

Will a Casino Harm or Hurt East Boston? A Community Report on the Proposed Caesars Casino and Mitigation Agreement

When the ax came into the woods, the trees all said, "Well, at least the handle is one of us."
-Turkish proverb

I. Executive Summary

A Caesars casino at Suffolk Downs will change East Boston forever. To date, however, the conversation regarding a casino in East Boston has been largely one-sided, with little to no questioning or critical analysis of casino developers' of purported benefits of a casino. The City of Boston, through its Host Community Advisory Committee, sponsored a limited number of community meetings but has, from the outset, failed to provide direct answers to residents' questions and has grown increasingly silent about the casino as the date for the referendum vote, November 5, approaches.

As the organized opposition to an East Boston casino, No Eastie Casino (www.noeastiecasino.com) is gravely concerned by the one-sided approach to community engagement and education. Since the Massachusetts Legislature passed Chapter 194 of the Acts of 2011, No Eastie Casino volunteers have tracked casino-related policy changes; participated in countless community forums, including those held by Suffolk Downs and the City of Boston; and met with elected and appointed officials, residents, faith and nonprofit leaders, and small business owners about a casino at Suffolk Downs. Given that the issue at stake is the second-largest casino in the Americas¹ and a permanent change in the local landscape, the lack of transparency and inadequacy of the information made available to the community to date is unacceptable.

No Eastie Casino is particularly alarmed by the quiet acquiescence of our public officials to allow a vote to proceed without an independent, comprehensive public vetting of a large-scale development that will inevitably strain local roads and public transportation; erode the existing network of small businesses that comprise East Boston's local economy; negatively impact residents' quality of life through decreased property values and increases in crime, noise and air pollution; place higher burdens on public safety, water and our existing infrastructure; and increased addiction rates, resulting in higher health care costs for employees and their families. While the Host Community Agreement (hereinafter referred to as the "Mitigation Agreement") acknowledges some of these costs, neither the City of Boston, the casino developer (Suffolk Downs), or casino operator (Caesars Entertainment), have offered enough detail to allow the community to fully evaluate whether the purported benefits will outweigh the expected costs that will be borne residents, families, small businesses, and the community as a whole. Further, the

¹ The proposed casino would range from 150,000 to 250,000 square feet; would include 4,000 to 6,600 slots and table games; 450 hotel rooms; an additional 24,000 to 46,000 square feet of meeting and entertainment space; and more. If built at the maximum end of the spectrum, only Foxwoods Resort in Ledyard, CT would be larger. See Baigorri, Manuel. "In Macao, Betting on a Poker Boom," *Bloomberg Business Week*, 27 August 2009. Available at http://images.businessweek.com/ss/09/08/0825_worlds_largest_casinos/index.htm.

City and the developer have pushed to hold the vote before the required background checks regarding criminal activity, corruption, ethical behavior and financial stability of the casino's investors.¹

The purpose of this publication is to highlight the problems and pitfalls of the proposed casino that East Boston residents, voters, and small businesses deserve to know before the polls open on Tuesday, November 5. **The report aims to shine a light on the flawed process, expected problems impacts, and lack of protections for community residents found in the mitigation agreement and current state law.** It seeks to raise critical questions left unanswered by the casino's developer and operator, the Massachusetts Gaming Commission, and the City of Boston.

Key Findings

With regard to the overall process to date for approving and monitoring a casino at Suffolk Downs, we make the following observations:

- A **lack of transparency** about the process and parties involved with the proposed casino, including a lack of easily accessible information and/or translated versions of the Mitigation Agreement for lay audiences and non-English speakers, respectively
- A **lack of independent analysis covering the full costs community residents, families, and small businesses will bear** from a neighboring casino. If the City has conducted such an analysis, it has not made that information publically available.
- An **over-reliance by the City of Boston on the developer, Suffolk Downs, to educate and inform East Boston residents and voters** about the impacts of the proposed casino and contents of the Mitigation Agreement prior to the upcoming vote. Such a one-sided approach puts the proverbial fox in charge of the henhouse. And, it increases the likelihood that residents will receive biased information about a development that will change East Boston forever.
- The developer has and is spending **millions of dollars to lobby** politicians and influence voters.²

With regard to the Mitigation Agreement, the report includes the following findings:

- Any boost to the local economy from increased jobs will be **offset by losses in small business revenue** in East Boston's business districts
- The Mitigation Agreement lacks guarantees and critical details about the **scope of the casino, number of jobs, construction impacts on local roads,** and more

² See City of Boston, Campaign Finance Reports, available at <http://www.cityofboston.gov/cityclerk/mgcfilings.asp>. Friends of Suffolk Downs' \$1 million spending in 2012 to influence the vote; No Eastie Casino spent under \$500. This does not include millions of dollars the track and its investors spent in the years leading up to the legalization of expanded gambling. See, e.g., Van Voorhis, Scott. "Casino Series Part 4: Following the Casino Money Trail," *GoLocal/Worcester*, 18 February 2012. Available October 14, 2013 at <http://www.golocalworchester.com/news/casino-series-part-4-following-the-casino-money-trail/>.

