

**COMMONWEALTH OF PENNSYLVANIA  
GAMING CONTROL BOARD**

IN RE:	:	
	:	
APPLICATION OF MARKET EAST ASSOCIATES	:	APPLICATION: 73576 DOCKET: 3097-2013
	:	
APPLICATION OF PHL LOCAL GAMING, LLC	:	APPLICATION:73581 DOCKET: 3099-2013
	:	
APPLICATION OF STADIUM CASINO, LLC	:	APPLICATION:73580 DOCKET: 3100-2013
	:	
APPLICATION OF TOWER ENTERTAINMENT, LLC	:	APPLICATION: 73496 DOCKET: 3101-2013
	:	
Applications for Category 2 Slot Machine License in Philadelphia, PA a City of the First Class	:	
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**ADJUDICATION OF THE PENNSYLVANIA GAMING CONTROL  
BOARD IN THE MATTER OF THE APPLICATIONS FOR THE  
CATEGORY 2 SLOT MACHINE LICENSE  
IN THE CITY OF THE FIRST CLASS, PHILADELPHIA**

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## INTRODUCTION

In July 2004, upon the enactment of the Pennsylvania Race Horse Development and Gaming Act (“Act”), 4 Pa.C.S. § 1101, et seq, *as amended*, Pennsylvania embarked on an expansive initiative providing for legalized slot machines at a limited number of licensed facilities within the Commonwealth.<sup>1</sup> The primary expressed objective of the legislation is to protect the public through regulating and policing all activities involving gaming. Other objectives include: enhancing live horse racing and breeding programs; entertainment and employment in the Commonwealth; providing a significant source of income to the Commonwealth for tax relief; providing broad economic opportunities to Pennsylvania’s citizens; developing tourism; strictly monitoring licensing of specified locations, persons, associations, practices, activities, licensees and permittees; considering the public interest of the citizens of the Commonwealth and the social effects of gaming when rendering decisions; and maintaining the integrity of the regulatory control of the facilities. 4 Pa.C.S. §1102.

The Act establishes the Pennsylvania Gaming Control Board (“Board” or “PGCB”) and provides the Board with general jurisdiction over all gaming and related activities, including but not limited to overseeing

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<sup>1</sup> Table games were legalized with the passage of Act 1 in January 2010.

acquisition and operation of slot machines and table games and issuing, approving, renewing, revoking, suspending, conditioning and denying slot machine licenses and table game operation certificates. 4 Pa.C.S. §1202. The Board is comprised of three gubernatorial and four legislative appointee members. 4 Pa.C.S. §1201(b). A qualified majority vote of the Board, consisting of at least one gubernatorial appointee and the four legislative appointees, is required for the approval, issuance, denial or conditioning of any license. 4 Pa.C.S. §1202(f)(1).

Three categories of slot machine licenses are authorized under the Act: Category 1 licenses permitting up to seven qualifying licensed horse racetracks to maintain slot machine and table game facilities; Category 2 licenses permitting up to five stand-alone locations to operate casinos in metropolitan or other tourism areas; and Category 3 licenses permitting up to two hotel-resort facilities to operate casinos. 4 Pa.C.S. §§1301-1307.

The Act sets forth essential eligibility criteria for each category of license which any license applicant must satisfy to proceed to consideration of its application. With respect to a Category 2 license, which is the subject of this adjudication: Section 1304 of the Act provides the eligibility criteria including that the applicant may not be otherwise eligible for a Category 1 license and that the locations for the Category 2 facilities include two

facilities in a city of the first class, one facility in a city of the second class and the remaining two facilities in a revenue or tourism-enhanced location. Further, for each of these facilities, the Act sets specific distance requirements with respect to Category 1 and other Category 2 facilities. 4 Pa.C.S. §1202. Specifically, a Category 2 licensed facility located within a city of the first class may not be located within ten linear miles of a Category 1 licensed facility.

The Act also imposes eligibility criteria on all applicants for all Categories which include the development and implementation of a diversity plan to assure equal opportunity in employment and contracting, as well as a requirement that the applicant be found suitable consistent with the laws of the Commonwealth and is otherwise qualified for licensure. 4 Pa.C.S. §1325. Other sections of the Act impose further restrictions on who may or may not be issued licenses including: imposing good character, honesty and integrity requirements upon applicants, and requiring letters of reference from law enforcement and other casino jurisdictions where the applicant may be licensed; imposing business restrictions on who may own, control or hold key positions for the applicant; requiring divestiture of interests held by non-qualifying persons; imposing strict financial fitness requirements on the applicants to assure the financial and operational viability of the proposal;

and promoting and ensuring diversity in all aspects of the gaming activities permitted under the Act including through the ownership, participation and operation of licensed facilities. See 4 Pa.C.S. §§1212, 1310, 1311, 1312 and 1313.

In addition to the eligibility criteria, the Act provides extensive guidance for the Board's consideration in issuing licenses. Section 1325(c)<sup>2</sup> further provides that the Board may take into account the following factors when considering an application for a slot machine license:

(1) The location and quality of the proposed facility, including, but not limited to, road and transit access, parking and centrality to market service area.

(2) The potential for new job creation and economic development which will result from granting a license to an applicant.

(3) The applicant's good faith plan to recruit, train and ensure diversity in all employment classifications in the facility.

(4) The applicant's good faith plan for enhancing the representation of diverse groups in the operation of its facility through the ownership and operation of business enterprises associated with or utilized by its facility or through the provision of goods or services utilized by its facility and through the participation in the ownership of the applicant.

(5) The applicant's good faith effort to assure that all persons are accorded equal opportunity in employment and contracting by it and any contractors, subcontractors, assignees,

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<sup>2</sup> The Section 1325(c) factors are those which the Board may take into consideration in determining whether the granting of a license is in the public interest or otherwise in accordance with the objectives of the Act. In addition, and more important to the Category 2 license, when competition exists, the 1325(c) factors provide a basis for comparison of applicants to determine, in the Board's discretion, which applicant's project is best suited for the Category 2 license.

lessees, agents, vendors and suppliers it may employ directly or indirectly.

(6) The history and success of the applicant in developing tourism facilities ancillary to gaming development, if applicable to the applicant.

(7) The degree to which the applicant presents a plan for the project which will likely lead to the creation of quality, living-wage jobs and full-time permanent jobs for residents of this Commonwealth generally and for residents of the host political subdivision in particular.

(8) The record of the applicant and its developer in meeting commitments to local agencies, community-based organizations and employees in other locations.

(9) The degree to which potential adverse effects which might result from the project, including costs of meeting the increased demand for public health care, child care, public transportation, affordable housing and social services, will be mitigated.

(10) The record of the applicant and its developer regarding compliance with:

(i) Federal, State and local discrimination, wage and hour, disability and occupational and environmental health and safety laws; and

(ii) State and local labor relations and employment laws.

(11) The applicant's record in dealing with its employees and their representatives at other locations.

Relative to the matter at hand, the Board set an application deadline of November 15, 2012. By this deadline, the Board received six applications for the available Category 2 license in Philadelphia (the city of the first class). The applicants at that time included 1) Market East Associates (“Market East”), d/b/a Market8; 2) PA Gaming Ventures, LLC d/b/a Hollywood Casino Philadelphia; 3) PHL Local Gaming, LLC (“PHL”), d/b/a

Casino Revolution; 4) Stadium Casino, LLC (“Stadium Casino”), d/b/a Live! Hotel and Casino; 5) Tower Entertainment, LLC (“Tower”), d/b/a The Provence; and 6) Wynn PA, Inc d/b/a Wynn Philadelphia. PA Gaming Ventures and Wynn subsequently withdrew their respective applications.<sup>3</sup>

Two applicants withdrew from consideration, leaving four remaining applicants<sup>4</sup> before the Board for the available Category 2 license in Philadelphia. They are:

**Market East Associates (“Market East”), d/b/a Market8;**

**PHL Local Gaming, LLC (“PHL”), d/b/a Casino Revolution;**

**Stadium Casino, LLC (“Stadium Casino”),**

**d/b/a Live! Hotel and Casino; and**

**Tower Entertainment, LLC (“Tower”), d/b/a The Provence.**

With respect to the Category 2 applications received, the Board, through its respective Bureaus of Licensing (“BOL”) and Investigation and Enforcement (“BIE”) as well as the Financial Investigations Unit (“FIU”), engaged in extensive review and investigation of the applicants.

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<sup>3</sup> Wynn PA and its affiliated principal entities and individuals, filed a petition to withdraw its application for the license. The Board granted the petition on December 11, 2013. Also, PA Gaming Ventures filed a petition to withdraw its application on June 27, 2014. The Board granted the petition on July 9, 2014.

<sup>4</sup> Because Wynn PA and PA Gaming Ventures have each withdrawn from consideration, the Board omits herein reference to either entity when reciting the procedural history which in some aspects included the participation of these two applicants.



On December 18, 2012, representatives of the Board's Office of Chief Counsel, Office of Hearings and Appeals, and Office of Enforcement Counsel ("OEC") met with all applicants to provide an overview of the process and to answer procedural questions. On February 12, 2013, a public hearing was held in Philadelphia for the purpose of having each of the applicants introduce their project to the public. The Board then conducted four days of public input hearings on April 11 and 12, 2013 at the Pennsylvania Convention Center in Center City Philadelphia, and May 8 and 9, 2013 at Lincoln Financial Field in South Philadelphia. Written public comments were also accepted by the Board through December 31, 2013. 4 Pa.C.S. § 1205(b). To assist in educating the public, the Board placed large amounts of information about the projects on its website throughout the process, including, but not limited to Local Impact Reports, Traffic Studies and Ownership Interests.<sup>5</sup>

On September 24, 2013 the Board held another public hearing at the Pennsylvania Convention Center to hear testimony from the City of Philadelphia and from representatives of AKRF, a consulting firm retained by the City to review the various casino proposals relative to each applicant's impact on the City and the Commonwealth.

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<sup>5</sup> See <http://gamingcontrolboard.pa.gov/>.

On December 12, 2013, Board staff conducted the first of two pre-hearing conferences, with all parties in attendance. At the meeting, pending deadlines were discussed including dates that pre-hearing memoranda were due, any notices of intent to compare proposals and responses thereto were due, the deadline for intervention petitions, the suitability report and errata sheet return deadlines and the date for a second pre-hearing conference. Additionally, the date and time of the suitability hearing for each applicant was set by random drawing.<sup>6</sup> On January 14, 2014, Board staff conducted a second pre-hearing conference to address any remaining issues with each applicant. Representatives from the OEC, which is BIE's counsel, and the BOL were in attendance at each applicant's pre-hearing conference.

All four applicants timely filed pre-hearing memoranda identifying all evidence each applicant intended to use in support of its presentation before the Board. Each applicant was required to also serve its memorandum on all other applicants. 58 Pa.Code §441a.7(i). On January 2, 2014, Tower filed objections to the pre-hearing memoranda of Market East, Stadium Casino and PHL; however, Tower later withdrew its objections to the PHL and Stadium Casino pre-hearing memoranda.<sup>7</sup>

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<sup>6</sup> See <http://gamingcontrolboard.pa.gov/?pr=552>

<sup>7</sup> In a January 10, 2014 filing, Tower reiterated its objection to Market East's pre-hearing memoranda asserting that for 20 of the 28 identified Market East experts, Market East

By the January 8, 2014 deadline, the four applicants had filed Notices of Intent to Compare. Pursuant to Board regulations, applicants could present evidence during their own suitability hearing concerning competitors for the Category 2 license in order to demonstrate that their own project should be selected rather than that of a competing applicant. Each applicant that desired to present comparative evidence was required to file with the Board a notice evidencing its intent, with a copy served on the applicants about whom the evidence was to be presented. 58 Pa.Code § 411a.7(n). Responses to the Notices of Intent were due on January 17, 2014. Market East, and Tower timely filed responses. On January 27, 2014, PHL filed its response.<sup>8</sup>

The Board received three petitions to intervene in the licensing hearings from: SugarHouse HSP Gaming, LP (“SugarHouse”), a Category 2 licensee in the City of Philadelphia; James D. Schneller and Eastern Pennsylvania Citizens Against Gambling (“Schneller”); and a joint petition from the Congregation Rodeph Shalom, the Mathematics, Civics and Science Charter School, and Friends Select School. 58 Pa.Code § 411a.7(u).

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failed to provide a copy of results or reports about which the expert might testify. Of the 20 individuals about whom Tower objected, only two testified at Market East’s suitability hearing. As Market East was not awarded the available license, Tower’s objection is moot.

<sup>8</sup> Although PHL’s response was untimely filed, none of the other applicants raised an objection to its untimely filing or objected to the comparative testimony PHL presented during its suitability hearing.

On January 8, 2014, the Board granted limited intervention to SugarHouse and the Congregation Rodeph Shalom, *et al.* Schneller's Petitions to Intervene and all requests for relief contained therein were denied.

On January 28-30, 2014, the Board conducted public suitability hearings for the purpose of taking additional testimony and evidence from each applicant concerning its application and proposed project and its eligibility and suitability for licensure pursuant to the Act. 58 Pa.Code § 411a.7(d). Additionally, the two groups that were granted intervention in the licensing proceedings were provided an opportunity to present evidence in support of their positions. After the hearings, the parties, including the two interveners, were provided an opportunity to object, in writing, to anything that occurred during the course of the hearings.<sup>9</sup> Objections were due by February 3, 2014, with responses thereto due on February 5, 2014. No post-hearing objections were filed by any of the parties.

Thereafter, the five Category 2 applicants and the two interveners were provided an opportunity to submit a post-hearing brief. 58 Pa.Code § 411a.7(u). Post-hearing briefs were timely filed by all four applicants and the two interveners.<sup>10</sup>

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<sup>9</sup> Scheduling Order dated January 17, 2014.

<sup>10</sup> Post-hearing briefs were due on February 10, 2014.

On February 5, 2014, Stadium Casino filed a Petition to Reopen the Record to supplement its application to include information pertaining to the restructuring of one of its principal entities, Sterling Financial Services, Inc. (“SFS”), as a result of discussion of its ownership structure during Stadium Casino’s suitability hearing.<sup>11</sup> The petition was not opposed by the OEC or any of the other applicants. At the public meeting on February 26, 2014, the Board approved the petition and reopened the record for the limited purpose of entering a revised structure for SFS.<sup>12</sup>

On February 26, 2014, each of the applicants and the two interveners were provided an opportunity to present closing arguments before the Board. 58 Pa.Code § 441a.7(w). SugarHouse, The Congregation Rodeph Shalom, *et al*, PHL, Market East and Tower presented closing arguments during the hearing. Stadium Casino chose not to present a closing argument.

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<sup>11</sup> At issue was whether Watche Manoukian’s control of SFS (the corporate trustee of the Sterling Investors Trust) and therefore 17% of the post-licensure ownership in Stadium Casino violated the 4 Pa.C.S. § 1330 prohibition against a slot machine licensee affiliate possessing an ownership or financial interest greater than 33.3% in another slot machine licensee. Mr. Manoukian holds an approximately 86% ownership interest in Category 1 licensee, Greenwood Gaming and Entertainment, Inc., and, independent of any ownership held by the Sterling Investors Trust, would indirectly own 28% of Stadium Casino, post-licensure. If Mr. Manoukian’s control of SFS were determined to be “ownership”, an additional 17% of the post-licensure ownership in Stadium Casino could be attributable to Mr. Manoukian bringing his total ownership interest in Stadium Casino to 45%.

<sup>12</sup> After the record was reopened, Stadium Casino did amend its application, with Mr. Manoukian relinquishing control and reducing his ownership interest in SFS. As a result, Mr. Manoukian’s involvement with SFS was reduced to only a 28% ownership interest in that entity.

The Board met in executive session on numerous occasions to engage in quasi-judicial deliberations relating to the awarding of the available Category 2 license. On November 18, 2014, the Board met during an open, public meeting in accordance with the requirements of the Commonwealth's Sunshine Act, 65 Pa.C.S. Chapter 7, for the purpose of deciding to award the available license to an applicant and thereby approve one of the applicants for the Category 2 license.

The authority to award this license arises under Section 1304 of the Act. As the Act permits only one additional license to be awarded in the City of Philadelphia, and there are four applicants, there is competition among the applicants for the available license. Because of this competitive factor, the four applicants have the responsibility to not only satisfy the Board that they are eligible and suitable for a Category 2 license, but also to persuade the Board that their respective project should be chosen by the Board to serve the Commonwealth's best interests. Ultimately this is a determination committed to the sound exercise of the Board's discretionary authority.

In addition to the Act's eligibility criteria under Sections 1304 and 1310-1313, factors which the Board took into consideration when reviewing these applications are those defined in Section 1325 of the Act as listed

above. The Board fully considered these factors, as applicable, to arrive at a decision on licensure based upon all of the evidence in the record before it. The Board considered all of the evidence which makes up the evidentiary record in this case, received briefs and heard oral argument supporting the applications and has had the opportunity to question the applicants about their proposals.

In addition, throughout the entire licensing and investigative process, Board staff has reached out to various federal, state and local law enforcement agencies, including the FBI and the Pennsylvania State Police. Board staff requested any information in the possession of those agencies related to the suitability of the applicants in order to assure that the Board had obtained all information relevant to each applicant's suitability for licensure. Those agencies have not provided the Board with any information that would preclude any of the applicants from being considered for a license.

Based upon each Board member's comprehensive evaluation of all information obtained throughout the entire licensing and investigative process and contained in the evidentiary record, the Board collectively engaged in quasi-judicial deliberations in executive sessions during which it

met to fully and frankly discuss the merits of the intervener's assertions and each of the applicants and their proposed projects.

At the outset, let it be clear that each of the four Category 2 Philadelphia applicants has presented the Board with a solid, competent proposal for the construction and operation of a first-class casino in Philadelphia and each of the applicants are both eligible and suitable for licensure under the terms of the Act. The Board, however, is constrained by the Act to issue only one additional license in Philadelphia if the Board is satisfied that such is in the best interests of the Commonwealth. As a result, under the mandates of the Act, those applicants not awarded a license have been denied a license. The Board emphasizes that the denials of the three applicants were not because the unsuccessful proposals were found unsuitable or undesirable upon criteria of honesty, integrity and character, but because the Board had the difficult task of choosing among four suitable candidates and proposals, each of which possessed various positive attributes. Simply stated, the successful applicant was the applicant that proposed the project which the Board, in its discretion, evaluated to be the best overall project for licensure under the circumstances presented and the criteria of the Act.



During its November 18, 2014 public meeting, the Board voted to award the remaining Category 2 license in Philadelphia, to **Stadium Casino, LLC** pursuant to terms and conditions to be imposed by the PGCB. Concurrently, the Board voted that the remaining three applications for the Category 2 license in Philadelphia, those being Market East Associates, PHL Local Gaming, LLC and Tower Entertainment, LLC, are denied as not having achieved a qualified majority of Board support for licensure as defined in the Act and because the City of Philadelphia is limited to only two Category 2 licenses, one of which is currently held by SugarHouse HSP Gaming. See 4 Pa.C.S. §§ 1301 and 1304.

The following Findings of Fact and Conclusions of Law set forth the Board's rationale for this determination.

## **FINDINGS OF FACT**

### **I. General Findings Applicable to All Category 2 Philadelphia Applicants**

1. All four applicants have applied for a Category 2 slot machine license to operate a casino in the City of Philadelphia, a city of the first class.
2. The PGCB received the initial applications from the Philadelphia applicants seeking the Category 2 slot machine license by the November 15, 2012 deadline.

## **A. Application Review and Investigation<sup>13</sup>**

3. The BOL put each application package through a detailed completeness review. This process involved scrutinizing each and every question asked and each answer provided to determine if the answers and documentation were fully responsive. When deficiencies were detected, requests for more information, documentation and additional applications were made of the applicant. As the new information and applications arrived they were again reviewed for completeness with deficiencies identified.
4. This gathering of information and documentation was ongoing throughout the fourteen months prior to the applicants' suitability hearings.
5. Once the BOL was sufficiently satisfied with the core content of the initial applications, the applications were transmitted to the BIE for character and financial suitability investigations which were ultimately incorporated into the suitability report.
6. Investigative agents within BIE were assigned to review and inspect the applications, schedules and appendices to identify any inconsistencies

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<sup>13</sup> General Findings of Fact 3-18 are from the Testimony Stipulation agreed to by the four Category 2 applicants and the OEC.

and to develop a general familiarity with the overall business activity, financial situation and history of the applicant.

7. BIE requested information from numerous organizations and agencies. Criminal history checks were requested through the Pennsylvania State Police which included queries of the Federal Bureau of Investigation's National Crime Information Center databases for criminal history and wanted person information. Further queries into criminal history records were conducted utilizing accessible databases and through direct contact and/or correspondence with local law enforcement agencies having jurisdiction over current and former business locations associated with the applicant and residences of the individuals included in or related to the application.
8. Additionally, the Pennsylvania Office of Attorney General, Executive Offices of the Pennsylvania State Police and several Federal agencies and offices were contacted with respect to each applicant to ascertain whether any concerns existed as to the suitability of any particular applicant. In addition to the required Pennsylvania state tax clearance review conducted by the Department of Revenue and the Department of Labor and Industry, requests for tax clearance reviews were sent to other applicable federal, state and local jurisdictions. Additional verifications

were made including passport verification through the United States Department of State and verification with financial institutions of bank accounts, loans, lines of credit, safe deposit box ownership, etc.

9. BIE also conducted database searches to identify and verify the employment, family, residence and educational histories of each applicant, as well as their non-gaming and professional license status, civil litigation dockets and credit histories. When applicable, contact was made with other gaming regulators concerning the applicants and the individuals associated with the applicants in order to verify gaming licensure and licensure status.
10. BIE agents conducted interviews with applicants to gather information concerning the entities and individuals and their businesses and personal histories.
11. Entity business background investigations included verification of the type of entity, the date of formation, the governance structure, the entity's registration history including current standing, where the entity is licensed to conduct business, and the entity's relationship to the applicant. The entity's contracts, finances and records were also reviewed. BIE also reviewed applicable deeds, contracts, agreements,

and other documents relating to ownership of the land upon which each applicant's proposed facility is to be located.

12. Individual personal history background investigations were conducted in a uniform manner to ensure consistency among all applicants including reviews of the Personal History Disclosure Form and Pennsylvania Supplement Form completed by each individual. This process enabled the investigators to check for discrepancies and non-disclosures. The personal history background investigation of each individual applicant also entailed interviews of people associated with the individual such as former employers, neighbors, personal references, family members, educators and law enforcement.
13. Throughout the background investigation process, BIE investigators verified bank accounts, notes receivable, securities, real estate interests, pension funds, life and property insurance policies, notes payable, loans, taxes payable, mortgages, contingent liabilities, other indebtedness and bankruptcies. Litigation dockets and files were reviewed to identify any litigation trends, litigation not covered by insurance, and lawsuits which could have a significant impact on company earnings, net worth and solvency.

