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New Kent County, Virginia Bets on Gambling: Government Program or Business Strategy?

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NEW KENT COUNTY, VIRGINIA BETS ON GAMBLING:

GOVERNMENT PROGRAM OR BUSINESS STRATEGY?

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ABSTRACT

The purpose of this paper is to determine whether it is government or business that decides to bring gambling to localities. There are those who believe that gambling, as a form of economic development, is the brainchild of local government officials who are looking to raise revenue. Others say that it is business that sees the lucrative possibilities in gambling and then persuades local officials to pursue it.

New Kent County, Virginia, with its rural location and limited means for generating revenue, offers an excellent example of a locality that has both government and business involved in the development and construction of its racetrack. New Kent was the first county in the state to vote in favor of pari-mutuel betting in 1988. The board of supervisors was quick to form a research committee to look at the successes and failures of other tracks. The land for the track was donated by DELMARVA, a land-holding subsidiary of Chesapeake Corporation. DELMARVA was also instrumental in helping the county to clear environmental hurdles.

While both government and business play a part in bringing gambling to localities, it is business that is inherently in the better position to seek out opportunities and realize potential. With its greater resources and its focus on making money, business is the driving force.

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INTRODUCTION

"Do More With Less"

"Do more with less" is a saying that sums up the situation in recent years for local government. Demands from citizens for services and facilities continue unabated, and in most cases are on the rise. At the same time, funding from state and federal coffers to localities has been cut, and the ability to generate more revenue is largely beyond the reach of local government officials. More and more, localities have begun to find that their revenues simply can not keep pace with their expenditures.

Several factors emerged in the early 1980s that contributed to this budgetary crunch (Norris 1991). One such factor was the increased incidence of unfunded mandates from the federal government regarding the environment, social services, and corrections. Rapid suburban development, with the ensuing demand for schools, roads, and sewer systems took its toll. The 1986 demise of the federal government's revenue-sharing program was yet another element. Finally, the restrictions on taxation that were imposed during the late 1970s and early 1980s, in the wake of Proposition 13 in California, meant that localities were limited in their ability to raise taxes and hence, generate more revenue.

Although President Clinton signed an executive order in late 1993 promising more consultation with states and localities before imposing new regulations and agreeing to more flexibility in permitting waivers, the financial woes for localities continued. The 1994 Contract With America, the brainchild of the Republican-dominated Congress, outlined further plans to relieve Washington of more preempted powers, and hence financial burdens, by shifting more responsibilities to states and localities. Most recently, President Clinton has outlined significant financial restructuring plans for eleven major agencies, ranging from the Departments of Energy and Transportation to the General Services Administration and the Office of Personnel Management. The upshot of this restructuring is that Washington will pass down fewer dollars, and in return, states and localities will have more autonomy in how they spend the remaining money.

With Washington facing budgetary problems of its own, and with demands from citizens for the provision of services and to tax relief unlikely to abate, local government sought new sources of revenue. Local sales taxes, gasoline taxes, development fees, user fees for services rendered (Norris 1991), local income tax, and payroll taxes (Christensen 1995) all were considered and in some instances tried. The measure that gained the most focus, however, was economic development.

It is unusual today, even in rural areas, to find a city or county without an economic development officer. It may be the case that the city planner or the county administrator performs double duty, but nonetheless, time and energy is being devoted to this pursuit. What is economic development, and why is it so attractive to localities?

Although economic development is the current watchword in local government, it is not a new idea. In fact, it was seventy years ago that the American Economic Development Council (AEDC) was established as a network for individuals in charge of stimulating local economic development. Over the years, the importance and the definition of economic development varied. Recently, the AEDC defined it as "the process of creating wealth through the mobilization of human, financial, capital, physical and natural resources to generate marketable goods and services." (AEDC 1989: 18).

Obviously, the term is loosely defined. Essentially, it is the creation of revenue and jobs. It is exactly for this reason that so many localities have been quick to pursue it. Not only is it a convenient moniker around which to rally public support, but it can also mean virtually anything. To one locality, economic development might mean a landfill or an industrial park; to another it might mean a theme park or an outlet mall. Almost any venture that can be pitched as a money maker or a job creator can fall under the rubric of economic development. Economic development is such a positive sounding term that almost any project attached to it guarantees interest from local officials, if not support and funding. It is portrayed as a virtually painless way to raise revenue without burdening constituents. It is hailed in many quarters as the panacea for governmental financial woes.

One fast growing segment of this economic development phenomenon is that of gambling. Casinos and racetracks are cropping up in all types of local government, from central cities like East St. Louis, Illinois to small, rural communities like Tunica, Mississippi. These gambling ventures are being touted by many as the best economic development venture yet. With little in the way of infrastructure improvement required, and with the promise of jobs and significant tax revenue, many localities are quick to pursue this opportunity.

On the whole, gambling as a form of economic development is lauded and praised. However, its true benefits and long term value have begun to be challenged by naysayers who ask whether it is as painless a source of revenue as it seems. Not only do they question its value from moral and economic standpoints, but they question how legitimate the process of initiation and implementation are. In other words, how much control and regulation does local government have in the whole matter? Certainly from a legal angle, government plays a part[1], but how much authority and influence it wields beyond that is not clear. Some assert that it is business interests that conceive of the idea of a gambling venture, and then promote it to government officials. Often, it is difficult to determine whether local government is the leader, the partner, or the unwitting dupe in the pursuit and establishment of gambling as a vehicle for economic development. The purpose of this paper is to determine who chooses to bring gambling to local communities, based on a case study of New Kent County, Virginia.

[1]The legalization of gambling falls under the jurisdiction of the state. Depending on how the law is written in each state, local authorization of gambling may also be required.

