

# Evaluation of Riverboat Licensee for Rising Sun, Indiana: Grand Victoria Casino & Resort by Hyatt

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Introduction.....	1
Project Development and Investment.....	1
Development Activities.....	1
Other Commitments.....	2
Community Activity.....	4
Minority/Women Business Enterprise.....	4
Economic and Fiscal Impacts.....	5
Employment and Earnings Impacts.....	5
Local Economic Impact.....	6
Impact on Tourism.....	6
Legal Issues.....	6
Other Impacts.....	7
Summary of Findings.....	7

# 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 June 30, 1995, the Commission issued a Certificate of Suitability for a Riverboat Owner's License for a riverboat to be docked in Rising Sun, Indiana. Grand Victoria Casino & Resort by Hyatt (Grand Victoria), formerly Rising Sun Riverboat Casino & Resort, LLC, received its license on September 16, 1996, and commenced full-time gaming operations on October 4, 1996. (Two test cruises took place in September 1996.) This report is an evaluation of Grand Victoria's first year of operation.

## Project Development and Investment

### Development Activities

In the Certificate of Suitability (referred to throughout as certificate), Grand Victoria committed to spend approximately \$94.5 million on project development, in addition to pledging to the city of Rising Sun other incentives totaling several million dollars.

The 2,700-passenger riverboat opened with 40,000 square feet of gaming space. A facility consisting of a 200-room hotel, a 125,000-square-foot permanent pavilion, and 2,000 parking spaces opened on July 25, 1997. Construction on an 18-hole golf course is anticipated to begin in 1998 pending Corps of Engineers approval. A 1,100-seat events/showroom that is part of the permanent pavilion will be completed by January 1, 1998.<sup>1</sup>

As Table 1 illustrates, Grand Victoria spent \$32 million more than agreed to in the certificate for the development of the project, including an additional \$15.8 million more than projected for the boat, \$6.6 million more than projected for casino equipment, and \$10.8 million more than projected for land-based construction. These additional land-based construction costs funded hotel rooms and hotel amenities, upgrades to Rising Sun's water, sewage, and electrical systems, and extensive temporary land-based facilities. Grand Victoria has budgeted \$16 million in development costs to complete the initial project. This includes \$5 million to complete construction of the pavilion (including contractor payment retention), \$4.5 million for golf course development, \$2.6 million for remaining furniture, fixtures, and equipment payments, and \$3.9 million for miscellaneous development.

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<sup>1</sup> The events center opened as scheduled on December 31, 1997.

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

Development	Certificate of Suitability	Actual	Difference
Land	\$9,250	\$10,100	\$850
Vessel	24,000	39,800	15,800
Casino Equipment	8,500	15,100	6,600
Pre-opening Costs	6,500	6,500	0
Land Based Construction	40,250	51,000	10,750
Working Capital	2,500	1,000	(1,500)
Cash on Hand	2,500	3,000	500
Loan Commitment Fee	1,000	0	(1,000)
<b>TOTAL DEVELOPMENT</b>	<b>\$94,500</b>	<b>\$126,500</b>	<b>\$32,000</b>

## Other Commitments

As Table 2 illustrates, Grand Victoria is on schedule with all of their incentive payments.

Table 2: Schedule and Description of Incentive Payments

Incentive	Promised Amount	Recipient	Amount Paid through 9/30/97	Status
A) Rising Sun Redevelopment Commission	\$3,500,000	City of Rising Sun	\$2,157,296	Ongoing
B) Community Park	\$500,000	City of Rising Sun	\$207,594	Ongoing
C) Rising Sun/Ohio County Convention, Tourism, & Visitors Bureau	\$300,000	City of Rising Sun	\$300,000	Complete
D) Contribution to Rising Sun Regional Foundation	\$1 per admission, no limit	City of Rising Sun	\$2,156,393	Ongoing
E) Road improvement advance	\$4,000,000	City of Rising Sun	*\$689,372	Ongoing
F) Road improvements	Up to \$2,500,000	City of Rising Sun	**\$3,000,000	Complete
G) Reimbursement for legal, financial, and consulting fees	Up to \$112,500	City of Rising Sun	\$112,500	Complete

\* These funds represent a non-recourse, non-interest bearing loan to the city of Rising Sun to be reimbursed to Grand Victoria from a portion (15%) of riverboat tax revenue received by the city from the state.

