
Is Casino Gambling in the Cards for Galveston?

Backers says it can save the water-logged city, while opponents say it will bring nothing but ruin.

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Courtesy of Rosenberg Library



Glory days: Balinese co-proprietor Salvatore "Big Sam" Maceo pals around with famed pianist Carmen Cavallaro and Galveston Mayor Herbie Cartwright.

Courtesy of Dolph Tillotson



Dolph Tillotson of *The Galveston County Daily News* thinks casinos could save Galveston, much as they did Biloxi, Mississippi.

It might be tough times and diminished expectations now, but from 1918 to 1957, [Galveston](#) Island was known as a "wide-open" town, where prostitution, smuggling, bootlegging and gambling all flourished. Many remember the 1940s and early '50s as the glory days of "the Free State of Galveston," when the Balinese Room, brothers Sam and Rose Maceo's supper club/gambling spot, was the ace showplace of the whole Gulf Coast.

Today, many Texans envision that bygone Galveston as a sort of pre-Castro [Havana](#) of tequila-soaked tropical sin, cash and sex. While Hemingway swigged daiquiris at the [Buena Vista Social Club](#) to the tune of a [Beny Moré](#) bolero, here at the other end of the [Gulf of Mexico](#), [Peggy Lee](#) was inspiring Balinese bartender [Santos Cruz](#) to invent the margarita and name it after his muse. It was not for nothing in 1947 that *Life* magazine, in a tone that mixed awe and scandal, called Galveston America's "last surviving sin city."

The Balinese was the site of the most glamorous of 20th-century Lone Star State lore. You picture [Howard Hughes](#) staking the rights to a [Hollywood](#) blockbuster on one spin of the roulette wheel and [Groucho Marx](#) wagging his cigar and cracking wise at the craps table. Nearby, Dino and Frankie Blue Eyes are busting each other's chops over high-stakes poker with the Texas Big Rich, all while [Duke Ellington](#) takes a dance floor full of buxom [Jayne Mansfields](#) and debonair [Cary Grants](#) on a ride aboard the A-train.

What's more, it was all right on Houston's doorstep. [Bill Cherry](#), a Galveston-born realtor, musician and armchair historian, conjures up the time when moneyed Houstonians picked up stakes and summered in Galveston. "Daddy caught the train to Houston every morning and rode back in the evenings. The kids, mom and grandma and grandpa played at the beach during the day. When daddy got back to Galveston in the evenings, the kids were babysat at the hotel, grandma and grandpa went to the bingo parlors and mom and dad went to the Balinese or Studio Lounge."

Today, those days are gone as gone can get. The law pulled the plug on Galveston's casinos in 1957, and last year [Hurricane Ike](#) reduced the Balinese — which in recent years hosted biker bands and dinner theater — to little more than splinters and driftwood. But many in Galveston believe that

swingin' Sinatra-style Sin City on the Gulf can be resurrected.

This talk of a renaissance has brought about a lot of infighting. And as with any civil war, the casino debate pits friend against friend, brother against sister and husband against wife: One co-owner of a prominent Strand District building refused to comment in the interest of domestic harmony — her husband was pro and she was anti.

Leading the charge of the pro-casino brigade is [Dolph Tillotson](#), president and publisher of [The Galveston County Daily News](#). In a city that relies on Houston TV and radio, the town paper remains the city's most important news source, and Tillotson has plenty of clout in shaping local debate. And since Ike, Tillotson has put the casino pot on his front burner.

In October, with Galveston's roads still studded with nails and debris piles lining the streets, [Allen Flores](#), president of the [Strand Merchants Association](#), kick-started the discussion with a pro-casino letter to city officials. Flores claimed casinos would create jobs, boost middle-income housing, augment the tax base and help fund beach restoration. What's more, Flores wrote, the casinos' spillover clientele would spark a boom for Strand businesses, many of which are still shuttered and/or being rebuilt. Following the major staff cuts and relocations of

thousands of jobs at downtown institutions like the University of Texas-Medical Branch, Flores asserted that the promise of casinos could give some Strand business owners the hope they need to go on.

Tillotson gave Flores's letter prominent coverage, and in the months that have followed, the newsman has penned several pieces of his own and shared his bully pulpit with numerous casino advocates (and a few opponents).

