

## **Former Atlantic City Hilton Casino Resort to become 'locals' casino with fewer employees, games**

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ATLANTIC CITY — ACH, Atlantic City's smallest gaming hall, plans to transform itself into a low-cost "locals" casino as it fights for survival in a slumping market.

ACH will pursue a different marketing strategy that focuses heavily on local customers following a new deal between its owners and lenders to keep the financially troubled casino open for at least the next year.

The New Jersey Casino Control Commission approved the deal Wednesday after ACH executives outlined plans to rebrand the Boardwalk property, formerly known as the Atlantic City Hilton Casino Resort, and reduce jobs, table games, and slot machines.

Linda M. Kassekert, the commission's chair, said the one-two punch of a failing economy and competition from casinos in surrounding states had "struck a serious blow" to ACH and threatened its nearly 2,000 jobs.

However, the deal between ACH owner Colony Capital LLC and its lenders saves the casino from foreclosure and will pump in \$24.3 million in new cash. It also commits Colony to keeping ACH open at least through Oct. 31, 2012.

The cash infusion was key to convincing the commission and the New Jersey Division of Gaming Enforcement that ACH is financially stable, a major requirement for a gaming license.

"The bottom line, and the main reason why I support this, is that it keeps the doors open and it keeps employees on the job," Kassekert said. "Winning bets will be paid and gaming taxes will be collected while the division keeps a close eye on (ACH's) financial condition."

The commission and the division have imposed a series of financial requirements on ACH, including the submission of weekly and monthly reports as well as updates on the casino's talks with Atlantic City officials to resolve outstanding property taxes.

Gaming regulators have been increasingly concerned about ACH as its finances continued to deteriorate. Analysts have questioned just how long the casino can hold on. ACH has suffered a \$10.8 million operating loss through the first half of this year and has seen its gaming revenue plunge nearly 12 percent so far in 2011.

"The company, quite frankly, was running out of cash," said Eric Matejevich, chief financial officer of Resorts International Holdings, a Colony Capital affiliate that serves as ACH's parent company.

Matejevich said the new agreement between Colony and its lenders will give the gaming hall some breathing room as it competes with its bigger rivals in a challenging market.

Despite Kassekert's emphasis on saving jobs, ACH executives said they plan to eliminate some positions and consolidate operations to reduce the casino's labor costs. Michael Frawley, ACH's chief operating officer, did not say exactly how many jobs would be cut, but stressed that "labor is a significant focus of where we're going to go."

Frawley also revealed plans to cut the number of table games and slot machines as ACH rebrands itself into a low-cost casino that will target local customers. Another name change is being planned by the second quarter of 2012, but the company is keeping it a secret for now.

Over the summer, the casino began calling itself "ACH" — an acronym for Atlantic City Hilton — on its website and in its promotional literature after it lost the right to use the iconic Hilton name. Hilton Hotels & Resorts ended its franchise agreement with the casino for the Hilton brand, but did not divulge the reason for doing so.

Frawley said the Hilton signs and corporate logo will be stripped from the outside of the casino hotel by year's end. ACH has nearly completed removing all traces of the Hilton from inside the building.

ACH's rebranding could make it Atlantic City's only true "locals" casino. In Las Vegas, there is a locals market consisting of casinos that cater to local residents instead of the tourists and vacationers courted by the resort-style Strip properties. ACH will promote itself as a value-oriented casino in hopes of drawing budget-conscious customers to its restaurants and entertainment spots.

"They're not going to be high-end or expensive," Nicholas L. Ribis, ACH's chief executive officer, said of the casino's attractions.

ACH's new marketing strategy will also focus more on slot machines than table games. Frawley said there will be a major reconfiguration of the casino floor to get rid of some of the table games as well as older, underperforming slot machines.

Plans to overhaul ACH's operations and image follow failed attempts to sell the property. The deal between Colony Capital and its lenders averts ACH's foreclosure and wipes out the casino's debt. In return, the lenders will take ownership of two Colony casinos in Mississippi, Bally's Tunica and Resorts Tunica.

ACH's value has plummeted in Atlantic City's faltering real estate market since the 2007-2009 recession. Then called the Hilton, it was valued at \$513 million when it was purchased by Colony in 2005 as part of a \$1.24 billion deal for four casinos in New Jersey, Mississippi and Indiana. Colony bought the Hilton close to the peak of the Atlantic City market, a year before casino gambling began in Pennsylvania. The sluggish economy and stiff competition from Pennsylvania have driven down Atlantic City's gaming revenue 30 percent, from \$5.2 billion in 2006 to \$3.6 billion in 2010.

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