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Steve Cohen Saves Mets $50 Million in Debt Refinancing.

- **Billionaire gives stadium $50 Million cash injection**
- **Moody's raised Citi Field bond rating ahead of refinancing**

Steve Cohen has owned the New York Mets for three months and Wall Street bond rating analysts like what they've seen so far.

Cohen, a hedge fund manager who paid $2.4 billion for the team, has bolstered the balance sheet of the subsidiary that leases and operates Citi Field with a $50 million capital injection, according to S&P Global Ratings Inc. He's moved quickly to sign all-star shortstop Francisco Lindor and pitcher Carlos Carrasco from the Cleveland Indians in an effort to turn around a club that finished tied for last in the National League East last year.

And next week, the Mets plan to take advantage of surging demand for lower-rated municipal bonds to refinance $540 million of debt issued to fund the construction of Citi Field more than a decade ago. The deal will reduce debt service payments by about $50 million over the next three years — giving the ball club breathing room to weather the risks of reduced attendance because of the pandemic.

Holders of the new debt will benefit from an increase in the percentage of ticket revenue available to pay debt service by 40%, equating to about $43 million annually before 2020.

"In a short period of time we have actionable things you could point to that showed the impact of the change in ownership," John Medina, a Moody's Investors Service analyst said in an interview. Moody's raised the ratings on Citi Field bonds one notch to Baa2, the second-lowest investment grade, on Jan. 28.

Strong demand for municipal bonds, coupled with scant new issues and an improving economic picture have driven prices on AAA rated municipal bonds relative to U.S. government securities to record highs. As a result, investors have poured into lower-yielding municipal bonds, pushing their yields down in turn.

Yields on municipal bonds rated BBB fell to 1.71% on Feb. 3, a record low, according to Bloomberg Barclays Indexes. Triple B rated state and local government debt now yields about 1 percentage point more than AAA bonds, the narrowest spread since March and just 0.3 percentage point more than pre-pandemic lows.

BBB Rated Muni Spreads are Close to Pre-Pandemic Levels
"With the vaccines there's some light at the end of the tunnel," said Dan Solender, head of municipal debt at Lord, Abbett & Co. "The money's coming in and the expectation is that credits can only get better from here."

The pandemic led Major League Baseball to cut last year's season to 60 games from 162 and state and local health mandates barred fans from attending regular-season games. Citi Field's revenue plunged to $28.2 million for the nine months ending Sept. 2020 from $148.7 million, according to a bond offering document. The stadium collects revenue from advertising, naming rights, and luxury suite premiums in addition to tickets, concessions and parking. The revenue is used to make payments in lieu of taxes, which back the bonds.

In spite of their poor record on the field, the Mets are the sixth most valuable Major League Baseball team, according to Forbes Magazine, valued at $2.4 billion, and the team ranked 13th in attendance, with 2.4 million. Last year, the Mets missed the playoffs for the fourth straight year.

Cohen “is willing to invest as needed to build a winning organization with a goal of winning the World Series in 3-5 years,” according to an investor presentation by Goldman Sachs Group Inc., the underwriter for next week’s bond sale.

New York Governor Andrew Cuomo’s decision to allow limited fan attendance at two Buffalo Bills National Football League playoff game bodes well for at least some attendance at Citi Field when the season starts in April, Medina said. The rating company projects 2021 attendance at 35% of 2019 levels, reaching 80% in 2022 and 100% in 2023. S&P forecasts the Mets will play in an empty Citi Field through June, or roughly half the season, and then operate at 40% capacity for the remainder. S&P rated the bonds BBB-, one step lower than Moody’s.

The bonds that are being refinanced were sold in 2006 and 2009 and carried interest rates as high as 6.6%, according to the offering documents. Under a prior stadium use agreement, only revenue from 10,600 premium seats was retained by the ballpark. That agreement was amended in December so that revenue generated from 31,000 additional seats is available to pay debt. The refinancing will reduce debt service by about $150 million, according to S&P.

“As the stadium is able to increase capacity to normal levels, and our expectation that fan demand returns to or at least close to pre-virus levels, the project will reap the full benefit of the expanded retained ticket revenue,” S&P said.

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