

Chukchansi Park's bumpy finances a potent issue in Fresno elections

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Fresno's 12,500-seat stadium at Tulare and H streets, it is widely agreed, is a diamond in the downtown rough and a beautiful place to watch baseball on one of the city's hot summer evenings.

It also is a drag on city coffers and its sole tenant, the [Triple-A Fresno Grizzlies](#), has struggled financially almost since day one.

Now, almost a decade and a half after its 2002 opening, the stadium has become one of the top campaign issues in this spring's Fresno mayoral race and District 6 council race.

The reason: three candidates have played critical roles in the city-owned stadium's 14-year history.

Mayoral candidate [Henry R. Perea](#) and District 6 candidate [Garry Bredefeld](#) were on the council that gave final approval for the \$45.8 million stadium, even overriding the veto of then-Mayor Jim Patterson in October 2000 to approve the project. Then in 2009, mayoral candidate and current Councilman [Lee Brand](#) helped negotiate a controversial rent reduction for the Grizzlies that [effectively cut the team's annual rent in half](#), from \$1.5 million to \$750,000.

Should the stadium have been built? Was it too extravagant? Were the income projections too rosy? Should the rent have been cut?

Take this tidbit, for instance: Stadium events outside of the Grizzlies initially were projected to generate \$425,000 annually. In 2015, the amount was less than \$10,000. The city's general fund – which also pays for police and fire services – picks up every dollar between income generated by the stadium (combined rent, parking, taxes and city-sponsored events) and the city's \$3.4 million bond payments for its construction.

The stadium itself is always going to have problems paying for itself.

Fresno economist Joseph Penbera

"The idea was a good one, but probably a little bit ahead of its time," said Joseph Penbera, an economist who is a former Grizzlies investor and former dean of the Craig School of Business at Fresno State and is now chairman of his own consulting company, [Penbera Paris LLC](#). "The stadium itself is always going to have problems paying for itself."

And so, Chukchansi Park sits at the center of a game of political pepper.

Both Perea and Bredefeld have been forced to defend their votes for a stadium that gave downtown a destination attraction but also put the city on the hook for about \$900,000 annually.

Brand and fellow mayoral candidate [H. Spees](#) have criticized Perea, and District 6 candidates [Jeremy Pearce and Holly Carter](#) have hit Bredefeld. The four detractors also say the duo ignored warnings from Patterson that the stadium was too big, too expensive and would never fulfill its financial promise.

Bredefeld and Perea, in turn, have criticized Brand for his role in the Grizzlies' rent break. It was, they say, a gift to

the team that took badly needed city funds from public safety and other pressing needs just as the Great Recession was forcing municipal budget-cutting. Perea, in particular, said he will seek to reinstate the \$1.5 million rent if he is elected mayor.

Brand defends the reduction, saying it was better to have a solvent team than no team, which would have happened if the Grizzlies went belly up. Bredefeld and Perea also say the stadium has been an economic catalyst for downtown.

This is all open to interpretation – and political debate.

If there is one thing all the candidates seem to agree on, it is that the stadium is built, it is beautiful, and as such, it is too big to fail.

“I won’t take a visiting CEO by the stadium and say ‘Look at this mistake,’ ” Spees said. “I’ll be taking him to my skybox showing him the best of Fresno’s finest and what a great deal this is. The stadium is one of our gems.”

Economic promise for downtown

It was in 1992 when John Carbray of the Fresno Diamond Group first approached city leaders about a stadium to house a Triple-A franchise. In 1998, the Diamond Group got a team and set up temporary shop at Fresno State’s Beiden Field.

The initial proposal was for a privately financed stadium. It ended up being city-owned.

When Fresno’s downtown stadium was being planned and a deal struck between the Grizzlies and the city, the promise of plentiful revenues and economic development drove hopes that the \$3.4 million-per-year payments on the 30-year bond debt would be easily covered with little impact on the city’s general fund.

The reality of the past decade and a half, however, has not fulfilled that promise.

The Diamond Group struggled for years to meet its commitment to pay its annual \$1.5 million in rent. In 2005, the Fresno Baseball Club took over ownership of the team – and the rent obligation. Three years later, the city renegotiated the lease.

Even before the city took on that additional share of the debt burden, other components of income that the city projected would help cover its costs went unrealized.

