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Yankees Eye Bond Market 'Win' by Joining Muni Refinancing Boom.

- **Some \$115 billion of municipal bonds issued in refinancings**
- **Top-rated 10-year tax-exempt yields are holding around 0.8%**

The owners of America's empty Major League Baseball stadiums can get some financial relief from the \$3.9 trillion municipal-bond market.

Yankee Stadium LLC, which sold bonds for the ballpark in the Bronx borough of New York City, is refinancing its debt through a \$923.5 million sale this week. A Texas agency that sold bonds for the retractable-roof stadium where the Houston Astros play is also completing a refinancing that will push off debt payments as hotel- and car-rental tax revenue plunged because of Covid-19.

Tony Bruno, chief financial officer of Yankee Global Enterprises, said cutting its debt costs would benefit the stadium, employees and the city of New York. The refinancing is expected to create present-value savings of more than \$200 million, according to its investor roadshow. "It's a win, win, win," he said.

The bonds that are being refinanced were sold in 2006 and 2009 and carry interest rates as high as 7%, according to offering documents. Even though the refinancing was planned before the pandemic, with low rates and the recent revenue losses — the savings help even more. "In a time when a sector is disrupted it becomes more relevant," Bruno said.

The stadium agencies are among those reaping the benefits of a refinancing boom that has accelerated since the economic contraction this year drove interest rates to the lowest in decades, with yields on benchmark 10-year tax-exempt bonds hovering around 0.8%. State and local governments, as well as airports, toll road operators and others that raise funds in the \$3.9 trillion municipal-bond market, have sold \$115 billion of debt exclusively for refinancings this year, a 77% increase from the same period in 2019. Stadium borrowers have been particularly affected by Covid-19 as games are scuttled and fans stay home.

Bruno said the team benefits from an early billing cycle for seatholders for the upcoming season and the strength of the team's performance in recent years. The Yankees have made 16 playoff appearances in the last 20 seasons and the team is known for flashy fan-friendly players such as Aaron Judge, Aroldis Chapman, Giancarlo Stanton and Gerrit Cole, who is in his first season of a record \$324 million contract. The team is also ranked by Forbes as the most valuable in the league.

"Going into March, we were moving along at a really nice clip compared to last year," Bruno said.

Even with canceled games, the stadium company still collected \$201 million in ticket sales and suite licenses proceeds as of June 30, 2020, compared with about \$336 million in 2019. The majority of season-ticket holders haven't applied for refunds for missed games and will likely apply credits to the 2021 season, according to figures as of mid-September.

"The durability of these revenues and the stickiness, I think, are all viewed very favorably from the market," said Fitch Ratings analyst Chad Lewis. "There is that long-term view that sports will come back."

The borrowing costs are also helping the Harris County-Houston Sports Authority, which sold the bonds that financed the Astros' Minute Maid Park. The agency is restructuring its debt to push out some maturity payments.

The Houston Astros stand for the national anthem prior to Game One of the 2019 World Series against the Washington Nationals at Minute Maid Park in Houston. Photographer: Elsa/Getty Images

The restructuring will offer some relief to the Houston agency given that the taxes on hotel stays and car rentals that back the bonds have dropped about 25% and 30% respectively by the end of July from a year earlier, according to bond documents. Another revenue pressure point could come from a key stadium tenant: the Astros. That's because of an agreement that allows the MLB team to reduce the rent and royalty payments it makes to the Houston agency if the team can't play games under certain circumstances, with \$4.6 million in those payments helping secure the bonds, according to Moody's Investors Service.

In March, the Astros requested credits to reduce those rental and royalty payments after the season was shortened, according to bond documents. The Houston agency is still evaluating that request and said in bond documents that future game cancellations could result in more requests for payment relief from the Astros.

Moody's has a more positive outlook for some borrowers than it did previously. In June, Moody's lowered its outlook on the Yankees bonds to negative, but it reversed that to stable ahead of the refinancing.

"Things were very different three months ago," John Medina, an analyst for Moody's.

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