- Little attention is paid to the **family and social costs of increased addiction, crime, and other costs to public health** in a neighborhood already disproportionately burdened
- **Mitigation funds are directed to the City of Boston, not to Eastie residents**, and will likely be inadequate to offset the additional costs residents will face from the casino
- An **opaque process for awarding mitigation funds** that appears to bypass the community, raising significant questions about residents’ ability to raise concerns and have them addressed through mitigation funds
- The creation of new or **additional layers of government bureaucracy to oversee the casino development and/or administer the Community Impact Trust funds**, much of which will be administered by further distribution to other City agencies and not to residents

III. Introduction

This August, the City of Boston released the finalized version of its Host Community Agreement (“Mitigation Agreement”) with Suffolk Downs and Caesars.ⁱⁱ Under the terms set by state law, this triggered the timeline for the host communities—East Boston and Revere, in this instance—to vote to approve or deny a casino at Suffolk Downs. For East Boston residents, the release of the Mitigation Agreement marked the first time that residents had access to several critical pieces of information, including the assumptions made by the City and the developer, Suffolk Downs and Caesars Entertainment, about proposed revenues, negative impacts, and other factors relevant for East Boston residents. (See the Appendix for a brief summary of the Mitigation Agreement.)

Both the City of Boston and the casino developer acknowledge in the Mitigation Agreement that **East Boston will bear a disproportionately high burden from the casino over the short- and long-term**. Initially, construction and traffic impacts will be high, particularly for the Orient Heights neighborhood. Over the long term, the Mitigation Agreement notes that “**approximately seventy percent (70%) of the traffic to the [casino] is expected to arrive via roads within the East Boston community[.]**”ⁱⁱⁱ It also states that the community will suffer higher burdens from increased crime, a drain on public transportation and infrastructure services, and other problems that accompany the introduction of gambling (see below).^{iv} The fact that East Boston residents will disproportionately bear the brunt of the casino’s impacts raises these critical questions:

- Does the mitigation **package adequately and fairly address the harmful impacts** East Bostonians will face?
- Do residents have strong **legal and financial protections to safeguard their interests** if a casino is approved?
- Are residents **able to make an informed decision** about likely impacts based on the data made available by the City and the casino developers?

We attempt to answer these questions using the public data available to us below.

IV. The Mitigation Agreement Does Not Adequately Protect East Boston Residents from Harmful Impacts of a Casino

Many East Boston residents have questions about the contents, enforceability, and adequacy of the promises made by Suffolk Downs in the Mitigation Agreement. In this section, we compare and contrast the contents of the Mitigation Agreement against publicly available data about the key claims made by the casino developers.

Jobs for Local Residents Are Not Guaranteed

Job creation is *the* key public argument made by Suffolk Downs as justification for the negative impacts East Boston residents will face from a casino (see, for example, *The Boston Globe*, “Suffolk Downs Offers 4,000 Jobs if Casino Comes,” 4 October 2013).^v Unemployment rates in the metro Boston area are lower than the Massachusetts and national averages, but good jobs are still in high demand in East Boston.^{vi}

The Mitigation Agreement states that the casino developer will provide a minimum of 2,500 construction jobs and a minimum of 4,000 permanent jobs.^{vii} But key information about the quality and range of jobs available to East Boston residents at the casino and affiliated properties has lagged. While the developer’s marketing materials have touted an average salary of \$42,000 with benefits, specific breakdowns or ranges on the numbers of jobs by type have not been forthcoming.^{viii} Instead, the sample jobs posted on the developer’s website include a wide range of positions, from upper management to slot attendants to seamstresses to cooks.^{ix} Absent these numbers, it is difficult to determine how many of the 4,000 permanent jobs will fall above or below the \$42,000 average. The casino developer does not appear to be bound to observe the Boston Living Wage Ordinance.

The Mitigation Agreement clearly states that not all of the permanent jobs will be immediately available following construction, which may come as a surprise to local residents. This is due to the fact that the casino will be built in multiple phases, despite the City’s initial objections (see Table 1, Timelines for Certain Economic and Traffic Changes). Furthermore, while the Mitigation Agreement stipulates that the developer must use “best efforts” to ensure that at least 50 percent of construction and permanent jobs flow to *bona fide* Boston residents, only a “substantial percentage [of the City’s total] should be from the East Boston community.”^x **This means that fewer than half of the casino’s employees are required to be East Boston residents. Even lower targets apply for minorities and women, which is concerning given East Boston’s rich diversity and heritage.**

Furthermore, the developer’s verbal guarantees that they will hit these targets are not persuasive. First, similar standards apply to most large construction jobs in Boston under the Boston Residents Jobs Policy, yet the City’s most recently available data shows that, on average, construction firms working for private developers routinely fall far short of these targets—particularly with regard to hiring Boston residents (26.73 percent).^{xi} As the *Dorchester Reporter* wrote in March 2012, even the City has struggled with getting its contractors to hit these targets.^{xii} The “best effort” standards for local hiring to which Suffolk Downs has agreed might be better understood as goals, rather than mandates.

Second, it is worth noting that at least one analysis developed for the City has questioned the number of construction jobs that will be needed:

As a further note on employment, the proponent’s data asserts that there will be about 2,500 construction jobs at the site over the 26 month construction period. However, our

initial estimation did not show the same number of workers will be needed. The total hard costs estimate (which also includes offsite improvements) only creates about 1,080 construction jobs. This disparity is likely due to differing estimates of labor productivity in the construction sector.^{xxiii}

Table 1, Timelines for Certain Economic and Traffic Changes

	<i>Estimated Start Date of April 2014*</i>	# Jobs	# Jobs for Boston (East Boston = “substantial amount” of Boston’s total)	# Jobs for Minorities	# Jobs for Women/Veterans	Legal Standard = best efforts
Construction Phase	<i>June 2014 (60 days after limited prep work begins)</i>	2,500	Boston - 1,250 (50% of total)	625 (25% of total)	250 (10% of total)	Boston Resident Jobs Policy
Year Prior to Early Opening		800	Boston – 400 (50% of total)	200 (25% of total)	80 (10% of total)	Voluntary Agreement to fill or make jobs available to target groups
Early Opening Operations Date/**	<i>June-August 2015 (12-14 months after construction)</i>	2,225	Boston – 1,113 (50% of total)	556 (25% of total)	223 (10% of total)	Same as above
Full Build-Out***	<i>June-August 2016 (24-26 months after construction)</i>	4,000	Boston – 2,000 (50% of total)	1,000 (25% of total)	400 (10% of total)	Same as above
Second hotel built and open to the public	<i>June 2019 (five years after construction)</i>	4,000	Boston – 2,000 (50% of total)	1,000 (25% of total)	400 (10% of total)	Same as above

*Assumes a casino license is awarded in April 2014 and that the developer has all necessary City approvals by that time. Residents should not rely on this date; it is intended for illustrative purposes only. However, an analysis created for the City shows a similar start date of July 2014.

