

# **CASINO GAMING AT LAKE TAHOE: THE REALITIES**

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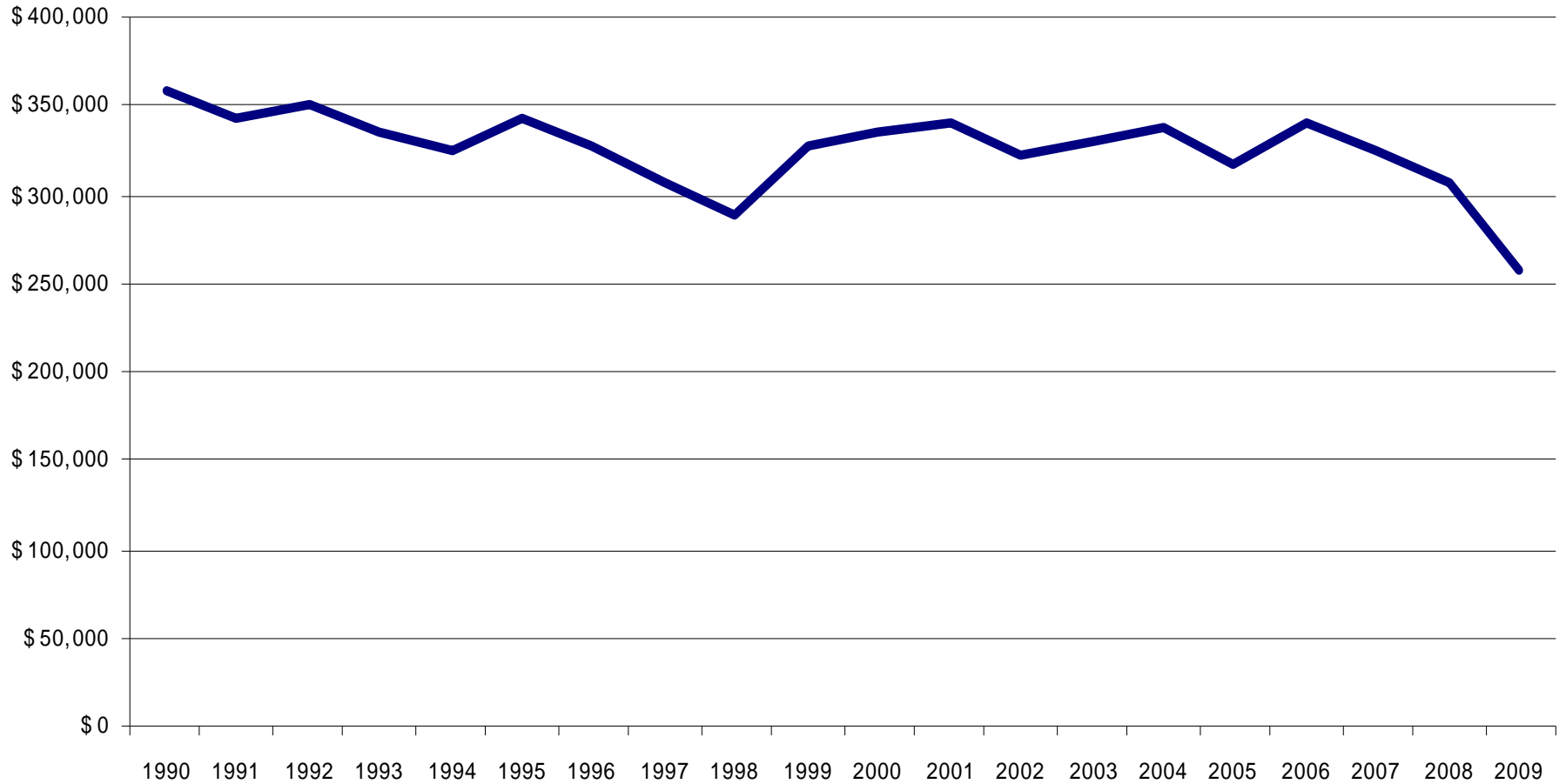
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# **UNDERSTANDING THE ECONOMIC REALITIES OF GAMING AT SOUTH LAKE TAHOE**

- **The South and North Lake Tahoe casino industries by all standard measures declined by about half between 1990 and 2007**
- **The effects of the recession, as well as the opening of the Red Hawk Casino, has removed another 30% of the business at South and North Lake Tahoe since 2007**
- **These trends will not reverse themselves, regardless of what is built at South Lake Tahoe or North Lake Tahoe**
  - **This is widely known by all major gaming companies and financial institutions**

