

**SLOT MACHINES IN MARYLAND**

# Two-thirds of a loaf

*State gets 2 bids for Arundel, 1 each for other sites, but only for 10,550 out of possible 15,000 terminals*

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ANNAPOLIS — The state received bids for slightly more than two-thirds of the slot machines that voters approved in a November referendum, officials said Monday after unsealing six proposals from potential developers.

The **Video Lottery Facilities Location Commission** received more than a dozen boxes containing proposals to operate 10,550 slot machines in Baltimore City and Cecil, Anne Arundel, Allegany and Worcester counties. The state had asked for proposals for 15,000 machines, but Donald C. Fry, who heads the panel, said the number of machines in the proposals could expand to 13,000 over time.

Each of the five sites identified in the referendum received a bid, Fry said, and according to statements released by bidders, the Anne Arundel County site received two.

Fry would not identify the bidder, the num-

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ber of proposals each location received or the number of terminals in any of the proposals.

He said his panel needs another day to look through the material that was submitted Monday and would provide more details Tuesday afternoon.

"I don't know that anybody really had a good clue of exactly how many we were going to expect," Fry said. "There's been a fair amount of interest."

The state has been depending on slots to provide revenue as it continues to struggle with budget shortfalls. The referendum was scheduled during a special session in 2007, when the state faced a projected \$1.7 billion budget gap for fiscal 2009.

Now, as the state expects a nearly \$2 billion deficit for fiscal 2010, officials continue to count on revenue from slot ma-

chines to close it. The nonpartisan **Department of Legislative Services** has projected that the 67 percent tax on the machines could bring in almost \$1.4 billion for the state in fiscal 2013.

But those projections envision the full 15,000 machines, and Fry said the proposals could contain different revenue projections. Some had worried that the economic recession, the cost to bid or other factors could discourage participation in the process.

House Speaker Michael E. Busch, D-Anne Arundel, said he would have liked to see all 15,000 machines in the bidding, but is hoping that the installation of slots will help the state's coffers nonetheless. He said some slots operators may expand. He called the bids "a pretty good start, actually."

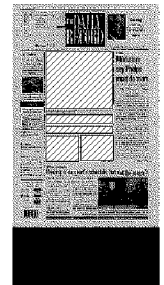
"It's just a tough time, but I think it's great that at least each location had a bid, and I assume that they have the credentials to qualify," Busch said, "but we'll wait to hear the specifics."

Jeffrey C. Hooke, principal of **Hooke Associates LLC** in Bethesda, said the state "has egg on its face" because of the way it conducted the bidding for the sites. Among the problems, he said, were state tax rates that are probably too high and sites that were too narrowly defined.

He said there's probably no merit to the idea that the bids were slowed by the economy. He pointed to a December bid in Illinois, where the rights for one casino attracted multiple bidders and \$435 million upfront. Maryland, with two slots locations between Baltimore and Washington, should have attracted more interest than it did, Hooke said.

"The fact that they couldn't get more bids, unfortunately it's embarrassing for the state," he said.

Representatives from several developers, including the Camp Springs-based **Harbor Group** and Hunt Valley's **BVL**, who at-



tended a Jan. 7 information meeting on slots hosted by the **Baltimore Development Corp.**, said Monday that they decided not to bid on the gambling license for the Baltimore site because of the \$36 million ground rent and a \$22.5 million upfront licensing fee demanded by the city.

**Penn National Gaming Inc.**, the Pennsylvania-based casino builder that owns gambling facilities in 13 states as well as Canada, has bid on a license to build a Hollywood-themed casino on the Chesapeake Bay in Cecil County, but only with one-fifth of the maximum allowable number of terminals, according to a spokesman.

Spokesman D. Eric Schippers said that Penn National has secured an option to purchase about 30 acres in Perryville from the Steward family, a group of real estate developers and former industrialists who own the **Principio Ironworks** northeast of Havre de Grace, for Maryland's first Hollywood Casino.

The Penn National proposal seeks to operate 500 of a possible 2,500 video lottery terminals allowed by state law, but is scalable up to 1,500 machines. Schippers said that because of competition from gambling sites in Delaware and Pennsylvania, 1,500 was all the Cecil County market could bear. If someone were to bring all 2,500 machines to the site, the Department of Legislative Services projects annual revenue of \$189.6 million.

"We need additional clarity on the regulatory process and machine procurement," Schippers said. "We could come back later, but it would have to be based on market demand. Most of our new projects are phased in terms or starting with a smaller number of machines and growing."

Penn National operates six Hollywood Casinos, the nearest of which is outside of Harrisburg, Pa., in Grantville.

Last week, Washington-based attorney Johnnie D. Bond Jr. confirmed that his client, the **Maryland Gaming Group**, a partnership between casino operator **Hard Rock International** and Kenneth R. Banks, treasurer of the state Democratic Party and owner of **Banks Contracting Co. Inc.**, would bid on one of the licenses, either in Baltimore City or Anne Arundel County.

