

**Casinos in Context:  
The Impacts of Stand-Alone Casino Development on Urban Neighborhoods**

by

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Submitted to the Department of Urban Studies and Planning  
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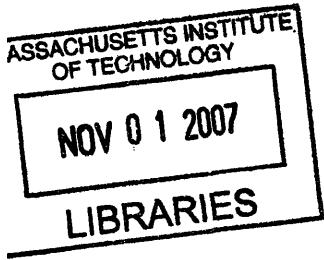
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ABSTRACT

As the stigma of gambling fades and governments seek more sources of revenue the urban casino is becoming more common. Many of these are legalized to operate with limited competition in their state, standing alone in their respective city. While the general, diffuse impacts of casinos have been well studied, the paucity of casinos in urban settings has left a gap in the understanding of how stand-alone casinos affect their urban context. This thesis seeks to fill this gap by analyzing three of the oldest stand-alone urban casinos in the United States: Harrah's Casino in Joliet, Harrah's Casino in New Orleans, and Greektown Casino in Detroit.

The thesis analyzes the impact of each of these casinos through the lens of five categories of impact: urban design of the neighborhood, city investment, real estate development, street-level commerce, and the residential community. The resulting analysis finds that casinos tend to be insular entities that do not impact much outside their own footprint. Their greatest potential for external impacts is an ability to act as an anchor for street-level commerce in a neighborhood if designed properly, a trend that has been observed for some time in resort communities with fake interior streets. The essay concludes with recommendations on how a city might engender a similar phenomenon.

Thesis Supervisor: Dennis Frenchman  
Title: Professor of City Planning



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1.1 Steeples of South Bethlehem



# I. Introduction

As you walk down East Fourth Street in Bethlehem, Pennsylvania it is difficult to miss the steeples. On every corner church steeples call to each ethnic group that settled in this industrial community. Up on the distant hillside, the bell towers of Lehigh University inspire the children of these immigrants to higher education. Down in the immediate river valley, the massive chimney towers of the blast furnaces of Bethlehem Steel wait in solitude, recalling a time when 30,000 people paid daily homage in an attempt to improve their lot in life.

These forlorn blast furnaces inspire this work, just as they inspired me as a young child. Growing up in Bethlehem, it was common to see the plumes of smoke rise from the furnaces on the horizon, to hear the proud

stories of the exotic structures that the Steel helped construct and to feel the loss as continuing layoffs staggered my tightly-knit hometown.

The rusting blast furnaces have embodied this loss for a decade, yet Bethlehem is currently in the midst of a renaissance. Located on the exurban frontier of Philadelphia and New York, the surrounding region (the Lehigh Valley) is now the fastest growing area in

Pennsylvania. Rather than an impediment to development, the massive brownfield leftover from the steel factory is seen for its massive potential; investors have lined up accordingly. Much of the former factory has been converted to a modern industrial park. The historically significant portion in the South Side – with its iconic blast furnaces will operate as a mixed-use development including something for everyone.



1.2 South Bethlehem Blast Furnaces

This imminent redevelopment will include space for a hotel, shopping, entertainment, education and offices, all catalyzed by one controversial centerpiece: a casino.

The stand-alone casino is becoming more common throughout the country as cities and towns use them in an attempt to cure all manner of ailments, or simply to gain more tax revenue. In the case of Bethlehem, it was sold most emphatically as a catalyst that, according to investor Michael Perrucci, will speed the development of this nationally historic site by twenty years.<sup>1</sup> There is little research to either support or deny his claim. This thesis investigates how the introduction of a stand-alone casino affects the physical development of a surrounding urban neighborhood. Or, more precisely: *What are the physical and developmental impacts of the introduction of a stand-alone casino to a dense urban neighborhood?*

In a day and age when many cities are seeking to attract new investment in the form of a casino, they need

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<sup>1</sup> Hurley, A. "Industrial Strength: Can the remnants of Bethlehem Steel be reborn?" *Preservation Magazine*. National Trust for Historic Preservation May/June 2005  
[http://www.nationaltrust.org/Magazine/archives/arc\\_mag/mj05c/over.htm](http://www.nationaltrust.org/Magazine/archives/arc_mag/mj05c/over.htm)

to understand the answer to this question. However, as modern casinos have only traditionally been encountered in the unique environments of Las Vegas, Atlantic City, and rural Native American Reservations, the answers to these questions as applied to a solitary casino in a dense fabric are poorly documented. This thesis will fill this gap in planning research, and thereby allow professionals (city managers, planners and potential casino investors) to make a more informed decision when considering the introduction of a casino as part of a development program.

#### *Significance of Research*

The largest growth in gambling in the next ten years will be casinos with similar context to the site in Bethlehem. Many of these casinos will be sited in medium to large cities and often strategically placed in sites amenable to redevelopment. In those cases where the casino is placed in an urban neighborhood, officials, community leaders, and investors have few references to illustrate potential impacts to such neighborhoods. This thesis will therefore analyze the case of three of the only

truly similar case studies in the country, the casinos of Detroit, MI, Joliet, IL, and New Orleans, LA.

Through this analysis, I will not only assess the physical impacts of the casinos in each city, but also investigate the potential of an urban casino to be leveraged for more than just additional revenues. In other words, I will assess the urban casino to see if it can accomplish some of the developmental claims of boosters: Can a casino spur redevelopment of a neighborhood? Can it improve the urban design of a neighborhood? Can it bolster retail businesses in the area? As the culmination of this assessment, I will offer my analysis of the potential latent in a casino to change the physical environment, and present recommendations for cities seeking to get the most value possible from the construction of a casino.

#### *Chapter Summary*

The situation in Bethlehem is one storyline among many similar ones throughout the country. When discussing the causes, motivations, and physical impacts of the introduction of a casino into an urban fabric, it is

therefore necessary to establish the national setting of the spread of casinos. Chapter One will do this, discussing the history of the spread of casinos, the designs that are prevalent and the conventional wisdom on a casino's general impact. It will show that there are several types of locations for casinos, but that most have no need to interact with a specific urban context. A truly urban setting is both new and unusual as a setting for a casino. The chapter will then finish with a general analysis of the debate on the pros, cons, and question marks regarding the introduction of a casino into a locality.

Chapter two will establish the qualitative methodology I have used to document the impact of stand-alone casinos. This chapter will also explain the choice of the three case studies: New Orleans, Detroit, and Joliet, IL.

The impacts of the introduction of the selected casinos into their respective neighborhoods will be documented in Chapters Three through Five. Newspaper reports, Interviews, Planning Documents and photo documentation will combine to catalogue the impacts of

the introduction of each casino. I will tell the story of this impact by concentrating on five interrelated categories: Impact on Urban Design, City Investment, Real Estate Development, Street-Level Commerce, and Residential Community. Each case will conclude with an assessment of the unique features and outcomes of the respective casino developments.

An overall analysis of the impacts of casinos will conclude this essay in Chapter 6. Findings from each category of impact will be presented, followed by a general analysis of the extent of the opportunity to use casinos as a redevelopment tool that can positively interact with an urban environment. I will then offer prescriptive recommendations for cities to consider when attempting to leverage the best possible impact from a casino development.



## II. The Rise of Casinos

*The strenuous purposeful money-makers may carry all of us along with them into the lap of economic abundance. But it will be those peoples, who can keep alive, and cultivate into a fuller perfection, the art of life itself and do not sell themselves for the means of life, who will be able to enjoy the abundance when it comes.*

- John Maynard Keynes, 1930<sup>2</sup>

This quote, written by the eminent economist during the throes of the great depression, anticipated the eventual condition of those societies where standards of living have become sufficiently high enough to eliminate the basic struggle for life that has dominated human history. In such an economy, the stress shifts from the accumulation of wealth to the circulation of wealth throughout a population for its enjoyment. While there are still many problems that beset the United States, it is clear that compared to the early half of the twentieth century, the emphasis of our economy has shifted from wealth accumulation to wealth circulation.

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<sup>2</sup> Keynes, J.M. "Economic Possibilities for our Grandchildren" (1930) from *Essays in Persuasion*, W.W. Norton & Co. New York, 1963 pp. 358-373

Gone are the livelihoods of one-industry towns like Bethlehem. In their place are bedroom communities and entertainment-based boomtowns like Orlando and Las Vegas that serve the quest for enjoyment that Keynes predicted.

The casinos of Las Vegas are perhaps the epitome of this quest for the enjoyment of abundance. The value created in a casino is unlike that of a steel factory, where a piece of steel, once created, can be used for centuries. Instead, casinos create elaborate fantasy worlds all to inspire a split-second rush of excitement that requires an enormous investment of wealth to sustain.

In other words, the casino is an exceedingly efficient vehicle to circulate money throughout the new economy. Some economists argue that this is all they do. With limited competition they can earn fantastic revenue, yet the product costs relatively little to produce. In Detroit, for example, three casinos earned three billion dollars in just their first three years of existence, yet the casino structures cost just a few hundred million dollars and most of the employees earn relatively low wages.

People give their money to the casino in exchange for a feeling of enjoyment that they presumably find worth the amount they pay for it. The house always takes a cut of what players wager. The casino (and state through gambling taxes) can reinvest this cut elsewhere as they see fit.

States have taken note of this possibility and have taken action. Gambling in some form is now legal in all but two states. Casino gambling has liabilities, but they appear diffuse enough that certain states have decided their positives – especially the efficient recirculation of money in the form of gambling taxes – to be worth the risk.

The form of these gaming halls is of the most interest to this essay, as other aspects have been more thoroughly examined. It turns out that although most casinos take similarly anti-urban forms, more recent and elaborate resorts are attempting to recreate the urban setting. Such a phenomenon is especially relevant to a city introducing a casino into an urban neighborhood.



## The National Spread of Casinos

In 1973 the state of New Jersey Gambling Study Commission noted that there were essentially three reasons for the “developing interest” nationwide for legalized gambling: 1) Gambling provided massive revenues “through as nearly a ‘painless’ method as can be conceived;” 2) Legalizing gambling eliminated a power base for organized crime; and 3) Gambling restrictions were increasingly viewed as “puritanical, hypocritical, repressive and archaic.”<sup>3</sup> Within five years of this study Atlantic City ended the nationwide monopoly of Nevada on casino gambling and thus began the spread of casinos to most corners of the country.

The modern American casino can be traced to the 1941 El Rancho Hotel in Las Vegas, the first casino on the Las Vegas Strip.<sup>4</sup> Within a decade that city would see the creation of ten more resort casinos, establishing an

early dominance in the American gaming market.<sup>5</sup> These casinos each aimed to be “the newest with the mostest” on the strip of highway outside the downtown of Las Vegas headed towards the airport.<sup>6</sup> The resorts served as insular destinations for tourists from around the country. The resulting destination has been fantastically successful and continues to drive an ever-‘developing interest’ in gambling nationwide.

New Jersey became the first state to decide to leverage the legalization of casinos for state objectives, via referendum in 1976. The gambling tax revenue was to be devoted to programs for the elderly and disabled. The Casino Control Act that legalized gambling also claimed the casinos would operate as a “unique tool for urban redevelopment” for Atlantic City.<sup>7</sup>

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<sup>3</sup> Schwartz, D. *Suburban Xanadu: The Casino Resort on the Las Vegas Strip and Beyond*. Routledge. London. 2003. p. 175

<sup>4</sup> Rybczynski, W. “Made in Las Vegas” Unpublished. University of Pennsylvania. Wharton School of Business. February 16, 1998.

Accessed June 2007.

<http://knowledge.wharton.upenn.edu/paper.cfm?paperID=484>.

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<sup>5</sup> Tegtmeier, R. *Casinos*. G.E.P. Cremona. Italy. 1989.

<sup>6</sup> Schwartz, 2003. p. 123

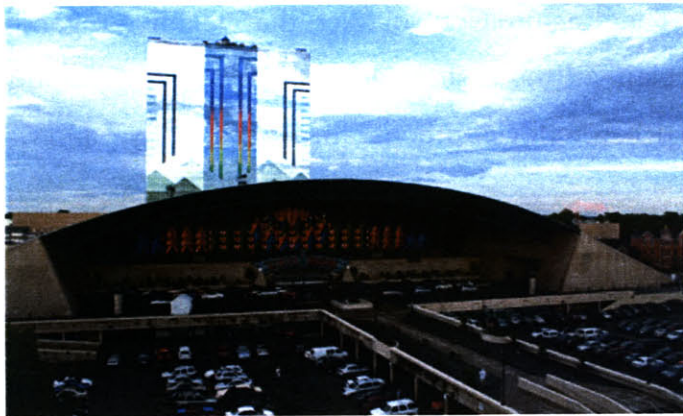
<sup>7</sup> Schwartz, 2003. p. 178



2.1 2.2



Examples of typical stand-alone casino designs with signature signage and hotel.



2.3 2.4



2.2 Depiction of Strip casino by Venturi, et al.

2.3 Seneca Niagara Casino, Niagara Falls, NY

2.1 Sands Casino, Macau

2.4 Foxwoods Resort, Ledyard, CT

Similarly to Las Vegas, these casinos were designed to be resorts. Their target gamblers, however, resided within fifty miles in the urban agglomerations of Philadelphia, New York City and Baltimore. This meant that from the start Atlantic City was fundamentally different than its Nevada counterpart because its gamblers were far more likely to be day-trippers than in Las Vegas. Despite this difference, the casinos in Atlantic City have also been wildly profitable and proved that casinos could be successful outside Las Vegas.

Native American tribes, desperate for economic development in their isolated reservations, soon capitalized on this opportunity. By the late 1970s Tribes in Wisconsin, Florida, California and Connecticut had already begun operating small bingo operations.<sup>8</sup> As they sought to expand these operations they began to run afoul of individual state gambling restrictions. The resulting fight was ultimately settled in the federal compromise of the 1988 Indian Gaming Regulatory Act,

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<sup>8</sup> Goodman, R. *The Luck Business*. Martin Kessler Books. New York. 1995

which essentially legalized casino gaming for Tribes after they establish a compact with their respective state.

Over the course of the next decade tribes across the country found the casino-based strategy of economic development to be a resounding success. By the 1990s over 145 Tribes were operating casinos with revenues of nearly \$6 billion dollars. Revenues by 2001 had doubled and Tribal gaming employed 300,000 people. One study on the impacts of Indian gaming in Washington State opined “Tribal gaming is good for Tribal members, for Tribes, for the surrounding communities, and for the state of Washington.”<sup>9</sup>

The spread of gambling throughout the country with apparently limited and diffuse drawbacks soon caught the attention of financially strapped states. Wild fears about contagious moral decay and organized crime appeared unfounded to the states, making this revenue source appear all the more ‘painless.’

The stigma of a permanent casino was still very strong, however, which led the next wave of casino

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<sup>9</sup> Schwartz, 2003. p. 185.

gaming to take the form of riverboats. These were appealing as gamblers were physically separated from the towns they docked in.

Through the late 1980s and 1990s six states along the Mississippi river used this strategy to leverage casinos for state revenue and local economic development. These states include Iowa, Missouri, Indiana, Louisiana, Mississippi, and Illinois. Very small land-based gaming halls were also legalized for historic towns of South Dakota and Colorado.

Robert Goodman, in his diatribe against the spread of casino gaming, *The Luck Business*, notes that the riverboat experience “is a classic example of how difficult it is to control gambling ventures once they are introduced.”<sup>10</sup> Due to competition with other states, many of the states have decided to allowed forms of gambling that Goodman claims were initially unpalatable to voters. He does not address the possibility that voters might have simply decided these forms of gambling were not as bad as they initially thought.

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<sup>10</sup> Goodman, 1995. p. 101

Whatever the interpretation, these various ventures have continued to be financially successful and provide scores of jobs. For example, Mississippi continues to pull in record casino revenues, despite Katrina, with 2007 revenues set to exceed \$3 billion. Such revenues provide \$350 million total for state and local coffers. In some cities the revenue provided is about half the entire city budget, and billions have been added to the local economy in wages for workers.<sup>11</sup> The experience in Mississippi was so positive that the state’s Department of Economic Development has referred to the advent of legalized gambling as the “Mississippi Miracle.”<sup>12</sup>

Such eye-popping revenue figures have continued to entice other states to allow gambling. In 2000 voters allowed “Vegas-style” gaming on California reservations,<sup>13</sup> while forms of casino gambling have also been legalized in Michigan (1996), Pennsylvania (2004),

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<sup>11</sup> Stuckey, M. “Gambling Going Like Gangbusters.” *MSNBC.com*. New York. April 30, 2007. Accessed July 2007 at [http://risingfromruin.msnbc.com/2007/04/gambling\\_going\\_.html](http://risingfromruin.msnbc.com/2007/04/gambling_going_.html)

<sup>12</sup> Von Herrmann, Denise. *The Big Gamble: The Politics of Lottery and Casino Expansion*. Praeger, Westport, Connecticut. 2002. p. 87

<sup>13</sup> Schwartz, 2003. p. 184

Florida (2005) and Maine (2005). This spread of casino gaming has burgeoned the overall gambling market from \$10.2 billion in 1982 to \$78.6 billion in 2004.<sup>14</sup> Kansas is currently considering legalization of casinos, which would make it the 13<sup>th</sup> state to do so.<sup>15</sup> All told, in 1988 there were just 53 casino-type gambling centers outside Nevada.<sup>16</sup> By 2007 that number had risen to at least 514 and continues to grow.<sup>17</sup>

Much of the recent growth in casino gaming is in land-based licenses with limited competition that are reserved for cities. Riverboats of the Midwest and South are almost all located within medium-sized cities, and now that many of them have been allowed to permanently dock they have been expanding. Indian casinos have been venturing into cities, with one in Niagara Falls, NY, one in Milwaukee, WI and several

under consideration in California. In Pennsylvania, special legislation reserved four of the nine casino licenses are specifically for Pittsburgh and Philadelphia in attempt to foster economic development. The legislation in Florida reserved its only four licenses for the urban Broward County.

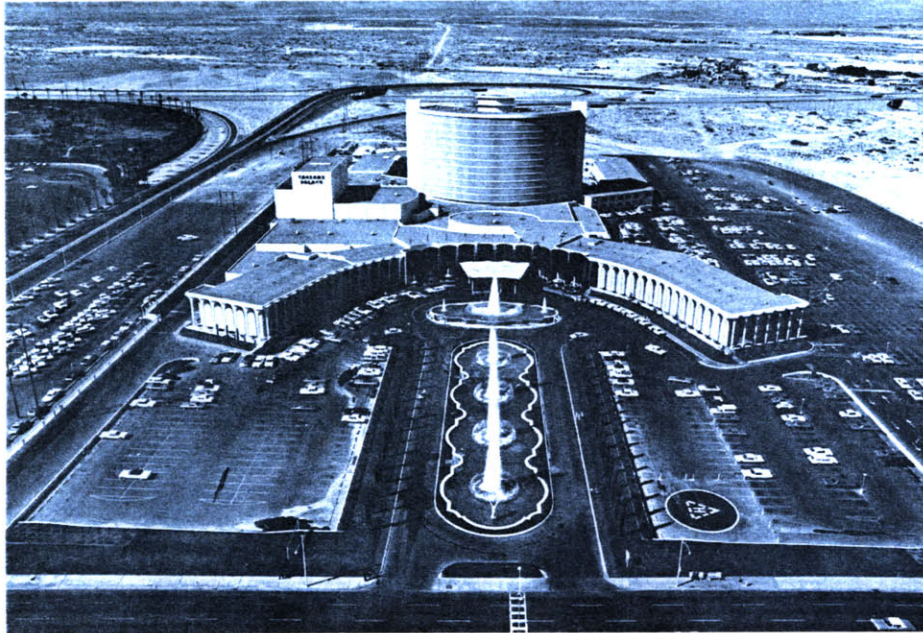
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<sup>14</sup> Eadington, W. "Current Trends in Gambling Industries Worldwide" University of Nevada, Reno. September 15, 2005. [www.unr.edu/gaming](http://www.unr.edu/gaming) Accessed June 2007.

<sup>15</sup> Whitehouse, M. "Bad Odds." *Wall Street Journal*. New York. June 11, 2007. p. R5

<sup>16</sup> Gazel, R. "Casino Gambling and Crime: A Panel Study of Wisconsin Counties." *Managerial and Decision Economics*. 22, 1-3. Jan-May 2001.

<sup>17</sup> Survey by author.



- 2.5 The prototypical fantasy casino: Caesars Las Vegas, 1972
- 2.6 Largest casino markets in the U.S., including Tribal gaming.

## Betting on Casinos

Top 20 U.S. casino markets by annual revenue, in millions of dollars

Market	2006 Revenue
1 Las Vegas Strip	\$6,689
2 Atlantic City, N.J.	5,508
3 Chicagoland, Ind./Ill.	2,595
4 Connecticut	1,734
5 Detroit	1,303
6 Tunica/Lula, Miss.	1,252
7 St. Louis, Mo./Ill.	991
8 Reno/Sparks, Nev.	940
9 Boulder Strip, Nev.	930
10 Shreveport, La.	847
11 Biloxi, Miss.	845
12 Lawrenceburg/Rising Sun/Elizabeth/Vevay, Ind.	795
13 Kansas City, Mo. (includes St. Joseph)	751
14 New Orleans, La.	696
15 Lake Charles, La.	657
16 Downtown Las Vegas, Nev.	630
17 Laughlin, Nev.	630
18 Black Hawk, Colo.	554
19 Council Bluffs, Iowa	478
20 Charles Town, W. Va.	448

Note: Revenues are rounded off.

Sources: American Gaming Association, The Innovation Group

## The Impacts of Casinos

The spread of casinos often seems driven by hope and desperation for revenue as much as it might be based on fact. Some of the facts, such as those for employee figures, often exaggerate impact because they simply represent a transfer of employment from one form of entertainment to another, rather than new employment. “Facts” on the issue, therefore, can be difficult to find from independent and disinterested research.

That said, most independent observers seem to find casinos to have small positive impacts accompanied by some difficult-to-quantify social costs. The independent National Opinion Research Center (NORC) at the University of Chicago offers the level-headed analysis that “the net picture in the economic and social impacts data is on the positive side, but not in an overwhelming way... There appears to be more of a shift in the the types and locations of work, and perhaps the overall number of workers, than a rise in per capita earnings.”<sup>18</sup> It appears this underwhelming benefit characterizes

casinos in almost all categories of impact that one examines.

### *Economic Impact*

A casino’s economic impact depends largely on the assumptions an analyst makes. Economists note that because consumers have only a relatively fixed income, if they spend money at a new casino they will stop spending money at other establishments. This phenomenon can be referred to as cannibalization.

If the analyst assumes the ‘other establishments’ that are cannibalized are in the entertainment sector of the economy, the impact might appear to be a relatively innocuous shift in economic activity towards a more highly lucrative one for states (because casinos are taxed at such high rates). On the other hand, if one assumes that the cannibalized businesses are in productive sectors of the economy, like financial services, the economic impact of a casino is much less appealing because it will hinder long-term economic growth.

Because many of these shifts are so diffuse in nature it is difficult to say which assumptions are truer, and the debate continues. Nobel Prize-winning economist Paul

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<sup>18</sup> Von Herrmann, 2002. p. 96

Samuelson asserts that gambling is “simply [the] sterile transfers of money or goods between individuals, creating no new money or goods. When pursued beyond the limits of recreation... gambling subtracts from the national income.”<sup>19</sup> The economist David Broomhall, in a 1996 study for the state of Iowa, stated that gambling could cause economic growth for Iowa if it did two things:

*Provide a positive economic contribution to the economy and draw clientele from outside the local economy. The measure of a positive economic contribution to the economy is somewhat subjective, but it means the expansion and diversification of the economic base, the generation of jobs that pay reasonable wages, and improvements in public and private services such as cultural amenities, restaurants, and shipping.*<sup>20</sup>

These relatively negative academic perspectives hardly make front page news, however, and there is much less debate on the much more positive-sounding acute impacts of casinos. The construction of the venue, the employment of several thousand people, and the revenue given to local governments are easily tabulated

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<sup>19</sup> Kindt, J. “The Costs of Addicted Gamblers: Should the States Initiate Mega-Lawsuits Similar to the Tobacco Cases?” *Managerial and Decision Economics* 22: 17-63. 2001 p. 19

<sup>20</sup> Von Herrmann, 2002. p. 96

and appear at first glance to be overwhelmingly positive. It is hard to argue with the fact that in 2006 casino gaming collected \$5.2 billion in gambling taxes and employed 366,000 people nationwide.<sup>21</sup> Such easily quotable numbers are a powerful incentives for politicians attempting to show their constituents how effectively they are helping a local economy.

#### *Tax Revenues*

Tax revenues from casinos have been massive across the board. Because casinos do not have the right to exist unless a government gives them that right, the government is free to tax the activity as they see fit. As casinos with limited competition are very profitable enterprises, these revenues can be very high indeed.

The tax arrangements between casino and government are as varied as the states that legalize gambling. In the case of Tribal gaming, these arrangements are often negotiated lump-sum payments from the casino directly to the state. Louisiana has a similar lump-sum payment arrangement between its

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<sup>21</sup> Whitehouse, 2007. p. R5



land-based casino and the state. In other states, for example Michigan, Illinois and Pennsylvania, casinos owe a percentage of gambling revenue. In Michigan its percentage-based is divided rather evenly between the state and Detroit, whereas in Illinois the state receives a vast majority of revenues.

No matter the details, the revenues are usually very lucrative. Illinois, Michigan and Mississippi, each with multiple gaming halls, all receive well over a hundred million dollars per year. Connecticut receives about \$200 million from Foxwoods Casino in Ledyard alone. Similarly to the acute impacts of a casino, tax revenues are very measurable and quotable figures that make gambling very attractive to politicians.

#### *Social Costs*

Such an influx of money does not come without social costs, which places governments in a disconcerting situation of moral hazard. On one hand the revenues gained are easily measurable and can legitimately assist a government in serving its constituents. On the other hand, the equally legitimate social costs that come along with these benefits can be very hard to measure, and

often will only be even noted if the government honestly investigates these diffuse, yet very negative, effects.

Problem gamblers are perhaps the most visible of the social costs of gambling. Some observers note that problem gamblers may provide up to half of gambling revenue nationwide.<sup>22</sup> In Louisiana, a 1995 study by the Gambling Control Board found that the problem gamblers accounted for about 25% of the gambling garnered in that state.<sup>23</sup>

States usually require casinos to pay for advertising for programs to assist problem gamblers, to which the casinos are often more than willing to agree. This is because there is a real fear that if gambling is considered addictive enough it not only might be curtailed at any time but that the industry could also suffer lawsuits akin to the tobacco settlements.<sup>24</sup>

There are laundry lists of ills associated with problem gamblers that opponents can cite as drains on societal resources. Pathological gamblers are more likely to

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<sup>22</sup> Whitehouse, 2007. p. R5

<sup>23</sup> Gill, J. "Gambling Study's Revelations." *The Times-Picayune*. New Orleans, LA. April 18, 1999. p. B7.

<sup>24</sup> Kindt, J. 2001

engage in criminal activity to pay off debts, and experience disorders as varied as depression, intestinal disorders, high blood pressure and cardiac problems at rates higher than the general population.<sup>25</sup> The NORC reports that the 'low-ball' figure for the costs to society of the ills per gambler is \$12,000 in a lifetime.<sup>26</sup> A 1995 study in Louisiana found that the 'measurable social costs' of problem gamblers to that state, *annually*, were about \$500 million.<sup>27</sup>

Crime is another social cost associated with the casino, though it is an impact that is even harder to tie directly to a casino. This is because casinos do not appear to cause crime in any direct way around the casino. The deputy police chief in Joliet anecdotally illustrated this in 1993 noting that there had not "been any crime problem, nothing significant at all" after the casino opened there.<sup>28</sup>

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<sup>25</sup> Kindt, J. 2001

<sup>26</sup> *Id.*

<sup>27</sup> Gill, 1999. p. B7.

<sup>28</sup> Davis, R. "Joliet Symbolizes Riverboats' Good, Bad Sides" *Chicago Sun-Times*. Chicago, IL. June 21, 1993. p. 4

Rather than around the casino, the links to crime are often spread through the broader region via problem gamblers. In 1995, Goodman noted that the American Insurance Institute estimated that forty percent of all white-collar crime had its roots in gambling.<sup>29</sup> A 2001 study in Wisconsin found that counties with casinos had a significantly higher crime rate, especially non-robbery aggravated assault and motor vehicle theft.<sup>30</sup> A much larger survey of crime in 3,000 casino counties found that about 8% of the crime in these counties is attributable to the casinos.<sup>31</sup>

#### *Revitalization*

The most relevant impact to this thesis, that of the potential for urban revitalization, is also the least researched in academic circles. Part of the reason for this is simply that there are so few examples of casinos interacting with any substantial built environment. The original casinos in Las Vegas were largely built on an isolated highway, and this model has been repeated

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<sup>29</sup> Goodman, 1995.

<sup>30</sup> Gazel, 2001.

