

Greektown trails other 2 casinos

Detroit – While MGM Grand Detroit and MotorCity casinos are working furiously to build lavish new permanent hotel-gaming complexes, Greektown Casino remains tangled in red tape that has prevented it from placing its first shovel in the ground.

The delays could end up costing Greektown Casino tens of millions of dollars in revenue. Both MGM and MotorCity already have started signing up conventions and events at the new facilities for 2008 and beyond.

MotorCity broke ground on its USD 275 million permanent facility late last year and expects to open by late 2007 or early 2008. It will use its current temporary casino as part of the structure. The USD 765 million MGM permanent facility, the only one being built from the ground up, broke ground earlier this year and is expected to open in early 2008.

Greektown still expects to open its permanent facility by 2008, but is almost certain to trail its competitors.

Trailing the pack is nothing new for Greektown. By the time it opened its temporary casino in 2000, its two competitors had been open a year and had raked in more than USD 900 million in gambling revenue. Greektown has never caught up, remaining a distant third among the three casinos in gambling revenue.

But the delays are unavoidable, said Roger Martin, a spokesman for Greektown Casino, owned by the Sault Ste. Marie Tribe of Chippewa Indians.

„There is no doubt the delay will cost Greektown money,“ Martin said. „But it’s a lot more difficult from a process point to get moving in a downtown business district like Greektown. There are so many people affected by what we are

doing. We're moving a big thing into a business district. Everyone has to feel comfortable with it."

While Martin said the Greektown district site is the best among the three casino locations, he said it presents the most challenges in terms of securing property and proper zoning.

Greektown is still at least several weeks away from receiving site plan approval from the Detroit City Planning Commission.

After that, the Detroit City Council must approve its expansion. Each phase has the potential for more delays.

The Sault Tribe itself caused some of the delay by switching course late last year. It decided to expand its temporary casino in the Greektown business district instead of building an all-new USD 450-million complex on property the tribe owned a few blocks north near I-75 and Gratiot.

The decision saved the tribe USD 250 million because it's keeping its existing temporary casino and adding on a 400-room hotel, while expanding the gaming area, constructing a ballroom and meeting facilities and building an adjacent parking structure.

The tribe hoped to break ground on the adjacent church property in February but negotiations for the sale of the property fell apart.

Greektown changed plans and purchased a municipal parking garage that it will tear down and replace with a hotel, meeting rooms and parking structure. The facility will be connected to the casino by an enclosed moving sidewalk above Monroe Street.

Greektown hopes to begin demolition of the parking garage within two weeks.

Marvin Beatty, a minority owner of Greektown, downplayed the significance of the late start.

„We’re thinking we might be a couple of months behind the other casinos,” Beatty said. „We pretty much have our customers now. What we’ll miss out on is convention opportunities, hotel rentals and tour groups. Once we do get opened up, the pie is pretty much divided among the three casinos.“

Jacob L. Miklojcik, a gaming consultant from Lansing, said the urban site chosen by Greektown added complexity and time to construction formula.

„In general, you like to be the first to the market,” Miklojcik said. „There is some customer loyalty you can pick up. Anybody advising Greektown would want them to get moving as fast as they can.“

Miklojcik said that many mid-size conventions already are booking for 2008 and beyond. He said most event planners are reluctant to commit to a facility that isn’t under construction.

MGM Grand and MotorCity can show potential clients photos of huge cranes on the sites with workers pushing ahead.

„It becomes more believable to these groups,” he said. „Greektown doesn’t have that luxury right now.“

At least one Las Vegas casino consultant who has visited Detroit’s casinos doesn’t see any reason for Greektown to rush.

William Thompson, a gambling expert at the University of Nevada Las Vegas, contends that the hotels and other amenities won’t produce more profits for the casinos. „It’s a capital investment that will not add to their gambling revenue,” Thompson said. „If Greektown saves six months construction money, they are ahead of the other two.“

As part of the development agreement with the city of Detroit,

the three casinos agreed to build 400-room hotels. The city added a time penalty that if the hotels weren't open before September 2008, the city can assess each casino that doesn't make the deadline an additional 1 percent on revenues in each of the next three years.

Based on Greektown's 2005 revenues of USD 355.5 million, it could be forced to pay an additional USD 3.5 million in 2009, USD 7 million in 2010 and \$ 10.5 million in 2011.

Martin said that Greektown shouldn't have a problem meeting the deadline.