

Members

Sen. Thomas Wyss, Chairperson  
Sen. Michael Young  
Sen. Charles Meeks  
Sen. Lindel Hume  
Sen. Timothy Lanane  
Sen. Mark Blade  
Rep. Vernon Smith, Vice-Chairperson  
Rep. Jerry Denbo  
Rep. Ron Liggett  
Rep. Ralph Ayres  
Rep. James Buck  
Rep. Eric Turner



# INTERIM STUDY COMMITTEE ON LABOR, STATE AND HUMAN AFFAIRS ISSUES

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## MEETING MINUTES<sup>1</sup>

Meeting Date: September 4, 2002  
Meeting Time: 10:00 A.M.  
Meeting Place: State House, 200 W. Washington  
St., Room 431  
Meeting City: Indianapolis, Indiana  
Meeting Number: 1

**Members Present:** Sen. Thomas Wyss, Chairperson; Sen. Michael Young; Sen. Charles Meeks; Sen. Lindel Hume; Sen. Mark Blade; Rep. Vernon Smith, Vice-Chairperson; Rep. Jerry Denbo; Rep. Ron Liggett; Rep. Ralph Ayres; Rep. James Buck; Rep. Eric Turner.

**Members Absent:** Sen. Timothy Lanane.

### 1. CALL TO ORDER and INTRODUCTION OF MEMBERS

Senator Wyss called the meeting to order at 10:11 A.M. and introduced the Committee members.

### 2. DISCUSSION OF ECONOMIC DEVELOPMENT ALTERNATIVES FOR FRENCH LICK AND WEST BADEN OTHER THAN GAMING ACTIVITY OR TRANSFER OF AN EXISTING GAMING LICENSE

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<sup>1</sup> Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

Before beginning the discussion, Senator Wyss reiterated the Legislative Council's mandate that the Committee focus on economic development alternatives other than gaming. Senator Wyss then turned the discussion over to Representative Denbo. Representative Denbo explained that Orange County has the highest unemployment and the lowest per capita income in Indiana. He stated that the Kimball manufacturing plant closed in January 2002. Representative Denbo noted that both French Lick and West Baden have a prosperous heritage but that recent attempts to attract industry to the area have failed, leaving tourism as the area's only economic hope. Representative Denbo told the Committee that the Cook Group of Bloomington, Indiana, has spent over \$30 million dollars renovating the West Baden Springs Hotel but that the hotel still has no functional use. Representative Denbo also suggested that, while the French Lick Springs Hotel is open, its current occupancy rate will not sustain the hotel in the long run.

Senator Hume had requested the Legislative Council to allow a study committee to study economic development alternatives including gaming for the Orange County area. He noted that despite the deterioration of the tourism industry in the area, the French Lick Springs Hotel had continued its investment. Senator Hume stated that the hotel had lost convention bookings to casinos and riverboats in the area. He emphasized the importance of keeping open Crane Naval Defense Center, which injects \$2.2 million annually into the Orange County economy. Senator Hume mentioned the importance of improving transportation in the Orange County area, including state highway 37.

Senator Hume invited the Committee to visit the French Lick/West Baden area to see the hotels firsthand. Senator Wyss also asked the Committee to visit the area, while noting that budget constraints prohibited the Committee from meeting onsite. Representative Denbo likewise offered to host the Committee, and then introduced Dan Seitz of BoseTreacy Associates, who represents Boykin Lodging, the owner of French Lick Springs Hotel.

Mr. Seitz explained that Boykin Lodging currently owns thirty-three hospitality and lodging properties, none of which offer gaming. Boykin purchased the hotel in April 1997 with the goal of preserving its history and heritage. Mr. Seitz introduced Adina Cloud, senior sales manager and director of community relations for the hotel. Ms. Cloud, a fourth-generation employee of the hotel, presented a brief history of the resort. See Exhibit A. Mr. Seitz informed the Committee that the hotel employs 606 people, has a payroll of \$6.4 million, and is the only union hotel in Indiana. Ms. Cloud stated that the hotel has not exceeded a 42% occupancy rate in the last decade and has lost guests to area casino and riverboat hotels. See Exhibit A, B. Mr. Seitz testified that the hotel needs \$50 million in new capital to make it competitive nationally with similar properties. He stated that current state policy, including investing in riverboats, negatively impacts the viability of the hotel and that Boykin Lodging and the hotel would like to partner with the state to provide internships and training at the hotel.