Bond also said that they have been in contact with Baltimore developer David S.

Cordish, president of the **Cordish Cos.**, about a possible partnership. But late Monday, Cordish officials indicated that they would be bidding only on the Anne Arundel County license and not the Baltimore one.

In a statement, **Power Plant Entertainment Casino Resorts Maryland LLC**, a Cordish subsidiary, said it had bid on the Anne Arundel County site and "intends to develop a world-class, destination casino with 4,750 video lottery terminals."

Neither Banks nor Cordish returned phone calls Monday, but in an e-mail to The Daily Record, Joseph Weinberg, a managing member of PPE MD, confirmed that his company would not participate in any city proposals.

"We did not apply in Baltimore City," he wrote. "Our proposed casino at Arundel Mills is one of the strongest gaming opportunities in the country. The revenue generated by a casino connected to Arundel Mills will dwarf that of anywhere else in the State. By maximizing revenues, the State of Maryland and its taxpayers will realize the highest possible return on slots in Anne Arundel County."

Cordish will be competing for the license in Anne Arundel County with the **Maryland Jockey Club**, owners of **Laurel Park**, which is located within the state's allowable area for video lottery gambling. MJC officials released a statement Monday evening saying they had bid on the Anne Arundel license.

Also on Monday, the Associated Press reported that "a well-known gaming company" was bidding on the license to operate up to 1,500 slots terminals at Rocky Gap State Park in Western Maryland, which, like the city, demands an upfront licensing fee commitment from bidders.

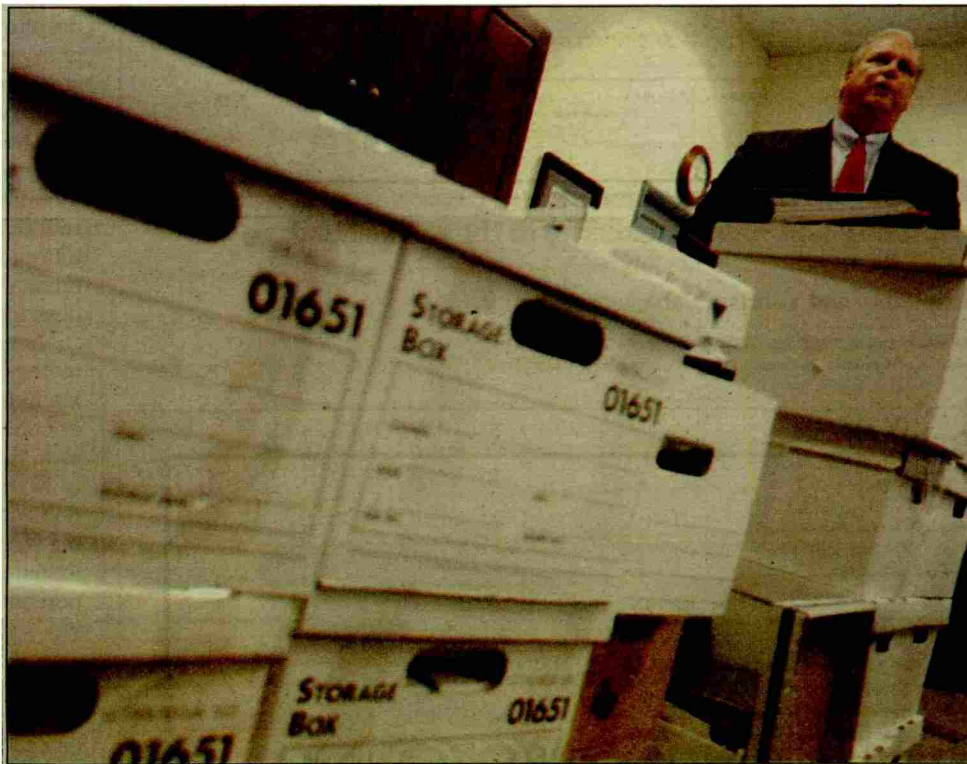
In Snow Hill on the Eastern Shore, Jerry Redden, director of Worcester County's Economic Development agency, said, "I know of a few people who are interested," but declined to name any interested parties.

"There's so much money at stake here that we want to encourage good money to come in to benefit the goal of state," he said, explaining why he could not comment on whom specifically had bid.

## Slot machines in Maryland

	<b>Maximum No. of terminals</b>	<b>Expected revenue for fiscal 2013</b>
Anne Arundel County	4,750	\$546.1 million
Baltimore City	3,750	\$426.7 million
Cecil County	2,500	\$189.6 million
Worcester County	2,500	\$136.9 million
Allegany County	1,500	\$62.3 million

Source: Dept. of Legislative Services



Donald C. Fry, chairman of the Video Lottery Facilities Location Commission, stands next to the boxes containing the six proposals his group received Monday to operate slot machine parlors in Maryland.