

The Reopening of Las Vegas Casinos During the COVID-19 Pandemic

July 6, 2020 / By Shannon S. Okada, MAI, Soyoung Boo, Ph.D.



On March 17, 2020, Nevada's Governor Steve Sisolak ordered the closure of Nevada's non-essential businesses and urged residents to implement social-distancing measures to reduce spreading COVID-19. Governor Sisolak authorized certain businesses, including restaurants, barbershops, hair salons, and most retail businesses, to reopen with limitations beginning May 9, 2020, and Nevada began its emergence from the pandemic shutdown. Nevada's casinos were allowed to reopen on June 4, 2020, with restrictions. While the pandemic is far from over,

this article examines some of the differences observed in casinos in the Las Vegas market since reopening and what has been learned thus far.



The Las Vegas economy was devastated in April and May 2020 due to the shutdown of businesses. The Las Vegas Convention and Visitors Authority (LVCVA) reported that the number of visitors in April and May 2020 totaled 106,900 and 151,300, respectively, which represented a decline of 96.4% from the 7,233,100 visitors to the market during April and May 2019. McCarran International Airport recorded a 91.5% year-over-year drop in passenger traffic in May 2020 with 391,712 passengers, down from the 4,584,506 passengers in May 2019. However, May 2020's passenger count was up 156.5% from 152,716 passengers in April 2020. Gaming revenue in Clark County for April and May 2020 was down 99.4% compared to April and May 2019; according to the **Nevada Gaming Control Board (NGCB)**, the vast majority of reported gaming win in April and May 2020 was attributable to mobile sports wagering and interactive poker. While initial reports following the reopening of Las Vegas' casinos on June 4, 2020 indicate the presence of pent-up gaming demand following the 78-day shutdown, the market continues to adapt to challenges arising from the pandemic during the early stages of recovery.

Nevada Gaming Control Board Requirements

The Nevada Gaming Commission approved guidelines from the Nevada Gaming Control Board (NGCB) in order to ensure the safe reopening of Nevada's gaming operations for (1) casino operators with non-restricted gaming licenses and (2) for restricted licensees, those with 15 or fewer slot machines in venues such as convenience stores, supermarkets, restaurants, and taverns. The guidelines from the NGCB for casinos include requirements such as reducing casino capacity by 50%, physical distancing at slots and table games, using personal protection equipment (PPE), and cleaning surfaces frequently. The NGCB's guidelines are silent on some operational matters, but federal, state, and local health recommendations and mandates are also in place.

Operations

Casino operators have taken steps to provide a safer environment for employees and guests in accordance with

Summary

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government-mandated requirements. Gaming floors now look and operate differently than before the pandemic. Elements addressed by Las Vegas casino operators due to the COVID-19 pandemic include education, employee/guest health, physical distancing, cleanliness, and use of PPE.

- **Education:** Employees are being educated on how to recognize, respond to, and report cases of COVID-19 while on property. Combating COVID-19 is an ongoing effort, and properties have taken steps such as increased signage to remind guests of the need for social distancing and proper hygiene.
- **Employee/Guest Health and Safety:** Some operators not only check their employees' health but also that of guests. For example, some properties have incorporated thermal cameras or non-invasive temperature scans at entrances, for both employees and guests, to screen and turn away those who exhibit high temperatures.
- **Physical Distancing:** Guests are reminded to stand at least six feet apart, slot-machine layouts have been changed, and the number of seats at table games are limited. Physical layouts for other operated components, such as restaurants, have been altered to ensure people can maintain a safe distance. Some operators have installed plexiglass barriers in areas throughout casinos where appropriate. The number of people that occupy elevators has also been limited in some situations.
- **Cleanliness:** Hand-sanitizer dispensers are more prevalent, especially at key entrances and contact areas. Table games are being played with less touching of cards by players, and operators are taking steps to minimize the risks of handling cash and chips. Cashless gaming options continue to be explored.
- **Personal Property Equipment (PPE):** Masks are provided to guests in order to mitigate the risk of virus transmission. Use of masks by Nevada casino guests was initially voluntary and then required for table games players only; eventually, Governor Sisolak issued an emergency directive on June 24, 2020, making the usage of face masks mandatory for anyone in any public space in Nevada, effective June 26, 2020.

