

## RDA chooses Riverside owner for land-based development



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The Riverboat Development Authority spurned a Davenport-supported casino developer and instead backed the ownership group of Riverside Casino and Golf Resort to build a land-based casino.

The RDA board voted unanimously Friday to give the Riverside group 120 days to negotiate the sale of the Rhythm City Casino from the Isle of Capri.

The RDA plucked Riverside CEO Dan Kehl's ownership group from among four potential suitors. The Davenport Casino Group, led by local developer Rodney Blackwell, was one of those four, and the city of Davenport has already negotiated a proposed development agreement with Blackwell's group.

Kehl said the six-story casino-hotel would be "a first-class destination resort that everyone in the Quad-Cities can be proud of."

The group was selected because of solid financing, experience at casino operations in Iowa and a "wow" factor, according to members of the RDA board.

"I would be hard-pressed to find anyone not impressed by this casino on Interstate 80," said Chad Lewis, a member of the RDA search committee that recommended Kehl's group.

The casino will be located along the I-80 corridor in Davenport, but a specific location has not been selected. The purchase price of the Rhythm City is \$51 million, with a casino-hotel development of \$100 million to \$120 million planned, Kehl said. The name "Rhythm City" would be part of the sale.

Kehl and RDA President Mary Ellen Chamberlin said current Rhythm City employees will be notified that they will be guaranteed continued employment with the new owner.

Kehl's family has been involved with gaming in eastern Iowa since it began in the 1990s, owning casino boats in Clinton, Dubuque and Burlington. Riverside opened in 2006, and they also operate the Grand Falls Casino Resort in Larchwood, Iowa, which opened in 2011.

Mayor Bill Gluba spoke to Kehl immediately after the meeting. Kehl said the city wants to talk about its share of gaming revenue. That negotiation, one of many that must be cleared over the next 120 days, might not take place until after the Iowa Racing and Gaming Commission meeting takes place Thursday.

"It won't be an easy one considering the history of what has been going on here, but we are open-minded and will sit down and negotiate with good faith," Kehl said.

Gluba was not happy about the selection process and seeing Blackwell's project get shuffled

out of the picture. Under the development agreement with Blackwell, the city would have received \$11 million per year.

"I was very disappointed that it was a closed meeting that didn't allow the public to give input," Gluba said. "It wasn't transparent at all.

"All these developers have pretty pictures and workable plans," he said of Kehl's proposal. "In my opinion, it should be mostly about how much money will stay in the community and how much will go to our nonprofits."

The Davenport City Council met in a closed session for about 30 minutes Friday night to discuss pending litigation. Although the specific purpose of the meeting was not disclosed, it was not called until the RDA announced Thursday that it would have a meeting on Friday.

Alderman Bill Boom, 3rd Ward, has been involved in the city's efforts to recruit a land-based casino developer for several years. He declined comment on the closed session after the meeting, but Boom did say he did not like the Isle of Capri's involvement in the RDA's selection process. He said it was like firing someone but allowing them to help hire their replacement.

"There is not a lot of information," Boom added. "There is no location, no details.

"I'm somewhat confused by the whole process of the IOC leading the RDA through the process. We're going to watch to see what happens."

Kehl said \$110 million is budgeted for construction of a casino and hotel. Based on that, the city would receive \$1.7 million annually in property taxes, Davenport Finance Director Brandon Wright said. The city currently receives close to that amount in gaming revenue and leases.

Gluba said he looks forward to sitting down with Kehl's group, adding, "We don't come cheap.

"We will work in good faith with the chosen developer," the mayor said. "I'm an optimist, and myself and the City Council will drive a hard bargain."

Chamberlin and RDA board Chairman Gary Mohr said they were skeptical of the numbers in the city's and Blackwell's proposal. But Gluba said the process put the RDA under the sway of a "high-priced consultant" hired by the Isle of Capri.

The search committee considered the revenue available through property taxes, hotel-motel taxes, future property taxes from new development around the casino and increased revenue from a new property as coming close to what the city was looking for through the agreement with Blackwell that called for a city investment of \$33 million.

"The winner is the city," Mohr said. "It is a win for the City Council that doesn't have any investment in this."

RDA member Chris Frederick, who served on the selection committee, said she was wary of the process when the panel began its work because of the Isle involvement through Innovation Capital. All of the prospects brought experience and strong proposals to the table, she said.

"This has really raised my respect for Isle," she added.

Lewis agreed.

"We walked into the first meeting and wondered, 'Are we going to get anyone good or are we

going to get some anyone who thinks they can run a casino?' " he said of Innovation. "They became a resource from the very beginning we didn't expect."

Kehl and the Isle of Capri's Waterloo casino worked together to try to prevent Linn County approval of a Cedar Rapids casino, possibly creating increased competition. That effort passed. Kehl was asked Friday whether he was worried that the Davenport interstate casino his company proposes would peel business away from Riverside.

"Our perspective is there will be a new land-based casino built on Interstate 80 in Davenport, so it might as well be us," he said.

## Proposed land-based casino highlights

- Casino with 1,000 slot machines, 25 table games and a poker room.
- Hotel with 95 rooms and five suites.
- Performance theater with 1,500 seats and private balcony suites.
- Amenities include a spa and a rooftop swimming pool.
- Dining options include a 50-seat sports bar with an outdoor patio, a 250-seat buffet and a grab-and-go deli.
- Estimated construction costs of \$100 million to \$120 million.

## Casino timeline

**Now until early 2014:** Acquisition process for the Rhythm City Casino from the Isle of Capri.

**Mid-2014:** Project financing, including continued operation of the casino boat, acquire land, define the construction budget, recruit investors.

**Late 2014-early 2016:** Casino construction.

**Early 2016:** Close casino boat, open land-based casino.