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Chicago Fire's Arena Losses Have Village Taking on More Debt.

Bridgeview, Illinois, is saddling taxpayers with more debt as the arena it built almost a decade ago to host Major League Soccer's Chicago Fire fails to hit the economic goal promised by its proponents.

The village 15 miles (24 kilometers) southwest of Chicago is selling \$16 million in general-obligation debt this week to refinance existing securities, most of which are tied to the site that opened in June 2006. The venue, called Toyota Park, generates an annual loss of \$3 million to \$4 million for Bridgeview, said Daniel Denys, owner of Austin Meade Financial Ltd., the government's financial adviser.

Standard & Poor's this month cut the municipality's grade one step to BBB, two levels above junk, and said it could reduce it again because of its high debt burden. After the sale, the village would have about \$250 million in debt, mostly tied to the stadium and the area around it slated for redevelopment, Denys said.

Bridgeview's experience demonstrates the challenges faced by small communities building facilities for sports teams, said Jim Colby, who manages about \$1.6 billion of high-yield munis at Van Eck Global in New York.

"It's very hard to stomach the long-term risks that occur with some of these stadium financings," Colby said. For Bridgeview, "it has to be a pretty significant fiscal drag on their budget because they are the ultimate payer relying on a soccer team."

Colby said he would consider buying its new bonds since the rating fits the criteria for his purchases. Denys said the sale may be Wednesday.

'Economic Anchor'

The cost of hosting professional sports has strained municipal finances, from hockey and baseball spring-training facilities in Glendale, Arizona, to the NFL stadium in Indianapolis. States and cities have sold more than \$9 billion of debt for professional sports sites since the 1980s, seeking to keep teams or revitalize local economies.

A 2004 Bridgeview newsletter to residents said the soccer stadium would be "an economic anchor" that would pay for itself and spur development around it. A much-publicized water park never materialized. A gas station that opened this year is the only business on the site around the stadium that was expected to be redeveloped, said Denys, who's based in Naperville, Illinois. Bridgeview officials are closing on deals with developers for more growth, he said.

"We're optimistic that the economic development will help reduce or eliminate the need for future debt restructuring," Denys said. "If not, there's still a solid tax base there that could sustain our worst-case plan. Either way, we're fine."

Debt Burden

The village sold \$134.6 million of bonds in 2005 for the project, and its debt burden has nearly doubled from subsequent refinancing deals. If restaurants and other revenue-generating ventures don't work out, Bridgeview could push its debt back to 2056 with another restructuring and tax increases, Denys said.

Residents have paid higher taxes for the past five years due to stadium losses, Denys said. The levies more than doubled between 2009 and 2013, according to the S&P report this month.

Each resident's share of the village's total debt burden is about \$18,000, deal documents show. The home of the Fire, which is in last place in its conference this season after finishing second-to-last in 2014, is "not yet self-sustaining," according to the documents.

S&P said there's "at least one-in-three chance" it could lower the community's rating again in a year, depending on its financial position, costs and ability to win more revenue.

A Bridgeview general-obligation due in December 2043 traded on June 19 at an average yield premium of 4.48 percentage points, compared with the 3.12 percentage point average this year, data compiled by Bloomberg show.

Residents like having the stadium in their hometown, said Denys, who said he was speaking about the issue for Mayor Steven Landek, who had pushed for the venue.

"There is high enthusiasm in the community," Denys said. "There's a lot of pride."

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by Romy Varghese

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