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CHANGES IN SELECTED ECONOMIC AND SOCIAL
INDICATORS ASSOCIATED WITH THE ESTABLISHMENT OF CASINOS
IN THE CITY OF DETROIT: A CASE STUDY

presented by

Omar Moufakkir

has been accepted towards fulfillment
of the requirements for

P.h.D. degree in Park, Recreation and
Tourism Resources

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Major professor

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CHANGES IN SELECTED ECONOMIC AND SOCIAL
INDICATORS ASSOCIATED WITH THE ESTABLISHMENT OF CASINOS
IN THE CITY OF DETROIT: A CASE STUDY

VOLUME I

By

Omar Moufakkir

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ABSTRACT

CHANGES IN SELECTED ECONOMIC AND SOCIAL INDICATORS ASSOCIATED WITH THE ESTABLISHMENT OF CASINOS IN THE CITY OF DETROIT: A CASE STUDY

By

Omar Moufakkir

Several cities have introduced casino gaming in their jurisdictions in the hope of increasing tax revenues, employment and tourism activity. Although legalized casino gaming has emerged as a popular alternative economic development strategy for communities of all sizes, it remains controversial. Those who advocate gaming argue that it has positive economic impacts, but casino development opponents disapprove and raise issues concerning the social impacts of casino gaming on people and communities. Relevant studies present mixed results in part because of differences across communities and/or scale and type of casino development involved.

Detroit, one of many economically troubled cities, has adopted casino gaming as an economic development strategy, which is designed to enhance the city's tourism and entertainment offerings. The passage of Proposal E by Michigan voters allowed the city to establish up to three land-based commercial casinos. The first Detroit casino opened in 1999. Detroit provides a new setting in which pre and post casino gaming development can be examined. Thus the focus of this study was to investigate changes in selected social and economic indicators following the establishment of casinos in the City of Detroit.

The embedded single-case study, the single group time-series and time-series with non-equivalent control group designs were the research techniques employed in this study.

Findings of this study suggest that Detroit's casinos are relatively effective in contributing to the tourism activity in the community and in generating tax revenues for government. Twenty-one percent of casino visitors were non-locals. Conservatively, these visitors contributed an estimated \$165 million to the local economy, generated \$60.6 million in personal income, \$98.2 million in value added and over 7,500 direct jobs and over 4000 indirect jobs. In 2001, the three casinos generated \$1.6 billion in gross gaming revenue and \$181 million in taxes for the City of Detroit and the State of Michigan. In 2000, \$73 million in gaming revenues remained in Detroit that would have otherwise been spent at Casino Windsor in Michigan across the border in Canada.

Also, findings suggest that crime did not increase following casino gaming development. Bankruptcy filings in Detroit did not increase immediately after the casinos opened in the city but did increase in 2001. However, these figures should be interpreted cautiously because of the events of 9/11/2001 and the emergence of a significant economic recession.

Results of this study generally support casino gaming development. However, to generalize beyond the data considered in this study is not advisable. There is a need to examine a host of additional variables for a more comprehensive analysis.

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CHAPTER I

FRAME OF REFERENCE AND PROBLEM STATEMENT

Introduction

The fiscal situation of cities in the United States varies greatly from one to another and, to some extent, from one region to another. Many growing cities enjoy relatively good fiscal health. However, a number of the larger, older cities have experienced severe distress and urban problems. States' budgetary shortfalls are the primary reasons for policy makers considering strategies to broaden their economic base and thereby generate more tax revenue. One strategy that has often been embraced by governments as an economic development catalyst is tourism. One aspect of tourism that has received much attention since the 1990s is casino gaming.

Communities have embraced casino gaming for two main reasons: the first is to generate more tax revenue and employment by attracting more tourists; the second is to keep local gaming money at home. However, although more than half of the states have introduced legislation related to gaming since the late 1980s, whenever and wherever casino gaming legislation has been introduced and discussed, heated debates have arisen between advocates and adversaries of gaming because it is a moral, religious, economic, political, and social issue.

In the early 1990s, Michigan was the 11th state to legalize casino gaming. While Michigan has more than 17 Indian casinos, the passage of Proposal E, in 1996 (See Appendix A), allowed the City of Detroit to develop up to three commercial casinos.

However, debates about the probable social and economic impacts of the casinos on the local community have not been settled.

Urban Problems

Since the 1950s, even though the nation has been generally prosperous, not all regions, cities, or subgroups of the population have done well economically (Levy, 1997). Many distressed urban cities have had to face massive problems of industrial decline, a shrinking tax base, urban sprawl, a breakdown in family structure, racial tensions, crime, and drugs. Cities, such as Camden, Chicago, Cleveland, Detroit, Gary, Los Angeles, Newark, Miami, and New York, to mention just a few, have been struggling to overcome these urban crises (Keating and Krumholz, 1999). “Caught in the squeeze between the cost of providing services and citizens’ resistance to being taxed, broadening the tax base by bringing in new commercial and industrial activity looks like an attractive course of action [for governments] (Levy, 1997, p. 224).”

Redevelopment and Urban Strategies

All cities make serious efforts to broaden their tax base and promote their own economic development. There are over 15,000 organizations in the United States devoted to promoting local and state economic development (Levy, 1997). To stimulate development/redevelopment, cities have adopted several urban planning strategies. To attract commercial and industrial activity, some cities have offered desirable firms/corporations an attractive subsidy for locating in their respective communities; others have launched massive publicity campaigns to promote themselves as good

investment locations, and still others have looked for various ways to diversify their economic base (Yeoman, 2001), including the development of tourism (Gartner, 1996). According to Gartner (1996), any industry that creates employment opportunities and brings money into an area is an economic development stimulus. Economic development:

Is a political priority in most communities because it is viewed as a means of enlarging the tax base. The enlargement provides more tax revenues that governments can use either to improve the community's infrastructure, facilities, or to reduce the level of taxes paid by existing residents. It is seen also as a source of jobs and income that enables residents to improve their quality of life (Crompton, 1999, p. 2).

Tourism as One Strategy for Economic Development

Tourism is often touted as an economic stimulus agent for regional development, because it results in export outlays for food, lodging, transportation and other goods and services (Gartner, 1996). This export activity generates an inflow of revenue from tourists which, in turn, causes activity in local service industries to change by a multiple of the original stimulus as the new influx of funds is spent and re-spent in the local economy (Crompton, 1999).

All tourists travel for different reasons; therefore, there are different types of tourist destinations with which people are familiar. One category of destination is the town or city. Tourism that takes place in these areas is referred to as *urban tourism* (Getz, 1991). According to Getz, urban tourism has grown steadily in recent years, fueled by a growing interest in such cultural activities as visits to theaters, museums, and art galleries, as well as interest in historical architecture and opportunities for shopping. Because of the rich variety of activities and attractions offered by cities, most travel to cities is multipurpose, and thus, cities realize a greater return from tourists to urban areas

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than do all other destinations. Urban tourism has become a very important type of tourism. Cities offer a wide variety of cultural, artistic, and recreational experiences. This offering varies from opera performances to sports events; from art exhibitions to nightclubs; and historical visits to visits to casinos (Pearlman, 1997).

Casinos as an Aspect of Tourism Development

To stimulate development/redevelopment, several urban planning approaches have been used, including the development of office buildings, theaters, hotels, sports venues, convention centers (Brezina, 1999), and casinos (Pearlman, 1997). Several cities have turned to casino gaming as a strategy for generating more employment and tax revenues (Eadington, 1996). Casino gaming has become recognized as a legitimate sector in the tourism industry (Boger, 1994). In late 1988, there were only two states in the United States of America with legal operating casinos. Currently, according to the American Gaming Association (2000), some form of casino gaming exists or has been approved to operate in 31 states. There are more than 470 commercial casinos operating in 11 states. The first casino opened its doors in Nevada in 1931. In 1978, New Jersey was the second state to legalize casino gaming. It was not until 1989 that other states started authorizing casino gaming in their jurisdictions. From 1989 to 1998, nine additional states (Colorado, Illinois, Indiana, Iowa, Louisiana, Michigan, Mississippi, Missouri and South Dakota) authorized commercial casino gaming. Additionally, approximately 160 Native American casinos operate in 27 states (American Gaming Association, 2000).

Legalized casino gaming has become mainstream and is growing (Travel Industry Association of America, 2001). More Americans engage in casino gaming today than ever before. Thirty percent of U.S. households gambled at a casino in 1999 (American Gaming Association, 2000). According to the Travel Industry Association of America's *Economic Review of Travel in America 2000 Edition*, revenues from the four major industry segments (Nevada, Atlantic City, Riverboats and Native American Gaming) grew 13.3 percent in 1999, and reached \$29.8 billion. Casino gaming generated an estimated \$3 billion in total tax revenues in 1999.

Casino Development Impacts and Issues

Although legalized casino gaming has emerged as a popular alternative economic growth strategy for communities of all sizes, casino development has remained controversial. While the "factors behind the spread of legalized [gaming] are fairly clear, (...) the consequences of adopting [gaming] as part of an economic development strategy or as a revenue-raising tool continues to be debated (Chadbourn, Walker and Wolfe, 1997, p. 3)." Those who advocate gaming argue that it has positive economic impacts, but opponents are increasingly questioning the arguments promoted by casino officials and local public officials raising issues related to the economic, as well as, social impacts of casino gaming on people and communities (Stokowski, 1996). Casino development is not only debated on economic and social grounds but also on moral/religious beliefs (Cabot, 1996).

The National Gambling Impact Study Commission (1999) explains that, like other forms of tourism development, gaming has both positive and negative consequences for

communities. Researchers have demonstrated that social, cultural, political, and environmental impacts are equally likely to occur (Stokowski, 1996).

From a public policy standpoint, most of the debate about the development of casino gaming hinges on the following four central issues:

- a. Economic contribution to the community,
- b. Crime in the community and neighboring communities,
- c. Social pathology, and
- d. Impact on people and business, and resultant bankruptcy.

Central questions related to these four issues are: Does the establishment of casino gaming:

- a. Attract new dollars to the community?
- b. Affect crime?
- c. Affect social problems?
- d. Affect bankruptcy filings?

a. Economic contribution to the community

Advocates of casino gaming maintain that casinos are a key attraction that can stimulate and revitalize a community's economy, particularly its tourism industry (Cabot 1996). According to Eadington (1996), the opening of a casino, or casinos, in a region that previously had no legal casino gaming, "has tapped a substantial latent demand for the activity (p. 4)." Many recently legalized casino jurisdictions, such as Windsor and Montreal, the Gulf Coast and Tunica County in Mississippi, Foxwoods in Connecticut, or Joliet and Elgin in Illinois, he explains, have experienced surprising revenue and visitation rates. On the other hand, opponents (e.g., Grinols and Omorov, 1996) argue that 80 percent to 90 percent and more of the bulk of casino revenues comes from residents. Considering the added costs of casino gaming, they argue, it appears that the costs outweigh the benefits, and thus, maintain that casinos are not a viable option for economic development. Dovel (1996), for example, argues that casinos cannibalize sales

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from cinemas, restaurants, and other businesses that depend on discretionary dollars. Restaurants in many states have reported that their revenues dropped in response to the opening of a nearby casino, and many restaurants have closed. Grinols and Omorov (1996) found that casinos are associated with a drop in general merchandise and miscellaneous retail and wholesale trade within ten miles of the casino and combined sales five to ten miles away from the casino were harmed by the existence of casinos. Thus, while those who support casino gaming argue that casino development is a good economic impact catalyst, adversaries explain that regional economic development does not appear to be an important reason to turn to casino gaming.

b. Crime in the community and neighboring communities

Besides economic development, the other most frequently considered gaming development issue on the public policy agenda is crime (National Gambling Impact Study Commission, 1999). Studying the legalization of casinos in the United States, Dombrink and Thompson (1990) found that crime potential was a central issue in more than half of the twenty-two state gaming campaigns evaluated. In the late 1980s, when the operation of riverboat casinos was approved in Iowa and Illinois, and in 1990-1991, when small casinos were opened in South Dakota and Colorado, there was not much debate on the relationship between casinos and crime; however, in 1992, debate about the relationship between crime and gaming was brought to center stage when Chicago's mayor embraced a proposal to build a casino in downtown Chicago. In the resulting debate, opponents of the project raised the crime issue in order to generate public support for their opposition to the initiative (Margolis, 1997). Gaming opponents have since



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raised this issue in other jurisdictions, including Missouri, Indiana, Florida, Maryland, Massachusetts, Louisiana, New York, Ohio, Pennsylvania, and more currently, Michigan.

On a national level, organized opposition to casino gaming has made the crime issue a major point on the political agenda. Opponents of casino gaming claim it increases crime in three principal ways. First, they claim that people steal to support dysfunctional gambling habits. Second, gambling may attract criminals because it is a cash industry and can be used to exploit people. Third, they argue that criminal activity may increase because crowds draw petty thefts (Cabot, 1996).

Street crime near casinos has been the concern of several studies. Street crime involves crimes against the person or property of citizens and patrons, such as robbery, burglary, assault, rape, theft, murder, and similar crimes (Miller and Schwartz, 1998). According to opponents of casino gaming, the casino environment attracts criminal elements. Potential reasons why casino gaming may increase street crime include increased visitor counts, substantial amounts of cash being carried by those visitors, and increased traffic congestion (Albanese, 1995). Environmental criminologists refer to places that attract criminal activities as “hot spots”. The hot spots theory, originated by Spring and Block (1988) argues that certain places (e.g., the Mall of America, Garcia and Nicholls, 1995) and businesses (e.g., bars and blocks, Roncek and Maier, 1991) are more crimogenic than others.

On the other hand, casino gaming may lower street crime if it reduces unemployment in the area surrounding the casino, reduce illegal gambling, or increase visitor security (Albanese, 1994). Casino proponents suggest that the legalization of

gambling can help eliminate illegal gambling thereby allowing the police to reallocate their resources toward other crime prevention and law enforcement (Cabot, 1996).

Empirical studies (e.g., Albanese, 1985; Friedman, Hakim, and Weinblatt, 1989; Hakim and Buck, 1989) have suggested that total criminal offenses and property crimes, in particular, increased after casinos opened in Atlantic City. In the more rural gaming areas of Deadwood, South Dakota; Black Hawk, Central City; and Cripple Creek, Colorado, residents perceived that crime had increased when casinos were introduced (Long, Clark and Liston, 1994). Stokowski (1996) found that the total number of criminal offenses and arrests increased after gaming began, contrary to crime patterns across the State of Colorado during the same period. More recent studies (e.g., Margolis, 1997) found little evidence to support the notion that the presence of casino gaming in a community has any meaningful impact on crime rates.

Unadjusted statistics show increases in crime incidents with the introduction of casinos in many—but not all—jurisdictions (Cabot, 1996). According to Cabot (1996), jurisdictions considering casino gaming should recognize the likelihood that casino gaming, like any other tourist activity, may result in more street crime simply because of the increase in the number of visitors in the jurisdiction. An increased volume of criminal acts occurs in other tourist jurisdictions where a new tourist industry creates major attractions. For example, Orlando, Florida, experienced more crime after the opening of Disney World (Cabot, 1996). Any event that brings together a large number of people in one spot offers the potential for increasing the volume of crime (Miller and Schwartz, 1998). Miller and Schwartz (1998, p. 8) argue that, with regard to crime, “there is no reason to believe that gambling casinos are different from any other tourist attraction.”

Other researchers (e.g., Thompson, Gazel and Rickman, 1996; Volberg, 1994) have indicated that there is an association between compulsive gambling, crime, and social ills. It is argued that addiction to gambling may lead to crime. Compulsive gamblers may often turn to illegal activities to support their addiction, finance gambling, or pay gambling debts (Lesieur, 1992).

c. Social pathology

The third most addressed issue in the casino gaming development agenda is problem gambling and its cost and impact on families. Compulsive or pathological gambling remains the most real and serious side effect of gambling legalization (National Gambling Impact Study Commission, 1999). Proponents of gaming argue that gaming is generally a form of entertainment practiced *responsibly* by millions of Americans (American Gaming Association, 2000). But, gaming opponents, on the other hand, argue that the vast majority of those who gamble have problems related to gambling and that a large portion of the revenues from expanded casinos come from problem and pathological gamblers (Grinols and Omorov ,1996). These authors say that about one-half of casino revenues come from problem and pathological gamblers. The proliferation of casinos, according to those who are against gaming, enhances the rate of people with gambling problems (e.g., WKAR, Wednesday 24, 2001). Studies of problem/pathological gambling provide varying estimates of its incidence (National Gambling Impact Study Commission, 1999).

d. Impact on people and business, and resultant bankruptcy

The fourth issue considered by public policy gaming debates is the possible increase of bankruptcy filings in the community due to the opening of casinos. Two major factors are perceived to contribute to this. First, an increase may take place because gambling is addictive, and therefore, the more casinos the more addicted people; the more addicted people the more money problems; and the more money problems the more bankruptcy filings. Second, because casinos entice people to spend more time and money inside casinos, existing neighboring businesses may lose business and be forced into bankruptcy. This occurs when out-of-area visitors spend less money at businesses adjacent to a casino, or when locals spend money in a casino instead of other community businesses. This phenomenon is referred to as cannibalization. Cannibalization means reduced expenditures captured by other businesses due to increased expenditures on casino gaming (Gazel, 1998). Thus, it is argued that, “The gambling enterprise cannibalizes existing businesses, stealing their customers and revenues. At the same time, gambling establishments bring new social costs that are inevitably paid by other businesses (Oddo, 1997, p. 8).” Investigating the impact of Indian casino gaming on state revenue, Gary and Siegel (1998) found that four major sectors appeared to experience revenue displacement: retail, restaurants and bars, hotel/motel, and amusement entertainment.

National Gambling Impact Study Commission

The increase in local opposition to gambling, as witnessed by the defeat of more than 25 gambling initiatives since 1991 (Chadbourne, Walker and Wolfe, 1997), coupled

with growing questions regarding its social side effects and ability to deliver on its economic promises, led Congress in 1996 to create a national commission to study gambling. The Commission undertook a national and comprehensive study focusing on the impact that gambling has had on people and communities. The database of the study covered the period of 1980 to 1996. For each community (about 100 were selected), data were assembled on: (1) social problem indicators including, per capita crime levels (by crime type), unemployment rates, divorce rates, child abuse and domestic violence cases brought to the attention of agencies, and welfare case loads, and (2) economic indicators including: employment levels, unemployment rates, average earnings, government revenues and bankruptcy rates, government expenditures on criminal justice, and related services.

The National Gambling Impact Study Commission issued its research report in June, 1999. Commissioners reported that the “metamorphosis” of gambling in general--from an amoral activity to a recreational activity--clearly has had a significant economic and social impact on individuals, communities, and the country at large. The Commission unanimously acknowledged the complexity of the gambling issues, and pointed out that, “along with the real benefits of gambling come equally undeniable and significant costs (p. 7-2).” The impacts of gambling, in general, “are much too complicated for even the most sophisticated economic models” (National Gambling Impact Study Commission, 1999, p. 7-29). However, the Commission recognized that more research can lead to greater understanding and more informed policy.

Literature Synthesis Matrix

Spurred by the proliferation of casino gaming, the public and policy-makers are questioning whether the legalization and establishment of casino gaming is good for their communities, counties, and states. A literature synthesis matrix (Table 1) highlights central arguments of casino gaming opponents, gaming advocates, and findings of the National Gambling Impact Study Commission (1999), as related to the following nine issues: tourism, jobs, taxes, bankruptcy, crime, prevalence of pathological gambling, social costs of problem and pathological gambling, total social costs, and substitution. The matrix provides a summary and insights into the existing controversy of the economic and social issues that shape the debate about casino gaming development and provides a framework for understanding the complexity of these issues. The National Gambling Impact Study Commission's study is included as a more neutral, balanced, and objective perspective because:

- a. It is a comprehensive/national study that includes several case studies.
- b. Several research bodies participated in this project. Research subcommittees were selected to conduct specific studies.
- c. Subcommittees used several information sources, extensive literature reviews, and different research methods in their respective studies.

(See Chapter II Review of Literature for more detailed information).

Table 1. Casino gaming development issues/arguments: Three different perspectives.

Issues	Casino gaming opponents' selected arguments	Casino gaming advocates' selected arguments	National Gambling Impact Study Commission's findings
Tourism	<p>The gambling population is a local resident population (Kindt, 1994).</p> <p>In Illinois, as in other states who enjoy a casino monopoly, casinos get 80% to 90% of their revenue from residents (Grinols and Omorov, 1996).</p>	<p>Legal casino gambling is viewed as a means to increase the number of tourists and the amount that they spend (Cabot, 1996).</p>	<p>The largest casinos reported that more than 90% of their patrons traveled more than 50 miles to the casino; the corresponding percentages for the smaller non-tribal and tribal casinos were 57% and 56%, respectively.</p>
Jobs	<p>Employment is taken away from traditional businesses that may provide a community benefit to an addictive activity that produces only social costs (Goodman, 1994).</p>	<p>Gaming jobs have a multiplier of 1.7, meaning that for every one casino job, there are 1.7 other jobs created, many in support businesses that serve the casino (Cabot, 1996).</p>	<p>Not available</p>

Table 1. Casino gaming development issues/arguments: Three different perspectives (continued).

Issues	Casino gaming opponents' selected arguments	Casino gaming advocates' selected arguments	National Gambling Impact Study Commission's findings
Taxes	<p>The costs of externalities caused by casino gaming, such as dysfunctional gambling, will exceed the expected tax revenues (Grinols and Omorov, 1996).</p> <p>Given their tax exempt status, Indian casinos may divert revenue from taxable sectors of the economy (Anders, Siegel and Munther, 1996).</p>	<p>Jurisdictions may extract large sums of tax money from casino gaming (Cabot, 1996).</p>	<p>Larger and smaller non-tribal casinos paid about 13% in taxes and tribal casinos paid 18% of revenues to tax authorities (Much of the higher percentage among the tribal casinos may be due to payments to tribal units).</p>
Bankruptcy	<p>The 298 US. Counties which have legalized gambling within their borders had a 1996 bankruptcy filing rate 18% higher than the filing in counties with no gambling – and the bankruptcy rate was 35% higher than the average in counties with five or more gambling establishments (SMR Research, In AGA, 2000).</p>	<p>The majority of states with the highest bankruptcy rates are those with no casino gaming. Of the 24 counties in the United States with the highest bankruptcy filing rates, none has casino gaming (AGA, 2000)¹</p>	<p>The casino effect is not statistically significant for bankruptcy.</p>

¹American Gaming Association.

Table 1. Casino gaming development issues/arguments: Three different perspectives (continued).

Issues	Casino gaming opponents' selected arguments	Casino gaming advocates' selected arguments	National Gambling Impact Study Commission's findings
Crime	The introduction of casino gaming in Wisconsin is associated with increased crime. The rates of major crimes in counties with casinos were 6.7% higher than they would have been in the absence of casinos (Williams et al., 1996).	Communities with casino gaming are as safe as communities that do not have casinos (Margolis, 1997).	The casino effect is not statistically significant for any of the crime outcome measures.
Prevalence of pathological gambling	Not available	1.9 percent (NORC, 1999).	0.9 percent (NRC) ²
Social costs of problem and pathological gambling	\$10,000-\$80,000 per pathological gambler per year (Kindt, 1994). Problem and pathological gamblers create social costs of between \$110 and \$340 per adult per year when averaged over the entire population (Grinols and Omorov, 1996).	Not available.	\$900 per pathological gambler per year.

² National Research Council.

Table 1. Casino gaming development issues/arguments: Three different perspectives (continued).

Issues	Casino gaming opponents' selected arguments	Casino gaming advocates' selected arguments	National Gambling Impact Study Commission's findings
Total social costs	At least \$8 billion per year (Kindt, 1994).	Not available.	\$5 billion to 6 billion (NORC, 1999). ³
Substitution	Gambling only diverts dollars from existing businesses to gambling enterprises (Goodman, 1994).	There is no tangible evidence of the alleged "substitution effect" when applied to the casino gaming industry, because findings point to an overall increase in recreation spending of \$54.2 billion between 1990 and 93. Of that, \$3.2 billion was attributed to casino gaming. Casino gaming is not merely replacing other industries, because other recreation sectors are growing as well (AGA, 2000).	"The preponderance of empirical studies indicate claims of the complete cannibalization of preexisting local restaurants and entertainment facilities by a mere shift in resident spending is grossly exaggerated".

The literature is divided on the social and economic benefits and costs a casino brings to a given community. It is argued that, historically, communities have embraced or rejected gambling based upon perceived social and economic impacts, concerns about

³ National Opinion Research Center, 1999.

criminal activities, and moral positions. When advocates of legalized casino gaming make their arguments for advancing the merits of and lifting prohibitions on gaming, they typically advance economic arguments, the most common of which are that gaming will produce tax revenues and jobs for the community and generate tax revenues. Opponents of gaming development, on the other hand, offer moral, social, and economic arguments to support their position.

The National Gambling Impact Study Commission (1999), a third party which may be considered more neutral and, therefore, more objective because of the scope of its research, strongly acknowledges that: “No reasonable person would argue that gambling is cost free (p. 7).”

Several differences across the studies in the published literature may account for the inconsistent conclusions drawn from their results including:

- The nature of the gaming community – is the community rural or urban, big or small, and in close proximity to a large population or not? Is the community a gaming destination with multiple casinos or one that offers only one casino?
- The nature of the casino – does it offer only gaming or is it a full resort-conference center complex with gaming?
- Is it an Indian casino, a land-based commercial casino, or a riverboat casino?
- Is the casino location in close proximity to population centers, considered as a stop-over or a primary destination/attraction?
- What is the research methodology?
- The gaming position of the researcher –does the researcher generally oppose or support gaming?
- Who is sponsoring the study –is it a private consulting firm, a non-profit organization?
- What is the purpose of the study?

Factors, such as the aforementioned, have a significant impact on the outcome of the research and, of course, how results are presented.

Furthermore, not all casinos are equally successful business ventures; some have gone bankrupt and others are struggling to cope with the competition, while still others are highly profitable and expanding. Several casinos in Colorado, for example, filed bankruptcy, and the permanent casino in New Orleans never re-opened while the temporary one went bankrupt. The success or failure of a casino is a result of several interacting factors such as management, marketing, acceptance/rejection of gaming by the host community, competition, and government regulations.

Casino Gaming Development in Detroit

The debate about the casino gaming establishment in Detroit started in the 1980s (Trebilcock and Foster, 1999). A study commissioned by the then Governor Engler contributed to the legalization of land-based casinos in the City of Detroit. The Governor's Blue Ribbon Commission on Michigan Gaming was created on September 8, 1994, to assess the issue of expansion of gaming in the state. The Commission created three committees: Economic Impact, Social Implications, and Legal and Regulatory Issues.

The report of the Commission was released in April 1995.

The Economic Impact Committee argued that the expansion of gaming in Detroit would offer the opportunity for vitally needed economic development as well as additional revenue for state and local governments. According to Deloitte & Touche's study *Economic Impacts of Casino Gaming on the State of Michigan*, which is included

as Appendix A in the Commission's report, if gaming is not expanded, Michigan will continue to watch \$669.52 (\$584.7 in the casino and \$85.2 on other goods and services in the Windsor area) million a year flow out of the state to Windsor, Ontario, Canada, without any tax benefit to the state. As indicated in Table 2, additional millions of dollars would go to other gaming communities.

Table 2. Michigan resident gaming expenditures in competitive gaming communities.

Competitive gaming location	Estimated Michigan resident gaming expenditures
Windsor	\$810,779,000
Indiana	669,952,000
Las Vegas	53,752,000
Atlantic City	33,694,000
Total	1,568,177,000

Source: Governor's Blue Ribbon Commission on Michigan Gaming, 1995, p. 22.

This leakage of gaming dollars to casinos located outside of Michigan had negative impacts on the state and local communities (Governor's Blue Ribbon Commission on Michigan Gaming, 1995). In addition, based on a 20 percent tax, \$185 million a year or more could be generated for state and local governments. Moreover, expansion of gaming could lead to an annual direct employment increase of 4,782 full-time jobs at an average wage of \$27,400 a year. In addition, Deloitte & Touche estimated that the casinos could be expected to spend an estimated \$91 million a year on Michigan goods and services, primarily on business services, wholesale, and financial services. The Institute of Public Policy Studies at the University of Michigan, whose mission was to evaluate and improve the impartiality and completeness of Deloitte & Touche's research, supported the latter's study. Both bodies argued that casinos would not only generate

revenue, attract tourists, and provide jobs, but also offer the opportunity for thousands of Michigan gamers to be able to game at home.

The Social Implications Committee argued that when gaming is introduced to a community, tourism would grow initially but then level off and remain steady. Furthermore, while more visitors may come into a community, existing businesses do not necessarily benefit. Hotels may profit, but restaurants off the casino premises and other retail businesses would be hurt. Visitors apparently come to gamble and do not frequent near-by business establishments.

All three Commission committees unanimously recognized problem gamblers and the probable increase in crime as obstacles to be overcome. The Social Implications Committee suggested that:

Since problem gamblers will no doubt find a way to gamble, those living in Michigan are probably already feeding their habit, either in Windsor, in Illinois, at Las Vegas, in the state lottery or at the race tracks. . . . Putting up casinos here surely makes this problem worse, but probably not much worse than it already is (Governor's Blue Ribbon Commission on Michigan Gaming, 1995, p. 12).

Concerning the issue of crime, particularly crime in the streets, "it is hard to imagine a higher crime rate in cities, such as Detroit. Detroit street crime is already quite high, and one might even argue that putting more people on the streets of Detroit will lower, not raise crime (Governor's Blue Ribbon Commission on Michigan Gaming, 1995, p. 12)." However, the Commission concluded that, generally, crime could be expected to increase when gambling is introduced into a community. The Commission's study indicated that bank robberies increase; prostitution rises slightly; drug-related crimes increase slightly, and driving under the influence of alcohol increases.

The Legal and Regulatory Issues Committee claimed that crime would increase with the expansion of casinos in Michigan. The influx of visitors would enhance violent crime. There would be an increase in internal casino crimes such as bad checks, credit card fraud, counterfeiting, and other types of white collar crimes. The Committee had concerns about gambling addiction, juvenile crime, homeless problems and the establishment of undesirable businesses. However, the Committee mentioned that if gaming were to expand in Michigan, the authorities should be adequately prepared to minimize the costs. The Committee also called for regulations for the operation and management of Indian casinos and declared that:

It is the Department of State Police position that if casino gaming is to be legalized in Michigan, state government should take responsibility for establishing appropriate state level regulatory and enforcement entities to minimize criminal activity and protect public safety (Governor's Blue Ribbon Commission on Michigan Gaming, 1995, Appendix C, p. 1)."

Furthermore, regulatory and enforcement efforts and increased costs associated with those efforts must be paid for by the gaming industry rather than using existing general funds.

The controversy about the potential economic and social impacts of casino gaming did not stop the development of casinos in the City of Detroit. On November 18, 1996, the passage of Proposal E allowed the City of Detroit to authorize development of up to three land-based casinos.

Like many other cities, the City of Detroit has embraced casino gaming as a strategy for additional tax revenue and for economic growth. After the passage of Proposal E three land-based casinos were established in Detroit. Proposal E did not settle the debate over casino establishment in the city. Mayor Archer appointed a Casino

Advisory Committee on November 13, 1996 following the approval of proposal E, to study, among other agenda items, the casino gaming industry and its potential effect on the economic and social well-being of the City of Detroit. After conducting public hearings in Detroit, visiting casinos in a variety of gaming jurisdictions, and visiting with casino regulators in other states to learn from their experiences, the Advisory Committee issued its report on June 12, 1997. The Mayor adopted the Committee's recommendations and approved the opening of three land-based casinos in the city.

MGM Grand Casino opened on July 29, 1999, Motor City Casino opened on December 19, 1999, and Greektown Casino on November 10, 2000. The decision to establish casinos in the city was based on feasibility studies and experiences from other gaming jurisdictions. However, no comprehensive, academic study assessing the changes in selected social and economic indicators following the establishment of the casinos in the city has yet been conducted.

Problem Statement

The problem of this study was to investigate the changes in selected economic and social indicators following the establishment of casino gaming in the City of Detroit. Included in this study was an attempt to identify how the gaming community could mitigate associated problems and facilitate on benefits and opportunities.

This study was delimited to five primary research questions and propositions.

Study Questions

1. How effective are the Detroit casinos in attracting tourists?
2. Do Detroit casinos curb the gaming dollar flow to Casino Windsor?
3. How close are the feasibility study estimates of key performance measures to actual operating results?
4. How is crime volume affected by the establishment of casinos in Detroit?
5. Do bankruptcy filings increase in Detroit following the opening of the casinos?

Study Propositions

A proposition is a term common to the case study literature. The study propositions in the case study delimit what will be investigated in the case study. They reflect what is proposed by the researcher to be investigated. The following propositions were the underpinning of this study:

1. Tourist dollars and volume are expected to increase as a result of casino development in the City of Detroit.
2. The gaming dollar flow to Windsor is expected to decrease as a result of casino development in the City of Detroit.
3. The feasibility estimates of key casino performances are higher than actual results.
4. Crime is expected to increase as a result of casino development in the City of Detroit.
5. Detroit bankruptcy filings are expected to increase following the development of casinos in Detroit.

Purpose of the Study

The opening of land-based casinos in the City of Detroit provides a fresh opportunity to examine the changes that occur in selected economic and social indicators after the establishment of casinos in a community and to objectively contribute to the debate over the changes that take place following the establishment of casinos. This study allows a scientific examination of benefits and disbenefits that are associated with the establishment of casinos. Results may help policy makers formulate sound decisions concerning the development of casinos in their respective jurisdictions. They may also help communities with casinos to mitigate associated problems and take advantage of associated opportunities.

CHAPTER II

LITERATURE REVIEW

This chapter is divided into seven sections: urban problems and redevelopment strategies; tourism as one strategy for economic development; casinos as an aspect of tourism development; casino development impact and issues; crime; an overview of gambling in Michigan, and case study research methods. These were reviewed to: (1) establish a conceptual framework for this study, (2) to identify the most relevant variables to explore, and (3) to develop appropriate methods to guide analyses.

Urban Problems and Redevelopment Strategies

In this section, the focus is on urban planning theory, Detroit and its urban crisis, and Detroit and its urban development.

Introduction

Cities have always had a plethora of financial, technical, and intellectual resources that have made them an important factor in the history of mankind (Gartell, 1988). According to Levy (1997), planning for economic development is an old American tradition. The impetus for this came largely from local merchants, whose primary motivation was to promote commerce and development that would boost profit and property values. More often, however, “such planning efforts were directed toward the transportation infrastructure—to increase accessibility of the city (Levy, 1997, p.

225).” In the nineteenth century, many cities took steps to strengthen their competitive position with other cities. The building of the Erie Canal is the best-known example from that era. In the 1820s, a group of New York merchants thought that obtaining good access to the Midwest would yield an enormous economic advantage to the city. The building of canals was a matter of municipal initiative, “each city trying to steal a march on its competitors (Levy, 1997, p. 225).”

The age of canal building ended with the coming of the railroad. Many of the early railroads were built with municipally raised funds. After the Civil War period, competition switched to the textile industry. The twentieth century spawned the service and information technology era.

Industrialization and the new global economy have reinforced the idea of the city as a kind of commodity to be marketed, promoted, and sold (Hall and Hamon, 1996). Cities have adopted several strategies for competing and broadening their economic base. For example, governments have offered big corporations millions of dollars in location incentives for potential economic development in their communities (Yeoman, 2001). Establishing a positive reputation and image is another strategy cities use to attract new businesses and people (Guetz, 1991; Hall and Hamon, 1996; Ritchie, 1993).

Throughout history, some cities have thrived while others have not (Levy, 1997). The rise and fall of American cities is a theme that has captured the attention of several scholars. For example, in The Origins Of The Urban Crisis: Race and Inequality in Postwar Detroit, Sugrue (1996) explains that in the United States, the post World War II period was one of great prosperity, but, even though the country was generally prosperous, not all regions, cities, or subgroups of the population fared well

economically. Several factors have exacerbated the decline of American cities, some of which have been a shift in manufacturing from downtown to the suburbs, the shift of the middle-class population to the suburbs, and the shift of the American economy toward services (Cooper, 1979). According to Sugrue (1996, p. 5): “It is only through the complex and interwoven histories of race, residence, and work in the postwar era that the state of today’s cities and their impoverished residents can be fully understood and confronted.” Similarly, Keating and Krumholz (1999) explain that high poverty rates in neighborhoods vary by race, ethnicity, and region, with the greatest concentrations found in predominantly minority areas of the older, central cities. In 1950, central cities contained 57% of metropolitan area residents and 70% of metro area jobs. By 1990, central cities contained only 37% of all metro area residents and 45% of all jobs (Mieszkowski and Mills, 1993). Between 1980 and 1990, the suburbs captured most of the net job growth in manufacturing employment, while central cities consistently lost manufacturing employment.

Before the Reagan years, the federal government returned large sums of money to local governments in the form of grants for capital and operating subsidies. In the 1980s and 1990s, Presidents Reagan and Bush cut direct spending on cities sharply (Levy, 1997). In 1980, federal contributions made up 18% of city budgets; by 1990, federal contributions had dropped to 6.4%. The result was a cutback in basic services at a time when cities were further challenged by rising tides of poverty and homelessness (Levy, 1997). Although the Clinton administration instituted both neighborhood and regional approaches to combat urban distress, the poverty and social problems of distressed urban neighborhoods in many cities persisted and deepened. “The gulf between affluent, newer

suburbs and declining central cities remains a continuing phenomenon across most metropolitan areas (Keating and Krunmholz, 1999, p. xiii).”

The urban crisis that was visible in the postwar era still remains visible in such areas as the “...shattered storefronts and fire-scarred apartments of Chicago’s South and West Sides; the rubble-strewn lots of New York’s Brownsville, Bedford-Stuyvesant, and South Bronx; the surreal vistas of abandoned factories along the waterfronts and railways of Cleveland, Gary. Philadelphia, Pittsburgh, and St. Louis...[and Detroit, Michigan] (Sugrue, 1996, p. 3).”

Several theories have been advanced to explain the condition of these cities and the persistence of inequality and concentrated poverty (e.g., the large literature on “urban underclass,” structural explanations, and politics and American social policy). However, there is no one simple explanation. “It is only through the complex and interwoven histories of race, residence, and work in the postwar era that the state of today’s cities and their impoverished residents can be fully understood and confronted (Sugrue, 1996, p.5).”

Of the cities that have been the focus of several urbanists, Detroit represents one of the outstanding examples of urban decline and distressed neighborhoods. In the 1940s, Detroit was America’s “arsenal of democracy,” one of its fastest growing cities and home to the highest paid blue-collar workers in the United States. Since then it has become plagued by unemployment, concentrated poverty, physical decay, and racial isolation (Sugrue, 1996).

Detroit and Urban Crisis

Detroit has become one of the country's most economically and socially troubled cities (Surgue, 1996). White flight and the shift of the middle-class population to the suburbs has exacerbated the economic crisis in the city. Two of the most racially uniform cities sit just a few miles apart in Michigan – one white, one black. With 96.5 percent of its residents listing their race as white, Livonia has the highest percentage of whites of any city of 100,000 or more people, and Detroit has the second-highest percentage of blacks in the nation, making up 82.8 percent of its residents. While Livonia was created by white flight, it has since remained a white community (Schmid, 2001, August 13, p.6B).

Businesses have followed the movement of the population out of the city to the suburbs. Declining resident populations in the city and loss of vital job-creating businesses have created a financial burden in the form of decreased property taxes, corporate and business taxes, and income and sales taxes. In the mid-1960s, more office space was under construction in the suburbs than in the city. Between 70% and 80% of commercial construction occurred outside the city during the 1960s. Oakland and Macomb counties saw increases in manufacturing jobs and service jobs which far surpassed that in Wayne County. This increase was 10.5% in Wayne County, 172% in Oakland County, and 128% in Macomb County. Factories that once provided tens of thousands of jobs to Detroiters now are empty (Keating and Krumholz, 1999).

Since the 1950s, Detroit has lost nearly a million people, as can be seen in Table 13, and hundreds of thousands of jobs. According to Census data, in the 1990s, the city's population was 1,027,974. In 2000, it was 951,270, representing a 7.5% decline from

1990. Comparing the population of blacks and whites, in 1910, the black population constituted 1.2% of the total population of Detroit; in 2000 that percentage increased to 81.6%.

Table 3. Detroit's population, 1910-2000.

Year	Total	% Black population
1910	465,766	1.2
1920	993,675	4.1
1930	1,568,662	7.7
1940	1,623,452	9.2
1950	1,849,568	16.2
1960	1,670,144	28.9
1970	1,511,482	44.5
1980	758,939	63.0
1990	777,916	76.0
2000	951,270	81.6

Source: U. S. Bureau of the Census.

In 2000, as well, over 38,000 or 10.3% of the total housing units were unoccupied. In 1990, unoccupied housing units numbered 35,970, 8.8% of total housing units in the city. Over sixty thousand lots lie empty. Over one-third (32.4%) of the city's residents live below the poverty level. Nearly one-half of related children under 18 live below the poverty level, and nearly one-quarter of persons 65 years and over live below the poverty level. In 2000, the unemployment rate in the City was 6.6% (U.S. Bureau of the Census).

Detroit represents a half-century of redevelopment efforts (Keating and Krumholz, 1999); however, the city remains "plagued with joblessness, concentrated poverty, physical decay, and racial isolation (...) A visit to the city's welfare offices, hospitals, and jails provide abundant evidence of the terrible cost of the city's persistent unemployment and poverty (Sugrue, 1996, p. 3)". Although the outlook for Detroit

appears bleak, researchers acknowledge ongoing efforts to save and rebuild the city. Critical to these efforts is the role of the federal government, private sector partnerships, and citizen participation (Keating and Krumholz, 1999).

Detroit and Urban Development

Several federal initiatives, strategies, and urban programs have been employed to revitalize the city, examples include: the 129-acre Gratiot Redevelopment Project, the Housing Acts, the War on Poverty, the Total Action Against Poverty, the Model Cities Program, the Public Housing and Urban Development programs, the Empowerment Zone, and the Renaissance Zone Program initiative. However, “The federal dollars provided by each initiative were never enough to achieve the desired outcome (Keating and Krumholz, 1999).”

In addition to federal efforts, the private sector has also played a role in Detroit’s urban renewal efforts. Private businesses invested billions of dollars in the city. The Big Three automobile manufacturers, General Motors, Chrysler Corporation, and Ford Motor Company have facilitated business development and job creation in the city (Keating and Krumholz, 1999).

According to former Mayor Archer, the Detroit of the future will be an exciting place to live in, visit, work and do business (Mayor Archer’s Administration Vision, 2002). His vision of Detroit is that of a thriving cosmopolitan center of entertainment and commerce for the 21st century, and the premier entertainment center of the Midwest. The city has a prosperous entertainment industry. Its diverse contemporary entertainment options provide business development opportunities for community investors and

entrepreneurs and employment opportunities for residents (Report to the Mayor's Casino Advisor Committee, 1997).

The major tourism-related attractions in Detroit are described below.

Riverfront/convention area:

The GM World Exhibit and the New Center Court Café (with 17 restaurants) opened in the Renaissance Center in downtown Detroit in 2000. The GM World Exhibits showcases many of GMs's new and classic vehicles. GM plans to add another 130,000 square feet of retail space in a five-story glass enclosed atrium overlooking the Detroit River.

Downtown sports/entertainment district:

Comerica Park, the new Detroit Tiger's downtown ballpark, opened in 2000. The ballpark can accommodate 40,000 spectators and includes a food court, restaurants, and lounges with night-time entertainment.

Campus Maritus:

Situated a few blocks from the new Tiger stadium, Campus Maritus is a multiple-use complex of retail stores, offices, and restaurants.

Ford Field Stadium:

A new \$200 million Ford Field Stadium has recently been completed for the Detroit Lions NFL football team. The new stadium is located within the downtown sports and entertainment district and opened in 2002.

Metro airport expansion:

The Detroit-Metro Area airport has completed a \$1.6 billion dollar expansion project, which added a 74-gate terminal and an additional runway.

The new terminal has 57 stores and restaurants.

Three land-based casinos:

Three temporary casinos have opened in Detroit. The MGM Grand Casino and the Motor City Casino opened in 1999 and the Greektown Casino opened in 2000. By 2006 these three temporary casinos will become permanent. Each of the permanent casinos will include: 400 hotel rooms; a 1700-2000 seat theater; a conference center, and 100,000 square feet of gaming space. MGM Grand Detroit Casino and Greektown casinos will construct new complexes for their permanent facilities that will be located approximately two blocks north of their temporary facilities. Both permanent properties will be located closer to Detroit freeways and allow each developer additional space for ancillary development projects. Motor City Casino will invest \$300 million to expand its current casino complex. Each permanent casino is slated to include:

1. 400 hotel rooms;
2. 100,000 square feet of gaming space (current temporary locations are limited to 75,000 square feet);
3. A 1,500-2,000 seat showroom;
4. Conference space;
5. Local, national and international retail outlets; and
6. Four or more restaurants (The Michigan Gaming Law Newslettler, August 2, 2002).

For many governments, tourism has often been touted as an economic development catalyst. Expansion and building of tourism-related attractions and activities are another strategy Detroit's policy makers and planners have embraced to promote economic development and broaden the city's tax base. In March 20, 2002, regional

leaders and government officials gathered to discuss a ten-year tourism plan whose objective is to transform the Tri-county region into a more competitive tourism destination. In addition, Detroit is host to the following events that are aimed at bringing in more tourists to the region:

- The AAU Junior Olympic Games, 2003
- The Lions Club International Convention, 2004
- The Ryder Cup Golf Tournament, 2004
- The National Tour Association Convention, 2005
- The Super Bowl, 2006 (Hotel Interactive, 3/25/2001).

Tourism as One Strategy for Economic Development

Tourism contributes to local, state, and national economies by generating high volumes of employment and taxes. However, researchers have identified several costs that are associated with tourism development. To understand the complexity of tourism development, topics discussed in this chapter include the significance of tourism in the United States; distinguishing features of travel and tourism in Michigan; Detroit as a tourist destination; and an outline of the benefits and costs of tourism.

Significance of Tourism in the United States

According to the Travel Industry Association of America (TIA, 2001), tourism is one of America's largest service exports and largest employers, and America's third largest retail sales industry. Spending by international and domestic travelers generated a total of \$99.5 billion in tax revenue for local, state, and federal governments in 2000. Domestic traveler expenditures generated \$85.9 billion in tax revenue in 2000, and international travelers produced the remaining \$13.6 billion. Furthermore, the travel and tourism industry directly employs more than 7.8 million individuals, generating \$171.5

billion in payroll dollars. Capturing, recapturing, or retaining a share of these tourism dollars has been a primary motivation for governments to promote tourism.

Distinguishing Features of Travel and Tourism in Michigan

The Northern Michigan Development Bureau of Bay City (predecessor of the former East Michigan Tourist Association), and the Upper Peninsula Development Bureau (predecessor of the Upper Peninsula Travel and Recreation Association) were both established in 1910 (McIntosh, 1982). The nation's first travel information center was constructed in Michigan in 1935 on US-12, south of new Buffalo. A second travel information center was established in Menominee in 1937 (Michigan Department of Transportation, 1985). The nation's first road park was constructed in Michigan in 1935 on M-43 east of Lansing (Michigan Department of Transportation 1985). Michigan was the first state to provide highway users with roadside picnic table sites (Michigan Department of Transportation, 1985). The Detroit Convention Bureau, founded in 1896, is the oldest convention bureau in the world (Metro Detroit Convention and Visitors Bureau).

In 1999, tourism in Michigan generated more than \$11 billion and more than 160 thousand jobs. Michigan ranked thirteenth in terms of domestic travel expenditures, generating \$10.9 billion, and fifteenth in terms of international expenditures, generating \$0.6 billion (Travel Industry Association of America, 2001).

An image study by Spotts, Kim, Carr, and Holecek in 1998 revealed that respondents who had never visited Michigan held a lower mean image desirability rating

of Michigan than those who visited the State. Detroit was mostly perceived as one of the negative characteristics of Michigan as a tourist destination.

Detroit as a Tourist Destination

Results from a telephone survey of Midwestern U.S. households conducted by the Travel, Tourism and Recreation Resource Center at Michigan State University in 1998, suggested that Michigan generally has a positive image as a pleasure trip destination. According this study, the most frequently mentioned positive impressions of Michigan as a pleasure trip destination were “water-related resources,” “scenery,” “nature attractions,” and the “Upper Peninsula”. However, as evidenced in Figure 1, weaknesses in this image were evident with respect to perceptions of climate, Detroit, roads, and crime in Detroit (Spotts, Kim, Carr and Holecek, 1998).

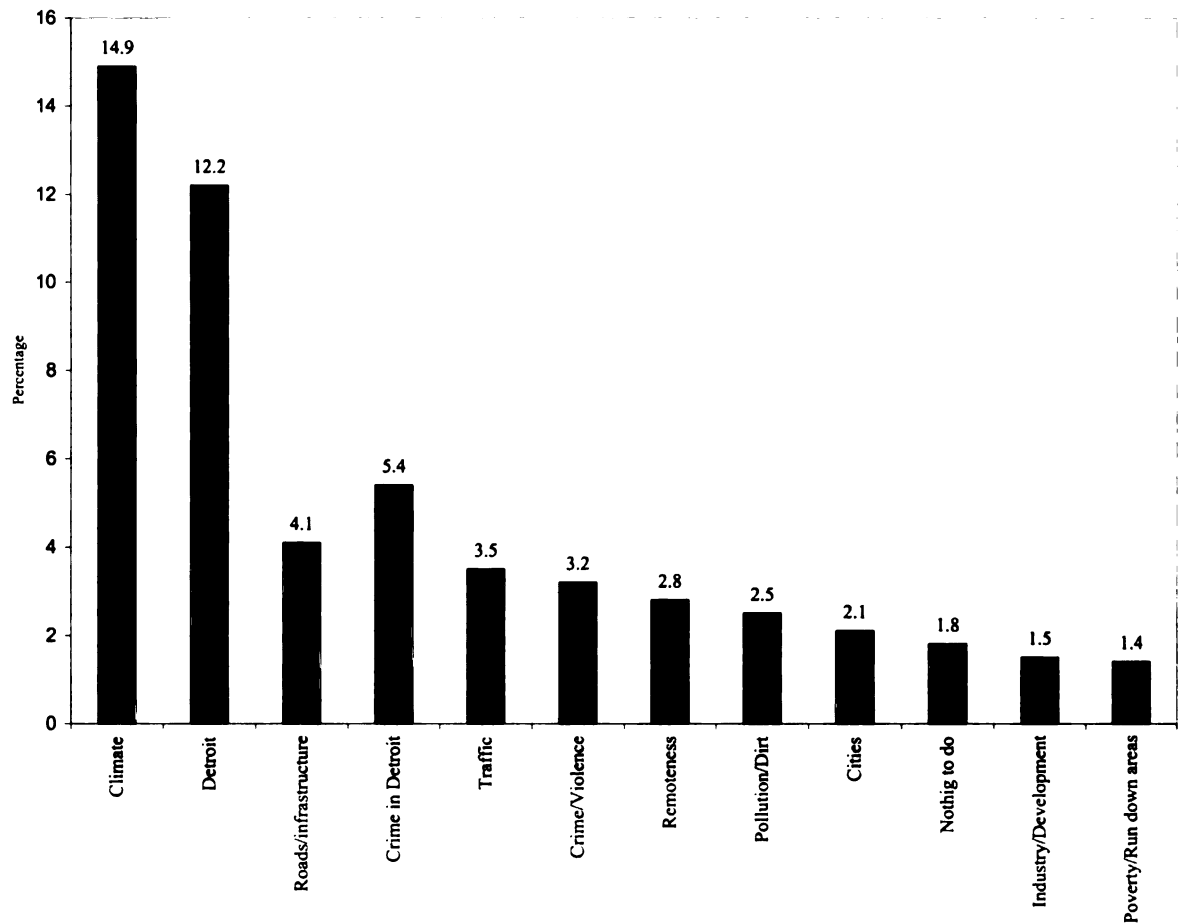


Figure 1. Most frequently mentioned negative impressions of Michigan as a pleasure trip destination.

Source: Spotts, Kim, Carr and Holecek, 1998.

Another researcher described Detroit's image as a travel destination as follows: "Many people do not even know of Detroit's tourism attractions. Others may know, but still do not consider Detroit a travel destination that they would want to visit (CIC Research, Inc, 2000, p. 17)."

