

Barbara Paulus Lampen is currently the Chief of Policy, Planning, and Development with the New Jersey Casino Control Commission and is a Licensed Professional Planner. She has also been employed as Senior Planner for the New Jersey Department of Environmental Protection. The author received her M.A. in Regional Planning, as well as her B.A., from the University of Pennsylvania. The author's article, beginning on the following page, examines the impact and consequences of casino gaming on Atlantic City and the region. Her article has been adapted from an address given by the author to the Fifth National Conference on Gambling and Risk Taking, October 1981.

THE ROLE OF LEGALIZED GAMING IN NEW JERSEY AS A STIMULUS FOR TOURISM AND URBAN REDEVELOPMENT: A REGULATOR'S VIEWPOINT

*by Barbara Paulus Lampen **

This article provides an overview of those portions of the Casino Control Act¹ which address the role of legalized gaming as a stimulus for tourism and urban redevelopment in Atlantic City. The body of this article analyzes the growth of the Atlantic City area to date and identifies matters that must be addressed to accomplish the goals of the Act.²

Atlantic City—A Historical Perspective

In 1854, a group of New Jersey businessmen financed the construction of a railroad connecting Camden with Atlantic City to aid in the development of South Jersey's bog iron industry and to establish Atlantic City as a seaside resort. The bog iron industry declined but Atlantic City established a national reputation as a resort city.³ Atlantic City's accessibility and central location in the heavily populated metropolitan corridor combined to make the city one of the major convention centers in the United States. The city did not, however, maintain this prominence.

Atlantic City's population decreased from a high of approximately 66,000 in 1930 to less than 48,000 by 1970.⁴ Its annual median family income in 1970 languished beneath the state average.⁵ The percentage of

*The views expressed in this article are entirely those of the author and are in no way intended to reflect policies of the New Jersey Casino Control Commission.

¹ N.J. STAT. ANN. §§ 5:12-1 to -152 (West Supp. 1981-1982).

² Over the past three years, a lack of sufficient data has made it difficult to develop a precise and realistic assessment of the full effect of gaming on the growth and development of Atlantic City and the region. Despite this lack of a comprehensive assessment, analysis of available data is beginning to reveal at least a partial picture of urban and regional growth and development.

³ At the height of its popularity, President Theodore Roosevelt remarked that "[a] man would not be a good American citizen if he did not know of Atlantic City." C. FUNNELL, *BY THE BEAUTIFUL SEA* at front plate (1975).

⁴ R. Smalley, *Master Plan Atlantic City 1976*, at 8, 9 (prepared for the Atlantic City Planning Board).

⁵ The city's 1970 annual median family income was \$6,395 compared to \$11,407 statewide. *Id.* at 17, 18.

the city's families with incomes below the "poverty level" exceeded the percentage for all New Jersey families.⁶ The unemployment rate in Atlantic City approximated 15% in 1979 as compared to a national rate of 9.3%.⁷ Housing required replacement or rehabilitation.⁸ The number of hotel rooms decreased.⁹ Depressed economic conditions caused reduced levels of tourist and convention trade, sales, tax revenues, utility service, and other public services.¹⁰

The New Jersey Casino Control Act

The New Jersey Legislature recognized Atlantic City's need for revitalization and redevelopment when it convened in 1976 to draft the Casino Control Act.¹¹ The legislature found the "tourist, resort and convention industry" to be a "critical component of [the state's] economic structure,"¹² and replacement of tourist and convention facilities to be "a program of critical concern."¹³ As manifested by the emphatic language of the Casino Control Act, the legislature "approved [casino gaming] . . . as a unique tool of urban redevelopment . . . [to] facilitate the redevelopment of existing blighted areas and . . . [to] attract new

⁶ While 6.1% of all New Jersey families had incomes below the "poverty level" in 1970, 16.9% of all Atlantic City families were below the "poverty level." *Id.* at 18.

⁷ Memorandum from Arthur J. O'Neal, Jr., Director of the Division of Planning and Research, New Jersey Department of Labor and Industry at IX (July 9, 1980) (revised narrative on Economic Development).

⁸ It has been estimated that approximately 45% of Atlantic City's housing stock in 1970 was more than 30 years old. Griffith Associates, Housing Plan Element of the Atlantic City Master Plan 19 (1968) (prepared for the Office of Angelos C. Demetriou, AIA, Master Planner). Assuming a housing base of 19,215 dwelling units, a 1978 Housing Assistance Plan indicated that an estimated 37% (7,149 units) of that total stock was substandard of which only 38% (2,684 units) could be rehabilitated. *Id.* at 25.