Senator M. Young asked what states in which Boykin owns properties allow gaming. Mr. Seitz stated that New Jersey and Indiana allow gaming and are home to Boykin properties. Senator Young also asked for Mr. Seitz's opinion on proposed economic development alternatives for French Lick. Mr. Seitz reiterated that Boykin would like to partner with the state and its agencies and further stated that tourism seems to be the only viable alternative. Mr. Seitz mentioned that the extension of I-69 could positively affect the area.

Representative Turner questioned whether the hotel is profitable with a 42% occupancy rate. Mr. Seitz responded that the hotel currently is not profitable; at least 50% occupancy is necessary for a profit, and a hotel does not experience real returns until it achieves 65% occupancy, at which point it can reinvest its returns in capital. Representative Turner

asked whether Boykin had anticipated making a profit when it purchased the hotel. Mr. Seitz answered affirmatively, noting that the decision had been based on the availability of gaming and that occupancy rates appeared to have bottomed out at 30% at the time of purchase.

Representative Buck confirmed that the French Lick Springs Hotel pays for its advertisements in the state tourist guide. He then asked whether any major rail lines serve the French Lick/West Baden area. Mr. Seitz was uncertain how many rail lines are intact but doubted that many other than manufacturing lines serve the area.

Senator Meeks requested the hotel's rack (full retail) rates as well as its capacity. Ms. Cloud stated that the rack rates are \$129/\$159 weekday/weekend but that most rooms rent for \$79/\$99 weekday/weekend. Ms. Cloud told the Committee that the largest hall in the hotel is 25,000 square feet and holds 2,700 people and that the total square footage of the hotel is 60,000. Senator Meeks suggested using Branson, Missouri, as a model for revitalizing the hotel and the area. Ms. Cloud noted that the hotel hosts ten to twelve events each year but that recent events have not been successful enough to continue. Senator Meeks also inquired as to the hotel's annual marketing budget. Ms. Cloud informed the Committee that the hotel has a \$1.4 million marketing budget for 2002.

Representative V. Smith noted similarities between French Lick and Gary, Indiana, specifically that they are both one industry towns whose industries had left. Representative Smith commented that French Lick needs a continuous "hook" to draw visitors to the area since the legislature has introduced the competitive element of riverboats. Representative Ayres asked how the hotel's rates compare with the rates at riverboat hotels. Ms. Cloud answered that an internet search revealed rates of \$80/\$99 weekday/weekend at Casino Aztar in Evansville, Indiana. Representative Denbo stated that rooms at Caesars in southern Indiana often cost \$30.

Ms. Cloud read into the record a letter from the Orange County commissioners. See Exhibit C.

Judy Gray, executive director of the Orange County Economic Development Partnership, presented to the Committee the Orange County Community Economic Development Strategic Plan. See Exhibits D and E. After hearing the plan, Senator M. Young suggested the county hire someone to begin marketing the county's image now to begin attracting conventions rather than waiting for the plan to unfold. Representative Denbo expressed his appreciation for Ms. Gray's work, but commented that such studies contain too many generalizations and that Orange County needs to implement specific plans and incentives immediately.

Representative Smith noted that the state spent a lot of money to make Indianapolis the amateur sports capital of the world and that French Lick and West Baden need the same influx of non-gaming dollars. Representative Liggett stated that French Lick and West Baden are in a unique position because the state created the negative economic situation by passing gaming legislation. He also commented that highways are necessary for economic development in rural areas. Senator Meeks asked if Orange County has exercised all of its local tax options. Ms. Gray responded that Orange County has implemented the county economic development income tax and the innkeeper's tax and has created a tax increment financing district but does not have a wheel tax or a food and beverage tax.

Jack Carnes, a lifelong resident of French Lick and employee of the French Lick Springs Hotel, testified that French Lick and West Baden are gold mines for the state with two

resorts, the second largest airport in the state, and Patoka Lake. He stated that the hotel is losing occupancy to other convention centers in the area and asked how the hotel could compete with area casinos when there is no legislative support for gaming at French Lick and West Baden. Mr. Carnes asked the Committee to give French Lick and West Baden an opportunity to help themselves.

