

## Which bank is biggest?

Looking at deposits by Ohio branch.

EVAN WEESE, 10

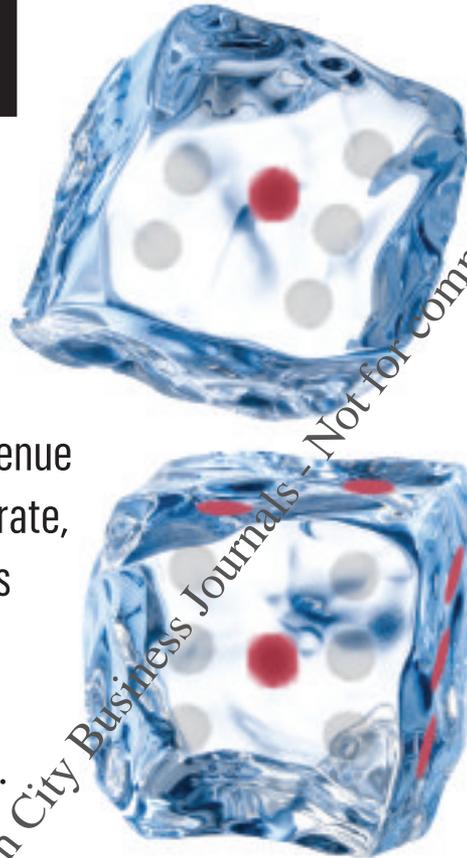


# Cold roll

Hopes were high for the tax revenue Ohio's four casinos would generate, but competition, economics and the state's late arrival to legalized gambling are chilling those expectations.

STORY, PAGE 4

How's that west-side redevelopment coming along? PAGE 7



© American City Business Journals - Not for commercial use



20 TO KNOW IN TECHNOLOGY

THE INFO-TECH REVOLUTION IS COMING 17

THE LIST

High-income ZIP codes 14

'MAKERSPACE'



Courage capital

Officials at the Franklinton Development Association and Columbus Foundation have high hopes for Alex Bandar's Columbus Idea Foundry. CARRIE GHOSE, 11

New deal for frackers

A proposal for lower gas and oil severance taxes seems to have some industry support. But will the big oil companies go for it? TOM KNOX, 12



DETROIT

THE 2014 AUTO SHOW'S BIG REVEALS 8



NICCI SPROUSE

THE SCIENCE OF DATING 23

Breaking news online  
ColumbusBusinessFirst.com

On Twitter  
@ColumbusBiz1st

Daily email updates  
ColumbusBusinessFirst.com/email

COLUMBUS BUSINESS FIRST

January 17, 2014  
Vol. 30, No. 21, \$3.00  
303 W. Nationwide Blvd., Columbus, Ohio 43215



COVER STORY

# Budgeting game all

BY ANDREA TORTORA



*“Ohio is late into the casino curve.”*

**JOHN BOYD JR.**,  
industry consultant

A clearer picture is emerging of how much Ohio can expect to earn from its casinos, now that all four are posting returns. And the reality is sobering compared with the days when billion-dollar expectations were raised to sell gambling to skeptical Ohioans.

The state’s casinos generated \$821.3 million in tax revenue in 2013, less than half of what was promised in yearly income. December was especially difficult.

Ohio’s four racinos, where horse racing is mixed with slot machine-like gambling, generated \$249.3 in revenue, pushing the state over \$1 billion for its take last year.

The slow start has prompted questions of whether Ohio, late to the casino game among Great Lakes states, missed the gambling wave’s peak. It sure looks like it, say those who monitor the trade.

Industry watchers are predicting a drop in Ohio casino revenue by as much as 20 percent by 2015. That’s when all seven approved racinos equipped with slots-like video lottery terminals will be open.

Ohio’s early showing proves timing is everything in business and economic development, said John Boyd Jr., principal at New Jersey-based Boyd Company Inc., an industry consultant.

