



Nix the Economic Incentives

Gaming is a driver that does not require handouts

By Brendan D. Bussmann

Any development project in any industry will have various levels of economic impact. This includes the number of jobs it will create, the investment that is brought into the project, and the economic spillover. Whether developing a new project on a greenfield site or a brownfield site, or redeveloping a building or area within any community, any development around the globe will bring these economic impacts.

When major industries look toward developments, and when cities look to attract new sectors or build upon existing developments, state and local governments will put forward a series of tax incentives, grants or other tools to lure these businesses to cities. These include big businesses that typically bring hundreds to thousands of good-paying jobs in manufacturing, technology and other sectors along with some level of investment into a facility.

The effects of these inputs into a community will compound to create a multiplier effect on the regional economy. One of the best examples of this was the race for Amazon's new headquarters a few years ago when city after city across the United States began to chase the magical unicorn in hopes of landing this opportunity. With this race came tax incentives, credits and other options that were provided by municipalities in an effort to land a deal with one of the world's most valuable brands. It is a tactic that has been used across the country for years.

The gaming industry, however, is a different beast. When gaming opportunities come up in jurisdictions, there are no tax incentives and no additional concessions. In fact, typically there are additional development agreements that will ask bidders for anything from infrastructure improvements to funding community programs that may be impacted by the development.

This is in addition to the gaming tax that is paid by an operator and several other taxes such as hotel occupancy taxes, payroll taxes, property taxes, and other fees associated with the normal course of development and operation of smaller casinos and integrated resorts alike. It is a com-

plete 180-degree turn from the way that municipalities deal with Amazon and other companies. The gaming industry does not ask for anything up front, but in the end, these developments can have as strong of an impact on a community, if not the greatest, because they do not drain cities with incentives that other businesses like Amazon ask for in order to do the deal.

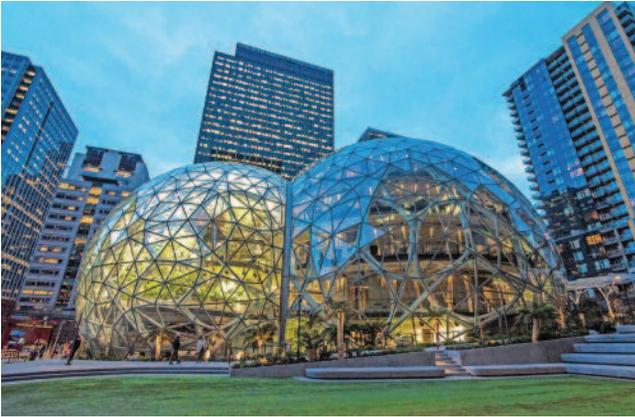
Amazon's Lure

Just a few years ago, cities across the United States were clamoring to become the site for the next Amazon headquarters, dubbed Amazon HQ 2.0. Cities were looking for the same splash of activity that Seattle saw between 2010 and 2016. The Brookings Institution reported that during that time, Amazon was estimated to have generated \$38 billion in economic activity.

This includes the new restaurants, housing, entertainment and other aspects of the city that were a direct result of employees for Amazon, compounded by the number of jobs and spillover that was created in other industries to support those workers. The multiplier effect was in full gear for cities that were seeking significant impact from a potential development.

When Amazon launched the process, they demanded that each jurisdiction list up-front the number and types of incentives that would be available for this \$5 billion investment from the company. As noted, this could include land, tax incentives or deferrals, and how they would be implemented should a city or region be selected to win what could be compared to Willy Wonka's golden ticket to the chocolate factory.

Amazon did have other considerations, though, besides the obvious desire to move into an attractive market beyond what a city or region may normally offer because of their current geopolitical makeup. Other factors that were considered by Amazon included the proximity to a metropolitan area with at least 1 million people, a talented workforce, the availability of an international airport, and access to mass transit in and around the city. The development also hoped to expand at the time of its announcement



When Amazon issued a request for proposals to add a second headquarters to complement the first one in Seattle (I.), over 200 cities and regions responded, offering billions in tax incentives and guarantees, something gaming projects that promise investment and jobs never request or receive

to as much as 8 million square feet over a decade.

After the first round, there were 238 proposals for Amazon to consider that covered cities and regions across the United States, Canada and Mexico. Las Vegas, which did not make the final cut, said at the time that it did learn a lot from the process. Of the 20 finalists that were selected, most had similar characteristics in having outstanding higher-education institutions, a strong base of tech talent, and robust mass transit systems to move the local and transient populations around the city and region.

HQ 2.0 Commitments

Arlington, Virginia became the chosen site for Amazon HQ 2.0 after several problems emerged with a strong site that was considered in the New York City area. Today, Amazon is still committed to creating 25,000 new jobs and investing more than \$2.5 billion over the next decade into the city and the immediate region. They are in the construction phase on a site at Metropolitan Park and continuing the development process on its second phase at PenPlace.

Amazon did make a commitment by creating a community fund directed toward building better neighborhoods through a \$381 million Housing Equity Fund. Amazon is estimated to be paying an average annual salary of at least \$150,000 plus benefits.

The Commonwealth of Virginia rolled out the red carpet to help facilitate the landing of HQ 2.0. Part of this includes a \$295 million commitment to projects that would help enhance the transportation infrastructure in the region. This was in addition to the \$570 million that was already committed in Arlington County and the city of Alexandria. The commonwealth also made a major commitment to invest in top tech talent and build a pipeline for the current and future needs of the commonwealth. This includes investment in K-12 through post-graduate level work.

