
Housing

Bethlehem, Pennsylvania

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Introduction

The question examined in this report is whether or not the opening of a gaming facility in a residential neighborhood has an adverse effect on surrounding property values, bankruptcies, and foreclosures. In order to address this question, we examined five gaming facilities and their effect on surrounding property values. For the purpose of comparative analysis to Bethlehem, casinos located in residential neighborhoods were used.

To determine if gaming had an effect on property values, we compared median housing values from 1990 and 2000 census data. In each of these locations, gaming was not available in 1990 but was in 2000. To determine what effect gaming had on property values, we compared the increase in property values surrounding the casino to those of a control group. The control group was a similarly situated locality that did not have any gaming facilities operating during the time period. By examining the different growth rates for the gaming and non-gaming locations, we can begin to understand if the introduction of gaming has an effect on surrounding property values. In addition we compared the number of vacant homes, between those counties which absorbed a gaming location in the 1990's versus those counties which did not. Increased supply of homes is also considered in this analysis, as a significant increase in the housing supply could cause higher vacancy rates.

Finally, secondary research conducted by governmental and academic institutions is presented to examine the impact of the introduction of casinos on foreclosures and bankruptcies.

Bethlehem

In order to assess the impact of the proposed retail and gaming facility on the local community, a preliminary assessment of the housing market is necessary. In the decade between the most recent two U.S. censuses (1990-2000), the median home value in the immediate area of the development declined 12%, while the number of houses in the neighborhood declined by 5%, and the vacancy of the homes that remained increased by 6%. The entire city of Bethlehem performed worse than Northampton County and the entire state of Pennsylvania in both value appreciation and vacancy rate.

The sagging housing market is directly related to the closure of the Bethlehem Steel plant. While northeast Bethlehem sustained its value appreciation and vacancies

remained stable, the south side was the hardest hit by the loss of jobs caused by the closure of the steel plant.¹

Recent initiatives, such as Sands Bethworks, have sparked new interest in the south Bethlehem housing market as homebuyers weigh the potential of job growth and revitalization of the old neighborhood. Currently south Bethlehem is heavily occupied by students from Moravian and Lehigh Universities; however job growth would attract a more diverse homeowner and renter base.

Bethlehem Median Housing Values

	1990	2000	Percent Change
Census Tract	\$59,000	\$51,800	-12%
Bethlehem	\$90,600	\$97,400	8%
Northampton County	\$105,400	\$120,000	16%
Pennsylvania	\$69,700	\$97,000	39%
United States	\$79,100	\$119,600	51%

Source: U.S. Census

Bethlehem Vacancy (Housing Units)

	1990		2000		Percent Change	
	Vacant	Total Supply	Vacant	Total Supply	Vacant	Total
Census Tract	22	1,403	143	1,326	6%	-5%
Bethlehem	235	28,486	361	29,632	54%	4%
Northampton County	981	95,345	1,331	106,710	35%	12%
Pennsylvania	48,763	4,938,140	65,431	5,249,750	34%	6%
United States	906,113	102,263,678	1,423,490	115,904,641	51%	12%

Source: U.S. Census.

Housing Values and Vacancies Case Studies

Wheeling Island Racetrack and Gaming Center

Wheeling Island is a greyhound racetrack that currently features 2,400 slot machines, 6 restaurants and a 151-room hotel. The control group chosen is Morgantown, WV, located to the southeast.

¹ City of Bethlehem Bureau of Zoning and Planning, General Population and Housing Characteristics Report from the 2000 Census

Housing value growth in this case study does not appear as stratified as in the other locations. Here the city and county having gaming increased housing values in the time period by 43% and 46%, respectively. The control city and county increased housing values by 37% and 48%, respectively. The two do not appear to be significantly different.

The census tract housing the racetrack saw an increase in housing values of 44%. Again, the increase is not particularly different from the control groups. In this instance, it would appear that the racetrack has had little to no impact on housing values in the area.

Ohio County actually had a negative supply growth. However unlike the rest of West Virginia, the vacancy rate didn't change.

