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## Atlantic City Gaming Win & Non-Gaming Revenue

Source: NJ Division of Gaming Enforcement

Month of October (\$ In Thousands)	October 2016	Change from Prior Year	October 2015
<b>Total Gaming Win (includes Internet)</b>	\$ 203,034	-0.7%	\$ 204,460
<b>Internet Gaming Win</b>	\$ 16,665	29.6%	\$ 12,863

Third Quarter Ended September, 2016 & 2015 (\$ In Thousands)	Q3 - 2016	Change from Prior Year	Q3 - 2015
Total Revenue (Gaming & Non-Gaming)	\$ 2,706,601	0.7%	\$ 2,687,451

For the nine Months Ended September, 2016 & 2015 (\$ In Thousands)	September 30, 2016	Change from Prior Year	September 30, 2015
Casino Licensees:			
Casino	\$ 1,933,244	1.1%	\$ 1,912,665
Rooms	\$ 320,251	1.1%	\$ 316,812
Food & Beverage	\$ 334,964	-1.9%	\$ 341,345
Entertainment & Other	\$ 119,142	1.3%	\$ 116,629
Casino Licensees Total Revenue	\$ 2,706,628	0.7%	\$ 2,687,451
Third Party Business Sales	\$ 166,628	2.0%	\$ 163,437
<b>Combined Sales</b>	<b>\$ 2,873,229</b>	<b>0.8%</b>	<b>\$ 2,850,888</b>

## Atlantic City Statistical Transportation Data

Source: South Jersey Transportation Authority

Travel Mode	Jan – Sept 2016	Change from Prior Year	Jan – Sept 2015
<b>AC Expressway</b>			
Total Toll Paying Traffic Pleasantville Toll Plaza	14,628,713	2.6%	14,257,002
	Jan – August 2016	Change from Prior Year	Jan – August 2015
<b>AC Airport</b>			
Scheduled Service Passengers	804,240	5.4%	762,871
Charter Passengers	51,300	-33.8%	77,509
<b>Total Air Passengers</b>	<b>855,540</b>	<b>1.8%</b>	<b>840,380</b>
Casino Buses to AC	43,035	-7.0%	46,260
Casino Bus Passengers	782,837	-10.4%	873,667
NJ Transit Rail Service to AC			
Rail Passengers	759,117	-5.1%	799,974

## Legislative Update

**Federal Professional and Amateur Sports Protection Act (PASPA)-** The American Gaming Association (AGA) has added its voice to New Jersey's appeal to the U.S. Supreme Court challenging the 24-year-old federal ban. In an excerpt from the AGA's Amicus Brief to the U. S. Supreme Court, included in an AGA press release, Association president and CEO Geoff Freeman states that the ban "which is breathing life into a \$150 billion illegal sports betting market — threatens the integrity of games, presents fundamental questions about states' sovereignty to define their own laws and combat crime within their borders, and prevents fans from engaging with the sports they enjoy in a safe, legal way." In the same press release the AGA estimates that trillions of dollars have been bet on sports illegally since PASPA became law in 1992.

The recent announcement of a merger between the large daily fantasy sports companies DraftKings and FanDuel has accelerated the debate around the legalization of sports betting. According to the Legal Sports Report, one of the central issues at play is the classification of daily fantasy sports (DFS) as either gambling or a game of skill. This classification is significant in regards to future regulation and remains unsettled. Pending that decision, and whether the DraftKings-FanDuel merger passes anti-trust scrutiny, it will be interesting to see if DFS and straight-up sports betting are treated as wholly separate activities. DraftKings, FanDuel and the three major sports leagues (NHL, NBA and MLB) which support them; believe that they should be. "The leagues will argue that the difference between DFS and sports betting is the latter's potential impact on the 'integrity of the game'." Yet, the billions of dollars wagered in the illegal sports betting market have done little to nothing to influence the real-world games. If anything, the popularity of DFS has normalized putting money down on sporting events and demonstrated the mainstream nature of sports betting on the whole. The AGA and supporters of legalized sports betting believe that the attention being given to DFS and the DraftKings-FanDuel merger has only helped their cause.

Five states, Arizona, Louisiana, Mississippi, West Virginia and Wisconsin, have also filed an amicus brief with the U. S. Supreme Court supporting New Jersey's appeal.

