

From the Sacramento Business Journal

:<http://www.bizjournals.com/sacramento/print-edition/2013/02/22/cal-expo-stuck-past-fairground.html>

SUBSCRIBER CONTENT: Feb 22, 2013, 3:00am PST

Crumbling Cal Expo is stuck in the past



[Mark Anderson](#)

Staff Writer- *Sacramento Business Journal*

[Email](#) | [Twitter](#) | [LinkedIn](#) | [Google](#)

Cal Expo looks today much as it did when then-Gov. [Ronald Reagan](#) opened the **California State Fair** in 1968.

And that's a problem.

The state fairground is caught in a bureaucratic limbo: The facilities are out of date and suffering from years of deferred maintenance. Many buildings don't meet current seismic standards. But the state of California, which owns Cal Expo and collects millions in profits from it, doesn't invest in improvements the property needs to thrive.

Formally called California Exposition & State Fair, the site is "a huge asset for Sacramento," said [Brian Larson](#), president of consulting firm Halo Hospitality Group in Roseville. "It is unfortunate that it is owned by a bad landlord."

The fairground brings a lot of business to the region, including conferences, trade shows and festivals, he said. But "it is not being used to its full potential. It could be a tremendous asset for the community."

Cal Expo employs about 100 people year-round, and that swells to 2,000 during the state fair. The fairground is estimated to drive an economic impact of \$250 million into the local economy with more than 300 events a year.

Fixing the facilities problem, it turns out, would require an act of the Legislature and substantial costs — at a time when every penny in the state budget is precious.

Cal Expo operates as a state enterprise fund, meaning it must cover its expenses — which it does, and then some. But covering those expenses may become more difficult because Cal Expo managers aren't allowed to do anything substantial to modernize the facilities — or even just keep up the grounds.

"Deferred maintenance doesn't get any cheaper when you keep putting it off. It just gets really expensive when you eventually get around to doing it," Larson said.

Even selling part of the site would only put money in the state general fund unless the Legislature creates an exception allowing the proceeds to be reinvested, said longtime Cal Expo general manager [Norb Bartosik](#).

Bartosik said he worked on many ideas to solve the problem during his 20 years running the site. But they always seemed to unravel when help was needed from the state.

"It was very frustrating for everybody — the managers and the directors. It got to the point where everything we tried seemed to hit a brick wall," Bartosik said.

He — along with his second-in-command, [Brian May](#) — retired in December.

Enormous potential

The California Exposition & State Fair could be a huge regional draw, say many in Sacramento's hospitality industry. It could be an emblem of California as the nation's biggest state economy, the world's leading agricultural producer, a fount of technology and premier source of fine wines and foods.

But the California State Fair, Cal Expo's biggest annual event, draws far fewer people than many county fairs. Its attendance is just a third of the San Diego County Fair's, for example.

The fairground is well positioned. It is surrounded by offices, hotels, restaurants and residential neighborhoods.

In fact, Cal Expo is about as prime as prime real estate can be. It has some 350 acres of flat land next to a freeway and in the middle of a metropolitan area.

It is waterfront property on the banks of one of the state's most famous rivers, and it is just a short stroll to Arden Fair, one of the region's prime shopping centers.

Over the years there have been many general plans, master plans, strategic plans and development plans for the state fairground.

For several busy years, there were even visions of Cal Expo as an replacement arena location for the **Sacramento Kings**. Those plans eventually spiraled and grew into an epic \$1 billion plan for a three-way land swap involving the downtown railyard and what is now called Sleep Train Arena in Natomas. That, of course, never happened.

"We are not short for ideas," said [Greg Kinder](#), deputy manager at Cal Expo.

And Cal Expo's new general manager, [Rick Pickering](#), says he is focused for now on doing the best with the limited resources he has.

"You have to repair the house that you have as you dream about building your dream house," he said.

[For now, fair is new Cal Expo chief Pickering's priority](#)

Legislation shot down

Many say managers of Cal Expo have the worst of both worlds: they must run it like a business but have few of the options that business owners expect.

"Cal Expo has no ability to use its assets to renovate the facilities or to invest in the property," noted [Roger Dickinson](#), a Sacramento Democrat in the state Assembly whose district includes Cal Expo.

The state either needs to commit to owning and maintaining the state fairground or get out of the way, Dickinson said.

