

# **Bond Case Briefs**

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## **Cincinnati's Worst Stadium Deal Ever Seeks Lower Borrowing Costs.**

The near record-low borrowing costs in the municipal-bond market may buy Cincinnati relief from what was labeled one of the worst stadium deals for taxpayers.

Hamilton County, Ohio, plans to borrow \$322 million next week to refinance debt taken on more than a decade ago to build new home fields for the Bengals National Football League team and the Reds Major League Baseball team. It's projected to save about \$65 million — freeing up money for promised property-tax cuts that were scaled-back as the cost of the project soared.

"We're going to restore as much of the tax cuts as we can," said Chris Monzel, president of the board of county commissioners.

Tumbling municipal bond yields are providing a financial perk to local governments, allowing them to cut the left-over bills from even long finished projects. Oakland, California-area officials last year refinanced debt for the home of the National Basketball Association's Golden State Warriors, which the team is planning to leave. Last month, El Paso, Texas, refinanced almost a third of the debt it issued for a minor league stadium three years ago, when the interest rates it had to pay prompted a political outcry.

The savings in Cincinnati are still just a fraction of the stadiums' costs, which more than doubled to over \$1 billion. Most of the expense was covered by county taxpayers, who approved a half-percentage point sales-tax increase 20 years ago in return for a promise that real estate levies would eventually be cut. The Taxpayers Protection Alliance, a Washington group that opposes subsidies for professional sports arenas, said the Bengals's Paul Brown Stadium is among the most costly for taxpayers, given how much of the county budget it consumed.

"They're taking baby steps in trying to cut the cost to taxpayers," said David Williams, the alliance's president. "They've spent hundreds of millions of dollars on these stadiums and seen no economic benefits."

In recent years, the Cincinnati stadiums have cost the county some \$70 million a year, or about 8 percent of its spending, according to financial statements. That includes debt service, costs for the teams, property-tax cuts and payments to schools in lieu of taxes.

Hamilton County voters approved the sales-tax increase in March 1996, with the stadiums promoted as a way to revive the area along the Ohio River. The county borrowed \$623 million beginning in 1998 with municipal bonds, some of which was refinanced in 2006 and 2011. Some more will be refinanced next week.

### **Public Costs**

The football stadium opened in 2000 and Great American Ball Park opened for the Reds in 2003. Stung by two recessions, sales-tax collections grew at about half the annual pace initially projected

from 1999 to 2008, county documents show, while the population declined. To cope, the county fired workers, reduced the size of the property-tax cut and sold its hospital. Voters refused to approve more spending for a needed jail.

Public costs for the Cincinnati stadiums now exceed \$1 billion in 2010 dollars, according to Judith Long, an associate professor of sports management at the University of Michigan, who who tabulated expenses for stadiums for a book titled "Public Private Partnerships for Major League Sports Facilities."

The stadiums are about a half-mile apart near a riverfront development called The Banks. The \$2.5 billion development has grown more slowly than expected, but has revived the riverfront with restaurants, bars and residential space, spurred in part by subsidies paid for with the sales tax for the stadiums.

The question now for county officials is whether the savings on lower debt service is enough to restore any services after cutting taxes, said John Bruggen, county budget director. The decisions will be up to the county commission.

"They probably won't make any decisions immediately," he said. "This is a small piece of a big equation."

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