INTERIM REPORT OF FINDINGS

PHILADELPHIA GAMING ADVISORY TASK FORCE

Submitted to Mayor John F. Street
August 16, 2005

Interim Report of Findings
by the Philadelphia Gaming Advisory Task Force

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by
Dr. Bernard Anderson **Paul Levy** **Sandra Dungee Glenn**

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INTRODUCTION

In January 2005, Mayor John F. Street created the Philadelphia Gaming Advisory Task Force and charged it with making recommendations about how best to integrate two, slots-only gambling facilities approved for Philadelphia under the "Pennsylvania Horse Development and Gaming Act" (the "Gaming Act"). The Gaming Act presents many opportunities and challenges for the city. Fully realizing the impact that gaming may have on city's finances, public safety, transportation, social services, education, workforce development, and associated economic development is essential to protecting the integrity of our communities while at the same time strengthen our local economy.

> *"Local stakeholders must have a significant voice in determining how gaming will be integrated into the social and economic fabric of our city. We have worked too hard to have others not invested in our city make uninformed decisions that could dramatically impact our business environment and quality of life. For gaming to work, it must be done right."*
>
> ***– Mayor John F. Street, January 2005***

The Task Force serves as a resource to the city and state by providing analysis of gaming issues; determining community support and/or opposition by collecting and testing public opinion; and by examining any issue that may have an impact the city's economy, its neighborhoods and its ability to provide services. Given the complexity and size of the proposed gaming facilities, cooperation between the state, the Pennsylvania Gaming Control Board and the City will be essential to ensure that decisions about location, operation, and supportive infrastructure investments are made in the most coordinated and efficient manner.

The Task Force has now completed the first phase of a two phase process to respond to the Mayor's directive. The first phase of this project was to examine all the possible advantages and disadvantages of gaming and list its findings on the impacts it may have on the citizens and neighborhoods of the city. The second phase of this process is to take these findings and develop a list of recommendations to maximize any potential benefits that derive from gaming in the city as well as address any negative impacts that could result from its implementation and operation.

The Philadelphia Gaming Advisory Task Force Interim Report of Findings is a compilation of data, observations, and projections based on research and analysis conducted, collected, and/or reviewed by the Task Force and its consultants. This report is to provide unbiased information to be used by the Task Force as it prepares its final report to Mayor John F. Street and the administration of the City of Philadelphia, making specific recommendations on all issues related to gaming. The Mayor will then use this report to make recommendations to Governor Edward G. Rendell and the Pennsylvania Gaming Control Board on the introduction, implementation, and integration of gaming within the City of Philadelphia.

This report assesses the overall impact that the slots-only gaming industry will have on the city.

It provides analysis of the preferences and habits of those who will come to casinos located in Philadelphia and also discusses potential casino sites, design as well as the economic, fiscal, and social impacts of these casinos. The final report will interpret many of these facts and convey recommendations.

It is clear that the Gaming Industry will have a significant impact on the city of Philadelphia, including, wage tax reductions, new economic development, funding for the convention center expansion, new jobs, and addition revenue for the city's general fund. The introduction of this new industry also provides the opportunity to strengthen the city's entertainment and tourism experience, redevelop underused sections of the city, and recapture gaming dollars currently leaving Pennsylvania and Philadelphia. This document should serve as a tool to aide our community leaders in better understanding these crucial impacts as they continue the process of planning this new industry.

MISSION AND OBJECTIVES

The following is the mission and objectives of the Philadelphia Gaming Advisory Task Force.

Mission

To present to the Mayor: (1) appropriate land use and urban design standards for Philadelphia licensed gaming facilities; (2) recommendations on acceptable locations for such licensed facilities; (3) recommendation of a mechanism for future governance and operations; and (4) a report assessing the overall impact of such licensed facilities.

Objectives

- Create an open and robust dialogue including affected stakeholders
- Prepare a study that would assess the impact of gaming on city finances, public safety, transportation, social services, education, workforce development, and economic development associated with licensed facilities generally as well as major site options
- Develop land use and urban design criteria and standards for proposed gaming facilities
- Make recommendations on a mechanism for future governance of gaming-related issues
- Make recommendations on budget items and programs that could be funded with gaming revenue
- Present interim report of findings to the Mayor for review
- Present final report to Mayor within 180 days

BACKGROUND

The gaming industry is one of the largest growing industries in the United States, generating approximately $72.87 billion in revenue for the calendar year 2003 alone. In fact, gaming revenues in the United States represent the largest share of entertainment expenditures and only appear to be growing. Currently 26 percent of the U.S. population has visited a casino with the average visitor making approximately 5.6 trips per year.

As governments continue to seek ways of lowering tax burden while expanding investments in popular programs, states are increasingly relying on revenues derived from gaming. All but two states, Utah and Hawaii, have legalized various forms of gambling with the intent of increasing tax revenue. These states now rely on money generated by a variety of gaming options including lotteries, slot parlors, casino resorts and horse racing. At present 19 states are considering legalizing casino gambling or expanding their current operations.

Pennsylvania is among the most recent states to expand their use of legalized gaming as a means of increasing tax revenue. On July 4th 2004 Governor Ed Rendell signed The Pennsylvania Race Horse Development and Gaming Act (Act 71 of 2004), or "The Gaming Act" as it is commonly called. In December 2004 Pennsylvanians Against Gambling Expansion Fund Inc. filed a motion with the State Supreme Court questioning the legality of The Gaming Act. On June 22, 2005 the State Supreme Court upheld The Gaming Act; however they took issue with the provision in the act which superceded municipal zoning rights as an over-extension of the state legislature's power, ultimately restoring municipality zoning authority.

The Gaming Act legalized slot machine gambling throughout the state and set a Pennsylvania tax rate of 52-55 percent of all gaming revenues with hopes of generating $1 billion annually once gaming is fully operational throughout the state. Of these monies, 32 percent will be dedicated to cutting property taxes throughout most of the state and lowering the wage tax in the city of Philadelphia.

The Gaming Act also called for the creation of the Pennsylvania Gaming Control Board to regulate the gaming industry in the state and to oversee the issuance of licenses to slot machine manufacturers and gaming operators.

The Gaming Act designates three types of slot facilities. Type I facilities are race tracks which will be outfitted with slot machines, and these will be the first to be implemented. Type II facilities are stand alone slot parlors. Both Type I and Type II facilities will have 1,500 to 3,000 machines initially, with an option to increase its inventory to a maximum of 5,000 machines after six months, at the discretion of the Gaming Control Board. Type III facilities will be small resort facilities.

Two Type II facilities have been designated to be built within Philadelphia. The facilities will likely have restaurants and shops, and eventually hotels and entertainment, yet still be significantly smaller than those in Las Vegas and Atlantic City. Also, the Gaming Act restricts the location of these two facilities in Philadelphia by requiring them to be more than 10 miles away from the Type I facilities in Bucks and Delaware Counties. This limits the venue location options by placing exclusionary zones in the northeast and southwest sections of the city.

While the benefits associated with gaming are apparent there are also many quality of life concerns that individuals have regarding the advent of gaming. To best prepare for any potential impacts on the city, Mayor John F. Street created the Philadelphia Gaming Advisory Task Force in January 2005. The Mayor appointed a diverse group of 47 civic leaders from across the city representing a wide range of constituencies. The Mayor charged three distinguished leaders to lead this task force: Wharton Professor Bernard E. Anderson, School Commission member Sandra Dungee Glenn, and Center City District Executive Director Paul Levy. With the aid of a full time professional staff and a team of consultants, this task force prepared the following report of findings as part of its broader mission and objectives.

