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Gambling : Place Your Bets: A Cleveland Casino?

Some businessmen say it's needed, but Ohioans may not vote for it
By Amy Starnes

Wednesday, May 12, 2004



Nearly every morning, dozens of greater Cleveland residents fill a waiting room on the city's West Side. Their reverberating chatter rises with each addition of sensible shoes and Starbucks cups. They hover with their extra sweaters, neck pillows and small coolers packed with homemade lunches.

A group of six coifed 75-year-old women are celebrating their age with a trip. An 84-year-old man will make it with his 48-year-old son. And all of them will spend their Ohio money in a Detroit casino.

Bus companies haul hundreds of people each week out of Cleveland to casinos in New York, Michigan, Indiana and places in Canada like Windsor and Niagara Falls. Lakefront Lines president Thomas Goebel says his casino trips run every day but Saturday and average 500 passengers a week. Other bus companies wouldn't disclose their figures but said they run 50-seat buses every day.

In fact, more Ohio tour and bus companies serve Detroit's Greektown Casino than those from any other state. According to Greektown's website, only one company transports Indiana residents to the casino. Only three book tours from Illinois. Three carry residents from Pennsylvania. Ten circulate inside Michigan. But 12 are ready to serve Ohioans.

It's a fact that has some Cleveland business people shaking their heads.

"We've got our head in the sand," says County Commissioner-elect Tim Hagan. "The bottom line is many people in Ohio are going to Detroit or Ontario or West Virginia or Indiana to go to a casino. We're losing whatever that money is."

Real estate developer Bert Wolstein says, "A casino with a major hotel and a convention center all put in one piece is an absolute necessity for Cleveland to rescue the downtown."

The Art of the Deal

The Ohio casino issue seemed dead for years after voters rejected a riverboat ballot proposal in 1996 that would have allowed up to eight of the floaters around the state, including three in Cleveland and one in Lorain.

But the idea of a Cleveland casino recently poked its head into the persistent debate over whether to let residents vote on putting video lottery terminals (VLTs, also known as slots) in race tracks.

The popular machines have bolstered other states' racing industries and provided additional revenue akin to a lottery. Ohio VLT legislation had been stalled after a disagreement between the House and Senate over how to spend the proceeds. As legislators took another look at the bill in April, a Cleveland-area representative told the bill's sponsors that business leaders who could provide valuable political and monetary support for a VLT campaign would be more likely to help if the bill provided an option for Cleveland either to create an off-track betting parlor or a casino with slots, table games and Vegas-style entertainment.



VIDEO POKER
Hundreds of Clevelanders board buses each week to gamble in other states.

Rep. Bill Seitz, R-Cincinnati, said he and the bill's sponsors were open to discussing anything that could get the VLT bill more votes in the House or Senate or make the issue more favorable to voters.

The casino proposal, however, won't make it out of the gate, according to Neil Clark, a Columbus-based lobbyist for the racetrack industry.

A poll paid for by track interests — VLT supporters — showed that while 56 percent of the respondents supported a constitutional amendment allowing VLTs at tracks when the proceeds were dedicated to certain educational programs, only 30 percent liked the same plan when it included a Cleveland casino.

"It is clear the people of this state will not give Cleveland the right to vote for a casino in Cleveland because they don't want casinos, period. They don't want (off-track betting parlors) and they don't want casinos," Clark says.

Washington, D.C.-based Penn, Schoen & Berland Associates conducted the poll, asking gaming questions of 800 registered voters statewide, including an extra 250 in Cleveland. The margin of error was plus or minus four percentage points.

The poll showed that voters across the state would not only oppose a casino in Cleveland, but casinos in seven other major cities and off-track betting parlors at yet undetermined locations.

But while 59 percent of the Clevelanders polled would favor a casino in the city, support dropped if other cities were included. For example, only 49 percent of the Clevelanders polled liked the idea of allowing off-track betting at facilities in Sandusky and Mansfield. And only 52 percent liked the casino idea if other cities got one, too.

"In other words what Cleveland is saying is, 'We're OK if you give it to us. We're OK if we have slots at racetracks. We're OK if we have a casino in downtown, but we don't want other people to have it,'" Clark says. "See, that's the rub and the rest of the state is saying, 'Uh-uh. That's good. We don't want you to have it either.'"

