

The Press Citizens Editorial Board

200 room casino hotels? / Cory H. Morowitz / Small casinos are no panacea for what's ailing A.C.

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The news from Atlantic City continues to get worse. Gaming revenues at the 11 operating casinos have declined 25 percent from their peaks, and gross operating profits have declined even more, down 46 percent. These declines coincide with a few significant events.

In late 2006 and 2007, new competition appeared in the form of gaming along the border of Pennsylvania and at Yonkers Raceway just outside of New York City. Second, Atlantic City enacted a partial smoking ban affecting patrons in our feeder markets, principally in the New York metro area, where Foxwoods Resort Casino and the Mohegan Sun compete heavily. At the same time, both Foxwoods and Mohegan were investing billions to compete more effectively in that market. Finally, the Great Recession of 2008-2009 affected consumers and altered the future of Atlantic City by freezing financial markets and drying up funding for a slate of projects that promised to change the city and make our gaming industry more competitive.

Today we are left with an industry footprint that was designed for the gaming markets of the 1980s and 1990s - high frequency gamers who had little, if any, place else to gamble but Atlantic City. Aside from a few well-positioned properties, the casinos of Atlantic City will find it increasingly difficult to compete with Pennsylvania and New York casinos, especially after they implement table games.

So, what has to happen to change the fortunes of Atlantic City?

First, the city itself has to change. Blight must be eliminated and the streets kept clean. While the beach and Boardwalk remain tremendous assets, those assets are not being utilized effectively. Let's face it, in many ways Atlantic City does not feel like a resort, yet it bills itself as one.

Second, the assets of the city have to be fully integrated with each other. For too long, the casinos have been islands unto themselves. Atlantic City and the surrounding region boast tremendous convention, retail, dining, entertainment and recreational facilities, yet they have never been fully integrated with the casinos and, to a large extent, they remain underutilized assets.

Third, the city and the gaming industry must open their arms to nongamers. Tour the gaming facilities in Atlantic City and you will find large numbers of signs beckoning "preferred" or loyalty-club customers, to the detriment of other visitors.

Fourth, the city needs more attractions that add to its critical mass. There needs to be more compelling reasons to visit Atlantic City. Whether this is in the form of headliner acts, must-see entertainment, festivals, or other

activities and events that drive large crowds, the bottom line is that the city needs to be energized, and this must happen quickly. People have to come to Atlantic City and have an experience that makes them want to come back. Just like Disney, just like New York, just like Washington, D.C.

Lastly, Atlantic City needs hotel rooms to drive convention business to the city and boost mid-week business.

Will four 200-room casino hotels accomplish this? Atlantic City has enough gaming capacity to meet demand in this more competitive environment. What Atlantic City needs is investment in assets that will attract customers who are currently rejecting Atlantic City. If the four properties envisioned under the proposed legislation can accomplish that, they would be welcome additions, indeed. In fact, why stop at four? We should allow as many as feasible and let market forces dictate what Atlantic City needs.

Back in the 1950s, city zoning ordinances prohibited motels in Atlantic City. The hotel owners had successfully kept out what they deemed to be unfair competition because motels by design could be opened cheaper, charge lower fees, and undermine the larger hotels. That ordinance was eventually overturned, ushering in a period of unprecedented development, during which several dozen motels were built along Pacific Avenue from the 1950s through the 1960s. During this period, the larger hotels stopped investing, the city declined, and Atlantic City eventually needed a bailout in the form of casino gaming.

We are faced with a similar set of circumstances today. Whether state Sen. Jim Whelan's proposal saves the city or hastens its demise depends on much more than the addition of four small casino hotels. Atlantic City must become a safe, clean, attractive and appealing resort and entertainment destination.

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