TASK FORCE STRUCTURE

Early this year Mayor John F. Street announced the creation of the Philadelphia Gaming Advisory Task Force and appointed a diverse group of 47 civic leaders to advise him on issues related to the introduction of the Gaming Industry to Philadelphia.

In order to take on a project with such a sweeping mission in a short period of time, the Task Force organized itself in into three committees to best divide up responsibilities. Many of the issues considered by the Task Force overlapped, and often the committees or members of committees collaborated to bring varying perspective and expertise to specific issues.

Chairs

The three co-chairs selected by the Mayor to lead the task force are:

- **Dr. Bernard Anderson, Chair of the Economic Impact Committee**

  Dr. Anderson is a nationally respected economist currently serving as the Whitney M. Young, Jr. Professor of Management at the Wharton School, University of Pennsylvania. Having grown up in South Philadelphia, Dr. Anderson has held many leadership positions in academia, public service, and civic life. He has served as a member of the board of directors of Provident Mutual Life Insurance Company, United Bank of Philadelphia, Philadelphia Urban League, and the Greater Philadelphia Urban Affairs Coalition. He was also chairman of the board of trustees of Lincoln University. He received the A.B. degree from Livingstone College, and the M.A. degree from Michigan State University. He has spent much of his career working on efforts to achieve equal opportunity for all Americans, and to eliminate racial inequality in American economic life.

- **Sandra Dungee Glenn, Chair of the Social Impact Committee**

  Ms. Glenn currently serves as President of the American Cities Foundation, an organization committed to the development and implementation of national urban policy and to defining a new relationship between our cities and the federal government. Leadership in community service has been a constant in Ms. Glenn's career. She was named to the newly created School Reform Commission on January 14, 2002 as one of five Commissioners committed to providing a quality education to Philadelphia's 214,000 public school students having previously served on the nine member Board of Education for the School District of Philadelphia. As a Commissioner of the Philadelphia Housing Authority from 1991-1995, she served in various leadership positions including chairperson of the Board of Commissioners. In 1998, Sandra Glenn spearheaded the creation of the Pennsylvania Campaign for Public Education and served as co-convener. Ms. Glenn, graduated from Pennsylvania State University in 1978 with a Bachelor of Science degree. She is the recipient of various awards including the Arts &

Entertainment Network 2002 Biography Community Heroes Award and the National Coalition of 100 Black Women, Inc., Pennsylvania Chapter Women of the Year Award.

- **Paul Levy, Chair of the Site Evaluation Committee**

  Mr. Levy is the founding executive director of Philadelphia's Center City District (CCD), serving in that capacity since January 1991. Mr. Levy planned, received property owner and legislative approval for, and now directs the $14-million downtown management district, which provides security, hospitality, cleaning, place marketing, promotion, and planning services for the central business district of Philadelphia. Mr. Levy also serves as executive director of the Central Philadelphia Development Corp., (CPDC), an advocacy and planning organization supported by the downtown business community. Among its recent initiatives are: advocacy and advertising efforts to increase the downtown residential population through the conversion of vacant office buildings to apartments; business retention and recruitment focused on the commercial office sector; preparation of a master plan for new cultural developments and streetscape enhancements for the Benjamin Franklin Parkway, the setting for Philadelphia's major museums and libraries; and a neighborhood marketing initiative to attract regional residents to six Philadelphia communities outside the city center area; and new marketing initiative to promote the school options available to the children of Center City's families.

General Counsel

The General Counsel to the Philadelphia Gaming Advisory Task Force served as the body's chief legal advisor and was responsible for investigating the various legal interpretations and implications that come with bringing gaming to Philadelphia. Additionally, the General Counsel served as the lead integrity officer for the Task Force ensuring that all of the operations of the task force adhered to a high standard of integrity and ethics.

- **Romulo L. Diaz, Esquire, General Counsel to the Philadelphia Gaming Advisory Task Force**

  As City Solicitor, Mr. Diaz leads the City of Philadelphia's Law Department, which he joined in March 2002. For most of his career, Mr. Diaz worked for the federal government, serving as both Assistant Administrator for Management at the Environmental Protection Agency and as Deputy Chief of Staff and Counselor to the Secretary of Energy. Mr. Diaz received both his bachelor and law degrees from the University of Texas. He is a Charter Fellow of the Federal Bar Association and Treasurer of the Hispanic Bar Association of Pennsylvania.

Committees

The task force divided into three committees, each headed by one of the task force chairs. The committees were:

1) **The Site Evaluation Committee** whose stated mission was to review proposed and other potential locations for licensed slot-machine facilities within the city of Philadelphia and develop criteria to determine appropriate site locations that provide the best opportunity to integrate gaming facilities into the fabric of our city in a way that maximizes benefits while minimizing adverse effects. The following civic leaders served as members of this committee:

Paul Levy, Chair	Reuben T. Jones, Jr.
Vern Anatasio	Tunde Kazeem
Ann M. Butchart, Esq.	Emanuel Kelly
E. Steven Collins	Cheryl McKissack Felder
Jeffrey Featherstone	Tom Muldoon
Abbe F. Fletman, Esq.	Mark Squilla
Anthony Forte, Esq.	Steven Star
Kenneth Gamble	Keke Wang
Patrick B. Gillespie	

2) **The Economic Impact Committee** whose stated mission was to study the impact that two licensed slot-machine facilities within the city of Philadelphia will have on the city's economy and on the generation of municipal tax revenues. The following civic leaders served on this committee:

Dr. Bernard Anderson, Chair	Anthony Greco
Dan Anders, Esq.	John J. Kroll
David Auspitz	Meryl Levitz
Patrick J. Eiding	Donte Mattioni, Esq.
H. Robert Fiebach, Esq.	Robert Mulgrew
Lynne Fox	Sam Patterson
Sallie Glickman	Paul Steinke
Blonde Grayson Hall, Esq	Julie Wong

3) **The Social Impact Committee** whose stated mission was to study the impact that two licensed slot-machine facilities within the city of Philadelphia will have on the quality of life of Philadelphia's residents, on the community in which they are located, and on the city's ability to deliver services necessary to maintain or improve the quality of life for youth and families. The following civic leaders served on this committee:

Sandra Dungee Glenn, Chair
Steven S. Bradley
Casey Cook
Patricia DeCarlo
Dr. Arthur C. Evans
Benjamin Fisher
Michael Lutz
Mary Mason
Edward McBride
Carolyn Nichols, Esq.
Colleen Puckett
Joseph T. Quinones
Sonte Anthony Reavis, Esq.
H. Jean Wright
Cecila Yep

Staff

A full time professional staff was assembled to work with the task force committees. Staff members worked closely with the chairs to set the scope of work for the committees and the consultants. They acted as project managers to direct the work of the consultants. Staff members were also responsible for coordinating meetings, conducting and compiling committee research, and helping each committee chair prepare information for the committee to review and analyze.