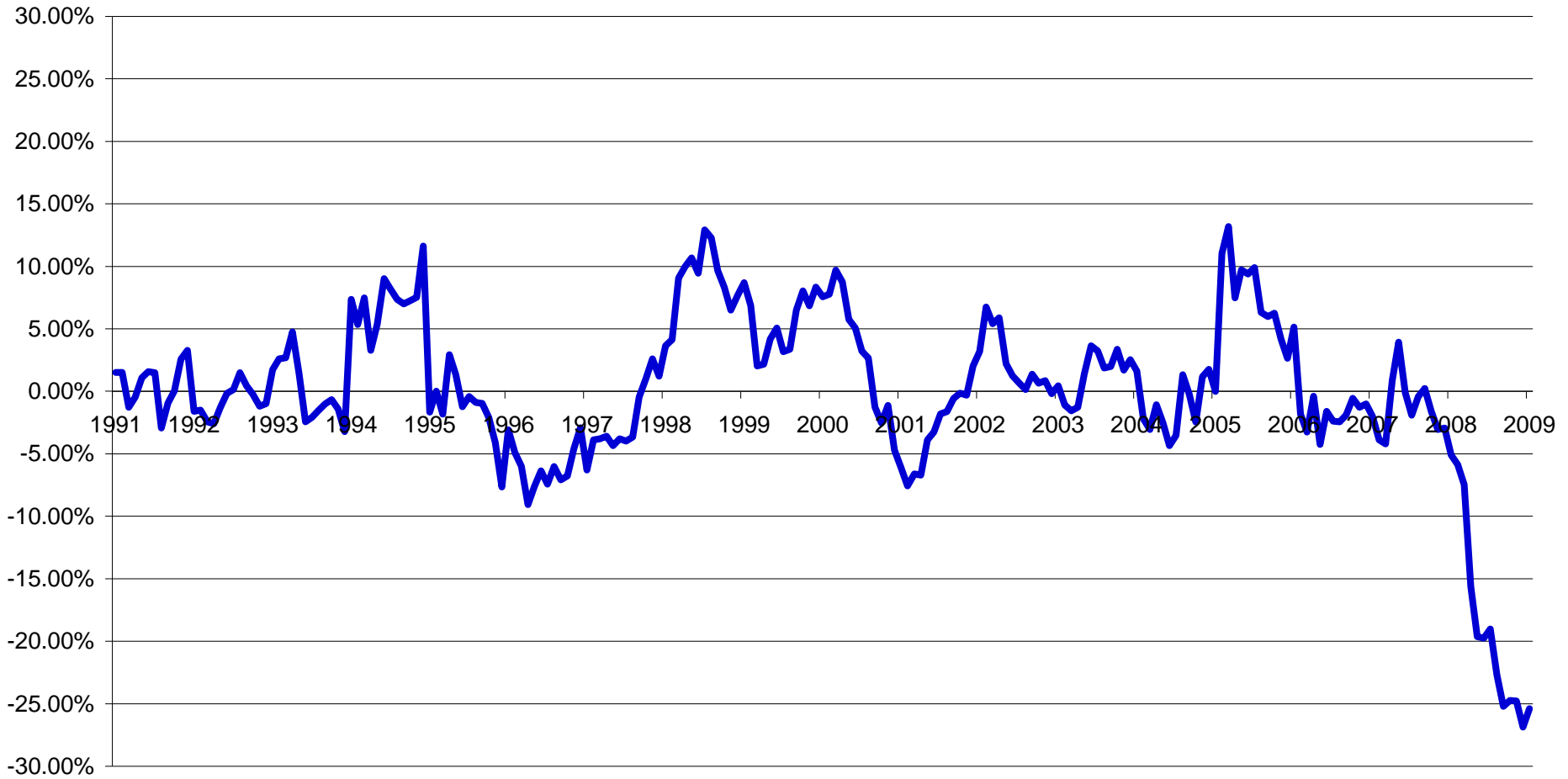
# SOUTH LAKE TAHOE GAMING REVENUES

## (\$ thousands) 1990-2009



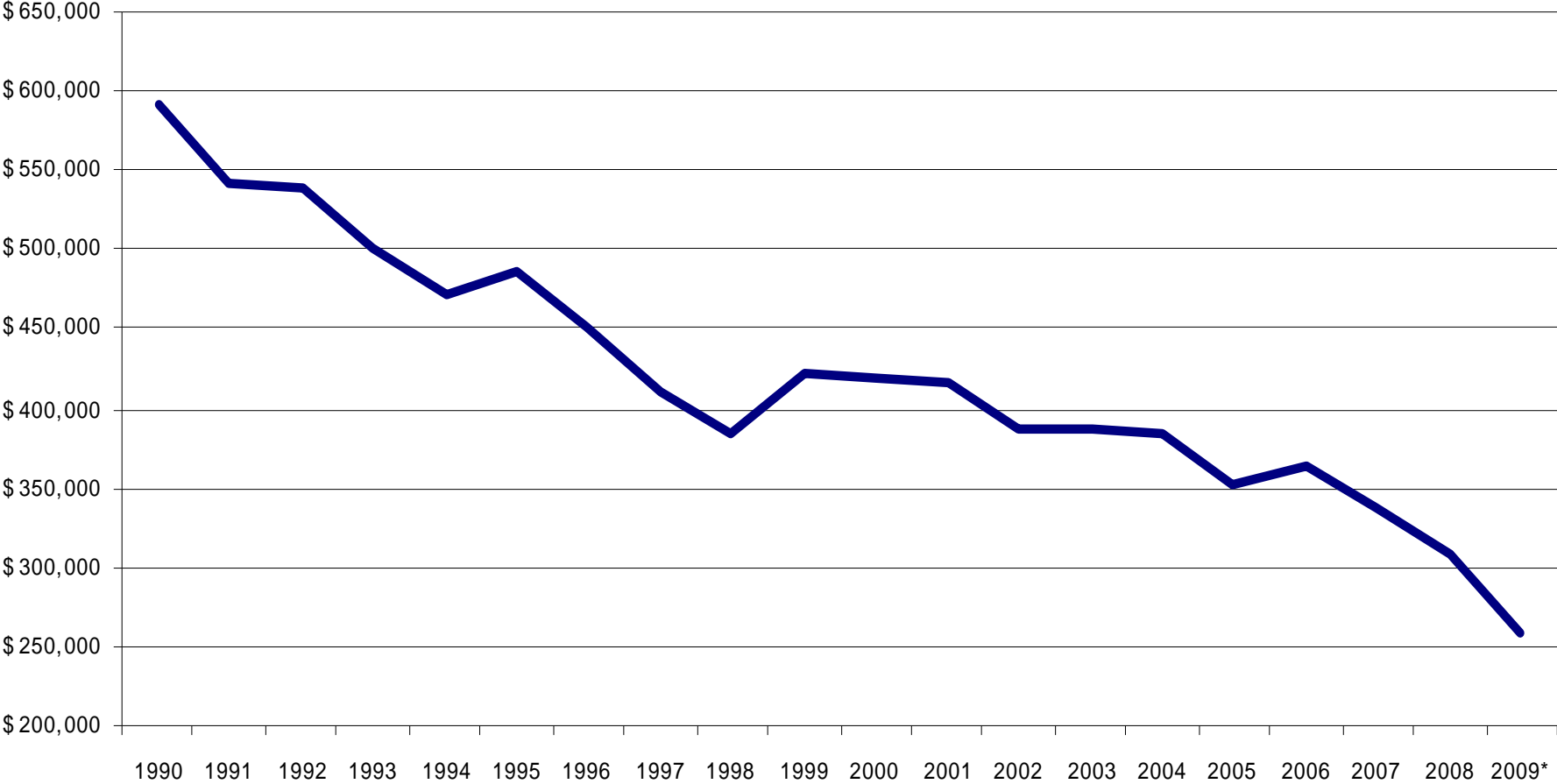
# SOUTH LAKE TAHOE GROSS GAMING REVENUE GROWTH 1990-2009

