

Oregon casino proposal would give Canadian firms a juicy market, favorable terms

Written by Administrator

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Don Ryan/APJeff Parr, an executive with Clairvest, the Canadian investors who want to develop a casino in Wood Village, shows an artist's rendering of what it would look like. To listen to Rod Baker and Jeff Parr talk, the two Canadian companies they run would be doing Oregon a big favor by building a casino in Portland's backyard.

Not only would the project provide 3,000 construction jobs and 2,000 long-term jobs, they say it would also head off an attempt by the Cowlitz tribe to corner a juicy and largely untapped gambling market by establishing [a full-service casino](#) a half-hour to the north near La Center.

And finally, there's the stipulation that the casino, slated for an abandoned dog-racing track in Wood Village, would fork over 25 percent of its revenue to the state -- an estimated yearly payout of about \$100 million.

"We think it's a tremendous opportunity to give an economic shot in the arm to the state of Oregon," says Parr, co-CEO of [Clairvest Group](#), a Toronto-based investment company that has stakes in casinos in Canada and the United States.

Baker, CEO of Vancouver B.C.-based [Great Canadian Gaming Corporation](#), says Portland "is lacking the kind of product we have in all our other jurisdictions" and would "welcome it with open arms."

That's one way to look at it.

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Another is that voters, if they pass Measures 82 and 83, would be handing Clairvest and Great Canadian exclusive entry into Oregon's most prized gambling territory and giving them a far bigger share of the profits than they get at their casinos in Canada and elsewhere.

Voters face a question: Is this a good deal for the state? Or is Oregon being played?

First, it helps to know the players.

Clairvest is a private equity firm that puts money into everything from solid waste to aviation in addition to casinos and other gambling ventures. Parr, 52, lives in Toronto and has been with the company since 1995. He makes about \$333,000 focusing in part on the gaming side of the business, according to published reports.

Great Canadian bills itself as the largest publicly traded casino company in Canada. It operates 17 casinos and horse tracks, including four cardrooms in Washington. The company reports revenues of \$338 million in 2011, compared with \$38 million for Clairvest.

Together, the companies make up the majority investors in an Oregon company called PDX Entertainment, which would own the proposed casino complex that supporters are calling [The Grange](#)

. Great Canadian has put up the most money and would oversee day-to-day operations.

Casino deals

Great Canadian Gaming Corporation and Clairvest, the two Canadian companies bankrolling the initiative to build the state's first nontribal casino in Wood Village, have different financial arrangements with each province and state where they do business. Here is a sampling:

River Rock Casino Resort, Richmond, B.C., Great Canadian

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Provincial government gets 75 percent of revenues, Great Canadian gets 25 percent

Casino New Brunswick, Moncton, N.B., Clairvest

Provincial government gets 50 percent of revenues, casino investors get 50 percent

Rivers Casino, Des Plaines, Ill., Clairvest

State and local governments get 15-50 percent, depending on revenues, casino investors get the rest. Currently, the casino is paying the top rate of 50 percent.

The Grange, Wood Village, Ore. (proposed), Great Canadian and Clairvest

State government gets 25 percent, investors get 75 percent.

Sources: *British Columbia Lottery Corporation, Atlantic Lottery Corporation, Illinois Gaming Board*

Clairvest was the money behind a failed effort two years ago by Lake Oswego residents Matthew Rossman and Bruce Studer to pass a private casino initiative. Rossman, a lawyer, and Studer, an investment advisor, have talked for years about the potential economic benefits of turning the old Multnomah Kennel Club into a casino.

Now Rossman, Studer and Clairvest are back with what they say is a refined proposal, and a much more intense campaign. And they have a new partner, Great Canadian, with considerable experience running casinos.

Two years ago, (Oregon) wasn't on our radar screen," says Baker, 46, who like Parr, lives in Toronto, and makes \$475,000 a year, according to published reports. "We were focused on

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other places."

The company took a hard look at Oregon and sensed opportunity in the state's acceptance of gambling. [Spirit Mountain Casino](#) , operated by the Confederate Tribes of the Grand Ronde, overtook Multnomah Falls as a tourist draw. More than 12,000 video slot machines, owned by the Oregon Lottery, catered to tavern and deli players.

New casino proposals can be "sensitive," Baker acknowledges. "But when we're looking at a state that already has very much welcomed our industry, we view that as a big positive."