The staff of the Philadelphia Gaming Advisory Task Force are:

- Shawn L. Fordham, Executive Director
- Micah Mahjoubian, Operations Director
- Kevin Greenberg, Esq., Economic Impact Committee Coordinator
- Howard Moseley, Social Impact Committee Coordinator
- Joshua Sevin, Site Evaluation Committee Coordinator
- Iola Carter, Deputy Committee Coordinator and City Council Liaison
- Robert Henon, Senior Advisor
- Patrick B. Mulligan, Parking and Traffic Advisor
- Thomas Mosher, Special Assistant

Consultants

The Task Force also assembled a team of consultants to prepare a body of original research necessary for the task force to complete its work. The consultant team included:

- **The Innovation Group**—Based in New Orleans, the Innovation Group is one of the nation's premier providers of consulting services for the leisure and hospitality industry including the gaming industry. The Innovation Group provided the task force with site and market assessments, revenue, spending, and visitation projections, and gaming industry expertise.

- **Alea Advisors**— Based in Philadelphia, Alea Advisors is a full-service consulting firm dedicated to the needs of private clients and public institutions specializing gaming industry trends. Alea Advisors performed a market research survey for the task force and provided gaming industry expertise.

- **Econsult Corporation**—Founded in Philadelphia in 1979, Econsult provides economic research and statistical & econometric analysis to assist business and public policy decision-makers. Econsult provided the task force with local economic and fiscal impact projections.

- **Lester and Associates—**This Washington, DC, based polling research firm conducted a public opinion poll of residents of the Philadelphia region to advise the task force on the attitudes and concerns of the general public as it pertains to gaming in Philadelphia and in general.

- **Sue Cox and Associates**—Based in Waco, Texas, Sue Cox is a national expert in the study of the social implications of gaming who advised the task force on areas of quality of life concerns, pathological gambling, and available remedies.

- **Urban Systems, Inc**.—Based in New Orleans, Urban Systems is a leading expert in the entertainment industry who provided the task force expertise in the areas of transportation, traffic, and parking.

The consultant team worked under the direction of the Task Force chairs and staff to prepare the research that formed the basis of this report.

METHODOLOGY

QUANTITATIVE RESEARCH

Working with the consultant team, the task force prepared a large body of original quantitative research. Quantitative research is the numerical representation and manipulation of observations for the purpose of describing and explaining the phenomena that those observations reflect. In this case, the quantitative research includes:

1) A market research survey to quantify the habits and preferences of gamers in the Philadelphia region;
2) A public opinion poll to determine the attitudes of Philadelphia residents to gaming generally, and casino gambling in Philadelphia specifically;
3) Transportation and parking studies;
4) A survey of hotel patrons and an on-going survey of bar and tavern patrons;
5) Revenue projections for the casinos;
6) Economic impact projections;
7) Fiscal impact projections.

Philadelphia Gaming Market Surveys

The task force worked with the consultant team to conduct primary and secondary market research analyses in order to come to a better understanding of the nature of the Philadelphia gaming market. This market and consumer research will generate the inputs needed for subsequent revenue and visitation models.

Primary Market Research

A gaming market research survey was conducted to include residents of the City and the wider region, which provided baseline gaming participation rates for the Philadelphia region. This survey addressed the following issues:

- Current gaming patterns and behavior
- Response to gaming development in Philadelphia, including whether gaming is good for Philadelphia and whether it will create more problems or benefits?

- The ability of Philadelphia casinos to recapture current of out-of-state gaming visits
- Locational preferences, preferences and perceptions of prototypical locations
- Facility preferences, including what is, or is not attractive to gamblers
- Current and projected activities of gamblers while they are in Philadelphia

Secondary Market Research

The Task Force collected an assessment of likely gamers in the Philadelphia market, their behavior, likes, and dislikes based upon analysis of in-house secondary research data, including:

- Extensive nationwide and regional survey data and focus group information.
- Detailed lifestyle descriptions of casino gamers, who they are, what they are like, where they live and what types of products and services they purchase.

Transportation and Parking

Understanding the impact of increased traffic on city streets as a result of new gaming facilities was a critical objective of the Task Force. To do this, the Task Force needed to collect data that would illustrate the following:

1) Current traffic counts and patterns on city streets surrounding potential gaming facilities;
2) The maximum capacity of those roadways under current conditions; and
3) The amount of additional traffic and resulting traffic patterns as a result of casino visitations.

The task force relied on the expertise of our consultant team, as well as a hired traffic engineer and information from the City Department of Streets.

Baseline Traffic Data

Working with traffic engineers, the task force documented roadway and intersection geometry and collected field traffic data that included peak period turning movement counts at key intersections and 24 hour mechanical counts at selected locations around each potential gaming site. Twenty-four hour counts were conducted for the period of an entire week to obtain both weekday and weekend data. Turning movement counts were conducted during the weekday peak period and during casino peak demand periods on weekends. Machine counts data was collected for a total of 29 locations around the gaming sites evaluated in this report.

Determining Capacity

The traffic engineers prepared capacity and "Level of Service" evaluations at key intersections during peak demand periods. This exercise provided a baseline snapshot of each site under current peak weekday and weekend demand conditions. Excess capacity and capacity constraints were identified for both weekday and weekend conditions.

Traffic Assignment and Capacity Evaluation

The Task Force has predicted additional traffic patterns and counts as a result of two new gaming facilities. Utilizing data collected from our survey of potential gamers in the region, along with the industry expertise of our gaming consultants, the Task Force determined the "mode split" associated with this gaming market. In other words, the Task Force determined what percentage of gamers would arrive in each of the various types of transportation. The Task Force was able to then predict the number of additional cars on city streets as a result of the new casinos.

These estimates were then used to evaluate future conditions of city roadways at key intersections during peak demand periods. Capacity constraints and/or deficiencies were then identified.

Economic and Fiscal Impacts Research

Quantitative economic and fiscal research generally consisted of analysis of existing data and the collection of some market-behavior information that would fill in the gaps in the local application and existing knowledge.

Assessment of Economic Impacts in Other Gaming Markets

The Task Force reviewed economic impact elsewhere, both through original analysis of data collected by federal agencies, industry groups, and state regulators and by reviewing a series of economic impact projections and reflections elsewhere to determine the effect that gaming has had in other markets.

Original Analysis on Visitors and Revenues

The Task Force generated casino visitor and revenue projections utilizing a series of gaming industry-specific models. These models, which are proprietary to the Innovation Group, incorporate the location of patrons and competitors, information about existing and planned competition, population demographics, existing gambling behavior, information developed by the Task Force market survey, and projections about amenities that will be offered and strategies that will be employed by casino operators. When combined with projected operations and tax expenses, also allowed the Task Force to assess the profitability of the various projected casino operations. Further information about the methodology behind these projections can be found on page 282.

Original Analysis on Local Economic Impact

The Task Force also applied the projections about casinos into a Philadelphia-specific context to develop projections about spin-off spending and job creation. This analysis utilized Econsult's econometric input-output model of the City of Philadelphia based on a Department of Commerce model. Further information about the methodology behind these projections can be found on page 286.

Fiscal Impact Assessment

Assessing the fiscal impact on Philadelphia involved original analysis by the Task Force, specific review by relevant City agencies, and an analysis of fiscal impacts of gaming elsewhere. The impacts on Philadelphia tax revenues and the economic impact of wage tax reduction were assessed for the Task Force by Econsult, utilizing a variation on a model utilized in previous work for the Tax Reform Commission. Additionally, budget projections were made by the Philadelphia Police, Fire, and Water Departments, by Philadelphia Gas Works, and by several social service agencies. Broader fiscal consequences of social service costs were also assessed. Assessments related to street improvements are on-going. Further information about the methodology behind these projections can be found on page 287.

