

In casino bid, MGM holds stronger hand

by Alexander Pyles

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OXON HILL — When final bids are turned in for Prince George's County's casino Friday, what's at stake in the ensuing months-long competition will be the right to operate what many expect will become the top casino on the Eastern Seaboard.



MGM's proposed casino at National Harbor was described by one expert as a site with 'impeccable' economics because of its proximity to Virginia and the District of Columbia, two jurisdictions unlikely to ever permit gambling. (Alexander Pyles/The Daily Record)

MGM Resorts International Inc. hand-delivered its bid, 13 white cases' worth of paperwork, on Thursday afternoon. At least one other company — Wyomissing, Pa.-based Penn National Gaming Inc. — is expected to turn in a bid to the Maryland State Lottery and Gaming Control Agency Friday.

But the companies are coming at the bid from starkly different angles. MGM Resorts has been declared the favorite because it intends to build a resort casino at the sprawling and glamorous National Harbor mini-city on the Potomac River's shore, a location backed by powerful elected officials at the state and local level.

The Las Vegas-based gambling giant expects the casino to be so lucrative it spent some \$40 million last year to ensure passage of a voter referendum that authorized the state's sixth casino — and

that only gave it the opportunity to compete for the operator's license.

Penn National spent more than \$40 million in an unsuccessful attempt to defeat the measure, fearing for more than the future of its own proposal to build a casino at the Rosecroft Raceway horse track in Fort Washington — a proposal once favored but now panned by most politicians.

Losing to MGM Resorts could put Penn's top property in West Virginia, the Hollywood Casino at Charles Town Races, at risk. While Charles Town is a popular destination for Washington-area gamblers, they could find the commute to National Harbor, at the foot of the Woodrow Wilson Bridge, far more enticing than a 60-mile jaunt to West Virginia.

Despite any leftover hurt feelings between Penn National and state officials after a nasty referendum fight that inspired Gov. Martin O'Malley to call some of Penn's claims "a bunch of West Virginia hooey," an impartial state panel — the Video Lottery Facility Location Commission — will decide the winner of round two between the deep-pocketed gambling companies. That decision is expected in December.

"People seem to think MGM's the odds-on favorite, but the commission has to make objective decisions," said James Karmel, a Harford Community College professor who studies the casino industry. "If Penn National's proposal matches up head-to-head and the commission feels it's more sound and has a better chance to make revenue for the state and the casino ... then anything could happen.

"I would say they certainly have a very viable opportunity here."

But Penn National does not appear optimistic. While company executives have refused to confirm they plan to bid on the casino license, Penn National appeared to commit — somewhat reluctantly — to competing for the casino license in its most recent quarterly filing with the Securities and Exchange Commission.

“Though we intend to participate in the bidding process, we believe another operator could be selected,” the federal filing stated.

Richard Clinch, director of economic research at the University of Baltimore’s Jacob France Institute, said it was “unlikely” Penn National could outbid MGM, mostly because of location. National Harbor is closer and more easily accessed from Washington and wealthy Northern Virginia than Rosecroft Raceway, tucked down a winding wooded road in a residential neighborhood a few miles away.

Regardless of who builds it, the casino would have near-exclusive patronage from the locals, with the closest competition for the foreseeable future being in Charles Town and 30 miles north in Anne Arundel County.

“The economics of this are impeccable,” said Clinch, who has conducted economic research for Prince George’s County and National Harbor. “National Harbor is considered one of the premiere sites to do this anywhere. Virginia’s never going to pass gaming and Washington’s never going to be allowed to pass gaming.”

Beacon on the hill

Lorenzo Creighton, president and chief operating officer of MGM Resorts subsidiary MGM National Harbor said Thursday that state Lottery officials would not allow him to divulge details of the bid until after all bids are received.

But in a November meeting with The Daily Record, MGM Resorts Chairman and CEO James J. Murren explained that his vision for the casino would not be Las Vegas on the Potomac, but something that complemented the existing feel of National Harbor.

“I want to do a low-rise building that would have restaurants and entertainment and casino retail that is sympathetic to the architecture that’s there already,” Murren said just before Election Day. “I’m going to use a lot of the brick and a lot of the materials that are indigenous to Maryland, and particularly along the Potomac.”

