

Sport Stadium Financing

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Agenda

1. Overview of Public Financing Methods
2. Government Rationale for Financing Stadiums
3. Reality of Publicly Funded Stadiums
4. Case Study: Calgary Flames Stadium

A Brief History of Public Financing of Stadiums

- ▶ **Post World War II** - US begins to use public financing
- ▶ **Before 1950** - only the Cleveland Indians play in a publicly funded stadium
- ▶ **Late 1960s** - public financing of sports stadiums begins
- ▶ **1970** - almost 70% of new stadiums are publicly financed
- ▶ **1990** - 43/50 major league teams received public money for stadiums
- ▶ **1990 - 2012** - over 89% of major league franchises in North America have had a stadium built or refurbished; over 50% of the associated costs of this, in excess of \$15 billion USD, are borne by taxpayers

Overview of Public Financing Methods

- ▶ There are three ways that governments can provide subsidies for the building of stadiums and stadium renovations:
 - i. publicly financing with direct payments;
 - ii. offering favorable leases to clubs; or
 - iii. using tax-exempt bonds to finance stadium construction.

Favorable Leasing

- ▶ **Example: Chicago White Sox at Comiskey Park**
 - ▶ **Rent:** \$1.00/year to the State
 - ▶ **Broadcast Revenue:** 35% of the total local broadcast revenues and signage in excess of \$10M USD to the State
 - ▶ **Insurance:** paid by the City of Chicago
 - ▶ **Capital Repairs:** above \$500,000 USD paid by the City of Chicago
 - ▶ **Tax exempt bonds:**
 - ▶ Lower interest rate than taxable private bonds
 - ▶ One estimate: places the lifetime subsidy from tax-exempt bonds on a \$250M stadium at \$75M
 - ▶ Backed through existing 2% Illinois Sports Facility Authority hotel tax

Tax-Exempt Bond Financing in the United States

Sport	Number of new or renovated stadiums	Number financed by tax-exempt bonds	Average cost (millions USD)	Average discounted subsidy (millions USD)
MLB	14	12	\$683.6	\$117.6
NFL	16	13	\$777.5	\$85.8
NBA	9	7	\$293.7	\$74.9
NHL	6	4	\$219.4	\$38.8
Total	45	36	\$361.3	\$89.0