ECONOMIC DEVELOPMENT - LITERATURE REVIEW

The last ten to fifteen years have yielded the bulk of the literature on economic development in the United States. While most of the work deals with this topic as a whole at the level of the state and city, it is worth consideration to see whether observations and trends carry over to the local level. The literature on gambling is not large at this point, but it too, is worth examination.

The secondary literature concerning economic development overall can be divided into two categories: merit and method. On the merit side, several scholars come out in favor of economic development. One extols it merits as a positive influence on society. In creating jobs, it is argued, economic development also creates better jobs than would otherwise exist. One author writes, "it may be defined as nothing less than the upward movement of the entire social system" (Meier 1989: 7).

Others support economic development because they see it as part of a cycle (Begland 1996). One study proposes that there are four cycles that any government organization goes through: growth, stability, retrenchment, and revitalization (Kemp 1995). Economic development falls into the last stage.

It is at this point that governments are fiscally stressed enough to allow more creative solutions to be tried.

Surprisingly, this author could not locate any works that condemned economic development as a whole. There are those who decry various segments of it, such as the use public funds to bid for business ("smokestack chasing") (Mahtesian 1994; Schweke, Rist & Dabson 1994), and those who prefer slower or more limited growth (Gurwitt 1994), but none that denounced it across the board.

On the method side, there is no shortage of scholars and laymen alike ready to offer advice. Most of the laymen produce "how-to" guides. The scholars, while also offering practical suggestions, fortify their works with more analysis and evaluation. These works range from the legal restraints and conditions placed on economic development (Bingham, Hill & White 1990), to the legality of different forms of financing (Levy 1981; Luke, Ventriss, Reed & Reed 1988), to complex calculations and formulae for determining what sort of economic development best suits certain conditions (Blakely 1994; Fleischmann, Green & Kwong 1992).

It is interesting to note that no studies could be found that explored ways in which to measure the success of various projects. This is no doubt due to the fact that it is difficult to calculate how well a particular form or project of economic development has done. More often than not, exact figures of how much time and money have gone into a specific project are impossible to measure. Money generally comes from several different sources to fund various projects, and is often difficult to trace. Also, just as it is not easy to define what is meant by economic development, it is not easy to define what is meant by success. Is it purely monetary? Or does standard of living and citizen satisfaction also play a part? How does one measure that? While several of the studies mentioned above call for research in this area (Blakely 1994; Blair 1995), it is not surprising that given the obstacles that one would have to face, no one has been ambitious enough to undertake it.

Gambling

Although gambling is a recent addition to economic development, and a limited number of articles and books have emerged on the topic, battle lines to have already started forming in the literature: local governments on one side and academics and moralists on the other.

Local government officials are quick to praise gambling as a form of economic development by saying that it is a good source of revenue and jobs. As evidence of its many benefits, localities point to cases like Tunica County, Mississippi, where river boat gambling has nearly quintupled the county budget from $3 million in 1992 to $14.9 million in 1994

(Cooper 1994). Unemployment has dropped from 15 percent prior to the opening of the casinos to less than 5 percent after (Popkin 1994). They also cite cases like East Saint Louis, where revenue generated from a floating casino has doubled the city's budget, reduced property taxes by 30 percent, and become the area's largest employer with 1,250 workers (Hornblower 1996). "It is bringing about the city's renaissance," says Mayor Gordon Bush (Hornblower 1996: 32).

Additionally, local governments tout the fact that gambling establishments often do not require much infrastructure improvement on the part of the locality, and that they do not pollute, in the sense that a factory could. The creation of support industry, such as hotels and restaurants, with the ensuing tax revenue, is also a factor that localities use as a selling point.

Opponents counter that gambling brings low paying jobs and that any revenue made will be funneled back into dealing with the problems it creates. An organization called the PAGE Project (People Against Gambling Everywhere), based in Newport News, Virginia, says that "for every dollar of tax revenue brought into a municipality from gambling, at least three dollars were spent on problems created" (Rivenbark 1995: A1). Other social ills, such as increased demand for services like sewerage and garbage collection, are also factors that foes point to when arguing against gambling.

Opponents argue further that high promises for enrichment and high revenues to localities are not guaranteed. They point to cases like Atlantic City, New Jersey, where it has taken twenty years for this community to start to see some benefit from the casinos along its shores (Peterson 1995). Instead of pumping money into the local economy and into government coffers, the casinos all but wiped out the former and failed to fill the latter. It is only now that other businesses are beginning to reemerge. Foes also point to seemingly successful cases like Tunica County. Tunica has significantly expanded its tax base, but at a cost. Property values and rents have begun to soar. According to a developer in Tunica, an acre of land that sold two years ago for $800 is now going for $8,000 (Popkin 1994). A trailer that would have rented for $120 a month before now can cost $500 or more. The poor are virtually being squeezed out.

The management and the number of gambling establishments in an area can also impact the success of gambling, and hence the revenue an area receives. There are many river boat casinos and horse race tracks that simply have not survived. A number of the river boat casinos in Tunica have found themselves to be casualties of market saturation and poor management. Canterbury Downs, a horse race track in Minneapolis, Minnesota, was successful in its first few years until the competition from a nearby Indian reservation casino proved to be too stiff and it eventually went out of business (Rowand 1994).

Academics are critical of the use of gambling as a form of economic development. They make the case that the costs of gambling, namely the social costs, such as gambling addiction and personal debt, are too high (Thompson 1994). One vehement critic argues that local governments are being too quick to jump into the fray before the effects of gambling as a form of economic development are fully known (Goodman 1994, 1995). He renounces this practice on the part of localities by saying that "casinos are an extremely regressive means of financing government" in that many gamblers are fixed income, social security beneficiaries (Goodman 1995). He also makes the case that there is "no popularly based" movement in support of legalized gaming (Goodman 1994). It is the gambling industry itself, he asserts, that is generating the hype and seducing localities.