14. The Financial Investigations Unit (“FIU”) within BIE evaluated and assessed each applicant’s financial suitability.
15. Based on the designed process and the information collected, the FIU prepared a financial fitness report for each applicant, with supporting documentation, consisting of: Corporate Structure and Management Company Analysis; Land Agreements assessment; Project Financial Overview; and an overall Financial Analysis. FIU’s financial fitness report was included in the final Background Investigation Report for each applicant.
16. BIE and the OEC compiled all investigative information into a Background Investigation Report for each applicant. 4 Pa.C.S. 1517(a.1)(2).
17. The final Background Investigation Reports were incorporated in the Suitability Report for each applicant. The Suitability Report included an evaluation of all eligibility criteria, character and financial suitability and a review of the applicant’s diversity and compulsive and problem gambling plans.
18. Each applicant was provided an opportunity to review its Suitability Report and corresponding Background Investigation Reports and to submit an errata sheet with corrections, if any. Suitability Reports were

sent to each applicant's counsel on December 17 or 18, 2013 with errata sheets due on December 23 or 24, 2013. The Suitability Reports, including the Background Investigation Reports, were made part of the evidentiary record.

19. All applicants have an ongoing duty to inform the Board of any changes to the information provided in support of its application and to notify the Board of any material change in circumstance which would affect its eligibility and suitability for licensure, including any changes in financing for the proposed project. To date, there have been no such reported changes.

**B. Eligibility and Suitability**

20. After the background investigation of the applicants, their principal entities and individuals and management companies, BIE reported no areas of interest or concern that would have an effect on any applicant's suitability for licensure.
21. The FIU investigation revealed no information that would preclude the entities or individuals that were investigated and that are listed in each applicant's Findings of Fact section below from being deemed financially fit under the Act.

22. The FIU determined that all applicants for the Category 2 license are likely to maintain operational viability and maintain a steady level of growth.
23. Each Category 2 applicant has the ability to pay the \$50 million licensing fee.
24. Each applicant for a Category 2 license has satisfied all local, state and federal tax obligations.
25. Each management company affiliate of a Category 2 applicant has the ability to pay the \$1.5 million management company licensing fee.
26. Investigation did not reveal that any Category 2 applicant or any of its principal entities or individuals has been convicted of a felony or a gambling offense in violation of the Act.
27. Investigation did not reveal any information that would indicate that any Category 2 applicant or any of its principal entities or individuals is of unsuitable character.
28. Information gathered during the course of BIE's investigation concerning each Category 2 applicant and its principal entities and individuals did not reveal any adverse information concerning bankruptcies, civil lawsuits or judgments, criminal convictions, past activities or business practices, business associates or dealings or any other information



concerning the honesty, integrity, habits or reputation of any of the Category 2 applicants or their principal entities or individuals that would prohibit licensure.

29. None of the Category 2 applicants or any person affiliated with a Category 2 applicant is a party to any ongoing civil proceeding seeking to overturn a decision or order of the PGCB or the Thoroughbred or Harness Racing Commissions.
30. None of the Category 2 applicants or any affiliates, intermediaries, subsidiaries or holding companies thereof holds any interest in a supplier or manufacturer licensee.
31. No slot machine licensee in the Commonwealth, or any of their affiliates, intermediaries, subsidiaries or holding companies possess an ownership or financial interest that is greater than 33.3% of any of the Category 2 applicants.
32. Each application for a Category 2 license was deemed complete, all fees and costs that have been billed to date have been paid as required and all required bonds and/or letters of credit were posted.
33. No public official is a principal applicant or has any prohibited financial interest in, or is employed by any Category 2 applicant or any related entity.

34. None of the Category 2 applicants or any of its principal entities or individuals made any political contributions of any kind in violation of the Act.
35. Each applicant's project location is greater than 10 linear miles from a Category 1 licensed facility.
36. Each of the applicants submitted a Compulsive and Problem Gambling Plan with its application, which has been reviewed by the PGCB's Office of Compulsive and Problem Gambling.
37. Each of the Category 2 applicants submitted a Diversity Plan addressing and assuring equal opportunity in employment and contracting, diversity in groups providing goods and services and a plan to recruit, train and ensure diversity in all employment classifications at its facility.

### **C. Public Input and Written Comments<sup>14</sup>**

38. The PGCB conducted Public Input Hearings in Philadelphia, Pennsylvania on April 11 and 12, 2013, at the Pennsylvania Convention Center, and on May 8 and 9, 2013 at Lincoln Financial Field. Interested legislators and local government officials, community groups and individuals had an opportunity to comment on the proposed projects.

During the hearings:

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<sup>14</sup> Comments related to a specific applicant's project are addressed in each applicant's Findings of Fact section below.

- a. Six legislators and local government officials spoke at the hearings with six supporting the proposals in general, two of which supported the Market East project specifically.
- b. Twenty-two community groups testified during the public input hearings:
  - i. Eleven groups expressed support for one or more of the six proposals with three of the groups specifically supporting Market East, one supporting Market East and PA Gaming, two supporting Tower, two supporting PHL, and two supporting Wynn PA.<sup>15</sup>
  - ii. One group neither supported nor opposed granting a license to any applicant.
  - iii. Ten groups expressed opposition to projects with seven against awarding the license to any applicant, two against awarding a license to the any of the projects located in the stadium area (Stadium Casino, PHL and PA Gaming) and one against awarding the license to Tower.

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<sup>15</sup> The Public Input hearings were held prior to Wynn PA Gaming and PA Gaming Ventures filing a petition to withdraw their applications for the Category 2 license in the City of Philadelphia.

- c. One-hundred forty three individuals addressed the Board concerning the projects. Twenty-five individuals neither supported nor opposed granting the license to any specific applicant. The remaining individuals spoke in favor of or in opposition to specific applicant's projects.
39. Those individuals and groups who spoke at the public hearings in support of the proposals in general cited job creation, increased revenue to the City and the potential to spur additional economic development.
40. Those individuals and groups who spoke at the hearing in opposition to any project were either opposed to gambling on moral or religious grounds or opposed the projects citing concerns over parking, traffic, safety, trash, noise, crime and property values, and the impact gambling addiction has on individuals, families, children, business and communities.
41. Those who were unable to attend the public input hearings were encouraged to send written comments to the Board. The extended deadline for public comment was December 31, 2013. At the close of the written comment period, the PGCB had received a total of 707 written comments related to specific applicant's projects, which are addressed below.

#### **D. Intervention**

42. The Board received petitions to intervene in the licensing hearings, as permitted by 58 Pa.Code § 441a.7(z), from Schneller, a joint petition from the Congregation Rodeph Shalom, *et al.*, and SugarHouse.
43. Schneller filed six petitions to intervene in all of the Category 2 slot machine license applications based on moral and religious grounds. The Board received Answers from all applicants and the OEC objecting to Schneller's petitions on the basis of procedural deficiencies and a lack of a direct, immediate and substantial interest in the matter. On September 27, 2013, the Board denied Schneller's Petitions to Intervene citing that the petitions were not offered in good faith and were devoid of assertions of facts that would give rise to standing.
44. The Congregation Rodeph Shalom, *et al.*, petitioned to intervene in Tower's application and project on the basis of its location, safety, traffic and parking concerns.<sup>16</sup> On January 8, 2014, the Board granted intervention limited to issues of traffic and parking and denied intervention to the degree the Petitioner sought to object to Tower's

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<sup>16</sup> The Congregation claims that their location with respect to Tower Entertainment's site was such that additional traffic associated with Tower's Provence would impede the use and/or profitability of The Congregation's properties.

project for any other reason.<sup>17</sup> At that time, the Petitioner was also instructed to submit any additional information that the Petitioner wished to present to the Board by January 10, 2014.<sup>18</sup> The joint interveners also provided testimony and argument following Tower's Suitability Hearing on January 28, 2014, filed a post-hearing brief on February 10, 2014 and made a closing argument on February 26, 2014.

45. SugarHouse petitioned to intervene objecting to the Board's awarding of the remaining available Category 2 license for the City of Philadelphia to any of the applicants on the basis of market saturation, cannibalization, economic harm and statutory eligibility issues associated with applicant ownership.<sup>19</sup> On January 3, 2014, SugarHouse petitioned to amend its Petition to Intervene to add a party, Chester Downs and Marina, LLC (Harrah's), a Category 1 licensee located in Chester, Pennsylvania, Delaware County.<sup>20</sup> On January 8, 2014, the Board denied SugarHouse's Petition to Add a Party on the basis of untimeliness and because Harrah's

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<sup>17</sup> January 9, 2014 Order – Docket Number 3395-2013.

<sup>18</sup> In a December 27, 2013 letter, the Petitioners were advised that should the Board grant intervention, all information would be due to the Board no later than January 10, 2014. None of the applicants objected to the Board allowing additional time to submit information.

<sup>19</sup> SugarHouse had requested intervention to contest the ownership interests of various proposals, specifically whether any proposed owner possessing greater than a 33% interest in an applicant was in violation of Section 1330 of the Gaming Act which limits a licensee to possess no more than a 33.3% interest in another licensee. SugarHouse had also requested permission to take discovery on this issue.

<sup>20</sup> Petition to Amend to Add a Party docketed at 3396-2013.

interests were already adequately represented by SugarHouse. Additionally, the Board denied intervention on issues associated with statutory eligibility issues related to applicant ownership citing that the issue was adequately represented by the Board's OEC and SugarHouse had no independent interest implicated by that issue. The Board did grant intervention limited to the issues surrounding the Philadelphia gaming market and the impact a second Philadelphia casino may have on it. SugarHouse was ordered to submit any additional information it wished to present to the Board by January 10, 2014. On January 30, 2014, during the suitability hearings, SugarHouse provided testimony and argument and on February 10, 2014 submitted a post-hearing brief. Additionally, SugarHouse made a closing argument on February 26, 2014.

#### **E. Traffic Study**

46. The Pennsylvania Department of Transportation ("PennDOT") and its consultant, Orth-Rogers, in conjunction with the City of Philadelphia Street's Department, conducted a review of each applicant's traffic study. Based on PennDOT's review, and in collaboration with each applicant, traffic studies were revised and updated.
47. Francis Hanney, a traffic services manager for PennDOT who has evaluated transportation impacts related to land developments for the past

17 years, testified at each applicant's suitability hearing on behalf of PennDOT and Orth-Rogers (representatives of whom were present).

48. For all applicants, PennDOT recommended a post development study approximately six months after opening to address any unforeseen traffic operational concerns.
49. The Board also heard testimony related to traffic from the City of Philadelphia and AKRF Consulting, the City's consultant in reviewing the casino applications. At the Board's September 24, 2013 Public Hearing, Deputy Mayor Alan Greenberger testified that it was the City's position that while several of the proposals raised traffic concerns, "nobody has raised an insurmountable obstacle."

#### **F. City of Philadelphia/AKRF Study**

50. On September 24, 2013, the Board held a hearing at the Pennsylvania Convention Center to receive public comment from the City of Philadelphia's Mayoral Administration.
51. In developing its position, the City retained the services of AKRF Consulting, which prepared a report for the Philadelphia Department of Commerce entitled *Economic and Fiscal Impacts Analysis of Six Philadelphia Casino Proposals*.



52. AKRF has previously performed market and competition studies, labor analysis and economic impact reporting on numerous casino projects in other jurisdictions.
53. In addition to preparing the report, two representatives of AKRF, John Neill and Keith Rowan, along with Deputy Mayor Greenberger testified under oath at the September 24<sup>th</sup> hearing.
54. The City/AKRF contends that the two South Philadelphia proposals (Stadium Casino and PHL) are less likely to induce further development and less likely to generate a new audience than the two center city proposals (Tower and Market East). Additionally, the City has indicated that the two South Philadelphia proposals garnered the greatest level of community concern expressed to city officials.
55. AKRF concluded that the two South Philadelphia proposals will produce the lowest employment numbers, both in terms of construction related employment and permanent employment after commencement of operations.
56. AKRF asserted that the two center city proposals have the greatest potential to spur additional development and benefits associated with the awarding of a Category 2 license due to their locations in key sections of

downtown Philadelphia and their range of mixed-use amenities in addition to the casino.

57. AKRF estimates that non-gaming revenue from the four applicants would range between \$28 million and \$200 million annually, with the center city sites generating more than either of the South Philadelphia sites.
58. AKRF found that there was widespread overestimation by all of the applicants in the areas of gaming visitation and gaming revenue projections.
59. AKRF projects that, among the four applicants, gaming tax revenues for both the City of Philadelphia and the Commonwealth of Pennsylvania would be highest from Tower's project, followed by Market East, PHL then Stadium Casino.
60. Market East, Tower and Stadium Casino filed responses to the City of Philadelphia/AKRF report and testimony. Tower concurred with AKRF's results while Market East and Stadium Casino did not agree. Both of those applicants asserted that AKRF's methodology excluded factors critical to certain applicant's projects such as the availability of parking, the ability of the applicant to draw from its targeted market, the proximity of the applicant to its targeted market, and the experience and capability of the applicant's operator. They further argued that AKRF

used different weight to determine cannibalization even between projects in close proximity to each other; and did not normalize gaming positions across all applicants, all resulting in significant impacts on revenue and tax projections to certain applicants. Specifically, AKRF increased Tower's revenues and tax projections while most other applicants' were lowered.

### **G. Market Saturation and Cannibalization**

61. SugarHouse was granted party status as an intervener limited to matters related to market saturation and cannibalization. Thereafter, SugarHouse filed a report from its purported expert, Steven Karoul, supporting its position.<sup>21</sup> SugarHouse was provided an opportunity to present testimony during a hearing on January 30, 2014. SugarHouse HSP Hearing Notes of Testimony, (hereinafter "HSP NT").
62. The City of Philadelphia's consultant, AKRF, also analyzed the impact a new operator in Philadelphia will have on SugarHouse Casino, examining the following factors for each applicant:

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<sup>21</sup> On January 17, 2014, Market East filed an objection to Mr. Karoul's report and any testimony he may provide asserting that he lacked qualifications and did not hold himself out as an expert on market saturation. Tower joined in the objection. Mr. Karoul, however, was not presented to testify about his report and opinion. Instead, SugarHouse presented Mr. Rittvo who stated he worked with Mr. Karoul in producing the report and that he was "comfortable" in adopting the report fully. HSP NT, p.29.

- a. Market trends, so that projects could be evaluated under both current and future market conditions;
  - b. Each of the applicants' targeted consumer groups and the extent of overlap with SugarHouse's consumer base and location; and
  - c. Factors which could help a project attract a broader consumer base.
63. AKRF concluded that despite increasing competition in the Philadelphia region, both inter and intra state, the gaming market, while approaching market saturation, is not saturated.
64. As of September 30, 2014, SugarHouse had 61 banked (non-poker) tables and 1,606 slot machines, with an expansion plan calling for an additional 300 to 500 slot machines and 20 to 30 tables of banked games.
65. SugarHouse consistently has the highest banked table game win per unit per day of all Pennsylvania casinos.<sup>22</sup> For the year ending September 30, 2014, SugarHouse's win per banked table per day was approximately \$4,050; a \$1,099 higher win per table per day than its next closest competitor (Sands Bethlehem at \$2,951 win per banked table per day)

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<sup>22</sup> Banked table games are those games which players wager against the house/casino. Non-banked games are the Poker style games which players wager against each other. At the time of this Adjudication, SugarHouse had no non-banked table games.

and almost double the state wide average of \$2,136 win per banked table per day.<sup>23</sup>

66. SugarHouse is also consistently one of the highest performers, statewide, in terms of slot machine taxable win, per machine, per day. For the year ending September 30, 2014, SugarHouse's taxable win per slot machine unit per day was second only to Valley Forge Casino Resort (which has approximately 1,000 fewer slot machine units) at \$299 per unit per day win and 25% higher than the annual state wide average of \$239 per unit per day win.
67. AKRF predicts net new gaming revenue, in a stabilized year, in light of potential competition with SugarHouse of:
- a. Tower                                \$275 million - \$400 million
  - b. Market East                        \$175 million - \$275 million
  - c. PHL Local Gaming                \$130 million - \$230 million
  - d. Stadium Casino                    \$125 million - \$225 million
68. While estimates varied by casino proposal, AKRF generally found a second Philadelphia casino would cause a 15% to 30% reduction in SugarHouse revenues. This figure was consistent with the 2011 *Pennsylvania Gaming Market Assessment & Competitive Analysis*

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<sup>23</sup> Calculated from July 1, 2013 through June 30, 2014

prepared for the State Treasurer by The Innovation Group, which estimated a 25% reduction in SugarHouse gaming revenues when a second Philadelphia casino came on line.

69. The 2011 *Pennsylvania Gaming Market Assessment & Competitive Analysis* prepared for the State Treasurer by The Innovation Group estimated that 42.6% of SugarHouse's 2011 YTD slot revenue was from cannibalization of PARX and Chester Downs' revenues.
70. In addition to AKRF's findings, all four applicants presented experts who testified at their respective suitability hearings regarding revenue generation and cannibalization. *See* Market East Suitability Hearing Notes of Testimony, January 29, 2014 at 9:00 a.m. (hereinafter "ME SH"); PHL Suitability Hearing Notes of Testimony, January 29, 2014 at 2:00 p.m. (hereinafter "PHL SH"); Stadium Casino Suitability Hearing Notes of Testimony, January 30, 2014 at 9:45 a.m. (hereinafter "SC SH"); and Tower Entertainment Suitability Hearing Notes of Testimony, January 28, 2014 and January 30, 2014 (hereinafter "TE SH").
71. The four applicants' experts estimated that total gaming revenue generation would range from a high of approximately \$518 million for Market East, to a low of approximately \$327 million for PHL. *See* ME SH, p.128; PHL SH, p.106; SC SH, p.53; TE SH, pp.30 and 138.

72. The four applicants estimated that between 50% and 78% of projected total revenue would be from new growth, or between \$195 million to \$405 million. *Id.*
73. The applicants also provided ranges of cannibalization of revenues from all existing Philadelphia area casinos. The applicant's cannibalization rates varied between a low of 22% for Market East to a high 50% of total gaming revenue generation for Tower. By way of dollar amount in revenues which would come from cannibalization, the range was between \$88.8 million for Stadium Casino and \$220 million for Tower, not all of which would be attributable to SugarHouse. *Id.*
74. Of the total revenue generation, the applicants' experts estimated that 11% to 23% of total revenues, between \$36 million to \$103 million, would be attributable to cannibalization specifically from SugarHouse. *Id.*

## **II. Market East Associates, LP, d/b/a Market8**

### **A. Project Location**

75. The Market East Associates, LP's project site encompasses approximately 84,000 square feet on the corner of 8<sup>th</sup> and Market Street in Center City, Philadelphia. The site is located off the 8<sup>th</sup> Street ramp

from the Vine Street Expressway which connects I-76 and I-95. ME SH, p.22.

76. The property is located within a hub of public transportation, including the SEPTA systems (subway, bus lines and regional rail), New Jersey's high speed PATCO Line, the Greyhound Station, the Megabus Station and the Amtrak Train Station. Access to Philadelphia's Market East Station is directly across the street from Market East's project location. ME SH, p.22.
77. The site is within three blocks of the Independence Visitor's Center, the Liberty Bell and National Constitution Center, which collectively attracts approximately 3.6 million visitors per year, the Pennsylvania Convention Center, Reading Terminal Market, with approximately 6.5 million visitors annually, and The Gallery, which is the largest concentration of retail in Center City with approximately 40,000 visitors daily. ME SH, p.18-21.
78. Within a half mile of the project location there are approximately 4,000 hotel rooms including the Marriott and Lowes Convention Center hotels. Center City, Philadelphia has approximately 11,000 available rooms daily with a 72.3% occupancy rate. ME SH, p.132.



79. In addition to the retail, convention center, hotels and historic sites, approximately 13.4 million square feet of office space and a workforce population of approximately 45,000 people are located within a quarter mile of the Market East project site. ME SH, p.21.
80. Currently the site is utilized as an outdoor surface parking lot and is adjacent to the following neighborhoods: Washington Square West, Chinatown, Old City and Society Hill.

**B. Project Facility**

81. The project is a 17-story facility incorporating gaming and a hotel (collectively “Market8”).
82. Market8 will utilize a condominium regime with ownership structure divided into two units: Market East would develop the gaming and related facilities on the lower floors and Hersha Hospitality, an unaffiliated entity, would develop the hotel facility on the upper floors.
83. Keating Consulting was hired as the project manager. Keating has developed five other gaming facilities within the Commonwealth.
84. The same general contractor will be used to construct both the hotel and the gaming facility.
85. Once construction commences, Market East expects to open its casino and parking garage within 24 months with the entertainment area

completed 2 months later. It is anticipated that construction of the hotel portion of the project will be completed 6 months after casino opening.

86. Gaming Facility

- a. Market East's facility is anticipated to have a total of 334,260 square feet devoted to gaming, non-gaming (not including the hotel) and all related operational and back-of-house areas.
- b. The multi-level gaming floor will consist of 116,820 square feet and will contain 2,400 slot machines, 82 table games, 30 poker tables<sup>24</sup> and a VIP lounge.
- c. It is anticipated that there will be eight restaurants, bars and a nightclub within the facility. The first level of the facility, street level, will contain up to five restaurants, a sports bar, coffee and retail shop, lobby entrances to the casino and delivery/support areas. The second and third floors will contain gaming floor space, themes restaurants, food court, VIP lounge and several bars. The fourth floor will be dedicated to entertainment.

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<sup>24</sup> All slot machine license applicants included plans for table game operations in their slot machine license application and in presentation and testimony before the Board. The Board considered plans for table game operations when evaluating the quality of each applicant's proposed facility and deciding which slot machine license applicant presented the best proposal in the Board's opinion. The Board will not be ruling on a petition for authorization to conduct table games until the Board's slot machine licensing decision becomes a final, binding and non-appealable order that is not subject to pending legal challenge.

- d. In addition, the fourth floor of the facility will contain a club restaurant, outdoor terraces and a 1,200 seat multipurpose showroom and event/banquet space. Market East has partnered with AEG Live to operate the events center.
- e. Below the casino structure, Market East has proposed a four level underground garage encompassing 326,000 square feet. In total, the garage will contain 752 self-park or 1,000 valet parking spaces.

87. Hotel Facility

- a. A 168 room, twelve-story hotel encompassing approximately 161,370 square feet will be located above the gaming structure beginning on the fifth floor which will contain the hotel lobby.
- b. The hotel will contain a spa, health club, meeting rooms and limited food and beverage service.
- c. The hotel will be owned by Market8 Hotel Associates, LP, which was formed as a limited partnership in Pennsylvania in May 2013 for the purpose of developing, owning and operating the hotel portion of the Market8 project.
- d. Market8 Hotel Associates, LP has applied for certification as a gaming service provider.

