COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: CATEGORY TWO APPLICANTS MARKET8, MARKETING EAST ASSOCIATES; CASINO REVOLUTION, PHL LOCAL GAMING, LLC; HOLLYWOOD CASINO PHILADELPHIA, PA GAMING VENTURES, LLC; THE PROVENCE, TOWER ENTERTAINMENT, LLC; LIVE HOTEL AND CASINO, STADIUM CASINO, LLC; AND WYNN PHILADELPHIA, WYNN PA, INCORPORATED

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PUBLIC INPUT HEARING

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BEFORE: WILLIAM H. RYAN, JR., CHAIRMAN
John J. McNally, III; Greg C. Fajt; Annmarie Kaiser; Anthony C. Moscato; Keith R. McCall; David W. Woods; Members
Jennifer Langan, representing State Treasurer, Robert M. McCord

HEARING: Tuesday, September 24, 2013, 11:02 a.m.

LOCATION: Pennsylvania Convention Center
1101 Arch Street, Room 108
Philadelphia, PA 19107

WITNESSES: Alan Greenberger; John Neill; R. Keith Rowan

Reporter: Darlene Dobkowski

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I N D E X

E X H I B I T S

Number	Description	Page Offered	Page Admitted
	NONE OFFERED		

P R O C E E D I N G S

CHAIRMAN:

Good morning, ladies and gentlemen. My name is Bill Ryan, and I am the Chairman of the Pennsylvania Gaming Control Board. Today's hearing has been scheduled by the Board to receive public input from the administration of Michael A. Nutter, Mayor of the City of Philadelphia, concerning the six applications for the remaining Category II Slot Machine License in the City of Philadelphia.

Before we begin, I would ask everyone to please turn off cell phones and other electronic devices, so as not to disturb the speakers or those in the audience. I also understand that a member of the audience may be hearing-impaired and that there is a sign interpreter who may be in attendance. Anyway we could check that out, get that position at the beginning? I guess not. Not here yet? Okay. Well, we'll make the proper arrangement when the people arrive.

I call to order this public input hearing for Category II Applicants Market8, Marketing East Associates; Casino Revolution, PHL Local Gaming, LLC; Hollywood Casino Philadelphia, PA Gaming

Ventures, LLC; The Provence, Tower Entertainment, LLC; Live Hotel and Casino, Stadium Casino, LLC; and Wynn Philadelphia, Wynn PA, Incorporated.

The date is Tuesday, September 24th, 2013. The time is just past 11:00 a.m. The location is the Pennsylvania Convention Center in the City of Philadelphia. The Board members, in addition to myself who are present today for this hearing, are Greg Fajt, Anthony Moscato, Keith McCall, Annmarie Kaiser, John McNally and David Woods.

By way of background, this is the fifth day of hearings held for the purpose of receiving input from the public concerning the six applicants for the one available Category II License to the City of Philadelphia. Hearings were held on April 11th and 12th, as well as on May 8th and 9th, 2013, here in Philadelphia. During the hearing of April 11th, Alan Greenberger, Philadelphia Deputy Mayor for Economic Development, testified as to the City's efforts to review and evaluate each of the six proposals, in order to determine how they would impact the City of Philadelphia.

Deputy Mayor Greenberger also indicated that the City can hire a consultant to assist in the evaluation of the six applicants. Today the City will present the results of its evaluation to the Board. The Board welcomes and looks forward to the City's presentation. I want to make it clear, however, that the final decision to award a slot machine license will be made solely by the Board in our discretion, after careful consideration of all of the evidence presented to us.

The format we will follow this morning, will be as follows, the City will make its presentation and members of the Board may ask clarifying questions of the City's witnesses. Participation by the applicants or others will not be part of today's proceedings.

I would also like to remind everyone that the Board continues to receive written public comments regarding the six applicants. Today, we are announcing that the deadline for public comment is being extended to November 29th, 2013. In recognition that the investigative process is ongoing, the City is providing additional input today and the public may wish to provide additional written comments after examining the information which the City provides.

The Board does not contemplate any additional days of live oral testimony. Therefore, if any members of the public desire to comment further, they must do so in writing to the Board's Secretary or through a link on the Board's website, and they must do so by the close of business on November 29th.

I request everyone's cooperation today by avoiding interruptions as a courtesy to the speakers and to the court stenographer, and so we may all hear the testimony being provided. I would ask the members of the news media who are here today, please follow the same rules of conduct you would abide by if you are attending a formal court proceeding. Please do not interfere with the speakers. And please conduct any interviews outside of the hearing room. I thank you in advance for your cooperation.

With that, I see Deputy Mayor Greenberger is at the front table. Mr. Greenberger, could you and all persons who you may ask to make a presentation or answer questions of the Board, stand to be sworn? And I would ask each of you to state your name, spell your last name, and your title.

MR. GREENBERGER:

Alan Greenberger, Deputy Mayor for Economic Development. G-R-E-E-N-B-E-R-G-E-R. City of Philadelphia.

MR. ROWAN:

Keith Rowan from AKRF. Last name is R-O-W-A-N. And I'm an economic consultant.

MR. NEILL:

John Neill, AKRF, vice president. Last name is spelled N-E-I-L-L.

CHAIRMAN:

And I would ask the court reporter to swear the witnesses.

WITNESSES SWORN EN MASSE

CHAIRMAN:

Thank you, gentlemen. You may sit down. Mr. Greenberger, I'll turn it over to you.

MR. GREENBERGER:

Good morning, Chairman Ryan. Good morning, members of the Pennsylvania Gaming Control Board. Thank you for being here. My name's Alan Greenberger. I'm the Deputy Mayor for Economic Development for the City of Philadelphia. And I'm also the chairman of the Philadelphia City Planning Commission.

I'm joined today by John Neill and Keith Rowan, from AKRF, the consultants we have engaged to provide an economic analysis of each proposed casino and its impact on Philadelphia. I will touch on some of AKRF's findings in my testimony. But John and Keith will give a more detailed presentation following my comments.

I'd first like to thank you for the invitation to provide testimony regarding the six applications for the remaining casino license in Philadelphia. I'd also like to express the City's gratitude for the productive and cooperative relationship we've enjoyed with the Board and staff throughout this process. While it's you, the Gaming Control Board that will make the final determination about which proposal is awarded the license, the development of a second casino in Philadelphia obviously has a major impact on the City. And so we appreciate the spirit of partnership in which you've approached this decision. Thank you again for that.

Today, as requested by the Board, I'll provide the City's evaluation of each of the six proposals, laying out the pros and cons of each project as we see them. I'll have some general comments regarding all of the proposals before commenting on each individual proposal. In the interest of fairness, we'll discuss them in alphabetical order. I will then ask John and --- John

Neill and Keith to present the economic analysis conducted by AKRF before concluding, and then answering any questions that you might have.

In conducting our analysis, we have focused on the following factors. And when I say we, I want to note for the Board that that includes members from various agencies of the City, the Planning Commission, Commerce Department, Streets Department, Water Department, Public Safety, the Mayor's Chief of Staff, my own staff, and, of course, our consultants from AKRF.

We focused on the following factors. One, the location of the proposed casino, its impact on the surrounding community, including issues related to access, traffic, public safety and various other community relations. Two, the overall economic impact of the proposal, including job creation, gaming and non-gaming revenues and the potential to spur additional economic development to the surrounding areas.

Three, the degree to which each of the proposals impact existing gaming facilities in the City and region, and the revenue currently generated by those facilities. And, four, the degree to which the design and quality of the proposal adds positively to the surrounding areas and to the overall vitality, image and attractiveness of the City of Philadelphia.