\*\* Grand Victoria currently is negotiating with Rising Sun as to whether or not \$500,000 of this expenditure will be considered a loan, to be repaid through a reduction in admission tax.

To date, the Rising Sun Redevelopment Commission has used the \$2 million from Grand Victoria for:

- Main Street streetscape improvements, including new cement and brick sidewalks, Victorian-style lamp posts, benches, and street repaving;
- Walnut Street streetscape improvements, to include new drainage systems, street widening, curbing, and new sidewalks;
- Establishment of a revolving loan program to help local residents develop their individual properties and businesses;
- Creation of a Downtown Business Retention and Recruitment Program;
- Downtown “incubator” buildings, purchased by the Redevelopment Commission, which will be renovated and resold to promote business development;
- Creation of downtown parking areas;
- Development of a Walnut Street Business District and new City Government Center;
- Riverfront development, including creation of a new river walk between Grand Victoria and Rising Sun’s business district, as well as a pedestrian plaza at the foot of Main Street;
- Development of a Community Medical Center, to be completed by Spring 1998; and
- Development of a Sign and Technical Assistance Program to give business sign grants that will improve the appearance of the business district.

For every casino admission, Grand Victoria makes a \$1 contribution to the Rising Sun Regional Foundation. To date, \$1,550,000 has been contributed to Dearborn, Ripley, and Switzerland counties to enable participating communities to establish community foundations. Another \$546,295 has been set aside as a Permanent Reserve Fund. Table 3 lists the grants that the foundation has made to organizations in Southeastern Indiana through July 1997:

Table 3: Rising Sun Regional Foundation Grants

Grant	Amount	Grant	Amount
Switzerland County		Milan Housing for the Elderly, Inc.	\$2,500
Florence Regional Sewage District	\$75,000	Osgood Lions Club	\$2,500
Vevay Town Board	\$50,000	Dearborn County	
Vevay Park Board	\$35,875	Town of Dillsboro	\$50,000
Switzerland County Public Library	\$21,031	American Legion, St. Joseph Post 464 in St. Leon	\$50,000
Historic Vevay, Inc.	\$2,500	Hilforest Historical Foundation in Aurora	\$10,000
Switzerland County Emergency Unit’s Inc.	\$1,400	Ohio County	
Ripley County		Rising Sun-Ohio County Community School Corp.	\$50,000
Town of Milan	\$50,000	Ohio County Historical Society	\$45,413
Sunman Elementary School	\$39,250	Rising Sun Soccer Association	\$2,500
St. Anthony of Padua Catholic Church	\$23,200	Multiple Counties	
Town of Versailles	\$20,000	Historic Hoosier Hills Resource Conservation & Development Council Inc.	\$38,635
Ripley County Department of Parks and Recreation	\$20,000	Educational Scholarships	\$13,000
Southern Ripley County Humane Society	\$20,000	New Horizons Rehabilitation, Inc.	\$12,981
Southeastern Indiana YMCA	\$15,000	Area 12 Council on Aging and Community Service	\$10,000
Milan Lions Club	\$14,000	Southern Indiana Rural Development Project, Inc.	\$8,000
South Ripley Junior Senior High School	\$6,425	American Red Cross, Dearborn/Ohio County Chapter	\$2,485
Versailles Police Department	\$5,110		

Rising Sun and Ohio County share one-half of the admission tax revenue generated by Grand Victoria. Each quarter, two counties and 14 municipalities receive a portion of the proceeds from Grand Victoria, with the formula for revenue sharing based on population: the greater the population, the more money the government will receive. Ripley and Switzerland counties are part of this plan, as are the following municipalities: Aurora, Dillsboro, Greendale, Moores Hill, St. Leon, and West Harrison (Dearborn County); Holton, Milan, Napoleon, Osgood, Sunman, and Versailles (Ripley County); and Patriot and Vevay (Switzerland County). Table 4 shows revenue sharing distributions for the period October 1996-September 1997.

