Stadium Finance: Government's Role in the 1990s

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STADIUM FINANCE: GOVERNMENT'S ROLE IN THE 1990s

SUMMARY

This bulletin discusses the issues surrounding public financing of stadiums and sports arenas and the economic and noneconomic benefits that professional sports can offer communities. It will also present case studies of five recently constructed baseball stadiums to provide examples of what some cities have done to accommodate major league baseball teams. Finally, it will review the background and provisions of 1995 Wisconsin Act 56, which provided for the construction of the new Milwaukee Brewers stadium.

Public financing of sports facilities for professional sports teams has been the subject of growing controversy in recent years. For decades, full public financing of sports stadiums and arenas was the norm. In the last decade, however, demands for more elaborate and costly facilities on the part of owners and the increasingly limited resources of state and local governments have challenged the wisdom of this policy. The strong link between major league sports and civic pride has led cities without major league teams to enter into competition with those that do have them, offering to meet teams' requirements when host cities are reluctant to do so. This competition has added urgency to questions of whether the benefits of professional sports are sufficient to merit the public investment necessary to retain them.

I. BACKGROUND

The economics of professional sports have evolved rapidly in recent decades. Professional baseball dominated the sports scene 50 years ago, with 16 franchises confined to the northeastern quarter of the country. Gate receipts and local radio were the primary sources of revenue. Typically, players negotiated annual contracts, and they were restricted by a reserve clause to one team. Their only leverage was the threat to withhold their services. Since players could not negotiate with other teams, owners exercised a great deal of control over salary structures.

Today, professional football and basketball have emerged as serious rivals to baseball. The spread of population to the south and west, combined with ease of air travel, have increased the number of cities able and willing to claim "major league" status. In addition, unionization and court victories by professional athletes have increased salaries rapidly over the past 20 years, as owners now must compete with each other to sign players.

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Rising costs have caused teams to become increasingly aggressive in raising revenue. Team marketing has expanded beyond normal gate receipts and broadcast revenues into luxury boxes, club seats, seat bonds, and lucrative cable television contracts. Licensing of merchandise has also become a major revenue source in recent years.

These developments have also led teams to create mechanisms to limit players' salaries. While salary caps and restrictions on free agency have provided some relief from spiraling salaries in professional basketball and football, attempts to impose such controls in baseball have met with determined resistance from players. This has made salary pressures more acute in baseball than in the other sports. Another difficulty peculiar to baseball is the owners' reluctance to agree to revenue sharing among the teams, a scheme used in other professional sports to prevent economic dominance by the most profitable franchises.

The ultimate threat in the politics of stadium finance is for a team to openly contemplate a move to another city, taking with it the economic and emotional benefit it provides the community. This threat can be as veiled or explicit as the ownership wishes it to be, but preservation of a city's major league status is always a factor in public financing of professional sports facilities. No major league baseball team has moved since 1972, but recent years have seen numerous teams explore the possibility. Baseball's exemption from antitrust laws, recognized by the U.S. Congress, allowed major league baseball to require the approval of the league owners before franchise transfer. The National Football League, which is subject to antitrust laws, cannot require approval for franchise shifts (although, in practice, most clubs seek approval). Several NFL teams have moved in recent years, creating a destabilizing effect on other teams and cities.

Evolution of the Modern Sports Stadium

From its beginnings, professional baseball has been a sport that has relied on attendance for revenue. While the quality of play is important, the appeal of the facility at which the game is played has always been a factor. The sport has undergone several phases in its history with respect to facilities. During the 19th Century, small, almost makeshift parks sufficed. These were either publicly or privately owned and operated. Early in the 20th Century, as the game grew in popularity, owners became dissatisfied with these haphazard arrangements and began to finance their own more substantial ballparks. It is during this era that the oldest of today's ballparks, Fenway Park in Boston and Tiger Stadium in Detroit, were built.

Although Cleveland Municipal Stadium was built at public expense in 1932, the era of publicly financed stadiums did not begin in earnest until after World War II. In a time of full public coffers, sports facilities began to be seen as legitimate public works projects and centers of civic pride. Public stadiums like Milwaukee County Stadium and Candlestick Park in San Francisco are products of this post-war period. This also was an era in baseball when teams relocated frequently, pitting one community against another for the first time and forcing cities to consider public stadium projects. By the time the boom had ended in the mid-1970s, most of the privately constructed parks of the 1900-1925 era had been replaced by new, publicly financed facilities.

