

COVER STORY

WORTH THE GAMBLE?

D.C. is unique in that it allows independent restaurants to offer sports betting. But so far there have been few takers.

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Grand Central Restaurant, Bar & Sportsbook in Adams Morgan will never be confused with the FanDuel Sportsbook at Audi Field. ❗ It looks like your ordinary sports bar, with multiple TVs tuned to various sporting events. Customers would not even know it has four betting kiosks and two teller windows – tucked in a back room off the main bar – unless they were looking for them. The year-old FanDuel venue, on the other hand, appears far more inviting to gamblers, boasting at least 16 betting kiosks, TVs as large as highway billboards and a very impressive view of the Audi Field pitch.

Despite these differences in appearance and size, Grand Central saw more action in July than FanDuel's venue did, both in number of bets and dollars wagered. Whether that holds up through the busy football season remains to be seen, but it was nonetheless a notable accomplishment for Grand Central, as it showed it can effectively compete in a sports gambling marketplace dominated by big names like FanDuel, DraftKings, Caesars and BetMGM.

It was also, potentially, a hopeful sign for other local restaurateurs considering adding sportsbooks to their menus. D.C. is among the few jurisdictions in the country that allows independent bars and restaurants to operate sportsbooks, but there are only two such venues up and running to date. Few have shown interest – and it's easy to see why.

Competition is intense, as gamblers in the D.C. region have no shortage of betting options. They can place wagers at high-profile sportsbooks at Audi Field, Nationals Park, Capital One Arena, FedEx Field and National Harbor or via any one of about two dozen mobile betting apps. And the cost and time commitment of applying for a retail sports betting license can be prohibitive. Grand Central's application fee alone was \$100,000 and approval from D.C.'s Office of Lottery and Gaming and Office of Small and Local Business Development took close to a year.

But to Grand Central owner Brian Vasile, it was worth it. In fact, he's been so pleased with the business gambling has brought to Grand Central that he's now preparing to open a second sportsbook on H Street Northeast in partnership with his current

tech provider, Toronto's Elys Game Technology. With any luck, it will open this fall in the middle of football – and peak betting – season.

"A friend called me in August and asked, 'Are you on your yacht yet?' But it's not like that. It's not going to make you a millionaire," Vasile said. "But it brings more people to your restaurant and bar and it's an added revenue stream."

License to bet

In Europe, it's common for mom-and-pop sportsbooks to operate inside pubs and restaurants, but not so in the U.S., where deep-pocketed players quickly locked down the marketplace in the wake of a 2018 Supreme Court ruling that legalized sports gambling nationwide. Thirty-seven states and D.C. have since made sports betting legal in one form or another.

D.C. was unique from the outset in that it opened the door for independent operators, and in November 2020 Grand Central was the first in the city to apply for an unlimited number of class B licenses. Eleven months later, it was the first establishment of its kind in the country to begin taking bets.

It was an arduous and expensive process. Apart from paying the \$100,000 application fee, Vasile spent in the "low six figures" for equipment and restaurant upgrades. He was also subject to thorough background checks into his employment and financial history, criminal records and compliance with state and federal tax laws.

But you won't hear Vasile complain that the process is too strict. Rather, he is grateful that D.C. lets establishments like



▲ Grand Central Sportsbook in Adams Morgan has four betting kiosks and two betting windows.

his get in on the action. In D.C. alone, bettors wagered and more than \$207 million at sportsbooks or via the D.C. Lottery-run mobile betting app in 2022, and Vasile said it's "pretty awesome" that Grand Central is able to grab even a small slice of that pie.

"I really appreciate D.C. allowing small businesses to be involved instead letting the big boys come in and kind of own the space," he said. "Not many other jurisdictions have done that."