According to the Detroit Convention and Visitors Bureau (www.visitdetroit.com, 12/2/2002), Detroit hosts a significant number of travelers despite its less than stellar

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image. The area attracts both pleasure and business travelers. Both share the experience of Detroit museums and cultural facilities, sporting events, shopping and retail venues. Business travelers come to Detroit for such purposes as trade shows and convention meetings. According to CIC Research, Inc.'s 2001 study, generally speaking, the Detroit Metro area reported solid growth in most visitor industry categories during 2000. Nearly 18 million visitors came to Detroit in 2000, recording an increase of 4.1% over 1999, and surpassing the U.S. average travel increase of 2.6% for the same period. These visitors spent more than they have in the past, totaling approximately \$5.1 billion compared to \$4.5 billion in 1999. Also between 1999 and 2000, amusement and recreation employment recorded growth of 12.2%; Canadian border crossing increased 10.4%; air passenger arrivals to the Metro area increased 4.2%. Among other attractions, the Detroit Zoo and Henry Ford Museum, attendance increased 7.2% and 5.4% respectively over the previous year; the hotel industry reported a 3.3% increase in total room nights sold, and there was an 8.0% increase in room tax assessment. The Detroit Metro area room tax assessment approximated \$11.9 million, in 2000 (CIC Research, Inc, 2000).

As mentioned previously, tourism generates employment and tax revenue; however, it has long been argued that tourism is not always positive. Tourism has both positive and negative impacts on communities.

Benefits and Costs of Tourism

International, national, state, and local governments have embraced tourism to enhance their economies. However, although tourism is touted as a strong agent for economic development, tourism is not a panacea; it has both benefits and costs (Gartner,

1996; McIntosh, Goeldener and Ritchie, 1995). The nature of tourism as neither a panacea nor a blight is illustrated by the following statement, "Tourism protects the environment. Tourism destroys the environment. Which statement is true? Both statements are correct and defensible (Gartner, 1996, p. 110)."

While economic costs can be measured, many of the social costs incurred are difficult or impossible to measure. Tourism has been blamed for polluting beaches, raising the price of labor, land, goods, contaminating the value of native people, crowding, congestion, noise, litter, crime, lack of control over a destination's future, low-paid seasonal employment, etc. McIntosh, Goeldener and Ritchie (1995, pp. 335-336) offer a list of potential economic and non-economic positive and negative externalities that tourism may bring to a community. Major, positive tourism external values include:

1. Provides employment opportunities, both skilled and unskilled, because it is a labor-intensive industry
2. Generates a supply of needed foreign exchange
3. Increases incomes
4. Creates increased gross national product
5. Requires the development of an infrastructure that will also help stimulate local commerce and industry
6. Justifies environmental protection and improvement
7. Increases governmental revenue
8. Helps to diversify the economy
9. Creates a favorable worldwide image for the destination
10. Facilitates the process of modernization by education of youth and society and changing values
11. Provides recreational facilities for tourists that may be used by a local population which could not otherwise afford developing facilities
12. Gives foreigners an opportunity to be favorably impressed by little-known country or region.

Some negative external values commonly associated with tourism include:

1. Develops excess demand
2. Creates leakages so great that economic benefits do not accrue
3. Diverts funds from more promising forms of economic development

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4. Creates social problems from income differences, social differences, introduction of prostitution, gambling, crime, and so on
5. Degrades the natural physical environment
6. Degrades the cultural environment
7. Poses challenges of seasonality
8. Increases vulnerability to economic and political changes
9. Adds to inflation of land values and the price of local goods and service.

Simply because some developments provide economic benefits does not mean that they are appropriate or could serve as models for future development (Gartner, 1996). Gartner further explains that very few generalizations are valid when considering the economic benefits and costs of tourism development. Almost every beneficial claim has its negative counterpart, and therefore, each case must be decided on its merits (p. 106). It remains, nevertheless, that: "Tourism is one of the world's greatest and most significant social and economic forces (McIntosh, Goeldener and Ritchie, 1995, p. 336)." Tourism development, they explain, must be guided by a carefully planned policy, and government officials and business people must weigh the economic benefits against costs. If one identifies potential benefits and costs early in the planning process, it is often possible to exploit the former and mitigate the latter when the project is implemented.

One tourism development strategy, recently embraced and considered by many governments as an economic development strategy, is casino gaming. Casinos have proliferated in the country since the 1990s, yet the controversy surrounding the social and economic impacts of this strategy has puzzled citizens and policy makers alike.

Casinos as an Aspect of Tourism Development

To stimulate development/redevelopment, several urban planning approaches have been used, including the development of office buildings, the hosting of multi-

billion corporations, and tourism development. One area of tourism development that has been considered by state and local governments includes commercial recreation enterprises often labeled “amusement businesses” (Pearlman, 1997). These businesses include theme parks, spectator sporting events, theatrical performances, bowling centers, amusement parks, commercial and membership sports and recreation facilities, public golf courses, and, more recently, gaming facilities (Travel Industry Association of America, 2000). The amusement and recreation industry generated \$103.6 billion in revenue during 1999. Total sales of the industry rose more than 100 percent between 1990 and 1999. The influx of new gaming facilities built during this period contributed to this significant growth (Travel Industry Association of America, 2000).

Since the 1990s, casinos have proliferated in the United States, and gaming has been embraced as a recreational activity by a large number of Americans. Although it has been adopted by many governments as an economic development strategy, debates about the economic and social impacts of this activity abound. To provide a comprehensive picture of casino gaming in the United States, two principal themes have been briefly addressed in this section: a historical perspective of casino gaming in the United States and the economic significance of casino gaming.

Pivotal Dates in the History of Casino Gaming in the United States

Three major factors contributed to the legalization of casino gaming in the United States. First, many U.S. states and cities faced severe budget problems and large capital cost needs resulting from decaying infrastructures. Second, the public attitude towards gambling has changed from restrictive to permissive. Third, the Federal Government, in

accordance with the U.S. Supreme Court holding in the 1989 case of *Cabazon versus California*, opened the door to full-scale gaming on Native American reservations (Cabot, 1996). With the passage of the Indian Gaming Regulatory Act of 1988, the United States Congress approved casino gaming for the first time (for more information about the history and legislation of Native American gaming, see Native American Gaming Association, www.niga.com).

Important dates that have marked the history of casino gaming in the United States are presented below:

1909	Nevada outlaws casino gaming, and virtually all gambling was illegal in the country.
1931	Nevada re-legalizes casino gaming.
1930s	Twenty-one states bring back racetracks. Low stakes charitable bingo proliferates throughout the country.
1940s & 1950s	Almost all states allow pari-mutuel betting and low-stakes bingo.
1963	New Hampshire legalizes state lottery.
1978	First casino opens in Atlantic City, N.J.
1985	First interstate lottery created, linking state lotteries of Maine, New Hampshire and Vermont.
1987	Cabazon decision in U.S. Supreme Court allows Indian tribes to adopt and self-regulate all high-stakes not prohibited by state law.
1988	States create the first national lottery –Lotto America. South Dakota allows limited-stakes casino at Deadwood
1990	New York allows Off Track Betting by phone from residents of other states.
1991	Iowa opens limited-stakes riverboats. Illinois opens high-stakes riverboats.
1996	Twenty-six states have casinos. Thirty-eight states have lotteries. Forty states have pari-mutuel betting.

Significance of Casino Gaming

Over the past 25 years, the United States has been transformed from a nation in which legalized gambling was limited into one in which the activity is mainstream and

growing (Travel Industry Association of America, 2000). As can be seen in Table 4, in 1975, 10% of adults reported that they participated in casino gaming. This number almost tripled in 1998. Furthermore, according to the American Gaming Association's 2000 survey of U.S. households, 94 percent of Americans view gambling as a social activity (www.americangaming.org).

Table 4. Percentage of U.S. residents who reported participating in selected gambling activities in 1975 and 1998.

Selected gambling activities	1975	1998
Casino gaming	10%	29%
Lottery	24	52
Bingo	19	6
Horse racing	14	7

Source: National Opinion Research Center, 1999.

Over the past 10 years, numerous communities have undertaken the development of multi-million dollar or small-scale casinos as components of their development strategies. The rationale behind casino gaming development in their jurisdictions has been to: attract tourists to the community, broaden its tax base, generate employment for the local population, and prevent gaming money from leaving the community to be captured by neighboring gaming communities.

In the 1980s, state governments were forced to absorb many costs that formerly were paid by the federal government. Many states experienced budgetary shortfalls and shrinking revenue sources due to the decline of traditional industries such as agriculture and mining. Casino gaming was seen as a solution to provide much needed employment opportunities and tax revenues (Hsu, 1999). Casinos have become a major force in the tourism industry (McIntosh, Goeldener and Ritchie, 1995) and a source of taxes,

employment and tax revenue, for several communities (Eadington, 1996). Some form of casino gaming exists or has been approved to operate in 31 states. In 1999, commercial casinos employed more than 365,000 persons, and Native American casinos employed about 152,000 persons (American Gaming Association, 2000). According to the Travel Industry Association of America's Economic Review of Travel in America (2000), revenues of the four major gaming industry segments (Nevada, Atlantic City, Riverboats and Native American gaming) equaled \$29.8 billion. Casino gaming companies remitted an estimated \$3 billion in total tax revenues in 1999. A nine-year trend, indicating casino gaming revenues by the aforementioned gaming industry segments, is shown in Table 5.

As indicated in the table, gaming revenue increased by 80% between 1992 and 1999. Revenue grew in all markets in every year between 1992 and 1999, but growth was more rapid in the Riverboat and Indian gaming sectors. Despite steady growth in revenues, the Nevada and Atlantic City markets have lost market share to Indian and Riverboat casinos.

Table 5. Casino gaming revenue by major markets, 1992-1999

Revenues (in \$millions)					
Year	Nevada	Atlantic City	Riverboats	Indian Gaming	Total
1999	9,021	4,164	8,339	8,260	29,784
1998	8,064	4,033	7,293	6,892	26,282
1997	7,803	3,903	6,436	5,920	24,062
1996	7,426	3,814	5,544	4,821	21,604
1995	7,366	3,748	4,744	4,176	20,033
1994	7,007	3,423	3,260	3,000	16,689
1993	6,219	3,301	1,457	2,160	13,137
1992	5,862	3,214	385	1,203	10,664
Percent change from previous year (%)					
1999	11.9	3.3	14.3	19.8	13.3
1998	3.4	3.3	13.3	16.4	9.2
1997	5.1	2.3	16.1	22.8	11.4
1996	0.8	1.8	16.9	15.4	7.8
1995	5.1	9.5	45.5	39.2	20.0
1994	12.7	3.7	123.7	38.9	27.0
1993	6.1	2.7	278.8	79.6	23.2
Market Share (%)					
1999	30.3	14.0	28.0	27.7	100.0
1998	30.7	15.3	27.7	26.2	100.0
1997	32.4	16.2	26.7	24.6	100.0
1996	34.4	17.7	25.7	22.3	100.0
1995	36.8	18.7	23.7	20.8	100.0
1994	42.0	20.5	19.5	18.0	100.0
1993	47.3	25.1	11.1	16.4	100.0
1992	55.0	30.1	3.6	11.3	100.0

Source: Travel Industry Association of America (2000).

Hsu (1999) provides an overview of the development and current regulations of gaming in states with riverboat and land-based non-Native American casinos. With the exception of Louisiana, states that have embraced gaming were all suffering major economic decline, and infrastructure decay. Proponents of riverboat casinos saw gaming

as a way to revive economically depressed river communities by boosting local tourism and tax revenues.

Iowa was the first state to legalize riverboat gaming in 1989. The legalization of riverboat casinos in Illinois was intended to keep state gaming money from leaking to neighboring Iowa riverboat casinos, enhance economic development, and promote tourism. The first two riverboat casinos opened during the Fall of 1991. In Colorado, Central City and Black Hawk suffered major economic decline and infrastructure decay over the past 20 years.

Federal, state, local, and tribal governments have played an important role in the industry's development. But, gaming opponents argue that the government should not consider casino gaming as a development strategy because of the negative impacts that casinos produce. Other studies (e.g., National Gambling Impact Study Commission, 1999), argued that casino development produces mixed results. The Commission noted that:

Growth of gambling is a national phenomenon, gambling itself is of great concern to the individual communities in which it operates or is proposed to operate. It is at that level that its impact is felt most keenly and where the debates surrounding this issue are most energetically contested. Those communities form no common front: one community may welcome gambling as an economic salvation, while its neighbor may regard it as anathema. As such, there are few areas in which a single, national, one-size-fits-all approach can be recommended (National Gambling Impact Study Commission, 1999, p. vii).

Thus, the Commission concluded that casino gaming is neither a panacea nor a blight.

Casino Development Impacts and Issues

Casino gaming development is a complex phenomenon (National Gambling Impact Study Commission, 1999). The main task of the National Gambling Impact Study Commission was to examine the social and economic impacts of gambling on people and places. To determine the impact of the various forms of gambling, the Commission held hearings throughout the country, investigated several case studies, heard testimony on a number of relevant topics, and reviewed a number of articles, comments, and academic literature. Additionally, the Commission initiated new research by the National Opinion Research Center (NORC) and commissioned an analysis of professional literature by the National Research Council (NRC).

Issues, such as casinos and tourism, job creation, tax generating, crime, bankruptcy, prevalence and cost of problem/pathological gambling were primary items on the commission's research agenda. A detailed picture of the pro and con arguments, and those of the Commission, regarding these issues was provided in Chapter I, Table 1, of this study.

In the remainder of this section the focus is primarily on investigating the following issues: casinos as tourist attractions, economic impact studies, economic effects, social effects following the introduction of casinos in a community, and economic and social impact models.

Casinos as Tourist Attractions

The commonly held belief that casinos automatically function as tourist attractions is questionable (Smith and Hinch, 1996). Support for this assumption

originates from the success of high-profile international casino resorts such as those in Las Vegas, Monte Carlo, Baden-Baden, Australia's Gold Coast, and the Bahamas (Smith and Hinch, 1996). Therefore, the question of whether casinos inherently function as tourism attractions needs further consideration.

Natural and developed attractions are the "mainspring" that drives many people to travel (McIntosh, Goeldener and Ritchie, 1995). Without attractions and without the anticipated benefits of visiting them, there would be no reason for people to make discretionary trips from their normal place of residence (Smith and Hinch, 1996), and, consequently, there would be no tourism industry (Gunn, 1988). According to these authors, there are so many things for tourists to do that the list of attractions is too numerous to list. Just as there is a wide range of attractions available, there is just as wide a range of motivations underlying tourists' travel decisions and behaviors (Plog, 1973).

The broad field of travel is commonly divided into four major segments based upon purpose of trip. They are: (1) business-related travel, (2) personal business, including visiting friends and relatives, (3) conventions and meetings, and (4) pleasure travel. There is some overlap between these trip purpose segments. For example, while the primary trip purpose may be attending a convention or visiting friends and relatives, this may be integrated with pleasure activities (Crompton 1999). Crompton (p. 10) offers the taxonomy of tourist attractions presented in Table 6.

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Table 6. A taxonomy of tourist attractions.

Attraction	Components
Arts	Theaters, Art galleries, Museums, Performing groups, Music concerts
Parks	National, State, Local, Beaches, Theme parks
Heritage Places	Ethnic cultural places, Shrines/churches, Historical sites and structures, Educational institutions, Industry factory tours
Recreation	Events and festivals, aquatic and coastal areas, Outdoor recreation (e.g., camping, fishing, hunting), Sports, (e.g., golf, tennis, skiing, sailing, softball), Fitness and wellness centers
Arenas	College sports, Professional franchises, Concerts and exhibitions
Other	Gambling places, Cruise ships.

Source: Crompton, 1999.

According to Smith and Hinch (1996, p. 3), an argument often used to justify the development of a casino is that it will be a tourist draw. Based on the Canadian experience, they classify casinos into three categories according to their function: First, casinos would be classified as primary “nucleus” if they draw tourists to the destination, while in their absence, tourists would have gone elsewhere. In this situation, casino patrons’ expenditures represent a basic economic activity that generates new wealth in the destination. Second, a casino would be classified as a secondary nucleus if it “was known to a visitor beforehand but was not an important factor in the travel decision.” Third, a casino would function as a tertiary nucleus if it “is not known by visitors before reaching the destination, but rather is discovered upon arrival.” Thus, the economic impacts associated with each level of this hierarchy should be reflected in the methods used to determine the economic impact of the attraction. Based on the nuclear hierarchy

theory, Smith and Hinch (1996) argue that, in Canada, only the Windsor Casino can be considered a primary nucleus; the Montreal and Dawson City casinos fit as secondary nuclei and Winnipeg's is a tertiary nuclei. The authors explain that: "Virtually none of the tourists come to Dawson City explicitly to gamble. They come to learn about the history of the Klondike or because they are going to or coming from Alaska. While in Dawson City, they hear about the casino and come in for a look... (p. 9)."

While casino gaming is viewed as a means for increasing the number of tourists (Cabot, 1996), some researchers argue that the gaming population is a local resident population (Kindt, 1994). Grinols and Omorov (1996) found that 80 percent to 90 percent and more of the bulk of casino revenues come from residents. Ninety percent of visitors to large casinos (the top 25 revenue casinos –non-tribal) traveled more than 50 miles to the casino; the corresponding numbers for the smaller non-tribal casinos were 75% and 56% respectively (National Gambling Impact Study Commission, 1999).

Gaming communities differ from one another. Their success may depend, to a large extent, on whether the community's casino(s) constitute(s) a destination casino resort which offers gambling along with a mega-resort containing overnight accommodations, retail businesses, meeting rooms, and expensive dining and entertainment opportunities (National Gambling Impact Study Commission, 1999). For example, the Nevada experience is an economy built not just on gaming but on tourism, with the bulk of the money flowing into the state from other regions (Milanowski, 1996). Similarly, Chadbourne, Walker, and Wolfe (1996) explain that in assessing a casino's contribution to tourism, it is important to assess whether the host city is a destination where people will stay overnight.

A study (Truitt, 1996) investigating the early Illinois experience with casino gaming, argues that riverboat gambling in Illinois did not stimulate the tourism activity which was advertised and expected. Most of the 10,000 daily visitors to Joliet's riverboats were excursionists who traveled less than 50 miles and did not stay overnight in Joliet. Casino gaming in the riverboat communities located near large metropolitan regions did not appear to have stimulated much tourism activity. The vast majority of visitors to metropolitan riverboats were excursionists who spent little money away from the casino (Truitt, 1996). The vast majority (85% to 90%) of Natchez's gaming market came from within a 50-mile radius, and 99% of Joliet's gaming market consisted of day-trippers primarily from Chicago. In Davenport, Iowa, it was estimated that the majority of the gaming market came from within 30 miles of the city. Most of the smaller communities, including most of those in Illinois, Iowa, Missouri, Indiana, and Louisiana were locally market driven. In Mississippi, Tunica (which draws heavily from Tennessee) and the Gulf Coast (which draws from Florida, Alabama and Louisiana) worked as export models (Chadbourne, Walker, and Wolfe, 1996).

When casinos attract a large number of visitors from outside the region, they serve as export models. Outside visitors contribute to the economic activity of the community because they bring in new money. Debates about developing casinos in a community tend to return again and again to the issue of economics (Stokowski, 1999).

Economic Impact Studies

Public officials generally view gaming as a legitimate segment of the travel industry and an important catalyst for economic development, but some researchers

remain unconvinced. Opponents of casino gaming argue that most of the economic impact studies were commissioned by the gaming industry (Goodman, 1994), and most of them focus exclusively on the positive impacts, completely ignoring or minimizing the negative impacts that are also associated with casino gaming (Gazel, 1998).

Furthermore, many assumptions are made in estimating the economic impact of a casino. Differing assumptions are, in general, a major cause for very large differences observed in estimates developed by different researchers (Gazel, 1998). The discrepancies result in a matter that haunts, not only gaming researchers, but researchers in other fields, as well. For example, when measuring the economic impact of visitors to sports tournaments and special events Crompton (1999, p. 17) notes that:

There is a temptation to adopt inappropriate procedures and assumptions in order to generate high economic impact numbers that will position an agency more favorably in the minds of elected officials. Sometimes such errors are the result of a genuine lack of understanding of economic impact analysis and the procedures used in it, but in other instances they are committed deliberately and mischievously to generate large numbers and mislead stakeholders.

Gazel (1998) argues that positive and negative factors must be included in economic impact studies. The net economic impact of the presence of a casino in the local economy is, thus, the result of subtracting the negative impacts from the positive ones. A complete listing of impacts Gazel recommends considering is presented in Appendix D. Studies, assessing the net economic impact, are sometimes referred to as comprehensive impact analyses studies (National Gambling Impact Study Commission, 1999) and benefit-cost analyses studies (Crompton, 1999).

Some analysts believe that the costs of casino development have been unequally discussed, particularly those costs which emerge over time or which are difficult to

quantify are not fully considered. Often a significant lag period exists between the beginning of casino gaming and the provision of expected gains, but such impacts are rarely considered in traditional, short-term economic impact analyses (Stokowski, 1999). Others (e.g., Oddo, 1997; Kindt, 1994) maintain that when the added costs of casino gaming are included, it appears that the costs outweigh the benefits, and casino gaming is, therefore, not a sound option for economic development.

Moreover, the magnitude of economic impact generally depends on the context selected. For example, single areas boasting a positive impact can readily be found, but their concerns usually do not extend to surrounding areas where negative consequences “of this good fortune” may surface (National Gambling Impact Study Commission, 1999). In other words, a gaming community may be benefiting from casinos, but if the economic impact analysis is extended to include neighboring communities the magnitude of economic impact may decrease, because, it is generally argued that neighboring non-gaming communities import externalities such as gambling addiction, crime and other costs without having gaming tax money to offset those costs.

In sum, three main reasons make divergent perspectives about the magnitude of the economic impact of casino gaming possible. Stokowski (1999, p. 157) summarizes these as:

1. Research about economic impact tends to be supported through funds provided by agencies (industry or government) that have an interest in the outcome of the research.
2. Not all economic benefits or costs are likely to be included in any single research study.
3. Not all data are comparable in their original form, thus introducing many sources of error into models.

Casino gaming can be viewed as economic development in different guises as discussed below.

A re-distributive effect: this effect happens when a local service that serves local demand is simply redistributing existing economic activity. In the case of casino gaming, if a casino attracts only local gamers, new money is not generated, and, therefore, the casino does not contribute to the local economy.

An expansionary effect: this happens when a casino serves in an exporting gaming services capacity, and therefore by serving non-local demand, attracts new money to the local economy.

A substitution activity: this occurs when local casinos prevent local gaming money from leaking out of the local economy to other gaming jurisdictions.

An extractive activity: when a casino serves only external demand, it generates very little positive benefits locally, but leaves behind a legacy of local negative externalities (e.g., cost associated with problem/pathological gamblers, bankruptcies, broken families, etc.) (Felsenstein and Freeman, 1998).

Casinos that focus on local residents will probably not be the economic panacea that communities envision. These casinos will draw discretionary spending from other community entertainment areas, such as theaters and restaurants (Milanowski, 1996). Dovel (1996) argues that casinos cannibalize sales from cinemas, restaurants, and other businesses that depend on discretionary dollars. Restaurants in many communities reported a decrease in sales following the opening of a nearby casino, and many others went bankrupt. A study by Grinols and Omorov (1996), using Business Tax receipts data collected by the State of Illinois, found that casinos are associated with losses in

miscellaneous retail and wholesale expenditures and with reductions in general merchandise sales within 10 miles of the casino averaging \$367 per \$1,000 increase in casino revenues.

Reviewing the existing literature on the impact of casino gaming, two model gaming destinations reflect the controversy surrounding casino development. Las Vegas is one of the few places where casinos are recognized as beneficial to the economy, and the economic impacts issue is not debated (Thompson, 1999). Atlantic City is the place where casinos are recognized as unsuccessfully contributing to the plight of the city. “The most disappointing lesson from the Atlantic City experience is the failure of the casino hotel industry’s economic success to translate into a comprehensive physical redevelopment of the city (Braunlich, 1996, p. 56).” Assessing the economic impact of casino gaming in Atlantic City, Heneghan (1999, p. 113) argues: “To fully understand the magnitude [of the revolutionary changes following casino development], one has to study what Atlantic City was before casinos and how it got there.” Atlantic City reached its height of popularity as a regional seaside resort in the early 1900s, but 30 years later tourists arrival to the city decreased. Casino gaming was embraced as an economic and urban development strategy. It created jobs and generated taxes. However, the “Most disappointing lesson from Atlantic City experience is the failure of the casino hotel industry’s economic success to translate into a comprehensive physical redevelopment of the city (Braunlich, 1996, p. 15).” What Heneghan argues is that Atlantic City must be viewed in a fuller context. That is, one needs to examine the history of the city to be able to objectively assess the impact that casino gaming has had on the community.

Economic impact studies present mixed results. In the midst of these divergent views, arguments, and research, the National Gambling Impact Study Commission concluded that while some areas may have had a measurable and significant economic impact, other areas have not. Furthermore, “the available data are insufficient to determine with accuracy the overall costs and benefits of legal gambling (National Gambling Impact Study Commission, 1999, p.7-12).” Similarly, “given that much of the industry data is proprietary information, analysts must rely on a limited set of published data and industry-generated reports to draw conclusions (Stokowski, 1999, p. 158).”

Economic Effects

Planners and policy-makers who are considering the adoption of casinos in their communities, have a checklist that enables them to make decisions about casino development (Chadbourne, Walker and Wolfe, 1997). The following key questions regarding gaming’s social and economic effects are adapted from Chadbourne et al. (1997):

- What is the net economic impact of gaming on local economies?
- Who are the winners and losers?
- How can potential benefits be maximized?
- How can potential costs to the community be minimized?
- How accurate are initial economic and market projections of job creation (quantity, pay levels, local versus outside hiring).
- Has casino gaming succeeded in generating anticipated revenue and promoting economic revitalization to local downtowns? What specific businesses and attraction types have benefited and/or suffered?
- Has increased visitation resulted in higher attendance and revenues at local tourism-related businesses?
- Is there a specific threshold ratio of local versus non-local casino patrons that would determine whether gaming is a net economic benefit to a community?
- What level of investment by gaming operators has occurred in non-casino facilities/businesses within the community in which they have gaming operations?

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- What measures can be taken to best maximize economic benefits from gaming, especially in light of downtown revitalization?
- Should the amount of gaming (i.e., number of casinos, amount of floor area, number of gaming devices) within a community be limited?
- Should non-casino activities of gaming establishments (e.g., food service, entertainment, retail and/or hotel accommodations) be limited?
- If they are not limited, should their location be controlled (i.e., can they be located to reinforce downtown patterns rather than be directly connected to the casino?)?

These questions and others are relevant to planners and policymakers who are considering the adoption of gaming or the approval of a specific gaming development.

Social Effects

Casino gaming remains controversial, mainly because of the associated quantified and non-quantified social costs. Some of the questions asked by policy makers and planners considering casino gaming development or expansion are:

- Does the number of gambling addicts increase, following the establishment of casinos in a community?
- Does gaming exacerbate individual and family problems (i.e., loss of job, divorce, suicide, bankruptcy, lost time from work, domestic abuse, etc.)?
- Does white collar crime increase following the establishment of casino gaming in a community?
- Does crime increase following the development of casino gaming in a community? (Chadbourne et.al, 1997).

Models for Evaluating Economic and Social Impacts

There is no standardized model to assess the impacts of casino gaming on people and communities (National Gambling Impact Study Commission, 1999). However, most research is restricted to monetary impacts. Traditional economic impact studies would also include [As part of the economic impact of a casino in a particular area] the changes in consumers' satisfaction, due to availability of gaming locally (Gazel, 1998). Only a

few researchers have included monetary, social impacts in their economic impact models (e.g., Gazel, 1998). Generally, the academic literature on casino gaming offers separate chapters on the social impacts and the economic impacts (see, for example, Cabot, 1996; Hsu, 1999).

Assessing the economic impacts of casino gaming in Las Vegas, Thompson (1999) focused on indicators, such as total gaming revenue, hotel room supply, occupancy rate, visitor volume, visitor revenue, air traffic, number of convention attendees, convention revenue, jobs, taxes, and population. In Atlantic City, Haneghan (1999) considered the number of visitors, average length of stay, hotel revenue, number of jobs, payrolls, casino tax, property tax, number of hotel rooms, and hotel construction costs. Assessing the economic impacts of Native American casino gaming, Boger, Spears, Wolfe and Lin (1999) focused on tax benefits, employment, wages, unemployment benefits, number of food stamps cases, construction projects, supporting infrastructure, and money allocated for advertising. Braunlich (1996) used visitation patterns, visitor spending patterns, employment, and personal income taxes and fees.

Generally, the study of economic impacts might reasonably be divided into two very broad topic areas: (1) revenues and costs associated with industry growth and (2) economic impacts of gambling and gaming development on individuals, communities, and regions. The first area includes a variety of indicators, such as initial investment costs paid by companies developing casinos; property taxes and impact fee assessments paid to local governments; gross wagering (the “handle”) revenues obtained by industry, usually identified as gross proceeds; taxes paid to state governments in the form of casino taxes; and wages paid to casino employees (Stokowski, 1999). The second area includes

indicators such as: initial community investment costs, gaming taxes paid by the industry, labor force changes before and after gaming development, retail sales and relationships between sectors, and property sales. Gazel (1998) offers a more comprehensive model in which he includes direct negative economic impacts and direct positive economic impacts. Therefore, his economic impact assessment provides a net economic impact estimate.

Some researchers argue that assessments of economic impacts should include associated social costs and their potential economic value. Such indicators include problem gambling costs, increased social welfare provision, lost business productivity, insurance fraud, increased police and emergency services provision, bankruptcy, underage gambling, family crises, and a host of other problems, many of which are difficult to quantify (Kindt, 1994). Traffic noise, congestion, parking problems, crowds of tourists, and housing, are other indicators that should be considered when assessing the impacts of gaming development on communities and people (Stokowski, 1999).

Assessing the social impacts of gaming in Las Vegas, Oh (1999) inferred social impacts from such selected variables as demographics, traffic and transportation, crime, cost of living, health care environment, and government expenditures that were believed to affect individuals' lives in the city. His demographics included population volume and make-up, education, divorce rate, annual per capita income, civilian labor force, and percentage of population below poverty level. His traffic and transportation variables included the amount of average daily commuting time, bus, and air traffic. His crime variables included trend in crime rates for selected offenses. His costs of living variables included annual average household income, median housing price and mortgage

payment, property tax, utility costs, food costs, and transportation costs. His focal variables for health care environment included the number of licensed practicing physicians per 100,000 residents, number of accredited hospitals, number of accredited hospital beds per 100,000 persons, and health care costs. His government expenditure variables included several finance items such as public welfare, health and hospitals, police protection, fire protection, highways, and sewage and solid waste management (sanitation) expenditures. In another study assessing social impacts of Atlantic City casino gaming, Rudd (1999) included in his model income and the cost burden, available land, land costs and construction costs, number of small businesses, jobs, crime, pathological gambling, and underage gambling.

As the previous discussion suggests, there are many different approaches to estimating the impacts of casino development. Models can vary from very sophisticated to complex, and comprehensive to very simple export-base models (Gazel, 1998). Furthermore, "Economic impact analysis is an inexact process and output numbers should be regarded as a 'best guess' rather than as being inviolably accurate. Indeed, if a study was undertaken by five different individuals, then it is probable that there would be five different results (Crompton, 1999, p. 16-17)."

When estimating total economic impact of casino gaming on communities, some researchers include crime as an indicator in their economic impact models, arguing that additional crime requires additional public expenditures on police, court costs, additional correction costs, private costs of protection, etc. (Gazel, 1998). Opponents of casino gaming argue that casinos increase criminal activities not only in the gaming area but also in neighboring communities. Proponents maintain that in some gaming locales crime

even decreased, because casinos offer jobs to locals. Additionally, when non-local visitors are accounted for in the crime equation, the probability of a person being victimized decreases (Margolis, 1997).

Because of the central role the issue of crime plays in debates about casino developments, it merits more indepth consideration.

Crime

Referenda on casino development have been defeated in many jurisdictions, partially because voters perceived a connection between casinos and increased crime (Dombrink and Thomson, 1990). Similarly, participants in debates surrounding gaming development often make assumptions about the propensity of casinos to attract or stimulate crime (Stokowski, 1996). Casino gaming adversaries argue that when a casino opens in a community, crime increases. Casino advocates, on the other hand, believe that those arguments are based on preconceived notions, rather than on facts (www.americangamingassociation.com). A review of the literature on gaming and crime yielded mixed results; some communities have witnessed increased crime after the initiation of gaming, while others have experienced no change or even a decline in crime following the opening of a casino.

To better understand the issue of crime and casino gaming development, literature pertaining to major federal data sources of information on crime (i.e., Uniform Crime Reporting program, National Crime Victimization Survey), factors that affect crime, Index Crimes, tourism and crime, and casino gaming and crime, were reviewed and results are summarized below.

Major Federal Data Sources of Information on Crime

There exist three major federal data sources of information on crime in the United States:

1. The Federal Bureau of Investigation's Uniform Crime Reporting (UCR) program,
2. The National Crime Victimization Survey (NCVS) of the Bureau of Justice Statistics (BJS), and
3. The Survey of Inmates of Adult Prisoner Statistics Program.

Each of these sources uses different methods. Each method has strengths and weaknesses (MacKenzie, Baunach and Roberg, 1990). (Only the two first sources will be discussed because of their high usage).

The National Crime Victimization Survey (NCVS)

The NCVS is a national survey of a probability sample of U. S. households. Respondents are interviewed regarding victimizations they have suffered during a period of time, mostly during the previous six months. This method seems to provide more information about crime and crimes that are uncovered by the police. But, like any other measurement technique, these victim surveys have several limitations. These can be categorized as sampling issues, representativeness, ambiguity about definitions, the context in which data are collected, the skill of the interviewers, and several others.

The Uniform Crime Reporting program (UCR)

The UCR makes use of police reports of crime and arrests sent to the FBI by law enforcement agencies (MacKenzie et al., 1990). The authors explain that official crime statistics compiled by the police are not reliable. Official statistics are acknowledged to be an unreliable source of information about crime because of under-reporting and over-reporting problems. A large number of victims do not report criminal incidents to the local police because of several reasons, the most common of which are:

- Victims might think that the level of their victimization is not serious enough to be reported to the police,
- The act was perpetrated by a family member, or
- The victim was a tourist, and therefore perceives reporting the crime as a waste of time.

Furthermore, some police agencies might not report all of the crimes for different reasons. Crime might vary from one community to another depending on the level of confidence victims have in reporting crime to the authorities (McKenzie, 1990). A high figure of crime might imply:

- Police efficiency, or
- The need for more law enforcement resources.

On the other hand, depending on a community's confidence in reporting crime to the authorities, a low reported crime figure might imply:

- An inactive police force,
- A suspicious or cynical public,
- Frightened victims,
- An underdeveloped criminal justice sector,
- A disorganized or under-resourced collection of statistics, or
- A low occurrence of crime (Findley 1999, p. 34).

Some reported crime may also not be considered serious enough to get police attention, and, therefore may not be included in the data. Schiebler, Crotts and Hollinger

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(1996, p. 38) point out that statistics about crime are well guarded especially if the place is dependent on tourism.

No matter how crime figures are measured and the problems emanating from the methodology, quantification of crime remains a very important feature of criminal justice. Crime figures are used to make projections about public safety, expectations for crime control, and expenditures on criminal justice (Findley, 1999).

Factors that Affect Crime

The U.S. Department of Justice (2001) warns that when reviewing and comparing crime statistics, it is important to keep in mind that many factors affect the type and volume of crime that occurs in a given area. The following factors have a great impact on the incidence of crime, and all jurisdictions are to some degree affected by them:

- Economic conditions, including median income and job availability
- Composition of the population (age, sex, race)
- Density and size of population (urban vs. rural)
- Climate, including seasonal weather conditions
- Effective strength of the police force
- Degree of adherence to crime reporting standards
- Policies of the prosecuting officials and the courts
- Administrative and investigative emphases of local law enforcement
- Modes of transportation and highway systems
- Cultural conditions
- Family conditions with respect to divorce and family cohesiveness
- The attitude of a jurisdiction's citizenry toward crime and the crime reporting practices of its residents are known to have an effect on the number of crimes coming to law enforcement attention.

As criminologist Findley (1999, p. 35) notes: "The modern method for quantifying crime arises from the recognition of crime as a dynamic social relationship, rather than the result of any single institutional intervention or a simple cause and effect scenario." For some examples of information about theories and paradigms that explain

crime, see Findley (1999) and Feldman (1993) on crime and market economies, and Nettler (1974) on crime and urbanization.

Index Crimes

Crimes tracked by the Uniform Crime Reporting (UCR) program include violent crimes of murder, rape, robbery, and aggravated assault, property crimes of burglary, larceny and theft, and motor vehicle theft. These eight crimes referred to as Index Crimes serve as a common indicator of the nation's crime experience because of the seriousness and frequency of their occurrence (Criminal Justice Information Center, Michigan State Police, 2000).

In the academic gaming literature, Index Crime rates or volume are, generally, used to assess crime in gaming jurisdictions before and after the development of casinos. (It is important to understand that crime data represent a census, not a sample, of reported crime. As a result, statistical tests that attempt to predict from samples to larger populations are inappropriate, because the data already comprise the universe of reported crime). The other most common approach that gaming researchers use to assess crime is interviews of police officials. It is suggested that a combination of UCR crime statistics and interviews of police officials can improve understanding of gaming and crime (Stokowski, 1996). Definitions of the Index Crimes, provided by the FBI, are presented in Table 7.

Table 7. Definitions of the Index Crimes.

Index Crimes	Definitions
Murder	Murder is defined as the willful killing of another.
Aggravated assault	The unlawful attack by one person upon another for the purpose of inflicting severe bodily injury, usually accompanied by the use of a weapon or other means likely to produce death or serious bodily harm.
Forcible rape	The carnal knowledge of a female through the use of force or threat of force. Assaults to commit forcible rape are also included.
Robbery	The stealing or taking of anything of value from the care, custody, or control of a person by the threat of force.
Burglary	The unlawful entry of a structure to commit a felony or theft.
Larceny-theft	The unlawful taking of property without the use of force.
Violence or fraud	Shoplifting, pick-pocketing, and purse-snatching.
Motor vehicle theft	The unlawful taking or stealing of a motor vehicle, including attempts.

Source: FBI Uniform Crime Reports. U.S. Department of Justice.

Tourism and Crime

Several studies have indicated that safety, tranquility, and peace are a necessary condition for prosperous tourism. Crimes against tourists have caused considerable decline in the number of domestic, as well as international tourists, and has cost the tourism industry billions of dollars in lost revenue (Pizam and Mansfield, 1996).

Tourism is an industry that attracts criminal activities for different reasons including the following:

- Tourists are easy prey for criminals because they are not on their guard;
- Tourists will often go to hazardous places where the locals would not dare to go;
- Tourists may often tell their adventures to friends, which may influence the latter to mimic them, without being aware of the risks;
- The tourism industry and hedonism associated with the industry's promotional materials. In other words, the enhancement of hedonistic images through marketing and advertising may result in high levels of crime (Prideaux 1996). Prideaux examined the impact of mass tourism on the three largest tourist destinations in Queensland, Australia and found that the increase in crime at these beach destinations was associated with the promotional images of these destinations, the growth of the night-entertainment industry, and the size of the destinations' drug sub-culture. Prideaux proposes a tourism crime cycle that explains the stages of tourism development and offence rate in beach destinations, based on the type of promotion used in marketing those destinations. His model shows destinations that promote family values have fewer crimes than those that market a hedonistic image based on adventure, glamour, romance, escapism, excitement, and sex.
- Tourism development, potential for employment, migration, nightlife, night-entertainment, and the flow of tourists are proposed as factors that create an environment that enhance crime (Prideaux, 1996).

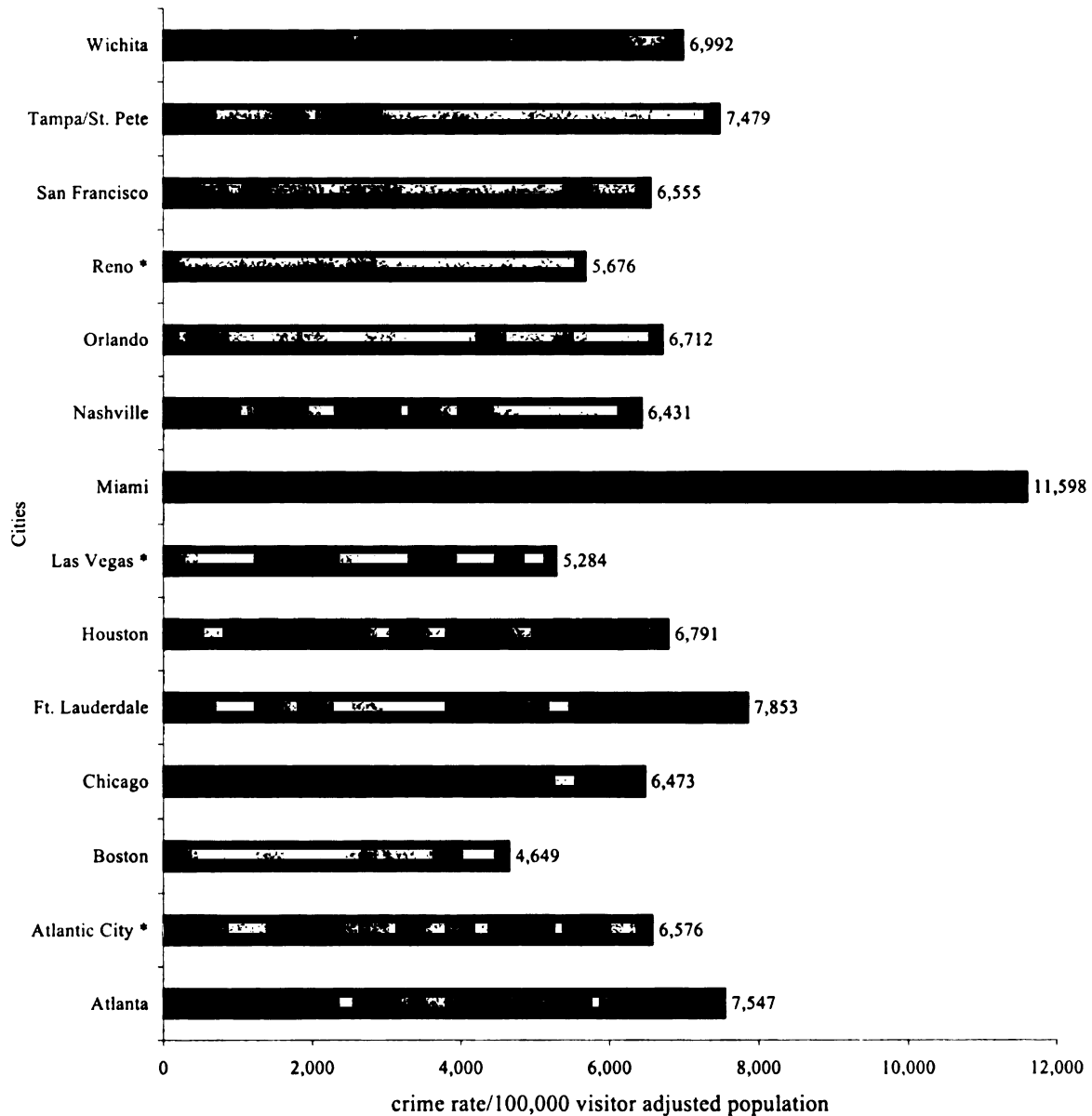
Casino Gaming and Crime

According to Tarlow and Muehzaam (1996), wherever people go with cash, criminals may try to steal it. Casino gaming involves cash. However, unlike other tourist/recreation activities, the relationship between crime and casino gaming is more complex. Criminal activities that are associated with casino gaming may occur on as well as off site. Criminal activities may take place not only to steal money for economic or

other purposes, but also to feed the gambling habits of pathological/problem gamblers. Additionally, crimes associated with gaming spill over to neighboring communities.

Casino gaming may increase crime in three main ways. First, people may steal to support dysfunctional gambling habits. Second, gaming may attract criminals because it is a cash industry. Third, criminal activity may increase because crowds draw petty thefts (Cabot, 1996). Three general forms of crime are associated with gaming: organized crime, street crime near casinos, and ancillary crime created by dysfunctional gamblers (Cabot, 1996).

In Casinos and crime: An analysis of the evidence, Margolis (1997) provides an extensive literature review. “Taken as a whole,” he reports, “The literature reviewed (...) shows that communities with casinos are just as safe as communities that do not have casinos (p. 1).” He also indicates that many communities experience no increase in crime or crime rates following the introduction of casino gaming. In some cases, both the numbers of crime and crime rates actually decrease. He also found that studies of gaming communities in which crime rates were reported to have increased when post-gaming crime rates were calculated, did not include average daily population figures, such as the number of tourists and transient populations. When he accounted for the number of tourists, the actual crime rate dropped. His analyses, summarized in Figure 2, also demonstrate that America’s major casino gaming venues have less crime than many other major tourist cities.



* City with casino gaming.

Figure 2. Number of crimes per 100,000 visitors in selected cities with and without casino gaming.

Source: adapted from Margolis, 1997.

The results of empirical studies of the amount and types of crime related to casino gaming differ considerably. Some studies indicate that crime increased in gaming

communities while others report that crime per capita dropped when gambling was introduced because the number of visitors to the community increased by more than the increase in crime. The casino and crime controversy can be gleaned from Table 8.

Table 8. Results of selected empirical studies addressing the issue of casino gaming and crime.

Source	Location of the case study	Method employed	Result
Albanese, J. 1985. The effect of casino gambling on crime. <i>Federal Probation</i> .	Atlantic City, New Jersey.	Analysis of crime data.	No effect. When average daily population was taken into consideration, a slight reduction in the likelihood of being victimized was reported.
Chang, S. 1996. Impact of casinos on crime: the case of Biloxi, Mississippi. <i>Criminal Justice</i> .	Biloxi, Mississippi.	Analysis of crime data.	No effect
Chiricos, T. 1994. Casinos and crime: an assessment of the evidence. <i>Unpublished manuscript</i> .	Atlantic City, NJ; Las Vegas, NE; Various riverboat casino locations.	Analysis of crime data; Survey of law enforcement officials.	Decrease in crime. When crime rates are adjusted for tourists.

Table 8. Results of selected empirical studies addressing the issue of casino gaming and crime (continued).

Source	Location of the case study	Method employed	Result
Coman, D. and F. Scarpitt. 1991. Crime in Atlantic City: Do casinos make a difference? <i>Deviant Behavior</i> .	Atlantic City, NJ.	Analysis of crime data.	Crime rates decrease. When Atlantic City crime rates were adjusted for the number of visitors the resulting rate was less than a third of the uniform crime rate reported.
Friedman, J. et al. 1989. Casino gambling as a 'Growth pole' strategy and its effect on crime. <i>Regional Science</i> .	Atlantic City, NJ.	Analysis of crime data.	Crime rates increased. The level of crime in localities adjacent to Atlantic City rose significantly following the introduction of casinos.
Giacopassi, D. and Stitt, G. 1993. Assessing the impact of casino gambling on crime in Mississippi. <i>Criminal Justice</i> .	Biloxi, Mississippi.	Analysis of crime data.	No increase in total violent crime; No increase in any specific violent crime; Increase in total UCR property crime.

Table 8. Results of selected empirical studies addressing the issue of casino gaming and crime (continued).

Source	Location of the case study	Method employed	Result
Hakim, S. and Buck, A. 1989. Do casinos enhance crime? <i>Criminal justice.</i>	Atlantic City, NJ.	Analysis of crime data.	Levels of all crimes are higher in the post casino development. Communities with higher travel time from Atlantic City had less property and violent crime than those closer to the casino.
Stokowski, A. Patricia. 1996. Crime patterns and gaming development in rural Colorado. <i>Journal of Travel Research.</i>	Gilipin County (Black Hawk and Central City) and Teller County (Cripple Creek), Colorado.	Analysis of crime data, Observations, Interviews, Secondary materials.	Gaming development is related to an increase in crime, but crime has not grown proportionally to the increased number of gambling tourists.

The different results across these studies are often a result of differing methods being employed. Some accounted for the increased number of visitors while others did not.

The preceeding discussion addressed casino gaming history, impacts, and selected general issues. What follows focuses on Michigan, and particularly casino gaming in Detroit.

An Overview of Gambling in Michigan

The Michigan gambling industry is composed of private casino gaming, tribal gaming, a state lottery, charitable gaming, and horse racing. This discussion of the expansion of casino gaming in Michigan includes highlights from the Governor's Blue Ribbon Commission on Michigan Gaming, Proposal E and casino development in Detroit, the Mayor's Casino Advisory Committee Report, the recommendations of the Mayor's Committee, and the proposed state and local taxes and fees.

Michigan first legalized gambling in 1933 when horse racing was legalized. It was not until 1972 that Michigan embraced a state lottery. Tribal gaming emerged in the late 1980s, and in the mid-1990s the state entered into the Class III Gaming Compact with seven tribes. The Class III Gaming Compact allowed the tribes to establish casinos on their reservations. Non-tribal casino gaming was legalized in Michigan in November of 1996, with the passage of a voter referendum, Proposal E. Proposal E allowed the City of Detroit to open up three land-based casinos (Michigan Gaming Control Board, 2001).

Michigan Horseracing

The State of Michigan Office of Racing Commissioner is a division of the Michigan Department of Agriculture. It has the responsibility for administering the licensing, regulation, enforcement and collection of pari-mutuel revenue for the state. In 1995, in the face of declining revenue and attendance at Michigan's pari-mutuel horse tracks, a study commissioned by the horse industry to assess the contribution of horseracing to Michigan's economy found that: "Michigan's horseracing is a \$1.2 billion industry, the industry generates 42,300 jobs, \$233 million in personal income, a total

economic output of \$439 million per year, \$31 million annually in state tax revenues, and supports capital facilities worth an estimated \$700 million (Michigan Gaming Control Board, 2001).” Pari-mutuel wagering revenue and taxes paid to the state are presented in Table 9.

Table 9. Pari-Mutuel wagering revenue and taxes paid to the State, 1996-2000.

Year	Total wagering	Total state revenue
1996	\$467,785,576	\$ 9,855,173
1997	\$474,608,578	\$14,656,240
1998	\$463,843,615	\$13,643,735
1999	\$416,616,490	\$13,202,928
2000	\$399,315,679	\$13,372,627

Source: State of Michigan: The Office of Racing Commissioner, 2000 Annual Reports.

Michigan Lottery

The Bureau of State Lottery has existed since the lottery began in Michigan in 1972. It has the power to promulgate rules governing the games and oversees the issuing of lottery, bingo, and charitable gaming licenses (Michigan Gaming Control Board, 2001). The Michigan Lottery, which includes lottery ticket sales and charitable gaming, generated revenues of over \$1.69 billion in 2000 and \$1.61 in 2001. Trend data are presented in Table 10.

Table 10. Lottery ticket sales by fiscal year, 1991-2001, in \$ million.

Year	Ticket sales
1991	\$1,138.7
1992	1,218.5
1993	1,243.0
1994	1,342.7
1995	1,381.5
1996	1,423.6
1997	1,599.3
1998	1,637.6
1999	1,730.9
2000	1,694.7
2001	1,614.7

Source: Michigan Bureau of State Lottery: Annual Report, 2001.

Native American Gaming

There are eleven federally recognized tribes in the State of Michigan, nine of which currently operate 17 casinos throughout the state, with two additional tribal casinos expected to open in the near future. Most of these casinos are in Michigan's Upper Peninsula, many hours away from the major population centers in Michigan. Tribal gaming began in Michigan in the early 1980s with the Keewanaw Bay Indian Community operating a high-stakes bingo game in Baraga in the Upper Peninsula. Throughout the late 1980s and early 1990s, Michigan Tribes negotiated gaming compacts with the state (Michigan Gaming Control Board, 2001).

In 1993, seven Michigan tribes entered into a Consent Judgment with Governor Engler contingent upon the state and the tribes entering into Class III Gaming Compacts. The Consent Judgment provides for the state to receive 8% of the "net win" from all Class III electronic games of chance. "Net win" is defined as the amount wagered at each machine minus the payout to the players. The Consent Judgment also contains a provision stating that payments equal to 2% of the net win on electronic games of chance

will be given to local units of government. The Consent Judgment also states that the tribes' obligation to make payments to the state shall continue: "Only so long as the tribes collectively enjoy the *exclusive* right to operate electronic games of chance in the State of Michigan." Tribal casinos generated over \$660 million in revenue in 2000 (Michigan Gaming Control Board, 2001). Presented below are the names and locations of Michigan's Tribal casinos.

Table 11. Names and locations of Indian casinos in Michigan.

Casino	Location
Lac Vieux Desert	Watersmeet
Ojibwa Casino	Baraga
Ojibwa Casino	Marquette
Kewadin Casino	Christmas
Chip-In's Island Resort & Casino	Harris
Kewadin Casino	Manistique
King's Club Casino	Brimley
Bay Mills Resort & Casino	Brimley
Vegas Kewadin Casino	Sault St. Marie
Kewadin Casino	Hessel
Kewadin Shores Casino	St. Ignace
Victories Casino Entertainment Center	Petosky
Leelanau Sands Casino Resort	Suttons Bay
Turtle Creek Casino	Williamsburg
Little River Casino	Manistee
Soaring Eagle Casino	Mount Pleasant

Source: Midwest Gaming & Travel (as of 05/19/01).