Government or Business?

There is a body of literature aimed at city and state government that explores the issue of who makes development decisions. While its focus is economic development across the board, and not just gambling, it is worthwhile to look at the results that these studies contain, as they show the situation that local government faces.

All of the studies located suggest that there is a symbiosis in the relationship between business and government when it comes to economic development. Whether this relationship is equal or not is where they divide. One study suggests that responsibility for initiation and implementation is jointly shared by city government and business through public-private partnerships. These partnerships are "cross-class, place-based development coalitions...dedicated to the pursuit of growth" (Keating 1993). The author finds evidence of this in the United States, Britain, and France. While their functions and goals vary from place to place, these alliances are becoming more the norm, both within the United States and in Europe.

Another study, while agreeing that partnerships exist between city government and business, goes on to say that the split is not exact. The author writes that "most partnerships are firmly rooted in the historically unequal relationship between the public and private sector" where business interests come first, and government is in the position of "junior partner" (Squires 1989: 2). As evidence, the book goes on to survey twelve cities across the United States, ranging from New York City to Sacramento, and finds evidence to support this claim in all of them.

There is another work that suggests that either government or business can take the lead in economic development (Green & Fleischmann 1989). The results, however, hinge on the initiator. If government is making the decisions, then development tends to be widespread and varied. If business begins the proceedings and follows them through, then development is likely to be concentrated and uniform. These authors draw from information collected on urban areas in the United States.

Another study that focuses on urban revitalization suggests that city government locates and realizes the potential of areas for redevelopment, and then goes about generating interest within the business community. The author clearly states this with: "cities continued to make the opening moves, spotting potential projects and places to build them" (Frieden & Sagalyn 1989: 133). Business, in this case, while playing its part, is definitely the responder as opposed to the initiator.

Others are quick to say that business has the initial and dominant role in economic development projects. One study makes the case that Ronald Reagan's initiatives for downsizing government and privatizing government functions weakened government from top to bottom and created a climate that was favorable for business to dictate the terms of development(Cummings 1988). He writes, "under Reagan, the private entrepreneur has become the urban planner of the 1980s" (Cummings 1988: 4). While government still has its function, it is clearly the subordinate of business.

Another study supports this assertion of business taking the lead, and goes so far as to say that city government in light of the above changes has altered its vision of its own role and now believes that its function with respect to economic development is to anticipate the proposals of business (Eisinger 1988). This is not to say that government takes no steps on its own to foster development, but rather that it creates conditions, such as zoning ordinances and favorable tax policies, that make it conducive for business to seek opportunities and propose ideas. Eisinger points to evidence collected from "virtually every state on their economic development efforts" to make his case (Eisinger 1988: 13). All of these studies, it is worth noting, concern economic development by states or large cities.

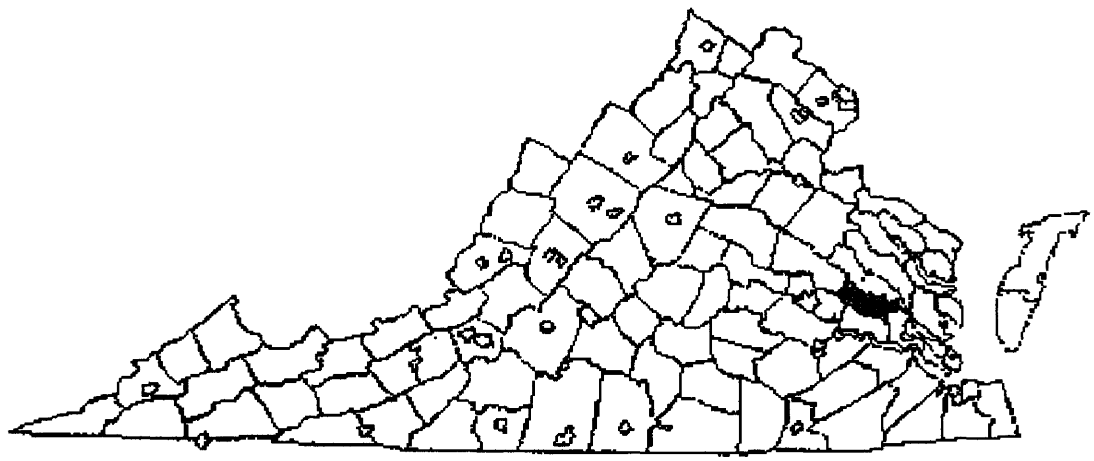
THEORIES

The question now arises as to what the relationship is between local, rural government and business when gambling is the issue at hand. Is it localities or business that conceive of the idea and rally support for it? Additionally, the question emerges of why either side is quick to take this chance, when it is possible that it might mean disappointment or financial loss.

In response to the question of "who," there are two likely scenarios. First, it might be the case that local government is the driving force behind the pursuit, having studied the potential revenue bonanza that gambling holds, or perhaps having been spurred on by successes in other counties. Second, it might be the case that business interests launch the idea and generate support among local officials.

It can be taken as a given that money is the fundamental answer to the question of "why." Who wants the money and for what reasons is where the issue divides, but money is still at the heart of the interest in the gaming industry. Again, a couple of possibilities emerge to explain the less obvious question of why the risks are perceived to be worth taking, once the decision to pursue gambling has been made. First, it may be the case that local government believes that the risks are either overstated, manageable, or avoidable. Second, it might be that business evaluates the situation and decides that the risks are either overstated, manageable, or avoidable.

As any study in the abstract can only speculate about possible causes and reasons, it is helpful to use an in depth case study to better understand the use of the gaming industry as a form of economic development. New Kent County, Virginia is one locality that is looking to gambling as a means to generate revenue. Personal interviews, supplemented with newspaper accounts, reveal how this county has become the site for the Colonial Downs racetrack. How does New Kent prove or disprove the assumptions listed above? And is it typical of localities in similar situations? In the following section, I describe New Kent County, explain how officials there came to believe that a new racetrack would be the key to economic development, and account for the role of business interests in officials actions.