Wheeling Island Median Housing Values

	1990	2000	Percent Change
Census Tract	\$28,800	\$41,400	44%
Wheeling	\$47,000	\$67,100	43%
Ohio County	\$48,800	\$71,400	46%
Morgantown	\$69,500	\$95,000	37%
Monongalia County	\$64,600	\$95,500	48%
West Virginia	\$47,900	\$72,800	52%
United States	\$79,100	\$119,600	51%

Source: U.S. Census.

Wheeling Island Vacancy (Housing Units)

	1990		2000		Percent Change	
	Vacant	Total Supply	Vacant	Total Supply	Vacant	Total
Census Tract	11	1,522	8	1,552	-38%	2%
Wheeling	243	17,128	232	15,622	-5%	-10%
Ohio County	328	23,229	340	22,166	4%	-5%
Morgantown	105	10,422	181	11,808	42%	12%
Monongalia County	322	31,563	611	36,695	47%	14%
West Virginia	11,512	906,113	13,895	844,623	17%	-7%
United States	906,113	102,263,678	1,423,490	115,904,641	51%	12%

Source: U.S. Census.

Argosy Lawrenceburg

The Argosy Casino's pavilion and entertainment complex in Lawrenceburg, Indiana currently features 2,396 slot machines, 87 tables, 5 restaurants and a 306-room hotel. The control group chosen is Miller, IN, the township located immediately north of Lawrenceburg. Both towns are located in Dearborn County, which is across the Ohio-Indiana border from Cincinnati. This particular case is of significance in relation to the other markets presented, in that it compares two adjacent communities of similar size and in close proximity to each other.

Housing values in these two townships appreciated at significantly different rates. The census tract housing the casino saw an increase in housing values of 100%, while the control town saw housing values increase by only 77%. Dearborn County saw an overall appreciation of 101%, over twice the rate of the national average.

Dearborn County experienced reduced housing vacancy while absorbing 3,259 new homes (22%). Combined with the impressive property appreciations, this market proved to be the strongest of the five cases examined.

Lawrenceburg Median Housing Values

	1990	2000	Percent Change
Census Tract	\$59,200	\$116,200	96.2%
Lawrenceburg	\$54,000	\$108,000	100%
Miller	\$81,600	\$145,000	77.7%
Dearborn County	\$59,800	\$120,600	101.7%
Indiana	\$68,900	\$94,300	36%
United States	\$47,900	\$72,800	52%

Source: U.S. Census

Lawrenceburg Vacancy (Housing Units)

	1990		2000		Percent Change	
	Vacant	Total Supply	Vacant	Total Supply	Vacant	Total
Census Tract	17	892	25	1,802	32%	32%
Dearborn County	59	14,532	181	17,791	67%	67%
Indiana	17,173	2,081,008	35,930	2,532,319	52%	52%
United States	906,113	102,263,678	1,423,490	115,904,641	36%	36%

Source: U.S. Census

Milwaukee

The third location is Milwaukee, WI which is home to the Potawatami Casino. The facility opened in 1991 and features 1000 slots; craps, roulette, bingo, a 500 seat cabaret style dinner theater, and 10,000 square feet of meeting space. The casino is located on the west side of Milwaukee and is surrounded by residential neighborhoods. The control group chosen is Madison, which is approximately 80 miles west of Milwaukee and the next largest populated city in the state of Wisconsin. Madison does not have a casino.

The city and county of Milwaukee (appreciations of 50% and 58% respectively) didn't appreciate as much as the city of Madison and Dane county (85% and 87% respectively). However the census tract occupied by the Potawatami Casino appreciated slightly more than the city and county of Milwaukee (62%). All of the geographic areas examined in this case, including the state of Wisconsin (79%) appreciated significantly more than the national average.

Milwaukee is the most urban of the cases examined and therefore a thorough analysis of the impact of the casino on the surrounding areas would require the isolation of multiple variables including job creation, taxes, other attractions, development projects, ect. These variables are out of the scope of this particular study.

Milwaukee Median Housing Values

	1990	2000	Percent Change
Census Tract	\$34,400	\$56,00	62%
Milwaukee	\$53,500	\$80,400	50%
Milwaukee County	\$65,300	\$103,200	58%
Madison	\$75,200	\$139,300	85%
Dane County	\$78,400	\$146,900	87%
Wisconsin	\$62,500	\$112,200	79%
United States	\$79,100	\$119,600	51%

Source: U.S. Census.

