

Encore Boston Harbor is a model for the modern casino

Written by Administrator
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Call it an out-of-town tryout for a Chicago casino.

Just outside Boston, in a once-gritty, post-industrial locale, Wynn Resorts this summer opened a luxurious gambling house whose number of gaming positions rivals those recently authorized for Chicago.

Though not the first so-called integrated resort in the U.S. outside of Las Vegas, the \$2.6 billion Encore Boston Harbor project is portrayed as a model as the casino industry creeps beyond its riverboat roots in the hinterlands to attract high-rolling international tourists.

"Wynn specializes in the whale," says consultant Frank Fantini, using argot for big gamblers. "You know they could do that in Chicago."

While speculation about a Chicago casino has centered on its location and on a taxation structure deemed a nonstarter, less has been written about what kind of casino the city should shoot for.

"It would have to be a giant facility," says Laurence Geller, a hotel investor and former hospitality manager, who casts an uber-casino as a complement, not a competitor, to existing convention hosts, including McCormick Place. "Don't try to chintz it. I've seen too many crappy casino deals. It's not like putting a casino in Rosemont."

At Encore's June debut, Wynn CEO Matt Maddox said his company was interested in Chicago before pulling back after a study pegged the effective tax rate of a casino here at 72 percent. Other casino-resort operators like MGM Resorts International and Las Vegas Sands haven't committed to bidding for Chicago rights, but they are equally capable of over-the-top offerings.

Maddox put his finger on the issue when he said in Boston, "One thing I don't want to get lost in this is, we are in the business of tourism. We're focused on the region, but we're really focused on the planet."

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During its first month of operation, Encore attracted \$49 million in revenue, a \$600 million annualized rate that outpaces any casino in Illinois. After three years, Encore is projected to produce as much as \$1 billion in revenue (and \$225 million to \$325 million in earnings before interest, taxes and other items)—a Las Vegas-level performance and the expected threshold of a Chicago casino.

"They haven't actively begun to cross-market that casino," says Bloomberg senior analyst Brian Egger. In July, Wynn said it plans to target high-end Asian gamblers.

Everett, Mass., Encore's suburban Boston home, got Wynn [to pony up \\$68 million](#) to clean up a former Monsanto chemical site and spend some \$50 million on infrastructure improvements. It is also laying out more than \$100 million to acquire parcels for future development, according to Everett Mayor Carlo DeMaria.

"Casinos invest money that other companies won't, understanding their return on investment," says Fantini, publisher of Fantini's Gaming Report. "You'd find them very willing to do that (with infrastructure) in Chicago."

One of the potential sites listed for a Chicago casino is the former Michael Reese Hospital location on the Near South Side, on which the city spent more than \$100 million to acquire for the 2016 Olympic Games that never arrived.

Encore offers 3,158 slots and 143 table games (Chicago is authorized for 4,000 positions) in a 210,000-square-foot casino (about 5 acres). Its standard hotel room (671 total) is about three times the average size in New England.

In May, the New York Times [gushed](#), with travel-section hoopla, that everything about Encore was "immense," adding, "The building towers so high that you can see its curved copper-bronze facade from points around town, including from I-93, Route 1 and other major roads in the area."

Though across Boston Harbor from Boston proper, the location, as Wynn touts, is within 20

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minutes of City Hall and 15 minutes of an expanding Logan International Airport.

Wynn says it avoided duplication of Boston's tourist assets. "For example, the resort does not have its own theater, and instead directs tourists to the local theaters and sports complexes through various partnerships." DeMaria, however, acknowledges that might not be the case when Wynn expands on adjacent properties.

The company says it built a 37,000-square-foot ballroom—the second-largest pillar-free ballroom in Boston—and other convention space because of demand and will hear out local leaders on future development plans.

The convention issue is different for Chicago, already rich in exhibitor space. Even so, Geller, a former top Hyatt executive, insists, "Go for big-convention rooms. Go for the long term. Be generous (with tax demands) in the short term. It's something I've been banging the drum about for 20 years."

Fantini points to Vegas, where MGM has built nearly 4 million square feet of convention space and Sands has 1.7 million.

Nevertheless, the Las Vegas Convention Center is adding 600,000 square feet of convention space to its 2.2 million, Fantini says.

"More first-class convention space will make Chicago a more successful convention city. You're going to have a monopoly in the city, even though you have a lot of competition in the metro area. The potential to bring people into Chicago is much greater than Boston."

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