

COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA GAMING CONTROL BOARD

---

FEB 10 2014

3099-2013

PHL Local Gaming LLC

IN RE: APPLICATION OF PHL LOCAL GAMING, LLC  
FOR A CATEGORY 2 SLOT MACHINE LICENSE

DOCKET NO.: 73581

---

**POST-HEARING MEMORANDUM OF PHL LOCAL GAMING**

PHL Local Gaming, LLC ("PHL"), by and through its undersigned counsel, respectfully submits this Post-Hearing Memorandum in support of its application to the Pennsylvania Gaming Control Board for a Category 2 slot machine license for a casino in the City of Philadelphia.

**I. INTRODUCTION**

PHL Local Gaming ("PHL Local") has proposed the development of *Casino Revolution* a \$428 million dollar first-class, destination-caliber casino, hotel and entertainment project at Front and Pattison Avenues in South Philadelphia. Upon the completion of construction, Casino Revolution will open its doors with 2400 slot machines, 105 table games, a 250 room 4-star hotel, an Italian restaurant, a steakhouse, a 300 seat buffet, a sports bar, and a 1600 car parking garage.

The PHL team is the best partner and Casino Revolution is the best casino project for the Commonwealth because of: (1) the strength of PHL's location and

its economic impact; (2) the power, dedication and experience of PHL's team in building world class businesses and casinos with significant economic impact; (3) PHL's financial strength; (4) PHL's diversity; (5) PHL's community impact and support; and (6) the history and success of PHL's founder in developing tourism facilities.

## **II. ARGUMENT**

Of the five applicants for the remaining casino license, PHL is the clear choice.

As Greenway Racing Chairman, Bob Green, so succinctly said at the Board hearings, to put a casino in center city Philadelphia would be a "disaster." The two Center City proposals – Tower and Market 8 - would deepen the already overwhelming traffic congestion problem in center city. Those proposals each suffer from significant parking shortages and are propped up by unrealistic and unattainable economic projections. As several experts, including PHL's expert witness, Eugene Christiansen, testified, the center city proposals would cannibalize SugarHouse far more than a South Philadelphia casino. Bob Green had it right - the center city sites simply won't work.

Of the three remaining applicants, PHL's proposal stands apart. PHL's projected economic impact – unchallenged in any aspect by any applicant – affords the greatest short-term and long-term potential for gaming taxes to the

Commonwealth, and for the economic development and revitalization of the area immediately surrounding its casino.

PHL is also the only South Philadelphia proposal that has been endorsed by its surrounding community, the Whitman Council, which is not surprising because PHL's founders have been a significant presence and force in South Philadelphia for the past 65 years. Their neighbors know who they are and what they stand for. By way of example, PHL's commitment to diversity is unmatched and flows from the top down, from ownership down to the casino floor. Its emphasis on having a positive impact locally will be found in its workforce and supply vendors, which will each be based on "local preference."

The sole and complete focus of the PHL team will be on building, operating, and expanding Casino Revolution to be the very best casino in the Commonwealth, and on revitalizing the former Food Distribution area which Casino Revolution will be located. Unlike the two stadium area applicants, PHL has no other competing casino interests to protect, and no need to obtain the remaining casino license for "defensive" purposes. The competition that PHL will bring to the Philadelphia gaming market is much needed, highly desirable, and furthers the intent of the Pennsylvania Legislature to prevent monopolization. See Section 1330 of Pennsylvania Race Horse Development and Gaming Act ("Gaming Act"), 4 Pa. C.S. § 1101 *et seq.*

The two stadium area applicants – Stadium Casino LLC and PA Gaming Ventures, LLC - propose sites on small, land-locked parcels that afford little possibility of expansion or ancillary economic development. Those sites sit in midst of stadium area traffic congestion during event hours, and are within a block or two of residential row home neighborhoods, who oppose the building of casinos in their backyards. Those sites are near public ball fields, a charter school, and a church. The owners of each of the two stadium area applicants already own and operate existing Pennsylvania casinos, and awarding either of them an additional license would be inconsistent with the intent of the Pennsylvania Legislature to prevent monopolization in the gaming industry. Indeed, to bestow an additional gaming license to the Parx/Cordish proposal when Parx already owns and operates the largest gaming facility in the Philadelphia area would be tantamount to granting Parx a monopoly on gaming in the Greater Philadelphia area. To award the hybrid private/public application of PA Gaming Ventures a license would open a Pandora's Box of public policy questions, debate, and appeals.