We did not look in detail at the financial viability of the applicants or the character fitness of principle officers as we understand that you, the Board, are responsible for conducting that analysis. It's not our intention, nor our understanding of the Board's request, to provide a recommendation at this stage as to which applicant we would like to see awarded the license, but rather walk through each proposal in detail, identifying issues positive and negative that we would ask the Board to pay attention to in its deliberations. It's our expectation that each of these proposals will continue to evolve and improve over the coming months as we move through this process.

Before turning to the individual proposals, let me first say that any one of the six proposals, in our view, is a viable option. While some may provide a greater economic benefit to the City than others, and some will require a greater level of traffic and congestion mitigation than others, or other community relationship issues, we have not identified any issue with a particular proposal which should rule it out of contention.

I would also say that there are a range of important issues that apply to any of the proposals, regardless of location, that we would expect the applicants to pay careful attention to. These include security issues, including cooperation with the Philadelphia Police and Fire Departments; access and congestion and need to work closely with the Philadelphia Department of Streets and the Pennsylvania Department of Transportation; the need to establish a positive and productive relationship with the surrounding communities and work together on any issues arising from the development of a casino in or near a particular neighborhood; lastly, ensuring a high level of a minority and female participation in the contracting jobs and economic benefits that would come from such a major development. It's the key priority for the Nutter Administration, and a priority that we fully expect to be shared by whichever applicant is awarded the casino license.

We'll now spend a few minutes discussing each proposal in turn, identifying the positives and the negatives associated with each project, and providing some suggestions, where appropriate, on areas that we believe could by strengthened by the applicant. As, I said, I will do this in alphabetical order by name of the project. And so we'll start with Casino Revolution.

The first application, Casino Revolution, to be developed and operated by PHL Local Gaming, LLC. And it is located at Front Street and Pattison Avenue in South Philadelphia. This is a large site with excellent highway access from I-76 and I-95. It is located in a relatively isolated section of the City, which means that the impact on surrounding residential and industrial communities, as well as on the Stadium District, is expected to be relatively minimal.

We appreciate the attention paid to diversity in both the leadership team of the proposal, and the ambitious minority-participation goals outlined in both the construction and operation of the casino. This proposal is also the only one of the six that has indicated a plan to open a portion of the casino earlier than any of the others, due to its ability to renovate an existing building that later can be expanded.

However, given the relatively isolated location and the level of other uses and programming associated with the proposal, we feel that it is unlikely to appeal to a new audience or add to the existing gaming customer base in the City and region. As AKRF will outline in their presentation, the growth in the casino market and region is flattening out, which highlights the need for the second Philadelphia casino to add something new to the marketplace.

In our opinion, Casino Revolution does not deliver anything that does not already exist, and it's unlikely to spur any additional economic development benefit to the City. Though the development team has indicated to us a vision for an extended sports and recreation area immediately west of the properties in their proposal, it is our belief that these particular sites are better suited to industrial and logistical uses, rather than recreation and entertainment. The same could be said for the proposed site itself, already a productive distribution point.

Given this context and unlikely evolution of the area to something other than industrial, we also question whether or not sufficient demand would exist for a hotel as part of that casino proposal.

Next is Hollywood Casino, to be developed by Penn National Gaming, Inc., and operated by Pennsylvania Gaming Ventures, LLC at 7th Street and

Packer Avenue Stadium District of South Philadelphia. Penn National Gaming is clearly an experienced casino operator, with a clear vision of the regional gaming marketplace. Given their strong track record in other locations, the City does not doubt that this team can develop and operate a successful casino.

Regulations related to casino ownership have led the applicant to develop a model under the auspices of the Philadelphia Casino Benefits Corporation, which results in financial contributions to the School District of Philadelphia and the City of Philadelphia Pension Fund. The applicant has stated that a guaranteed $2 million will flow to these causes from the casino, with future payments subject to net revenues after operating costs and debt service have been accounted for.

Given the uncertainty of predicting gaming net revenues deeper into the future, we would want a clearer understanding of exactly what the financial commitment, not projection, would be over the long term, before being in a proper position to evaluate the impact that this element of the proposal may have on the City. While we certainly appreciate this focus on providing support to crucial needs for the City, it's our view that choosing the proposal that can generate the largest overall economic benefit to Philadelphia, over the long-term, is likely to be the wiser course of action.

The site does enjoy good highway access and is located in proximity to a potential new customer base in people attending sporting or concert events at nearby facilities. However, once again the area of concern for both City government and the neighboring community, relates to traffic management and congestion issues on days when sporting or other entertainment events are taking place in the Stadium District, a situation that exists at some point in the day or evening on up-to-300 days per year. Managing the additional vehicles arriving and leaving the area due to the presence of a casino, as well as coordinating the movement of vehicles from other venues to the casino itself following an event, poses a particular challenge for sites in the Stadium District.

Absent other improvements to the area outside of the proposed development, we would also question whether the site is close enough to the SEPTA Broad Street line to provide a realistic public transit option for people, visitors and employees, to come to and from the casino.

In terms of overall economic benefit, our analysis shows that Hollywood Casino performs relatively poorly compared to most of the other proposals. For example, we projected this proposal would generate the lowest number of direct and indirect jobs once the casino is constructed. The lowest amount in total gaming and non-gaming revenue, and the lowest tax revenue to both the City of Philadelphia and the Commonwealth of Pennsylvania.

It's our opinion that similar to Casino Revolution, this proposal is less likely to induce additional development than other proposals, and is more likely to simply compete with existing casinos already in the marketplace.

The final proposal in South Philadelphia is the Live! Hotel and Casino to be developed by Stadium Casino, LLC, and operated by Greenwood Racing, Inc. and the Cordish Companies, 9th Street and Packer Avenue. As with the previous proposal, the team behind Live! includes experienced operators with a demonstrated record of regional casino marketing, both here in Pennsylvania and in Maryland.

The proposed site also has good highway access and the potential to attract existing patrons of the Stadium District before and after sporting and concert events and other entertainment facilities. However, we would have similar concerns regarding traffic management and congestion on event days, and would like to see the applicant work closely with the Streets Department, PennDOT and at nearby community organizations to try and address these issues.

A unique and encouraging aspect of this proposal is the connection to Xfinity Live!, the other Cordish-owned entertainment facility in the Stadium District, for which there are expansion plans. If a productive working relationship with sports teams can be established and maintained, and if a realistic walkable connection to Xfinity Live! can be created, this proposal has the potential to create a more dynamic sports and entertainment district and a more active street life than currently exists.

If this can be realized, the developer would need to develop and implement a proposal of high-quality design standards for their project, as well as for the street network between itself and Xfinity Live! However, our experience working with the developer on the Xfinity Live! project, would leave us with some concern about the likelihood of this happening. The City is a supporter of a full build out of Xfinity Live!, but we do feel that the quality of the building and the surrounding streetscape, including connections to transit is less than what was originally proposed and expected. And we would need to hear from the applicant why this will not be the case with the casino proposal.

Finally, in terms of economic benefit, the Live! proposal also performs relatively poorly when it comes to direct and indirect operating jobs, total gaming and non-gaming revenues and gaming revenues in the City and Commonwealth, performing slightly better in these categories than Hollywood Casino.

In general, it's our opinion that the three proposals in South Philadelphia are less likely to induce further development and less likely to generate a new audience than the other three proposals. Furthermore, of the six applicants, the greatest level of community concern has been expressed to us about the three proposals in South Philadelphia. And with regard to at least Hollywood and Live!, the applicants are experienced regional casino operators with strong track records, so we do not doubt they're capable of developing and operating a successful casino in Philadelphia.

The next proposal is Market8, to be

developed by the Goldenberg Group and David Adelman, and operated by Mohegan Sun, at 8th and Market Streets in Center City, Philadelphia. This proposal provides a unique opportunity for a significant project in a critical section of our downtown, on a private site that has sat vacant for more than three decades. If done well, this project could have a transformative effect on Center City, and would complement our existing efforts to rejuvenate Market Street East, a key priority for the Nutter Administration.

