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Analysis: Lake Charles, Texas spark casino twists

Analysis: Lake Charles casino applicants, Texas hopefuls bring twists to La. casino picture

AP Associated Press

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Companies: Penn National Gaming Inc. Pinnacle Entertainment Inc.

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Symbol	Price	Change
PENN	30.50	+0.42
PNK	10.93	-0.22

Alan Sayre, Associated Press Writer, On Monday October 4, 2010, 11:00 am EDT

NEW ORLEANS (AP) -- Gambling generally occurs when a player goes into a casino and tries his luck. Recent developments in the regional casino business have the air of the house trying its luck - and without the usual odds guaranteed in its favor.

Four groups will vie for Louisiana's 15th riverboat casino license - the final one allowed by law. Three of the companies want to develop in Lake Charles, a market that draws heavily from Houston and other east Texas communities.

At the same time, there's a push to legalize slot machines in Texas - a scenario creating shivers in Lake Charles and Shreveport-Bossier City, which attracts players from the huge Dallas market.

Penn National Gaming Inc. recently entered into a joint venture with the Sam Houston Race Park to own and operate the Houston horse track, a greyhound track in Harlingen and a planned horse track in Laredo. The company made it clear that its overall intent is to have slot casinos at the tracks.

Two years ago, gambling proponents tried for all-out casino wagering in Texas, but failed in the Legislature. Now, the industry is taking a scaled-back approach with the slots-at-the-track idea, saying it will boost the racing industry with higher purses coming from the machine proceeds.

Farther north in Texas is Lone Star Park near Dallas. It, too, would be in line for slot machines. Cory Morowitz, a casino analyst with Galloway, N.J.-based Morowitz Gaming Advisors LLC, said slots would impact both the Lake Charles and Shreveport-Bossier City markets, though he wasn't willing to predict by how much.

But there is much at stake. In the past 12 months, state reports show Shreveport-Bossier City took in \$755.8 million from gamblers, while Lake Charles won \$637.5 million.

But Morowitz said New Jersey casino revenue has dropped by about 25 percent since Pennsylvania added casinos a few years ago, taking a lot of the luster out of Atlantic City. Compounding that has been the economic downturn.

"This is the very same story you're seeing all over the country," Morowitz said.

For example, Rhode Island recently expanded gambling to get back player dollars that were flowing to Connecticut. There are about to be race track casinos in New York, which has fueled New Jersey coffers for years, Morowitz said.

"Any state that doesn't do it is leaving a lot of money on the table," he said.

In the meantime, there are big plans in the works for a fourth riverboat casino in Lake Charles. One bidder - former Pinnacle Entertainment Inc. chairman Daniel Lee - is proposing a \$400 million project. Another owned by Louisiana businessman William Trotter II proposes a \$348.8 million development. The third Lake Charles group hasn't said how much it will spend.

The other applicant for the license, Penn National, wants to put a second riverboat casino in the New Orleans suburb of Harvey. The company hasn't said how much it is willing to spend.

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Last April, Pinnacle scuttled a \$305 million plan for a second riverboat casino resort next to its successful L'Auberge du Lac resort in Lake Charles. The company said it wants to concentrate on its Baton Rouge riverboat.

Is a project in the range of \$350 million to \$400 million doable in these economic times? It depends upon the competitive environment, Morowitz said.

"If Texas is successful in enacting gaming, that might be difficult," he said. "There has been some loosening of the credit markets, but they are deal-specific."

Pinnacle recently boosted its Baton Rouge project from \$250 million to \$357 million with plans for a larger hotel, more playing positions for gamblers and a parking garage. Pinnacle CEO Anthony Sanfilippo said the company's research indicated a lot of Baton Rouge gamblers were going elsewhere and ignoring the city's two riverboats.

"Generally, a category killer in a market does very well at the expense of the legacy casinos there," Morowitz said. "If the development costs are reasonable, I think they can do very well there."

There's still a long road in Texas. The Legislature has to approve gambling, then the voters must agree to amend the state Constitution.

Of course, that was no problem in Louisiana where the Supreme Court cleared the way by opining that modern "gaming" was not the "gambling" forbidden by the state Constitution. So far, there's no indication Texas will take that route.

Alan Sayre is the New Orleans-based business writer for The Associated Press.

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