Source: VACO/VML

THE RACETRACK AND NEW KENT COUNTY

Background

New Kent is a rural county situated between the heavily populated capital of Richmond and the port of Hampton Roads. Its two largest communities are Providence Forge and Elthan - each having fewer than 1,000 residents. The traditional economy of the county is farming. Forest and open space represent about 84.1 percent of the total acreage of the county (New Kent County Department of Planning and Community Development 1992). There are no county-wide water or sewer facilities. Interstate 64 is the largest road running through

New Kent.

New Kent has seen its population steadily increase over the last forty years. It has gone from 3,995 in 1950 to 10,445 in 1990 (U.S. Census and Richmond Regional Planning District Commission 1950; 1990). It is projected that the population will jump even more to 19,500 by 2010. Additionally, many of these recent additions are people who work outside of the county. At the time of the last census in 1990, of the 5,265 residents who worked, over 80 percent worked outside of New Kent (U.S. Census 1990).

From the above data, it is clear that New Kent is becoming a "bedroom community," where people choose to live, but either choose not to, or are not offered the opportunity to work. This increase in population creates more demand for the services that the county must provide. Chief among these services is schooling. Without a commensurate increase in the tax base, other than an increase in the property taxes collected, the county is in a difficult position financially to meet the demands of its citizens. The county can only raise taxes to a degree, particularly as many of these residents have no doubt settled in New Kent because of its attractive tax rate.

Pari-Mutuel Betting

The pari-mutuel system of wagering was devised in 1865 by a Frenchman named Pierre Oller.[2] This system excludes the house as a participant in the betting process, other than to collect a fixed fee for the calculation and transfer of money from the losers to the winners (Thompson 1994). The winnings in pari-mutuel wagering are referred to as a "purse," and depend not only on the number of people who have placed winning bets, but also on the odds that the horse has of beating the other contenders (Hart 1996).

On November 8, 1988, Virginia voters approved pari-mutuel betting in a state-wide referendum (Official Elections Results, Commonwealth of Virginia 1988)[3] It was then put out to the individual counties to hold referenda of their own to determine whether constituents wanted pari-mutuel betting to be permissible in their locality.

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[2]The term "pari-mutuel" comes from the words "Paris" and "mutuel" (Weinstein 1974).

[3]The first state-wide referendum on pari-mutuel betting was defeated in 1978. Because state law prohibits the reintroduction of failed referenda for ten years, this was the first opportunity for pari-mutuel betting to be voted on again by the state.

In the 1988 state-wide referendum, New Kent supported pari-mutuel betting with a vote of 2,757 in favor and 1,556 opposed (Official Election Results, Commonwealth of Virginia 1988).

New Kent held two local referenda regarding pari-mutuel betting at the behest of interested citizens (Hart 1996).[4] In the first referendum held in July, 1989, the vote was 1,647 in favor and 780 opposed. New Kent held a second referendum in July, 1994, as the law stipulates that if a referendum is not acted upon in five years, another referendum must be held to gauge current support. The vote this time was 1,466 in favor and 560 opposed.

The Players

The stage was now set for a horse race track to come to New Kent County. Of course, the questions of who decided to bring the track to the county and why they thought that the financial and social difficulties that other localities have faced could be avoided, still remain. To find the answers, it is necessary to look at the parties and events involved.

The County Administrator and the New Kent Board of Supervisors

Before both the first and second referenda on pari-mutuel betting in New Kent, hearings were held on the issue to allow citizens to gather information and voice any concerns that they might have.

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[4]It is interesting to note that New Kent County was the first locality in Virginia to vote in favor of a horse racetrack to be located within its jurisdiction (Williamsburg Area Chamber of Commerce).

Before the second referendum in 1994, the board of supervisors thought that a citizens advisory committee should be put together to examine the issue of having a race track (Burrell 1995; Hart 1996). The board felt that this was an "appropriate action" to take in order to gauge citizen support and to offer constituents a peer report (Burrell 1995). This 35-member body was made up of people who were put forward by any interested group within the community (Hart 1996). Civic organizations, churches, and an agricultural board were some of the groups that chose to select a member to be a part of the commission. This group researched issues like crime and toured other tracks. They reported their findings to the community at a public hearing held in March, 1994 (Hart 1996). Additionally, the county administrator, Garrett Hart, was directed to investigate the issue. In his own words, he "went from California to London" to look at other tracks (Hart 1996). In late 1993, the county, obviously anticipating a favorable vote in 1994 on horse racing, went ahead and formed the New Kent Public Facilities Authority (Chamberlain 1993). This body, made up of three county residents appointed by the board of supervisors[5], was given the sole purpose of funding the track (Hart 1996). Offers from any potential developers were to be directed to this group, and upon approval, the

[5]The law allowed for up to 17 people to be appointed to this body. It is unclear why only three were chosen.

Florida firm of Fishkind and Associates was to underwrite bonds and sell them to investors (Chamberlain 1993). The terms of the financing, at the behest of the board of supervisors, was such that New Kent would not be obligated financially should "the track owner go bankrupt or default on the bonds" (Hart 1996). Initially, the board thought that $20 million would be an adequate amount for the authority to raise.[6] Ultimately, $29 million was the figure required (Bates 1994).

Virginia Racing Commission

With the state-wide referendum supporting pari-mutuel betting, provisions were made in the law to establish a racing commission to "control...all horse racing pari-mutuel wagering in the Commonwealth" (Acts of the General Assembly, Commonwealth of Virginia 1995). This five person body, appointed by the governor, was charged with the responsibilities of "encouraging] participation by local individuals and businesses in those activities associated with horse racing," and ultimately approving where, when and by whom tracks might be built. The passage of a county-wide referendum on pari-mutuel betting indicated the agreement of the county to support a track. It was then up to developers to locate sites and to package proposals.

