

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

June 1998-December 1999

June 2000

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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. Previous reports were based on the first two years of operation. The Center and Commission currently are in the process of converting all of the evaluation reports to a calendar year basis. In this interim period, this report will cover 19 months of operation (June 1998 through December 1999), but, unless otherwise noted, will consider 1999 its third year of operation for comparison purposes.

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 2,990-passenger riverboat opened with 37,700-square-feet of gaming space. A joint facility (with Majestic Star), called Buffington Harbor, consisting of a 90,000-square-foot pavilion with 2,800 self-parking spaces and 650 valet parking spaces, was completed and opened with the launching of the riverboat. Trump and Majestic Star shared the cost of construction and continue to share the cost of maintenance and employees. Trump opened a 300-room hotel in September 1998, at a cost of \$17 million.

As Table 1 illustrates, Trump actually spent \$145.1 million through December 31, 1999, compared to the \$153 million promised in the Certificate for the development of the project. According to Trump's agreement with the city of Gary, commitment through this time period was for \$135 million with the rest of the money to be spent through June 30, 2001. At the request of the city of Gary, Trump will delay payment until the city has completed and adopted a master plan for these funds. Trump and the city of Gary have been continually discussing these plans and, while nothing has been finalized at the time of this report, it appears as if they are close to an agreement.

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

Development	Certificate of Suitability	Actual Year 1 1996-97	Actual Year 2 1997-98	Actual 1998-99 ¹	Actual Year 3 1999 ¹	Difference between total through 12/31/99 and Certificate
Vessel and equipment	\$46,100	\$48,060	\$4,137	\$6,082	\$3,433	\$13,428
Pre-opening	14,400	14,624	0			223
Land-based development	55,000	36,155	7,590	8,734	\$4,929	(2,513)
Economic development and infrastructure projects (off-site development)	21,000	4,260	251	201	70	(16,287)
Harbor improvements	4,000	4,184	\$159			343
Professional fees	2,500	2,882	\$0			382
Contingency	10,000	3,509	\$0	3,022		(3,469)
Total Development	\$153,000	\$113,674	\$12,037	\$18,039	\$8,432	(\$7,891)²

¹Both columns include dollars expended from January to June 1999.

²According to Trump's agreement with the city of Gary, its commitment through 12/31/99 was \$135 million with the rest of the money to be spent through 6/30/01.

Other Commitments

As Table 2 illustrates, Trump is on schedule with all of its incentive payments except for the offsite development, the renovation of the Sheraton Hotel, and the police substation. Discussions regarding the restoration of the hotel and additional road improvements are ongoing with the mayor. Trump also is working with the mayor on the renovation of the Genesis Convention Center. To date, the mayor has not pursued the development of a police substation.

Table 2: Schedule and Description of Incentive Payments

Incentive	Promised Amount	Recipient	Amount Paid Year1 1996-1997	Amount Paid Year 2 1997-1998	Amount Paid Year 3 1999	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 ³	City of Gary	\$2,500,000			Paid September 11, 1996
C)Renovation of the Sheraton Hotel	\$10,000,000 ³	City of Gary	\$0	0		Pending discussions with city
D)Police substation	\$2,000,000 ³	City of Gary	\$0	0		Pending discussion with city
E)Off-site development	\$6,500,000 ³	Road/Utility improvements	\$1,503,133	\$150,825	\$13,827	Ongoing
F) Additional wagering taxes (3% plus 1% of AGR)	3% plus 1% of AGR	City of Gary	\$5,305,946	\$4,747,102	\$5,552,070 ⁴	Ongoing
G) Donation to Trump Foundation	\$1 million in Year 1, \$100,000 each year thereafter	Trump Foundation scholarships	\$1,000,000	\$100,000	\$100,000	Ongoing
H)Donation of police cars		Police Dept.	\$246,950			Completed Year 1

³Part of \$21 million listed in Table 1 under Economic Development

⁴An additional \$3,415,712 not shown on this table was paid from June 1998- December 1998.

Table 3 illustrates the city of Gary's expenditures on capital items using gaming revenue during 1997, 1998, and 1999.

