

# CDFA – BNY Mellon Development Finance Webcast Series: Financing Sports Stadiums & Arenas

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# Financing Sports Stadiums & Arenas

**Erin Tehan**

**Legislative & Federal Affairs Coordinator  
Council of Development Finance Agencies  
Columbus, OH**



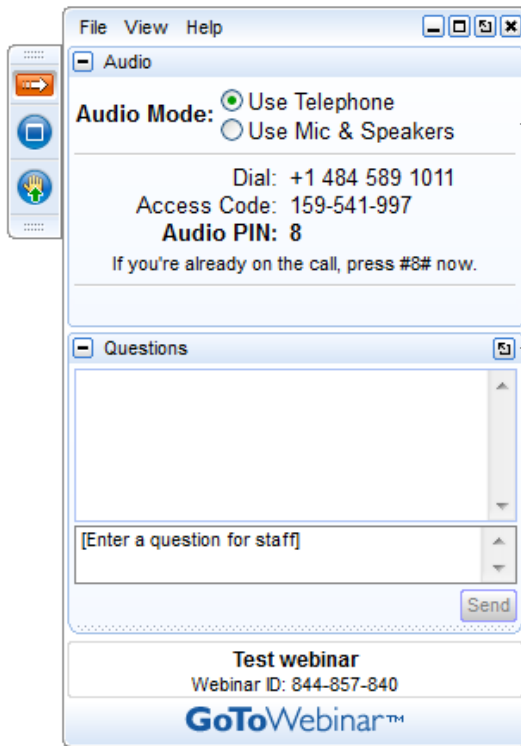
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# Financing Sports Stadiums & Arenas



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# Financing Sports Stadiums & Arenas

## Speakers

**Christine Johnson**, *Moderator*  
BNY Mellon

**Tim Douglass**  
City of Houston

**Brian Parker**  
BKP Consulting LLC



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# Financing Sports Stadiums & Arenas

**Christine Johnson**

**Product Manager**

**BNY Mellon**

**San Francisco, CA**



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July 17, 2012

# Financing Sports Stadiums and Arenas

*CDFA-BNYM Webcast*

*Presented by Christine Johnson*

# Introduction to Stadium Financing

- What elements are available for negotiation? What are some typical options?

Element	Typical Options
Land (stadium/arena footprint)	<ul style="list-style-type: none"> <li>• Land given for free or at below market rate price</li> </ul>
Land (Parking)	<ul style="list-style-type: none"> <li>• Municipal entity to take parking revenue or add surcharge</li> </ul>
Stadium/Arena construction	<ul style="list-style-type: none"> <li>• 100% Privately Funded: Private owner finds private financing</li> <li>• Partially Publicly Funded: Public entity issues revenue or GO bonds</li> </ul>
Naming rights	<ul style="list-style-type: none"> <li>• Public entity or Private entity to take naming rights</li> </ul>
Lease Term/Amount	<ul style="list-style-type: none"> <li>• Private entity pays annual lease to public entity</li> </ul>
Operating Costs	<ul style="list-style-type: none"> <li>• Sometimes partially publicly funded</li> </ul>
Operating Revenue	<ul style="list-style-type: none"> <li>• Private entity usually keeps</li> </ul>
Media Rights/Revenue	<ul style="list-style-type: none"> <li>• Private entity usually keeps</li> </ul>
Non-sport related revenue	<ul style="list-style-type: none"> <li>• Public and private entity may split</li> </ul>
Other Economic Development	<ul style="list-style-type: none"> <li>• In larger markets there may be provisions for local jobs.</li> <li>• Public entity make increase taxes or fees</li> </ul>

# Further considerations

- What sport?
  - Various sports leagues have different season lengths and fan bases.
  - What other sports are supported regionally? Future development plans?
  - What is the media market for the league? Growing/shrinking/changing base?
- What is the market for other events in the off season?
- If bonds are to be issued where will debt support come from?
  - Typical options are hotel tax, parking surcharge, or increased sales tax?
  - Will this revenue still hold if anchor tenant is not as successful or abandons stadium?
  - Time horizon of outstanding debt versus useful life of stadium/arena.



