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**Economic Impact of Riverboat Gaming
on the City of Joliet, Illinois
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ECONOMIC IMPACT OF RIVERBOAT GAMING ON THE CITY OF JOLIET

Joliet, Illinois, a city of 90,000 people located 45 miles southwest of the Chicago Loop, has become the riverboat gaming capital of the Midwest. Four riverboat gaming casinos owned by two gaming companies, the Empress River Casino and Harrah's, ply the waters of the DesPlaines River which bisects Joliet. Joliet plays host on a daily basis to nearly 15,000 people who travel to Joliet to try their luck on the four riverboat gaming casinos that depart from two docks about thirty times a day. Joliet's take of the action is about \$60,000.00 per day in admission and wagering tax revenue and other economic development benefits that have established Joliet as the model for a successful partnership between government and the gaming industry.

Joliet's recipe for success was prepared in the late 1980's before riverboat gaming was touted as a tool for economic development for municipalities. Joliet, like many midwest and northeast municipalities, barely survived in the face of changing national and international markets. Steel mills and other heavy industrial operations closed or severely cut back production in the 1960's and 1970's. Major retail operators abandoned downtown retail centers for the comforts of regional malls on the outskirts of town. Taxes and unemployment rose to the point that discouraged new commercial and residential development. In 1982, Joliet gained national attention when it had the highest unemployment rate (over 25%) in the nation. The doom and gloom of the early 1980's called for prompt action to turn around Joliet's ship of state.

The City Council and a local business support agency, the Will County-Joliet Center for Economic Development, determined that Joliet needed to be rebuilt from the center. Both entities commissioned the preparation of the City Center Redevelopment Plan that was intended to serve as the guideline for rebuilding the City's decaying downtown and to enhance the gateways leading to the downtown area. As the Plan progressed through the development process, it became apparent that Illinois General Assembly was considering the passage of legislation authorizing riverboat gaming on the state's western border on the Mississippi River. Illinois' consideration of the gaming issue was a response to neighboring Iowa's decision to bring back riverboat gaming to its towns on the Mississippi River.

Soon, Joliet and other Rust Belt towns in Illinois saw riverboat gaming as a tool for the economic redevelopment of their downtowns and an opportunity to provide employment to many

citizens who had been unemployed so long that they were not included in government unemployment statistics. Through intense lobbying efforts and the cooperation of local legislative leaders, the final bill approved by the General Assembly made ten gaming licenses available on a statewide basis with one license guaranteed to a location in Will County in which Joliet is located. The perfect fit between the economic development of old downtown areas and riverboat gaming became the legislative basis for approving the new law. James Thompson, the then Governor of Illinois, recognized that fit and signed the Riverboat Gambling Act (230 ILCS 10/1 et seq.) in a City park overlooking the Joliet downtown area on February 7, 1990.

Joliet's involvement with riverboat gaming began with the preparation and approval of the City Center Redevelopment Plan. The downtown area, now known as the "City Center," was to receive a major facelift - new streets, sidewalks, street lights, and public annuities. A major water feature was planned as a harbor for pleasure craft and excursion boats. When riverboat gaming casinos became a possibility, the Plan was developed so the harbor could serve as a boat basin for a riverboat gaming casino operator. Joliet, which thought it would take twenty years to implement the redevelopment plan, believed that riverboat gaming would put the redevelopment plan on the fast track. Once the Plan was approved, Joliet began marketing its plan to riverboat gaming operators.

The response from the gaming industry to Joliet's plan was cautious and guarded. Few Nevada and New Jersey gaming companies saw much of a market for riverboat gaming. Finally, a group of local investors saw the potential for riverboat gaming and invested millions of their own dollars in what is now known as the Empress River Casino. The only problem with the Empress investors entry into the market was that they had chosen location four miles from Joliet's City Center on a piece of undeveloped industrial land next to the river in unincorporated Will County. Later, a hotel magnate joined by the nationally known gaming operator, Harrah's, expressed interest in the City Center site for a riverboat gaming complex. Joliet feared that the two proposals would compete for the single license allocated to a Will County location, and the selection of the Empress proposal would not spur the economic redevelopment of the City Center.

The Illinois Gaming Board later decided to issue gaming licenses to both the Empress and Harrah's. The Empress site was eventually annexed by Joliet as part of an annexation agreement that would provide municipal utility services to the Empress complex and guarantee gaming tax revenue to Joliet from the Empress operation.

