

City looks to buy casino investors' property

Written by Administrator
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By Rick Smith, The Gazette

CEDAR RAPIDS — City Council members will vote Tuesday to buy property from the investors in the proposed Cedar Crossing Casino, who spent \$2.05 million for four parcels from two owners in 2013 in their attempt to bring casino gaming to the city.

Under the property purchase proposal, the council will pay \$415,000 or 20 percent of the cost that the casino investor group, led by Cedar Rapids businessman Steve Gray, paid.

Mayor Ron Corbett on Friday said the city purchase of the small portion of the overall proposed casino site that is now owned by the casino investor group is best for the city because it lets the city control all the property at the site.

Corbett said he and supporters of the casino continue to work to bring a casino to the city, and if successful, the city will sell the property back to the casino investor group.

"It is a high profile piece of property that has a lot of potential," Corbett said. "The casino still is likely the best option for the site because it would produce the most revenue with the largest ripple effect. But this gives us a fallback position to market the site as a total package rather than sell it off in small parcels.

"We're paying fair market value, and there's no risk to the city and, therefore for taxpayers, because the upside is so great," the mayor said.

In the summer of 2013, the casino investor group, Cedar Rapids Development Group LLC, moved to gain hold of four important pieces of property held by two private owners at the proposed casino site — across the Cedar River from downtown and between A Avenue NW and Second Avenue SW and First and Third streets SW — as the group finalized its application to

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the Iowa Racing and Gaming Commission for a state casino license.

The rest of the land at the site (except for one small non-essential parcel) already is owned by the city, which obtained it through the federally funded, flood-recovery buyout program.

The city had agreed to sell its 7.5 acres of now vacant buyout land at the site to the investor group for \$2.2 million if the Iowa and Racing Commission agreed to grant the investors a casino license in April. The money would have been returned to the federal government under the rules of the buyout program, but the commission denied the license.

Corbett said the city's proposed purchase of the parcels now owned by the casino investor group would have been purchased in the city's flood-recovery buyout program, but the owners declined to participate.

The city now is paying an amount similar to what the buyout program would have paid for the property, with one difference: the purchase now is with city dollars, not federal buyout dollars, the mayor said.

In addition, the casino investors' property now has buildings on it, and Corbett said the city will pay to demolish the properties.

Assistant City Manager Sandi Fowler on Friday said the \$415,000 purchase price for the casino property is based on the city's post-flood appraised value with a small added value based on proximity to the rest of the casino site.

City Manager Jeff Pomeranz on Friday said the property purchase allows the city to protect "a very strategic asset."

On July 8, the City Council met in closed session after its weekly meeting to discuss the property purchase.

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On Friday, council member Justin Shields, who has been a leading proponent of bringing a casino to Cedar Rapids and who is a member of the Linn County Gaming Association, said he strongly backed the idea of buying the casino investor group's property.

"We need to have control of that land, just to protect ourselves," Shields said.

City Council member Scott Olson, a commercial Realtor, on Friday said it made sense for the city to control the entire casino site so it can prepare to market it for one major development should the casino project not come to be in the foreseeable future.

"It's a rare opportunity for a city to have three blocks of property that could become a major development," he said.

He said one developer already has approached the city with just such a development idea, which Olson said could include a mix of housing, office, retail and a hotel.

He thought the city likely would hold the land through next year's legislative cycle at least to see if the state is willing to provide a casino license for a casino in Cedar Rapids. If not, the city likely will head out with a request for proposals to see if a developer will commit to developing the entire site across from downtown.

Olson said the city is not "bailing out" the investor group. The investors, he said, will get only a small percentage of what they spent for the property, which is money the city will recoup if the casino investors have a casino license and buy it back or if the city sells it to another developer.

He said the city will use a City Council-created economic development fund to pay for the casino investor's property and to pay for the demolition of buildings on it.

"It's worth the investment," Olson said. "It would be crazy for the city not to control that property."

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Jeff Lamberti, chairman of the Iowa Racing and Gaming Commission, has suggested that backers of a Cedar Rapids casino look to the Iowa Legislature for the casino plans, a recommendation Mayor Corbett and others are planning to follow.

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