“Ohio is late into the casino curve,” he said. “It now is faced with the lingering effects of the recession and intense competition from surrounding states, as well as from other forms of gambling like racinos and the Ohio lottery.”

**Room at the tables**

Penn National Gaming Inc., which operates the casinos in Columbus and Toledo, is taking an approach of “patience and looking long term to develop the business,” said John

COUNTING THE TILL

## GREAT EXPECTATIONS, COLD REALITY

Early estimates of state tax revenue generated by casinos are proving about twice as high as what’s been collected to date:

**\$1.9 billion**

Annual casino revenue estimate made by the state early on.

**\$821.3 million**

Statewide casino in revenue in 2013.

© American City Business Journals - Not for commercial use

CASINO TAX REVENUE

CITY, COUNTY PROJECTIONS

While Franklin County’s take in casino taxes was 25% less than it expected for 2013, conservative estimation in Columbus led to an almost perfect peg:

**\$5.69 MILLION**  
What Columbus projected it would receive from casino tax revenue in 2013.

**\$5.62 MILLION**  
What the city received, which is ...

**99%**  
of its conservative projection.

**\$16.8 MILLION**  
Initial estimate of annual casino tax revenue for the county.

**\$8.9 MILLION**  
What Franklin County projected it would receive in casino tax revenue in 2013.

**\$6.75 MILLION**  
What Franklin County received in 2013, which is ...

**25%**  
Less than the county projected.

Area of city and county dollar amounts are not commensurate with area of state dollar amounts.

# the more difficult with weak bet



JANET ADAMS

Slots at Hollywood Casino Columbus and the state's other casinos haven't been as successful as what was originally hoped. Competition from VLTs at racinos factors into that equation.

Finamore, senior vice president of regional operations.

Despite lower-than-expected payouts, money flowing to public coffers is new, and jobs were created by the thousands. The arrival of Hollywood Casino Columbus is slowly revitalizing a depressed area.

Yet those tracking the numbers urge caution when it comes to setting budget expectations.

Here's why: Spending by gamblers may not be as high as hoped in neighborhoods surrounding the casinos because it seems there will be fewer at

the tables. That has implications for counties and public agencies and what they'll get from casino-related taxes.

"Everyone needs to be realistic," said Brad Cole, research director at the County Commissioners Association of Ohio. "There is a great deal of uncertainty and lots of competition between the two types of facilities. Just look at how far off original estimates were."

Competition between casinos and racinos in Cleveland and Columbus has consequences for local governments,

said Fred Church, deputy director at the Ohio Office of Budget and Management. In both cities, VLT revenue at racinos is higher than slot revenue at the casinos. Racino revenue is treated like lottery money and is required to be spent on education. And 90 percent of casino tax revenue after payouts to winners goes to municipal governments and school districts.

That leaves budgeters wondering.

"We don't have a lot of experience yet with casino revenues when all four are up and run-

ning," Church said. "We don't know about seasonal factors that are at play. We can't say if December is going to generally be a low month for revenues, or is it really an omen that there is a downward trend?"

But what is developing in Ohio is typical of the industry nowadays, said David Schwartz, director of the Center for Gaming Research at the University of Nevada, Las Vegas. Casinos in the Northeast are showing declining revenue, while other states' gambling businesses aren't growing as briskly amid stiffer competition, he said.

Indiana, which came early to the gaming market, is seeing declines of nearly 30 percent in gambling revenue, say data from the American Gaming Association and that state's gaming commission. Its three riverboat casinos, within an hour's drive of the Cincinnati casino, have removed nearly 900 slot machines since October 2012. Competition from Ohio and Illinois is to blame. In Atlantic City, profits are down more than 40 percent, with the New Jersey seaside casino city losing out to Pennsylvania, according to data from the gaming association.

"That is just the reality of gambling in 2014," Schwartz said.

