Oakland Mayor Turns to Old Playbook to Fund Raiders Stadium.

The type of municipal bonds that Oakland Mayor Libby Schaaf says she is examining to pay for a new Raiders stadium are the same kind the city used in 1996 to build Mount Davis, an expansion of the Coliseum that left the city and county with millions of dollars in debt.

Municipal bond experts say "lease revenue bonds" are a form of raising revenue for public projects that could ultimately expose taxpayers to risk, because, as with any municipal bond, the debt falls back on the city if the revenue stream dries up.

But with pressure mounting to make a deal with the Raiders, Schaaf says she is contemplating lease revenue bonds as a tool to fund a new football stadium — only on the condition, she says, that taxpayers never wind up holding the bag.

If a city were to default on its municipal bond, it would see its credit rating slump — and that itself could cost taxpayers down the line when they want to borrow money for another project, said Matt Fabian, managing director of the independent research firm Municipal Market Advisors.

For taxpayers to truly be shielded, he said, it has to be clear "that there's no connection to Oakland."

Schaaf incorrectly insisted on Thursday that the type of bonds used for Mount Davis were general obligation bonds, but a check of records show they were indeed lease revenue bonds.

Although the mayor has steadfastly claimed she would never allow a public cent to be spent to build a new Raiders stadium, she told NFL owners Wednesday in a presentation that she was studying the use of lease revenue bonds and an incremental tax. In a statement released Friday afternoon, she said she has never changed her position against "publicly subsidizing stadium construction."

In the same statement, she acknowledged that she is studying the lease revenue bond approach but would support it only if it "would not pose any risk to the City's General Fund."

Mount Davis debacle

Lease revenue bonds made up the financing scheme for Oakland's disastrous 1996 renovation to the Coliseum's east end, which left both the city and Alameda County saddled in debt. It was given the name Mount Davis in an allusion to Raiders then-owner Al Davis — father of current owner Mark Davis — who negotiated the reconstruction before moving the team back to Oakland from Los Angeles. Oakland had pledged to pay off the debt by selling personal seat licenses, but it overestimated the number of licenses it could sell. Both the city and county to this day pay $11 million a year for that renovation.

"I'm not going to repeat mistakes of the past," Schaaf said, noting that the Mount Davis debt was secured by the general fund. She wants the new debt to be secured by a private entity, perhaps the Raiders themselves. Such setups helped finance new facilities for the NFL's Atlanta Falcons and

MLB's Miami Marlins, she said.

The Falcons stadium is still under construction, and the Marlins stadium's funding plan prompted controversy because it left Miami-Dade County on the hook for hundreds of millions of dollars, according to the Miami Herald.

Schaaf told The Chronicle on Friday that she's still analyzing these funding methods and trying to draft an iron-clad agreement that would put all the debt burden on the Raiders.

Stanford University sports economist Roger Noll says there's no way the Raiders could pay a "plausible" rent that would cover the cost of building and operating a stadium.

Schaaf said she's still weighing her options.

"If after the analysis I'm not satisfied, then that's not a tool we'd use," she said.

Fabian cited several examples of cities tethering their debt to future revenue streams and winding up in the hole, even when they had no contractual obligation to pay back investors.

He recalled a case in which the city of Vadnais Heights, Minn., financed a sports facility with lease revenue bonds, on the hope that the venue would ultimately pay for itself.

The facility tanked, and so did Vadnais Heights' credit rating, after officials claimed the city wasn't legally obligated to pay, Fabian said.

"Bondholders flipped out," he said. "Vadnais Heights may never borrow again."

Golf course fiasco

In another case, the city of Buena Vista, Va., used lease revenue bonds to build a golf course, and pledged the mortgage for Buena Vista City Hall as collateral. The golf course failed to pay for itself, Fabian said.
"So the bondholders have been trying to foreclose on City Hall for two years," he said. "But the courts that they would use to foreclose are also inside City Hall."

Sports facilities that aren't privately financed tend to be bad deals for cities, and there's no evidence they lead to economic growth, said David Berri, an economics professor at Southern Utah University.
"That's been pretty consistently shown," Berri said.

Levi's Stadium in Santa Clara, which is financed partly by a "payment in lieu of taxes" scheme that requires the 49ers to pay $24.5 million in annual rent instead of property taxes, is a prime example of taxpayers subsidizing a private facility, said Vanderbilt University economist John Vrooman.

Raiders owner Davis, who is currently pursuing a $1.7 billion stadium in the Los Angeles suburb of Carson that the Raiders would share with the San Diego Chargers, said none of Oakland's funding tools amount to much, since Schaaf still hasn't unveiled a concrete plan.

"Even if we had the funding, I don't know where it would be," Davis said.

SFGATE

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