

Beginner's Luck

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What would William Penn say to casinos in the City of Brotherly Love?

By Lorlene Hoyt

If all goes as planned, as early as next fall Philadelphia will open the doors to its first legalized gambling venues. Five applicants fought for the two local casino licenses granted in December by the Pennsylvania Gaming Board.

The applicants submitted thousands of pages of testimony and participated in three days of hearings in Harrisburg on issues ranging from architectural design and community impact to contracts with minority vendors. The two proposals selected, Foxwoods and SugarHouse, which would anchor the north and south ends of the Delaware riverfront, were evidently seen as most likely to bring profitable activity to the area, thus adding to the state's tax revenues and providing employment opportunities to the city's residents. Both promised to build boardwalks that would provide important linkages to the river.

While legalized gaming is a new development in Pennsylvania, land-based casinos have long been a fact of life in Las Vegas and Atlantic City, and now other places are following suit. Between 1989 and 1998, nine states passed legislation authorizing casino gambling. In 2000, there were 160 casinos operating in 27 states.

The new gaming laws vary tremendously from state to state. Some states, such as Michigan, permit casinos to be operated by private companies; others, such as Wisconsin, allow only casinos operated by Native Americans. Other states, particularly in the Midwest and on the Gulf Coast, authorize only riverboat casinos. Still others, like Florida, permit "racinos," casinos connected with horse racing tracks.

Specifics

On July 5, 2004, Gov. Edward Rendell signed the Pennsylvania Race Horse Development and Gaming Act into law. The legislation authorized 14 slot-machine-only casinos throughout the commonwealth. Seven of these will be at race-tracks; five will not. Two must be resort-based. Applicants in the city of Philadelphia competed for two licenses in the non-racetrack category, which allows a total of 61,000 slot machines.

A notable aspect of the Pennsylvania law is the fact that the casino taxes will amount to 52 to 54 percent of all gaming revenues in the state. This is substantially higher than the 9.25 percent paid by Atlantic City casinos or the maximum 6.75 percent paid by casinos

in Las Vegas. The high tax rate is expected to generate up to \$1 billion for the commonwealth in the first five years of operation.

The legislation included a long list of criteria for the Gaming Board to consider in handing out licenses. Among them: community benefits, commitment to diversity, the applicant's track record in honoring commitments and complying with regulations, proposed mitigation of the casino's adverse effects — and quality of the location, an issue of particular interest to urban planners. Four of the five applicants proposed sites on the rapidly developing Delaware riverfront, where they face considerable traffic challenges.

The five applicants were TrumpStreet (the only casino not located on the riverfront; its proposal called for the revitalization of an 18-acre brownfield site); Pinnacle (its 13.3-acre site was the farthest north of the riverfront sites); Riverwalk (which called for 3,000 slot machines initially, with eventual expansion to 5,000 slots); SugarHouse (on a site occupied by an old sugar mill); and Foxwoods (at the southern end of the waterfront).

The winners

The two winners, SugarHouse and Foxwoods, both have fans (for their ability to enliven the riverfront, and, in the case of Foxwoods, a good track record) and detractors (whose concerns center on traffic congestion).

The SugarHouse location consists of 22 acres at the northern end of the waterfront, at the site of the old Jack Frost sugar refinery. Initially, its plans call for a temporary casino of 1,500 slot machines to open next December, while the parking garage is being constructed. Work will then begin on the permanent casino building. Future plans call for building a 20-story hotel tower and expanding the number of slots to 5,000.

Critics noted that the SugarHouse site is sure to generate serious traffic problems, particularly when the state begins construction on the Girard Avenue exit from Interstate 95. They also noted that its owners have considerably less gaming experience than some of the other applicants. What SugarHouse did offer was a design that includes a range of amenities, including a waterfront promenade and outdoor dining facilities. Its owners also promised to devote up to \$3 million a year in casino revenue to a charitable fund.

Foxwoods' 25-acre site is at the opposite end of the waterfront, the farthest south of all five of the proposed casinos. It's near the neighborhoods of Queen Village, Bella Vista, Passyunk Square, Whitman, and Pennsport.

The location is readily accessible from the northeast and southwest via I-95 and from New Jersey by bridge. However, as critics have pointed out, mitigating traffic problems will require the construction of new I-95 ramps, which would not only be very expensive but would also bring high-speed traffic close to a residential area.

Foxwoods advocates noted that the firm currently operates the world's largest casino (Connecticut's Mashantucket Casino, owned by the Pequot Tribal Nation) and will bring its track record of success to Philadelphia. Foxwoods also has announced plans to commit

a significant portion of its Philadelphia profits to charities that focus on disadvantaged children in the region.

Initially, Foxwoods has proposed to build a 100,000-square-foot casino (with 3,000 slot machines) that would open in the summer of 2008. That timing required the gaming board to grant an exception to its strict schedule.

In the next stage of development, Foxwoods plans to house 5,000 slot machines in a 160,000-square-foot casino. The expansion would include the Pier 60 Entertainment District and riverfront docks for day-trippers. A hotel and condo towers would be erected in the final stage of development.

The gaming board's decision to award bookend licenses — one on the northern end and one on the southern end of the waterfront — will not only increase tax revenue but will also build on Philadelphia's ongoing effort to transform the downtown into a regional, 24/7 destination.

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The Runners-up

Riverwalk: This casino was proposed for 9.2 acres on the Delaware River near the neighborhoods of Northern Liberties, Old City, and Fishtown. Plans called for an eventual 5,000 slots, a glass-walled riverfront restaurant, theater, television and radio studio, and riverside mini-boardwalk.

TrumpStreet: The casino, the only one not proposed for the riverfront, would have been located on 18 acres of a former industrial site. Two-stage development called for initial construction of a 3,000-slot casino with restaurants, movie theaters, performance stages, convention areas, and retail space. The second stage would have added 2,000 more slots, a hotel, and more retail. Traffic advantages included proximity to Route 1 and the affluent northern and western suburbs.

Pinnacle: The 13.3-acre site was the farthest north of the proposed riverfront sites. The plan called for an eventual 5,000 slots, 5,000 parking spaces, a 500-room hotel, and an office-residential tower.

In their submissions to the gaming board, both Pinnacle and TrumpStreet offered innovative plans to revitalize the neighborhoods surrounding their casinos and provide jobs for the local residents.