



RESORT REJUVENATES FRENCH LICK, IND.

By Susan C. Thomson

PHOTO COURTESY OF FRENCH LICK RESORT

French Lick, Ind., the storied mineral springs spa where the rich and famous luxuriated in the early 20th century, had seen better days. The new French Lick Resort, completed two years ago, has brought them back.

The all-purpose playground boasts 689 rooms, a casino, a conference center, a bowling alley, riding trails, spas, restaurants, tennis courts, shops, indoor and outdoor swimming pools and three golf courses. Its crown jewels, though, are its two century-old resort hotels, one of which had been vacant since 1983. They have been meticulously and dazzlingly restored to their yesteryear grandeur. Gold leaf moldings, crystal chandeliers, tile floors, marble columns, sumptuous carpets, fine furniture—every interior feature is either original, a restoration or a period-perfect reproduction.

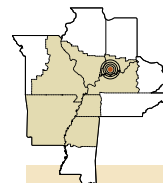
The stunning transformation was set in motion just four years ago, when the Indiana Gaming Commission, responding to more than a decade of prodding by local leaders, approved French Lick for a casino, the state's 11th.

Cook Group—a manufacturer of medical devices based in Bloomington, Ind., led

by passionate preservationist Bill Cook—emerged from a field of potential developers, which included basketball star Larry Bird, who grew up in the French Lick area. Cook's company estimates its investment in the resort at nearly \$500 million, \$33.6 million of it offset by federal tax credits for historic preservation.

The result has been economic manna for rural Orange County, in south-central Indiana about 100 miles south of Indianapolis and 60 miles northwest of Louisville, Ky. As its resort business ebbed over the years, so did the county's manufacturing base. From the late 1990s to the early 2000s, factories that made motors, wire, sofas, pianos, electronics, upholstery foam and wooden furniture closed their doors, wiping out nearly 1,000 jobs.

Unemployment in the area was "out of control," says Barry Winingier, president of the French Lick Town Council then. On



The West Baden Springs Hotel was built in 1902 and renovated in the past few years, along with the French Lick Springs Hotel. Together, they comprise the French Lick Resort.

French Lick by the numbers

POPULATION

City of French Lick.....	1,923 *
Orange County	19,571 **

LABOR FORCE

County	10,657 ***
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UNEMPLOYMENT RATE

County	11.2 percent ****
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PER CAPITA INCOME

County	\$25,948 ****
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* U.S. Bureau of the Census, July 1, 2002
 ** U.S. Bureau of the Census, estimate July 2, 2008
 *** U.S. Bureau of Labor Statistics, March 2009
 **** BEA/HAVER, 2007

TOP EMPLOYERS

French Lick Resort	1,450 †
Big Splash	250 ††
Pluto Corp.	145 †††
Jasper Group	137 †††
Springs Valley Community Schools	113

Sources: Self-reported
 † Annual average, including part-timers
 †† Peak season, including part-timer
 ††† Annual average

a tax base that provided only \$650,000 a year, the town fell ever more behind on routine upkeep.

Abruptly, the resort alone created 1,200 new jobs and nearly quadrupled the town's annual income—to \$2.5 million.

Its new wealth comes, in part, from the town's 8 percent slice of the state's tax on the new casino's admissions and its 5 percent share of the state's tax on gamblers' winnings. Separately, the resort agreed to give the town directly a 1 to 5 percent progressive cut on those winnings.

Emboldened by their town's improved prospects, its leaders were determined to leverage them aggressively in order to spur as much additional private investment as possible. They began by issuing \$15 million in revenue bonds to be paid back from current income over 20 years.

The proceeds were put to immediate use, upgrading sewers, improving downtown streets and acquiring and readying for development 2½ downtown acres across the street from the larger of the two refurbished hotels.

What had been an unsightly collection of mostly vacant commercial buildings has become the Town Center. There, construction proceeds now on a \$6 million, 60,000-square-foot, three-story building that will include shops, restaurants and apartments. The town backed the project by selling the land at what town attorney David Umpleby describes as "a steep discount" and by issuing industrial development bonds, providing partial loan guarantees and putting up 10 percent of the two co-developers' equity.

The venture has also benefited from the town's generosity with real estate tax abatement, allowing new developments to phase in full payment of their property taxes over 10 years. The resort got that concession, as did two properties that opened this spring. They are an 80-room Comfort Suites and Big Splash, a combination 154-room hotel and 40,000-square-foot indoor water park.

For the \$27 million Big Splash, the town also guaranteed \$6 million of debt and arranged for New Markets Tax Credits, a low-interest financing tool available to low-income communities through the U.S. Treasury Department.

