BASEBALL AND THE AMERICAN CITY:

An examination of public financing and stadium construction in American professional sports.

By

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April 30, 2001
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CASE STUDIES

HOMETOWN FANS: What local officials did to secure financing for two stadiums in Seattle, after local voters rejected proposal.

When Seattle voters rejected a proposal to fund a new baseball stadium in 1995, local officials feared the Mariners would relocate to another city and the local football franchise, the Seahawks, would follow suit. State officials found the financing for the construction of two new stadiums – drawing from a collection of taxpayer funds, the creation of new revenue streams, and the generous support of local ownership. Now, both the Mariners and Seahawks will have stadiums that rank among the finest in the nation.

On July 15, 1999, the Seattle Mariners opened a beautiful new stadium on the shores of Puget Sound. On that night, cost overruns and political wrangling were the last things on anyone's minds.
Instead, the 44,607 in attendance watched their team take the field under blue skies (or any skies for that matter) for the first time in club history.

Both the Mariners and Seattle’s professional football team the Seahawks, had previously played all their games in the Kingdome, a gray concrete dome has been a city landmark since it was completed in 1976 at a cost of $67 million. The Kingdome disappeared from the Seattle skyline on March 26, 2000 as 5,800 separate explosions brought the 50,000-ton concrete structure in a heap of rubble.

The process for getting a new stadium actually began in 1994, when ceiling tiles in the Kingdome came crashing down into several empty seating sections hours before a Mariner's game. The damage was severe enough so that the team had to play on the road for the balance of the season.

Within a matter of days, King County Executive Gary Locke appointed a citizen's task force to develop recommendation for a stadium alternatives. The task force recognized benefits that modern baseball stadiums could provide, including a generous number of seats with good sight lines of the playing field -- the newer ballparks being built around the nation featured 20,000 of these seats while the Kingdome offered only about 10,000 seats. The newer ballparks also have more amenities for fans, such as broad concession choices and abundant restrooms, and more opportunities to produce revenue for the teams, such as suites and club seats.

In January, 1995, after nine months of intensive study, the Stadium Alternatives Task Force delivered its recommendations. They concluded that a new outdoor ballpark was essential to the successful economic future of major league baseball in the Pacific Northwest. The report called for a public-private partnership, a long-term lease with the Mariners, and operation of the ballpark by the Club under contract with an owning authority.

Armed with the Stadium Alternatives Task Force report, King County and the Mariners petitioned the Washington State Legislature in 1995 to provide a funding mechanism for a new baseball park. The Legislature approved a bill that allowed King County to place on the ballot a countywide sales tax of one tenth of one per cent for a ballpark that included natural turf and a retractable roof and required a $45 million contribution by the Mariners.

Meanwhile, the Mariners were involved in their first-ever run for the pennant. Community enthusiasm for the team was at an all-time high, and it kept building as the Mariners moved into championship play. The team made it known that some course of action had to be determined by the end of October or the team would be put up for sale. Pro-stadium groups along with the local papers, hailed stadium projects as reflecting the best interests of the city. One pro-stadium group, Home Town Fans, garnered over a million dollars in donations from local business groups, downtown advocates, and large corporations (Boeing, Microsoft, etc…) but couldn't overcome a public sentiment against the creation of new taxes – brought about when several other costly ballot proposals, including an initiative to build an expansive downtown park, shared the ballot. The ballot measure failed with only 49.9% of the vote.

Only a few weeks after the election loss, Governor Mike Lowry called a Special Session of the Washington State Legislature. The Legislature granted authority and provided the necessary funding mechanisms for the creation of a public facilities district to site, design, construct and operate the Ballpark. Markedly different from the defeated sales tax measure, this funding package recognized the economic value of baseball to the state and that it would add state revenues to a variety of county funding sources.

On October 24, 1995, the Metropolitan King County Council voted to implement the taxes authorized by the State and to create a Public Facilities District (PFD). The estimated cost for the stadium was $498 million, but cost overruns pushed the final tally to approximately $517 million. Some of the funding mechanisms used include:

- Sales tax credit: State authorized, county imposed .017% sales tax, which is offset against the sales tax now collected by the state in King County. (This results in no sales tax increase to the general public).
- Proceeds from sale of baseball stadium commemorative license plates.
- Proceeds from sale of two to four sports theme lottery scratch games ($3 million is guaranteed from this source).
- A special stadium sales tax of .5% on restaurants, bars and taverns in King County as well as a special stadium sales tax of 2% on rental cars were also created.
- The Mariners contributed $75 million. Cost overruns exceeding $100 million have yet to be settled.

