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New Stadium? Teams Now Want the Whole Neighborhood.

Traditionally, when sports teams tried to convince cities to pay hundreds of millions to build new stadiums, they tended to make lofty promises about benefits to the local economy, that new businesses and residences would rise to serve the throngs of fans. Time and again we've seen these promises fall short — " 'downtown catalysts' that failed to catalyze," as Neil DeMause put it in the Nation.

Now teams are taking matters into their own hands — and, of course, they will reap the benefits.

Craig Edwards of Fangraphs has tracked the pattern of MLB teams developing the land near their ballparks to open up new revenue streams. The Atlanta Braves' plan to move to the suburbs of Cobb County included \$400 million of mixed-use facilities, with the team controlling the development. After suffering years of delays due to a bad economy, the St. Louis Cardinals in 2014 finally completed the first phase of their development, Ballpark Village, featuring bars, restaurants and the team's hall of fame. The Chicago Cubs have planned a \$575 million mixed-use complex called the 1060 Project, which will include a hotel, fitness club and office and retail space.

It's not just baseball. SportsBusiness Journal's David Broughton put together a comprehensive list of more than 30 mixed-use developments around stadiums that to some extent directly involve team ownership. These included the joint proposal by the San Diego Chargers and Oakland Raiders for a stadium in Carson City, California, and the plan to develop the St. Louis riverfront for the Rams — both now obsolete with the Rams' pending move to Los Angeles. Their proposed stadium project in Inglewood will include "a 6,000-seat performance venue, 890,000 square feet of retail, 780,000 square feet of office space, 2,500 new residential units, a 300-room hotel and 25 acres of public parks," as well as a campus for the NFL's western expansion of its media arm.

Many of these projects profiled by SBJ are part of future stadium plans, but among those currently active are L.A. Live, a complex next to the Staples Center, home of the NBA's Clippers and Lakers and the NHL's Kings, that includes two luxury hotels, 13 restaurants, and the Grammy Museum. There's Xfinity Live, an entertainment district anchored by Citizens Bank Park, Lincoln Financial Field and the Wells Fargo Center in Philadelphia, developed by Comcast, which owns the Flyers. And the New England Patriots have Patriot Place, a 1.3 million-square-foot development including a movie theater, bowling alley and outpatient health care center.

As Edwards notes, it's difficult to tell just what kind of impact these mixed-use developments have on teams' financials in terms of mandated revenue sharing. For baseball specifically, he uses MLB's approach to team-owned television networks — whose revenues aren't subject to revenue sharing outside of television rights fees, which the league sets at "fair market value" — to guess the same would be true for land development. "With this risk, team owners can reap great rewards," Edwards writes.

Those rewards are further bolstered by the usual subsidies, exemptions and abatements that cities and states concede to teams, as demonstrated starkly in the case of the Milwaukee Bucks. Already a controversial plan given Wisconsin governor Scott Walker's simultaneous cutting of the state

university system budget by \$250 million, the stadium proposal gives the team nearly full control to develop a “sports and entertainment district” without having to pay property taxes on “parking lots, garages, restaurants, parks, concession facilities, entertainment facilities, transportation facilities and other functionally related or auxiliary facilities or structures.”

The traditional fleecing of America’s cities by sports franchises used to involve only tax breaks and funding to build privately owned stadiums, whose concession sales, signage fees and other revenue flowed directly to the teams. Now, by controlling the mixed-use developments surrounding the ballparks, owners have found a new way to profit off the generosity of local municipalities — even when stadiums are publicly owned, as will be the case with the new Bucks arena. They’ve just shifted their money-making strategy a few blocks over.

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Bloomberg View

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