Recently, baseball facilities have entered a new era, driven by the changing finances of both the game and local governments. A variety of factors have led to a revolution in the financing of such facilities. In planning stadium construction, team owners prefer a facility with better sightlines, fewer seats, wider concourses and a more attractive appearance than many of the utilitarian publicly financed parks. They view these amenities as important in attracting and maintaining attendance and claim teams that play in the more modern facilities have an economic advantage over teams that do not.

Revenue

Escalating operating costs have caused some owners to seek more elaborate facilities, which include such revenue generating features as skyboxes, premium seating, and larger concession areas. Skyboxes, sometimes called luxury boxes, are suites that provide a spacious and comfortable private area from which a person or group may view a sporting event. Boxes are leased by individuals or corporations on an annual basis. The lease typically does not include the price of individual sporting events, and tickets are purchased separately for each event attended by those occupying the box. Skyboxes have been a feature of every new major league stadium constructed in recent years. They provide the major league baseball and football teams with a steady and reliable source of revenue each year, unlike ticket sales, which can fluctuate greatly depending on such factors as team performance and weather.

Multipurpose Stadiums

In past decades, stadiums, whether publicly or privately financed, commonly housed both major league baseball and professional football. This is still the case in many cities. The arrangement was generally considered satisfactory, although certain deficiencies were always recognized. The sightline requirements of the two games are quite different. In baseball, attention is focused on the diamond end of the field, while, in football, it is focused wherever the ball is. Ideal seating arrangements for the two sports are very different. In some stadiums, seating is adjusted for each event. In others, the inconveniences are endured. The differing grounds requirements of each sport also pose a problem. Baseball is a finesse game played by average-sized men on a field of part dirt and part grass. Football is a game of force played by large men on a grass field. The damage to a natural grass field during a football game can be great. Football's schedule of weekly games gives ample time for field maintenance, but baseball's daily schedule does not. Lengthening seasons have increased the overlapping of the baseball and football seasons. These differences have combined to create a strong desire for separate facilities for the two sports, and recent construction has reflected this.

Domes

Beginning with the opening of the Houston Astrodome in 1965, domed stadiums have became common over the last 20 years. Domes provide unique advantages while posing unique problems compared to conventional facilities. The chief advantage is the elimination of the weather as a factor in scheduling and attendance. A domed stadium can be climate controlled and therefore can be used year-round. In baseball, rainouts are eliminated. Unfavorable weather is no longer a reason for fans to stay away. A major disadvantage is that construction costs for a domed stadium are necessarily much higher than for an open-air facility.

Domes have been constructed in several cities with severe climates, such as Seattle, Minneapolis and Houston, but each of these has encountered complaints from its tenant team. Among them is the fact that domed stadiums require an artificial playing surface, and these surfaces have become less popular in recent years. Also, domes have run afoul of a movement in baseball back toward traditional, open-air facilities, which has served to make very expensive domed facilities (less than 20 years old, in some cases) obsolete in the eyes of their major league tenants.

Location

The location of major sports facilities within communities has evolved through the years in response to changes in transportation and urban life. Early facilities were of necessity located near the center of major cities, where population density was high enough to make professional sports profitable. The 19th and early 20th Century baseball parks were normally located near streetcar lines; sometimes, the streetcar owners also owned a portion of the local baseball team, creating a complimentary relationship.

The growing influence of the automobile and declining population density in urban areas caused a change in stadium location. Parking space became a paramount concern for facilities still located in central cities. Outlying areas with more space came to be favored over central city locations. Stadiums built in the second half of this century have been located along freeways, not mass transit lines. The growing tendency toward publicly financed facilities led governments to seek large publicly owned parcels, often in outlying locations, for stadium construction.

Recently, the trend has reversed to downtown stadiums, serviced by mass transit. While some argue that parking and freeway access remain paramount, others claim that a downtown location will multiply the economic benefits the city realizes from professional sports. Baltimore, Cleveland and Denver have each decided in favor of publicly financed stadiums as downtown development tools.

II. WHAT IS AT STAKE?

Shrinking resources have made it difficult for state and local governments to consider financing new high cost stadiums on their own, as was the practice in the immediate post-war era. Yet the possibility of losing the local team to another city has created considerable pressure to do just that. Frequently the compromise is a public-private partnership in which both the team and the state and local officials agree to share the costs of stadium construction and develop a mutually beneficial lease, thereby securing the team's future in the community. These arrangements often raise public questions about the use of public funds to benefit private enterprises and whether the benefits to the community are worth the costs. In answering these questions public officials are required to consider both economic and noneconomic consequences.