# Potential Risks/Rewards for Public Entities

Potential Risks	Potential Rewards
Anchor sport tenant moves franchise before end of stadium/arena useful life	Increased tax revenue derived from stadium related economic activity
Further development stalls decreasing likelihood of growth from stadium activity	Increased cache. Especially if stadium compliments other amenities
Backlash against public funding	Ability to attract other major amenities/become regional destination
Media markets shift or shrink	Jump-start development of new neighborhoods/ revitalize areas
Growth projections of tax base don't pan out	
Local neighborhoods don't see benefits	

## Recent example – Viking Stadium (Minneapolis, MN)

Element	Vikings New Stadium
Scheduled opening	2016
Seating	65,000
Construction Cost	\$975 mil
Team/NFL Contribution	\$477 mil (48.9%)
Lease Term	30 Years
Revenue from NFL Games	Team keeps 100%
Parking Revenue	City keeps 100%
Naming Rights	Team gets
Non-NFL Event Revenue	City keeps 100%
Personal Seat Licenses	Team keeps
Team's Annual Stadium Costs	\$15 mil

Source: Forbes.com

# Other Examples

Team	Finance Arrangement (Public/Private)
New York Jets/New York Giants (2010)	<ul style="list-style-type: none"><li>• Stadium Cost - \$1.6 billion</li><li>• 0% public financing for construction. (Public land)</li></ul>
Dallas Cowboys (2009)	<ul style="list-style-type: none"><li>• Stadium Cost - \$1.2 billion</li><li>• 28.6% public financing</li></ul>
Arizona Cardinals (2007)	<ul style="list-style-type: none"><li>• Stadium Cost - \$455 million</li><li>• 67.7% public funding</li></ul>

Source: MPR News



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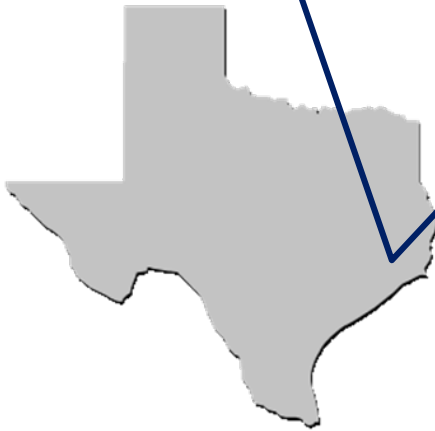
# Financing Sports Stadiums & Arenas

**Tim Douglass**

**Director**

**Economic Development/TIRZ Director**

**Houston, TX**



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# Financing Sports Stadiums & Arenas

**Brian Parker**

**Owner/Principal  
BKP Consulting LLC  
New Lenox, IL**



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# CDFA Webcast – Financing Sports Stadiums and Arenas

Brian Parker  
Principal  
BKP Consulting

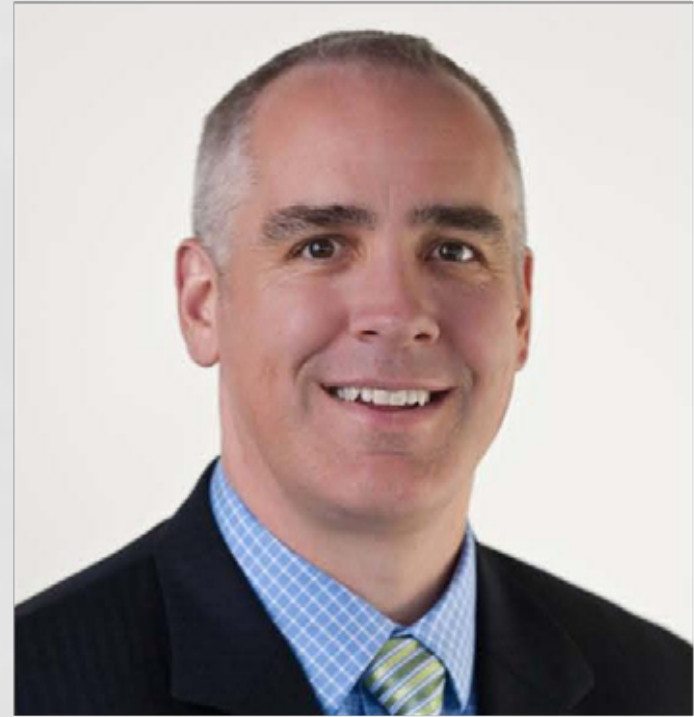
The logo for BKP Consulting features the letters 'BKP' in a bold, dark blue font, followed by the word 'Consulting' in a gold-colored font. To the right of the text is a graphic consisting of three overlapping squares: a large gold square at the bottom, a smaller dark blue square at the top right, and a small black square at the top right corner of the blue square.

