

Failed Wayne Co. horse track tied to new casino plan

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Ficano defends the horse track deal forged during his administration



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(Photo: JC Reindl Detroit Free Press)

The Sault Ste. Marie Tribe of Chippewa Indians says it has cobbled together enough land near Detroit Metro Airport to make a strong legal case to build a casino complex in an abandoned megachurch that also would offer a slate of social services for nearby tribal members.

In its application with the U.S. Department of Interior, the tribe says it owns 71 acres where the church structure sits on Sibley Road and also a 7-acre sliver of land in Huron Township at the now-bankrupt and partially demolished [Pinnacle Race Course \(/story/money/business/michigan/2016/01/25/demolition-begins-wayne-countys-failed-horse-track/79303398/\)](#) that Wayne County officials once sold to horse track developers for \$1.

The tribe bought the 7 acres for a reported \$179,000 in 2010 from Pinnacle track's development group, which paid the \$1 for all 320 acres of the original racetrack site. The tribe has not said publicly what it plans to do with the seven acres. And it has refused to sell the land to prospective developers, including an Ypsilanti man who has proposed "car condos" and an auto track for wealthy sports car owners.

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Proposed Indian casino site and site of failed Pinnacle race course (Photo: Martha Thierry Detroit Free Press)

In its application, the tribe says it has acquired a "critical mass" of property in Wayne County and that thousands of Sault live nearby, justifying action by the Interior secretary. The redeveloped 70,000-square-foot church building would not just be a casino, but also a place for various educational, health and welfare services for downstate Sault members, the tribe said.

"There are thousands of Sault tribal members in the immediate area who do not have adequate access to tribal employment or tribal services, and the existing 7-acre parcel is not large enough to serve the needs of such a large population base," the tribe's lawyers wrote last year in a supplement to the 2014 application.

Casino industry analysts say that if the proposed Metro Airport-area casino gets built, it would likely affect revenues at the three big Detroit casinos because the region's gambling market is already nearly saturated. Hollywood Casino Toledo would also feel a pinch, they say.

The Sault's current push for off-reservation casinos is part of an ongoing business battle between Indian tribes and the commercial gaming industry. Tribal casinos within Michigan are exempt from local, state and federal taxes, giving them an advantage over commercial casinos like those in Detroit, which pay tens of millions of dollars a year in taxes. However, most tribes have agreed to share 2% of their casinos' net winnings with nearby local governments or other money for state economic development.

The Sault also have a pending application for an off-reservation casino in downtown Lansing.

A spokeswoman with the Department of Interior said last week that the tribe's requests are still under review.



The Pinnacle Race Course in Huron Township as it looked on July 17, 2008. The tracked closed after just three racing seasons. (Photo: Carlos Osorio, Associated Press)

The tribe's legal strategy related to the two parcels in Huron Township — the 7 acres and the 71 acres — was laid out in documents submitted last year to the Department of the Interior that haven't been reported on until now.

The tribe has agreed to share with the township 0.5% of its net wins on all slot machines at the future casino and to make payments to the township in lieu of taxes for its property, which otherwise would be exempt on tribal lands. The township in exchange agreed to not oppose the tribe's efforts and to deliver a letter of support for the casino plan to the secretary of the interior.

Asked for comment, John Wernet, the tribe's general counsel, said in a statement that "the Sault tribe is not prepared to discuss future potential uses for that land at this time."

Off the reservation?

Opening an off-reservation casino within Michigan is a complex legal undertaking that would ordinarily require consent from the governor as well as the U.S. Secretary of the Interior. However, the Sault have put forth a novel legal argument that would sidestep some political obstacles.



The Pinnacle Race Course as it looked on Jan. 25, 2016. (Photo: JC Reindl Detroit Free Press)

The tribe contends that the interior secretary must put land into a trust for any potential use by the tribe — including casinos — because of the 1997 federal Michigan Indian Land Claims Settlement Act meant to compensate the Sault for land taken in the 1800s.

That law has never before been used to open a casino. But the tribe contends it can be done, and says that owning two parcels of land near each other strengthens its legal argument.

Not everyone is convinced.

Gaming and Indian law attorney Lance Boldrey of Dykema Gossett in Lansing believes the tribe could prevail in getting the U.S. government to put the Huron Township church site into trust, but ultimately lose its fight to open a casino there because of restrictions in the Indian Gaming Regulatory Act, which generally prohibits new off-reservation casinos.