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[6]It was understood that private investing would also have to be a part of the financial package (Burrell 1995).

Interested Developers

Six applicants vied for the license to build and operate a track in Virginia (Andersen 1994). Two were interested in New Kent County. Arnold Stansley, a track owner in Ohio and Texas, proposed a $40 million track to be called Colonial Downs. The Stansley plan also included an arrangement with Joe DeFrancis, the owner of the Laurel and Pimlico tracks in Maryland, whereby the three would have different operating schedules, so as not to over saturate the market, and dampen profits.[7] The Virginians Inc. was the other contender for a New Kent site and submitted a plan for a $28 million project.

The four additional developers sought to locate sites in other counties. Churchill Downs, based in Kentucky, was interested in putting a $47 million track in Virginia Beach. The Old Dominion Jockey Club wanted to build in Loudoun County, at a cost of $55 million. The Virginia Jockey Club submitted a plan for a $45 million track in Prince William County. And the Virginia Racing Associates selected Portsmouth for its planned $50 million track.

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[7]While agreeing not compete against one another during the racing season, the two did not exclude sharing in each other's profits by another means. Through off-track betting, patrons at any of the three tracks would be able to make wagers about races taking place at a another track. So, for example, while Pimlico might be closed in June, racing enthusiasts living nearby could still come to the track during that month to place bets on races taking place at Colonial Downs.

Chesapeake Corporation

Chesapeake Corporation owns more than 385,000 acres of land up and down the eastern seaboard. Forty-five thousand acres of that land is located in New Kent County. Chesapeake Corporation is predominately a paper manufacturer, and the large acreage that it owns is used mainly for harvesting lumber. With recycling becoming more the norm in the manufacturing of paper (nearly 60 percent of Chesapeake Corporation's business now deals with recycled paper), this large land owner began to look for other ways to use its vast holdings (Johns 1995). Thus, Chesapeake Corporation created the land holding subsidiary of DELMARVA to deal with alternate land uses (Mostrom 1996).

In July, 1989 Chesapeake Corporation not only offered 345 acres of land in New Kent County free of charge to any developer who wished to build a horse race track, but also gave $3,400 to the county for the "marketing" of the track idea (Johns 1995). In 1990, the county built a deep water well on the site of this land.[8] This land, situated just off Interstate 64, was identified by both Arnold Stansley and the Virginians, Inc., as the main reason that they chose New Kent as the site for their track bids (Bates 1994).

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[8]The county came in under the wire in the construction of this well. After 1990, approval for such a well would have had to have come from the state.

Chesapeake Corporation, through DELMARVA, was also instrumental in helping New Kent to clear any environmental concerns that might potentially block the placement of the track in the county. DELMARVA aided the county in pursuing and obtaining a certificate from the U.S. Army Corps of Engineers that cleared the site of any wetlands violations (Anderson 1996). Additionally, DELMARVA helped the county with the process of securing documentation that showed no fish or wildlife endangered species infractions would occur with the placement of the track in the proposed location. All of this documentation was included in the Colonial Downs application packet.

New Kent Lands the Track

Now that all of the major players have been identified, it is time to look at the events that led up to placing the track in New Kent. Obviously, with pari-mutuel betting having been approved at the state level, and with a number of individual counties having approved it at the local level, the path was cleared for proposals to be solicited and evaluated by the racing commission. The racing commission proceeded with this course of action, and set October 1993 as the deadline for the receipt of applications for a track license.[9]

A year elapsed before a decision was made. The racing commission explained this year long delay by saying that it had to have time to make site visits, organize fact finding conferences, and allow applicants to amend their applications (until January 3, 1994)(Anderson 1996). The five member racing commission voted four in favor (with one abstention)[10] to grant Arnold Stansley the license to build and operate a track in New Kent County.[11] Chief among the reasons cited for

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[9]Although pari-mutuel betting was approved in 1988, developers were not interested in pursuing tracks in Virginia until an off-track betting provision was made (Hart 1996). Off-track betting facilities (OTBs) are additional sites at which wagers might be placed. These sites spread throughout the state widen the number of potential betters, and hence potential purse sizes. With the addition of this provision in 1992, developers were then willing to come forward and submit applications for track licenses. This explains the time lapse between the referendum and the October 1993 deadline.

[10]Commissioner Arthur W. Arundel, of The Plains, abstained from the vote. Both he and commissioner Ernest M. Oare, of Warrenton, felt that the track should be located in Northern Virginia (Boyd 13 October 1994). Oare stated that he felt that the track should have been located near horse breeders (those presumably being nearer to N.Virginia than New Kent). Additionally, he said, that "even more important is the lopsided abundance of population in Northern Virginia."

It is unclear why commissioner Oare then voted as he did.

[11]The racing commission felt that Virginia could not support a track in more than one location for the time being (Price 1995). As it is, the commission is concerned about efforts to bring river boat gambling to the state. They estimate that casinos of this sort could drain off profits at the track by as much as 40 percent.

this decision was the agreement between Arnold Stansley and Joe DeFrancis that ensured that their tracks would not compete with one another (Boyd 13 October 1994). Additionally, the environmental documentation in the application packet was pointed to as another factor in favor of the Stansley track in New Kent, as was Stansley's successful track operations in other states. The conservative costs estimates, and the fact that the financing on the Colonial Downs package was complete also worked to the benefit of Stansley. All in all, the Colonial Downs proposal was referred to as the "most professional package submitted" (Price 1995).

Having received the nod from Richmond, Colonial Downs began to break ground and plans were set to open the track in January 1996.