## 12 Month Moving Average

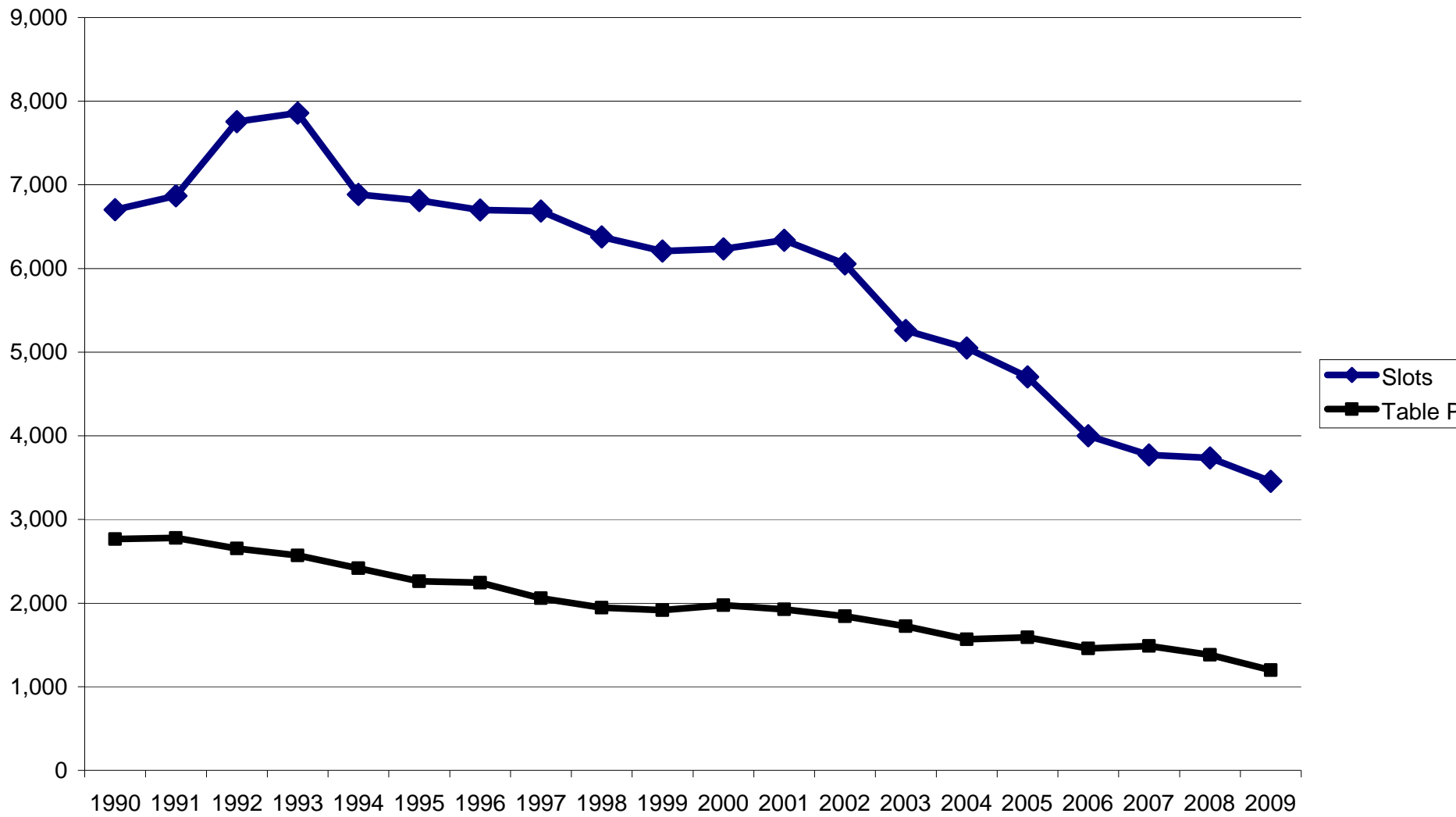


# SOUTH LAKE TAHOE REAL GAMING REVENUES

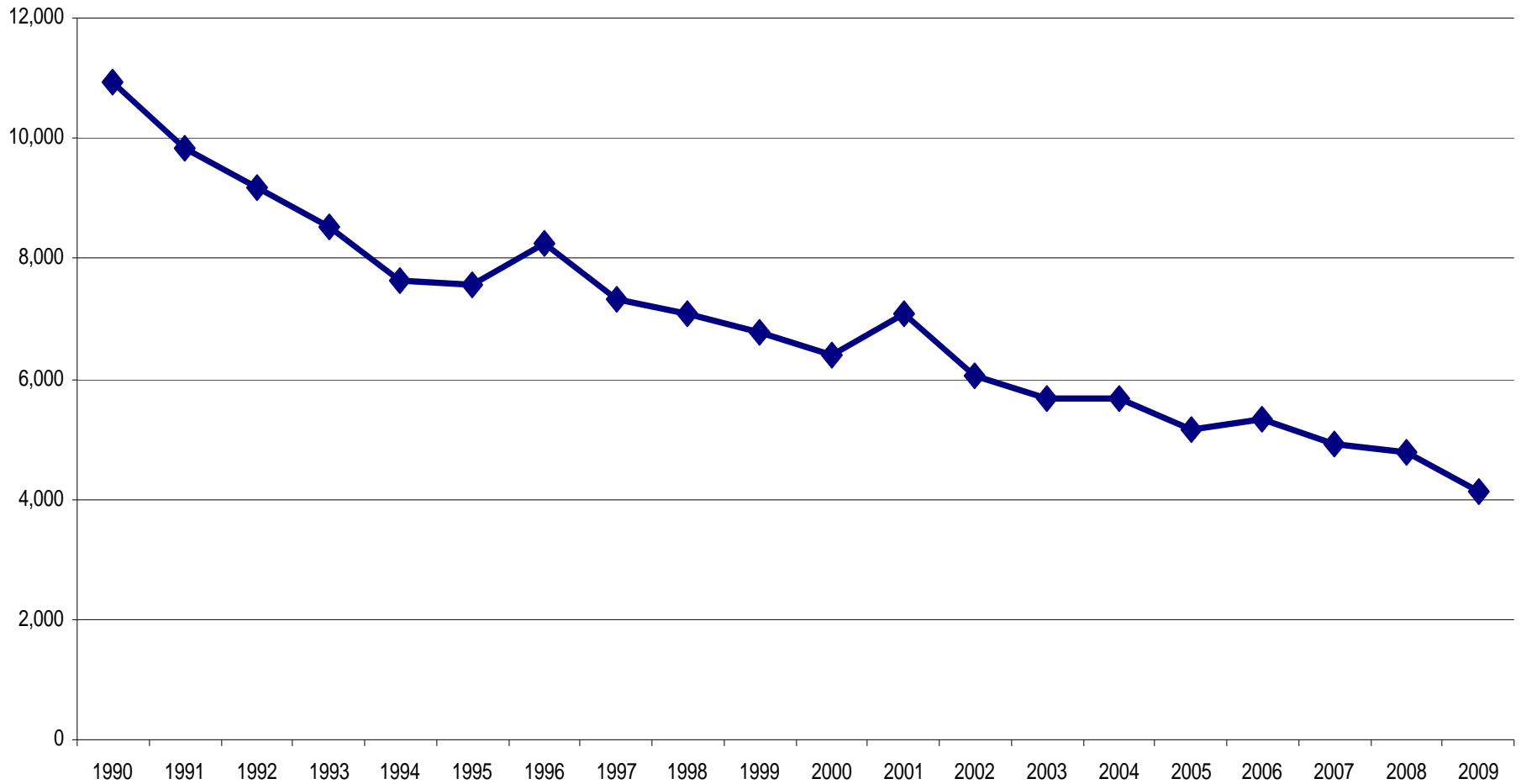
## 1990-2009 (2009 dollars)



