

And the winner of Pa.'s first mini-casino is...

Written by Administrator

Wednesday, 10 January 2018 14:28 -

With the winning bid Wednesday for Pennsylvania's first mini-casino license, a Harrisburg-area casino operator sought to maintain its grip on that region's gamblers — even as it argues in federal court that the entire concept of mini-casinos should be thrown out the window.

Mountainview Thoroughbred Racing Association LLC, a subsidiary of Penn National Gaming and operator of Hollywood Casino in Grantville, bid a whopping \$50.1 million at an auction in Harrisburg. It chose an area of York County about an hour from Hollywood in which to place a potential mini-casino, blocking off that area to competitors. In doing so, the company signaled its anxiety to retain its market and desire to solidify its dominance in central Pennsylvania.

“We were really looking at this from one eye on defense, one eye on offense,” said Eric Schippers, senior vice president for public affairs at Penn National Gaming. “In terms of defense, we looked at, were a competitor to come into that area, it would have caused significant cannibalization of our business. In terms of offense, we looked at where could we drive incremental value for our shareholders.”

First Mini-Casino License Awarded in York County

The owner of Hollywood Casino won an auction for the right to build the **first mini-casino** in Pennsylvania. The new gaming hall must be built within a 15-mile radius of Yoe, which creates an area that includes 27 municipalities, in whole or in part, that chose not to prohibit the operation of a mini-casino. An additional 42 municipalities within 15 miles of Yoe, some in Lancaster County, chose the state's “opt-out” option to prohibit mini-casinos. In all, more than 1,000 of Pennsylvania's 2,575 municipalities chose to opt out.

Click on the map for more information.

SOURCE: Pennsylvania Gaming Control Board

Staff Graphic

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Wednesday's auction started one of the major initiatives of a [sweeping gaming expansion](#) passed by lawmakers in October aimed at [bringing much-needed revenue](#) to the state — and Penn National offered more money for the license than some onlookers expected. The new law authorizes video gaming terminals in truck stops, an online iLottery, and online gambling along with the mini-casinos, which will each have between 300 and 750 slot machines and up to 30 table games in its first year of operation.

But the gaming bill was widely criticized for being rushed through, even by lawmakers who voted for it. As Pennsylvania has become the second-biggest gambling state in the country after Nevada, analysts have called gambling revenue a unstable funding source.

Only four of 11 eligible casinos participated in the auction, the first of 10 scheduled over the next five months by the Pennsylvania Gaming Control Board. The auction was conducted through secret ballot; thus, the other bids — and proposed locations — will remain a mystery.

Penn National's win effectively extends to the south the competition-free buffer zone that the new law gave to each casino, which Penn National had called inadequate. On Tuesday, it [sued the state in federal court](#) in an attempt to bar construction of the new casinos, alleging its business was less protected from mini-casino competition than every other casino in the state.

“Though the 25-mile buffer zones purport to treat all existing casinos equally, as applied, Hollywood Casino, uniquely situated in the middle of the state, is the *only* casino likely to face significant cannibalization,” the lawsuit reads.

Because Hollywood is the only casino in its region, Penn National argued, most of its customers come from outside the 25-mile zone given to each casino. Plus, it said, casinos to the east and west benefit from overlapping zones, “leaving the vast majority of sites for [satellite] casinos in the central portion of Pennsylvania, encircling Hollywood Casino.” ([And one casino got a special carve-out](#) .)

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If Penn National wins the case, the mini-casino provision would be struck down and none would be constructed. If not, the company could have a satellite about an hour's drive from the Hollywood Casino — or at least control the right to have one. It chose a 15-mile radius around the small borough of Yoe, York County, as the zone where it can locate its satellite.

Yoe itself has opted out of hosting a mini-casino, meaning the satellite won't be placed in that borough. Even though the town doesn't want a mini-casino, however, one of its neighbors might. Of the 69 municipalities wholly or partially within the 15-mile radius, 27 of them did not opt out. York is the eighth-largest county in the commonwealth, according to census data.

Penn National considered several locations before deciding on the area in York County, Schippers said, and had to settle on a bid amount. Its offer was far above the minimum of \$7.5 million for a slot machine license but “was the amount we thought our competitors might be willing to spend to come in and to poach our business.”

The company must fork over the \$50.1 million by Friday, but has six months to put together an application including a final location.

Across Pennsylvania, local governments were split between those wanting to keep casinos out of their communities and others hoping to reap the potential revenue source and tourist draw.

Forty percent of the state's municipalities decided to prohibit a satellite casino within their borders. Sixty percent remain in the game, although municipalities within 25 miles of an existing casino are only eligible to host a satellite established by that casino, which led some such municipalities not to bother to opt out.

Scores of towns in Bucks, Chester, Montgomery and Delaware Counties opted out, including Bensalem, Downingtown, Lower Merion, and Radnor. Philadelphia also voted to nix a mini-casino within its borders, and every municipality in Lancaster County said no.

The opt-outs are not concentrated in any region but are spread across the state: Every county had at least a couple of municipalities that said no to the casinos. It left more than 1,500 cities,

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boroughs, townships open for potential mini business.

The next auction for a license will be Jan. 24.

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