

City Beat: What does Club One bankruptcy mean for downtown Fresno?

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Here's my guess: The Downtown 40 will play a big role in the [Club One](#) bankruptcy.

But not as big a role as all you taxpayers.

Let's start at the beginning.

Club One is a casino on the northwest corner of Van Ness Avenue and Tulare Street in downtown Fresno. The business goes 24/7, making its money from gaming tables and a restaurant.

I don't know for sure how many tables Club One has. The Bee reported some time ago that it had 50.

Nearly 300 people work at Club One.

According to The Bee's Marc Benjamin, [Club One filed for Chapter 11 bankruptcy protection](#) on Wednesday.

A company called Club One Casino Inc. owns Club One. Kyle Kirkland, no stranger to City Council meetings, is president.

Elaine Long and George Sarantos used to own Club One. Elaine is married to well-known (and sometimes controversial) Valley developer Bud Long.

Elaine Long and Sarantos sold Club One to Kirkland in early 2008.

Nearly eight years later, Club One finds itself with about \$10 million in debt. Almost all of it is owed to Elaine Long and Sarantos.

With these few facts in mind, I walked to City Hall on Thursday afternoon. My mission: Talk to City Manager Bruce Rudd.

You see, I'm confused. I will say up front that I didn't read the bankruptcy filing. I don't know the behind-the-scenes details. Kirkland never confides in me.

But at this point, Club One's filing makes absolutely no sense to me.

Benjamin reports that Club One was sold to Kirkland (and partners) for about \$27 million. The sale apparently was all debt. Kirkland got about \$22 million in financing. Long and Sarantos each got IOUs worth \$2.5 million each.

Anyone with a \$27 million mortgage would want to do two things.

First, find a reliable money-making scheme to rapidly pay off that debt.

Second, actually apply the money toward the mortgage.

Near as I can tell, that's exactly what Kirkland has done.

I don't know Club One's annual gross revenue. But I do know how much Club One has paid City Hall over the last six years in gaming fees/taxes.

- 2009-10 fiscal year: \$1,331,956
- 2010-11: 1,449,018
- 2011-12: 1,325,147
- 2012-13: \$809,879
- 2013-14: \$1,025,306
- 2014-15: \$1,047,417

We'll explore the recent dip in a bit.

For now, we'll note that Club One pays City Hall a fee for each table and a percentage of the casino's revenue.

It's clear from Benjamin's story that Club One's ownership structure is complex. Therefore the exact amount of outstanding debt is far from obvious to a layman like me. The bankruptcy case, like seemingly all corporate bankruptcy filings, probably will keep the lawyers busy.

But it looks like Kirkland's group, Club One Casino Inc., has \$9.5 million-plus in debts. Of that, \$8.3 million is owed to Long and Sarantos. That apparently means 87.4% of Kirkland's debt is owed to the former owners.

I take all this to mean three things.

First, Long and Sarantos aren't so much creditors as partners in Club One.

Two, Kirkland has been paying off that mortgage darn fast (\$27 million down to the \$8 million range in less than eight years).

Three, Club One is that steady money-making machine everyone hoped it would be.

I don't know what the fee-per-card table is. I don't know what percentage of revenue Club One pays to City Hall. One city official on Thursday said he thought it was 9% to 11%.

Bottom line: Club One card tables in the fiscal year ending June 30 may have grossed in the range of \$10 million.

Let's review things.

Club One's current and former owners are veterans of the casino industry. They essentially have been teammates for nearly eight years. Their business for more than a decade has had a monopoly in Fresno on card tables. Their business has a strong revenue stream. Corporate debt has been going down, and at a fast clip.

Then, in an apparent heartbeat, everyone finds themselves preparing to beg a federal bankruptcy judge to embrace their particular story of woe.

As I said, none of this makes sense. That's what I said to City Manager Rudd.

More importantly, I said, this can't make much sense to City Hall.

"You'll have to take that up with the partners," Rudd said.

But Rudd did agree that there are a lot of moving pieces here.

As to that dip in Club One fees paid to City Hall, city officials say it almost certainly was due to a change in operations at the 500 Club Casino in Clovis. The 500 Club moved from Old Town Clovis to a site on Shaw Avenue near Highway

168. And the club expanded from six card tables to 18.

Club One's main competitor in the metropolitan area triples its action, dramatically enhances customer access and moves smack in the middle of all that north Fresno/Clovis money. No wonder Club One's payments to Fresno City Hall in the three years of 2013-2015 dropped nearly 30% compared to the previous three-year period.

But keep this in mind: Club One knows its stuff. Based on payments to City Hall, the casino was doing a great job in 2010-12, the very thick of the Great Recession.

Also remember that cut-throat competition and perpetual change go with the gaming/entertainment territory.

