

On proposed casino, McCrory's interest faded abruptly

Written by Administrator
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Last April, just months into Gov. Pat McCrory's first term, his office received a call about a major potential economic development project outside Charlotte. It promised thousands of jobs and a tantalizing prospect: a new revenue source for the cash-strapped state.

For the next five months, McCrory's top economic advisers explored the project and received a draft revenue-sharing agreement that could deliver millions to state coffers.

But the state's involvement in "Project Schoolhouse" came to an abrupt halt in August — just days after it was publicly revealed as a Catawba Indian casino and resort and amid fierce political opposition from top lawmakers and state officials.

The details about the contentious tribal gaming project are revealed in new interviews and internal documents recently released by the McCrory administration pursuant to a public records request.

The records indicate the discussion between McCrory's office and attorneys for tribal interests was more robust than had been acknowledged.

A previously undisclosed draft of a gambling compact between the administration and the Catawba Nation played a key part in the talks. It contemplated allowing the tribe to offer live table games, such as blackjack, craps and roulette, in exchange for giving the state a 4 percent or greater cut of the gambling proceeds.

John Rustin, the executive director of the N.C. Family Policy Council, which opposes the project, said he heard vague rumblings about it last summer. But the administration's level of involvement is surprising, he said.

"It was very difficult to get any handle on what was going on and substantiate the fact that major decisions were taking place," he said. "It's an extremely controversial project ... and the fact it took so long for this to come to light is particularly interesting."

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The casino project first became public Aug. 15 when The News & Observer and The Charlotte Observer reported that McCrory's senior economic adviser visited the proposed site in Kings Mountain off Interstate 85, just across the state line from York County, S.C., where the tribe is based.

The Republican governor's office initially refused to comment but later distanced itself from the deal by calling it a "local initiative."

The public comments flowed from an Aug. 16 internal McCrory administration memo telling officials to emphasize that "the governor's office has not actively engaged this project" and "never had any direct contact with the Catawba tribe."

But the newly released emails suggest the governor's office played an active role in considering the project, briefing McCrory twice on the project and communicating regularly with two attorneys for tribal interests.

Butch Bowers, a prominent Columbia, S.C., attorney, served as lead negotiator for the tribe's management company. He shares an ally with McCrory: South Carolina Gov. Nikki Haley, whom he defended on state ethics charges.

In September, the McCrory administration hired Bowers to defend a lawsuit challenging the state's new election law and voter ID requirement. The governor's office said last week that Bowers is no longer working on the Catawba project, but a tribe spokeswoman said he still represents their management company.

The first pitch

Bowers first pitched the project April 16 to Blannie Cheng, a McCrory jobs adviser. Bowers said he had a "business client who has an intriguing jobs and economic development proposal for North Carolina."

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In a follow-up email the next day, Bowers sent letters from local officials supporting the Catawba casino and dangled the possibility of money. "It is my understanding that ... under the compact the parties can establish the amount of the revenues to be directed to the state under this proposal, and I'm looking into whether the compact can also direct those revenues to a specific state entity," he wrote.

Cheng didn't reply, the records suggest, but days later Bowers invited her to join project advocates in a suite at a Gardner-Webb baseball game to discuss the project. Cheng didn't attend but offered to update him on the project before the game, emails show.

The Cleveland County chamber's lobbyist later sent Tony Almeida, the governor's top economic adviser, a "confidential memorandum" in June outlining the project. In the document, a Cleveland County official asked the governor's office to enter into a compact to help boost the tribe's federal application to put lands into trust for a gaming facility.

It touted the project as a boost to an economically troubled region, offering 3,000 permanent jobs at its peak and more during construction.

"With close state-tribal cooperation on this project ... a jobs-creating tribal gaming project is within reach," wrote David Dear, a local economic development official. He added that the tribe "demonstrated a willingness" to share revenues from the casino akin to the agreement with the Eastern Band of Cherokee Indians, which operate a casino in rural Western North Carolina.

In a deal negotiated by Democratic Gov. Bev Perdue in 2011 and approved by lawmakers, the Cherokees were given expanded gambling rights for live table games under an agreement that sent the state 4 percent of the new games' proceeds in the first five years with more in the future. The state's share, expected to be \$2 million to \$3 million a year, is directed toward education.

New money on the table

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Under a similar agreement, the Catawba project would likely generate more gaming revenue, according to a June report provided to the governor's office. The economic analysis prepared for the tribe claimed the state could receive gaming revenues topping \$100 million a year with its prime location on a major interstate a half-hour west of Charlotte.

Two days after the Cleveland County letter, officials briefed McCrory for the first time. Kim Genardo, a McCrory spokeswoman, said the governor was informed about the project and the state and federal gaming approval process.

McCrory raised "serious objections" to the project, she said in an interview, and declined to sign a letter supporting the tribe's application. But he still had his two top economic aides visit the site and learn more about the proposal.

Almeida and Cheng went to Cleveland County on July 3. The project simmered until McCrory received another briefing Aug. 23, days after the project went public.

At the meeting "as the political fallout continued and Republican lawmakers devised ways to block the project" McCrory gave his staff "clear instructions not to proceed," Genardo said.

McCrory's office went public with its opposition Sept. 9, telling The N&O that the governor "remains unconvinced that any new casino proposal is in the best interest of North Carolina."

Compact's origin unclear

His spokeswoman said the conceptual compact and revenue-sharing agreements were not discussed with the governor and that it's unclear who drafted the document and provided it to the governor's office.

"It's not from us," Genardo said in late December, when the documents were released, four months after a public records request.

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The document includes notes that indicate the tribe's Washington, D.C., law firm reviewed it. The document was modeled on the Cherokee compact and included language granting the Catawbas a regional monopoly on Indian gaming.

As drafted, the compact would have directed revenues to education, though it acknowledged the money could be used for other purposes.

The governor's office said the repeated messages and meetings with the attorneys for tribal interests represented a diligent review of the project, not an indication of interest in the project.

"When you are presented with something, you have to go on a fact-finding mission," Genardo said.

The Catawba Nation declined to comment on the draft compact or the discussions with the governor's office. Despite talk of a state-sanctioned agreement, the tribe and its attorneys now argue they can open a gambling operation without North Carolina's consent. Without a compact, the state would not receive a portion of gaming revenues.

It's part of a legal strategy to move forward with the project even though McCrory and Republican legislative leaders oppose it. The tribe filed a pending application with the federal government Aug. 30 to put the 16-acre property outside Kings Mountain into a trust.

"The tribe is very serious about doing a compact with the state, although it can engage in gaming without a compact," tribe spokeswoman Elizabeth Harris said in a statement last week. She added: "As the land-into-trust application is a matter for the federal government, the governor's position at this time is of minimal concern."

Bowers and Greg Smith, the tribe's Washington lawyer, did not return calls seeking comment. State Rep. Tim Moore, a Kings Mountain Republican, also represents the development interests behind the project. He did not respond to a message left at his law office.

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Dear, who works for the Cleveland County Economic Development Partnership, said he understands the governor's reluctance to support the project because of pressures the governor is under both economically and politically from members of his own party.

But he said he expected the governor's office to show more interest and support a compact during the discussions. He said the project's backers are moving forward with the new tact. "This is a federal issue, not a state issue," he said. "That's what we are believing and why we still feel optimistic about it."

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