As demonstrated below, PHL is the clear choice.

**a. Location**

The Pennsylvania Gaming Act requires that the Gaming Board consider the “location and quality of the proposed facility, including road and transit access, parking and centrality to the market service area.”

The first reason why PHL is the best project is that PHL has, *hands-down*, the best location in this competition. It’s not just PHL’s view - last year several prospective casino applicants approached PHL to buy PHL’s sprawling 23 acre site that provides ample room for growth away from the heavily trafficked stadium area. Unlike the two stadium area competitors, PHL’s site is not boxed in on 9 acres or on 13 acres, but instead affords ample opportunity for expansion and economic development ancillary to gaming.

As PHL’s President, Joe Canfora, testified, PHL’s site is “not too close, and not too far” from the stadiums. As such, the PHL location will not add to the already existing traffic congestion during sporting and other entertainment events in the immediate area around the stadiums. Unlike the center city competitors, the PHL project will not deepen congestion in center city, and it will not disturb vibrant residential communities or impact the churches, schools or synagogues in areas like Chinatown, Fairmount or the Art Museum.

The Casino Revolution site sits at the convergence of I-95, the Schuylkill Expressway and the Walt Whitman Bridge, providing unparalleled access from the

north, south, east and west. The Casino Revolution site sits less than half a mile from on and off ramps for each of those arteries. The position of PHL's iconic hotel tower and its striking geometry and lighting effects will serve as the Gateway to Philadelphia and will provide maximum visual exposure to the more than 100 million annual commuters as traffic flows past the stadiums and around the bend on I-95, and across the Walt Whitman bridge. With its access to and visibility from these major arteries and proximity to the stadium district, the PHL project will attract the attention of the existing 8 million sports fans and concert-goers who visit the Stadium Complex each year to attend over 284 separate events. Those visitors are predisposed to spend significant dollars on recreation and entertainment and are prime Casino Revolution customers.

**b. Economic Development**

The Gaming Act requires the Board to consider the potential for new job creation and economic development. The second reason why PHL has the best project is that Casino Revolution will create the most significant positive economic impact of any of the casino applicants. Indeed, as so aptly put by Commissioner Fajt during the recent hearings, Pennsylvania needs "something that's more than a casino." With its 23 acres, 250 room hotel tower, and unique ability to catalyze the former Food Distribution area adjacent to the Stadium Complex, PHL's project offers far more than "just slot machines and tables."

PHL's economic projections set forth in PHL's impact study were simple and clear to understand, free of financial sleight-of-hand, devoid of double-counting, and were not based on any unrealistic or inflated numbers such as those presented by the two Center City proposals. Not surprisingly, not one of the other four applicants took any issue with PHL's projections or economic impact report. PHL's project will create the most significant positive impact of any of the five applicants for the following four very specific reasons, many of which are tied into PHL's premier location:

First, PHL's project will generate more revenue for the city and the commonwealth more quickly than any other casino applicant. As the one and only applicant in this competition whose location has an existing facility that can be easily retrofitted for use as a casino, PHL has the singular ability to open Casino Revolution six months earlier than any other applicant and thereby generate more tax revenue, more quickly for the Commonwealth – approximately \$60 million in revenue that no other applicant can generate. PHL's unique ability to fast-track the opening of Casino Revolution also directly translates into more payroll for the local community, to be specific, \$10 million in gross payroll for 600 employees.

Second in terms of economic impact, PHL's project and only PHL's project can be expanded to the maximum size project permitted under the Gaming Act. PHL's 23 acre site makes it the only applicant whose location and design will

permit it to expand the PHL project in response to market demand up to the maximum of 5000 slots permitted by the Gaming Act. PHL's \$428 million project is appropriately sized to the current market but PHL's unmatched ability to expand its project to match market demand can translate directly into \$325 million in annual state and local tax revenue.