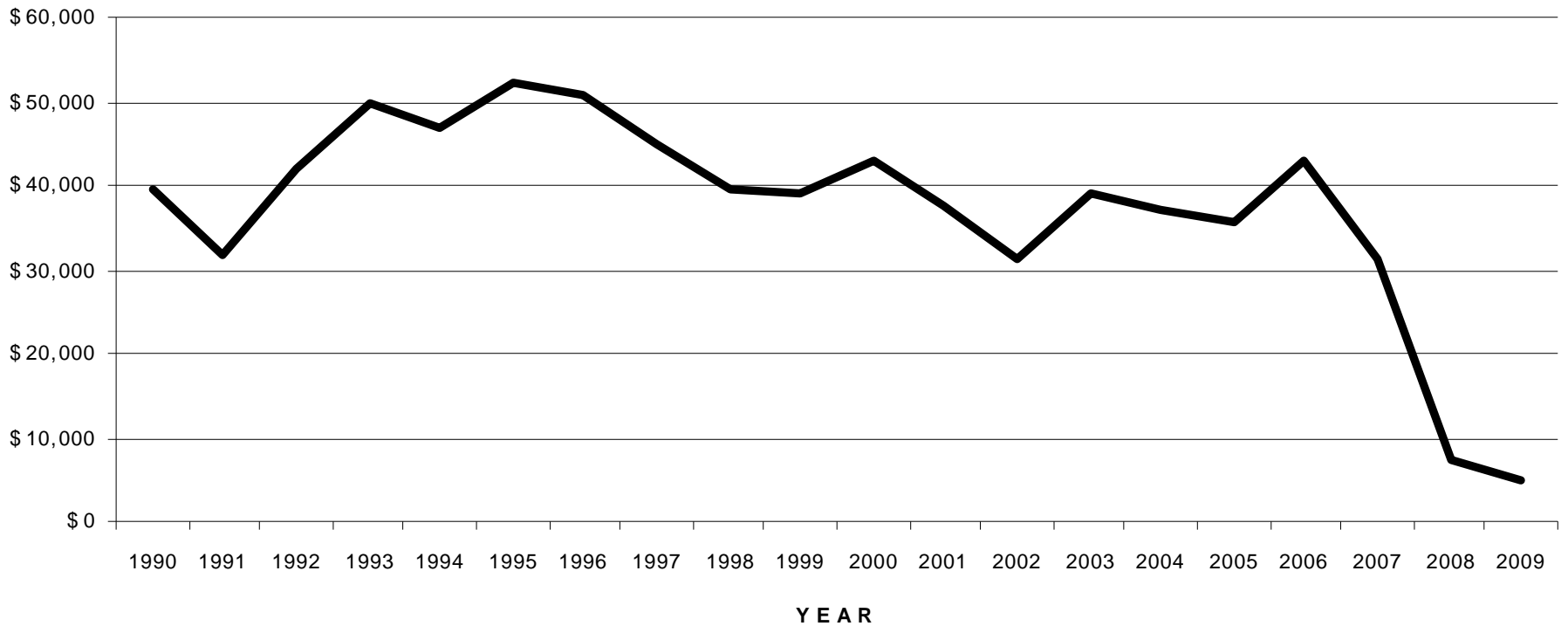
# SOUTH LAKE TAHOE SLOT MACHINES AND TABLE GAME POSITIONS, 1990-2009



