

Minutes  
Gaming Study Commission  
Meeting: Tuesday, October 20, 2009

Commissioners Present: Andy Lietz, Chair; Joe Foster, Vice Chair; Jim Craig, Lew Feldstein, Tom Ferrini, Mark MacKenzie, Bob Odell, David Babson, David Bailey, Michelline Dufort, Maggie Pritchard, Ned Densmore, Mary Heath, Karen Pollard.

Commissioners Absent/Excused: Bonnie Newman

Staff Present: Tia Miller covering for Gail Wolek

Commission Chairman Andy Lietz called the meeting to order at 1:05 p.m.

Chairman Lietz asked Tia Miller to conduct the roll call.

General note about the following minutes of the October 20 meeting.

These minutes do not restate all specifics of each presentation, such as projected job creation, economic impact, revenue streams, and other data. Those details are available in hard copies that have been made available to the Commission. The full presentations are also available on the Commission web site <http://www.nh.gov/gsc/>. These minutes summarize major points and themes raised by the presenters, as well as dialog between Commissioners and presenters.

**Millennium/Rockingham Park, Salem**

The first presentation was Millennium Management Group's proposal for Rockingham Park in Salem, which calls for a \$450 million capital investment, including for 5000 VLTs, plus 2000 VLTs each at the Belmont and Seabrook race tracks. Introducing his group's presentation, Jim Demers of the Demers Group said the plan, which is consistent with last spring's "D'Allesandro bill," calls for oversight through the NH Lottery, thus eliminating the need "for a new regulatory scheme or agency." The primary thinking behind the plan, Demers said, was jobs, economic development, "and, most important of all, a revenue source for the state."

William Wortman, co-founder of the Millennium Management Group, which is a 20 percent owner of Rockingham Park, continued the presentation. He said the Rockingham plan is modeled after The Meadows, Millennium's racino in Washington County, PA, which Wortman called "the finest racino complex in the United States." He added that Millennium sees Rockingham Park as "one of the premiere locations, if not the premiere location, in the United States... Expanding gaming will create a non-weather dependent driver of tourism... and also provide a sustainable, reliable revenue source" to New Hampshire.

Mr. Wortman said financing is available for the project, and that "we are real and ready to move this forward very quickly."

Commissioner MacKenzie, noting recent bankruptcy filings by some casino companies, asked how Millennium could promise to be such "a long, reliable income source." Mr. Wortman acknowledged that some casinos have been unsuccessful, "but casino markets are a different circumstance. Salem and southern New Hampshire are within a very, very robust market, driven by several factors," including population size and average household income.

Commissioner Foster noted that the gaming revenue projections contained in the presentation would make Rockingham "nearly as successful as some of the most successful casinos" in the country. Matthew Landry, Vice President for Strategic Consulting for The Innovation Group, said Rockingham would be able to tap into significant "latent demand" from markets in northern Massachusetts and elsewhere that are too distant from Connecticut's casino. Mr. Wortman added that the "the numbers we talk about are not out of the question and reflect actual experience elsewhere. "

Commissioner Densmore asked whether Rockingham would proceed with Phase 2 expansion to the full 5000 VLT capacity if “your win per unit didn’t match up with your projections.” Mr. Wortman responded, “There would be no need to build 5000 units if they are not going to be used [but] we think the market will demand” that capacity. He added that win per unit per day numbers are “less important than the total win number.”

In response to a question by Commissioner Ferrini about regulatory costs, Demers said such costs are, in essence, absorbed by the operator.

Commissioner Pritchard asked how the group determined that 2 percent of gross gaming revenues would go to problem gaming programs. Demers noted that New Hampshire currently spends nothing on such programs and that the \$8.4 million projected by Millennium for this purpose “is a significant amount of money to help New Hampshire citizens,” adding that 2 percent “is on the high end of what is contributed in other states.”

Commissioner MacKenzie asked about the nature and wage levels of jobs that would be created. While uncertain about what the compensation levels would be in New Hampshire, Wortman said that most front-of-the-house jobs are above minimum wage.

### **Sagamore Crossing Golf Resort and Convention Center, Hudson**

This plan calls for a \$300 million investment in a 300-room resort hotel and convention center that would include a casino with 135,000 square feet of gaming space with about 4,000 slot machines and 100 table games. In introducing the presentation, Bob Clegg, a partner at Legislative Solutions, said that “the biggest difference” between the Sagamore and Rockingham proposals is that Sagamore guarantees \$100 million to the state once it is in operation. “Our proposal is not just about gaming,” said Clegg, noting the golf course and other proposed amenities and the location close to Massachusetts. “This resort convention center is based on our ability as a state to bring people in under tourism.”