Phased Openings

Boyd Gaming Corp., Caesars Entertainment Corporation, MGM Resorts International, and Red Rock Resorts, Inc. did not open all their Las Vegas properties initially, preferring to reopen select properties until demand ramped up and in order to gain insight into consumer behavior. Opening of the casinos provided some cash flow and also allowed the operators the opportunity to begin implementing safety protocols and new procedures for employees and guests on a rollout basis.

- Boyd Gaming has opened nine properties in Las Vegas (Orleans, Gold Coast, Suncoast, Aliante Casino, Cannery, Fremont, California, Sam's Town, and Joker's Wild).
- Caesars Entertainment initially reopened Caesars Palace, Flamingo Las Vegas, and Harrah's Las Vegas Hotel & Casino, followed by the Paris Las Vegas on June 18, 2020.
- MGM Resorts reopened Bellagio, MGM Grand, New York-New York, and The Signature initially, followed by the Excalibur Hotel & Casino on June 11, 2020, the Luxor and The Shoppes at Mandalay Bay Place on June 25, 2020, and ARIA, Delano, and Mandalay Bay on July 1, 2020.
- Red Rock Resorts has reopened Red Rock, Green Valley Ranch, Santa Fe Station, Boulder Station, Palace Station, and Sunset Station, as well as its Wildfire division properties. Texas Station and Fiesta Rancho are expected to remain closed until 2021.

Major Las Vegas properties that are still closed and do not have planned opening dates as of the writing of this article include the Mirage, Park MGM, Bally's, The Cromwell, Planet Hollywood, Rio, Tropicana, Palms, Main Street Station, Eastside Cannery, Fiesta Henderson, and Eldorado.

Facilities/Amenities

Not all facilities and amenities typically found at Las Vegas' casino-resort properties are open, or they are open on a limited basis, as of the writing of this article. Spas, theaters, convention centers, nightclubs, buffets, pools, and other facilities that are unfeasible to operate due to social-distancing guidelines will continue to remain closed or available on a restricted basis at this time. Although swimming pools have been opened for guests,

lines have reportedly been forming given the capacity limitations being met at some properties. Fewer hotel rooms, a limited number of restaurants being open with reduced hours at those locations, and other measures to maintain social distancing and accommodate varying levels of demand detract from the market's appeal.

While some operators have initially opened only select components of the casino-resort properties that are deemed safe and profitable, other operators have begun to adapt to the current conditions and are offering modified products that comply with health and hygiene guidelines. For example, while pre-pandemic buffets presented potential opportunities for transmission of COVID-19, The Buffet at Wynn Las Vegas now offers diners the opportunity to order unlimited servings/items from a menu tableside, and the Wicked Spoon at the Cosmopolitan features food stations where servers hand patrons chosen dishes; both The Buffet and the Wicked Spoon impose time limits.

In LVCVA's 2019 Las Vegas Visitor Profile, 51% of visitors surveyed attended a show during their trip to Las Vegas. Cirque du Soleil has been a major entertainment draw for Las Vegas for decades; at the time of forced shutdown in March 2020 due to COVID-19, the company ran 44 shows around the world, including six in Las Vegas ("Ka," "Love," "Mystère," "O," "One," and "Zumanity"). The company is in the process of restructuring its finances due to the pandemic, but retention of the Las Vegas shows is a likely scenario given that the shows are all featured in customized, dedicated theaters, and the Las Vegas productions can reportedly collectively run at 50% capacity and still maintain a profit. MGM Resorts International representatives have indicated that it could be possible to reopen Cirque du Soleil theaters before the end of 2020. Tickets for future shows are being sold, and some operators, including Red Rock Resorts, have begun providing musical entertainment in smaller venues such as in restaurants, bars, and lounges. Health protocols, future visitation, and demand will ultimately determine when shows will reopen, but major shows have been, and will be in the future, part of the attraction of Las Vegas.

