiana	26T	12.1	743
25	Mississippi	28T	11.9	343
31	Louisiana	34	11.1	499
32	Michigan	38	11.0	1,106
34	Pennsylvania	39T	10.9	1,341
35	Iowa	39T	10.7	314
40	Minnesota	42	9.9	497
42T	California	46T	9.2	3,228
42T	Delaware	16	9.2	74
44	Illinois	43	9.1	1,145
47	Connecticut	46T	7.5	260
49	New Jersey	49	6.4	553
	U. S. Average		11.0	31,655

In looking at the New Jersey statistics, however, it should be noted that one study found that Atlantic City has experienced higher suicide levels for both visitors and residents after gaming

²⁶ Potenza, MN, et al: *Illegal behaviors in problem gambling: analysis of data from a gambling helpline*. Journal of Am. Academy of Psychiatry Law 28:389-403, 2000

²⁷ Grant, J.; and Potenza, M. *Pathological Gambling – A Clinical Guide to Treatment*. American Psychiatric Publishing, Inc. 2004

²⁸ Ibid.

casinos opened.²⁹

Another fact considered unusual by those who have studied suicide data is the higher concentration of suicide rates in “mountainous” states. The top twelve states with the highest rates for completed suicides in the last available data from the American Association on Suicidology, for example, all fell in this category: Wyoming, Alaska, Montana, Nevada, New Mexico, Arizona, Colorado, West Virginia, Idaho, Vermont, Oregon, and Utah.³⁰ The highest-ranking state, Wyoming, had no casino gaming during the time frame that was reviewed.

Adding to the debate over the connectivity of suicides to gambling are suicides that are completed in or near a casino property. In Mississippi, for example, a male gambler shot himself in the parking lot of a casino. In New Jersey, gamblers have jumped to their deaths from casino parking lots, while in Detroit, an off-duty police officer shot himself while at the gaming table of a casino and another gambler returned from a losing weekend trip to Las Vegas, killed his family, wrote a note explaining his gambling losses and then took his own life.³¹

Researchers in both the fields of problematic gambling and suicide are becoming increasingly interested in the linkage between the two pathologies:

*The association between problem gambling and suicide may be more complex than commonly assumed. ... Regardless of the underlying cause, pathological gamblers appear to be a high risk population and might benefit from an assessment of both comorbid mental illness and suicide ideation at entrance to treatment. A better understanding of the interactions among illnesses might lead to more effective treatment.*³²

The studies and news stories of problematic gamblers taking their own lives underscore the importance of a community having effective problem gambling and suicide crisis help lines and wide publicity of their existence.

Substance Abuse

Numerous studies lead one to believe that substance abusers are more susceptible to gambling disorders than those who are not substance abusers. A study found the rate of alcohol or other drug abuse was nearly seven-fold greater in problematic gamblers than among people without

²⁹ David Phillips, Ward Welty and Marisa Smith, *Elevated Suicide Levels Associated with Legalized Gambling*, University of California at San Diego, February 1997.

³⁰Op. cit. AAS Data.

³¹ Sue Cox, Presentation at the 11th Annual Conference on Gambling and Risk-taking, Institute for the Study of Gambling and Commercial Gambling, 2000.

³² Newman, S., & Thompson, A. (2003). A population-based study of the association between pathological gambling and attempted suicide. *Suicide and Life-Threatening Behavior*, 33(1), 80-87

gambling problems. There are also concerns that patients in recovery from alcohol or drug dependence will either encounter difficulties with problem gambling or lose their sobriety during a problem gambling episode.

The General Accounting Office's 2000 study on convenience gambling found that social service agencies in gaming jurisdictions with slot-type facilities had seen some impact in these areas. Nine of thirteen agencies surveyed, for example, said that the new type of gaming had either had a "great" impact or "some impact" on both alcohol abuse and drug abuse, while the remainder said there was no basis with which to judge.³³ It should be noted that convenience gambling in this respect refers to small numbers of video poker machines located in a large number of locations, primarily bars and restaurants, providing highly convenient gaming options for the problem gambler. This is very different than the large central locations and tightly monitored facilities planned for Philadelphia.

Studies show pathological gambling has a strong relationship with other disorders. Dr. Jon Grant points out that:

- Seventy-six percent of an inpatient pathological gambling treatment sample met criteria for major depressive disorder
- Twenty-four percent lifetime prevalence of bipolar disorder in persons with problem gambling
- Twenty percent met criteria for lifetime attention-deficit hyperactivity disorder
- Problem gamblers suffer from high rates of lifetime anxiety disorders (16-40 percent)³⁴

There have been studies that examine other psychiatric disorders in persons with pathological gambling. Pathological gamblers have the propensity for higher anxiety, substance abuse disorders, along with other disorders. Overall, 13 percent to 78 percent of people who are pathological gamblers are also likely to suffer from a mood disorder. They will also report increased rates of lifetime anxiety disorders. Alcohol or drug dependence has been consistently reported with pathological gamblers. 28 percent of pathological gamblers had current alcohol dependence while the rate was only one percent for non-pathological gamblers.³⁵

Impacts on Police Department and Court System

FINDING: Police officers will need specialized training in casino crimes.

Historically, casinos have been targets of certain crimes such as check forgery, underage

³³ National Gambling Impact Study Commission Report.

³⁴ Jon Grant, MD presentation to Social Impact Committee of the PGATF.

³⁵ Grant, J.; and Potenza, M. *Pathological Gambling – A Clinical Guide to Treatment*. American Psychiatric Publishing, Inc. 2004

gambling and counterfeiting. Detection of these crimes will require specialized training for the public safety officers that patrol the casinos and surrounding areas. Officers will need to be educated in the laws relating to such areas as gambling and fraud. This type of specialized training is not unfamiliar to police departments.

The Philadelphia Police Department has experience with implementing specialized training for dealing with specific issues. Specialized units have undergone training in crowd control, traffic control, crime prevention, polygraph-testing, counter-terrorism, water rescues and high-rise fires.

FINDING: An increase in incidents of crimes will impact both the Philadelphia court system and the Philadelphia prison system; steps to expedite the judiciary process will be necessary.

Former Atlantic City Council President Rosalind Norell-Nance advised that increases in the incidents of crime had an impact on the court system in Atlantic City. Expanded court hours were necessary since the 24-hour casinos were often the targets of crimes such as forgery and counterfeiting. Expanded hours also meant that additional staff was needed.

The Philadelphia court system has experience in expediting trials and adapting to high demands for criminal adjudication. This is evidenced by the creation of the former in-stadium court at the former Veteran's Stadium. It was created to deal with the unruly behavior of patrons that were committing assault and other disruptive crimes at sporting events. This was an effective endeavor because after two years the criminal behavior greatly subsided and there was no longer a need for the in-stadium tribunal.

FINDING: Casinos will impact the number of safety officers needed to maintain crowd control, traffic control, public decency, and protect property.

Citizens are concerned that the additional police needed to patrol the areas around the casinos will be taken from areas that are currently patrolled. However, as detailed on page 275, the Philadelphia Police Department's current plan is to hire additional police specifically for the areas around the casino, these officers would not be taken from other areas and would have specialized training to deal specifically with casino issues.

FINDING: Atlantic City officials cited decreases in public safety issues when casinos became 24-hour operations.

In Atlantic City, the move from set closing times to 24 hour casinos led to a decrease in public safety issues. Set closing times contributed to public nuisances such as loitering, noise pollution and robbery as casino patrons would have to exit the establishment at 4am. Traffic jams and vehicular accidents were also common as casino workers, and patrons all converged on roads and exits at the same time. Twenty-four hour operations alleviated many of the issues created by a mass exodus.

FINDING: Philadelphia has a variety of successful models of collaboration among impacted neighborhoods, business interests and government agencies.

Existing Philadelphia models provide a formal and ongoing process for receiving community input, effectively monitoring and responding to changing community and business concerns and balancing the economic growth for businesses with the quality of life for adjacent neighborhoods. Philadelphia's communities and community groups have worked together in the past with city government to successfully address neighborhood concerns such as public nuisances, public drunkenness, traffic issues and criminal activity. As a result, the city has developed models such as the South Street Detail, Special Services district and the Public Nuisance Task Force as a means to minimize the negative effects of establishments like taverns, clubs, stadiums and other types of entertainment venues and tourist attractions. These models have been very effective in bridging the lines of communication between business owners and communities.

The South Street Detail-The South Street Detail is a dedicated team of officers assigned to traffic posts, bike patrols, motor vehicle patrols, and foot patrols with specialized training in crime prevention and crowd patrol. Their mission is to develop and continuously implement an effective partnership among the police, residents, businesses and visitors of the South Street corridor.

The Public Nuisance Task Force (PNTF)-Created in 1992, PNTF has been engaging individual citizens and community groups in efforts to abate or close crack houses, nuisance bars, houses of prostitution, and weed stores. PNTF has also assisted in handling nuisance problems that are technically outside the scope of its jurisdiction (e.g. neighborhood disputes, loud noise, abandoned cars, abandoned houses, and vacant lots) these cases are referred by the assistant district attorney to the appropriate city agency (L&I, DHS, Vector Control, Health Department, Humans Relations Commissions) and that agency will provide all the help and information needed by the District Attorney's Office. Since its inception, the PNTF has seized, sealed and/or forfeited scores of drug houses, weed stores and nuisance bars. The PNTF has also cultivated an on-going relationship with hundreds of community groups throughout Philadelphia.³⁶

Special Services District- A special service district is an organization funded by businesses and controlled by communities to address community concerns normally dealing with neighborhood quality of life issues as a result of a living near large commercial corridor or venue. Philadelphia has several special service districts including Center City District (CCD), City Avenue Special Services District and the Sports Complex Special Services District (SCSSD). SCSSD is the most relevant example to casinos. SCSSD was formed to address the unique needs of residents living near an active sports complex. Many of these unique concerns are also relevant to living near a casino such as traffic congestion, public drunkenness, loitering, littering and noise pollution.

The special services districts, the Public Nuisance Task Force and the South Street Detail were

³⁶ <http://www.phila.gov/districtattorney/community/nuisance/>

all created with cooperation between the City of Philadelphia, the communities and affecting businesses. These Philadelphia models are effective at mitigating the negative impacts of a large-scale entertainment venue such as a casino.

Problem and Pathological Gambling

Problem and Pathological Gambling Defined

Problem and pathological gambling is a hidden behavioral disorders with symptoms that are not as easy to determine as those of someone with a chemical addiction. Like other forms of addiction, pathological gambling can usually be traced to a wish to suppress or avoid some kind of emotional pain. Pathological gambling and chemical dependency are both progressive diseases with similar phases. These include chasing the first win/high, experiencing blackouts and using the object of addiction to escape pain. Both pathological gamblers and persons addicted to alcohol or drugs are preoccupied with their addiction, experience low self-esteem, use rituals, and seek immediate gratification.

The American Psychiatric Association defines problem and pathological gambling as:

- Pathological gambling is a disorder characterized by maladaptive gambling behavior leading to negative personal, family and/or social consequences. Pathological gambling is sometimes accompanied by other disorders such as alcohol or drug abuse, or depression.³⁷

- Problem gambling is a term used to cover both pathological gamblers and those who are having some gambling-related problems, but do not have a sufficient number of symptoms for a diagnosis of pathological gambling. The latter group is at high risk for developing pathological gambling.³⁸

Assessment of Problem and Pathological Gamblers

FINDING: Problem and pathological gambling is a serious consequence of gambling for millions of Americans. However, the national prevalence rate is lower than that of both drug and alcohol dependence and abuse.

National research studies have proposed wildly varying tallies on the number of Americans suffering from some form of gambling addiction. The National Research Council study found that in a given year, approximately 1.8 million adults in the US are pathological gamblers. The

³⁷ American Psychiatric Association, APA Advisory on Internet Gambling, <http://www.psych.org>

³⁸ Ibid

National Opinion Research Council found that approximately 2.5 million adults in the US are pathological gamblers and that another three million were problem gamblers. The most frequently cited study is one conducted by Harvard University in 1997. This Meta-analysis concluded that approximately 1.6 percent or 3.2 million American adults are pathological gamblers. Kept in perspective, these numbers are relatively low. As detailed on page 326, the prevalence rates for problem and pathological gambling are less than that of drug and alcohol dependence and abuse.