**Senate Bill #2575-(Sweeney)/Assembly Bill #4187- (Burzichelli)- Disqualifies casino license applicant for five-year period if person substantially closed casino property in State; revokes license; reinstates license eligibility under certain circumstances.** The bill was passed by the Senate (29-6), received by the Assembly and Referred to the Assembly's Tourism, Gaming and the Arts committee on October 20<sup>th</sup>, 2016. The bill has yet to come to a vote before the Assembly. This bill would block the "warehousing" of casino licenses and deter operators from "substantially closing" casinos as a means of dissolving contracts and service agreements.

**Assembly Bill #173 (Caputo/Schaer/Lagana)/ #4650 (Dancer)-Permits State Lottery Commission to authorize video lottery terminals at Meadowlands racetrack/Monmouth Park racetrack, upon voter approval; dedicates 1/3 net proceeds to General Fund, 1/3 to State education aid, and 1/3 to horse racing industry.** The Bills introduced and referred to the Assembly Tourism, Gaming and the Arts Committee on 1/26/16 and 2/22/16 respectively would allow the use of Video Lottery Terminals (VLTs), stand-alone machines which allow gamblers to bet on the outcome of a video game, at state racetracks. These bills have received renewed interest in the wake of the defeated North Jersey Casino referendum but no new actions have been taken.

## Atlantic City Information

**State Takeover of Atlantic City-**On Wednesday, November 9<sup>th</sup>, The state Local Finance Board voted to approve (5-0) the state takeover of the city. The state, represented by former New Jersey attorney general and US Senator

Jeffrey Chiesa, will now have the authority to break union contracts in Atlantic City, sell assets, hire or fire workers and enter shared services agreements.

Chief among the issues raised by the State's takeover of the city is the fate of the Municipal Utility Authority (MUA). Early plans to sell the Bader Field Airport to the MUA and thereby 'saddle the Authority with debt to scare away private investors' had been abandoned according to the Press of Atlantic City. The MUA which controls the city's public water system has received interest from several private companies, but as of November 21<sup>st</sup>, the Press of Atlantic City reported that the state takeover law gave the city a year from May to "maximize the value" of the water system before the state can sell or lease it.

The takeover's impact on casinos is expected to be minimal as the gaming industry operates mostly outside the jurisdiction of the city. As reported by the Press of Atlantic City the most important functions which the city provides to the casino industry are the police (fear of crime is a major issue), fire department, city utilities and related services. These should not impact the day to day operations of casinos in the short-term but could become a concern over time. The longer the issues linger, the greater the sense of instability and the greater impact on potential investment in the city.

On Wednesday, November 30<sup>th</sup>, the Press of Atlantic City reported that city residents will now face a state imposed tax-rate hike of 13 percent. The city's total tax rate of \$3.86 per \$100 of assessed value is up nearly 13 percent from last year and up 113 percent since 2010. Despite the tax increases, the city is collecting less in tax revenue as its tax base, reliant in no small part on the local casino industry, continues its years-long fall from \$20 billion in 2010 to about \$6 billion today. City officials speaking to the Press of Atlantic City expressed their disappointment over the State's decision to increase the tax-rate after having 'fought tooth and nail' to keep the tax rate flat. State officials have criticized the zero-tax plan given the city's need to raise revenue to help close a \$100 million budget hole.

Moody's investment service has reported the city takeover as a credit positive to the city which is unlikely to default on debts through 2017.

**Beach and Boardwalk Improvements-** Residents and community leaders met at the city Planning Department's 28<sup>th</sup> Noon Time Talk (November 16<sup>th</sup>), to discuss ideas for improvements to the beach and Boardwalk. Among the ideas discussed was the possibility of creating areas for long-term or long-standing events, such as concerts and sporting events. Bringing more diverse events and attractions to the resort could create opportunities to increase city revenue and appeal to young adults and families with children.

## **New Jersey Gaming News**

**North Jersey Casino Expansion-** Voters across the state of New Jersey rejected the referendum to expand casino gambling to North Jersey with nearly 80 percent of voters rejecting the proposed amendment. In the Press of Atlantic City, business owners and community leaders expressed hope that the reduced threat of competition from North Jersey casinos would lead to reinvestment in the city.

