

Poor Economy Delays Las Vegas Echelon Project

The slumping economy has taken a toll on a massive construction project that was supposed to help boost the Las Vegas economy. Work on the Echelon Hotel-Casino stopped Friday and won't start back up for at least a year.

The delay for Echelon is the first huge blow to the future of Las Vegas because of the slow economy. 800 construction workers were told to stop working because Echelon has been placed on hold.

„Clearly, as we look at it, we think in the next nine to 12 months – we think in the next three to four quarters – that we will be at a place where we can restart the project,“ said Boyd Gaming President and CEO Keith Smith.

Smith made the public announcement at the release of their quarterly earnings report. He says this has nothing to do with Boyd Gaming as a company, but how the slow economy affected the minority partners on the project.

Morgan's Hotel Group committed to building two boutique hotels, but no one would agree to loan them the money for their part.

General Growth Properties was building the mall and could not sign high end stores to long term leases. Smith says that forced Boyd to delay Echelon, „It's interesting. When you turn the clock back a year, you could have never guessed that we would be in this position a year later.“

Smith adds waiting about a year will hopefully loosen investment money. Without that money, the third wave of new jobs in Las Vegas will have to wait.

Encore opens in December, planning to hire 5,300 people. In 2009, Project CityCenter opens employing 12,000 people. But the 10,000 new jobs at Echelon set for 2010 will have to wait.

„We began to notify the workers and contractors this morning – having conversations with them. We will be winding down with them as quickly as possible,“ said Smith.

Some work will continue for the next year, but only to make sure that the equipment stays secure on the construction site.

Smith believes that by 2011, when it’s now scheduled to open, the economy should be in a full up-swing.

Boyd Gaming is in the process of renegotiating with Morgan’s and General Growth Properties. Because they could not make financing, their contracts with Boyd Gaming are up in September.

General Growth Properties released earnings Thursday. In their call with investors they alluded to this problem. The company owns four other properties in Las Vegas.

The President and CEO says the Grand Canal Shoppes at the Venetian is doing very well. Stores are making an average of USD 1,200 a square foot. The Fashion Show Mall on the Strip is making about USD 1,100 a square foot. But the newly opened Shoppes at the Palazzo are struggling. Many of the stores have still not opened.

General Growth’s newest property, the Shoppes at Summerlin Centre, has also been put on hold. By waiting a year to open, General Growth hopes to have 90-percent of the shoppes rented.