

Poconos Casino Offers Lesson as New York Weighs Proposals in Catskills

Written by Administrator

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Photo



The Mount Airy Casino Resort in Mount Pocono, Pa. It has generated about half of the slot revenue originally forecast by the state. Credit Niko J. Kallianiotis for The New York Times

MOUNT POCONO, Pa. — In 2006, when plans were set to transform the crumbling Mount Airy Lodge here into a casino resort, the predictions about the onetime honeymooners' getaway were as gaudy as its famous old heart-shaped bathtubs.

Once fully completed, the new complex would have 400 luxury hotel rooms and thousands of slot machines, pour hundreds of millions of dollars of spending into the area, flood state and local government with tax revenue and create 1,500 jobs in a region that was struggling to chart its economic future. And children's and educational groups would be showered with donations from a new charity funded by a healthy portion of gamblers' losses.

The reality has been far less rosy. Seven years after opening, the Mount Airy Casino Resort has fewer than half of the hotel rooms envisioned by developers, and a third of the slot machines promised in news releases. It has generated about half of the slot revenue forecast by Pennsylvania officials, and little economic spillover has occurred outside the resort. Expansion plans have long since been shelved. The much-heralded charitable foundation has raised a grand total of \$1, federal filings show.

Photo



Plans to expand the Mount Airy Casino Resort were shelved long ago.

Credit

Kelly Shimoda for The New York Times

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Those funds have not been distributed.

As New York State officials prepare to announce up to four new casinos, the case of Mount Airy — once advertised as “Your host with the most in the Poconos” — offers a cautionary lesson for residents and elected leaders in another faded postwar vacationland desperate to reinvent itself: the Catskill Mountains. The Catskills were once home to 500 hotels and scores of bungalow colonies, and Gov. Andrew M. Cuomo and legislators have talked up gambling as a path back to prosperity.

“I don’t think there’s any casino in America that didn’t say they were going to have more of an impact than it did,” said Robert Uguccioni, who retired in 2007 after 40 years as executive director of the Pocono Mountains Vacation Bureau. “Any sane person could see that it was overblown.”

Yet each of the three proposals for Catskill casinos — in or around the borscht belt destinations of Ellenville, Kiamesha Lake and Monticello — is on the scale of what was envisioned for Mount Airy: hundreds of hotel rooms, thousands of slot machines, dozens of blackjack tables. Myriad dining and entertainment options, championship golf courses, zip lines, water parks. Acres of parking for the anticipated hordes of visitors.

The promises sound equally grandiose: oceans of revenue and taxes, and thousands of new jobs — enough to give a depleted community a sharply different outlook.

The Catskills, however, are likely to face many of the same challenges the Poconos had to confront: optimistic revenue projections for semirural locations; ferocious and fast-evolving competition in a market where the novelty of new casinos often fades fast; and a dissonance between resort gambling and traditional family-friendly attractions.

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William N. Thompson, an emeritus professor of public administration at the University of Nevada-Las Vegas who has studied American gambling for decades, said there was quite likely little overlap between the region’s traditional tourists and a casino’s ordinary customer base.

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“You have to think: What do people go to these resorts for? And it’s not to sit at a slot machine,” Mr. Thompson said, pointing to outdoor Catskill pastimes like swimming, hiking and children’s summer camps. “It’s just a whole entertainment thing that doesn’t say ‘gambling.’ ”

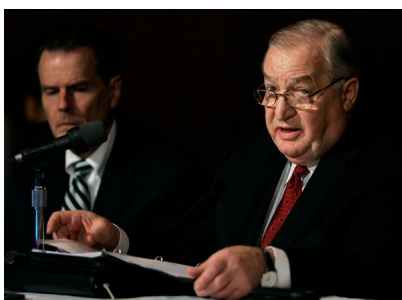
With nearly 1,000 casinos in 39 states, consumers now view them as more of an everyday local option, like movie multiplexes, bowling alleys or nightclubs, than a novelty requiring a special trip, the way the Catskills and Poconos represented idyllic summers or romantic excursions in the popular imagination, industry experts and boosters say.

But there is also little, if any, hard evidence, Mr. Thompson said, that a single casino can give a lasting lift to its surrounding area. Furthermore, he argued, the Pennsylvania and New York model of spreading casinos out may be counterproductive.

