

Urban Alliances

By [Andrew Klebanow](#) Mon, May 25, 2015

The unique challenges of building casinos in a city



Casinos located in cities have long had an uneasy alliance with their host communities.

Local municipalities have enjoyed the tax revenues and jobs that casinos brought and civic leaders have recognized the charitable contributions casino leadership have made to their communities, as well as their greater economic contributions. Yet, cities have long treated casinos with a certain degree of disdain, relegating them to locations that would be unappealing to any hotel developer.

At the same time, many city governments have showered developers of sports venues, hotels and convention centers with a wealth of benefits including tax abatements, generous land leases, municipal bond funding and sales tax rebates in the hope that those developments would somehow lead to a revitalization of their urban cores.

Since the passage of the Casino Control Act in 1976, which legalized casino gaming in Atlantic City, New Jersey, casinos have been narrowly viewed as a tool for urban redevelopment, providing tax revenues to state and local governments and jobs to its citizens.

Their success in providing those benefits cannot be disputed. Collectively, the casinos in Atlantic City, the riverboat and barge casinos in the Midwest and southeast United States, Indian casinos and land-based commercial casinos in a number of U.S. cities, as well as those on the Macau Peninsula and Singapore, have contributed billions of dollars to government coffers and created hundreds of thousands of jobs. However, their success as a tool for stimulating commercial activity within the neighborhoods that they are located has produced less dramatic results.

Much has been written about casinos, including their social and economic impact. Despite what some critics may say, casinos are rather popular places—as evidenced by the number of places around the world where one can go to enjoy casino gambling. Casinos also attract lots of people. The Venetian in Macau draws over 80,000 people a day and on peak holidays can attract 100,000 or more visitors. In the United States it is not unusual for a casino operating in a regional market to draw 20,000 people a day, yet despite this fact, government policymakers and local municipalities tend to locate casinos in the most isolated regions of their cities.

Former industrial sites along the city waterfront, green-field parcels on the edges of the city or, in the case of Sands Bethlehem, an abandoned steel mill, have traditionally served as places that seemed appropriate to locate casinos. Despite these isolated locations, casinos have succeeded in providing the tax revenue and jobs that so many of those communities desperately needed.

Nevertheless, city governments have collectively missed another opportunity: to take advantage of those thousands of daily visitors and allow them to spend their money in the shops and restaurants of their central business districts.

The notion of using casinos to drive foot traffic back to the urban core eluded many city planners and those in government tasked with determining where to locate proposed casinos. Casino developers were allotted plots of land far away from cities' traditional central business districts or entertainment zones.

To many community leaders, casinos seemed incompatible with other entertainment activities such as sporting events, dining and shopping. And so, casinos were relegated to less attractive land parcels where they could conduct their business activities, provide the jobs and tax revenues—all out of sight from the rest of the community. This strategy, repeated in cities throughout the United States, ignored the fact that casinos were capable of delivering thousands of visitors on a daily basis, and with them, the ability to stimulate other commercial enterprises.

The Island Casino

The vast majority of casino development in North American cities, and more recently on the Cotai Strip in Macau, can be best described as island casino development. This term refers to casinos that are built as self-contained developments, with all non-gaming amenities located within the casino complex.

Island casinos integrate gaming, restaurants, lodging, conference and meeting space, retail and parking in an integrated development. They are essentially islands within a larger community. While they contribute to the greater community in terms of taxes paid, jobs created and goods and services purchased from local vendors, they are physically separated from the surrounding community.

Galaxy Macau is an excellent example of an island casino. Phase I of the master-planned integrated resort included three hotel brands with 2,200 keys, more than 30 restaurants and bars, and a casino with 600 tables and 1,500 electronic gaming devices. The casino-resort is an imposing structure, surrounded by a perimeter of lush landscaping and walkways. Directly across the street from the property sits the island community of Taipa. The casino is separated from the island's street grid by a busy boulevard and a light-rail transit system that is currently under construction.

The vast majority of patrons arrive by bus, taxi or private vehicle. A visitor seeking to leave the casino on foot can do so, but the walk can be imposing. Pedestrians must first navigate their way to the street, and then find a pedestrian crosswalk where it is safe enough to cross. This is no easy feat.