<sup>31</sup> Whitehouse, 2007.

throughout the country. Tribal gaming is found on primarily rural reservations, and riverboats took their form specifically to be separate from the cities on *terra firma*.

Atlantic City is by far the most famous attempt to use casinos for urban revitalization, and it has been far from successful. The casinos have been successful in drawing 35 million visitors a year to the formerly famous resort and attracting billions of dollars in investment to the city.<sup>32</sup> Yet at the same time, simply venturing one block inland from any of those casinos and observing the continued malaise of the city proves the superficiality of this “revitalization.” Pacific Ave., which once bustled with retail and restaurants, is now little more than the service entrance to ugly casino complexes. Some critics charge that the casino just “enriched casino operators, real estate speculators, and other interested parties at the expense of the citizenry of Atlantic City.”<sup>33</sup>

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<sup>32</sup> Schwartz, 2003.

<sup>33</sup> Schwartz, 2003. p. 175

## Disclosure

Because casinos are so often discussed by those persons with vested interests in one side of the debate or another, I find it important to offer full disclosure on my perspective on the issue. This research is done solely as an open-minded investigation inspired by a curiosity about what will happen to my hometown. I am not beholden to one view or another, though on the whole I am skeptical of the general societal benefit of casinos. Yet they seem to be a vice that society will partake in no matter the legality, so I am equally skeptical of outlawing gambling.

The problem with casinos, as I see it, is not the act of gambling. Poker is a regular part of my life and I have miraculously made money at casinos. During the writing of this thesis, on a rare trip to a casino, I hit the inside on a roulette wheel in Atlantic City not once, but twice. That meant that after risking only 30 dollars I emerged with over a \$1,000. Needless to say, that was a rush that I quite enjoyed and I would object if an overly puritan government took that ability away from me.

The problem I do see with casino gaming is the speed of the monetary loss versus the pleasure gained. Other times when I have sat down at a slots machine – the largest moneymaker at most casinos – I can easily go through twenty dollars in the blink of an eye. Twenty dollars could pay for five hours worth of very enjoyable movie watching. Yet I only received a blink-of-an-eye’s worth of slots playing. The amounts of pleasure are hardly equitable.

A foundation of economic analysis is that people are rational, informed customers that pay as much for a good or service as they value that good or service. It is very hard for me to believe that people are making a rational choice to pay for the split-second ‘pleasure’ of pressing the button to activate the slots. Instead, they appear to be making a very poor investment decision. As 62-year old slots player Betty McNeil recently interviewed by the Boston Globe noted, – after her third straight hour of

staring at the same machine – “It’s like hypnotism. When you play its like you’re in another world.”<sup>34</sup>

My unfavorable opinion of casino gambling as applied to society originates from the fact that I know too many gamblers like Mrs. McNeil to possibly believe that they are rational, informed customers. Gambler’s rationality is doubted because far too many have theories of success based on where they sit in slots, how they pick a lucky number in roulette, or what etiquette to follow in BlackJack, despite an objective knowledge that you cannot help your odds. The informed nature of a gambler is doubted because gamblers 1) overestimate their past winnings, and 2) underestimate the odds against them.

Basically, most gamblers think that they can come out ahead. Yet statistically, on average, this is impossible. As the dictum goes, ‘the only way to make money at a casino is to own it.’ And if gambling is bad for the individual players, then it follows that it cannot be good for society writ large.

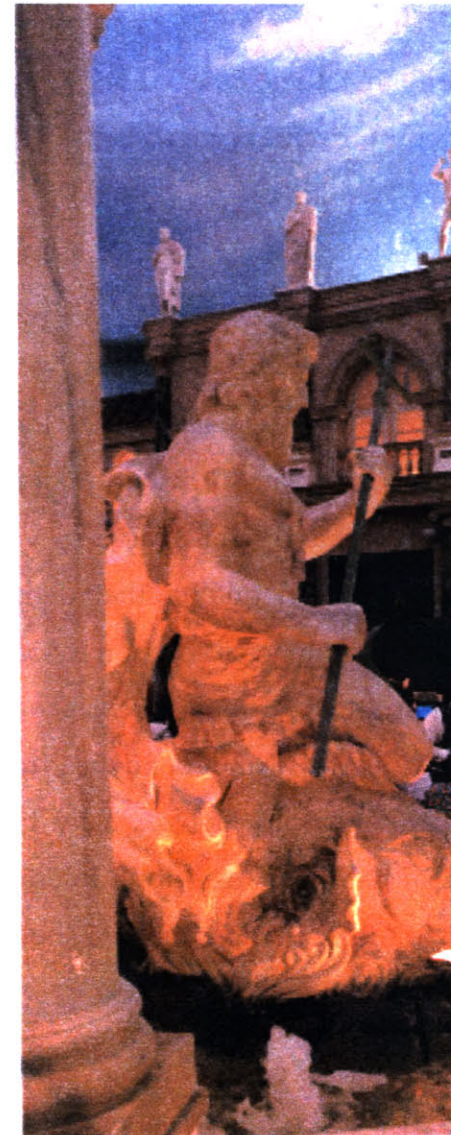
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<sup>34</sup> Viser, M. “Detroit Betting Heavily on Casinos.” *The Boston Globe*. Boston, MA. August 5, 2007

Yet that being said, people have always sought ways to gamble, and likely always will no matter the legality. Also, as I experienced in Atlantic City, there is some legitimate entertainment value in those rare occasions when one beats the odds. Both because of its inevitability and because of the legitimate entertainment value within it, I find governments justified in offering regulated casinos.

Therefore, if gaming is to be tolerated officially, it follows that governments should seek to leverage the most that is possible out of them. In the case of casinos, I am of the belief that there is a significant opportunity in the physical impact of these institutions on their context.

**2.7** Interiors of casinos, like Caesars Las Vegas, are streetcapes without time.



## Form of Casinos

The physical impact of casinos is inherently tied to the form that they take. The Atlantic City 'revitalization' attempt dramatically illustrates this principle. After those casinos obliterated the urban fabric around them, the former chairman of the Casino Control Commission in New Jersey, James Hurley, admitted that New Jersey's legislation, as it was written, "was a mistake." He noted that the state legislated that the casinos become "little cities" with self-sufficient amounts of convention, hotel, restaurant and retail space.<sup>35</sup>

The urban quality that defines cities is exactly the interdependence of economic forces and social processes within them. The 'little cities' of these casino had such a high degree of independence from the surrounding city that they could longer truly be considered part of an urban fabric. If they don't interact with the urban fabric, it is difficult to imagine how they could possibly revitalize it.

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<sup>35</sup> Schwartz, 2003. p. 182

This 'little cities' form of casinos is hardly restricted to New Jersey. While the legislation there might have required that form, it is exactly the form casinos prefer. From the first casino on the Las Vegas Strip, El Rancho, almost all casinos worldwide have been designed with one overarching principle in mind: "keep the player in the house, or else."<sup>36</sup> The gambling revenues from the casino within a casino resort are highest when players are exposed to gambling for as long as possible. The longer a player stays in-house, the more statistical anomalies of gamblers like myself - who get extremely lucky and leave immediately - are eliminated. The easiest way to keep people inside the casino is to have the casino complex offer all the goods and services the surrounding city might be otherwise expected to provide.

It can safely be said, then, that the casino will always try to create this inner "pseudo-urban"<sup>37</sup> space when left to its own devices and therefore turn its back on any truly urban surroundings. An industry design

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<sup>36</sup> Schwartz, 2003, p. 7

<sup>37</sup> Schwartz, 2003, p. 7

handbook, *Designing Casinos to Dominate the Competition*, illustrates this line of thinking most starkly: "...what the general public thinks about décor is absolutely meaningless. Their attitudes should be ignored. The only relevant opinions are those of players and visitors who say they like to gamble."<sup>38</sup> Those players want goods and services immediately accessible to the gaming action.

The author of *Designing Casinos*, Bill Friedman, is writing for the casino manager seeking to maximize profit from their casino. "Beauty is not the goal," he reminds them, profit is.<sup>39</sup> Therefore everything about the casino structure must be oriented towards the gambling activity while minimizing attrition of gamblers.

Friedman elucidates a number of the motivating principles that casinos will attempt to incorporate into their design. Of special relevance to cities are his exterior design principles:

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<sup>38</sup> Friedman, Bill. *Designing Casinos to Dominate the Competition: The Friedman International Standards of Casino Design*. Institute for the Study of Gambling and Commercial Gaming. University of Nevada, Reno. 2000. p. 101

<sup>39</sup> *Id.*, p. 110

*The first goal of exterior design should be to attract the attention of vehicular passengers and pedestrians as they approach and pass the property. The second should be to create a building, property layout, and marquee that will arouse the interest of passersby, enticing them to want to turn in to the property and enter the casino.*<sup>40</sup>

These principles reinforce the fact that everything about the casino must be specifically designed to suck the life off of surrounding streets and into the casino.

The implications of these simplistic principles appear fundamentally incompatible with an urban environment. For example, according to these principles, casino designers should avoid having incoming drivers make any turns. Friedman explains, "If the roadways cannot be straightened out, they should at least not contain 90-degree angles."<sup>41</sup> A casino designed accordingly can hardly integrate with the common gridded pattern found in most urban American neighborhoods without major disruption. That is the idea, of course, as the casino, "from every vantage point,

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<sup>40</sup> Friedman, 2000. p. 146.

<sup>41</sup> Friedman, 2000. p. 147.

...should have the strongest presence in the surrounding area."<sup>42</sup>

Friedman's discussion on entering the casino is especially prescriptive. When entering from a parking structure, patrons are not to be exposed to the outside elements. This includes not only the weather, but also the "path of whizzing cars" that the straightened path into the parking structure presumably engenders.<sup>43</sup> Escalators will then ideally bring the players into the heart of the action.

Those few patrons entering the building from the street should encounter "beckoning, enchanting passages... that tickle the anticipation and imagination that lurks within the gambler." From the exterior, these approaches should be "special to behold. Conversely, on the inside, they should be toned down, almost camouflaged, made to perceptually disappear in to the interior environment, so they go unnoticed by visitors."<sup>44</sup>

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<sup>42</sup> Friedman, 2000. p. 146.

<sup>43</sup> Friedman, 2000. p. 149.

<sup>44</sup> Friedman, 2000. p. 149.

Friedman does not dream up novel ideas, instead he gleans these 'winning principles' from the extant designs of profitable casino resorts. Indeed, David Schwartz notes in *Suburban Xanadu* that the casinos everywhere are "remarkably similar" and that the "structural and operational systems developed on the Strip... have been exported across the nation."<sup>45</sup> (2.1-2.4)

Robert Venturi, et al, in their seminal architectural analysis of the Strip, *Learning from Las Vegas*, describe the original casino resorts of the Strip as "combination forms" whose variety of styles and whose primacy of signage were all oriented towards "bold communication."<sup>46</sup> As such, they were little more than "decorated sheds." These sheds were adorned with an "appliqué of one order of symbols" unrelated to the structure underneath. In other words, the fantastical decorations of Caesars Palace had little to do with the utilitarian, self-contained complex underneath that

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<sup>45</sup> Schwartz, 2003. p. 192.

<sup>46</sup> Venturi, R., Brown, D., Izenour, S. *Learning from Las Vegas*. MIT Press. Cambridge, MA. 1972 p. 4, 48



housed “gambling, dining and banqueting rooms, nightclubs and auditoria, stores and a complete hotel.”<sup>47</sup>

In that appliqué, a casino of the Strip aims to evoke an oasis. Not an oasis from the desert, but an oasis from *everything*. Once inside the maze of the casino, the gambler “never connects with outside light or outside space. This disorients the occupant in space and time. He loses track of where he is and when it is.”<sup>48</sup> Whatever appliqué is used, whether it be Rome as in Caesar’s Palace, a secluded island as in Treasure Island, or the city of New York as in New York, New York, every casino seeks to create the experience that slots player Betty McNeil described: “there’s something about the casino. You forget everything when you come here.”<sup>49</sup>

The longer the gambler forgets everything outside the casino, the longer they stay. The longer the player stays, the more money they spend.

**2.8** The fanciful interior of the Mohegan Sun casino in Connecticut.

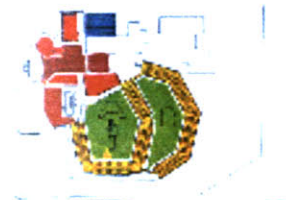
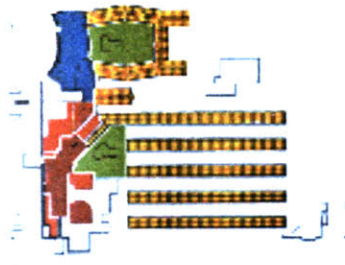


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<sup>47</sup> Venturi, et al, 1972. p. 48

<sup>48</sup> Venturi, et al, 1972. p. 44

<sup>49</sup> Viser, 2007.



**2.9** Examples of typical casino typologies on the Strip in 1971.

## The Casino and the City

The fundamental relationship of the casino business model to the form that it has taken throughout the country does not bode well for the possibility of integrating such a complex with a dense urban fabric. Yet it is intriguing at how much these complexes really do resemble 'little cities.'

Venturi, et al, observe as much in their discussion on the casino as a meeting space. Casinos qualify as such not only because of the massive number of people inside, but also because their interior spaces and businesses are able to satisfy such a variety of needs, from entertainment to lodging to eating. Formerly, a meeting space was bounded on the sides with an either high or nonexistent ceiling, much like an Italian piazza. But in the casino, strategic dim lighting of low ceilings "expand and unify the space by obscuring its physical limits. You are no longer in the bounded piazza but in the twinkling lights of the city at night."<sup>50</sup>

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<sup>50</sup> Venturi, et al, 1972. p. 46

More recent evolutions in casino design illustrate that this notion is more than mere abstraction. Venturi, et al, saw that the "evolution in Las Vegas is consistently toward more and bigger symbolism." Signs and decorations could only take competitiveness so far, however, so in 1990 with the construction of the gargantuan 4,032 room Excalibur Casino and Resort, the Strip casino evolved from a 'decorated shed' to a "duck."

A 'duck,' as Venturi, et al, define it, is a building that substitutes "decoration for articulation."<sup>51</sup> The namesake example of this phenomenon is the "Long Island Duckling." This duck store does not merely decorate itself with symbols of its wares; it becomes the symbol of that which it purveys (2.10).

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<sup>51</sup> Venturi, et al, 1972. p. 72



**2.10** The original duck, the “Long Island Duckling.”

Casinos’ wares are the many goods and services required to create ‘an oasis from everything.’ Soon after the construction of his second massive hotel, the 1993 ‘duck’ of Treasure Island, casino magnate Stephen Wynn explained, “it was never only about the gambling, ... it was about the place itself.”<sup>52</sup> To be competitive, that place now needed to be a physical manifestation of the oasis it was selling. In Excalibur, the form this took was a romantic castle. Treasure Island offers to the public a mythical island cove where even pirate battles are reenacted.

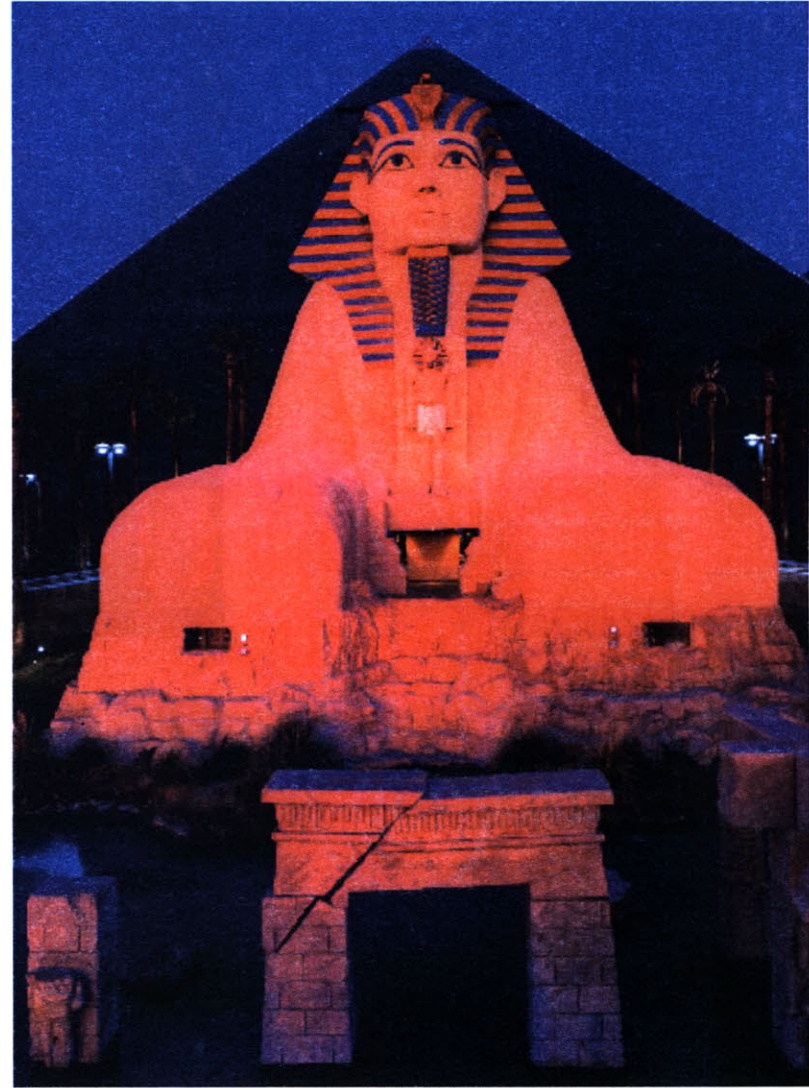
More recently additions to the strip at the end of the 1990s are more specific. These casinos are not offering the dull oasis from the childhood fantasy, they are offering an edgier environment where the physical limits of space itself is obscured: ‘the twinkling lights of the city at night.’ These ‘ducks’ go by the names of the Venetian, Paris, the Monte Carlo, and New York, NY, and they try to look like those enchanting cities, too.

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<sup>52</sup> Rybczynski, 2007.



2.11 New York, NY Casino, Las Vegas



2.12 Luxor Casino, Las Vegas

**Examples of the “Las Vegas Ducklings”**



2.13



2.14



2.15

**The Interior "Cities"**

2.13 Tropicana Casino, Atlantic City

2.14 Luxor Casino, Las Vegas

2.15 Aladdin Casino, Las Vegas

While the casinos obviously cannot recreate *these* cities, it is easy to see the resemblance to the entertainment districts of cities in the abstract. These casino resorts have upwards of 4,000 rooms each. They offer scores of restaurants, retail, people movers (trams), entertainment, gyms, convenience stores, golf courses, pools, parks, waterfront property, and on and on.

The duck-like attempt on the part of casinos to communicate their resemblance to cities is even evident inside non-city-themed structures (2.13-2.15). These cityscapes were added both to create exciting worlds and, more importantly, to add ways in which visitors can spend money. Unsurprisingly, as casinos continue to diversify their product through these cityscapes, the percentage of revenue drawn from the actual gambling operations on the Strip has fallen from 58% in 1990 to 44% in 2004.<sup>53</sup>

This fact, coupled by the self-driven diversification of casino resorts, is fundamental to understanding the use of a casino as an anchor for driving surrounding activity

in an actual city. It is evident that casino owners have discovered that the single-use shed is not, in fact, the most profitable casino business model. Instead, the most profitable model for a casino owner is to leverage the traffic a casino generates to drive revenue streams from a variety of retail and entertainment venues, even if this somewhat dampens casino revenues. This is parallel to the potential use of a casino in an extant entertainment district.

In short, these resort complexes are now so massive that it is difficult to see them as one entity. Instead, they are the multifaceted manifestation of the most profitable business model that a casino can act as the driver for. That business model relies on interdependence. It creates synergy between hotel and entertainment, casino and restaurant, retail and relaxation. The places created are veritable 'little cities' defined by an internal interdependence of economic forces and social processes.

The most recent addition to the Strip not only illustrates this phenomenon, it is also named "CityCenter." Currently under construction, its size is

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<sup>53</sup> Eadington, 2004.

staggering. It will occupy 76 acres on the Strip, and is expected to fill out 16,797,000 sf of mixed use space at a cost of \$7.4 billion.<sup>54</sup> The complex will employ 12,000 people and have 7,091 hotel rooms, condominiums, a

convention center, a fire station, power plant and will connect by tram to the other 'little cities' of the strip. It appears to be a veritable piece of a city, replete with the buildings by world-reknowned architects Cesar Pelli, Helmut Jahn, Daniel Libeskind and Rafael Viñoly (2.15).



<sup>54</sup> Clark County Comprehensive Planning. "02/09/06 PC Agenda Sheet Resort Hotel/Resort Las Vegas Boulevard South Harmon Ave" Clark County Development Services. Accessed August 2007 at [dsnet.co.clark.nv.us](http://dsnet.co.clark.nv.us)

**2.15** Project City Center, Las Vegas







### III. Methodology

To ascertain the physical impacts of stand-alone casinos in urban neighborhoods, I have selected three casinos that are among the few examples of stand-alone casinos in urban neighborhoods in the U.S.: Detroit, MI, Joliet, IL, and New Orleans, LA. They were chosen both for their relatively long histories and for the relevance of their story to dense communities considering casinos in the future. I have assembled for each case a comprehensive set of observations through various forms of evidence, including interviews, planning documents, photographs, newspaper reports and personal visits to each site.

## Case Study Selection

The cases were chosen after compilation and review of a list of 699 places with casino gambling in the United States. In the interest of selecting sites that have stories relevant to cities considering stand-alone casinos, I applied the following criteria as a filter to ascertain the casinos that are most relevant to the question at hand:

1. **Stand-alone:** No competing casinos permitted in the surrounding neighborhood, defined as a half-mile radius.
2. **Urban:** Surrounded by a mixed-use, dense urban settlement with no artificial or natural barriers separating the casino (often highway or water).
3. **Catalytic:** Casino adoption motivated at least in part by the hope of revitalization or redevelopment of the surrounding neighborhood.
4. **Large:** Total investment above \$200 million.
5. **Established:** Established for at least five years, with preference given to casinos with a longer history.

Very few casinos matched these criteria. A vast majority of the establishments were eliminated immediately for reasons of competition and situation. 259 of these centers are located in areas with locally competitive gambling (SD, NJ, NV, CO), 23 are cruise liners (FL, TX, AK) and 26 are racetracks or resorts that are fundamentally different from stand-alone casinos. The vast majority of Tribal gaming (279 centers) is found in rural or suburban sites, and most riverboat casinos (91) are disqualified by the fact that they either do not directly interact with an urban fabric or are locally competitive. Lastly, of the few that qualify as urban casinos, most have only recently been established, so were also disqualified.

Ultimately, the review found six casinos to be especially attractive for further study: Harrah's Casino in New Orleans, Harrah's Casino in Joliet, Greektown Casino in Detroit, MotorCity Detroit, the Potawami Bingo Casino in Milwaukee, and the Seneca Niagara Casino in Niagara Falls, NY. Harrah's New Orleans,

Harrah's Detroit, and Greektown Detroit interacted with densest urban fabrics and were therefore considered the most relevant for cities considering the introduction of casino gambling.

**3.1 Comparison of Casino Facts**

	<b>Opening</b>	<b>Size (sf)</b>	<b>Jobs</b>	<b>Investment*</b>
<b>Harrah's Joliet Casino</b>	1993	40,000	2,000	\$218,507,266
<b>Harrah's New Orleans Casino</b>	1999	100,000	2,800	\$650,220,888
<b>Greektown Casino Detroit</b>	2000	75,000**	2,503	\$383,352,941

\* in 2006 dollars.  
 \*\* expanding to 100,000sf

## **Method of Analysis**

This thesis seeks to answer the question, “What are the physical and developmental impacts of the introduction of a stand-alone casino to a dense urban neighborhood?” Due to the extremely small number of relevant cases as well as the limited scope of this thesis, I sought to create a qualitative description of the impacts of each case upon their neighborhoods.

The description of impacts for each case study begins with an analysis of the physical and historical setting of each casino. This section primarily utilizes archival materials from local libraries and museums as well as contemporary accounts of the neighborhoods offered in newspapers and promotional materials from before the introduction of the casino. Glimpses of the neighborhoods from historical analyses of the city were also used if available.

I then moved on to a description of the motivations for the introduction of a casino into the city, in general, as well as into the selected neighborhood. Such an understanding grounds analysis of where the casino design succeeded, where it failed and what perceived

failures are simply missed opportunities for success. For this analysis, I relied heavily on contemporary newspaper accounts of the debate and any archival materials concerning the subject in local collections.

The discussion of impacts of each casino is broken down into five categories of impact: Impact on Urban Design, City Investment, Real Estate Development, Street-Level Commerce, and Residential Community. Together these seek to: 1) describe the physical impact of the casino; 2) describe the impact of the casino from the perspectives of those stakeholders in the neighborhood that are usually considered in legalization debates to be those most impacted by the introduction of a casino. A definition for each is presented below:

**Impact on Urban Design:** The change in the physical design of the neighborhood after the introduction of the casino. In this analysis, the casino program and design are analyzed and critiqued as they relate to their urban context. The program is broken down into its component pieces to standardize discussion of the casino: Gaming Area (restricted access), Casino-owned retail (public

access retail that is also part of the casino), casino hotel, parking garage, surface parking lot and protected walkways (whether elevated or subterranean). The design program for each casino is presented in diagram form at the beginning of each case study as a reference for the discussion of each casino.

**Impact on City Investment:** A two-part impact analysis, both on the city's *ability* to invest into the neighborhood and on its *propensity* to invest into the neighborhood. In other words, this discussion answers two questions: To what degree has the casino helped the city government's budget? Does the city invest more into the neighborhood after the introduction of the casino?

**Impact on Real Estate Development:** Real estate development is often offered as a motivating factor for casino development and is also indicative of the attractiveness of locating near a casino to investors of all types of real estate. How has the introduction of the casino affected real estate development in the surrounding neighborhood?

**Impact on Street-level Commerce:** Casinos bring many thousands of people into an area, raising the hopes of nearby merchants. How has the introduction of the casino impacted merchants in the neighborhood?

**Impact on Residential Community:** A casino is often considered to be incompatible with residential communities, both due to the fear of crime but also because of increased traffic. How has the introduction of a casino impacted residential communities in the immediate vicinity of the casino?

This analysis relies heavily on personal visits to each casino neighborhood during which the neighborhood was observed and informal interviews were held with people from each neighborhood. The casino context was also analyzed through photographs, archival research in local special collections, surveys of assessor's data and newspaper and magazine accounts of casino impacts.

After analyzing each individual case study, I then turn to a more general discussion of the impacts of stand-alone urban casinos. Findings from the analysis of each of the five selected categories of impact are presented,

followed by a general discussion of the implications of these findings when taken as a whole. The thesis culminates with a series of recommendations based on these findings for city managers to consider when attempting to leverage the maximum positive physical impact from a casino development.





### **HARRAH'S JOLIET CASINO**

Opening: 1993 as a riverboat. Docked in 2000 and redeveloped into barges that are indistinguishable from a land-based casino in 2001.

Type: Full service, permanently docked barges.

Investment: \$60 million in 1993, \$29 million in 1999, \$82 million in 2001.

Jobs: 2,000

City Size: 77,217 in 1990. (currently over 145,000)

Market: 9 million in Chicago Metropolitan Area.