Local Hospitality Industry Impact Research

Much of the review of the hospitality industry impact, including the impact of the expansion of the Pennsylvania Convention Center, was developed from review and analysis of existing research and projections. However, the Task Force determined that additional surveys were needed of both existing hotel guests and of tavern and bar patrons. The hotel guests were surveyed through a voluntary survey presented at checkout over a week at several area hotels. A similar tavern patron survey is on-going.

Public Opinion Poll

The Task Force contracted Lester & Associates to conduct a public opinion poll. This survey, taken May 12-18, 2005 among 598 residents in Philadelphia, is intended to quantify the attitudes and opinions the adult residents have towards selected gaming issues. The profile of the respondents in regards to race, gender, age, education, and family income mirror that of the voting population in the City of Philadelphia. The margin of error is 3.5.

QUALITATIVE RESEARCH

In addition to the large body of quantitative research gathered by the task force, the group also gathered a large body of qualitative research. Qualitative research typically uses observation, interviewing, and document review to collect data relevant to the study. In the case of the task force, this research involved meeting with industry experts both locally and nationally, conducting small focus-group meetings with affected stakeholders, and gathering public input through a series of public hearings throughout the city.

Meetings and Interviews with Local and Industry Experts

Over the last four months the Task Force has heard from a series of experts on the wide range of issues included in this report. These sessions included public plenary sessions of the entire Task Force, public and working sessions of committees and working groups, and in interviews conducted by small groups of chairs, members, and staff.

Potential and Existing Gaming Site Visits

There was also a substantial component of first-hand research. Task Force chairs, members, staff, and consultants all spent substantial time reviewing the potential sites, in many cases walking the property. The Task Force also worked with planning, police, fire, streets, water, Gas Works, and other officials to understand the existing infrastructure and needed improvements to the various potential gaming sites. Additionally, several Task Force members visited casinos elsewhere and spoke to local tourism and gaming officials. And members of the Task Force took trips to Atlantic City to review design issues, training programs, new development, and to meet with local officials.

Plenary Sessions

The Task Force had a series of public plenary sessions designed to educate the Task Force members and the general public on background and details of gaming issues. These sessions presented overviews of many issues where further work was developed by the committees and consultants. Topics included background on the Gaming Act and the gaming industry, pathological and problem gambling, city planning, the economic and social impact, casino design, and the roles of casinos in urban planning. One of the sessions showcased the work of the design charette undertaken by students at the University of Pennsylvania and supported by Mayor Street and The Philadelphia Daily News.

Public Hearings

For two weeks in the middle of May 2005, the task force held a series of 10 public hearings in neighborhoods across the city to get input from the broadest range of city residents on their ideas and concerns about the introduction casino gambling to our city.

Public hearings were held in each of the city's 10 Councilmanic Districts. Each public hearing was presided over by one of the task force chairs, with several members of the committee and staff in attendance. A brief presentation was given to educate the public on the mission and process of the PGATF as well as some background information on gaming. The Mayor and resident City Council Member addressed each group and then the meeting was open to the public. A court reporter recorded the proceedings at each hearing.

Members of the public discussed a wide range of issues, including siting, traffic concerns, public safety, potential neighborhood impacts, and jobs.

Stakeholder Meetings

The Task Force committees and working groups all conducted a series of meetings with stakeholders. These meetings took various forms, including interviews, round-table discussions, and focus groups. But they all shared a purpose of ensuring that potentially impacted neighborhoods, businesses, leaders, and organizations were able to share their expertise and contribute their perspective to this process.

SECTION 1

DEFINING THE GAMING MARKET

National Gaming Market

In order to better understand what gamers want in a gaming experience and who they are we have culled information from a variety of primary research studies conducted by the Innovation Group over the last few years. This information is not geographically specific to Philadelphia but in general reflects the specifics of gamers in the northeast portion of the US. This information has been developed from a number of sources, which include:

- A general summary of focus group findings related to gamer preferences for casino amenities
- A summation of several telephone surveys of gamers
- A summary of player demographics in West Virginia
- A summary of the 2004 Harrah's Survey
- A subset of the 2004 Profile of American Gamers
- A description of the major lifestyle types which have a high proclivity to gamble and who arte represented in significant numbers in the population within 25 miles of Philadelphia.

FINDING: About one quarter of Americans gamble annually. This includes about one third of Philadelphians.

A 2004 national gaming survey found that 26 percent of Americans had gone to a casino in the past year, with higher numbers in certain areas, including those more proximate to casinos. Proximity to Atlantic City, possibly combined with other factors, resulted in 33 percent of Philadelphia-area residents self-reporting a casino visit.

FINDING: Gamblers tend to be slightly wealthier and spend more money on entertainment, restaurants, and travel than non-gamblers.

Demographically, the median age of a casino gambler is 48, while the median age of all "casino legal" Americans is 46. Compared to the population as a whole, casino gamblers live in slightly smaller households, are more likely to be college educated, and more likely to have white collar jobs. They also make slightly different resource and entertainment choices than non-gamers. Specifically:

- **Income Differences In Casino Participation**—The higher a person's income, the more likely he or she is to play casino games. The median household income of U.S. casino gamblers ($53,204) is 16 percent higher than that of non-gamblers ($45,781).

- **Home Ownership**—Home ownership is higher among casino players, with more than three-quarters of casino players owning a home.

- **Charitable contributions**—Casino gamblers and non-gamblers are more likely to contribute to religious organizations than to other organizations. Gamblers are more inclined than non-gamblers to donate money to political organizations.

- **Current Investments and Savings**—Gamblers are more likely than non-gamblers to have a variety of common investments. Relatedly, gamblers are more likely to be comfortable with their financial standing as they age; whereas non-gamblers are more likely to worry they will not have adequate funds for retirement.

- **Professional Services**—Gamblers, who generally have more disposable income and a more active lifestyle, are more likely than on-gamblers to use professional services to complete their chores.

- **Customer Loyalty Programs**—Gamblers are savvier about taking advantage of the cost savings and perks offered by loyalty programs for travel and shopping. Potentially there is an education component derived from experience with somewhat similar casino player reward programs.

- **Long Vacation/Travel Trips**—Two out of three casino gamblers take at least one long trip per year, while less than half of non-gamblers do.

- **Entertainment**—Gamblers are more likely to go out for a night on the town than non-gamblers.

- **Dining**—Casino gamblers tend to eat out more often than non-gamblers, regardless of the type of restaurant.

FINDING: Gamblers and non-gamblers generally make similar lifestyle choices, although non-gamblers are more likely than gamblers to go to church more than once a week.

- **Church Attendance**—Non-gamblers, however, are more likely than gamblers to report going to church at least twice a week, although casino gamblers and non-gamblers are just as likely to attend church less frequently.

- **Certain Sports Activities**—Exercise and recreational activities are a significant part of casino gamblers' more active lifestyles. In particular, gamblers are more inclined than non-gamblers to go golfing, bowling, swimming or fishing.

- **Environmentalism**—As a population, casino gamblers are slightly less "green" than non-gamblers.

- **Diet and Exercise**—There is very little difference between gamblers and non gamblers when it comes to exercise, but non-gamblers eat a more balanced diet than gamblers.

FINDING: An overwhelming majority of casino gamblers are slots players, both nationally and in the Northeast region.