Analysis

With the players and the events laid out, it is now possible to evaluate the questions of who was the driving force in bringing the track to New Kent, and why the risks were thought to be worth taking.

Although Garrett Hart, the county administrator from 1987-94, states point blank that the idea for the track was his and that of the chairman of the board of supervisors at the time, Paul Robinson (Hart 1996), it is likely that forces exogenous to government had influence. New Kent was aided significantly in the preparation process leading up to the submission of track proposals to the racing commission, and the company that provided this aid was Chesapeake Corporation.

Chesapeake Corporation was obviously at a turning point in its development by the late 1980s. As was stated before, more than half of its paper production now dealt with recycled materials. Therefore, the large tracts of land that it held were no longer needed for lumber, and alternative uses could be sought. With Virginia passing the pari-mutuel referendum, and with Chesapeake Corporation already being settled in the area with a paper mills located just across the border from New Kent in King William County, New Kent must have seemed like a good location to put a track.

Peter Johns of DELMARVA made it clear that Chesapeake Corporation itself had no interest in being a "vertical developer" (Johns 1995). In other words, the company did not wish to build on the land that it owned. The offer of the 345 acre parcel was to entice developers. A track is unlikely to stand alone for long. The need for support industry, such as hotels, restaurants, and gas stations quickly arises. Consequently, as the demand for the land surrounding the track goes up, so does its price. Therein, no doubt, lies the interest for DELMARVA, and hence Chesapeake Corporation.

Although Chesapeake Corporation had an early interest in bringing a track to New Kent, track developers probably did not come into the picture until the referenda had passed and the land was offered. Until the referenda results were known and locations could be scouted, the interest on the part of developers was probably cursory. So while Colonial Downs, in particular, became a leading force in the effort to place the track in New Kent County, it is unlikely that it was involved in the early stages of lobbying for it. In fact, it was Loudoun County that Arnold Stansley first chose as a possible site for his Colonial Downs track (Boyd 13 October 1994).

Of course, without the interest and support of the New Kent County Board of Supervisors and the county administrator, the track could never have been successfully pursued. It was at the board's behest that hearings were held to offer a forum for information and citizen input. It was at one of these hearings that the 35-member citizens advisory committee (formed at the request of the board) presented their positive findings from other tracks (Hart 1996). Garrett Hart, himself, researched tracks both at home and abroad and decided that a track "would be ideal for New Kent County" (Hart 1996).

So, while it is likely never to be known exactly with whom the idea of a horse race track originated, it looks to be the case that business was, initially at least, the more forceful of the two in getting the process started. Chesapeake Corporation, through DELMARVA, was actively pursuing projects that would utilize its land. It was in the business of scouting for opportunities. With its single minded purpose and with resources at its disposal probably larger than that available to local government in New Kent, DELMARVA would be likely to realize the possibilities inherent in a race track before the county ever could. Although New Kent was actively pursuing projects of economic development at this point, the possibility of a track would not have been within the reach of the county without considerable support and aid from business, namely Chesapeake Corporation.

Now that the issue of "who" has been dealt with, it is time to determine why the risks were thought to be worth taking. From the evidence found, it is too narrow an explanation to say that it was solely local government, or solely business that made the decision that the risks were worth taking. It was a combination of perceptions on the part of both business and government concerning the risks that is the scenario that emerges.

For its part, business has two components, both Chesapeake Corporation and Colonial Downs. For Chesapeake Corporation the risks involved in this type of project were few. Although it had invested time and money in this project through DELMARVA, it was by no means the only land use project that it was pursuing (Mostrom 1996). Chesapeake Corporation is a Fortune 500 company, and it has holdings in many states;

the New Kent County track was only one lead that it was following. The money spent on aiding the county and marketing the idea was not so much as to make the loss of the track devastating.

What is more, by only focusing on enhancing the value of its property and not taking on the additional burden of developing it, the company circumvents the possibility of being left with virtually useless buildings in the event that the track should fold. The company would not be left holding onto developed property that would have limited resale or redevelopment options.

Granted, should the track fail, the land surrounding it would plummet in value. But would it plummet below what it was worth prior to the track? And even if it did, the company could hold on to it with the chance that it might increase in value in the future. It would have little if anything to lose by doing that, as it was holding on to the land in the first place anyway.

Additionally, as was demonstrated before, New Kent was increasingly becoming a "bedroom community." Would the land not have had some value to real estate developers interested in building more subdivisions? In all likelihood, the land would be worth more if it were surrounding a track, rather than going to build tract homes, but would it not have netted DELMARVA a profit either way?

In short, for Chesapeake Corporation the risks were few and avoidable. Its financial participation was limited. By pursuing the track it was making its profits potentially even greater. "Why not pursue the track?" could be the motto by which Chesapeake Corporation operated.

Colonial Downs had more to lose in the pursuit and the ultimate acquisition of the license to build and operate the track. It was reported that the application process alone cost up to $400,000 for some of the interested developers (Boyd 9 October 1994). This expense was with no guarantee of winning the license.

Colonial Downs certainly realized that there were risks involved and took precautions to ensure that New Kent was the proper site and that the odds of success were in its favor. The company spent time and money looking at New Kent and comparing it to other possible sites throughout the state. Estimates of how many people lived within a fifty mile radius and how many people came to other tourist attractions near New Kent were put together by Colonial Downs. These estimates, totaling in the millions, demonstrated that New Kent was a place that many people had cause to drive by or to drive through (Colonial Downs Economic Benefit Estimate). As it was not in the interest of the company to exaggerate these estimates, they are in all likelihood correct.

In addition to the estimates that it made of the potential betting pool in Virginia, the company also took the added precaution of working out a deal with the Maryland track owner, Joe DeFrancis. By effectively bypassing the potential competition that would inevitably arise among the three tracks, the company not only headed off a major obstacle to success in New Kent before it was even a problem, but it also expanded the potential betting pool by agreeing to allow Virginia gamblers to place bets on Maryland races and vice-versa.

