

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

* * * * *

IN RE: CLOSING ARGUMENTS FOR CATEGORY 2 LICENSE
APPLICATIONS, TOWER ENTERTAINMENT, LLC

* * * * *

PUBLIC HEARING

* * * * *

BEFORE: WILLIAM H. RYAN, JR., CHAIRMAN
Gregory C. Fajt; Annamarie Kaiser; Keith R.
McCall; John J. McNally, III; Anthony
Moscato; David W. Woods; Members
Jennifer Langan, representing Robert
McCord, State Treasurer
Robert Coyne, representing Daniel Meuser,
Secretary of Revenue

HEARING: Tuesday, February, 26, 2014
11:17 a.m.

LOCATION: Pennsylvania Gaming Control Board
Office of Hearings and Appeals
Strawberry Square Complex
2nd Floor
Harrisburg, Pennsylvania 17101

Reporter: Jennifer D. Crawford

Any reproduction of this transcript is prohibited
without authorization by the certifying agency.

WITNESSES: None

A P P E A R A N C E S

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

OFFICE OF CHIEF COUNSEL

R. DOUGLAS SHERMAN, ESQUIRE

Chief Counsel

STEPHEN S. COOK, ESQUIRE

Deputy Chief Counsel

OFFICE OF ENFORCEMENT COUNSEL

CYRUS PITRE, ESQUIRE

Chief Enforcement Counsel

ALEXANDRIA SACAVAGE, ESQUIRE

Assistant Enforcement Counsel

DUSTIN MILLER, ESQUIRE

Assistant Enforcement Counsel

MELISSA POWERS, ESQUIRE

Assistant Enforcement Counsel

PA Gaming Control Board

P.O. Box 69060

Harrisburg, PA 17106-9060

Counsel for the Pennsylvania Gaming Control Board

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S (cont'd)

ALAN C. KOHLER, ESQUIRE

Eckert Seamans

213 Market Street, 8th Floor

Harrisburg, PA 17101

Counsel for Stadium Casino, LLC

JOHN M. DONNELLY, ESQUIRE

Levine, Staller, Sklar, Chan, Brown & Donnelly, PA

3030 Atlantic Avenue

Atlantic City, NY 08401

Counsel for SugarHouse Casino

LARRY H. SPECTOR, ESQUIRE

Larry Spector, PC

One South Broad Street

Suite 1500

Philadelphia, PA 19107

Counsel for Congregation Rodeph Shalom, the

Mathematics, Civics and Sciences Charter School

and Friends Select School

1 A P P E A R A N C E S (Cont.)

2

3 JOHN F. O'RIORDAN, ESQUIRE

4 O'Riordan Law Firm

5 1601 Market Street

6 Suite 2600

7 Philadelphia, PA 19103

8 Counsel for PHL Local Gaming, LLC

9

10 WILLIAM J. DOWNEY, III, ESQUIRE

11 Fox Rothschild, LLC

12 Midtown Building, Suite 400

13 1301 Atlantic Avenue

14 Atlantic City, NJ 08401

15 Counsel for Market East Associates, LP

16

17 RAYMOND A. QUIGLIA, ESQUIRE

18 Ballard Spahr, LLP

19 1735 Market Street, 51st Floor

20 Philadelphia, PA 19103

21 Counsel for Tower Entertainment

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S (cont'd)

STEVEN E. BIZAR, ESQUIRE

Buchanan, Ingersoll & Rooney, PC

Two Liberty Place

50 South 16th Street

Suite 3200

Philadelphia, PA 19102

Counsel for PA Gaming Ventures and Penn National
Gaming

I N D E X

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CLOSING ARGUMENT

By Attorney Quaglia

9 - 18

E X H I B I T S

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

<u>Number</u>	<u>Description</u>	<u>Page Offered</u>	<u>Page Admitted</u>
---------------	--------------------	---------------------	----------------------

NONE OFFERED

P R O C E E D I N G S

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CHAIRMAN:

Next, we will hear from Tower Entertainment, LLC. Mr. Quaglia.

ATTORNEY QUAGLIA:

Good morning, Mr. Chairman, Members of the Board. Ray Quaglia, Q-U-A-G-L-I-A, from the Ballard Spahr firm, on behalf of the Applicant, Tower Entertainment, which is seeking to build The Provence in the former Inquirer building on North Broad Street. As a practitioner, I enjoy sitting and listening to very capable counsel do what they obviously do very well. I'm going to attempt to follow suit, to some degree.

The Board has our brief, obviously. That brief sets forth in a summary fashion citing to the record the reasons why we submit The Provence should be awarded the license here, that it is the only proposal before the Board that's truly more than a casino. And therefore, offers the greatest economical and fiscal benefit with a correspondingly lower adverse impact upon existing licensees.

The Provence is also the project best positioned to foster a major urban transformation,

1 which is, of course, the specialty of its principle
2 Bart Blatstein who has been successfully doing that
3 for more than 35 years in the City. The Provence also
4 enjoys the benefit of relative certainty in its
5 financing, development and community and civic
6 support.

