

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: CLOSING ARGUMENTS FOR CATEGORY 2 LICENSE  
APPLICATIONS, PHL LOCAL GAMING, LLC

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PUBLIC HEARING

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

HEARING: Tuesday, February, 26, 2014  
10:57 a.m.

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

Reporter: Jennifer D. Crawford

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WITNESSES: None

## A P P E A R A N C E S

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CLOSING ARGUMENT

By Attorney O'Riordan

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NONE OFFERED



## P R O C E E D I N G S

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CHAIRMAN:

Next, you will hear from Attorney John O'Riordan, representing Applicant PHL Local Gaming, LLC.

ATTORNEY O'RIORDAN:

Good morning, Chairman Ryan and Board Members. I'm John O'Riordan; O, apostrophe, R-I-O-R-D-A-N. Of the five Applicants before you, Casino Revolution and its team PHL Local Gaming, are the best partners in the Commonwealth. We offer everything the Commonwealth is looking for and everything it needs in a casino project. We have the best location. We have a million cars annually that pass right past our location. That location has unparalleled access and visibility. We alone have a 23-acre footprint, which gives us the ability to both expand our gaming and our nongaming activities. And we're almost one full mile away from the closest residential neighborhood.

In terms of economic impact, we have a plan to revitalize that area, starting with the LoSo Entertainment and Recreation District. And that is in an area that needs revitalization, unlike some of these other areas, where some of the other Applicants

1 are claiming they're going to transform the area.

2           Our ownership team has economic  
3 firepower. The ownership team is putting in \$130  
4 million in equity, with a commitment to put in another  
5 \$25 million more. And we are backed by Jeffries and  
6 Wells. And in the event anything untoward would  
7 happen in the markets, we have a full financial  
8 commitment for our project from Jeffries. So, our  
9 commitment is the same as any other Applicant saying  
10 we can write a check, which the Board is well aware no  
11 one does write a check they all finance their  
12 projects. We have the full commitment of Jeffries  
13 behind us.

14           We have diversity that no one else has.  
15 We have more than 12 percent African-American  
16 ownership. We have H.J. Russell as part of our  
17 construction team, the 15th largest African-American  
18 owned company in America. And we have specific  
19 unmatched diversity goals.

20           We have something else that no one else  
21 has here. We have solid community support from our  
22 Whitman neighbors. We don't have a non-opposition  
23 agreement that we procured. We have solid support,  
24 and we've had it throughout the duration of our  
25 project. We have a history of developing tourism and

1 recreational facilities. Joe Procacci developed a  
2 2,000-acre vineyard down in Naples, Florida.

3                   And then, finally, we have the Merrick  
4 Management team. They have decades and decades of  
5 experience building and operating local casinos. Not  
6 a strip casino in Las Vegas or Maucau but local  
7 casinos of this sort that will be built here in  
8 Philadelphia.

9                   You've heard those points before and I  
10 appreciate you listening to them, again. I'm not  
11 here, really, to belabor them. But I'm here to focus  
12 on three points that I heard raised at the hearings,  
13 that I respectfully suggest the Board ought to  
14 consider in exercising what it --- its broad, broad  
15 discretion.

16                   The first one was brought up by Bob  
17 Green of Parx. He brought it up both as a casino  
18 owner and operator and a Center City resident. Bob  
19 Green said, and I completely agree with him, putting a  
20 casino in Center City Philadelphia would be an  
21 absolute disaster for many of the reasons you just  
22 heard. It would deepen already overwhelming traffic  
23 congestion. Center City is gridlocked. Foot  
24 messengers and bicycle messengers move much faster  
25 than traffic.

1                   The two casino projects in Center City  
2 have significant opposition. Bart Blatstein's project  
3 has a whole coalition of opposition. And the Market  
4 group has Chinatown. Those projects were based on  
5 unrealistic numbers. The tourists --- the same people  
6 who were going to retrace the steps of our founding  
7 fathers are somehow, hours later, going to be found  
8 pulling a slot machine lever, or throwing dice at a  
9 craps table.

10                   The heavy reliance on tourists for their  
11 economic projections just make the projects  
12 unrealistic. They have unrealistic numbers about the  
13 percentage of people who were going to take public  
14 transportation. This is Philadelphia. People who  
15 have a pocketful of money and are going to go gamble,  
16 don't hop on the Broad Street subway or the Frankford  
17 Market L or take the C Bus. It's just not safe. It's  
18 not going to happen.

19                   Both of those Center City projects  
20 suffer from parking shortages. Again, I said they're  
21 propped up by some unrealistic and unattainable  
22 economic projections, both in the tourism area, as  
23 well as any conventioneers. They're just not gambling  
24 people.

