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The Casino Design Annual Experts' Q&A

ECONOMIES of SCALE

What do the \$3 billion Cosmopolitan on the Las Vegas Strip and the \$130 million expansion at the Casino del Sol in Tucson have in common? Maybe the future of casino design.

Vesper Room,
Cosmopolitan of Las Vegas



Here Comes the Sun

Casino Del Sol expansion reflects realistic approach by tribal owners

BY ROGER GROS

Peter Yucupicio and Robert Valencia can remember as children when electricity was brought to their village. The leaders of the Pascua Yaqui tribe near Tucson, Arizona, tell a story that many Native Americans understand. The climb out of poverty to prosperity has meant a pride in the past and a vision for the future.

Yucupicio, the current chairman of the tribe, says it was the most amazing thing to see the trucks stringing the electrical wires.

“We didn’t realize how our lives would change,” he says. “But when you have nothing, you can’t really envision what having something means.”

Valencia, a former chairman and current vice chairman, says the struggles of their childhoods make the tribe’s two leaders more appreciative of the present.

“Not only do we have an appreciation of electricity, but also of running water and even pavement,” he laughs. “All the things that everyone else takes for granted, we remember the absence of them at the beginning. We consider ourselves to be strong individuals; we persevered and we

completely appreciate what we have now.”

Yucupicio deflects credit, however, and says it’s the cohesiveness of the community that has made the difference.

“Pascua Yaquis are not like most other tribes,” he says. “We all participate in the discussions about what our tribal government should do. We are given all the facts and, while the discussions sometimes get heated, we usually come to the right decision. The tribal council is very involved, and we take our direction from them.

Valencia believes it is that struggle that has made the Pascua Yaqui tribal council so deliberative when it comes to expansion of their main enterprise, gaming. He credits those who came before the present leaders for putting them in this enviable position.

“There was always a dream of acquiring additional land for our reservation,” he says. “Our leaders bought this land many years ago. And although they couldn’t develop it at the time, they knew it was important. Today, that land is where Casino Del Sol sits, the main economic generator for the tribe.”

Valencia says he, Yucupicio and the rest of the tribal council are only trying to duplicate what previous leaders have done.

“We built what we have now upon

the groundwork that was laid by our elders and what they left us,” he says. “We are trying to do the right thing for the future generations to make sure they have the tools to live a good life for their children and grandchildren.”

Wendell Long, the CEO of Pascua Yaqui Gaming Enterprises, says he’s witnessed a very savvy council that weighs every decision.

“The tribal council has always worked well together,” he says. “Like every government body, there is always some disagreement and discussion along the way, but when the time comes to make a decision, they are all on the same page. It’s the will of the council, not any one person.”

Gaming Ventures

The Pascua Yaquis entered the gaming business when the state of Arizona negotiated compacts with the tribes as required by legislative action in 1992. Unlike the Phoenix metropolitan area, where more than a dozen casinos are operating, Tucson has only two major tribes, the Pascua Yaquis and the Tohono O’odham Nation.

After operating a small casino with several hundred slot machines, the Pascua

Yaquis decided to consider a larger venture. It wasn't a slam dunk, however, by any means.

Long, a member of Oklahoma's Grand Choctaw tribe, says there was much discussion among the tribal members and the council.

"Before committing to building Casino Del Sol," he explains, "the tribe had never been in debt. They had financed the small casino and any other tribal enterprise through cash flow. It was quite a risk to build the large property that was Casino Del Sol."

Valencia was tribal chairman at the time, and says it was a difficult decision.

"That was the only time I ever lost sleep while mulling over a decision," he says. "Our people were behind the project, but it was a very hard decision to make because of the scale of the project."

Valencia and the tribal council needn't have worried. In an underserved market, Casino del Sol was an immediate hit, and competed evenly with the Desert Diamond Casino owned by the Tohono O'odham Nation.

Because of the success of Casino del Sol's first phase, an expansion was a decision that didn't cause Valencia to lose sleep. But that decision had some different ramifications, and the bottom line was that the tribe not only wanted to compete with Desert Diamond, but also with the selection of high-quality resorts that dot the Tucson area.