- e. Hersha Hospitality Management will brand, manage and operate the hotel. Hersha Hospitality intends to affiliate the hotel with Marriott's Autograph brand, which is a collection of four and five star hotels supported by the marketing reservation system of Marriott Hotels and Resorts. Marriott has the world's largest loyalty program with more than 40 million members. ME SH, p.29.
- f. Hersha Hospitality owns 50 hotels throughout the country and is an approved owner and operator of major brands including Hilton, Marriott, Starwood, Intercontinental and Hyatt.
- g. Construction of the hotel portion of the project will occur concurrently with construction of the gaming portion of the facility.

### **C. Financing**

- 88. The expected expenditure for the garage and gaming portion of the project is \$500 million. Market East will utilize the funds for land acquisition and construction costs including the parking garage, licensing fees, architectural, engineering, zoning and opening costs and for contingency reserve.

89. Funding for the gaming portion of the project will be comprised of \$375 million in debt and \$125 million in equity contributions from individual partners with additional capital available from the equity contributors, if necessary. Depending on the financing options Market East elects to utilize, the debt-to-equity ratio could be as high as 3:1.
90. The FIU reviewed documentation related to each equity contributor's finances and determined that the documentation supports the amount pledged by each equity contributor.
91. Market East submitted an engagement letter and term sheet from Deutsche Bank, as the lead arranger for the \$385 million in financing for the gaming portion of the project. ME SH, p.67.
92. Hersha Hospitality Trust, a publicly traded real estate investment trust (REIT) and the 96.7% owner of Market8 Hotel Associates, will fund the construction of the hotel portion of the project. Hersha Hospitality Trust has provided a Commitment Letter wherein it has pledged to finance \$70 million for the hotel's construction.

#### **D. Ownership Interests**

93. Market East's direct ownership is comprised of: Kenneth Neil Goldenberg, 32.00%; Ira M. Lubert, 25.40%; David Jason Adelman, 17.05%; MGA Holding PA, LLC, 16.00%; MainLine MEA Partners, LP, 4.00%; Market East GG Investors, L.P., 2.80%; Market East GP, LLC, 1.00%; and Inner-City Gaming, LLC, William A. Landman , and Michael Heller each owning less than a 1% direct interest in Market East.
94. MGA Holding PA, LLC is 100% owned by Mohegan Gaming Advisors, LLC which is 100% owned by the Mohegan Tribal Gaming Authority. The Mohegan Tribal Gaming Authority is 100% owned by the Mohegan Tribe of Indians of Connecticut.
95. MainLine MEA Partners, LP is 99.00% owned by William Landman and 1.00% by MainLine MEA GP, LLC, which is 100% owned by William Landman.
96. Market East GG Investors, L.P. is 99.90% owned by Kenneth N. Goldenberg and 0.10% by Anita B. Goldenberg.
97. Market East GP, LLC is 40.00% owned by Market East GG Investors, LP, 20.00% by Ira Lubert, 15.00% by David Adelman, 10.00% by William Landman, 10.00% by Inner-City Gaming, LLC and 5.00% by Michael Heller.

98. Inner - City Gaming, LLC is 25.00% owned by Dennis E. Cook, 22.65% by Willie F. Johnson, 11.325% by Bernard W. Smalley, Sr., 11.325% by Cheryl McKissack; 9.90% by Mary V. Lawton, 9.90% by William R. Miller and 9.90% by Thomas A. Leonard.
99. Market East is approximately 16% minority owned, primarily through the indirect ownership interest held by the Mohegan Indian Tribe of Connecticut.
100. The following individuals and entities possess an ownership or financial interest in Market East and other slot machine licensees within the Commonwealth:
  - a. Ira Lubert has a net ownership interest of 25.60% in Market East. He also holds a net ownership of 2.78% in the Rivers Casino, a Category 2 slot machine licensee, and 36.40% in the Valley Forge Casino Resort, a Category 3 slot machine licensee.
  - b. William A. Landman has a net ownership of 4.80% in Market East. He also has a net ownership interest of less than 1.00% in the Valley Forge Casino Resort.
  - c. Michael Heller has a net ownership of 0.40% in Market East. He also has a net ownership interest of 12.60% in Valley Forge Casino Resort.

- d. MGA Holding PA, LLC, as a wholly owned subsidiary of the Mohegan Tribe of Indians of Connecticut, has a 16.00% ownership interest in Market East. The Mohegan Tribe of Indians of Connecticut is also a 99.99% owner, through several subsidiaries, in Downs Racing, LP d/b/a Mohegan Sun at Pocono Downs, a Category 1 slot machine licensee.
- e. MGA Gaming PA, LLC, as a wholly owned subsidiary of the Mohegan Tribe of Indians of Connecticut, will act as the management company for the Market East project.
101. The following entities have applied as principals of Market East and have consented to and have undergone required background investigations: Market East GG Investors, LP; Market East GP, LLC; Mohegan Gaming Advisors, LLC; MGA Holding PA, LLC; MainLine MEA GP, LLC; MainLine MEA Partners, LP; Inner-City Gaming, LLC.
102. The following individuals have applied as principals of Market East and have consented to and have undergone required background investigations: David Jason Adelman; Dennis Cook; Kenneth Goldenberg; Michael Heller; Willie Johnson; William Landman; Ira Lubert; Cheryl McKissack-Daniel; and Bernard Smalley.



## **E. Management and Experience**

103. The gaming facility will be managed by MGA Gaming PA, LLC, a wholly owned subsidiary of the Mohegan Indian Tribe of Connecticut.
104. In addition to its Category 1 licensee, Downs Racing, the Mohegan Tribal Gaming Authority also operates casino facilities in Connecticut and New Jersey. The Mohegan Sun Connecticut opened in 1996 and features hotel accommodations, dining, retail shopping, live entertainment and sporting events, in addition to more than 300,000 square feet of gaming space within three casinos. In October 2012, Mohegan Gaming Advisors, LLC, through subsidiaries, entered into a joint venture and management arrangement with the owner of the Resorts Casino Hotel (“Resorts”) in Atlantic City.
105. Between its facilities in Connecticut, New Jersey and Pennsylvania, Mohegan Sun has an established database of approximately 5 million customers.
106. In accordance with the management agreement between Market East and MGA Gaming, MGA Gaming will have exclusive control over the daily operation and management of the casino and will be responsible for the control and maintenance of back-of-house areas and common areas.

107. The following entities have applied as principals of MGA Gaming PA, LLC and have consented to and have undergone required background investigations: Mohegan Gaming Advisors, LLC; Mohegan Tribe of Indians of Connecticut; Mohegan Tribal Gaming Authority; MGA Gaming PA, LLC; and MGA Holding PA, LLC.
108. The following individuals have applied as principals of MGA Gaming PA, LLC and have consented to and have undergone required background investigations: Bruce Bozsum; Mark Brown; Mitchell Etes; Ralph Gessner, Jr.; Jonathan Hamilton, Sr.; Thayne Hutchins, Jr.; Mario Kntomerkos; William Quidgeon, Jr.; Kathleen Regan-Pyne; David Rome; Mark Sperry; Cheryl Todd; Gary Van Hettinga.

#### **F. Job Creation and Economic Impact**

109. Market East engaged Michael Marino, a senior economist and director at Tourism Economics, to evaluate the economic impact of the Market East project.
110. Tourism Economics predicts the development of Market8 will generate nearly 2,800 direct and 3,600 indirect jobs in the Commonwealth of Pennsylvania. Approximately 75% of the 6,400 jobs will go to residents of the Commonwealth and 50% to residents of the City of Philadelphia.

111. Market East expects that total development expenditures for this project will amount to approximately \$570 million and will generate \$703.8 million in direct and indirect expenditures for the Commonwealth and City.
112. It is estimated that the development phase would generate \$15.2 million in tax revenues to the Commonwealth and the City.
113. Market East projects that during construction, between 40% and 45% of the workforce will be comprised of minorities and women. Additionally, between 40% and 45% of contracts will be awarded to minority, women-owned and disadvantaged business enterprises (MWDBE).
114. Once operational, Market8 operations and ancillary spending is projected to generate \$700 million in total statewide activity and generate 1,600 direct and 4,700 indirect ongoing annual jobs.
115. In the first year of operations, it is estimated that the project would generate nearly \$225 million in state and local gaming taxes. Annual operations would also generate \$30.5 million in on-going tax revenues from income, sales and use taxes from the combined restaurant, entertainment, and hotel facilities. ME SH, p.62.

116. Market East projects that between 40% and 45% of its ongoing workforce will be comprised of minorities and women and 25% of contracts will be awarded to MWDBE.
117. Market East estimates that the average salary of a Market8 employee would be \$55,000 a year including benefits and tips, just under \$39,000 with tips excluded and approximately \$28,000 if benefits were not included in the salary figure. ME SH, p.134.

### **G. Gaming Revenue and Patron Visitation**

118. Market East engaged PKF Consulting (“PKF”), a gaming consultant, to prepare a financial analysis addressing the financial performance and competitive conditions of a gaming and entertainment venue at the Market East site.
119. According to PKF’s reports, Market8 will have more than 4.7 million patrons in its first stabilized year of operation: 2.7 million patrons from the City, 1.35 million from the region, and 480,000 and 190,000 from the visitor and commuter workforce markets, respectively.
120. PKF estimates that in its first year of operation (projected opening 2016), Market East will produce \$363 million in slots revenue and \$155.5 million in table games revenue for a total of \$518.5 million, resulting in tax revenue of \$207 million for the Commonwealth of Pennsylvania and

\$18 million for the City of Philadelphia, for a total of \$225 million in tax revenue.

121. Market8 estimated that it would generate the highest level of revenue of any of the applicants because Market8's location would attract a greater number of out-of-towners coming to Center City and because of the extensive marketing experience of its management company. ME SH, p.58.
122. Market8's visitation numbers and revenue projections are based on the location of the project and its surrounding attributes including ease of access to public transit as well as the strength of Market8's management company, with its five million patron database. ME SH, p.85-86.
123. Market East projected that its facility would have negligible impacts on the gaming revenues of Parx, Harrah's (Category 1 licensees located in Bensalem, Bucks County and Chester, Delaware County respectively) and Valley Forge (Category 3 licensee located in King of Prussia, Montgomery County). ME SH, p.50.
124. Market East projects that as it relates to SugarHouse, Market8 would have less impact than Tower's project due to Tower's greater overlap with SugarHouse's primary residential market. ME SH, p.50.

## **H. Traffic**

125. In February 2013, the consultant group Pennoni and Associates, Inc. submitted a traffic impact study addressing the effect Market8 Casino and Hotel would have on traffic flow.
126. Pennoni stated that the traffic delay on non-event periods caused by Market8 Casino would be minor and limited to less than ten seconds at the intersections which it studied. Pennoni also found the site to be in a prime location for ingress and egress to I-95 and I-76.
127. Pennoni Associates, in consultation with PennDOT and Orth-Rogers, studied 42 intersections that could reasonably be expected to demonstrate some impact from the location of the Market8 project on the corner of 8<sup>th</sup> and Market Street and that the roadway network met appropriate levels of service requirements at all but six locations. Minor signal timing adjustments would lower the expected delay to less than ten seconds at five of the six locations. At the sixth location, on Friday evening the increase in delay would remain at between twelve and thirteen seconds even with signal timing adjustments and the addition of a northbound right turn lane. Pennoni concluded that the existing roadways and traffic control infrastructure servicing the 8<sup>th</sup> and Market Street location are

more than adequate to handle the volume anticipated to be generated from the Market8 project. ME SH, p.35-38.

128. The primary driving route for arrival at the project location would be via 8<sup>th</sup> Street off the Vine Street Expressway. Market East asserts that the travel time from the Vine Street expressway is less than three minutes at peak times.
129. The Market East's traffic study, which after revisions was approved by PennDOT, meets the guidelines provided by the City and PennDOT.
130. Market East asserts that its project is located at one of the most easily accessible points whether by foot, public transit or automobile.
131. The site benefits from its close proximity to the existing mass transit hub located at 8<sup>th</sup> and Market Streets as well as its access to the Vine Street Expressway. Market East anticipates that 56% of its patrons would travel to Market8 by automobile, 20% via public transit and 24% by other means. ME SH, p.80.

#### **I. Additional Parking**

132. In addition to Market East's proposed four-level underground garage, which would contain 752 self-park or 1,000 valet parking spaces, Market East has leases or binding letters of intent for an additional 2,331 self-

park or 2,766 valet parking spaces at four locations within a one-block radius of the Market East site.

133. Market East has leases or binding letters of intent for an additional 1,027 self-park or 1,060 valet parking spaces at six locations within a ten minute walk to the Market East site.
134. Market East estimates that there are over 3,400 vacant parking spaces within five minutes of the Market East location in the period that is the peak time for casino visitation. ME SH, p.135.
135. Market East anticipates that certain loyalty program cardholders will be provided with free parking at its facility but that other visitors will be required to pay for parking when visiting the casino. M.E. SH, p. 87.

#### **J. Promises and Commitments**

136. The Market8 Foundation:
  - a. Market East has committed to distribute an annual contribution to its charitable foundation should it be issued the Category 2 license.
  - b. The amount to the charitable foundation will be calculated as 10% of all net distributed income, after an 8% preferred return is paid and 100% of the capital is returned, with a minimum annual pledge of not less than \$2 million regardless of the number produced utilizing the calculation described.



- c. The foundation will concentrate its efforts on education, health, the underprivileged, the environment, support of the arts/culture and transformative community improvement projects.
  - d. The charitable foundation will give preference to the immediately surrounding project area with a smaller portion being contributed to the broader Philadelphia area.
137. Market East has committed to an improvement zone which will run Market Street from City Hall to Penn's Landing and the area two to three blocks to the north and south. The program will address security, lighting, landscaping, street improvements, master planning, joint marketing and micro-financing within the improvement zone.
138. Market East will establish a rewards program in which loyalty points may be used not only within the Market8 facility but also at restaurants, retailers, and art/cultural venues in the surrounding area. Market8 anticipates that \$30 million in rewards points would be used at participating retailers in the community. ME SH, p.101.
139. Market East has committed to public interest outreach including efforts to develop a compulsive gambling amelioration program in concert with community members and experts from the City, State and around the country. People Helping People, a Goldenberg Group affiliated charity,

has contacted groups in Chinatown and has been working with the Council on Compulsive and Gambling.

### **K. Public Input and Comments**

140. During the public input hearings held in Philadelphia on April 11 and 12 and May 8 and 9, 2013, four community groups, two legislators and local government officials, and twenty-four individuals spoke in favor of the Market East project specifically.
141. For the Market East project, 277 written comments were also submitted with 179 (64.6%) supporting the project, 25 (9.0%) were neutral and 73 (26.4%) opposed. Additionally, one petition containing 293 signatures opposing the proposal to build at the Market East location was received from The Asian Federation of the United States and The Chinese Benevolent Association of Greater Philadelphia.
142. Those who spoke at the public input hearings or provided written comments about the Market East project cited the following reasons in support or in opposition to the project:
  - a. Those who supported the Market East project specifically cited:
    - that the project was the best to leverage the Commonwealth's substantial investment in the Pennsylvania Convention Center; that
    - the developer has a proven track record in successfully

transforming sections of the city and of making minority participation a priority in development projects; the Goldenberg Group is committed to communities as is Market8's management company, Mohegan Sun; the management company takes social responsibility seriously; an events/banquet space is needed downtown; the ease of use of public transit; and that the project is within walking distance of most Philadelphia tourist attractions, local hotels and restaurants.

- b. In addition to the objections raised by those who are opposed to awarding the available license to any applicant in the City of Philadelphia, those who opposed the Market East project specifically opposed the location of the project in Center City and its proximity to Chinatown; believe that the Center City location is already too congested with traffic; are concerned about the availability of parking; and believe that the project location will have a substantial negative impact on families, the community and children as well as on Philadelphia's national historic sites. The 293 signature petition from the Asian Federation of the United States objected to the Market East project based on its proximity to

Chinatown and on the basis of the effects gambling would have on young children, education, families and their community.

143. The Board also held a public hearing on September 24, 2013 to receive comments from the Administration of Philadelphia, Mayor Michael Nutter. Related to the Market East project:

- a. The City of Philadelphia, in consultation with AKRF consulting, found Market East's project to provide a unique opportunity to complement the Nutter Administration's existing efforts to rejuvenate Market Street East, building on existing Commonwealth and City investment in the area, most notably, the Pennsylvania Convention Center.
- b. The City/AKRF favored the on-street, mixed use activity proposed, believing it would help spur additional economic development and revitalization; as well as provide the largest potential to generate a new gaming audience, while simultaneously having a less negative impact on existing gaming facilities in the region.
- c. The City also found the site's close proximity to the Market East Station to be a positive, at least relative to prospective casino employees' likely desire to locate employment close to public transportation.

d. Notwithstanding the sites close proximity to public transportation, the City did recognize that the Market East Center City location will create traffic management and parking issues; patron security concerns (when one leaves the property); as well as concerns about the site's close proximity to Chinatown (where problem gambling is purported to be a major concern) and the Jefferson University Hospital's clinical and emergency facilities. The City's analysis was that the Market East proposal will have the most immediate impact upon the city.

#### **L. Comparative Testimony**

144. Market East asserted that its project is superior to the other applicants with respect to revenue generation, growth, location and quality of its facility; that its partner and operator/management company, Mohegan Sun, is superior with respect to its history of developing tourism facilities ancillary to gaming and the potential for enhancing tourism; that its project would cannibalize the existing market less than other applicants; will generate more economic activity and more urban transformation; and will cause less negative traffic impact.<sup>25</sup> Market East also contended that

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<sup>25</sup> Market East's Notices of Intent to Present Comparative Evidence filed January 8, 2014.

the Tower project specifically was less readily financeable and would be less financially stable.

145. By way of comparison, Market East estimated that over 4,400 hotel rooms are within a half-mile radius of its project location, including the major convention centers. In contrast there are only 2,700 hotel rooms that close to the Tower project, none of which are located north of the Vine Street Expressway where Tower's project site is located. Additionally, there are just over 200 hotel rooms within a half-mile radius of the stadium area applicants. ME SH, p.54.
146. Market East contends that its primary residential market is an untapped market that the Market8 location would be ideally positioned to capture.
147. Market East testified that it would be difficult for this untapped residential market to utilize public transportation to get to any of the existing area casinos or either of the proposed stadium area casinos (Stadium Casino or PHL). ME SH, p.124.
148. Market East asserted that with limited public transportation options, the stadium casinos would utilize high rates of automobile arrivals. But with 400 events occurring more than 300 days a year in the stadium area, a major portion of which would occur during peak casino usage, the

resultant congestion in that district would leave casino patrons in traffic and therefore not engaging in casino play.

149. Peter Tyson, Market East's expert witness on issues related to casino win, testified that Market8 would achieve gross revenues approximately \$60 million higher than Tower Entertainment's project and \$125 million more than either of the stadium area applicants of PHL or Stadium Casino. ME SH, p.49.
150. Mr. Tyson also projected that Market8 would generate \$86 million more in incremental win for the Commonwealth than Tower Entertainment's project and \$147 million more in incremental win than one of the stadium area applicants.
151. Market East asserted that Stadium Casino's revenue projections of \$311 million for a generic center-city project (Market East or Tower) greatly underestimated the impact of Market8's proximity to its primary residential market, 30% of which do not have a car, and the significant visitor and office populations readily accessible to the Market East project location. ME SH, pp. 49 and 123.
152. In comparing its project to Tower, Market East identified that the most significant difference between the projects is the character of the two project locations. Market East described its location as the most

concentrated corridor of convention center, historic sites, retail, shops and restaurants. Tower's project location, in contrast, is located in North Philadelphia, physical separated from Center City by the Vine Street Expressway, without similar commercial and tourism attraction density and instead is comprised primarily of residential schools, churches, synagogues and administrative buildings. ME SH, p.154-155.

### **III. PHL LOCAL GAMING, LLC d/b/a Casino Revolution**

#### **A. Project Location**

153. The PHL Local Gaming, LLC ("PHL") project site is approximately 24 acres located on Front Street between Packer and Pattison Avenues at the foot of the Walt Whitman Bridge. The project location is off highways I-95 and I-76, approximately five miles from Center City Philadelphia.
154. The project location is currently a warehouse district approximately  $\frac{3}{4}$  of a mile from Citizens Bank Park and Lincoln Financial Field.

#### **B. Project Facility**

155. PHL is proposing a project, Casino Revolution, comprised of approximately 803,000 square feet which would include a 109,000 square foot gaming floor with 2,400 slot machines and 105 table games,<sup>26</sup> located on one floor; a 250 room four-star hotel, which would be visible

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<sup>26</sup> See FN 24 regarding consideration of plans for table game operations.



from the highways that surround its perimeter; 2,400 spaces for parking including a 1,650 space garage; and several restaurants and bars. PHL SH, pp.29-32.

156. PHL would incorporate an existing 84,000 square foot warehouse building, currently used by the Procacci Brothers Sales Corporation, into the design of Casino Revolution. PHL SH, p.19.
157. Casino Revolution would be constructed in two phases, referenced as an Expedited Phase and a Phase I.
158. The expedited phase would consist of approximately 61,228 square feet of gaming floor space with 1,500 slot machines and 50 table games. The expedited casino would open within nine months and would remain open while Phase I is under construction.
159. Phase I would consist of an additional 48,108 square feet of gaming floor space and would hold an additional 900 slot machines and 55 tables, 25 of which would be Poker.
160. PHL estimates that its Phase I project would be completed approximately 20 months from the commencement of construction. PHL SH, p.121.
161. The PHL project would allow for future expansion, up to 5,000 slot machines, should market conditions warrant. PHL SH, p.33.

162. PHL has also proposed future development to include a family-focused recreation and entertainment district, LoSo, located on approximately ten acres of land currently owned by Joe Procacci, immediately west of the Casino Revolution site. PHL envisions that LoSo would include food and beverage, retail, a soccer field, outdoor swimming pool, zip line park, rock climbing facility, golf driving range, water park, and areas devoted to music and live entertainment. PHL SH, pp.74-75.

### **C. Financing**

163. For its expedited and Phase I project, PHL is proposing a \$427.9 million investment. Funding for the project will be comprised of approximately \$300 in debt and between \$128 and \$155 million in cash and land contributions. Depending on the financing options PHL elects to utilize, the debt-to-equity ratio could be as high as 2.33:1.

164. The FIU reviewed documentation related to each equity contributor's finances and determined that the documentation supports the amount pledged by each equity contributor.

165. PHL has two options related to financing: Jefferies & Company could act as sole arranger or co-arrange the debt with Wells Fargo Securities. Both Jefferies and Wells Fargo submitted commitment letters relating to financing.

