



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Planning Division

m e m o r a n d u m

TO: Mayor Laurel Lunt Prussing

FROM: Elizabeth H. Tyler PhD., FAICP, Director

DATE: March 19, 2015

SUBJECT: Plan Case 2250-T-15: An amendment to Article II, Article V, and Article VII of the Urbana Zoning Ordinance to establish definitions, use provisions, and special use permissions for “Gaming Halls”, Urbana Zoning Administrator, applicant.

Introduction and Discussion

On March 16, 2015 the Urbana City Council held a public hearing on Plan Case 2250-T-15, regarding the definition and permission of Gaming Halls in the Urbana Zoning Ordinance. The Council voted to send the case to the Committee of the Whole for consideration at its March 23, 2015 meeting and asked staff to address additional questions regarding the ownership, revenue, and location of Gaming Halls. Furthermore, the Council called for further discussion of which parts of gaming halls are best addressed through the Zoning Ordinance and which parts of gaming halls are best addressed through licensing procedures of the City Code.

Addressing Gaming Halls Through the Zoning Ordinance or City Code

In discussing the regulation of establishments with video gaming as a principal use, the Council examined how much regulation should occur through the Zoning Ordinance versus the licensing procedures in the City Code. The Urbana Zoning Ordinance, as described in Section I-1, is designed to implement the policies of the City in regards to the built environment and land use. With gaming halls, the Zoning Ordinance would address the location and placement of a proposed establishment. The amendment proposal of a Special Use Permit requirement is the best tool of the Zoning Ordinance that can protect nearby residents and promote congruent uses within neighborhoods. Among other things, the municipal code of Urbana regulates public safety. Limiting video gaming through a means of an establishment’s liquor license is best done through the City Code as it ties the uses of liquor consumption and gambling to needs of public safety. The City Council is provided with the ability of limiting the amount of liquor and gaming licenses. The City Attorney is preparing a separate City Code amendment to create new classes of liquor licenses for Gaming Halls and restaurants or taverns that have video gaming as an accessory use. Council should consider these amendments together to ensure compatibility between the City Code and the Zoning Ordinance.

Council asked about the possibility of spending limits and greater revenue contributions to state and local governments. The City Attorney has advised that the levels of revenue allocated to the State, local government, and the establishment hosting gaming terminals are defined by state statute. Any

change to the revenue sharing allocations would require an amendment to the existing Video Gaming Act (230 ILCS 40/1).

Special Use Permit

In further discussion of the ability of the Zoning Ordinance to regulate video gaming, the Special Use Permit remains the strongest element in land use regulation. The Urbana Plan Commission specifically recommended that Gaming Halls not be permitted at all, but if they are permitted that they would only be allowed with a Special Use Permit. A Special Use Permit, as described in Section VII-1, is applied to any use that requires stricter examination than a Conditional Use Permit because of its potential neighborhood impact. An applicant seeking to establish a Gaming Hall would be required to go through a level of scrutiny and review greater than almost any other defined use in the Zoning Ordinance. The applicant would be required to seek the traditional review of a liquor license and gaming license in addition to a Special Use Permit. The applications would involve a vetting by the City Council, Plan Commission, and City staff at various steps in the process. The Plan Commission reviews the location of the proposed establishment through the Special Use Permit application. The Local Liquor Commissioner reviews the license applications. The Special Use Permit process would involve a neighborhood notice and requirement that the applicant prove its use is not detrimental to the public welfare and conducive to the public convenience at that location.

B-3, General Business, B-4, Central Business, and B-4E Central Business Expansion Districts

The Council had asked if the Zoning Districts of B-3, General Business, B-4, Central Business, and B-4E Central Business Expansion were the most appropriate districts to allow Gaming Halls if the proposed amendment aimed for principal use video gaming to be located away from sensitive areas. According to its description in the Zoning Ordinance, B-3 is described as a district intended to provide a range of commercial uses that meet the general business needs of the City. The districts of B-4 and B-4E are also described as areas designated for a full range of commercial and business uses. In general, the proposed districts are the most widely available for commercial uses in the City that do not center around the university. Additionally, there are screening requirements for commercial properties adjoining residential parcels in those districts. Attached Exhibit B provides a geographical analysis of licensed video gaming establishments, with either a principal or accessory use, in proximity to schools, daycare centers, churches, and each other with the required 250 foot buffer.

Gradual Accessory to Principal Use Conversion and Existing Gaming Halls

The Council expressed concern about gradual conversion of an establishment, such as a tavern or restaurant, from having video gaming as an accessory use to principal use. Any change in use would be addressed as a zoning use violation. Staff will monitor gaming revenue to observe any surpassing of the threshold determinant as found in the proposed definition under Article II. In response to violations on field inspections, staff would investigate the premises, make a determination as to the principal use, and issue a citation for abatement. Should the violation not be abated through either a change in the use or subsequent obtainment of a Special Use Permit, the complaint could be prosecuted in Court, with fines, penalties, and Court orders. An establishment with a documented zoning use violation and would receive a call for abatement and subsequent court complaint in the event of noncompliance. The Council also asked what the status of existing Gaming Halls and gaming hall oriented applicants would be if restrictions were enacted. Any operating Gaming Halls would be regarded as a legal nonconformity. Any pending applications for licenses with the City or

State without a Certificate of Occupancy would not be grandfathered in as compliant with the Zoning Ordinance.