Furthermore, it has the potential to build on existing Commonwealth and City investment in the hospitality and tourism sector. And it would expand Pennsylvania Convention Center providing additional amenity for tourists and conventioneers.

We're excited by the level of on-street, mixed-use activity contained within this proposal, as it's our opinion that these factors, in addition to the gaming facilities, are crucial in terms of spurring additional economic development and revitalization. This variety of activity has the largest potential to generate a new audience. Our analysis shows that it is less likely to have a negative impact on existing gaming facilities in the City and the region.

In terms of the site itself, it sits in close proximity to Market East Station, one of the most robust transit hubs in the United States, providing the potential to alleviate the traffic and parking pressures of this particular proposal. We're mindful of comments from members of the gaming industry that the use of mass transit to access casinos is unproven, at best. At the same time, we know the casinos have large numbers of employees, who might be more inclined to get to their jobs on public transit, if it were available.

However, despite the superior public transit access at this site, there will need to be significant work with City and State transportation agencies to mitigate the inevitable traffic managing issues associated with placing a large new facility at the heart of a dense downtown road network, in this instance, the farthest from highway entrances of the six proposals. This is definitely a concern that needs to be addressed, but we want to be mindful there's always been an expectation by the City that this site will be developed intensively with or without a casino.

Additional areas of concern include the need for off-site parking, due to the small footprint of the site; the associated security need for the casino patrons and employees who may be walking to or from their vehicles and could potentially be targets, and the security of patrons walking to public transit, hotels or other Center City locations. We are also concerned about the impact on surrounding communities, including China Town to the north, which has expressed serious concerns about issues related to problem gambling in that community.

We're aware that the development team has reached out to this community and has made several suggestions and commitments to provide funding for programs that both mitigate problem gambling, as well as provide the general support for small businesses in the area. We applaud these efforts and would like to see more details of their proposal.

One of our most important teaching hospitals, Jefferson University Hospital, exists in the south and would need to also be an important part in terms of managing access and movement of traffic to its clinical and emergency facilities. In addition, the proximity of the site raises questions about problem gambling or the ability of patrons to quickly access cash and sell their gold and other items of jewelry.

As noted, the applicant has made efforts to address some of these issues, and we would certainly like to see these efforts continued and expanded, given the unique challenges posed by this site.

The second Center City proposal is The Provence, to be developed by Tower Entertainment, LLC and operated by Isle of Capri Casinos, Inc., at 400 North Broad Street. This proposal also represents the opportunity for a major investment in a critical section of Center City, another priority of this administration.

North Broad Street has been attracting new levels of investment and development with a number of additional projects in the pipeline. We believe that the investment represented by The Provence has the potential to spur additional economic development in that section of the City and to complement the wide-range of existing investments, including the expansion of the Pennsylvania Convention Center, who's new main entrance on North Broad Street is two and a half blocks from the proposed casino, incidentally about the same as the distance from the Convention Center's other main entrance on Market Street, to the marketing proposal.

Furthermore, it ties into a new level of development along Talent (phonetic) Street to the west. It has the potential to connect on the way down to the Barnes Foundation and the other cultural institutions along the Ben Franklin Parkway. It also envisions the reuse of a major historic building, the former Inquirer Building, an icon in the City's skyline.

Our economic analysis shows that, if executed as proposed, this project has the largest potential benefit in terms of operating jobs, gaming and non-gaming revenues and tax revenues for the City and the Commonwealth. With a very high level of additional mixed-use amenities, in addition to the gaming facilities, has the potential to attract new gaming customers and, therefore, we believe that The Provence also is less likely to negatively impact ---.

BRIEF INTERRUPTION

CHAIRMAN:

No, ma'am. No more outbursts from anybody, please. You'll have to be escorted from the room, please. Thank you.

BRIEF RECESS

CHAIRMAN:

Okay. Could we close those doors?

Okay. Then, after that brief recess, we will continue. Mr. Greenberger?

MR. GREENBERGER:

Okay. Thank you, Mr. Chairman. I'll just back up a sentence or two to recover the thought that we were in the middle of. This was about The Provence at 400 North Board Street. Our economic analysis shows that, if executed as proposed, this project has the largest potential benefit in terms of operating jobs, gaming and non-gaming revenues and tax revenues in the City and in the Commonwealth, a very high-level of additional mixed-use amenities in addition to the gaming facilities, has the potential to attract new gaming customers and, therefore, we believe that The Provence also is less likely to negatively impact existing gaming facilities.

Furthermore, this developer has a demonstrated record of major urban development and transformation in Philadelphia, notably in the northern Liberty section of the City. The potential for this type of catalytic effect on North Broad Street is a highly attractive element of this proposal.

That being said, there are a number of concerns with this proposal, which also need to be further addressed. The location of site is immediately off of the central highway interchange, which is a good thing. That interchange, however, is an already-congested section of the road network, includes the Vine Street express lane, 15th and 16th. We believe that the proposal will create some additional traffic-management issues that need to be addressed with the Streets Department and PennDOT.

Despite an accelerating level of development along North Broad Street, this is still a relatively quiet area in terms of street activity, and so we would also like to hear more from the applicant about how The Provence can enhance activity along its various street frontages. We'd also like to ensure that the developer continue to work with the surrounding communities to ensure that the design and construction of the project is in keeping with the existing character of that section of the City and with the historic property that is a large part of this proposal.

In general, our analysis shows that the two Center City proposals, Market8 and The Provence, have the greatest potential to spur additional economic development --- benefits, sorry, associated with the awarding of the gaming license, due to their location in key sections of the downtown and the provision of a range of additional mixed-use amenities in addition to the casino itself.

It's our belief that Market8 on Market Street East will have the most immediate impact, or most immediate impact on The Provence is a significant part of a long-term revitalization of North Broad Street. Both projects can be transformative projects for the City.

The final proposal, before I turn the testimony over to John and Keith from AKRF for a more detailed presentation of the economic analysis, is Wynn Philadelphia, to be developed and operated by the Wynn Resorts on the Delaware River waterway. Wynn Resorts is a well-established, internationally known and highly successful brand with an unparalleled record of success in the gaming industry. For that reason, the presence of a Wynn casino in Philadelphia has the potential to be an attraction in its own right and bring new visitors to the City from outside the region.

We have no reason to doubt that the project will be delivered to its fullest extent in one phase, which, in and of itself, represents a major investment in the Delaware waterfront. The Central

Delaware waterfront has been the subject of substantial multi-year master plan, now being realized in numerous public and private projects in various stages of development, planning and construction. We're encouraged by the development team's commitment to parkland and public space along the waterfront. We would like to see more detail from the applicant in terms of exactly what the public space would look like, and how it would be operated.

The site is relatively isolated from the nearby residential communities, and we have not received any expressions of concern --- significant concern from those community organizations. It has excellent highway access to I-95. That's an intersection of the City that has experience hosting a large casino, the SugarHouse Casino. However, there are questions over the economic pros and cons of locating the second casino so close to an existing casino that AKRF will discuss in more detail.

After the cohesive plan for accommodating both the proposed Wynn casino and the existing SugarHouse Casino, we would have concerns about the potential overlap between the two. If, on the other hand, there's a plan to develop a mutually productive relationship between the two, and if that plan is augmented by a physical plan for development in the mere mile between them, of how the transformation could take place on our waterfront. We're aware that the development team has been working on such a physical plan, but are unsure as to how we're going to implement it.

Finally, we do have some concern about the extent to which the established Wynn product has been or will be tailored more specifically to Philadelphia. We're aware that Wynn resorts is pursuing similar opportunities in other markets along the East Coast, and I'm also aware of the extensive worldwide sales operation in the Wynn organization.

