Mixed Outcomes: Tax Increment Financing, Stadiums, Arenas and Mixed-Use Real Estate Development

Robert Sroka, University of Michigan

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This project evaluates tax increment financing (TIF) and sport facilities with both a TIF and mixed-use real estate development component. While the literature review starts with a base of essential articles on the subject of TIF, the focus will be on work published in the past decade and articles written from a legal perspective. The four case studies (Dallas, San Diego, Louisville and Frisco) are selected for their significant use of TIF and for the unique wrinkles they add to the discussion. Out of these case studies, the paper first evaluates the relative impact of TIF legal and statutory frameworks, including the presence of “blight” or other state-level requirements, local zoning bylaws, the structure of borrowing and the risk distribution between actors. Next the paper will examine the outcomes of TIF districts adjacent to arenas or stadiums relative to other TIF uses in the same jurisdiction or metropolitan area. The paper also considers how TIF funds were spent and the convergence of use mix where TIF is present. From this analysis, the paper offers suggestions on how TIF structures can be used to create better deals in the future, namely that properly framed TIF can insulate local governments from some of the more deleterious risks of stadium and arena partnerships.

Cases:

The Dallas Sports Arena TIF and the American Airlines Arena:

The Dallas Sports Arena TIF was created in 1998 immediately adjacent to downtown Dallas. While the American Airlines Center was not itself funded by TIF, infrastructure associated with the arena was. The eighteen year history, which includes a major 2012 amendment focused on spurring further mixed-use development, provides ample history by which to assess the impact of the TIF district relative to its projections and intended outcomes. The 2012 amended plan also moved to direct TIF funds to arena improvements that would allow ground level arena components to be opened to non-event use. The TIF area is additionally notable for its effectively gerrymandered and evolving geography.

San Diego’s East Village and Petco Park:

The Redevelopment Agency of the City of San Diego’s $50 million contribution to the project was largely through TIF. The stadium deal is notable for the team guarantee of $300 million of real estate development in the East Village adjacent to Petco Park, a target that has been far exceeded in both quantity of investment and quality of mix. The multi-billion dollar increase in assessed value, although not fully imagined in the MOU that was approved by referendum to build Petco, is analyzed to see how in retrospect the deal could have been structured to take greater advantage of TIF and leave other public finance sources untapped. In particular, the paper evaluates whether the public contribution could have been fully financed by borrowing against future TIF revenues with the team guaranteeing any shortfalls.

Louisville and the KFC Yum! Center:

TIF is the primary means to repay the debt incurred to build Louisville's downtown arena. The KFC Yum! Center is debatably the most TIF-reliant major league sized arena or stadium (albeit with no major league tenant) and the TIF district has seen significant shortfalls which the public is largely responsible for (up to $9.8 million a year). As a result, several actions have been taken to try to close the revenue gap, including a major shrinking of the TIF zone. Yet despite the dire debt situation and absence of a major league tenant, the arena is seen by some as a successful venue in terms of event revenues. Thus again the issues the paper examines are what went wrong, the viability of a
fix, and considering how this could have been better structured in the first instance.

Frisco, Texas, Toyota Stadium and the Frisco Sports Complex:

Frisco, a northern suburb of Dallas of just over 100,000, has undertaken an aggressive sports-based development strategy over the past fifteen years largely financed by TIF. Through two distinct clusters, Frisco has assembled an impressive array of facilities financed in significant part by TIF and bordered by atypical mixed-use districts. The Sports District is home to a minor league baseball stadium, minor league hockey arena, velodrome, housing, conference center and hotel development, adjacent to a major suburban shopping mall and Ikea Dallas. All of this is part of the same TIF zone and was a greenfield prior to 2000, which also brings in analysis of TIF expansionism beyond its traditional redevelopment and brownfield role. Toyota Stadium for MLS and a soccer training complex is located immediately north to a new (developed after the stadium) mixed-use (retail, housing, government and hospital) urban core for Frisco, roughly six blocks from Frisco’s traditional small-town downtown. Not satisfied however, Frisco is also embarking upon a third major sports-based greenfield mixed use district, the $1 billion Frisco Square, centered on the new Cowboys practice facility and high school football stadium, which will include four hotels, 5 million square feet of office space and 2,400 townhomes and condominiums. Yet Frisco Square is only one of four major new mixed-use projects, collectively known as the “$5 Billion Dollar Mile”. While these new projects are apparently being privately financed in full, the impact of the two TIF funded sports clusters on spurring this further development is examined.