The Economic Unsuitability of a Casino at the Nassau County "Hub"

The National Center for Suburban Studies at Hofstra University

Public Policy Paper

The Long Island Regional Economic Development Council's vision for long-term growth is characterized by increased collaboration among academia, the private and public sectors and labor to protect and grow our advanced manufacturing base while encouraging innovation in the life sciences, information technology, clean energy, defense and homeland security …
https://regionalcouncils.ny.gov/long-island/vision

Over the past decade, a carefully forged consensus has emerged to focus Long Island's public and private resources on expanding high-paying "knowledge-based" industries. Key strategies include investing in research and educational opportunities to fill the "jobs of the future" that exist now and providing additional housing that is appealing and affordable to well-trained young workers for whose services Long Island is competing with other regions.

The proposal to develop a casino at the Nassau County Hub is completely at odds with the stated regional economic development priorities that government, business, labor, human service, and other stakeholders agree are critical to the long-term economic health of Long Island. The Hub is the largest re-developable tract of land in Nassau County, and siting a casino on it would squander a critical opportunity for local and regional economic development on a project whose benefits may never materialize, and whose harms are almost assured.

The proposed casino is particularly disconnected from the economic imperatives of the Long Island Regional Economic Development Council and its work to promote bio-tech as a key regional cluster that would drive economic prosperity on Long Island. In the dozen years of its existence, including a decade under the leadership of then-Lieutenant Governor Kathy Hochul, the LIREDC's research and outreach has brought the region nearly a billion dollars in state support, and leveraged far more in private investment for more than a thousand projects. https://regionalcouncils.ny.gov/sites/default/files/2022-08/2022_Long_Island_Progress_Report.pdf

The Nassau Hub was poised to be critical to this strategy. When the Hub has been discussed in LIREDC annual reports, it was to create synergies among multiple regional economic needs by collocating apartments and businesses, including the Memorial Sloan Kettering Nassau facility already at the Hub and the Zucker School of Medicine at Hofstra/Northwell, literally across the road. New housing also helps retain highly skilled workers that currently leave for lack of housing options: "As we seek to build a technology corridor, the surfeit of unfilled jobs is slowing the growth of our IT businesses and the customers they serve … Our challenge is no longer just creating jobs but filling them … it becomes too easy for young workers to say 'no' to our region … It is already happening — and could be devastating in the national competition for talent and investment … Thus, the long-term affordability problem has become a crisis." https://regionalcouncils.ny.gov/sites/default/files/2022-08/2022_Long_Island_Progress_Report.pdf

Regional economic development planning has been a coherent long-term strategy, rooted in a regional consensus, and supported by state investments. Casinos, on the other hand, have not been mentioned once in any of the LIREDC's many recommendations, including last year's expanded list of post-pandemic "key strategies." When it came to developing tourism and entertainment venues in general, the Council's focus was on historical sites, the arts, and natural assets – not a word about a new casino anywhere on Long Island.

At its meeting in February 2023, LIREDC members and the public heard presentations from state-developed reports on the imperative of focusing on developing Long Island's life science, advanced manufacturing and tech industries, and providing more affordable and varied housing options. https://esd.ny.gov/office-strategic-workforce-development The report on industry development specifically *discouraged* a focus on hospitality and entertainment because of their lower pay and lack of career pathways. While not ignoring the importance and needs of lower-paid hospitality workers and their employers, the LIREDC and its stakeholders in business, labor, education, human services, government, and neighborhoods have explicitly decided that entertainment and restaurant industries should not be the focus of regional economic development efforts.

A casino at the Hub, along with its mostly lower-paying jobs, advances none of these strategies and priorities. It does nothing to put a dent in the lack of affordable housing or to transform Long Island into a "technology corridor" where cutting-edge discovery at research centers become valuable products for advanced manufacturers and high-paying jobs to support real estate, entertainment, and service industries.

By taking more than 80 acres (including the Nassau Coliseum itself) "off the table" of alternative uses – land surrounded by research, educational healthcare, and cultural institutions, and long seen as the potential site of an "innovation district" or mixed-use "suburban downtown" – a Nassau Hub casino could be a serious setback for the region's economic aspirations.