All but three Michigan Indian casinos report increases in the numbers of slot machines and table games offered. Examples of recent growth and expansion of Indian casinos are shown in Table 12.

Table 12. Growth of casinos in selected Michigan counties, from inception to 1999.

Casino	Slot Increase	% Increase	Table Increase	% Increase
Soaring Eagle, Mt. Pleasant	4,000 to 4,305	7	51 to 95	46
Vegas Kewadin, Sault Ste. Marie	1,200 to 2,500	52	20 to 30	33
Kewadin Shores, St. Ignace	1,000 to 1,130	12	None	None
Kewadin Casino, Christmas	84 to 250	66	2 to 6	66
Kewadin Casino, Hessel	98 to 130	25	2 to 5	60
Turtle Creek, Williamsburg	650 to 1,360	52	24 to 37	35
Leelanau Sands, Suttons Bay	600 to 964	38	None	None

Source: Michigan Gaming Control Board, 2002.

Expansion of Casino Gaming in Michigan

Two studies have had an impact on the decision of whether Michigan should expand gaming or not; the first one is the *Governor's Blue Ribbon Commission on Michigan Gaming: Report to the Commission* (April, 1994), and the second is the *Report of the Mayor's Casino Advisory Committee* (June, 1997). While the first report was general in its content, the second was specific to Detroit.

Governor's Blue Ribbon Commission on Michigan Gaming

On August 8, 1994, Governor John Engler issued an executive order appointing a commission to assess the issue of expansion of gaming in the state. Members of the commission were from diverse backgrounds. The Commission created three committees: economic impact committee, social implications committee, and legal and regulatory

committee. Governor Engler charged the Commission with 12 specific issues, asking for answers and recommendations.

Considering whether additional gaming is desirable and beneficial for the state, the Commission reported that: “Limited expansion of casino gaming in Michigan would be beneficial since it could add significantly to the state’s economy, contribute additional tax revenues to local and state governments, provide an additional attraction for tourism and help to capture Michigan gaming dollars now being exported... (p. 1).” However, it also reported that: “The establishment of casinos in Michigan can be expected to cause social harm, primarily because problem and pathological gamblers would have easier access to gambling facilities. An increase in crime can be expected. The divorce rate, spousal abuse, and child abuse all can be expected to increase (p. 2).” Further, the Commission indicated that: “Social ills linked to gaming already afflict Michigan citizens because casino gambling currently is within easy reach of all the state’s residents in Windsor, Ont., and at Indian facilities within the state (p. 3).” Thus, it was concluded that: “The state is exporting gambling dollars while importing --and being financially responsible for— the social harm resulting from gambling (p. 3).”

Specifically, the social impact committee argued that if gaming was approved in Detroit, some of the negative social impacts that follow gaming could be mitigated by dedicating funds for programs, such as gambling addiction programs, and by establishing appropriate law enforcement entities to minimize criminal activity and protect public safety.

Deloitte & Touche (1995) estimated a leakage of over \$1 billion to non-Michigan gaming communities if gaming were not to be introduced in Michigan. They estimated

that Michigan residents would spend approximately \$584.7 million, annually, on gaming in Windsor if a gaming facility were not introduced to the Detroit proxy location, and an additional \$85.2 million on other goods and services would be imported. Detailed information is provided in Table 13.

Table 13. Estimated Michigan Resident Gaming Importation.

Competitive gaming location	Estimated Michigan residents' spending
Las Vegas	\$810.80
Atlantic City	53.80
Indiana	33.70
Windsor, Ontario	670.00
Total	\$1,568.30

Source: Governor's Blue Ribbon Commission, 1995, p. 22.

Additionally, it was estimated that 16,947 jobs would be created in the state of Michigan as a result of the expansion of casino gaming.

Expressing his opinion about casino development in Detroit, Mayor Archer said, "Having indicated my support for casino gaming as an economic development tool for this city, let me make it clear that I regard casino gaming as *an* economic development tool not as *the* economic solution for the City of Detroit (Governor's Blue Ribbon Commission on Michigan Gaming, 1995, p. 1)." The passage of Proposal E, on November 5, 1996, allowed casino development in the City of Detroit.

Proposal E and Casino Development in Detroit.

Consideration of casino gaming in Detroit started over 20 years before its approval in 1996. In 1976, despite support from then Detroit Mayor Coleman A. Young,

a referendum for allowing casinos in the city failed. Similar organized local ballot initiatives occurred in 1981, 1988, 1992, and 1993. Each time, Detroit voters opposed any casino initiative in the city. In the 1993 ballot, 51% voted against and 49% for.

The finalization of tribal compacts in 1993 and the opening of Casino Windsor and Northern Belle Casino in 1994, precipitated the legalization of casino gaming in Detroit. These casinos were located within a five to ten-minute drive of the heart of Detroit via tunnel or bridge, on the other side of the Detroit River. These Canadian casinos were experiencing an estimated \$1 million a day in net earnings, 90% of which was claimed to be coming from U.S. visitors –primarily from Michigan (Trebilcock and Foster, 1999).

The growing demand for city services and the need for capital investment and infrastructure precipitated casino development in the city. Detroit has been facing greater pressure on its local government; however, according to Mayor Archer, there was a predetermined limit on the amount of state revenue sharing coming to the City of Detroit from Lansing, to deal with the city's needs. Revenue sharing from the State of Michigan to Detroit has been fixed at \$332 million each year, until 2007 (www.ci.detroit.mi.us/mayor/vision2002text.htm).

Casino development in Detroit was embraced as an economic development strategy that would generate more taxes for the city. On November 5, 1996, the passage of Proposal E allowed the City of Detroit to develop up to three land-based casinos. The Proposal included provisions that:

1. Permit up to three gaming casinos in any city that meets the following qualifications: has a population of 800,000 or more; is located within 100 miles of any other state or country in which gaming is permitted; and has had casino gaming approved by a majority of the voters in the city.

2. Establish a Gaming Control Board to regulate casino gaming.
3. Impose an 18 percent state tax on gross gaming revenues.
4. Allocate 55 percent of tax revenue to the host city for crime prevention and economic development; allocate the remaining 45 percent of tax funds to the state for public education.
5. Create a “preference” for the Atwater and Greektown Groups.

(Trebilcock and Foster, 1999, p. 1-18).

In the debate leading to the November 5, 1996 referendum on casino development in the City of Detroit, opponents argued that the proposed casinos would not attract a significant sum of non-resident dollars to the Detroit area, while gaming advocates took the opposite view and added, what provided to be highly persuasive, that Detroit casinos would curb the leakage of an often reported \$1 million per day of resident money to the existing casino in Windsor, Canada. The passage of Proposal E did not end this debate over the probable economic impacts of Detroit’s casinos. Shortly after the passage of Proposal E, Detroit Mayor Dennis W. Archer established a Casino Advisory Committee on November 13, 1996, to study the impacts of gaming and provide recommendations.

Mayor’s Casino Advisory Committee Report

The Mayor of the City of Detroit established a Casino Advisory Committee following the approval of Proposal E (now codified as the Michigan Gaming Control Act) to:

1. Study the casino gaming industry and its potential effect on the economic and social well-being of the City of Detroit and its citizens;

2. Develop recommendations on the optimum location, size and type of casinos best suited for Detroit; and
3. Propose strategies to implement the Committee's recommendations.

(Report to the Mayor's Casino Advisory Committee --RMCAC, 1997, p. i).

The Committee represented a broad cross-section of the Detroit civic and business communities. The Committee was composed of "experts in law enforcement, business, marketing, public relations, planning, economic development, minority contracting and labor relations (RMCAC, 1997, p. 3)." The Committee used primary and secondary data to craft its recommendations. Field research in gaming jurisdictions, interviews with individuals involved with the gaming industry, consultation of documents and articles and consulting firms were all part of the research strategy undertaken by the Committee to reach its goals. Some of the major goals were:

1. To create jobs for Detroit residents: According to the study conducted by Deloitte & Touche L.L.P., it was estimated that casino development in the City of Detroit would generate 15,049 full-time permanent jobs. Of these, it was estimated that 9,102 jobs would be casino related –gaming, hotels, food and beverage services, retail and entertainment within the casino complex-- and have an average salary of \$34,100 in year 2002 dollars. The remaining 5,947 jobs were expected to be generated outside the casino complexes.
2. To expand the tax base: Deloitte and Touche estimated that a minimum of \$355.8 million of state and local tax revenue would be generated annually from the casinos. Of this \$242.7 million was anticipated to be generated as a result of the wagering tax and municipal services fee. In addition, an estimated \$46.2 million in sales tax would be collected on construction and equipment purchases in the years 1999 and 2000.
3. To stimulate additional development: Casino development in Detroit was expected to attract a substantial number of new businesses to the city, primarily those that complement and support casino operations, such as restaurants and retail operations, entertainment facilities, and multi-tiered parking structures.
4. To provide additional vendor opportunities for Detroiters: It was estimated that up to \$400 million in net positive impacts on other businesses would occur as a result

of the introduction of three casinos in the city. It was also estimated that at least \$195 million would be spent annually by the casinos in direct expenditures on goods and services.

5. To enhance existing assets: Casinos in Detroit would attract visitors to the city, and as casinos would be promoted, the existing tourist attractions that Detroit offers would benefit from casino promotion. The casino was sought to complement the existing attractions.
6. To prevent gaming dollars from leaking to gaming jurisdictions: It was estimated that more than 80 percent of Casino Windsor patrons came from the United States, mainly from the Detroit Metropolitan Area. Additionally, thousands of local dollars went to neighboring gaming communities –Chicago (Illinois), Gary (Indiana), Niagara Falls (Ontario), Orillia (North of Ontario), Ohio River, Evansville (Indiana), and others.

The Committee recommended that the City of Detroit:

1. Cluster all three casinos in a 100-acre area in Detroit's Central Business District;
2. Procure project development sites;
3. Reject the establishment of temporary casinos;
4. Require that at least 30% of casino operations' staff be composed of Detroit residents;
5. Establish Development Agreement requirements assuring that Detroit residents share in the profits of gaming in Detroit;
6. Develop a system to effectively manage the consequences of gaming that impact the social services infrastructure;
7. Use the city's zoning power to minimize the proliferation of business activities which bring a "seedy" character to the Central Business District;
8. Plan carefully by the Detroit Police Department for anticipated increases in non-violent crime and vehicular and pedestrian traffic;
9. Establish a central coordinated focal point for day-to-day interaction with the casinos operators; and
10. Require casinos to provide for their patrons and employees' parking needs.

(Report to the Mayor's Casino Advisory Committee, 1997, p. I-iii).

Detroit casino licensees are subject to five forms of gaming taxes and fees:

- a. A nonrefundable application fee of \$50,000;
- b. A \$25,000 license fee;
- c. A wagering tax;
- d. Payment of all regulatory and enforcement costs; and
- e. Municipal services fees.

The largest of the five taxes and fees to which casino licensees are subject is the wagering tax. The casino must pay a wagering tax on adjusted gross receipts at a rate of 18 percent.

Casino licensees are required to remit the wagering tax each day. The 18 percent wagering tax is divided between the State of Michigan (8.1%) and the City of Detroit (9.9%) (Trebilcock and Foster, p. 12-2). The MGM Grand casino opened July 29, 1999, the Motor City Casino opened December 24, 1999 and the Greektown Casino opened November 10, 2000.

Case Study Research Methods

There has been no comprehensive study of all the gaming communities in the U.S. However, researchers have focused on single or multiple cases to understand the gaming phenomenon particular to a community (Hsu, 1999). For most of the academic research on casino gaming development and issues, the method of choice has been case study research. The following discussion explains case study research methods. The discussion includes types of case studies, rationale for using a single-case study design, case studies, data sources and triangulation, time series as a research technique used in case studies, sources that threaten the validity of time-series designs, and how to minimize threats to validity and reliability when using case study research designs.

Like experiments, surveys, histories, and the analysis of archival information, the case study is another strategy for conducting social science research (Yin, 1994) or clinical research (Kazdin, 1981). The case study approach to research has a long history. Aita and McIlvain (1999) trace the tradition of case study to the mid-19th century. With its advantages and disadvantages, case study research continues to be an essential form of social science inquiry (Yin, 1993).

According to Yin (1993), case study is the method of choice when the phenomenon under study is not readily distinguishable from its context. Yin (1993, p. 31) explains that:

The major rationale for using this method is when your investigation must cover both a particular phenomenon and the context within which the phenomenon is occurring, either because: (a) the context is hypothesized to contain important explanatory variables about the phenomenon or (b) the boundaries between phenomenon and context are not clearly evident.

Furthermore, Yin explains that the context of the study may be so rich and the contextual variables so numerous and dense that no experimental design can be applied. The richness of the context means that the study cannot rely on a single data collection method but will likely need to use multiple sources of evidence (Yin, 1993, p. 31). Thus, the researcher using the case study method needs to be well informed about the topics of inquiry (Yin, 1993). Similarly, emphasizing the importance of the context, Stake (1991, p. 47) explains that: “Previously unknown relationships and variables can be expected to emerge from case studies leading to a rethinking of the phenomenon being studied. Insights into how things get to be the way they are can be expected to result from case studies.”

Case studies can be qualitative or quantitative (Yin, 1993). Stake (1995) explains that the choice of the method relies on the goal of the research. That is, the researcher must first identify the goal of the research, then decide between qualitative or quantitative case study designs. If the research goal is to generalize across cases to explain phenomena, a quantitative design should be used. The qualitative design is better suited for looking at the interrelationship of variables to understand phenomena within a case (Aita and McIlvain, 1999). These authors explain that the researcher may, however, simultaneously seek explanations and generalization across cases.

Types of Case Studies

Yin (1993) identifies three types of case studies. The case study can be exploratory, explanatory, or descriptive.

- (a) *An exploratory case study* presents a complete description of a phenomenon within its context. It is a case study that “defines questions or hypotheses (Aita and McIlvain, 1999, p. 257).”
- (b) *An explanatory case study* is more suitable for designing and doing causal case studies. It is a case study that “identifies cause and effect relationships among variables in a particular case (Aita and McIlvain, 1999, p. 257).”
- (c) *A descriptive case study* has description as their main objective. It “depicts a phenomenon within its context (Yin, 1993, p. 5).”

Stake (1998) explains that different researchers have different purposes for studying cases, and identifies three types of case study: “intrinsic”, “instrumental”, and “collective.” These are explained as follows:

- (a) *An intrinsic case study* is a case where the study is undertaken because the researcher wants a better understanding of this particular case. It is not undertaken because the case represents other cases or because it illustrates a particular trait or problem, but because the case itself is of a particular interest. In an intrinsic case study, the “motive is to learn about a particular case for its own sake (Aita and McIllovain, 1999, p. 257).”
- (b) *An instrumental case study* is a case where the study is undertaken to provide insight into an issue or refinement of theory. The case itself is of secondary interest; it plays a supportive role, facilitating the understanding of something else (Aita and McIllovain, 1999).
- (c) *A collective case study* is where the researcher may study a number of cases jointly in order to inquire into the phenomenon, population or general condition. The cases may be similar or dissimilar, and are chosen because it is believed that studying them will lead to a better understanding and better theorizing about a larger collection of cases. In the collective case study, several cases are selected for the purpose of comparison (Aita and McIllovain, 1999).

Similarly, Merriam (1999, pp. 29-34) explains that case studies can be characterized as being “particularistic,” “descriptive,” and “heuristic.” Particularistic case studies focus on a particular situation, event, program, or phenomenon. The case itself is important for what it reveals about the phenomenon and for what it may represent. This specificity of focus makes it an especially good design for practical problems—for questions, situations, or puzzling occurrences arising from everyday practice. Descriptive case studies are those whose end product is a rich, ‘thick’ description of the phenomenon

under study. Heuristic case studies illuminate the reader's understanding of the phenomenon under study. They can bring about the discovery of new meaning, extend the reader's experience, or confirm what is known.

According to Aita and McIlvain (1999), the classification of the same study may defer from one researcher to another, while the purpose of the study is the same. They support this argument as follows: "Stake (1995) would classify the first of Helen's studies as an intrinsic study with instrumental overtones. Yin (1993) would categorize the project as a multiple exploratory study, and Merriam (1998) would classify the study as heuristic."

Rationale for Single-Case Study Designs

Case study research can be based on single- or multiple case studies. A single-case study focuses only on a single case. Multiple-case studies include two or more cases within the same study (Yin, 1993). Major concerns have to be covered before using a single case study design. Yin (1994, pp. 38-45) offers three rationales for using a single case study. "The unusual or rare case, the critical case, and the revelatory case are all likely to involve only single cases, by definition:"

- a. The single case study is justified when the case represents the critical case in testing a well-formulated theory. Here the single case is used to show whether the theory's propositions are correct or whether there are other alternative explanations that might be more relevant.
- b. The single case study is justified when the case represents an extreme or unique case.
- c. The single case study may be justified as a research design when a researcher has the opportunity to observe or reveal a phenomenon previously inaccessible to scientific investigation.

Furthermore, according to Yin (1994), case studies may be “holistic” or “embedded”. A case study may be called an *embedded* case study design when the case may involve more than one unit of analysis. This may happen when focus is given also to a subunit or subunits, within the single case. On the other hand, a case study may be called a *holistic* case study design when no other subunits can be identified.

Case Studies, Data Sources, and Triangulation

Despite its recognized value in social or clinical research, the case study method is usually considered to be inadequate as a basis for drawing valid scientific inferences (Kazdin, 1981). Triangulation is employed as a strategy to rule out threats to internal validity (Yin, 1993). Denzin (1978) identifies four basic types of triangulation:

1. *Data triangulation*: the use of a variety of data sources in a study,
2. *Investigator triangulation*: the use of several different researchers or evaluators,
3. *Theory triangulation*: the use of multiple perspectives to interpret a single set of data,
4. *Methodological triangulation*: the use of multiple methods to study a single problem.

Evidence for case studies may come from several sources: documents, archival records, interviews, surveys, direct observation, participant observation, and physical artifacts, films, photographs, videotapes, and others (Yin, 1994). According to Yin, no single source has advantages over the others. However, a good case study will be that which uses as many sources as possible. Thus, any finding or conclusion based on several different sources of information is more convincing than when the case relies on a single source of information. The use of multiple sources of information is referred to as triangulation (Yin, 1994, p. 93). Figure 3 depicts the research techniques that can be employed.

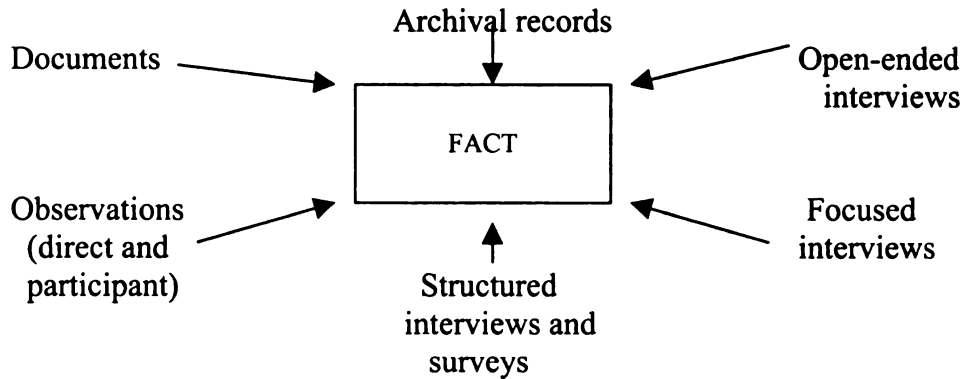


Figure 3. Convergence of multiple sources of evidence (single study).

Source: COSMOS Corporation. Adapted from Yin (1994, p. 93).

Time Series as a Research Technique Used in Case Studies

According to Yin (1994, p. 102), unlike statistical analysis, there are few fixed formulas or “cookbook recipes” to guide the investigator in a case study analysis. However, there exist four dominant analytical case study techniques: pattern-matching, explanation-building, program logic model, and time-series analysis. Time-series is the approach used in this study.

Time-series is a type of quasi-experimental design (Campbell and Stanley, 1963). It is referred to as a quasi-experimental design because, unlike a true experimental design where the researcher has control over the situation, the researcher using quasi-experimental design lacks the full control over specific variables in a particular situation (Campbell and Stanley, 1963). When full experimental control is lacking, these authors encourage the utilization of quasi-experimental designs. According to Campbell and Stanley, “The essence of the time-series design is the presence of a periodic measurement

process on some group or individual and the introduction of an experimental change into this time series of measurements, the result of which are indicated by a discontinuity in the measurements recorded in the time series (Campbell and Stanley, 1963, p. 37).” Like other quasi-experimental designs, time series analysis faces threats to internal validity. The sources that threaten the validity of time series-design are presented below.

Sources that Threaten the Validity of Time-Series Designs

Campbell and Stanley (1963, p. 40) provide sources of invalidity for each quasi-experimental design. The sources that jeopardize the validity of time-series design are presented in Table 14. The sign (–) indicates potential threat, and the sign (+) indicates that the threat to internal validity is probably controlled, and the sign (?) indicates that the threat may remain uncontrolled.

Of the twelve factors that may jeopardize the validity of various experimental designs (for explanation of each factor, see Campbell and Stanley, 1963, pp. 5-6), only “history” and “interaction of testing and X (i.e., treatment)” present threats to internal validity when using a time-series design. Campbell and Stanley (1963, p. 37) define history as, “The specific events occurring between the first and second measurement in addition to the experimental variable.” In other words, some historical event might have caused the change in what the researcher is studying, and, therefore, some rival hypotheses might suggest alternative explanations. As will be evidenced later, the terrorism attacks on 9/1/01 was an event which proved problematic in the analyses conducted for this study.

Table 14. Sources of invalidity for quasi-experimental designs (time-series design).

Source of invalidity	(-)Absence or (+)presence of threat
<u>Internal sources of invalidity</u>	
History	-
Maturation	+
Testing	+
Instrumentation	?
Regression	+
Selection	+
Mortality	+
Interaction of Selection and Maturation, etc.	+
<u>External sources of invalidity</u>	
Interaction of testing and treatment	-
Interaction of selection and treatment	?
Reactive arrangements	?
Multiple-treatment inference	?

Source: Adapted from Campbell and Stanley, 1963, p. 40.

Minimizing Threats to Validity and Reliability

As is the case for any scientific research, there is a need to control for threats to validity and reliability when conducting research in the social sciences (Campbell and Stanley, 1963). Validity refers to the approximate truth of propositions, inferences, or conclusions. Two types of validity are involved:

1. Internal validity: internal validity is the approximate truth about inferences regarding cause-effect or causal relationships. Internal validity is only relevant in studies that try to establish a causal relationship. The key question in internal validity is whether observed changes can be attributed to the program or intervention and not to other possible causes (Trochim, 1999).
2. External validity: External validity is related to generalizing and refers to the approximate truth of conclusions that involve generalizations. It is the degree to

which the conclusions or study's findings would be generalized to other cases in other places and at other times (Trochim, 1999). The use of multiple cases can make generalization possible because the more cases that show changes associated with treatment, the more unlikely an extraneous event is responsible for the change. "The sheer number of cases obviously can contribute to the extent to which conclusions about treatment can be drawn by making implausible other explanations (Kazdin, 1981, p. 187)." It is also important to note that the heterogeneity of the cases may also contribute to drawing inferences about the cause of change. In clinical psychology, Kazdin argues that if change is demonstrated across several clients who differ in various subjects and demographic characteristics and the time that they are treated, the inferences that can be drawn are much stronger than if this diversity does not exist. That is because different persons have different histories and rates of maturation (Kazdin, 1981). Thus, not only the accumulation of cases but also the heterogeneity of cases can provide a sufficient basis for drawing scientifically valid inferences.

3. Reliability: Yin (1993, p. 59) argues that case studies should also be judged by the rigor of reliability. Reliability refers to demonstrating that the operations of a study, such as the data collection procedures, can be repeated with the same results. Trochim (1999, p. 237-244) outlines five strategies to minimize threats to validity, and explains that these should not be considered mutually exclusive. According to Trochim, "A good research plan should, where possible, make use

of multiple methods for reducing threats (p. 238).” He further explains that the choice of a strategy depends “at least on the cost of the strategy and on the potential seriousness of the threat (p. 238).” His five strategies are:

- a) By argument: The most straightforward way to rule out a potential threat to validity is to simply argue that the threat in question is not a reasonable one. Such an argument may be made either *a priori* or *a posteriori*. According to Trochim, the former is more convincing than the latter. However, using this method alone is not sufficient for ruling out potential threats.
- b) By measurement or observation: The researcher may measure other indicators. If there is no change in these measures coincident with the onset of the phenomenon studied, the threats would be considerably minimized.
- c) By analysis: Alternative explanations may be ruled out by using statistical analysis.
- d) By preventive Action: Identified threats can be ruled out by some action.
- e) By design Construction (See time series design, p.99, in this study).

CHAPTER III

METHODS

The stated problem of this study was to investigate the changes that occurred in selected economic and social indicators after the establishment of casinos in the City of Detroit, and to objectively contribute to the debate over the changes that take place following the establishment of casinos. The analysis method chosen for this study is the case study approach. Investigating social and economic indicators related to the five research questions requires using multiple units of analysis. Multiple units of analysis necessitate multiple data sources and require different procedures, data sources and data collection techniques.

Research Design

In Qualitative Research Design: An Interactive Approach, Maxwell (1996) recommends the use of a visual presentation of the research design to illustrate the design as a whole and particular connections within it. Such a visual presentation assists readers in understanding the research design better than if it were presented exclusively in narrative form. The research design selected for this study is the embedded single case study design. The overall design is illustrated in Figure 4. The time frame for this study covers primarily the period 1996 to 2000.

The purpose of the study, its research questions and conceptual framework were discussed in Chapters I and II. The concern of the upcoming discussion is to justify the method chosen and validity concerns.

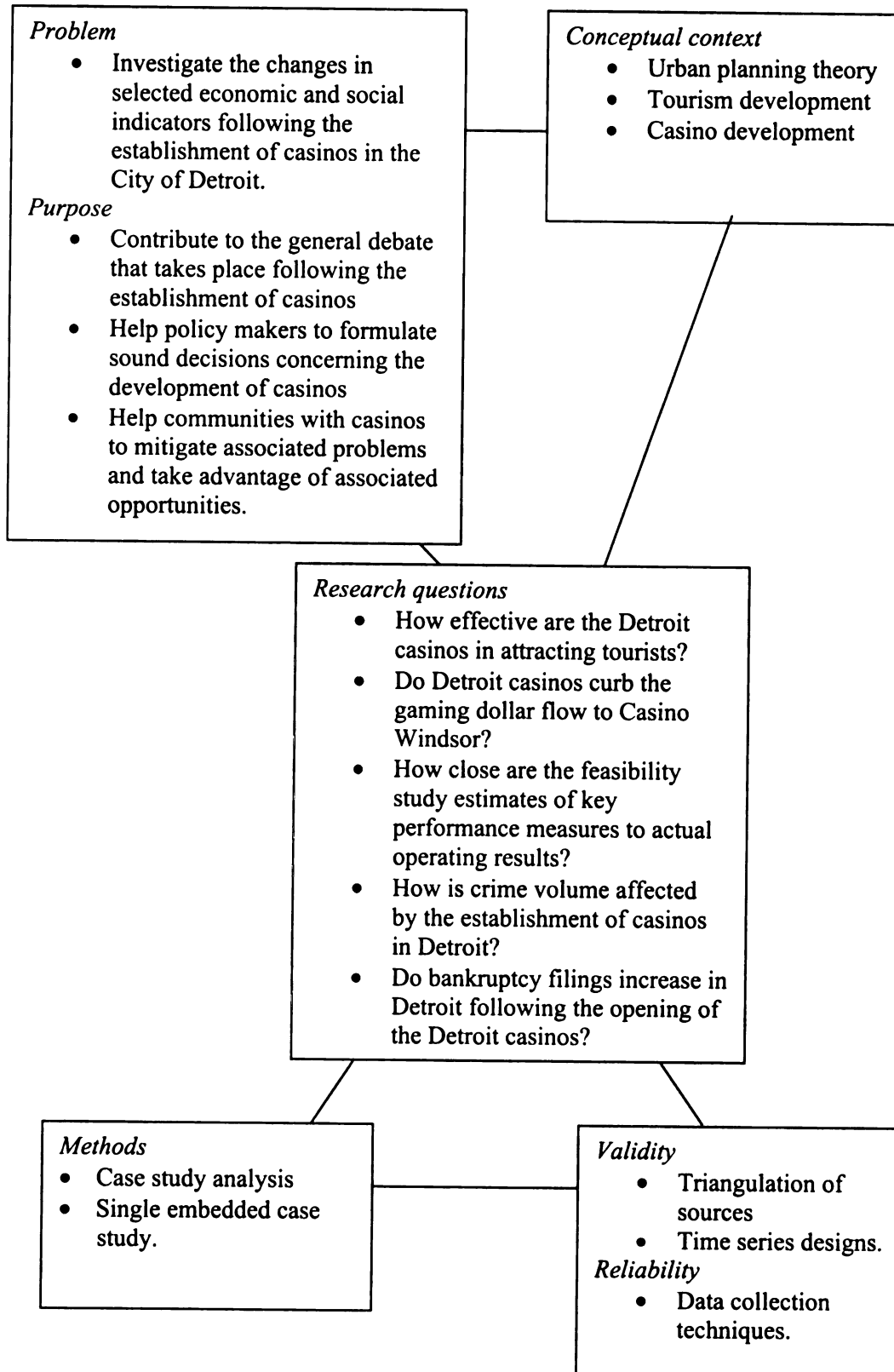


Figure 4. Concept map of the design of this study.

Case Study as the Research Method Chosen for this study

As indicated in the literature review section, the case study is a research method that casino gaming researchers have used to investigate the changes that follow the establishment of casinos in a particular gaming community and to conduct social and economic impact studies (Hsu, 1999). Urban planners have argued that each city has unique political, ideological, economic, social, and environmental makeup (Levy, 1997). Similarly, the National Gambling Impact Study Commission (1999) has recognized that each is unique and, thus, the benefits and cost of casino gaming differ from one community to another. In Legalized Casino Gaming in the United States: The Economic and Social Impact (Hsu, 1999), the contributing authors focused on specific cases. For example, Thompson focused on the “Casinos in Las Vegas,” Heneghan examined the “Economic impacts of casino gaming in Atlantic City,” and Oh investigated the “Social impacts of casino gaming: The case of Las Vegas.” Furthermore, the National Opinion Research Center’s (1999) “Gambling Impact and Behavior Study” investigated ten gaming communities. The results were different from one case to another, because of the unique makeup of each gaming community that was investigated.

Thus, there is not a single academic or empirical and comprehensive study that argues that casino gaming, in general, is totally good or totally bad for communities. Furthermore, to argue that casino gaming development is totally good or totally bad would be myopic (National Gambling Impact Study Commission, 1999). In fact, the National Gambling Impact Study Commission, which is considered a more comprehensive and more reliable study on gambling, relied on testimonies and several case studies to achieve its objective. Its objective was not to condemn or praise gambling

and casino gaming development, but to offer a process and factors for governments to consider in assessing the benefits and costs of gaming and its implications for businesses and people.

Detroit has its own political, economic, social and environmental makeup, which is different from Las Vegas, for example. Thus, one cannot generalize and confidently say that the results of casino gaming development in Detroit will be the same as those of Las Vegas, Atlantic City or Traverse Bay. Atlantic City is mainly a day-trip destination. Las Vegas has become a gaming and family destination. Traverse Bay casinos attract neighboring gamers. Thus, the case study method will be used to cover both a particular phenomenon, which is casino gaming, and the context within which the phenomenon is occurring, which is the City of Detroit. Furthermore, the context of this study is so rich in that it deals with so many single multiple units of analyses that no experimental design can be applied (Yin, 1993). Accordingly, this study cannot rely on a single data collection method or source, rather it relies on multiple sources of evidence. Several sources of evidence are needed to investigate each research question to insure that validity is achieved.

Rationale for Using the Single Embedded Case Study Research Design

The research design selected for this study was the embedded case study design. This design draws attention to what specifically can be learned from a single case, which in this case is the City of Detroit. This type of case study design is used when the instance may involve more than one unit of analysis (Yin, 1993). The unit of analysis is the major entity the researcher is analyzing in his/her study. A unit of analysis could be individuals,

groups, artifacts (books, photos, newspapers), geographic units (town, census tract, state), or social interactions (divorce, arrests), etc. (Trochim, 1999). This study uses multiple units of analysis such as the City of Detroit, the Detroit casinos, the visitor to the Detroit casinos, etc. Interest is not only on one indicator but several selected economic and social indicators. Moreover, embedded case study research design was chosen to optimize understanding of casino gaming in Detroit and its complexities. The interest of the researcher was to understand particularly the case of casino gaming in the City of Detroit with its complexities. Detroit presents a unique case because no comprehensive empirical study has yet investigated the changes that followed the initiation of casino gaming in the city.

Controlling for Internal Validity

Validity in qualitative studies refers to whether the evidence reported in a study is to be trusted as accurate and unbiased (Rubin and Babbie, 1997). In qualitative studies, a technique used to achieve validity is called triangulation. There are four types of triangulation: triangulation of theories, triangulation of methods, triangulation of sources, and triangulation of researchers (Maxwell, 1996). In this study, the researcher uses triangulation of sources and methods.

Triangulation of Sources and Methods

In the present case study research, multiple sources of evidence were used to minimize threats to internal validity. Rubin and Babbie (1997) explain that despite its connotation as triangulation, triangulation does not necessitate using three options. More

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than one option is acceptable. As the principle of triangulation of sources implies, in this study, more than one indicator of the same target problem was measured. The data sources used in this study are:

Survey: The primary source used by this study was the Detroit Metro Area Casino Visitor Study (Moufakkir, Holecek, van der Wood and Nikoloff, 2000). The objectives of that study were to: (1) assess the monetary economic impacts of Detroit casinos based on visitors' spending, (2) profile the casino visitors, and (3) provide marketing recommendations.

Documents: Two major feasibility studies were used. The first one was the *Governor's Blue Ribbon Commission on Michigan Gaming*, April, 1995. The second was the *Report to the Mayor's Casino Advisory Committee*, June, 1997.

Archival records: Tourism publications, Metro Detroit Convention and Visitors Bureau records, casino performance records, media (newspapers, audio and online) records were utilized. Specifically, two types of information sources were used:

- a. Principal information source: data from the Travel, Tourism and Recreation Resource Center's (Moufakkir et al., 2000) study "Detroit Metro Area Casino Visitors Study."
- b. Complementary information sources (data over a 5 or 6-year span 1996-2000/2001, when available):
 1. U.S Department of Justice, Federal Bureau of Investigation: Uniform Crime Reports (1996-2000).
 2. Criminal Justice Information Center, Michigan State Police: Uniform Crime Reports (1996-2000).

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3. Science and Technology Crime Analysis
4. United States Department of Commerce, Census Bureau Michigan Information Center.
5. National Gambling Impact Study Commission: Research Report (1999).
6. Detroit Metro Convention and Visitors Bureau: Detroit Metropolitan Area Tourism Market Profile and Economic Impact Study (2001).
7. Detroit Windsor Tunnel Authority.
8. Ontario Lottery and Gaming Corporation.
9. Michigan Gaming Control Board.
10. Governor's Blue Ribbon Commission on Gaming: Report of the Commission, 1995.
11. Mayor's Casino Advisory Committee: Report of the Mayor's Casino Advisory Committee, 1997.
12. Legislative history and media reports.
13. U.S. American Bankruptcy Institute.
14. U.S. Bankruptcy Court, Detroit.

Time Series Design

Time series may be used in case studies as a research technique to minimize threats to validity. In this study, time series tests were used to assess changes in casino performances, bankruptcy filings and crime rates that might have occurred following the introduction of casino gaming in the City of Detroit. This procedure involves measuring a selected variable (or variables) at equal intervals before and after a treatment (or event), in this case before and after the casinos opened to the public. Fitz-Gibbon and Morris (1987) explain that a series of tests administered systematically before a program starts can actually eliminate the need for a control group. However, at least three measures are desirable in order to establish a trend line as is illustrated in Figures 5 and 6. Additional observations can be added either before or after the program has been introduced. According to Trochim (1999) each possible expansion has implications both for the cost

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of the study and for threats which might be ruled out. Fitz-Gibbon and Morris (1987) diagrammed the single group time series as follows:

Where: O refers to a single measure; X refers to treatment or program.	Time					
	1	2	3	4	5	6
Experimental group	O	O	O	X	O	O

Figure 5. Diagram of the single group time series design.

Fitz-Gibbon and Morris (1987) diagram the non-equivalent group time series as follows:

Where: O refers to a single measure; X refers to treatment or program.	Time					
	1	2	3	4	5	6
Experimental group	O	O	O	X	O	O
Non-equivalent Control group	O	O	O	X	O	O

Figure 6. Diagram of the time series with a non-equivalent control group.

The time series with a non-equivalent control group is composed of two groups that were not formed by random assignment and are measured at regular intervals before and after program X is implemented. This design is just like the single group time series design with the addition of a non-equivalent comparison group (Fitz-Gibbon and Morris, 1987).

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External Validity Issue

External validity is concerned with the generalizing of the results of a study to the population (Trochim, 1999). Rubin and Babbie (1997, p. 403) argue that the logical focus in a case study is not statistical generalization to other cases (or external validity).

Instead, the focus is on what Yin (1994) calls *analytical generalization*, which involves connecting case study findings to a particular theory. This can be done by showing how the weight of the various sources of evidence gathered in the case study, is consistent with a theory. They further note that the accumulation of consistent results in the replication process can serve as a useful test of the theory. In the case of this study, as explained previously, the focus is on understanding the changes that followed the establishment of casino gaming in the City of Detroit. As stated by the National Gambling Impact Study Commission, more research is needed to better understand casino gaming and its impacts on people and communities. This case study will strengthen existing theory, add to the body of knowledge on casino gaming and development, as well as enlightening policy and management. Using the same logic for communities as Kazdin (1981) did for individuals, it is possible to generalize from this case study to other cases. Based on the multiplicity and heterogeneity of casino gaming case studies that are in the academic literature, it may be possible to achieve external validity.

Reliability

“A measure is considered reliable if it would give us the same result over and over again (assuming that what we are measuring is not changing) (Trochim, 1999, p.

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96).” In qualitative research, reliability means that procedures used in data collection analysis and interpretation are traceable by the reader. If the same study were to be duplicated, the reader is expected to arrive at similar findings (Rubin and Babbie, 1997). In this study, data sources and data collection techniques and procedures used are detailed to the extent possible that another researcher replicating this study can be expected to arrive at similar findings.

Data Collection Techniques

A description of each of the major data sources used in this study is presented below.

1. Detroit Metro Area Casino Visitor Study:

To obtain information from casino visitors, a mixed mode survey technique was used in this study. The first phase of the sampling strategy consisted of a brief on-site interview (see Appendix B) designed to identify non-resident casino patrons and recruit them to participate in a follow-up telephone survey. In the second phase, those who agreed to participate in the follow-up telephone interview were contacted by telephone (see Appendix C) at a time they indicated would be most convenient for them to be interviewed.

Sampling: The two casinos included in this study were MGM Grand Casino and Motor City casino. The first casino opened on July 29, 1999 and the second opened on December 19, 1999. Greektown Casino was not included in the analyses because it opened (November 10, 2000) after the Detroit casino visitor study was launched (March, 2000). Intercept surveys took place at both casinos at the same sampling days and time. The casinos have multiple entrances. To obtain a representative sample of casino visitors,

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interceptors were stationed at each entrance for varying periods of time. The time frame of the sampling period was five months (May 28, 2000 to September 9, 2000). As indicated in Table 15, two weekends and two weekdays were randomly selected from each month as intercept days. Weekend days included only Saturday and Sunday.

Table 15. Sampling months, days and hours for the Detroit Metro Area Casino Visitor Study.

	May	June	July	August	September
Weekends	5/28/00 Sunday	6/11/00 Sunday	7/8/00 Saturday	8/5/00 Saturday	9/9/00 Saturday
	4:00Pm-10:00pm	4:00pm-10:00pm	4:00pm-10:00pm	4:00pm-10:00pm	4:00pm-10:00pm
	5/27/00 Saturday	6/24/00 Saturday	7/16/00 Saturday	8/20/00 Sunday	9/10/00 Sunday
	10:00am-4:00pm	4:00pm-10:00pm	4:00pm-10:00pm	4:00pm-10:pm	4:00pm-10:00pm
Weekdays	5/30/00 Tuesday	6/15/00 Thursday	7/13/00 Thursday	8/14/00 Monday	9/7/00 Thursday
	4:00pm-10:00pm	10:00am-4:00pm	4:00pm-10:00pm	4:00pm-10:00pm	10:00:am-4:00pm
	5/26/00 Friday	6/20/00 Tuesday	7/26/00 Wednesday	8/23/Wednesday	9/11/00 Monday
	10:00am-4:00pm	4:00pm-10:00pm	10:00am-4:00pm	10:00am-4:00pm	4:00pm-10:00pm

Sampling frame: Assessing the economic impact of casino visitors on the local economy required gathering information on visitors who do not reside in the study area. Thus, the non-local casino visitors (1,887 patrons) who were intercepted in the non-gaming area of the casino buildings became the sampling frame for the study. A total of 1,447 phone numbers were collected, representing 76.7 percent of the intercepted non-local patrons. The sampling results are fully detailed in Figure 7 on the next page.

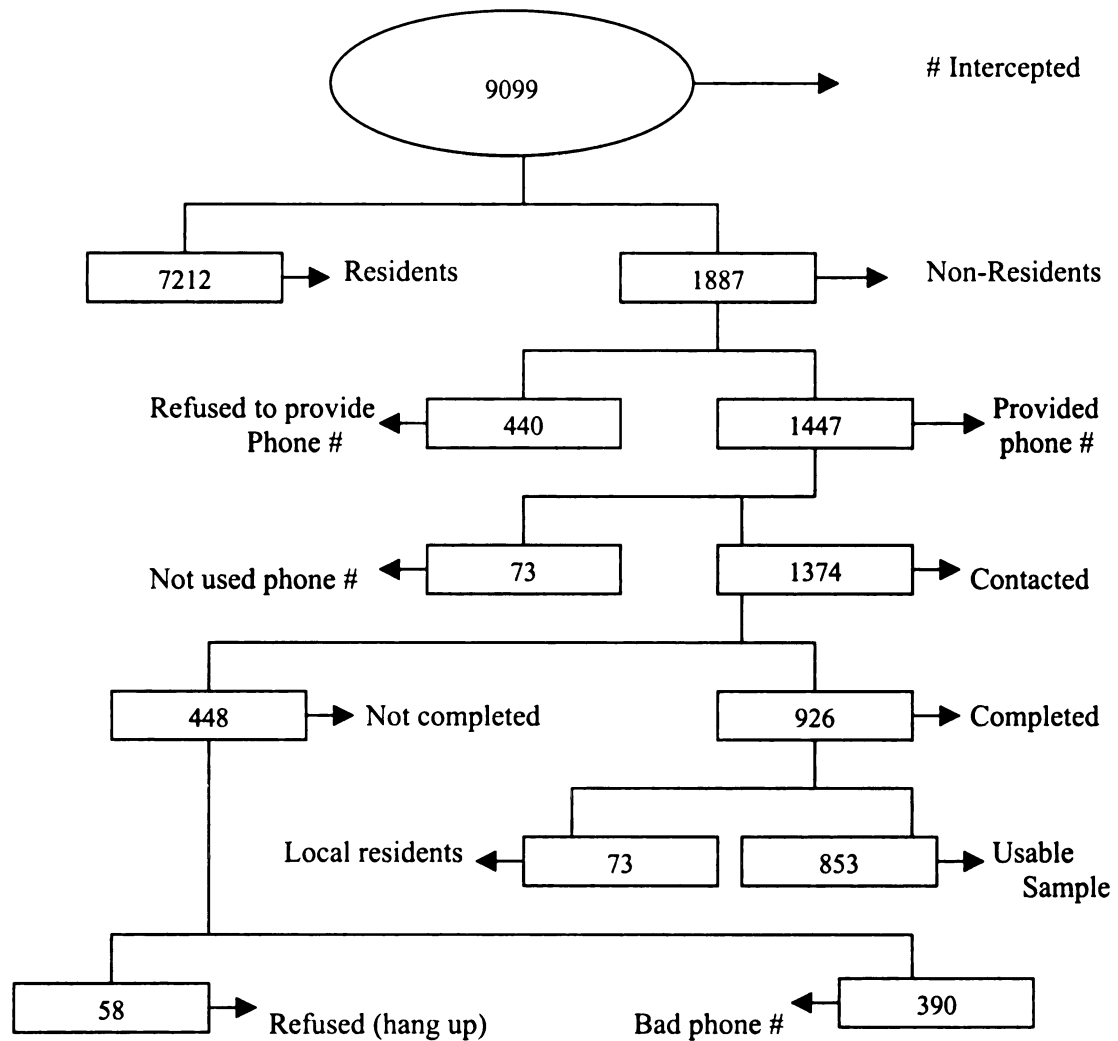


Figure 7. Summary of results of the sampling strategy used to obtain information from casino patrons.

Instrument: the telephone questionnaire consisted of 42 questions and took an average of 12 minutes to complete. It was designed to gather information about visitors' most recent trips to Detroit including trip characteristics, gaming and non-gaming expenditures, gaming behavior, data for marketing purposes, and general demographic information. The instrument was developed over a two-month period and revised by professors at

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Michigan State University. The final version of the instrument was piloted on 50 Detroit casino patrons.

The primary objective of this survey was to gather information about non-local casino visitors. On-site visitors were randomly intercepted in the non-gaming areas of the casino buildings. Only those who resided outside Wayne, Oakland, and Macomb counties were eligible for the follow-up telephone survey conducted to solicit more information from the visitors.

Response Inducement Techniques

Intercepted visitors who provided their phone numbers were asked whether they preferred to be contacted on “weekdays” or “weekends,” during “day time” or in the “evenings”. On-site interviewers were able to communicate the importance of the study, provide a small incentive, and establish a trust relationship with respondents. The following strategies were employed to enhance rate of response:

1. Social exchange theory: building trust and explaining to the respondent the importance of the study to both parties, and recording the name of the respondent.
2. Incentive: building a sense of commitment. A small incentive was given to all intercepted visitors who offered a phone number for the follow-up survey.
3. Calling up to ten times.
4. In case the selected respondent was not at home:
 - a. Leave a brief message on the answering machine or with another person in the household.
 - b. Ask for an appropriate time to reach the respondent.
 - c. Leave a phone number in case the respondent wished to call back (some actually did!).
 - d. Stop leaving messages on the answering machine after the 3 attempts
 - e. Hang up before the answering machine picks up the call. On average an answering device activates after the third ringing signal.

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2. Detroit Metropolitan Area Tourism Market Profile and Economic Impact Study

This study was conducted by the CIC Research, Inc. for the Metro Detroit Convention and Visitors Bureau. The purpose of this study was to provide economic impact estimates and a market profile of visitors to the Tri-county Detroit Metropolitan area, which consists of Wayne, Oakland, and Macomb counties.

Methodology: This study defines a visitor as a person who is not a resident of Wayne, Oakland or Macomb counties, and has not come to the area for purposes of daily employment. Three surveys were conducted with 4,846 total respondents. For the intercept survey, visitors were interviewed at various locations throughout the Detroit metro-area. A total of 3,473 interviews were completed. The questionnaire included questions relating to residence, spending, accommodations, trip purpose, and other variables. The visitor intercept survey was conducted face-to-face, with the interviewer recording all results. For the hotel self-administered survey, ten major Detroit metro-area hotels participated in the study during the year 2000. A one-page concise questionnaire was given to hotel guests at the time of check-out. Participants were given a small incentive for participating. For the household telephone survey, residents of the Detroit metro-area were contacted at random, and asked about out-of-area visitors who stayed in their homes during the previous two months. The telephone survey was conducted each month with 200 tri-county households (2,400 annual interviews). Data were collected on length of stay, group size, trip purpose, origin, and transportation. The sample size consisted of 1,373 visitor groups who stayed overnight in the homes of Detroit metro-area residents. Additionally, the Detroit Metro-area residents were asked if anyone in

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their home had stayed in any hotel within the Tri-county. Data were combined and weighted for analyses purposes (CIC Research, Inc., 2001).

3. Federal Bureau of Investigation's Uniform Crime Reports Data

The Uniform Crime Reports give a nationwide view of crime based on statistics contributed by state and local law enforcement agencies. These crimes are known to the police. Since 1930, city, county and state law enforcement agencies have voluntarily provided the Federal Bureau of Investigation with a set of crime statistics through the Uniform Crime Reporting Program. Crime statistics are periodically released to the public on the Internet and in printed publications. For more details, the see crime section in the literature review chapter and also the limitations section in this study.

Research Questions and Propositions

The research propositions in the case study direct attention to what should be examined within the scope of the study. They are the equivalent of hypotheses in qualitative designs. Thus, a research proposition helps the investigator frame the research question into a straightforward and a more operational manner (Yin, 1994). This study has five research questions. Each research question is followed by the data sources and techniques that were used to answer it.

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Research Question 1: How effective are the Detroit casinos in attracting tourists?

Proposition 1. Tourist dollars and volume are expected to increase as a result of casino development in the City of Detroit.

Two data sources were utilized to answer Research Question 1:

Primary data source: Travel, Tourism and Recreation Resource Center's "Detroit Metro Area Casino Visitors Study (2000)". *Complementary data source:* Metro Detroit Convention and Visitors Bureau's "Detroit Metropolitan Area Tourism Market Profile and Economic Impact Study (2001)". Five sub-questions were considered to answer Research Question 1:

In order to answer this question, five major sub-questions were asked:

- A. What have been the changes in tourism activities in the Detroit Metro area following the opening of the Detroit casinos?
- B. What is the local/non-local ratio of casino visitors?
- C. What other activities do non-local casino visitors engage in while in the Detroit Metro area?
- D. Where do non-local casino visitors spend money while in the Detroit Metro area?
- E. What is the direct and indirect economic impact of non-local casino visitors on the local economy?

While answers to questions A, B and C were obtainable directly from the Detroit Metro Area Casino Visitor survey and the Detroit Metropolitan Area Tourism Market Profile and Economic Impact Study, questions D and E necessitated more complex procedures.

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Procedures for determining where casino visitors spend money

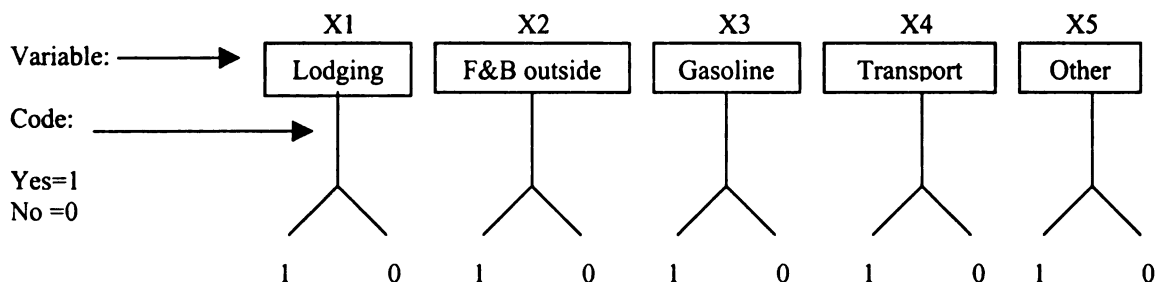
Intercepted casino visitors were asked the following questions to determine where they spent their money while in the study area:

- How much did you spend in the Detroit area on:
 1. Lodging?
 2. Food and beverages inside the casino?
 3. Food and beverages outside the casino?
 4. Gasoline purchases?
 5. Other local transportation?
 6. All other expenses? and,
- How many persons did your spending unit include?
- Did you come out ahead, behind, or break even on the day you were intercepted in the casino?
 - About how much ahead?
 - About how much behind?
- On this particular trip, how many nights did you stay in the Detroit area?

In order to answer the question “Where do casino patrons spend money?”, a recoding scheme was developed, based on the above mentioned spending variables. The following discussion delineates the steps undertaken to recode the spending variables.

Steps for recoding the spending variables

1. Recode spending in the community



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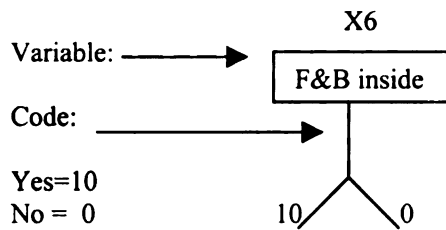
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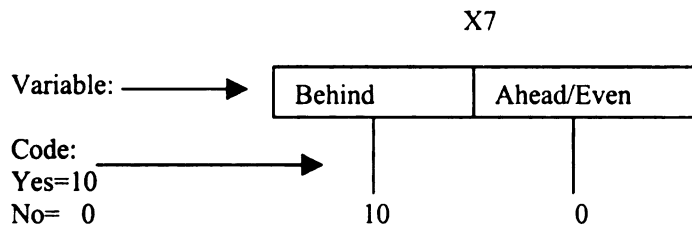
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2. Recode spending in the casino



3. Recode spending on gambling



The spending variables were recoded as X1, X2, X3, X4, X5, X6, X7.