In June 1997, Washington state voters approved a statewide referendum to construct a new, world-class football/soccer stadium and exhibition center for the community. The new stadium will be home to the Seattle Seahawks, and the new exhibition center already houses the many consumer shows that previously took place in the Kingdome. Additionally, a new parking garage opens up more than 2,000 more parking spaces at the facility. The new football/soccer stadium and exhibition center will be owned by the public and funded by a private-public partnership. Private contributions will total at least $130 million, while the public will contribute up to $300 million through a new lottery and a variety of taxes generated by events in the stadium/exhibition center.

After maintenance and operation costs have been met, any profits generated each year by these facilities will be divided three ways. A portion will go to the Seahawks football team. Another portion will be placed in a reserve fund to cover any unanticipated revenue shortfalls. And the final portion will be used to build youth playfields across the state, in addition to the $10 million Paul G. Allen has already guaranteed for youth playfields. The stadium, like all other new public facilities, adhere to King County's "One Percent For Art Program" and devote 1% of the construction budget, which would amount to $4 million for in and around the new facility.

MILE HIGH HOPES: How sports transformed Denver into a national powerhouse.

Less than a decade ago, Denver had only one sports team. Today, after aggressive lobbying by local government officials and significant public support, the Mile High City is home to three new sports facilities and three championship contenders. In short, the introduction of major professional sports into Denver, and the construction of three new, state-of-the-art sports facilities, has vaulted Denver from a sleepy mountain community to one of the nation's leading hotspots.

Denver, Colorado is the smallest metropolitan area (ranked 19th with a population 2,365,345) in the U.S. to have one team in each major professional sport (baseball, basketball, football and hockey). In 1997, Sporting News declared Denver to be the #1 Sports City in America, both for its great fan support and for its abundance of recreational opportunities.

The new football stadium completes the "triple crown" for the Mile High City, joining the two-year-old $160 million hockey/basketball arena -- the Pepsi Center (home to the Denver Nuggets and the NHL Colorado Avalanche) and Coors Field, which opened as the home of Major League Baseball's Colorado Rockies in 1995.

Denver had no major league baseball team when it began to lay plans for a new stadium.
The National League advised interested cities that in order to be considered for a franchise, a city must have or have plans to construct a baseball-only facility meeting league approval. Financing. The novelty of major league baseball in Denver made the subject of government finance of a baseball stadium less controversial than it was in other cities. In April 1990,before the National League had even awarded Denver a franchise, the Colorado Legislature passed the Denver Metropolitan Major League Baseball Stadium District Act.

As the title of the act indicates, Colorado chose to create a special district, consisting of six counties surrounding Denver, to finance and construct the stadium. The district had the power, with voter approval, to levy a 0.1% sales tax within the six-county area. The tax was not to exceed 20 years in duration. Coors Field has cost considerably more than was projected, however. Attendance for the team's inaugural season at Mile High Stadium was so great that additional capacity was requested. More luxury boxes were added, as well as other amenities. Although the Rockies put around $60 million into the project, club seats that were supposed to be privately financed ended up being part of the public cost of the stadium. The final cost of the stadium was around $215 million.

The 76-acre ballpark now stands at 20th and Blake streets in Denver's lower downtown ("LoDo") district. Fans sitting in the first-base and right-field areas are treated to a spectacular view of the Rocky Mountains. Every year since it opened in 1995, Coors has been a league leader in attendance.

The Rockies lease Coors Field from the Stadium District that owns it, and maintains the park at a cost of approximately $6 million per year as part of their lease agreement. In addition, the team must pay $17 million in cash over the 22-year span of the lease. The lease also provides that the Rockies must share their revenues, based on attendance at home games. This amount usually comes to about $2 to $3 million per year. The district receives 20% of parking revenues on game days and 80% of parking revenues for non-baseball events, as well as 3% of the gross receipts from the stadium restaurant. Naming rights, which were originally to be retained by the district, went instead to the Rockies, who sold them in perpetuity to Coors Brewing for $15 million.

Following the success of the baseball stadium initiative, on November 3, 1998, Denver voters overwhelmingly approved a new $360 million football stadium to be located just a few feet south of the existing Mile High Stadium. If all goes according to plan, the open-air, multi-use stadium will open for the 2001 football season as the new home for the Denver Broncos. A six-county sales tax hike will contribute $260 million toward the $360 million facility.

The stadium features approximately 76,125-seats for NFL football and up to 85,000 seats for other events, only two more seats than Mile High, which has been filled for every regular season game since the beginning of the 1970 season.[1] Invesco Funds Group, a financial services company, will pay $120 million for 20 years to have its name on the stadium.. The league is expected to loan up to $44 million to the Broncos.