Dr. Clyde Barrow, a political science professor at University of Massachusetts-Dartmouth and director of the UMass Dartmouth Center for Policy Analysis, said Sagamore would be able to tap into what he estimates to be a potential gaming market of \$1.2 billion and \$1.5 billion. “If New Hampshire expands gaming, optimal gaming policy does not reside with any one facility or one type of facility,” he said. “A race track casino alone is not enough to capture that market.” Sagamore, he added, “has the potential to generate not only gaming income, but resort patrons” who now travel out of state.

Dr. Barrows said a full casino, with table games, is the best way to create jobs. “Slots are increasingly automated,” he noted. “Real job creation comes from things like table games, hotels” and other amenities included in the plan.

Commissioner Craig asked when the facility could open and who is going to finance it. Clegg said he could not disclose investors because of confidentiality agreements. As for opening, he said construction would take two years.

Commissioner Feldstein asked about jobs that would be lost in other establishments because of Sagamore. Barrow said “numerous studies show the opposite [of the substitution effect] occurs,” that employment in food, beverage and other sectors increases off-site.

Commissioner Foster questioned how a facility costing \$300 million could have success similar to that of the much larger and more expensive Connecticut casinos. Dr. Barrow said the land is already there and that “the important rule is that you don’t have to replicate Foxwoods and Mohegan Sun. You need to offer a comparable range of amenities to make it competitive.”

Commissioner MacKenzie asked how important the gaming component is to the overall proposal. Clegg noted that table games are labor-intensive. He also reasserted his primary point that with the hotel, convention center and golf course, the proposal is about more than gaming.

### **New Hampshire Charitable Gaming LLC, Berlin**

NHCG President and CEO Jim Rafferty urged the Commission to “create room for other people to play,” calling for support of proposal for a Berlin facility that would begin with 250 VLTs, 10 table games, and amenities. Rafferty said the model of embedding charitable gaming within a gaming facility is novel and “the way to go.” He added that downtown Berlin badly needs the boost that he said the casino, which would cost \$7 million for its first phase, would provide. Gaming, he said, “is one of the great forms of entertainment in America.” He said New Hampshire should act to expand gaming before Massachusetts does since casino players tend to be loyal to the facility to which they already go.

Commissioner Densmore asked what infrastructure support the Berlin proposal would seek from the state. Rafferty said the only infrastructure improvement needed is for the city to build a downtown parking garage.

### **Seabrook Greyhound Park**

Before explaining details of the Seabrook proposal, Macomber International President Dean Macomber urged the Commission to consider gaming as it would any other commercial proposal or venture. “We are a leisure-entertainment product,” he said. “The commercial aspects of casinos are not that different from other industries.” Mr. Macomber said the regional market is strong enough to support racinos in both Salem and Seabrook. The Seabrook proposal calls for a minimum investment of \$100 million to renovate the current track, including a new gaming component that will include VLTs. “We’re ready to go and able to execute,” Macomber said, adding that a high-quality, temporary gaming facility could be open within 90 days of approval. Though Seabrook does not currently have a joint venture partner, Macomber said he is “confident that a market like we have here resonates with the capital market.”

### **The Lodge at Belmont**

Though Belmont would welcome the addition of slot machines at its facility, Rick Newman, principal of NH Government Solutions Group LLC, urged the commission to consider ways to enhance businesses that already exist, such as Belmont, since “we simply don’t believe that in the very near term, any of these [other] proposals will be allowed by the Legislature.” He said the state should consider innovations, such as Instant Racing, “that allow us to continue to grow the businesses we are in...Slots are the big pot of gold and the big prize, but there are other areas to look at. “ Electronic versions of table games, for example, may not generate close to the revenues produced by slot machines, he said, “but they will generate jobs and some revenue.”

### **Commissioners’ Roundtable Discussion**

Commissioner Odell questioned the assertion made by some presenters that the state should not engage in an open bidding process for licenses, if the state choose to expand gaming. He noted that at an earlier Commission meeting, former gaming regulator and Foxwoods CEO Mickey Brown had urged such a process. Will Cummings, principal of Cummings Associates and part of the Seabrook team, said that while such a process may make theoretical sense, it poses practical problems, such as delay and the risk that bidders will fail to deliver on their promises, as he said has happened in other jurisdictions. Wortman also cautioned against an open bidding process.

Commissioner Feldstein, noting Mr. Rafferty’s comment that gaming-related social problems are greatest among 18 to 21 year old males, asked if that age group in general poses a particular problem. Mr. Wortman said his facilities require that players be at least 21, adding that there “may be a greater incidence of problems” among younger players.

