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Red Hawk Casino betting against the downturn

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Published Sunday, Nov. 16, 2008

It's a \$530 million bet in a dicey economy.

The Sacramento area's newest Indian casino, the Red Hawk Casino off Highway 50 in Shingle Springs, is ready to open just as consumers are snapping shut their wallets. The casino industry is slumping, revenues are falling and some operators are running into financial stress.

Analysts say Red Hawk probably won't do as well at the start as originally forecast by its owners, the Shingle Springs Band of Miwok Indians. The casino opens in late December.

"You're going to see less traffic than you would in a good economy," said Ken Adams, a gambling consultant in Reno.

Yet analysts also believe Red Hawk, which endured years of litigation before breaking ground, will prevail. It will take some business from other casinos in the area, including the ultra-successful Thunder Valley Casino near Lincoln. It will bring a boom to a quiet patch of El Dorado County and is being warmly welcomed by county officials who once fought to keep it out.

The weak economy might even help Red Hawk a little. To save money, customers might choose Shingle Springs instead of driving to Reno or Lake Tahoe, where casinos are already struggling because of Indian gambling.

"The people in South Lake Tahoe think it's going to eat their lunch," Adams said.

But the downturn will probably hurt everyone. Thunder Valley has gone flat even though it's getting more customers as area residents pass up trips to Reno and Las Vegas. "People aren't spending as much, they're not gambling as much," said spokesman Doug Elmetts.

Still, while much of the industry is struggling, the casinos around Sacramento are expanding. As Red Hawk nears completion, Thunder Valley is working on a hotel tower, performing arts center and other improvements at a reported cost of \$1 billion. Cache Creek Casino Resort in the Capay Valley is spending \$300 million to triple its hotel capacity and add restaurants and a conference center.

Even in a recession, Red Hawk could generate revenue of \$250 million a year, said Bill Eadington of the Institute for the Study of Gambling & Commercial Gaming at the University of Nevada, Reno. That's about half what he estimates Thunder Valley takes in.

Red Hawk "may not do as well as they had hoped when they open, but I'm sure they'll be successful," said Richard Wells, a former Harrah's Entertainment Inc. executive who runs Wells

Gaming Research in Reno.

"While we're not recession-proof or impervious to it, we're more resilient than other categories," said Heidi Hamers, Red Hawk's vice president for marketing. "We feel it, but we don't feel it like some other businesses do."

The tribe's chairman, Nick Fonseca, declined to be interviewed. Red Hawk is run by Lakes Entertainment Inc., a Minneapolis casino operator.

With a cost of \$530 million, Red Hawk is an ambitious project. The Miwoks paid for construction of new highway exit ramps. There will be six restaurants and 88,000 square feet of casino space.

The facility will open with 2,000 slots, but the tribe's compact with the state will allow it to install up to 5,000 machines. In return, the tribe will pay the state 20 percent to 25 percent of slot revenue, more than any other gambling tribe in the state.

The casino is opening when other projects are being mothballed. Work recently halted on the Echelon, a \$4.8 billion casino on the Las Vegas Strip. Harrah's is scaling back construction of a Mississippi casino, Margaritaville, named for the Jimmy Buffett song.

Publicly traded casino stocks have plummeted. Station Casinos, which manages Thunder Valley and is attempting to build casinos in Chico and Rohnert Park, had its credit rating downgraded by Moody's Investors Service.

Perhaps the most reliable indicator of the industry's health, gambling revenue in Nevada, fell 5.4 percent in September. Revenue fell 20 percent in Reno and 17 percent at Lake Tahoe.

Besides fighting a weak economy, Red Hawk also must establish itself against well-known California casinos. It's just an hour's drive from both Thunder Valley and Jackson Rancheria Casino.

Yet Alan Meister, who studies Indian gambling for the Analysis Group consulting firm in Los Angeles, said there's room in the area for another tribal casino.

"We believe we'll grow the market rather than divide the market," said Hamers, the Red Hawk executive.

Red Hawk will be one of El Dorado County's largest employers, with 1,750 full-time equivalent workers (18,000 people have applied). There are other potential benefits: Hamers said the casino will use area suppliers "when at all feasible." Red Hawk could mean more tourists for Apple Hill and the area wineries.

"There's no reason why someone couldn't enjoy the wineries midday and the casino activities in the evening," said Beth Jones of Lava Cap Winery in Placerville.

But economic spinoffs aren't certain. Eadington said Indian casinos tend to be stand-alone affairs. There might not be a rush from outside developers to build hotels and shops, he said. A hotel is under construction in Placerville, but city officials said it wasn't sparked by the casino.

Charlie Hummer, who opposes the casino, believes the economic benefits of Red Hawk are being exaggerated.

"People will drive up to the casino, spending their money there – and that's where the money will stay," said Hummer, vice chairman of an area residents group called Voices for Rural Living. "And they'll go home."

Hummer's group has been fighting the tribe since the Miwoks opened a short-lived, tentlike casino in 1997. Voices for Rural Living recently sued the El Dorado Irrigation District over its decision to supply water to Red Hawk, but Hummer said he realizes the casino is sure to open.

County officials used to oppose the project, too, saying it would create congestion and other

burdens. Their dispute with the Miwoks ended in 2006, when the tribe agreed to pay at least \$190 million over 20 years to remedy traffic and other issues.

Sam Driggers, El Dorado's economic development coordinator, said Red Hawk is a "game-changer" that will have an enormous – and welcome – impact on his semi-rural county. "Instead of a pebble being thrown into a pond, it's more of a rock," he said.

Call The Bee's Dale Kasler, (916) 321-1066. Read his blog on the economy, Home Front, at www.sacbee.com/blogs.

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ROLLING THE DICE

The Sacramento area's Indian tribes are spending nearly \$2 billion combined on their casinos at a difficult economic time.



CACHE CREEK CASINO RESORT
BROOKS

Owner: Rumsey Band of Wintun Indians

Project: 467 additional hotel rooms, conference center, more casino space, restaurants, swimming pools

Expected completion: 2010

Cost: \$300 million

THUNDER VALLEY CASINO
LINCOLN

Owner: United Auburn Indian Community

Project: 23-story hotel, performing arts center, ballrooms and restaurants

Expected completion: 2010

Cost: \$1 billion

RED HAWK CASINO
SHINGLE SPRINGS

Owner: Shingle Springs Band of Miwok Indians

Project: New casino with 2,000 slots, six restaurants, four bars.

Expected completion: December

Cost: \$530 million

Source: Bee research

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Miwoks set Dec. 17 for Red Hawk opening

Published Wednesday, Nov. 19, 2008

Red Hawk Casino, the Miwok Indians' \$530 million entry in Northern California gambling, will open Dec. 17.

Management said Tuesday the 88,000-square-foot casino and its 2,000 slot machines will open at 7 p.m. Red Hawk is on Highway 50 in Shingle Springs.

– Dale Kasler