Economic Impact

The precise economic impact of a sports facility on a community is the subject of considerable disagreement among economists, public officials, team owners, and others. Estimates can vary widely. Advocates of public financing of sports facilities point to the economic benefits of having professional sports in a community, and they further assert increased benefits of a new facility over an old one. Critics dispute the notion that a new facility provides any significant benefit to an area's economy. Some even argue that the net economic impact of professional sports on a community is negative. As long as it is so difficult to quantify the impact of a sports facility on a local or regional economy, this debate will continue.

One of the central and ultimately unresolvable arguments surrounding the issue of the economic impact of sports is the question of direct versus indirect economic benefits. Direct benefits are the immediate, tangible revenue a community, governmental unit or authority derives as the result of operating a sporting facility. These include rent from sports franchises, property tax on the facility, sales tax on items sold at the facility, income tax on workers associated with the facility, as well as revenue realized from other economic activity immediately associated with sporting events. Indirect benefits result from the economic ripple effects, such as money from tourists who visit a community to see sporting events, visiting teams who stay in the community, and those within the community who may make extra expenditures related to viewing the events. This indirect benefit can be extended to include the economic impact of expenditures in the community by those who derive their wages from these indirect sources.

Direct benefits can be estimated fairly easily. Indirect benefits are much more difficult to quantify because they are calculated using a multiplier of the direct impact. This makes estimating the overall economic impact of a sporting facility extremely susceptible to manipulation.

Noneconomic Factors

Noneconomic factors may also play a part in the impact of major league sports on an area. Some argue, for instance, that the presence of major league baseball in a community provides numerous intangible benefits. The boost to civic pride is one factor that motivates cities without major league sports to pursue team franchises. The presence of major league baseball, for instance, is often presented as a quality of life issue. Advocates of state support for major league sports claim that having a team makes a city "major league" and elevates a city where there are many opportunities to view major league sports, such as Cleveland, above similarly sized cities, such as Memphis, that offer few. Baseball in particular is cited for keeping a city's name before the nation on a daily basis throughout the season. This, in turn, may translate into increased economic activity through tourism or an inducement for industry or individuals to choose one city over another.

Others point to the sense of community that is created by interest in the local team. Sociologists have noted this effect for many years. This emotional function is also one of the intangible benefits of maintaining a professional sports team. Sociologists David Karp and William Yoels observed an almost inseparable relationship between modern urban living and sports that may account for the willingness of cities to finance sports facilities, even to the exclusion of other seemingly more urgent concerns. In a 1990 study they noted that "civic pride and identity are caught up with sports. There is an inextricable link between sports and people's image of their cities. Having . . . big league sports teams is a validation that a city is itself a big league place." Although it is difficult to place a value on these noneconomic factors, their impact is undeniable.

III. CASE STUDIES

Several cities have constructed new major league baseball facilities in recent years. These efforts, often accomplished amid threats of departure by their teams, reflect common elements of governmental and team cooperation. Arlington, Baltimore, Chicago, Cleveland and Denver all have natural grass, baseball-only facilities built since 1990. The following accounts, arranged in chronological order, describe how each came to be.

Comiskey Park – Chicago

Background. Comiskey Park, the home of the Chicago White Sox, offers one of the more dramatic examples of the dynamics of public stadium financing. The team played in the old Comiskey Park for over 70 years and had expressed dissatisfaction with the facility throughout the 1980s. Ultimately, in 1985, the American League directed the team to find another place to play its home schedule. The team began by exploring sites in suburban Chicago, at one point buying land in the suburb of Addison. By 1986, the White Sox had began to actively pursue sites outside the Chicago metropolitan area, including Denver, New Orleans, Washington, D.C., and St. Petersburg, Florida.

Financing. After a local referendum in Addison narrowly rejected the idea of a stadium there, Illinois Governor Jim Thompson formulated a plan for the state to build a stadium adjacent to Comiskey Park and presented it to the Illinois Legislature. In 1987, the state created the Illinois Sports Facilities Authority to fund the park through a 2% tax on Chicago hotel / motel rooms. Despite this arrangement, the project began to falter when the team and the authority could not agree to leasing terms. The issue reached a crucial point in 1988, when the team began to negotiate with St. Petersburg to lease the domed baseball stadium that city was proposing. One Illinois legislator even suggested that the state buy the team to keep it in Chicago. A final stadium package was approved at the last moment, technically three minutes past a midnight deadline that would have meant the team's departure from Chicago.