Income from event parking at garages and parking meters around the stadium, once forecast to amount to about \$620,000 a year, is believed to be considerably short of that amount. Just how short is difficult to assess as revenue from parking – once kept in a separate budget pot by the city – now goes into the city’s general fund.

Then there is the staggeringly small amount of income from non-Grizzlies events.

The bottom line: Fresno is picking up a much bigger share of the tab for repaying the \$45.8 million cost of the stadium than the original 50-50 split envisioned by a council majority that ultimately pushed the deal through a mayoral veto nearly 16 years ago.

Neither Bredefeld nor Perea suggest that the city was sold a bill of goods by the Grizzlies or had unrealistic expectations about the team’s ability to keep up with its lease payments.

“It was clear to me when we came up with this deal (in 2000) that the Diamond Group believed it would be able to live up to its obligations, and four other council members believed they would live up to their obligations,” said Bredefeld. “We had a lot of people look at this deal and believed it was a good thing for the city. And it has been a good thing for the city.”

Both Pearce and Brand disagree with that view.

Brand said if he was on the council when the deal was being negotiated, he would have required the team to show its financial statements and would have hired an industry expert to do things like verify attendance and parking projections and do a rent survey.

The preferred route, however, would have been a privately owned stadium in which team owners took the financial risk, Brand and Pearce say.

In that scenario, Brand said the city would have offered financial incentives to help the team, such as paying for development-impact fees and off-site improvements.

If that had happened, Brand said the stadium likely would have been smaller, but probably more viable.

The history would have been changed if I was there, I guarantee that.

Fresno mayoral candidate Lee Brand

“The history would have been changed if I was there, I guarantee that,” Brand said.

At the time he vetoed the stadium, Patterson – a lame duck just two months from leaving office – said the council’s action to approve it “bordered on public-duty malpractice.”

After the council voted to override his veto of the stadium, Patterson issued a statement saying the stadium would have huge cost overruns and large operating deficits. “To pay for it, future councils will have to reduce spending for other priorities or raise taxes,” he said. “The city continues to remain ignorant about the financial condition of the Diamond Group. We could have done better.”

Pearce now sounds like Patterson did more than 15 years ago.

“The deal was based on rosy projections that Mayor Patterson at the time said don’t pan out perfectly, we will be laying off police officers and cutting other city services,” Pearce said. “The rosy projections did not pan out, and the city was left holding the bag for a bad deal that Garry Bredefeld was one of the architects of.”

Carter, though less openly critical, echoed Brand and Pearce.

“Was it a good deal?” Carter asked rhetorically. “No. Would I have voted for it? No. It was a terrible decision.”

Cutting the Grizzlies a break

The \$1.5 million annual rent was a centerpiece of that initial deal, and one the Grizzlies fought before eventually agreeing to pay.

Perea, now a Fresno County supervisor, said that while the Grizzlies expressed reservations about the amount, “history shows they took the deal.”

Both Bredefeld and Perea said they disagreed with the city’s subsequent willingness, eight years later, to ease the lease burden on the Grizzlies.

“The Grizzlies had a responsibility to pay their bills,” Perea said. “I’m not being critical of the team. They’re a business. But what they did in 2009 is they found a pigeon. And the pigeon said it’s easier to shift \$750,000 to the taxpayers instead of taking the time to create a business model that helps them be more successful.”

Bredefeld called it a “bailout.” A better use of city resources, he said, would have been to help the team improve its business model.

Brand said he drove a hard bargain on the rent reduction and got the city the best deal possible.

In exchange for reducing the rent, Brand said, the team had to open its books to the city and also agree to an annual independent audit – which didn't exist previously. If the team is sold, the city gets a say on approving any new buyer.

Also, the team agreed to fix the scoreboard and do other deferred maintenance on the stadium, and the ownership group's principals agreed to guarantee \$1.5 million if rent payments fell short. That provision no longer exists, but Brand said the city collected on it in 2014 when payments came up short.

As it is, Brand said, the team remains in a precarious financial situation, losing on average around \$1 million annually, according to the audits – even with the reduced rent. Brand also said that when the Chukchansi naming rights deal expires, it is doubtful that \$1 million annual payment will be duplicated in any new deal.