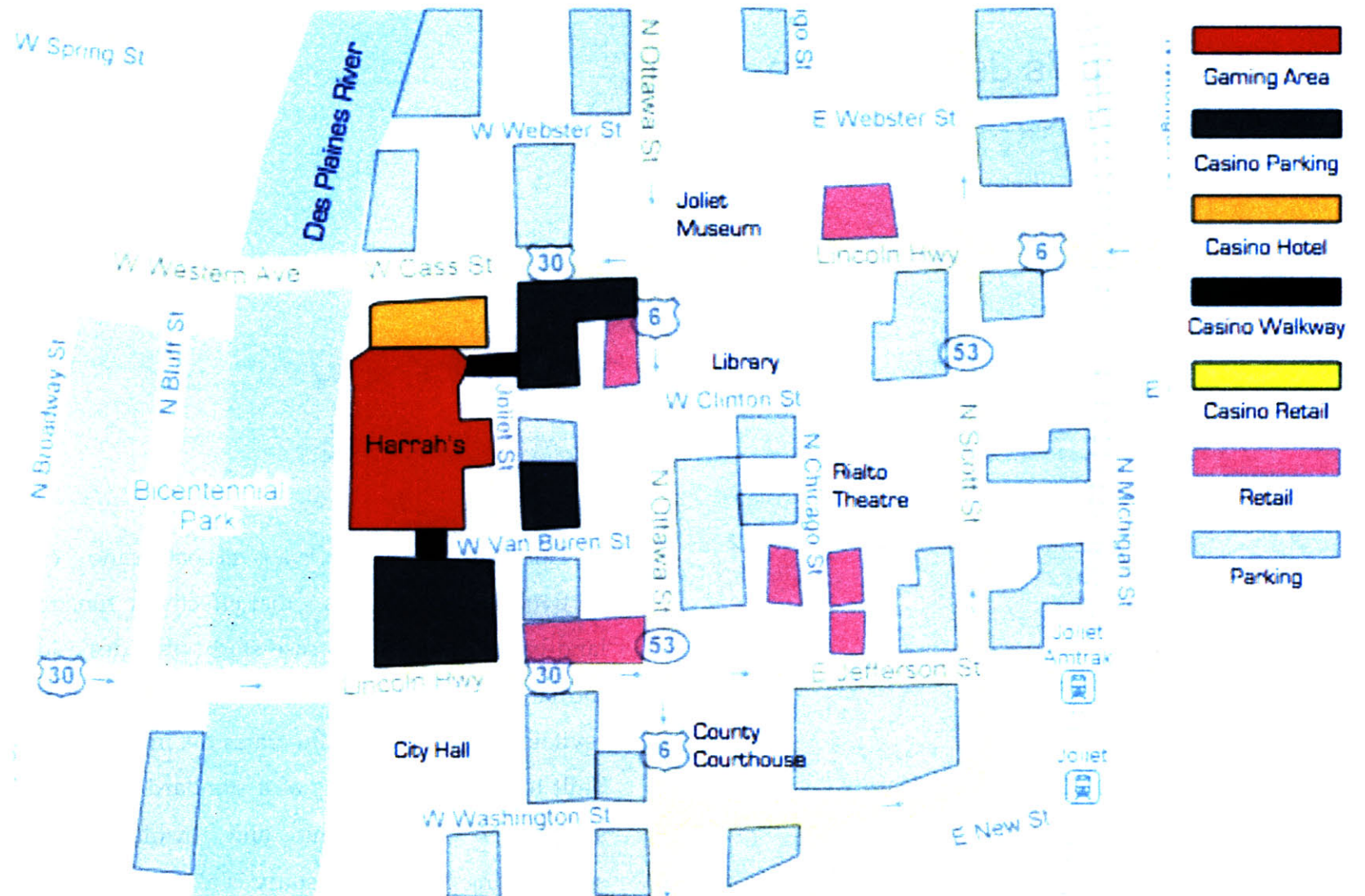
Competition: At least eight other riverboats in Chicagoland.

Location: The Des Plaines riverfront in downtown Joliet.

## IV. Harrah's Joliet Casino Joliet, Illinois

### **Introduction**

Harrah's Joliet casino is a riverboat casino – currently on two disguised barges – that effectively functions as a land-based casino. This case study provides a look at a formal attempt to utilize a casino as part of a formal revitalization plan, and illustrates the impacts of a casino built to the specifications of a standard casino program surrounded by parking and insulated from its surroundings. This case study is also unique among the three case studies for illustrating the impact of additional revenue on an otherwise healthy, medium-sized city.



4.1 Harrah's Joliet Casino in neighborhood context.



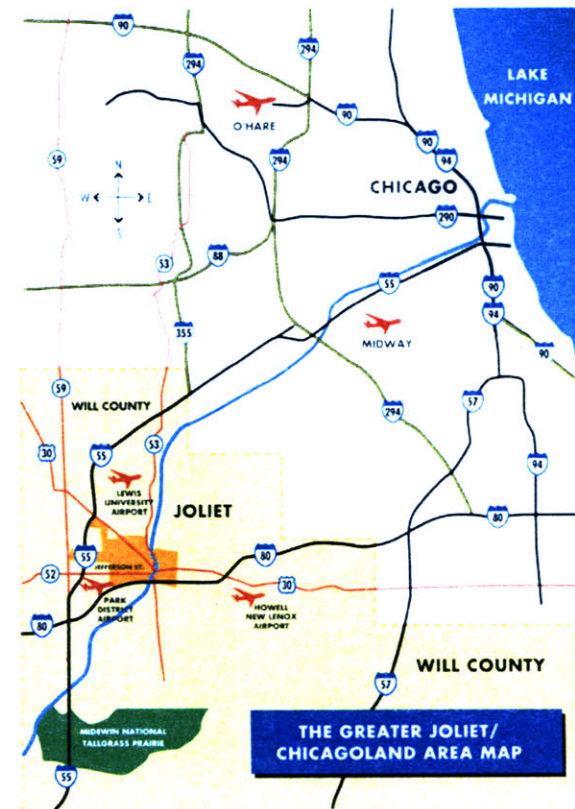
4.2 Aerial view of Harrah's Joliet Casino.

### Physical and Historical Setting

Joliet is a city defined by crossroads. Its rise in the mid-1800s was fueled by its role as the junction of the I&M canal; the Illinois Waterway; and the Michigan Central, Chicago Rock Island & Pacific, and Chicago & Alton Railroads. The demise of its downtown was fueled in the 1960s by the nearby crossroads of Interstate Highways 55 and 80, which dispersed a once-dense population.

A temporal crossroads that currently defines the city is illustrated by the 2002 closing of the Joliet Correctional Center. This impressive structure, built as the state penitentiary in 1858, had long ago fixed the city's name to a notoriously tough prison. The city became infamous as the 'prison town' of Chicagoland despite the fact that it has long been an industrial powerhouse of the area. At one point in the late 1800s the city even "harbored the ambition to outflank Chicago" to the west and thereby become a great rail hub between east and west.<sup>55</sup>

<sup>55</sup> Buisseret, D. *Historic Illinois From the Air*. University of Chicago Press. Chicago, IL. 1990.



4.3 Joliet is just 45 minutes by car from Chicago.

The notoriety of Joliet's name spread nationally when the Blues Brothers Band became a hit in the 1980s. Their frontman, "Joliet Jake" (aka John Belushi) used the city's name to embellish his jailbird reputation. By then, Joliet's ignoble reputation was particularly apt. In the

recession of the 1970s and early 1980s Joliet hemorrhaged jobs from its manufacturing base. Its lead employer, the earth-moving equipment maker Caterpillar, Inc., shed two-thirds of its workforce. The downtown became a ghost town, population decreased and unemployment climbed to nearly 30%.<sup>56</sup>

By 2002, however, a different Joliet had taken shape. This city built by railroads and factories had been recreated by highways and bedrooms. The city found itself as an exurb of Chicago, just 45 minutes away by car and commuter rail. After a low of just 77,217 residents in 1990, by 2006 the city's population had skyrocketed to over 145,000 and growing. The city currently averages 1,400 housing starts every year.<sup>57</sup> Part of this growth is the fate of being an exurb of a growing metropolis, but much of it is due to sound management on the part of the city in making the city one that is attractive to inhabit.

Joliet had transformed into a city that no longer fit its 'prison town' moniker. The economy had diversified as

the city added industrial enterprises and many attractions, including a NASCAR race track, a NHRA drag racing strip, a baseball stadium, a water park, a museum and a refurbished library. Funding many of these investments were two casinos built in 1993: the Empress - located at the suburban fringe of Joliet - and Harrah's Joliet.

Harrah's Joliet was inserted directly into the geographic center of Joliet. Occupying several acres on the Des Plaines River, the casino occupies the junction of two of the primary roads of Joliet: routes 30 and 53. It sits across Jefferson Street from City Hall and is within blocks of the public library, the Joliet Area Historical Museum, the Will County Courthouse, Union Station and Silver Cross baseball field.

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<sup>56</sup> Esposito, F. "PS Makers Put Joliet on Map" *Plastics News*. Akron, OH. October 11, 1999. p. 1

<sup>57</sup> City of Joliet Website. [www.cityofjoliet.info](http://www.cityofjoliet.info). Accessed in July 2007.



4.4 Downtown Joliet visitor map.

4.5 1917 view of West Clinton Street towards the East.







4.6 1917 view of the historic Christ Episcopal Church.

At its prime in the early 1900s, this neighborhood was dominated by offices, retail and other uses typically found in a turn of the century downtown. The nearby river was an industrial waterway, but noxious land uses were, for the most part, separated from this more genteel district.

Buildings in the area were built predominantly out of Joliet Limestone with its trademark yellow tinge. The rock – common just under the surface throughout the area – was the original source of wealth for the city, especially as it was used to rebuild Chicago after the

Great Fire of 1871. Several of the oldest and most prominent of these structures were located in and around what would become Harrah's site, including the 1895 Eby-Brown Office Building, the 1887 Christ Episcopal Church, and the 1882 St. Mary's Catholic Church.<sup>58</sup>

At the time of the casino's opening in 1993 the neighborhood reflected little of this past vitality. Parking lots had replaced many of the buildings, St. Mary's church had closed (with Christ Church to follow), and many of the storefronts that remained sat empty. Wide, empty streets divided the riverfront from the more densely packed urban fabric of the downtown to the east. The nineteen lots that were purchased to make way for Harrah's included eight vacant or parking lots, a Buick Dealership, a gas station, a service station and a storage warehouse.<sup>59</sup> To the south of the site the 1960s City Hall filled an entire city block with a structure that appears to have more in common with a bunker than a civic edifice.

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<sup>58</sup> "Downtown Churches: Joliet" Landmarks Preservation Council of Illinois. Chicago, IL. Accessed July 2007.

[http://www.landmarks.org/chicago\\_watch\\_2005\\_3.htm](http://www.landmarks.org/chicago_watch_2005_3.htm)

<sup>59</sup> La Russa, C. "Harrah's Pays Price" *The Herald News* Joliet, Illinois. December 20, 1992

### Motivation for Casino Construction

After the city's manufacturing sector collapsed in the early 1980s, "Joliet leaders dreamed of a city with a bustling downtown, a diverse economy and safe neighborhoods."<sup>60</sup> The city proactively sought to effect this change, resulting in the Joliet City Center Development Plan of the late 1980s. This plan offered a strategy to "take advantage of the area's existing physical assets."<sup>61</sup> At the time these included Bicentennial Park (across the Des Plaines from the current Harrah's site) and architecturally and culturally significant sites downtown such as the Rialto Theater. The city also began to borrow money to invest in infrastructure that would enable the attraction of both new industry and the construction of new neighborhoods.

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<sup>60</sup> Slowik, T. "City flexes riverboat muscles" *The Herald News* Joliet, Illinois. October 1, 2000.

<sup>61</sup> "City of Joliet Community Profile, 2006" City of Joliet, IL. [www.cityofjoliet.info](http://www.cityofjoliet.info) Accessed July, 2007.



4.7 The bunker-like Joliet City Hall.

4.8 The Joliet City Center logo.



Such a plan had two glaring needs in the eyes of the City: revenue to implement the vision and a “major downtown entertainment attraction” that could lure visitors back into the downtown.<sup>62</sup> It was thought that such an attraction could bring a customer base that would spur development of retail and other services downtown. The type of attraction was still up in the air.

As the state began to contemplate legalizing riverboat gambling, Joliet boosters including then-state Senator Thomas Dunn viewed a casino as an ideal vehicle to satisfy both of these needs of the plan. After all, in the words of former Illinois Gaming spokeswoman Marianne Floriano, “the whole intent of the legislation was to help riverfront towns that were going through an economically depressed period.”<sup>63</sup> Joliet fit this description and was ultimately able to lobby to become the only city in the state with two riverboat casino licenses.

Because the debate at the state level had already

established that there would be gambling in Illinois, the nature of the debate in Joliet was significantly different from the debates in the other two case studies. In both New Orleans and Detroit, much of the debate centered on *whether* there should be gambling. Joliet only needed to debate *where* such a casino should be located. Much of this debate centered in the State legislature.

In that debate, doubts about the casino included fears about a potential increase in crime and traffic congestion in the downtown. One store owner near the casino expressed a common sentiment reminiscent of the notoriety of the Joliet prison, “I don't think this is the kind of thing you want associated with your town.”<sup>64</sup> In the end, however, because the city of Joliet had elucidated specific needs through its development plan, the casinos –especially Harrah’s in downtown – came to be viewed as the needed catalyst for such economic development to take place.

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<sup>62</sup> “City of Joliet Community Profile,” 2006

<sup>63</sup> Kraft, R. “Casino Boat Trip Leaves Apathy in Wake.” *St. Louis Post-Dispatch*. St. Louis, MO. December 29, 1996. p. 6T.

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<sup>64</sup> Davis, 1993. p. 4

### **Physical and Developmental Impact of Harrah's Joliet**

The major impact of Harrah's Joliet has been the revenue it has brought to this medium-sized city. Secondly, it has been a 'marketing tool' useful in getting people into the proximity of the downtown. Its immediate impact on the neighborhood, however, has been marked by missed opportunities.

#### *Impact on Urban Design*

In its relation to the surrounding urban fabric, Harrah's is fundamentally an inward-oriented complex designed for the ease of entrance and exit of vehicles. Its hub of activity is walled off from the city center by a ring of parking garages and surface lots and the major amenity of the river is not utilized in any meaningful way (4.1).

The complex has been completed in a piecemeal fashion since 1993 (4.18). Each of the various phases exhibits a different architectural style ranging from Postmodern to Neoclassical.

In the first phase, Illinois law required gambling to be on floating riverboats. The permanent structure needed as a base for operations was a 56,000 sf visitor's pavilion.

The pavilion structure, still recognizable with its two distinctive spires, originally serviced two boats with room for 1400 passengers. These boats docked in a manmade inlet that now resides under the current casino structure. The pavilion resembled a "small, upscale shopping mall" including three restaurants, a gift shop and space for live entertainment.<sup>65</sup> A large four-story garage across Joliet Street with 1000 parking spaces was also constructed to serve this structure.

The casino began to take its more permanent shape when the riverboats were permitted to permanently dock at their ports of call. This had the potential to change the nature of the interaction between the casino and its surroundings, as customers were able to come and go at will rather than only when the boat docked.

The casino did transform, but the nature of its relationship with its surroundings remained the same. By 1999 an 11-story, \$29 million hotel was added on the northern edge of the casino site.<sup>66</sup> It shares its main

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<sup>65</sup> Kraft, 1996. p. 6T.

<sup>66</sup> Tridgell, G. "Casino facility boosts City Center Rebirth" *The Herald News* Joliet, Illinois. November 9, 1999

entrance with the pavilion, and while attractively constructed interacts very little with the surrounding streetscape.

A larger transformation occurred in 2001 as the two riverboats were replaced with two permanently docked barges in an \$82 million dollar expansion. These barges created 40,000 sf of contiguous gambling space that occupies the entire cut in the river wall. For all intents and purposes, they are indistinguishable from a land-based casino. A neoclassical façade facing Joliet St. completes the illusion of a permanent structure; a six-level 1,000 parking garage to the South of the barge added the requisite additional parking for the expansion.<sup>67</sup>

While the primacy of the car handicaps efforts to integrate the casino with the city center, it should be noted that such an emphasis is difficult to avoid in this setting. Joliet is fundamentally an exurb of Chicago, and a vast majority of the city is built as suburban sprawl.

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<sup>67</sup> Evans, J. "It's a New Play for Riverboats; Joliet Casino Rivalry Raises Stakes." *Crain's Chicago Business*. Chicago, IL. November 12, 2001. p. 1

The complex was placed in a part of the downtown that was already car-oriented, with service shops and a car dealership scattered amidst parking lots. The site was also cut off from any future neighbors by the broad right of way of the river, Jefferson St., Cass St. and especially Joliet St. For any business to be viable in such a setting, customers and the vehicles they drive must have easy access.

Even with this context, there are two notable missed opportunities in the urban design of the casino. It does nothing to engender synergy with the downtown despite being in the heart of it, and it does not take advantage of its riverfront location.



4.9

4.9 Casino pavilion under construction with original riverboat in background.

4.10 Front view of the 2001 expansion with accompanying parking.

4.11 View from Cass St. of 1999 hotel addition.



4.10



4.11

As the structure is ringed by parking lots, there is little possibility for activity that might develop downtown to lure pedestrians out of the casino. Such synergy between the casino and the downtown, as is certainly desired by the City, would require an immediacy of activity to be successful. It is an uphill battle for a City to get a casino to deliver such synergy and this is made much more difficult when physical barriers of parking garages and wide roads are allowed to cut off the hub of activity from the rest of downtown.

In the case of Harrah's Joliet, it appears that there was no consideration in the design of the possibility for future interaction with an active city center. At one point the casino even proposed to raze the neighboring Christ Episcopal Church, a building on the National Register of Historic Places, to create more parking. Initially that plan did not succeed, but unfortunately neither did an independent operator's plan to create a small concert venue at the vacant church. Before construction could begin, the church burned down due to unknown causes.

Shortly thereafter the vacant lot was bought by Harrah's and is currently used for valet parking.<sup>68</sup>

The casino's relation to the river is a second missed opportunity. The casino occupies a beautiful site on the Des Plaines River that could be a unique asset for both the casino and the city center. The tame waters of the Des Plaines practically beg to have outdoor seating or something similar. Such a site could be a unique trademark of the downtown as compared to its suburban competitors. Yet Harrah's has made no attempt to utilize this asset aside from large restaurant windows. A riverwalk has been constructed for pedestrians, but from within the casino it is impossible to access this amenity.

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<sup>68</sup> "Burned Joliet Church Site Now Casino Parking Lot" *CBS2 News*. Chicago, IL. July 6, 2007. Accessed July 2007. [http://cbs2chicago.com/westsuburbanbureau/local\\_story\\_187140630.html](http://cbs2chicago.com/westsuburbanbureau/local_story_187140630.html)



4.12



4.13



4.14

4.12 Riverfront view from casino restaurant.

4.13 View of casino complex from the cleared Christ Episcopal Church lot.

4.14 View of the Jefferson Street context of 2001 parking garage addition.



*Impact on Investment by the City*

*"I didn't dream it would be this much, but I did dream"*

- Former Illinois State Senator Thomas Dunn<sup>69</sup>

This quote, from one of the key lobbyists responsible for the casinos in Joliet, likely reflects the sentiments of many involved in the process from the early stages. The City of Joliet has received a massive revenue boost that it has been able to use to leverage many other opportunities in the city, including some within the immediate neighborhood of Harrah's Casino.

The pedestrian experience in the immediate neighborhood of Harrah's casino is somewhat paradoxical. While some lots lie vacant and others are full of cars, destinations are few and far between; yet many of the sidewalks are paved with brick and decorated with lush planters usually found only in districts crowded with users. This is a manifestation of the luxury afforded Joliet with the casino revenues: the city can afford to invest in infrastructure, amenities and

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<sup>69</sup> Slowik, 2000.

urban design improvements with the hope that it will prompt further investment from the private sector. The planters and brick pavers are a direct implementation of the 'common streetscapes' called for in the Joliet City Center Development Plan.

In fact, because the city felt from the outset that, as City Manager John Mezera noted, "no one can predict what will happen with riverboat gaming revenues" only about six percent of the taxes collected from gambling is ever used for ongoing city operations.<sup>70</sup> This reduces the potential for massive disruption in funding of the general budget should the casino fail to produce revenue. Instead, the city uses the bulk of gambling tax revenues to fund short-term improvement projects throughout the city.<sup>71</sup> The revenue it collects from property and sales taxes are rolled into the general budget.

From 1992-2005, the revenues from the gambling tax consisted of a whopping \$376,238,029 (4.16). These revenues subsidized construction of just about every

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<sup>70</sup> Slowik, 2000.

<sup>71</sup> The casino also pays one of the largest property tax bills in the city, though this is rolled into the general budget.

major addition to the city since the Casinos, including the baseball stadium, the aquatic park, the library and a museum.<sup>72</sup> Additional work that was funded included projects at a police station, a fire station, the Joliet park district, a senior services center and the school district. In the outer neighborhoods, many of which had never had storm sewers or curbs, the city arranged to pay for 60% of such improvements if the abutting owners paid 40%.<sup>73</sup>

The planters are the most visible improvement in the immediate neighborhood. Many millions were also spent on road improvements in the downtown and on arterial streets, and \$960,000 was spent on vintage-style gooseneck street lamps alone.<sup>74</sup> The Silver Cross baseball stadium is located a few blocks to the east, its pricetag reflecting a commitment to design on the part of the city that saw it spend \$3 million more than needed on the architecture.<sup>75</sup> Walking around the downtown, it appears

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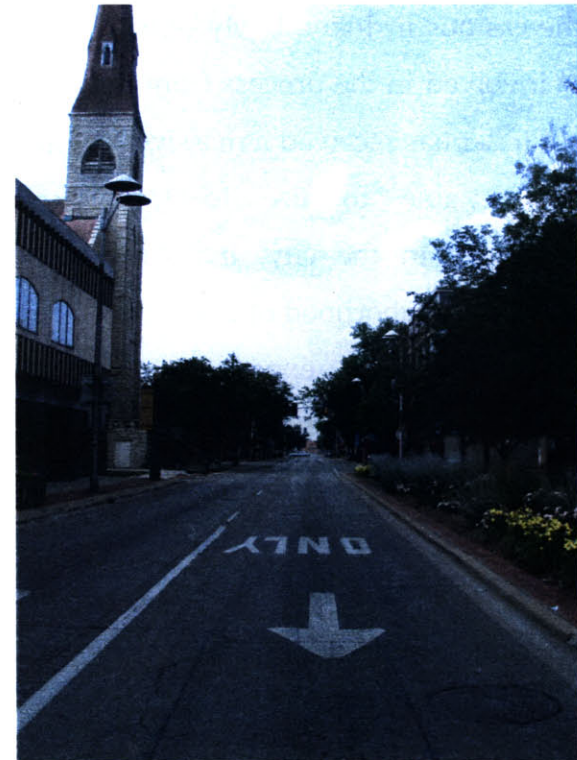
<sup>72</sup> Slowik, 2000.

<sup>73</sup> Id.

<sup>74</sup> Borden, J. "Tallying the Boat Float: Jackpot Eludes Gaming Cities; But Joliet, Others Never Bet their Futures. (Pt. 1 of 2)" *Crain's Chicago Business*. Chicago, IL. February 17, 1997. p. 13.

<sup>75</sup> Campaign for Sensible Growth. "Joliet, IL: Downtown Redevelopment Strategy." Urban Land Institute. May, 2004.

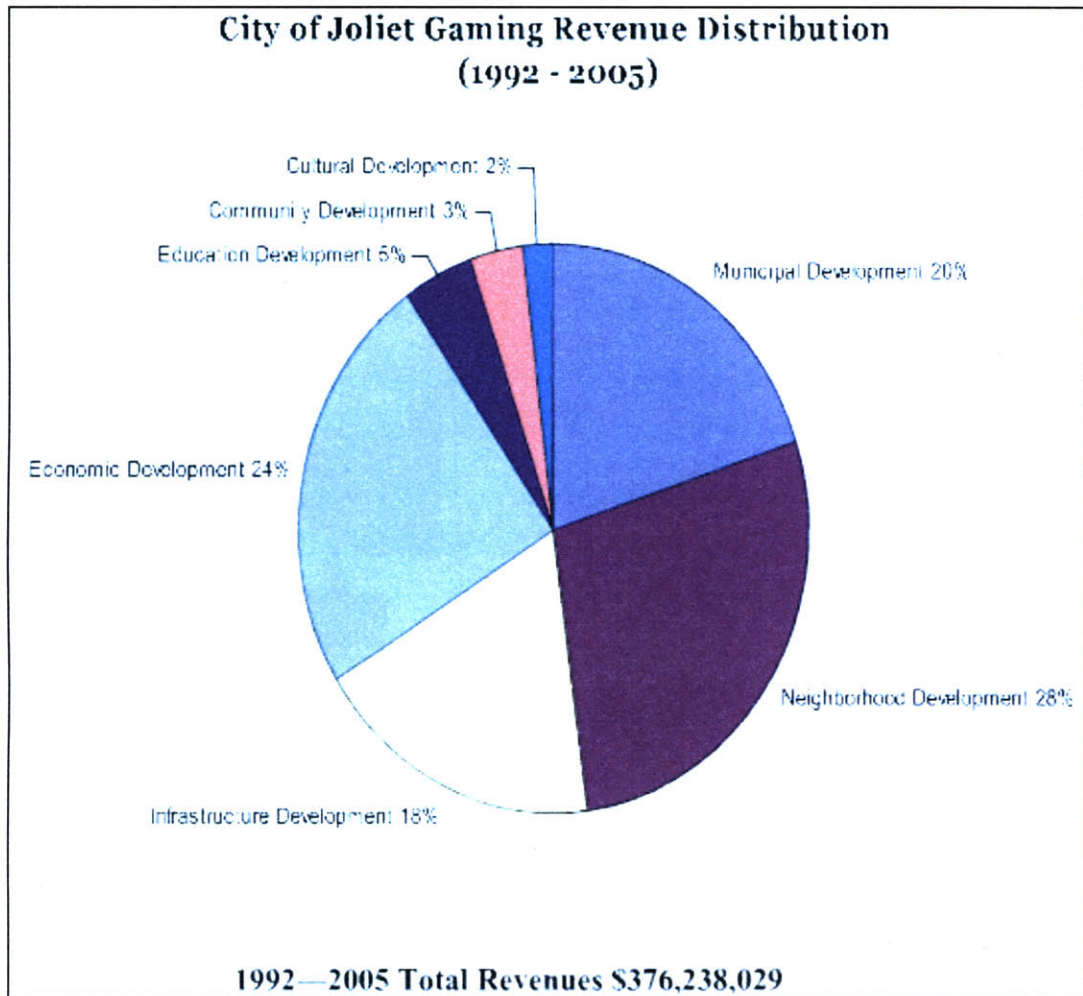
that the Joliet City Center Development Plan of the late 1980s has actually been closely implemented, with one exception: as Thomas Dunn noted, "all [they] need now are the stores and businesses downtown."<sup>76</sup>



**4.15** City investment decorates an empty Ottawa Street

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<sup>76</sup> Slowik, 2000.



**4.16** Reinvestment of gaming revenue by the city of Joliet



**4.17** Planters decorate an empty pedestrian realm at Jefferson and Joliet Streets.

### *Impact on Real Estate Development*

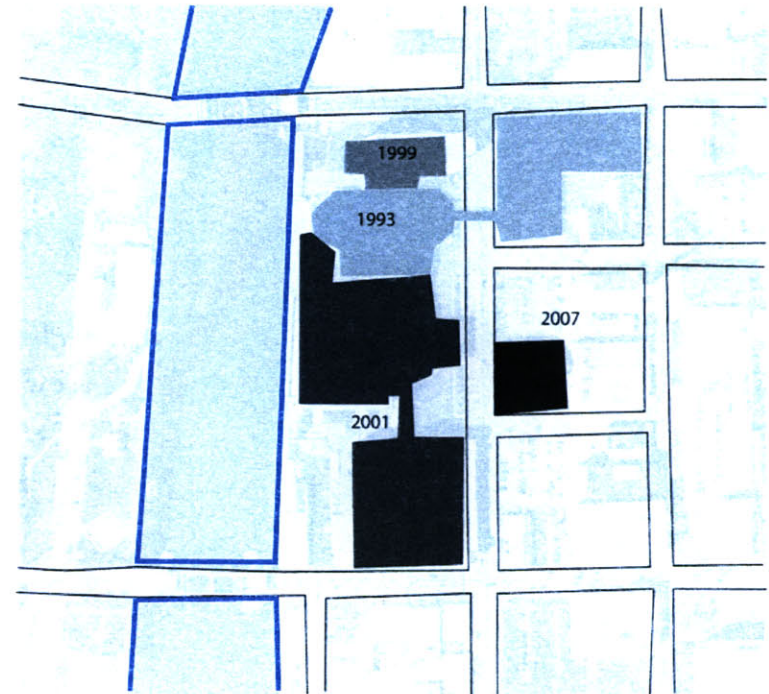
The majority of the impact on real estate development from the casino has been indirect in nature, stemming from the massive investments that increased tax revenue has enabled the city to make. There have been no developments spurred directly by traffic or excitement generated by the casino. The construction of the casino itself, of course, represents a very large development for the downtown, but it is clear that after fourteen years it has not been a development catalyst.

The development of the casino has taken place in three primary stages. The first, in 1993, consisted of a \$60 million investment in the original port for the riverboats, the accompanying 56,000 sf pavilion and a four-level parking deck.<sup>77</sup> At the time of the pavilion's construction a new building had not been constructed in the downtown since 1976. About the same time, one block west on Jefferson Street two office buildings - one new and one rehabbed - were also completed.<sup>78</sup> These took

<sup>77</sup> Davis, 1993.

<sup>78</sup> Joliet Twp. Assessor's Office. <http://www.jolietassessor.net/> Accessed July 2007.

advantage of their proximity to the courthouse and city hall, and were developed for reasons independent to the introduction of the casino.



