

5 Tips For Winning Over Local Officials In Arena Proposals

By **Andrew McIntyre**

Law360, Los Angeles (July 23, 2015, 8:00 PM ET) -- As sports teams see their rivals getting flashy new stadiums, cities are having to sort through myriad proposals for new arenas, and lawyers say developers would be wise to stick to a few core strategies when presenting their stadium proposals to local officials.

With sports projects, municipalities are looking for certainty on the question of public financing as well as assurance that the stadium will bring benefit — economic and other — to the area.

Here, lawyers tell Law360 what developers need to emphasize when they pitch the next great sports arena to local officials.

Community Benefit

While it's important for developers to present a clear plan and vision for the proposed stadium itself, local elected officials are looking for much more than that, and want to see just how the project might benefit their municipality.

"What a local agency would be looking for is benefits to the community, as in jobs or revenue," Timothy D. Cremin of Meyers Nave Riback Silver & Wilson APLC said.

When pitching stadium projects, developers should present detailed plans regarding anticipated job creation as well as other city improvements the project might bring.

"For smaller cities, they're usually interested in having a civic asset. Local elected officials are interested in the civic well-being of their city," Rockard J. Delgadillo, a partner at Liner LLP and former Los Angeles city attorney, said.

"They want things like jobs, improved infrastructure, he added. "They want to make sure the development doesn't negatively impact their local jurisdiction."

Cost Protection

Among the major fears of local elected officials are that a stadium will end up costing the taxpayers too much money, that the money will not be well spent and that the project will not pan out as it has been projected to.

And that has cities cautious about putting public money towards stadiums projects.

“The new mantra became no public monies,” said David L. Preiss of Holland Knight LLP, regarding a gradual shift away from public financing for such projects. “A lot of the focus has been to try and avoid, as a major sales point, general revenue bonds and other things where ... developing and financing new stadiums falls on the taxpayer. That has been a pretty common theme.”

In order to ease those fears, it’s crucial that developers convey a plan that makes it clear just how much public funding is required, lawyers say. And with more and more financing available from private sources, cities have more wiggle room on the question of financing.

“With increasingly creative financial strategies, the cities are less at risk for having to expose the city’s general fund ... than was previously the case,” Fernando Villa of Allen Matkins Leck Gamble Mallory & Natsis LLP said.

And the cost question, lawyers say, is often the major sticking point that needs to be resolved before other issues can be addressed.

“The biggest issue for local officials is the economics of the deal,” Benjamin M. Reznik of Jeffer Mangels Butler & Mitchell LLP said. “For a stadium entity that can present a case where it provides protection from the use of public funds or putting funds at work ... that will pave the way to make all the issues be resolvable.”

Team Commitment

Although "Field of Dreams" promised “If you build it, they will come,” that doesn’t always ring true, and cities want some assurance that stadiums will actually play home to one or more professional teams.

When pitching projects, it’s important for developers to have a reasonable degree of certainty that a team or multiple teams intend to play at the new facility, lawyers say.

“If they’re already there, that’s a lot easier,” Cremin said. “If you’re bringing them from somewhere else, what’s the guarantee that they’re actually going to come? That relates to the timing.”

And it also relates to economics. Cities want assurances that certain revenue streams will arise from a team actually playing at the stadium.

Revenue Stream

One of the most complicated aspects of negotiations between teams, developers and cities is the question of who is going to share in the revenue a stadium creates.

Among the questions city officials will have is how the revenue from retail operations at and around the stadium will be divvied up.

“You want to convey to the city that these stadium deals generate sales tax and property tax and other revenues and have economic ripple effects,” Villa said.

While retail is one key consideration — stadiums indeed become minicities on game days — there are

also other considerations, such as how advertising revenue is divided.

“Sometimes the cities get to share in some of revenues from advertising or get to advertise local events,” Preiss said. “That’s often a matter of negotiating leverage. ... There’s no end to the creativity of what can be done.”

Trust

While flashy PowerPoint proposals replete with in-depth economic analysis and forecasting shouldn’t be overlooked, city officials are also looking for parties whom they trust.

“The biggest issue is trust,” Delgadillo said. “Local elected officials want to know that whoever it is that is dealing with them and representing the interests of a client, that they can trust their word.”

Indeed, without building that sense of trust, developers face an uphill battle in gaining approval for their project.

“They have to be able to trust the word of the individual representing the client who wants to build a stadium,” Delgadillo said.

--Editing by Chris Yates.
