

Stadiums and Ancillary Development: The Impact from Financing to Fan Experience

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What is Ancillary Development?

- Land surrounding or adjacent to facility that is underutilized and is developed hopefully for the betterment of all
- Common examples are entitling or up-zoning land to create value to justify investment for public or private parties

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Examples of Ancillary Development

- LA Live
- San Francisco Giants
- San Diego Padres
- Colorado Rockies
- St. Louis Cardinals

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What is feeding the trend?

- Started as a way to justify public investment by expanding tax base
- With success came analysis: How does such development impact revenues?
- Teams began to ask, “How can we control our environment, improve fan experience and generate revenues?”
- Public Sector is asking, “Can we push stadium development risk to Team?”

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Historical Funding Timeline

Pub = Publicly Financed
Priv = Privately Financed

1897 - First professional stadium, Baker Bowl in Philadelphia, is privately constructed and financed

1923 - Yankee Stadium opens in the Bronx, NY (Priv)

1923 - L.A. Coliseum First stadium to be totally publicly financed

1950s - public funding becomes the norm

1957 - Dodgers leave Brooklyn for L.A.; New York Giants move to San Francisco

1964 - Shea Stadium opens in New York (Pub)

1976 - Giants Stadium opens in NJ (Pub)

1992 - Camden Yards opens in Baltimore (Pub/Priv); 1994 - Jacobs Field opens in Cleveland (Pub/Priv)

Between 2000 and 2010, 31 new pro stadiums open in U.S., including in Pittsburgh (Pub/Priv), Denver (Pub/Priv), Fasano (Priv), Seattle (Pub/Priv), Indianapolis (Pub/Priv) and Arlington, TX (Pub/Priv)

New planned projects include facilities in Brooklyn, L.A., Miami, San Diego, Minneapolis and the SF Bay Area

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Traditional Stadium Financing Tools

- Public Sector Investment
 - Granted funds backed by TIF, PILOT, BID
 - Discounted or free site
 - Revenue bonds
 - Tax exempt debt supported in part by Team revenues/rent
- Private Sector Investment
 - Private financing backed by exclusive team revenues

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Recent Tools

- EB-5
- Historic or new tax credits
- Equity seat licenses
- Indentures (Europe)
- Ancillary stadium development

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Ancillary Stadium Development Pros

- Team Perspective
 - Control fan experience
 - Protect and/or enhance team revenues
 - Enhance Team valuation
- Public Perspective
 - Reduce direct investment in highly charged political debate
 - Incent developer to invest and create a new tax base to justify incentives

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Ancillary Stadium Development Cons

- Team Perspective
 - Shifting development risk to Team
 - Now you have to develop both the stadium and ancillary development
- Public Perspective
 - Political risk of providing corporate incentives; however overall much more palatable than previous approaches

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Approach for Team

- Negotiate for entitlement that justifies risk
 - Not a dollar for dollar negotiation
 - Risk/reward balance
- Consider partnering with third party developer to reduce risk. Give up some upside for certainty?
 - However in doing so, have to put in place land use restrictions to protect team revenues, for example:
 - No sports merchandise store
 - No views into new facility
 - In essence: minimize competing interests
 - Protect ingress and egress

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Conclusion

- Method to protect and control your environment
- If done properly, can prove fan experience, increased revenues and protect valuation
- Look to find right balance of risk versus reward

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