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The complete lack of alignment with years of unanimity about Long Island's economic future is just one of the concerns about the casino proposal for Nassau County.

Decades of research from around the world suggest that the social and financial costs of casinos make them a risky bet for host communities. Studies have found that the purported benefits in additional jobs or tax revenues may be diluted by the costs of problem gambling on family income and cohesion; decreases in home values and business profits; increases in crime, traffic, foreclosures, and other negative impacts on residents and neighborhoods; and tax breaks for casino developers. The poorest of these people and places tend to be the most vulnerable to the lure of a casino as a way to quickly boost their economic circumstances and gamble away a high proportion of their income – expenditures that can lead to even greater financial distress. (Among many studies, is one from the European Journal of Public Health: https://academic.oup.com/eurpub/article/31/6/1217/6375595)

Supporters of the Hub casino have aggressively promoted a palette of potential benefits that might seem attractive – if they were realized. But a large body of research has revealed that the net economic gains in job creation and non-casino business range from short-lived to nonexistent.

The Federal Reserve of Richmond's 2022 Economic Brief questioned the viability of casino development in places that closely resemble the Hub – densely populated areas (Nassau is one of the most densely populated suburbs in the United States) with a number of gaming facilities there are nearby (two within several miles of Nassau County's borders). Declaring that "job gains from casino development are limited to those in lower density areas that lack nearby casinos," the study explained: "When gambling was more of a regional monopoly, communities stood to bring in more tourists if they legalized commercial casinos in their state. However, as the means to gamble proliferate … commercial casino expansion is less likely to induce economic growth."

The Richmond Fed's report is only one of the many studies raising red flags about casinos.

In 2002, the St. Louis Federal Reserve weighed in on several considerations, raising questions on hoped-for windfalls in tax collections, job creation, and business activity. https://www.stlouisfed.org/publications/bridges/winter-20022003/casinos-and-economic-development-a-look-at-the-issues "Essentially, the degree to which casinos attract visitors from outside the local area relative to local customers determines the casino's impact on local retail sales," the St. Louis Fed report stated. "If the bulk of a casino's clientele is local, then one would expect retail sales (and thus retail sales tax revenue) in the local area to be negatively impacted. This is the substitution effect, i.e., consumers substitute casino gambling for other consumption activities such as dining out or going to the movies."

In 2005, the Boston Fed took up the question of casino gambling's impact on economic growth in an exurban area of New England. Among its key findings were that casinos had a slight increase in employment but tightened the labor market, making it harder for other employers to find workers. Overall, the study concluded: "… the empirical evidence we reviewed suggests that, in most cases, large casinos in highly populated areas … have little secondary economic impact."

The National Association of Realtors reported that casinos usually diminish residential property values, decreasing homeowner equity and lowering municipal real estate tax receipts. Even the often-assumed "windfall" in new sales tax receipts has been questioned, as the revenues from casinos "cannibalize" those once paid by other businesses that lose customers to the new gambling establishment. https://www.hcam.tv/news/studies-show-residential-property-values-decrease-near-casinos

"Casinos do not revive local economies," wrote David Frum, summarizing a study by the Institute for American Values, a socially conservative research and advocacy organization. https://www.cnn.com/2013/09/24/opinion/frum-casinos-harm/index.html "They act as parasites upon them. Communities located within 10 miles of a casino exhibit double the rate of problem gambling. Unsurprisingly, such communities also suffer higher rates of home foreclosure and other forms of economic distress and domestic violence."

"Policymakers and community leaders/developers must bear in mind that the social costs of gambling remain an important issue in the casino debate," wrote Dr. Siew Hoon Lim, Associate Professor, North Dakota State University Agribusiness and Applied Economics Department. "If the economic benefits are short term and small, but the harm to society is long term and potentially irreversible, rather than focusing on the temporary gains, one must weigh the benefits and costs in a comprehensive, holistic manner." https://www.ag.ndsu.edu/news/columns/spotlight-on-economics/spotlight-on-economics-do-casinos-have-a-positive-effect-on-economic-growth/

Unsurprisingly, Las Vegas-style resort casinos are not normally situated in primarily prosperous suburbs with a well-educated workforce, an increasing number of jobs in future-facing industries, and a region-wide consensus about how to devote its economic development resources, including public and private investment and available locations.

