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Casino Operators Offer Pancakes, Diapers in Springfield

By Annie Linskey and Christopher Palmeri on April 21, 2013

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MGM Resorts International ([MGM](#)) President Bill Hornbuckle flashed a grin as he briefed leaders in Springfield, Massachusetts, on his latest gesture, sponsoring a yearly pancake breakfast billed as “the world’s largest.”

“We are looking for an opportunity,” Hornbuckle said, referring to the \$800 million casino the Las Vegas-based company wants to build downtown. “I know you are all sophisticated folks. I assure you, this is what we do in communities we engage in.”

Local officials searching for tax dollars through gambling have the edge as casino owners, also hungry for growth, vie for scarce new licenses. MGM Resorts, the largest operator on the Las Vegas Strip, is one of two to descend on Massachusetts’ fourth-poorest city, pitching a “resort-casino” as an economic elixir. The other, Penn National Gaming Inc. (PENN), is also spending to win over residents and government leaders in the city of 153,000.

MGM Resorts’ overtures have included sponsorships of the city’s Stone Soul Concert and the Latino Chamber of Commerce gala, according to a statement from the company. Penn National, based in Wyomissing, Pennsylvania, donated a busload of diapers and teething toys to a child-care center, according to the project’s website.

“When you have a license like this, which will be lucrative, there aren’t a lot of opportunities like it,” said Mitchell Etes, chief executive officer of Connecticut’s Mohegan Tribal Gaming Authority, which wants to build a casino in Palmer, 18 miles (29 kilometers) east of Springfield.

Below Peak

U.S. casino revenue, at \$37 billion last year, remains below the 2007 peak of \$37.5 billion, according to data compiled by Bloomberg Industries and the Washington-based American Gaming Association. Penn and five other operators are competing for a single new license in Philadelphia. In Toronto, MGM Resorts, Caesars Entertainment Corp. ([CZR](#)), Las Vegas Sands Corp. ([LVS](#)) and Wynn Resorts Ltd. ([WYNN](#)) have all expressed interest in a downtown development.

Massachusetts legalized gambling in 2011, allowing one casino in each of three geographic regions. Would-be operators must negotiate an agreement with the municipality where their casino will be based and win local voter approval. After that, the five-member state Gaming Commission will pick one winner from each region.

Local Assurances

Kevin Kennedy, Springfield's chief development officer, said in an interview that he and other city officials have been negotiating host agreements with MGM and Penn. The city wants assurances that local contractors will be used and that it will be reimbursed for added costs, such as police and fire protection, he said. Springfield's poverty rate of 27 percent is almost three times above the state level, according to 2011 Census data.

A panel of city officials and private citizens may recommend one operator to the mayor and the city council in coming days, Kennedy said. Springfield hopes to have a winner picked by April 24, so that residents can vote in a special election set for June 25, he said.

The winner will still have to compete with two other operators chasing the western Massachusetts license, Mohegan and Hard Rock International, owned by Florida's Seminole Tribe, which is seeking approval in West Springfield.

In Maryland last year, groups led by MGM and Penn National spent a combined \$95 million on TV and radio advertising on opposite sides of a gambling-expansion vote. MGM won and may get approval to build a casino that will compete with Penn properties.

Street Fight

Unlike Maryland's battle of the airwaves, the casino companies are taking their fight in Springfield to the streets. Both sides have opened storefronts downtown, where local representatives hand out brochures touting their competing proposals.

Both have proposed similar projects, incorporating shopping, a hotel and entertainment in historic downtown buildings. Penn's \$807 million plan includes the city's Paramount Theater as part of a Hollywood-branded casino project. MGM's include the Springfield State Armory, which was damaged in a 2011 tornado.

MGM's efforts include sponsorships at venues such as the downtown MassMutual Center, where local ice hockey and basketball teams play, according to company releases. The basketball team's uniforms include the MGM logo this season. The company is spending \$10 million seeking approval, including architectural plans, Hornbuckle said. Penn National declined to disclose its investment.

Hours after the April 11 pancake breakfast announcement, workers hung a two-story sign advertising an upcoming show by the rapper Pitbull and a Professional Bull Riders event. Both will be sponsored by MGM.

‘Arms Race’

Hornbuckle, 54, is so embedded in Springfield that the local press association mocked up a photo of him, wearing a black tuxedo and holding a martini glass, for a flier advertising an upcoming roast. Others on the handout include the mayor, city council president and police chief.

Penn National, while also doling out goodies, said it’s taking a lower-key approach.

“We decided not to follow an arms race in a glitzy marketing campaign,” said Eric Schippers, a senior vice president for Penn.

The company is working with local businessman Peter Picknelly, chief executive officer of Peter Pan Bus Lines Inc., who has a 50 percent interest in the casino venture. On MGM’s team is Picknelly’s brother, Paul, a minority investor, according to Hornbuckle.

Penn also agreed to relocate the city’s newspaper, The Republican, owned by the Newhouse family’s Advance Publications Inc., and build a new printing plant.

The competition for goodwill is “unprecedented” for casino companies outside of statewide referendums, said Clyde W. Barrow, the director of the Center for Policy Analysis at the University of Massachusetts Dartmouth.

“This is a completely different phenomenon that we are seeing in Springfield,” he said.

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