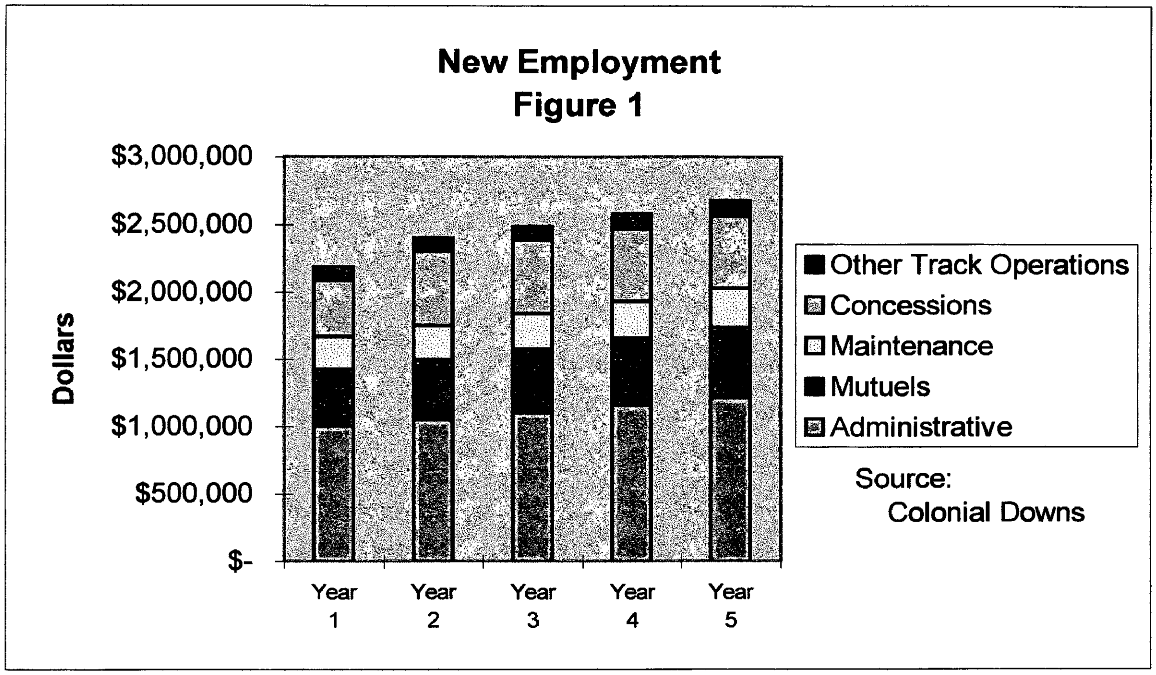
Certainly, there were, and still are, risks that the company could face. Gamblers might not turn out in numbers as high as expected and subsequently, purses might not be as high as planned. However, the company did what it could to evaluate and to minimize the risk. So, for Colonial Downs, with the precautions that it took, the risks were reduced to being manageable.

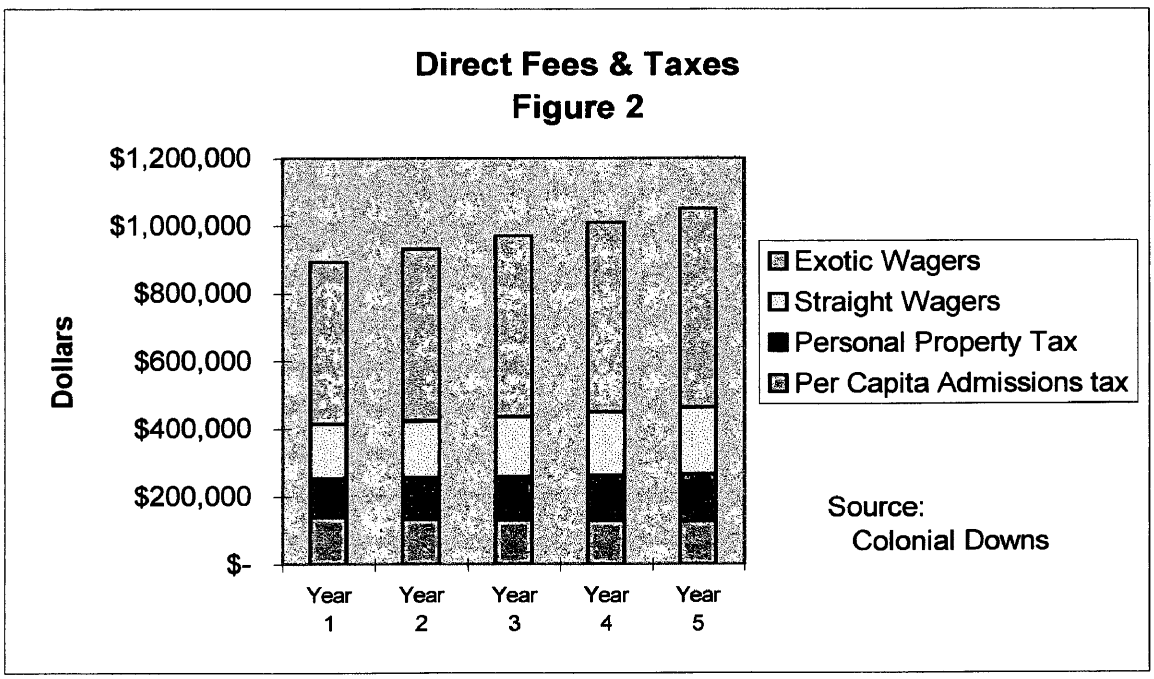
For local government, there were risks involved in this type of economic development, but it was thought to be riskier to allow the county to continue to develop along the lines that it was. Garrett Hart said that there was "too heavy a residential mix" in the make up of the county (Hart 1996). It was becoming too much of a "bedroom community," and the strain upon the resources of the county was becoming too great (Burrell 1995). County officials wanted to find a way to ease the budget crunch without raising taxes or drawing more people to New Kent. Projects such as industrial parks and industrial warehouses had failed to pan out for the county (Hart 1996). New Kent needed to find some other revenue generating venture. A track was risky, but its potential payoff was great. Colonial Downs' research demonstrated generous revenue estimates to the county (see Figures 1 and 2).