**BKP**Consulting



# BKP Consulting Background

- Brian Parker
- 12+ years experience in public assembly industry
- 200+ projects
  - NFL, MLB, NBA, NHL, MLS
  - Minor league baseball
  - Municipal event centers
  - Community recreation centers
  - Athletic complexes
  - Performing arts venues



# Wilmington Ballpark Case Study

- Mandalay Baseball Properties and Atlanta Braves
- City of Wilmington
- New Hanover County
- Proposed Class A Minor League Ballpark
- Estimated project cost: \$42 million
- City retained National Sports Services/BKP Consulting to assist in feasibility/financial analysis

# Wilmington Ballpark Case Study

- Original proposal included City and County
  - Team pay \$350,000 rent annually for 20 years
    - Approximately \$4.5 million towards project cost
  - City and County cover remaining project costs
    - Combination of general obligation debt or revenue bonds
    - Ad Valorem tax increase
    - Existing revenues for park/recreation
  - County backed out of deal

# Wilmington Ballpark Case Study

- Mandalay/Braves Proposed New Deal
- Privately financed, publicly funded
  - Private entities would secure full financing
  - Private entity would own facility
  - City would make debt/lease payment to owner
  - Team would be tenant, make lease payment to owner
- Initially considered as option to avoid referendum
- Option not viable due to capital lease restrictions

# Wilmington Ballpark Case Study

- City now considering GO debt issuance for entire project cost
- Require raising property taxes by up to 3.5 cents per \$1,000 of valuation
- Team rent proposed at \$400,000/year
  - Approximately \$5.2 million in project cost
- City responsible for remaining project costs

# Wilmington Ballpark Case Study

## ● Key Issues - Wilmington

- Appropriate project budget
  - Team needs must be balanced with City budgetary issues
- Appropriate split of funding
  - Overall Class A average: 60% public/40% private
- Responsibility for capital reserve funding
  - Up to \$350,000/year set aside for future repairs
- Possibility of other funding sources
  - County, State, Federal
- Overall economic impacts/incremental revenues

# Wilmington Ballpark Case Study

- Key Issues – Overall

- Define “successful” project
  - Need for positive return vs. economic impact
- Understand ultimate goals of public investment
- Manage public expectations
- Identify appropriate funding sources first
- Then determine appropriate financing structure

# BKP Consulting LLC

Brian Parker

BKP Consulting LLC

[bparker@bkpconsultingllc.com](mailto:bparker@bkpconsultingllc.com)

630.800.5364





# Financing Sports Stadiums & Arenas

## Audience Questions



### ► 2012 CDFA National Development Finance Summit

Ari Matusiak, Executive Director of the White House Business Council will speak during the CDFA Member's Breakfast on August 2.

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# Continue the Conversation #CDFAwebcasts



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Washington, DC  
July 31-August 1, 2012

## TIF Week

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Intro TIF: Sept. 18-19, 2012  
Advanced TIF: Sept. 20-21, 2012

## Intro Tax Credit Finance WebCourse

Daily: 12-5 (EST)  
November 6-7, 2012

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**CDFA – BNY Mellon Development Finance Webcast Series**

**Tuesday, August 21, 2012 @ 1:00pm Eastern**

**CDFA – Stifel Nicolaus Tax Increment Finance Webcast Series**

**Thursday, August 30, 2012 @ 1:00pm Eastern**

**CDFA – Stern Brothers Renewable Energy Finance Webcast Series**

**Thursday, September 13, 2012 @ 1:00pm Eastern**

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# For More Information



BNY MELLON

**Christine Johnson**

Program Manager

415-263-2026

[christine.johnson@bnymellon.com](mailto:christine.johnson@bnymellon.com)



**Erin Tehan**

Legislative & Federal Affairs Coordinator

614-224-1323

[etehan@cdfa.net](mailto:etehan@cdfa.net)

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