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B-5 Southeast Gaming Zone Casino Update

Background

The Kansas Lottery, as a result of the passage of 2014 HB 2272, which lowered the privilege and investment fees in the Southeast Gaming Zone, accepted proposals for a lottery gaming facility management contract from July 2014 until January 2015. It received four applications from Kansas Crossing, LC, Frontenac Development, LLC, Castle Rock Casino Resort, LCC, and SE Kansas Casino Partners, LLC. Within two months of the application deadline, SE Kansas Casino Partners, LLC withdrew its application.

Casino Presentations

In April 2015, the Lottery Commission heard presentations from the three remaining applicants. Kansas Crossing, LC proposed a development in Pittsburg, Crawford County with 625 slots, 16 table games, and a poker room. The proposed development also included a restaurant and bar, 120-room hotel, 20-pad recreational vehicle park, and 400-seat entertainment center. Frontenac Development, LLC proposed a development in Pittsburg, Crawford County with 750 slots, 18 table games, buffet restaurant, fast food area, night club, sports bar, 62-room hotel, meeting space, and 50-pad recreational vehicle park. The third applicant, Castle Rock Casino Resort, LCC, proposed a development in Cherokee County with 1,400 slots, 35 table games, poker room, fine dining, coffee shop, food court, sports bar buffet, 200-room hotel, meeting space, fitness center and spa. The applicant also proposed a 5,000 to 6,000 seat arena to be completed in a second phase of construction. The Lottery Commission approved all three applications and proposed contracts and forwarded them to the Lottery Gaming Facility Review Board (LGFRB) in late April 2015.

Pursuant to KSA 74-8735, LGFRB was tasked with selecting the contract that "...best maximizes revenue, encourages tourism and otherwise serves the interests of the people of Kansas." Over two months, the LGFRB held meetings in Topeka, Pittsburg, and Columbus to receive public and local government opinion and to hear applicant and consultant presentations. In June 2015, the LGFRB selected Kansas Crossing, LC to be the lottery gaming facility manager of a casino in Crawford County.

Resulting Litigation

In mid-July 2015, shortly after the selection of Kansas Crossing, LC, the Board of County Commissioners of Cherokee filed suit against the LGFRB, Kansas Racing and Gaming Commission (the State agency to which the LGFRB is attached), and the Kansas Lottery in Shawnee County District Court. The Commissioners requested that the Court issue a temporary injunction halting the construction of Kansas Crossing Casino. On July 31, the Court denied the Commissioners' request for an injunction. On July 31, 2015, Castle Rock Casino Resort, LCC entered the lawsuit against the defendants in Shawnee County District Court. In late October 2015, the Court denied the plaintiffs'

motion for discovery. The lawsuit is still pending as of December 2015.

In mid-August 2015, Kansas Crossing, LC requested an extension on commencement of construction from the Kansas Lottery due to pending litigation. The Kansas Lottery approved a 90-day extension in late August. After the initial 90-day extension, Kansas Crossing, LC requested another 90-day extension, which the Lottery approved in early December 2015. The Lottery may rescind this extension or consider an additional extension, depending on the status of the lawsuit. Kansas Crossing Casino originally planned to open in July 2016; a delayed opening is now likely.

For more information, please contact:

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