

November 17, 1993

MEMORANDUM TO : Pete Cummings
COPY TO : Larry Barton
FROM : Hector Alcalde
 Lois Moore
SUBJECT : Spent Fuel Containers

The Subcommittee on Energy of the House Science and Technology Committee held an oversight hearing regarding Spent Fuel Containers on November 8. We thought you would be interested in the enclosed copies of the statements presented. Witnesses were :

Ronald Milner, Associate Director for Storage and Transportation,
Office of Civilian Radioactive Waste Management
Department of Energy

Robert Bernero, Director, Office of Nuclear Material Safety
Nuclear Regulatory Commission

Steven P. Kraft
Director,
Nuclear Waste and Transportation
Edison Electric Institute

W. L. Stewart, Virginia Power

J.G. Burritt
Newport News Industrial Corporation

Sherwood Chu
Nuclear Waste Technical Review Board

December 16, 1993

MEMORANDUM TO : Pete Cummings
COPY TO : Larry Barton
FROM : Hector Alcalde
Lois Moore
SUBJECT : Yucca Mountain Report

The 1st session of the 102nd Congress adjourned on November 25th.
The second session will convene on January 25.

Energy and Water Development Appropriations Act/Fiscal Year 1994

As you know, the Energy and Water Development Appropriations Act for Fiscal Year 1994 was signed into law on October 28, 1993. In total the new law provides \$260 million to proceed with various projects to store or dispose of nuclear waste from civilian power plants: included in that total is \$5.5 million to the State of Nevada for the purpose of conducting scientific oversight responsibilities pursuant to the Nuclear Waste Policy Act and \$7 million to affected local governments to conduct appropriate activities pursuant to the Act. Enclosed is a copy of the Public Law with the pertinent sections referenced.

The new law also provides that none of the funds appropriated shall be made available for Phase II-B grants to study the feasibility of siting a Monitored Retrievable Storage Facility. The sponsor of this language was Senator Bingaman (D-New Mexico). His intent, presumably, was to make sure that the MRS would not be located in his state of New Mexico. Senator Bingaman indicated that the original intent of establishing a temporary facility was that the site be located close to where the waste was produced - either on the East or West coasts.

2nd Session, 102nd Congress/Legislative Agenda:

We have contacted Senator Bennett Johnston's staff to inquire about probable legislative initiatives during the 2nd session of the 102nd Congress relating to the civilian radioactive waste management program. As you know, Senator Johnston is the Chairman of the Energy Committee as well as the

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Chairman of the Energy and Water Development Appropriations Subcommittee. Staff has indicated that Senator Johnston has not indicated his intentions at this time; however, after Congress reconvenes in late January or early February the committee's legislative agenda should be formulated.

There has been some indication that industry-related legislative efforts relating to the siting of the nuclear waste repository at Yucca Mountain may emerge and could include attempts to :

- (i) Amend the Nuclear Waste Policy Act of 1987 to remove the prohibition against siting an MRS in Nevada.
- (ii) Eliminate the cap on the amount of waste that might be placed at Yucca Mountain.
- (iii) Develop an early licensing demonstration project for small scale disposal of nuclear waste at Yucca Mountain.
- (iv) Remove Nevada's authority over the permitting process at the Yucca Mountain site.

It is important to continue to monitor these and other possible industry initiatives as well as to closely monitor developments relating to the following legislative and regulatory issues:

- (i) H.R. 2081, the Nuclear Waste Policy Reassessment Act of 1993, sponsored by Congresswoman Vucanovich and Congressman Bilbray. This legislation would stop all site characterization at Yucca Mountain for a five year period and provide for an independent study.
- (ii) Oversight hearings by the Energy and Mineral Resources Subcommittee of the House Natural Resources Committee regarding regulation of DOE nuclear facilities. These hearings were originally scheduled for November 18, but have been postponed until February or March.
- (iii) Legislative developments relating to the appropriations bill for the Department of Energy for Fiscal Year 1995. The legislative appropriations cycle will begin in February, with the public hearing process and culminate in the House/Senate conference late in the year in September or October.

It will be especially important to monitor the statements presented before the House and Senate Appropriations Committees by Secretary O'Leary and to monitor for any efforts to amend the Nuclear Waste Policy Act by means of the energy and water appropriations measures.

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(iv) Regulatory developments relating to utilities' storage of spent fuel. In an address to the Institute for Nuclear Power Operators in Atlanta on November 4, Energy Secretary O'Leary suggested that the Department would help to cover the cost of utilities' storage of spent fuel.

Energy Committee staff have no indication as to what Secretary O'Leary's plans may be; however, Secretary O'Leary has directed her staff to study options to assist utilities in this regard.

September 9, 1993

MEMORANDUM TO : Pete Cummings
COPY TO : Larry Barton
FROM : Hector Alcalde
Lois Moore
SUBJECT : Nuclear Waste Update

**Oversight Hearing/ Civilian Radioactive
Waste Management Program**

The Senate Energy Committee had scheduled an oversight hearing on the civilian radioactive waste management program; however that hearing has been postponed. Committee staff apprise us that instead of holding a separate hearing, the committee will examine the issue during the nomination hearing of Mr. Dan Dreyfus.

As you know, Mr. Dreyfus has been nominated by the President as Director of the Office of Civilian Radioactive Waste Management. His nomination hearing before the Senate Energy Committee is expected near the end of September.

We will apprise you as soon as the hearing has been scheduled and will attend the hearing and report back to you.

Department of Energy Appropriations for Fiscal Year 1994

The Energy and Water Development Subcommittee of the Senate Appropriations Committee has not yet scheduled markup on the FY '94 funding measure for the Department of Energy. Markup is expected within the next week to ten days. As we have previously reported, the House-passed bill provides \$260,000,000 for nuclear waste disposal activities, \$5.5 million for the State of Nevada and \$7 million for affected local governments.

We will apprise you of the funding levels provided by the Senate subcommittee as soon as the Senate subcommittee marks up.

We are also monitoring closely for any legislative initiatives to amend the Nuclear Waste Policy Act in any manner. As you know, some believe there could be an attempt to remove the prohibition in current law against siting the MRS in Nevada. A potential legislative vehicle could be the energy and water appropriations measure.

August 2, 1993

MEMORANDUM TO : Pete Cummings
COPY TO : Larry Barton
FROM : Hector Alcalde
Lois Moore
SUBJECT : Nevada Test Site

Enclosed is language included in the committee report accompanying the Department of Defense Authorizing Act for Fiscal Year 1994 which recommends that the Nevada Test Site be considered by the Department of Energy for siting of new facilities.

June 25, 1993

MEMORANDUM TO : Bill Noonan
COPY TO : Pete Cummings
FROM : Hector Alcalde
Lois Moore
SUBJECT : Yucca Mountain

We continue to monitor closely for industry-related legislative efforts relating to the siting of a nuclear waste repository at Yucca Mountain. There is some indication that industry advocates in Congress, in particular Senator Bennett Johnston, may initiate an effort in the near future. Approaches which Senator Johnston could attempt include : (i) To amend the Nuclear Waste Policy Act of 1987 to remove the prohibition against siting an MRS in Nevada; or (ii) To eliminate the cap on the amount of waste that might be placed at Yucca Mountain.

These or other proposals could be added as amendments to legislation originating from the Senate Energy Committee (which Senator Johnston chairs) or, a more likely vehicle would be the Fiscal Year 1994 appropriations bill for the Department of Energy. That measure (the Energy and Water Development bill - H.R. 2445) passed the House on June 24 and will be considered by the Senate Committee later this summer - by late July at the earliest.

Should Senator Johnston include such amendment(s) on the Senate appropriations bill, he would actually be legislating on an appropriations measure. We would therefore suggest the following strategy to defeat the measure in conference with House conferees:

(i) Meet with key members of the authorizing committee (the House Energy and Commerce Committee) to apprise them of the Senate authorizing language.

(ii) Request individual Energy and Commerce Committee members to contact House appropriations conferees, objecting to the attempt by the Senate to legislate on an appropriations measure.

(ii) Follow up in meetings with each of the House conferees.

Should Senate conferees prevail, we would seek similar objections to the conference report when it reaches the House Floor for a final vote.

It is important to note that one of the Members of the House Appropriations Subcommittee on Energy and Water Development and a probable conferee is Congressman Vic Fazio (D-CA). He may be particularly sympathetic as he signed last year's "Dear Colleague" letter in opposition to industry's attempts to legislatively preempt the State of Nevada relating to site characterization activities at Yucca Mountain. In addition, Congressman Mike Synar (D-OK) who was vocal in his opposition to the preemption legislation is a senior ranking member of the Energy and Commerce Committee.

Other possible industry efforts which could surface this year include :

- (i) Attempts to once again remove Nevada's authority over the permitting process at the Yucca Mountain site.
- (ii) Attempts to develop an early licensing demonstration project for small scale disposal of nuclear waste at Yucca Mountain.

It is important to continue to monitor these and any other possible industry initiatives as well as to closely monitor legislative developments relating to the following issues :

- (i) H.R. 2081, the Nuclear Waste Policy Reassessment Act of 1993, sponsored by Congresswoman Vucanovich and Congressman Bilbray. This legislation would stop all site characterization at Yucca Mountain for a five year period and provide for an independent study.
- (ii) Similar legislation expected to be introduced by Senator Bryan.
- (iii) Legislative developments regarding the appropriations bill for the Department of Energy for Fiscal Year 1994. As we reported to you, in addition to providing an overall funding level for nuclear waste disposal activities, the House Appropriations Committee has provided within H.R. 2445 - Energy and Water Development appropriations for FY '94 - \$7 million for affected local governments (a \$1 million increase over the Department's budget request of \$6 million).

(iv) Activities surrounding the Clinton Administration's nomination of a Director of the Office of Civilian Radioactive Waste

We recommend that the City of Las Vegas continue to monitor closely for legislative initiatives by the nuclear industry and be prepared to take a proactive position. We would like to propose an extension of our contract through the end of the Congress and beyond at a retainer fee of \$4000 monthly.

June 17, 1993

MEMORANDUM TO : Pete Cummings
COPY TO : Bill Noonan
FROM : Hector Alcalde
Lois Moore
SUBJECT : Nuclear Waste Disposal Fund

The House Appropriations Committee today reported out the FY '94 Energy and Water Development Appropriations measure.

The committee provided \$260,000,000 for nuclear waste disposal activities. Of the amount appropriated \$5.5 million may be provided to the State of Nevada and \$7 million may be provided to affected local governments. Enclosed is a copy of the pertinent bill and accompanying report language.

The House of Representatives will consider the measure in the near future, probably within the next week to ten days. The Senate Appropriations committee will then markup from the House-passed bill.

May 20, 1993

MEMORANDUM TO : Pete Cummings
COPIES TO : Bill Noonan
FROM: Hector Alcalde
Lois Moore
SUBJECT : Empowerment Zones/Enterprise Communities

We have previously forwarded to you the Administration's proposal relating to empowerment zones/enterprise communities.

We also forwarded an explanation of the House Ways and Means Committee decisions with respect to the tax portion of the proposal. The tax portion is incorporated within the larger Revenue Reconciliation Act (H.R. 2141) which was marked up by the Ways and Means Committee on May 13. The Senate Finance Committee is expected to markup the Revenue Reconciliation Act (inclusive of enterprise zones) in early to mid June.

The non tax portion of the empowerment zone proposal is expected to be considered by the authorizing committees of jurisdiction. The House and Senate Banking Committees will have jurisdiction, along with possibly other committees such as Agriculture. We have enclosed a copy of the legislative language on the non tax (or spending) portion of the proposal.

With respect to the City of Las Vegas' specific concerns with the proposal, we recommend that you correspond with both Congressmen Bilbray and Congresswoman Vucanovich as well as Senators Reid and Bryan. Senator Bryan is a member of the Banking Committee, therefore, it is imperative that he be apprised of the City's concerns at this time.

We have been in contact with the League of Cities and Conference of Mayors. Each group is currently reviewing the proposal and will develop a position paper within the next few days. You may also want to express the City's concerns to both associations.

Let us know if you would like us to follow up on significant legislative developments relating to both the tax and non-tax portions of the empowerment zones/enterprise communities proposal.

May 20, 1993

MEMORANDUM TO : Pete Cummings
COPY TO : Bill Noonan
FROM : Hector Alcalde
Lois Moore
SUBJECT : Community Policing Grants

For your information, last week the Administration forwarded to Capitol Hill a \$200 million proposal for grants to local jurisdictions for additional policing. The purpose is to offset layoffs resulting from fiscal constraints on local governments. No further details are available at this time. The House Appropriations Committee is expected to markup this proposal as a part of a new scaled-back "jobs" bill next week.

Also, the Empowerment Zone/Enterprise Zone proposal which the Administration forwarded to Capitol Hill last week, is inclusive of a proposal providing grants to communities to increase police presence. Enclosed is a copy of the fact sheet on the Administration's proposal. Please note **Community Policing - Page 2**.

Enclosed is the legislative language on the Economic Empowerment Act. Please note Title III - **Public Safety and Community Policing Assistance Act**. The legislation indicates that the Attorney General would have authority to make grants to areas which are not necessarily designated as enterprise zones.

We thought that this information might be of interest to you. Let us know if you would like us to follow up on any of these issues.

May 17, 1993

MEMORANDUM TO : Pete Cummings
COPY TO : Bill Noonan
FROM : Hector Alcalde
Lois Moore
SUBJECT : Nuclear Waste Update

The following is a brief update on issues affecting the nuclear waste management program and/or the Yucca Mountain repository site. We are continuing to monitor closely for legislative initiatives by the nuclear energy industry which may emerge in the course of this legislation session.

H.R. 2081 : Nuclear Waste Policy Reassessment Act of 1993

On May 11, Congresswoman Vucanovich and Congressman Bilbray jointly introduced the Nuclear Waste Policy Reassessment Act of 1993, H. R. 2081. The legislation would stop all site characterization at Yucca Mountain for a five year period. During this period an independent study would be undertaken by the National Academy of Sciences in consultation with the NWTRB, Nuclear Regulatory Commission, DOE, the EPA and other interested parties (including the State of Nevada, and affected local governments). The study would examine the scientific, economic, and regulatory merits of studying one site versus the merits of studying multiple sites.

The legislation also provides that the Secretary of Energy refund or credit to utilities such revenues from the Nuclear Waste Trust Fund as are necessary to build and maintain on-site storage at reactor sites (For FY '94, moneys would be rebated to those utilities that have currently existing on-site storage).

We have enclosed a copy of Mrs. Vucanovich's statement on introduction of the legislation.

The legislation has jointly been referred to the Energy and Commerce and Natural Resources Committees.

The Subcommittee on Energy and Mineral Resources of the Natural Resources Committee will hold two days of hearings in June which, although not

specifically focused on this legislation, will provide a forum for discussion of H.R. 2081. The first hearing in early June (tentatively June 8) will be mainly budget - related. Secretary O'Leary will testify at that time. The second hearing, to be held in late June, will be an oversight hearing on nuclear waste issues.

Congresswoman Vucanovich, who is the ranking republican member of that subcommittee, will participate in determining the witness list. Her staff expects to invite witnesses from the Nuclear Waste Technical Review Board, the Governor's office, and possibly the Advisory Committee on Nuclear Waste for the NRC.

Please let us know if the City of Las Vegas would be interested in submitting testimony at this hearing.

Senator Bryan is considering introducing similar legislation - at least similar to the section providing for a credit to utilities for on-site storage. His staff is reviewing the House bill at this time.

Office of Civilian Radioactive Waste

To date, the Clinton Administration has not nominated a Director of the Office of Civilian Radioactive Waste Management. Dan Dreyfuss, who is reportedly being touted by Senator Johnston for appointment, has been hired by Secretary O'Leary as a Special Assistant. Accordingly, it is widely believed he will have input into policy decisions in this area, even if he is not appointed to head the office.

Department of Energy Appropriations, Fiscal Year 1994

The House Subcommittee on Energy and Water Development has completed public hearings on the FY '94 spending bill for the Department of Energy and, specifically, the Nuclear Waste program.

Markup is anticipated shortly - possibly by the end of May or early June. The Senate subcommittee will markup after the House has passed its bill. Senate markup generally occurs between July and September of each year.

In addition to providing an overall funding level for nuclear waste disposal activities, the committee generally earmarks money for affected local governments (inclusive of Clark County).

As you know, the Fiscal Year 1994 Department of Energy budget request includes \$261 million to continue site characterization activities at the Yucca Mountain candidate repository site. \$15.7 million for Multiple Retrievable Storage (MRS) - related activities is requested. A separate appropriation of \$120 million is requested for the disposal of defense high-level waste in the repository.

A copy of the Administration's budget request for nuclear waste disposal is enclosed, along with the accompanying justification.

We will apprise you of the results of House subcommittee markup.

Alternative Program for High Level Waste Disposal

A Department of Energy task force has developed an alternative strategy for high level waste disposal. That strategy, as outlined in the enclosed report, provides for early licensing to demonstrate the capability for repository disposal, leaving the decision to begin full-scale waste emplacement to future generations. After obtaining construction authorization and a license to accept waste from the Nuclear Regulatory Commission (NRC), DOE would proceed with extensive testing using small amounts of waste and monitoring to confirm repository performance.

March 11, 1993

MEMORANDUM TO : Jay Bingham
Pat Shalmy

FROM : Hector Alcalde
Lois Moore

SUBJECT : Nuclear Waste Update

As you know, the 103rd Congress convened on January 5. So far there have been no legislative developments with respect to the Department of Energy's nuclear waste management program and/or the Yucca Mountain repository site. We do anticipate legislative activity once the Clinton Administration submits its FY'94 budget to Capitol Hill and nominates individuals to key posts at the Department of Energy - among those nominations will be a Director of the Civilian Radioactive Waste Management Program.

We will also be monitoring closely for legislative initiatives by the nuclear energy industry which we feel are certain to emerge in the course of the legislative session.

Anticipated Budget Activity

The budget is due to be submitted to Congress on April 5. After the budget announcement, the House and Senate Appropriations Subcommittees on Energy and Water Development will schedule hearings on the Department of Energy's budget which will be inclusive of a funding request for nuclear waste disposal activities. DOE officials will testify at that time. We will cover those hearings on behalf of the City of Las Vegas and Clark County.

Presumably political appointees will be nominated (and confirmed) by the time of the appropriations hearings. Mr. Dan Dreyfuss is one of the individuals reportedly being discussed at this time to be Director of the Civilian Radioactive Waste Management Office. We are apprised that Senator Bennett Johnston (D-LA) is endorsing the appointment of Mr. Dreyfuss (who is presently an energy consultant and some time ago was a senior staff member of the Senate Energy Committee).

After appropriations hearings are completed, the committees will markup the Fiscal Year 1994 Energy and Water Development appropriations bill. The House appropriations subcommittee generally marks up in late May or early June of each year. The Senate subcommittee marks up after the House has passed the bill. Senate markup generally occurs between July and September.

In addition to providing an overall funding level for nuclear waste disposal activities, the committees generally earmark money for affected local governments (inclusive of Clark County). As you know, the Fiscal Year 1993 Appropriations Act provided \$6 million for affected local governments. We will monitor closely for developments with respect to providing a similar line item within the FY '94 bill.

Other Legislative Initiatives

In addition to monitoring developments relating to the budget, we will be monitoring closely for any legislative initiatives by the nuclear energy industry. We would anticipate that the industry will be working to fast-track the siting process at Yucca Mountain, and could attempt one or more of the following strategies in order to accomplish its goal :

- * To rewrite existing law to allow development of a Monitored Retrievable Storage facility regardless of progress made on a permanent repository site
- * To attempt once again to remove Nevada's authority over the permitting process of the Yucca Mountain site
- * To eliminate the present cap on the amount of waste that might be placed at Yucca Mountain

We are prepared to work to counter these or other industry initiatives which we feel are certain to emerge as the legislative session proceeds.

As a point of information, those Members of Congress who were supportive of industry attempts regarding preemption last year retain their key committee posts - including Senator Bennett Johnston who continues to chair the Senate Energy Committee as well as the Senate Energy and Water Development Appropriations Subcommittee and Congressman John Dingell who continues to chair the House Energy and Commerce Committee.

The Subcommittee on Energy and Mineral Resources of the House Natural Resources Committee (formerly the Interior Committee) would have jurisdiction over energy-related issues. That subcommittee is now chaired by Congressman Richard Lehman (D-CA) who, you will recall, supported Nevada's position on preemption last year (by signing the Dear Colleague letter in opposition to preemption). The ranking republican member of that subcommittee is Congresswoman Barbara Vucanovich.

We will continue to stay in contact with staff and members on these committees and apprise the City and the County of significant developments. Since Congress convened in January, we have maintained regular contact with senior committee staff including Proctor Jones, staff director of the Senate Energy and Water Development Appropriations Subcommittee, Dan Adamson, professional staff member of the House Natural Resources Committee, Bill Condit, minority staff consultant to the Energy and Mineral Resources Subcommittee, in addition to staff in the offices of the Nevada delegation.

Report of the Nuclear Waste Technical Review Board

The Nuclear Waste Technical Review Board released a special report to Congress on March 2. Congresswoman Vucanovich has asked Congressman Richard Lehman (D-CA), the Chairman of the House Subcommittee on Energy and Mineral Resources, to hold an oversight hearing on the report. We will apprise you if and when that hearing is scheduled.

As you know, the Board recommends changes in the Department of Energy's high-level waste management program including :

- (i) Establishing realistic target dates for achieving interim goals, such as getting underground at Yucca Mountain, beginning critical testing and determining the suitability of the site.
- (ii) Developing a comprehensive, well-integrated plan for the management of "all spent fuel and high level defense waste from generation to disposal."
- (iii) An independent evaluation of the organization and management of the Office of Civilian Radioactive Waste Management.

March 9, 1993

MEMORANDUM TO : Pete Cummings
COPY TO : Bill Noonan
FROM : Hector Alcalde
Lois Moore
SUBJECT : Yucca Mountain

The conference on H.R. 776, the National Energy Policy Act, has not been scheduled, but is anticipated shortly after Congress reconvenes from the August recess (on September 8).

Staff and members are meeting informally in pre- conference negotiations. One issue that is currently being discussed is the WHIPP facility and the environmental standards that will govern its operation. Once published, those standards will apply to all high level waste repositories, inclusive of Yucca Mountain. You will recall that EPA issued standards in 1985 (pursuant to 40 CFR Part 191, subpart (b) which were subsequently struck down by the courts . Since that time DOE has been pressuring EPA for weakened standards.

Congressman Kostmayer and other House conferees are proposing language which will make the opening of the WHIPP facility contingent upon the issuance of EPA standards. Presumably (according to Congressman Kostmayer's counsel), DOE will back down in attempting to weaken the standards because the Agency wants WHIPP to open. Senator Bennett Johnston is opposing this proposal.

We will keep you apprised of significant developments relating to this issue.

February , 1993

MEMORANDUM TO: Pete Cummings
COPY TO: Bill Noonan
FROM: Hector Alcalde
Lois Moore
SUBJECT: Disclosure of Lobbying Activities

Enclosed are the documents in explanation of Section 319 of P.L. 101-121:
"Limitation on use of appropriated funds to influence certain federal contracting and financial transactions."

This law generally prohibits recipients of Federal contracts, grants and loans from using appropriated funds for lobbying the Executive or Legislative Branches of Government. It also requires each person who requests or receives a Federal contract, grant, cooperative agreement, loan or a Federal commitment to insure or guarantee a loan, to disclose lobbying activities.

This disclosure form is provided within the enclosed.

January 11, 1993

MEMORANDUM TO: Councilman Bob Nolen

FROM: Hector Alcalde

SUBJECT: The President's Drug Advisory Council

The "President's Drug Advisory Council" members serve two year terms which expire in November of this year. In the past, the President's staff has either reappointed the existing members or chosen new members.

However, we understand the Council may not be continued over into the new Administration. The Council is waiting for direction from the Clinton Staff.

We will keep you apprised on this.

November 23, 1992

Mr. William Noonan
City Manager
City of Las Vegas
400 E Stewart
Las Vegas, Nevada 89101

Dear Bill:

The following article might be of some interest to you.

There is a great likelihood that an infrastructure bill might be moving early in the session. If that is the case, new projects will be considered and we should be ready with our priorities.

Also, it is very likely that funds might be directed to the Economic Development Administration at the Department of Commerce for the purpose of funding projects that are already on the drawing board and are ready to go. These would include such projects as extensions to libraries, museums and general public works types of construction.

We will monitor all of this very closely as the new Congress convenes and will keep you advised.

Sincerely,

Hector Alcalde

November 9, 1992

MEMORANDUM TO : Councilman Bob Nolen
City Manager Bill Noonan
Commissioner Jay Bingham
County Manager Pat Shalmy

COPY TO : Pete Cummings

FROM : Hector Alcalde
Lois Moore

SUBJECT : Yucca Mountain

We strongly recommend that the City and County continue their proactive efforts relating to the Department of Energy's site characterization activities at Yucca Mountain, in order to counter industry attempts to thwart the process to its own advantage.

We can be certain that the nuclear industry will be vigorously working to fast-track the siting process at Yucca Mountain and to attempt one or more of the following strategies in order to accomplish its goal:

- * To attempt once again to remove Nevada's authority over the permitting process of the Yucca Mountain site
- * To rewrite existing law to allow development of a Monitored Retrievable Storage facility regardless of whether any progress is made on a permanent repository
- * To scrap the prohibition in current law against siting an MRS facility in Nevada
- * To eliminate the present cap on the amount of waste that might be placed at Yucca Mountain

The members who were supportive of industry attempts regarding preemption this past session of Congress are expected to retain their key committee posts - including Senator Bennett Johnston (D-LA), Chairman of the Senate Energy and Natural Resources Committee as well as the Energy Appropriations Subcommittee, and Congressman John Dingell (D-MI), Chairman of the Energy and Commerce Committee.

Unfortunately, one of the key champions of Nevada's position, Congressman Kostmayer (D-PA) lost his bid for reelection. Additionally, many other members who opposed this year's attempts by industry to preempt Nevada will not be returning to Congress due to defeat or retirement. They include eleven members who signed the Dear Colleague letter in opposition to preemption: Congressman Robert Lagomarsino (R-CA), Congressman Wayne Owens (D-UT), Congressman Larry Smith (D-FL), Congressman Bill Lehman (D-FL), Congressman Marty Russo (D-IL), Congressman Matt Rinaldo (R-NJ), Congressman Jim Jontz (D-IN), Congressman Guy Vander Jagt (R-MI), Congressman Les Au Coin (D-OR), Congressman Mel Levine (D-CA) and Congressman Richard Stallings (D-ID).

The defeat or retirement of many of the State of Nevada's supporters strengthens the need for an intensified education effort with members of those committees having jurisdiction over the Department of Energy and environmental issues: the Energy and Commerce and Interior Committees in the House, and the Energy and Environment and Public Works Committees in the Senate. We hasten to add that there will be 110 new members of the House of Representatives. We believe it is important to educate these freshmen, as the nuclear industry will more than likely be planning to engage in a massive effort to solicit their support - especially from those freshmen who will be selected to serve on the Energy and/or Interior Committees.

We recommend that the City of Las Vegas and Clark County continue their proactive efforts in the new 103rd Congress. We are prepared to begin this effort on behalf of the City and County as soon as the new Congress convenes in January and would recommend that a one year contract be entered into.

November 6, 1992

MEMORANDUM TO: Bill Noonan

COPIES TO: Bob Nolen
Mayor Jan Laverty-Jones

FROM: Hector Alcalde

SUBJECT: HUD Projects

Enclosed are several pages from the HUD Appropriations bill. These will give you an idea of the types of projects that are being funded throughout the country and you may want to consider what types of similar projects might be applicable to the City of Las Vegas.

Senator Barbara Milkulski of Maryland is the Chairman of the VA, HUD and Independent Agencies Subcommittee of the Senate Appropriations Committee and is an easy person to work with.

You may want to be thinking of some type of project that is important to Las Vegas which could be funded through a HUD Appropriations measure.

November 3, 1992

Honorable Frank Hawkins, Jr.
City Councilman
City of Las Vegas
400 E Stewart Avenue
Las Vegas, Nevada 89101

Dear Councilman Hawkins:

Thank you for your nice note regarding the Sahara Avenue Interchange project, but more importantly, thank you for allowing us to represent your city here in Washington.

I regret that we did not have a chance to visit when you were last in Washington. I know that you had a very busy agenda.

I plan to be in Las Vegas in the not too distant future and hope to be able to see you then.

Sincerely,

Hector Alcalde

October 19, 1992

MEMORANDUM TO : Pete Cummings
COPY TO : Bill Noonan
FROM : Hector Alcalde
 Lois Moore
SUBJECT : Interstate Highway Construction Program

In response to your recent memorandum about plans for a new interstate highway linking Salt Lake to Phoenix, we have been in contact with the State highway departments for the States of Arizona and Utah.

Both offices have confirmed that these plans are in the extreme preliminary stages. Studies have not yet been undertaken and no monies have yet been apportioned from federal-aid-highway funds.

We recommend that the State of Nevada DOT be in contact with the Arizona and Utah DOT offices, to assure that the proposed new highway is routed by way of Las Vegas, if and when plans for this highway materialize.

October 7, 1992

MEMORANDUM TO : Pete Cummings

COPY TO : Bill Noonan
Pat Shalmy

FROM : Hector Alcalde
Lois Moore

SUBJECT : Yucca Mountain

Enclosed is a House Floor statement by Congresswoman Vucanovich which indicates her objections to the conference report on the National Energy Act. Specifically, Section 801 requires the EPA to promulgate high level radioactive waste regulations based upon and consistent with the findings and recommendations of a study to be completed by the National Academy of Sciences.

This provision was offered in conference by the Senate as a substitute to the House provision which directs the EPA to reinstate the generally applicable environmental regulations for high-level radioactive waste, spent nuclear fuel and transuranic waste. It is believed that the effect of the Senate provision would be to relax standards sufficiently so as to assure that Yucca Mountain would qualify as a repository.

Congresswoman Vucanovich attempted to recommit the energy bill back to committee. However, her motion was rejected.

As you know, the conference report on the National Energy Policy Act (H.R. 776) passed the House on Monday, October 5 by an overwhelming vote. The Senate is expected to consider the conference report tomorrow. Senators Bryan and Reid, as you may be aware, have indicated their intentions to filibuster the conference report.

Considering that the House has adjourned and the great desire of the Senate to do the same, it is not probable that a filibuster will continue beyond this Friday and it appears that Senator Bennett Johnston's provision will ultimately prevail.

It is our judgement that the nuclear industry and their allies on Capitol Hill will continue in the new Congress to pursue the same program relating to Yucca Mountain.

September 25, 1992

MEMORANDUM TO : Pete Cummings

COPY TO : Bill Noonan

FROM : Hector Alcalde
 Lois Moore

SUBJECT : Sahara Avenue Interchange Project

We are pleased to report to you that conferees to the FY '93 DOT appropriations bill have agreed to provide \$11.46 million for the Sahara Avenue project.

The final conference report will reach the House and Senate Floors next week and then will be sent to the White House.

September 14, 1992

MEMORANDUM TO : Pete Cummings
COPY TO : Bill Noonan
FROM : Hector Alcalde
Lois Moore
SUBJECT : Sahara Avenue

We met today with Congressman Bill Lehman, the Chairman of the Transportation Appropriations Subcommittee, to ask that he recede in conference to the Senate funding provision on the Sahara Avenue interchange. As we have previously reported to you, the Senate bill provides \$15 million which is adequate to complete the project. The House bill provides \$2.7 million.

Congressman Lehman and his staff counsel indicated to us that they had not yet determined how the conference will proceed on the projects that are provided by both bills. There may need to be across the board reductions in many of the projects. However, he will keep our request in mind.

The conference is anticipated the week of September 21. We will attend that conference on behalf of the City of Las Vegas, and will follow up his Congressman Lehman and his staff at that time.

September 9, 1992

MEMORANDUM TO : Commissioner Jay Bingham
Pat Shalmy

COPY TO : Dennis Bechtel

FROM : Hector Alcalde
Lois Moore

SUBJECT : Legislative Update

Congress has been in recess since August 6. The Senate reconvened yesterday, September 8 and the House reconvened today. The following is a brief update on the status of legislation of priority interest to Clark County.

National Energy Policy Act/Yucca Mountain

The House and Senate conferees to H.R. 776, the National Energy Policy Act will hold the first conference committee meeting on Thursday, September 10. Senate conferees for most titles of the bill, inclusive of Title VIII - High Level Radioactive Waste are : Johnston (D-LA), Bumpers (D-AR), Ford (D-KY), Bingaman (D-NM), Wirth (D-CO), Conrad (D-ND), Shelby (D-AL), Wallop (R-WY), Hatfield (R-OR), Domenici (R-NM), Murkowski (R-AK), Nickles (R-OK), Burns (R-MT)

House conferees are : Dingell (D-MI) Sharp (D-IN), Markey (D-MA), Tauzin (D-LA), Swift (D-WA), Synar (D-OK), Lent (R-NY), Moorhead (R-Ca), Dannemeyer (R-Ca), Miller (D-CA), Rahall (D-WV) Vento (D-MN), Kostmayer (D-PA), deLugo (D-VI), Gejdenson (D-CT), deFazio (D-OR), Young (R-AK), Marlenee (R-MT), Vucanovich (R-NV), Rhodes (R-AZ).

As expected, Senator Bennett Johnston is the Chairman of the Senate conferees. Senator Johnston has publicly committed to Senators Reid and Bryan (in a Senate Floor statement) that he will not support that section of the House bill which preempts the State of Nevada from its regulatory authorities relating to site characterization activities at Yucca Mountain. Congressman John Dingell could still insist that the House preemption language prevail in conference; however, we do not believe that this will be the case and will be monitoring the conference deliberations closely in this regard. We are staying in contact with House conferees and staff counsel to the conference.

We are also monitoring to assure that the conference does not include any reference to the MRS or other items outside the parameters of conference, including the early storage of nuclear waste at Yucca Mountain.

Energy and Water Development Appropriations Conference/ Nuclear Waste Disposal Fund

The conference committee on the Energy and Water Development appropriations bill (H.R. 5373) may be scheduled the week of September 14. The Senate bill provides \$5 million to the State of Nevada for the conduct of its oversight responsibilities pursuant to the Nuclear Waste Policy Act; the House bill provides \$5,750,000. The Senate bill provides \$6 million to "affected local governments" to conduct appropriate activities pursuant to the Act, the House bill provides \$6,250,000. Senator Reid has been named as a conferee.

WIPP Facility

House and Senate conferees began meeting on August 5 and are continuing to meet on S. 1671 and H.R. 2637. Both bills give the Energy Department title to the land for WIPP and the authority to begin waste storage there in exchange for meeting certain environmental conditions.

The disposal standards that will govern the operation of the WIPP facility will apply to all high level waste repositories, inclusive of the Yucca facility. We are monitoring that conference closely and will apprise you of significant conference developments relating to this issue.

September 9, 1992

MEMORANDUM TO : Pete Cummings
COPY TO : Bill Noonan
FROM : Hector Alcalde
Lois Moore
SUBJECT : Legislative Update

Congress has been in recess since August 6. The Senate reconvened yesterday, September 8 and the House reconvened today. The following is a brief update on the status of legislation which is of priority interest to the City of Las Vegas.

I-15 /Sahara Avenue Interchange

The House-passed Department of Transportation appropriations bill for Fiscal Year 1993, H.R. 5518, provides \$2.7 million for continuing construction work on the I-15/Sahara Avenue Interchange. The comparable Senate-passed bill provides \$15 million for the project.

The conference will be scheduled later this month. We will be meeting with Congressman Bill Lehman, the Chairman of the Transportation Subcommittee to ask that he accept the Senate funding level in conference.

We recommend that the City correspond with Senator Reid, asking for his assistance in retaining the Senate provision in conference. As you know, Senator Reid is a member of the Senate Appropriations Committee and was responsible for securing the Senate funding provision. He has not been named as a conferee.

National Energy Policy Act/Yucca Mountain

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CO), Conrad (D-ND), Shelby (D-AL), Wallop (R- WY); Hatfield (R-OR), Domenici (R-NM), Murkowski (R-AK), Nickles (R-OK), Burns (R-MT)

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As expected, Senator Bennett Johnston is the Chairman of the Senate conferees. Senator Johnston has publicly committed to Senators Reid and Bryan (in a Senate Floor statement) that he will not support that section of the House bill which preempts the State of Nevada from its regulatory authorities relating to site characterization activities at Yucca Mountain. Congressman John Dingell could still insist that the House preemption language prevail in conference; however, we do not believe that this will be the case and will be monitoring the conference deliberations closely in this regard. We are staying in contact with House conferees and staff counsel to the conference.

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The disposal standards that will govern the operation of the WIPP facility will apply to all high level waste repositories, inclusive of the Yucca facility. We are monitoring that conference closely and will apprise you of significant conference developments relating to this issue.

Local Partnership Act/ Enterprise Zones

We will continue to apprise you of legislative developments relating to H.R. 5798, the Local Partnership Act, which has been reported from the House Government Operations Committee. H.R. 5798 provides direct funding to hundreds of local governments throughout the country in order to stimulate jobs. The bill would provide \$1, 252 million to the City of Las Vegas and \$6,359,000 to Clark County. Similar legislation has been reported from the General Services Subcommittee of the Senate Governmental Affairs Committee.

We will continue to monitor this legislation. However, staff counsel have advised us that further action this year is doubtful.

The City of Las Vegas could however, benefit from enterprise zone legislation which is expected to see final congressional action this year. House-passed H.R. 11 provides for a limited number of zones (50); the Senate committee reported version provides for a significantly greater number of zones (125). H.R. 11 will be considered by the Senate within the next two weeks. A conference is expected prior to the end of the congressional session. We will keep you apprised of significant legislative developments relating to this legislation.

Weed and Seed Program

We will forward application forms for the Weed and Seed program as soon as they become available. Those forms may be available as early as October.

Justice Department staff advise us that the City of Las Vegas should be staying in close contact with the local U.S. Attorney's office.

August 12, 1992

MEMORANDUM TO : Pete Cummings
COPY TO : Bill Noonan
FROM : Hector Alcalde
Lois Moore
SUBJECT : Yucca Mountain

We want to keep you apprised of developments in the House/Senate conference on the Waste Isolation Pilot Plant Land Withdrawal Act (WIPP legislation - H.R. 2637 and S. 1671). One of the key issues being discussed at this time will have a direct impact on the Yucca Mountain facility. That issue involves the disposal standards that will govern the operation of the WIPP facility. Once published, those standards will apply to all high level waste repositories.

Congressman Kostmayer and other House conferees are proposing that the opening of the WIPP facility be contingent upon the issuance of EPA standards. We have enclosed a copy of the language of the House proposal.

Senate Conferees, led by Senator Bennett Johnston, are opposing the House proposal at this time, as is the Department of Energy. The DOE wants to simply "test" at the WIP facility for a 6 year period absent final disposal standards being in place.

We will keep you apprised of significant conference developments relating to this issue.

August 5, 1992

MEMORANDUM TO : Pete Cummings
COPY TO : Bill Noonan
FROM : Hector Alcalde
 Lois Moore
SUBJECT : Enterprise Zones Tax Incentives Act

Enclosed is a technical explanation of H.R. 11, the tax bill which was reported from the Senate Finance Committee on August 3.

Please note the explanation of Sections 1101 - 1111 relating to tax enterprise zones.

We have previously forwarded to you a copy of that section of the House-passed bill relating to enterprise zones.

August 3, 1992

MEMORANDUM TO : Pete Cummings
COPY TO : Bill Noonan
FROM : Hector Alcalde
Lois Moore
SUBJECT : Sahara Avenue Project

We are pleased to report to you that the Senate Appropriations Committee has provided \$15 million within the FY'93 Department of Transportation appropriations bill for the Sahara Avenue project.

As you know, the House-passed bill provides \$2.7 million for this project.

We will meet with Congressman Bill Lehman, the Chairman of the House conference, to request his support for the Senate provision in conference committee.

July 24, 1992

MEMORANDUM TO : Bill Noonan
COPY TO : Pete Cummings
FROM : Hector Alcalde
Lois Moore
SUBJECT : (i) Energy bill/Yucca Mountain
(ii) Senate Appropriations Markup/Nuclear
Waste Disposal Fund

(i) Energy Bill/Yucca Mountain

As we discussed on the telephone, Senators Reid and Bryan were able to secure a commitment from Senator Bennett Johnston that he would **not** support the following in conference on the energy bill :

- (i) The House provision which preempts the State of Nevada from its regulatory authorities;
- (ii) Any reference to the MRS or other items which would be outside the parameters of conference, including the early storage of Nuclear Waste at Yucca Mountain before the facility is licensed.

Enclosed is the Senate Floor colloquy engaged in by Senators Johnston, Reid and Bryan which confirms this commitment.

Senator Johnston is expected to be the Chairman of the conference on the energy bill. Please note that Senator Johnston indicates that he cannot "bind the conference as one member, even though I may be the Chairman of that conference." Presumably he is referring to House Energy Committee Chairman John Dingell who aggressively pursued the preemption language in the House. John Dingell could still insist that the House preemption language prevail in conference. We do not believe that this will be the case; however, we will need to monitor the conference deliberations closely in this regard.

In return for this commitment from Senator Johnston, the two Nevada Senators agreed not to engage in an extended filibuster on the energy bill.

**(ii) Senate Appropriations Committee Markup/
Nuclear Waste Disposal Fund**

The Senate Appropriations Committee marked up the Fiscal Year 1993 Energy and Water Development Appropriations bill (H.R. 5373) on Thursday, July 23. The committee provided \$5 million to the State of Nevada for the conduct of its oversight responsibilities pursuant to the Nuclear Waste Policy Act and \$6 million to "affected local governments" (inclusive of Clark County) to conduct appropriate activities pursuant to the Act.

Enclosed is a copy of the bill language which makes certain requirements of the affected local governments relating to the spending of these funds.

We feel confident that considering the short work schedule left in this session of Congress, the odds are very much in favor of blocking any preemption or otherwise negative language affecting Nevada.

However, we are still concerned that another legislative vehicle could be used by Senator Johnston as a means to accomplish his ultimate goal.

We will continue to closely monitor and keep you apprised.

July 15, 1992

MEMORANDUM TO: Councilman Arnie Adamsen
COPY TO: Bill Noonan
FROM: Hector Alcalde
SUBJECT: Las Vegas Visit

I enjoyed meeting with you in Las Vegas recently. In further reference to our conversation during my visit, let me address the following issues:

***Congressman Bob Car (D-MI)**

The Congressman will be in Las Vegas on August 26, 1992.

***Congressman Jerry Lewis (R-CA)**

Congressman Lewis, in addition to serving in the Republican House leadership, sits on the Defense and the Legislative Branch Subcommittees of the House Appropriations Committee. As a Californian on the Committee, he helps to look after the interests of western Members outside of the California delegation, as well. As you know, many of our transportation issues fall under the jurisdiction of the Transportation Subcommittee. As he is a Republican, Congressman Lewis is not likely to be chairing any of the subcommittees or committees in the foreseeable future. None-the-less, a friend on the full Committee is always helpful.

***"ISTEA" funding**

\$45 million was authorized in the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991 for the National Magnetic Levitation Prototype Development Program. The Administration requested no funding for this program. The Appropriations Committee, as you know, refused to include funding for maglev train technology. This legislation passed the House on July 9. The Senate Appropriations Committee has yet to

mark up its bill. We will do our best to try to include some funding on the Senate side. Considering the Administration's position and the budget restraints, it will be a difficult job. We will keep you advised.

June 23, 1992

MEMORANDUM TO : Richard Welch

COPIES TO : Bill Noonan
Pete Cummings

FROM : Hector Alcalde
Lois Moore

SUBJECT : Federal Deposit Insurance Improvement Act/
Environmental Lender Liability

We have received your correspondence relating to H.R. 1450 and S.651 which address the environmental lender liability issue.

H.R. 1450, sponsored by Congressman La Falce (D-NY) is pending before the Transportation Subcommittee of the House Energy and Commerce Committee.

That subcommittee has not held hearings or taken any action on the legislation. Congressman La Falce is seeking cosponsors. Congresswoman Vucanovich is already a cosponsor. We will contact Congressman Bilbray to request that he also cosponsor the legislation.

Subcommittee staff have apprised us that this issue may be considered when the subcommittee meets to reauthorize the Resource Conservation and Recovery Act. However, that may not be until next year. We may want to ask Congressman Bilbray and Congresswoman Vucanovich to write to Congressman Al Swift, the Chairman of the Transportation Subcommittee, to request that hearings be held.

S. 651 is pending before the Senate Banking Committee. A version of S. 651 passed the Senate last year as part of S. 543, a larger banking reform bill. This section did not survive conference with the House because there were no conferees represented in the conference from the House Energy and Commerce Committee.

Senate Banking Committee Chairman Garn is seeking another legislative vehicle to which to attach S. 651. The most likely vehicle would be S. 2733, the "Federal Housing Regulatory Reform Act of 1992" which is currently on the Senate calendar.

Senator Bryan is a cosponsor of the legislation and a member of the Senate Banking Committee. We will contact both he and Senator Reid to ask them to support Senator Garn's efforts to amend S. 2733 on the Senate Floor.

We will keep you closely apprised of any significant legislative developments relating to this legislation.

June 22, 1992

MEMORANDUM TO : Pete Cummings
COPY TO : Bill Noonan
FROM : Hector Alcalde
Lois Moore
SUBJECT : Sahara Avenue

As we reported to you last week, the Transportation Subcommittee of the House Appropriations Committee has provided \$2.7 million for the Sahara Avenue project on the Fiscal Year 1993 Department of Transportation Appropriations bill.

The subcommittee marked up in closed session on June 11. The full committee will markup on July 1. We will forward a copy of the language to you at that time.

The Senate Appropriations Subcommittee on Transportation will markup from the House-passed bill. We recommend that the City contact Senator Reid and request that he increase the funding level to \$10 million. As you know, Senator Reid is a member of the Transportation Appropriations Subcommittee.

May 20, 1992

Honorable Bill Alexander
U.S. House of Representatives
233 Cannon House Office Building
Washington, DC 20515

Dear Congressman Alexander:

I am writing to you on behalf of the City of Las Vegas and Clark County, Nevada to ask that you oppose any effort to reinstate Title VIII of the National Energy Policy Act as reported by the Energy and Commerce Committee.

Title VIII would strip the State of Nevada of its regulatory and permitting authority in connection with the Department of Energy's program to site a high-level radioactive waste repository at Yucca Mountain. This title is precedent setting and an unwarranted intrusion into a state's rights to participate in decisions affecting its own citizens. Furthermore, the State of Nevada has not obstructed the process, but has issued all permits which the Department of Energy has requested as necessary to further its studies at Yucca Mountain.

I am sure you are aware that the major environmental groups are also opposed to preemption, including the Natural Resources Defense Council, the Sierra Club, the Environmental Defense Fund and the National Audubon Society.

The House Rules Committee has concurred with the House Interior and Insular Affairs Committee's position to strike Title VIII.

I would appreciate your vote in opposition to any efforts on the House Floor to reinstate this objectionable provision.

Sincerely,

Hector Alcalde

May 20, 1992

Honorable Dante Fascell
U.S. House of Representatives
2354 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Fascell:

I am writing to you on behalf of the City of Las Vegas and Clark County, Nevada to ask that you oppose any effort to reinstate Title VIII of the National Energy Policy Act as reported by the Energy and Commerce Committee.

Title VIII would strip the State of Nevada of its regulatory and permitting authority in connection with the Department of Energy's program to site a high-level radioactive waste repository at Yucca Mountain. This title is precedent setting and an unwarranted intrusion into a state's rights to participate in decisions affecting its own citizens. Furthermore, the State of Nevada has not obstructed the process, but has issued all permits which the Department of Energy has requested as necessary to further its studies at Yucca Mountain.

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The House Rules Committee has concurred with the House Interior and Insular Affairs Committee's position to strike Title VIII.

I would appreciate your vote in opposition to any efforts on the House Floor to reinstate this objectionable provision.

Sincerely,

Hector Alcalde

May 20, 1992

Honorable Sam Gibbons
U.S. House of Representatives
2204 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Gibbons:

I am writing to you on behalf of the City of Las Vegas and Clark County, Nevada to ask that you oppose any effort to reinstate Title VIII of the National Energy Policy Act as reported by the Energy and Commerce Committee.

Title VIII would strip the State of Nevada of its regulatory and permitting authority in connection with the Department of Energy's program to site a high-level radioactive waste repository at Yucca Mountain. This title is precedent setting and an unwarranted intrusion into a state's rights to participate in decisions affecting its own citizens. Furthermore, the State of Nevada has not obstructed the process, but has issued all permits which the Department of Energy has requested as necessary to further its studies at Yucca Mountain.

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The House Rules Committee has concurred with the House Interior and Insular Affairs Committee's position to strike Title VIII.

I would appreciate your vote in opposition to any efforts on the House Floor to reinstate this objectionable provision.

Sincerely,

Hector Alcalde

May 20, 1992

Honorable C.W. Bill Young
U.S. House of Representatives
2407 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Young:

I am writing to you on behalf of the City of Las Vegas and Clark County, Nevada to ask that you oppose any effort to reinstate Title VIII of the National Energy Policy Act as reported by the Energy and Commerce Committee.

Title VIII would strip the State of Nevada of its regulatory and permitting authority in connection with the Department of Energy's program to site a high-level radioactive waste repository at Yucca Mountain. This title is precedent setting and an unwarranted intrusion into a state's rights to participate in decisions affecting its own citizens. Furthermore, the State of Nevada has not obstructed the process, but has issued all permits which the Department of Energy has requested as necessary to further its studies at Yucca Mountain.

I am sure you are aware that the major environmental groups are also opposed to preemption, including the Natural Resources Defense Council, the Sierra Club, the Environmental Defense Fund and the National Audubon Society.

The House Rules Committee has concurred with the House Interior and Insular Affairs Committee's position to strike Title VIII.

I would appreciate your vote in opposition to any efforts on the House Floor to reinstate this objectionable provision.

Sincerely,

Hector Alcalde

May 20, 1992

Honorable Thomas Bliley
U.S. House of Representatives
2241 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Bliley:

I am writing to you on behalf of the City of Las Vegas and Clark County, Nevada to ask that you oppose any effort to reinstate Title VIII of the National Energy Policy Act as reported by the Energy and Commerce Committee.

Title VIII would strip the State of Nevada of its regulatory and permitting authority in connection with the Department of Energy's program to site a high-level radioactive waste repository at Yucca Mountain. This title is precedent setting and an unwarranted intrusion into a state's rights to participate in decisions affecting its own citizens. Furthermore, the State of Nevada has not obstructed the process, but has issued all permits which the Department of Energy has requested as necessary to further its studies at Yucca Mountain.

I am sure you are aware that the major environmental groups are also opposed to preemption, including the Natural Resources Defense Council, the Sierra Club, the Environmental Defense Fund and the National Audubon Society.

The House Rules Committee has concurred with the House Interior and Insular Affairs Committee's position to strike Title VIII.

I would appreciate your vote in opposition to any efforts on the House Floor to reinstate this objectionable provision.

Sincerely,

Hector Alcalde

May 20, 1992

Honorable Bill Archer
U.S. House of Representatives
1236 Longworth House Office Building
Washington, DC 20515

Dear Congressman Archer:

I am writing to you on behalf of the City of Las Vegas and Clark County, Nevada to ask that you oppose any effort to reinstate Title VIII of the National Energy Policy Act as reported by the Energy and Commerce Committee.

Title VIII would strip the State of Nevada of its regulatory and permitting authority in connection with the Department of Energy's program to site a high-level radioactive waste repository at Yucca Mountain. This title is precedent setting and an unwarranted intrusion into a state's rights to participate in decisions affecting its own citizens. Furthermore, the State of Nevada has not obstructed the process, but has issued all permits which the Department of Energy has requested as necessary to further its studies at Yucca Mountain.

I am sure you are aware that the major environmental groups are also opposed to preemption, including the Natural Resources Defense Council, the Sierra Club, the Environmental Defense Fund and the National Audubon Society.

The House Rules Committee has concurred with the House Interior and Insular Affairs Committee's position to strike Title VIII.

I would appreciate your vote in opposition to any efforts on the House Floor to reinstate this objectionable provision.

Sincerely,

Hector Alcalde

April 14, 1992

MEMORANDUM TO : RichAnn Johnson

COPIES TO : Pete Cummings

FROM : Hector Alcalde
Lois Moore

SUBJECT : Federal Funds Available to MagLev

Following up on your request, the Federal Railroad Administration does not have grant funds available for preliminary planning, including an EIS for high speed rail/maglev systems.

Officials at the FRA have indicated to us that to the best of their knowledge there are no such funds available within other governmental agencies, such as the Department of Commerce.

However, the 1991 Intermodal Surface Transportation Efficiency Act does provide some flexibility for the use of federal-aid-highway dollars if the proposed project will make use of federal rights-of-way. The states of Nevada and California could therefore use their regular apportionments of federal-aid-highway dollars for preliminary work on the maglev system.

Enclosed is a copy of the pertinent section of the conference report (Section 1027 (c)) which reads:

"The Secretary may approve as a project on a Federal-aid-system for payment from sums apportioned under section 104(b) modifications to existing highway facilities on such system necessary to accommodate **other modes of transportation** if such modifications will not adversely affect automotive safety."

In addition, Section 1008 of the Intermodal Surface Transportation Efficiency Act establishes a Congestion Mitigation and Air Quality Improvement Program for transportation projects which contribute to improvement of air quality.

Enclosed is a copy of Section 1008.

March 31, 1992

MEMORANDUM TO : Dennis Bechtel
FROM : Hector Alcalde
Lois Moore
SUBJECT : Yucca Mountain

As you know, we have been advised that there could be an effort out of the Administration or the nuclear industry to push for an MRS, rather than a permanent repository site. We have been visiting and making inquiries with senior members of the Energy and Commerce and Interior Committees. As of yet, there is no indication as to whether this is indeed the case; however we understand that this idea was discussed during a hearing held by the Senate Energy Committee today. Several Senators, including Senator Bennett Johnston suggested that the permanent repository site would be a very expensive regulatory procedure and that an MRS solution would be less expensive.

Senator Bryan's office has advised the Senate leadership that Bryan would vigorously oppose any effort in regards to locating an MRS in Nevada. Senator Bryan also continues to lead the fight in opposition to the preemption issue.

The House Interior Committee has scheduled markup on energy legislation for Wednesday, April 8. We have earlier advised you of Congressman Don Young's commitment to support our position on preemption.

We can report to you that the MRS question is not being discussed by the membership of the Interior Committee; however, still of concern is the preemption and MRS language in the Energy and Commerce committee-reported energy bill.

We talked with Congressman Mike Synar today who committed to join the Interior Committee's fight against preemption on the House floor.

We will continue to keep you closely apprised of legislative developments.

March 20, 1992

MEMORANDUM TO : Pete Cummings

COPY TO : Bill Noonan

FROM : Hector Alcalde
Lois Moore

SUBJECT : Yucca Mountain

We have met with Congressman George Miller's staff to discuss the Interior Committee's strategy relating to the Yucca Mountain preemption language as provided by the National Energy Policy Act (H.R. 776).

Committee staff counsel Dan Adamsen has advised us that if it is evident the committee would have the majority to "vote down" preemption, then Chairman Miller will ask for a vote during Interior Committee markup of energy legislation. A committee vote against preemption would place the Interior Committee in a stronger position before the Rules Committee for insisting that its position prevail.

Interior Committee markup is tentatively scheduled for Wednesday, April 1.

We are continuing to meet with members of the Interior Committee.

March 16, 1992

MEMORANDUM TO: Pete Cummings

COPY TO: Bill Noonan

FROM : Hector Alcalde
Lois Moore

SUBJECT: Yucca Mountain

We have forwarded the enclosed letter to each member of the House Interior and Insular Affairs Committee, in preparation for markup of the National Energy Act. Markup is anticipated prior to the end of this month.

We are following up in meetings with members of the Interior Committee. We are also scheduling meetings with members of the House Rules Committee which will determine the rule governing Floor consideration of the energy legislation.

We will continue to keep you apprised of our activities in this regard.

March 11, 1992

Honorable George Miller
Chairman
Interior and Insular Affairs Committee
U.S. House of Representatives
2228 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Miller:

We are writing to urge that you reject Title V of the National Energy Policy Act (H.R. 776) as reported out of the Energy & Commerce Committee which contains a provision stripping the State of Nevada of its regulatory and permitting authority in connection with the Department's of Energy's program to site a high-level radioactive waste repository at Yucca Mountain.

Title V is precedent setting and an unwarranted intrusion into a state's rights to participate in decisions affecting its own citizens. Furthermore, the State of Nevada has not obstructed the process, but has issued all permits which the Department of Energy has requested as necessary to further its studies at Yucca Mountain.

We ask that you not punish the State of Nevada in this manner and consider the enclosed:

- * Confirmation of the approval of the final one of three permits requested by the Department of Energy : the groundwater withdrawal application issued by the State Engineer of Nevada on March 2, 1992.
- * A Dear Colleague letter from 40 members of Congress in opposition to the legislation because "...the proposed legislation poses a serious threat to state and local governmental rights and to the very foundation of federal/state relations."
- * A resolution by the Western Governors Association and the Western Attorneys General Association, reaffirming their commitment to state regulatory control over environmental concerns and urging defeat of the legislation.
- * A statement by the Natural Resources Defense Council, the Sierra Club, the Environmental Defense fund, the National Audubon Society and others, strongly urging defeat of the legislation.

We would ask that you oppose this ongoing effort to give the State of Nevada a black eye. The State has issued every single permit requested by the Department of Energy. There is no need for this legislation and we would urge your assistance in defeating Title V of H.R. 776.

Sincerely,

Hector Alcalde

Norm D'Amours

February 27, 1992

Honorable Walter Jones
Chairman
Merchant Marines and
Fisheries Committee
241 Cannon House Office Building
Washington, DC 20515

Dear Walter:

I am enclosing a resume on Jason Snipes who has recently applied to the Coast Guard Academy.

I am acquainted with Jason's family. His dad is the City Manager of Las Vegas. He is well known and respected in his profession.

I would appreciate it if you would consider submitting a letter of recommendation on Jason's behalf to the Academy. I am certain that if given the opportunity, he will make us all proud.

The enclosed letter from Jason's dad to Captain Combs will give you an idea of the type of young man we are dealing with.

I appreciate very much your consideration of this manner.

Sincerely,

Hector Alcalde

February 10, 1992

MEMORANDUM TO : Bill Noonan
COPY TO : Pete Cummings
FROM : Hector Alcalde
Lois Moore
SUBJECT : Antirecession Proposals

We wanted to provide you with a description of the antirecession proposals which have been introduced in Congress. The proposals are designed to stimulate the economy by providing federal funding for state and local infrastructure projects.

I. H.R. 4175 - Anti-Recession Infrastructure Jobs Act of 1992
Sponsored by Congressmen Roe and Mineta

\$10 billion in grant funds would be provided to the Economic Development Agency (EDA) for construction, renovation and repair of a broad category of public works projects. Preferences would be given to projects of local governments with high unemployment rates. The applicant must give assurance that on-site labor can begin within 90 days of project approval.

Hearings before the House Public Works and Transportation Committee will begin in the near future. Program implementation details are sketchy at this point, but will be developed during the legislative process. At this date, the committee leadership does not intend to provide earmarks for specific local projects. A summary outline of the legislation is enclosed.

II. H.R. 2169 - Start Up Act of 1992
Sponsored by Senator Lautenberg

Senator Lautenberg (D-NJ) chairs the Senate Appropriations Subcommittee on Transportation. He has chosen to restrict his legislation to funding only transportation programs. His bill would provide \$7.13 billion, distributed as follows:

Highways : \$2.5 billion

Interstate Maintenance	\$1 billion
Bridge Program	\$1 billion
Surface Transportation Program	\$500 million

Airport Improvement Program : \$1.4 billion

(\$400 million reserved for discretionary economic development grants to small airports)

FAA Facilities and Equipment : \$1 billion

Public Transit : \$1.2 billion

Rail Modernization	\$400 million
Acquisition of Rolling Stock	\$400 million
Compliance with ADA/Clean Air	\$400 million

Northeast Corridor Improvements : \$450 million
(safety related)

Amtrak Capital : \$450 million

Coast Guard Capital : \$130 million

All matching requirements are waived for these funds, and all monies must be obligated by September 30, 1992. The funds would go into existing programs, and be allocated in the same manner as other funds in the programs.

III. H. R. 3544 - Emergency Job Creation Appropriations Act Sponsored by Congressman Jamie Whitten

Congressman Whitten is the Chairman of the House Appropriations Committee. Chairman Whitten is modifying H.R. 3544, which he introduced last fall, for reintroduction in the next couple of weeks. H.R. 3544 would provide \$7.5 billion directly to existing programs, supplementing the funding already there. His new bill will provide \$15.5 billion. Of that amount, some of the funds will be channelled into the following programs :

Highways : \$2.83 billion

Interstate Maintenance	\$2.4 billion
Surface Transportation Program	\$ 250 million
Park Service/Appalachian Highways	\$ 180 million

Airports : \$500 million

Economic Development Administration : \$250 million

Community Development Block Grants : \$1.75 billion

EPA Wastewater Treatment : \$750 million

Research and Development : \$2 billion

(The federal match for all programs will be 95%)

We will keep you apprised of developments relating to the antirecessionary proposals as the legislative process evolves. At this date this much seems clear :

The Democrats in Congress are committed to moving an antirecessionary infrastructure spending bill. We know that the Republicans on the House Public Works Committee are not supporting Chairman Roe's effort. We also know that all three committees of jurisdiction have indicated that they will resist earmarking funding for specific projects in specified locations.

We would urge that the City review projects that could be ready to move quickly with the infusion of federal assistance and consider working to move any high-priority projects that may not currently be ready-to-go, into such a position. You may also want to initiate a review of how the City could benefit from funding increases in the programs indicated above. While certainly any legislation which may ultimately be enacted will not be identical to any of these initial proposals, we can begin to see what is likely to evolve, and so would urge the City to place itself in a position to take full advantage of any antirecession legislation that might finally be enacted.

We will keep you apprised of developments.

January 24, 1992

MEMORANDUM TO : Pete Cummings
COPY TO : Bill Noonan
FROM : Hector Alcalde
Norm D'Amours
Lois Moore
SUBJECT : Kostmayer OpEd

By now you have received a copy of Congressman Kostmayer's OpEd which clearly states his position in opposition to preemption.

Also enclosed is an updated copy of the Dear Colleague letter with 4 additional signatures. We now have a total of 38 names. Congressmen Bilbray and Vucanovich will be circulating this letter to the entire House membership, asking for additional support. We are continuing our efforts to get additional signatures to support Congressmen Miller and Kostmayer in their opposition to preempting the State of Nevada.

Considering that Interior Committee Chairman George Miller and Subcommittee Chairman Kostmayer have both taken public positions supporting us, we feel our chances of defeating the preemption effort has been greatly enhanced. We hasten to add that Congressman Kostmayer is not only the Chairman of the Interior subcommittee of jurisdiction (Subcommittee on Energy and the Environment), but is also a member of the Energy and Commerce Committee.

Of course, you are aware that Chairman John Dingell of the Energy and Commerce Committee is still strongly supportive of preemption, as is Senator Bennett Johnston.

We will continue to keep you apprised of our activities and any further significant developments relating to the preemption legislation.

January 14, 1992

MEMORANDUM TO : Bill Noonan

FROM : Hector Alcalde
Lois Moore

SUBJECT : Hill Meetings for Mayor Jones

Following up on Lois' conversation with Mayor Jones this past Friday, we would recommend that Mayor Jones make some Hill visits during her upcoming trip to Washington, should her schedule permit.

We would suggest meetings with Congressman John Dingell (D-MI), the Chairman of the House Energy and Commerce Committee and Congressman Bill Lehman (D-FL), the Chairman of the Transportation Appropriations Subcommittee.

Please let us know if the Mayor would want us to make arrangements for these meetings.

November 27, 1991

Mr. Bill Noonan
City Manager
City of Las Vegas
400 E Stewart
Las Vegas, Nevada 89101

Dear Bill :

I wanted to let you know that Congressman Phil Crane and his family thoroughly enjoyed the Siegfried and Roy show as well as dinner at Kokomos this past weekend in Las Vegas.

Thank you for making the arrangements for them.

Sincerely,

Lois Moore

November 26, 1991

MEMORANDUM TO: Pete Cummings
Bob Loux
Dennis Bechtel

COPY TO: Bill Noonan
Pat Shalmy

FROM: Hector Alcalde
Lois Moore

SUBJECT: Yucca Mountain

We are continuing to seek signatures on the "Dear Colleague" letter in opposition to the Site Characterization Permit Expediting Act. Enclosed is a copy of the letter with the signatures we have to date. In our recent Hill meetings, we have learned that the American Nuclear Energy Council (ANEC) is actively working against the letter and is meeting with members to ask that they not sign on.

By now you have received a copy of what ANEC is circulating on the Hill. It is full of distortions, as is everything else they seem to be doing. I believe we must respond with a letter to every House member clarifying the true facts.

RESPONSE TO ANEC LETTER

1. Presidential Exemption Authority Already Exists/ Legislation is Not Necessary

The ANEC denies that the President has the authority under current law to except DOE's high level waste management program at Yucca Mountain from state and local requirements.

The President's exemption authority extends to all federal as well as state/local statutes as they relate to solid waste or hazardous waste disposal. The Resource Conservation and Recovery Act (RCRA) clearly states that: "the President may exempt any solid waste management facility of any department ---- in the executive branch from compliance with such a (federal, state or local substantive or procedural requirement) if he determines it to be in the paramount interest of the United States to do so."

The only permits that DOE will need in the foreseeable future are those required under federal regulations. The only state permit required at this time that is not within the President's exemption authority is the water appropriation permit and that application is now being processed by the State. (It is important to note that the State has previously granted DOE a water right. The new permit is simply an expansion upon that original water right).

Once the water permit is granted, Presidential action alone could in fact assure DOE all the permits it needs for the foreseeable future.

2. Nevada is Cooperating and Providing Permits to the DOE

The ANEC claims that Nevada is obstructing and purposely delaying the site characterization process. The State of Nevada is cooperating with the DOE to the extent it is required to by law. All permits which have been requested have been issued, with the exception of the water permit which is currently being processed. To date, DOE has applied for three permits : (1) Air Quality for surface disturbance (GRANTED 6/12/91; (2) Underground Injection Control (GRANTED 7/16/91); (3) Groundwater Appropriation - hearings completed in September of 1991 and permit is currently being processed.

Governor Miller has stated that DOE will be treated as any other permit applicant, and its applications for site characterization work will be reviewed on their merit.

Nevada's role in the waste program is not to blindly cooperate with DOE, but to oversee DOE's implementation of the Nuclear Waste Policy Act. This is part of the checks and balances intended by the Act.

3. DOE, not Nevada is the cause of the Delay of the Site Characterization Process

Nevada has not delayed DOE's implementation of the Yucca Mountain program. DOE was not ready to do any site characterization activities at Yucca Mountain until February 1991, due to lack of adequate utility assurance plans and other management problems. Accordingly, the program was three years behind schedule.

A GAO report has clearly documented this fact : "DOE was not ready to begin on-site investigations needed for licensing until 1991 because it (1) took longer than expected to complete its site investigation plan, and (2) was slow to complete its program for ensuring that investigation work meets NRC's quality standards." (see U.S. General Accounting Office Testimony before the Subcommittee on Nuclear Regulation, Senate Committee on Environment and Public Works, April 18, 1991).

This situation has been confirmed by Energy Secretary Watkins under questioning by the Senate Energy and Natural Resources Committee. DOE is not yet prepared to apply for additional permits necessary for Site Characterization. These permits are associated with construction of the planned Exploratory Studies Facility, for which DOE has developed only a conceptual design. According to DOE's latest plans, the design likely will not be complete until late FY '93.

While Nevada reasonably did seek judicial clarification of various sections of the Nuclear Waste Policy Act and the Federal District Court stayed Nevada's need to process DOE's permit applications (until March 1991), DOE was, in any case, unprepared for work at the site during the period of time the stay was in effect.

4. The Legislation Strips Nevada's Enforcement Authority

The ANEC falsely claims that Nevada's authority over the environmental permitting process would not be removed by this legislation.

The proposed legislation would not protect Nevada's enforcement authority. State permit authority would be stripped which the legislation attempts to obscure.

The recourse to federal court is not a substitute to state permit authority and it leaves Nevada with only after the fact recourse- and even that would come months or years after the fact by the time the courts act.

5. Utilities have Existing Storage Capacity

ANEC claims that utilities are running out of existing storage and suggests that a crisis is looming.

A recent GAO report found that utilities have sufficient space to store spent fuel on site for the life of reactors using planned dry storage and inter-utility transfers. Nuclear power generating stations are not in danger of being stopped due to a build up of waste. An artificial crisis has been created by DOE and utilities principally to keep pressure on the repository program and to keep it schedule driven, rather than a scientifically driven study process to determine the suitability of the Yucca Mountain as required by the Nuclear Waste Policy Act.

6. Ratepayers should not blame the delay on Nevada, but on DOE

ANEC claims that ratepayers may be forced to pay more than was originally projected for additional on-site storage capacity. Ratepayers have paid into the Nuclear Waste Fund for the purpose of establishing a permanent repository. However, the fact that the utilities are not getting what they expected from their money is unfortunate, but it is not due to the state of Nevada's actions. The problem lies with the way DOE has mismanaged the program from the beginning. No amount of punitive legislation aimed at Nevada is going to change that.

November 20, 1991

MEMORANDUM TO: Pete Cummings

COPY TO: Bill Noonan

FROM: Hector Alcalde
Lois Moore

SUBJECT: Spaghetti Bowl Demonstration Project

We met today with Senator Steve Symms (R-Idaho), the ranking republican member of the Transportation Subcommittee and the lead Senate republican conferee to the highway bill.

We asked for his support of the Spaghetti Bowl demonstration project in conference. Senator Symms indicated to us that the conference had not yet dealt with the demonstration projects in the House bill, that the conference was still negotiating the larger policy issues. However, once the demos are reviewed, Senator Symms indicated that he would support the Spaghetti Bowl project.

We will continue to keep you apprised of developments relating to the ongoing highway conference.

**TENTATIVE SCHEDULE FOR
GOVERNOR MILLER , COMMISSIONER DONDERO
AND
MAYOR JONES**

Wednesday, November 13

- 8:30AM Nevada Delegation Breakfast
 Senator Harry Reid
 Senator Richard Bryan
 Congressman James Bilbray
 Congresswoman Barbara Vucanovich
 Capitol Room S 211, the LBJ Room
- 10:00AM Congressman Thomas S. Foley (D-WA)
 Speaker of the House
 Capitol Room H 204
- 11:00AM Congressman Norman Lent (R-NY)
 Ranking Republican of the Energy and Commerce Committee
 2408 Rayburn
- 12:30PM Mr. John Anderson
 Member of Editorial Board, Environmental Affairs Specialist
 Washington Post
 Washington Post Editorial Briefing
 1150 15th Street
- 1:30PM Congressman Bill Richardson (D-NM)
 Member of Interior and Commerce Committee
 332 Cannon
- 2:00PM Congressman George Miller (D-CA)
 Chairman of the Interior Committee
 2228 Rayburn
- 2:30PM Congressman Peter H. Kostmayer (D-PA)
 Member Energy and Commerce Committee
 Chairman of the Interior Subcommittee on
 Energy and the Environment
 2436 Rayburn
- 3:00PM Congressman Nick Joe Rahall II (D-WV)
 5th Ranking Member on the Interior Committee
 2104 Rayburn

STILL TO BE SCHEDULED:

Mr. Robert Semple
New York Times Editorial Briefing

Member of the Editorial Board
Environmental Affairs Specialist
New York Times

Congressman Bob Michel (R-IL)

Minority Leader of the House

NOTE: Chairman Dingell, we are advised, will be out of the City on the days of your visit. Should his plans change, we will schedule a meeting.

TENTATIVE SCHEDULE FOR MAYOR JONES

Tuesday, November 12, 1991

12:30PM Lunch
Member's Dining Room
John Rousselot and Norm D'Amours

2:00PM Conference of Mayors

3:00PM Congressman Austin Murphy (D-PA)
Member of Interior and Insular Affairs Committee
2210 Rayburn

3:30PM Congressman John J. Duncan (R-TN)
Member of Interior and Insular Affairs Committee
115 Cannon

4:00PM Congressman Michael Bilirakis (R-FL)
Member of Energy and Commerce Committee
2432 Rayburn

4:30PM Congressman Robert Lagomarsino (R-CA)
Member of Interior and Insular Affairs Committee
2332 Rayburn

PENDING APPOINTMENTS:

Congressman Edward J. Markey (D-MA)
Member of Energy and Commerce Committee and
Interior and Insular Affairs Committee
2133 Rayburn

Congressman Pat Williams (D-MT)
Member Interior and Insular Affairs Committee
2457 Rayburn

October 29, 1991

MEMORANDUM TO: Bill Noonan
COPY TO: Pete Cummings
FROM: Hector Alcalde
Lois Moore
SUBJECT: Highway Bill/Spaghetti Bowl

Senator Reid has been named as one of the nine Senate conferees to the highway section of H.R. 2950, the Intermodal Surface Transportation Assistance Act.

The House/Senate conference is expected to begin within the next few days. The House-passed bill provides funding for the Spaghetti Bowl; the Senate bill provides no funding for any highway demonstration projects.

We recommend that you correspond with Senator Reid to request his assistance in securing Senate support for the Spaghetti Bowl project and to ask that he make every possible effort to increase the funding level provided by the House bill.

October 25, 1991

Mr. Pete Cummings
Director of Nuclear Wastes
City of Las Vegas
400 E Stewart
Las Vegas, Nevada 89101

Dear Pete:

In our last memo to you, we had indicated that we were initiating a "Dear Colleague" letter in the House opposing proposed preemption legislation. We have met with both members of the Nevada House delegation to apprise them of this effort. Both members endorsed the idea and encouraged us to proceed. In the last few days, we have gathered over twelve signatures and we are confident that other members will sign on.

Hopefully, by the time Governor Miller, Chairman Bingham and Mayor Jones arrive in Washington, we may have many more signatures.

Sincerely,

Hector Alcalde

October 22, 1991

MEMORANDUM TO: Pete Cummings

FROM: Hector Alcalde
Lois Moore

SUBJECT: Yucca Mountain

We have met with George Miller's committee staff counsel, Dan Adamson, to discuss the Interior Committee's position regarding the Yucca Mountain preemption legislation.

Dan has apprised us that Chairman Miller is opposed to the proposed legislation and as of this date intends to take no action. The Interior Committee will have joint jurisdiction of the legislation, assuming it is reported from the Energy and Commerce Committee as a single bill. If reported as part of a larger energy bill, then the Interior Committee would receive sequential jurisdiction, meaning that there would be a time limitation placed on the committee's review.

We are optimistic that the Interior Committee may be able to block the legislation, or at a very minimum delay passage.

We are continuing our meetings with individual members of the Interior Committee and will also be meeting with Chairman Miller.

October 22, 1991

MEMORANDUM TO: Larry Bender

COPIES TO: Bill Noonan
Pete Cummings

FROM: Hector Alcalde
Lois Moore

SUBJECT: GSA

We have contacted Senator Reid's staff assistant, following up on your inquiry to us regarding the City's efforts to secure a lease/buy agreement with GSA on the city's property across from the federal building. We are advised by Sheila Humke that Senator Reid has already talked with the General Services Administrator Richard Austin who has indicated that the government does not need additional space in Las Vegas at this time. However, Administrator Austin did agree to visit the City, possibly sometime in December.

Sheila indicated that one option would be to require GSA to study the building needs in downtown Las Vegas by passing a resolution requiring such through the Senate Environment and Public Works Committee. As you know, Senator Reid is a member of the subcommittee having authorizing jurisdiction over the GSA - the Subcommittee on Water Resources, Transportation and Infrastructure of the Environment and Public Works Committee.

Senator Reid would consider this approach, but only after Administrator Austin visits Las Vegas.

October 11, 1991

MEMORANDUM TO: Pete Cummings

COPY TO: Bill Noonan

FROM: Hector Alcalde
Lois Moore

SUBJECT: High Speed Rail/Tax Exempt Bond Legislation

As a follow up to your request, legislation which would provide tax-exempt bond financing treatment to high speed ground transportation systems is pending before the Senate Finance and House Ways and Means Committees.

At this date, hearings have not be scheduled on S. 1492, sponsored by Senator Graham or H.R. 3348, sponsored by Congressmen Coyne and Shaw.

We will keep you apprised of significant legislative developments relating to this legislation.

October 10, 1991

Mr. Bob Loux
Executive Director
Nevada Nuclear Project Agency
Capital Complex
Carson City, Nevada 89710

Dear Bob:

As I recently reported to you in our telephone conversation, we are in the process of meeting with most of the members of the House Interior and Insular Affairs Committee and we continue to get a very favorable response from the Majority staff regarding the committee's position on preemption.

We're also attempting to put together a letter to the House leadership to be signed by members who support our position on preemption and expressing their opposition to any legislative effort that would deny the State of Nevada their right to issue permits and to review any and all applications in regards to further testing at the Yucca Mountain site.

In regards to the Governor's and the Mayor's proposed visit to Washington on November 12 and 13, we would like to suggest possible meetings with some of the following members:

Congressman John D. Dingell (D-MI) Chairman of Energy and Commerce
Committee

Congressman Don Young (R-AK) Ranking Republican of the Interior
Committee

Congressman George Miller (D-CA) Chairman of the Interior
Committee

Congressman Norman Lent (R-NY) Ranking Republican of the Energy
and Commerce Committee

Congressman Peter H. Kostmayer (D-PA)
Chairman of the Interior
Subcommittee on Energy and the
Environment

Congressman Robert H. Michel (R-IL) Minority Leader of the House

Congressman Nick Joe Rahall II (D-WV) 5th Ranking Member of the
Interior Committee

Congressman Bill Richardson (D-NM) Member of both the Interior
Committee and Energy and
Commerce

Speaker Thomas S. Foley (D-WA)
and/or Majority Leader Richard A. Gephardt (D-MO)

We would suggest either a luncheon or breakfast meeting with the Nevada delegation and may we recommend that the Chairman of the Clark County Commission, Jay Bingham be involved in these activities. We are also in the process of setting up an Editorial Board briefing with the Washington Post and New York Times.

