

## State's casino selections produce winners and losers

Written by Administrator

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Patrons of the Empire City Casino at Yonkers Raceway play on the video gaming units June 5, 2012. ( Matthew Brown / The Journal News )

ALBANY – The three casinos for upstate New York will help economic development in hard-hit areas, but will also create challenges for existing gambling halls and add competition in a nearly saturated Northeast market.

The picks by a state board Wednesday of casinos for the Finger Lakes, Schenectady and Thompson, Sullivan County, was a surprise to analysts who expected the state would go with a more lucrative selection in Orange County — closest to New York City.

"There's no doubt that's where the most revenue for the state would have come in," Richard McGowan, an economics professor at Boston College, said. "But the commission was really more worried about an economic-development model than revenue for the state."

The five-member state Gaming Facility Location Board had to pick up to four casinos from among 16 applications in three regions of the state: the Albany area, Catskills/Orange County and the Southern Tier/Finger Lakes.

It chose three instead of four, leaving out Orange County and shutting out some of the biggest proposals sought by gaming giants Genting, Caesars and Mohegan Sun. It went with a \$1 billion plan by Empire Resorts, backed by Genting's chairman, for the Montreign casino in the Catskills.

"We thought for the sustainability of one casino the Catskills region, to give it the best chance to

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succeed, with everything that's going on in the state and the surrounding states, was to not have another casino in the region," said the board's chairman Kevin Law.

Leaving out Orange County was a victory for New Jersey and downstate New York racetracks with video-lottery terminals. An Orange County casino would have competed with casinos expected for northern New Jersey, as well as Atlantic City and the gaming halls in Yonkers and Queens.

"The guys in Jersey are happy because Atlantic City was facing all this pressure, and anything in Orange County would have hurt them even more," said Chad Beynon, a gambling analyst at Macquarie Securities Group in Manhattan.

Dutchess County Executive Marc Molinaro has said casinos in Orange and Sullivan counties would have benefited tourism in Dutchess the most, but he believed a casino in Sullivan could boost tourism locally. State officials have said Dutchess is in line to receive up to \$2 million in annual tax revenue sharing once the casino is built, he said.

Dutchess could have received additional funding — \$200,000 to \$2 million annually — had Orange or Ulster county been selected for a casino.

The three casinos will look to open within 18 months and still need final approval for gaming licenses from the state Gaming Commission.

They'll compete in an increasingly volatile and competitive gaming market. The Northeast already has about 50 casinos, and there are plans for expansion in neighboring Connecticut, Pennsylvania and Massachusetts. Four casinos in Atlantic City have closed this year.

Analysts questioned whether the new casinos in New York can produce the type of economic draw that the state once envisioned. While they will be regional attractions, they may not become travel destinations, analysts questioned.

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Also, while the casinos may keep New Yorkers from going to other states to gamble, it also will take from the existing nine racetracks with video-lottery terminals and the five Native America casinos, analysts said.

"Either way, you're going to see some cannibalization," said Alan Woinski, a casino analyst in New Jersey. "You're not going to have an open-and-shut case here of 'We're going to just grow the market.' You're going to see some cannibalization."

Some of the racetracks have warned that they would lose revenue — a portion of which goes to the state — when new casinos open nearby. Finger Lakes Race Track is only about a half hour from the casino site in Tyre, Seneca County. The Saratoga Race Track is about the same distance from the casino in Schenectady.

Bidders had to put up a \$1 million application fee to compete for a license. Rochester-area mall magnate Thomas Wilmot won with the Tyre casino, but fellow Rochester developer David Flaum had two proposals — one for Rensselaer near Albany and one in Orange County — and neither won.

The board rejected two proposals for the economically struggling Southern Tier, choosing instead to go with the Lago Resort in Tyre between Rochester and Syracuse.

Woinski said he was most surprised that the state went with Lago instead of Tioga Downs, which already runs a video-lottery facility in the region and bid for a casino license. The owner, Jeff Gural, also owns the Meadowlands Racetrack in northern New Jersey and also hopes to get casino gambling there, but he was stunned Wednesday when he wasn't selected in New York.

The Finger Lakes "region is kind of surrounded by casinos anyway," Woinski said. "And I think it would have been easier to give it to an incumbent there and allow them to have table games rather than put another spot in there."

Southern Tier lawmakers said they would press the state to grant the fourth license in the

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region, but the board said it has no plans to do so, and Gov. Andrew Cuomo said he would abide by the board's decision.

Moody's Investment Services said Friday that the new casinos is credit positive for the host communities. The ratings agency said local governments and schools will benefit from the jobs, taxes and revenue sharing that will come from the facilities.

Each project predicts at least 1,500 jobs and will provide a host fee to the municipalities.

"All host municipalities will likely see increases to local property taxes driven by the new construction and sales-tax growth driven first by construction activity and eventually by tourism generated by the casinos," Moody's said.

Cuomo visited Schenectady and Sullivan County on Thursday to tout the economic benefits of the new casinos. He said the risk for success is with the developers, not the state.

"Government doesn't have any money at risk here," he said. "It's all upside for the state of New York."

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### What's next

After a siting panel's approval Wednesday, the state Gaming Commission will review the three casinos for Tyre, Seneca County; Thompson, Sullivan County; and Schenectady in the Albany area. They expect to grant the licenses in the coming months, then the casinos would have 24 months to open.

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In the meantime, the Gaming Commission said within 30 days it will release a full report of its findings on all 16 applicants.

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