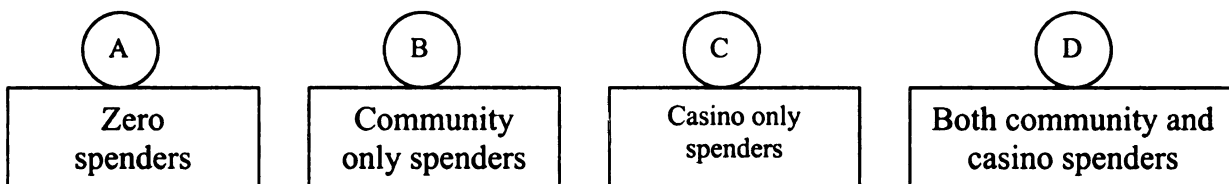
4. Add up recorded variables:

$X1 + X2 + X3 + X4 + X5 + X6 + X7$
(as minimum) and 25 (as maximum).

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Resulting variables have values between 0

5. Recode X to identify the four segments:



- A= All values of 0
- B= All values between 1 and 5
- C= All values that are equal to 10 or 20
- D= All other values.

Principles of economic impact studies

In concept, deriving the economic impact of the two casinos is relatively simple and involves multiplying the number of visitors over a given time period (a year in this case) by mean per person expenditures and then expanding this product by a multiplier

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that captures the secondary impact of direct visitor expenditures as they course through and eventually leak out of the economy. This process is summarized in the following mathematical formula:

Economic Impact = (# of visitors * mean spending per visitor) * the multiplier (Stynes, 1999).

In practice, however, deriving valid estimates of economic impact is often more complex than this simple formula would suggest. The following set of issues must be resolved:

1. The geographical boundaries of the economy must be precisely defined.
2. Mean expenditure estimates must be developed from an unbiased sample of the “appropriate” visitors.
4. The “appropriate” visitors must somehow be counted over the relevant time frame.
5. Accurate multipliers must be obtained and correctly applied to estimate direct expenditures to capture the full impact on the targeted economy.

How each of these issues was addressed in this study is outlined below.

Defining the region: The study region in this study was defined as Tri-county Detroit Metro area including Wayne, Oakland and Macomb counties. Only expenditures of residents from outside the region were included in the analysis. Therefore, the economic stimulus of new dollars brought into the Detroit area was measured.

Estimating visitor expenditures: The objectives of this section required that mean expenditures by casino visitors from outside the Detroit area be measured. An attempt was made to group visitors intercepted at the casinos into locals and non-residents; only the latter were subsequently interviewed by telephone. According to Crompton (1999) one basic principle that should be considered when conducting an economic impact

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analysis is the exclusion of “casuals”. Casuals are those visitors who would have visited the area regardless of the existence of the facility or program under investigation. Thus, only the spending of those who would not have visited the area in the absence of the program or facility would have generated new money in the community. Accordingly, interviewed non-local residents were asked whether or not their primary trip purpose was to visit a Detroit casino. Based on primary trip purpose, two economic impact estimates were assessed. The all visitor estimate was subsequently referred to as the comprehensive economic impact estimate, and the estimate for those whose primary purpose for the trip was to visit a casino was referred to as the conservative economic impact estimate.

The comprehensive estimate overstates the economic impact of the casinos because it includes individuals who would have visited Detroit even if casino gaming was not available in the city, and the conservative estimate understates the impact of the casinos in that it excludes individuals who may not have made their visit were casinos not available or who may have extended their stay because of the casinos.

Estimating the number of visitors: Given the scope of this study and the measurement challenges that would have had to be overcome, it was not feasible to devise an independent estimate of casino visitor numbers. The best available estimate of visitor numbers was that provided by casino officials. They indicated that, on average, 20,000 people visit the two casinos each day. No information could be obtained concerning the basis for this estimate, so it is not possible to create an upper or lower bound which, at some level of probability, would capture the true measure of average daily visits to the casinos. The estimates of economic impact provided herein were directly linked to visitor

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count estimates that were available, hence, if the visitor count was in error by, for example +10%, the reported economic impact estimates would also be in error by +10%.

Selecting the multiplier(s): selecting the multiplier(s) to use in economic impact analyses involves both science and a considerable degree of subjective judgment. All multipliers are, out of necessity, approximations of how dollars flowing into an economy impact that economy. The multiplier varies by sector of the economy that captures these new dollars. For example, a dollar flowing into the lodging sector will have a greater impact on the Detroit economy than will a dollar spent on gasoline because the majority of the dollar spent on gasoline leaks immediately from the local economy in the form of payments to gasoline suppliers who reside outside of the Detroit area. On the other hand, more of the dollar spent on lodging, a service, remains in the local economy in the form of employee wages, profit to local owners and payments to primarily local service providers. Analysts typically use one of two approaches to select the multiplier. They rely on a simple composite/average multiplier that is reflective of the specific multipliers associated with an overall economy or type of economic activity (e.g., entertainment, tourism, or travel), or they attempt to segregate expenditures by type, apply the multiplier most directly associated with each type of expenditure, and sum the results to arrive at a total. While the latter approach would normally be expected to yield a more accurate estimate, it may not since classification of expenditures involves a degree of subjectivity and sector multipliers are themselves in effect composites. Furthermore, there is no way to judge the relative accuracy of one estimate over another.

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The concept of economic impact is relatively simple and easy to grasp; however, as should be clear from the above discussion, applying it in this case is fraught with obvious and sometimes subtle complexity. While the accuracy of any single estimate of the economic impact casinos have on the Detroit economy could be legitimately disputed, careful analysis built upon sound alternative assumptions can portray the upper and lower bounds which capture the economic impact of the casinos. Such a transparent approach permits other analysts to substitute their own assumptions to refine this study's estimates. It also permits selection of estimates most suitable to the potential users' needs. (For example, one most interested in the economic impact of all non-resident casino visitors would find the comprehensive impact to be most appropriate).

Procedures for assessing the direct and indirect economic impacts of the Detroit casinos

Two procedures were employed to assess the direct and indirect economic impacts of the casinos on the local economy. The first procedure (Step by step method) allowed for comparing the feasibility projections by Deloitte & Touche to actual results, specifically, economic impact by expenditure type (outside the casino, non-gaming in the casino, and gaming in the casino). The second procedure (National Park Service's Money Generation Model 2 (MGM2)) produced a wide range of economic impact indicators including: sales, personal income, value added, and jobs created.

a. Step by step method for calculating the economic impact analyses

Two alternative estimates of the economic impact of the Detroit casinos were developed which varied by the stated primary trip purpose of casino visitors. The first estimate included only visitors who said that the primary reason for their visit to Detroit

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was the casinos. This group would not have visited the community the day they were intercepted in the casino building had gaming not been available. The second estimate included all casino visitors. The most appropriate procedure for deriving the “best” estimate of the casino’s economic impact would have been to proportion individuals’ expenditures by the degree to which casinos influenced their decision to visit Detroit. Determination of the appropriate proportion of spending to attribute to casinos is problematic and was not attempted in the Detroit casino study. The “best” estimate is bonded by the two estimates derived using these two approaches.

The procedures and assumptions used in this study to examine the direct and indirect monetary economic impact on the local community are delineated in the following section. An overview of the economic impact calculation process used in this study is presented in Figure 8.

MGM2 is a spreadsheet model for estimating tourist spending and economic impacts on a local region. The file can be downloaded from (www.msu.edu/use/stynes/npsmgm). Casino visitors spending profiles by segment from the Detroit Metro Area Casino Visitor Study (2000) were entered in the spreadsheet. The model computes total spending and applies economic ratios and multipliers by sector from an input-output model of the Michigan economy to estimate direct and secondary economic impacts.

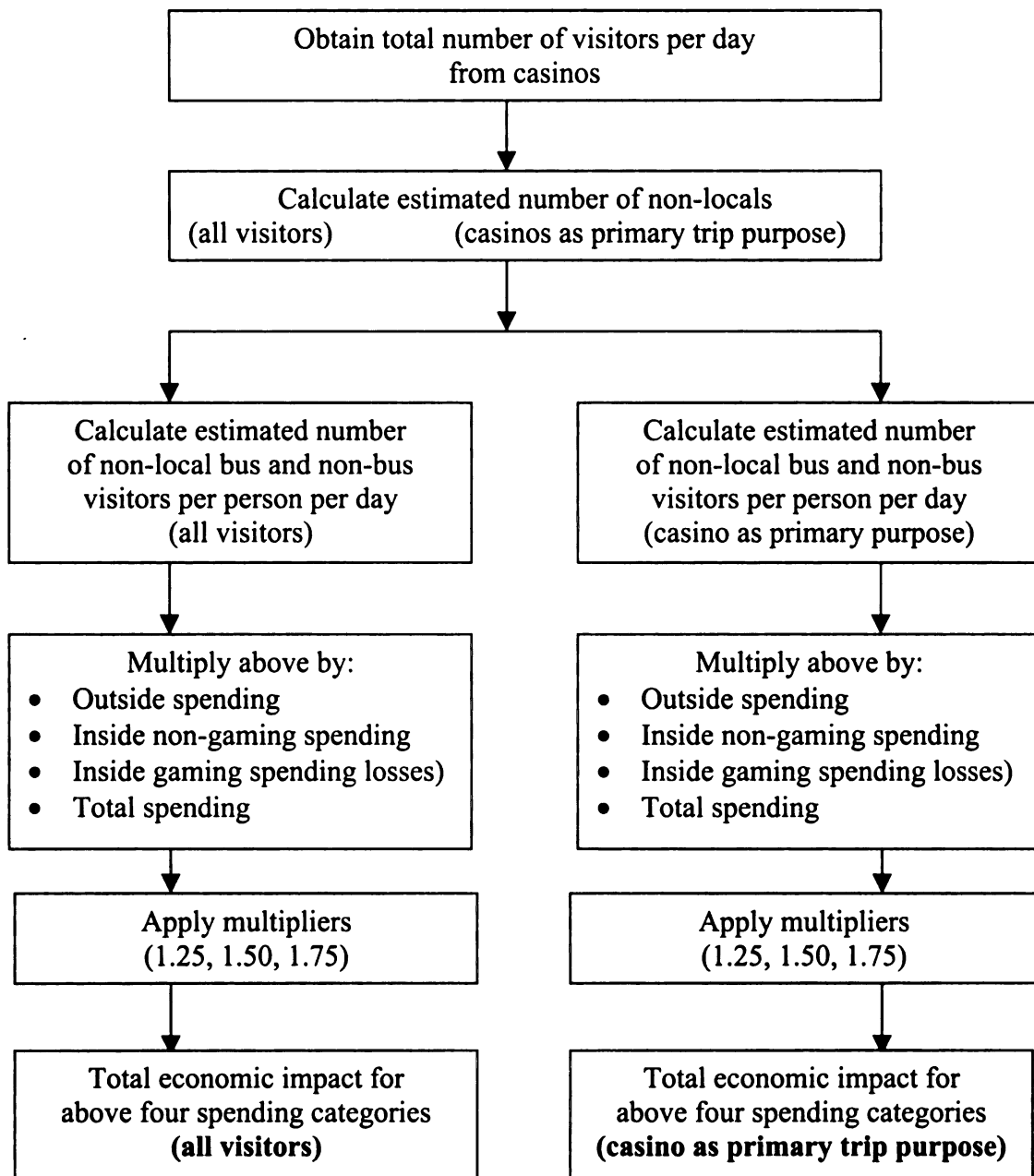


Figure 8. An overview of the economic impact calculation process used in this study.

b. National Park Service's (NPS) Money Generation Model 2 (MGM2)

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Research Question 2: Do Detroit Casinos curb the gaming dollar flow to Windsor?

Proposition 2. The gaming dollar flow to Windsor is expected to decrease as a result of casino Development in the City of Detroit.

There was no direct major source of relevant information available; however, several indicators were selected to answer Research Question 2 (Time series analysis was employed to examine trends in casino visitation and revenue). The three indicators used were:

- a. Performance figures for Casino Windsor, including casino gross revenues, and number of casino patrons,
- b. Traffic counts for Detroit Windsor Tunnel crossing, and
- c. Detroit casinos' revenues.

Five-year trend data for Casino Windsor's performance were obtained from the Ontario Lottery and Gaming Corporation. Five-year traffic counts going through the Detroit Windsor Tunnel from the United States to Canada were obtained from the Detroit Windsor Tunnel Authority. And five -year trend data revenue for Detroit's casinos were obtained from the Michigan Gaming Control Board.

Research Question 3: How close are the feasibility study estimates of key performance measures to actual operating results?

Proposition 3. The feasibility estimates of key casino performance are higher than actual results.

Projected results of the *Economic Impacts of Casino Gaming on the City of Detroit* conducted by Deloitte & Touche for the Mayor's casino advisory committee are compared (to the extent possible) with actual results collected from multiple sources, and/or estimated in this study. Major key indicators were: local/non-local casino visitor

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ratio, casino revenues, city and state wagering taxes collected, number of casino employees, the dollar amount of money assumed to be kept in Michigan due to Detroit casinos, spending on gaming inside the casino, spending on non-gaming inside the casino, spending outside the casino in the study area, and economic impact (direct + indirect).

(The procedures employed to answer this question are detailed throughout the feasibility study comparison section).

Research Question 4: How is crime volume affected by the establishment of casino gaming in Detroit?

Proposition 4. Crime rates are expected to increase as a result of casino development in the City of Detroit.

In order to answer Research Question 3, six specific indicators were considered:

- A. National Crime Index offenses volume, 1996-2000,
- B. Five-year trend comparison of Crime Index offenses in the U.S., Michigan, Wayne County, Macomb County, Oakland County, Tri-county area, and City of Detroit, 1996-2000,
- C. Five-year trend comparison of Crime Index offenses in Detroit, by type of crime, 1996-2000,
- D. Selected NonIndex Crime offenses reported to the Detroit Headquarters Police Department, 1996-2000,
- E. Crime Index offenses of major Detroit casinos' feeder markets in Michigan, 1996-2000,
- F. Crime Index of major Detroit casino's feeder markets in Ohio, 1996-2000.

Five-year trend data were obtained from the Michigan State Police Department of statistics. These included State of Michigan crime data, Macomb, Oakland and Wayne counties crime data, and City of Detroit crime data. Five-year trend data were obtained from the Federal Bureau of Investigation. These included national crime statistics, and other states and counties crime data.

Research Question 5: Did bankruptcy filings increase in Detroit following the opening of the casinos?

Proposition 5. Detroit bankruptcy filings are expected to increase following the development of casinos in Detroit.

The six-year trend in bankruptcy filing (1996-2001) was obtained from the U.S. American Bankruptcy Institute.

CHANGES IN SELECTED ECONOMIC AND SOCIAL
INDICATORS ASSOCIATED WITH THE ESTABLISHMENT OF CASINOS
IN THE CITY OF DETROIT: A CASE STUDY

VOLUME II

By

Omar Moufakkir

A DISSERTATION

Submitted to
Michigan State University
in partial fulfillment of the requirements
for the degree of

DOCTOR OF PHILOSOPHY

Department of Parks, Recreation and Tourism Resources

2002

CHAPTER IV

FINDINGS

The stated problem of this study was to investigate the changes in selected economic and social indicators that occurred after the establishment of casinos in the City of Detroit and to objectively contribute to the debate over the changes that take place following the establishment of casinos. Results may help policy makers formulate sounder decisions concerning the development of casinos in their respective jurisdictions. They may also help communities with casinos to mitigate associated problems and take advantage of associated opportunities. To guide analyses, the following five research questions and five study propositions were established.

Research Question 1: How effective are the Detroit casinos in attracting tourists?

Proposition 1. Tourist dollars and volume are expected to increase as a result of casino development in the City of Detroit.

Research Question 2: Do Detroit Casinos curb gaming dollar flow to Windsor?

Proposition 2. The gaming dollar flow to Windsor is expected to decrease as a result of casino development in the City of Detroit.

Research Question 3: How close are the casino feasibility study estimates of key performance measures to actual operating results?

Proposition 3. The feasibility estimates of key casino performance are higher than actual results.

Research Question 4: How is crime volume affected by the establishment of casinos in Detroit?

Proposition 4. Crime is expected to increase as a result of casino development in the City of Detroit.

Research Question 5: Did bankruptcy filings increase in Detroit following the opening of the Detroit casinos?

Proposition 5. Detroit bankruptcy filings are expected to increase following the development of casinos in Detroit.

In this chapter, results based upon the research methods outlined in the previous chapter are presented and discussed in order from research question 1 and proposition 1 to research question 5 and proposition 5. Each research question is followed by related sub-questions. Sources used are noted throughout the discussion.

Research Question 1: How effective are the Detroit casinos in attracting tourists?

In order to answer this question, five major sub-questions were asked:

- A. What have been the changes in tourism activities in the Detroit Metro area, following the opening of the Detroit casinos?
- B. What is the local/non-local ratio of casino visitors?
- C. What other activities do non-local casino visitors engage in while in the Detroit Metro area?
- D. Where do non-local casino visitors spend money while in the Detroit Metro area?
- E. What is the economic impact of non-local casino visitors on the local economy?

Findings from the *Detroit Metropolitan Area Tourism Market Profile and Economic Impact Study (2001)*, as well as results from the *Detroit Metro Area Casino Visitor Study*

(2000), were used to answer Research Question 1. Both studies had the same objectives -- to profile tourists and assess their economic impacts on the local community. However, while the former was a general study of tourists in the Metro Detroit area, the latter was specifically designed to generate information about casino tourists. Findings from the *Detroit Metropolitan Area Tourism Market Profile and Economic Impact Study (2001)* are presented first, followed by results from the *Detroit Metro Area Casino Visitor Study (2000)*.

The variables of interest from the *Detroit Metropolitan Area Tourism Market Profile and Economic Impact Study* included:

1. Detroit Metro area visitor volume,
2. Hotel/motel visitor volume,
3. Visitors' total spending,
4. Total visitor spending by selected spending categories for the year 2000
5. Attendance levels at major Detroit recreational attractions.

Additional information from The Detroit News was also used in exploring the five sub-questions noted above.

The variables of interest from the *Detroit Metro Area Casino Visitor Study* included:

1. Local/Non-local casino visitor ratio,
2. State/Province of origin of all non-local intercepted visitors,
3. County of origin of all non-local intercepted visitors whose trip began in Michigan,
4. City of origin of all non-local casino visitors whose trip began in Ohio,
6. Demographic characteristics of the respondents,
7. Non-local casino visitors' primary reason for their trip to Detroit,
8. Trip expenditures, including spending in the casino and outside the casino in the study area,
9. Likelihood of visiting the City of Detroit again because of the casinos.

Additional qualitative information was taken from interviews conducted by The Detroit News with the President of the Ramada Inn Downtown Detroit and the CEO of the Detroit Metro Convention and Visitors Bureau.

The first Detroit casino started operating in July 1999 and the second opened in December 1999.

Results from the Detroit Metropolitan Area Tourism Market Profile and Economic Impact Study:

A. What are the changes in tourism activities in the Detroit Metro area following the opening of the Detroit casinos?

The Metro Detroit area experienced growth in the number of visitors, visitor spending, and hotel/motel room sales during the period 1996-2000. As can be seen in Table 16, there were a total of 17.6 million visitors to the Metro Detroit area during 2000, representing an increase of 4.1% from 16.9 million in 1999. The hotel/motel visitor volume was estimated at 3.3 million in 2000, reflecting a 6.5% increase from 1999. Total spending increased more than 13%, from \$4.5 billion in 1999 to \$5.1 billion in 2000. “A significant portion of the growth in visitor spending was driven by the 7% increase in average daily room rates as well as new spending on gambling in the casinos (p. 7).” The number of hotel/motel sales also increased 13.3% in 2000 compared with 1999. Data presented in Table 16, indicate that all three selected tourism economic indicators saw an increase after the casinos opened in the city.

Table 16. Detroit Metro area visitor trends and selected tourism economic indicators.

Year	Number of visitors	Percentage change
2000	17.6 million	4.1%
1999	16.9 million	4.3
1998	16.2 million	1.3
1997	16.0 million	6.0
1996	15.1 million	
Visitor spending		
2000	\$ 5.1 billion	13.3
1999	\$ 4.5 billion	12.5
1998	\$ 4.0 billion	2.4
1997	\$ 4.1 billion	5.1
1996	\$ 3.9 billion	
Hotel/motel visitor volume		
2000	3.3 million	6.5
1999	3.1 million	3.3
1998	3.0 million	0.0
1997	3.0 million	
1996	Not available	

Source: Adapted from CIC Research, Inc., 2001.

In 2000, 2% of total visitor spending was attributed to new spending on gambling in the casinos (CIC Research, Inc., 2001). As can be seen in Table 17, visitors to the Detroit Metro area spent \$104 million in the Detroit casinos in 2000. Shopping (\$1.5 billion) was the largest category of visitor spending, followed by food and beverages (\$1.4 billion), and lodging (\$846 million).

Table 17. Total Detroit Metro area spending in US dollars, by spending category in 2000.

Spending category	Total spending	Percentage
Shopping	\$1,507 million	29.0%
Meals/beverages	1,433 million	28.0
Lodging and lodging industry	846 million	16.0
Local transportation	674 million	13.0
Entertainment/recreation	586 million	11.0
Detroit casinos	104 million	2.0
Total	5.1 billion	100.0

Source: CIC Research, Inc., 2001.

According to The Detroit News, the Detroit casinos attract more visitors than many other Metro Detroit attractions, from sporting events to cultural institutions as can be seen in Table 18. However, it is worth noting that the methods used by these attractions to count visitors differ. While the method used by the other attractions to count visitors is based on the numbers of tickets sold, casino visitor counts are estimates made by the casino. The method used to record the number of visitors to the casino may be subject to systematic error. Systematic error occurs when the information collected reflects a false picture of the concept that the researcher is seeking to measure, either because of the way the data are collected or the dynamic of those providing the data (Rubin and Babbie, 1997). In the case of casinos, the person who is recording the number of persons entering the facility may be recording the number of entries, which is not equal to the number of visitors. That is because one visitor may enter the casino more than once at the time the counting is taking place, and therefore be counted more than once. For example, the same visitor may enter the casino twice and the recorder will count two visitors. This type of systematic error results in an overestimation of the total number of casino visitors. Thus, the data presented in Table 14 may not be accurate. In addition, sampling bias may occur if the sampling days, hours, or stations are not randomly selected. The accuracy of casino visitor counts is also difficult to assess because managers are reluctant to discuss in detail the procedures they used to develop their estimates.

Table 18. Attendance levels at major Detroit attractions.

Attraction	Attendance	Time period
Casino Windsor	6,600,000	March 31, 2000-March 31, 2001
MGM Grand Casino	6,500,000	July 29, 1999-December 31, 2000
Motor City Casino	6,000,000	December 14, 1999-December 31, 2000
Detroit Tigers	2,600,000	2000 season
Henry Ford Museum*	1,500,000	Annually
Greektown Casino	1,200,000	November 10, 2000-2001 season
Detroit Zoo	1,200,000	2000
Detroit red Wings	819,795	2000-2001 season
Detroit pistons	607,323	2000-2001 season
Detroit Lions	606,716	2000-2001 season

Source: Adapted from the Detroit News, July 29, 2001.

*Includes Greenfield Village.

In 2000, the Detroit casinos generated more revenue than other Metro Detroit attractions. Figure 9 suggests that the casinos generates more money for their owners than do Detroit's major sport franchises; however, the question that warrants asking is how much of this money is attributed to local and non-local visitors. In other words, how much of this money is new money to the community?

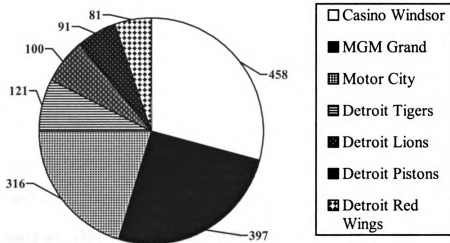


Figure 9. Revenue by major selected Detroit tourism attraction, in US \$ million.
Source: Adapted from The Detroit News.

Additional information

Selected qualitative information extracted from newspapers corroborates the above-mentioned quantitative data. The president of the Ramada Inn in downtown Detroit, Michael Higgins, estimated occupancy rates were up 10% since the establishment of casinos in the city (The Detroit News). The president of the Detroit Metro Convention and Visitors Bureau, Larry Alexander, announced that a number of visitors to the Detroit Metro area may not have come if the casino were not there (The Detroit News). Despite fears that casinos would dry up competition, restaurants closest to the casino say their business has improved. "Business is booming," said Fiona Palmer of Fiona's Tea House, near MGM Grand. "Having the casino open has definitely helped. It's made business more steady". At Carl's Chop House, across from Motor City casino, the owners have seen a slight increase in business. "It's [business] not huge," said co-owner Claudia Passalacqua, "but we notice our regulars are using us more in conjunction with the casino, and new people are coming for lunch and dinner and then asking for directions to the casino (Detroit Free Press, February 7, 2000)."

Results from the Detroit Metro Area Casino Visitor Study:

B. What is the local/non-local ratio of casino visitors?

Over 9,000 visitors were randomly intercepted in the non-gaming areas of the casino buildings. As reported in Table 19, of these, 7,212 or 79% were local and the remaining 1,887 or 21% were non-local. Non-local visitors were those who do not reside in the Tri-county area (Macomb, Oakland and Wayne counties). These were defined as tourists.

Table 19. Distribution of Detroit casinos' patrons (tourists vs. locals).

Patrons	Number intercepted	Percentage
Tourists*	1,887	20.7%
Local visitors	<u>7,212</u>	<u>79.3</u>
Total visitors	9,099	100.0

* Tourists were defined to include patrons who do not reside in Wayne, Oakland and Macomb counties.

As can be seen in Table 20, the majority of tourists are from Ohio (38.8%) and Michigan (38.0%). The remaining 23.2% come from 45 other states and six other countries. In all, tourists come from 45 U.S. states and six international countries. Three factors may explain the large number of visitors from Ohio –lack of substitutes, proximity, and a large population concentration. First, casino gaming is not legalized in Ohio, and therefore, Ohio residents have no substitutes locally. Second, the Detroit casinos are close to Ohio. Third, Ohio feeder markets have a large population.

Table 20. Origin of non-local Detroit casino visitors.

State/Province	Frequency	Percentage
Ohio	602	38.8%
Michigan	589	38.0
New York	59	3.8
Florida	56	3.6
Pennsylvania	36	2.3
Illinois	30	1.9
California	27	1.7
Ontario	27	1.7
Texas	24	1.5
Indiana	23	1.4
Other	<u>75</u>	<u>5.3</u>
Total	1,548	100.0%

When comparing Table 20 with results from the Travel, Tourism and Recreation Resource Center (MSU)'s travel market* data, it appears that the Detroit casinos are attracting more visitors from Ohio but fewer visitors from Illinois, Indiana, Wisconsin, and Ontario. As indicated in Table 21, 8% of the visitors from Wisconsin patronized a casino in Michigan, 6.4% of casino gamers were from Ontario and about 5% were from Indiana.

Table 21. Origin of Michigan pleasure travelers –casino gamers versus all pleasure travelers, 1996-1998.

State/Province	% of casino gamers	% of all pleasure travelers
Michigan	64.2%	46.2%
Illinois	4.8	13.4
Ohio	10.2	13.4
Indiana	4.8	8.5
Ontario	6.4	8.5
Wisconsin	8.0	7.1
Minnesota	1.6	2.6

Results arrayed in Table 22 indicate that the majority of Michigan casino tourists reside in the counties adjacent to the Detroit Metro area including Washtenaw, Monroe, Genesee, Livingston, and St. Clair counties. Overall, the casinos captured visitors from 45 (including the Tri-county study area --Macomb, Wayne and Oakland counties) of Michigan's 83 counties. The most represented cities --Ypsilanti, Monroe, Brighton, Ann Arbor, Flint Howell and Lansing-- are within a 40 to 90 minute drive from Detroit.

* The Michigan Travel Market Survey Data program uses a telephone survey administered in a computer-assisted telephone interview laboratory developed specifically to generate information about Michigan travelers.

Table 22. County of origin of all non-local Detroit casino visitors whose trip began in Michigan.

County	Frequency	Percentage	Population*
Washtenaw	104	17.6%	306,073
Monroe	81	13.7	144,913
Genesee	79	13.4	437,349
Livingston	53	8.9	151,496
St. Clair	52	8.8	161,755
Ingham	38	6.4	285,123
Jackson	22	3.7	157,271
Lenawee	19	3.2	99,780
Saginaw	18	3.0	202,245
Bay	18	3.0	109,519
Shiawasee	16	2.7	72,346
Kent	13	2.2	550,380
Kalamazoo	6	1.0	229,867
Calhoun	6	1.0	141,380
All other Michigan Counties	<u>64</u>	<u>10.8</u>	
Total	589	100.8%	

*Source: U. S. Bureau of the Census.

Because the greatest majority of the casino tourists come from Ohio, it is important to detail their geographical origin. As can be seen in Table 23, the majority of Ohio tourists come from Cuyahoga, Lucas, Lorain and Summit counties. The four most represented cities are Toledo, which is about 61 miles from Detroit or about a one hour's drive, Cleveland which is about 170 miles or a 2 ½ hours' drive from Detroit, Akron which is 191 or about 3 ½ hours, and Lorain which is about 143 miles or a little more than a 3 hour drive from Detroit.

Table 23. County of origin of all non-local Detroit casino visitors whose trip began in Ohio.

County	Frequency	Percentage	Population*
Cuyahoga	173	28.7%	1,371,217
Lucas	123	20.4	446,482
Lorain	34	5.6	282,100
Summit	32	5.3	535,856
Fulton	11	1.8	42,202
Franklin	20	3.3	1,027,821
Mahoning	20	3.3	252,597
Stark	15	2.5	373,179
Wood	18	3.0	120,292
Montgomery	13	2.2	565,866
Other	<u>143</u>	<u>23.8</u>	
Total	602	100.0%	

*Source: U. S. Bureau of the Census.

The demographic characteristics of Detroit casino tourists are presented in Table 24. A little over 60% of the casino tourists are married, 18.4% single and 8.1% widowed. Over one half are employed and about one-quarter are retired. One-quarter reported having a household income in 1999 of less than \$37,000, and nearly 42% reported income of over \$50,000. The mean age and median ages were 51.6 and 52.0 respectively. Over three-quarters do not have children living with them. These data are similar to Travel, Tourism and Recreation Resource Center's data for the overall Michigan gaming population. The Michigan casino gamer is only slightly more affluent with 45.2% reporting having a household income above \$50,000. Also, only 18.1% of overall Michigan casino gamers are retired.

Table 24. Demographic characteristics of non-local Detroit casino visitors.

Characteristics	Percentage
<i>Age of tourists</i>	
21-30 years old	8.0%
31-40 years old	13.1
41-50 years old	25.6
51-60 years old	25.5
61-70 years old	20.8
Over 70 years old	<u>6.8</u>
Total	100.0%
<i>Marital status</i>	
Married	60.2%
Single	18.4
Divorced	9.7
Widowed	8.1
In permanent relationship	2.0
Separated	<u>1.7</u>
Total	100.0%
<i>Employment status</i>	
Employed	51.5%
Retired	28.6
Self-employed	11.6
Other	<u>8.3</u>
Total	100.0%
<i>Household Income (1999)</i>	
Over \$50,000	41.7%
Under \$37,000	25.4
\$37,000-\$50,000	19.7
Chose not to answer	<u>13.2</u>
Total	100.0%
<i>Number of children in household</i>	
No children	78.2%
1 child	10.5
2 children	7.0
3 children	2.7
4 children	1.2
More than 4 children	<u>0.3</u>
Total	100.0%

To understand how important the Detroit casinos are in attracting tourists to the city, tourists were asked two primary questions, “Was visiting the MGM Grand/Motor City casino the primary reason for your trip to Detroit?” and “Do you expect to visit Detroit more often because gaming is now available?” As reported in Table 25 below, over one-half of the tourists (59%) reported that the primary reason for their trip to the city was to visit the casinos, and over one-half (54%) would visit the city more often because the opportunity to game has become available. This suggests that more than one-half of the casino visitors would not have visited Detroit had the casinos not been there.

Table 25. Primary reason for visiting Detroit on this trip and likelihood of repeat visits to the city because of gaming opportunities.

Reason	Percentage
<i>Primary reason for visiting the city</i>	
Casino was the primary reason	59.0%
Casino was not primary reason	<u>41.0</u>
Total	100.0%
<i>Likelihood for repeat visit to the city</i>	
Visit more often because I can gamble	54.3%
Does not make a difference	<u>45.7</u>
Total	100.0%

C. What other activities do non-local casino visitors engage in while in the Detroit Metro area?

In order to examine whether the casinos contribute to existing tourism-based attractions/businesses in the community, respondents were asked four specific questions pertaining to their trip behavior:

“What else did you do on this trip to Detroit?”

“On this particular trip, how many nights did you stay in the Detroit area?”

“Where did you stay?”

“What type of lodging did you use?”

As indicated in Table 26, nearly one-half of respondents reported that they participated in additional recreational activities while in the study area. Dining, visiting friends and relatives, shopping, and attending sporting events were most popular.

Table 26. Additional activities non-local casino visitors engaged in while on their trip.

Activity	Percentage
Nothing else	52.8%
Dining/restaurants	14.1
Visiting friends and relatives	10.6
Shopping	7.9
Attending a sport event	6.6
Sightseeing	4.9
Exploring the City of Detroit	3.5
Visiting a museum/hall of fame	2.1
Visiting other attractions	2.1
Engaging in nightlife activities	1.3
Attending a festival	1.2
Visiting Windsor	1.2
Visiting historic sites	0.4
Other activities	5.4

Over one-quarter (31.5%) of the respondents stayed at least one night in the Detroit area. Of these, a little over one-quarter stayed in downtown Detroit. As indicated in Table 27, of the respondents who stayed overnight, over one-half stayed in a hotel, motel, or lodge, and over 40 percent stayed in the homes of friends and relatives.

Table 27. Lodging used by Detroit casino visitors.

Lodging characteristics	Percentage	
<u>Percentage of respondents on overnight versus day trips</u>		
Stayed overnight		31.5%
Day trip		68.5
<u>Number of nights spent</u>		
1 night	8.1%*	25.7%**
2 nights	8.0	25.3
3 nights	5.0	15.8
4 nights	2.6	8.3
5 or more nights	7.8	24.9
<u>Area where respondents stayed overnight</u>		
Downtown Detroit		27.3%
Windsor		6.5
Suburban Detroit		66.2
<u>Type of lodging used by those staying overnight</u>		
Hotel/motel/lodge		52.4%
Friends and relatives		42.7
Campground		1.5
Boat		0.4
Commercial campground		0.4
Other		3.4

*Percentages for all respondents. The mean number of nights is 1.33 nights. The maximum is 35 nights.

**Percentages for those who stayed at least one night in the study area. The mean number of nights is 4.2 nights. The maximum is 35 nights.

D. Where do non-local casino visitors spend money while in the Detroit Metro area?

Total trip expenditures were provided by respondents in the following categories:

1. Lodging expenditures,
2. Food and beverages inside the casino,
3. Food and beverages purchased inside the Detroit Metro area but outside the casino,
4. Gasoline purchased inside the Detroit Metro area,
5. Local transportation,
6. Other expenses (such as souvenirs, clothes, etc.)
7. Gaming (loss/win).

Because it was believed that visitors who are on a charter bus trip have different spending patterns than other visitors, trip expenditures were broken down by these two travel type gaming segments. Results are presented in Table 28. As can be seen in this table, the average total trip expenditures per person per day (excluding gaming expenditures) amounted to \$52.98. Respondents spent more on lodging and food and beverages outside the casino than on the other spending categories. Visitors who were not on a charter bus trip spent on average 1.9 times as much as those who were on a charter bus trip. The latter spent more money than the former only in food and beverages inside the casino.

Table 28. Average spending (\$US) per day and per person in the Detroit Metro area by spending category.

Spending category	Non-bus visitors	Bus visitors	Total visitors
Lodging	\$16.26	\$ 5.85	\$15.62
Food & beverages inside the casino	7.48	10.65	7.90
Food & beverages outside the casino	13.66	6.22	13.25
Gasoline purchased inside the Metro area	4.88	0.00	4.55
Local transportation	0.49	1.37	0.58
Other expenses	<u>1 1.53</u>	<u>4.06</u>	<u>11.07</u>
Average total spending per person per day*	\$54.31	\$28.16	\$52.98

The average total gaming loss per visitor per day was \$69.72 for non-bus visitors, and \$ 102.92 for bus visitors. Average total loss per visitor per day for all visitors was \$75.13. Detailed information is presented in Table 29. The formula for calculating average gaming spending per visitor per day follows:

* Mean nights for non-bus visitors was: 1.58 nights. It was 0 night for bus visitors. Mean nights for total visitors was: 1.33 nights. Mean spending party size for non-bus visitors was: 1.82. It was: 1.41 for bus visitors, and 1.75 for total visitors.

Calculation of average gaming spending per visitor per day:

Formula: total ahead – total behind/number of observations.

Total ahead= average ahead * number of visitors who came out ahead.

Total behind= average behind * number of visitors who came out behind.

Table 29. Average gaming outcome (\$US) per visitor per day for non-bus visitors, bus visitors and all visitors.

	Non-bus visitors	Bus visitors	All visitors
Total ahead	\$63,830.80	\$4,588.48	\$68,419.28
Total behind	<u>112,145.72</u>	<u>18,482.38</u>	<u>130,628.10</u>
Difference	-48,314.92	-13,893.90	-62,208.82
Divided by # of observations	693	135	828
Gaming spending	\$69.72	\$102.92	\$75.13

Average total trip spending per person per day for all visitors, including spending outside as well as inside the casino, amounted to \$128.73. As can be seen in Table 30, on average casino visitors spent about twice as much (1.8 time) inside as they did outside the casino. They spent about \$46 outside the casino and \$83 inside the casino.

Table 30. Average total trip spending (\$US) in the Detroit area per person per day, including spending inside and outside the casino.

Spending category	Non-bus visitors	Bus visitors	Total visitors
Spending outside the casino	\$46.82	\$17.5	\$45.7
Spending inside the casino	77.2	113.57	83.3
Total spending	\$124.02	\$131.07	\$128.73

Based on trip expenditures and gaming outcome, a model was developed to identify the proportion of visitors who spend money in the community while on a gaming

trip. (The procedures were delineated in the methods section of this study). As can be seen in Figure 10, four areas were identified: (1) spending in the casino only, (2) spending in the community only, (3) spending both in the casino and the community, (4) spending neither in the casino nor in the community.

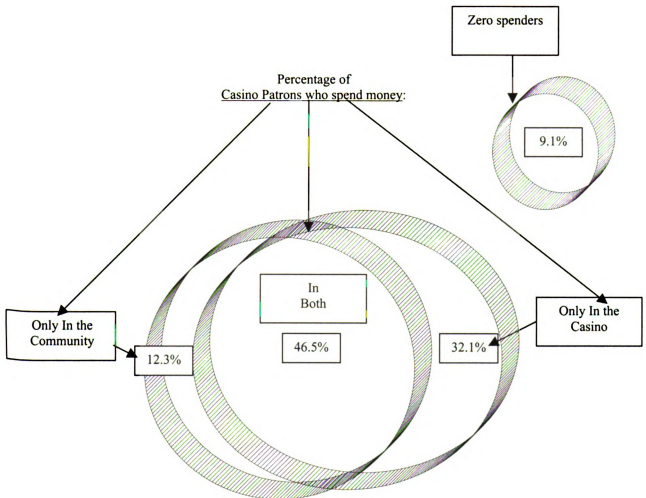


Figure 10. Areas where casino visitors spend their money.

Accordingly, as captured in Figure 10, four gamer segments were identified: (1) those who spend money in the casino only, (2) those who spend money in the community

(outside the casino) only, (3) those who spend money both in the community and the casino, and (4) those who spend money neither in the community nor in the casino.

- The zero spenders: This segment constitutes 9.1 percent of the casino visitors. They spent none of the money they had brought with them, because they either won money gambling or broke even.
- The community only spenders: These are patrons who spent money only in the community (not inside the casino). This segment constitutes 12.2 percent of the gaming market. They did not generate any money for the casino. Over three-fourths of them came out ahead on the money they gambled, and nearly one-fourth broke even.
- The casino only spenders: These are patrons who spent money only in the casino. They represent 32.1% of the casino visitors. These gamers spent money on food and beverages inside the casino and money on gambling. More than three-fourths lost money on gambling, 8.5 percent broke even, and 8.1 percent won some money on gambling.
- The casino and community spenders: These are the patrons who spent money both in the community and in the casino. They represent more than one-half, or 53.5 percent of all casino tourists. The greatest majority of them (82.7 percent) lost money gambling; 13.5 percent won some money; and nearly 4 percent broke even.

E. Economic impact analyses

As mentioned in Chapter III, two methods were undertaken to conduct an economic impact analysis -- (1) the step-by-step method, and (2) the National Park

Service's Money Generation Model 2 (MGM2). The first method is simpler to apply and is more transparent. It is also more like the method used by Deloitte & Touche to develop their pre-development estimates. The second method is more intriguing and less transparent but yields a more comprehensive set of economic impact estimates related to outputs including sales, jobs, income, and value added effects. The use of the two methods is in keeping with the earlier discussion of the use of the triangulation principle in a case study analysis.

It is generally accepted practice in economic impact analyses to exclude expenditures of visitors who would have visited regardless of the presence of an attraction, in this case Detroit's casinos. Crompton (1999) refers to these visitors as "casuals". Researchers argue that money spent by this segment is not attributable to the attraction, and, therefore, should not be included in economic impacts analyses. However, the presence of an attraction, such as Detroit's casinos, is likely to induce some casual visitors to spend more in the community than if the attraction was not present and others to stay longer than they would otherwise. Such attraction induced expenditures are difficult to estimate, so they are generally ignored in the interest of generating "defensible" economic impact estimates. Such conservative estimates establish a lower bound for an attraction's true economic impact, but it is also useful to develop an estimate of the true parameter's upper bound. Thus, two economic impact analyses are presented in this study: A "conservative" analysis, where casuals or visitors whose primary purpose was not to visit the casino, were excluded from the economic impact calculations (This estimate serves as the lower bound of the true parameter), and a

“comprehensive” analysis which included all non-local visitors to the casino (This estimate serves as the upper bound of the true parameter).

Moreover, casino visitors were divided into two primary gaming segments: Bus visitors and non-bus visitors. Because of their different spending behavior and volume, these two segments were treated separately in the economic impact calculations. A complication recognized at the outset of the casino visitor study was that the casinos could not provide precise counts of their visitors; counts and counting methods are treated as proprietary information and only approximate estimates were obtainable. Furthermore, only an approximate breakdown of the proportion of total visitors between those arriving by bus tour and by other means was obtainable. The separate treatment of these two groups allowed analysts to probe the sensitivity of the economic impact estimate to alternate mixes of bus and non-bus visitors. Spending profiles for these two segments were generated from the Detroit Metro Area Casino Visitor Survey (2000).

Step-by-step method: conservative estimates

A little more than half (58.8%) of all respondents interviewed indicated that the primary reason for their trip to Detroit was to visit the casino. Of these, 502 respondents were non-bus visitors (74%); the remaining 131 (24%) were on a charter bus trip.

As explained in the methodology section, in order to conduct an economic impact analysis based on visitor spending, the following four steps were necessary: (1) develop per person expenditure estimates, (2) estimate the number of visitor, (3) derive economic impact estimates, and (4) apply the multiplier. These steps are employed below using the data collected from casino visitors.

Step 1. Developing Per Person Expenditure Estimates

The following three expenditures estimates were generated. (1) non-gaming related expenditures outside the casino, (2) gaming related expenditures, and (3) non-gaming related expenditures in the casino.

1. Non-gaming related expenditures

The spending of visitors whose primary purpose was the casino is detailed in Table 31. The average total spending per person per day for non-bus visitors was \$29.73. It was \$24.34 for bus visitors.

Table 31. Average spending (\$US) per day per party and per person in the Detroit area by type of expenditures for *respondents whose primary purpose was to visit the casino*. (N=502).

Spending categories	Non-bus visitors per party (1.8)*	Non-bus visitors per person	Bus visitors per party (1.35)* **	Bus visitors per person
Lodging Spending	\$12.55	\$6.97	\$3.04	\$2.25
Food & beverages inside the casino	18.65	10.36	15.21	11.26
Food & beverages outside the casino	8.90	4.94	8.47	6.27
Gasoline purchased inside the Metro area	6.17	3.42	0.0	0.0
Other local transportation spending	0.19	0.10	1.83	1.35
Other expenses	<u>7.06</u>	<u>3.92</u>	<u>4.31</u>	<u>3.19</u>
Average total spending	\$53.52	\$29.73	\$32.86	\$24.34

*The average party size for the visitors who were not on a charter bus trip is 1.8 persons.

**The average party size for the visitors who were on a charter bus trip is 1.35.

2. Gaming-related expenditures

Non-bus respondents were asked how much they individually won or lost at the casino during their visit on the day they were intercepted at the casino. Results are presented in Table 32. Nearly 26% indicated that they came out ahead, about 8% broke even, and over 66% came out behind.

Table 32. Percentage of respondents who came out ahead, behind, and broke even.

Result	Non-bus visitors		Bus visitors	
	Freq.	Percent	Freq.	Percent
Ahead	95	25.7%	26	20.3%
Behind	245	66.4	91	71.1
Broke even	<u>29</u>	<u>7.9</u>	<u>11</u>	<u>8.6</u>
Total	369	100.0	128	100.0

As can be seen in Table 33, non-bus visitors who came out ahead won, on average, \$398 per person. On average those who came out behind lost \$311 per person.

Table 33. Average outcome of money wagered in the casino.

	Non-bus visitors	Bus visitors
Average \$ amount ahead	\$398.33	\$169.69
Average \$ amount behind	311.53	182.69

Calculation of average gaming spending per visitor per day:

Formula: total ahead – total behind/number of observations.

Total ahead= average ahead * number of visitors who came out ahead.

Total behind= average behind * number of visitors who came out behind.

Applying this formula, the average gaming spending, per person per day, as indicated in Table 34, was \$104.29 for non-bus visitors and \$95.41 for bus-visitors.

Table 34. Average gaming spending (i.e. loss) in \$US per visitor per day.

	Non-bus visitors	Bus visitors
Total ahead	\$37841.35	\$4411.94
Total behind	<u>76324.85</u>	<u>16624.79</u>
Difference	-38483.50	-12212.85
Divided by		
# of observations	369	128
Equals mean loss/person	\$104.29	\$95.41

3. Total spending per person per day

Respondents were asked how much they spent on food and beverages inside the casino. As reported in Table 35, average spending per person per day outside the casino was \$19.27 for non-bus visitors. It was \$13.07 for bus visitors. Non-bus visitors and bus visitors spent \$10.30 and \$11.27 respectively on non-gaming in the casino, \$104.29 and \$95.41 on gaming. Total average spending per person per day was \$133.6 for non-bus visitors and \$119.75 for bus visitors.

Table 35. Mean spending per person per day in \$US for visitors whose primary trip purpose was to visit the casino.

Spending	Non-bus visitors	Bus visitors
Outside the casino	\$19.27	\$13.07
Non-gaming in the casino	10.30	11.27
Gaming	<u>104.29</u>	<u>95.41</u>
Total	\$133.86	\$119.75

Step 2. Estimation of Number of Visitors

The estimate provided by the participating casinos of the total number of visitors to both casinos per day is 20,000 visitors. Non-local visitors represent 21% (derived from

casino intercepts from this study) of daily visitors or 4,200 given the 20,000 visitors per day total visitors estimate. According to estimates provided by the participating casinos, 5% of the visitors come on a charter bus trip. Thus, non-local daily bus and non-bus visitors numbers can be estimated as follows:

Bus visitors: $5\% \times 4200 = 210$ Non-bus visitors: $95\% \times 4200 = 3990$

In order to assess the sensitivity of the final economic impact estimate the bus visitor estimate analysis was also performed assuming bus visitors are 10% of total visitors. The daily visitor per day using this assumption are as follows:

Bus visitors: $10\% \times 4200 = 420$ Non-bus visitors: $90\% \times 4200 = 3780$

Visiting the casino was the primary purpose of the trip for 52.1% of the non-bus visitors and 94.2% of the bus visitors. Thus, primary trip numbers are calculated as follows:

Bus visitors (5%): $94.2\% \times 210 = 198$ Non-bus visitors (95%): $52.1\% \times 3990 = 2079$

Bus visitors (10%): $94.2\% \times 420 = 396$ Non-bus visitors (90%): $52.1\% \times 3780 = 1969$

Step 3. Deriving Economic Impact Estimates

In this step of the process, daily spending estimates and visitor count estimates are multiplied to arrive at total spending per day estimates. These are then annualized by multiplying by 365 to arrive at a total direct annual impact per year. Finally, multipliers, ranging from a most conservative 1.25 to a high of 1.75, were used to estimate total economic impact. While the 1.5 mid-range multiplier is the most defensible of the three used in these calculations, the estimate associated with the 1.25 multiplier establishes a

reasonable minimal lower bound for the economic impact estimate, and the estimate using the 1.75 multiplier establishes a reasonable upper bound.

Economic impact estimates are developed for expenditures on goods and services purchases (outside the casino, non-gaming purchases inside the casino, gaming (net loss)), and the three estimates are added to arrive at a total economic impact estimate. Finally, estimates are provided for the 5% bus-95% non-bus visitor mix (the mix indicated as most probable by casino officials) and for a 10% bus-95% non-bus mix.

Impact of spending outside the casino

(5% bus-95% non-bus visitor mix)

Non-bus visitors (95%):	2079*\$19.27=	\$40,062.33
Bus visitors (5%):	198*\$13.07=	<u>\$2,587.86</u>
Total spending per day		\$42,650.19
Total spending per year (Direct Impact)	365*\$42,650.19=	\$15,567,319.35

	Multiplier 1.25	Multiplier 1.5	Multiplier 1.75
Total impact (direct + indirect)	\$19,459,149.19	\$23,350,979.03	\$27,242,808.86

(10% bus-90% non-bus visitor mix)

Non-bus visitors (90%):	1969*\$19.27=	\$37,942.63
Bus visitors (10%):	396*\$13.07=	<u>\$5,175.72</u>
Total spending per day		\$43,118.35
Total spending per year (Direct Impact)	365*\$43,118.35=	\$15,738,197.75

	Multiplier 1.25	Multiplier 1.5	Multiplier 1.75
Total impact (direct + indirect)	\$19,672,747.18	\$23,607,296.62	\$27,541,846.04

Impact of non-gaming inside the casino

(5% bus-95% non-bus visitor mix)

Non-bus visitors (95%):	2079*\$10.30=	\$21,413.70
Bus visitors (5%):	198*\$11.27=	<u>\$2,231.46</u>
Total spending per day		\$23,645.16
Total spending per year	365*\$23,645.16=	\$8,630,483.40

	Multiplier 1.25	Multiplier 1.5	Multiplier 1.75
Total Impact	\$10,788,104.25	\$12,945,725.10	\$15,103,345.95
(direct + indirect)			

(10% bus-90% non-bus visitor mix)

Non-bus visitors (90%):	1969*\$10.30=	\$20,280.70
Bus visitors (10%):	396*\$11.27=	<u>\$4,462.92</u>
Total spending per day		\$24,743.62
Total spending per year	365*\$24,712.72=	\$9,031,121.30

	Multiplier 1.25	Multiplier 1.5	Multiplier 1.75
Total Impact	\$11,289,276.62	\$13,547,131.94	\$15,804,987.26
(direct + indirect)			

Impact of gaming spending

(5% bus-95% non-bus visitor mix)

Non-bus visitors (95%):	2079*\$104.29=	\$216,818.91
Bus visitors (5%):	198*\$95.41=	<u>\$18,891.18</u>
Total spending per day		\$235,710.09
Total spending per year	365*\$235,710.09=	\$86,034,182.85

	Multiplier 1.25	Multiplier 1.5	Multiplier 1.75
Total Impact	\$107,542,728.60	\$129,051,274.30	\$150,559,820.00
(direct + indirect)			

(10% bus-90% non-bus visitor mix)

Non-bus visitors (90%):	1969*\$104.29=	\$205,347.01
Bus visitors (10%):	396*\$95.41=	<u>\$37,782.36</u>
Total spending per day		\$243,129.37
Total spending per year	365*242,816.50=	\$88,742,220.05

	Multiplier 1.25	Multiplier 1.5	Multiplier 1.75
Total Impact (direct + indirect)	\$110,927.775	\$133,113,330.00	\$155,298,885.00

Total economic impact

To permit ready comparisons, the set of total economic impact estimates derived from the above calculations are presented in Table 36. The numbers highlighted are those considered to be the best estimates for most applications. In comparing estimates, it appears that variation in the bus/non-bus visitor impact is of little consequence because the higher per person daily expenditures of non-bus visitors is more than offset by the greater percentage of bus visitors whose primary trip purpose was to visit a casino.

