

## Council balks at casino expansion price tag

Written by Administrator

Wednesday, 28 October 2020 10:40 -

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“I’d like to see something justifying why we’re giving you \$38 more million for this project,” said Birdtown Representative Albert Rose during the Oct. 26 meeting. “This is a huge amount of money for just a simple resolution coming in here asking for it.”

The resolution would authorize the TCGE to borrow up to \$300 million for the project. TCGE representatives told council that the project was coming in \$37.9 million over the original \$250 million budget but that the total project cost would be \$296.9 million. They did not explain the source of the \$9 million discrepancy between the two figures.

Council ultimately voted to table the resolution and then went into a closed session to discuss the project further.



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### Reasons for overage

Ground broke on the project in June 2018, and it’s expected to wrap up in fall 2021.

When the project was first approved in January 2017, council members were told that building an 800-room hotel tower, parking deck and 100,000-square-foot convention center would cost between \$150 and \$200 million, and they approved the TCGE to borrow up to \$250 million to include contingency spending.

However, TCGE Board Member John Houser told council this week, there were no plans backing up that \$250 figure — it was based on nearly nothing.

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“The schematic for the plans for this project were pretty much done on the back of a napkin,” Houser said. “It was a concept.”

Other complicating factors included the high demand for construction services at the time the project launched. The TCGE sent out the bid package to more than 20 contractors but only received three bids back. Then, when the casino gave its input as to what specific features it required of the facility, the cost began to escalate, said Houser.

“Then retail was assigned to us, and boom, we had to redesign the whole place. Totally. That cost a lot of money,” he said. “It was the right thing to do, but that’s how we ended up so much over.”

The board has seen almost a complete turnover in membership since 2017, Houser added. However, Jim Owle was the chairman then as he is now.

The retail project Houser referred to is actually a separate undertaking that’s a partnership between the tribe — not the casino — and Connecticut-based Experientia Development Partners. Tribal Council authorized the \$58 million project in May 2018, pledging \$9 million for a parking garage and \$3 million in pre-development expenses. In January, the body approved an additional \$2 million in return for a 5 percent equity stake.

The two projects are managed by separate entities and have separate budgets. However, they intersect in physical space, and so when the retail project was approved the TCGE had to redesign its hotel/convention center project. The retail component added more than \$30 million to the original project, Houser said.

“The changes in the scope and concept of the property, moving from two buildings on a concrete slab to a stacked building with two college-size basketball courts inside and all the other things that go along with that, then we had to get an access from the existing casino all the way down to the parking garage and the retail,” he said. “That was not in the original concept because retail wasn’t a part of this project.”

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Houser said that the additional funds are necessary but allowed that the TCGE was “extremely disappointed” to be over budget.

“We spent six months or more on value engineering trying to look for places to reduce, cut back,” he said. “I think we whittled away \$12 million out of the project, but we still didn’t get down to where everybody would like for us to be.”

### Objections from council

Still, council members made their displeasure clear — the \$37.9 million increase represented a 15 percent jump from the originally budgeted project. Owle said that when the retail project got approved, the TCGE had to redesign all its water and sewer plans, prompting Wolfetown Representative Bo Crowe to ask when exactly the TCGE knew the project would go over \$250 million and why they had waited so long to tell council. The question resulted in a terse exchange between Owle and Crowe.

“Once you knew it was going to be over \$250 million, the work should have stopped,” Crowe said. “The work should have stopped. That’s when it should have come back to council.”

Council members were also upset by the lack of documents backing up the one-page resolution to expand the project’s funding.

“I think we need to have something more than just one piece of paper to know what happened today,” said Wolfetown Representative Chelsea Saunooke. “We need more documents behind this one sheet.”

While TCGE members did provide council with additional documentation, they did so only after the body explicitly asked. The information was not included with members’ agenda packets.

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“Hopefully there will be an investigation on the TCGE that will bring up why this is going on,” Rose said.

The TCGE has already had a forensic investigation completed on its dealings, Houser responded. The results showed that the project is actually coming in below market value, despite the increase over the original budget.

“We hit a home run on the garage costs, because they should have been about \$20,000 per space and we got them for \$13,000, so that was a heck of a good deal,” Houser said.

“You didn’t leave out the rebar this time did you?” asked Painttown Representative Tommye Saunooke, a reference to a pair of parking garage collapses that occurred on casino property in 2015 and 2016.

“Gosh I hope not Tommye,” Houser replied.

Birdtown Representative Boyd Owle was the only council member to speak in support the resolution, putting forth a move to pass.

“It’s an investment,” he said. “We’re giving you money, but we’re going to get that back and we’re going to disburse it out. I don’t understand why we’d want to stop a project of this magnitude that’s going to have an impact on our tribe going forward.”

The project is expected to bring in \$17 million per year plus profits from conventions. The yet-to-be-finished facility already has \$15 to \$20 million worth of pre-bookings.

Principal Chief Richard Sneed told council members that the loan would be serviced through gaming revenues and the tribe is well able to afford the expense, as its debt to income ratio of 1.4 is far lower than that of most casino operations.

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Voting to table the resolution were Big Cove Representatives Richard French and Perry Shell; Painttown Representatives Tommye Saunooke and Dike Sneed; Wolfetown Representatives Chelsea Saunooke and Crowe; and Birdtown Representative Rose. Against tabling were Chairman Adam Wachacha, Vice Chairman David Wolfe, Birdtown Representative Owle and Snowbird Representative Bucky Brown. Yellowhill Representative Tom Wahnetah was absent.

While the move to table prevailed, Council will likely revisit the request in the near future. The body's next meeting is scheduled for 8:30 a.m. Thursday, Oct. 29.

**Read more** <https://www.smokymountainnews.com/news/item/30117-council-balks-at-casino-expansion-price-tag>