

South suburban casino hopefuls don't see proliferation of video gambling hurting their odds of success

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While video gambling has proliferated in the south and southwest suburbs, applicants for the sole casino license in the region say they don't see the thousands of machines scattered among bars and restaurants as a threat to their proposed business.

They also said their plans already factored in a land-based casino in Chicago, which is now putting together proposals to consider.

State gaming regulators could decide by the end of the year which of the [two remaining south suburban applicants](#) will be awarded a license, having eliminated two of the four contenders last month.

A bipartisan state commission that annually evaluates the gambling environment in Illinois, however, reports video gambling is contributing to declining revenues at casinos.

There are just under 3,400 video gambling terminals in the south and southwest suburbs. During the period of January through October of this year, customers put \$810 million into the devices, even with the COVID-19 pandemic disrupting operations, according to figures from the Illinois Gaming Board.

During that same period, Southland communities saw tax revenue of \$10 million from the machines, according to the gaming board.

Due to the pandemic, casino and video gambling operations were shuttered from March 16, 2020 through June 30 of last year, and again from Nov. 19, 2020, through Jan. 15 of this year.

Revenue shared among the state, municipalities, gambling terminal operators and the businesses that host the machines is defined by the state as net terminal income, or essentially customer losses at the machines.

That figure was \$1.9 billion in the state's fiscal year 2021 that ended June 30, up from \$1.2 billion in fiscal 2020.

Different customers

Casino operators consider the difference between a "convenience customer" who feeds a few bucks into a video gambling machine, and an "outing customer" who plans a more lengthy visit to a casino, said Jay Dorris, president and chief executive of Wind Creek Hospitality.

Homewood and East Hazel Crest are partnering with Wind Creek for a 64,000-square-foot casino on a 24-acre site southwest of the Interstate 80 and Halsted Street interchange.

"We feel our property will do very well," Dorris said when asked about any potential impact from video gambling.

The Homewood/East Hazel Crest would be in a good position to “recoup some of those dollars that have gone across the border” to Indiana casinos, said Brendan Bussman, a partner and director of government affairs for Global Market Advisors.

The gaming and entertainment research and consulting firm is advising Wind Creek on the south suburban project.

“There is a good niche where this site is located,” Bussman said.

Wind Creek is a subsidiary of PCI Gaming Authority Inc., which manages 10 casinos and other gambling properties on behalf of the Alabama-based Poarch Band of Creek Indians.

In Matteson, South Suburban Development’s partners include Oklahoma’s Choctaw Nation, with plans for a casino on the former Lincoln Mall property southeast of U.S. 30 and Cicero Avenue.

Rob Miller, South Suburban Development’s managing member and largest investor, also noted a difference between the “convenience player who has 20 bucks and a half-hour after work” and will spend it on video gambling versus a casino patron.

“Going to the casino is more of a planned visit,” Miller said, with the length of stay being longer although visits are less frequent.

He said he doesn’t foresee video gambling diluting revenue for a Matteson casino should it win the license, noting that overall gaming revenue in the state has been on an upward trajectory, even with the introduction of video gambling in September 2012.

“That shows to me there is capacity in the market for more gaming in general,” he said.

For the state’s fiscal year 2021, total gambling tax revenues were \$1.36 billion, up 11% from fiscal year 2020 but just under the \$1.4 billion collected before the pandemic in fiscal 2019.

Miller previously owned Prairie State Gaming, a terminal operator in Illinois that was sold in 2015 to Penn National Gaming, operator of Hollywood Casino locations. Miller continues to own and operate video gambling terminals in Louisiana and Pennsylvania.

The south suburban applicants also said they don’t see a Chicago casino hurting their chances of success. Bussman said they planned for that when we did the modeling for a south suburban casino.

“We know the market very well,” he said.

Rather than try to commute downtown to wherever the casino is, residents of Chicago’s South and Southwest sides might opt instead, for convenience, to head to the suburban casino, said Brent Pinkston, Wind Creek’s chief operating officer.

The Matteson site is the farthest away from any potential Chicago casino location and shouldn’t be affected, Miller said. “It’s just too far away.”

Video gambling impact

In its annual report on gambling in the state, filed in September, the Illinois Commission on Government Forecasting and Accountability suggests the advent of video gambling has hurt Illinois casinos.

The bipartisan legislative commission provides fiscal and economic research to the Illinois General Assembly on issues such as the state economy and tax revenue.

In fiscal 2021, adjusted gross receipts for the state's casinos — revenue after payouts to winning customers — totaled \$897 million, down just under 5% compared with fiscal 2020. The adjusted gross receipts in fiscal 2020 was down 30% compared with fiscal 2019.

While the declines in the two most recent fiscal years is due in large part to pandemic-related shutdowns, the commission notes that, for casinos as a whole, revenues have dropped for nine consecutive fiscal years.

“The proliferation of video gaming across the state appears to have had a detrimental impact on the casino industry,” the commission concluded.

Initially, it was thought the number of video gambling terminals in the state would plateau at about 20,000, and although there are now more than 40,000 of the devices, the number of new machines coming online has slowed, according to the commission.

There are more than 15,000 terminals in the Chicago metro area, although video gambling is not permitted in the city of Chicago.

The commission notes that the number of gambling terminals is the equivalent of 13 full-size casinos, each with 1,200 gaming positions.

An expansion of gambling in Illinois in 2019 that allocated a casino license for the south suburbs also boosted the number of terminals businesses could have as well as the maximum bet.

Bars and restaurants had been limited to five machines and that increased to six, while truck stops, of which there are a handful in the Southland, could operate as many as 10 machines, up from the previous cap of five.

At the end of 2018, there were just under 2,700 video gambling terminals in the south and southwest suburbs, and during calendar 2018 municipalities realized gambling tax revenue of \$7.3 million, according to state gaming board figures.

While lottery games remain the state's biggest tax revenue producer as far as gambling, casinos' share of overall revenue has slipped to just under 20% compared with more than 50% a decade ago. For the state's most recent fiscal year, video gambling accounted for 36.7% of Illinois' gambling tax revenue, according to the commission.

The commission says that the introduction of video gambling, particularly in the Chicago area, hasn't done much to boost the overall dollar amount spent on wagering.

"It appears that video gaming has simply 'reshuffled the deck chairs' by redistributing casino gaming revenue to the numerous gaming venues that now exist in the region," the report says.

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