Profile of the Problem Gambling Population

Among problem gamblers, roughly one third are female and two thirds are male. Males tend to develop problem gambling behaviors at an earlier age. The typical gambler will lose about 45 percent of their gross annual income. Problem gamblers have a high propensity for: lying to family and friends, borrow money for gambling (or to recover from a gambling debt), accumulate credit card debt, file for bankruptcy and experience marital problems.³⁹ Individuals who report gambling problems in a parent or other close relative are likely to have a gambling problem.

Diagnosis

FINDING: Problem gamblers are usually only identified once they experience tremendous financial problems that require immediate attention.

The Diagnostic and Statistical Manual of Mental Disorders- Fourth Edition (DSM IV) produced by the American Psychiatric Association (APA), is currently used by mental health physicians and insurance companies as the standard to diagnose mental health disorders. To date, the APA has not yet set a standard for problem gambling.

The APA has, however, set the following criteria for diagnosis of pathological gambling (at least five of the criteria must be met to qualify):

- Preoccupation with gambling-related thoughts, plans or activities
- Needing to gamble with increased sums to produce the desired excitement
- Restlessness or irritability when attempting to cut down or stop gambling
- Gambling to escape from problems or relieve an undesired mood such as helplessness, guilt, anxiety or depression
- After losing money while gambling, often returning to try to win it back (chasing losses)
- Lying to conceal gambling activities or consequences

³⁹ Grant, J.; and Potenza, M. *Pathological Gambling – A Clinical Guide to Treatment*. American Psychiatric Publishing, Inc. 2004

- Committing illegal acts to finance gambling
- Jeopardizing or losing a significant relationship, job, educational or career opportunity because of gambling
- Relying on a “bailout” (money from others to relieve a desperate gambling-related financial situation)
- Having made repeated unsuccessful attempts to control, cut back or stop gambling

Prevalence Rates

In most cases, a general population prevalence study is used to determine the adult problematic gambling rates. The study is conducted by administering a survey to a statistically valid sample of the adult population of a state, city or other jurisdiction in which prevalence is being measured. The survey is often a variation of the South Oaks Gambling Screen (screening questionnaire that is often used in problematic gambling measurements) or a modified DSM-IV questionnaire. Adolescent rates are measured in a similar manner. These rates are not static and as previously mentioned vary by jurisdiction.

When examining prevalence it must be noted that numbers and percentages identified express one’s “likelihood” to be effected by problem gambling. Probability is commonly used in prevalence discussions and it must be noted that when phrases like “probable pathological gambler” is used in this report it refers to a numbers of people suspected of being a pathological gambler, but who has not been clinically diagnosed.

Estimated Number of Adults in Philadelphia likely to become Problematic Gamblers

No prevalence study has yet been conducted for the City of Philadelphia. When the Harvard Study prevalence percentages (0.9 percent of adults are probable pathological gamblers and 2.0 percent of adults are probable problem gamblers.⁴⁰) are applied to the Philadelphia adult population; it is estimated that 30,740 Philadelphia citizens are probable problem and pathological gamblers. This rate is lower than both the prevalence of alcohol dependence and abuse (9.7 percent) and drug dependence and abuse (3.6 percent).

Continuing this projection, it can be assumed that at least one family member per problem gambler is also in need of counseling or some other form of treatment as a result of their loved one’s affliction. That means that at the least an additional 30,740 people could need some form of therapeutic treatment. That’s a grand total of 61,480 possible Philadelphia patients.

⁴⁰ Shaffer, H.J., Hall, M.N., and Vander Bilt, J. Estimating the Prevalence of Disordered Gambling in the United States and Canada: A Meta-analysis. Boston: President and Fellows of Harvard College, 1997, p.

TABLE 5.7: Existing Problem and Pathological Gamblers Estimated for Philadelphia

City of Philadelphia	%	Philadelphia Adult Population	#
Probable Pathological Gamblers	0.9%	1,059,979	9,540
Probable Problem Gamblers	2.0%	1,059,979	21,200
Total	2.9%	1,059,979	30,740
		Family Members	30,740
		Grand Total	61,480

Not all persons in need of these services will seek help. This suggests a need for public education on diagnoses and available treatments.

Estimated Number of Adolescents in Philadelphia likely to become Problematic Gamblers

FINDING: Studies conducted over the past decade suggest that gambling activities remain particularly attractive to today's youth and that its popularity is on the rise among both children and adolescents.

Questions about gambling were included in a 2003 survey nationwide of adolescent risky behavior by the Philadelphia-based Attenberg Adolescent Risk Communication Institute. The survey indicated that 45 percent of youth between the ages of 14 and 17 nationwide were gambling monthly.⁴¹

Widely respected researchers at McGill University in Montréal, Canada indicated that gambling activities remained particularly attractive to today's youth and that its popularity is on the rise amongst both children and adolescents. Prevalence studies conducted in the United States, Canada, New Zealand, Europe, and in Australia all confirmed the rising rates of youth involvement in both legal and illegal gambling.

While approximately eighty percent of high school students reported gambling for money during the past year, four to eight percent of adolescents presently have a serious gambling problem while another 10 to 14 percent of adolescents are at-risk for developing a serious gambling problem.⁴²

Using the lowest of these range of numbers (4 percent for a current gambling problem and 10 percent for adolescents at risk for developing a serious gambling problem), the Task Force estimates there are 6,061 Philadelphia male and females between the ages of 12 to 18 who presently have a gambling problem and an additional 15,153 who are at risk for developing a

⁴¹Anneburg National Risk Survey of Youth 2003: *On the Path to Problem Gambling*

⁴² <http://www.education.mcgill.ca/gambling/en/problemgambling.htm> also citing Jacobs, 2000; National Research Council, 1999; Shaffer & Hall, 1996.

serious gambling problem or a total of 21,214 adolescents.⁴³

A study completed in Alberta, Canada compared youths with adults and found youths were four times more likely to be at risk or be problem gamblers than adults (23 percent of youths vs. 5 percent of adults). Some explanation to the high prevalence rates includes more forms of licensed gambling in Alberta, social acceptance for underage gambling, and advertising that suggests gambling is harmless.⁴⁴

Consequences of Problem and Pathological Gambling

There are a number of social impact issues related to gambling that affect the family. Most of the issues involve problematic gambling behavior by a member of the immediate or extended family and can have an immediate negative effect on the well-being of the family. It can also have long-term consequences on a child's development. These issues include bankruptcy and other financial problems, child abuse, child neglect, domestic violence, divorce, suicide, homelessness, comorbidity of depression and substance abuse.

A problematic gambler entering the criminal justice system can easily escalate family problems. Family members may have a variety of problems or illnesses related to the gambler's addiction. A study of female spouses of male problematic gamblers, for example, shows they may have a "wide range of stress-related physical problems including chronic or severe headaches, intestinal disorders, asthma and depression"⁴⁵

It is important that city, community and volunteer agencies/organizations that focus on family issues have information on how problematic gambling relates to their clients. Often, depression and physical health issues brought on by problematic gambling behavior of a family member are related to the stress created by the relative's disease. This is not often disclosed to the medical personnel or other helping agencies.

While studies about domestic violence and problematic gambling are scarce, they do show that problematic gambling does influence domestic violence incidents. According to the National Research Council, studies indicate that between 25 and 50 percent of spouses of pathological gamblers have been abused and between 10 and 17 percent of their children had been abused.⁴⁶

⁴³ US Census Data for population figures; McGill University's Youth Gambling Institute prevalence rates.

⁴⁴ Grant, J.; and Potenza, M. *Pathological Gambling – A Clinical Guide to Treatment*. American Psychiatric Publishing, Inc. 2004, also citing Wynne et al. 1994; and Wynne Resources 1998.

⁴⁵ Lorenz and Yaffee, 1988 as referenced in A Research and Data Driven Guide to Pathological Gambling and Social Policy, Henry Lesieur, July 1999.

⁴⁶ National Research Council

Divorce

FINDING: More than half of gamblers in a study by NORC attribute divorces or separations to their gambling difficulties.

Another issue frequently discussed in gaming debates is whether problematic gambling increases the likelihood of a couple ending a marriage in divorce. Such debate often occurs without data. While there are generally a number of reasons why marriages end, the consequences of problematic gambling can be one of many such reasons or it can be the dominant, driving force in the dissolution of the household.

The National Gambling Impact Study Commission reported that it received "abundant testimony and evidence that compulsive gambling introduces a greatly heightened level of stress and tension into marriages and families, often culminating in divorce and other manifestations of familial disharmony."

In research by the National Opinion Research Center (NORC), 53.3 percent of identified pathological gamblers reported having been divorced, versus 18.2 percent of non-gamblers and 29.8 percent of low-risk gamblers. A significant number of respondents identified a spouse's gambling as a significant factor in a prior divorce.

Youth

Another concern is whether children of problematic gamblers will also experience gambling problems. The National Research Council, for example, found that studies are beginning to show that pathological gamblers are more likely than non-pathological gamblers to report that their parents were pathological gamblers.⁴⁷

Youth are impacted both by problematic gambling of their own and by that of family members.

While the dangers of youth participation in alcohol and drug use is well documented, comparatively little attention has focused on youth gambling. As discussed in a later section of this report (see page 326), the rate of problematic gambling is higher among young people than it is in other age groups.

The National Gambling Impact Study Commission summarized that "the available evidence indicates that individuals who begin gambling at an early age run a much higher lifetime risk of developing a gambling problem."⁴⁸

Older Adults

Older adults were significantly less likely to know someone with a gambling problem (12

⁴⁷ National Research Council, p. 4.

⁴⁸ National Gaming Impact Study Commission, p. 4-12.

percent) compared with 24 percent for the younger group and 28 percent for the mid-age group, but were approximately equal to the others that Gamblers Anonymous would be their choice for assistance (60 percent for seniors, 58 percent and 63 percent for the others).

The subject of older adults and casino-type gambling is receiving more and more attention both by researchers and the media, but like many other areas of problematic gambling, the results are mixed.

In a discussion on the health correlates of recreational gambling and older adults published in the *American Journal of Psychiatry*, for example, researchers found that:

*Older adult gamblers were more likely than younger adult gamblers to begin gambling after later in life, to gamble more frequently, and to report a larger maximum win. Recreational gambling patterns of older adults differ from those of younger adults. In contrast to findings in younger adults, recreational gambling in older adults is not associated with negative measures of health and well-being.*⁴⁹

A University of Pennsylvania researcher, Dr. David Oslin, found that 70 percent of seniors who responded to his survey indicated they had gambled in the past year. 11 percent of the seniors were identified as at-risk gamblers.⁵⁰

Treatment of problem gambling in older adults is more difficult since many times their symptoms can be attributed to old age rather than a link to gambling. Because of this, gambling related problems are more likely to go undetected. In a survey of nursing home residents, 23 percent of residents reported engaging in on-site bingo games more than once a week, and 16 percent reported taking a day trip to a casino at least once a month. When comparing elders in gambling venues (casinos and bingo games) with elders in the community, McNeilly and Burke (2000) found that gambling patrons were more likely to report gambling on most types of games at least once a week.⁵¹

Few question that gambling by older adults in general—and casino gaming in particular—is popular. A study last year by Harrah's, for example, shows that adults older than 66 make up more than a quarter of casino goers.⁵²

The Florida Council on Compulsive Gambling lists reasons why this age group finds gambling such an attractive pastime:

⁴⁹ Am J Psychiatry 2004; 161:1672–1679)

⁵⁰ Julie Sturgeon, www.bankrate.com, 2/28/05

⁵¹ Grant, J.; and Potenza, M. *Pathological Gambling – A Clinical Guide to Treatment*, citing McNeilly and Burke 2000 & 2001.