Based on the calculation based here, the casinos generate an impact on the local economy of over \$165 million per year or almost one-half million dollars per day. And, this is a conservative estimate because only expenditures by out-of-region visitors, who indicated visiting a Detroit casino as their primary trip purpose, are included.

Table 36. Summary of economic impact (direct + indirect) in millions of dollars per year
(for visitors whose primary trip purpose was to visit the casino –conservative estimates).

Spending Type	Multiplier		
	1.25	1.5	1.75
Outside the casino		(\$ millions)	
5%bus-95%non-bus	19.46	23.35	27.24
10%bus-90%non-bus	19.67	23.61	27.54
Non-gaming in the casino			
5%bus-95%non-bus	10.79	12.95	15.10
10%bus-90%non-bus	11.29	13.55	15.80
Gaming in the casino			
5%bus-95%non-bus	107.54	129.05	150.56
10%bus-90%non-bus	110.93	133.11	155.30
Total direct + indirect			
Economic impact			
5%bus-95%non-bus	137.79	165.35	192.90
10%bus-90%non-bus	141.89	170.27	198.64

Step by step method: comprehensive estimates

Economic impacts associated with all non-resident visitors to the casinos is presented in this section. At the outset it is very important to note these estimates do not usually meet accepted standards for measuring economic impact. They are only indicative of the overall impact the casinos have in concert with other things that attract visitors to Detroit such as sporting events, businesses, etc. Some portion of the difference between the estimate presented in this section and the prior section could be credited to the casinos (e.g., impact of expenditures of visitors whose primary purpose was not to visit a casino but who extended their length of stay because they exist). Data were not collected to approximate how much of the difference between conservative and comprehensive estimates should be attributable to the casinos, but the overall visitor impact estimates do establish an outer bound on the direct economic impact of out-of-

region casino visitors and hence have some analytical value. Even these comprehensive estimates are not all-inclusive in that they do not include the casinos' impact in reducing the out-flow of Detroit gaming dollars to other gaming venues.

Comprehensive estimates were calculated based on similar steps and calculations employed to estimate the conservative estimates. Total direct and indirect economic impacts for all non-local casino visitors, assuming that the proportion of bus and non-bus is 5% and 95% respectively, and applying a multiplier of 1.5, was \$286.01 million. A summary of results is presented in Table 37.

Table 37. Summary of total economic impact (direct + indirect)
in \$millions per year *(for all non-local casino visitors –comprehensive estimates)*.

Spending Type	Multiplier		
	1.25	1.5	1.75
Outside the casino		(\$ millions)	
5%bus-95%non-bus	86.93	104.31	121.70
10%bus-90%non-bus	84.12	100.94	117.77
Non-gaming in the casino			
5%bus-95%non-bus	14.64	17.56	20.49
10%bus-90%non-bus	14.94	17.93	20.92
Gaming in the casino			
5%bus-95%non-bus	136.78	164.14	191.49
10%bus-90%non-bus	139.96	167.96	195.95
Total direct + indirect Economic impact			
5%bus-95%non-bus	238.35	286.01	333.68
10%bus-90%non-bus	239.02	286.83	336.64

The National Park Service's Money Generation Model 2

Conservative and comprehensive economic impact estimates were generated by in-putting data in the MGM2 model.

Conservative estimates:

Conservative estimates of the direct and total economic impacts of visitors' spending results are presented in Table 38 and indicate that casino visitors generate an annual total of \$167 million in output/sales, over \$60 million in personal income, a little over \$98 million in value added, and 4,015 jobs.

Table 38. Direct and total economic impacts of visitors spending
(*Conservative estimates using NPS Money Generation Model 2*).

Economic measure	<i>Per Day</i>		<i>Annual</i>	
	Direct effect	Multiplier	Total effects	Total effects
Output/sales ¹	\$294,000	1.56	\$458,000	\$167.2 million
Personal income ²	\$105,000	1.58	\$166,000	\$60.6 million
Value added ³	\$168,000	1.61	\$269,000	\$98.2 million
Jobs ⁴	8	1.27	11	4,015

Comprehensive estimates:

Comprehensive estimates of the direct and total economic impacts of visitors spending results are presented in Table 39 and indicate that casino visitors generate an annual total of \$279 million in output/sales, about \$102 million in personal income, a little over \$106 million in value added, and 6,205 jobs.

¹ Sales are the direct sales in business receiving the visitor spending.

² Personal income is the income resulting from direct sales. It includes wages, salaries, proprietor's income, and employee benefits.

³ Value added includes personal income plus rents, profits and direct business taxes.

⁴ Jobs are an estimate of the number of jobs supported by these sales.

Table 39. Direct and total economic impacts of visitor spending
(Comprehensive estimates using NPS Money Generation Model 2).

Economic measure	<i>Per Day</i>		<i>Annual</i>	
	Direct effect	Multiplier	Total effects	Total effects
Output/sales	\$492,000	1.56	\$765,000	\$279.2 million
Personal income	\$178,000	1.58	\$279,000	\$101.8 million
Value added	\$280,000	1.61	\$450,000	\$164,2 million
Jobs	14	1.27	17	6,205

As mentioned previously, the use of the two economic impact analysis methods is in keeping with the earlier discussion of the use of the triangulation principle in a case study. As indicated in Table 40, when contrasting and comparing the estimates generated by the two different models, it appears that the results are quite similar.

Table 40. Comparing of economic impact estimates from the Step by step model and the National Parks Service's model.

Model	Adjusted conservative estimates (1.5 multiplier)	Adjusted comprehensive estimates (1.5 multiplier)
NPS	\$167.2 million	\$279.37 million
Step by step	\$165.35 million	\$286.01 million

Research Question 2: Do Detroit Casinos Curb the Gaming Dollar Flow to Windsor?

In order to answer this question, three indicators were selected:

- A. Performance figures for Casino Windsor, including casino gross revenues, and number of casino patrons,
- B. Traffic counts for Detroit Windsor Tunnel crossing, and
- C. Detroit casinos' revenues.

A. Performance figures for Casino Windsor:

Windsor's temporary casino opened to the public in May 17, 1994. Its permanent casino opened in July 29, 1998. In 1995, Casino Windsor generated a total of 507 million Canadian dollars in gross revenue for the province. As can be seen in Table 41, gross gaming revenue has grown from the inception of the casino through 2000. In 1996, revenue dropped about 8% but continued to increase from 1997 through 1999. The big jump (41%) that occurred in 1998 might be the result of the opening of the permanent facility. In 2000 and 2001, revenues decreased (15% and 7.5% respectively). In 2000, the casino lost 130 million Canadian dollars compared with 1999. This suggests that the Detroit casinos, which opened in 1999, may have had an immediate impact on revenue flow of Casino Windsor. Similarly, as can be seen in Table 40, the number of casino visitors increased in 1997 and 1998, but declined in 2000 and 2001. In 2000, Casino Windsor lost over 280 thousand visitors. In 2001, Windsor lost more than half a million of its visitors. The terrorist attacks of September 11, 2001 that resulted in extended border crossing delays may have impacted Casino Windsor's overall performance in that year.

Table 41. Performance figures of Casino Windsor, 1995-2001.

Year	Total adjusted revenue in Canadian \$ millions		Total number of patrons per year	
	Performance	Percent change	Performance	Percent change
2001	697.9	- 7.5	5,961,528	-8.8
2000	735.0	-15.1	6,539,464	-4.1
1999	865.2	+23.2	6,819,845	+15.9
1998	702.0	+41.3	5,883,700	+26.9
1997	496.7	+ 6.2	4,635,200	-3.0
1996	467.6	-7.8	4,779,100	-8.3
1995	506.9		5,212,800	

Source: Ontario Lottery and Gaming Corporation,
www.olgc.ca/corp_media_performance, 9/3/2002.

Accordingly, as 80 percent of Casino Windsor's customer base is from the United States, the casino was forced to cut 13 percent of its employees or 600 job positions (The Michigan Gaming Law Newsletter, Vol. 7. issue 27).

B. Traffic counts for Detroit-Windsor Tunnel crossing:

To employ the principle of triangulation, traffic counts through the Detroit-Windsor Tunnel, which connects the United States to Canada were examined. Traffic counts through the Tunnel going to Canada increased after the opening of Casino Windsor (May 17, 1994). However, after the development of casinos in Detroit (the MGM Grand Detroit Casino opened July 29, 1999. The Motor City Casino opened December 14, 1999), traffic counts from the U. S. to Canada through the Detroit-Windsor Tunnel decreased by nearly 11 percent in 2000 and 10 percent in 2001. Examining data in Table 42, percent change for a four-year period (1998-2001), is a decline of 18.6%.

Table 42. The Detroit Windsor Tunnel traffic counts, 1992-2001.

Year	Traffic counts	Percent change
2001	3,774,435	-9.9%
2000	4,161,066	-10.7%
1999	4,691,164	0.1%
1998	4,634,293	6.1%
1997	4,366,363	-2.6%
1996	4,484,100	7.6%
1995	4,168,439	12.3%
1994	3,710,625	15.3%
1993	3,219,130	-13.3%
1992	3,715,266	

Source: Detroit Windsor Tunnel Crossing Authority.

Although yearly data show a decrease in traffic counts crossing the U. S to Canada, to control for the anomalies of September 11, 2001, it is worth examining

monthly data for 2000 and 2001. In Figure 11, the 2000 monthly data show a somewhat steady pattern. However, in 2001 there is a clear decline in September, October, November and December. It is therefore clear that the terrorist attacks of 9/11/2001 on the U. S. have had a large impact on travel to Canada via the Detroit-Windsor Tunnel.

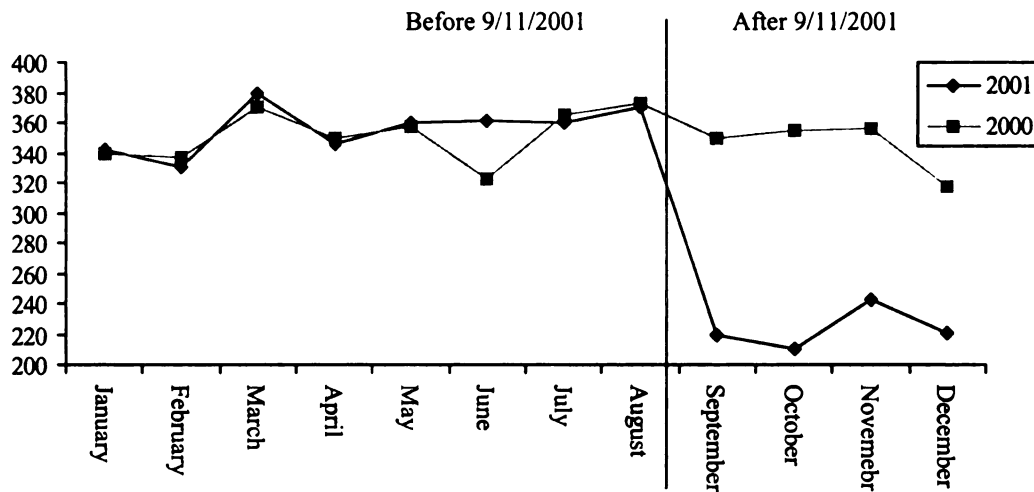
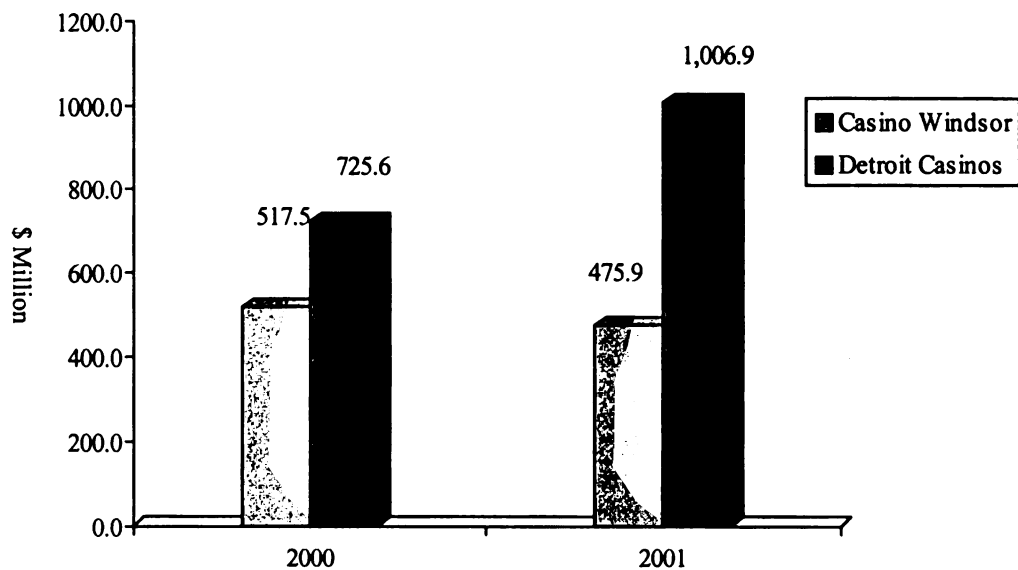


Figure 11. Monthly traffic counts for the Detroit-Windsor Tunnel crossing from the U.S. to Canada

Source: adapted from the Detroit-Windsor Tunnel Crossing Authority.

C. Detroit Casinos' revenues:

Comparing Casino Windsor's revenues with those of the Detroit casinos, it appears that Windsor revenues have been declining while the Detroit casinos' revenues have been increasing. As indicated in Figure 12, in 2000 Casino Windsor revenue was US \$517.5, in 2001 it was US \$475.9. This represents a decrease of 42 million dollars (a decrease of 8%). In the same period, revenues of Detroit's casinos increased by \$281 million or 38.7%.



Note: Figures for Casino Windsor have been converted into U.S. \$.
For 2000, it was 735.0 Canadian \$. For 2001, it was 679.9 Canadian \$.

Figure 12. Comparison of adjusted gross receipts for Casino Windsor and the Detroit casinos in 2000 and 2001 (in US\$ millions).

Source: Detroit casinos figures are adapted from the Michigan Gaming Control Board. Casino Windsor figures are adapted from the Ontario Lottery and Gaming Corporation.

Results in Figure 12 may be attributed in part to September 11. An examination of monthly revenue data could add more insight into the 9/11/2001 issue. As can be seen in Figure 13, monthly revenue of the Detroit Casinos in September decreased almost 3% from August. However, from September to October they increased more than 10%. This suggests that the events of 9/11 have had an immediate positive impact on the revenue of the Detroit casinos. The increase of casino revenue in October may be explained by the fact that people preferred to game closer to home. This is supported by the fact that

despite 9/11, a difficult economy and unprecedented travel concerns, the gaming industry has witnessed growth in gross annual revenue.

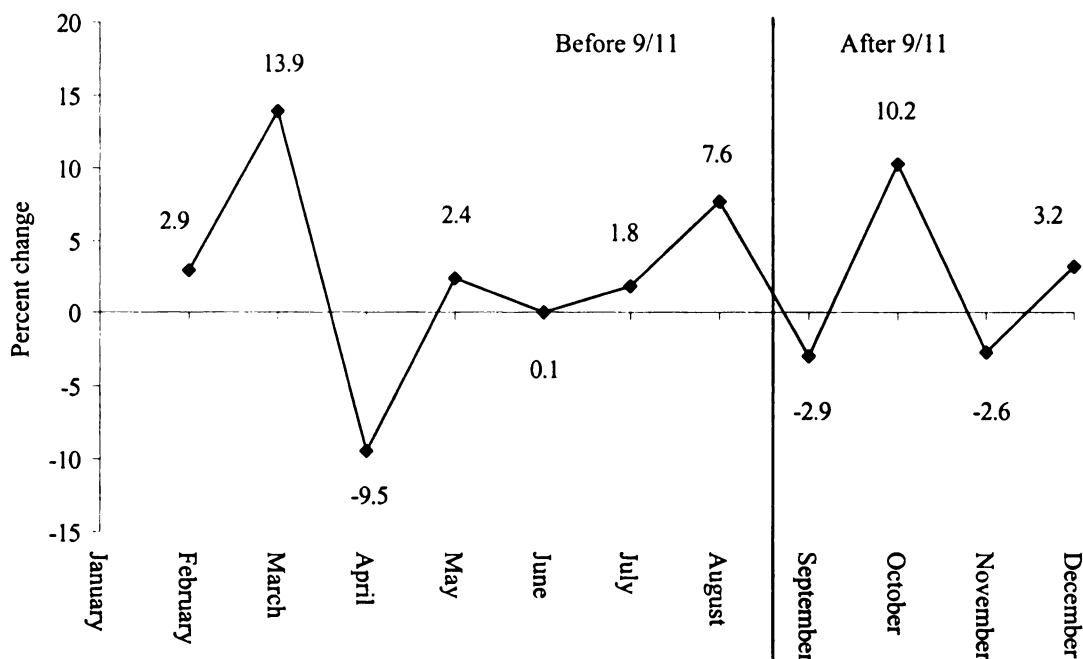
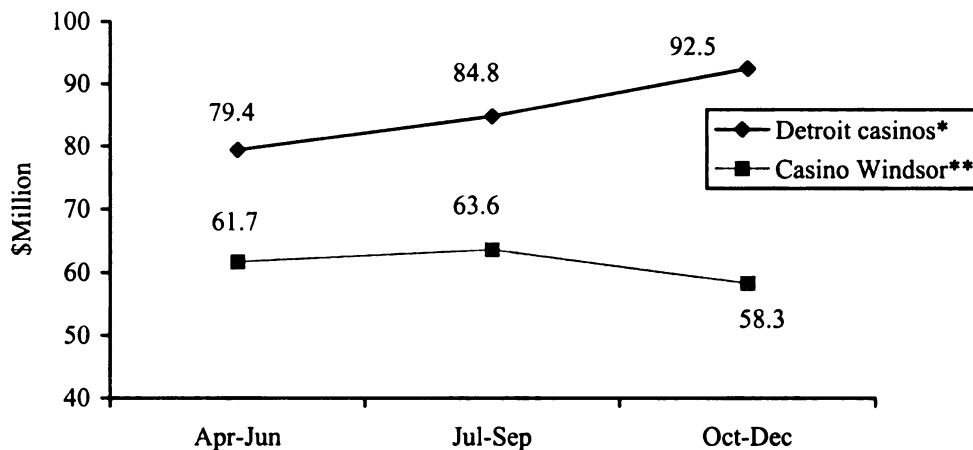


Figure 13. Percent change of Detroit Casinos' monthly revenues, 2001.

Source: Adapted from the Michigan Gaming Control Board.

Monthly data for Casino Windsor's revenues were not available. The only source that publishes casino statistics is the Ontario Lottery and Gaming Corporation. They provide average monthly revenue based on quarterly data. Figure 14, provides mean monthly casino revenue comparing Detroit casinos with Casino Windsor. In 2001, as indicated in this figure, July – September quarter revenue increased 10% from the October-December quarter for the Detroit casinos and it was –8% for the same period for Casino Windsor.

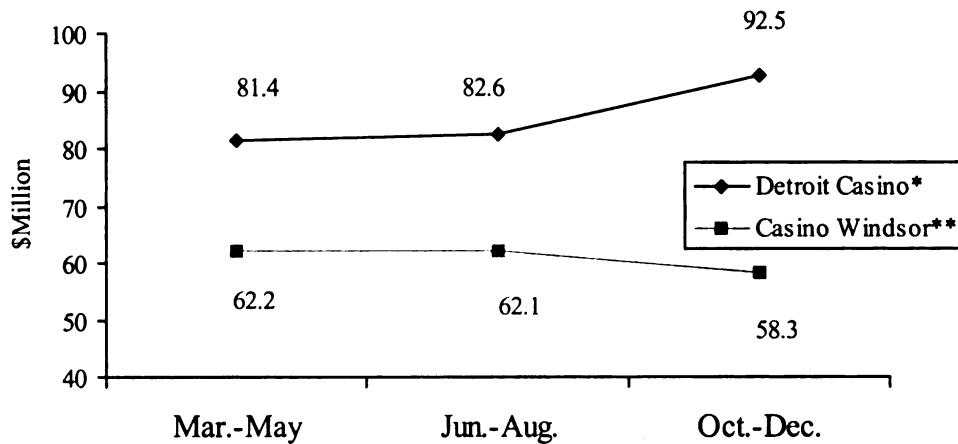


* Mean monthly revenue per quarter based on monthly data (US\$).

** Mean monthly revenue per quarter based on quarterly data (Ca\$).

Figure 14. Mean monthly casino revenue (Detroit vs. Windsor) in \$millions, 2001.

Ideally, September data should be excluded from the analysis in order to have better estimates of the impact of the Detroit's casinos on Casino Windsor's revenue. To serve this purpose, in Figure 15, September data were omitted from the mean monthly revenue per quarter. As can be seen in this figure, the mean monthly revenue for the Detroit casinos for the period June-August was 82.6 million and it was 62.1 million for Casino Windsor in the same period. This suggests that the Detroit casinos have had a negative impact on Casino Windsor revenues in 2001 and that September 11 did not have a significant effect on both casino venues. That is, September was not a bad month for both of them since the mean monthly revenue without counting September figures for both venues in this period, was lower than when September revenues are included.



* Mean monthly revenue per quarter based on monthly data (US\$).

** Mean monthly revenue per quarter based on quarterly data (Ca\$).

Figure 15. Mean monthly casino revenue (Detroit vs. Windsor) in \$millions, 2001
(September 2001 is omitted).

To use triangulation principle, monthly traffic counts for 2000 and 2001 were also examined. As can be seen in Figure 16, the terrorist attacks on September 11 had a negative impact on traffic going via the Detroit-Windsor Tunnel from Detroit to Ontario, Canada. This supports the fact that Michiganders did not cross the Detroit-Windsor border via the tunnel as frequently as before.

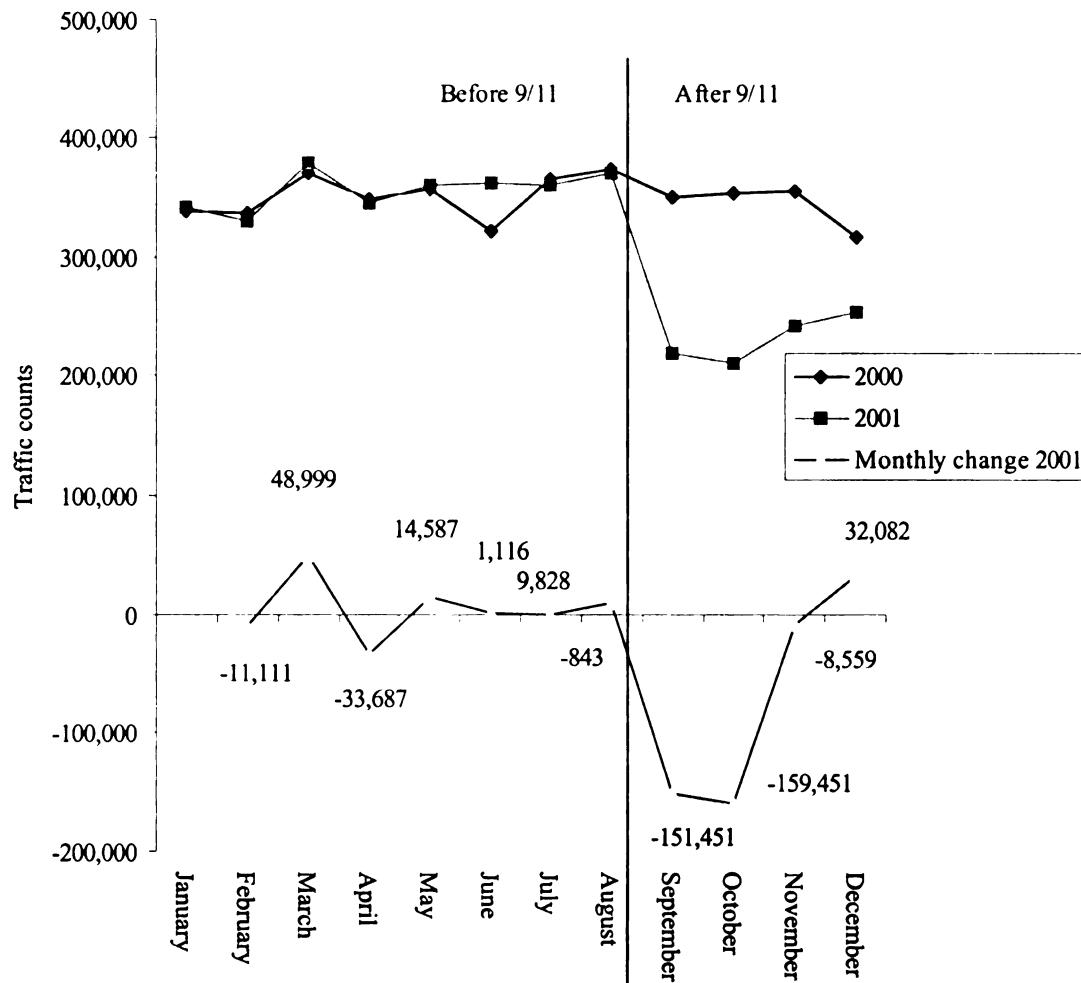


Figure 16. Monthly traffic counts for the Detroit-Windsor Tunnel going from Detroit to Ontario, Canada (2000, 2001 and monthly change for 2001).

Source: Adapted from the Detroit Windsor Tunnel Authority.

Research Question 3: How close are the feasibility study estimates of key performance measures to actual operating results?

Projections of feasibility performance are derived from the Deloitte & Touche (D&T)'s 1997 feasibility study commissioned by and prepared for the Detroit mayor. (Projections are for the year 2002). The purpose of their study was to assess the economic

impacts of casino gaming on the City of Detroit. It was included as Appendix A of the *Report of the Mayor's Casino Advisory Committee*. Actual performances are derived from different sources. First, casino visitor spending projected by D&T are compared with the Travel, Tourism and Recreation Resource Center (TTRRC)'s *Detroit Metro Area Casino Visitor Study (2000)*, which includes casino visitor spending and economic impact estimates based on the Center's intercept and telephone follow-up surveys. The survey instruments are provided in appendices B and C.

Visitor spending and economic impact estimates projected by D&T are presented in Table 43. As can be seen in this table, "out-of-city residents" are projected to spend \$1,584,747,000 inside and outside the casino and generate \$2,377,120,500 in economic impact. "Out-of-city residents" are defined as non-local visitors. In economic impact studies, only visitors who come from outside the study area are considered in the analyses.

Table 43. Annual casino visitor spending in \$US inside and outside the casino projected by Deloitte & Touche.

	Grand total	By in-city residents	By out-of-city residents
Number of casino visitors	21,034,000 (100.0%)	3,105,000 (14.9%)	17,929,000 (85.1%)
<u>Spending inside the casino</u>			
Gaming	\$1,213,269,000	\$111,262,000	\$1,102,008,000
Non-gaming	<u>119,363,000</u>	<u>11,126,000</u>	<u>108,237,000</u>
Subtotal	1332,632,000	122,388,000	1,210,245,000
<u>Spending outside the casino</u>	<u>397,752,000</u>	<u>23,250,000</u>	<u>374,502,000</u>
Total	1,730,384,000	145,638,000	1,584,747,000
Economic impact (direct + indirect) multiplier: 1.5	<u>\$2,595,576,000</u>	<u>\$218,457,000</u>	<u>\$2,377,120,500</u>
Source: Adapted from Mayor's Casino Advisory Committee, 1997, Appendix B, p. 52.			

Visitor spending and economic impact estimates calculated by TTRRC are presented in Table 44. As indicated in this table, non-local casino visitors –defined as those who did not reside in the Tri-county area of Macomb, Wayne and Oakland counties-- spend \$190 million, annually, inside and outside the casino and generate \$286 million in economic impact. Because only two casinos were opened when the TTRRC study was launched, it is necessary to adjust the results to account for three casinos to be able to compare them with the results of D&T. To adjust for three casinos, assuming that the three casinos generate similar spending estimates, figures for the two casinos are multiplied by 1.5. Thus, adjusting for three casinos, in total, non-local casino visitors spend \$286 million and generate \$429 million in economic impact. Details are provided in Table 44.

Table 44. Annual non-local casino visitor spending in US\$ inside and outside the casino estimated by Travel, Tourism and Recreation Resource Center.

	Two casinos	Adjusted for three casinos
Number of non-local casino visitors (20,000*365*21%)	1,533,000	2,299,500
<u>Spending inside the casino</u>		
Gaming	\$109,425,500	\$164,138,000
Non-gaming	<u>11,709,000</u>	<u>17,563,500</u>
<i>Subtotal</i>	121,134,500	181,701,500
<u>Spending outside the casino</u>	<u>69,534,000</u>	<u>104,301,000</u>
Total	190,668,500	286,002,500
Economic impact (direct + indirect), multiplier: 1.5	\$286,002,500	\$429,003,750

When comparing total visitor spending and economic impact estimates of non-local visitors of both studies, it appears that D&T's projections are higher than estimates proposed by TTRRC. As can be seen in Table 45, the economic impact projected by D& T is over two billion dollars and the economic impact estimates by TTRRC is 429 million US. dollars. D&T projections for spending inside the casino was off by a factor of +6.7 and spending outside the casino was off by factor of +3.5 from TTRRC's estimates, their total spending was off by factor of +5.5 and, accordingly, their total direct and indirect economic impact was off by factor of +5.5 or in other words 5 ½ times higher than TTRRC estimates.

Table 45. Comparing Deloitte & Touche's projected non-local visitor spending and economic impact estimates with the TTRRC's estimates.

	Deloitte & Touche projections	TTRRC estimates	Factor
Number of non-local casino visitors	17,929,000	2,299,500	+7.8
<u>Spending inside the casino</u>			
Gaming	\$1,102,008,000	\$164,138,000	+6.7
Non-gaming	<u>108,237,000</u>	<u>17,563,500</u>	+6.2
<i>Subtotal</i>	1,210,245,000	181,701,500	+6.7
<u>Spending outside the casino</u>	<u>374,502,000</u>	<u>104,301,000</u>	+3.6
Total	1,584,747,000	286,002,500	+5.5
Economic impact			
Direct + indirect	\$2,377,120,500	\$429,003,750	+5.5

Why does this difference exist between the two studies? There are three major interrelated factors that make the discrepancy between the two studies possible:

- Study objectives

- Study area
- Ratio of local vs. non-local casino visitors.

Study objectives

The two studies have different objectives. The objective of Deloitte & Touche study was to project the economic impact of casino gaming on the City of Detroit. The study objective of TTRRC was to assess the economic impact of the Detroit casinos on the study area.

Study area

D&T defined their study area as the City of Detroit. All visitors who came from outside the city were considered non-local and therefore included in the economic impact analysis. TTRRC defined the study area as the Tri-county area which includes Macomb, Oakland and Wayne counties. Thus, only visitors who came from outside the study area were considered non-locals and therefore their spending was included in the economic impact analysis.

Ratio of local vs. non-local casino visitors

The number of local vs. non-local visitors is related to the study objective and study area. As can be seen in Table 43, D&T project over 21 million people to visit the three Detroit casinos annually of which 14.9% are considered local and the remaining 85.1% non-local. The annual total number of visitors to the three Detroit casino estimated by TTRRC is 10,950,000. This number divided into 79.3% local visitors and 21.7% non-local visitors (30,000 visitors per day multiplied by 365) yields a ratio of 2,299,500 non-locals and the remaining 8,650,5000 locals.

To compare results of the two studies (comparing apples to apples) the projected non-local visitor spending per year projected by D&T needs to be adjusted to be compliant with TTRRC's estimates. As mentioned previously, non-local visitor spending per year is calculated by multiplying the number of non-local visitors per year by the trip spending per person per day. Thus, to adjust D&T spending projections to TTRRC's estimates it was logical to examine the following two variables:

- 1) Number of non-local visitors estimated per year.
- 2) Estimated trip spending by non-local visitors per person per day.

Step 1. Adjusting for number of non-local visitors

The number of non-local visitors per year projected by D&T equals 17,929,000 (Table 45). TTRRC estimates were 2,299,500 (Table 45). This estimate was based on figures provided by casino officials ($30,000 * 365 * 21\%$). D&T's projections are 7.8 ($17,929,000 / 2,299,000 = 7.8$) times higher than TTRRC estimates. Accordingly, D&T's spending projections are approximately 7.8 times higher than TTRRC's estimates. To adjust for the number of visitors, D&T's spending projections are divided by 7.8.

$$\$1,584,747,000 \text{ (table 45)} / 7.8 = \$203,172,690.$$

Step 2. Adjusting for non-local casino visitor spending per person per day

D&T projected the non-local visitor spending per person per day to be approximately \$ 89 (total non-local visitor spending / number of non-local visitors = $\$1,584,747,000 / 17,929,000 = \89.39). TTRRC estimated the non-local visitor spending per day to be approximately \$128 (table 30, p. 144). Thus D&T projections are 1.5 times

lower than TTRRC's estimates. From this it follows that D&T non-local spending per person per day is 1.5 lower than TTRRC's estimates. Adjusting D&T projected total non-local visitor spending yields: $\$203,172,690 \times 1.5 = \$ 304,759,030$.

Since this spending figure represents both inside and outside casino spending, it has been divided into the three spending categories presented in previous tables using the proportions of each spending category in relation to the total spending. For example, gaming spending inside the casino was projected to be 69.5% of the total ($\$1,102,008,000/\$1,584,747,000$, as indicated in Table 43). Thus, 69.5% of $\$304,759,030$ equals $\$211,807,520$. Similarly, non-gaming spending inside the casino was projected to be 6.8% and spending outside the casino 23.7%. As can be seen in Table 46, Deloitte & Touche's adjusted projections do not differ much from estimates by TTRRC.

Table 46. Comparing adjusted casino non-local visitor spending inside and outside the casino projected by Deloitte & Touche with TTRRC's estimates.

Spending category	Adjusted Deloitte & Touche	TTRRC
Gaming inside casino	\$211,807,500	\$164,138,000
Non-gaming inside the casino	20,723,600	17,563,500
<i>Subtotal</i>	<u>232,531,100</u>	<u>181,701,500</u>
Outside the casino	<u>72,227,900</u>	<u>104,301,000</u>
Total	\$304,759,000	\$286,002,500

This approach shows that D&T's projections missed the mark and relative importance of each miss: 1) They over estimated the number of non-local visitors by about 700% and 2) They underestimated per person daily spending by about 30%.

According to the Michigan Control Gaming Board, the net gaming revenue of the two Detroit casinos that were open in the year 2000 was \$713 million. As can be seen in

Table 48. In 2000, MGM Grand casino generated over \$397 million and Motor City Casino about \$316 million.

Table 47. Detroit casino revenues for 1999, 2000, and 2001.

	MGM Grand	Motor City	Greektown*	All Casinos	
<u>Year 1999</u>					
July	\$4,818,554	-	-	\$4,818,554	
August	35,206,964	Casino not open	-	35,206,964	
September	33,951,509		-	33,951,509	
October	34,457,655		-	34,457,655	
November	33,753,191	-	-	33,753,191	
December	31,491,239	\$14,759,589	-	46,250,828	
Total	137,679,112	14,759,589	Casino not open	188,438,701	
<u>Year 2000</u>					
January	32,458,135	22,742,715		\$55,200,849	
February	30,953,211	23,033,091	-	53,986,302	
March	37,511,192	25,177,767	-	62,688,959	
April	34,198,920	25,988,688	-	60,187,608	
May	33,765,674	26,550,565	-	60,316,239	
June	31,422,117	27,390,357	-	58,812,474	
July	36,528,965	29,794,584	-	66,323,549	
August	33,160,2880	28,565,714	-	61,400,591	
September	34,396,642	28,003,949	-	62,400,591	
October	34,143,475	29,001,314	-	63,154,788	
November	28,945,347	26,729,452	13,636,392	69,311,190	
December	29,751,378	22,758,778	17,014,268	69,524,423	
Total	397,235,335	315,746,974	30,650,660	743,632,969	
<u>Year 2001</u>					
January	27,531,158	\$27,734,836	\$18,326,008	\$73,592,002	
February	28,032,821	\$27,995,760	\$19,718,881	\$75,747,462	
March	31,969,009	\$31,890,474	\$22,403,377	\$86,262,860	
April	28,147,244	\$29,744,000	\$20,203,624	\$78,094,869	
May	29,620,963	\$28,892,271	\$21,460,105	\$79,973,338	
June	29,953,125	\$28,141,925	\$21,977,862	\$80,072,911	
July	30,140,279	\$28,612,706	\$22,743,924	\$81,496,909	
August	30,357,106	\$31,100,473	\$26,254,526	\$87,712,105	
September	30,951,207	\$29,743,521	\$24,500,278	\$85,194,955	
October	33,169,100	\$32,587,939	\$27,252,501	\$93,914,337	
November	32,630,502	\$31,541,905	\$27,261,310	\$91,433,717	
December	33,633,346	\$33,048,959	\$27,720,493	\$94,402,798	
Total	\$366,135,859	\$361,034,767	\$279,822,838	\$1,006,993,466	

Source: Michigan Gaming Control Board, www.state.mi.us/mgcb, 2/16/2002.

* MGM Grand Casino opened July, 1999. Motor City Casino opened December, 1999 and Greektown Casino opened November, 2000.

It is possible to compare the actual casino revenues with D&T's projections and the estimates of TTRRC. Actual casino revenues as presented in Table 47 include all spending inside the casinos (gaming spending and non-gaming spending) by both local and non-local visitors. D&T's original projected revenues for the three casinos were \$1,210,245,000 (Table 45.). Tables 45 and 46 presented and compared the adjusted D&T projections and TTRRC estimates of spending of non-local visitors only. Assuming local visitors on average spend as much as non-local visitors inside the casino and knowing the yearly spending calculated for non-local visitors is approximately one fifth (21%) of the total spending, the total revenues (spending by local and non-local visitors inside the casino) are extrapolated from the figures presented in Table 45. For example, TTRRC non-local visitor spending inside the casino is estimated to be \$181 million, which represents 21% of total spending. Total TTRRC estimates of casino revenues is then: $100/21 * \$181,701,500 = \$865,245,220$. Thus \$865,524,220 represents total spending inside the casinos estimated by TTRRC.

Because the third casino (Greektown Casino) opened only at the end of September 2000, it makes more sense to compare the revenues for the two casinos (MGM Grand casino and Motor City Casino) that operated during the whole year of 2000. To get the figures for the two casinos, it was assumed that the revenues of the three casinos were equal, on average. Therefore, to extrapolate revenues for the two older casinos the totals are divided by 1.5. This procedure yields the figures presented in Table 48.

Table 48. Comparing actual casino revenues in 2000 with Deloitte & Touche's original projections and TTRRC estimates.

	Three casinos	Two casinos
Original Deloitte & Touche projections	\$1,210,245,000	\$806,830,000
Adjusted Deloitte & Touche projections	\$1,107,290,900	\$ 738,193,920
TTRRC estimates	\$865,245,000	\$576,830,000
Actual revenues	\$743,632,969	\$712,982,309

Examining Table 48, D&T casino revenue projections for three casinos and for two casinos only for 2000, were slightly higher than the casinos' actual revenue.

TTRRC's estimate is lower than the actual figure. There are two plausible explanations that may explain the discrepancies in the TTRRC results and those of D&T.

1. Intercepted casino visitors may have not reported their actual losses.
2. Casino visitor counts given by casino officials may have been deflated.

This can be seen when extrapolating casino visitor counts, for 2000, based on average gaming loss per person per day estimated by TTRRC and casino revenue figures provided by the Michigan Gaming Control Board (only figures for the MGM casino and the Motor City casino are considered because only these two casinos were open when the Metro Detroit Area Casino Visitor Study was launched in 2000). This procedure yields the following results:

Revenue for the two casinos: $\$397,235,334.93 + \$315,746,974.30 = \$712,982,309.23$.

Total revenue per day: $\$712,982,309/365 = \$1,953,376.00$.

Average spending per person per day inside the casino estimated by TTRRC = \$75.00.

Estimated number of visitors per day: $1,953,376 / 75 = \mathbf{26,045}$.

Results estimated by TTRRC were based on 20,000 casino visitors per day (or 30,000 when considering three casinos).

Other selected economic indicators are presented in Table 49. As indicated in this table, D&T's projected jobs related to the casinos are higher than the actual numbers, which are provided by casino officials. Projected taxes paid to the city and state are also higher than actual figures, which are based on official published data published by the Michigan Gaming Control Board.

Table 49. Comparing adjusted Deloitte & Touche projections with actual performance of the Detroit casinos.

Selected economic Indicators	Feasibility Projections by Deloitte & Touche, 1997	Actual Performance	Source of actual performance
Indirect jobs	5,947 jobs	6,205 jobs	TTRRC
Jobs related to the casinos	7,977 jobs	7,539 jobs	Individual properties
Wagering tax paid to state and city	\$229 million	\$181million in 2001 \$132 million in 2000	Michigan Gaming Control Board
Reduced Casino Windsor's revenue	\$585 Michigan million gaming dollars are expected to be lost to Casino Windsor if the casinos do not open in Detroit (Source: Governor's Blue Ribbon Commission on Michigan Gaming, 1995, p. ii)	Casino Windsor lost 130 million Canadian dollars in revenue, in 2000 compared with 1999. This represents -15% In 2000 US \$73 million gaming dollars are estimated to be retained from Casino Windsor in Michigan*	Ontario Lottery and Gaming Corporation This study

**Reduced leakage of local gaming money to Casino Windsor*

An attempt to estimate reduced leakage of local gaming money to Casino Windsor is explained as follows:

It is estimated that 80% of Casino Windsor' visitors come from Michigan, and mainly from the Detroit area (Governor's Blue Ribbon Commission on Michigan Gaming: Report to the Commission, 1995, p. 17; Report of the Mayor's Casino Advisory Committee, 1997, p. 13; Management Review, July-August 1997, vol. 86, n. 7, p. 25). It is assumed that 80% of Casino Windsor daily average revenue comes from Michigan patrons.

1999 Casino Windsor average annual revenue = \$865.2 million.

80% of \$865.2 = 692.2.

2000 Casino Windsor average annual revenue = \$735.0 million.

80% of \$735.0 = 588.0

*Change 1999-2000 = 104 million Canadian dollars or about **73 million US dollars.***

Thus, this study estimated that about US \$73 million were retained in Michigan in 2001 because of the opening of Detroit's casinos.

Research question 4: How is crime volume affected by the establishment of casinos in Detroit?

Crime is another issue that holds a prominent place on the casino gaming development public policy agenda. Opponents of casino gaming claim crime increases in three main ways. First, people steal to support dysfunctional gambling habits. Second, gaming may attract criminals because it is a cash industry. Third, criminal activity may increase because crowds draw petty thieves. Advocates of casino gaming, on the other hand, claim that because casinos generate employment, crime may even decrease in some gaming jurisdictions.

In order to shed light on this issue, Crime Index offenses in Detroit are compared over a five-year period (1996-2000). In order to control for internal validity, national,

state, county, tri-county area, and city crime data were examined. The Crime Index offenses serve as common indicators of the country's crime experience because of their seriousness and frequency of occurrence. The Crime Index is composed of selected offenses used to gauge fluctuations in the overall volume and rate of crime reported to law enforcement. The offenses included are the violent crimes of murder, rape, robbery, aggravated assault, and the property crimes of burglary, larceny, motor vehicle theft, and arson (U. S. Department of Justice, 2001). Furthermore, selected Non-index Crime offenses are also examined. These include: non-aggravated assault, forgery and counterfeiting, fraud, embezzlement, stolen property, vandalism, prostitution, sex offenses, family and children abuse, driving under the influence –alcohol or narcotics, and disorderly conduct. Total number of arrests for prostitution, driving under the influence, embezzlement, fraud, forgery and counterfeiting, disorderly conduct, and vandalism in Detroit were also examined. The reason is that these types of crime are likely to be less adequately reported to the police than the other types of offenses.

In addition, because it is also believed that casinos export crime to neighboring communities, Crime Index data analysis based on selected counties of origin of Michigan non-local casino visitors and Ohio visitors were also examined. Accordingly, Crime Index offenses for the top three Michigan casino non-local feeder markets (Washtenaw, Monroe, and Genesee counties), and the top four Ohio feeder markets were presented (Cleveland, Cuyahoga, Falls, Toledo and Lorain).

Thus, in order to answer Research Question 4, six specific indicators were considered:

- A. National Crime Index offenses volume, 1996-2000,
- B. Five-year trend comparison of Crime Index offenses in the U.S., Michigan, Wayne County, Macomb County, Oakland County, Tri-county area, and City of Detroit, 1996-2000,
- C. Five-year trend comparison of Crime Index offenses in Detroit, by type of crime, 1996-2000,
- D. Selected NonIndex Crime offenses reported to the Detroit Headquarters Police Department, 1996-2000.
- E. Crime Index offenses of major Detroit casinos' feeder markets in Michigan, 1996-2000,
- F. Crime Index of major Detroit casino's feeder markets in Ohio, 1996-2000. (MGM Grand casino opened July 29, 1999. Motor City Casino opened December 19, 1999. Greektown Casino opened November 10, 2000).

- A. National Crime Index offenses volume, 1996-2000

Percent change of the Crime Index offenses rate (per 100,1000 inhabitants) and volume in the United States steadily declined from 1996 to 2000. As can be seen in Figure 17, Crime Index rate decreased about 19% and Crime Index volume declined 14% from 1996 to 2000.

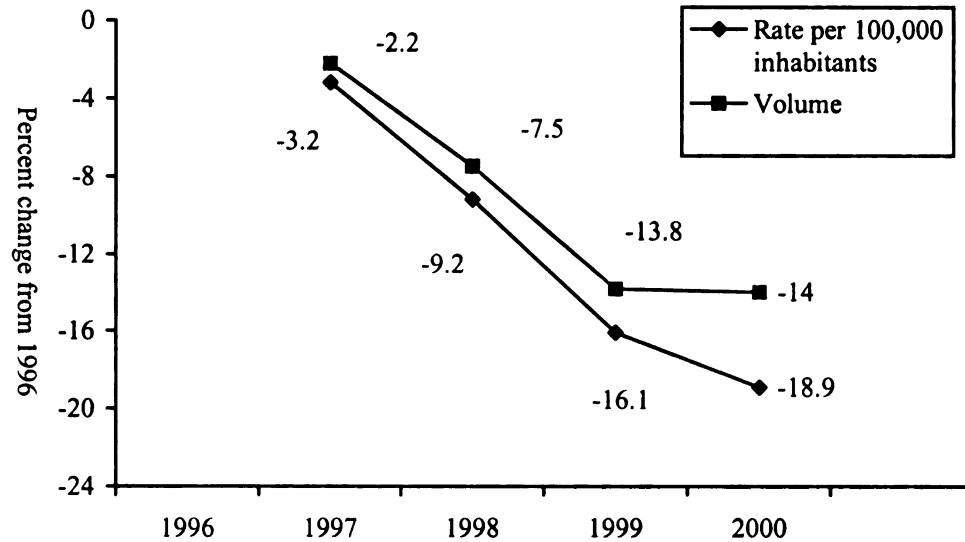


Figure 17. Percent change of Crime Index offenses in the United States for the period 1996-2000.

Source: U.S. Department of Justice, Federal Bureau of Investigation, 2001.

The Crime Index total decreased 0.2 percent to an estimated 11.6 million offenses in 2000 compared with 1999. By region, the largest volume of Crime Index offenses was reported in the most populous area, the Southern States, which accounted for 41.0 percent of the total. The western States made up 23.0 percent of the total; the Midwestern States, 21.9 percent; and the Northern States, 14.2 percent. The Western States showed an increase in Crime Index offenses, up 1.0 percent from the 1999 totals. The Northern States had a 2.0-percent decrease, the Midwestern States noted a 0.6-percent decrease, and the Southern States registered a 0.1-percent decrease.

B. Comparison of Crime Index in the U. S., Michigan, Wayne County, Macomb County, Oakland County, Tri-county area, and City of Detroit

The Crime Index in the State of Michigan decreased from 1996 through 2000. As indicated in Table 50, the Crime Index offenses also decreased in the Tri-county area,

Wayne and Oakland counties, and in Detroit from 1996 through 2000. The exception to this pattern was Macomb County where Crime Index increased between 1997 and 1998 before declining in subsequent years.

Table 50. Five-year comparison of Crime Index offenses in the U.S., Michigan, Tri-county area, and the City of Detroit, 1996-2000.

	1996	1997	1998	1999	2000
	<i>Before the casinos opened</i>		<i>After the casinos opened</i>		
United States* ¹	13,493,863	13,194,571	12,485,714	11,634,378	11,605,751
All Michigan	502,281	477,697	470,845	429,638	411,873
Wayne County	182,202	174,313	171,311	150,366	142,807
Macomb County	28,682	28,739	28,979	24,387	22,358
Oakland County	51,883	48,610	47,482	40,482	36,658
Tri-county area	262,767	251,662	247,532	215,235	201,823
Detroit City	121,999	121,801	120,095	103,682	97,776

Source: *U.S. Department of Justice, Federal Bureau of Investigation.
Criminal Justice Information Center. Michigan State Police.

In addition, examining crime statistics provided by Science and Technology Crime Analysis Unit, total Crime Index offenses for 2001 indicate a decline of 5.8% from 2000. According to this source of information “homicide, rape, robbery, assault, burglary, larceny, and UDAA crimes” witnessed a decline for the same period (Science and Technology Crime Analysis Unit, 2002).

According to the U.S. Department of Justice data, collectively, U.S. cities showed a 0.1- percent decline in Crime Index offenses in 2000 from 1999. However, cities with populations of 10,000 to 24,999 had an increase of 0.8 percent, and cities with populations under 10,000 were up 0.6 percent (in 2000, Detroit’s population was 972,390). In cities with populations of 25,000 to 49,999, the Crime Index was up 0.4

¹ Does not include arson.

percent. Cities with populations of 100,000 and over had an overall decrease of 0.4 percent in Crime Index, in 2000 compared with the previous year. However, in 1999, Detroit's Crime Index total was 103,682. In 2000, it was 97,776. The percentage change Crime Index for Detroit between 1999 and 2000 was -5.7. Thus, considering comparable cities, that is, those with a population of 100,000 inhabitants and over as a control group and Detroit as the experimental group, results show that while Crime Index volume for these cities decreased 0.4-percent, Crime Index volume for Detroit declined 5.7% in 2000 from 1999. This suggests that Crime Index offenses did not increase in Detroit following the establishment of casino gaming.

C. Five-year trend comparison of offenses in Detroit, by type of crime

The types of offenses reported to the Detroit Headquarters Police Department that are included in the Crime Index are presented in Table 51. Prior to the opening of the casinos in the city, arson, motor vehicle theft, larceny, burglary, and murder, were all decreasing. When examining crime volume by type of crime one year before the casinos opened (1998) and one year after the casinos opened (2000), results show that the volume of each type of crime included in the Crime Index was declining. This suggests that casino gaming development did not enhance crime in the city.

Table 51. Five-year trend in specific Crime Index offenses in Detroit from 1996 to 2000.

Offenses	1996	1997	1998	1999	2000
	<i><u>Before the casinos opened</u></i>		<i><u>After the casinos opened</u></i>		
<u>Crime Index</u>					
Murder	428	469	430	415	369
Rape	1,119	968	858	790	811
Robbery	9,504	8,208	8,558	7,823	7,868
Aggravated assault	12,188	12,331	14,581	12,948	13,037
Burglary	21,491	19,324	21,516	18,278	15,828
Larceny	41,193	44,451	43,317	34,537	31,929
Motor vehicle theft	34,265	33,439	28,651	26,770	25,892
Arson	<u>1,811</u>	<u>2,611</u>	<u>2,184</u>	<u>2,121</u>	<u>2,015</u>
Index Total	12,1999	121,801	120,095	103,682	97,776
Percent change		-0.2	-1.4	-13.7	-5.7

Source: Criminal Justice Information Center. Michigan State Police.

The following tables and figures were adapted from the Criminal Justice Information Center Michigan State Police and the U. S. Department of Justice Federal Bureau of Investigation. As can be seen in Table 52, for all selected locations, to the exception of Macomb County, the number of reported rapes declined in 2000 compared with 1998. This indicates that the volume of rapes one year before the opening of the casinos and one year after the casino opened did not increase.

Table 52. Volume and percent change in rape offenses for six locations from 1996 to 2000.

	1996	1997	1998	1999	2000
<u>Volume</u>					
U.S.A	96,252	96,153	93,144	89,411	90,186
Michigan	5,517	4,931	5,417	4,946	5,068
Detroit	1,119	968	858	790	811
Wayne	1,530	1,313	1,245	1,126	1,163
Oakland	401	295	345	455	319
Macomb	252	239	291	313	309
<u>Percent change</u>					
U.S.A		-1.0	-3.1	-4.0	0.9
Michigan		-10.6	9.8	-8.7	2.5
Detroit		-13.5	-11.4	-7.9	2.6
Wayne		-14.2	-5.2	-9.5	3.3
Oakland		-26.4	16.7	31.9	-29.9
Macomb		-5.1	21.7	7.6	-1.3

Figure 18, suggests that there is no alarming difference in rapes in the six selected locations. This figure shows that the slight increase in the number of rapes in 2000 compared with the previous year was national.