We would like to hear more from the applicant about why Philadelphia, in this somewhat isolated site, will be particularly attractive to international visitors, compared to existing Wynn resort destinations and proposed Wynn regional casinos. The power of the Wynn brand is not to be taken for granted. But we do not yet see clearly how it integrates with the rest of the City.

That concludes my evaluation of each of the six proposals. And I'll now turn this over to John Neill, who's the Vice President of AKRF, for a more detailed presentation of our economic analysis of each of the proposals.

MR. NEILL:

Thank you, Alan. All right. I want to start by thanking the Gaming Control Board for the opportunity to present the findings of AKRF's analysis. We'll try to be brief in our presentation, about 15 to 20 minutes. We will soon be submitting to the Department of Commerce and Labor Control Board a full reporting of our analysis. This presentation is really our Cliff notes of sorts of that analysis and we'll only have time to hit a couple of key points.

As has been mentioned, my name is John Neill. I'm the Vice President of AKRF. In the way of background, AKRF is a 200-person environmental planning and engineering firm with five offices in the northeast as far south as Maryland. Our study was performed by AKRF's Economic and Real Estate Advisory Services Group, which I manage from our New York City office. That group services regularly performed market studies and economic impact assessments, similar to the local economic reports submitted by the six applicants.

We have supported the economic work on numerous casino projects from private applicants and for Indian nations. This includes market and competition studies, labor analyses and the economic impact reporting. Most recently, we worked with Empire Resorts on their approved Concord Resort and Casino project in upstate New York.

I'm joined today by Keith Rowan. He's a technical director in our group. And Keith works for my South Jersey office and lives here in Philadelphia.

CHAIRMAN:

Sir, if I could ask a question? How long has your enterprise been existing?

MR. NEILL:

For a little over 30 years now, 32 years.

CHAIRMAN:

And how many employees?

MR. NEILL:

Over 200.

CHAIRMAN:

And have you ever testified before a hearing such as this?

MR. NEILL:

I have testified, but not at a hearing related to a casino application, no. But for other projects.

CHAIRMAN:

Could you give us a for instance?

MR. NEILL:

A for instance? For in front of the City of Yonkers, the Council. It was providing support for understanding an applicant's proposal for a waterfront development and tax and financing associated with that development. I publically presented in front of the Boards within New York City for a proposed application. Most recently for the New York University 2030 Extension Plan.

CHAIRMAN:

Do any of my colleagues on the Board have any questions about the qualifications of the witness? Okay. Thank you.

MR. NEILL:

So, AKRF was retained by the Philadelphia Department of Commerce to perform to perform key tasks. The first, third-party review. AKRF reviewed the casino applicants' statements on local economic impact. This review was based on applicants' submitted information, which is available on the Control Board's website and based on follow-up correspondence between the applicants and the Department of Commerce.

Normalizing estimates, number two. We

normalized estimates of the projects' economic impacts to account for variation in methodologies and to fill data gaps in reporting for applicants. This was necessary to provide an apples to apples comparison of project benefits across applications.

Competition, we assessed the potential for competitive effects with SugarHouse Casino and what that competition might mean in terms of net revenues to the City of Philadelphia.

An induced growth, the assessment potential for applicants' projects to spur additional economic development in the surrounding neighborhoods.

In terms of local economic impacts, as I mentioned, we can't look at everything that we analyzed right now. But I'll focus on the important one, jobs. Presented here are AKRF's normalized estimates of direct, indirect and induced job generation, resulting from each project's construction. These estimates were normalized by AKRF again to provide the apples to apples comparison, and so, in some cases, they won't match what you may find in the applicants' reporting.

The take-home point here is that, really, all of the projects would generate substantial economic benefits for the City of Philadelphia during project construction. As shown in the slide, job estimates for the City of Philadelphia range from approximately 1,200 to 3,800 person-years of employment from the direct expenditure of construction budget, that's the portion that involves. An additional 500 to 1,600 person-years of employment in support industries and from construction workers' spending. Those are the portions in green and blue. A person-year is these temporary jobs, construction jobs. A person-year is the equivalent of one person working full time for one year.

While you can see there is variation in the project's --- there was some variation in the project's cost per square foot assumptions. But the variations that you see here with job generation is primarily due to differences in the scale of the proposed projects. Those with larger overall programs, most notably, the Wynn projects, but also The Provence and Market8, have larger construction budgets and require labor.

In terms of operating-period benefits, again, we look at jobs. Our analysis was in permanent or reoccurring economic benefits from the annual operation of each project. And, again, all of the projects generate a substantial number of jobs in

Philadelphia. The estimates range from about 1,100 to 2,200 direct --- those are onsite --- full time equivalent jobs. And again, that's the portion of the body you see in red. There would be an estimated 450 to 850 jobs in support industries and from new workers spending.

Again, the variation is primarily due to differences in scale and program. For operational employment, The Provence comes out ahead of Wynn Philadelphia and others due to the size of its retail and restaurant offerings, which have higher densities on a per square foot basis. However, gaming and hotel use is definitely on higher wages per worker and from a model perspective, higher economic output per worker than other programs uses.

So, moving to gaming revenue and potential competition, in reviewing applicants' gaming revenue assumptions, we considered three primary factors that would influence gaming revenues and the potential for competition with SugarHouse Casino. We studied market trends in order to evaluate projects like the performance and that of a current and future market conditions.

Program, we examined the applicants' targeted consumer groups and the extent of overlap with SugarHouse's consumer base and location. We studied vocational factors that could help a project attract a broader consumer base and that could hurt the SugarHouse, in terms of site conditioning, consumer travel patterns and market draw.

Today's presentation --- findings on this assignment --- again, it's very high-level. I hope to leave you with just one take-away point from each factor. Again, our report, which will be submitted to you, provides greater detail.

So, let's quickly look at the gaming revenues over time. This graphic, it is a stack bar graphic that illustrates total gaming revenues for each of the existing eight casinos in Eastern Pennsylvania since 2007 on a semi-annual basis. This is based on data from the Pennsylvania Gaming Control Board website. As shown in this figure, since 2007, the Eastern Pennsylvania region has supported introductions to the gaming market, both new casinos and casino expansions.

Casinos have generally been able to achieve and maintain strong revenues with slots and gaming tables. The figure also shows that overtime, the revenue growth curve has been flattened. The reduction in revenue growth is not entirely marketdriven, I should note. The revenue curve is influenced by the number of available gaming positions, and that supply is controlled by the Board. But this and other data trends show that while the gaming market is not completely saturated, there is increasing competition for gaming expenditures within the region. A region that includes not only these Pennsylvania casinos, but more and more nearby, out-of-state casinos. Couple this with longer-term trends, such as potential changes in New York State legislation that would expand non-Indian gaming programs and you have a clear trend toward individual casinos having a greater dependence on expenditure potential within their immediate local markets, in this case, the Philadelphia Metro region.

The take-home point here is this, with the trend toward increased competition among casinos in the region, a second in-city casino needs to work to attract new gaming revenues by broadening its appeal to the local and regional customer base. This can be achieved through programming, diversifying entertainment options to attract a broader customer base. Applicants that can differentiate programming, both gaming and non-gaming can more effectively draw a new consumer base.

So, looking at program, AKRF analyzed each project in terms of its gaming and non-gaming program offerings, and compared it to other casinos in the market area, most specifically, SugarHouse, accounting for SugarHouse's planned expansion. As shown, in this program comparison, there is some variation among applicants in terms of their gaming floor areas, which range from about 72,000 square feet to 180,000 square feet.

Apart from the overall size, two factors that really influence revenues and competitive effects are table game offerings and price points. SugarHouse's current table revenues can suggest that there is some supply constraint within this local market, so those that have a larger proportion of table games, and with variation in table game offerings, could draw from a different customer base. Price point per gaming also could be differentiated.

