



# YAVAPAI-APACHE NATION

## Tribal Council

2400 West Datsi Street, Camp Verde, AZ 86322

Phone (928)567-1003

Fax (928)567-3994

2400 W. Datsi Street, Camp Verde, AZ 86322

## **Tribal Council Report Status of the Cliff Castle Casino DreamCatcher Hotel**

### **Background**

Cliff Castle Casino was established in 1995. The 80-room lodge was built 35 years ago in 1982. In October 2013, the Nation, through our Casino Management, commissioned a Market Study to assess the overall position of the Casino in the Arizona gaming market as well as examining the Casino's strengths and weaknesses in attracting customers and delivering a quality gaming experience within the Casino's local market area. The Study was updated in April 2015. Part of the study focused directly on the need for and feasibility of expanding the Cliff Castle Casino through the addition of a new Hotel, multi-purpose event center and parking garage.



One of the study's central findings was that the casino's market share had been negatively affected by the May 2013 opening of the Twin Arrows Casino east of Flagstaff. Compounding this effect was the conclusion that while casinos in the Phoenix metro area were continually updating and refining their facilities to deliver a high-quality gaming/lodging/entertainment experience, the Cliff Castle Casino had over time fallen behind the curve and become somewhat dated. With specific reference to the Lodge, the Market Study noted that "Cliff Castle Casino with its 80 exterior entrance motel units has nothing to offer visitors that frequent Sedona except its casino, and many of the visitors to Sedona are from the Phoenix area where they have casino alternatives. With the addition of an all-suite hotel... a resort pool, and an events center, visitors to Sedona would have a reason to either stay or play at Cliff Castle Casino." The study noted that the Casino's existing Lodge had recently developed a negative internet reputation with comments such as "this is a motel not a hotel," "the walls are thin," "a lack of safety/security," "poor Wi-Fi," "worn and old" and perhaps most importantly, "*not connected to the casino.*" The study concluded that "an expansion is necessary to maintain competitive position as other casinos in Arizona and elsewhere continue to refine their products. An expansion is also necessary to capture demand that the existing facility is incapable of attracting. *Except for minor improvements ... the Cliff Castle Casino has remained virtually unchanged throughout its entire history.*" Faced with the reality of the Study's conclusions, the Tribal Council began work in 2015 to implement a scaled-down version of the Study's recommended improvements (A 1,000-seat 10,000 square-foot concert venue was eliminated from the development plan).

## **The Hotel Project**

The hotel project consists of 122 rooms with a mix of suites, king bed rooms, double-queen bed rooms, all with luxury amenities; an indoor pool and spa; a multi-purpose event center for entertainment and conferences; a coffee shop; a retail outlet; and a 300-space parking garage. The hotel is designed to achieve 4-diamond status, a hospitality quality rating that will markedly increase earnings for both the hotel and casino.

## **Hotel Development**

All the Council's work in developing the hotel project during 2015 consisted of arranging financing, and working with experts to prepare the project design and construction documents. After considering available development options, the Council decided to co-develop the project with DreamCatcher Hotels of Memphis Tennessee. DreamCatcher was recommended to the Council by the Casino General Manager based on its reputation for building high quality 4-Diamond luxury hotels at highly competitive prices. Dreamcatcher's project responsibilities include design consultation in conjunction with the project Architectural team, assistance in developing the project budget, provision of all furniture, fixtures and equipment as well as all operating supplies and associated equipment, and project oversight/management. The overall design for the hotel was provided by Cuningham Group Architects of Las Vegas, Nevada. Cuningham provided all design work and associated drawings and construction documents for the project. Cuningham has worked with the Nation throughout the project to ensure that construction was carried out in accordance with the design requirements. At this stage in the project, Cuningham and its Consultants have inspected the Work to ensure that the finished product meets the performance, aesthetic, and quality requirements of the project's Construction Documents. Brown & Associates has been retained by the Nation to provide all public safety and code inspections and as the "Authority Having Jurisdiction," Brown will issue the final "Certificate of Occupancy. Finally, the Nation retained SICON, LLC to act as the Nation's representative to the construction Contractor throughout the duration of the project. Working together with the Nation, DreamCatcher, Cuningham, Brown and SICON comprised the Project's development team. Contracts between the Nation and its development team were authorized by the Council in June of 2015.

Project financing was completed in November 2015 and submitted to the National Indian Gaming Commission for approval as required under the Indian Gaming Regulatory Act. Final approval of the financing was issued by NIGC in early January 2016.

