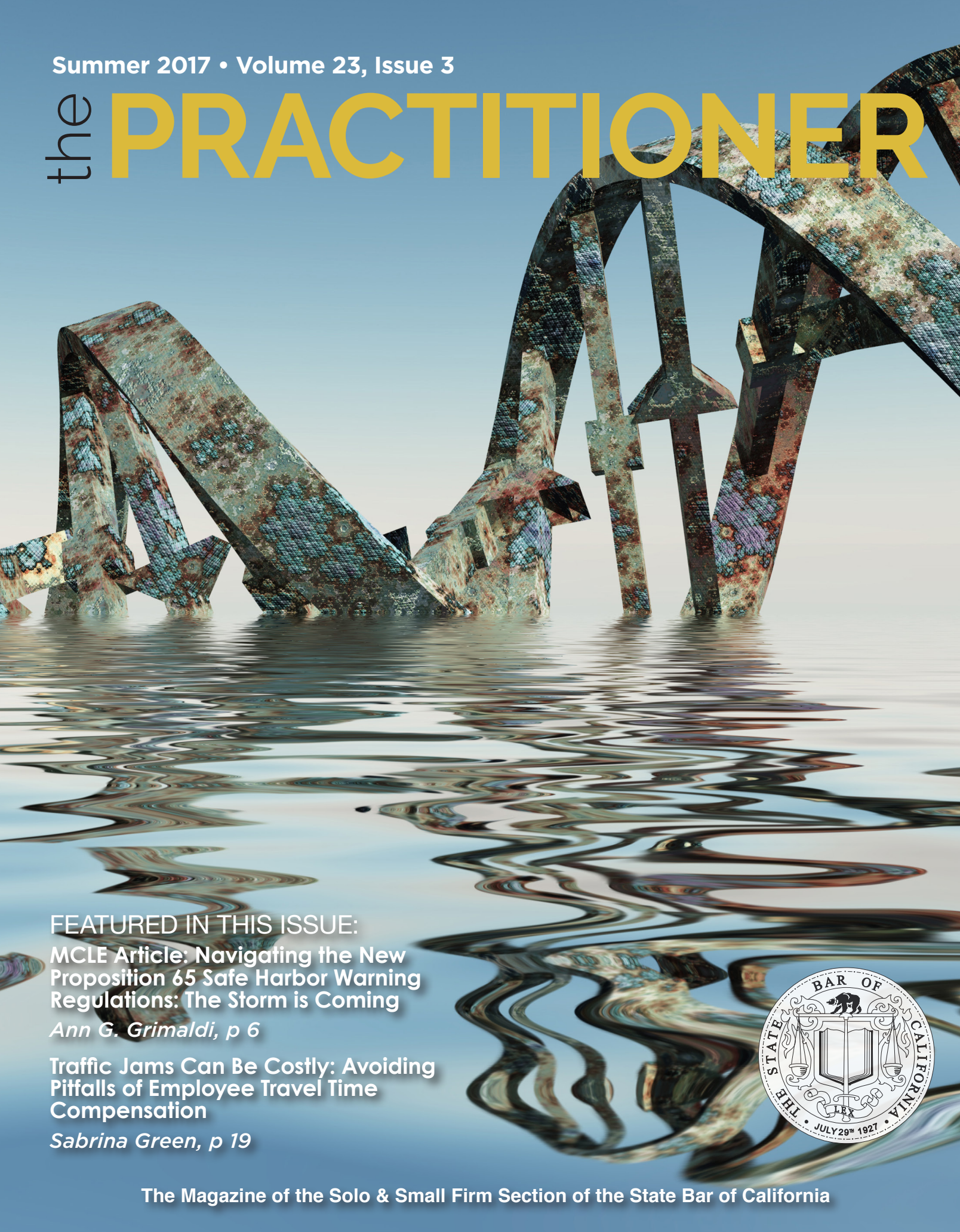


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# the PRACTITIONER



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# Professional Sports Stadiums in California: History, Funding, and Why Lawyers Should Pay Attention



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By Jeremy M. Evans

Let us be honest—sports are always fun to talk about, on and off the field of play. There is a reason why it is a multi-billion dollar industry. When it comes to the places where the sports are played, a bit of history is both fun and educational, and the future of stadium-building is of great significance to lawyers and our clients.

Here we will explore the history of professional sports franchises and their stadiums in California. We will also look at the cost of such stadiums (and where the money came from), whether litigation was involved in building, and what government and taxpayer approvals were needed. From this historical base, we will look at the future of stadium building in our state and why taxpayer-funded stadiums in California are important to our profession and our clients.

## HISTORY OF PROFESSIONAL SPORTS FRANCHISES IN CALIFORNIA

Building new stadiums and moving into new stadium homes have been all the rage of American professional sports franchises.<sup>1</sup> The change and movement of professional sports franchises has particularly been a *California-thing* for some time. The San Diego Chargers, for example, began in Los Angeles in 1960 and then moved to San Diego for the 1961-2016 seasons.<sup>2</sup> The Chargers will now be back in Los Angeles from 2017 until who knows when.