Additionally, Virginia added a post-performance incentive that triggers once Amazon has produced these new jobs. Amazon will receive \$550 million in incentives if it creates 25,000 jobs that meet the minimum threshold. It will receive up to \$200 million in additional incentives if it creates a total of 37,850 jobs. The commonwealth believes that the return on this investment to lure Amazon will be 6-to-1.

Meanwhile, in 2020, the commonwealth legalized gaming, and is still undergoing the development

of four of its five designation locations, including Bristol, Danville, Norfolk and Portsmouth. The fifth site in Richmond still faces a vote by local residents which will occur this November. Based on the current project cost estimates, the five projects combined will bring \$2.25 billion in investment, and this does not include the additional impact that will be seen through indirect and induced investment to support these projects both during the construction and operational phases. Additionally, each of the five sites estimates a minimum of 1,300 permanent jobs.

Also, commitments have been given to the local municipality for each development that in some cases put forth \$100 million in further investments, as would be the case should Richmond proceed with its development. Most importantly, the economic impact that is generated across the state in these projects does not come with any demands or incentives from the government, as these developers instead bring investment in infrastructure in and around their sites to support the development.

The Impact of Gaming

While the most immediate comparison can be seen in Virginia, the impact that is felt by gaming can be seen by other projects throughout the United States as regional gaming has expanded. One example is Pennsylvania's Wind Creek Bethlehem, formerly Sands Bethlehem, that was built in place of the old Bethlehem Steel Mill and turned into a vibrant rebirth on the south side of the city.

To date, over \$1 billion has been invested in the site, while also preserving several places within the site, including many of the buildings that



The Caesars resort in Danville, Virginia is one of five state casinos that—unlike Amazon—will receive no handouts but will guarantee almost as many jobs as the Northern Virginia Amazon headquarters



Encore Boston Harbor paid \$30 million for the land and more than twice that remediating the land—usually the role of government

housed the production of steel for Manhattan skyscrapers as well as the ships used during World War II. This preserved a piece of American history while also bringing new developments to the immediate area including new hotels, restaurants, and other developments.

While the property still looks toward additional development phases in its future, it provides a solid example of a project that had a profound economic impact on the region, delivered on its promises, and improved the community without asking for additional development dollars from the municipality in return.

Another example is Encore Boston Harbor in Everett, Massachusetts, just across the harbor from Boston. The \$2.6 billion investment into the Commonwealth of Massachusetts saw the redevelopment of an old chemical site that had a history dating back to the 1800s of pollutants that contaminated the ground along the Mystic River. While Wynn paid \$35 million for the land, it spent more than double that amount to remediate it, roughly \$76 million, so it could be repurposed for the development.

This is money that typically would have come from government sources, but was instead covered by a private developer for the betterment of the community. The project continues to have a strong economic impact on the city of Everett and the larger Boston region as it rebounds from the Great Shutdown and continues giving back to the community, in addition to the taxes it continually provides locally and to the state.

Not in Gaming's DNA

As highlighted in the examples above, when gaming enters into a new jurisdiction, developers typically do not ask for anything in return. They meet with local government to go through their traffic studies, impact on core services, impact to the surrounding neighborhood, and other key aspects as they not only introduce themselves to the immediate area but to their business partners in the development.

This is the standard operating procedure for mature gaming companies and tribal entities that take pride in understanding the communities in which they operate.

However, for each of the multiple organizations that do it right, there is always an exception to the rule. This happened most recently in Omaha, Nebraska where a private entity, Ho-Chunk, Inc., the economic development corporation of the Winnebago Tribe of Nebraska, is seeking a gaming license to develop War Horse Casino in the central area of metro Omaha. Ho-Chunk is new to these developments, as it seeks its first commercial casino licenses not only in Omaha but also in Lincoln, South Sioux City,

and Norfolk, Nebraska. This past summer, Ho-Chunk sought \$17 million in tax incremental financing (TIF) for their project.

TIF is supposed to be used for a project that would not otherwise happen if it was not for this additional funding source. While it failed to meet the criteria, as the project would have been developed regardless of the additional financing by the Omaha City Council, it left one of few if not the only blemish on the strong record of gaming companies not to seek public funding to complete a development.

Nebraska just recently legalized casino gaming on the November 2020 ballot through the approval of the voters, with a majority of the gaming tax proceeds dedicated to property tax relief, providing an interesting paradox for the potential development. As the legislature looks to provide additional structure to the emerging gaming sectors, rumors continue to swirl that this type of additional funding will not be allowed for gaming-related projects.

Gaming is a Solid Economic Engine

While cities throughout the United States clamor for big business to bring good-paying jobs and investment to their cities, the incentives that they use—as seen with the chase for Amazon's HQ 2.0—largely defeat the purpose.

Gaming continues to provide a solid source for investment and economic impact to the immediate communities and the surrounding regions that they serve. Gaming companies come into a community, ask for permission to bring in a trusted form of entertainment, and not only pay the property, payroll, and other local/state taxes but additionally pay a gaming tax, all without incentives in return. The incentives that the gaming industry believes in are those that it provides to local communities in return for the opportunity to do business within a city or a region.

Meanwhile, other sectors and companies like Amazon will look for tax breaks and other incentives to help with their developments. The examples provided above highlight why gaming continues to be a viable economic generator for communities when done properly. This involves setting an appropriate tax rate that will allow maximum investment for the right size of a project and the jobs that would be created.

Gaming companies assist with training of the workforce including everything from casino-specific jobs to hospitality, and they give back to the communities in which they operate—all while being good partners and examples for other sectors to follow.

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