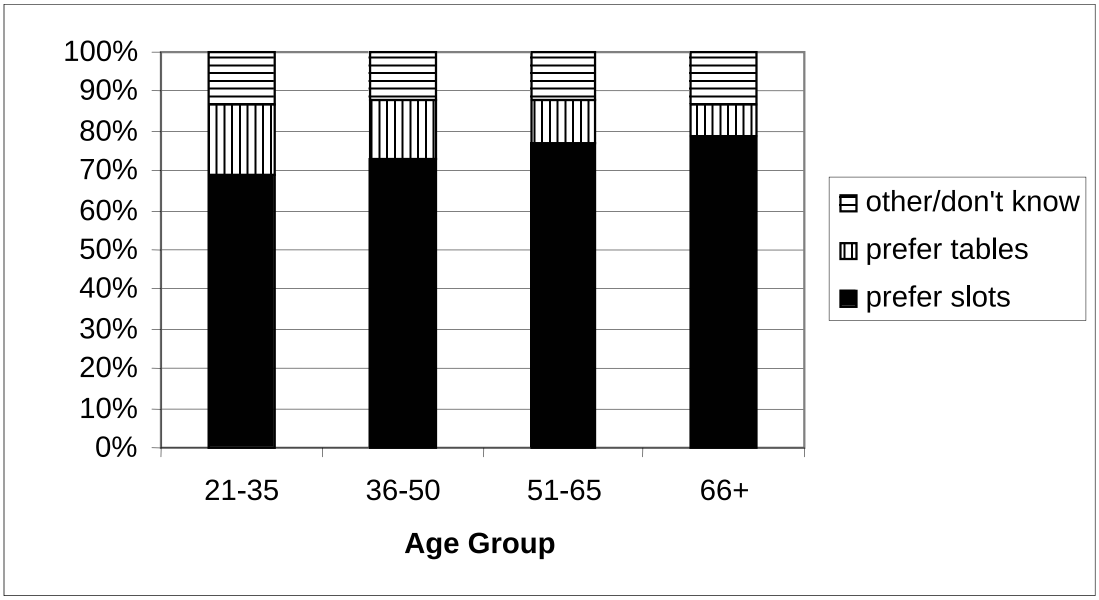
A 2004 national gaming industry survey found that three-quarters of American gamers prefer to play slots, while 13 percent prefer to play table games. The remaining twelve percent preferred other games, or had no response. This preference is effectively the same for people who live in our region (75 percent slots and 14 percent table games).

Slots are the top attraction for both men and women on the casino floor. Men show a far greater preference for playing table games, particularly blackjack/21 and craps. Roulette play is equal among women and men, with 81 percent of females preferring slots compared to 66 percent of men.

FINDING: While every demographic prefers slot play, the preference is stronger among older gamblers.

Every recent industry survey has demonstrated that slots are the top gaming attraction across the board, but with varying rates. For example, women play slots at a higher rate than men do, with slots the preferred gaming activity for 81 percent of female casino-goers and the choice of 66 percent of their male counterparts. Slots players also skew slightly older with slots being preferred by 69 percent of 21-35 year olds but 79 percent of senior citizens.

GRAPH 1.1: Gaming Preference



Source: Harrah's 2004 Profile of the American Casino Gambler

In West Virginia, where gaming only consists of slot machines, a similar trend holds true, with those over 45 gaming at a rate disproportionate to those of 21-45 year olds. Industry expertise indicates this dichotomy is universal and reflects increased free time and a shifting preference in leisure activities.

TABLE 1.1: West Virginia Gaming Participation

Age group	% of gamers	% of adults
65-90	30.9%	18.8%
46-65	45.0%	29.8%
36-45	12.2%	20.9%
18-35	12.0%	30.6%

Note: Percent of adults considers both West Virginia and Pennsylvania population bases. There is minimal difference between the percentage representations between the two states.

In contrast to gaming machine players, table game players generally fall into younger age groups, with a significant drop-off for seniors relative to slot players. For table games, not currently legal in Pennsylvania, people under 45 are far more active players than people over 65.

FINDING: Gamblers attend both "destination" and "convenience" casinos.

Casinos can be generally grouped into two categories: destination and convenience. The term destination casino refers to a casino that is the general motivation for a traveler to choose that location as their trip destination. Atlantic City and Las Vegas are locations made up of destination casinos. Tourists tend to travel to these cities for the primary purpose of gambling. Convenience casinos, while they can be comparable in size and amenities to some destination casinos, differ from destination casinos because they are not often thought of as the primary purpose of a traveler's excursion. In fact, convenience casinos tend to be frequented by locals and travelers for whom it is secondarily convenient to visit.

The majority of gamblers have higher expectations of destination casinos than they do of convenience casinos. While the physical casino atmosphere is a key component to the energy and excitement they expect to feel at all casinos, the expectation does not exist that the convenience casinos will have the same kind of energetic atmosphere as destination casinos. Destination casino trips typically involve extended psychological build-up and greater travel time and expense. Thus, the gambler's expectations are higher when visiting destination casinos and those expectations transfer to demands for atmosphere and amenities.

Conversely, easy-to-access convenience casinos still need to feel exciting, but need not compete directly with destination casinos. Therefore, the opportunity exists to capture a larger audience share by focusing on elevating the overall atmosphere of the casino and surrounding restaurant and retail areas, while maintaining the perception of a fun and exciting atmosphere that is revealed as a key driver in almost all primary research related to casinos.

Other than some of the ancillary Nevada casino towns, and Nevada is often a unique case, there are few, if any, convenience casinos, located as near to destination casinos as Philadelphia is located to Atlantic City. With the relatively low travel costs (both in terms of dollars and time), Philadelphia's casinos may need to be more like destination casinos than convenience casinos to effectively compete.

Philadelphia-Area Gamblers

The Task Force delved deeper in trying to understand the Philadelphia gaming market by conducting a survey of regional residents. This regional survey asked questions concerning current and future expected gaming behavior. The resulting data provided inputs for subsequent Task Force revenue and visitation models and also yielded useful information regarding Philadelphia visitation patterns, casino location preferences, and gaming facility and amenity preferences.

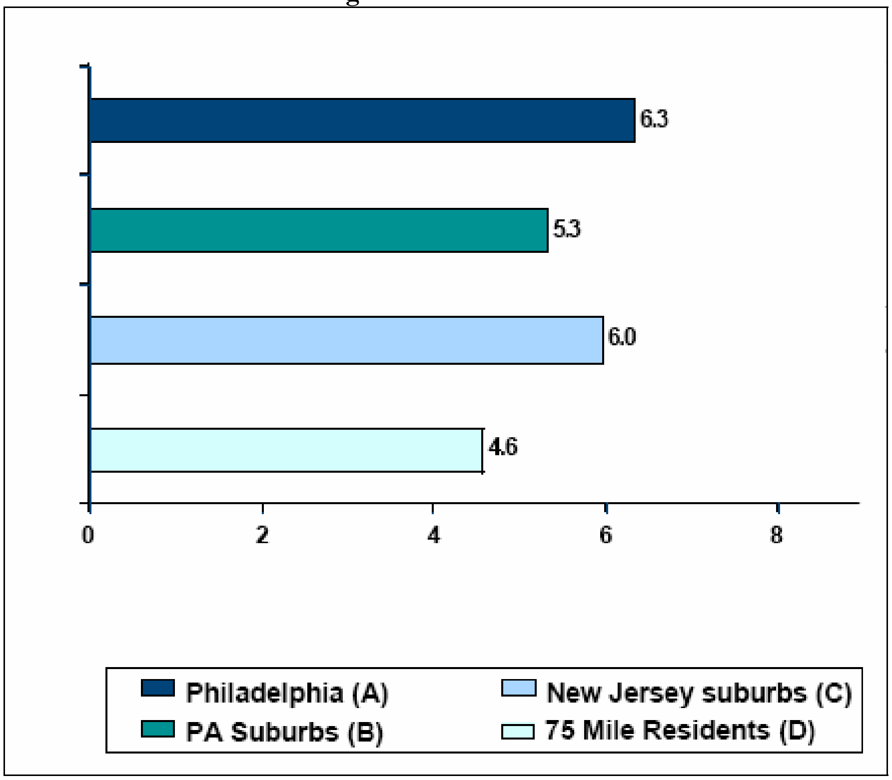
The survey, conducted in May 2005, was answered by 704 respondents, including 404 from the City of Philadelphia, 100 from the Pennsylvania suburbs, 100 from the New Jersey suburbs, and 102 from other areas within a 75-mile ring from the city. Below are key findings about Philadelphia-area gamers that came out of this regional survey.

