

# Evaluation of Riverboat Licensee for Gary, Indiana: Trump Indiana, Inc.

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Introduction.....	0
Project Development and Investment.....	1
Development Activities.....	1
Other Commitments.....	1
Community Activity.....	2
Minority/Women Business Enterprise.....	2
Economic and Fiscal Impacts .....	2
Employment and Earnings Impacts .....	2
Local Economic Impact .....	4
Impact on Tourism.....	4
Legal Issues.....	4
Other Impacts .....	4
Summary of Findings.....	4

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## Introduction

The Riverboat Gambling Act, effective July 1, 1993, authorized the Indiana Gaming Commission to issue licenses for the express purpose of riverboat gambling in the state of Indiana. One of the statutory criteria for issuance of these

licenses is the applicant's ability to promote economic development in the home dock area while best serving the interest of the citizens of Indiana. As an aid to fulfilling its legislative requirements, the Indiana Gaming Commission (Commission) contracted with the Center for Urban Policy and the Environment (Center) of Indiana University's School of Public and Environmental Affairs to perform the economic impact, fiscal impact, financial, management, and other analyses required to assist the Commission in awarding licenses. As part of that contract, the Center has committed to monitor over time the economic impacts and fiscal returns from each riverboat operation.

On December 9, 1994, the Commission issued a Certificate of Suitability for a Riverboat Owner's License for two riverboats to be docked in Gary, Indiana. Trump Indiana, Inc. (Trump) opened on June 11, 1996. This report is an evaluation of its first year of operation.

## Project Development and Investment

### Development Activities

In the Certificate of Suitability (referred to throughout as certificate), Trump committed to spend approximately \$153 million on project development, in addition to pledging to the city of Gary other incentives totaling several million dollars.

The 2,845-passenger riverboat opened with 37,000 square-feet of gaming space. A joint facility (with Majestic Star) consisting of a 90,000-square-foot temporary pavilion with 2,800 self-parking spaces and 469 valet parking spaces was completed and opened with the launching of the riverboat. Construction on a 300-room hotel is scheduled to begin by September 15, 1997.<sup>1</sup>

Table 1: Actual Versus Predicted Development Costs (\$ 000's)

Development	Certificate of Suitability	Actual	Difference
Vessel and equipment	\$46,100	\$47,843	\$1,743
Pre-opening	14,400	14,624	224
Land-based development	55,000	28,619	(26,381)
Economic development and infrastructure projects (off-site development)	21,000	4,445	(16,555)
Harbor improvements	4,000	4,173	173
Professional fees	2,500	2,882	382
Contingency	10,000	3,509	(6,491)
<b>TOTAL DEVELOPMENT</b>	<b>\$153,000</b>	<b>\$106,105</b>	<b>\$(46,895)</b>

As Table 1 illustrates, Trump actually spent \$106 million in year one in contrast to the \$153 million promised in the certificate for the development of the project. Construction on the 300-room hotel was scheduled after completion of the Guest Pavilion and no later than September 15, 1997. According to Trump's agreement with the City of Gary, their pre-opening and first-year commitment was for \$93 million with the rest of the money to be spent over years 2-5. Trump's records show that the economic development and infrastructure expenditures were estimated to be \$4.5 million through year 1, whereas actual expenditures in that category were \$4.45 million.

### Other Commitments

As Table 2 illustrates, Trump is on schedule with all of their incentive payments except for the renovation of the Sheraton Hotel and the police substations. In addition, Trump donated 12 police cars to Gary.

Table 2: Schedule and Description of Incentive Payments

<sup>1</sup> Construction began on September 15 as scheduled.

Incentive	Promised Amount	Recipient	Amount Paid through 6/30/97	Status
A) Developer's payment	\$2,500,000	City of Gary	\$2,500,000	Paid October 6, 1995
B) Developer's payment (ninety days after opening)	\$2,500,000	City of Gary	\$2,500,000	Paid September 11, 1996
C) Renovation of the Sheraton Hotel	\$10,000,000	City of Gary	\$0	Pending discussions with city
D) Police substations	\$2,000,000	City of Gary	\$0	Pending
E) Off-site development	\$6,500,000	Road/Utility improvements	\$1,503,133	Ongoing
F) Additional wagering taxes (3% plus 1% of AGR)	3% plus 1% of AGR	City of Gary	\$5,305,946	Ongoing
G) Donation to Trump Foundation	\$1 million in year 1, \$100,000 each year thereafter	Trump Foundation scholarships	\$1,000,000	Ongoing
H) Donation of police cars		Police Dept.	\$246,950	Completed

### Community Activity

In 1996 and 1997 Trump made numerous donations to community groups including \$5,000 to Northwest Indiana Black Expo and \$14,000 to the Ivy Tech Foundation. They sponsored several community events including \$100,000 for Gary's Fourth of July celebration. Trump's senior management is involved in more than 12 local organizations and is represented on several boards of directors in the Gary area, including the Boys and Girls Club of Indiana, Ivy Tech, Tradewinds Rehabilitation Center, and the Coca Cola NWI All Star Basketball Committee.

