

**Testimony for the Pennsylvania Gaming Control Board
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Pennsylvania Convention Center**

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Introduction

Good morning Chairman Ryan and members of the Pennsylvania Gaming Control Board.

My name is Alan Greenberger. I am the Deputy Mayor for Economic Development for the City of Philadelphia and the Chairman of the Philadelphia City Planning Commission. I am joined today by John Neill from AKRF, the consultants we have engaged to provide an economic analysis of each proposed casino and its impact on Philadelphia. I will touch upon some of AKRF's findings in my testimony but John will give a more detailed presentation following my comments.

I would first like to thank you for the invitation to provide testimony regarding the six applications for the remaining casino license in Philadelphia. I would also like to express the City's gratitude for the productive and cooperative relationship we have enjoyed with the Board and with the staff throughout this process. While it is 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 with which you have approached this decision.

Overview

Today, as requested by the Board, I will 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 will have some general comments regarding all of the proposals, before commenting on each individual proposal. In the interest of fairness, we will discuss them in alphabetical order. I will then ask John Neill to present the economic analysis conducted by AKRF, before concluding and then answering any questions that you may have.

In conducting our analysis we have focused on the following factors:

- The location of the proposed casino and its impact on the surrounding community, including issues related to access, traffic, public safety, and community relations.
- The overall economic impact of the proposal, including job creation, gaming and non-gaming revenues, and the potential to spur additional economic development in the surrounding areas.
- The degree to which each of the proposals impacts existing gaming facilities in the city and region, and the revenue currently generated by those facilities.

- And 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 principal officers as we understand that the Board will conduct that analysis.

It is 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 to 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 is our expectation that each of the proposals will continue to evolve and improve over the coming months as we move through this process.

General

Before turning to the individual proposals let me first say that any one of the six proposals 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, 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 the need to work closely with the Philadelphia Streets Department 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.
- And ensuring a high level of minority and female participation in the contracting, jobs and economic benefits that come with such a major development. This is a key priority for the Nutter Administration and a priority that we fully expect to be shared by whichever applicant is awarded the casino license.

I will now spend a few minutes discussing each proposal in turn, identifying the positives and negatives associated with each project and providing some suggestions, where appropriate, on areas that we believe could be strengthened by the applicant.

Casino Revolution

The first application is Casino Revolution to be developed and operated by PHL Local Gaming, LLC, 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 appreciated the attention paid to diversity in both the leadership team of the proposal and the ambitious minority participation goals outlined for 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 can later be expanded.

However given the relatively isolated location and the low 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 in the 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 is unlikely to spur any additional economic development benefit to Philadelphia.

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 best suited to industrial and logistical uses, rather than recreation and entertainment. The same could be said of the proposed site itself, already a productive distribution point. Given this context and the 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 the casino proposal.

Hollywood Casino

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 in the 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 position to evaluate the impact that this element of the proposal could have on the city. While we certainly appreciate this focus on providing support to crucial needs for the city, it is our view that choosing the proposal that will 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 one significant 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 for more than 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 the 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 project that this proposal will generate the lowest number of direct and indirect jobs once the casino is constructed, the lowest amount of total gaming and non-gaming revenue, and the lowest tax revenue to both the City of Philadelphia and the Commonwealth of Pennsylvania. It is also 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.

Live! Hotel and Casino

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 at 9th Street and Packer Avenue.

As with the previous proposal the team behind Live! includes experienced operators with a demonstrated track record in the regional casino market, 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 at the 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 nearby community organizations to try to 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 the 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 with a more active street life than currently exists.

For this to 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 full build-out of XFINITY Live! but we do feel that the quality of the building and 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 tax revenues to the City and the Commonwealth, performing only slightly better in these categories than Hollywood Casino.

In general it is 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 was expressed about the three proposals in South Philadelphia. However, with regards to at least Hollywood and Live!, the applicants are experienced regional casino operators with a strong track record and so we do not doubt that they are capable of developing and operating a successful casino in Philadelphia.

Market8

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 prime 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 in the expanded Pennsylvania Convention Center, providing an additional amenity for tourists and conventioners.

We are excited by the level of on-street, mixed-use activity contained within this proposal as it is 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 and, our analysis shows, is less likely to have a negative impact on existing gaming facilities in the city and 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 are 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 note that 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 management 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, though we also want to remind the board that there has always been an expectation by the City that this site would be developed intensively.