Ownership of Video Gaming Licenses

The Council has questions about the ownership of the principal use gaming establishments and large corporate entities in the State. The Illinois Video Gaming Act requires distributors and operators to be Illinois residents or have operated their business in the state for at least four years. While the existing Gaming Hall in Urbana is independently owned, two establishments that have applied or inquired about gaming licenses are affiliated with larger ownership groups in the State. Both groups are based in Illinois and operate multiple gaming halls in other areas. One group, Blackhawk Restaurant Group, owns dozens of establishments and operates out-of-state as well.

Plan Commission Recommendation Review and Separation Requirements

The Urbana Plan Commission expressed serious reservations about the allowance of gaming halls in the City and the effects of the effect of principal use video gaming on the area. The Commission recommended a 500 foot separation requirement from schools, churches, daycare centers, and existing video gaming licensed establishments. Because a separate ordinance for changes in the City's liquor licensing required setbacks of a different distance, the Zoning Ordinance amendment requirements have been adjusted for consistency. A Gaming Hall must now be located 250 feet away from any existing church, school, or daycare center and 100 feet away from any existing video gaming licensed establishment.

Options

The Urbana City Council has the following options regarding Plan Case 2250-T-15 and the proposed City Code amendment:

- a. Approve the proposed Zoning Ordinance text amendment and City Code amendment as presented herein;
- b. Approve the proposed Zoning Ordinance text amendment and City Code amendment as modified by specific suggested changes; or
- c. Deny approval of the proposed Zoning Ordinance text amendment and City Code amendment.

Recommendation

At their March 5, 2015 meeting, the Urbana Plan Commission voted five ayes to zero nays to recommend **APPROVAL** of the proposed text amendment to the Urbana Zoning Ordinance as amended and presented herein, but only if City Council decides not to ban principal use Gaming Halls through City Code.

Attachments:

- Exhibit A: Map – Locations of Existing and Potential Video Gaming Licenses in Urbana Zoning Districts
- Exhibit B: Map – Locations of Existing and Potential Video Gaming Licenses With Proposed Buffer Requirements in Proximity to Schools, Daycare Centers, and Churches
- Exhibit C: Text – Proposed Text Amendment
- Exhibit D: Text – Local Statute on City Licensing Policy
- Exhibit E: Table – Updated Video Gaming Revenue from Urbana Establishments
- Exhibit F: Article – Chicago Area Newspaper *Daily Herald* Article Concerning Gaming Hall Ownership from February 9, 2015

ORDINANCE NO. 2015-03-029

AN ORDINANCE AMENDING THE ZONING ORDINANCE OF THE CITY OF URBANA, ILLINOIS (Revising Article II, Article V, and Article VII to establish definitions, use provisions, and special use permissions for "Gaming Hall"/ Plan Commission Case No. 2250-T-15)

WHEREAS, the City Council of the City of Urbana, Illinois adopted Ordinance #9293-124 on June 21, 1993 which adopted the 1993 Comprehensive Amendment to replace the 1979 Comprehensive Amendment to the 1950 Zoning Ordinance of the City of Urbana which is also known as the Urbana Zoning Ordinance; and,

WHEREAS, the State of Illinois enacted the Illinois Video Gaming Act (230 ILCS 40/) on January 1, 2010, which allowed video gaming terminals in establishments with liquor licenses in the State of Illinois; and

WHEREAS, the City of Urbana in Ordinance No. 2012-07-073 enacted Urbana City Code Chapter 3.7 to regulate amusement devices and gamerooms in the City and Section 14-7 to establish a schedule of fees for the various licenses, permits, fines, and other fees required under the Urbana City Code on July 30, 2012; and

WHEREAS, video gaming uses are not listed in the Urbana Zoning Ordinance and are not distinguished as principal or accessory uses; and

WHEREAS, the Zoning Administrator is proposing to amend the Urbana Zoning Ordinance in order to establish definitions, special use provisions, and location restrictions for establishments with video gaming as a principal use; and

WHEREAS, said text amendment is consistent with the goals and objectives of the Urbana Comprehensive Plan; and

WHEREAS, after due publication in accordance with Section XI-7 of the Urbana Zoning Ordinance and with Chapter 24, Section 11-13-14 of the Illinois

Revised Statutes, the Urbana Plan Commission held a public hearing on this application at their February 5, 2015, February 19, 2015, and March 5, 2015 meetings; and

WHEREAS, the Urbana Plan Commission on March 5, 2015 voted 5 ayes to 0 nays to recommend approval of the proposed Zoning Ordinance amendment as presented and amended;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, that the Urbana Zoning Ordinance shall be amended as follows:

Section 1. That Section II-3, Definitions, of Urbana Zoning Ordinance is hereby amended to add the following new definitions:

Gaming Hall: An establishment whose primary purpose is to operate video gaming terminals as defined under the Illinois Video Gaming Act (230 ILCS 40/5), as may be amended from time to time, and in which alcoholic liquor is drawn, poured, mixed, or otherwise served for consumption on the premises which is subsidiary to the operation of the video gaming terminals. In determining whether an establishment's primary purpose is video gaming, the considerations include but are not limited to:

- A. a seating area for video gaming terminals being greater than the seating area for food and beverage service or merchandise sales,
- B. the absence of a full service kitchen,
- C. an estimated net revenue of at least 40% or more derived from video gaming terminals, and
- D. an overall size of 1500 square feet or less.

Fraternal establishments and veteran establishments as defined by the Illinois Video Gaming Act (230 ILCS 40/5), as may be amended from time to time, are exempt from this definition.