Table 3: Gary City Expenditures of Riverboat Revenue 1997, 1998, 1999 (\$000)

	1997	1998	1999
Infrastructure	\$333	\$2100	\$9,531
Judgment (Casino related costs)	5,283	1,836	1,553
Pavement	467	4,468	2,107
Public safety	0	3,000	298
Emergency demo	265	1,899	4,085
Storage tank	0	72	216
Lakefront	205	112	70
City equipment	14	4,489	3,330
Airport project	0	3,600	0
Fire station #4	0	0	3
Aquatorium	86	198	708
Golf course	426	73	0
Tolleston Park	235	1,684	19
Gary Accord	0	50	50
Telecommunications	0	300	0
Youth Service Bureau	0	0	2,500
Airport construction	0	0	264
Total	\$7,314	\$23,881	\$24,644

Community Activity

In 1999 Trump made numerous donations to community groups and sponsored several community events, including Northwest Indiana Black Expo, Northwest Indiana Forum, City of Gary Fireworks, Youth as Resources, Boy Scouts of America, Purdue University Calumet, and Hoosier Boys Town. Trump's Vice President-level community representative is involved in 18 local organizations and is represented on several boards of directors in the Gary area. Four senior-level managers are on several boards including the Boys and Girls Club of Indiana, Ivy Tech, Lake Area United Way, and the Northwest Indiana Forum.

Minority/Women Business Enterprise

The Office of Minority Business Development and the Indiana Gaming Commission currently are 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 its 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 4 indicates, Trump estimated in its application that, in Year 3, it would employ 1,679 persons in the casino for annual wages totaling approximately \$42.4 million. Estimates for hotel employment were not included. As of June 30, 1997, Trump had 1,541 employees (including half of Buffington Harbor's employees). For 1999, salaries and wages were \$31.4 million, including tips to dealers (but not to bar and wait staff). Full-time and part-time employees both receive benefits, including health-care coverage and life insurance.

As Table 4 illustrates, in 1996, Trump had adjusted gross gaming receipts of \$138.9 million, or 21 percent less than its application estimate. It had total gross revenues of \$147.1 million, \$40.2 million less than the \$187.3 million estimated in its application. Total local taxes were \$13.9 million, or \$0.2 million more than the projection of \$13.7 million in Trump's application.

Table 4: Comparison of Forecast to Actual Trump Operation, Year 3

Category	Application Forecast Year 3	Actual 1999	Difference
Employment as of 12/31/99 ⁵	1,679	1,541	(138)
Total Wages, Tips & Benefits	\$42,406,000	\$31,391,543	(\$11,014,457)
Attendance	2,504,444	3,485,580	981,136
Gross Gaming Receipts	174,780,000	\$138,866,099	(\$35,913,901)
\$ per Patron per Cruise	\$70 ⁶	\$40	(\$30)
Gaming Tax (State)	\$26,217,000	\$20,829,914 ⁷	(\$5,387,086)
Gaming Tax (Local)	\$8,739,000	\$6,943,307 ⁸	(\$1,795,695)
Admission Tax (State)	\$2,504,444	\$3,485,580 ⁹	\$981,136
Admission Tax (County)	\$2,504,444	\$3,485,580 ⁹	\$981,136
Admission Tax (City)	\$2,504,444	\$3,485,580 ⁹	\$981,136

⁵ Includes half of Buffington Harbor employees.

⁶ Applicant average for Gary was \$68.

⁷ An additional \$12,808,921 was paid from June 1998 to December 1998

⁸ An additional \$4,269,640 was paid from June 1998 to December 1998

⁹ An additional \$2,179,786 was paid from June 1998 to December 1998

Tables 5 and 6 compare actual to forecast years 1 and 2 of operation.

Table 5: Comparison of Forecast to Actual Trump Operation, Year 2

Category	Application Forecast Year 2	Actual 1997-98	Difference
Employment as of 6/30/98 ¹⁰	1,679	1,228	(451)
Total Wages, Tips & Benefits	\$41,406,000	\$24,704,537	(\$16,701,463)
Attendance	2,453,333	3,189,312	735,979
Gross Gaming Receipts	167,163,000	119,605,448	(\$47,557,552)
\$ per Patron per Cruise	\$68	\$38	(\$30)
Gaming Tax (State)	\$25,074,450	\$17,833,800	(\$7,240,650)
Gaming Tax (Local)	\$8,358,150	\$5,944,600	(\$3,413,550)
Admission Tax (State)	\$2,453,333	\$3,189,312	\$735,979
Admission Tax (County)	\$2,453,333	\$3,189,312	\$735,979
Admission Tax (City)	\$2,453,333	\$3,189,312	\$735,979

¹⁰ Includes half of Buffington Harbor employees.