Some on the pro side have included members of Galveston's leading families of Golden Age fun and sin. One such was [Tilman Fertitta](#), the Galveston-bred direct descendant of Sam and Rose Maceo's sister Olivia and president and CEO of [Landry's Restaurants, Inc.](#) The casual dining/Vegas casino mogul broke his silence on the casino question in the January 18 issue of the *Daily News*. "The time has come for Galveston's leaders to go to work to bring gaming to the island," he wrote. "The Legislature has convened, and Galveston can no longer run from this issue. We must at least get into the discussion — immediately." (Another of Fertitta's assertions — that the Island needed casinos whether or not he was involved — inspired one local wag to crack, "Yeah, and I only read *Playboy* for the articles.") Another, Fertitta's cousin [Vic Maceo](#), envisioned a Texas-style Monte Carlo, with a high-class gaming district of one or two small European-style casinos, while a third — Tony Buzbee, a [Friendswood](#) attorney whose Strand-area law

office was ruined by Ike— declared in the *Daily News* that he was morally opposed to casinos until Ike, after which he became morally unopposed (see ["Is Casino Gambling in the Cards for Galveston?: Getting Up a Game"](#)).

Much of the anti-casino contingent comes from the usual suspects: those with moral or religious axes to grind, such as advocates for the poor, church groups and other social conservatives. The most prominent and vocal exception to this general rule is Harris "Shrub" Kempner, scion of one of Galveston's leading old money families and a member of the city's advisory Finance Committee. As the de facto leader of the anti-gambling side, Kempner opposes it on none of those grounds. Instead, he thinks that casinos will ruin Galveston's special character while doing little to help rank and file Islanders economically.



Harris "Shrub" Kempner leads Galveston's anti-gambling contingent. He believes casinos could turn Galveston into a Gulf Coast version of Atlantic City.

Tillotson and Kempner have locked horns in the pages of the *Daily News* and privately. The debate has taken on shades of *Jurassic Park*, with Tillotson in [Richard Attenborough](#)'s role as resort champion and Kempner in [Jeff Goldblum](#)'s role as a chaos theory-obsessed believer in geographical determinism. Tillotson believes the beasts can be neutered and controlled, while Kempner believes it is hubris to think that Galveston can contain the kind of money they will bring to town.

Where Tillotson sees casinos as Galveston's last, best hope for a relatively quick infusion of new capital, investment and jobs, Kempner sees their potential to run out the remainder of the dwindling quality jobs still on the Island. "If there's a promise of casinos, it's very much less likely that you will have a first-class, or even a major-class, medical school and research complex on the Island," he says. "Those two things don't coexist very well in a tight, constrained geographic space. I believe it would be bad money driving out good money."

"Good money? Whose money is good and whose is bad?" Tillotson counters. "Hey, show me the 'good' money yearning to come to Galveston."

Galveston's chronic middle-class housing crunch is another problem Kempner believes casinos would aggravate. "The Powerful Publisher" — Kempner has taken to calling

Tillotson that of late — "who talks about having middle-class housing here is also pushing the one economic development program that is guaranteed to destroy most of the middle-class housing we still have."

Tillotson grants the severity of the shortage before going on the counter-attack. "It actually seems to me that new jobs and new investment in the community might help the middle-class housing problem, not make it worse."

Middle-class flight has been a problem for Galveston since long before Ike. Some blame a school district that grades out in the bottom quarter of Texas districts, while others blame the lack of jobs in the area, and still others the housing crunch. (Galveston's middle-class housing market is perverted by its tight geographic constraints and proximity to wealthy Houstonians in search of second homes.)

Kempner says the housing problem will be impossible to fix with casinos in the mix. "We have a chance now to do something new and different — raze some houses, do some full-scale development in places where it has never been done before," he says. "Maybe. But not if you bring in casinos."

Tillotson believes that carefully crafted enabling legislation — the nuts-and-bolts tweaking that goes on after a bill becomes law — can safely contain the casino industry and

its growth and thus allow room for the middle class to thrive. Just look at [Biloxi](#), a [Mississippi Gulf Coast](#) town that boomed in the wake of casinos and was able to stay alive and rebuild after the town was leveled by [Hurricane Katrina](#).