But perhaps more important, is the non-gaming elements of the proposed projects. Again, we believe that given existing market trends, the casino projects, which are more diversified program offering, will be able to generate greater gaming revenues. This is an industry-wide trend, I believe, borne out throughout the United States. In 2012, non-gaming revenues accounted for approximately 64 percent of total revenues for Las Vegas-strip casinos.

So, for example, with a hotel offering, projects could draw more customers in multi-day gambling experiences, and could achieve greater penetration among Philadelphia business and tourists for whom gaming is not a primary motivation to visit. Projects such as The Provence and Market8, which offer sustainably more restaurant and bar space, could draw revenues from those who visit them for food and drink, but who may also have an interest in gaming.

And there's a similar influence for projects with substantial retail and/or entertainment offerings. Projects that offer adjacent retail and entertainment activities will appeal to greater variation of travel parties, for example, parties of gamers and non-gamers and can create critical mass of uses that can draw destination of resort-oriented gaming visitors. This results in a greater potential to draw from both local and non-local markets.

In this respect, The Provence, Market8 and Wynn, all of which have large amount of gaming components, would likely attract from a broader consumer group and generate more gaming revenues on a per-gaming commission basis.

Live! and Casino Revolution both have a proposed hotel, which would draw from a somewhat broader customer base. But, otherwise, the South Philadelphia casino proposals do not present overall programs that highly differentiate themselves from SugarHouse's consumer's base.

In terms of locations, location is obviously a critical factor to consider when assessing revenue potential and competitive effects. We considered locational influences on both the immediate and regional and secondary markets. We found that each of the locations has its strengths in terms of potential to draw from a new or different customer base than Sugarhouse. And we found that each location has weaknesses in terms of its competitive effects on SugarHouse.

For example, in terms of local market draw, the Center City casino projects, The Provence and Market8, have the advantage of ease of access from Philadelphia's residential and commercial areas, including by transit. Their proximity to this Convention Center and other city destinations also could draw new customers for whom gaming is not a primary trip motivator. Similarly, the South Philadelphia casino's proximity to the sports complex could draw new customers.

A way of looking at the casino's position relative to Sugarhouse and regional transportation network, the South Philadelphia casinos would compete more directly with Sugar House for market-based travelling northbound on I-95, and could also cut into SugarHouse market-based travelling from the southern portion of South Jersey. Center City locations, including Wynn, The Provence and Market8, also could come into the marketplace from New Jersey.

The Wynn project is somewhat unique from others in its close proximity to SugarHouse. It's about a mile apart. From a competitor's standpoint, this type of co-location can cut both ways. There is an obvious significant overlap with the Sugarhouse customer base who is willing and able to travel to the waterfront location, although Wynn's price point and target demographic could be a differentiator. At the same time, the two casinos could offer this multiple venue, critical mass of gaming and entertainment that would draw new customers to the region. And there's also the potential for SugarHouse to pick up cross-traffic customers, who may otherwise not have been attracted.

So, these program and location criteria

were evaluated for each applicant's projects. The results of a relative weighing of criteria was then used to adjust revenue forecasts and to develop estimates of net new gaming revenue in light of potential competition with SugarHouse.

The results for projecting annual gaming revenues are shown here. There's two ranges shown that --- the top bar chart illustrates a high-end estimate for each application. That assumes there's still unrealized growth potential in this market with consumer demographic groups and that the casinos are successful in capturing that unrealized spending.

The lower bar is a more conservative projection for each casino, assuming there is a high-level of market saturation and that casinos are less successful in terms of capturing new or different spending potential.

Under both scenarios, The Provence exceeds all other projects in terms of gaming revenues. It should be noted, however, that The Provence has the largest proposed gaming area. Market8 and Wynn were projected to achieve similar or even greater revenues than The Provence on a per-gaming position basis.

Projected net new annual gaming

revenues, this side presents our net revenues, which is basically showing reduced --- I'm sorry, that produced the previous gross revenue estimate on the previous slide, to account for potential reductions in gaming revenue at SugarHouse, due to competitive effects. For example, the production revenue shown in these slides for The Provence, as compared to the previous, approximately $60 million, are revenues that could be expected to be captured by the SugarHouse in the absence of a second casino.

The net new amounts are still influenced by the size of the gaming program. But we estimate that The Provence and Market8 would be less competitive with the SugarHouse and, therefore, the difference between gross and net revenues is less with those two projects Hollywood, Revolution and the Wynn were all found to have slightly higher potential for competition with SugarHouse.

At this point, I'm going to hand it off to my colleague, Keith Rowan, who will wrap up the presentation.

MR. ROWAN:

Thanks, John. I'll cover in the next few slides, our estimates of non-gaming revenues and our estimates tax gaming revenues for the State and

City, and then move on to the new development potential. This slide represents our estimates of annual non-gaming revenue. And, as you can see, the non-gaming revenue potential is considerable, ranging from approximately $40 million to $200 million.

These estimates are based on our review of non-gaming program uses and for this information we received from the applicants. We have grouped the uses in the following revenue streams, restaurant, lounges and bars, entertainment, event and meeting spaces, hotel, retail and parking, which, by the way, we should note that only two projects charge parking on a regular basis, Market8 and The Provence. The others provide free parking with the exception of on sporting days. The Stadium District projects would charge parking to those who are not regular patrons.

The revenue estimates were based on our research, real estate and resales, square-foot data and the Philadelphia local market pricing. As shown, the three applicants with the highest amount of non-gaming program areas generate the highest revenues, The Provence, Wynn and Market8. The Provence is at the high end of non-gaming revenue. And, as John pointed out before, it has the largest and most diverse program.

This slide illustrates the distribution of revenues between gaming and non-gaming and total revenue of these applicants. The point here is that that The Provence, Wynn and Market8 projects have the largest amounts of non-gaming revenue and, combined with the gaming revenue, have the overall highest total of revenues.

Here we show gaming tax revenue estimates for the State, for these applicants, which are taxes on the revenues from slot machines and gaming tables. Slot machines, the blue bars, generate the most in tax revenue. If we just look at The Provence, that has the highest number of slots and table games, estimated annual tax revenue range from a low of $150 million to a high of approximately $190 million.

Gaming tax revenues for the City. This graph illustrates annual tax revenue for the City. And, again, if we just look at The Provence, estimated annual gaming tax revenue ranges from a low of $9 million to a high approximately $14 million.

Now we will present our review of induced development potential for the project which Alan covered a lot of this in his opening remarks. What we're talking about here is the potential for spin-off development or revitalization that might happen as a result of a casino project located in a particular area. Here we show the four areas of the City where the proposed projects are located and could potentially experience spin-off development as a result of the new casino project.

These areas are the North Broad Street corridor, where the The Provence project is located; the Market East corridor where the Market8 project is located; the Delaware River Waterfront, where the Wynn Philadelphia is located, and the Stadium District, as discussed earlier, where the Live!, Hollywood Casino and Casino Revolution projects are located.

There are characteristics that an urban casino project can have that can potentially induce or trigger spin-off development in an area, which are a development program that has a potential to attract a wide audience of gaming and non-gaming customers to the facility. Due to this key program attributes consisting of retail, restaurant, bars and entertainment offerings and hotel, as well as spa and resort amenities, which could be the types of uses that could trigger excitement for an area and induce potential spin-off development.

Another key factor to attract a broad

audience is the physical design of the project and its integration with the surrounding area. Other factors will include pedestrian access and foot traffic, access to public transit and proximity and synergy with other attractions in the City.

The development program, physical design, the locational attributes can, one, provide the synergy with the existing businesses to create an authentic urban entertainment destination environment, compared to the replication or creation of a possible faux environment. It appeals to a much larger audience of gaming, non-gaming, local and non-local visitors. And these kinds of attributes over time can actually stimulate excitement in the area and induce potential market for additional development.

