

## Iowa Racing and Gaming Commission opens door to Cedar Rapids casino license

Written by Administrator

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OSCEOLA – Would-be casino owner Steve Gray and casino owner Dan Kehl on Thursday shook hands and exchanged a quick pleasantry.

It was a reminder of a past battle and a battle to come.

The handshake was the first time the two had seen each other or spoken since they had dueled in a \$3.43-million media blitz leading up to the March 6 vote on casino gaming in Linn County. Gray's side to permit casino gaming easily prevailed, despite the effort by Kehl, president/CEO of the Riverside Casino and Golf Resort forty miles south of Cedar Rapids, to defeat the measure that he said would harm his casino business.

Thursday's handshake came after the Iowa Racing and Gaming Commission's monthly meeting, a meeting in which the commission set aside a self-imposed, three-year-long moratorium of sorts and agreed to accept an application for a state casino license from Gray and his group of Cedar Rapids investors who want to build a \$100-million casino across the Cedar River from downtown Cedar Rapids.

The 4-0 commission decision established a deadline of Sept. 3 for applications for a state gaming license in Linn County.

However, only one entity, the group of Cedar Rapids investors led by Gray and Drew Skogman, has proposed building a Cedar Rapids casino, has invested several million dollars in the effort to date, worked to secure Linn County voter backing for casino gaming and has the support of local leaders.

It was a second commission vote on Thursday, though, that was a reminder that the battle between Gray and Kehl is far from over.

In that vote, the commission agreed to seek proposals for a study and likely two studies to help determine what commission members said was the crucial question in the months ahead as

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they consider whether or not to grant a casino license for a Cedar Rapids casino. That is, will the new casino add to the state's gaming revenue without significantly harming existing casinos?

On that question, Gray and Kehl remained as far apart as ever.

"I think those studies are going to say that the impact (of a Cedar Rapids casino) is not a devastating thing and would be a great thing," Gray said.

To that Kehl said: "No, we're definitely still concerned about the Linn County proposal, and I think the market study will show what a Cedar Rapids casino will do to Riverside, and that's obviously what we have to protect." He said a Cedar Rapids casino would cannibalize 30 percent of his Riverside casino's revenue.

At the same time on Thursday, Gray and others in a Cedar Rapids contingent who attended the commission meeting at the Lakeside Casino Hotel in Osceola, took note of the announcement that the Kehl family's company, Kehl Development Corp., has been selected by Davenport's non-profit Riverboat Development Authority to purchase the existing riverboat casino business in Davenport and to build a new, \$110-million, land-based casino on the city's north edge along Interstate 80.

Both Gray and Justin Shields, a Cedar Rapids City Council member and a member of the non-profit Linn County Gaming Association, both said that Kehl's involvement in a new Davenport casino along Interstate 80 not so far from Iowa City – a market for Kehl's Riverside casino – would hurt his argument that a Cedar Rapids casino would be too close to the Riverside casino.

Gray did some quick math and said moving the Davenport casino to the north edge of the city would put it within 50 miles of Riverside, while a Cedar Rapids casino would be 40 miles from the Riverside casino.

"Just on face value, it would certainly take away the argument about some type of

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cannibalization (of casino business) by a Cedar Rapids casino,” Shields said.

Gray called the Kehl development in Davenport “generally, encouraging” for the Cedar Rapids’ proposal.

“Dan’s a good guy. He’s a good gaming operator. They do a great job. They historically have done a great with gaming operations in the state of Iowa,” Gray said of Kehl and the Kehl family after the Thursday handshake with Kehl. “It’s interesting,” he added, “to hear the development in Davenport. So I wished him nothing but the best in Davenport.”

For his part, Kehl said the Davenport casino had nothing to do with Cedar Rapids and Riverside. He said the Davenport casino market – which includes casinos in Davenport, Bettendorf and across the river in Rock Island, Ill. – is separate and distinct from the Cedar Rapids and Riverside market.

Interestingly, Davenport Mayor Bill Gluba addressed the Racing and Gaming Commission on Thursday, saying that the city of Davenport had hoped to see a group of local investors purchase the existing casino business rather than someone like Kehl to increase competition in the casino business in Iowa. He noted that Kehl already owns two casinos in Iowa and the current Davenport casino owner, Isle of Capri, owns four.

