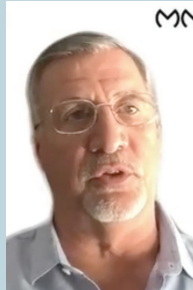




Kevin Blaser



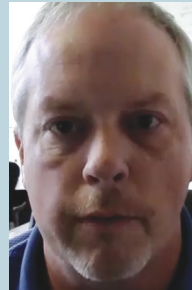
Tom Durkee



Julio Martinez



Fred Schubkegel



Joel Schultz



Kurt Trevan

TRIBAL ENTERPRISES PERSIST AS GAMING REVENUES TANK DURING PANDEMIC

By **ANDY BALASKOVITZ** | MiBiz
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As the COVID-19 pandemic wreaked havoc on tribal casino gaming revenue, officials with the non-gaming economic development arms of several Michigan tribes say their flow of capital and projects largely held steady.

Their pandemic experience mirrors much of the broader economy: It's a story of labor shortages, difficulty in navigating federal relief programs, and the need to diversify income streams, officials said during a recent *MiBiz* roundtable on the tribal economy.

Participants in the Zoom-based roundtable discussion with this reporter and MiBiz Editor Joe Boomgaard included:

■ Kevin Blaser, business growth, development and energy specialist at Mount Pleasant-based **Migizi Economic Development Co.**, an arm of the **Saginaw Chippewa Indian Tribe of Michigan**

■ Tom Durkee, project manager for tribal business development at the **Michigan Economic Development Corp.**

■ Julio Martinez, CEO of **Mno-Bmadsen**, the Dowagiac based investment arm of the **Pokagon Band of Potawatomi**

■ Fred Schubkegel, partner at **Varnum LLP**, the Grand Rapids-based law firm that sponsored the roundtable

■ Joel Schultz, director of the **Sault Tribe Economic Development Corp.**, a division of the **Sault Ste. Marie Tribe of Chippewa Indians**

■ Kurtis Trevan, CEO of **Gun Lake Investments**, the Grand Rapids-based investment arm of the **Match-E-Be-Nash-She-Wish Band of Pottawatomi**, commonly known as the Gun Lake Tribe

Despite the widely known, pandemic-induced challenges, tribal investment officials had a unique position in dealing with them. It involved shared missions that translated into employee retention and an ongoing interest in cross-tribal collaboration.

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— **KURTIS TREVAN**
CEO of Gun Lake Investments

Adapting to the pandemic

The panelists all reported a challenging and volatile year that started in March 2020, but which is now largely in the rearview mirror.

“We have definitely moved from triage mode back into growth mode and are trying to grow our portfolio companies and seek out new investments,” Trevan said.

Martinez characterized the current situation as a third phase that has come after an immediate response to maintaining business operations through the Paycheck Protection Program, and a virtual business environment.

“We’re looking at how we deploy capital,” he said, as Mno-Bmadsen examines which

enterprises to grow and eyes potential acquisitions.

Like other sectors, though, the tribal officials expressed a common hurdle in labor, which is making it difficult to pursue new business opportunities.

“Staffing is a huge issue,” Blaser said, adding that the Saginaw Chippewa tribe is offering higher wages and bonuses across all levels of employees. “It’s the biggest issue, and it’s why we haven’t run into new business. The last thing you want to do is build something then have it fail because you can’t get people to work at it.”

A perhaps unintended consequence of the massive federal relief effort was the difficulty involved to simply access the funds. Multiple panelists said that applying for federal COVID-19 grants and loans was, and continues to be, a burdensome challenge with an uncertain upside.

“It’s a big deal,” Blaser said. “A lot of these programs are more of a horror show to fill out the application than they’re worth.”

As well, the influx of federal funding has also spurred political debates within tribes about how to spend the money, Schultz said.

“Making business decisions in what’s become a very political reception of funding has been a challenge,” he said. “It introduced the concept that we don’t need to invest, or do more, or we distribute it (to members). That’s been challenging for us.”

The MEDC’s Durkee emphasized tribes’ overall economic resilience during the pandemic.

“Economic development across the state within Indian Country is still moving forward, albeit slower,

but it’s not undone,” he said. “Things have continued to move forward at whatever pace a tribe can handle.”

