Professional Sports Facilities: The Costs, the Public, the Benefits and the Law of the Deal

Econ 296: Seminar in Economics – The Economics of Sports

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Foundational Issues

- Why are sports valued in society?
- What is the economic value of the presence of professional sports in a community?
- Can intangible benefits associated with sports justify a subsidy in a community?
- Are there positive economic impacts associated with a professional sports facility?
- Why are facilities for professional sports franchises still being built/renovated?

Overview of Class

- I. The Sports Facility Boom
- II. Reasons for the Sports Facility Boom
- III. Public Funding for Sports Facilities
- IV. How the Deal Gets Done

I. The Sports Facility Boom

- Latest boom began in mid-1980s
  - Others in the 20s and 70s

- As of 2008 → 78% of the teams in the four major sports leagues were playing in new or substantially renovated facilities since the 1980s

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Focus

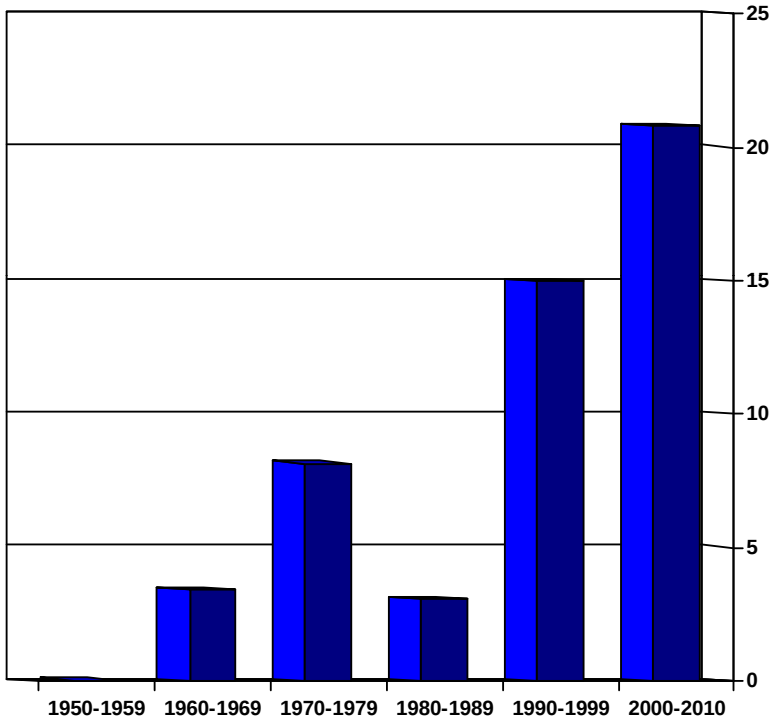
- 4 Major Sports Leagues

#4 → May recover

Not on same level

Overall $ Spent on New Facilities in 4 Major Professional Sports

- 1950-1959 = $241.35 M
- 1960-1969 = $3.69 B
- 1970-1979 = $8.85 B
- 1980-1989 = $3.31 B
- 1990-1999 = $15 B
- 2000-2010 = $20.8 B



- estimates converted to 2008 dollars

- Sources: Keating, R.J. (1999, April 5). Sports pork: The costly relationship between major league sports and government. Cato Institute: Policy Analysis No. 339; National Sports Law Institute, *Sports Facility Reports*; Siegfried, J, & Zimbalist, A. (2000, Summer). The economics of sports facilities and their communities. *Journal of Economic Perspectives, 14*(3), pp. 95-114.

History of new facilities

Time Period	New Facilities	Renovated Facilities	Total Number of Teams	% of Teams Affected
1950s	8	1	46	20%
1960s	25	4	51	57%
1970s	35	10	81	56%
1980s	21	7	91	31%
1990-1999	41	11	102	51%
1999-2006	35	8	122	36%

- 78% of current teams are in new or renovated facilities since 1990

- Sources: Keating, R.J. (1999); NSLI, *Sports Facility Reports*.

II. Reasons for the Sports Facility Boom

- I. The Sports Facility Boom
- II. Reasons for the Sports Facility Boom
  - Many theories behind the boom
  - Separate from reasons why there is public funding
- III. Public Funding for Sports Facilities
- IV. How the Deal Gets Done

Reason #1: Obsolescence

- (1) The "obsolescence" theory proposes that, because the facilities being replaced were built in the 1970s or earlier, it is more cost efficient to replace the facility than renovate it to meet current standards.
  - Ex: County Stadium

•SOURCES: for theories: Greenberg, M.J. (2000). *The stadium game: Second edition.* Milwaukee, IL: Marquette University Press; Anderson, P.M. (1997). The sports facility boom. *Sports Facility Reports.*

Reason #2: Edifice

- (2) The "edifice" theory offers that a new facility can be more than merely the home for the team. It can become the focal point for community development by encouraging commercial and residential interests to move into the area.
  - Ex: Miller Park (Miller Park Way – Target, Menards, restaurants, housing)