We entered this site here just an anecdote, but it actually demonstrates that there is potential opportunity for more restaurant, bars and other entertainment options in the City. We took a look at some other major urban centers and we just wanted to see how does Philadelphia rank to these major cities in the number of offerings that they have and the categories of restaurant and bars and regional offerings. And, as you can see, Philadelphia is lacking.

If you look at its population and the number of offerings per 1,000 residents. Based on the population size, the number of restaurants and bars and retail stores in Philadelphia on a 1,000-resident basis, Philadelphia ranks low compared to the other centers of Manhattan --- the real Manhattan, Boston, San Francisco and Washington, particularly off the bar.

The restaurants and the next-to-last in terms of retail, the number of retail offerings. So, this is just an indicator what this casino project could do in terms of adding more of these kinds of uses and creating this type of mixed-use urban destination project.

Quickly, some of the story has been touched on but we just wanted to sort of highlight what the potential development could be for the six projects. And the Market8 and The Provence have similar characteristics, which have already been discussed. The Provence has the opportunity --- the potential to revitalize along the North Broad Street corridor, from City Hall to Temple University. Market8 is similar, in that it can activate the East Market corridor. However, the Market8 does not have retail, such as The Provence, which has an extensive amount of retail.

The inducement indicators for these projects, obviously have been touched on, the close proximity to the Convention Center, potential synergy for other cultural attractions and destinations, the ability to attract a much broader audience, the fact that these buildings are designed in the urban fabric, which makes it more accessible; potential to activate the street, take advantage of the foot traffic, are a number of positive attributes. And there's also potential development, and particularly along the North Broad corridor. There are surface parking lots and other under-development buildings. Along the Market East corridor, there's potential to reactivate a lot of retail along the East Market corridor.

We do have a couple of observations about potential issues. Alan has already touched on some, but one of the things that was implied to us, there is a significant amount of retail and restaurants in The Provence. And the question, in our minds is, can the market absorb the amount of proposed square footage in this one phase versus multiple phases.

And then, with the Market8, which is very appealing from a design perspective, but that's only applicant that has a multi-level casino floor. Not to say that it can't work, but it's not a concept that's widely used in lots of casinos. So, there are indicators in the future of more urban-type casinos in smaller sites to build, and you may have to actually have these multi-level and it really may come down to it --- but it will come down how its designed and how much between the multiple floors and the gaming experience.

And now we'll move on to Wynn. The Wynn project is a luxury casino and hotel resort. And it has the potential to activate the Delaware River Waterfront and stimulate development at the northern end of the Delaware River Master Plan. The inducement indicators of the Wynn project are transforming the waterfront to a luxury resort destination, with a goal to attract the high-end market segment, including international and non-regional clientele. And it's one of the projects that is unique in the fact that it's offering to build a huge public amenity --- a 20-acre waterfront park, which would be a very major attraction and not only transform the area, but also activate the area with lots of pedestrian and neighboring residents having access to what would otherwise be a very exclusive type of setting.

And John mentioned the positive potential of synergy with the SugarHouse and creating this type of entertainment-linked destination waterfront, which actually could be very interesting, I guess, feature, for the City. And there are a number of vacant parcels that could be developed, that could be induced if this venture actually took off. And the question again that's being posed is, will this project actually be able to deliver on this international clientele, which are associated with Wynn Developments, very successful. But the question is, would Philadelphia be attractive enough to attract that type of clientele, which would be key to transforming that part of the waterfront area. And the other possibility --- or issue is, would the additional development require the City to make some major public investment for construction.

And then the stadium projects, as has been already mentioned, the advantage obviously is their proximity to the stadiums and the number of events and visitors that come on a year-round basis to all the different sporting and entertainment events. The Live! project, we believe, if an inducement can happen in this area, it has the greatest potential to induce development, because of this Xfintity Live!

project that's already there is the closest to the stadium. And depending on how that is executed, it could have potential.

The other two casinos, the Hollywood and the Casino Revolution are a little more problematic. One, because of the distance from the actual stadium and also the fact that any additional development would require the relocation of existing industrial users, which could be a very long protracted-type of situation. Not to say it could happen, but the fact that there are viable businesses there in that location can delay that happening, particularly for the Casino Revolution, which is different from the Stadium District.

Other issues are that the focus for all of these, is primarily the entertainment audience, programmatically that they offer less of the mix of uses compared to the inner-city projects, but they have the advantage of the day trippers and those we are coming specifically to sporting events. There is the ability to tie into that. But it's potentially a smaller audience versus a broader program that attracts people. A very interesting redevelopment.

Also the projects are vehicular in orientation. They do have excellent transposition access, but it's not easy for pedestrian's to get to the proposed facility or walk from the subway, which is pretty far away. And, again, as I mentioned earlier, with exception of the Live! project, the other two projects, in terms of additional development have the problem of existing industrial usage on adjacent sites.

MR. GREENBERGER:

That's a lot. Thank you. You have a very hard set of decisions in front of you. But then it's difficult for us, and I'm sure it will be difficult for you to, kind of, weight all of those things in a sensible way in addition to the things that you as a Board have to do that are in your direct purview about the principles involved and the financial capacities going into your situation.

But we would like to just say in conclusion to --- one, thank you for the invitation to provide the City's perspective on each of these proposals, and also for the cooperation that we received from the Board and the staff throughout the process.

I also want to thank each of the applicants. They may not want to thank us at some point, but I want to thank them for their willingness to work with us, their responsiveness. They have responded positively to every invitation we've made to them to provide information to come in and talk to our extended groups, and it's been a very cordial and professional set of relationships.

It's our expectation that each of these proposals are going to continue to improve. We know there's still more time here, as we move into the final stages of this process, I hope, particularly around some of the issues that we've identified today. It's certainly our intention to maintain dialogue with each applicant over the coming months and assist them in whatever evolution their proposals can take so that when this comes to the moment when you have to make a decision, every single proposal is as good as it can be. If that's ---.

The development of a second casino in the City represents a major economic development, job-creation opportunity. Certainly, as we heard before and it is our concern that people may express. But we remain ready to assist the Board with its deliberations and the final decision of the awarding of this license. And with that, I'd be happy to take any of your questions. Thank you for this opportunity.

CHAIRMAN:

Thank you, gentlemen. At this time, I'll open the questioning up for the Board. John?

MR. MCNALLY:

Other than the revenues, did you take a look at any of our existing casinos and their issues in development for revenues and their impact, economic impact?

MR. NEILL:

We took advantage of a lot of the information that we have on the website and we looked at trends over time on that slide of all casinos in Pennsylvania. We did not look at issues to induce development in the areas surrounding those casinos. Our analysis was focused on these applications.

MR. ROWAN:

There's not a lot of examples of urban casinos yet. Nevertheless, Philadelphia has an opportunity to be a positive result. I know that Cleveland just opened a downtown casino, so the word is still out what's going to happen there.

But design-wise, more and more casinos are opening themselves up to the concept that would not allow more customers to move outside of the facility is changing. But this opportunity is unique here, because you have sites that are dense, urban areas. So, this design, while it does ---.

MR. GREENBERGER:

If I could add. As John and Keith are saying that there are not a lot of American examples of this, it's real hard to gauge how that is exactly going to work. The two most notable ones that have been in existence the longest in New Orleans and Detroit certainly have not indicated to us as they have been designed, that the induced economic development is automatic.

I have, just because of the travels I've been able to make, have seen these kinds of places in more urban areas in other parts of the world. I can't tell you how they perform economically. We didn't do that type of investigation. But we do know that they exist. And we've seen some pretty satisfactory examples of casinos in mixed-use environments in the downtown cores. They seem to perform, at least, from an impact point of view quite well.