The new Comiskey Park was built at a cost of $180 million, of which $120 million was borrowed by the Illinois Sports Facilities Authority. The debt service on the bonds issued by the authority is $14.65 million per year, and the authority's annual operating expenses are around $4 million. The authority has several revenue sources to meet these obligations. Chicago's 2% hotel / motel room tax generates at least $8 million per year for the authority. Illinois also contributes $5 million from the statewide hotel / motel room tax and another $5 million from state shared revenues. This $18 million roughly covers the debt service and operating expenses of the authority each year. In addition, the White Sox have a rental agreement in their lease that is based on attendance. The team pays no rent for the first 1.2 million in paid attendance, $3 per ticket for attendance from 1.2 million to 2 million, and $1.80 per ticket for attendance over 2 million. This formula typically provides the authority with $3 to $5 million per year. The team also is required to pay the authority 35% of all ballpark advertising and broadcast revenue in excess of $10 million per year. The above revenues normally exceed the amount required by the authority to run the park and maintain debt service. All excess funds are returned to the State of Illinois.

Oriole Park at Camden Yards – Baltimore

Background. Although Oriole Park at Camden Yards has been cited as the standard against which new baseball parks should be measured, initial plans for a new baseball stadium for the Baltimore Orioles were not greeted with universal enthusiasm, despite the fact that Baltimore had just lost the Colts football team to Indianapolis in 1984. The Orioles had played in Memorial Stadium since they arrived in Baltimore in 1954. The team cited the lack of modern amenities as the reason for wanting to leave the stadium, which many argued was still more than adequate for major league baseball.

Financing. A proposal was made in 1986 involving construction of a new baseball stadium and a new football stadium in downtown Baltimore, financed by bonds issued by a stadium authority. Debt service on the bonds was to be met by raising revenue through a special sports lottery. The legislature created the Maryland Stadium Authority to issue the bonds in 1986 and established the sports lottery to service the debt. A group of citizens began to circulate petitions to put the legislature's actions to a referendum. This effort was opposed by stadium backers, who suspected that the plan was not popular enough to win. The Maryland Court of Appeals ruled in favor of the plan in 1987, deciding that the enabling legislation constituted an appropriation and therefore could not be subject to a referendum under the state constitution. The sports lottery was instituted, and a lease with the Orioles was signed.

Oriole Park was built as part of a project that cost a total of $234 million. This included approximately $100 million for the site, which is large enough to accommodate the construction of a football stadium nearby. Construction of the baseball stadium itself cost approximately $110 million, and the park was ready for the 1992 season. The authority issued $155 million in bonds and received cash directly from the sports lottery to cover these and other costs associated with the project. The $9 million spent on private suites at the park will be repaid by the Baltimore Orioles over the first 10 years of their lease. Both the Orioles and the authority agreed not to sell naming rights for the stadium.

The Maryland Stadium Authority owns the park and is responsible for maintenance of the facility. Under the terms of their 30-year lease, the Orioles are responsible only for field maintenance. The team pays an annual rent based on a variety of factors tied to team income. This includes 7% of all ticket and concession revenue, 50% of all parking revenue, and 25% of all revenue from advertising inside the stadium. These revenue sources have typically provided $5 or $6 million per year, although the recent baseball strike reduced this amount to around $3 million for fiscal 1994-95. An additional source of revenue is a 10% admissions tax, which was already being levied on events for public amusement when the Camden Yards project began. The authority receives 80% of the admissions tax (around $3.5 million per year), and the City of Baltimore gets the other 20%. Although critics feared that the sports lottery would not produce enough revenue to pay debt service, thereby making the state liable for portions of the payments, this has not been the case. Annual debt service is $14 million, while income from the sports lottery has far exceeded this figure, ranging between $16 and $24 million in each year since it was instituted. Coupled with revenues from other sources, the authority has far more income that it needs to service the bonds. The excess funds are placed in the Maryland Stadium Facilities Fund to be used for construction of the football stadium, which is still planned. The authority is expected to begin construction of the football stadium now that a lease has been signed with the Cleveland Browns. If the Browns' move to Baltimore is approved, the team will play in Memorial Stadium, the former home of the Orioles and Colts, until the new football stadium is built at Camden Yards. The authority will own and manage both facilities.