Reason #3: Expanding Use

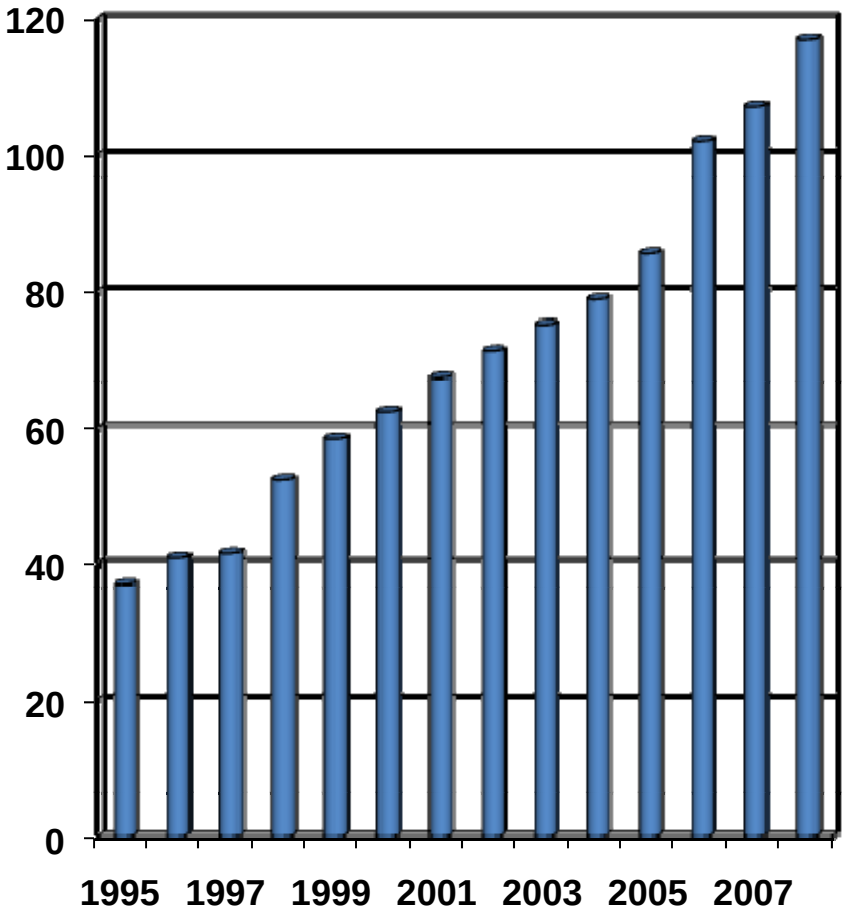
- (3) The "expanding use" theory argues that a new facility will automatically increase attendance for a team based on the novelty and increased amenities for fans associated with the new facility.
  - Ex.: Lambeau Field (Atrium)

Reason #4: Competitive Balance

- (4) The "competitive balance" or "state of the art facility" theory reasons that new facilities are needed to provide teams with the revenue necessary to allow them to compete successfully in leagues experiencing significantly rising player and other costs.
  - Each new facility sets a new standard for revenue generating potential and redefines what is state of the art

NFL Salary Caps

- 1995 → $37.1 M
- 1996 → $40.777 M
- 1997 → $41.45 M
- 1998 → $52.388 M
- 1999 → $58.353 M
- 2000 → $62.172 M
- 2001 → $67.4 M
- 2002 → $71.1 M
- 2003 → $75.007 M
- 2004 → $78.78 M
- 2005 → $85.5 M
- 2006 → $102 M
- 2007 → $107 M
- 2008 → $117 M



The State of the Art Facility

- Definition evolves as new facilities are built → focus on being both fan and corporate friendly as defined by economic attributes
  - 1. luxury suites
  - 2. preferred/club seating
  - 3. stadium club/restaurant
  - 4. novelty shops
  - 5. hall of fame
  - 6. concession stands
  - 7. auxiliary developments (microbreweries, hotels, theatres)
  - 8. ATMs
  - 9. wide concourses for signage
  - 10. restrooms
  - 11. other signage (outfield walls, base lines)
  - 12. scoreboard
  - 13. large number of comfortable seats
  - 14. adequate on-site parking
  - 15. corporate name?
  - 16. administrative offices
  - 17. locker rooms for each team

New Yankees Stadium →

http://newyork.yankees.mlb.com/nyy/ballpark/premium_seating/index.jsp

Reason #5: Increasing Cost

- (5) The "increasing cost" theory demonstrates that as franchise fees rise owners must have new facilities to realize revenue streams that will allow them to receive an attractive profit on their investment, at the same time that the cost of a new facility has increased

- POSSIBLE REASONS FOR INCREASED COSTS

  - 1) Increased franchise fee costs
    - 1995 → Carolina = $140 M
    - 1995 → Jacksonville = $140 M
    - 1999 → Cleveland = $530 M
    - 2001 → Houston = $700 M

2) Increased facility costs

- Recent Facility Costs in the NFL (with % private funding)
  - <u>2002</u>
    - Detroit Lions → Ford Field = $225 M ➔ (64%) $144 M private
    - Chicago Bears → Renovated Soldier Field = $621 M ➔ (39%) $242 M private
    - Houston Texans → Reliant Stadium = $424 M ➔ (29%) $123 M private
    - New England Patriots → Gillette Stadium = $325 M ➔ (100%) $325 M private
    - Seattle Seahawks → Qwest Stadium = $430 M ➔ (23%) $99 M private
  - <u>2003</u>
    - Green Bay Packers → Renovated Lambeau Field = $295 M ➔ (43%) $127 M private
    - Philadelphia Eagles → Lincoln Financial Field = $395 M ➔ (79%) $313 M private
- Total Private Input in NFL since 1990 = $3.72 Billion

Other reasons

- 3) Facilities are larger and have more lavish amenities to produce more revenue

- 4) Most new facilities have been located in downtown redevelopment areas where land acquisition and improvement costs are much higher

- Source: Fitch Ratings (2003, January 6). *Project finance: U.S. sports facility finance – yesterday, today and tomorrow.*

Reason #6: Exclusive Use

- Teams seek new facilities they will have the exclusive right to use for their own events or for events that they will receive revenue from

Overall Costs for new facilities

- Costs for new facilities have gone up but not as much in real dollars
  - Stadiums average cost now around $400 M
  - Arenas average cost now around $250 M

    - 1950s: $31.07 M
    - 1960s: $165.91 M
    - 1970s: $296.05 M
    - 1980s: $197.27 M
    - 1990s: $290.52 M
    - 2000s: $383.64 M

  - converted to 2008 dollars

- Sources: Keating, R.J. (1999); NSLI, *Sports Facility Reports*.

