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Millions spent on casinos didn't help Atlantic City

Deep-seated social problems still plague the city despite the money poured into casinos

ATLANTIC CITY, N.J. -- It was what everyone was talking about in the fall of 1976, in and around Atlantic City, N.J.: A statewide referendum that would allow [legalized gambling in the so-called "Queen of Resorts,"](#) a once-thriving coastal community that had fallen on hard times.

Gambling, many thought, would be a boon to the struggling city with nearly 20% unemployment, restoring it to its early 20th-century glory. Eve Davis, 51, was born and raised in Atlantic City, and remembers how strongly her parents supported the referendum.

"My family believed it was what was going to save the city," said Davis, a cocktail server at the Showboat casino who now lives in nearby Ventnor, N.J. "It was going to bring great jobs."

The casinos did breathe new life into Atlantic City's tourism industry, with the number of visitors jumping from about 7 million annually to more than 30 million today. And gambling did create jobs: nearly 43,000 at the casinos' peak, in 2006. That's declined to about 33,000 as Atlantic City has struggled to compete with casinos in neighboring states.

But the arrival of casinos has not fixed the deep-seated social problems plaguing a city where nearly 30% of residents live below the poverty line. Unemployment remains high, at nearly 18% last year. Gangs roam in low-income neighborhoods, and the crime rate in 2011 was 107.2 incident per 1,000 residents, compared with 39.3 for Atlantic County.

And the very government agency created to help city residents has since changed its focus — to helping casinos attract more gamblers and visitors.

"In hindsight yes, one of the things that we learned in Atlantic City, whether it's gambling or other economic development, (is that) economic development in and of itself is not a cure for social problems," said Jim Whelan, a former Atlantic City mayor who is now a Democratic state senator.

"The hardcore unemployed are a social problem. It's not an economic problem," said Whelan, who has taught in Atlantic City's public schools for 35 years. "The help-wanted sign does not solve that problem. People don't have the life skills, the job skills, to function in the workplace."

\$2 billion spent

The New Jersey Legislature realized early on that while casinos were funneling large sums of money into state coffers, they were reinvesting almost nothing in the city itself.

The 1977 Casino Control Act, a law enacted after the gambling referendum was adopted, called on all casinos to reinvest 2% of their gross gaming revenue annually in Atlantic City.

But by 1984, no casino licensee had made the required reinvestments, so legislators created the [Casino Reinvestment Development Authority](#) (CRDA) to force the funding. The law gave the casinos a choice: either pay 2.5% of its gaming revenue to the state, or reinvest 1.25% of revenue in community projects through CRDA. Not surprisingly, all casinos chose reinvestment.

Since 1984, the authority invested more than \$2 billion in more than 400 projects. The majority of that money — more than \$1.5 billion — went to projects within Atlantic City. The authority has had some notable successes, in particular a housing and retail development that transformed the city's dilapidated Northeast Inlet section.

But the agency has been criticized for investing in politically connected projects and for taking a piecemeal approach to redevelopment that leaves large swaths of depressed Atlantic City untouched.