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No slots for Worcester after talks fail

'THIS HAS BEEN A COMPLEX UNDERTAKING'

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WORCESTER — It's official. There will be no slots in this city.

In a joint statement Monday night, the city and Mass Gaming & Entertainment announced they are terminating negotiations on a community host agreement for a slots parlor on the former Wyman-Gordon property near Kelley Square.

The announcement brings to an end a 2-1/2-month process to site in the city the only slots parlor that will be licensed by the state.

In the joint statement, Neil Bluhm, chairman of Mass Gaming, said it recently became clear that his group was not going to be able to reach a mutually satisfactory community host agreement.

"We have been working in good faith for several months to develop a strong slots casino plan for the city," Mr. Bluhm said. "This has been a complex undertaking, with a multitude of factors impacting the project including the high state tax rate for the (slots) license, the reasonable mitigation requests from the city and escalating development and operating costs.

"We appreciated the professionalism of all those we worked with," he added.

City Manager Michael V. O'Brien said both sides worked very hard, but could not get a deal done.

"I understand and value that the state legislation and regulations were set to allow a completed host agreement to go to the voters to decide yes or no to a slots parlor only," Mr. O'Brien said in the statement. "I also clearly understand it was my role to get a host agreement that would integrate a slots parlor with our community.

"Both sides worked very hard to meet the reasonable expectations of the parties but we could not get a deal and felt it was in our collective best interests to conclude without a host agreement," he added.

The manager said he consulted with Mayor Joseph M. Petty and Councilor-at-Large Frederick C. Rushton and District 5 Councilor William J. Eddy, the co-chairmen of the joint City Council committee that was holding public hearings on the slots parlor proposal.

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“They supported these realities and our decisions to conclude negotiations,” Mr. O'Brien said.

He added that he is grateful to Mr. Bluhm and Mass Gaming, and to Richard L. Friedman, president of hotel developer Carpenter & Co., for their collective efforts. He said he looks forward to the potential of working together with them in the future. “They are world-class,” Mr. O'Brien said.

Colin Novick, one of the leaders of an anti-slots group, called the news “wonderful.”

He said he is thankful that the process has ended now so the community doesn't have to be torn apart in the coming months by what was expected to be a contentious public debate over the slots parlor proposal.

“I have to admit I am a bit stunned, but I am entirely thrilled with what has happened,” Mr. Novick said in a telephone interview.

There were signs that the slots proposal was in trouble after it was revealed that preliminary negotiations between city officials and Mass Gaming, the developer, had ceased and would likely end without a host agreement.

The reason being given for cessation of negotiations was that the annual slots revenues, after state taxes and fees, would fall far short of the developer's costs to build and operate the slots parlor or meet expectations of return on investment.

They said that outcome apparently became even more problematic for the developer when the annual dollars the city requested for real estate taxes and reasonable mitigation money for public safety, public health and economic development were factored in.

Other factors said to be involved included the cost of purchasing the Wyman-Gordon property, the extensive environmental cleanup of the property that would be needed, and millions of dollars to be spent on road and traffic improvements in the Kelley Square area.

The state will take a 49 percent cut of the revenues generated at the slots parlor — 40 percent will go to the state treasury and 9 percent to the state's horse racing industry.

Meanwhile, Mr. Petty said he believes the right decision was made to end the negotiations on the slots parlor and leave the door open for future development opportunities.

“I know that Mass Gaming & Entertainment and the city wished to get to terms of a deal,” Mr. Petty said. “We know the city manager has the best interests and expectations of the City Council and community at heart in these discussions. It was not for lack of trying by both parties, but in the final analysis I believe it is the right decision to end it here.”

Mr. Rushton, chairman of the City Council Economic Development Committee, said it became apparent that the numbers simply did not work out for the developer

He called Mr. Friedman and Mr. Bluhm “quality developers” who would be welcome back to the city any time.

Now that the slots development proposal is history, Mr. Rushton said, the city needs to focus on cleaning up the Wyman-Gordon property so another developer might be attracted there, as well as getting a full-service hotel built downtown, at CitySquare, Washington Square or the north Main Street area.

“We need to send a signal to Dick Friedman that we want him here,” Mr. Rushton said in a telephone interview. “The initial debate (on the slots proposal) was vigorous and well intentioned; I am proud of the way everything was handled.”

The prospects for the slots proposal began unraveling last week when it was revealed that the planned construction of a full-service, upscale hotel downtown was no longer part of the slots parlor development package.

The downtown hotel has always been considered by city officials as a key component in the slots parlor plan because of the need for a full-service hotel in Worcester.

Some city councilors have gone so far as to say that without a downtown hotel as part of the development package they could not support having a slots parlor in Worcester.

With the downtown hotel, the slots development proposal called for a \$240 million investment in the city, the creation of more than 600 jobs and millions of dollars in property tax revenues for the city.

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