Long says economic diversity was a part of the rationale behind the decision.

"We were originally going with a three-star hotel, but we've moved that up to a four-star variety on the direction of tribal council," he says. "We have one of the nicest casinos in Arizona, so we believed the hotel had to be of the same quality. And we truly wanted it to be a resort, so the spa, the meeting space and the upgraded features were necessary."

Beyond Gaming

Mark Birtha, a casino industry veteran who most recently was developing the now-stalled project of a Marriot resort in Las Vegas, was hired to take the reins at the Casino del Sol. Birtha says expansion made sense in both gaming and non-gaming amenities.

"In Tucson, we have one major gaming competitor," he explains. "We believe that by creating this resort experience, we'll have an edge over that casino. But by creating this resort, we're also competing

I have been very impressed with the vision for the overall master plan that the tribal council has for this project and the property that they've acquired.

—Mark Birtha

with the high-end resorts that are located in the hotel corridor in the Tucson area. It's a very strong attraction for the city. Golf and spa are very important in all these facilities. Not only is the U.S. a major market, but Mexico is, as well. We're the first stop when they cross the border. So we can compete as a casino resort, but we will also compete with all the non-gaming resorts as well."

The expansion of Casino del Sol, slated to cost \$130 million, will provide a 215-room, 10-story hotel. The upper floors offer panoramic views of the valley, as well as being a beacon to attract new customers. A glowing dome at the peak of the property, created by Las Vegas-based sign-maker Yesco, will shine from dusk till dawn, while extensive meeting space, new restaurants and a high-style pool area offer visitors relaxation and diversions whether or not they are gamblers.

Birtha says high-rise visibility was a change from the original concept of a lower-rise property, which can be justified in the goals of the project.

"We wanted to determine what was the right amount of amenities not only for our existing clientele but to grow our clientele," says Birtha. "And when tribal council considered the Mediterranean feel that we've given the property, the beautiful domes and the very elegant high-ceiling space, it was only natural that they build a tower that rose above the natural landscape and became an icon and beacon for residents and visitors to the valley."

In a well-designed master plan, however, the Pascua Yaquis are aiming at the region's most complete destination. Plans for construction of a first-class golf course for the resort are now being finalized by

tribal council.

Long says the tribe realizes that all the elements of the master plan are necessary.

"They understand that a world-class resort needs all these features," he says.

"And by having these features they can maximize the gaming and non-gaming revenues. So once the golf course deal is completed, I'm certain the council will approve it."

Birtha says the master plan was one of the reasons he decided to take the job.

"I have been very impressed with the vision for the overall master plan that the tribal council has for this project and the property that they've acquired," he says. "It was one of the reasons I decided to accept this opportunity.

"They never bite off more than they can chew. I've seen many developers around the country take too many chances, and the projects get put on hold or they get overleveraged. This group have been very diligent in building in phases. They have a structure, a perspective and a long-term view that is unique to Tucson."

Construction Specialties

Putting together a team to develop the Casino del Sol expansion was important, says Long, because the tribe isn't large enough to have one person or a department dedicated to design and construction. After an extensive search, the tribe hired Innovation Project Development, a subsidiary of the Innovation Group of Companies, to develop the expansion plans.

Innovation brought in architects Leo A. Daly, which designed the original Casino del Sol, and McCarthy Construction as partners in building the hotel and other amenities.

Birtha says IPD has the experience and expertise that the project needed from the start.

"They have a great reputation and experienced executives who have built dozens of casino projects around the country," says Birtha. "They work with our engineering and facilities people to make sure the project is designed and built correctly. They oversee everything from the construction budget and design specs to interior design work, programming and spacing."

For Long, having IPD in charge minimizes the problems that could and do arise.

"When you've been given responsibility to build a development like that by a tribal council, you don't want anything to

go wrong,” he says. “And even though things do go wrong, you want to keep them to a minimum. That’s the value of bringing in a company like IPD. IPD has earned the salary we’ve paid them at least five or six times over.”

Bob Kelly, the president of IPD who previously served as director of construction for Grand Casinos, Bally Entertainment and Caesars Entertainment, says his role is to make his clients comfortable by keeping them in the loop at all times.