### A downward tax spiral

After several failed ballot issues, Ohioans in 2009 approved gambling and the construction of four casinos, with gross reve-

due to be taxed at 33 percent. Ohio became the 23rd state with legalized casino gambling in May 2012, when Horseshoe Casino Cleveland opened. Casinos in Toledo, Columbus and Cincinnati followed.

"Original (tax revenue) projections made to sell the deal were \$1.9 billion," Cole said. That was from an October 2009 study issued by the state Department of Taxation.

But that guidance didn't consider the influence of racinos, seven of which were planned when the casino issue went on the ballot.

The department predicted casino revenue might drop by \$500 million to \$1.4 billion once racetracks added VLTs.

By 2015, all casinos will post a full year's worth of revenue, and all racinos will be open. Cole and others predict an additional loss in casino revenue of \$100 million to \$120 million by then.

"We learned early on that those initial estimates were not likely to come to fruition," said Ken Wilson, deputy Franklin County administrator for resource management.

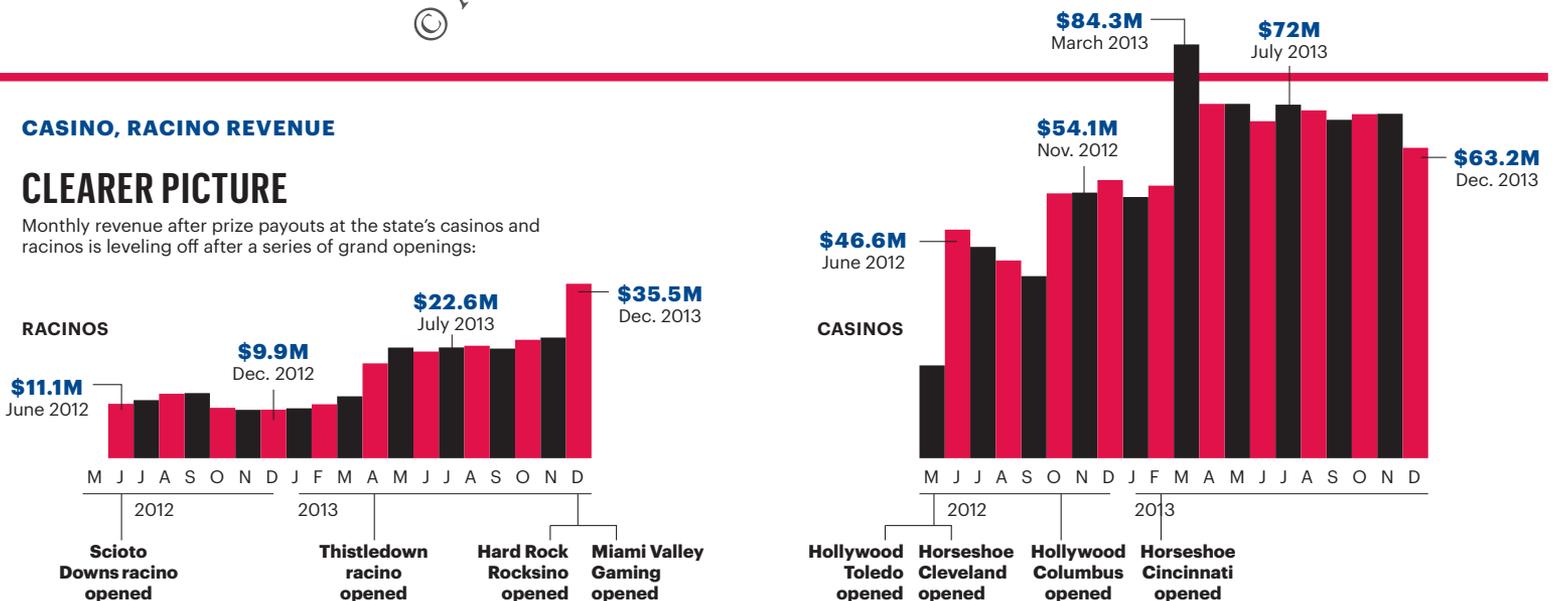
Original estimates had Franklin County pocketing \$16.8 million in annual tax revenue once the four casinos were open. The county deposited \$6.7 million in 2013, about 25 percent less than the \$8.9 million it had anticipated. For 2014, the

