



Everything New Orleans

# Some say conditions at New Orleans Fair Grounds lagging as parent company Churchill Downs posts record revenue

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When the Kentucky Derby is run this spring, a new addition to the racetrack will make spectators' binoculars merely ornamental.

Churchill Downs Inc. installed a \$12 million high-definition video board the size of three basketball courts -- the world's largest, according to manufacturer Panasonic -- for watching thoroughbreds round the stretch at its premier track.

Nearly 700 miles away, at Churchill Downs corporation's New Orleans Fair Grounds, a much smaller, less high-tech on-field TV screen has been broken for several years, leaving fans at the rail without a zoomed-in view of the action.

Louisiana horse racing industry observers point to the comparison to argue that the 142-year-old institution is deteriorating while its Louisville-based corporate owner directs its slot machine gambling profits to maintain its hallowed Kentucky Derby and Kentucky Oaks franchises.

Seen as the Fair Grounds' savior a decade ago, Churchill Downs is now painted as an absentee landlord.

The concerns from owners and trainers who have a stake in the New Orleans' horse racing future come at a time when track owners nationwide are fighting for gamblers' attention. In the world of 24-hour casinos, multimillion-dollar lottery drawings, off-track betting outlets and legalized Internet gaming, the Sport of Kings has fallen on hard times.

Wagering on thoroughbred races nationwide has declined by nearly a third over the past decade, according to the industry tracking group Equibase. That has left a lot of racetracks struggling.

"We don't know if there is a solution, but there is a problem," Churchill Downs Inc. wrote in a statement. "Horse racing in America and in Louisiana has become diluted. In Louisiana tracks are required by legislation to run a minimum number of days and because of the economics of the sport, fewer and fewer foals are being produced each year. The result is average field sizes are going down and handle is following that downward trend."

## Off Track

Churchill Downs Inc. has reported record profits, but is all well at the Fair Grounds, its New Orleans property? This week we take a look at the 142-year-old fabled track and examine every aspect of its operations.

- Tuesday: **The financials**
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But even as they acknowledge the economics of 21<sup>st</sup> century horse racing, some locals are adamant that more could be done to invest in the Fair Grounds.

"Churchill Downs is similar to a slumlord," said Stanley Seelig, president of the Louisiana Horsemen's Benevolent and Protective Association, which represents owners and trainers. "They want to suck out all of the cash they can and send it back to Kentucky."

That is one of a growing list of complaints -- including poor customer service, shabby facilities and slimmer purses -- that has caught the attention of state lawmakers and the Louisiana Racing Commission, which regulates racetrack licenses.

Chief among the concerns is the condition of the aging turf course. Owners and trainers say the grass takes days to dry out after a rain because of a failing drainage system, leaving it unusable on many racing days, while other courses across the country recover from wet weather more quickly.

Rep. Patrick Connick, R-Marrero, has introduced legislation that would require 10 percent of slot machine revenues at the Fair Grounds to be invested back into improving the facility. Another bill would add failure to maintain a turf course among a list of reasons the Racing Commission could suspend or revoke a track license.

"The turf races are always being scratched, and it's having an impact on the quality of the races," Connick said.

**Fair Grounds Off Track: Overview of the issues | Video** Sports reporter Rachel Whittaker captures on video details of the Fair Grounds such as the turf course and a decrease in horse racing profits as part of NOLA.com | The Times-Picayune's 'Off Track' series this week.

In response, Churchill Downs pointed out its renovation of the turf course last summer, which followed a plan recommended by surface expert Mick Peterson. That included putting in a French drain to siphon the moisture into the infield lake and changing the turf to a tougher mix of Bermuda and rye grass with a stronger root system.

It was an investment estimated to be in the "low six figures," according to a Daily Racing Form article.

"While we had an unprecedented winter in New Orleans and much of the United States, it is clear the turf track has made improvements during the 2013-2014 Thoroughbred Meet," Churchill Downs Inc. said in a statement. "Earlier in the meet the cold and freezing temperatures made it difficult for the track to dry out. Most recently, in late February and March, the track is recovering from rain much quicker than last year and earlier in this meet."

The company did not agree with the approach taken in the pending legislation.

"Legislation dictating how and where private business invests capital should be alarming to anyone that runs a business in Louisiana," the company said.

Churchill Downs bought the Fair Grounds out of bankruptcy for \$47 million in 2004 following a tumultuous period in the track's history. A lawsuit filed by the horsemen over video poker revenues led to a \$90 million judgment against the track, which was later reduced to \$25 million. The hefty price ultimately contributed to the owners, the Krantz family of New Orleans, seeking bankruptcy protection.

