

# **Bond Case Briefs**

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## **L.A. Stadium Developers Expect Public Paybacks.**

LOS ANGELES — The developers behind a sprawling sports and housing complex in the Los Angeles suburbs — whose centerpiece stadium could become home for an NFL team — expect to recoup up to \$100 million in local tax dollars in the first five years of operation, an Associated Press review has found.

When the proposal was unveiled last week, Christopher Meany, a senior executive with the joint venture designing and financing the project, emphasized that “there will be no public dollars, no taxpayer dollars, used for this project.”

While the plan does not include any upfront tax money to build the 298-acre community of homes, offices and entertainment venues, a 187-page outline released by developers includes provisions for multimillion-dollar public paybacks to them over time from tax dollars generated by the project, which would cover costs ranging from installing street lights and fire hydrants to running shuttle buses and providing police security on game days.

The documents submitted to officials in Inglewood, where the stadium would be built, say that if annual tax revenue to the city from the completed project exceeds \$25 million as expected, the developers, including a company controlled by the owner of the St. Louis Rams, would be entitled to reimbursements for funds they invested in streets, sewers, parks and other projects deemed dedicated to the public.

Chicago-based sports finance consultant Marc Ganis said claiming no tax money would be used in the project is “hyper-spin” and could damage the project’s credibility. “It’s not an outright lie ... but there will be people who think it is,” Ganis said. “They might be prospective tax dollars, and it might make sense for Inglewood to contribute them to the project, but they are tax dollars.”

Inglewood officials are reviewing the proposal, but Mayor James Butts said the deal appears favorable because the city isn’t required to invest hundreds of millions of dollars into the development. The city about 10 miles from downtown Los Angeles could end up with a steady source of tax income and a vibrant entertainment mecca, he said.

“We get revenue that we didn’t have to make a financial investment for. That is unheard of in a project of this magnitude,” Butts said.

The proposal envisions a domed, 80,000-seat stadium rising on the site of a defunct horse track and would also include a 6,000-seat performance venue and parking. It’s the latest in a string of stadium proposals in the Los Angeles area since the Rams and the Oakland Raiders abandoned Southern California after the 1994 season.

According to the plan, developers could be reimbursed an estimated \$50 million to \$60 million for building the structural backbone of the site: sidewalks and road work, landscaping, water mains and utility lines. Meany said in a statement that those costs are expected to be paid back within the first

few years from tax revenue generated by the project, and they represent a fraction of the overall investment.

Additionally, the records say developers can be reimbursed by the city for costs on event days for police, emergency medical crews and shuttle bus services from off-site parking. They estimate that could tally \$8 million annually, or \$40 million for a five-year period.

The records were submitted to the city as part of developers' plans to place a ballot question before Inglewood voters later this year, which must be approved before stadium construction could move forward. They first must gather thousands of petition signatures to qualify the question.

The alliance behind the plan, the Hollywood Park Land Co., includes The Kroenke Group, controlled by Rams owner Stan Kroenke, and Stockbridge Capital Group, which had been developing a 238-acre tract of homes, parks and office space at the former Hollywood Park track. Kroenke's company owns an adjacent 60 acres, which would be merged into the overall development.

By the developers' estimate, in its first 25 years, the project will produce more than \$1 billion in local taxes — on property, tickets, parking, utilities and other sources. The first \$25 million each year would be guaranteed for Inglewood, and once developers are reimbursed for eligible costs, any surplus would stay with the city.

West Virginia University economist Brad Humphreys said that the cost of infrastructure in stadium deals is typically absorbed by government, even in developments described as privately financed, as with the Washington Redskins' new stadium. He noted that research has found taxpayers often end up paying more than forecast in sports stadium and arena projects, once infrastructure and other costs are considered.

Victor Matheson, a specialist in sports economics who teaches at the College of the Holy Cross in Massachusetts, said the reimbursements for the Inglewood project amounted to "essentially giving tax breaks."

"The project isn't quite subsidy-free, but it is also a far cry from the direct building subsidies that averaged about two-thirds of total stadium costs in the building boom" of the 1990s and early 2000s, he said.

By: The Associated Press

January 12, 2015