The Riverboat Gambling Act (210 ILCS 10/12 and 10/13) provides that the host municipality is to receive a one dollar admission tax (or "head tax") for each riverboat gaming patron. The host municipality also received a 5% wagering tax imposed on the riverboat casino operator's "adjusted gross receipts." The State of Illinois also receives a one dollar head tax, but its share of the wagering tax is now a graduated tax based on adjusted gross receipts.

Joliet's revenue from the two riverboat gaming operations has been remarkable. Joliet has received about \$135,000,000.00 in gaming tax revenue since 1992. The attached summary of the economic impact of riverboat gaming outlines the City's use of the money.

The staggering amount of revenue received by Joliet from the two riverboat gaming operations has created a very pleasant problem - how do you spend the money. Joliet's annual municipal budget is about \$135 million. Practically overnight, Joliet began receiving about \$22 million a year to apply towards the cost of running the city. The Illinois Gambling Act imposes no restrictions on use of riverboat gaming revenue by the host municipality. The Illinois Gaming Board keeps a watchful eye over the use of the revenue by the host municipalities and frequently issues a caveat to spend it wisely.

Joliet is committed to spending its riverboat gaming revenue wisely by remembering the legislative intent behind the Illinois Riverboat Gambling Act. The second sentence of the statute (230 ILCS 10/2) declares:

This Act is intended to benefit the people of the State of Illinois by assisting economic development and promoting Illinois by assisting economic development and promoting Illinois tourism.

Joliet has taken the legislative mandate to heart and has invested its share of gaming revenue in projects and activities that stimulate economic development and encourage tourists to come to Joliet.

Joliet eliminated its \$25.00 vehicle license (city sticker) in 1995 by using riverboat gaming revenue to supplement road projects formerly funded by vehicle license revenue. Joliet has reduced water and sewer customer service charges. Also, Joliet has by ordinance required 15% of riverboat gaming revenue in 1995 and subsequent years to be applied to long term debt reduction on bond issues that would have taken over twenty years to retire. Under the new plan, all of Joliet's existing bond indebtedness should be retired by the year 2001.

In a few short years, Joliet has become a financially strong city that has been able to use riverboat gaming revenue to rebuild and implement its development plan. Not only has the municipal government of Joliet benefited from riverboat gaming, but the entire community is sharing in the benefits. Each riverboat gaming operation employs about 1,500 people most of whom reside in Joliet and nearby communities. Local suppliers and vendors benefit from contracts to provide the operators with various goods and services. Local hotels and restaurants

experienced an increase in business from the day that the riverboats opened their doors. The Joliet City Center has seen a new-found confidence from its existing business people and professionals who are choosing to remain in the City Center rather than relocating to other parts of Joliet. While the City Center has yet to be reborn as a retail center, retailers throughout Joliet are experiencing a sharp increase in sales as is evidenced by an Illinois Department of Revenue report showing total retail spending to have increased. Joliet's percentage increase in retail spending has been the highest in Illinois. Joliet's percentage increase has outpaced the other twelve Illinois metropolitan areas, including Chicago, during many quarterly reporting periods.

The revenue from riverboat gaming has fueled Joliet's economic recovery. The riverboat gaming operations pose no strain on municipal resources, including police protection. Joliet has become a destination place in the Chicago area. Television and radio commercials proclaiming Joliet as the place to be are heard on nearly every station every day. Billboards dot the entire expressway system throughout the Chicago area beckoning motorists to drive to Joliet. The fortune and fame have been fun for Joliet officials but not as much fun as seeing Joliet's City Center Redevelopment Plan come to fruition within a few short years. The presence of the two riverboat gaming operations in Joliet has truly caused Joliet to prosper.

Joliet's success story cannot be duplicated in every town desiring to spur economic development through riverboat gaming. Joliet has had a combination of many factors that have caused Joliet to become the riverboat gaming capital of the Midwest. Joliet's proximity to the Chicago market, the commitment of two financially strong riverboat gaming operators, limited competition (two other companies operate in the Chicago area and new riverboat gaming operations in Northwest Indiana), and an entrepreneurial spirit of Joliet's elected and appointed officials have made Joliet a model for economic development.