For example, Las Vegas Sands' most recent casino, which they have already sold, opened in 2009, at the height of the financial crisis in Bethlehem, PA. This was after the steel mills closed down, thus replacing one set of union jobs with another.

Nassau County, on the other hand, has not lost an irreplaceable industry and all the union jobs that went with it.

In fact, Nassau is fortunate to have among the lowest unemployment rates in the country, and many employers say they are desperate to find workers to fill empty positions.

This is not to say that no U.S. suburbs have sought casinos. But in most of those cases, these communities are situated farther from the urban core (more exurban than suburban), suffer from the loss of a dominant company or industry, or possess a large re-developable tract of land that is far from most residential neighborhoods and schools, and near a major interstate that could easily bring tourist dollars from other communities.

That is what the far Chicago suburb of Aurora found – a casino, first built at what was to be a temporary site in its downtown, was anything but the answer to its economic troubles. Over the years, while the casino brought some new investment to a “dying” downtown, it has neither transformed the local economy nor generated anywhere near the additional tax revenues that had been projected. “It’s well-documented in a place like Aurora that people tended to come into town, gamble and eat at the casino, and then leave,” said an article in the *Chicago Tribune* on the imperative of moving the casino to a site with more out-of-state traffic. “‘We thought it was sort of going to magically revitalize the downtown,’ said Illinois State Senator Linda Holmes, ‘but we certainly found out in Aurora that didn’t happen.’” https://www.chicagotribune.com/suburbs/aurora-beacon-news/ct-abn-aurora-casino-st-0428-story.html

Aurora’s experience is instructive for other reasons. On the surface, it seems economically and geographically comparable to Nassau County. But Aurora is more than 40 miles from downtown Chicago, twice as far as Nassau from New York City’s center. Aurora is in more difficult economic straits than Nassau, so the idea of creating more lower wage jobs is more appealing. In Nassau, restaurants are unable to find enough people to fill the jobs they have, never mind facing the competition for employees from a new casino. And while Aurora hardly can be described as downtrodden, its unemployment and poverty rates are twice those of Nassau’s and its family income and housing values are about half. Aurora also did not have to worry about impacting thriving commercial and residential areas and threatening the long-term viability of established educational and cultural institutions.

But even in Aurora, casino development has disappointed the hopes of supporters. Now, as its casino continues to underperform in profits and tax revenues, the city is pushing to rebuild it on a large tract of publicly owned land next to one of the nation’s busiest outlet malls that already attracts millions of customers from far beyond its borders. https://chicago.suntimes.com/2022/10/11/23398735/hollywood-casino-aurora-leave-downtown-rebuild-interstate-88 That will place the casino on the intersection of two busy interstates that, in turn, makes it more likely to draw customers and thus revenue from other communities and even states. That hardly describes the Hub’s location, at the center of Nassau’s commercial and cultural life and on some of the state’s most crowded and dangerous roads.

Over the years, casinos have been called the “fool’s gold of economic development” https://www.nhbr.com/casino-money-is-fools-gold/ and with good reason: Thousands of pages of research and decades of experience have called into question the local economic benefits of a gambling facility, which merely can shift jobs and profits from existing businesses and depress home values that are the key to many families’ personal wealth – their future. The benefits promoted by developers also need to be viewed in light of documented costs of problem gambling, crime, and other deleterious impacts on the quality of life. Even casinos that have provided economic boosts in poor rural areas or urban downtowns have experienced these off-setting costs.

These well-documented social and financial concerns must be considered as county leaders explore the promised prosperity of a casino at the Nassau Hub, just a few hundred yards from some of the county’s most underserved villages and thousands of students, from preschoolers to PhD candidates.

In densely populated, economically strong Nassau County, research indicates that the negatives of a casino could far outweigh any positives, now and in the future. Due to its failure to align with long-supported economic development priorities, as well as the likely lack of new wealth generation and the threat to many families and businesses, a casino at the Hub is not a good bet for Nassau’s social and financial future.