Fraternal Establishment: The location where a qualified fraternal organization that derives its charter from a national fraternal organization regularly meets.

Veterans Establishment: The location where a qualified veterans organization that derives its charter from a national veterans organization regularly meets.

Section 2. That Table V-1, Table of Uses, of the Urbana Zoning Ordinance is hereby amended to include the following new use as follows:

Table V-1. Table of Uses

Principal Uses	R-1	R-2	R-3	R-4	R-5	R-6	R-6B	R-7	AG	B-1	B-2	B-3	B-3U	B-4	B-4B	CCD	CRE	MOR	IN-1	IN-2
<i>Recreation</i>																				
Gaming Hall †††												S		S	S					

††† See Section VII-5.F Standards of Gaming Halls

Section 3. That Section VII-5, Special Terms and Conditions, of the Urbana Zoning Ordinance is hereby amended to include the following new Paragraph F as follows:

Section VII-5. Special Terms and Conditions

F. The following conditions shall apply to any Gaming Hall:

1. An establishment requesting a license for a principal use gaming hall shall be a minimum of two hundred fifty feet from a preexisting Day Care Facility, School, or place of worship as defined under the Religious Corporation Act (805 ILCS 110/0.01 et seq.). An establishment shall also be a minimum of one hundred feet away from any existing licensed Gaming Halls or any establishment containing a licensed video gaming terminal. City Council may increase the minimum distance between Gaming Halls and other Gaming Halls or preexisting Day Care Facilities, Schools, or Places of Worship where necessary to maintain the public welfare.

Section 4. The City Clerk is directed to publish this Ordinance in pamphlet form by authority of the corporate authorities. This Ordinance shall be in full force and effect from and after its passage and publication

in accordance with the terms of Chapter 65, Section 1-2-4 of the Illinois
Compiled Statutes (65 ILCS 5/1-2-4).

This Ordinance is hereby passed by the affirmative vote, the "ayes" and
"nays" being called of a majority of the members of the City Council of the
City of Urbana, Illinois, at a regular meeting of said Council on the _____
day of _____, 2015.

PASSED by the City Council this _____ day of _____, 2015.

AYES:

NAYS:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this _____ day of _____, 2015.

Laurel Lunt Prussing, Mayor

CERTIFICATE OF PUBLICATION IN PAMPHLET FORM

I, Phyllis D. Clark, certify that I am the duly elected and acting Municipal Clerk of the City of Urbana, Champaign County, Illinois. I certify that on the ____ day of _____, 2015, the corporate authorities of the City of Urbana passed and approved Ordinance No. _____, entitled "AN ORDINANCE AMENDING THE ZONING ORDINANCE OF THE CITY OF URBANA, ILLINOIS (Revising Article II, Article V, and Article VII to establish definitions, use provisions, and special use permissions for "Gaming Hall"/ Plan Commission Case No. 2250-T-15)" which provided by its terms that it should be published in pamphlet form. The pamphlet form of Ordinance No. _____, including all of its attachments, was prepared, and a copy of such Ordinance was posted in the Urbana City Building commencing on the ____ day of _____, 2015, and continuing for at least ten (10) days thereafter. Copies of such Ordinance were also available for public inspection upon request at the Office of the City Clerk.

DATED at Urbana, Illinois, this ____ day of _____, 2015.