#### **D. Ownership Interests**

166. Currently PHL Local Gaming, LLC is directly owned by Joseph G. Procacci, 80.38%, Pleasant Hill Partners, LLC, 12.31% and J2RP Capital, LLC at 7.31%. This ownership percentage could change post-licensure depending on which financing and land agreements the applicant elects to utilize.
167. Pleasant Hill Partners, LLC is 100% owned by Bennett Lomax.
168. J2RP Capital, LLC is 100% owned by Joseph J. Canfora and Teresa A. Canfora.
169. None of the principal entities or individuals associated with PHL has an ownership or financial interest in another slot machine licensee within the Commonwealth.
170. PHL is approximately 12% minority owned through Pleasant Hill Partners' ownership interest.
171. The following entities have applied as principals of PHL and have consented to and have undergone required background investigations: Pleasant Hill Partners, LLC; J2RP Capital, LLC; Joseph G. Procacci Irrevocable Trust; Estate of Walter P. Lomax, Jr.
172. The following individuals have applied as principals of PHL and have consented to and have undergone required background investigations:

Joseph G. Procacci; Joseph Canfora; Bennett Lomax; Teresa Canfora; John Burke; Craig Sullivan; Mark Sterbens, Sr.; Teresa Procacci; Vincent Haley; Rita Neczypor; and Joseph M. Procacci.

#### **E. Management and Experience**

173. The gaming facility will be managed by Merit PHL, LLC (“Merit”) which is 100% owned by Joseph Canfora, the 7.31% indirect owner of PHL.
174. Joseph Canfora, the owner, Manager and CEO of Merit Management, established Merit Management to provide management, consultation and financial resources to Native American and other gaming companies.
175. Mr. Canfora has more than 25 years of gaming experience and oversaw gaming operations in Illinois, Louisiana, Missouri, Mississippi, Nevada and Washington State.
176. The Merit executive team has designed, financed, constructed and/or operated over ten start-up casinos with a value in excess of \$1 billion including those in Indiana, Missouri, Nevada, California, Washington and Colorado as well as facilities in Panama and the Dominican Republic. PHL SH, pp.39-40.

177. PHL will be purchasing from an outside source a targeted database of more than 870,000 known gamblers within 180 miles of the PHL site. PHL SH, p.46.
178. In accordance with the management agreement between PHL and Merit, commencing on the completion date of the gaming facility, Merit will have exclusive control over the day-to-day management and operation of the facility. Merit will be responsible for the financial decisions related to operating capital and financial development of the casino as well as the purchase and lease of gaming and associated equipment. Additionally, Merit will be responsible for gaming operations, employment and labor, marketing and compliance with applicable laws and regulations.
179. The following individuals have applied as principals of Merit and have consented to and have undergone required background investigations: Joseph Canfora; Harlan Oppenheim; Peter Ferro, Jr.; and Barry Edmonson.

#### **F. Job Creation and Economic Impact**

180. PHL engaged Klas Robinson, a gaming and hospitality consulting firm, to analyze the economic impact of the Casino Revolution project. Jim Klas testified on behalf of Klas Robinson at PHL's suitability hearing.

181. During its construction phase, PHL estimates it will generate 1,235 full-time equivalent construction jobs at an average of \$52,800 per job. PHL SH, p.62.
182. Mr. Klas testified that once operational, Casino Revolution would employ 1,369 people on an ongoing basis with an average salary of \$28,400 including tips, but not inclusive of additional benefits. PHL SH, p.59.
183. In addition to the 1,369 direct jobs, PHL estimates that another 1,230 jobs would be created within Philadelphia and 1,819 total jobs within the Commonwealth. PHL SH, p.62.
184. Casino Revolution, once operational, is projected to generate \$534 million in direct, indirect and induced impact for the City of Philadelphia and a total of \$587 million direct, indirect and induced impact within the Commonwealth. PHL SH, p.61.
185. PHL estimates that it would purchase approximately \$56.5 million per year from vendors and intends to provide as many of its contracts to Philadelphia business owners as possible. PHL will offer a 7% bid preference to Philadelphia-based businesses and a 5% bid preference to southeast Pennsylvania-based businesses. PHL SH, p.70.

186. PHL testified that it will work with local unions, is committed to hiring locally and to diversity in its employment practices. PHL testified that it will model its practices after Procacci Brothers which is comprised of 75% women and minorities in management, professional, administrative support and operations positions. Additionally, their workforce is comprised of 75% residents of Philadelphia, 35% reside in south Philadelphia. PHL SH, pp.87-89.

### **G. Gaming Revenue and Patron Visitation**

187. PHL's expert testified that the casino is expected to attract 4.1 million visitors annually, including 131,000 overnight guests to its hotel.

188. PHL engaged Morowitz Gaming Advisors to prepare a market assessment for the project. Morowitz Gaming Advisors estimates that Casino Revolution would generate \$315 million in revenues and \$142.5 million in gaming related taxes in the first year. In stabilized year five, Morowitz estimates \$369 million in revenues and \$165 million in gaming related taxes.

189. PHL estimates approximately \$45 million of its total revenues would come from cannibalization of Harrah's, \$36 million from SugarHouse and approximately \$25 million from Parx. PHL SH, p.106.

190. PHL anticipates that in a stabilized year, approximately 91.1% of its gaming revenues (\$327 million) would come from the drive-in market living within 60 miles of the project location, 7.8% (\$28.3 million) would come from the overnight visitor segment, and 0.1% (\$3 million) from the convenience market.

#### **H. Parking and Traffic**

191. PHL's project includes 2,400 parking spaces directly adjacent to Casino Revolution with a 1,650 space structured parking garage, 400 available surface lot spaces and 350 spaces for valet. PHL SH, p.29.

192. PHL has committed to an infrastructure investment in the I-76 westbound on-ramp.

193. PHL has committed to providing transportation to and from the sports complex and to those patrons who would arrive at the licensed facility via SEPTA's Board Street subway line. PHL SH, p.35.

194. The consultant group, Langan Engineering, conducted a traffic study addressing the effects the PHL project would have on traffic flow.

195. Dan Disario, Vice President of Langan Engineering, testified at PHL's suitability hearing. PHL SH, pp.34-38.

196. Mr. Disario's study analyzed traffic operations at over 20 locations under four scenarios both with and without Casino Revolution traffic. He



concluded that the site would not adversely impact any residential neighborhood or area residents and of the three stadium area applicants, would have the least impact on traffic operations during games and other events at the sports complex. PHL SH, pp.34-35.

197. PHL estimates that 2% of its patrons would utilize mass transit to arrive at its facility. PHL SH, p.112.

198. PennDOT reviewed PHL's traffic study, which after revisions, PennDOT conditionally approved finding:

- a. The traffic study provided by PHL's consultant, Langan Engineering, meets the guidelines provided by the City and PennDOT.
- b. Even during a Friday evening commuter-peak during a pre-Philly's baseball game period, the local roads were able to manage the additional casino trips.
- c. The applicant entered into a written agreement with the City and PennDOT whereby the applicant, if awarded a license, would investigate and provide intelligent transportation system improvements to improve overall traffic operations, provide signal timing improvements and phasing improvements. PHL SH, pp.137-141.

## **I. Promises and Commitments**

199. PHL has committed to providing transportation to and from the sports complex and to those patrons who would arrive via SEPTA's Board Street subway line. PHL SH, p.35.
200. PHL has also committed to an infrastructure investment in the building of an I-76 westbound on-ramp. PHL SH, p.99.
201. PHL has committed to develop a Special Services District in the Whitman Community, irrespective of whether PHL is awarded the Category 2 license. As part of that commitment, PHL has already purchased and assisted in the planting of trees in the Burke Playground and surround streets, and has provided evidence of other assistance to community groups as well as support for the local food banks which feed those in need throughout the region.<sup>27</sup>
202. PHL also made a first contribution to the Council on Compulsive and Problem Gambling of Pennsylvania.

## **J. Public Input and Comments**

203. During the public input hearings held in Philadelphia on April 11 and 12 and May 8 and 9, 2013, four community groups and thirty-four individuals spoke about the PHL project specifically: thirty-three

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<sup>27</sup> See PHL's October 31, 2013 promises and commitments letter.

individuals and two community groups supported PHL, while one individual and two community groups opposed the PHL project.

204. For the PHL project, 87 written comments were received with 62 (71.3%) in support, 24 (27.6%) neutral and one (1.1%) opposed.

205. Those who spoke at the public input hearings or provided written comments about the PHL project cited the following supporting or opposing the project:

a. Those who supported the PHL project specifically cited: ease of access to highways; contracting with local businesses; experienced and trustworthy owners; the owner's commitment to diversity and to utilize and work with unions; that Mr. Procacci and Procacci Brothers treat people with honesty, fairness and integrity; that the local ownership and management will have the best interests of the Whitman Community in mind: and its proximity to the sports complex.

b. In addition to the objections raised by those who are opposed to awarding the available license to any applicant in the City of Philadelphia, those who opposed the PHL project specifically cited traffic congestion, that those who live in the surrounding neighborhoods have to deal with constant traffic, noise, trash from

and fights amongst stadium visitors, security issues and the proximity to neighborhoods.

206. The Board held a public hearing on September 24, 2013 to receive comments from the Administration of Philadelphia, Mayor Michael Nutter. Related to the PHL project:
- a. The City of Philadelphia, in consultation with AKRF consulting, found PHL Local's site to have excellent highway access, would be large enough to accommodate the proposed project and future expansion. Additionally, the city found that the isolated nature of the site would mean there would be little impact on residential or commercial operations in the area, including the stadium district.
  - b. The City also commended PHL Local for the diversity of its leadership team and ambitious minority participation goals.
  - c. The City/AKRF found that the isolated location and commercial use of the surrounding area is not likely to appeal to a new audience and is unlikely to spur any additional economic development for the city.
  - d. AKFR opined that additional economic development around the PHL Local Gaming site was "problematic" given its distance from

the stadiums and the requirement that existing industrial users in the area would need to be relocated.

### **K. Comparative Testimony**

207. PHL filed a Notice of Intent to Present Comparative Evidence against Market East, Stadium Casino and Tower asserting: that the quality and location of its proposed facility is superior; that its financial projections, revenue generation, tax revenue and its ability to sustain growth is greater than that of the other applicants; that its project will cannibalize the market less than Market East or Tower and will generate the greatest new growth of all applicants; that its project has the greatest potential for enhancing tourism, urban transformation and non-gaming related development; that its location will have less negative impact on traffic; and that its commitment to diversity in ownership, employment and contracting is greater than that of the other applicants.
208. By way of comparison, PHL asserts that because it will utilize an existing building, it would be in a position to open its expedited casino within nine months, six months sooner than any other applicant. PHL estimates that this expedited opening will generate \$60 million in additional revenue that the other applicants could not generate. PHL SH, p.19.

209. PHL asserts that its location allows for expansion while other project locations are landlocked and lack expansion opportunities.
210. Related to parking, PHL asserts that the other stadium district site, Stadium Casino, is remote to the I-76 and I-95 highways and is adjacent to residential neighborhoods; therefore that site will have the greatest impact on neighboring residential areas. PHL SH, p.37.

#### **IV. Stadium Casino, LLC d/b/a Live! Hotel and Casino**

##### **A. Project Location**

211. Stadium Casino's project site is approximately nine acres and currently contains a ten-story Holiday Inn and banquet facility. The site is located between 10<sup>th</sup> and Darian Streets along Packer Avenue in Philadelphia. The location is approximately four miles from the center of the city, just south of I-76 and within two miles of the Walt Whitman Bridge and southern New Jersey.
212. Stadium Casino's project is adjacent to the Sports Complex Stadium District which includes the professional sport's teams venues and XFINITY Live!, a dining and entertainment area within the stadium district.
213. The Cordish Companies, the 50% owners of the Stadium Casino project, own XFINITY Live! and have been previously approved by the City of

Philadelphia for a 400,000 square foot expansion of the site to add new retail, hotel and dining attractions. SC SH, p.39.

214. The Sports Complex and Stadium District attracts more than eight million visitors, attending more than 400 events on more than 300 days per year, 40% of which are visitors coming from outside of the Commonwealth. SC SH, p.37.
215. According to Stadium Casino, the 10<sup>th</sup> Street site was selected because it allowed for the build-out of the project, is the primary street to create pedestrian flow through the stadium district, and would create a stadium district as a single attraction. SC SH, p.41.
216. Within five miles of the Stadium Casino location there are approximately 70 hotels with 15,000 rooms. SC SH, p.47.

### **B. Project Facility**

217. In a single phase, Stadium Casino will renovate the existing on-site hotel and create an integrated hotel, gaming and entertainment facility.
218. The proposed facility will consist of 71,500 square feet of gaming floor space, a 2,600 space parking garage, 200 room hotel, a spa, pool, fitness center, six dining options, a music venue with capacity for 1,000 people and a roof-top deck.

219. The gaming floors will contain 2,013 slot machines and 92 banked table games located on one floor and 33 non-banked poker games on another floor.<sup>28</sup>
220. Stadium Casino expects to open its facility approximately 15 months from the time construction commences. SC SH, p.44.

### **C. Financing**

221. The expected expenditure for the project is \$425 million.<sup>29</sup> Stadium Casino will utilize the funds for construction, licensing fees, opening expenses, financing costs and contingency reserves including construction costs for the I-76 westbound on-ramp.
222. Funding for the project will be comprised of approximately 50% debt and 50% in equity contributions from the partners; however, both equity contributors have asserted their ability to self-finance the entire project. SC SH, p.119. Depending on the financing options Stadium Casino elects to utilize, the debt-to-equity ratio would be no greater than 1.13:1.
223. The FIU reviewed documentation related to each equity contributor's finances and determined that the documentation supports the amount pledged by each equity contributor.

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<sup>28</sup> See FN 24 regarding the Board's consideration of plans for table game operations.

<sup>29</sup> At its suitability hearing, Stadium Casino added a commitment to fund the new I-76 on-ramp and therefore increased its expected expenditures from \$406 million to \$425 million. SC SH, p.40.



224. Stadium Casino also submitted an engagement letter from M&T Bank as the lead arranger for approximately \$250 million in financing.

#### **D. Ownership Interests**

225. Stadium Casino's direct ownership is comprised of Stadium Casino Baltimore Investors, LLC, which owns 50%, and Stadium Casino Investors, LLC, which owns 50%.

226. Stadium Casino Baltimore Investors, LLC is owned by: Jonathan Cordish, 29.34%, Blake Cordish, 29.33%; Reed Cordish, 29.33%; Joseph Weinberg, 10.00%; and Charles Jacobs, 2.00%.

227. Stadium Casino Investors, LLC ("SCI") has created a pre-licensure and post-licensure ownership structure. Currently, SCI is 100% owned by the Sterling Investors Trust. If awarded a license, SCI would be 66% owned by Greenwood Racing, Inc., and 34% by the Sterling Investors Trust.

228. Greenwood Racing is: 78.634% owned by International Turf Investment Co., Inc, which is 100% indirectly owned by Watche Manoukian; 9.315% by Rock Limited, which is 90% owned by James Lane and 10% by Richard Kendle; 3% by Robert Green; 6.197% by ITIC/ITAC, LLC, which is 100% indirectly owned by Watche Manoukian; 1.845% by William E. Hogwood; and 1.009% by International Turf Acquisition Company, which is 100% indirectly owned by Watche Manoukian.

229. The following individuals and entities possess an ownership or financial interest in Stadium Casino and other slot machine licensees within the Commonwealth:

- a. Greenwood Racing - Greenwood Racing is the parent company of Greenwood Gaming and Entertainment, Inc. d/b/a Parx Casino (“Parx”), a Category 1 licensee located in Bensalem, Bucks County. If Stadium Casino is awarded a license, after Sterling Investors Trust converts its 50% indirect ownership interest in Stadium Casino, Greenwood Racing would have a 33% indirect ownership interest in Stadium Casino.
- b. Watche Manoukian – Watche Manoukian holds a net ownership interest of 85.84% in Parx. If Stadium Casino is awarded a license, after Sterling Investors Trust converts its 50% indirect ownership interest in Stadium Casino, Mr. Manoukian will hold a net ownership interest of 28.37% in Stadium Casino through his ownership interest in Greenwood Racing. Mr. Manoukian is also the grantor and settlor of the Sterling Investors Trust and a 28% stockholder of Sterling Fiduciary Services, Inc., the corporate trustee for the Sterling Investors Trust, which, as noted, would hold a 17% net

ownership interest in Stadium Casino, post-licensure. As Mr. Manoukian serves as only a minority shareholder in the corporate trustee, none of Sterling Investors Trust's ownership in Stadium Casino is attributable to Mr. Manoukian.<sup>30</sup>

230. The following entities have applied as principals of Stadium Casino and have consented to and have undergone required background investigations: Stadium Casino Baltimore Investors, LLC; Stadium Casino Investors, LLC; Sterling Investors Trust; Sterling Fiduciary Services, Inc.; Greenwood Racing, Inc.; International Turf Investment Company, Inc.; Rock Limited; ITIC/ITAC, LLC; Koorinal Holdings B.V.; Koorinal Holdings Curacao N.V.; and Cordish Family II, LLC.
231. The following individuals have applied as principals of Stadium Casino and have consented to and have undergone required background investigations: Jonathan A. Cordish; Blake L. Cordish; Reed S. Cordish; Joseph S. Weinberg; Charles F. Jacobs; Anthony D. Ricci, Jr; Robert W. Green; Watche A. Manoukian; Yeghiche W. Manoukian; Karnig W.

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<sup>30</sup> On February 2, 2014, Stadium Casino filed a Motion to Reopen the Record for the Limited Purpose of Submitting Documents Restructuring Sterling Financial Services. None of the Category 2 applicants filed objections. As a result, the Board granted the motion on February 26, 2014. Mr. Manoukian has relinquished much of his involvement in Sterling Fiduciary Services, maintaining only a 28% ownership interest in that corporate trustee. It is noteworthy that even if 28% interest in the corporate trustee were deemed to vest Mr. Manoukian with additional ownership in Stadium Casino, that interest would increase Mr. Manoukian's ownership in Stadium Casino by 4.8% for a total interest in the project of less than 33.3%.

Manoukian; Aram V. Manoukian; William E. Hogwood; James Lane; Joseph W. Wilson; Bryan E. Barlett; Thomas C. Bonner; Richard J. Kendle; Terrence A. Everett; and David C. Budd.

#### **E. Management and Experience**

232. Stadium Casino has not entered into a management agreement with any outside entity. Instead, the two entities that own Stadium Casino, Baltimore Investors (The Cordish Company) and Stadium Investors (Greenwood Racing) will manage all aspects of Stadium Casino's construction and operations.
233. The Cordish Company is a family-owned real estate development and operating company developing entertainment/mixed use and gaming/lodging facilities, shopping centers, restaurants and music venues many of which under the Live! Brand (including Xfinity Live! in the stadium district adjacent to Stadium Casino's project location). In terms of gaming experience, the Cordish Company developed: the Maryland Live! Casino in the Baltimore/DC area, with approximately 4,300 slots and 170 tables; the \$600 million Seminole Hard Rock Hotel Casino in Tampa, Florida, with 750 guest rooms, approximately 5,000 slot machines, 160 table games and a 6,000 seat live music venue; and the

Seminole Hard Rock Hotel & Casino in Hollywood, Florida with approximately 500 guest rooms, 2,500 slots and 100 tables.

234. Greenwood Racing owns and operates Parx Casino which opened in 2006 with approximately 2,000 slot machines. Parx added 57 table games when they were legalized in 2010. Today the permanent facility has approximately 3,300 slot machines and 163 tables. Parx Casino is Pennsylvania's top grossing casino.
235. Between Greenwood Racing and the Cordish Companies, they have a database of approximately 1.5 million customers. SC SH, p.68.

#### **F. Job Creation and Economic Impact**

236. Strategic Market Advisors prepared two reports, one of which measured economic development associated with the Stadium Casino project.<sup>31</sup>
237. Based on the report, during development Stadium Casino would generate nearly 3,000 direct, indirect and induced jobs. SC SH, p.45.
238. Stadium Casino expects that total development expenditures for this project will amount to approximately \$400 million and will generate \$398.6 million in direct, indirect and induced expenditures for the

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<sup>31</sup> The second report prepared by Strategic Market Advisors, discussed below, is a financial analysis report addressing potential financial performance and competitive conditions.

Commonwealth and the City including \$157 million in personal earnings.  
SC SH, p.45.

239. Once operational, Stadium Casino operations and ancillary spending is projected to generate \$422 million in total statewide activity and will generate 1,246 direct and 873 indirect and induced ongoing annual jobs.  
SC SH, p.46.

240. Annual operations would also generate \$11.3 million in ongoing tax revenues from income, property, sales and use taxes from the restaurant and hotel facilities. SC SH, p.46.

241. Stadium Casino estimates that the average salary of an employee would be \$35,000 including benefits. SC SH, p.96.

242. Approximately 85% of the individuals Stadium Casino hires would be residents of the Commonwealth with 50% from the City of Philadelphia.  
SC SH, p.96.

### **G. Gaming Revenue and Patron Visitation**

243. In addition to its economic development report, Strategic Market Advisors also prepared a financial analysis report addressing both the financial performance of Stadium Casino and competitive conditions in the Philadelphia market.

244. Stadium Casino asserts that the stadium district is the strategic location for the second license because: its location will maximize new revenues and minimize cannibalization of the market; the convenient highway access; and the number of visitors drawn to the existing attractions in the area including athletic and concert events. SC SH, pp.36-37.
245. According to Stadium Casino's expert, the facility would have more than 3.7 million visitors in its first stabilized year of operations (2016): 2.9 million from the local market; 160,000 from the tourism market; 570,000 from the nearby sports venues; and 80,000 from Stadium Casino's on-site hotel.
246. In its first year of operations, Stadium Casino anticipates it will produce \$296 million in slots and table games revenue which will result in tax revenue of \$124 million for the Commonwealth and the City of Philadelphia. SC SH, p.50.
247. Stadium Casino anticipates it would generate \$321.8 million in gaming revenue in its first stabilized year, would grow the Philadelphia gaming market by 19.6% and would generate new revenues of \$233 million. SC SH, p.53.

#### **H. Traffic and Parking**

248. Stantec Consulting prepared Stadium Casino's traffic report.

249. Stadium Casino's traffic study area consisted of 19 intersections within the stadium district and four peak hours including the Friday commuter peak hour and the hour before a Phillies event at Citizens Park.
250. Stantec Consulting opines that the proposed development would result in minor intersection-specific impacts which could be mitigated with improvements such as signal timing adjustments, improved pedestrian facilities, left turn treatments and coordination of traffic signals. SC SH, p.56.
251. PennDOT reviewed Stadium Casino's traffic study, which, after revisions, PennDOT conditionally approved finding:
- a. The traffic study now meets the guidelines provided by the City and PennDOT.
  - b. The site is not in the city's central business district and during non-commuter travel peaks and non-sports complex events, the local roads are underutilized and can efficiently manage the additional casino trips, particularly during the casino's Friday and Saturday evening peaks.
  - c. Even during a Friday evening commuter-peak during a pre-Philly's baseball game period, the local roads were able to manage the additional casino trips.