Milwaukee Median Vacancy (Housing Units)

	1990		2000		Percent Change	
	Vacant	Total Supply	Vacant	Total Supply	Vacant	Total
Census Tract	2	342	0	312	-	-10%
Milwaukee	1,283	254,209	2,187	249,215	41%	-2%
Milwaukee County	1,762	390,715	3281	400,093	46%	2%
Madison	362	80,047	475	92,353	24%	13%
Dane County	619	147,851	1310	180,398	53%	18%
Wisconsin	14,692	2,055,774	20,653	2,321,144	29%	11%
United States	906,113	102,263,678	1,423,490	115,904,641	36%	12%

Source: U.S. Census.

Quad Cities

The Quad Cities (Bettendorf and Davenport, Iowa and Moline and Rock Island, Illinois) is host to three riverboat casinos, the two largest located in Scott County, Iowa. The largest is the Isle of Capri (IOC) casino in Bettendorf. The IOC casino is located in a residential area and opened in 1995; it currently offers 1,000 slot machines, blackjack, roulette, Let It Ride and Caribbean Stud Poker. The control group chosen is Cedar Rapids, IA, which is a similarly sized city and is located 89 miles northwest of Bettendorf. Cedar Rapids does not have a casino.

Housing values in Iowa increased significantly during the study period. While the U.S. only increased by just over 50%, Iowa saw a gain of 80%. None of our study areas saw gains quite as high as the state's average.

In Bettendorf and the surrounding county, home values increased by 75% and 70%, respectively. In Cedar Rapids and the surrounding county home values only increased by 67% and 63%, respectively. In this case, the census tract where the casino is located did not see the gains that the larger municipality saw suggesting that the casino could have muted the housing values. Once again a myriad of other variables come into play when assessing a broad housing market such as the Quad Cities area. Housing values only increased by 61% in the census tract housing the casino.

The Scott county housing market grew faster than Linn while maintaining a lower vacancy rate.

Isle of Capri Median Housing Values

	1990	2000	Percent Change
Census Tract	\$54,100	\$87,300	61%
Bettendorf	\$67,500	\$118,400	75%
Scott County	\$54,400	\$92,400	70%
Cedar Rapids	\$56,900	\$95,400	67%
Linn County	\$58,500	\$94,400	63%
Iowa	\$45,900	\$82,500	80%
United States	\$79,100	\$119,600	51%

Source: U.S. Census.

Isle of Capri Vacancy (Housing Units)

	1990		2000		Percent Change	
	Vacant	Total Supply	Vacant	Total Supply	Vacant	Total
Census Tract	4	892	12	897	67%	1%
Bettendorf	72	11,063	147	13,044	51%	15%
Scott County	838	61,379	1416	65,649	41%	7%
Cedar Rapids	406	45,473	519	52,240	22%	13%
Linn County	523	68,357	936	80,531	44%	15%
Iowa	8,250	1,068,444	23,871	1,232,511	65%	13%
United States	906,113	102,263,678	1,423,490	115,904,641	36%	12%

Source: U.S. Census.

The Downs at Albuquerque

The Downs at Albuquerque is an operating racetrack that introduced gaming in 1999. The facility offers slot machines and video poker. The control location is Las Cruces, NM, which is located about 200 miles south of Albuquerque. The city does not have a gaming facility.

During the study period, housing values in New Mexico rose 54% which is slightly higher than the national average of 51%. The area directly surrounding The Downs at Albuquerque saw a 47% gain in housing values compared to the city's increase of 49%. The county in which The Downs is located saw an increase of 50%. For the control groups, city and county median housing values increased by only 34% and 35%, respectively.

These figures indicate that as compared to a location without gaming, such as Las Cruces, property values increased more rapidly in the city and county with gaming facilities available. But for the census tract that is home to the gaming institution, property values

did not rise as much as those in the city and county generally. However, the difference is extremely slight, and property values in the neighborhood with the racetrack were already significantly lower than the city or county average before gaming was introduced.