Third in terms of economic impact, PHL's our project will spark the transformation of the surrounding area and will trigger the development of the Pattison Avenue corridor from Front Street all the way out to the stadiums, transforming what is now an industrial food distribution area into a premier tree-lined boulevard of destination restaurants, nightclubs, entertainment and recreation venues with ample parking and related amenities. PHL's project will be a more powerful catalyst for transformational development than the two stadium applicants for the following four reasons:

First, situated on 23 acres, PHL, and only PHL, has the capacity to substantially expand its project by placing a second hotel tower, additional entertainment venues and additional parking on its existing footprint. This expansion would add an additional 200 hotel rooms, 500-1000 more slot machines, an entertainment center and ample meeting space.

Second, the PHL site sits adjacent to the 27 acre former Food Distribution Center at 3<sup>rd</sup> and Pattison Avenue , which is currently owned by PIDC and is one of



the most compelling entertainment, retail and tourism development opportunities that exist in Philadelphia today. PHL has made clear its intent to help develop that site to attract uses such as the LoSo Entertainment and Recreation District that will effectuate its transformative vision of the area.

The LoSo Entertainment and Recreation concept was specifically conceived to address the City and Commonwealth's expressed interest in having the eventual licensee project a substantial transformative, economic vision, related to its project and to address the need raised by local tourism officials for a new, major tourism attraction with a "wow" or "fun" factor. PHL took that very seriously and envisions LoSo as including food-and-beverage and retail businesses, soccer fields, racquet sports, an indoor swimming pool, a zip-line park, rock-climbing facilities, a golf driving range, a water park, dry ski/ skateboarding park, and areas devoted to music and live entertainment. PHL foresees that the increased visitor traffic frequenting the LoSo district will also help increase gaming demand, thereby justifying the expansion of the PHL project from 2400 slot machines upon opening upwards towards the 5000 slot capacity authorized by law.

Third, in addition to the 23 plus acres that Joe Procacci has devoted to the PHL project, the Procacci family owns an additional 10 acres situated between the PHL site and the Stadium Complex which land will be available for future

restaurant, retail and entertainment development. No other applicant has such economic development potential.

For example, each of the two stadium area applicants – Stadium Casino and PA Gaming Ventures- have intentionally chosen diminutive properties (9 and 13 acres, respectively) immediately abutting stadium parking lots, which are landlocked, lack the ability to accelerate an opening, lack expansion opportunities, and cannot possibly compete with the transformative impact of the Casino Revolution site.

Fourth, in terms of economic impact, the PHL project will have a powerful economic impact on the local community. PHL's commitment to generating local impact is unquestionable because PHL's founders, Joe Procacci and the late Dr. Walter Lomax, have been living that commitment day-in and day-out for the past 65 years. Today, 75% of Joseph Procacci's employees are Philadelphians and 35% are South Philadelphians; PHL is committed to the same workforce profile at Casino Revolution. PHL's project will also give local small business vendors an economic boost by providing "local preference" to Philadelphia area small businesses, with a 7% preference to vendors and suppliers from Philadelphia county and a 5% preference to vendors and suppliers from Montgomery, Delaware, Bucks and Chester counties.

As detailed in PHL's economic impact study, PHL's \$428 million project will result in 2599 direct, indirect and induced Philadelphia jobs; 3188 direct, indirect and induced Pennsylvania jobs; \$65.2 million in projected construction payroll; 1235 construction jobs with an average wage of \$52,800 and 1369 permanent casino employee jobs, and will result in \$56.5 million in annual purchases of goods and services for ongoing project operations which will substantially benefit local small businesses.

With PHL's ability to expand its project, PHL has the unique capacity to double its already substantial economic impact.

### **c. Ownership and Management**

If location and economic impact are the first two reasons why PHL has the best project, a third reason is the experience, commitment and integrity of the PHL team. PHL's founders, Joseph Procacci and the late Dr. Walter Lomax, are two legendary, serial South Philadelphia entrepreneurs both of whom started out with nothing and through sheer force of will have created world-class businesses across a range of industries from agriculture and produce distribution, to destination real estate development, to healthcare services, to insurance, to media and technology.