Additional areas of concern include the need for off-site parking due to the small footprint of the site, the associated security need for casino patrons and employees who may be walking to or from their vehicles and could potentially be targeted, 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 Chinatown to the north which has expressed concern about issues related to problem gambling in that community. We are 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 for general support for small businesses in the area. We applaud these efforts and would like to see more details of their proposals.

One of our most important teaching hospitals - Jefferson University Hospital - exists to the south and would need to be an important partner in terms of managing access and movement of traffic to its clinical and emergency facilities. In addition, the proximity of the

site to Jewelers Row raises questions about problem gambling and the ability of patrons to quickly access cash through selling 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 those efforts continued and expanded, given the unique challenges posed by this particular site.

The Provence

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 along another priority corridor for 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 a wide range of existing investments, including the expansion of the Pennsylvania Convention Center, whose new main entrance on North Broad Street is 2 ½ blocks from the proposed casino – about the same as the distance from the Convention Center’s other main entrance on Market Street to the Market8 proposal.

Furthermore it ties into a new level of development along Callowhill Street to the west, which has the potential to connect all the way down to the Barnes Foundation and the other cultural institutions along the Benjamin Franklin Parkway. It also envisions the reuse of a major historic building, the former Inquirer Building, an icon of the city 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 revenue to the City and the Commonwealth. The 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 is less likely to negatively impact existing gaming facilities. Furthermore this developer has a demonstrated track record of major urban development and transformation in Philadelphia, notably in the Northern Liberties 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 need to be further addressed.

The location of the site is immediately off of a central highway interchange. That interchange, however, is an already congested section of the road network and includes the Vine Street Expressway, 15th Street and 16th Street. 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 like to hear more from the applicant about how The Provence can enhance activity along its various street frontages. We would 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.

In general, our analysis shows that the two Center City proposals – Market8 and The Provence – have the greatest potential to spur additional economic benefit associated with the awarding of a 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 is our belief that Market8 on Market Street East will have the most immediate effect while The Provence is part of a longer-term revitalization of North Broad Street. Both can be transformative projects for the city.

Wynn Philadelphia

The final proposal - before I turn the testimony over to John and AKRF for a more detailed presentation of the economic analysis – is Wynn Philadelphia to be developed and operated by Wynn Resorts on the Delaware River Waterfront.

Wynn Resorts is a well-established, internationally known, 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 of 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 along our waterfront. The Central Delaware Waterfront has been the subject of a substantial, multi-year master plan, now being realized through numerous public and private projects in various stages of development planning and construction. We are encouraged by the development team's commitment to parkland and public space along the waterfront and would like to see more detail from the applicant in terms of exactly what the public space will look like and how it will be operated.

The site is relatively isolated from the nearby residential communities and we have not received any expressions of concern from those community organizations. It has excellent highway access to I-95 and is in a section of the city that has experience hosting a large casino with Sugarhouse Casino. However there are questions over the economic pros and cons of locating a second casino so close to an existing casino that AKRF will discuss in more detail. Absent a cohesive plan to accommodate 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 is 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 near mile between them, a powerful transformation could take place on our waterfront. We are aware that the development team has been working on such a physical plan, but are unsure as to how it might get implemented.

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 are aware that Wynn Resorts is pursuing similar opportunities in other markets along the east coast and are also aware of the extensive, worldwide sales operation in the Wynn organization. We would like to hear more from the applicant about why Philadelphia – and 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 will now turn over to John Neill, Vice President of AKRF, for a more detailed presentation of our economic analysis of each of the proposals.

AKRF PRESENTATION

In conclusion I would once again like to thank the Board for the invitation to provide the City's perspective on each of the six proposed casinos and for the cooperation we have received from the Board and the staff throughout this process. I would like to thank each of the applicants for their willingness to work with us and their responsiveness to our requests for information. It is our expectation that each proposal will continue to improve as we move into the final stages of this process – particularly around issues I have identified today - and it is our intention to maintain a dialogue with each applicant over the coming months to assist in that evolution.

The development of a second casino in Philadelphia represents a major economic development and job creation opportunity and we will remain ready to assist the Board in its deliberations and final decision over the awarding of the license.

I would be happy to answer any questions that Board members may have.