III. Public Funding for Sports Facilities

- I. The Sports Facility Boom
- II. Reasons for the Sports Facility Boom
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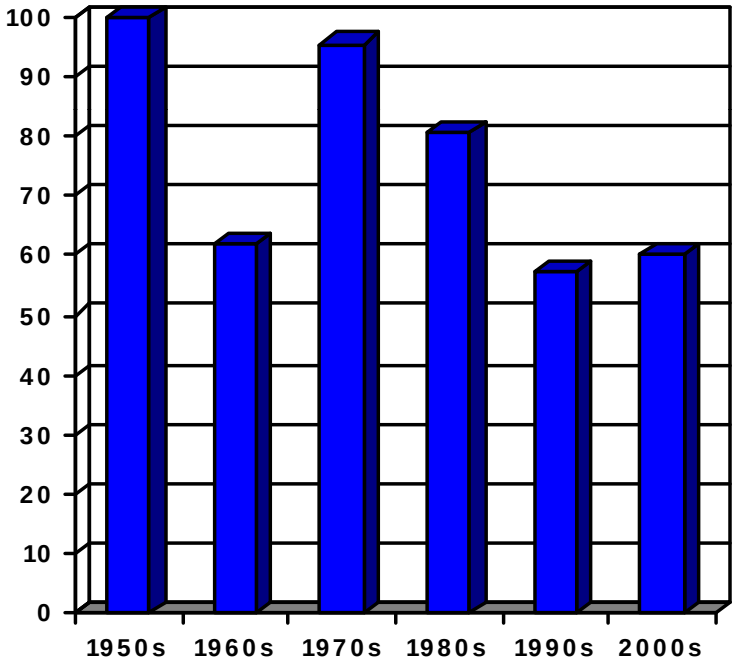
Numbers

- Percentage of facility costs contributed by public funds
  - 1950s = 100%
  - 1960s = 61.8%
  - 1970s = 95.6%
  - 1980s = 80.7%
  - 1990s = 57.2%
  - 2000s = 60.2 %
- Total $ amount may be increasing but percentage is not



Reality Today

- Every sports facility project is a public/private partnership
  - Public Sector often pays most
  - Private Sector (owner) always contributes
  - 2000s
    - NBA/NHL arena = 70% public / 30% private
    - NFL/MLB stadium = 55% public / 45 % private

Justifications

- Can public subsidy be justified
  - 1. Economically
  - 2. Alternative justifications for public participation
  - 3. Why are facilities being built?

1. Economic Justifications

- A. Public Referenda
  - Mondello, M.J., & Anderson, P. (2004, January). Stadiums, arenas, and sports referendums: A comparative analysis of cities involved in the stadium game. *International Journal of Sport Management*, 5, 43-71
  - **What are some possible positive economic impacts associated with building a professional sports facility?**
  - **How is Economic Impact Analysis used within the public referenda process for sports facilities?**

1. Economic Justifications

- B. Other economic benefits
  - Walker, S., & Enz, M. (2006). Keynote: The impact of professional sports on the local economy. *Western New England Law Review, 29*, 149-163.

- **What do empirical academic studies of the impact of a sports facility on a community often ignore?**

- **What unique benefits might a professional sports team bring?**

- **Where is there still the possibility of growth in sports facility development?**

1. Economic Justifications

- C. Impact on surrounding areas
  - Sports facilities have long been a staple of the economic recovery toolkit in North American central cities

- Facility can be an anchor for redevelopment
  - Almost always involve infrastructure upgrades and urban design improvements

    - Dr. Tim Chapin, Investigating District and Sports Facility Synergy (2000, November). Report prepared for CMC Heartland Partners for the Shops Area Project in Milwaukee, Wisconsin

Coors Field Example

- Built 1995 → report soon after

- Surrounding area
  - 70% upsurge in number of restaurants
  - 5 new brewpubs
  - residential market from 270 to 700 in two years

- Santee, E. (1996, December). Major league cities. *Real Estate Issues, 21*(3), 31-35.

Criticism of economic impact associated with sports facilities

- "Academic Economists" relatively uniform that there is not enough economic impact to justify public subsidy
  - A. Measurements wrong
  - B. Monopoly sports leagues
  - C. Study bias
  - D. Rich owners
  - Caveat: many of these economists are changing their perspective in the last few years

A. Economic Criticism

- Focus on job creation not on subsidiary development
- Multiplier Used
- 2008 sports industry
  - ➔Teams, governments, etc. look for other ways to justify funding for facility → EIA less and less a part of the analysis

A. Economic Criticism

- Rosentraub, M.S. (2006, August). The local context of a sports strategy for economic development. *Economic Development Quarterly, 20*(3), 278-291.

- **What recent research challenges the assumption that governments providing subsidies for sports facilities are wasting money?**

- **What was Cleveland's answer to the decline of the city in the 1980s?**

- **What were some positive results of this strategy?**

B. Monopoly Sports Leagues?

- Critics also argue that franchise owners operate in leagues that use their monopoly power to force communities into public subsidies
  - Economic monopoly is not the same as an illegal monopoly
    - To be illegal it must violate the Sherman Antitrust Act as an agreement in restraint of trade

Competitor Leagues

- USFL v. NFL 842 F.2d 1335 (2nd Cir. 1988)
  - USFL sued the NFL seeking $1.701 billion in damages and claiming that the NFL monopolized professional football and used predatory tactics to limit the ability of the USFL to grow
  - jury → NFL willfully maintained a monopoly power in the market for professional football in the United States
    - award of $1.00 to the USFL, tripled under the Clayton Act

- All American Football League → Spring 2007
  - 8 teams near college towns playing in stadiums on or nearby campus
  - $100, 000 salaries
  - Looking for investors → $2-3 M for a franchise
    - Leagues cannot force communities to pay