Jacobs Field – Cleveland

Background. The City of Cleveland found itself faced with the stadium question several years ago. The Indians baseball team had played for over 50 years in Cleveland Municipal Stadium, which they came to view as inadequate. The facility was older than most major league stadiums and lacked many of the currently popular amenities. Because of its huge capacity, it failed to foster the intimacy sought in modern baseball parks, and the large number of seats available created no pressure on the fans to buy tickets. The movement to replace Cleveland Municipal Stadium with a new facility became more critical when reports began to circulate that the team was considering a move from Cleveland.

Financing. The Ohio Legislature provided for a Cleveland stadium package in 1990 by enacting a law enabling corporations to operate sporting facilities and to issue bonds to finance construction. It authorized counties to finance debt service on the bonds through the enactment of sales taxes and "sin taxes" on liquor and cigarettes. The law stipulated that the additional taxes would have to be approved through voter referendum in counties that wished to implement them. It also provided that any of the sin tax revenue not needed for debt service must be returned to the municipalities involved for economic development and that the new taxes must expire upon retirement of the bonds.

Residents of Cuyahoga County narrowly passed the referendum approving taxes for a Cleveland stadium in May 1990. Within the City of Cleveland itself a majority of voters voted against the referendum. The new taxes included a 0.5% sales tax, a $3-a-gallon liquor tax, and a 4.5 cent-per-pack cigarette tax.

A nonprofit corporation, Gateway Development, was created to operate the facility and manage the financing of construction and operation. The Gateway project included an arena for the Cleveland Cavaliers basketball franchise. This was considered necessary to obtain approval by the voters. The stadium itself was to be an open-air, natural grass facility, seating about 40,000, which would include luxury boxes and other trappings of modern sports facilities and would cost approximately $160 million. The stadium was built downtown near the new arena and other associated developments, including a restaurant. Downtown redevelopment was a major selling point of the project. In addition to the $120 million in bonds issued, the state provided Gateway with $25 million in state capital improvement funds and a $12 million loan for the larger project that included the stadium and arena and a $2.3 million infrastructure grant. Premium seating revenue provided an additional $31 million. The stadium was constructed for approximately $171 million, slightly over budget.

Gateway Development owns the stadium and manages the facility in conjunction with its major tenant, the Cleveland Indians. The Indians did not assist in financing the project and have no ownership interest in the stadium or the arena. The team purchased the naming rights for the stadium for $13.9 million for a period of 20 years. The stadium was named Jacobs Field after the Indians' owner, Richard Jacobs. Under the terms of its lease with Gateway, the team pays an amount per ticket that increases with attendance for the year: no rent on the first 1.85 million in attendance; 75¢ per ticket on 1.85 million to 2.25 million; $1 per ticket on 2.25 million to 2.5 million; and $1.25 per ticket above 2.5 million. It also pays $2.95 million per year from its loge sales for a 20-year period, as well as contributing a portion of special event and stadium advertising revenue. The Indians' attendance has improved markedly since they moved to Jacobs Field in 1994, although this increase in attendance has coincided with uncharacteristically stellar play by the team. While the Jacobs Field portion of the project is considered a success, the Gateway Project as a whole has run into problems due to delays and cost overruns with the basketball arena.

The Ballpark at Arlington, Texas

Background. Arlington, Texas, home of the Texas Rangers baseball team, is somewhat unusual among major league cities. Significantly smaller than most major league cities, Arlington bases a great deal of its economy on tourism and its location at the center of the "Metroplex" (as the Dallas-Fort Worth area is known locally). Since moving to Arlington in 1972, the Rangers have depended upon fans from throughout the metropolitan area to support them. The fact that a high percentage of major league baseball fans are attracted to Arlington from throughout the Metroplex creates a major economic benefit for that city. In 1989, the new ownership of the Rangers found fault with Arlington Stadium, where the team had played throughout its stay in Arlington. The former minor league stadium lacked luxury boxes and included a large number of undesirable seats in the outfield that generated a relatively low return for the team, even when they were sold. While the new owners did not seek to move the team out of the Dallas-Fort Worth area, they did explore opportunities in other Metroplex municipalities, several of which displayed interest in becoming the home of the Rangers.