This is unfortunate, since the streets just across from the casino-resort are replete with restaurants, shops, coffee houses, nightlife and architecture built during Portuguese colonial rule. It is an attractive and appealing

neighborhood that would be inviting to tourists, but is currently known mainly to its residents and the occasional visitor.

The planners of Galaxy Macau cannot be faulted for their design. Their task was to build an attractive, themed, integrated casino-resort with a wide variety of amenities to service their guests. They succeeded in building a magnificent property. They were never asked, nor did they probably consider, linking the resort to the surrounding neighborhood. It was designed as an island in the greater urban landscape.

Atlantic City

Beginning in 1976 with the legalization of gaming in Atlantic City, and again in the early 1990s with the introduction of riverboat and barge casinos, state governments restricted where casinos could be located and defined their physical forms.

In Atlantic City, casinos were restricted to two finite zones: along the Boardwalk and in an area known as the Marina District. Further, the New Jersey Casino Control Act of 1976 detailed the specific gaming and non-gaming amenities that had to be included in any property applying for a gaming license. These included the number of hotel rooms, meeting space and other amenities that had to be included within the property. Regulations also defined the various access points into the casino so minors could be denied access while allowing their movement to non-gaming areas of the property.

The net result, in the case of the Boardwalk casinos, was that pedestrian-friendly entrances were located along the Boardwalk on the east side of those properties; porte cocheres were located along the north and south sides of these buildings where visitors could drop off their cars, while the western sides of these developments were occupied by parking garages and loading docks.

This functional design had the unintentional effect of restricting pedestrian traffic from the nearby street grid to the west, cutting off those neighborhoods from the casinos, which in turn led to their further economic decay. The Boardwalk casinos of Atlantic City failed to stimulate urban regeneration in the adjacent neighborhood, and in fact, contributed to their further isolation from the Boardwalk tourism zone in large part because of their physical designs.

Riverboat Casinos

Beginning in the 1990s, state governments in Iowa, Illinois, Indiana, Mississippi, Missouri and Louisiana legalized gaming on riverboats and barges. Iowa, Indiana, Illinois, Missouri and Louisiana further required that gaming activities be conducted only while riverboats cruised.

This required the development of dockside mooring areas, boarding pavilions, parking lots and eventually more elaborate non-gaming amenities to service patrons prior to and after their gaming cruises.

The specific sites on which many of these casinos were located were selected not by some grand urban planning scheme but by more practical concerns: the ability for riverboats to navigate on certain portions of the river as well as the availability of a sufficient amount of riverside land on which to build parking lots and boarding pavilions.

Many sites that were initially designated for casino development had previously served as industrial sites, precisely because they afforded those industries access to the river for shipping and sufficient acreage for industrial production at affordable prices. The net results were that a vast majority of these casino sites were located far from other forms of commercial activity, and as such, could not be integrated into the urban fabric.

Casinos that were restricted to riverboat gaming were built as stand-alone operations, and their primary contributions to the local community came in the form of tax revenue and jobs.

Shreveport, Louisiana

The development of the two casinos in Shreveport, Louisiana is a notable exception to this pattern of riverboat casino development, and offers an interesting case study in the evolution of urban gaming.

The first casino to open was Harrah's Shreveport, approximately one half mile north of Interstate 20. Originally comprised of a riverboat and boarding pavilion, Harrah's eventually added a hotel tower, complete with restaurants, meeting space and a multi-story parking garage. The property was eventually sold to Boyd Gaming and rebranded as Sam's Town Hotel & Casino.

Hollywood Casino Shreveport (now called Eldorado Shreveport) was built just south of Harrah's. The developer built a hotel tower, dining pavilion and parking garage in a single phase. Today, both properties have similar site footprints and physical relationships to the central business district, two blocks away.

The casino barges flank the river. Directly behind each casino sits a hotel tower. Across the street and connected by overhead walkways are multi-story parking garages. Behind the garages is the central business district. Patrons enter the casinos from their respective garages through enclosed walkways. Given that the casinos are located one block apart, there is some pedestrian traffic between the two casinos; however, the two parking garages act as a wall separating the casinos from the central business district and keep pedestrians off the street grid.