⁹ Atlantic City had experienced a 25% loss in hotel room inventory between 1967 and 1974. Economic Research Associates, Market Support for Hotel Facilities Uptown Urban Renewal Site, Atlantic City, New Jersey 20 (January 1974) (prepared for the Atlantic City Housing Authority and Urban Redevelopment Agency).

¹⁰ As of May 1977, luxury tax receipts were down 3.6% from the previous year, with the sharpest declines in amusements (down 20.1%) and hotel and motel rooms (down 5.8%). Gladstone Associates, Findings and Conclusions—Current Economic Conditions and Market Performance Atlantic City, New Jersey 7 (July 26, 1977) (prepared for Atlantic City, New Jersey, as part of the Master Planning Process in Association with the Office of Angelos Demetriou).

¹¹ L. 1977, ch. 110 (effective June 2, 1977) (codified at N.J. STAT. ANN. §§ 5:12-1 to -152 (West Supp. 1981-1982)).

¹² N.J. STAT. ANN. § 5:12-1(b)(1) (West Supp. 1981-1982).

¹³ N.J. STAT. ANN. § 5:12-1(b)(3) (West Supp. 1981-1982).

investment capital to New Jersey in general and to Atlantic City in particular."¹⁴

To maximize capital investment benefits, the legislature restricted the issuance of casino licenses to major hotels with convention facilities,¹⁵ defined minimum standards for these facilities,¹⁶ and provided incentives to increase casino size by adding more hotel rooms and public space.¹⁷ The legislature vested a Casino Control Commission¹⁸ with the authority to review architectural and site plans¹⁹ and required the Commission to promulgate rules and regulations governing advertisement,²⁰ entertainment,²¹ and the distribution of alcoholic beverages.²² By delegating broad review and regulatory authority to the Casino Control Commission, the legislature sought to ensure, among other things, that gaming was merely a component of the "new" Atlantic City, and not its dominant theme.²³ To ensure equal employment opportunity, casino license applicants are required to submit affirmative action programs to the Commission covering construction workers, hotel and casino employees, and personnel of regular casino service industries.²⁴

The legislature anticipated the problems of growth accompanying the development of the gaming industry, so it provided the gaming industry with an active role to perform in the redevelopment process. Casino license applicants must establish that the facility's proposed location complies with all applicable zoning and planning laws.²⁵ Furthermore, all casino license applicants are required to submit with their proposals an analysis of the effect of the proposed casino operation on the environmental, economic, social, demographic, and competitive conditions of the city

¹⁴ N.J. STAT. ANN. § 5:12-1(b)(4) (West Supp. 1981-1982).

¹⁵ N.J. STAT. ANN. § 5:12-1(b)(5) (West Supp. 1981-1982).

¹⁶ Hotel-casinos are required to contain at least 500 qualifying sleeping units and 65,000 square feet of qualifying indoor public space. Maximum square footage of casino room is limited to 30,000 square feet. N.J. STAT. ANN. § 5:12-83(d) (West Supp. 1981-1982).

¹⁷ For every qualified sleeping unit exceeding the required minimum, the maximum casino room may be increased by 40 square feet. N.J. STAT. ANN. § 5:12-83(d), (f) (West Supp. 1981-1982).

¹⁸ N.J. STAT. ANN. § 5:12-50 (West Supp. 1981-1982).

¹⁹ N.J. STAT. ANN. §§ 5:12-1(b)(11), -84(e) (West Supp. 1981-1982).

²⁰ N.J. STAT. ANN. § 5:12-70(o), (r) (West Supp. 1981-1982).

²¹ N.J. STAT. ANN. § 5:12-70(p) (West Supp. 1981-1982).

²² N.J. STAT. ANN. § 5:12-70(q) (West Supp. 1981-1982).

²³ N.J. STAT. ANN. §§ 5:12-1(b)(13), -69(a) (West Supp. 1981-1982).

²⁴ N.J. STAT. ANN. § 5:12-134 (West Supp. 1981-1982).

²⁵ N.J. STAT. ANN. §§ 5:12-1(b)(11), -84(e) (West Supp. 1981-1982).

and the state.²⁶ The legislature developed a complex tax credit program to stimulate industry investment in the city, region, and state.²⁷ These provisions were designed to restore Atlantic City's nationally competitive hotel, entertainment, and convention base. The passage of the Casino Control Act signalled the completion of the first step in the revitalization of Atlantic City's tourist and convention industries and, further, provided a catalyst for urban redevelopment.

