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Indian tribe bets on diversification for longevity

Adds restaurants, hotels, office buildings to thriving casinos

By Matt Krantz
USA TODAY

SAN MANUEL INDIAN NATION — Deron Marquez doesn't smoke, never gambles and says he doesn't even know how to play bingo. So the chairman of the San Manuel Band of Mission Indians struggles to understand why more than a million gamblers pour into his tribe's smoke-filled casino and bingo hall each year, one of the largest in Southern California.

But if there's one thing he clearly knows, it's that gambling is good business. In the 17 years since building its first bingo hall, the 190-member San Manuel tribe has gone from a poverty-stricken community on barren, rocky land to a bustling community with zero unemployment. Some tribe members now live in hilltop mansions and drive Cadillac SUVs and BMWs.

"You can't lie to yourself. There's nothing in this world that would be as profitable as a casino," Marquez says, while surveying the rows of clanking slot machines and jam-packed poker tables.

The tribe does not disclose any financial information. But some critics of the tribe's current expansion plans estimate the San Manuel Indians make $100 million a year just from their gaming operations. That would be only a small slice of a huge business. Nationally, Indian casinos brought in $14.5 billion in 2002, twice the $7.6 billion brought in by every casino in Nevada's Clark County — which includes Las Vegas.

But instead of enjoying the raging success of the casino, Marquez says he is troubled by the reliance on it and is leading the

By Tim Dillon, USA TODAY

Expansion: Deron Marquez tours the site where his tribe and three others are building a hotel that will have easy access to the new National Museum of the American Indian in Washington.

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tribe's most daring push yet: diversification into businesses other than gambling.

Risks are many

If successful, Marquez's efforts could be the model for dozens of other American Indian groups wondering how to keep their economies intact if regulation or competition increases. Many, like the San Manuel tribe, have already started or are looking into businesses ranging from resorts to hotels and shopping centers. But the risks are many, because diversifying often means venturing off the reservations, where tribes lose tax advantages and must compete just like any other business.

Already, the San Manuel tribe has bought stakes in restaurants, hotels and office buildings. In its biggest non-gaming gamble yet, it has taken a stake with three other tribes in opening a Residence Inn by Marriott in Washington, D.C.

Yet even as he talks diversification, Marquez is moving ahead with controversial plans to open a huge gambling facility. Still, he insists that is only part of his tribe's future. "Why put yourself in a compromising position?" he says. "Gaming is not the only asset we have."

Seeking longevity

Marquez, whose mother married outside the tribe, didn't grow up on the reservation and doesn't live there now. He is the first of a new generation whose college education was paid for with proceeds of the tribe's gambling profits. And Marquez says he knows the tribe's near-monopoly on gambling can't last forever.

The compact with California to operate gambling halls runs out in 2020. There's an even closer threat that Californians will vote this year to allow horse-racing tracks to install slot machines, diverting the most profitable gamblers away from the Indian casinos.

So to cover itself, Marquez says, the tribe will take a look at any businesses that "can be around for years." So far, those include:

▸ **Established restaurants.** Several years after actor Kevin Costner and Cindy Silva divorced, Marquez heard her 50% stake in the Twin Palms was for sale. He bought it in July 2002.

The posh restaurant in Pasadena, which has hosted the *Entertainment Tonight* Emmy party twice, was intriguing to Marquez. The tribe hadn't had much experience with food services beyond the Snack Shack concession stand in its bingo hall, but Marquez says this was a chance to observe how an upscale restaurant is run. "In the casino, we have a captured crowd for our restaurant," he says. With the Twin Palms, "You have to capture the crowd."

▸ **Hotels.** The tribes' Residence Inn by Marriott will be just a few blocks from the Smithsonian's National Museum of the American Indian, set to open later this year.

Builders hope the 13-level, 233-room hotel with views of the Capitol will be open in January 2005. Marquez and the San Manuel Band got involved with the project a few years ago when the head of the National Indian Gaming Association approached him with the idea. Marquez quickly put in the $3 million seed money. "Everything about it made sense," he says.

▸ **Office buildings.** The tribe owns three office buildings, including two in Irvine, Calif., and one in Washington, D.C. It bought the Washington building to house its own lobbying efforts and is now looking to rent out the spare floors to generate revenue.

▸ **Bottled water.** In December 2001, the tribe connected a state-of-the-art water-bottling facility to the natural springs that had bathed and nourished the tribe members for decades. Those springs now fill 600 bottles a minute, which are sold under the Big Bear Mountain brand to retailers such as 7-Eleven. The tribe also bottles water for retailers such as Target.

Tribal holdings

Properties and locations of holdings by the San Manuel Band of Mission Indians. The tribe also has office and hotel buildings in Washington, D.C.

Source: Tribe reports

By Frank Pompa, USA TODAY

Controversy lurks

But controversy comes with all of this growth. Just consider the water plant. On the reservation, older tribal members were outraged because their homes were disconnected from the natural springs and attached to city water supply to get the water plant up and running.

And off the reservation, some neighbors say the tribe's efforts at diversification are a canard. No matter how much Marquez talks about diversification, it's clear the profits from gaming are what's driving the whole plan, they say. The tribe has leveled one of the reservation's mountains to build a 465,000-square-foot, $125 million gambling complex, slated to open in 2006, that will have a six-level parking garage.

> "You can't lie to yourself. There's nothing in this world that would be as profitable as a casino."
>
> — Deron Marquez, chairman of San Manuel Band of Mission Indians

Immediate neighbors insist that the tribe isn't truly diversifying, but rather getting further into gambling. "You don't put a huge commercial business in the middle of a residential neighborhood," says Rheba Hewitt, a 59-year-old retiree.

Others insist the Indians' tax-free casino and monopoly on gambling is a cash engine that gives them an unfair advantage in businesses off the reservation. "Sovereignty promotes unfair competition in the business community," says Cheryl Schmit, director of Stand Up For California, a group that is hoping to slow the spread of gambling in the state.

Marquez says he understands the concerns. He, too, remembers the days the reservation was undeveloped: He used to run through orange groves at the southern end of the reservation as a kid when visiting his grandmother. Those groves have long ago been paved over to make room for the bingo hall.

But he says the tribe must move on, or risk slipping back into the squalor it has worked so hard to escape. "Progress is progress. Nothing can stagnate for this long," he says.

Contributing: Barbara Hagenbaugh in Washington