At the first of five Phoenix public meetings about a proposed renovation of Talking Stick Resort Arena, Phoenix resident Fred Linsenmeyer was the first to speak.

“When I listened to the news, they didn’t mention the tourist tax would pay for this,” he said. “I was under the assumption that the city taxpayers are going to pay for this.”

The 76-year-old Linsenmeyer pointed out that he came to the meeting because of that disinformation and wondered why it was even being held.
So, as a public service and also because the boss wanted it, *The Athletic* hopes to address some of the misconceptions, and point out some of the potential benefits and shortcomings of the proposed deal between the city and the Phoenix Suns to renovate the building, which opened in 1992.

The city council will vote Jan. 23 whether to accept the deal. Several citizens spoke at the first meeting, held at the arena, with some in favor of the project and some opposed.

Here are some of the misconceptions, miscommunications and missteps:

**Visitors are paying most of the tab**

As Linsenmeyer learned, the city’s $150 million share of the $230 million project would come from the Sports Facilities Fund, which was established in 1989 when the arena was in the planning stages.

The fund collects 1 percent of revenues generated by hotels located in the city. It collects 2 percent of revenues generated by car rentals within the city. According to the city, 93 percent of taxes from rental cars are paid from non-Arizona residents. And 88 percent of taxes off of Phoenix hotels is paid by non-Arizona residents.

The Suns will pay $80 million of the renovation costs, plus any cost overruns. In addition, the space currently used for the team’s practice area inside the arena will be used to expand corridors, locker rooms and storage areas. So the Suns will pay for a new practice facility that must be located within the Phoenix city limits.

None of the costs will be paid by Phoenix residents unless the stay in a Phoenix hotel or rent a car in the city.

“I can guarantee you, that’s the No. 1 misconception,” said Christine Mackay, the city’s community and economic development director. “I’ve been out speaking to citizens, and I’ve had calls from citizens. That is the No. 1 surprise that they have, that they’re not paying for this.”

The city is gifting Suns owner Robert Sarver a spanking new building
Actually, the city owns the building. The city has always owned the building. The Suns are the anchor tenant, pay rent, share profits with the city, account for 30-percent of its events and are responsible for operation of the facility.

Whether the deal is approved or not, the city will still own the building. And it will still need repairs to its electrical systems, air conditioning systems, escalators, elevators, plumbing and technology, which includes the building’s security systems.

They just won't have the Suns as a partner to pay for it.

“I hear this frequently,” Mackay said. “I’ve had coffee talks with citizens and they say, ‘You should not be handing a $150 million check to a billionaire.’ We’re not. We’re putting money into an escrow account that will pay for all of the construction draws as they happen, just like you were building a new building.

“We put our money into it, and that money goes to very specific things (in the project) and is only drawn for those very specific things. So we’re not giving him any of our money.”

The Suns are holding the city hostage with threats to leave

Team president Jason Rowley is adamant that Sarver has never made a threat to leave the Valley, and insists that the relationship between the city and team is strong. He added that the Suns and city failed to properly educate the public during the process.

“Frankly, we made a mistake,” he said.

That said, if the Phoenix City Council does not approve the renovation plan, the current contract leaves the team with options.

The Suns can exercise the “obsolescence clause” in the original contract on July 1 of this year, should they believe the building does not meet NBA standards. And the team does not believe that it does.

At that point, an arbitration panel of three experts on sports and entertainment facilities would be assembled. The Suns would pick one expert, the city a second expert and those two experts would pick a third.
The panel would have a year to evaluate the condition of the facility, at which time it would give the two parties the requirements to bring it up to acceptable standards.

Here’s the thing: If the matter goes to binding arbitration, the city must pay the entirety of the costs for repairs or a rebuild that the arbitration panel determines is necessary. That $150 million would likely go above the $230 million planned as of now, and the Suns would not be responsible for any of it.

The city could refuse to pay, and the Suns would then be free to leave in 2022. The Phoenix Mercury are owned by the Suns and would also be gone. The independently owned Arizona Rattlers could stay or go.

And the city would still have to pay for repairs to hold other events and for some entity to operate the facility, or it could take the building dark.

Should the city approve the project, five years would be added to the current pact along with a team option for an additional five years. The rent the Suns pay would also go up for the remainder of the contract.

If the city doesn't approve, the rent does not go up and the length of the deal remains. If the building is found to be obsolete, the Suns could leave in 2022. If not, they could leave in 2032.

It’s not much of an extension

It's true, and it isn't ideal from the city’s vantage point.

After spending $150 million, the city could find itself in the same situation 15 years down the line. But the two parties negotiated the length of the extension, and the Suns believe that the building will be good for at least another 15-20 years (if they exercise the option).