“This idea of ‘Our county gets one, your county gets one,’ it’s so self-defeating,” Mr. Thompson said. He said density, like that found in Las Vegas, was the secret to the industry’s success. “We’re a concentration of entertainment and social offerings,” he said. “And then gambling is on top of it.”

A regional revival was what officials in the four-county Poconos area had in mind when a local businessman, Louis DeNaples, won a casino license there in late 2006.

Photo



Louis DeNaples, right, testified before the Pennsylvania Gaming Control Board in Harrisburg in 2006. Mr. DeNaples was granted the casino license, but was later forced to turn the property over to his daughter.

Credit Carolyn

Kaster/Associated Press

The Mount Airy Lodge had once been the Poconos’ biggest and busiest resort, with headliners like Bob Hope, Tom Jones and Tony Bennett. But much like the Catskills, the Poconos lost ground as Caribbean vacations and cruises became widely affordable. By the end of 2001, the

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Mount Airy and another popular resort, Buck Hill Falls Inn, had closed.

Mr. DeNaples, a bank chairman whose holdings included two landfills, opened the rebuilt resort in October 2007 with some 2,500 slot machines. It faced fierce competition. A year earlier, the Pocono Downs racetrack had opened a slot-machine parlor in Wilkes-Barre, about 30 miles to the northwest. Then in 2009, the Sands Casino Resort opened in Bethlehem, 35 miles to the south. There was also a racetrack casino 50 miles away in Monticello, N.Y.

In 2006, Pennsylvania projected that the Mount Airy site would generate \$269 million per year in revenue from slot machines alone. It has never come close. Slot revenue peaked in 2008 at \$176 million and fell last year to \$143 million. Table games were added in 2010 and total gambling revenue reached \$190 million in 2012 but fell 3 percent to \$183 million last year. The company was hobbled by a \$271 million debt but managed to refinance in 2012, as Mr. DeNaples personally absorbed \$106 million of the casino's old loans.

Mount Airy had another challenge when Mr. DeNaples faced perjury charges relating to suspected ties to organized crime figures. He later avoided prosecution after turning over the resort to his daughter.

Executives at the Mount Airy Casino and Resort declined to be interviewed for this article. State officials defend the casino's performance, saying it created 1,220 full- and part-time jobs and resurrected a blighted property. "The Mount Airy location was chosen to help bring people back to the Poconos," Douglas Harbach, a spokesman for the Pennsylvania Gaming Control Board, said. "And they have."

As to the state's inflated early projections, Mr. Harbach blamed a lack of data in 2006 about casinos in the Northeast. Now, there is no shortage of data — or of new competition from other casinos hungry for gamblers' losses.

Photo



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Vincent April at his Mount Pocono store, the Olde Village Trader. Mr. April says he has not seen many additional customers since the Mount Airy Casino Resort opened.

Credit

Niko J. Kallianiotis for The New York Times

Here in the borough of Mount Pocono, the road leading to Mount Airy is dotted with empty storefronts and forlorn-looking T-shirt shops. Despite the jobs the project created at the casino itself, residents look back on their seven years of life with the casino as more like an arranged marriage than a true romance.

“It’s a wash,” Mayor Frederick T. Courtright of Mount Pocono said.

The casino actually is in Paradise Township, an adjacent municipality in Monroe County. It and other neighboring counties have received around \$7 million a year under a revenue-sharing formula imposed by the state. Paradise receives about \$1.2 million a year, about half the township’s annual budget, according to officials. That goes largely to property tax abatement, but it is not a princely sum: For a house worth \$100,000, the savings is about \$50 per year.

But Mr. Courtright said the town had incurred added costs from the casino — about two miles from his downtown office on State Highway 611, the borough’s main route — for additional road maintenance and from a rise in vehicle accidents.

And businesses outside the Mount Airy have enjoyed little overflow, said Karen Struckle, owner of the Casino Theatre, a child-friendly burger restaurant with a pint-size movie hall.

“It didn’t hurt us in any way, but on the other hand, when they were discussing it, people were saying, ‘It’s going to bring traffic, and it’s going to be good for the town,’ ” she said. “I don’t see that.”

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