Because of the poll numbers, backers began moving forward with refined VLT legislation that doesn't include a casino or off-track betting parlors.

Then late last week, Cleveland developer Jeff Jacobs upped the ante and said that if the VLT bill appears without a casino amendment, he "and others in the downtown Cleveland business community will spend whatever it takes to defeat it."

Rep. Seitz says, "My reaction to that is democracy is a wonderful thing. People are free to speak their opinion and spend their money."

In order for any gaming initiative to make it on the November ballot, either legislators must pass it before they adjourn for the summer in May, or backers must undertake a petition drive, gathering millions of signatures from around the state by August.

While some casino backers have criticized the language pollsters used to question voters, Clark says the basic fact is there is not enough statewide support to pass a casino initiative.

"Let them go to the General Assembly and try to pass this. Let them try to get the votes to create a casino and they will see exactly what people have run up to in the last 10 years... No matter how you redo (the poll), the reality is that Ohio doesn't want it and Cleveland's got to accept that reality."

Playing the Numbers

Fourteen — The number of casinos or riverboats close enough to be one-day trips for Ohioans.

15,000 — The approximate number of people who visit Detroit's Greektown Casino every day.

6,629,306 — The combined turnstile count in 2003 for the Argosy, Belterra and Grand Victoria riverboat casinos, all of which are docked within an hour of Cincinnati.

\$17 — The cost of a one-day Lakefront Lines bus trip to Casino Windsor. Patrons also get a \$15



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\$111,889,986.83 — The amount of money the city of Detroit received in 2003 from its 9.9 percent tax on its three casinos. The state of Michigan received another \$91.5 million. Those figures do not include other routine property and use taxes, none of which are abated.

That last figure is enough to make any city administrator do a double take, except maybe Mayor Jane Campbell.

“Until there's a law, until the state constitution allows us to do that, (Mayor Campbell) feels it's unproductive to have the conversation... We shouldn't be banking our financial future on something that doesn't exist at this point,” says mayoral spokesman David Fitz.

Asked if the mayor believes in planning for the future or that it's good policy to determine if a casino would be beneficial or detrimental before a developer tries to build one, Fitz said Campbell is planning for the future by developing Cleveland's lakefront.

County Commissioner-elect Hagan says he knows what a casino could do for Cleveland.

“It would be terrific for the city. It would change the dynamics of downtown Cleveland,” he says. “It's certainly not the solution to our problems, but clearly the people of Indiana, Michigan and West Virginia are delighted that Ohio residents are helping fund their schools and their services in those states.”

Scott King, Democratic mayor of Gary, Ind., knows what three riverboat casinos, all approved before he took office, mean to his city.

The riverboats are much smaller than Detroit's three gambling halls, but more than 8.7 million people visited them in 2003 and they paid more than \$242.6 million in taxes that year. A portion of that money is paid to the county where the riverboat resides and shared with its cities.

“First of all, it creates a lot of jobs which has been very beneficial,” King says, adding the city has used its tax money to build a new public safety facility and a minor-league baseball stadium. It has allowed Gary to hire more police officers and pay them better. The city has also added needed fire equipment and paved many streets.

“It has given us access to capital that otherwise wouldn't be here. It's been a generally positive impact, without the negative of the crime piece. That just hasn't happened.”

The crime argument King refers to is probably the biggest hurdle to placing a casino in Ohio.

The Crime Factor

“Governor (Bob) Taft is opposed to expanding gambling in Ohio. He believes the social ills outweigh the possible financial gains,” says Orest Holubec, Taft's press secretary.

Holubec says Taft believes expanded gaming facilities like casinos bring an increase in prostitution, drug use and overall crime.

“That was one of the fairly popular anti-gaming arguments that our community went through back in the '94, '95, '96 period when it was coming,” says Gary's King. “The truth is we have been operating since August of 1996 and there is no truth to it.”

Similar statements are made over and over again in re-licensing investigations conducted by the Indiana Gaming Commission on the state's 10 boats.

In a 2001 report completed five years after Casino Aztar opened in Evansville, Ind., gaming investigators concluded “... it appears as if there has been little change in the crime rate surrounding the riverboat since it opened.”