It will be at least two years before the referendum can again be put to vote, but casinos may still be in North Jersey's future. Jim Allen, CEO of Hard Rock International, told the Associated Press that he was prepared to wait to add a Hard Rock Casino to the Meadowlands Racetrack (East Rutherford, NJ).

In the meantime, state lawmakers are considering a plan that would allow video lottery terminals (VLTs), at the Meadowlands and Monmouth Park racetracks. Although similar, VLTs are not slot machines and could be

approved without going to a public vote (as per a 1982 ruling by former Attorney General Irwin Kimmelman). As reported in the Press of Atlantic City, the issue of introducing VLTs to the racetracks has been discussed for more than two decades and is currently before the State Assembly (Bills #173 and #4650). Members of the horse-racing industry view the addition of the machines as a means of increasing revenue at the state's struggling racetracks and preserving the horse-racing industry as a whole. While the potential impact of VLTs on Atlantic City casino gambling has yet to be estimated, it wouldn't have as large an impact as additional casinos in North Jersey. Supporters of the plan feel it could balance the interests of both Atlantic City and the horse-racing industry.

**Online Gambling**-Legal NJ online gambling celebrates its third year. Online gambling went live in November of 2013 after being signed into law in February of the same year. In authorizing online gambling or iGaming the state hoped to give the land-based gaming industry a new source of revenue. The strategy appears to have been a success with PlayNJ's online gambling revenue tracker showing a total gross gaming revenue of more than \$440 million (As of October 2016) since iGaming first launched. According to uspoker.com, "the land-based casino industry [is] plateauing or perhaps set for growth with the closure of the Trump Taj Mahal, it's clear at this point that iGaming is not cannibalizing the brick-and-mortar revenue."

**Borgata Hotel Casino & Spa** – In a statement to the Press of Atlantic City, Tom Ballance, president and chief operating officer of Borgata, announced that Auggie Cipollini and Joe Lupo, both senior vice presidents of operations, are leaving to take positions with Hard Rock International.

**TEN (formerly Revel)** –In an early November press release, TEN announced the appointment of Frank Leone, Cindi LePine and Vicent Turrano to senior executive positions. All three held positions with Trump Taj Mahal before its closure. According to Philly.com, Ten executives still expect the casino to open in time for the first quarter of 2017. According to the Press of Atlantic City, TEN owner Glenn Straub has sued the Casino Control Commission over issues related to licensing.

## Regional Gaming News

**Delaware**-Delaware's internet gaming market shows decline for the fourth consecutive month. GamingIntelligence.com reported \$179,997 combined net revenue in the month of October for the state's three licensees, the lowest since September of 2015.

**Indiana**- In a letter to the press, the Bureau of Indian Affairs announced their approval of the Pokagon Band of Potawatomi Indians' plan to open a new hotel and casino in South Bend, Indiana. The hotel and casino is part of a \$400 million project which, according to calvinayre.com, will create a new set of government offices, over 40 houses, new health services and 140 temporary jobs and more than 2,000 permanent jobs. As a condition of the deal, the tribe has placed 165.81 acres of land into trust. The tribe is an experienced casino operator. In 2007, the tribe opened the Four Winds New Buffalo in Michigan, in 2011 a second Four Winds Casino in Hartford and in 2013, a third in Dowagiac. The original Four Winds Casino is one of the largest in the United States.

**Maryland**-Officials at the new MGM National Harbor(Prince George's County, Maryland) told the Washington Post that the \$1.4 billion casino resort would celebrate its grand opening on December 8th. The MGM National Harbor will be the sixth casino to open in the state and the first to serve the Washington (D.C.) region.

**Massachusetts**- A gaming referendum granting the Massachusetts Gaming Commission power to approve a second slot parlor license in the state was defeated by a wide margin. According to the Boston Globe Massachusetts voters defeated the proposal 61-39 percent.

The Plainridge Park Casino of Plainville, Massachusetts, which currently holds a monopoly on slots for the state, recently reported a 5 percent decline in revenue for October 2016 when compared to October 2015. According to worldcasinodirectory.com, the operators of the slots only casino, Penn National, are finding it difficult to make a healthy profit margin. During the first four months of this year, revenue dropped by 11 percent when compared to the same period last year.