Table 6: Comparison of Forecast to Actual Trump Operation, Year 1

Category	Application Forecast Year 1	Actual 1996-1997	Difference
Employment as of 6/30/97 ¹¹	1,185	1,461	276
Total Wages, Tips & Benefits	\$27,832,000	\$32,739,830	\$4,907,833
Attendance	1,840,000	4,299,738	2,459,738
Gross Gaming Receipts	\$120,776,000	\$147,663,355	\$26,887,355
\$ 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

¹¹ Includes half of Buffington Harbor employees

As Table 7 indicates, Trump has increased in every category from Year 2 to Year 3, with gross gaming receipts increasing 16 percent and gaming taxes increasing 15 percent.

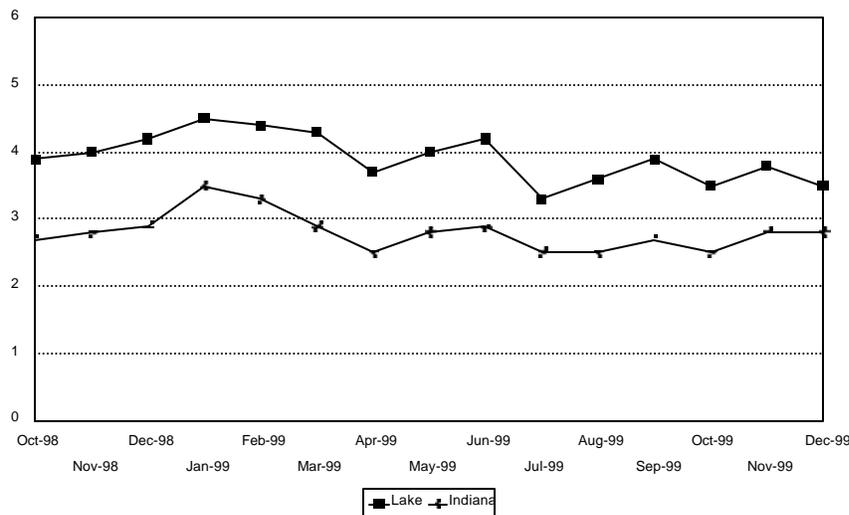
Table 7: Comparison of Year 1 to Year 2 to Year 3

Category	Actual Year 1 1996-97	Actual Year 2 1997-98	Actual Year 3 1999	Difference between Year 2 and Year 3
Employment	1,461 ¹²	1,228 ¹²	1,541 ¹²	313
Total wages, Tips & Benefits	\$32,739,830	\$24,704,537	\$31,391,543	\$6,687,006
Attendance	4,299,738	3,189,312	3,485,580	296,268
Gross Gaming Receipts	\$147,663,355	119,605,448	\$138,866,099	\$19,260,651
\$ per Patron per Cruise	\$34	\$38	\$40	\$2
Gaming Tax (State)	\$22,149,503	\$17,833,800	\$20,829,914	\$2,996,114
Gaming Tax (Local)	\$7,383,168	\$5,944,600	\$6,943,304	\$998,704
Admission Tax (State)	\$4,299,738	\$3,189,312	\$3,485,580	\$296,268
Admission Tax (County)	\$4,299,738	\$3,189,312	\$3,485,580	\$296,268
Admission Tax (City)	\$4,299,738	\$3,189,312	\$3,485,580	\$296,268

¹²Includes half of Buffington Harbor employees.

As Figure 1 illustrates, Lake County's unemployment rate decreased over the year to 3.5 percent in December 1999, but has never been lower than the state unemployment rate, which was 2.8 percent in December 1999.

