Full-Court Press

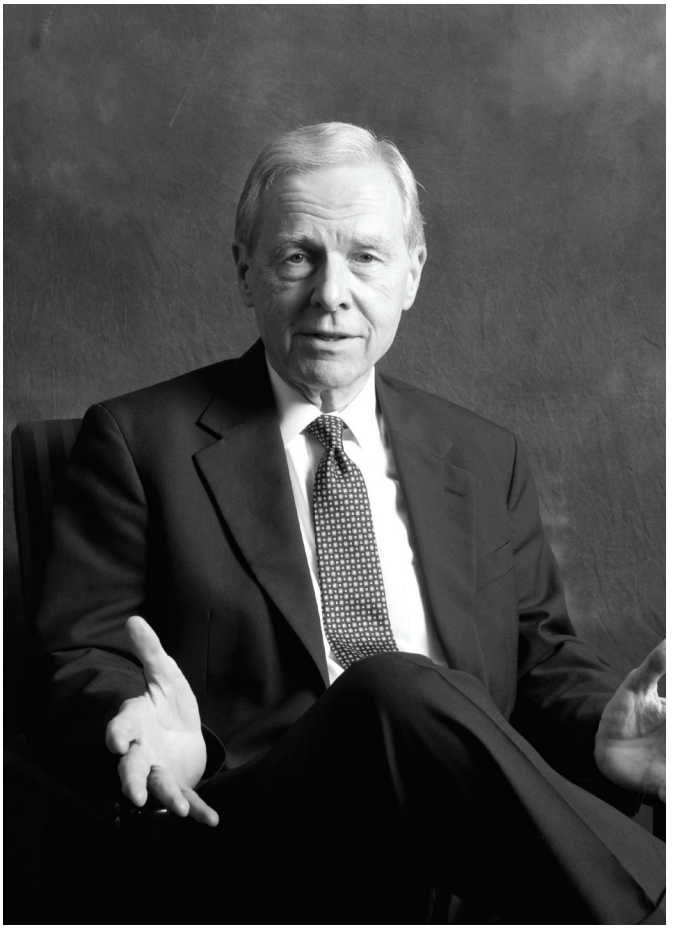
For Pete Wilson, a Cal Expo arena is no slam-dunk

by Rich Ehisen

Former California Gov. Pete Wilson has brokered more than a few deals in his long career. Wilson spent more than three decades in the political realm, serving stints in the California Assembly and U.S. Senate as well as 11 years as mayor of San Diego before his two terms in the governor's office. He is an active member of numerous corporate boards and think tanks, and consultant to the Los Angeles-based Bingham McCutcheon law group. In that role, he is representing Cal Expo in its ongoing negotiations with the National Basketball Association to build the Sacramento Kings a new arena. We sat down with him recently to discuss what promises to be one of the most complex proposals in Capital Region history.

Comstock's: **You refer to the potential arena deal at Cal Expo as being a very ambitious undertaking. What are the chances of this actually coming to fruition?**
Wilson: I'm not going to give you any number as an odds maker, but I would ask this: How many cities have 360 acres right on the edge of the existing downtown that will be available for a mixed-use development and could be enormously profitable? This could be a project with commercial, retail, entertainment and residential components, so it is really a tremendous opportunity. That's the good news. But this is also occurring in an economy that has gone sharply downhill, so how many people are really in a position to respond? We won't know for a while. Both the NBA and Cal Expo are greatly motivated to try to make this work, but ultimately it will work depending upon the ability of the developer or developers, plural, to pencil it out. All three of the stakeholders have to win: the NBA, Cal Expo and the developers.

Comstock's: **The railyard arena proposal was predicated on the public approving a sales tax increase. Will that be the case this time?**



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Wilson: One of the unknowns when we issue a [request for proposal] is we don't know what response we're going to get. But there are not too many people in the country equipped to take on this whole project, and those who are may want to subdivide it and phase it in. The best answer to your question is there are people, and I am one of them, who think taxpayers should not be subsidizing a private business. But you also shouldn't become the prisoner of semantics. We don't know that respondents are going to ask for any kind of public assistance. But if they do, then the question becomes: 'What is it they're asking for, what are the terms and, in the final analysis, is the economic benefit great enough so that it warrants either a temporary or permanent assistance from the public?'