**4.18** Phasing of casino construction

The casinos were never truly viewed by the city as a spur for real estate development per se, rather they were viewed as a “fantastic marketing tool” to be able to

attract thousands of people a day to the area.<sup>79</sup> The next stage in the development of this marketing tool was the 1999 completion of the \$29 million hotel addition. It was hoped that the opening of this, the first hotel built downtown since 1964, would usher in a new era where visitors would be more inclined to stay downtown overnight.<sup>80</sup>

Dockside gambling on barges was legalized in 2000. By 2001 the casino's present shape took form with the conversion into what is essentially a land-based style casino. This conversion involved an \$82 million investment, including a continuous 40,000 sf gaming area, another 1,000 space garage to the South of the barges and a 250-seat restaurant.<sup>81</sup> The expansion was given "a hearty, unanimous endorsement" by the Joliet City Council as a means for increasing revenue to the city.<sup>82</sup>

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<sup>79</sup> Davis, 1993. p. 4.

<sup>80</sup> Tridgell, 1999.

<sup>81</sup> Evans, 2001.

<sup>82</sup> "Looking Like Las Vegas" *The Herald News* Joliet, Illinois. January 4, 2000 p. A1

All told the casino has easily been the largest real estate development in the downtown in several generations. It could even have been larger, as in the early 2000s the casino was looking to add yet more parking and another hotel, but a drastic increase in the Illinois state gaming taxes – becoming the highest in the nation – caused the casino to renege on those plans. The most recent expansion of casino activity, the 2007 purchase of the former Christ Episcopal Church property, was simply the creation of a surface parking lot.<sup>83</sup>

The loss of the vacant Christ Episcopal Church to a fire of unknown causes represents not only the loss of a building listed on the National Register, but also the loss of one of the only chances to create more of a link between the casino activity and the city center. The group that owned the church had planned to convert the structure into a stage for music performances for audiences of 600 or more people.<sup>84</sup>

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<sup>83</sup> "Burned Joliet Church Site Now Casino Parking Lot" 2007.

<sup>84</sup> "Burned Joliet Church Site Now Casino Parking Lot" 2007.



**4.19** Empty parcel to the north of the casino awaiting

Only one other development opportunity abuts the casino. It is a massive triangular-shaped parcel directly to the north of the hotel that the city is “holding for the right project,” according to the Director of Planning and Development Don Fisher.<sup>85</sup> Just to the west of this parcel,

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<sup>85</sup> Campaign for Sensible Growth, 2004. p. 6

an historic YMCA is being converted into senior housing. This 18.7 million dollar development represents the largest private investment downtown since the casino structure.<sup>86</sup> Saint Mary’s Church is still vacant, with the rectory used by a small religious order. Other nearby buildings more or less retain their original uses, including a single room occupancy hotel, and offices for Catholic Charities.

The broader downtown has seen more development, but it would be a stretch to link this directly to the casino. The city claims that Center City development – including many of the investments enabled by casino revenue – has increased property valuation downtown by \$128 million as of 2006.<sup>87</sup> Projects include the \$25 million Silver Cross baseball field, a 67-unit conversion of a retirement home into a luxury apartment complex, and the restoration of a historic 40,000 sf office building.

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<sup>86</sup> Okon, B. “Senior Suites Project Begins” *Joliet Herald News*. Joliet, IL. October 12, 2006

<sup>87</sup> “City of Joliet Community Profile”, 2006.

### *Impact on Street-Level Commerce*

The casino has provided a significant boost in business for a few restaurants in its proximity, but overall has had little discernable effect on street-level commerce in the city center. This is because, in the words of former Joliet Police Chief Joseph Beazley, gamblers “just come into town and then turn around and go home.”<sup>88</sup> The thru-traffic on routes 30 and 53 that frame the city center reinforces this behavior.

The thousands of casino gamblers represent an unrealized potential for street-level commerce in downtown, yet the casino complex is so self-contained there is no need for customers to exit the complex. Luring these customers out of the casino is made yet more difficult by the stigma the downtown retains from previous hardships. When the Urban Land Institute convened a panel in 2004 to analyze how best to redevelop downtown, a typical comment they encountered from business owners was that an unsafe “perception is killing [them]. People are thinking back 20

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<sup>88</sup> Feldman, M. “Survey says riverboats don’t attract more crime.” *The Herald News* Joliet, Illinois. May 14, 1994.

years.”<sup>89</sup> At one point a \$150,000 cash reward donated to the Joliet Civic Center Partnership by the casino even failed to attract a microbrewery to the downtown.<sup>90</sup>

Still, there has been some positive news on the retail front. When the casino first opened, Central Bar & Grill (now called McBrody’s), located just a half block away from the original casino entrance, reported that casino workers had increased its business by 50%.<sup>91</sup> It is likely that some other restaurants were similarly impacted, yet vacant storefronts like the one next to McBrody’s (4.21) indicate that this has been a limited phenomenon.

Other positive retail news downtown bears no discernable relationship to the casino. These include a new 3600 sf sports bar in Union Station and a remodeled bar across the street from the stadium, both more related to the stadium development.

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<sup>89</sup> Campaign for Sensible Growth, 2004. p. 6.

<sup>90</sup> Golab, A. “Joliet Group Bids to Tap into Brewpub trend; Downtown Tourism Boost Sought.” *The Chicago Sun-Times*. Chicago, IL. August 28, 1999. p. 4.

<sup>91</sup> Davis, 1993. p. 4



4.20



4.21



4.22

- 4.20 New investment contrasts with disinvestment in the city center of Joliet.
- 4.21 Vacant storefront within a block of the casino.
- 4.22 Two of the major presences in the immediate neighborhood. Across from the original parking garage are the Catholic Charities with the renovated YMCA senior housing.



### *Impact on the Residential Community*

The torrid pace of growth for Joliet, including a doubling of the population in 17 years with an average of 1,400 housing starts per year, has made it the fastest growing city in the Midwest and one of the fastest growing in the country. This development is primarily due to the fortuitous location of Joliet: 45 minutes away from downtown Chicago and accessible on two massive interstates: 55 and 80. As an exurb, this means that most of the development has been in the form of single family, suburban style developments. As the downtown of Joliet does not offer such a housing product, there has been a miniscule amount of development downtown. It would be difficult to claim that the casino had any direct impact on any of the residential development that has occurred.

The lack of residents downtown and near the casino is an old phenomenon. Historically downtown was a commercial core with relatively few residents even at its peak in the early half of the 20<sup>th</sup> century. Near the casino, the only significant residential population is that of a single room occupancy hotel that is still in constant use. Significant developments of the past five years include

an 18.7 million dollar conversion of an historic YMCA to senior housing just a block to the north of the casino complex as well as a nearby conversion of a vacant hotel into residential units. These developments can be viewed as part of a larger strategy by the city to revitalize the city center by encouraging a downtown residential population. One of the primary strategies to accomplish this goal is to cater to those for whom the otherwise ubiquitous single-family home is not desirable or practical.

The city continues to try to lure residential development downtown in an effort to both revitalize the downtown and offer more housing options for this city of single-family homes. This was a major focus of the recommendations given by the ULI panel of 2004, but remains difficult in this fundamentally exurban city.

## Conclusions

Of the three case studies, Harrah's Joliet is the casino that makes the least attempt to interact with its surrounding neighborhood. This result is somewhat surprising, because Joliet is the only one of my cases that brought the casino to a neighborhood as part of a larger revitalization plan for the casino area. Yet the casino is walled off from the downtown that it was meant to revitalize by parking on all sides. Every casino entrance is meant for a driver, whether it is through the parking garage, valet parking or at the hotel drop-off. No attempt is made for interior activity to engage with the surroundings, even the amenity of the river.

There appear to be three primary reasons for the self-containment of Harrah's Joliet: 1) The site on the river is very constrained. 2) Casino operations prefer to be self-contained. 3) The city was only asking for a 'marketing tool' and did not seek to leverage more from the physical design of the casino.

The riverfront site on which the casino sits is an ideal site for locating a riverboat near the downtown. In fact, there is no closer option. But, as the casino has expanded

and become more permanent, the river has constrained this growth to the west, City Hall has constrained the growth to the south, and a massive city-owned lot prevents expansion to the north.

This quirk of the Joliet site means that the only available land is to the east, towards the downtown. The only activity that can go on this land, however, is the casino's infrastructure because the gambling activity is legally obligated to stay on the riverfront. Constrained to the north and south, the gambling activity was therefore bound to eventually cut itself off from the downtown as it needed more parking.

Of course, a similar design may have occurred even if the casino had not been constrained by site conditions. The self-contained casino model is ubiquitous in sites ranging from dense Atlantic City to rural Ledyard, CT. The goal in such a design is simple: allow the customer to access the casino easily with lots of parking and keep them inside as long as possible. David Schwartz, in *Suburban Xanadu*, reminds us that casinos are not fortresses from outside elements so much as they are

prisons to keep patrons spending money as long as possible.<sup>92</sup> It is an anomaly when casinos are not built in this model and it usually implies that casino developers were forced into a concession.

Such concessions are usually made prior to the beginning of casino operations. It was therefore more difficult for the City of Joliet to ask for concessions in the physical design of the permanent structure because Harrah's Joliet began operations as a functioning riverboat. This means that even if the City had thought to seek more integration of the casino into the urban fabric it would not have been possible; the customers were out on riverboat cruises. By the time the casino began the transition to an essentially land-based casino, the opportunity for debating and negotiating a physical master plan had largely passed.

This is not to say that the city would have pursued such a plan if there had been an opportunity, as we know from city documents and comments made at the time that the city's primary goal was to use the casino to bring

traffic into the downtown. It appears that the city did not set its sights on the physical potential of the casino and allowed casino managers to build out the complex basically as the casino saw fit.

While the city might have underestimated the physical potential of the casino as an asset in the downtown, it certainly took advantage of the casino as an asset to drive its downtown revitalization plan. The city directed the gambling tax revenue directly towards improvement projects called for in the plan. This revenue has transformed the infrastructure of the downtown as well as funded the construction and revitalization of assets such as the stadium, library and museum. In turn, these improvements have created a downtown that is physically more appealing and is slowly becoming more attractive to investors. In short, the city has illustrated how casino revenues can be used to drive the infrastructural investments called for in a master plan.

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<sup>92</sup> Schwartz, 2003.

### **HARRAH'S NEW ORLEANS CASINO**

Opening: 1999

Type: Full-service Land-based Casino with 2006 hotel addition.

Investment: \$381 million plus \$175 million in 2006 for hotel.

Jobs: 2,800

City Size: 484,274 in 1999 [About 280,000 in 2007]

Market: 11 million people

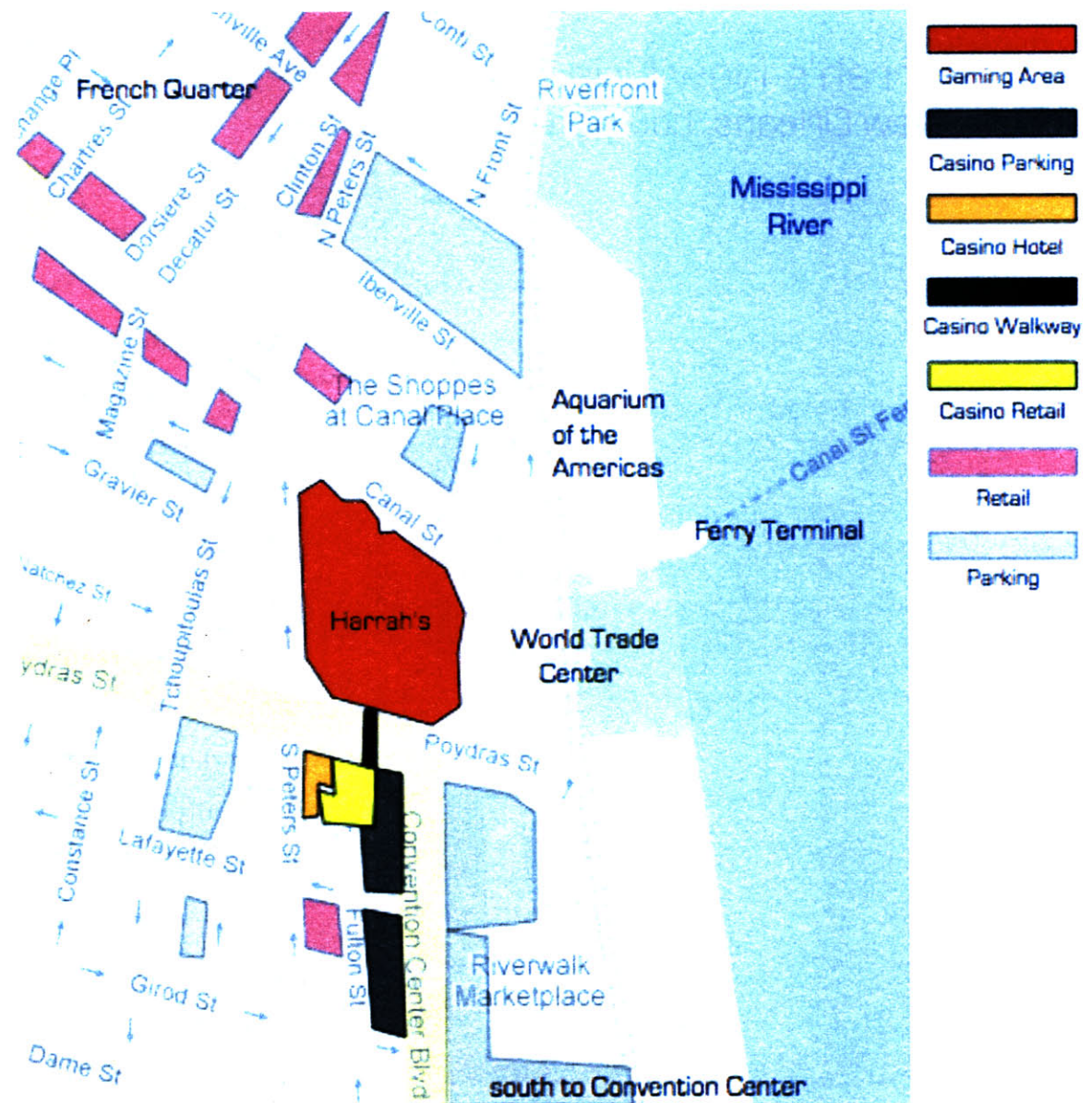
Competition: Riverboat Gambling in-state and 50 miles west in Biloxi, MS.

Location: The casino was placed at the site of the former Rivergate Exhibition Hall at the Foot of Canal Street in the central business district.

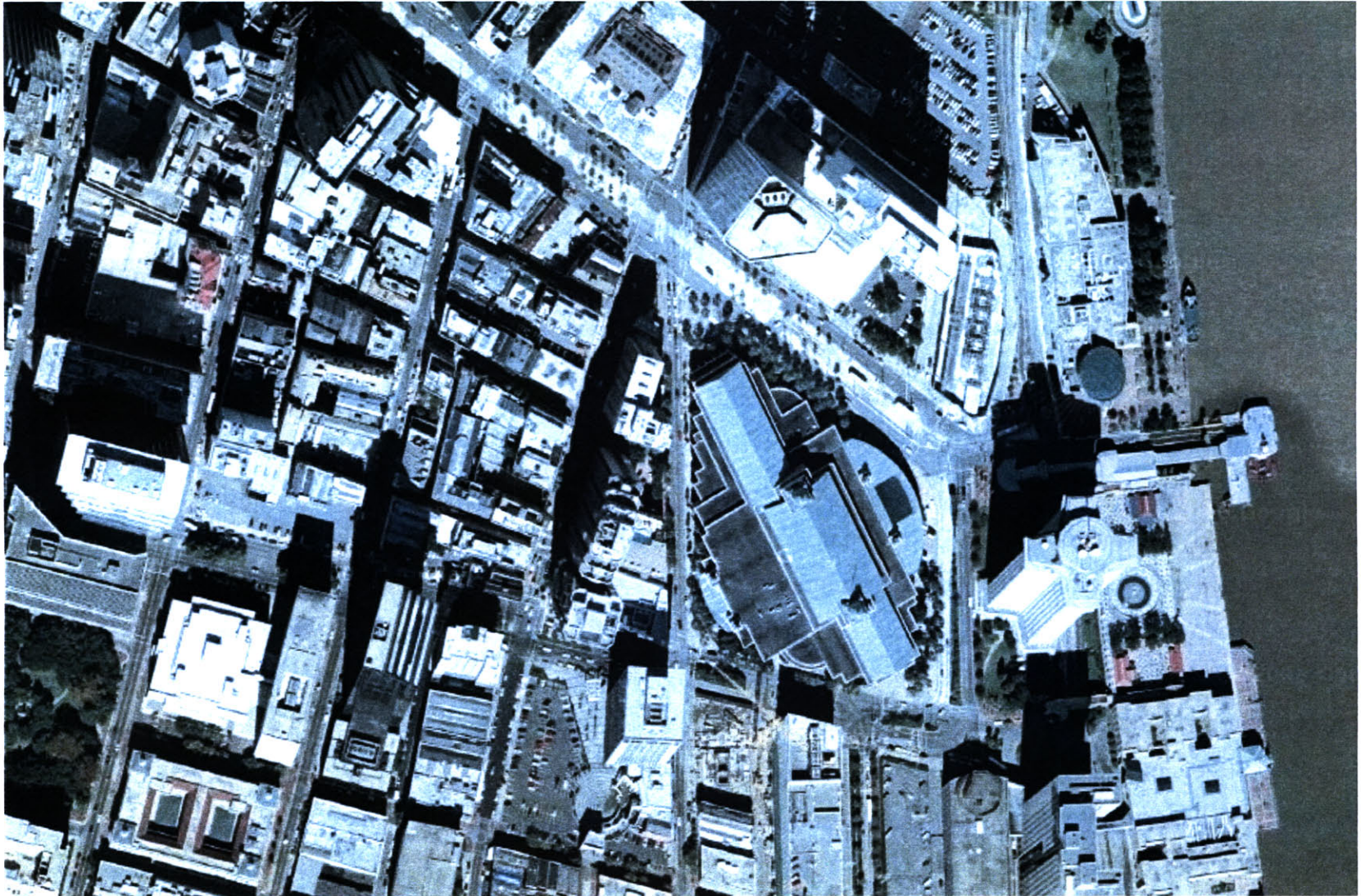
## V. Harrah's New Orleans New Orleans, Louisiana

### **Introduction**

Harrah's New Orleans represents the original attempt by a large city to incorporate a stand-alone casino into an urban neighborhood. The road was bumpy, but on the whole the casino interacts well with its unique neighborhood. Especially notable for the purposes of this analysis are the fact that city forced concessions from the casino - including a restriction on building a hotel or restaurants and requiring the construction of 100,000 sf of multipurpose space - that were hoped to cause the casino to act as a catalyst for the Foot of Canal. The fact that this attempt ultimately failed is equally illuminating. Yet, in the fallout from this failure, a restaurant development by the casino introduced casino activity into the public realm and added a vital connection to this neighborhood.



5.1: Map of the Foot of Canal and its landmarks.



5.2: Aerial Photograph of the Foot of Canal with Harrah's hotel under construction.

### Physical and Historical Setting

Harrah's New Orleans is located at a site integral to the 300-year history of New Orleans: the Foot of Canal Street. Formerly bustling as a vital transportation hub, by the time the casino was built it had become a relatively forgotten, disused site dominated by large, self-contained destinations like the Aquarium of the Americas. This enabled the site to incorporate the massive casino relatively well.

For modern-day gamblers pursuing their dreams at Harrah's, it may seem appropriate that in *A Streetcar Named Desire* Blanche Dubois seeks her way to the paradisiacal Elysian Fields at the Foot of Canal. Viewers of the original 1951 premiere, on the other hand, would not have been surprised by the location. The Foot of Canal had long been one of the busiest and most important crossroads in New Orleans.

Canal Street emerged in the early 1800s as a boundary between the historically Creole French Quarter and the newer, American commercial area of St. Mary, now

known as the Central Business District (CBD).<sup>93</sup> Both areas were similar in their parcelization, yet architecturally and culturally distinct. To the northeast, in the French Quarter, lay the residential city rebuilt in the Spanish style dominant at the time of a massive fire in 1794. These houses were built to the street edge and hold courtyards on the interior of the block. To the northwest lay American-style row houses for residents and warehouses built for the many businesses that drove economic activity in the city.<sup>94</sup>

The Foot of Canal is where the bustle of these two neighborhoods intersected with the Mississippi River. The terminus of Canal Street is a high point along the river's levee and was historically lined with a batture – high ground on the river-side of the levee that is covered only in high water – which made it attractive as a dock.

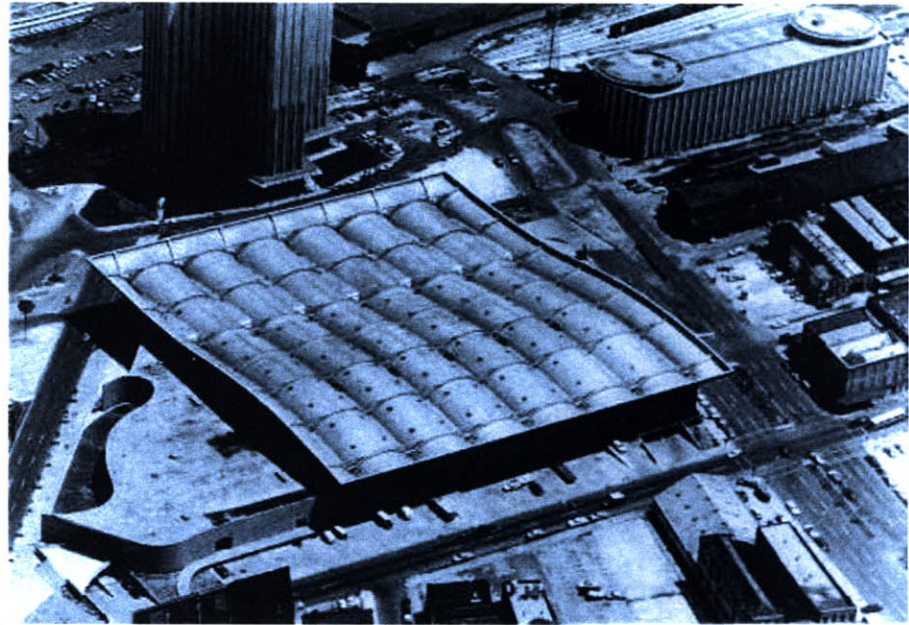
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<sup>93</sup> Lewis, P. *New Orleans: The Making of an Urban Landscape*. 2<sup>nd</sup> Ed. Center for American Places. Santa Fe, NM. In Assn. with University of Virginia Press. 2003.

<sup>94</sup> New Orleans Land Use Plan City Planning Commission April, 1999 Unpublished. Louisiana Collection. Special Collections. Tulane University Libraries.



**5.3** 1960s View of the Rivergate Exhibition Hall looking towards the Mississippi River and the World Trade Center Building.



**5.4** Canal Street Mardi Gras celebration of, 1875.

As such, the Foot became the locus of river transportation, port activity and, consequently, railroad and streetcar connections for New Orleans. The sheer scale of activity engendered by this confluence lent the Foot of Canal a larger scale of buildings than its surrounding neighborhoods. This legacy is embodied today in the massive 1848 Customs House, which still exists on the site. By the early 1900s, this building was accompanied by a 1,000-foot long Louisville & Nashville Railroad Station, a major ferry terminal and an eight-track streetcar terminal serving more than twenty lines.<sup>95</sup>

With such a hub nearby, early on the upper stretches of Canal Street became the major retail center of New Orleans. It was popular as such until the 1960s and 1970s<sup>96</sup> when the railroad, streetcar and ferry systems that had enlivened the Foot of Canal became antiquated. As this happened, the massive spaces for infrastructure around the Foot of Canal fell into disuse.

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<sup>95</sup> Campanella, R. *Time and Place in New Orleans: Past Geographies in the Present Day*. Pelican Publishing Company. Gretna, Louisiana 2002.

<sup>96</sup> Campanella, 2002.

These empty spaces were perceived as an easy canvas for a city attempting to become more modern. Accessories that every American city sought in the latter half of the twentieth century soon replaced the terminals: skyscrapers, international hotels, convention centers, aquariums, and malls. The first of these to enter the site was the 1967 thirty-three story International Trade Mart, now called the World Trade Center. Over the next thirty years this construction was followed by the Rivergate Exhibition Hall, several hotels, the Canal Place complex and by the 1990 Aquarium of the Americas.

By the mid-1990s, prior to Harrah's construction, the area had been transformed from an orientation towards teeming masses of travelers and freight into a hodge-podge of modern style megadevelopments oriented primarily towards their interiors with little attention paid to the shared spaced between buildings (**Figure 5**). Such structures formed an archipelago connected to each other and the surrounding city only by automobile infrastructure. Massive facades, like those of the Rivergate Exposition Center that the casino replaced,

dominated the built environment and overwhelmed any potential for a pedestrian experience. A far cry from its illustrious past, the Foot of Canal in the mid-1990s appeared to have “been engineered to a lesser distinctiveness, feeling a bit like an infrastructural staging ground for the daily goings-on of the tourist and convention industry.”<sup>97</sup>

**5.5** Historic examples of French Quarter (left) and CBD architecture.

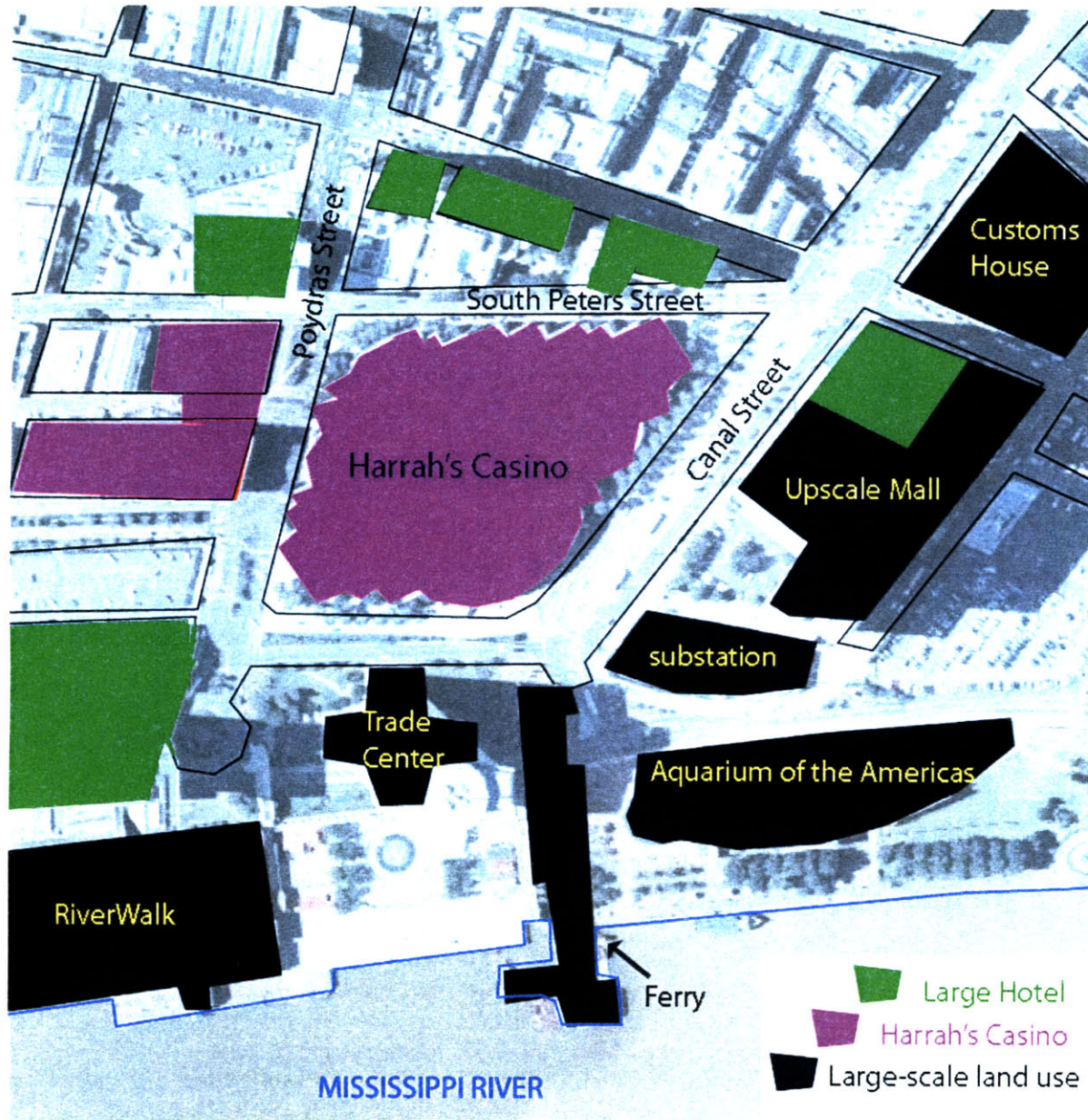


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<sup>97</sup> Campanella, 2002. p. 167



5.6 1960 Aerial photograph of Foot of Canal.