⁵² Chicago Tribune, 3/20/2005

- Many seniors have disposable incomes.
- Some have limited financial resources or are looking for that big payoff to compensate an ever-shrinking limited retirement income.
- Opportunity and availability for elderly to gamble.
- Some are bored with lots of time on their hands after retirement: they may be widowed, lonely, or have feelings of oppression.
- Others are lonely, have lost a spouse, close friends, or moved from other parts of the country to a new area of retirement, leaving family and friends behind.
- Seniors are subject to limited alternatives for socializing, often due to availability or physical restraints.
- Seniors are subject to peer pressure and some are just looking to be with their peers in an exciting and fun activity.

Gaming venues are some of the few commercial entertainment venues that actively market to seniors. Seniors can participate in casino promotions that are open to all 21 and over age groups, such as slot club promotions, bus transportation, buffet discounts and prize drawings.

Some research has found that gambling is the most frequently identified social activity among persons 65 and older.⁵³ An 81-year old casino visitor may have summed up some of the reasons for this age group's finding the casinos an inviting venue: "It's an opportunity to be around other people. You're treated well. The parking lots are well lit. The marketing is very friendly to seniors. The people at the casino learn and call you by name. It can be a nice feeling."⁵⁴

While the number of older gamblers may not reach the proportions of other demographic groups, there are special concerns about senior problematic gambling. Some believe that older adults are more reluctant to reach out for help than other groups, especially regarding gambling problems. Others have concerns that debt and other negative consequences can spiral out of control while seniors deal with the denial, stigma and shame. In addition, it is very difficult for some older adults to turn away grandchildren and adult children who have a gambling problem and will utilize their own resources to "bail them out."

More research seems to have focused on identifying the extent of problematic gambling among older persons than in developing creative responsible gaming practices so that this age group could take advantage of the benefits it brings but without negative approaches.

⁵³ Dennis McNeilly and Burke, 2001, *Journal of Aging and Human Development*.

⁵⁴Lawrence, *KS Journal World*, 4/20/2005

Bankruptcy

FINDING: Pathological gamblers have high levels of debt and declare bankruptcy at higher rates than other types of gamblers and non-gamblers.

Pathological gamblers have clearly elevated rates of indebtedness, both in an absolute sense and relative to their income. Indebtedness per person is 25 percent greater than that of low-risk gamblers and about 120 percent greater than that of non-gamblers. However, the disparity is even greater when debt is compared to income: pathological gamblers owe \$1.20 for every dollar of annual income, while low-risk and non-gamblers only owe \$0.80 and \$0.60, respectively.⁵⁵

In accord with their higher debt, pathological gamblers have significantly elevated rates of having ever declared bankruptcy: 19.2 percent, versus 5.5 percent and 4.2 percent for low-risk and non-gamblers. A problem gambler's average level of indebtedness is actually the lowest of any type of gambler; however, they still have an elevated rate of bankruptcy (10.3 percent), but this is only marginally statistically significant when compared to the rate among non-gamblers.⁵⁶

Many think that problematic gamblers misuse the bankruptcy protection afforded them by law and treat it as the ultimate "bailout." In problematic gambling, a bailout is generally defined as the problematic gambler getting money by some means that bails him/her out of the current pressing problems. Often it is a relative who comes up with needed cash for the "bail out".

One of the ten diagnostic criteria in the DSM-IV in determining whether one is a pathological gambler is whether he/she "relies on others to provide money to relieve a desperate financial situation caused by gambling." Instead of the gambler realizing how fortunate he/she is to have escaped major problems and quitting gambling forever, the bailout frequently has the opposite effect and can accelerate the downward path of the gambling addiction.

Robert Custer, considered one of the pioneers of problematic gambling treatment, describes the after effect of a bailout:

With the first substantial bailout, the process accelerates sharply along the downward path. Why the bailout has this effect, we do not know. It may very well be that with the bailout money in hand, and feeling immensely relieved, the gambler's despair turns to euphoria and he convinces himself that even when he was on the brink of disaster, his 'lucky' star would not let him be destroyed...

Now he will not only be able to recoup everything he has lost, he will be on the way so making the fortune he had always dreamed about.⁵⁷

⁵⁵ NORC, "Gambling Impact and Behavior Study Commission," (April 1, 1999), p.46.

⁵⁶ Ibid.

⁵⁷ Robert L. Custer and Harry Milt, *When Luck Runs Out: Help for Compulsive Gamblers and Their Families*, 1985.

One trend disturbing to gambling treatment personnel and persons actively helping recovering gamblers through Gamblers Anonymous has been the tendency for gamblers to immediately return to gambling after the bankruptcy proceedings.

While this is an understudied field, an examination of calls to a problem gamblers helpline suggested that bankruptcy declarations often had little impact on out-of-control gambling behavior. As one helpline worker remarked, “It doesn’t even seem to slow them down. I’ve had a caller who referred to her bankruptcies by number, as in my ‘first bankruptcy.’”⁵⁸

A small sample of help line calls reflects this attitude:

- A shipyard worker under the age of 25 completed a bankruptcy, but within three months was already in debt for \$22,000.
- A couple who gambled together had filed for bankruptcy six months previously before the call to the help line but were still going to the casino to play slots and were \$5,000 in debt in their ‘post-bankruptcy’ phase.
- A video poker player filed for bankruptcy, but a year later, she owed \$5,000 and was stealing money on her job.⁵⁹

There is concern by some that consumers—including gamblers—do not understand the consequences of bankruptcy proceedings. Said one veteran attendee at Gamblers Anonymous meetings: “I am often amused by the comments of some new compulsive gamblers that a ‘bankruptcy declaration is really no big deal and won’t affect me that much.’”⁶⁰

Mental health counselors are concerned that gamblers will choose bankruptcy rather than counseling. Even in states like Iowa, which has a more generous and easily accessible state-funded treatment than most states, counselors report of dropouts from the counseling program who choose bankruptcy as a better alternative for their problems than counseling sessions⁶¹

Like some other areas in the debate over expanded gaming, there is conflicting data on whether bankruptcies increase in casino areas.

A U. S. Department of Treasury report presented results of its finding that “no connection between state bankruptcy rates and either the extent of or introduction of casino gambling.” In preparing its analysis, the Treasury Department examined existing literature on gambling and bankruptcy and conducted new research. According to the study, much of the earlier increase in

⁵⁸ Ibid

⁵⁹ e-Update on Problem Gambling News from the Texas Council on Problem and Compulsive Gambling, April 15, 2000.

⁶⁰ Ibid

⁶¹ Des Moines Channel 7 News, 5/5/05.

the national bankruptcy rate has been attributed to the changes in the bankruptcy law of 1978 ... and higher levels of debt relative to income, increasing availability of credit through general purpose credit cards and the reduced social stigma of declaring bankruptcy.⁶²

A later study, however, by Creighton University professors concluded that bankruptcy rates in counties with casinos initially drop but (after a few years) then rise until they exceed the rates in counties without casinos.⁶³

There are multiple reasons for bankruptcy filings other than gambling debts. Research by Harvard Medical and Law Schools have found that approximately half of the bankruptcies in the jurisdictions selected for their study were filed because of overwhelming medical expenses.⁶⁴

The ability for debtors to utilize the traditional bankruptcy procedures may be altered by passage of the federal Bankruptcy Abuse Prevention and Consumer Protection Act early in its 2005 session.

Among the provisions:

- Requiring individual debtors who have the means to pay to enter into a repayment plan under Chapter 11 rather than have their debts cancelled under Chapter 7.
- Limiting consumer's use of Chapter 7 to liquidate credit card bills or loans unsecured by a house or assets.
- Imposing a means test to make sure people with assets repay some or all of their debts
- Requiring debtors to submit to credit counseling and meet other obligations to dissuade them from seeking bankruptcy protection.⁶⁵

The impact on problem gambling of this legislation may be explained in this excerpt from in a discussion about crime and addiction:

In bankruptcy cases, compulsive gambling claims often used to result in discharge ability judgments, that is the person declaring bankruptcy was excused from repaying a credit card company. Judges seemed to view the promiscuous distribution of credit cards as justifying having

⁶² Department of the Treasury, A Study of the Interaction of Gambling and Bankruptcy, July 1999 as posted on the American Gaming Association web page, www.americangaming.org.

⁶³ Omaha World Herald, June 5, 2005

⁶⁴ Health Affairs February 2, 2005

⁶⁵ S. 256, The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005.

the companies accept the consequences of their seductive offers. But that situation ended this April when Congress foreclosed such exemptions.⁶⁶

Homelessness

FINDING: There is no clear correlation between problem gambling and the homeless population.

Some jurisdictions with new casino-type gaming operations have indicated an increased rate of homelessness. A survey of social service officials in South Carolina, Montana and Oregon who responded to a questionnaire on the social impact of convenience gambling, for example, showed that one-fourth of the respondents said that the new form of gambling had a great impact on homelessness while another one-fourth said there was some impact; the remaining one-half said there was no basis with which to judge. It should be noted again that convenience gambling in this respect refers to small numbers of video poker machines located in a large number of locations, primarily bars and restaurants, providing highly convenient and unnatural gaming options for the problem gambler. This is very different than the facilities planned for Philadelphia.

A study of more than 1,100 rescue mission clients by the International Union of Gospel Missions in 1998 found 18 percent stated that gambling was a factor in their homelessness; a similar study of substance abusing homeless veterans found 14 percent meeting pathological gambling criteria.⁶⁷ The National Gambling Impact Study Commission also found that a survey of homeless service providers in Chicago found that 33 percent considered gambling as a contributing factor in the homelessness of people in their program.⁶⁸ The Atlantic City Rescue Mission reported that 22 percent of its clients are homeless due to a gambling problem.

Research seems to suggest that it would be important to screen homeless persons in a city's social service delivery system for problem gambling tendencies. Homelessness is a large issue with many ramifications, and it is important to note that problem gambling is just one part of that issue.

Workplace

The workplace may be one of the most vulnerable for negative consequences of gaming, but it also may be one of the best sources of help.

⁶⁶ Gilbert Geis, Crime and Addiction Series Part 4 - Pathological gambling should not be an excuse for lawbreaking, www.thebasics.org.

⁶⁷ Cited by Henry Lesieur in Pathological Gambling and Social Policy Report to the Indiana Gambling Impact Study Commission, p. 31. Dr. Lesieur also reported that homeless pathological gamblers are being treated at the Moody House in the United Kingdom and in some VA Medical Centers in the United States.

⁶⁸ NGISC, p. 7-27.

In the diagnostic criteria of the DSM-IV one of the ten indicators of “persistent and recurrent maladaptive gambling” is if the person has “jeopardized or lost a significant relationship, job, or educational or career opportunity because of gambling.”

Surveys using one of the three above questions show a relatively high percentage of affirmative responses as shown in this sample of research projects:

- Henry Lesieur, in his study on pathological gambling and social policy found between 69 and 76 percent of pathological gamblers state they have missed time from work due to gambling.⁶⁹
- An Indiana survey found that pathological gamblers lost three times as much time from work (2.8 days per month) as low frequency gamblers (0.9) days.⁷⁰
- Between 21 and 36 percent of gamblers in treatment or attending Gamblers Anonymous meetings have lost a job due to their gambling.⁷¹
- The NORC study that was part of the National Gambling Impact Study Commission found pathological gamblers were significantly more likely to have lost a job or been fired from one than low-risk gamblers (13.8 percent versus 4 percent).⁷²

In addition to missing time from work to gamble, scientific research indicates that both recreational and problematic gamblers participate in some form of gambling while on the job. A study in Alberta, for example, showed that 30 percent of employees had gambled at work at least once during the past year; at least one-quarter had gambled weekly.⁷³

These statistics do not indicate what type of gambling is taking place on the job, but it can range from using an office computer for Internet wagering to participating in what some may consider relatively innocuous office pools.