At the time, some locals hoped the sale to Churchill Downs represented a new start. The company committed to several million of dollars in improvements on the track's backside. One year earlier, New Orleans voters approved allowing a slot machine facility to operate at the track, which Churchill Downs said was essential to boosting purses in a time of increased competition. The Fair Grounds opened its 600-machine gaming room in 2008.

Churchill Downs also owns Calder Race Course in Miami Gardens, Fla., and Arlington Park in Arlington Heights, Ill.

In recent years, the company has looked to expand beyond horses in multimillion-dollar deals. Churchill Downs acquired a casino-hotel-event center in Vicksburg, Miss., for \$145.6 million and a casino in Oxford, Maine, for \$168.6 million. It became an investment partner in a live harness racing and casino facility -- or "racino" -- in Ohio last year.

Charles Gardiner, the executive director of the Louisiana Racing Commission, told a legislative committee last week that the Commission is looking into how the problems at the New Orleans

track can be addressed with Churchill Downs Inc. He said the key financial source for the Fair Grounds' business is the slot machine facility, but that's not unique to New Orleans.

"Certainly, the driver is the casino," Gardiner said. "The slot machines are the big driver in racing today. They subsidize racing. That is also aided by video poker funds and off-track wagering and simulcast. It's been a band-aid approach in horse racing across the board."

Last month, Churchill Downs reported record-setting net revenues for 2013 at \$779.3 million, up 7 percent from the previous year, and the company's common stock price increased 35 percent during the year. Over the past two years, Churchill Downs' stock prices have soared from around \$57 per share in March 2012 to a closing price of \$93.17 per share last Thursday (March 13).

A look at Churchill Downs' finances shows that wagering was much stronger in Louisville than its other racetracks last year. Total handle was up 11 percent last year at Churchill Downs. It was down by 40 percent at Calder Race Course, down 11 percent at the Fair Grounds and down 6 percent at Arlington Park.

Overall the company's total racing handle -- the total amount wagered -- of \$2.54 billion last year marked an 8 percent decline from 2012. Net racing revenues came in at \$330 million, a 9 percent decline from the previous year.

Meanwhile, net gaming revenues at its casinos and racetrack slot machine facilities were up by 32 percent, at nearly \$286 million, because of the addition of its casino in Maine.

The Fair Grounds has pushed for a younger generation of fans using novelty attractions to bring in newcomers: tiny monkeys riding Border Collies; humans riding ostriches; wiener dogs dashing down the dirt track unbridled. The track advertises wine and beer tastings, college scholarship giveaways, and nighttime racing with DJs, live bands and booze.

Weiner dogs rocket from the gates during the championship of the Weiner Dog races held at the Fair Grounds earlier this year. Thirty dachshunds, motivated by their owners dangling treats and squeaky toys at the finish line, vied for the championship won by Buster (No. 3 at left). Michael DeMocker, NOLA.com | The Times-Picayune

"Our hope is that those people who are curious enough to come experience our exotic races or Starlight races will go home with a newfound interest in the sport," Churchill Downs Inc. wrote.

Former owner Bryan Krantz, whose family bought the Fair Grounds in 1990, said by the late 1980s, live racing was confronting an onslaught of competition -- lottery, Mississippi casinos, riverboats, video poker and land-based casinos. Other forms of gaming for the racetrack, including off-track betting facilities with video poker, were approved in Louisiana with the intention of supporting live racing.

"The competition that was out there for those dollars, for those leisure dollars, the pari-mutuel aspect of it could not compete in that market," Krantz said.

Publicly traded companies in the racetrack business, including but not limited to Churchill Downs, are driven by short-term value and must answer to shareholders, Krantz said.

"We're kind of at a point where it's very difficult for the agriculture industry that can no longer be supported by the pari-mutuel aspect to continue to make its case," he said.

He said building an audience for live racing today can be done, but it takes real work and a grassroots, local approach.

"It's not as simple as putting an ad on television to get someone to come to the racetrack," Krantz said. "It's the grassroots strategy that really has to be cultivated. It's a roll-up your sleeves and get out amongst the people type of strategy. You have to encourage people that coming to the races is a good place to be. It's a social place. It's a place to interact with their friends and family, and the warm-and-fuzzy of it is the horses."

*Staff reporter Jeff Duncan contributed to this report.*