Table 4: Rising Sun/Ohio County Revenue Sharing Fund Distribution

County	Population	Amount (Rising Sun)	Amount (Ohio County)	Total
Ripley	14,427	\$ 277,255.67	\$293,470.58	\$570,726.25
Switzerland	6,155	118,258.83	125,175.04	243,433.87
Municipalities				
Aurora	3,825	\$193,248.39	\$204,550.46	\$397,798.85
Greendale	3,881	196,016.99	207,480.98	403,497.97
West Harrison	318	16,057.89	16,997.03	33,054.92
Saint Leon	493	24,917.41	26,374.71	51,292.12
Moores Hill	649	32,761.78	34,677.85	67,439.63
Dillsboro	1,200	60,632.38	64,178.44	124,810.82
Milan	1,529	77,243.98	81,761.57	159,005.55
Sunman	623	31,469.78	33,310.27	64,780.05
Holton	451	22,794.82	24,127.97	46,922.79
Osgood	1,688	85,272.92	90,260.09	175,533.01
Napoleon	238	11,997.27	12,698.93	24,696.20
Versailles	1,791	90,440.98	95,730.38	186,171.36
Patriot	190	9,649.79	10,256.83	19,906.62
Vevay	1,393	70,322.49	74,435.27	144,757.76
TOTAL		*\$1,318,341.37	*\$1,395,486.40	\$2,713,827.77

\* There is a difference in the amount of revenue distributed by Rising Sun and Ohio County because both the town and the county subtract administrative costs from the available funds before distribution. During the period October 1996 to September 1997, Rising Sun incurred \$88,823.13 in administrative and legal fees and Ohio County incurred \$6,000 in administrative costs.

## Community Activity

In 1996 and 1997 Grand Victoria made donations to 25 community groups including Ohio County 4-H, United Fund of Dearborn County, and Rising Sun High School. They sponsored several community events including Rising Sun Navy Bean Festival, PTO Fall Festival, Rising Sun Band Boosters Annual Car Show, and the Ripley County Chamber of Commerce Walk/Run. Grand Victoria's senior management is involved in several local organizations and is represented on several local boards of directors, including Rising Sun/Ohio County Convention, Tourism, & Visitors Bureau, Riverfront Advisory Committee, Mainstreet Merchants Association, Rising Sun City Council, United Fund of Dearborn and Ohio Counties, Rising Sun Medical Center, and Rising Sun Chamber of Commerce.

During the flooding that devastated much of Southeastern Indiana in March 1997, Grand Victoria management assisted the towns of Aurora (Dearborn County) and Patriot (Switzerland County) with flood relief. Although Grand Victoria closed during the period March 3-9, the company paid 200 employees to assist flood cleanup efforts. Grand Victoria employees also staffed the emergency command centers in Aurora and Patriot and the casino served meals to flood victims.

## 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. Grand Victoria committed to meeting the goals of the legislation in their first year. According to their goals, Grand Victoria said they would expend 10 percent of the dollar value of their contracts for goods and services from minority-owned businesses 5 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 Grand Victoria to determine compliance.

## Economic and Fiscal Impacts

### Employment and Earnings Impacts

Grand Victoria began hiring and training the majority of their employees in November 1995. Hyatt provided the training.

As Table 3 indicates, in its application, Grand Victoria estimated employment of 1,398 persons in the casino and hotel for annual wages totaling approximately \$39 million. As of October 1, 1997, Grand Victoria had 1,591 employees. For 1996-1997, salaries and wages were \$38 million, including tips to dealers (but not to bar and wait staff). This figure is approximately \$1 million less than the employee earnings Grand Victoria estimated in their application. However, Grand Victoria's application estimate of first-year wages included a hotel, which did not open until July 1997, nine months into the casino's first year of operation.

Only full-time employees receive health care coverage and life insurance benefits. Part-time employees comprise 8 percent of all employees.

Table 5: Comparison of Forecast to Actual Grand Victoria Operation, 10/96-10/97

Category	Application Forecast Year 1	Actual 1996-1997	Difference
Employment as of 10/97	1398	1591	193
Total Wages, Tips, & Benefits	\$39,321,450	\$38,382,161	(\$939,289)
Attendance	2,190,000	3,050,094	860,094
Gross Gaming Receipts	\$109,500,000	\$135,281,885	\$25,781,885
Total Gross Revenues	\$145,635,500	\$159,025,450	\$13,389,950
\$ per Patron per Cruise	*\$50	\$44	(\$6)
Gaming Tax (State)	\$16,425,000	\$20,292,283	\$3,867,283
Gaming Tax (Local)	\$5,475,000	\$6,764,094	\$1,289,094
Admission Tax (State)	\$2,190,000	\$3,050,094	\$860,094
Admission Tax (County)	\$2,190,000	\$3,050,094	\$860,094
Admission Tax (City)	\$2,190,000	\$3,050,094	\$860,094

\* Applicant average for Rising Sun was \$55.

