

The Philadelphia Inquirer

Blatstein's back in thick of Philly's casino game

Blatstein wants to remake The Inquirer site into a mixed-use complex. But he faces growing competition.

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From the roof of Tower Place at Broad and Spring Garden Streets, Bart Blatstein discusses...

When the history of gaming in Philadelphia is written, developer Bart Blatstein deserves a mention in the prologue.

In 1986, Blatstein bought a waterfront parcel on the Delaware River for \$2.3 million, an investment many wrote off as foolhardy.

Eight years later, the state was abuzz with rumors of riverboat gambling. Casino operators were lining up at Blatstein's door, trying to pry the land from him.

Bally's got the 22-acre parcel for more than \$60 million and, through a series of transactions, passed it on to local investors in the Foxwoods Casino deal. But that project - which included a family trust with ties to Lewis Katz, one of the new owners of The Inquirer, Daily News, and Philly.com - lost its license in 2010. The investors' final appeal last month to the Pennsylvania Supreme Court failed.

Now, with Foxwoods out, Blatstein wants in.

On Thursday, the developer announced a plan to build a \$500 million casino and entertainment complex stretching on Callowhill Street from North Broad to 17th Street, with the historic North Broad Street headquarters of The Inquirer, Daily News, and Philly.com as an anchor.

He recently returned from a trip to Las Vegas to drum up interest in his project. Blatstein said there were "many, many operators who want to be part of this."

But competition in the local gaming market is intensifying as more casinos come on line locally and in neighboring states. This has prompted some legislators in Harrisburg to question whether Pennsylvania needed another casino, let alone a second one in the city of Philadelphia.

Across the state, 11 casinos are operating, the newest of which is the Valley Forge Casino Resort in King of Prussia, which opened this month. Of the three remaining licenses, only one - for the Nemacolin Woodlands Resort near Pittsburgh - has been awarded.

Sen. John C. Rafferty Jr. (R., Montgomery) would like to eliminate altogether the second license for Philadelphia. He plans to introduce a bill to reduce to 13 (from 14) the number of available licenses in Pennsylvania.

Legislators like him believe the economics of the gaming market have changed since the state approved gambling in 2004. Senate Majority Leader Dominic Pileggi (R., Delaware) noted that the neighboring states of Maryland, Ohio, New York, and New Jersey have recently added casinos.

It's a much more competitive environment surrounding us," Pileggi said. "The concern of many members . . . is that any new licenses would have the potential - if not the likelihood - of taking customers from existing licenses."

Those existing casinos include Harrah's Chester, in Pileggi's senatorial district. Other Republican senators also have a territorial interest in the issue - Rafferty with the Valley Forge casino in Montgomery County, and Sen. Robert "Tommy" Tomlinson, whose Bucks County district includes Parx in Bensalem.

But in Pennsylvania, casinos are not just about making money for operators; they also provide revenue for hard-pressed cities like Philadelphia.

Philadelphia expects to receive \$3.3 million for its local tax share of gaming revenue from SugarHouse in the current fiscal year ending June 30, plus an additional \$2 million that SugarHouse agreed to pay to offset the city's annual costs. The Philadelphia School District gets \$5 million annually from SugarHouse.

More important, the city will receive \$86.3 million in statewide gaming revenue this year to cut wage taxes.

For that reason, Democratic Sen. Anthony Hardy Williams of Philadelphia gets impatient when he hears colleagues like Pileggi pushing to remove Philadelphia's second license.

"Philadelphia needs revenue and can't afford another tax," Williams said. "Consequently, they'll need a casino."

Together, Pennsylvania casinos have generated more than \$10 billion in revenue, with \$6 billion going to the state to use for tax relief, economic development, and support for the horse-racing industry. Statewide, casinos have 26,344 slot machines and 977 table games.

Opponents who view casinos as predatory businesses also do not want to see another casino in the city.

"A casino downtown would substantially eat into the share of the other casinos, while at the same time creating new addicts in its own hyper-local market," said Paul Boni, a Philadelphia lawyer and board member of the national advocacy group Stop Predatory Gambling.

Boni said a large percentage of the regular customers of SugarHouse and Harrah's Chester make more than four visits a week. "It is unconscionable for our city leadership to be encouraging the communities in the North Broad corridor to engage in such addictive, destructive behavior," Boni said.

Even if the state follows through with a second license for Philadelphia, Blatstein may have local competition.

Mayor Nutter has signaled that Blatstein is not the only one interested in running a casino in the city. In an April 3 letter to Philadelphia legislators, Nutter said he was "aware of several developers who have considered the possibilities of a second casino in the city."

In a report in August, the state's treasury tried to calculate the best locations for the two remaining licenses. If opened up to the entire state, the treasury concluded, South York or Reading would generate the highest net gain in gaming revenue. A Philadelphia casino would generate more revenue - but at the expense of other operators, resulting in a lower net gain for the state.

Blatstein, meanwhile, said he knew it would be a fight to get a casino license.

And if he doesn't succeed, will he continue with his project, minus a casino?

"I don't go into this," Blatstein said, "thinking I'm going to lose."