The Shreveport central business district is a traditional downtown office center with an 8 a.m.-to-5 p.m. traffic pattern. For the most part, it is devoid of commercial activity in the evening. Nonetheless, a modest nightlife district, underneath the bridge that runs to the south of the Eldorado, has emerged over the last 10 years.

While city planners no doubt envisioned casinos generating increased economic, commercial and tourism activity in the adjacent central business district, there was no formal planning effort to link the casinos to downtown. The location of the garages effectively blocked pedestrian movement from the casinos into downtown and the overhead walkways further segregated pedestrians from the street grid.

The net result is a gaming district that is separate and segregated from the central business district.

Recent Trends

Greektown Casino is located in the historic Greektown entertainment district in Detroit, Michigan. The property, an adaptive re-use of an existing building structure, was originally conceived as a true urban casino—one that was integrated into the surrounding entertainment and dining district to act as an anchor attraction. The property has always performed at levels below its two other primary competitors, and its financial performance maligned its reputation as a successful urban casino project.

The property has some inherent deficiencies. Unlike its two primary competitors, it does not offer convenient highway access. Arriving patrons must navigate through the downtown street grid to reach the property. The casino did not originally open with convenient and adjacent garage parking, forcing patrons to pay to park in nearby lots or private garages, while its competitors offered free garage parking with direct access to the casino. This turned out to be a critical success factor in a city that has long been riddled with high levels of street crime.

As an adaptive re-use the casino was inherently inefficient, with gaming divided among multiple levels. It also was limited in the number of non-gaming amenities. While the original operators envisioned marketing relationships with surrounding restaurants and retail outlets, licensing those businesses proved problematic.

Michigan gaming regulations required strict background checks of all vendors that do business with casinos, and some of those businesses could not obtain licensing or refused to submit to the onerous investigations demanded by the state's gaming regulators. The casino has also gone through a succession of owners, with Rock Gaming its current owner. With the addition of a hotel and parking structure in 2009, the casino now serves as an anchor attraction to the entertainment district.

The New Urban Casino

Casino developers have come to understand that what they bring to a host community can be more than just jobs and tax revenue. Two projects, currently under development in the commonwealth of Massachusetts, offer a glimpse of what future casinos may look like.

To win one of the three coveted gaming licenses in Massachusetts, a developer had to first receive approval from the local population through a referendum. For the first time, casino developers had to consider how they could design their properties to not only be efficient but also be an attractive addition to the host community, and those residents had an opportunity to decide whether to allow a casino into their community.

MGM Springfield

MGM Springfield received voter approval and subsequently a gaming license for a new kind of urban casino, integrated into the fabric of an existing neighborhood. The site for the casino-resort, bounded by an interstate highway to the west and a commercial zone to the east, had fallen into a state of disrepair after a 2011 tornado destroyed a number of buildings. Rather than build an island in the middle of the city, MGM proposed a design that allowed the casino to connect to the street grid and encouraged the free flow of pedestrians and tourists into and out of the property.

It will include restaurants that will face the main boulevard and bring what is a massive project down to street-level scale. It was this design and consideration of the needs of the surrounding neighborhood that allowed MGM Resorts to receive approval from the local community, and with it, a license to operate one of three resort casinos in the state.

Downtown Breakdown

In many ways, a casino is like any other large commercial enterprise that attracts thousands of people a day. An arena, ballpark or convention center all attract and accommodate large amounts of people. A portion of those visitors in turn spill into the surrounding commercial zones and spend money in restaurants and stores.

What sets a casino apart is that it attracts people every day of the year, rather than on game days or when a convention is scheduled. Properly planned and executed, a casino can have a greater, positive impact than other forms of urban regeneration at far less cost to the city.

No other reason better explains why casinos built in cities have not lived up to their potential than government's mission versus the casino developer's mission. For the operator, the mission is to enhance wealth for its shareholders. For local government, the mission has always been about job creation and tax generation. Those have always been the fundamental missions of casino development.

In addition to profitability, taxes and jobs, an urban casino's mission must also be to enhance the quality of life for those businesses and people who live near the casino, and to act as a catalyst for growth and urban regeneration. Once these new missions are defined, the casino developer and local government can collaborate to achieve them.



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