

Posted on Sun, Aug. 9, 2009

## Riverside gaming arrives in Pittsburgh

**Gambling has arrived in a big city in Pa., but the Ohio River is the backdrop. Philadelphia is still waiting for its first casino.**

By Suzette Parmley

Inquirer Staff Writer

PITTSBURGH - Gambling debuts here today with the opening of a \$780 million gambling hall on the North Shore, adding to Pittsburgh's steady makeover from grit to glitz.

The opening of the Rivers Casino makes Pittsburgh the largest city to date to have a casino in revenue-hungry, gambling-happy Pennsylvania. That designation could have belonged to Philadelphia, which might be a year or more away from having a casino even though two have been approved since December 2006.

Rivers Casino features a glass facade overlooking the Ohio River, a limestone step amphitheater leading to a boat dock on the water with seating for 1,200, and river trails with public access for bikers and joggers.

Unlike Philadelphia, where development was suspended for a time by high-level angst over surrendering Delaware River waterfront to gambling venues, Rivers was placed on one of Pittsburgh's most treasured pieces of real estate.

Philadelphians should take note of this, says the developer of Rivers Casino, because Philly's yet-to-be-built waterfront casino will also take full advantage of its location.

"There are similarities," said Neil Bluhm, the Chicago billionaire who took ownership of Rivers Casino a year ago, and is also majority owner of the SugarHouse Casino planned for Philadelphia. "Both have the same features, and both are on the waterfront. Both will be first-class projects."

Much of the redesign that was announced earlier this year for the SugarHouse project - including building its future garage over part of the casino - was influenced by the Rivers' design.

"With Pittsburgh, the slots floor and a lot of the back of the house is actually underneath the garage on the first level," said SugarHouse chief executive officer Greg Carlin, who is also CEO of Rivers Casino. "We redesigned the Philly casino similarly."

**Both the Rivers and SugarHouse casinos also share the same restaurant interior designer, Floss Barber Inc., of Center City, and building contractor, Keating Building Corp.**

The similarities, however, end abruptly. Pittsburgh shrugged off a bankruptcy that claimed the original developer, found the new one, and managed construction during the worst of the economic downturn.

Additionally, Pittsburgh and Allegheny County displayed an unwavering civic commitment to the development.

Rivers Casino launches with 3,000 slot machines, four restaurants, and four bars-and-lounges. It can ramp up to 4,000 slot machines by next year, and up to 5,000 slots by 2011.

The SugarHouse Casino was originally to house two levels, with the casino on the second floor. The casino is now being built on the ground level, just like Rivers.

"Ultimately, when we're done with Phase 1 with 3,000 slots and all of our restaurants and the garage, it will be similar to Pittsburgh's," said Carlin, a 1988 University of Pennsylvania graduate, of SugarHouse.

But there is another big difference between the two, brought about by the lending crisis of the last year.

"In Pittsburgh, everything was built together," he said. "But the world changed since Pittsburgh was financed, so we need to do Philly in stages."

Rivers' nine-story parking garage, which holds 3,800 cars, was built alongside the casino and completed a month ago.

Carlin said the first phase of the SugarHouse Casino, to cost \$375 million, will not include a 10-story garage, only surface parking. He expects construction on the garage to start within six months of the casino's projected mid-2010 opening with 1,700 slot machines.

Bluhm said seeing the completed Rivers Casino had convinced him he made the right decision to stay on Philly's waterfront - despite enduring years of political, legal, and neighborhood opposition to his casino's being there.

The investors behind the Foxwoods Casino project - Philadelphia's second casino, which faced similar hurdles - agreed to move off the waterfront last September. They considered relocating the casino near Chinatown, before turning their attention to the old Strawbridge department store at 801 Market St. A Foxwoods representative said Friday that the casino was still negotiating a lease for the Strawbridge site.

"We picked the SugarHouse site four years ago," said Bluhm, who was awarded one of the two Philadelphia slots licenses in December 2006. "We felt it was the best site then. We still do. It will really revitalize the waterfront."

### **Rescuing the project**

Bluhm entered the picture here when the original Rivers' owner, Don Barden, went bankrupt last summer.

To save the project, Barden entered into a venture with Walton Street Capital L.L.C., of Chicago, the private-equity fund that Bluhm cofounded and is one of its five principals.

