

California's Gaming Facilities Expand

by Christopher Irwin

Over the past several years, casinos around the nation, especially Native American casinos, have put millions of dollars into renovations and expansion of their facilities in order to gain or even maintain market share, especially in markets where casinos are still being built. According to a white paper published by The Innovation Group, "U.S. Gaming Revenue Trends", the gaming environment in the United States is becoming increasingly stagnant and years of consistent 3-4% annual revenue growth rates may be a thing of the past. As a result, many facilities are looking to increase market share by differentiating themselves through the use of funds on capital improvement projects. California is a shining example.

In the last several years, the already saturated California gaming market has continued to grow with expansions and renovations as well as new builds. In 2013, the Graton Resort & Casino opened to much fanfare as it was the closest casino to the Bay Area. However, it was missing a single piece of the resort aspect: the hotel. Finally, in November of 2016, the resort was complete with the opening of a six story 200-room hotel including a luxury spa, fitness center, and outdoor pool.

During the same general period, the Jamul Indian Village A Kumeyaay just outside of San Diego had been in a legal battle to open their gaming operation. In October, the Hollywood Casino Jamul-San Diego opened despite strong opposition from their neighbors in East County. The casino with approximately 1,700 slots, 45 table games, seven food and beverage options, and a nightclub was built and will be operated by Penn National Gaming. In response to a new competitive casino cutting into the lucrative San Diego market, the Sycuan Band of the Kumeyaay Nation, who owns and operates the Sycuan Casino, announced a \$220 million expansion project. The project includes adding a 300-room hotel, an additional 21,000 square feet of gaming space, a parking garage, a restaurant, and a fitness area with two pools. The announcement came in early November with construction expected to start after the first of the year and will last approximately two years.

The other California casino to open in the last several years is the Redwood Casino in Northern California. The facility only has about 125 slots, but it does have a 60-room Holiday Inn Express. The \$15 million casino was part of a larger \$25 million development project to help boost the local economy. Other developments included a visitor center and amphitheater across from the gaming facility. Most recently, the casino upgraded their signage, added an effective players reward program, and is contemplating adding an additional 99 machines to handle the demand.

To wrap up the new builds, the Karuk Tribe in Northern California broke ground in July of 2016 on their proposed Rain Rock Casino in Yreka. The property will include up to 500 slots, 8 table games, and other accompanying amenities. Though the casino will be located in the southeast corner of Yreka, just east of Interstate 5, it is expected that upwards of 30% of its visitors will come from Medford, Oregon, an area that is roughly 45 miles due north of the under-construction casino. The project is planned in two phases. Phase one includes the casino as well as food and beverage options, and phase two is an expanded casino with an 80-room hotel.

Other California casinos have put millions of dollars into renovations and expansions to keep with the ever-changing market. In 2014, Harrah's Resort Southern California, formerly known as Harrah's Rincon, opened a \$160 million dollar expansion, increasing hotel room count to over 1,000 and adding meeting and convention space. In response to this expansion, the Pechanga Resort and Casino broke ground on a \$285 million expansion, adding roughly 550 hotel rooms (more than 1,000 total), a luxury spa, a new meeting space, a resort style spa, and new restaurants.

Though these represent the largest expansions in the California gaming market, many other tribes are spending large portions of their budgets on renovations. A few of the more notable expansions over the last few years are as follows:

Valley View Casino & Hotel "extreme casino makeover"

- Expanded buffet
- Upgraded hotel and casino restrooms
- Revamped Players Club and VIP Lounge
- Installed marble and granite floors in restrooms

Viejas Casino & Resort hotel expansion

- Additional 109-room hotel tower
- Augustine Casino full-scale remodel
- Closed mid-September through mid-October 2016
- Improved signage, paint, call coverings, lighting, etc.

Thunder Valley Casino

- Complete remaining hotel floors (additional 111)

Bear River Casino multipurpose development

- 23,000 square foot multi-sport activity facility to double as a concert and sporting event venue at nights

Even in a highly competitive gaming market such as California, many tribes are still looking to get a piece of the pie by opening their own casino. The Buena Vista Rancheria in Lone (central California) is looking to open a casino with upwards of 1,000 gaming positions. In Mendocino County, the Pinoleville Pomo Nation has proposed a relatively large casino along Highway 101; however, recent news has indicated that this project might not happen. The land where the proposed casino might have been located went up for sale in October.

The Cloverdale Rancheria of Pomo Indians have been proposing to build a large resort and casino along Highway 101 just south of Cloverdale for many years. Their initial hopes were to capitalize on the Bay Area by making it one of the closest and most convenient casinos for Bay Area residents. However, Graton Resort and Casino has since opened roughly 35 miles closer to the Bay Area, and as such, the scale for the proposed development may have to be paired down. Regardless, according

to an article by Kendall James of CaliforniaPokerOnline.com, Tribal leaders said that it will still likely be the largest in Sonoma County.

Other proposed developments include the Lone Band of Miwok Indians' plan to build a casino in Amador County, approximately 11 miles from the city of Lone, California. This facility would be in direct competition with the Buena Vista Rancheria's proposed casino. In June, this tribe signed an updated compact with Governor Brown, but has received pushback from the residents of Amador County. To date, it is unclear as to how far along the tribe is to actually opening their proposed casino.

Two other tribes are proposing casino developments in Northern California. The Wilton Miwok Rancheria, reinstated as a federally recognized tribe in 2009, has plans to open a 2,000-machine facility with upwards of 100 table games near Elk Grove, south of Sacramento. As of early December, there are several outstanding lawsuits in regards to the proposed \$400 million development. However, all the lawsuits and fighting may be a moot point since the tribe has yet to sign a compact with the Governor. Finally, the Big Sandy Band of Western Mono Indians has been attempting to develop a Class III Casino in the Fresno County Foothills near Friant, California for several years. The proposed site is approximately 1 mile from Table Mountain Casino. It has been delayed for a number of reasons including several lawsuits regarding revenue cannibalization, water rights, and land ownership from area Tribes. Early attempts to open a casino were thwarted by the state as they thought the federal government had improperly awarded the tribe land in trust for casino operations. A 2014 ruling by the three-judge panel of the U.S. 9th Circuit of Appeals agreed with this statement. But in June 2015, a larger eleven-judge en banc panel overturned the ruling, giving the tribe permission to build a casino once again. To date the tribe is still seeking funding for the project and is pursuing other avenues to get this project underway.

Though all five of these proposed casinos have supporters in the local markets, they also have many who oppose their development. As a result, it is unknown if any of these casinos will actually open anytime in the near future.

California is one of if not the most competitive gaming jurisdiction outside of Nevada. Per Casino City's 2016 Indian Gaming Industry Report, the Golden State accounted for approximately \$7.3 billion in gaming revenue, more than 25% of Indian gaming revenues nationwide, the next closest being Oklahoma at only 14% of the market share. Needless to say, the California gaming market is doing its job to help grow the state's economy even during struggling times, and with a highly competitive and increasingly saturated market, it appears that Californian casinos will need to continue allocating capital for property updates, renovations, and expansions in order to remain competitive for the foreseeable future.