

 **Millionaire-maker stocks**

Since its IPO In 1970, Wal-Mart stock is up 13,000 times, turning every \$10,000 invested into \$130,000,000. And had you invested \$10,000 in Southwest Airlines in 1980, you'd be sitting on \$2.7 million.

Now, in a FREE special report from The Motley Fool, "3 Hidden Gems Ready to Run," discover three small-cap stocks with million-dollar potential.

[Click here to claim your FREE report](#)



Welcome [Login](#)[Sign Up](#)

The Future of the Mississippi Gulf Coast

By Jeff Hwang
May 14, 2007

I spent most of the past week down in Biloxi for the 14th annual Southern Gaming Summit. After being held in Tunica last year, the Summit returned to Biloxi for the first time since Hurricane Katrina hit the Mississippi Gulf Coast nearly two years ago. Unfortunately, there were so many conferences going on at the Summit that I didn't get a chance to see everything that I wanted to see, so instead, we'll focus on the most important topic -- the future of the Mississippi Gulf Coast.

But first, a note on the present: Only seven of the nine casinos in Biloxi have returned to the market thus far and all but three -- **MGM Mirage's** (NYSE: [MGM](#)) Beau Rivage, the privately owned Imperial Palace, and **Penn National's** (Nasdaq: [PENN](#)) Boomtown Biloxi -- are still operating temporary gaming facilities. Even so, Biloxi mayor A.J. Holloway says that the Biloxi casinos as a group have posted *record* revenues in six of the past seven months. Meanwhile, according to the city of Biloxi's State of the City newsletter, the casino industry has put nearly 15,000 people back to work -- back to pre-Katrina levels.

The Mississippi Gulf Coast: Building a Tier One destination

There's a silver lining to the impact of Katrina, and that is the opportunity to start with a clean slate, and a chance to maybe do things a little differently. For example, rather than have the casino companies build floating barges in the water, the casinos along the coast are now allowed to build their casinos on land within 800 feet of the shoreline. City planners may rethink the prudence of such things as putting gas stations on the beach. Meanwhile, the vision of the future Mississippi Gulf Coast as a Tier One national destination is now stronger than ever before.

As stated in the [Governor's Commission Report](#), the ultimate goal is to make the Mississippi Coast a Tier One national destination to compete with Orlando and Las

Vegas by 2010. Stephen Richer, Executive Director of the Mississippi Gulf Coast Convention and Visitors Bureau, cited the four key objectives outlined in the report (notes are mine):

1. **30,000 hotel rooms.** To drive tourism, the area needs more hotel rooms. Prior to Katrina, there were approximately 17,500 hotel rooms along the Mississippi Coast. Today, there are about 10,500 in operation. According to Biloxi's State of the City newsletter, 70% of the major hotels are up and running, but only 25% of the smaller independent hotels are back in business.

Large casino projects such as **Torguson Gaming Group's** Bacaran Bay project and **Harrah's** (NYSE: [HET](#)) Grand Casino project will help. However, Bob Kelly -- president of Innovation Project Development -- said during one of the conference sessions that there needs to be a 10-fold increase in non-gaming lodging and that 11% to 12% of that should be of the condo-hotel type. One potential limiting factor is a zoning requirement limiting population density to 30 people per acre.

2. **600,000 square feet of convention space.** The Biloxi area is already one of the top meeting areas in the nation, and it can further capitalize on the presence of 24/7 gaming activity, beaches, and roughly a zillion golf courses available to the public. The goal is to increase convention space from 248,000 square feet today to 600,000 square feet by 2010. The Mississippi Coast Coliseum and Convention Center alone will add 200,000 square feet of space following a \$68 million expansion scheduled for completion in late 2008, giving that location a total of 380,000 square feet of convention space. Torguson's Bacaran Bay project will include 60,000 to 70,000 square feet of convention space.

3. **Increase air travel capacity.** The Gulfport-Biloxi International Airport is nearing completion of a \$51 million expansion project that would expand the airport terminal from 92,000 square feet to 165,000 square feet, add two gates, increase space for existing airlines, and allow for two new airlines. The project will be complete in June, and will allow for an increase from 850,000 air passengers per year to 2.2 million, with an ultimate goal of getting to 5 million. The greater capacity will improve the area's draw as a national destination as opposed to merely a regional destination.