C. Study Bias

- Critics argue that these are house studies done for team
- Reality?
  - Mondello & Anderson
  - **Who commissions Economic Impact Studies?**

C. Study Bias

- Even critics change
  - EXAMPLE: Professor Mark Rosentraub, Cleveland State University → author of *Major League Losers: The Real Cost of Sports and Who's Paying For It*
    - Cities that spend millions to attract these franchises come out barely even or, more often, wind up deep in the hole (1999)
  - Hired as consultant for stadium project in San Diego and supported use of public funds
    - Stadiums can function as focal points around which apartment buildings, stores, restaurants and bars cluster. And they can help bring back hollowed-out downtown areas. In San Diego, the Padres' new Petco Park turned a desolate area full of abandoned lots and storage facilities into a landscape of luxury condominiums and boutique hotels (2006)

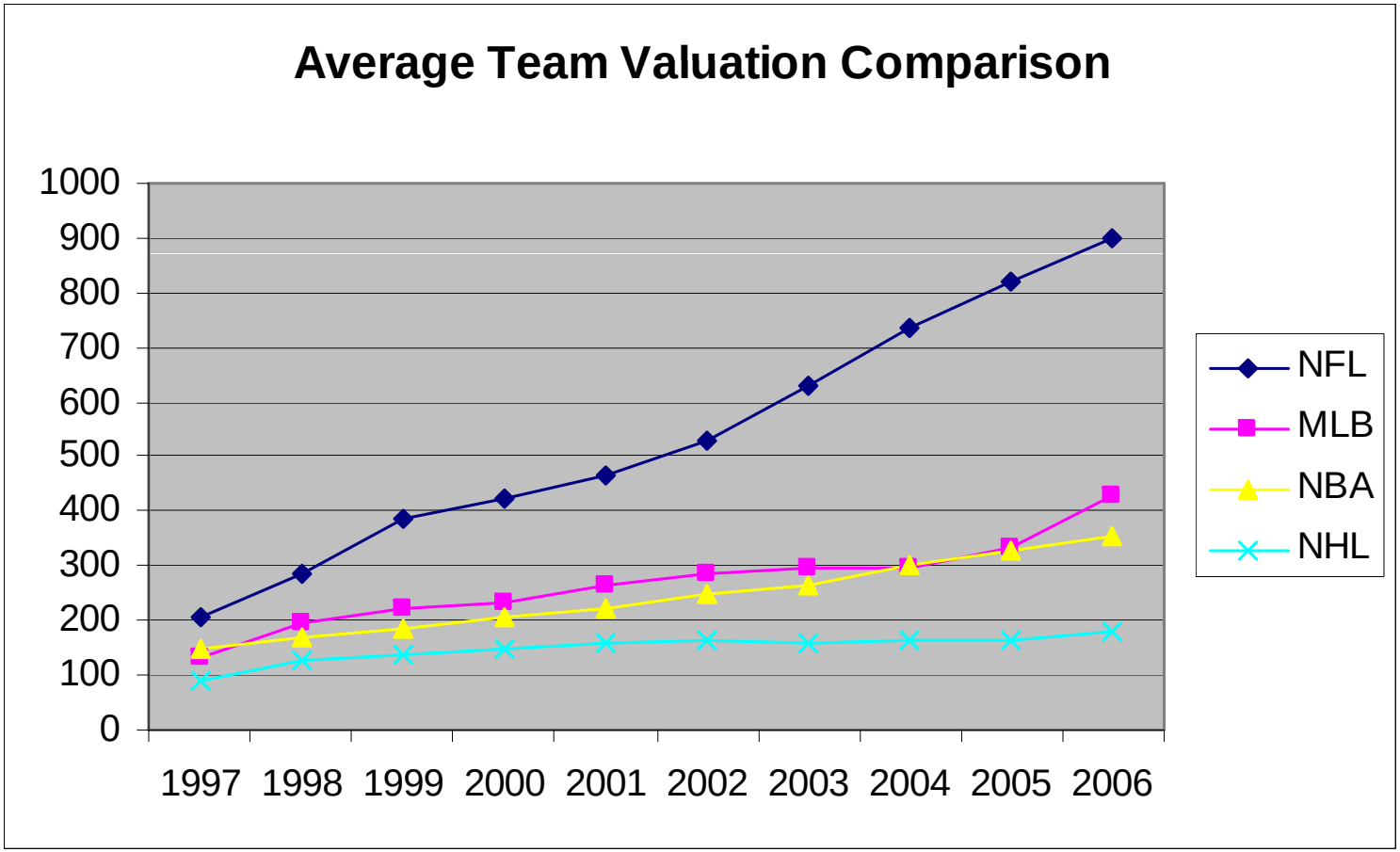
D. Rich Owners

- Perception by critics that public subsidy is going to rich owners
  - (1) provide public funding for a facility →
    - (2) will result in increased revenues for a team → (3) this increased revenue goes to the owner
    - IN THE END→ (i) really providing public funding to private owner
  - (1) provide public funding for a facility →
    - (2) will result in increased revenues for a team →
      - (3) add to increases in franchise value
    - IN THE END → (ii) owner will realize increased franchise value

i. Funding = Revenues for Owner

- Lots of evidence owning a team is not a way to make money
  - Report of Independent Members of the Commissioner's Blue Ribbon Panel on Baseball Economics
    - 1995-1996 only three MLB clubs profitable
    - Believable?
      - Study lead by Senator George Mitchell

ii. Owners Realize Increases in Franchise Value



- Source: National Sports Law Institute (2007, Summer). A comparison of team values in professional team sports: 2 year update. *Sports Facility Reports*.