- d. Construction of the new I-76 westbound on-ramp, which Stadium Casino has committed to funding, shows supplemental mitigation to the local street system and an overall improvement in traffic management.
- e. Stadium Casino agreed to provide shuttle service to and from the southern terminal of SEPTA's Board Street line, AT&T Station.
- f. The applicant entered into a written agreement with the City and PennDOT whereby the applicant, if awarded a license, would investigate and provide intelligent transportation system improvements to improve overall traffic operations, provide signal timing improvements, left turn lane treatments and improve pedestrian access. SC SH, pp.108-111.

### **I. Promises and Commitments**

- 252. Stadium Casino has also committed to an infrastructure investment in the I-76 westbound on-ramp and has increased its expected expenditure on the project to reflect this additional commitment. Stadium Casino is committed to the investment contingent on working through the details and feasibility with the Commonwealth. SC SH, pp.40, 79 and 89.

253. In the neighborhoods surrounding the project location, Stadium Casino is prepared to install a camera system that will tie into the police system. SC SH, p.74.
254. Shuttle service to and from the southern terminus of SEPTA's Broad Street line, AT&T station, will also be provided.
255. The applicant intends to provide funds for grants to community organizations with the grants to be designed by a Community Counsel that includes members from local community groups and Stadium Casino. *See* November 1, 2013 Promises and Commitments letter.

#### **J. Public Input and Comments**

256. During the public input hearings held in Philadelphia on April 11 and 12 and May 8 and 9, 2013, two community groups and four individuals spoke about the Stadium Casino project specifically. Three individuals spoke in favor of the project while two community groups and one individual spoke against the Stadium Casino project.
257. The PGCB received 133 written comments on the Stadium Casino project, 108 (81.2%) were in support, 23 (17.3%) were neutral and 2 (1.5%) opposed.

258. Those who spoke at the public input hearings or provided written comments about Stadium Casino cited the following reasons supporting or opposing the project:

- a. Supporters of Stadium Casino cited: the optimal location with easy access to highways; The Cordish Group's track record of utilizing minority and women-owned businesses; the developer's dedication to the local community; and the project would drive continued transformation in South Philadelphia.
- b. In addition to those objections raised by those who are opposed to awarding the available license to any applicant in the City of Philadelphia, those who opposed the Stadium Casino project were opposed of traffic congestion, noise, trash from and fights amongst stadium visitors, security issues, and the proximity to the neighborhood and local schools.

259. The Board also held a public hearing on September 24, 2013 to receive comments from the Administration of Philadelphia, Mayor Michael Nutter. Related to the Stadium Casino project:

- a. The City of Philadelphia did express concerns about traffic on days when other events are occurring in the stadium district, particularly given the distance to public transportation options.

- b. The City recognized that Stadium Casino’s ownership connection with Xfinity Live!, which already exists in the stadium district, did increase the likelihood of the creation of a more dynamic sports and entertainment district.
- c. Additionally, in terms of overall economic benefit, the City’s/AKRF’s analysis shows that Stadium Casino performs relatively poorly relative to the number of direct and indirect jobs being created, as well the amount of gaming and nongaming revenue.

**K. Comparative Testimony**

260. Stadium Casino filed Notices of Intent to present comparative evidence against Market East and Tower Entertainment intending to show: both of those projects will create parking shortages and traffic congestion; while all City planning requirements are met and no variances are required for the Stadium Casino project, the competitor’s projects may encounter problems obtaining zoning approvals and in complying with local ordinances resulting in unplanned delays; while Stadium Casino is “right sized,” the Center City projects are overbuilt, which will result in problems meeting financial obligations, recovering capital and meeting financial projections; and Stadium Casino’s project will result in less

cannibalization of the market with greater revenue generation than either Market East or Tower.

261. Mr. D'Ambrosio, Stadium Casino's witness on issues related to market impact and cannibalization, testified at Stadium Casino's suitability hearing that a Center City facility (Tower or Market East) would generate only \$311.8 million in gaming revenue versus Stadium Casino's revenue generation which was \$10 million more at \$321.8 million.
262. Stadium Casino estimated that the rate of growth for a Center City project was only 16.4% versus Stadium Casino's rate of growth of 19.6%, a difference of 3.2%.
263. By way of new net revenue, Mr. D'Ambrosio estimated that a Center City project would generate only \$192.5 million while Stadium Casino would generate \$233 million. SC SH, p.53.
264. In terms of cannibalization, Stadium Casino's projections estimate that the Center City projects would cannibalize \$119.2 million or 5.9% of the projected base, while Stadium Casino would cannibalize approximately 4.4% of the base, or \$88.8 million. SC SH, p.53.
265. During its suitability hearing, Stadium Casino also presented comparative testimony on the Market East project specifically. SC SH, pp.58-60. Stadium Casino's witness asserted that:

- a. The Market East traffic analysis model was not calibrated to take into account the existing traffic congestion in the area resulting in artificially good levels of service to the Center City project location.
- b. Parking is an issue at the Center City location, a fact that should not be ignored.
- c. Market East's project does not meet the City's requirements for gaming.
- d. Having a multi-level gaming facility, as Market East is proposing, is not a good model for success.

## **V. TOWER ENTERTAINMENT, LLC d/b/a The Provence**

### **A. Project Location**

- 266. Tower Entertainment's project will be located on four parcels of land along North Broad and Callowhill Streets and will incorporate the existing Inquirer Building into the overall design plan.
- 267. SEPTA's Broad Street subway line travels past the site with stations one block to the north and south of the project location. The City Hall Station provides connections with the Market Frankford line, which runs from the northeast through west Philadelphia. Additionally, the City's bus system passes in front of the project location. TE SH, p.49.

268. Tower estimates that 31% of visitors and employees will utilize public transit to access the location. TE SH, p.87.
269. For pedestrians, the project location is approximately four-tenths of a mile from Center City Philadelphia across the Vine Street Expressway, approximately a six minute walk from the Pennsylvania Convention Center and ten minutes from Suburban Station to The Provence.
270. The entrance to the casino portion of the project is located in the 1500 block of Callowhill Street. The entrance to the hotel portion of the project is located on Broad Street.
271. The project location is within 1500 feet of the Community College of Philadelphia, Headquarters of the Philadelphia School District, Roman Catholic High School and the Mathematics, Civics and Science Charter School.

## **B. Project Facility**

272. Tower Entertainment is proposing a 1.25 million square foot \$700 million multi-use facility (collectively The Provence). Tower describes the project as a large scale integrated urban entertainment destination, not

just a casino, which is designed to attract new gaming and non-gaming revenues.

273. The Provence will utilize natural light throughout and will contain the following amenities: eight restaurants, two of which will be associated with nationally acclaimed chefs Andrew Carmellini and Tom Colicchio of Top Chef; six fast food restaurants; a comedy club; sports bar; 60,000 square feet of retail; jazz club, spa, fitness center; night club; the Monaco Beach Swim Club; meeting and multipurpose rooms; a concert hall to attract name acts; a boutique hotel tower adapted and incorporated into the existing Inquirer Building; and a conservatory and botanical gardens, which will be surrounded by the retail and restaurant options. TE SH, p.67-68.

274. Retail, restaurants, the spa, gaming floor and back-of-house areas will be located on the first six floors. Above the sixth floor will be the Monaco Beach Club and rooftop deck, which will have views from the art museum to City Hall and will contain an infinity edge pool overlooking the city landscape. Incorporated above the six-story main building will be the 13-floor hotel tower.

275. The gaming floor will consist of approximately 120,000 square feet and will initially include 3,000 slot machines and 150 table games, including



poker.<sup>32</sup> The gaming facility will be managed by Isle Philadelphia Manager, LLC.

276. The total expenditure for The Provence is \$700 million, including land valued at \$100 million. TE SH, p.65.

277. The Provence will be completed in a single phase of construction. Tower estimates that the project will take 18 months to complete from the commencement of construction. TE SH, p.63.

### **C. Financing**

278. The expected expenditure for the project is \$700 million. Tower will utilize the funds for hard and soft costs including licensing fees, architectural, engineering, zoning, a parking garage, opening costs and for contingency reserve.

279. Funding for the project will be comprised of up to \$600 million in financing and \$100 million in equity via a land contribution from Bart Blatstein, the 100% owner of Tower, with additional equity available from Mr. Blatstein, if necessary. TE SH, p.106 and 109.

280. The FIU reviewed documentation related to Mr. Blatstein's finances and determined that the documentation supports the amount pledged.

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<sup>32</sup> See FN 24.

281. Tower submitted engagement letters and term sheets from Credit Suisse Securities, Summit Partners Credit Advisors, Providence Equity Capital Markets, Highbridge Principal Strategies and a loan and security agreement from Isle of Capri Casino, Inc. In total, Tower Entertainment has access to over \$1 billion in capital to finance the project.
282. Depending on the financing options Tower elects to utilize, the debt-to-equity ratio could be as high as 6:1.

#### **D. Ownership Interests**

283. Tower Entertainment is 100% owned by Tower Gaming, LLC, which is 100% owned by Bart Blatstein; however, the ownership structure may change if awarded a licensing depending on the financing options Mr. Blatstein elects to utilize. Additionally, Robert Bogel has a purchase agreement whereby he may obtain a 0.5% non-voting interest in Tower Entertainment. An ownership interest held by Mr. Bogel, an African-American, would create slight diversity in ownership.
284. Tower Gaming, LLC, Isle Philadelphia Manager, LLC (“IPM”), and Barton Blatstein have applied as principals of Tower Entertainment and have consented to and undergone required background investigations.
285. An affiliated entity of IPM has a financial interest in another slot machine licensee within the Commonwealth. IPM’s parent company, Isle of Capri,

LLC, (“IOC”), also manages, through a subsidiary, the Category 3 slot machine licensee, Woodlands Fayette, LLC d/b/a Lady Luck Casino, located in Fayette County, Pennsylvania.

#### **E. Management and Experience**

286. The gaming facility will be managed IPM, a wholly owned subsidiary of IOC.

287. IOC has operating experience in 15 states including Pennsylvania and several foreign countries at more than 50 gaming properties. Senior management has been responsible for developing/managing 51,000 slot machines, 2,200 table games, 11,000 hotel rooms, 130 restaurants, shopping and other amenities. The management company also brings casino design and construction experience to the project as it has been directly involved in developing more than 20 casinos around the world. TE SH, p.33-34.

288. Between its facilities, IOC has an established patron database of over one million customers. TE SH, p. 82.

289. In accordance with the management agreement between IPM and Tower Entertainment, IPM will manage, maintain, operate, promote and market all aspects of The Provence including the gaming and non-gaming amenities. IPM will also be responsible for the selection, hiring,

supervising, management, and determination of benefits for and compensation of all employees.

290. The following entities have applied as principals of IPM and have consented to and have undergone required background investigations: Isle of Capri Casinos, Inc; B.I. Isle Partnership, LP; GFIL Holdings, LLC; and the Goldstein Group, Inc.

291. The following individuals have applied as principals of IPM and have consented to and have undergone required background investigations: Scott Schubert; Virginia M. McDowell; Elizabeth Tranchina; Richard Goldstein; Robert Goldstein; Edmund Quatmann, Jr.; James Perry; Jeffrey Goldstein; Timothy Ilsley; Arnold Block; Alan Glazer; Dale Black.

#### **F. Job Creation and Economic Impact**

292. Tower engaged Econsult Solutions to evaluate the economic impact of The Provence project.

293. During construction, Econsult Solutions estimates that development of The Provence will generate nearly \$900 million in overall economic activity, will support nearly 6,400 jobs and generate \$15 million in taxes to the City and Commonwealth. TE SH, p.53.

294. Tower is committed to diversity in participation. Tower estimates that 38% of jobs during construction will go to minorities. TE SH, p.60.
295. Once operational, Econsult Solutions estimates that The Provence will generate over \$750 million in statewide economic spending, directly and indirectly support over 7,900 jobs and generate \$20 million in annual tax revenue to the City and Commonwealth. TE SH, p.53-54.
296. Tower asserts that because of its location, scope of its project and the condition of the surrounding area, The Provence represents a unique opportunity to serve as a catalyst for significant non-gaming capital investment in the area and has the greatest ability to spur sustainable economic development activities within the City of Philadelphia. TE SH, p. 56-57.
297. The direct economic beneficiaries of The Provence would include the areas between Vine and Spring Garden, to the east and west of Broad Street and further north.
298. The Provence will directly employ over 2,500 people, 700 of which will be in gaming related jobs. TE SH, p.35.
299. Tower estimates that the average salary of a Provence employee would be \$36,000 a year including benefits. TE SH, p.83.

## **G. Gaming Revenue and Patron Visitation**

300. Tower engaged Econsult Corporation and Leisure Dynamics Research, in conjunction with Spectrum Gaming Group, to prepare a gaming market assessment for The Provence.
301. Tower asserts that because The Provence is a destination venue and more than just a casino, it has the greatest potential to induce growth in the market. TE SH, p.29.
302. In its first year of operations, Tower estimates that The Provence will produce \$258.8 million in slots revenue and \$116.3 million in table game revenue for a total of \$375.1 million, resulting in tax revenue of \$152.9 for the Commonwealth and \$12.7 million for the City for a total of \$165.6 million in gaming tax revenue.
303. Tower estimates that The Provence will generate \$439 million in taxable gaming revenues in its second year of operations and \$106 million more than any other applicant. TE SH, p.30.
304. Tower anticipates that of the \$439 million in gaming revenue, \$219 will come from new gaming revenues. TE SH, p.30. The remaining 50% would come from cannibalization of area casinos, 23% of which Tower estimates would come from SugarHouse. TE SH, p.137-138.

305. Tower estimates approximately 5.3 million visitors per year divided between day trip patrons from the surrounding area and out-of town visitors.

#### **H. Traffic**

306. On November 7, 2012, the consultant group TPD submitted a traffic impact study addressing the effect The Provence would have on traffic flow. Revisions to the traffic study were submitted on July 29, 2013.

307. TPD, in consultation with PennDOT and Orth-Rogers, studied 21 intersections that could be impacted by The Provence.

308. Without mitigation, the intersections at 15<sup>th</sup> and Vine Street local are projected to perform with poor levels of service; however, with mitigation and improvement efforts, the intersections should perform at acceptable service levels.

309. The Provence is situated at the ramps to the Vine Street Expressway which provide a direct connection to both the Schuylkill Expressway and Interstate 95. A majority of patrons traveling by car will reach the project location via the Vine Street Expressway. TE SH, p. 46-49.

310. The Provence is within the city's central business district and therefore has a greater chance of generating non-vehicular trips. TE SH, p.146.

311. The Provence benefits from transportation infrastructure at the Inquirer Building, which during its use employed over 3,300 individuals and serviced a fleet of delivery vehicles daily. TE SH, p.46.
312. While Tower estimates that 31% of visitors and employees will utilize public transit, Tower also acknowledged that if fewer individuals utilize public transit to access The Provence, more vehicles would be on the road. TE SH, p.87 and 103.
313. The primary driving route for arrival at the project location would be via the Vine Street Expressway at the Board Street Central Philadelphia ramp.
314. The Tower Entertainment traffic study, which after revisions was approved by PennDOT, meets the guidelines provided by the City and PennDOT.
315. At the intersection of Broad and Callowhill Streets, Tower will be providing dedicated left and right turn lanes. Pedestrian upgrades will be completed, a new traffic signal will be installed at Callowhill and North 15<sup>th</sup> Streets and intersection corners will be upgraded to ensure ADA compliance.



## **I. Parking**

316. After reviewing the Special Entertainment District development plans enacted by the City of Philadelphia and based on the number of gaming positions The Provence would operate, Tower Entertainment has determined that 2,400 parking spaces would be needed for parking.
317. Through lease and ownership, Tower Entertainment has control of over 2,400 parking spaces surrounding the project location: 900 valet and 800 self-park spaces would be located in three garages, which will be leased, in the 1400-1600 blocks of Callowhill Street. The garages would be connected to The Provence via an above-street connection bridge. In addition, Tower will be erecting and will own a new six-story garage at 15<sup>th</sup> and Spring Garden Streets which will contain 716 self-park spaces. The Spring Garden garage will cost an estimated \$10 million, which was included in the overall project costs. TE SH, p.93.
318. In addition, there are 4,500 available offsite parking spaces within a five minute walk of The Provence, of which more than 3,000 are unoccupied during the peak casino period.
319. Mr. Blatstein also owns a parcel of land adjacent to the new Spring Garden garage location, which Mr. Blatstein has stated could be developed into another 1,000 space garage, if need be. TE SH, p.93.

## **J. Promises and Commitments**

320. Tower has committed to streetscaping around the project location. Additionally, in consultation with Tyco and AlliedBarton, Tower will institute a neighborhood safety plan, which would operate from Vine Street to Spring Garden and from 17<sup>th</sup> to Broad Streets. The plan is adjustable in terms of location but will be focused on the exterior of buildings, surrounding streets, retail spaces, parking garages, less visible corners and general public areas. Tower has committed to neighborhood foot and mobile patrols, electronic security and community call boxes.
321. Tower has committed to preferential hiring toward local residents and preferential treatment in procurement of goods and services from local businesses. Additionally, Tower had committed to charitable giving which will contribute to neighborhood causes. TE SH, p. 41
322. Tower entered into a Neighborhood Development Agreement with many of its proximate stakeholders. TE SH, p.42.
323. Tower has committed to shuttle service between The Provence and local hotels and attractions. TE SH, p. 50.
324. Tower has committed to 25 paid internships each semester to students at Lincoln and Cheyney Universities. TE SH, p. 61.

## **K. Public Input and Comments**

325. During the public input hearings held in Philadelphia on April 11 and 12 and May 8 and 9, 2013, four community groups and fifty-five individuals addressed the Board regarding the licensure of Tower Entertainment. Of the community groups to address the Board, two were in favor of the project, one was neutral and one was opposed. Of the individuals to testify, fifty-one individuals were in favor of the Tower project, eleven were neutral and four opposed.
326. Tower Entertainment received 67 written comments with 38 (56.7%) in support of the project, 23 (34.3%) neutral and 6 (9%) opposed. Additionally, one petition with 293 signatures opposing the project was also received from The Asian Federation of the United States and The Chinese Benevolent Association of Greater Philadelphia.
327. Those who spoke at the public input hearings or provided written comment about the Tower Entertainment project cited the following reasons supporting or opposing the project:
- a. Those who supported the project specifically cited: Mr. Blatstein's reputation for revitalization, and his track record for utilizing local residents and minority contractors in past projects; the positive community impact; area redevelopment; job creation; the number

of new amenities and attractions to the area; access to major roadways; the reuse of the iconic Inquirer Building; and the distance from Center City.

- b. In addition to the objections raised by those who are opposed to all gaming and are opposed to awarding the license to any applicant in the City of Philadelphia, those who opposed The Provence project specifically cited: decreased property values; increased traffic, crime, noise and pollution; safety, parking and security concerns; and the project location's proximity to churches, schools and Chinatown. The 293 signature petition from the Asian Federation of the United States objected to Tower's project on the basis of the effects gambling would have on young children, families and their community.
328. The Board also held a public hearing on September 24, 2013 to receive comments from the Administration of Philadelphia, Mayor Michael Nutter. Related to the Tower project:
- a. As with the Market East Proposal, the City of Philadelphia, in consultation with AKRF consulting, found Tower Entertainment's project – being proposed by a developer with a record of success in major urban developments in Philadelphia - provided an

opportunity to assist the Nutter Administration's existing efforts to rejuvenate another area of the city in need of revitalization, in this case, North Broad Street.

- b. While the City recognized that the North Broad Street corridor has been attracting new levels of investment and development of late, it further believes that development like that proposed by Tower Entertainment – including several mixed use amenities in addition to gaming, and the largest amount of retail space among the five applicants - would spur even more additional development and complement existing improvements, including the expansion of the Pennsylvania Convention Center and creation of a North Broad Street entrance to that facility.
- c. AKRF did express concerns, however, about whether the market was ready to absorb the vastness of Tower Entertainment's retail and dining options in one phase, as opposed to multiple phases.
- d. The City was also supportive of the project's reuse of the historic Inquirer Building, as well as its expansion to the west of Broad Street toward the cultural institutions along the Ben Franklin Parkway.

- e. The City/AKRF also found that the Tower Entertainment project has the largest potential benefit in terms of operating jobs, gaming and non-gaming revenue, as well as tax revenues to both the City and the Commonwealth, like Market East, by attracting a large number of new customers and, therefore, having a less negative impact on existing operators in the region.
- f. Concerns were expressed by the City in the areas of traffic management, the need to enhance activity along the street frontages, as well as the need for assurances that the design and construction of the facility would be consistent with the existing character of that section of the city.

## CONCLUSIONS OF LAW AND COMPARATIVE DISCUSSION

### I. Overview

The decision as to which of the four eligible and suitable applicants would be awarded the Category 2 slot machine operator license in Philadelphia was a very difficult one. The Board had to weigh four competitive, yet unique and different proposals to determine which one the Board, in its sole discretion, believed to be the best fit for the Commonwealth and the public in light of the various factors that may be taken into consideration under the Act. If the Board's decision were premised on an objective formula or defined scoring system such as one based only on the revenue to the Commonwealth to support property tax relief or on the number of slot machines or the number of projected visitors, the analysis of the Board in reaching its decision would be much more simplistic. But that is not the case nor the task assigned to the Board under the Act.

In 2006, the Board voted to issue Category 2 licenses in the City of Philadelphia on a clean slate – applying the criteria of the Gaming Act for the first time and having not considered or issued any prior Category 2 licenses. In contrast, the Board is now nearly eight years past the initial decisions of 2006, having observed the Foxwoods Casino project lose

financing and eventually having to revoke its license due to Foxwoods' inability to build a casino project as promised. The Board has also witnessed SugarHouse Casino be delayed in completing its fully licensed project due to a combination of the economic downturn and resulting limitations on lending, litigation among the SugarHouse partners, and various permitting issues. Thus, the Board now makes this decision based upon the backdrop of the Board's experience in administering the Gaming Act and the foresight of issues which may arise to impede fulfillment of the Act's mandates.

The Act embodies multiple objectives to be considered by the Board, including: the protection of the public through regulating and policing all activities involving gaming; enhancing entertainment and employment in the Commonwealth; providing a significant source of income to the Commonwealth for tax relief; providing broad economic opportunities to Pennsylvania's citizens; developing tourism; strictly monitoring licensing of specified locations, persons, associations, practices, activities, licensees and permittees; considering the public interest of the citizens of the Commonwealth and the social effects of gaming when rendering decisions; and maintaining the integrity of the regulatory control of facilities. 4 Pa.C.S. §1102.



In weighing the evidence presented to the Board with respect to these objectives and to determine which applicant should be approved for licensure, Section 1325 of the Act provides that the Board may consider factors embodied throughout the Gaming Act, as articulated on pages 4 and 5 of this Adjudication. The Act calls for the Board to consider evidence and give weight to factors as it, solely in the exercise of its discretion, finds to be in the furtherance of the Act's objectives based upon all of the evidence in the record before the Board. It is upon this basis that the Board approves and denies the license applications now before it.