Sources of Demand

As the world makes its way through the reopening of businesses following the pandemic, it is likely that different segments of the population will behave differently. For example, there will undoubtedly be a segment of the U.S. population that will continue to return to activities as soon as possible, irrespective of health concerns. Pent-up demand has been observed following the reopening of gaming facilities in Las Vegas, as well as other U.S. jurisdictions. However, the pent-up demand from such patrons has been mitigated by other segments of the population that have greater concerns regarding the continuing potential for exposure to COVID-19, including a portion of the population that will wait for the development of a vaccine, effective treatment, or herd immunity, before resuming pre-pandemic activities. People want to get out of their homes, but many people have at least some concerns about going into public spaces. A survey of 1,000 gamblers conducted by Las Vegas-based game maker Synergy Blue in late April 2020 reflected that only 40% of gamblers over age 60 would immediately return to casinos once stay-at-home orders were lifted, which compares to nearly two-thirds of gamblers under the age of 29 who indicated that they would return when they can. Synergy Blue's survey also revealed that approximately one-third of those surveyed plan to spend less when they go back, and only 22% would consider visiting a casino that required air travel.

The Las Vegas casinos that cater primarily to those residents living in Clark County, which are less reliant on visitors, may be recovering faster than those based on the Las Vegas Strip, as it is easier and safer for consumers to drive to gamble versus traveling by air, although lower discretionary spending for Las Vegas residents has been reduced because of the high, pandemically-induced, local unemployment rate (29.0% in May 2020). The rebound of the casinos that cater primarily to Las Vegas locals is expected to benefit from improvements in the local economy. Retirees residing in the market is one source of midweek business for local casinos and, despite fixed incomes, these patrons have also been affected by declines in investment values. Moreover, members of this segment may be more hesitant to return to casino gaming initially due to the higher susceptibility to complications from COVID-19 given the higher average age for retirees relative to the population as a whole.

Visitors will need to feel safe before returning to Las Vegas, whether by car or flying. Fortunately, the Las Vegas Strip market does benefit from a significant market base of customers that drive from Southern California, as the number of visitors arriving by air and the amount of meeting and group business are well below pre-pandemic

levels. Destination Analysts, Inc. has been performing surveys of 1,200 travelers across the U.S. every week since March 15, 2020. A key finding from the Destination Analysts report for the week of June 28, 2020, reflects consumers' increasing expectation that the pandemic will get worse over the next month, which implies a declining intent to travel and does not bode well for the market's non-resident demand segments.

The Las Vegas Strip's recovery will be partly dependent on McCarran International Airport traffic returning to a high volume. The decline in travel by air due to the pandemic in the first half of 2020 has resulted in a reduction of the number of available seats. The airport also consolidated services, as airlines reduced the number of flights because of the pandemic. Fortunately, the return of the airport back at full capacity, which is vital to the improvement of Southern Nevada's tourism economy, has begun. In June 2020, the top ten domestic carriers at McCarran International Airport combined to average nearly 200 scheduled arrivals per day, up from 145 per day in May 2020. Scheduled average arrivals are anticipated to increase to over 280 in July 2020 and exceed 330 in August 2020. U.S. travel destinations, including Las Vegas, may benefit if U.S. citizens are not permitted to travel to the European Union and other countries worldwide.

Opportunity for Improvements in Profitability

Gaming operators are facing a challenging environment, which includes higher operating costs while trying to generate revenue with reduced capacity. The opportunity to improve the efficiency of casinos and casino-resort properties is present even in this challenging environment. Operators have an opportunity to examine and streamline their operating structure to improve profit margins despite the additional costs associated with the implemented safety measures. Operations may be made more efficient by adjusting use of labor appropriately with fewer patron touchpoints, focusing on profitable segments, and eliminating waste, for example. Focusing on high-net-worth customers with targeted marketing promotions, utilizing database information to optimize usage of the reduced casino space during appropriate times, opening best performing games, and raising table minimums are possible operational strategies that may help operators to return to profitable levels. Drawings and certain promotions to attract mass foot traffic may not be necessary or appropriate given social-distancing limitations and capacity constraints, and the costs of such programs can be eliminated.