Comstock's: **How much involvement do you think is going to be needed from the governor or from lawmakers to get this deal done?**
Wilson: Again, you really have to look at the proposition and determine whether or not there is an example already out there of a good financing option. In this case, there is. There was some public assistance given to [the Anschutz Entertainment Group, a worldwide sports complex builder] in developing the Staples Center in Los Angeles, which was essentially a loan it paid back in pretty short order. They started repaying that on day one because they opened the doors with a huge amount of capital

that they had obtained from presales on about 50 skyboxes, and they had other long-term prepaid commitments for other things. So they started with quite a bit of cash and were able to make good on their obligations and repay the public assistance in short order.

***Comstock's:* So it can be done?**
Wilson: Yes, because this kind of development will bring more than just an arena and a rejuvenation of the Cal Expo grounds. There are estimates of more than $4 billion in payroll and revenues that will be generated in construction alone. There will also be ongoing revenues from property taxes, sales taxes from commercial opportunities and payrolls from office buildings. But this is not a sure thing. We've been at pains from the outset to not raise false expectations because it's ambitious, and we're not sure what the time frame will be. There is also concern, understandably, for some on the subsidy question. I don't have a problem with that. But I'll say again that it is a terrific opportunity for someone with the vision and the imagination and the capability. There are just not many times when you're going to see this kind of an opportunity present itself — 360 acres is a huge piece of ground, and the location is superb. As I've said as we've gone around talking to members of the council, the mayor, the Board of Supervisors: Even if this doesn't happen this time, it still isn't a question of whether that 360 acres is going to be developed. It's only a question of when and how because it's just too important an opportunity to stay neglected for very long.

***Comstock's:* We've seen a lot of franchise movement in the NBA of late. Do you believe that David Stern will do everything he can to try to keep this team here?**
Wilson: Well, directly out of the mouths of the commissioner and John Moag, whom he hired to negotiate on his behalf, there's no question that they want to keep the Kings in Sacramento. They think this is a very good basketball town. There may someday be a team in Vegas, but I don't think, given what else occurs in Vegas, that you will see the operators of a gambling activity as the owners of a basketball team, for reasons that are pretty obvious. In the meantime, they've looked at the growth projections. This area is growing. I've now seen Sacramento over about a 25-year period. I came up here in '67, it's not the same town it was in '67 and it won't be in 10 years. It's growing because this in an area where growth can occur. There are physical constraints in other places that don't exist here. The expectation is that by 2030 Sacramento will probably be the hub of a metropolitan area rivaling the Bay Area in size. So it's not only a good market now, it's going to be a much better market then.

***Comstock's:* So in your view, something is going to change at Cal Expo, regardless of whether it is a new arena or something else?**
Wilson: There are some people who asked whether we should look at how it could be developed without an arena. Well, you could, but that's not what we were engaged to do. If for some reason this does not work, if we are disappointed by the response to what we think is a reasonable RFP that should invite participation, then they can try it with a different arrangement. But to date, I don't think they've been overwhelmed with offers. The first to really approach them was the NBA.

***Comstock's:* It's been said that California is an ungovernable state. Based on your experience, is that true?**
Wilson: No, I reject that. I was once told that by a very dear friend who is also a shrewd political analyst. He said, 'Oh God, don't do it. You're in the Senate; it's a great job. States have become ungovernable.' Well, they are challenging. But I will say that I much preferred being governor, as did 14 of the 16 former governors who were in the Senate when I was serving there. There were 16 former governors, eight Republicans and eight Democrats. When they learned that I was going to run for governor, one of them, Bob Kerrey, a Democrat from Nebraska, said, 'For God's sake, do it. It's a much better job than this.' The job is much more demanding and more challenging, but it is also a lot more fun.

Robert Tadlock
General Manager, MatriScope Engineering Laboratories, Inc.

Leo Grover
President Pinnacle Emergency Management

DISASTER

The call for help came on New Year's Eve when a disaster occurred at MatriScope Engineering Laboratories, Inc. in West Sacramento. A fire extinguisher discharged in the main offices. Fire retardant was dispersed throughout the office including: HVAC, cubicles, data, computer equipment, break room and reception.

RESPONSE

Priorities and action steps for PEM:

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- Employ state-of-the-art equipment and highly trained technicians.
- Implement a multilayered strategy of mitigation and data recovery.
- Have MatriScope Engineering Laboratories, Inc. back in business in a three-day time frame.

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