These gentlemen have a 65-year track record of commitment to South Philadelphia. They cut their teeth in the neighborhoods of South Philadelphia, they

know the importance and value of those neighborhoods, and shared a deep commitment to preserving and strengthening those neighborhoods.

Joe Procacci is a man of irreproachable integrity, quiet but strong, humble but aggressive, frugal but extraordinarily successful who will be a trusted steward of a gaming license in the City of Philadelphia and a trusted partner of the Commonwealth of Pennsylvania.

Mr. Procacci and fellow equity owner and PHL Board member, Bennett Lomax, son of the late Dr. Lomax, are supported by PHL's Board of Managers which consists of a team of nationally recognized casino, hotel and financial management experts with broad and deep experience in gaming operations, hospitality, convention sales and services, food and beverage and finance.

The PHL Board is further supported by the PHL management team including PHL President, Joseph Canfora, and his team of seasoned professionals from Merit PHL, LLC. The PHL management team has owned, managed, designed, developed, financed and operated casinos throughout the United States. They have held senior executive positions in gaming companies such as Station Casinos which is the premier local gaming operator in Las Vegas, and Empress Entertainment, the first and most successful casino operation in Illinois and Indiana. Merit PHL's principals have also led operations at some of the country's most successful local gaming properties including Boulder Station and Palace

Station in Las Vegas, the President Casino, St. Charles Station, Argosy's Alton Belle and KC Station in Missouri and Illinois, the Silver Reef Casino in Washington, and the Pala Casino in California.

As Merit PHL's President, Pete Ferro, testified at PHL's hearing, Merit has a demonstrated track record of success in building, operating, and expanding local casinos, and intends to implement Merit's "phased" approach at the Casino Revolution. The Board might recall the ringing endorsement of Merit's casino management that was part of the testimony of Steve Oliver, a local government official from the State of Washington where Merit has so successfully built, operated and expanded the Silver Reef Casino. Merit PHL's ability to successfully operate and expand casinos in a variety of highly competitive environments makes them the perfect partner for Joe Procacci and PHL. With their decades of experience in phased development and local casinos, Merit PHL will raise the bar for casino operations in the Greater Philadelphia gaming market.

#### **d. Financial Strength**

A fourth reason why PHL has the best project is PHL's financial strength. The principals of the PHL team have committed more than \$130 million in equity to the PHL project, and are backed by Jefferies and Company and Wells Fargo, two premier international gaming investment banks whose involvement will assure the delivery of a high-quality project, on-time and on-budget.

However, in the event of any disruption to the financial markets, PHL has provided the Board with an additional measure of financial certainty. PHL has obtained Jeffries' commitment to put its balance sheet firmly and fully behind PHL's project with a full financial commitment of that project, including FF&E financing.

**e. Diversity Plan**

The Gaming Act also requires the Board to address each applicant's plan for inclusion and diversity. A fifth reason why PHL has the best project is that PHL has the most potent diversity plan of any applicant in this competition. PHL's commitment to diversity starts at the top – Bennett Lomax of the Lomax family, a renowned Philadelphia African-American family, is a substantial 12% owner, PHL Board member, and material participant in the project. PHL has the largest minority-controlled equity participation among any of the five bidders and has advised the Board that it plans to invite Nelson Diaz, a prominent Hispanic attorney, to join the board, if PHL is selected as the licensee.

In its construction phase, PHL has added H.J. Russell and Company, the 15th-largest African-American-owned business in the U.S., to its construction team. HJ Russell will ensure that local firms headed by African Americans, Hispanics, Asians and females will be bid participants in the construction of

Casino Revolution and that PHL meets its Supplier Diversity goals during the construction phase of 32% minority and 15% female.

With regard to minority participation in PHL's permanent casino workforce, PHL has announced goals of 35% minority, and 50% female. PHL's goals for suppliers to its casino and hotel are specific and unmatched - PHL has committed to supplier diversity revenue goals of 35% for minority-owned businesses and 15% for female-owned businesses.