Hotel-Casino Development

Hotel-casino development has far exceeded the most optimistic projections. Despite unprecedented interest rates, approximately \$1.5 billion has been invested in Atlantic City during the past three and one-half years.²⁸ Nine casinos are now operating.²⁹ With the exception of one,³⁰ all are located along the Boardwalk in close proximity to Convention Hall. As a result of this construction, the city regained over 4,800 first class hotel rooms³¹ and acquired 370,000 square feet of meeting and exhibition space.³² The nine hotel-casinos contain a total of 416,000 square feet of space, nine cabarets and theatres, fifty-one restaurants, sixty-five retail shops, thirty-six lounges, nine swimming pools, five health clubs, one tennis club, and three racquetball clubs.³³

Development efforts in Atlantic City to date have focused almost singularly on establishing the gaming industry. While potential developers have been actively recruited, regulatory efforts have primarily focused on rapid but legal development.³⁴

²⁶ N.J. STAT. ANN. § 5:12-84(e) (West Supp. 1981-1982).

²⁷ N.J. STAT. ANN. § 5:12-144 (West Supp. 1981-1982).

²⁸ Atlantic City Casino Hotel Association, Fact Sheet 5 (November 1981).

²⁹ The nine operating casino hotels are (a) Resorts International, Inc., Resorts International Hotel-Casino; (b) Caesars of New Jersey-Boardwalk Regency Corp., Caesars Boardwalk Regency Hotel-Casino; (c) Bally's Park Place, Inc., Bally's Park Place Hotel-Casino; (d) Grete Bay Hotel and Casino, Inc., The Sands Hotel-Casino; (e) Marina Associates, Harrah's Marina Hotel-Casino; (f) GNAC Corp., Golden Nugget Hotel-Casino; (g) Playboy-Elsinore Associates, Playboy Hotel-Casino; (h) Claridge Limited, Claridge Hotel-Casino; and (i) Adamar of New Jersey, Tropicana Hotel-Casino.

³⁰ Marina Associates, Harrah's Marina Hotel-Casino.

³¹ ATLANTIC CITY CONVENTION & VISITOR NEWS, July/August 1981, at 14.

³² CASINO CONTROL COMMISSION, STATE OF NEW JERSEY, A REPORT ON CASINO GAMING IN ATLANTIC CITY at 10-11 (August 1981).

³³ *Id.*

³⁴ For example, in early 1978, when Resorts International, Inc. was ready to operate, the Casino Control Act was amended to provide for temporary casino licensure. N.J. STAT. ANN. §§ 5:12-95.1 to

Growth and Development in Atlantic City and the Region

The casino industry's construction and development of hotel-casino facilities has significantly enhanced the resort's marketability as a tourist and convention city. In addition, the casino industry has undertaken the construction of approximately \$7 million worth of improvements to the city sewage system, donated \$450,000 to fund runway improvements at the city's airport, and substantially reconstructed the street system within the hotel-casino construction zone.³⁵

Non-casino areas are experiencing positive development, although not nearly as spectacularly as the development of hotel-casino facilities. Preliminary results of an Atlantic City central business district market survey indicate that Atlantic City has the potential to become an urban core of southern New Jersey.³⁶ Of the non-casino areas of development, commercial, retail, and industrial construction show the greatest potential for growth.³⁷ Retail sales in Atlantic County have grown steadily between 1978 and 1980.³⁸ The most dramatic endorsement of the city's potential, other than casino development, was the decision by the Equitable Life

-95.11 (West Supp. 1981-1982) (repeal effective January 1, 1983). After Golden Nugget of Atlantic City Corporation realized that its casino site was located within the flight path of Bader Field, potentially creating a severe restriction on the building's proposed height, federal, state, and municipal representatives worked together to close and realign runways at the field and to shift height restrictions away from the boardwalk casino zone. Memorandum from this author to Joseph P. Lordi, Chairman, New Jersey Casino Control Commission (June 7, 1979).

³⁵ Memorandum from William J. Downey, Executive Director of the Atlantic City Casino Hotel Association to this author (December 7, 1981).

³⁶ Telephone conversation between Mr. Joseph Hann, Mullin and Lonagren Associates, Philadelphia, Pennsylvania and this author (December 14, 1981) (Mr. Hann qualified his statement by indicating that the realization of this potential was dependent upon the stabilization of the Atlantic City population base and by the capture by the central business district of a portion of the approximately 18 million visitor trade). The City of Atlantic City retained Mullin and Lonagren to perform a market assessment of the central business district. The study, which was initiated in September 1981, has not yet been completed.

³⁷ County-wide construction permits for the second quarter of 1981 included a \$1.6 million addition to the research facilities and offices of Atlantic Electric Company, Egg Harbor Township. Based upon this and similar data, the Atlantic County Division of Economic Development reported that expansion of and demand for commercial, retail, and industrial facilities is continuing. Atlantic County Division of Economic Development, Growth Trends Report (Second Quarter 1981) [hereinafter cited as *Growth Trends, Second Quarter, 1981*].