**Early traffic improvements to local roads including “improvements” to Bennington/Saratoga, Boardman Street/Ashley Street, and the Boardman St/Saratoga Street roundabout, must be complete. (See Host Community Agreement, Exhibit E-1 and E-2).

**Local purchasing requirement goes into effect. (See Host Community Agreement, p. 21). The Route 1A flyover must be built. (See Host Community Agreement, Exhibit E-1).

East Boston Small Businesses Will Lose Money

Any economic development project has winners and losers. A casino is no different. While the casino may bring some jobs into East Boston, the City and casino developer have not incorporated a robust analysis of the impact on East Boston's businesses in the reports they have made publicly available. In one report commissioned by the City of Boston, analysts found that "the net economic effects of introducing gaming into the existing economic ecosystem of East Boston [would be] positive for Suffolk County and the rest of Massachusetts."^{xiv} **The analysis commissioned by the City noticeably fails to mention whether gambling will prove profitable for Eastie's local businesses, indicating that the City's analysis is primarily concerned with regional and statewide impacts, not local ones.**

This is an unfortunate oversight, since East Boston is home to many small business employers.^{xv} To the extent the casino brings jobs to the area, any gains made will need to take into account local jobs that will be lost if Eastie businesses lose customers and revenue to the casino. Research on the likely impact of a casino on East Boston's local economy is not reassuring that it is "smooth seas ahead" for Eastie businesses.^{xvi} Simply put, whether a casino can be considered a reliable engine for improving *local* economic development depends in large part on where it is sited. A 2006 study commissioned by the Federal Reserve Bank of Boston listed the following factors as indicative of whether the casino would cause a net loss in the local economy:

- Too close to **other casinos** or gambling destinations;
- The casino lacks the ability to attract high numbers of tourists from **out of state**;
- **Local residents "substitute" their spending in local businesses** (restaurants, stores, bars, and salons) to visit the casino; and
- The casino is in a community with relatively low unemployment.^{xvii}

On most of these measures, the proposed casino falls short. First, Massachusetts will host at least three resort-style casinos and a slot parlor and is in close proximity to Foxwoods and Mohegan Sun, potentially cutting into revenue the casino could see from day-trippers. Second, Boston is already in the top ten tourist destinations in the United States, beaten out only by New York City, Washington, DC, and Las Vegas by some accounts.^{xviii} It is unreasonable to assume that tourist dollars, in this case, would dramatically spike due to the casino. In fact, an analysis created for the City states that "Based on projections by a City consultant, [...] approximately 90% of casino revenue at Suffolk Downs will come from Massachusetts residents."^{xix} A second study indicated tourists will account for only 5 percent of the revenue a Suffolk Downs casino will yield.^{xx}

Casinos that rely heavily on local visitors, such as the casino proposed at Suffolk Downs, run greater risks of harming the local economy. This is because local customers, who have limited discretionary funds to spend, may choose to spend them at the casino and stop visiting local cafes, shops and restaurants. Far from creating true economic growth, the casino developers are recycling dollars currently being spent elsewhere in the state and local economies. (Casinos that rely on local visitors may also be contributing to greater problems related to problem gambling, discussed below. While this may not seem like a business problem *per se*, increases in crime rates associated with casinos, such as larceny and robbery, do not bode well for small businesses.)

Take the projections cited by Ernst & Young in one City-commissioned study, which assumed that 27 percent of the adult population (over 21 years of age) within a three-hour drive of Boston had a propensity to gamble and would visit a local or regional casino just under four times per

year.^{xxi} The Ernst & Young researchers estimated that each visit would generate \$114 in casino revenue—revenue assumed lost to the local economy. Applying these numbers against a *rough* estimate of East Boston residents (over the age of 21, 27 percent propensity to gamble, visiting just under four times per year and generating \$114 per visit) results in **\$3.28 million spent by Eastie residents alone in the proposed casino that is lost to local small businesses.**^{xxii}

To offset these negative impacts, the Mitigation Agreement purports to support East Boston small businesses as follows:

- Creating an East Boston Neighborhood Business Program to be a partial recipient of upfront and annual mitigation payments^{xxiii};
- Requiring the casino developer to use “best efforts” to spend at least \$5 million in East Boston, once the casino is fully operational in 2016 (note, however, that the casino will be open for business and competing for local dollars a full year earlier)^{xxiv}; and
- Requiring the developer to make “best efforts” to contract with at least five East Boston restaurants or businesses, excluding the airport, and to purchase art created by Boston residents.^{xxv}

There are several flaws with this approach to mitigating local business impacts. First, it is unclear how much funding the East Boston Neighborhood Business Program will receive, how it will be governed, and whether it will direct funds to the businesses hit hardest by the casino. Second, **the Agreement excuses Suffolk Downs from meeting these targets if vendors cannot meet a loosely defined “First Class Project Standard” along with the licensing and suitability requirements of the gaming authorities.** These provisions—both the “best effort” requirement and the “first class business standard”—are vaguely defined and subject to interpretation, raising serious questions about enforceability and fairness to small business owners. It is also not clear what efforts the Developer will be required to support small business owners who cannot reach the “first class business standard,” nor is it clear how this standard will be judged. Finally, we note that should the casino hit its projected revenue of \$1 billion per year, the terms of the Mitigation Agreement are such that it will have to spend only half of one percent, or .5%, on East Boston businesses.