**Michigan**-Detroit-area casinos saw a 5.1 percent increase in aggregate revenue for the third quarter. According to the Michigan Gaming Control Board, revenue for market-leader **MGM Resorts International** (NYSE: **MGM**) was up 9.1 percent over the third quarter of 2015 reaching \$150 million. Quarterly revenue for MotorCity rose 3.5 percent to \$115.4 million. Greektown's \$81.1 million in quarterly revenue was a fractional 0.5 percent higher than third quarter 2015 results.

**New York**-CardPlayer.com reported that the construction of the \$500 million Rivers Casino and Resort (Schenectady, New York) is ahead of schedule. The new Las Vegas-style casino, one of four new casinos in the state, plans to open its doors early February 2017. Meanwhile, the tribal casino Turning Stone (Verona, NY) announced plans for a \$20 Million upgrade which would be completed in early 2017.

**Pennsylvania**- In a November 17<sup>th</sup> press release, the Pennsylvania Gaming Control Board reported a 5.35 percent increase in gross revenue from gambling at table games in October 2016 over October 2015. However, total gross gaming revenue (slot machines and table games) for October was down 0.91 percent across the state. This decline in revenue from slots is consistent with recent findings from the American Gaming Association (AGA). According to the AGA young people ages 21-35 visit casinos more than any other age group however, only 2 percent of millennials play the slots. This change is related to other generational differences between millennials and baby boomers. As reported by the Associated Press, Millennials want their casino experience to be social, whereas baby boomers prefer limited social interaction. In an effort to adapt to these changing preferences, casino operators have developed arcade-style games and party pits that bring gambling into a more social setting. These styles of games are currently legal in Nevada, New Jersey and Massachusetts and a bill before the Pennsylvania State Senate would allow them in Pennsylvania Casinos as well.

Sands Casino (Bethlehem, PA) announced plans for a \$90 million expansion to its Bethlehem, PA Casino. According to the Morning Call, Sands CEO Mark Juliano announced his expansion plans just days after the defeat of the referendum to expand casino gambling to Northern New Jersey. The expansion would raise the casino's total tables to 300, exceeding the 250-table limit established by the Pennsylvania Gaming Control Board in 2004. With the Control Board's approval, construction could begin as early as January of 2017.

**Washington**- In a study presented to the Washington State Gambling Commission, the Spectrum Gaming Group predicts a 37 percent increase in Washington state gambling revenue resulting in \$3.5 billion annual revenue (GGR) by 2020. With two new hotel casinos opening in 2017 (Legends Casino in Yakima County and The Point Casino in Kitsap County) the number of available casino games will increase from 31,505 gaming positions (slot machines and table games) in 2016 to 35,081 next year.

Onlinepokerreport.com anticipates that a mature online gambling industry in Washington state could be worth \$150 million annually and legalization of daily fantasy sports could add an additional \$10 million in revenue.

## Hospitality News

**American Hotel & Lodging Association (AHLA) and National Restaurant Association (NRA) Partnership**- In a November 10<sup>th</sup> press release the AHLA and NRA announced plans to combine their efforts in joint ownership of

the American Hotel & Lodging Association Educational Institute (AHLEI). AHLEI is recognized as the training and certifying body for the hospitality industry. The partnership between AHLA and NRA provides a unique opportunity to “produce an even more robust training program – that will benefit employees in their career development and improve overall consumer satisfaction.” AHLA will retain the certification business, and the NRA will assume day-to-day responsibility for AHLEI’s training program business. The NRA’s acquisition of the AHLEI portfolio of 180 training products and assets, as well as the Lansing, Michigan building owned by AHLEI should be completed by the end of the year.

**American Hotel & Lodging Association (AHLA) 2016 Lodging Survey-** On November 2<sup>nd</sup>, the AHLA released its 2016 Lodging Survey. Conducted biennially since 1988, the Lodging Survey is the most comprehensive analysis of the trends in the hotel and lodging industry based on direct feedback from a diverse group of hotels and property types.