In a slow month, Grand Central pulls in about \$300,000 in wagers and in a good month during football season its "handle" can top \$500,000. That's a drop in the bucket compared to what Caesars takes in Capital One Arena but meaningful for tiny Grand Central. Its hold – what it keeps after paying out prize money – on average is about 10% of the dollars wagered, Vasile said, though some months it can be much higher. In July, for example, its hold was just under 42%, according to data from the D.C. Lottery, meaning that of the \$330,000

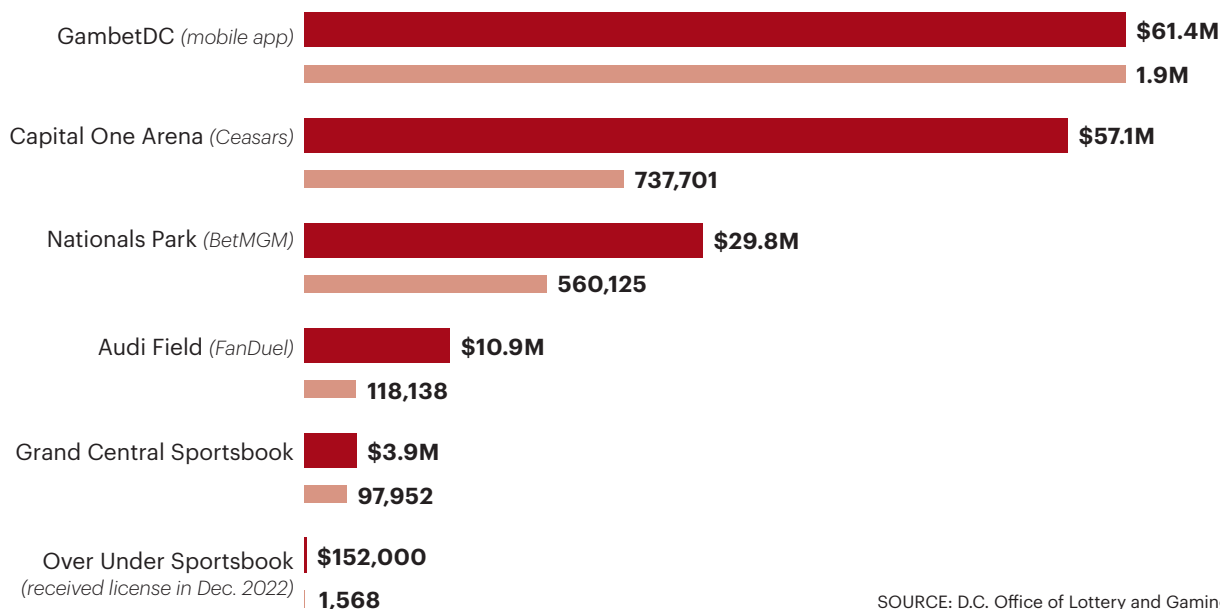


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BETTING IN D.C. 2023 fiscal year to date (Oct. 2022-July 2023)

Of the five physical sportsbooks in the District, the Caesars-run venue at Capital One Arena is by far the busiest. But GambetDC, the mobile betting app run by the D.C. Lottery, still sees the most action.

■ Handle ■ Number of bets



SOURCE: D.C. Office of Lottery and Gaming

wagered it kept more than \$137,000 before taxes, expenses and its split with Elys.

“For a small business owner, that’s a big deal,” Vasile said.

Few takers

Still, it’s not like restaurant and pub owners in D.C. are beating down the door to obtain betting licenses. Other than Grand Central, the only other retail establishment offering full-service sports betting is the Over Under Sportsbook atop the Cloakroom Gentlemen’s Club, which opened in late 2022 at 476 K St. NW. One restaurant group has started an application but has not paid the fee; another is in preliminary discussions with the city but has not yet started the application process, according to D.C. Lottery officials.

Cost is undoubtedly a deterrent, but Shawn Townsend, president and CEO of the Restaurant Association Metropolitan

CONTINUED ON PAGE 18

COVER STORY



CONTINUED FROM PAGE 17

Washington, said there are other factors. Chief among them is that restaurant and pub owners in D.C. are too preoccupied with issues like the phaseout of the tipped minimum wage and persistent staff shortages to even think about applying for betting licenses, he said.

But hospitality is a low-margin business and revenue from gambling could look enticing a few years from now, when the minimum wage for restaurant workers increases to \$14 an hour.

“Down the road, I could see some restaurant owners looking into this to offset the rise in labor costs,” Townsend said.

Like Vasile, Elys Game Technology Executive Chairman Michele “Mike” Ciavarella praises D.C.’s government for expanding the marketplace, but he believes more pubs, clubs and eateries would seek licenses if the process was speedier. A full review for a license takes nine to 12 months, and Ciavarella would like to see it reduced to six months for new applicants and three or four months for repeat applicants, like Vasile.