³⁸ Atlantic County retail sales increased by 10.4% between 1978 and 1979, and by 18.9% in the first quarter of 1980 compared to the same period in 1979. Second and third quarter sales in 1980 increased by 9.4% and 1.0%, respectively, compared to the same periods in 1979. Public Financial Management, Inc., Official Statement, General Improvement Bonds, County of Atlantic, State of New Jersey B-10 (December 10, 1980).

Assurance Society and Kravco, Inc. to invest approximately \$40 million to develop a retail and entertainment center on the city's former Million Dollar Pier.³⁹

Housing in Atlantic County increased by 14% from 73,780 units in 1970 to 87,124 units in 1979.⁴⁰ Contrary to the national trend,⁴¹ the number of dwelling units authorized by building permits in Atlantic County increased by 16% between 1978 and 1979.⁴² Vacancy rates declined during the period between 1970 and 1978, while the conversion of seasonal units to year-long use increased.⁴³ The regional housing industry experienced a steep downward trend between 1979 and 1981⁴⁴ during the gubernatorial moratorium on development in the Pinelands National Preserve.⁴⁵ The Pinelands Comprehensive Management Program was issued as mortgage financing began to tighten and construction loan interest guarantees began to escalate.⁴⁶ While the poor performance of the regional housing industry is consistent with the national trend, it is inconsistent with the trends of the area economy.⁴⁷ Despite these obstacles, Atlantic County is witnessing the construction of the largest residential development in its history.⁴⁸

³⁹ Star-Ledger, September 14, 1981, at 1, col. 1. Construction is still in the site preparation stage. The demolition and removal of the original Million Dollar Pier is progressing. The project has received final site plan approval from the City of Atlantic City and a Coastal Area Facilities Review Act Permit from the State Department of Environmental Protection.

⁴⁰ Public Financial Management, Inc., Official Statement, General Improvement Bonds, County of Atlantic, State of New Jersey B-8 (December 10, 1980).

⁴¹ Dwelling units authorized by building permits in the United States decreased 13.6% between 1978 and 1979. *Id.*

⁴² *Id.*

⁴³ *Id.* The Atlantic Electric Company estimates that 10% of all county units are still seasonal. Atlantic County Division of Economic Development, Summary of Atlantic Electric 1980 Survey 1 (September 1981).

⁴⁴ Atlantic County Division of Economic Development, Growth Trends Report 1 (Fourth Quarter 1980) [hereinafter cited as Growth Trends, Fourth Quarter, 1980].

⁴⁵ Executive Order Number 71, issued February 8, 1979, established the Pinelands Commission, which was subsequently enacted as the Pinelands Protection Act, codified at N.J. STAT. ANN. §§ 13:18A-1 to -29 (West Supp. 1981-1982). SENATE ENERGY AND ENVIRONMENT COMM. STATEMENT, S. 3091, 198th N.J. Legis., 2nd Sess., reprinted in 1979 N.J. Sess. Law Serv. 269 (West). The Commission is charged with the duty to prepare and adopt a "comprehensive management plan." N.J. STAT. ANN. §§ 13:18A-3(d), -8 (West Supp. 1981-1982).

⁴⁶ Growth Trends, Fourth Quarter, 1980, *supra* note 44, at 1.

⁴⁷ *Id.*

⁴⁸ Over 370 permits for residential units have been cleared for the Old Towne of Smithville and Wrangleboro developments. *Id.* See Growth Trends, Second Quarter, 1981, *supra* note 37, at 1.

Residential construction in Atlantic City is progressing slowly. Housing construction in the city since the fall of 1978 has consisted primarily of subsidized units,⁴⁹ although the Atlantic County Improvement Authority had been preparing a winter bond issue which could fund the construction of as many as 625 units of middle income housing.⁵⁰ The luxury housing market is just being tested with the recent groundbreaking for a 300-unit luxury condominium.⁵¹

The pace of city construction is often overshadowed by the rates of demolition and arson.⁵² The neighborhood disruption and displacement resulting from such actions, while certainly severe, is difficult to quantify due to a lack of data on such indicators as vacancy rates and the magnitude of relocation.

Population Growth

Recent publicity concerning the expected explosive population growth generated by the gaming industry and the accompanying burden on local and regional housing supplies, land, natural resources, and public services has not been uniformly substantiated by the diverse data available regarding population and employment characteristics. The preliminary results of the 1980 Census by the United States Department of Commerce indicate a healthy 10.8% growth rate for the county and a 16% population decrease in Atlantic City.⁵³ A private study concluded that prior population growth and housing requirement estimates were exaggerated as they failed to consider the role that existing southern New Jersey residents would play in satisfying the casino industry's manpower

⁴⁹ As of June 1981, 1182 of the dwelling units that had broken ground were subsidized. Atlantic City Department of Planning & Development, Atlantic City Housing Matrix at 3, 5 (June 1981).

