

Testimony on Bill Nos. 080027 & 080028 (re: Foxwoods Casino)
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Presented to the Council Committee on Rules
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My name is Terry Gillen and I am a Senior Adviser to the Mayor. I have been coordinating the City's work on the casino issues, which is why I am testifying. I would like to thank the members of the Rules Committee for allowing me to testify today.

Since Mayor Nutter took office, just over two months ago, we have been reviewing the work that was done in the previous administration – including legal decisions, regulatory decisions and policy decisions – and determining whether those decisions are in the best interest of the City. For the issue at hand, we have reviewed the economic impact projections that have been made regarding the Foxwoods Casino, and have relied in particular, on the 2005 Philadelphia Gaming Advisory Task Force Report. We have read the Econsult report done for Foxwoods, but have not verified the numbers that were asserted in that report.

For purposes of the City's Five Year Plan, the Nutter Administration has anticipated only that the City will receive the Host Fee from the casinos. Starting with a partial fee in FY 2010, the Five Year Plan anticipates that the City will eventually receive approximately \$78 million in Host Fees from the two casinos over the life of the current proposed Five Year Plan. We did not assume any additional revenues from wage taxes, induced businesses or other sources.

The Foxwoods casino will certainly create some new casino jobs, and will induce some construction jobs. However, we have not done any independent economic impact analysis of how many jobs or the likely impact. For this reason, the Nutter Administration supports City Council's requirement contained within Bill No. 080027 that an outside economic impact study be performed as part of the Foxwoods approval process. We encourage Council to consider the following factors as part of any study that Council undertakes:

1. The existence of more recent gaming impact data since 2004, which is the year that was used in the Philadelphia Gaming Task Force study.
2. Whether there has been a leveling-off in any of the casinos that were looked at in the study. It is common for casinos to experience an initial surge in visits and then a decrease as the novelty wears off.
3. An examination of the track record of other Pennsylvania casinos, which was not available in the 2005 study.
4. Better analysis of the likelihood of future competition from New Jersey and other nearby states.
5. In addition, how we do it matters. As the Task Force noted, "Casinos will only benefit the city to the extent they augment rather than detract from the qualities that bring people to Philadelphia." So the overall tourism impact depends in large part on the location and amenities attached to the casino project. Now that we know what these will be, we should go back and do a better analysis of the numbers.
6. The Gaming Task Force's model depended on location of this casino and of the other casinos awarded a license.
 - a. They noted that locating it near a cluster of hotels will maximize tourist revenue. Since that didn't happen, what will it mean for revenue projections?
 - b. Later phases will have large long-term impact. One problem that has been noted with the Foxwoods project is that the traffic constraints in Phase 2 and 3 are so significant that it is difficult to see how Foxwoods can overcome them. So what does this mean for long-term revenues?
7. We need to be careful that we don't mix up new spending with substitution spending. The Gaming Task Force model determined that 75-90 percent of all casino spending is new – that is, it is money that would not have been spent on movies, sporting events or other things in Philadelphia. We need to understand that number and test some of the assumptions that went into it. Conversely, we

need to study whether there might be a negative impact on existing businesses, as has occurred at many other places with casinos.

The good news about the delay in the implementation of the casino projects is that the City has a chance to go back and get updated data that will allow us to make this a better project. We can look at the experience of other casinos and revisit some assumptions that were made back in 2005. Mayor Nutter applauds Council's attempt to get this right and we look forward to working with you on this.