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Miami Jai-Alai gets \$87M loan for casino

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NAOMI HARRIS / Herald File

Miami Jai-Alai

For 82 years, Miami Jai-Alai has been a South Florida fixture.

The parimutuel facility, only a few miles from Miami International Airport, hosted well-heeled crowds and big-name concerts during the Jai-Alai's glory days. But that golden age was decades ago, and recent years have brought only sparse crowds to the facility.

Miami Jai-Alai's parent company, Florida Gaming Corp., posted a nearly \$5 million loss in 2010, and

has had trouble keeping up payments on its debts. Florida Gaming's last annual report warned that there was "substantial doubt about the company's ability to continue as a going concern."

Could the addition of slot machines change everything?

Florida Gaming is betting the answer is yes.

As one of the South Florida parimutuels included in a 2004 statewide referendum that allowed horse tracks, dog tracks, and jai-alai frontons to add slots, Miami Jai-Alai for years has had the legal right to add a casino.

What was missing was the financial backing — until now. Florida Gaming on Wednesday announced it has secured an \$87 million loan from a group of unidentified investors, a massive infusion of capital that should enable Miami Jai-Alai to pay off old debts and also open up its own 1,000-slot casino.

Other planned upgrades include improved dining and entertainment amenities; a renovated Jai-Alai venue; approximately 1,500 parking spaces; and the return of concerts.

"There's a tremendous amount of very positive history behind this facility," said Rene Guim, an equity partner in Miami Casino Management, a company under contract to develop and manage the new casino. "The memories and the nostalgia and the pent-up demand for returning to Miami Jai-Alai is there."

The existing Jai-Alai building will not be torn, but instead extensively overhauled — work that is expected to be finished by the end of this year. Guim said adding the slots parlor and other bells and whistles will create 600 to 800 new jobs, about half of which will be permanent.

The construction project is completely debt-financed though a five-year loan at between 15 percent and 16 percent interest.

Matt Sodl, managing director of California-based Innovation Capital, which assembled the financing, acknowledged that the interest rate was “high,” but said the high rate was due to the lack of any cash being invested by Florida Gaming up front. As part of the loan deal, Florida Gaming offered its lenders the future option of assuming a 35 percent ownership stake, at minimal cost, of the wholly-owned subsidiary that is building the new casino property.

“The collateral for the loan is really the assets of the company and the stock of the company,” Sodl said.

The loan and casino plans, if ultimately successful, would amount to a remarkable turnaround for Florida Gaming, given the company’s recent troubles. One key factor in its favor: Gambling experts are still largely bullish on the South Florida casino market. Although Miami-Dade and Broward counties have added several slots casinos since the 2004 voter referendum, industry analysts still see room for growth.

Las Vegas billionaire casino magnate Steve Wynn, among others, has expressed interest in building new “destination” casino resorts. The Legislature, which would have to OK the idea, so far hasn’t bit.

Miami Jai-Alai, even after its planned facelift, will likely draw more local gamblers than tourists. But Sodl said the dense South Florida population provides plenty of potential customers.

“The Miami market is a very fertile market for gaming,” Sodl said.

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