FINDING: More than 40 percent of regional residents already visit casinos, with the overwhelming majority of their trips going to Atlantic City.

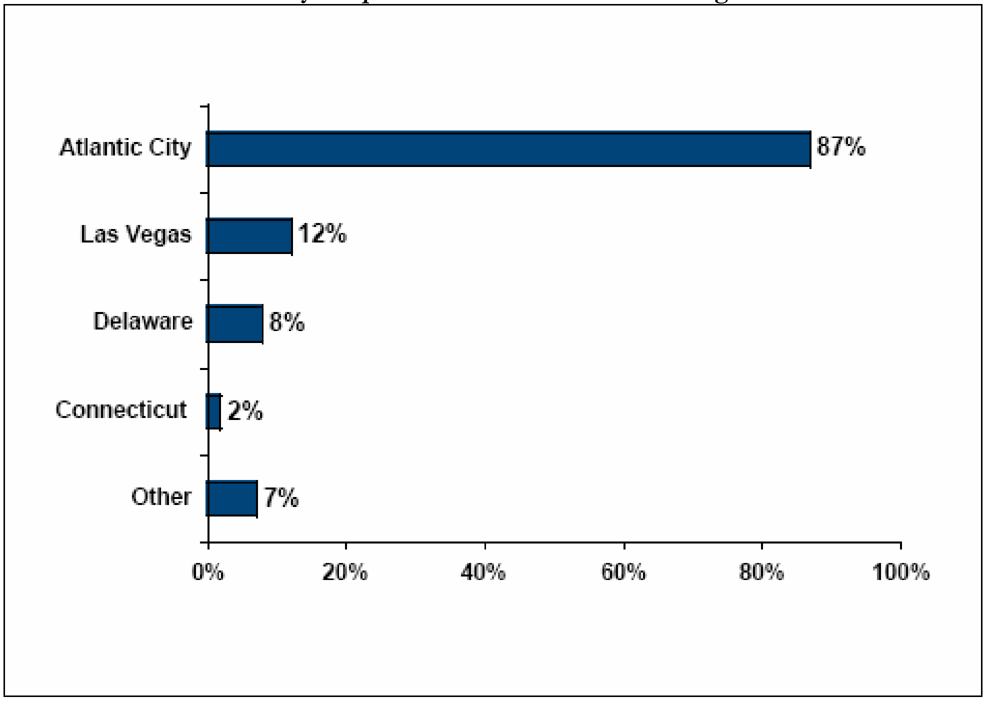
Approximately two out of five regional residents (43 percent) who were polled say they visited a casino at least once within the past year. Of this 43 percent, Philadelphia residents had the highest average number of annual visits (6.3), followed by residents of the New Jersey suburbs (6.0), Pennsylvania suburbs (5.3), and those within 75 miles of the city (4.6).

The overwhelming majority of these casino visits are to Atlantic City, with 87 percent saying they had visited an Atlantic City casino in the past year. More than one in 10 had visited a casino in Las Vegas (12 percent) and slightly fewer for the Delaware racinos (8 percent).

GRAPH 1.2: Average Number of Casino Visits Per Year



GRAPH 1.3: Percent of Survey Respondents Who Visited a Gaming Location in the Past Year

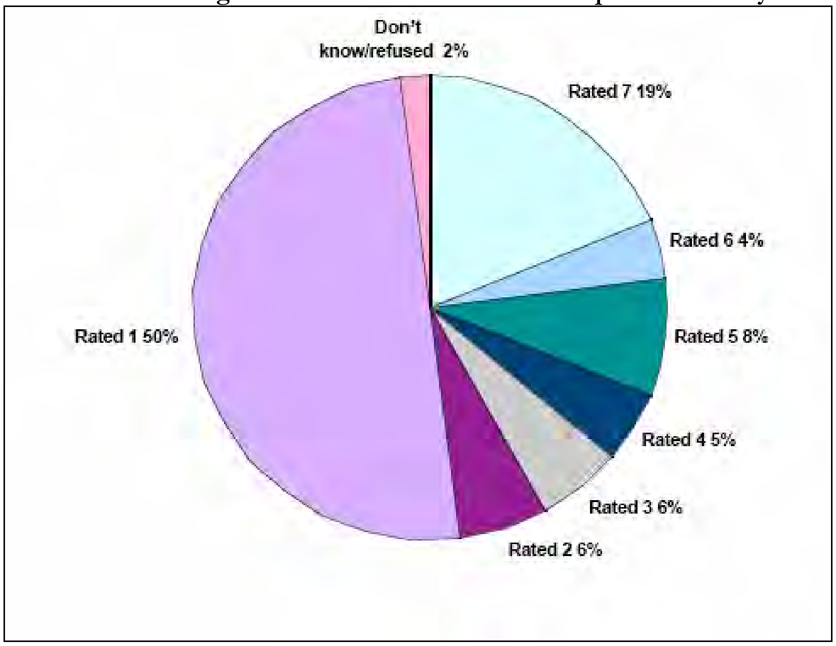


FINDING: Regional residents indicate a high propensity to visit slots-only casinos, with almost half saying that they are likely to visit a slots-only casino in Philadelphia and one in four extremely likely to do so.

Almost half (48 percent) of all survey respondents said they are likely to visit a Philadelphia slots-only casino. Philadelphians expressed the greatest likelihood, with 61 percent saying they were likely to visit. Slightly less than half of residents in the New Jersey (49 percent) and Pennsylvania (46 percent) suburbs said that they would go to a Philadelphia slots parlor.