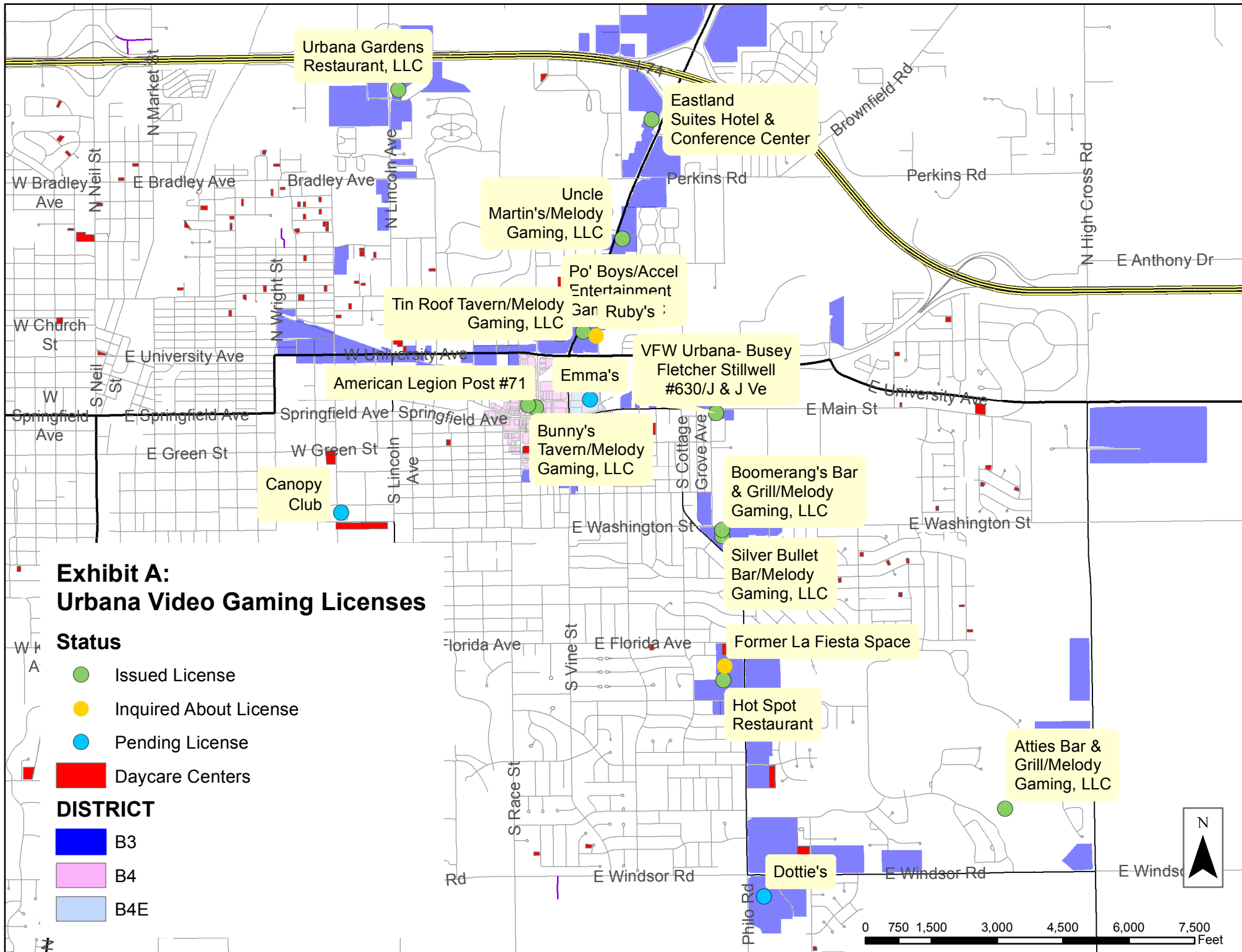


Exhibit A: Urbana Video Gaming Licenses

Status

- Issued License
- Inquired About License
- Pending License

■ Daycare Centers

DISTRICT

- B3
- B4
- B4E

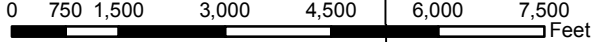


Exhibit B

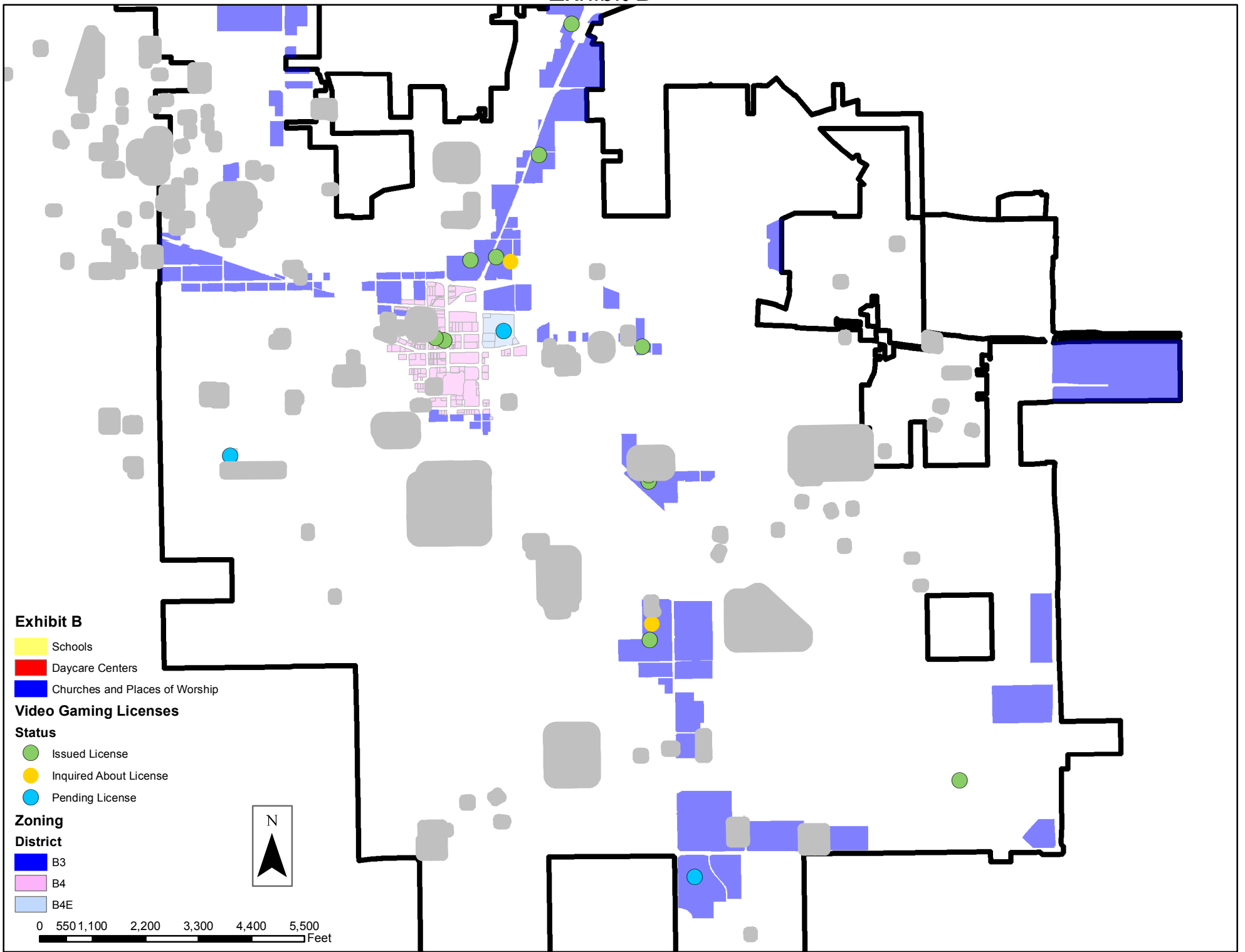


Exhibit B

- Schools
- Daycare Centers
- Churches and Places of Worship

Video Gaming Licenses

Status

- Issued License
- Inquired About License
- Pending License

Zoning

District

- B3
- B4
- B4E



0 550 1,100 2,200 3,300 4,400 5,500 Feet

Exhibit C: Proposed Text Amendment

The proposed changes are listed below, using a strikethrough and underline notation system. A strikethrough is used to indicate ~~deleted language~~, while an underline is used to indicate added language. Commentary on the proposed changes are listed *in italics*.

Section II-3. Definitions

Gaming Hall: An establishment whose primary purpose is to operate video gaming terminals as defined under the Illinois Video Gaming Act (230 ILCS 40/5) and in which alcoholic liquor is drawn, poured, mixed, or otherwise served for consumption on the premises which is subsidiary to the operation of the video gaming terminals. In determining whether an establishment's primary purpose is video gaming, the estimated net revenue derived from video gaming terminals must be 60% or more of overall net revenue. Other considerations include but are not limited to:

- A. *a seating area for video gaming terminals being greater than the seating area for food and beverage service or merchandise sales,*
- B. *the absence of a full service kitchen,*
- C. *an overall size of 1500 square feet or less.*

Fraternal establishments and veteran establishments as defined by the Illinois Video Gaming Act (230 ILCS 40/5) are exempt from this definition.

Fraternal Establishment: The location where a qualified fraternal organization that derives its charter from a national fraternal organization regularly meets.

Veterans Establishment: The location where a qualified veterans organization that derives its charter from a national veterans organization regularly meets.

Table V-1. Table of Uses

Principal Uses	R-1	R-2	R-3	R-4	R-5	R-6	R-6B	R-7	AG	B-1	B-2	B-3	B-3U	B-4	B-4E	CCD	CRE	MOR	IN-1	IN-2
Gaming Hall †††												S		S	S					

††† See Section VII-5.F Standards of Gaming Halls

(Note: Gaming Hall will be placed under the "Recreation" section of the use table.)

Section VII-5. Special Terms and Conditions

F. The following conditions shall apply to any Gaming Hall:

An establishment requesting a license for a principal use gaming hall shall be a minimum of **two hundred fifty feet** from a preexisting Day Care Facility, School, or place of worship as defined under the Religious Corporation Act (805 ILCS 110/0.01 et seq.). An establishment shall also be a minimum of **one hundred feet** away from any existing licensed Gaming Halls or any establishment containing a licensed video gaming terminal. City Council may increase the minimum distance between Gaming Halls and other Gaming Halls or preexisting Day Care Facilities, Schools, or Places of Worship where necessary to maintain the public welfare.