Nothing was happening before the stadium. I can count on one hand the (pre-stadium) private-sector investment.

Former District 6 Councilman Garry Bredefeld, who is running again for his old seat

"Without the naming rights, I guarantee you they'd be gone," Brand said. If that ever happens and the team declared bankruptcy and folded, the city would get nothing in rent instead of \$750,000 – and still be on the hook for the stadium's maintenance. That, he said, is why some sort of rent reduction had to happen.

Chris Cummings, the team's president and managing general partner, said it is "too scary to contemplate" what might have happened if the team's rent was not reduced. "This team at full rent payment was not viable back in 2009 when they did the renegotiation," he said. "It is my belief that what the city agreed to back in 2009 was to grant just enough relief so I would be able to continue operations."

He also said Brand, as part of a city negotiating team that also included Mayor Ashley Swearingin and then-City Manager Andy Souza, drove a hard bargain and did the team no favors.

Perea is skeptical.

"I just happen to believe that there has been enough revenue within that stadium (for the Grizzlies) to pay their bills, but they've just chosen to make the city the last bill they pay," he said. "We should be the first bill they pay."

He and Bredefeld differed in how they would approach the revised deal if they win their respective elections.

Perea said he would seek to restore the lease to its original \$1.5 million-a-year term. "If we need to renegotiate (other) terms of the contract so they're more successful, absolutely we'll do it," he said. "I want to engage the resources necessary to help them be more successful, because when they win, we win, everybody wins."

Bredefeld cited the [\\$1 million-a-year deal the baseball team has with the Chukchansi Gold casino for the naming rights](#) to the stadium for his disdain for the discounted lease. "If Chukchansi is giving you \$1 million a year, that leaves you \$500,000 a year to pay your rent," Bredefeld said. "That's certainly doable for other clubs that pay rent."

Was it a good deal? No. Would I have voted for it? No. It was a terrible decision.

Fresno City Council District 6 candidate Holly Carter

Carter, who was hired by the team under a contract for communications work during that time, said the team needed the rent break at the time and would collapse if the higher amount is reinstated. "It's impossible," she said of paying the higher rent. "There's no other way to say it."

But, Bredefeld added, he has no desire to undo the 2008 deal.

"I would not have voted for it. I completely disagreed with that," he said. "But having said that, it's the lease that

people are operating under now. ... That's what the council members as well as the mayor decided, and I will respect their decision. ... It's done. Now we live with that."

Like Perea, Bredefeld said a wiser course would be to aid the team in developing a more successful business model "or get new ownership in there that knows how to do it."

Failures at multiple levels

Even as the city saw fit to cut the Grizzlies a break – on the logic that some income from the team's rent is better than no rent at all – the failure of other sources of revenue, including parking and event income, to fully materialize also increased the amount the city has to pull from its general fund to pay the bond debt.

"Clearly some of those (revenue) projections were off," Bredefeld said. "But that doesn't mean the stadium wasn't a good thing for the city."

Bredefeld and Perea both said the city has largely failed in taking full advantage of the stadium for non-baseball events to generate some income. Perea said a major premise of the 2000 lease deal "was that there was going to be a partnership between the Grizzlies and the city where they were going to make that multipurpose stadium successful beyond baseball. That never materialized."

"That stadium is so underutilized, it's just waiting to pop," Perea added. "I think it just needs the right attention paid to it."

\$45.8 million cost of Fresno's downtown stadium

Cummings, however, said changing times hurt the initial plans for uses other than baseball. Yes, there are soccer matches, but the concert world in particular has changed. When the project was approved, there was no Save Mart Center on the Fresno State campus. In addition, tribal casinos have grown in popularity. Both are preferable concert venues.

Assistant City Manager Renena Smith said the city does use the stadium for a handful of events, including the [California Classic bike/run weekend](#) and a few others. "It's not always easy to book around the dates there," she said. But what events there are, she added, don't create substantial income for the city. "It's not material to the general fund," Smith said.

Still, Smith said the stadium isn't a drag on the overall health of the city's general fund. "The reduction in the lease was \$750,000, out of a general fund that's growing toward \$300 million, so it's a very small percentage," she said.

Smith said that even during the depths of recession it would be difficult to describe a higher share of the stadium bond payments as a strain or burden on the city's treasury. "I don't know if you could link it as a strain directly to the stadium. There was overall strain, and this was a sliver of the pie. But we were committed to making our debt service on all of our bonds and all of our debts."

