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## **Schools, pensions get \$ in Penn National gaming deal**

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Philadelphia schools and the municipal pension fund would get at least \$2 million a year if Penn National Gaming Inc. succeeds in its bid to build a South Philadelphia casino, Steve Snyder, senior vice president of corporate development told City Council members Thursday.

For the first time, officials for the Wyomissing, Pa. gaming company publicly spelled out its unique casino proposal - one of six now under consideration by the state's Gaming Control Board for the city's second gaming license.

Penn National wants to operate a \$480-million casino at 700 Packer Ave. and would control one-third of the project. A newly-created non-profit - Philadelphia Casino Benefit Corp. - would control the other two-thirds and dedicate its share of income to the Philadelphia School District and city's pension fund.

Snyder said the company estimated that after the first eight years, the payouts to the city could increase from \$2 million a year to between \$12 million and \$17 million a year.

Over 15 years, Penn National projected that the casino could contribute a total of \$115 million to schools and the pension.

The payouts would be less in the first half since the company would have to deduct for expenses including its management fee; interest costs and debt payments, Snyder said.

City Controller Alan Butkovitz, who conducted an independent assessment of the proposal, said the project did present an opportunity for the city and was worth consideration.

But he raised questions about the profit projections and said there needed to be safeguards to ensure maximum profits for city entities.

Butkovitz said the city should negotiate a better deal to keep costs down and profits up. Under the terms of the project, Penn National would be paid a management fee equal to two percent of net revenue and five percent of earnings before interest, taxes, depreciation and amortization. In addition, Penn National would receive a licensing fee equal to two percent of net revenue for use of the Hollywood brand.

"The city is in a position to be a little tougher negotiator," Butkovitz testified. While the contributions to schools and the pension would help, Penn National had to come up with a partner, since it is prohibited by the state's gaming law from owning more than a third of a second casino.

Penn National, which operates 29 casinos, owns the Hollywood Casino at Penn National Racetrack in Grantville, Pa. In Philadelphia, the company projects revenue of \$259 million the first year and \$272 million the second.

"They are doing us a big favor," Butkovitz said, "but we're doing them a big favor, too."

All the applicants for the city's second casino will present their projects before the state's Gaming Control Board at 9 a.m. Tuesday at the Pennsylvania Convention Center.

Penn National was the only group that was asked to appear before City Council because of the unusual nature of the deal.

U.S. Rep. Bob Brady, the city's Democratic party boss, endorsed the project, along with State Sen. Anthony H. Williams, (D., Phila.) and union representatives for teachers and municipal workers. "God knows our schools could use the help," Brady said.

But Paul Boni, an anti-gaming activist with Stop Predatory Gambling, argued that government is already too supportive of gaming. "The city should not make any government program - no matter how worthy - dependent on the success of a casino," Boni said.