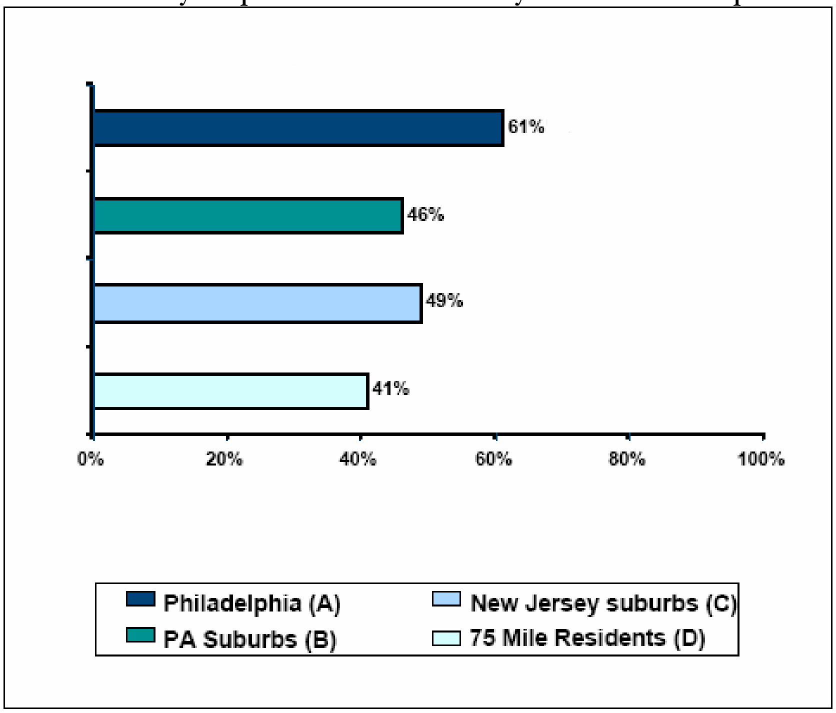
Beyond this general interest, almost one in four respondents said that they were extremely likely to visit a Philadelphia slots-only casino. Current gaming behavior combined with this expression of interest in visiting Philadelphia casinos indicates that regional residents have a high propensity to visit a slots-only gaming facility in Philadelphia.

GRAPH 1.4: Ranking of Likelihood to Visit a Philadelphia Slots-Only Casino



On a scale of 1 to 7, where 1 means "not at all likely" and 7 means "extremely likely," how likely will you be to visit a casino with just slot machines and no table games in the City of Philadelphia?"

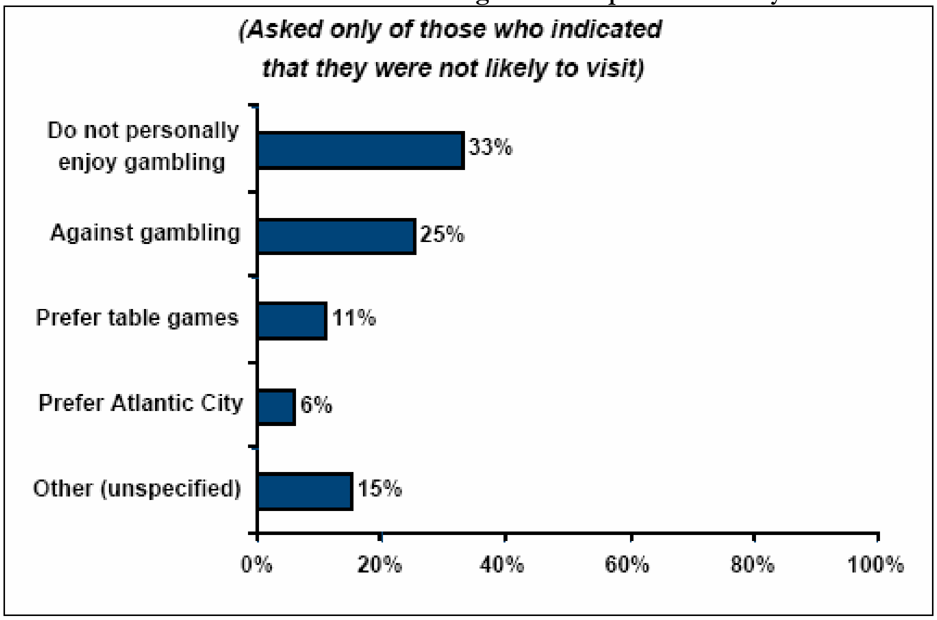
GRAPH 1.5: Percent of Survey Respondents Who Are Likely to Visit a Philadelphia Slots-Only Casino



FINDING: Most regional residents who say they would not visit a Philadelphia gaming facility either do not personally enjoy gambling or object to it.

Survey respondents who indicated that they were not likely to visit a Philadelphia slots-only casino were asked the reason for their choice. One-third (33 percent) said that they did not personally enjoy gambling, while one-quarter (25 percent) said that they were "against gambling." Approximately one in 10 (11 percent) said they would not visit a Philadelphia slots-only venue since they preferred table games. Only six percent of respondents said they would not visit a Philadelphia casino because they preferred Atlantic City.

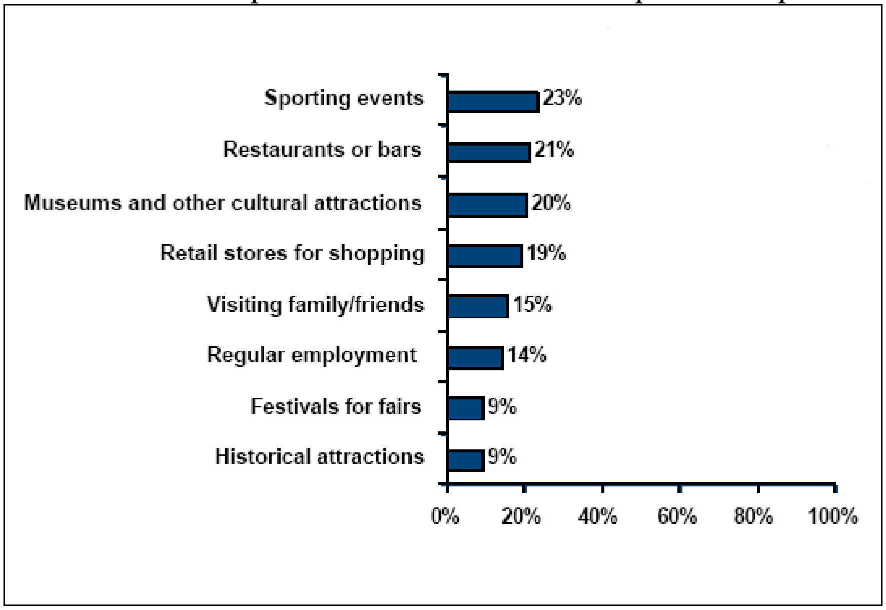
GRAPH 1.6: Reason for Not Visiting a Philadelphia Slots-Only Casino



FINDING: Non-Philadelphia residents who are likely to gamble in Philadelphia already visit the city frequently for a variety of activities.

When non-Philadelphia residents who are likely to gamble in Philadelphia were asked how frequently they visit the city, two-thirds (68 percent) said that they do so more than once a year and 39 percent said they visit once a month or more. The most commonly cited reasons for these visits were sporting events (23 percent), restaurants or bars (21 percent), museums or other cultural attractions (20 percent), and retail shopping (19 percent). For an analysis of what kinds of attractions or events respondents said they would likely visit during a trip to a Philadelphia slots-only casino, see page 256.

