

PNA Testimony on Economic Impact of Foxwoods 3-10-08  
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The question of the day is, will Foxwoods bring more economic benefits to the City than harms? And the answer is: not at it's current proposed location. The Port industries will be harmed; we will be playing 'catch up' with the infrastructure problems for years to come, and in the process destroying thriving neighborhoods. While the Governor's vision of a casino strip for our waterfront might have sounded great back in the '90s, in 2008 it's simply no longer the best option. Thousands of residents across the city have voiced their concerns about these casinos. Their impacts will be felt citywide and therefore they must be measured citywide.

These are not 'destination' casinos we're talking about, these are 'convenience' casinos, so-called because they will be conveniently placed near large populations, so that the discretionary wealth of an area is made available to the them. But it's important to keep in mind that at their current location, Foxwoods will be far from convenient for most people to get to. In Colorado, Central City casinos suffer because folks from Denver won't drive the extra mile to get to them- they give their business to Blackwood, which is closer. It'll take years of infrastructure improvements to make the Foxwoods location work. In the meantime, gamblers in the vicinity will find it faster to travel to Harrah's in Chester or Philadelphia Park, or maybe even Atlantic City rather than try to make their way through what the Inquirer has described as a 'traffic tsunami'. So far, the idea for these casinos seems to be "build now, pay later".

On to jobs and revenues. The job opportunity claim for local residents is a myth. Using statistics from the Pennsylvania Gaming Control Board's recent Diversity Report, only 208 out of 1,098 of Harrah's employees are residents of Chester City- less than 20%. 15%, or 165 employees, live out-of-state. Apparently, Harrah's did not provide that many jobs to residents in Chester City where they really need employment. They hired from Delaware, Montgomery, Philadelphia and Chester counties.

15% of Philadelphia Park employees also live out-of-state. There are no numbers for how many live in the Bensalem area. The diversity report indicates that there are Philadelphia residents currently working at both racinos. These people don't need casinos in their neighborhoods in order to work in them.

The seven other Pennsylvania casinos that are up and running are not located in densely populated urban neighborhoods and they are exceeding their revenue projections. Foxwoods, Philadelphia, and the State of Pennsylvania will receive the same or better revenues no matter where in Philadelphia it's located.

Though Econsult is a reputable company and used many solid numbers in its report, its study is essentially a sell document for Foxwoods, and as such glosses over serious issues. For instance Professor Fred Murphy, who has spoken to you

before, disputes Econsult's ancillary spending numbers. The effects of the diversion of local discretionary dollars to casinos has been well-documented elsewhere, and other studies exist that show casinos detract from historical tourist sites. Econsult does not account for negative consequences of casinos such as social costs. Foxwoods assumes no value to their riverfront property without their casino project. Additionally, there is no way that phase 3 of Foxwoods' project is going to be profitable enough for them given the current state percentage rate. Are they counting on that rate to decrease? Again, the strategy seems to be "build now, pay later".

Other assumptions Econsult used derive from Mayor Street's Advisory Task Force Study, certainly not as independent an inquiry as it could have been. That study was a first round attempt to grapple with issues of casino impacts on the city, again glossing over costs. The Innovation Group, which played such a key role to the state's gambling expansion, has said in their marketing materials (newsletter July 2004) that the adoption of slots in Pennsylvania should create a 'reverberation effect' in the region, enticing other states to step up competition for gambling dollars, perhaps even causing New Jersey to build casinos outside of Atlantic City. What will casinos on the Camden riverfront do to the Foxwoods numbers? Casinos are posting revenue declines all over the country- in Connecticut, in Illinois, in Atlantic City, even in Las Vegas. This is all just to say, projected revenues over time are impossible to accurately predict.

Nonetheless, the PNA is not here to advocate turning away ANY of those casino revenues, neither the one-time construction monies, nor the long-term casino jobs benefits, or whatever nontaxable, charitable benefits are slated to flow to our communities. We are only advocating taking a sober, rational view to the costs-benefits balance. A 'build now, pay later' scheme is going to leave Philadelphia holding the bag. That's why we advocate resiting.

In order to truly assess the economic impact of Foxwoods on the City, the effect would have to be measured citywide; let's see if other locations would not work better. A study would have to include a comprehensive costs/benefits analysis on the impacts to the city for every stage of the build out of the proposed location, including the impacts to the port industries, to local businesses, bars, restaurants and entertainment venues throughout the city; an analysis of the costs associated with negative public health effects; an analysis of the financial impacts to Medicare and Medicaid and a consideration of the economic well-being of seniors who become gambling addicts; a survey of our social service agencies' readiness; a finding that the project will impose additional law enforcement costs relating to the apprehension, prosecution, imprisonment and rehabilitation of compulsive gamblers in the City of Philadelphia of no more than half the \$14 million host fee paid by the casino, or let's at least know what that number is; and an analysis of the 'lost opportunity' costs of developing riverfront real estate for casino operation, including an assessment of property values from alternative developments, such as that suggested by the PennPraxis plan, and the long-term tax revenue and economic benefits to the city such alternative developments

would bring. It should also demonstrate a net addition of jobs and revenues to the city over a period of ten years, not a loss. Such a study should then be reviewed by an independent economic consultant with additional commentary provided by consultants representing Foxwoods and the affected neighborhoods, and should for some period be open for public comment as well. This is the way to look forward, to plan, and to be prepared for the consequences of casinos in our city.

The sooner these casinos are resited to minimize harms, the sooner they can be operational. The State gets its revenues, Philadelphia gets the jobs- everybody wins. The problems presented by the current location are unmitigatable. Vote NO for Foxwoods CED zoning at this location.

## **Summary of Economic Impact of the Foxwoods Casino**

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### **Assumptions of the Econsult Report**

1. Econsult assumes that all money spent at casinos is new money and therefore does not cause a shift in spending in the local economy.
2. Econsult assumes that people visiting a casino will also visit other Philadelphia tourist attractions a third of the time. A study comparing Vicksburg battlefield with Gettysburg battlefield shows that after the introduction of casinos, revenues at Vicksburg dropped dramatically. Other studies are available that better pinpoint ancillary spending habits.
3. Econsult assumes that a couple coming into the city for the day would spend the majority of their money outside of the casino. But casinos are enveloping environments designed to discourage going anywhere else. Since the majority of customers are locals, they can always go somewhere else if and when they want to.
4. Econsult doesn't analyze the social costs of gambling. There are well-known studies that illustrate the increase in crime and gambling addiction, and the attendant costs to deal with these harms.
5. Econsult does not consider the value of Foxwoods waterfront property if it were developed alternatively. It assumes that it would remain undeveloped and compares the Foxwoods casino to land use with no value.
6. Econsult sets the wage tax at 4.1%. According to Fred Murphy, "enabling legislation will drop the wage tax rate to 3.5%. This difference results in approximately 15% lower wage tax benefits to the city."

### **Alternative Assumptions Yield a Different Result**

1. The wage tax rate computed should be 3.5%
2. Casino revenues from a "convenience" demographic shift money from the local and regional economy.
3. Analysis of social costs yields a truer financial picture of what Philadelphia can expect.
4. The Foxwoods site would not be left vacant if the casino were not built there.

Murphy finds that, using the Econsult numbers but factoring in costs, only 27.6 cents of each dollar going to the casino gets spent in the city, that the casino will result in local job losses and will create an annual city budget shortfall.