Transportation Impacts Will Irreparably Harm Eastie Residents

If job creation has been the first and best claim of the casino developers, solving longstanding traffic woes on the Route 1A corridor has been the second. Unfortunately, not only do the transportation solutions offered by the casino developers at Suffolk Downs fail to solve the problems the casino will create, but they also fail to address longstanding needs expressed by the East Boston community that are, frankly, beyond the scope of this report. We acknowledge that there may be many additional concerns related to traffic that are not addressed below.

Additional traffic from the casino remains one of residents’ key concerns. The project will add, at a minimum, an extra 12,000 cars per day to Route 1A and local roads (or 24,000 trips).^{xxvi} That equates to **almost 4.4 million additional cars per year on East Boston’s roads—roughly a 37 percent increase in Route 1A traffic, with at least some anticipated spillover onto local roads such as Boardman, Saratoga, and Bennington Streets.** In exchange, the casino developer promises to spend \$45 million to address some of the traffic issues that exist in the area. However, this falls short in several ways:

- Estimated costs of needed improvements to the area *absent a casino or major development* are upwards of \$420 million, according to a traffic study commissioned by State Senator Anthony Petrucelli and reported by *The Eastie Times*.^{xxvii}
- Exhibit E of the Mitigation Agreement states the traffic improvements in the Mitigation Agreement are “conceptual,” implying the proposals are ideas, not firm commitments.^{xxviii}
- The Mitigation Agreement does not describe what will happen if traffic improvements cost more than \$45 million, which could place Massachusetts taxpayers on the hook for remaining improvements.
- Certain traffic improvements on local roads (such as Item 4, the widening of the traffic circle at Boardman and Saratoga Streets) assume the City has the right of way necessary to make improvements.^{xxix} It is not clear what, if any, consideration will be given to the local businesses in Orient Heights who wish to maintain the existing level of available parking in this business district, as no “neighborhood review process” is referenced.
- The Mitigation Agreement calls for a “feasibility study” to investigate needed changes at the Route 1/Route 16 interchange. Some believe this intersection will be the new home of the Boardman St. bottleneck, conceptually addressed by the Route 1A flyover. To be effective, the study will need to include the casino at full-build out and capacity, as the North Shore Transportation Study predates (and did not consider) the possibility of a Casino at Suffolk Downs and the increased volume and frequency of traffic. These roads are a system, and the efficacy of the system impacts the way that all those living and working in these communities are able to conduct their lives.

Finally, while the Mitigation Agreement increases promises to increase bike and ferry capacity to the casino site, it is unclear what, if any, benefits it adds to the community as a whole as it relates to bike and pedestrian access. While it is positive that the casino is considering these elements of green design, a truly neighborhood-friendly approach would have considered the needs in other parts of East Boston *not* servicing the casino. However, this analysis appears to be lacking in the Mitigation Agreement. Similarly, the Mitigation Agreement includes a vague, nonspecific commitment to work with the City in addressing increased use of taxis on local roads.^{xxx}

Increased Costs in Public Safety May Drain Mitigation Dollars

Recent reports by East Boston Main Streets and the East Boston Chamber of Commerce both note the same phenomenon: despite public perceptions to the contrary, official statistics indicate the crime rate in East Boston has been declining and in fact, is lower than many other Boston neighborhoods. While research on increased crime related to casino gambling is beyond the scope of this report, we acknowledge that the presence of a casino of this size will likely lead to significant increases in the cost of keeping public safe. Indeed, the Mitigation Agreement states that the Boston Police Department will have primary jurisdiction over activity at Suffolk Downs Casino, including being the first responder to all calls, handling all emergency on the property, handing all criminal investigations involving employees and patrons of the casino.

This will be an enormous burden on the Boston Police Department. It raises questions about the adequacy of the funding set aside to address public safety. Furthermore, while the Agreement

does require Suffolk Downs to provide on-site security, fire, and life safety services and on-site EMTs and to develop and implement an emergency management plan and emergency response plan, it is relatively silent on the role the casino should play in mitigating other costs in public safety. **Should the costs of protecting casino patrons and the community prove higher than expected, it is unclear whether mitigation funds set aside for the Community Impact Trust (discussed below) will be adequate to cover increased costs in public safety (fire, police and EMT) services in East Boston.**

Similarly, while the Mitigation Agreement includes minimal requirements for increased security and upgrades to the Suffolk Downs T station, it is relatively silent on other critical issues that are likely to impact residents' quality of life, such as the potential need for additional trains on the Blue Line to accommodate additional travelers; or, the need to contribute to a security plan for East Boston neighborhoods close to but not directly abutting the casino, Blue Line T stations such as Orient Heights, the Blue Line itself, or the Blue Line parking lots. Not only does the Agreement fall far short of addressing these key issues, but it also fails to seize opportunities to capture additional revenue, such as parking fees, that would pay for additional improvements already needed on local roads—improvements needed even without the additional traffic a casino will bring.

Free Alcoholic Drinks Will Contribute to Increased Drunk Driving

In stark contrast to the Commonwealth's continued prohibition of happy hour, casinos are **allowed to serve free alcohol from 8 AM till 2 AM**. This raises considerable concerns about drunk driving on local roads. The Agreement requires Suffolk Downs to establish a "Guaranteed Ride Home Program" to provide sober rides home for patrons whose driving may be impaired. This is a good idea in theory. However, the Agreement does not contain sufficient details to ensure all drunk patrons have a sober ride home. Beyond a written policy and procedure, this provision is not enforceable by residents. The Agreement *should* require, and Suffolk Downs should pay for, a drunk-driving checkpoint operated by Boston and/or State Police at all casino exits.