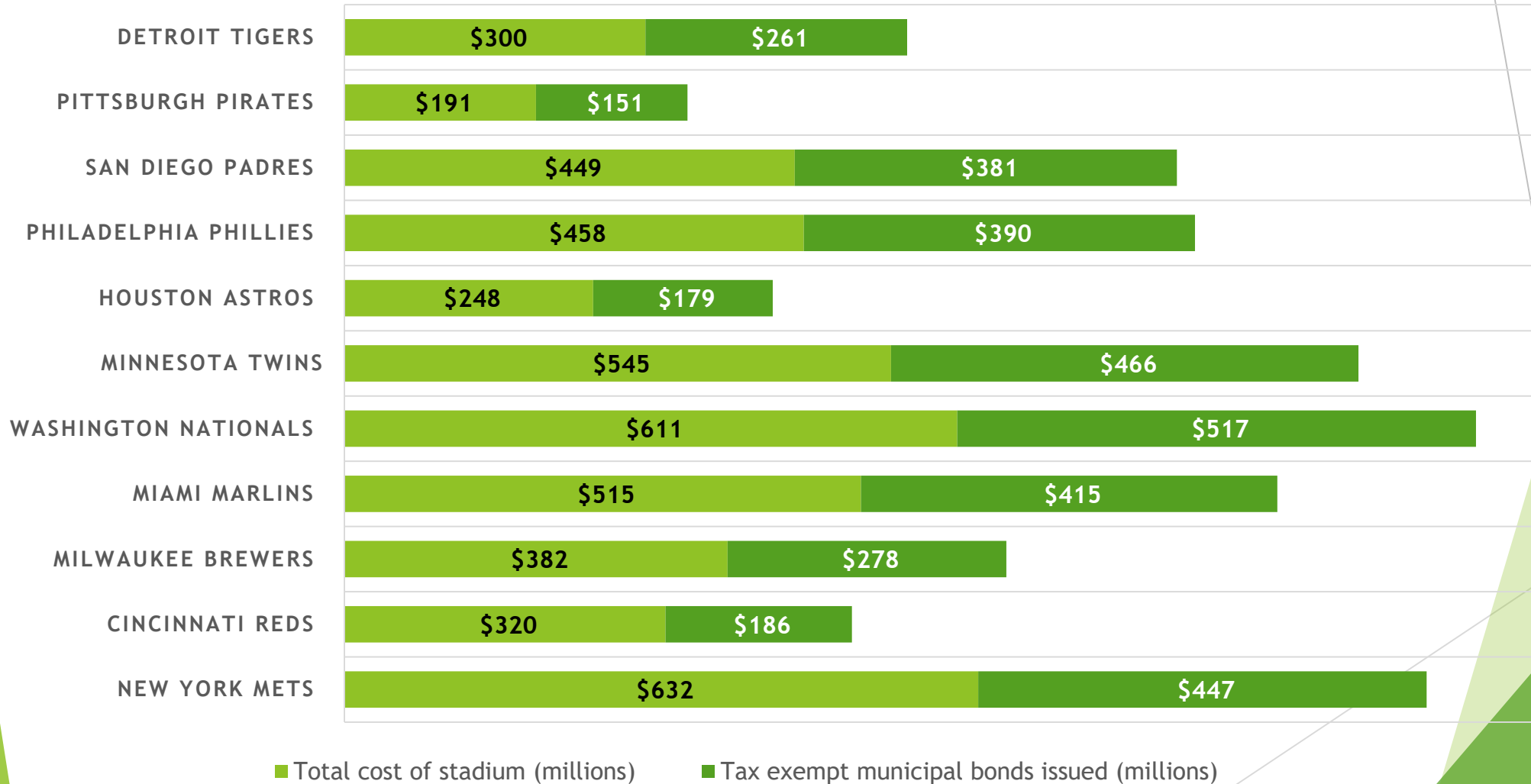
Tax-Exempt Bond Financing in the US



MLB - Tax-Exempt Bond Financing

Team	Year of completion	Total cost of stadium (Millions USD)	Tax-exempt Municipal Bonds Issued (Millions USD)	Undiscounted Revenue loss (Millions USD)
New York Yankees	2006	\$3,100	431	492
New York Mets	2009	632	185	214
Cincinnati Reds	2003	320	134	142
Milwaukee Brewers	2001	382	104	117
Miami Marlins	2012	515	100	132
Washington Nationals	2008	611	94	107
Minnesota Twins	2010	545	79	91
Houston Astros	2000	248	69	78
Philadelphia Phillies	2004	458	68	68
San Diego Padres	2004	449	68	68
Pittsburgh Pirates	2001	191	40	44
Detroit Tigers	2000	300	39	41