# EMPLOYMENT, SOUTH LAKE TAHOE CASINOS 1990-2009

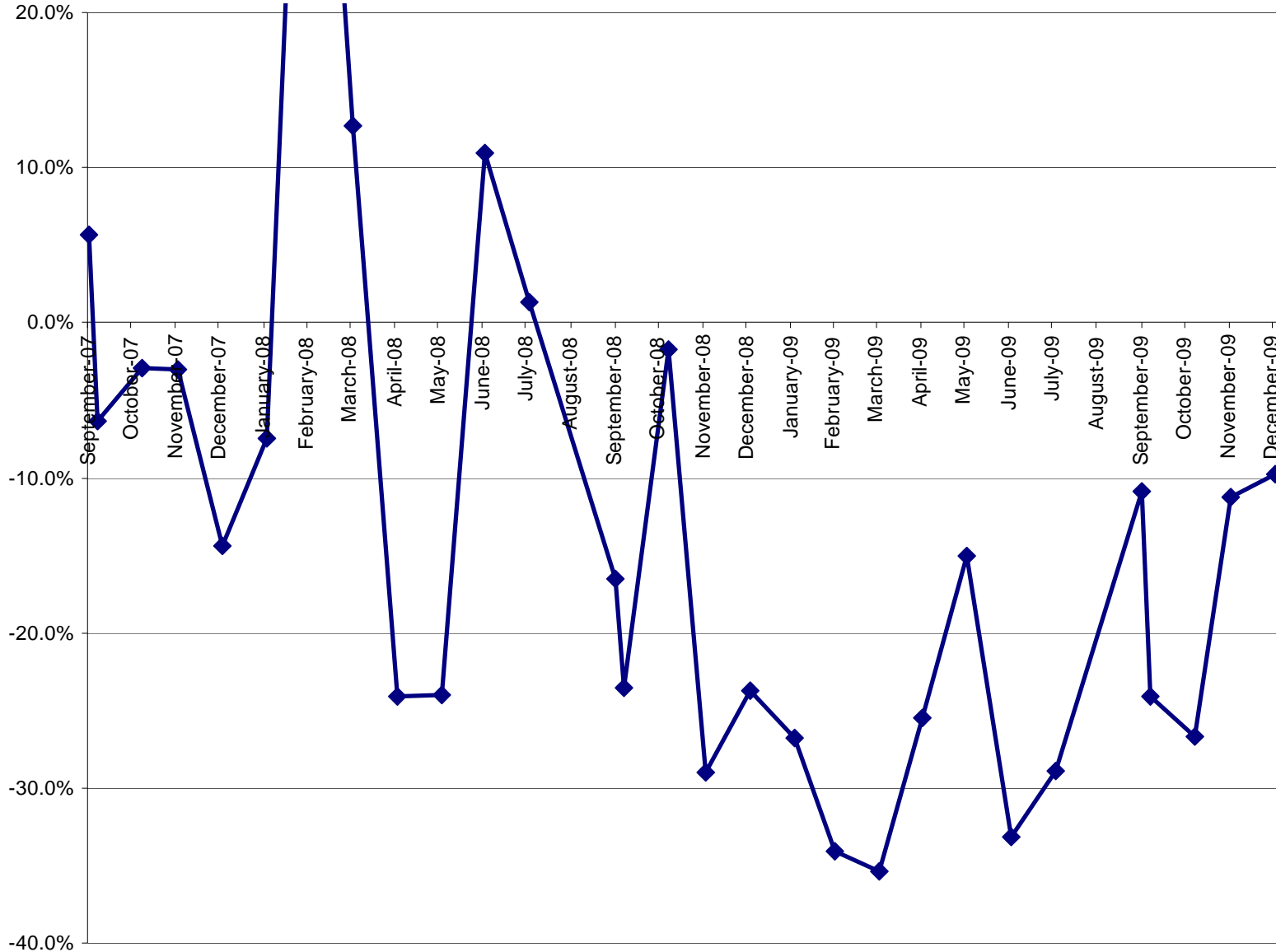


**SOUTH LAKE TAHOE, NET INCOME ADJUSTED  
FOR INFLATION (& mark-to-market)  
(\$ thousands) 1990-2009\***



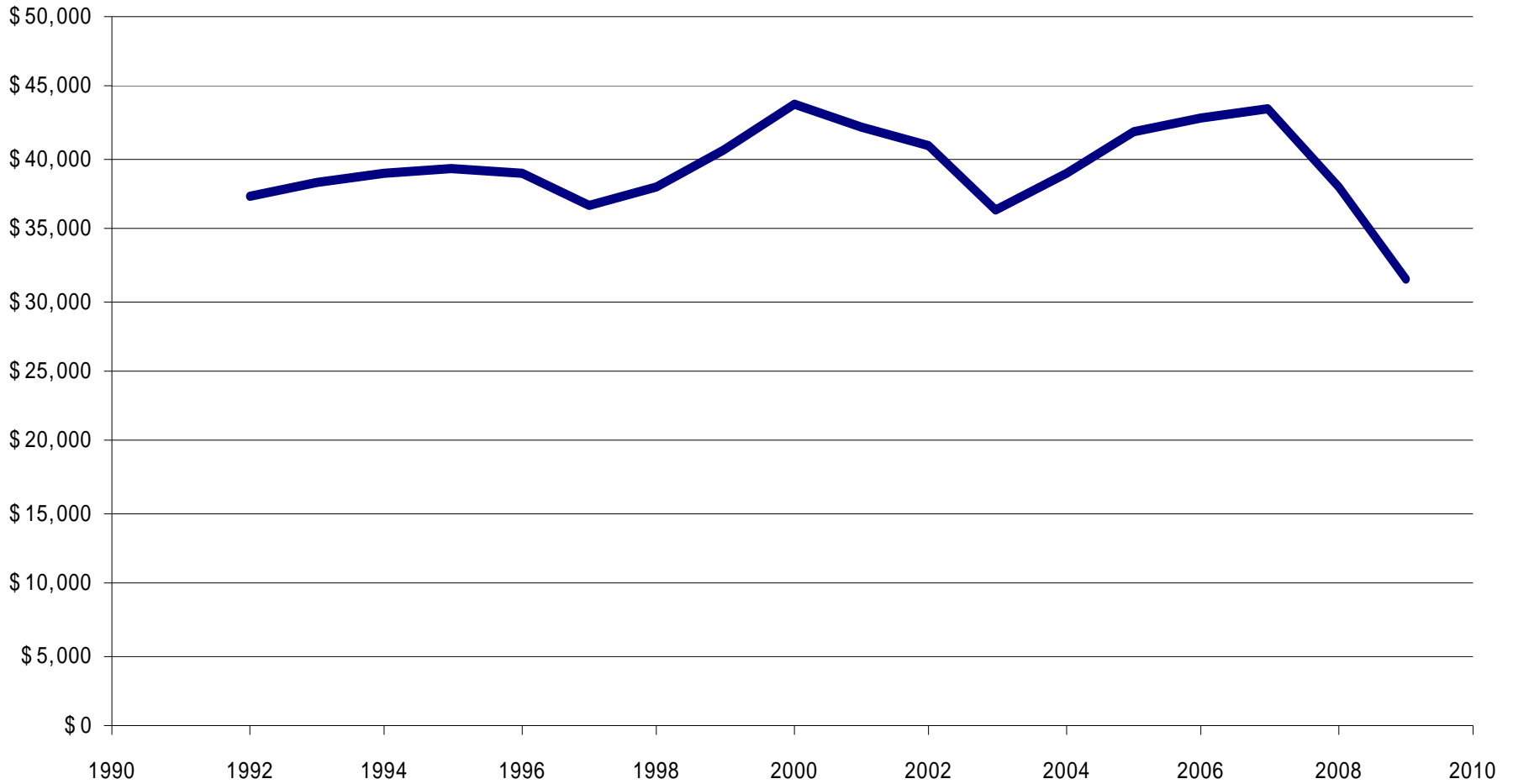


# SOUTH LAKE TAHOE GAMING REVENUE GROWTH YEAR OVER YEAR 2007-2010



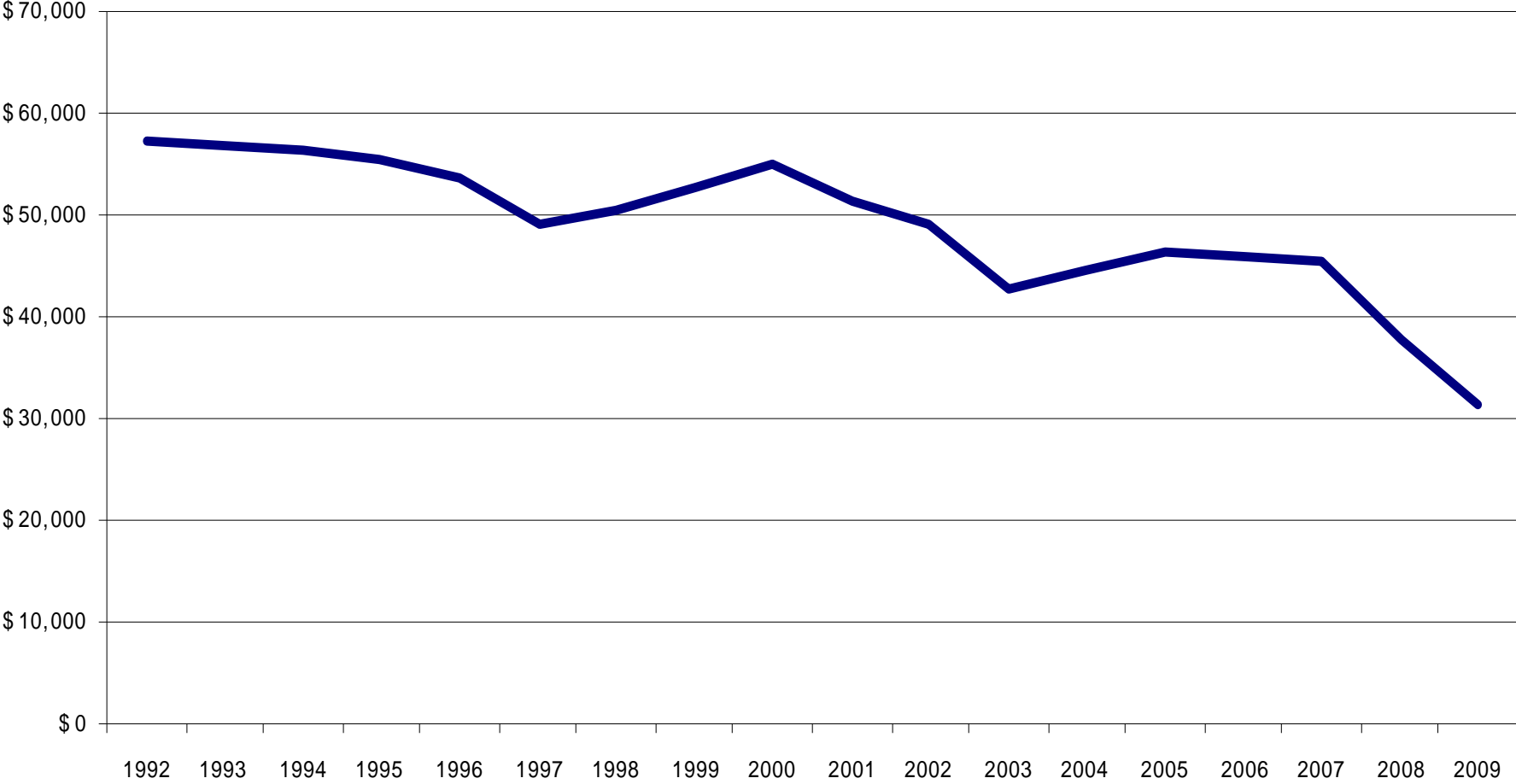
# NORTH LAKE TAHOE GAMING REVENUES

## (\$ thousands) 1992-2009

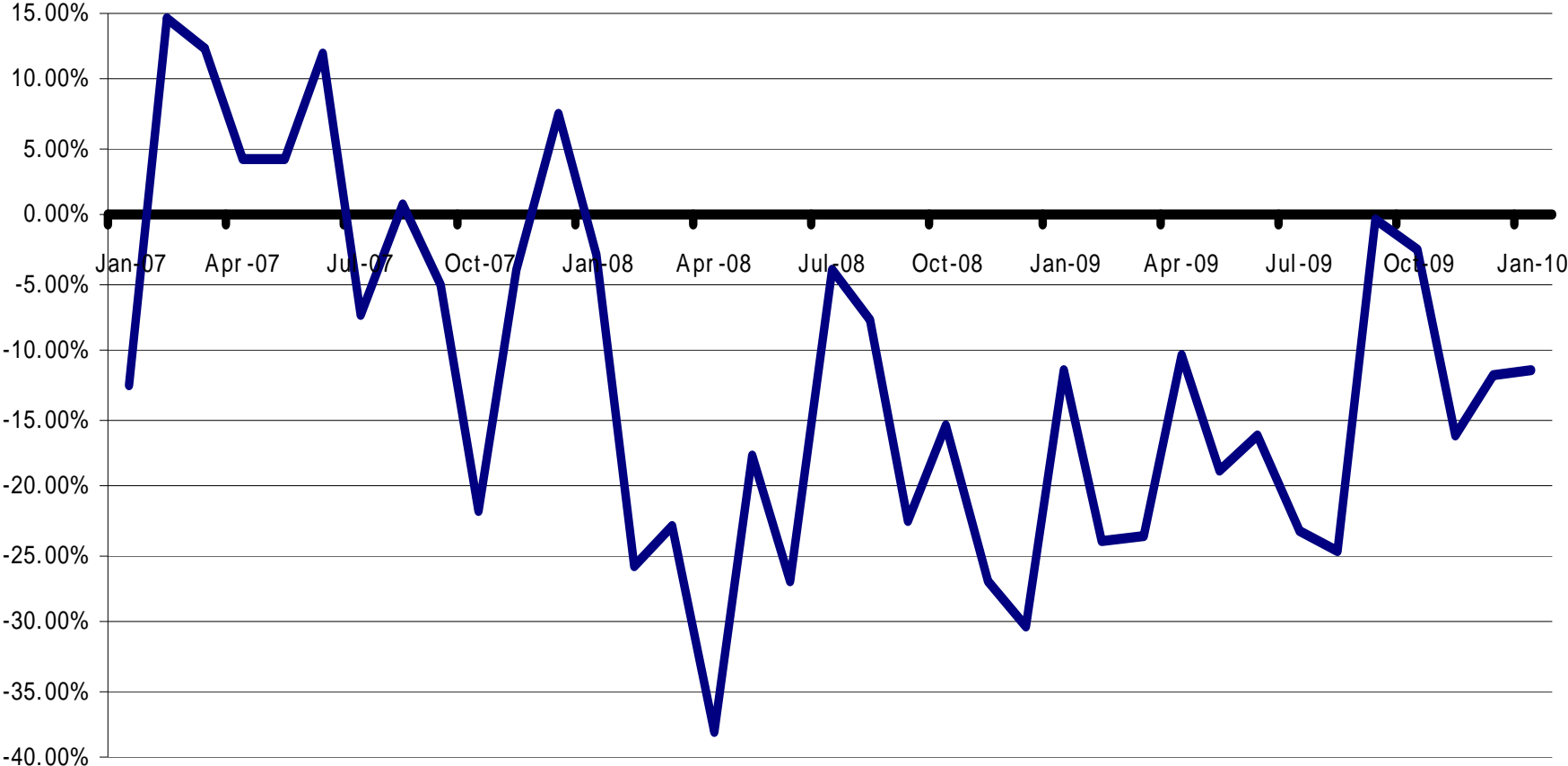


# NORTH LAKE TAHOE REAL GAMING REVENUES

(thousands of 2009 dollars) 1992-2009



# NORTH LAKE TAHOE YEAR OVER YEAR GAMING REVENUE GROWTH RATES 2007-2010



# **REASONS WHY WE HAVE SEEN THESE TRENDS**

- **Lack of new casinos, and limited new capital investment in existing casino facilities**
- **The proliferation of legal casinos in the region, and especially in Northern California since 1990 (esp. Thunder Valley & Red Hawk)**
- **Mega-casino developments in Las Vegas since 1989; and**
- **The reduction in airfares and the increase in convenience of flying to Las Vegas**

