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Delay in Ohio casino debuts to help Detroit gaming halls

Quicken founder, who'll run 1 facility, will take a hit

• By Jaclyn Trop The Detroit News



Hollywood Casino Toledo was scheduled to debut April 2, but its opening has been postponed until June because of a licensing process delay. (Andy Morrison / Toledo Blade)

A likely delay to the spring opening for Ohio's first pair of casinos will provide temporary relief for Detroit's trio of gaming halls but will hurt a Motor City businessman, analysts say.

Casinos in Cleveland and Toledo — scheduled to open March 26 and April 2, respectively — probably won't debut until at least June because of a delay in the licensing process, the Ohio Casino Control Commission said last week.

The late openings would be a boon to the MGM Grand Detroit, MotorCity Casino-Hotel and Greektown Casino-Hotel because the Ohio facilities won't cut into one of

the gaming industry's most profitable quarters, said casino expert Alex Calderone of Birmingham-based turnaround firm Conway MacKenzie Inc.

But the delay will hurt another Detroit business. Quicken Loans Inc. founder and Chairman Dan Gilbert is behind the Cleveland casino. Gilbert's Rock Gaming LLC joined with gaming giant Caesars Entertainment Corp. to develop and manage the \$350 million Horseshoe Casino Cleveland.

"All of our construction and recruiting and hiring has been marching toward that date," said Rock Gaming spokeswoman Jennifer Kulczycki.

The casino received 12,000 applications for 600 dealer positions advertised in September and another 24,000 applications for 750 non-gaming positions posted last month, Kulczycki said. Many dealers began in December at a voluntary, unpaid training academy offered by Caesars and the casino.

"They were anticipating paychecks beginning in March," she said.

The delay should have Detroit's casinos breathing easier since the gaming industry generally sees its biggest spikes in business during the first half of the year when taxpayers receive refunds, Calderone said.

"This will at least allow the Detroit three to operate business as usual for their best part of the year," he said.

Hollywood Casino Toledo, owned and operated by Wyomissing, Penn.-based Penn National Gaming Inc., poses the biggest threat to Detroit's casinos because it's closest, said Calderone.

Toledo, about 60 miles south of Detroit, will take market share from Detroit since Detroit's casinos draw traffic from a 100 mile radius. The casino will also draw traffic from people eager to try their luck at the new gaming hall and [customers](#) who are part of Penn National's Club Hollywood rewards program, which can also be used at the company's M Resort Spa Casino in Las Vegas.

"It is almost certain that there will be an impact on the three Detroit casinos," said Michigan gaming consultant Jake Miklojck, who estimates that the overall effect this year could shave 2.5 percent to 5 percent in revenue from Detroit's \$1.5 billion casino industry.

Effect on Detroit

Gaming's fixed-cost economic model means that every dollar lost will hurt the bottom line without lowering operating costs, Calderone said. That will be bad news for the Detroit trio later this year.

"It will almost be a dollar-for-dollar impact," he said. "Those dollars that come after the break-even point are dollars that go directly to the bottom line."

Greektown and MotorCity casino officials declined to comment on how the later openings will affect business here. MGM Detroit Casino didn't return phone calls for comment.

In Ohio, the delays will be costly.

The late openings could cost the casino operators a combined \$1.4 million daily, according to an analysis by the Cleveland Plain Dealer of revenue projections from state and company officials. It also means losses for local Ohio governments, which receive a third of the casinos' gross revenue under state law, as well as Ohio's school districts and the casino's host cities, suppliers and surrounding businesses.

It is premature to discuss the financial impact on Rock Gaming LLC, Kulczycki said. "Because we don't know what the delay is, we're just working to figure it out."

Blaming operators

Linwood, N.J.-based Spectrum Gaming Group, hired by the Ohio Casino Control Commission to advise on the state's new gaming industry, recommended to the commission that the casinos open about eight weeks late to allow enough time to complete licensing requirements and background checks.

Spectrum blamed the casino operators' reluctance to file applications for background checks, but at least one operator said it's not at fault.

"Rock Gaming submitted all of its owner-operator licensing many weeks ago," Kulczycki. The applications for employee background checks weren't submitted because the commission hasn't made them available, she said.

Penn National declined to comment on the delay or its impact on its Toledo casino. "We appreciate the fact that the commission has said pretty clearly that it's very focused on getting the casinos up and running as quickly as possible," said spokesman Bob Tenenbaum.

The commission will meet with each operator to discuss timelines before its next meeting on Jan. 18, said Ohio Casino Control Commission Chair Jo Ann Davidson.

The two other gaming halls that round out the quartet of casinos Ohio voters approved in 2009 remain on schedule. Penn National's Columbus casino is shooting for an opening in late 2012 and Rock Gaming's Cincinnati casino expects to open in spring 2013.

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