

Northern Nevada casinos betting property upgrades will keep tourists' interest

By Rob Sabo, AP

Casino operators in the greater Tahoe-Reno area are doubling down on their properties.

The more than \$100 million spent or tabbed for renovations at regional hotel-casinos includes \$50 million at JA Nugget, \$20 million at Boomtown, \$30 million at Grand Sierra Resort, \$20 million at the Hyatt Regency Lake Tahoe in Incline Village and more than \$40 million at the Horizon at Stateline.

Casino operators are bullish on Northern Nevada for any number of reasons, says Carlton Geer, president and chief executive officer of JA Nugget. First and foremost, Geer says, is the significant rise in year-over-year gaming revenue at large casino properties in northern Nevada.

“If you look at the Nevada Gaming Control Board revenue reports, large casinos in Northern Nevada gained about 6 percent year-over-year through December in gaming win,” Geer says.

That, coupled with other tangible signs that the economy in Northern Nevada has found its legs – solid movement in the residential and industrial construction markets, a rise in revenues from room rates at properties in Washoe County, continued signs of economic recovery from neighboring California – has casino operators scrambling to upgrade their properties to capture greater market share.

“We have a real economic recovery in northern Nevada; it is tangible, we can see it,” Geer says. “And we have the recovery

of the northern California economy. We want to deploy capital to reposition ourselves to become more competitive.”

In addition to the regional economic recovery, there’s a continued migration of California residents to Northern Nevada that’s bolstering casino revenues, said Dean DiLullo, chief executive officer of M1 Gaming, which owns Boomtown.

Northern Nevada is a safe bet for casino operators, he adds, because it’s a relatively easy place to run a gambling operation. Reno in particular has tremendous upside because of its proximity to California’s huge population base.

Drawing guests from northern California is a key aspect of the many changes taking places at Grand Sierra, says General Manager Dan Unites. The property recently unveiled LEX, its new \$15 million, 25,000-square-foot nightclub, one of the final pieces of a completely renovated casino floor.

The GSR is banking on the allure of the upscale nightclub experience to pull visitors from the Sacramento Valley and greater San Francisco Bay Area.

“We added this nightclub to attract individuals coming over from the Bay,” Unites says. “If you look @ Vegas over the course of the years, it started to buy into the entertainment concept. It was about nightclubs, bottle service, and all these different amenities. It worked. They tapped into this new customer base, and that is what our goal is.”

In addition to the extensive renovations, Grand Sierra Resort placed a renewed emphasis on strategic marketing. The combination of those efforts, Unites says, has better positioned the property for near- and long-term success.

The Horizon on the South Shore is following a similar path. Jon Park, managing member of NevaOne LLC, owner of the Horizon, says repositioning the property built in 1965 isn’t without risk.

However, the Lake Tahoe gaming market still is quite viable – total revenues at South Shore properties increased by \$6.2 million to \$349.7 million in 2013, the Gaming Control Board reports in its annual Gaming Abstract.

The end goal of the renovation plan is to create a destination with a diverse choice of resort-style amenities, Park says. The property will have multiple restaurant and dining options, as well as upscale bar, lounge and entertainment options similar to competing properties on the other side of Highway 50.

Sometimes upgrades are just a necessary course of business. The Nugget, Geer says, is 58 years old and requires substantial capital expenditure for routine and deferred maintenance that had been delayed over the years.

JA Nugget will paint the entire property in coming months and upgrade behind-the-scenes functions such as its HVAC and mechanical and plumbing systems to increase the property's airflow and energy efficiency.

In addition to the large-scale renovations, JA Nugget plans to add a new country bar, upgrade its bingo operations and move bingo, gift shop, deli and sports book operations to the main casino floor – all part of a sweeping effort to gain an edge in a crowded marketplace.

The final piece of the puzzle, DiLullo says, is that Northern Nevada continues to be a place where people want to be. Reno-Sparks will never shed its small town roots, but it's changing and maturing into a more eclectic and vibrant city. DiLullo cites the many small businesses cropping up in Midtown as but one example.

As for Boomtown, DiLullo says the 50-year-old property nine miles west of Reno functions best as a complete package – and that means bringing a truck stop back to the site.

Truckers for decades stopped at Boomtown before passing over the Sierra, but lost that option when Cabela's opened in early 2008. DiLullo says adding a truck stop component at Boomtown is a near-term goal.

"We are working to put the pieces of Boomtown back," DiLullo says. "We would like to see the truck stop added back. If we do that, the 700 trucks that park on I-80 during a snowstorm will have somewhere to park, fuel, gamble and stay."

DiLullo says M1 Gaming currently is reviewing legal and developmental aspects of adding a truck stop to the property. M1 Gaming owns 100 acres at the site and also is mulling plans to develop parcels fronting the Truckee River.

"I could see mixed use development or a riverwalk happening here," DiLullo says.