As is discussed in greater detail below, the first task for the Board is to address the Intervenor SugarHouse Casino's impassioned argument that the Philadelphia-area gaming market is saturated and that no license should be issued to any of the eligible and suitable applicants. The Board would be justified in determining not to issue this license at this time only if the Board were to be convinced by the presentation of substantial, credible evidence in the record to support a finding that the market is saturated and that the issuance of this available license would not be in the Commonwealth's interest. However, based on the evidentiary record, the Board finds that SugarHouse has not presented substantial evidence upon which this Board is

convinced that it is not in the Commonwealth's interests to grant the issuance of the available license.

Having determined that there is insufficient evidence that the Philadelphia gaming market is saturated, and after reviewing the entire evidentiary record for each of the four applicants, the Board has determined that Stadium Casino's presentation of the Live! Hotel and Casino represents the best fit to be awarded the Category 2 license in the City of Philadelphia. In reaching this conclusion, the Board has examined and weighed the various factors cited above. However, there were several factors that, in the Board's opinion, made the Live! Hotel and Casino project stand out from the remaining applicants.

First, the Board believes that Stadium Casino's project is "right-sized" for the Philadelphia market. As noted above, the Board does not believe that it has been established to any reasonable degree of certainty that the Philadelphia gaming market is saturated, yet the Board is also aware that there exists a much greater gaming supply now than existed in 2006. The Board therefore finds that being right-sized, not overbuilt or heavily laden with debt would ensure that in a competitive gaming market, Stadium Casino could operate a successful gaming operation and would be in a position to service any debts, make capital improvements and reinvest in its

facility, as well as meet its commitments to the City of Philadelphia and the Commonwealth even with conservative revenues.

Second, Live! Hotel and Casino is located in the Stadium District, strategically positioned away from large residential populations yet bordering the vast parking lots of the nearby sports stadium and arenas which boast nearly 8 million visitors a year, 40% of which are from outside the Commonwealth. *See SC SH, p. 37.* Live! Hotel and Casino brings a design complete with a hotel tower, which fits within the area landscape, and utilizes contemporary architecture to create a lively streetscape which neither detracts from nor overpowers the area, which is viewed as a positive factor.

Third, the location of Live! Hotel and Casino, as it relates to the other established Philadelphia area casinos, creates a strategic location. With Parx Casino just north of the City, SugarHouse Casino north and along the Delaware River, and Harrah's Philadelphia, just over ten miles to the south and southwest of the Philadelphia International Airport, the location of Live! Hotel and Casino is positioned far enough from the other properties to create a buffer between them.

Likewise, the location of Live! Hotel and Casino is convenient by personal automobile to major highway access off Interstates 76 and 95, yet

not insurmountably far from a nearby subway stop for those who seek to access the casino location by public mass transit from the Center City area whether they are Center City residents or overnight visitors to the City for business or conventions.

Additionally, the degree of public opposition to the Live! Hotel and Casino project as presented through the public input and public comment period is not a substantial impediment to the Board's consideration of the applicant for licensure. Opposition was primarily centered on traffic and parking and related issues on game days. While the Board is cognizant of its proximity to the residential neighborhood at Broad Street and Packer Avenue, Live! Hotel and Casino's commitment to fund the building of a Westbound I-76 ramp will assist in alleviating congestion for that neighborhood due to any increased casino traffic and will also aid that neighborhood with traffic associated with sporting events. Further, Stadium's commitment to build a 2,600 space parking garage will provide additional capacity alleviating rather than increasing parking problems in the neighborhood/stadium area.

Live! Hotel and Casino also brings a marriage of two respected partners to its project in Greenwood Gaming and the Cordish Company. Greenwood Gaming, as the owner and operator of Parx Casino, has been

very successful in creating a gaming destination for Pennsylvania which is among the top producers month after month.<sup>33</sup> The Cordish Company has established itself as a leading developer and operator of not only casino properties but also pure entertainment and tourism facilities. The combination of its varied properties, including the Live! complex already in

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<sup>33</sup> During the course of these proceedings, an issue was raised as to whether Watche Manoukian's ownership interest in Stadium Casino, violated Section 1330 of the Gaming Act, which requires that "no slot machine licensee, its affiliate, intermediary, subsidiary, or holding company may possess an ownership or financial interest that is greater than 33.3% of another slot machine licensee . . ." Specifically, Mr. Manoukian holds a net ownership interest of 85.84% in Parx Casino. As a result, by law he can hold no more than a 33.3% interest in Stadium Casino.

Pursuant to Stadium Casino's initial application filings, however, Mr. Manoukian could *arguably* have been determined to own 45.327% of Stadium Casino through two separate paths of ownership. First, through a series of Parx Casino related affiliates, post-licensure he would have a 28.327% ownership interest in Stadium Casino. Additionally, post licensure, the Sterling Trust – for which he is the grantor/settlor – would own a 17% net interest. While pure "ownership" by the Sterling Trust, for which Mr. Manoukian is not a beneficiary, does not flow to him, the question arose given his role as President, Treasurer, Director and 100% shareholder in the Sterling Trust's corporate trustee, Sterling Fiduciary Services, Inc. In short, the question was whether Mr. Manoukian's "control" of a 17% owner should be equated with "ownership", thereby bringing his "ownership" in Stadium Casino to 45.327% in violation of Section 1330.

After extensive questioning by the Board on this topic at its Suitability Hearing, on February 2, 2014, Stadium Casino filed a Motion to Reopen the Record to provide the Board with a revised structure for corporate trustee, Sterling Fiduciary Services, Inc. This motion was unopposed by the other parties to these proceedings and allowed into the record evidence that Mr. Manoukian had relinquished his roles as President, Treasurer and Director of Sterling Fiduciary Services, Inc., as well as 72% of the ownership interest in the trustee, thereby maintaining only a 28% interest in Sterling Fiduciary Services, Inc. As a result, even if the minority 28% interest in the corporate trustee were deemed to vest Mr. Manoukian with additional ownership in Stadium Casino, it would be by only 4.8% for a total interest in the project of less than 33.3%. The Board thereby finds that Stadium Casino's post-licensure ownership structure does not violate Section 1330 of the Gaming Act.

the stadium area, all serve to contribute an established database of customers which can be cross marketed to the benefit to the Philadelphia property.

Finally, Live! Hotel and Casino has the ability to self-finance the construction of its casino property. The balance sheet of the ownership group is such that the interests of Pennsylvania, Philadelphia and the Board in making sure this project is developed as proposed is certain and not at the whim and volatility of the debt and economic markets which, history has shown, can act to impede the successful launch of a project of the magnitude proposed by the applicants.

While all the factors set forth in the Act were examined and considered by the Board when reaching its decision to award Live! Hotel and Casino the available slot machine license, these were factors which made this project stand out. The following discussion sets forth a more detailed analysis of these factors and the weight given by the Board to the evidence.

## **II. Claim of Market Saturation**

The Board must consider SugarHouse's argument against granting the license with the backdrop of the Gaming Act's enabling legislation. With respect to Category 2 slot machine licenses, the Gaming Act provides, "the board may license no more than seven Category 1 licensed facilities and no

more than five Category 2 licensed facilities, as it may deem appropriate, as long as two, and not more, Category 2 licensed facilities are located by the board within the city of the first class ....” 4 Pa.C.S. § 1307. Moreover, the Act specifically provides that “(t)wo Category 2 licensed facilities and no more shall be located by the board within a city of the first class...” 4 Pa.C.S. § 1304(b)(1).

The words of the statute are unambiguous. The General Assembly contemplated that two casinos would be located in Philadelphia. The only discretion the Board would have to avoid the granting of this second license would be (1) if the Board found none of the current applicants suitable for the license, or (2) that the issuance of the license would not be in the best interests of the Commonwealth and its citizens. The Board finds that neither instance exists in this matter.

On December 16, 2013, SugarHouse sought to intervene in the Board’s licensing hearings for the available Category 2 license on the basis that, as a licensed Category 2 operator in Philadelphia and, hence, a potential competitor of the proposed casino, it had an interest in the proceedings which was substantial, immediate and which no other party to the proceedings represented. SugarHouse contends the market in Philadelphia is saturated and that the issuance of the available license to enable a second

casino to operate in Philadelphia would be detrimental to SugarHouse, resulting in reduced revenues, postponed capital improvements, and lost jobs which would not be in the interests of the Commonwealth or the City. Following the review of the petition and supporting materials and having not received objection to intervention by any of the four applicants, the Board granted intervention to SugarHouse limited to the issue of market saturation by Order dated January 8, 2014.

By way of background: SugarHouse was granted a license to build and operate a Category 2 casino in Philadelphia on December 20, 2006. The Pennsylvania Supreme Court affirmed the award of that license on July 17, 2007. *Riverwalk Casino v. PGCB*, 592 Pa. 505, 926 A.2d 926 (2007). Thereafter, SugarHouse was confronted with a number of delays in commencing construction due in part to permitting and approvals required by the City of Philadelphia. Moreover, rather than build the project as originally presented to the Board at SugarHouse's suitability hearing, SugarHouse requested permission from the Board to first build an interim facility citing the economic downturn which severely impacted debt markets. The interim facility would be substantially smaller than that licensed with the caveat being that SugarHouse would then build a casino matching that which was promised.



In recognition of the permitting and approval delays and the debt market impact, the Board agreed to allow SugarHouse to build a smaller interim facility to be expanded at a later date.<sup>34</sup> On September 23, 2010, SugarHouse opened its casino with 1,600 slot machines and 40 table games.

For year ending September 30, 2014, SugarHouse Casino produced slot machine revenues of approximately \$174.9 million and table game revenue of \$88.3 million for a total of \$263.2 million in gaming revenues. For fiscal year ending September 30, 2014, SugarHouse was operating 1,606 slot machines producing an average of \$299 per slot machine unit per gaming day, 25% higher than the statewide average of \$239 per unit per gaming day. Additionally, at year-end, SugarHouse was operating 61 banked table games with a win per banked table per gaming day of \$4,050, almost double the statewide average of \$2,136 per table per day. The difference in statewide average versus SugarHouse's performance is best illustrated by the statements of SugarHouse's General Manager Wendy Hamilton to the Board on May 7, 2013 relating to the expansion project when she stated, "the table games at this location have just taken off, and so, while our slots also boast the highest win per unit in the State of Pennsylvania, our table games have

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<sup>34</sup> Board Order dated May 6, 2009.

had twice the win per table of any Pennsylvania operation, by comparison. So, we definitely need the additional table games.”

Meanwhile, SugarHouse has continued to operate a casino of much smaller proportion to that initially approved and licensed and has just recently commenced construction on its as-promised casino.<sup>35</sup> As to the most recent iteration of the SugarHouse build-out approved by the Board, SugarHouse is to increase its square footage by 150% but expand gaming positions by just 27%. General Manager Hamilton testified that the majority of expansion is in a garage, event space and restaurants. SugarHouse Intervener Notes of Testimony, January 30, 2014 (hereinafter “HSP NT”), p. 22-23. The expansion is proposed to increase the number of slot machines to between 1,900 and 2,200 and the number of banked table games to between 80 to 90 (with the addition of 25 to 35 poker tables).<sup>36</sup>

SugarHouse and a few of its principals testified before the Board on January 30, 2014, imploring the Board to not issue the license at this time,

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<sup>35</sup> We note that SugarHouse’s delays in construction have been attributed to apparent infighting between ownership groups which resulted in litigation in Delaware Chancery Court, *see RPRS Gaming L.P. v. H.P. Gaming Partners, et al* (filed 4/8/2011 and settled January 2013), as well as difficulties encountered with the U.S. Army Corps of Engineers which has fined SugarHouse in relation to activities along the Delaware River edge and has been engaged in ongoing negotiations relative to storm-water discharge line relocations on the property. *See e.g. Casino Owners pay \$650k over illegal dumping, Philadelphia Inquirer*, April 15, 2013.

<sup>36</sup> Number of slot machines and table games projected for the expansion were provided to the Board during a May 7, 2013 hearing on the Petition for the Expansion of SugarHouse Casino, at p. 18.

asserting that the economy has not recovered such as to be able to create demand for a second Philadelphia casino without causing significant harm to SugarHouse and the Commonwealth's interests. We note that even with the Board granting the license now, ensuing appeals, the resolution of those appeals and the lead time to commence and complete construction through opening likely could take the better part of three years.

As even recognized by SugarHouse's expert, we cannot predict what may happen in our economy, the State or the world in that time period. Steven Rittvo, Chairman of the Innovation Group testified for SugarHouse as an expert in casino market analysis.<sup>37</sup> HSP NT, pp. 29-40. Mr. Rittvo testified, "I'm not sure you should believe me per se that my analysis is better than somebody else's analysis. You've gone through three days of a number of qualified people making presentations and analysis to you. ... [I]t's tough for me to refute all that and take them on one at a time at this point in time." HSP NT, pp. 32-33.<sup>38</sup>

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<sup>37</sup> We note that a Report was prepared by Steve Karoul. Market East and Tower filed objections to Mr. Karoul's testimony and report arguing that he lacked qualifications to hold himself out as an expert on market saturation. However, Mr. Karoul was not presented to testify about his report and opinion. SugarHouse presented Mr. Rittvo who stated he worked with Mr. Karoul in producing the report and that he was 'comfortable' in adopting the report fully.

<sup>38</sup> Nonetheless, Mr. Rittvo stated, "This is a locals market and we are pretty much close to extracting what it is. There is some growth there." HSP NT, p 35. Mr. Rittvo then proceeded to discuss the gravity model of analysis to determine projected gaming revenues which focuses on the number of individuals residing within a specific distance

When examining the claim of saturation, the Board is cognizant that reports from our own and surrounding gaming jurisdictions show that the tide of rapid increases in gaming revenues has stemmed and revenues generally in the region have remained constant and in a number of cases slightly decreased. It is not unreasonable to believe that this may be the result of the increasing supply of casinos in the mid-Atlantic region. The Board also recognizes that four casinos in Atlantic City have closed within the past year due to decreasing revenues in that locale. Moreover, we note that Wynn Resorts and Penn National Gaming withdrew from contention for the present license citing in part the competitive market and decreased revenue projections as reasons for their withdrawals. Some would argue that these facts should sway the Board to not issue the second license due to what they refer to as ‘saturation’. Yet the Board also notes that both Wynn and Penn National continued to be active in seeking gaming licenses in New York and Massachusetts. Despite Sugarhouse’s argument, the Board is not persuaded to withhold issuance of the license.

First, Atlantic City casino closings recognizes that casino gaming has become a convenience market. People will gamble closer to home rather

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from the casino location. Rittvo then concludes by stating while he believes there is some growth in the current market, he advocates waiting two years, let SugarHouse open its expansion, and then assess again the market to make sure you are not going to hurt the existing operators. HSP NT, pp. 36-39.

than traveling a distance. The former patrons of the closed Atlantic City casinos will not simply stop gambling – they will gamble somewhere else. Inasmuch as they may be from the Philadelphia region, they may constitute a new supply of patrons for Pennsylvania’s casinos. Inevitably, it is for the existing casinos through marketing and other devices to keep or lure those patrons to Pennsylvania. Second, a tighter market means casinos need to be more competitive and we believe the market forces must be permitted to have their influence. The four applicants best understand the market and are willing to make substantial investment in this market. It does not mean that the Board should not fulfill its statutory duty to issue the license because the profit margin of existing casinos may narrowed. No casino has an unending promise of steady or increasing revenues without facing competitive pressures. Finally, the fact of this competition underscores why the Board believes licensing a ‘right-sized’ facility is more important than picking the biggest facility.

We reject the thought that the Board should simply wait some undefined period of time to grant the available license until the economy improves more to SugarHouse’s liking and thus to sanction SugarHouse’s in-city monopoly on gaming in contravention to the intent of the General Assembly. While SugarHouse has presented testimony that issuing the

second license is not in their best interest, they have not presented reliable persuasive evidence that it is not in the best interests of the Commonwealth to issue the license.

In contrast to the Rittvo testimony, the City of Philadelphia as well as the four applicants for the Category 2 license, each of whom is willing to commit substantial resources (as are their financial backers) to obtain the license, build a casino and in some cases hotels and varied amenities, presented expert testimony and projections demonstrating the existence of an available market of gamblers which are not being serviced by the current market. Those applicant estimates for new revenue range from a high of \$405 million for Market East to a low of \$218.6 million for Tower.<sup>39</sup> The experts also provided ranges of cannibalization of revenues from existing Philadelphia area casinos ranging from a total \$88.6 million to a high of \$220.8 million with the amount of revenues coming from the SugarHouse property in the range of approximately \$36 million to \$103 million per year.<sup>40</sup> SugarHouse's expert did not dispute this range. HSP NT, pp. 58-59.

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<sup>39</sup> The Board notes that of new gaming revenues, the Stadium area projects were lower (ranging from \$195 million to \$241 million) than the Market8 location which estimated \$405 million of new revenue. Tower Entertainment projected \$218 million of new revenues for its site.

<sup>40</sup> It is significant to note that the total cannibalization amounts are assumed in varying degrees among four properties: SugarHouse Casino, Parx, Harrah's Philadelphia and Valley Forge Casino, and not all attributed to lost business of SugarHouse Casino.

Indeed, the four applicants and the City of Philadelphia's experts who presented testimony before the Board were quite confident in their opinions of available additional gaming dollars to support an additional casino. Generally, they looked at the downtown market (both residential and transitory) as well as the 8 million visitors to sporting and concert events in the stadium areas every year as forming the basis of the additional available market base.

The inclusion of 8 million visitors attending more than 400 events on more than 300 days per year next door to the Stadium Casino site injects a dynamic to casino visitation above that normally contemplated by the gravity models of visitation. The Board is often presented with revenue projections for casinos based upon gravity models which calculate the number of adult individuals residing within a radius such as a one-hour drive and then applying trip and spending estimates to arrive at projected revenue estimates. In this case, however, residential gravity modeling may not capture the full picture as it would not take into account out-of-area visitors such as those arriving for sporting or concert events or convention business who decide to visit the casino while in the City. The inclusion of this transitory population may account for higher projections and a larger pool of available gaming monies than projected by SugarHouse or others suggesting

the market is insufficient to support another casino. *See e.g.* ME SH pp. 53-55, 122 and TE SH p.29.

Moreover, the situation presented now, with a second casino to be licensed in Philadelphia, is precisely the situation SugarHouse had when it was granted a license in 2006. Had the Foxwoods project moved forward, there would be two casinos in Philadelphia just as the General Assembly had contemplated. SugarHouse Casino has already substantially benefited from being the only Philadelphia City casino and has had ample opportunity to take advantage of its “only casino in Philadelphia” status.

The Board understands and appreciates SugarHouse’s position and desire to maintain market share. It has a self-interest to not share revenues with competitors. But as Eugene Christianson, Chairman of Christian Capital Advisors, which specializes in gambling, stated:

A second casino in Philadelphia will make the Philadelphia gaming market more competitive. Competition is not a bad thing and you should not assume competition results in financially unstable casinos or casino industries. ... Two things will happen if a second casino is added to the Philadelphia market. Existing southeastern Pennsylvania casinos will feel impacts on their top line, i.e., their win or gross gaming revenue, and secondly, the overall southeastern Pennsylvania market will grow as the unsatisfied demand it contains is taken up by the new casino... Assuming the Philadelphia market behaves like other domestic markets, the impacts felt by existing southeastern Pennsylvania casinos will be transient. As the Philadelphia market



grows, the first year impacts, the immediate impacts, will diminish. By the third or fourth year the win or gross gaming revenue of the southeastern Pennsylvania casinos that were operating prior to the opening of the second casinos will have recovered entirely. PHL SH pp. 65-67.

Likewise, Michael Pollock, the Managing Director of Spectrum Gaming Group, addressed this issue as it has occurred in other jurisdictions stating:

When a new entrant developed a compelling attraction that raised the bar, existing properties responded by adding new attractions and increasing their overall investment, largely as a defensive measure to protect their own markets share. Such an outcome here would clearly further the stated legislative goals of the Gaming Act by growing overall revenue, increasing employment and promoting tourism. TE SH pp. 25-26

The Board recognizes a fundamental difference between market saturation and competition. As Ms. Hamilton has stated to the Board, “Competition is good” and “keeps us all on our toes”. HSP NT, p. 68. When further asked by the Board to distinguish between saturation and competition, SugarHouse’s expert Rittvo acknowledged there was no bright line to delineate between the two concepts as it is a dynamic changing every year. HSP NT, p. 60. Rittvo stated that he can only speak as of the time of his testimony and not what conditions may be at some point in the future but acknowledged that if the economy gets better or unemployment goes down, the gaming market increases. HSP NT, pp. 61-62.

The Board acknowledges that there will be an initial impact on SugarHouse's revenues with the opening of another casino in Philadelphia, which neighboring casinos also experienced when SugarHouse itself opened in 2010. According to the Innovation Group's 2011 report, the *Pennsylvania Gaming Market Assessment & Competitive Analysis*, prepared for the State Treasurer, an estimated 42.6% of SugarHouse 2011 slot revenue was from cannibalization of revenues from neighboring PARX and Harrah's casinos. Three years later, both PARX and Harrah's are still operating successful operations with PARX consistently near or at the top of slot and table game revenue generation month after month.

In light of the testimony presented, the Board agrees that competition is not a negative factor in the present market and finds that the intent of the General Assembly to have two casinos in Philadelphia is paramount and that SugarHouse has not presented evidence sufficient to convince this Board that issuing the second license for the City of Philadelphia is contrary to the Commonwealth's interests. Instead, SugarHouse Casino has benefited from being the only casino in Philadelphia, has had the opportunity to build its customer base, and has produced revenues substantially higher than the statewide averages, indicating to the Board that there is additional demand for the product in the Philadelphia marketplace. SugarHouse will certainly

face competition which will keep it on its toes, necessitating the reinvestment in its property to meet the competitive forces. However, the Board is not convinced by the evidence presented that the market is saturated and that the Board should not exercise its discretion to award and grant the license as contemplated by the Gaming Act.

Having determined that the second license should be granted, the Board turns to the merits analysis of the four applicants.

### **III. Merits Analysis of the Four Applicants**

#### **A. Location**

The Philadelphia applicants present four casino projects in two general locations: (1) PHL and Stadium Casino located in the Stadium area of South Philadelphia; and (2) Market East and Tower Entertainment located in the Center City area. Each of the two general locations bring with it perceived advantages and disadvantages as testified to at length by each of the applicants during the final suitability licensing hearings. The Board has considered the locations not as dispositive, but as influential, with the location being one of the many factors in the Board's review of the projects, along with how that location may affect other criteria examined and considered.