The Mitigation Agreement Pays Short Shrift to Likely Increases in Addiction and Other Health Costs to Residents

Unfortunately, the City of Boston did not conduct an independent health impact assessment of the casino at Suffolk Downs. We are gravely concerned that the Mitigation Agreement does not provide detailed information about the public health impacts and social costs that are likely to accompany a significant increase in air pollution from auto traffic and the introduction of localized gambling. East Boston already suffers from disproportionately high rates of substance use, hepatitis C, and heart disease hospitalizations, when compared to the City at large.^{xxxii} And, unlike other parts of the City, East Boston actually increased asthma ED visits for kids under five by 27 percent between 2005 and 2011.^{xxxii} While the potential for some public health funding is included in the Mitigation Agreement, it again remains unclear what process will be used for allocating those funds, what data will be considered, and how simultaneously occurring needs will be prioritized.

While the Mitigation Agreement does require the casino to "implement a responsible gaming plan" to mitigate the potential negative public health consequences associated with the operation of the casino, similar programs have proven difficult to enforce in other states. In Illinois, for example, a gambler on the self-exclusion list can only be identified by the casino if he or she

attempts to cash out his or her winnings – meaning the casino is more than willing to continue to take a gambling addict’s losses. **While a relatively small percentage of casino visitors will become problem gamblers, the majority of casino revenues come from problem gamblers.**^{xxxiii} Statistics on the costs of problem gambling vary, but proximity to a casino is a recognized risk factor.^{xxxiv} Other states, like New Hampshire, have used models that attempted to reduce the public and private costs associated with problem gambling to get a truer sense of net revenues. That level of analysis has been missing in Boston, skewing net revenues by failing to take into account the likely costs to be borne by hospitals, employers and families dealing with problem gamblers.

A Casino Will Impact Families’ Bottom Line, Regardless of Who Gambles

Residents can reasonably expect an increase in car insurance rates due to the increased volume of traffic. National studies almost uniformly show a casino will result in a decrease in home property values.^{xxxv} Other than a clause stating that the casino developers will use “best efforts” to work with City and state officials to monitor, reduce, or eliminate increases in car insurance rates, the Mitigation Agreement does not attempt to quantify or mitigate this likely cost to Eastie residents.^{xxxvi} No such provision exists for a decrease in property values.

V. Lack of Adequate Protections for Community Residents

Why, if the casino will be bad for local businesses, is the City so invested in making it happen? The answer is simple: casino revenues that are redirected back to the community will largely go to the Commonwealth and City budgets.^{xxxvii} Of the annual payments the casino will make to the City, a majority will disappear into the City’s operating budget. Only a portion of the revenues that the casino realizes will be reinvested back into the East Boston community to address problems the casino creates. This troubling dimension of the Mitigation Agreement is compounded upon further analysis of the structure for analyzing how the Community Impact Trust will be governed.

Mitigation Funds

The Mitigation Agreement requires Suffolk Downs to make an upfront payment of \$33.4 million dollars once it is awarded a casino license to go solely to East Boston. According to the terms of the Agreement, these funds are already allocated to five preselected areas.³ There are several issues voters should take into consideration. First, none of the \$33.4 million Upfront Community Impact Fee will be used to preserve or protect public health and safety. Second, nothing in the Agreement indicates how or whether the community of East Boston will be able to weigh in to reallocate these resources, should other priorities and needs arise as construction begins. Third, these projects will benefit some residents of East Boston, but not all. By contrast, the problems associated from the casino will be widely spread across the whole community.

In addition to the annual upfront payment, the Mitigation Agreement calls for annual funds to be allocated every year to a Community Impact Trust Fund (these numbers may fluctuate in some years). At a minimum, at least 50 percent of these funds must be dedicated to East Boston; in most years, the money available to East Boston will be \$10 million.^{xxxviii} **While \$10 million may**

³ These include improvements to LoPresti and Noyes Parks, the Umana School, a new community center and a new Neighborhood Business Development Program. Some of these programs are also eligible to receive additional funds in later years from the Community Impact Trust.

sound like a good deal of money, it represents three-tenths of a percentage point (.3%) of the City's FY13 budget and one percent (1%) of the casino's projected revenue.^{xxxix}

Without a clear cost-benefit analysis, it is not clear whether these funds will be adequate to offset the costs the City and residents will face from demands placed on public services and infrastructure and the loss in quality of life from additional traffic, pollution, noise, and gambling addiction. **It is also not clear that East Boston residents or small business owners will have control or a say in about how the mitigation money should be spent moving forward.** The funds will be administered through a newly established Community Impact Trust, which will have three voting members: the City Auditor, Treasurer/Collector, and Budget Supervisor. A member of the yet-to-be-established City Gaming Accountability Office will be a non-voting member of the Trustees. The agreement fails to outline a public process for vetting the use of these dollars in East Boston, or in Boston as a whole.

The funds for any particular line item may be reduced or non-existent, if the original estimates about police, EMT, public health, housing and transportation needs (which have not been made publicly available) or the cost of monitoring the casino are off base. The agreement states that the kinds of services that could be covered by the annual funds moving forward are quite broad, ranging from additional police services to funding the City's work to monitor Caesars/SD's job training programs. It is not clear how priorities will be selected if and when additional needs arise. It is also not clear how much of these funds are already committed, and how many are up for reevaluation if the negative impacts of the casino are greater than the City estimates.