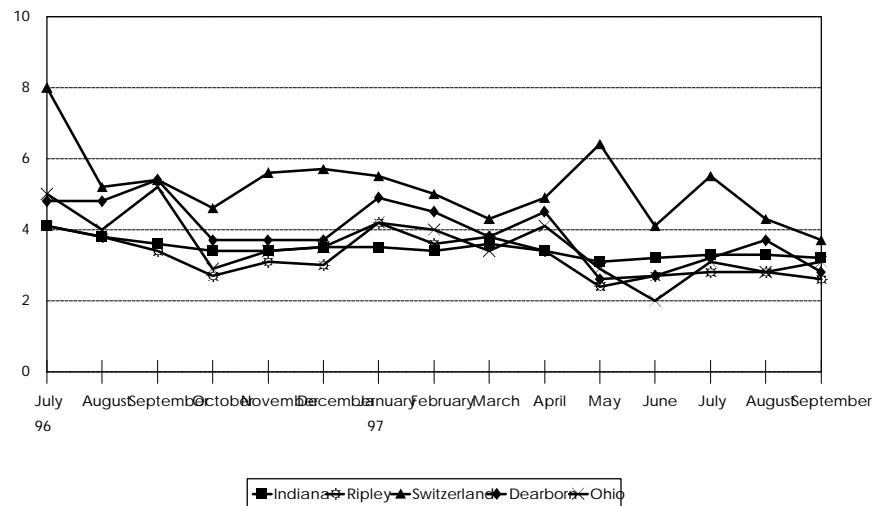
As Table 5 illustrates, in 1996, Grand Victoria had adjusted gross gaming receipts of \$135.3 million, or 23.6 percent more than their application estimate. They had total gross revenues of \$159 million, \$13.4 million more than the \$145.6 million estimated in their application. However, Grand Victoria overestimated receipts per passenger per trip. Total local taxes were \$12.9 million, or \$3 million more than the projection of \$9.9 million in Grand Victoria's application.

As of October 1997, 55 percent of Grand Victoria employees were women, 4 percent were minorities, 21 percent were from Rising Sun, and 68 percent were residents of Dearborn, Ohio, Ripley, and Switzerland counties. In their application, Grand Victoria's goal was to have 90 percent of local employees (defined as residents of Dearborn, Ohio, Ripley, and Switzerland counties). Grand Victoria has fallen short of its projected percentage of employees who are local residents. However, Grand Victoria employed 1,591 workers out of a local labor force of 42,292. Grand Victoria also competes with Argosy Casino in Lawrenceburg (Dearborn County) for employees. As of October 30, 1997, 29 percent of Grand Victoria's employees were from out-of-state, with the majority from Ohio.

As Figure 1 illustrates, unemployment rates for Dearborn, Ohio, Ripley, and Switzerland counties have 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. However, as of September 1997, unemployment rates for Dearborn and Switzerland counties still were above the state unemployment rate. The unemployment rate for Ohio County fell below

Indiana's rate for May through August, then increased to the same level as the state rate in September. Ripley County maintained an unemployment rate below the state's rate for the entire period.

Figure 1: Local and State Unemployment Rates



### Local Economic Impact

In addition to the gaming taxes paid to the city and state, Grand Victoria paid \$586,127 in sales and use taxes for the period October 1996 through September 1997. Grand Victoria paid \$32,845 in property taxes during the same period. Payroll of \$38 million and purchases of \$3 million from local vendors also contributed to the local economy. This spending has led to several new developments since the riverboat opened, including five new bed and breakfast-type establishments, a new restaurant, an apartment complex, a gas station, and two new bank branches.