Commissioner Foster asked about differences among the various proposals, such as types of gaming and market range. Mr. Landry said that racinos and casinos both tend to draw half their base from within a 25-mile market area, adjusted for drive times. He added that unless a facility has hotel capacity, it is difficult to draw people who have long drives. Dr. Barrow said racinos typically draw from within a 30 to 45 minute driving range. Mr. Wortman said Millennium’s proposal for Rockingham lacks a hotel because the developers do not want to compete with the existing hotel base. As for differences among the proposals, Mr. Clegg said “we’re building a destination. We’re not meant to draw the guy who just wants to play cards for a few hours.

Commissioner Craig asked if presenters would proceed with their projects if others were approved as well. Mr. Wortman noted that his proposal presumed VLTs at three tracks, plus two facilities in the northern part of the state. Dr. Barrow said Sagamore assumes 5,000 slots at Rockingham and Seabrook, as well a full casino north of Boston at Suffolk Downs. Dr. Barrow and Mr. Wortman said their plans would not be affected by a Berlin approval.

Commissioner Ferrini asked how Sagamore can be economically viable, given how many cities in the region are already tourism destination points. Mr. Clegg responded that Sagamore has the added value of a convention center, which he said is missing from some of the other locations.

Commissioner MacKenzie, noting setbacks to proposals for commuter rail service to Nashua, asked Mr. Clegg about Sagamore's commuter rail plans. Mr. Clegg said that the city of Nashua still has the ability to get commuter rail service, but that it would cost \$5 million to \$6 million to extend such service to Manchester and beyond.

Commissioner Foster, noting the high number of VLT and slot machines envisioned in all the proposals, asked whether there is a market saturation point for slots. Mr. Cumming said there is such a point, "but it's a long ways off. The market could support hundreds of thousands of slot machines if the tax [on them] was low enough." Mr. Wortman said "we believe we have not and will not" reach saturation with the number of machines being proposed for New Hampshire.

Steve Norton: The Center has spent time putting the proposals together with the various assumptions that have to be made in order to articulate the vision of the proposals. Steve asked the Commission to allow the Center to meet with the presenters to obtain methodology and assumptions used to obtain the figures presented. Chairman Lietz encouraged the Center to go beyond just the financials, and to look at other aspects that need to be broken down such as social costs, demographic issues, economic impact on other activities, i.e., restaurants. Chairman Lietz wants to provide a data driven informative report to the Governor and Legislature. The Commissioners should contact Steve Norton or Dennis Delay with any specific areas in which they would like more data or detail.

November 3<sup>rd</sup> – 1 – Lottery expansion; The Lottery Commission will present on the expansion that they addressed in their first presentation; 2 – A roundtable discussion put together by Paul Kelly, Charitable Gaming and Pari-mutuel, to look at Charitable gaming from the aspect of an operator, charity, charity as a whole and Bingo. Four presenters who will provide remarks about their area of interest; 3 – Members from DRED will present about the state image, branding, what New Hampshire is, and then will provide comments about the impact or potential benefits of expanded gaming, tourism, etc.

November 17 – Tom Boucher and Chuck Rolecek, major operators of restaurants in New Hampshire, will provide information on the economic impact of gaming on the restaurant/hotel industry. There will also be an expanded discussion of the social impact of gaming on the state. Granite State Coalition Against Expanded Gaming, headed by Jim Rubens has made arrangements to have four speakers from around the country come to share their views.

Chairman Lietz asked the Center and Phil Primack to start making inquiries with each of the Commissioners to help pull together this broad set of information that has been provided over the last 90-days and begin bringing together what the commission has learned and decide if additional information is needed. The goal is to develop an interim report that will be given to the Governor and the Legislature prior to the holidays.

In January and February the Commission will start the public input process. It is unclear how this will be handled. Originally it was determined to work with the Carsey Institute but the expense is substantial because of the need to hold meetings throughout the state, cost of training facilitators, etc. Chairman Lietz will continue work with the University to determine a way to complete this task or find a substitute.

Chairman Lietz received a request from current members of the legislature asking to come and present to the Commission. Currently the Commission has been in the data gathering, learning phase and Chairman Lietz

would ask that the current legislative members who want to meet with the Commission do so after the interim report is completed.

Chairman Lietz encouraged all presenters to make sure that the Commission is aware of additional information, reports or speakers that would be helpful in completing the Commissions work.

At 4:35 p.m. a motion was made, seconded, and approved to adjourn the meeting.

**NEXT MEETING, TUESDAY, NOVEMBER 3, 2009, 1:00 pm, NHHEAF**

Respectfully submitted: Tia Miller (filling in for Gail A. Wolek)