### Minority/Women Business Enterprise

In the Indiana riverboat legislation, the Indiana General Assembly stated that the opportunity for full enterprise participation in the riverboat industry for minorities and women is essential if social and economic parity for all citizens is to be obtained and if the economies of the riverboat cities are to be stimulated as contemplated by this legislation. Trump committed to meeting the goals of the legislation in their first year. According to their goals, Trump indicated that they would expend ten percent of the dollar value of their contracts for goods and services from minority-owned businesses and five percent from women-owned businesses. The Commission, through the Indiana Department of Administration's Office of Minority Business Development (OMBD), has established and administers a unified certification procedure for minority and women's enterprises that conduct business with riverboat operations.

OMBD currently is reviewing the information provided by Trump to determine compliance.

## Economic and Fiscal Impacts

### Employment and Earnings Impacts

Trump began hiring and training the majority of their employees in March 1996. Trump contracted with Ivy Tech to provide training for all riverboat-related positions, including dealers, cashiers, and surveillance personnel.

As Table 3 indicates, Trump estimated in its application that it would employ 1,185 persons in the casino for annual wages totaling approximately \$27.8 million. Estimates for hotel employment were not included. As of June 30, 1997, Trump had 1,461 employees (including half of Buffington Harbor's employees). For 1996-1997, salaries and wages were \$32.7 million, including tips to dealers (but not to bar and wait staff). Full- and part-time employees both receive benefits. The

benefits included health-care coverage and life insurance. Part-time employees comprise than 3 percent of all employees, and Trump is making an effort to convert those part-time employees who desire it to full-time status.

Table 3: Comparison of Forecast to Actual Trump Operation, June 11, 1996 – June 10, 1997

Category	Application Forecast Year 1	Actual 1996-1997	Difference
Employment as of 5/30/97	1185	1,461*	276
Total Wages, Tips, & Benefits	\$27,832,000	\$32,739,830	\$4,907,383
Attendance	1,840,000	4,299,738	2,459,738
Gross Gaming Receipts	\$120,776,000	\$147,663,355	\$26,887,335
\$ per Patron per Cruise	\$66**	\$34	(\$32)
Gaming Tax (State)	\$18,116,000	\$22,149,503	\$4,033,503
Gaming Tax (Local)	\$6,039,000	\$7,383,168	\$1,344,167
Admission Tax (State)	\$1,840,000	\$4,299,738	\$2,459,738
Admission Tax (County)	\$1,840,000	\$4,299,738	\$2,459,738
Admission Tax (City)	\$1,840,000	\$4,299,738	\$2,459,738

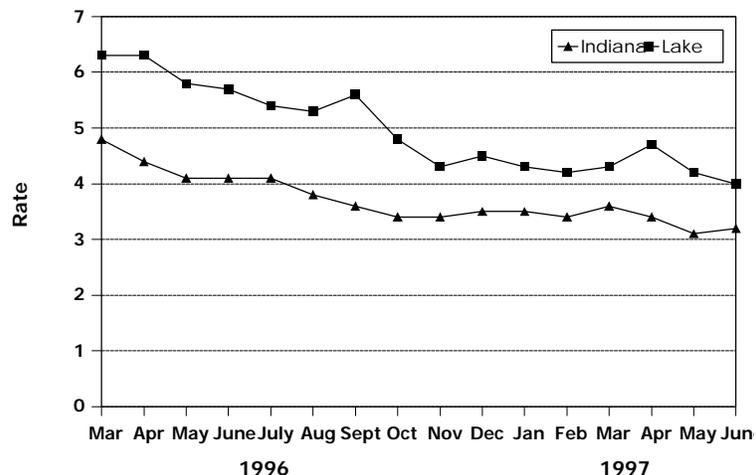
\* Includes half of Buffington Harbor employees.

\*\* Applicant average for Gary was \$68.

As Table 3 illustrates, in 1996, Trump had adjusted gross gaming receipts of \$147.7 million, or 22.3 percent more than their application estimate. They had total gross revenues of \$151.8 million, \$18.1 million more than the \$133.7 million estimated in their application. Total local taxes were \$16.0 million, or \$6.3 million more than the projection of \$9.7 million in Trump's application.