The Downs at Albuquerque Median Housing Values

	1990	2000	Percent Change
Census Tract	\$64,000	\$94,150	47%
Albuquerque	\$85,900	\$127,600	49%
Bernalillo County	\$85,300	\$128,300	50%
Las Cruces	\$68,300	\$91,200	34%
Dona Ana County	\$67,300	\$90,900	35%
New Mexico	\$70,100	\$108,100	54%
United States	\$79,100	\$119,600	51%

Source: U.S. Census.

Note: The census tract containing the Downs at Albuquerque from 1990 was split into two census tracts for the 2000 census. The 2000 census tracts have median house values of \$94,500 and \$93,800. The average of the two new census tracts' housing values was used in these computations.

The Downs at Albuquerque Vacancy (Housing Units)

	1990		2000		Percent Change	
	Vacant	Total Supply	Vacant	Total Supply	Vacant	Total
Census Tract	28	2,779	23	2,816	-22%	1%
Albuquerque	1,582	166,870	2,126	198,465	26%	16%
Bernalillo County	1,612	201,235	3,001	239,074	46%	16%
Las Cruces	381	25,676	397	31,682	4%	19%
Dona Ana County	673	49,148	929	65,210	28%	25%
New Mexico	8,744	632,058	12,175	780,579	28%	19%
United States	906,113	102,263,678	1,423,490	115,904,641	36%	12%

Source: U.S. Census.

Note: The census tract containing the Downs at Albuquerque from 1990 was split into two census tracts for the 2000 census. The 2000 census tracts have median house values of \$94,500 and \$93,800. The average of the two new census tracts' housing values was used in these computations.

Foreclosures and Bankruptcies

Examining the effect of casino development on property foreclosures is another important consideration. The question examined here is whether or not the absorption of a casino into a community induces higher foreclosure rates. The Innovation Group

obtained relevant data from the 2001 University of New Orleans Economic Outlook & Real Estate Forecast Seminar which addressed foreclosures as a percentage of sales.

New Orleans Foreclosures in Response to Gaming Positions				
	# of Gaming Positions	Foreclosures	Foreclosures as a % of Sales	Unemployment Rate
1992	n/a	2,958	33.5%	6.5
1993	1,024	2,626	27.8%	7.0
1994	5,071	2,428	25.3%	6.5
1995	5,540	2,273	24.7%	6.2
1996	4,762	2,210	22.5%	5.5
1997	4,762	2,215	21.7%	4.7
1998	3,903	2,263	22.1%	4.1
1999	7,696	2,410	21.9%	3.8
2000	7,710	2,690	24.8%	5.1

Source: University of New Orleans Economic Outlook & Real Estate Forecast – February 2001

When gaming entered the New Orleans area in 1993 foreclosures accounted for 27.8% of home sales. As the number of casinos and gaming positions in the area increased over the next seven years, astoundingly the percentage of foreclosures as a percentage of sales decreased. Foreclosures as a percentage of sales are better metric then the absolute number of foreclosures due to the fact that a larger housing supply will inevitably bring about more foreclosures. Although foreclosures picked up pace in 2000, along with the unemployment rate, they were still well below the pre-casino days of New Orleans.

Foreclosures can also be induced by heavy consumer spending and debt accumulation. When home-owners are extended “easy credit”, they often spend outside of their means and are forced into foreclosure on their home. The University of New Orleans Real Estate Market Data Center attributed the rise in 2000 to easy credit.

Regardless of the intricacies in causation, one conclusion can be reached. The data from New Orleans does not show that a correlation between casino development and significant increases in foreclosures exists.

Foreclosure data is not readily available in many communities, and there is no large-scale study examining the impact of casino development on foreclosures, even by the critics of casino development. However, the impact of casino development on bankruptcy has been extensively studied. Like some other areas in the debate over expanded gaming, there is conflicting data on whether bankruptcies increase in casino areas.