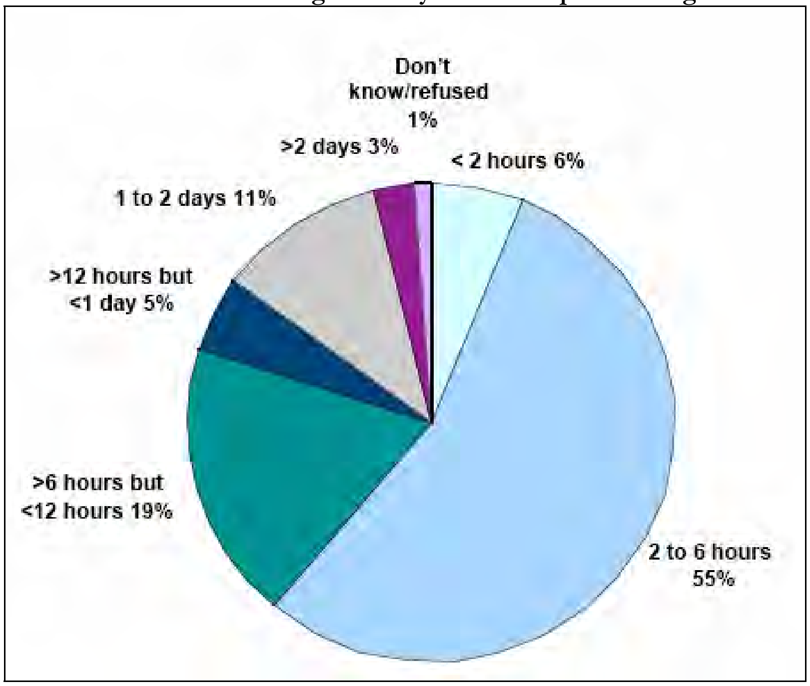
GRAPH 1.7: Purpose for Recent Non-Resident Trip to Philadelphia



FINDING: More than half of non-Philadelphia residents said that they would stay in the city for between two and six hours during a gaming visit.

Among non-Philadelphia residents, more than half (55 percent) said that they would stay in the city between two and six hours during a visit to the casino. The survey question did not differentiate how much of this time was anticipated to be spent inside or outside of the casino. One in six (14 percent) said that they would stay for one day or more and 62 percent of this group said that they would stay in a Philadelphia hotel.

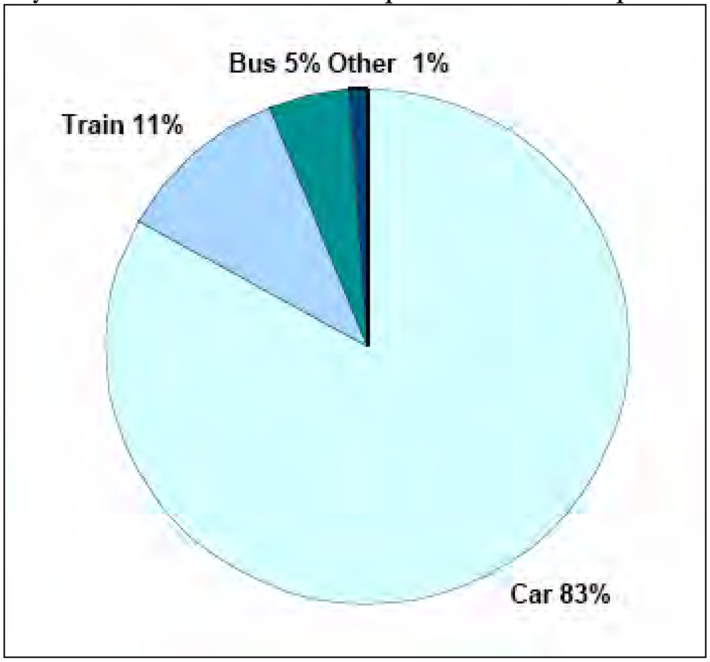
GRAPH 1.8: Estimated Non-Resident Length of Stay in Philadelphia During a Slots-Only Casino Visit



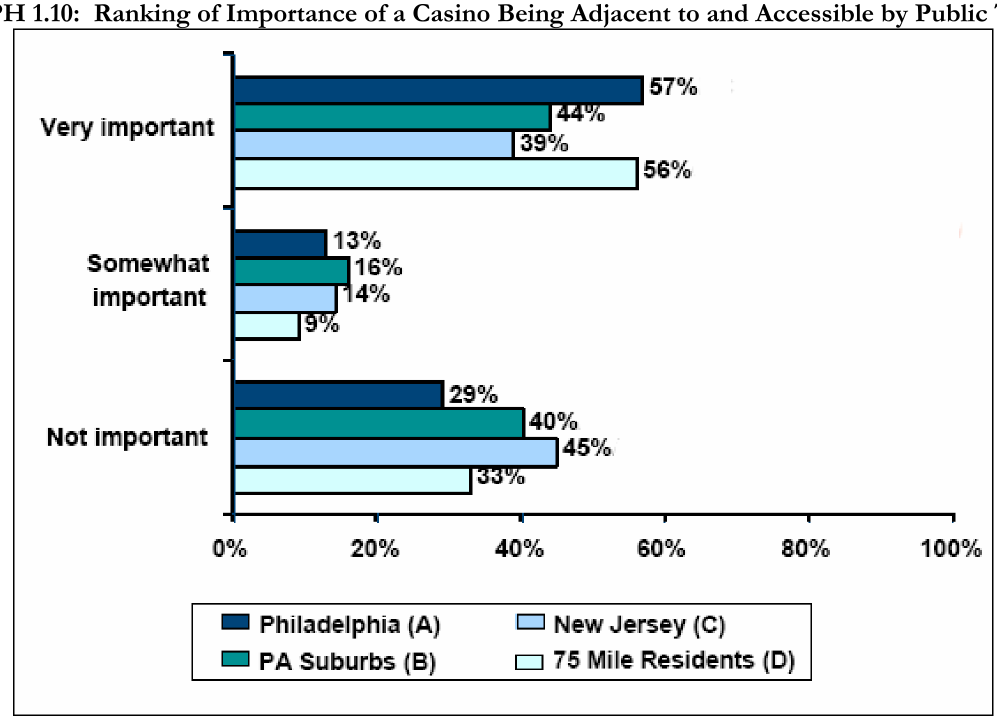
FINDING: Regional residents overwhelmingly use personal automobiles to travel to Philadelphia for leisure, but more than half still say that they think that having public transportation proximate to a Philadelphia casino is important.

Looking at current travel behavior, 83 percent of non-Philadelphia residents say that they drive into the city for leisure visits. Only 16 percent said they use a form of public transit – 11 percent for the train, five percent on the bus – to get to Philadelphia for leisure activities. This actual behavior contrasts with the claim made by 52 percent of survey respondents who said they believed having public transportation proximate to a casino was important.

GRAPH 1.9: Primary Non-Resident Mode of Transportation to Philadelphia for Leisure Activities



GRAPH 1.10: Ranking of Importance of a Casino Being Adjacent to and Accessible by Public Transit



FINDING: When asked whether they would be more likely to visit a Philadelphia slots-only casino at either a Center City or a waterfront location, respondents favored the waterfront by a ratio of three-to-one.

If given the choice between visiting a Center City or a waterfront casino location, Philadelphia regional residents overwhelmingly prefer a waterfront gaming site by a ratio of 66 to 22 percent. Only 12 percent of those surveyed were indifferent between the two locations. The preference for the waterfront correlated strongly with survey respondents' perceptions of safety, as respondents said they perceived the waterfront as a more safe and secure location by a ratio of 60 to 27 percent. This corresponds with surveys of gamers elsewhere that indicate a preference for gaming locations not in the urban core where there is often a negative perception of crime and congestion.

It is very important to note, however, that this question about locational preference was asked before there had been any serious consideration of sites outside of the Center City and waterfront areas, such as the proposed Budd site in Hunting Park.

GRAPH 1.11: Preferred Location for a Philadelphia Slots-Only Casino