Financing. The State of Texas enacted legislation to permit local units of government to create a special sales tax for the purposes of financing stadium construction. The City of Arlington chose to use the law to levy a 0.5% sales tax to finance a $135 million bond issue. These measures were approved by 64% of those voting in a referendum. An interesting feature of the Arlington financing scheme was the issuance of "seat option bonds". For a fee of between $500 and $5,000, interested parties could have the option of purchasing choice season ticket locations. After 15 years, their original investment will be returned. This interest-free loan generated $17 million for construction of the Ballpark at Arlington. Along with additional revenue from advance sales of luxury boxes, this covered the remainder of the $165 million project. Other sources of revenue for debt service include a $1-per-ticket surcharge not to exceed a total of $2 million per year and a $500,000-per-year appropriation by the City of Arlington. The Rangers have a 30-year lease on the stadium for $2 million per year. A controversial provision of this stadium package allows the Rangers to count their rent toward purchase of the stadium from the city for $60 million once the bonds are paid off, as early as 12 years after construction. Since this would place the Ballpark on the property tax rolls, the team may well choose not to exercise this option.

Coors Field – Denver

Background. Denver's situation was unique among the five cities considered here. Denver had no major league baseball team when it began to lay plans for a new stadium. However, it was host to the minor league Zephyrs, a Milwaukee Brewers farm club, when expected National League expansion stirred interest in a new baseball stadium. The Zephyrs played at Mile High Stadium, also home to the Broncos football team. 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 stadium was to be funded through municipal bonds financed by the tax. The cost was to be approximately $141 million, and 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 Rockies lease Coors Field from the Stadium District that owns it, and they maintain 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.

IV. A NEW MILWAUKEE STADIUM

Background of the Stadium Effort in Milwaukee

The effort to construct a new stadium in Milwaukee was accelerated by concerns voiced by the principal tenant of the current Milwaukee County Stadium, the Milwaukee Brewers Baseball Club, that the existing facility no longer met its needs and the club might be forced to look for a more suitable home in another city. The current County Stadium was built for approximately $7.7 million by Milwaukee County in 1952 in hopes that a major league baseball team would relocate to Milwaukee. The facility was financed through revenue bonds and seated approximately 43,000. In 1953, the Green Bay Packers football team began playing its Milwaukee games at County Stadium, and the Boston Braves baseball team moved to Milwaukee. The Braves played in County Stadium for 13 years and enjoyed considerable success, both on the field and financially. The team won two National League pennants and one World Series championship, while setting league attendance records. The team's fortunes declined in the 1960s, and after a bout of litigation, it left Milwaukee for Atlanta following the 1965 season. Inadequate potential for television revenue and declining attendance were cited as the main reasons for the team's departure. The condition of County Stadium, which had been enlarged to seat over 40,000 by 1965, was not a major issue.

The Green Bay Packers continued to use the stadium for a few games each season, and Milwaukee interests sought another baseball team. They succeeded in purchasing the Seattle Pilots, and the team, renamed the Milwaukee Brewers, began play in County Stadium in 1970. The Brewers rarely approached the attendance levels of the Braves' early years. During the 1960s and 1970s, County Stadium was enlarged to its present capacity of around 55,000, about average for major league baseball and football facilities. Eventually, though, other factors related to financing major league sports led both principal tenants to express dissatisfaction with County Stadium.

Over time County Stadium has become one of the older parks in major league baseball. Most of the stadiums in use in 1952 have been replaced by facilities that offer a variety of new features absent in older parks. The lack of skyboxes has been a major source of Brewer dissatisfaction with County Stadium and was cited by the Green Bay Packers as the reason for playing their entire schedule in Green Bay starting in 1995. The Packers stated that continuing to play in Milwaukee County Stadium three times a year would cost them $2.5 million dollars each season because of lost skybox revenue that would be available at Green Bay's Lambeau Field.

Critics of County Stadium have also cited other reasons for dissatisfaction. Much of this criticism springs from the rising standards set by new stadiums that make County Stadium seem inadequate by comparison. The stadium has a number of obstructed view seats, a flaw that has been avoided in the design of new stadiums. Parking at County Stadium is inadequate for events that draw capacity crowds; newer stadiums typically have a smaller seating capacity than County Stadium, which alleviates some parking concerns. Concession areas in newer facilities are larger, greater in number, more inviting, and can supply a wider variety of food items. Newer facilities are designed for grandeur in appearance and convenience in conveying large numbers of people to restrooms, parking areas, concession areas, and their seats. County Stadium has been criticized for its strictly functional appearance and congested concourses.

County Stadium supporters argue the facility is entirely adequate to host a major league baseball team. Obstructed view seats, inadequate parking, and congestion are only noticeable at events that attract capacity or near-capacity crowds. The push for skyboxes has drawn criticism as an elitist solution that might not be necessary if players' salaries had not risen so dramatically in recent decades. Critics of replacing County Stadium also point to the positive features of the facility. County Stadium has better sightlines than many newer facilities. Its large seating capacity can be viewed as an asset, and it has a certain sentimental hold on fans that comes with age.