Not only would the track itself generate revenue, but the businesses that were bound spring up around it would also contribute to county coffers. The hotels, restaurants, and gas stations that would inevitably be constructed around the track would all produce revenue for New Kent.

The belief existed as well, that the track would not only bring new businesses to the county, but that existing ones would also be enhanced. A track would create the need for pasture land and for crops for the race horses. Therefore, land in the county devoted to agriculture could keep this designation and not be turned into more plots for houses for people that the county was pressed to service. Garrett Hart envisioned a "Louisville effect," where the land around the track would be heavily developed, but outlying land would retain its rural flavor (Hart 1996).

Additionally, county officials felt that they needed to secure a project that would not compete with those that neighboring counties already had or were actively pursuing (Hart 1996). It was thought that competition would benefit


New Employment
Figure 1
$3,000,000
$2,500,000
$2,000,000
$1,500,000
$1,000,000
$500,000
$-
Dollars
Year 1
Year 2
Year 3
Year 4
Year 5
Other Track Operations
Concessions
Maintenance
Mutuels
Administrative
Source:
Colonial Downs


Direct Fees & Taxes
Figure 2
$1,200,000
$1,000,000
$800,000
$600,000
$400,000
$200,000
$-
Dollars
Year 1
Year 2
Year 3
Year 4
Year 5
Exotic Wagers
Straight Wagers
Personal Property Tax
Per Capita Admissions tax
Source:
Colonial Downs

none of the counties involved. Neighboring Charles City County already had a landfill (Britten 1995). In King William, plans were taking shape to sell the rights to its water supply to the city of Newport News (Whitlow 1995). A track would be a definite departure from the projects that nearby counties had.

The county also had assurances from Chesapeake Corporation that the track was not the only project that DELMARVA was developing for New Kent. Peter Johns outlined plans for golf courses, a theme park, night time entertainment ventures (like theaters and micro breweries), a medical center, and a retirement community to name a few (Johns 1995). These projects were all designed to be in conjunction with the track, as the track was believed to be the largest revenue bonanza. However, if the track failed to materialize, then the plan was to shift the prominent position to one of the other projects.

County officials were not blind to the risks involved in bringing in a track (Burrell 1995). It was simply thought that the risks could be managed or avoided. It was clear that the county needed to find a lucrative form of economic development that would not be threatened by competing interests in nearby localities. Further, business was obviously committed to the success of the track and had demonstrated that it was making every effort to minimize the risks. So it is not surprising that New Kent officials believed that the risks of a track were worth taking. Why shouldn't they believe that the risks could be handled?

CONCLUSION

New Kent Update

Promptly after the racing commission made the decision to grant Arnold Stansley the license for his track in New Kent County, the Virginia Jockey Club filed an appeal in the Richmond Circuit Court contesting this decision. The club, through developer James J. Wilson, said that the commission "had ignored state law requiring it to promote Virginia's horse industry when it awarded the state's sole track license to...Arnold Stansley" (Boyd 13 October 1994). The club lost the appeal in May 1995, but then immediately filed an appeal with the Virginia Supreme Court. The case was finally closed in May 1996, with the higher court ruling in favor of Colonial Downs.

Although ground was immediately broken at the site, the troubles surrounding this track were not over. In August 1996, another track in Texas that developer Arnold Stansley owned in part closed due to bankruptcy. Assurances were immediately forthcoming from the Virginia Racing Commission that this would have no effect on Stansley's license to build the track in New Kent County. However, later that same month Stansley took on a partner in the venture by the name of

Jeffery P. Jacobs. Jacobs, fronting the bulk of the financing, has stepped in as the head of development at the track. At this moment the track is still on schedule to be opened by the commission-imposed deadline of July 18, 1997.

Assessment

It is likely that the people and the events involved in bringing gambling to any locality are similar to those that were involved in bringing gambling to New Kent County. Business is likely to be a driving force in localities both urban and rural. The first goal of any business is to make money. The first goal of government is to provide adequate services and facilities for citizens. While government must use money to meet this goal, it is not, and never should be, the top priority for officials to seek it out. With business being designed to focus on uncovering financial opportunities, it is always likely to be ahead of government in seeing the profits to be made in gambling. It is for this reason that it is bound to act first and then galvanize interest within government.

Of course, government does hold the power to allow, and not to allow, gambling. Granted, government must act at the behest of citizens, but this does not exclude working to generate support one way or another among voters. It is likely that government is seduced by the possibility of large tax revenues. This reason, no doubt, propels officials to find a way to make gambling a reality in their locality.

The belief that economic development is the answer to fiscal woes is deeply ingrained in the minds of many state and local government officials. That this mind set may coincide with a business' interest in developing a gambling operation may serve to make such a venture appear all the more attractive. It seems like a painless way to generate revenue. Whether it is, remains to be seen. In the meantime, it is likely that more localities will experiment with gambling, as a form of economic development. In light of New Kent's experience, others' willingness and ability to pursue this avenue, likely will be influenced by the presence of affluent and aggressive business interests. The success of such ventures, or lack thereof, is likely to be analyzed in the press and by scholars. And again, it remains to be seen how well this pursuit serves a locality.

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