Please let us know if you have any more suggestions or additions to what we propose above.

Sincerely,

Hector Alcalde

cc Pete Cummings

October 9, 1991

MEMORANDUM TO : Nevada Team

FROM : Lois

I had lunch today with Dan Adamson, George Miller's committee staff person in charge of all nuclear issues.

Miller has no interest in moving the Yucca preemption legislation at this time, and he has apprised Senator Bryan of his position. He does not see the committee acting on the bill; unless some unforeseen pressure should mount. He is certain that the Interior Committee will get joint jurisdiction of the legislation, once reported from the Energy and Commerce Committee. However, if Dingell reports the measure as part of an overall energy bill, then the committee may only get sequential legislation. At that point, he would not preclude the possibility that Miller would ask the leadership for a 200 day sequential referral rather than the regular 30 day sequential referral.

(Some of Miller's actions with regard to the preemption legislation may be instigated by the fact that Miller does not want an energy bill).

Other points from the luncheon :

** Wayne Owens (D-Utah) can be expected to be very vocal in opposition to the Yucca Mountain preemption legislation.

** Nick Rahall's position on this would be significant to Miller. He respects Rahall.

** Don Young has a 100% voting record in support of the nuclear industry.

** We should not expect the environmentalists to take an active role. Their key issues this Congress are ANWR and CAFE standards.

** He would also expect Rhodes to be with the industry.

October 8, 1991

MEMORANDUM TO : Pete Cummings

COPIES TO : Arnie Adamsen
Bill Noonan

FROM : Hector Alcalde
Lois Moore

SUBJECT : DOT Appropriations Conference

As we discussed last week, we are pleased to report to you that conferees to the FY '92 Department of Transportation appropriations bill have agreed to the following two items for the City of Las Vegas :

i) **\$1.6 million for the Sahara Avenue/I-15 project.** The House-passed bill provided \$2 million; the Senate bill provided no funds. (The final number was reduced only because of a 20% across-the-board cut for all new projects).

ii) **\$500,000 planning grant for the "Clark County/City of Las Vegas MagLev project,"** provided within the Statement of Managers language accompanying the conference report. The Senate bill provided this recommendation within the committee report. The House provided no such recommendation. (Although "Statement of Managers" language does not have the force of law, appropriations committee staff have apprised us that they believe that FRA will follow the congressional intent and release the dollars to the Clark County/Las Vegas project).

Please let us know, should, if for some reason, FRA will not release the MagLev funds.

We are prepared to work to secure second year funding for each of these projects by means of the FY '93 DOT appropriations bill.

Enclosed is a copy of the conference report with the pertinent sections referenced.

October 7, 1991

Honorable George Miller
U.S. House of Representatives
2228 Rayburn House Office
Washington, DC 20515

Dear Mr. Chairman:

On behalf of the State of Nevada, Clark County, Nevada and the City of Las Vegas, I would like to meet with you to discuss legislation which would preempt the State of Nevada's rights as they relate to the DOE's work at the Yucca Mountain nuclear waste repository site. As you know, the Energy and Commerce Committee has marked up a committee print encompassing the Administration's original proposal in this regard.

I would appreciate a few minutes of your time to discuss this matter in the near future.

Sincerely,

Hector Alcalde

October 7, 1991

Honorable George Miller
U.S. House of Representatives
2228 Rayburn House Office
Washington, DC 20515

Dear Mr. Chairman:

On behalf of the State of Nevada, Clark County, Nevada and the City of Las Vegas, I would like to meet with you to discuss legislation which would preempt the State of Nevada's rights as they relate to the DOE's work at the Yucca Mountain nuclear waste repository site. As you know, the Energy and Commerce Committee has marked up a committee print encompassing the Administration's original proposal in this regard.

I would appreciate a few minutes of your time to discuss this matter in the near future.

Sincerely,

Hector Alcalde

until February of 1991 because ... DOE was not ready to begin work until then." The study faulted DOE for the delays.

We strongly believe this legislation is an unwarranted and unnecessary intrusion into states rights, and sets a dangerous precedent for all states which could in the future be confronted with similar attempts at federal preemption of their authorities and responsibilities.

Nevada should be allowed to continue its responsible participation in the permitting process. In the event any unreasonable conduct were to frustrate the national interest, the President already has the authority under current law to act decisively. New legislation is not needed.

We urge your opposition to the Site Characterization Permit Expediting Act of 1991.

Sincerely,

September 27, 1991

MEMORANDUM TO: Pete Cummings

COPIES TO: Arnie Adamsen
Bill Noonan

FROM: Hector Alcalde
Lois Moore

SUBJECT: MagLev Funding

We have met with House Appropriations Committee staff regarding the technical change needed in the Senate committee report language recommending that FRA monies be allocated to the Clark County/Las Vegas MagLev project. Since this was a Senate initiative, House staff have indicated that the offer to correct the language must originate from the Senate.

We have informed Senator Reid's staff, Mr. David Chartier, about our meeting and have drafted and forwarded the enclosed statement of managers' language to him. He in turn has indicated that he will talk with Senate committee staff.

The conference on the DOT appropriations bill is expected to begin next week, the week of September 30th, and may continue through the following week.

We will keep you apprised of significant developments.

September 19, 1991

Honorable Bill Richardson
U.S. House of Representatives
332 Cannon House Office Building
Washington, D.C. 20515

Dear Bill:

In further reference to our conversation, I'd like to extend an invitation to you on behalf of the City of Las Vegas to visit with business and civic leaders sometime in the immediate future. We would like to discuss with you mutual concerns regarding the treatment of nuclear waste.

Sincerely,

Hector Alcalde

September 18, 1991

Honorable Jan Lavery Jones
Mayor
City of Las Vegas
400 E Stewart
Las Vegas, Nevada 89101

Dear Mayor Jones :

Following up on our conversation today, I would recommend that letters be forwarded to the following members of Congress, extending an invitation to visit Las Vegas to meet with civic and business leaders to discuss the nuclear waste/Yucca Mountain issue:

- * Congressman John Dingell (D-Michigan),
Chairman,
Energy and Commerce Committee
- * Congressman Norm Lent (R-New York),
Ranking Republican member,
Energy and Commerce Committee
- * Congressman Bill Richardson (D-New Mexico),
Member,
Energy and Commerce Committee
- * Congressman George Miller (D-California),
Chairman,
House Interior and Insular Affairs Committee

Sincerely,

Hector Alcalde

September 18, 1991

Mr. Pete Cummings
Director of Nuclear Wastes
City of Las Vegas
400 East Stewart
Las Vegas, Nevada 89101

Dear Pete:

The enclosed is a proposed hand-out to all Members in the House or a proposed Dear Colleague letter to all Members in the House from Congressman Jim Bilbray. I would appreciate your approval before we start circulating this.

Sincerely,

Hector Alcalde

HA/jc
Encl.

**SUGGESTED DRAFT LETTER TO MEMBERS
OF THE ENERGY AND COMMERCE COMMITTEE**

Dear Congressman Lent:

We are writing to express to you our opposition to the Staff Draft of the SITE CHARACTERIZATION PERMIT EXPEDITING ACT OF 1991 amending the Nuclear Waste Policy Act of 1982 which we understand will soon be introduced. ***This legislation poses an unprecedented threat to our States' right to manage the affairs of our citizens.***

The proposed legislation would preempt the State of Nevada and California's authority over the environmental permitting process pertaining to the Department of Energy's site characterization activities at Yucca Mountain. Nevada and California's authority pursuant to three major environmental laws would be stripped : the Clean Air Act, the Clean Water Act and the Resource Conservation and Recovery Act. (DOE has already acquired water from California for Yucca Mountain activities and plans additional site characterization work in the Death Valley area which is likely to require environmental permits from California.) The proposed legislation would also co-opt the State of Nevada and California from being granted injunctive relief should there be a challenge to the preemption of State regulatory authority.

If enacted, this legislation would set a dangerous precedent. Never before in history has Congress made a decision of such magnitude, selectively suspending and preempting a single state's rights as it pertains to managing its own affairs. If it can happen in Nevada and California on nuclear waste, it could very well happen on any issue of concern in your state.

Contrary to the opinion of many, the State of Nevada has not obstructed the permitting process with respect to site characterization activities at Yucca Mountain. The State has already acted on two of the three environmental permits which DOE has applied for and a prehearing has been scheduled for the third on September 24. DOE has been treated as any other applicant.

Please join us in opposing any efforts to preempt our State's rights relating to the proposed nuclear waste repository.

Sincerely,

Jim Bilbray

Barbara Vucanovich

Bill Thomas

September 12, 1991

MEMORANDUM TO : Bill Noonan
Bob Loux

COPY TO : Pete Cummings

FROM Hector Alcalde
Lois Moore

SUBJECT : Hill Visits/Yucca Mountain

As you know, yesterday the Energy and Power Subcommittee of the Energy and Commerce Committee reported favorably the Site Characterization Permit Expediting Act of 1991. We want to stress that this is the very first step in the legislative process and that there will be opportunities as the bill proceeds through the process to either stop or modify the measure in some manner.

The legislation still needs to be marked up by the full Committee on Energy and Commerce and be considered by the full House. The Senate Energy Committee and the full Senate will also need to consider the legislation. Additionally, we anticipate that the House Interior and Insular Affairs Committee will request jurisdiction, and assuming that is granted, that committee will need time to consider the legislation in hearings and markup proceedings.

May we recommend that both Mayor Jones and/or Governor Miller plan to schedule a two day trip to Washington in order to meet with all of the key decision makers on Yucca Mountain. We would arrange for meetings with the following members of Congress.

From the Energy and Commerce Committee :

Chairman John Dingell; ranking Republican member Norm Lent; Energy and Power Subcommittee Chairman Phil Sharp; ranking subcommittee member Carlos Moorhead and Congressman Henry Waxman.

From the Interior and Insular Affairs Committee :

Chairman George Miller; ranking Republican Don Young; Energy Subcommittee Chairman Peter Kostmayer; ranking subcommittee member, John Rhodes.

In addition, we would schedule meetings with the House leadership, including Speaker Tom Foley, Majority Leader Gephardt and Minority Leader Michel.

We would recommend that these meetings be scheduled in the immediate future prior to any further legislative action on the Yucca Mountain legislation.

We would also recommend that as a follow up to Mayor Jones previous meetings with John Dingell, Norm Lent and Don Young, that each of these members be invited to Las Vegas to meet with business and political leaders to hear Nevada's views first hand regarding the nuclear repository. Those invitations should be extended in the near future so that at least one or two of the members may be able to visit Las Vegas before the end of this session of Congress (which is expected to extend through Thanksgiving)

May we also recommend two more long-term approaches which we believe would lend significant support to our legislative effort.

(i) National Media Campaign

We recommend gearing up for a National Media Campaign that would be focused principally at major printed press in the East such as the Washington Post, New York Times, Wall Street Journal, Time, Newsweek, etc. We would envision conducting editorial board briefings and making the case that Nevada will no longer put up with the unprecedented treatment that they are receiving from their

Federal government. We believe that by soliciting the support of major syndicated columnists and raising the profile of our fight, that the American people might eventually resent what is happening to the State of Nevada, which in turn may create Congressional support for our position.

(ii) **Las Vegas/Nevada Day in Washington**

This could parallel Mardi Gras Day which the State of Louisiana has hosted annually for over a dozen years and which has proved to be a very popular and successful event here in Washington. Members of Congress, staff, friends of Nevada, Administration officials and others would be hosted at a reception where possibly one or two Las Vegas entertainers would participate. Prior to the reception, we would envision one or two working days on Capitol Hill for business and civic leaders from Nevada, along with representatives of the gaming industry. Meetings would be arranged with members of Congress, the White House and government agencies to discuss the nuclear waste issue and other matters of importance to Nevada, allowing Washington to hear directly from Nevadans and reenforcing what their elected Washington officials have been saying. A luncheon with the Nevada delegation should also be scheduled during that two day period and the press should be invited.

We would like to explore with you these two latter suggestions that we outline above in order to give you a broader overview of our suggestions.

We are prepared to schedule the Hill meetings we have recommended as soon as we hear back from you on a convenient time for both Mayor Jones and Governor Miller.

August 7, 1991

Honorable Arnie Adamsen
Chief Financial Officer
California/Nevada Bi-State Commission
400 E. Stewart Avenue
Las Vegas, Nevada 89101-2986

Dear Councilman:

Rest assured that we will make every effort possible to restore the maglev State planning grants which were cut in the House-passed DOT appropriations bill.

As you know, the Senate Appropriations Committee has not yet marked up the FY '92 funding bill. We will seek restoration of these funds in the Senate version of the DOT bill.

Sincerely,

Hector Alcalde

August 4, 1991

MEMORANDUM TO : Bill Noonan
COPY TO : Pete Cummings
FROM : Hector Alcalde
Lois Moore
SUBJECT : Transportation Appropriations Bill

As we discussed, the Senate Appropriations Subcommittee on Transportation had originally scheduled markup on the FY '92 funding bill for August 1, but then postponed markup until after the August recess.

We anticipate that markup will be rescheduled the week of September 9, which is the week Congress reconvenes.

The Senate subcommittee will markup from the House-passed bill, H.R. 2942. This is the bill which provides \$2 million for the Sahara Avenue project. Traditionally, the Senate committee adds numerous additional demonstration projects. As you know, we have asked Senator Reid to increase the funding level for the Sahara project during Senate committee markup.

We will keep you apprised of developments relating to the transportation appropriations bill.

DRAFT

August 2, 1991

Mr. William J. Noonan
City Manager
City of Las Vegas
400 East Stewart Avenue
Las Vegas, Nevada 89101

Dear Bill :

I wanted to get back with you regarding Mayor Jones' visit to Washington last week. As you know, we arranged for meetings with several members of Congress who are the key decision makers with regard to the Yucca Mountain preemption issue.

We met with the Chairman of the Senate Environment and Public Works Committee, Senator Quentin Burdick (North Dakota); the Chairman of the House Energy and Commerce Committee, Congressman John Dingell (D-Michigan); Congressman Norm Lent (R-NY), the ranking republican member of the Energy Committee; Congressman Carlos Moorhead (R-CA), the second ranking republican member of the Energy Committee; and Congressman Don Young, the ranking republican member of the House Interior and Insular Affairs Committee .

Although Mayor Jones made a very favorable impression with John Dingell, we will need to focus a substantial amount of time in persuading he and his democratic committee members that preempting the State of Nevada would be like "adding salt to an open wound."

Don Young expressed an interest in helping Nevada. He is very familiar with the issue and raised two key points to Mayor Jones: (i) that many believe that Nevada is not united in its opposition to the nuclear waste repository (which Mayor Jones quickly laid to rest), and (ii) that he had heard that the State of New Mexico may want the repository. We agreed to explore this further.

From Carlos Moorhead we believe we extracted a commitment to attempt to block preemption legislation, should it come before the Energy Committee's Power Subcommittee (where he is the lead republican member).

As a follow up to Mayor Jones' meetings, we recommend that John Dingell, Norm Lent, and Don Young be invited to Las Vegas to meet with business and political leaders to hear Nevada's views first hand regarding the nuclear repository. Those invitations should be extended in the very near future so that at least one or two of the members might be able to visit Las Vegas before the end of this session of Congress (which is expected to extend through late October).

We would also recommend an intensive round of meetings here in Washington with all of the key decision makers on Yucca Mountain by Mayor Jones, the Governor and the Chairman of the Clark County Commission. These meetings should be scheduled in mid September, immediately after Congress returns from recess on September 11th. The meetings should be with the following members :

Majority Leader Dick Gephardt

Speaker of the House Tom Foley

From the Energy and Commerce Committee :

Chairman John Dingell; ranking republican member Norm Lent; Power Subcommittee Chairman Phil Sharp (D-Indiana); ranking subcommittee member Carlos Moorhead

From the Interior and Insular Affairs Committee :

Chairman George Miller; ranking republican Don Young; Energy Subcommittee Chairman Peter Kostmayer; ranking subcommittee member, John Rhodes

Congressman Henry Waxman (D-CA)

Senator Bennett Johnston (D-LA), Chairman, Energy Committee

Senator Quentin Burdick (D-ND), Chairman, Environment

Committee

Senator Bob Graham (D-FLA), Chairman of the Nuclear
Regulation Subcommittee

May we also recommend two more long-term approaches
which we believe would lend significant support to our Hill effort.

(i) Las Vegas Day in Washington

This would parallel the Mardi Gras Day which the State of Louisiana has hosted annually for over a dozen years and which has proved to be a very popular and successful event here in Washington. Members of Congress would be hosted at a reception where one or two Las Vegas entertainers would perform. Following or prior to the reception, we would envision two working days on Capitol Hill for business and political leaders from Nevada, along with representatives of the gaming industry. Meetings would be arranged with members of Congress to discuss the nuclear waste issue. A luncheon with the Nevada delegation would also be scheduled during that two day period..

(i) National Media Campaign

The national media campaign would focus on the unprecedented treatment of the Federal government toward Nevada and its citizens. This would entail bringing civic and business leaders from Nevada to both Washington and New York.

I hope that the strategy outlined above is acceptable to you. I look forward to discussing this further with you.

Sincerely,

Hector Alcalde

SUGGESTED DRAFT LETTER

July 31, 1991

The Honorable Quentin Burdick
Chairman,
Senate Environment & Public Works
Committee
U. S. Senate
Room 511 Hart Office Building
Washington, D.C. 20510

Dear Senator Burdick:

I would like to thank you for taking the time to meet with me, Nancy Prowitt, and Hector Alcalde to discuss the Yucca Mountain high level nuclear waste repository.

As we discussed the bill that Senator Johnston introduced and which passed the Senate Energy and Natural Resources Committee, S. 1138, would strip the State of Nevada of its permitting authority, and knocks the state completely out of the siting process. It is a worrisome state's rights issue -- today it's Nevada, but tomorrow it may be North Dakota.

Las Vegas is only 100 miles from Yucca Mountain, and I am deeply concerned about the impact this repository would have on tourism, which is the lifeblood of our City.

All of the public officials in Nevada are united in their opposition of the Yucca Mountain repository, and are adamantly opposed to S. 1138 preempting our state's rights. We appreciated your offer to talk to Senators Reid and Bryan and offer to join with them in their efforts to oppose this federal preemption effort. For your information we have enclosed a copy of a resolution the Western Governors' Association adopted unanimously on July 23 opposing the federal preemption effort.

I look forward to working with you.

Sincerely,

July 31, 1991

The Honorable Jan Laverty Jones
Mayor
City of Las Vegas
400 East Stewart
Las Vegas, Nevada 89101

Dear Mayor Jones:

I thought you may want to follow up in writing to those Members of Congress with whom we met this last week. We have enclosed the mailing addresses of each, should you decide to do so. I have also included some suggested notes that you may want to send to each Member. I have excluded the Nevada delegation because you know them so well.

I believe our Hill meetings were very productive, particularly the time you were able to spend with Chairman John Dingell. I believe that you could play a very key role working with both Chairman Dingell and Don Young, the Ranking Republican on the Interior Committee.

We look forward to continuing to work with you and your staff on behalf of the City of Las Vegas.

Sincerely,

Hector Alcalde

HA/jc
Enclosure
cc: Bill Noonan

SUGGESTED DRAFT LETTER

July 31, 1991

The Honorable Don Young
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Young:

I enjoyed visiting with you while I was in Washington recently. I know that you have a real understanding of our concern in Nevada regarding the Yucca Mountain disposal site. I appreciate your offer to be helpful in this regard.

I hope that you will give us an opportunity to visit with you further concerning the Yucca Mountain nuclear disposal site which is of such major importance in our state. In this regard, I would like to extend to you and Mrs. Young an invitation to visit us in Las Vegas. I would hope to be able to arrange visits with our business and civic leaders in Las Vegas so that you can hear first-hand our views concerning this most important issue. I look forward to hearing from you and hope that you will be able to be with us some time in the not too distant future.

Sincerely,

SUGGESTED DRAFT LETTER

July 31, 1991

The Honorable John Dingell
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Dingell:

I enjoyed very much meeting you at Congressman Carr's reception while I was in Washington last week.

You have a reputation within the auto industry that my family knows so well as being a fair and reasonable man. I hope that you will give us an opportunity to visit with you further concerning the Yucca Mountain nuclear disposal site which is of such major importance in our state. In this regard, I would like to extend to you and Mrs. Dingell an invitation to visit us in Las Vegas. I would hope to be able to arrange visits with our business and civic leaders in Las Vegas so that you can hear first-hand our views concerning this most important issue. I look forward to hearing from you and hope that you will be able to be with us some time in the not too distant future.

Sincerely,

SUGGESTED DRAFT LETTER

July 31, 1991

The Honorable Bob Carr
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Carr:

Thank you for allowing me to attend your fundraiser last week while I was in Washington. I enjoyed meeting both you and your wife and particularly having an opportunity to visit with Chairman Dingell.

Thank you also for helping by including funds in your appropriation bill for the Sahara Avenue project in Las Vegas. I look forward to working with you in the future.

Sincerely,

SUGGESTED DRAFT LETTER

July 31, 1991

The Honorable Bill Lehman
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Lehman:

I enjoyed visiting with you while I was in Washington. I appreciate you taking time out from your busy schedule to chat with me.

I want to thank you in particular for putting funds in your appropriation bill for Saraha Avenue and for the many courtesies you have extended us in the past years. I hope that when you are next in Las Vegas you will give us an opportunity to host you.

Sincerely,

SUGGESTED DRAFT LETTER

July 31, 1991

The Honorable John Paul Hammerschmidt
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Hammerschmidt:

I just wanted to write you a note to tell you how much I enjoyed visiting you while in Washington. I want to thank you for all you have done on behalf of the City of Las Vegas and look forward to working with you in matters of mutual interest.

Sincerely,

July 31, 1991

The Honorable Jan Lavery Jones
Mayor
City of Las Vegas
400 East Stewart
Las Vegas, Nevada 89101

Dear Mayor Jones:

As you recall at our meeting with Chairman Lehman, he indicated that the Senate always included demonstration projects in their appropriations bill when they were in conference with the House. I thought you may want to glance at the projects that the Senate included in their appropriations bill last year as well as what was ultimately approved by the conference. As you can see, one of the projects included in the Senate was the U.S. 95 corridor preservation in Las Vegas, Nevada.

I thought the enclosed might give you an idea of the types of projects that are slipped in at the last minute.

Sincerely,

Hector Alcalde

HA/jc
Enclosure
cc: Bill Noonan

July 26, 1991

Honorable Jan Laverty Jones
Mayor
City of Las Vegas
400 East Stewart
Las Vegas, Nevada 89101

Dear Mayor Jones :

I enjoyed meeting you this week and wanted to follow up on your request concerning key issues within the jurisdiction of the House Interior and Insular Affairs Committee. In general, the committee deals with public lands, national parks and national resources: more specifically, interstate water compacts, irrigation and reclamation, Indian affairs, minerals and mines and mining, petroleum conservation on public lands, and regulation of the domestic nuclear energy industry.

As the senior republican member of the committee, Congressman Don Young (R-AK) is the lead republican and generally represents the committee's republican voting bloc in his negotiations with committee Chairman George Miller (D-CA). In his ranking position he is also the interface with the Administration on all legislative issues before the committee. He has a good relationship with the Secretary of the Interior, Manuel Lujan. Along with Chairman Miller, Congressman Young is an ex officio member of each of the subcommittees of Interior.

In addition to the Yucca mountain nuclear waste issue, there are two major pieces of legislation currently pending before the Interior Committee which are of particular interest to the State of Nevada. One is H.R. 918, the Mineral Exploration and Development Act sponsored by Congressman Nick Rahall (D-WVA), which would make substantial reforms in the surface management regulations governing mining on public lands. The legislation's key provisions

include imposition of a surface rental fee within the boundaries of a mining claim and comprehensive land use planning requirements for all mining activities.

Congressman Rahall is Chairman of the Mining and Natural Resources Subcommittee and has indicated his intention to move this legislation in the next session of Congress (in 1992). Congressman Young is reportedly in favor of retaining current mining law. He will have substantial input into the final legislative product should H.R. 918 be marked up by the Interior Committee.

The Interior Committee also shares jurisdiction, along with the Energy and Commerce Committee, over certain parts of the Administration's comprehensive National Energy Strategy (S. 1138 and H.R. 1301) such as preemption of the State of Nevada's authority pertaining to DOE activities at Yucca Mountain, Nuclear Regulatory Commission licensing reform, and Bureau of Reclamation water project operations. One of the key controversial issues which will be dealt with during debate on that legislation is drilling in Alaska's Arctic National Wildlife Refuge (ANWR).

Enclosed is a copy of the Interior Committee's most recent edition of its calendar which will give you a further idea of the type of legislation within the jurisdiction of that committee.

Please let us know if you have any further questions.

Sincerely,

Lois Moore

AGENDA**July 25, 1991**

8:00am	Breakfast Esteban Torres (D-CA) Alcalde, Rousselot & Fay
9:30am	Mark up
12:00pm	Lunch with Delegation Senate Dining Room
1:00pm	Congressman Bill Lehman (D-FL) 2347 Rayburn House Office Building
1:15pm	Congressman Bob Carr (D-MI) Diane Blagman 2439 Rayburn House Office Building
1:30pm	Meeting with the Pulsar people from New Mexico and Owen Chaffee Alcalde, Rousselot & Fay
4:45pm	Congressman Richard A. Gephardt (D-MO) 1432 Longworth House Office Building
6:00-8:00pm	Fundraiser Congressman Bob Carr (D-MI) 2029 Conn. Ave., NW

July 25, 1991

10:45 am Senator Harry Reid
 Senator Dick Bryan
 324 Hart Senate Office Building

12:00pm Lunch with Delegation
 Senate Dining Room

1:00pm Congressman Bill Lehman (D-FL)
 2347 Rayburn House Office Building

3:00pm U.S. Conference of Mayors

5:00-7:00pm Reception
 Russell Senate Office Building

LAS VEGAS MEETINGS**July 24, 1991**

12:00pm	Lunch with Hal Bruno
1:15pm	Congressman Don Young (R-AK) 2331 Rayburn House Office Building
1:30pm	Senator Quentin N. Burdick (D-ND) 511 Hart Senate Office Building
2:00pm	Congressman John Paul Hammerschmidt (R-AR) 2110 Rayburn House Office Building
2:30pm	Congressman Carlos Moorhead (R-CA) 2346 Rayburn House Office Building
2:30-3:30pm	National League of Cities Don Brout, Executive Director; Chris Becker, Deputy Executive Director; Diane Ferring, Conference Planning Director
5:30pm	Congressman Richard A. Gephardt (D-MO) 1432 Longworth House Office Building

July 22, 1991

Honorable

Arnie Adamsen
Chief Financial Officer
California/Nevada
Bi-State Commission
City of Las Vegas
400 E Stewart Avenue
Las Vegas, Nevada 89101

Dear Arnie:

We have enclosed a copy of the committee report language accompanying the FY '92 DOT appropriations bill which has been reported from the House Appropriations Committee. Please note that the committee has denied the FRA request for \$2,200,000 of maglev funding for state planning grants. I don't know if the State of Nevada had intended to request such a grant; however, we wanted to let you know of the status of the Administration's request in this regard. In fact, we are apprised that the committee deleted funding for all activities relating to Maglev/high speed rail, with the exception of \$3 million for maglev safety related activities.

The Senate Appropriations Committee has not yet considered the DOT bill, but is expected to do so before the Congressional summer recess which begins on August 2nd.

Please let us know if you would want us to work to restore any of these maglev/high speed rail funds on behalf of the Bi-State Commission.

Sincerely,

Lois Moore

June 17, 1991

Honorable Jim Bilbray
U.S. House of Representatives
319 Cannon House Office Building
Washington, D.C. 20510

Dear Jim:

With regard to the Sahara Avenue interchange project, I wanted to let you know that we are in contact with Bill Lehman's senior staff and are now waiting for an appointment with Bill.

We have indicated to Lucy Hand, Bill's Legislative Assistant, that the project is authorized, pursuant to the 1987 Surface Transportation Assistance Act and for this reason there should be no need to secure the support of the authorizing committee.

I am sure you are aware that Mayor Lurie has corresponded with Senator Reid, asking that he include funding for the Sahara Avenue project within the Senate version of the DOT appropriations bill.

We will keep you apprised of our activities relating to the Sahara Avenue project.

Sincerely,

Hector Alcalde

September 18, 1991

MEMORANDUM: Pete Cummings

COPIES TO: Arnie Adamsen
 Bill Noonan

FROM: Hector Alcalde
 Lois Moore

SUBJECT: Maglev System

Enclosed is that section of the Senate Appropriations Committee report on DOT appropriations for FY '92 which directs that \$500,000 of the monies provided for FRA high speed rail/maglev research and development activities be earmarked for the Clark County mini maglev system. As we apprised you, we contacted Senator Reid's office prior to committee markup to request that this additional earmark be added.

We will work with House and Senate conferees to amend the language to assure that the words "Las Vegas" are added so as to read "Clark County/Las Vegas NV (Nevada Department of Transportation)".

As we apprised you, appropriations committee staff would like further information regarding this project. Could you please forward to us two-to three paragraphs describing the project, its status and how the \$500,000 would be utilized.

SCHEDULE FOR PETE CUMMINGS, MONDAY, JULY 15

10:00 a.m. Meet at the offices of Alcalde, Rousselot and Fay

11:00 a.m. David Chartier, Assistant Legislative Director
 Office of Senator Reid
 324 Senate Hart Building
 *Lois Moore

11:30 a.m. Mary Louise Wagner, Professional Staff
 Senate Energy and Natural Resources Committee
 321 Senate Hart Building
 *Lois Moore

12:30 p.m. Lunch
 Tim Hay, Legislative Assistant
 Office of Senator Bryan
 La Colline Restaurant
 *Norm D'Amours, John Rousselot, Lois Moore

2:00 p.m. Mike Woo, Professional Staff Member
 House Energy and Commerce Committee
 2125 House Rayburn Building
 *Norm D'Amours, John Rousselot, Lois Moore

2:30 p.m. Dan Berkovitz, Staff Director
 Nuclear Regulation Subcommittee;
 John Gilio, Legislative Assistant
 Office of Senator Bob Graham
 241 Senate Dirksen Building
 *Hector Alcalde, Lois Moore

3:30 p.m. Wendy Stambler, Legislative Assistant
 Office of Congressman Bilbray
 319 House Cannon Building
 *Lois Moore

June 27, 1991

MEMORANDUM TO :

**Pete Cummings
Bob Loux**

FROM:

**Hector Alcalde
Nancy Prowitt**

SUBJECT:

WIPP Bill Action

The full House Interior Committee reported out H.R. 2637, the WIPP land withdrawal bill yesterday.

Rep. Bill Richardson (D-N. M.) offered 3 amendments to the bill which were adopted by voice vote. We have attached copies of these amendments, but basically they forbid DOE from beginning the WIPP storage test until it has:

- identified specific sites for the interim management and storage of WIPP wastes once they are removed from the facility at the end of the test phase;

- obtained an independent certification from the Secretary of the Interior, acting through the Bureau of Mines stating that the ceilings in the waste storage chambers will remain structurally sound for the duration of the waste placement tests, and

- ensures that the New Mexico Environmental Evaluation Group, a private watchdog agency, maintains free and timely access to WIPP related data and reports, and permits the EEG to attend meetings related to WIPP with expert panels, peer review groups, and appropriate federal agencies.

In our meeting yesterday with Ranking Interior Committee member Don Young of Alaska, he indicated he was very sympathetic to the Nevada

opposition to federal preemption. He was concerned and opposed, however, to the Richardson amendments. He also said that his vote on federal preemption for Yucca Mountain will be largely determined by whether the Nevada Senators join in the threatened filibuster of the Arctic National Wildlife (ANWAR) provision that is in the omnibus Energy bill reported from the Senate Energy Committee. Congressman Young wants this provision retained, as it would open up that area for exploration.

Congressman Young also indicated that H.R. 2637, the WIPP legislation, may not move through to final enactment this year as the bill must still be considered by two other legislative committees. They are the Energy and Commerce Committee and the House Armed Services Committee.

We will continue to keep you apprised of our activities.

June 26, 1991

MEMORANDUM TO: Congressman Jim Bilbray

FROM: Hector Alcalde
Alcalde, Rousselot & Fay

RE: Yucca Mountain

As you requested, we are sending this very brief summary of our activities, strategy and tactics with regard to the above-captioned issue.

Method of Operation

I have assigned myself and four of my very top people to this account. Former Congressmen Norm D'Amours and John Rousselot, Nancy Prowitt and Lois Moore are personally working the account under my direction and are making it their highest priority.

Strategy

Our visits with members of the House and Senate (beginning even before we finalized our contract only three weeks ago) quickly convinced us we must keep in mind at least two principles: 1) what motivates members most on this issue is the fear of a possible repository in their own district or state, 2) while most members wish to be fair in following due process and are highly respectful of their Nevada colleagues, they would nonetheless be inclined to support anything that deflects attention from their own back yards.

Therefore, we are considering a strategy that will protect Nevada by stressing legislative and substantive due process, and scientific correctness while giving members reasonable alternatives that do not put them, individually, at risk. Some of these alternatives have already been discussed or referred to with you and others in the Nevada delegation. We believe they require further consideration and discussion.

Tactics

We have attempted to coordinate our activities with the delegation in order to avoid working at cross purposes. Perhaps better lines of communication are required here, but two of my team are in frequent touch with delegation staff.

Because of the activities of Senator Johnston and the Senate Energy, Appropriations and Public Works Committees, we have been especially sensitive to following the lead of Senators Reid and Bryan in making contacts with the Senate leadership and we continue to believe that is a correct approach. During our meetings with Senator Reid and Bryan, this approach was

discussed and it was determined that it would be helpful for Senators Bryan and Reid to talk with George Mitchell. We pointed out at that time that on several previous occasions Senator Mitchell had opposed state preemption by the federal government. We also said that we would follow up with Senator Mitchell, once the delegation had talked with him. We will go ahead with this meeting and visits with Senator Dole and others in the leadership as soon as we have your approval.

Senate Meetings

We met personally with Senator Bennett Johnston prior to subcommittee markup of the Energy and Water Development appropriations bill. Senator Johnston assured me at that time that it was not his intention to attach the preemption language to the appropriations bill or to the omnibus energy bill, but instead to markup a free standing measure. We are staying in close contact with his appropriations committee staff to be alerted to any change in Senator Johnston's strategy. As you know, the Energy and Water bill is expected to be considered by the full Senate this week.

Nancy Prowitt will be meeting with the Chairman of the Senate Environment Committee on June 26. We are setting up meetings with all other members of the Environment and Public Works Committee in order to promote and advance the attempt to bring this matter into their active jurisdiction for consideration and possible amendment. We are quite ready to contact Senate majority and minority leadership and to go to most members of the Senate after Senators Reid and Bryan advise us to do so.

House Meetings

On the House side we have already met with most of the more relevant members for the purpose of educating them on the preemption implications of this issue and of our interest in it; building support (successfully we think) for our efforts to block this matter from being considered on an appropriation bill; exploring various possibilities that might present members with alternatives. We have been focusing on the "big four" on the Energy and Commerce Committee and the Interior and Insular Affairs Committee : Congressmen Dingell, Sharp, Moorhead, Lent, Miller, Kostmayer, Young and Rhodes. The results of our meetings have been reported on orally or in writing.

We expect, after the recess, to expand our House contacts to include key members of the House Appropriations Committee, including Energy and Water Subcommittee Chairman, Tom Bevill, and both the majority and minority leaderships as well as the membership at large.

Meeting with Henson Moore

On two different occasions in late May and early June, John Rousselot met on an informal basis with Henson Moore to review DOE's position on Nevada permits and alternative sites.

We stand ready to provide more detail as to any of these points upon request of the delegation.

April 25, 1991

MEMORANDUM TO: Pete Cummings
COPY TO: Bill Noonan
FROM: Hector Alcalde
Lois Moore
SUBJECT: Las Vegas Highway Projects

As you requested, the following is a brief update on the legislative status of the omnibus highway bill as well as the City of Las Vegas' two priority highway projects: the Spaghetti Bowl and the Sahara Avenue/I-15 interchange projects.

Spaghetti Bowl Interchange

As you know, the Surface Transportation Subcommittee of the House Public Works and Transportation Committee and the Transportation Subcommittee of the Senate Environment and Public Works Committee have been holding oversight hearings in anticipation of markup of the Federal-Aid-Highway Act of 1992. The House subcommittee anticipates releasing a draft bill in the near future which will probably be circulated for comment and then used as a markup vehicle. Subcommittee markup is not expected prior to June.

As we have previously apprised you, the House committee is expected to include highway demonstration projects in its reported bill. We will follow up with committee staff and senior members of the House Public Works Committee to assure that the Spaghetti Bowl project is included within the committee reported bill. As you know, we have talked on several occasions over the past year with the senior committee members regarding the Spaghetti Bowl, inclusive of full Committee Chairman Robert Roe, Subcommittee Chairman Norm Mineta, and Congressmen Hammerschmidt and Shuster.

Congressman Bilbray has also made a written request to each member.

The Senate Environment and Public Works Committee has released a draft highway bill which includes no demonstration projects. Should the Chairman decide that projects will be accepted during markup proceedings, Senator Reid, as a member of that committee, would need to sponsor an amendment to fund the Spaghetti Bowl. At this date it appears doubtful that the Senate committee will accept demo projects. However, we will monitor this situation closely for you and keep you apprised.

Sahara Avenue/I-15 Interchange

Congressman Bilbray will be submitting testimony before the Transportation subcommittee of the House Appropriations Committee on April 30, requesting that the subcommittee fund the Sahara Avenue interchange by means of the FY '92 DOT appropriations bill. As you know, that Subcommittee is chaired by Congressman Bill Lehman (D-FL).

We will follow up in a meeting with Congressman Lehman. (Congressman Lehman has recently had a stroke but is expected to be back to Washington during May, in time for subcommittee markup.)

As you will recall, Congressman Lehman committed to us last year that he would accept the Sahara Avenue project as a line item in conference committee if it was included within the Senate appropriations bill as such. It was not included in the Senate bill; however Congressman Lehman did include report language recommending that the Sahara and Spring Mountain projects be funded by means of the 4R Discretionary account.

We believe that there is a good possibility that Congressman Lehman will make the same commitment to us this year. Therefore, we recommend that you correspond with Senator Reid, to request that he include the Sahara Avenue project within the FY '92 DOT appropriations bill. As you know, he is a member of the Senate Appropriations Committee.

We will continue to keep you apprised of our activities relating to the City of Las Vegas' highway funding needs.

March 25, 1991

MEMORANDUM TO: Pete Cummings

COPY TO: Bill Noonan

FROM: Hector Alcalde
Lois Moore

SUBJECT: Yucca Mountain

Enclosed are copies of the testimony delivered before the Senate Energy Committee on the issue of a permanent high level waste repository at Yucca Mountain on Thursday, March 21, 1991.

As you know, the entire Nevada delegation testified as well as Governor Bob Miller, Energy Secretary Watkins and scientists specializing in nuclear waste disposal.

Although the State of Nevada would like to delay and/or stop the project completely, we have been advised that Chairman Bennett Johnston may attach some type of preemption language to the FY '92 Energy and Water Development appropriations bill. As you know, he is the chairman of both the Senate Energy and Natural Resources Committee and the Energy and Water Development Subcommittee of the Appropriations Committee.

March 6, 1991

MEMORANDUM TO: Pete Cummings

FROM: Hector Alcalde
Lois Moore

SUBJECT: Washington Schedule

Listed below are the appointments that we have arranged for your Washington visit on Monday, March 11, 1991.

10:15 am Pick up at the Washington Hilton
by Jim Smoot

10:30 am Meet at Alcalde, Rousselot & Fay

11:30 pm John Fadgen, Administrative Assistant
to Congressman James H. Bilbray (D-NV)
319 Cannon Building

12:30 pm Senator Harry Reid (D-NV)
324 Hart Building

1:00 pm Lunch
Monacle

2:15 pm Taylor Bowlden, Legislative Director
to Senator Steve Symms (R-ID)
509 Hart Building

3:00 pm Jean Neal, Administrative Assistant
to Senator Richard H. Bryan (D-NV)
364 Russell Building

February 26, 1991

MEMORANDUM TO : Bill Noonan
COPY TO : Pete Cummings
FROM : Hector Alcalde
Lois Moore
SUBJECT : Spaghetti Bowl/Sahara Avenue

We met today with Congressman Bilbray to discuss strategy for funding both the Spaghetti Bowl and Sahara Avenue projects during this session of Congress.

Enclosed are copies of letters which Congressman Bilbray has forwarded to Congressman Norm Mineta and Congressman Bill Lehman. You will note that he is requesting funding for the Spaghetti Bowl by means of the 1991 Surface Transportation Act which is in the jurisdiction of the Public Works Committee. He is requesting funding for the Sahara Avenue project by means of the 1992 DOT appropriations bill.

We will follow up with Bill Lehman and Norm Mineta and other senior members of the Public Works Committee.

Congressman Bilbray indicated that he would be willing to testify before the Public Works Committee, should the committee take testimony from individual members.

We will continue to keep you apprised of our activities regarding these two highway projects.

February 5, 1991

Honorable Bob Graham
United States Senate
241 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

I understand that you are planning a visit to the City of Las Vegas on March 28th. On behalf of the Mayor and other city officials, I would like to extend an invitation to you to visit with them to discuss nuclear waste issues, as well as specific highway improvement needs in the downtown area.

Please let me know if you are able to arrange this in your schedule.

Sincerely,

Hector Alcalde

c.c. Buddy Shorstein

February 5, 1991

MEMORANDUM TO: Pete Cummings

COPY TO: William Noonan

FROM: Hector Alcalde
Lois Moore

SUBJECT: Fiscal Year 1992 Military Construction Budget

Enclosed is a copy of the line item budget request for Nellis Air Force Base. Also enclosed is the budget request for Holloman Air Force Base, New Mexico which reflects the movement of the 37th Tactical Fighter Wing from Tonopah Research Site to Holloman.

February 5, 1991

Mr. William J. Noonan
City Manager
City of Las Vegas
400 E Stewart
Las Vegas, Nevada 89101

Dear Mr. Noonan:

The House Committee on Public Works and Transportation and the Senate Environment and Public Works Committee are continuing hearings in preparation for drafting the Federal-Aid-Highway Act of 1991. This legislation would be the most appropriate vehicle by which to fund the Spaghetti Bowl interchange project. Projects authorized by means of this bill will be funded directly from the highway trust fund and will not require a corresponding appropriation.

As we have previously recommended to you, we will schedule meetings with senior members of the House Public Works and Transportation Committee in conjunction with your League of Cities meetings here in Washington the week of March 10th.

We also recommend that testimony be submitted before the House Public Works and Senate Environment and Public Works Committees. Congressman Bilbray's staff has indicated to us that he would be willing to make this request to the House committee. As a member of the Senate Environment and Public Works Committee, Senator Reid should make the request to that committee.

Please forward correspondence to both Congressman Bilbray and Senator Reid. We have enclosed a suggested draft letter which may be of some assistance in this regard.

Sincerely,

Hector Alcalde

c.c. Pete Cummings

January 14, 1991

Mr. Ken House
Professional Staff Member
House Public Works and Transportation Committee
2165 Rayburn House Office Building
Washington, D. C. 20515

Dear Ken:

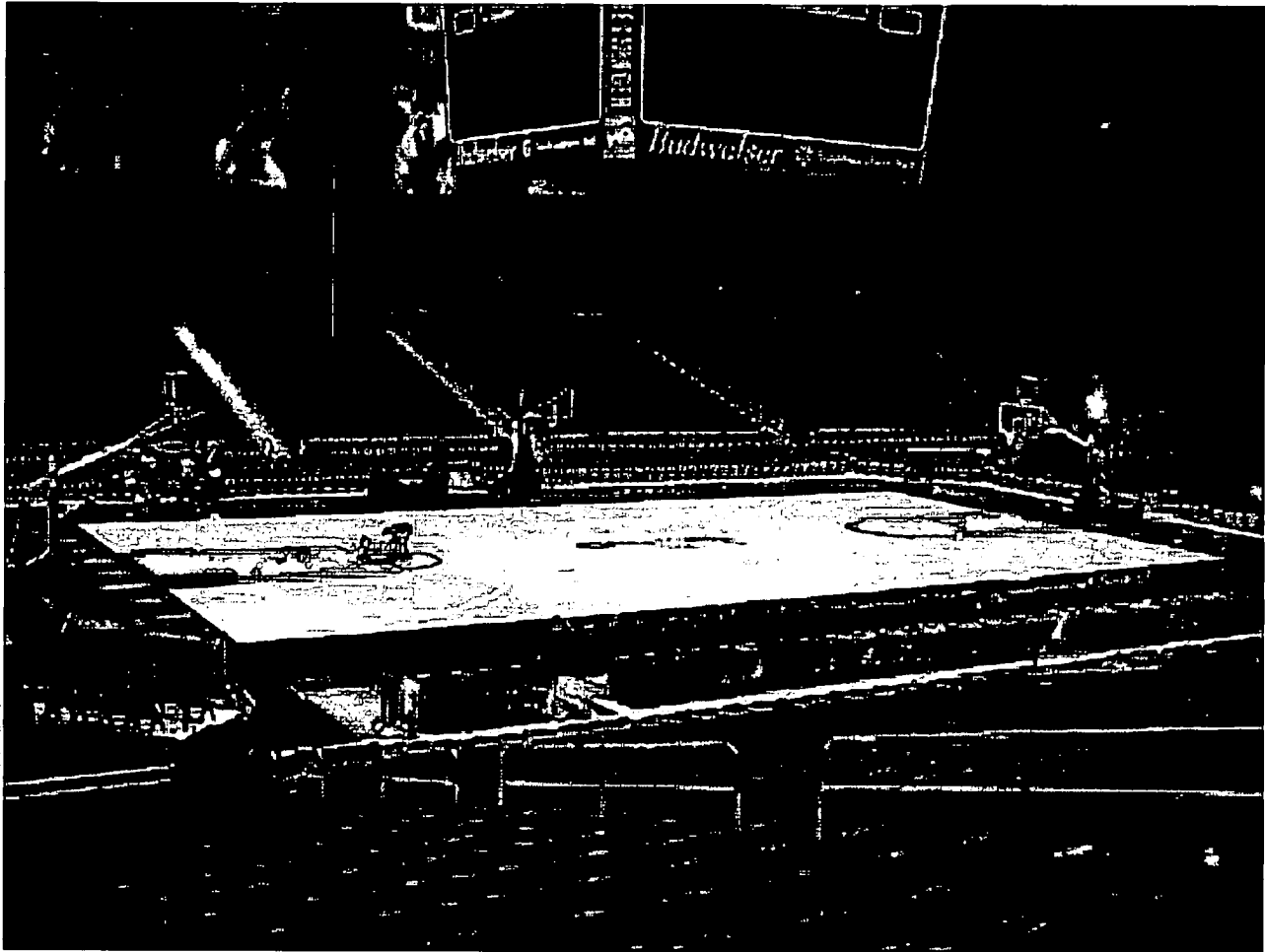
I want to thank you for meeting today with me and Pete Cummings of the City of Las Vegas.

Now that the new session of Congress is close to being underway, I am certain that your time is increasingly limited. I just wanted to let you know that I appreciated the time you spent with us.

Sincerely,

Lois Moore

STADIUM FINANCE SURVEY: 1980 TO PRESENT



ALCALDE & FAY

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STADIUM FINANCE SURVEY: 1980 TO PRESENT

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SEPTEMBER 13, 1999

INTRODUCTION

The 1990's have been the decade of professional sports stadium construction. The past decade has seen the construction or planning of more than sixty professional stadiums. This has been an expensive construction boom. New sports facilities have reached \$400 million or more, and with retractable roofs, shopping malls, and luxury boxes, prices continue to rise. While each locality creates its own unique funding formula to ensure a balance between community and team owner desires, the following survey does reveal several important trends in stadium financing.

In general, stadium financing trends point in two distinct directions. National Football League (NFL) and Major League Baseball (MLB) stadiums tend to be financed with a large public component. Only four stadiums from each league have been predominantly funded by private sources since 1980. At the minimum, public funds from the state, city, county or stadium authority (discussed below) have been used to support infrastructure improvements around the stadium.

Juxtaposed to the trend are stadiums built for National Basketball Association (NBA) and National Hockey League (NHL) teams. Of the twenty-five NBA stadiums built since 1980, more than two-thirds received the majority of their funding from private sources. Moreover, since the 1990's,

Alcalde & Fay Stadium Finance Survey

only three of the fifteen stadiums constructed were funded predominately by public sources. In the NHL, fifteen of the twenty-five stadiums were constructed predominately with private funds. All fifteen privately funded stadiums were constructed in the 1990's. Interestingly, seven of the eight publicly financed stadiums built in the 1990's were constructed for expansion or relocated teams.

One explanation for the diverging trends between NBA/NHL and NFL/MLB stadiums is physical size and design. NFL and MLB stadiums require more physical area, more capacity and larger structures than do NBA and NHL stadiums. Further, to ensure preferable weather conditions, many NFL and MLB stadiums are domed. Even more expensive, several MLB stadiums are being constructed with retractable roofs. These architectural factors drive up the price of a stadium to \$300 or \$400 million dollars, thus making it less desirable for team owners to wholly fund construction from private funds.

As the size of a stadium dictates that stadium's utility, private ownership of NBA and NHL stadiums may prove more lucrative for the owner. An indoor facility configured for hockey or basketball could easily be used for conventions, concerts and the like--allowing a stadium owner to generate revenue during inclement weather and during the off season. Because of the large size and unique shape of football and baseball fields, and because many

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of these stadiums are exposed to the elements, the utility of such a stadium for activities other than the sport it supports are limited.

Further, a stadium built for professional basketball can easily support a professional hockey team as well. All cities supporting both a professional hockey and basketball team having constructed a stadium since 1980 use the stadium as the venue for both teams. This dual-team support is a financial boon for the stadium owner. So much so, in fact, that the private owners of Arrowhead Pond in Anaheim, Ca, negotiated as part of their contract with the City of Anaheim to construct and run facility, a clause requiring the city to pay the owners of the stadium \$1.5 million a year if the stadium supports only one professional team (see pg. 2-8).

While several current professional football stadiums support baseball as well, the construction trend points toward separate facilities. No football or baseball stadium constructed or planned since 1990 has been erected for dual-team support. Additionally, seven of the seventeen football stadiums and nine of the eighteen baseball stadiums constructed since 1990 were constructed for teams previously sharing a venue. The inability of these stadiums to support football and baseball, or the unwillingness of baseball and football teams to share a venue, diminishes the financial return to a private stadium owner, thus diminishing the incentive to privately fund football and baseball stadiums.

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It should be pointed out, however, that while this survey identifies a divergence in funding mechanisms between NBA/NHL stadiums and NFL/MLB stadiums rationalized by economic motives, there are non-economic factors relating to the publicly funded construction of a stadium and attracting a professional team that must be mentioned. Sociologically, a city with a professional sports team is instantly considered in the same league, quite literally, with New York, Los Angeles and the rest of America's premier cities. The residual positive media exposure can also help define or change a city's status as perceived by non-residents. Within a city, a sports team and its venue can serve as a unifying source of pride. The physical placement of a stadium can play a role in this. By locating a stadium in an economically abandoned, undeveloped or up-and-coming sector of a city, the public owner of a stadium makes a political statement about its commitment to that sector, while at the same time directing business and community activity toward the area. By placing the Rose Garden in the Lloyd District of Portland, the city committed to transforming a neglected sector into a "second downtown" (for an in-depth treatment, see Chapin, Sports Facility Location as an Economic Development Strategy, appendix H).

Of the publicly financed stadiums from all four leagues surveyed, many localities, in order to centralize management while spreading the tax burden of a publicly financed stadium among all local fans regardless of political boundaries, localities have opted to create Stadium Authorities. Stadium

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Sports Authorities/Boards are semi-autonomous political subdivisions of the city and/or the surrounding counties. Sports authorities are usually created by the local government either through its charter or by voter referendum. The purpose of the sports authority is to operate the stadium in a business-like fashion that is in the best interest of the community. These entities were created specifically to keep elected officials from the operations of the stadium facility.

Generally, the charter or referendum establishes rulemaking powers of the board. All boards usually are entrusted with managerial decision making. Some boards are entrusted with more duties and authority which may include decisionmaking involving monetary issues ranging from establishing public revenue streams to issuing debt. Authorities are oft times given the power to levy taxes over specially designed taxing districts. The taxing district is generally composed of the cities and/or counties from which the team draws its fan base.

Selections of members for stadium boards is generally conducted by the city council. Members are appointed by a majority vote from the city council. Once the board is selected, the board is responsible for hiring the executive director. The executive director is responsible for the staffing and operation of the stadium facility. If the board is dissatisfied with the executive director's performance, the board has the authority to terminate. The city council is

Alcalde & Fay Stadium Finance Survey

precluded from any decisionmaking regarding the stadium. Members on the sports authority generally serve either a three or four year term. Members are not allowed to serve more than two terms.

Houston and Denver are excellent examples of localities currently using stadium authorities as financiers and managers of their stadium construction projects (See appendix).

The sale of naming rights and signage is another increasing trend in sports stadium financing. Corporations, hoping to increase their name recognition with the sports-consuming public, are entering into multi-year, multi-million dollar contracts to acquire the naming rights of professional sports stadiums. Stadium owners, in turn, are using the value of their naming rights to offset construction costs. The Metropolitan Football Stadium District (financing the Denver Broncos new stadium) backed the bonds they issued for construction, in part, with funds they expect to receive for the sale of the stadium's naming rights (see pg. 3-4). The current market value for a stadium's naming rights can be astronomical. At the high end, American Airlines will pay a reported \$195 million over 30 years for the naming rights to the new basketball and hockey stadium in Dallas, TX. Other stadiums fetching naming rights sales of \$100 million or more include: Enron Field (Houston, TX); Philips Arena (Atlanta, GA); PSINet Stadium (Baltimore,

Alcalde & Fay Stadium Finance Survey

MD); and the Staples Center (Los Angeles, CA). For a listing of naming rights' sales prices, see appendix I.

The attached survey details all NBA, NHL, NFL and MLB stadiums built since 1980. Information was obtained through city and county governments, stadium authorities, sports teams, internet websites and newspaper articles. While all information is current as of the date of this publication, financing for stadiums under construction or recently completed is subject to change. All entries are sorted first by league, then by opening date. A table defining sports league acronyms can be found immediately proceeding the survey. Each appendix contains a sampling of information collected, sorted by team.

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I Naming Rights Sales and Luxury Suite Pricing

J Stadium Referendum Press Coverage

K Facility Maintenance and Management Companies

SPORTS LEAGUE ACRONYMS

AFL	Arena Football League
IHL	International Hockey League
MISL	Major Indoor Soccer League
MLB	Major League Baseball
MLS	Major League Soccer
NBA	National Basketball Association
NCAA	National Collegiate Athletic Association
NFL	National Football League
NHL	National Hockey League
NLL	National Lacrosse League
NPSL	National Professional Soccer League
RHI	Roller Hockey International
WNBA	Women's National Basketball Association
WHL	Western Hockey League
WISL	World Indoor Soccer League

SECTION 1

*NATIONAL BASKETBALL
ASSOCIATION*

SECTION 1. - NATIONAL BASKETBALL ASSOCIATION

The pursuit of the elusive NBA title has raised the level of expectations for both teams and communities. At the center of these expectations is the growing trend for teams to seek state of the art facilities. Team owners assert that new arenas allow them to remain competitive with other franchises. Cities believe that with a winning organization comes economic development and revenue. Thus, private/public partnerships are becoming more and more common. As this trend continues into the millennium, more and more teams believe that public contribution is a requirement for new stadium projects. However, those communities seeking to court these NBA franchises into a partnership must insure that the both parties have a vested interest in the outcome of the stadium deal.

Dallas, TX - American Airlines Center

Tenants: Dallas Mavericks (NBA)
Dallas Stars (NHL)

Opening Date: 2000

Cost: \$232 million

Stadium Financing: \$232 million will be raised publicly and privately. Public funds are financed by bonds funded through an increased 2% hotel tax on gross room revenue and a 5% increase in car rental tax. 2 bonds were issued, a tax-exempt bond that matures in 2028 and a taxable bond that matures in 2027. The increased taxes will sunset once the bonds are paid off. The tax-exempt bond is a supersinker, a bond that must be paid back earlier if more revenue than projected is being raised. Private funds are also provided by the owner of the basketball and hockey teams.

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Atlanta, GA - Phillips Arena

Tenant: Atlanta Hawks (NBA)
Atlanta Flames (NHL)
Atlanta Knights (IHL)

Opening Date: 1999

Cost: \$213 million

Stadium Financing: Public improvements around the arena were funded through a \$70 million 25 year bond financed by a 3% increase in car rental tax in Atlanta and College Park. Atlanta-Fulton County Recreation Authority financed a 30 year general revenue bonds. The management company, owned by Turner Broadcasting, is paying the debt on the bonds. Turner Broadcasting also provided \$11.5 million in private funds. Turner Broadcasting owns the Atlanta hockey and basketball teams.

Miami, FL - American Airlines Arena

Tenants: Miami Heat (NBA)
WNBA expansion team

Opening Date: 1999

Cost: \$ 228 million

Stadium Financing: Miami-Dade County owns the land and the facility. The Miami Heat organization agreed to finance the construction of the facility on the condition that it could recover its investment while occupying the building during the next 30 years. The Heat organization is obligated as tenants under a 30 year lease agreement and 30 year covenant to occupy the facility. In addition, the County provides a \$6.5 million a year subsidy to the Heat organization for operation expenses.

Indianapolis, IN - Conseco Fieldhouse Arena

Tenants: Indiana Pacers (NBA)
WNBA expansion team

Opening Date: 1999

Cost: \$175 million

Stadium Financing: Facility and land are owned by the City of Indianapolis. Facility is managed by the Capitol Improvement Board (CIB). Project was financed with private and public funds. Pacer organization contributed \$57 million to the arena project. \$55 million will come from ticket tax and parking revenue. The remaining \$2 million came from owners Melvin and Herb Simon.

In addition, the Indianapolis corporate community agreed to invest \$47 million in the new arena. Sixteen corporations have agreed to reinvest their returns from the booming Circle Centre mall in the next arena for the next 10 years. This commitment totals approximately \$3.7 million each year, to be used for debt service on bonds totaling \$37 million. Eli Lilly and Company will provide land for arena parking and construction staging which has a value equivalent to \$10 million.

The City of Indianapolis utilized several sources to fund the project. Most of the public funds came from a city-designed bill. Known as the Professional Sports Development Area (PSDA), the funding measure created a tax district that returns state income and sales taxes, derived from local sports venues, back to the CIB for investment in new sports facilities. These revenues are capped at \$5 million a year for a ten year period.

Finally, the project's financial shortfall was covered by remaining resources. The arena project received an infrastructure grant for a total of \$4.7 million. The Circle Centre Mall return is estimated to generate \$7 million for this project. The last financing vehicle used by the City was bonds. By issuing revenue bonds for \$9.3 million with a term of 20 years, the City has been able to meet it's obligation in supporting this project.

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Denver, CO - Pepsi Center

Tenant: Denver Nuggets (NBA)
Colorado Avalanche (NHL)

Opening Date: 1999

Cost: \$160 million

Stadium Financing: Owner and developer Ascent Arena Company, LLC, financed this project. Facility is located on private land. Funding for the construction of the facility came from private loans, naming rights, and promotional sponsorship. In addition, Pepsi will pay approximately \$68 million for naming rights.

Los Angeles, CA - Staples Center

Tenants: Los Angeles Lakers (NBA)
Los Angeles Clippers (NBA)
Los Angeles Kings (NHL)

Opening Date: 1999

Cost: \$315 million

Stadium Financing: Ownership of this arena is based on a 20-year partnership between Staples, Inc. and the L.A. Arena Company. Facility is located on public property. The partnership has a 20 year lease with the City of Los Angeles. The \$100 million naming rights agreement between the two companies provides Staples, Inc. with marketing, promotional and signage rights, community-based programs and various amenities in the arena over the next 20 years.

The \$315 million transaction marked the second time which an asset-backed securities package was used to finance a U.S. sports facility. Parties included in this venture consisted of Bear Stearns, Morgan Stanley and NationsBank. The taxable notes bear an interest rate of 7.653%, are non-recourse debt and have a final maturity of 27 years with an expected average life of 14.5 years. In this asset-backed securitization, the sports facility owner pledged the rights to specific revenues, including the right to renewals of the underlying contracts, to secure the notes.

Toronto, Canada - Air Canada Centre

Tenants: Toronto Raptors (NBA)
Toronto Maple Leafs (NHL)

Opening Date: 1999

Cost: \$265 million

Stadium Financing: The arena was privately financed by Maple Leaf Sports & Entertainment Limited (owners of the Raptors and Maple Leafs). The facility is located on private property.

Caveat: Canadian municipalities generally are opposed to directing public funds for private market arena projects; thus, the responsibility for funding the project will solely belong to the franchise.

Washington, D.C. - MCI Center

Tenants: Washington Wizards (NBA)
Washington Capitals (NHL)
Washington Mystics (WNBA)
Georgetown Hoyas Men's Team (NCAA)
Retail Clients, Museum and Restaurant

Opening Date: 1997

Cost: \$200 million

Stadium Financing: Private and public funds were used for the construction of the arena. Owner (Abe Pollin) received the property by a land grant from the D.C. government. The city contributed \$55 million for the following infrastructure projects: 1) land acquisition; 2) soil contamination clean-up; and 3) utility relocation. The entire contribution came from the City's general fund. Additional funding was provided by the federal government for construction of the Metro transit station within the Center.

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Philadelphia, PA - First Union Center

Tenants: Philadelphia Seventy-Sixers (NBA)
Philadelphia Flyers (NHL)

Opening Date: 1996

Cost: \$210 million

Stadium Financing: Private capital generated by private partnership between Corestates Financial Corporation and Spectacor (owner and operator). Facility is located on private property. Spectacor is the sole owner of the Seventy-Sixers and the majority owner of the Flyers. Thus, the issue of a lease agreement is not at issue for these teams.

Portland, OR - Rose Garden

Tenants: Portland Trailblazers (NBA)
Portland Winter Hawks (WHL)
Portland Forest Dragons (AFL)
Portland Pythons (WISL)

Opening Date: 1995

Cost: \$262 million

Stadium Financing: Combination of private and public funds. Paul Allen, owner, made a personal contribution of \$46 million to the arena project. Mr. Allen also secured \$155 million from Prudential, the lead investor of this project. Finally, a bank loan of \$19 million was secured. In regard to the public contribution, \$41 million was secured through public bonds. The term of the public bonds is 20 years. As for repayment to the public, a 6% user fee is attached to the season ticket fees. In addition, the public receives a percentage of the revenue generated by the facility parking structure. Facility is on public property. Mr. Allen and the Rose Garden investors lease the land from the City of Portland at a nominal fee of \$1 per year.

Vancouver, Canada - GM Place

Tenants: Vancouver Grizzlies (NBA)
Vancouver Canucks (NHL)

Opening Date: 1995

Cost: \$160 million

Stadium Financing: Privately financed and owned by Orca Bay Sports & Entertainment.

Boston, MA - The FleetCenter

Tenants: Boston Celtics (NBA)
Boston Bruins (NHL)

Opening Date: 1995

Cost: \$160 million

Stadium Financing: Privately financed by Delaware North Companies (parent company). Land is located on private property. Jeremy Jacobs, CEO of the Delaware North Company, is owner of the Bruins. The Celtics are owned by Paul Gaston. The Celtics are obligated to remain as tenants in the FleetCenter until the 2004 - 2005 season.

Chicago, IL - United Center

Tenants: Chicago Bulls (NBA)
Chicago BlackHawks (NHL)

Opening Date: 1994

Cost: \$ 175 million

Stadium Financing: Privately financed by the United Center Joint Venture, which includes Jerry Reinsdorf (owner of the Chicago Bulls and Chicago White Sox), Bill Wortz (owner of the Chicago Black Hawks) and several other partners. Construction project was financed by Fuji Bank. Arena is located on private land.

Cleveland, OH - Gund Arena

Tenants: Cleveland Cavaliers (NBA)
Cleveland Rockers (WNBA)
Cleveland Lumberjacks (IHL)

Opening Date: 1994

Cost: \$155 million

Stadium Financing: Publicly owned. The public partnership formed to fund this project consisted of the City of Cleveland, Cuyahoga County and the Gateway Corporation (quasi-public entity). The revenue generator used to finance this project was a voter approved referendum that allowed the city to collect 1% tax on all alcohol and tobacco products sold for a 20 year period. The Cavaliers' current lease runs from 1994 to 2014. However, the Cavaliers can exercise options to break the lease with an penalty attached if used.

San Antonio, TX - Alamodome

Tenant: San Antonio Spurs (NBA)

Opening Date: 1993

Cost: \$186 million

Stadium Financing: Publicly funded. The facility is owned and operated by the City of San Antonio. Funds were generated under the Transit Authority Area through a half cent sales tax (metro transit tax). The sales tax was levied for 5 years from 1989 to 1994. Shortly thereafter, the Alamodome officials, with cooperation of the Texas state legislature and the approval of voters, were able to utilize a referendum to access the remaining half cent raised through the sales tax. The collection of the remaining half cent resulted in the construction of a multi-purpose transit bus facility that provides services for Alamodome customers.

Caveat: The Spurs are currently attempting to relocate to a new arena. As of August 17, 1999 the Spurs ownership group agreed to pay Bexar County \$28.5 million as its part of a tax-financed arena. The agreement also guarantees the Spurs will sign a 25-year lease, but provides the team with a buyout clause after 20 years. The Spurs would make annual lease payments of \$1.3 million. Under the referendum, hotel-

Alcalde & Fay Stadium Finance Survey

occupancy tax would increase from 1.375 to 2 percentage points and the car-rental taxes would increase 5 percent.

Phoenix, AZ - American West Arena

Tenant: Phoenix Suns (NBA)
Phoenix Coyotes (NHL)

Opening Date: 1992

Cost: \$101 million

Stadium Financing: Combination of private and public funds. The City of Phoenix contributed \$35 million with \$28 million going toward construction of the arena and \$7 million for the land. The funds were allocated from the city's general fund. The Suns organization contributed \$55 million for construction of the arena.

Salt Lake City, UT - Delta Center

Tenants: Utah Jazz (NBA)
Utah Starzz (WNBA)

Opening Date: 1991

Cost: \$66 million

Stadium Financing: Stadium project was financed with both private and public capital. Arena is owned by Salt Lake City. Owner of NBA and WNBA franchises, Larry H. Miller, personally contributed \$8 million. In addition, Mr. Miller borrowed \$66 million from local banks. As for the public contribution, the Redevelopment Agency of Salt Lake City issued bonds for \$20 million to finance land acquisition, infrastructure improvements and plaza redevelopment. Terms of the bonds are unknown. Bonds issued by the Agency were paid by incremental property taxes.

Minneapolis, MN - Target Center

Tenant: Minnesota Timberwolves (NBA)

Opening Date: 1990

Cost: \$104 million

Stadium Financing: Former owners of the Timberwolves (Marv Woolfson and Harvey Radner) personally financed the building of the arena. Upon selling franchise to the current owner (Glen Taylor), the former owners sold the facility and the land to the city. Timberwolves organization has a thirty year lease which expires in year 2025.

Orlando, FL - Orlando Arena

Tenants: Orlando Magic (NBA)
Orlando Predators (AFL)
Orlando Solar Bears (IHL)
Orlando Miracle (WNBA)

Opening Date: 1989

Cost: \$100 million

Stadium Financing: Totally financed through public funds. City of Orlando owns and operates arena. The City contributed \$35 million from its cash fund. Another \$15 million came from the City's bed tax fund. Orlando currently has a 5% bed tax. This tax generates between \$95 - \$100 million a year for Orange County. Orlando and Las Vegas lead the world in available hotel rooms. Furthermore, the City received two bank loans, one for \$15 million and another for \$13 million. The first loan will be paid off in year 2008. The second loan will be paid off in year 2001. The remainder of the costs of the construction project were included in the City's budget over a three year period. Orlando is obligated to remain as tenants until 2004.

Charlotte, NC - Charlotte Coliseum

Tenants: Charlotte Hornets (NBA)
Charlotte Sting (WNBA)

Opening Date: 1988

Cost: \$52 million

Stadium Financing: 100% publicly financed. The taxing power of the city was used to back the bond referendum. A 3% occupancy tax on hotel rentals was the financing vehicle. From the referendum, two bonds were issued. One, at \$47 million, was used for the construction of the facility. The second, at \$13 million, was used for road and infrastructure improvements. The Hornets' lease agreement runs until 2004.

Detroit, MI - The Palace

Tenants: Detroit Pistons (NBA)
Detroit Vipers (NHL)
Detroit Shock (WNBA)

Opening Date: 1988

Cost: \$80 million

Stadium Financing: Privately financed with the exception of public funds for local road improvement and parking. Palace Sports & Entertainment owns and operates The Palace. A relationship does exist between Palace Sports and the Pistons organization as the organizations have common shareholders. The Pistons have committed to a multi-year lease agreement. Terms of the agreement are not available.

Milwaukee, WI - The Bradley Center

Tenants: Milwaukee Bucks (NBA)
Milwaukee Admirals (IHL)
Marquette University Men's Basketball Team (NCAA)
Milwaukee Wave (NPSL)
Milwaukee Mustangs (AFL).

Opening Date: 1988

Cost: \$71 million

Stadium Financing: The Bradley Center is a gift to the State of Wisconsin from Jane and Lloyd Pettit in memory of her late father, Harry Lynde Bradley. Bradley was a co-founder and chairman of the Allen-Bradley Company. The Bradley Center is the only major, public assembly facility in North America with construction underwritten through the philanthropy of a single family. Its construction and continuing operation represent a gift to all people of the State of Wisconsin.

Sacramento, CA - Arco Arena

Tenants: Sacramento Kings (NBA)
Sacramento Monarchs (WNBA)
Sacramento Knights (WISL)

Opening Date: 1988

Cost: \$40 million

Stadium Financing: Privately funded. Owners (principal partners Greg Luckenbill and Joe Venuti) of the franchise were personally responsible for financing the construction project. No public funding or support was solicited. However, in 1996, the ownership sold its private debt (\$70 million) to the City of Sacramento. In exchange for buying the Arco Arena's debt, the City received title to the land and facility. Although publicly owned, the Kings organization is still responsible for operating the Arena. Title to the Arena and land will return to the Kings organization upon repayment of the loan.

East Rutherford, NJ - Continental Airlines Arena

Tenants: New Jersey Nets (NBA)
New Jersey Devils (NHL)
Seton Hall University Men's Basketball Team (NCAA)

Opening Date: 1981

Cost: \$85 million

Stadium Financing: Money for the arena was raised through bonds. The terms of these bonds are unavailable due to constant restructuring and the sale of additional bonds. The arena was built on condemned land and the team pays rent and shares with advertising costs. The team gets a share of the profits. Continental Airlines paid \$29 million for naming rights. The Nets are obligated to remain in the arena until the year 2008.

Dallas, TX - Reunion Arena

Tenants: Dallas Mavericks (NBA)
Dallas Stars (NHL)

Opening Date: 1980

Cost: \$27 million

Stadium Financing: Publicly financed. City of Dallas issued two revenue bonds to finance construction of the arena. The first, a senior lien for \$24 million, was used for construction of the structure and roof. The second, a junior lien for \$5 million, was used for seating and indoor infrastructure. Repayment of the bonds was covered by an existing hotel/motel tax of which 7 percent was dedicated to payment of the two construction bonds. A 76 percent allocation of these funds was dedicated to debt repayment and the remainder was directed to operation and maintenance of the facility. The term of the bonds is 20 years. The Mavericks current lease expires in 2000.

SECTION 2

NATIONAL HOCKEY LEAGUE

SECTION 2. - NATIONAL HOCKEY LEAGUE

With 15 teams moving into new arenas since 1992, the NHL has experienced the greatest building boom of the major sports leagues. The construction of new arenas and expansion teams means that 23 out of the league's 30 teams will be in new facilities. Listed below are those arenas which have been constructed recently.

Columbus, OH - Nationwide Arena

Tenant: Bluejackets (NHL Expansion Team)

Opening Date: 2000

Cost: \$150 million

Stadium Financing: Privately financed by Nationwide Insurance. The money was primarily raised through the sell of Personal Seat Licenses (PSL). Built on private land bought from the city.

Dallas, TX - American Airlines Center

Tenant: Dallas Stars (NHL)
Dallas Mavericks (NBA)

Opening Date: 2000

Cost: \$232 million

Stadium Financing:

SEE SECTION 1 - NATIONAL BASKETBALL ASSOCIATION

Atlanta, GA - Phillips Arena

Tenant: Atlanta Flames (NHL)
Atlanta Hawks (NBA)
Atlanta Knights (IHL)

Opening Date: 1999

Cost: \$213 million

Stadium Financing:

SEE SECTION 1 - NATIONAL BASKETBALL ASSOCIATION

Raleigh, NC - Raleigh Entertainment and Sports Arena

Tenants: Carolina Hurricanes (NHL)
North Carolina State University (NCAA)

Opening Date: 1999

Cost: \$122 million

Stadium Financing: The City and County collected \$48 million in a 3% hotel/motel tax and \$22 million in a 1% prepared food tax over a period of ten years. The Carolina Hurricanes contributed \$28 million. The General Assembly of the state provided a direct appropriation of \$22 million. The Wolfpack Club of North Carolina State University gave \$28 million.

Denver, CO - Pepsi Center

Tenant: Colorado Avalanche (NHL)
Denver Nuggets (NBA)

Opening Date: 1999

Cost: \$160 million

Stadium Financing:

SEE SECTION 1 - NATIONAL BASKETBALL ASSOCIATION

Alcalde & Fay Stadium Finance Survey

Los Angeles, CA - Staples Center

Tenant: Los Angeles Kings (NHL)
Los Angeles Lakers (NBA)
Los Angeles Clippers (NBA)

Opening Date: 1999

Cost: \$315 million

Stadium Financing:

SEE SECTION 1 - NATIONAL BASKETBALL ASSOCIATION

Toronto, Canada - Air Canada Centre

Tenants: Toronto Maple Leafs (NHL)
Toronto Raptors (NBA)

Opening Date: 1999

Cost: \$265 million

Stadium Financing:

SEE SECTION 1 - NATIONAL BASKETBALL ASSOCIATION

Sunrise, FL - National Car Rental Center

Tenant: Florida Panthers (NHL)
Miami Jackals (RHI)

Opening Date: 1998

Cost: \$212 million

Stadium Financing: Two types of bonds were issued by the county; \$140 million in tax exempt bonds and \$45 million in taxable bonds. They were both secured by a 2% increase in bed tax that will run the life of the bonds which is 30 years. Also, the state is guaranteeing an annual sales-tax rebate of \$2 million for 30 years.

Alcalde & Fay Stadium Finance Survey

Washington, D.C. - MCI Center

Tenants: Washington Capitals (NHL)
Washington Wizards (NBA)
Washington Mystics (WNBA)
Georgetown Hoyas Men's Team (NCAA)
Retail Clients, Museum and Restaurant

Opening Date: 1997

Cost: \$200 million

Stadium Financing:

SEE SECTION 1 - NATIONAL BASKETBALL ASSOCIATION

Molson Centre - Montreal, Canada

Tenant: Montreal Canadiens (NHL)
Montreal Roadrunners (RHI)
Montreal Impact (MISL)

Opening Date: 1996

Cost: \$230 million (Canadian)

Stadium Financing: The arena was built by the owner of the team, the Molson Companies.

Philadelphia, PA - First Union Center

Tenants: Philadelphia Flyers (NHL)
Philadelphia Seventy-Sixers (NBA)

Opening Date: 1996

Cost: \$210 million

Stadium Financing:

SEE SECTION 1 - NATIONAL BASKETBALL ASSOCIATION

Alcalde & Fay Stadium Finance Survey

Nashville, TN - Gaylord Entertainment Center

Tenant: Nashville Predators (NHL)
Nashville Kats (AFL)

Opening Date: 1996

Cost: \$154 million

Stadium Financing: The city funded the arena through 2 bonds. A \$79 million 30 year revenue bond is being financed by a 5% ticket surcharge with a cap of \$1.75. Another 30 year bond is being financed by PSL sales, stadium rental and parking revenue. The arena is built on condemned land.

Buffalo, NY - Marine Midland Arena

Tenant: Buffalo Sabres (NHL)
Buffalo Blizzard (NPSL)
Buffalo Bandits (NLL)
Buffalo Destroyers (AFL)
Buffalo Wings (RHI)

Opening Date: 1996

Cost: \$122 million

Stadium Financing: The city financed \$10 million in taxable general improvement serial bonds. The county financed \$20 million in general obligation bonds. The county receives a ticket surcharge of 25 cents per ticket. The state's Urban Development Corporation loaned \$25 million to the project.

Ottawa, Canada - Corel Centre

Tenant: Ottawa Senators (NHL)

Opening Date: 1996

Cost: \$200 million

Stadium Financing: A private corporation, the Palladium Corporation, secured money from several sources including government loans, a federal grant, private bank loans, and luxury suite sales.

Tampa Bay, FL - Ice Palace

Tenant: Tampa Bay Lightning (NHL)
Tampa Bay Storm (AFL)

Opening Date: 1996

Cost: \$160 million

Stadium Financing: An industrial revenue bond financed by a private investor was paid off immediately after construction through refinance and revenue. Private financing and five 30 year bonds provided funding for the stadium. The five revenue bonds include: an annual state sales-tax rebate bond for \$2 million financed by state sales tax money set aside for recreational facilities; a \$60 million county tourist tax bond financed by an increase in hotel/motel bed tax of 1/5 cent; a \$45 million county ticket surcharge bond; and a \$84 million city ticket surcharge bond financed by a 75 cent ticket surcharge on general admission tickets, of which 50 cents goes to the county and the other 25 cents goes to the city. Private funds were given by a private investor and the owner of the team, Lightning Partners, Ltd.

