



CITY OF WASHINGTON, ILLINOIS Public Safety Committee Agenda Communication

Meeting Date: November 16, 2020

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Agenda Item: Discussion Regarding Reducing Waiting Period for Gaming Licenses

Explanation: The current gaming ordinance requires a two-year waiting period before a currently-licensed business (e.g. a new business) can receive a gaming license. The waiting period was enacted in 2017, intended to ensure a new business integrated in to the City, providing a significant, positive social and business context beyond gaming. In 2017, the Council recognized that gaming contributes to the social structure of the City by providing a recreational outlet and contributes to the business structure by supporting the business that contains terminals. This was balanced against substantial social costs to gaming. The Council recognized that substantial sums of money flowed from residents and visitors to out-of-town businesses, which did not necessarily place a high value on the overall wellbeing of this community. The waiting period was among several measures considered during a moratorium on new gaming licenses. The resulting ordinance provided an exception when a currently-licensed business changes hands and the new owner obtains a state and City gaming license within a year of the transfer. This exception was intended to maintain the value of a currently-licensed business.

The Committee of the Whole directed preparation of a draft ordinance amendment that would eliminate the waiting period as applied to a location that previously housed a licensed video gaming establishment, without regard to whether the licensed business was sold or transferred. Currently-licensed businesses include bars and a fraternal/service organization.

A recent example of a potentially affected site is the building that formerly housed McMahon's. That business closed and its liquor and gaming licenses expired. The building formerly occupied by McMahon's has a different owner, has been vacant for several months, and remains so. A potential new buyer has emerged, who would rent part of that space to a new, related venture. That venture would apply for liquor and gaming licenses. Elimination of the waiting period would allow that business to receive the gaming license immediately. Beyond this example, any future business in any location that housed a gaming establishment previously, or after a certain date, would be able to apply for licensure. While eliminating the waiting period would remove one safeguard intended to encourage integration of a business into the business and social context promoted by the City, some other safeguards apply. Of particular note is the requirement that a bar maintain a level of food and drink sales such that these make at least 60% of its total revenue. A business that prepares food for or transfers food to another business could count that income as revenue towards the 60% - unless there is a requirement that the 60% must be from the retail sale of food and drink. Other requirements include minimum customer seating and floor space ratios and limitations on the number of licenses and terminal stickers in the City overall.

Several options would fulfill the Committee direction for production of a draft for consideration:

1. Eliminate the waiting period for business locations that held licensed gaming at any time since July, 2012, when gaming was licensed in Illinois;
2. Eliminate the waiting period for business locations that held licensed gaming at any time since October, 2017, when the waiting period was instituted;
3. Eliminate the waiting period for the above locations when there has been no other unlicensed business operating at the location after the last license was issued;
4. Eliminate the waiting period for all potential locations.

Additional options include maintaining the waiting period or reducing it.

Elimination of the waiting period for a previously-licensed location is predicated on an idea that the conditions of the area do not change just because a particular business stops operation; a location that is conducive to gaming one day is likely to be permanently conducive to gaming.

We believe that each neighborhood environment can change over time, so that a business that fits in a neighborhood when licensed may not contribute to the neighborhood at a later time. Alternatively, another location may be better suited for a gaming business, but would be required to wait, potentially derailing a business that would improve the City. The consideration of changing conditions also applies to a city-wide view, in that a city that supports a certain distribution of gaming establishments may determine that a different distribution, such as a gaming or entertainment district, is more likely to serve the overall goals of the city. Tying a regulatory advantage to an address would not preserve value for a business that directly served the community fabric over time, but would provide value to a secondary business, property ownership, expanding the scope of this regulatory advantage.

Eliminating the waiting period for all properly-zoned properties would reduce record-keeping requirements and associated potential disagreements or errors, as well as eliminating location-specific regulation that makes certain locations more valuable regardless of whether a property owner is connected to a licensed business other than by a landlord/tenant relationship. (We note that landowners who rent property provide an important service by providing opportunity to businesses that would otherwise require more extensive capital.)

Fiscal Impact: Varies. In the event an establishment is licensed for gaming 2 years sooner, the City would realize a one-time gain of licensing revenue between \$2,100 and \$13,600 as well as a share of state tax on the proceeds from the machines. Licensing revenue is dependent on the number of licensed terminals. In calendar 2019, the City's portion of state tax was an average of \$1,831.63 per terminal, although this varied widely by location. A location may have up to 6 terminals.

Action Requested: Discussion and a communicated consensus regarding any change to the new licensed establishment waiting period for gaming.