



300 ROOM HOTEL

TAILGATE PARK

STRUCTURED
PARKING

5000 SEAT
CONCERT
THEATER

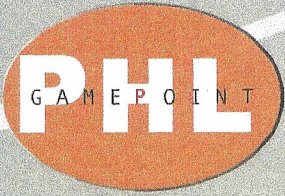
NIGHT CLUB

CASINO

ENTRY PORT
COCHERE

3RD STREET

PACKER AVENUE



VARENHORST
Architecture
Design
Strategy



Senate of Pennsylvania

Senator Anthony H. Williams

8th Senatorial District

To: PGCB Members
From: Senator Anthony H. Williams
Date: November 13, 2012
Subject: Philadelphia City-Owned Casino

This Memorandum will address the following: (1) the rationale supporting a city-owned casino in terms of (a) Philadelphia's looming budgetary crisis and (b) the potential revenue that can be realized if we opt for a city-owned solution; (2) the deficiencies of a privately-owned casino as defined by their owners' public statements and the casino proposals submitted to the Philadelphia Department of Commerce Friday November 9, 2012; and (3) a step-by-step plan for bringing a city-owned casino to application.

1. Rational for Support of A City-Owned Casino

a. Pension Funding and School District Deficits Threaten City and State Budgets

Philadelphia's pension fund faces insolvency by 2015 and currently drains \$630 million or 18% of Philadelphia's annual budget. Last week, the Philadelphia School District made a move to borrow \$300 million just to keep the classrooms open for the rest of the school year. Philadelphia simply must move in any way it can to identify revenue sources beyond raising the tax burden on our citizens. Philadelphia, in taking greater responsibility for its financial obligations through an innovative approach to own a Category II casino, should be applauded by my colleagues in the legislature.

The proposal for city ownership is designed to send dedicated annual revenue streams to the city's pension fund and school district.

b. Revenue Projections for a City-Owned Casino versus Private Ownership.

(i) 100% Equity Can Drive \$40 Million Annually To City Schools and Pensions In First Year, Nearly \$100 Million Annually At Maximum Capacity.

The PICA Report, using a 2010 model developed for the Foxwoods site, concludes that revenue to the city – over and above that received by the city through its Local Share Assessment (LSA) – would be \$24 million annually. Our own 2012 analysis of a 5,000 slot, 250 table casino could generate in the first full year of operation \$40 million and has an upward revenue potential \$80 - \$100 million annually when it reaches slot and table maximum capacity.

(ii) Local Share Assessment

Currently, the city receives from its only Category II, Sugarhouse, a \$7.5 million slot LSA at 1602 slots and nearly \$1.6 million table LSA at 54 tables; a total of \$9.1 million. Sugarhouse has established its maximum capacity at 2500 slot machines and 250 tables. This means that the most revenue the city can realize in 2012 dollars will be nearly \$19 million.

A 5000 slot/250 table casino I envision for the city could generate at maximum capacity \$32 million in 2012 dollars. This translates to an annual net loss in potential LSA revenue alone of more than \$10 million.

2. The Private Applicants Fail Our City

a. Limiting Capacity Sells Philadelphia Short

A review of the applicants submitting Local Impact Plans to the Philadelphia Department of Commerce combined with their public roll-out statements leads to one inescapable conclusion: No private developer or casino operator bidding on the city's last Category II has the capacity or the intent to build their Category II casino to the statutory maximum of 5,000 slot machines. Their limitations, primarily constrained by properties woefully too small for a Category II design, could cost the citizens of Philadelphia hundreds of millions of dollars over the next decade.

I realize that there is uncertainty that the economic marketplace can sustain a 5,000 slot casino in Philadelphia today but that does not mean we are limited in perpetuity. Can any economic model really project such limitations across the lifetime of a Category II casino?

Philadelphia's move to own its casino is a statement of optimism in its future as well as a demand that it not be sold short by the deficiencies of a land developer

trying to flip his property for a windfall or an operator whose vision for a casino is “cute” and “delicious” rather than one that can do the most good for the most citizens.

b. Absence of Diversity In Ownership Is Unacceptable

The Pennsylvania Gaming Control Act speaks to the diversity goals of the PGCB in terms of ownership in clear and unequivocal terms. Section 1212 (a) Intent states:

It is the intent and goal of the General Assembly that the board promote and ensure diversity in all aspects of the gaming activities authorized under this part. *The board shall work to enhance the representation of diverse groups in the ownership*, participation and operation of licensed entities and licensed facilities in this Commonwealth.

On June 13, 2012, with the PGCB’s decision to approve the sale of Don Barden’s share in The Rivers, Pennsylvania was left without any minority ownership in any of its casinos.

There is no evidence on the public record at this time that any of the private developers or casino operators have any significant minority representation in their ownership groups or any local minority groups in any significant equity position in these projects.

The 2010 Census data for the County of Philadelphia presents the following minority representation:

Black:	44.3%
Latino:	12.6%
Asian:	6.6%
Total:	63.5%

A city-owned casino would represent the most diverse ownership Commonwealth and the nation and thereby address one of the most glaring deficiencies and most offensive aspects of the board’s implementation of the Pennsylvania Gaming Control Act.

3. How The Process Works

Step 1. Put a Casino Bond Referendum on the May 21, 2013 Ballot

The bond referendum will identify costs associated with site acquisition, license fee, construction costs, and start-up costs. It will have a specific site develop and

operator.

Step 2. Passage of Referendum

Should the bond referendum fail, the city will not submit an application for a city-owned casino. Should it pass, the City of Philadelphia will submit one.

Step 3. City Submission

Within 30 days of referendum passage, the City of Philadelphia will submit its application for a Category II casino that has the physical footprint sufficient to hold 5,000 slot machines and 250 table games.

Step 4. PGCB Review and Decision

PGCB reviews the city's application along with all other private developer applications.

I look forward to briefing the Board and my colleagues in the State Senate regularly on developments as we explore the possibility of city-ownership of a Category II casino, and allowing Philadelphia to take greater control of its economic future.