Vancouver, Canada - GM Place

Tenants: Vancouver Canucks (NHL)
Vancouver Grizzlies (NBA)

Opening Date: 1995

Cost: \$160 million

Stadium Financing:

SEE SECTION 1 - NATIONAL BASKETBALL ASSOCIATION

Boston, MA - The Fleet Center

Tenants: Boston Bruins (NHL)
Boston Celtics (NBA)

Opening Date: 1995

Cost: \$160 million

Stadium Financing:

SEE SECTION 1 - NATIONAL BASKETBALL ASSOCIATION

St. Louis, MO - Kiel Center

Tenant: St. Louis Blues (NHL)
St. Louis Ambush (NPSL)
St. Louis Vipers (RHI)
St. Louis Billikens (NCAA)
St. Louis Stampede (AFL)

Opening Date: 1994

Cost: \$170 million

Stadium Financing: The city contributed \$34.5 million for the parking garage. Most of the money was raised by private funds. A 20 corporation ownership conglomerate, including Emerson Electric, Anheiser Bush, and Merits Corporation, financed the stadium's construction.

Chicago, IL - United Center

Tenants: Chicago BlackHawks (NHL)
Chicago Bulls (NBA)

Opening Date: 1994

Cost: \$175 million

Stadium Financing:

SEE SECTION 1 - NATIONAL BASKETBALL ASSOCIATION

Anaheim, CA - Arrowhead Pond

Tenant: Mighty Ducks (NHL)

Opening Date: 1993

Cost: \$120 million

Stadium Financing: City of Anaheim owns the arena and has engaged in a public-private partnership to operate the facility. Money was raised through certificates of participation--short-term leases on a public facility with limited investor protection--issued by the Anaheim Public Improvement Corporation. In the management agreement, Ogden Management pays back the debt on the bonds and is responsible for all liability. In return they receive 80% of the profits. Under the agreement with Ogden, the city has agreed the partnership \$2.5 million per year if no team occupies the arena and \$1.5 million per year if only one team occupies the arena. The city is currently paying \$1.5 million as only one team occupies the stadium.

Alcalde & Fay Stadium Finance Survey

San Jose, California - San Jose Arena

Tenant: San Jose Sharks (NHL)

Opening Date: 1993

Cost: \$160 million

Stadium Financing: Money to construct the arena was set aside by the California Redevelopment Agency. To pay back these construction funds, the Redevelopment Agency established that any increase in the property tax value in the Anaheim area would be dedicated to this debt. The construction of the arena was offset by a \$30 million private donation from the San Jose Arena Management Company.

Phoenix, AZ - American West Arena

Tenants: Phoenix Coyotes (NHL)
Phoenix Suns (NBA)

Opening Date: 1992

Cost: \$101 million

Stadium Financing:

SEE SECTION 1 - NATIONAL BASKETBALL ASSOCIATION

Calgary, Canada - Canadian Airlines Saddledome

Tenant: Calgary Flames (NHL)

Opening Date: 1983

Cost: \$176 million

Stadium Financing: A city reserve fund was created to finance the publicly owned arena. The National Infrastructure Program also gave funding for this project. An additional donation of construction costs was provided by the hockey team ownership group for which a no rent provision for the hockey team was agreed to. However, under this agreement, the team is obliged to contribute \$600,000 annually to the Amateur Sport Fund.

Alcalde & Fay Stadium Finance Survey

East Rutherford, NJ - Continental Airlines Arena

Tenant: New Jersey Devils (NHL)
New Jersey Nets (NBA)
New Jersey Red Dogs (AFL)
Seton Hall Pirates (NCAA)

Opening Date: 1981

Cost: \$85 million

Stadium Financing:

SEE SECTION 1 - NATIONAL BASKETBALL ASSOCIATION

Dallas, TX - Reunion Arena

Tenant: Dallas Stars (NHL)
Dallas Mavericks (NBA)

Opening Date: 1980

Cost: \$27 million

Stadium Financing:

SEE SECTION 1 - NATIONAL BASKETBALL ASSOCIATION

SECTION 3

NATIONAL FOOTBALL LEAGUE

SECTION 3.- NATIONAL FOOTBALL LEAGUE

With new minimum requirements on seating capacity being enforced by the NFL for those franchises wanting to host the Super Bowl at their facility (minimum seating in a stadium must accommodate 75,000) and the rise in demand for luxury boxes and sponsorship deals, many current and expansion teams are seeking funds to build new structures that will accommodate these demands.

Detroit, MI - Ford Motordome

Tenant: Detroit Lions (NFL)

Opening Date: 2004

Cost: \$225 million (estimated)

Stadium Financing: State provided \$20 million from the Michigan Strategic Fund (this fund is financed by the mandated sharing of tribal casino gaming revenue). The Detroit Downtown Development Authority, a government entity, provided \$90 million --\$20 million of this came from the sale of surplus property; \$65 million came from tax increment financing. The Detroit Lions provided \$100 million towards the stadium, \$50 million from corporate commitments and \$50 million from the Ford family. Any cost overruns will be covered by the Lions organization, and there is no guaranteed maximum price. The Detroit/Wayne County Stadium Authority owns the stadium, which it leases to the city; the city leases the stadium to the Downtown Development Authority, which has a concession and management contract with the Lions for 35 years. All revenue generated on stadium grounds, including parking during events at the stadium and naming rights, goes to the Lions.

Foxboro, MA - Patriots Stadium

Tenant: New England Patriots (NFL)

Opening Date: 2002

Cost: \$285 million (estimated)

Stadium Financing: Robert Kraft (Patriots' owner) agreed to privately finance \$250 million; NFL will finance, through a new NFL stadium loan program, up to \$150 million of Kraft's costs. As repayment, the NFL holds the rights to revenue from luxury seats and corporate sponsorship commitments. State will pay \$70 million in infrastructure improvements around stadium. While Kraft owns the land, he will pay \$1 million a year to the state for easement rights.

Houston, TX - Harris County Stadium

Tenant: NFL expansion team

Opening Date: 2002

Cost: \$310 million

Stadium Financing: The Harris County - Houston Sports Authority (HCHSA), a Stadium Authority created by the state, will provide \$195 million in Sports Authority revenues for the construction of a stadium. These revenues will be generated by a 5% car rental tax and a 2% hotel tax, limited to the first 30 days of the auto rental or hotel stay. These taxes are projected to generate \$24 million a year. The HCHSA will also provide \$65 million from "miscellaneous revenue" consisting of:

- I. \$1.05 million per year guaranteed payment from the team;
- II. \$1.5 million per year in rent;
- III. \$4.05 million a year from parking taxes of \$1 per car during NFL events, 10% of ticket prices, not to exceed \$2 per ticket, for all stadium events, and sales taxes from stadium events;
- IV. \$1.5 million in rent from tenant Houston Livestock & Rodeo, Inc. (HLSR);
- V. \$2 per ticket on HLSR events where the ticket is less than \$20;
- VI. \$1 per car parking taxes at HLSR events.

Alcalde & Fay Stadium Finance Survey

NFL Club (the expansion team owners) will contribute \$50 million to be generated from the sale of personal seat licenses and has committed to a 30 year lease.

Philadelphia, PA - New Philadelphia Stadium

Tenants: Philadelphia Eagles (NFL)
Temple University (NCAA)

Opening Date: 2002

Cost: \$350 million (estimated)

Stadium Financing: The state will provide an \$85 million grant for the stadium. To provide this, the state raised its maximum debt ceiling. The city will provide approximately \$133 million in revenue bonds backed via four primary funding areas: the proceeds from a ticket surcharge; the retirement of the previous stadium's debt (savings from eliminated maintenance costs); a 2% rental car tax within the city of Philadelphia, expected to generate 4 million a year; and incremental tax revenue monies. The Eagles will provide approximately \$130 million, up to 1/2 of which will come from a loan from the NFL. The team will cover any cost overruns.

San Francisco, CA - New 49ers Stadium and Shopping Mall

Tenant: San Francisco 49ers (NFL)

Opening Date: 2002

Cost: \$500 million (estimated)

Stadium Financing: City of San Francisco to provide \$100 million in revenue bonds. The tax revenue generated from the full shopping mall, to be built as part of the stadium complex, along with parking revenue collected during events and ticket sales will support the bond. 49ers and partners to finance \$425 million privately.

Caveat: Progress on this stadium has halted. While the bond referendum has passed thanks to heavy support from Mayor Willie Brown, recent scandals involving ballot-box stuffing on the referendum vote and Eddie DeBartolo's (former owner of the 49ers) alleged illegal activities and subsequent sale of the team has left the

Alcalde & Fay Stadium Finance Survey

future of the 49ers stadium, and subsequently substantial financial details, in the air. Further, given the controversies surrounding the stadium project and the upcoming Mayoral election cycle, Mayor Brown has distanced himself politically from the project.

Seattle, WA - New Seattle Stadium (retractable roof)

Tenant: Seattle Seahawks (NFL)

Opening Date: 2002

Cost: \$425 (estimated)

Stadium Financing: King County will provide \$101 million in revenue bonds. The debt will be serviced by a new 2.5% sales tax on clothing and sporting goods bearing sports logos, as well as the 5 year extension of an existing 2% hotel tax and the retirement of the Kingdome debt (savings from eliminated maintenance costs). \$56 million will be generated by parking and admissions taxes. The state will generate \$127 million from 6 new sports-themed lottery games. The Seahawks will contribute \$130 million, to be generated in part from the sale of personal seat licenses. The Seahawks will cover any cost overruns.

Denver, CO - New Mile High Stadium

Tenant: Denver Broncos (NFL)

Opening Date: 2001

Cost: \$364.2 million (guaranteed maximum price)

Stadium Financing: Metropolitan Football Stadium District (a stadium revenue district encompassing Denver, Boulder and the surrounding areas) provided \$260 million through bonds. The bonds will be supported by a 12 year extension of sales tax used to fund construction of Coors Field. The 1 cent per \$10 dollar sales tax covers all common goods except food and medicine. The bond will also be supported by proceeds from the naming rights of the stadium; Patrick Bowlen, owner of the Broncos has advanced \$15 million dollars of naming revenue to the Stadium District. Additionally, the Stadium District will provide \$11.4 million in investment earnings and \$19.6 million in general sales tax revenues collected in 2001. 25% of total cost to be funded by Patrick Bowlen. The NFL has agreed to loan Bowlen up to

Alcalde & Fay Stadium Finance Survey

\$44 million under the new NFL Stadium Loan Program. The Broncos agreed to a 30 year lease.

Pittsburgh, PA - Rooney Field

Tenants: Pittsburgh Steelers (NFL)
Pitt Panthers (NCAA)

Opening Date: 2001

Cost: \$233 million (estimated)

Stadium Financing: Under Plan B, a regional development financing plan approved by Pittsburgh, a new football stadium, baseball stadium and convention center will be collectively financed. The state will provide a \$75 million grant for the Steelers' new stadium. To provide this, the state raised its maximum debt ceiling. The Greater Pittsburgh Area, through a Regional Asset District (RAD) bond, will provide \$170 million for the entire project. The bond is supported by an existing 1% sales tax on goods levied by RAD. Up to \$13.4 million per year from RAD will be used in support of the stadium bonds. RAD will also use \$99 million, an average of \$8 million a year, through an existing hotel/motel tax to support the entire complex. RAD will also provide \$36 million from interest earnings. The Steelers have committed to provide \$76.5 million. This figure includes monies from a ticket surcharge, parking taxes, and a wage tax for out of state players on the team. The Steelers will cover any cost overruns. The Steelers have agreed to a 29 1/2 year lease.

Cincinnati, OH - Paul Brown Stadium

Tenant: Cincinnati Bengals (NFL)

Opening Date: 2000

Cost: \$403 million

Stadium Financing: County levied a 1/2% sales tax on retail and selected service items to support \$343 million (thus far) in revenue bonds. 70% of this tax went to stadium funding; 30% to residential property relief. The state provided \$51 million from its capital improvements fund. The Bengals will provide \$25 million derived from seat licensing. The Bengals have agreed to a 30 year lease.

Cleveland, OH - Cleveland Browns Stadium

Tenants: Cleveland Browns (NFL)

Opening Date: 1999

Cost: \$242 million

Stadium Financing: City issued certificates of participation for \$130 million backed by a 8% parking tax and a county excise tax on tobacco and alcohol. The state provided \$37 million in loans. The NFL provided \$48 million. The team owner provided the remaining funds.

Nashville, TN - Adelphia Coliseum

Tenants: Tennessee Titans (NFL);
Tennessee State (NCAA)

Opening Date: 1999

Cost: \$292 million

Stadium Financing: The city of Nashville will finance, through revenue bonds, \$150 million. The debt will be serviced by:

- I. \$55.6 million from charging the metro water department a \$4 million annual fee in lieu of taxing the utility (this brings Metro Water in line with the rest of the city's utilities);
- II. \$44.8 million by transferring 1% of the existing 4% hotel/motel tax to stadium matters;
- III. \$15.4 million from the city's 2.25% share of tax revenue from purchases made at the stadium;
- IV. \$15 million from the city's existing bond capacity;
- V. \$7.2 million from interest on bonds;
- VI. \$4.5 million from the Titans lease;
- VII. \$4 million from Metropolitan Development and Housing Authority;
- VIII. \$3.6 million from the sales tax on the sale of Personal Seat Licenses and parking fees.

The state will provide \$70 million. \$55 million of the state's contribution will be in bonds repaid through the state's 6% portion of tax revenue from sales at the stadium. The state will also provide \$12

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million for road improvement, \$2 million in the form of land donations, \$2.3 million to allow use of the stadium by Tennessee State University and \$116,000 from interest on bonds. The team will contribute \$71 million from the sale of Personal Seat Licenses. Adelphia Communications Corp. will pay \$30 million over 15 years for naming rights to stadium.

Baltimore, MD - PSINet Stadium at Camden Yards

Tenant: Baltimore Ravens (NFL)

Opening Date: 1998

Cost: \$229 million

Stadium Financing: Maryland Stadium Authority(MSA) issued a \$89 million lease-backed revenue bond. MSA also issued a \$92 million bond backed by funds gathered from the extension of a sports-themed lottery. Team owner provided \$24 million. Remaining financing comes from revenue from an admissions tax. PSINet, an Internet Service Provider, will pay Ravens owner Art Modell as much as \$100 million over 20 years for naming rights to stadium.

Tampa, FL - Raymond James Stadium

Tenants: Tampa Bay Buccaneers (NFL)
Tampa Bay Mutiny (MLS)
South Florida Bulls (NCAA)

Opening Date: 1998

Cost: \$168.5 million

Stadium Financing: Tampa Sports Authority issued 30 year bonds for the entire price of the stadium backed by the Authority's 11.7% share of a 0.5% general sales tax increase. The Buccaneers are committed to a 30 year lease and pay \$5 million a year in rent to the Authority.

Raljon, MD - Jack Kent Cooke Stadium

Tenant: Washington Redskins (NFL)

Opening Date: 1997

Cost: \$250.5 million

Stadium Financing: Private entities (primarily Mr. Jack Kent Cooke, former team owner) provided \$180 million. Maryland provided \$70.5 million for infrastructure improvements.

Charlotte, NC - Ericsson Stadium

Tenant: Carolina Panthers (NFL)

Opening Date: 1996

Cost: \$247.7 million

Stadium Financing: The stadium was privately financed, primarily by \$147 million from the sale of Personal Seat Licenses. The city donated the land, worth \$40 million, and county paid \$10 million for road improvements and building relocation.

St. Louis, MO - TWA Dome

Tenant: St. Louis Rams (NFL)

Opening Date: 1995

Cost: \$299 million

Stadium Financing: Sports Authority issued \$259 million in bonds. \$129.5 million of bond debt is serviced by the state through annual appropriations of tax revenue (\$12 million/year). \$64.75 million is serviced by the city through revenue generated by activities at the convention center; another \$64.75 million is serviced by the county through a hotel/motel tax. \$40 million from interest earnings and Personal Seat Licenses. TWA agreed to pay \$1.3 million annually for 20-year naming rights beginning in 1995, with payments increasing 3.5% each year.

Atlanta, GA - The Georgia Dome

Tenant: Atlanta Falcons (NFL)

Opening Date: 1992

Cost: \$214 million

Stadium Financing: The Stadium Authority provided \$200 million in industrial revenue bonds backed by stadium revenue and the Authority's 39% share of a 7% County hotel/motel tax. State donated land, valued at \$14 million.

Miami, FL - Pro Player Stadium

Tenants: Miami Dolphins (NFL)
Florida Marlins (MLB)

Opening Date: 1987

Cost: \$115 million

Stadium Financing: Joe Robbie (former Dolphins owner) built and financed construction of stadium. The facility was purchased by current owner Wayne Huizenga. Huizenga purchased 50 percent of the \$115-million stadium in 1990, the other half in 1994 and spent \$10 million to renovate it for baseball.

Indianapolis, IN - RCA Dome

Tenant: Indianapolis Colts (NFL)

Opening Date: 1983

Cost: \$95 million

Stadium Financing: The Stadium Authority financed \$47 million via bond issue backed by Marion County sales tax on hotels/motels, restaurant meals and cigarettes; the remainder was privately financed.

Alcalde & Fay Stadium Finance Survey

Minneapolis, MN - Hubert H. Humphrey Metrodome

Tenants: Minnesota Vikings (NFL)
Minnesota Golden Gophers (NCAA)
Minnesota Twins (MLB)

Opening Date: 1982

Cost: \$75 million

Stadium Financing: The Stadium Authority financed construction through a 30 year revenue bond for \$55 million. Stadium revenue, along with a 10% admissions tax on each ticket, will pay back the bond. After the bond is paid off, the 10% tax will continue and will be used for stadium enhancements. \$13 million was provided by the Authority from interest earned on the bonds. The land was donated by the Downtown Business Authority through the Industry Square corporation. \$7 million was privately donated by the Twins and Vikings.

SECTION 4

MAJOR LEAGUE BASEBALL

SECTION 4. - MAJOR LEAGUE BASEBALL

Monoliths are forming on the horizon. Owners of sports teams can see them far away, sometimes all the way across the country. They are new, single purpose stadiums, and with their luxury suites and other revenue generating engines, owners say they give the team a better chance to acquire the players necessary to succeed. Of the 30 major league teams in the country, more than 20 new stadiums have been either constructed or proposed since 1980.

St. Paul, MN - Proposed Twins Ballpark (retractable roof)

Tenant: Minnesota Twins (MLB)

Opening Date: Unknown

Cost: \$325 million (estimated)

Stadium Financing: On November 2nd, 1999, voters in St. Paul will decide whether to allow a 0.5% sales tax increase to provide \$216 million for the construction of a new ballpark. If the measure passes, the Twins would provide the remainder of the construction costs.

Philadelphia, PA - Proposed Phillies Ballpark

Tenant: Philadelphia Phillies (MLB)

Opening Date: 2002-03

Cost: \$300 million (estimated)

Stadium Financing: The state will provide an \$85 million grant for the stadium. To provide this, the state raised its maximum debt ceiling. City will provide approximately one-third of the total expense. The city's portion will be derived from three funding avenues: incremental tax revenue; a 2% car rental tax; and cancellation of the Phillies lease at Veterans Stadium (the city allocates maintenance funds each year for the stadium as required by the lease. Presumably, the new lease, currently under negotiation, will not contain such a clause). The team will provide \$130-140 million. The team will also cover any cost overruns.

Cincinnati, OH - New Reds Ballpark

Tenant: Cincinnati Reds (MLB)

Opening Date: 2003

Cost: unknown

Stadium Financing: County will provide \$190 million in bonds backed by a 0.5% general sales tax increase. County will provide an additional \$21 million from investment revenue and parking fees. The state will provide \$30 million from its capitol improvements fund. The team will provide, at the minimum, an additional \$30 million.

Boston, MA - New Fenway Park

Tenant: Boston Red Sox (MLB)

Opening Date: 2003

Cost: \$545 million

Stadium Financing: Private/ Public partnership is anticipated. The financial plan for the construction of the new ballpark has not been devised. The Red Sox organization expects the City of Boston and the State of Massachusetts to contribute financing for this project. Fleet Bank has agreed to play a pivotal role in financing the project. Red Sox organization believes the majority of financing will come from the private sector. Estimated costs for financing include \$50 million for traffic and other infrastructure improvements; \$80 million for two parking garages. Private financing is expected to provide \$350 million for design and construction; \$65 million for acquiring land

San Diego, CA - Padres Ballpark

Tenant: San Diego Padres (MLB)

Opening Date: 2002

Cost: \$411 million

Stadium Financing: Public financing will produce \$225 million from municipal bonds to be paid back with hotel-tax revenues, \$50 million in project-generated redevelopment funds and \$21 million from the San Diego Unified Port District. In regard to private funding, the Padres are responsible for a \$115 million private sector contribution. Lease is for 30 years.

Flushing, NY - Mets Ballpark (retractable roof)

Tenant: New York Mets (MLB)

Opening Date: 2002

Cost: \$500 million (estimated)

Stadium Financing: While financing for a new stadium is still under discussion, the city could delay in the elimination of the commercial rent tax that could produce \$600 million for Yankees and Mets ballparks.

New York, NY - New Yankee Stadium (retractable roof)

Tenant: New York Yankees (MLB)

Opening Date: After current lease expires in 2002

Cost: \$1 billion (estimated)

Stadium Financing: The city has proposed a delay in the elimination of a commercial tax that could produce \$600 million for new Yankees and Mets ballparks. Negotiations are currently underway.

Detroit, MI - Comerica Park

Tenant: Detroit Tigers (MLB)

Opening Date: 2000

Cost: \$280 million

Stadium Financing: State provided \$55 million from the Michigan Strategic Fund (this fund is financed from the mandated sharing of tribal casino gaming revenue). County provided \$45 million from a 2% rental-car tax and 1% hotel tax. Stadium Authority provided \$40 million from their general funds. \$145 million will come from Tigers owner Mike Ilitch.

Houston, TX - Enron Field (retractable roof)

Tenant: Houston Astros (MLB)

Opening Date: 2000

Cost: \$201 million

Stadium Financing: Stadium Authority will issue \$180 million in bonds backed by \$9.5 million annually by the \$24 million a year the Authority collects from a 2% hotel tax and a 5% rental-car tax. The Astros will provide \$7.1 million a year in lease payments, royalty payments and asset renewal. The team has agreed to a 30 year lease. The Sports Facilities, LP has given the Authority a \$35 million no-interest loan.

Milwaukee, WI - Miller Park (retractable roof)

Tenant: Milwaukee Brewers (MLB)

Opening Date: 2000

Cost: \$250 million (estimated)

Stadium Financing: Stadium Authority will provide tax-exempt revenue bonds totaling \$160 million from a five-county, 0.1% sales tax. The Brewers' owners will provide \$90 million. The state and county will provide \$72 million in infrastructure costs.

Alcalde & Fay Stadium Finance Survey

Seattle, WA - Safeco Field (retractable roof)

Tenant: Seattle Mariners (MLB)

Opening Date: 1999

Cost: \$517 million

Stadium Financing: County provided \$340 million in revenue bonds backed by a 0.5% prepared food tax and a 2% rental-car tax. The county will also impose a 5% admissions tax. The state off-set these taxes with a 0.17% general sales tax credit. The end result is no tax increase for the general public. Mariners have contributed \$75 million. Cost overruns of over \$100 million are still being settled.

Phoenix, AR - Bank One Ballpark (retractable roof)

Tenant: Arizona Diamondbacks (MLB)

Opening Date: 1998

Cost: \$349 million (estimated)

Stadium Financing: Stadium Authority provided \$238 million from a 0.25% sales tax increase in Maricopa County. The Authority also issued \$15 million in bonds to be serviced by stadium generated revenue. The Diamondbacks owners provided \$111 million.

Atlanta, GA - Turner Field

Tenant: Atlanta Braves (MLB)

Opening Date: 1997

Cost: \$235 million

Stadium Financing: 100% of the stadium's financing came from the Atlanta Committee for the Olympic Games.

Denver, CO - Coors Field

Tenant: Colorado Rockies (MLB)

Opening Date: 1995

Cost: \$215 million

Stadium Financing: The stadium authority issued a \$100 million revenue bond serviced by a one-tenth-of-a-percent sales tax in a six-county region and revenue generated by the stadium. The owner of the Rockies gave \$47 million. The park was built on condemned land created into a special baseball district by the state.

Cleveland, OH - Jacobs Field

Tenant: Cleveland Indians (MLB)

Opening Date: 1994

Cost: \$175 million

Stadium Financing: County backed \$117 million in bonds with \$3 per gallon liquor, 16 cents per gallon beer and 4.5 cents per pack cigarette sin tax. \$31 million in stadium revenue bonds were also issued, and \$20 million from advance ticket sales was also used.

Arlington, TX - The Ballpark in Arlington

Tenant: Texas Rangers (MLB)

Opening Date: 1994

Cost: \$190.7 million

Stadium Financing: The city issued \$135 million in revenue bonds backed by an one-half-cent sales tax increase in the city of Arlington over 12 to 15 years. The Rangers owners provided \$56 million.

Baltimore, MD - Oriole Park at Camden Yards

Tenant: Baltimore Orioles (MLB)

Opening Date: 1992

Cost: \$210 million

Stadium Financing: The Stadium Authority provided \$137 million in lease revenue bonds and \$60 million in lease revenue notes all backed by a sports-themed lottery. The Orioles contributed \$9 million.

Chicago, IL - New Comiskey Park

Tenant: Chicago White Sox (MLB)

Opening Date: 1991

Cost: \$167 million

Stadium Financing: The Illinois Sports Facilities Authority issued \$150 million in bonds financed by a 2% hotel tax. \$5 million annually comes from a state/local government distributive fund. The state also contributes \$5 million annually from a state lodging tax. Public financing derived from a 2 percent tax on hotels in Chicago.

Toronto, Ontario - Skydome (retractable roof)

Tenant: Toronto Blue Jays (MLB)

Opening Date: 1989

Cost: \$500 million

Stadium Financing: Privately financed by Interbrew SA (49%); Penfund (39%); and Canadian Imperial Bank of Commerce (10%).

Alcalde & Fay Stadium Finance Survey

Miami, Florida - Pro Player Stadium

Tenant: Florida Marlins (MLB)
Miami Dolphins (NFL)

Opening Date: 1987

Cost: \$115 million

Stadium Financing:

SEE SECTION 3 - NATIONAL FOOTBALL LEAGUE

Minneapolis, MN - Hubert Humphrey Metrodome

Tenant: Minnesota Twins (MLB)
Minnesota Vikings (NFL)

Opening Date: 1982

Cost: \$75 million

Stadium Financing:

SEE SECTION 3 - NATIONAL FOOTBALL LEAGUE

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**RESOLUTION OF THE METROPOLITAN DEVELOPMENT COMMISSION
OF MARION COUNTY, INDIANA, ACTING AS THE REDEVELOPMENT
COMMISSION OF THE CITY OF INDIANAPOLIS, INDIANA
DECLARING AN AREA IN MARION COUNTY, INDIANA
AS A PROFESSIONAL SPORTS DEVELOPMENT AREA AND
APPROVING A DEVELOPMENT AREA PLAN**

RESOLUTION NO. 97-D-052

WHEREAS, the Metropolitan Development Commission of Marion County, Indiana, acting as the Redevelopment Commission of the City of Indianapolis, Indiana (the "Commission"), finds that when Market Square Arena opened in 1969, it was one of the largest professional sports arenas in the United States; however, since that time, it has been placed at a competitive disadvantage to other states and cities have built new centers or arenas or have expanded their existing buildings; and

WHEREAS, the Commission further finds that for the City of Indianapolis, Indiana (the "City"), and Marion County, Indiana (the "County"), to retain professional basketball, a new, larger sports arena (the "New Arena"), must be constructed, as more fully described in the Marion County Professional Sports Development Area Plan, attached hereto as Exhibit A (the "Plan"), (the "Project"); and

WHEREAS, the Commission, pursuant to Indiana Code 36-7-31, as amended (the "Act"), has thoroughly studied certain areas of the County, including the areas commonly referred to as the Indianapolis Colts training complex, the Indiana Convention Center/RCA Dome, Market Square Arena, Victory Field and the area on which the New Arena will be constructed, as further described in Appendix A and Appendix B of the Plan and hereby designated as the "Marion County Professional Sports Development Area" (the "Tax Area"); and

WHEREAS, the establishment of the Tax Area is a special taxing district authorized by the general assembly to enable the County to provide special benefits to taxpayers in the Tax Area by promoting economic development that is of public use and benefit; and

WHEREAS, the Commission has caused to be prepared maps and plats showing the boundaries of the Tax Area, the location of various parcels of property, streets, alleys, and other features affecting the acquisition, clearance, replatting, replanning, rezoning, or redevelopment of the Tax Area, and the parts of the Tax Area that are to be devoted to public purposes under the Plan, lists of the owners of the various parcels of property to be acquired, and an estimate of the cost of the acquisition and redevelopment; and

WHEREAS, the Plan has been presented to the Commission at this meeting for consideration and approval of the Commission; and

WHEREAS, the Plan and supporting data were reviewed and considered at this meeting; and

WHEREAS, the Commission has determined that no residents of the Tax Area will be displaced by the proposed redevelopment thereof.

NOW, THEREFORE, BE IT RESOLVED, by the Metropolitan Development Commission of Marion County, Indiana, acting as the Redevelopment Commission of the City of Indianapolis, Indiana, as follows:

1. The Commission hereby finds that the Project, which is in the Tax Area, (a) is for a facility at which a professional sporting event will be held; (b) will benefit the public health and welfare and will be of public utility and benefit; and (c) will protect or increase state and local tax bases and tax revenues. The Tax Area is hereby designated, declared and determined to be a "professional sports development area" and a "tax area" under the Act. The Commission hereby finds that one or more of the facilities located in the Tax Area is either (a) used in the training of a team engaged in professional sporting events, or (b) financed in whole or in part by notes or bonds issued by a political subdivision or issued under IC 36-10-9 or IC 36-10-9.1, and used to hold a professional sporting event.
2. In support of the findings and determinations set forth in Section 1 above, the Commission hereby adopts the specific findings set forth in the Plan, including any reports and studies incorporated therein by reference.
3. The Plan is hereby in all respects approved, and the Secretary of the Commission is hereby directed to file a certified copy of the Plan with the minutes of this meeting.
4. The covered taxes, as defined in the Act (the "Covered Taxes"), attributable to a taxable event or Covered Taxes earned in the Tax Area shall be allocated to the Marion County Professional Sports Development Area Fund established pursuant to Section 16 of the Act. All of the salary, wages, bonuses, and other compensation that are (i) paid during a taxable year to a professional athlete for professional athletic services, (ii) taxable in Indiana, and (iii) earned in the Tax Area, shall be allocated to the Tax Area if the professional athlete is a member of a team that plays the majority of the professional athletic events that the team plays in Indiana in the Tax Area. Notwithstanding the foregoing provisions of this Section 4, the revenues and Covered Taxes described in this Section 4 may not be allocated until this Resolution and all resolutions adopted by the Commission in connection with the public hearing of the Commission authorized by Section 9 of this Resolution are approved by the Indiana Budget Agency.
5. The foregoing allocation provision shall apply to the entire Tax Area and shall expire on December 31, 2027.
6. The New Arena and the real estate upon which it will be constructed are hereby designated as the facility and the facility site, respectively, for which the Tax Area has been established and Covered Taxes will be used pursuant to Section 14(d) of the Act.

7. Until the expiration of the Tax Area, the officers of the Commission are hereby authorized and directed to make any and all required filings with the Indiana Department of Revenue pursuant to Section 15 of the Act.

8. The provisions of this Resolution shall be subject in all respects to the Act and any amendments thereto.

9. The Commission hereby determines that this resolution and the Plan conform to the comprehensive plan of development for the City and approves this resolution and the Plan in all respects.

10. The Commission establishes June 18, 1997, at 1:00 p.m., local time, in the Public Assembly Room on the Second Floor of the City-County Building, Indianapolis, Indiana, as the date, time and place for a public hearing for the receiving of remonstrances and other testimony from persons interested in or affected by the proceedings pertaining to the Tax Area.

11. The Secretary or any other officer of the Commission be, and hereby is, authorized, empowered and directed, on behalf and in the name of the Commission to publish notice of the adoption of this resolution and of said public hearing and to take any other action as the Secretary or such officer deems necessary or desirable to effect the foregoing resolutions, and any such publication or other actions heretofore made or taken be, and hereby are, ratified and approved.

12. Following the public hearing of the Commission authorized in Section 10 of this Resolution, and the adoption of one or more resolutions of the Commission confirming this Resolution as approved by the Commission or as amended by such resolutions of the Commission, the Secretary or any other officer of the Commission be, and hereby is, authorized, empowered and directed, on behalf and in the name of the Commission to submit this Resolution together with any resolutions adopted in connection with the public hearing of the Commission authorized in Section 10, to the Indiana Budget Committee for review and recommendation to the Indiana Budget Agency.

13. This Resolution, together with any supporting data and together with the Plan, shall be submitted to the City-County Council of the City of Indianapolis and of Marion County, Indiana, as provided in the Act.

Adopted at the regular meeting of the Metropolitan Development Commission of Marion County, Indiana, held on June 4, 1997, at the City-County Building, Public Assembly Room, Indianapolis, Indiana.

METROPOLITAN DEVELOPMENT
COMMISSION OF MARION COUNTY, INDIANA,
acting in its capacity as the Redevelopment
Commission of the City of Indianapolis, Indiana

By: _____
Walter Niemczura, President

CITY OF INDIANAPOLIS

STEPHEN GOLDSMITH
MAYORFor Immediate Release
June 18, 1997Contact: Kate Healey 327-3690
Gail Brown 327-3663**Goldsmith Secures \$100 million in Private Investment for New Arena**
Financing package lauded as one of the more creative plans in the country

Indianapolis - Mayor Steve Goldsmith today presented the community with a completed funding package for a new downtown arena that includes at least \$104 million of private investment and keeps the mayor's long-held pledge to fund a new arena without increasing property, sales or income taxes paid by residents of Indianapolis.

Joining Goldsmith at the announcement were representatives from the Indiana Pacers, corporate leaders pledging investment in the new arena, city-county councillors and state legislators. The mayor stressed that this funding plan is a three-party arrangement with more private than public dollars involved.

"Over the last several months, I have heard from thousands of Indianapolis residents," said Goldsmith. "Almost all of them agree on two things. First, the Pacers are an enormously important asset to our community. Second, we should not raise property taxes, sales taxes or income taxes nor divert public funds from education or roads to build a new arena. The plan I am proposing today achieves both of these goals."

The financing plan draws from a variety of sources, including funds approved in the recent session of the state legislature, private investment and Capital Improvement Board (CIB) reserves. "Indianapolis has been able to do what no other city I've seen has accomplished," said Councillor Phil Borst. "This creative financing allows us to continue our downtown vitality without negatively impacting investments in schools, neighborhoods and infrastructure."

Most of the public funds come from a city-designed bill that gained bipartisan support in the legislative session. Known as the Professional Sports Development Area (PSDA), now before the city-county council, this funding measure creates a tax district that returns state income and sales taxes, derived from local sports venues, back to the CIB for investment in new sports facilities. State revenues are capped at \$5 million.

Councillor Frank Short, co-sponsor with Councillor Borst of the funding proposal before the city-county council, shared in the praise of the funding package. "I support the financing plan because it will not adversely affect Marion County citizens. The plan will allow the building of a facility that benefits the entire region, while impacting only those who use it." Short noted that most of the public funds are generated by users and beneficiaries of the sporting facility downtown.

Another critical piece for the funding plan fell into place when the Indianapolis corporate community agreed to invest at least \$47 million in the new arena. Sixteen corporations, all but the pension-plan partners of the original 19 Circle Centre Development Corporation (CCDC)

(more)

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Arena Financing Plan
Page Two

investors, have agreed to reinvest their returns from the booming Circle Centre mall in the new arena for the next 10 years. This commitment totals approximately \$3.7 million each year, to be used for debt service on bonds totaling \$37 million. Eli Lilly and Company will provide land for arena parking and construction staging which has a value equivalent to \$10 million. Additional corporate investment is still being pursued.

"These companies see the value in continuing our revitalization of the downtown landscape, and also view the Pacers as an important community asset," said Goldsmith. "Public-private partnerships have become a signature for Indianapolis economic development, and the community owes a great deal of thanks to these corporations. It's through leadership and actions like these that Indianapolis residents can enjoy a high quality of life, and that the region can maintain its good reputation nationally."

The Pacers organization has also pledged to participate in the arena financing. To date, the team, owned by Melvin and Herb Simon, has invested more than \$2 million to get the project started and to meet a completion date of fall 1999. The Pacers also have agreed to contribute an additional \$55 million through ticket tax and parking revenues.

The arena project has faced a \$15-20 million shortfall for months. The gap will be closed with returns from the downtown mall—funds that are designated for downtown economic development—and CIB reserves.

"We appreciate the cooperation of state and local officials who have supported various aspects of the financing plan," said Goldsmith. "This public-private partnership will allow visitors to enjoy entertainment events in a state-of-the-art facility, as well as provide the ability to attract new events currently not coming to MSA."

Goldsmith said that while he is as eager as any Pacer fan to see Larry Bird pacing the sidelines next season, the importance of the arena extends well beyond professional sports. Last year, 219 events were held in Market Square Arena, only 57 were Pacers basketball games. More than half of the 1.7 million visitors to MSA last year attended non-Pacer events, with 60 percent coming from outside Marion County.

"The question is not simply whether the Pacers or the Colts should stay in Indianapolis, or whether we want to expand the Convention Center," said Goldsmith. "The issue is what we want Indianapolis to look like in 20 years. Only five years ago, downtown was on its way to being abandoned by retail, restaurants and residents. Now, it is a success story for the entire nation, and this announcement will help keep Indianapolis a hot market for growth and opportunity."

Arena Fact Sheet:**Arena Financing Plan**
(in millions)Private Funding (\$104 million)

Indiana Pacers	\$57
Circle Centre Mall Investors (15 of 19)	37
Eli Lilly & Co.	10

Public Funding (\$71 million)

\$5 million/year from Professional Sports Development Area	\$50
Infrastructure grant	4.7
Circle Centre mall return	7
Restricted CIB revenues	<u>9.3</u>

Total Funding \$175 million

Corporate Investors:

American States Insurance/SAFECO
 American United Life Insurance Co.
 Ameritech
 Anthem Insurance Companies
 Bank One, Indiana N.A.
 Bankers Life/Conseco
 Central Newspapers, Inc.
 Clarian Health
 Eli Lilly and Company
 Farm Bureau Insurance Co.
 Geupal DeMars, Inc.
 IPALCO
 KeyCorp
 LDI, Ltd.
 NBD Indiana, Inc.
 National City Bank
 PSI/Cinergy

New Downtown Arena Amenities:

- more overall square footage
- approximately 65 suites
- approximately 2,000 club seats
- a Club restaurant
- wider concourses for crowd control
- more concession points of sale
- more bathroom facilities
- additional signage opportunities
- a team practice facility
- better service access for loading/unloading

B

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG

NEW BASKETBALL AGREEMENT

THIS NEW BASKETBALL AGREEMENT is entered into as of the 6th day of November, 1995, among AUDITORIUM-COLISEUM-CONVENTION CENTER AUTHORITY, a political subdivision of the City of Charlotte, North Carolina ("Authority"), GEORGE SHINN, an individual residing in Charlotte, North Carolina ("Shinn"), and GEORGE SHINN SPORTS, INC., a North Carolina corporation with principal place of business in Charlotte, North Carolina, successor in interest to Charlotte NBA Limited Partnership ("George Shinn Sports").

WITNESSETH:

WHEREAS, George Shinn Sports desires to rent the Charlotte Coliseum for the purpose of staging NBA basketball games subject to the terms of this Agreement;

WHEREAS, Authority desires to rent the Charlotte Coliseum to George Shinn Sports subject to the terms of this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below, IT IS AGREED:

1. USE:

1.1. Subject to the limitations set forth in this Agreement, Authority hereby grants George Shinn Sports the right to use the Coliseum to exhibit, promote, stage, and hold Team Home Games.

1.1.1. "Coliseum" means the Charlotte Coliseum at 100 Paul Buck Boulevard, Charlotte, North Carolina.

1.1.2. "Team" means the "Charlotte Hornets," its successors and assigns.

1.1.3. "Charlotte Hornets" means the National Basketball Association ("NBA") franchise and team acquired by George Shinn Sports and Shinn.

1.1.4. "Team Home Games" means all NBA regular season, exhibition, and play-off games involving the Team as a participant played in the Coliseum during a Basketball Season. "Team Home Game" is the singular of "Team Home Games".

1.1.5. "Basketball Season" means the period beginning with the date of the first Team Home Game each year, but no earlier than October 15 each year, to the date of the last Team Home Game the following year, but no later than June 20 the following year).

1.2. Team shall play all of its regular season home games and all of its NBA post-season play-off home games in the Coliseum. Exhibition games may not be played within Mecklenburg County unless played in the Coliseum.

1.3. George Shinn Sports shall execute in advance a standard Coliseum Rental Agreement for each monthly group of Team Home Games.

2. PURPOSE:

The right to use the Coliseum to exhibit, promote, stage, and hold Team Home Games is restricted to Team Home Games, Team practice, and Team associated events on Team Home Game days during the Basketball Season. George Shinn Sports may not use the Coliseum during other periods or for other basketball games or for any other purpose except as may be specifically provided for in this Agreement.

3. TERM:

The term of this Agreement shall begin as of the date of this Agreement and shall terminate thirty (30) days after the last Team Home Game played in the Coliseum during the 2000-01 Basketball Season.

4. RENTAL RATE:

4.1. During the initial term of this Agreement, George Shinn Sports shall pay to the Authority twelve percent (12%) of Net Ticket Sales up to a maximum of nine thousand dollars (\$9,000.00), as rental for each Team Home Game.

4.2. "Net Ticket Sales" means the gross revenue from the sale of all tickets, including season tickets and daily admission tickets, to attend Team Home Games, less any and all gross receipts, admissions, sales, or other taxes imposed upon the sale of such tickets, or the purchase price thereof, by any Federal, State, or local taxing authority.

4.3. During the initial term of this Agreement and any renewal term, rental payments and other charges that may be due pursuant to this Agreement shall be made to the Authority on or before 5:00 p.m. of the next business day following the completion of each Team Home Game ("Settlement").

5. OPTIONS TO RENEW AND TERMINATE:

5.1. If this Agreement is not sooner terminated as provided in sections 5.2 or 5.3, this Agreement shall automatically renew each year for up to four (4) additional one-year renewal terms upon the terms and conditions set forth herein except dates which shall be deemed modified accordingly and Rental Rate which shall be as set forth below:

Basketball Season	Rental Rate
2001-02	Twelve percent (12%) of Net Ticket Sales up to a maximum of ten thousand dollars (\$10,000.00) per Team Home Game;
2002-03	Twelve percent (12%) of Net Ticket Sales up to a maximum of eleven thousand dollars (\$11,000.00) per Team Home Game;
2003-04	Twelve percent (12%) of Net Ticket Sales up to a maximum of twelve thousand dollars (\$12,000.00) per Team Home Game;
2004-05	Twelve percent (12%) of Net Ticket Sales up to a maximum of thirteen thousand dollars (\$13,000.00) per Team Home Game;

5.2. George Shinn Sports may terminate this Agreement at the expiration of one of the Basketball Seasons set forth below by sending written notice of its intent to so terminate to the Authority on or before the Notification Date set forth below:

Basketball Season	Notification Date
2000-01	July 1, 1998
2001-02	July 1, 1999
2002-03	July 1, 2000
2003-04	July 1, 2001

5.3. George Shinn Sports may terminate this Agreement at the expiration of the 1999-00 Basketball Season by sending written notice of its intent to so terminate to the Authority on or

before July 1, 1997 and by paying to the Authority on or before July 1, 2000 liquidated damages in the amount of \$250,000.

6. FACILITIES:

6.1. George Shinn Sports accepts the Coliseum as built, "as is," and as reasonably modified from time to time by the Authority or the City of Charlotte.

6.1.1. Modifications to the Coliseum that reduce the total number of patron seats available for Team Home Games shall be subject to the written consent of George Shinn Sports, such consent not to be unreasonably withheld. All other modifications to the Coliseum shall be at the sole discretion of the Authority or the City of Charlotte.

6.1.2. George Shinn Sports may, at its expense, and on or before November 1, 1997, complete construction of not less than eight nor more than sixteen additional Skyboxes at the Coliseum. The design and location of the new skyboxes shall be subject to the prior written approval of the Authority, such approval not to be unreasonably withheld. George Shinn Sports shall be responsible for any alteration to the Coliseum's HVAC system made necessary by the construction of such additional skyboxes. Subject to the mutual agreement of the parties, the new Skyboxes shall be marketed by the parties as season-ticket Skyboxes for Team Home Games, as "special-event" Skyboxes for individual events, or both.

6.1.3. Construction of the new Skyboxes may take place between June 1 and October 1, 1996 or between June 1 and October 1, 1997, depending upon the schedule of events in the Coliseum for such time periods. Construction shall be conducted to minimize interference with the rental schedule of the Coliseum during the construction period.

6.2. The Authority will provide the following to George Shinn Sports in the Coliseum:

6.2.1. necessary season, advance, and daily ticket sales facilities through the Coliseum box office, the daily event ticket windows, and the ticket system as set forth in section 16 below;

6.2.2. use of a private dressing room and related space as shown on plans of Odell Associates, Inc., dated July 21, 1987 (Authority shall have no obligation to alter, add to, or improve the private dressing room and related space; George Shinn Sports will not, without Authority's prior written consent, make any alterations, additions to, or improvements in such private dressing room and related space; if George Shinn Sports alters, adds to, or improves the dressing room and related space, such alterations, additions, or improvements shall become the property of Authority at the termination of this Agreement;

6.2.3. right of first refusal to use the Hospitality Room(s) in the Coliseum on Team Home Game days at no additional rental charge (All catering shall be handled by the Coliseum's Leisure Operations Department as provided in the standard Coliseum Rental Agreement);

6.2.4. reasonably adequate lighting, heating, air conditioning, and ventilation in the Coliseum and reasonably adequate lighting outside the Coliseum before, during, and after Team Home Games as needed (when heating, air conditioning, and ventilation are activated solely upon the request of George Shinn Sports on a day other than the date of a scheduled Team Home Game, the granting of such request to be in the sole discretion of the Authority, and George Shinn Sports shall reimburse the Authority for the cost of such services); and

6.2.5. such storage space during the Basketball Season for use in connection with program and novelty sales as has been previously provided to George Shinn Sports.

6.3. George Shinn Sports shall abide by and conform to all reasonable rules and regulations from time to time adopted or promulgated by the Authority for the government and management of the Coliseum.

6.4. George Shinn Sports may not sublet the Coliseum or its rights to use the Coliseum.

6.5. The Authority will provide the Coliseum for use by the Team for practice purposes without additional charge to George Shinn Sports on days upon which Team Home Games are scheduled.

6.6. Except as otherwise provided in this Agreement, the right to use the Coliseum is exclusive of lobbies, general offices, and all space in halls, corridors, basements, grounds, and other non-public areas, and space used by the Authority for concessions, all of which is hereby expressly reserved by the Authority for its own use, with the privilege of occupying and using such space at any and all times during the term and in accordance with this Agreement.

6.7. The Authority shall not permit any person to enter the Coliseum during a Team Home Game, or to watch a Team Home Game or any portion thereof, unless such person is the holder of a proper ticket or pass or is required by law or his employment to be in the Coliseum during such Team Home Game.

6.8. Except for the operation, maintenance, and repair of Signage as provided in the Signage Operating Agreement between the parties dated May 2, 1991 ("Signage Operating Agreement"), the Authority shall have responsibility for cleaning and maintaining the Coliseum and all of its equipment and facilities in a good, safe, and sanitary state of condition and repair at all times during the term hereof, including, but not limited to, seats, chairs, stands, roof, parking areas, playing areas, and all other public areas used during any Team Home Game. George Shinn Sports shall have no obligation, liability, or responsibility of any nature for cleaning, repairing, replacing, or maintaining any portion of the Coliseum or any of its equipment, facilities, walkways, parking areas, or other areas unless such cleaning, repairing, replacing, or maintaining is caused by the abusive use of the Coliseum by George Shinn Sports, in which case the Authority shall perform such cleaning, repairing, replacing, or maintaining and George Shinn Sports shall reimburse the Authority its actual cost for such cleaning, repairing, replacing, or maintaining.

6.9. George Shinn Sports shall comply with all laws, rules, and regulations of the United States and of the State of North Carolina, and all ordinances, rules, and regulations of the City of Charlotte and the County of Mecklenburg.

6.10. George Shinn Sports shall not do or permit to be done anything in, on, or about the Coliseum or bring or keep anything in, on, or about the Coliseum that will in any way conflict with the conditions of any insurance policy maintained by the Authority for the Coliseum or any part thereof, or in any way increase the rates paid by the Authority for such insurance; *provided, however*, that the playing of a Team Home Game (exclusive of promotional activities) shall be deemed not to cause any increase in premiums.

6.11. Only authorized personnel and authorized third parties may use the basketball floor and all such authorized personnel and authorized third-parties shall be attired in rubber-soled shoes, and at no time shall the general public be allowed on the playing floor.

6.12. George Shinn Sports shall be allowed to conduct activities in the Coliseum during Team Home Games if such activities are in full compliance with all applicable laws, rules, and regulations (including advance permitting requirements), do not affect the structural integrity of the Coliseum, and do not endanger patrons. If a planned activity requires the advance approval of a governmental entity (such as pyrotechnic/combustion activities or activities involving animals), George Shinn Sports shall notify Authority at least 7 days in advance about the nature of such planned activity and shall obtain all required governmental approvals in advance. Authority may reject a planned activity if in its reasonable opinion the planned activity is not in full compliance with all applicable laws, rules, and regulations (including advance permitting requirements), affects the structural integrity of the Coliseum, or endangers patrons.

6.13. If George Shinn Sports, through its own efforts or the efforts of a consortium, arranges for an event at the Coliseum that would not otherwise have been staged at the Coliseum, then George Shinn Sports shall be entitled to receive from the Authority at settlement after the event 50% of the net profits received by Authority from each of the following categories: rent, concessions,

parking, and novelties. Excluded from the type of events contemplated by this section are family shows and events that normally play at the Coliseum on an annual basis. The events contemplated by this section are those events that would not normally be made available to the Authority. The Managing Director of the Authority shall have the right to determine whether or not a proposed event is one contemplated by this section. Nothing in this section requires the Authority to stage an event merely because it is proposed by George Shinn Sports. The staging of an event is subject to the availability of the Coliseum and the other criteria usually used by the Authority in determining whether or not to stage an event at the Coliseum.

7. SKYBOXES:

7.1. As provided in the Skybox Agreement executed by the City of Charlotte, the Authority, Charlotte NBA Limited Partnership, and Shinn on March 14, 1988 (the "Skybox Agreement"), twelve (12) Skyboxes were constructed and upfitted in the new Coliseum. The Skybox Agreement was modified with respect to repayment of Skybox Revenue by the Repayment Agreement executed by the Authority, the City of Charlotte, Charlotte NBA Limited Partnership, and Shinn on June 29, 1989 ("Repayment Agreement"). This Agreement supersedes both the Skybox Agreement and the Repayment Agreement. This section 7 shall apply to the additional Skyboxes constructed pursuant to section 6.1.2 except as modified by section 7.8.

7.2. George Shinn Sports shall furnish tickets for exhibition and regular season Team Home Games to each Skybox Licensee as provided in the Skybox Licenses.

7.3. The allocation of annual Skybox License Fees received by the Authority pursuant to the Skybox Licenses shall be as follows:

7.3.1. The first \$25,000 shall be deposited into a Skybox Maintenance Reserve maintained by the Authority to fund future Skybox operation and maintenance expenses (operation and maintenance expenses shall include expenditures incurred for personnel, equipment, and parts to operate, maintain, and repair the Skyboxes, but not routine cleaning and maintenance);

7.3.2. If the Skybox Maintenance Reserve is insufficient to fund past or present operation and maintenance expenses, such expenses shall be paid from remaining Skybox License Fees. After such expenses are paid, sufficient funds from Skybox License Fees shall be deposited into the Skybox Maintenance Reserve to bring the balance in the fund to \$25,000;

7.3.3. If George Shinn Sports pays an "NBA League Fee" for the tickets provided to Skybox Licensees, or pays any sales, use, or seat tax on such Skybox tickets, George Shinn Sports shall be reimbursed an amount equal to the NBA League Fee and taxes actually paid by George Shinn Sports from remaining Skybox License Fees. The reimbursement shall be paid within thirty (30) days after: (1) receipt of sufficient Skybox License Fees to fund the Skybox Maintenance Reserve and the reimbursement; (2) the Skybox Maintenance Reserve has actually been funded; and (3) George Shinn Sports has submitted to Authority acceptable documentation evidencing such NBA League Fee payment and the taxes actually paid by George Shinn Sports; and

7.3.4. The remainder shall be paid in equal shares to Authority and George Shinn Sports.

7.4. The Skybox License Fees deposited into the Skybox Maintenance Reserve shall be held by the Authority in a segregated account prior to disbursement. In addition, the expenses paid from the Skybox Maintenance Reserve shall be audited at least yearly at the end of the Authority's fiscal year by the Authority's accountants and such audit shall be made available to George Shinn Sports within thirty (30) days of its delivery to the Authority (the audit shall also include an audit of the annual Skybox License Fees received by the Authority).

7.5. The parties shall not receive any part of the Skybox License Fees until all maintenance and operation expenses, the Skybox Maintenance Reserve fund, and the reimbursement for the NBA League Fee and taxes have been paid each year.

7.6. The Authority shall pay George Shinn Sports its share of the Skybox License Fees each year within a reasonably practical time period after collection of the License Fees for such year.

7.7. If the Authority licenses the use of the Coliseum to another professional sports team, and such team is scheduled to play more than eight regular season games in the Coliseum during its season, such team shall be required to provide free tickets to each Skybox Licensee for the seats in such Licensee's Skybox for all pre-season and regular season games played in the Coliseum by such team.

7.8. Skybox License Fees from the additional Skyboxes constructed pursuant to section 6.1.2 shall be used first to reimburse George Shinn Sports for costs incurred in constructing such new Skyboxes, up to a maximum of \$80,000 per Skybox, and then shall be disbursed in accordance with section 7.3.

8. PERSONNEL:

8.1. The Authority will provide all personnel, including security personnel, ushers, gatemen, doormen, porters, ticket sellers, and ticket takers, as reasonably needed at each Team Home Game at George Shinn Sports' sole expense.

8.2. George Shinn Sports shall have the right to set and establish reasonable standards of performance, and may establish reasonable standards of dress if George Shinn Sports is willing to provide the required dress, for part-time and temporary event personnel used at Team Home Games, and any such part-time or temporary event employee who fails, in George Shinn Sports' reasonable opinion, to satisfactorily meet the reasonable standards of performance set by George Shinn Sports will not be utilized by the Authority at Team Home Games.

8.3. Authority personnel, while in the performance of their duties and as required for the performance of their official duties, shall have access at all times reasonably necessary to all space occupied by George Shinn Sports as long as there is no unreasonable or unnecessary interference with George Shinn Sports' use of such space.

8.4. The Authority reserves the right at all times to control all personnel used by the Authority at Team Home Games and the right to remove from the premises any and all such personnel, and the right, with its officers and agents, including its off-duty police officers, to eject any objectionable person or persons from the building and premises.

9. SCHEDULING:

9.1. Dates booked or to be booked for an ice show (not to exceed seven days), a circus (not to exceed seven days), the Tournament of Champions (or any successor early season college basketball tournament of a similar type) (not to exceed four days), and any post-season collegiate basketball tournament (e.g., ACC, NCAA, CIAA, SEC, etc.) shall have scheduling priority over Team Home Games; *provided, however*, that the Authority may not schedule any of the above events so as to foreclose George Shinn Sports from playing Team Home Games in the Coliseum for more than 14 consecutive days during any consecutive 28 day period during a Basketball Season nor may the Authority schedule more than three of the events listed above in any consecutive four-week period during a Basketball Season. The Authority will also ensure that George Shinn Sports is provided at least 4 weekend dates during both March and April for Team Home Games.

9.2. Since exhibition and play-off Team Home Games are not scheduled as early as regular season Team Home Games, exhibition and play-off Team Home Games shall have scheduling priority subject to the availability of the Coliseum at the time the exhibition and play-off Team Home Games are finally scheduled by the NBA and a request is made by George Shinn Sports to schedule such games in the Coliseum.

9.3. George Shinn Sports, Shinn, and Authority acknowledge the following: (i) the NBA has implemented uniform procedures for scheduling NBA games (the "Scheduling Procedures") for each year during the period covered by this Agreement (the "Term"); (ii) the NBA may, in its discretion, amend the Scheduling Procedures from time to time; *provided, however*, the NBA may not

unilaterally impose modifications to the Scheduling Procedures without the consent of the Authority; (iii) the Scheduling Procedures currently include a request for available dates for the upcoming season ("Annual Request") and a request for Playoff dates for participants ("Playoff Request").

9.3.1. Throughout the Term, Authority shall enable George Shinn Sports to comply with the minimum requirements set forth in the Scheduling Procedures (the "Minimum Requirements") to be provided by the NBA subject to the terms of this Agreement. For example, Authority shall make available to George Shinn Sports, on a timely basis, and subject to this Agreement, all of the Playoff dates requested in the Playoff Request and a sufficient number of regular season effective dates, as calculated by the method set forth in the Annual Request ("Effective Dates"), so that George Shinn Sports can comply with the Annual Request and the Playoff Request.

9.3.2. Authority shall furnish to George Shinn Sports, on a timely basis, subject to the terms of this Agreement the following numbers of Effective Dates for each Basketball Season during the term of this Agreement:

9.3.2.1. In the first instance, enough Effective Dates and Mondays to comply with the Minimum Requirements; and

9.3.2.2. Upon receipt from the NBA of a statement of the average number (rounded-up) of Effective Dates and Mondays provided by the other NBA Teams (the "Average"), enough additional Effective Dates and/or Mondays (as applicable) to equal the Average.

9.4. Authority acknowledges the following:

9.4.1. George Shinn Sports' ability to submit to the Authority tentative and final schedules is subject to the Scheduling Procedures; and

9.4.2. to be considered as an Effective Date, a game date must be submitted to the NBA with an appropriate game time and must be free and clear of restrictions and must be held open until the final schedule is completed.

9.5. At least sixty (60) days prior to the date on which George Shinn Sports must submit Effective Dates to the NBA each year as provided by the NBA's Scheduling Procedures and the Annual Request, George Shinn Sports shall give the Authority written notice of such date.

9.5.1. Within thirty (30) days of receiving such notice, the Authority will notify George Shinn Sports of the Effective Dates for the next Basketball Season and the dates for the priority events listed above.

9.5.2. After receiving notice of the Effective Dates, George Shinn Sports shall immediately communicate such dates to the NBA pursuant to the NBA Scheduling Procedures.

9.5.3. After receiving notice from George Shinn Sports as provided above, the Authority will not schedule any other events in the Coliseum during the Basketball Season until after it submits the Effective Dates to George Shinn Sports.

9.5.4. After the Effective Dates are submitted to George Shinn Sports, the Authority may schedule any events which do not conflict with the Effective Dates.

9.5.5. George Shinn Sports shall immediately notify the Authority by telecopier that the NBA Schedule has been published and shall provide a copy of the NBA Schedule to the Authority within twenty-four (24) hours of receipt of such NBA Schedule by Team.

9.5.6. After the NBA schedule has been published, the Authority may schedule any other events during the Basketball Season which do not conflict with scheduled regular season Team Home Games even though such dates may have been "effective dates".

9.6. George Shinn Sports shall use its best efforts to avoid scheduling conflicts with college basketball games scheduled for play in the Coliseum.

9.7. At the request of the Authority, George Shinn Sports shall make a good faith effort to avoid scheduling Team Home Games that conflict with the scheduling of other events important to the citizens of Charlotte if the Authority notifies George Shinn Sports as provided below.

10. EXCLUSIVE USE:

10.1. The Authority will not schedule other professional basketball games in the Coliseum during the term of this Agreement except for performances by the Harlem Globetrotters and any college "All Star" type professional basketball game.

10.2. If Authority schedules professional ice hockey, soccer, or football games between April 30 and June 20, Authority shall include in the rental agreement for such games a clause providing that NBA play-off games involving the Team shall have scheduling priority over such professional ice hockey, soccer, or football games and such professional ice hockey, soccer, or football games will be rescheduled if there is a scheduling conflict with an NBA play-off game involving the Team.

10.3. If Authority licenses the use of the Coliseum to an ice hockey franchise for regular season home games, Authority shall indemnify George Shinn Sports for losses and expenses incurred by George Shinn Sports if a Team Home Game is canceled because of a problem related to the ice rink, such as lost TV revenue, travel payments to the visiting team, etc. (the indemnity will be losses net of revenue recovered by playing a rescheduled game).

11. PARKING:

11.1. Subject to the conditions set forth below, Authority shall pay to George Shinn Sports 50% of the net profits generated from parking at Team Home Games (such "initial percentage" shall increase by 2.5% during the 2000-01 Basketball Season and during each yearly renewal term), such Parking Net Profits Payment to be determined as follows: first subtract annual parking expenses from annual parking revenues and then divide the result by annual parking revenues to determine the parking profit percentage; then multiply the parking profit percentage by gross parking revenues earned at Team Home games and then multiply by the applicable percentage (50% during the initial term, 52.5% during the sixth Basketball Season, 55% during the first yearly renewal term, etc.).

11.2. The Parking Net Profits Payment shall be estimated for each Team Home Game and paid to George Shinn Sports on a monthly basis. The Authority shall provide to George Shinn Sports appropriate supporting documentation with each monthly payment. Authority shall have the right to determine which revenues and expenses are included in the net profit formula set forth in section 11.1, provided that such determination shall be reasonable and consistent with past practices. Authority shall prepare an annual accounting of the Parking Net Profits Payment for the previous Basketball Season which shall be delivered to George Shinn Sports on or before July 31 each year along with any final annual Parking Net Profits Payment. If the Authority's annual Parking Net Profits Payment accounting determines that George Shinn Sports has been overpaid, such overpayment shall be refunded to the Authority by George Shinn Sports within 30 days of George Shinn Sports' receipt of the annual accounting.

11.3. Except as provided in section 6.13 and section 11.1, Authority shall retain all revenue derived from parking at Coliseum events.

11.4. Authority shall not charge more for parking at Team Home Games than at other Coliseum events, except as mutually agreed otherwise.

11.5. George Shinn Sports may designate one hundred (100) parking spaces nearest to the entrances to the Team offices and dressing room for the exclusive use of Team players and employees on Team Home Game days at no charge.

11.6. George Shinn Sports also may designate one hundred (100) parking spaces at the Coliseum for use at no charge on Team Home Game days by Team personnel or other persons identified by George Shinn Sports by giving notice to the Authority as provided below on or before September 1 each year.

11.7. On or before October 15 each year, George Shinn Sports may designate an additional number of parking spaces for George Shinn Sports' discretionary use by giving notice to the Authority as provided below.

11.7.1. The designation of additional parking spaces may be increased for the remainder of the Basketball Season at any time during the particular Basketball Season in which the additional number of parking spaces are designated by giving notice to the Authority as provided below at least seven (7) days before each requested increase.

11.7.2. For all additional parking spaces designated in excess of the initial designation of two hundred (200) parking spaces, George Shinn Sports shall pay to the Authority an amount not to exceed the amount the Authority customarily charges for each parking space multiplied by the number of additional parking spaces designated multiplied by the number of Team Home Games scheduled for the particular Basketball Season in which the additional parking spaces are designated.

11.7.3. Payment for all additional parking spaces designated by George Shinn Sports each Basketball Season shall be made at the time of giving notice.

11.7.4. If more Team Home Games are played each Basketball Season than originally scheduled at the beginning of the Basketball Season, and George Shinn Sports has designated additional parking spaces in excess of the initial designation of two hundred (200) parking spaces during the Basketball Season in which the originally unscheduled Team Home Games are played, George Shinn Sports shall pay to the Authority the customary parking fee for each additional parking space designated in excess of the initial designation of two hundred (200) parking spaces multiplied by the number of additional parking spaces designated multiplied by the number of additional and originally unscheduled games played during the Basketball Season in which the originally unscheduled Team Home Games are played.

12. PROGRAMS AND NOVELTIES:

12.1. George Shinn Sports shall have the exclusive right to sell programs and novelties on days of Team Home Games without accounting to the Authority for the receipts therefrom subject to the conditions set forth below.

12.2. Programs and Novelties may be sold by George Shinn Sports' vendors on the concourses in the Coliseum, in the lobby of the Coliseum, and on the front sidewalk of the Coliseum, and Programs (but not Novelties) may be sold in the Coliseum seating area, but Programs and Novelties may not be sold on any other adjoining grounds or at such locations or in such manner that may cause safety hazards or interference with the Authority's operation of the Coliseum.

12.3. All revenues derived from the sale of programs and novelties on days of Team Home Games by George Shinn Sports shall be retained by George Shinn Sports unless otherwise agreed.

12.4. On Team Home Game days, the Authority shall not sell any programs or novelties without the prior written consent of George Shinn Sports.

12.5. On other than Team Home Game days, the Authority may sell any merchandise, goods, wares, publications, souvenirs, or novelties not bearing the symbol, mark or name of the NBA, the Team, or any other NBA team.

12.6. The Authority reserves the right to approve, with respect to appropriateness and taste, the programs and novelties sold by George Shinn Sports in the Coliseum.

12.7. If Authority's Leisure Operations Department sells George Shinn Sports' Novelties on Team Home Game Days, George Shinn Sports shall pay the mutually agreed upon percentage or flat fee to Authority for such service and all Novelty Sales shall be accounted for using Authority approved accounting procedures. The percentage fee shall be calculated using the gross revenue from the sale of Novelties less applicable sales and use taxes.

13. AUTHORITY FOOD AND BEVERAGE CONCESSIONS:

13.1. Subject to the conditions set forth below, Authority shall pay to George Shinn Sports 50% of the net profits generated from "Food and Beverage Concessions" at Team Home Games (such "initial percentage" shall increase by 2.5% during the 2000-01 Basketball Season and during each yearly renewal), such Food and Beverage Concessions Net Profits Payment to be determined as follows: first subtract annual food and beverage concessions expenses from annual net (of tax) food and beverage concessions revenues and then divide the result by annual food and beverage concessions revenues to determine the food and beverage concessions profit percentage; then multiply the food and beverage concessions profit percentage by net (of tax) food and beverage concessions revenues earned at Team Home games and then multiply by the applicable percentage (50% during the initial term, 52.5% during the sixth Basketball Season, 55% during the first yearly renewal term, etc.).

13.2. The Food and Beverage Concessions Net Profits Payment shall be estimated for each Team Home Game and paid to George Shinn Sports on a monthly basis. The Authority shall provide to George Shinn Sports appropriate supporting documentation with each monthly payment. Authority shall have the right to determine which revenues and expenses are included in the net profit formula set forth in section 13.1, provided that such determination shall be reasonable and consistent with past practices. Authority shall prepare an annual accounting of the Food and Beverage Concessions Net Profits Payment for the previous Basketball Season which shall be delivered to George Shinn Sports on or before July 31 each year along with any final annual Food and Beverage Concessions Net Profits Payment. If the Authority's annual Food and Beverage Concessions Net Profits Payment accounting determines that George Shinn Sports has been overpaid, such overpayment shall be refunded to the Authority by George Shinn Sports within 30 days of George Shinn Sports' receipt of the annual accounting.

13.3. Except as provided in section 6.13 and section 13.1, Authority shall retain all revenue derived from Food and Beverage Concessions at Coliseum events.

13.4. Authority shall not charge more for Food and Beverage Concessions at Team Home Games than at other Coliseum events.

13.5. "Food and Beverage Concessions" means the sale of food, beverages, and tobacco products from Coliseum concessions stands, food carts, and the Coliseum catering service. The term "Food and Beverage Concessions" does not include the operation of checkrooms for clothing or the rental of binoculars or similar devices. On other than Team Home Game days, "Food and Beverage Concessions" includes the sale of merchandise, goods, wares, publications, souvenirs, and novelties not bearing the symbol, mark, or name of the NBA, the Team, or any other NBA team.

13.6. The Authority shall confer with George Shinn Sports regarding reasonable standards to be maintained in its Food and Beverage Concessions operations, but the final decision regarding such standards shall be in the sole discretion of the Authority.

13.6.1. The Authority shall also confer with George Shinn Sports regarding selection and pricing of all beverage, food, and tobacco products to be sold in the Coliseum and will select such items as are recommended by George Shinn Sports if such items are of reasonable quality and can be obtained by the Authority at competitive prices.

13.6.2. The Authority shall have the right, in its sole discretion, and even if George Shinn Sports selects another product, to make final selection as to all food, beverage, and tobacco products to be sold in the Coliseum after George Shinn Sports has had a reasonable opportunity to review with the Authority the proposed selections.

14. ADVERTISING:

14.1. The Signage Operating Agreement, and any amendments thereto, including amendments set forth in this Agreement, shall govern the sale of signage advertising at the Coliseum by George Shinn Sports. Additional "permanent" signage proposed by George Shinn Sports may be

installed at the Coliseum subject to the reasonable consent of the Authority and the mutual agreement of the parties with respect to responsibility for installation and operation.

14.2. After the Effective Date of this Agreement, and subject to section 14.13, George Shinn Sports shall be entitled to contract directly with advertisers for Team Signage (as defined in section 14.4) and to receive directly from such advertisers all Signage Advertising revenue (as defined in the Signage Operating Agreement) associated with such Team Signage.

14.3. After the Effective Date of this Agreement, and for Team Signage for which George Shinn Sports does not contract directly with an advertiser for Team Signage as provided in section 14.2, George Shinn Sports shall be entitled to all Signage Advertising revenue (as defined in the Signage Operating Agreement) collected by Authority from Team Signage during each year of this Agreement (the "Remittance") ("each year of this Agreement" shall mean the Authority's fiscal year (July 1 through the following June 30)).

14.4. "Team Signage" means advertising Signage (as defined in the Signage Operating Agreement) displayed only during Team Home Games and includes, but is not limited to, the fourteen courtside box advertising panels, the two pole pads, the two entry/exit tunnel advertising panels, the four baseline advertising panels, and the AdTime signage.

14.5. The Remittance shall be paid as soon as practicable after receipt of Signage Advertising revenue from Team Signage sufficient to fund or partially fund the Remittance, but in no event later than sixty (60) days after receipt by Authority of Signage Advertising revenue from Team Signage sufficient to fund or partially fund the Remittance. The Remittance shall not accrue interest prior to payment from Signage Advertising revenue.

14.6. The value of Team Signage sold to advertisers in a package arrangement where such advertisers licensed advertising on multiple signs and did not assign individual values to each component sign in the package shall be determined as follows: (1) determine the total current Rate Card value of all signage licensed by the advertiser; (2) divide the total License Fee paid by the advertiser by the total current Rate Card value of all signage licensed by the advertiser; and (3) multiply the quotient obtained by the previous equation by the current Rate Card value for the individual Team Signage advertising panel.

14.7. Signage Advertising revenue shall also be used to fund a Refurbishment and Replacement Reserve for the refurbishment and replacement of major signage items as mutually determined by Authority and George Shinn Sports. The amount of such Refurbishment and Replacement Reserve shall be fifteen percent (15%) of the Signage Advertising revenue received by Authority from non-Team Signage during each year of this Agreement; *provided, however*, that the amount deposited in such Reserve each year of this Agreement shall not exceed \$250,000. Subject to sections 14.8 and 14.9, the Reserve shall be funded as soon as practicable after receipt of Signage Advertising revenue from non-Team Signage sufficient to fund or partially fund the Refurbishment and Replacement Reserve, but in no event later than sixty (60) days after receipt by Authority of Signage Advertising revenue from non-Team Signage sufficient to fund or partially fund the Reserve. Authority shall hold the Refurbishment and Replacement Reserve in an interest bearing escrow account for the benefit of Authority and George Shinn Sports. Funds shall not be disbursed from the Refurbishment and Replacement Reserve without the prior approval of George Shinn Sports, such approval not to be unreasonably withheld.

14.8. Notwithstanding anything set forth in the Signage Operating Agreement to the contrary, the Merchandising Reserve shall be in an amount equal to five percent (5%) of the prior year's paid non-Team Signage Advertising.

14.9. Notwithstanding anything set forth in the Repayment Agreement or the Signage Operating Agreement to the contrary, allocation and distribution priority for non-Team Signage Advertising revenue collected during each year of this Agreement shall be as follows:

14.9.1. First, to the Maintenance Reserve;

14.9.2. Second, to the Merchandising Reserve;

14.9.3. Third, to the Refurbishment and Replacement Reserve; and

14.9.4. Last, to Authority and George Shinn Sports in equal amounts.

14.10. Notwithstanding anything set forth in the Repayment Agreement or the Signage Operating Agreement to the contrary, if the Signage Advertising revenue collected by Authority from non-Team Signage each year of this Agreement is insufficient to fully fund any level of the allocation and distribution priority plan in the order set forth above, Authority shall fully fund all levels that can be fully funded in the order of allocation and distribution set forth above using non-Team Signage revenue and then shall make a partial allocation and distribution to the level below the last level that can be fully funded using the remaining non-Team Signage revenue or make no distribution to such level if non-Team Signage revenue is not available; provided however, that Authority and George Shinn sports shall, in equal shares, fully fund such levels from other revenues if the Signage Advertising revenue collected by Authority from non-Team Signage each year of this Agreement is insufficient to fully fund any level of the allocation and distribution priority plan in the order set forth in section 14.9.

14.11. Each year of this Agreement shall be considered separately and Signage Advertising revenue collected by Authority during previous or subsequent years of this Agreement shall not be considered in determining allocation and distribution of Signage Advertising Revenue for each individual year of this Agreement.

14.12. The Signage Operating Agreement shall be amended as follows:

14.12.1. Insert the following after section 3.7: "3.8. deliver to Authority at least 24 hours before each Team Home Game a schedule of all commercial messages and displays to be displayed on the Electronic Signage during such Team Home Game;"

14.12.2. Insert the following after new section 3.8: "3.9 display on the four scoreboard matrix panels and the four message center matrix panels for at least one (1) minute per quarter at appropriate times during Team Home Games (as defined in the Revised Basketball Agreement) electronic messages announcing upcoming events in Authority facilities accompanied by appropriate P.A. announcements two times per Team Home Game (Authority will supply message copy).";

14.12.3. Delete the word "Maintenance" from the first line of section 16.2 and substitute in lieu thereof the word "Merchandising".

14.12.4. Notwithstanding anything set forth in this Agreement or any other agreement to the contrary, the amendments to the Signage Operating Agreement set forth in this section 14.12 shall be effective as of the date of the Signage Operating Agreement.

14.13. George Shinn Sports' right to contract directly with Team Signage advertisers as set forth in section 14.2 is subject to the following:

14.13.1. George Shinn Sports shall not have the right to contract directly with an advertiser for Team Signage if such advertiser also licenses advertising on non-Team Signage. In such case, the advertiser shall contract with Authority and the revenue generated by the Team Signage portion of such advertising contract shall be governed by section 14.3.

14.13.2. George Shinn Sports shall not have the right to contract directly with an advertiser for Team Signage which is subject to an unexpired Display Advertising Agreement with the Authority; *provided, however*, that George Shinn Sports may, subject to the restrictions of this Agreement, contract with such advertiser for the time period after the scheduled expiration of such Display Advertising Agreement.

14.13.3. George Shinn Sports' right to grant an advertiser an exclusive advertising arrangement is subject to the consent of the Authority, such consent not to be

unreasonably withheld. In addition, George Shinn Sports shall not grant an exclusive arrangement that is contrary to another advertiser's existing exclusive.

14.13.4. George Shinn Sports shall be responsible for providing any insurance coverage demanded or required by advertisers contracting directly with George Shinn Sports for Team Signage.

14.13.5. George Shinn Sports shall have no right to grant concession rights to advertisers of Team Signage absent the written consent of the Authority which may be withheld at the sole discretion of the Authority.

14.13.6. George Shinn Sports shall have no right to grant advertising rights in excess of the rights granted to advertisers in the Authority's standard Display Advertising Agreement. Contracts for Team Signage between George Shinn Sports and an advertiser for Team Signage shall be subject to the "black-out" provisions included in the Standard Terms and Conditions to the Authority's standard Display Advertising Agreement. Team Signage shall be subject to the approval of Authority as provided in the Signage section of the Standard Terms and Conditions to the Authority's standard Display Advertising Agreement. Team Signage shall also be subject to all rules, regulations, and policies applicable to Signage Advertising generally, including such rules, regulations, and policies set forth in the Standard Terms and Conditions to the Authority's standard Display Advertising Agreement. George Shinn Sports shall promptly notify Authority when it licenses Team Signage and the general terms of such license exclusive of financial terms.

14.13.7. If George Shinn Sports' right to sell Signage Advertising is terminated as provided in the Signage Operating Agreement, the Authority shall honor existing advertising contracts for Team Signage until such contracts are terminated pursuant to their terms. George Shinn Sports shall not have the right to negotiate renewals or extensions of such advertising contracts unless such advertising contracts grant the advertiser a written right to renew or extend, and then only upon such terms as are granted in such renewal or extension right.

14.14. If the Authority licenses the use of the Coliseum to another professional sports team, such as an ice hockey franchise, and such team is scheduled to play more than eight regular season games in the Coliseum during its yearly game-playing season, the contribution to the Maintenance and the Refurbishment and Replacement Reserves made by each party shall be adjusted rata based upon the number of events each party uses the Coliseum scoreboard equipment.

15. BROADCASTS:

15.1. George Shinn Sports shall receive any and all revenue derived from television and radio broadcasts of Team Home Games. Notwithstanding the assignment prohibitions set forth in section 18, George Shinn Sports may assign broadcast rights to Team Home Games. The Authority shall use its best efforts to provide adequate facilities for such broadcasts not to include technical facilities such as cameras and cables.