Similarly, the Los Angeles Rams (1946–1994, 2016–present) were once the Cleveland Rams (1936–1942, 1944–1945), but were the St. Louis Rams (1995–2015) for twenty years before moving back to Los Angeles in 2016. The Los Angeles Clippers (1984–present) were once the San Diego Clippers (1978–1984), and before that the basketball franchise was known as the Buffalo Braves (1970–1978). Of course the Los Angeles Dodgers (1958–present) moved west from Brooklyn (1884–1957), and the Oakland Raiders (1960–1981, 1995–present) were in Los Angeles for twelve years (1982–1994) before now are moving to Las Vegas, Nevada.<sup>3</sup>

The Los Angeles Lakers (1960–present) moved from the “Land of Lakes” state in Minnesota (1948–1960). The Sacramento Kings (1985–present) were once the Rochester Royals (1948–1957), Cincinnati Royals (1957–1972), Kansas City-Omaha Kings (1972–1975), and the Kansas City Kings (1975–1985). The Oakland Athletics (1968–present) were once the Kansas City Athletics (1955–1967) and the Philadelphia Athletics (1901–1954). The Golden State Warriors (1971–present) were once the Philadelphia Warriors (1946–1962), then the San Francisco Warriors (1962–1971), and now are moving back to San Francisco from the Oakland area.<sup>4</sup>

The California/Anaheim/Los Angeles Angels of Anaheim (1961–present) were an expansion franchise, along with the San Diego Padres (1969–present). However, all Major League Soccer and National Hockey League teams in California (e.g., the Los Angeles

Galaxy, San Jose Clash/Quakes/Earthquakes (1994-present)), Chivas USA (2014), Los Angeles Football Club “FC” (2014-present/first season in 2018), Mighty/Anaheim Ducks (1993-present), Los Angeles Kings (1967-present), and the San Jose Sharks (1991-present)) are expansion franchises.<sup>5</sup>

By the way, the Houston Rockets (1971–present) were once the San Diego Rockets (1967–1971). Of course, the San Francisco Giants (1958–present) were once the New York Giants (1883–1957).<sup>6</sup>

That is a lot of cities, a lot of moves, and a lot of stadiums. That is also a lot of taxpayer and private dollars going in private and public-private partnerships to build those sports stadiums. How much exactly? Let us look at the numbers on a few stadiums.

## OLDER & MORE RECENT SPORTS STADIUMS IN CALIFORNIA

### Qualcomm Stadium—Former Home of the San Diego Chargers and San Diego Padres (*Opened in 1967*)

*Cost:* \$27.75 million USD<sup>7</sup> (\$199 million in 2017 dollars)<sup>8</sup>

*Financial Source:* Bonds<sup>9</sup> (The City of San Diego still owes \$47 million on previous stadium renovations)<sup>10</sup>

*Government Approval(s) Needed:* San Diego City Council and San Diego Taxpayers,<sup>11</sup> with additional litigation<sup>12</sup>

*Site:* Mission Valley, San Diego, California

*Taxpayer approval:* Yes

### Petco Park—San Diego Padres (*Opened in 2004*)

*Cost:* \$456.8 million USD

*Financial Source:* Public-Private Partnership, \$225 million financed with municipal bonds repaid by hotel taxes; \$57.8 million from redevelopment funds generated within the project area; \$21 million from the Port of San Diego and \$153 million from the Padres<sup>13</sup>

*Government Approval(s) Needed:* San Diego City Council, San Diego Taxpayers after private litigation<sup>14</sup>

*Site:* East Village/Ballpark Village, Downtown San Diego

*Taxpayer approval:* Yes

### Levi’s Stadium—San Francisco 49ers (*Opened in 2014*)

*Cost:* \$1.31 billion USD

*Financial Source:* Public-Private Partnership, the Santa Clara Stadium Authority (e.g., Santa Clara City Council is responsible for up to \$950 million in construction loans to be repaid by the Levi’s naming-rights deal and seat licensing, the 49ers were responsible for construction overruns, the team’s annual rent is \$24.5 million on a 40-year lease, and finally the National Football League provided a \$200 million loan.)<sup>15/16/17</sup>

*Government Approval(s) Needed:* Santa Clara City Council and Santa Clara Taxpayers<sup>18</sup>

*Site:* Santa Clara, California, south of San Francisco

*Taxpayer approval:* Yes

## PROPOSED SPORTS STADIUMS IN CALIFORNIA

### Banc of California Stadium<sup>19</sup>—Los Angeles Football Club “FC” (*Exp. open date 2018*)

*Cost:* \$250 million USD<sup>20</sup>

*Financial Source:* Privately financed<sup>21</sup>

*Government Approval(s) Needed:* Coliseum Commission and the Los Angeles City Council<sup>22</sup>