“We like to work closely with our clients because they are the owners, and we’re their link to the architects, builders and other contractors,” he says. “They bring us in because they generally aren’t very familiar with large construction projects and trust us to make sure that everything goes according to plan.”

But it’s often the owners who want to make changes in the middle of the process, says Kelly, and it’s also his job to explain the ramifications of such changes.

“When the owners want to move a wall or add an amenity somewhere that wasn’t in the original plans,” he says, “we have to tell them the impact it will have on the budget, on other elements of the project and on the timeline for completion. Sometimes it’s not an easy thing to do, because there are often multiple people involved on the owners’ side. But we have to make them see reality so there are no surprises as we come to the end of the project.”

A new element that has recently come up is the increased involvement of the lenders. In some cases, IPD is also responsible to the lenders, says Kelly.

“The new angle to this is the bank that is lending the money has to be a full-time partner in those decisions,” he explains. “So we often get in the middle between the bank and the owners, making sure their decisions are good ones and the bank will support them.”

Setting the Bar

For BIRTHA, installing non-gaming amenities was the key to success for Casino del Sol. But at the same time, the right non-gaming amenities must be installed that will fit the level of the customer.

“The non-gaming amenities we are



building are not only designed to be strategic differentiators, but also high-quality revenue centers,” he explains. “In a market like this, it’s a little bit of both. We want to create amenities above and beyond the gaming experience that will impress our loyal customers but also allow us to evolve into a true resort destination that goes above and beyond just the casino experience. It also allows us to evolve the property into a non-gaming property. We’ll focus on meetings and conventions during the Monday-Thursday time period. We’ll also host the tour-and-travel customer on the weekend. Hopefully, they’ll also play in the casino, but it’s not necessary for them to be a profitable customer. Overall, we’ll better diversify our revenue base.”

Understanding what the customers want—and more importantly, what the return on investment will be—drove the decisions about the quality of the amenities. For example, there are no 10,000-square-foot suites.

“Knowing we have limitations on our maximum gaming bets; knowing who our customers are and what they expect; knowing that there is some kind of thirst for non-gaming amenities; all these things go into making the right decisions and fit and function of the product,” he says. “A four- or five-bedroom suite like you might find in Las Vegas or Macau doesn’t make sense here because they have a different set of expectations. Our biggest suite is a two-bedroom suite at about 1,400 square feet. That will clearly be a favorite with our players.”

The decision made by the tribe to keep the casino open during construction can be good or bad, says IPD’s Kelly.

“Doing a construction project while keeping the casino open is a double-edged sword,” he explains. “There’s a good chance that it will hurt your bottom line because of the business disruptions. But at the same time, the players who are putting their dollars and quarters into the slot machines like to see the construction. They feel like they are investing in an entirely new casino and that they’re getting something back for their money. There’s more sidewalk superintendents than you can shake a stick at, but that’s a good thing because it ramps up excitement as you get closer to the end of the project.”

With a target date for opening of November 11, 2011 (11-11-11), Yucupicio says the tribe is going to be very proud of the results.

“We’ve been working very hard to provide jobs for our tribal members, and this will give us another chance to do that,” he says.

Indeed, Pascua Yaquis account for a huge percentage of the executives and employees in Casino del Sol. Long believes that contributes to the excellence of service at the property.

“Sixty percent of our employees are tribal members,” he says. “Because they are the owners of the property, I think they are truly hard-working, friendly and conscientious. That sense of entitlement that you might see with other tribes isn’t evident here. It’s probably the way the Pascua Yaquis have been brought up. They just don’t have that in their DNA.” BIRTHA agrees.

“The success of the expansion project is not just financial for the tribe,” he explains. “The large contingent of tribal members that make up our staff depend upon expansion for their jobs and careers. So community success is just as important as financial success.”

Valencia says that even outside the tribal boundaries, a successful Casino del Sol has an impact.

“We’re proud that our economic development has helped not only our tribe but our community,” he says. “By producing jobs for our tribal members and for our neighbors, we’re helping raise everyone’s standard of living and making our community better.”