⁵⁰ Telephone conversation between Mr. Michael Benoff, Assistant to the Executive Director of the Atlantic County Improvement Authority and this author (December 11, 1981). As of this writing, the matter is still pending.

⁵¹ Tannen Towers, located at North Carolina and Pacific Avenues in Atlantic City, is being developed by Tannenbaum and Novack Associates. Ground was broken on August 25, 1981.

⁵² During 1980, 316 dwelling units were authorized by building permits while 836 units were demolished. DIVISION OF PLANNING AND RESEARCH, NEW JERSEY DEP'T OF LABOR AND INDUSTRY, RESIDENTIAL BUILDING PERMITS, 1980 SUMMARY 13 (1981).

⁵³ Growth Trends, Second Quarter, 1981, *supra* note 37, at 15. This decline in city population reflects a national trend towards suburban growth as well as the overall poor physical and economic condition of Atlantic City during recent decades. See generally notes 4-10 *supra* and accompanying text.

needs.⁵⁴ At what point future development will stimulate population growth is unknown and must be determined.

Although the picture is incomplete, it appears that actual city and regional population growth will fall far short of original projections. Future development and its attendant population growth will most likely occur at a controlled and manageable pace. Additionally, existing land use regulations such as the Pinelands Preservation Plan⁵⁵ should not necessarily be seen as precluding future development from being located within the immediate Atlantic City region. According to a recent analysis by the New Jersey Department of Community Affairs, Atlantic County has a zoned capacity under existing land use regulations to develop approximately 200,000 to 400,000 dwelling units, depending upon maximum land use.⁵⁶

Employment, Income, and Taxes

As of September 1981, the casino industry employed 27,441 persons⁵⁷ or approximately 26% of Atlantic County's 1980 average labor force.⁵⁸ By July 1981, females and minorities composed 46% and 27% of the total casino industry labor force, respectively.⁵⁹ That category of

⁵⁴ Atlantic City Press, December 2, 1980, at 1. Previous reports assumed a nearly 100% fulfillment of employment demand through immigration. Data Resources, Inc., in developing a complex econometric model for the Atlantic Electric Company, projected that (a) reduced levels of unemployment; (b) the transfer of employees from the declining manufacturing sector to the casino industry; (c) reduced commutation out of the region; and (d) the entrance into the labor market of those not previously employed, were all factors which influenced a low rate of initial growth in the region. *Id.* See also Memorandum from Richard W. Ross, Affirmative Action Specialist, New Jersey Casino Control Commission to File 2 (May 7, 1981).

⁵⁵ See note 45 *supra* and accompanying text.

⁵⁶ DIVISION OF PLANNING, NEW JERSEY DEP'T OF COMMUNITY AFFAIRS, A REPORT OF THE NEW JERSEY DEP'T OF COMMUNITY AFFAIRS 6 (January 1980).

⁵⁷ New Jersey Casino Control Commission, Affirmative Action Workforce Statistics (September 25, 1981). Employment totals by license categories for 1981 break down as follows: 1,079 key employees; 15,132 casino employees; and 11,230 hotel employees. *Id.* These income figures do not include the Sands and Harrah's Hotel-Casinos.

⁵⁸ The average 1980 county labor force was 104,000. Atlantic County Division of Economic Development, Growth Trends Report 1 (First Quarter 1981) [hereinafter cited as Growth Trends, First Quarter, 1981].

⁵⁹ New Jersey Casino Control Commission, Affirmative Action Workforce Statistics (July 1981). These statistics do not include the Sands and the Tropicana Hotel-Casinos. Both figures exceed the Casino Control Commission's affirmative action goals of 43% female and 20% minority employees. N.J. ADMIN. CODE tit. 19 § 53-1.5(e) (1980). These minimum employment goals are based upon work force characteristics developed by the New Jersey Department of Labor and Industry.

employees earning more than \$25,000 per year is made up of 26% females and 15% minorities.⁶⁰ Much of this employment appears to have been captured by South Jersey residents.⁶¹

The unemployment rate in Atlantic County for the fourth quarter of 1980 decreased by 18.6% compared to the previous year's rate for the same quarter.⁶² While stabilization of the hotel casino work forces and some seasonal layoffs raised this average rate to 8.1% in the second quarter of 1981, employment opportunities are still expected to expand.⁶³ The rapid increase in employment opportunities has reportedly placed greater stress on small scale entities and lower paying employers.⁶⁴

Atlantic County's per capita personal income increased by 20% between 1978 and 1979.⁶⁵ This is the largest recorded percentage increase in the nation and is a good indicator of major expansion in the city and regional economic base.⁶⁶ Income stratification in Atlantic County also appears to have decreased.⁶⁷ Assets of reporting regional banks increased by 140% between 1980 and the first half of 1981, and deposits increased by 133% during the same period.⁶⁸

Atlantic City's tax base has increased dramatically. Casino development has assisted in stimulating tax base growth from \$290 million in

⁶⁰ New Jersey Casino Control Commission, Affirmative Action Workforce Statistics (September 25, 1981). The statistics do not include the Sands and Harrah's Hotel-Casinos.

