

Casino plan downsized - Kilpatrick seeks license extension; latest plan envisions smaller hotels, less revenue

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DETROIT -- As Mayor Kwame Kilpatrick asked the City Council for another month to hammer out permanent agreements with the three casinos, a scaled-down vision of gambling in Detroit began to emerge.

Kilpatrick has taken off the table requirements that the casinos each build 800-room hotels, contribute to a city development fund and help build a riverfront park.

Kilpatrick's approach to casinos means that tax revenues from gambling are likely to stabilize about where they are now, around \$95 million a year.

That's far below the \$248 million that former Mayor Dennis Archer once projected.

The mayor's request that the City Council extend Detroit's development agreement with the three casinos for 30 days until April 30 was the fifth such request by a Detroit mayor since the tentative deals were inked in 1998.

The City Council is to meet behind closed doors with city lawyers Friday and with the mayor early next week, according to Council President Maryann Mahaffey. The meetings are being held behind closed doors because legal matters are involved.

Mahaffey said all previous arrangements negotiated under Archer are up in the air.

Archer had envisioned clustering the permanent casino-hotel operations on the Detroit riverfront to create a destination for tourists and conventions.

"Will those (details) change? If so, how much?" Mahaffey asked. "The people want some accountability. We'll see all that they have to put on the table (soon)."

Bob Berg, Kilpatrick's spokesman, said the mayor's request for an extension doesn't indicate that the administration has abandoned hope of reaching a deal by March 31. Earlier this week, Kilpatrick said he didn't intend to seek an extension. Intense discussions have been going on behind the scenes this week.

"It's more of a safety valve," Berg said. "It certainly is not a throwing in of a towel."

Berg said he wasn't willing to characterize talks with the MGM Grand, MotorCity and Greektown casinos "in any definitive way." One apparent holdup involves MGM Grand's search for a permanent location. The two others are expected to stay where they are.

MGM Grand spokesperson Yvette Monet declined to comment, saying the negotiations were too sensitive.

Casinos are successful

The temporary casinos have been successful, employing about 7,500 people with jobs ranging from valets to dealers, bartenders, cooks and wait staff, security and managers. The casinos brought in \$47 million to city coffers during the 1999-2000 fiscal year and about \$73 million during the 2000-01 fiscal year. The city estimates it will get about \$95 million in wagering taxes this fiscal year.

Wagering taxes alone now roughly pay for the equivalent of the city's annual Health Department budget.

Although the Kilpatrick is pursuing a more modest final plan for Detroit casinos than his predecessor, his approach seems closer to delivering what Archer never could: permanent casinos. Kilpatrick's approach is profoundly different, dropping efforts to control all aspects of casino development in favor of letting the casinos find their own land and working out separate agreements with each one.

It amounts to a wise choice to secure a deal quickly to avoid getting stuck in a casino quagmire as Archer did, argues Jacob L. Miklojick, president of Michigan Consultants, Lansing-based economic development advisers who have worked with casinos and other developers around the country.

"Declare victory, make money, and move on and build schools and apartments elsewhere in the city," Miklojick said. "But don't micromanage (the casinos). You're just going to lose."

But for Jerome Pesick, a condemnation attorney who represents some of the riverfront property owners, Kilpatrick's new approach could mean the city will end up with less in return for granting permanent casino licenses.

"The mayor's office needs to be proactive on this thing," Pesick said. "What incentive do the casinos have to make more hotel space happen if their hand isn't forced?"

Talks moved forward

Kilpatrick said Tuesday that talks have moved forward quickly during his first two months in office. He cited two reasons: He is negotiating separately with each casino rather than with them as a group as Archer did, and the city isn't trying to secure land to develop as Archer did.

"The people in the market are best suited to do that," he said. "Some of the decisions around here need to be more market-driven."

Archer declined to comment.

Three times since 1998 the council granted Archer an extension to acquire land for his riverfront plan. For nearly two years, the city was unable to reach a final agreement with land and business owners. Last December, Archer asked for another extension after his scaled-back riverfront casino deal failed to attract enough votes in the council. Kilpatrick abandoned the riverfront concept.

Richard Blouse Jr., chief executive officer of the Detroit Regional Chamber, supported Kilpatrick's new approach, saying "the chamber is always supportive of letting the market drive development."

But Michael Pollock, editor of the Gaming Industry newsletter of Northfield, N.J., said the premise of Archer's plan -- grouping casinos together to promote tourism -- made sound economic sense.

"Casinos tend to work better as tourist attractions when they are within walking distance, closer together," he said. "What a cluster of casinos can do is they can become more of a magnet for customers outside of the area. ... That is a critical public policy goal."

Miklojcik at Michigan Consultants said the city needed to abandoned grandiose plans of luring out-of-town tourists to a Midwest gambling center, and accept the three casinos for what they are: three separate businesses that provide jobs and city tax money while not asking for tax abatements.

Miklojcik said Detroit government has long fostered an inherent distrust of outside developers.

"That's self-defeating," he said. "Detroit has had that approach for a long time. With any business, you can want them to come in or you can discourage them."

Casino chronology

Feb. 1, 2001: The Detroit News reports that Mayor Dennis Archer may scrap plans for riverfront casinos.

March 19, 2001: Archer announces only MGM Grand Casino will go along the riverfront.

April 4, 2001: Six of the nine City Council members oppose any riverfront casino deal, killing Archer's riverfront plans.

December 2001: City Council grants a fourth extension to casinos' temporary licenses, until March 31.

Jan. 11, 2002: A U.S. appeals court rules that Detroit violated the Constitution by giving preference to two ownership groups.

March 20, 2002: Mayor Kwame Kilpatrick asks the council for a fifth extension of temporary licenses, for one month.

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