Due to shelter-in-place restrictions, technology has become a bigger part of everyone's lives. The adoption of online services, such as food orders, bill paying, and video conferencing, will help the gaming industry adopt business practices that utilize IT efficiencies that cut down on labor expenses and time. There is the potential that technology-based services, such as video check-ins/check-outs, F&B ordering, communication, promotions, reservations, or other such elements, will be better integrated into operations and utilized with greater frequency, as more consumers have become comfortable with using technology.

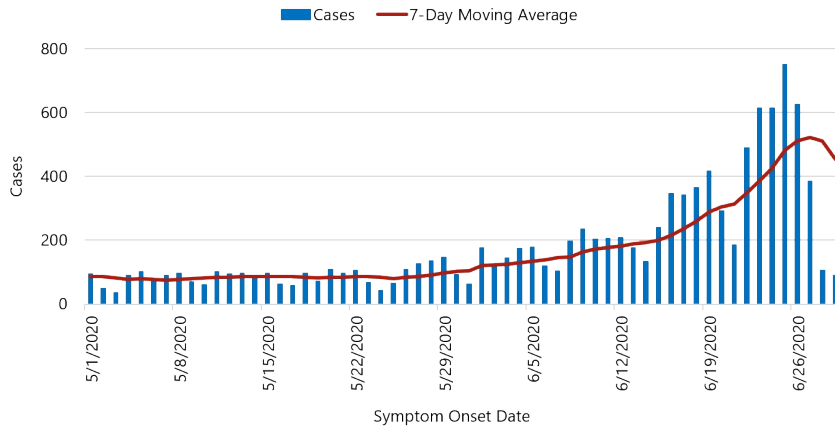
The Las Vegas Strip's recovery should be measured and take on a rational approach. Ancillary fees, such as resort and paid parking fees, could be reduced or eliminated given the reduction of available facilities/amenities and to encourage visitation by local residents. Caesars Entertainment, Cosmopolitan, and MGM Resorts have not been charging for parking following the reopening of their Las Vegas Strip properties. The M Resort is waiving its \$25 resort fee from July 1 through September 7, 2020.

Increasing Number of COVID-19 Cases

The closures of many businesses and restrictions on public life slowed but did not stop the spread of the virus. The number of COVID-19 cases in numerous states has risen since economies have reopened. According to data compiled by Johns Hopkins University, 51,200 new cases of COVID-19 were reported in the U.S. on July 1, 2020, which was the first time daily confirmed cases in the nation exceeded 50,000 since the pandemic began. Being traced back as the locus of a new outbreak of COVID-19 would be very bad publicity that could have ramifications lasting beyond the pandemic for a market or a property.

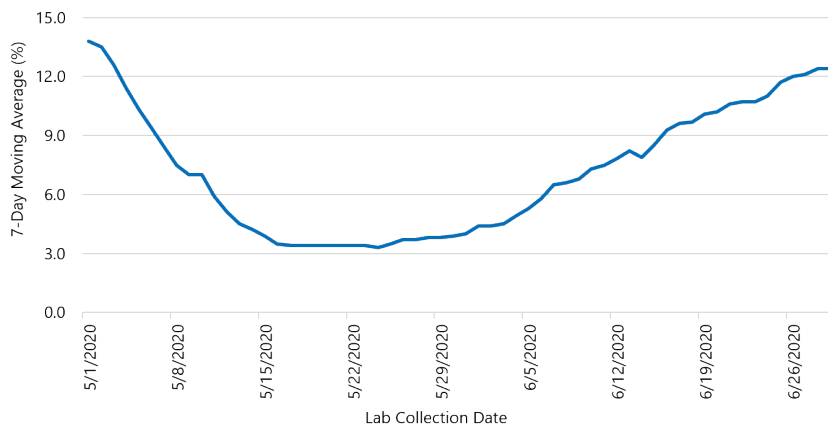
The number of COVID-19 cases and the seven-day average of positive results in Clark County have generally been increasing since Nevada's casinos were reopened. On June 25, 2020, 749 new COVID-19 cases were reported in Clark County.