Elys provides the back-end technology that powers gaming machines and mobile betting devices. Most of its business is in

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BRIAN VASILE (PICTURED), owner of Grand Central Restaurant, Bar & Sportsbook

Europe, but it’s making inroads in the U.S. and is particularly drawn to D.C. precisely because it has opened the marketplace up to small retailers.

Elys is also the tech provider for the Over Under Sportsbook and is seeking to partner with even more operators. To that end, it’s helping to reduce their cost of entry by positioning itself as the primary operator. Under D.C. rules, the application fee is lower if the main operator in a joint venture is a professional sports wagering entity, as Elys is. The upshot for Vasile: His application fee for the H Street location was just \$25,000.

“This came about from the first year of experience with Grand Central’s success and challenges,” Ciavarella said, referring to his regular meetings with D.C. officials over licensing requirements. “The business concept was correct, but the cost of set-up, licensing and staffing was uneconomical and therefore was a barrier. This is a great example of business working with government to get it right.”

The competition

Another barrier for mom-and-pop retailers is competition.

Sportsbooks live for football – especially pro football – and with the NFL season

kicking off, it’s not hard to imagine gamblers choosing to place their parlays and prop bets in the comfortable confines of the big-name sportsbooks, like FanDuel at Audi Field, Caesars at Capital One Arena or BetMGM venues at Nationals Park or at National Harbor in Maryland.

There’s also digital competition. D.C.’s lone mobile betting app, GambetDC run by the D.C. Lottery, has had its share of glitches but still accounts for about 30% of all dollars wagered in the District each month.

In Maryland and Virginia, where bettors can place wagers on any one of roughly a dozen apps, mobile is more dominant. In Maryland, about 96% of the nearly \$238 million wagered on sports in July was done through mobile betting apps. In Virginia, where in-person sports betting is more limited, 99% of the \$325 million wagered in June was done through mobile apps. Who needs a sportsbook when you can place bets from your couch?

But D.C. is a big city, and Grand Central can do well simply by drawing customers from Northwest D.C. For bettors like Adams Morgan resident Carlos Brown, location really does matter. Brown was a regular at the sportsbook at Capital One Arena when it opened in July 2020 but

COVER STORY



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has barely been back since Grand Central opened 15 months later.

“I come here because it’s more convenient,” he said one recent Tuesday at Grand Central while studying pitchers’ statistics ahead of that night’s Major League Baseball matchups.

As Ciavarella sees it, the more options consumers have, the better their chances of winning. In sports gambling it’s all about the odds, and if jurisdictions impose barriers that effectively limit competition they are allowing just a handful of players to set the odds, he noted.

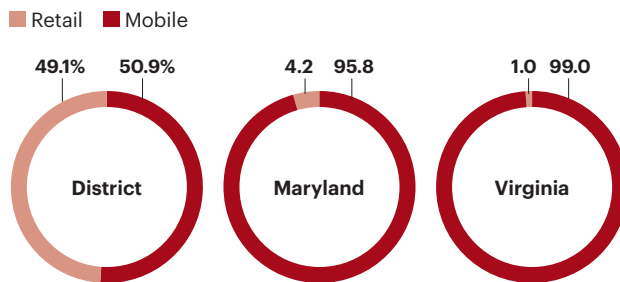
In D.C., residents have been known to download apps from Maryland or Virginia and cross state lines to make their mobile bets, in part because they aren’t always happy with the odds they are getting from GambetDC. (Sports betting apps can only be used in jurisdictions where they are licensed.) Or, if bettors don’t like the odds they are getting from sportsbooks, they may place their bets the old-fashioned way: through bookies.

“If you really want combat illegal gambling, then you have to blanket the market with regulated operators,” he said. “If we resolve and iron out some of these licensing barriers, I think the D.C. market can easily support 1,000 [retail] operators.”