ii. Owners Realize Increases in Franchise Value

- Changes in average franchise values
  - NFL ➔ $205 M (1997 | or $265 in 2007)
    - → $898 M (2007) = +438%
  - MLB ➔ $134 M (1997 | or $168 in 2006)
    - → $431 M (2006) = +322%
  - NBA ➔ $148 M (1997 | or $186 in 2006)
    - → $353 M (2006) = +239%
  - NHL ➔ $90 M (1997 | or $113 in 2006)
    - → $180 M (2006) = +200%
- **Franchise values only realized if sell team**

2. Alternative justifications for public participation

- Developed also often by Economists
  - A. Other benefits
  - B. Defense and rational choice

A. Other Benefits

- Rappaport, J., & Wilkerson, C. (2001). What are the benefits of hosting a major league facility? *Economic Review*, 55-86
- **Begins with good overview of "academic" studies of economic impact. Why is this designation important?**
- **What benefits are missing within the debate on the impact of a sports franchise within a metro area?**
- **How can these missing benefits be quantified? Can they make enough of an impact?**

Experience of areas that lost teams

- St. Louis:
  - Cardinals left in 1987 after city refused $120 ($138 M in 1990) toward new facility
    - → 1990 -- 3 years later voters approved $280 M for new stadium for Rams (double what had refused for Cardinals)

  - →

- Cleveland:
  - Cleveland refused to provide sufficient public funding to keep Browns (would renovate but not assist with new stadium – capped at $125 M ($129 M in 1999))
    - → they moved to Baltimore in 1997 where city paid $220 M for their new stadium and became Ravens
    - → in 1999 Cleveland paid $285 M for stadium for expansion franchise (more than double what it would have cost to keep old Browns)

  - →

Intangible benefits

- Rosentraub article
- **How does this study evaluate intangible benefits?**
- **What other possible intangible benefits does he add to the discussion?**

B. Defense of new facilities

- Sanderson, A. (2000). In defense of new stadiums, ballparks and arenas. *Marquette Sports Law Journal, 10*, 173-192.
- **What common characteristics can be found in most new sports facilities?**
- **What determines the pace of change in commercial and personal preferences and therefore, sports facility development?**
- **Are public subsidies unique to sports?**
- **What does Sanderson mean when he says "Sports represent a socially-consumed commodity"?**

Are Public Subsidies Unique to Sports? Chicago Example (1990s)

- $ 160 million to replace Comiskey Park & $ 60 million or more in infrastructure for the United Center
- With virtually 100% public financing, Each of these projects represents multi-million dollar commitments
  - revamped another (North and South Michigan Avenue)
  - re-surfaced all four of its metropolitan Interstate arteries, undertaken massive downtown recreational developments (Navy Pier, Millennium Park),
  - opened the third - and by far the largest - building in the McCormick Place convention center,
  - added extensively to Midway Airport's infrastructure (roads, a parking garage, and elevated train),
  - spent close to $ 100 million in infrastructure in preparation for the 1996 Democratic National Convention,
  - completed its "Museum Campus,"
  - extended its fixed-rail public transportation lines,
  - installed ice skating rinks in a dozen neighborhoods,
  - demolished and reconfigured substantial portions of its public housing,
  - implemented plans to improve parks, bike paths, beaches and boating facilities along its twenty miles of shore line, and
  - planted trees and flowers along roadways and in park areas throughout the city

- **"Corporate welfare is certainly not an issue confined to sports"**

B. Rational choice

- Even if it (1) *appears that current benefits would not justify the costs* voters, and mayors or city councils faced with the prospect of spending several hundred million dollars on a new football stadium or baseball field or watching that franchise migrate to another metropolitan area (2) *may respond rationally* in a world where future benefits are uncertain and losing a franchise may appear irreversible by choosing to preserve their claim to those potential benefits (p. 190).

The arguments so far related to public funding

- 1. No direct economic impact or benefits.
  - Communities should not provide public subsidies to teams (academic economists)
- 2. May be economic and other benefits.
  - Definitely are other benefits (i.e. QoL) that could justify a subsidy (government officials and some economists), and numerous new studies (i.e. Rosentraub) find real economic impact
- 3. Regardless of impact may be rational choice

3. Why are sports facilities still being built?

- Sanderson → May be rational decision

- Analysis of this choice
  - Look to the political process including public referenda

1. Communities want teams

Nashville Example

- Built $145 M arena (approved 1994) for NHL before even awarded a team (became Predators in 1998)

- Built $292 M stadium (approved 1996) to lure Houston Oilers to Nashville (1999)

→

→

- $437 M committed before even had commitment from teams

2. Sports referenda are successful

- 1995-2000 → 19 communities with 26 referendums
  - 81% successful
  - Mondello & Anderson
    - **What happened if referenda was initially unsuccessful?**
    - **In general are there alternative uses proposed for public funding?**
    - **Is there any conclusion that can be made relative to the approval/ denial percentages?**

  - UPDATE → 2000-2008 → 5 referenda / 3 passed = 60%

3. Subsidies for facilities are legal

- Plans for public funding of sports facilities often face legal challenges
  - Libertarian Party v. State, 199 Wis.2d 790 (1996)
    - Political Part sued over Wisconsin Stadium Act providing for the formation of local baseball park districts and empowering those districts to build and maintain professional baseball park facilities
    - Legislature stated the act would "serve a statewide public purpose by assisting the development of a professional baseball park in the state for providing recreation, by encouraging economic development and tourism, by reducing unemployment and by bringing needed capital into the state for the benefit and welfare of people throughout the state."
    - Court → While some private benefit will result, the project is sufficiently public in nature to withstand constitutional challenge. Therefore, we conclude that the Stadium Act authorizes constitutionally permissible expenditures for a public purpose

III. Can Public Subsidy Be Justified?

- One side →
  - Academic economists who argue there is no economic impact
    - Some now shifting their view
- Other side →
  - Argues there could be economic impact, especially related to subsidiary development
    - other non-economic impacts just as important
- IN THE BUSINESS WORLD →
  - Can be an entirely rational choice for a community

IV. How the Deal Gets Done

- I. The Sports Facility Boom
- II. Reasons for the Sports Facility Boom
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- IV. How the Deal Gets Done
  - Shift to analysis of the deal
    - Looking at Milwaukee Brewers and Green Bay Packers
      - (1) analyze the stadium deals
      - (2) analyze the lease agreements

      - SOURCES Part IV: Anderson, P.M., & Miller, W.S. (2001). *Major league leases: An overview of major league facility leases and how they are negotiated*. Mequon, WI: Front Office Publications.