Early Efforts

Questions were first raised in the mid-1980s about County Stadium's suitability as a home for the Brewers in future seasons. A task force was created in March 1987 by the Greater Milwaukee Committee (GMC) to examine the suitability of the stadium and the future financial needs of the Milwaukee Brewers. The task force was charged with determining whether to remodel County Stadium or to build a new stadium. It focused its study on the feasibility of providing the Brewers with skyboxes by remodeling the existing stadium. In 1988 the task force's final report dismissed the remodeling plan as nonfeasible and recommended the construction of a new stadium to create skybox revenue. According to the report's findings, renovating County Stadium to include skyboxes and eliminate pillars would cost approximately $100 million, while an entirely new stadium would cost around $120 million. (The following year, Milwaukee County commissioned a similar study that also recommended a new stadium over the option of remodeling the existing one.) The GMC report coincided with the unveiling of a plan by the Brewers to build a stadium for about $120 million with private funds to be raised by the Brewers. A proposed design for the stadium was also released at this time. According to the plan, construction costs would be borne by the Brewers and other private investors, while the site and certain necessary infrastructure costs such as highway improvements would be contributed by either the state or local units of government. The stadium, once completed, would be owned and operated by the Brewers.

Site Selection. The determination that a new stadium should be built also raised the question of where the new stadium should be located. Among the sites favored initially were two sites in the western Menominee Valley near the present stadium. Both sites posed environmental problems because of contaminated soil and the possibility of increased air pollution caused by stadium traffic. Both would also require highway improvements. This coupled with the necessity of acquiring private and state lands at these sites led others to suggest vacant land at the Milwaukee County Institutions grounds or undeveloped land in Falk Park in Oak Creek, sites already owned by the county. The county institutions site posed transportation problems similar to the Menominee Valley sites. In addition, the location of several hospitals elsewhere on the grounds caused concerns that use of this site for a stadium would be incompatible. Soon other sites were suggested. Some believed that the stadium should be located in downtown Milwaukee, to provide an economic boost. Others argued that the stadium could be constructed least expensively in Waukesha County near existing freeway connections. Other Oak Creek sites were also mentioned.

State Involvement. The Brewers eventually sought assistance from the state in their private financing venture. In July 1991, the legislature passed 1991 Wisconsin Act 37, which authorized a $35 million loan from the Wisconsin Housing and Economic Development Authority (WHEDA) to assist the team in raising revenue for stadium construction. The bill was amended to make luxury boxes subject to the state sales tax, but that provision was vetoed by Governor Tommy Thompson. Public action on the stadium issue subsided while the Brewers attempted to obtain sufficient funds to begin construction. The team never applied for the loan.

In February 1994, the Brewers announced a new plan for a Milwaukee stadium. According to this plan, a stadium with a retractable roof would be built with significant public financial contributions at a cost of approximately $250 million.

The inability of the Brewers to implement their private financing plan forced Wisconsin to confront the question of public financing for the stadium. A task force, organized by Governor Thompson, outlined a variety of options, many of which had been tried in other states. These included a sports lottery, a regional sales tax, a special sales tax district in the immediate vicinity of the stadium, and a special agreement with an Indian tribe that would allow expanded Indian gaming in exchange for a portion of the increased casino revenue. In the wake of the results of a 1993 advisory referendum that opposed expanded gambling in Wisconsin, state officials ruled out the negotiation of more liberal gaming compacts with state Indian tribes. Later, stadium supporters proposed a sports lottery. This necessitated an amendment to the state constitution, but voters refused to approve the constitutional change in a 1995 referendum.

1995 Wisconsin Act 56

Negotiations between Governor Thompson's office and Brewer management led to a nonbinding "memorandum of understanding", outlining a public-private plan for erecting a new retractable dome stadium near the present stadium site. The facility was to be co-owned by the Brewers and a public stadium district consisting of Milwaukee and Waukesha Counties. A bond issue would provide $160 million of the $250-million construction costs, and the remaining cost would be paid by the team. A significant portion of the team's obligation would be provided by a WHEDA loan and naming rights to the stadium, which the Brewers would sell to private interests.