Another source of lost productivity is the distraction of employees concerned about their own gambling problem or that of a loved one. Statistical data from problem gambling help lines, for example, shows that from 8-10 percent of calls are placed from the workplace, with 69 percent

⁶⁹ Research by Ladouceur, et al; Meyer, et al; and Lesieur & Anderson as summarized in *A Research and Data Driven Guide to Pathological Gambling and Social Policy* by Henry Lesieur, July 1999.

⁷⁰ Westphal, Rush and Stevens, 1998 as included in the 1999 Lesieur summary.

⁷¹ Ibid.

⁷² Gambling Impact and Behavior Study, p. 44.

⁷³ Substance Use and Gambling in the Alberta Workplace, 2002.

of those calling about their own gambling problem.⁷⁴ There are also workplace issues of using sick leave because of personal or family gambling problems.

Problem Gamblers in the Criminal Justice System

Considerable dialogue has centered by criminal justice experts on whether persons who commit a crime and who are also diagnosed as a pathological gambler in the DSM-IV criteria should be considered as criminals or treated as someone with an illness.

This question was discussed in a series on crime and addiction by a professor in criminology at the University of California-Irvine:

There have been cases in which a sympathetic judge granted a “downward departure” for a convicted “pathological gambler.” Such instances primarily appear to involve a belief that the mandated term of imprisonment was too severe for the actual offense. This procedure came to an end, however, when Congress in 2003 singled out pathological gambling as an excuse no longer qualifying for a reduced sentence.⁷⁵

Several jurisdictions have looked at alternative solutions:

- In Louisiana, the State Attorney General initiated a diversionary program in which a district attorney can make a determination if a non-violent crime is the direct result of problems with gambling. If so, the person is referred to the state’s treatment program and thus is diverted from jail. In order to avoid jail, however, the gambler must go through the treatment program and make restitution. Even though it is a voluntary program, more than 35 percent of the state’s district attorneys are using the program.⁷⁶
- In Minnesota state law mandates that persons committing certain types of crimes undergo a compulsive gambling assessment.
- A therapeutic gambling treatment court in Amherst, New York has drawn wide acclaim for its gambling treatment court, modeled after traditional drug treatment courts.
- Criminal justice researchers have also voiced the need for treatment for problematic gamblers in the criminal justice system to reduce the chances of relapses once prisoners are released.

In the Department of Justice report on Gambling and Crime among Arrestees, researchers also explored the need for alternative treatment for problematic gamblers while serving their sentences:

⁷⁴ E-Update publication of the Texas Council on Problem and Compulsive Gambling.

⁷⁵ www.basisonline.org

⁷⁶ Personal communication with the Louisiana Association of Problem Gambling, June 6, 2005.

Being behind bars is likely to worsen the gambling habits of many compulsive or pathological gamblers. Although it is officially banned, gambling is difficult to control in prisons and jails. It is a diversion from the monotony of jail. As a result, jailed arrestees and prison inmates may accrue significant gambling debts behind bars that can only be paid off by committing further crimes after their release. Authorities could provide increased attention to gambling behaviors in detention centers, jails and prisons.⁷⁷

Education and Prevention Programs

Education and prevention programs for problem and pathological gambling will help to both build awareness and help to promote responsible gambling behavior. Currently, Philadelphia's only resource for education and awareness of problematic gambling is the Council on Compulsive Gambling of Pennsylvania (CCGP).

FINDING: The Council on Compulsive Gambling of Pennsylvania (CCGP) is currently the only organization to promote public awareness about compulsive gambling.

Council on Compulsive Gambling of Pennsylvania (CCGP) is a nonprofit organization affiliated with the National Council on Problem Gambling. Its purpose is to educate and disseminate information on compulsive gambling and to facilitate referrals. The Pennsylvania Council provides speakers, workshops, seminars, and information on this public health problem to business, industry and labor groups, schools and colleges, health care and treatment facilities, and to community and religious organizations. CCGP also maintains the 1-800-GAMBLER calls for the state of Pennsylvania. CCGP is currently the only organization that attempts to educate Philadelphia about problem gambling.

FINDING: The Pennsylvania calls for the current 1-800-Gambler hotline has virtually no statistical tracking system.

CCGP currently operates largely on funding from the Pennsylvania Lottery, the Pennsylvania Horse Racing Association and, in part, on donations from the private sector. This money is used to educate employees, therapists in mental health centers and agencies and the general public on compulsive gambling. CCGP receives between 20 and 30 calls a day from across the Delaware Valley. There are approximately 10,000 calls statewide, of those approximately 50 percent come from Philadelphia, 10 to 15 percent from Pittsburgh and 10 to 15 percent reading and surrounding areas such as Harrisburg.

CCGP does not currently have a system for electronically tracking its calls and referrals and currently undergoes a manual process; however, they were able to provide some estimated statistics that were tracked manually. According to CCGP's Executive Director Jim Pappas, about 90 percent of the callers are referred to Gambler's Anonymous, a 12-step program and

⁷⁷ U. S. Department of Justice, Gambling and Crime Among Arrestees: Exploring the Link.

family members are referred to GAM-ANON. Mr. Pappas estimates that a problem gambler's behavior affects 10 to 12 people, including children, spouse, other relatives, and employers.

Treatments

To effectively mitigate the consequences of problem and pathological gambling, measures will need to be taken to provide the proper treatment for the individuals, families and communities affected. Although the estimated prevalence of problem and pathological gambling in Philadelphia is low compared to the prevalence of other addictions, Philadelphia will have to augment its current treatment options in order to provide the proper treatment to residents.

Monitoring the Prevalence of Problem Gambling in Philadelphia

FINDING: No prevalence study has been conducted for the City of Philadelphia to monitor problem gambling.

In order to assess the rate of problematic gambling in Philadelphia and provide an adequate amount of treatment services, it will be necessary to devise appropriate methods of monitoring prevalence. As mentioned earlier, prevalence studies can be conducted using a telephone survey. A prevalence study has never been conducted for Philadelphia and is needed for an accurate assessment of the prevalence of problem gambling. These phone surveys are a standard practice for establishing the scope and severity of problematic gambling behavior; however, it does not help the medical community to monitor the relationship between problematic gambling behavior and other mental and physical afflictions such as comorbidity and chemical dependency.

FINDING: Medical providers do not currently have protocols to detect the presence of problematic gambling behavior.

A standard method for detecting and tracking the prevalence of health issues, including comorbidity and chemical dependency, is during the intake interview process. This occurs when the health provider and the patient discuss the patient's medical history and the provider probes about the patient's current symptoms.

Currently, it is not a standard for medical providers to ask questions regarding problem gambling during their intake interview process. Modification of the current intake procedures and the intake questionnaire would help to paint a clearer picture of the prevalence of problematic gambling. It would also be necessary to train the interview personnel to look for signs of problematic gambling behaviors. Once health providers have the ability to track problems such as an individual's comorbidity, the assessment of proper treatment needed for that patient can be more accurately prescribed.

Clinical Resources

Philadelphia has limited resources for providing treatment for problem and pathological gamblers. City agencies, health providers and local support groups have existing resources that can be built upon to provide the necessary treatment.

Division of Social Services (DSS)

DSS encompasses the following departments: Department of Public Health, Department of Human Services (DHS), Office of Behavioral Health (OBH), Philadelphia Prison System, Department of Recreation, Office of Adult Services, and The Mayor's Office of Community Services.

DSS is also comprised of two commissions: Mayor's Commission on Aging, Mayor's Commission on People with Disabilities.

FINDING: The DSS tracking system currently in development can be a tool used to truly track the effects of problem gambling in Philadelphia.

The mission of DSS is to function as an integrated program and administrative system, operating a comprehensive service delivery model that collaborates, coordinates and integrates across DSS units/divisions and uses best practices to maximize all persons' quality of life and self-sufficiency within safe and supportive communities. Due to the limitations of its current system, DSS is ill-equipped to accomplish this in an efficient manner. A data tracking system is currently being developed for DSS that is intended to allow a seamless transfer of client information from one department to the next. Parameters to track problem gambling are being included in this system. A system of this nature would allow Philadelphia to monitor and assess the prevalence and the impacts of problem gambling across DSS units and divisions in a way that has never been possible in other cities. The first phase of the DSS tracking system is expected mid 2006.

Department of Human Services (DHS)

The mission of DHS is to protect children from abuse, neglect and delinquency; to ensure their safety and permanency in nurturing environments; and to strengthen and preserve families by enhancing community-based prevention services.

FINDING: The Philadelphia Department of Human Services (DHS) Children and Youth Division (CYD), responsible for investigating instances of child abuse and child neglect, would be affected by any increases in child neglect or child abandonment.

The Children and Youth Division (CYD) of the Philadelphia Department of Human services (DHS) provides child and family-centered services to nearly 20,000 children and their families each year. These services are strategically designed to ensure the safety, permanency, and overall well-being of DHS's clients.

The CYD is responsible for investigating all reports of child abuse and neglect. Reports whose allegations meet the Pennsylvania definition of child abuse as well as other allegations impacting on a child's immediate safety require that the investigation begin immediately and the child seen immediately, if warranted, or within 24 hours. Reports whose allegations do not rise to this level are assigned according to risk factors indicated in the report.

Depending upon the particular needs of children and families, services can include foster care, Services to Children in their Own Homes (SCOH), adoption, and other prevention and community-based services that address the well-being of the entire family. Another important service is a network of support and educational groups designed to help adults to become more effective parents.

FINDING: The DHS Hotline (Crisis Center), currently handles 150,000 calls per year, may need increased staffing to deal with increases as a result of problem gambling.

The DHS Crisis Center hotline is a 24 hours per day, 7 days per week operation. It receives and assigns reports of suspected child abuse and child neglect made by telephone or in-person. It also employs an after-hours (nights/weekends) emergency response program to protect children from further harm. The hotline currently handles 150,000 calls per year with approximately 43.8 full-time employees (FTE) scheduled weekly. DHS does not know the capacity of calls that their current staffing, equipment and budget can handle.

Increased staffing may be necessary to deal with possible increased levels of child neglect and child abuse due to problem gambling. Currently, there are no statistics that give us a sound basis for estimating the increase in cases of child neglect and abuse.

Behavioral Health System

The Mission of the Behavioral Health System is to help consumers receive coordinated and effective mental health and drug and alcohol treatment services. The three core entities are the Coordinating Office for Drug and Alcohol Abuse Programs, the Office of Mental Health (OMH) and, Community Behavioral Health. These are currently under some reorganization, under the present commissioner, Dr. Arthur C Evans.

Current intake procedures do not account for problem gambling, they will need to be adapted. Community Behavioral Health (CBH) refers Medicaid patients to about 300 different providers; none of the CBH providers are currently equipped to handle problem gambling treatment. Also, both CBH intake procedures and provider intake procedures will have to be adapted to detect for problem gambling behavior as currently they do not. The Behavioral Health System will need to determine if additional specialized providers are needed or if training current personnel is sufficient.

FINDING: The Keystone Center has the only residential inpatient care program local to Philadelphia residents; patients must be insured or show ability to pay for treatment out-of-pocket.

The Keystone Center is considered a drug and alcohol treatment center and is not a gambling treatment center. Keystone's gambling treatment program does not qualify it for payment by most insurance companies. Of the 5 – 10 calls a week for treatment, only 1 caller every 2 weeks is able to get the needed treatment. Einstein's Belmont Center for Comprehensive Treatment which formerly had a gambling treatment program faced the same situation and ultimately had to discontinue the gambling addiction program due to the lack of paying patients. Patients at

Keystone must be pre-approved for payment by their insurance company or show that they have the ability to pay for treatment themselves. Keystone’s residential inpatient program costs approximately \$10,000 per month.

FINDING: Although Belmont Center for Comprehensive Treatment no longer has a gambling treatment program, gambling treatment experience still exists at Belmont and may be a helpful resource for future gambling treatment programs in Philadelphia.