Casino Revolution surpasses every other applicant in every meaningful metric of diversity – percentage minority ownership, number and diversity of minority groups represented on the board, percentage of minority participation in the construction workforce, the commitment to a construction youth apprenticeship program, the specific commitment to construction supplier diversity and the specific commitment to professional services supplier diversity.

#### **f. Community Support and Community Impact**

A sixth reason why PHL has the best project is that PHL, and only PHL, has strong community support and the least community impact. Unlike the two stadium area applicants and the two Center City applicants, PHL has the full support and endorsement of the community in which it will be located, Whitman Council, whose President appeared personally at the Public Comment Hearings to endorse the PHL project.

There are good reasons for Whitman Council's support of the PHL project. The Casino Revolution site is furthest of all the applicants from any residential neighborhood (almost a mile away) but is close enough for PHL's neighbors to enjoy the benefits that will flow from the project. Unlike the two stadium area applicants, the PHL project does not sit adjacent to charter schools, churches, youth baseball fields, or densely-populated blocks of Philadelphia row homes. PHL's unparalleled access at the intersection of I-76 and I-95 makes it unnecessary for casino patrons to drive down the residential streets of 7<sup>th</sup> Street or 10<sup>th</sup> Street to access the casinos that PA Gaming Ventures and the Parx/Cordish teams propose to put on those streets. It is no surprise that neither of those two proposals attained any South Philadelphia community support.

In addition, PHL, working with the Whitman Council, has announced the establishment of a casino special services district, which will serve the neighborhoods extending north from the Casino Revolution to Snyder Avenue, south to Pattison Avenue, west to 7<sup>th</sup> Street and east to Front Street. PHL is creating and funding the special services district to collaborate with its neighbors in identifying, addressing and funding the most urgent community needs including security, maintenance and neighborhood enhancement, traffic and parking, street and sidewalk cleaning, tree care, landscape beautification, recreational facility



upgrades, lighting enhancements, public safety initiatives and community events. No other applicant in this competition enjoys such significant community support.

**g. History and Success in Developing Tourism Facilities**

The Gaming Act requires the Board to consider the history and success of the applicant in developing destination tourism facilities. Joe Procacci is no stranger to developing world-class destination facilities.

Joe and his brother expanded their produce growing business to southwest Florida when they identified Naples as a location to expand their farming operations. Joe and Michael Procacci chose the best 2000 acres near downtown Naples to develop "The Vineyards." Joe Procacci and his brother Michael turned those 2000 acres of tomato fields into the Vineyards Country Club, a residential golf course community with 40 separate neighborhoods, two 18-hole golf courses (home of the Senior PGA Golf Tournament for 5 years) and 12 tennis courts in one of the country's most exclusive and popular zip codes.

The Procacci family's financial stability, earned through integrity, honesty and hard work, their meticulous planning, design and construction have enabled The Vineyards to remain debt-free. PHL will bring those same skills to bear on the development of the former Food Distribution area and envisions creating such attractions as the LoSo Entertainment and Recreation concept.

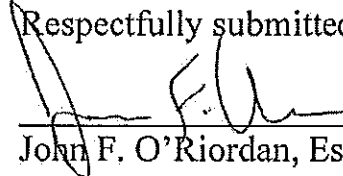
### **III. CONCLUSION**

It's no coincidence that PHL Local Gaming is proposing the most fiscally sound and economically sustainable of all of the five applicants. The two bloated center city proposals would be a neighborhood, traffic and parking "disaster" and seem grounded in highly questionable economic assumptions. The two landlocked stadium area sites infringe upon well-established neighborhoods, and offer no realistic prospect of spurring economic development as they are little more than apron properties to the sports stadiums.

Joe Procacci and the late Dr. Lomax built businesses across a range of industries based purely on hard work, sound business practices, and delivering a superior product. Added to that considerable business savvy is the PHL Merit management team's decades of demonstrated success in building, operating and expanding local casinos in highly competitive environments. The PHL team, poised for success in South Philadelphia, is beholden to no one except its partners the Commonwealth of Pennsylvania, the City of Philadelphia, and its South Philadelphia neighbors. PHL has no hidden agenda or non-Philadelphia casino interests to protect. PHL brings that business savvy and entrepreneurial prowess to the Casino Revolution project. PHL's local ownership can and will focus all of its efforts and attention solely and exclusively on delivering a powerful,

transformative, and financially successful project for the Commonwealth and the City. PHL is the clear and only choice.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John F. O'Riordan", is written over a horizontal line.