Milwaukee Brewers

- County Stadium History
  - Built in 1952 by County for $7.7 M in order to attract the Boston Braves
  - Problems →
    - Lack of skyboxes & other revenue sources
      - part of the reason the Packers stopped playing in Milwaukee
    - Number of obstructed view seats
    - Industry shift to smaller capacity
    - Few concession areas

- State of Wisconsin Legislative Reference Bureau (1996, January). Stadium finance: Government's role in the 1990s. Informational Bulletin 96-1.

Milwaukee Brewers New Stadium

- 1987 → GMC task force studies renovating County Stadium or building new ballpark
- 1988 → task force recommends new stadium to be completed in 1992
  - renovation = $100 M, while new stadium $120 M
- 1990 → Brewers approve site for new stadium, construction moved to 1994
- 1994 →
  - Brewers say they need convertible roof and public assistance for new stadium
  - State Senate and Assembly vote to amend state constitution to allow new lottery games to finance sport facilities
  - Brewers commit to $60-90 M toward stadium
  - Economic Impact Report released

Economic Impact Report → Proposed Milwaukee Brewers Stadium

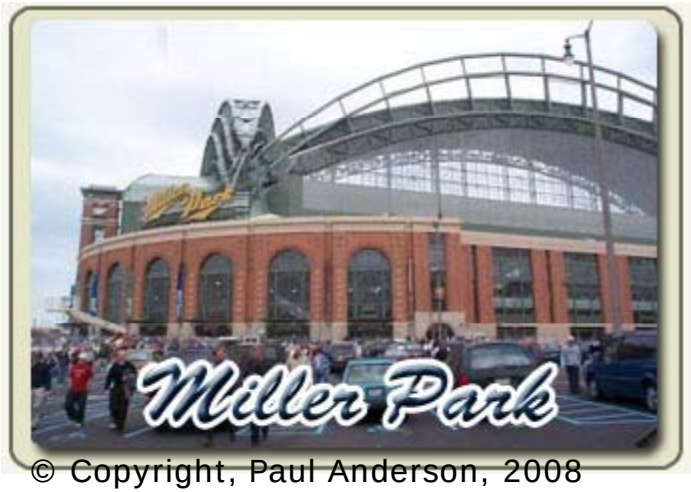
- Prepared for GMC **on behalf of Wisconsin Governor's Stadium Commission** (not for or by the team)
- Prepared by CPA/JDs at Arthur Andersen in January 1995
- Impacts
  - Direct (economic)
    - focus on direct not multiplier effects
    - annual spending $105.2 M
    - 4-year construction related spending $540.5 M
    - state and local tax annual increases $3.4 M
  - Indirect
    - national image
    - showcase for WI technology
    - anchor redevelopment

Milwaukee Brewers New Stadium

- 1995 →
  - January → voters reject lottery
  - April → Governor, County Executive & Mayor announce MOU for 30 year lease and $90 M commitment from team for new facility. Public financing includes one-tenth of one percent sales tax and 1% hotel tax for other $160 M → expected completion 1999
  - State Assembly approves plan 52-47
  - October 6 → State Senate approves 16-15 (deciding senator Petak recalled June 4, 1996)
- 1996 → stadium tax takes effect and District Board approves financing and site plan (digging begins on October 21)
- 1999 → 3 workmen killed in Big Blue accident (damage estimate $100 M)
- 2001 → completion of Miller Park

Miller Park

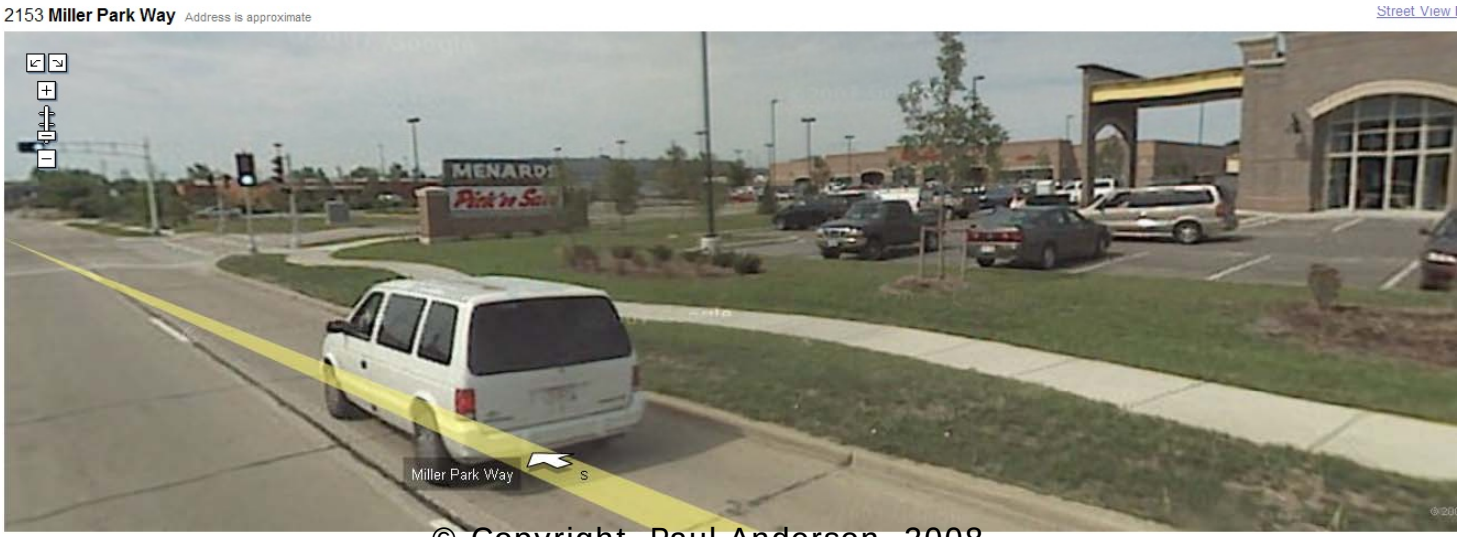
- Final Cost → $392 M ($100 M+ due to accident)
  - Brewers contributed $90 M
  - $72 M of infrastructure costs were split by the city, county and state.
  - A five-county stadium district was created to cover the remaining costs. A 0.1 of a cent sales-tax increase was levied in this stadium district to pay for Miller Park.



