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Biloxi Blues Deepen as Fines Loom Over Ballpark Built With Bonds.

(Bloomberg) — Biloxi sold \$21 million of bonds to pay for a baseball stadium, lured the Shuckers to town and auditioned singers for the national anthem. It's now racing to avoid losses because the team has nowhere to play.

The Mississippi city, with a population of 45,000, may decide March 24 whether to spend an extra \$1 million to complete work on the ballpark before Aug. 31, when it's set to be finished. If the stadium isn't ready when the season starts on April 9, Biloxi may have to pay \$10,000 in fines for every game that can't be played there. It also stands to forgo thousands more in tax revenue anticipated from visiting fans.

"We were worried the taxpayers would be on the hook if this stadium didn't make money the way the city said it would," said Roberta Avila, the executive director of the Steps Coalition, a Biloxi community group that opposed public funding for the stadium. "There was no guarantee."

The costs underscore the risks to cities that borrow to build stadiums, seeking to boost their economies. More than \$9 billion of municipal bonds have been issued to finance arenas for professional sports teams, data compiled by Bloomberg show. Hartford, Connecticut, sold about \$62 million of bonds last month to make a home for the New Britain Rock Cats, the baseball team that will become the Hartford Yard Goats when they move.

Some Mishaps

Such minor-league stadiums don't always deliver the expected benefits. Newark, New Jersey, is paying \$1 million a year on bonds for a facility that's been without a team since the Newark Bears folded because of dwindling attendance.

To finance the stadium, Biloxi sold general-obligation bonds and used \$15 million of its share of what BP Plc paid after an oil spill damaged the Gulf Coast in 2010. General-obligation debt is funded by the city budget, instead of earmarked fees or other specific revenue.

Construction was delayed as the team waited for approval from Minor League Baseball to move from Huntsville, Alabama. The city may be required to pay fines to the Shuckers if the venue's not open after the season begins. Early-season games are set to be played in Huntsville and at the fields of its opponents.

The team may be willing to play in an incomplete stadium if the city can certify that it's safe, said Tim Bennett, the Shuckers's vice president. The team is offering to help pay some of the cost to get the stadium open before August.

"We're in negotiations to get in more quickly than planned," said Bennett. "It doesn't look very good for us to be collecting fines of \$10,000 per game when the city is building us a \$36 million stadium."

Residents Leery

The potential costs have made some residents leery of the agreement Biloxi officials struck.

"I'm very happy to see my dream come true, but I have concerns with how the deal was structured," said Barry Lyons, a Biloxi resident and former New York Mets catcher who pushed for two decades to get a team and stadium in his home town. "I'm concerned the city will be on the hook for the costs if it doesn't work out as a catalyst for development and family entertainment."

Stadium bond deals have also drawn national scrutiny. In his budget this year, President Barack Obama proposed barring the use of tax-exempt debt to finance sports arenas for team owners. Some studies by sports economists have found that the venues do little to boost tax collections and divert funds from other public services.

Other Priorities

Biloxi should address infrastructure and housing issues in areas still recovering from Hurricane Katrina, which hit the Gulf Coast almost a decade ago, said James Crowell, president of the National Association for the Advancement of Colored People there.

"It's going to be a stress on our already strained city budget to complete this thing," he said. "Since Katrina, a lot of money hasn't been used to revitalize our residential areas as it should have been. A lot of people haven't been able to move back."

Local officials said the team and stadium will bring new jobs by bolstering tourism near the casinos where it's being built. The new stadium may generate \$34 million of spending a year by visitors at restaurants, casinos and stores, according to an August 2013 economic analysis by Chicago-based Johnson Consulting.

"We have hundreds of hotel rooms right by the stadium, which is near our casino district," said David Nichols, Biloxi's city manager. "Now we just need to find a way to complete the stadium so we can get it open."

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