Belmont Center for Comprehensive Treatment of the Albert Einstein Healthcare Network is currently a drug treatment facility, but formerly had a gambling addiction treatment program. Their gambling treatment program was similar to that of the Keystone Center. They faced the same dilemma as Keystone as it pertains to insurance coverage and gambling treatment program was ended due to the lack of paying patients. Many of the personnel who participated in the programs there still remain and can be viable resources for future gambling treatment programs in Philadelphia.

Support Groups

As with the recovery of an alcohol or a narcotic addiction, there is a need for the individuals and families to have non-clinical help in both dealing with the effects of the addiction and for staying in recovery.

Support groups are member-run programs that focus on providing a network of support. This provides the type of peer-to-peer interaction that a medical provider cannot. Members can identify with each other in ways that they cannot identify with medical professionals. A psychiatrist who has not suffered from the addiction cannot honestly say “I know what you are going through” whereas a peer can actually relate. Peer support and testimony can give the type of hope that a medical professional cannot. Members find more meaning in member statements like “I’ve been in recovery for three years” than in affirming statements coming from a medical professional. This also helps to combat feelings of isolation.

Members know that they are not alone in facing the unique problems caused by the addiction. In support groups, where members share their experiences and feelings, members have the opportunity to build strong bonds with each other. In groups where members have formed strong bonds, members trust and rely on each other and they have a stake in each other’s recovery. The group dynamics of these organizations are aimed at encouraging the recovery of the individual. Support groups also aid by providing extended help and referral services for their members.

FINDING: Gambler’s Anonymous (GA) and Gam-Anon are 12-step programs and do not provide clinical treatment to problem gamblers or family members.

Two very important resources for problem gamblers and family members are Gambler’s Anonymous (GA) and Gam-Anon. They are twelve-step recovery programs modeled after Alcoholics Anonymous (AA) and Al-Anon respectively. Like AA, GA for the compulsive

gambler; and like Al-Anon, Gam-Anon is for the spouse of the gambler and other extended family members and friends. GA and Gam-Anon are both free programs that focus on providing support groups for their members. Gam-Anon also provides family members—and those trying to help them—with access to background material to help them better understand their options in coping with the myriad problems facing the family.

Health Insurance Coverage Issues

FINDING: Most treatment facilities in Pennsylvania do not qualify for insurance dollars for problem or pathological gambling; this includes the Keystone Center and what was formerly the gambling program at the Belmont Center for Comprehensive Treatment.

Health insurance coverage is a current challenge for two reasons:

- 1) **Drug and alcohol treatment centers that have gambling treatment programs don't qualify for insurance payments.** Health insurance companies will pay drug and alcohol centers for inpatient treatment of drug and alcohol problems only. It is only in cases when an individual has drug and alcohol problem coupled with a problem gambling disorder that the treatment center can also receive payment for patient participation in their problem gambling treatment program. In essence, the gambling problem must be related to the drug and/or alcohol problem.
- 2) **Only pathological gambling is recognized by insurance carriers since there is no diagnosis for problem gambling in the Diagnostic Statistics Manual (DSM IV).** Magellan Behavioral Health Inc, which is the behavioral health network for most of the major insurance carriers in Philadelphia, outlines DSM IV diagnosis as a requirement for both residential inpatient treatment and intensive outpatient treatment. This means that an individual who is a problem gambler, but has not yet developed into a pathological gambler is not covered for treatment.

FINDING: Drug and Alcohol treatment centers do not qualify for insurance payments; both the former Belmont program and the existing inpatient program at the Keystone Center faced this dilemma.

The only facility that treats problem gambling in the Greater Philadelphia Metropolitan Area is the Keystone Center in Chester, Pennsylvania. Keystone is a drug and alcohol addiction facility that has a gambling treatment program. Since it is not an actual gambling treatment facility; it does not qualify to receive insurance funds.

Keystone has stated that it receives 5 to 10 calls per week for treatment; of those 5 to 10 calls per week, only 1 caller every 2 weeks is able to get the needed treatment. Most patients that can participate in Keystone's gambling treatment program can either afford to pay for the treatment themselves, or are already pre-qualified for their stay due to a drug or alcohol addiction.

Einstein's Belmont Center for Comprehensive Treatment which formerly had a gambling treatment program, faced the same situation and ultimately had to discontinue their gambling addiction program due to the lack of patients who could afford treatment.

FINDING: Insurance companies recognize pathological gambling, but do not recognize or cover problem gambling; DSM IV defines pathological gambling criteria, but not problem gambling criteria.

DSM IV defines the criteria for diagnosis of pathological gambling, but does not for problem gambling. Pathological gambling is a physical addiction like alcoholism or drug addiction. Problem gambling is the stage one enters before it becomes a physical addiction. Most health insurance companies do not recognize problem gambling since it is not defined in DSM IV.

FINDING: Section 1509 of Act 71 provides a minimum of \$1.5 Million annually for the Compulsive and Problem Gambling Treatment Fund; No local agency has been identified to accept this state funding, the CBH model is a Philadelphia model which has proven itself capable for treatment distribution.

Section 1509 of the Gaming Act creates the Problem and Compulsive Gambling Fund and allocates to it \$1.5 million or 0.1 percent of gross gaming revenue (whichever is greater) in annual funds. This fund is designated for problem and compulsive gambling and is not expected to be enough to treat the uninsured problem gamblers. The act also allows the Gaming Control Board to allocate additional money to the fund. Grants can be made from the fund for gambling prevention, treatment or awareness. The fund is managed by the Department of Health and falls under the Bureau of Drug and Alcohol Programs (BDAP). BDAP is currently looking for the appropriate model to provide treatment for uninsured or under-insured individuals who have problem or pathological gambling behaviors. BDAP is also looking for experts in the field of problem and pathological gambling to serve as providers or trainers for providers.

The Department of Health has not yet identified any agency to accept any of this funding on behalf of Philadelphia County, nor has it found the appropriate model for distribution of treatment services. Philadelphia's Community Behavioral Health department has a model for successful treatment distribution that has been working in Philadelphia since 1997.

The Department of Health has already decided to pay for problem gambling treatment for uninsured Pennsylvania residents with problem or pathological gambling addictions. According to Bill Noonan, Director of Problem and Compulsive Gambling Fund, the state has decided to pay for treatment for uninsured problem gamblers in Pennsylvania. They are also funding a prevalence study for the state of Pennsylvania.

Costs of Problem and Pathological Gambling

Many of the social impact studies concentrate on the costs to a gaming area brought about by problematic gamblers. An Australia Productivity Commission report on gaming, for example,

concluded “the principal costs for society related to gambling (costs that are not offset by benefits elsewhere) result from problem gambling.”⁷⁸

The Solicitor General of the United States came to a similar conclusion: “Many of the associated social costs to casino gambling stem from ‘pathological’ or ‘compulsive’ gambling by approximately 3 million Americans.”⁷⁹

Attempts to quantify these costs may result in a wide range of estimates. The Australia Productivity Commission, for example, estimates the average yearly costs associated with a problem gambler vary over a range of \$560 to \$52,000.⁸⁰ The Canadian Public Health Agency reports that research yields social costs to be between \$20,000 and \$56,000 per compulsive gambler.⁸¹

The authors of the Wisconsin Policy Research Institute Report, Thompson, Gazel and Rickman used a social cost survey completed by 98 members of Gamblers Anonymous and applied those rates to Wisconsin. The social costs of problematic gamblers were divided into four categories:

- 1) Employment-related costs (working hours lost due to gambling, unemployment compensation due to gambling, and foregone income due to unemployment): \$2,940.89
- 2) Bad debts and theft costs: \$3,220.00
- 3) Police and judicial-imprisonment and costs of arrest: \$2,612.34
- 4) Total health and welfare-related social costs (treatment costs, food stamps and AFDC): \$695.49

In their survey, they estimated the total annual cost of these four categories per gambler is \$9,468.72. Based on the estimated pathological gambling prevalence rate of 0.9 percent⁸² among Wisconsin adults, the total social costs for the entire state from the estimate of 32,425 problem gamblers in Wisconsin is \$307,023.24 from these four social cost categories. Additional categories, the authors suggested, would increase the estimate, as would the social costs incurred

⁷⁸ Australia Productivity Commission

⁷⁹ Greater New Orleans Broadcasting Association, Inc. et. al. Petitioners vs. United States, et. al, 1999.

⁸⁰ Productivity Commission (1999). Australia’s Gambling Industries, Report No. 10. Canberra: AusInfo.

⁸¹ Democratic Reform BC, Victoria, April 28, 2005.

⁸² The percentage used by Thompson, Gazel and Rickman for pathological gamblers is the same as the percentage of past-year pathological gamblers in the National Research Council’s estimates and the Harvard meta-analysis.

by non-pathological gamblers.⁸³

Some have expanded the categories of costs in social impact to include “medical services, mental health, lost productivity, workplace absenteeism, divorce, family breakdown, bankruptcy, social welfare, crime and legal problems and the effect on other areas of the economy and the social environment in communities”⁸⁴

A 2003 report by Collins and Lapsley examined the reasons for such large discrepancies in cost estimates as:

- The inability to define private and social costs. Private costs are those born by the individual, while social costs are those imposed involuntarily on others in society as a result of the action.⁸⁵
- The inability to distinguish between private and social costs. One study found that it is the inability to distinguish between private and social costs that has led to the widespread variability of cost estimation.⁸⁶
- The inability to attribute costs that are directly attributed to gambling rather than those associated with the behavior but due to some other factor.
- The inability to include both benefits and cost in a social cost study. Some believe that benefits must be included in impact studies.

A study by the Genuine Progress Index for Atlantic Canada and funded by the Nova Scotia Gaming Foundation observed:

*There is considerably less agreement concerning gambling impact studies than in comparable work assessing the costs of tobacco, alcohol abuse, physical inactivity, and other risk factors for health and social costs. This is due partly to the complexity of the subject matter and partly to the newness of the evolving research.*⁸⁷

A question remains whether the public perceives problematic gambling as much of a social

⁸³ Thompson, W. N., Gazel, R. and Rickman, D, Wisconsin Policy Research Institute Report 9(6) as summarized on the Wager, April 15, 1997.

⁸⁴ Statement by Tom Morino, political leader of the Democratic Reform BC.

⁸⁵ Collins and Lapsley, The Social Costs and Benefits of Gambling: An Introduction to the Economic Issues, *Journal of Gambling Studies*, 19 (2), 123-148.

⁸⁶ Walker and Barnett, The Social Costs of Gambling: An Economic Perspective. *Journal of Gambling Studies*, 15 (3), 181-212.

⁸⁷ The Costs and Benefits of Gaming: A Summary Report from the Literature Review, GPI Atlantic, September 2004.

problem as other addictions. A report on gambling-related problems and opinions by the Ontario-based Addiction Research Foundation, for example, found that 65 percent of the respondents in a structured general population telephone survey felt that drug addiction was the most serious social problem, followed by heavy drinking (22 percent), smoking (9 percent) and heavy gambling (3 percent).⁸⁸

TABLE 5.8: Summary of costs per additional pathological⁸⁹ and problem gambler

Costs*	\$
Crime	4,000
Social Services	600
Family Costs	110

* Estimated costs to society per additional problem and pathological gambler

The resource burden of a society can be studied by looking at problem and pathological gamblers. Crime is the largest of the costs and includes apprehension, criminal and civil justice costs, incarceration costs and police costs. It is estimated that 21 percent of additional pathological gamblers will be charged with a crime.⁹⁰ That means of the 1,400 new pathological gamblers, 290 will likely commit a crime in a given year. With a cost of \$4,000 per problem gambler, the estimated cost to society is approximately \$1.16 million.

Social service costs include treatment and therapy costs, welfare, food stamps, and costs related to unemployment.⁹¹ Applying the estimated \$600 to those seeking help in a given year (270) is equivalent to approximately \$162,000.

Family costs include divorce, separation, spousal abuse and child neglect.⁹¹ Because the family costs will apply to those family members and those who are suffering, additional family costs will total about \$979,000 (\$110 x 8,900).