*Site:* Sports Arena in Exposition Park, Downtown Los Angeles<sup>23</sup>

*Taxpayer approval:* N/A

### Chase Center<sup>24</sup>—Golden State Warriors (*Exp. open date 2019*)

*Cost:* \$1 billion USD<sup>25</sup>

*Financial Source:* Privately financed<sup>26</sup>

*Government Approval(s) Needed:* Various Local Regulatory Agencies<sup>27</sup> after private litigation<sup>28</sup>

*Site:* Mission Bay, Downtown San Francisco<sup>29</sup>

*Taxpayer approval:* N/A



## **Los Angeles Stadium at Hollywood Park<sup>30</sup>—Los Angeles Rams and Los Angeles Chargers (*Exp. open date 2020*)**

**Cost:** \$2.66 billion USD (currently the most expensive sports stadium project in the world)<sup>31</sup>

**Financial Source:** Privately financed<sup>32</sup>

**Government Approval(s) Needed:** Inglewood City Council and Federal Aviation Administration (FAA) (because of the stadium's height and proximity to the Los Angeles International Airport (LAX))<sup>33</sup>

**Site:** Inglewood, California, Los Angeles, California<sup>34</sup>

**Taxpayer approval:** N/A

Note: The *STAPLES Center* was privately financed for \$375 million USD<sup>35</sup> through asset-backed securitization financing.<sup>36</sup> The Lakers, Clippers, Kings, Sparks, and other professional sports teams play/played at the 1999-built arena. However, recently, Clippers owner Steve Ballmer expressed an interest in moving his franchise to Inglewood, California, to be near the Rams in a new arena.<sup>37</sup>

## **THE FUTURE OF PROFESSIONAL SPORTS STADIUMS IN CALIFORNIA**

The figures in the above examples are enormous—more than the gross domestic product of some small nations. In analyzing the sports stadiums in California, what is interesting is that the three proposed stadium projects in California are all privately financed, not requiring direct taxpayer funding. It is, however, the publicly financed and public-private stadium development partnerships that have been passed through increased hotel taxes on tourists or bonds that have created issues. These deals have created issues in terms of buyer's remorse, interest payments on bonds, and sports teams leaving town with the city and its taxpayers holding the proverbial bag.

In addition, what the numbers do not tell us are the infrastructure (parking, roadways, highways, and public transportation costs), land donations or discounts, and tax breaks that were given to team owners and developers to build the projects. However, giving business owners tax breaks and the like is as old as the nation. It is an accepted part of doing business with the government. This is especially true for capital projects that deal in

community relations, specifically sports stadiums or other developments where citizens gather in what would generally be public spaces (think shopping malls and large apartment/condo projects with grocery stores, etc.).

Let us also not forget about tax-free bonds.<sup>38</sup> Legislation was presented a few sessions of Congress ago that would have prevented certain tax breaks and dollars from being used towards sports stadiums, but it was not passed.<sup>39</sup> Then again, it looks that taxpayers in California have caught on and refused, at least directly, to be responsible financially for private sports stadiums. Moreover, and maybe more directly, it looks as if team owners of the California variety have looked to privately finance their home venues with some tax incentives and revenue sharing partnerships from local and state governments. Whether those incentives are provided in the future is yet to be seen.

Is it any surprise though that sports franchise owners and league commissioners want to build new stadium homes? It has been proven that teams with new and/or greatly renovated stadiums perform better than their stadium-lowly counterparts. More specifically, professional sports franchises that have new stadiums and/or greatly renovated stadiums put more fans in the seats, sell more merchandise, host more non-sports events, and even obtain more wins and championships.<sup>40</sup>

## **WHY IT IS IMPORTANT TO LAWYERS AND OUR CLIENTS**

The building of a multi-million or –billion-dollar sports stadium may seem of little significance to the average client of a solo lawyer. After all, the lawyers and clients involved in such stadium deals are small in number and highly experienced.

Nevertheless, our clients and we are all taxpayers and how we vote matters, especially to our pocketbooks. In addition, whom we elect at the ballot box to make decisions for us at the local level matters. Remember the phrase “All politics is local” by former Speaker of the House Tip O’Neill? It rings especially true in this circumstance because all of the taxpayer-funded stadiums in the charts above were approved by local city councils. Therefore, it is important to be informed.

For those who navigate the real estate, land-use planning, and commercial development space, which

includes many solo lawyer and our clients, the professional sports stadium government- approval processes teaches us a lot about getting things done and being prepared. Each of the projects listed above required environmental impact reports, coastal and port approvals, and the signing-off of building permits just to break ground and to continue building once third-party groups enter the picture to litigate over land use.

In the end, sports are a part of the American Dream, our psyche, our culture, and assimilation into this country. Whether the part it plays in our lives is financial or not will be seen in how we vote with our feet and how team owners and the market respond to the three proposed privately financed stadiums in California.

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