

Rescue on the River: DMA Guides Pittsburgh Casino Back on Track

DEVELOPMENT MANAGEMENT | ACCOUNTING

LOCATION: PITTSBURGH, PENNSYLVANIA

OWNER: PRIVATE OWNER

ARCHITECT: BERGMAN, WALLS & ASSOCIATES, LTD AND STRADA

CONTRACTOR: KEATING



Scarcely a year before it opened in downtown Pittsburgh in August 2009, the Rivers Casino was nearly derailed.

Construction had stalled -- only 30 percent complete. Entitlements and permitting were in limbo. The original developer, in default on a \$200 million loan to start construction, could not secure additional funding. The U.S. economy was on the verge of a historic collapse.

Despite these challenges, a group of private investors, including Neil Bluhm and Walton Street Capital, believed the casino project might not only be salvageable but ultimately successful. They retained Development Management Associates, LLC (DMA) in early July 2008 to conduct a thorough review of the project and determine if it was a development investment worth making.

Hours after they were retained, DMA's property development experts were on a plane from Chicago to Pittsburgh. They immediately began collaborating with the investors and Keating Building Corporation, by then the project's fourth general contractor, to perform due diligence and develop a restart and schedule recovery plan.

Completed in 45 days, DMA's due diligence revealed that the casino project could be steered back on track -- provided that certain issues could be resolved quickly. Encouraged, the investors decided to move forward with the project, forming Holdings Acquisition Co. and asking DMA to manage development.

"We focused on identifying and mitigating the financial and schedule risks associated with restarting the project," recalled DMA Principal Charles C. Porter. "Completing all entitlements and securing the remaining permits were in our view drop-dead

issues that, if not solved, would have killed the schedule. The contractor's responsibility was limited in that area, so we needed to determine what specific risks the owners were facing and develop a method for controlling them."

The next step was to realign the project team.

"The head of the project had decided to retire, leaving behind some issues that we needed to quickly identify and resolve," said Porter.

Porter, along with DMA Development Manager Jonathan Ruda, were prepared to head the project until a replacement was identified.

"Jon and I had traveled to Pittsburgh over 50 times in just over a year, and if need be, we would have moved there to make it happen," Porter said. "As it turned out, we conducted a search for a new head of project, and in October we put in place (Andrew) Andy Jones, an experienced casino builder who rallied the project team members.

"We carefully divided up the work, with Andy handling the site issues and Jon managing entitlements, permitting and contract administration while I focused all resources on meeting the many challenges associated with the gaming end, broad contract issues and managing the significant design changes that the owners wanted to make on the already designed and partially built project."

The project team knew much work would have to be accomplished in a short timeframe.

"To help make it happen, we instituted regular meetings that

"The rapid due diligence that we undertook with DMA gave us confidence that as a team, we could achieve success by taking on this previously challenged project. We felt that **engaging DMA at the beginning and having them manage the construction significantly mitigated our risks and would produce an excellent project result at the end of the day.**"

Greg Carlin, CEO of Holdings Acquisition



forced much-needed decisions and alignment with our schedule and the contractor's schedule," Porter said.

Among the challenges that needed DMA's immediate attention was ensuring that the project was meeting all applicable regulations.

"When we took over, numerous government requirements and permits had not been completed, project consultants had not been paid, and a planned riverfront amenity had fallen by the wayside," Porter said. "Any one of those issues could have adversely affected the scheduled opening. Jon spent most of his first four months tracking and facilitating the final completion of entitlement issues, and that was a key factor in getting the project back on track."

Another factor was DMA's long-standing relationship with members of Holdings.

"Our Chicago offices are close to theirs, and in addition to regular meetings, we had many impromptu meetings to keep decisions flowing," Porter said. "We knew what we needed from ownership and got that without wasting their time. It was a very effective working relationship born from mutual respect, even though a number of the individual team members had not previously worked together."

DMA collaborated with Holdings to solve numerous challenges, including the investors' desire to change four of the casino's food and beverage venues and imprint the entire project with a new vision.

"Even though the project was 30-percent built and just 11 months from its opening date, DMA developed and implement-



ed a schedule to redesign, procure and complete construction of the redesigned venues without impact to the project opening date," Porter said.

In fact, DMA's development management expertise yielded results that exceeded the new owners' expectations.

"Six months prior to opening, it was clear that the restarted project was going even better than planned and that based against the restart projections for the project, ownership could achieve substantial savings," Porter said. "Working with the owners, we undertook the design and construction of a state-of-the-art sports bar and performance venue called "Wheelhouse," taking advantage of \$6 million dollars of savings that was reinvested into the project."

The ultimate results? The Rivers Casino, Pittsburgh's first gaming facility, is widely considered a premier gaming destination in and around Pennsylvania. Among the many features that draw gaming enthusiasts through its doors each day are:

- 100,000 sq ft of gaming space
- Four restaurants, bars, and lounges
- A 10-story, 3,800-space parking structure
- A central atrium chandelier with a changing display of 40,000 LED lights
- A new public outdoor amphitheatre, overlooking the Ohio River, with pedestrian access to North Shore Riverfront Park.