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Coffee shop-looking cafe casinos taking hold in suburbs

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By 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.

owned by these companies in the north, northwest and west suburbs are gubbing up more of the local video gambling revenue.

| County | Blackhawk Recreation Group LLC | Stella's Cafe & Service Company, LLC | Lanelle Hospitality |
|----------------|--------------------------------------|--|------------------------|
| Northwest Cook | 0 | 4 | 4 |
| DuPage | 0 | 3 | 4 |
| Will | 1 | 3 | 0 |
| Lake | 1 | 2 | 2 |
| McHenry | 1 | 0 | 2 |
| Total | 18 | 13 | 12 |

[graphic](#)
[Big three video cafes](#)

[graphic](#)
[Video cafes breakdown](#)

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."