John F. O'Riordan, Esq.

ID# 59311

O'Riordan Law Firm

1601 Market St., Suite 2600

Philadelphia, PA 19103

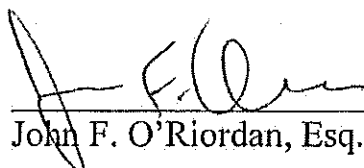
(215) 568-6864

### CERTIFICATE OF SERVICE

The undersigned counsel for PHL Local Gaming LLC, hereby certifies that a true and correct copy of the foregoing document was served this date via email and first class mail, addressed as follows:

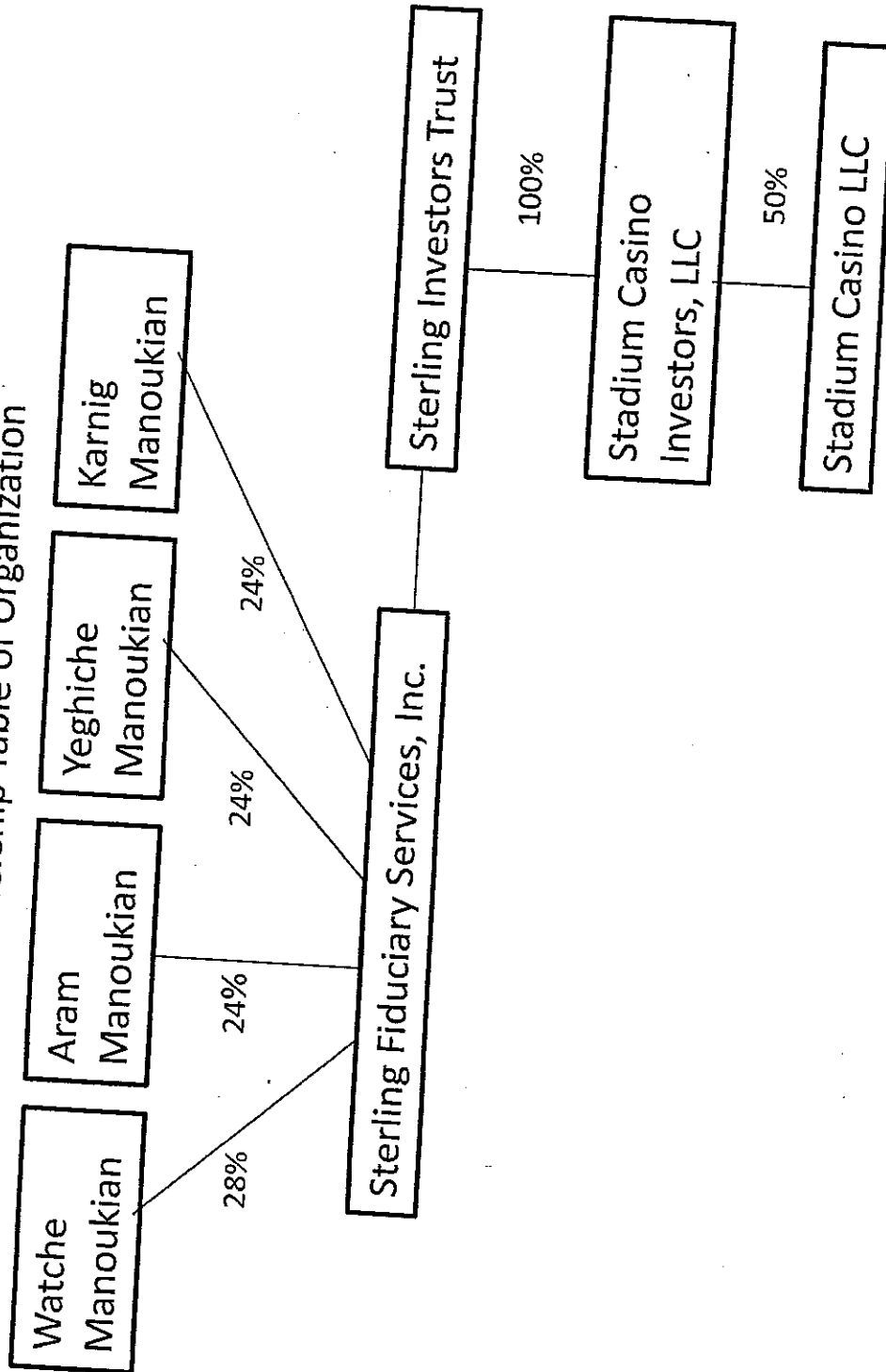
Kevin Hayes, Esquire Doherty Hayes, LLC 1000 Banle Towers 321 Spruce Street Scranton, PA 18503 <a href="mailto:khayes@dohertyhayes.com">khayes@dohertyhayes.com</a>	Frank Donahue, Esquire Penn National Gaming 825 Berkshire Blvd. Wyomissing, PA 19610 <a href="mailto:Frank.donaghue@pngaming.com">Frank.donaghue@pngaming.com</a>
Cyrus Pitre, Chief Enforcement Counsel Office of Enforcement Pennsylvania Gaming Control Board 303 Walnut Street, Strawberry Square Harrisburg, PA 17101 <a href="mailto:cpitre@pa.gov">cpitre@pa.gov</a>	Linda Lloyd, Director Office of Hearings and Appeals Pennsylvania Gaming Control Board 303 Walnut Street, Strawberry Square Harrisburg, P A 171 0 1 <a href="mailto:lilloyd@pa.gov">lilloyd@pa.gov</a>
Michael Fabius, Esquire Ballard Spahr LLP 1735 Market Street, 5st Floor Philadelphia, PA 19103-7599 <a href="mailto:fabiusm@ballardspahr.com">fabiusm@ballardspahr.com</a>	Alan C. Kohler, Esquire Eckert Seamans Cherin & Mellott LLC 213 Market Street, 8th Fl. Harrisburg, PA 17108 <a href="mailto:akohler@eckertseamans.com">akohler@eckertseamans.com</a>