7 But, rather than spend time on that, I
8 would really like to draw the Board's attention to the
9 elephant in the room today. I'm not referring to one
10 of Mr. Spector's stuffed animals. The elephant in the
11 room would be the views of the City of Philadelphia,
12 the largest city in the Commonwealth, the host
13 community for this Licensee. And I find it
14 interesting that in delivering very capable advocacy,
15 no other counsel has seen fit to mention that there
16 was a hearing before the Board last September, at
17 which Alan Greenberger, the City's deputy mayor for
18 economic development and the chairman of the
19 Philadelphia City Planning Commission presented to the
20 Board the conclusions of the City of Philadelphia,
21 with respect to the Applicants before the Board. And
22 Mr. Greenberger whose job it is to promote economic
23 development in the Commonwealth's largest city,
24 emphasized to the Board in his written remarks, quote,
25 the need for the second Philadelphia casino to add

1 something new to the marketplace, end quote, and
2 recommended to the Board on behalf of the City, that
3 this Board, quote, choose the proposal that will
4 generate the largest overall economic benefit to
5 Philadelphia over the long term, end quote.

6 And Mr. Greenberger's remarks made very
7 clear which project the City feels will deliver on
8 that goal. I'm quoting his exact summation of The
9 Provence application, and I'm quoting, our economic
10 analysis shows that The Provence has the largest
11 potential benefit in terms of generating jobs, gaming
12 and nongaming revenues and tax revenue to the City and
13 the Commonwealth. The very high level of additional
14 mixed-use amenities in addition to the gaming
15 facilities has the potential to attract new gaming
16 customers and, therefore, we believe that The Provence
17 is less likely to negatively impact existing gaming
18 facilities. Furthermore, this developer --- referring
19 to Mr. Blatstein --- has a demonstrated track record
20 of major urban development and transformation in
21 Philadelphia, notably, in the Northern Liberty section
22 of the City. The potential for this type of catalytic
23 affect on North Broad Street is a highly attractive
24 element of this proposal. That's the end quote.

25 And in this context, this assessment

1 does not reflect simply the otherwise fully informed
2 view of the City's deputy mayor for economic
3 development and the head of the City Planning
4 Commission. But it's based upon an independent
5 economic analysis that the City commissioned from
6 AKRF. Now, why is that significant?

7 The Board has before it a number of
8 projections, a number of studies. Every other one of
9 those studies is paid for by one of the Applicants.
10 And not surprisingly, they come out exactly as you
11 would think, with each study coming out in favor of
12 the Applicant who funded it. There's only one
13 objective independent study before this Board and that
14 is the study prepared by AKRF.

15 And what did AKRF do in preparing its
16 study? If you read the study, AKRF did not simply
17 take the projections of the Applicants at face value.
18 They did their own market-impact study, and adjusted
19 those numbers so that they could arrive at an
20 independent, in their words, apples to apples
21 comparison of the applications and their likely
22 economic impact.

23 And AKRF prepared, and it is in its
24 executive summary, on page 14 of its report, a
25 spreadsheet entitled Summary of Development Programs

1 and key economic and fiscal impacts, in which they
2 identified 21 separate discreet categories that they
3 deemed, in their words, key to the economic prospects
4 of the various Applicants before the Board. And of
5 those 21 discreet categories, AKRF found that The
6 Provence came out first among the five Applicants
7 before this Board in 19 of 21 categories. That is
8 more than 90 percent of the categories. And these
9 were not insignificant.

10 They found, among other things, that
11 The Provence features the largest casino floor with
12 the most slots and the most table games, the most
13 retail space by an exponential order of magnitude.
14 The Provence will have the greatest economic impact
15 from construction. It will promote the most
16 employment with the most wages and salaries. It will
17 have the greatest economic impact from project
18 operation --- 50 percent higher than the runner-up,
19 Market8. It will have the highest annual gaming
20 revenues and generate the highest gaming tax revenues,
21 one-third higher than Market8, the runner up. And
22 that The Provence will generate the highest, by far,
23 annual nongaming revenues, generating the highest
24 nongaming tax revenues more than 150 percent higher
25 than Market8, the runner-up.

1 And I submit to the Board with this
2 record, which the other Applicants have assiduously
3 sought to ignore or avoid, the question before the
4 Board when it begins its deliberations as to which of
5 these five projects should receive this license is not
6 among the five, let's look at them independently. But
7 given the explicit views of the City, the host
8 community, given the overwhelming and unambiguous
9 conclusions of the only independent expert to look at
10 these applications and present projections, what would
11 be a compelling reason not to award this license to
12 The Provence? We submit there is no such reason. And
13 we spent some time thinking of where our Achilles heel
14 could be in this situation.

15 Financial suitability, The Provence
16 enjoys an overabundance of financing and an
17 overabundance of equity. We have redundant sources of
18 financing. Mr. Blatstein has contributed the land of
19 the project and has other resources available known to
20 the Board that he's pledged to contribute as needed.
21 And we've heard from the Board staff, the Supervisor
22 of Financial Investigations and Chief Financial
23 Officer, that the staff is comfortable with the
24 ability of The Provence to finance this project.
25 Financing doesn't present a compelling reason not to

1 go with the wishes of the City and the findings of
2 AKRF.