Daily COVID-19 Cases - Clark County, NV



Source: Southern Nevada Health District

Percentage of People with Positive COVID-19 Viral Tests - Clark County, NV



Source: Southern Nevada Health District

The local Culinary union has filed a lawsuit against major Strip venues, arguing that hotel-casino properties are not offering safe working conditions amid the pandemic. The lawsuit, which focuses on The Signature at the MGM Grand, Sadelle's Cafe at Bellagio, and Guy Fieri's Las Vegas Kitchen & Bar and was filed on behalf of workers who are members of Culinary Union Local 226, alleges the venues have not protected their workers, families, and community from the spread of the virus and that their response to workers contracting COVID-19 has been inadequate. Employees at several Las Vegas Strip properties have reportedly tested positive for COVID-19. Some properties immediately shut down the venue where the employee worked, while others kept operations going and declined to share information.

The surge in COVID-19 cases in Arizona and Utah—two states adjacent to Nevada—began in late May 2020, which was about two weeks after the states began to reopen their economies. In Arizona, Gila River Hotels & Casinos closed all three of its properties (Lone Butte and Wild Horse Pass near Chandler, and Vee Quiva near Laveen) for two weeks beginning June 18, 2020, amid a rise in COVID-19 cases in the state. Gila River's three casinos had previously been shut down because of COVID-19 from mid-March 2020 until May 15, 2020. The announcement was made a week after a security guard at Lone Butte Casino reportedly died of complications related to COVID-19. Arizona Governor Ducey has ordered bars, nightclubs, gyms, movie theaters, and water parks to shut down again for at least 30 days beginning June 29, 2020, and also ordered public schools to delay the start of the classes to August 17, at the earliest.

California, another Nevada border state, began relaxing restrictions in early May 2020, and the pace accelerated into June. Bars were initially cleared to reopen June 12, 2020, but on June 28, 2020, Governor Newsom ordered several counties, including Los Angeles, to shut down bars and recommended that several other counties do the same following the surge in COVID-19 cases; stepped-up enforcement of health orders and additional

restrictions are possible if conditions don't improve. Bars are viewed by some health experts to be one of the highest-risk businesses during the pandemic because drinking can reduce inhibition and impair judgement, potentially leading to people to forget to wear face coverings and maintain adequate physical distances.

Other states' impositions of quarantine recommendations/requirements to travelers arriving from Nevada are also serving as a deterrent. For example, residents of or those arriving in New York, New Jersey, and Connecticut are advised to voluntarily quarantine for 14 days after they arrive from certain states, including Nevada, based on statewide COVID-19 statistics, and travelers from anywhere to Hawaii must quarantine for 14 days. Being quarantined for 14 days after returning from a trip to Las Vegas is clearly a significant disincentive for residents from these states.

Conclusion

It is unclear when all resorts on the Las Vegas Strip will reopen, but demand is improving, albeit far below levels where it was before the closures. There is a concern that gamblers will choose to patronize local casinos closer to home, as some of the key elements that make a trip to Las Vegas unique, including nightclubs, shows, sporting events, buffets, etc., are not present currently. With Las Vegas' offerings limited during the pandemic, convenient regional properties may be viewed as safer and better options at this time and could lead to a long-term change in consumer behavior. It is unknown whether leisure customers will continue to return to a Las Vegas until the full range of facilities and entertainment options historically offered, and which have distinguished the market from neighborhood/regional gaming facilities, becomes available. Recent increases in COVID-19 cases in Clark County are another deterrent to travel to the market, which can be mitigated somewhat by a high level of, and reputation for, cleanliness.

The Las Vegas market is very dependent on gaming operations for employment and taxes. Requirements that contribute to health are important, not only for social responsibility but also from a business perspective, as no property or market wants to be identified as a COVID-19 hotbed. Nevada needs to stop the surge in new coronavirus cases and avoid having businesses being shut down again. Despite the challenges faced, the pandemic has provided Las Vegas with an opportunity to retool and improve, but the revenue- and tax-drought timeline could lengthen significantly if the number of daily cases continue to rise and another COVID-19 shutdown becomes necessary. Other jurisdictions should be monitored, and any lessons learned incorporated, as Las Vegas continues to make its way through the pandemic.

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