The Gaming Act requires the Pennsylvania Gaming Control Board to transfer \$1.5 million each year (or an amount equal to .001 multiplied by the total gross terminal revenue of all active and operating licensed gaming entities, whichever is greater) to the Compulsive Problem Gambling Treatment Fund.⁹²

Among the additional activities that must be funded is the operation of a problem gamblers

⁸⁸ Ferris and Stripe, *Gambling in Ontario: A report from a general population survey on gambling-related problems and opinions as summarized in the Wager*, January 7, 1997.

⁸⁹ Grinols, E.L. & Mustard, D.B. (2001). "Business profitability versus social profitability: Evaluating industries with externalities, the case of casinos." *Managerial and Decision Economics*, 22, 143-162.

⁹⁰ Grant, J.; and Potenza, M. *Pathological Gambling – A Clinical Guide to Treatment*. American Psychiatric Publishing, Inc. 2004 also citing Blaszczynski et al. 1989.

⁹¹ Grinols, E.L. & Mustard, D.B. (2001).

⁹² Section 1509 of the Pennsylvania Race Horse Development and Gaming Act

helpline, training of counselors, administrative costs, and funding treatment services.

Because the funding covers all of Pennsylvania, the amount of state treatment funds available is very limited for counseling services of the 30,740 adult Philadelphians in need of treatment for a personal gambling problem, the additional 30,740 Philadelphians in need of treatment because of a family member's problematic gambling diagnosis and the 21,214 adolescents needing services.

FINDING: Atlantic City has both state-mandated programs and programs funded by voluntary contributions from casino dollars to help mitigate the perceived negative effects of casinos.

Atlantic City also has a model for building community and promoting family strength through family centers. The family centers are school-based one-stop social service agencies under the umbrella of AtlantiCare Behavioral Health. Atlantic City's state-mandated Casino Reinvestment Development Authority (CRDA) aids in building up communities with development projects and strategizing synergies among communities, casinos and non-casino businesses.

AtlantiCare's family centers have worked to mitigate issues often associated with casinos, but has also worked outside of that framework to provide a complete family strengthening program. The recreational programs at these family centers seek to both educate and keep youth healthy after school while some parents are still working. Director Rosalind Norell-Nance of the Uptown Complex Family Center cited how a sugar-free candy give away program and a balanced meal program were instituted to ensure that unsupervised youth were getting healthy meals. This came about in response to a rise in youth diabetes cases. Family centers have also targeted domestic violence, substance abuse and homelessness.

CRDA has been working since 1984 to rebuild the communities of Atlantic City and other areas of New Jersey. CRDA has increased Atlantic City's housing stock by 12 percent and has begun a revitalization of Atlantic City which includes the city's new "The Walk", an outdoor complex of new high-end low-priced outlet stores and restaurants.

SECTION 6

NEXT STEPS

Next Steps

This interim report of findings pulls together an extensive amount of information relating to the introduction of slots-only gambling to the City of Philadelphia. It is the result of an exhaustive effort on behalf of the Task Force to better understand the gaming industry and the impacts that it will have on Philadelphia.

The Task Force now must move quickly to process the wealth of information contained in this report and apply it to Philadelphia. The Task Force will initiate this process by sharing and discussing the interim report with a variety of constituencies potentially involved with the arrival of gaming in Philadelphia, including, but not limited to, neighborhood groups, elected officials, business organizations, and potential casino operators. Additionally, this report is being published widely and the Task Force hopes that its work continues to be informed by the people of Philadelphia.

In the weeks ahead, the Task Force will review a limited number of issues that require further study and finalize a series of recommendations to the Mayor. Included among these recommendations will be (i) proposed land use and design standards for Philadelphia gaming facilities; (ii) suggested criteria that the City, and hopefully the Board, can utilize to evaluate different proposals for Philadelphia casinos; and (iii) a mechanism for future City interface and governance with casino operators and state regulators.

Address Remaining Issues

There are a few issues that were not comprehensively reviewed in this interim report and that still require additional study. These are items where original research is incomplete or where recent gaming-related developments have forced the Task Force to reconsider the context of its work and pursue additional facts. Among the open issues are:

- **Baseline Studies.** There is currently insufficient data to develop an accurate assessment of the prevalence of problem and pathological gambling in Philadelphia. This lack of baseline data exists in several other areas reviewed by the Task Force. The Task Force will work to identify gaming-related issues where baseline data is needed to allow for adequate study of the long-term impacts of gaming.
- **City Social Services.** The Task Force will assess the capacity of existing city services to accommodate for some of the impacts of gaming, as well as possible methods of augmenting these services. In particular, it will examine model programs elsewhere that help medical and addiction professionals develop expertise in problem and pathological gambling treatment.
- **Design Standards.** If a formal design code is going to be recommended, the Task Force will have to gather additional information on necessary elements beyond the design criteria set forth on page 60.

- **Highway Impacts.** The Task Force will analyze the impact of added casino traffic on the Vine Street Expressway and other area highways.
- **Infrastructure Improvements.** The cost of infrastructure improvements to many sites will be driven by the development plans eventually proposed for the property. As these plans become available, the cost and impacts will need to be assessed.
- **Potential Additional Locational Preference Study.** The initial Task Force market survey was undertaken when only Market East and Delaware River waterfront locations were among the list of prospective sites. Both because two additional sites have since been added and because others may be added in the weeks ahead, the Task Force might undertake an additional market survey to evaluate locational preferences among area gamblers.
- **Tavern Patron Survey.** The Task Force survey of tavern patrons is still being circulated in conjunction with the Philadelphia Tavern Owners' Association. Once the surveys are completed, the data will be tabulated and analyzed.
- **Zoning.** A review of zoning implications is required. Until June 22, The Task Force operated under the presumption that local zoning enforcement was preempted. Given the change dictated by the Supreme Court, the Task Force needs to review casino-related zoning elsewhere and review the existing Philadelphia zoning code for casino-related impacts.

Generate Recommendations and Criteria

In its next phase of work, the Task Force will draw upon the knowledge base that it has developed and draft recommendations for the Mayor. These recommendations will suggest how to move forward with gaming-related issues and how to maximize the benefits that accrue to the city from this new industry. Central to these recommendations will be proposed criteria that the City can use to evaluate future casino proposals. These criteria will build upon the findings and concerns detailed in this interim report and the ongoing deliberations of the Task Force.

A preliminary draft of these criteria is presented below and will be revised for the Task Force's final report to the mayor. Some criteria relate to the inherent characteristics of a proposed gaming site, and others pertain to the specifics of a given license applicant's proposal. Taken as a whole, these draft criteria are designed to cover Philadelphia's key gaming-related interests, yet be sufficiently flexible to be applied evenly across potential gaming sites and license applicants.

Site Suitability Criteria

All potential Philadelphia gaming sites have advantages and challenges associated with them. Successful sites will maximize their locational advantages, while compensating creatively for site disadvantages. The following general site suitability standards are of particular importance in evaluating and comparing different sites:

- Compatible with broader planning and local community objectives for the area
- Visible and easily located by those not familiar with Philadelphia
- Takes advantage of adjacent amenities and services (e.g., retail, riverfront, parking)
- Facility can generate customers for adjacent businesses
- Allows for phased expansion of gaming space and non-gaming uses
- Contributes to the removal of blight and deterioration
- Enhances prospects for further appropriate development of adjacent sites
- Potential to leverage development of new public amenities and infrastructure

Transportation Access Criteria

Accessibility is a top priority for any casino operator and plays a crucial role in the overall viability of a gaming venue. Successful gaming sites will provide convenient access for gamers and employees by a variety of modes of transportation, adequate space for parking and circulation, and minimize the potential for traffic congestion.

- Convenient regional highway access
- Convenient local access by car
- Accessible by public transit
- Accessible to pedestrians
- Provides adequate parking on or adjacent to site
- Provides adequate space for bus, taxi, and other common carrier loading and unloading
- Minimizes potential for traffic congestion

Economic Impact Criteria

As discussed elsewhere, the economic impact of casinos is driven by the site selected, the development planned, and the casino's choices about how to operate. These economic impact standards are of particular importance in evaluating and comparing different proposals:

- Maximizes job creation and ensures jobs are quality jobs
-

- Provides meaningful service sector job training for Philadelphians
- Aggressively recruits Philadelphia residents as employees and vendors
- Implements enforceable diversity plan with meaningful goals and oversight
- Maximizes ability to market to suburban and overnight visitor gamers
- Promotes visitor spending off of casino floor and outside casino walls
- Enhances convention, tourism, hotel, retail, and restaurant activity
- Creates synergy with other Philadelphia entertainment, sports, and gaming venues and activities
- Utilizes existing Philadelphia restaurant/bar/retail vendors in casino complex

Fiscal Impact Criteria

While most of the fiscal impacts of casinos are dictated by state law and market forces, casinos will directly and indirectly impact the need for a wide range of City services. Towards that end, the City should expect that prospective operators:

- Provide a strategy and resources to minimize and ameliorate policing burden to City
- Provide a strategy and resources to minimize and ameliorate emergency medical services burden to City
- Address with private funding all necessary infrastructure improvements

Social Impact Criteria

The introduction of slots-only casinos in Philadelphia will impact the City as a whole, nearby communities, and individual families. In order to mitigate any potential negative social impacts associated with casinos, prospective gaming facility operators should be evaluated according to the following items:

- Plan to fund programs and/or a special service district to aid nearby communities
 - Community relations liaison and plan, with adequate resources to interface with neighbors
 - Demonstrated history of community involvement and consideration of community concerns
-

- Plans to identify and assist in treatment of problem and pathological gamblers
- If applicable, demonstrated implementation of self-exclusion and other responsible gaming efforts as part of its operations in other jurisdictions

Design Criteria

- In addition to the above criteria, the Task Force has also drafted more detailed design criteria to evaluate space programming and site and building design for proposed Philadelphia gaming facilities. These preliminary design criteria are listed on page 60.

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Sylvester Johnson, Commissioner

Patricia Giorgio-Fox, Deputy Commissioner

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Ernest Hargett, Deputy Commissioner

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William Dill

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Marvin F. Levine

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SECTION 7

APPENDIX

COMMENTS ON DRAFT REGULATIONS

As the Pennsylvania Gaming Control Board drafted regulations for the gaming industry in Pennsylvania, the Task Force took part in the comment process by giving feedback to the Control Board. In the pages that follow are the official comments of Task Force on the Control Board's first two sets of regulations.



CITY OF PHILADELPHIA

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JOHN F. STREET, ESQUIRE
MAYOR

June 17, 2005

Pennsylvania Gaming Control Board
P.O. Box 69060
Harrisburg, PA 17106-9060

Dear Members of the Pennsylvania Gaming Control Board:

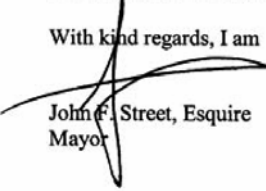
Pursuant to your request to submit comments on the Board's May 18, 2005 Order, I am transmitting herewith the recommendations and comments prepared by the Philadelphia Gaming Advisory Task Force. Your proposed regulations pertain primarily to conditional Category I casinos (Philadelphia will host Category II facilities). However, since we anticipate that the eventual regulations for Category II facilities will track the current proposals we felt it necessary to comment.

I established The Philadelphia Gaming Advisory Task Force to study issues related to the arrival of licensed gaming facilities within Philadelphia. This task force serves in an advisory capacity in conjunction with the City Planning Commission and will make recommendations to the administration on acceptable locations and report on the overall impact gaming will have on Philadelphia.

Although the actual decision making powers are vested in the Gaming Control Board, the Philadelphia Gaming Advisory Task Force hopes to work cooperatively with you to ensure an efficient and profitable implementation of gaming in Philadelphia. The mission with which I have charged the Task Force is to: develop recommendations on acceptable locations for two Philadelphia licensed gaming facilities; develop appropriate design standards for such licensed facilities; make recommendations on a mechanism for future governance and operations; and prepare a report assessing the overall impact of such licensed facilities.

