

Alatus—a development company that owns Block E—said Tuesday that a “sophisticated, best-in-class gaming component” was being considered for the site, which has a 28 percent vacancy rate.

Downtown Minneapolis could offer a new entertainment option in the future as Block E’s new owner is considering adding a casino to the struggling

development.

Alatus, LLC—which purchased the Block E development from the Union Labor Life Insurance Company (ULLICO) in July—issued a statement on Tuesday saying that it has been “listening to ideas from people throughout Minnesota about the site.”

“Suggestions for the site have included restaurant, retail, and entertainment options, as well as a limited-footprint, sophisticated, best-in-class gaming component similar in style and experience to the Bellagio or Wynn,” the company said in a statement.

Bruce Kaplan, a senior vice president at the Chicago office of CB Richard Ellis who was hired as a consultant for the Block E development, told Twin Cities Business that the casino concept is one of many ideas being considered but would not comment further. Alatus’ partners Phillip Jaffe and Bob Lux also declined to comment on the plans.

Steve Sherf, a hospitality consultant who specializes in the gaming industry, sees potential challenges and opportunities with the casino idea.

One of the biggest challenges: Before a casino could be house in downtown Minneapolis a Constitutional amendment to make non-Indian casinos legal in the state would be needed. Indian casinos now have agreements with the state that give them the exclusive right to run slot-machine operations in Minnesota.

Sherf—who has worked on more than 100 casino projects across the country and is president of Minneapolis-based Hospitality Consulting Group—said that the lack of parking could pose an

issue because casino patrons typically expect “convenient, free, or reimbursed” parking.

“Parking is something that needs to be addressed and could add a lot to the project’s cost, and that could be a factor in its success,” Sherf told Twin Cities Business on Thursday.

Another hurdle that an urban casino in Minneapolis could face, according to Sherf, is the demographics in the area. Sherf said that the primary gambling population includes people who are over 40, and Minneapolis residents “tend to be younger.” In addition, Sherf said it could pose a marketing challenge to get suburban residents to come downtown to gamble instead of heading to a casino out of the city.

Sherf also sees some possible opportunities with the urban casino concept, including catering to non-Minnesota residents who are in town for conventions and business. He said that a casino in Minneapolis could “capture money” from this clientele without having to compete with the Indian casinos, which don’t get business from convention attendees and business travelers.

In addition, Sherf said the proximity of the Graves 601 Hotel could help attract out-of-town gamblers and keep gamblers on the floor a lot longer.

“A hotel is a nice amenity for a casino,” Sherf said. “It creates a real destination.”

The First Avenue side of Block E is anchored by Kieran’s Irish Pub, which moved to the site in March 2010. Other tenants include The Shout House, Kerasotes ShowPlace Theatres, and Applebee’s.

The \$149 million Block E development has struggled since it opened in 2002 with the help of a \$39.1 million subsidy from the City of Minneapolis. Many of the project’s tenants—including GameWorks, Borders, Bellanotte, Hooters, and Snyders Drug—have left.

In January 2010, the project's original developer, Chicago-based McCaffery Interests, Inc.,

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turned over Block E ownership to ULLICO. McCaffery said at the time that the project would require significant investment and that ULLICO was in a stronger position to provide the necessary funding.

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