In December 2015, the Casino selected A.R. Mays Construction of Phoenix, Arizona as construction Contractor for the project. Following final approval of the project financing, the construction contract with Mays was approved by the Council in late January 2016 and the initial Notice to Proceed with construction was issued to Mays by the Nation in early February 2016. The contract set March 1, 2017 as the "substantial completion" date for the project. Substantial completion means that the work is completed to a level that would allow the Nation to utilize the Hotel for its intended purpose.

## **Project Delays and Remaining Work**

For a variety of reasons, the Contractor failed to achieve the March 1, 2017 substantial completion date and as of the date of this report, the Nation still has not been able to take possession of the hotel and open for business. The project is now over 5 months delayed because of the Contractor's failure to

timely complete the work. Some of the project delay is attributable to causes outside of the Contractor's control. For example, during the earthwork phase of the project certain unforeseen conditions arose that resulted in a brief delay.

During the month of January 2017, heavy rains caused water damage within the hotel due to the Contractor's failure to complete the roof and dry-in the building prior to starting interior work such as insulation and drywalling. The rain damage, which could have been prevented had the Contractor taken certain simple protective measures such as covering the roof, which the Contractor did not do, resulted in some additional delays. However, the bulk of the delay experienced on the project, delay that continues today, appears to have been caused by circumstances completely within the control of the Contractor.

Currently the hotel, and its associated facilities – parking garage, multi-purpose meeting facility and indoor pool - is an estimated 95% complete. 121 of the total 122 rooms are complete, except for minor finishing and touchup. All rooms have been fully furnished, except for the TV's, which remain in the warehouse pending final completion and locking of the rooms. What remains to be done throughout the hotel and associated facilities consists of an extensive "punch list" including, Phase 1 (the Multi-Purpose Room area) items left undone from November 2016, an extensive Inspection list, fire life safety system commissioning, domestic water system commissioning, pool equipment hook-up, lighting commissioning, O&M training, delivery of Warranty and Operational Manuals, as well as many more minor items such as: paint touchup, caulking around some interior windows, adjustment of doors, repairing scuffs and dings on walls, adjusting bathroom fixtures, overall cleaning of surfaces, and numerous other small items needed to bring the hotel up to the quality standards required under the contract and expected by the casino and its guests.

In addition to the punch list items, there is one major component of the work that must be completed before the Hotel can open for business. Each of the 122 rooms has a heating and cooling unit known as a VTAC. Each of the VTAC units is vented through the outside wall of the hotel through an opening covered with a louvered grill. During the construction process the Contractor incorrectly installed the VTAC units in all rooms, and thereby failed to properly seal the wall opening against water intrusion that could occur during rainfall events. This non-conforming Work is of course unacceptable and the incorrect VTAC Work was rejected by the Architect. A great deal of project time has been expended in efforts to require the Contractor to correct the rejected VTAC work. Over the last three weeks, the Nation, based on recommendations of the Architect, has acted under the contract to stop the Contractor's VTAC work. The Nation is now proceeding to bring in a separate Contractor to correct the deficient VTAC work and complete the Project. The cost of correcting the VTAC work will be paid from the existing contract funds and will not be charged to the Nation. The Nation is also acting to ensure that all remaining punch list items are completed during the same time as completion of the VTAC work. Once the corrective VTAC work begins, it is estimated that completion of the hotel can be achieved over the next several months. However, if the punch list items can proceed quickly, it is expected that the multi-purpose event center can open for business prior to the hotel opening. In addition, depending on how the VTAC work is staged and proceeds, it may be possible to open several floors of the hotel prior to completion of all VTAC work.



### **Conclusion**

Completion of the hotel will mark the beginning of a new era for the Nation's casino. The hotel not only adds an entirely new and remarkable look to the Nation's casino, it will also usher in an entirely new level of customer service and will greatly enhance the casino's competitive position in the Arizona gaming market. Despite the delays in completing the project, the hotel will bring an added dimension to the Nation's casino operations that has

heretofore been missing - luxury hotel accommodations and amenities catering to not only the casino's current customer base, but also to what we believe will be an expanded customer base drawn from visitors to the Verde Valley and Sedona area looking for a high-quality gaming and hotel experience.

The Council will report to the community on the grand opening date for the hotel as soon as a final completion date has been established. We hope to have a projected final completion date within the next two weeks.