

# THE CHICAGO CASINO AMENDMENT OF MUNICIPAL CODE TITLES 2, 4, 8 AND 17 REGARDING CASINO IN CHICAGO

**O2022-1316**

**INTRODUCED: MAY 9, 2022**

**SPONSOR(S):**

Mayor

**COMMITTEE(S) ASSIGNMENT:**

SPECIAL COMMITTEE ON THE CHICAGO CASINO

# ORDINANCE O2022-1316 SUMMARY

- The goal of ordinance O2022-1316 is to amend the Municipal Code of Chicago to make it legal to establish a casino in the City of Chicago.
- O2022-1316 authorizes the Mayor to negotiate and enter into a “Host Community Agreement” with Bally’s Corporation. If approvals are given from the City Council and Illinois Gaming Board (IGB), Bally’s will proceed with constructing a casino, referred to as “Bally’s Tribune,” in the City’s 27<sup>th</sup> Ward.
- O2022-1316 also grants the City’s chief financial officer (CFO) “authority to enter into agreements, instruments, and other documents concerning such revenues or concerning the operation of any such casino.”
- The revenues generated from the casino would be an essential component to funding the City’s pension obligations.\*
- According to the City’s *Casino Recommendation Report*, “these revenues include non-gaming revenues including sales, hotel, restaurant, income and property tax revenues for the City as well as property tax revenues for other taxing bodies, including \$11 million to \$19 million annually for Chicago Public Schools.”

\* CITY OF CHICAGO. (2022, MAY 5). *CASINO IN THE CITY OF CHICAGO: CASINO RECOMMENDATION REPORT*.

# ORDINANCE O2022-1316 FISCAL IMPACT

## Immediate Fiscal Impact:

Bally's Corporation has proposed to provide the City with an upfront payment of \$40,000,000, which would be available for the fiscal year 2023 Budget.

## Long-Term Fiscal Impact:

The long-term fiscal impact of this ordinance is a stream of annual tax revenue for the City. Once the Bally's Tribune casino reaches stabilization, annual tax revenues for the City are projected to be around \$200,000,000.\*

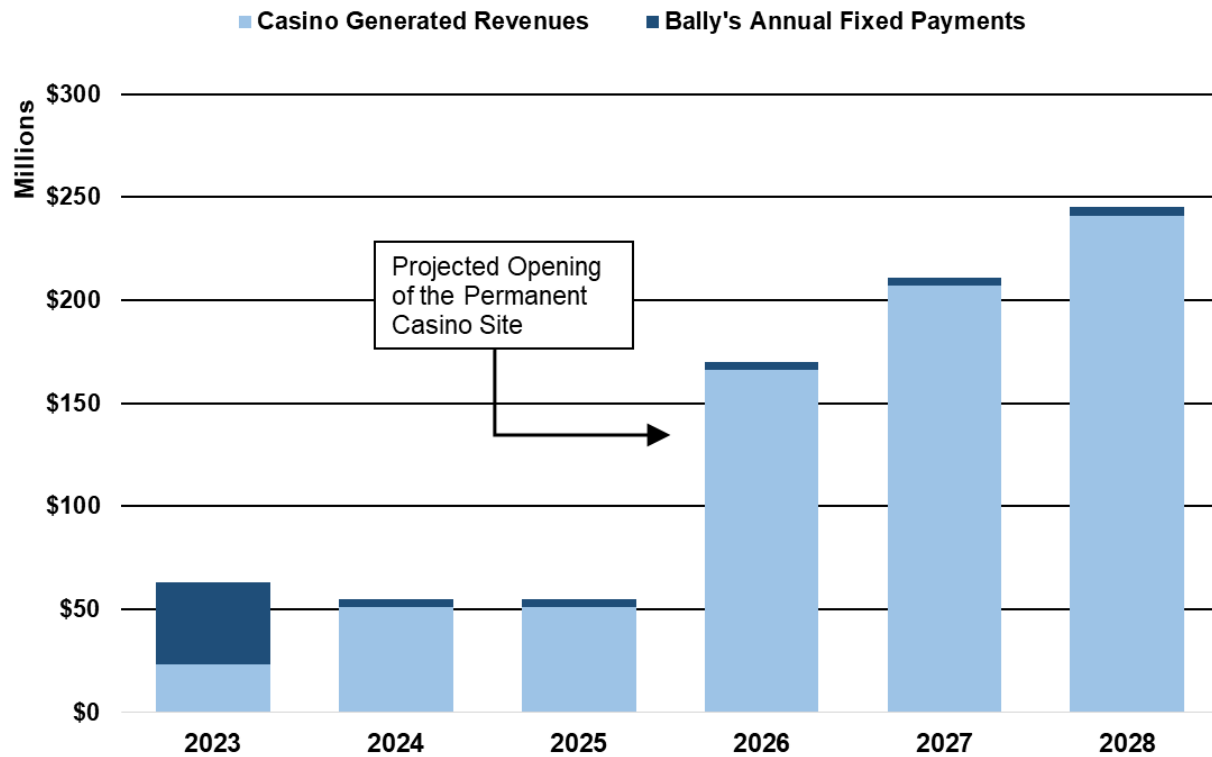
After the initial \$40,000,000 remittance to the City for use in FY 2023, Bally's will remit fixed payments to the City amounting to \$4,000,000. Of that, \$2,000,000 will be set aside for "community benefits," while the remaining \$2,000,000 will flow into the City's Corporate Fund (0100).