"They've got some interesting legal theories and they take them a long way toward satisfying the federal requirements, but I don't think they take them over the finish line," said Boldrey, who is not involved on any side of the matter.

Opposing views

Opposing the Sault's plans are the three Detroit casinos and several Michigan tribes that run their own casinos.

James Nye, a representative for a coalition of tribal governments and the Detroit casinos, argued that if the Sault's legal theory prevails, the tribe could theoretically open a casino anywhere that it has bought some land.

"It does not surprise me in the slightest that they are holding onto that parcel at the racetrack for dear life because that is the foothold that they're using to open a casino 20 miles from Detroit," said Nye.

Casino gaming analyst Alex Calderone, who is neither for nor against the Sault's plan, said that having a new casino near Metro Airport would likely grow the region's overall casino market to a degree, but likely not enough to keep the casino from drawing away existing business from casinos in Detroit, Toledo and perhaps Battle Creek.

"An overwhelming majority of the new destination's revenues will more likely than not come at the expense of the Detroit Three," said Calderone, managing director of Birmingham-based Calderone Advisory Group. "In other words, even though we might see some growth in the overall pie, introducing a new property that close to Detroit will almost certainly still result in the existing operators' slices shrinking."

Pinnacle of bad investments

Closed in 2010 after just three thoroughbred racing seasons, Pinnacle Race Course is considered one of Wayne County's biggest economic development debacles of the past decade. The project cost more than \$50 million, involving roughly \$28 million in private investment and \$26.6 million in sewer and infrastructure improvements to and around the site, according to a Free Press review of court documents and audit reports.

Abandoned and infiltrated by metal scrappers, the track was roused from dormancy last month when [excavating equipment arrived to demolish \(/story/money/business/michigan/2016/01/25/demolition-begins-wayne-countys-failed-horse-track/79303398/\)](#) its main pavilion. The activity followed county officials' requests for the property's owner — a corporation formed by past Pinnacle investors — to tidy the property to spur redevelopment and deter further vandalism.

"It didn't take long for strippers to go in there and pull out all the wiring and all the metals," said Huron Township Supervisor David Glaab. "They just trashed the place."

Yet even as attention turns to the racetrack site's future, the legal and financial mess left behind from Pinnacle's failure continues to influence redevelopment options at the track and even the forward path for the Sault's nearby casino proposal.

One redevelopment hurdle is [the \\$8 million price \(http://looplink.cushwake.com/II/18423731/18000-Vining-Road/\)](#) being asked for the remaining 313-acre Pinnacle site by the track's corporate owner, which obtained the initial 320 acres from the Wayne County Land Bank for just \$1 and still has title.

"It's quite a hurdle," Glaab said.

Jack Krasula, the businessman and WJR-AM (760) radio show host, is now in charge of that corporation, according to interviews and court records. Anyone who seeks to buy the property also would need to pay its roughly \$2.3 million in outstanding property taxes, county officials said.

Sliver of hope?

One potential buyer is John Ottino, 67, of Ypsilanti, who wants to redevelop Pinnacle into an upscale garage community around a 2.5-mile performance track to be called the Heritage Farms Motorplex Car Condos and Road Course. A somewhat similar car condos project is [already under way in Pontiac \(/story/money/business/michigan/2016/02/01/250000-fancy-garages-filling-up-fast-pontiac/79521100/\)](#).

Ottino, who is still assembling his investors, said he spoke with the Sault's lawyer to see whether the tribe wished to sell its 7-acre sliver.



One developer has proposed razing the Pinnacle horse track and building a 2.5-mile performance track and upscale garage development called the Heritage Farms Motorplex Car Condos and Road Course. (Photo: Heritage Farms Motorplex project)

"I got a pretty emphatic 'No,'" Ottino said.

The Pinnacle racetrack has been out of business for 5 1/2 years. But its old disputes remain unsettled.

Relations between Krasula and another Pinnacle investor, Jerry Campbell, a banking executive, recently turned nasty over claims of unpaid track-related debt. Records in Oakland County Circuit Court tell how Krasula last month sought to have Campbell sent to Oakland County Jail for allegedly hiding cash instead of paying off the Pinnacle debt that he owed Krasula.

Campbell, 75, and now a Florida resident, disputes the money-hiding claim and [filed for personal bankruptcy on Jan. 12](#) (</story/money/business/michigan/2016/01/25/demolition-begins-wayne-countys-failed-horse-track/79303398/>), citing \$4.8 million in debt related to the failed Pinnacle course. He owes that money to a corporation controlled by Krasula that bought a defaulted loan from one of the track's commercial lenders.