Broad Powers Granted to BRA and To Developer Through Use of Chapter 121A for Zoning Relief

The Mitigation Agreement permits Suffolk Downs to use the process established in Chapter 121A of the Massachusetts General Laws, which effectively allows a developer to establish a contractual payment schedule, rather than rely on the typical scheme used for assessing commercial property taxes.^{xi} While a robust analysis of Chapter 121A is beyond the scope of this report, we note the following:

- Historically, Chapter 121A has been used as an incentive to encourage development of blighted properties because it provides developers with some certainty about the amount of taxes they will pay for the duration of their projects. Using Chapter 121A effectively exempts the casino from real and property taxes and, instead, substitutes several negotiated rates. These agreements last for 15 years, the same length of time as a casino license.
- **Chapter 121A allows the Boston Redevelopment Authority, in certain circumstances, to delegate the right of eminent domain (i.e., the taking of private property for the developer's use) to a private developer.^{xii}** This is an important distinction to note given the close proximity of the casino to residential properties and the

nature of some of the changes required to East Boston roads, sidewalks, and properties in the Orient Heights and Wood Island communities under the casino's transportation plan.⁴

The City Has Already Demonstrated a Willingness to Backtrack from Earlier Requirements

Under the Mitigation Agreement, the casino—and, therefore, economic benefits and jobs flowing from the casino—will be phased in (see Attachment A). This two-phased approach is an about-face by the City of Boston, which earlier demanded that Suffolk Downs and Caesars build the resort casino in one attempt. That charge was led by Mayor Menino, who stated in August 2012 that he would not support a phased approach because it would not “[provide] complete economic development for [East Boston].”^{xliii} At the time, the Host Community Advisory Committee objected to building the development in multiple stages, finding that this was not “consistent with [Suffolk Downs'] promise of developing a ‘world-class destination resort.’”^{xliii} We are concerned that this is indicative of future scenarios, in which the City and the casino developer decide upon courses of action that ignore the best interests, will, and support of the East Boston community.

The Contract Will Be Between the City and the Casino: Residents May Be Left Out in the Cold

Finally, the bar for reopening the Agreement should mitigation efforts prove inadequate is very high, and Eastie residents lack a clear path for pressing claims, should the casino fail to keep its promises or the City fail to allocate adequate funds to offset negative impacts.

VI. Full Transparency: Do We Have What We Need to Make an Informed Decision?

No Cost-Benefit Analysis

Much attention has been paid to the amount of money and number of jobs promised to East Boston and the City in the Mitigation Agreement. **But without full data on the costs mentioned above, residents are hard-pressed to know whether the deal they are being offered is fool's gold or the real deal.** Furthermore, the Mitigation Agreement leaves several key areas of concern for further study; others go unaddressed.

The Size and Scope of the Casino Development Has Yet to Be Determined

The Mitigation Agreement gives broad latitude to Suffolk Downs by not requiring specificity about the size of the development. For example, the square footage of the proposed casino devoted to slots and table games could range from 150,000 to 250,000 square feet (not counting additional space for restaurants and other amenities).^{xliv} Full details about construction and the scope of the project will likely not be publicly available until after the November 5 vote. It is

⁴ For a thought-provoking read on the use of eminent domain by the BRA and private developers, see Kressel, Shirley. “A ‘Few Lonely Cranks’ Aren’t to Blame,” *Boston*, 27 August 2012. Available as of October 14, 2013 at <http://www.bostonmagazine.com/news/blog/2012/04/27/few-lonely-crank-blame/>. See also Kressel, Shirley. “It’s Time [to] Seize the Eminent Domain Debate in Massachusetts,” *South End News*, 5 March 2010, available at http://www.mysouthend.com/index.php?ch=columnists&sc=city_streets&id=103144 (noting that Massachusetts is one of the few states that has failed to take legislative action to restrain the government’s ability to seize property rights following the U.S. Supreme Court’s landmark decision in *Kelo vs. City of New London*).

troubling that voters are being asked to approve a casino when the size of the final development could range considerably in size, scope, and potential impact.

Fox, Guard This Henhouse: Conflict of Interest with the City's Current Approach to Educating Residents

Unlike the City of Revere, Boston officials have not held community meetings to discuss the Mitigation Agreement or the proposed casino. Instead, the casino developer, Suffolk Downs, has launched an aggressive marketing campaign focused primarily on the benefits of the Mitigation Agreement, with little to no mention of negative impacts and certainly no independent cost-benefit analysis. Such a one-sided approach puts the proverbial fox in charge of guarding the henhouse. And, it increases the likelihood that residents will receive biased information about a development that will change East Boston forever.

Many Key Details Will Be Finalized After the Community Votes

The process for approving casinos at the state and local level lacks transparency. **Here is a short list of remaining details—several of them quite major in scope and potential impact, particularly on the residents of Orient Heights and Wood Island—and critical information that voters are unlikely to have about the proposed casino** and its investors before they go to the polls on November 5:

- **Final traffic improvement plans** (the Agreement states those included in the plan are “conceptual” and subject to review)
- A **Construction Management Plan to be approved by the City** that will include the actual construction schedule for the Early Opening Component and Full Build-Out Component of the Project
- The casino’s **economic development plan** and **marketing plan** to draw international and out-of-state customers
- Critical information about the **financial suitability** and identity of investors
- **Actual size** of the proposed casino, including the final number of slots machines and table games
- Detailed information about the **number, wages and types of jobs** that will be available
- A **comprehensive costs-benefits analysis** detailing projected impacts that takes into account the costs families and residents will feel from increases in public health, addiction, property values, and more
- Additional **zoning approvals** from the Boston Redevelopment Authority (BRA) that may include property taking^{xlv} (note that Suffolk Downs has already filed initial paperwork to move the process forward, and that the Mitigation Agreement includes an attestation by the City that it will work in good faith to move the process along)