⁶¹ A systematic, random sampling of 2,004 hotel-casino employee files yielded preliminary indications that, as of May 1981, 76.4% of the hotel-casino employees had lived in the Atlantic City region prior to applying for an employee license. Memorandum from Charles J. Crowley, Research Economist 2 - Demography to Shirley A. Goetz, Assistant Director at 2 (July 27, 1981) (regarding preliminary findings from the Atlantic City Casino-Hotel Employees In-Migration Survey). See also note 54 *supra* and accompanying text.

⁶² Growth Trends, First Quarter, 1981, *supra* note 58, at 1. The percentage county workforce unemployed in the fourth quarter of 1979 was 8.6%, compared to 7.0% in the fourth quarter of 1980. *Id.*

⁶³ Growth Trends, Second Quarter, 1981, *supra* note 37, at 1.

⁶⁴ For example, Atlantic County government has experienced an estimated employee turnover rate of 18%, 23%, and 28% for the years 1977, 1978, and 1979, respectively. Charles D. Worthington, County Executive, Fact Sheet: Casino Development 5 (September 22, 1981).

⁶⁵ The 1979 per capita personal income for Atlantic County was \$8,801. Growth Trends, Second Quarter, 1981, *supra* note 37, at 1.

⁶⁶ *Id.*

⁶⁷ A recent survey by the Atlantic Electric Company shows 38% of Atlantic County families to be below a total annual family income of \$12,000 (including Social Security), 32% of the families to be between \$12,001 and \$24,000, and 30% of the families to be above \$24,001. Atlantic County Division of Economic Development, Summary of Atlantic Electric 1980 Survey 1 (September 1981).

⁶⁸ As of June 30, 1981, reporting regional banks held \$10,104,801 in assets and \$8,582,181 in deposits. Growth Trends, Second Quarter, 1981, *supra* note 37, at 9.

1977 to \$1.2 billion in 1981, a 300% increase.⁶⁹ The casino industry comprised 48% of the 1981 tax base.⁷⁰ The full effect of escalating property valuation on long-time city businesses and residents, while reportedly great, has not yet been analyzed.⁷¹ Similarly, the short and long term effects of such tax increases on the city's rate of tax sharing with the county, and on aid and revenue sharing from the state, must also be analyzed.

Atlantic City luxury tax and state sales tax receipts have increased 25% between 1978 and 1979, and 26.7% between 1979 and 1980. The total 1980 yield was \$5.8 million.⁷² The first quarter of 1981 showed a 33% increase over the same period in 1980.⁷³ This is an encouraging trend, given that three-eighths of these total receipts are dedicated to redevelopment programs in Atlantic City.⁷⁴

Tourism and Conventions

Once the largest and most modern convention hall in the United States, Atlantic City Convention Hall currently contains inadequate space for exhibitions, storage, truck marshalling, meetings, and parking. Convention Hall's deterioration, combined with a city-wide loss of hotel rooms, has inhibited convention business. For example, 1980 marked Atlantic City's lowest delegate count since 1953; only 230,000 delegates⁷⁵ visited the resort in 1980 compared to 500,000 in 1965.⁷⁶ Thus, a return to its original 1965 delegate level would benefit Atlantic City with immediate and significant economic growth.

Similarly, although the city had approximately 9,000 hotel rooms available in the fall of 1981,⁷⁷ this number is approximately three-quarters

⁶⁹ Telephone conversation between Dorothy Davidson, Atlantic City Board of Assessors and this author (December 28, 1981).

⁷⁰ Atlantic City Casino Hotel Association, Fact Sheet 5 (November 1981).

⁷¹ Atlantic City's property tax rate rose 23.8%, from \$4.07 to \$5.04 per \$100 assessed valuation, as of September 1981. Atlantic City Press (September 25, 1981). Legislation has been proposed which would ease the burden of escalating property valuation on senior citizens by deferring increased tax payments. A. 1968, 199th N.J. Legis., 1st Sess. (1980).

⁷² Growth Trends, Second Quarter, 1981, *supra* note 37, at 14.

⁷³ *Id.*

⁷⁴ N.J. STAT. ANN. §§ 54:32B-1 to -29 (West Supp. 1981-1982).

⁷⁵ ATLANTIC CITY CONVENTION & VISITOR NEWS, July/August 1981, at 5.