Miller Park

- The Greater Milwaukee Convention and Visitors Bureau reported that in its inaugural year in 2001, Miller Park had an economic impact of $415 M on the Greater Milwaukee area by visitors from outside the five-county stadium district
  - Debated by economist from UW
    - He said about half ➔ still $207 M seems substantial

- Compare HWY 41 now after Miller Park has been built, to how it was during the 48 years with County Stadium



Green Bay Packers

- Renovation of Lambeau Field
  - Soon after won Super Bowl in 1997 projections by team and NFL showed that without a refurbished stadium, and because Green Bay is the smallest market in the NFL, team would lose money starting in 2000
  - Could not compete with larger market teams

Green Bay Packers

- In September 2000, Brown County voters approved a 0.5 cent sales tax to help fund renovation of the stadium
  - The tax proceeds are being used to pay off $160 M of the renovation costs. The tax was originally projected to run through 2018, but it could be completed by 2014.
  - At the time the Brown County voters approved the sales tax increase in 2000, 53 Wisconsin counties already had the 0.5 cent sales tax
- The Packers paid $135 M towards the renovation.
  - The Packers got this money from a combination of an NFL loan, $20 M in stock proceeds and a one time user fee on season tickets.

Economic Impact of Green Bay Packers Franchise

- Prepared for Green Bay Packers
- Prepared by PricewaterhouseCoopers and CSL International
- Method
  - surveyed 560 Packer fans to ascertain spending habits
  - 600 fan intercept surveys before 2 home games
- Results
  - $144 M total annual spending in Brown County
  - 1,620 full and part time jobs
  - $9.6 M tax revenue
  - non-quantifiable benefits → media goodwill and awareness

Impact Analysis

- Renovated Lambeau Field
  - With Lambeau Field drawing more visitors to Green Bay year-round since the stadium's $245 million renovation was completed in fall 2003, area bars, restaurants and hotels that normally see their busiest time of year during Packers season are finding the off-season to be a tourist draw as well
  - Restaurant business is brisker and hotel bookings are up generally, although exact numbers are not yet available, said Kari Sliva, president and chief executive officer of the Packer Country Regional Tourism Office, which promotes tourism across 10 communities in the Green Bay area.
  - While difficult to track statistically given its relatively recent summer of 2003 opening, the Lambeau improvement project has been "a catalyst for growth" for area business
  - *The Business Journal,* May 14, 2004.

Deals

- Lambeau Field Lease Agreement, by and among Green Bay – Brown County Professional Football Stadium District, City of Green Bay, Wisconsin, and Green Bay Packers, Inc., dated as of January 1, 2001.

- Amended and Restated Miller Park Lease Agreement by and between Southeast Wisconsin Professional Baseball Park District and Milwaukee Brewers Baseball Club, Limited Partnership, dated as of June 30, 2004.

Legislative intent

- Baseball Park District Legislation, Wisconsin Statutes § 229.64, et. seq. (2008)
  - Southeast Wisconsin Professional Baseball Park District

- (1) The legislature determines that the provision of assistance by state agencies to a district under this subchapter, any appropriation of funds to a district under this subchapter and the moral obligation pledge under s. 229.74 (7) serve a statewide public purpose by assisting the development of a professional baseball park in the state for providing recreation, by encouraging economic development and tourism, by reducing unemployment and by bringing needed capital into the state for the benefit and welfare of people throughout the state. The legislature determines that the taxes that may be imposed by a district under subch. V of ch. 77 are special taxes that are generated apart from any direct annual tax on taxable property.

  (2) The legislature determines that a district including a county with a population of more than 600,000 serves a public purpose in that county and all counties that are contiguous to that county by providing recreation, by encouraging economic development and tourism, by reducing unemployment and by bringing needed capital into the multicounty area for the benefit of people in the multicounty area.

- Same language for Packers
  - Football Stadium District Legislation, Wisconsin Statutes § 229.820, et. seq. (2008)6565656565
  - Green Bay/Brown County Professional Football Stadium District

Lease language

- (1) Recital on economic impact
  - Brewers
    - Recital A, pg. 1: regarding economic impact
    - **WHY IN HERE?**
- (2) Public / private partnership funding facility
  - Packers
    - Article IV, pgs. 16-18
    - **WHY IMPORTANT?**

Team performance issues

- What happens if team is lousy even in new facility?
  - Bengals Lease Example
    - A. By public vote on March 19, 1996, the citizens of Hamilton County passed a one-half percent increase in the Hamilton County general sales tax to *keep competitive and viable major league football and baseball teams in Cincinnati*, Ohio by, among other things, the construction of a new football stadium in Hamilton County.
  - Performance lawsuit
    - $458 m stadium (95% public funding)
    - 13 seasons never a winning record
    - Suit claiming team is not fulfilling its end of the bargain
    - Claim dismissed → City does not own team and "competitive" cannot be defined by a court