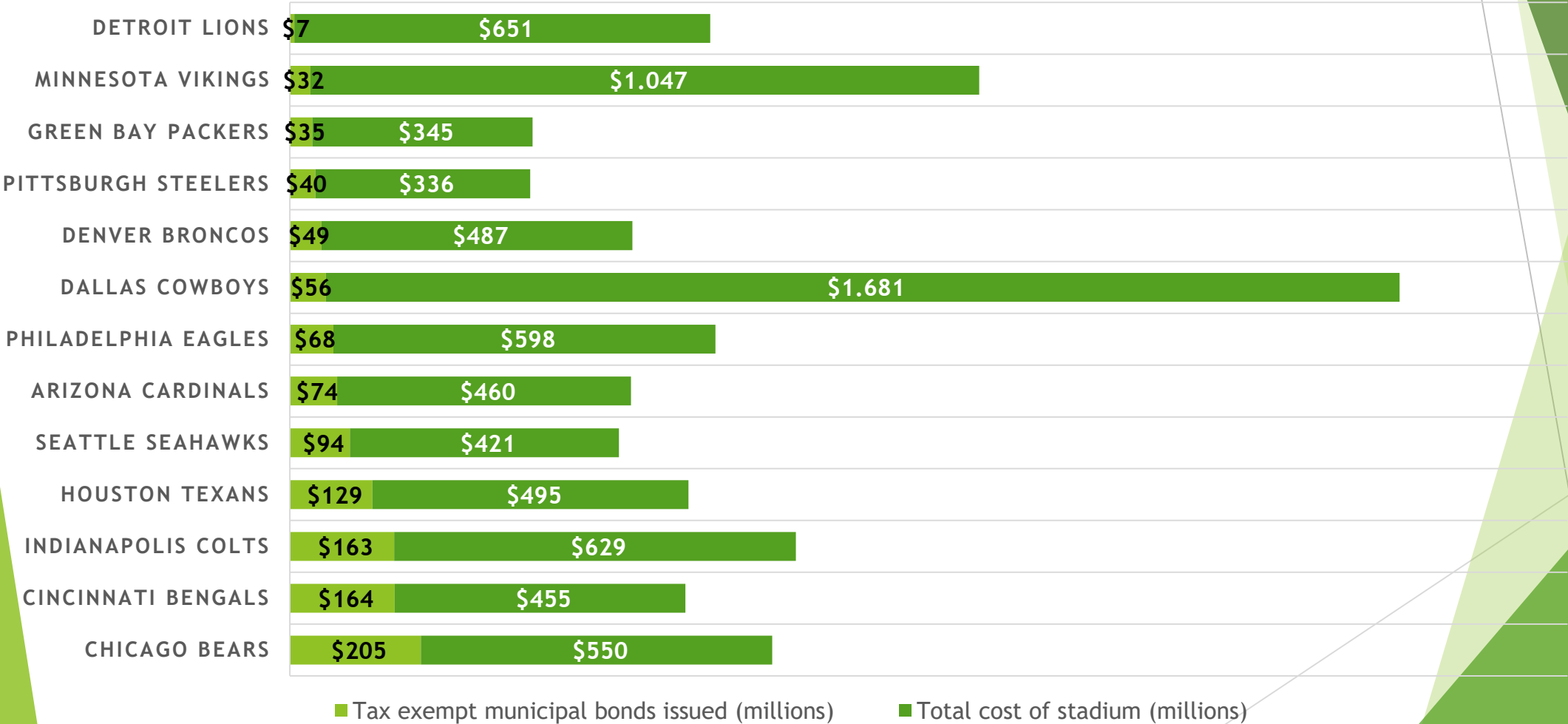
MLB - Tax-Exempt Bond Financing



NFL - Tax-Exempt Bond Financing

Team	Year of completion	Total cost of stadium (Millions)	Tax-exempt Municipal Bonds Issued (Millions)	Undiscounted Revenue loss (Millions)
Chicago Bears	2003	755	205	205
Cincinnati Bengals	2000	619	164	182
Indianapolis Colts	2008	792	163	214
Houston Texans	2002	624	129	147
Seattle Seahawks	2002	515	94	101
Arizona Cardinals	2006	534	74	94
Philadelphia Eagles	2003	666	68	68
Dallas Cowboys	2010	1,737	56	88
Denver Broncos	2001	536	49	54
Pittsburgh Steelers	2001	376	40	44
Green Bay Packers	2003	380	35	35
Minnesota Vikings	2016	1,079	32	65
Detroit Lions	2002	658	7	7

