

Mohegans bet on Pennsylvania casino's expansion

Plains, Pennsylvania – In three weeks, when the first visitors walk through the main entrance of the new casino at Mohegan Sun at Pocono Downs, they will pass a sculpture that starts as a hunk of coal at its base. Slowly, as it spins toward the ceiling, fist-sized black chunks morph into clear rocks and finally into polished diamonds.

When the USD 208 million expansion opens July 17, it will reflect the Pennsylvania coal country where it sits and how the Mohegan Tribal Gaming Authority – which runs Pocono and Mohegan Sun in Connecticut – wants to expand.

“This really sets the tone for what will hopefully be further diversification in other markets,” said Bobby Soper, president of Pocono Downs.

But growing a regional casino and its harness racetrack is vastly different from adding on to a massive resort facility, according to one analyst.

“Other things equal, customers will go to the closest casino,” Bill Eadington, director of the Institute for Gambling and Commercial Gaming at the University of Nevada Reno, said of smaller gambling locations. “Convenience really drives this for gaming-centric customers.”

To calculate revenue projections for smaller, standalone casinos outside dedicated gambling meccas such as Las Vegas or Atlantic City, N.J., owners of proposed facilities look at several things. Key among them are the number of people living within 100 miles of the casino, the average income of that group and competition in the region. Multiply the population by average income and then take about 1 percent of that figure, Eadington said, to determine what gross revenue likely

will be.

“It’s become a pretty exact science,” he said.

Occasionally, other issues confound the formula. Oklahoma now has almost 100 casinos owned by American Indians competing against each other. Bad locations or situations where a temporary facility now competes with what was supposed to be its permanent replacement, which happened on the Canadian side of Niagara Falls, also can work to skew projections.

“Bad location is often a critical issue,” Eadington said.

Pocono Downs sits in the Wyoming Valley, a region with more than 310,000 residents and bookended by Wilkes-Barre on the south and Scranton to the north. Its closest competition, Mount Airy Casino, is a little more than 40 miles away to the southeast, but that facility has had some operational difficulties since its owner was indicted for perjury.

And, if gamblers truly go for convenience when everything else is equal, Mohegan’s approach in Pennsylvania has to unlevel the playing field.

Pocono’s expansion will bring upscale restaurants – including a Ruth’s Chris Steak House and a Rustic Kitchen, complete with a studio to tape cooking presentations – to a region typically passed over by such businesses.

Sean Rogan, an electrician from Plains, worked last week to hang an USD 18,000 chandelier that was part comet-part Sputnik in a future jewelry shop at the casino. He said the buzz already is out in the community about the changes to what now is a two-story slot parlor with a food court tacked onto a harness racetrack.

Wow factor

“When you walk in, you’ll just have to say, ‘Wow,’ ” Rogan said.

But the addition also shows some restraint, especially when Pennsylvania's taxation system takes more than half of each month's slot revenue.

Unlike the project under way at Mohegan Sun in Connecticut to add a second hotel tower, a third casino and other space, the plans at the 400-acre Pocono property for a hotel, parking garage and conference center are less certain, spokesman Jim Wise said.

"Whether we get one or not," he said, "the market will decide."

Soper long has talked about Pocono's limited number of slots being unable to keep up with demand, especially during the weekends.

"Clearly, expanding our capacity of gaming units is an essential part of our expansion," he said.

Even though financial statements from the past year show Pocono revenue shoring up sagging slot activity in Connecticut, Soper said it is too soon to say what kind of gain will come from the addition.

"Obviously, we wish that the state of the economy were stronger," he said, "but I wouldn't change a thing from our current program."

Layoffs in region

Soper's concerns are real. The big news in the region at the end of last week was 400 layoffs at Wilkes-Barre's hospital. The Pocono expansion will more than double the existing 575 jobs at the casino and employ about 1,275 people between Pocono Downs and its resident restaurants and shops.

Lisa Klee of Plains Township lives in a townhouse right next to Pocono Downs. She said jobs, even if low-wage, are welcome.

“In an economy like we have now,” Klee said, “anything is good.”

She said casino officials have kept the homeowners informed about the construction project, down to power-washing construction dirt off their houses and giving them coupons for car washes.

“It’s been pretty much the same as before,” Klee said. “Really nice, friendly neighbors.”

At a Glance

The Project Sunrise expansion at Mohegan Sun at Pocono Downs is scheduled to open July 17. Here are some ways the facility, Pennsylvania’s first casino and the first gambling expansion by either of Connecticut’s tribes outside of the state, will change:

Now: 1,200 slot machines

July 17: almost 2,600 slot machines

Now: Food court, various bars

July 17: Several sit-down restaurants, a sushi bar, buffet and food court

Timeline

January 2006: The Mohegan Tribal Gaming Authority buys Pocono Downs, a harness racing track outside Wilkes-Barre, Pa., along with other betting facilities in the state for about USD 280 million.

Nov. 14, 2006: Slot machine gambling begins, making it Pennsylvania’s first casino.

May 2007: Pocono breaks ground for Project Sunrise expansion.

July 17: The USD 208 million expansion at Pocono Downs is scheduled to open.