A Chippewa ally

Despite the racetrack debt, Campbell, once described as the Pinnacle track's founder, has [partnered with the Sault tribe](#) (<http://blogpublic.lib.msu.edu/index.php/sault-ste-marie-tribe-of-1?blog=5>) to help open their proposed casino in the nearby church.

He is a manager of the non-tribal group of investors for that casino, a corporation called JLLJ. Its fellow officers were once listed as Krasula; Robert Liggett, the chairman of Big Boy Restaurants, and Winfield Cooper III, president of Flint-based real estate firm Cooper Commercial Group. At least one of the partners paid \$950,000 to buy the church property out of foreclosure to hold it for the tribe.

In a newsletter last summer to fellow casino investors, Campbell said the tribe has retained Atlantic City-based firm SOSH Architects for preliminary work on converting the church into the proposed casino. He said his sources at the Department of the Interior anticipated the agency having a favorable decision for the tribe by September 2015. It was not clear last week what held up that decision.

"Overall, we are quite optimistic on the status of the project," Campbell wrote at the time.

The Sault tribe is the largest tribe within Michigan by membership and the same tribe that opened Detroit's Greektown Casino as a non-tribal venture before losing it to bankruptcy in 2008. They currently operate five small Kewadin casinos in the U.P.

The Sault bought the 7 acres from the track's owner of record — Post It Stables — a corporate entity of investors that included Campbell and Krasula. The corporation acquired the track's original 320 acres from the county land bank for \$1 in October 2008.

'An experiment'

In exchange for the \$1 deal, the track's corporation promised to create or retain 1,200 full-time permanent jobs (not including construction) or swallow financial penalties based on the land's \$8.6-million estimated value.

The land bank ultimately signed off on documents that said Pinnacle exceeded the target by creating or retaining over 1,500 full-time jobs in just its first year of operation, surprising some Huron Township officials. But a subsequent report in 2011 by the Wayne County auditor general said the land bank's bookkeeping was so shoddy that auditors couldn't accurately tally the job numbers, which counted UPS delivery persons as full-time jobs.

Pinnacle was part of the county's long-standing vision for an aerotropolis district south of Detroit Metro Airport with logistics, warehousing, industrial and distribution businesses. Wayne County's then-Executive Robert Ficano vigorously supported the idea of getting the horse track up and running fast.

"I see this as an experiment to see if we can deliver speed, speed, speed," Ficano told the Free Press in 2008.

In a phone interview this month, Ficano defended the Pinnacle deal and said the \$26.6 million in county-financed infrastructure at the track had been scheduled for installation before the project was approved and would have been happened anyway to attract investment there.

"Some projects work and some don't, but this one didn't cost Wayne County any money," Ficano said. "The private investors are the ones who took the chance on it and they're the ones who took the loss. Wayne County didn't lose any money on it."

The racetrack struggled financially almost immediately upon opening in 2008 amid the recession and a long decline in horse racing's popularity. An effort to revive the track with legislation to allow "racino" gaming failed. State budget cuts also resulted in a shortened live racing schedule.

The track closed in 2010 after just three racing seasons.

Car condo plans?

As for the Pinnacle property's future, Ottino, the prospective "car condo" developer, envisions replacing the horse barns and dirt racing oval with a 2.5-mile asphalt track surrounded by over 500 souped-up garages for high-performance vehicles.

Ottino said he is still cobbling together a group of private investors and corporate sponsors. Once that is accomplished, he said he would talk with Krasula about buying his \$8-million Pinnacle site. So far, Ottino doesn't anticipate asking Wayne County for any development assistance for his track dream.

"On that piece of property I think they've probably had enough," he said.

His current site plans also don't require the tribe's 7 acres.

"We're just going to have to work around that spot."

Pinnacle and casino facts:

- Pinnacle Race Course opened in 2008 in Huron Township
- Cost roughly \$50 million to develop
- Wayne County Land Bank sells 320 acres to Pinnacle developers for \$1
- Course closes in 2010 after three racing seasons
- Sault tribe buys 7 acres of the race course property for \$179,000
- One race course developer became a partner in the tribe's ongoing effort to open a nearby casino
- Tribe asks U.S. Department of the Interior in 2014 to put an abandoned church property into trust for the casino
- Tribe contends that its 7-acre parcel near Pinnacle bolsters its land-trust application for the church property

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