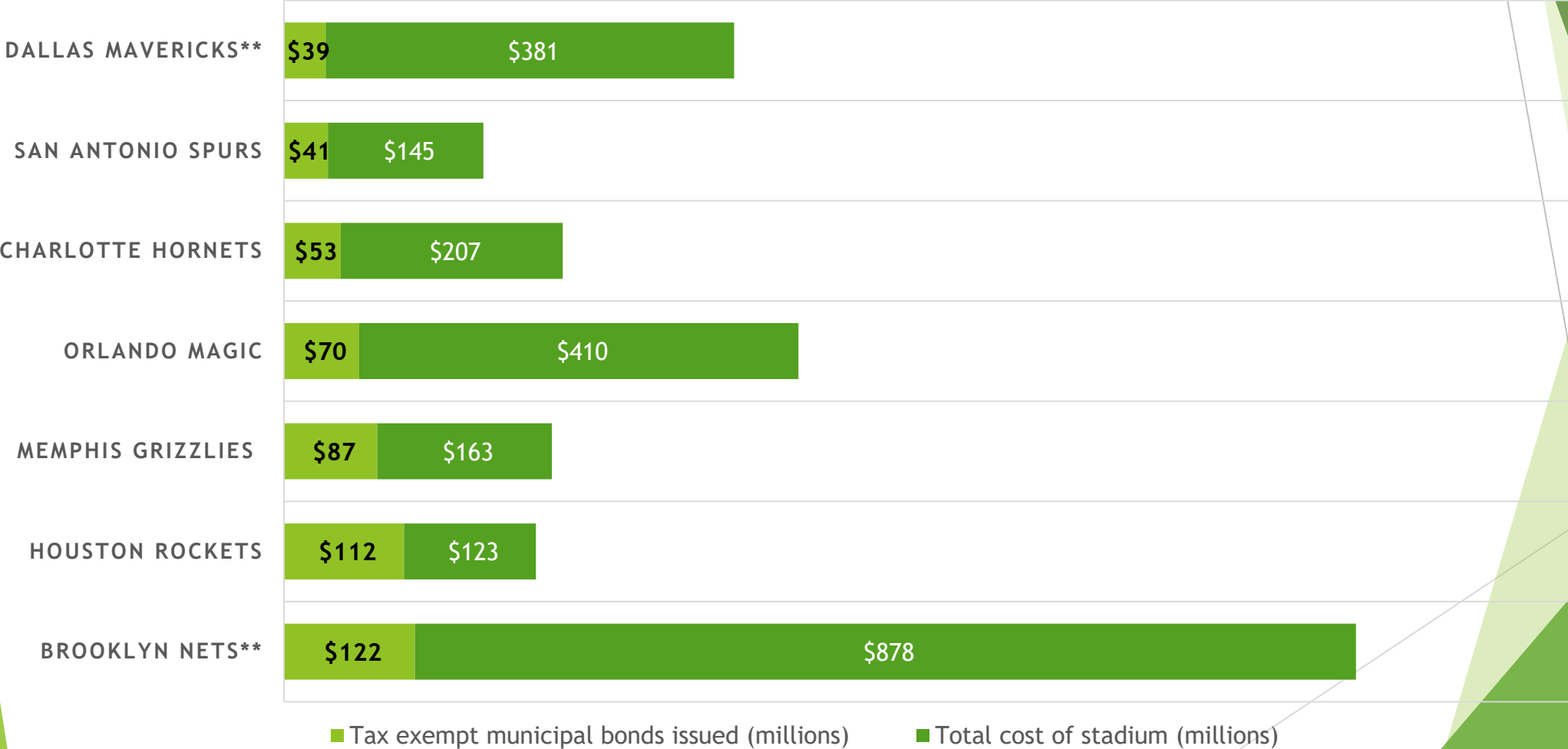
NFL - Tax-Exempt Bond Financing



NBA - Tax-Exempt Bond Financing

Team	Year of completion	Total cost of stadium (Millions USD)	Tax-exempt Municipal Bonds Issued (Millions USD)	Undiscounted Revenue loss (Millions USD)
Brooklyn Nets**	2012	1,000	122	161
Houston Rockets	2003	235	112	112
Memphis Grizzlies	2004	250	87	87
Orlando Magic	2010	480	70	93
Charlotte Hornets	2005	260	53	65
San Antonio Spurs	2002	186	41	44
Dallas Mavericks**	2001	420	39	44

NBA - Tax-Exempt Bond Financing



NHL - Tax-Exempt Bond Financing

Team	Year of completion	Total cost of stadium (Millions USD)	Tax-exempt Municipal Bonds Issued (Million USD)	Undiscounted Revenue loss (Million USD)
New York Islanders**	2019* under construction	1,000	122	161
Pittsburgh Penguins	2010	321	64	65
New Jersey Devils	2007	375	47	60
Dallas Stars**	2001	420	39	44
Detroit Red Wings	2017	862.9	25	50
Arizona Coyotes	2003	220	20	23

NHL - Tax-Exempt Bond Financing



Government Rationalization for Financing Sports Stadiums

- ▶ Government rationalization for public financing of sports stadiums fall into three categories:
 - i. Economic benefits;
 - ii. Intangible benefits; and
 - iii. Urban redevelopment.

Reality of Publicly Financed Stadiums

- ▶ Lack of economic benefits
- ▶ Unfairly distributed benefits
 - ▶ Localized benefits
 - ▶ Lack of benefit to contributing taxpayers
 - ▶ Increased benefit to major stakeholders
- ▶ Long term debt exceeds stadium useful life
- ▶ Funds are subverted from other opportunities

Calgary Flames

- ▶ **New Stadium Cost (pre-construction estimate): \$550M CAD**
 - ▶ City of Calgary to provide \$275M CAD plus 50% of any potential overruns and CESC to provide \$275M CAD plus 50% of any potential overruns
 - ▶ City of Calgary to pay \$280M CAD in direct costs and \$150M in indirect costs
 - ▶ City of Calgary to pay \$12.4M CAD in demolition to Saddledome
- ▶ Favorable leasing - CESC to pay no property tax
- ▶ City to retain 2% ticket tax for all events hosted (capped at \$3M CAD/year for the first five years)

Presenters

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