Use - Term

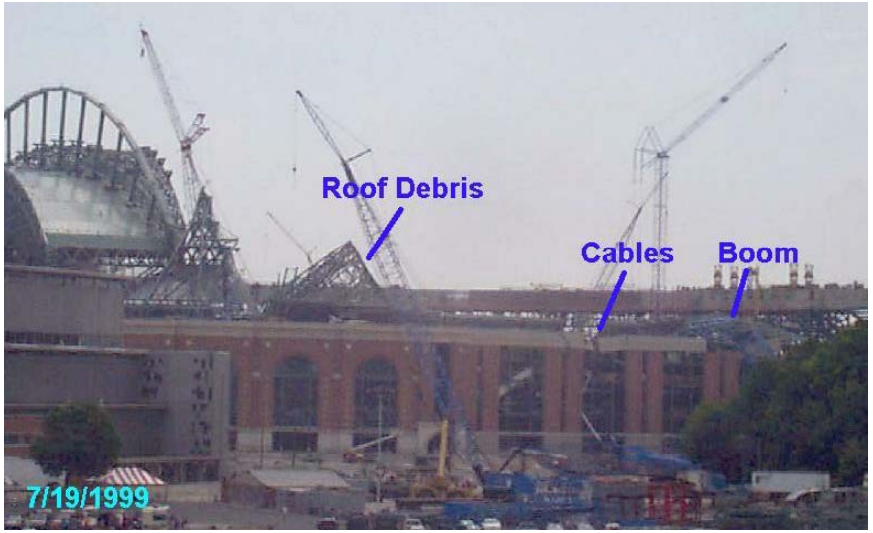
- Term (length of use relationship)
  - **WHY NOT JUST INCLUDE TOTAL YEARS?**
- Average length major leagues from 24-28 years (minor 5-10 years)
  - Brewers, Article 5, pg. 16

Payments

- 1) Most teams pay some form of direct rent
  - Brewers, Article 6, pg. 17 & Schedule 1
  - Packers, Article VI, pg. 22
- 2) Taxes
  - Some teams specifically exempt within the lease → typically from property taxes
  - Packers, Article VIII, pgs. 31-33
    - Ticket tax
- 3) Expenses
  - Brewers,
    - Management: Article 9, pgs. 21-22, Maintenance and Improvements: Article 14, pgs. 25-30

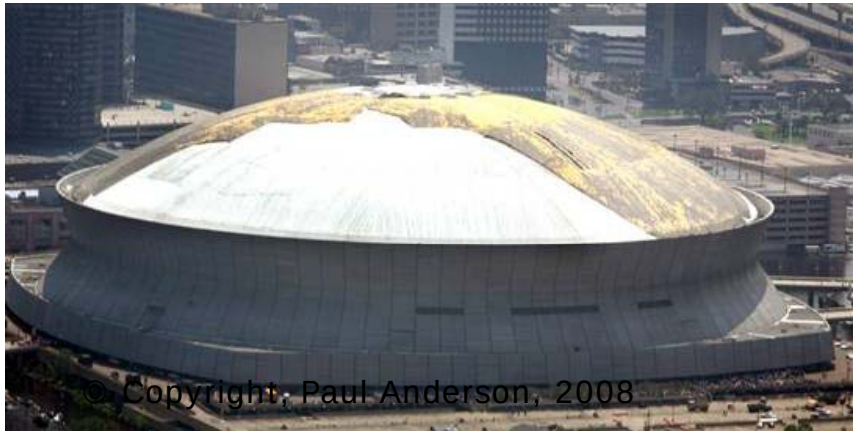
What happens when things go bad

- 1) Default
  - When one party breaches its obligations under the agreement
  - Packers, Article XIX: Team, pgs. 57-60 & Article XX: District, pgs. 60
- 2) Damage or Destruction Clauses
  - Packers, Article XVII, pgs. 55-66
- 3) Force Majeure Clauses
  - Circumstances beyond control and without the fault of the parties
  - Brewers, 29.9, pg. 53



Force Majeure

- New Orleans Saints and the Superdome
  - Article 15 – Force Majeure
    - "In the event that the Superdome or any portion thereof to be used by Club. . .is damaged or destroyed in whole or in part, Manager (Facility Management of Louisiana) agrees to commence the repair or reconstruction of the Superdome. . .promptly after such damage or destruction occurs"
  - Hurricane Katrina
  - $134.6 M in repairs needed
    - FEMA paying 90%
  - $51 M in improvements
    - NFL and Louisiana Stadium & Exposition District paying



Retention Methods

- Methods to avoid team movement
  - 1) Non-relocation clauses
    - Brewers, Article 12, pg. 24 & Non-Relocation Agreement
  - 2) Liquidated Damages
    - Nashville Predators – if team defaults on the lease they could owe
      - Thirty Five Million and 00/100 Dollars ($35,000,000.00), reduced by One Million and 00/1000 Dollars ($1,000,000.00) per Operating Year beginning on July 1, 1999, and again on the first (1st) day of each July thereafter; provided that in no event shall the Liquidated Damages Amount be less than Ten Million and 00/100 Dollars ($10,000,000.00); and provided further, that the foregoing amounts shall be adjusted based upon the CPI, with July 1, 1997 as the base year.

This class

- I. The Sports Facility Boom
  - Already some of the facilities built in the 1990s being revamped
    - U.S. Cellular Field (White Sox) → recent $100 M in renovations
- II. Reasons for the Sports Facility Boom
  - Many possible → may not be important
- III. Public Funding for Sports Facilities
  - Is impact of some type →
    - Cannot forget intangible benefits
    - Communities still support construction and funding
- IV. How the Deal Gets Done
  - A partnership through the political process

QUESTIONS??

- Projection of New Cowboys Stadium (scheduled to open 2009)