Okay, Kempner counters, just *look* at Biloxi. "If you go behind the casinos in Biloxi, there's not much improvement," he says. "And that's with more room to grow out than we have in Galveston. Biloxi is better than [Atlantic City](#), but most places are."

Indeed, you won't find Atlantic City near the top of many "Places Rated" charts. Thirty years ago, when gambling returned to the [Jersey Shore](#), it was supposed to have been the salvation of that fading resort. While the casinos have brought tens of thousands of jobs and millions of visitors, Atlantic City is now almost always described as a town where gilded pleasure palaces abut crack-ravaged East Coast slums. The city's crime rate is still more than three and a half times the national average and a quarter of the town's people live in poverty.

And a Galveston that allows casinos is a Galveston fast on its way to becoming Texas's Atlantic City, Kempner maintains. First, as islands, they share the same topography, and Atlantic City is the only American island that has allowed casinos so far. Second, he believes the

casinos will find a way to subvert the enabling legislation by corrupting local government, and then, like a voracious pack of velociraptors, proceed to "breed" and overrun Galveston. "The casinos were all supposed to be in one area of [Atlantic City's] Boardwalk, and guess what — they worked out a way where they could convince the state and the locality where they could jump out all over the city."

Kempner believes that casinos have helped foster Atlantic City's flamboyant level of public corruption. Four of the previous eight Atlantic City mayors have been busted for corruption, and in 2008, the Associated Press reported that the former city council president was facing 40 months in federal prison after his conviction in a bribery scandal that also claimed two other council members. While not all of these scandals are directly tied to casinos, many local observers say that the lure of easy money has permeated from the town's casino floors to the highest levels of local government.

Kempner's belief that the same potential exists in Galveston puzzles Tillotson. After all, as the newsman slyly points out, the Kempner family has been involved in the running of Galveston, either officially or behind the scenes, for over a century. Even today, Kempner's first cousin, [Lyda Ann Thomas](#), is the sitting mayor. "Who exactly is he saying would be corrupted? Surely he's not saying Lyda Ann Thomas would be corrupted. If not her, who exactly?"

There is already ample opportunity for the would-be crooked local politico, Tillotson says. "I'm not sure that people are any more likely to be corrupted by casinos than they are by our community's traditional wealthy power brokers or other business interests — real estate developers, for example. If a council member is willing to swap votes for money, they'll find ways to do that without casinos."

Two waxy-faced men, tubes in their noses, oxygen tanks by the side of their wheelchairs, cigarettes in their mouths, are gambling away. It's Tuesday night at the Isle of Capri in [Lake Charles](#), Louisiana, and its present-day clientele is a far cry from any romantic notions you might have of Galveston's old Balinese.

But if you are trying to imagine Galveston with casinos, the Lake Charles of today is probably a more useful study than Galveston in the '40s.

At Lake Charles's Isle of Capri, the slots — in all their whirring, glittering, chirping splendor — are king. These are not the simple fruit machines of the past. Today, many are as visually and aurally dazzling as Halo III in Surround-Sound on a plasma-screen TV. In one area, frowsy, fortysomething ladies sit transfixed in adjacent *Wizard of Oz*-themed machines, mashing bet buttons as fairy harps

sigh and a phantasmagoria of Dorothy, Toto, tin men and cowardly lions flashes in front of their eyes. These women make it clear they don't like onlookers intruding on their alternate reality from over their shoulders. Indeed, most patrons don't — it is a very difficult place to strike up a conversation.

Psychologists say those who favor games of skill are "action gamblers." Gambling serves as an adrenaline boost for these extroverts — they get high off beating other players or the house. Those who favor slots are termed "escape gamblers," lone wolves who view gaming as a burn patient views a cool shot of morphine.

Across town at the fancier L'Auberge du Lac, even on a Tuesday, it's hard to find a spot in the parking lot among the several thousand cars with Texas plates. Once inside, it's equally difficult to find even one machine idle. The difference is that here, the poker, craps and blackjack tables are fully engaged and it is at these tables that a surprisingly large number of young, tattooed Vietnamese men congregate.