Exhibit D: Urbana Municipal Code, Article II

ARTICLE II. - AMUSEMENT DEVICES; VIDEO GAMBLING TERMINALS; GAMEROOMS

FOOTNOTE(S):

--- (2) ---

Editor's note— Section 1 of Ord. No. 2012-07-073, adopted July 30, 2012, amended art. II in its entirety to read as herein set out. Former art. II, §§ 3.7-11-3.7-18 pertained to amusement devices and gamerooms and derived from Ord. No. 8283-22, §§ 1-8, adopted Sept. 20, 1982.

Sec. 3.7-11. - Definitions.

As used in this article, the following words and phrases shall have the following meanings ascribed to them:

Amusement device shall mean and include any device for which a fee is charged for the purpose of entertainment or amusement which returns to the player or operator thereof no money or property or right to receive money or property, or any other such device which, upon insertion of a coin, slug or token in any slot or receptacle in or attached to such device, operates or is operated for use as entertainment or amusement, including, but not limited to, jukeboxes, motion or still picture viewers, pinball games, video games, air hockey games, electronic games, and any other such similar devices.

Gameroom shall mean and include any specific place or location owned or leased by any person who displays twenty (20) or more amusement devices as herein defined upon such premises.

Video gambling terminal shall have the same meaning as "video gaming terminal," as set forth in the Video Gaming Act, 230 ILCS 40/1 et seq. as amended.

(Ord. No. 2012-07-073, § 1, 7-30-12)

Sec. 3.7-12. - Imposition of tax and license.

(a) There is hereby imposed, on the privilege of operating every amusement device or gameroom in the city, an annual privilege tax and license for each such amusement device or gameroom.

(b) There is hereby imposed, on the privilege of operating every video gambling terminal in the city, an annual privilege tax and license for each such video gambling terminal.

(Ord. No. 2012-07-073, § 1, 7-30-12)

Sec. 3.7-13. - License required.

Any person who displays any amusement device or video gambling terminal to be played or operated by the public at any place owned or leased by any such person shall, before such person displays such device or terminal, file with the comptroller of the city an application for a license for each such device or terminal or for a gameroom. Any person who displays any video gambling terminal to be played or operated by the public shall as a prerequisite to receiving any license from the city have a valid license from the State of Illinois for each such terminal, and the loss or suspension of any such license by the State of Illinois shall automatically result in the same status for the license issued hereunder without refund of any license fee.