VII. Conclusion

Authored by community residents who have come to oppose the casino, **this report is not intended to replace a robust, independent analysis of the proposed casino’s full costs and benefits.** Due partly to the limited information available to community residents, its findings offer an imperfect estimation of the low value of the mitigation agreement negotiated by the City of Boston with Suffolk Downs and Caesars Entertainment. In the absence of better information

from state and city lawmakers and the casino's developers, we offer this report as a service to East Boston voters, residents, and business owners who currently lack critical information necessary to evaluate the proposed casino at Suffolk Downs before they go to the polls this November 5. East Boston residents are no strangers to so-called economic developments that severely impact the cost and quality of life in Eastie. After all, residents here fought for 50 years for a balanced relationship with Massport and, most recently, fought the incursion of ethanol trains by Global Petroleum through a densely populated neighborhood.

We honor the spirit, the example, and the bravery of the community activists who have come before us and who currently live among us. We hope this report adds what value it can to the chorus of voices demanding more transparency, better governance, and real accountability from public institutions and private corporations in East Boston.

Who We Are

No Eastie Casino is a municipal ballot question committee led by grassroots volunteers who call East Boston home. Formed in 2012, we are a multi-ethnic, multi-generation group spanning languages, cultures, faiths, and income brackets and united by our love for East Boston. We believe that a casino at Suffolk Downs will irreparably damage the small business economy in our community; introduce or exacerbate existing problems our community faces from addiction, crime, and public health; decrease our quality of life and increase our cost of living; and make it more difficult for residents' voices to hold sway in City Hall. We are united to stop a casino from taking root in our neighborhood. To find out more about us and to get involved, visit us at www.noeastiecasino.com or on Facebook at "No Eastie Casino." For more information about this report, contact Policy Director Jessica Curtis at noeastiecasino@gmail.com.

ⁱ See 23K Mass. Gen. Laws § 12(a).

ⁱⁱ See City of Boston, "Host Community Agreement," available at http://www.cityofboston.gov/images_documents/City%20of%20Boston%20Host%20Community%20Agreement_tc_m3-40168.pdf. The official summaries of the Host Community Agreement may be found [here](#) in English and [here](#) in Spanish.

ⁱⁱⁱ Host Community Agreement, p. 3.

^{iv} Ibid.

^v McCabe, Kathy. Available at <http://www.bostonglobe.com/metro/2013/10/03/suffolk-downs-offers-jobs-casino-comes/1ayfXU18yshIbdaF2xcJNL/story.html>.

^{vi} The Boston metro area's unemployment rate of 6.8% is lower than the Massachusetts rate of 7.0% and the U.S. rate of 7.4%. See "Local Economy" at <http://www.eastboston.com/EBECONOMICS.html>.

^{vii} Host Community Agreement, p. 21 and Exhibits I-1 to I-3.

^{viii} "Join the Team at Caesars Resort at Suffolk Downs," available as of October 15, 2013 at <http://www.careersatsuffolk.com/> (noting that the website appears to include outdated information about local spending and traffic improvements).

^{ix} "Careers & Training," available as of October 15, 2013 at <http://www.careersatsuffolk.com/careers/careers-training>.

^x See, e.g., Boston Residents Employment Agreement, Exhibit I-3-4, Section I.H.

^{xi} Boston Redevelopment Authority, BRA Compliance Data by Project/Contractor Trade for 1/1/11 to 9/28/13. Available at

http://www.bostonredevelopmentauthority.org/compliance/BRA_FOR_THE_WEB_REP_BY_Proj_Cont_Trade.pdf

^{xii} TabEEK, Melissa. "City Wrestles with Policing Its Job Policy," *Dorchester Reporter*, 1 March 2012.

Available at <http://www.dotnews.com/2012/city-wrestles-policing-its-jobs-policy>.