Schubkegel agreed, citing the experiences of his tribal and non-tribal business clients.

“It’s good to hear confirmation ... that everyone was still able to walk out their mission despite COVID,” he said. “It’s good to hear everyone has pretty much managed their way through this thing.”

Diversification proves crucial

In a May 2021 Federal Reserve Bank of Minneapolis survey of 40 tribal governments, enterprises and organizations, more than half of respondents reported losing at least 40 percent of their revenue since the start of the pandemic. Just one in five reported stable revenues.

“The COVID-19 pandemic has had a disproportionate impact on tribal entities, which rely on public-facing enterprises such as gaming for a significant portion of their revenues,” the report says. “As a result, tribal governments have cut back on public services.”

The loss of gaming revenues turned a somewhat unexpected spotlight on the work of tribal business enterprises.

“To be shut down for 100 days because of a disease was just unthinkable,” Blaser said of tribal casinos.

“It was getting a little dicey for the amount of time the casino was shut down because it’s the only revenue source for this tribe. It’s significant,” he added.

“It’s good to hear confirmation ... that everyone was still able to walk out their mission despite COVID. It’s good to hear everyone has pretty much managed their way through this thing.”

— FRED SCHUBKEGEL
Partner at Varnum LLP

“We’re trying to build up more of what Migizi contributes. On a percentage basis of what’s coming into tribal coffers, casino revenue generates the lion’s share at this point.”

However, the Minneapolis Fed analysis also noted that “tribal entities have not laid off or furloughed workers in proportion to those revenue losses. Half of all survey participants reported that they have not reduced employment at all and just more than one in five have laid off or furloughed more than 40 percent of their pre-pandemic workforce.”

Treva confirmed those findings.

“One thing you’ve seen with tribes ... was a massive reduction in tribal government revenues, but very few tribes actually laid off employees. It goes back to ... the purpose,” he said of tribe’s multi-generational focus. “This is

what attracts a lot of high-quality labor to tribal entities.”

The pandemic ultimately underscored an ongoing mission within tribal communities toward economic diversification. The panelists oversee enterprises involving real estate and development, construction, professional services, energy, retail, hospitality and manufacturing, to name a few.

“I do think we got more eyes on some of our diversification efforts,” Schultz said, referring to tribal government officials. “We recognized we are filling some holes while we lost casino revenue. ... We recognized that what we’re doing is very important to the tribe and the need to keep doing it and expand it, and maybe we’re not even as diversified as much as we should be. I think it was eye-opening for everybody.”

Making deals, working together

The \$17.5 million deal in early 2020 between Gun Lake Investments and **Waséyabek Development Co.**, the investment arm of the **Nottawaseppi Huron Band of Potawatomi Indians**, to acquire the 18-story McKay Tower in downtown Grand Rapids stands as one of the most significant M&A deals between Michigan tribes in recent history.

What effect the pandemic has had on tribal acquisitions — whether individually or in partnership with other tribes — appears to be mixed.

Treva and Martinez each reported trends of higher business valuations, leading to stalled deals that were initiated before

the pandemic, while Schultz said prices in the hospitality sector have mostly come down.

Schubkegel said he’s seen company valuations shift both ways with some seeking higher prices as a result of the pandemic.

“People have taken a step back with valuations more than anything,” he said, noting that tribes maintain a “competitive advantage” by not paying taxes, which could prove beneficial under a potentially higher-tax environment during the Biden administration.

Amid the M&A uncertainty, Martinez said the “patient investor model” remains “extremely important” for the Pokagon Band. The “buy-hold-grow” model will, for now, focus on growth, he said.

“Sitting back and focusing on what we do well for the time being is important,” Martinez said.

As tribal economic developers pursue enterprises that uniquely benefit their tribes, all of the panelists are optimistic about collaborating on future deals.

Blaser, for example, wants to remain focused on the Saginaw Chippewa Tribe’s energy business. Other tribes may pursue professional services or real estate, he said.

“With energy, unlike gaming, we’re not trying to compete for the same gaming patron. It’s less of a zero-sum game. We’re not always having to trip over each other and fight for the same dollar,” Blaser said, noting the sector was “ripe for collaboration” in Indian Country. “Creating these new, more innovative capital and funding structures warrant these types of conversations.” **MiBiz**

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