Steve Ferguson of Cook Group testified about the history and heritage of West Baden and the hotel. Cook Group has invested over \$35 million in the renovation of the West Baden hotel and has attempted to find other uses for the hotel, including use as a corporate training center or headquarters or as an antique mall. Mr. Ferguson stated that highway development is less important if the area becomes a tourism attraction rather than a manufacturing center. Senator Wyss stated that road systems are still important and asked when the railroads stopped serving the area. Mr. Ferguson did not know. Representative Buck questioned whether there are bike or other trails in the West Baden area. Mr. Ferguson informed the Committee that French Lick Springs Hotel has horse trails but that there are no point to point trails in the area.

Patrick Murphy, Deputy Commissioner of External Affairs for the Department of Workforce Development testified that the current unemployment rate in the French Lick/West Baden area is 9.5%, up from the 2001 9.1% rate. Mr. Murphy stated that the Department of Workforce Development tries to invest in regional economies and to use incumbent workforces. At present, the Workforce Investment Board that covers the area has a \$150,000 planning budget. Mr. Murphy agreed to provide the Committee with unemployment rates for all Indiana counties for 2000, 2001, and 2002 to date.

Richard Rowley, general counsel for the Department of Commerce, and Lynne Fuller, director of tourism, both testified in support of French Lick and West Baden's efforts. Mr. Rowley testified that the Department of Commerce is switching to a regional approach for state development and that Orange County will be in Region 12. Mr. Rowley listed several economic development incentives available statewide: (1) the Economic Development for a Growing Economy (EDGE) tax credit; (2) the Skills 2016 training grant, through which Orange County will receive \$60,000 over five years; (3) the gradual elimination of the inventory tax; (4) the increased tax credit for research and development; and (5) the availability of the Certified Technology Park designation. Mr. Rowley reiterated the willingness of the Department of Commerce to partner with local entities.

Ms. Fuller testified that the Tourism Division enjoys a good partnership with Orange County and French Lick. She stated that the Division spends 75% of its marketing funds in cooperative programs, and that marketing dollars enjoy a return of \$100 for every \$1 spent. Ms. Fuller informed the Committee that West Baden is featured prominently in the 2002 state travel guide and the fall travel promotions; French Lick will be emphasized in the 2003 travel promotions. In response to Senator Wyss' question, Ms. Fuller stated that the state tourism budget is \$4.5 million, of which \$3.5 million is allocated for marketing. She testified that neighboring states have much higher marketing budgets, ranging from \$7 million in Kentucky to \$71 million in Illinois. Representative Ayres asked which state attractions spend the most on advertising; Ms. Fuller answered that the biggest spenders are Indiana Beach, Holiday World, and Amish Acres. Ms. Fuller and Representative Buck discussed the layout of West Baden in the current state travel guide, specifically whether the layout adequately informs the reader where West Baden is and what it offers. Ms. Fuller and Mr. Rowley agreed to provide the Committee with the Division of Tourism's marketing budget for the past twenty years as well as the total budget for the Department of Commerce and to compare those budgets with the budgets of other states' departments.

Reid Williamson, President of the Historic Landmarks Foundation of Indiana, testified next. Historic Landmarks Foundation is a minority partner with Cook Group in the renovation of the West Baden Springs Hotel. Mr. Williamson informed the Committee that, due to federal tax laws regulating the activities of not for profit corporations, the West Baden hotel cannot be used for profit-making activities; a prospective buyer, however, would not have the same limitation. Mr. Williamson stated that the West Baden hotel enjoys true statewide appeal, as evidenced by the 250,000 visitors over the last five years. Mr. Williamson distributed two articles discussing the importance of cultural tourism. See Exhibits F and G. Mr. Williamson emphasized that historic preservation is synonymous with economic development, as demonstrated by Cook Group's \$35 million investment in the area. In response to Senator Meeks' question, Mr. Williamson informed the Committee that the West Baden Springs Hotel is for sale for \$35 million.

Walter Prosser testified before the Committee about his personal success in renovating his historic home, which over 7,000 people have visited since September 1992.

### 3. SELECTION OF NEXT MEETING DATE

Senator Wyss scheduled the second meeting of the Committee for Friday, September 20, at 9:30 A.M. Topics for discussion will be Senate Resolution 7, addressing several Native American issues, and worker's compensation as it applies to the Amish.

### 4. ADJOURNMENT

Senator Wyss adjourned the meeting at 1:05 P.M.