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How Will Arlington, Texas Pay For Another Stadium Bond?

DALLAS – Arlington, Texas, may pay off the debt it issued for a pro football stadium to clear the path for subsidizing a pro baseball stadium.

The city is working on a plan to retire debt the city issued for the Dallas Cowboys' stadium years earlier than anticipated in order to put the tax revenues behind \$500 million of bonds to fund an air-conditioned ballpark for Major League Baseball's Texas Rangers.

The bond finance scenario is one of two under consideration in advance of a November referendum on the proposed stadium, said Mike Finley, chief financial officer for the city.

"Voters are ultimately going to decide about the stadium option," Finley said. "Arlington has a 20-year track record of funding these facilities successfully. I'm comfortable in our ability to negotiate a deal that would meet with the expectations of our citizens."

A master agreement approved May 24 by the City Council calls for an even split between the Rangers and the city to build the \$1 billion stadium.

Working with the city on financing the ballpark is David Gordon, managing director at financial advisor Estrada Hinojosa & Co. Estrada has played a role in financing many of the region's stadiums and arenas.

Under one of the proposed financing scenarios, the Texas Rangers would advance the city \$100 million to retire bonds used to build AT&T Stadium, the seven-year-old, \$1.2 billion Cowboys venue. The city would pay back the Rangers over time.

With the Cowboys stadium debt paid off, the city could apply its dedicated tax revenue to \$400 million of bonds for the Texas Rangers.

Under the proposed timetable, the bonds would be issued by 2018 with the stadium completed by 2021.

The tax revenue to support the debt comes from a half-cent sales tax, a 5% car rental tax and a 2% hotel occupancy tax approved by voters in 2004 to build the Cowboys stadium. The tax was originally scheduled to expire in 2028 when the bonds were expected to be paid off. But Arlington is ahead of schedule on the Cowboys bonds, with payoff now expected in 2021.

In the November election, Arlington voters would be asked to extend the tax to finance the new stadium for the Rangers.

Under the second bond-funding scenario, Arlington would extend the maturity of the Cowboys bonds to 2034 at a lower interest rate. That would lower debt service costs enough create room to service the Rangers stadium bonds if voters approve the tax extension.

Arlington has a long track record of subsidizing professional sports team owners, exceeded its

financing projections in both major cases.

The city's \$135 million debt for the Rangers 22-year-old current stadium, Globe Life Park, was paid off in 2001, a full decade early. The venue was known for much of its life as the Ballpark in Arlington.

The \$298 million issued for the Cowboys stadium has also been paid down quickly because the city applied its revenue of 1.5 times debt service to the bonds, Finley said.

In September, Standard & Poor's Global Ratings upgraded the Cowboys bonds to A-plus from A based on the improved debt-service coverage.

"If material pledged revenue increases or early debt retirement results in substantially improved debt service coverage, we could further raise the rating," S&P analyst Omar Tabani said.

In 2015, Arlington paid the last of a \$64 million lump-sum payment on stadium debt that wasn't due until 2035. That took seven years off the 30-year bonds' debt-service schedule.

In 2009, the year the Cowboys stadium opened, Arlington refunded \$164 million of Series 2005B bonds that were originally sold as variable-rate demand notes supported by a standby bond purchase agreement and hedged with an interest rate swap. The 2009 issue ended the 2005B swap and shifted all the debt into fixed rate.

In 2008, the city retired \$104 million of the original \$164 million in 2005B bonds after some became bank bonds held by liquidity provider, Depfa Bank PLC. The rest were remarketed in February 2009.

Arlington will ask the Texas Office of the Comptroller to review the fiscal impact to the state before calling the Nov. 8 election on the proposed financing.

To gain support for the project, the Arlington Convention and Visitors Bureau hired HR&A Advisors to estimate the economic impact of a new stadium.

Its analysts said that Arlington would benefit to the tune of \$77.5 million annually, while Tarrant County's economy would grow by \$137.6 million.

Related development plans include a Texas Live! entertainment complex, convention center annex and hotel adjacent to the new stadium. Direct funding and tax breaks could provide \$100 million for the \$200 million project, according to the city. Construction is expected to start this year.

Net present value of the Rangers' continued presence between 2016-2054 with a new ballpark would be \$2.53 billion for Arlington and \$4.49 billion for Tarrant County, according to the study.

The proposed retractable-roof stadium would be built on what is now a team parking lot south of the existing ballpark.

The city and the Rangers are discussing the future of Globe Life Park, with options including office development, park space, parking and other uses.

The Rangers' 30-year lease on the city-owned ballpark is set to end in 2024. With the new proposed master agreement, the Rangers' partnership with Arlington would extend until Jan. 1, 2054.

The Rangers have played in Arlington since they moved from Washington, D.C., in 1971.

The team's first stadium was Arlington Stadium, an expanded minor league ballpark. After 20 years

in Arlington, the city broke ground on the team's current stadium, built at a cost of \$193 million.

While the current ballpark is considered an architectural gem, Texas' oppressive summer heat has discouraged some fans from attending games in the open-air stadium.

With a population of 379,000, Arlington is the largest of the Mid-Cities between Dallas and Fort Worth. The city's tax base has grown at an annual average of 2.6% over the past five years to \$19.5 billion, according to Moody's.

Home to the University of Texas at Arlington and a General Motors Assembly Plant, Arlington has long been known for its entertainment venues such as Six Flags Over Texas and Hurricane Harbor. The opening of the Cowboys stadium in 2009 made the city home to two professional sports franchises.

Plans for the new Rangers stadium call for about \$200 million more from the city than was provided for the Cowboys stadium.

With \$380.9 million of outstanding general obligation debt, Arlington carries triple-A ratings from S&P and Fitch Ratings. Moody's Investors Service falls a notch lower at Aa1.

In 2014, Arlington voters approved the city's \$236 million GO bond proposal. The city has \$226.1 million of unissued bonding authority, according to S&P.

The Bond Buyer

By Richard Williamson

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