5.7 The large-scale developments of the Foot of Canal

### Motivation for Casino Construction

The story of Harrah's Casino at the Foot of Canal begins with the 1992 legalization of a land-based casino for New Orleans by the state legislature. Several levels of government, from the governor down to a local referendum, approved the licensing and construction of a land-based casino. Legalization was a contentious process, including allegations of corruption in the selection process,<sup>98</sup> but a highly coordinated campaign succeeded in selling the casino. The logic used for justification went as follows: first, it would create jobs;; second, it would bring revenue for needed services; third, economic development would follow because people would no longer leave to go to Mississippi to gamble. The increased activity at the Foot of Canal was seen as both an asset and drawback of the proposal, but its potential for physical impact was by and large ignored.

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<sup>98</sup> Bridges, T. "Casino Industry Buys Political Clout, Foes Say" *The Times-Picayune*. New Orleans, LA. . February 20, 1994 Metro Section. p. B1

### Jobs

The jobs issue was the largest grass-roots motivation for the casino. At early legalization hearings supporters wore t-shirts emblazoned with "Say Yes to 25,000 Jobs." These supporters were able to outnumber opponents two to one at times, and had the official support of the AFL-CIO.<sup>99</sup> Members of the construction community wrote letters to the editor selling people on the idea that construction jobs from the casino would have a "substantial" multiplier in the local economy.<sup>100</sup>

Throughout the debate figures on jobs varied wildly. The initial economic impact figures for the casino were largely the estimates of Tulane economist William Oakland, who predicted in 1993 that the casino would create 5,300 permanent jobs directly, 14,900 indirectly, and another 6,500 in temporary construction jobs.<sup>101</sup> These numbers proved to be inflated, as by the time of

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<sup>99</sup> Ruth, D. "Casino Supporters Speak Out for Jobs; Foes Outnumbered at Council Hearing" *The Times-Picayune*. New Orleans, LA. March 23, 1993. National Section. p. A1.

<sup>100</sup> Boh, R. "Casino's Plus Side" *The Times-Picayune*. New Orleans, LA. March 12, 1993. Metro Section. p. B6

<sup>101</sup> Gill, J. "A Big Job for Casino's Cheerleaders" *The Times-Picayune*. New Orleans, LA. October 11, 2000. Metro Section. p. 7

the permanent casino's opening in 1999, even the casino only estimated its impact to be \$81 million in wages for 2,800 employees.<sup>102</sup> Regardless of the actual figures, the jobs created were considered so precious to New Orleans that all discussions involving the casino mentioned the effect it will have on the jobs at the casino, a rationale that continues to this day.

#### *Tax Revenues Expected*

Tax revenues featured largely for legislators, the governor and the mayor in their support of the Casino. At the time of approval, both city and state were suffering budget shortfalls, so the casino seemed like an easy way to avoid raising taxes. Early gambling impact estimates from the 1980s predicted that gambling would provide "\$200 million a year for the state and overflowing coffers at [New Orleans] City Hall."<sup>103</sup> The state ultimately conditioned the creation of a land-based casino in New Orleans on the receipt of a one-time \$125

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<sup>102</sup> King, R. and Yerton, S. "But Long-Term Impact Is Still an Economic Wild Card" *The Times-Picayune*. New Orleans, LA. October 24, 1999. Money Section. p. F1

<sup>103</sup> Gill, 2000. p. 7

million "gift"<sup>104</sup> and then a minimum payment of \$100 million a year as operations became permanent.<sup>105</sup> The city, on the other hand, was due \$12.5 million per year for the lease of the Rivergate land plus another \$12.5 million in miscellaneous payments including property taxes.<sup>106</sup> Insomuch as the casino would draw more people to the city, this increase in tourism would similarly increase associated revenues such as the city sales tax revenue.

#### *Economic Development*

The idea of economic development from construction, wages, and additional tourists was considered a considerable benefit of the casino. The net economic impact of the casino operation was projected in 1990 to be \$360.4 million (having subtracted for cannibalization of other businesses).<sup>107</sup> By the time of the

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<sup>104</sup> Wardlaw, J. "Handling a \$125 Million 'Gift'" *The Times-Picayune*. New Orleans, LA. October 6, 1993. Metro Section. p. B7.

<sup>105</sup> Anderson, E. "Legislator Challenging Casino Law" *The Times-Picayune*. New Orleans, LA. February 25, 1993. Metro Section. p. B1.

<sup>106</sup> Gyan, J. "Lease for Land Casino Gets Council Approval" *The Advocate*. Baton Rouge, LA. October 16, 1998. News Section. p. 12B

<sup>107</sup> Ryan, T., Connor, P. and Speyrer, J. "The impact of Casino Gambling in New Orleans" Division of Business and Economic Research. University of New Orleans. May, 1990. Submitted to the

permanent casino's construction in 1999, impact from construction alone was estimated at \$345 million and local businesses were buoyed by the prospect of additional tourists spending an estimated \$20 million on hotel rooms and restaurant vouchers.<sup>108</sup>

The most popular economic development argument was the most general, simplest, and probably the most effective for the populace. Cited by proponents from the developers to the governor, it was perhaps most succinctly worded by a city resident in a letter to the editor encouraging people to vote for the casino (which they did by a 2 to 1 margin in 1996):

*If we don't have gaming here, it won't keep people from gambling... When we go to the Gulf Coast, we see busloads of people from Louisiana, and the parking lots are full of cars from Louisiana. We and our friends would love to go to our own casino and keep our money here in our state. We're not big spenders, but we have fun and not all of our money for entertainment goes to the casino. We also go to the French Quarter shops, eat at our restaurants, go to the*

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Mayor's Office of New Orleans. Unpublished. Louisiana Collection, New Orleans Public Library.

<sup>108</sup> King, 1999. p. F1

*Aquarium and Riverwalk, and so will others. Please... keep our money at home.*<sup>109</sup>

Economic development of the area around the Foot of Canal was much less discussed. When it was discussed there was the vague idea to use the casino as an anchor to drive activity in the neighborhood and nearby French Quarter. No analysis was done to seek the best strategy to accomplish this goal, and no plan was prepared. Nonetheless, the casino was initially prohibited from offering restaurants or a hotel so as to prevent them from competing with well-established firms offering these services. The fact that there were almost no restaurants nearby for casino patrons to walk to was likewise not considered.

Many actors within the city felt that the casino would be a successful development catalyst. The president of a local construction company noted in an editorial that the casino would "undoubtedly stimulate extensive

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<sup>109</sup> Haab, B.A. "Why to Vote for N.O. Casino" *The Times-Picayune*. New Orleans, LA. October 23, 1996. Metro Section. p. B6



additional development” in the neighborhood.<sup>110</sup> The Executive Director of the Preservation Resource Center felt that the casino could be leveraged to generate pedestrian activity again at the Foot of Canal, thereby providing an impetus for the return of streetcar lines to the site.<sup>111</sup> Former Mayor Sidney Barthelemy envisioned the casino’s relationship with the city to be one in which people would “experience [New Orleans’] fine restaurants, enjoy French Quarter [sic] and stop off at the casino.”<sup>112</sup>



**5.8** The celebrated entrance at Canal and S. Peters St.

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<sup>110</sup> Boh, 1993. p. B6

<sup>111</sup> Gay, P. “Making the Casino Work For, Not Against, Us.” *The Times-Picayune*. New Orleans, LA. January 22, 1993. Metro Section. p. B6.

<sup>112</sup> “Will Harrah’s New Orleans Casino Be A Success?” *The Times-Picayune*. New Orleans, LA. October 28, 1999. National Section. p. A1.

### **The Physical and Developmental Impact of the Casino**

It turns out that Harrah's New Orleans had a rocky start and the city of New Orleans certainly has had a rocky few years since Hurricane Katrina, but due to the six years of casino operation prior to the storm it is possible to see the impact of the casino on the neighborhood at the Foot of Canal. That impact, it turns out has been slight aside from the actual construction of the buildings. Generally, it has not caused more investment by any sector into the area, though neither has it discouraged investment.<sup>113</sup>

#### *Impact on Urban Design*

*Times Picayune* architecture critic Douglas MacCash offers a pithy response to the casino design: "If you think Harrah's new riverfront casino building is ugly, just look

at the structures that surround it."<sup>114</sup> The building unsurprisingly aims to create a convenient fantasyland that will inspire gamblers to search for their dreams inside the building.<sup>115</sup> While the result may not prove architecturally stunning, the building does improve on the surrounding physical environment and for such a massive structure manages to introduce a more human scale to the neighborhood.

The building is a pastiche of styles that work to mitigate its massive bulk. While an architectural purist may cringe at the medley of postmodern, art nouveau and neo-classical, MacCash optimistically opines that the building is "respectful of the architectural traditions that people associate with New Orleans."<sup>116</sup> As he notes in another essay, "the tall town houses and stores that lined (and still line) Canal Street [are] a playground of

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<sup>113</sup> The following discussion focuses on evidence of casino impact to the neighborhood prior to the unique catastrophe of Hurricane Katrina. The interceding six years provide ample time to observe the nature of the impact for the purposes of this paper. Furthermore, it should be noted that the Foot of Canal was one of the least impacted areas of the city, and with its focus on serving tourists and conventioners was quickly able to return to a more normal state of existence than much of the city.

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<sup>114</sup> MacCash, D. "Bricks and Mortality; A Close-Up and Some Speculation About the Harrah's Structure." *The Times-Picayune*. New Orleans, LA. October 30, 1999. Living Section. p. E1.

<sup>115</sup> Design analysis of the casino and surroundings is based on visit by author to the site in March, 2007.

<sup>116</sup> MacCash, 1999. p. E1.

pretentious architectural confections.”<sup>117</sup> The casino is simply a modern day incarnation of an earlier fad of revivalist pretentiousness. The building is not trying to create a new place in New Orleans, rather it attempts to add to the older places nearby a new vehicle for spending money spent in the pursuit of enjoyment.

The building fronts streets on four sides, and consistently uses setbacks, trees and architectural flourishes to mask its otherwise uninterrupted walls. The floorplate of the gambling hall is 100,000 sf, with nearly that much again below grade. At the time of construction, there was also a large undefined space on the second floor. This has since become a performance stage aimed at an over-21 audience.

Casino entrances are celebrated on the four corners of the site, especially on the Northeast corner of the site on Canal Street nearest the French Quarter. Inside, the decoration is like “a fireworks display that exploded all

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<sup>117</sup> MacCash, D. “Tales from the Tracks, a whimsical ride on the Canal Streetcar” *The Times-Picayune*. New Orleans, LA. May 28, 2004. Lagniappe Section, p. 22.

at once without ever leaving the ground.”<sup>118</sup> As with many casinos, no expense is spared in helping people to forget the outside and concentrate on playing out their dreams in the various sections of Smuggler’s, Jazz or Mardi Gras Courts.

Programmatically the building is essentially one large room devoted to gambling, with patrons exposed to as much gambling as possible. Interior food areas are open to the gaming area, and the second floor performance hall can only be reached through the center of the casino (thereby funneling customers through the casino.) Surprisingly, the four exits of the casino are quite visible from many vantage points, but a soaring atrium in the center of the casino and the ubiquitous cacophony of slots machines perform their task to hold patrons’ attention on the gambling action.

This overriding tendency of the building to focus on interior gambling action dampens potential activity on the surrounding streets. However, if we take this as a

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<sup>118</sup> MacCash, D. “It’s a Wild Spin of the Color Wheel, a Crapshoot of Light and Pattern.” *The Times-Picayune*. New Orleans, LA. October 29, 1999.

given for any casino it becomes clear that the designers worked to mitigate the effect with several exterior urban design strategies. First of all, the architectural mix of styles breaks up the bulk of the building to passersby. Elaborate ornamentation also makes the building interesting even when you are immediately next to it, as illustrated by the \$350,000 spent on 59 Medjool date palms that cover the exterior.

The disguise of services, parking, and utilities further mitigates the bulk of the casino operation. Valet parking is provided beneath the casino in a tunnel built for a doomed 1959 highway project. General parking is provided in a garage across Poydras Street, hidden behind faux-historic warehouse facades and connected by a subterranean passageway.<sup>119</sup> Service vehicles access the casino underground without having to turn around. Even the air-conditioning equipment is placed offsite on the parking garage, with cold air traveling under

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<sup>119</sup> These buildings are so well disguised that, when visiting for the first time, I spent many minutes on an accidental driving tour of the neighborhood seeking the parking lot.

Poydras Street before it arrives at the casino.<sup>120</sup> Thus the original urban fabric is embraced and infrastructural impingement onto that fabric is minimized.

These exterior design strategies were taken to even greater lengths in the subsequent addition of a 450-room hotel in 2006 across Poydras Street. Added to increase the competitiveness of the casino (which faced bankruptcy in 2001), the hotel uses a mix of historic street-level facades that suggest a mix of uses and therefore imply a vibrancy of uses that is not actually present. Fulton Street has been converted to a pedestrian walkway framed on either side by restaurants and a jazz club, embraced by both hotel and casino in an attempt to make a memorable space. Artwork and ornate lamps frame the space, which then spills into the intimate Fulton Street neighborhood of the Warehouse District.

The development of the casino came at the cost of several historic structures. The Rivergate Exhibition Hall, while underused, was “one of New Orleans’

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<sup>120</sup> Scott, R. “Architectural Wonders of the New Casino” *The Times-Picayune*. New Orleans, LA. October 17, 1999. National Section. p. A18.

signature architectural designs” and while not pretty was “lyrically designed to be as... flowing as the river that inspired it.”<sup>121</sup> Furthermore, five small 19<sup>th</sup> century buildings that occupied the current site of the hotel were considered important enough by the Historic District Landmarks Commission that they unanimously rejected the hotel’s current design, which called for their destruction. The City Council overruled the initial rejection, thereby consigning most of the buildings to the dustbin.

Looking at the overall impact on the urban design of the neighborhood, it is clear that the casino is a notable departure from the precedent of nearby developments. Instead, the casino design makes a concerted effort to mitigate the bulk of the casino operations and the parking garage, as well as the service needs of the casino. This enhances the potential for pedestrian activity in the neighborhood, which strengthens the connection between two of the major draws for the tourist industry

in New Orleans: the convention center and the French Quarter.

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<sup>121</sup> MacCash, 1999. p. E1.



5.9

5.10



5.11

- 5.9 Fulton Street Pedestrian Arcade looking away from the casino. Parking structure on the right and hotel on the left frame the restaurant area.
- 5.10 The Harrah's Hotel across Poydras Street uses historic street-level facades to emphasize the pedestrian experience.
- 5.11 Poydras St. Entrance highlighting the use of palm trees to disguise bulk of the building.

### *Impact on City Government*

From the perspective of the city government, the casino development at the Foot of Canal has been a mixed bag. The casino brings in needed revenue, though not as much as was promised. This revenue is not earmarked directly for investment into the neighborhood, but the Foot of Canal – as a strategic location bolstering the French Quarter tourism industry – has nonetheless continued to receive investment by the City.

The location of the casino at the Foot of Canal was a political decision without planning review that can best be viewed as part of a larger strategy of concentrating large tourist and convention attractions at the Foot of Canal and near the French Quarter. As mentioned previously, the area had long been a site for megadevelopments aimed at drawing more convention and tourist business to the city. The Aquarium of the Americas, the upscale Canal Place mall, Riverwalk, and the Rivergate Exhibition Hall all fit this mold.

Since locating the casino in the neighborhood in 1999, the city has continued to invest into the neighborhood.

The Ernst N. Morial Convention Center was constructed two blocks upriver, the Regional Transit Authority (RTA) reinstated the Canal Street Streetcar line (adding to two streetcar lines that already traverse the area), the City invested more than \$17 million in streetscape improvements, and the downtown development district created a master plan for the Canal Street corridor to build on existing assets such as the casino and to revitalize underperforming buildings.

The cash stream that the casino brought to the City helped defray the cost of these investments, though casino struggles caused this cash stream to be smaller than first promised. Within a year of opening, Harrah's was \$500 million in debt and filing for bankruptcy. While it was grossing \$21 million per month, the lack of a linked hotel and restaurants plus the \$100 million annual payment to the state caused the casino to be losing \$8 million monthly.<sup>122</sup> Especially damaging was the lack of restaurants, as there were no adequate

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<sup>122</sup> Mowbray, R. "One Bad Apple; Investors Say Harrah's Profits have been rotten since the company picked New Orleans." *The Times-Picayune*. New Orleans, LA. October 15, 2000. Money Section. p. 1

substitutes in close proximity. The hotel was primarily needed to compete with other national gambling destinations.

In negotiations during bankruptcy, the state reduced the required payment to \$60 million and allowed the casino to build a hotel and restaurants.<sup>123</sup> Only a small amount of this state money makes its way back to New Orleans, with much of it spent on the state's operation expenses.<sup>124</sup>

The city receives most of its casino revenues in the form of \$13.7 million in rent, \$225,000 guaranteed donation to City Council-approved charities and millions more in the form of sales and property taxes.<sup>125</sup> Currently New Orleans receives about \$20 million total, which is about \$5 million less annually than expected.

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<sup>123</sup> Sayre, A. "Company Head: Casino Won't Be Asking for More Concessions" *The Associated Press State and Local Wire*. New Orleans, LA. Business News. January 17, 2002

<sup>124</sup> Redman, C. "Casino Money to Go Toward Teacher Raises" *State Times/Morning Advocate* Baton Rouge, LA April 21, 2001. p. 1-B

<sup>125</sup> "City Council OKs revised lease with Harrah's New Orleans" *The Associated Press State and Local Wire*. New Orleans, LA. Business News. March 18, 2006.

This money enters the general budget and is not earmarked towards any specific use.

Some of the revenue raised by the casino stays in the immediate neighborhood through payment to the Downtown Development District (DDD), one of the country's oldest Business Improvement Districts (BID). The DDD has noted that from 1999 (the year of casino opening) to 2001, its property tax revenue from the District went up by 49%, much of it from the addition of the casino.<sup>126</sup> This additional revenue in turn helps the DDD fund improvement projects that serve residents, businesses and visitors.

In all, investment into the neighborhood by the City has continued with the addition of the casino, helped by the revenue. This investment builds on a long history of trying to make the neighborhood a center for the business and leisure tourism market through the siting of large-scale developments in the neighborhood. Perhaps the biggest impact on the neighborhood from the casino

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<sup>126</sup> Bureau of Governmental Research, "DDD Tax and Bond Proposal" March 2001. Accessed April, 2007 at <http://www.bgr.org/BGR%20in%20the%20News/BGR%20Reports/DDD%20bond.pdf>.



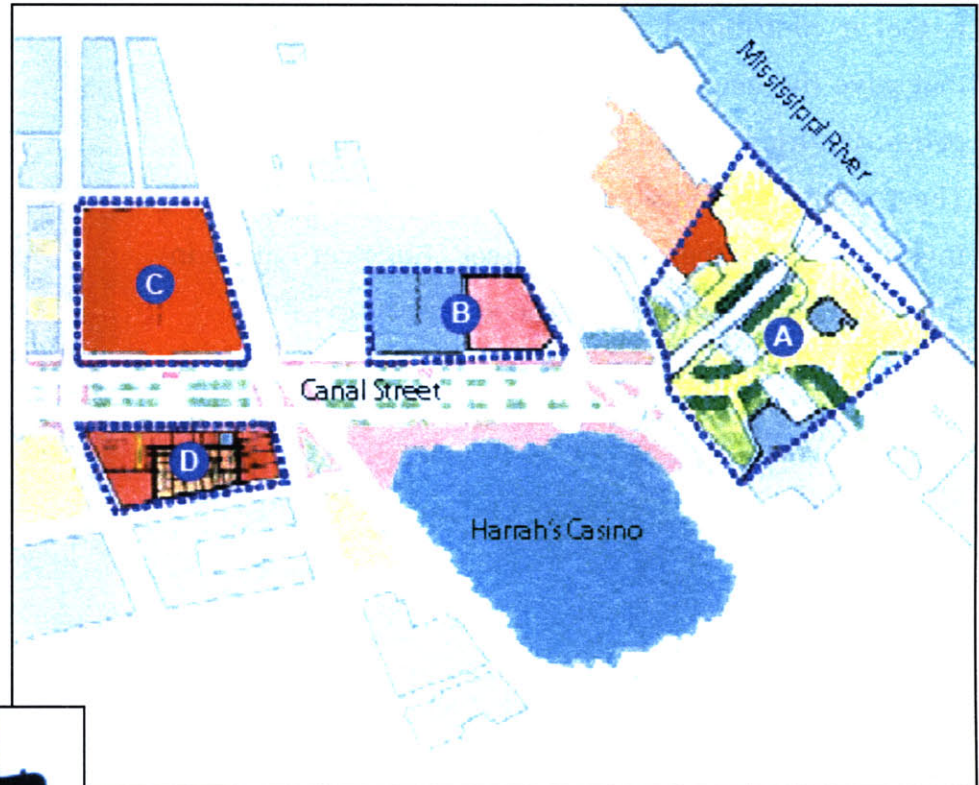
is that it contributed a massive physical improvement that gave the neighborhood a chance to mesh with the pedestrian-friendly scale of the neighborhoods around it. The City has embraced this opportunity both through investment in the Canal Street Streetcar and in improvements to the neighborhood streetscape.<sup>127</sup>

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<sup>127</sup> While the picture from the perspective of the neighborhood may be rosy, it should be noted that the drawbacks of the casino from the perspective of the city government may be visible only at a broader scale than this thesis. For example, a 1999 study commissioned by the State Legislature found that 1 in 3 dollars earned by Louisiana casinos (Harrah's had not been completed yet) came from "problem and pathological gamblers." (Yerton, 1999). These gamblers were estimated to cost society \$481 million. A study commissioned by Harrah's in 2000 indicated that out-of-town visitors accounted for far more of their business than the state study found of the pre-Harrah's New Orleans market, thereby greatly increasing the net benefit to the city. Analysis of these competing conclusions is beyond the scope of this investigation.



**5.12** View down Canal Street, highlighting both the megadevelopments and the pedestrian nature of the investments in the streetcar line.



**5.13** Development Opportunities at the Foot of Canal.



**5.14** Parcel D across from the primary canal street entrance, with vacant historic structures and liquor/souvenir shop.

### *Impact on Real Estate Development*

The developmental impact of the casino has not extended past its own footprint. While statistics suggest that it may have had a positive impact on property values, many of the land uses near the casino were too large, independent or successful in their current use to be susceptible to change inspired by increased traffic into the neighborhood from the casino. Likewise, the casino does not seem to be either hindering or fostering development of the underdeveloped sites surrounding it.

While the development impact may not have extended far past the casino footprint, the casino footprint has by itself altered the neighborhood. The casino building and parking garage occupy over three acres of the city and entailed \$345 million in construction costs.<sup>128</sup> Another acre was covered by the 2006 opening of the adjacent 26-story, 450-room hotel and pedestrian walkway with three restaurants and a jazz club along

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<sup>128</sup> King, 1999. p. F1.

Fulton St. This hotel was an additional \$170 million investment.<sup>129</sup>

Statistics on property values suggest that the casino development has had a positive impact on the surrounding neighborhood. In the year after the introduction of the casino, property rolls in the downtown increased by 49%. This was due both to the addition of the Casino to the tax rolls, as well as to a marked appreciation in the property values of nearby properties. This suggests at the very least that the casino did not hinder the real estate market. In fact, a 1996 study found that the CBD market in the mid-90s responded favorably to news of the casino.<sup>130</sup> The authors noted that there was a statistically significant rise in commercial land values in the downtown when it was announced that a casino would be built at the Foot of

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<sup>129</sup> "Harrah's New Orleans Opens New 450-Room Hotel" *Business Wire, Inc.* September 22, 2006

<sup>130</sup> Ragas, W. "Property Values" pp. 25-49 in Ryan, T. et. al *The Effects of Land-Based and Riverboat Gaming in New Orleans*. Division of Business and Economic Research. University of New Orleans. May, 1990. Submitted to the Mayor's Office of New Orleans. Unpublished. Louisiana Collection, New Orleans Public Library.

Canal. This rise was not sustained due to the many delays in development of the casino, but together with the property tax data from the DDD it suggests that commercial real estate property values are buoyed by the casino. Even if the effect is miniscule, such a result certainly indicates that the commercial users of the downtown do not consider the casino to be a liability for the CBD.

Asset or not, no parcels near the casino have undergone significant change that can be attributed to the introduction of the casino. The Canal Place Mall, the Aquarium of the Americas, the Riverwalk, and the Doubletree, Westin, Windsor Court, Loews, "W" and the 1,600-room Hilton Hotels, all of which abut the casino, have retained their original use without regard to their new neighbor. The most notable change in abutters will come when the abutting World Trade Center building is converted to a hotel, a process has been ongoing for more than a decade, with a new developer having only recently been chosen. But, this change in use can hardly be attributed directly to the casino, as the 550 extra rooms

the casino is estimated to fill outside its own hotel on a busy weekend are easily absorbed by the 33,010 other hotel rooms in New Orleans.

Four notable parcels that the DDD listed in a master plan for revitalizing the Canal Street corridor about the Casino.<sup>131</sup> (5.xx) In the view of the DDD, each parcel's redevelopment has hinged on unique factors that have had little to do with the casino, though together with the casino they do present an opportunity to make the Foot of Canal a much more active destination. Parcel A, the ferry terminal, could become a visible and unique link to the river whereas today it is a wall created by an unnecessary skywalk over rail lines. Parcel B, consisting of part of the Canal Place complex and a surface parking lot, is considered "offensive" to pedestrians, especially when coupled with the neighboring electricity substation. Parcels C and D are comprised of underused and dilapidated historic structures that present technical difficulties in their preservation and reuse.

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<sup>131</sup> Development Strategies, Inc. et al, *Canal Street Vision and Development Strategy*. Downtown Development District. City of New Orleans. May 2004.

All of these parcels represent opportunities for greater value, as noted in the DDD report. However, the individual obstacles inherent to each present a high hurdle for development. The demand that would overcome such a hurdle is far greater any effect incidental traffic from the casino may create. The independence from the casino of uses found at the Foot of Canal is underscored by the 1996 study, which noted that even if the casino stopped operation, “the loss of the building as a gambling venue might have little negative impact on the already thriving tourist-based economy of [the Foot of Canal].”<sup>132</sup> While evidence suggests that this casino is considered a good neighbor in New Orleans, any positive effect it creates is certainly not enough to independently spur development of complicated parcels like those surrounding Harrah’s New Orleans.

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<sup>132</sup> Brooks, J. et al, “Land Use” pp. 11, in Ryan, T. et. al *The Effects of Land-Based and Riverboat Gaming in New Orleans*. Division of Business and Economic Research. University of New Orleans. May, 1990. Submitted to the Mayor’s Office of New Orleans. Unpublished. Louisiana Collection, New Orleans Public Library.

#### *Impact on Street-Level Commerce*

Two retail corridors – Canal and Fulton Streets – each tell a story of their own about the impact of the casino. On Canal Street the casino faces a vast stretch of asphalt where several disconnected uses face each other. On Fulton Street, on the other hand, the casino interacts with an intimate space in which it was able to design a vibrant connection to the neighboring Warehouse District.

#### Canal Street:

In their vision for Canal Street, the Downtown Development District notes, “the current mix of retail tenants and uses serves a fairly narrow set of tourist-oriented purposes along lower Canal Street.”<sup>133</sup> This is obvious on the corner of Canal and South Peters Street. On one side is Parcel D, with a poorly maintained liquor and souvenir store serving the bargain-minded subset of tourists, while catercorner to that in the Canal Place Mall is Brooks Brothers, serving a wealthier clientele. Both of these stores predate the casino. While Parcel D has unique problems in maintenance, the vacancy on the site

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<sup>133</sup> Development Strategies, Inc. et al, 2004.

certainly suggests that the casino is not increasing retail business markedly at that site. Other retail on Canal Street lays several blocks up the street and typically serves nearby residents.

Fulton Street:

When the casino renegotiated its terms of operation with the State of Louisiana in 2001, the State allowed it to build restaurants and a hotel that had previously been forbidden. As the casino was hemmed in on all four sides by roadways, the designers opted to create restaurants framing a pedestrianized Fulton Street between the hotel and the casino parking garage. The space includes two restaurants: a Gordon Biersch franchise and an independent restaurant headed by celebrity chef Todd English. There is no space for other retail, but there are several spaces and restaurants further down Fulton toward the convention center where Schaeffer Mickal, a local realtor, noted that with the hotel connection between the Convention Center and Casino, “you’re going to have conventioners coming and

going... there are multiple national tenants that have been trying to get into that area.”<sup>134</sup>

The casino created this pedestrian space to add to its own national competitiveness, aiming to serve a high-end customer that seeks an experience comparable to those found in Las Vegas. The design strategy it pursued, though, provided positive externalities for the neighborhood in that it fostered the creation of a more pedestrian-oriented link in the neighborhood between the convention center, the casino, and the French Quarter. As Mary Beth Romig, the director of the N.O. Metropolitan Convention & Visitors Bureau opined, “It’ll be a lovely promenade and a different landscape from Convention Center Boulevard... that enhances our reputation” as a destination for conventions.<sup>135</sup>

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<sup>134</sup> White, J. “Betting on Fulton; Harrah’s Opening” *The Times-Picayune*. New Orleans, LA. September 10, 2006

<sup>135</sup> White, 2006.