⁷⁶ Telephone conversation between G. Gerald Kauper, President, Atlantic City Convention and Visitors Bureau and this author (March 1981).

⁷⁷ ATLANTIC CITY CONVENTION & VISITOR NEWS, July/August 1981, at 14. Of these 8,000 rooms, 6,500 of them could be considered "nationally competitive." The term "nationally competi-

of its peak 1966 room inventory.⁷⁸ Slow replacement of this stock has suppressed the renewal of Atlantic City's convention industry, encouraging the seasonal character of the city's economy. Atlantic City cannot reasonably anticipate construction of many nationally-competitive hotel rooms unless expansion and renovation of Convention Hall is assured.

To date, Atlantic City has accommodated increased traffic flow with relative ease. Additional hotel rooms would be likely to cause changes in the ways visitors travel to the resort. As of July 1981, 35% to 40% of the approximately 15 million visitors entered the city by bus, while 55% to 60% arrived by automobile.⁷⁹ Automobile and bus travel will probably remain major components of Atlantic City's accessibility. However, a higher volume of long distance air and rail travel into the city, combined with additional hotel and convention space, would enable Atlantic City to capture a large, existing, and heretofore untapped overnight destination market.⁸⁰

The upgrade and expansion of Convention Hall, an increased room base, and an established, scheduled air service could significantly affect the average visitor's length of stay in Atlantic City. It is estimated that the average Atlantic City overnight visitor stays in the city approximately one day. Las Vegas, by comparison, enjoys a duration of stay of 3.76 days.⁸¹ Considering that the average convention visitor spends \$330 to \$350 per trip,⁸² the city's potential economic gain becomes measurably significant.⁸³ Since longer patron visits result in more revenue for the hotel

tive" is used within the convention trade to denote a generally accepted standard of quality for guestrooms. Telephone conversation between G. Gerald Kauper, President, Atlantic City Convention and Visitors Bureau and this author (March 1981).

⁷⁸ Economics Research Associates, Market Support for Hotel Facilities Uptown Urban Renewal Site, Atlantic City, New Jersey 20 (January 1974) (prepared for the Atlantic City Housing Authority and Urban Redevelopment Agency).

⁷⁹ Telephone conversation between William J. Downey, Executive Director, Atlantic City Casino Hotel Association and this author (July 1981).

⁸⁰ There exists opinion that Atlantic City required a larger base of nationally competitive hotel rooms than was available in Atlantic City in early 1981 to make scheduled carrier service to Atlantic City economically feasible to the airline industry. Conversation between G. Gerald Kauper, President, Atlantic City Convention and Visitors Bureau and this author (March 1981).

⁸¹ Donaldson, Lufkin & Jenrette, Atlantic City Gaming 2 (January 20, 1981).

⁸² TRADESHOW WEEK, April 13, 1981, at 3. The reader is advised that this approximation of a national average during the period July to December 1980, does not include Kansas City, Milwaukee, New Orleans, Philadelphia, and St. Paul because this data was not available.

⁸³ If each delegate spends \$330 to \$350 per stay, *see* note 82 *supra* and accompanying text, then the "loss" of 270,000 delegates in delegate year 1980 compared to the same period in 1965, *see* notes 75-76 *supra* and accompanying text, translates into a direct "loss" of approximately 81 million delegate dollars in 1980 compared to 1965 delegate dollars.

departments, a revitalized convention industry could reduce the current demands placed on the casinos' earning capacity.⁸⁴ Most importantly, since peak convention days are Monday through Friday, and peak months September through June, a thriving convention industry would stabilize Atlantic City's still seasonal economy and complement the traditional summer and weekend visitor periods.

While upgrading and expanding Convention Hall is perhaps the single most important immediate step Atlantic City can take to increase tourism, several other strategies must be pursued. In the short term, the casino industry and the city must increase their marketing of Atlantic City as a tourist destination. Emphasis must be placed on defining Atlantic City's current overnight market and on identifying what needs to be accomplished to begin converting the day trip market into an overnight market. Additionally, research programs must identify Atlantic City's image as a destination spot and define other potential visitor markets to be tapped. In the longer term, since the concept of a tourist destination spot relies heavily on the city's image, substantial effort must focus on broad-based urban redevelopment programs and diversification of the tourist market to include a wider range of entertainment such as theatre, sports, and amusements.

Most experts readily agree that Atlantic City has unlimited potential as a convention city, but that its future as such is at a turning point. If Atlantic City is to stem its loss of convention bookings, decisive action must be taken to modernize and expand the present convention facility. If significant enough, expansion of the existing convention hall should provide sufficient market stimulus to spur construction of additional hotel rooms, and the corresponding long distance transportation connections so necessary to capture the overnight destination market and diversify the resort economy. The city, county, and state are presently working closely to achieve this end.