King believes the reason there are few crime problems surrounding most casinos he's come in contact with is because of the age and type of customer they attract.

“I think everybody kind of conjures up sort of a B-movie of Las Vegas and that's not what these venues

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present themselves as," King says. "Typically what you see is (that) people coming to game are coming to game. They drive in, they walk in, they get back in their cars and they leave."

One disappointment King notes is the casinos have not spurred nearby development as predicted.

"That has proven by and large to have been sort of over-pitched. Again for the same reason, people coming to game come to game," he says.

Ohio's governor has another complaint about casinos, however.

Holubec says the governor has been told that relying on gambling revenues — an unstable source of income — could lower the state's bond rating. Holubec says Taft is very proud of the state's bond rating. Standard & Poor's has rated the state AA+ while Moody's Investors Service has given it AA1. The highest rating possible is AAA.

Jonathan Swain, spokesman for Indiana's Gov. Joe Kernan, said that state has not witnessed a bond-rating downgrade because it utilizes casino revenues. Indiana's ratings are very similar to Ohio's. Standard & Poor's has rated Indiana AA, recently downgraded from AA+ because of the state's economic situation and a deficit, Swain said. Moody's has rated the state AA1 for several years.

A Regressive Tax?

One Cleveland entrepreneur, who once thought so much of casino revenue that in the mid-1990s he wanted to put a moneymaker on land he co-owns in the Flats, has changed his mind.

Dan Moore III is managing partner of Whiskey Island Partners, a consortium that owns the largely undeveloped peninsula on the west side of the mouth of the Cuyahoga River.

"I think it's a quick fix that has bad long-term consequences," Moore says. "What a casino is a regressive tax on predominately poor, largely women, largely undereducated people. They go to the casino, they spend their money, they as an average group lose and the social costs are born by the community.

"If we are doing it because we want to bail out a city financially, I think you will find it's a pretty expensive bail-out."

Moore said his feelings about casinos changed while he was examining gambling boats along the Illinois River and pondering one for Cleveland.

"These were people that couldn't afford to lose," he says. "I'm not a gambler so I didn't know what I was to expect. I was a little taken aback."

None of Detroit's mayoral spokesmen nor Mayor Kwame Kilpatrick returned calls requesting comment on the city's casinos.

Hagan objects to the notion that casinos shouldn't be built because some people will spend their money unwisely.

"That's just nonsense. Everybody knows it's one to two percent at most that have a problem with gambling. You don't make public policy based on the people that go to extremes or we wouldn't have any public policy," he says.

Developer Bert Wolstein believes a casino, hotel and convention center combo would make Cleveland the No. 1 convention city in its class.

"People want to go where there are shows and nightlife... People want a little flair when they go to a convention," he says.

When questioned if Detroit and other cities have seen a boon in conventions since adding casinos, he snaps, "I told you the answer. We don't have to worry about Detroit. Nobody else has what we have.

"I'm positive it will work."

Roger Martin, a public relations consultant for Detroit's Greektown Casino, recalls a Michigan State University study that showed that only about 20 percent of Detroit's gamblers came from outside the state, while the other 80 percent were Michigan's own residents.

He notes that Detroit's casinos are in temporary facilities while they have been locked in a four-year lawsuit with an Indian tribe that has prevented them from building massive hotels and entertainment facilities. Without attached hotels, Detroit's casinos are limited in how far away people will come to visit, he said.

Look at all the People

If Cleveland had a casino, 84-year-old Ernest Szabo might spend more of his money in town.

The Brookpark resident travels about once a month to Greektown or Casino Windsor with \$600 or \$700 to gamble.

"You wish you break even," he says while waiting for his bus to Detroit.

If Cleveland had a casino, he'd go there too.

"Why, sure," he says. "It's a shame we are taking money to another state. People are spending money there. Why can't they spend it here?"

Mary Sabol, 75, of Parma, says if they do put a casino downtown, "They better do it right." She wants Vegas-like screens covering the street where light shows can entertain crowds. There should be hotels too, she says, and other attractions.

As one of Lakefront's buses hums alongside a glass waiting room, Detroit-bound Ohioans with their loafers and sweaters and packed lunches file toward the door.

"I think it's foolish they haven't had one. Look at all the people here," says Rozella Zarlina, 75, of Parma.

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