Developers Jerry Fuhs of Big Splash and Mike Hicks of Comfort Suites, the town's



PHOTO BY SUSAN C. THOMSON

first chain hotel, say they based their plans on their assumption that the resort would spur an influx of tourists, some looking for other places to stay and other things to do.

Though it promotes French Lick, the Orange County Convention and Visitors Bureau does not count tourists, and the resort does not make public its occupancy rates or other business indicators. Chris Leininger, the resort's chief operating officer, offers only that it is meeting projections, which have been lowered in light of the recession.

Indiana Gaming Commission statistics show that since opening in October 2006, the resort's casino has lagged the state's 10 others in attendance almost every month. Attendance this year is off as much as 20 percent from last year, while casino attendance statewide has generally held up despite the current economic chill.

Leininger attributes the drop to competition from horse tracks in Anderson and

The Town Center (above) is the result of a variety of incentives. The city discounted the price of the land, issued industrial development bonds, provided partial loan guarantees, put up 10 percent of the equity in the \$6 million project and abated property taxes.

Big Splash, a combination 154-room hotel and 40,000-square-foot indoor water park (below), opened this spring. The development benefited from property tax abatement, federal New Markets Tax Credits and the town's guarantee on some of the debt.

PHOTO COURTESY OF VALLEY OF THE SPRINGS RESORT





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These houses (left) along Walnut Street, just a block from downtown, await a rehabber or developer. Elsewhere in town, houses that were long in disrepair have been bought and renovated.

Downtown has its share of vacant lots (right), including this one for sale next to Morris Leatherworks. The visitors bureau would like to see more tourist-friendly shops and restaurants in town, along with more special events to keep tourists in town longer. Within walking distance of downtown is the French Lick Resort, part of which is visible behind the truck at far left.

Go online to see more photos of French Lick. Follow the links at www.stlouisfed.org/publications/re.

Shelbyville, Ind., which the Gaming Commission allowed to install slot and other gambling machines last year. Both venues are about a half-hour drive from Indianapolis, while French Lick is two hours away.

Although its casino came first, the resort now downplays it, promoting instead all of its other amenities, including a variety of activities for children.

Perhaps the best gauge of French Lick tourism comes from the town's general aviation airport, which logged a combined 7,949 takeoffs and landings last year—a two-year increase of 40 percent. The airport's manager, Brian Payne, says almost all of the traffic is resort-related and consists in single- and twin-engine personal aircraft, sometimes bearing day-tripping golfers. The past few months have also brought the occasional 30-passenger plane, the largest the airport can handle, chartered by the resort for customers in a distant city.

In anticipation of even more traffic to come, the airport earlier this year tore down its 40-year-old, 700-square-foot terminal to make way for a new one almost five times larger. Cook Group donated the design work. Grants of \$300,000 from the Indiana Economic Development Corp. and \$250,000 from the Orange County Development Commission are paying for the construction.

For all the new and high-end investment, most of French Lick remains unchanged from its pre-resort days. Most houses are small, many of them the worse for wear. Beyond the new Town Center, the downtown is dotted with partly or entirely empty commercial buildings. Carol Singelstad, a vice president of Springs Valley Bank and Trust and a lifelong resident of French Lick, says many long-time owners took advantage of a

wave of real-estate speculation touched off by the resort and sold out.

In a view often heard around town, she says the town needs more tourist-friendly shops and restaurants than anything else. Teresa Anderson, president and chief executive of the Convention & Visitors Bureau, says tourist surveys suggest “a dire need” of exactly those things, plus more special events, to lure visitors and encourage them to extend their stays.

Such add-ons will only accelerate French Lick's growing dependence on tourism, evident in the suddenness and wide margin by which the town's new attractions have overtaken manufacturing as sources of jobs.

Chief among the remaining manufacturers are Pluto Corp. and Jasper Group. The latter is the local branch of a company based 25 miles away in Jasper, Ind., a survivor of Orange County's once flourishing hardwood-furniture industry. Pluto is almost as much a part of French Lick lore as the two dowager hotels and about the same age. In its early days, the company bottled water from nearby mineral springs and sold it in town and beyond as Pluto Water. Now, at two plants in French Lick, one in the center of town, it bottles household cleaning products.

For its future, though, French Lick is banking heavily and unapologetically on tourism.

“One could make the argument that they're putting all of their eggs in one basket,” says Uric Dufrene, a business professor at Indiana Southern University who has a special interest in regional economic development and has been a frequent visitor to French Lick. “But that was the only basket they had left, I think.” ⁹

Susan C. Thomson is a freelance writer.