We look forward to sending you a complete report of our findings and hope they will be an informative and useful resource.

With kind regards, I am


John F. Street, Esquire
Mayor

The Philadelphia Gaming Advisory Task Force respectfully submits these comments pursuant to the Pennsylvania Gaming Control Board's ("Board") Order of May 18, 2005. In so doing, we seek to share with this Board the perspective of our 47 community leaders and the experts and staff who have been working with the Task Force in reviewing the impact and implications of the Pennsylvania Race Horse Development and Gaming Act (the "Gaming Act") on the City of Philadelphia and the Commonwealth. We commend the draft regulations and extend our gratitude to the Board for its efforts to move the process forward during the pendency of the current court challenge.

The Task Force

This spring, Mayor John F. Street formed a Philadelphia Gaming Advisory Task Force ("PGATF"), consisting of a wide cross-section of professionals and residents, to make recommendations to City government on all aspects of the introduction of the gaming industry to our city. The Mayor and the other members of the PGATF believe that gaming presents a historic opportunity for Philadelphia to introduce a major new industry in a cohesive manner to maximize not only the revenue for the Commonwealth, but to maximize benefits, and minimize costs, to the people living in and near the venues while ensuring that the new Pennsylvania gaming industry thrives. As the Mayor has stated, "for gaming to work, it must be done right."

The PGATF has spent the last three months studying gaming around the country and studying the existing Philadelphia marketplace into which two slots-only casinos will enter. We have focused on evaluations of potential sites and on the impact, both economic and social, of the industry's arrival. The Task Force is preparing an interim report that summarizes our findings for delivery to the Mayor in July. We will also present the Mayor with a final report in early Fall detailing our recommendations for gaming in Philadelphia. We will, of course, provide copies of these reports to the Board.

Comments to Application Requirements in Section 437.4

The Need for Further Requirements in § 437.4

PGATF generally commends the breadth and depth of the application requirements. However, during our analysis of the impact of these facilities on Philadelphia we have identified several additional pieces of information that will be critically important in assessing applications, and we therefore urge the Board to add the following requirements as new subsections in Section 437.4:

- **Site and surrounding neighborhood safety and security plan.** This should be accompanied by any evaluations of the plan provided by relevant safety agencies and other experts. Crime and traffic are the primary issues of concern for residents who are about to become neighbors of a gaming facility, and we suggest that applications should fully address any steps taken to provide safe venues and to secure their surrounding communities.
- **A maintenance plan for the physical area around the gaming facility.** This plan should cover nearby property both controlled and not controlled by the applicant,

including development of new exterior public amenities. Such considerations are crucial for casinos locating in existing urban areas that are striving to maintain their built environment and provide quality public amenities, as will be the case in Philadelphia.

- **A proposed building program.** A proposed building program for the site detailing what will be completed at the time of initial opening and plans and an estimated timetable for later phases of development will be essential in both Board and local review of any application. Any analysis of the economic impact of a casino, from revenue to jobs, is heavily dependent upon the development program adopted by the operator. Although operators will likely undertake phased development, we are sure that the Board's assessment of a proposal will depend heavily on the full planned development, as well as the timetable proposed.
- **Projected timetable for development.** A one-year delay in opening a Philadelphia casino could mean as much as a \$100 million reduction in revenue made available to the Commonwealth for tax relief and other purposes. We thus suggest that the Board mandate that proposed timetables be included in applications, and that granted applications be required to comply with such timetables, subject to reasonable relief for circumstances beyond the control of the developer.
- **Local employment strategies.** For citizens throughout the Commonwealth to fully benefit from the introduction of gaming, each operator should be required to develop recruitment, training, retention, and promotion strategies for local employees at all levels of the organization, with special attention paid to residents of the areas surrounding the proposed site. These strategies should detail any commitments that the operator is willing to make, and to which the operator is willing to be bound, to limit the number of positions that will be eligible for relocation benefits during construction and during the first three years of operation.
- **A local vendor plan.** We recommend that each operator be required to develop a local vendor plan detailing the capacity demanded and scope of services to be retained from local vendors, including, but not limited to, professional services, food and beverage, other consumables, outsourced internal areas providing retail, restaurant, and club services, and construction services. Without such a plan, preferably a binding one, economic impact on the local community will be much more difficult to project.
- **Traffic circulation plan.** Although we expect that most visitors will arrive by automobile, each casino also will involve access by taxis, limousines, public bus, casino bus, service vehicles, and pedestrians. We urge the Board to require each applicant to provide a comprehensive access plan detailing how the proposed development will handle arrival and storage of each type of vehicle.
- **Neighborhood and community involvement.** In Philadelphia, and we assume in many other areas of the Commonwealth, every site under widespread discussion for a stand-alone facility is located in the midst of existing neighborhoods. It is anticipated, as part of an amelioration strategy, that the casinos will make specific "good neighbor"

commitments to both the immediate surrounding neighborhoods and to the host municipality. In order to increase transparency and enforceability, applicants should be required to include details in their applications to the extent that such commitments are made.

- **Capital Expenditures.** As proposed for conditional racino licenses, *see* § 437.12 (8)(v), we encourage the Board to require that all applicants detail their estimated capital expenditure, including the cost of purchasing slot machines, for the applicant's proposed facility. Although we anticipate similar regulations will be promulgated for each class of licenses, because this category is similar to the other materials already included in § 437.4, we include it here.

Proposed Modification to Diversity Plan Requirements in Section 437.4(5)

The PGATF does not see a rationale why the diversity plan required by proposed regulation § 437.4(5) should not be provided with the application, as are almost all other required parts of the application. While the PGATF and the City applaud the Legislature's inclusion of diversity language in the Gaming Act, such language will have meaning only if the Board and all other interested parties breathe life into these provisions. We are concerned that delaying, even by 30 days, the diversity plan sends a signal that this is a less essential portion of the application.

We also believe that the diversity plan requirement should detail the elements of a minimally comprehensive diversity plan. Among the items we would suggest for inclusion are: (i) a statement of minority, woman, and disabled ("MWD") and local ownership interests, (ii) a list of all contractual commitments for business participation with local and other MWD-controlled businesses, with details of such participation including capacity and share, (iii) a detailed list of involvement of local and other MWD professionals in development of the application and related plans, (iv) a detailed recruitment and training strategy for MWD employees at all levels of the organization, (v) a detailed retention and promotion strategy for MWD employees at all levels of the organization, (vi) details about creation and funding of an outside compliance oversight group involving relevant community stakeholders and experts, and (ix) diversity participation goals for each category listed above. The planning and oversight functions described above have led to improved diversity outcomes in major Philadelphia development projects over the last several years.

Additionally, to properly contextualize the diversity plan, applicants should be required to provide information about their track records, and those of their partners and construction manager/developers, in meeting diversity in employment and contracting commitments in other locations and on other local projects.

Proposed Expansion of Tax Clearance Review in §§ 437.4(12) and 437.12(b)(9)

It would be incongruous for any applicant to be later found to owe taxes to either the Commonwealth or any host municipality. The PGATF thus suggests that §§ 437.4(12) and 437.12(b)(9) be amended to also require tax clearance review from the host subdivisions.

Proposed Expansion of Marketing Efforts Detail in § 437.4(16)

Marketing strategy plays a crucial role in the viability of any gaming facility and will significantly influence both the economic success of the operator and the ultimate impact that gaming has on its host community. We thus encourage expansion of § 437.4(16) to require submission of information on plans of target markets, both geographically and demographically; the extent to which the applicant plans to contract with bus companies to bring patrons to the facility; planned advertising strategy including use of billboards and other media; and, if applicable, how the proposed facility will be marketed in conjunction with other properties owned or operated by the applicant. While these plans are all speculative, there will be key marketing assumptions underlying the operating pro formas used by the companies and those underlying assumptions should be provided for Board and public review.

Proposed Expansion of § 437.4(18) to Include Building Materials

Philadelphia is a city of neighborhoods and many of these neighborhoods have distinctive architectural styles, often featuring specific materials. In order to protect and enhance these assets, gaming facilities should aspire to top-level design standards, including the use of high-quality building materials. We thus suggest that § 437.4(18) be expanded to include the types of building materials that will be used in the project.

Greater Detail in the Requirements for a Local Impact Report is Needed in § 437.4(21)

The PGATF has spent a significant amount of effort examining the potential local impacts of gaming on Philadelphia and hopes that license applicants match this effort. Towards that end, beyond the local impact analysis already provided for in § 437.4(21) we recommend that applicants also be directed to include analysis of local impacts on (i) parking, (ii) public transit, (iii) localized/neighborhood crime, (iv) local and regional families, including access to childcare, (v) if the proposed facility is relatively proximate to a major local facility (hospital, convention center, shopping mall, plaza, etc), its impact on access to such facilities and corresponding effect on the people and places in the vicinity, and (vi) the host subdivisions' social service delivery system, including, but not limited to, child welfare, behavioral health, homelessness, shelter services, and emergency responders, and should include not only a focus on the existing infrastructure but should embody a view toward enhancing or improving service delivery.

Additionally, traffic studies should include information on all significantly impacted roadways, expressways, surface streets, and mass transit; average daily traffic and peak period movement counts; and peak period intersection turning movement counts. It also should reference and make available the specific data on which these traffic estimates are based. Finally, applicants should include a summary of regional transit operations leading to the proposed site and any suggested, planned and funded expansion of such transit.

Public and Municipal Access to the Applications under § 437.4(21) and § 437.15

We are also concerned about some ambiguous language surrounding confidentiality in § 437.4(21). Similarly, § 437.15 indicates that the local impact statement may be the only

information that will be included in the evidentiary record for review by the political subdivision, and we do not believe that is the intent of the Board. The PGATF does not believe that any aspect of a local impact analysis should ever be confidential because the people who will have to live with the local impact should have full access to the analysis. We urge the Board to go one step further, even, and require that data underlying the local impact analysis, and all other relevant analysis, be made publicly available so that the local impact report and other applicant assertions can be vetted with maximum transparency and accuracy.

The Need for Detail Surrounding Applications Involving Temporary Facilities and § 437.4(25)

The PGATF is concerned about temporary facilities disrupting two additional Philadelphia communities and doing so in a manner that is not controlled to the degree that a permanent facility would be. We thus believe that if a temporary facility is proposed, § 437.4(25) should require the submission of all information otherwise required for the permanent facility.

We are also concerned about a repeat of the Detroit experience where nearly a decade later the casinos are still in their “temporary” facilities. The PGATF thus urges that the Board, through an amended § 437.4(25), require that every applicant proposing a temporary facility submit, along with the transition plan, an irrevocable graduated completion bond, with substantial daily payments payable to the host municipality if the operator fails to conform to its proposed plan.

The Need for Full Mitigation Plans Under § 437.4(31)

The PGATF welcomes the Board’s requirement of a discussion of adverse impact mitigation in proposed § 437.4(31), however we would urge that a specific mitigation plan be required from each applicant. This will allow the Board and the public to judge the credibility and completeness of each applicant’s approach to problem mitigation.

Clarification to Procedure in Section 437.7

The PGATF seeks clarification on language in § 437.7 stating that the Board may issue a slot machine license as long as the applicant meets stipulated financial fitness and character requirements. We wish to confirm our view that the Board believes that such requirements are necessary, but not sufficient, preconditions for license issuance. The remainder of the proposed regulations ensure that the GCB will be in possession of substantial information detailing the nature and quality of proposed facilities, and consideration of this information should play a central role in the licensing procedure.

The City of Philadelphia intends to utilize a broad set of performance criteria during its review of applications during the political subdivision comment period. The PGATF’s reports to the Mayor, which will be made available to the Board, license applicants, and the general public, will detail the criteria that we will utilize to evaluate the sites, economic and social impacts, and building program, design, and transportation considerations.