### *Impact on the Residential Community*

The neighborhood into which the casino entered was not by any measure one that had fostered a residential community. The casino has not reversed this trend, nor was it expected to. The buildings at the Foot of Canal were aimed towards the tourist and convention markets, and those nearby in the CBD were mostly commercial in nature. The one exception is the Warehouse District northwest of the casino, which has seen some residential development unrelated to the casino since Harrah's was introduced to the neighborhood.

Local researcher Jane Brooks of the University of New Orleans illustrated the lack of residential community at the Foot of Canal in a 1996 land use study of major corridors surrounding the casino site. On these corridors they found only 12 buildings out of 310 (3.9%) that were devoted to residential use prior to casino construction.<sup>136</sup>

Since then there has been a dramatic increase of residential units in the Warehouse District. This area is part of the Downtown Development District, but the

primary development activity is well insulated from direct impact from the casino and is reflective of many factors unrelated to the casino. Among these are a nationwide trend towards condominium development in center cities, as well as a post-Katrina demand for buildings located in sections of New Orleans like the Warehouse District that were spared from major flooding.

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<sup>136</sup> Brooks, 1990.

## Conclusions

Harrah's New Orleans illustrates the overriding tendency for a casino to operate as a self-contained unit. Initially the city attempted to use the casino as an anchor for activity in the neighborhood by restricting its ability to offer restaurants or a hotel. The problem, however, was that there were no restaurants in the nearby area for casino patrons to visit and none materialized in the few suitable nearby retail spaces. Patrons had to travel at least 200 yards to the nearest group of restaurants, which in turn hurt both the casino's competitiveness with other casinos and its ability to make money off of the patrons it did attract.

This design added to an inability on the part of the casino to make the money that it claimed it needed to be able to pay the state and city their due. In negotiations on how to move forward, payments to government were reduced and the casino was allowed to build a hotel and the high-end restaurants that it perceived would make it more competitive. In other words, the casino pushed to become more like the proven, self-contained model that is common for most casinos.

Nonetheless, the way in which the casino self-containment was sought is eye-opening. The hotel was built across the street to the west, across Fulton Street from the parking structure. Because they had to develop a relationship with the building across the street, casino designers opted to convert Fulton Street into an exterior pedestrian area framed on either side by restaurants and bars. The space is proportioned very similarly to Monroe Street of the Greektown Detroit case, though much more heavily decorated.

It is evident that in attempting to become more competitive and offer a more attractive gambling product to patrons, the casino created a small, highly decorated replica of the city. This area proves not only that it is possible to bring some of the casino's activity to the street level, but that it also can be attractive and can enhance the casino's competitive advantage compared to more dull settings.

Of course, judging from the interiors of Las Vegas, we would almost expect this strategy of creating an urban



street. The difference here is that the space truly is outdoors, rather than simply replicating the outdoors.

In truth, I am only calling Fulton Street a replica of the city because it is pedestrianized and so highly decorated. But both of these traits are found in the most successful entertainment districts within cities. Even a small city like Burlington, VT, has such a district. Indeed, this replica interacts with the actual city and creates a connection to a nearby commercial area fueled by convention center traffic. By doing so, it completes a pedestrian connection between three of New Orleans' biggest attractions: the convention center, the casino, and the French Quarter.

This connection is especially significant because much of the rationale for both the casino and the convention center was to drive traffic through the various businesses in the French Quarter. Adding a pedestrian connection to the streetcar and car connections thereby makes it all the more likely that conventioners will spend money in other parts of the city, especially the French Quarter. The ability to create such a connection and thereby

potentially create better synergy between the assets of a neighborhood is vital to the understanding of the potential latent in casinos to impact urban neighborhoods.

### **GREEKTOWN CASINO DETROIT**

Opening: November 10, 1999.

Type: Full-service land-based casino with ongoing hotel addition.  
75,000 square feet. 2,400 slot machines. 104 table games.

Investment: \$147 million for initial casino plus \$200 million expansion in 2007 that includes hotel.

Jobs: 2,503

City Size: 951,270 as of 2000. (currently under 836,056)

Market: 9.3 million within 150 miles.

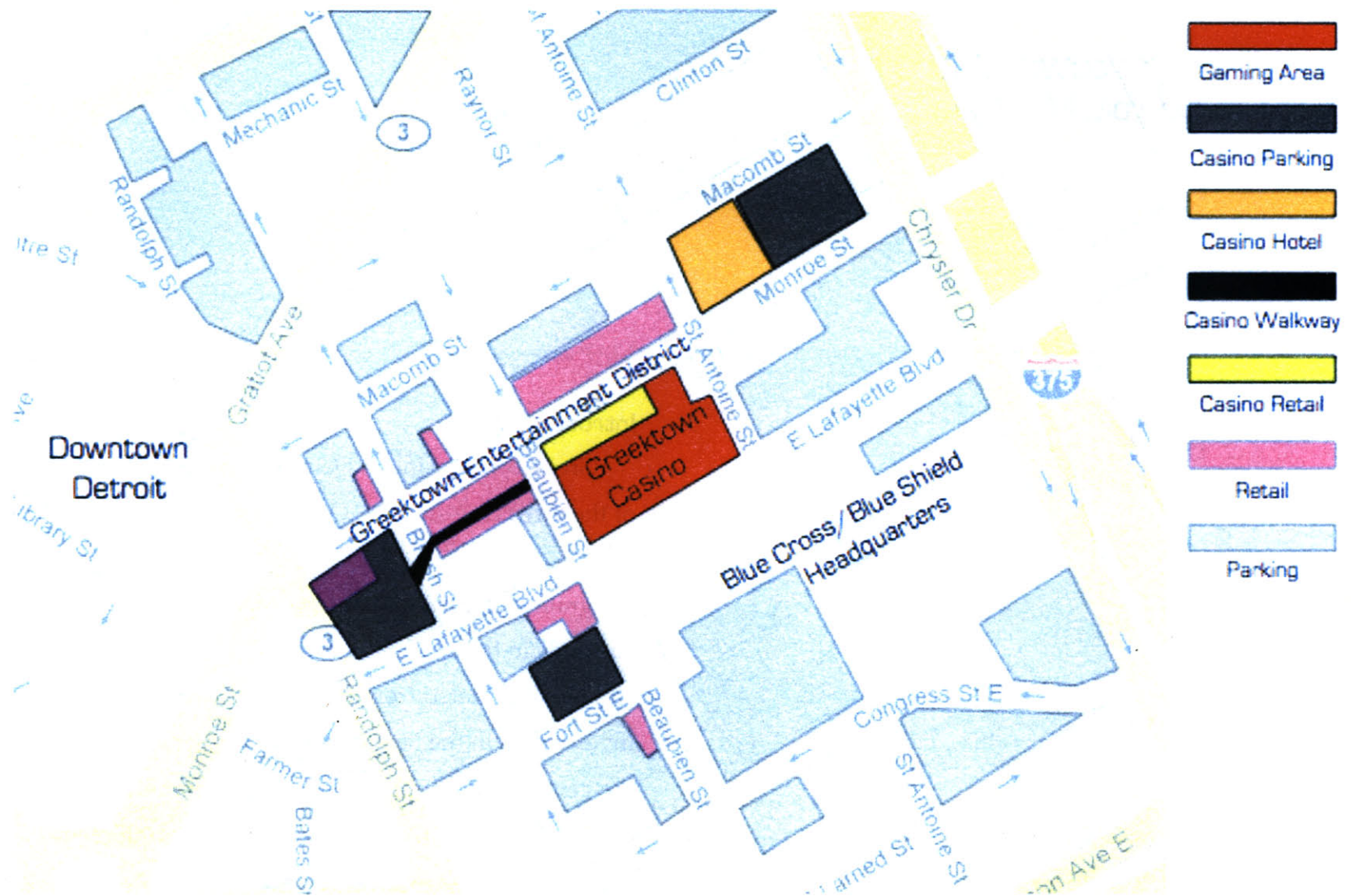
Competition: Two other Detroit-based full-service casinos and tribal gaming within fifty miles.

Location: The Greektown Entertainment District in Downtown. Site is within a quarter-mile of county capitol, Comerica Park, and Ford Field.

## VI. Greektown Detroit Casino Detroit, Michigan

### **Introduction**

Greektown Casino in Detroit is the most remarkable of the three case studies. Contrary to the typical pattern of self-containment, the casino actually 1) attempts to integrate with a vibrant entertainment district and 2) succeeds in bolstering this district. The impetus for this strategy originated from the original owners' multiple investments in the neighborhood, yet the lessons learned are generally applicable to any city attempting to leverage a casino to bolster a retail or entertainment district.



6.1 Context of casino development



**6.2** Aerial view of Greektown Casino circa 2000.

### Physical and Historical Setting

In July of 2007, the last Farmer Jack supermarket in the city of Detroit shut its doors, leaving this city of nearly one million people as the only American city of such size devoid of all national supermarket chains.<sup>137</sup>

This astonishing symptom of disinvestment is emblematic of the challenges that have faced Detroit as the flight to suburbia has hollowed out this once-great city.

In retrospect, it seems easy to write the story of the abandonment of Detroit. The city seal, referring to a fire from 1805, acts as foreshadowing for today's problems: *Speramus meliora; resurget cineribus*. We hope for better things; it will rise from the ashes. The three casinos that were built in the latter years of the 1990s are the city's most recent attempt to rise from the ashes.

Yet for this city, rising from the ashes is uniquely difficult. In 1940, the historian Arthur Pond noted that, "fundamentally, modern Detroit exists to build and sell motor cars... and once it quits doing that it will lose its

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<sup>137</sup> Smith, J. "Grocery Closings Hit Detroit Hard," *The Detroit News*, Detroit, MI. Metr Section. July 5, 2007.

chief reason for existence."<sup>138</sup> All turn of the century American cities have been somewhat dispersed by the automobile, but in many of these cities, the inspiration for the initial agglomeration counters some of the dispersing tendency of the car. The ports of Boston could not decentralize, the financial industry of New York desired proximity to each other, and San Franciscans found themselves hemmed in by the ocean and mountains.

In Detroit, the automobile *was* the engine that drove the initial agglomeration of activity and population, and the City's ruling elite were intimately associated with that industry. The countryside was ripe for resettlement, and the industry well understood that dispersal would increase demand for the very product that the metropolis existed to produce. It was only a matter of time before the City acted upon its hope for better industry performance and encouraged the very dispersal patterns that have led to the city's demise.

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<sup>138</sup> Clemens, P. "A Comeback Kid for a Dead-End Town" *The New York Times* New York, NY. November 13, 2005. p. 13

One can only assume that the City and State actors who encouraged their shining city's demise operated under the influence of the same logic as Henry Ford, who once opined that, "the city is doomed.... We shall solve the city problem by leaving the city."<sup>139</sup> In the mid-1990s, the spokesperson for Mayor Archer noted that such an attitude had crystallized into the seemingly apt question: "Will the last person in Detroit turn the lights out?"<sup>140</sup>

By the year 2005, the city had shrunk from a peak population of 1,849,568 people in 1950 to 836,056.<sup>141</sup> The 1990 Detroit Vacant Land Survey had long called for the decommissioning of entire vacant swaths of the city,<sup>142</sup> and millions of dollars were being spent by the city each year just to demolish vacant structures. From 1978 to

1998, 108,000 demolition permits were issued compared to just 9,000 building permits.<sup>143</sup>

Because the commercial activity that drove the initial agglomeration of Detroit acted as the very same impetus for its dispersal, the downtown commercial core of Detroit has encountered the same fate as the residential parts of the city. Figure 6.3 highlights this disinvestment over eighty years, illustrating how vacant lots overtook the formerly dense city fabric.

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<sup>139</sup> Kenyon, A. *Dreaming Suburbia: Detroit and the Production of Postwar Space and Culture*. Wayne State University Press. Detroit, MI. 2004. p. 20

<sup>140</sup> DeFao, J. "The Urban Gamble: First of Two Parts." *The San Francisco Chronicle*. San Francisco, CA. May 27, 2001.

<sup>141</sup> U.S. Census Bureau. [www.census.gov](http://www.census.gov). Accessed July 1, 2007.

<sup>142</sup> Waldheim, C. "Detroit - Motor City" in Robbins, E. and El-Khoury, R., eds. *Shaping the City: Studies in History, Theory, and Urban Design*. Routledge. New York. p. 82

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<sup>143</sup> Daskalakis, G., Waldheim, C., Young, J., eds. *Stalking Detroit*. ACTAR. Barcelona, Spain. 2001. p. 14

6.3 The emptying of downtown Detroit.



1916



1950



1960



1994



It is into this fabric that the three casinos of Detroit were placed. I have chosen the Greektown casino to focus on, as that casino is the only of the three to make any attempt to interact with Detroit as an urban environment.

The Greektown Casino aimed specifically to integrate into a part of downtown considered by 1988 to be “the most famous one-block area” in all of Detroit: Greektown.<sup>144</sup> While the urban fabric around Greektown had disintegrated into parking lots and suburban-style office complexes, in 1999 Greektown was still an anomalous double-sided strip of bustling storefronts on Monroe St. between Beaubien and St. Antoine that served a variety of Greek foods and provided a range of retail services.

Blocks similar to Greektown exist in many cities across the country without fanfare, but for Detroit this small ethnic enclave occupied a special place in the city’s imagination. In 1992, *the Detroit News* considered the

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<sup>144</sup> Detroit ‘88 Promotional Brochure. Detroit Public Library, Burton Historical Collection. Special Collections. Excerpts and Miscellanea File. D/Neighborhoods - Greektown.

block “the city’s top tourist destination.”<sup>145</sup> Mike Wright, of the Metropolitan Detroit Convention and Visitor’s Bureau, considered it “an indispensable element in the product [Detroit] puts on the market.”<sup>146</sup>

The name Greektown formerly applied to a predominantly Greek settlement that was much larger, encompassing Monroe, Lafayette, Congress and Jefferson Streets to the south, Clinton Street to the north, and east from Randolph to Russell. During various attempts at urban renewal of this enclave in the decades from 1960-1980 the larger Greektown was almost fully redeveloped into parking, Lafayette Park, a Blue Cross office building to the South, and municipal facilities to the North.

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<sup>145</sup> Markietwicz, D. “Opa! Greektown Gets Cooking.” *The Detroit News* May 11, 1992 p. 3F

<sup>146</sup> Id.



**6.4** MGM Grand is alone amongst parking lots.

A few original buildings remained, notably including a complex of buildings on the south side of Monroe St. built by the late Traugott Schmit. Beginning in the 1850s, this German immigrant created an industry based on fur trading and leather tanning at the site.<sup>147</sup> In 1985 these buildings were converted to an indoor mall called “Trapper’s Alley.” This complex housed a variety of retailers on multiple levels, but struggled within years of opening.

By the early nineties, the block and nearby buildings contained 34 restaurants and bars, whose average customer was “a 34 year old [suburban] resident with an annual income of more than \$40,000.”<sup>148</sup> Just outside the block, contiguous to the strip were three notable churches, the towering St. Mary’s Roman Catholic Church, the Annunciation Greek Orthodox Church, and the Second Baptist Church organized in 1836.

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<sup>147</sup> Karagiannis C. and Zachary, E. “A tour of Detroit’s Greektown.” Southeast Michigan Regional Ethnic Heritage Studies Center. 1975. Detroit Public Library, Burton Historical Collection. Special Collections. Excerpts and Miscellanea File. D/Neighborhoods - Greektown.

<sup>148</sup> Markietwicz, 1992 p. 3F

Internal to the neighborhood, the streets are intimate, especially when compared to those framing the neighborhood and cutting through much of Detroit. Monroe St. is about 40’ across, whereas East Lafayette Boulevard to the South is over 110’. Carl W. Almblad, former senior city planner of Detroit, once noted such “narrow, intimately scaled streets” can “encourage close... relations between people.”<sup>149</sup> As one walks down Monroe St. in Greektown this is obvious, with cars moving slowly and the sounds of café conversations drifting across the street. Lafayette St., on the other hand, is a desert of a street that confronts the pedestrian like a wall and operates just as Almblad predicted it would, encouraging “fast through traffic” and making “contact across it very difficult.”<sup>150</sup>

While encouraged by the road layout amidst such disinvestment, much of the continued vibrancy of the Greektown businesses is due to the development

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<sup>149</sup> Jones, E. *The Slaughter of Cities: Urban Renewal as Ethnic Cleansing*. St. Augustine’s Press. South Bend, IN. 2004. p. 316 citing Soc. 703 Ravitz Master Plan and Stratification, May 1960, Almblad Papers, Box 1, folder 28, Wayne State Archives.

<sup>150</sup> Jones, 2004.

partnership of Ted Gatzaros and Jim Pappas. Pappas, in particular, is a genuine Horatio Alger. In 1968 this son of a farmer arrived with \$130 to stay with an uncle. He began painting for a living, but by the 1970s expanded into the restaurant business. By 1982 he was able to buy a stake with Gatzaros in the Greektown landmark *Pegasus Taverna*.<sup>151</sup> They owned Trapper's Alley by 1989, just after having completed the 1988 renovation of a complex of neighboring warehouses, the Ferry Seed Co., into an office building.<sup>152</sup> The two are also responsible for the adjacent Atheneum Hotel, a 170-suite luxury hotel developed in 1992.

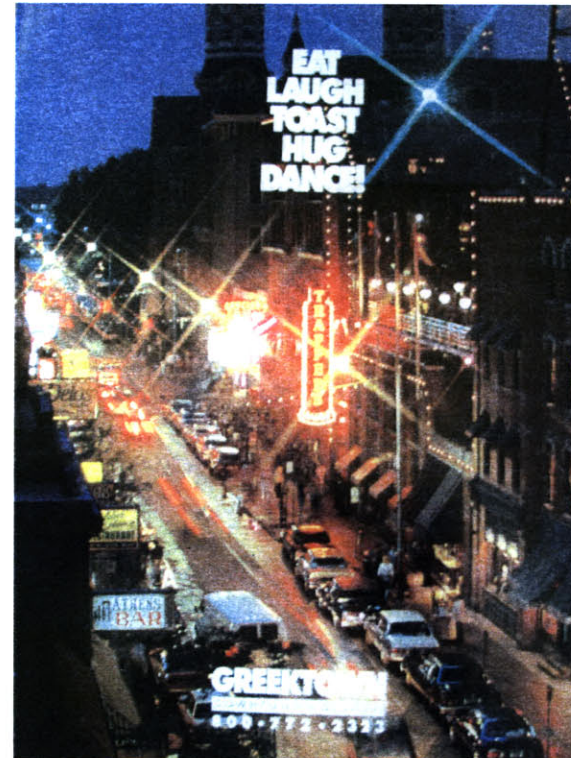
This partnership is the direct cause of the special relationship of the Greektown casino to its surroundings. The two were among the first proponents of casinos in Detroit and were the initial owners of the casino, envisioning a casino that could be profitable while also strengthening Greektown (and presumably their investments in the neighborhood). Their partners in the

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<sup>151</sup> Brown, G. "Developer Pappas: from Greece to Greektown" *Crain's Detroit Business* February 5, 1990.

<sup>152</sup> Lane-Wilke, K. "Market Place debuts in July" *Crain's Detroit Business* January 19, 1987 p. 3

casino development, the Sault Ste. Marie Tribe of the Chippewas, ultimately bought the two out of the partnership due to objections raised by state officials about past business dealings.<sup>153</sup>



**6.5** Monroe Street as featured in a 1988 visitor's guide.

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<sup>153</sup> Greektown is owned by a Native American tribe but its license is not related to the federal Indian Gaming Regulatory Act of 1988 that formalized gambling on reservations. They bought out Pappas and Gatzaros after the State raised objections to their involvement.



6.6

6.6 Greektown looking to the west down Lafayette and Monroe Streets, circa 2005.

6.7 Greektown looking north, circa 2005.



6.7

## Motivation For Casino Construction

Greektown Casino was approved simultaneously with two other casinos in the late 1990s. The motivation for putting three casinos within Detroit came down to the fact that there was already gambling within 4,000 feet of City Hall, it just happened to take place across the Detroit River in Canada. Before a 1996 referendum, voters were presented with the “specter of a gigantic sack of cash - \$400 million to be exact - floating from Detroit to Windsor.”<sup>154</sup>

Then-Mayor Dennis Archer argued, “To the extent that there's any burden with casinos, we have it already with the [Canadian] casino, and we have none of the benefits.”<sup>155</sup> Meanwhile, he saw the opportunity for bringing “jobs, business opportunities, and a new stream of tax revenue and a first-class tourist attraction” to his stagnated city.<sup>156</sup> These arguments convinced just

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<sup>154</sup> Gargaro, P. “Detroit Hopes to Float \$400 Million This Way” *Crain's Detroit Business*. Detroit, MI. November 11, 1996. p. 46

<sup>155</sup> Pulley, B. “Casinos Bring Detroit Hope and Division.” *The New York Times*. New York. April 11, 1998. Section A. p. 7

<sup>156</sup> Associated Press. “Detroit Council Approves Plan for 3 Casinos” *The New York Times*. New York, NY. April 10, 1998. Section A. p. 17

enough voters, as casinos were legalized in a narrowly won state-wide referendum in 1996, and by 1998 three casinos were selected by city officials for development: Greektown, MGM Grand, and MotorCity.

## Jobs

The jobs argument went beyond additional employment opportunities; for a city so long reliant on manufacturing diversification of the economy was seen as a significant boon. In 1998, the 7% unemployment rate in Detroit was double the average in the suburbs.<sup>157</sup> The casinos were projected to add 11,000 permanent jobs, therefore rivaling the entire G.M. workforce in Detroit.<sup>158</sup> Even after decades of deindustrialization, an above-average 19% of the city's workers worked in manufacturing.<sup>159</sup> Though the casino jobs paid lower wages and benefits, they would give Detroiters another place to look for work even if the manufacturing sector continued to decline. Having seen “no [other] kind of

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<sup>157</sup> Meredith, R. “Detroit, Still Blighted, Puts Hopes in Casinos.” *The New York Times*. New York. July 30, 1999. Section A. p. 12.

<sup>158</sup> Pulley, B. “Casinos Bring Detroit Hope and Division.” *The New York Times*. New York. April 11, 1998. Section A. p. 7

<sup>159</sup> “The Gambling Industry. New Wheels for Motor City.” *The Economist*. April 11, 1998. American Survey. p. 23

investment in any real fashion” in decades, the argument for more jobs for Detroiters was especially powerful.<sup>160</sup>

*Business Opportunities and Tourism*

On one hand, the casino presented practical business opportunities that would not otherwise be present in downtown Detroit. Their initial construction was projected to add 1,250 temporary construction jobs for local builders<sup>161</sup> and their operation was estimated to need \$300 million every year in continuing contracts to service the casino.<sup>162</sup> Many of these contracts were expected to go to local vendors. Furthermore, the casinos were going to bring tens of thousands of people downtown, which many – rightly or not – expected to boost sales for local businesses.

Even so, the push for casinos in Detroit was about something more fundamental. Voters realized that this was postmodern Detroit; they were not simply looking for diversification of the city’s economy so much as they

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<sup>160</sup> DeFao, 2001.

<sup>161</sup> Lane, A. “Proposal E: Odds of an End: Yes Vote Will Kill Urban Fund.” *Crain’s Detroit Business*. Detroit, MI. November 4, 1996. P. 1

<sup>162</sup> Ankeny, R. “Casinos Bring Tax Money, Jobs, but Concerns Remain.” *Crain’s Detroit Business*. Detroit, MI. November 25, 2002. p. 13.

were looking for “a new reason – and means – to exist.”

<sup>163</sup> Current Mayor Kwame Kilpatrick illustrated the prevalence of this sentiment when he opined in 2005 that Detroit had been able to transition from a “manufacturing economy to a casino economy.”<sup>164</sup>

In retrospect, approval of the casinos was the beginning of a concerted attempt to reinvent Detroit through the construction of stadiums, casinos, theaters and all manners of “publicly subsidized, privately owned, for-profit destination entertainment.”<sup>165</sup> These sought to transition downtown Detroit away from its reliance on headquarters of industrial giants towards a future as a postindustrial playground that lures wealthy suburbanites to spend their money in the city. The question remains whether Detroit’s downtown can create a strategy to convince these visitors to spend their money in places other than their final destination.

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<sup>163</sup> Clemens, P. “A Comeback Kid for a Dead-End Town” *The New York Times* New York, NY. November 13, 2005. p. 13

<sup>164</sup> Id.

<sup>165</sup> Kenyon, 2004. p. 20

### *Tax Revenues Expected*

Tasked with providing services to an emptying city, the projected tax revenue was a lifeline for the City that would prevent an even more massive overhaul of the city budget. Mayor Archer promised that the revenue would be used to hire more police officers and improve city services, and would not be used for new programs.

The three casinos were projected to bring \$180 million in taxes per year to the city – \$130 million from a fixed percentage of gambling revenue and \$50 million in property taxes. This revenue was expected to boost the city budget of \$2.46 billion by 7.3%<sup>166</sup> at a time when income tax revenues for the city were only \$368 million and steeply declining. In addition, the State was projected to receive \$100 million in revenues.<sup>167</sup>

These revenue estimates alone painted too optimistic a picture from the outset. A loophole in the state revenue sharing agreements with tribal gaming entities stated that if the state legalized other casinos

these entities would no longer have to pay an 8% tax to the state and a 2% tax to their local governments.<sup>168</sup> The 8% state tax accounted for \$30.3 million in 1996 and went towards an urban fund that aimed to reinvest in struggling urban communities throughout the state, including Detroit. These revenues completely disappeared with the opening of the Detroit casinos.

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<sup>166</sup> "Task Force Recommends Deep Cuts in Detroit's Income Tax." *Associated Press State & Local Wire* Detroit, MI. November 26, 1998.

<sup>167</sup> "Report: Detroit tax receipts decline except from casinos" *Associated Press State & Local Wire* Detroit, MI. April 7, 2007.

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<sup>168</sup> Lane, 1996. p. 1



### **Physical and Developmental Impact of the Casino.**

The Greektown Casino is a massive structure delicately inserted into the dense fabric of Greektown strengthening its retail district. This was an intentional effect not on the part of the City, but on the part of the original casino investors. They sought to create a design that was mutually beneficial for the casino and the Greektown entertainment district (and presumably their investments in this district). Outside of its relationship with the retail district, the casino has had a minimal physical impact.

#### *Impact on Urban Design*

Greektown today is a vibrant oasis amidst a desert of automobile infrastructure. Approaching the district from any angle, the activity of this small district contrasts with barren parking lots, highways, and stoic building facades. People walk Monroe Street at all times of the day, blooming planters decorate the sidewalk, and street performers entertain passersby.

All of this activity, however, predates the Greektown Casino. Rather remarkably, this 75,000 sf gambling hall was inserted into the myriad storefronts of Monroe Street

without fundamentally changing anything about its built environment. This is because the casino owners felt “that Greektown itself is an entertainment area,” and the designers did not want “to drive away their business.” Instead they wanted “to complement the area.”<sup>169</sup> Even the streets retain their original condition, without extravagant upgrades like those found in the other case studies.

The Greektown casino as currently built was intended to be a temporary casino. Temporary structures are a common practice that enable casinos to quickly begin earning revenue (and paying taxes) after legalization of gambling but before more elaborate structures can be completed. In this temporary structure, the designers reused much of the Trapper’s Alley mall structure, even to the point of retaining the restaurants that line Monroe Street. The gambling activity took over the southern half of the building and upper floors. An addition was built

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<sup>169</sup> “Casino Opening is None Too Soon for Nearby Restaurant.” *Crain’s Detroit Business*. Detroit, MI. August 7, 2000. p. 37. Quoting John Hatch, spokesman for the Sault Ste. Marie Tribe Chippewa Indians that owns 90% of the casino.



6.8



6.10



6.9

6.8 Street performers at Monroe and Beaubien with Casino to right and hotel construction in distance.

6.9 Casino-owned retail along Monroe Street.

6.10 .Casino façade on Monroe Street.

to fill out the entire southern half of the Greektown block.

The facades of Monroe Street are unchanged except for signage. The casino's presence is most felt on Lafayette Street, where a new postmodern structure fronts Lafayette Street and occupies the entire block from Beaubien to St. Antoine St. Parking is currently offered in two disconnected locations, one linked through a passageway in the neighboring Ferry Seed Co. Office Building and the other a half-block south on Beaubien.