A U. S. Department of Treasury report presented results of its finding that “no connection between state bankruptcy rates and either the extent of or introduction of casino gambling.” In preparing its analysis, the Treasury Department examined existing literature on gambling and bankruptcy and conducted new research. According to the

study, much of the earlier increase in the national bankruptcy rate has been attributed to the changes in the bankruptcy law of 1978 ... and higher levels of debt relative to income, increasing availability of credit through general purpose credit cards and the reduced social stigma of declaring bankruptcy.²

A later study, however, by Creighton University professors concluded that bankruptcy rates in counties with casinos initially drop but (after a few years) then rise until they exceed the rates in counties without casinos.³ The anti-casino researcher Ernest Grinols claims that the boost in local employment created by casinos is responsible for the initial drop, but that there will be a rise in bankruptcies after 3-4 years, once problem gamblers run out of assets and credit.⁴ This research suggests the need to have the type of proactive responsible gambling program in place that Sands employs in its casinos.

Whether bankruptcies from problem gambling result in the loss of a home, however, has not been studied. And there are multiple reasons for bankruptcy filings other than gambling debts. Research by Harvard Medical and Law Schools, for example, found that approximately half of the bankruptcies in the jurisdictions selected for their study were filed because of overwhelming medical expenses.⁵

Summary

In two of the five cases analyzed (Lawrenceburg, and Bettendorf), property values near the casino did not rise as much as in the larger community. However, the Lawrenceburg case was unique in that the property values and vacancy rates improved less than the entire county, but more than the next largest city within the county. In the case of Bettendorf, the facility census tract experienced 61% growth. In the cases of Milwaukee, Wheeling and Albuquerque, there are no significant differences between the census tract and the city or county averages. One factor that has to be kept in mind is that the areas around the facilities are established neighborhoods, whereas new suburban housing development would drive city-wide or county-wide averages up higher than could be expected in established neighborhoods. All of this data leads to a qualified opinion that casino development has no correlation to residential property values or vacancy rates.

Secondary research has been conducted by the U.S. Department of Treasury, the University of New Orleans, Creighton University, and Harvard University on bankruptcies and foreclosures. This research has led to the confounding conclusion that no connection between state bankruptcy rates and either the extent of or introduction of casino gambling. Furthermore, the introduction of casinos led to both declining

² Department of the Treasury, A Study of the Interaction of Gambling and Bankruptcy, July 1999 as posted on the American Gaming Association web page, www.americangaming.org.

³ Omaha World Herald, June 5, 2005

⁴ Grinols, E.L. & Mustard, D.B. (2000; Revised 2004). *Casinos, Crime, & Community Costs*. College of Business, University of Illinois at Urbana-Champaign.

⁵ Health Affairs February 2, 2005

unemployment and foreclosure rates for six consecutive years following the introduction of casinos into the New Orleans market.

From our broad analysis of the five case studies presented above, as well as our secondary research, our belief is that casino development has no adverse impact on the housing market of the host community. Moreover, the job creation created through the construction process and ongoing operations of the casino actually has the potential of stimulating the local housing market.

The Innovation Group has profiled multiple casino markets and communities across the United States and abroad. Our experience is that casino's enhance local communities by providing jobs and increasing awareness of the community to a larger audience. Through diligent urban planning and a cohesive marketing plan, Bethlehem can attract visitors from the broader tri-state area. Absorption of vacant housing naturally increases property values.

Disclaimer

Certain information included in this report contains forward-looking estimates, projections and/or statements. The Innovation Group has based these projections, estimates and/or statements on our current expectations about future events. These forward-looking items include statements that reflect our existing beliefs and knowledge regarding the operating environment, existing trends, existing plans, objectives, goals, expectations, anticipations, results of operations, future performance and business plans.

Further, statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," "project," or other words or expressions of similar meaning have been utilized. These statements reflect our judgment on the date they are made and we undertake no duty to update such statements in the future.

Although we believe that the expectations in these reports are reasonable, any or all of the estimates or projections in this report may prove to be incorrect. To the extent possible, we have attempted to verify and confirm estimates and assumptions used in this analysis. However, some assumptions inevitably will not materialize as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties and unanticipated events and circumstances, which may occur. Consequently, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material. As such, The Innovation Group accepts no liability in relation to the estimates provided herein.