### Impact on Tourism

Through September 1997, more than one-third of the total trips to Grand Victoria were made by Indiana residents, with approximately one-third of those being made from the local area. In 1996-1997, Grand Victoria had three million paid admissions. This attendance is approximately 0.8 million greater than Grand Victoria's attendance projection in their application.

According to the Rising Sun/Ohio County Convention, Tourism & Visitors Bureau, occupancy at local bed and breakfast accommodations and inns increased between 1996 and 1997, resulting in approximately 27 new rooms. The bureau attributes this to visitation to Grand Victoria.

Grand Victoria, in conjunction with the Rising Sun/Ohio County Convention, Tourism & Visitors Bureau, the Historic Downtown Program, and the Rising Sun Redevelopment Commission also is distributing a brochure that promotes a free shuttle that travels from the casino to downtown Rising Sun and back. The goal of this marketing tool is to help Rising Sun capture some of the tourist business that results from Grand Victoria's presence in the community.

### Legal Issues

Grand Victoria was sued twice in 1996-1997: one case involves an individual who died in a traffic accident after leaving Grand Victoria, and the other case involves a woman who claims that she suffered personal damages after consuming food on the riverboat. A total of 75 arrests were made on Grand Victoria property during this period. The largest arrest category was public intoxication (63 percent). There were two reported incidents of alleged child neglect. The Ohio County Sheriff's Department also noted an increase in DWI arrests (31 in the period October 1995 through September 1996 versus 92 in October 1996 through September 1997) and a decrease in traffic accidents (60 accidents before Grand Victoria opened versus 49 accidents after it opened) on State Route 56. Indiana State Police noted a drop in fatal accidents on State Route 56 since the casino opened; between October 1996 and September 1997, there were two fatal traffic accidents on

this road, one of which involved a Grand Victoria employee. Less than .0001 percent of total visits resulted in a citation or arrest.

## Other Impacts

There are other impacts that can result from the location of a riverboat in a community. For example, compulsive gambling might become a problem, and as a result, lead to higher rates of bankruptcy and/or greater need for social services. From October 1996 through October 30, 1997, ten calls for help with gambling problems were made by Dearborn County residents and one call was made by a Ripley County resident to the "Deal With It" line that is contracted through the Commission for a Drug Free Indiana. In the previous year, residents of Dearborn or Ripley counties made no calls. The Commission for a Drug Free Indiana did not receive any calls from Ohio County or Switzerland County residents in 1996 or 1997. It should be noted that Argosy Casino in Lawrenceburg (Dearborn County) also serves this area.

In some smaller communities, we expect an impact on housing starts, school enrollment, and other factors from the new employees moving into the area. We examined school enrollments and found that they experienced little increase in Dearborn County (.54 percent) and Ohio County (.10 percent) and increased slightly in Ripley (1.61 percent) and Switzerland (1.34 percent) counties.

Grand Victoria has made efforts to minimize the negative impacts of gambling. Grand Victoria has trained employees concerning compulsive gambling and developed a brochure that provides patrons with information on the warning signs of compulsive gambling and where problem gamblers can receive help. They also display the 1-800-9-WITH-IT message on all material handed to patrons as well as post it on signs near casino cages.

# Summary of Findings

Grand Victoria has met the requirements of their certificate of suitability in many areas:

- Grand Victoria spent a total of \$126.5 million on development, \$32 million more than estimated in the certificate of suitability
- Grand Victoria is on schedule with all of its incentive payments.
- Grand Victoria 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 1,591 employees, more than projected.
- Both state and local gaming taxes were higher (\$6.9 million) than projected in Grand Victoria's application.
- Grand Victoria paid \$586,127 in sales and use taxes and \$32,845 in property taxes.
- Grand Victoria has been proactive in developing programs for compulsive gambling.

Grand Victoria has not met its projections in the following areas:

- Employee wages, tips, and benefits totaled \$38 million, approximately \$1 million less than projected. However, Grand Victoria's application estimate of first-year wages, tips, and benefits included its hotel, which did not open until July 1997, nine months into the casino's first year of operation.
- Receipts per passenger per trip averaged \$44, less than Grand Victoria's \$50 estimate in their application.

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

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

In addition to the requirements in the certificate of suitability, Grand Victoria also provided flood relief to the towns of Aurora and Patriot, which helped these communities recover more quickly from the devastating floods of March 1997.