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Financing New York's sport venues

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Background

In 2002, the New York Yankees (Major League Baseball) announced plans to construct a new stadium at an estimated cost of US$800 million. They stated that all costs would be incurred by the team owners except for US$300 million related to infrastructure development that would be paid with public funds. In 2004, the New York Jets and New York Giants (National Football League) announced their intention to build a jointly occupied domed stadium at the site of their current stadium in New Jersey. The cost was projected to be US$800 million, with no public financing except for US$225 million related to infrastructure. In 2006 the New York Mets (Major League Baseball) announced plans for a new US$620 million stadium. Public financing was to provide approximately US$420 million for construction of the stadium and an additional US$75 million for infrastructure. In addition to these venues, two new arenas and a soccer stadium were also proposed. An arena in Newark, New Jersey, for the New Jersey Devils (National Hockey League) at an estimated cost of US$365 million; an arena in Brooklyn to house the New York Nets (National Basketball Association) at an estimated cost of US$550 million; and a soccer specific stadium in Harrison, New Jersey, developed by Red Bull New York (Major League Soccer), at an estimated cost of US$225 million. For the most part, the citizens of New York and New Jersey were unaware of the nature of the public and private financing arrangements that materialized for these professional sport venues.

Objectives

The objectives of this presentation are: 1) to identify and examine key political and economic issues related to the development of new sport venues for the Greater New York area's professional sport franchises; 2) to examine the nature of the public and private financing that was ultimately developed for these venues; and 3) to discuss the outcomes and future trends related to venue development and corporate naming rights for the broader sport industry.

Methods

Methodology included personal interviews with facility managers, media experts, and government officials. A systematic review of research and publications related to the recent development and financing of sport venues in the Greater New York metropolitan area was conducted. A critical analysis was performed on data collected from Revenues From Sports Venues (2006-2009) and the RSV Pro Facilities Report (2006-2009), as well from the Sport Business Research Network (SBRnet.com). Additionally, financial analyses were carried out for all of the venues.

Results

It was determined that a complex mix of local, regional, and state politics has significantly affected the dynamics of professional sport venue development and financing in the Greater New York area and that not only the region, but the entire U.S., will see a major trend toward the "mallification" of new professional sport venues. This trend is the result of political pressure, the need to rapidly recoup investment costs related to new venues, and the need to justify the development of sport venues to a broader political constituency. The deep recession in the U.S. economy will continue to have a substantial dampening effect not only on the construction of new sports venues over the next few years, but on venue naming rights, the sale of luxury suites, and the ability to obtain public financing.

Conclusions/Application to Practice

The financial services industry has been a major source of sponsorship (including naming rights) for sports venues. However, given the quasi-nationalization of many of the major financial institutions in the U.S., this is unlikely to continue. A political reality that has evolved over the past ten years is that public financing of stadiums and arenas is no longer as viable as it once was. This reality is due to the convergence of the growing profitability, at least until very recently, of professional sport leagues and the availability of new funding sources, such as low interest cost league loans, the availability of public debt in the form of tax free bonds, and the growth in the use of Personal Seat Licenses (PSLs).

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