The design of the gambling hall creates three unique and effective options for access into the casino. Valet parking takes place on the larger Lafayette Street. It thereby avoids the Monroe St. congestion and offers quick highway access that suburbanites so desire.

The continued presence of restaurants in the former Trapper's Alley bolsters the intimate activity of Monroe Street. The vestigial atrium from Trapper's Alley exposes customers of any of these restaurants to the casino, while also providing a unique entrance space. This atrium also provides a direct link to Detroit's downtown loop of

elevated railway, the People Mover, offering yet another mode of access into the casino.

Unlike many other casinos with wide-open layouts (including the other two case studies), the interior layout of Greektown Casino is a multi-storied maze. Because part of the casino utilizes historic brick structures, gaming occurs on two floors and in multiple small rooms surrounding the atrium. On the third floor a snack area offers an overview of both the interior action and the activity on Monroe Street. Next to this interior perch gamblers can rest their feet on an outdoor patio overlooking Monroe Street. Only snack stations and food carts are available as eating options within the age-restricted portion of the casino/Trapper's Alley structure.

The casino's integration with Greektown was a concerted strategy pursued by its designers. William Paulos, head of the management firm overseeing the casino, observed at its opening that the casino saw a competitive advantage in that the other two casinos were isolated from the fabric of the city. In contrast,

Greektown patrons can “take a walk outside, enjoy what’s there and take a respite from the casino.”<sup>170</sup> The casino is within easy walking distance of Comerica Park, Fox Theater, Ford Field and other cultural venues.

Presumably, this strategy was more aimed at attracting patrons of these venues to the casino and Greektown than it was aimed at inviting casino patrons to leave. Yet John Hatch, spokesperson for the Sault Ste. Marie Tribe that owns 90% of the casino, claimed that there really was something fundamentally different in the relationship between the outside merchants and the casino. “We’re here because [the Greektown merchants] helped us get here,” he observed.<sup>171</sup> And from the outdoor patio to the presence of independent businesses in the Trapper’s atrium, there is clearly truth in the design that the casino owners were not “into captive audiences.”

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<sup>170</sup> Suhr, J. “Archer, Greektown Casino Investors Preview New Gambling Hall” *Associated Press State & Local Wire*. Detroit, MI. September 6, 2000.

<sup>171</sup> “Detroit’s Long-awaited Greektown Casino Cashes In” *Grand Rapids Press* Grand Rapids Press. November 12, 2000. p. A29.

It must be noted that Greektown does take in significantly less revenue per year than its intra-city rivals. The reasons for this are presumably numerous, and are likely largely due to the fact that the casino opened significantly after MotorCity and MGM Grand. If this underperformance has anything to do with the lack of a “captive audience,” the casino owners have apparently decided that it is not a large enough handicap to outweigh the advantages of their connection with the Greektown neighborhood. In 2006 the casino decided to convert the temporary structure into a permanent one on-site, rather than start over a blank slate nearby.

The conversion to a permanent casino includes a \$200 million investment and a 400-room, 30 story hotel on the north side of Monroe. This is catercorner to a 25,000 sf expansion of the original gaming structure that will squeeze between the existing retail and the historic St. Mary’s School building in order to reach to Monroe Street.



6.11



6.12



6.13

- 6.11 Greektown Casino, St. Mary's Church, Hotel Construction across Lafayette Street.
- 6.12 Former Trapper's Alley atrium dividing casino to the right and Monroe St. retail to the left.
- 6.13 Monroe St. to the west from casino patio.

6.14 The Detroit People Mover connects directly to the casino.

6.15 Rendering of new casino hotel with parking in the back.

6.14



6.15



In all, the insertion of the Greektown Casino was a delicate operation that seems to have managed to fill in many of the gaps around Greektown. The most significant structure destroyed was a municipal parking garage, while even restaurant spaces that are for all intents and purposes within the casino were allowed to remain in operation as independent entities. The result is a neighborhood with more vitality and more entertainment options than any other in downtown Detroit.

#### *Impact on City Government*

Kwame Kilpatrick summed up the combined effect of the gambling revenues when he noted in 2004 that without the casinos, the city "would be bankrupt, at the bottom of the pile."<sup>172</sup> The impact of the Greektown casino from the perspective of the city government has been almost entirely about the revenue that it brings. The city has not invested specifically into the Greektown neighborhood in any notable manner since the start of operations.

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<sup>172</sup> Grant, J. "'Hip-Hop Mayor' Upbeat on Detroit Revival." *Financial Times*. London, UK. February 21, 2004. p. 7

In 1998 prior to the opening of the casinos, the Detroit city budget was about \$2.5 billion dollars. Over the next nine years the city and Wayne County would subsidize theaters, a baseball stadium, a football stadium, and see the construction of three casinos in efforts to revive Detroit. Nonetheless, by 2007 falling revenues necessitated a shrinking of the budget to \$1.4 billion. Even then an \$88 million deficit remained.<sup>173</sup> Desperate actions were taken to shrink the budget further, including leasing the Detroit portion of the revenue-producing Detroit-Windsor Tunnel to the city of Windsor and farming out the operation of the Detroit Zoo and even street cleaning to nonprofits.

Casino taxes are currently the only source of City revenue that is not shrinking. By 2007 they were on track to hit \$200 million per year and continue to increase as the increased land value from hotel additions begins to hit the property rolls.<sup>174</sup> This money is rolled directly into the general fund where it is applied to the general

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<sup>173</sup> Gorchow, Z. "Kilpatrick's Budget Plan Flawed, Detroit Auditor Tells City Council" *Detroit Free Press*. Detroit, MI. April 23, 2007.

<sup>174</sup> "Report: Detroit tax receipts decline except from casinos" 2007.

priorities of city government.<sup>175</sup> This makes it impossible to account for the direct impacts brought about by this additional tax revenue.

It is nonetheless clear that the money is being transferred from suburban locales to the city and would not otherwise be accessible to the Detroit City Government. Jake Miklojcik, president of Michigan Consultants, Inc., noted “that only about 11 percent of the casino take in Detroit comes from city residents.”<sup>176</sup> This sweetens the picture from the perspective of Detroit, because any transference of revenue from an existing source such as sales tax to the gambling tax is therefore minimized.

While this money is essential for the city, it is not as much as it might have been. Gambling revenue began as a tax bonus for the city because it was in addition to money that was being invested by the State into the City. Soon after the casinos opened the state changed how it funded Michigan cities. Greg Bowens, spokesman for

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<sup>175</sup> Suhr, J. “A Year into Detroit Gambling, Wins and Losses Unclear.” *Associated Press State and Local Wire*. Detroit, MI. July 29, 2000.

<sup>176</sup> Ankeny, 2002. p. 13.

then-Mayor Dennis Archer, claimed that the result was that “as opposed to being extra money, [the casino revenue] became replacement money” for the city.<sup>177</sup> Judging from how much higher a percentage of the gambling tax revenues the City of Detroit received as compared to the amount other cities received from their respective states, this might have been predicted.

Furthermore, in an effort to make the most spectacular impact from the permanent casinos, the city embarked on an ill-fated real estate venture with the casinos. The casinos paid \$150 million to purchase a large swath of riverfront property for the city that was to become a new gambling mecca. As the deal fell through the city held a \$150 million debt to the casinos and an illiquid piece of riverfront property. The situation was resolved through concessions by the city to the casinos. In return for a \$102 million payment to the city and forgiveness by the casinos of the \$150 million debt, the casinos would not be held to previous agreements to fund \$60 million in minority business development and

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<sup>177</sup> DeFao, 2001.



would be allowed to build smaller hotels than they had originally promised.<sup>178</sup>

*Impact on Real Estate Development*

The developmental impact of the casino development has been strictly confined to its own construction. No large buildings nearby have changed use. There are several lots nearby that present no untoward obstacles to development, but have remained vacant. The bottom line is that Detroit is not attractive to most real estate development at the moment. In addition to Detroit-specific troubles, the larger metropolitan economy has also been struggling. What little momentum there has been for development has been focused on the Woodward Ave. corridor (just off the northeastern edge of figure 6.1).

Still, the casino itself has been a massive development for Detroit. The initial construction reused the failing Trapper's Alley mall, thereby shoring up the rest of the real estate in Greektown because Trapper's was struggling. The 75,000 sf of gaming was delicately

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<sup>178</sup> Shields, Y. "Detroit, Casinos Reach Deal in Which City Gets Cash Infusion." *The Bond Buyer*. March 27, 2002. p. 3

inserted into this tightly-knit fabric and consisted of a \$147 million investment.<sup>179</sup> The later hotel and casino expansion continued to celebrate Monroe Street and destroyed nothing more significant than a municipal garage to do so. The hotel and expansion cost investors \$200 million.

Other than this, no development has been spurred by the casino. Several parking lots nearby present no obvious obstacles to development, except for the fact that they are located in Downtown Detroit. The retail strip has continued to thrive, as will be covered below.

The fact that the land uses in the neighborhood have been stable and that there has been no disinvestment is quite significant. Detroit has continued to empty itself out since the introduction of the casino, but the combination of uses that form this neighborhood – the retail strip, several office buildings, several churches and the Athaneum Hotel – create a small island of reinforcing stability in an extremely unstable environment. The ongoing commitment to the neighborhood by the casino

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<sup>179</sup> Suhr, 2000.

doubtlessly helps to maintain the property values of all real estate within the neighborhood.

*Impact on Street-Level Commerce*

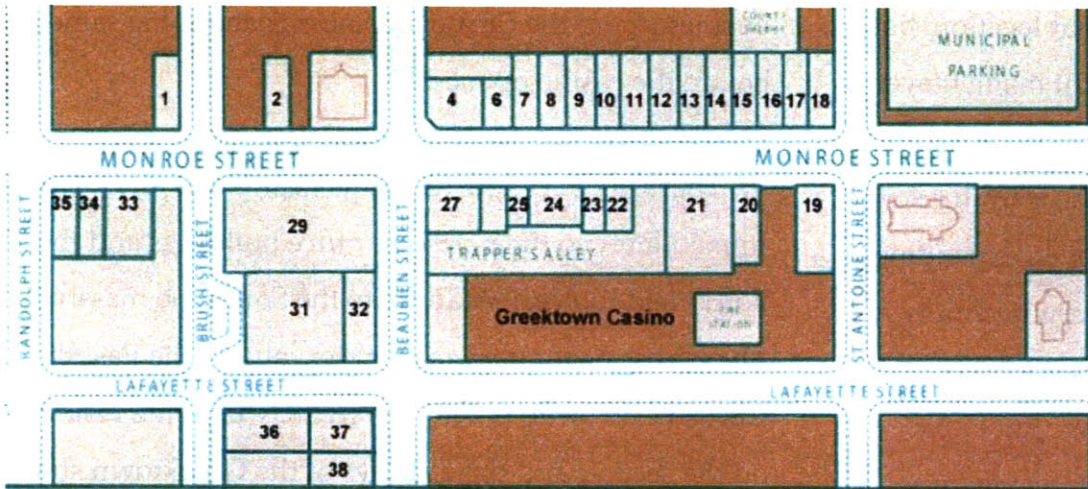
The Greektown Casino brings 12,000 people daily to Greektown. As there are no restaurants inside the casino, many of these gamblers make trips to the restaurants on Monroe Street when they are hungry. While the restaurants had been known as the most vibrant strip in Downtown for decades, it is clear that the introduction of the casino has only bolstered their position.

The formal relationship between the casino and surrounding merchants is highlighted in figure 6.16. As gamblers bet more money at the casino they earn “comps,” or complementary gifts from the casino such as hotel stays and dinners in and around the casino. Almost every storefront of Greektown is adorned with a note informing customers that “casino comps are welcome.”

The Greektown Merchant’s Association formed in 1903 in an attempt to save the row of businesses on Monroe Street from the fate of the rest of Greektown. The merchant’s association was successful in this endeavor and ever since has continued to market the

neighborhood to the Detroit metropolitan area. Some of the original businesses, including the New Hellas Café, remain in business from that time. A majority of the others, like New Parthenon, Athens Liquor, and Olympia Restaurant, honor a common Greek heritage and thereby lend enough credence to the name to continue this powerful branding tool for the neighborhood.

The introduction of the casino has brought a diversity of additions to the row and vacancies are almost nonexistent. The Alley Grille Steakhouse and Grapevine Café (with their S.O.B. sixteen ounce burger) offer standard American menus. Newer establishments on the row include Coldstone Creamery (2005), the upscale Mosaic Restaurant (2005), and the chic Europa Patisserie & Café (2006). A nightclub, the Delux Cocktail Lounge, is also a recent addition. Even the First Independence National Bank of Detroit opened a new bank branch in 1999 on Monroe to serve casino employees and patrons. Donna Murray, marketing director for the bank at the



- |                                 |                              |                              |
|---------------------------------|------------------------------|------------------------------|
| 1. Old Shillelagh               | 12. New Parthenon            | 24. Olympia Restaurant       |
| 2. Marilyn's on Monroe          | 13. PizzaPapalis             | 25. End Zone                 |
| 3. Second Baptist Church        | 14. Monroe Street Café       | 27. Grapevine Café           |
| 4. Mosaic                       | 15. Laikon Café              | 29. Fishbones Rhythm Kitchen |
| 6. Athens Lounge                | 17. Cyprus Taverna           | 30. Atheneum Hotel           |
| 7. Golden Fleece                | 18. New Hellas Café          | 32. Sportsmania              |
| 8. Athens Liquor, Gifts & Smoke | 20. Lavdas Jewelry           | 33. Sweet Georgia Brown      |
| 9. Athens Gifts & Music         | 21. Pegasus Taverna          | 34. Delux Cocktail Lounge    |
| 10. Plaka Café                  | 22. New Business Coming Soon | 35. Bahn Thai                |
| 11. Astoria Pastry Shop         | 23. Cold Stone Creamery      | 36. Bouzouki                 |
|                                 |                              | 37. Loco Bar & Grill         |
|                                 |                              | 38. Niki's Pizza             |



6.16

6.17

6.18

6.16 An example of the ubiquitous “casino comps welcome” sign.

6.17 Map of Greektown merchants.

6.18 Parking begets parking at Lafayette and Brush Streets.

time, noted, "We have always looked at that location, but once the casino announced it was coming, it made it even more attractive."<sup>180</sup>

Other business owners responded to the introduction of the casino by extending their hours or even expanding the restaurant. In a downtown that is otherwise empty by five, Plaka Café is open 24 hours and the Golden Fleece stays open until 3 a.m. on weekends. Jim Papas and Ted Gatzaros, the original owners of Greektown Casino, persuaded the owners of the Olympia Restaurant to expand in preparation for the casino. They did so by increasing seating 45% and opening the restaurant 24 hours.<sup>181</sup>

Olympia Restaurant sits within sight of slot machines across the former Trapper's Alley atrium, and receives a majority of its customers from the casino.<sup>182</sup> Long-time staff from other restaurants, including Plaka Café, claim that while they do accept casino comps and do get

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<sup>180</sup> Yue, L. "Local Bank to Open New Branch in Detroit Neighborhood," *Detroit Free Press* Detroit, MI. October 4, 1999.

<sup>181</sup> Slavin, 2000. p. 37

<sup>182</sup> Interview with staff member of Olympia Restaurant.

business from the casino, business is about the same as before the casino opened.<sup>183</sup>

#### *Impact on the Residential Community*

There are very few residents near Greektown Casino. Immediately to the north are office buildings and the Ford Field football stadium, to the South the massive Blue Cross headquarters complex, and to the East the Chrysler Freeway (I-375). There may be some residents on the second and third stories of the Greektown shops, but the area is overwhelmingly commercial and has been since the residential community was uprooted in the era of Urban Renewal. In the surrounding downtown there are 74,300 residents.<sup>184</sup>

Many of these people can be found a half-mile to the west in the center of downtown, where almost all residential development activity has occurred in the past 8 years. This activity is wholly independent of the casino and offers a small beacon of hope for the eternal 'Detroit Renaissance.' It has introduced sleek bars near Comerica

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<sup>183</sup> Interview with staff member of Plaka Café.

<sup>184</sup> Harrison, S. "DEGC Enlists Help to Spur Detroit Retail." *Crains Detroit Business*. Detroit, MI. June 25, 2007.

Park and the Fox Theater and has created a two-block strip of Woodward Avenue condominiums.

## **Conclusion**

The success with which Greektown Casino has been able to insert itself into the delicate fabric of Greektown and bolster its entertainment district is a surprising result of this research. The casino violates the primary rule of casinos in that it not only makes it relatively easy to leave the gaming area, but it gives customers an incentive to do so. While such a setup seems to have the potential to lessen casino revenue, it apparently presents enough advantages to the casino management that they are investing \$200 million to expand casino operations on-site without fundamentally changing the relationship of the casino to Greektown.

There are three key elements of this relationship that make it so unique: 1) parking is located at least one block away from the casino; 2) restaurants are outside the gaming area and interact with the street; 3) the physical structure of the casino is porous and offers immediate access to the activity of the street.

All parking for the Greektown casino is separated from the gaming structure. One parking structure is located one block along Monroe to the west on the other

side of the Ferry Seed Co. building, another is one block to the south of the casino and the third – still in construction – is one block along Monroe to the east behind the new hotel. Each of these sites cause patrons to have to leave their car and walk past shops to get to the casino. Patrons parking in the southern or eastern garage must enter the public realm to get to the casino, while patrons in the western garage can opt to take an interior passageway through the Ferry Seed Co. building. All three of these routes of access force patrons past retail opportunities, and thereby bolster the strength of the retail district.

The last bit of public realm that patrons pass before entering the casino is the interior of Trapper’s Alley, where the casino interfaces with an interior side of the retail of Monroe Street. This unique atrium is where all casino restaurants are located, yet is outside the restricted gaming area. Upon construction the casino could have incorporated these restaurants into the restricted area, but instead chose to retain access from the street. This strengthened the Monroe Street retail by preserving the

double-sided corridor of retail and restaurants and preserved the uniqueness of Greektown as a signature Detroit location. In accordance with this strategy, the casino has also created a formal system where casino patrons who receive comps can spend them at any of a number of restaurants in the area. This presumably makes comps more attractive to gamblers because it presents many options; it definitely bolsters sales at nearby restaurants.

To encourage a return flow of customers back into the casino, the casino is designed to be very porous to the pedestrian environment of Monroe Street. While keeping a more traditional valet parking entrance on Lafayette Street, the casino offers three separate entrances into its atrium as well as entrances through any of the storefronts on Monroe. This assures an ease of transition between inside and outside that enables customers to return to the gaming action quickly with minimal disruption.

These features combine to create a successful synergy between the casino and the entertainment district and could be replicated by a City trying to leverage a casino

as an anchor for such a district. Despite the fact that Greektown Casino management apparently values their current situation, it may be more difficult to replicate such willingness on the part of other casinos to create a nontraditional design.

In the case of Greektown, the city did not mandate this nontraditional design. Instead, the casino design seems likely to be a successful attempt on the part of the original owners – Jim Pappas and Ted Gatzaros – to use the casino as an anchor to drive traffic near their many investments in the Greektown neighborhood. The two holdings in the area included the original Trapper’s Alley, the Ferry Seed Co. building and the neighboring Atheneum Hotel, meaning the owners were the landlords of many of the restaurants of Greektown. It was therefore in their best interest to create a design that supported nearby businesses while also giving the casino a signature location. In other words, their motives closely paralleled those of a city attempting to use a casino to bolster an entertainment district.

Despite the fact that casino owners are not likely to be as invested in the well-being of a neighborhood as the Greektown Casino owners were, it seems eminently possible to force a casino to emulate the better aspects of the Greektown Casino. This is because in the case of a casino legalized by the state (as opposed to casinos legalized through the Indian Regulatory Gaming Act), the state is in a very powerful negotiating position when considering which casinos to allow and where. While the poorly thought out restrictions of Harrah’s New Orleans offer a warning to the drawbacks of some conditions, Greektown Casino clearly indicates that lucrative nontraditional casinos that also drive traffic through a neighborhood are possible to design.





## VI. Findings and Recommendations

The casino has joined the pantheon of development projects implemented by city governments in their ongoing quest for that elusive catalyst for neighborhood redevelopment. The uniquely seductive aspect of the casino is that unlike its relatives, the stadium or art museum, the casino requires no subsidy from the city. The effect is just the opposite; a casino offers the city massive amounts of money, both in tax payments and ancillary fees. Unfortunately, casinos also bring a host of negative qualities that must be weighed before a city and state decide to legalize gambling within their borders.

The casino is often argued about in the abstract in this legalization debate, as though its siting and design will have such an inconsequential impact that it is not worth considering. Yet this research shows that the siting and design of a casino can dramatically affect the impact a casino has on its neighborhood. On one hand, as in the case of Joliet, the casino may operate as a self-contained operation that dampens the potential for surrounding activity even though it generates money to beautify the downtown. On the other hand, as in the case of Greektown Detroit, the casino can help to strengthen an entertainment district and thereby add to one of the most vibrant areas of the city.

This research also shows that aside from this ability to bolster street-level commerce, a casino's ability to spur significant change in the neighborhood outside of its own footprint is limited. Nonetheless, for a city seeking to leverage the maximum possible benefit from an asset that has major drawbacks, the difference in neighborhood impact between two casino designs becomes very significant. The question that such a city needs answered

is, *"what strategies can a city employ in order to leverage the most desirable physical impact on an urban neighborhood from a stand-alone casino?"*

The term "most desirable", of course, depends on the perspective of the city and its managers. This thesis does not attempt to prescribe what should be desirable. Instead, through analysis of the case studies, I have documented the range of physical and developmental impacts that are possible after the introduction of a stand-alone casino to an urban neighborhood. Comparison of these case studies illustrates that there are some conclusive findings on expected casino impacts. These findings are presented below, arranged in a parallel fashion to the case study analysis. Each finding is documented and followed by the implications for a city considering the addition of a casino.

These findings form the foundation of our concluding discussion on the maximum potential for desired impact that a casino might have on an urban neighborhood. Each of these case studies illustrates a different positive impact of a casino that, if used together could lead to the

use of an urban casino in an unprecedented manner to intentionally anchor a planned or existing entertainment district. After careful analysis of the implications of this

research, this discussion will conclude with recommendations for a city attempting to leverage the maximum impact from a casino.

	<b>Opening</b>	<b>Size (sf)</b>	<b>Jobs</b>	<b>Investment *</b>
<b>Harrah's Joliet Casino</b>	1993	40,000	2,000	\$218,507,266
<b>Harrah's New Orleans Casino</b>	1999	100,000	2,800	\$650,220,888
<b>Greektown Casino Detroit</b>	2000	75,000 **	2,503	\$383,352,941

\* in 2006 dollars.  
 \*\* expanding to 100,000sf

7.1 Comparison of Case Study Facts

	<b>Urban Design</b>	<b>City Investment</b>	<b>Real Estate</b>	<b>Street Commerce</b>	<b>Residential</b>
<b>Harrah's Joliet Casino</b>	Insulated from downtown by parking lots	Massive tax revenues used by city according to preexisting plan.	No Impact Observed	Miniscule positive impact.	No Impact Observed
<b>Harrah's New Orleans Casino</b>	Fairly well connected with hostile context	Less revenues than expected, mostly sent to state.	No Impact Observed	No impact observed on neighbors. Casino later placed its own retail on street.	No Impact Observed
<b>Greektown Casino Detroit</b>	Very well integrated into context.	Massive tax payments, used to prevent further budget crises.	No Impact Observed	Supported adjacent retail strip.	No Impact Observed

**7.2** Comparison of Case Study Impacts

**What are the physical and developmental impacts of the introduction of a stand-alone casino to a dense urban neighborhood?**

*1. The physical implications of the introduction of a casino are an underappreciated effect of the legalization of gambling in a city.*

The potential impact of a casino on its neighborhood was barely discussed during the debates on the legalization of the casinos in the three case studies. This represents a missed opportunity for these communities, as the case studies illustrate that casinos can have a significant physical impact on a neighborhood. The extent and nature of this impact depends largely on the design of the casino and therefore must be debated early in the selection process for a city to best understand the package of benefits and drawbacks that a particular casino development presents.

*2. Stand-alone casinos have the capacity to dominate the physical environment of an urban neighborhood, but this can be mitigated.*

Each of the three casinos, though varying in size, became the largest-scale use in their immediate vicinity. This is especially true in Detroit and Joliet, as the Foot of Canal in New Orleans has several other large uses including a mall and two massive hotels.

The Joliet casino makes the least effort in reducing the dominance of the scale of its operations. Parking is concentrated adjacent to the casino, surrounding the structure like a rampart. All lines of access to the casino therefore reinforce its scale, creating the impression that it is among the larger of the casinos studied. Yet with just a 40,000 sf gaming area, the casino is barely half as large as the next smallest case, the Greektown Casino in Detroit.

Greektown Casino employs the most novel techniques to mitigate the bulk of the gaming operation. At 75,000 sf (expanding to 100,000), the casino is comparable in size to casinos in larger markets such as Atlantic City or Las Vegas. Yet its signature entrance –

walking into Trapper’s Alley from Monroe Street – looks much the same as before the casino was opened. The gaming area sprawls over the second story of several different preexisting structures, thereby minimizing its bulk on the ground level. Its largest facade, on Lafayette St., is much more urbane than its garish neighbor, the Blue Cross/Blue Shield headquarters complex. Parking is dispersed through the neighborhood and the new hotel building is catercorner to the existing complex. Its distinct architecture further reduces the appearance of homogeneity of use in the neighborhood.

At 100,000 sf, Harrah’s New Orleans is the largest casino studied even without including the a large city-mandated entertainment space in the same structure. The resulting structure has a massive imprint on the Foot of Canal. Yet this imprint is no larger than the use it replaced, the Rivergate Exhibition Hall, and by and large improves upon the surrounding fabric of hotels and tourist complexes. The structure employs unique techniques to break up the bulk of its operations and enhance the prominence of the main gaming space.

Parking is located away from the gaming hall and accessible by subterranean passageway. Service vehicles are placed underground to minimize their impact on the neighborhood, as is valet parking. The hotel and casino restaurants are located adjacent to the parking, but of an architectural style distinct from both, thereby meshing more easily with the nearby mixed-use neighborhood of the Warehouse District. A small pedestrian environment has also added a pedestrian connection in an otherwise auto-dominated area.

**7.3** Greektown Casino facing the Blue Cross/Blue Shield Headquarters



**3. *Stand-alone casinos tend to grow in place.***

All three casinos succeeded well enough from the outset to quickly seek to expand operations. Both Harrah's New Orleans and Greektown Casino have added a hotel and space for related activities since opening in order to enhance the competitiveness of the respective casinos. The most significant expansion was of the smallest operation, Joliet.

Harrah's Joliet has expanded operations twice and its footprint four times. The casino began operations as one boat, but quickly added a second. Operations continued as such – restricted by law – until the law changed to allow permanent docking of riverboats. At that time the casino expanded operations another 100% to its current 40,000 sf. This expansion also included the expansion of parking facilities by 100%, soon on the heels of the construction of a \$29 million dollar hotel addition. More parking and another hotel were planned until very recently when the state dramatically increased gaming taxes on the casino. This caused the corporate owners of the Joliet casino to direct investment away from its Illinois operation towards those in Indiana.

Potential opposition to the expansion plans of each of the casinos was quieted each time by the promise of an increase in tax revenues. In the case of New Orleans, the expansion consisted of a hotel and restaurants that were specifically excluded from the initial design of the casino because of opposition by both of those sectors of the local economy. This opposition was ultimately overcome when the casino threatened to stop operations and halt its payment of taxes unless allowed to build restaurants and a hotel.



4. *Casinos successfully deliver massive amounts of revenue that would not otherwise be available to a city government.*

Each of the casinos studied delivered massive amounts of revenue to city coffers. When protected by limited competition, casino gambling is extremely lucrative and therefore can be taxed at relatively high rates compared with other sectors of the economy. These revenues have become a very significant percentage of revenues for each of the cities in question. In the case of Joliet, this revenue has allowed other city revenue sources – such as a mandatory city vehicle sticker<sup>185</sup> – to be eliminated altogether because the city is otherwise very healthy. In the case of Detroit and New Orleans, both having faced unprecedented disinvestment, the revenue has helped stave off an even more stunning decline in city services.

Economists point out that at the macro-scale earnings from casinos do not represent new revenue – or economic activity – so much as the represent transference

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<sup>185</sup> Feldmann, M. “Joliet says so long to city stickers” *The Herald News* Joliet, Illinois. September 21, 1994

of revenue from a source like a restaurant sales tax to a gambling tax.<sup>186</sup> The benefit derived from gambling taxes, then, depends on what level of government receives it and whether this revenue was transferred from a source that would not have been available to the recipient.

