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How Did Things Go So Wrong at This Arizona Park Built With Muni Bonds?

The sports arena opened just last year. Bonds that built it recently traded at roughly 10 cents on the dollar.

Municipal bonds have a reputation for safety, but a financial meltdown at a sports arena in Mesa, Ariz., shows all munis aren't created equal.

Legacy Park, spread over 320 acres with volleyball courts, soccer fields and summer campers, filed for bankruptcy in May. That was just 15 months after it opened and three years after an entity known as the Arizona Industrial Development Authority agreed to issue muni bonds to pay for the park's construction. The bonds recently traded at roughly 10 cents on the dollar, and the park is looking for a buyer.

The sports park's financial troubles highlight a risky corner of the \$4 trillion municipal-bond market, enabled by local government entities known as conduit issuers. That is a space where private-sector businesses, typically nonprofits, borrow tax-free to build malls, medical centers and charter schools.

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