"We either need to say we are not interested in having it or we are interested," Dickinson said. And if the state is going to maintain ownership, "then it needs to give Cal Expo the ability to do what it needs to do and to invest like a business."

If Cal Expo leases or sells excess land, for example, proceeds go into the state's general fund. And the history is that when Cal Expo proceeds go into the general fund, they don't come back, he said.

State ownership also prohibits Cal Expo from borrowing money to make improvements — because lenders demand collateral, and Cal Expo can't put its land up as collateral.

"Just maintaining the status quo, we are slowly strangling Cal Expo," Dickinson said. "It can't survive like this."

Cal Expo drives business to the area and it attracts significant shows and events year-round, but it is falling behind, said [Steve Hammond](#), CEO of the **Sacramento Convention & Visitors Bureau**.

The **Sacramento Convention Center** and most of the region's big conference hotels, for example, offer high-speed connections and sophisticated audio and visual equipment, Hammond said. "Many of the people we deal with just expect that."

Cal Expo, which rents out buildings for events outside of fair season, doesn't have any of that equipment.

Moreover, Cal Expo managers must go through a state approval process for major contracts.

That can hurt them in negotiating for concert acts to play during the fair, for example.

Cal Expo's managers sometimes "can't execute a contract fast enough to sign up the act, and they end up signing on to play at Raley Field or at Thunder Valley," Dickinson said.

Once again, the state structure and the need for state approvals binds up the agility of Cal Expo managers, Dickinson said. "It puts them at a severe competitive disadvantage in a competitive market."

Time is not on Cal Expo's side, Hammond noted.

"The time to make some changes is while it is still relatively healthy. You don't want to start making changes once it has one foot in the grave," he said.

Dickinson last year introduced legislation to allow Cal Expo to keep money from proceeds of land leases or sales. But the bill died after staffers in the Assembly appropriations committee recommended against it.

"Basically, the green-eyeshade folks want the money for the general fund," he said.

Dickinson wants to allow Cal Expo to keep money generated from sale of land or from lease income to be invested back into the property. "Imagine what they could do if we put them in a position to succeed," he said.

Blue-sky thinking

Despite all the problems that face Cal Expo, the sheer size and potential of its site inspires many to continue dreaming.

One former Cal Expo general manager thinks a possible answer is to tear down the old buildings — and not replace them.

Buildings in this time of modern fairs "are a liability," said [Kirk Breed](#), executive director of the California Horse Racing Board. Breed ran Cal Expo in the early 1990s.

He points out that Oktoberfest in Munich, Germany, is the world's largest fair, and for most of the year, the site is grass fields and parking lots.

[Rob Turner](#), co-founder of **Sactown Magazine**, is another who advocates a dramatic solution.

"Maybe it's time to take it out of the hands of the legislators and privatize it," he said.

Turner said Cal Expo has the potential to be a Northern California park to rival Disneyland, so he doesn't like the idea of selling or leasing excess land because it diminishes the scale of what could be done at the site.

"I don't think they should sell any more of it to raise money," he said. "That's just taking the easy way out and will simply limit the options of what it can become in the future. Once the footprint gets too small, the chances of it becoming something extraordinary are greatly diminished."

Cal Expo — a timeline

1966 — Construction begins on the California Exposition & State Fair.

1968 — Gov. Ronald Reagan opens the California State Fair at Cal Expo.

1983 — The 14,000-seat Cal Expo Amphitheater concert venue opens.

1986 — Cal Expo master plan released.

1996 — Residents defeat proposed expansion of Cal Expo Amphitheater, which is dismantled two years later.

2003 — Another Cal Expo master plan seeks new buildings to meet modern seismic standards as well as a new 5,000-seat indoor venue.

2007 — Cal Expo floated as possible site for new Sacramento Kings arena.

2009 — Gov. Arnold Schwarzenegger puts Cal Expo on a list of assets the state can sell to fill budget gaps.

2010 — Convergence plan, later rejected, proposes three-way swap in arena plan that includes downtown railyard, Cal Expo and the current arena site in Natomas.

2011 — Study finds mixed-use development and redevelopment agency funding could generate funds for new facilities. That year, Gov. Jerry Brown kills redevelopment agencies.

2012 — Assembly Bill 1204, which would allow Cal Expo to sell land to fund renovation, is killed.

2012 — Top two Cal Expo managers retire.

Mark Anderson covers technology, banking, finance, restaurants and tourism for the Sacramento Business Journal.