

The casinos are coming

How gaming is changing in Ohio and what it means to the state and local economies **Interviewed by Lisa Murton Beets**

Ohio will soon get four casinos — one in Columbus, Cleveland, Cincinnati, and Toledo. Since the time that Issue 3 passed in 2009 until the present, most of the major hurdles have been removed and the Ohio Casino Commission is beginning to work on regulations.

A dispute that threatened to stall progress in Columbus — about where Penn National Gaming would build its casino — was settled on July 22, 2011.

“There were some in the Columbus business community who felt that a casino in the Arena District, which was the original site where the casino was going to be built, would threaten residential development and business in that area,” says Michael E. Zatezalo, managing director and chair, Gaming Law practice, Kegler, Brown, Hill & Ritter.

Smart Business asked Zatezalo about the outcome of that situation and what it means for Columbus and the state in general.

Where will the Columbus casino be located?

Penn National will annex an old GM plant site on Columbus’ west side near I-270 and Broad Street, about 20 minutes from the Arena District. Nationwide Realty Investors will buy the Arena District property that Penn National had intended to build the casino on from Penn National for \$11 million. Penn will receive \$15 million in incentives from the city to help clean up the site where the casino will be built.

How soon will the casino open?

Between regulation and construction issues, it looks like late 2012. Because of the controversy in Columbus about where the casino would be built, it might be one of the later of the four Ohio casinos to come online.

Will the Ohio casinos be subject to the Commercial Activity Tax?

Having to pay the Commercial Activity Tax would have meant the operators would have to pay an additional \$10 million to \$12 million to the state per year, which gave the investment bankers financing the casinos a concern. A compromise was reached so that instead of having to pay the Commercial Activity Tax,



Michael E. Zatezalo

Managing director and chair, Gaming Law practice
Kegler, Brown, Hill & Ritter

the casinos will pay the state \$115 million over 10 years.

History shows that casinos located in the lowest tax jurisdictions (Nevada, Mississippi and New Jersey) invest more money into their facilities and produce more jobs. So there are tradeoffs. It remains to be seen what will happen in Ohio. Yes, the state ‘could’ have gotten more money, but a high tax rate is not necessarily the best way to create jobs. There are people who feel that the payment over 10 years is a fair break.

How will the casinos impact Ohio’s race tracks and charities?

Gov. John Kasich has signed into law an amendment that will permit relocation of Ohio’s horse race tracks. Penn National Gaming has indicated it would like to move its Beulah Park race track out of Columbus and into Dayton, and its Raceway Park track out of Toledo and into Youngstown, so the race tracks won’t compete with the casinos. In addition, the state has authorized video lottery terminals (VLTs) at race tracks, but the Ohio Lottery Commission will have to develop the regulations — it could take about a year, but we can’t say for sure. It’s a very fluid situation.

MICHAEL E. ZATEZALO is managing director and chair, Gaming Law practice, Kegler, Brown, Hill & Ritter. Reach him at (614) 462-5497 or mzatezalo@keglerbrown.com.

Charities are already negatively impacted and will continue to be. They are under siege by casinos, VLTs and sweepstakes parlors, which are not regulated. A bill has been introduced at the request of the Attorney General’s office that would license and regulate sweepstakes parlors and skill games. Veterans’ organizations are also trying to get VLTs into their posts, but that would open the door for bar owners to argue for them as well.

How can businesses that want to work with casinos best prepare?

Anyone who wants to serve as a vendor will have to be thoroughly familiar and compliant with all the rules, regulations and licensing requirements. The Ohio Casino Commission is just beginning the process of developing the regulations. At present, they have given priority to determining how the casino operators themselves will be regulated.

The gaming industry is probably the most regulated industry in America. There are many protections in place to ensure the integrity of the games and that the gamblers are getting a fair shot at winning. That said, you don’t want the regulations to be so tight that they restrict the ability to do business. So we are hoping for a regulatory scheme that recognizes the need for flexibility — one that is set up in a way that will maximize revenue for Ohio.

Will the casinos have a positive impact on the local and state economies?

I think that they will. But there will be tradeoffs. The casinos might create problem gambling issues for some people and may take entertainment dollars away from local businesses, but then again, they will also create jobs and draw people to Ohio who otherwise would not travel here. And once people are in town, they might start looking for other things to do as well, such as go to a baseball game or visit a museum.

In Biloxi, Miss., for instance, there are now 32 golf courses surrounding the local casinos. The net bottom line is that the new casinos will keep money and jobs in Ohio. <<

Insights Legal Affairs is brought to you by Kegler, Brown, Hill & Ritter Co., LPA