15.2. If a regular season Team Home Game played in the Coliseum is televised to television viewers within a 50 mile radius of the Coliseum, and the attendance at such locally televised Team Home Game, as determined by turnstile counts, is fifteen percent (15%) or more below the average attendance, as determined by turnstile counts, at regular season non-locally televised Team Home Games played in the Coliseum during the preceding Basketball Season, George Shinn Sports shall reimburse Authority its lost per patron parking and concessions revenue at Settlement after such locally televised Team Home Game. "Lost per patron parking and concessions revenue" shall be deemed to be \$3.00 per patron during the initial five years of this Agreement and \$3.50 per patron during the last four years of this Agreement. The lost per patron parking and concessions revenue set forth above shall be multiplied by the difference between the actual attendance at such locally televised Team Home Game and the average attendance, less the 15% leeway as set forth above, at regular season Team Home Games for the preceding Basketball Season. If the product of such equation is a negative number, no reimbursement shall be paid nor shall George Shinn Sports be entitled to any type of credit. If George Shinn Sports pays any lost per patron parking and concessions

revenue to Authority pursuant to this section, such payments shall not be reduced by any otherwise applicable Parking Net Profits Payment or Concessions Net Profits Payment, and George Shinn Sports shall not receive any otherwise applicable Parking Net Profits payment or Concessions Net Profits payment with respect to such lost per patron parking and concessions revenue.

15.3. Notwithstanding the above, George Shinn's Sports shall not be required to make the payments set forth in section 15.2 for that portion of a reduction in attendance at a locally televised Team Home Game due primarily to a cause unrelated to the televising of such Team Home Game, such as hazardous travel conditions or public emergency. Such proportionate reduction shall be determined by comparing the attendance at such locally televised Team Home Game to the average attendance at locally televised Team Home Games during the preceding Basketball Season. If the attendance at such locally televised Team Home Game is less than such average attendance, then the difference shall be deemed attributable to a cause unrelated to the televising of such Team Home Game.

16. TICKETS AND RECEIPTS:

16.1. George Shinn Sports shall control all ticket sales for all Team Home Games for all seats in the Coliseum but shall use the Authority's ticket system for printing and distributing all individual Team Home Game tickets for so long as, in George Shinn Sports' reasonable opinion, the Authority's system is reasonably competitive as to price and service.

16.1.1. The ticket system will track and print all tickets manifested to the System for individual ticket sales for Team Home Games.

16.1.2. George Shinn Sports shall pay the Authority's standard charge(s) for the sale of such individual Team Home Game tickets.

16.1.3. George Shinn Sports may have a computer terminal at its offices for communicating with the ticket system and for making season and advance ticket sales.

16.1.4. The Authority shall provide the necessary hardware and software for use in the Authority's ticket system. Such software shall be accompanied by a manifest of all authorized tickets included in the software for each Team Home Game and shall be capable of producing a daily accounting of all authorized tickets for each Team Home Game.

16.1.5. Mutually agreeable arrangements shall be made for the delivery of tickets printed by the Authority using its ticket system sold by George Shinn Sports from its offices and for Skybox tickets.

16.2. George Shinn Sports shall receive all revenues received by Authority from ticket sales for Team Home Games subject to the terms of this Agreement.

16.2.1. Revenue from the sale of tickets received by the Authority at its Coliseum terminals and box office will be advanced to George Shinn Sports at least daily unless the daily revenue from ticket sales is less than \$5,000 in which case daily revenue will be advanced the next day cumulative revenue exceeds \$5,000.

16.2.2. All ticket stubs will be retained by the Authority for audit. If the same information is not substantially available elsewhere, George Shinn Sports shall provide, at the request of the Authority, an accounting of all tickets purchased for all Team Home Games and shall provide an accounting of all tickets sold and unsold at the end of each Team Home Game;

16.2.3. No money from day of game ticket sales will be advanced to George Shinn Sports until Settlement after completion of each Team Home Game.

16.3. George Shinn Sports shall be responsible for all uncollectible payments made by patrons for Team Home Game tickets and shall reimburse the Authority accordingly.

16.4. The Authority expressly reserves the right to view and record turnstile readings at all times.

17. BOOKS AND RECORDS:

George Shinn Sports shall maintain accurate and complete books and records in accordance with Generally Accepted Accounting Principles. If a dispute arises between the parties with respect to the meaning of any term of this Agreement, the performance by either party of the terms of this Agreement, or the terms of a new agreement to govern substantially the same subject matter as this Agreement, each party shall make available to the other all information relevant and material to such dispute. Such information shall be disclosed orally and by allowing the inspection of all records kept according to good business practice. All information received pursuant to this paragraph shall be kept confidential and not disclosed to any third-party except as may be required by legal process.

18. ASSIGNMENT:

18.1. George Shinn Sports and Shinn may assign their rights under this Agreement either by assignment or by transfer of stock ownership without the written consent of the Authority only to:

18.1.1. A bank or other lending institution to secure a loan to George Shinn Sports or Shinn primarily to finance or refinance the NBA franchise and Team and such bank may reassign only in connection with a sale or assignment of the loan; or

18.1.2. A legal entity in which Shinn individually is, at the time of the assignment, a controlling general partner, the sole shareholder of a controlling general partner, or Chief Executive Officer and shareholder, and which after the assignment owns the NBA franchise for the Charlotte area.

18.2. George Shinn Sports shall not transfer or assign its franchise, name, goodwill, trademarks, player contracts, or other contracts unless such transfer or assignment includes its interest under this Agreement and the assignee undertakes to perform all obligations of George Shinn Sports under this Agreement.

18.3. Assignment of any interests or rights in connection with Signage or Skyboxes shall be as provided elsewhere in this Agreement or as provided in other agreements specifically governing such Signage or Skyboxes.

19. TAXES:

The Authority shall not be responsible for payment of any Federal, State, or local taxes arising out of or resulting from the use of the Coliseum by George Shinn Sports, and George Shinn Sports shall pay any and all such taxes.

20. PROPERTY:

The Authority shall not be responsible for any loss by theft or otherwise of any property of George Shinn Sports, or damage by accident, fire, action of the elements, or other cause to any property of George Shinn Sports, unless such damage or loss is caused by the Authority, its agents or employees.

21. LIENS

21.1. All rents and other sums herein provided to be paid whether due or not shall be and constitute a first lien, subordinate only to any bank lien as set forth in the assignment provisions above, on all property of George Shinn Sports in or upon the Coliseum at the time of any default of George Shinn Sports hereunder, and George Shinn Sports hereby mortgages or pledges said property for the purpose of securing the payment of all rents and sums herein provided to be paid. If George Shinn Sports defaults, the Authority may take possession of any and all such property including box office receipts and hold the same until such default has been remedied and, if not remedied or satisfied within ten days of such default, the Authority may advertise the property for sale and upon such sale shall apply the proceeds therefrom to the satisfaction of any amounts due the Authority and shall pay over to George Shinn Sports any sums remaining therefrom.

21.2. George Shinn Sports shall not suffer or permit any liens to be filed against the Coliseum or any part thereof, or the interests granted by this Agreement, by reason of work, labor, services or materials supplied or claimed to have been supplied to George Shinn Sports, or suffer or permit any other lien to attach to the Coliseum or any part thereof or the interests granted by this Agreement, except in accordance with the provisions for assignment as provided above.

22. INSURANCE:

22.1. George Shinn Sports shall take out and/or maintain: (i) commercial general liability ("CGL") insurance for bodily injury/property damage including broad form property damage liability coverage, contractual liability coverage, copyright infringement coverage, and products-completed operations coverage with minimum limits of \$1 million each occurrence/\$1 million aggregate; (ii) combined single limit bodily injury and property damage liability insurance covering all owned, non-owned, and hired automobiles of George Shinn Sports with minimum limits of \$1 million; and (iii) Workers' Compensation and Occupational Disease Insurance, including employers' liability, with the statutory minimum limits for Part A and minimum limits of \$500,000 for Part B.

22.1.1. George Shinn Sports shall provide a certificate of insurance to the Authority naming the Authority, its officers, employees, agents, and assigns as additional insureds and providing for thirty (30) days written notice of George Shinn Sports' or the insurer's intent to amend or terminate the coverage required immediately above.

22.2. George Shinn Sports shall keep its interest in equipment, fixtures, and other property located at the Coliseum insured at its own expense against fire, theft, extended coverage and such other risks as it may choose in an amount equal to at least eighty percent (80%) of the replacement value of such equipment, fixtures, and other property located at the Coliseum.

22.2.1. George Shinn Sports shall provide a certificate of insurance to the Authority within thirty (30) days of the commencement of the Term of this Agreement evidencing the coverage required immediately above.

22.3. Any insurance policy issued pursuant to this paragraph shall be issued by a reputable and responsible insurance company issuing such insurance in North Carolina and such insurance company shall carry a "Best's" rating of at least A.

22.4. To the extent such insurance is reasonably obtainable, George Shinn Sports and Authority agree that their insurance policies shall contain provisions stating that such insurance will not be invalidated by the waiver of a claim of the insured against either George Shinn Sports or Authority, as the case may be, and George Shinn Sports and Authority hereby waive any claim against the other for any loss to the extent such loss is covered by insurance which is not invalidated by such a waiver.

22.5. George Shinn Sports shall be added as an additional insured to the Authority's liquor liability policy if the additional premium to be paid by the Authority for such addition is not more than \$1,000 per year.

23. INDEMNITY:

George Shinn Sports shall be liable for all damage to the Coliseum, including damage to buildings, grounds, and equipment, exclusive of reasonable wear and tear, if caused wholly or in part by any act or omission of George Shinn Sports, its employees, agents, officers, licensees, guests, patrons, or invitees, and George Shinn Sports shall indemnify the Authority for all expenses arising out of or resulting from such damage. George Shinn Sports shall indemnify and hold harmless the Authority and the City of Charlotte, their agents, employees, servants, and officials from any and all claims, losses, damages, or expenses, including reasonable attorneys' fees, arising out of or resulting from claims or actions for bodily injury, including death, or property damage if caused wholly or in part by any act or omission of George Shinn Sports, its employees, agents, officers, licensees, guests, patrons, or invitees.

24. DESTRUCTION OF FACILITY:

If the Coliseum, or a substantial portion thereof, shall be destroyed or so badly damaged by fire or some other cause so as to render the Coliseum unfit for use by George Shinn Sports, and if the Coliseum cannot be restored with reasonable diligence within sixty (60) working days from the destruction or damage, then this Agreement may be terminated by either party upon written notice to the other. If so terminated, rental shall abate at the date of destruction. George Shinn Sports hereby waives any claim for damages or compensation should this Agreement be so terminated.

25. WAIVER:

One or more waivers by either party of any covenant or condition of this Agreement shall not be construed as a waiver of a subsequent breach of the same or of any other covenant or condition. The consent or approval given by either party with respect to any act by the other party requiring such consent or approval shall not be deemed to waive or render unnecessary further consent or approval of any subsequent similar act by such party.

26. COPYRIGHT INDEMNIFICATION:

George Shinn Sports represents and warrants that all copyrighted or trademarked material to be displayed or performed in connection with Team Home Games has been duly licensed or authorized by the copyright or trademark owner(s) or authorized representative(s) of the owner(s), that all applicable royalties have been or will be paid, and that it shall indemnify and hold the Authority harmless from any and all claims, losses, damages, or expenses, including reasonable attorneys' fees, arising out of or resulting from the display or performance of such copyrighted or trademarked material.

27. RELATIONSHIP OF PARTIES:

The Authority shall not be construed or held to be a partner, agent, or associate by joint venture or otherwise of George Shinn Sports in the conduct of its business.

28. EMPLOYEE STATUS:

No agent, servant, or employee of George Shinn Sports or any of its sub-contractors shall under any circumstances be deemed an agent, servant, or employee of the Authority and no agent, servant, or employee of the Authority shall under any circumstances be deemed an agent, servant, or employee of George Shinn Sports.

29. COLISEUM NAME:

George Shinn Sports agrees that whenever it refers to the Coliseum on its tickets, brochures, advertising, publicity releases, and any other written materials issued or caused to be issued by George Shinn Sports it shall use the full name "Charlotte Coliseum."

30. DEFAULT:

30.1. George Shinn Sports or any assignee is in default if:

30.1.1. Proceedings are commenced by or against George Shinn Sports or any assignee under any bankruptcy, reorganization, arrangement, insolvency, or liquidation law that are not vacated within one hundred twenty (120) days;

30.1.2. George Shinn Sports or any assignee becomes insolvent or makes or attempts to make an assignment for the benefit of creditors;

30.1.3. George Shinn Sports or any assignee is delinquent in any payments due under this Agreement and such delinquency continues for ten (10) days after receipt of written notice;

30.1.4. George Shinn Sports or any assignee breaches any other provision of this agreement and such breach is not cured within thirty (30) days after receipt of written notice;

30.1.5. George Shinn Sports or any assignee assigns, transfers, conveys, or otherwise disposes of by assignment or stock transfer its interest in this agreement in violation of the assignment provisions set forth above.

31. REMEDIES UPON DEFAULT:

Upon default, the Authority may, at its sole option, terminate this Agreement and recover from George Shinn Sports all damages whether direct, special, incidental, or consequential, and take any other action authorized by law, equity, or this Agreement. Notwithstanding the foregoing, if George Shinn Sports fails or refuses to play its Team Home Games in the Coliseum because George Shinn Sports moves the Team to a facility other than the Coliseum, Authority shall not be entitled to specific performance to force George Shinn Sports to play its Team Home Games in the Coliseum. In lieu of specific performance, George Shinn Sports shall pay to Authority as liquidated damages the sum of \$3 million for each Basketball Season or portion thereof in which Team Home Games are not played in the Coliseum as required by this Agreement.

32. HEADINGS:

The headings of the several articles contained herein are for convenience only and do not define, limit, or construe the contents of such articles.

33. SEVERABILITY:

If any provision contained in this Agreement is held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be considered as if such invalid, illegal, or unenforceable provision had never been included herein.

34. FORCE MAJEURE:

If the Coliseum is unavailable to George Shinn Sports or George Shinn Sports is unable to play any Team Home Game due to war or a state of national emergency, labor dispute, riot, civil disturbance, act of God, or any other cause beyond the reasonable control of the Authority or George Shinn Sports, the Authority shall not be liable to George Shinn Sports and George Shinn Sports shall not be liable to the Authority for any claims, losses, damages, or expenses arising out of or resulting from the unavailability of the Coliseum or George Shinn Sports' inability to play a Team Home Game because of a force majeure. If a Team Home Game is canceled for any of the reasons set forth above, both parties shall attempt in good faith to find a mutually acceptable date to reschedule such Team Home Game.

35. NOTICE:

If any notice is required to be delivered pursuant to the terms of this Agreement, it shall be given in writing, and shall be delivered personally, by United States mail (postage prepaid, certified or registered, return receipt requested), or by an overnight delivery service such as *FedEx*, and shall be deemed given upon receipt, to the address listed below, unless such address is changed by giving notice as provided in this section:

Authority:

Mr. Steve Camp
Charlotte Coliseum
100 Paul Buck Blvd.
P.O. Box 669247
Charlotte, NC 28266-0247

Team:

Mr. Spencer Stolpen
Charlotte Hornets
One Hive Drive
Charlotte, NC 28217

36. ENTIRE AGREEMENT:

All negotiations, considerations, representations, and understandings between the parties with respect to the subject matter of this Agreement are incorporated and merged herein, and may be modified or altered only by agreement in writing between the parties.

37. APPLICABLE LAW:

This Agreement shall be construed in accordance with the internal laws of the State of North Carolina, the City of Charlotte, and the County of Mecklenburg.

38. DISCRETION:

All matters not expressly provided for herein shall be handled and disposed of in the discretion of the Authority. Any discretion herein granted to the Authority may be exercised through the Managing Director or his designees.

39. GEORGE SHINN SPORTS:

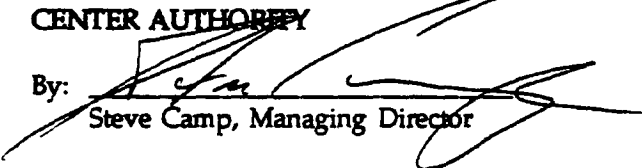
39.1. Authority, Shinn, and Charlotte NBA Limited Partnership entered into a Basketball Agreement dated March 12, 1987, an Amended Basketball Agreement dated March 14, 1988, a First Amendment to the Amended Basketball Agreement dated September 29, 1989, and a Revised Basketball Agreement dated December 16, 1991 (collectively the "Prior Agreements"). This Agreement supersedes the Prior Agreements.

39.2. Charlotte NBA Limited Partnership and George Shinn Sports executed a Bill of Sale, Assignment and Assumption Agreement dated April 30, 1994, whereby Charlotte NBA Limited Partnership assigned and George Shinn Sports assumed all rights and obligations of Charlotte NBA Limited Partnership with respect to the Prior Agreements.

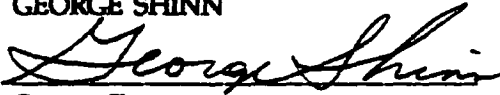
39.3. George Shinn Sports executes this Agreement as assignee of Shinn under the Prior Agreements and assumes all obligations of Shinn under such Agreements and shall be bound by the terms of this Agreement. Shinn shall not be released from any of his obligations under any of the Prior Agreements or this Agreement by any assignment (to George Shinn Sports or otherwise), and shall continue to be personally responsible for the performance by George Shinn Sports and Team of all obligations of George Shinn Sports and Team under this Agreement.

IN WITNESS WHEREOF, the parties have duly executed this instrument in triplicate as of the day and year first above written.

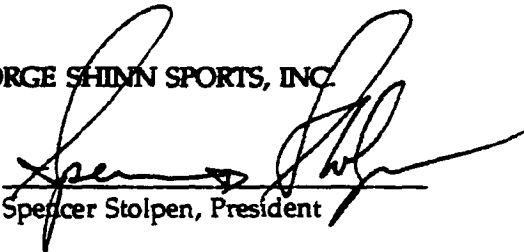
AUDITORIUM-COLISEUM-CONVENTION
CENTER AUTHORITY

By: 
Steve Camp, Managing Director

GEORGE SHINN


George Shinn

GEORGE SHINN SPORTS, INC.

By: 
Spencer Stolpen, President

SEAL

ATTEST:



f:\data\rcb\contract\3931_13.wpd 11/12/95 9:04 pm

GRIER AND GRIER, P.A.

ATTORNEYS AT LAW

1240 INDEPENDENCE CENTER

101 NORTH TRYON STREET

CHARLOTTE, NORTH CAROLINA 28246

INTERNET WORLD WIDE WEB HOME PAGE:

HTTP://OURWORLD.COMPUSEVE.COM/HOMEPAGES/RCBJR/

TELEPHONE

704 375-3720

FAX

704 332-0215

WRITER'S DIRECT DIAL:

704 332-0202

WRITER'S EMAIL ADDRESS:

RCBJR@COMPUSEVE.COM

JOSEPH W. GRIER, JR.
JOSEPH W. GRIER, III*
RICHARD C. BELTHOFF, JR.
LEIGH A. HOBGOOD
J. CAMERON FURR, JR.
JAMES L. KISER
K. LANE KLOTZBERGER

*BOARD CERTIFIED SPECIALIST IN BANKRUPTCY LAW

April 21, 1997

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

General Manager
Charlotte Hornets
100 Hive Drive
Charlotte, NC 28217

Re: Auditor/Gen'l; Notice Provision

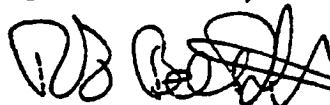
Dear General Manager:

We represent the Auditorium-Coliseum-Convention Center Authority. The Authority and Charlotte NBA Limited Partnership entered into a New Basketball Agreement dated November 5, 1995. Pursuant to Section 35 of such Agreement, notice is hereby given on behalf of the Authority that the Authority's address for sending written notice is changed to:

Managing Director
Charlotte Coliseum
100 Paul Buck Blvd. (28217)
P.O. Box 669247
Charlotte, NC 28266-9247.

Thank you. If you have any questions, please call.

Very truly yours,
GRIER AND GRIER, P.A.



Richard C. Belthoff, Jr.

RCBJr/wpc

cc: Mr. Michael E. Crum

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG

AMENDING AGREEMENT

THIS AMENDING AGREEMENT (the "Agreement") is entered into as of the 13th day of April 1998 among AUDITORIUM-COLISEUM-CONVENTION CENTER AUTHORITY, a political subdivision of the City of Charlotte, North Carolina ("Authority"), GEORGE SHINN, an individual residing in Charlotte, North Carolina ("Shinn"), CHARLOTTE HORNETS NBA LIMITED PARTNERSHIP, a North Carolina limited partnership (successor in interest to George Shinn Sports, Inc.) ("Hornets"), and, for the limited purposes set forth in Section 8 of this Agreement, the CITY OF CHARLOTTE, a North Carolina municipal corporation ("City").

WITNESSETH:

WHEREAS, the parties recognize that changes have taken place in the entertainment and professional sports industries which may necessitate changes in the way the Coliseum is operated;

WHEREAS, the parties desire to promote the more efficient and profitable ownership, operation, and management of the Coliseum;

WHEREAS, the parties desire to amend and supplement the Signage Operating Agreement and the New Basketball Agreement, to formalize in this Agreement their relationship, and to extend the term of the NBA Team Office Building Lease;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below, IT IS AGREED:

1. GENERAL:

1.1. The purpose of this Agreement is to establish a framework for an operating arrangement of the Coliseum to maximize the profitability and use of the Coliseum while the parties work toward implementing plans for a new arena. This Agreement formalizes the current arrangement between the Hornets and the Authority which takes advantage of the Hornets' marketing expertise and the Authority's operational expertise to enhance the efforts of each party working individually.

1.2. Authority and the Hornets shall use their best efforts to increase the number of events at the Coliseum and to increase the revenues generated thereby.

1.3. Except as expressly modified herein and as set forth on *Exhibit 1*, the terms and conditions set forth in the Signage Operating Agreement dated May 2, 1991, and the New Basketball Agreement dated November 6, 1995, shall remain in full force and effect during the Term of this Agreement. Should there be a conflict between this Agreement and the Signage Operating Agreement, or between this Agreement and the New Basketball Agreement, the terms of this Agreement shall control. The term of the NBA Team Office Building Lease dated September 13, 1989, shall be appropriately extended during the term of this Agreement as provided in Section 2.3 of such NBA Team Office Building Lease and shall terminate as provided therein. (The Signage Operating Agreement, the New Basketball Agreement, and the NBA Team Office Building Lease are collectively referred to herein as the "Team Agreements").

1.4. Capitalized terms not specifically defined in this Agreement shall have the meanings ascribed to them in either the Signage Operating Agreement or the New Basketball Agreement. Unless otherwise indicated herein, if any section of this Agreement or the Team Agreements provide for the approval or consent of any person or entity, such approval or consent shall not be unreasonably withheld or delayed.

1.5. The Hornets hereby revokes its notice of termination dated June 27, 1997, delivered to the Authority pursuant to Section 5.3 of the New Basketball Agreement. The Authority hereby consents to such revocation.

1.6. This Agreement and the Team Agreements shall be binding upon, and shall inure solely to the benefit of, the parties to such agreements, and their successors and permitted assigns.

Nothing in this Agreement, express or implied, is intended to or shall confer upon any other person or entity any rights, benefits, or remedies of any nature whatsoever under or by reason of this Agreement.

1.7. Time is of the essence in this Agreement.

2. TERM:

2.1. Subject to the renewal options and the limited early termination options set forth in Section 6, the term of this Agreement shall begin as of the date of this Agreement and shall terminate at twelve o'clock midnight on the 1st day of July 2004.

2.2. As a material inducement for the Authority and the City to enter into this Agreement, the Hornets represents, warrants, covenants, and agrees that it shall maintain the Charlotte Hornets NBA franchise and Team in Charlotte, North Carolina, and it shall cause the Team to play all of its home games in the Coliseum for each Basketball Season through June 30, 2004, unless and until this Agreement is lawfully terminated, including but not limited to a termination in accordance with Section 6 of this Agreement or Sections 24 or 31 of the New Basketball Agreement (as amended by this Agreement).

3. EXCESS FUNDS:

3.1. Beginning with the 1998-99 Authority fiscal year, Coliseum "Excess Funds" (as defined in Section 3.2.5) shall be allocated and paid as follows:

3.1.1. For the 1998-99 and 1999-00 Authority fiscal years, the Hornets shall receive each such fiscal year 20% of the first \$2 million of yearly Excess Funds and 80% of yearly Excess Funds in excess of \$2 million (the Authority shall receive each such fiscal year 80% of the first \$2 million of yearly Excess Funds and 20% of the yearly Excess Funds in excess of \$2 million).

3.1.2. For the 2000-01 and 2001-02 Authority fiscal years, the Hornets shall receive each such fiscal year 20% of the first \$2.125 million of yearly Excess Funds and 80% of yearly Excess Funds in excess of \$2.125 million (the Authority shall receive each such fiscal year 80% of the first \$2.125 million of yearly Excess Funds and 20% of the yearly Excess Funds in excess of \$2.125 million).

3.1.3. Beginning with the 2002-03 Authority fiscal year, and for each fiscal year thereafter during the Term of this Agreement, the Hornets shall receive each such fiscal year 20% of the first \$2.250 million of yearly Excess Funds and 80% of yearly Excess Funds in excess of \$2.250 million (the Authority shall receive each such fiscal year 80% of the first \$2.250 million of yearly Excess Funds and 20% of the yearly Excess Funds in excess of \$2.250 million).

3.1.4. The parties hereto acknowledge and agree that the amount of any Excess Funds paid to the Hornets pursuant to this Agreement represents compensation for the promotion of the Coliseum and events at the Coliseum.

3.2. For purposes of Excess Funds:

3.2.1. Except as modified by the Policy Committee pursuant to Section 3.3.1, or as otherwise modified by this Agreement (e.g., naming rights payments), "Gross Revenue" means all revenues accrued by the Authority from Coliseum operations during the term of this Agreement from whatever source, including old and new types of events, as generally categorized on *Exhibit 2* attached hereto:

3.2.2. Except as modified by the Policy Committee pursuant to Section 3.3.1, or as otherwise modified by this Agreement (e.g., marketing expenses), "Operating Expenses" means all expenses accrued by the Authority in the normal course of Coliseum operations during the term of this Agreement (exclusive of the Additional Distributions set forth in Section 3.9, payments to or from the Capital Reserve Fund as provided in Section 3.2.3, payments to or from the Reserve Accounts as provided in Section 3.4, any distributions made pursuant to the allocation of Excess Funds, or any Extraordinary Losses), as generally categorized on *Exhibit 2* attached hereto;

3.3.2. The Hornets shall market the naming rights to the Coliseum. Any agreement for the licensing of such naming rights, and a new name for the Coliseum, shall be subject to the prior approval of the Policy Committee. The new name for the Coliseum shall also be subject to the approval of the City Council. The parties to the naming rights agreement shall be the Authority, the Hornets, the City, and the party licensing such rights. Revenue generated from such naming rights shall be considered a part of Gross Revenue to the extent provided in Section 3.3.2.1. The Hornets shall be responsible for all initial costs associated with such name change, including additional signage (but not including off-premises signage), replacement uniforms, stationery, forms, business cards, etc. Although such costs shall not be considered a separate Operating Expense, such costs shall be considered a part of Marketing Expenses (see Section 3.3.3 below). The Hornets shall continue during the term of this Agreement to display prominently the word "Charlotte" on the front of the Team's uniforms.

3.3.2.1. The licensing of naming rights may be packaged with advertising, promotional items, tickets, and other types of Hornets inventory, the proceeds from which are solely the property of the Hornets. If the licensing of naming rights involves such other inventory, then the value of such inventory items shall be deducted from gross naming rights revenue and only the resulting net figure will be attributed to Gross Revenue as "Net Naming Rights Revenue" (if the Authority should receive payment for any Hornets' inventory item as part of a naming rights payment, the Authority shall pay the amount of such payment to the Hornets within 30 days of the Authority's receipt of such payment). The Authority's calculation of Net Naming Rights Revenue shall be subject to review and approval by the Policy Committee.

3.3.3. Notwithstanding anything set forth in the Signage Operating Agreement or the New Basketball Agreement to the contrary, the "Merchandising Reserve" (as established pursuant to Section 16 of the Signage Operating Agreement and as modified by Section 14.8 of the New Basketball Agreement) shall be terminated upon accrual of Net Naming Rights Revenue by the Authority. Upon termination of the Merchandising Reserve, the Hornets' yearly Coliseum "Marketing Expenses" shall be considered a part of Coliseum Operating Expenses each year in an amount not to exceed the lesser of the funds actually received by the Authority for Net Naming Rights Revenue pursuant to Section 3.3.2.1 or \$400,000. If payments are made pursuant to the Merchandising Reserve during a fiscal year in which the Authority also accrues Net Naming Rights Revenue thereby resulting in a termination of the Merchandising Reserve, payments made pursuant to the Merchandising Reserve during such fiscal year shall be re-characterized as Marketing Expenses for such fiscal year and included in the calculation of total Marketing Expenses for such fiscal year. Marketing Expenses shall be submitted to the Authority on a quarterly basis and paid by the Authority to the Hornets within 30 days of such submittal. Yearly Marketing Expenses shall be finalized during the annual Excess Funds accounting as provided in Section 3.6.

3.3.4. The Hornets may install additional interior or exterior signage advertising panels at the Coliseum, including exterior Hornets identification signage, subject to the prior approval of the Policy Committee. Such additional advertising signage, exclusive of exterior Hornets identification signage, shall be considered non-Team Signage and revenues therefrom shall be allocated as provided in Section 14 of the New Basketball Agreement.

3.4. There shall continue to be a Skybox Maintenance Reserve as provided in Section 7.3.1 of the New Basketball Agreement, a Refurbishment and Replacement Reserve as provided in Section 14.7 of the New Basketball Agreement, and a signage Maintenance Reserve as provided in Section 15 of the Signage Operating Agreement (collectively, "Reserve Accounts") (see *Notes 1 & 2 on Exhibit 2*). Notwithstanding anything set forth in the foregoing agreements to the contrary, any interest earned on a Reserve Account shall remain in the applicable Reserve Account until disbursed in accordance with a stated purpose of such Reserve Account. In addition, any funds remaining in the Reserve Accounts, including any remaining interest earned thereon, at termination of this Agreement (other than pursuant to Section 6.4 or as a result of a default by the Hornets or Shinn) shall be distributed in equal shares promptly to the Authority and the Hornets.

3.5. The Hornets' share of yearly Excess Funds shall be estimated and paid on a quarterly basis (unless there is a deficit, in which case no payment shall be made for such quarter).

Authority shall provide to the Hornets appropriate supporting documentation with each quarterly payment.

3.6. Beginning with the Authority's 1998-99 fiscal year, and for each Authority fiscal year thereafter during the term of this Agreement, Authority shall prepare an annual accounting of Excess Funds which shall be delivered to the Hornets on or before September 30 each year (beginning September 30, 1999) along with any final annual Excess Funds payment. If the Authority's annual accounting of Excess Funds reflects that the Hornets have been overpaid during the preceding fiscal year, such overpayment shall be refunded to the Authority by the Hornets within 30 days of the Hornets' receipt of the annual accounting.

3.6.1. The Hornets and the Authority shall be required to fund any Excess Funds deficit (computed exclusive of Extraordinary Losses; i.e., Extraordinary Losses shall be excluded from the calculation of Excess Funds) related to Coliseum operations arising in any fiscal year during the term of this Agreement in the same proportions as they would have received Excess Funds (as provided below), and the Hornets' portion of any such deficit shall be funded within 30 days of the Hornets' receipt of the annual accounting.

3.6.1.1. For the 1998-99 and 1999-00 Authority fiscal years, the Hornets shall fund each such fiscal year 20% of the first \$2 million of any Excess Funds deficit and 80% of any Excess Funds deficit in excess of \$2 million (the Authority shall fund each such fiscal year 80% of the first \$2 million of any Excess Funds deficit and 20% of any Excess Funds deficit in excess of \$2 million).

3.6.1.2. For the 2000-01 and 2001-02 Authority fiscal years, the Hornets shall fund each such fiscal year 20% of the first \$2.125 million of any Excess Funds deficit and 80% of any Excess Funds deficit in excess of \$2.125 million (the Authority shall fund each such fiscal year 80% of the first \$2.125 million of any Excess Funds deficit and 20% of any Excess Funds deficit in excess of \$2.125 million).

3.6.1.3. Beginning with the 2002-03 Authority fiscal year, and for each fiscal year thereafter during the Term of this Agreement, the Hornets shall fund each such fiscal year 20% of the first \$2.250 million of any Excess Funds deficit and 80% of any Excess Funds deficit in excess of \$2.250 million (the Authority shall fund each such fiscal year 80% of the first \$2.250 million of any Excess Funds deficit and 20% of any Excess Funds deficit in excess of \$2.250 million).

3.6.2. Notwithstanding the foregoing, and notwithstanding anything set forth in Section 34 (Force Majeure) of the New Basketball Agreement to the contrary (as amended by this Agreement), if the Coliseum suffers a deficit in any fiscal year during which the Team or its players are involved in a labor dispute, the Hornets' portion of such deficit shall be deducted from the Hornets' share of Excess Funds during the next two fiscal years in which Coliseum operations generate Excess Funds (in equal shares each year), unless this Agreement is sooner terminated, in which case the Hornets' portion of such deficit shall be funded by the Hornets on or before the effective date of such termination. If the Hornets' portion of such deficit is not paid in full as provided above, any remaining balance shall be paid by the Hornets on the first day of the first fiscal year after the second fiscal year in which Coliseum operations generate Excess Funds.

3.7. The Hornets and its duly authorized agents or auditors shall have the right to audit and review the Authority's books and records relating to Coliseum operations during, and for a period of three (3) years after, each Authority fiscal year during regular business hours at the Coliseum for the purpose of verifying the Authority's compliance with the terms of this Agreement.

3.8. Rent for Coliseum events sponsored or promoted by the Hornets shall be as set forth below:

3.8.1. Rent for each Team Home Game shall be \$9,000 (plus standard event-related expenses) which shall be paid to the Authority and included in Gross Revenue.

3.8.2. Rent for each event other than Team Home Games sponsored or promoted by the Hornets, Shinn, or the Team, whether directly or indirectly, involving a sports team

which plays a regular season shall be \$6,000 per event (plus standard event-related expenses) which shall be paid to the Authority and included in Gross Revenue.

3.8.3. Rent for all other events sponsored or promoted by the Hornets, Shinn, or the Team, whether directly or indirectly, other than those set forth in Section 5.3, shall be the greater of \$6,000 or ten percent (10%) of Net Ticket Sales, up to a maximum of \$35,000 (plus standard event-related expenses), which shall be paid to the Authority and included in Gross Revenue. Based on changes in market conditions, the standard rent for such other events may be adjusted by the Policy Committee.

3.9. The Parking Net Profits Payment as provided in Section 11.1 of the New Basketball Agreement, the Food and Beverage Concessions Net Profits Payment as provided in Section 13.1 of the New Basketball Agreement, any distribution from non-Team Signage as provided in Section 14.9 of the New Basketball Agreement, and any distribution of Skybox License Fees as provided in Section 7.3 of the New Basketball Agreement (collectively, the "Additional Distributions") shall be paid to the Hornets by the Authority in addition to the Hornets' share of Excess Funds. The Parking Net Profits Payment and the Food and Beverage Concessions Net Profits Payment shall be capped at Fifty Percent (50%) each and shall not escalate as otherwise provided in the New Basketball Agreement.

4. POLICY COMMITTEE:

4.1. There is hereby established a Policy Committee to oversee operations at the Coliseum. The Policy Committee shall be responsible for:

4.1.1. reviewing, approving, and providing input to Coliseum staff about the Coliseum's operating and capital budgets (including any amendments to the Authority's 1998-99 fiscal year budget to accommodate the allocation and payment of Excess Funds as provided in Section 3.1);

4.1.1.1. the approved capital budget for any given fiscal year shall not exceed the amount then on deposit in the Capital Reserve Fund unless the Policy Committee unanimously approves otherwise, in which case the deposit to the Capital Reserve Fund for such fiscal year shall be increased accordingly;

4.1.1.2. if the Authority proposes a capital item for the Coliseum which is not included in the approved capital budget, the Authority may nevertheless add such capital item to the Coliseum using its non-Coliseum related funds (i.e., the cost of such capital item shall not be included in the approved capital budget and shall not be paid from the Capital Reserve Fund);

4.1.2. developing pricing, booking, and event promotion strategies with Coliseum staff to increase use and profitability of the Coliseum;

4.1.3. reviewing, approving, and providing input to Coliseum staff about changes in food, beverage, and concession items (including pricing);

4.1.4. reviewing, approving, and providing input to Coliseum staff about parking at the Coliseum (including pricing);

4.1.5. allocating non-Coliseum expenses as provided in Section 3.3.1;

4.1.6. approving a naming rights agreement and new name for the Coliseum as provided in Section 3.3.2;

4.1.7. reviewing and approving the Authority's calculation of Net Naming Rights Revenue as provided in Section 3.3.2.1;

4.1.8. approving new advertising signage as provided in Section 3.3.4;

4.1.9. adjusting the rent for other public events as provided in Section 3.8.3;

4.1.10. approving the expansion of the advance ticket office building as provided in Section 5.1;

4.1.11. establishing rules governing Policy Committee meetings and voting not inconsistent with the terms of this Agreement; and

4.1.12. such other duties as may be set forth herein or as may be mutually agreed upon by the Authority, the City, and the Hornets.

4.2. The Policy Committee shall consist of two representatives of the Hornets, the Authority's Managing Director (or Coliseum Manager) plus one additional representative of Authority management, and one representative of the City Manager's office. The Authority, the Hornets, and the City Manager's office shall identify their respective representatives to the Policy Committee within ten days after the date of this Agreement. Each party may substitute (either temporarily or permanently) its own Policy Committee member or members at any time and without prior notice, subject to the requirement that one of the Authority's members must always be either the Authority's Managing Director or the Coliseum Manager.

4.2.1. Not later than 10 days after execution of this Agreement, the Policy Committee shall establish a mutually convenient meeting schedule, on at least a bi-monthly basis, for meeting in person to address the matters set forth above in Section 4.1. Such schedule may be amended from time to time by the Policy Committee. Special meetings of the Policy Committee, whether in person or by conference call, shall be scheduled from time to time at the request of the Authority's Managing Director, the City Manager's representative, or one of the Hornets' representatives upon reasonable advance notice of not less than 3 business days to the other members. The Authority's Managing Director shall be responsible for keeping minutes of Policy Committee meetings and for promptly distributing copies of such minutes to all members.

4.2.2. Attendance by all five members of the Policy Committee at a Policy Committee meeting shall be required to constitute a quorum. If the representative(s) of a party fail(s) to attend two consecutive scheduled meetings of the Policy Committee, attendance by only three members of the Policy Committee at a Policy Committee meeting shall be required to constitute a quorum at the next and any subsequent meetings until such time as the Policy Committee unanimously approves otherwise. Policy Committee voting shall be by majority vote at all meetings at which a quorum is present.

5. SHARED OPERATING SPACE:

5.1. The Authority shall, before June 30, 1999, at Authority's expense, move its advance ticket operations to the event ticket office in the Coliseum. After the advance ticket operations have been relocated, the Hornets shall have the right to upfit at its expense the former advance ticket office building for Hornets office space. In addition, the Hornets may expand the former advance ticket office building subject to the prior approval of the Policy Committee. The Hornets may also install appropriate exterior Hornets identification signage to the former advance ticket office building subject to the prior approval of the Policy Committee. Subject to mutual agreement as to location and number, the Authority will provide reserved parking spaces at or near the former advance ticket office for use by Hornets personnel (the specific location and number of such additional reserved parking spaces shall be subject to the mutual agreement of the Authority and the Hornets, and shall not be subject to Section 11.7 of the New Basketball Agreement).

5.2. The Hornets may use the Coliseum conference room for hospitality purposes during events directly or indirectly sponsored or promoted by the Hornets.

5.3. The Hornets may use the Coliseum for free, charitable, or community-related events ("Free Events") whenever it is not used for other events (and, except for the fall "Jam Session", each such event shall not be considered an event of the type set forth in Section 3.8.3). To minimize conflict with rent paying events, Free Events may not be scheduled any earlier than 60 days before the date of such Free Event (unless otherwise approved by the Policy Committee). The Hornets must reimburse Authority for event-related expenses incurred by Authority for Free Events.

6. OPTIONS TO RENEW AND TERMINATE:

6.1. If this Agreement is not sooner terminated as provided in Sections 6.2, 6.3, or 6.4, or as provided in Sections 24 or 31 of the New Basketball Agreement (as amended by this Agreement), the Hornets may renew this Agreement and the Team Agreements for two additional one-year renewal terms at the expiration of the initial term upon the same terms and conditions as set forth in this Agreement and the Team Agreements (except as amended by this Agreement) by sending written notice of renewal to the Authority not less than 90 days prior to the expiration of the initial term for the first one-year renewal term and not less than 90 days prior to the expiration of the first renewal term for the second one-year renewal term. If no notice of renewal is given, this Agreement and the Team Agreements shall terminate at the end of the then-current term.

6.2. The Hornets shall use no less than its historical efforts to sell season tickets during the term of this Agreement. Nevertheless, if at least 15,750 season tickets for the 2000-01 Basketball Season have not been sold by January 1, 2001, the Hornets may terminate this Agreement and the Team Agreements as of July 1, 2001, by sending written notice of its intent to so terminate to the Authority on or before April 30, 2001. If the Hornets give such notice of termination, the Authority and its duly authorized agents or auditors shall have the immediate right to audit and review the Hornets' books and records relating to season ticket sales for the purpose of verifying actual season ticket sales. Such audit and review shall take place during regular business hours at the offices of the Hornets within 10 days of receipt of notice of termination from the Hornets. If such audit and review determines that at least 15,750 season tickets have been sold for the 2000-01 Basketball Season on or before January 1, 2001, the Hornets' notice of termination shall be deemed void and this Agreement and the Team Agreements shall not terminate as of July 1, 2001.

6.3. The Hornets shall also have the right to terminate this Agreement and the Team Agreements as of the end of any yearly term beginning with the 2000-01 yearly term (i.e., July 1, 2001, and each July 1 thereafter) by sending written notice of its intent to so terminate to the Authority at least 90 days prior to the end of such yearly term if a deadline of the City, the New Arena Committee, or the Hornets as specified in Sections 7.2, 7.3.1, 7.3.2, 7.3.3, or 7.4 is not met. With respect to the deadlines set forth in Sections 7.2, 7.3.1, 7.3.2, and 7.3.3 only, if the Hornets fail to send written notice of termination pursuant to this Section 6.3 within 30 days of a missed deadline, the Hornets' shall be deemed to have waived the right to terminate this Agreement and the Team Agreements for the failure to meet such deadline (but not for any subsequent deadline(s), and not for any deadline set forth in Section 7.4). The rights to terminate this Agreement as provided in this Section 6.3 shall be the Hornets' sole remedies for a failure of the City or the New Arena Committee to meet any deadline as specified in Sections 7.2, 7.3.1, 7.3.2, 7.3.3, or 7.4. In addition, the failure of the City, the New Arena Committee, or the Hornets to meet any such deadline shall not constitute a default under this Agreement.

6.4. The Hornets shall also have the absolute right to terminate this Agreement and the Team Agreements as of the end of any yearly term (as of July 1 each year) by sending written notice of its intent to so terminate to the Authority at least 120 days prior to the end of such yearly term provided that the Hornets shall pay to the Authority a "Termination Payment" as compensation for the termination of this Agreement and the Team Agreements on or before the effective date of such termination to compensate the Authority and the City for lost revenues that have been budgeted by the Authority and/or the City for retirement of bonded indebtedness with respect to the Coliseum in accordance with the following schedule:

Termination Date	Termination Payment
July 1, 1999	\$30,000,000
July 1, 2000	\$30,000,000
July 1, 2001	\$20,000,000
July 1, 2002, and each July 1 thereafter	\$10,000,000

7. NEW ARENA:

7.2. To initiate the appropriate public involvement process, the City Council will appoint a New Arena Committee by July 1, 1998 (the first deadline under Section 6.3). The New Arena Committee should be fully representative of the general public and the stakeholder organizations and governments, yet be limited to 15 members.

7.3.1. Review and confirm previous recommendations regarding the need for a new facility, including size, location, and cost, and report to the City Council its recommendations on or before January 1, 1999 (the second deadline under Section 6.3);

7.3.2. Develop one or more models for City Council consideration which includes funding, financing, ownership, etc., and present such model(s) to City Council on or before July 1, 1999 (the third deadline under Section 6.3); and

7.3.3. Make recommendations to the City Council concerning public involvement in the new arena process on or before December 31, 1999 (the fourth deadline under Section 6.3).

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(except to the extent this Agreement and the Team Agreements may be modified by the agreement provided for in Section 7.4(ii)).

8. CITY OF CHARLOTTE:

8.1. The City joins in this Agreement for the following purposes only:

8.1.1. to authorize the Hornets to market the naming rights to the Coliseum as provided in Section 3.3.2;

8.1.2. to authorize the City Manager to designate a representative of the City Manager's office to act as a member of the Policy Committee as provided in Section 4.2;

8.1.3. to establish the New Arena Committee as provided in Section 7; and

8.1.4. to receive the benefit of Sections 1.6, 2.2, 3.3.2, 4.1.12, 6.4, and 9.

8.2. The approval of this Agreement by the City Council does not commit the City Council to accept any recommendation of the New Arena Committee or to take or refrain from taking any action with respect to the processes set forth in Section 7. In addition, this Agreement does not limit or enlarge the rights of the City Council with respect to a public referendum on any question pertaining to a new arena, including requesting referendum authority from the state legislature.

9. ASSIGNMENT/GUARANTY:

9.1. Charlotte Hornets NBA Limited Partnership executes this Agreement as assignee of George Shinn Sports, Inc., and/or Shinn and assumes all obligations of Charlotte NBA Limited Partnership, George Shinn Sports, Inc., and/or Shinn under the Team Agreements.

9.2. In consideration of the execution of this Agreement and the direct and indirect benefits that will accrue to him, Shinn has entered into this Agreement individually for the purpose of guaranteeing all of the obligations, undertakings, and responsibilities of the Hornets hereunder, including, without limitation, the Hornets' agreements and undertaking with respect to any payments to be made to the Authority pursuant to Sections 3.8 and 6.4 and the representations, warranties, covenants, and agreements set forth in Section 2.2. Except as otherwise provided herein, Shinn shall not be released from any of his obligations under the Team Agreements or this Agreement by any assignment (to Charlotte Hornets NBA Limited Partnership or otherwise), and shall continue to be personally responsible for the performance by Charlotte Hornets NBA Limited Partnership and Team of all obligations and liabilities of Charlotte Hornets NBA Limited Partnership and Team under the Team Agreements and this Agreement. In furtherance of such obligations, Shinn has executed the Guaranty Agreement in the form attached hereto and made a part hereof as *Exhibit 3*.

9.3. Notwithstanding anything set forth in the New Basketball Agreement to the contrary, the Hornets may, with Shinn's consent, assign this Agreement and the Team Agreements, and Shinn may assign the Charlotte Hornets NBA franchise and any interest he may have in the Team Agreements (such Team Agreements to be assigned as a group and not individually), to an individual or entity which has acquired the Charlotte Hornets NBA franchise from Shinn provided that (i) such individual or entity is approved by the NBA as an owner of the Charlotte Hornets NBA franchise, (ii) such individual or entity agrees to be bound by the terms of the Team Agreements and this Agreement, (iii) such individual or the individual owner(s) owning in the aggregate a majority interest of such entity execute(s) (a) personal guarantee(s) similar to the one given by Shinn in Section 9.2, and (iv) Shinn remains personally liable as provided in Section 9.2.

9.4. The Charlotte Hornets NBA Limited Partnership, its successors and assigns, and George Shinn, individually, hereby each expressly submit to the jurisdiction of the General Courts of Justice of Mecklenburg County, State of North Carolina, for all purposes under this Agreement and the Team Agreements, and agree that such courts shall have jurisdiction of all matters arising under this Agreement and the Team Agreements and agree that such courts may exercise *in personam* jurisdiction over them.

10.1. Each party represents to the other that he or it has the full power and authority to enter into this Agreement, that all action required for authorization of execution hereof has been taken by its appropriate governing body, entity, or individual and that this Agreement constitutes a valid agreement, enforceable against such party hereto to the extent of his or its obligations as set forth herein.

10.2. The Authority, at a properly scheduled meeting, approved this Agreement and authorized its Interim Managing Director to execute this Agreement on its behalf.

IN WITNESS WHEREOF, the parties have duly executed this instrument in triplicate as of the day and year first above written.

**AUDITORIUM-COLISEUM-CONVENTION
CENTER AUTHORITY A**

By: Michael E. Crum (SEAL)
Michael E. Crum, Interim Managing Director

GEORGE SHINN

George Shinn (SEAL)
George Shinn

CHARLOTTE HORNETS NBA LIMITED PARTNERSHIP

By SHINN ENTERPRISES INCORPORATED
Its Sole General Partner

By: George Shinn
George Shinn, President

SEAL

ATTESIA

Secretary

SEAL

ATTEST:

City Clerk

CITY OF CHARLOTTE

By: Pamela A. Syfert
Pamela A. Syfert, City Manager

**EXHIBIT 1 TO AMENDING AGREEMENT
OTHER SPECIFIC MODIFICATIONS TO THE
SIGNAGE OPERATING AGREEMENT OR NEW BASKETBALL AGREEMENT**

Signage Operating Agreement

1. Section 6 of the Signage Operating Agreement shall be deemed deleted from the Signage Operating Agreement and the Signage Operating Agreement shall terminate upon the effective date of termination of this Agreement.

New Basketball Agreement

1. Sections 3 (Term), 4.1 (Rental Rate), and 5 (Options to Renew and Terminate) of the New Basketball Agreement are deemed deleted from the New Basketball Agreement and the New Basketball Agreement shall terminate upon the effective date of termination of this Agreement.
2. The last sentence of Section 6.1.1 of the New Basketball Agreement shall be deemed amended to read as follows: "All other modifications to the Coliseum shall be subject to the approval of the Policy Committee as part of the capital budget process set forth in Section 4.1.1 of the Amending Agreement."
3. The following shall be deemed added to the end of the first sentence in Section 6.13 of the New Basketball Agreement: "(the party controlling novelty sales during such event shall pay the appropriate percentage of net novelty sales to the other party)".
4. Payments made by the Hornets pursuant to Section 11.7.2 of the New Basketball Agreement for additional parking spaces shall be considered a part of Gross Revenue.
5. Payments of a novelty fee by the Hornets pursuant to Section 12.7 of the New Basketball Agreement shall be considered a part of Gross Revenue.
6. The last clause of Section 14.10 of the New Basketball Agreement beginning with "provided however" shall be deemed amended to read as follows: "provided, however, that the Authority and the Hornets shall, in equal shares, fully fund the reserves set forth in Sections 14.9.1, 14.9.2, and 14.9.3 from revenues other than Gross Revenue if the Signage Advertising revenue collected by Authority from non-Team Signage each year of this Agreement is insufficient to fully fund such reserves." A new sentence shall be added to the end of such Section 14.10 as follows: "Upon termination of the Merchandising Reserve as provided in Section 3.3.3 of the Amending Agreement, Section 14.9.2 of the New Basketball Agreement shall be deemed deleted and such reserve shall no longer be funded."
7. Payments by the Hornets of "Lost per patron parking and concessions revenue" pursuant to Section 15.2 of the New Basketball Agreement shall be considered a part of Gross Revenue.
8. Notwithstanding anything set forth to the contrary in Section 22 of the New Basketball Agreement, each party shall maintain during the term of this Agreement commercial general public liability insurance (including broad form property damage liability coverage, contractual liability coverage, and products-completed operations liability coverage) with combined single limits for bodily injury and property damage of not less than \$25 million. Such coverage may be provided by primary, umbrella, and/or excess policies. The waiver of any claim covered by insurance as set forth in Section 22.4 of the New Basketball Agreement shall apply to the above required insurance.
9. Section 30 (Default) of the New Basketball Agreement shall be deemed amended by adding Section 30.2 as follows:

30.2 Authority is in default if:

30.2.1 Authority breaches any other provision of this Agreement and such breach is not cured within thirty (30) days after receipt of written notice.

- 31.1. Upon a default by the Hornets, the Authority may, at its sole option, terminate this Agreement and/or take any other action authorized by law, equity, the Team Agreements, or the Amending Agreement. Notwithstanding the foregoing, if the Hornets default by failing or refusing to play Team Home Games in the Coliseum as provided in Section 2.2 of the Amending Agreement without first complying with the provisions of Section 6.4 of the Amending Agreement, such default shall be deemed a termination pursuant to such Section 6.4 and the Authority's sole remedy for such a default shall be the Termination Payment and other remedies as set forth in such Section 6.4. The date of the default shall determine the amount of the Termination Payment to be paid (e.g., a default occurring on or before July 1, 2001, but after July 1, 2000, shall have a Termination Payment of \$20 million; a default occurring on or before July 1, 2002, but after July 1, 2001, shall have a Termination Payment of \$10 million; and so on).

11. Section 34 of the New Basketball Agreement shall be deemed deleted in its entirety and the following substituted in lieu thereof:

12. Notice addresses for purposes of Section 35 of the New Basketball Agreement shall be as follows:

Mr. George Shinn
100 Hive Drive
Charlotte, NC 28217

Perry, Patrick, Farmer & Micheaux, P.A.
ATTN: Bailey Patrick, Jr.
Suite 2200
227 W. Trade St.
Charlotte, NC 28202

**EXHIBIT 2 TO AMENDING AGREEMENT
EXCESS FUNDS COMPUTATION**

Gross Revenue	
Rent	Charges for use of Coliseum.
Box Office & Ticketing	Coliseum box office charges (incl. Ticketmaster commissions).
Event Staffing	Charges for Coliseum event staff.
Advertising	One-half of non-team signage after deduction for signage "reserves", reimbursements from signage Maintenance Reserve, and non-capital item reimbursements from "Projector Replacement Reserve" (see § 14 of New Basketball Agr. and Note 1 below), use of Coliseum advertising services, and purchases of ad space in Coliseum publications.
Net Naming Rights	See § 3.3.2 of the Amending Agreement.
Parking	Revenue from parking (including Farmers Market).
Concessions & Catering	Revenue from food & beverage sales.
Novelties	Revenue from Authority's split on novelty and program sales (incl. 50% of net revenue from Hornets sponsored events per § 6.13 of the New Basketball Agreement if paid to Authority by Hornets).
Authority Sponsored Events	Revenue from co-promoted Coliseum events.
Skybox Agreements	One-half of Skybox License Fees and reimbursements from Skybox Maintenance Reserve (see § 7 of New Basketball Agreement and Note 2 below).
Interest	See §§ 3.3.1.1, 3.3.1.2, 3.3.1.3 of the Amending Agreement.
Miscellaneous	All other revenue attributable to Coliseum operations.
Less Operating Expenses	
Cost of Merchandise Sold	Cost of food & beverage items.
Salaries and Wages	Moneys paid to Authority employees related to Coliseum operations (incl. vacation & sick pay).
Employer Paid Fringes	Social Security taxes, insurance, retirement, workers' compensation, and unemployment insurance paid for Authority employees related to Coliseum operations.
Supplies	Operating supplies for Coliseum.
Telephone & Postage	Local & long distance phone service, postage.
Ticket System Charges	Contractual & operating expenses related to Coliseum box office.
Advertising	Authority placed event, trade, and local ads; newsletters; collateral sales pieces; agency fees; brochures; public relations expenses; and promotional goods and services.
Team Marketing Expense	See § 3.3.3 of the Amending Agreement.
Rentals	Rental of miscellaneous equipment and property.
Utilities	Electricity, gas, water, sewer.
Repairs & Maintenance	Building & equipment repairs & maintenance, including groundskeeping.
Travel & Entertainment	Coliseum-related travel and entertainment.
Professional Fees	Audit, legal, consulting, payroll, inspection, and charge card fees.
Other	All other Coliseum related expenses.
Less Additional Distributions & Other Payments	
Rent/Novelties	Hornets portion of rent and novelties for Hornets-sponsored events per § 6.13 of New Basketball Agreement.
F&B	See § 13 of New Basketball Agreement (includes F&B from Hornets-sponsored events per § 6.13 of New Basketball Agreement).
Parking	See § 11 of New Basketball Agreement (includes parking from Hornets-sponsored events per § 6.13 of New Basketball Agreement).
Less Capital Reserve Fund	See § 3.2.3 of the Amending Agreement.
Excess Funds	See § 3.2.5 of the Amending Agreement.
To Hornets	
To Authority	

NOTES

- Note 1: Section 14 of the New Basketball Agreement provides for two types of signage advertising: Team Signage and non-Team Signage. The Hornets contract directly with advertisers for Team Signage and receive all revenues generated thereby directly. The Authority contracts with advertisers for non-Team Signage. Revenue from non-Team Signage is allocated as follows: (i) to the Maintenance Reserve, (ii) to the Merchandising Reserve (until terminated as provided in Section 3.3.3 of this Agreement), (iii) to the Refurbishment and Replacement Reserve (the "Projector Reserve"); and (iv) to the Authority and the Hornets in equal shares.

The Merchandising Reserve is distributed directly to the Hornets (and is not shown as an Authority expense) (there is no separate Merchandising Reserve account).

Funds for the Maintenance Reserve are transferred directly to Gross Revenue (in the "Advertising" category) and any amounts spent from such Maintenance Reserve are listed as Operating Expenses in the appropriate categories (which thereby increases the "Advertising" Gross Revenue category while also increasing the appropriate expense categories resulting in an off-set) (there is no separate Maintenance Reserve account).

Funds from the Projector Reserve are maintained in a separate account until needed and are used for capital items and do not increase Gross Revenue when spent on capital items (*i.e.*, they are not transferred to the "Advertising" Gross Revenue category and then offset by corresponding expense category entries), but do affect the Authority's calculations of Proprietary Interest in the Authority's annual audit. Nevertheless, if funds from the Projector Reserve are used for non-capital items, such funds are transferred to Gross Revenue (in the "Advertising" category) and the amounts spent are listed as Operating Expenses in the appropriate categories (which, again, thereby increases the "Advertising" Gross Revenue category while also increasing the appropriate expense categories resulting in an off-set).

After deducting the above reserve payments from gross non-Team Signage revenue, the remaining net amount is distributed to the Authority and Hornets in equal shares. The Authority's share of such distribution is then included in Gross Revenue as a part of "Advertising".

- Note 2: Section 7 of the New Basketball Agreement provides for allocation of Skybox License Fees as follows: (i) to a Skybox Maintenance Reserve, (ii) to reimburse the Hornets for any NBA League Fee, and (iii) to the Authority and the Hornets in equal shares.

Funds for the Skybox Maintenance Reserve are transferred directly to Gross Revenue (in the "Skybox Agreements" category) (there is no separate Skybox Maintenance Reserve account) and any amounts spent from such Skybox Maintenance Reserve are listed as Operating Expenses in the appropriate categories (which thereby increases the "Skybox Agreements" Gross Revenue category while also increasing the appropriate expense categories resulting in an off-set). If funds from the Skybox Maintenance Reserve are used for capital items, such funds do not increase Gross Revenue when used (*i.e.*, they are not transferred to the "Skybox Agreements" Gross Revenue category and offset by corresponding expense category entries), but do affect the Authority's calculations of Proprietary Interest in the Authority's annual audit.

The NBA League Fee is paid directly to the Hornets.

The remainder of Skybox License Fees is split equally between the Authority and the Hornets. The Authority's share of such split is then included in the "Skybox Agreements" category of Gross Revenue.

**EXHIBIT 3 TO AMENDING AGREEMENT
SHINN'S GUARANTY**

GUARANTY

This Guaranty (this "Guaranty") is made and dated as of the ____ day of _____ 1998 by GEORGE SHINN, a resident of Mecklenburg County, North Carolina (the "Guarantor").

RECITALS

A. The Auditorium-Coliseum Convention Center Authority, a political subdivision of the City of Charlotte, North Carolina ("Authority"), George Shinn, an individual, and Charlotte Hornets NBA Limited Partnership, a North Carolina limited partnership (successor in interest to George Shinn Sports, Inc.) ("Hornets") have heretofore entered into a Signage Operating Agreement dated May 2, 1991 and the New Basketball Agreement dated November 6, 1995 (said Agreements being individually and collectively referred to as the "Old Agreements"), which such Old Agreements were duly guaranteed by Guarantor.

B. Pursuant to Amending Agreement dated as of the 13th day of April 1998, the Authority, Shinn, Hornets and the City of Charlotte, a North Carolina municipal corporation ("City" and, together with the Authority, the "Obligees") amended and supplemented the Old Agreements and formalized in said Amending Agreement their understanding of their relationship (individually, the "New Agreement" and together with the Old Agreements the "Agreements"). Capitalized terms not otherwise defined herein are used with the same meanings as in the Agreements.

C. Under the terms of the Agreements the Hornets in addition to being obligated to make various payments to the Authority, make various representations and warranties concerning the Team including, without limitation, the specific representation and warranty that until June 30, 2004, the Team will play all of its regular season home games and all of its NBA post-season playoff games at the Coliseum if the Agreements are in effect until such date (all of such undertakings and obligations imposed upon the Hornets by the Agreements being collectively referred to herein as the "Obligations").

D. As a condition precedent to the effectiveness of the Agreements, Authority and City have required Guarantor to guarantee all of the Obligations of the Hornets as set forth in said Agreements.

E. In connection with the execution and delivery of the New Agreement, Guarantor has executed and delivered to Authority and City this Guaranty as evidence of Guarantor's obligations under the Old Agreements and the New Agreement.

F. Guarantor, directly and indirectly, owns 100% of the Hornets and thus the Guarantor will derive material benefit from the Agreements.

NOW, THEREFORE, in consideration of the above Recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Guarantor hereby agrees as follows:

AGREEMENT

1. The Guarantor hereby irrevocably and unconditionally guarantees all of the Obligations, as such Obligations are from time to time reduced or increased, whether or not the Hornets may be liable individually or jointly with others, whether or not recovery upon such Obligations may be or hereafter become barred by any statute of limitations, and whether or not such Obligations may be or hereafter become otherwise invalid or unenforceable unless such invalidity or unenforceability arises from a default of the City or the Authority. This Guaranty is a guaranty of payment and not of collection.

the Obligees is at any time determined to be a preferential payment, then such amount paid to the Guarantor shall be deemed to be held in trust for the benefit of the Obligees and shall forthwith be paid to the Obligees to be credited and applied upon the Obligations, whether matured or unmatured, in such order and manner as the Obligees shall determine. To the extent that any of the provisions of this paragraph shall not be enforceable, the Guarantor agrees that until such time as the Obligations have been paid and performed in full and the period of time has expired during which any payment made by the Hornets or the Guarantor to the Obligees may be determined to be a preferential payment, the Guarantor's Conditional Rights to the extent not validly waived shall be subordinate to the Obligees' right to full payment and performance of the Obligations and the Guarantor shall not seek to enforce the Guarantor's Conditional Rights during such period. The Guarantor waives all presentments, demands for performance, protests and notices, including, without limitation, notices of nonperformance, notices of protest, notices of dishonor, notices of acceptance of this Guaranty, and notices of the existence, creation or incurring of new or additional Obligations. The Guarantor assumes all responsibility for being and keeping himself informed of the Hornets' financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Obligations and the nature, scope and extent of the risks which the Guarantor assumes and incurs hereunder, and agrees that the Obligees shall have no duty to advise the Guarantor of information known to them regarding such circumstances or risks.

7. In addition to the Obligations, the Guarantor agrees to pay reasonable attorneys' fees and all other costs and expenses incurred by the Obligees in enforcing this Guaranty in any action or proceeding arising out of, or relating to, this Guaranty. This Guaranty and the liability and obligations of the Guarantor hereunder are binding upon the Guarantor and his successors and assigns, and this Guaranty inures to the benefit of and is enforceable by the Obligees and their successors, transferees, and assigns.

8. No right or power of the Obligees hereunder shall be deemed to have been waived by any act or conduct on the part of any person, or by any neglect to exercise such right or power, or by any delay in so doing; and every right or power shall continue in full force and effect until specifically waived or released by an instrument in writing executed by the Obligees.

9. The Guarantor hereby represents, warrants and agrees that subject to the express rights of the Hornets to terminate the Agreements prior to (and including) June 30, 2004, and to the extent expressly provided in the New Agreement, Guarantor will cause the Hornets to play all of its regular season home games and all of its NBA post-season playoff home games in the Coliseum on and prior to June 30, 2004, so long as the Agreements remain in full force and effect and are not terminated.

10. This Guaranty shall be deemed to be made under and shall be governed by the laws of the State of North Carolina.

11. If any of the provisions of this Guaranty shall contravene or be held invalid under the laws of the State of North Carolina, this Guaranty shall be construed as if not containing those provisions and the rights and obligations of the parties hereto shall be construed and enforced accordingly.

Executed and sealed as of the day and year first above written.

George Shinn

[SEAL]

STATE OF NORTH CAROLINA

COUNTY OF _____

I, _____, a Notary Public for said County and State, do hereby certify that GEORGE SHINN personally appeared before me this day and acknowledged the due execution of the foregoing instrument in writing.

WITNESS my hand and notarial seal or stamp, this the ____ day of March, 1998.

(SEAL/STAMP)

Notary Public

My Commission Expires:

C

[Click here for Fiscal Note](#)



SENATE BILL 98?171

BY SENATORS Lacy, Bishop, Johnson, Schroeder, Tanner, and Wattenberg;
also REPRESENTATIVES Dean, Agler, Miller, Schauer, and Taylor.

CONCERNING MODIFICATION OF THE "METROPOLITAN FOOTBALL STADIUM DISTRICT ACT", AND, IN CONNECTION THEREWITH, EXPANDING THE BOUNDARIES OF THE DISTRICT AND MODIFYING THE TERMS OF THE AGREEMENT THAT THE BOARD OF DIRECTORS NEGOTIATES WITH A NATIONAL FOOTBALL LEAGUE FRANCHISE.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. The introductory portion to 32?15?104 (1), Colorado Revised Statutes, is amended, and the said 32?15?104 is further amended BY THE ADDITION OF A NEW SUBSECTION, to read:

32?15?104. Creation of district ? area of district. (1) There is hereby created a district to be known and designated as the metropolitan football stadium district. The district shall be a body corporate and politic and a political subdivision of the state. EXCEPT AS PROVIDED IN SUBSECTION (1.5) OF THIS SECTION, the area comprising the district shall consist of:

(1.5) ON AND AFTER THE EFFECTIVE DATE OF THIS SUBSECTION (1.5), THE DISTRICT SHALL, IN ADDITION TO ANY AREAS LISTED UNDER SUBSECTION (1) OF THIS SECTION, CONSIST OF THE FOLLOWING AREAS:

(a) THAT AREA WITHIN THE CITY OF LONE TREE, STATE OF COLORADO, THAT, AS OF THE EFFECTIVE DATE OF THIS SUBSECTION (1.5), IS ZONED FOR COMMERCIAL USE AND IS WITHIN SECTIONS 3, 4, AND 5, TOWNSHIP 6 SOUTH, RANGE 67 WEST OF THE SIXTH PRINCIPAL MERIDIAN, COUNTY OF DOUGLAS, STATE OF COLORADO; AND

(b) THAT AREA EAST OF YOSEMITE STREET, SOUTH OF COUNTY LINE ROAD, WEST OF INTERSTATE 25 AND WITHIN SECTION 3, TOWNSHIP 6 SOUTH, RANGE 67 WEST OF THE SIXTH PRINCIPAL MERIDIAN, COUNTY OF DOUGLAS, STATE OF COLORADO.

SECTION 2. 32?15?106 (1) (c), (1) (e), (1) (f) (III), (1) (f) (VI), (1) (p), (2) (a), (2) (i), (3), and (5) (c), Colorado Revised Statutes, are amended, and the said 32?15?106 (1)

and (2) are further amended BY THE ADDITION OF THE FOLLOWING NEW PARAGRAPHS, to read:

32?15?106. Board of directors ? powers and duties. (1) In addition to any other powers specifically granted to the board in this article, the board shall have the following duties and powers:

(c) ~~To negotiate an agreement with the franchise:~~ TO NEGOTIATE AN AGREEMENT WITH THE FRANCHISE REQUIRING THE FRANCHISE TO PAY TWENTY?FIVE PERCENT OF THE ACTUAL CONSTRUCTION COSTS OF THE STADIUM, INCLUDING BUT NOT LIMITED TO PROFESSIONAL FEES, SITE ACQUISITION COSTS, AND MATERIALS AND LABOR COSTS AND REQUIRING THE FRANCHISE TO PAY FOR TWENTY?FIVE PERCENT OF ALL COSTS IN EXCESS OF THE ANTICIPATED CONSTRUCTION COSTS.

~~(I) Requiring the franchise to provide all costs of renovation or construction that exceed the maximum amount of the special obligation bonds issued by the district or at least twenty?five percent of the costs of renovating Mile High stadium or constructing a new stadium; whichever is greater; and~~

~~(II) Requiring the franchise to pay for any costs of renovation of Mile High stadium or construction of the new stadium in excess of the maximum amount paid by the district pursuant to subparagraph (I) of this paragraph (c); including, but not limited to, cost overruns;~~

(e) ~~To negotiate with~~ PROVIDE the counties within the district and ~~with the city and county of Denver and enter into an agreement to provide such counties and the city and county of Denver~~ with a benefit from A PORTION OF the revenues, other than sales tax revenues AND ADMISSIONS TAX REVENUES, derived from the operation of Mile High stadium if it is renovated or the new stadium during the period of time the district is collecting the sales tax OR THE ADMISSIONS TAX OR SUCH LONGER PERIOD AS THE BOARD MAY DETERMINE APPROPRIATE;

(f) After completion of the review, negotiations, and other matters set forth in paragraphs (a) to (e) of this subsection (1) and if the board determines that there is a need to renovate Mile High stadium or to construct a new stadium and that the renovation of Mile High stadium or the construction of a new stadium is more cost effective and economically viable than maintaining and repairing Mile High stadium, the board shall then determine whether it is more cost effective and economically viable to renovate Mile High stadium or to construct a new stadium, after which the board shall adopt a resolution that, in addition to the statements required by section 32?15?107 (1) (b), includes, but shall not be limited to, the following declarations:

(III) ~~That the district has entered into an agreement with the franchise that requires the franchise:~~ THAT THE DISTRICT HAS ENTERED INTO AN AGREEMENT WITH THE FRANCHISE THAT REQUIRES THE FRANCHISE TO PROVIDE TWENTY?FIVE

PERCENT OF THE ACTUAL CONSTRUCTION COSTS OF THE STADIUM, INCLUDING BUT NOT LIMITED TO PROFESSIONAL FEES, SITE ACQUISITION COSTS, AND MATERIALS AND LABOR COSTS AND THAT REQUIRES THE FRANCHISE TO PAY FOR TWENTY-FIVE PERCENT OF ALL COSTS IN EXCESS OF THE ANTICIPATED CONSTRUCTION COSTS.

~~(A) To provide all costs of renovation or construction that exceed the maximum amount of the special obligation bonds issued by the district or at least twenty-five percent of the costs of renovating Mile High stadium or constructing a new stadium, whichever is greater; and~~

~~(B) To provide any costs of renovation of Mile High stadium or construction of the new stadium in excess of the maximum amount paid by the district pursuant to subparagraph (1) of paragraph (c) of subsection (1) of this section, including, but not limited to, cost overruns;~~

~~(VI) That the board has entered into an agreement with~~ WILL PROVIDE the counties within the district and with the city and county of Denver ~~to provide such counties and the city and county of Denver~~ with a benefit from the revenues, other than sales tax revenues AND ADMISSIONS TAX REVENUES, derived from the operation of Mile High stadium if it is renovated or the new stadium during the period of time the district is collecting the sales tax OR THE ADMISSIONS TAX OR SUCH LONGER PERIOD AS THE BOARD MAY DETERMINE APPROPRIATE.

(g.5) IN DESIGNING AND CONSTRUCTING A NEW STADIUM, TO ARRANGE AND COORDINATE THE PROVISION OF MASS TRANSIT, INCLUDING LIGHT RAIL, BUSES, AND OTHER FORMS OF PUBLIC TRANSPORTATION TO SERVICE SUCH STADIUM WITH THE REGIONAL TRANSPORTATION DISTRICT.

(p) To receive and accept from any source aid or contributions of money, property, labor, or other things of value to be held, used, and applied to carry out the purposes of this article subject to the conditions upon which the grants or contributions are made; except that no public moneys from the state, any city, town, city and county, or county, and any department, agency, or instrumentality of the United States of America shall be accepted or expended for any purpose set forth in this article. NOTWITHSTANDING ANY PROVISION SET FORTH IN THIS PARAGRAPH (p), THE BOARD SHALL NOT BE PROHIBITED FROM RECEIVING PUBLIC MONEYS FROM THE ECONOMIC DEVELOPMENT COMMISSION CREATED PURSUANT TO SECTION 24-46-102 (2), C.R.S., THAT ARE PAID FROM THE ECONOMIC DEVELOPMENT FUND CREATED PURSUANT TO SECTION 24-46-105, C.R.S.

(2) After the board has completed the review and negotiations set forth in paragraphs (a) to (e) of subsection (1) of this section and if the board has received notice from the secretary of state stating that a valid petition has been filed and verified and has adopted a resolution pursuant to paragraph (f) of subsection (1) of this section, in addition to any powers granted to the board in subsection (1) of this section or in this article, the board

shall have the following powers and duties:

(a) ~~To decide at which general election or election held on the first Tuesday of November in an odd-numbered year~~ SUBMIT the question specified in section 32?15?107 (1) ~~shall be submitted~~ to the registered electors within the geographical boundaries of the district AT THE 1998 GENERAL ELECTION;

(i) To borrow money, CONTRACT TO BORROW MONEY FOR THE PURPOSE OF ISSUING BOND ANTICIPATION NOTES PURSUANT TO ARTICLE 14 OF TITLE 29, C.R.S., contract to borrow money for the purpose of issuing special obligation bonds, and issue obligations for any of its corporate purposes and to fund such obligations, to refinance such obligations EVEN IF, IN THE CASE OF REFINANCING OR REFUNDING BOND ANTICIPATION NOTES, SUCH REFINANCING OR REFUNDING IS AT A HIGHER INTEREST RATE, and to refund such obligations as provided in this article subject to the requirements of section 20 of article X of the state constitution;

n.5) TO LEVY AND COLLECT, IF THE BOARD SO DETERMINES, A TAX UPON ADMISSIONS TO A NEW STADIUM CONSTRUCTED BY THE DISTRICT PURSUANT TO THE PROVISIONS OF THIS ARTICLE, SUBJECT TO THE REQUIREMENTS OF SECTION 20 OF ARTICLE X OF THE STATE CONSTITUTION;

(3) If Mile High stadium is renovated or if a new stadium is built, the board ~~shall make a good faith effort~~ MAY sell or lease the name of the stadium and any symbol or image of the general design, appearance, or configuration of the stadium, including trademarks, service marks, trade names, and logos. PRIOR TO MAKING A DETERMINATION TO SELL OR LEASE THE NAME OF THE STADIUM, THE BOARD SHALL ASSESS THE COSTS AND BENEFITS OF SUCH SALE OR LEASE AND SPECIFICALLY CONSIDER THE PUBLIC SENTIMENT AND ANY OTHER BENEFITS ASSOCIATED WITH RETAINING THE NAME "MILE HIGH STADIUM" OR WITH USING ANY OTHER NAME THAT REFLECTS THE GEOGRAPHICAL, HISTORICAL, CULTURAL, SPIRITUAL, OR OTHER QUALITIES OF THE STATE. All proceeds from such sale or lease, if any, shall be used by the board to pay the principal, interest, and prepayment premium, if any, on outstanding special obligation bonds issued by the board pursuant to the provisions of this article.

(5) In carrying out its duties in connection with the operation of the stadium, the board shall duly consider:

(c) ~~That no person or business be awarded a food and beverage concession contract allowing such person or business to occupy more than twenty-five~~ NOT LESS THAN FIFTEEN percent of the total square footage allocated for food and beverage sales at Mile High stadium if it is renovated or at the new stadium SHALL BE OCCUPIED, EITHER DIRECTLY OR THROUGH SUBCONTRACTS, BY PERSONS OR BUSINESSES THAT MAINTAIN THEIR PRINCIPAL PLACE OF BUSINESS IN COLORADO.

SECTION 3. 32?15?106, Colorado Revised Statutes, is amended BY THE ADDITION OF A NEW SUBSECTION to read:

32?15?106. Board of directors ? powers and duties. (7) IN DESIGNING AND CONSTRUCTING A STADIUM PURSUANT TO THIS ARTICLE, THE BOARD MAY CONSIDER THE TECHNICAL AND ECONOMIC FEASIBILITY OF INCLUDING A RETRACTABLE ROOF OVER SUCH STADIUM; EXCEPT THAT:

(a) NO CONSTRUCTION COSTS FOR A RETRACTABLE DOME SHALL BE PART OF THE BALLOT ISSUE PROPOSED, NOR SHALL ANY SUCH COSTS BE PAID BY ANY BONDS, TAXES, OR OTHER REVENUES ISSUED UNDER THIS ARTICLE; AND

(b) THE BOARD SHALL NOT AUTHORIZE THE CONSTRUCTION OF A RETRACTABLE ROOF WITHOUT PRIOR SPECIFIC STATUTORY AUTHORIZATION IF ANY PORTION OF THE COSTS OF CONSTRUCTION OF SUCH RETRACTABLE ROOF SHALL BE PAID OR FUNDED BY ANY TAX OR OTHER REVENUES OF THE DISTRICT.