25                   And finally, as several experts have

1 opined, including PHL's expert, Gene Christianson,  
2 putting a casino in Center City will cannibalize the  
3 SugarHouse Casino. Mr. Christianson is a highly,  
4 highly recognized expert in his field, and he talked  
5 at length about how that would cannibalize the  
6 SugarHouse.

7                   Bob Greene had it exactly right. The  
8 Center City sites won't work. The only place that I  
9 suggest the Board ought to be looking is South  
10 Philadelphia. And of the three South Philadelphia  
11 proposals, Casino Revolution is the best such  
12 proposal.

13                   The two other proposals down there, the  
14 Parx/Cordish team and the Penn National team, they're  
15 in the frequently congested Stadium area. They're  
16 almost on top of the Stadiums. They are adjacent to  
17 youth ball fields, charter schools, churches. And  
18 they're within a block or two of heavily populated  
19 residential neighborhoods, who oppose those casinos  
20 going into that area.

21                   They're also on small parcels and they  
22 don't have the ability, like we have, to open early or  
23 to expand once they do it. They're on 9 acres and 13  
24 acres, respectively. They have no ability to  
25 transform that area down there.

1           The second point I heard at the hearings  
2 that I urge the Board to consider is that this project  
3 ought to be more than just a casino. And Casino  
4 Revolution is just that. We have 23 acres, a 250 room  
5 hotel that will be open when we open. And we alone  
6 have the unique ability to catalyze the transformation  
7 of the food distribution center.

8           We offer more than just slot machines  
9 and tables. We can generate more revenue more quickly  
10 and we're planning for the LoSo entertainment district  
11 down there, which will be a recreational district,  
12 where people can go with their families and it will be  
13 transformed.

14           We're adjacent to the TIDC. It's about  
15 27, maybe 30 acres, a full-square city block that sits  
16 exactly next door to us. That whole block can be  
17 transformed into that LoSo entertainment area. Nobody  
18 else can do that. And we've already heard --- had  
19 significant interest from national restaurant chains.  
20 Lastly, Joe Procacci owns ten additional acres  
21 immediately in that area. We have the ability and we  
22 have the property and we have the financial  
23 wherewithal to transform that area.

24           Lastly, there's something that came up.  
25 Gene Christianson raised it during his testimony and

1 the Pennsylvania legislators billed this concept into  
2 the statute. And that's the issue of competition.  
3 This Board has broad discretion. And two other  
4 Applicants down in South Philadelphia already have  
5 casino licenses in Pennsylvania. Penn National has  
6 one that sits outside of Pennsylvania, as well.

7           Competition is a good thing and in  
8 passing this Act the legislature limited the number of  
9 casinos that one could have in the Commonwealth.  
10 Well, to give Parx a casino license in South  
11 Philadelphia, while they had one sitting right on top  
12 of the northern tip of Philadelphia, will be  
13 essentially granting them a monopoly over Philadelphia  
14 gaming. And that I suggest was inconsistent with what  
15 the legislation was looking at when they said in the  
16 whole entire Commonwealth, you can only have one and  
17 one-third, here Parx would essentially control two  
18 casinos within a very short distance from each other.

19           Penn National license presents, I think,  
20 unique problems. I think it's, respectfully, an end  
21 run around this one and one-third rule that the  
22 legislature passed. It's not real ownership. Real  
23 ownership could be transferred. You can have an  
24 impact on decisions. You can say what kind of fees  
25 that you're going to pay and you get to negotiate

1 those. But to have as a captive two-third ownership  
2 in a public entity there, that has no say over what  
3 fees they're going to have to pay. By the time they  
4 get done it's up two-thirds of the casino. It's two-  
5 thirds of a small little pit that's left over.

6 I would urge the Board just to consider  
7 the two things --- the three things. If you award the  
8 license to Casino Revolution, it won't be the disaster  
9 that will happen in downtown Philadelphia. It will be  
10 more than a casino and it will be promoting  
11 competition and going against the monopolization that  
12 the legislature was so concerned about.

13 And finally, if Casino Revolution or one  
14 of the other South Philadelphia casinos was coming on  
15 line, don't you think that SugarHouse would've had  
16 their expansion up and done by now? Competition will  
17 raise the level of gaming offering in the Philadelphia  
18 area. It's good and it ought to be promoted. Thanks  
19 very much.

20 CHAIRMAN:

21 Thank you, Mr. O'Riordan.

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23 HEARING CONCLUDED AT 11:07 A.M.

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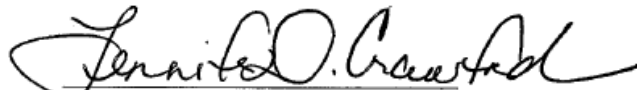
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CERTIFICATE

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

  
Court Reporter