He said a “luxurious spa” would be part of the design, but that the resort would have just 250 to 400 rooms that would be the most expensive at National Harbor, allowing other hotels in the development — including the 2,000-room Gaylord National Resort & Conference Center — to draft off the MGM prices.

“The tower I’m envisioning is going to be very understated, elegant,” Murren said. “I’m looking at a knife-like kind of edge, a very subtle kind of tower.”

“If you put yourself in a car, and you’re driving over the Woodrow Wilson bridge, you’ll see this little beacon, this small, elegant tower up on the hill ... I think it will be a nice little touch.”

He also said major entertainment — including Cirque du Soleil, boxing and UFC fights — could come to the resort, which Murren said would seek a LEED Gold certification from the U.S. Green Building Council.

Racing at risk

Penn National, meanwhile, has been more tight-lipped about its plans, except to say that without casino-style gambling, harness and thoroughbred racing at Rosecroft Raceway would be put in jeopardy.

Just before the General Assembly entered into a special session to discuss expanding gambling last summer, Penn National signed a two-year contract extension with the Cloverleaf Standardbred Owners Association to extend live harness racing through August 2014. Penn National executives said at the time that the move was a financial risk that demonstrated their commitment to the state racing industry.

Sharon Roberts, executive vice president of the Cloverleaf Standardbred Owners Association, said a casino at National Harbor would be the end of racing at Rosecroft, forcing breeders to other states.

"A casino at National Harbor will be the final blow to Rosecroft and will destroy our industry," Roberts said. "We are finally seeing our industry begin to thrive again and it would be terrible for that progress to end because a casino was placed at National Harbor."

In written testimony to the Senate Budget and Taxation Committee last year, Penn National Senior Vice President Eric Schippers reiterated that warning and said the company was willing to build a \$500 million casino at Rosecroft, creating 4,600 construction jobs and 3,000 permanent ones. He also said local minority partners would take up to a 30 percent stake in the proposal.

Having a high minority participation rate — and eventual hiring goal — could raise Penn National's standing with the commission, Karmel said. But Clinch noted Penn National would still likely struggle to match MGM's bid due in part to infrastructure deficiencies: There are just two roads leading in and out of the racing complex.

Appeal possible

If Penn National cannot win, onlookers say, it can slow down the process. By formally bidding, Penn National puts itself in position to appeal the commission's ultimate decision, potentially keeping its West Virginia casino operating unimpeded while the appeal process unfolded.

A circuit court judge in Baltimore threw out two appeals of Baltimore's casino license award in January, agreeing with the Maryland State Board of Contract Appeals that neither company was eligible to appeal the contract because neither responded to a formal Request for Proposals.

If Penn National were to win the license, it would have to unload Hollywood Casino Perryville in Cecil County because of a state law that does not allow companies to hold more than one casino license — but most do not view that as a deal breaker.

Hollywood — Maryland's first casino — has seen its value diminished since June, when the opening of Maryland Live Casino at Arundel Mills mall contributed to a 30 percent year-over-year reduction in businesses at Perryville. The casino generated \$8.5 million last month; a casino in Prince George's County is expected by most to generate even more than Maryland Live, which accounted for \$46.6 million in April.

"That's why MGM wants it," Clinch said. "MGM didn't bid on Perryville."

And while Clinch thinks MGM Resorts will win the license it did bid on, a Penn National victory would not constitute the first time the state's supposed preferred location for a casino fell through.

Many hoped that Anne Arundel County's casino would be built at Laurel Park. But when a group seeking to operate that casino did not include a licensing fee in its 2009 bid, the license later went to a subsidiary of the Cordish Cos., which built the mid-Atlantic's most successful casino next to Arundel Mills mall in Hanover.

"Can someone unexpected win a location? Yeah, we already had an example of that in Anne Arundel, which right now is the most successful in Maryland, (but) not for long," Clinch said. "Could somebody win it? Yes, absolutely. Will they win it? I think it's unlikely. Rosecroft is not as nice a location."

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