

Written by Administrator  
Saturday, 28 April 2018 19:29 -

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A Las Vegas-based real estate company has an option to acquire Harrah's New Orleans Casino — a potential transaction that was unknown to key state legislators who are considering major legislation sought by the casino's owners and that also raises new questions about whether the state is getting the best deal possible.

Vici Properties, a real estate investment trust, has the right to purchase the casino and its 450-room hotel and parking garage, according to an October agreement [filed with the federal Securities and Exchange Commission](#)

Under the complex deal, Vici would lease the casino complex back to Harrah's owner, Caesars Entertainment, to operate it.

Vici's five-year option to acquire the New Orleans casino began in October. The company is an independent, publicly traded firm created out of Caesars' 2015 bankruptcy. It owns several casinos that Caesars operates.

A Caesars spokesman downplayed the importance of the proposed acquisition for Louisiana lawmakers as they consider [House Bill 553](#), which would give Harrah's a no-bid, 30-year extension of its right to operate the only land casino in New Orleans. Harrah's is seeking the extension six years before the contract expires in 2024.

The legislation, sponsored by House Speaker Taylor Barras, R-New Iberia, has passed the House Criminal Justice Committee and the full House and will be considered Tuesday by the Senate Judiciary B Committee. It must pass the full Senate as well to become law.

But Mike Sherman, a New Orleans real-estate lawyer who was formerly executive counsel to Mayor Mitch Landrieu, said he believes the legislation represents a bad deal for the public — and that lawmakers need to know about the potential sale as they consider HB553.

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In essence, Sherman says, extending the state contract would massively inflate the value of the casino company's New Orleans property, and Caesars would then cash in by selling it to Vici.

"Harrah's is pursuing a real-estate flip of epic proportions," said Sherman. "In just six years, its casino will be worthless as its gaming contract comes to an end. If the Legislature extends the gaming contract for 30 years, Harrah's will be worth upwards of \$1 billion based upon the value created by the state. The citizens are entitled to approximately \$500 million of (that) value ... when Harrah's flips the property to Vici."

Harrah's, however, would benefit from the legislation even if the sale does not take place.

Sherman has worked for Joseph Jaeger Jr., a major New Orleans hotel owner and developer who has emerged as the biggest critic of HB553. But Sherman said he performed his analysis of the planned deal independently and for no compensation.

According to Sherman and Jaeger, the casino earns about \$70 million per year, which translates into a total worth of about \$700 million. Harrah's officials say they are planning to invest \$350 million to upgrade the property if the Legislature renews the 30-year contract. This would boost the value to about \$1 billion, according to Sherman and Jaeger. But if the contract expires, they say, the casino will lose much of its worth.

The planned transaction with Vici "would be certainly worthy for discussion," said state Senate President John Alario, R-Westwego, who said he had no knowledge of the deal until asked about it by The Advocate. "Maybe they should share some of that bounty with the state."

A spokesman for Gov. John Bel Edwards, who is supporting the bill, said he was not aware of the planned transfer.

Also saying they were unaware of the deal Friday were a number of key committee chairmen and New Orleans legislators, including Rep. Sherman Mack, R-Albany, who chairs the Criminal Justice Committee; Rep. Walt Leger III, D-New Orleans, the House speaker pro tem; Sen. Gary Smith, D-Norco, who chairs the Judiciary B Committee; and Sen. J.P. Morrell, D-New Orleans,

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who chairs the Senate Finance Committee.

Barras did not respond to a text asking if he knew about Vici's option to buy the casino.

Ronnie Jones, chairman of the Louisiana Gaming Control Board, initially said he had no knowledge of the deal. But after checking with an assistant, he was reminded that the board approved the potential acquisition in October as part of the reorganization of Caesars.

Richard Broome, Caesars Entertainment's executive vice president for communications and government relations, said the potential deal would not affect the company's plans to invest \$350 million to build a new hotel and add a food court and other amenities — plans that are contingent upon passage of HB553.

The planned investment has been a key selling point for Harrah's lobbyists and Dan Real, general manager of the New Orleans casino.

"We have a mutual commitment to make this investment," Broome said. "We want to be committed to New Orleans for at least the next 36 years."

When it was pointed out to Broome that if the purchase goes through, Vici would be calling the shots, he said, "We have a 100 percent commitment on our side to make this investment. We're bullish on New Orleans."

Broome said Vici's decision on whether to exercise its purchase option will not depend on passage of HB553. The price would be 10 times the "initial property lease rent," according to a [10-K filing](#) with the SEC. The filing does not provide the purchase price.

Vici also has options to buy Harrah's casinos in Atlantic City, New Jersey, and Laughlin, Nevada.

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A spokesman for Vici declined to comment.

[The company's website](#) describes it as “one of the country’s largest owners of gaming, hospitality and entertainment destinations,” with “20 market-leading gaming properties, including the world-renowned Caesars Palace, and four championship golf courses.”

House members raised no concerns about the casino legislation when Barras presented it to the Criminal Justice Committee or the full House. Several lawmakers said afterward that they didn't want to challenge the speaker — who decides on members' committee assignments and which bills are heard each day — on a bill they believed was going to pass.

Jaeger argues that lawmakers are giving a windfall to Harrah’s by extending the lease without seeking bids from other casino companies at a time when the state is short of money for health care, public education and roads. He believes the state would generate more money by forcing Harrah’s to compete with other companies for the license renewal.

Insisting he has no personal stake in the issue, Jaeger has said the second Harrah’s hotel would have a minimal impact on his hotels because they are mostly boutique properties and that he would not partner with any casino company that might bid on the state contract.

Under the current contract, Harrah’s pays the state at least \$60 million per year for the right to operate the New Orleans casino. Under HB553, Harrah’s would pay the state an additional \$7 million per year, with an increase of up to 2 percent every five years.

Harrah’s officials have said the \$350 million investment would also generate millions of dollars more in taxes and lease payments to New Orleans. Harrah’s leases the casino site at the foot of Canal Street from the city.

Harrah’s officials also have said the \$350 million investment would create 500 new jobs. But HB553 does not raise the mandated minimum number of workers that Harrah’s must employ. That figure now is 2,400.

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Jaeger says the state has enormous leverage because, if the state contract expires in 2024, Harrah's would be in default on its lease with the city. The city requires Harrah's to have a state contract as a condition of the lease.

The Louisiana Restaurant Association, Greater New Orleans Hotel & Lodging Association, Greater New Orleans Inc., New Orleans Chamber of Commerce and other business groups — plus the Greater New Orleans AFL-CIO — are supporting HB553, citing the planned \$350 million investment.

On Thursday, Randy Haynie, Harrah's chief lobbyist, and Louis Reine, who heads the AFL-CIO statewide, spent several minutes with Alario pitching him on the benefits of the legislation. Asked afterward if they had changed his mind, Alario said “no,” but that they had presented a solid case.

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