CONTINUED ON PAGE 6

## CASINO, RACINO REVENUE

### CLEARER PICTURE

Monthly revenue after prize payouts at the state's casinos and racinos is leveling off after a series of grand openings:



## COVER STORY

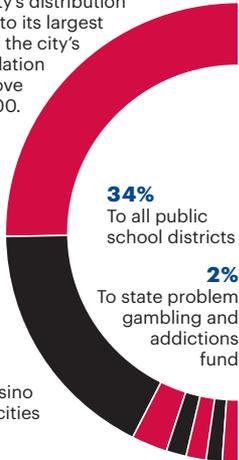
## WHERE THE CASH GOES

COUNTIES, SCHOOLS  
THE BIG WINNERS

How money generated from Ohio's 33 percent fixed tax on gross casino revenue is distributed:

## 51%

To all 88 counties in proportion to population. Half of each county's distribution goes to its largest city if the city's population is above 80,000.



## 5%

To casino host cities

## 3%

To Ohio State Racing Commission fund

## 3%

To Ohio Casino Control Commission

## 2%

To state law enforcement training fund

## ‘Economics of building big doesn’t

CONTINUED FROM PAGE 5

county expects to get \$7.4 million in casino tax revenue.

“As a source of revenue, it’s not a source that we would like to have the fate of our critical government functions tied to in any way,” Wilson said.

Columbus and Franklin County each use 25 percent of their casino tax revenue to finance the \$42.5 million purchase of Nationwide Arena by the county Convention Facilities Authority.

Not every public agency is counting on casino funds. Revenue predictions from City Auditor Hugh Dorrian were conservative. He projected the city would net \$5.659 million in 2013. The city earned 99 percent of that, or \$5.617 million.

“What we had been planning to spend, we are getting,” said Dan Williamson, spokesman for Mayor Michael Coleman. “To this point (the lower casino revenues) don’t affect us at all, other than we would have loved to have been pleas-



**“More and more, Ohio is simply cannibalizing its own state.”**

**CARL JENKINS**, managing director at Boston financial adviser Duff & Phelps

antly surprised.”

Columbus expects payments totaling \$6 million for 2014.

## ‘Cannibalizing its own’

While racinos help grow the state’s gambling market, they suck dollars and customers away from casinos. Racinos took 36 percent of the statewide market in December. The Hard Rock Racino and ThistleDown, both in Cleveland, and Scioto Downs in Columbus each boast a 38 percent market share.

Carl Jenkins, managing director at Boston financial adviser Duff & Phelps, said racinos are problematic. He studied gambling markets, including Ohio, for a report on casino gaming in Massachusetts for the Greater Boston Chamber of Commerce.

“The economics of building more doesn’t make sense. Ohio is not that big,” Jenkins said. “More and more, Ohio is simply cannibalizing its own state.”

Penn National’s Finamore said that while table games and live poker at its Columbus and Toledo casinos are exceeding expectations, the slots business has been “slower than we expected, and with new competition coming online at the tracks, one can argue it will only will get more difficult.”

## A possible turnaround?

Can Ohio’s casinos turn things around? Perhaps.

Claims that the economy is to blame don’t hold water, Jenkins said. Ohio is overbuilt and

its 33 percent tax on earnings is high, he said.

“When surrounding states have lower tax rates, you are shooting yourself in the foot,” Jenkins said.

Casino operators in surrounding states pay taxes on their gross gaming revenue at rates between 15 percent and 53 percent.

“Ohio needs to expand its market and give people more reasons to come to the casinos,” said Boyd, whose firm has worked on aspects of reinvestment plans in Atlantic City and Las Vegas. Both involve high-end events that center around horse racing.