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- ^{xiii} REMI, “The Economic Impacts of a Casino at Suffolk Downs,” August 2013, at p. 26. Available at http://www.cityofboston.gov/images_documents/The%20Economic%20Impacts%20of%20a%20Casino%20at%20Suffolk%20Downs%20-%20FINAL_tcm3-40501.pdf.
- ^{xiv} *Ibid.*, p. 20.
- ^{xv} Small business data retrieved from <http://leads.infousa.com/Business/ReviewCriteria.aspx> on October 14, 2013, indicates 960-1,060 registered small businesses in East Boston. However, this number is undoubtedly high and likely includes duplicates as well have businesses that have since folded.
- ^{xvi} The Chamber has actively supported a casino at Suffolk Downs, stating it would build up local business and going so far as to make the casino a key tenet of its “Prosperity Agenda.” See East Boston Chamber of Commerce, “Prosperity Agenda.” See also Fox, Jeremy C. “East Boston Chamber of Commerce Recommends Casino Benefits for Local Businesses,” *The Boston Globe*, 22 February 2013. Available at http://www.boston.com/yourtown/news/east_boston/2013/02/east_boston_chamber_of_commerc_1.html.
- ^{xvii} Federal Reserve Bank of Boston. Preliminary Memo on the Economic Impact of Casino Development, dated 14 September 2006.
- ^{xviii} See, e.g., Orcutt, April. “America’s Most Visited Tourist Attractions,” *Travel & Leisure*, December 2012. Available October 14, 2013 at <http://www.travelandleisure.com/articles/americas-most-visited-tourist-attractions>.
- ^{xix} Regional Economic Models, Inc. “The Economic Impacts of a Casino at Suffolk Downs,” August 2013. Available at http://www.cityofboston.gov/images_documents/The%20Economic%20Impacts%20of%20a%20Casino%20at%20Suffolk%20Downs%20-%20FINAL_tcm3-40501.pdf.
- ^{xx} Ernst & Young, “Financial Analysis.” _____. Available at http://www.cityofboston.gov/images_documents/Ernst%20%20Young%20-%20Financial%20Report%20to%20the%20City%20of%20Boston_tcm3-40500.pdf.
- ^{xxi} *Ibid.*
- ^{xxii} *Ibid.* See also Lima, Alvaro. “Boston in Context: Neighborhoods,” for the 2010 US Census data. Available at <http://www.bostonredevelopmentauthority.org/PDF/ResearchPublications//Boston%20In%20Context-Neighborhoods%20FINAL.pdf>.
- ^{xxiii} Host Community Agreement, pp. 26-27.
- ^{xxiv} Host Community Agreement, pp. 21-22.
- ^{xxv} *Ibid.*
- ^{xxvi} These figures are not available in the Mitigation Agreement itself; rather, they are accessible in other documents. See, e.g., “Spotlight on the Suffolk Downs Resort Transportation Proposal,” as reviewed by the Boston Transportation Department, and available at http://www.cityofboston.gov/images_documents/Transportation%20Meeting%20Packet%20and%20Agenda4-10-13_tcm3-38252.pdf. Note, in particular, the incorporated letter from Boston Transportation Department Commissioner Thomas J. Tinlin to Secretary Richard K. Sullivan, Executive Office of Energy and Environmental Affairs, dated March 26, 2013.
- ^{xxvii} Lynds, John. “Senator Petrucelli: Put Casino Legislation in Hands of Voters,” *East Boston Times-Free Press*, 19 March 2010, available at <http://www.eastietimes.com/2010/03/19/senator-petrucelli-put-casino-legislation-in-the-hands-of-voters/> (citing a pricetag of \$420 million to fix the lower North Shore route, and suggesting that Route 1A be widened from Curtis Street to Mahoney Circle to the tune of \$40 million and some property taking).
- ^{xxviii} Host Community Agreement, Exhibit E-1, Section I.
- ^{xxix} Host Community Agreement, Exhibit E-1, “Narrative Description of Off-site Improvements,” Item 4-Boardman Street/Saratoga Street.
- ^{xxx} Host Community Agreement, p. 25.
- ^{xxxi} See Boston Public Health Commission, “Health of Boston: A Neighborhood Focus,” 2012-2013, p. 11. Available at http://www.bphc.org/about/research/Forms%20%20Documents/HOB12-13Docs/HOB12-13_FullReport.pdf.
- ^{xxxii} *Ibid.*
- ^{xxxiii} Jonas, Michael. “The Casino Debate’s Achilles Heel,” *Commonwealth*, 15 September 2011. Available at <http://www.commonwealthmagazine.org/Voices/Back-Story/2011/Summer/010-The-casino-debates-Achilles-heel.aspx>.
- ^{xxxiv} New Hampshire Gaming Study Commission, Final Report of Findings, May 18, 2010.

^{xxxv} National Association of Realtors, “Economic Impact of Casinos on Home Prices: Literature Survey and Issue Analysis,” available at <http://ims.rapv.com/documents/CasinoResearch-NAR.pdf>.

^{xxxvi} See Host Community Agreement, p. 25.

^{xxxvii} Platt, Larry. “The Economic Growth Fallacy of Supporting Casinos.” *The Philadelphia Inquirer*, 12 May 2013.

^{xxxviii} Host Community Agreement, pp. 26-30, Exhibit K-1.

^{xxxix} Boston’s budget for FY 2013 was approved on June 26, 2013 at \$2.6 billion dollars. According to press reports, Caesar’s/Suffolk Downs anticipate annual gross gaming revenue will be \$1 Billion. Assuming their projections are correct, this means about 1.5% of their revenues would flow back to East Boston. It is worth noting, however, that financial analysts have raised major concerns about Caesar’s’ business strategy and financial strength.

^{xl} Host Community Agreement, p. 20.

^{xli} 760 Code Mass. Regs 25.06,

^{xlii} See Arsenault, M., “Menino Objects to Phasing in Casino at Track: Wants Suffolk Downs Completed in 1 Shot,” *The Boston Globe*, 22 August 2012. Available at <http://www.bostonglobe.com/metro/2012/08/21/mayor-menino-objects-suffolk-downs-plans-for-phased-casino-development/vcWKwFtQeCOJzznaEbA33K/story.html>.

^{xliii} The same letter expresses dismay that the casino developers had not yet provided the City with requested studies, including a social impact study and a comprehensive economic impact study. It is unclear whether all of those studies were provided. See Letter from the Host Community Advisory Committee to Sterling Suffolk LLC, “re: *Host Community Mitigation Agreement*,” dated 21 August 2012, available at http://www.cityofboston.gov/images_documents/HCAC%20Letter%208%2021%2012_tcm3-33521.pdf. We note that the City has publicized a financial analysis of the proposed casino’s revenues, including a SWOT analysis. See Ernst & Young, “Financial Analysis,” available at http://www.cityofboston.gov/images_documents/Ernst%20%20Young%20-%20Financial%20Report%20to%20the%20City%20of%20Boston_tcm3-40500.pdf.

^{xliv} See, e.g., Host Community Agreement, p. 2.

^{xlv} See Boston Redevelopment Authority, *A Citizen’s Guide to Development Review under Article 80 of the Boston Zoning Code*. Available at <http://www.bostonredevelopmentauthority.org/PDF/Documents/A%20Citizens%20Guide%20to%20Article%2080.pdf>.