So, this is a bit of a --- you know, there's some educated guessing that has to happen here relative to these things versus what we --- how we have seen casinos perform over the State and in other jurisdictions to date, which have been less urban and probably at least ---.

<u>CHAIRMAN:</u>

All right.

<u>MR. FAJT:</u>

Thank you, Mr. Chairman. Alan, there was reference for the Wynn proposal for the Delaware River Master Plan. How old is that plan?

<u>MR. GREENBERGER:</u>

The plan itself is about two years old, although the planning process goes back several years before that, probably to '07, I believe. It was an extensive planning process. The Delaware River Waterfront Corporation, which is an independent board, although it's all appointed by the Mayors, has a clear association with the City, is executing that plan, piece by piece. I've been very involved in it personally.

And it is based on the premise that public investment in trails, parks, will be the thing that we need to do to help induce private development. And the Waterfront Corporation is in the middle of making those kind of investments. In which it appears, for example, extend trail works north parks coming online, and this all building up to a pipeline of several private proposals that have not happened yet, but they are very much in the planning stages.

MR. FAJT:

And one more question, on the one slide you talk about local economic impacts, construction period benefits and jobs, there was a notation at the bottom, total development costs range from $428 million to $926 million. Two questions on that. Number one, does that include the licensing fees ---

MR. GREENBERGER:

Yes.

MR. FAJT:

--- for the slots and table games? Yes, for the court reporter. And, number two, does that include just phase one of the projects that are in multiple phases, or is that, I guess, the $926, the high end, include all phases of the projects that are laid out in phases?

MR. NEILL:

Yes.

MR. ROWAN:

Yes. Yes, all phases.

MR. FAJT:

Yes, it includes all phases?

MR. ROWAN:

Yes.

MR. FAJT:

So, it's $926 is not just a phase one, that is a project?

MR. ROWAN:

That's the whole project. That's the Wynn project.

MR. NEILL:

Just to clarify, the budget numbers do include the application fees, the job generation, what was put onto the input at the bottom does not include that fee. That's a soft cost that's does not --- you know, construction related, so it doesn't go to creating jobs, per se.

MR. FAJT:

Thank you.

MR. GREENBERGER:

Thank you. You are, though, raising an important question that I think you're going to have to struggle with and we're going to have to struggle with some more, that is about phasing and how much can we count on now, and how credible are the future phases? Our experience with SugarHouse is that they obviously started with an interim casino. They are now getting around to build the build out of this first phase. It does not yet include the extended phase developments, which have received City plan development approval.

It's really hard to know whether they ever get there. And I think --- and I don't say that as a criticism of them. But it's very clear that as more regional casinos happen, not just in Pennsylvania but in other States, the nature of the market and its reach changes. As it changes, I think we expect to see some adjustments in ambition, depending on what the market can truly bear. And, therefore, what people are willing to lend money to build.

MS. KAISER:

All right. First, I just want to say thank you for your presentation today. It was very helpful. I just have a few questions. How long did your entire review take? When did you begin it and conclude?

MR. GREENBERGER:

The review had pretty much started in early February, when we started doing community-based meetings and organized our team around doing these reviews, and then it proceeded in various stages of acceleration from that time.

MS. KAISER:

You also indicated that you received

great cooperation from the applicant. I was wondering if there was any information that you were not provided or you think that would have been more helpful to make your analysis more complete?

MR. GREENBERGER:

Well, I won't go back into the testimony, but I did indicate that there were a number of things that we would like to hear more information on.

MS. KAISER:

Clarification?

MR. GREENBERGER:

The applicants were very cooperative in giving us what they had. And, you know, we recognize that for all of them, this is an iterative process, as well. And so they're perfecting their designs, they are perfecting --- they're meeting with community members; they're perfecting things that they might do, programs that might run in communities. So, it's a bit of a moving target. But we do expect that we'll hear more from them.

MS. KAISER:

And, lastly, I was just wondering, on a number of the applications you indicated that there were some concerns with traffic issues. Was there any further discussion between the applicants and City and State, to determine if those are insurmountable obstacles? Or is that something that could be resolved?

MR. GREENBERGER:

Our analysis is that nobody has presented an insurmountable obstacle.

MS. KAISER:

Okay. That helps.

MR. GREENBERGER:

There are some, however, that are going to be harder than others and probably more controversial than others. But we didn't track people to not feel that there was anything that couldn't be solved. We're just not sure exactly what the solutions might entail yet.

MS. KAISER:

Okay. Thank you very much.

CHAIRMAN:

Tony.

MR. MOSCATO:

Thank you, Bill. Mr. Neill, when you were talking about the gross revenue, I believe you indicated that The Provence had the largest gaming floor?

MR. NEILL:

I didn't specify which ---.

MR. MOSCATO:

I thought I heard you say ---.

MR. NEILL:

Yes.

MR. MOSCATO:

But you're --- I'm not sure. Your slide shows --- and I think we're talking about by square feet that Wynn is 180,000?

MR. NEILL:

That's correct.

MR. MOSCATO:

And The Provence is 122,000?

MR. NEILL:

Yes, that is an anomaly. We noticed that when we got the data. That's straight from ---.

MR. MOSCATO:

Well, 122,000 ---. I'm even more confused than I was before.

MR. NEILL:

No, I'm sorry. You're correct. The Wynn has the largest gaming floor. I misspoke.

MR. MOSCATO:

Okay.

MR. NEILL:

All right. I didn't specify. The Wynn is 180,000.

MR. MOSCATO:

Right. Okay. And then you spoke about a head-to-head competition between each applicant and SugarHouse?

MR. NEILL:

Right.

MR. MOSCATO:

Would you please go over that, and it can be as briefly as you did it before. But my grandmother used to tell me I have a hard head. So, sometimes I need to hear things a couple of times.

MR. NEILL:

With the competitive effects analysis, as we did look at the programming, location relative to SugarHouse to look at how the draw of the customer base for an applicant casino could vary or could be similar. And as we said, there are similarities. You expect to have a higher rate of competition, and that would affect your net revenues.

If there is not as much overlap, if you can provide that differentiation, there would be greater potential for new net revenues. So, you know, between the various --- and I don't have the specific numbers in front of me. I can say that by virtue of offering a broader non-gaming program with The Provence, with Market8, and, to some extent, the Wynn, as well, you know, there was less --- or did not see as much as of a competitive effect. You know, the Wynn had brought out the nuances in terms of co-location. So, there you could have greater competition, but then there's advantage of a critical mass in one location to draw a regional audience.

So, again, I'm sorry, I don't have the numbers in front of me in terms of the exact percentages that were allocated. But there are millions in wages at SugarHouse that hopefully will provide that ---.

MR. MOSCATO:

All right. Thank you.

CHAIRMAN:

Keith?

MR. MCCALL:

Just one question. In your opinion, how critical, outside of the gaming floor, is all of the other amenities; restaurant, bar and nightclub, event and meeting space, hotel, retail, all of those things? Can you elaborate on that?

MR. GREENBERGER:

Well, certainly, in terms of the benefits to the City as a whole, we believe fundamentally that mixed-use around the casino is --- more mixed-use is better than less mixed-use. You start to get into many of the particulars when you start to analyze, well, which mixed-use are we talking about?

So, we have hotels, as one thing and then I think you have restaurants and music venues and other kind of entertainment things is another. And this gets to the question of who's coming? All right. So, if these things are believed to be --- and I'm not saying they are, but if they are believed to be fundamentally regional attractions. The hotels may become less significant as a mixed-use element, although we would absolutely like to have them. We've done a lot of work with developers on game hotels that happen in the City. This is not easy. They have all needed in the past several decades some level of public financing. It's not something we intend to do with any of these casino projects. So, the question is, are we going to get this and who's actually going to stay.