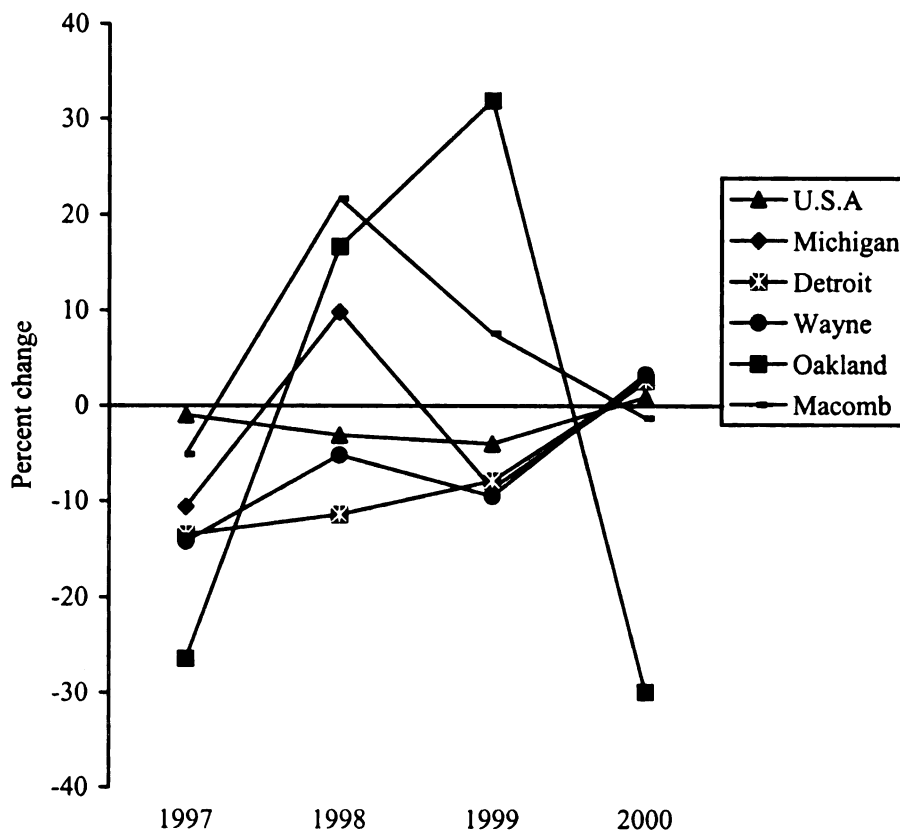


Figure 18. Percent change in rape offenses for six locations from 1996 to 2000.

Examining aggravated assault offenses for the six selected locations, it is indicated in Table 53, that the volume of this type of offenses declined in 2000 compared to 1998, the year before Detroit's casino opened. Similarly, Figure 19, indicates that there is no discernible trend from which the conclusion that Detroit casinos increase aggravated offenses could be made. This suggests that this type of Crime Index offenses did not increase following the establishment of casinos in Detroit.

Table 53. Volume and percent change in aggravated assault offenses for six locations from 1996 to 2000.

	1996	1997	1998	1999	2000
Volume					
U.S.A	1,037,049	1,023,201	976,583	911,740	910,744
Michigan	38,975	36,707	40,945	36,894	35,481
Detroit	12,188	12,331	14,581	12,948	13,037
Wayne	15,927	15,572	17,710	15,951	15,958
Oakland	3,486	2,922	3,704	2,979	2,684
Macomb	2,108	2,146	2,468	2,336	1,906
Percent change					
U.S.A		-1.3	-4.5	-6.6	-0.1
Michigan		-5.8	11.5	-9.9	-3.8
Detroit		1.2	18.2	-11.2	0.7
Wayne		-2.2	13.7	-9.9	0.0
Oakland		-16.2	26.8	-19.6	-9.9
Macomb		1.8	15.0	-5.3	-18.4

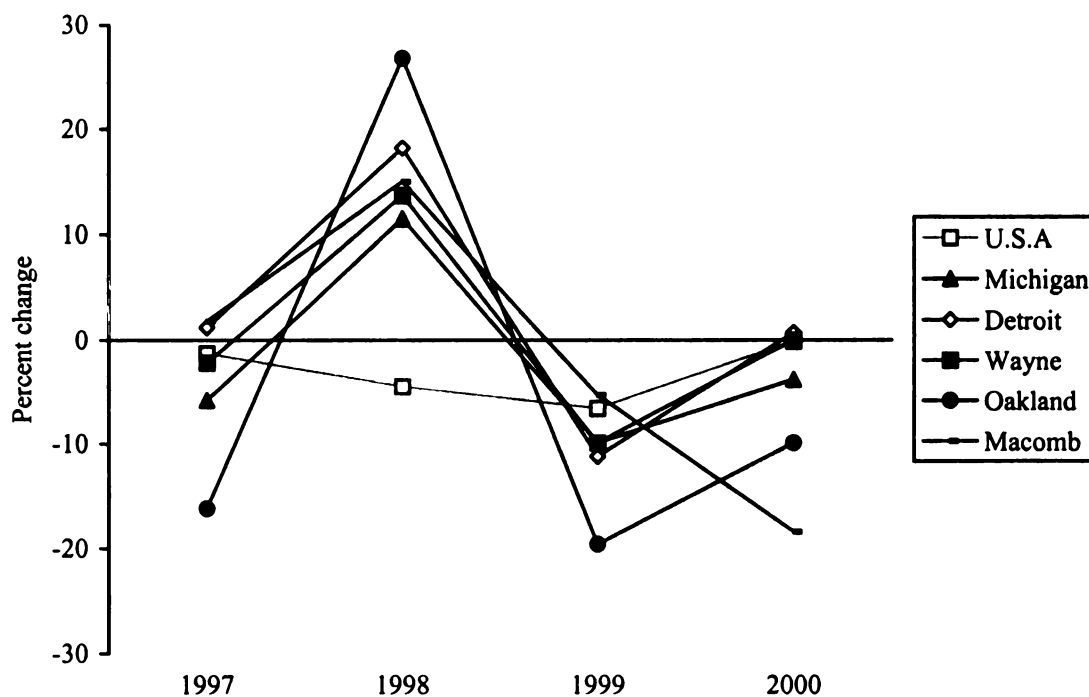


Figure 19. Percent change in aggravated assault offenses for six locations from 1996 to 2000.

As can be seen in Table 54, there is a downward trend in the total number of reported robberies nationwide. While 45 more robberies were reported in Detroit in 2000 compared with 1999, the total number of robberies remained almost the same in Wayne County but decreased in Macomb and Oakland counties for the same period. However, considering 1998 and 2000, it appears that this type of crime did not increase a year after the casinos opened. Examining Figure 20, Oakland County realized a 10.8 percent decline in robberies and Macomb County experienced a 15.1 percent decrease in 2000 compared with 1999. Wayne County and Detroit experienced a slight percent change increase for the same period.

Table 54. Volume and percent change in robbery offenses for six locations from 1996 to 2000.

	1996	1997	1998	1999	2000
<u>Volume</u>					
U.S.A	535,594	498,534	447,186	409,371	407,842
Michigan	17,183	14,718	15,428	14,067	13,512
Detroit	9,504	8,208	8,558	7,823	7,868
Wayne	11,021	9,584	9,839	8,968	8,969
Oakland	845	647	856	788	703
Macomb	469	448	498	451	383
<u>Percent change</u>					
U.S.A		-6.9	-10.3	-8.4	-0.4
Michigan		-14.3	4.8	-8.8	-3.9
Detroit		-13.6	4.3	-8.6	0.6
Wayne		-13.0	2.7	-8.8	0.0
Oakland		-23.4	32.3	-7.9	-10.8
Macomb		-4.5	11.2	-9.4	-15.1

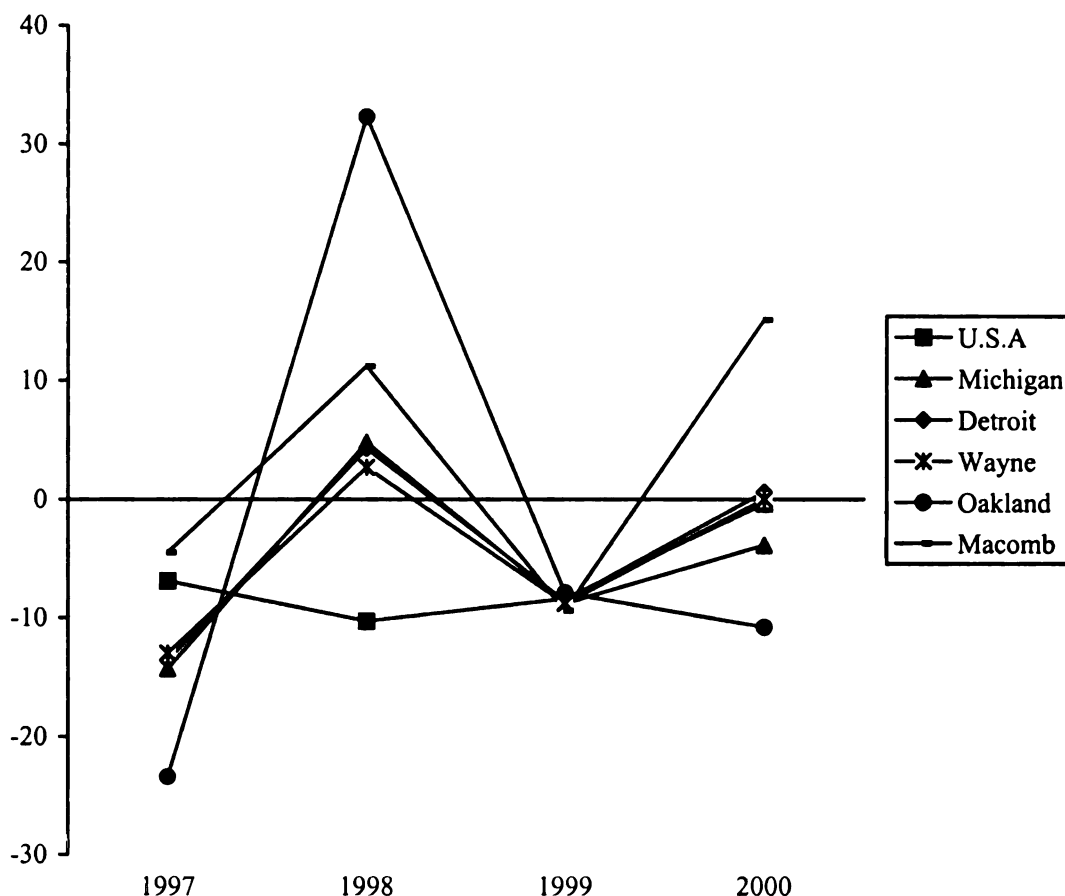


Figure 20. Percent change in robbery offenses for three locations from 1996 to 2000.

D. Selected Non-Index Crime offenses reported to the Detroit Police Headquarters

Non-Index Crime is another important index that crime analysts examine when their focus is on social problems, such as family problems, white collar related crimes, and other social ills. Examining data for 1998, one year before the Detroit casinos opened, and data for 2000, a year after the casinos opened, it appears that total volume of selected Non-Index Crime offenses, presented in Table 55, showed a decline. However, examining crime volume by types of crime, vandalism increased from 17,042 in 1998 to 13,872 in 2000. Family and child abuse volume rose from 917 in 1998 to 1018 in 2000. Also, Embezzlement volume increased from 105 to 129, for the same period.

Table 55. Selected offenses reported to the Detroit Police Headquarters, 1996-2000.

<u>Selected offenses</u>	1996	1997	1998	1999	2000
	<i><u>Before the casinos opened</u></i>		<i><u>After the casinos opened</u></i>		
Non-aggravated assault	7,868	8,860	9,961	8,958	9,369
Forgery & counterfeiting.	2,571	2,335	2,188	2,025	1,958
Fraud	833	774	1,070	1,006	1065
Embezzlement	109	92	105	129	129
Stolen property	1,321	1,126	957	1,107	1,088
Vandalism	17,928	16,735	17,042	13,803	13,872
Prostitution	1	0	0	0	0
DUI	0	0	0	0	1
Disorderly conduct	2	0	0	1	4
Family & children	1,080	837	917	932	1,018
Total	31,713	30,759	32,240	27,961	28,504

Source: Criminal Justice Information Center, Michigan State Police.

To understand the change in the selected Non-Index Crime offenses following the opening of the casinos in Detroit, a comparison of Detroit with Wayne, Oakland, and Macomb counties is provided in the following figures. Vandalism and Family and child abuse increased in Detroit following gaming development. These two types of Non-Index Crime were compared with Wayne, Oakland, and Macomb counties to examine whether the increase is unique to Detroit only or if it happened also in the Tri-county area. (National figures for these types of crime were not available. Also, 1997 and 1996 data were incomplete due to incomplete jurisdiction reporting. Thus, only data for 1998, 1999 and 2000 were examined).

As can be seen in Figure 21 and Figure 22, the number of reported vandalism and family and child abuse offenses showed a slight increase in all selected locations. Thus, the increase in their statistic is not unique to Detroit.

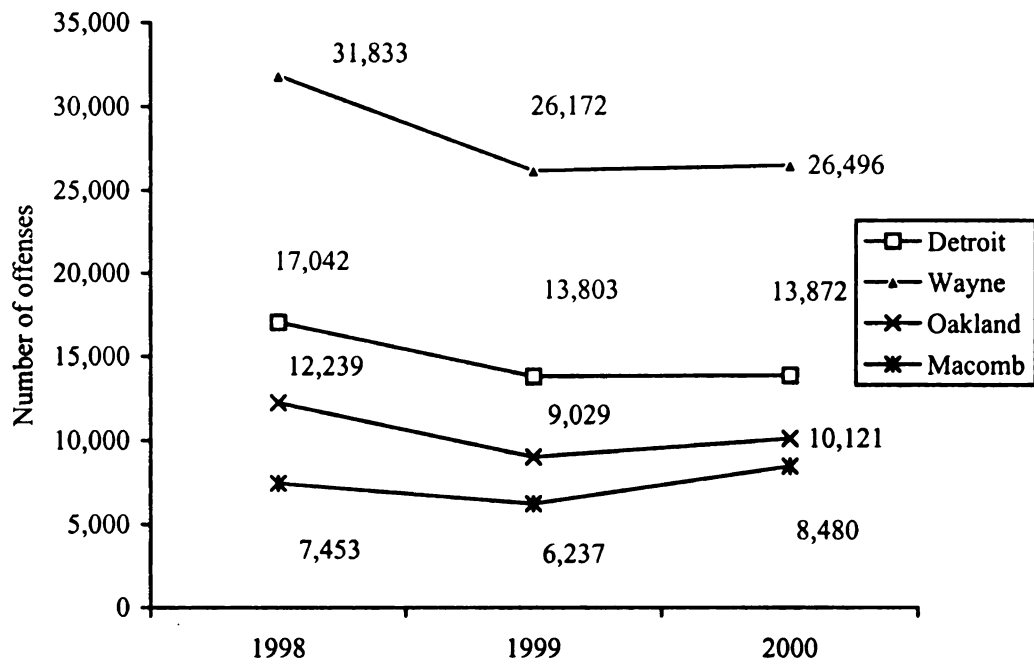


Figure 21. Volume of vandalism offenses in Detroit, Wayne, Oakland and Macomb counties from 1998 to 2000.

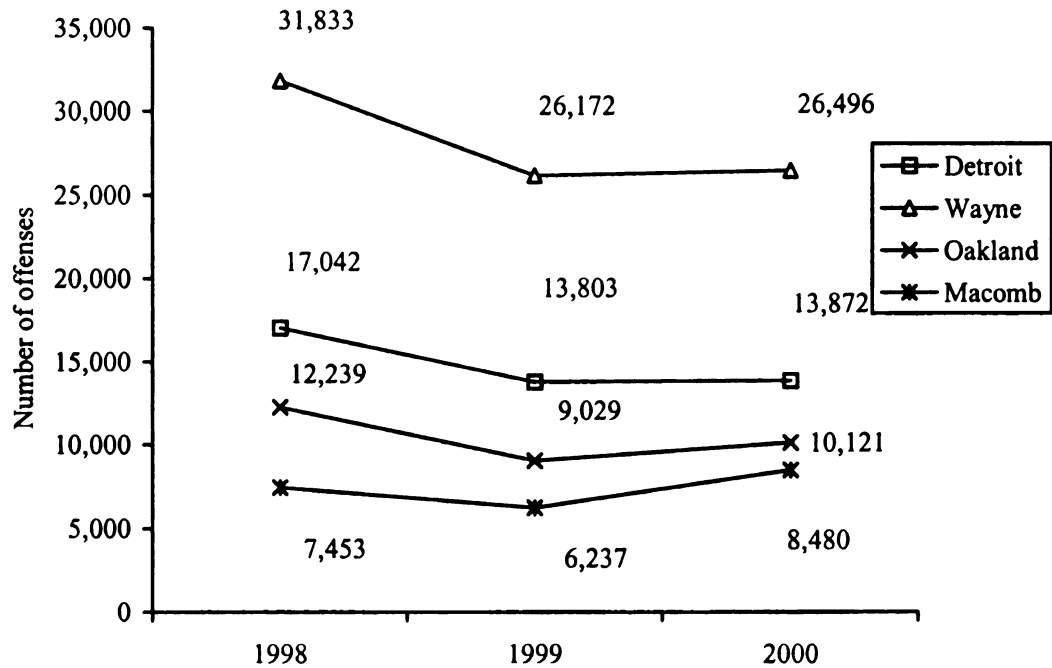


Figure 22. Volume of family and child abuse offenses in Detroit, Wayne, Oakland and Macomb counties from 1998 to 2000.

Total number of arrests for prostitution, driving under the influence, embezzlement, fraud, forgery and counterfeiting, disorderly conduct, and vandalism in Detroit were also examined because these types of crime are likely to be less adequately reported to the police than the other types of offenses. As can be seen in Table 56, prostitution arrests declined sharply from 1970 arrests in 1996 to 528 and 382, in 1999 and 2000, respectively. Driving under the influence arrests remained the same before and after Detroit's casinos opened. Embezzlement and forgery and counterfeiting which are types of crime that are traditionally directly associated with gambling and organized crime or gambling and pathology/problem gambling, decreased in 2000, a year after casino development in the city. All the other selected types of crime decreased, except for fraud which increased after the casinos opened.

Table 56. Volume of arrests in Detroit for selected Non-Index types of crime, 1996-2000.

Selected offenses	1996	1997	1998	1999	2000
	<i><u>Before casinos opened</u></i>			<i><u>After casinos opened</u></i>	
Prostitution	1970	1560	783	528	382
D.U.I	1870	2301	2300	2142	2142
Embezzlement	80	66	63	73	63
Forgery&counterfeiting	454	472	495	469	447
Vandalism	1318	1367	1427	838	807
Disorderly conduct	7348	6725	6593	5284	4555
Fraud	715	656	845	739	996

Source: Criminal Justice Information Center, Michigan State Police.

E. Crime Index offenses in major Detroit casinos' Michigan feeder markets

Because it is argued that crime spills over to neighboring counties, this study examined total Crime Index offenses before and after the casino opened in Detroit, for Washtenaw, Monroe, and Genesee counties, the three counties being the top feeder

markets for Detroit's casinos. As can be seen in Table 57, total Crime Index declined in post-casino development which indicates that the casinos did not have a negative effect on crime volume in these neighboring feeder markets. Only Monroe County realized an increase.

Table 57. Crime Index offenses for Washtenaw, Monroe and Genesee counties 1996-2000.

County	1996	1997	1998	1999	2000
	<i>Before casinos opened</i>			<i>After casinos opened</i>	
Washtenaw	15262	13676	13074	12079	12087
Monroe	4851	4926	4448	4053	4575
Genesee	28683	30050	30710	28114	24689

Source: Criminal Justice Information Center, Michigan State Police.

Additionally, because a large number of Detroit casinos' visitors come from Ohio, it was necessary to look at the Crime Index in the Ohio cities that feed the Detroit casinos. As indicated in Table 23, the greatest majority of Ohio visitors came from Cuyahoga, Lucas, and Lorain. Index Crime rates in two big cities, Cleveland and Toledo were also considered.

Because of problems that are associated with crime data, such as changes in reporting practices or incomplete data, it was not possible to objectively compare crime rates in Cleveland. As reported in Table 58, generally, there seemed to be no discernible pattern in crime rate that would yield to a conclusion about trends in crime rates for the period 1996-2000.

Table 58. Crime Index offenses for major Ohio feeder markets that are represented in the Detroit casinos, 1996-2000.

County	1996	1997	1998	1999	2000
	<i>Before casinos opened</i>			<i>After casinos opened</i>	
Cleveland	38,033	37,657	35,060*	33,938*	33,114
Cuyahoga					
Falls	Not available	Not available	1,773	1,819	1,712
Toledo	28,094	28,105	25,918	23,601	24,408
Lorain	1,959	3,129	2,556	2,262	2,507

*Due to changes in reporting practices, annexation, and/or incomplete data, figures are not comparable to previous year's data (U.S Department of Justice, FBI, 2000. p. 151).

Source: U.S Department of Justice, FBI, 2000.

Research Question 5: Did bankruptcy filings increase in Detroit following the opening of the Detroit casinos?

Data from the U.S. Bankruptcy Court in Detroit indicate that bankruptcy filing did not increase after the introduction of gaming in the city. According to a bankruptcy analyst at the Detroit Court, the increase in bankruptcy filing in 2001 is not attributed to the Detroit casinos. It skyrocketed statewide after the September 11 terrorist attacks on the United States. A comparative analysis of bankruptcy filings indicates that filings statewide for the years 1999-2000 decreased. As can be seen in Table 60, in 1999 bankruptcy filings in Detroit were 20,265 and 19,557 in 2000, indicating a decrease of 708 filings. This suggests that Detroit's casinos did not exacerbate bankruptcy filings in the city, especially if data for 2000 are compared with 1998, a year before the Detroit casinos opened to the public. Of course, monthly or even quarterly data would offer better analyses to control for the immediate impact of September 11, 2001 on the city's bankruptcy filings. However, these data were successfully obtained, neither from the American Bankruptcy Institute nor from the U.S. Bankruptcy Court in Detroit. The scares

of 9/11 are deeply rooted and their effects have hurt businesses and people alike. Data for business and non-business bankruptcies would offer a more objective analysis.

Table 59. Annual bankruptcy filing in the City of Detroit, 1996-2001.

Year	Detroit	Eastern District of Michigan	Western District of Michigan	Michigan total	U.S Total
1996	17,599	21,871	9,928	31,799	1,178,555
1997	20,933	27,348	12,261	39,609	1,404,145
1998	22,266	28,198	12,546	40,744	1,442,549
1999	20,265	25,824	11,428	37,252	1,319,465
2000	19,557	25,122	11,290	36,412	1,253,444
2001	25,252	32,785	14,041	46,136	1,492,129

Source: American Bankruptcy Institute, (<http://www.abiworld.org>).

Sources: Detroit: U.S. Bankruptcy Court, Detroit.

CHAPTER V

SUMMARY AND CONCLUSIONS

The problem of this study was to investigate the changes in selected economic and social indicators that occurred after the establishment of casinos in the City of Detroit. Included in this study was an attempt to identify how the gaming community could mitigate associated problems and facilitate on benefits and opportunities and to objectively contribute to the debate over the changes that take place following the establishment of casino gaming. The five research questions that have been addressed in this study are:

1. How effective are the Detroit casinos in attracting tourists?
2. Do Detroit casinos curb the gaming dollar flow to Casino Windsor?
3. How close are the feasibility study estimates of key performance measures to actual operating results?
4. How is crime volume affected by the establishment of casinos in Detroit?
5. Do bankruptcy filings increase in Detroit following the opening of the casinos?

In this chapter a summary and discussion of findings pertaining to the study's research questions is followed by a discussion of their implications and suggestions for future research.

Summary of Findings

Research Question 1: How effective are the Detroit casinos in attracting tourists?

MGM Grand is the first casino that opened in Detroit. It opened its doors to the public on July 29, 1999. Motor City casino opened on December 19, 1999 and Greektown Casino opened on November 10, 2000. As mentioned previously, Greektown Casino was not included in the analysis because it did not exist when this study started.

It was estimated that total visitor volume to the Metro Detroit area increased 4.1% in 2000, compared with 1999. An estimated 8.5 % of all visitors to the Detroit Metro Area in 2000 were casino visitors. For over one-half (59%) of all non-local visitors who were intercepted in the non-gaming areas of the two Detroit casinos (MGM Grand casino and Motor City Casino), visiting the casinos was the primary reason for their trip to Detroit (accounting for 5.7% of the total number of visitors to the area). This suggests that over one-half of casino visitors would not have visited the community were the casinos not there. As mentioned in the literature review, when a casino draws tourists to a destination, the casino would be classified as a primary “nucleus”, because in its absence, tourists would have gone elsewhere. Furthermore, over one-half of the respondents (54%) reported they would visit Detroit more often because of the availability of casinos in the city. Thus, the Detroit casinos serve a double function: they not only (a) draw tourists to the community but (b) make them come back. It was also found that, in 2000, the Detroit casinos attracted more visitors than many other Metro Detroit attractions such as the Detroit Tigers, Henry Ford Museum, or the Detroit Zoo.

As can be seen in Figure 23, a random sample of visitors in the non-gaming areas of the two casinos indicated that 21% of casino visitors came from outside the Tri-county area (Macomb, Wayne and Oakland counties). These non-local visitors were defined as tourists. The greatest majority of these tourists came from Ohio and Michigan, 38.3% and 38.0% respectively. The remaining came from other states.

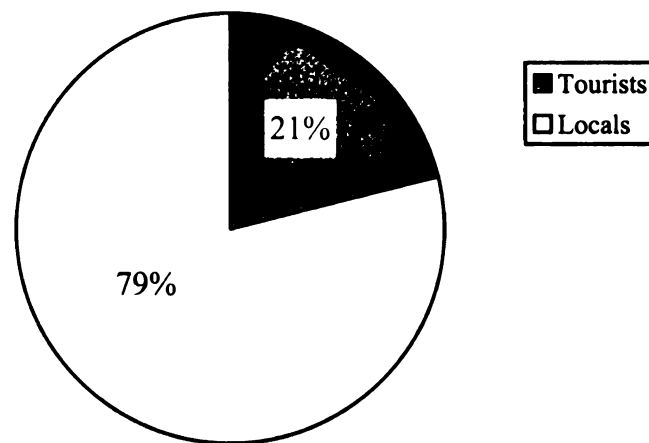


Figure 23. Proportion of local versus non-local casino visitors.

Moreover, it was estimated that, in 2000, a total of 3.1 million hotel/motel rooms were sold in the Metro Detroit area. This represents a 6.5% increase compared with 1999. It was found that of all casino visitors over one-fourth (31.5%) stayed at least one night in the Detroit Metro area. Of these, over one-half stayed in hotels, motels, or lodges, and nearly 43% stayed in the homes of friends or relatives.

Based on trip expenditures, including gaming spending patterns, four gamer groups were identified: a) those who spent money only in the casino, b) those who spent money only in the community, c) those who spent money in the community outside the casino, as well as inside the casino, and d) those who did not spend any money, neither in

the casino nor in the community, because they won money on gambling. Accordingly, four spending areas were identified: a) spending in the casino, b) spending in the community, c) spending in the casino and community, and d) spending outside the community (i.e., neither in the community nor in the casino).

Assessing the economic impact of the casinos on the local economy, as can be seen in Figure 24, it was conservatively estimated that the two casinos pumped \$165.35 million in the local economy in 2000. Conservative estimates were based on trip and gaming expenditures of the casino visitors whose primary trip purpose was to visit the casino. This segment would not have visited the community on the day they were intercepted at the casino if the casinos were not there. When one combines both those whose primary trip purpose was to visit the casinos with all other non-local visitors, the total contribution of all non-local casino visitors to the Detroit economy was \$286 million.

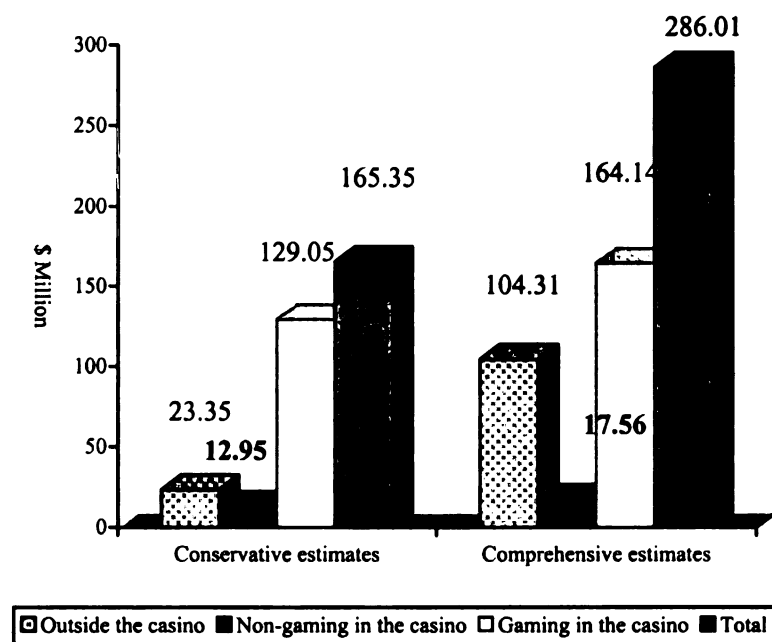


Figure 24. Summary results of the economic impact analyses of the Detroit casinos on the local economy (US\$ million) for the year 2000.

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As is imposed by the Michigan Gaming Control Board, the casinos must pay a wagering tax on adjusted gross receipts* at a rate of 18 percent (9.9% for city tax, and 8.1 for state tax). Based on gross gaming revenues for the years 1999, 2000, and 2001, the three casinos generated over \$1.9 billion in gross gaming revenue. Since the casinos opened in 1999, they have paid over \$190 million to the city in terms of wagering tax and over \$157 million to the state. Thus, since the establishment of casino gaming in Detroit, the three casinos have paid a total of over \$347 million to the city and the state. Casino revenues and wagering taxes are detailed in Table 61. In addition, the three casinos employ over 7,500 persons in their casino facilities.

Table 60. Detroit casino revenues and wagering taxes, 1999, 2000, 2001.

Casino	Total Adjusted Revenue	City Wagering Tax (9.9%)	State Wagering Tax (8.1%)
<u>Calendar Year 2001</u>			
MGM Grand Detroit	\$ 366,135,860	\$ 36,247,450	\$ 29,657,005
Motor City Casino	\$ 361,034,768	\$ 35,742,442	\$ 29,243,816
Greektown Casino	<u>\$ 279,822,838</u>	<u>\$ 27,792,461</u>	<u>\$ 22,665,650</u>
Total	\$1,006,993,466	\$ 99,782,353	\$ 81,566,471
<u>Calendar Year 2000</u>			
MGM Grand Detroit	\$ 397,235,335	\$ 37,544,298	\$ 32,176,062
Motor City Casino	\$ 315,746,976	\$ 31,258,951	\$ 25,575,505
Greektown Casino	<u>\$ 30,650,660</u>	<u>\$ 3,034,415</u>	<u>\$ 2,482,703</u>
Total	\$ 725,632,971	\$ 71,837,664	\$ 60,234,270
<u>July to December 1999</u>			
MGM Grand Detroit	\$ 173,679,112	\$ 17,194,232	\$ 14,068,008
Motor City Casino	\$ 14,759,589	\$ 1,461,199	\$ 1,195,530
Greektown Casino	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total	\$ 188,438,701	\$ 18,655,431	\$ 15,263,538

Source: Michigan Gaming and Control Board.

* Adjusted gross receipts is a casino's gross receipts less winnings paid to wagers. It is also referred to, sometimes, as Net Win.

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Thus, the Detroit casinos constitute an economic asset to the community; they serve as a tourism attraction and thereby contribute to the local economy. This conclusion is further discussed in what follows.

Proposition 1. Tourist dollars and volume are expected to increase as a result of casino development in the City of Detroit, was supported by this study. According to casino gaming opponents, casinos do not attract visitors from outside the community, and when they do attract tourists/visitors, most of these visitors spend their time and money inside the casino with no contact with other community tourism-related businesses. In fact, they argue that, generally, casinos have no windows and no clocks, for the purpose of keeping visitors' money inside. Several community businesses file bankruptcy when a casino opens because casinos serve cheap/buffet food and offer incentives or complimentarys, such as free beverages and package coupons. Furthermore, non-local visitors would have come to the community regardless of the availability of gaming venues, and, therefore, the money they spend is that which has been displaced from other spending venues in the community to the casino.

Casino advocates argue that casinos bring in visitors from outside the community, and it is the responsibility of the other community tourism-businesses to capitalize on this opportunity and benefit from the in-flux of visitors attracted by the casinos. Casinos and ancillary businesses increase tourism, employment, and accommodations that were previously deficient or non-existent. Furthermore, jurisdictions extract large sums of tax money from casino gaming, and governments use this money for needed public services.

It was found by this study that nearly one-fourth of Detroit casinos' visitors come from outside the Detroit Metro area --Macomb, Oakland and Wayne counties. It is worth

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noting that there is no threshold of local/non-local casino visitor ratio. In other words, no study that indicates the *ideal* (benchmark) ratio of local/non-local casino visitors has been identified by this study. Non-local casino visitors not only participate in other community-based recreational activities, but also spend money outside the casino at other spending venues in the community.

An economic impact analysis based on total gaming trip spending of non-local visitors who indicated that their trip purpose was to visit the casino was estimated to be \$165 million for the first two casinos or about \$ 248 million adjusted for the three casinos. Based on total gaming trip spending which is \$110 million for two casinos or \$165 million for three casinos, about \$16 million for two casinos or \$23 for three casinos were spent outside the casino facilities. Thus, approximately 15% of total spending goes to outside businesses. Personal annual total effect on personal income was estimated to be \$606 million. The direct and total economic impacts of visitors spending was estimated to bring \$98.2 million in value added to the community and generate over 4,000 jobs. This is a conservative estimate, which means that this money would not have been generated in the community in the absence of the casinos. This is a conservative estimate because only spending by non-locals whose primary trip purpose was to visit the casinos was included in the economic impact analysis. It is also important to note that neither the impact of casino purchases from casino suppliers nor wages paid to local residents are accounted for in this assessment of economic impacts of the casinos on the area's economy.

Clearly, Detroit's casinos have attracted substantial number of tourists to the city and their spending impact is not confined to the casinos. However, only a small portion

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(about 15%) of casino visitors' spending accrues to non-casino businesses which suggests that they have not yet been able to fully exploit or market to the substantial volume of new visitors being attracted to Detroit by the casinos.

Research Question 2: Do Detroit casinos curb the gaming dollar flow to Windsor?

Both indicators (gross revenue, and total number of patrons per year) show a decline in the performance of Casino Windsor after the Detroit casinos opened. As indicated in Figure 25, from 2000 to 1999, percent change in Casino Windsor gross revenue was a decline of 15.1%. Percent change in total number of casino patrons per year was a decline of 4.1% for the same period. In addition, based on Casino Windsor's gross gaming receipts, it was estimated by this study that in 2000 alone Casino Windsor lost over US\$73 million or 104 million Canadian dollars of potential Michigan gamers' revenue, while in the same period revenue of Detroit's casinos increased. The boost in revenue of the Detroit casinos was also attributed to the Greektown casino that opened in 2000.

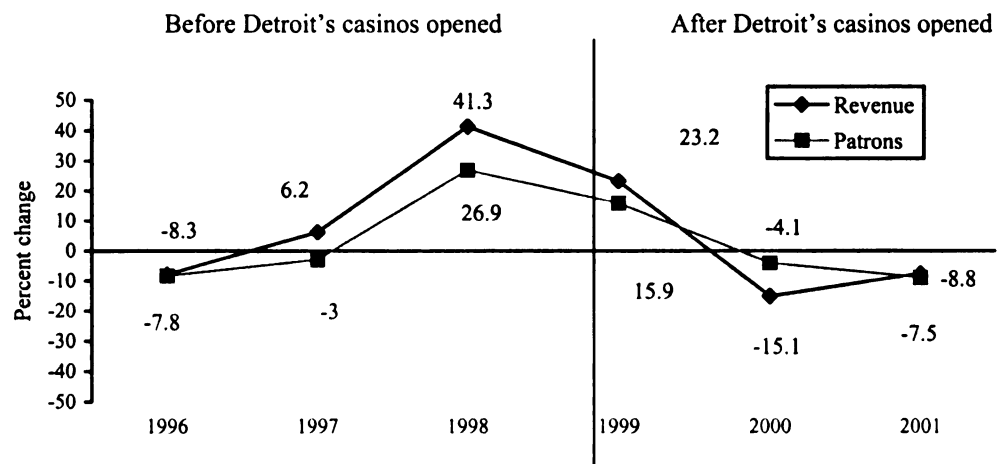


Figure 25. Percent change of Casino Windsor's performance, 1996-2001.

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After the Detroit casinos opened, Casino Windsor's performances showed a decline both in revenue and attendance. This suggests that the Detroit casinos play an important role in preventing local gaming dollars from leaking to Casino Windsor. Having casinos in Detroit has given local residents the opportunity to game at home and provides Michigan the possibility to compete with Windsor for local gaming expenditures.

Thus, *Proposition 2. The gaming dollar flow to Windsor is expected to decrease as a result of casino development in the City of Detroit, was supported by this study.* Casino advocates argue that casino development prevents a certain amount of gaming dollars from leaking to neighboring gaming communities and other gaming destinations. By legalizing local casino gaming, the community gives local residents the opportunity to game at home. On the other hand, casino opponents argue that the money spent on gaming by local or non-local gamers is money displaced from other spending venues in the community to the casino. That is, if casinos did not exist in the community, the gaming money would be spent in other existing community businesses or on other leisure/recreation activities.

This study found that, following the development of casino gaming in Detroit, Casino Windsor's revenue dropped and so did traffic counts crossing the Detroit-Windsor Tunnel going through Canada. However, it is necessary to note the impact of the terrorist attacks on the US. on September 11, 2001, which have affected the pace of life and travel behavior of Americans and Canadians alike.

Furthermore, this study estimated that US\$75 million per year that would have leaked to Casino Windsor were retained by Michigan in 2000, because of the Detroit

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casinos. While there is ample evidence to support the proposition that Detroit's casinos have diverted Michigan resident gaming dollars away from Casino Windsor, they have by no means stopped the flow to the degree many had suggested. There are three reasons for this. First, it is amply evident that the casino market has grown and/or was not being fully exploited earlier. Second, Casino Windsor and Detroit's temporary casinos are not totally comparable products, so Casino Windsor will retain a competitive advantage until permanent casinos are developed in Detroit. Finally, the presence of four casinos in relative close proximity creates more drawing power than would four scattered casinos. In summary, Casino Windsor has lost business to Detroit's casinos, but the impact on its bottom line has been offset by overall growth in the region's gaming market. It is also worth noting that Deloitte & Touche's projections concerning the impact of the Detroit casinos on the performance of Casino Windsor were based on estimates based on three *permanent* casino venues, offering an expanded gaming area, hotel rooms and extra amenities. TTRRC estimates were based on the existing Detroit temporary casinos. The proposed permanent casinos that are planned to open in 2005-2006 will perform much better than the temporary ones, at least in the two-three years following their establishment. More research is needed to examine this hypothesis.

Research Question 3: How close are the feasibility study estimates of key performance measures to the actual operating results?

The feasibility study estimates projected by Deloitte & Touche were all, except for the estimated gaming dollars kept in Michigan because of Detroit's casinos, higher than the estimates by TTRRC. Even when the original projections were adjusted to be compliant with the estimates of TTRRC, which were based on actual visitor spending,

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they were higher than TTRRC estimates. D&T projected casino revenue were slightly higher than actual performances for 2000, whereas, TTRRC 2000 casino revenue estimates were lower than the actual revenue performance. The factors that might have contributed to these results are addressed in the following discussion.

Proposition 3. The feasibility estimates of key casino performance are higher than actual results, was supported by this study. Projected economic impact indicators of the Detroit casinos estimated by D&T were higher than results found by TTRRC. This researcher adjusted the Deloitte & Touche projections to be comparable to the TTRRC estimates and found that all selected economic indicator estimates projected by Deloitte & Touche were higher than TTRRC's. The latter's estimates were based upon visitor spending collected from a sample of over 850 respondents who were contacted by telephone.

According to the literature reviewed, the difference in results of the two studies – D&T and TTRRC-- may be attributed to the following two reasons: (1) economic impact studies require analysts to make assumptions and different analysts are prone to make different assumptions, and (2) research about economic impacts tends to be supported through funds provided by agencies (industry or government) that have an interest in the outcome of the research.

1. Economic impact studies:

As explained in the literature review chapter, economic impact studies require underlying assumptions. In the methodology chapter, four assumptions that would substantially impact the final results of an economic impact study were identified. Of

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these, the following three have a direct impact on the final results of the projected estimates by D&T: (a) selection of the study region, (b) estimated number of non-local casino visitors, and (c) inclusion of casual visitors in the analyses.

a. Selection of the study region: The study region of the D&T study was the City of Detroit. The purpose of their study was to assess “the economic impacts of casino gaming on the City of Detroit” (Mayor’s Casino Advisory Committee Report, 1997). Thus, 85% of casino visitors were considered out-of-towners, and, therefore, their spending was included in the economic impact calculations. According to Stynes (1999), most state tourism assessments count all trips over 50 to 100 miles, although the bulk of these trips generally originates from within the state. Thus, D&T were not focused on tourists as commonly defined. Their economy of concern was limited to the City of Detroit. Unfortunately, data were not available to assess D&T’s projection that 85% of casino visitors would be non-residents of the City of Detroit. Results from the TTRRC casino visitor study indicate that only 21% of casino visitors reside outside of the three county Detroit region which would require 65% of all visitors to originate in these three counties excluding the city itself. Given the population distribution in these counties and Detroit, the non-Detroit residents in the region would have to visit the casinos about 50% more often for D&T’s projection to hold, and given that proximity of Detroit residents to the casinos, it seems unlikely that they would have the propensity to visit less often than others residing at a greater distance. Thus, D&T’s 15% estimate of visitors from Detroit was probably considerably lower than has proven to be the case. However, it is reasonable to assume that once the permanent casinos are in operation the proportion of

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non-locals will increase among Detroit casino visitors which will, of course, bring D&T estimates of Detroit resident patrons more in line with reality.

b. Estimated number of non-local casino visitors: One basic principle of economic impact studies is the exclusion of local residents. When the perimeters of a study area are defined, the ratio of local/non-local visitors is clearly defined and the economic impact analyses are, thus, based on the estimated number of non-local visitors. Because D&T defined the study area as the City of Detroit, the number of casino visitors that was included in their economic impact analysis was bigger than TTRRC's. As a result, D&T's total visitor spending was also larger. TTRRC used the Tri-county area – Macomb, Wayne and Oakland counties— as the study area and, therefore, only visitors who did not reside in the Tri-county area were included in the economic impact analysis. Thus, excluding visitors from Wayne, Macomb, and Oakland counties from the analysis resulted in a more conservative economic impact estimates. In other words, the bigger the assumed number of non-local visitors the greater their expenditure and the larger the estimated economic impact and vice and versa. As detailed above, D&T's projection of Detroit patrons was probably too low; this error of estimate is exacerbated by their 100% over-estimate of total number of casino visitors.

c. Inclusion of casual visitors in the analyses: Another basic principle of economic impact analysis was the exclusion of what Crompton (1999, p. 19) calls “casuals,” those visitors who would visit the area regardless of whether or not the facility--in the context of this study the casinos--existed or not. Only non-local visitors, who are attracted to the area because of the casinos, bring in new money to the community.

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D&T did not exclude casuals from their economic impact analysis. TTRRC's study provided two estimates: comprehensive estimates or estimates based on all non-local casino visitors, and the conservative estimates which excluded casuals and thus included only visitors whose primary trip purpose was the casino(s). Both the conservative and the comprehensive estimates were smaller than the projected numbers by D&T.

Research Question 4: How is crime volume affected by the establishment of casinos in Detroit?

The Crime Index offenses in Figure 26, indicate a downward trend for all represented localities before and after 1999, the year that casino gaming began operating in the City of Detroit. Since changes in crime offenses are rooted in many interrelated causes, one cannot draw firm conclusion about that casino impact on crime. However, the observed reduction in Crime Index offenses is inconsistent with the premise that casinos would boost crime in the City of Detroit. Further discussion is provided in the next section.

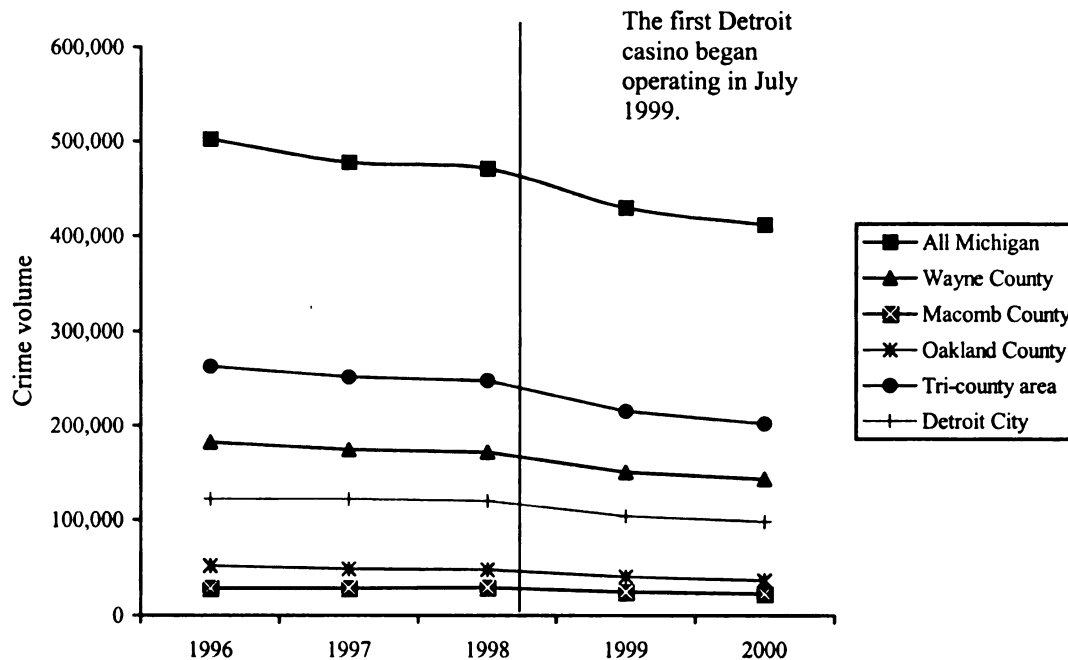


Figure 26. Comparison of Index Crime volume in the U.S., Michigan, Tri-county area, Detroit, 1996-2000.

Proposition 4. Crime is expected to increase as a result of casino development in the City of Detroit, was not supported by this study. Gaming opponents argue that crime increases in the post casino development period. They argue that crime does not increase only in communities that host casinos, but it also spills over to neighboring communities that feed the casinos. Advocates say that crime does not necessarily increase when casino gaming is established in a community. In some communities, crime rates have decreased following casino development. Gaming advocates also argue that when including the number of tourists in the crime equation, crime rates may even decline when the resident population is incorporated in the analyses.

Total Crime Index offenses in the City of Detroit decreased 5.7% in 2000 compared with 1999. Wayne, Oakland, and Macomb counties all experienced a decline in the total number of the Crime Index offenses for the same period. The decline in the crime rate for the period 1996 to 2000 was national. However, examining crime by type, an increase was recorded for a few Non-Index Crime and Crime Index type offenses in Detroit. For example, the number of robberies increased 0.6% in Detroit while it decreased in Oakland by 10.8% and remained somewhat stable in Wayne and Macomb counties. Also, the number of reported aggravated assaults increased in Detroit while it decreased in Wayne, Oakland and Macomb counties. This increase began before the casinos opened in the city and continued in 2000. Also, arrests for selected types of Non-Index crime for the same period were examined. The selected types of crime that are less likely to be reported to the police showed no increase, except for fraud. The number of prostitution, embezzlement and driving under the influence arrests, which are the types of crime that have been traditionally associated with gambling, did not show an increase after the casinos opened in the city in 1999. Furthermore, when examining data for 1998, one year before the casinos opened in Detroit, and data for 2000, a year after Detroit's casinos opened to the public, it appears that overall crime volume did not increase.

Furthermore, because it is argued that crime spills over to other communities as a result of casino gaming, an examination of the volume of the Crime Index offenses in neighboring communities in Michigan and Ohio was undertaken. The areas examined were those which provide relatively high numbers of Detroit casino visitors and therefore are the most likely to exhibit increases in casino-related crime. In the selected Michigan counties, total Crime Index offenses for 1996 through 2000 actually decreased. A pattern

in Crime Index offenses in selected Ohio communities, however, was not discernible because of the lack of some data points. These results do not support the common belief that casinos induce crime in their feeder markets, especially if crime data for 1998 and 2000 are examined.

Criminologists (e.g., Spring and Block, 1988; Sherman, Gartin and Buerger, 1989) used the “hot spots” theory to study crime. Hot spots or crimogenic places are the most crime-ridden places in cities (Roncek and Maier, 1991). Spring and Block (1988) used the location of crime incidents and then determined the empirical center and most useful boundaries to circumscribe the areas uncovered based on an approximation of the geographic coordinates of the addresses. Sherman et al. (1989) examined the location of calls for service, rather than crime incidents but did not attempt to determine a center of boundaries. The hot spots theory could be used in the case of casinos to determine whether the casino is responsible for street crimes in their immediate vicinity or not. Casino gaming is a cash industry and casino patrons have cash on them. Casinos serve alcohol and attract a large crowd. According to the propositions of the hot spots theory, casinos can be crimogenic, which could be empirically examined. Results may contribute to resolving immediate policy issues of whether or not casinos stimulate crime in their neighborhoods. For example, in *Mapping Crime: Principle and Practice* Harries (1999, p. 1) the director of the National Institute of Justice said:

Today about 13 percent of law enforcement agencies are using GIS [Geographic Information System] regularly to analyze their crime problems, and we are certain to see this number increase significantly as more and more agencies begin using computerized crime mapping to identify and solve their crime problems.

Harries (1999) introduces and encourages “The science of crime mapping to police officers, crime analysts, and other people interested in visualizing crime data through the medium of maps.” The National Institute of Justice also encourages interested parties to “Move beyond descriptive mapping (e.g., pin maps) toward analytic mapping (Harries, 1999).”

This researcher contacted by telephone the Department of the Detroit Police Headquarters, asking about crime data by location to test the hot spots theory with casinos but was unable to obtain any data. However, according to a crime analyst with the Criminal Justice Information Center, Michigan State Police, the Detroit Headquarters does have crime data by location. Thus, the data appear to exist to pursue the issue of crime spilling over to neighborhoods near casinos, which would shed further light on the casino/crime question beyond the citywide analysis that was conducted for this study.

Research Question 5: Did bankruptcy filings increase in Detroit following the opening of the Detroit casinos?

Bankruptcy filings (including individual filings and business filings), following the opening of the casinos in the City of Detroit for the period 1999-2000, did not increase. However, as can be seen in Figure 24, bankruptcy filings increased in 2001. The increase took place after the terrorist attacks of September 11, 2001 and the economic recession which began in March of that year. Moreover, the year 2001 was predicted to be a boom year for bankruptcies, according to the Executive director of the American Bankruptcy Institute, who indicated that the combination of record consumer debt and an economic downturn beginning in 2000 caused more families to face financial stress than

ever before (<http://www.abiworld.org>). Thus, as can be seen in Figure 27, Detroit's casinos did not increase the city's bankruptcy filing, for a year after they opened filings dropped 3.5%.

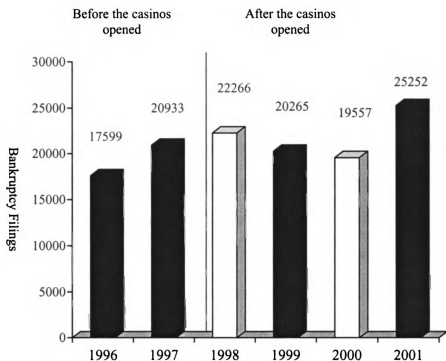


Figure 27. Bankruptcy filings for Detroit, 1996-2001.

Thus, *Proposition 5, Detroit bankruptcy filings are expected to increase following the development of casinos in Detroit, was not supported by this study.* Casino gaming opponents argue that bankruptcy filings increase as a result of the establishment of casinos in a community. Business bankruptcies increase because casinos cannibalize existing businesses. Individual bankruptcies increase as a result of increased availability of gaming venues which, in turn, is associated with an increase in the number of pathological gamblers. These problem gamblers will do anything to feed their gambling

habit and therefore hit rock bottom. Their individual problems will spill over to family and work resulting in social and economic costs, which contribute to societal problems including bankruptcies. Casino gaming advocates, on the other hand, argue that only a small portion of people are pathological/problem gamblers and that the greatest majority of Americans gamble responsibly. That is, because the majority gamble responsibly, the impact on bankruptcy filings is minimum.