Comments to Public and Local Subdivision Input in Sections 437.15-16

PGATF research shows that a significant portion of Philadelphians are skeptical that gaming will benefit them, and they have significant concerns about the introduction of gaming into their communities. In addition to the public disclosure concerns discussed above, we believe that the Board can utilize public and local subdivision input processes to clarify public perception about both gaming proposals and the licensing process. The PGATF has thus far conducted ten public hearings and numerous meetings with impacted groups across the City of Philadelphia, and community input and confidence in our process has increased dramatically as a result of these efforts. We urge the Board to take similar measures to ensure significant public input.

Specifically, we urge the Board to allow subdivisions the power to, by request, organize a Board meeting in their jurisdiction during the public comment window. Additionally, we urge the Board to adopt a process through which the Board will require applicants to make themselves available to meet with the leadership of the local subdivisions.

Comments on the Timing of Section 501's Plan to Address Compulsive and Problem Gaming Requirements

The requirements of § 501 properly target the need to quickly identify and treat those persons who may become compulsive or problem gamblers. Prevention or early attention to the warning signals of this disease will limit the potential drain on limited county-level resources.

Given the importance of this program, the PGATF strongly recommends that the requirements of § 501 be made mandatory at the time of submission of a gaming license application, allowing these treatment plans to be subject to competitive and comparative review. The crucible of a competitive application process will motivate potential applicants to put their best resources to work during this critical process. Relegating this significant aspect of the gaming plan to a post-approval analysis diminishes the importance of creating an efficient and accurate early warning system for this vulnerable population. It would also effectively limit public comment at a stage when the comments could be heard and considered in the Board's decision-making processes.

By instead requiring pre-approval submission the Board could have an opportunity to review each plan for thoroughness in identifying and meeting the needs of this troubled population. The Board will have the opportunity to compare a variety of relevant treatment models and assess their creativity and efficacy.

Finally, based on this analysis and the heightened public review it would receive while the attention of the public is on the Board's decision-making, the Board may be swayed by a more comprehensive program or ultimately make recommendations for implementation of a particular program on a statewide basis.

Comments on the Need for a Check-Cashing Limitation

The PGATF is concerned that certain especially vulnerable patrons (*e.g.*, the elderly, low-income, fixed-income families) with a potential of engaging in problem gambling could completely exhaust their social security, public assistance, unemployment, or disability checks at the casinos. Ready access to their entire check for someone with a gaming problem could yield

an unaffordable loss. The loss would likely be compounded by further dramatic repercussions that would echo throughout the social welfare system including, but not limited to, increases in homelessness, domestic abuse, petty crimes and prostitution.

However, PGATF does not believe in a uniform ban on check cashing at the casino because it could create increased crime risks to patrons entering and exiting the casino, particularly as the Gaming Act prohibits credit gambling and limits automated teller access. We do not believe that it would be long before criminals began to target cash-carrying casino customers for theft or burglary.

To balance both the issues of safety and of prevention of a major unaffordable loss for the patron, the PGATF recommends that the Board adopt an intermediate limit (either in dollars or a specific percentage) of cash to be made available for certain negotiable instruments, with the rest turned over through an alternate instrument pre-marked for deposit only. Specific limitations should be imposed on certain checks including, but not limited to, public assistance, social security, payroll, unemployment and disability.

Comments on the Advertising Requirements in Section 501.3(a)(4)

The PGATF has learned that one of the major catalysts in developing a gaming problem, among boredom, the need for an escape, and access to gaming, is pervasive advertising of gaming. Given that approximately four percent of people significantly exposed to gaming will develop some degree of gaming problem, we believe that advertising needs to be better regulated, and that simply advertising a problem gambling hotline within a certain distance of the exits and entrances of a casino is not adequate mitigation of the potential effects caused by the advertising itself.

We thus suggest that the Board augment its proposed regulations by requiring that all gaming advertising include a prominent display of the problem gambling treatment hotline, much as cigarette packs must display health warnings. This would extend to all media advertisements, including flyers, posters, and billboards that market gaming facilities or operations. This inclusion would help ensure that all exposed to gaming through advertising can simultaneously get information on treatment and rehabilitation.

Comments on the Self-Exclusion Provisions of Section 501.3(a)(3)(v)

Section 501.3(a)(3)(v) requires the referral of individuals who have self excluded from gaming to qualified treatment professionals. This section should be expanded or augmented as set forth below.

The PGATF believes that self-exclusion programs can work, but that casinos currently do not sufficiently use their resources to enforce restrictions on self-excluded persons to the extent that they can and do for individuals who have been excluded for other reasons, such as underage gambling, criminal activity, or card counting. We do not believe the proposed regulations provide sufficient incentive for gaming operators to expend their resources to enforce self-exclusions.

But that need not be the case. A typical casino security department has ample resources available to fully enforce a reasonable self-exclusion plan. A person who has asked for self-exclusion should have their request honored. In this regard, revocation should be a process that requires some passage of time to allow impulses to cool because pathological gamblers do not always have the mental capability to resist the immediate urge. Further, operators should be required to inform the person requesting exclusion in writing, at the time of self exclusion, that any proceeds, promotions, or funds obtained as a result of gambling after the person's voluntary self exclusion, will be forfeited. Because self-exclusion plans are typically the last line of defense to help prevent the pathological gambler from relapsing, full enforcement should be a duty of the casinos.

Finally, we agree with Senator Fumo's superb suggestion that any winnings resulting from gambling by a self-excluded person should go to the Fund for Problem Gambling pursuant to Section 1509 of the Gaming Act. This would both eliminate the disincentive to enforce self-exclusion plans and channel necessary resources into assisting other addicts.

Comments to Liability Limits in Section 501.6

While the PGATF understands the need for many of the limits to liability set forth in proposed § 501.6, we believe that the regulations can accomplish the necessary reasonable ends with slightly less aggressive means. Specifically, while we wish to protect good faith conduct from spurious lawsuits, there should be carve-outs for conduct where there is a lack of good faith. Similarly, where a contract is validly negotiated, and not properly revoked, the regulations should not interfere in that marketplace. And, finally, nothing in these regulations should allow an operator impunity in taking advantage of children and others who are objectively incapable of entering into a gaming contract.

Good Faith and Overbroad Protections

Any search of casino-related case law, as with most areas of the law, leads to both valid claims and specious overreaching. PGATF fears that the overbroad language of § 501.6(5) does not respect potentially valid claims.

We do not believe that Board intervention is needed in the area of contract claims because underlying principles of contract law successfully eliminate all but the most meritorious of claims (*e.g.*, the *Wynn* claim discussed below).

In the tort arena, cases in other jurisdictions indicate that some limitation may be necessary, which is why states such as Nevada have adopted limiting provisions. However, such a limitation should not apply to truly bad actors. By incorporating a good faith requirement into the subsection (5) restriction, the Board could appropriately insulate operators and employees while not shielding the blatant tortfeasors, such as someone who encourages a seven-year-old to gamble.

In the absence of a good-faith compliance requirement, there will be minimal, if any, ability for the public to hold operators accountable for failure to comport with the regulations that the Board is promulgating in this regard. Recognizing, however, that it serves no one's interest to inundate the courts with frivolous lawsuits, we suggest that the regulation utilize burden-shifting to raise the bar for a prospective plaintiff. This could easily be done by extending the liability protection in § 501.6 only "in the absence of gross negligence or willful misconduct," thereby allowing an enforcement mechanism while still limiting unnecessary litigation.

Contract Claims

While it is obvious that unsuccessful gamblers should not have a claim simply because they have lost, subsections (4) and (5) are overbroad insofar as they reach contracts that are made between competent parties, remain in effect, and are supported by adequate consideration.

As with all other contracts, as a general rule, exclusion contracts can always be broken by simply entering into a new agreement revoking the old arrangement. However, where the party has lost the capacity to contract (*e.g.*, where a child obtains a valid custody order on a parent with dementia) or where a contract involves a third party, contracts cannot necessarily be revoked. For example, the case *Wynn v. Monterey Club*, 168 Cal. Rptr. 878, 880-81 (Cal. Ct. App. 1980), involved a contract between a card club and a husband who agreed to pay off his wife's unsecured gambling debts if the club would exclude her from the premises and deny further check-cashing services. The card club made a business decision to take the husband's money and then broke its end of the agreement, allowing the wife to continue to gamble and cash checks. The husband eventually won his claim and also prevailed on appeal. *Id.* at 881.

The current draft of the regulations allow operators a windfall from the consideration they accept without having to satisfy their obligations under the contract. For these limited, but valid, reasons, the liability protection provisions should not apply to contract claims.

Comments of the Philadelphia Gaming Advisory Task Force

Two-Region Supplier Concept
Submitted July 18, 2005

By and through undersigned counsel, the Philadelphia Gaming Advisory Task Force respectfully submits these comments pursuant to the Pennsylvania Gaming Control Board's Order of July 7, 2005.

The proposal at issue seeks to regulate slot machine suppliers in Pennsylvania with a two-region supplier plan designed to address concerns about (1) the financial viability of a large number of regions; (2) the need to encourage diversity in ownership and participation; and (3) the expansion of the market to additional competition among suppliers. We commend the Board for a creative attempt to respond to comments from the regulated industry.

The Task Force submits that, in responding to the industry concerns, the Board must not abandon the equally consistent objectives of full and meaningfully diverse participation by all businesses of appropriate size in the Commonwealth and maximized efficiency through the selection of the best suppliers without regard to location or access to a particular region or manufacturer. The Task Force therefore suggests that the Board resist a "compromise" that will limit the ability of qualified businesses to take full advantage of the economic opportunities that the incipient gaming industry represents and will undermine the effectiveness of diversity plans already in place.

Instead, the Task Force recommends that the Board either retain the original proposal for multiple smaller regions, which will permit participation by a greater number of smaller entities, or implement a plan for a single set of statewide suppliers.

Supplier Plan Must Adhere to "Best Practices" Spirit of Manufacturer Regulations

The regulations already promulgated by the Board establish a comprehensive regulatory system designed to "enhance the credibility of the licensed operation of slot machines and associated equipment in the Commonwealth and to carry out the policy and purposes of the Board," which are to facilitate the prompt implementation of the Pennsylvania Race Horse Development and Gaming Act of 2004. The fitness and disclosure requirements contained in the regulations are designed to ensure participation in the gaming industry by businesses selected objectively on the basis of their industry-appropriate business qualifications and their implementation of a comprehensive diversity plan that promotes diversity in ownership and participation (this objective is discussed in greater detail below). *See, e.g.*, §§ 421.1, 423, 427.

It is essential, therefore, that in creating a supplier plan the Board continue to be mindful that these goals are best achieved by expanding, rather than restricting, the opportunity for businesses to become involved in gaming. Thus, a plan either for statewide suppliers, encouraging maximum competition, or for several smaller regional suppliers to protect smaller companies without deep pockets will maximize the potential for the greatest number of qualified businesses to take advantage of this new local industry. We are concerned that a compromise measure will combine the weaknesses of both options, resulting in patronage-like pockets that limit market operation without truly opening the doors to local, small, and diversely-owned businesses.

Supplier Diversity Plan Should Be Consistent with Existing Diversity Goals

The previously promulgated regulations contain a comprehensive diversity plan requirement. *See* § 481, *et seq.* The Task Force recommends that the supplier regulations contain a similarly comprehensive plan, with a concrete enforcement mechanism to ensure the plan's effectiveness in achieving meaningfully diverse business participation. Much like the Task Force recommended in commenting on the regulations governing license applicants, we would suggest for inclusion: (i) a statement of minority, woman, and disabled ("MWD") and local ownership interests; (ii) a list of all contractual commitments for business participation with local and other MWD-controlled businesses, with details of such participation including capacity and share; (iii) a detailed recruitment, promotion, retention, and training strategy for local and MWD employees at all levels of the organization; and (iv) local and diversity participation goals set by the supplier, including penalties for failure to reach such goals.

Additionally, to properly contextualize the diversity plan, applicants should be required to provide information about their track records, and those of their partners and construction manager/developers, in meeting diversity and local-participation goals and commitments in employment and contracting in other locations and on other projects.

Respectfully Submitted,



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