On the other hand, if you also still

believe that the audience is fundamentally a regional one, a hotel might be of interest, but the other venues probably offer greater interest. And the question is, are they filling the gap that exists in the City in terms of the offerings that are available? Our hunch is yes, they do, they possibly do for different reasons in their locations, but they do.

And I think to go back to the issue of competitions, this is why we also believe that if the selected licensee is providing a product that is fundamentally similar or like the casino that exists now in the City and then obviously you also need to be looking at that relative to the ones outside of the City, though that's probably a flatter audience base, then when there is substantial mixed-use.

MR. NEILL:

I'd also just like to add the given market conditions, I think from a long-term viability perspective how do you diversify the case is important. Then another thing that is important to the City would be --- tax revenues that are generated by these non-gaming uses. We didn't bring the information as part of our reporting. They are substantial. And, while similar to the gaming revenues, they may not be all that new to the City.

Somebody coming to a restaurant at Market8 may very well have gone to a restaurant elsewhere in the City. We recognize that. But there is still potential to drawing new markets in the area that invent new revenues from the non-gaming kind of things.

MR. GREENBERGER:

One of the things that we ask ourselves over and over, more by way of personal observation than by kind of scientific analysis was which of these proposals represents a kind of phenomena that even if you weren't interested in gaming as an individual, but you had relatives or friends coming, you would take advantage of. And then, again, to come back, our sense was that the more mixed-use possibilities that existed, assuming that the developer was capable of doing them, the more likely that it would attract people who are not necessarily interested in gaming. That might have some impact on the gaming itself, in terms of additional participation, but it would also have a broader impact on the success of the whole.

CHAIRMAN:

Dave?

MR. WOODS:

Thank you for your presentation. Just one question. You mentioned that if the transportation infrastructure in and around the stadium area was a benefit, very good, but you were concerned about event nights. Could you give an indication of how many event nights there may be; football, baseball or ice hockey, all of them?

MR. GREENBERGER:

If you add up the four major sports teams that are located down there --- I'm going to have to go by memory but about how much --- how many home games in basketball and football. But I think if you add up all four, there are about 200 events just with them. Twelve (12) on the football side, 80 plus on the baseball side, and I think, if I'm remembering this right, about 40 plus on each of hockey and basketball.

But then, in addition to that, there are all the other kind of events that turn up there. Some of them were using one or the other, the stadia. Temple football plays down there, for example. And both stadia are used for other kinds of things. And then, of course, there are numerous events at the arena. Things like the circus and the Ice Capades and all those other things. So, all total --- they're not all drawing capacity crowds, obviously. But all total, there are some in the vicinity of 300 events a year.

Now, that's --- you know, that's a --- those are moments of time. They're not happening all day, unless it's tailgating football things. The rest of it are not all day. But there are --- it's a difficult arrangement to make. We do it, and we do it pretty well. But certainly the local community and our own folks have expressed at least concerns about how this intersects with the casinos. They're not a kind of timed event. So, we understand that people aren't all coming at X o'clock and leaving at Y o'clock. There's something else going on being it's a little more --- it probably makes it somewhat more manageable.

But one of the things that we heard from several of the applicants is that there is a kind of expectation that some of the people who will be going to the events might also find it interesting before and after to go to the casino. And that raises questions about, how do you do that? Do you go in your car? Do you not go in your car and leave your car in a lot for which you pay $10, $15 to park to go to an event. Those lots close at certain times. So, there's a whole bunch of questions that probably have answers, but we don't know what they are yet.

MR. WOODS:

Thank you.

CHAIRMAN:

Jennifer?

MS. LANGAN:

As far as security concerns, as far as Market8 in the City, what are the concerns, obviously the stadiums, because they have their own security, whether it be people with alcohol, but what's the impact on the City?

MR. GREENBERGER:

Well, I think that, you know, every casino ---.

BRIEF INTERRUPTION

CHAIRMAN:

Yes. Darlene didn't hear you.

MS. LANGAN:

I guess one of the questions I have is the security concerns with Market8 and The Provence being in the City. The stadium, obviously, has its own set of concerns. I'm interested in the impact on the City between both and the ---?

MR. GREENBERGER:

Well, certainly, every casino comes with some security issues, and casinos are very familiar with this. We have the benefit of experience with SugarHouse now for several years, and the experience has been very good. We have not had a lot of problems. Now, one of the things about the casinos that you might say are more self-contained in terms of parking, as a primary way to get to that, because there is no --- there's not substantial mass transit access, is that casinos spend a lot of money and resource on maintaining security on the grounds that they own. To the extent that that includes the casino immediately adjacent to the environment and parking that's a help. And, by the way, there are people who take transit to SugarHouse, particularly employees, but we think also people who are visiting.

When you have an urban casino, obviously, you have some people who are also going from the casino directly to a casino-owned and populated parking facility. But you also have more people who are then going right out onto the street. Some of them will be employees who have taken mass transit to get to work. And some of them will be visitors, particularly downtown ones where there is an association --- easy association with other attractions in the City, like the Convention Center. And people are going to be on foot. And, so the question is, how does the normal casino security arrangements extend into the realm beyond themselves?

And I think, for both applicants, we have heard what sounded like the beginnings of smart planning around that. The Provence is there's a discussion about a sort of broader patrolled district. It still has to be worked out with our police. In the case of Market8, we heard some similar things about what goes on across the street and how do you relate with communities. So, yes, there are answers out there. We don't think either one is at a --- represents necessarily the severe problem. But, like traffic, there are a lot of details to work out. And we don't have all those details yet.

CHAIRMAN:

Anyone else?

MR. FAJT:

With respect to the three proposals down in the stadium area, does your research indicate whether the fact that, for example, the Eagles may be playing a football game with 65,000 people in the place, or even the Phillies with 45,000, that that type of crowd pressure actually can be a negative in attracting people to a casino in the area, because people who would go down once a month or even once a week, check the schedule and say, I don't want to fight the traffic down there; I'm not going to go tonight?

MR. GREENBERGER:

We discussed that and the applicants discussed that with us as well. We think that that's a possibility, I mean, to put yourself in that position, you know there's going to be a lot of traffic. If you don't have --- and if the times overlap with when you want to go, we think that there will be any number of people who probably say, you know what, better off not, no.

Now, there may also be people who --- and this --- you know, Xfinity Live is not a casino, but there are people who like being down there who never go to the games, but kind of like being in the general vicinity. And then it turns into a kind of a sports bar and sort of vicarious appreciation with an event that's going on. You might think it's ---. Does the casino have the opportunity to do that as well? Probably a little bit, but it's not the primary focus, so our sense is that it probably leans more towards, I'll go another time, than I want to be down there at the casino while the games are going on while there's a significant travel issues going on.

CHAIRMAN:

Okay. Thank you. Any other questions from the Board? I want to thank you, all three of you gentlemen, for your efforts today. It's much appreciated. I also want to thank all of you ladies and gentlemen for coming today for your cooperation during this hearing. It lasted a little bit longer than an hour and a half.

All the testimony and evidence gathered today, while this hearing was four prior days of public input, will become part of the record for the Board's consideration when deciding which applicant will be awarded the final Category II Slot Machine License in the City of Philadelphia. Again, as announced earlier, the Board's extending the period during which it will accept written comments from the public concerning the six applications to November 29th, 2013.

Additionally, we are announcing today that the dates for the final suitability hearings have been set for January 28th, 29th and 30th, 2014. Those hearings will be held here in the City of Philadelphia. More details will be forthcoming over the next few months. This hearing is now adjourned. Thank you.

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HEARING CONCLUDED AT 12:36 P.M.

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CERTIFICATE

I hereby certify that the foregoing proceedings, hearing held by Chairman Ryan was reported by me on 9/24/2013 and that I Darlene Dobkowski read this transcript and that I attest that this transcript is a true and accurate record of the proceeding.

Darlene Dobkowski
Court Reporter