Governor Thompson called a special session of the legislature in September 1995 to address the stadium question. The stadium plan that eventually emerged from the legislature as 1995 Wisconsin Act 56 provides for a stadium district including five counties, Milwaukee, Ozaukee, Racine, Washington and Waukesha. Seven of the 13 district board members are appointed by local officials and the remainder by the governor. The district board is authorized to issue bonds for stadium construction if a lease of at least 30 years has been negotiated with the Brewers and if 60% of the board concurs. The expansion of the district from two to five counties enabled the legislature to drop a 1% hotel / motel room tax proposed in the memorandum of understanding. The district's financial obligations are to be paid from a 0.1% sales tax.

A major provision of the final law calls for joint ownership of the facility: 64% by the authority; 36% by the team. According to the nonbinding memorandum of understanding, the Brewers would forfeit their ownership interest in the stadium if they leave Milwaukee during the term of the initial 30-year lease. This provision was not contained in Act 56.

The Milwaukee Brewers are to contribute $90 million of the total $250 million costs of the stadium project. The team will finance $50 million of this amount through a loan from WHEDA. The Brewers may choose to contribute revenue from the naming rights of the stadium to meet their $90 million obligation. The exact amount of this contribution depends upon the terms of the naming rights agreement, but it is expected to generate about $25 million for a contract of undetermined length. The other $15 million required of the Brewers for stadium finance would be raised through concession contracts or other sources available to the team. Although a lease has not been negotiated between the team and the authority, it is expected that the Brewers will pay rent of approximately $1.1 million per year and will maintain and manage the facility year-round. The team's estimated annual contribution, including rent, maintenance, and regular payments on its WHEDA loan, will be around $6 million per year. Act 56 requires the team to provide reduced price seating to residents of counties affected by the sales tax on special days each year and to make annual contributions to youth sports organizations.

Constitutional Questions Surrounding 1995 Wisconsin Act 56

Several constitutional questions have been raised in relation to the stadium plan as passed in Act 56. The taxing power given the district by September 1995 Special Session AB-1 was questioned because it was not clear whether the authority was a state or local entity. In the original proposal, the governor was to appoint most members of the district board. This raised doubt as to whether a court would consider it a local unit of government. If it were determined to be a state entity, the district could not legally spend tax money on a local project, such as a stadium.

Another issue arose over the nature of the district's obligations. If considered debt by a court, they might violate Article XI, Section 3, of the Wisconsin Constitution, which requires a property tax must be used for the retirement of debt incurred by "municipal corporations." This also raises the question of whether a court would consider the stadium a public utility, which is exempt from the property tax requirement. In addition, the project may run afoul of the constitutional prohibition against the state contracting debt for, or participating in, works of internal improvements found in Article VIII, Section 10. Finally, there are questions about whether Act 56 constitutes a private or local law for assessing taxes, as prohibited by Article IV, Section 31.

Changes made to the stadium proposal in passage of Act 56 have alleviated some of these concerns. For example, the legislation gives local authorities, not the governor, the power to appoint a majority of the district board. But some of these concerns may yet make the plan vulnerable to challenge in court. The Wisconsin Supreme Court is currently considering these issues in the case brought by the Libertarian Party of Wisconsin and others against the State of Wisconsin and others.

V. THE UNCERTAIN FUTURE OF STADIUM FINANCE ISSUES

The drama played out recently in Wisconsin over the stadium issue is likely to be repeated in other states as more teams seek better homes. Nationally, the phenomenon feeds on itself – as one team moves or obtains better facilities, other professional athletic teams change their views of what constitutes a fitting site for their sport, and cities that have lost their teams vow to regain major league status. This can be seen in the recent events in the NFL. The Cleveland Browns received a stadium package in Baltimore that Cleveland would not provide, prompting the Tampa Bay Buccaneers to seek in newly forsaken Cleveland the package they could not receive in Tampa. Meanwhile, other dissatisfied teams view the recently vacated Los Angeles market either as prime territory for a move or merely as leverage to obtain what their cities and states are reluctant to provide. This escalating spiral has created a quickly evolving standard in sports facilities. It is not possible to predict where this spiral will lead or when it will end. A multimillion dollar "state of the art" facility such as Camden Yards may seem hopelessly inadequate in 20 years – about the time it is paid for. As long as cities associate professional sports with their image and teams seek better stadium deals, the debate on the public finance of stadiums will continue.

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Note: Numbers in parentheses are catalog numbers for materials in the Dr. H. Rupert Theobald Legislative Library at the Legislative Reference Bureau. Readers are also referred to the clippings filed in the library under *Municipalities – Recreation* (352.596 / Z).