The lack of competition in the casino business, Gluba argued, has driven down overall Iowa casino revenue, and competition from new owners was needed to bring it back, he said.

Jeff Lamberti, the commission’s chairman, dismissed Gluba’s concern about casino competition should Kehl’s proposal for a Davenport casino win final approval.

After the commission meeting at the Lakeside Casino Hotel in Osceola, Lamberti said he expected the studies of Iowa’s casino business to be complete in early 2014, and he said a decision on a Cedar Rapids casino could come in the first quarter of the year.

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“There’s not a lot of market share left in this state, so let’s find out,” Lamberti said of the commission’s call for market studies.

Lamberti said he expected that the Cedar Rapids casino investors would emphasize to the commission the positive economic impact to Cedar Rapids that a casino would bring and the strong vote in Linn County in March that supported casino gaming in the county.

“We know that,” Lamberti said. “Then, of course, it will be weighed with what the economic impact will be on our existing facilities.”

Gray called Thursday’s commission decisions to permit his group to apply for a casino license and for the commission to seek fresh market studies of casino gaming in the state “a big moment.” He said the commission easily could have delayed the issue into the future, but it did not.

“So having that decision made today, and agreeing to move ahead with the studies, is encouraging,” he said.

Gray and Skogman, who are heading up the group of some 150 casinos investors doing business as Cedar Rapids Development Group LLC, were joined at Thursday’s meeting by Cedar Rapids Mayor Ron Corbett, City Council members Shields and Ann Poe, City Manager Jeff Pomeranz, Keith Rippy, executive director of the Area Ambulance Service and president of non-profit Linn County Gaming Association, and a contingent of Cedar Rapids union members who helped in the campaign to win approval for casino gaming in Linn County.

Corbett called the Racing and Gaming Commission actions on Thursday “significant.”

He said the commission’s review and decision on the proposed Cedar Rapids casino will come faster than it otherwise might because the commission decided to seek market studies now even as the Cedar Rapids investor group finalizes its application. The commission could have put off the studies to see if other communities will step forward to seek a gaming license. Greene County in west-central Iowa this week said it will hold a referendum on casino gaming

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there, for instance.

“I certainly think the commission members are open to giving Cedar Rapids a license,” the mayor said. “That’s why they asked us to apply. But they also are going to be prudent in their thought process as they see what kind of impact this will have on the other surrounding casinos. All in all, it was a good day here at the commission. And we’ll plan on being at all the other meetings.”

He added that Gray and Skogman and their investor group and the city have work to do. The parties have to reach an agreement on a casino development proposal as well as the sale of city-owned land – acquired by the city from its flood-recovery buyout program – across the river from downtown for the casino.

The investors also have to hire a casino management firm, which Gray and Skogman said should happen in the next couple of weeks.

Two other Iowa Racing and Gaming Commission members, Kristine Kramer of New Hampton and Carl Heinrich of Council Bluffs, said Thursday that neither they nor the commission would know how they felt about the Cedar Rapids proposal until the commission’s market studies are complete and the results in.

Both Kramer and Heinrich said they wanted to see what impact a new casino might have on existing ones.

“Yes, I’m opened-minded about it and I can say the others are, too,” Heinrich said. “The main thing is what effect it will have in the area, and that’s why the study is going to be made. What I want, and what I really feel strongly about, is that it is a plus-plus for the state and the communities involved.”

Heinrich acknowledged that Council Bluffs, which sits across the Missouri River from the Omaha metro area, long has had two competing casinos.

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“Competition isn’t all bad,” he said. “But I think in this business, if an organization, a business, puts in the investment they make on these things, you got to be hopefully assured as the best you can that they are going to be profitable. That they are going to make it. Could it (a new casino) be profitable as well as the others? That’s all. And we just wait and see.”

Commission Chairman Lamberti said no one on the commission has been encouraging new casino applications. However, he said it is now three years since the commission, worried about casino saturation in the state, decided to hold off on taking any new applications for three to five years.

“It’s at the three-year window, and we’ve seen enough interest in Linn County and Central Iowa and potentially Greene County and some others, ... that I think we want to do those updated market studies and see where the market is,” Lamberti said. “It’s not fun to deal with because it’s hard decisions.

“But we’ll see what the market studies say and move forward. But I don’t think there’s a lot of market left in this state. Honestly.”

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