Maybe what Club One needs is not so much a year-long date in bankruptcy court as a dramatic and full-scale makeover.

After all, I was the Bee reporter who, in December 1995, spent the better part of a chilly morning interviewing some of the 1,000-plus people who had lined up along Van Ness to apply for jobs at the new casino. Two decades is a long time to rely on the same old business model in the same mundane building.

Council Member Lee Brand knows this. He also knows that fees paid by Club One go into the city's general fund. This is the pot of money spent largely on police, fire and parks. City officials will do almost anything to protect sources of general fund money.

Brand represents northwest Fresno. He said Club One officials in recent years have spoken informally to him about possibly moving the casino out of downtown. Brand didn't identify specific sites in north Fresno. He did say Granite Park (half of which is a privately owned commercial area) was mentioned at one point.

Granite Park is next to Highway 168. It is in Council Member Paul Caprioglio's district.

The thinking: If the customers won't come to you, go to the customers. From the general fund's perspective, it doesn't matter which council district a money-maker like Club One calls home.

"I hope Club One can be successful in its current location," Brand said on Thursday. "But if, for whatever reason, they need to move, I would be amenable to another location if it is appropriate."

Then what's the beef? Gambling is a socially-acceptable industry these days. Club One is a model neighbor. If a new home in Fresno is what it takes for Club One to answer the 500 Club's challenge, then go.

But this is where the Downtown 40 comes in.

The Downtown 40 is the nickname I've given to the piece of downtown real estate that include Club One's current location.

It's pretty much a square. You've got H Street on the west, Mariposa Mall (Mariposa Street in the old days) on the north, Van Ness on the east and Inyo Street on the south.

I walked this square on Thursday, counting my steps. My measurements are rough, but I'm guessing each side is a quarter-mile in length. You've got 40 acres.

I told Rudd: To Mayor Ashley Swearengin, those are the most important 40 acres in all of Fresno. The fate of the Downtown 40 will make or break her reputation as a transformative agent in the city's urban heart.

My thinking goes like this. Uptown (the Cultural Arts District to some) is taking care of itself, thanks to Darius Assemi and money from the old Redevelopment Agency. Courthouse Park and the Convention Center area are well-established. The surrounding residential neighborhoods – Lowell, Yokomi, Jefferson, etc. – will take years to turn around.

The north end of Fulton Corridor, from Mariposa Mall and the historic Clock Tower up to Tuolumne Street, has relatively modest potential for immediate change.

But the Downtown 40 – now that’s where the action is. And it wasn’t until the Club One bankruptcy that I grasped this fact.

Chukchansi Park; the proposed high-speed rail station; the spot at Fulton/Inyo where developers Mehmet Noyan and Terance Frazier want to build an entertainment-themed project that includes a high-rise; the old Gottschalks building (half of it owned by the city) that City Hall has spent years trying to develop; the Patterson Building; the old J.C. Penney building that overlooks Chukchansi Park’s playing field; the Bank of Italy building once touted by Swearingin as the Next Big Thing in downtown; the former Security Pacific Bank building that always attracts huge crowds when opened during Art Hop; the plaza on Mariposa Mall that is supposed to be turned into a community entertainment venue; the Radisson Hotel & Conference Center (remember how depressing it was when that building went dark and empty for years?); the 10-story Helm Building (if we cheat just a little on our square’s boundaries); half of a pedestrian mall along Fulton Corridor that is supposed to be opened soon to vehicular traffic for the first time in 51 years.

This is what’s inside the Downtown 40

I forgot – Club One Casino also is in the Downtown 40. Can Swearingin afford to lose an anchor entertainment tenant in an area that she promises will become an entertainment powerhouse?

Rudd said there’s no way Club One will move out of downtown.

But there’s something seriously wrong with Club One’s business model or its owners wouldn’t be in bankruptcy court.

Finally, I asked Rudd: Will City Hall give Club One the same tender loving care it gave the owners of the Fresno Grizzlies?

You remember that one. The Grizzlies hated their rent at the city-owned stadium. They let it be known they might leave Fresno if they didn’t get a new lease. They got a new lease with lower rent. That meant less Grizzlies money to pay the construction bonds. Taxpayers filled the hole. Politicians said it actually was in everyone’s long-term interest.

I asked Rudd: Maybe Club One would get well if the card-table fee was reduced by, say, two-thirds and the revenue-sharing burden was cut by, say, three-quarters. Maybe that would convince Club One to stay downtown.

Such a request by Club One, Rudd said, “would be a tough hill to climb.”

As to Club One moving north, Rudd said the casino’s 24/7 operating schedule might make it hard for Kirkland to get the necessary permits.

Fresno taxpayers – you’ll want a seat at this table.