For example, the South Point Arena & Equestrian Center opened in Las Vegas in 2006 and features 4,600 spectator seats and 1,200 climate-controlled horse stalls. It attracts championship-level events and high disposable incomes, Boyd said, and the center opened up a new market for Las Vegas. The equestrian events range from three- to 14-day shows, and

OWN YOUR SMALL BUSINESS  
...AND WHERE YOU BANK!

Telhio is the #1 SBA Credit Union,  
#4 overall SBA banking institution.

Top Lenders  
For SBA Loans

1. HNB
2. JP Morgan Chase
3. US Bank
4. TELHIO CREDIT UNION
5. Heartland Bank
6. KeyBank
7. Insight Bank
8. The Community Bank
9. PNC
10. Commerce National Bank

To grow your business, contact us today at [telhio.org](http://telhio.org)  
or call 614-221-3233, option 6.



Telhio reserves the right to modify or withdraw this product at any time. All loans are subject to credit and underwriting guidelines. Telhio is open to everyone who lives, works, worships, or attends school in Franklin County and selected surrounding communities. Federally insured by NCUA. Additional coverage up to \$250,000 provided by Excess Share Insurance Corporation, a licensed insurance company. Telhio, 96 North Fourth St, Columbus, OH 43215. NMLS #251831



## Recreation Unlimited's 22nd Annual Charity Wine Tasting Celebration &amp; Auction

Flavors of the Vine

Friday, Feb. 7, 2014  
6:30 p.m. – 9:30 p.m.  
Hilton Columbus/Polaris

proceeds to benefit Recreation Unlimited's  
camps and camper scholarship fund.

■ Now in its twenty-second year, Flavors of the Vine is Columbus' premiere wine tasting event attracting wine distributors throughout central Ohio and introducing over 150 wines from the finest American and international wineries.

■ Approximately 400 wine lovers attend this spectacular fundraising event benefiting Recreation Unlimited's camps and camper scholarship program.

■ The evening features an elegant wine tasting and great food, plus the popular silent auction of wines, restaurant and entertainment packages, and gift items.

■ An extraordinary live auction will feature items such as private wine tastings, dinners, vacations, a selection of fine wines and more!



TICKETS: (740) 548-7006  
or by email at [info@recreationunlimited.org](mailto:info@recreationunlimited.org).

presenting sponsor

The Ginni  
Ragan Family

official radio sponsor



official print sponsor



# work'

each horse brings about four visitors with an average stay of four days.

What Ohio needs is time, Finamore said. With so many casinos and racinos starting up, "it will take some time to absorb a lot of the supply."

For Penn National, it's about learning the market and its customers. To that end, slots were removed at Hollywood Columbus and more table games were added. Penn National is considering construction of a hotel there, which it thinks would drive gaming and non-gaming revenue, Finamore said.

Boosting absorption also is about educating players.

"Some look at the slots and are not sure how to play them. It's not just about pushing a button anymore. You have to make decisions," Finamore said. "It takes time to find a game they like and learn how to play it and go from there."

Strengthening ties with the community also is part of Penn National's strategy to show off its west side property to those not typically found in casinos. It has partnered with the Arnold Festival and President's Cup. Hollywood Columbus is a Blue Jackets sponsor. And Finamore said the casino's general manager is working to find ways to partner with the All American Quarter Horse Congress gathering, which draws 650,000 visitors to Central Ohio.

## Tough road ahead

If nothing changes, it is likely one casino or some racinos could close in Ohio, Jenkins said. Such a scenario could prompt efforts to reduce casino costs and allow higher payouts to gamblers, which could draw more business from outside the state, he said.

"I haven't heard anyone say, 'I'm going to go to Ohio because they have a casino,'" Jenkins said.

The key for Ohio, experts say, is to find ways to attract more customers. It won't be easy.