The Grand Ronde tribe, worried that Spirit Mountain would take a serious financial hit from a Portland-area casino, is bankrolling opposition to the measures. So far they've lined up Gov. John Kitzhaber and three former governors, as well as both state political parties.

Cynara Lilly, a spokeswoman for [the opponents](#) , says comments about an untapped market are off base.

"Oregon doesn't lack for any opportunity to gamble," Lilly says. "You can drive to a tribal casino, or go around the corner to a locally owned deli and gamble."

Concerns about a casino opening at La Center remain theoretical because there's no guarantee the Cowlitz will get the federal sign-off needed to build on non-reservation land, she says. Instead, Lilly says, Great Canadian and Clairvest are proposing to fundamentally change the gambling equation in Oregon. The way it works now, gambling profits go to public services -- either to tribal members or to state programs through the Lottery.

"This would switch the structure so that it's largely for private profit," Lilly said. "I think that's a bad deal for Oregon."

The closest physical comparison to the proposed Wood Village casino complex would be Great

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Canadian's [River Rock Casino Resort](#) in Richmond, B.C., a suburb of Vancouver. Perched on the banks of the Fraser River, the resort offers a hotel, high-end eateries and a high-tech concert hall for shows in addition to a full-service Vegas-style casino.

But it got off to a rocky start.

Two years after its 2004 opening, the Vancouver Sun newspaper obtained a Royal Canadian Mounted Police report that noted a sharp increase in the number of police calls to the casino and concerns about money laundering and the influence of organized crime.

"We have ongoing intelligence that clearly indicates that members and associates of a variety of different organized crime groups attend that casino," a police spokesman told the paper. "They are attending for their own personal entertainment and/or involved in a variety of levels of criminal activity."

Two years ago, suspects impersonating police officers followed River Rock patrons away from the casino, pulled them over with flashing blue lights and robbed them at gunpoint, according to news reports.

Baker says that was a rare occurrence, and that any place that gets thousands of visitors every day is going to experience occasional crime. Opponents are exaggerating crime problems to score points, he says. "We are extremely proud about how we run our business."

The Richmond casino gets high marks from local community leaders. It has helped invigorate the largely industrial and commercial sector of the city where it was built, says Barry Grabowski, the chairman of the Richmond Chamber of Commerce. A new rapid transit district to shuttle people into Vancouver from the suburbs included a stop at the casino that the city otherwise would have missed out on, Grabowski says.

"It's not an area I'm afraid to go to," he says. "It doesn't have that stigma."

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One clear difference between the Canadian version and the proposed Oregon casino is how all the money that gamblers spend would be divvied up.

[British Columbia Lottery Corporation](#) , an arm of the provincial government, essentially owns the gambling element of the River Rock casino -- including the slot machines -- and gives Great Canadian a 25 percent "commission" for running it, keeping 75 percent of the revenues for government programs.

In Oregon, Measures 82 and 83 set up an opposite structure. Investors own the casino and pay a 25 percent tax on revenue to the state.

Parr, the Clairvest executive, says the two models don't lend themselves to straight-up comparisons. In British Columbia, he says, the government eventually pays investors back for the money they sink into the building, land and other capital investments.

In Oregon, he says, the investors have all the risk and deserve a higher margin. The casino and other amenities would be built without any government subsidy, he says, and would pay all state and local taxes in addition to the 25 percent tax on revenues.

"When you actually slice them and compare them on a full lifecycle, they're actually pretty comparable, believe it or not," Parr says.

The Casino New Brunswick, which Clairvest helped finance, pays half of its revenues to the provincial government.

Clairvest opened a casino in Des Plaines, Illinois, near Chicago about a year and a half ago under a structure in which the taxes are based on a sliding scale. The casino pays state and local governments anywhere from 15 percent to 50 percent of revenues depending on how much it makes.

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At the moment, according to [Illinois Gaming Board](#) spokesman Gene O'Shea, the casino "is going gangbusters" and paying the top tax rate.

Linfield College business professor Malcolm Greenlees, a former casino accountant, says a 25 percent tax on revenues might be reasonable if The Grange were one of several casinos competing in the Portland market. But that wouldn't be the case, he says.

"If there's only one location, then I would suggest the tax rate should be somewhat higher," Greenlees says. "Because in effect, you're granting a monopoly right to a nonessential service."

-- [Harry Esteve](#)

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