WAGERING MADE EASY

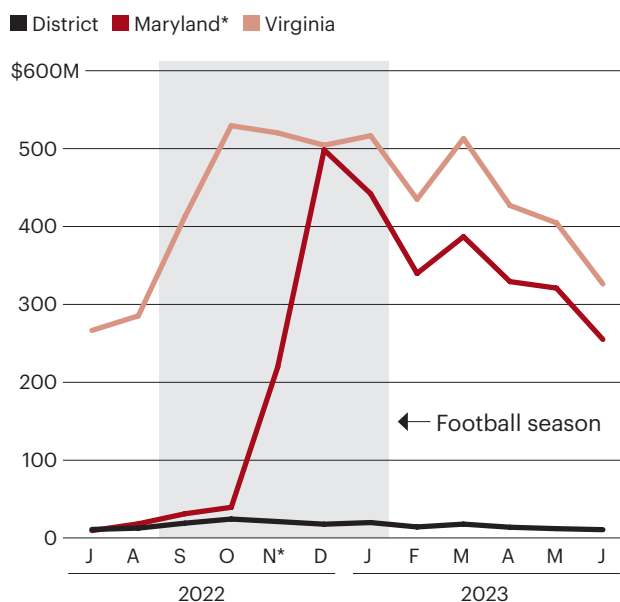
This is how betting activity broke down in June. In Maryland and Virginia, more than 95% of bets were placed via mobile apps. In D.C., it was closer to 50-50.

TYPES OF SPORTS BETTING



FOOTBALL RULES

This chart shows total dollars wagered each month from July 2022 through June 2023. In all three jurisdictions, betting activity spiked during football season.



*NOTE: Maryland added mobile betting in Nov. 2022

LICENSING GUIDE

D.C. has authorized three types of gaming licenses, Class A, Class B and what it calls District-operated. Here are the differences:

DISTRICT-OPERATED	CLASS A	CLASS B
Number authorized: One	Number authorized: Four	Number authorized: Unlimited
What it allows	What it allows	What it allows
Kiosks	Kiosks	Kiosks
Mobile	Mobile (within two blocks of venue)	In-person betting windows
Current locations	Current locations	Current locations
Mobile app 60 retail locations (GambetDC)	In-person betting windows Capital One Arena (Caesars) Nationals Park (BetMGM) Audi Field (FanDuel)	Grand Central Sportsbook Over Under Sportsbook

SOURCES: D.C. Office of Lottery and Gaming, Virginia Lottery, Maryland Lottery and Gaming Control Agency

Ready for football

That may be a stretch, though neither Vasile nor Ciavarella worries about the D.C. region becoming saturated because the marketplace just keeps growing as sports betting has become mainstream. Through the first six months of this year, nearly \$5.4 billion in wagers had been placed in D.C., Maryland and Virginia, according to state gaming agencies, compared to less than \$2.4 billion through the same period in 2022.

Matt Winkler, director and professor of sports analytics and management at American University, agrees that the D.C. region can support more sportsbooks because it has one of the highest per capita incomes in the world, and in a regulated gambling environment “you need money to bet.”

It’s a region that is also mad for pro football – and will likely be even more so now that the Commanders are under new ownership – and it’s no secret that many viewers tuning into NFL games often have money on the line.

“The NFL is the most bet on sport by far, and the data says gambling drives eyeballs to watch more games,” Winkler said.

Vasile can attest to that. He said Grand Central pulls in 65% of its annual gambling revenue between the start of the NFL season in early September and the Super Bowl in early February.

As good a month as July was for Grand Central, it paled in comparison to last October, when its monthly handle topped \$531,000.

Grand Central typically opens its doors at 11 a.m., but now that the college and pro football seasons have kicked off it will open at 9 a.m. on Saturdays and Sundays to accommodate anticipated crowds.

To further boost interest during football season, Vasile hosts occasional seminars – sports betting 101, he calls it – teaching novice gamblers things like how to read odds and what, exactly, an over/under is. Once “students” feel comfortable with the terminology, Vasile will lead them to the kiosk or teller window and instruct them how to place their bets. The vast majority, he noted, are women.

“You know how guys are afraid to ask for directions because they think they know everything, and they end up getting lost?” Vasile said. “It’s the same thing with sports betting.”

Vasile has never been much of a gambler himself, but since opening the sportsbook he’s become an expert in the business of gambling. He’s often asked to lead seminars for pub owners who are considering applying for sports licenses and the first thing he tells them is to be patient, because the background check will be extensive.

Then he says they need to have the financial wherewithal to put up nonrefundable licensing fee, the space to accommodate betting operations and, finally, the stomach to endure constant regulatory scrutiny, both during the application process and once the venue is up and running.

“If they understand that this is a marathon not a sprint, and they can tolerate the compliance and internal controls put in front of them, then I’d tell them to go for it,” Vasile said.