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[1] The Broncos have sold out 229 consecutive regular season games, and with postseason contests the total reaches 242 over the 30-year period.

NOTE: The new Pepsi Center (for the Nuggets and Avalanche) opened in 1999; the old McNichols Arena, renovated in 1986 at a cost to the city of $12.5 million, was deemed necessary to replace because its luxury boxes were too cramped. The Pepsi Center will offers 18,129-seats for the Colorado Avalanche, 19,309 seats for the NBA Denver Nuggets, and 20,100-seats for concerts and other uses. Private loans, $15 million from Liberty Media and $4.5million in infrastructure, $2.25 million for construction sales tax rebates and $2.1 million annually for property tax exemptions. Pepsi will pay an estimated $68 million for naming rights and promotional sponsorship of the Pepsi Center. Between 160 and 200 events are expected to take place at the venue each year, including sports, concerts, circuses, ice and family shows.

IF AT FIRST YOU DON'T SUCCEED: How Houston rebounded to become one of the premier sports cities in the nation.

When local officials in Houston refused to build a new football stadium for the Oilers, the team packed up and moved to Tennessee. Fearing the beginning of a trend, local officials scrambled to find funding to replace the Astrodome, Houston's infamous indoor football/baseball complex once deemed "the eighth wonder of the world." Now, Houston has a new baseball stadium for the Astros and will inaugurate the National Football League's newest team in a brand new stadium next fall.

Houston is the fourth-largest city in the country, 11th-biggest media market, home to 13 Fortune 500 corporations as well as 18 of the Fortune 100 fastest-growing companies. But, in 1996, the embattled football franchise, the Oilers, packed their belongings and relocated to Nashville, a potentially damaging sign for the Texas oil town.

Now, less than five years after later, Houston's downtown core has been reborn, evidenced by the expansion of the George R. Brown Convention Center, the development of the city's arts district, and a host of new convention center related hotels, restaurants, and even downtown clubs. The most exciting project to local residents, however, was the construction of a new stadium for the local baseball team, the Houston Astros – Enron Field. Also under construction is Reliant Stadium, which will be home to the newly formed Houston Texans. In September 1999, after negotiating a $700 million franchise fee, the NFL owners granted the 32nd franchise to Houston with the added assurance of hosting the Super Bowl in 2004. After adding the cost of the stadium and other items, the deal was for well over one billion dollars.

The beginning of this renewal came on May 20, 1996, when a special sports task force recommended that Houston and Harris County spend $625 million to build a new baseball stadium and a new downtown basketball arena, and refit the Astrodome for football and the rodeo. It did not say how to pay for it, but it did recommend some possible revenue sources, including the sales tax and new taxes on cigarettes and mixed beverages. The report was given to Mayor Bob Lanier and Harris County Judge Robert Eckels, who appointed the 23-member Houston/Harris County Sports Facility Public Advisory Committee in January 1996. The Oilers moved to Tennessee in 1997 and the owners of the Astros and Rockets have said they would consider moving to another city unless they got new venues. The franchises have said they cannot make enough money in their outdated facilities to compete against teams with new parks, stadiums and arenas.

On November 5, 1996, the voters of Harris County approved the construction of a new ballpark in downtown Houston. Astros owner Drayton McLane Jr. had agreed the September before the vote that he would keep his team in Houston if the ballot measure passed.

Both projects were coordinated, and will be managed, by the Harris County-Houston Sports Authority. Enron Field cost approximately $265 million, of which $180 million came from public sources; temporary increases on the local hotel and rental car taxes will raise this sum. An additional $85 million in private financing including land donations from private corporations, an interest-free loan to the team, and $53 million from the Astros in the form of advance rent payments were also provided.

The new football stadium is expected to cost $367 million. The Sports Authority's hotel occupancy taxes and short-term vehicle rental taxes will be pledged to provide a targeted amount of $252 million in net bond proceeds, with the additional net bond proceeds (targeted to be $65 million) being secured by $4,782,000.00 in new revenues and ticket and parking taxes or surcharges generated by the operation and use of Reliant Stadium. The Texans franchise will contribute $50 million to the construction of Reliant Stadium, payable in three installments which may be funded by the sale of personal seats licenses for seating at the NFL Club's events/games, and an additional $4 million per year related to operating costs.

On November 8, 2000, Houston voters overwhelming passed an referendum in support of a new state-of-the-art, multipurpose sports and entertainment facility designed to support the occupancy of the Rockets and an NHL Team, as well as to host other sporting events (such as WNBA and NCAA basketball), family shows, concerts, the circus and similar entertainment and floor events (the "Arena"). The total cost has been projected at $175 million.