Bluhm and Walton Street have invested \$185 million in the Pittsburgh casino. By comparison, Bluhm and his children, and Carlin, are putting about \$165 million into the SugarHouse enterprise.

"If Neil Bluhm had not come in, this would have been rusting steel," said Ed Fasulo, Rivers' president and chief operating officer, during a tour of the Pittsburgh casino as it neared completion last month. "He came in at the 11th hour and came with a lot of cash."

Fasulo, a Las Vegas gaming-industry veteran, was hired by Barden, and retained by Bluhm after he took over the project Aug. 19, 2008.

But even with the change of ownership, Rivers Casino was able to proceed far more quickly than the two Philadelphia venues because there was less controversy involved in its sighting, said Allegheny County Executive Dan Onorato, whose county includes Pittsburgh.

"We did something here that Philly didn't do," Onorato said. "When the [casino] operator was selected, there was no zoning issue. It was already approved."

City and local officials, including Onorato, will cut ribbon at noon today alongside Bluhm to mark Rivers' grand opening.

Bluhm said he hoped to break ground on the SugarHouse Casino on North Delaware Avenue at Shackamaxon Street next month. His team was still lining up \$140 million in financing in a very tight credit market.

"It's still not a great market," Bluhm said last week on his way from Chicago to New York to meet with banks and creditors to sell them on the SugarHouse project. "It's a little better than it was. We're optimistic we will get it done."

"But the delays in Philadelphia have cost us dearly," he said. "Financing costs are enormously higher now."

By contrast, Bluhm boasted how Rivers Casino was opening a week earlier than scheduled and just under budget.

At \$780 million, Rivers costs slightly more than the last most expensive gambling hall to open in Pennsylvania, the \$743 million Sands Casino Resort in Bethlehem, which opened in May. With Rivers, the state now has nine of its 14 casinos up and running.

"Everyone there has been very enthusiastic," Bluhm said. "It will be a real destination for people of Pittsburgh to have a good time."

### **Building on success**

To many, the casino's arrival is part of Pittsburgh's revival and continues a string of recent successes. It has two championship teams - the Steelers and Penguins - that had victory parades downtown four months apart this year. Next month, world leaders will be here for the G-20 summit.

Rivers sits about 1,200 feet from The Pointe, where the Allegheny and the Monongahela Rivers meet to form the Ohio River, also known as the famed Golden Triangle. Next door to the casino is Heinz Field, where the Steelers play, on Art Rooney Avenue. A few doors down and across the water is PNC Park on Mazeroski Way, home of the Pittsburgh Pirates.

More than 44,000 people applied for the casino's 1,080 jobs, Fasulo said.

Pittsburgh and Allegheny County stand to each receive \$10 million to \$17 million a year guaranteed as the host municipality and host county, or 4 percent of the casino's annual slots revenue, according to the state Revenue Department.

The casino will contribute \$7.5 million a year over the next 30 years to the city's Sports & Exhibition Authority to support the debt service on the Penguins' new hockey arena that is set to open late next year.

About \$24 million in road improvements were made as part of the casino's \$780 million cost, including off-ramps to Routes 19 and 65 to ease traffic congestion.

"I don't think it makes your destination, but I think it adds to your destination," said Joseph McGrath, president and CEO of the Pittsburgh Convention and Visitors Bureau, of having a casino. "That's what we sell - experiences. We try to create enough synergism to make your drive here worth it by having a mix of offerings.

"The beauty of the casino on the convention side is it's one more checklist item that you have," he said. "In addition to X, Y, and Z, you now have a beautiful facility down the street from the Convention Center, the stadiums, and the arts-and-culture district."

Rivers will draw primarily locals - about 2.4 million people 21 and older live within 50 miles.

Fasulo said it was also aggressively going after bus day-trippers from Ohio - such as Cleveland, Youngstown, Steubenville, and Columbus. The casino's bus depot has four bus bays to accommodate them.

Deb Davis, 48, a banking manager from Warren, Ohio, frequents Wheeling and Mountaineer casinos in West Virginia, the three Detroit casinos, and the one in Niagara Falls, Canada.

She is also a regular at the Meadows Racetrack & Casino, about 27 miles from Pittsburgh in rural Washington County.

"When Rivers opens, we'll go there to try to build comps," said Davis, as she played behind a penny slot machine at the Meadows on a recent weekend. "I have a lot of family in Pittsburgh. It will be a meeting place for us."