SECTION 4. 32?15?107 (1) (a), (1) (b) (III), (1) (d) (I) (B), (1) (d) (II), (1) (d) (III), (1) (d) (IV), (3), (5), and (6), Colorado Revised Statutes, are amended, and the said 32?15?107 is further amended BY THE ADDITION OF A NEW SUBSECTION, to read:

32?15?107. Authorizing election. (1) (a) For purposes of complying with the provisions of section 20 (4) of article X of the state constitution and upon receipt of a notice from the secretary of state stating that a valid petition has been filed and verified and the adoption of a resolution by the board as set forth in section 32?15?106 (1) (f), the board may submit to the registered electors within the geographical boundaries of the district, at ~~a THE 1998 general election, or an election held on the first Tuesday in November of an odd-numbered year~~ the question of whether the district shall be authorized:

(I) (A) To levy and collect, for a period commencing after the termination of the sales tax levied and collected by the Denver metropolitan major league baseball stadium district pursuant to section 32?14?105 and continuing for a period not to extend beyond January 1, 2012, a uniform sales tax throughout the district at a rate not to exceed one-tenth of one percent upon every transaction or other incident with respect to which a sales tax is levied by the state, pursuant to the provisions of article 26 of title 39, C.R.S.; except that such sales tax shall be levied on purchases of machinery or machine tools that are otherwise exempt pursuant to section 39?26?114 (11), C.R.S., to the extent that such purchases are subject to the sales tax levied by the regional transportation district pursuant to section 29?2?105 (1) (d), C.R.S., to be held and distributed pursuant to the provisions of section 32?15?111; and

(B) TO LEVY AND COLLECT A TAX UPON ADMISSIONS TO A NEW STADIUM PURSUANT TO SECTION 32?15?110.5 FOR A PERIOD NOT TO EXTEND BEYOND

JANUARY 1, 2012, AND AT A RATE NOT TO EXCEED TEN PERCENT UPON EVERY PURCHASE OF ADMISSION TO SUCH STADIUM, TO BE HELD AND DISTRIBUTED PURSUANT TO THE PROVISIONS OF SECTION 32?15?111; AND

(II) To incur multiple?fiscal year financial obligations to be repaid from OTHER MULTIPLE?FISCAL YEAR FINANCIAL OBLIGATIONS OF THE DISTRICT OR the revenues ~~generated from the sales tax levied and~~ collected by the district, OR BOTH, and to refund AND REFINANCE the BOND ANTICIPATION NOTES AND special obligation bonds authorized without further approval of the voters EVEN IF, IN THE CASE OF REFINANCING OR REFUNDING OF BOND ANTICIPATION NOTES, SUCH REFINANCING OR REFUNDING IS AT A HIGHER INTEREST RATE.

(b) The summary for such petition shall include, but shall not be limited to, the following statements:

(III) A statement that the maximum PRINCIPAL amount of moneys to be raised by the district FOR PAYMENT OF COSTS OF CONSTRUCTION OF THE STADIUM through the issuance of ~~special obligation bonds~~ MULTIPLE?FISCAL YEAR FINANCIAL OBLIGATIONS is ~~one hundred eighty~~ TWO HUNDRED SIXTY?SIX million dollars.

(d) (I) Except as otherwise provided in subparagraph (III) of this paragraph (d), at the election, the question appearing on the ballot shall be determined as follows:

(B) In the event that the board has determined that it is more cost effective and economically viable to build a new stadium than to renovate Mile High stadium, the question appearing on the ballot shall be as follows:

~~"SHALL THE METROPOLITAN FOOTBALL STADIUM DISTRICT TAXES BE INCREASED (first full fiscal year dollar increase) ANNUALLY AND BY WHATEVER ADDITIONAL AMOUNTS ARE RAISED ANNUALLY THEREAFTER FROM THE LEVY AND COLLECTION BY THE DISTRICT OF A ONE?TENTH OF ONE PERCENT SALES AND USE TAX FOR A PERIOD NOT TO EXTEND BEYOND JANUARY 1, 2012, OR UPON PAYMENT OF THE SPECIAL OBLIGATION BONDS, WHICHEVER OCCURS EARLIER, COMMENCING AFTER THE TERMINATION OF THE SALES AND USE TAX LEVIED AND COLLECTED BY THE DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT, WITH ALL OF THE PROCEEDS TO BE USED AND SPENT, ALONG WITH FUNDS FROM OTHER SOURCES INCLUDING THE PRIVATE SECTOR, FOR THE COSTS RELATING TO THE CONSTRUCTION OF A NEW FOOTBALL STADIUM TO BE LOCATED WITHIN THE DISTRICT; AND SHALL THE METROPOLITAN FOOTBALL STADIUM DISTRICT BE AUTHORIZED TO ISSUE MULTIPLE?FISCAL YEAR FINANCIAL OBLIGATIONS PAYABLE FROM THE PROCEEDS OF SAID ONE?TENTH OF ONE PERCENT SALES AND USE TAX AND SAID FUNDS FROM OTHER SOURCES, WHICH AUTHORIZATION SHALL INCLUDE THE AUTHORITY TO REFUND SUCH MULTIPLE?FISCAL YEAR FINANCIAL OBLIGATIONS, AND REFUNDING SPECIAL OBLIGATION BONDS, WITHOUT ADDITIONAL VOTER~~

~~APPROVAL?"~~

"SHALL THE METROPOLITAN FOOTBALL STADIUM DISTRICT DEBT BE INCREASED (PRINCIPAL AMOUNT), WITH A REPAYMENT COST OF (MAXIMUM TOTAL DISTRICT COSTS) AND SHALL DISTRICT TAXES BE INCREASED (FIRST FULL FISCAL YEAR DOLLAR INCREASE) ANNUALLY AND BY WHATEVER ADDITIONAL AMOUNTS ARE RAISED ANNUALLY THEREAFTER FROM THE LEVY AND COLLECTION BY THE DISTRICT OF [A (____) PERCENT ADMISSIONS TAX AND FROM THE LEVY AND COLLECTION OF] [THIS CLAUSE TO BE INSERTED IF DETERMINED TO BE APPROPRIATE BY THE DISTRICT] A ONE-TENTH OF ONE PERCENT SALES AND USE TAX WITH ALL OF THE PROCEEDS OF SUCH DEBT AND TAXES TO BE USED AND SPENT, TOGETHER WITH FUNDS FROM OTHER SOURCES INCLUDING THE PRIVATE SECTOR, FOR THE COSTS RELATING TO THE CONSTRUCTION OF A NEW FOOTBALL STADIUM TO BE LOCATED WITHIN THE DISTRICT SUBJECT TO THE FOLLOWING LIMITATIONS:

C THE SALES AND USE TAX SHALL COMMENCE AFTER THE TERMINATION OF THE SALES AND USE TAX LEVIED AND COLLECTED BY THE DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT AND SHALL NOT EXTEND BEYOND JANUARY 1, 2012, OR THE PAYMENT IN FULL OF SUCH DEBT, WHICHEVER OCCURS EARLIER;

C [THE DEBT SHALL BE EVIDENCED BY NOTES, BONDS, OR CONTRACTS INCLUDING NOTES, BONDS, OR CONTRACTS TO REFUND OTHER NOTES, BONDS, OR CONTRACTS EVEN IF THE REFUNDING IS AT A HIGHER RATE OF INTEREST;] [THIS PARAGRAPH TO BE INSERTED IF DETERMINED TO BE APPROPRIATE BY THE DISTRICT]

C THE DEBT SHALL BE PAYABLE FROM THE PROCEEDS OF SUCH TAX, INVESTMENT INCOME, AND SUCH OTHER DISTRICT REVENUES AS THE BOARD OF DIRECTORS MAY PLEDGE FOR SUCH PAYMENT;

C THE DEBT SHALL HAVE SUCH TERMS AND CONDITIONS AS THE BOARD OF DIRECTORS OF THE DISTRICT MAY DETERMINE, INCLUDING PROVISIONS FOR REDEMPTION PRIOR TO MATURITY WITH OR WITHOUT PAYMENT OF THE PREMIUM;

\$ [THE ADMISSIONS TAX SHALL NOT EXTEND BEYOND JANUARY 1, 2012, OR THE PAYMENT IN FULL OF SUCH DEBT, WHICHEVER OCCURS EARLIER;] [THIS PARAGRAPH TO BE INSERTED IF DETERMINED TO BE APPROPRIATE BY THE DISTRICT]

AND SHALL THE PROCEEDS OF SUCH DEBT AND TAXES AND ANY

INVESTMENT INCOME THEREFROM AND ANY OTHER REVENUES OF THE DISTRICT BE COLLECTED AND SPENT WITHOUT LIMITATION OR CONDITION, AS A VOTER?APPROVED REVENUE CHANGE UNDER SECTION 20 OF ARTICLE X OF THE COLORADO CONSTITUTION OR ANY OTHER LAW?"

(II) Except as otherwise provided in subparagraph (III) of this paragraph (d), the ballot title shall be a statement of the language included in the question set forth in SUB?SUBPARAGRAPH (B) OF subparagraph (I) of this paragraph (d); except that the title SHALL SUBSTITUTE THE WORDS "THE METROPOLITAN FOOTBALL STADIUM DISTRICT DEBT SHALL BE INCREASED" FOR "SHALL THE METROPOLITAN FOOTBALL STADIUM DISTRICT DEBT BE INCREASED", shall substitute the words "~~THE METROPOLITAN FOOTBALL STADIUM DISTRICT TAXES SHALL BE INCREASED~~" for the words "SHALL THE METROPOLITAN FOOTBALL STADIUM DISTRICT TAXES BE INCREASED", and shall substitute the words "~~THE METROPOLITAN FOOTBALL STADIUM DISTRICT PROCEEDS OF SUCH DEBT AND TAXES AND ANY INVESTMENT INCOME THEREFROM AND ANY OTHER REVENUES OF THE DISTRICT SHALL BE AUTHORIZED~~" for the words "~~SHALL THE METROPOLITAN FOOTBALL STADIUM DISTRICT BE AUTHORIZED THE PROCEEDS OF SUCH DEBT AND TAXES AND ANY INVESTMENT INCOME THEREFROM AND ANY OTHER REVENUES OF THE DISTRICT BE~~", and the title shall end with a period instead of a question mark.

(III) The ballot question specified in subparagraph (I) of this paragraph (d) may be modified by the proponents of a petition OR BY THE DISTRICT to the extent necessary to conform to ~~the requirements of any final decision of a district or appellate court regarding~~ the legal requirements for ballot questions and titles.

(IV) If at any election a majority of the registered electors within the geographical boundaries of the district voting on the question vote affirmatively on the question specified in paragraph (d) of this subsection (1), then the sales tax AND THE ADMISSIONS TAX shall be levied, collected, and distributed as provided for in this article.

(3) Any petition shall be filed with the secretary of state at least ninety days before the 1998 general election. ~~or the election held on the first Tuesday of November in an odd-numbered year, whichever is applicable, at which it shall be voted upon. Regardless of when the petition is filed, nothing in this subsection (3) shall be construed to limit the ability of the board to decide at which election the question shall be submitted to the registered electors.~~ Any petition shall be valid only for the next occurring 1998 general election. ~~and the next occurring election held on the first Tuesday of November in odd-numbered years regardless of which election occurs first.~~ Notice of any question to be submitted to the registered electors within the geographical boundaries of the district after verification of the signatures on any petition filed with the secretary of state and at which election such question shall be submitted shall be filed by the board in the office of the

secretary of state prior to fifty-five days before such election.

(5) The provisions of subsection (1) of this section CONCERNING THE SALES TAX shall not be applicable if the authority of the district to levy and collect any sales tax approved by the registered electors has expired pursuant to the provisions of this article. THE PROVISIONS OF SUBSECTION (1) OF THIS SECTION CONCERNING THE ADMISSIONS TAX SHALL NOT BE APPLICABLE IF THE AUTHORITY OF THE DISTRICT TO LEVY AND COLLECT ANY ADMISSIONS TAX APPROVED BY THE REGISTERED ELECTORS HAS EXPIRED PURSUANT TO THE PROVISIONS OF THIS ARTICLE.

(6) Prior to ~~any~~ THE general election ~~or election held in November of an odd-numbered year~~ at which any question is to be submitted to the registered electors pursuant to subsection (1) ~~or (4)~~ of this section, the board shall hold at least two public hearings in each of the counties included, in whole or in part, within the district.

(8) PRIOR TO SUBMITTING A QUESTION TO THE REGISTERED ELECTORS OF THE DISTRICT PURSUANT TO THIS SECTION, THE DISTRICT SHALL ENTER INTO AN AGREEMENT WITH THE FRANCHISE REQUIRING THE FRANCHISE TO PAY FOR ALL COSTS OF THE DISTRICT ASSOCIATED WITH THE ELECTION AT WHICH THE QUESTION IS SUBMITTED TO THE VOTERS PURSUANT TO THIS SECTION.

SECTION 5. 32-15-110, Colorado Revised Statutes, is amended BY THE ADDITION OF A NEW SUBSECTION to read:

32-15-110. Sales tax imposed ? collection ? administration of tax ? discontinuance. (6) NOTWITHSTANDING ANYTHING IN THIS SECTION TO THE CONTRARY, THE SALES AND USE TAX TO BE COLLECTED PURSUANT TO THIS ARTICLE SHALL NOT EXCEED AN AMOUNT NECESSARY TO:

(a) PAY UP TO TWO HUNDRED SIXTY-SIX MILLION DOLLARS FOR THE PRINCIPAL AMOUNT OF SPECIAL OBLIGATION BONDS, PLUS INTEREST AND PREPAYMENT PENALTY, IF ANY, FOR SUCH BONDS, PLUS AN AMOUNT THE NET PRESENT VALUE OF WHICH SHALL NOT EXCEED SEVENTY-FIVE MILLION DOLLARS, WHICH NET PRESENT VALUE SHALL BE CALCULATED AS OF JANUARY 1, 2001, BASED ON AN EIGHT PERCENT DISCOUNT RATE; AND

(b) PROVIDE COVERAGE RATIOS FOR THE BONDS AND THE NET PRESENT VALUE AMOUNT AS DETERMINED BY THE BOARD TO BE MOST ADVANTAGEOUS TO THE DISTRICT AND THE TAXPAYERS.

SECTION 60 Article 15 of title 32, Colorado Revised Statutes, is amended BY THE ADDITION OF A NEW SECTION to read:

32-15-110.5. Admissions tax imposed ? collection ? discontinuance.

(1) (a) UPON THE APPROVAL OF THE REGISTERED ELECTORS PURSUANT TO

THE PROVISIONS OF SECTION 32?15?107, THE BOARD SHALL HAVE THE POWER TO LEVY AN ADMISSIONS TAX UPON THE ADOPTION OF A RESOLUTION FOR A PERIOD NOT TO EXTEND BEYOND JANUARY 1, 2012, UPON EVERY PURCHASE OF AN ADMISSION TO A NEW STADIUM CONSTRUCTED BY THE DISTRICT PURSUANT TO THIS ARTICLE. THE AMOUNT OF THE TAX SHALL NOT EXCEED TEN PERCENT OF THE PRICE OF EACH ADMISSION. THE BOARD SHALL HAVE THE AUTHORITY TO DETERMINE WHETHER TO LEVY AN ADMISSIONS TAX PURSUANT TO THIS SECTION, AND NOTHING IN THIS ARTICLE SHALL BE CONSTRUED TO REQUIRE THE DISTRICT TO LEVY SUCH A TAX.

(b) EVERY VENDOR MAKING A SALE TO A PURCHASER THAT IS TAXABLE UNDER THE PROVISIONS OF THIS SECTION IS REQUIRED AT THE TIME OF MAKING SUCH SALE TO COLLECT THE TAX IMPOSED BY THIS SECTION FROM THE PURCHASER. THE TAX TO BE COLLECTED AS PROVIDED IN THIS SECTION SHALL BE CONSPICUOUSLY, INDELIBLY, AND SEPARATELY STATED AND CHARGED FROM THE SALES PRICE ON THE TICKET OR CARD EVIDENCING THE SALE AND SHOWN SEPARATELY FROM THE SALES PRICE ON ANY RECORD MADE THEREOF AT THE TIME OF THE SALE OR AT THE TIME WHEN EVIDENCE OF THE SALE IS FIRST ISSUED OR EMPLOYED BY THE VENDOR; EXCEPT THAT, WHEN ADDED, SUCH TAX SHALL CONSTITUTE A PART OF SUCH PURCHASE OR CHARGE AND SHALL BE A DEBT FROM THE PURCHASER TO THE VENDOR UNTIL PAID AND SHALL BE RECOVERABLE AT LAW IN THE SAME MANNER AS OTHER DEBTS. THE TAX SHALL BE PAID BY THE PURCHASER TO THE VENDOR WHO, AS TRUSTEE FOR AND ON ACCOUNT OF THE DISTRICT, SHALL BE LIABLE TO THE DISTRICT FOR THE COLLECTION AND RETURN THEREOF.

(c) THE DISTRICT MAY PRESCRIBE FORMS AND PROCEDURES IN CONFORMITY WITH THIS SECTION FOR THE ADDING OF THE ADMISSIONS TAX TO THE PURCHASE PRICE OF AN ADMISSION, FOR THE MAKING OF RETURNS, FOR THE ASCERTAINMENT, ASSESSMENT, AND COLLECTION OF THE TAX IMPOSED PURSUANT TO THIS SECTION, AND FOR THE PROPER ADMINISTRATION AND ENFORCEMENT THEREOF.

(2) IN NO CASE SHALL THE ADMISSIONS TAX AUTHORIZED BY THIS SECTION BE LEVIED FOR A PERIOD OF TIME LONGER THAN IS NECESSARY TO GENERATE REVENUES SUFFICIENT TO PAY THE PRINCIPAL, INTEREST, AND PREPAYMENT PREMIUM, IF ANY, ON OUTSTANDING SPECIAL OBLIGATION BONDS ISSUED BY THE BOARD PURSUANT TO THE PROVISIONS OF THIS ARTICLE AND FOR SUCH OTHER PURPOSES SPECIFIED IN SECTION 32?15?111. UNLESS ENDED EARLIER, SUCH ADMISSIONS TAX SHALL NOT CONTINUE BEYOND JANUARY 1, 2012.

SECTION 70 The introductory portion to 32?15?111 (1) and 32?15?111 (1) (d), (1) (e), and (2), Colorado Revised Statutes, are amended to read:

32?15?111. Sales tax and admissions tax revenues ? use. (1) Sales tax revenues AND ADMISSIONS TAX REVENUES levied and collected pursuant to the provisions of ~~section~~ SECTIONS 32?15?110 AND 32?15?110.5 shall be used by the board for the following purposes:

(d) To reimburse the board for the day?to?day operating costs incurred in the administration of the district; however, such costs shall not exceed three?fourths of one percent of the amount of sales tax AND ADMISSIONS TAX revenues collected annually;

(e) To reimburse the board for any loans made to the board or any direct out?of?pocket expenses incurred by the board on and after the effective date of this act for matters directly related to the duties of the board prior to the time that sales tax OR ADMISSIONS TAX revenues were available for use by the board;

(2) If sales tax revenues AND ADMISSIONS TAX REVENUES levied and collected pursuant to the provisions of ~~section~~ SECTIONS 32?15?110 AND 32?15?110.5 and the operating revenues generated by the district are insufficient for all of the purposes set forth in subsection (1) of this section, the purpose set forth in paragraph (a) of said subsection (1) shall have first priority of such sales AND ADMISSIONS tax revenues.

SECTION 80 32?15?112 (1) (e), Colorado Revised Statutes, is amended to read:

32?15?112. Operating revenues ? use. (1) Any operating revenues generated by the district, including, but not limited to, lease payments, fees, rentals, rates, tolls, penalties, and charges for services, programs, or facilities furnished by the district, shall be used by the board for the following purposes:

(e) To ~~meet the obligations of any agreement with~~ PROVIDE the counties within the district and the city and county of Denver to ~~provide such counties and the city and county of Denver~~ with a benefit from the revenues, other than sales tax revenues OR ADMISSIONS TAX REVENUES, derived from the operation of the stadium during the period of time the district is collecting the sales tax.

SECTION 90 32?15?113 (1), Colorado Revised Statutes, is amended to read:

32?15?113. Issuance of special obligation bonds. (1) Upon the approval of the registered electors pursuant to the provisions of section 32?15?107, the district may borrow money in anticipation of the revenues generated from the operation of a stadium and sales tax revenues AND FROM ADMISSIONS TAX REVENUES, IF ANY, of the district and may issue special obligation bonds in the maximum PRINCIPAL amount of ~~one hundred eighty~~ TWO HUNDRED SIXTY?SIX million dollars to evidence the amount so borrowed.

SECTION 100 32?15?114, Colorado Revised Statutes, is amended to read:

32?15?114. Pledge of sales and admissions tax revenues and net operating revenues. The payment of special obligation bonds may be secured by the specific pledge of sales tax revenues AND ADMISSIONS TAX REVENUES of the district, operating revenues of the district, or moneys or assets of the district held in escrow, as the board, in its discretion, may determine. Operating revenues, sales tax revenues, ADMISSIONS TAX REVENUES, or moneys or assets held in escrow pledged for the payment of any special obligation bonds, as received by the district, shall immediately be subject to the lien of such pledge, without any physical delivery thereof, any filing, or further act, and the lien of such pledge and the obligation to perform the contractual provisions made in the authorizing resolution or other instrument relating thereto shall have priority over all other obligations and liabilities of the district, except as may be otherwise provided in this article or in such resolution or instrument, and subject to any prior pledges and liens previously created. The lien of such pledge shall be valid and binding as against all persons having claims of any kind in tort, contract, or otherwise against the district, regardless of whether such persons have notice thereof.

SECTION 110 32?15?115, Colorado Revised Statutes, is amended to read:

32?15?115. Payment, recital, and securities. Special obligation bonds issued pursuant to the provisions of this article and constituting special obligations shall recite in substance that the obligations and the interest thereon are payable solely from operating revenues of the district, sales tax revenues of the district, ADMISSIONS TAX REVENUES OF THE DISTRICT, or moneys or assets of the district held in escrow, as the case may be, pledged to the payment thereof.

SECTION 120 32?15?117, Colorado Revised Statutes, is amended to read:

32?15?117. Limitation upon payment. The payment of special obligation bonds shall not be secured by any encumbrance, mortgage, or other pledge of property of the district, other than operating revenues, sales tax revenues, ADMISSIONS TAX REVENUES, or moneys or assets held in escrow. No property of the district, subject to this exception, shall be liable to be forfeited or taken in payment of the special obligation bonds.

SECTION 130 32?15?123, Colorado Revised Statutes, is amended to read:

32?15?123. Revenue sharing. After all the principal, interest, and premium, if any, of the special obligation bonds issued pursuant to this article are paid in full and the levy and collection of sales tax AND ADMISSIONS TAX revenues by the district is discontinued, but prior to the repeal of this article, any funds collected by the district that are, in the sole discretion of the board, deemed not to be necessary for the anticipated expenses and reserves of the district shall be credited at least annually to the general fund of each county, city and county, city, and town which is included, in whole or in part, in the district based upon the proportion of the total amount of sales tax revenues collected pursuant to section 32?15?110 within such county, city and county, city, and town to the total amount of sales tax revenues collected pursuant to section 32?15?110 within the

district. For purposes of this section, the total amount of sales tax revenues collected within a county shall not include any sales tax revenues collected in any city or town located within such county. In addition, in computing said proportion, any sales tax revenues collected in any county, city, or town which is not included, in whole or in part, within the geographical boundaries of the district shall not be included in the total amount of sales tax revenues collected within the district.

SECTION 140 32?15?124, Colorado Revised Statutes, is amended to read:

32?15?124. Report. On or before ~~the first day of~~ March 1 immediately following the levy and collection of the sales tax by the district and on and after March 1 of each year thereafter, the board shall file a report with the general assembly indicating the amount of any revenues raised by any sales tax AND ANY ADMISSIONS TAX levied and collected pursuant to the provisions of this article, the amount of any revenues generated from the operation of the stadium pursuant to the provisions of this article, the amount of any revenues received from all other sources and specifying such sources, and the distribution and use of such revenues.

SECTION 150 32?15?126, Colorado Revised Statutes, is amended to read:

32?15?126. Sale of real and personal property of district. Upon completion of the renovation of Mile High stadium or the construction of a new stadium pursuant to the provisions of this article, the board shall make a good faith effort to sell the real and personal property of the district, including the stadium, to any qualified buyer subject to the leasehold interest and other contract rights of the franchise. The board shall establish criteria to determine qualified buyers. The board shall not accept any offer from any qualified buyer for such real and personal property of the district for an amount less than the total amount of outstanding obligations of the district or the amount of sales tax revenues used by the board to acquire a site for the stadium and to construct the stadium, whichever is greater. NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION TO THE CONTRARY, THE DISTRICT SHALL NOT BE REQUIRED TO SELL THE REAL AND PERSONAL PROPERTY OF THE DISTRICT IF SUCH SALE WOULD ADVERSELY AFFECT THE FEDERAL TAX EXEMPT STATUS OF THE INTEREST ON THE SPECIAL OBLIGATION BONDS ISSUED BY THE DISTRICT PURSUANT TO THIS ARTICLE.

SECTION 160 32?15?122 (1) (b), Colorado Revised Statutes, is amended, and the said 32?15?122 is further amended BY THE ADDITION OF A NEW PARAGRAPH, to read:

32?15?122. Lease of stadium. (1) Any lease agreement entered into by the district and the franchise shall include, but is not limited to, the following:

(b) A provision requiring the franchise AND ITS SUCCESSORS AND ASSIGNS to conduct its complete regular home season schedule and any home play?off events in the stadium FOR A PERIOD OF AT LEAST TWENTY YEARS AND THAT SUCH

PROVISION SHALL BE SPECIFICALLY ENFORCEABLE AGAINST THE FRANCHISE AND ITS SUCCESSORS AND ASSIGNS;

(h) A PROVISION REQUIRING THE FRANCHISE, UPON THE SALE OF THE FRANCHISE OR EIGHTY PERCENT OF THE BENEFICIAL INTEREST IN THE ENTITY OWNING THE FRANCHISE, TO PAY TO THE DISTRICT, AS A ONE-TIME PAYMENT, AN AMOUNT EQUAL TO THE SHARING AMOUNT TO BE USED FOR YOUTH ACTIVITY PROGRAMS. AS USED IN THIS PARAGRAPH (h), "SHARING AMOUNT" MEANS AN AMOUNT EQUAL TO TWO PERCENT OF THE NET PROFIT REALIZED BY THE FRANCHISE OR THE PERSONS OR ENTITIES SELLING INTERESTS, AS THE CASE MAY BE, NOT TO BE LESS THAN ONE MILLION DOLLARS. NET PROFIT MEANS THE GROSS PROCEEDS OF THE SALE LESS CAPITAL CONTRIBUTIONS TO THE FRANCHISE (OR CAPITAL CONTRIBUTIONS OF THE PERSONS SELLING INTERESTS), PLUS SIX PERCENT IMPUTED ANNUAL RETURN ON SUCH CAPITAL CONTRIBUTIONS, AND LESS FRANCHISE DEBT IF SUCH DEBT IS NOT ASSUMED OR PAID BY THE PURCHASING ENTITY. INDIVIDUAL SALES OF THE FRANCHISE'S BENEFICIAL INTERESTS WILL NOT TRIGGER THIS PROFIT-SHARING PROVISION IF SUCH SALES DO NOT, OVER A ONE-YEAR PERIOD, RESULT IN THE SALE OF EIGHTY PERCENT OR MORE OF THE BENEFICIAL INTERESTS OF THE FRANCHISE TO A PERSON OR ENTITY OR RELATED PERSONS OR ENTITIES THAT HAVE NOT BEEN BENEFICIAL OWNERS OF INTERESTS OF THIS FRANCHISE.

SECTION 170 Article 15 of title 32, Colorado Revised Statutes, is amended BY THE ADDITION OF A NEW SECTION to read:

32-15-125.5. No action maintainable. AN ACTION OR PROCEEDING, AT LAW OR IN EQUITY, TO REVIEW ANY ACT, RESOLUTION, OR PROCEEDING OR TO QUESTION THE VALIDITY OR TO ENJOIN THE PERFORMANCE OF ANY ACT, RESOLUTION, OR PROCEEDING RELATED TO THE ISSUANCE OF ANY BONDS OR FOR ANY OTHER RELIEF AGAINST OR FROM ANY ACT, RESOLUTION, OR PROCEEDING DONE UNDER THIS ARTICLE WITH RESPECT TO THE FINANCING OF THE STADIUM, THE ELECTION PROVIDED IN THIS ARTICLE, OR THE ACTIONS OF THE BOARD PURSUANT TO SECTION 32-15-106 (1) (a) TO (1) (g), (3), OR (5), SECTION 32-15-107, OR SECTIONS 32-15-110 TO 32-15-113, OR THE VALIDITY OR EXECUTION OF THE MANAGEMENT AGREEMENT PURSUANT TO SECTION 32-15-121 OR THE VALIDITY OR EXECUTION OF THE LEASE PURSUANT TO SECTION 32-15-122, WHETHER BASED UPON IRREGULARITIES OR JURISDICTIONAL DEFECTS, SHALL NOT BE MAINTAINED, UNLESS COMMENCED WITHIN THIRTY DAYS AFTER THE PERFORMANCE OF THE ACT, RESOLUTION, OR PROCEEDING OR AFTER THE EFFECTIVE DATE THEREOF, WHICHEVER IS EARLIER, AND SHALL BE THEREAFTER PERPETUALLY BARRED.

SECTION 180 32-15-133 (1) (b), Colorado Revised Statutes, is amended to read:

32?15?133. Repeal of article. (1) This article is repealed, effective as of the earliest occurrence of the following:

(b) At such time as a majority of the registered electors within the geographical boundaries of the district vote negatively on the question set forth in section 32?15?107 (1) **AND THE BOARD HAS ADOPTED A RESOLUTION DECLARING THAT THE AFFAIRS OF THE DISTRICT HAVE BEEN WOUND UP OR NINETY DAYS HAVE PASSED SINCE SUCH NEGATIVE VOTE, WHICHEVER OCCURS FIRST; or**

SECTION 190 Safety clause. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.

Tom Norton Charles E. Berry

PRESIDENT OF SPEAKER OF THE HOUSE

THE SENATE OF REPRESENTATIVES

Patricia K. Dicks Judith M. Rodrigue

ASSISTANT SECRETARY OF CHIEF CLERK OF THE HOUSE

THE SENATE OF REPRESENTATIVES

APPROVED _____

Roy Romer

SB 98-171

C o l o r a d o L e g i s l a t i v e C o u n c i l S t a f f
STATE, LOCAL, and
STATUTORY PUBLIC ENTITY
REVISED FISCAL NOTE

(replaces Fiscal Note dated February 7, 1998)

No State General Fund Impact
State Cash Fund Revenue and Expenditure Impact
Local Revenue and Expenditure Impact
Statutory Public Entity Revenue and Expenditure Impact

Drafting LLS 98-697
Number: Sen. Lacy
Prime Rep. Dean
Sponsor(s):

Date: March 3, 1998
Bill Status: House Local Government
Fiscal Steve Tammeus (866-2756)
Analyst:

TITLE: CONCERNING MODIFICATION OF THE "METROPOLITAN FOOTBALL STADIUM DISTRICT ACT", AND , IN CONNECTION THEREWITH, ESTABLISHING BIENNIAL DISTRICT ELECTIONS AND MODIFYING THE TERMS OF THE AGREEMENT THAT THE BOARD OF DIRECTORS NEGOTIATES WITH A NATIONAL FOOTBALL LEAGUE FRANCHISE.

Summary of Legislation

STATE FISCAL IMPACT SUMMARY	FY 1998/99	FY 1999/2000
State Revenues		
General Fund		
Colorado Economic Development Fund	Potential Interest Earnings	Potential Interest Earnings
State Expenditures		
General Fund		
Colorado Economic Development Fund	Potential Grants or Loans	Potential Grants or Loans
FTE Position Change	None	None
Local Government Impact -- The bill allows the board to provide the counties within the district and the City and County of Denver with a benefit of a portion of the revenues other than sales tax revenues and admissions tax revenues during the time the district is collecting the sales or admissions taxes, or for as long as the board determines to be appropriate. Current law limits the time period to the time during which the district is collecting the sales tax.		

This reengrossed bill authorizes the Board of Directors of the Metropolitan Football Stadium District to enter into an agreement with the franchise requiring the franchise to pay an amount not to exceed \$100 million to renovate Mile High Stadium or to construct a new multi-purpose stadium with a retractable roof. The bill also stipulates the board shall not be prohibited from receiving public moneys from the Economic Development Commission paid from the Colorado Economic Development Fund.

The bill repeals the board's authority to require the franchise to pay for all costs of renovation or construction that exceed the maximum amount of the special obligation bonds issued by the district, or at least 25 percent of the costs of renovation or construction, whichever is greater. The bill also repeals the board's authority to require the franchise to pay for costs of renovation or construction in excess of the maximum amount paid by

the district; including, but not limited to, cost overruns. The bill allows the board to provide the counties within the district and the City and County of Denver with a benefit of a portion of the revenues other than sales tax revenues and admissions tax revenues during the time the district is collecting the sales or admissions taxes, or for as long as the board determines to be appropriate.

The bill requires the board, when designing and constructing a new stadium, to arrange for the provision of mass transit to serve the stadium with the Regional Transportation District.

The bill authorizes the board to contract to borrow money for the purpose of issuing bond participation notes, and to refinance obligations even if such refinancing is at a higher interest rate. The bill authorizes the board to levy and collect a tax upon admissions to a new stadium. The bill requires the vendor to be responsible for collection of the tax, and the district to be responsible for the assessment, enforcement, and administration of the admissions tax. The bill specifies that the proceeds from the sale, or lease, of the stadium name, images, or trademarks shall be used first to pay for the expenses of the construction of the retractable roof.

The bill requires the board to submit to the registered electors at the 1998 General Election, among others, the questions of whether the district shall be authorized to:

- 1) incur multiple-fiscal year financial obligations to be repaid from other multiple-fiscal year financial obligations of the district, and to refinance the bond anticipation notes and special obligation bonds without further approval of the voters even if such refinancing is at a higher interest rate; and
- 2) levy and collect a tax upon admissions to a new stadium for a period not to extend beyond January 1, 2012, and at a rate not to exceed 10 percent upon every purchase of admission to the stadium.

The bill increases the maximum amount of moneys to be raised through the issuance of multiple-fiscal year financial obligations from \$180 million to \$266 million. The bill allows this amount to be further increased by the amount of any additional cost to construct the retractable roof less the amount of the proceeds from the sale or lease of the name of the stadium. The bill authorizes the payment of the special obligation bonds to be secured by the pledge of sales tax and admissions tax revenues.

The bill requires the district to enter into an agreement with the franchise requiring the franchise to pay for all the election costs of the district. The bill also:

- modifies the ballot language used to submit a question to the registered voters of the district;
- allows the district to modify the ballot language to conform with legal requirements for ballot questions and titles;
- provides that the district shall not be required to sell property if the sale would adversely affect the federal exempt status of the interest on the special obligation bonds;
- requires the franchise and its successors and assigns to conduct its home season schedule and any home play-off events in the stadium for a minimum of 20 years;
- requires the franchise, upon sale of the franchise, to pay a "sharing amount" to the district to be used for youth activity programs;
- provides a time period for the affairs of the district to be concluded prior to the repeal of the act if the question submitted to the voters is not approved; and
- becomes effective upon the signature of the Governor.

The reengrossed bill may affect state expenditures, and revenue and expenditures of the Metropolitan Football Stadium District. Some of the provisions of the bill are subject to a vote of the registered electors of the district. Therefore, the bill is assessed as having a state and statutory public entity conditional fiscal impact.

State Expenditures

This bill allows the Metropolitan Football Stadium District to receive state funds from the Colorado Economic Development Fund under the authority of the Economic Development Commission in the Department of Local Affairs. Under current law the commission is authorized to loan or grant moneys from the fund to public or

private persons or entities. These loans or grants are not subject to appropriation by the General Assembly. Any interest earned from loans is to be credited to a special revolving account within the fund. The amounts of these loans or grants to the district are unknown.

Local Government Impact

The bill allows the board to provide the counties within the district and the City and County of Denver with a benefit of a portion of the revenues other than sales tax revenues and admissions tax revenues during the time the district is collecting the sales or admissions taxes, or for as long as the board determines to be appropriate. Current law limits the time period to the time during which the district is collecting the sales tax.

Metropolitan Football Stadium District Impact

District revenue. This bill allows the Metropolitan Football Stadium District to receive state funds (grants or loans) from the Colorado Economic Development Fund under the authority of the Economic Development Commission in the Department of Local Affairs.

The bill allows the district to levy and collect a tax upon admissions to a new stadium for a period not to extend beyond January 1, 2012, and at a rate not to exceed 10 percent upon every purchase of admission to the stadium.

District expenditures. The bill requires the board to enter into an agreement with the franchise requiring the franchise to pay for all costs of the district associated with the election at which the question, as provided in this bill, is submitted to the voters.

The bill authorizes the board to negotiate an agreement with the franchise requiring the franchise to pay an amount not to exceed \$100 million for the renovation of Mile High Stadium or the construction of a new multi-purpose stadium with a retractable roof. Under current law, the board is authorized to require the franchise to pay for all costs of renovation or construction that exceed the maximum amount of the special obligation bonds issued by the district, or at least 25 percent of the costs of renovation or construction, whichever is greater. Subsequently, the district may have to incur additional indebtedness to cover the district's amount of renovation or construction costs that are not covered by the special obligation bonds or the franchise.

The bill allows the board to contract to borrow money to issue bond anticipation notes even if the interest rate for refinancing or refunding bond anticipation notes is at a higher rate. The bill would allow the board to incur multiple-fiscal year financial obligations to be repaid from other multiple-fiscal year financial obligations or the revenues of the district, or both, to refund and refinance the bond anticipation notes and special obligation bonds.

The bill requires the district to be responsible for the assessment, collection, enforcement, and administration of the admissions tax.

The bill increases the maximum amount of moneys to be raised through the issuance of multiple-fiscal year financial obligations from \$180 million to \$266 million. The bill allows this amount to be further increased by the amount of any additional cost to construct the retractable roof less the amount of the proceeds from the sale or lease of the name of the stadium.

Spending Authority

This fiscal note would imply that no new state spending authority or appropriations are required for FY 1998-99 to implement the provisions of this reengrossed bill.

Departments Contacted

Local Affairs

July 9, 1999 PR

Home

Up

Oct 14, 1998 PR

Jan 15, 1999 PR

July 9, 1999 PR

Aug 17, 1999 PR

Sept 2, 1999 PR

GMP



PRESS RELEASE

July 9, 1999 Release

Guaranteed Maximum Price Summary Numbers

NFL Stadium Cost Comparisons

PROPOSED STADIUM MODEL UNVEILED

The Metropolitan Football Stadium District today approved a Guaranteed Maximum Price contract and unveiled its plan for financing its portion of the project costs for the new NFL stadium, infrastructure and associated site improvements. The District announced that its anticipated share of the total project budget is \$289 million and that it intends to begin selling bonds in July. The District is authorized to spend up to \$335 million, consisting of up to \$260 million in bonds, which were approved last November and \$75 million in additional funds, provided that the Denver Broncos, the primary tenant of the new facility, pay at least 25% of the cost of the project.

The Guaranteed Maximum Price (GMP) contract with Turner/HNTB to design and build the new stadium and associated infrastructure and site work totals \$364.2 million. The District and the Denver Broncos also have established a project budget of \$36.6 million to cover development costs not included in the GMP, such as building permit and utility tap fees, costs of financing, district administration and operation, professional services, specialty consultants, and inspections and testing. Of the total project cost of \$400.8 million, the District will be paying \$289 million.

Ray Baker, District Chairman said, "Turner Construction and HNTB, along with their team of local partners have developed a world-class, multi-use sports and entertainment facility that can be enjoyed by Coloradoans and will serve as a symbol for the Rocky Mountain region well into the next century."

In addition to construction of the stadium, the GMP includes site work, including environmental remediation and demolition of both McNichols Arena and Mile High Stadium, infrastructure improvements (roads, bridges and site access improvements) and a contractor contingency fund to cover unforeseen conditions. The fees for the design team headed by HNTB and the construction management costs previously approved by the District, are also included in the GMP.

The new multi-use, 76,125 seat stadium includes 1.7 million square feet of space

(approximately twice that of Mile High Stadium) and amenities such as wider concourses, wider seats, more restrooms (including family restrooms), two large club/banquet areas, over 400 points-of-sale for concessions and merchandising, elevators and escalators to transport guests to seating areas, and full accommodations for those with disabilities. The exterior design incorporates futuristic-looking silver emollients wrapping the outside of the stadium that were the result of suggestions made during an extensive design review process.

In addition to the construction of the stadium, the GMP includes construction of roads and infrastructure around the new stadium; the construction of a new enlarged pedestrian Bronco Bridge; the building of an additional bridge to access the parking east of the Platte River; implementation of an ITS traffic sign system allowing instant changes in traffic control; and utility relocation work. The District/Bronco budget for items not in the GMP also includes the cost of acquiring additional land; a contribution towards public art; and a possible contribution to the Central Platte Valley light rail line and a contingency fund of \$9.4 million.

In addition to \$258 million in bond proceeds, the District plans to use \$11.4 million in investment earnings and \$19.6 million in sales tax revenues collected in 2001 to fund its contribution. Proceeds from the naming rights will be used to pay down a portion of the District's bonds. In accordance with the lease between the Denver Broncos and the District, the Broncos have advanced at least \$15 million to the District for naming rights.

Contact Matt Sugar at 303-244-1002

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The logo for the Metropolitan Football Stadium District. It features a dark rectangular background with a lighter, textured area in the center. The text "Metropolitan Football Stadium District" is written in a white, sans-serif font across the center. There are small, stylized white shapes on the left and right sides of the rectangle, resembling flags or wings.

D



H.O.M.E

Pepsi Center Facts

This is where you can find information regarding the Pepsi Center, its anticipated completion dates, and how it stacks up to both McNichols Arena and its national counterparts.

Timeline:

Milestones and completion dates for the Pepsi Center, from groundbreaking to Grand Opening.

National Comparison:

See how the Pepsi Center stacks up to the other premier indoor sports arenas in North America.

PEPSI CENTER FACTS & FIGURES

Events:

Home to Colorado Avalanche & Denver Nuggets

Total of 160 to 200 events scheduled each year, including sports, concerts, circuses, ice & family shows

Location:

Denver's Central Platte Valley
Bordered by Auraria Pkwy./Speer Blvd.
Adjacent to Elitch Gardens

Developer and Owner:

Ascent Arena Company, LLC

Cost:

\$160 million – private funds

Architect:

Hellmuth, Obata & Kassabaum,
Sports Facilities Group

Contractor:

M.A. Mortenson Company

Engineers:

Mechanical, Electrical, Plumbing – ME Engineers
Structural – Thornton Tomasetti
Civil – J.F. Sato
Ice Systems & Dashers – Henry Coupe
Acoustics – Wrightson, Johnson, Haddon, Williams

Land: Total of 52 acres

Arena:

Site – 45 acres
Footprint – 4.6 acres
Gross s.f. – 675,000

Office Building:

Site – 2 acres
Gross s.f. – 150,000

Restaurant/Specialty Retail

Site – 3.8 acres
Gross s.f. – 64,000

Convenience Store/Gas Station

Site – 1.3 acres

Gross s.f. – 5,000

Building Dimensions:

132i floor to ceiling (equivalent 10-story bldg.)

Mezzanine level elevation: 15 feet

Main concourse level elevation: 28 feet

Club level elevation: 45 feet

Upper concourse level elevation: 58 feet

Additional Amenities:

Pedestrian walkway connecting arena and Elitch Gardens

Entrance: glass curtain wall, fins, canopies, eyebrow

First Aid room – main concourse

Negative slope curtain wall at two main entrances

Perfect sight lines

Cutting-edge sound and lighting treatments

Full-size NBA practice court

Excavation:

Minimal excavation required for foundation and loading docks

Building designed at grade

Event floor at ground level

Caissons:

341 caissons (36" to 46" diameter)

Total of 11,764 vertical linear feet or 4,112 cubic yards of concrete

Landscaping:

718 trees

1,806 shrubs

1,006 groundcover

Scoreboard:

60,000 lb., four-sided, state-of-the-art, center-hung

P.A. System:

Crawl message capability on TV monitors for emergency messages

Restroom speakers

Speakers at building entrances for welcome message/broadcast

Pedestrian spine – conduit for future communications system

Concourse – no speakers for radio or video

Suites – audio channels sent thru cable TV system

Main seating bowl – 6-speaker distributed cluster

Parking Spaces on Site:

6,400 surface

Regular: 4,000

Handicapped: 200

Shared with Elitch Gardens: 2,200

Elevators & Escalators:

Elevators: 6 passenger/2 freight

Escalators: 7

6 interior loading docks

Suites:

95 Luxury suites (accommodate 12 or 16)

on two levels

Fully furnished

Finest quality materials

Seating:

Cast iron, arm chairs, fully upholstered throughout arena

Basketball:

Total: 19,309 seats

Main Concourse

Bowl – 8,137 seats

Courtside – 416 seats

Suites – 556

Club Level

Bowl – 1,879 seats

Suites – 641 seats

Upper Deck

Bowl – 7,680 seats

Disabled: (included in above/minimum of 1% equally distributed in strict accordance with ADA)

- Wheel chair

- Companion

- Disabled armless

Hockey:

Total: 18,129

Main Concourse

Bowl – 7,373 seats

Suites – 556 seats

Club Level

Bowl – 1,879 seats

Suites – 641 seats

Upper Deck

Bowl – 7,680 seats

Disabled: (included in above/minimum of 1% equally distributed in strict accordance with ADA)

- Wheel chair

- Companion

- Disabled armless

Concerts & Other:

End stage – 17,600

Center stage – 20,100

Concessions:

17 concession stands

236 seat club restaurant

Commissary – 9,000 s.f.

Offices – 3,500 s.f.

Service Level:

Portable liquor bar for VIP Seat Service

Main Concourse:

8 Concession Stands

Pizza

Deli

Hot Dogs

Cheese Steak

Chix Wings

Gyros

Chili Peppers

Fish & Fries

Liquor Bar

Various portables
Suite pantry and storage

Club Level:
Club restaurant (seats 236)

North Club Lounge (seats 93)
South Club Lounge (seats 78, plus standing)
Club pantry and storage

Upper Concourse:
9 Concession Stands

Pizza
Chili Dogs
Hot Dogs
Cheese Steak
Chix Wings
Gyros
Soft Serve Yogurt
Fish, Fries & Franks
All Star Grill
Liquor Bar

Various portables
Beer storage

Locker Rooms:

Nuggets Locker Room:

Medical and therapy center
Training room
Coaches offices
Player lounge
Video conference room
Sauna/steam, hydrotherapy, x-ray machine
Laundry facility

Avalanche Locker Room:

Medical and therapy center
Training room
Aerobic training area
Coaches offices
Training, doctor and equipment offices
Player lounge
Video conference room
Equipment repair and storage
Laundry facilities

4 auxiliary locker rooms
4 entertainer dressing rooms

Media Facilities:

Press lounge – 2,100 s.f.
Press equipment room – 525 s.f.
Press kitchen – 430 s.f.
Darkroom – 525 s.f.
Workroom – 575 s.f.
Copy room – 150 s.f.
TV booths – 3
Radio booths – 3
Auxiliary booths – 3
Hockey print media stations – 80
Restrooms – 3 men's, 2 women's
Direct elevator access to press box

Administrative Office Space:

20,000 s.f. – administrative offices located at service level and mezzanine
2,400 s.f. – ticket lobby

Central Plant:

Chiller capacities totaling 2,000 tons

Restrooms:

41 public restrooms
Service Level – 3 women/3 men/2 family
Main Concourse – 5 women/5 men/1 family
Club Level – 4 women/4 men/1 family
Upper Deck – 6 women/6 men/1 family

Production Studio:

Studio – 1,700 s.f.
Audio booth and control room – 500 s.f.
Video offices – 2
Editing suites - 2
Arena control room - 250 s.f.
Make-up room

Novelty Stores:

Grand Atrium Store – 3,000 s.f.
Main concourse – 2 stores
Club concourse – 1 store
Upper concourse – 2 stores

E

Quick Links

General

*Parties
*Stadium
*Location
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*Final Approval
*Construction
*Completion Date
*Concessions
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NFL Club

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*Club Payments
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HLSR

*Obligations
*Event Revenues
*Lease

Other Info.

*Naming Rights

LETTER AGREEMENT - NEW HARRIS COUNTY/HOUSTON STADIUM DEVELOPMENT

This letter agreement is entered into as of the 19th day of October, 1998. It is a binding agreement among the Parties set out below with respect to the development, construction, financing, use and occupancy of a new multi-purpose, retractable roof stadium with related parking and infrastructure to be developed in Houston, Harris County, Texas to provide a home facility for a new National Football League ("NFL") expansion franchise to be awarded to the NFL Club and a new home facility for HLSR as its primary tenants. The Parties acknowledge that this letter agreement will be submitted to the NFL in connection with the NFL Club's presentation to obtain a NFL expansion franchise for Houston.

Parties

The Parties are Harris County, Texas (the "County"), the Harris County-Houston Sports Authority (the "Sports Authority"), Houston Livestock Show and Rodeo, Inc. ("HLSR") and Houston NFL Holdings, L.P. (the "NFL Club"). The City of Houston, Texas (the "City") and the Metropolitan Transit Authority of Harris County, Texas ("METRO") are also parties for the limited purpose of the sales tax rebate.

Stadium

*Pourage & Branding
*Targeted Taxes
*Pre-Development Expenses
*Financial Condition
*Olympics
*Exclusivity
*Anti-Discrimination
*Approval

The Stadium will be constructed and maintained as a world-class, state-of-the-art, multipurpose sports and entertainment facility designed to support the occupancy of a NFL franchise by the NFL Club and HLSR's annual livestock show and rodeo, as well as to host other sporting events (such as Major League Soccer and Olympic events), family shows, concerts and similar entertainment and floor events (the "Stadium").

Location

Exhibit A
Management

Exhibit B
Financing Plan

Exhibit C
Excluded Events

Exhibit D
Naming Rights Terms

Exhibit E
Pourage & Branding

The Stadium will be located on land owned by the County at the Astrodomain Complex immediately adjacent to Kirby Drive on a mutually approved site consistent with the Astrodomain Complex Master Plan. The County will make available a portion of the County-owned 50-acre tract located at Kirby Drive and Murworth opposite the Astrodomain Complex for additional parking for the Astrodomain Complex and the NFL Club's practice fields. The NFL Club's practice fields will be located on a 9-10 acre portion of the 50-acre tract owned by the County. HLSR will make available (on an "as is, where is" basis) approximately 7 acres of land for the construction of additional parking facilities for use as part of the Astrodomain Complex.

Preliminary Program and Plans

Subject to the approval of the Final Plans (described below) and the Project budget, the Project will be developed and constructed in accordance with the Facility Requirements Summary dated October 15, 1998 (the "Program") and the preliminary design plans dated October 15, 1998 (the "Preliminary Plans"). The Parties acknowledge that in the event the projected cost of the Stadium based upon further estimates and analysis exceeds \$310 million they will negotiate in good faith (consistent with the programmatic requirements of the NFL Club and HLSR) in an attempt to agree upon modifications to the Program and Preliminary Plans to keep the cost of the Stadium within the original budget.

Final Approval

The final project scope, final program and final plans (the "Final Plans") for the Stadium, the NFL Club practice fields, the additional parking facilities and such related infrastructure as set out in the Final Plans (the "Project") will be

subject to the approval of the Parties.

Construction/Cost Overruns

The Stadium will be constructed by the County or the Sports Authority as its designee in accordance with the Final Plans pursuant to the approved Stadium budget. Construction of the Stadium will be based on a guaranteed maximum price contract, which contract will include substantial monetary liquidated damages payable to the Parties (as allocated in the definitive documents) by the contractor as a result of the contractor's failure to complete the Stadium by the agreed upon completion dates. Architect(s), construction contractor(s) and construction manager(s) will be selected for the Stadium and NFL Club's practice facility based upon selection criteria and standards to be set out in the definitive documents for the Stadium. Such selection criteria shall include the form and substance of their respective contracts. The definitive documents will address the rights of the Parties as to change orders and modifications to the Final Plans. Cost overruns generated by change orders shall be paid for by the party requesting the change order.

Target Completion Date

The Project is targeted for completion by the NFL Club's 2002 pre-season. The Astrodome will be available for professional football use by the NFL Club prior to the completion of the Project, subject to the terms of HLSR's existing lease and provided that the NFL Club pays for staffing and utility expenses related to days that the NFL Club uses the facility. The additional parking facilities are targeted for completion by the 2000 rodeo, subject to the provisions of the Astrodomain Complex Master Plan.

Concessions

The County, the NFL Club and HLSR will jointly license concession rights to the Stadium, subject to certain concession rights excluded from such arrangements for HLSR's benefit and control as set out in the existing agreements governing HLSR's use of the Astrodomain Complex as the same are to be amended to conform to this letter agreement. All concession arrangements for HLSR events shall (i) exclude and give HLSR control of all entertainer merchandise and HLSR named and logo merchandise, but HLSR agrees that it will allow a permanent retail

establishment in the Stadium to sell such merchandise on terms acceptable to HLSR and (ii) provide that HLSR and the County shall have the exclusive right with any concessionaire to set the pricing for food sales in the club and suite areas of the Stadium subject to reasonable deadlock resolution provisions in the event of a disagreement between the County and HLSR. Concession build-out will be reflected in the Final Plans and be included in the budget for the Stadium. Up-front concession payments as to the Stadium will be applied as follows: (i) first to the payment of concession build-out costs in excess of \$10,000,000; and (ii) any remaining amounts shall be divided equally between the County and the NFL Club, with one-half being paid to the County and the other one-half being credited against the NFL Club's obligation to pay for the costs of concession build-out; provided, however that the NFL Club's share of such up-front payments will not exceed \$5,000,000.00. The Parties acknowledge the existence of the current concession agreement for the Astrodomain Complex, and the definitive documents will provide that the Parties' rights are subject to the terms of such agreement to the extent applicable.



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Operations

The County or a third-party management company selected and retained by the County will operate the Project pursuant to the terms of Exhibit A attached hereto. The definitive documents will contain such additional terms regarding management and standards for management and maintenance and capital improvements as the County, HLSR and the NFL Club mutually agree. The Stadium will be operated, improved, maintained and remain in a first-class condition comparable to that of comparable facilities. Consistent with such standard, the Stadium will be operated in such a manner which is not detrimental to the use of the Stadium by the NFL Club or HLSR. The NFL Club shall be responsible for its events/games staffing and utility expenses and expenses and utilities relating to the NFL Club's use of the practice facility and the playing field, and janitorial staffing expenses relating to the NFL Club's offices, locker rooms, equipment rooms

and training rooms and any other areas used exclusively by the NFL Club at the Stadium. HLSR shall be responsible for items required to be paid by HLSR as set out in the existing agreements for HLSR's use of the Astrodome Complex as the same shall be amended to be consistent with this letter agreement. The NFL Club, HLSR and the Sports Authority will not be responsible for any other operating costs or for maintenance or capital repair expenses (except the funding of the capital repair reserve as provided in Exhibit B). The definitive documents will address the Parties' rights with regard to maintenance and service contracts.

Capital Repair & Replacement Fund

The Parties have agreed to provide for a segregated and dedicated capital repair and replacement fund of \$2.5 million per year for the Stadium to be funded as provided in Exhibit B. Capital expenditures shall include only those items relating to the Stadium that are considered of a capital nature in accordance with sound accounting standards or as otherwise specified in the definitive documents.

Stadium Budget

The Stadium has a budget of \$310 million (exclusive of financing costs, capitalized interest and the cost of the NFL Club's and certain other FF&E). Based upon the Program and the Preliminary Plans, the Parties believe that the Stadium can be constructed for such cost and that such budget is adequate for such purpose. Any cost savings obtained during construction (if achieved without detriment to the requirements of the Final Plans) shall inure to the benefit of the County and the Sports Authority.

Financing

The development and construction costs for the Stadium and other portions of the Project will be financed as set forth in Exhibit B attached hereto.

Chilled Water

Consistent with the Astrodome Complex Master Plan, the County, or a third party at the direction of the County, will provide chilled water to the Stadium at no obligation to the other Parties except as provided below. The NFL Club has agreed to purchase all utilities at mutually

agreed market rates (to be defined in the definitive documents) for its events/games (such rates to be unaffected by whether the company providing chilled water to the Stadium makes an up-front payment for such privilege).

Exclusive Use/Scheduling

The NFL Club will have exclusive use (with first priority preferential scheduling) of the Stadium (with adequate parking) for all NFL-sanctioned games and the Stadium will not be used for any other professional football use. The NFL Club will also have use of the Stadium (with adequate parking) on five additional event days, subject to HLSR's priority scheduling rights, certain mutually agreed restrictions on usage for such days as set out in Exhibit C attached hereto and mutually agreeable scheduling procedures between the County and the NFL Club. The NFL Club will have exclusive year-round use of the NFL Club's offices and training facilities in the Stadium and the NFL Club's practice facility (subject to the County's use of such practice facility for youth programs on non-conflicting days), and reasonable free employee and guest parking.

HLSR will have exclusive livestock show and rodeo use (with first priority preferential scheduling) of the Stadium (with adequate parking) based on terms at least as favorable as those set out in the existing agreements granting HLSR the right to use the Astrodomain Complex as the same are to be amended to conform to this letter agreement. HLSR shall have the right to the exclusive use and occupancy of the Astrodomain Complex for HLSR's annual Rodeo event during the forty (40) day period ending no earlier than March 14 and no later than March 20 of each year. The Parties agree that no major concert event will be held in the Stadium or Astrodomain Complex other than those associated with HLSR, from December 1 through April 15, except for non-competitive concerts (as such term is to be mutually agreed between the County, NFL Club and HLSR) approved by HLSR, such approval not to be unreasonably withheld or delayed. HLSR will also have use of the Stadium (with adequate parking) for 18 additional consecutive event days for an annual late summer or fall festival, subject only to NFL-sanctioned games and the Super Bowl, but the initial setting of such festival shall be jointly agreed to by the County and HLSR. In connection with HLSR's administration of HLSR's events, HLSR agrees that it will cooperate with

the County so as to maximize the availability of the Project to the County for bookings of other events in areas not needed by HLSR during such HLSR events at its discretion. HLSR will have year-round use of its offices in the Astrodomain Complex, including reasonable free employee and guest parking.

NFL Club's Long-Term Lease/Non-Relocation

The NFL Club will enter into a long-term lease and an appropriate intangible property rights licensing agreement (for NFL Club events/games) both expiring on the maturity date of the final bonds with mutually acceptable renewal rights and with provisions customary for transactions of this type and scope. The NFL Club will enter into an appropriate non-relocation agreement in order to provide an enforceable (including in a bankruptcy proceeding) prohibition against the relocation of the NFL Club's franchise during the lease term.

NFL Club's Payments

The NFL Club will pay an annual guaranteed sum of \$4,010,000.00, subject to the terms set out in Exhibit B.

NFL Club's Contributions

The NFL Club will contribute \$45 million to the costs of the development and construction of the Stadium. The NFL Club will contribute \$5 million to the cost of the concession build-out for the Stadium.

PSL's

The NFL Club has agreed to the encumbrance of the Stadium (for the NFL Club's events/games) with a personal seat license or some other form of license for seating at the NFL Club's events/games for certain of the Stadium's premium seating or general seating ("PSLs"). The Parties acknowledge that such encumbrance for PSLs will cause a reduction of the NFL Club's ticket prices. The NFL Club will sell, on behalf of the Sports Authority at the NFL Club's expense and risk, PSLs, as recommended by the marketing and tax consultants of the NFL Club. The NFL Club's obligations to contribute \$45 million to the cost of the development and construction of the Stadium and \$5 million to the costs of concession build-out for the Stadium shall be reduced (by credit or reimbursement) by

any net PSL revenues received by the Sports Authority. To the extent the net revenues generated by the sale of PSLs exceeds \$50 million, the excess shall be used as directed by the NFL Club including applying the excess for its own obligations.

Ticket/Parking Tax or Surcharge

The Parties have agreed to a ticket tax or surcharge of up to 10% of the ticket price paid (not to exceed \$2/ticket sold) and a parking tax or surcharge of up to \$1/car for NFL Club games/events and HLSR events in the Stadium building respectively, but no parking fee or surcharge will be imposed on any vehicles that enter the Astrodomain Complex pursuant to any provisions in the existing agreements giving HLSR the right to use the Astrodomain Complex that allow for "complementary" parking passes. The County has agreed to a ticket tax or surcharge of up to 10% of the ticket price paid (not to exceed \$2/ticket sold) for all non-NFL/HLSR events at the Stadium building for which a ticket is sold. On all HLSR event tickets sold to events in the Stadium building priced less than \$20 per ticket, HLSR agrees to impose a surcharge in an amount that is sufficient to cause the total of such surcharge and the above ticket tax on any such tickets to equal \$2/ticket sold to HLSR events in the Stadium building. All amounts collected by HLSR as such surcharge shall be applied in accordance with Exhibit B.

Sales Tax Rebate

The Parties will attempt to secure a City and METRO sales tax rebate of 2% on all tickets for the NFL Club's events/games and all sales at the NFL Club's events/games and such funds shall be applied to finance the development and construction of the Project as set out in Exhibit B.

NFL Club Facilities

The NFL Club will pay for the furniture, fixtures and specified football equipment for the NFL Club's facilities in the Stadium and the construction costs of the NFL Club's practice facilities.

NFL Club Event/Game Revenues

The NFL Club will receive (at the Stadium and, if

used, to the extent applicable, the Astrodome) 100% of its event/game parking, concessions, merchandise, tickets, club seats, suites, and temporary advertising and any other event/game revenues and its practice field revenues, subject to the ticket and parking tax or surcharge at the Stadium described above and subject to the terms of Exhibit D regarding naming rights and signage/advertising.

HLSR Obligations

HLSR will pay an annual sum of \$1,500,000.00 as rental under its lease and agrees to the ticket and parking taxes and surcharges as provided above.

HLSR Event Revenues

HLSR will receive its event revenues consistent with the terms of HLSR's existing agreements for the use of the Astrodomain Complex as the same are to be amended to conform to this letter agreement, subject to the ticket and parking tax or surcharge described above and subject to the terms of Exhibit D regarding naming rights and signage/advertising.

HLSR Lease

HLSR's existing lease for the Astrodomain Complex shall be amended to be consistent with the terms set forth herein. The parties have agreed that, except to the extent required to conform to the terms of this letter agreement, the definitive and final documents shall not reduce or diminish the existing contractual rights or economic benefits currently accruing to HLSR or the County (or the County's predecessor) under existing agreements to which HLSR is a party or beneficiary and shall preserve the existing long-term historical relationship between HLSR and the County. The HLSR lease of the Astrodomain Complex shall be amended to extend the term to the maturity date of the final bonds with mutually acceptable renewal terms and grant HLSR appropriate intangible property rights licenses for HLSR events during the term.



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Naming/Advertising Rights

The Parties have agreed to the allocation of all revenues derived from naming rights and signage/advertising for the Project as set forth on Exhibit D attached hereto.

Pourage and Branding

Pourage and branding rights are set out in Exhibit E attached hereto.

Targeted Taxes

The NFL Club and HLSR will not be responsible for any targeted taxes imposed by the County or the Sports Authority, other than the parking and ticket taxes or surcharges at the rates specified above and other than any sales and use tax imposed by the Sports Authority and/or the County uniformly throughout their respective jurisdictions; provided, however, if a targeted tax is imposed or the rates of the permitted ticket or parking taxes or surcharges are increased, the NFL Club and HLSR shall receive a credit against their obligations hereunder to the extent of the amount paid by each party, respectively, as a result of the targeted tax or rate increase.

Pre-Development Expenses

The NFL Club and HLSR will be entitled to reimbursement or credit for all documented and reasonable architectural, engineering and consulting fees to the extent that such conform to, and fall within (unless otherwise agreed to by the Sports Authority), the final approved budget for the Stadium and are approved by the Sports Authority and the County and incurred or to be incurred by it in connection with items utilized in the construction of the Stadium, with such reimbursement to be paid from the Stadium budget on the date that the final bonds for the financing of the Stadium are delivered.

Financial Condition

The County and the Sports Authority reserve the right to review the financial condition of the NFL Club when the financing is in place for the NFL Club's acquisition of its franchise. The Parties acknowledge that the NFL Club's acquisition of a NFL franchise is subject to financing satisfactory to the NFL Club. The terms of the definitive

documents will, accordingly, be subject to such lender's approval.

Olympics

The Parties will use reasonable efforts to accommodate the use of the Stadium for the Olympic Games if awarded to Houston, Harris County, Texas. The Parties agree that the plans for the Stadium may be modified (subject to the prior right of the Parties to approve the Final Plans) in order to accommodate future additional seating in the facility for the Olympics and/or expansion, so long as the Sports Authority agrees to advance funding (not to exceed \$7.5 million) necessary to pay for the construction cost of such modifications and additions. The Parties agree that the NFL Club and HLSR leases will provide that any use or expansion of the Stadium for the Olympics will not, without the prior consent of the tenants, (i) unreasonably affect the terms of their use of the Stadium or their respective lease terms, (ii) unreasonably adversely affect the marketing or use of the Stadium for professional football or rodeo use or their operations therein, and (iii) cause the tenants to play or perform in another location. The Parties will work together in good faith on any scheduling matters relating to Olympic use, including, without limitation, working with the NFL on scheduling home games so as to accommodate the use of the Stadium for the Olympics.

Exclusivity/Definitive Agreements

Until the earlier of January 30, 2000 or 90 days after the date that the NFL selects the NFL Club to receive an expansion franchise (the "Target Date") each of the Parties shall deal exclusively with the other in connection with the Stadium in an attempt to finalize the definitive documents, and neither the NFL Club, the County, the Sports Authority nor HLSR shall negotiate with any other person or entity in connection with the Stadium or the establishment or transfer of a professional football franchise (other than arena football in a venue other than the Stadium) to Houston, Texas. The Target Date may be extended for an additional 90 days if by the Target Date (i) the NFL Club has been selected (whether on a preliminary or final basis) as the entity eligible to own an NFL franchise in Houston, (ii) the NFL has determined (whether on a preliminary or final basis) that an NFL franchise (either existing or new) will be relocated or awarded to Houston on terms

acceptable to the NFL Club and (iii) the Parties are continuing, in good faith, to finalize the definitive documents. The obligations of the Parties in this paragraph shall be subject to (i) the NFL Club's continued good faith efforts to pursue (on terms acceptable to the NFL Club) a NFL franchise for Houston and the Project, (ii) the NFL Club's continued status as an entity considered by the NFL as eligible and desirable to own an NFL franchise in Houston and (iii) Robert C. McNair's (and not his successors, assigns or estate) continuing to control the NFL Club. If any of the foregoing events ceases to exist, the provisions of this paragraph shall not be binding on any Party and any Party shall have the right to terminate this letter agreement on written notice to the others.

Anti-Discrimination

In accordance with applicable law, the Parties acknowledge that the appropriate definitive documents will include provisions to prohibit discrimination based on race, sex, religion, national or ethnic origin, age or disability.

Approval of Governing Bodies

The Parties agree that their obligations under this letter agreement are subject to the approval of this letter agreement by their respective governing bodies and the requirements of applicable law, including all required certifications of funds.

The Parties acknowledge that the above-described terms have been agreed to as the principal terms for the development, construction and use of the Project. The Parties agree to submit this letter agreement to their respective governing bodies for approval as expeditiously as possible to facilitate the timely development of the Project. Based upon this letter agreement, the Parties shall reasonably proceed with due diligence and in good faith to negotiate and enter into a definitive final agreement or a series of definitive and final agreements, which definitive agreement(s) shall be satisfactory to the Parties and any of such Parties' lenders and shall conform to the provisions of this letter agreement and provide for such other matters as are consistent with and customary for a transaction of this type. Notwithstanding anything herein to the contrary, all obligations and liabilities of the Parties under

this letter agreement except for the obligations of the Parties set forth in the paragraph entitled Exclusivity/Definitive Agreements and in this paragraph are contingent upon the NFL Club's obtaining a NFL franchise and the Parties entering into definitive documents as contemplated by this letter agreement.

Dated October 19, 1998

IN WITNESS WHEREOF, the Parties have executed this letter agreement as of the date first set forth above.

HARRIS COUNTY, TEXAS

By: _____
Robert Eckels, County Judge

HARRIS COUNTY-HOUSTON SPORTS AUTHORITY

By: _____
Jack Rains, Chair

HOUSTON LIVESTOCK SHOW AND RODEO, INC.

By: _____
Jim Bloodworth, President

HOUSTON NFL HOLDINGS, L.P.

By: Houston NFL Holdings, L.L.C., its general partner

By: _____
Robert C. McNair, President

I, Lee P. Brown, Mayor of the City of Houston, hereby acknowledge this letter agreement to evidence my support of the Project and commitment thereto and agree to the provisions set forth in the paragraph entitled "Sales Tax Rebate." subject to the approval of the City Council of the City.

Lee P. Brown, Mayor
City of Houston, Texas

I, Robert Miller, Chairman of the Board of Directors of the Metropolitan Transit Authority of Harris County, Texas, hereby acknowledge this letter agreement to evidence my support of the Project and commitment thereto and agree to the provisions set forth in the paragraph entitled "Sales Tax Rebate." subject to the approval of the Board of Directors.

Robert Miller
Chairman, Board of Directors
Metropolitan Transit Authority of Harris County, Texas

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Exhibit A--Management

The management entity and/or staff hired by the County will have:

- 1. Nationally recognized expertise in the management and operation of public multi-purpose sports and entertainment and public assembly facilities;**
- 2. Experienced on-site personnel necessary to manage and operate such facility, all at the level consistent with other comparable facilities operated for comparable uses; and**
- 3. The financial ability to meet its obligations. These qualifications may be amended by the County, the NFL Club or HLSR at a later date.**

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Exhibit B--Financing Plan

1) Sports Authority's Undertaking

The Sports Authority shall use its best efforts to provide or cause to be provided financing for the Stadium payable both from and secured by the Sports Authority Revenues (as described below and targeted to generate \$195 million net of issuance costs and capitalized interest), Miscellaneous Revenues (as described below and targeted to generate \$65 million net of issuance cost and capitalized interest), and other available monies to provide \$260 million to pay a portion of the construction costs of the Stadium. Such targeted amounts will be increased or decreased and allocated in order to maximize the amount of money available for the construction of the Stadium. The Sports Authority has committed \$260 million net bond proceeds and no more to be raised from (i) the issuance of bonds payable from the Sports Authority Revenues, which are targeted to generate \$195 million net bond proceeds, (ii) the

issuance of bonds payable from the Miscellaneous Revenues, which are targeted to generate \$65 million net bond proceeds, (iii) money to be contributed by the Sports Authority from Sports Authority Revenues prior to and/or during construction, and (iv) interest earnings on bond proceeds and PSL revenues and/or the NFL Club Contribution (as herein so called).

2) Stadium Financing

The Sports Authority's financing for the Stadium as described in Section 1, together with the \$50 million PSL revenues and/or NFL Club Contribution, is estimated to be sufficient to provide \$310 million of net construction dollars for the actual costs of the final construction budget for the Stadium. The Sports Authority's commitment does not include an obligation to pay any construction costs, including change orders other than those requested by the Sports Authority, in excess of \$310 million. The Sports Authority also has agreed to pay all costs of issuance and interest on the bonds during construction of the Stadium. The Sports Authority shall have the right to review and approve those portions of all material documents relating to the Stadium and Project which relate to the amount and the source of the funding of Miscellaneous Revenues as described herein and the dependability (as such term is to be addressed in the definitive documents to the mutual satisfaction of the Parties) of the Miscellaneous Revenues; provided that with respect to HLSR's obligation for the foregoing purposes, dependability of Miscellaneous Revenues will not include collateral or credit support for the payments set out in Section 3(III)(D), (E) and (F), but HLSR's obligation to pay its annual rent of \$1,500,000 is a recourse obligation. To the extent that the final cost of the Stadium is less than \$310 million, the Sports Authority retains the right to reduce its commitment in an amount equal to the reduced amount. Such financing may be issued in one or more installments or issues, which may be tax-exempt or taxable, and the Miscellaneous Revenues will be allocated, pledged and secured in such manner as to optimize the financing. The financing program is predicated upon (i) no material increase in interest rates, (ii) all PSL revenues and/or the NFL Club Contribution being paid as provided in Section 4, (iii) contemporaneous issuance of all permanent bonds secured by Sports Authority Revenues and Miscellaneous Revenues and ratable expenditure of their proceeds, (iv) all interest

earnings on bond proceeds and PSL revenues and/or the NFL Club Contribution being used by the Sports Authority to pay any interest expense and/or pay construction costs of the Stadium, (v) all of the Miscellaneous Revenues to be pledged for the financing and construction not being subject to prior liens or encumbrances and being secured by adequate guarantees (to the extent specified in Section 5) and excess coverage (to the extent specified below) to assure the Sports Authority that the bonds can be insured by MBIA or other AAA rated bond insurer, and assuring the Sports Authority that the bonds secured by the Miscellaneous Revenues can be sold, and (vi) satisfying MBIA (or other AAA rated bond insurer) that the Miscellaneous Revenues described in Section 3(iii) will dependably generate annually (a) \$4,782,000 plus (b) the amount of monetary coverage required by MBIA (or other AAA rated bond insurer) so that the Sports Authority can issue bonds secured in whole or in part by Miscellaneous Revenues which are insured by MBIA (or other AAA rated bond insurer). The Sports Authority shall pay, from its Sports Authority Revenues, bond proceeds and earnings thereon, all costs of issuance and interest during construction on all bonds secured by Sports Authority Revenues. The Stadium has been, and will continue to be, designated by the Sports Authority as an approved venue project.

3) Available Revenues

Revenues available for the financing, construction, operation, maintenance and capital repairs of the Stadium ("Available Revenues") shall include the following:

1. **NFL Club Contribution.** The NFL Club's Contribution of \$50 million payable as provided in Section 4
2. **Sports Authority Revenues.** The Sport Authority's hotel occupancy taxes and short-term vehicle rental taxes, but only to provide the targeted amount of \$195 million net bond proceeds.
3. **Miscellaneous Revenues.** Miscellaneous Revenues consisting of the following which will generate (to the satisfaction of the Sports Authority) on an annual basis revenue of \$8,010,000:
 - a. NFL Club's annual guaranteed payment of \$1,050,000, plus any amounts actually required to be paid in Section 5 and less any amounts actually credited in

Section 9;

- b. **Parking taxes and/or surcharges of \$1 per car for NFL Club events/games;**
- c. **Amounts equal to sales taxes collected by the City of Houston and METRO and paid to the Sports Authority as a rebate for tickets, concessions and sales related to NFL Club events/games;**
- d. **Ticket taxes of 10% per ticket for tickets sold for events/games in the Stadium building not to exceed \$2 per ticket for tickets sold for events/games in the Stadium building;**
- e. **HLSR payments of (i) \$1,500,000 annual rental plus (ii) the amount collected by HLSR as the ticket surcharge on tickets for HLSR events in the Stadium building priced less than \$20 per ticket, as required by this letter agreement such ticket surcharge to be in an amount that is sufficient to cause the total of such ticket surcharge and such ticket tax to be equal to \$2 per ticket sold for HLSR events in the Stadium building; and**
- f. **Parking taxes and/or surcharges of \$1 per car for HLSR events as provided in the letter agreement.**

4. Other Revenues.

- a. **Money to be contributed by the Sports Authority from Sports Authority Revenues prior to and/or during construction; and**
- b. **Interest earnings on bond proceeds and the PSL revenues and/or the NFL Club Contribution.**

4) NFL Club Contribution

Subject to the provisions of the letter agreement relating to credit against or reimbursement to the NFL Club for the NFL Club Contribution from PSL revenues, the NFL Club will contribute (i) \$45 million to the cost of the development and construction of the Stadium to be deposited into the construction fund established under the bond documents, with 1/3 of the amount paid at the time the Sports Authority delivers its bonds to finance the Stadium, 1/3 paid at the time 1/3 of the bond proceeds have been spent, and 1/3 paid at the time 2/3 of the bond proceeds have been spent and (ii) \$5 million to the cost of the concession

build-out for the Stadium, which \$5 million will be paid on a pro rata basis with the \$45 million contribution. The ability of the Sports Authority to provide financing for the Stadium is dependent on satisfying MBIA (or other AAA rated bond insurer) that the NFL Club Contribution will be paid when due. Bond proceeds and PSL revenues and/or the NFL Club Contribution will be expended on a pari-passu basis. For the purpose of this Exhibit B only, PSL revenues shall mean the PSL revenues in the amount of \$50 million which may be substituted for the NFL Club Contribution.

5) Guaranty and Payment of Miscellaneous Revenues

The NFL Club must guaranty (or cause to be guaranteed by third party guarantors or otherwise collateralized or give assurances, in a form acceptable to the Sports Authority, the NFL Club and its lender and MBIA or other AAA rated bond insurer) that the Miscellaneous Revenues described in Section 3(iii)(A), (B), (C) and (D) (attributable to NFL Club events/games), received by the Sports Authority shall be \$4,010,000 annually. The NFL Club payment of \$1,050,000 will be made on the first day of each lease year, with the first lease year beginning on the date the Stadium is completed and ready for occupancy assuming the timely completion and delivery of possession of the Stadium on the commencement of the 2002 NFL pre-season or as otherwise mutually agreed to in the definitive documents, and the remainder of the \$4,010,000 will be paid promptly following the end of the football season. HLSR agrees to pay (i) rent of \$1,500,000 at the beginning of each lease year, with the first lease year beginning on the date the Stadium is completed and ready for occupancy assuming the timely completion and delivery of possession of the Stadium on the commencement of the 2003 annual rodeo event or as otherwise mutually agreed to in the definitive documents, and (ii) the payment required by Section 3(iii)(E)(li) on an estimated basis on April 15 of each lease year and adjusted by the following June 1, or such other mutually agreed upon dates. The Parties agree that no additional guaranty, collateral or revenues of the Parties, other than as required herein, shall be required to be given or pledged as part of the financing and/or operation and maintenance of the Stadium.

6) Flow of Funds

In order to provide coverage so as to optimize

the financing, the Sports Authority will covenant in the bond indenture and financing documents to deposit any or all Miscellaneous Revenues into funds and accounts established in the indenture and make them subject to a "flow of funds" established in the indenture and other financing documents for such financing, generally to pay debt service and debt service reserves first, to fund capital reserves next and then fund payments to the County for operations, but with such variations as may be appropriate to optimize the amount of tax-exempt financing for the Stadium.

7) Establishment of Capital Reserves

Solely from Miscellaneous Revenues, after paying all required current debt service requirements (including debt service reserve requirements), \$2.5 million annually shall be transferred out of the flow of funds into a segregated capital renewal and replacement fund that can be applied only to pay for capital repair or replacements to the Stadium, and such segregated fund will not be pledged or encumbered in any way. Interest earnings on the capital reserve fund shall remain a part of the capital reserve fund.

