

Casinos Boom in Katrina's Wake as Cash Pours In

Biloxi, Mississippi – This seaside gambling resort along a stretch of the Gulf Coast, sometimes called the “redneck Riviera,” has 40 percent fewer hotel rooms and only two-thirds as many slot machines as it did before Hurricane Katrina. A major bridge that connects the casinos in this popular tourist destination to Alabama, the Florida Panhandle and other points east remains closed, and Mayor A. J. Holloway estimates that as many as 15 percent of the city’s pre-Katrina residents still have not returned.

Yet business in the gambling halls of Biloxi has reached all-time highs in recent months, so much so that Larry Gregory, the executive director of the Mississippi Gaming Commission, has half-jokingly barred his staff from uttering the phrase “record-setting” because “it was becoming too redundant.”

A similar story has been unfolding in New Orleans, where tourism is still in the doldrums and only 60 percent of the pre-Katrina population has returned nearly two years after the hurricane and flooding devastated the area.

Indeed, the casinos there seem to be faring even better than their Gulf Coast cousins.

Harrah’s New Orleans, the largest casino in the city, is on pace for its best year ever: gambling revenue is up 13.6 percent through the first five months of 2007 compared with the same period in 2005, pre-Katrina.

The casinos in this region are generating more revenue – from significantly fewer players – in large part because of the extra money that many area residents have in their pockets and fewer alternatives on where to spend it, casino executives and others in the region say.

“There’s been this huge infusion of cash into the local economy,” said Bob Mahoney, the co-owner of Mary Mahoney’s Old French House restaurant in Biloxi. “Federal money has poured into the area. Insurance money has poured in. And wages have gone up considerably given the demand for workers.”

That demand, Mr. Mahoney said, means he now pays a starting dishwasher USD 8.50 an hour rather than USD 6; a USD 12-an-hour construction worker typically earns USD 20 an hour or more now.

But just because people here have more money does not mean they feel particularly good about their situation. Far from it.

“It’s like a barroom,” said Ted Lewis, 48, a case manager at a New Orleans homeless shelter who started coming to Harrah’s only after the casino’s reopening in early 2006. “When times are bad, people come to release stress. They drink, they gamble.”

They do indeed. Boomtown New Orleans, for instance, a casino on the edge of the city that was not flooded, booked USD 83 million in profit last year, nearly triple its pre-Katrina best. Here in Biloxi, even with two fewer casinos operating through the first half of the year, gamblers lost USD 428.3 million in the first five months of the year, compared with USD 418.7 during the same period in 2005.

Locals now abound at the gambling centers. Gary W. Loveman, the chief executive of Harrah’s Entertainment, said that before Katrina, roughly three out of every four people gambling at his company’s New Orleans property was a tourist; today the majority are from the city or the surrounding area, including a number of construction workers drawn to the area and other temporary residents.

“With all the bowling alleys and social clubs and churches and favorite restaurants that aren’t there,” Mr. Loveman said,

“we’re getting a much larger share of the discretionary spend.”

To gambling critics like the Rev. Tom Grey, the executive director of the National Coalition Against Legalized Gambling, this new reliance on locals demonstrates that the region’s casinos are “predators feasting on the suffering and misery of an area that has seen more than enough suffering and misery.”

Casino executives say they are just giving people a place to go for diversion. Meanwhile, perhaps their biggest challenge is to talk about their success without betraying too much glee, given the pain, financial and otherwise, still being felt by virtually every other industry in town.

“Certainly we need to be sensitive to all that people have gone through,” Mr. Loveman said, even as he described himself as “very pleased” that his company has “done exceedingly well at Harrah’s New Orleans.”

To help capture as much of the population’s idle cash as possible, Harrah’s has been aggressively marketing its casino to locals – a population, Mr. Loveman said, that the property had “not paid much attention to” in the past.

At Harrah’s, the number of players is down 20 percent to 30 percent for the first five months of 2007 compared with the same period in 2005. Over all, the casinos dotting the Mississippi Gulf Coast recorded 30 percent fewer visitors in the first quarter of 2007 compared with the same period two years earlier.

Craig Williams, 32, is a typical customer. He used to spend a lot of his off-hours working on his house in New Orleans East – until it was destroyed by flood waters. He now lives in a rental apartment elsewhere in the city. So he logs longer hours in his job with Amtrak and is a frequent visitor to Harrah’s.

"I've been coming here because there's really nothing else to do," Mr. Williams said.

Another factor in Mississippi is a new law that allows casinos to be within 800 feet of water rather than requiring them to be on a floating barge and or riverboat. As a result, gambling concerns large and small are now more bullish on the Gulf Coast, said Mr. Gregory of the Mississippi casino commission, prompting many to invest in rebuilding and improvements.

One example is the Imperial Palace, a low-rent gambling hall prior to the storm that has been reinvented as the IP Casino Resort, complete with a spa, upscale restaurants, a fashionable nightclub and many design flourishes borrowed from Las Vegas. The IP has also added a V.I.P. check-in area and high-limit gambling pit, Jon Lucas, the general manager, said, "letting us make more of a play for the high roller."

With only 26 percent of the rooms offered by the city's non-casino hotels back on the market, according to the Mississippi Hotel and Lodging Association, Mr. Lucas says the more time people spend in a property, the more they tend to gamble.

Gamblers are playing longer, casino executives say, and they are wagering larger sums and spending more time at slot machines and table games. Despite the absence of crowds of tourists, the average visitor is contributing more to the coffers – 38 percent more in the Gulf Coast casinos, according to figures for the first three months of the year.

"I guess it's sad," said Sylvia Lumas, 69, playing at a slot machine at Harrah's New Orleans. "But it's entertainment. That's what we're looking for here. Everything has been so sad."