The Survey’s Key findings included advances in technology, sustainability, and charitable giving. In regards to technology, central reservations systems have become nearly universal along with guest access to HD/Flat Screen TVs and High Speed Internet becoming the industry norm. The survey also discovered an overall increase in the use of mobile apps for hotel service and check-ins. As for sustainability, 90 percent of hotels have converted to high efficiency/LED lighting and many have adopted linen/towel reuse (94%) and amenity (shampoo, soap) recycling (47%) programs. The survey found that 85 percent of hotels contribute to charity with nearly three quarters making those contributions in the form of in-kind donations of room nights, meeting space, goods or services. Also of note, the survey found that 97 percent of hotels offered non-smoking rooms-an all-time high for the industry.

**Nationwide Injunction on Regulation to Raise Salary Limit for Overtime Pay-** A federal judge in Texas issued a nationwide injunction on a regulation that would increase the number of workers eligible to receive time-and-a-half overtime pay. According to the New York Times, the regulation which would have taken effect on December 1<sup>st</sup>, raised the salary limit below which workers automatically qualified for overtime pay to \$47,476 from \$23,660 limit enacted in 2004.

The injunction was issued due to judge Amos L. Mazzant III’s ruling that the Obama administration had exceeded its authority by raising the overtime salary limit so significantly. Though Judge Mazzant has restricted his ruling to this particular regulation it does call the legality of a salary limit and the administration’s or Labor Department’s authority to establish such a limit in to question. The U.S. Department of labor disagreed with the ruling and defended the legality of its rule making process. While that debate remains unresolved, the injunction allows the court time to ‘weigh the merits’ of the current regulation before a final decision is made to enact it or strike it down.

The fate of the regulation has been in doubt since the election of Donald J. Trump as president elect, with many wondering if Trump would side with workers or employers on this issue. The compromise between the two is critical, as reported in the New York Times, “for an incoming president elected on a message of improving workers’ economic circumstances.” If the Obama administration backed regulation is defeated, it remains to be seen if the Trump administration will raise the salary limit and if that increase will be above the 2004 limit but below the Obama administrations preferred level.

To further complicate matters, many large employers have already raised the pay of some employees over the \$47,476 threshold, having determined that this would be more cost-effective than paying overtime. As these employers are unlikely to reverse the pay increases they may be more likely to approve a compromise which would extend the salary increase to their smaller rivals.

Debates over the legality of a salary limit, authority over setting limits and what those limits should be are expected to stretch into President Elect, Trump's administration with workers and employers alike left waiting for answers.

**Airbnb v. New York City-** According to the Wall Street Journal, Airbnb Inc. has dropped their lawsuit against New York state and turned their focus on New York City where New York Governor, Andrew Cuomo recently signed a bill that enforces fines up to \$7,500 for hosts found in violation of a 2010 law. New York legislators say that the law, which prohibits rentals of under 30 days for properties in multiunit New York City Buildings if the owner or tenant isn't home during the guest's stay, is meant to protect housing prices by opening up more dwellings to full-time residents. Spokesmen for Airbnb have said that its business both keeps the cost of tourism low and provides thousands of middle class families with the opportunity to earn a little extra money through home sharing. They believe the law unnecessarily affects many otherwise honest hosts and are working with New York City officials to find a compromise that could lessen its impact. If this law remains in place it could cripple Airbnb's business (estimated to be worth \$30 million in 2016) in its largest global market. A formal hearing is planned for December 17<sup>th</sup>.

Other jurisdictions including San Francisco, CA have questioned their own short-term rental legislation in light of the popularity of Airbnb and other home-sharing and short-term rental platforms. As reported by the American Hotel & Lodging Association (AHLA) the Hotel Council of San Francisco and the hospitality union UNITE HERE Local 2 have supported an amendment which would identify illegal short-term renters whose units could be made available for long-term housing and end what they term "rampant abuse of San Francisco's home-sharing laws."

According to the Miami Herald fines for short-term rentals (prohibited by zoning laws) in Miami Beach, FL have reached \$20,000. Yet, for some, the fines are worth it in order to stay in the booming business. During major events, short-term rental platforms have proven effective in providing an additional supply of temporary housing options needed to support the influx of visitors. Still, the city of Miami Beach feels that short-term rentals should play a very limited role in the makeup of the city and leaders in the local tourism industry feel that they should be on an even playing field with hotels, paying taxes and complying with regulations. Like New York City, real estate experts in Miami Beach fear that short-term rentals decrease the pool of properties available for long-term rental-reducing housing options for the year-round work force.