8) Operating Expenses

After making all current payments described in Sections 6 and 7 above, but solely from Miscellaneous Revenues, the County shall be paid \$728,000 annually for the operation of the Stadium.

9) Surplus Miscellaneous Revenues

To the extent Miscellaneous Revenues received by or on behalf of the Sports Authority described in Section 3(iii)(A), (B), (C) (based on the actual amount of the rebate received by the Sports Authority at a sales tax rate of 2%) and (D) (attributable to NFL Club events/games), exceeds \$4,010,000 in any year, such excess shall be credited against the NFL Club's obligations under Section 3(iii)(A) (before applying any credits under this Section 9) in either the current or following year, not to exceed a total credit of \$1,640,000 for any year. Otherwise, any surplus Miscellaneous Revenues shall be applied as determined by the Sports Authority as provided in the financing documents and consistent with the terms hereof.

10) Additional Agreements

The Parties shall enter into all agreements reasonably necessary to enable the Parties to enjoy the rights and benefits contemplated herein that are not inconsistent with the indenture and other financing documents as described herein.

11) Other Agreements

The Sports Authority reserves the right to enter into any other agreements with respect to the Stadium or the Available Revenues not inconsistent with the terms of the letter agreement in order to obtain and secure at the lowest reasonable cost any required financing and/or funding for the Stadium and so as not to impair its capacity to finance other projects.

12) Additional Bonds

Without obligating the Sports Authority, it will give due consideration to the request of the NFL Club or HLSR for the issuance of additional bonds secured by Miscellaneous Revenues available after application in Section 8 to pay any portion of the Stadium or Project cost or future capital improvements to the Project, subject to such requesting party's agreement, in a form and on terms acceptable to the Sports Authority and the requesting party, to an increase to its obligation under Section 3(iii)(A) or (E), as applicable, in an amount sufficient to pay the debt service on, and to fund any required reserves of, such additional bonds which are insured by MBIA (or other AAA rated bond insurer) and to provide the coverage necessary to secure MBIA (or other AAA rated bond insurer) insurance on the bonds.



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Exhibit C--Excluded Events

Recognizing that The NFL Club's right to use the Stadium for additional events does not include usage of the Stadium for the Super Bowl or events such as the Olympics, Major League Soccer, the NCAA Final Four, College sports etc.,

which are not sponsored by the NFL Club or an affiliate thereof, the County and the NFL Club wish to set forth their intent with respect to the permitted uses of the Stadium by the NFL Club for additional events days specified in the letter agreement. Accordingly, the NFL Club or affiliate thereof may utilize the Stadium for any lawful purpose so long as (i) the purpose of such event is based upon to be agreed criteria between the County and the NFL Club and (ii) such event is sponsored by the NFL Club or an affiliate thereof and is not any of the following:

- i. any concert event other than (x) a concert in which the NFL Club or an affiliate thereof is promoting the event and is directly contracting with the entertainment; provided, however, that no major concert event will be held in the Stadium other than those associated with HLSR's rodeo from December 1 through April 15, except for non-competitive concerts (as such term is to be mutually agreed to between the County, the NFL Club and HLSR) approved by HLSR, such approval not to be unreasonably withheld or delayed, and (y) concerts or related activities held in association with NFL playoff games and/or Super Bowl festivities; and
- ii. specific events such as "dirt" events (e.g. tractor pull events, automobile or motorcycle events) and other events at the Stadium that recur from year to year or at regularly scheduled intervals.

The right to use the Stadium for additional events is not assignable by the NFL Club except to any successor owner of the NFL Club or any affiliate thereof. The County and the NFL Club shall meet periodically during the year to review the event schedule for the Stadium and review any proposed NFL Club events proposed to be scheduled by the NFL Club or its affiliate for the additional event days. The County and the NFL Club shall each act in good faith and in a cooperative manner in an effort to maximize the use of the Stadium for the benefit of the County or such days utilized by the County, and similarly to maximize the benefit to be derived by the NFL Club's use of its additional days. The County and the NFL Club shall, in reviewing the event schedule, attempt to create a fair and equitable opportunity for both the County with respect to its events and the NFL Club with respect to its additional days. The County and the NFL Club shall take into account any events of a seasonal or other regular recurring nature that are

reasonably expected to be recurring events at the Stadium (including extra event days set by HLSR), such that those days, to the extent that the event will be expected to recur from year to year, or at regularly scheduled intervals, shall not be available for the NFL Club for use as additional days.



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Exhibit D--Signage and Naming Rights Terms

1) All signage referred to will be inside the proposed new multipurpose sports and entertainment facility and adjacent plaza areas (the "Stadium") or permanently affixed to the exterior of the Stadium with the exception of the marquee, entrance and directional signage outlined in Sections 1.A and 1.C. For purposes of this Exhibit D, and no other purposes, the term "Parties" shall mean and be limited to the County, NFL Club and HLSR.

A) Naming Rights Signage

Recognition of the naming rights purchaser will be accorded wherever the building name would normally appear. This generally includes, but is not specifically limited to facility or parking lot entrances, directional signage to, or in, the Stadium building, permanent signage on each scoreboard, signage on the exterior of the stadium building, literature, ticket fronts, doormats, promotional materials, cups, napkins, trays, roof, informational signage and the Astrodomain grounds marquee or marquees ("Naming Rights"). The current Astrodome and Compaq Center will be used as prototypes for deciding what is "normal," so as not to substitute Naming Rights Signage for other Fixed Permanent, Temporary or Rotational Signage. Specifically excluded are all NFL Club or HLSR association, sponsorship or media rights. The design, presentation

and appearance of the external signage attached to the Stadium shall be consistent with the general design, presentation and appearance of the Stadium as approved by the County, the NFL Club and HLSR. The Naming Rights package for such signage shall be mutually approved by the NFL Club and the HLSR. Naming Rights standards shall be pre-agreed to between the parties, the County not unreasonably withholding its approval, in order to protect the public image of the Stadium.

B) Fixed Rotational Signage

The signs in the seating bowl and scoreboard area which are permanently affixed to the Stadium but have ad copy that can rotate during an event ("Rotational Signage").

C) Fixed Permanent Signage

All remaining signage in or on the Stadium building that is permanently affixed to the Stadium building plus signage on the Astrodomain marquee or marquees referred to in Section 1.A ("Fixed Permanent Signage"). In the Stadium seating bowl this category is expected to be limited to signage that is not normally visible to television cameras, (i.e. cupholders, etc.), unless exceptions are mutually agreed upon between the NFL Club and HLSR. Outside of the seating bowl this is intended to be all concourse, marquee, level (gate, area, room, activity or similar entity) naming rights fees/signage and concession signage. Signage in the Stadium bowl in this category may not rotate or change during an event. A web page for the Stadium (but not the County's, NFL Club's or the HLSR's own web pages) containing advertising, if any, shall be deemed to be Fixed Permanent Signage hereunder.

D) Temporary Event Specific Signage

Signage which is not permanently affixed to the Stadium and changes with each event ("Temporary Signage"). Examples include, but are not limited to, video commercials and other electronic display recognition, sponsored vignettes or kiosks, temporary banners, stage signage, chuck wagon signs and signage on event participants.

E) Virtual Signage and Advertising

In no event shall the benefits to be derived from the signage and advertising as outlined herein be diluted by any computer- or other-generated "virtual signage." Both the NFL Club and HLSR shall have the unrestricted right to grant "virtual signage rights" with respect to their respective sponsored games and events, but no other party, including, the County or any third party, shall have the right to grant "virtual signage rights" with respect to any event occurring at the Stadium to the extent that those rights would diminish or impair the rights, revenues or benefits otherwise to be derived by the parties hereunder.

F) Barter/Trade Agreements

In the event any equipment or service vendor, contractor or concessionaire accepts a trade of advertising, signage, or naming rights, or any other saleable service or right for the Stadium for equipment or services provided to or included in the Stadium or a contribution to Stadium Costs, the County, NFL Club and HLSR shall be entitled to receive their share of revenues from advertising signage, and naming rights, and all other saleable services or rights for the Stadium from the Party that received or benefited from such trade, whether through its

designee or otherwise.

G) Other Astrodomain Facilities

Subject to the restrictions to be contained in the respective Leases for the NFL Club and HLSR regarding the right of the County to name the other facilities on the Astrodomain grounds, or the Astrodomain grounds themselves (i.e., to honor category exclusives ["Exclusive(s)"] in favor of the Stadium), the County will have the right to name any other facilities on the Astrodomain grounds, including the Astrodomain grounds themselves, and shall have the non-exclusive right, to utilize the Astrodomain grounds marquee(s) for informational purposes to identify the name of such other facilities and to identify and promote upcoming scheduled events at such other facilities. The marquee(s) shall not, however, be used by the County for commercial advertising purposes (i.e., advertising space shall not be sold or bartered on such marquee(s) by the County).

H) Intangible Property License

The NFL Club and HLSR will enter into a license agreement with the Sports Authority and the County granting to the NFL Club and HLSR an Intangible property license for the naming rights, advertising and signage rights for the Stadium, incorporating the terms and provisions hereof.

2) All Stadium Naming Rights revenues or fees, to include payments for signage, exclusivity rights and the Stadium's trademark and logo use, while excluding all other amenities, shall be allocated 83% to the NFL Club, 12% to HLSR, and 5% to the County. Any elements like amenities packages, suites, tickets, media, program ads, "official" status or similar items, collectively referred to as "benefits revenues," shall be allocated to the party (NFL Club or HLSR) that provides such benefits; provided, however, nothing herein shall permit either the NFL Club or HLSR to grant suite or long term parking rights

as part of any such amenities for use during County sponsored (non-NFL Club or non-HLSR) events without the County's prior reasonable approval, or amenities during the HLSR Event which are inconsistent with HLSR's existing lease with the County, as it is to be amended. A floor value for the Naming Rights must mutually be established and agreed upon by the NFL Club and HLSR before marketing of Naming Rights begins. Any and all additional elements generating benefits revenues must be defined and assigned a specific value by the NFL Club and HLSR prior to inclusion on the Naming Rights package or no value may be assigned to the element. The County, or its designee, shall provide on a regular basis to the NFL Club and HLSR a schedule for ticket and parking prices applicable to non-NFL Club events and non-HLSR events, provided that such schedule of ticket and parking prices shall allow the collective marketing by the NFL Club and HLSR of Naming Rights and/or suites, club seats or other amenities in connection with non-NFL Club events and non-HLSR events, and such ticket and parking prices shall not exceed the reasonable and customary prices charged to the general public for such events. The NFL Club shall receive any bonus revenues that may be attributed to other NFL Club sponsored events and for Super Bowl or NFL Playoff games. HLSR shall receive any bonus revenues that may be attributed to HLSR events that are specifically outlined in the Naming Rights contract. The County, the NFL Club and HLSR shall evenly share (on a one-third basis each) any other bonuses specifically outlined in the contract that are unrelated to either organization such as the Olympics, Major League Soccer, NCAA Final Four (and other nationally recognized specifically sanctioned national NCAA play-off events), etc. The Naming Rights purchaser will be afforded category exclusivity within the Stadium as mutually agreed upon by the NFL Club and HLSR but that exclusivity will not extend to the rest of the Astrodome Complex during HLSR or County events unless a separate, mutually agreed upon fee to HLSR or the County, respectively, is negotiated with an assigned specific value. The County, or its designee, will, however, refrain from selling the Naming Rights to another facility on the Astrodome Complex, or the Astrodome Complex itself, to a sponsor in the same product category as the Naming Rights sponsor of the Stadium. The in-stadium category exclusivity will not preclude HLSR or the NFL Club from acknowledging its "Official Sponsors or Presenters" on the stadium video boards during rodeo or team performances. These

acknowledgments will not include Fixed Permanent or Rotational Signage and they will not take the form of advertisements or commercials and will be mentions only.

3) Fixed Rotational Signage is the signage anticipated to be in the Stadium bowl on the facades between levels and on the scoreboards. Subject to paragraph 10, the County shall receive (a) the lesser of (i) 5% of all revenues received by the NFL Club from Fixed Rotational Signage or (ii) \$150,000 on an annual basis each year following the public opening event in the Stadium, adjusted as provided in paragraph 10 below, and (b) the lesser of (i) 5% of all revenues received by HLSR from Fixed Rotational Signage or (ii) \$150,000 on an annual basis each year following the public opening of the Stadium (adjusted in the same manner as adjusted for the NFL Club payment). The NFL Club and HLSR will sell their own Fixed Rotational Signage for their respective six (6) months seasons (defined below) or other specified/allocated events/dates and keep all remaining revenues. The County, the NFL Club and HLSR will cooperate with each other in an attempt to maximize their revenues through Exclusives and packaging but the NFL Club and HLSR shall be free to sell their own sponsorships incorporating the Fixed Rotational Signage element as they see fit. Each party, the NFL Club and HLSR, shall pay their own production costs, artwork installation costs, expenses, fees, etc. related to this signage. The NFL Club and HLSR anticipate changing non-exclusive rotational advertisers twice each year on August 1 (for football season), and February 1 (for Rodeo season), and on any additional dates each party (or their affiliates) may promote in the other party's time period.

4) Fixed Permanent Signage shall be allocated 47.5% to the NFL Club, 47.5% to HLSR and, subject to paragraph 10 hereof, 5% to the County. After the revenue from the County's allocable portion from Fixed Permanent and Rotational Signage exceeds the predetermined overall cap (as provided in paragraph 10 below), Fixed Permanent Signage shall be allocated 50% to the NFL Club and 50% to HLSR. Any elements like amenities packages, suites, tickets, media, program ads, "official" status or similar items, collectively referred to as "benefits revenues," shall be allocated to the party (the NFL Club or HLSR) that provides such benefits provided, however, nothing herein shall permit either the NFL Club or HLSR to grant suite or long term parking rights as part of any such amenities for

use during County sponsored (non-NFL Club or non-HLSR) events without the County's prior reasonable approval, or amenities during the HLSR Event which are inconsistent with HLSR's existing lease with the County, as it is to be amended. A floor must be by mutually agreed upon and established by the NFL Club and HLSR for each sign, advertising or product right before that right can be marketed, with or without amenities, in a Fixed Permanent Signage package. Any and all additional elements generating benefits revenues must be defined and assigned a specific value by the NFL Club and HLSR prior to inclusion in any Fixed Permanent Signage package or no value may be assigned to the element; provided however, that the County, or its designee, shall provide on a regular basis to the NFL Club and HLSR a schedule for ticket and parking prices applicable to non-NFL Club events and non-HLSR events, and provided further that such schedule of ticket and parking prices shall allow the NFL Club and HLSR to market its Fixed Permanent Signage in connection therewith, and such ticket and parking prices shall not exceed the reasonable and customary prices charged to the general public for such events. The NFL Club shall receive any bonus revenues that may be attributed to other NFL Club sponsored events and for Super Bowl or NFL playoff games. HLSR shall receive any bonus revenues that may be attributed to future special HLSR events that are specifically outlined in a Fixed Permanent Signage contract. The NFL Club, HLSR and the County shall evenly share (on a one-third basis each) any other bonuses specifically outlined in the contract that are unrelated to either organization such as the Olympics, Major League Soccer, NCAA Final Four, etc.

5) Temporary Event Specific Signage, as defined above, will be sold by each party (the NFL Club or HLSR), or other tenants (which rights may be granted to such other tenants by the County or third party management) for their event(s), and each party will keep 100% of the revenue from their events. Any Exclusives sold by both the NFL Club and HLSR will be honored by all tenants and Stadium users (to include the County and/or third party management), as detailed below. Year-round video commercials sold by both the NFL Club and HLSR will be exhibited at all events, unless traditionally and historically banned at such events (i.e. no alcohol advertising at religious or NCAA events). Similarly, Fixed Rotational Signage appropriate to the specific six month football and six month Rodeo seasons will be exhibited at all events during such

respective six month periods (or annually, as the case may be) unless traditionally and historically banned at such events (i.e., no alcohol advertising at religious or NCAA events).

The County will honor and, if applicable, will cause the third party management to honor and to cause all tenants at the Stadium to honor all advertising and signage Exclusives granted by the NFL Club and/or HLSR; provided, however, such other tenants utilizing the Stadium, from time to time, for their events shall be permitted to sell temporary advertising and promotions during their own events subject to the following conditions:

No advertising or signage may be affixed to any part of the Stadium or on any existing signage or advertising structures within or around the Stadium except that such tenants will be permitted to place advertising, in the case of sports team tenants (such as a Major League Soccer Team) on the playing turf and the goal posts (or, in the case of non-sport team events, on the stage or in the performance area) as well as temporary removable banners advertising certain products and/or services, so long as not in violation of an existing Exclusive previously granted by the NFL Club and/or HLSR in the Stadium.

Such permitted advertising for such tenants shall be permitted only during such tenants' events and not during other times in the Stadium.

In no event shall such tenants have the right to grant any Exclusive to advertisers or promoters which would in any way affect the ability of the NFL Club or HLSR to advertise or participate in promotions with any parties as the NFL Club and HLSR shall determine in their own absolute discretion.

The foregoing restrictions on signage and advertising with respect to tenants (other than the NFL Club and HLSR) shall not apply in the event that the Stadium is used for the Olympic Games or the Super Bowl or with respect to any nationally recognized special college-sanctioned event such as an NCAA play-off tournament held in the Stadium (collectively, "Special Users"), it being recognized and acknowledged that the Stadium may have to conform to the requirements of such Special Users with respect to certain signage and advertising in the Stadium during their events (e.g., the NCAA prohibits in seating area alcoholic beverage signs), including,

potentially, the requirement that some of the Fixed Permanent and Rotational Signage within the seating area of the Stadium may be required to be covered, draped or otherwise blacked out during such events.

6) All signage elements will be identified when the detailed construction plans are developed. Any sale of additional Fixed Permanent or Rotational Signage in the Stadium must be mutually agreed to by the NFL Club and HLSR prior to sale.

7) As much of the Fixed Permanent and Rotational Signage production costs as possible will be incorporated into the Stadium project. When fulfillment must be incurred on Fixed Permanent and Rotational Signage, or Naming Rights signage, they will be subtracted from the total price of the package similar to the benefits revenue elements with the remainder being the amount subject to being split between the parties as provided herein.

8) When the NFL Club and HLSR produce the rate card on the signage, they will make their best efforts to outline a benefits package likely to be required to sell each signage package so that net proceeds from signage and related benefits may be projected by each of them prior to the actual sales effort. All shared categories will have a floor mutually agreed upon by the NFL Club and HLSR for each sign or marketed product below which the gross sales price of shared elements to be divided among the parties may not fall.

9) All elements of product and service provider rights (e.g. soft drink pourage, financial service/ATM services, "official candy provider," etc.) as well as exclusivity rights shall be determined and mutually agreed upon by the NFL Club and HLSR on a case-by-case basis and relate exclusively to the interior of the Stadium building or within the immediately adjacent ticket line area, as determined by mutual agreement of the NFL Club and HLSR, unless a to-be-negotiated premium with an assigned specific value for such ticket line area is paid to HLSR to compensate HLSR for the loss of potential non-exclusive advertisers included on those areas of the Astrodomain Complex for which HLSR has use or occupancy rights during its Event Days, or to the County to compensate the County for the loss of potential non-exclusive advertisers included on the rest of the Astrodomain Complex for events other than NFL Club events and HLSR events. The NFL Club

and HLSR will not structure such product and service provider rights so as to negatively impact in any material respect the operating costs of the Stadium or quality of service. Neither the County, its designees, the NFL Club, nor HLSR shall attempt to "ambush" future Exclusives outside the Stadium. Any "official category or product" rights would apply only to the interior of the stadium building or within the immediately adjacent ticket line area, as determined by mutual agreement of the NFL Club and HLSR, and not to the NFL Club or HLSR. The NFL Club and HLSR each retains their separate rights as they pertain to "organizational" exclusivity (i.e. the "Official Truck of the Houston Livestock Show and Rodeo").

10) In return for receiving the allocable portion (capped as provided in paragraphs 3 and 4 above) of revenues from Fixed Permanent and Rotational Signage, the County shall agree to, or if applicable, the County shall cause the third party management to agree to:

A) For purposes of calculating the County's share of revenues from Fixed Permanent and Rotational Signage any up-front payments shall be treated as if paid in equal annual amounts over the life of the contract to which such rights apply. An overall cap of \$300,000 in total revenues, excluding non-NFL and non-HLSR temporary sign and advertising rights, in any year of the agreement with the understanding that (i) when the revenue from the County's percentage exceeds the predetermined cap, additional revenues from Fixed Permanent Signage shall be allocated 50% to the NFL Club and 50% to HLSR, and (ii) when the share of revenues from Fixed Rotational Signage exceeds the respective maximum amounts allowed under paragraph 3 above that are allocable to the County, then such excess shall be allocable to either the NFL Club or the HLSR, as the case may be. The \$300,000 cap shall be adjusted annually (on the anniversary of the public opening event date) by the lesser of (a) 3% or (b) the Consumer Price Index (pursuant to customary formula). The \$150,000 cap referred to in paragraph 3 above shall likewise be increased annually by making a similar calculation;

B) Honor Exclusives and Naming Rights sold by both the NFL Club and HLSR in the Stadium and product category protection for the Naming Rights sponsor as well as in the Astrodome Complex (e.g., if the Stadium is named

"Continental Airlines Stadium," then the County shall not name the Astrohalla, or its replacement facility [or any other facility on the Astrodomain Complex], the "Southwest Airlines Exhibit Hall");

C) Exhibit all Naming Rights, Fixed Permanent, Rotational, and Exclusive Temporary Video Signage at all Stadium events unless traditionally and historically banned at such events, (i.e. no alcohol advertising at religious or NCAA events);

D) Permit the sale of Temporary Signage at other tenants' events which does not conflict with the Exclusives;

E) Provide the existing and any new marquees to the NFL Club and HLSR for Permanent Signage (and permitting informational notices and the name of other Astrodomain facilities thereon by the County, as provided above);

F) Not "ambush" or in any way devalue the Exclusive, Naming Rights, Permanent Fixed, Rotational or Temporary Signage rights or revenues, sponsorship, promotion, media or association rights or revenues held by the NFL Club and HLSR;

G) Refer to and require all tenants to refer to the Stadium by the name granted in the naming rights agreement.



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Exhibit E--Pourage and Branding

The NFL Club and HLSR shall retain all branding (including services, products and retail) and pourage rights to the Stadium and the NFL Club and HLSR shall have all branding (including services, products and temporary retail) and pourage rights for areas outside the perimeter walls of the Stadium during the NFL Club's events/games and during the rodeo and other HLSR events, respectively, except that with respect to the NFL Club's events/games, the NFL Club shall not have pourage or branding rights within other buildings on the Astrodomain Complex; provided, however, that such rights shall not be structured by the NFL Club or HLSR so as to negatively impact in any material

respect the operating costs of the Stadium or quality of service. Without diminishing the rights granted to the NFL Club and HLSR in Exhibit D hereto, the relative rights of the County, the NFL Club and HLSR with respect to the leasing of permanent retail space in the Stadium will be addressed in the definitive documents.

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- [Summary of Principal Development Documents of Letter Agreement](#)
- [FAQ on New Stadium Development Letter Agreement](#)

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F.A.Q.

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LEASE TERMS

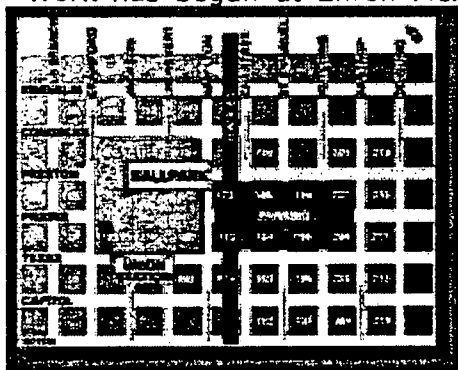
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Where will the Stadium be located?

Work has begun at Enron Field, located in the north-east end of downtown Houston. Please click our map for a close-up look at the area.



We also have an interactive map of the area which will allow you to click on various parts of downtown Houston and the new stadium area for more descriptions.

Additionally, there is the **MAJOR LEAGUE BASEBALL LETTER** which sets out the acknowledgement of Major League Baseball with regard to the Astros' obligation to play all their baseball home games in the Stadium and not to relocate the Astros baseball franchise during the life of the lease.

How do these documents compare with the Memorandum of Agreement previously signed by the Sports Authority and the Astros?

Every provision of the Memorandum of Agreement is addressed in one of the four documents in a detailed manner.

What assurances do the taxpayers have that the Stadium will not go over budget?

First, Brown & Root and the Sports Authority have entered into a guaranteed maximum price construction contract. The guaranteed maximum price is currently \$229,500,000, but will be reduced as a result of the deletion of certain work related to chilled water. In addition, Brown & Root has obtained a payment bond and a performance bond (each in the sum of \$229,500,000 and each running in favor of the Sports Authority) to secure its performance under the construction contract. The obligations of the insurer under the payment bond and the performance bond are guaranteed by Haliburton, Inc., Brown & Root's parent company. Finally, the Astros are responsible for all costs in connection with the construction of the Stadium in excess of \$250 million other than those incurred as a result of charges requested by the Sports Authority.

Who is responsible for cost overruns in connection with the construction of the Stadium?

The Astros will be responsible for all cost overruns other than those incurred as a result of changes requested by the Sports Authority. In addition, Brown & Root and the Sports Authority have entered into a guaranteed maximum price construction contract. The guaranteed maximum price is currently \$229,500,000, but will be reduced as a result of the deletion of certain work related to chilled water. In addition, Brown & Root has obtained a payment bond and a performance bond (each in the sum of \$229,500,000 and each running in favor of the Sports Authority) to secure its performance under the construction contract. The obligations of the insurer under the payment bond and the performance bond are guaranteed by Haliburton, Inc., Brown & Root's parent company.

What is the term of the Stadium Lease Agreement?

The Stadium Lease Agreement is for a primary term of 30 years, with two 5-year extension options.



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Where is the money coming from to pay for the stadium?

Three primary sources, as set out below:

- (i) The Sports Facilities, L.P. (the Ken Lay group) has pledged to fund approximately \$35 million on a favorable basis to the Sports Authority.
 - (ii) The Astros' total annual payments (which are broken down below) amount to \$7.1 million annually.
 - (iii) The Sports Authority, which has pledged \$180 million in bond proceeds toward construction, will utilize approximately \$9.5 million annually of its \$24 million in annual revenues from the hotel occupancy tax and the short term motor vehicle rental tax to pay debt service related to the construction of the stadium.
- These funds will be sufficient to fund the construction of the Stadium.

How much will the Astros pay?

The Astros will pay \$7.1 million per year allocated as follows: (i) \$3.4 million as rent under the Stadium Lease, (ii) \$1.2 million as royalty under the License Agreement and (iii) \$2.5 million as a contribution into an asset renewal and replacement fund discussed below. The Astros' rent and royalty payments exceed by \$1.3 million per year the Astros' rental

payments as set out in the September 14, 1996 letter of intent between the Astros, the City of Houston and Harris County.

Who will pay the expenses for the maintenance, use, repair and occupancy of the Stadium?

The Astros.

Who will pay for capital repairs to the Stadium?

The Astros are required to pay for all capital repairs to the Stadium. The Stadium Lease sets up an asset renewal and replacement fund (the "ARR Fund") to be used to pay for capital repairs to the Stadium. The Astros will pay \$2.5 million annually into the ARR Fund and can make repairs and replacements from a pre-approved list, subject to the right of the Sports Authority to audit withdrawals from the ARR Fund to ensure the proper use of the ARR Fund. The Astros' obligation for capital repairs is NOT limited to the funds on deposit in the ARR Fund.

What other events can be held at the Stadium?

Various other sporting events and non-sporting events may be held at the Stadium. The Astros have the right to use the Stadium for all lawful purposes, excluding the operation of a sexually oriented business, an industrial site or a waste disposal site. The Sports Authority has made provisions for the Stadium to be available for the Olympics and Pan Am Games.



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What is the purpose of the Non-Relocation Agreement?

The Non-Relocation Agreement specifically prohibits the Astros from relocating outside the boundaries of the Sports Authority (i.e., the City of Houston and Harris County) during the initial 30-year term of the Stadium Lease and any renewals of the term. The Non-Relocation Agreement is an integral part of the protection sought by the Sports Authority so as to ensure that major league baseball is played in the city of Houston during the life of the Stadium Lease.

What happens if the Astros violate the Non-Relocation Agreement?

The Sports Authority may enforce the terms of the Non-Relocation Agreement through declaratory or injunctive relief, including a suit for specific performance. The Non-Relocation Agreement also provides for the payment of certain liquidated damages by the Astros in the event the Astros breach the Non-Relocation Agreement. The Sports Authority will also call upon Major League Baseball for assistance in retaining a major league baseball franchise in Houston so long as bonds remain outstanding with regard to the construction of the Stadium.

If the Astros breach the Non-Relocation Agreement can the Sports Authority recover monetary damages?

Yes. The Sports Authority will be entitled to recover liquidated damages from the Astros in the amount of \$250 million, decreasing in amount based on the number of years remaining

in the term of the Stadium Lease. The risk of liquidated damages will deter the Astros from attempting to relocate outside the City of Houston and Harris County.

Does the Non-Relocation Agreement restrict the Astros' ability to sell its baseball franchise?

No. The Astros may sell its baseball franchise in accordance with the rules of Major League Baseball provided that any transferee of the Astros' baseball franchise must assume the obligations of the Astros under the Stadium Lease, the Project Agreement, the License Agreement and the Non-Relocation Agreement and meet certain other qualifications.

What property is being licensed to the Astros pursuant to the License Agreement?

The Sports Authority is granting the Astros the exclusive right to any naming rights, advertising rights, broadcast rights and telecommunication rights with regard to the Stadium. In return, the Astros will pay the Sports Authority an annual royalty of \$1.2 million. The Sports Authority has retained the right to institute a program of selling to the general public "brick pavers" to be incorporated into the Stadium. All revenues generated by the sale of brick pavers will be shared with the Astros, with the Astros receiving, at the election of the Sports Authority, either 25 percent of the gross revenues or 50 percent of the net revenues. All revenues received by the Sports Authority from the sale of brick pavers will be invested in improvements to the Stadium.



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Can the Astros rename The Ballpark?

Yes, however the Sports Authority will have the right to disapprove the new name if the new name would cause embarrassment to the City of Houston or the Sports Authority or if the new name would violate any applicable law. Naming rights were granted in April, 1999 and the stadium was renamed Enron Field.

What is the purpose behind the Major League Baseball Letter?

In this letter, Major League Baseball and the National League, monopolies which enjoy federal anti-trust exemptions, acknowledge the existence and terms of the Non-Relocation Agreement and support and consent to the Astros' execution of the Non-Relocation Agreement and the obligation of the Astros to remain in Houston for at least 30 years. This is the first time Major League Baseball has acknowledged a Non-Relocation Agreement and the Sports Authority views this letter as further assurance that the Astros will remain in Houston and play in the Stadium during the life of the Stadium Lease.

Can the Astros file bankruptcy to void or reject the Stadium Lease?

Yes, however, the Non-Relocation Agreement is a separate agreement between the parties and may not be voidable in bankruptcy. As a result, the Astros have no real incentive to file bankruptcy in order to seek a more favorable economic package from another community.

MEMORANDUM OF AGREEMENT

This Memorandum of Agreement is entered into this 5th day of November, 1997 by and between the HARRIS COUNTY-HOUSTON SPORTS AUTHORITY (the "Sports Authority") and HOUSTON McLANE COMPANY, INC., d/b/a Houston Astros and Astrodome USA (the "Astros").

WHEREAS, the Astros have previously entered into that certain letter agreement dated September 14, 1996 (the "September Letter Agreement") by and between the Astros, the City of Houston, Texas, the County of Harris County, Texas, and Houston Sports Facility Partnership;

WHEREAS, the September Letter Agreement was modified and restated in part by that certain letter agreement dated January 7, 1997 (the "January Letter Agreement");

WHEREAS, certain of the affected parties also entered into that certain letter agreement dated July 15, 1997 (the "July Letter Agreement");

WHEREAS, the September Letter Agreement, the January Letter Agreement, and the July Letter Agreement (collectively, the "Letter Agreements") all relate to various aspects for the development of a new baseball stadium for the Astros to be located in the Houston central business district (the "Project");

WHEREAS, the Sports Authority is a recently created sports venue district created under Chapter 335 of the Texas Local Government Code;

WHEREAS, the Sports Authority was not a party to the Letter Agreements but has assumed certain obligations thereunder as provided in its Resolution No. 97-23 and subsequently has engaged in discussions with the Astros concerning various aspects of the Project;

WHEREAS, the Astros and the Sports Authority desire to evidence various terms and conditions which should be included in the final documentation concerning the Project;

NOW, THEREFORE, the parties hereto hereby agree that the final documentation for the Project shall include at least the following terms and conditions:

DESIGN AND CONSTRUCTION

1. As of the date hereof, the Sports Authority and the Astros have jointly approved the Guaranteed Maximum Price documents which define the scope of the Project including, without limitation, design drawings, specifications, and GMP directives. Subsequent to the date hereof, the Sports Authority and the Astros will jointly approve (not to be unreasonably withheld) the construction drawings, construction specifications, construction budget, and construction contract.

2. The Sports Authority will be responsible for negotiating and entering into a construction contract with a reputable contractor for construction of the Project at a guaranteed maximum price. The construction budget is currently estimated by the Sports Authority to be a maximum of \$230 million (including a contingency for reasonable/necessary change orders requested by either the Sports Authority or the Astros to be jointly approved by both parties).

3. In the event either the Sports Authority or the Astros request changes to the Project which are not covered by the guaranteed maximum price under the construction contract (including the contingency) then the party requesting such changes shall be responsible for all costs related to such changes.

4. The Sports Authority will use its best efforts to include Barton Malow in construction supervision subject to reaching an agreement with Barton Malow concerning the terms of such engagement.

5. The Sports Authority will reimburse the Astros for \$3,323,828 in architect fees incurred for the Project which shall be paid upon the later of (i) 12/15/97 or (ii) the date when the Sports Authority obtains an interim construction facility that is reasonably anticipated to cover all construction and other expenses through the date of funding of the tax-exempt bonds to be issued by the Sports Authority.

6. The Sports Authority will have the right to decide whether to lease or purchase various Project components during the construction phase of the Project provided such decisions do not result in any additional net cost or expense to the Astros.

7. The Sports Authority shall be responsible for all Project Site Acquisition Costs (as defined in the July Letter Agreement).

STADIUM LEASE

1. Primary Term: 30 years commencing upon completion of construction which is projected to be March 1, 2000.

2. Rent: \$4.6 million maximum per year paid semi-annually on such dates as designated by the Sports Authority. The rent obligation will be with recourse against the Astros and will be collateralized by the funds held in the capital asset fund (described below) to pay monetary defaults and to cure non-monetary defaults of the Astros as provided in the Stadium Lease.

3. The Astros will consider separating certain venue revenues of the Project (e.g. naming rights) and placing them on a separate payment schedule. In such event, the annual rent for the Stadium Lease will be reduced by said payments, but the total will remain the same.

4. The Astros will acquire the rights to all baseball and other venue revenues including, but not limited to, naming rights, advertising, broadcasting and telecommunication rights, PSLs, concessions, and parking but specifically excluding any ticket taxes (as described below).

5. The Astros will pay all operating and capital expenses necessary to maintain the Project in a first class condition similar to comparable facilities as provided in the Stadium Lease.

6. The Astros will pay the Sports Authority \$2.5 million per year paid semi-annually (with rent payments) which will be held by the Sports Authority in a segregated interest bearing capital asset fund to reimburse the Astros during the term of the Stadium Lease for jointly approved capital expenses as provided in the Stadium Lease. The Astros may elect to apply the first year of said payments to capital expenses requested by the Astros pursuant to Paragraph 2 or 3 of the above Design and Construction section. All interest earned shall be part of the capital asset fund. Any funds remaining in the capital asset fund upon expiration of the Stadium Lease will be paid by the Sports Authority to the Astros.

7. The Sports Authority may at any time impose admissions, parking, or visiting team facility use taxes (collectively, "ticket taxes") as permitted by applicable law. Provided the Astros are in compliance with the Stadium Lease, the annual rent payments and the annual payments to the capital asset fund shall be reduced/replaced by the amount of the ticket taxes collected by the Astros and an amount equal to any ticket taxes collected in excess of such requirements shall be rebated to the Astros. Prior to executing the Stadium Lease, the Sports Authority shall elect whether the ticket taxes shall first reduce/replace the annual rent payments or payments to the capital asset fund.

8. The Astros will pay ad valorem taxes and insurance related to the Project or any component thereof incurred after occupancy of the Project, so long as the Sports Authority owns the Project or such component.

NON-RELOCATION

1. The parties will work together in obtaining documents satisfactory to the Sports Authority to provide a strict and enforceable prohibition against the relocation of the baseball franchise during the Primary Term of the Stadium Lease notwithstanding any formal or informal reorganization of the Astros or a sale, transfer, or other conveyance of the baseball franchise. Said documentation may include a separate Non-Relocation Agreement between the Sports Authority and the Astros which is acknowledged by Major League Baseball which would obligate the Astros to play their home games at the Project as provided in the Non-Relocation Agreement. The City of Houston and Harris County will be third party beneficiaries to any Non-Relocation Agreement.

MISCELLANEOUS

1. The Sports Authority and the Astros will use their best efforts to accommodate the use of the Project for special events such as Olympic Games or Pan-American Games. In such event, the Astros will receive reasonable compensation for accommodating use of the facilities.

2. The parties acknowledge that the specific terms and structure of the Project as contemplated by this Letter of Intent may require adjustments to maximize bonding capacity of the Sports Authority or to minimize projected interest expenses. The Astros agree to consider such adjustments that do not result in any collateral from or additional net cost or expense to the Astros.

3. In the event the Sports Authority commences construction of the Project by November 20, 1997 (i.e. mobilization, excavation, de-watering, etc.) and a Delay Event (defined below) subsequently occurs then the Astros will agree, if necessary, to delay completion of the Project to March 1, 2001. A "Delay Event" shall mean any event or condition not caused by the Sports Authority which materially delays or precludes or is reasonably anticipated to materially delay or preclude the Sports Authority (including force majeure events) from obtaining completion of the Project by March 1, 2000 including, without limitation, (i) adverse or significantly delayed opinions by the Texas Attorney General in response to pending or subsequent opinion requests, (ii) legal or administrative proceedings commenced by opponents of the Project, or (iii) delay or failure to obtain necessary permits or authorizations from applicable historical or archeological agencies/commissions. The Sports Authority and the Astros each agree to use their respective best efforts to attempt to overcome any Delay Event in order that the Project may be completed on schedule by March 1, 2000.

4. If a Delay Event occurs which requires the Sports Authority to conduct a new referendum to validly collect the car rental taxes or hotel occupancy taxes and if such referendum does not pass on or before the uniform election date in August, 1998, then the Astros may elect to terminate without further liability their obligations under this Memorandum and the prior Letter Agreements.

5. Notwithstanding anything to the contrary contained herein or in the prior Letter Agreements, in the event the Sports Authority has not entered into the construction contract by December 15, 1997 (through no default of the Astros), providing for (i) a \$230 million guaranteed maximum price and (ii) a substantial completion date of no later than April 1, 2000; then the Astros may elect to terminate their obligations under the prior Letter Agreements and this Memorandum of Agreement.

The parties hereto agree that the substantive terms of the Project shall be evidenced by

legal and binding contracts which are to be drafted subsequent to the execution hereof.

All provisions of the prior Letter Agreements that are not inconsistent with this Memorandum of Agreement shall remain in full force and effect.

This Memorandum of Agreement shall not be binding upon the Sports Authority until duly presented and approved by resolution of the Sports Authority which must occur on or before November 12, 1997.

Executed as of the day and year first written above.

HARRIS COUNTY - HOUSTON SPORTS AUTHORITY
By: Jack M. Rains, Chair

HOUSTON McLANE COMPANY, INC.
By: Drayton McLane, President

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Heartland Policy Study

Sports Stadium Madness: Why It Started, How To Stop It

By Joseph L. Bast (1)
February 23, 1998

[Click here](#) to see the executive summary.

Future historians will look back on the 1980s and 1990s with amazement. Communities that were hard-pressed to keep their schools open or police on the beat nevertheless spent billions of dollars on stadiums and arenas for use by professional sports teams. Even mediocre teams were paid more for a single season than the average hard-working taxpayer would earn in a lifetime. The average taxpayer, who was taxed to build sports facilities and support players' salaries, could not afford to walk through the turnstile and watch a live game.

The U.S. is in the grip of a massive public spending spree on professional sports. How bad is it? Roger G. Noll, professor of economics at Stanford University, and Andrew Zimbalist, professor of economics at Smith College, described the situation in the summer of 1997:

New facilities costing at least \$200 million [each] have been completed or are under way in Baltimore, Charlotte, Chicago, Cincinnati, Cleveland, Milwaukee, Nashville, San Francisco, St. Louis, Seattle, Tampa, and Washington, D.C. and are in the planning stages in Boston, Dallas, Minneapolis, New York, and Pittsburgh. Major stadium renovations have been undertaken in Jacksonville and Oakland. Industry experts estimate that more than \$7 billion will be spent on new facilities for professional sports teams before 2006. Most of this \$7 billion will come from public sources. (2)

Nationally, subsidies to professional sports facilities are costing taxpayers approximately \$500 million a year. (3) That figure understates the true cost, which would take into account the inefficiency, lost employment opportunities, and income redistribution effects caused by sports stadium subsidies.

This sizeable public investment is being made for an industry that is puny compared to almost any other sector of the U.S. economy. For example, annual sales reported by Sears Roebuck & Co. are approximately thirty times the entire revenues of Major League Baseball. (4) Chicago, home of five professional sports franchises, derives less than a tenth of 1 percent of its personal income from professional sports. Indeed, there isn't a single county anywhere in the U.S. where professional sports accounts for more than one-half of 1 percent of that county's private-sector payroll. (6)

All available data suggest that continued public investment in sport stadiums is madness. Sports subsidies don't produce economic benefits sufficient to justify their public subsidies. At best, they are an inefficient and unfair way to attain such "intangible" benefits as civic pride or urban identity. They unfairly burden those who don't follow professional sports or who can't afford to watch live games.

There is some good news, however. *There is a way to stop the madness.* The special-interest groups that back stadium subsidies can be divided by proposing a plan that keeps teams from moving *without* offering millions of dollars in tax subsidies. Allowing fans to own franchises—a model pioneered in 1923 by the Green Bay Packers—would put a stop to the extortionist practice of teams threatening to relocate unless they are subsidized.

Part 1 of this *Heartland Policy Study* summarizes the many ways sports are subsidized in the United States and evaluates the benefits—claimed, real, and intangible—that are said to result from those subsidies. The author concludes that neither economics nor "civic pride" can justify taxpayer subsidies for the construction and maintenance of sports facilities.

In Part 2, the author explains why state and municipal governments nevertheless continue to subsidize sports facilities. While sports franchises don't *need* subsidies, and taxpayers don't *want* to subsidize them, the "bidding war" driven by too many cities chasing too few teams makes subsidies nearly inevitable.

Having come to understand what it is about the sports-and-public-policy environment that has given rise to the subsidy madness, the author in Part 3 considers several solutions that have been proposed to address it. Antitrust enforcement and legislation to outlaw the use of subsidies are considered, but found wanting. The best solution to the madness, the author concludes, is *fan ownership* of sports franchises *ala* the NFL's Green Bay Packers.

Part 4 offers a summary and concluding remarks.

Part 1 How and Why We Subsidize Sports

Sports stadiums are subsidized in several ways: construction and ownership by a government agency, construction and operating grants paid to private owners or developers, state and local tax abatements, and by the use of federal tax-exempt bonds to finance construction. A typical sports facility costs local taxpayers more than \$10 million a year. Oriole Park at Camden Yards, for example, costs Maryland taxpayers about \$14 million a year. In 1989, the Louisiana Superdome cost taxpayers over \$35 million. (7)

A 1990 study of 14 stadiums found "only one—privately built, owned, and operated Dodger Stadium—earned a positive net accumulated value." (8) Back then, most stadium tenants paid enough in rent and shared revenues from parking and concessions to cover operating costs, but not enough to produce a positive rate of return on capital. Since that time, competition among cities for professional sport franchises has dramatically lowered rent payments from teams, often to zero, and teams routinely claim all revenues from parking and concessions. Operating subsidies have become the rule. (9)

The subsidy to professional sports produced by using tax-exempt bonds is often overlooked. Because interest income from state and municipal bonds is exempt from federal income tax, those bonds in 1996 paid between 2.0 and 4.5 percentage points below the interest rates paid by private-purpose bonds and commercial loans. Assuming a \$225 million price for a new stadium, Dennis Zimmerman estimates "a lifetime federal tax subsidy as high as \$75 million, 34 percent of construction costs. (10)

Using tax-exempt bonds to finance stadium construction imposes costs on taxpayers in three ways. Most cities have a cap or limit on the amount of tax-exempt bonds they can issue for public projects. Using the bonds for sports facilities crowds out more worthy projects such as other public buildings or infrastructure improvements. Second, because government entities carry the debt on their books, their credit ratings could be negatively effected. A lower credit rating means having to pay a higher interest rate on future loans. (11) Third, taxpayers must bear the risk that the deal struck with the private team owners or developer to repay the bonds falls short due to poor attendance, cost overruns, or some other reason. "Stadium construction," in the words of economist Dean Baim, "is not a low-risk investment. (12)

It might reasonably be objected that tax exemptions are not "subsidies," since they only allow taxpayers (in this case, team owners and stadium developers) to keep money that is rightfully theirs. The exemptions in this case, however, are granted to a particular firm or industry and not to others, and without a clear public benefit that might justify such special treatment. Tax-exempt financing has been recognized by other writers as a type of subsidy or "corporate welfare. (13)

Congress attempted to restrict tax-exempt financing for sports facilities by adding a provision to the 1986 Tax Reform Act denying the use of tax-exempt bonds for sports facilities if more than 10 percent of debt service was covered by revenues from the facility. Unfortunately, the rule only sweetened the already-sweet deals municipalities were negotiating. Senator Moynihan has twice introduced bills to eliminate tax-exempt financing of stadiums altogether.

What are the benefits?

We subsidize professional sports, we are frequently told, because they produce more social and economic benefits than a typical private business. (14) Like other "public goods," the argument goes, stadiums would not be produced in sufficient supply if the decision were left solely in the hands of private investors. Tax dollars are needed to correct this "market failure."

Among the alleged benefits of a taxpayer-subsidized stadium are new construction jobs; new spending in the community, which creates more jobs; new businesses and tourists attracted by national television coverage; and a "multiplier effect" that occurs when money is spent and then re-spent in the community, resulting in 1.2 to as much as 3.0 times the wealth-producing impact of the original expenditure.

Pollin, owner of the National Basketball Association (NBA) Washington Wizards and Major League Baseball (MLB) Washington Nationals, described the many public benefits he sees flowing from his new, subsidized, MCI Center as follows:

... [T]he area surrounding MCI Center, specifically, and downtown, generally, are already undergoing a renaissance. New shops, hotels, restaurants and office buildings are sprouting up everywhere. Property values are rising correspondingly, which means more real estate taxes for the city. People are coming into the city and staying for the evening. This means more sales taxes. Downtown is coming alive at night in a way that hasn't been seen for a generation. (15)

Many economists and political scientists, however, say the "public goods" label has been applied wrongly to many goods and services that can readily be supplied in sufficient quantity without taxpayer support. (16) Nearly all economic activities produce benefits that are not entirely captured by the producer, so the mere fact that an activity produces "positive externalities" does not mean we should subsidize it. The high profile and popularity of professional sports guarantee that its benefits are always on display. But what of the benefits of other public investments, or of the many private investments that don't get made because the money was confiscated to build or operate a stadium?

Whether the benefits of stadium subsidies actually justify their cost is not merely a matter of theory or conjuncture. Independent scholars have studied job creation, business creation, income growth, and other measures of economic performance in cities before and after a new stadium or professional sports franchise arrives. They have also compared the economic records of cities that invest in stadiums and franchises with those that do not, and use statistical methods to control for other changes that might account for differences.

Roger Noll and Andrew Zimbalist recently summarized the findings of many of these studies:

In our forthcoming Brookings [Institution] book, *Sports, Jobs, and Taxes*, we and 15 collaborators examine the local economic development argument from all angles . . . in every case, the conclusions are the same. A new sports facility has an extremely small (perhaps even negative) effect on overall economic activity and employment. No recent facility appears

to have earned anything approaching a reasonable return on investment. No recent facility has been self-financing in terms of its impact on net tax revenues. . . . [T]he economic benefits of sports facilities are *de minimus*. (17)

The Heartland Institute published several studies that helped bring about this new consensus. The most recent, by economist Robert Baade, studied 48 cities and the metropolitan statistical areas (MSAs) around them over a 30-year period. He concluded:

Of the 32 MSAs where there was a change in the number of sports teams, 30 MSAs showed no significant relationship between the presence of the teams and real, trend-adjusted, per-capita personal income growth. In the remaining two cases, the presence of sports teams was significantly positive once (in Indianapolis) and significantly negative once (in Baltimore).

Of the 30 MSAs where there was a change in the number of stadiums or arenas ten years old or less, 27 MSAs showed no significant relationship between the presence of a stadium and real, trend-adjusted, per-capita personal income growth. In all three of the remaining cases (St. Louis, San Francisco/Oakland, and Washington D.C.) the presence of a sports stadium was significantly *negative*. [emphasis in original] (18)

Indianapolis has done more than any other city to make sports its economic catalyst. The city made amateur and professional sports an important part of its downtown redevelopment plan, pouring public funds into partnerships to keep the National Football League (NFL) Colts, NBA Pacers, headquarters of the National College Athletics Association (NCAA), Pan American Games, men's college basketball championships, and more. Indianapolis' plan was the model for similar efforts in Cleveland, Baltimore, Jacksonville, and other cities. Surely if professional sports contributed to job creation and prosperity, the results would be visible in Indianapolis.

The definitive study of sports' contribution to the Indianapolis economy has been written by Mark Rosentraub, Associate Dean of the School of Public and Environmental Affairs at Indiana University in Indianapolis. (19) Rosentraub finds "no significant or substantial shifts in economic development. Simply put, the sports strategy did not achieve its objectives." Rosentraub says the strategy "was marginally successful in creating a small number of jobs," but that "overall, average salaries in Indianapolis declined in comparison to salaries with many of those cities with which Indianapolis' leadership believes it competes." And finally, "If success is measured by growth in jobs and salaries, then Indianapolis was not as successful as other cities with which it competes for economic development."

Indianapolis represents the limits to which a city can go to derive benefits from the presence of professional sports teams. The fact that few or no benefits were to be found reaffirms the findings of national studies by Robert Baade and the other experts cited earlier.

Why are there no benefits?

Econometric analysis finds no evidence of greater job creation or income creation in communities that invest in sports stadiums versus those that do not. Why not? It is less a mystery than a puzzle with several parts.

Opportunity costs are often overlooked.

The true cost of using a resource is "the value of the next-highest-valued alternative use of that resources. (20) Economists refer to this amount as the "opportunity cost" of an investment or purchase. To measure the true social benefits produced by a sports stadium, the apparent or visible economic benefits must be reduced by the benefits that *would have been produced* by alternative uses of the same capital and land.

Investing in a stadium has a beneficial *net* effect only if the stadium produces more value than the forgone opportunity. For example, the same money used to finance a stadium might otherwise have gone to finance a new park, renovate an historic building or business district, or build a new civic center or library. The land might have been used for an industrial park, a community college, or affordable housing. Money used to subsidize the operation of a stadium might instead have gone to hire more police, firefighters, or teachers. How much it would have come from those alternative uses? Whatever that amount is, it must be subtracted from the visible benefits produced by the stadium investment in order for the *net* benefits to be revealed.

When an econometric study finds no significant positive effects, and occasionally a significant negative effect, of a new stadium or sports franchise on a metropolitan area, it is telling us the opportunity cost of that investment was as great or greater than the value it produced. It was, in other words, a poor investment. Economically, the community would have been no worse off, and may have been better off, had the subsidy not been given.

Most stadiums do not attract "new money" to a metropolitan area.

Most people have an "entertainment budget" of time and money they are willing to devote to entertainment of any kind. The act of subsidizing a sports stadium does not increase the size of that budget: We are not somehow given more time to devote to recreation, and the price of tickets to see a live game does not go down (for reasons explained below). Consequently, most of the money spent at a sports stadium or arena *would have been spent anyway* at some other entertainment venue, such as a local theater, bowling alley, night club, or health club. (21)

A stadium would indeed generate "new money" for a metropolitan area if it attracted a significant percent of its fans from outside the immediate area. This is generally not the case for baseball and basketball, where "the number and frequency of games means that most of the market for ticket sales is metropolitan. (22) Football games, because there are fewer of them and they are scheduled on weekends, draw fans from greater distances. However, the small number of football games—just eight regular season home games—means the total number of fans attending football games is much smaller than the number attending baseball or basketball games.

The few sports teams that do attract fans from outside their immediate areas typically play in facilities (such as Oriole Park in Camden Yards, Maryland) strategically located on the outskirts of major metropolitan areas, in which case the host jurisdiction's employment and tax revenue gains come largely at the expense of the neighboring jurisdiction. Finally, a few long-established baseball franchises located near

the central business districts of major metropolitan areas also draw fans from outside the immediate area. "Polls have shown that more than half the visitors to Wrigley Field [home of the MLB Chicago Cubs] come from more than 100 miles outside Chicago's city limits." (23) Because the popularity of these teams is so strongly connected to their locations, they are least likely to threaten to relocate.

Few businesses are attracted by the presence of a sports facility.

New sports facilities, especially football stadiums, are designed and built in a way that is unlikely to prompt local economic development. (24) The transportation and parking needs of a modern facility require acres of unattractive parking lots and close proximity to a four- or six-lane expressway. In order to capture as much revenue from visiting fans as possible, these stadiums are built like self-contained fortresses, with restaurants, gift shops, hotel rooms, and even night clubs all within their walls. As a result, few fans venture far from the stadiums after a game before heading home.

Some sports facilities, particularly older baseball-only stadiums such as Fenway Park in Boston and Wrigley Field in Chicago, are physically embedded in well-established business districts and residential neighborhoods. It is plausible, in these cases, that a complementary relationship exists between the stadium and nearby bars and restaurants. Much less plausible, however, is the claim that this relationship is characteristic of newer and larger facilities, or that it extends much more than a few blocks from even an old and beloved stadium's front door.

Do professional sports teams attract new businesses to a city by subtly shaping the city's image in the minds of chief executive officers of the Fortune 500? This claim assumes that some CEOs choose new locations for their businesses after having seen a city's skyline during coverage of a football or baseball game. Just how implausible this is can be demonstrated by asking the following question: Would you buy stock in a company whose CEO decided where to locate the headquarters or a new factory based on where his favorite professional sports teams are based?

There are better ways to capture the attention of site-hunting CEOs. The cover of the September 29, 1997 issue of *U.S. News & World Report* featured New York Mayor Rudolph Giuliani and was titled "Comeback City." The subtitle on the front cover read "How much does Mayor Giuliani deserve for New York's amazing turnaround?" Inside, the eight-page feature article attributed the city's economic recovery to reducing its crime rate "to its lowest level in 30 years," eliminating graffiti from the subways, cleaner streets, welfare reform, and a \$1.2 billion municipal budget surplus. (25) *Business Week* started the favorable reviews in business publications with a December 1995 article titled "A Safer New York City." (26) Since then, *Fortune* has named New York "North America's most improved city," (27) and *Plants Sites and Parks* named it one of the top ten "hot spots" for business expansion. (28)

One reason New York can afford to put more police on the street, keep its subways and streets cleaner, and still have a budget surplus is because it hasn't given in to extortion demands from its two Major League Baseball teams. John Dyson, New York's deputy mayor for finance and economic development, said in 1996, "The typical funding structure lately has been to get 80 percent from the public and 20 percent from the teams. We think those numbers should be reversed." (29)

New York City shows how a city can boost its image and gain positive national attention by choosing to sit out the professional sports bidding war.

Sport stadium revenues are not spent locally.

The big money in professional sports goes to the team owners and players, who may or may not invest or spend the money in the host community. Much of the subsidy to a stadium goes directly into the pockets of the team owners by raising the re-sale value of their teams. For example, investor Eli Jacobs bought the Baltimore Orioles for \$70 million in 1989 and was able to sell it less than four years later for \$173 million, a 150 percent appreciation, thanks to the decision by Maryland policy-makers to build a \$200 million stadium at taxpayer expense. (30)

Maryland's subsidy package included free use of a \$200 million made-to-order stadium; the right to raise \$80 million from seat licenses; all profits from concessions, parking, and advertising; and payment by the state of any relocation fee charged by the league. (31)

As a result of such favorable deals, the value of professional sports franchises has risen dramatically since the early 1980s. (32) A typical NFL franchise in 1997 was worth over \$200 million. Following negotiations for a new television contract in early 1998, one sports columnist quoted an executive for the Dallas Cowboys speaking off the record: "I would bet each NFL franchise is now worth at least \$100 million more than it was yesterday." (33) That same source put the value of the NFL Dallas Cowboys at \$600 million.

Team owners such as Eli Jacobs are not likely to spend more than a small fraction of their windfalls in the city or state whose taxpayers financed the subsidy. Skilled investors put their money wherever they can get the highest return. In today's investment world, that could easily be outside of the U.S. Many wealthy people who are not skilled investors pay to have their funds managed by national investment companies, which once again are unlikely to return a substantial portion of the dollars to their state of origin.

Players also get a piece of the action. The enormous salaries paid to athletes in recent years have made headlines around the world. The athletes, their managers, and their unions are simply taking advantage of the "surplus" or excess profits that stadium subsidies help make possible. Professional athletes often do not live for extended periods of time in the communities in which they work. (34) When they leave, their savings and spending go with them. Since professional careers tend to be short and the pay extremely high, professional athletes (and increasingly coaches) place most of their incomes in investment accounts managed, once again, by national firms.

Even part of the money that fans voluntarily give to their favorite teams when they purchase tickets ends up leaving the city. League rules typically require that ticket revenues be shared with franchise owners in other cities, a way to subsidize teams in smaller markets. In the case of the NFL, 40 percent of gate receipts is exported from the community under this rule.

Do stadium subsidies nevertheless benefit fans by reducing the price of tickets? The answer, perhaps surprisingly, is no. Capital

subsidies—that is, construction subsidies—may reduce a team's overall costs, but the marginal cost to admit one more fan to a game is unlikely to change. Consequently, capital subsidies are not likely to have any effect on ticket prices. (35) The lowly fan receives no benefit, and may even face *higher* ticket prices due to the waste and "gold plating" that the subsidy causes.

Operating subsidies may reduce a team's marginal costs, but whether that savings gets passed along to fans in the form of lower ticket prices depends on the strength of competing forms of entertainment and the price sensitivity of fans. In markets where competition is strong and demand is "elastic" (that is, where consumers respond to changes in price), a team already has a financial incentive to lower prices to sell more tickets, since the increase in ticket sales will more than make up for the lower ticket price. Ironically, it is only in markets where demand is "inelastic"—where price matters less to fans—that an operating subsidy can create an environment in which lower ticket prices may result. (36)

Sports generate low-paying, seasonal jobs.

While professional athletes are well paid, the great majority of jobs created by stadium development are low-paying, seasonal, and part-time, such as parking cars and selling refreshments during games. (37) These are not the kinds of jobs that lead to greater economic growth for a region, or position a community to take advantage of national and international trends toward workforces with higher skills and familiarity with advanced technology.

Many economists would agree that low-paying jobs often serve as valuable first rungs on the employment ladder. Young people and people with few skills can use these jobs to learn how to increase their productivity, thereby positioning themselves for better-paying jobs in the future. But research by Robert Baade suggests that growth in the number of low-skilled jobs tends to follow the creation of higher paying jobs. (38) Not the other way around. So the optimal economic development strategy, according to Baade, may be to foster the latter, not the former.

Advocates often make unrealistic assumptions about economic impacts.

Common to all sports stadium debates is the "economic impact study." (39) Such studies, typically commissioned by franchise owners and performed by an accounting firm, estimate the number of people employed by the team and facility owner and their combined salaries. Some percent of these salaries is then assumed to be spent in the community, resulting in greater demand for goods and services, and consequently a second round of new employment and new spending. The total impact of this "recycling" of new money in the community is estimated by multiplying the original salary figures by a "multiplier effect" that typically ranges from 1.2 to 3.

According to Marquette University professor of economics William Hunter, the multipliers used in economic impact studies routinely make unrealistic assumptions about how much money stays in the community, how much represents new economic activity, and how often the money cycles through the economy. (40) The choice of a multiplier is often arbitrary or made with an eye toward the client's wishes. Multiplier analysis, according to Hunter, can be used to justify *any* public works project, no matter how unnecessary or wasteful it may be, because "the expenditure is itself considered community income, so the application of even the smallest multiplier will guarantee community income growth in excess of public expenditures. (41) Hunter calls this the "Taj Mahal syndrome."

The convention industry can't save sports stadiums.

Linking stadiums to convention centers was often said during the early 1990s to be the way to solve the "empty stadium" problem. Groups requiring extremely large meeting facilities—the Boy Scouts of America and Promise Keepers are two groups invariably mentioned in this context—have been said to be sources of income that can make sports stadium financing work. They haven't.

Publicly subsidized convention centers, like stadiums and arenas, are plagued by operating deficits and minimal economic impacts. (42) A survey of 25 government convention centers with more than 300,000 square feet of meeting and exhibit space found annual operating costs averaged 42 percent of revenue. (43) Convention centers are no more likely than stadiums to produce benefits greater than alternative investments of capital and land, for many of the same reasons: There are too many convention centers chasing too few events; construction and operating costs are inflated by sweetheart deals and public-sector incompetence; and tourists are often discouraged from visiting neighboring businesses by the self-contained nature of the facilities.

Combining stadiums with convention centers usually increases a project's cost dramatically, making it a bigger sacrifice and risk for local taxpayers. While team owners can be reasonably expected to hire competent facility managers when they own their stadium or lease a public stadium, a convention center typically lacks the equivalent of a major tenant. Convention centers are therefore more complex and difficult to manage than stadiums, increasing the likelihood of poor management and wasted tax dollars.

The convention picture is likely to get worse instead of better. A recent editorial in *Crain's Chicago Business* pointed out the reasons:

[T]he universe of new big trade shows is shrinking. . . [T]here simply aren't enough events large enough to justify construction of a domed assembly hall. . . . Chicago already is struggling to fill the convention facilities it has. . . . (44)

A recent study of a proposed convention center in Boston reached many of the same conclusions. (45)

Are there "intangible" benefits?

Okay, so stadium subsidies don't generate any more economic benefits than would have been generated had the money been spent on something else. Still, aren't there indirect or "intangible" benefits? Sports, after all, are fun! Having a professional sports franchise in town gives fans something to talk about at work and home, a place to go for wholesome family entertainment, and a certain amount of pride in one's hometown.

There is, in fact, a literature describing how sports create a sense of "contrived community" and even advance racial harmony in some cities.

(46) Robert Milbourne, executive director of the Greater Milwaukee Committee, was quoted a few years ago as saying "without major league sports, Milwaukee would be like Des Moines," (47) presumably meaning that Milwaukee would be a less interesting place to visit. While pitching a \$540 million subsidy package in 1996 for the Cincinnati Bengals and Cincinnati Reds, Hamilton County, Ohio, Commissioner Bob Bedinghaus would say "the issue is about staking out a vision for what we want this community to look like 25 years from now." (48)

When Cleveland's Gateway project recently came under criticism for producing only 2,000 permanent jobs, rather than the 16,800 its proponents had predicted, Thomas Cherna, the former spokesperson for the Gateway project, first denied ever making the prediction and then complained that such criticism overlooks the "intangible" benefits of Gateway. The real benefit, he explained, was "image enhancement." (49)

It is probably impossible to measure the contribution that professional sports make to a community's image or self-esteem. Whatever it is, though, we know it must be weighed against the value that *would have been created* if the money were spent on something else. This is simply the opportunity cost issue in a different guise. If spent by the public sector, the same investment might have meant new schools, better police protection, roads, parks, or other public facilities. Surely these things would have a positive effect on the community's image and its residents' self-esteem.

If the money spent on sports stadiums were left instead in the hands of the public, it might have meant better restaurants, a rejuvenated downtown business district, a new theme park, more amateur sports, and more of the countless other things produced by for-profit and non-profit businesses in the community. Wouldn't those goods and services have a positive impact on a community's image? And if more people participated in the kinds of entertainment described here than attend the ten or eleven games typically played at home by an NFL franchise team, would we say the money was truly better spent?

It often goes unremarked that the sense of pride and identity that may come from hosting a professional sports franchise is only a temporary and delicate thing in light of the many relocations and threats to relocate that now characterize the national leagues. Today's proud community may experience a deep sense of failure and abandonment when its team repeatedly loses or threatens to move. (50) Football fans in Cleveland experienced this first-hand when the NFL Browns moved to Baltimore. Fan reactions included bomb threats against the owner and angry taunting of players during their final games in Cleveland. (51) Did this grim episode benefit Cleveland's national image or the self-esteem of the city's residents?

Another possible indirect benefit of having a professional sports team is that it sells newspapers, which helps to explain why daily newspapers are invariably big boosters of sports stadium subsidies. It is possible, for example, that without Michael Jordan and the Chicago Bulls, Chicago would have only one rather than two daily newspapers. It may even have happened in some city, somewhere, that the presence of a professional sports team kept alive a newspaper that otherwise would have gone under, and that newspaper then uncovered government corruption or a hidden public health risk, benefitting thousands or millions of people. Given the popularity of the sports sections of many newspapers, this is not an entirely implausible scenario.

One supposes that there must be less expensive ways than building sports stadiums to finance investigative journalism and reporting on public health hazards. Be that as it may, the better response is to point out that it may have happened in some city, somewhere, that the decision to finance a new hospital rather than a stadium resulted in the discovery of a new drug or vaccine that reduced suffering for millions of people. Or the renovation of a city's historic business district led to the return of major employers and residential developers who, had a stadium been built instead, would have decided to locate elsewhere.

These counter-examples demonstrate the overly hypothetical nature of the "newspaper argument." Such claims about what may or might happen cannot be proved or disproved. They do not contribute to an informed debate.

Part 2 Why Do We Subsidize Stadiums?

If there are no net economic benefits from hosting a professional sports franchise, and if the "intangible" benefits of having a team could easily be less than the intangible benefits of other investments, why do so many cities continue to subsidize professional sports? As a columnist for the *Cleveland Plain Dealer* eloquently put it, "Are we crazy, or what?" (52)

Professional sports franchises don't need government subsidies .

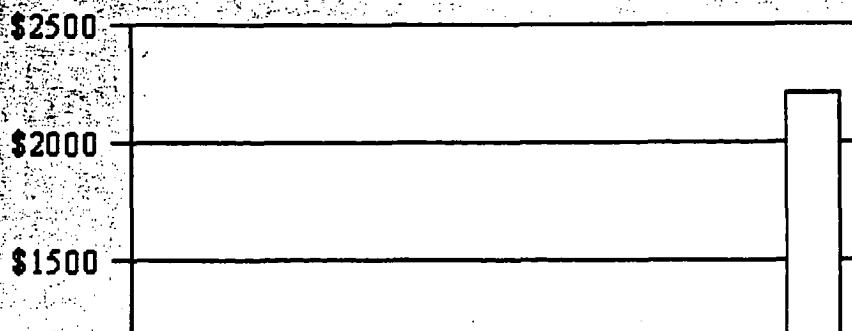
We don't subsidize professional sports because they need the money. In the absence of government subsidies, private parties could still compete for franchises and new stadiums and arenas would still be built, albeit probably not as elaborate as the new generation of subsidized facilities.

Sales of luxury suites, club boxes, and personal seat licenses are already a major part of most new stadium financing and have the commendable effect of making fans rather than taxpayers pay for new or improved facilities. Charging major corporations fees to have their name placed on the facility or to advertise inside and outside the building is a major and growing source of revenue. (53)

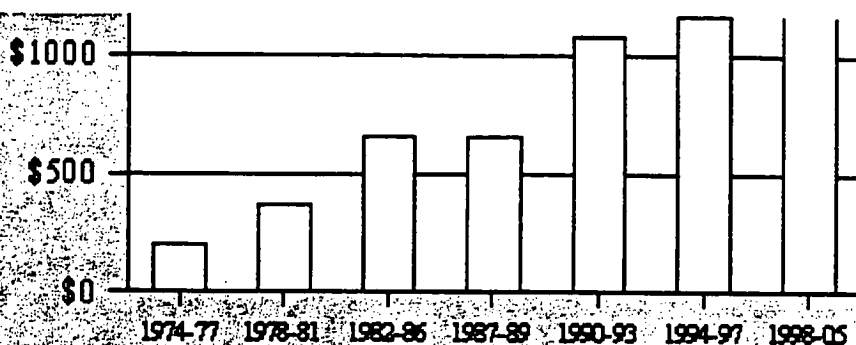
Revenue from television broadcasting is a large and

Annual NFL Television Revenue

(Millions of 1998 dollars)



growing share of total income for franchise owners. In January 1998, the four major networks agreed to pay the NFL a total of \$18 billion over eight years for the right to broadcast games. (54) The deal was nearly twice the annual revenue (in inflation-adjusted dollars) of the prior four-year agreement (see chart on this page) and guarantees every franchise owner in the NFL an average payment of about \$73 million per year, or about \$4.5 million to each team for every game it plays. (55) The NBA recently signed a four-year \$2.6 billion television contract. (56)



Source: *Newsweek*, January 26, 1998.

Broadcasters, who make millions of dollars on professional sports, are logical candidates to be equity partners, and in fact are playing a growing role in the corporate ownership of many franchises. (57) Integrating sports facilities into mixed-use projects is another way to attract capital. The Pro Player Stadium (previously named Joe Robbie Stadium), located in Florida, was largely self-financing because it was imbedded in a larger mixed-used development plan that attracted other investors and produced additional potential revenue streams.

How do team owners justify their pleas for taxpayer support when such ample funding is available from other sources? The MLB Marlins play in the Pro Player Stadium, which was widely hailed as being state-of-the-art when it opened in 1987. Yet billionaire Wayne Huizenga, owner of the Marlins, campaigned successfully for a new tax-subsidized arena. He justified his call for taxpayer support as follows:

If we build the stadium with a mortgage, and all the other successful teams have been given their stadiums, then we are at a disadvantage. How can we have a \$60 million payroll like Atlanta? We need what other teams get. We need all the revenue streams. (58)

claim implies that the owners of a professional team in one city must be given open-ended access to the public treasury in order to compete with other teams, *because the other teams have been given open-ended access to their city's or state's treasury*. There is no limit to the amount of money that can be demanded using this logic, with each team owner ratcheting up his or her demands in round-robin fashion without end. Are taxpayers really willing to play the game by these rules?

Taxpayers don't want to subsidize stadiums.

According to many sports fans, team owners, facility developers, and elected officials, the reason we subsidize stadiums is because taxpayers want such subsidies. Sports are popular, the argument goes, and the general public believes the entertainment value of a professional sports franchise is worth the small increase in their taxes.

Opinion polls, however, tell a different story. "Don't question where most Americans stand on this," wrote syndicated columnist Neal R. Peirce in a January 17, 1997 column. "Polls show that by over-whelming margins—up to 80 percent—[Americans] want sports subsidies stopped, right now." (59)

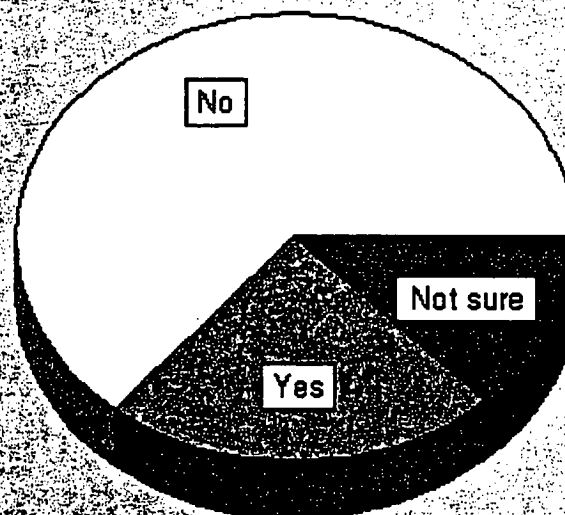
Responding to a national survey of one thousand adults conducted on November 11, 1997, by Rasmussen Research, 64 percent said tax dollars should never be used to build a professional sports facility, while 13 percent were not sure. Some 56 percent said government agencies should sell their existing arenas to the highest bidder. Even 39 percent of respondents who said they attend professional sports events regularly said the arenas should be sold.

Newspapers seldom publish such survey results during stadium debates, and when they do, they may hide the results under misleading headlines. For example, an August 27, 1996 news article in the *Chicago Tribune* was titled "Fans Back Dome, Boo McCaskey," a title that implies public support for a proposed publicly financed domed stadium even though the owner of the NFL Chicago Bears is unpopular. (61) But the poll that is the basis of the article, conducted by Market Shares Corp., found 62 percent of those asked were opposed to "the use of public funds to build a stadium to keep the Bears from moving out of state," while only 26 percent were in favor, and 13 percent had no opinion.

Real reason #1: Cities bid against one another for sports franchises.

We arrive, finally, at the first of three real reasons why we subsidize sports stadiums. The number of professional sports franchises is kept below the number of cities that could support a team,

Voters Don't Support Stadium Subsidies



"Should tax dollars ever be used to build a professional sports facility?"

Source: Rasmussen Research, 1997.

thereby forcing cities to bid against one another for the privilege of hosting a team. So long as even one city with a suitable (empty) stadium is seeking a team, every other city is subject to threats by their teams to relocate unless more subsidies are delivered. In plain language, there are too many stadiums chasing too few teams.

James Quirk and Rodney D. Fort described the roots of the present situation in the 1997 update to their important 1992 book, *Pay Dirt: The Business of Professional Team Sports* :

The ability of teams to extract large subsidies from local governments stems entirely from the monopoly power wielded by sports leagues. If there were several competing leagues in a sport, simple profit incentives would lead toward expansion of leagues into any city that could profitably support a team, and blackmailing threats would be a thing of the past. There would be no incentives, such as those that exist at present, to leave a few potentially profitable locations without teams, as threats to the local government. (62)

According to one estimate, as many as 35 metropolitan areas could support a MLB franchise, but the league has authorized only 30 teams. (63) When a MLB or NFL team relocates, the other franchise holders receive "relocation fees" worth millions of dollars. New franchises are doled out slowly and only to communities that are unlikely to reduce the gate receipts of an existing franchise.

Not every city is as vulnerable as the next to stadium extortion. Cities in large media markets, or that host other franchises competing for fans, have some leverage against a team threatening to leave. (64) Similarly, differences in ownership structure mean not every team is as capable of carrying out the threat to relocate, a point that will be explored in greater depth below.

Real reason #2: League revenue-sharing rules encourage relocation.

The second real reason for sports stadium subsidies is the rules governing how franchises share the revenue generated by merchandising, broadcasting, ticket sales, and other activities. The NFL's rules, for example, give each team an equal share of total receipts from broadcasting and the sale of merchandise, and requires that gate receipts be split 60/40 with the league, with the home team keeping the larger share. This arrangement means each team has relatively little incentive to maximize attendance at its games, but it produces a substantial amount of revenue-sharing with teams in smaller media markets, such as the Green Bay Packers, making it possible for the latter to field competitive teams. Other leagues have similar, though less generous, revenue-sharing arrangements.

While most leagues require that most revenue sources be shared, to some degree, with the other franchises, *every league allows its teams to keep all the non-ticket revenue generated by their stadium or arena*. A team with a facility that generates considerable non-ticket revenue will have a financial advantage over its opponents, and presumably will be able to field a better team. Noll and Zimbalist list "luxury suites, club boxes, elaborate concessions, catering, signage, advertising, theme activities, and even bars, restaurants and apartments with a view of the field" as among the latest profit-maximizing strategies. (65)

The luxury suites and other enhancements typically found in a new stadium in 1997 enabled a team to increase its annual revenue by \$30 million or more, at least for a few years after the stadium opens. (66) Older stadiums—even those less than a decade old—frequently fail to have all the latest features that increase the potential revenue stream for owners. With the rewards from moving to a new stadium so great, teams seek new homes more frequently than in the past.

Innovations in stadium design make it possible for smaller cities to support franchises, enabling more cities to bid for the limited number of franchises. The result is even more intense bidding, more innovations in stadium design to maximize the franchises' revenue, and so on in an endless spiral of rising tax subsidies and profits for team owners.

Real reason #3: Subsidy backers win because they have more at stake than taxpayers.

Third real reason we subsidize stadiums is due to the efforts of self-interested parties that economists call "rent seekers." Rent seekers act by using their position in the political system to derive unearned income from the general public. Rent seeking produces no goods or services, or anything else of value to society. Yet economists believe such conduct redistributes billions of dollars from the general public to the coffers of special-interest groups every year. (67)

Besides the team owners and players, rent seekers in the stadium subsidy game include bond houses that make millions of dollars by arranging financing; politically connected construction contractors who build or renovate facilities; labor unions that represent construction workers; newspaper reporters, editors, and publishers whose jobs and profits depend on the presence of a professional team; and politicians who see being identified with popular athletes as a way to improve their chances for re-election.

The pro-subsidy coalition that secured \$240 million for the MLB Seattle Mariners is typical. It consisted of the mayor, "most key politicians, labor unions, many civic leaders and important business executives." (68) They planned to raise \$700,000 to push the plan, while investors in the stadium pledged \$825,000 more. Opponents of the subsidy "include mostly businesses that would have to be relocated to make room for the park, and they have raised about \$50,000." (69)

Another typical pro-subsidy coalition was the one that successfully lobbied for Cleveland's \$462 million Gateway stadium and arena project in 1990. It included the mayor, the city's daily newspaper, its weekly business paper, the city chamber of commerce, and the AFL-CIO. *Crain's Cleveland Business*, by its own count, published six pro-Gateway editorials and opinion essays in four consecutive issues leading up to the vote. (70)

Opposing the pro-subsidy coalition is usually a motley assortment of taxpayer groups, fans of the existing "obsolete" facility, NIMBY ("not in my backyard") protesters, and sometimes the advocates of higher spending on welfare and other competing public services. (71) The contest usually follows a path familiar to students of public choice theory: (72)

The pro-stadium rent seekers, being relatively few in number and each standing to reap substantial financial benefits from a stadium deal, effectively organize a political movement and raise money for a pro-stadium public relations campaign. "Economic impact studies" are

commissioned, civic leaders are recruited to the cause, and campaign contributions are made to politicians.