In the meantime, the city will contribute an additional $2 million and the Suns $1 million annually to a renewal and replacement account for future improvements or renovations.

This money could be used for schools, roads, a new library

Well, not exactly.
“I keep hearing it’s an either/or,” Mackay said. “Well, why can’t you invest this money in police or in parks?’ The money comes into the Sports Facility Fund. It’s identified for tourism activities as it sits today. It can’t fund anything other than tourism activities.

“That’s the way it was set up. That’s the way the ordinance reads.”

She points out that the facility generates tax revenue to the city, county and state, and that money is used to pay for roads, parks, schools.

“It’s not either/or,” she said. “It’s both.”

The Council can approve of using some of the funds for other purposes after debt obligations are met. It is being used to refresh Maryvale Baseball Park, the spring training facility of the Milwaukee Brewers on the city’s west side.

It also has been used to meet debt obligations on the downtown Sheraton Hotel, which the city built, when it was failing to generate enough revenue. And it has been used to pay for police and security in the downtown district, where Phoenix Convention Center and arena events require it.

‘But I was there and it looks fine!’

Also true. At first glance the building seems OK. However, the guts are aging. Arena employees talk about leaks in the roof, clogged pipes and routine electrical outages. Reporters, selfish as we are, moan about the lousy wireless system.

Unsolicited, two NBA scouts asked The Athletic if there are, at the very least, plans to replace the scoreboard, which they regard as the worst in the league. The overhead video screen is modeled after a cellphone and sponsored by a wireless provider.

Ironically, there are are actual modern cellphones that might have bigger screens with higher resolution. OK, that’s an exaggeration. But the video screen is awful.

Worse, Rowley said the Suns very nearly were not able to play their game against the Dallas Mavericks on opening night of the regular season because of an electrical failure.

“It’s true, we’ve been able to maintain the building to the point where we haven’t had what we call in the business a ‘show stopper’ up to this point,” he said. “But we’ve been close.
“Our opening night, we literally avoided a major electrical issue to where we wouldn't have been able to hold our first game. We were able to get it resolved about a half hour or hour before tip off. It was a transformer issue or something like that. I kept checking in with Alvan (Adams, the team’s vice president for facility management) all day, ‘Are we going to be able to get there?’”

This city just paid to renovate this building in the early 2000s, right?

Boaz Witbeck, the deputy state director for the Arizona chapter of Americans for Prosperity, a right-wing political organization funded by billionaire brothers David and Charles Koch, made that claim at the first public meeting.

Witbeck called the proposed arena renovation “an egregious example of corporate welfare” and a “very good example of government picking winners and losers in the private marketplace.”

He said that in the period between 2001-04 the “city gave the Suns a $67 million check for renovations for this exact arena.”

Actually, no.

The city paid for about a third of that project. The Suns paid for the rest of it, and it didn’t include the interior infrastructure.

Still, there are many citizens who oppose any use of any public money that benefits any private entity.

The timing couldn’t be worse

This is no misconception, and the city and the Suns know it.

The team hasn't qualified for the playoffs since 2010 and isn't going to this season. And it seems as if every team in town, other than the Cardinals who got a new stadium in 2006, wants a new or refurbished building.

Making matters worse, Sarver is an unpopular owner because of the on-court struggles, and the city and Suns dropped the ball in terms of transparency as the process unfolded.
By contrast, when the Suns and city partnered to build the arena beginning in 1989, the team was winning more than 50 games a season, and it was sold out for every game when it opened in 1992 – with a season-ticket waiting list.

Rowley agreed the team’s struggles have bled into the conversation.

“Sure. No question about it. That’s expected,” he said. “It’s appreciated and understood. People have an emotional connection to their sports teams, and an expectation that if there are going to be dollars invested that support a team, that team should have a similar return to the community.

“Obviously we take that seriously, and it is harder on us than anybody that we’ve missed the playoffs as many years as we have. Hopefully, they can see where team is and where we’re headed.”

He compared the current Suns to the Philadelphia 76ers of a few seasons ago, who won only 10 games in a season. Now, they’re among the top teams in the NBA’s Eastern Conference.

“We know people have been waiting a long time, and we appreciate that,” he said. “The thing is, you’ve got to separate the emotion from the reality and the facts. Making economic decisions based on emotion rather than fact is a recipe for disaster.

“You could be in a position where we’re a 60-win team right now and everybody thinks it’s great, and seven years from now all of a sudden you could be a 20-win season because you’ve gone through that cycle.

“Logically, it’s no different. From a timing standpoint, yes, it’s a bad time. No question about that.”