In reviewing the two general areas, the Board finds the Stadium area sites are relatively unique for a large city in that they are removed from larger residential populations<sup>41</sup> but in close proximity to the sports and concert events areas, although removed from many other business ventures.<sup>42</sup> The Board finds the synergy between gambling and entertainment at a casino with the sports and concert enthusiast visiting the more than 400 stadium area events per year presents an opportunity for marketing the stadium/casino area into a 365 day per year attraction with minimal negative impact on the surrounding areas.

While PHL is more removed from the sports complex than Stadium Casino, and benefits from visibility and easy access to and from the highway, as well as being removed from residential areas, the Board has reservation as to whether the location in a warehouse area with truck traffic and other existing industrial businesses would pose a substantial obstacle for patron visitation. This is in addition to questions as to whether sports stadium patrons would attend the PHL casino before or after sporting events

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<sup>41</sup> The Board notes that a significant barrier existing between Stadium Casino and the South Philadelphia neighborhoods to the North. Specifically, both Packer Avenue and the six lane Schuylkill Expressway divide the Stadium Casino site from the residential neighborhoods (with the exception of the neighborhood at the intersection of Packer and Broad streets).

<sup>42</sup> However, the area to the immediate east where PA Gaming Ventures had proposed a casino project and further from the residential area, does permit room for other potential commercial development opportunities.

due to the greater distance between the venues. Whereas sports patrons could park at the Stadium Casino site and walk to the events and then back to the casino, the greater distance from PHL creates doubt as to the degree of cross-over visitation in patrons at that one site.

As to the Center City locations: the Board agrees the Center City locations to have the potential opportunity to spur other development in the immediate surrounding locale and thereby would be transformative to the areas. Both the Market8 and Provence sites are in areas which have vacant lots and/or buildings. However, while having transformational potential, the Board is not convinced that the development of the Center City areas will not occur without the casino presence. Development has been ongoing on the Broad Street corridor for some time. Bart Blatstein's development of the former State Office Building site at Broad and Spring Garden is a prime example. Likewise, recent instances of City of Philadelphia approvals of downtown development plans all point to a resurgence of Center City development without a casino. In other words, the Board does not believe that the transformation of Center City is dependent on the Board awarding a license there.

Moreover, Center City casinos are not certain bets. While they do bring new building, the Board has heard repeatedly during testimony that

casino patrons typically arrive by personal auto, a means of transportation not always conducive to center city locations. While the mass use of public transportation to arrive at a center city casino would appear to be ideal due to traffic and parking concerns, the Board is skeptical that public transit would be utilized to the extent projected by the Center City applicants.<sup>43</sup> Because the Board must consider what is in the best interests of the Commonwealth and not just a certain area of the city, the Board is inclined to find the Stadium area preferable to the Center City area.

## **B. Traffic**

Based upon the evidentiary record, the Board finds that traffic is a greater concern at the Tower/Provence site than at any other site. Traffic congestion is detrimental to a proposed casino since patrons may not attend the casino if access is difficult or results in substantial delays in arriving at the casino. Likewise, significant additional traffic congestion does not serve the public interest of those living in surrounding neighborhoods and commuters who use the surrounding road network for daily non-gaming uses.

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<sup>43</sup> With respect to the Tower Entertainment location, the Board also finds the proximity of a number of schools places that location at a disadvantage when compared to the Stadium site.

## 1. Stadium area sites

The Board finds that there is no substantial distinction in the area of traffic management between the two stadium area casino sites – each can adequately manage traffic so as not to be detrimental to the surrounding area except perhaps on certain event days. The traffic concerns identified in relation to any of the sites in the stadium district pale in comparison to the issues raised in the Center City locations. This is due to a couple of factors: First, the stadium district is quite removed from residential areas except the neighborhood nearest the corners of Packer Avenue and Broad Street. Otherwise, both properties are bounded by I-76 to the North and I-95 to the south and east. Access ramps are located on both I-76 and I-95 which provide easy access on and off the interstate highways.

The one concern noted by an individual residing in the Packer Avenue and Broad Street neighborhood during public input hearings was the difficulty those neighbors experienced in getting out of their neighborhood due to traffic on days of sporting events. The concern is that all West-bound I-76 traffic coming out of the stadium district following an event must either travel west on Packer Avenue or North on Broad Street to their intersection where traffic can then access West-bound I-76 which carries traffic back toward downtown Philadelphia and to points north and west. The amount of

traffic was described as creating gridlock which causes residents to not be able to leave or enter their neighborhoods in a reasonable amount of time during those periods. The neighbor expressed extreme concern that the addition of casino traffic to the mix would exacerbate an already congested situation.

PA Gaming proposed a solution to this neighborhood concern. PA Gaming offered that if awarded a Category 2 license, it would pay to build a West-bound I-76 ramp at 7<sup>th</sup> Street. By doing so, the ramp would permit two local points of access to I-76 West rather than just one, would re-route the traffic leaving the stadium area that normally would travel down Packer Avenue and alongside the neighborhood and would lessen the amount of traffic during events traveling through the Broad and Packer intersection thereby lessening delays and neighborhood congestion. Following PA Gaming's offer, PHL also made the same agreement to fund the ramp if granted the license. PHL SH p. 99. Finally, at the Stadium Casino suitability hearing, the Board did receive the same commitment from a representative of Stadium Casino to fund and build the ramp. See SC SH, pp. 78-79, 89.

Both PHL and Stadium Casino also committed to providing shuttle service to and from the Broad Street SEPTA station. Although the stadium area sites are projected to have far less public transit patronage than the



Center City locations, there is a subway stop near the intersection of Broad Street and Pattison Avenue on the West side of the stadium parking lots. Recognizing that this stop is on a direct route South from Center City, both applicants have also pledged that if granted the license, each would agree to run a shuttle from that stop to their respective facility. See PHL SH p. 35, SC SH pp. 111-112.

Even with the stadium areas, it would be incorrect to say that traffic associated with the casino projects would have no effect on the nearby neighborhoods or roadways. In each case, though, the Board finds that traffic can be adequately managed with the agreed-to mitigation efforts which would minimize disruption in the area. Of significance, the PennDOT representative, in consultation with Orth-Rodgers, which reviewed the traffic studies, agrees with the Board's finding that for both stadium area projects, traffic can be adequately managed.

## 2. Tower - North Broad Street

With respect to the North Broad Street site, the Board notes the extensive testimony provided by Eric Ostimchuck, registered engineer with Traffic Planning and Design. Ostimchuck described an extensive study conducted of traffic in the area of the proposed Provence Casino. The Vine Street Expressway is the primary point of ingress and egress to and from

points outside of the Center City area to the North Broad Street corridor. Virtually all traffic coming from North or South I-76 or North or South I-95 would access the Provence via the Vine Street Expressway. TE SH pp. 43-48. Ostimchuk further testified as to various improvements including dedicated turn lanes, pedestrian and ADA upgrades, a new traffic signal and other off-site improvements which would be made to assist in handling additional traffic in the vicinity, as well as the mass transit options available with which roadway and transit access would be more than sufficient.<sup>44</sup> TE SH, pp. 48-50.

While the Board does not doubt the intent and desire of Tower Entertainment to lessen traffic congestion around the site of the Provence project, the Board is nonetheless concerned over the actual ability to successfully manage traffic on-to and off-of the Vine Street Expressway as well as through intersections nearest those exits and entrance ramps. Traffic in those areas can be challenging in and of itself on any typical day without a casino property and the attendant influx of traffic associated therewith. The traffic concerns relating to the Provence site dominated a significant amount

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<sup>44</sup> Tower estimates that 31% of its patrons would arrive at the casino by public transit rather than by private vehicle. That percentage is higher than any other casino including Market8 which factored only 20% yet has closer and more numerous public transit facilities. If Tower's public transit factor were lower, additional private vehicles would be used to access the facility. TE SH pp. 98-100.

of questioning from the Board during the suitability hearing. See TE SH pp. 93-105,

PennDOT Traffic Services Manager Hanney testified that he, along with the firm of Orth-Rodgers, had reviewed the Tower traffic study and after revisions, found that it now meets the guidelines for the City of Philadelphia and PennDOT. He stated that the applicant used an atypical method to produce the proposed traffic study but that after discussions, the documentation was acceptable. Hanney testified that the site being within the central business district has a greater chance to generate non-vehicular trips, and that if granted the license, Tower Entertainment had committed to the various off-site improvements to assist traffic flow. TE SH, pp. 144-148. Despite the mitigation measures and all of the benefits they would provide, Mr. Hanney acknowledges that the levels of service at the intersections in the area of the Tower site experience challenges today and will continue to do so in the future with or without site development. TE SH p. 241.

The Board recognizes that the day time hours, which often comprise the worst of the Vine Street Expressway's congestion, do not coincide with the casino's peak hours. However, the traffic study found that the challenging nature of the Provence traffic was at those casino peak hours when other Expressway traffic may not be as heavy. Complicating the traffic

assessment around the Provence is the fact that it proposes being so much more than just a casino with extensive other amenities which will also bring non-gaming patrons to the property in addition to those during non-peak casino hours.<sup>45</sup>

The Board is quite concerned about the prospect of siting a casino in an area with challenging traffic as found in the North Broad Street area.<sup>46</sup> If patrons perceived traffic to be congested with backups, it is not unlikely they will avoid the casino altogether. While the Provence certainly would have reason to mitigate traffic as much as possible and has pledge to do so, the Board is uncertain that it can do enough to overcome the perceived delays and traffic issues. Accordingly, the Board finds that in the area of traffic, even with the commitment for extensive mitigation efforts, in comparison to

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<sup>45</sup> The Board notes that Intervenors played two self-made videos of traffic south of the Provence site in an attempt to demonstrate the unsuitability of the Provence from a traffic perspective. The Board finds the videos of no use to these proceedings. They were not correlated to peak casino hours, present a very brief portrayal of traffic, were taken on a day when weather was obviously a detrimental factor, and did not take into account proposed mitigation factors. In that way, while they may have shown how traffic can be at one particular time on one day, they were not useful in examining the overall traffic management in an area over a period of time, and were given no weight by the Board.

<sup>46</sup> In addition, the location of schools in the nearby area and particularly Roman Catholic High School and the Mathematics, Civics and Science Charter School, and the Benjamin Franklin High School on Broad Street as well as the Community College of Philadelphia on Sixteenth Street in the vicinity of the Provence poses additional concern for the safety of pedestrians in light of the additional casino and related traffic to be expected from the Provence.

the other applicants, the Provence location has challenges which place it at a disadvantage from other applicants' properties.<sup>47</sup>

### 3. Market East – Market and 8<sup>th</sup> Streets

Although located on Market Street, the primary East-West corridor through Center City, Market8's traffic consultant from Pennoni Associates testified that after studying 42 intersections that could reasonably be expected to demonstrate some impact from the location of Market8 at Market and Eighth Streets, the surrounding road system would continue to meet appropriate levels of service at all but six locations. At those six locations, the addition of the vehicular trips associated with Market8 resulted in an increase in delay of over ten seconds as compared to existing conditions. At four of the six intersections, minor signal timing adjustments

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<sup>47</sup> We note that intervention was granted to a group of three entities, the Congregation Rodeph Shalom, The Mathematics, Civics and Science Charter School, and the Friends Select School with regard to their claim that their locations with respect to the Provence site were such that traffic would impede the use and or profitability of their properties as a result of additional traffic associated with the Provence. As noted above, the Board finds that traffic on Broad Street may have an impact on the ingress and egress at the Mathematics, Civics and Science Charter School as it is within a block of the Provence Broad Street frontage. The Board is less concerned about the impact of traffic at Congregation Rodeph Shalom given the greater distance. The Board places no weight on the arguments relating to traffic at the Friends Select School and finds that Friends Select School misrepresented to the Board the path that traffic would take off the Vine Street Expressway Eastbound to get to the Provence in a manner that would take all such traffic directly in front of the school. Testimony of Tower Entertainment provided direct evidence that that claim was not correct. See TI SH p. 47. In addition, Tower Entertainment and its traffic consultant provided convincing rebuttal to a number of the interveners' statements concerning traffic and parking showing that interveners' contentions were often based upon faulty assumptions. See TE SH at pp. 222-238.

will lower the expected increase in delay to less than ten seconds, and the sixth intersection, at 9<sup>th</sup> and Market, on a Friday evening the delay would remain about 12 – 13 seconds even with signal timing adjustments, but still operate at a B service level. ME SH pp. 36-38. In addition, Market8 benefits from having the 8<sup>th</sup> Street Exit off the Vine Street Expressway which will funnel traffic directly down 8<sup>th</sup> Street to the casino with no need for additional turns. ME SH pp. 80-81.

In addition, the Board received testimony from PennDOT Traffic Services Manager Hanney who, along with the engineering firm of Orth Rodgers, reviewed the Market8 traffic study and determined that study to meet the guidelines of the City of Philadelphia and the Department of Transportation. Hanney testified that the site being within the central business district has a greater chance to generate non-vehicular trips, the site benefits from its proximity to existing mass transit, as well as its access to the Vine Street Expressway. Overall, Hanney testified that traffic would be within acceptable guidelines. ME SH pp. 158-162. In addition, Hanney testified that if granted a license, Market8 had agreed to implement the identified traffic mitigation plan.

The Board finds credible the testimony and report of Orth Rodgers and Mr. Hanney that traffic issues identified can be addressed to acceptable

levels. Notwithstanding, the Board finds that even with mitigation measures in place, the traffic congestion in Center City and around the Market8 site still has the potential to be problematic in terms of “easy access” to the site which is important to the success of a casino entity since the majority of patrons prefer to arrive and depart by personal auto. When compared to the other applicants in terms of traffic, while the Market8 site is better in the Board’s opinion than the Provence, it is still far behind the two stadium area casinos.

### **C. Parking**

A corollary issue to traffic for the Board to consider when assessing whether patrons can get to and leave the properties in a reasonable manner without undue adverse effect on others is where the patrons will park if arriving by vehicle. Patrons who view parking as inconvenient, over-priced or, worse, overly burdensome, are unlikely to patronize a casino, and consequently cause the casino, the City and the Commonwealth to fail to achieve the expectations for performance and revenue generation.

#### **1. Stadium area sites**

Not surprisingly, when examining the locale of the stadium sites, the Board finds no concerns with the amount or adequacy of the parking which is projected with each project. Not only does each applicant propose a

substantial number of spaces on site, but Stadium Casino, being adjacent to the large sprawling parking lots of the sports venues would also benefit from patrons who park in those lots for the sporting events simply being able to walk to the casino after the event.

Stadium Casino proposes a 2,600 space parking garage to serve the casino and restaurant needs.

PHL proposes a total of 2,400 parking spaces consisting of 1,650 spaces in a parking garage, 400 spaces in an adjacent surface lot and an additional 350 valet spaces. Another 400 spaces are available nearby for employee parking. PHL SH p.29.

## 2. Tower

The Tower Entertainment proposal sites 2,400 parking spaces being developed with the Provence. In addition, the Provence indicated the existence of about 4,500 other available off-site parking spaces within a four minute walk. Tower Entertainment states that because those spaces are typically occupied between the hours of 9:00 a.m. and 5:00 p.m. more than 3,000 of those spaces are unoccupied during casino peak hours. TE SH pp. 48-49. In addition, Tower Principal Bart Blatstein testified that if needed, he owned an adjacent parcel of land that could be developed into another 1,000 space garage. TE SH, p.93.



During the suitability hearing, Tower entertainment representatives were questioned at length about the available parking. As described, the Provence would be a casino with 4,300 gaming positions and much more, including a 125 room hotel, a 9,000 square foot nightclub, a comedy club, a jazz club, 66,000 square feet of retail space, a conservatory surrounded by restaurants, a concert hall, meeting rooms and the swim club. Additionally, the Provence would employ over 2,500 people. TE SH, pp. 35, 67-68, 72-73, 92, 116-117.

The extensive questioning by the Board regarding parking was the result of all of these amenities and gaming positions which will translate to many more people visiting the property than if it was only a casino property. While the Board acknowledges that all of these amenities would not be used to the same extent at all times throughout the day or year, the existence of all of these other amenities in such a large scale project makes it difficult for the Board to determine the adequacy of the parking provided. This Board's questions in this regard, however, should not be interpreted as a doubt that Tower Entertainment would take steps to address parking if it were determined that demand outpaced the available parking.

Moreover, the difficulty in assessing parking is due in part to the projection that 31% of people coming to the Provence would take public

transportation and that another portion of patrons would walk to the casino, including those from the Center City area, which may be 4/10ths of a mile or more. The Board is not convinced that overnight guests of Philadelphia's downtown hotels will walk north on Broad Street across the Vine Street Expressway at night to the extent Tower Entertainment contends. This means that those persons who decide to attend likely would either take cabs, a shuttle or drive, the latter of which would add additional cars to the parking total. Further, if the relatively high projection of public transportation use is in fact lower, more vehicular traffic would be expected.

The Board addresses one other issue in regard to the Provence parking. The interveners attempted to portray the Tower Entertainment team as dishonest in terms of presenting the availability of off-site parking. TE SH pp. 175-180. The Board notes that Tower did not at any time portray that all off-site parking was available at all times or even that all of the off-site parking was available at any one time. Nor did Tower present that it had any right to use all off-site parking in the vicinity. Rather, Tower used a map of the surrounding area to demonstrate all of the area parking as illustrative that overflow parking exists in the area if needed. Further, Tower properly addressed these misstatements by the Interveners during its suitability hearing on January 30, 2014. *See* TE SH, pp. 223-227. The Board finds that

the Interveners' testimony concerning parking was not influential in our determination in this matter.

### 3. Market East

Market East will provide an onsite underground parking garage that will hold 752 self-park or 1,000 valet spaces. In addition, Market East will lease a garage at 733 Chestnut Street holding 250 self-park or 437 valet spaces, and a 69 space lot at Market and Ludlow – both locations contiguous to Market8. There are also 100 spaces south of the site. ME SH pp. 39-40. While Market East projects that those spaces will be adequate to accommodate guests 90% of the time, Market East has an agreement with the Philadelphia Parking Authority for two additional garages a block away for use during peak periods. ME SH, pp.40-41. Moreover, Market East indicates that within a four minute walk of the property, there are typically over 3,400 vacant spaces during the casinos' peak operational periods. ME SH, p. 135.

The Board notes that Market East anticipates charging certain patrons for parking. Additionally, the number of parking spaces directly associated with the Market East project is the lowest encountered among the four applicants. In response to questioning on this issue, Market East indicates that it anticipates that the majority of its employees will use mass transit to

arrive and depart from work. ME SH, pp. 148-150. Market East projects that just 56% of its patrons would come by auto, and expects 20% of patrons to arrive via the nearby public transit access point and the remainder of patrons comprised of Center City residents, workers and overnight guests who will walk to the property. It is the combination of these factors which leads Market East to contend that its parking plan will be sufficient.<sup>48</sup> ME SH, pp. 150-152 and 122-123. Nonetheless, the Board has concerns that the lower number of parking spaces, the disjointed location of the spaces and a fee to be charged to parkers, places this project at a competitive disadvantage in comparison to other projects.

In summary, the Board finds the amount and accessibility of parking a legitimate concern at the Center City sites. In contrast, no concerns are evident at the stadium area sites as ample parking is readily available.

#### **D. Quality of the Facility**

All four proposals for casinos and related-use facilities represent state-of-the-art architectural designs, all of which have their own unique nuances.

All projects are proposed with one committed-to phase, with one of the

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<sup>48</sup> The Board also questioned Market East about access to the parking garage and whether there would be a charge for parking. Market East responded that they would charge for parking but that better players with loyalty cards would be provided free parking. ME SH, pp. 86-88, 145. Given the choices, though, between other non-rated players paying for parking or not paying for parking, the Board believes that players would be more likely to drive to a casino where they do not have to pay to park for the privilege of playing.

applicants, PHL, proposing to commence business in an existing building to be modified into a casino facility while it continues to build the full facility around the interim use area.

In order to assure that the Board is making fair comparisons of proposals, the Board is comparing projects based only upon what is actually committed to by the applicants. This approach is necessitated by the realization that what is envisioned for future phases of expansion may not be reality. See e.g. 2006 plans for full SugarHouse and Foxwoods Casino phased building plans.

The “quality of the facility” factor is one hard to quantify in any objective formulation. Each facility is unique and possesses state of the art design techniques. In some respects, all of the projects are the same or similar in that a similar number of slot machines will be housed within it and parking garages, restaurants and bars will be incorporated therein. The Board reviewed all aspects of the architectural presentations and plans of all facilities and after careful consideration and evaluation has formed its choices that Stadium Casino’s Live! Hotel and Casino, Tower’s Provence and Market East’s Market8 present, in the Board’s opinion, the best overall proposals in terms of the overall quality of the facility. This is not to say that the other facility is lacking in any material respect but simply that the Board

finds based upon a review of the complete nature of all aspects of the committed-to facilities, these three facilities rise to the top in the Board's opinion.

### 1. Stadium Casino

The Stadium Casino sets on a 12 acre parcel on the South-West corner of Packer Avenue and 7<sup>th</sup> Street, and separated from the parking lot of Citizen Bank Field by Darien Street to the West. The structure would provide a 71,000 square foot casino complete with 2,000 slot machines and 125 table games, four restaurants and bars, a live entertainment venue, a 2,600 space, seven level parking garage and a 200 room, eleven story hotel, spa and convention center.

The exterior of the structure is a vibrant urban streetscape design with illumination and video screens. The interior finishes all appear high-scale as typical of the casinos of the Greenwood/Cordish brands.

### 2. Tower

Tower Entertainment presents the Provence as a sprawling three block long, state of the art complex at the corners of North Broad Street and Callowhill Street. The project spreads west from Broad Street to 17<sup>th</sup> Street. The project preserves the tradition of the Inquire Building with a 125 room hotel along with a casino with 4,300 gaming positions, a 9,000 square foot

nightclub, a comedy club, a jazz club, 66,000 square feet of retail space, a conservatory surrounded by restaurants, a concert hall, meeting rooms and the roof-top swim club with Infinity edge overlooking the center city profile. TE SH pp. 35, 67-68, 72-73, 92, 116-117. The project is much more than a casino – it is designed to be a first-rate tourist attraction with numerous amenities to attract visitors for reasons besides the casino. The architect of the project has emphasized the “stratified casino” approach to the Provence which caters to four differing groups of gamers from the mass gamer to the VIP gamer. TE SH, p.18. The building uses natural lighting throughout and attempts to fit the urban plan of Philadelphia, yet keep a uniquely high end finish throughout. TE SH, p. 19. Due to the size and scope of the overall project, the Board agrees with the characterization that the Provence would be a visionary project for the Philadelphia area.

### 3. Market East

Market East is located on a small parcel of land in a high-density Center City location, bounded by Market Street to the north and 8<sup>th</sup> Street to the east. The emphasis on the Market8 project is in its verticality, placing retail and restaurant venues on the ground floor, casino and food and beverage offerings on the second and third floors, a 1,400 seat entertainment area/theatre/banquet hall on the fourth floor along with a two story club

restaurant. The fifth floor presents the hotel lobby and entrance to the twelve story 168 room hotel which brings the entire project to 17 stories high. The building presents an urban yet distinctive entertainment complex.