Dated: February 10, 2014

  
John F. O'Riordan, Esq.

Pre-Licensure  
Sterling Fiduciary Services, Inc.  
Ownership Table of Organization

Revised Appendix 12

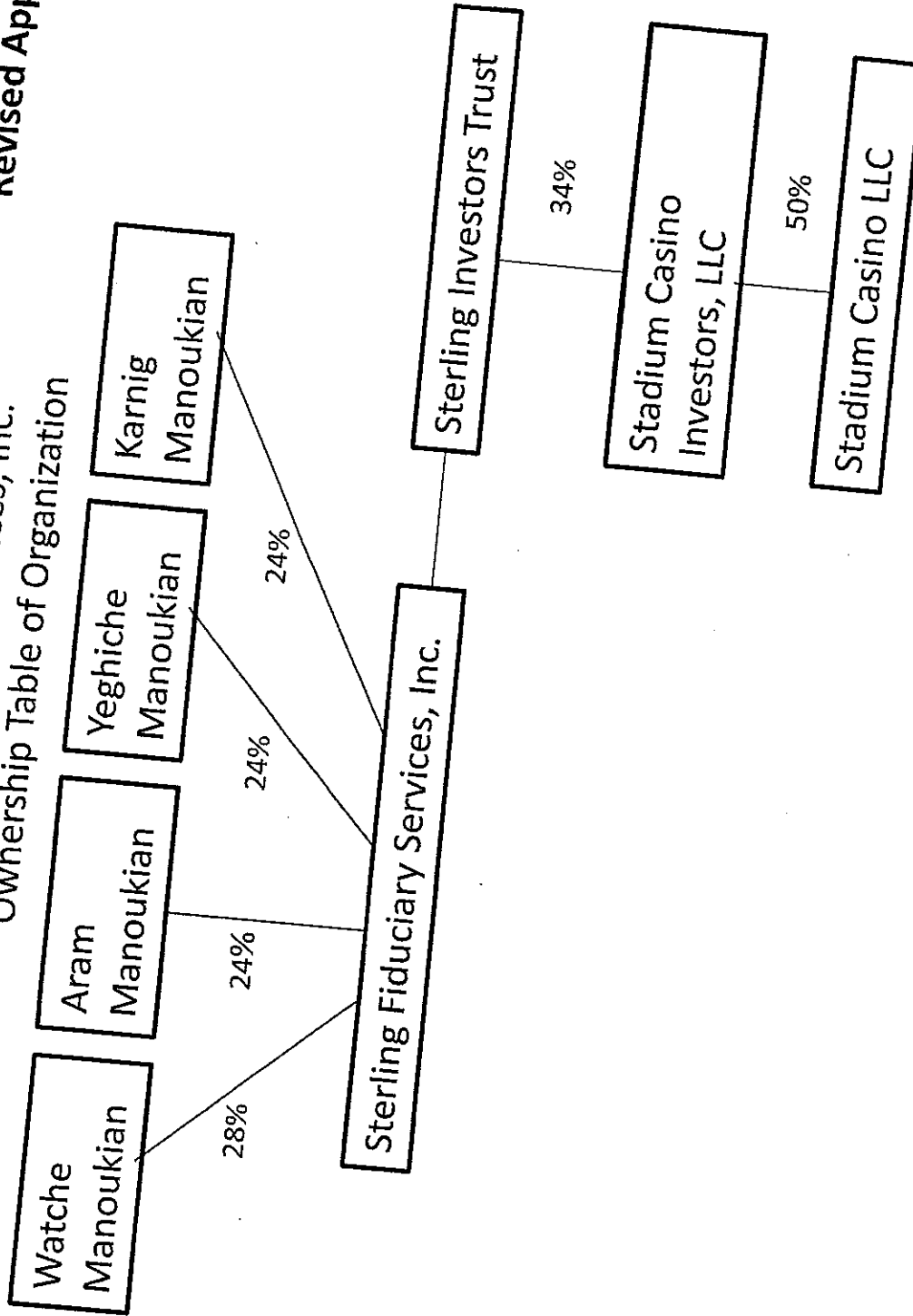


FEB 10 2014

3100-2013

Post-Licensure  
Sterling Fiduciary Services, Inc.  
Ownership Table of Organization

Revised Appendix 12



**CERTIFICATE OF SERVICE**

The undersigned counsel for Stadium Casino, LLC, hereby certifies that a true and correct copy of the foregoing document was served this date via email and first class mail, addressed as follows:

**VIA EMAIL AND FIRST CLASS MAIL**

Kevin Hayes, Esquire  
Doherty Hayes, LLC  
1000 Bank Towers  
321 Spruce Street  
Scranton, PA 18503  
khayes@dohertyhayes.com

Linda Lloyd, Director  
Hearings and Appeals  
PA Gaming Control Board  
303 Walnut Street/Strawberry Square  
Verizon Tower, 2nd Fl.  
Harrisburg, PA 17101  
lilloyd@pa.gov

Frank Donaghue, Esquire  
Penn National Gaming  
825 Berkshire Blvd.  
Wyomissing, PA 19610  
Frank.donaghue@pngaming.com

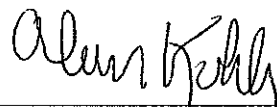
Michael Fabius, Esquire  
Ballard Spahr LLP  
1735 Market Street, 51<sup>st</sup> Fl.  
Philadelphia, PA 19103-7599  
fabiusm@ballardspahr.com

Cyrus Pitre, Chief Enforcement Counsel  
Office of Enforcement  
Pennsylvania Gaming Control Board  
303 Walnut Street, Strawberry Square  
Harrisburg, PA 17101  
cpitre@pa.gov

John F. O'Riordan, Esquire  
O'Riordan Law Firm  
1601 Market Street, Suite 2600  
Philadelphia, PA 19103  
jfo@oriordanlaw.com

John M. Donnelly, Esquire  
Donnelly Clark  
1000 Boardwalk  
Atlantic City, NJ 08401  
jdonnelly@donnellyclark.com

Date: February 7, 2014



Alan Kohler, Esquire