As Figure 1 illustrates, Lake County's unemployment rate has decreased since 1996, as has the state unemployment rate. Obviously, the opening of riverboats in the area had an effect on unemployment as did the growing economy in the region.

Figure 1: Unemployment Rate: Indiana and Lake County



As of May 31, 1997, 55.4 percent of Trump employees were women, 63 percent were minorities, 42.8 percent were from Gary, and 73.2 percent were residents of Lake County. In their application, Trump's goal was to employ 52 percent female employees, 70 percent minority employees, and 90 percent of employees from Lake County. Trump has slightly

exceeded their goal for hiring women but has fallen short on their goals of hiring from Gary, Lake County, and minorities. As of June 15, 1997, 19.7 percent of Trump's employees were from out-of-state, with the majority from Illinois.

### Local Economic Impact

In addition to the gaming taxes paid to the city and state, Trump paid \$140,467 in sales and use taxes. Trump did not pay any property taxes in 1996-1997. Payroll of \$27.8 million and purchases of \$1.1 million from Gary vendors also contributed to the local economy. Even though this spending has assisted many local merchants, there has not been a great deal of additional development in the downtown area as a result of the riverboats.

### Impact on Tourism

Through June 11, 1997, more than one-third of the total trips to Trump were made by Indiana residents, with approximately one-fourth of the total from northwest Indiana. In 1996-1997, Trump had 4.3 million paid admissions. This attendance is approximately 2.5 million greater than Trump's attendance projection in their application.

According to the Lake County Convention and Visitors Bureau, hotel occupancy is up 13 percent from 1996 to 1997. The Convention and Visitors Bureau attributes this to increased visitation to the Lake County riverboats. It is impossible at this time to determine which of the Lake County riverboats these visitors attended. Both Empress and Trump plan to begin construction of their own hotels this year.

### Legal Issues

Trump was sued twice in 1996-1997 for discrimination against employees (a white and an African-American). There were a total of 18 arrests and 7 citations were issued for incidences on Trump property during this period. Almost all of the citations (6 out of 7) were for offenses related to minors (false identification or illegal presence in a tavern) whereas the arrests were more varied. The largest arrest category was attempting to cash a stolen check. Less than .001 percent of total visits resulted in a citation or arrest.

### Other Impacts

There are other possible impacts that can result from the location of a riverboat in a community. For example, compulsive gambling might become a problem. There also might be decreases in patronage for existing businesses, higher rates of bankruptcy, and a greater need for social services. From July 1996 to June 30, 1997, 36 calls for help with gambling problems were made by Lake County residents to the "Deal With It" line that's contracted through the Commission for a Drug Free Indiana. There also have been five calls from LaPorte County, four calls from Porter County, and 24 calls from Chicago. This rate is double last year's rate. Eight patients already have sought treatment for compulsive gambling in Northwest Indiana's mental health centers. Commission for a Drug Free Indiana has contracted a study that will examine whether or not this increase is directly attributable to riverboat gambling.

In some smaller communities, we expect an impact on housing starts, school enrollment, and other factors from the additional employees moving into the area. Because three riverboats opened nearly simultaneously, it is not possible to discern individual impacts. Even so, we did examine school enrollments in Lake County and Hammond and found that they declined slightly in Lake County (-2.2 percent) and increased at comparable rates as previous years in Gary (0.3 percent).

Trump has made efforts to minimize negative impacts. Trump has taken an active role in developing a responsible gaming program called "Play it Smart," which includes an employee assistance program, employee education and awareness, and age verification training. They also display the 1-800-9-WITH-IT message in many locations as well as in marketing and promotional materials, gambling instruction pamphlets, ATM receipts boarding tickets, casino shuttle buses, and switchboard hold messages.

## Summary of Findings

Trump has met the requirements of their certificate of suitability in the following areas:

- Trump spent a total of \$106 million on development, \$13 million more than estimated for year 1 in their agreement with the City of Gary.

- Trump is on schedule with most of its incentive payments (see below).
- Trump has sponsored several community events; its senior management is represented on many boards; and the company has made numerous donations to community groups.
- Employment totaled 1,461 employees, significantly more than projected, and wages, benefits, and tips were \$32.7 million, also greater than projected.
- Both state and local gaming taxes were significantly higher (\$12.8 million) than projected.
- Trump paid \$140,467 in sales and use taxes.
- Trump has been proactive in developing programs for compulsive gambling.

Trump has not met its projections in the following areas:

- Trump is still discussing the renovation of the Sheraton Hotel and the police substations with the city; no action has been taken to date.
- Trump has not met its employment goals for minorities, Gary residents, and Lake County residents.

We are not able to determine compliance in the following area:

- OMBD currently is reviewing the information provided by Trump to determine compliance with MBE/WBE requirements.