# **MAJOR LESSONS TO BE LEARNED**

- **People who came to Lake Tahoe to gamble in the past were not attracted by the beauty or recreational opportunities of Lake Tahoe**
  - **Too many good alternative choices for those motivated by gambling**
- **No business or financial institution is going to commit to a gaming-centric tourism strategy in this market ever again**
- **The alternative strategy of Tourism Accommodation Units has also seen dramatic declines throughout the country**
  - **Bi-product of the end of the housing bubble**
  - **Las Vegas in particular has seen the potential of this business model virtually eliminated since 2007**

# PERSPECTIVES ON SOUTH SHORE V. NORTH SHORE

- **South Shore (in the casino core) has considerable tourism infrastructure in place, plus destination resort amenities that will support future resort development**
  - Access to Lake Tahoe beaches; to world class golf; to Heavenly Valley
  - Hiking and biking trails are accessible
  - Various restaurants, retail shopping, supermarkets and entertainment outlets within walking distance
- **North Shore (in the casino core) does not have any of these amenities**
  - No Lake access; miles from ski areas and golf
  - Must drive or be shuttled for all the above activities
  - Roads are too steep and narrow to encourage biking

# **STRATEGIC PERSPECTIVES ON TOURISM AND LAKE TAHOE**

- **Traditional visitors:**
  - those attracted by Tahoe's aesthetic characteristics and recreational opportunities
  - those attracted by the casinos
- **Future emphasis has to be placed on the former group, not the latter**
  - Catering to the higher end of that group is where Lake Tahoe's greatest potential lies
- **Lake Tahoe has constraints due to location and inconvenience that will not disappear relative to alternatives**
  - Highway construction and airport development will be marginal contributors at best



# OTHER FACTORS

- **The national economy will eventually recover and the environment for Alpine leisure and recreation will again strengthen at some future period**
  - Will the market for Tourist Accommodation Units ever return?
- **Banks will not finance either casinos or Tourist Accommodation Unit projects in the intermediate future => Too badly burned in the past 3 years**
- **The Tahoe brand is still valuable, though no longer important with respect to gaming**
- **At South Lake Tahoe, there is strong potential for emulating successful resort areas that are Alpine, pedestrian oriented, and prestigious**
  - Aspen, Vail, Whistler, St. Moritz, Davos
- **At North Lake Tahoe (with exception of Tahoe City) there is not**

# RECOMMENDATIONS

- **Be realistic in what you support**
  - **Gaming projects, Tourist Accommodation Unit projects without true Alpine resort amenities are candidates for failure**
  - **Banks will not finance them**
- **Avoid approving projects that offer little probability of success**
  - **Unfinished projects are a blight on other tourism businesses and the general attractiveness of the entire basin**