As it turns out, Gulf Coast Asians are a strong market for the Lake Charles casinos. One of L'Auberge's nine dining options prominently offers "authentic Vietnamese selections," the casino employs Chinese and Vietnamese speaking hosts, and Vietnamese singers appear in the

casino's concert venue. On the casino floor, L'Auberge offers visitors a chance to try their hand at *pai gow*, a Chinese variant of poker.

Still, this is a far cry from the image of the Balinese Room. There's a suburban corporate feel to these casinos, a working-class everyman vibe. You can't picture Howard Hughes, a starlet on each arm, hovering over L'Auberge's roulette wheel, or a Lake Charles casino bartender inventing a legendary cocktail, any more than you could envision [Angelina Jolie](#) strolling through an [Office Depot](#) on FM 1960.

And where the likes of Sinatra and Ellington performed for the Balinese Room's clientele, the modern-day equivalent is not quite as exciting. Billboards on I-10 tout upcoming shows at the Coshatta casino in nearby Kinder by Brooks & Dunn and what is left of [Lynyrd Skynyrd](#).

On the way back to Houston, it strikes you that Lake Charles's interstate infrastructure seems ludicrously overbuilt for a city of its size. How many cities of fewer than 200,000 people have an interstate loop? Broadway, 61st Street and Seawall Boulevard would have a hard time coping with casino hordes. Kempner thinks that traffic and exhaust fumes are all most Galvestonians would come to associate with the casino trade.

You can see arguments for and against casinos before your eyes. Both major Lake Charles casinos sport huge parking lots — which begs the question of where they could fit in Galveston.

Those lots are also jam-packed with cars with Texas license plates. When you couple that with all the signs touting the many shuttles offering dirt cheap transport from nine pickup points in Houston to the casinos, you realize the magnitude of the cash drain over the Sabine.

Both the Isle of Capri and L'Auberge du Lac are vast complexes that rise mirage-like out of acres of concrete in the middle of nowhere. Each offers in-house restaurants, shops, clubs and lodging, and that underscores one of Kempner's main anti-casino contentions — that Flores and the Strand merchants are fooling themselves if they think casinos will bring them customers. Even in the old days, he says, the Balinese Room knew well how to lock down the junket trade. "When the casinos wanted to attract banquets, they undercut," he says. "They could afford to do that because they can make food, drink, shelter and entertainment a loss leader, and they will do it again."

While the exteriors of Lake Charles's casinos are stunning vistas by themselves, the real Louisiana casino boomtown is a couple of hundred miles north in [Shreveport](#). According to Galveston-bred Shreveport businessman [Tony Janca](#), Texas gambling money has brought his once-moribund new hometown back from the brink of slow death.

On what he describes as a couple of former "government garbage dumps" on both banks of the Red River in Shreveport and neighboring [Bossier City](#), the casino-driven turnaround has been nothing short of miraculous, he says. Hotels, museums, a Hollywood soundstage, and an arts and botanical center have sprouted under the lights of the casino, and the local junior college has gone from what he calls a "joke" housed in a defunct high school to a gleaming new building with a half-dozen new courses of study feeding graduates into the casino industry.

Other stories are more personal. Janca's wife worked as a registered nurse in charge of patient discharges for many years. "When the casinos first came to town in 1995, they were hiring a lot of minorities," Janca recalls. "They were getting benefits that they didn't even understand. They would come to the hospital on welfare, not realizing that they had benefits paid for."

And to Janca, that is what it is all about, in Galveston as well as Shreveport. Janca moved to Shreveport as a young man in 1973, and since then, he's weathered the boom-and-bust cycle of the Louisiana city's oil-based economy to become a commercial real estate broker and civic booster. Casinos helped save Shreveport and they can save Galveston, he says. He even knows where to put them — a vast brownfield on the bay side of the Island's eastern reaches called the East End Flats.

Without casinos, Janca believes Galveston risks sharing the fate of [Indianola](#), a once-thriving, now-vanished [Matagorda County](#) port. "Tell me as a corporate person wanting to move my company, why I would want to move to Galveston? When these people come through your city, they are looking at the pimps on the corner and the prostitutes and the druggies. They see the problems in the schools and they say, 'This is not the quality of life we are looking for.'"

Janca is speaking of what is politely called Galveston's "demographic" problem. Galveston is full of poor people — before Ike, Galveston's poverty numbers rivaled those of New Orleans pre-Katrina. "They can't get over the Causeway," he says. "And like it or leave it, they are going to be the ones to turn the lights out. If there's any hope for that island, you are going to have to work with them and give them jobs, and then let middle management build on top of that. You don't build it from the top down."