This study found that total bankruptcy filings in the City of Detroit did not increase in the *very first year* of post casino gaming development (i.e., 2000). Rather, data show a decline in 1998 before the casinos opened and 2000 a year after the opening of the casinos. The pattern of bankruptcy filings in Detroit for the period 1996-2001 is similar to that nationwide and statewide. Also, the Western and Eastern Districts of Michigan bankruptcy filings pattern for the same period were similar to that of Detroit. All four selected locations indicated a decrease in 1998, 1999, 2000, and showed an increase in 2001. The year 2001 was not a typical year. The whole nation suffered from the terrorist attacks of September 11, 2001. Subscribing to this reality, the increase in the number of bankruptcy filings that took place in 2001 may not be attributed to casino gaming *per se*, but to the terrorist events of September 11 that impacted the economy of the country which was already in throes of a recession. Furthermore, based on an analysis of personal and business bankruptcies, an analyst from the U. S. Bankruptcy Court in Detroit, which this researcher consulted by telephone, mentioned that the bankruptcy pattern was not due to the establishment of the casinos in Detroit, but rather to the events of September 11, 2001. This researcher, however, was not successful in obtaining more detailed data to confirm the bankruptcy court analyst's opinion. One way to investigate

the effect of casino establishment in Detroit on bankruptcies would be to examine more data points in the post casino development period and to review detailed bankruptcy reports for the causes of bankruptcies.

Implications

This study has implications for policy makers, and destination marketing organizations, and individual businesses. The possible implications for each are discussed in the following section.

Implications for policy makers

This case study's findings suggest that casino gaming has been a positive economic development strategy for Detroit. However, concluding that casino development in Detroit is all positive would be misleading. More research is needed to further enlighten decision-making for establishing gaming development in other communities or expanding it in Detroit.

As mentioned in the literature review, not all gaming communities have benefited equally from casino development. The literature is divided on the economic and social benefits that follow the introduction of casino gaming in a given community. Three positions were identified in the literature review: a pro-gaming position, a con-gaming position, and a neutral position (those who see gaming as neither panacea nor blight). Each group of authors offers arguments to support its position. It was, however, evidenced by the literature review of this study that, as Gartner (1996) argues, very few generalizations are valid when considering the economic benefits and costs of tourism

development. Tourism development invariably causes change. While some of these changes are beneficial, others are not.

Therefore, more objective evidence is needed to enlighten decision-making concerning gaming development. Policy makers and other citizens in communities considering casinos as a future economic activity need to examine the negative side associated with casino gaming. Further research is needed for a more complete and balanced view of gaming development.

According to the five research questions examined in this study, the Detroit casinos:

1. Are effective in attracting tourists,
2. Generate taxes,
3. Generate employment,
4. Generate revenue,
5. Contribute to other community tourism-related businesses,
6. Have not contributed to an increase in crime, and
7. Have not contributed to an increase in bankruptcy filings.

Several other economic and social indicators warrant consideration. There is general agreement among tourism/gaming researchers that economic, social, political, and environmental costs may emerge with gaming development (a list of questions/issues to consider is provided on page 57-58). There are other social and economic indicators that are associated with gaming development which are potential costs to communities. These costs need to be included in the economic impact analyses. Some of the indicators that need to be examined in Detroit are:

1. Problem/pathological gambling,
2. Underage gambling,
3. Social welfare provisions,

4. Lost business productivity,
5. Police and emergency services provision,
6. Family crises, and
7. Suicide.

Furthermore, in some gaming communities, the large revenues accruing in the community do not offset problems affecting individual or community quality of life. Traffic noise, congestion, parking problems, and crowds of gaming tourists intrude on daily life. Thus, an attitude study is needed to examine the impact of gaming development on local residents. In addition, not all economic benefits or costs were included in this study. Thus, because this study was delimited to five propositions which were all found to support a positive outcome from the development of Detroit's casinos, concluding that casino gaming development is always positive is myopic. As mentioned by the National Gambling Impact Study Commission (1999), policymakers and citizens should consider all of the relevant facts before deciding on the adoption and/or expansion of casino gaming in their communities as a viable economic development strategy. Although the Commission dedicated "nearly half of its \$5 million budget to a research agenda that would help policymakers... (p. 8-1)," the Commissioners recognized that gaming impacts are "much too complicated for even the most sophisticated economic models (p. 7-29)." Furthermore, they noted in considering the social impacts that: "The process of finding ultimate answers is even more difficult (p. 7-29)."

Implications for Destination Marketing Organizations (DMOs)

Study results may contribute to optimizing the existence of the casinos in the City of Detroit. This may include: (a) collaborative marketing between the casinos and other community tourism-related businesses, and (b) positioning/repositioning the City of Detroit.

a. Collaborative marketing efforts between the casinos and other community tourism-related businesses

One of the reasons cities, towns, and communities have embraced casinos is to enhance tourism activity in the area. One argument that casino gaming opponents use against casino development is that casinos cannibalize existing businesses. It is argued that when casino gaming is established, many community businesses close, if not see their revenue decrease, because non-local casino visitors spend time and money only in the casino. Furthermore, while there is recognition of the impact of casino amenities (retail shops, hotel rooms, restaurants, inside-entertainment) on casino revenue (e.g., Roehl, 1996), there is little empirical recognition of the impact that other community tourism-related businesses/facilities have on casinos' visitation and revenue. This study identified additional recreational activities non-local casino visitors engage in while in the community and their travel expenditure behavior. Based on the findings presented in this study, a model was developed to position/reposition the casinos and the other community tourism-related businesses in the minds of the Detroit's tourism industry key players. Thus, cooperative marketing between the different tourism providers in the community is justified on empirical grounds. Cooperative marketing may play an

effective and efficient role in promoting the Detroit Metro area as an interesting tourist destination.

For example, while the primary trip purpose may be to visit a casino, this may be integrated with pleasure activities, such as visiting the Henry Ford Museum, attending a concert or show at the Detroit Opera House, attending a sporting event at the Detroit Tigers Stadium, or participating in shopping activities. There is recognition that tourists are attracted to urban destinations by the combination and variety of attractions, events, and services they have to offer. According to Crompton (1999), the challenge for recreation providers is not merely to provide services that people want; it is to package them so they can be accessed conveniently. Targeting groups from outside the community with packages would, therefore, help to enhance the community's image and position/reposition it as a tourist destination.

Tourism economic development involves actively partnering with community tourism providers to create new events designed to attract outside visitors, make them stay longer, and spend more. Strengthening linkages between the different tourism providers in the community may contribute to sustained tourism activity in the area. According to Crompton (1999), partnerships make pragmatic sense because tourism organizations/suppliers often have complementary assets. For example, some have expertise while others have available funds for research and promotion. Cooperative partnerships are key to economic development (Crompton, 1999).

The gaming market is a heterogeneous market. There are those who come to the community only to visit the casino and do nothing else in the community. There are those whose primary purpose for visiting the community is to attend a sporting event or shop.

And there are those who shop, visit a museum, and game while on their pleasure or business trip. As can be seen in Figure 28, based on trip purpose, three segments in the gaming market were identified.

The three segments were defined as follows:

The Gamblers: these are casino patrons whose primary trip purpose is to visit the casino only and go back to where they come from or go en route to other destinations, without spending any money in the community.

The Community Tourists: they are the patrons whose primary trip purpose is to do other things in the community, and for whom the casino was a secondary attraction. This group come to the community, either to shop, attend a special event, visit friends and relatives, or for any other reason(s) other than gaming. However, these visitors patronize the casino, while on their trip. Because of the several activities they engage in, these visitors spend money both inside as well as outside the casino in the community.

The Casino Tourists: This segment is defined as those visitors whose primary reason to visit the community is the casino. Nevertheless, they also participate in other activities and patronize other community-related businesses. They spend money both in the community, outside the casino, as well as in the casino.

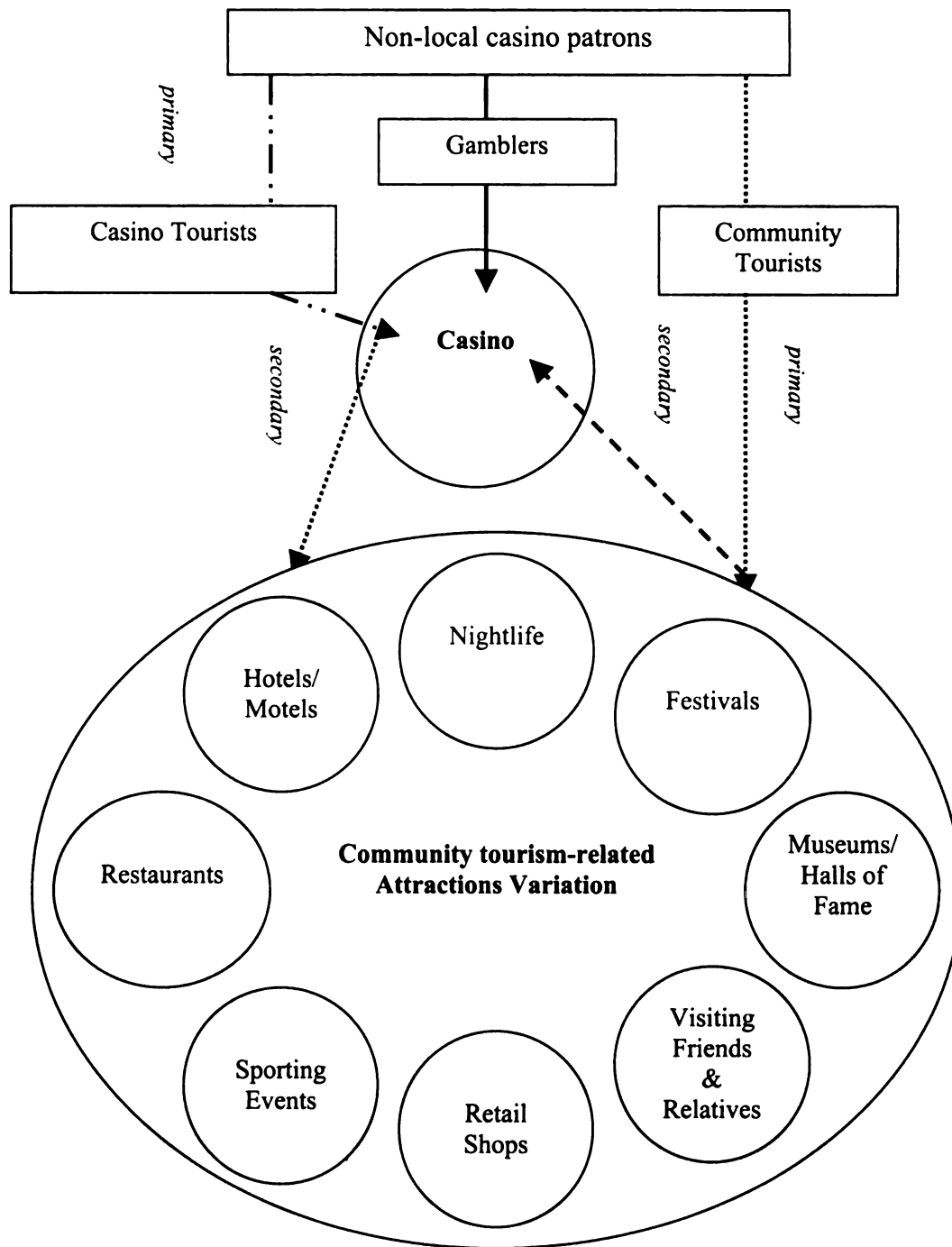


Figure 28. A typology of the tourism gaming market based on primary trip purpose.

Based on this typology, several segments of the gaming market were identified, and therefore, may be targeted. Thus, community recreation and tourism providers and

the casinos need to develop successful packaged services tailored to the specific segments of this growing but increasingly competitive market. Non-local visitors are usually looking for packages of different experiences. Thus, rather than competing with each other, tourism and recreation providers can join their promotional and advertising efforts to benefit from the existence of the casinos in the community.

Casinos are being developed around the country, and, as a result, competition is becoming fiercer. This research supported the idea that when a community adopts casino gaming, the neighboring gaming destination's traffic decreases and so does the economic activity attributed to casino gaming. Accordingly, since the primary non-local feeder market of the Detroit casinos is Ohio, the performance of these casinos in terms of job generation, taxes, and revenue is questionable in the long term. Ohio, like Michigan, may embrace casino development for the same reasons as Michigan, one of which is to keep local gaming money inside the community. The impact of Ohio's initiation of casino gaming may be mitigated through increasing cooperation and coordination among the Detroit Metro area's recreation and tourism providers, including the casino. Certain marketing budgetary allocations are essential to reach or maintain the desired tourism market share. This may be feasible if the budgets of two more parties are combined in a cooperative marketing venture. This is because fewer consumers will be reached, or reached effectively, by a single party's marketing activities. Thus, higher levels of marketing expenditures per period via cooperative marketing efforts may produce stronger growth in tourism revenue. Cooperative marketing efforts necessitate the acknowledgment by the casinos of the important roles the community plays in attracting tourists and contributing to the casinos visitation and the acknowledgment by the

community of the important role the casinos play in attracting tourists to the community. Specifically, recognizing the importance of each other, the community's marketing efforts should include the casinos as an important community attraction and the casinos should include the community as an important tourist destination in their marketing efforts. Offering package tours may bring the casinos and the other community-tourism related offerings together and benefit all participating bodies. Benefits can be optimized for both the casinos and the other business in the community, especially that over one-half of non-local casino visitors indicated an interest in package tours that include gaming (Moufakkir et al., 2000).

In addition, as indicated by the Michigan Travel, Tourism and Recreation Resource Center, most DMOs long ago abandoned mass marketing as a dominant strategy and have shifted to target marketing. Markets can be targeted in many ways, including by geography, season, activities, lodging type used, trip purpose, length of stay, volume of expenditures, or socio-demographic variables. Target marketing is more effective than mass marketing because it focuses on a particular segment of the market, frames a specific message tailored to the needs and interest of that segment, and then sends it via an information channel known to be favored by that segment (Holecek, Spencer, Williams and Herbowicz, 2000). Accordingly, the identified gaming market segments –the Gamblers, the Community Tourists and the Casino Tourists-- may be targeted in several ways, including by, for example, volume of their expenditures, demographic characteristics, media usage, recreational activities they participate in while on trip, bus vs. non-bus visitors, overnight vs. day visitors, etc. Therefore, more detailed

information on these segments is needed to allocate travel promotion budgets more cost effectively.

Furthermore, this study examined the economic impact of the Detroit casinos on the study area –Wayne, Oakland and Macomb counties. This does not objectively indicate whether community tourism-related businesses that are in the proximity of the casinos have benefited from casino development or not, what type of business perform better than others and why. Since the bottom line rationale behind casino development in Detroit is to enhance the community's economic development, it is worth investigating the impact of the casinos on neighboring community tourism-related businesses that are in proximity to the casinos. A telephone questionnaire can be designed to collect information from business representatives, including events and attractions, outdoor parks and recreation, retail trade, hospitality, and accommodation managers or lead employees. Results may add more evidence to the impacts of the casinos on the community. The community, in this case, can be defined geographically. For example, businesses that exist within a 5/10 mile radius from the casinos could be contacted and the benefits/costs that the casinos have on their sale performance assessed.

b. Positioning/repositioning the City of Detroit as a safe destination

Safety is a very important factor that impacts travel decision-making (Tarlow and Muehzam, 1996). There is the common belief that crime increases in a community with the establishment of casino gaming. Crime in Detroit is believed to be high. Detroit holds a negative image as a tourist destination because of crime. Tourists are generally said to be averse to visiting a destination where reports and perception of crime are elevated. In

other words, if potential tourists believe that Detroit is a “crime city” and that casino gaming will increase the likelihood of being victimized, then they are not likely to be attracted to the area. Without objective data, the rhetoric of gaming and crime debates will continue to be value-laden, and audiences will continue to be polarized over the issue of gaming development in Detroit. Perceptions are encouraged and perpetuated by media and interest group reports about gaming development. However, results in this study suggest that crime did not increase in Detroit with casino development. The perceptions of increases in crime can only be contained when all relevant organizations, including tourism promotion leaders in the gaming business and elsewhere across the community, work together to disseminate more objective information about the community.

To position the City of Detroit as “the gaming destination of the Midwest”, as former Mayor Archer envisioned it, necessitates collaboration between tourism bureaus, chambers of commerce, governmental travel and tourism agencies, convention and visitor bureaus, economic development organizations, hotel and restaurants that cater to the traveling public, and the city’s residents. In order for the city to become the gaming destination of the Midwest, first, the casinos need to be positioned/repositioned in the minds of local residents. Contrary to what this study found, locals have negative perceptions about casino gaming development in their community. The following comments represent the opinions that some local residents have about the casinos. They were extracted from newspaper articles a year after casino development was established in the city.

There is, in fact, very little evidence that the casinos are bringing in anywhere close to the out-of-state numbers that were forecast
(Cantor, G. The Detroit News, Sunday, October 7, 2000, p. 7 C).

Realistically, why should they [out-of-state visitors come]? Every other market within a reasonable distance of Detroit is served by casinos –Atlantic City on the East Coast and the Indiana riverboats for Chicago and Cincinnati. That leaves only metro Cleveland, but it doesn't appear that any great number want to make that three-hour drive, either (Cantor, G. The Detroit News, Sunday, October 7, 2000, p. 7 C). [Note: Results from the TTRRC's survey of casino visitors indicate that about 29% of non-local visitors are residents of the Cleveland area – Cuyahoga County]

(Cantor, G. The Detroit News, Sunday, October 7, 2000, p. 7 C).

The Detroit News journalists Pulus and DeHaven talked to Detroiters and obtained the following statements:

Everything about the casinos has been a disappointment. It's bringing in money, but it's one-way: right back to Las Vegas. (Charles Beckham, executive director of the African American Association of businesses and Contractors).

They [casino visitors] park, go in the skywalk, gamble, go back through the sky walk and go home (Pautuk, M., Carl's Chop House chef).

Casino taxes going to schools is a negligible amount of money. They just added that school component so that they could talk about it on television. (Truscott, J., spokesman for Governor, John Engler).

About 7,500 new jobs have been created. But the 10 million people who will gamble here this year aren't boosting most other businesses. Though Detroit's two casinos are pulling in \$2 million a day combined, there's been little economic spin off for stores, bars, clubs, sport teams or cultural institutions.

Casinos in Detroit: One Year Later. Detroiters Still Waiting for Casino Jackpot (Pulus, M. and J. DeHaven, The Detroit News, Sunday, July 23, 2000, p. 8 A).

If local residents are provided with objective information based on empirical research, rather than opinions, they are likely to accept the casinos as part of their community's wellbeing and thereby enhance tourism through positive word-of-mouth promotions and community pride. Thus, the community, in general, has an important role to play in promoting Detroit as an exciting and safe gaming destination. Results of this study may contribute to raising awareness about the positive impacts of the casinos.

Social exchange theory articulates that residents are inclined to exchange their resources with tourists if they can acquire some benefits without incurring unacceptable costs. This theory was first introduced in the tourism field by Perdue, Long and Allen (1990). People who perceive the benefits from tourism to be greater than the costs may be more likely to participate in the exchange and to give strong support for tourism development (Allen et al., 1994). Likewise, if residents perceive benefits of the exchange process positively, they are likely to support further tourism development for their community (Chen and Hsu, 2001). It is frequently argued that residents supportive of tourism are a key factor to providing high quality visitor experiences, which in turn, are considered a major determinant of tourist repeat visitation and positive word of mouth (Fick and Ritchie, 1991; LeBlanc, 1992). Perdue et al (1995) found that strong correlations existed between resident support for gaming and both the perceived impacts and quality of contact with gaming. Thus, they recommended that: “Internal marketing programs aimed at (1) enhancing positive impacts and mitigating negative ones and (2) communicating documented positive impacts to local residents are a viable means of building local support (p. 10).”

Discussing the importance of the proposed Detroit permanent casinos and their fate, on Monday, July 29, 2002, Detroit Mayor Kwame Kilpatrick presented to the Detroit City Council revised proposed amendments to the three casino development agreements. The amendments are key to moving forward the development of the three permanent Detroit casinos. The Mayor told the Council that the July 29, 2002, proposed amendments provide approximately \$2 billion in economic benefits to the city as follows:

- \$1.2 billion in construction investment.
- \$400-\$600 million for the Recreation Capital Improvement Fund.

- \$150 million to retire the Riverfront Bonds.
- \$102 million in direct payments to the City within 2 years of Council approval.
- \$40 million business development fund, as follows:
 - \$25 million for Community Loan Fund administered by Shorebank, with \$15 million specifically targeted for businesses within the former Riverfront District;
 - \$8 million for the Commercial Strip Revitalization Program;
 - \$5 million for financial and technical assistance to assist minority businesses to participate in Detroit's SmartZone; and
 - \$2 million additional to fund the Joint Employment Procurement Advisory Board.

In addition, the city expects to receive \$150 million per year in wagering taxes once the permanent facilities are open. Mayor Kilpatrick also stated that the redevelopment of 25 acres of Riverfront Land that was acquired for use as the original permanent casino district, and that the city now owns, could lead to an additional \$2 billion in economic investment in Detroit. Each of the Detroit permanent casinos will include: 400 hotel rooms complimented by new restaurants, conference facilities, retail shops and theaters, and 100,000 square feet of gaming space. The MGM Grand Detroit Casino and Greektown casinos will construct new complexes for their permanent facilities that will be located approximately two blocks north of their temporary facilities. Both permanent properties will be located closer to Detroit freeways and allow each developer additional space for ancillary development projects. MotorCity Casino will invest \$300 million to expand its current casino complex (<http://www.michigangaming.com/Newsletter/Vol02>).

Now that the fate of the permanent casinos is known, the three scattered/detached properties have the potential to serve as “nodes” for urban renewal. The new properties with the gaming space and amenities they offer will be more competitive with Casino

Windsor. Also, the high quality lodging and meeting facilities are expected to boost Detroit's potential to attract meeting and conventions, especially larger events such as the 2006 Super Bowl. Furthermore, as mentioned earlier, in addition to the existing tourism-related developments, the proposed casino expansions, the upcoming events/tournaments that Detroit will be hosting and the Detroit airport expansion should further raise the city's image as a desirable venue for such events.

Limitations and recommendations for further study

The limitations of this study and recommendations for further research are related to the following issues: (a) limited generalization of study results to the overall population of casino settings, (b) the limited number of data points in the time series available for analyses in this case, (c) only two of the three Detroit casinos of some elements, (d) impacts of events on September 11, 2001, could not be fully assessed, (e) the short sampling period over which some data were collected, (f) the limited number of ----- limited coverage of issues that were explored in the research questions explored in this study research questions, and (g) follow-up telephone survey. To overcome some of the limitations of this study and to better understand casino gaming development and its impacts on communities, recommendations for further study are proposed.

Limitations

The study was limited by the following factors:

a. Generalization to the overall population

The external validity problem is a major limitation in case studies. Critics typically state that single cases offer a poor basis for generalizing to an overall population (Yin, 1994). Because this was a single case study, its findings may not be generalized to other settings. Results may not be applicable to other communities because each community has its unique makeup. In addition, not all casinos perform in the same manner; some have filed bankruptcy, others are struggling with competition, while still others are expanding. For example, several casinos in Colorado filed for bankruptcy, the permanent casino in New Orleans never opened, while the temporary one went bankrupt. The success or failure of a casino is a result of several interacting factors such as management operations, marketing savoir-faire, acceptance/rejection of gaming by the host community, competition and government regulations. All of these factors contribute to the outcome of casino gaming development in communities. In sum, because communities are different, it is difficult to generalize from one community to another. According to Yin (1994, p. 36), the researcher using case study design does not seek generalization but “the investigator is striving to generalize a particular set of results to some broader theory.” Replication of the findings may make such analytical generalization possible, and, in turn, the results might be accepted for a much larger number of communities. Thus, findings of this study and similar findings in other gaming communities may contribute to strengthen our understanding of casino gaming development’s impacts.

b. Number of data points in the time series, after the development of the casinos

The first Detroit casino opened in July 1999. Post gaming data points in the time series collected for this study were limited to one or two data points (i.e., years). It is argued that impacts are likely to vary according to the time period considered in the economic assessment. Some impacts peak at early stages of a development, while others evolve over time (Stokowski, 1999). Therefore, more data points that become available as Detroit's casinos evolve over time might provide different results. Thus, to investigate the long-term changes that follow casino gaming development, trend data for more years are needed.

c. Only two casinos were included in the analyses

Data collection for the economic impact analysis did not include the Greektown Casino. It opened after the data collection for this study was completed. It is safe to assume that including the Greektown Casino in the economic impact analysis would have yielded higher economic impact estimates than those indicated in this study. The location of the casino in the entertainment district "downtown Greektown" may entice visitors to spend more money outside the casino. The number of tourist-oriented businesses in close proximity to the Motor City and MGM Grand casinos is far less than in Greektown.

d. Impacting events of September 11, 2001

Impacting events must be considered, and study results must be interpreted cautiously. Data in this study (casino revenues and bankruptcy filings figures) were collected before and after September 11, 2001. The: "Tragic events in New York,

Washington DC. and Pittsburgh on September 11, clearly have massive human and political implications. In addition, the terrorist attacks potentially have serious economic implications, not only for the U.S. but internationally (<http://www.wttc.org>).”

Furthermore, the World Travel & Tourism Council estimates the impact of September 11 will cause a decline in travel-and-tourism-related demand in 2002 (<http://www.wttc.org>).

Moreover, while, the overall tourism sector was negatively impacted by September 11, the gaming industry has witnessed growth. “Despite a difficult economy and unprecedented travel concerns, our industry thrived (<http://www.americangaming.org>).” According to an annual industry survey by the American Gaming Association (AGA, 2001), gross annual revenue for the commercial casino industry climbed to \$25.7 billion in 2001, up from \$24.3 billion in 2000. Similarly, as indicated previously, Detroit casino gaming revenues increased 10.2 percent in September, 2001 compared with August, 2001.

e. Sampling period

Travel, Tourism and Recreation Resources Center’s (2000) casino visitor study was based on data collected during a five-month sampling period. A longitudinal study may provide different results.

f. Research questions

There are a number of approaches and indicators that could be used to investigate the changes that follow casino gaming development. To be manageable, this study was delimited to five research questions. For a more comprehensive understanding of casino

gaming development, it might be desirable to pursue additional lines of inquiry (see recommendations for further study).

g. Improving methods employed in the TTRRC follow-up telephone survey

The follow-up telephone survey needs additional questions. For example, it could be insightful to ask a series of questions about the impact of the casinos on length of stay in the area (see recommendations). Results may strengthen our understanding of the importance of the casinos in their contribution to attracting more tourists and making them stay longer in the area. Some visitors may have planned a day trip but might have stayed over night because of the availability of casino entertainment in the community. Some researcher (e.g., Crompton, 1999) include inquiries about length of stay in their economic impact studies.

Recommendations for further study

The following recommendations for future research derived from experiences and observations over the course of this study are:

a. Generalization to the overall population

It has been argued that generalization from a single case study to the overall population is problematic. In this case, it is difficult to generalize from casino gaming development in Detroit to other gaming communities or communities that are considering developing casinos. As mentioned previously, results of this study are particular to the City of Detroit and therefore direct generalization beyond Detroit would be problematic. However, considering Kazdin (1981)'s arguments presented in *Drawing Valid Inferences*

From Case Studies, it appears that it is possible to generalize from a single case to other cases. In clinical psychology, he explains, the number and heterogeneity of subjects may provide a stronger basis for inferring that it is the effects of treatment that contribute to the change in the subjects. He says: "The more cases that show changes associated with treatment, the more unlikely an extraneous event is responsible for change (p. 187)."

Applying Kazdin's principle to gaming communities, it is possible to generalize from one case to the population, in this case from Detroit to another city. Kazdin indicates that if change is demonstrated across several cases, which differ in various subjects and demographic characteristics and the time they are treated, the inferences that can be drawn are much stronger than if this diversity does not exist. It is, therefore, the diversity that makes inferences stronger. Accordingly, because cities and communities have different makeups, it becomes possible to make stronger inferences -- in this case study-- generalizing from Detroit to other cities.

Kazdin further explains that: "As the diversity and heterogeneity of the clients and the conditions of treatment increase, it becomes increasingly implausible that the common experience shared by the clients (i.e., treatment) accounts for the changes (pp. 187-188)." Kazdin does not mention how much heterogeneity is too much. But, a consideration for future research would be to examine several gaming communities, systematically record the findings of selected economic and social indicators after and before casino gaming establishment for each case, and then study the similarities and differences that exist between the two groups (i.e., cases that indicate negative change following the opening of casino(s) and those which indicate positive change). Findings may provide stronger inferences and offer a stronger basis to help policymakers to

forecast the impacts of casino gaming development for the communities that are considering casino development. Additionally, understanding why one gaming community benefits more than another may help mitigate associated problems and optimize associated costs.

b. Replication of the present study including Greektown Casino

The present study should be replicated including all three Detroit casinos. In this case, intercept surveys should include Greektown's non-local casino visitors. Only two casinos were operating when the TTRRC study was launched. Including the Greektown Casino in future investigations is likely to yield different results than those found by this study, especially since this casino is located in the downtown entertainment zone. Its impact on neighboring community businesses, especially restaurants may be greater than the impact of the two other casinos. In addition, the casinos investigated by this study are temporary. The permanent casinos are planned to open in 2006, and they will include major enhancements the casinos as they currently exist.

c. Inclusion of more data points in the time series, after the development of the casinos

The long-term impacts of casino gaming development cannot be assessed until more time has elapsed. Furthermore, even assessing short term impacts, in a case study format such as that applied in this study can be problematic given that factors other than the variable of primary concern, (i.e., casino development) cannot be controlled or fully assessed. This problem is amply illustrated by the events of 9/11/01 which complicated the analyses performed in this study.

A longitudinal visitor intercept survey should be considered since such an ongoing study can provide more objective conclusions because it allows the researcher to control for “history” which is the source of invalidity that threatens the internal validity of time-series designs (see literature review). The first Detroit casino opened in 1999 (MGM Grand opened July 29, 1999 and Motor City Casino opened December 14, 1999). It would be desirable to have more data points after the development of the Detroit’s casinos to control for validity and thereby better monitor the changes in economic and social indicators that are associated with casino establishment in the City of Detroit.

d. Crime data analyses approach

The hot spots theory could be used to assess street crime offenses in proximity to the casinos, which would be a valuable extension to the crime-related analyses conducted in this study. An examination of street crimes that occur close to the casinos may explain whether the Detroit casinos are crimogenic –whether they attract criminal activities-- or not. If detailed statistics indicating crime volume and type of crime by location of crime cannot be obtained from the Detroit Police Headquarters, an alternative approach would be to include crime questions in a residents survey to gather information about the people’s quality of life following the establishment of the casinos. Another approach would be to use data from the National Crime Victimization Survey (NCVS) instead of the Uniform Crime Reporting (UCR) program. In the NCVS people in households are interviewed to establish how they are impacted by crime (see literature review for additional information).

e. Longer sampling period

A longitudinal study covering more than five or six month-sampling period would control for the impact of the tragic events of 9/11/2001 on the Detroit casinos' performance and, thus, shed more light on this issue. Also, more data points on the time series analysis would offer opportunities for more detailed casino visitation seasonal analyses for marketing purposes.

f. Additional research questions

As mentioned in the literature review, additional research questions are needed to strengthen one's perspective regarding casino gaming development as an economic development strategy. Following is a set of suggested extensions to be considered for inclusion in future research on the topic of gaming and its impacts on host communities.

To understand the *net* impact of casino gaming, more social and economic indicators need to be considered. There is no one standardized model to assess the economic impacts of casino gaming, however, three major negative impacts (costs to the local economy) can be estimated: the cannibalization impact, additional public sector expenditures, and negative externalities (e.g., Stokowski, 1999). The model proposed by Gazel (1998) might provide additional insight and a more comprehensive analysis of casino gaming development (see literature review, and Appendix C).

g. Inclusion of local casino visitors

Only non-local casino visitors were included in this investigation. There is a need to have information about local visitors as well since, as study results revealed, they

constitute the bulk of overall Detroit casino visitors. No research in the scientific literature targeting local visitors was identified by this study. (During the TTRRC's casino visitor study's intercept/screening period, this researcher who served as the project leader, had encountered several local visitors who, as loyal casino customers wanted to be included in the study).

The recommendation to survey local casino visitors aligns with the general recommendation to explore how local citizens' day-to-day life has been impacted by the introduction of casino gaming in their community. For example, Long (1996) examined the impact of casino gaming on four small, rural communities in Colorado and South Dakota and compared the results to a control community. The National Opinion Research Center (NORC, 1999) conducted case studies of ten communities to assess the effect that increased casino gaming venues had on community residents. As was discussed by the National Gambling Impact Study Commission (NGISC, 1999), assessment of casino gaming impacts on people and communities must go beyond research on crime and economic indicators and include a range of indicators and their effects on people and places. As Nichols, Stitt and Giacopassi (2001) explain, the impact of casinos touches multiple dimensions of community life. They examined the effect of casinos on people's quality of life. They utilized subjective measures and focused on what they believe to be significant facets of quality of life, which may be positively or negatively influenced by the presence of a casino in the community. They used data from the community survey portion of a larger study. The community survey was accomplished using a computer assisted telephone interviewing (CATI) survey. The overall purpose of the survey was to collect opinions from community respondents regarding the impacts that casinos have

had on crime and quality of life (for more details, see Nichols et al., 2001, especially Appendix A, where they discuss the telephone survey methodology they used). Their study could be replicated focusing on the City of Detroit as a case study.

The National Opinion Research Center (NORC, 1999) at the University of Chicago in collaboration with other research groups conducted a study in 1998 on gambling behavior, problems, and attitudes. They used three data sets: the first were national surveys (2,417 adults at home via telephone, 530 adults intercepted in gaming facilities, and 534 adolescents (16 and 17 years of age) at home via telephone. These surveys were accomplished using a computer-assisted telephone interviewing (CATI) survey (see *Gambling Impact and Behavior Study*, especially *Appendix A: Development of Questionnaires for the National Random-Digit-Dial, Patron-Intercept, and Self-Administered Surveys*, <http://www.norc.uchicago.edu>). The NORC study could be replicated and results would add more depth to the understanding of casino gaming development and its impacts on the City of Detroit.

h. Improvement of the methods employed in the TTRRC follow-up telephone survey

The follow-up telephone survey needs adjustment. For example, it could be insightful to ask a series of questions about the impact of the casinos on length of stay in the area. Respondents could be asked:

1. How many nights did you plan to spend in the Detroit area?
2. How many nights did you spend in the Detroit area? and
3. Did the casino influence your decision to stay longer in the Detroit area?

Results would provide further information to assess the importance of the casinos and their impact on the local economy.

To summarize, in addition to a possible replication of Gazel's (1998) study, the NORC's (1999) study, and Nichols et.al 's (2001) study, the following suggestions for future research are offered:

1. Replication of the same study: Multiple case study results would strengthen understanding of casino gaming development impacts.
2. Examination of additional casino gaming case studies: To study the similarities and differences that exist between communities in terms of how they have benefited from and been negatively impacted by casino gaming development. Results may help policy makers to forecast potential outcomes of gaming development and thereby mitigate costs and expand benefits.
3. Institution of a longitudinal study of the impact of the Detroit casinos on people and community: The use of more data points in the time-series analyses would control for impacting events, such as September 11 terrorism attacks and their effects on the nation's economy. Results may also present more valid inferences.
4. Inclusion of all three casinos for economic impact analyses: The opening of the Greektown Casino may have different impacts on community tourism-related businesses.
5. Inclusion of additional research questions in future casino visitor survey and examination of additional secondary sources: Additional information about social and economic impact indicators other than those examined in this study is needed to obtain a more comprehensive understanding of the impacts that are associated with gaming development. These may include:
 - Problem/pathological gambling,
 - Underage gambling,
 - Social welfare provision,
 - Lost business productivity,
 - Police and emergency services provision,
 - Family crises, and
 - Suicide.

6. Addition of more questions to the follow-up telephone survey developed by TTRRC: The additional survey questions mentioned previously would add more depth to future economic impact analyses.
7. Examination of the impacts of casinos on street crime using the hot spots theory methodology: This would allow one to better assess how crime associated with casino development impacts residents in close proximity to casinos.

APPENDIX A

PROPOSAL E

Acts of 1976, being section 169.241 of the Michigan Compiled Laws, to fundraising events conducted by or for the benefit of a committee that has filed or is required to file a statement of organization pursuant to Act No. 388 of the Public Acts of 1976.

Amended by P.A.1996, No. 263, § 1, Eff. March 28, 1996.

Historical and Statutory Notes

1995 Legislation

The 1995 amendment inserted the subsection designations; in subsec. (1), inserted "Except as provided in subsection (2).", and substituted "game does not apply to that conduct if done" for "game shall not apply to such conduct when done"; and added subsec. (2).

P.A.1995, No. 263, § 2, provides:

"This amendatory act shall not take effect unless House Bill No. 5410 of the 88th Legislature is enacted into law."

House Bill No. 5410, was enacted as P.A.1995, No. 264, and was approved January 7, 1996 and filed January 8, 1996.

P.A.1995, No. 263, was not ordered to take immediate effect, and was approved January 7, 1996 and filed January 8, 1996.

The general effective date for 1995 legislation is March 28, 1996.

MICHIGAN GAMING CONTROL AND REVENUE ACT

Caption editorially supplied

Cross References

Manufacturers, wholesalers, or vendors of beer, wine or spirits, condominium unit contracts: see § 436.31a.

1996 Initiated Law, Eff. Dec. 5, 1996

AN ACT providing for the licensing and control of casino gaming operations, manufacturers and distributors of gaming devices and gaming employees; providing for the distribution of revenue for public education, public safety and economic development; authorizing limited casino operations within the State of Michigan; and vesting authority for the regulation of casino gaming in a gaming control board.

The People of the State of Michigan enact:

432.201. Short title

Section 1. Short Title.

This act shall be known and may be cited as the Michigan Gaming Control and Revenue Act.

1996 Initiated Law, § 1, Eff. Dec. 5, 1996.

Historical and Statutory Notes

1996 Legislation

The legislative initiative petition filed with the Secretary of State on May 31, 1996, was submitted to and approved by the people as Ballot Proposal E at the November 5, 1996 general election, and took effect on December 5, 1996, pursuant to Mich. Const. Art. 2, § 9.

Executive Order No. 1996-9, issued November 22, 1996, and filed with the Secretary of State November 22, 1996, relating to appointment standards of the Michigan Gaming Board, provides:

"WHEREAS, on November 5, 1996 the electorate of the State of Michigan approved the ballot initiative designated as Proposal E, which allows

for the operation of certain gambling casinos under certain circumstances; and

"WHEREAS, Proposal E establishes the Michigan Gaming Control Board ('Board') as a Type I agency within the Michigan Department of Treasury, but fails to place any restrictions or qualifications (other than political affiliation) as to who is eligible to become a member of the Board; and

"WHEREAS, Proposal E specifies that the Governor shall appoint each of the members of the Board, designate an appointee as its Chairman, and supplemental to the Gubernatorial powers of removal under article V of the Michigan Constitution of 1963, to remove a member for cause; and

Changes in text indicated by underline; asterisks: * * * indicate deletion

"WHEREAS, as recognized by the Social Impact Committee of the Governor's Blue Ribbon Commission on Gaming, historically many casino gambling operations, suppliers and vendors have been infiltrated and controlled by organized crime and other corruption; and

"WHEREAS, in every state in which casino gambling is allowed by law, ethical standards and qualifications are established by rule or law for members of the state gambling board or commission in order to ensure public confidence in the state regulated gambling system; and

"WHEREAS, it is in the best interest of Michigan citizens to ensure that members of the Board avoid any conflicts of interest and are held to the highest level of integrity.

"NOW, THEREFORE, I, John Engler, Governor of the State of Michigan, pursuant to the powers vested in me by the Constitution of the State of Michigan of 1963 and the laws of the State of Michigan, do hereby order the following:

"1. Consistent with the rules, laws, standards and qualifications set by other states for membership on their respective gaming boards or commissions, the following standards will be applied in my determination as to who is appointed as a member of the Board:

"a. No person will be appointed to the Board if, during the period commencing three years prior to appointment, said person held any direct or indirect interest in, or any employment by, any person or entity which is licensed as a casino licensee or as a casino supplier licensee pursuant to any state casino licensing board or commission, has an application for such a license pending before the Board, or had a direct or indirect interest in a person or entity which was an initiator of gaming in a city in this state.

"b. No person will be appointed to the Board if his or her spouse, child or child's spouse, parent or sibling has a direct or indirect interest in any person or entity which is licensed as a casino licensee or as a casino supplier licensee pursuant to any other state casino licensing board or has an application for such a license pending before the Board, or if said persons hold more than 5% debt equity on any such entity.

"c. No person will be appointed to the Board unless he/she swears and affirms that he/she and any spouse, child or child's spouse, parent or sibling, possesses no interest, direct or indirect, in any business or organization licensed by, registered with or applying to be licensed or registered with the Board or any other state casino licensing entity.

"d. No person will be appointed to the Board unless he/she swears and affirms that he/she will not, for a period of two years after the Board appointment terminates, engage in any employment with any person or entity licensed by the Board or license applicant to the Board.

"e. No person will be appointed to the Board who is an elected federal, state or local official or who is an appointed federal, state or local official who receives compensation other than expenses for performance in the appointed office.

"2. No person will be appointed who is not a Michigan resident and who is not of good moral character, and of demonstrated financial responsibility.

"3. No person will be appointed who has been convicted of, or is under indictment for, a felony under any state or federal law.

"4. The foregoing standards, amongst others, are applicable throughout the tenure of Board members. Deviation from these and other standards constitute cause to remove a member of the Board.

"5. The provisions of this Executive Order shall become effective upon filing."

Executive Order No. 1996-10, issued November 22, 1996, and filed with the Secretary of State November 22, 1996, relating to the creation of the Interim Executive Director of Michigan Gaming, provides:

"WHEREAS, on November 5, 1996 the electorate of the State of Michigan approved the ballot initiative designated as Proposal E, which allows for the operation of certain gambling casinos under certain circumstances; and

"WHEREAS, Proposal E establishes the Michigan Gaming Control Board ("Board") as a Type I agency within the Michigan Department of Treasury, thereby requiring the executive branch of state government to regulate any authorized casinos; and

"WHEREAS, Proposal E establishes timetables which on their face are more stringent than those found in any other state which authorizes casino gambling; and

"WHEREAS, because casino gambling was always illegal under state law and, prior to the passage of Proposal E, the state had never regulated casino gambling; and

"WHEREAS, in order to provide for a proper, fair and legitimate casino gambling environment in Michigan, the state needs to immediately prepare itself to undertake the tasks of meeting the deadlines established by Proposal E as well as ensuring that all necessary laws, regulations and policies are in place.

"NOW, THEREFORE, I, John Engler, Governor of the State of Michigan, pursuant to the powers vested in me by the Constitution of the State of Michigan of 1963 and the laws of the State of Michigan, do hereby order the following:

"1. The position of Interim Executive Director of Michigan Gaming (Interim Executive Director) is hereby created within the Executive Office. The Interim Executive Director shall serve at the pleasure of the Governor. Said position shall continue until such time as the Michigan Gaming

Control Board employs the personnel necessary to implement the requirements of Proposal E.

"2. The Interim Executive Director shall, during the time period described in paragraph one (1) above, be responsible for advising the Governor as to the progress of the implementation of casino gambling, and any issues associated with such implementation.

"3. The Interim Executive Director shall, during the time period described in paragraph one (1) above, be available to assist the Michigan Gaming Control Board to the extent deemed necessary by the Board.

"4. Consistent with the standards and qualifications established for appointment to the Michigan Gaming Control Board, the appointee to the position of Interim Executive Director shall be subject to the following criteria:

"a. No person will be appointed if, during the period commencing three years prior to appointment, said person held any direct or indirect interest in, or any employment by, any person or entity which is licensed as a casino licensee or as a casino supplier licensee pursuant to any state casino licensing board or commission, has an application for such a license pending before the Board, or had a direct or indirect interest in a person or entity which was an initiator of gaming in a city in this state.

"b. No person will be appointed if his or her spouse, child or child's spouse, parent or sibling has a direct or indirect interest in any person or entity which is licensed as a casino licensee or as a casino supplier licensee pursuant to any other state casino licensing board or has an application for such a license pending before the Board, or if said persons hold more than 5% debt equity on any such entity.

"c. No person will be appointed unless he/she swears and affirms that he/she and any spouse, child or child's spouse, parent or sibling, possesses

no interest, direct or indirect, in any business or organization licensed by, registered with or applying to be licensed or registered with the Board or any other state casino licensing entity.

"d. No person will be appointed unless he/she swears and affirms that he/she will not, for a period of two years after the appointment terminates, engage in any employment with any person or entity licensed by the Board or license applicant to the Board.

"e. No person will be appointed who is an elected federal, state or local official.

"f. No person will be appointed who is not a Michigan resident and who is not of good moral character, and of demonstrated financial responsibility.

"g. No person will be appointed who has been convicted of, or is under indictment for, a felony under any state or federal law.

"h. The appointee will have thorough knowledge of state and federal laws and regulations applicable in the field of legalized gambling.

"i. The appointee will have thorough knowledge of the statutory requirements relating to gaming enforcement in the State of Michigan.

"j. The appointee will have thorough knowledge of the statutory licensing requirements under Michigan law.

"k. The appointee will have thorough knowledge of and familiarity with the procedures, techniques, and problems involved in the administration of a complex government agency.

"l. The appointee will have thorough knowledge of and familiarity with modern government budget practices, procedures, problems and analysis, and with interdepartmental budget administrative practices.

"5. The provisions of this Executive Order shall become effective upon filing."

WESTLAW Electronic Research

See WESTLAW Electronic Research Guide following the Preface.

432.202: Definitions

Section 2. Definitions.

(a) "Affiliate" means a person who; directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with or is in a partnership or joint venture relationship with or is a co-shareholder of a corporation or a co-member of a limited liability company with a proposed casino gaming licensee.

(b) "Affiliated company" means any form of business organization which controls, is controlled by or is under common control with or is in a partnership or joint venture relationship or is a co-shareholder of a corporation or a co-member of a limited liability company with a proposed casino gaming licensee.

(c) "Applicant" means any company, affiliate, or affiliated company that applies for a license to operate a casino.

Changes in text indicated by underline; asterisks: * * * indicate deletion

(d) "Board" means the Michigan Gaming Control Board.

(e) "Casino" means a building in which gaming is conducted.

(f) "City" means a local unit of government other than a county which meets all of the following criteria:

(1) the city has a population of at least 800,000 at the time a license is issued;

(2) the city is located within 100 miles of any other state or country in which gaming is permitted; and

(3) a majority of the voters of the local unit of government have expressed approval of casino gaming in the city.

(g) "Company" means a sole proprietorship, corporation, partnership, limited partnership, limited liability company, trust, association, joint stock company, joint venture, tribal corporation or other form of business organization.

(h) "Control" means having a greater than 15% direct or indirect pecuniary interest in the casino gaming operation with respect to which the license is sought.

(i) "Department" means the Department of Treasury.

(j) "Development Agreement" means a written agreement between a city and a company naming such company as the designated developer of a casino in the city and covering certain subjects including, but not limited to: approval by the city of the location of the casino; certification by the city that the applicant has sufficient financial resources to construct and open the casino which it proposes to develop; zoning and site plan requirements; utility connection fees; infrastructure improvements; requirements to utilize local businesses and small businesses as suppliers; employment issues; compulsive behavior programs; insurance requirements; conceptual design approval; reimbursement for traffic engineering and other transportation costs; plans for completion of destination attractions either within or outside the casino facility and ancillary development rights; provided that, in no event, shall the cost of all infrastructure and pre-development costs exceed \$6,000,000.00.

(k) "Game" means any game played with cards, dice, equipment or machine (including any mechanical, electromechanical or electronic device which shall include computers and cashless wagering systems) for money, or credit or any representative of value, including, but not limited to, faro, monte, roulette, keno, bingo, fan tan, twenty one, blackjack, seven and a half, klondike, craps, poker, chuck a luck, Chinese chuck a luck (dai shu), wheel of fortune, chemin de fer, baccarat, pai gow, beat the banker, panguingui, slot machine, any banking or percentage game or any other game or device approved by the board, but does not include games played with cards in private homes or residences in which no person makes money for operating the game, except as a player.

(l) "Gaming" means to deal, operate, carry on, conduct, maintain or expose for play any game.

(m) "Gross Revenue" means the total of all:

(1) Cash received as winnings;

(2) Cash received in payment for credit extended by the holder of the casino license to a patron for purposes of gaming; and

(3) Compensation received for conducting any game in which the licensee is not party to a wager, less the total of all cash paid out as losses to patrons. For the purposes hereof, cash or the value of noncash prizes awarded to patrons in a contest or tournament are not losses.

"Gross Revenue" does not include:

(1) Counterfeit facsimiles of money, chips, tokens, wagering instruments or wagering credits;

(2) Coins of other countries which are received in gaming devices;

Changes in text indicated by underlines; asterisks: * * * indicate deletion

(3) Any portion of the face value of any chip, token or other representative of value won by the holder of a casino license from a patron for which the holder of a casino license can demonstrate that it or its affiliate or affiliated company has not received cash;

(4) Cash taken in fraudulent acts perpetrated against the holder of a casino license for which the licensee is not reimbursed.

(5) Cash received as entry fees for contest or tournaments in which patrons compete for prizes.

(n) "Occupational license" means a license issued by the board to a person or entity to perform an occupation which the board has identified as requiring a license to engage in casino gaming in Michigan.

1996 Initiated Law, § 2, Eff. Dec. 5, 1996.

¹ So in adopted legislative initiative; probably should read "is".

Historical and Statutory Notes

1996 Legislation

For approval and effective date provisions of this 1996 Initiated Law, see the Historical and Statutory Notes following § 432.201.

432.203. Casino gaming authorized; exclusions

Section 3. Casino Gaming Authorized.

(a) Casino gaming is hereby authorized to the extent that it is carried out in accordance with the provisions of this act.

(b) This act does not apply to the pari-mutuel system of wagering used or intended to be used in connection with horse-race meetings as authorized under the racing law of 1980 Act No. 527 of the Public Acts of 1980 being sections 431.61 to 431.88 of the Michigan Compiled Laws; lottery games authorized under the mccauley-traxler-law-bowman-mcneely lottery act, Act No. 239 of the Public Acts of 1972 being sections 432.1 to 432.47 of the Michigan Compiled Laws; bingo authorized under the traxler-mccauley-law-bowman bingo act, Act No. 382 of the Public Acts of 1972 being sections 432.101 to 432.120 of the Michigan Compiled Laws; millionaire parties authorized under the traxler-mccauley-law-bowman bingo act, Act No. 382 of the Public Acts of 1972 being sections 432.101 to 432.120 of the Michigan Compiled Laws and gambling on Native American land and land held in trust by the United States for a federally recognized Indian tribe on which gaming may be conducted under the Indian Gaming Regulatory Act, 25 USC B2701 et seq. ("IGRA"), which gaming shall be governed by IGRA and various tribal state compacts entered into by and between the State of Michigan and various Native American tribes.

(c) All other acts and parts of acts inconsistent with this act do not apply to casino gaming as provided for by this act.

1996 Initiated Law, § 3, Eff. Dec. 5, 1996.

Historical and Statutory Notes.

1996 Legislation

For approval and effective date provisions of this 1996 Initiated Law, see the Historical and Statutory Notes following § 432.201.

432.204. Michigan gaming control board, membership, terms, removal; powers; promulgation of rules; open meetings and freedom of information; suspension of licenses

Section 4. Michigan Gaming Control Board.

(a) There is hereby established a Michigan gaming control board which shall be a Type I agency within the department of treasury pursuant to the executive organization act of 1965,

Changes in text indicated by underline; asterisks * * * indicate deletion

Act. No. 380 of the Public Acts of 1965 being sections 16.101 to 16.732 of the Michigan Compiled Laws and which shall have the powers and duties specified in this act.

(1) The board shall consist of 5 members, not more than 3 of whom shall be members of the same political party, to be appointed by the governor with the advice and consent of the senate. The governor shall appoint the initial board within 60 days of the effective date of this act.

(2) The members shall be appointed for terms of 4 years, except of those who are first appointed, 1 member shall be appointed for a term of 2 years, 2 members shall be appointed for a term of 3 years and 2 members shall be appointed for a term of 4 years. In the event of a vacancy or vacancies in the membership of the board, the governor shall appoint in like manner a successor or successors to fill the unexpired term. The governor shall designate 1 of its members to act as chairperson of the board.

(3) Any member of the board may be removed by the governor for cause.

(b) The board shall enforce and supervise the administration of this act. The board shall employ personnel as necessary to implement this act.