(Ord. No. 2012-07-073, § 1, 7-30-12)

Sec. 3.7-14. - Reserved.

Sec. 3.7-15. - License application; issuance; limitations on video gambling terminals.

- (a) Any person desiring to display in the city any amusement device or video gambling terminal shall make application for the appropriate license to the comptroller. Each such application shall be accompanied by the required license tax and shall set forth such applicant's name and address, with a brief description of each amusement device or video gambling terminal to be displayed on the premises where such device or terminal will be located, together with such other relevant data or information as the comptroller may require. The applicant shall include a copy of the license from the State of Illinois for each video gaming terminal on the premises. Upon receipt of the proper application and upon the payment of the tax and license as herein provided, the comptroller shall issue the appropriate license for each such device, terminal, or gameroom, which such license shall be issued for a period of one year from July first to June thirtieth in the ensuing year.
- (b) No more than five (5) video gambling terminals may be located on any licensed premises. No more than twelve (12) licensed premises may display video gambling terminals to be played or operated by the public. In the event that all licenses last granted by operation of this section for video gambling terminals at any of the twelve (12) licensed premises lapse or are terminated for any reason, the number of licensed premises authorized by the corporate authorities to display video gambling terminals to be played or operated by the public shall automatically and immediately be reduced by one. Prior to authorizing any new licensed premises to display video gaming terminals under this section, the city council shall convene and conduct a public hearing as necessary to gather additional information on the application or for other good reason.

(Ord. No. 2012-07-073, § 1, 7-30-12)

Sec. 3.7-16. - Display of license; transfer.

- (a) *Amusement devices and video gambling terminals.* The license for each amusement device or video gambling terminal shall be in the form of a gummed sticker, which shall be serially numbered and shall be securely affixed in plain view to the device for which it is issued. An amusement device license may be transferred from one amusement device to another amusement device located on the same premises and owned by the same applicant, provided that any and all such amusement devices so displayed at any one time on such premises shall be licensed as provided herein. A video gambling terminal license is not transferable.
- (b) *Gamerrooms.* A gameroom license shall be in such form as shall be determined from time-to-time by the comptroller and every such gameroom license shall be framed and hung in plain view in a conspicuous place on the licensed premises.

(Ord. No. 2012-07-073, § 1, 7-30-12)

Sec. 3.7-17. - License fee.

Each applicant for a license required by this article shall pay such amount for such annual privilege tax and license as is set forth and established in section 14-7 of the Code of Ordinances, City of Urbana, Illinois.

(Ord. No. 2012-07-073, § 1, 7-30-12)

Sec. 3.7-18. - Illegal amusement devices and video gambling terminals prohibited; inspections.

No license shall be issued for any amusement device, video gambling terminal, or gameroom which violates the laws of the state or the ordinances of the city. All amusement devices, video gambling terminals, and gamerooms shall be available for

inspection by the proper city authorities for the purpose of ascertaining and declaring whether such laws and ordinances are complied with.

(Ord. No. 2012-07-073, § 1, 7-30-12)

Sec. 3.7-19. - Public notice.

Each licensee of a video gambling terminal license shall post a conspicuous sign visible to the public, not less than eight and one-half (8½) inches by eleven (11) inches in size, at the location of the video gambling terminal and inside each public restroom on the licensed premises, bearing the following text:

ARE YOU A PROBLEM GAMBLER? The American Psychiatric Association describes the symptoms of a problem gambler as someone who:

1. is preoccupied with gambling (e.g. preoccupied with reliving past gambling experiences, handicapping or planning the next venture, or thinking of ways to get money with which to gamble)
2. needs to gamble with increasing amounts of money in order to achieve the desired excitement
3. has repeated unsuccessful efforts to control, cut back, or stop gambling
4. is restless or irritable when attempting to cut down or stop gambling
5. gambles as a way of escaping from problems or of relieving a dysphoric mood (e.g. feelings of helplessness, guilt, anxiety, depression)
6. after losing money gambling, often returns another day to get even ("chasing" one's losses)
7. lies to family members, therapist, or others to conceal the extent of involvement with gambling
8. has committed illegal acts such as forgery, fraud, theft, or embezzlement to finance gambling
9. has jeopardized or lost a significant relationship, job, or educational or career opportunity because of gambling
10. relies on others to provide money to relieve a desperate financial situation caused by gambling

If this describes YOU, please call the Gamblers Anonymous Hotline at 1-800-GAMBLER.

(Ord. No. 2012-07-073, § 1, 7-30-12)