4. **"Things to do."** To become a topflight destination, gaming can't be the only attraction. As companies such as MGM, **Las Vegas Sands** (NYSE: [LVS](#)), and **Wynn Resorts** (Nasdaq: [WYNN](#)) have shown on the Las Vegas Strip -- and companies such as **Station Casinos** and **Ameristar Casinos** (Nasdaq: [ASCA](#)) have shown in the locals markets -- it's the *non-gaming* amenities and a complete package that separate a casino property from the competition.

The casino properties will continue to add more high-end dining options, more clubs and bars, more retail, etc. Torguson's Bacaran Bay, for example, will include a "doggie hotel" which may appeal to drive-in destination traffic, as well as a 40-lane bowling alley. And outside of the casino properties, there will be more golf, fishing, museums, and shopping.

Labor issues

While there appears to be no shortage of jobs in the rapidly growing Gulf Coast gaming market, there is apparently a dearth of qualified labor in the market as new casinos emerge and existing casinos continue to expand. And when the necessary quality of employee doesn't exist locally, a new casino either has to bring in talent from outside the market or steal from a competitor, which would still result in a casino having to fill a need.

Jeff Dahl, president and COO of Torguson Gaming Group, cited a pair of key issues in drawing labor from outside of the market. The main problem is a lack of available housing in the market, with Katrina having claimed 6,000 of the 25,000 homes and businesses in Biloxi. The second concern would be education, as a new employee moving to the area would want to ensure a certain quality of education for his or her family.

Biloxi projects

Thursday morning, Mayor A.J. Holloway gave a quick rundown on Biloxi casino projects during the "Resort Development Update" session. One pleasant halfway surprise was Holloway confirming that the long-awaited announcement regarding the redevelopment of Harrah's Grand Casino/Casino Magic site would be expected this week. Harrah's CEO Gary Loveman had been quoted last month as saying that the company would make an announcement regarding the project sometime this month.

| Property | Project Description |
|--|---|
| Grand Casino/Casino Magic (HET) | Announcement expected this week for \$1 billion redevelopment of 80-acre site on Point Cadet adjacent to Isle of Capri (Nasdaq: ISLE) Biloxi. |
| Hard Rock | Property set for 7-7-07 opening, nearly two years after Katrina interrupted plans to open just days later. The Hard Rock is located adjacent to the Beau Rivage. |
| Treasure Bay | The casino used to be located on a pirate ship, which was destroyed by Katrina. Today, the property is operating with a mere 6,817 square feet of gaming space and 331 slots. The property is working on a new casino with a projected opening around the same time as the Hard Rock. |
| Bacaran Bay | Torguson's \$600 million project is located just off I-110 somewhere in between the Imperial Palace and Beau Rivage. The property will include over 600 suites and 534 condominiums, and will be a part of the Caillavet Street revitalization project. |
| Imperial Palace | The IP was one of the first three casinos to return to the Biloxi market, reopening in December 2005. The casino has acquired 25 acres around its site for future growth. |
| Bayview Casino Resort | A new casino property to be located next to Boomtown on Back Bay that will include a 55,000 square foot casino and a 500-room hotel. |
| Boomtown Biloxi (PENN) | Penn National's Boomtown has acquired 23 acres of land for use in an expansion project. The property currently does not include a hotel and, in fact, is the only casino in the market without one. |

Palace Casino

Along with the IP and Isle of Capri, Palace reopened in December 2005, though with limited capacity (26,260 square feet of gaming space, 836 slots, and 14 table games). The property is working on a \$10 million, 20,000 square foot addition to the gaming floor scheduled for completion this fall, and is working on a preliminary master plan that would include 140,000 square feet of elevated space and a new 400-room hotel tower.

**Isle of Capri
Biloxi (ISLE)**

The new and improved Isle of Capri is working on a \$180 million expansion that will expand gaming space to over 100,000 square feet. The company also acquired land adjacent to the property for future expansion.

In Part II, we'll take a look at some of the hot products on display at the Southern Gaming Summit Expo. Until then:

- [From the Southern Gaming Summit: Part I](#) (2006)
- [From the Southern Gaming Summit: Part II](#) (2006)
- [Ameristar Rumor Central: Tunica, Biloxi, and Evansville](#)
- [Gaming Roundup: LVS, MGM Disappoint](#)
- [From the Florida Gaming Summit](#)

Ameristar is a [Hidden Gems](#) pick.

Fool contributor [Jeff Hwang](#) owns shares of Ameristar Casinos. The Fool has an ironclad [disclosure policy](#).