- Anti-stadium activists have greater difficulty getting organized because each potential member of their coalition faces only a minor financial cost if the effort loses and little net gain over the current situation if it wins. Consequently, subsidy opponents typically raise very little money for public relations. Their coalitions are often little more than "a ragtag band of libertarians and anti-tax activists." (73)
- Politicians are likely to endorse stadium subsidies because the benefits of doing so—favorable press attention, campaign contributions from builders and team owners, and a hand in determining how millions of dollars in subsidies are spent—all come immediately, in time to boost a re-election effort. The costs of the subsidy—higher taxes, lost economic growth, unfulfilled promises of economic impact, and threats to relocate unless further subsidies are provided—all become apparent later, after the politician is safely reelected or no longer in office.
- Most local media outlets weigh in strongly on the side of the stadium subsidies, since their circulation or ratings will be improved by the presence of a professional sports team. Misinformation regarding job creation and economic development is usually reported uncritically, persuading people who would otherwise be skeptical or indifferent to the plan to become passive supporters.
- When opponents of stadium subsidies are able to place the question on a public ballot, they sometimes win despite being outspent by subsidy proponents. However, even here the playing field is tilted toward the supporters of subsidies. A high percentage of government workers, union members, and others with direct financial stakes in the subsidy turn out to vote. A much smaller percentage of taxpayers and others with less at stake in the debate take the time to vote on election day. They are "rationally ignorant": that is, they choose not to invest the time required to be an informed voter because they know their vote is unlikely to change the election outcome.

If opponents of stadium subsidies are lucky enough to win despite their organizational disadvantages, their victories are usually short-lived. Without the pressure of an upcoming referendum or pending legislation in the state legislature, the anti-stadium alliance quickly dissolves as its members return to their higher-priority concerns.

The pro-stadium forces remain funded, organized, and focused on their goals, working behind the scenes to secure a deal outside the agenda or legislative process or preparing for the next vote. With millions of dollars in contracts and control over thousands of jobs at stake, the pro-stadium forces can justify the time and money required to stay organized year after year, long after their grassroots opponents have worn themselves out or been divided by some other public policy initiative. Not surprisingly, the record shows that the pro-stadium groups eventually win nearly every contest.

Why we *shouldn't* subsidize stadiums

If there isn't a positive case for subsidizing sports stadiums, is there nevertheless little harm in doing so? Is this merely a small investment in a national pastime? Aren't such subsidies smaller and less harmful than many other public expenditures that go unchallenged? There are at least five reasons, apart from their lack of public benefit, why subsidies to professional sports should be discouraged.

Subsidies divert public funds from more important services.

Stadium subsidies divert funding from more important public services, such as crime prevention, road building, and schools. The cost of a proposed stadium/convention facility for the NFL Chicago Bears, for example, is nearly half the entire annual budget of the Chicago Public Schools. A plan to place the MLB New York Yankees on the West Side of Manhattan carries a price tag of between \$1.4 and \$1.6 billion. (74) A fraction of these amounts would be enough to build a dozen new schools from the ground up and renovate scores of other facilities.

The risk of diverting funds from real needs is worse when smaller cities try to compete in the bidding wars. Sacramento, which had a municipal debt of \$14 million in 1997, nevertheless gave the NBA Kings a low-interest loan of \$70 million in return for a promise not to leave the city in under ten years. (75) Just a few miles away, Oakland can't afford to heat its schools and is contemplating cutting back the number of police and firefighters due to a deal its city council made to bring back the NFL Raiders. That deal could cost the community hundreds of millions of dollars. (76)

It is sometimes claimed that the money in question could not have been raised if not for the stadium plan. But this claim only muddies the issue since it is impossible to prove or disprove. We know that the funds don't mysteriously appear out of thin air: They must first be earned or acquired by force (taxed) and diverted from some other use. The financial resources available to a unit of government are limited by law and by taxpayers' willingness to pay higher taxes or be responsible for greater amounts of debt. A subsidy given to a professional sports team, therefore, *necessarily* reduces the funds available to be applied to other uses or to reduce current taxes. In Milton Friedman's famous formulation, "There ain't no such thing as a free lunch."

Subsidies are unfair to taxpayers.

As former Houston Mayor Bob Lanier puts it, "the average working person is asked to put a tax on their home, or pay sales or some other consumer tax, to build luxury boxes in which they cannot afford to sit." (77) It is patently unfair to use the taxing power of government to force average citizens to subsidize the entertainment of a privileged elite. This is playing Robin Hood in reverse: Using government's taxing authority to take from the poor and give to the rich.

If governments can tax for this purpose, then there can be no objection to subsidizing other kinds of entertainment, such as opera, art galleries, race tracks, and casinos. Indeed, these enterprises are frequently subsidized by cities and states. How can we justify saying "no" to still other special-interest groups—shoe sellers, say, or the makers of outdoor patio furniture—when they decide to come before the legislature to ask for subsidies. (78)

Opinion polls mentioned earlier make it clear that the general public understands the injustice of such schemes, but are too poorly organized to successfully oppose them.

Subsidies are unfair to other businesses.

No other industry is given access to public funds as readily as professional sports teams, yet other businesses must compete with professional sports for labor, materials, and customers. The result is higher prices for needed inputs, and the need to spend more on advertising to attract the attention of customers. This is probably most intuitive in the case of movie theaters, bowling alleys, and other businesses that compete directly with a new stadium or arena for customers, but it is also true for *any* employer who draws from the same labor market and material suppliers as are tapped by the subsidized sports team.

The unequal treatment of different classes of businesses represented by sports subsidies leads to the diversion of labor and other inputs away from those who would put them to their highest and best use and into the hands of a politically favored but relatively low-productivity industry (professional sports). Ultimately this means less wealth is created as efficiency and other productivity-enhancing behavior go unrewarded.

Subsidies accentuate income inequalities.

By fueling a bidding war among team owners for the elite athletes, taxpayer subsidies to professional sports have made the salaries of professional athletes much higher than they would be in a competitive and unsubsidized environment. As James Quirk and Rodney D. Fort write:

... [T]he present day level of player salaries reflects the ability of players to generate revenue for an owner, in a monopolized setting. In a competitive pro sports environment, teams and leagues would be competing with one another for TV coverage, franchise sites, and fans. Inevitably, competition, as compared to a monopoly setting, would reduce the revenues that teams earn, just as inevitably, this would be reflected in lower, not higher, player salaries. (79)

When people see extraordinarily high salaries going to professional athletes—such as Michael Jordan's \$35 million a year contract, and even mediocre players getting \$1 million a year—the stage is set for all sorts of unhealthy reactions.

People grow to envy the lifestyles of athletes and disparage the more modest but still comfortable lifestyles that can be attained through hard work. A young man or woman entering the workforce in 1998, perhaps with college loans to pay off, faces forty years of hard work and discipline to climb a career ladder, the top of which may provide an annual salary of perhaps only \$40,000 in 1998 dollars. How disheartening is it to watch 19-year-old athletes being paid millions of dollars a year to play basketball? The distorted economics of professional sports creates such enormous and undeserved income differentials as to fuel envy and hopelessness even among adults who would otherwise celebrate the financial success of others.

The effect on younger people is worse still. Nearly every boy in American between the ages of 10 and 15 expects to grow up to become a professional athlete and earn millions of dollars. Finding the self-discipline needed to study reading and arithmetic is difficult enough at that age; how much more difficult must it be when the youngster believes in his heart that school work is completely unrelated to his future career in sports? How many members of the so-called "Generation X" graduated high school without employment skills because of the false allure of professional sports during their teen years?

Subsidies cause a deadweight loss to society.

Some stadium development projects are, or could be in the absence of subsidized competition from other facilities, economically sound investments. They would be built by private developers in the absence of subsidies, though as mentioned earlier they almost certainly would not be as elaborate as those built with taxpayer assistance. The critical difference between these facilities and those currently being proposed and built is that meticulous care would be exercised in the planning, construction, and operating phases of such projects in order to achieve economic returns necessary to attract and maintain the capital investment.

Private owners whose own capital is invested in a facility have the necessary incentives to control costs and maximize a facility's utilization, while most government owners or private owners who are not also investors do not. The result is a transfer of wealth from taxpayers to team owners and athletes, and a deadweight loss to society.

No social value is produced when facilities that are still functional are torn down on the grounds that they are "economically obsolete." Expensive investments in infrastructure are similarly being abandoned, only to be built anew across town or in some other city. This is not "economic development." It is make-work: no different in principle from digging and re-filling ditches.

The economic effects are different, but no more positive, when an existing stadium is left standing and a new facility is built next door or down the road. In the Miami area, for example, there are three operating arenas along a 30-mile stretch of Interstate 90." (80)

Part 3 Can Government Stop the Madness?

What can be done to stop the madness of subsidizing billionaires, uprooting long-established teams, and leaving major media markets without teams? In the arena of public policy, three proposals get the most attention. They are (1) using antitrust law to break up the leagues, (2) banning the use of tax subsidies for stadiums, and (3) ending the use of tax-exempt bonds for stadium construction. Although the author is sympathetic to the goals of those advocating the first two courses of action, he cannot endorse them. The third proposal is valuable, but would not do enough. The real solution, presented in the section following this one, does not require government intervention at all.

(1) Should we use antitrust laws to break up the leagues?

Subjecting the leagues to antitrust enforcement is often suggested as the way to introduce competition and decentralized control into professional sports. (81) All professional sports leagues enjoy a *de facto* exemption from antitrust litigation thanks to the Sports

Broadcasting Act. Baseball's exemption is the broadest because it is based on a 1922 U.S. Supreme Court decision that baseball, as the nation's pastime, is not "commerce," and therefore cannot be regulated by the federal government under its interstate commerce powers.

Major League Baseball, to its credit, has used its broad antitrust exemption to prevent franchise owners from relocating: Only one MLB team, the Senators, has relocated since 1972. The NFL and National Hockey League argue that they, too, would more actively work to limit team relocations if a broader antitrust exemption protected them from lawsuits filed by their franchise owners. (82) But one doubts whether the leagues, once they are given this authority, would be any more aggressive in expanding the number of franchises than in the recent past. As former Houston Mayor Bob Lanier has said, "The foxes are guarding the chickens. And while they keep saying, 'We're nice foxes,' I wonder what those feathers are, coming out of their mouths." (83)

Perhaps, as Stephen Ross suggests, antitrust laws can be used selectively to change policies that play the biggest role in causing municipalities to bid against each other. (84) Requiring that luxury suite and club box revenues be shared as gate receipts are, for example, would "take away a significant incentive for owners to relocate." Or, as Robert Baade suggests, cities that lose a franchise could be entitled to receive an expansion franchise without paying the usual fee, so long as they could meet some minimum capitalization requirements. (85) This would force the leagues to lose some of their market power every time one of their members accepts a subsidy to relocate, a trade-off that would require the team owners themselves to decide what their current cartels are worth.

Subjecting the leagues to antitrust laws would presumably force them to allow more franchises to be formed or to end practices that encourage teams to lobby for new tax-subsidized stadiums. The Sherman Antitrust Act gives Congress the authority to do this. But there are reasons to believe that antitrust enforcement is not the best approach to take to this problem.

Antitrust laws: A world-wide failure

There is growing consensus among economists that past attempts aimed at "trust busting" did not advance and may have harmed consumer interests. The notion that government can prevent firms from colluding, and in doing so benefit consumers, is no longer embraced uncritically by most economists and students of the issue. (86)

Nick Armentano, a professor of economics at the University of Hartford, contends that antitrust has *never* performed as well as its defenders have claimed. He has documented in great detail how "the business organizations under indictment in the classic antitrust cases were expanding outputs, reducing prices, improving technology, and engaging generally in an intensely competitive process." (87) In other words, the firms were not acting as monopolists. Why, then, were they targeted?

According to Armentano, Yale Brozen, (88) Richard Posner, (89) and many other leading scholars in the field, regulators and the firms they are supposed to be regulating use antitrust law to advance their own private interests. This generally entails preventing rather than encouraging competitive behavior and protecting existing market structures. (90) These interest groups are able to use antitrust laws in ways other than those intended by Congress because there is little or no empirical basis for determining which markets are "competitive enough," or what effects monopolistic conduct has on consumers, or what effects government interventions aimed at preventing that conduct would have on consumers. In the absence of an objective set of rules with which to apply or assess the effects of antitrust laws, rent-seeking conduct flourishes.

If the past is a reliable guide to the future, government cannot be expected to enforce antitrust laws in a way that will actually benefit consumers. Two economists in 1984 calculated that for every 1 percent increase in Justice Department antitrust cases during the period 1947-1981, the nation's unemployment rate increased 0.17 percent: (91) the predictable result, they say, of the use of antitrust laws to benefit firms that could not otherwise win in a competitive marketplace.

According to some writers in the antitrust field, government should stay out of the antitrust business for a different reason. Fred L. Smith expressed it well in 1983:

Liberty is a neglected aspect of antitrust discussion. Why should a businessman not be free to restrain his own trade if he wishes, alone or in combination with others? The activities prohibited under antitrust laws are invariably peaceable activities—whatever their merit under an efficiency standard—and thus should be allowed in a free society. (92)

The broad consensus against antitrust laws was demonstrated dramatically in 1997 by the publication of a two-volume report on regulatory reform by the Organization for Economic Cooperation and Development (OECD), a highly respected international organization. The authors of the report observe that many sectors of the economies of developed countries were once viewed as "either natural monopolies or as being of vital social or strategic interest, or both, requiring at a minimum heavy regulation, if not direct public ownership. *These rationales are in many cases no longer considered valid.*" (Emphasis added.) They go on to write:

Changes in technology and experience have called into doubt the pervasiveness of natural monopolies, or narrowed their existence to network components. Increasing complexity of economies and increasing globalisation have also resulted in greater scope for actual or potential competition. . . . In addition, government failure may be as capable of creating inefficiency as market failure. (93)

In light of its disappointing past and the skepticism of scholars around the world, antitrust law enforcement aimed at "breaking up the leagues" would likely result in less, not more, competition, and fewer rather than greater benefits to consumers. It is difficult to imagine that antitrust laws would work in this case when they have performed so poorly everywhere else they have been tried.

Is the professional sports cartel already breaking up?

Monopolies, oligopolies, and cartels, in the absence of government-erected barriers to competition or consumer choice, are invariably short-lived. (94) High prices and profits in one sector of the economy act as signals for firms and investors to enter that market, thereby increasing supply and driving down profits. Attempts to restrict competition through collusion and price fixing either end in cheating by members of the cartel or have little apparent effect on prices. (95) This competitive process has worked well to keep other industries from

being dominated by one or a small number of big corporations immune from market forces. (96) Will it eventually break up the professional sports cartel?

Evidence that the leagues' grip is already slipping includes the slow growth in attendance at baseball games and the growing popularity of amateur sports and those sports, such as soccer, that are not controlled by the leagues. With the proliferation of television channels and growing popularity of other forms of entertainment, professional sports is claiming a diminishing share of America's leisure-time "budget." (97)

Although the major leagues are expanding very slowly, the combined effect has been a growing number of cities that now host major league baseball, football, basketball, and hockey franchises, making competition for fans intense. This competition *among* sports leagues is enough to impose market discipline on franchise owners, even if competition is limited *within* a particular league. For example, the owner of the extremely popular NBA Chicago Bulls probably settled for a privately financed arena because he knew that in the team's absence, fans would switch their attention to the NFL Bears or MLB Cubs and White Sox. Fans and taxpayers were also still dissatisfied with the decision several years earlier to use public funds to build a new park for the White Sox.

Recognizing that it risked losing long-time football fans in a major media market to other sports, the NFL guaranteed Cleveland a relocated or expansion franchise by 1999 and assistance with financing a new stadium following the decision of the Browns to move to Baltimore. (98) In Denver, the recent addition of baseball and hockey franchises makes it less likely the Broncos will be successful in their campaign, ongoing as this is written, for a new, tax-funded stadium. (99)

The high salaries paid to some professional athletes have fueled the growth of high school, college, and semi-professional athletic programs catering to young people (including women) who want to become professional athletes. Cable television and other new forms of broadcasting are allowing these athletes to reach a growing audience without being part of the established leagues. The demise of the draft system, which once kept players' salaries in check, is likely to exacerbate the income gap between the tiny elite able to play for the major leagues and the huge and growing tier of amateur stars eager to play but kept out by the leagues' monopsonistic practices. (100)

Finally, the threat that new leagues could be launched also weakens the hold of the current major leagues. Unlike virtually all other markets where competition is limited and "market power" appears to be a problem, there are no *legal* barriers to new competitors in the professional sports industry. In the past, new leagues have served to push major leagues into offering new expansion franchises and have prevented them from abandoning major media markets. (101)

As the number of television networks grows, it becomes inevitable that one or more networks that lose the bidding competition to broadcast games will be tempted to finance the start-up of a competing league. As this is written, there is speculation that NBC and Turner Broadcasting are considering creating a new football league. (102) In the memorable words of sports writer Rick Telander, "as long as there are rich, bored, greedy men with testosterone coursing through their hardening arteries, there will be new football leagues a-forming." (103)

These new developments in inter-league competition for fans, technology, entertainment, and the next generation of professional athletes weaken the leagues' grip on professional sports in the U.S. and reduce the leagues' ability to shake down taxpayers for subsidies and new stadiums and arenas. Based on the what we know of the dismal record of antitrust enforcement, fans and taxpayers would be better served by allowing market forces, rather than government regulators, to restructure the sports industry.

(2) Should we outlaw the use of subsidies ?

Rather than use antitrust laws to change the structure of professional sports to reduce its market power, perhaps it would be easier to change the laws concerning how and when government entities are able to give subsidies to private interests. Stephen Ross, Mark Rosentraub, and others suggest that states and municipalities should declare a "cease fire" in the bidding war and refuse to submit to extortion demands. Neal Price described the strategy in a column in January 1998:

If prospective towns start saying no to sports moguls in search of public subsidies for their luxury-suited stadia and sky-high player salaries, then the whole extortion bubble will bust and pro sports will descend to more reasonable, free market-set prices. (104)

There is some evidence that this "just say no" strategy is making progress. Voters in Minneapolis recently adopted a requirement that any stadium plan be approved by public referendum, and the Minnesota legislature recently refused to guarantee \$356 million in subsidies to the MLB Twins. But for every Minneapolis there seems to be a Washington (which approved \$300 million in bonds for the NFL Seattle Seahawks in 1997) and a San Francisco (\$525 million for the NFL 49ers, also in 1997). (105) Given the strength of the pro-subsidy coalitions, how likely is it that other cities, or even Minneapolis, will be able to refuse future demands for subsidies?

Congress, which is somewhat more insulated from fans and the influence of local and state pro-subsidy coalitions, could prohibit outright the use of tax subsidies to lure or retain franchises, an act Stephen Ross says would be justified given that it was Congress' act of granting a special antitrust exemption that allowed the creation of a monopoly football league in the first place.

Declaring a ban on all subsidies would be more complex and difficult to enforce than might be thought. Cities and states have many ways of enticing franchises, and other potential employers, to locate in their jurisdictions. For example:

- *Selective tax abatement* is now commonplace, and is often justified by pointing to the low quality of public services provided in an economically depressed area, or the low probability that alternative development would generate more tax revenues.
- *Infrastructure improvements*—ranging from assembling property and demolishing existing structures to building new freeway ramps—are part of the standard sports stadium subsidy package, but proponents argue that making such improvements is a common and proper role for government.
- *Tax Increment Financing (TIF) districts*, once restricted to "blighted" urban areas, are now commonly used to raise funds for infrastructure and improvements demanded by developers even in prosperous communities and thriving downtown districts. In a TIF district, tax-exempt bonds are issued for infrastructure improvements and then repaid from the increase in property tax

revenues generated by the new development.

A ban on sports stadium subsidies could easily be evaded if avenues for indirect subsidy were not also closed. Closing them would be a complex task undertaken against claims by local officials that such development "tools" do not constitute subsidies at all, but rather are legitimate attempts by cities and states to tailor tax burdens and infrastructures to their local needs and opportunities.

Senator Daniel Patrick Moynihan's very modest proposal to restrict the use of tax-exempt bonds, for example, drew a letter signed by six organizations representing mayors and other state and municipal officials protesting that it would "constrain local flexibility in deciding what projects to undertake on a tax-exempt basis." (106) Similar objections and difficulties have arisen in response to past and pending proposals to limit the use of business subsidies generally. (107)

There is also the not insignificant matter of the U.S. Constitution to consider. The Tenth Amendment restricts the powers of the federal government to those enumerated in the document, reserving the rest "to the states, respectively, or to the people." Telling state governments how to tailor their tax systems is not among the enumerated powers, and therefore Ross' rationalization is unlikely to stand up to a legal challenge. Given widespread support for returning to the federal system of decentralized authority, (108) this is probably for the best.

(3) Should we prohibit the use of tax-exempt bonds for sports stadiums?

As noted earlier, allowing stadium developers to use tax-exempt bonds to finance their projects amounts to a federal subsidy of as much as one-third of construction costs. This subsidy costs taxpayers much more than is immediately apparent because of the rule that tax-exempt bonds cannot be used if more than 10 percent of debt service is covered by revenues from the facilities. Arrangements that would have made a facility largely self-financing are scrapped to qualify for tax-exempt financing, leaving taxpayers to pick up the bulk of the expense.

Tax-exempt financing is also especially *unfair* to taxpayers. Residents of a city that uses tax-exempt bonds to finance a stadium enjoy all of the benefits of hosting a professional sports franchise—as slim and fleeting as they may be—while paying only a small fraction of the total cost imposed on taxpayers. People in rural areas and in cities that do not use tax-exempt bonds help pay for the subsidy but receive none of the benefit.

Dennis Zimmerman has shown how prohibiting the use of tax-exempt bonds for stadiums would dry up about \$100 million a year in subsidies. (109) While not a complete solution, Senator Moynihan's Stop Tax-exempt Arena Debt Issuance Act (STADIA) would end this most unfair form of subsidization and remove the perverse incentive to minimize the amount of revenue generated by a facility. Regardless of whatever other reforms are adopted, this simple and long-overdue step should be taken.

A better idea: Let fans own their teams

There is a way to prevent teams from pitting one community against the next for enormous subsidies, without passing new and possibly counterproductive regulations, and without infringing on the freedom of states to compete legitimately for economic development. It is to allow fans to own and manage teams through nonprofit corporations.

The Packer Model

A handy model for fan ownership of a professional sports franchise exists in Green Bay, Wisconsin. It has these features: (110)

- In 1923, the bankrupt Green Bay Packer NFL franchise was bought by a private nonprofit corporation for a \$2,500 loan. In 1950, to fend off a proposal by Earl "Curly" Lambeau to become a for-profit corporation, the board of directors sold stock at \$25 per share, raising \$118,000 and putting the team on firm financial footing. An additional 400,000 shares were approved for sale in late 1997. (111)
- Stockholders meet once a year to elect 15 members to a 45-person board, which in turn elects a seven-person executive committee to oversee operations of the nonprofit corporation. Only the president-CEO is paid.
- No dividends are paid on the so-called "souvenir stock," which cannot be sold or traded for more than its original price. No shareholder can hold 200 shares or more.
- In the unlikely event that the team is ever sold, the vast majority of the proceeds are assigned by the corporation's bylaws to a local Veterans of Foreign Wars post.

Since the owners cannot derive a profit from the team, according to Packers Chief Financial Officer Michael Reinfeldt, "all the profits we make go back into the club in the form of facility improvements, players or endowments. It's an advantage we have." (112) Indeed, the ban on distributing an organization's earnings to private investors is what enables nonprofit organizations to put non-market objectives, such as staying in Green Bay, Wisconsin, above opportunities to earn a higher rate of return on capital. (113)

The Packer Model has produced impressive results

The results of this arrangement have been good for the host city, the fans, and the team. The Packers are the least-subsidized professional sports team in the country, (114) despite the small size of their market and the fact that Lambeau Field, their 40-year-old stadium, generates only \$5 million a year in revenue from club boxes. (By contrast, the Dallas Cowboys expected to receive between \$30 million and \$40 million from 379 luxury suites in 1997. (115)) The City of Green Bay actually makes money on its stadium: About \$500,000 in net revenue was projected for 1996, to be spent by the city as it wishes. (116)

Another result of fan ownership of the Packers is a well-publicized love affair between the team and the entire state of Wisconsin. One cannot walk down a street in many of the state's cities and towns without seeing the distinctive green and gold Packer logo on flags, bumper stickers, decals applied to living room windows, jerseys, banners, painted on the faces of children or carved into their hair, and seemingly everywhere else. (117) This affection predates by many years the team's 1997 Super Bowl victory, and was sustained despite a 23-year period during which the team failed to make it to a single Super Bowl. (118)

The Packer Model even earned the admiration of the late and much beloved Chicago columnist, Mike Royko, who was otherwise no fan of his neighbors to the North. In a 1995 column, Royko wrote:

If there is one team that truly deserves to be called America's Team, it is in the most unlikely community to have a major league sports franchise of any kind. Yes, I'm talking about little Green Bay, Wisconsin and its Packers.

You don't hear the owners of the Green Bay team whining that they are not rich enough or trying to shake down the local taxpayers for new goodies that will make them even richer.

That's because the Packer franchise is owned by the kind of people who should own every football franchise.

Basically, it is owned by the people of Green Bay. And it would be almost impossible for the team to go anywhere else because no one individual owns a big enough piece to do it. (119)

Widespread adoption of the Packer Model would reduce stadium subsidies

While the Packer Model is attractive in many ways, most important for our purposes is that it substantially reduces the chance that the franchise will threaten to move to a different community to cash in on the bidding war occurring elsewhere. The Green Bay Packers are effectively "out of the bidding" due to the ownership of stock by persons living in Green Bay and surrounding areas, and federal laws requiring that the proceeds of a sale be given to another charitable organization. Taxpayers and fans in each city that hosts a Packer Model team would benefit from the same security.

Similarly, because the Packer Model team competes for fans with teams in other leagues and serves as a model of unsubsidized operation, other sports franchises *already in that city or metropolitan area* will find it more difficult to campaign successfully for subsidies to stay. In the case of a large city that has several professional sports teams, a single team adopting the Packer Model would reduce the negotiating leverage of as many as four other sports franchises. (120)

Taxpayers and fans throughout the country also would benefit when any one city adopts the Packer Model. Since different sports compete among themselves for fans, as was described above, the city that hosts a Packer Model team becomes less likely to entertain subsidy requests from franchises in *other leagues*. Cities, particularly those in small or medium-sized media markets, may well be satisfied hosting one major league team. Since the number of moveable teams in those other leagues remains unchanged, they would *all* lose leverage against taxpayers in the remaining cities.

The fact that fans own the Green Bay Packers, and that this explains why the team has never threatened to relocate, is mentioned repeatedly by critics of stadium subsidies. How much more critical attention would come to bear on stadium subsidy proposals if, instead of only one fan-owned team in the country, there were a dozen? What if there were one in each of the top five media markets? The result would almost certainly be a dramatic reduction in stadium subsidies.

Barriers to adopting the Packer Model

The biggest barrier to more widespread adoption of the Packer Model is the presence of league policies against nonprofit ownership. The Packer's unique arrangement was grandfathered in when the Packers joined the NFL; league rules now forbid corporate ownership (whether for-profit or nonprofit). The other leagues allow for-profit corporate ownership but prohibit nonprofit ownership.

Approximately 52 MLB, NBA, and NHL franchises are owned at least in part by public companies, and the trend is unmistakably toward further public ownership. (121) Stock in the NBA Boston Celtics is even traded on the New York Stock Exchange.

The next barrier to replicating the Packer Model is the steep cost of buying an existing franchise. A typical NFL franchise in 1997 cost between \$200 million and \$300 million. Franchises in other leagues tend to cost less, but still often approach \$100 million. Prices are so steep because they reflect the potential subsidies to be gained by threatening to relocate. Since a fan-owned team would never exercise that threat, its buyers are paying a steep premium for the right to retire their franchise's option to move.

A third major barrier is opposition from the special-interest groups that benefit from the current arrangement. Current team owners, contractors, and players will vigorously oppose efforts to allow nonprofit ownership, since they profit from the bidding war and frequent relocation of franchises. However, three other elements of the current pro-subsidy coalition—fans, media, and elected officials—benefit from the presence of a professional team *but do not profit from the threat to relocate*. These latter interest groups could be mobilized on behalf of nonprofit ownership of sports teams.

What can be done?

In November 1997, the owner of the MLB Minnesota Twins offered to give the team to a charitable foundation in return for taxpayers building a \$250 million stadium. (122) The offer was not approved by the baseball leagues, but that such an offer could even be seriously discussed, and by a private owner at that, suggests that current team owners are not unified in their opposition to nonprofit ownership.

The trend toward corporate ownership should make it easier to get one, and then all, of the leagues to agree to accept nonprofit corporate ownership. The step from corporate ownership to nonprofit ownership is a relatively small one. Corporate ownership already brings some of the advantages of nonprofit ownership: a greater sense of responsibility, more financial stability, and fewer personal agendas to the sports scene. (123) Public corporations, especially those involved in media, are more sensitive than private owners to public opinion. The Tribune Company, for example, is unlikely to ever threaten to move the MLB Chicago Cubs from Chicago, whereas the private owner of the White Sox demanded and received a taxpayer-financed stadium as a condition of remaining in the city. (124)

The NFL, the only league that allows neither for-profit nor nonprofit corporate ownership, is most vulnerable on this issue, particularly since the Packer Model is provided by an NFL franchise. NFL franchises are also the most lucrative for team owners, and football stadiums are the most expensive and most underutilized of the sports facilities seeking public subsidies. For all these reasons, the NFL would seem to be a prime target of the fan ownership movement.

A coincidence in the economics of stadiums and franchises may ease the adoption of the nonprofit stockholder model. The going price for an NFL franchise in a major media market in 1997, about \$200 million, was close to the going price of a new state-of-the-art stadium. Rather than build a new stadium and give it to the owners of a professional sports franchise, the fans in some city could *just buy the team and keep the old stadium*. For a city the size of Chicago, it would cost about \$85 a person in 1997 to buy the NFL Chicago Bears. (125)

A key to the success of a campaign for fan ownership of professional sports teams will be the involvement of fan clubs, the media, and local elected officials. As pointed out earlier, all three groups are currently drawn by self-interest to be part of the pro-subsidy camp. Fan ownership could serve their interests even better by ensuring that once a team is in the community, it is likely to stay. The opportunity to sell stock—even "souvenir stock" *ala* the Green Bay Packers—could give subsidy opponents the financial stake required to keep them organized year after year. Local elected officials, retired professional players and coaches, and business leaders could be recruited to serve as chairmen and spokespersons for the effort.

A coalition of fan clubs, taxpayer groups, and civic organizations could be formed to launch a concerted campaign to convince the leagues to allow ownership by nonprofit corporations. It would be inappropriate to lobby for *legislation* requiring the leagues to adopt such a rule, since this ought to be a voluntary decision by the leagues. The leagues would almost certainly respond to hundreds of thousands of letters and phone calls, perhaps as well as television and radio ads appearing during sports coverage and supportive editorials in newspapers and on radio, all urging the leagues to give fans the chance to own their favorite teams.

In recent years, the original founder of the now defunct U.S. Football League, David Dixon, has attempted to organize a league of fan-owned professional football teams. (126) Each team would start with an initial capital investment of \$5.5 million, far less than the amount needed to buy an NFL franchise. Stock shares would then be sold to fans who would have majority ownership. This would seem to be a much more affordable approach than buying franchises in the existing leagues, though finding fan support for a new league could be difficult.

What if NBC and Turner Broadcasting were to provide start-up funding and guaranteed television coverage for Dixon's Fan League? Even an investment of \$1 billion a year would be substantially less than what the other networks agreed in January 1998 to pay to broadcast NFL games. (127)

Municipal ownership is not an acceptable option.

Fan ownership, as discussed here, must not be confused with public or municipal ownership. The latter has been proposed at various times for teams in Boston, Minneapolis, and Los Angeles, and federal legislation that would compel the leagues to allow municipal ownership has been proposed by Congressman Earl Blumenauer (OR). (128)

Municipal ownership would seem to solve the biggest part of the team relocation problem—the ability of the team to threaten to leave would no longer exist—but the injustice of forcing some taxpayers to pay for the entertainment chosen by others would continue. If the team must first be purchased from its current owners, the expense could be in the hundreds of millions of dollars. Even if the current owners gave the team to the city, the city would still grapple with the paradox of spending millions of dollars each year on professional athletes and stadium enhancements while more important public services go underfunded.

The inefficiencies of public management of enterprises of any sort (129) raise the possibility that any "savings" gained by buying out the rent-seeking owners will be lost to a different set of rent seekers who flourish in public bureaucracies, such as patronage workers and government managers.

Who, upon serious reflection, would want a mayor involved in such volatile decisions as which quarterback to start, or who to draft for next season? Mixing sports and politics even more than is currently the case would only be damaging to both.

Part 4 Conclusion

The use of tax dollars to subsidize professional sports grew out of control during the 1990s. Cities that can barely afford to keep police and firefighters on the streets are nevertheless spending hundreds of millions of dollars to bid teams away from other, equally hard-pressed, cities. The competition is unfair to taxpayers and produces few if any economic benefits. Claims that professional sports produces "intangible" benefits are not plausible in light of other ways to achieve those same benefits and the emotional roller-coaster ride frequent team relocations have caused for fans.

The popular debate over whether to subsidize professional sports is often distorted by unbalanced media coverage and unsubstantiated claims of economic benefits flowing from hosting a professional sports franchise. The real reasons we subsidize professional sports are because more cities want franchises than there are franchises to go around; league rules reward teams that maximize non-ticket income from their stadium or arena; and special-interest groups that benefit from public spending out-organize and out-spend their opposition.

The most direct route to ending stadium subsidies would seem to be using antitrust laws to force the leagues to expand the number of franchises and change "anti-competitive practices," or to outlaw the use of subsidies by state and municipal governments. Each of these proposals has support by some prominent researchers in the field, and some progress has been made in some parts of the country to implement such policies. Senator Daniel Patrick Moynihan's legislation preventing the use of tax-exempt bonds to support stadium and arena construction is the best of these proposals and is a promising place to start the reform effort.

Upon closer examination, direct routes to stopping stadium subsidies (other than Senator Moynihan's legislation) come up short. Based on its many failures both in the U.S. and internationally, antitrust law should be recognized as a theoretically and practically flawed tool with which to solve so-called "market failure." Even a "simple" rule banning public subsidies becomes complex and of dubious value when we realize how many loopholes and avenues for indirect subsidies are likely to survive such a rule.

The better solution is fan ownership structured along the lines of the Packer Model. Fan-owned teams are extremely unlikely to threaten to move to another city if they do not receive taxpayer subsidies. Fan ownership also gives a franchise a reservoir of popular support that cannot be matched by any of the other ownership models, with major benefits to both fans and sports.

Until fans and taxpayers become the owners of professional sports teams, their interests will take a back seat to those of companies and individuals who profit each time a team relocates. Sports stadium madness can't be stopped by passing a law or passing the blame. Fans and taxpayers--the people who benefit and the people who pay--need to work together to protect their shared interests. No one else will do it for them.

Making fan ownership a reality in cities across the country will require leadership and hard work by political leaders, journalists, business leaders, and fans. The effort involved in convincing the leagues to make the necessary policy changes, and then raising the funds necessary to purchase franchises from their current owners, may seem huge. But as David Dixon has said, "There are more of us than there are of those rich owners who want to get richer by getting into our pockets again." (130)

Endnotes

(1) Joseph L. Bast is president of The Heartland Institute, a nonprofit research and education organization based in Chicago, Illinois. This paper is based on comments he made to the Indianapolis Economic Forum on October 1, 1997. The author wishes to thank Robert Baade, Dean Baim, John Beck, Joe A. Bell, George Clowes, Don Haider, J. David Hoeveler Jr., Nicholas Lash, Adrian Moore, Dave Olson, Bill Robinson, Stephen M. Robinson, Mary Ruwart, Herbert Walberg, Tom Walton, and Phillip Zazove for helpful comments.

(2) Roger G. Noll and Andrew Zimbalist, "Sports, Jobs, and Taxes," *The Brookings Review*, Summer 1997, page 35.

(3) James Quirk and Rodney D. Fort, *Pay Dirt: The Business of Professional Sports* (Princeton, NJ: Princeton University Press, 1992, 1997 edition), page xxiv.

(4) Robert Baade, "Should Congress Stop the Bidding War for Sports Franchises?" Testimony before the Subcommittee on Antitrust, Business Rights, and Competition of the Senate Committee on the Judiciary, November 29, 1995, *Heartland Policy Study* #77, The Heartland Institute, page 29.

(5) Ibid.

(6) Mark S. Rosentraub, "Are Tax-funded Sports Arenas a Good Investment for America's Cities?" *Insight*, September 22, 1997, page 27.

(7) Dennis Zimmerman, "Tax-Exempt Bonds and the Economics of Professional Sports Stadiums," *CRS Report for Congress* (Washington, DC: Congressional Research Service, May 29, 1996), page 7.

(8) Dean V. Baim, "Sports Stadiums as 'Wise Investments': An Evaluation," *Heartland Policy Study* #32, The Heartland Institute, November 26, 1990, page 6.

(9) See Charles C. Euchner, *Playing the Field: Why Sports Teams Move and Cities Fight to Keep Them* (Baltimore, MD: The Johns Hopkins University Press, 1993); Michael N. Danielson, *Home Team: Professional Sports and the American Metropolis* (Princeton, NJ: Princeton University Press, 1997).

(10) Dennis Zimmerman, *supra* note 7, page 9.

(11) Illinois issued \$150 million in bonds to pay for land acquisition and construction of the new Comiskey Park in Chicago. One year after the park opened, Standard & Poor's lowered its rating on Illinois' general obligation debt from AA to AA-, and Moody's lowered its rating from Aa1 to Aa. See *Illinois State Budget, Fiscal Year 1994*, page Ch.8-4.

(12) Dean V. Baim, *supra* note 8, page 5

(13) Stephen Moore and Dean Stansel, "How Corporate Welfare Won," *Policy Analysis* #254, Cato Institute, May 15, 1996, page 4.

(14) See Rick Horrow, "Are Tax-funded Sports Arenas a Good Investment for America's Cities?" *Insight*, September 22, 1997, pages 24, 26.

(15) Abe Pollin, "MCI Center: Good for the City," *Washington Post* (letter to the editor), January 8, 1997.

(16) Tyler Cowen, editor, *The Theory of Market Failure: A Critical Examination* (Fairfax, VA: George Mason University Press, 1988).

(17) Noll and Zimbalist, *supra* note 2, page 36.

(18) Robert A. Baade, "Stadiums, Professional Sports, and Economic Development: Assessing the Reality," *Policy Study* #62, The

Heartland Institute, April 4, 1994.

(19) Mark S. Rosentraub, *Major League Losers: The Real Cost of Sports and Who's Paying For It* (New York, NY: Harper Collins Publishers, Inc., 1997). The quotes that follow are from a summary of the book written by Rosentraub titled "Indianapolis: A Major League Loser?" *Indiana Policy Review*, Winter 1998, pages 14-17.

(20) David R. Henderson, "Opportunity Cost," in David R. Henderson, editor, *The Fortune Encyclopedia of Economics* (New York, NY: Warner Books, 1993), page 44.

(21) "Rather than spurring industries that will develop strong export potential, recreational service industries tend to rearrange what has already been produced." Charles C. Euchner, *supra* note 9, page 68.

(22) Michael N. Danielson, *supra* note 9, page 48.

(23) Dave Van Dyck, "'Buffy' Slays Cubs on WGN," *Chicago Sun-Times*, January 29, 1998, page 100.

(24) Michael N. Danielson, *supra* note 9, pages 109ff.

(25) John Marks, "New York, New York," *U.S. News & World Report*, September 29, 1997, pages 45-54.

(26) Elizabeth Lesly, "A Safer New York City," *Business Week*, December 11, 1995, pages 81-84.

(27) Anne Faircloth, "North America's Most Improved Cities," *Fortune*, November 24, 1997, pages 170-191.

(28) Tracy Bertman, "Hot Spots Set Stage for Business Expansion," *Plants Sites & Parks*, November/ December 1997, pages 67-89.

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(30) Randall Lane, "Bread and Circuses," *Forbes*, June 6, 1994, page 62.

(31) Marc Levinson, "Fields of Schemes," *Newsweek*, December 11, 1995, page 60.

(32) James Quirk and Rodney D. Fort, *supra* note 3, chapter 2.

(33) Rick Telander, "NFL Owners Run to Paydirt," *Chicago Sun-Times*, January 23, 1998, page 138.

(34) Charles C. Euchner, *supra* note 9, page 72.

(35) Dean Baim, *supra* note 8, page 12 and endnotes 10 and 11.

(36) *Ibid.*

(37) Robert Baade, "Is There an Economic Rationale for Subsidizing Sports Stadiums?" *Heartland Policy Study* #13, The Heartland Institute, February 23, 1987; Michael N. Danielson, *supra* note 9, page 106.

(38) Robert Baade, *supra* note 4, page 29.

(39) Typical of the reports claiming a significant positive economic impact from stadium construction is KPMG Peat Marwick LLP, "Economic and Fiscal Benefits Analysis Related to the Potential Relocation of a Professional Football Franchise to Nashville," Final Report, October 1995.

(40) William J. Hunter, "Economic Impact Studies: Inaccurate, Misleading, and Unnecessary," *Heartland Policy Study* #21, The Heartland Institute, July 22, 1988.

(41) *Ibid.*, page 6.

(42) Edwin S. Mills, "Should Governments Own Convention Centers?" *Heartland Policy Study* #33, The Heartland Institute, January 21, 1991.

(43) *Ibid.*, page 3.

(44) "Say 'No' to McDome, Say 'No' to the Bears," *Crain's Chicago Business* (editorial), March 24, 1997, page 10.

(45) Heywood T. Sanders, "Challenging Convention(al) Wisdom: Hard Facts about the Proposed Boston Convention Center," *White Paper*, Pioneer Institute for Public Policy Research, May 1997.

(46) Michael N. Danielson, *supra* note 9, chapter 1.

(47) Marcia Berss, "Big League Blackmail," *Forbes*, May 11, 1992, page 45.

(48) Quoted in John Helyar, "A City's Self-Image Confronts Tax Revolt in Battle on Stadiums," *The Wall Street Journal*, March 19, 1996, page 1.

(49) Bob Cook, "Author Says Gateway an Economic Air Ball," *Crain's Cleveland Business*, February 24, 1997, page 33.

(50) "We have found evidence that people's optimism and moods are elevated after a victory. But a loss seems to affect them to even greater proportions in a negative form." Ed Hirt, professor of psychology, Indiana University in Bloomington, quoted in Bob Condor, "It's Only a Game!" *Chicago Tribune*, November 27, 1997, Section 5, page 3.

(51) Steve Wulf, "Bad Bounces for the NFL," *Time*, December 11, 1995, page 65.

(52) Joe Dirck, "The High Cost of Playing Host," *The Plain Dealer*, February 23, 1997.

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(54) Richard Turner, "NBC: The Road to Tap City," *Newsweek*, January 26, 1998, pages 42-44.

(55) Sports columnist Rick Telander did the math, *supra* note 33.

(56) Stefan Fatsis, "For Pro Football, Giant TV Pacts May Carry a Price," *The Wall Street Journal*, January 15, 1998, page B10.

(57) The Tribune Co. purchased the Cubs in 1981, and since then Time Warner, Comcast, Cablevision, and News Corp. have all become sole or part owners of sports franchises.

(58) Edward Robinson, *supra* note 53.

Neal R. Peirce, "Sports Blackmail: Just Say No?" *The Plain Dealer*, January 26, 1997. Such a poll is reported in "Survey: Massachusetts Residents Support Tax Cuts, Tax Credits," *NewsLink*, The Beacon Hill Institute, Fall 1997. The survey found 63 percent of respondents opposed using state-backed bonds to improve Foxboro Stadium to keep the NFL Patriots from moving. Thirty percent favored the subsidy and 7 percent didn't know.

(60) Scott W. Rasmussen, "Americans Want State and Local Governments to Sell Sports Stadiums, Not Buy Them," News Release, Rasmussen Research (Waxhaw, North Carolina), November 11, 1997.

(61) Stevenson Swanson and Flynn McRoberts, "Fans Back Dome, Boo McCaskey," *Chicago Tribune*, August 27, 1996.

(62) James Quirk and Rodney D. Fort, *supra* note 3, page xxiv.

(63) Mark S. Rosentraub, *supra* note 19. The number of current franchises includes two new franchises (Arizona and Tampa Bay) scheduled to begin playing in 1998.

(64) "Smaller metropolitan areas are more vulnerable to relocation threats than larger markets . . ." Michael N. Danielson, *supra* note 9, page 301.

(65) Roger G. Noll and Andrew Zimbalist, *supra* note 2, page 39.

Edward Robinson, *supra* note 53, page 55.

(67) See Gordon Tullock, "Government Spending," in David R. Henderson, editor, *The Fortune Encyclopedia of Economics* (New York, NY: Warner Books, Inc., 1993), pages 262-264.

(68) Tom Brune, "Seattle Swims Against the Tide with Costly Tax Request," *Chicago Tribune*, September 19, 1995.

(69) *Ibid.*

(70) Bob Cook, *supra* note 49.

(71) The groups advocating higher spending on other social services are usually bought off later in the negotiating process with promises of jobs, grants, and higher spending on their programs. For detailed accounts of two recent successful campaigns for stadium subsidies, see Noah Wepman, "Political Football: The Inside Story on How the San Francisco 49ers Scored at the Ballot Box--Winning a New Stadium and Shopping Mall," *Campaigns & Elections*, October/November 1997, pages 19-22; and Mark A. Hart, "Tampa Sales Tax Touchdown: How a Sales Tax Package Was Passed--Despite Organized Opposition to Inclusion of Funds for a New Stadium," *Campaigns & Elections*, October/November 1997, pages 23-25.

(72) See Mancur Olson Jr., *Logic of Collective Action: Public Goods and the Theory of Groups* (Cambridge, MA: Harvard University Press, 1971); and James Buchanan and Gordon Tullock, *The Calculus of Consent: Logical Foundations of Constitutional Democracy* (Ann Arbor, MI: The University of Michigan Press, 1965 (fifth printing, 1974)). For detailed case studies involving stadium subsidies, see Charles C. Euchner, *supra* note 9.

(73) Peter Navarro, "San Diego Latest Pawn in Stadium Blackmail," *USA Today*, February 20, 1997.

(74) Murray Chass, "New Jersey Readies Plan for Stadium for Yankees," *The New York Times*, September 15, 1995.

(75) Jason Vest, "Uproot for the Home Team," *U.S. News & World Report*, March 10, 1997, page 53.

(76) Gayle M.B. Hanson, "Oakland's Mayor Moonbeam?" *Insight*, February 2, 1998, page 16.

(77) Mayor Bob Lanier, "Should Congress Stop the Bidding War for Sports Franchises?" Testimony before the Subcommittee on Antitrust, Business Rights, and Competition of the Senate Committee on the Judiciary, November 25, 1995, *Heartland Policy Study* #76, page 2.

(78) The argument that there is a "slippery slide" toward expanding government intervention probably received its finest presentation in the 1944 international best seller, *The Road to Serfdom*, by Friedrich Hayek.

(79) James Quirk and Rodney D. Fort, *supra* note 3, page xxv.

(80) Robert Baade, comments to the author, December 1997.

(81) Stephen F. Ross, "Should Congress Stop the Bidding War for Sports Franchises?" Testimony before the Subcommittee on Antitrust, Business Rights, and Competition of the Senate Committee on the Judiciary, November 29, 1995, *Heartland Policy Study* #77, The Heartland Institute, pages 11-21; Michael N. Danielson, *supra* note 9; and Charles C. Euchner, *supra* note 9.

(82) Paul Tagliabue (Commissioner of the NFL) and Gary Bettman (Commissioner of the NHL), "Should Congress Stop the Bidding War for Sports Franchises?" Testimony before the Subcommittee on Antitrust, Business Rights, and Competition of the Senate Committee on the Judiciary, November 29, 1995, *Heartland Policy Study* #75.

(83) Quoted in Steve Wulf, *supra* note 51, page 65.

(84) Stephen F. Ross, *supra* note 81, pages 11-21.

(85) Robert Baade, *supra* note 4.

(86) See Clyde Wayne Crews Jr., "Antitrust Policy as Corporate Welfare," Competitive Enterprise Institute, July 1997; and essays by Carl Shapiro, J. Gregory Sidak, and George Bitlingmayer in *Jobs & Capital*, Milken Institute for Job & Capital Formation, Winter 1997.

(87) Dominick T. Armentano, *Antitrust and Monopoly: Anatomy of a Policy Failure* (New York, NY: Holmes & Meier Inc., 1982, second edition, 1990), page 3.

(88) Yale Brozen, *Is Government the Source of Monopoly? And Other Essays* (Washington, DC: Cato Institute, 1980).

(89) Richard Posner, "A Statistical Study of Antitrust Law Enforcement," *Journal of Law and Economics*, Vol. 13 (October 1970), pages 465-419.

(90) Fred Smith points out that from July 1976 to July 1977, private parties filed 1,600 antitrust suits in federal courts, while government agencies filed only 78. Fred L. Smith Jr., "Why Not Abolish Antitrust?" *Regulation: The AEI Journal on Government and Society*, Vol. 6, No. 1 (January/February 1983), page 28.

(91) W.F. Shughart II and R.D. Tollison, "The Employment Consequences of Antitrust," 1984 manuscript summarized in R.D. Tollison, "Public Choice and Antitrust," *Cato Journal*, Winter 1985, pages 905-916.

(92) Fred L. Smith Jr., *supra* note 90, page 25.

(93) *The OECD Report on Regulatory Reform, Vol. 1: Sectoral Studies; Vol. 2: Thematic Studies*. (Paris: Organization for Economic Cooperation and Development, 1997). The quotations are from Vol. 2, page 9.

(94) See Yale Brozen, *supra* note 88.

(95) Dominick T. Armentano, *supra* note 87; and Fred L. Smith Jr., *supra* note 90.

(96) Despite many predictions to the contrary, "the average size of firms has shrunk and competition has increased since the 1960s." Pam Woodall, "A Game of Monopoly?" *The Economist*, September 28, 1996.

(97) Charles C. Euchner, *supra* note 9. Ratings for the 1998 Super Bowl rebounded, but continued to fall for regular season games for all sports. Illustrative of this trend is the decision, announced in January 1998, by "superstation" WGN television to reduce the number of MLB Chicago Cubs games broadcast each season from 144 to 92, an all-time-low. Tribune Company, which owns WGN and the Cubs, also owns 22.7 percent of Warner Brothers, which is attempting to become a major television network. "In essence, [Tribune Company] is competing against itself." Dave Van Dyck, *supra* note 23.

(98) The agreement also reportedly requires that any team relocating to Cleveland must not be in breach of its present lease. Richard Landomir, "Compromise Got Cleveland a Stadium," *The New York Times*, February 12, 1996.

(99) See Kevin Simpson, "Expectations Tightly Reined," *U.S. News & World Report*, January 26, 1998, page 14.

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- (101) For a detailed and well-told history of upstart leagues, see James Quirk and Rodney D. Fort, *supra* note 3, Chapters 8 and 9.
- (102) Rick Telander, "A League of Their Own," *Chicago Sun-Times*, February 2, 1998, page 98.
- (103) *Ibid.*
- (104) Neal Peirce, "Worm Turns on Stadium Ripoffs," *Washington Post*, January 11, 1998.
- (105) *Ibid.*
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- (107) James Johnston, "Competition Helps States," *USA Today*, October 25, 1995; Neil Peirce, "Let Feds End State vs. State Jobs Battle," *Arizona Republic*, November 5, 1995; Federal Reserve Bank of Minneapolis, "The Economic War Among the States," *The Region*, June 1996; and Federal Reserve Bank of Boston, "The Effects of State and Local Public Policies on Economic Development," *New England Economic Review*, March/April 1997.
- (108) See William D. Eggers and John O'Leary, *Revolution at the Roots* (New York, NY: The Free Press, 1995); and David Osborne and Ted Gaebler, *Reinventing Government* (New York, NY: Addison-Wesley Publishing Company Inc., 1992).
- (109) Dennis Zimmerman, *supra* note 7, pages 22-23.
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- (111) Jim Harding, "A Piece of the Packers For Sale, If Shareholders Approve," *Chicago Tribune*, October 11, 1997; and "TheyTalks," *Chicago Tribune*, November 13, 1997.
- (112) Jim Harding, *supra* note 111.
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- (114) Dennis Zimmerman, *supra* note 7, page 7. Lambeau Field received an estimated subsidy, in 1989 dollars, of \$143,000, versus an average \$6.7 million for 21 stadiums.
- (115) Edward Robinson, *supra* note 53, page 57.
- (116) "New Lease," *The Appleton Post-Crescent*, November 30, 1995.
- (117) Tom Richards, a columnist for the *Post Crescent* published in Appleton, Wisconsin, reports that the Packer logo "is more nearly ubiquitous than the cross in a convent." See "Holy Cow! '97 Spotted with Green, Gold and Pink," *Post Crescent*, December 28, 1997, page D-1. See also David Southwell, "They're Green, But It's Not Envy," *Chicago Sun-Times*, January 15, 1998, page 6.
- (118) The 23-year gap in the Packer's championship record may explain the missing generation in the following quotation from former great Ray Nitschke: "From grandfather to grandchild, everyone feels like they own a piece of the team. That makes all the difference world." Quoted in Dan Bickley, "They Own It, They Live It, They Love It," *Chicago Sun Times*, December 9, 1994, page 130.
- (119) Mike Royko, *supra* note 110.
- (120) The nonprofit ownership of the Green Bay Packers may be one reason why other professional sports teams in Wisconsin receive few subsidies. The NBA Milwaukee Bucks play in the privately financed Bradley Center (although that project did receive some city aid in the form of land and infrastructure), and the MLB Milwaukee Brewers play in 45-year-old Milwaukee County Stadium, the fourth-oldest baseball stadium in use. A new tax-subsidized stadium was approved by the Wisconsin legislature in 1995 despite voters rejecting the plan in a referendum. One legislator was recalled and removed from office by angry taxpayers. See Mandy Rafool, "Playing the Stadium Game," *Legislative Finance Paper* # 106, National Conference of State Legislatures, June 1997.
- (121) Roy S. Johnson, "Take Me Out to the Boardroom," *Fortune*, July 21, 1997, pages 43; and Jason Vest, *supra* note 75.
- (122) "A Plan" (unsigned commentary), *Chicago Tribune*, November 7, 1997.
- (123) Roy S. Johnson, *supra* note 121, pages 42-47.
- (124) Charles C. Euchner, *supra* note 9, chapter 6.
- (125) Jeff Borden, *supra* note 110.
- (126) Bob Verdi, "His Fan-tasy? See New League Leave NFL in Dust," *Chicago Tribune*, February 27, 1996.
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(129) See, for example, Thomas E. Borchering, Werner Pommerehne, and Friedrich Schneider, *Comparing the Efficiency of Private and Public Production: The Evidence from Five Countries*, Institute for Empirical Research in Economics, University of Zurich, Switzerland, 1982; and Charles Wolf Jr., *Markets or Government: Choosing Between Imperfect Alternatives* (Cambridge, MA: The MIT Press, 1988).

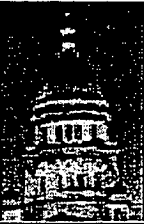
(130) Bob Verdi, *supra* note 126.

Interested in pursuing the fan ownership option?

The Heartland Institute is compiling a database of fan clubs, taxpayer organizations, and individuals interested in exploring the possibility of buying their local professional sports franchise. If there's a movement underway in your community, it needs your participation! We can help you be a part of that movement. Call The Heartland Institute at 312/377-4000 for more information.

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Fiscal Affairs

Playing the Stadium Game

Financing Professional Sports Facilities in the '90s

27 March 1998

Playing the Stadium Game

Financing Professional Sports Facilities in the '90s

Mandy Rafool
 National Conference of State Legislatures
 March 1997

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Introduction

The love affair between the American public and professional sports dates back more than 100 years, to the origins of major league baseball. Although rocky at times, professional sports enjoy a special relationship between fans and their teams that has prevailed through many a heartbreak.

At no time in history, however, has the mood been altered so dramatically as in recent years when the "business" of sports infiltrated the game. Loyalty is waning as fans express discontent with what they perceive as team greed. Players' salaries have skyrocketed, and ticket prices alone cannot cover the colossal payrolls. More and more team owners are looking at the sports facility and its ability to make money through dollar signs in their eyes. And why not? Modern sports facilities are virtual gold mines.

Gone are the days of simple lease contracts between stadium owners and team owners as the stake in revenues has grown. Professional sports are now big business generating billions of dollars each year and decisions are based on the "bottom line." Many team owners consider stadiums the key to profitable teams and threaten to leave if an old stadium is not

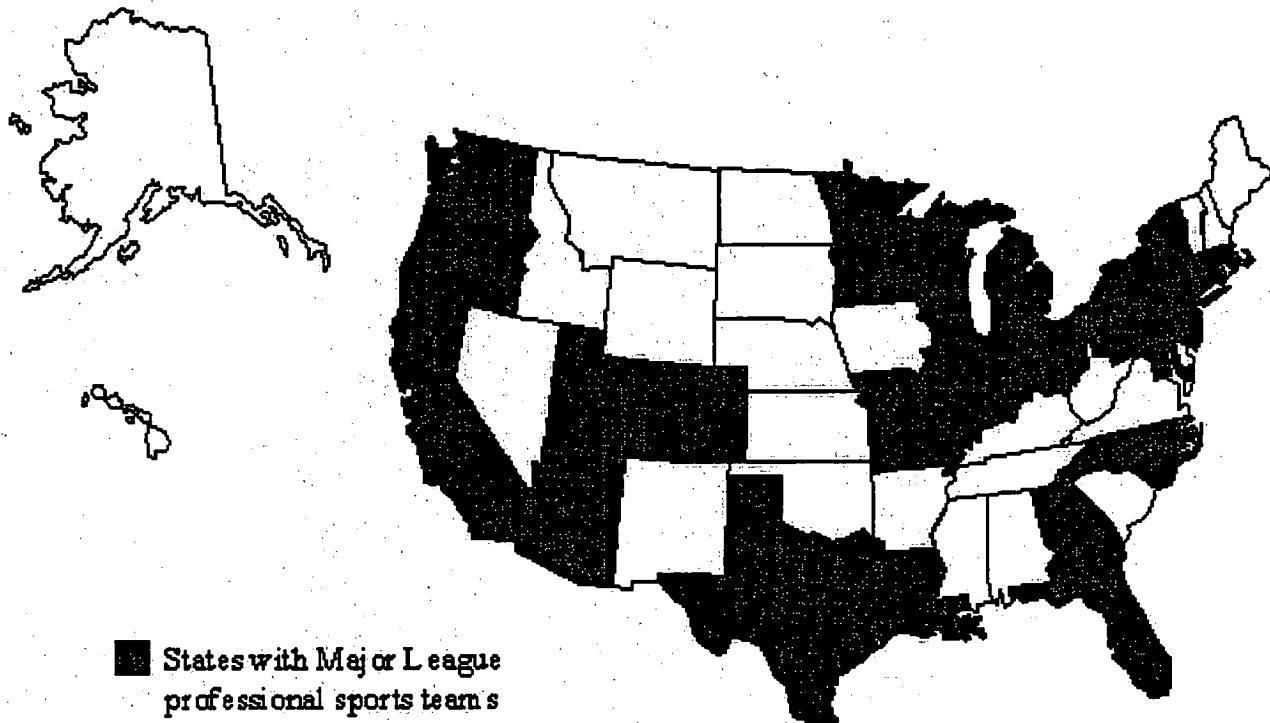
upgraded or replaced. As a result, policymakers are often scrambling to retain their teams.

This report provides an overview of professional sports and the income capacity of modern facilities. It identifies key issues legislators need to address when considering public financing for sports facilities and provides financial details for all current sports venues in the form of a state-by-state chart.

Professional Sports in the United States

Currently, in the United States, 105 baseball, football, basketball and hockey teams exist at the major league level. Because some teams play in multi-purpose facilities, these 105 teams play in 83 different stadiums and arenas located in 24 states and Washington, DC.

Figure 1. States with Major League Professional Sports Teams



For the past six years, *Financial World* magazine has conducted a survey of professional sports team values. According to the 1996 survey, basketball teams are valued the highest as a multiple of revenues. Although football generates the most in total revenues, basketball teams are considered a better value. The typical NBA team is valued at 2.8 times its average revenues for the past three seasons. At the low end is baseball, where most teams are worth only a multiple of 2.2. Comparable figures for football and hockey franchises are 2.7 and 2.5 respectively. (1)

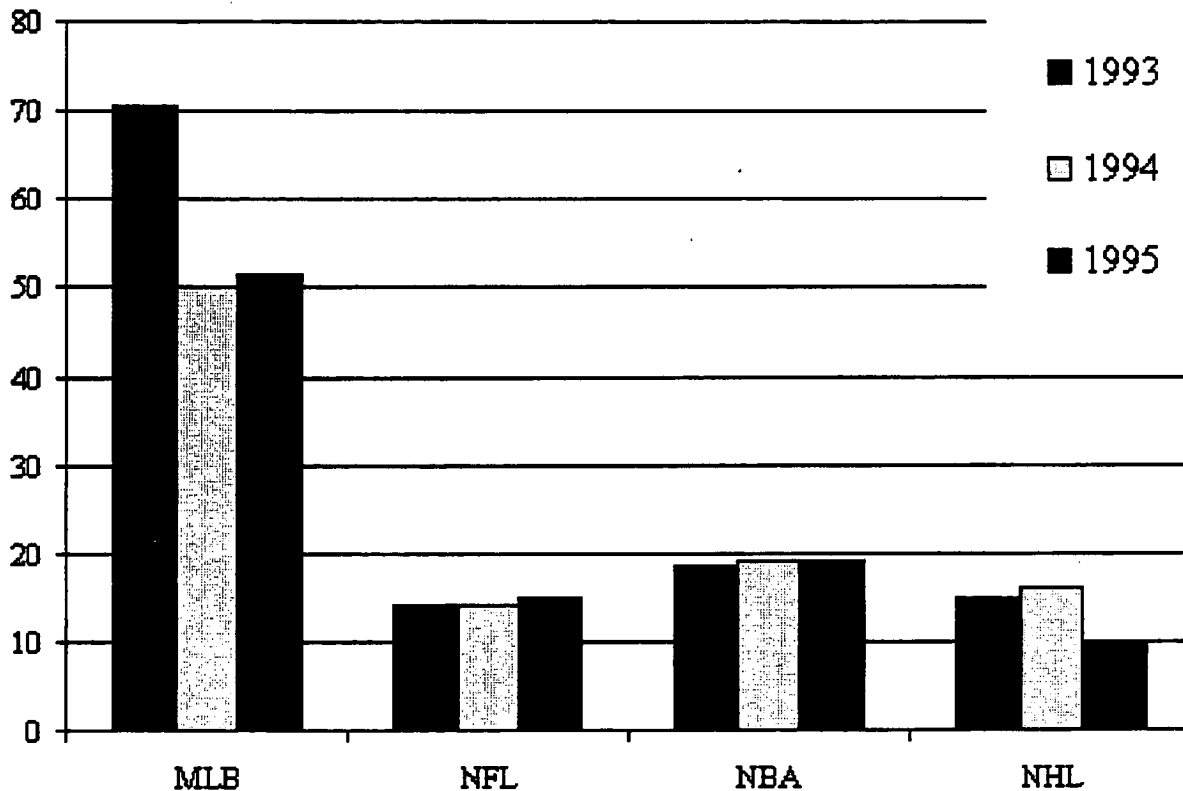
Teams are valued by their ability to generate net revenues, which usually reflects the income-generating capacity of the facility in which they play. Each league imposes its own rules about revenue distribution and team ownership. Because these regulations help determine the importance of stadium revenues to a team, the following sections provide a brief overview of the four major sports.

Baseball

Founded in 1876, Major League Baseball (MLB) is the oldest of the four commercial sports. MLB is divided into two different leagues (American and National), made up of 28 teams in the United States (including two recent expansion teams in Arizona and Florida) plus two teams in Canada. Regular season baseball begins in April and concludes in early October. In a typical season a team will play more than 80 games in its home stadium. Because of the large number of games, total attendance is higher for baseball than any other sport. As demonstrated by Figure 2, baseball attendance averages around 50 million fans per season while attendance for the other sports averages between 10 million and 20 million. Despite high

attendance figures, total baseball revenues are not the highest of any league since baseball ticket prices are lower than other sports.

Figure 2. Attendance for Professional Sports Teams, by League 1993 - 1995 (in millions)



Source: Governor's Sports and Exposition Facilities Task Force Report, Commonwealth of Pennsylvania, based on data from Major League Baseball, the National Football League, the National Basketball Association, and the National Hockey League. (Note that the 1994 and 1995 baseball and 1994-1995 hockey seasons were shortened by labor disputes.)

In addition to ticket receipts, MLB teams rely on the sale of broadcasting rights for financial support. Income from national television broadcasts is collected by the league as a whole and distributed to all teams. However, individual teams are permitted to sign local broadcast contracts and allowed to retain the cable and local broadcasting revenue. As a result, there is a wide disparity between the revenue of large media-market and small media-market teams. For example, the New York Yankees have a cable television contract worth more than \$40 million every year. Compare that to several teams with local television contracts worth less than \$10 million and the difference in purchasing power becomes apparent.

Prior to the 1997 season there was no salary cap in MLB. Combine that with free agency, and the immense salaries star players earn put them out of reach for all but a few high-revenue teams. According to many analysts, it is no coincidence that winning teams sport the highest payrolls. The New York Yankees and the Atlanta Braves were the two teams to battle it out for the 1996 World Series championship title; these two teams also happen to have the highest payrolls in MLB.

In late 1996, baseball club owners and players agreed on terms to settle a long running labor dispute. They agreed to interleague play, an assessment on payrolls commonly known as a luxury tax and an unprecedented level of revenue sharing between rich and poor clubs. The impact of this agreement remains to be seen, but obviously the luxury tax will affect those teams with large payrolls and revenue sharing will affect large market teams with major cable television contracts.

Football

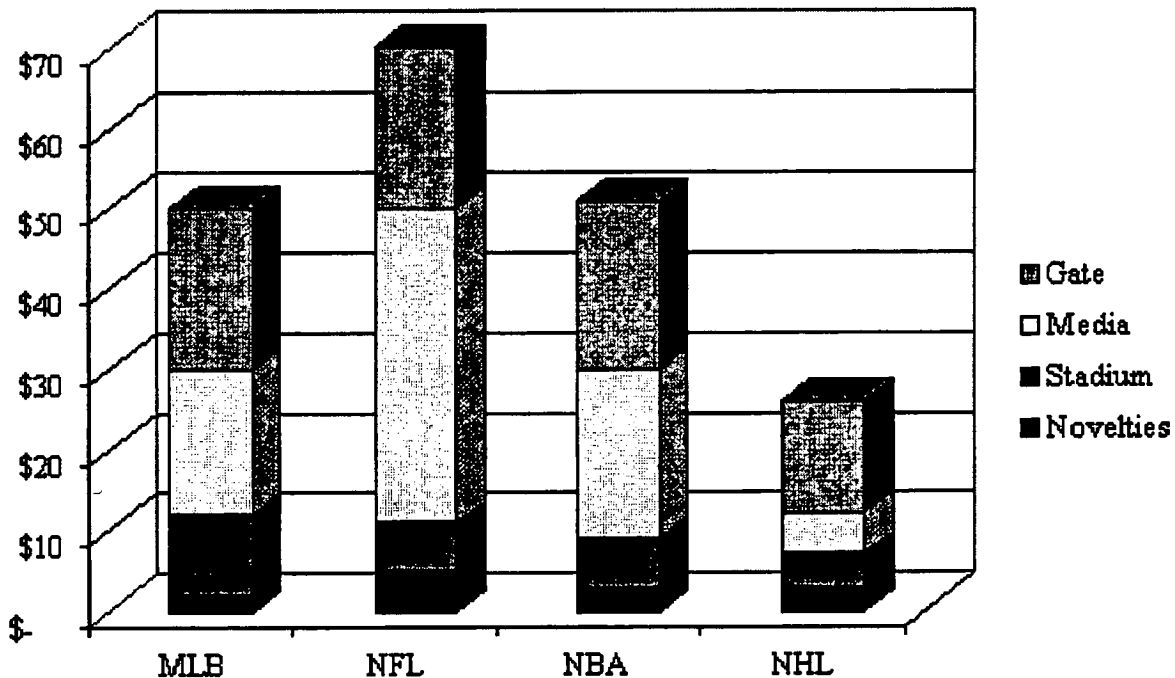
The National Football League (NFL) was created in 1921 and now consists of 30 American teams in two conferences (American Football Conference and National Football Conference). Regular season play runs from September through December. NFL games are played weekly, so most teams are able to draw large crowds for their eight regular home games.

Since there are fewer games, each one is important for the team and the home-viewing audience can be massive.

If baseball is the national summer pastime, watching football on television is a favorite cold-weather pastime. Every NFL game is carried by a national television network and Monday night football routinely receives high viewer ratings. As a result, the sale of broadcasting rights contributes tremendously to the revenues of NFL teams with football generating more broadcasting revenue than any other sport.

The NFL generates more in revenues than any other sport and NFL teams share more of their revenues than any other league. Nearly all of the total league revenue from merchandising and broadcasting is shared equally among team owners. Game day revenue from ticket sales is shared by the teams, with the home team receiving 60 percent and the visiting team 40 percent. Each team, however, is allowed to keep the revenues generated by the stadium (advertising, parking, concessions, seating, etc.). Because owners do not share stadium revenue, franchises with facilities that generate high stadium revenues tend to be valued higher than other teams.

Figure 3. Average Revenues for Professional Sports Teams by League, 1995 (in millions of dollars)



Source: Governor's Sports and Exposition Facilities Task Force Report, Commonwealth of Pennsylvania, from *Financial World*, "Sports: The High-Stakes Game of Team Ownership," May 20, 1996.

The NFL has the most restrictive ownership regulations. Unlike other professional sports, publicly traded corporations may not own football franchises (the Green Bay Packers team was grandfathered in since it has been owned by a local nonprofit sharing corporation since 1923) and owners are not supposed to have outside interests in other teams (although this is currently being challenged in Florida). The other three leagues permit corporate ownership of franchises and more than one team may be owned by the same owner. This NFL rule effectively places even more importance on the stadium issue. Since NFL owners are more dependent on the profitability of their teams, they are more inclined to desire stadiums that generate higher revenues.

The NFL instituted a salary cap on players' salaries to contain costs in 1993. The minimum and maximum amounts a team can pay its players is determined by formula according to a percentage of designated league revenue where league revenue is made up of ticket sales and broadcasting revenue. Franchises have found a way to circumvent the salary cap, however, by offering hefty signing bonuses to desirable players. Only wealthy franchises with ample cash are able to offer substantial bonuses upon signing players, prompting many owners to claim that high revenue producing stadiums put their teams at a competitive advantage.

Basketball

Founded in the 1940s, the National Basketball Association (NBA) is made up of 27 teams in the United States and two in Canada. The NBA's regular season begins in October and runs through April with about 40 regular season games played at home. Many teams are owned by large corporations that also own hockey teams. Both teams often play in the same arena.

The NBA as a whole has contracts for national network broadcasts and revenues are shared by the teams, but each team may sell the rights to broadcast games on local television.

On the verge of a serious decline in popularity in the 1970s and 1980s, professional basketball made a dramatic comeback in the 1990s. The NBA has been very successful in promoting its star players—even to the point where fans of opposing teams will come just to see a star perform. Michael Jordan, for example, attracts sellout crowds wherever the Chicago Bulls play. In addition, basketball players, probably more than other athletes, receive high name recognition and are hired by corporations to endorse certain products.

A salary cap established minimum and maximum salaries for NBA players in 1983, but like the NFL, players are eligible for signing bonuses as incentives to join a particular team. The NBA has adopted an interesting policy in which players share team revenues with the owners. Under the latest collective bargaining agreement, the players get 59 percent of defined gross revenues and share in all sources of revenue including luxury suites, sponsorships, parking and concessions. This way, the players and team owners are both vested in the financial success of the franchise.

Hockey

The National Hockey League (NHL) was founded in 1917 and contains 21 teams in the United States and five in Canada. The season runs from October through April and about 40 regular games are played at home. Hockey has been popular for a long time in many northern states, but as more teams relocate in the South, the sport is gaining even more momentum. The NHL now has teams in the southern cities of Miami, Tampa, Dallas, Los Angeles and Phoenix.

The NHL contracts with national networks for broadcasting rights, but individual franchises can negotiate locally. The NHL signed its first long-term contract with a major broadcast network when it signed a five-year contract with the Fox network in 1995.

Also in 1995, a collective bargaining agreement was signed by the NHL and the NHL Players Association after a labor dispute cut the 1994 season short. At the core of the disagreement was the desire of team owners to impose a salary cap. In the end, owners were only able to get a \$850,000 cap on rookie salaries and some other restrictions on free agency. Veteran players are committed to a salary arbitration process and may become unrestricted free agents at the age of 32.

Stadium Revenues

Media revenues and ticket receipts used to be the primary factors driving the value of sports franchises. Now stadium revenue is just as important. Income generated from sports facilities include rent plus revenues from parking, food and beverage concessions, team paraphernalia and merchandise, naming rights, stadium advertising, luxury seating and personal seat licenses. Stadiums have always generated revenues from many of these sources, but naming rights and personal seat licenses are newcomers to the stadium revenue stream. In addition, the ability to raise revenues through luxury seating has jumped dramatically.

Corporations pay millions of dollars for the privilege of naming stadiums and arenas. Bank One will pay the Arizona Diamondbacks \$1 million a year over 30 years for naming rights to the stadium—that is more than some teams gross in stadium revenues all year. Miller Brewing just agreed to pay \$40 million for the naming rights to the new stadium soon to be built in Milwaukee. Continental Airlines will pay \$29 million over 12 years to change the name of an arena in New Jersey and the list goes on. However, the amount paid for naming rights can be misleading because a company that purchases naming rights may also be purchasing preferred vendor rights such as pouring rights, which is the ability to sell their product during events.

Personal seat licenses are also a relatively new revenue source. They give fans the right to buy a season ticket or specialty seating such as club seats.

Luxury seating includes special skyboxes usually purchased by corporations at premium prices and another level of more expensive seating often referred to as club seats. Club seat ticket holders often have better views, preferred parking, indoor/outdoor options and higher quality food and beverage service including a wait staff. Luxury seating alone is a tremendous moneymaker and is the second most important revenue stream for sports franchises behind television revenues.

Stadium revenues come in a variety of ways, and in today's brave new world of professional sports they are the key to

profitable teams. This is why many team owners claim they cannot afford to keep teams in old stadiums without the tremendous earnings potential of special seating and other stadium income. The argument goes like this: a new stadium will generate more in revenues. In turn, the franchise will be in a better position to bid for quality players, which will result in a better team, which will draw more fans, which will result in more revenues and so on. Proponents claim that this argument is validated by the fact that most teams playing in new stadiums have seen attendance numbers increase and the teams have improved. Three of the four 1996 MLB playoff teams in the American League were teams that played in stadiums less than 5 years old. The only new stadium in the National League is Coors Field, host to the expansion Colorado Rockies--a team that made it to the playoffs in its third year of existence and first year of the new stadium.

On the other hand, many argue very convincingly that the new-stadium-leads-to-a-better-team theory doesn't hold true for two reasons: 1) Sound management with the ability to make wise draft choices, develop strong training programs and produce well-coached teams is what really matters; and 2) Most old stadiums have been renovated and modernized over the years to improve venue revenues.

Both points are illustrated by several championship teams playing in old stadiums. Fulton County Stadium and Candlestick (3Com) Park respectively have served the Atlanta Braves and the San Francisco 49ers very well. The Colorado Avalanche won the 1996 Stanley Cup while calling the 25-year-old McNichols Arena home, the Chicago Bulls won several championships in their old arena, and the New York Yankees won the 1996 World Series in "the house that Ruth built." But perhaps the best example is Texas Stadium, home of the Dallas Cowboys, which opened in 1971. The facility design and the design of the lease have proved to be very profitable for owner Jerry Jones and his team. The lease with the city of Irving allows the club to create and control new revenue sources at the stadium. After several stadium additions, the facility now boasts 370 luxury suites, which is 100 more than any other team. Not coincidentally, the stadium generates more in revenues than any other. How can a team that receives no stadium revenue compete for premium players against the extra \$40 million Dallas brings in from the stadium? It's difficult, and as a result, Dallas has had a dominant NFL team for the past several years.

Therefore, it would seem that more generous lease arrangements and luxury boxes--not necessarily new stadiums--are what team owners desire. This is probably true, but in some cases there may be no chance to re-negotiate the lease with the facility owner or it may not be economically feasible to renovate the stadium. Or in some stadiums, there may be no revenues to negotiate if the maintenance costs of the facility are high. The city of Oakland, however, determined that it made sense to renovate the Oakland Coliseum and recently spent \$127 million on improvements as part of the deal to bring the Raiders back to Oakland.

Economics of Sports Facilities

Are new stadiums a good public investment? The issue is hotly debated by advocates on both sides. The answer rests with several factors: stadium lease agreements, the amount of new money entering the economy, the number and quality of new jobs, charitable contributions and other intangible items.