The Rockets will pay $105 million of the total cost in the form of annual rent payments including all construction cost overruns. The Harris County Houston Sports Authority will pay the rest. Its budget is made up of existing hotel occupancy taxes and car rental taxes. The land (capped at $20 million) will be acquired and paid for from the city's Convention and Entertainment Facilities budget, which is made up of existing hotel occupancy taxes.

A new arena could have a dramatic effect on the city's efforts to lure the Olympics to Houston in 2012. The City already have the upper hand in venues and transportation and a new arena to go with Enron Field and the new football stadium would make that offer even more attractive.

PLAN B: Public/Private Partnerships and the saving of sports in the Steel City.

Local voters rejected a proposal to publicly finance the construction of two single-use stadiums to replace aging Three Rivers Stadium. But local investors joined with local officials to create some of the most creative public/private partnerships in the nation – and the result is two new stadiums for the Pirates (baseball) and Steelers (football).

Pittsburgh is one of the oldest and most respected sports towns in the nation. So when Three Rivers Stadium, the venerable home to both the city's professional baseball and football franchises, began to show its age, the public outrage was palpable. Local officials and civic leaders saw an opportunity to restore Pittsburgh to its previous glory.

Pittsburgh Mayor Tom Murphy established the Forbes Field II Task Force in 1995 made up of 29 business and political leaders in the Pittsburgh region. Their job was to study various issues relating to the building of a new ballpark and a new stadium in Pittsburgh. In 1996 the task force issued a report calling for the construction of two new stadiums in the area adjacent to Three Rivers Stadium. In November 1997 voters in 11 counties rejected a proposal to increase the sales tax to help finance the project. In 1998, the Regional Asset District voted to approve local funding for what had now become known as "Plan B" (it received the name after voters rejected the first proposal for new stadiums in 1997).

All told, the $809 million will be used to build a $228 million baseball park at the end of the Sixth Street Bridge on the North Shore; a $233 million football stadium, just west of Three Rivers Stadium; and a $267 million expansion of the convention center. It would also pay off Three Rivers' $40 million debt, pay to demolish the current stadium, and establish a $30 million fund to create a "first-day" attraction entertainment center on the North Shore.

A Regional Asset District (RAD) will contribute $13.4 million annually to finance $170M in bonds toward the construction of the baseball stadium.. The county hotel tax will contribute $8M annually to finance $99M in bonds. A 5% surcharge on Pirates and Steelers tickets will raise $3M annually to finance $22M in bonds. Additionally, a 1% wage tax will be levied on players who do not live in the city, which will add $7M to the project. $300M in matching funds are being provided by the state and $85M will come from the Pirates and Steelers. All told, another $28M in federal infrastructure improvements will be made as well.

The Pirates are expected to cover operating costs (utilities and maintenance) as long as the team receives the revenues from concessions and advertising. PNC Bank, a financial services company, will pay approximately $1.5 million a year through the 2020 baseball season for the right to name the stadium itself.

A new grid of streets, sewers and waterlines is being installed in and around the new stadiums. Roads, sidewalks, lighting and a new riverfront park will transform everything from Federal Street to the Carnegie Science Center by the time the Steelers inaugurate their new stadium next August.

PNC Park will have just over 38,000 seats, making it the most intimate of any of the newly constructed parks. PNC Park will be the first ballpark with a two-deck design to be built in the United States since Milwaukee's County Stadium was completed in 1953. Because of its intimate design, the highest seat will be just 88 feet from the field, giving every fan in the park an ideal sight line.

Other features of the new facility include 69 suites with their own concourse level, club seating at both the field and mezzanine levels with their own respective lounges, an outfield barbecue pit, a restaurant with a party deck that overlooks both the playing field and the city, and an outdoor river terrace and river walk. Even the bathrooms are state of the art. The men's room will feature all the urinals facing the playing field with one way glass above them. And the ladies room will feature toilets that face the playing field as well with one way glass. When nature calls - the fan will not miss any of the action.[2]

The Steelers financial contribution to the project includes $80.7 million in cash and pledged revenues as well as $32.4 million secured in a line of credit for future projects. $39.4 million is being generated from the sale of personal seat licenses and club seats will generate another $17 million. Finally, the Stadium Authority Board approved a $3 ticket surcharge on Steelers tickets in for the 2000 season.

[2] Shelly Anderson, "PNC Park not just for Pirates baseball" Sunday, April 01, 2001