#### 4. PHL

The PHL project is sited on a 24 acre property near the intersection of I-95 and I-76, near the base of the Walt Whitman Bridge on South Front Street. The area currently is primarily an industrial warehouse district, some of which would remain after the casino project was built. The project would be known as Casino Revolution and utilize an existing 84,000 square foot warehouse. The casino would initially have 2,400 slot machines and 105 table games with the ability to expand if warranted. The casino would be augmented by food and beverage venues to include a buffet and Italian Restaurant, a 250 room hotel and 2,400 total parking spaces. While the casino structure itself is a one story facility, the hotel tower rises up to be plainly visible from the nearby highways. Depictions of the proposed appearance and trim of the structure and casino are of high quality.

#### **E. Potential for New Job Creation and Economic Development**

One of the objectives of the Act is to provide a significant new source of revenue to the Commonwealth to support property tax relief, wage tax reduction, economic development opportunities and other similar initiatives.



4 Pa.C.S. §1102(3). The Act also provides that the Board may consider the potential for new job creation and economic development which result from granting a license to an applicant. 4 Pa.C.S. §1325(C)(2).

Projections on the economic impact of the various projects were provided by each of the applicants and the City of Philadelphia. The Board finds these projections helpful, but not dispositive as the Board has found that prior applicant projections on economic impact may be inflated and are, in fact, merely projections.<sup>49</sup> The Board evaluates these projections in light of the competitive landscape, not only in the Philadelphia market but in neighboring gaming jurisdictions, as was addressed by SugarHouse.

The Board is also cognizant that while ever increasing numbers of slot machines and table games in ever expansive facilities hypothetically creates more jobs and more revenue; the reality is that bigger isn't always best, particularly in a competitive gaming market.<sup>50</sup> Further, simply looking at raw numbers of employees or revenues may on the surface appear to support

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<sup>49</sup> For example, the Gross Terminal Revenue (GTR) projections for Category 2 applicants in 2006 universally exceeded actual GTR. Sugarhouse estimated \$320 million/year GTR but has never produced more than \$191 million/year. Sands Casino estimated \$465 million/year GTR and has not produced more than \$292 million/year. The Rivers Casino estimated \$452 million/year GTR and has not produced more than \$285 million/year. Finally, Mount Airy Casino estimated \$313 million/year GTR and has not produced more than \$177 million/year.

<sup>50</sup> See Revel Casino – In 2008, project scaled back from original proposal with construction halted in March 2009 due to financing issues, resumed in February 2011. Revel opened April 2012 at a cost of over \$2 billion, filed for Chapter 11 bankruptcy protection twice and closed in September 2014 leaving more than 3,000 employees out of work.

a particular applicant, the Board's duty is not simply to pick the applicant with the "most". The Board's obligation to the Commonwealth as a whole trumps the discussion as the Board must choose a realistic and right-sized applicant, especially in a highly-competitive market as in Philadelphia. Through this lens the Board examines revenue generate, job creation and economic impact.

#### 1. Revenue generation

Evidence produced during the hearing process demonstrated to the Board's that the four proposals presented differing revenue projections based in part of where they were located, with Center City locations projected to produce more revenue than the stadium area casinos. This is of concern to the Board because the success of the applicants in generating revenues is directly related to the economic benefit to the Commonwealth through the receipt of tax revenues for the benefit of Pennsylvania citizens. The Board makes clear, however, that other factors besides location can and will influence revenue generation as well. For instance, casino applicants associated with other casinos properties either through an ownership interest or management company touted their established player databases for marketing purposes and the ability to cross market between properties.

The Board also recognizes that the casino projections were each prepared by respected gaming consultants and firms, all of whom had the task of predicting what sometimes can be the unpredictable based upon changing economies, effects of competition, and intangibles including the strengths and abilities of managers, commitments to reinvestment and renewal of properties, the realities and even the perceptions of traffic woes and parking problems and simple consumer appeal. Moreover, in a competitive setting for just one license, applicants understandably have motive to be optimistic, if not aggressive, when presenting revenue estimates. The revenue projections in a stabilized year by applicant included Tower at \$439 million; Market East at \$518 million; PHL Gaming at \$358.3 million; and Stadium Casino at \$321.8 million.

The City of Philadelphia had retained an independent consulting firm, AKRF, for the purpose, *inter alia*, of analyzing the financial projections and revenue estimates of the four applicants. A copy of the finished report was submitted to the Board as part of the public input of the City in these proceedings and was available to the applicants in advance of their suitability hearings. AKRF submitted that there was widespread overestimation by the applicants in the areas of gaming visitation and gaming revenue projections. In contrast to the estimates of the applicants,

AKRF estimates of annual gaming revenues for a stabilized operating year indicated the following: Tower at \$435 million; Market East at \$320.3 million; PHL at \$298 million; and Stadium Casino at \$283 million.

Generally, the AKRF report indicates that the two stadium area South Philadelphia proposals are less likely to induce further development and less likely to generate a new audience than the center city proposals. AKRF also concluded that the two South Philadelphia proposals will produce the lowest employment numbers, both in terms of construction related employment and permanent employment after commencement of operations.

The Board notes however that the AKRF report did not take into account the items such as the effect of traffic and parking on revenue generation. Nor does the AKRF report persuade the Board that a bigger property with more gaming positions necessarily is better in the competitive gaming market of South-Eastern Pennsylvania.

Moreover, the Board is clearly cognizant that revenue estimates are not definite. Until a facility is built and commences operation into a stabilized year, estimates are just that – educated guesses. Actual revenues may fall short of projections or eclipse them. The Board does not make decisions based upon the best case scenario revenue projections, or even ‘robust’ projections. The Board sees its obligation to pick an applicant for

the available license which it believes has a solid chance of creating steady revenues with a likelihood of growing those over time. If overnight visitors to Center City do not visit a casino as the applicants in those areas believe they will, or if traffic or parking becomes a deterrent in Center City, the revenues of the Center City casinos and consequently the jobs will not materialize as those properties contend.<sup>51</sup> As a result, the estimates of the stadium area applicants, and especially with Live Casino and Hotel with its Xfinity live synergy, may produce more realistic, stable and consistent revenues to the Commonwealth and the City.

## 2. Creation of jobs

The Board finds credible evidence that each of the proposed projects would create new jobs and economic development. Casino jobs created range from 1,246 by PHL up to a high of 1,802 by Tower Entertainment, with Market East estimating 1,500 and Stadium Casino projecting 1,250 casino jobs.

Construction jobs, which are one time jobs of limited duration but nonetheless important to the local economy, range widely. PHL projects just 1,235 construction jobs, Stadium Casino follows at 1,380, Tower estimates

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<sup>51</sup> The Board has found that the current Philadelphia market can accept another casino participant into the fold. The Board also recognizes that while there is room for expansion, the room may not be as big as the Center City applicants contend and the Center City projections may be too enthusiastic – resulting in a narrower gap of revenues than estimated by the Center City applicants. See SC SH p. 53.

2,000 and Market East estimates 2,786 construction jobs. The greatest obstacle to providing any true meaning to these numbers is that there does not appear to be a uniform methodology to estimate construction jobs.

Ancillary jobs, those relating to gaming service providers who provide goods and services to the casino properties, restaurant, retail and hotel workers also vary greatly depending in large part upon the types and extent of the amenities to be offered at the property. For example, Stadium Casino with a hotel estimates 2,500 jobs, PHL Local which is similar in scope to the Stadium Project estimates 3,188 jobs, Market8 which adds additional retail is projecting 3,600 jobs and Tower Entertainment with all of its varied amenities provides a very broad range of 2,000 – 3,700 ancillary jobs.

Of course, the extent of the new jobs or economic development is also related to the size and scope of the project and the amenities provided. Whether the scope and use of those amenities are fully realized leading to the fulfillment of the projected job numbers is speculative based upon the success of the facility and amenities.

Likewise, each applicant represents that they are firmly committed to hiring a substantial percentage of their employees from the local employment markets. The Board does not find any credible evidence that

there appears to be any appreciable difference between the applicants in this regard.

### 3. Economic development

The Board also finds that each of the proposals will bring economic development to their respective locales. The size and scope of the applicants' economic commitments to their projects is also varied and depends again on the scope of the amenities offered. The Stadium Casino project is listed at \$406 million, PHL at \$428 million, Market8 at a total of \$570 million (\$70 million of this is allocated to the hotel to be owned by Hersha), and Tower Entertainment at \$700 million.

Undoubtedly, any and all of these projects would provide a significant economic boost to the Philadelphia labor market beginning with the construction phase and proceeding through opening. Likewise, each applicant provided substantial evidence that its respective project would generate additional spin-off jobs based upon the need for additional restaurants in the communities as well as to provide goods and services to those employed by the construction and casino trades. Thus, the Board clearly finds that economic development both at the casino sites and in the nearby communities will be greatly enhanced by the awarding of a license.

## **F. Financial and Operational Viability**

The Board has the obligation to assess the financial information of an applicant and determine whether the applicant is likely to maintain a financially successful, viable and efficient business operation. See generally 4 Pa.C.S. §1313. Each of the applicants has presented evidence to the Board to establish that each has the ability to obtain financing of the proposed projects as well as to establish the funds sufficient to pay the relevant licensing fees. The Board's inquiry does not end there though.

The Board also looks to the amount of relative debt to be taken on by each applicant as a factor in the comparative analysis of the applicants. During the suitability hearings, the Board heard numerous references to the Revel bankruptcy in New Jersey which accounts indicate resulted in large part from a highly debt-ridden project. Likewise, Pennsylvania has seen deteriorating debt markets affect casino projects like the Rivers which had to bring in new equity partners to salvage the project, Sugarhouse Casino which was required to scale back its initial building to deal with declines in the credit markets, and, of course, the Foxwoods Casino which lost, and was unable to obtain new financing thereby resulting in the revocation of its license and the failure to deliver the promised jobs and economic benefits to Philadelphia and the Commonwealth. Thus, the Board's interest here is not



only that the funds are available to build the casino project but also that the amount of debt on the project does not create concern that the ongoing operational viability may be jeopardized if the project does not produce the revenue stream projected by the particular applicant. This interest is illustrated by the fact that actual revenues of applicants have historically fallen short of what is estimated. Decreased revenues may lead to less employment or the scaling back of buildings and amenities. That is why awarding a license to the “right sized casino for the market” is important to the Board and the Commonwealth and why the biggest project may not be the best.

When examining the debt structures of the four applicants, the Board finds that the Stadium Casino group provides the highest degree of certainty as to this factor as it has the ability to self-finance the Casino Live! project, thereby assuring that if licensed, the project will get built. Moreover, the ability to self-fund also limits the exposure should the casino not meet revenue projections. If Stadium Casino elects to finance a portion of its project, the applicant anticipates that its debt-to-equity ratio would be no more than 1.13 to 1.

PHL demonstrates the availability of funding with a debt to equity ratio as high as 2.33:1, depending on the financing options the applicant

were to select. Market East also demonstrates the availability of funding with an equity contribution which creates a debt to equity ratio as high as 3:1. At the other end of the spectrum is the Tower Entertainment project, The Provence. The Provence presents a debt to equity ratio as high as 6:1 with \$600 million in financing due to the project being so much more than a casino. While the Board does not question the good faith and the commitment of the developers, when viewed in the competitive setting, the Board finds a higher risk comes with the higher debt load which places projects with more debt at a competitive disadvantage from projects with the ability to inject a higher percentage of equity in the project.

#### **G. Community and Other Commitments**

Each applicant made various commitments and promises to the communities served. These commitments are typically promises to provide funding for various projects or services in the communities and are factors the Board can consider in support of economic development, 4 Pa.C.S. §1325(c)(2), and to mitigate costs of meeting the increased demand for public health care, child care, public transportation, affordable housing and social services. 4 Pa.C.S. §1325(c)(9).

Market8 has committed that 10% of all net distributable income, after 8% preferred return and 100% return of capital will be distributed by

Market8 to the Market8 Foundation for charitable efforts. The distributable amount will be a minimum \$2 million per year. Market8 has identified a number of interest/outreach programs that will benefit including the Market8 Foundation, Market East Improvement Zone, a Minority Hiring Program, a Rewards Program and a Compulsive Gambling Amelioration Program.

Market8 also pledges to have a comp program which will actually benefit local community businesses. As they described it, Market8 has budgeted about \$30 million per year to be given in comp points to players which can be redeemed in local retail and restaurant businesses, thereby injecting monies outside the casino but in the community to the benefit of local businesses. ME SH pp. 101-104.

PHL has committed to develop a Special Services District in the Whitman community. Whether granted a license or not, PHL has pledged to continue to support community based projects and causes in the area as it, and its founders, have done previously. For example, they have purchased and assisted in planting trees at the Burke playground and have been active providing assistance to various community groups as well as support for the local food bank. PHL also has made a first contribution to the Council on Compulsive Gambling of Pennsylvania. Finally, a commitment was made to fund the building of the West-bound I-76 on-ramp.

Tower Entertainment made commitments in response to community concerns which included a change to the exterior architectural theme, an agreement to provide security in the area around the Provence, and an agreement to build a 716 space parking garage.

In response to community concerns, Stadium Casino has committed to installing surveillance cameras in the neighborhoods surrounding the Stadium Casino facility which will tie into the police department's camera system. Additionally, at the suitability hearing on January 30, 2014, Stadium did agree to build the West-bound I-76 ramp which PHL had also agreed to build, if licensed.

Notwithstanding the commitments made by the various applicants should they be awarded the license, the Board also finds that each of the applicants either through their other casino entities or through their individual principals has demonstrated long-term community and charitable giving to their host communities. Each has fully demonstrated their ongoing commitment to be a good corporate citizen and has set admirable examples for others. The Board can find no fault in any applicant when it comes to histories of helping others who are less fortunate.

The Board finds that while all community commitments are beneficial to the surrounding communities and neighborhoods, Market East's

community commitments of a minimum of \$2 million in annual contributions to designated causes, are substantial, and quantifiable. Other commitments are less quantifiable in terms of their ongoing monetary value such as the highway ramp or camera system, special services districts, tree plantings, and security patrols. Nonetheless, those types of commitments to the community are of value and the promises of each applicant in this regard demonstrates that each applicant seeks to be a good corporate neighbor.

#### **H. Diversity Plans**

Each of the applicants has presented a good faith plan to recruit, train and ensure diversity in all employment classifications. Each has also presented substantial evidence of ongoing commitments to promote diversity within their employment ranks in other business entities and have pledged to continue those trends if granted the Philadelphia casino. No evidence has been presented to suggest that any applicant does not have the required, good-faith diversity plan or that it has failed to support diversity in other business endeavors.

#### **I. History of Developing Tourism Facilities Ancillary to Gaming**

The four applicants are new entities with no history in developing tourism facilities ancillary to gaming. Therefore, the Board looks to the

history of the applicant's parent companies and its principals as a guidepost for the types of development that could be expected in Philadelphia.

Stadium Casino partners, Greenwood Gaming and the Cordish Companies, have an extensive history of building facilities which promote tourism. While Greenwood Gaming is known for Parx Casino in Pennsylvania, it also presents a top racetrack in Pennsylvania and promotes horse racing elsewhere. The Cordish Companies have an extensive track record of developing tourist attractions including in Philadelphia at Xfinity Live!, the development of the Powerplant entertainment complex in Baltimore, the Hard Rock Hotels and Casinos in Hollywood and Tampa, Florida as well as Maryland Live! in Maryland.

Principals of Market East have extensive experience and histories of developing and managing tourism facilities. Ken Goldenberg and the Goldenberg Group has a history of building commercial and housing developments in and around Philadelphia. More important here though is the history of equity partner and management company Mohegan Sun which owns and operates 1) the Mohegan Sun Casino in Connecticut with many amenities as well as a WNBA basketball team, 2) the Mohegan Sun Pocono Downs in Wilkes-Barre which has been expanding to provide additional

tourism facilities, and 3) its management of Resorts Casino in Atlantic City which also brings the Margaritaville brand to tourists.

PHL's principal, Joseph Procacci, has demonstrated prior history in developing a large golf course community in Florida. Moreover, PHL Management Company, Merit Management Group, does have experience in developing casinos and ancillary facilities including hotels and spas in Nevada, St Louis and Kansas City, the Chicago area and tribal casinos.

Tower Entertainment is also new to the gaming market; however, its principal, Bart Blatstein, has built a career on developing and revitalizing commercial and residential properties in Philadelphia with the highly successful Piazza as an example. Management Company Isle of Capri currently operates 16 casinos in seven states, including 2,300 hotel rooms and manages the Nemaquin Resort, a Category 3 licensee.

#### **J. Record of Applicant in Meeting Community Commitments**

The record of the applicant in meeting community commitments to local agencies, community-based organizations and employees in other locations is a factor which the Board may consider in assessing and evaluating the applicants. 4 Pa. C.S. §1325 (c)(8).

Each of the applicants either through corporate entities or through its principles has demonstrated extensive histories of making and meeting

community commitments. The Board has no derogatory information about any of the applicants in this regard.

#### **K. Potential Adverse Effects**

As stated above, traffic concerns are the primary identified adverse effect that any casino project will bring no matter the location. While increases in traffic cannot be avoided, their impact can be mitigated through roadway and intersection modifications. The assurance of such modifications will be addressed through conditions of the license consistent with the input provided to the Board by the traffic and planning engineers during the licensing review and hearing process. Taking into consideration the traffic modifications proposed and agreed to by the applicants, the Board finds that the stadium area will incur the least amount of adverse traffic affects.

The Board also recognizes potential adverse effects of gaming in terms of gambling addictions. This is an issue which will arise no matter who the licensee is or where the project is located. Yet the Board also recognizes that during public input hearing, residents of the Chinatown community voiced the most concern in terms of gambling addictions. The proximity of Market8 to Chinatown and to a lesser extent the Provence presents a unique concern not as prevalent with the stadium sites. Therefore,



while the Board believes the most appropriate way to deal with this potential effect is through the strong enforcement of a compulsive gambling plan to be established and monitored by the Board through conditions of licensure, the Board also recognizes that placing a casino in such close proximity to the Chinatown neighborhood may increase the opportunity for that population to be influenced by gambling addiction, no matter the program in place.

Finally, in terms of potential adverse effects, the Board notes the nature and amount of public comment in support of and in opposition to the proposed projects. For every applicant, the number of people who submitted oral or written comment in support of an applicant exceeded the opposition. There was no stark contrast in support or opposition when comparing applicants against each other with the exception of the number of supporters for the individuals Bart Blatstein, Joe Procacci and the late Walter Lomax and testimonials to their character. As to the projects, however, there was nothing about the comments which demonstrated to the Board that any one casino project had decidedly more substantive concerns than any other.

As to the group of people who simply oppose gaming, the Board is obligated to follow the mandates of the Act which directs the establishment of gaming facilities. The General Assembly, through the enactment of the Pennsylvania Race Horse Development and Gaming Act, has already

established the policy in this Commonwealth that gaming establishments, as outlined in the Act, will be licensed. Included within this mandate is the establishment of two facilities in the city of first class, Philadelphia. The Board's duty is to award this second license to an applicant if it finds in its sole discretion that the applicant is both eligible and suitable under the criteria of the Act and issuance is in the best interests of the Commonwealth. The Board will not and indeed cannot countermand the intent and will of the General Assembly by refusing to issue licenses based upon those who oppose the spirit of the validly enacted statute.

**L. Record of Applicants in Complying With Employment and Wage Laws**

The Board has not been presented with any credible evidence demonstrating any significant difference among the applicants with respect to the applicants' records regarding compliance with Federal, State and local discrimination, wage and hour, disability and occupational and environmental health and safety laws; State and local labor relations and employment laws, or the applicants' records in dealing with its employees and their representatives at other locations. See 4 Pa.C.S. §1325(10)(11). There being no evidence of record sufficient to establish that any one applicant is appreciably better as to this factor, the Board does not find that any applicant will fulfill the requirements of these laws in any substantial or

appreciably better manner than any other applicant. Accordingly, this factor for consideration, while examined by the Board, does not lead the Board to find that one applicant is more suitable for licensure than another based upon these criteria.

## CONCLUSION

As stated, the decision to award the Category 2 license in Philadelphia was a difficult one. The decision was complicated by the fact that applicants presented four solid proposals for licensure under the Act, and the Board is required to select just one based upon a qualified majority vote. The Board commends each applicant for presenting a proposal for consideration in a thorough and professional manner. Each applicant was found to be eligible and suitable under the guidelines of the Act. This meant that the Board was required to, and did, consider a multitude of factors related to the applicants and had to arrive at a decision in the exercise of its discretion as to which of the four applicants should receive the license.

Upon reviewing all of the factors in the act, the Board finds in its opinion that the **Stadium Casino, LLC** project possesses a preferred location, site and design to build a first-class casino. The Board further finds, in its opinion, that this proposal will best promote and serve the objectives of the Act.

Moreover, the Board finds that the history and successful management of Parx Casino will be imported to the **Stadium Casino** project and will provide a tremendous boost to this project for the betterment of the Commonwealth.

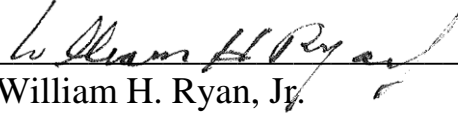
Based upon the findings of fact, conclusions of law and discussions set forth above, which are supported by the evidentiary record, the PGCB finds that **Stadium Casino, LLC** has satisfied the requirements of 4 Pa.C.S. § 1304 for a Category 2 license, is eligible and suitable to receive a license and that it is in the best interest of the public and the Commonwealth that this entity be granted the available Category 2 slot machine license allocated by the General Assembly to Philadelphia, Pennsylvania, a city of the First Class, subject to the terms and conditions placed on the license by the PGCB, including the express condition that Stadium Casino pay for the cost to design and construct the highway ramp onto West-bound I-76.

The grant and issuance of this Category 2 license does not give **Stadium Casino, LLC** a property right and the PGCB may, at its discretion, revoke or suspend the license of **Stadium Casino, LLC** if the PGCB finds that **Stadium Casino, LLC** and its officers, employees or agents have not complied with the conditions of the license, the provisions in the Act, or the PGCB's regulations, and that it would be in the best interest of the public to revoke or suspend the slots license.

In light of the PGCB's decision to grant **Stadium Casino, LLC** the one available Category 2 license in the city of Philadelphia, Pennsylvania, the applications for a Category 2 slot machine license by Market East

Associates, PHL Local Gaming, LLC and Tower Entertainment LLC are hereby DENIED.

By and on Behalf of  
The Pennsylvania Gaming Control Board:

  
\_\_\_\_\_  
William H. Ryan, Jr.  
Chairman

Dated: November 18, 2014