**ILLINOIS GAMING BOARD
VIDEO GAMING REPORT**

3/19/2015

12:36 pm

Urbana

July 2014 - March 2015

Municipality	Establishment	License Number	VGT Count	VGT Wagering Activity			VGT Income			VGT Tax Distribution				
				Amount Played	Amount Won	Net Wagering Activity	Funds In	Funds Out	NTI	NTI Tax Rate (30%)	State Share	Municipality Share		
Urbana	american legion post 71	120900215	5	\$4,522,487.09	\$4,153,473.79	\$369,013.30	\$1,199,043.00	\$830,029.70	\$369,013.30	\$110,704.34	\$92,253.62	\$18,450.72		
Urbana	Black Rock Pizza Company LLC	130705132	4	\$379,903.01	\$347,926.94	\$31,976.07	\$133,823.00	\$101,846.93	\$31,976.07	\$9,592.94	\$7,994.12	\$1,598.82		
Urbana	Bunny's of Urbana Inc.	120706557	5	\$4,656,880.86	\$4,280,881.35	\$375,999.51	\$1,463,816.00	\$1,087,816.49	\$375,999.51	\$112,800.11	\$94,000.12	\$18,799.99		
Urbana	BUSEY-FLETCHER-STILLWELL POST 630, VETERANS OF FOREIGN WARS OF THE US, INC.	120902062	5	\$2,860,583.95	\$2,631,587.08	\$228,996.87	\$854,835.00	\$625,838.13	\$228,996.87	\$68,699.38	\$57,249.48	\$11,449.90		
Urbana	COCHRANE'S OFFICE, INC.	120703205	5	\$4,370,789.46	\$4,017,863.56	\$352,925.90	\$1,410,867.00	\$1,057,941.04	\$352,925.96	\$105,878.16	\$88,231.81	\$17,646.35		
Urbana	EASTLAND SUITES - URBANA, LLC	130702852	5	\$3,174,985.67	\$2,932,104.94	\$242,880.73	\$1,010,117.00	\$767,236.26	\$242,880.74	\$72,864.39	\$60,720.32	\$12,144.07		
Urbana	Hot Spot Restaurant LLC	140702448	5	\$2,964,752.75	\$2,722,473.51	\$242,279.24	\$1,016,539.00	\$774,259.76	\$242,279.24	\$72,683.98	\$60,569.98	\$12,114.00		
Urbana	Keagle Incorporated	120706182	4	\$591,889.18	\$551,527.28	\$40,361.90	\$195,975.00	\$155,613.10	\$40,361.90	\$12,108.77	\$10,090.66	\$2,018.11		
Urbana	Rasner Investments, Inc.	120705890	3	\$988,573.60	\$904,506.70	\$84,066.90	\$323,641.00	\$239,574.10	\$84,066.90	\$25,220.27	\$21,016.87	\$4,203.40		
Urbana	Tag Investment, LLC-Series Stone Creek Golf Club	140700763	3	\$60,809.87	\$54,716.97	\$6,092.90	\$17,922.00	\$11,829.10	\$6,092.90	\$1,827.92	\$1,523.26	\$304.66		
Urbana	TC Grassman LLC	120710464	5	\$1,745,958.48	\$1,610,149.39	\$135,809.09	\$545,729.00	\$409,881.21	\$135,847.79	\$40,754.77	\$33,962.33	\$6,792.44		
Urbana	Uncle Martin, Inc.	140703008	5	\$326,032.61	\$299,430.91	\$26,601.70	\$120,048.00	\$93,446.23	\$26,601.77	\$7,980.60	\$6,650.51	\$1,330.09		
REPORT TOTAL:				12 Establishments	54	\$26,643,646.53	\$24,506,642.42	\$2,137,004.11	\$8,292,355.00	\$6,155,312.05	\$2,137,042.95	\$641,115.63	\$534,263.08	\$106,852.55

News | updated: 2/9/2015 5:35 AM

Coffee shop-looking cafe casinos taking hold in suburbs



Video: Stella's Place



James Fuller

It's the lunch-hour rush, and the food counter at one of Oakbrook Terrace's newest businesses offers deviled eggs, mini bratwursts and white zinfandel. Nobody is ordering. There's no one even sitting in the dining area. And yet, business is booming.

All five of the video gambling machines at Stella's Place are occupied this Friday afternoon. But if you don't want to wait, a Betty's is just two minutes away. There you can get a panini or a pepperoni pizza while you gamble.

Other motifs await at two other cafe casinos about four minutes away in Villa Park. Critics say cafe casinos are a video gambling virus that took advantage of a loophole in state gaming laws to infect shopping malls across the state.

But local mayors and landlords are having a hard time saying "no." There are now more than 150 cafe casinos operating in some 73 communities, according to the Illinois Retail Gaming Operators Association. Those businesses brought in

nearly \$211 million to the state via 700 video gambling terminals since they became legal two years ago. That represents about 7 percent of industry revenue, and the number is growing.

That take looms larger because cafe casinos are only a small slice -- 3.5 percent -- of the 4,234 licensed video gambling establishments in Illinois as of early February. There's another 442 fraternal or veterans organizations licensed to have the machines as well as 165 truck stops.

Three companies alone account for 107 of the cafe casinos. All of them operate under quaint, female names. That's an intentional branding effort to let patrons know the atmosphere is more of coffee shop or grandma's kitchen than a bar or casino.

Oakbrook Terrace-based Blackhawk Restaurant Group owns 50 cafes and plans 10 more. Locations operate under the Betty's, Penny's, Emma's or Jena's titles. The ownership group comes from a background in restaurants, hotels, resorts, and bar and grills.

Illinois Cafe and Service Company owns 34 of the Dotty's country-style cafes, and has plans to open 150 locations. The company has a background in similar ventures in Oregon and Nevada.

And Laredo Hospitality Ventures owns 23 cafes under the Shelby's and Stella's names. Vice President of Operations Charity Johns has a background working with Jamba Juice and Cosi. She said she will open as many locations as there are communities willing to have them.

"In Wheeling, I went through six board meetings before they took a gamble on me," she said. "Now I have two locations there, and we'll be opening a third. The limit will be what the marketplace can bear. Just like any other business, there will be enough Subways for everybody, eventually."

Places such as Naperville, Schaumburg and the big nugget, Chicago, are still untapped gold mines for the cafe casino niche. But the group is already trying to attract the residents of those communities.