It is unlikely that Atlantic City's extraordinary wave of growth will be repeated in the near future. The city will face different and more challeng-

In attempting to assess the indirect effects of any particular economic stimulus on a community, economists generally apply a "multiplier" ranging between 2.0 to 5.0 to quantify the economic effect of that stimulus. Applying this principle to the direct economic "loss" Atlantic City experienced in delegate year 1980 as compared to 1965 (\$81 million), Atlantic City's approximate direct and indirect economic "loss" could range between \$243 million (\$81 million + (2.0 × \$81 million)) to \$486 million (\$81 million + (5.0 × \$81 million)).

⁸⁴ For the traditional Atlantic City hotel or motel which has no casino revenue, the economic effect of a waning convention trade and an expanding day trip market is considerably worse.

ing problems. Over the next several years, public and private concerns must focus less on establishing a new industry and more on ensuring its economic viability and competitive edge. Emphasis must shift from licensing corporate entities to analyzing and aggressively attacking regional development problems. In general, Atlantic City's goal for the future should be to improve its tourist economy and meet the goals of the Casino Control Act.

Land Speculation

Atlantic City has already experienced the problems of decline. At present, it is experiencing the problems of growth. Many of the problems discussed above are the direct and indirect effects of intensive growth occurring in a constrained time frame. Perhaps the most pervasive effect of this growth has been generated by its impact on land speculation. Such speculation, often fueled by municipal land policies that freely accommodate zoning changes and variances, has precluded recent market consideration of land purchases for anything other than prime boardwalk use. Many land owners persist in entertaining unrealistic expectations of obtaining top value for their land, no matter what the location or zoning designation, thus serving to retard secondary growth. Tax foreclosures on numerous privately-owned parcels provide some indication that this phenomenon is abating.⁸⁵ It has been argued that land speculation induces greater-than-normal rates of demolition, arson, tenant displacement, and escalation of rents and housing prices. While statistics have not yet quantified the magnitude of these events,⁸⁶ their effects are reportedly great.

Conclusion

In the past, certain qualities intrinsic to Atlantic City allowed it to maintain a position as one of the major convention destinations in the nation. This prominence has faded because Atlantic City has long been caught in a cycle of physical and economic decay. Development of the casino industry has helped to break that cycle; but even in instances where the primary tourist industry has been extensively stimulated, more remains to be accomplished. Similarly, there is much to be accomplished in

⁸⁵ Atlantic City Press, September 30, 1981, at 1. Subsiding land speculation could result in deflation of area land values.

⁸⁶ DIVISION OF PLANNING, NEW JERSEY DEP'T OF COMMUNITY AFFAIRS, REVIEW OF PROBABLE IMPACT OF ATLANTIC CITY CASINO DEVELOPMENT 32 (January 1980).

redeveloping the city. Part of this process must begin with the creation of a physically, socially, and economically diversified community. Basic components of this community include housing and its attendant commercial and support facilities. As with the tourist economy, this kind of development is capital intensive and must occur with the cooperation of all members of the private and public sector according to an agreed-upon capital development program. The casino industry must be viewed as one partner in this redevelopment process. Its investment in Atlantic City should be recognized as a singular, albeit major, economic catalyst in stimulating urban reinvestment. All sectors must play a major role in fostering and encouraging the redevelopment process over the next several years.

Even the most aggressive redevelopment activities, however, will not ensure that longstanding physical and social development problems are immediately resolved. Just as it takes decades for a city to decline, so too will it take decades for its redevelopment. Baltimore's resurgence, for example, did not begin in 1980 with the opening of the National Aquarium and famed Rouse development, but in 1950 with the long-term vision and commitment of all sectors of that city's community. To succeed, Atlantic City and New Jersey must collectively confront the city's problems, adopt an agreed-upon redevelopment strategy, and begin the necessarily long-term movement towards effectuating a redevelopment plan and solving its problems.

The overall effects of growth and redevelopment are just beginning to be felt throughout Atlantic City and its surroundings. While much of the growth has allowed Atlantic City to achieve some of its former prominence as a resort destination, strong growth is still an underlying trend to be measured against prevailing manifestations of urban decay. Four years is too short a period in which to judge whether or not the city and region are fully enjoying the fruits of economic stimulation. Further analyses of such indicators as employee salaries and spending power, the dollar value and geographic distribution of the casino service industry, and the strength, depth, and geographic dispersion of a secondary economy and labor market must be made. Only then can a clear and precise understanding of gaming's contributions to, and effects on, the local and regional economy be achieved. Much also remains to be accomplished to balance casino development with associated development of both the city's tourist and convention industry and the city's physical structure before the success of urban redevelopment can realistically be evaluated.