Stadium lease agreements--Traditionally, in publicly financed, publicly owned facilities, the city keeps most of the revenues generated from the facility to offset the costs. But that has changed in recent years as teams have successfully negotiated with government officials for a greater share of stadium revenues. Several teams have negotiated very favorable deals where taxpayers foot the bill for a new stadium, but the team retains the revenues. Take the Colorado Rockies, for example. Coors Field opened in 1995 with a price tag of \$215 million. The Rockies contributed \$53 million or 25 percent and the rest was paid by Denver-area taxpayers through a 0.1 percent sales tax. The Rockies have a 22-year lease and pay no rent unless the annual attendance figure hits 2.25 million; then they pay on a sliding scale based on attendance. In exchange they pay all operating and maintenance costs of the stadium and keep all revenues from concessions, luxury boxes, the naming rights and stadium advertising. They also receive 80 percent of parking revenues during game days and 20 percent of parking revenue from other events at the stadium. This agreement is not unusual, several teams have similar deals including teams in Missouri and Maryland.

New money entering the economy--Economic impact includes both direct spending by visitors and the indirect spending, or re-spending, of those same dollars by businesses that receive them. Many economists have found that using public dollars to finance sports stadiums does not provide a good return on the investment since sporting events are generally attended by local residents with limited disposable income. Money spent on sports is money that may have been spent elsewhere. In other words, new money is not entering the local economy unless the team draws spectators from outside the area and they stay and spend money in the community. From a state perspective, drawing visitors from out of state provides the greatest boost to the economy, but most sports teams do not draw many out-of-state visitors.

The most widely known academic studies on the economic impact of professional sports have been conducted for the Heartland Institute by Robert Baade of Lake Forest College and Dean Baim of Pepperdine University. Both studies reached the same general conclusion that rarely are there net economic benefits to cities that subsidize sports facilities. (2)

Some urban facilities, however, built in blighted areas, have had positive spin-off effects that no other type of development could have matched due to the regional support for professional sports. Not only did the facilities stimulate development in the immediate area, but it happened with help from entire metropolitan areas. It is unlikely that suburban counties would ever subsidize core-city development in any other circumstance.

Creation of new jobs--The argument in favor of sports as an economic development tool is boosted by the fact that sports franchises create new jobs. Construction jobs are created when new stadiums are built and in the surrounding area if it develops as well. The franchise also hires people directly. There is no question that players are paid handsomely. Plus franchises have office staff and hire seasonal employees to work the games. In turn, those people spend money in the local economy and everyone pays state and local taxes. Question are raised, however, about the quality of some of the jobs and about whether the same amount of investment in another business would contribute as much if not more.

Charitable contributions--One of the more tangible benefits of professional sports is the impact on charitable contributions. Several sports teams make sizable contributions to charities in their communities and have created special foundations. In addition, although many question sports figures as role models, many professional athletes have made great personal contributions to their communities and serve as positive role models.

Intangible factors--Finally, some benefits, like community pride, the pleasure derived from sports, and the joy in having a home-town team, are difficult to measure. Therefore, regardless of whether it makes economic sense to build a new stadium, it often makes political sense when the high profile nature of professional sports and other intangible factors are taken into account. Policymakers are then faced with the difficult task of deciding how to fund the stadium.

Key Considerations for Policymakers

Identify need for a new stadium--What are the real reasons behind the team's desire for a new stadium? Does a suitable stadium already exist? Has the value of the team declined because the team receives little or no stadium revenue? Does the existing stadium produce revenues? If so, would it be possible to re-negotiate the lease agreement so that the team receives a greater portion of the revenues? Does the stadium lack only lucrative luxury seating and corporate boxes? If so, how difficult would it be to add those things?

Identify an appropriate site--Once the decision has been made to build a new facility, think about the ideal location. Due to their downtown locations, new stadiums in Baltimore, Cleveland and Denver are considered catalysts for major urban development projects. Because economic benefits from sports facilities are a result of pedestrian and vehicular traffic, stadiums work best when situated centrally in a pedestrian-friendly environment near restaurants, bars, hotels, parks, museums, shops and other interesting places. Visitors are then encouraged to do other things and spend more money in addition to attending a game. Generally, suburban facilities are only accessible by car and seldom is anything else nearby. Fans drive to the stadium, park in large parking decks, attend the game, return to their cars and go home. Some franchises, however, deliberately isolate their stadiums to better monopolize parking and concession revenues. It should be noted that this model does not contribute much to economic development.

Determine the Facility Cost--What features will the new facility contain and what will they cost? Because fans like to sit outdoors on nice days and indoors in inclement weather, the current trend is for retractable roofs, which drive the cost up considerably (they range from \$300 million to \$500 million). A retractable roof stadium was recently constructed in Toronto and one is currently under construction in Phoenix. In addition, new retractable roof baseball stadiums have been proposed in both Seattle and Milwaukee. In general, any kind of dome costs more than an open facility, although maintenance costs for grass is greater than for artificial turf.

Another thing to consider is the cost of borrowing money. If bonds are used to finance stadium construction, interest on the bonds must be included as part of the debt service schedule, but is seldom included in the cost estimates.

In addition, there are usually real and opportunity costs associated with re-negotiating an existing lease. If terms of a new contract are changed in favor of the franchise, the city or facility owner will receive less in revenues. Less public revenues are likely to have ramifications throughout the community if those revenues help subsidize other city programs or facilities.

Who Will Pay for the Facility

There are several options:

The general public pays. The general public is forced to pay when a new tax is imposed or if general fund revenues are used to fund the stadium. For example, voters in Hamilton County, Ohio, recently approved a general sales tax increase of 0.5 percent to raise the money for one (or possibly two) new stadiums in Cincinnati.

The fans or users of the facility pay. Fans bear most of the burden for new stadiums when stadium revenues are used to finance the facility. The new Ericsson Stadium in Charlotte, N.C., was largely funded through the sale of personal seat licenses.

The franchise pays. The franchise pays when the team contributes directly to the cost of the new stadium or arena. Facilities in California, Massachusetts, Florida and several other states were built with private funds and are privately owned. However, even with privately financed facilities, the city or state often provides roads and infrastructure as well as special tax breaks that are not available to other businesses.

Targeted beneficiaries pay. Targeted beneficiaries are those businesses that benefit directly from the facility. For example, restaurants and bars located near the stadium receive additional business on game days. By imposing a sales tax on such businesses in a defined geographic area and earmarking it for the facility, it is possible to shift some of the burden onto the businesses that directly gain from sports-related activities. However, it is difficult to measure who really benefits and by how much so this type of proposal is likely to be met with much opposition.

Some combination of public and private money is used to pay for sports facilities. The most acceptable financing strategies are designed to use a mix of various funding sources.

Finally as part of any financing arrangement that includes public funds, it is important to ensure that the community is protected from excessive costs. One way to accomplish this is to place a cap on the amount of public funds to be used. Any cost overruns must be absorbed by the team. Be aware, however, that league restrictions may exist. For example, the NFL prohibits teams from assuming more than \$55 million in debt.

Financing Options for Sports Facilities

Historically, stadiums were often built as public works projects, but over time, public sentiment has shifted as costs have escalated. The ability of stadiums to make money also has attracted more interest from the private sector. Team owners are now willing to contribute to the cost of new stadiums so they can negotiate for stadium revenues. Almost all the new stadium deals involve private funds (see table 1). In fact, many of the arenas used for hockey and basketball have been funded almost entirely with private funds. These arenas are more profitable because they can be used throughout the year for concerts and other events, and they are smaller and less expensive than the large single or double purpose facilities used for baseball and football.

Of the 83 professional sports facilities in use in the United States, 24 have been built since 1990. In addition, several new stadiums are in the planning or construction phase including one in Nashville, Tenn., where officials successfully negotiated with the Houston Oilers to move there for the 1998 season. Most new stadiums have cost between \$200 million to \$300 million to construct.

Table 1. New Stadiums Since 1990

Stadium	Team	Capacity	Year Opened	Original Cost* (millions)	% Publicly Financed
Bank One Ballpark	Arizona Diamondbacks	48,500	1998 (1)	\$338.0 (2)	75%
Cumberland Stadium	Undetermined	76,000	1998 (1)	\$292.0 (2)	100%
CoreStates Spectrum	Philadelphia 76ers	21,000	1996	\$206.0	0
	Philadelphia Flyers	19,500			
Marine Midland	Buffalo Sabres	21,000	1996	\$122.0	45%
Ericsson Stadium	Carolina Panthers	72,350	1996	\$247.7	20%

Ice Palace	Tampa Bay Lightning	19,500	1996	\$139.0	62%
Jacksonville Stadium	Jacksonville Jaguars	73,000	1995	\$135.0	90%
Key Arena	Seattle SuperSonics	17,102	1995	\$114.0	82%
FleetCenter	Boston Celtics	18,624	1995	\$160.0	0
	Boston Bruins	17,565			
Coors Field	Colorado Rockies	50,100	1995	\$215.0	75%
Rose Garden	Portland Trail Blazers	21,401	1995	\$ 94.0	14%
Trans World Dome	St. Louis Rams	65,300	1995	\$299.0	96%
Kiel Center	St. Louis Blues	18,500	1994	\$138.8	46%
and Arena	Cleveland Cavaliers	20,562	1994	\$159.3	97%
Ballpark at Arlington	Texas Rangers	49,292	1994	\$196.0	71%
Jacobs Field	Cleveland Indians	42,400	1994	\$177.8	88%
United Center	Chicago Bulls	21,711	1994	\$180.0	9%
	Chicago Blackhawks	20,500			
San Jose Arena	San Jose Sharks	17,190	1993	\$179.0	82%
Alamodome	San Antonio Spurs	20,662	1993	\$196.0	100%
Arrowhead Pond	Mighty Ducks of Anaheim	17,250	1993	\$ 84.3	100%
America West Arena	Phoenix Suns Phoenix Coyotes	15,500	1992	\$ 97.7	39%
Georgia Dome	Atlanta Falcons	71,594	1992	\$232.4	100%
Oriole Park-Camden Yards	Baltimore Orioles	48,000	1992	\$228.0	96%
Delta Center	Utah Jazz	19,911	1991	\$100.6	0
Comiskey Park	Chicago White Sox	44,321	1991	\$167.8	100%
Target Center	Minnesota Timberwolves	19,000	1990	\$117.0	73%
ThunderDome	Tampa Bay Devil Rays	46,000	1990	\$171.0	100%
1. Scheduled [back] 2. Projected [back]					

* Cost figures for facilities built prior to 1995 have been adjusted to 1995 dollars using the Consumer Price Index.
[back]

Once the decision has been made to use public funds for a new stadium, there are a number of options. Options previously tried by state and local governments include: general fund revenues, general sales taxes, tourism taxes, excise taxes, stadium revenues, personal seat licenses, state lotteries, ticket surcharges and government backed bonds.

Generally, bonds are issued by a state, city, county or special authority. States' ability to use bond instruments, however, is often restricted by legal limitations regarding the amount of debt they can assume. If the use of bonds is restricted by statute, legislative action is needed to initiate a bond issue. If bonds are prohibited by the state constitution, voter approval may be required to authorize the issue. Municipalities also have the ability to issue bonds.

Bonds can be either general obligation bonds backed by the full faith and credit of the issuing party or they can be revenue bonds backed by some specific revenue stream. General obligation bonds usually require voter approval and revenue bonds sometimes do. Prior to 1986, tax-exempt revenue bonds were often used to finance sports facilities because they carried a lower interest rate and were therefore less expensive. Federal tax changes, however, in 1984 and 1986 placed restrictions on governments' ability to finance stadiums by prohibiting the use of tax-exempt bonds for a private activity. Now to use tax-exempt bonds, the issuing authority must ensure that no more than 10 percent of private stadium revenues are used to pay the debt service. Senator Daniel Patrick Moynihan of New York has twice introduced federal legislation that would place further restrictions on financing sports facilities with tax-exempt bonds. The 1997 legislation is currently pending.

A number of states have created special stadium authorities or districts to build and manage sports facilities as separate quasi government entities with bonding authority. Special authorities can be entities of the state as in Illinois, New Jersey and Maryland or they may be local metropolitan districts as in Phoenix, Denver, Tampa, Miami, Atlanta, Indianapolis, St. Louis and Pittsburgh.

Revenue bonds are frequently used to finance sports facilities where stadium revenues are used to repay the debt. Stadium debt in North Carolina and Florida is paid, in part, with revenues generated from the preliminary sale of luxury seating and personal seat licenses. Personal seat licenses, however, work best in new markets where fans are willing to pay a premium just for the privilege of buying a seat. In markets where teams exist, it is difficult for the franchise to go to current season ticket holders and ask them to pay for a personal seat license.

Stadium revenues may also be supplemented with other operating revenue. For example, stadium debt for the New Jersey Meadowlands sports complex is serviced with revenues generated from a horse racetrack located in the complex.

Other states have authorized use of special local option taxes to service the debt for sports facilities. Local governments in Illinois, Florida, Georgia, Louisiana, Missouri and Washington use lodging taxes as one way to raise money for new stadiums. Lodging and other tourism taxes tend to be some of the easiest taxes to gain voter approval. Local voters like them because they are able to shift the costs to tourists who stay in hotels or rent cars. In Florida, St. Petersburg and Jacksonville added a one-cent lodging tax to help fund their stadium debt. The Atlanta Falcons' stadium is paid for, in part, with 39 percent of a seven-cent lodging tax in Fulton County. An additional 2 percent tax is levied on Chicago hotels to help pay for the White Sox park, a 4 percent lodging tax is imposed in two Louisiana parishes to help pay for the Superdome, a county-wide lodging tax helps fund debt for the TWA Dome in St. Louis, a 2 percent county-wide lodging tax helps pay for the KingDome in Seattle and voters in Detroit just approved an additional lodging tax to help fund a new downtown football stadium.

Cities, counties and special districts in Arizona, Colorado, Ohio, Texas and Wisconsin adopted increases in their general sales tax rates to raise money for stadiums. The legislature in Ohio approved a ballot measure asking voters to approve new excise taxes on tobacco and alcohol in Cleveland--which they did. Local governments in Colorado and Florida impose surcharges on tickets to events in city-owned facilities. In Indiana, Marion county imposes an additional tax on motels, meals, cigarettes and admissions to pay the stadium bonds and in Washington an additional 2 percent car rental tax is imposed in Seattle to help fund a new stadium for the Mariners.

Sometimes state money is used to fund sports facilities. The Georgia Dome in Atlanta was financed mainly with state funds. In Maryland and Washington, state lottery funds are used. The state legislature in Maryland authorized two new sport-themed lottery games. The money generated from those games will be used to repay the state stadium debt. These lottery games were extended to help fund a new football stadium as part of the deal to bring the Cleveland Browns to Baltimore. The state of Washington also agreed to help fund a new baseball stadium in Seattle and created two new lottery games to generate the revenues.

In 1988, Florida created a special state tax rebate program to lure new teams to the state. Eligible teams may receive up to \$2 million per year for 30 years. Michigan recently authorized the use of \$55 million from the Michigan Strategic Fund for a new stadium. To help finance a new stadium in Tennessee, lawmakers passed legislation permitting municipalities to create sports authorities that would be allowed to retain the 5.5 percent state sales tax on all revenues from the stadium. In addition, the state agreed to finance \$12 million in infrastructure and to issue bonds to build the stadium if the income collected by the local sports authorities from the state sales tax would be returned to the general fund.

Conclusion

The evolution of sports from a game to big business is clear. Teams generate revenues from television and radio broadcasts, and corporations pay franchises and individual athletes huge sums to promote their merchandise. Player and team loyalty seem like outdated concepts as financial considerations influence most decisions. It is extremely rare for a player to spend his entire career with one team. Likewise, teams are often owned by major corporations that are swayed by bottom-line profits.

Talented players have an unprecedented ability to command high salaries, which are the major expenses for all sports leagues. Ticket prices have increased substantially over the years, but not fast enough to cover the enormous salary expenses most franchises face.

The ability of stadiums to generate revenues has increased dramatically and now plays a much greater role in teams' ability to compete and afford players' high salaries. As a result, owners are holding cities hostage with demands for new stadiums and public subsidies. The current demand for sports franchises is such that a community somewhere is likely to meet those needs. Policymakers are then faced with the tough choice of meeting team demands or losing the team.

If the decision is made to use public money to fund a new stadium, policymakers are wise to design a fair and equitable financing package after evaluating all available sources of financing and using an optimal mix of these potential sources. And as part of any financing arrangement, policymakers must ensure that the community is protected from excessive costs.

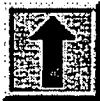
Circumstances differ among the states and among the various cities and counties. But one thing is clear. Regardless of the costs, sports are woven into the American fabric. No other industry has been able to create the same sense of civic pride and garner the same emotional support as professional sports. As long as stadiums continue to generate revenues and as long as teams seek better stadium deals, the debate on the public financing of stadiums will continue.

Appendix A

Financing Professional Sports Facilities

Notes

1. Tushar Atre, Kristine Auns, Kurt Badenhause, Kevin McAuliffe, Christopher Niklov and Michael K. Ozanian, "Sports: The High Stakes Game of Team Ownership," *Financial World*, May 20, 1996, 55. [back]
2. Robert A. Baade, *Stadiums, Professional Sports, and Economic Development: Assessing the Reality* (Detroit, Mich.: The Heartland Institute, 1994).
Dean V. Baim, *Sports Stadiums as "Wise Investments": an Evaluation* (Detroit, Mich.: The Heartland Institute, 1990). [back]



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Fiscal Affairs

Playing the Stadium Game

Appendix: Financing Professional Sports Facilities

April 1998

Appendix: Financing Professional Sports Facilities

Should you wish to print this 230K table, set your printer to landscape orientation.

Mandy Rafool
National Conference of State Legislatures
June 1997

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Arizona	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost * (millions)	% Publicly Financed, Public Vote
MLB *	Phoenix	Bank One Ballpark	Maricopa County Stadium District	Yes	\$338 (projected)	75%
	Arizona Diamondbacks	48,500 1998 (scheduled)				No

Stadium Funding Source:

The Maricopa County Stadium District has contributed \$238 million which comes from a 0.25% increase in the county sales tax. The tax is expected to remain in place at current collection rates until the spring of 1998. In addition, the Stadium District has issued \$15 million in bonds which will be paid off with stadium generated revenue and the Diamondbacks will pay \$85 million.

* Arizona (along with Florida) has been awarded a major league baseball expansion team scheduled to begin in 1998.

Arizona (continued)	City & Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost * (millions)	% Publicly Financed, Public Vote
NFL	Tempe	Sun Devil Stadium	Arizona State University	No	\$1.0	100%
	Arizona Cardinals	73,273			\$5.2 Adjusted to 1995 dollars	No
		1958				

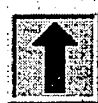
Stadium Funding Source: Stadium for Arizona State University football originally cost \$1 million with \$800,000 in state money and \$200,000 from revenue bonds issued by the university. The stadium became host to the Cardinals in 1988. The stadium has been renovated four times since 1976. In 1989, \$11 million was raised through skybox sales and was spent to modernize the stadium and add luxury skyboxes. In 1990, the field was lowered and financed through a \$2 million bond issue.

Arizona (continued)	City & Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost * (millions)	% Publicly Financed, Public Vote
NBA	Phoenix	America West Arena	City of Phoenix	No	\$90	39%
	Phoenix Suns	19,023			\$97.7 Adjusted to 1995 dollars	No
		1992				

Stadium Funding Source: Phoenix contributed \$35 million with \$28 million going to construct the arena and \$7 million for the land. The Phoenix Suns contributed \$55 million. The city has a 30-year commitment from the Suns and receives \$500,000 per year (with annual 3% increase) and 40% of revenue from luxury boxes and advertising.

Arizona (continued)	City & Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost * (millions)	% Publicly Financed, Public Vote
NHL	Phoenix	America West Arena	City of Phoenix	No	\$90	39%
	Phoenix Coyotes	15,500 to 16,000			\$97.7 Adjusted to 1995 dollars	No
		1992				

Stadium Funding Source: Phoenix contributed \$35 million with \$28 million going to construct the arena and \$7 million for the land. The Phoenix Suns contributed \$55 million for construction of the arena.



California	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost * (millions)	% Publicly Financed, Public Vote
MLB	Anaheim	Anaheim Stadium	City of Anaheim	No	\$24	100%
	California Angels	64,593			\$112.6 Adjusted to 1995 dollars	No
		1966				

Stadium Funding Source: Stadium publicly financed and originally built as a baseball stadium for the Los Angeles Angels. Team later became the California Angels and stadium was expanded in 1979 to an enclosed multi-purpose facility. In 1996, the city of Anaheim and the Walt Disney Corp. agreed to a deal to keep the team in Anaheim for at least 20 years. Disney will commit \$70 million and the city will commit \$30 million to renovate the stadium to a more compact baseball only facility.

California (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost * (millions)	% Publicly Financed, Public Vote
MLB	Chavez Ravine	Dodger Stadium	Dodgers	No	\$23	N/A
	Los Angeles Dodgers	56,000 1962			\$116 Adjusted to 1995 dollars	No
Stadium Funding Source:	Privately financed.					

California (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost * (millions)	% Publicly Financed, Public Vote
MLB	Oakland	Oakland/ Alameda County Coliseum	City and County	Yes	\$25	100%
	Oakland As (Athletics)	47,313 1966			\$120 Adjusted to 1995 dollars	No
Stadium Funding Source:	Coliseum funded as part of a \$25 million bond issue by the city of Oakland and Alameda County. The facility has been renovated several times and is presently undergoing a \$127 million renovation as part of the agreement to bring football back to the stadium.					

California (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost * (millions)	% Publicly Financed, Public Vote
MLB	San Diego	Jack Murphy Stadium	City of San Diego	No	\$27	100%
	San Diego Padres	46,510 1967			\$123 Adjusted to 1995 dollars	Yes
Stadium Funding Source:	Publicly financed after affirmative vote in 1965 by San Diego residents. Stadium was expanded in 1984 at a cost of \$6.4 million and in 1988 underwent a \$76 million renovation paid for with city/county revenue bonds.					

California (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost * (millions)	% Publicly Financed, Public Vote
MLB	San Francisco	3Com Park (Candlestick)	City of San Francisco	No	\$24.6	100%
	San Francisco Giants *	62,000 1960	through Stadium, Inc.		\$126.5 Adjusted to 1995 dollars	No
Stadium Funding Source:	Publicly financed as a baseball stadium. Expanded in 1968 to a multi-purpose stadium at a cost of \$32 million funded with an increase in the hotel tax of 0.06623 and an admissions tax of 50 cents per person. Expanded again at a cost of close to \$40 million in the early 1980s to increase seating capacity, paid for with an additional dollar surcharge on the admission tax bringing it to \$1.50 per person.					

* Plans are under way to build a new \$255 million stadium for the San Francisco Giants. The stadium, Pacific Bell Park, is scheduled to open in the year 2000 and will be primarily privately financed. The financing plan includes \$100 million from naming rights and other sponsorships, pouring rights, concession rights and the selling of charter seats; a \$145 million loan secured by the Giants; and \$10 million in tax increment financing by the City's Redevelopment Agency.

California (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost * (millions)	% Publicly Financed, Public Vote
NFL	Oakland	Oakland Coliseum	City of Oakland	Yes	\$25	100%
	Oakland Raiders	62,000			\$120 Adjusted to 1995 dollars	No
		1966				
Stadium Funding Source:	Coliseum funded as part of a \$25 million bond issue by the city of Oakland and Alameda County. The facility has been renovated several times and is presently undergoing a \$127 million renovation as part of the agreement to bring football back to the stadium.					

California (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost * (millions)	% Publicly Financed, Public Vote
NFL	San Diego	Jack Murphy Stadium*	City of San Diego	No	\$27	100%
	San Diego Chargers	60,836			\$123 Adjusted to 1995 dollars	Yes
		1967				
Stadium Funding Source:	Publicly financed after affirmative vote in 1965 by San Diego residents. Stadium was expanded in 1984 at a cost of \$6.4 million and in 1988 underwent a \$76 million renovation paid for with city/county revenue bonds.					

California (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost * (millions)	% Publicly Financed, Public Vote
NFL	San Francisco	3Com Park (Candlestick)	City of San Francisco	No	\$24.6	100%
	San Francisco 49ers**	70,207	through Stadium, Inc.		\$126.5 Adjusted to 1995 dollars	No
		1960				
Stadium Funding Source:	Publicly financed as a baseball stadium. Expanded in 1968 to a multi-purpose stadium at a cost of \$32 million funded with an increase in the hotel tax of 0.06623 and a 50 cents per person admissions tax. Expanded capacity again for close to \$40 million in the early 1980s, paid for with an additional dollar surcharge on the admission tax bringing it to \$1.50 per person.					
	* City Council approved a \$60 million expansion of Jack Murphy Stadium in 1995. The 10,000-seat expansion includes additional skyboxes and club seating, plus a new practice site for the Chargers. However, opponents have collected enough signatures to force a referendum in May 1997 that could halt the expansion.					

** A proposal to replace 3Com Park with a new \$525 million stadium and entertainment complex was approved by voters in the Spring of 1997. The funding will come from a combination of sources including \$26 million from the city, sale of Permanent Equity Participation's, tax increment financing, sales tax revenues and private funds.

California (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost * (millions)	% Publicly Financed, Public Vote
NBA	Inglewood	Great Western Forum	Team Owner	No	\$16	N/A
	LA Lakers	17,505			\$73 Adjusted to 1995 dollars	No
		1967				
Stadium Funding Source:	Privately funded by Jack Kent Cooke, who later sold the Lakers.					

California (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost * (millions)	% Publicly Financed, Public Vote
NBA	Anaheim	Arrowhead Arena	City of Anaheim	No	\$80	100%
	LA Clippers*	17,250			\$84.3 Adjusted to 1995 dollars	No
		1993				
Stadium Funding Source:	Public/private partnership where certificates of participation were issued by the city and backed by the Ogden Corporation through the arena operating budget.					

California (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost * (millions)	% Publicly Financed, Public Vote
NBA	Oakland	Oakland Coliseum Arena	City of Oakland	Yes	\$25	100%
	Golden State Warriors	15,025			\$120 Adjusted to 1995 dollars	No
		1966				
Stadium Funding Source:	Publicly funded with bonds along with the Coliseum.					

* The LA Clippers play half of their home games at the LA Sports Arena which is part of the Los Angeles Coliseum.

California (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost * (millions)	% Publicly Financed, Public Vote
NBA	Sacramento	ARCO Arena	Private Partnership	No	\$70	N/A
	Sacramento Kings	17,317			\$90.15 Adjusted to 1995 dollars	No
		1988				
Stadium Funding Source:	Financed with private funds.					

California (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost * (millions)	% Publicly Financed, Public Vote
NHL	Anaheim	Arrowhead Pond	City of Anaheim	No	\$80	100%
	Mighty Ducks of Anaheim	17,250			\$84.3 Adjusted to 1995 dollars	No
		1993				
Stadium Funding Source:	Public/private partnership where certificates of participation were issued by the city and backed by the Ogden Corporation through the arena operating budget.					

California (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost * (millions)	% Publicly Financed, Public Vote
NHL	Inglewood	Great Western Forum	Team Owner	No	\$16	N/A
	Los Angeles Kings	16,005			\$73 Adjusted to 1995 dollars	No
		1967				
Stadium Funding Source:	Privately funded by Jack Kent Cooke, who later sold the Lakers.					

California (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost * (millions)	% Publicly Financed, Public Vote
NHL	San Jose	San Jose Arena	City of San Jose	No	\$162.5	82%
	San Jose Sharks	17,190			\$179 Adjusted to 1995 dollars	No
		1993				
Stadium Funding Source:	\$132 million was financed by the city and \$30 million by the San Jose Arena Management.					



Colorado	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
MLB	Denver	Coors Field	Stadium District	Yes	\$215	75%
	Colorado Rockies	50,100				Yes
		1995				
Stadium Funding Source	The legislature created the Denver Metropolitan Major League Baseball Stadium District in the six counties surrounding Denver. The district issued bonds and levied a 0.1% sales tax within the six-county area to fund the stadium. The tax remains in place until the bonds are paid off in about 10 years. The Rockies contributed \$53 million.					

Colorado (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL	Denver	Mile High Stadium *	City of Denver	No	\$1.0	100%
	Denver Broncos	76,274 1948			\$6.3 Adjusted to 1995 dollars	No

**Stadium
Funding
Source:**

Mile High Stadium was financed by the city of Denver and was originally built to house the minor league baseball team. The stadium was expanded to accommodate the Broncos in 1960 and has been improved three additional times including a \$25 million upgrade in 1977. The improvements have been paid for with revenues generated from the 10% seat tax assessed on all city facilities.

*** The Denver Broncos have requested a new stadium that would be funded by extending the sales tax already in place to fund Coors Field. The proposal will need to go before area voters.**

Colorado (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NBA	Denver	McNichols Arena **	City of Denver	No	\$13	100%
	Denver Nuggets	17,171 1975			\$36.8 Adjusted to 1995 dollars	Yes

**Stadium
Funding
Source:**

McNichols Arena was publicly financed with general obligation bonds issued by Denver at a cost of \$13 million including the land. In 1986, Denver and the Nuggets spent about \$12.5 million on renovations. The city's portion was generated through the seat tax (10%) assessed on all city facilities.

Colorado (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NHL	Denver	McNichols Arena **	City of Denver	No	\$13	100%
	Colorado Avalanche	17,022 1975			\$36.8 Adjusted to 1995 dollars	Yes

**Stadium
Funding
Source:**

McNichols Arena was publicly financed with general obligation bonds issued by Denver at a cost of \$13 million including the land. In 1986, Denver and the Nuggets spent about \$12.5 million on renovations. The city's portion was generated through the seat tax (10%) assessed on all city facilities.

**** Both the Nuggets and the Avalanche are owned by Ascent Entertainment Group who is negotiating with the city of Denver to build a private arena (the Pepsi Center) provided the city offers certain tax incentives.**



Connecticut	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NHL	Hartford	Civic Center Coliseum	City of Hartford	No	\$30.5	100%
	Hartford Whalers	15,100			\$86.4 Adjusted to 1995 dollars	Yes
		1975				

**Stadium
Funding
Source:**

Civic Center Arena was built in 1975 as a multi-purpose facility through a city general obligation bond issue of \$30.5 million. In 1978, the roof collapsed and \$31 million was spent to rebuild the facility and expand seating capacity. The reconstruction costs were covered by a combination of insurance claims, federal and state grants, and \$600,000 of city general fund revenues. To help ensure team retention, the state of Connecticut has leased the arena from Hartford for 20 years for an amount equal to the bond debt.



District of Columbia	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL*	D.C.	RFK Stadium	District of Columbia	No	\$19	100%
	Washington Redskins	56,454			\$96.7 Adjusted to 1995 dollars	No
		1961				

**Stadium
Funding
Source:**

Stadium was authorized by Congress and bonds were issued by the city and backed by the federal government. The bonds were retired in the early 1970s.

* The team is moving to nearby Prince George County, Maryland where a new stadium is under construction.

NBA**

** The Washington Bullets and the Washington Capitals both currently play in Maryland. Construction is under way for a new privately financed 21,000 seat arena (MCI Arena) to house both teams in the District of Columbia. It is expected to open in 1997.

NHL**

** The Washington Bullets and the Washington Capitals both currently play in Maryland. Construction is under way for a new privately financed 21,000 seat arena (MCI Arena) to house both teams in the District of Columbia. It is expected to open in 1997.



Florida	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
MLB	Miami	Pro Player Stadium	Wayne Huizenga	No	\$115	3%
	Florida Marlins	(Joe Robbie Stadium)	(team owner)		\$154.2 Adjusted to 1995 dollars	No
		47,662				
		1987				

**Stadium
Funding
Source:**

Stadium was originally built with private funds as a football stadium. \$10 million was spent by the stadium owner to renovate the stadium for baseball. Florida has a professional sports facility fund program which is a state rebate program that provides \$2 million per year up to 30 years. The program was designed to help attract new teams to Florida. The facility hosting the Marlins has qualified and has received \$4 million in state money to date.

Florida (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
MLB	St. Petersburg	ThunderDome	City of St. Petersburg	Yes	\$147	100%
	Tampa Bay Devil Rays *	46,000			\$171 Adjusted to 1995 dollars	No
		1990				

**Stadium
Funding
Source:**

Stadium originally built in 1990 at a cost of \$85 million. The city of St. Petersburg issued general obligation bonds to fund construction. The bond debt is being partially serviced through a 1% increase in the county-wide bed tax. Additional bonds in the amount of \$62 million were issued by a tourist development commission to renovate the stadium for the new baseball team. The debt is serviced by a combination of bed tax revenues, stadium revenues and city general fund money. In addition, the team qualified for the state rebate program designed to attract new teams to Florida.

* Tampa/St. Pete area was awarded a major league expansion baseball team along with Arizona. The team will begin play in 1998.

Florida (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL	Jacksonville	Jacksonville Stadium (Gator Bowl)	City of Jacksonville	No	\$135	90%
	Jacksonville Jaguars	73,000				Yes
		1995				

**Stadium
Funding
Source:**

Gator Bowl was built in 1941 and is being reconstructed for \$121 million including \$10.5 million from the Jaguars. City bond issue of \$49 million to upgrade stadium was under way before city had been awarded the team. Remaining bond debt will be paid through a state rebate program that provides \$2 million annually for 30 years aimed at bringing pro sports to Florida, a 1-cent lodging tax, a surcharge on Jaguars tickets and a tax on other events at the Gator Bowl.

Florida (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL	Miami	Pro Player Stadium	Wayne Huizenga (team owner)	No	\$115	N/A
	Miami Dolphins	(Joe Robbie Stadium)			\$154.2 Adjusted to 1995 dollars	Voted No
		74,916				
		1987				

Stadium Funding Source: Miami taxpayers rejected four proposals between 1976 and 1984 to renovate the Orange Bowl or build a new stadium. Joe Robbie, the team's late owner, took on the project after all those defeats. Funded privately with money generated by leasing luxury boxes and clubhouse seats.

Florida (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL	Tampa Bay	Tampa Stadium (Houlihan's Stadium)	Tampa Sports Authority	Yes	\$4.6	100%
	Tampa Bay Buccaneers *	74,314			\$21 Adjusted to 1995 dollars	No
		1967				

Stadium Funding Source: Stadium funded through bonds issued by the sports authority and backed by the city and county governments. Originally designed as a college stadium to seat 48,000, it was expanded to seat 72,000 at a cost of \$10 million after Tampa was awarded an NFL franchise in 1976. Another 2,000 seats were added when Tampa was selected as Super Bowl site. Team added luxury skyboxes.

*** On Sept. 3, 1996, Hillsborough County voters approved a 0.5 cent sales tax increase to help fund law enforcement, education, infrastructure and a new stadium for the Buccaneers. The stadium would receive 11.7% of the revenues generated.**

Florida (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NBA	Miami	Miami Arena	Miami Sports and Exhibition Authority	Yes	\$53	75%
	Miami Heat	15,200			\$68.3 Adjusted to 1995 dollars	No
		1988				

Stadium Funding Source: \$40 million funded with bonds paid for with tourist taxes and \$13 million from private sources.

Florida (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NBA	Orlando	Orlando Arena	City of Orlando	No	\$102	100%
	Orlando Magic	17,248			\$125 Adjusted to 1995 dollars	No
		1989				

Stadium Funding Source: Total facility including land infrastructure and landscaping cost \$102 million. The actual building costs were \$68 million. The costs were covered in part by the City of Orlando through general fund revenues and \$50 million from revenues from the countywide 4% bed tax. The bed tax is currently at 5%.

Florida (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NHL	Miami	Miami Arena	Miami Sports and Exhibition Authority	Yes	\$53	75%
	Florida Panthers *	14,700			\$68.3 Adjusted to 1995 dollars	No
		1988				
Stadium Funding Source:	\$40 million funded with bonds paid for with tourist taxes and \$13 million from private sources.					

Florida (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NHL	Tampa	Ice Palace	Tampa Stadium Authority	Yes	\$153	66%
	Tampa Bay Lightning	19,500				No
		1996				
Stadium Funding Source:	Stadium authority issued \$66.8 million of tax-exempt revenue bonds; the state secured \$28.8 million of tax-exempt revenue bonds. Six million was also spent on infrastructure.					

*** A new arena is being built for the Panthers in Broward County. The county will issue \$182 million in taxable municipal bonds secured by a 2% increase in the Tourist Development Tax and the state sales tax rebate program. The Panthers guarantee additional debt service.**



Georgia	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
MLB	Atlanta	Fulton County Stadium *	Fulton County Stadium Authority	Yes	\$18	100%
	Atlanta Braves	52,710			\$84.5 Adjusted to 1995 dollars	No
		1966				
Stadium Funding Source:	Bonds were issued by the stadium authority and backed by the city and county.					

***Olympic Stadium is being converted to a 50,000 seat baseball stadium for the Atlanta Braves and Fulton County Stadium will be torn down. The original Olympic Stadium budget covered construction and renovation costs. If there are cost overruns in the stadium conversion, the Braves will pay the additional costs.**

Georgia (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL	Atlanta	Georgia Dome	Georgia World Congress Center Authority	Yes	\$214	100%
	Atlanta Falcons	71,594			\$232.4 Adjusted to 1995 dollars	No
		1992				
Stadium Funding Source:	The state legislature authorized donation of the land for the stadium valued at \$14 million. The remaining \$200 million was raised with industrial revenue bonds authorized by the authority. Construction debt is covered by money generated by the stadium and from 39% of a 7 cent hotel/motel tax imposed in Fulton County. Stadium is used for other events throughout the year.					

Georgia (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NBA	Atlanta	The Omni	Fulton County Stadium Authority	Yes	\$17	100%
	Atlanta Hawks*	16,378			\$62 Adjusted to 1995 dollars	No
		1972				
Stadium Funding Source:	The stadium authority issued bonds which are being repaid with revenues generated by the stadium.					
	* A new \$200 million multipurpose sports arena for the Hawks is under way. The sports authority will acquire the land and issue \$130 million of revenue bonds. A countywide 3% car rental tax will contribute another \$70 million. Turner Broadcasting will contribute \$10 million to project costs and pledge franchise revenues to repay debt.					



Illinois	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
MLB	Chicago	Wrigley Field	Tribune Co.	No	\$0.25	N/A
	Chicago Cubs	38,765			\$3.8 Adjusted to 1995 dollars	No
		1914				
Stadium Funding Source:	Built with private funds.					

Illinois (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
MLB	Chicago	Comiskey Park	Illinois Sports Facilities Authority	Yes	\$150	100%
	Chicago White Sox	44,321 1991			\$167.8 Adjusted to 1995 dollars	No

Stadium Funding Source: The Illinois Sports Facilities Authority issued \$150 million in bonds for land and the construction of the new stadium. The debt is serviced from an additional 2% hotel tax levied on Chicago hotels, plus \$5 million annually from the City of Chicago that is received through a state/local government distributive fund, and a state match of \$5 million from the state lodging tax. Revenues that exceed the amount necessary for debt service are remitted to the state.

Illinois (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL	Chicago	Soldier Field	City of Chicago	No	\$10	100%
	Chicago Bears*	66,950 1924			\$20 Adjusted to 1995 dollars	No

Stadium Funding Source: Stadium opened with 45,000 seats. It was expanded to 100,000 seats and dedicated to soldiers in WW1 in 1926. It was reconstructed in 1979 by the Chicago Park District to add various amenities and boxes. Capacity is now smaller.

* The Chicago Bears are currently negotiating with city officials for a new stadium.

Illinois (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NBA	Chicago	United Center	United Center Joint Venture	No	\$175	9%
	Chicago Bulls	21,711 1994			\$179.9 Adjusted to 1995 dollars	No

Stadium Funding Source: Primarily through private capital, though city provided real estate tax abatements plus state and city grants for \$15 million.

Illinois (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NHL	Chicago	United Center	United Center Joint Venture	No	\$175	9%
	Chicago Blackhawks	20,500 1994			\$179.9 Adjusted to 1995 dollars	No

Stadium Funding Source: Primarily through private capital, though city provided real estate tax abatements plus state and city grants for \$15 million.

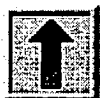


Indiana	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL	Indianapolis	RCA Dome (Hoosier Dome)	Marion County	Yes	\$95	50%
	Indianapolis Colts	60,127 1984	Convention and Recreational Facilities Authority		\$139.3 Adjusted to 1995 dollars	No

Stadium Funding Source: \$47 million came from a public bond issue backed by county sales taxes on motels, restaurant meals, cigarettes and admissions. The rest came from private sources.

Indiana (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
A	Indianapolis	Market Square Arena	Marion County	Yes	\$23	70%
	Indiana Pacers	16,530 1974	Capital Improvement Board		\$78.9 Adjusted to 1995 dollars	No

Stadium Funding Source: Funding supplied by \$12 million bond issue, \$4 million from the city and \$7 million from Market Square Associates, a private company created to build and operate arena.



Louisiana	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL	New Orleans	Superdome	State of Louisiana	Yes	\$134	100%
	New Orleans Saints	76,791 1975			\$379 Adjusted to 1995 dollars	No

Stadium Funding Source: Publicly financed through a \$134 million bond issue backed by a 4% hotel tax imposed in two parishes. Improvements were recently made at a cost of \$20 million.



Maryland	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
MLB	Baltimore	Oriole Park at Camden Yards	Maryland Stadium Authority	Yes	\$210	96%
	Baltimore Orioles	48,000			\$228 Adjusted to 1995 dollars	No
		1992				
Stadium Funding Source:	Financed with \$137 million in lease revenue bonds and \$60 million in lease revenue notes issued by the stadium authority. The debt is being repaid from revenue generated by special sports themed lottery tickets. The remaining costs were covered with cash that had accumulated in the lottery fund since it was established in 1988 to finance sports stadiums. The team contributed \$9 million for construction of skyboxes.					

Maryland (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL*	Baltimore	Memorial Stadium	City of Baltimore	No	\$6	100%
	Baltimore Ravens **	63,000			\$38 Adjusted to 1995 dollars	Yes
		1950				
Stadium Funding Source:	Bonds were issued in the amount of \$6 million by the city of Baltimore. Additional bonds were issued soon after the stadium opened in the amount of \$2.5 million, bringing the total cost to \$8.5 million.					
	* The Washington Redskins football franchise is moving to a new stadium being built in Prince George's County, Md. The state is contributing \$70.5 million to the \$160 million project by providing infrastructure improvements funded through the highway trust fund.					
	** The Ravens will begin play in a new football stadium in 1998. The stadium is projected to cost \$200 million and is being 100% financed by the state through a combination of \$90 million in revenue bonds and \$110 million in surplus sports lottery money and revenues generated from other stadium operations.					

Maryland (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NBA	Landover	US Air Arena	Team Owner	No	\$18	N/A
	Washington Bullets **	18,756			\$61.7 Adjusted to 1995 dollars	No
		1973				
Stadium Funding Source:	Stadium financed by owner of the Bullets.					

Maryland (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NHL	Landover	US Air Arena	Team Owner	No	\$18	N/A
	Washington Capitals **	18,130 1973			\$61.7 Adjusted to 1995 dollars	No

**Stadium
Funding
Source:**

Stadium financed by owner of the Bullets.

**** The Bullets and Capitals are moving into the District and will play in the new MCI Arena under construction.**



Massachusetts	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
MLB	Boston	Fenway Park*	John Harrington (team owner)	No	\$0.42	N/A
	Boston Red Sox	33,871 1912			\$6.5 Adjusted to 1995 dollars	No

**Stadium
Funding
Source:**

Privately financed in 1912. Building was assessed at \$420,000 and land at \$344,000.

* Boston Red Sox owners have announced that they will privately finance a new ballpark to replace Fenway. The exact location has not been determined.

Massachusetts (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL	Foxboro	Foxboro Stadium	Robert Kraft (team owner)	No	\$61	N/A
	New England Patriots*	60,794 1971			\$229.5 Adjusted to 1995 dollars	No

**Stadium
Funding
Source:**

Privately funded by William Sullivan family.

* A proposal is under consideration for a new \$175 million privately financed football stadium in South Boston. Money to build the facility would come from the team plus the early sale of personal seat licenses and 25 suites at a price of \$1 million each. Public money would be used for roads and infrastructure.

Massachusetts (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NBA	Boston	FleetCenter	New Boston Garden Corp.	No	\$160	N/A
	Boston Celtics	18,624				No
		1995				
Stadium Funding Source:	Financed privately by five life insurance companies.					

Massachusetts (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NHL	Boston	FleetCenter	New Boston Garden Corp.	No	\$160	N/A
	Boston Bruins	17,565				No
		1995				
Stadium Funding Source:	Financed privately by five life insurance companies.					



Michigan	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
MLB	Detroit	Tiger Stadium *	City of Detroit	No	Info not available	
	Detroit Tigers	52,416				
		1912				
Stadium Funding Source:	Financing information on the original Tiger Stadium is not available.					

* In March 1996, Detroit voters approved the use of \$40 million in Downtown Development Authority bonds to help finance a new stadium to replace the 84 year old Tiger Stadium. Plans call for a new 42,000 seat stadium at a cost of \$240 million. The Tigers have agreed to pay \$145 million and the state will contribute \$55 million out of the Michigan Strategic Fund.

Michigan (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL*	Pontiac	Silverdome	City of Pontiac	Yes	\$55.7	100%
	Detroit Lions	80,365 1975	Stadium Building Authority		\$157.7 Adjusted to 1995 dollars	No
Stadium Funding Source:	Stadium financed through \$25 million in bonds sold by a special authority, \$16 million in general obligation bonds issued by the city, \$7 million from a 15-year installment loan and a state subsidy of \$800,000 per year.					
	* In the 1996 November election, voters in Wayne County agreed to impose new tourism taxes to finance a new stadium in Detroit for the Lions. The new taxes include a 1% hotel/motel tax and a 2% surcharge on rental cars. The Lions will contribute \$50 million.					

Michigan (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NBA	Auburn Hills	Palace of Auburn Hills	Team Owner	No	\$80	N/A
	Detroit Pistons	21,454 1988			\$103 Adjusted to 1995 dollars	No
Stadium Funding Source:	Privately funded but the city of Auburn and the state provided property tax abatements and infrastructure improvements.					

Michigan (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NHL	Detroit	Joe Louis Arena	City of Detroit	No	\$34	100%
	Detroit Red Wings	18,227 1979			\$71.3 Adjusted to 1995 dollars	No
Stadium Funding Source:	Publicly funded.					



Minnesota	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
MLB	Minneapolis	Hubert Humphrey Metrodome	Metro Sports Facilities Commission	Yes	\$75	91%
	Minnesota Twins	56,144			\$118.4 Adjusted to 1995 dollars	No
		1982				
Stadium Funding Source:	Financed through the sale of \$55 million in tax-exempt revenue bonds. Remainder was funded with \$13 million in interest earned on the bonds and \$7 million from the Vikings and Twins for auxiliary facilities. If there is a revenue shortfall on the debt, it is covered with a Minneapolis-only hospitality tax. This tax, however, has not been used since 1984.					

Minnesota (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL	Minneapolis	Hubert Humphrey Metrodome	Metro Sports Facilities Commission	Yes	\$75	91%
	Minnesota Vikings	63,000			\$118.4 Adjusted to 1995 dollars	No
		1982				
Stadium Funding Source:	Financed through the sale of \$55 million in tax-exempt revenue bonds. Remainder was funded with \$13 million in interest earned on the bonds and \$7 million from the Vikings and Twins for auxiliary facilities. If there is a revenue shortfall on the debt, it is covered with a Minneapolis-only hospitality tax. This tax, however, has not been used since 1984.					

Minnesota (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NBA	Minneapolis	Target Center	Minneapolis Community Development Agency	Yes	\$117	72%
	Minnesota Timberwolves	19,000			\$136.3 Adjusted to 1995 dollars	No
		1990				
Stadium Funding Source:	Facility was originally financed from private sources with \$23 million in assistance from the city in the form of site acquisition and infrastructure work. In 1995, the city purchased the facility and refinanced. Under terms of the new financing plan, the city of Minneapolis issued \$70.8 million in general obligation bonds and the MCDA issued \$12.6 million in tax-exempt revenue bonds.					



Missouri	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
MLB	Kansas City	Kauffman Stadium	Jackson County	Yes	\$21.5	100%
	Kansas City Royals	40,625			\$73.7 Adjusted to 1995 dollars	No
		1973				
Stadium Funding Source:	Stadium financed through a \$43 million county bond issue that also funded a neighboring football stadium.					

Missouri (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
MLB	St. Louis	Busch Stadium	Gateway Partnership	No	\$22	N/A
	St. Louis Cardinals	56,627			\$103.2 Adjusted to 1995 dollars	No
		1966				
Stadium Funding Source:	Privately financed.					

Missouri (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL	Kansas City	Arrowhead Stadium	Jackson County	Yes	\$21.5	100%
	Kansas City Chiefs	77,872			\$78.3 Adjusted to 1995 dollars	No
		1972				
Stadium Funding Source:	Stadium financed through a \$43 million county bond issue that also funded a neighboring baseball stadium. The team later paid for the addition of luxury boxes.					

Missouri (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL	St. Louis	Trans World Dome	Regional Convention and Sports Complex Authority	Yes	\$299	96%
	St. Louis Rams	65,300				No
		1995				
Stadium Funding Source:	Stadium funded through \$259 million in bonds issued by the sports authority. 50% of the debt is backed by the state through an annual general fund appropriation. 25% of the debt is backed by the county with proceeds from a hotel/motel tax. 25% is backed by the city through convention center activities. Balance of financing came from bond proceeds, interest earnings and \$12 million in revenues from personal seat licenses.					

Missouri (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NHL	St. Louis	Kiel Center	Kiel Center Partners	No	\$135	46%
	St. Louis Blues	18,500			\$138.8 Adjusted to 1995 dollars	No
		1994				
Stadium Funding Source:	The Kiel Center was financed with \$62 million in tax-exempt private activity bonds, \$30 million in equity subscribed by the Kiel Center Partners, \$37 million in bank borrowings and \$6 million in working capital.					



New Jersey	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL	East Rutherford	Giant Stadium (Meadowlands)	New Jersey Sports and Exposition Authority	Yes	\$75	100%
	New York Giants	78,124			\$200.8 Adjusted to 1995 dollars	No
		1976				

**Stadium
Funding
Source:**

Financed through \$78 million bond issue handled by the sports authority. Created in 1971, the stadium is part of a larger sports complex that includes a horse-race track that generates revenues that go toward paying off the bond debt.

New Jersey (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL	East Rutherford	Giant Stadium (Meadowlands)	New Jersey Sports and Exposition Authority	Yes	\$75	100%
	New York Jets	78,124			\$200.8 Adjusted to 1995 dollars	No
		1976				

**Stadium
Funding
Source:**

In 1984, the Jets started playing in Giants Stadium, which was publicly financed through a \$78 million bond issue handled by New Jersey sports authority. Stadium is part of a larger sports complex that includes a horse-race track that generates revenues that go toward paying off the bond debt.

New Jersey (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NBA	East Rutherford	Continental Airline Arena (Meadowlands)	New Jersey Sports and Exposition Authority	Yes	\$85	100%
	New Jersey Nets	20,039			\$142.5 Adjusted to 1995 dollars	No
		1981				

**Stadium
Funding
Source:**

Arena is part of a larger sports complex that houses a football stadium and horse race-track. Publicly funded by bonds issued by the New Jersey sports authority. Debt paid off by revenue generated from race-track.

New Jersey (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NHL	East Rutherford	Continental Airline Arena (Meadowlands)	New Jersey Sports and Exposition Authority	Yes	\$85	100%
	New Jersey Devils	19,040			\$142.5 Adjusted to 1995 dollars	No
		1981				

**Stadium
Funding
Source:**

Arena is part of a larger sports complex that houses a football stadium and horse race-track. Publicly funded by bonds issued by the New Jersey sports authority. Debt paid off by revenue generated from race-track.



New York	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
MLB	New York	Shea Stadium	City of New York	No	\$24	100%
	New York Mets	55,601			\$117.8 Adjusted to 1995 dollars	No
		1964				
Stadium Funding Source:	General obligation bonds were issued by the city to finance the stadium.					

New York (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
MLB	New York	Yankee Stadium	City of New York	No	\$3.175	21%
	New York Yankees	57,545			\$28.3 Adjusted to 1995 dollars	No
		1923				
Stadium Funding Source:	Construction cost \$2.5 million and was privately financed; the land, worth \$675,000 was provided by the city.					

New York (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
FL	Orchard Park	Rich Stadium	Erie County	No	\$22	100%
	Buffalo Bills	80,290			\$75.5 Adjusted to 1995 dollars	No
		1973				
Stadium Funding Source:	Publicly financed with revenue bonds. More seats added for 1995 season at a cost of \$23 million financed by the Bills and the county.					

New York (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NBA	New York	Madison Square Garden	MSG Limited Partners		Info not available	
	New York Knicks	19,763				
		1925				

Stadium Funding Source: Original financing information is not available. Extensive renovation in 1990 cost \$200 million and was financed with private funds.

New York (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NHL	Buffalo	Marine Midland	City and Team	No	\$122	45%
	Buffalo Sabres	21,000				No
		1996				

Stadium Funding Source: State, county, city and private funds. Financed with \$25 million from the state, \$20 million from Erie County, \$10 million from the city and \$67 in private funds.

New York (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NHL	New York	Madison Square Garden	MSG Limited Partners		Info not available	
	New York Rangers	18,200				
		1925				

Stadium Funding Source: Original financing information is not available. Extensive \$200 million renovation in 1990 was financed with private funds.

New York (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NHL	Uniondale	Nassau Veterans Memorial Coliseum	Nassau County	No	31.3	100%
	New York Islanders	16,297			\$114 Adjusted to 1995 dollars	No
		1972				

Stadium Funding Source: Funded with tax-exempt bonds



North Carolina	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL	Charlotte	Ericsson Stadium	Panthers	No	\$247.7	20%
	Carolina Panthers	72,350				No
		1996				

**Stadium
Funding
Source:**

Stadium financed by private investors and with \$147 million from the sale of permanent seat licenses, which qualify buyers to obtain season tickets. The city of Charlotte donated the land for the stadium, which is valued at close to \$35 million and made more than \$15 million in public infrastructure improvements.

North Carolina (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NBA	Charlotte	Charlotte Coliseum	City	Yes	\$52	100%
	Charlotte Hornets	24,042			\$67 Adjusted to 1995 dollars	Yes
		1988				

**Stadium
Funding
Source:**

Publicly funded with bonds approved by voters. \$10 million in later improvements were financed with operating revenues.



Ohio	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
MLB	Cincinnati	Riverfront Stadium *	City of Cincinnati	No	\$44	100%
	Cincinnati Reds	52,952			\$172.6 Adjusted to 1995 dollars	No
		1970				

**Stadium
Funding
Source:**

Publicly financed through a \$44 million revenue bond issue to accommodate football and baseball. Bond debt is serviced with stadium revenues.

Oregon	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NBA	Portland	Rose Garden	Oregon Arena Corp. (team owner)	No	\$94	14% plus land
	Portland Trail Blazers	21,401				No
		1995				
Stadium Funding Source:	Total project cost of \$262 million, which includes the basketball arena, four parking facilities, a public plaza and an office/retail development. The city donated the land and issued bonds in the amount of \$34.5 million for infrastructure improvements. The bonds are backed by project revenues and revenues generated by the 6% ticket tax.					



Pennsylvania	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
MLB	Philadelphia	Veterans Stadium	City of Philadelphia	No	\$50	100%
	Philadelphia Phillies	62,382			\$188 Adjusted to 1995 dollars	Yes
		1971				
Stadium Funding Source:	Publicly financed to accommodate football and baseball. Voters approved a \$25 million city bond issue in 1964 and another \$13 million in 1967 due to cost overruns.					

Pennsylvania (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
MLB	Pittsburgh	Three Rivers Stadium	Stadium Authority of Pittsburgh	Yes	\$35	100%
	Pittsburgh Pirates *	47,972			\$137 Adjusted to 1995 dollars	No
		1970				
Stadium Funding Source:	Publicly financed with city-backed general revenue bonds to accommodate football and baseball.					
	* The City of Pittsburgh and the Pirates are currently exploring options for a new baseball-only facility.					

Pennsylvania (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL	Philadelphia	Veterans Stadium	City of Philadelphia	No	\$50	100%
	Philadelphia Eagles	65,178			\$188 Adjusted to 1995 dollars	Yes
		1971				
Stadium Funding Source:	Publicly financed to accommodate football and baseball. Voters approved a \$25 million city bond issue in 1964 and another \$13 million in 1967 due to cost overruns.					

Pennsylvania (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL	Pittsburgh	Three Rivers Stadium	Stadium Authority of Pittsburgh	Yes	\$35	100%
	Pittsburgh Steelers	59,600			\$137 Adjusted to 1995 dollars	No
		1970				
Stadium Funding Source:	Publicly financed with city-backed general revenue bonds to accommodate football and baseball.					

Pennsylvania (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NBA	Philadelphia	CoreStates Spectrum	COMCAST Group	No	\$206	N/A
	Philadelphia 76ers	21,000				No
		1996				
Stadium Funding Source:	Privately financed although \$10 million in state capital budget funds were used for the CoreStates Center project.					

Pennsylvania (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NHL	Philadelphia	CoreStates Spectrum	COMCAST Group	No	\$206	N/A
	Philadelphia Flyers	19,500				No
		1996				
Stadium Funding Source:	Privately financed although \$10 million in state capital budget funds were used for the CoreStates Center project.					

Pennsylvania (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NHL	Pittsburgh	Civic Arena	City/County		\$22	100%
	Pittsburgh Penguins	17,537			\$112 Adjusted to 1995 dollars	
		1961				
Stadium Funding Source:	Publicly funded although the team has helped finance some of the major renovation projects such as adding seating and luxury boxes and installing computerized ice-making equipment.					



Tennessee	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL *	Nashville	Cumberland Stadium	Nashville and Davidson County	Yes	\$292 (projected)	100%
	Oilers	76,000				Yes

1998 (scheduled)

**Stadium
Funding
Source:**

The state legislature voted to approve state participation in the Oilers deal. The state will pay \$12 million for road improvements and stadium access. The state will also issue \$55 million in general obligation bonds. \$77.5 million will be issued in revenue bonds to be serviced with sales taxes on Oilers tickets and merchandise. Other financing sources include \$71 million from the sale of personal seat licenses and \$74.5 from general obligation bond proceeds.

* Nashville has successfully negotiated with the Houston Oilers to move there by 1998.



Texas	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
MLB	Arlington	The Ballpark at Arlington	City	Yes	\$190.7	71%
	Texas Rangers	49,292			\$196 Adjusted to 1995 dollars	Yes

1994

**Stadium
Funding
Source:**

City issued \$135 million in revenue bonds backed by a special sales tax of 0.5. The remainder was financed by private investors.

Texas (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
MLB	Houston*	Astrodome	Harris County	No	\$31.6	100%
	Houston Astros	54,350			\$152.5 Adjusted to 1995 dollars	Yes

1965

**Stadium
Funding
Source:**

Multi-use stadium financed by \$23 million bond issue backed by Harris County. Upgraded through a \$42 million program in 1982. Additional seating capacity added in 1989 at a cost of \$60 million.

* On Nov. 5, 1996, voters in Harris County narrowly approved Proposition One, a proposal promoting a new baseball stadium in downtown Houston. The proposal must still be approved by the Legislature in the 1997 session. If adopted, financing of the new retractable roof stadium will be a public/private partnership. Private funds will provide \$85 million of the estimated \$265 million cost. The remaining \$180 million public funding will come from a variety of sources, primarily taxes generated by users of the facility.

Texas (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL	Houston	Astrodome	Harris County	No	\$31.6	100%
	Houston Oilers*	59,905			\$152.5 Adjusted to 1995 dollars	Yes
		1965				
Stadium Funding Source:	Multi-use stadium financed by \$23 million bond issue backed by Harris County. Upgraded through a \$42 million program in 1982. Additional seating capacity added in 1989 at a cost of \$60 million.					

Texas (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL	Irving	Texas Stadium	Cowboys	No	\$35	100%
	Dallas Cowboys	65,846			\$131.6 Adjusted to 1995 dollars	No
		1971				
Stadium Funding Source:	Financed by bond issue from the City of Irving. Luxury suites added by team owners in 1985 and 1993.					

Texas (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NBA	Dallas	Reunion Arena	City of Dallas	No	\$27	100%
	Dallas Mavericks	17,502			\$50 Adjusted to 1995 dollars	No
		1980				
Stadium Funding Source:	Publicly financed with municipal bonds.					

Texas (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NBA	Houston	The Summit Arena	City of Houston	No	\$18	100%
	Houston Rockets	16,311			\$51 Adjusted to 1995 dollars	No
		1975				
Stadium Funding Source:	Publicly financed with bonds.					

Texas (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NBA	San Antonio	Alamodome	City of San Antonio	Yes	\$186	100%
	San Antonio Spurs	20,662			\$196 Adjusted to 1995 dollars	Yes
		1993				

Stadium Funding Source Originally built as a football stadium in hopes of being awarded an NFL expansion team, the Alamodome was funded by a five-year, 0.5% local mass-transit tax.

Texas (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NHL	Dallas	Reunion Arena	City of Dallas	No	\$27	100%
	Dallas Stars	16,924			\$50 Adjusted to 1995 dollars	No
		1980				

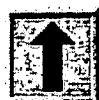
Stadium Funding Source Publicly financed with municipal bonds.

* The Houston Oilers are moving to Nashville and will begin play there in 1988.



Utah	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NBA	Salt Lake City	Delta Center	Team Owner	No	\$90	26%
	Utah Jazz	19,911			\$100.6 Adjusted to 1995	No
		1991				

Stadium Funding Source: Mostly financed by team owner. The city issued a \$24 million tax increment bond.



Washington	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
MLB	Seattle	Kingdome*	King County	No	\$69	100%
	Seattle Mariners	59,702			\$184.7 Adjusted to 1995 dollars	Yes
		1976				

**Stadium
Funding
Source:**

Publicly financed by \$40 million in general obligation bonds backed by King County, a 1% car rental tax and a 2% county hotel tax to accommodate baseball and football. In 1995, an additional \$70 million in local bonds were issued to repair the roof.

* In September 1995, King County voters rejected a proposed increase in the county's sales tax to finance a new stadium. The Legislature devised a new financing plan where the state contributes \$100 million, new county taxes contribute \$200 million and the Mariners contribute \$45 million. The state share will come from 0.017% of the sales tax collected in King County plus the proceeds from two new lottery games and special stadium license plates. King County Council approved three new taxes to pay its share: a 5% admission tax for stadium events; and additional 2% car rental tax; and a 0.5% tax on restaurants and bars.

Washington (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
FL	Seattle	Kingdome	King County	No	\$69	100%
	Seattle Seahawks*	66,000			\$184.7 Adjusted to 1995 dollars	Yes
		1976				

**Stadium
Funding
Source:**

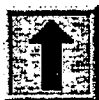
Publicly financed by \$40 million in general obligation bonds backed by King County, a 1% car rental tax and a 2% county hotel tax to accommodate baseball and football. In 1995, an additional \$70 million in local bonds were issued to repair the roof.

* In June 1997, voters approved a new \$425 million stadium for the Seahawks. The majority of funding will come from state lottery revenues, sales tax revenues and a county-wide extension of the hotel tax. Team owner, Paul Allen, will pay one quarter of the stadium cost.

Washington (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NBA	Seattle	Key Arena	City of Seattle	No	\$114	82%
	Seattle SuperSonics	17,102				No
		1995				

**Stadium
Funding
Source:**

Funded with public and private funds. \$74.5 million from the city and about \$20 million from the team. Value of land and infrastructure in place is \$15 million to \$25 million.



Wisconsin	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
MLB	Milwaukee	Milwaukee County Stadium *	Milwaukee County	No	\$7.7	100%
	Milwaukee Brewers	53,192			\$43.8 Adjusted to 1995 dollars	No
		1953				
Stadium Funding Source:	Publicly financed by county bond issue.					

* In 1995, the Wisconsin Legislature authorized the creation of a five-county stadium district in the Milwaukee metro area that is authorized to issue \$160 million in tax exempt bonds for the construction of a new \$250 million baseball stadium (Miller Park). Financing for the bonds will come from a 0.1% sales tax in the stadium district. In addition, the Brewers will contribute \$90 million to construction of the new stadium. The state will fund \$36 million in infrastructure costs and the City and County of Milwaukee will share another \$36 million in infrastructure costs. The stadium will be owned jointly by the team and the stadium district. The stadium is expected to be completed by March 1999.

Wisconsin (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NFL	Green Bay	Lambeau Field	City of Green Bay	No	\$1.2	100%
	Green Bay Packers	60,789			\$6.5 Adjusted to 1995 dollars	No
		1957				
Stadium Funding Source:	Original construction cost shared by city and the team. The stadium has been expanded six times, all paid for by the team, which is publicly owned as a nonprofit corporation.					

Wisconsin (continued)	City and Team	Stadium/ Arena, Seating Capacity, Year Opened	Stadium Owner	Sports Authority	Facility Cost (millions)	% Publicly Financed, Public Vote
NBA	Milwaukee	Bradley Center	Sports and Entertain-ment Inc.	No	\$90	42%
	Milwaukee Bucks	18,633			\$116	No
		1988			Adjusted to 1995 dollars	
Stadium Funding Source:	The city donated the site valued at approximately \$6 million and the city issued \$32 million in general obligation bonds. Much of the money for the arena was donated by the Bradley family as a gift to people of Wisconsin.					

Sources: NCSL survey of facility management and assorted newspaper articles and industry publications.

Note: All cost figures represent original stadium costs. Stadiums built prior to 1995 were adjusted to 1995 dollars using the Consumer Price Index.

* The "% Publicly Financed" column includes any bond issue by a public entity even if the debt is serviced with stadium revenues and there is no actual public subsidy.



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Sports Facility Location as an Economic Development Strategy in Seattle, Portland, and Vancouver

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Summary

Introduction

The past ten years have revealed a significant new activity generator for North America downtown: the sports and entertainment facility. While significant public investment in these facilities has been ongoing since the early 1960's, the staggering increase in the number of new sports facilities has resulted in significant attention from the commercial press. (*USA Today*, 1996). What is more, this binge does not appear to be over. Instead, the number of new facilities being planned and financed across North America is increasing regularly.

Stadium proponents argue that the economic benefits of a new facility will spin-off new enterprises and increase local land values because of increased pedestrian traffic and tourism dollars in the area around the new stadium. Further, other less tangible economic benefits will be generated by the "big league" image that a professional sports franchise and a world class facility present to the world. Proponents point to new facilities in Baltimore (Camden Yards), Denver (Coors Field), and Cleveland (Gund Arena and Jacobs Field) as prime examples of the economic and psychological effects of new facilities for a city.

Stadium opponents base their argument less on perceived benefits and more upon the various economic studies of sports facilities. Opponents argue that the economic effects of these new stadiums have been shown to be minimal and that public resources would be better spent elsewhere. (Baade and Dye, 1988; Baade and Dye, 1990; Rosentraub et al, 1994; Baade, 1996) Evidence suggests that the economic benefits that do accrue provide only low wage, seasonal jobs. Further, some studies have concluded that, even given some economic benefits, municipalities that finance new stadiums have trouble capturing these benefits because they spill over to other jurisdictions. (Rosentraub and Nunn, 1978; Nunn and Rosentraub, 1995)

In sum, then, almost all evidence suggests that sports facilities do not make economic sense for cities. A recent Urban Policy Forum in the *Journal of Urban Affairs* came to this conclusion. (1996, Vol. 18) Despite the conclusion of most studies that public investment into sports facilities yields only minimal economic benefits, officials continue to push for new facilities and public dollars continue to be spent on them. Why might this be?

It has been suggested by some that studies of these facilities fall short in identifying the total benefits of new sports stadiums and arenas. (Rosentraub, 1996; Chema, 1996) The economic focus of these studies cannot begin to quantify the intangible benefits of these new facilities. For example, the psychological benefits of living in a "big league" city cannot be summed in a dollar figure or in the number of jobs created. For example, facility location can demonstrate political and social commitments to an area, focus community resources, and serve a larger strategy for revitalizing or at least stemming the decline in a given area. Some cities, like Detroit and Cleveland, have used a very public stadium provision process to make clear their intentions to invest in a downtown area and not "abandon" the city. Indeed, the location of sports facilities most certainly provides some tangible economic benefits, like crowds of people spending money in a small geographic area. However, a new facility also provides a wide array of intangible benefits as well. As the following cases will show, both tangible and intangible benefits were at the heart of the facility location decision in Seattle, Portland, and Vancouver.

New Arenas in the Northwest: A Comparative Assessment

Seattle's *Key Arena*, Portland's *Rose Garden*, and Vancouver's *GM Place* all opened in the Fall of 1995. Each arena was locally touted as the best facility in the country and each promised to serve as a long term host for professional sports franchises in their respective cities. While these facilities were built primarily to house beloved sports franchises, each will also likely become an important venue for concerts and performing arts shows that travel to the Pacific Northwest.

Within each city an economically obsolete venue was retired with the completion of these new facilities. In both Portland and Vancouver new arenas replaced old facilities that were built in an earlier stadium/arena building boom in the late 1960's. Seattle differs somewhat from its Northwestern cousins in that it did not replace its outdated arena, the *Seattle Coliseum*. Rather, the city and the team chose to renovate the existing *Coliseum* structure. Each of the new arenas reveals striking similarities in their economic design (with the incorporation of luxury suites and club seating) and their multi-use design (inclusion of restaurants and/or office space).

Seattle's *Key Arena* : A Civic and Political Statement

Seattle's *Key Arena* is located in the civic center of this Pacific Northwest metropolis. The sprawling seventy-four acre Seattle Center campus is home to a wide array of organizations and sports teams within its various theaters, sports venues, and museums. Despite showing its age in recent years, the Seattle Center has shown strong resiliency due in part due to the decision to reuse and upgrade the aging Coliseum.

The city of Seattle played host to a World's Fair in 1962 that has in many ways served as *the* signature event in the city's history. After the success of the fair the grounds became known as the Seattle Center and the area evolved into an important center for cultural and civic life in the city. The Center quickly became a source of local pride and developed into a popular tourist attraction. However, at twenty years of age, most Seattlelites agreed that the Center had lost much of its luster and informal plans started to develop for upgrading the civic center.

By the mid-1980's city leaders and Center management began actively pursuing funding and developing plans for upgrading the aging civic center. In 1990, local governments finally came to terms with a joint city-county financing plan to upgrade the Center. The plan called for minimal upgrades to the Seattle Coliseum because the Sonics had announced their intentions to build a new arena of their own (that soon fell apart due to a lack of financing).

As of 1991 the city, the Sonics, and the Seattle Center all found themselves in a peculiar position. The

city wanted to rebuild the Seattle Center to its former glory and retain it as the premier civic center in the northwest. The Sonics wanted a new arena, expanded luxury seating, and greater revenues to compete in a burgeoning NBA market. Lastly, the Seattle Center was competing for festivals, concerts, and other events with outdated facilities (like the Coliseum) and aged fairgrounds. The parties responded to this crisis by coming to a financing agreement with the franchise. The result was a public-private partnership that would renovate the Seattle Coliseum and breathe new life into an economically obsolete structure. The total cost, almost \$130 million, came from a combination of public funds financed with city-backed revenue bonds and a Sonics investment of \$20 million.

The record will show that Seattle built, or, to be more correct, rebuilt the first publicly financed arena solely supported by revenue generated by the facility. The reinvestment in the Seattle Center, the re-use of an important site, and the public show of support for this civic center have provided the city with an important sports and entertainment landmark for years to come. This civic and political statement by city leaders illustrated their strong commitment to the Seattle Center and to the city's well earned image as a destination for tourists and suburbanites. The location served to strengthen the existing entertainment district surrounding the Center and also spurred greater reinvestment into the fairgrounds. Perhaps most importantly, the visibility of the city reinvesting into the Center illustrated the region's commitment to Seattle and to the cultural and recreational opportunities it offers.

Portland's Rose Garden : Investing in an Evolving District

Portland's *Rose Garden* was built northeast of Portland's downtown in a fast growing area considered to be the area's second downtown, the Lloyd District. The arena is located adjacent to the old Memorial Coliseum and across the street from the Oregon Convention Center. This district is envisioned by the city as a thriving entertainment and convention district with plans for infill residential development.

After years of decline and neglect, the Lloyd District slowly began to revitalize during the 1980's. Local government, redevelopment authorities, and local business owners developed a larger plan for the development of this area as Portland's second downtown. The general agreement was that the Lloyd District should be emphasized as a new center for entertainment, conventions, and business. The completion of the convention center in the early 1990's and the rebirth of the entertainment sector led to a revitalization of the district.

A public-private partnership between the city and the NBA's Trail Blazers developed and a new facility was planned for city owned land just south of Portland's existing Memorial Coliseum. Unlike Seattle, however, construction costs for Portland's arena was to be almost entirely privately generated. The city was required to invest only \$34.5 million in the *Rose Garden* which eventually topped out at a whopping \$262 million dollars. It is expected that the public investment will be covered, with a profit, by ticket surcharges, parking revenues, and other event-related sources.

In an effort to heighten the economic impact of the new arena and to strengthen the development of the district, the city also fostered connections to MAX, the regional rail transit system. Further, the thirty-seven acre site is reminiscent of the Seattle Center as the Rose Quarter includes several restaurants, an outdoor concert area, and a public plaza that links the new arena to the old Coliseum. The *Rose Garden* was also designed to play a role in the convention business. The location of the facility in this area was a continuation of the general strategy to develop the Lloyd District as the convention and entertainment focus in the city.

The city's direct involvement in the construction of the *Rose Garden* illustrated their desire to see the continued successful development of the Lloyd District. Further, the inclusion of a rail mass transit station to serve the convention center and the new arena allow for the city to connect this fast growing area to the older and more established downtown. Clearly the city not only promoted, but was an active participant in the development of the Lloyd District. The city's goal was not only to revitalize the Lloyd District, but also to transform it into a new convention and entertainment district. This district now appears ready to develop into a full fledged second downtown. The Rose Garden helps to provide a critical mass of people, a pedestrian friendly mixed-use development, more convention space in close proximity to the existing convention center,

and a vibrant urban place in a growing city.

Vancouver's GM Place : The Downtown Arena Model

Vancouver's arena, *GM Place*, was constructed on the Expo '86 site in an effort to return the NHL's Canucks to downtown Vancouver, build a sports center (as BC Place, a large domed stadium sits adjacent to *GM Place*) and, most importantly, to develop a synergistic relationship with nearby theaters and shopping opportunities that would strengthen the city's downtown. *GM Place*'s location represents what is probably the most popular location and the most popular role for new sports facilities in America: that of "downtown revitalizer".

Similar to their neighbor to the south, Vancouver hosted a world's fair of their own, but much more recently and with a much different legacy than Seattle's fair. The site of the Vancouver Exposition 1986 was on the southeastern portion of downtown along North False Creek. The North False Creek area is an old railroad yards and industrial area that slowly declined and was vacated as Vancouver's economy shifted to a services and tourism based economy. After years of squabbling over this site, the city and the provincial government agreed to use the site for a world's fair, Expo '86.

After Expo '86 the North False Creek site was put up for sale. The buyer was an Asian syndicate interested in creating a mixed use community on the site. By 1992 plans for the renamed Pacific Place called for a build-out population of around 15,000. In 1992 the Griffiths family, owners of the NHL's Canucks, chose the Pacific Place site for their soon-to-be-built new arena. The site afforded several advantages to the team and the city; a light rail station is located on the arena site, the presence of BC Place stadium would help establish the area as the sports epicenter in the region, and the proximity of shopping, restaurants, and theaters provided for an excellent agglomeration of downtown land uses. Further, the arena would also serve to fill in some of the vacant Pacific Place and would fill a highly visible land gap between two viaducts that connect downtown Vancouver to its eastern neighborhoods. Unlike both Seattle and Portland, *GM Place* was financed entirely by private funds.

The city of Vancouver touts the locational advantages of *GM Place*. The arena is situated in the heart of Vancouver's entertainment district suggesting that the connections to this district are present and well maintained. However, the site design and urban connections of *GM Place* are found to be a bit wanting. The arena, situated between two viaducts, has few direct pedestrian connections into downtown despite its proximity to shopping and restaurants. The one major connection is the rail line that runs into the city. These poor downtown connections are compounded by the 1960's "urban renewal" feel that still permeates much of Pacific Place.

Vancouver's *GM Place* continues the very popular development strategy of locating new sports stadia in the downtown core. It is argued by proponents of these locations that the economic synergism that develops between the facility and local land uses will foster economic growth and retain the image of the downtown as the cultural and entertainment center of the region. These arenas are meant to attract suburban shoppers to downtown and to help bolster the image of the inner city. The location of *GM Place* served several needs for the city. The facility's location in close proximity to downtown shopping and entertainment was thought to generate tangible economic benefits. Proximity to an existing stadium would create a sports center for the entire region. Lastly, city leaders wanted to see some development at the Pacific Place site to provide an image that development was finally restarting on this largely unutilized prime real estate.

Conclusion

The physical location of a sports facility within a city represents the expression of a specific economic development strategy. Seattle chose to reinvest in a structure and a fairgrounds that were popular as a citywide and regional amenity. This solution represented a political and highly visible commitment to strengthen the city's popular civic center and illustrate Seattle's intention to remain the cultural center of the region. This strategy might best be described as the *reinvestment strategy*. Seattle represents one of the first cities to utilize this strategy. In Portland, the *Rose Garden* was built in close proximity to the convention center and with an eye towards developing pedestrian linkages between the arena, the convention center, and the developing

district. This strategy is best understood as the *convention/entertainment district strategy*. Lastly, Vancouver's *GM Place* represents by far the most popular development strategy involving sports facilities across North America. The *downtown (re)development strategy* has been utilized in numerous cities throughout the continent. This strategy attempts to lure people and dollars back downtown by providing for an exciting, urban experience that offers suburbanites a chance to experience the hustle and bustle of the city several hours at a time.

There is a growing awareness among policy analysts that economic analyses of sports facilities only address a portion of the controversy surrounding these facilities. Both Cherna (1996) and Rosentraub (1996) each note that these studies have addressed only the question of economic benefits, but with a disregard for the noneconomic effects and intangible reasons behind the public involvement in these facilities. This paper has hopefully served to augment their argument for a recognition of the noneconomic impacts and development strategies surrounding these facilities. Specifically, facility location is utilized not solely to address economic goals, but also for intangible objectives like district renewal and overt political/economic commitment to a district. These commitments are made by cities and regions to illustrate that downtown continue to be viable, exciting, and functional places.

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