

Sycuan Opens New \$260 Million Hotel Resort

By Michele Parente
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The grand opening today of Sycuan's \$260 million hotel resort marks two momentous milestones in the San Diego area's sizable casino industry.

The Sycuan Band of Kumeyaay Indians, which helped establish the county as a mecca for gambling when it launched the first tribal-run bingo parlor in 1983, became the last major casino here to build a resort complete with luxury Las Vegas-style amenities.

The opening of Sycuan Casino Resort — its new official name — also caps an unprecedented period of expansion and development over the past half decade, where eight of the region's 10 casinos have been under construction to varying degrees.



Sycuan is opening its \$260 million hotel resort today, capping an unprecedented period of expansion and development over the past half decade, where eight of the region's 10 casinos have been under construction to varying degrees. *Nelvin C. Cepeda/San Diego Union-Tribune*

The fiercely competitive industry's building boom exceeded an estimated \$1.5 billion in spending and ranges from \$460 million for Jamul Casino, the newest casino to join the market, to the \$300 million pumped into Pechanga Resort & Casino to make it the largest casino hotel on the West Coast.

The dizzyingly dynamic casino landscape — here and throughout Southern California — hasn't been without casualties, however.

The modest-sized Santa Ysabel casino shut down in 2014. In January, it opened a pot dispensary on its backcountry property. Early last year, Jamul Casino, then known as Hollywood Casino, was taken over by the Jamul Indian Tribe when its developer and operator, Penn National Gaming, pulled out of management contract, citing losses of about \$78 million on a \$94 million loan.

And Pala Casino Resort & Spa has shelved its plan to build a new hotel tower and has undergone several rounds of layoffs, including the ouster of the CEO.

"The casino market condition in Southern California is severely predatory and promotionally over-heated," said Fred Buro, Pala's newly appointed CEO.

But at a ribbon-cutting ceremony Tuesday attended by San Diego mayor Kevin Faulconer, Sycuan tribal leaders and executives were bullish on the new resort's potential as an economic engine.

"Just two years ago, we broke ground and we committed to becoming the premiere gaming destination in San Diego County," said Sycuan tribal chairman Cody Martinez.

"And today, we delivered on that promise."

Faulconer noted that 1,200 construction jobs were created during the two-year build-out of the 12-story, 302-room hotel, new restaurants, a full-service spa, pool complex with a lazy river, event space, a 1,200-seat entertainment venue and 60,000 square feet of additional casino floor space. Sycuan also hired 850 new employees.

"This economic self-sufficiency brings benefits to the entire region," Faulconer said, adding that the tribe should be recognized for its prolific philanthropy. *"That is a hallmark of Sycuan — giving back,"* the mayor said.

While individual tribes do not release information on their annual revenue, the most recent figures compiled by the National Indian Gaming Commission show that gambling in California is booming, bringing in \$9 billion during fiscal year 2016-2017, or more than a quarter of the \$32.4 billion total revenue nationwide.

Gaming revenue has grown at a higher rate in California over the past few years; during 2016-2017, it increased 7.3 percent, versus 3.9 percent nationally.

Southern California has been a hotbed of casino competition for at least the last 10 years. In that time, San Diego emerged as a viable alternative to Las Vegas for locals, as well as visitors from Orange and Riverside counties, Northern Baja and Arizona.

But with San Manuel Casino, in Highland, developing a \$550 million hotel resort, as well multiple Riverside County casinos currently expanding, the pressure is on for San Diego-area casinos, particularly those in North County.

"It's a very competitive market ... that's why you change up what you have, like with Pechanga's expansion and with Sycuan," said Howard Stutz, executive editor of Las Vegas-based CDC Gaming Reports and an SDSU grad.

Stutz said he doesn't believe the San Diego market is over-saturated and that for casinos to grow and not fall behind the pack, they have to develop Las Vegas-style non-gaming amenities that appeal to "staycationers."

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"You need to bring in the restaurants, the rooms, the pools, the other attractions," he said.

John Dinius, Sycuan's general manager, agreed.

"We've operated a very successful casino for years and it just felt we maximized everything we could do with this property," he said.

"In the past, we didn't have the amenities to attract anyone not particularly interested in gaming," Dinius said.

"With this re-imagining, we're going to have the potential to attract a clientele for whom we hope to be a realistic stop when they're wanting a night on the town."

Yet, in a heated market like San Diego, casinos also can't ignore the revenue-generating gamblers who underwrite those pools, hotel suites and luxury spas.

"They have to do a little more promotion to keep their customers, offering comps, match play, and things like that," Stutz said.

Buro, Pala's new CEO, said area casinos have been aggressively pursuing gamblers, to the detriment of the industry as a whole.

"(T)here is a 'fair market share' re-boot in the northern San Diego county market which is being driven mostly by the impact from expansion in and around Los Angeles and Palm Spring," he said in a statement.

"Customer visits from those areas to the northern San Diego market are diminishing. Some operators are throwing money at promotions hoping to buy business and hold on to market share. Unfortunately, that practice does little more than diminish profit margins for everybody, as it causes many operators to follow suit in order to hold onto their market share."

Buro said Pala hasn't completely scrapped plans to build a new hotel tower and will continue to evaluate the region's economic conditions.

"As a matter of fact, we have an extraordinary hotel tower designed and ready to go. However, because this market is so overheated, we will not move in that direction until we have a better understanding of the long-term market profile and we become certain that (it) can supply us with our estimated return on that investment," he said.

For Sycuan, its hotel resort — all 100 percent smoke-free — puts it more on par with its closest competitors, Barona Resort & Casino and Viejas Casino & Resort, both of which underwent significant expansions in the past year.

Dinius, Sycuan's GM, said he thinks there are enough casino customers to go around. In fact, additional casino floor space — which now houses a total of 2,800 machines and 54 table games — was needed to alleviate crowding, especially on weekend nights.



Sycuan Casino Resort features a large digital display behind the front desk of the hotel. *Nelvin C. Cepeda/San Diego Union-Tribune*

"I'm very excited that we can accommodate more players. On a Friday, we'll have close to 75 to 80 percent capacity," Dinius said.

"From a business perspective, it's the additional 800 slot machines we have on the floor that's going to repay that investment. ... It really opens the potential to drive an incredible amount of revenue."

Because of the relatively youthful tribal council at Sycuan — led by Martinez, who is 37 — the casino took a very different approach to its expansion, creating an integrated resort with unique food and beverage options, Dinius said.

It was Martinez, he said, who brought on Clique Hospitality, the trendy, Las Vegas-based group that developed Sycuan's glamorous, upscale steakhouse, Bull and Bourbon, and the luxury lounge Elicit.

It was also important for Sycuan to stick with tradition, Dinius said, which is reflected in the food court called The Uncommons, which houses such iconic San Diego dining brands as Hodad's, Phil's BBQ, Lucha Libre and Luna Grill.

"With a high-end steakhouse, a swanky lounge, The Uncommons, and other venues, we feel like we've got a good mix of (food and beverage) offerings that will just about cater to any guest that comes through the doors," Dinius said.

"I believe we'll grow our reach a bit," he said.

"It puts us on a level playing field not just in San Diego but also Las Vegas."