(c) The board shall promulgate rules which shall be necessary for the implementation of this act pursuant to the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, being sections 224.201 to 24.238 of the Michigan Compiled Laws.

(d) The business of the board shall be conducted at public meetings held in compliance with the open meetings act, Act No. 267 of the Public Acts of 1976, being sections 15.231 to 15.246 of the Michigan Compiled Laws.

(e) A writing prepared, owned, used, in the possession of or retained by the board in the performance of an official function shall be made available to the public in compliance with the freedom of information act, Act No. 442 of the Public Acts of 1976, being sections 15.231 to 15.246 of the Michigan Compiled Laws.

(f) The board may suspend or revoke any license issued pursuant to this act if the licensee or any officer, director, agent, member, or employee of a licensee violates this act or rules promulgated hereunder. Proceedings authorized by this act shall be conducted in accordance with and subject to the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969 being sections 24.201 to 24.238 of the Michigan Compiled Laws.

(g) A quorum consists of 3 members. All board business shall be conducted by not less than a quorum.

(h) A board member shall not receive a salary for being a board member, but shall be reimbursed for his or her reasonable, actual and necessary expenses incurred in the performance of his or her duties as a board member.

(i) There is appropriated for the fiscal year ending September 30, 1997, \$1,000,000.00 for the purpose of funding the operations of the board.

1996 Initiated Law, § 4, Eff. Dec. 5, 1996.

Historical and Statutory Notes

1996 Legislation

For approval and effective date provisions of this 1996 Initiated Law, see the Historical and Statutory Notes following § 432.201.

432.205. Application for casino licenses

Section 5. Application for Casino License.

(a) An applicant shall submit an application to the board to operate a casino in which gaming is conducted as provided in this act. The application shall contain such information as the board prescribes, including, but not limited to, detailed information regarding the ownership and management of the applicant. Information provided on the application shall be used as a basis for a thorough background investigation which the board shall conduct with

Changes in text indicated by underline; asterisks * * * indicate deletion

respect to each applicant. An application containing false statements shall be cause for denial of a license by the board.

(b) Each applicant shall disclose the identity of every person, association, partnership, limited liability company, trust or corporation having a greater than 1% direct or indirect pecuniary interest in the casino gaming operation with respect to which the license is sought. If the disclosed entity is a trust, the application shall disclose the names and addresses of the beneficiaries; if a corporation, the names and addresses of all stockholders and directors; if a partnership, the names and addresses of all partners, both general and limited; if a limited liability company, the names and addresses of all members.

(c) The board shall make applications available within 60 days of its appointment. An application fee of \$50,000.00 shall be paid to the board at the time of filing to defray the costs of the background investigation conducted by the board.

(d) The board shall act on any application submitted to it within 90 days of the date of submission.

(e) The holder of a casino license may transfer such license but only with the approval of the board and the city in which the casino is located.

1996 Initiated Law, § 5, Eff. Dec. 5, 1996.

Historical and Statutory Notes

1996 Legislation

For approval and effective date provisions of this 1996 Initiated Law, see the Historical and Statutory Notes following § 432.201.

432.206. Casino licenses, issuance, limitations, annual fee.

Section 6. Casino Licenses.

(a) The board shall issue a license to operate a casino to an applicant upon a determination by the board that the applicant is eligible for a casino license. The board shall find that an applicant is eligible for a casino license if all of the following criteria are met:

(1) Prior to the date of application: (i) the applicant or its affiliates or affiliated companies was the initiator of any casino gaming proposal submitted for voter approval in the city in which the casino will be located and the voters approved the proposal; or (ii) the applicant was selected by the city pursuant to a competitive bidding process.

(2) The applicant proposes to locate the casino in a city where the local legislative body enacted an ordinance approving casino gaming, which ordinance may include local regulations governing casino operations, occupational licensees and suppliers which are consistent with the rules promulgated by the board.

(3) The applicant entered into a development agreement with the city where the local legislative body enacted an ordinance approving casino gaming; and

(4) The applicant or its affiliates or affiliated companies has a history of, or a bona fide plan for, either investment or community involvement in the city where the casino will be located.

(b) No more than three (3) licenses shall be issued by the board in any city. In the event that more than three (3) applicants meet the criteria provided for in Section 6(a) of this Act, licenses shall first be issued to applicants which submitted any casino gaming proposal for voter approval prior to January 1, 1995, in the city in which the casino will be located and the voters approved the proposal.

(c) An applicant which is licensed by the board shall pay an annual license fee of \$25,000.00.

(d) Any applicant or any applicant which has an affiliate or affiliated company which has been convicted of:

(1) Any felony in any state; or

(2) any misdemeanor involving gambling or fraud in any state;

Changes in text indicated by underline; asterisks * * * indicate deletion

(3) any violation of a local ordinance involving gambling or fraud which ordinance corresponds to a misdemeanor in any state; shall be ineligible to receive a casino license. 1996 Initiated Law, § 6, Eff. Dec. 5, 1996.

Historical and Statutory Notes

1996 Legislation

For approval and effective date provisions of this 1996 Initiated Law, see the Historical and Statutory Notes following § 432.201.

432.207. Suppliers' licenses, requirements; promulgation of rules; purchases of equipment, regulation

Section 7. Suppliers Licenses.

(a) The board shall promulgate rules requiring the licensing of all persons manufacturing, selling, leasing or distributing equipment used in conducting casino gaming.

(b) The board may issue a suppliers license to such persons or companies which apply therefor upon:

(i) the payment of a non-refundable application fee set by the board;

(ii) a determination by the board that the applicant is eligible for a suppliers license pursuant to regulations which are to be promulgated by the board; and

(iii) payment of a \$5,000.00 annual license fee.

(c) All equipment necessary for implementation of this act shall be purchased from suppliers pursuant to the rules promulgated by the board.

(d) A city may regulate suppliers through the adoption of an ordinance which is not inconsistent with this Act.

(e) Any applicant or any applicant which has an affiliate or affiliated company which has been convicted of:

(1) Any felony in any state; or

(2) any misdemeanor involving gambling or fraud in any state;

(3) any violation of a local ordinance involving gambling or fraud which ordinance corresponds to a misdemeanor in any state; shall be ineligible to receive a suppliers license.

1996 Initiated Law, § 7, Eff. Dec. 5, 1996.

Historical and Statutory Notes

1996 Legislation

For approval and effective date provisions of this 1996 Initiated Law, see the Historical and Statutory Notes following § 432.201.

432.208. Occupational licenses, requirements, eligibility; regulations

Section 8. Occupational Licenses.

(a) The board may issue an occupational license to an applicant upon:

(i) the payment of a non-refundable fee set by the board;

(ii) a determination by the board that the applicant is eligible for an occupational license pursuant to regulations which are to be promulgated by the board; and

(iii) payment of an annual license fee in an amount to be established.

(b) To be eligible for an occupational license, an applicant shall:

(1) be at least 21 years of age if the applicant will perform any function involved in gaming by patrons;

Changes in text indicated by underline; asterisks * * * indicate deletion

(2) be at least 18 years of age if the applicant will perform only non-gaming functions; and
 (3) not have been convicted of any felony or any misdemeanor involving gaming in the state or any other jurisdiction.

(c) A city may regulate occupational licenses through the adoption of an ordinance which is not inconsistent with this Act.

(d) Any applicant or any applicant which has an affiliate or affiliated company which has been convicted of:

- (1) Any felony in any state; or
 - (2) any misdemeanor involving gambling or fraud in any state
 - (3) any violation of a local ordinance involving gambling or fraud which ordinance corresponds to a misdemeanor in any state; shall be ineligible to receive an occupational license.
- 1996 Initiated Law, § 8, Eff. Dec. 5, 1996.

Historical and Statutory Notes

1996 Legislation--

For approval and effective date provisions of this 1996 Initiated Law, see the Historical and Statutory Notes following § 432.201.

432.209. Conduct of gaming, standards; hours, days

Section 9. Conduct of Gaming.

(a) Gaming shall be conducted by the holder of a casino license subject to the following standards:

- (1) Minimum and maximum wagers on games shall be set by the licensee within overall guidelines set by the board.
- (2) Wagers may be received only from a person present in a casino. No person present in a licensed casino shall place or attempt to place a wager on behalf of another person who is not present in the casino.
- (3) Wagering shall not be conducted with money or other negotiable currency.
- (4) All tokens, chips or electronic cards used to make wagers must be purchased from a licensed owner in the casino. The tokens, chips or electronic cards may be purchased by means of an agreement under which the owner extends credit to the patron. Such tokens, chips or electronic cards may be used only while in a casino and only for the purpose of making wagers on gaming games.
- (5) Persons licensed under this act shall permit no form of wagering on gaming except as permitted by this act.
- (6) A person under age 21 shall not be permitted in an area of a casino where gaming is being conducted, except for a person at least 18 years of age who is an employee of the gaming operation. No person under age 21 shall be permitted to make a wager under this act.
- (7) Employees of the board shall have the right to be present at the casino or on adjacent facilities under the control of the licensee.
- (8) Agents of the board and the Department of State Police may inspect any casino at any time for the purpose of determining whether this act is being complied with regulations promulgated by the board.

(b) Gaming may take place in licensed casinos 24 hours per day on each and every day of the year.

1996 Initiated Law, § 9, Eff. Dec. 5, 1996.

Changes in text indicated by underline; asterisks * * * indicate deletion

Historical and Statutory Notes

1996 Legislation

For approval and effective date provisions of this 1996 Initiated Law, see the Historical and Statutory Notes following § 432.201.

432.210. Alcoholic beverages

Section 10. Alcoholic Beverages.

Alcoholic beverages shall only be sold or distributed in a casino pursuant to the Michigan Liquor Control Act, Act No. 8 of the Public Acts of 1933, being sections 436.1 to 436.58 of the Michigan Compiled Laws.

1996 Initiated Law, § 10, Eff. Dec. 5, 1996.

Historical and Statutory Notes

1996 Legislation

For approval and effective date provisions of this 1996 Initiated Law, see the Historical and Statutory Notes following § 432.201.

432.211. Collection of amounts under credit agreements

Section 11. Collection of Amounts Under Credit Agreements.

Notwithstanding any applicable statutory provision to the contrary, a licensed owner who extends credit to a casino gaming patron pursuant to this act is expressly authorized to institute a cause of action to collect any amounts due and owing as well as the owner's costs, expenses and reasonable attorney's fees incurred in collection.

1996 Initiated Law, § 11, Eff. Dec. 5, 1996.

Historical and Statutory Notes

1996 Legislation

For approval and effective date provisions of this 1996 Initiated Law, see the Historical and Statutory Notes following § 432.201.

432.212. Wagering tax; rate; distribution; state casino fund

Section 12. Wagering Tax; Rate; Distribution.

(a) A wagering tax is imposed on the gross revenue received by the licensee from gaming authorized under this act at the rate of 18%.

(b) The wagering tax plus all other fees, fines and charges shall be deposited into the state casino gaming fund in the department of treasury. Such tax is to be remitted daily by the holder of a casino license to the department of treasury by electronic wire transfer of funds. All of the ordinary, necessary and reasonable expenses of operating the board shall be deducted from the fund. The fund shall be distributed periodically in accordance with the provisions of this act pursuant to a schedule and methodology which shall be mutually agreeable to the department of treasury and the city:

(c) The state casino gaming fund shall be allocated as follows:

(1) 55% to the city in which a casino is located for use in connection with the following:

(i) the hiring, training and deployment of street patrol officers;

(ii) neighborhood and downtown economic development programs designed to create local jobs;

(iii) public safety programs such as emergency medical services, fire department programs and street lighting;

Changes in text indicated by underline; asterisks * * * indicate deletion

- (iv) anti-gang and youth development programs; and
 - (v) other programs which are designed to contribute to the improvement of the quality of life in the city.
- (2) 45% to the state to be deposited in the State School Aid Fund to provide additional funds for K-12 classroom education.
- (d) Funds from this act shall not be used to supplant existing state appropriations or local expenditures.

1996 Initiated Law, § 12, Eff. Dec. 5, 1996.

Historical and Statutory Notes

1996 Legislation

For approval and effective date provisions of this 1996 Initiated Law, see the Historical and Statutory Notes following § 432.201.

432.213. Municipal services fee

Section 13. Municipal Services Fee.

In addition to payment of the wagering tax as set forth in this act, each licensee shall pay to the city a municipal services fee of the greater of one and one-quarter (1.25%) percent of gross revenue or Four Million and 00/100 (\$4,000,000.00) Dollars in order to assist the city in defraying the cost of hosting casinos. No other cost for police, fire or EMS protection may be imposed in a Development Agreement. Such fee shall be paid annually commencing on the first anniversary of the casino opening for operations. The municipal services fee shall be deposited by the city in its general fund for disbursement as it sees fit in accordance with applicable municipal ordinances.

1996 Initiated Law, § 13, Eff. Dec. 5, 1996.

Historical and Statutory Notes

1996 Legislation

For approval and effective date provisions of this 1996 Initiated Law, see the Historical and Statutory Notes following § 432.201.

432.214. Audit of license operations.

Section 14. Audit of License Operations

Within 90 days after the end of each quarter of each fiscal year an audit of the financial transactions and conditions of the licensee's total operations shall be conducted by the legislative auditor general. The cost of the audit shall be paid for by the licensee. Additionally, the city may audit through its own personnel.

1996 Initiated Law, § 14, Eff. Dec. 5, 1996.

Historical and Statutory Notes

1996 Legislation

For approval and effective date provisions of this 1996 Initiated Law, see the Historical and Statutory Notes following § 432.201.

432.215. Annual report of board

Section 15. Annual Report of Board.

The board shall make an annual report to the governor, for the period ending December 31 of each year.

1996 Initiated Law, § 15, Eff. Dec. 5, 1996.

Changes in text indicated by underlines; asterisks * * * indicate deletion.

Historical and Statutory Notes**1996 Legislation**

For approval and effective date provisions of this
1996 Initiated Law, see the Historical and Statutory
Notes following § 432.201.

432.216. Limitation on taxation or other fees charged to licensees**Section 16. Limitation on Taxation or Other Fees Charged Licensees.**

Licensees shall not be subjected to any excise tax, license tax, permit tax, privilege tax or, occupation tax which is imposed exclusively upon the licensee by the State or any political subdivision thereof, except as provided in this act.

1996 Initiated Law, § 16, Eff. Dec. 5, 1996.

Historical and Statutory Notes**1996 Legislation**

For approval and effective date provisions of this
1996 Initiated Law, see the Historical and Statutory
Notes following § 432.201.

APPENDIX B

SURVEY INSTRUMENT: INTERCEPT SURVEY

Interviewer Name: _____	Date of Interview: _____
Day: _____ Time: _____	M or F respondent: _____

Visitors entering the Motor City Casino will be intercepted at the entrances of the casino building.

Hello, my name is _____. I am a student at Michigan State University. We are conducting a casino visitor study for the Metro Detroit Convention and Visitors Bureau. May I ask you a few questions? All of your answers will remain strictly confidential.

1. What is your Zip code/postal code? _____
2. Are you on a charter bus trip? ☐ Yes ☐ No
3. How many nights are you spending in the Detroit area on this trip? _____ nights

We don't want to take up any more of your time now, but we would like to ask you some follow-up questions when your trip is over and you are back home.

4. Are you willing to participate in this study? ☐ Yes ☐ No
5. What is your phone number? _____
6. Can I have your first name so we will know who to ask for when we phone?

7. When would be a good time to reach you?
☐ Mornings ☐ Afternoons
☐ Evenings ☐ Nights

<input type="checkbox"/> Weekdays <input type="checkbox"/> Weekends
--

THANK YOU VERY MUCH

APPENDIX C

SURVEY INSTRUMENT: TELEPHONE FOLLOW-UP SURVEY

SURVEY A

Detroit Metro Area Casino Visitor Study: A telephone survey
Information to be collected only from people who do not reside in the Detroit Metro area (i.e., Wayne, Oakland or Macomb counties), and who were not on a charter bus tour.

Introduction

Hello, my name is _____. I am calling from Michigan State University. We talked to _____ recently and are calling now to follow-up with him/her. Is he/she available?

Hello, _____, my name is _____. I am calling from Michigan State University. A few days ago we talked to you at the MGM Grand casino in Detroit and you agreed to respond to a few more questions about your trip to Detroit. All of your answers will be kept strictly confidential. This should take only about 10 minutes of your time. Is this a good time to talk?

yes

no

What would be the appropriate time?

The questions I am going to ask you about your trip to Detroit refer to the trip you made on the day we talked to you at the MGM Grand casino.

1. Was this your first visit to the MGM Grand casino? yes no

2. Was visiting the MGM Grand casino the primary reason for your trip to Detroit?

yes

no

2b. What was the primary reason? _____

3. Did you enter and exit the MGM Grand casino building more than once on this trip to Detroit?

yes

no

3a. About how many times?-----

4. On the day we interviewed you, how many hours did you spend in the casino? hrs-----

5. While on this trip did you visit other casino(s) besides the MGM Grand casino?

yes

no

5a. Which ones? _____

6. What else did you do on this trip? [record all activities mentioned by respondent]

attend a festival	sightseeing
shopping	dining/restaurants
visit museum/hall of fame	visit historic sites
attend a sport event	nightlife
explore the City of Detroit	visit other attractions
nothing else	other _____

7. What type of transportation did you use to go to Detroit?

car train plane other _____

8. With whom did you travel to Detroit? alone spouse children friends

 parents co-worker family other _____

9. Could you give me your age [if not alone, add] and the age of each member of your immediate travel party, such as family and children?

Age

Respondent

Person 1

Person 2

10. On this particular trip, how many nights did you stay in the Detroit area? -----nights
[if zero nights skip to Q # 11]

10a. Where did you stay?

Downtown Detroit

Windsor

A suburb _____ [enter which one].

10b. What type of lodging did you use?[record all types mentioned]

hotel/motel/lodge

friends/relative

commercial campground

campground

bed & breakfast

Boat/ship

other, _____

Next I will ask you about your expenditures on this trip to Detroit. You may report trip expenses for yourself only or for everyone in your immediate travel party (such as family and friends).

11. How much did you spend in the Detroit area on:

- | | |
|---|---------|
| 1. lodging [only for those who stayed overnight] | \$----- |
| 2. food & beverages inside the casino | \$----- |
| 3. food & beverages outside the casino | \$----- |
| 4. gasoline purchases | \$----- |
| 5. other local transportation (such as taxi, bus, or parking) [if stayed overnight] | \$----- |
| 6. all other expenses (souvenirs, clothing, etc.) | \$----- |

12. How many persons did your spending unit include? ----- persons

The following questions are about your individual gambling expenditures at the MGM Grand casino, on the day we talked with you.

13. Did you come out ahead or behind on the money you wagered that day?

ahead [about how much?] \$-----

behind [about how much?] \$-----

broke even

14. Do you budget beforehand a certain amount of money that is the most you are willing to spend on casino games? never | sometimes | always

14a. Usually, about how much per day do you budget for gaming before your visit to a casino? \$-----

15. Are you likely or unlikely to visit Detroit again?

likely unlikely don't know

15a. Why? -----

16. Are you likely or unlikely to recommend that others visit Detroit?

likely unlikely don't know

16a. Why? -----

17. Are you likely or unlikely to visit the MGM Grand casino again?

likely unlikely don't know

17a. Why? -----

18. Are you likely or unlikely to recommend that others visit the MGM Grand casino?

likely unlikely don't know

18a. Why? -----

19. Do you expect to visit Detroit more often because casino gaming is now available?

yes no

20. Including this trip, in the past twelve months, how many casino charter bus trips have you taken? -----trip(s)

21. Prior to departing on this trip did you obtain any information about Detroit?

yes no

21a. From what sources did you obtain this information?

newspaper

radio/television

internet/online services

chamber of commerce

CVB

friends

relatives/co-workers

travel agency

other travel guides

magazines

direct mail from casino

other, _____

22. Prior to departing on this trip did you obtain any information about the MGM Grand casino?

yes

no

22a. From what sources did you obtain this information?

newspaper

radio/television

internet/online services

chamber of commerce

CVB

friends

relatives/co-workers

travel agency

other travel guides

magazines

direct mail from casino

other, _____

23. Are you more likely to visit a casino on a:

week day (or)

weekend

24. Would you be interested in a package tour that includes gaming?

yes

no

24a. Would you be more interested in a: day tour (or) overnight package? {both, if mentioned}

24b. Would you be more interested in a: weekend (or) week day package? {both, if mentioned}

25. In the past 12 months, have you attended any professional sporting events?

yes

no [skip to Q#27]

26. In the past 12 months, have you attended any professional sporting events in the Detroit area?

yes

no

26a. Which one? -----

27. In the past 12 months, about how many times have you been to casinos to play? ---

28. In the past two years, did you visit Atlantic City casinos?

yes

no

28a. How many trips did you make? ----- trips

29. In the past two years, did you visit Las Vegas casinos?

yes

no

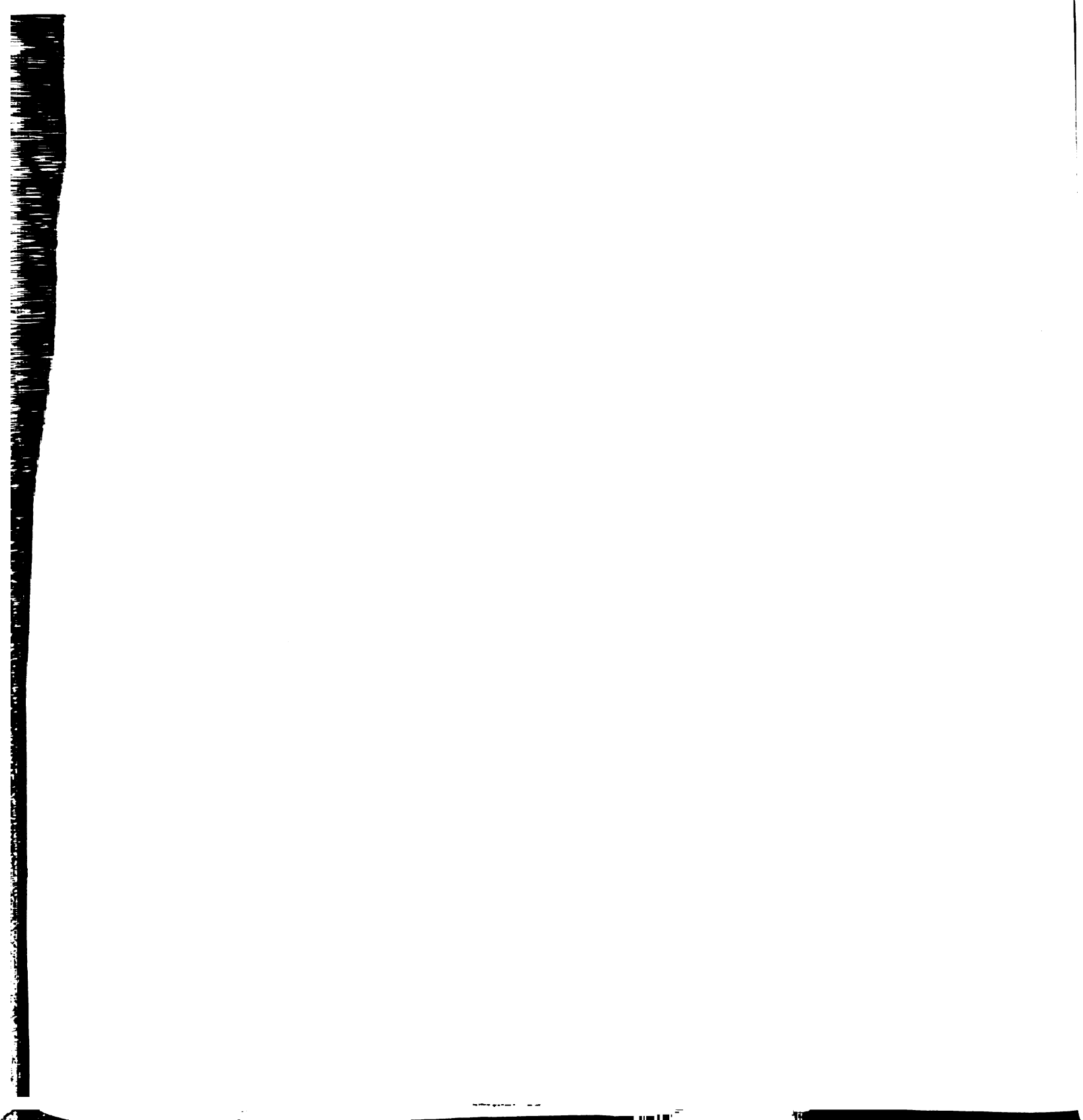
29a. How many trips did you make? ----- trips

30. In the past two years, did you visit Casino Windsor?

yes

no

30a. How many trips did you make? ----- trips



31. In the past two years, did you visit any Indian casinos in Michigan?

yes

no

31a. About how many trips did you make? ----- trips

31b. Which Indian casinos did you visit?-----,-----,
-----,-----,-----

32. In general, which casino do you visit most often? _____

33. Which newspapers do you read most often? (please list 2) _____, _____

34. What radio stations do you listen to most frequently? _____, _____, _____

35. Which TV channels/cable do you watch most often? _____, _____, _____

36. List two magazines you read frequently: _____, _____

Now I am going to ask you some questions about yourself.

37. What is your marital status?

single

married

divorced

separated

in a permanent non-marital relationship

widow/ed

38. How many children under 18 years of age live with you? ----- children

38a. What are their ages? -----, -----, -----

39. Excluding yourself, how many adults, 18 years of age or older, live in your household? ----- adults

39a. What are their ages? -----, -----, -----

40. Are you: employed
 retired

self-employed
other, _____

41. in 1999, was your total annual household income (in US dollars if from Canada).

below \$37,000

between \$37,000 and \$50,000

above \$50,000

prefer not to say

42. What is your ethnic background?

African American

White/Caucasian

Hispanic

American/indian/Alaskan Native

Asian/Pacific Islanders

Multiracial

other, _____

THAT WAS THE LAST QUESTION,

THANK YOU VERY MUCH

SURVEY B

Detroit Metro Area Casino Visitor Study: A telephone survey
Information to be collected only from people who do not reside in the Detroit Metro Area (i.e., Wayne, Oakland or Macomb counties), and who were on a charter bus tour.

Introduction

Hello, my name is _____. I am calling from Michigan State University. We talked to _____ recently and are calling now to follow-up with him/her. Is he/she available?

Hello, _____, my name is _____. I am calling from Michigan State University. A few days ago we talked to you at the MGM Grand casino in Detroit and you agreed to respond to a few more questions about your trip to Detroit. All of your answers will be kept strictly confidential. This should take only about 10 minutes of your time. Is this a good time to talk?

yes

no

What would be the appropriate time?

The questions I am going to ask you about your trip to Detroit refer to the trip you made on the day we talked to you at the MGM Grand casino.

1. Was this your first visit to the MGM Grand casino? yes no

2. Was visiting the MGM Grand casino the primary reason for your trip to Detroit?

yes

no

2b. What was the primary reason? _____

3. Did you enter and exit the MGM Grand casino building more than once on this trip to Detroit?

yes

no

3a. About how many times?-----

4. On the day we interviewed you, how many hours did you spend in the casino? hrs-----

5. While on this trip did you visit any other casino(s) besides the MGM Grand casino?

yes

no

5a. Which ones? _____

6. What else did you do on this trip? [record all activities mentioned by respondent]

attend a festival

sightseeing

shopping

dining/restaurants

visit museum/hall of fame

visit historic sites

attend a sport event

nightlife

explore the City of Detroit

visit other attractions

nothing else

other

[illegible]

8. Could you give me your age [if not alone, add] and the age of each member of your *immediate travel party, such as family and children*?

Age

Respondent

Person 1

Person 2

9. On this particular trip, how many nights did you stay in the Detroit area? -----nights
[if zero nights skip to Q # 10]

9a. Where did you stay?

Downtown Detroit

Windsor

A suburb [enter which one].

9b. What type of lodging did you use?[record all types mentioned]

hotel/motel/lodge

friends/relative

commercial campground

campground

bed & breakfast

Boat/ship

other,

Next I am going to ask you about your expenditures on this trip to Detroit. You may report trip expenses for yourself only or for everyone in your immediate travel party (such as family and children).

10. How much did you spend in the Detroit area on:

1. lodging [only for those who stayed overnight]

\$-----

2. food & beverages inside the casino

\$-----

3. food & beverages outside the casino

\$-----

4. other local transportation (such as taxi, bus, or parking) [if stayed overnight] \$

5. all other expenses (souvenirs, clothing, etc.)

\$-----

11. How many persons did your spending party include? ----- persons

The following questions are about your gambling expenditures at the MGM Grand casino, on the day we talked with you.

12. Did you come out ahead or behind on the money you wagered that day?

ahead [about how much?] \$-----

behind [about how much?] \$-----

broke even

13. Do you budget beforehand a certain amount of money that is the most you are willing to spend on casino games? never | sometimes | always

13a. Usually, about how much per day do you budget for gaming before your visit to a casino? \$-----

14. Are you likely or unlikely to visit Detroit again?

likely unlikely don't know

14a. Why? -----

-

15. Are you likely or unlikely to recommend that others visit Detroit?

likely unlikely don't know

15a. Why? -----

-

16. Are you likely or unlikely to visit the MGM Grand casino again?

likely unlikely don't know

16a. Why? -----

-

17. Are you likely or unlikely to recommend that others visit the MGM Grand casino?

likely unlikely don't know

17a. Why? -----

-

18. Do you expect to visit Detroit more often because casino gaming is now available?

yes no

19. Including this trip, in the past twelve months, how many casino charter bus trips have you taken? -----trip(s)

20. Prior to departing on this trip did you obtain any information about Detroit?

yes no

20a. From what sources did you obtain this information?

newspaper

radio/television

internet/online services

chamber of commerce

CVB

friends

relatives/co-workers

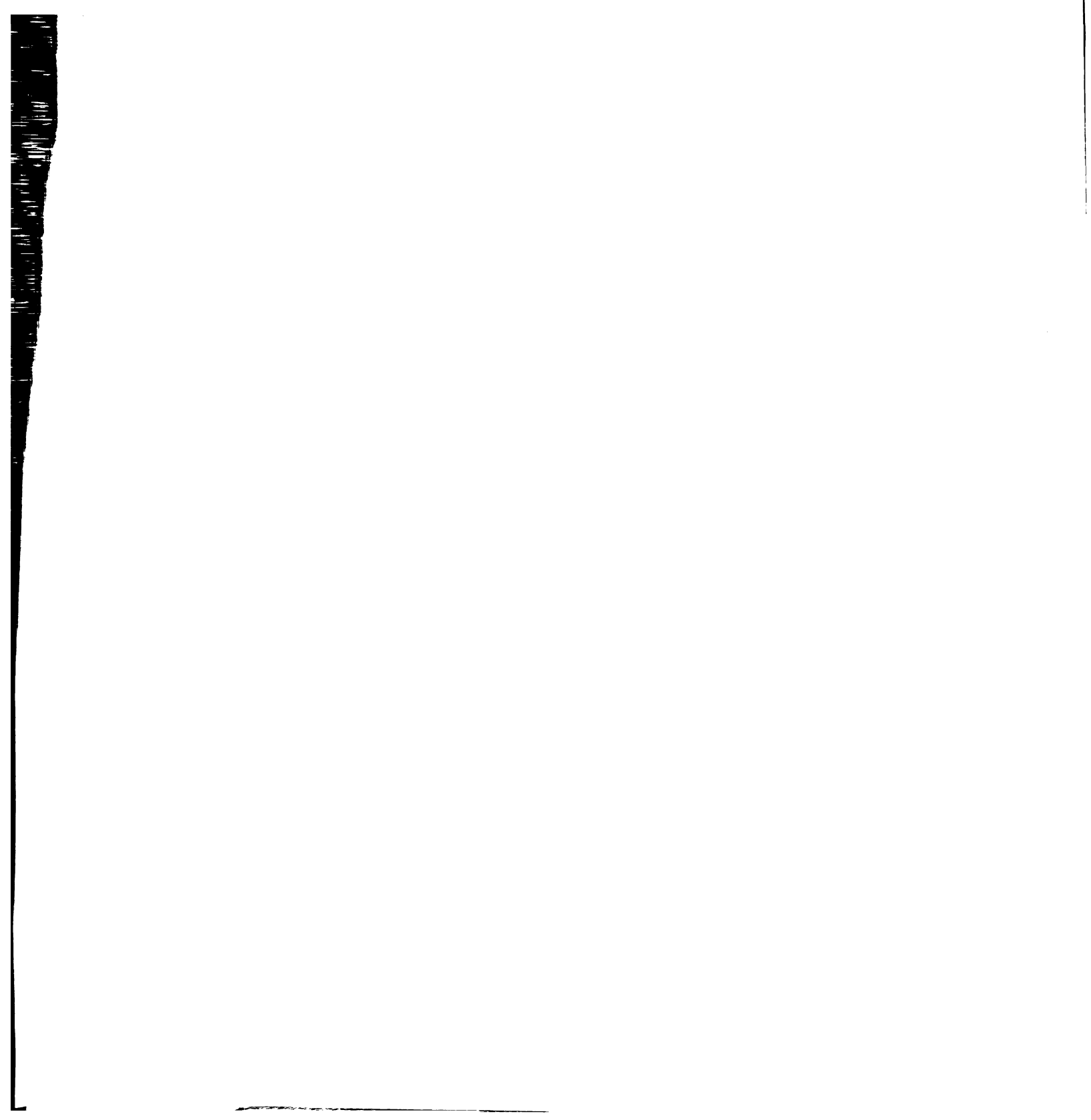
travel agency

other travel guides

magazines

direct mail from casino

other , _____



21. Prior to departing on this trip did you obtain any information about the MGM Grand casino?

yes

no

21a. From what sources did you obtain this information?

newspaper

radio/television

internet/online services

chamber of commerce

CVB

friends

relatives/co-workers

travel agency

other travel guides

magazines

direct mail from casino

other , _____

22. Are you more likely to visit a casino on a:

week day (or) weekend

23. Would you be interested in a package tour that includes gaming?

yes

no

23a. Would you be more interested in a: day tour (or) overnight package? {both, if mentioned}

23b. Would you be more interested in a: weekend (or) week day package? {both, if mentioned}

24. In the past 12 months, have you attended any professional sporting events?

yes

no [skip to Q#26]

25. In the past 12 months, have you attended any professional sporting events in the Detroit area?

yes

no

25a. Which one? -----

26. In the past 12 months, about how many times have you been to casinos to play? ---

27. In the past two years, did you visit Atlantic City casinos?

yes

no

27a. How many trips did you make? ---

28. In the past two years, did you visit Las Vegas casinos?

yes

no

28a. How many trips did you make? ---

29. In the past two years, did you visit Casino Windsor?

yes

no

29a. How many trips did you make? ---

30. In the past two years, did you visit any Indian casinos in Michigan?

yes

no

30a. About how many trips did you make? ----- trips

30b. Which Indian casinos did you visit?-----, -----,
-----,-----,-----

31. In general, which casino do you visit most often? _____

32. Which newspapers do you read most often? (please list 2) _____, _____

33. What radio stations do you listen to most frequently? _____, _____, _____

34. Which TV channels/cable do you watch most often? _____, _____, _____

35. List two magazines you read frequently: _____, _____

Now I am going to ask you some questions about yourself.

36. What is your marital status?

single

married

divorced

separated

in a permanent non-marital relationship

widow/ed

37. How many children under 18 years of age live with you? ----- children

37a. What are their ages? -----, -----, -----

38. Excluding yourself, how many adults, 18 years of age or older, live in your household? ----- adults

38a. What are their ages? -----, -----, -----

39. Are you: employed self-employed
 retired other, _____

40. Was your total annual household income (in US dollars), in 1999:

below \$37,000

between \$37,000 and \$50,000

above \$50,000

prefer not to answer

41. What is your ethnic background?

African American

White/Caucasian

Hispanic

American/indian/Alaskan Native

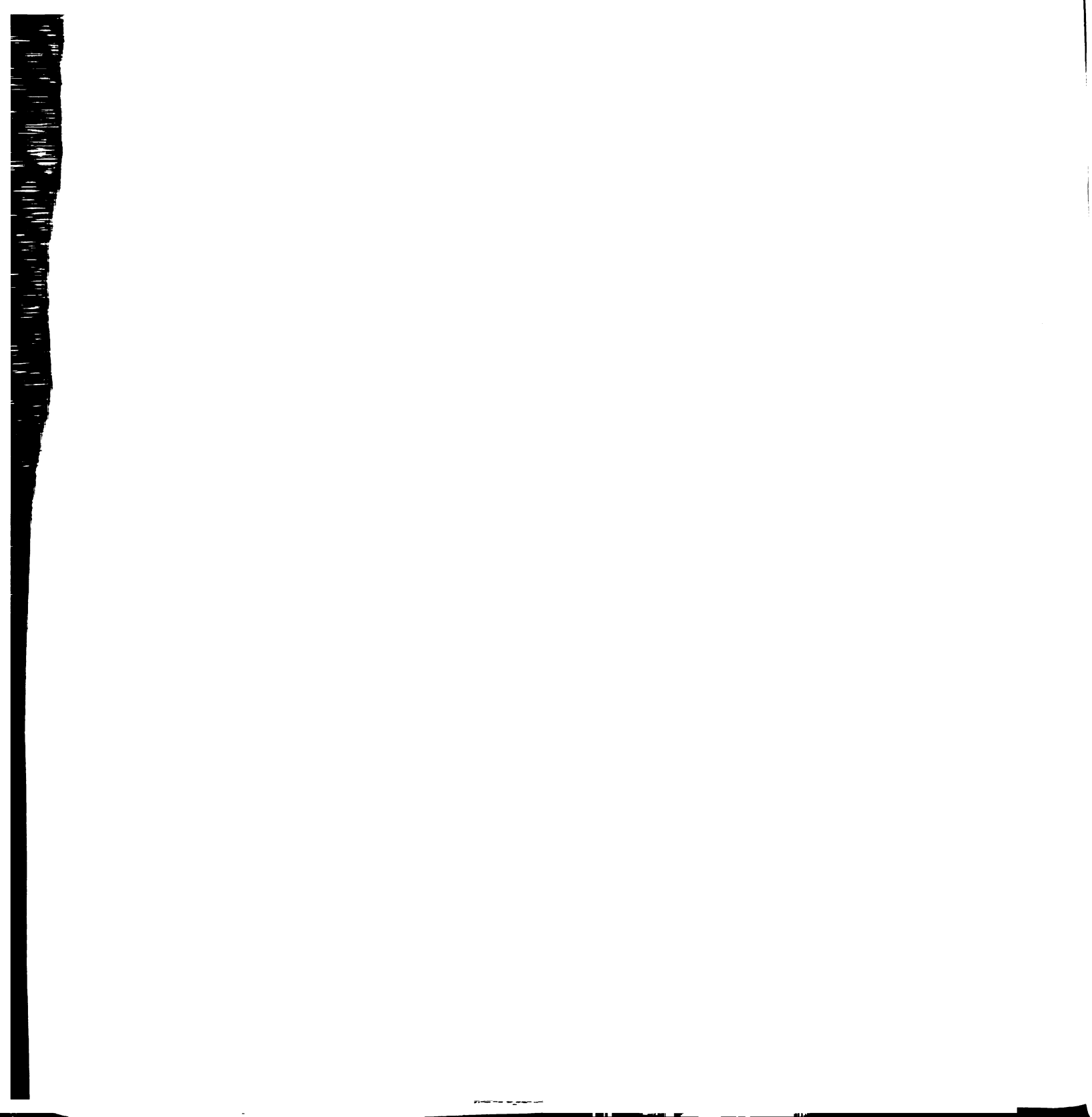
Asian/Pacific Islanders

Multiracial

other, _____

THAT WAS THE LAST QUESTION,

THANK YOU VERY MUCH



APPENDIX D

MONETARY ECONOMIC IMPACT MODEL (Gazel, 1998)

Direct Negative Economic Impacts

Type of impact	Source	Type of expenditure
Cannibalization	1. Local gambler	1.1 Share of casino wins due to local gamblers
		1.2 Expenditures on food and beverages within
		1.3 Shopping within the casino
		1.4 Other expenditures within the casino
	2. Noncasino visitor	2.1 Share of casino wins due to casino visitors
		2.2 Expenditures on food and beverages within
		2.3 Shopping within the casino
Additional Public sector expenditures	3. Government	3.1 Regulation and supervision of casino
		3.2 Additional police force*
		3.3 Additional fire protection
		3.4 Infrastructure (new roads, maintenance)
		3.5 Other expenditures due to the presence of casino
Negative extenalities	4. Higher crime rates`	4.1 Additional public expenditures on police, protection and courts
		4.2 Additional corrections costs
		4.3 Additional private costs of protection such as guards
		4.4 Additional costs of crimes against persons
	5. Gambling addiction	5.1 Additional costs due to increased incidence and compulsive gambling

*Excludes costs associated with higher crime rates.

`Excludes costs associated with problem and compulsive gambling.

Direct Positive Economic Impacts

Source	Type of expenditure
1. Casino	1.1 Wages and salaries of local employees 1.2 Purchases of goods and services from local suppliers 1.3 Local advertisement 1.4 Utilities 1.5 Insurance from local providers or brokers 1.6 New construction 1.7 Maintenance 1.8 Local taxes 1.9 Share of profits staying within the local economy 1.10 Other direct expenditures within the local economy
2. Nonlocal visitors	2.1 Lodging outside casino 2.2 Food and beverage outside casino 2.3 Shopping outside casino 2.4 Entertainment outside casino 2.5 Local transportation 2.6 Tour bus if provided by local companies 2.7 Other direct expenditures in the local economy

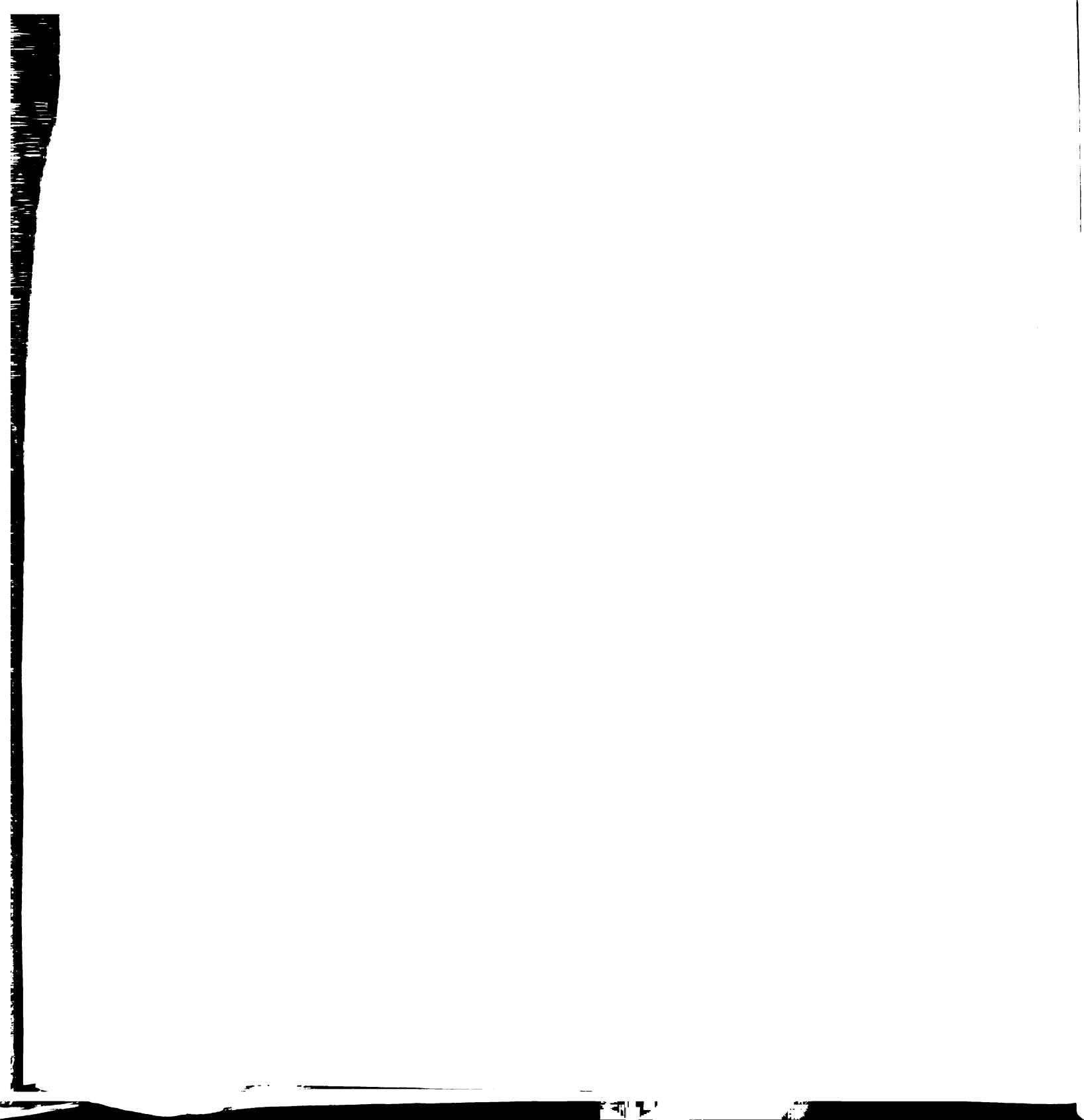
Estimated Total Economic Impact of Casino Gambling

Source	Direct expenditures	Indirect impact	Total
Positive impacts			
Negative impacts			
Net impacts			

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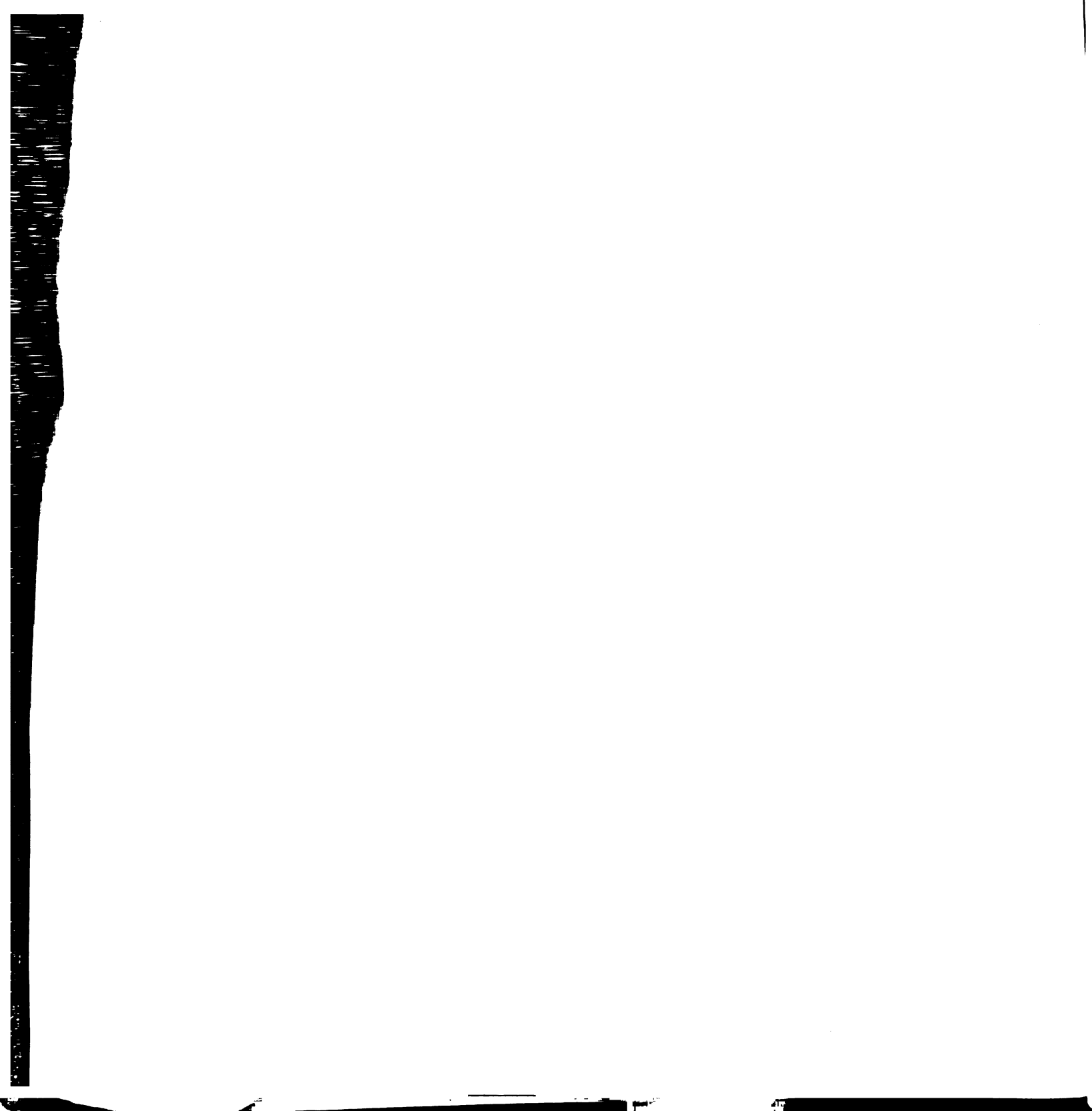
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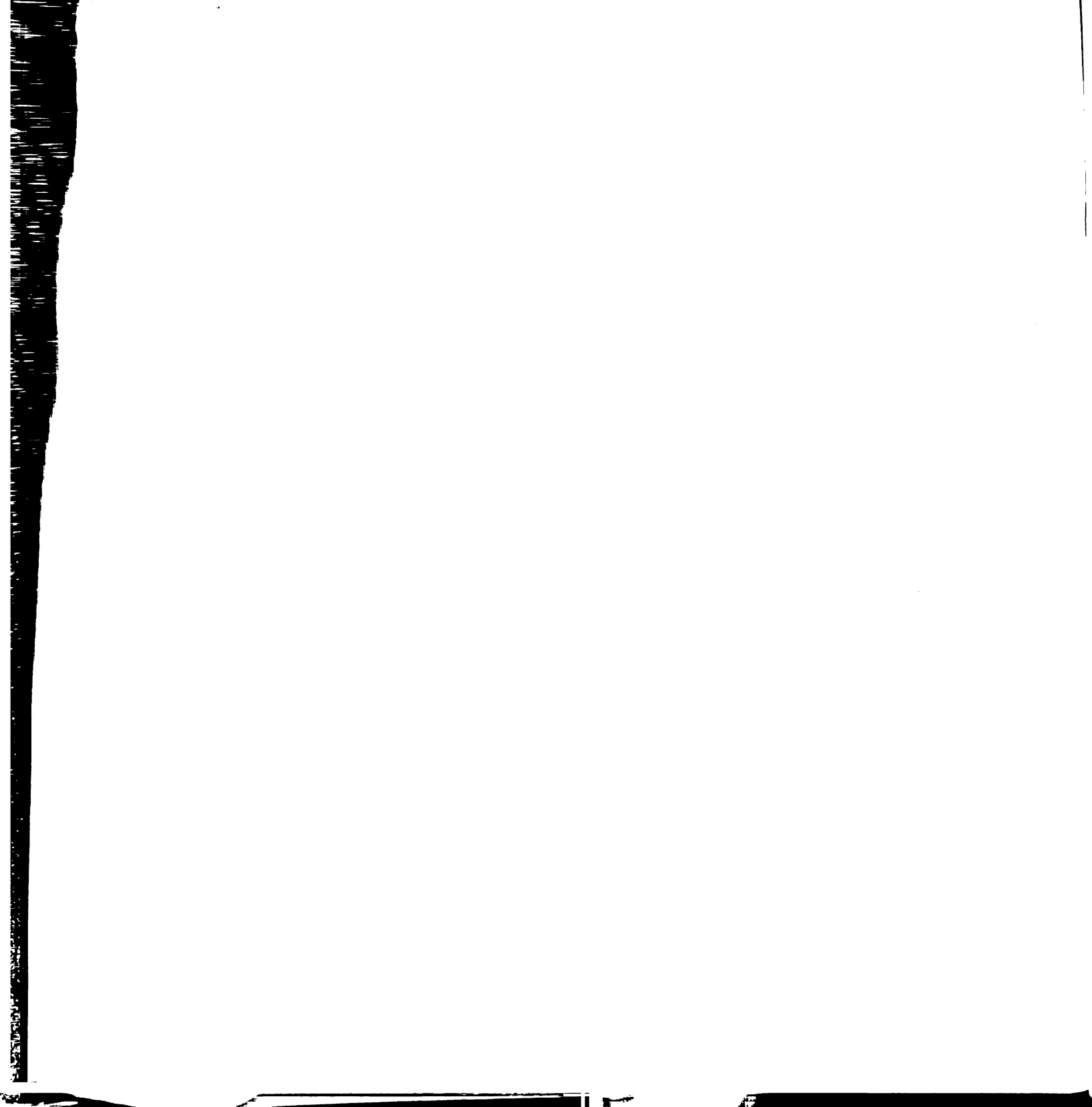
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