3 Community support. Mr. Blatstein
4 personally participated in more than 50 meetings with
5 community stakeholders. There is in place a Community
6 Development Agreement with a broad coalition of
7 community stakeholders, including its host
8 neighborhood Logan Square and the neighborhoods that
9 surround Logan Square. The Provence has received the
10 endorsement by its District Councilman, who happens to
11 be Counsel President, Darrell Clarke. There's no lack
12 of community support that would negate the wishes of
13 the City as a whole and the findings of AKRF.

14 Traffic and parking. We've heard a lot
15 about traffic and parking, primarily from the
16 Intervenors. I've been through this process a number
17 of times. The Board has been through it more.
18 Traffic is always an issue, with any casino project,
19 particularly with an urban project. That's part of
20 the game. That's why PennDOT's involved. What does
21 PennDOT have to say about this project. PennDOT, on
22 the record, more than once, has affirmed for the Board
23 that it is comfortable with the traffic impact that
24 The Provence would have in the City subject to ongoing
25 improvements.

1 Mr. Spector spent a lot of time asking
2 hypothetical questions about improvements and
3 questioning funding. The truth is, improvements are
4 always in an ongoing nature, with any project.
5 They're never set. They've never been set at project,
6 I've seen from day one. They're always a flowing
7 ongoing process that has to be made with the
8 involvement of the responsible individuals.

9 PennDOT is comfortable that will happen
10 here. Mr. Blatstein has gone on the record to affirm
11 his commitment to fund those improvements in the
12 amount of one to two percent. And contrary to the
13 statement by Counsel for the Intervenors, that was not
14 sudden, that was not new. That was something that had
15 been done months before the hearing, in ongoing
16 communications between the Applicant and PennDOT. We
17 didn't see any need to publicize it. When it came to
18 the attention of the Board during the testimony of Mr.
19 Hanney, Mr. Blatstein, after an initial joke,
20 confirmed it.

21 Traffic doesn't present a compelling
22 reason to disregard the wishes of Mr. Greenberger and
23 the City, to ignore the projections or discount the
24 projects of AKRF. What about parking? What about
25 parking? We've been through this. We've been through

1 trip methodology outgoing, more than I ever thought I
2 would be into; I suspect more than the Board ever
3 thought. What is on record with respect to parking,
4 we've spelled it out six different ways, the parking
5 situation for The Provence. We have in place 2,400
6 dedicated spaces. We have the capacity to add an
7 additional 1,350 dedicated spaces, as need may
8 dictate. That would give us 3,750 dedicated parking
9 spaces. That's more than any other Applicant offers.
10 If that were not enough, we have literally thousands
11 of parking spaces in the immediate vicinity. If you
12 choose to exclude any one or two or three or five
13 lots, for whatever reason, there's five more in the
14 other direction. There's no shortage of parking in
15 Center City.

16 Parking, not an issue. A concern?
17 Always a concern. It's something to be addressed by
18 the Applicant. A reason to say we're not going to
19 take at face value what the City wants, we're going to
20 ignore AKRF's numbers, they obviously didn't think of
21 this? No, no reason at all.

22 And finally, we'll just get on the
23 subject of experience and certainty here. This is
24 what Mr. Blatstein does. And I think that came across
25 well at the hearing. I don't know that I could state

1 it any better. But he has spent more than 35 years
2 transforming the Philadelphia cityscape with projects
3 situated in exactly this manner. Taking blighted,
4 underused areas and turning them into a real
5 destination, a place people want to live, want to
6 visit, want to go and spend money and have fun.

7 He's made clear that this project is his
8 top priority. I can attest that he has been more
9 actively involved in this engagement since day one
10 than any other project principle with whom I've dealt.
11 And this is the sixth application I've presented to
12 the Board, including three present Licensees. I can
13 vouch personally for the level of Mr. Blatstein's
14 commitment. And there is not a doubt in my mind that
15 he will bring to this project the same level of
16 commitment and the same resulting success that he's
17 brought to every other project he's done.

18 That's what the City feels. That's
19 supported by AKRF's numbers. I would submit to the
20 Board again, not to beat a dead horse, you don't need
21 to go beyond that to recognize which Applicant, which
22 by the City, as found by AKRF, should receive the
23 second Philadelphia license. Thank you.

24 CHAIRMAN:

25 Thank you, Mr. Quaglia.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

* * * * *

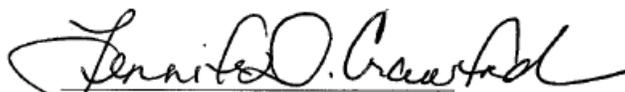
HEARING CONCLUDED AT 11:30 A.M.

* * * * *

CERTIFICATE

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I hereby certify that the foregoing proceedings, hearing held before Chairman Ryan was reported by me on 2/26/2014 and that I Jennifer Crawford read this transcript and that I attest that this transcript is a true and accurate record of the proceeding.


Court Reporter