The ordinance indicates that "the appropriation of casino revenues shall be subject to approval by the City Council." It is anticipated that the City will use the Casino's revenues to fund pension obligations.

\* UNION GAMING ANTICIPATES THE CASINO TO STABILIZE AND REACH ITS STEADY STATE OF AGR IN YEAR 3 OF THE PERMANENT SITE'S OPERATIONS, WHICH IS SET FOR Q1 2028, AND THAT ANNUAL TAX REVENUES WILL REACH \$200M.

# ORDINANCE O2022-1316 FISCAL IMPACT (CONTINUED)

**Overview of Annual Casino Revenues - Bally's Tribune**



SOURCE: City of Chicago, Office of Budget and Management; *Casino in the City of Chicago - Casino Recommendation Report*

NOTES: Union Gaming anticipates the Bally's Tribune casino to stabilize and reach its steady state of AGR in Year 3 of the permanent site's operations, which is estimated to open in Q1 2026.

- Chicago's Office of Budget and Management projects the following revenues from the Bally's Tribune Casino:

Fiscal Year	Total Revenue
Fiscal Year 2023*	\$63,000,000
Fiscal Year 2024	\$55,000,000
Fiscal Year 2025	\$55,000,000
Fiscal Year 2026	\$170,000,000
Fiscal Year 2027	\$211,000,000
Fiscal Year 2028	\$245,000,000

\* INCLUDES THE \$40M PAYMENT FROM BALLY'S. FUTURE FISCAL YEARS INCLUDE THE ANNUAL \$4M IN FIXED PAYMENTS.

# ORDINANCE O2022-1316 ANALYSIS

- It is important to note that the projected revenues for the Bally’s Tribune Casino are based on a handful of assumptions. Most notably:
  - Future revenue projections at the permanent site assumes Bally’s will scale up from 100 hotel rooms (Phase 1) to 500 hotel rooms (Phase 2).
    - According the City’s *Casino Recommendation Report*, “Bally’s has agreed to commence building out its tower to complete the remaining 400 hotel rooms at the earlier of **(1)** reaching an annual trailing 12 months \$170 million of EBITDAM or **(2)** 5-years after the opening of the Permanent Facility.\*
    - If the Bally’s Tribune Casino only builds out 100 hotel rooms, “the City is expected to generate \$177 million in annual taxes in year 6 of operations” (year 3 of the permanent site), which is \$68 million, or 27.8%, less from the projected \$245 million.\*\*
  - Demand for gaming may fluctuate over time, which would impact future revenues.

\* CITY OF CHICAGO. (2022, MAY 5). *CASINO IN THE CITY OF CHICAGO: CASINO RECOMMENDATION REPORT*.

\*\* CITY OF CHICAGO. (2022, MARCH 22). *CASINO IN THE CITY OF CHICAGO: EVALUATION REPORT*.