"Ohio overshot on taxes and the number of casinos. The next state will learn from those lessons and do it differently," Jenkins said. "The gambler doesn't care if they are in Ohio or Indiana. They go where it's close, where it's nicer and where the payout is bigger."

Andrea Tortora is a freelance writer.

# Remaking city's west side

'IT'S STARTING TO LOOK LIKE A MODERN-DAY COMMUNITY'

BY ANDREA TORTORA

**B**usiness owners and neighbors on Columbus' west side are "stepping out on faith" and pushing forward with plans they hope will capitalize on development opportunities presented by Hollywood Casino Columbus.

"It's starting to look like a modern-day community," said Rachelle Parsley, a partner at International Collision Repair Center on West Broad Street. "People are taking the initiative to make their properties look better."

Penn National Gaming's \$400 million casino at West Broad Street and Georgesville Road replaced a Delphi Corp. auto parts factory that closed in 2007.

Since the casino's debut in October 2012, thousands visit the neighborhood daily, nearly \$90 million in road construction is underway and more than two dozen businesses are investing in the area, either opening new operations or pumping money into upgrades.

Not bad for an area that in 2009 was named the most vacant in the U.S. by the Associated Press.

To those who question how much the casino can help the area, Haydocy Automotive President Chris Haydocy issues a reminder of where things started.

"Before the casino, we had businesses closing up and down Broad Street," he said. The picture is very different now.

"Hollywood Casino is no end-all, cure-all for the area around here, but it is a major step forward," said Haydocy,



JANET ADAMS

Chris Haydocy's auto dealership saw sales jump 38 percent last year. He remains committed to the area.

who also helps lead Weston Vision Inc., an organization that champions revitalization efforts in the area.

More than \$8 million is being spent on infrastructure and streetscape improvements along Georgesville Road and West Broad Street. Even more is being spent on the West Broad Street interchange as part of an \$80 million reconstruction of Interstate 270.

## Tepid township reception

Prairie Township Trustee

Steve Kennedy said while the township is opposite I-270 from the casino, the gambling house create opportunities. But he "is pretty neutral" on the casino's impact.

Franklin Township Trustee Don Cook doesn't see the casino as "being the big thing." He recalls promises of new developments once the casino opened, but said he doesn't see much happening.

"There is a big mall here that's been vacant and it's still vacant," he said.

The mostly empty Westland Mall, owned by Plaza

Properties Inc., is ripe for something new. Ideas include an Easton-like shopping center.

The mall remains a sore point for some. Parsley said many in Westland were hoping the pace of change would be faster.

"It will take years to realize the full effect," she said. "There's nothing yet at the mall and that will take time."

## Projects to be found

Now that a hotel is under construction at the Hollywood Casino, Westland business owners are counting one more improvement.

Haydocy and others note the casino site wasn't generating a dime of income before 2009, nor was it drawing employees and customers to the neighborhood.

The spotlight is now on Westland and many are determined to make the most of it. Tee Jaye's Country Place Restaurants spent more than \$600,000 to remodel its West Broad Street eatery.

Western Lanes Bowling Center is making a \$1.5 million investment. Bobby Layman Chevrolet injected millions of dollars into a reconstruction. McDonald's, Bob Evans and Huntington Bank also invested in the neighborhood.

Haydocy put \$750,000 into his Buick and GMC dealership and opened Haydocy Airstream & RV. He saw sales at his auto dealership 38 percent last year. The RV business was No. 2 in sales in the eastern U.S. in December. And his Weston Vision group is working with city and state officials to create a rails-to-trails bike hub south of the casino.

Such momentum keeps Parsley hopeful. She said today, a location near the casino can be seen by some as a positive. That never would have happened a few years ago.

"People are stepping out on faith and doing some things," she said.



JANET ADAMS

'There's a big mall here that's still vacant,' says Franklin Township Trustee Don Cook.

Andrea Tortora is a freelance writer.