Blackhawk Restaurant Group Partner Mike Thiessen said a town such as Oakbrook Terrace is especially attractive because surrounding Downers Grove, Hinsdale and Lombard don't allow video gambling.

The success of the cafes on their borders is now leading some of those communities to take a second look at video gambling. Lombard trustees recently renewed the video gambling debate, but they have not yet jumped on board.

Johns and Thiessen agreed that at some point the cafes begin to speak for themselves.

"We have over 400 people that work at our company every day," Thiessen said. "I spend about \$200,000 per store when I open. We put \$10 million into the local economy last year. When you show that, and I bring a mayor or a city council to one of these stores, the first reaction is, 'Oh, I didn't realize what this looks like. This is OK.'"

Letting communities know the cafes are safe and inviting is only half the battle, Thiessen said.

"When you match that with we're going to take a vacant space, and we're going to put that back on the tax rolls, and we're going to make the landlords happy, and we're going to generate you local tax revenue, pay your sticker tax, pay you a 2 percent food and beverage tax, the story becomes much better," Thiessen said.

That's the money talks pitch. Johns, the Laredo executive, offers more of a flowers and candy wooing.

Stella's, she says, "is like hosting a party in your own home. We have couples come in for a date night. It's what you do with your recreational entertainment. Some people play golf. Some go to the movies. Some people come here, have a glass of wine and play some video poker."

Not everyone buys that image. Some state lawmakers portray the cafes as gambling business that scooted under the radar of state law. Though technically legal, they say video cafes were not specifically contemplated when video gambling became legal.

Chicago Democrat Bill Cunningham sponsored legislation in the state senate to limit the number of the gambling licenses in individual communities to slow the cafe infiltration, but the measure stalled. Cafe casino owners expect Cunningham, and possibly other lawmakers, to take a second crack at new limits in the new legislative session.

But Mike Gelatka, president of the Illinois Gaming Machine Operators Association, said community leaders who have allowed cafe casinos know very well what they are getting. They've opted into video gambling. They require business and/or liquor licenses before opening. All the people involved with the cafe go through fingerprinting and background checks at the state and local levels.

"It's not like anyone is saying they are going to build a hot dog stand, and when they open there are all of sudden slot machines," Gelatka said. "There's no, 'They tricked us,' going on. The owners go in, tell the elected officials, 'This is what we do, and this is why we do it.' If the town says they don't want it, the cafe goes away."

In addition to the threat of increased state regulation, cafe casinos face the continuing specter of why 175 Illinois communities ban the establishments.

Some communities are alcohol-free, which automatically prevents cafe casinos from opening shop because a liquor license is part of the regulatory process for video gambling. For other communities, alcohol may be allowed but gambling is seen a vice with a darker profile.

Susan Rifkin, a board member with nonprofit Stop Predatory Gambling, said it's one of the most financially and socially damaging activities anyone can engage in. Her group completed a study in November decrying the cafes as a growing segment of the state's overall gambling addiction.

Rifkin compared video gambling to marijuana in being a "gateway drug" to harder use.

At a minimum, Rifkin wants the machines to carry warning labels that notify the player of the huge odds against winning. She said the inevitable financial losses the players will suffer will force the state to shell out more public assistance dollars.

"Many gambling addicts play the personal responsibility card and blame the gambler for not knowing their limits," Rifkin said. "I wholeheartedly agree that personal responsibility is primary in all aspects of life. However, we also have a social responsibility to protect others from harm. If everything boiled down to personal responsibility, we would not need prescriptions for pharmaceuticals, and there would be no speed limits."

Local landlords and mayors who have embraced video gambling emporiums as new tenants in vacant storefronts hope the speed of cafe casino development doesn't slow down anytime soon.

Charles Lucchese, a partner at Dearborn Realty, welcomed cafe casinos into vacant storefronts in Round Lake, Hoffman Estates, Elk Grove Village, Elgin and, soon, Carol Stream, all within the past 18 months. They've been key to keeping the shopping centers thriving, Lucchese said. He said he can charge higher rents to the cafes because the companies often bid against each other for the spaces. Those premium rents help landlords recoup losses associated with long-vacant storefronts.

"The biggest thing is they are a new use," Lucchese said. "It's not a beauty shop. It's not another pizza parlor or a dry cleaner."

Also, fears of increased crime or rowdy patrons have proved unfounded.

"There has been absolutely zero issues," he said. "We have five in five different shopping centers. No problems. No complaints. Nothing wrong since they've been open. Every mayor in these communities are talking to each other, and they know what they are going to get when one of these cafes wants to come in."

Oakbrook Terrace was the first community in DuPage County to license a video gambling establishment. Like state lawmakers, Mayor Tony Ragucci hoped the machines would give a little back to what his local businesses lost following the statewide smoking ban.

"Let's be realistic," he said. "People gamble. A lot of people gamble. These cafes are a local opportunity for local establishments to take advantage of what people are already doing."

Ragucci said the cafes are generating more gambling revenue than local restaurants or bars that have the machines. The portion of profits that flow into city coffers helped build a new police station.

The cafes have squeezed some gambling money away from local bars and restaurants, but Ragucci doesn't see that as a problem.

"The bars and restaurants, their main business is food and booze," he said. "Any additional revenue from the video gambling is a bonus. They are still making more with the video gambling than they are with their pool tables or golf machines. Take a look around. Look at Villa Park. Anywhere you go you can find establishments that were just trying to stay alive but are now doing big numbers in video gambling. These little places, the cafes, they are just another business."