They should just tear it all down and build an arena for the Coyotes and the Suns

Trouble with that is, the Suns are the current tenant with a contract. And including hockey would mean going right down to the dirt and starting over, which would likely cost north of $500 million.
Not that that option hasn’t been considered. The current configuration, as Coyotes fans well know, does not provide unobstructed views from the north end of the arena. It was designed to be an intimate basketball space, and at 550,000 square feet it is the smallest building “footprint” in the NBA.

Making it suitable for the NHL would require a new, larger footprint and a total rebuild.

“Even with the rebuild of the lower bowl, should the council decide to go forward with this, it will blow into the concourses,” Mackay said. “If we were to bring in ice hockey, you’d actually have to blow the walls of the building.

“In order for the goals to be seen, it would take a lot of physical work to the outside of the building. This remodel is simply a remodel of the inside of the building. We’re not touching the outside of the building at all.”

(Photo: Joe Camporeale / USA Today Sports)

What did you think of this story?

MEH

SOLID

AWESOME

Bob Young (/author/bob-young/) is a contributing writer for The Athletic, covering the Suns. During a career fast approaching 40 years in Phoenix, he has covered college football and basketball, golf and the NBA. He spent 13 years on the Suns beat at Arizona’s largest daily newspaper and also covered the NBA national beat for most of those years. He now works with student sports reporters as a faculty associate at Arizona State's Walter Cronkite School of Journalism and Mass Communications. Follow Bob on Twitter @BobYoungTHI (https://twitter.com/BobYoungTHI).
Eric F.  Jan 7, 8:24am

Thanks for the information, Bob. It's not a cut-and-dry situation by any measure, and those emotionally invested in the outcome would be wise to keep that in mind.

Matthew C.  Jan 7, 1:59pm

The best solution would be to spend more money, have Sarver stop being so greedy, and share a new arena with the coyotes. Everyone wins in that scenario. Sarver’s $400mil investment will still be worth $2bil, the coyotes no longer have attendance issues and can be sustainable in Arizona for the long term, and the city of Phoenix now has over double the amount of events downtown each year. But, Sarver doesn’t want to split any profits.

Joshua P.  Jan 7, 4:54pm

@Matthew C. Arguably it's a better investment to go the Milwaukee route and do a public-private partnership on a brand new arena. The Bucks spent $500 Million on their new arena but this would require it go to a public vote. The renovation route would only require a vote of the city council. I think Sarver knows how unpopular he is and probably would lose a public vote. Although, the Cardinals won a public vote for their stadium and Bidwill was probably more unpopular than Sarver but they had the benefit of 1998 playoff run.

Jim M.  Jan 7, 2:25pm

> The money comes into the Sports Facility Fund. It's identified for tourism activities as it sits today. It can't fund anything other than tourism activities.

What percentage of attendees at Suns games are "tourists"? Seems a conveniently broad definition of "tourist activities".
Mark D.  
Jan 7, 4:37pm

Thank you, Bob. Would be nice if this article was made free for a little bit by The Athletic for all to read...

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Joshua P.  
Jan 7, 5:01pm

Great story Bob. I'm glad it's been pointed out about the funding source. My biggest pet peeve with the local media (TV and radio) with this story was that they refused to point out where the $ was coming from. They ran polls on Twitter asking if people wanted their tax money used for Sarver's arena. The whole way this was presented in the local media was disingenuous at best.

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Sam F.  
20h ago

Typical semantics from the suits. Say no, Phoenicians. Draw a line somewhere. Take a stand.

Sarver wants to pay one third of the cost just like his team wins one third of their games. Sarver absolutely threatened to leave. Don't allow rich, entitled men to think for you.

If Sarver sold the Suns today he'd make three or four times his original $400m investment. He's just as capable of picking up more of the tab as he is of making a laughingstock of our team.

To Bob's boss: the Athletic's coverage of the Suns is fantastic. But I am NOT here for propaganda on Sarver's behalf.

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Steven H.  
15h ago

I love listening to the vision that Colangelo had for the Phoenix Sun's, the down town and I agree that an arena down town makes sense for the Sun's then the city and the whole state of Arizona then and now. If Saver wants to get the City to help just hire Colangelo and get out of the freaking way and the let Jerry show him how it gets done!

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Louis P.  
14h ago

They just built T-Mobile Arena in Vegas for $325 million. The Suns and Phoenix are already at $230 million...
million - they need to get the Coyotes in on the project and get a new multipurpose venue built. Renovation isn't a long-term solution.

New building: ~$325M and they're set for 30 years
Renovation: $230M and we're likely having these conversations again within 10 years

Alec P. 13h ago

Jerry really designed it so it would be prohibitively expensive to make the building a true 2 sport building.

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