"We're bringing in enough revenue that we're paying the debt service, so that's not an issue" now, Smith added.

For Perea, it's more about the principle of the deal the Grizzlies originally agreed to than the city's ability to absorb the added costs without hardship.

"When I listen to the City Council debates, some people are trying to argue that the stadium is bankrupting the city," Perea said. "It's \$3 million in the context of \$300 million. If your thought process isn't strong enough to say, 'that's only 1 percent of our budget' – if you think that's going to bankrupt the city, you don't know what you're talking about."

But relieving the ballclub of half of its lease obligation was a mistake, he added. "Shifting that \$750,000 to the

taxpayers? That's seven cops taken off the streets," he asserted.

A downtown catalyst?

For many, the stadium is viewed as a catalyst for downtown renewal and economic development.

Bitwise CEO Jake Soberal is certain that the company's [South Stadium project](#) would never have happened without the stadium. The company spent an estimated \$7 million to renovate a 100-year-old former auto dealership into a center for high-tech startups.

Soberal – who is endorsing Spees for mayor – said the location is great because of its proximity to hotels, two breweries and the convention center. There was also ample parking. The stadium, he said, is a “critical” component of that mix.

That doesn't mean Soberal believes the initial stadium deal was perfect. He doesn't. But as he notes, that's ancient history. He was in high school at the time. Now it is 2016, and Soberal said the stadium has helped spur some downtown projects.

Attributing a dollar figure to that catalytic effect, however, is nigh impossible.

“Other than generally speaking, we know that [economic development in downtown](#) is improving and is continuing to improve,” Smith said. “Revitalization is about all of it. The stadium, folks having things to do, which creates the restaurants and the beer pubs and the housing. They all build off each other.”

Bredefeld and Perea said the stadium has indeed been central to renewed, if belated, interest by developers in the downtown area.

“Naysayers want to say, ‘No, it's not the stadium,’ ” Bredefeld said. “But, yeah, it was the stadium. Nothing was happening before the stadium. I can count on one hand the (pre-stadium) private-sector investment.”

Perea concurred. “There's so much investment that comes when people start seeing a city committed to itself. There's a lot of opportunity that's come. Can you point to any one thing that did it? No, but it's a combination of a lot of things.”

But while some tout the stadium as the spark that ignited downtown revitalization, there are those who differ.

Yes, it spurred the Bitwise project. But downtown's largest residential developer says the stadium played no role in the decision to [build in the Cultural Arts District](#).

Assemi's view

Darius Assemi, president of Granville Homes, is of two minds about the stadium. He likes that it has created something that didn't exist before, but he doesn't like the debt that straps the city's general fund.

Either way, Granville's apartment projects would have been built. He credits the now-defunct Redevelopment Agency for being “a key partner in helping spur growth in downtown Fresno.”

Assemi said he wishes a series of mixed-use projects would have broken ground alongside the stadium. The key to revitalization, he said, is raising the average income for those who live downtown.

And Penbera, the Fresno economist, said the economic activity that has been happening in downtown is likely more a natural effect of cycles of property values around the stadium than a direct or indirect effect of the stadium.

In other cities, such as Baltimore and Denver, the stimulating effects of downtown stadiums is demonstrated

because of how rapidly other development takes place around them, Penbera said. That simply didn't happen in Fresno, at least not in a timely manner.

I won't take a visiting CEO by the stadium and say 'Look at this mistake.'

Fresno mayoral candidate H. Spees

"Downtown Fresno was depressed to begin with, and it has probably bottomed out to the extent that we're now seeing developers come in and buy up property," Penbera said. "And there's already infrastructure downtown, and it's costly to develop infrastructure."

"I think we're at the bottom of an economic cycle, and the stadium is somewhat of an attraction, but it's not the main reason by any means for the development that's happening," he added.

Candidates look forward

Ultimately, many candidates at this point say the past is the past. It is time to focus on the future.

Most of the candidates tout a plan that encourages market-driven development around the stadium. And, as Carter said, the "cornerstone of that is keeping the team."

Spees said the key at this point is not only to think positive, but talk positive. "Negative talk of the stadium undermines it," he said.