

Lawsuits expected to delay groundbreaking at Pennsylvania casinos

Lawsuits filed by Forest City Enterprises Inc. and Isle of Capri Casinos Inc. and other losing bidders for slots licenses in Pennsylvania will likely delay the construction plans of license winners, as the operators are unlikely to break ground until their cases are adjudicated, according to a March 7 article in the Pittsburgh Post-Gazette.

The Pennsylvania Supreme Court asked plaintiffs to file legal briefs by March 30 and gave the state's Gaming Control Board, which must defend its decisions to award the licenses, until late April to respond. The court is anticipated to hear oral arguments May 14. It is unknown how long it will take the court to rule, according to the article.

Forest City and Isle of Capri both competed for the license to open a casino near Pittsburgh.

In its appeal, Forest City asked that the award of the license to PITG Gaming LLC be vacated and returned to the Pennsylvania Gaming Control Board for further action, according to a March 3 Post-Gazette article.

Isle, which pledged USD 290 million for a new Pittsburgh Penguins arena, asked for that decision to be reversed and for it to be awarded the license. An unintended consequence of the board's decision not to award the license to Isle of Capri could mean Pittsburgh's loss of the Penguins, which are exploring a possible relocation to Las Vegas, Bear Stearns equity research analyst Joseph Greff wrote in a March 7 research note.

„The Penguins renewed their effort to move after its partner,

Isle of Capri, lost its bid for the Pittsburgh slot license, despite the city offering an alternative plan to develop a new arena for the team," the analyst wrote.

Despite the delays, KeyBanc Capital Markets managing director Dennis Forst told SNL he does not expect the plaintiffs' legal strategy to succeed.

„I have never seen that work," the analyst said in a March 6 interview. „To me it's just sour grapes."

Susquehanna Financial Group analyst Robert LaFleur said any delays in Philadelphia would help Atlantic City, N.J., operators who, he estimated, receive about 10% to 13% of their visitation from Philadelphia and about 5% from the greater Lehigh Valley, Pa., area.

„We generally believe that most of the impact to [Atlantic City] revenue will come from the loss of day trip bus customers," he wrote in a March 7 research note. „In 2008, three hotel towers should come online in Atlantic City that will allow those properties to better leverage their rooms to attract more profitable overnight customers."

The other licenses subjected to lawsuits are one of two issued for Philadelphia and one issued at large. Trump Entertainment Resorts Inc. and Pinnacle Entertainment Inc., which both lost bids for a Philadelphia license, did not file suit.

The license won by Las Vegas Sands Corp. to build Sands Bethworks casino on the site of former Bethlehem Steel Works in Bethlehem, Penn., is not being contested.