Figure 1: Unemployment Rate for Lake County and the State of Indiana



Source: Indiana Department of Revenue in Indiana Business Research Center

As of December 1999, 60 percent of Trump employees were women, 69 percent were minorities, and 79 percent were residents of Lake County. As of December 31, 1999, 14 percent of Trump's employees were from out-of-state, with the majority from Illinois. In its application, Trump's goal was to employ 52 percent female employees, 70 percent minority employees, and 90 percent of employees from Lake County. Trump exceeded its goal for hiring women, met its goal for hiring minorities, but fell short of its ambitious goal for hiring 90 percent Lake County residents. With the low unemployment rate in Lake County, Trump's efforts, and competition from three other riverboats for employees, it seems as if Trump has hired close to the maximum percent of Lake County residents possible.

Local Economic Impact

In addition to the gaming taxes paid to the city and state, Trump paid \$215,175 in sales and use taxes and \$1,632,995 in property taxes in 1999. Payroll of \$31.4 million and purchases of \$19.5 million from Gary vendors and another \$5 million from other Lake County 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 December 31, 1999, Indiana residents made more than one-third of the total trips to Trump, with approximately 20 percent of the total from northwest Indiana. In 1999, Trump had 3.5 million paid admissions. This attendance was approximately one million greater than Trump's attendance projection in its application, and an increase of 0.3 million admissions from the previous year. The hotel had an occupancy rate of 55 percent in 1999, increasing throughout the year, with the fourth quarter at approximately 67 percent occupancy.

According to the Lake County Convention and Visitors Bureau, hotel occupancy is up since the riverboats opened. 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. The first Visitors Bureau was completed last year at the interchange of Kennedy Avenue and I80/I94.

Legal Issues

Trump had one patron lawsuit filed against it from June 1998 through December 1999. There were a total of 19 arrests for incidences on Trump property during 1999, down significantly from 58 last year. The largest arrest category of patrons was trespassing. Last year Trump security reported checking 53,775 identifications and refusing entry to 1,521 patrons, 314 because they were under 21, and the remainder for no identification. Less than .001 percent of total visits resulted in a citation or arrest.

According to Gary's Chief of Police, Trump's presence has not contributed to any additional criminal activity in the neighborhood surrounding the riverboat.

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. In 1999, Lake County residents made 75 calls for help with gambling problems to the "Deal With It" line, compared to 91 calls the previous year. There also have been 20 calls from LaPorte County, up from 11; 24 calls from Porter County, compared to 23; and 94 calls from Chicago, down from 138 calls.

Trump has made efforts to minimize negative impacts. Trump sponsors the Northwest Indiana Coalition on Problem Gambling. The Coalition provides information and seminars on problem gambling to the public. Trump trains employees in behavior identification for many business and work-related problems. The employees have access to Charter Behavioral Health for their families and themselves. They also are trained to provide such information to customers. It also displays the 1-800-9-WITH-IT message on all material handed to patrons as well as on signs near casino cages. Trump has a self-eviction program for individuals who wish to be banned from the facility. Upon request, they are removed from all mailings and promotions. If they are identified on the boat, they are escorted off. Once an individual requests self eviction Trump considers it permanent unless told otherwise by the Indiana Gaming Commission.

Summary of Findings

Trump has met the requirements of its Certificate of suitability in the following areas:

- Trump spent a total of \$145.1 million on development, \$10 million more than estimated through Year 2 in its agreement with the city of Gary.
- Trump is on schedule with most of its incentive payments.
- Trump has sponsored several community events; its senior management is represented on many boards; and the company has made numerous donations to community groups.
- Trump had 3.5 million paid admissions, approximately 0.7 million greater than projected in its application for Year 2.
- Total local taxes were \$13.9 million, or \$0.2 million more than the projection of \$13.7 million in Trump's application.
- Trump paid \$215,175 in sales and use taxes, \$1,632,995 in property taxes, and purchased \$19.5 million from Gary vendors and another \$5 million from other Lake County vendors.
- Trump has met or exceeded its goals for hiring women and minorities.
- Trump has been proactive in developing programs for compulsive gambling.

Trump has not met its projections in the following areas:

- Trump had adjusted gross gaming receipts, total gross revenues, employment, and wages less than projected.
- Trump has not met its ambitious employment goal of hiring 90 percent Lake County residents. With the low unemployment rate in Lake County, Trump's efforts, and competition from three other riverboats for employees, it seems as if Trump has hired close to the maximum percent of Lake County residents possible.