For example, if all the gamblers at a given casino come from within the state and the state receives all of the tax revenue, the only tax benefit derived from the gambling tax is the marginal difference between tax rates on gambling and on the sectors of the economy that are diminished – like restaurants and movie theaters. This abstraction is most similar to the Joliet case, where in 2004 the state collected \$117 million from Harrah’s Joliet while the city collected just \$15.5 million.<sup>187</sup> Joliet is a small suburb near the middle of the state and is surrounded by states that also have gambling. Most of its customers come from within Illinois, so most of the benefit of their gambling tax revenue is because

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<sup>186</sup>Whitehouse, M. “Bad Odds” *The Wall Street Journal* New York, NY. June 11, 2007. p. R5.

<sup>187</sup> “A Look at Illinois Casinos’ Performance Since 2002” *Associated Press State and Local Wire*. Chicago, IL. March 30, 2005.

gambling has higher tax rates than almost all other forms of entertainment options from which they are now receiving diminished tax payments.

New Orleans is somewhat similar to the Joliet example, as the state receives a vast majority of the tax revenue from the gaming operation. The state receives \$60 million annually from the casino, whereas most of the money earned by the city is in the form of property tax, rent for the land and sales taxes.<sup>188</sup> Nonetheless, the State of Louisiana likely receives more of a boost from its gaming activities than Illinois because New Orleans is a popular national destination and a higher percentage of gamblers at Harrah's New Orleans have come from outside the state. This thereby transfers tax revenues from a completely different jurisdiction – their respective states – and creates a new source of revenue for the state.<sup>189</sup>

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<sup>188</sup> In a unique arrangement, a majority of the tax revenue collected by the City of New Orleans is in the form of sales taxes.

<sup>189</sup> This logic is simplified, and assumes gamblers would not have spent that money in another manner within Louisiana. If they do, the question is how much more they spend because of gambling than they otherwise might have.

By far the biggest impact from the perspective of the city originates in the casino operations of Detroit. Prior to the opening of casino gambling in Detroit, almost all of the potential tax revenue was being collected in Windsor, Canada. Simply regaining this revenue provided a genuine boost from the perspective of the state of Michigan (rather than merely a transference of revenue between sectors). This boost is made more significant for the city because most of the gamblers are from the suburbs, yet over half of the tax revenues from gambling go directly to the city of Detroit. Tax revenue is therefore being shifted from suburban jurisdictions to Detroit and represents an otherwise unavailable source of revenue for the city. Such revenue is all the more significant for Detroit as it continues to be depopulated and all other sources of tax revenue continue to decrease.

5. *Revenue to the city from casinos is fundamentally unpredictable.*

Despite its significance as a source of revenue for city coffers, the revenue stream from casinos is fundamentally unpredictable. Both Joliet and New Orleans offer tales of caution for cities considering legalizing casinos.

In Joliet, the city's revenues were buffeted by changing gaming laws in both Illinois and nearby states. The first source of uncertainty to a city depending on casino revenue resides in the fact that the State of Illinois allowed more gambling than the market would necessarily support. While this did not hamper Joliet, boats such as one in East Dubuque, IL went out of business.<sup>190</sup> The second source of uncertainty arose because, while state laws limit competition within Illinois, nothing prevents nearby states from adding to the market. After Harrah's Joliet opened both Iowa and nearby Indiana legalized gambling and diminished the casinos' tax contributions when total revenue declined.

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<sup>190</sup> Hein, R. "Casinos' Neighbors Lose out" *Chicago Sun-Times*. Chicago, IL. July 21, 1997. p. 8

The New Orleans case highlights that even an unchanging competitive environment can result in varying tax revenues. Not only will the casino have good and bad years as the local product competes against nearby casinos, but if the casino struggles it has a powerful enough position to reduce its payments to government. In New Orleans this resulted in a \$50 million reduction in the payment to the state and a \$5 million reduction in the payment to the city.

6. *Whether a city will invest more into an area after the city has located a casino there cannot be determined in this study.*

It does not appear from the cases that the neighborhood into which a casino is placed is likely to receive any more investment from the city than it did previously. In two of the examples, Joliet and New Orleans, it is clear that the neighborhoods received the casino precisely because the city leadership was attempting to increase investment into an already favored neighborhood of the city. The city government had established a long history of prioritizing investment in both of these neighborhoods long before the casinos arrived.

In New Orleans, the city had long been preoccupied with the Foot of Canal. The city aimed the construction of the RiverGate Exhibition Hall, World Trade Center and Aquarium of the Americas into the area prior to the introduction of the casino. Afterwards this investment continued with a new streetcar line, heavy investment into streetscape improvements and the new Convention Center.

Joliet had similarly showered its downtown with attention, though the city had far fewer resources to invest. Instead the city created the Joliet City Center Development Plan to take advantage of existing assets and engineer a revitalization of the Downtown. After the introduction of the casino, many of its tax revenues were directed towards implementation of this plan.

Detroit's Greektown was not an especially favored sub-neighborhood of the downtown and the city does not appear to have increased its investment into Greektown specifically. Investment into the larger downtown, on the other hand, reflects a consistent attempt on the part of the city government to revitalize the downtown in general after many years of disinvestment. Both the Comerica Park baseball stadium and the Ford Field football stadium speak to this trend and are located close to Greektown.

*7. The introduction of a casino does not appear to significantly alter real estate development patterns in a neighborhood, aside from their own continued growth.*

None of the neighborhoods experienced significant changes in development patterns after the introduction of the casino aside from the massive investment by the casino. The most positive news came from the healthiest city, Joliet. In the casino's neighborhood, an abutting church was slated for redevelopment into a music venue and senior housing is being built on another nearby parcel. The largest parcel in the neighborhood is owned by the City, which is still "holding [it] for the right project," which the City is hoping will become a large mixed-use development.<sup>191</sup>

While further development does not appear to have been spurred in the other cities, it likewise does not appear that the casino inhibited development of nearby parcels. Rather, specific obstacles were clearly responsible for the lack of investment in each neighborhood. In the most active real estate

development submarket of the case studies – the Foot of Canal in New Orleans – the few vulnerable parcels also had notable site-specific obstacles to overcome. These included railroad tracks, electricity substations and dilapidated historic structures that needed rehabilitation. In Detroit, the entire city is suffers a stigma against development due to the continuing struggles of that city.

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<sup>191</sup> Campaign for Sensible Growth. "Joliet, IL: Downtown Redevelopment Strategy." Urban Land Institute. May, 2004. p. 6

**8. Design matters:** *The Greektown Casino is a proof-of-concept that a properly designed casino can operate as an anchor for an entertainment district.*

The Greektown Casino proves that it is possible for a financially viable casino to have a synergistic relationship with an abutting entertainment district. The Greektown Casino replaced a struggling indoor mall with an anchor that brings several thousand extra people a day to an established destination within Detroit. The owners retained successful restaurants on the Monroe Street side of the indoor mall and occupied the interior of that structure. At least one independent restaurant was even encouraged by the casino to expand operations. Restaurants operated by the casino are indistinguishable from independent from the casino, and all are accessible directly to the entertainment district on Monroe Street.

This design creates interaction between the casino and the nearby merchants that has the potential to benefit both. The fact that the casino located its restaurants on an exterior street means that some gamblers may leave the gaming action and not return. While this is a negative for the casino, the fact that patrons must leave

the casino to eat strengthens the nearby entertainment district. When further strengthened by the continued presence of restaurants in the Trapper's Alley structure, Greektown is more likely to remain a vibrant district that will attract patrons that may not otherwise be inclined to visit the casino. These visitors, however, are exposed to the casino through exterior advertising, and in some restaurants they can even see into the gaming action. This is free advertising for the casino, and presumably leads some visitors to change their plans to include gambling.

A cautionary tale is offered by the New Orleans casino, which initially was not allowed to construct either restaurants or a hotel on-site. According to industry analysts, these features operate as revenue padding and marketing tools whose absence hurt the casino's revenue potential.<sup>192</sup> The resulting gambling establishment was not able to earn its projected revenue, leading to

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<sup>192</sup> Mowbray, R. "One Bad Apple; Investors Say Harrah's Profits have been rotten since the company picked New Orleans." *The Times-Picayune*. New Orleans, LA. October 15, 2000. Money Section. p. 1

bankruptcy and a startling renegotiation of tax payments to the state.

In that case study, however, there was no immediacy of food or entertainment options to replace the lack of options in the casino nor any obvious place in which to develop them, making the casino much less attractive for patrons than competitors. In the Greektown Casino there are nearly 30 food options located *within* a block of the casino entrance. Five of these are located within the same building, and visible to the gaming action on the other side of a decorative fence. With Harrah's New Orleans offering no food choices, the closest food options were *at least* several hundred feet away through an inhospitable pedestrian environment. Even then, there were only limited options until one ventured significantly further away from the casino.

Harrah's casino in Joliet illustrates the alternative of a casino designed with only internal customers in mind. Even an attractive river setting that could have been used to create a more memorable – and competitive – gambling experience was ignored, hidden behind false

windows. Only patrons who visit a tucked-away restaurant within the casino can see the river, yet even then there is no way to access the riverfront for a breath of fresh air.

If a patron doggedly pursues that breath of fresh air, their options include either entering a parking garage or walking onto a wide, desolate street notable only for its concentration of parking infrastructure and empty, though attractive, sidewalks. As might be expected in such a built environment, these patrons “just come into town and then turn around and go home.”<sup>193</sup> There is no active and attractive environment close enough to lure gamblers from their primary objective.

While such an environment as found at Harrah's Joliet may be good for the short-term gambling winnings of the casino, it is a lost opportunity for positive externalities for the city that permitted its construction. Furthermore, closer investigation of casino financials would probably find that, in the long run it is a lost opportunity for the casino. Megaresort casinos in Las

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<sup>193</sup> Feldman, M. “Survey says riverboats don't attract more crime.” *The Herald News* Joliet, Illinois. May 14, 1994.

Vegas and Atlantic Cities prove that the most lucrative casino business models offer a wider range of experiences than a windowless box in an auto-dominated featureless neighborhood.

That being said, a casino is not going to ever desire to share its customers with businesses nearby that it does not own. But, to reverse Bill Friedman's logic about how a casino should interact with the public, 'what the [casino] thinks about [a masterplan before the operator has been chosen] is absolutely meaningless. Their attitudes should be ignored. The only relevant opinions are those of [public sector agency that authorizes gambling in that state].'

Greektown casino shows that relatively porous casino models can turn a profit. So there will always be operators. Such casinos may not make as much money off of gambling than their self-contained counterparts – though this is not certain - but they drive much more surrounding economic activity for a city. Considering this other economic activity could bolster an entertainment district and doesn't come with the myriad

social ills of gambling, perhaps this is a better result from all vantage points for a city and state.

*9. The likely relationship between stand-alone casinos and residential communities cannot be determined from these case studies alone.*

Because none of the neighborhoods into which the casinos were placed had significant residential populations, it is impossible to document the impact of the casino on such a community. In all three cases, permanent residential populations that did exist were insulated from changes wrought by the casino by several city blocks. No great change was observed in any of populations, though in general the positive housing market of the last decade buoyed even downtown Detroit.

The fact that casinos were located far from permanent residential communities is not surprising. These casino structures are very large and would be likely to be viewed as impinging on an intimate residential neighborhood. Such a neighborhood would likely present a powerful lobby against situating the building in their neighborhood.



**What strategies can a city employ in order to leverage the most desirable physical impact on an urban neighborhood from a stand-alone casino?**

The full opportunity presented by a casino for positive impacts on a neighborhood went unrealized in these three cases. A casino is a multi-million dollar investment into a neighborhood, an investment that is initially heavily influenced by the political entity that authorizes it. Yet in none of the case studies did this host city leverage the full degree of their control to create a master-planned development that seeks to maximize the positive externalities possible through a casino for the surrounding urban neighborhood. Each of the case studies present a tantalizing piece of evidence that suggests that better planning of a casino development can create more positive spin-offs for the city.

The Greektown Casino offers the closest glimpse as to what a master planned urban casino development might look like. Because the owners felt that their casino existed “because [the Greektown merchants] helped us get here,”<sup>194</sup> they designed a non-traditional casino that interacted with the surrounding retail community.

Presumably this was also inspired by the fact that two of

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<sup>194</sup> “Detroit’s Long-awaited Greektown Casino Cashes In” *Grand Rapids Press* Grand Rapids Press. November 12, 2000. p. A29.

the original owners, Jim Papas and Ted Gatzaros, were already heavily invested in the neighborhood and were the landlords of many of the merchants, including those in Trapper's Alley and the Ferry Seed Co. Office Building. The resulting design therefore bolstered the surrounding entertainment district exposing casino patrons to retail opportunities both in the Trapper's Alley structure and in the Ferry Seed Co. Office Building when patrons walk through to access the parking garage. This is a strategy that can be replicated in any casino with a similar design advantage. The self-motivation that inspired these casino owners could be replicated by requirements from a city and state that authorizes a casino structure.

The Joliet casino presents an illustration of the potential to utilize a plan to direct some casino revenue directly into the neighborhood of the casino. Street improvements and the preservation of some notable structures nearby including the Rialto Theater and the Library can be directly traced to the casino. Such investment could be similarly designated to support a

more concerted development plan that leverages all of the traffic a casino attracts to it to bolster a surrounding mixed-use district.

New Orleans further reinforces the fact that some casino amenities – in this case the restaurants of the Fulton Ave. pedestrian mall – can be brought into the street without threatening the viability of the casino. In fact, the pedestrian mall was created as a unique setting that would add to the competitiveness of the casino. The investment also served to make nearby retail opportunities attractive to “national tenants,”<sup>195</sup> suggesting yet again that independent retailers are willing to locate near the pedestrian traffic driven by gaming halls.

None of the above externalities of a casino are mutually exclusive, and could all theoretically be attained by one well-planned casino entertainment district. Such faux-urban trends are already evident in places like Las Vegas and Atlantic City with their massive resort complexes (6.4). The possibility for a city

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<sup>195</sup> White, J. “Betting on Fulton; Harrah's Opening” *The Times-Picayune*. New Orleans, LA. September 10, 2006

to maximize the potential of the same asset – the casino as anchor - for an actual urban neighborhood is one clear direction emerging from the research.

In Las Vegas when a casino creates an indoor mall it is trying to internalize all of the potential revenue from the patrons it has attracted within. A city is trying to do the same. The fundamental lesson that a city can draw from the example is that the most advanced casino operators in the world have learned that a windowless room that is difficult to escape from is not, in fact, the casino typology that leverages the highest revenue for investors. Instead, cutting edge casinos are now designed so that gamblers can come and go relatively freely, so long as when they go they enter more casino-owned space that presents other manners through which patrons can spend money, such as shops and entertainment venues.



**7.4** Interior retail arcade adjacent to Tropicana Casino in Atlantic City, NJ.

A fundamental difference for these casinos is that they function as resorts where people are seeking sundry methods of entertainment, and therefore serve a different clientele than day-trippers who frequent a typical stand-alone casino and only want to gamble. But in reality, the urban casino has the potential to be significantly different from a typical stand-alone casino. Casinos such as the MGM Grand in Detroit or more isolated casinos like the Seneca Allegany Casino in upstate New York are surrounded by very little, and therefore only *can* attract single-purpose users who want nothing more than a casino. An urban casino, as part of a larger district, has the potential to lure customers who desire a range of options for activity in a given period of time, while still serving those who only want to gamble.

This potential suggests that such a district may be a win-win for both the city and the casino. On one hand the casino patrons drive traffic in a neighborhood, and on the other the neighborhood attracts additional gamblers to the casino. But even if the casino operator may lose some profit relative to another setup, there is no

gambling market if the government does not allow it and so long as there is profit an operator can be found. In Windsor, Ontario, in fact, the provincial government acts directly as the casino operator.

For such a master-planned development research would need to be conducted to determine the appropriate mix of uses that is compatible with the proximity of a casino. Greektown suggests that retail, restaurants, some residential, and even the offices of the Ferry Seed Co. Office building can coexist with a properly designed casino. No evidence that I gathered suggests that residential users are incompatible with the proximity of a casino, though certainly any new development would need to be insulated from both the foot traffic and auto traffic that such a complex generates. The trend to introduce residential users into very high-traffic malls such as the Fashion Center at Pentagon City near Washington, D.C. lends further credence to this ability. The \$1.5 billion development of the Cosmopolitan Resort & Casino, a 4 million square feet condominium hotel and casino complex in Las Vegas,

further reinforces the potential for at least certain types of residential units to be located near a casino.

If such a master planned casino development is to be implemented, it is important to do so from the outset. This is important not only because once the structure is built it is more costly to change, but also because the power relationship in negotiations shifts dramatically from the city to the casino after the casino is in operation. Initially cities have a strong negotiation position because of a combination of facts: limited competition gambling is extremely profitable to investors, and governing authorities are the only source of its legalization. Because stand-alone casinos, by definition, have limited competition, the potential for profitability to investors is almost ensured. As more states allow gambling this competition is greater, but nonetheless because gambling is still so restricted by most states there are relatively few markets in the country that are saturated. Each new land-based stand-alone urban casino that is opened and profitable reconfirms this fact, making such

establishments less risky and therefore even more attractive to investors.

The power to legalize gambling in the U.S. resides in the States, but in all three of our examples the State has legalized gambling only in specific cities. These cities, especially Detroit and New Orleans, were then given a large degree of autonomy in selecting the operator and approving the design of the gaming hall. This places the power of the negotiation with future casino operators directly into the hands of the actor who has the most to gain from a master-planned development that interacts well with the existing neighborhood.

The power to leverage this negotiating position is likely even greater today than exhibited in the three case studies. The casinos that have been examined are among the oldest stand-alone land-based urban casinos in the country. As such, there was less assurance that the establishments would succeed, and therefore the cities had less power than cities currently considering limited gambling. Gaming halls with limited competition have since proved a runaway success story, especially in larger

markets. This therefore creates an enormous opportunity for cities to demand concessions by casino operators that will benefit the surrounding community because operators understand that the only way they can break into a city's gambling market is to come to an agreement with that city on what type of building will be built.

Once the casino is in operation, however, the power relationship shifts fundamentally, because its creation creates self-interested constituencies. The casinos offer both jobs to residents and tax revenues that the city comes to rely upon. Both of these benefits are extremely sensitive to disruption, meaning that the casino can threaten either to lay off workers or to stop paying taxes if it needs to make a statement about a perceived harm.

In all three case studies, casino operators publicized the laying off of workers in reaction to unfavorable tax changes. The most extreme case was Harrah's New Orleans, which threatened to stop tax payments and lay off all of their 2,800 employees if they were not able to reduce their tax burden. Faced with this prospect, the

State and City reduced the tax burden by over \$55 million dollars per year.

Harrah's New Orleans also illustrates the ability of a casino to delay implementation of any condition not required concurrently with the opening of gaming. The second floor space was originally required by the city as a mixed-use entertainment space but was only developed after the city dropped a profit-sharing clause from the casino's lease six years after the space was scheduled to be opened.<sup>196</sup> Therefore, concessions required of the casino that are considered important to the City should be received along a timeline with strict guarantees.

It appears that cities like Joliet that use casino revenues for short-term capital projects and funding would be less sensitive to revenue disruption and therefore in a continually stronger negotiating position. It is much easier to stop or postpone such a project than it is to make up a budget shortfall for city operating expenses such as salaries for police officers. Both New

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<sup>196</sup> "City Council OKs revised lease with Harrah's New Orleans." *Associated Press State and Local Wire*. New Orleans, LA. March 18, 2006.

Orleans and Detroit rolled gambling revenues into the general operating budget.

### **Recommendation**

After careful review of the findings and analysis of the implications of these findings, I believe that despite the overriding tendency for a casino to be self-contained, if a city so desires it is possible for a casino to be leveraged for more of an impact to a neighborhood than has currently been attempted. In particular, there appears to be the opportunity to use the casino as an anchor that attracts people to a district and bolsters its activity through a porous design unlike that found in casinos such as Harrah's Joliet. This has the potential to be especially powerful if it is combined with other assets that serve as anchors, such as a convention center or tourist-oriented enterprises like an aquarium. To do so, I recommend the following casino specific recommendations for such a master plan:

1. Begin the master planning process for the casino development as early as possible.

Through the master planning process a city can grapple with the various perspectives of stakeholders in a neighborhood so as to develop a comprehensive set of objectives for the casino development that serve all members of a community. The findings listed above add to the general understanding of what it is possible to accomplish with a casino and can be used as a reference in addition to data from more recent urban casinos. Elucidating City objectives early ensures that they can be argued for at the point when the city has the most negotiating power: before the casino operator is chosen.

2. Earmark projected revenue for short-term projects. While this is not possible for all cities, if it is possible it serves to reduce the risk of severe budget disruption if, for any number of likely reasons, the casino tax revenues are less than expected. The resilience of the general budget is also likely to strengthen the negotiating position of the city because it is not as vulnerable to reductions in revenue from the casino. These earmarks

also present an opportunity to fund any needed infrastructural investments called for in the master plan.

3. Separate the parking from the casino. Forcing people who do not valet park to walk to the casino brings them into a more public realm. If properly designed, this can drive traffic past storefronts, thereby increasing potential business to local businesses.

4. Design casino restaurants to interface with both the gaming area and the public realm, and prohibit purely interior restaurants.

Bringing casino activity into the public realm bolsters retailers and restaurants that border this realm by increasing the buzz of the district and therefore the attractiveness of the district as a whole as a place to visit. This is especially true if casino comps enable gamblers to eat at any number of nearby establishments, as they will then have an incentive to travel somewhat further afield.



5. Offer several easy access points into and out of the casino.

Easy entrance into and exit out of the casino encourages patrons to spend their breaks from gambling in the public realm. Having several makes it more likely that this traffic will then travel past more storefronts, as patrons can take a one-way trip to a different access point.



**8.1** Sands Bethlehem Casino design

## VIII. Conclusion

This thesis has focused on the potential for a city government to leverage a casino for its maximal possible impact to its immediate context. I believe there is an opportunity for cities to get more than they have thus far required from casinos both because the case studies show that there is more to be leveraged, but also because privately run casinos in environments like Las Vegas have realized that the way to obtain maximal profit from owning a casino is to surround it with a complex that functions and even looks like the entertainment district of a city. This indicates that a city can similarly use the casino to drive more economic activity in its immediate vicinity, especially in the form of an entertainment district.

As I contemplate the effect of a casino on my hometown of Bethlehem, Pennsylvania I am relieved because it does not appear that mistakes like that which occurred in Atlantic City are a necessary result of the introduction of a casino. My worst fears about casinos possibly causing physical disinvestment and increasing crime in the surrounding neighborhood seem to be unfounded. There are more diffuse effects that will come with the casino, but Atlantic City is not very far from Bethlehem, so these effects have already probably been felt to some degree.

In a way it even seems fitting that in the United States' post-industrial economy Bethlehem has been selected as a site to have a casino. Past essays have illustrated how the industrial rise of Bethlehem from 1741-1920 can be seen as a "microcosm of the national experience" of the shift to an industrial economy.<sup>197</sup> In that light it appears that Bethlehem is continuing its role

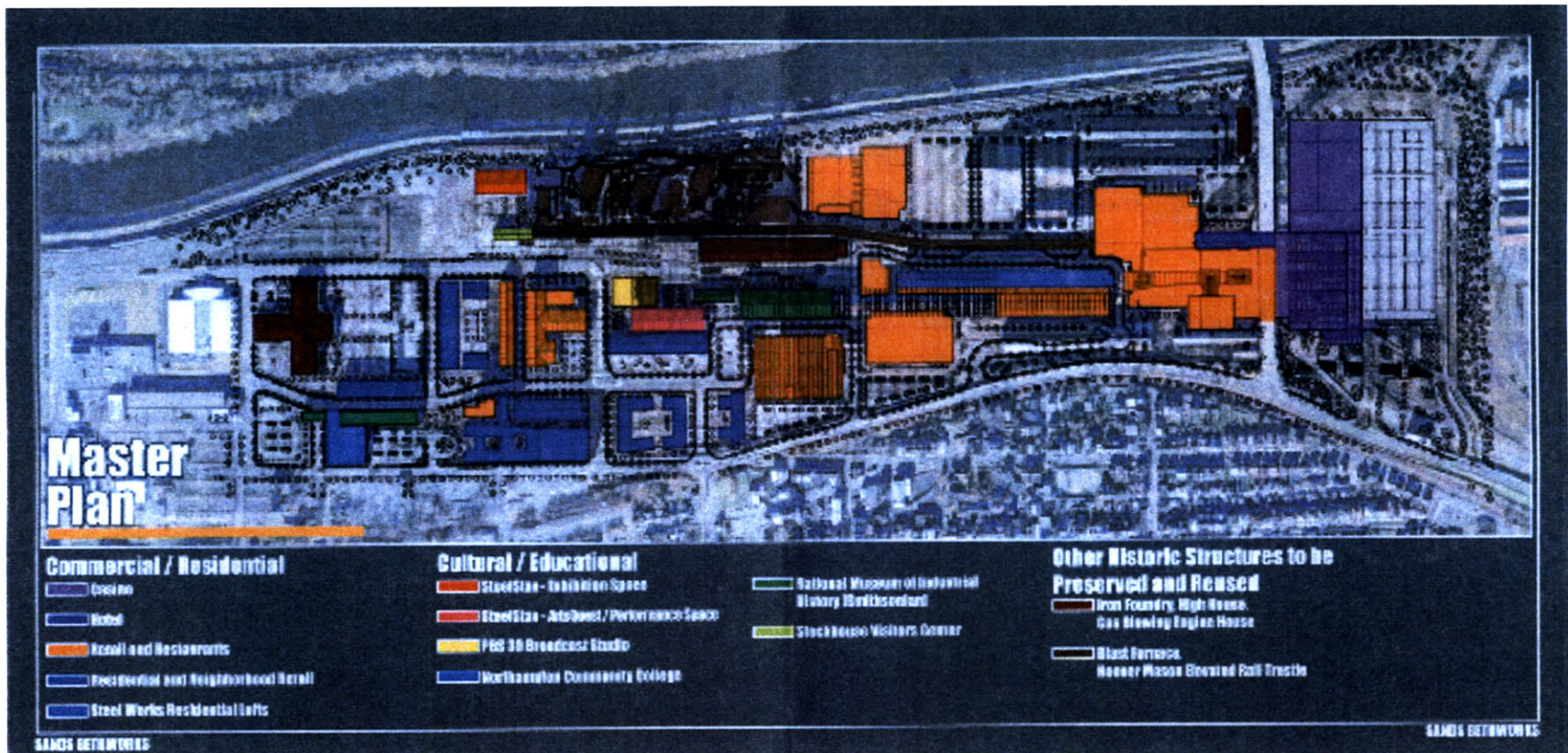
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<sup>197</sup> Vadasz, T. P. *The History of an Industrial Community: Bethlehem, Pennsylvania, 1741-1920*. University Microfilms International. Ann Arbor, USA. 1975. p. 2

of microcosm with the shift to an economy based on the pursuit of the enjoyment of abundance.

Looking at the plans, there is some cause for concern. The casino is being built as a self-contained complex attached to its parking structure and separated from the downtown. While it is being allowed only as part of a larger master plan, the casino unsurprisingly is in the first phase, while the aspect of the plan that are more attractive to the city – the Smithsonian Museum of Industrial History, a PBS station, concert hall, retail strips and residential building are all, going to be completed on a currently undefined schedule. This leads me to fear that these assets may never be developed once casino developers get what they desire.

That being said, there are equal causes for optimism. Most importantly, this is because it is part of a master plan by a group of investors independent of the casino who own a much larger piece of land than just the casino property. They will have strong incentives to leverage the casino as much as possible to add value to the rest of their property.



8.2 Bethlehem Works Master Plan

While the casino is not being integrated in any manner with its surrounding fabric, none of this fabric – much of it residential – was amenable to such an intrusion. Knowing this, the response is rather inspired. The casino has been placed in an already hostile environment underneath a major bridge at the least attractive edge of the redevelopment, easily accessible to the highway on one side, and on the other presenting a pedestrian friendly face to the more urban pieces of the development.

The designers of the plan are clearly playing to the strengths of the casino. On one hand it will bring in cash, and on the other it will bring in potential customers to stores. The tax revenue primarily goes to the State, with the City guaranteed several million dollars. Cash from the casino will be used to help preserve a majority historic buildings on the large site, including the iconic blast furnaces, the 1,500 foot long machine shop 2 building, and unique high house, which was once used to make the largest battleship guns in the navy. As can be seen on the plan, almost all of the retail aspects of the

plan are focused near the retail side of the casino. While this is a massive amount of retail and will need to draw customers on its own, the synergy possible in these two uses could be very successful.

All in all, I'm optimistic. Bethlehem long ago stopped being the same city that I grew up in. The watering holes and corner stores that the factory workers frequented have – due to an unrelated influx of exurban commuters – been replaced with sushi joints and boutiques. But the casino appears that it will anchor the addition of a beneficial addition to the city, and the stream of cash that it can provide can ensure that the physical history of those factories is preserved even as the cultural reality of the factory town fades with the passing of the last millennium.







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