If Galveston is going to thrive, it will need to attract more people like [Adrienne Culpepper](#), [Will Wright](#) and [Lauren Scott](#). Over beers at O'Malley's Stage Door Pub, a venerable, wood-paneled tavern that was one of the relative few Strand-area bars that reopened in January, the three co-founders of a new blog called *Islander By Choice* explained why they were willing to embody the young professionals Janca says the Island cannot attract.

To a certain degree, he's wrong. Even with all its warts, Galveston still has the power to bewitch people in a way that Houston does not. Scott works in Houston and commutes 100 miles a day. Wright, a graphic designer originally from [Amarillo](#), could have set up his shop anywhere, but chose Galveston. Culpepper came to the Island via school at A&M-Galveston and fell in love with the town (and a husband), and never wants to leave.

Each of these late twentysomethings and early thirtysomethings loves Galveston for its unique sense of place, small size, lively night life, stout arts and cultural community, proximity to the beach, convenience to Houston's big city amenities, and historic ambience. Each of them lives in a restored historic home, and while Culpepper says that she and her husband are not planning to have children, Scott says that she and her husband will, and that she thinks [Galveston Independent School District](#) is up to the task of educating them.

On the gambling issue, all are agnostic, but very concerned. Scott says she is scared of all the high-pressure sales tactics, most of them emanating from the *Daily News*. "There's so much hype that we have to do it now that I worry that we are being pressured into making a hasty decision, one way or the other."

She echoes Kempner's *Jurassic Park*-like concerns. "You'd better have the infrastructure and regulations up front, and you better have made sure you've thought of everything, and it is almost impossible to think of everything. Because once that [casino industry] machine gets going..."

Scott adds that the town needs a cost-benefit analysis from an independent researcher. "I get in discussions with people and I hear everything from Atlantic City to 'Look what it did for Biloxi,'" she continues. "Well, who are we most like when you really look at the pieces?"

For Kempner, that's an easy one: Atlantic City. Culpepper isn't so sure about that, but she does worry about what casinos might bring her circle of friends. "What would happen to our weekly game? Where would the down-home camaraderie of our local games go?"

Hardcore poker players speak of "bad beats" and being "on tilt." If a more logical play is defeated by an opponent who played foolishly but got astronomically lucky, that is a bad beat. And if that bad beat causes you to play recklessly and make foolish choices for a few hands more, you are said to be on tilt.

Galveston got a bad beat, and it wasn't just Hurricane Ike. Storms are a part of life on the Gulf Coast, and people will tell you they are "the price you pay for living in paradise." It was Hurricane Ike coming a few days from the global

economic meltdown, which is being keenly felt in Galveston through massive, crushing job losses at core economic drivers like the hospital complex. And now some believe that these body blows are causing others to rush into decisions on tilt.

Kempner calls it "quick-fix" thinking. Island financial analyst [David Stanowski](#) calls it a "Hail Mary" pass.

Culpepper has a medical analogy. "If this island were perfect, we wouldn't even be talking about this, but now people see [casinos] as a Band-Aid," he explains. "But there are so many other things we could do — the commuter rail system, improving education, making Galveston more walkable. Once we did [those things], and then if we still wanted it, then maybe we could look at gambling."

Kempner would agree. He notes that few save for diehards were talking up casino gambling before Ike. "People always wait until the absolute worst economic time and then they discuss this as an economic quick fix," he says.

The last time gambling was a serious issue on the Island was in the depths of the oil bust, he recalls, and even then, Galveston voted it down over and over again. "They tried three times and people learned a lot about the issue and how it would affect their daily lives, and they voted it down, two-to-one the first time and almost by that margin the next

two times," he recalls. "It was very solidly defeated every time, with turnouts as large as presidential elections."

But times are worse now, so the same results are not as assured. "Things are at their very worst right this moment," Kempner says, heaving a sigh. "We have real problems. I'm not denying that for a second. Please don't quote me as saying that everything is wonderful down here, because it sure as hell isn't, but there are other ways to solve this besides a quick fix that will cause more problems than it will benefit."

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